



**CITY OF HAMILTON**  
**PUBLIC WORKS DEPARTMENT**  
**Hamilton Water Division**

<b>TO:</b>	Chair and Members Public Works Committee
<b>COMMITTEE DATE:</b>	July 10, 2024
<b>SUBJECT/REPORT NO:</b>	Single Source Contract Extension for Locates (PW24046) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Amanda Dubeckyj (905) 546-2424 Ext. 4743 Dave Alberton (905) 546-2424 Ext. 1090
<b>SUBMITTED BY:</b>	Shane McCauley Director, Water & Wastewater Operations Public Works Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That pursuant to Procurement Policy #11 – Non-competitive Procurements, Council approve the extension of Contract C11-30-18 Contractor Required for Utility Locates until April 1, 2025 and that the General Manager, Public Works, or his designate be authorized to negotiate and execute the amendment to the contract and any ancillary documents required to give effect thereto with PVS Contractors Inc., in a form satisfactory to the City Solicitor; and
- (b) That the General Manager of Public Works, or their designate, be authorized to amend any Contract executed and any ancillary documents as required if the vendor identified in this Report undergoes a name change, in a form satisfactory to the City Solicitor.

**EXECUTIVE SUMMARY**

In April 2023, under Policy #11 – Non-Competitive Procurement, the General Manager of Public Works approved an 18-month extension of Hamilton Water's existing contract with PVS Contractors Inc. for Locate Services. This extension, from March 1, 2023, to September 1, 2024, was necessitated by the cancellation of a request for tender due to the City receiving bids exceeding the approved budget by four to nearly six times the estimated amounts for services.

---

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

**SUBJECT: Single Source Contract Extension for Locates (PW24046) (City Wide)**  
**- Page 2 of 4**

---

Subsequently, Public Works conducted an industry review of locate service contract specifications and a comprehensive cost comparison analysis. The analysis revealed industry-wide price increases, directly linked to changes in the *Ontario Underground Infrastructure Notification System Act*. The *Ontario Underground Infrastructure Notification System Act* now allows financial claims by excavators for delays and fines from Ontario One Call for late locates. Many contracts now hold contractors providing locate services responsible for these claims and fines, leading contractors to incorporate these costs and risks into their pricing.

In 2023 the Public Works department developed a business case for an in-house utility locate service office, projecting annual savings of approximately \$3.3M. The resources to establish that in-house office was approved as part of the 2024 Recommended Water, Wastewater, and Stormwater Rate Supported Budget (FCS23100) (City Wide). Efforts are underway to establish this office, with a target launch date of January 1, 2025. However, staff are closely monitoring impacts from the 2024 cybersecurity incident which may cause delays; therefore, Hamilton Water recommends extending the existing contract until April 1, 2025.

This extension of the Utility Locates Contract with PVS Contractors Inc. is necessary to bridge the gap between the current contract expiry and the successful launch of the in-house utility locates service. As per Policy #11 on Non-Competitive Procurements under Procurement By-Law No. 20-205 as amended, Council approval is required for contract extensions exceeding 18 months.

**Alternatives for Consideration – N/A**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: Based on current contract pricing sufficient funds are available within the Hamilton Water Operational Budget to support this contract extension. Costs associated with this contract extension are approximately \$130K/month.

Staffing: N/A

Legal: The *Ontario Underground Infrastructure Notification System Act* imposes strict timelines for utility locates, and non-compliance carries significant financial risk for owners of underground infrastructure. These risks include financial claims from excavators who experience project delays due to late locates, as well as fines from Ontario One Call for failing to meet the required timelines.

## **HISTORICAL BACKGROUND**

Hamilton Water has utilized PVS Contractors Inc. for utility locating services since September 1, 2018, under a five-year contract.

In 2022, Hamilton Water developed a new Request for Tenders that anticipated changes to the *Ontario Underground Infrastructure Notification System Act*. These changes would allow excavators to make financial claims for delays and Ontario One Call to issue fines for late locates. The City's proposed contract, like many other municipalities, would require the contractor providing locate services to be responsible for these claims and fines. The new Request for Tenders was posted in January 2023.

Bids received were substantially higher than anticipated. The previous locates services contract cost less than \$500K annually. In contrast, compliant bids on the new contract ranged from \$4.7M to \$7M, with the increased liability being the primary driver of these cost increases.

While Hamilton Water had budgeted \$1.2M for the service – more than double the previous contract – the received bids were four to nearly six times higher. This led to the negotiation of an 18-month contract extension with PVS Contractors Inc., in accordance with Procurement By-Law No. 20-205 as amended, Policy #11 on Non-Competitive Procurements. This extension was intended to allow time for further analysis and development of a new tender document, budget adjustments, and exploration of in-house options. Subsequent analysis and a business case demonstrated significant potential savings through a consolidated in-house locates program.

The 2024 Recommended Water, Wastewater, and Stormwater Rate Supported Budget (FCS23100) (City Wide) included a recommendation to create such a consolidated in-house utility locate service office to serve all City departments. This initiative is projected to improve customer service, increase efficiency, and realize annual savings of approximately \$3.3M starting in 2025. Currently, efforts are underway to recruit 19 new full-time employees and procure vehicles and equipment. The new locates office is expected to be operational by January 1, 2025, although staff are closely monitoring impacts from the 2024 cybersecurity incident which may cause delays. Until this transition is complete, Hamilton Water requires ongoing support from a contracted locate service provider to ensure regulatory compliance.

The current locates service contract with PVS Contractors Inc. concludes on September 1, 2024. As per Procurement Policy #11, any further extension (beyond 18 months) necessitates Council approval.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

This report is in accordance with City of Hamilton By-law 20-205 as amended, Procurement Policy, Policy #11 – Non-Competitive Procurement.

The *Ontario Underground Infrastructure Notification System Act* mandates that owners of underground infrastructure must adhere to specified actions and timelines upon receiving a locate request notification. Non-compliance with these requirements can result in penalties such as fines or liability for compensating excavators for any losses or expenses arising from late or inaccurate locates.

## **RELEVANT CONSULTATION**

The Procurement Division has been consulted on this report to ensure compliance with the Procurement Policy.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

As mandated by the *Ontario Underground Infrastructure Notification System Act*, utility locating services are essential for infrastructure owners like the City to maintain regulatory compliance. The current contract extension with PVS Contractors Inc. ends on September 1, 2024. While the in-house locates office is anticipated to be operational by January 1, 2025, the ongoing cybersecurity incident has caused delays in staffing and procurement, potentially resulting in delays to this implementation date.

Therefore, Hamilton Water recommends negotiating a contract extension of five to eight months with PVS Contractors Inc. This timeframe is deemed necessary to bridge the gap between the current contract expiration and the potentially delayed launch of the in-house program. A shorter, six-month contract procured through the open market is not practical due to the time constraints and current challenges posed by the cybersecurity incident. Given that this extension would exceed the 18-month limit, Council approval is required as per Policy #11 under By-law No. 20-205.

## **ALTERNATIVES FOR CONSIDERATION**

N/A

## **APPENDICES AND SCHEDULES ATTACHED**

N/A