




**CITY OF HAMILTON**  
**PUBLIC WORKS DEPARTMENT**  
**Corporate Asset Management Division**

<b>TO:</b>	Chair and Members Public Works Committee
<b>COMMITTEE DATE:</b>	February 20, 2024
<b>SUBJECT/REPORT NO:</b>	Standardization of Fleet Parts, Service and Single Source Suppliers (PW09074(f)) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Lesley Parker (905) 546-2424 Ext. 5210 Tom Kagianis (905) 546.2424 Ext. 5105
<b>SUBMITTED BY:</b>	Patricia Leishman Director, Corporate Asset Management Public Works Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the standardization of the products, services, manufacturers, and suppliers identified in Appendix “A” to Report PW09074(f) – Standardized Products and Suppliers, be approved pursuant to Procurement Policy #14 – Standardization;
- (b) That the single source of original equipment suppliers and distributors with territorial rights in Appendix “B” to Report PW09074(f) Single Source Suppliers, be approved pursuant to Procurement Policy #11- Non-competitive Procurements;
- (c) That the General Manager, Public Works, or their designate, be authorized to negotiate and enter into any agreements and execute the completion of associated documents for the items outlined in Appendix “A” and Appendix “B” to Report PW09074(f), in a form satisfactory to the City Solicitor; and,
- (d) That the General Manager, Public Works, or their designate, be authorized to amend any Contracts executed and any ancillary documents as required in the event that a manufacturer or supplier identified in Appendix “A” and Appendix “B” to Report PW09074(f) undergoes a name change.

## **EXECUTIVE SUMMARY**

The purpose of this standardization report is to help improve operational readiness for users of fleet vehicles and equipment and to give Fleet Services the ability to efficiently respond to vehicle and equipment services and repairs. The details contained in this report identify the areas where:

- The industry requires the City to use a single source vendor where a manufacturer has given a dealer exclusive rights within a prescribed geographical territory; and,
- It is in the City's best interest to use a standardized product.

Fleet Service's list of standardized products, services and suppliers is updated to reflect changes in the market, changes to the variety of city fleet vehicle manufacturers and to ensure vendors with territorial rights agreements for the supply of repair parts and services for the City's current fleet of vehicles and equipment remains current. Additions and removals to the approved lists are made in the City's best interest and in compliance with the City's Procurement Policy By-law (Policy #11- Non-competitive Procurements and Policy #14 – Standardization).

This request is to update Fleet Service's previously approved report entitled Standardization of Fleet Equipment and Parts (PW09074(e)) which was approved by Council on March 31, 2021.

Appendix "A" to Report PW09074(f) PW – Standardized Products and Suppliers is recommended for products, services, manufacturers, and suppliers when it:

- Increases operating proficiency of similar functioning auxiliary components affixed to vehicles and equipment;
- Reduces the requirement for training, diagnostic and repair times;
- Reduces downtime by ensuring supply sources for maintenance, repair, and parts;
- Realizes financial and operational benefits of volume discounts and multi-year agreements by reducing the quantity of approved brands; and,
- Decreases inventory and risk of obsolete inventory.

Included in Appendix "A" to Report PW09074(f) – Standardized Products and Suppliers is the rationale and the estimated average annual expenditure for each recommendation. The estimated average annual expenditure is based on current expenditures incurred over a two-year period which includes adjustments for estimated future costs. The cost of items listed under Appendix "A" to Report PW09074(f) – Standardized Products and Suppliers will fluctuate from year to year as expenditures are contingent on approved vehicle capital purchases and

required maintenance.

Appendix “B” Report PW09074(f) – Single Source Suppliers recommended for manufacturers and suppliers where territorial rights letters are provided from the Original Equipment Manufacturer, indicating that a named vendor is the only vendor authorized to sell original equipment parts as well as provide service to equipment owners. Fleet completes a review annually to identify which products, services, manufacturers, and suppliers are still applicable to ensure compliance to this report.

**Alternatives for Consideration – See Page 6**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: Purchases of the Fleet Equipment Parts and Services as listed in Appendix “A” to Report PW09074(f) – Standardized Products and Suppliers and Appendix “B” to Report PW09074(f) – Single Source Suppliers, are funded through Fleet Services operating budget and annual capital budget projects for Fleet Vehicle & Equipment Replacements.

Estimated annual expenditures forecasted are \$1,785,000

Actual dollars spent are contingent on several factors which include the following four elements:

- Council approved annual capital budget projects for Fleet Vehicle and Equipment Replacements;
- Scheduled and unscheduled vehicle and equipment breakdowns;
- A small portion to include specialty tooling; or,
- Rejection of warranty coverage by vehicle and equipment dealers.

Staffing: Fleet Services staff resources will work with Procurement and Legal Services staff to establish contractual agreements with approved standardized and single-source vendors. The development of template documents will reduce administrative costs.

Legal: Where applicable, Fleet Services will work with Legal Services to ensure all contracts are in a form satisfactory to the City Solicitor.

**HISTORICAL BACKGROUND**

Report PW09074(e) – Standardization of Fleet Equipment and Parts was approved

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by Council on March 31, 2021.

The size of the City's Fleet of vehicles and equipment provides for excellent economies of scale resulting in greater buying power for the items listed under Appendix "A" to Report PW09074(f) – Standardized Products and Suppliers and Appendix "B" to Report PW09074(f) – Single Source Suppliers. By committing to standard components, the City's operating departments can realize familiar operating parameters, reduce training costs, and allow Fleet Services to control inventory costs.

Establishing approved standards for products and services enables the City's Fleet Services section to reference the approved products and services in the applicable procurement document therefore successfully reducing the number of Policy 11 – Non-competitive Procurement requests from 90 in 2009, 15 in 2018, 4 in 2019, to 2 in 2022 and 4 in 2023.

Fleet Services maintenance operations carries an inventory of parts and materials to expedite the repair of city-owned vehicles and equipment. The inventory includes more than 3,718 stock-keeping units which can include numerous brands and manufacturers. By standardizing parts, staff can control the overall number of stock items and reduce obsolete inventory.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Procurement Policy By-law:

- Policy # 14 – Standardization;
- Policy 11- Non-competitive Procurements;
- Procurement Policy 5.2 Request for Quotations;
- Policy 5.3 Request for Tenders; and,
- Policy 5.4 Request for Proposals.

## **RELEVANT CONSULTATION**

The following departments provided input into the development of this report:

- Procurement Section, Financial Services, Corporate Services  
To confirm content, terms and expenditures have been included and, in a form, consistent with other standardization reports satisfactory and in compliance with the Procurement By-law.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The attached Appendix "A" to Report PW09074(f) – Standardized Products and

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Suppliers and Appendix “B” to Report PW09074(f) –Single Source Suppliers include products and services that are projected to exceed \$9,999.99 annually.

Recommended standardized equipment will reduce mechanical repair training requirements, increase failure diagnostic efficiency, and ensure maintenance, repair and operating materials are available through inventory or through established supply agreements.

Standardized equipment will support the efficient use of materials and maximize the efficiency of equipment and wearable components as a result of familiar recommended operating parameters.

Recommendations for amendments to Appendix” A” to Report PW09074(f) – Standardized Products and Suppliers will be proposed when it:

- Increases operating proficiency of similar functioning vehicles and equipment;
- Reduces the requirement for training, diagnostic and repair times;
- Reduces downtime by ensuring supply sources for maintenance, repair, and parts;
- Realizes financial and operational benefits of volume discounts and multi-year agreements by reducing the quantity of approved brands; and,
- Decreases inventory and risk of obsolete inventory.

Recommendations for amendments to Appendix “B” to Report PW09074(f) – Single Source Suppliers will be requested to add Original Equipment Manufacturer where territorial rights letters are provided from the Original Equipment Manufacturer, indicating that a named vendor is the only vendor authorized to sell Original Equipment Manufacturer parts as well as provide service to equipment owners. Original Equipment Manufacturer’s institute agreements giving vendors exclusive rights within a prescribed geographical territory.

Fleet staff receive letters annually from the manufacturer that confirm territorial rights arrangements with the vendors listed in Appendix “B” to Report PW09074(f).

Vendors listed in Appendix “B” to Report PW09074(f)” will typically be used for warranty work however when the nature of the work requires specialized diagnostic equipment and tooling or when the vendor can perform the work more cost-effectively Fleet Services will authorize the work accordingly.

## **ALTERNATIVES FOR CONSIDERATION**

Revert to submitting Policy 11 requests. This approach was used prior to submitting a request for single source or standardization, resulting in operational delays and lack of efficiencies due to the Policy 11 approval process. The requirement for individual Policy 11 requests with supporting documentation makes the standardization report option a better use of staff time and resources while accomplishing the same result.

Sourcing Original Equipment Manufacturer parts and services through a contracted third-party vendor. This could have a higher cost impact on the city as contracted vendors could have a higher cost and would add a markup to the invoice.

Use contracted vendors and risk loss of warranty coverage.

## **APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report PW09074(f) – Standardized Products and Suppliers

Appendix “B” to Report PW09074(f) – Single Source Suppliers