

NO: R134

COUNCIL DATE: June 26, 2017

REGULAR COUNCIL

TO: **Mayor & Council** DATE: **June 21, 2017**

FROM: **General Manager, Engineering** FILE: **1220-40**

SUBJECT: **Award of Contract No. 1220-040-2017-067 for the Supply and Delivery of Bulk Winter Road Salt**

RECOMMENDATION

The Engineering Department recommends that Council:

1. Award Contract 1220-040-2017-067 to Lafarge Asphalt Technologies for the annual supply and delivery of 12,000 tonnes of bulk winter road salt to the City of Surrey for a two-year term at an annual price of \$1,192,080, including GST;
2. Set the annual expenditure authorization limit for Contract 1220-040-2017-067 at \$1,311,000, including GST and contingency; and
3. Authorize the General Manager, Engineering to execute Contract 1220-040-2017-067.

INTENT

The purpose of this report is to seek Council approval to award a contract for the supply and delivery of bulk winter road salt that will be used for snow and ice operations during the upcoming winter season.

DISCUSSION

Winter road salt is used by the City during snow and ice events. The road salt is typically purchased in bulk, following a competitive process. The volume of road salt used each year fluctuates, depending on the severity of the winter season. On average, the City uses approximately 6,000 tonnes of road salt over an entire winter season. In comparison, the unusually high snowfall events and lengthy sub-freezing temperatures of this past (2016/2017) winter season required the City to use over 20,000 tonnes of road salt.

The City currently has the capacity to hold approximately 17,000 tonnes of road salt within its salt storage facility located at the Operations Centre. In most years, this capacity has ensured that we have enough supply to respond, undisrupted, to snow and ice events throughout the entire winter season. The City requires salt suppliers to provide an annual delivery of a salt supply to top-up our inventory. In this regard, our practice has been to guarantee a minimum purchase of 4,000 tonnes of road salt annually. In turn, the City requires the salt supplier to guarantee the availability of a salt supply to a maximum of 6,000 tonnes per year, should the excess salt it be required by the City.

During the 2016/2017 winter season, our contract for road salt ended in December 2016 once our previous contractor had met their maximum annual (6,000 tonne) obligation for salt tonnage delivery. Subsequently, given the unusually high number of snowfall events and cold duration temperatures the region had experienced, the City's salt supply dropped to a point where it was more difficult to manage in order to last through the remaining winter months. As an added challenge, market demand for road salt throughout the region had increased significantly due to a shortage of incoming shipments from suppliers.

The City, through great effort, managed to secure additional salt supplies from a combination of vendors. In the interim, the City resorted to blending our existing salt with sand material to extend our supply. While this proved to be an effective approach, using sand is less desirable as it requires subsequent clean up from our road surfaces and street gutters, adding additional expense.

In order to avoid a similar scenario moving forward, the City has increased the minimum and maximum annual salt supply purchase thresholds as follows:

- The minimum threshold to which the City will guarantee road salt volume purchase has increased from 4,000 to 6,400 tonnes per year; and
- The maximum threshold to which we require our supplier(s) to guarantee road salt availability has increased from 6,000 tonnes to 12,000 tonnes per year.

RFQ PROCESS

Quotations were requested from local suppliers for the supply and delivery of bulk winter road salt. In an effort to achieve optimal rates, a Request for Quotations (an "RFQ") was issued by the City that included three pricing options, as follows:

- Option A: The City guarantees to purchase a minimum tonnage of 6,400 tonnes of road salt per year. In return, the contractor must guarantee to supply the City, if necessary, with a maximum of 12,000 tonnes per year of road salt at the same per tonnage rate.
- Option B: The City does not guarantee the purchase of a specific tonnage amount, nor does the contractor guarantee to supply any specific tonnage amount. Given that the bulk road salt commodity price has ranged widely from year-to-year in the past, this option does not commit the City to a minimal tonnage purchase in the event of a high commodity price year.
- Option C: Two-year pricing for Option A and B. The Engineering Department had previously awarded a two-year contract for bulk road salt (locking in a two-year rate) to guard itself against a potential increase in salt commodity price and/or the associated shipping costs in the second year of the contract.

Three proponents responded to the RFQ. The following tables reflect the results for each of the above three options:

Option A: One-Year Contract

Company	Cost per tonne including GST	Total Cost (12,000 tonnes) including GST	Corrected Amount, with GST
Lafarge Asphalt Technologies	\$99.34	\$1,192,080	\$1,192,080
Mainroad Maintenance Products	\$100.28	\$1,203,360	\$1,203,360
NSC Minerals Ltd.	\$208.97	\$2,507,640	\$2,507,640

Option B: One-Year Contract

Company	Cost per tonne including GST	Total Cost (12,000 tonnes) including GST	Corrected Amount, with GST
Lafarge Asphalt Technologies	\$94.09	\$1,129,086	\$1,129,086
Mainroad Maintenance Products	\$105.00	\$1,260,000	\$1,260,000
NSC Minerals Ltd.	\$219.47	\$2,633,640	\$2,633,640

Option C: Two-Year Contract

Company	Cost per tonne including GST	Total Cost (12,000 tonnes) including GST	Corrected Amount, with GST
Lafarge Asphalt Technologies	\$99.34	\$1,192,080	\$1,192,080
Mainroad Maintenance Products	\$100.28	\$1,203,360	\$1,203,360
NSC Minerals Ltd.	\$208.97	\$2,507,640	\$2,507,640

All proponents have met the requirements of the RFQ and no errors or omissions were found in their respective submissions.

Lafarge Asphalt Technologies (“Lafarge”) has offered the lowest price for each of the above three options.

Over the past ten years, the City has purchased bulk road salt at pricing that has ranged from a low of \$86.97/tonne to a high of \$123.88/tonne. The price of bulk road salt offered by Lafarge at \$99.34/tonne falls well within this range and represents good value to the City. Lafarge has satisfactorily provided bulk road salt supply to the City in previous years and in accordance with our requirements.

Based on the above, it is recommended that the City award the contract to Lafarge based on Option C to ensure that the City is locked into a static unit price over a two-year period - this price is not subject to an increase in the second year of the contract.

SUSTAINABILITY CONSIDERATIONS

The purchase of road salt supports the objectives of the City’s Sustainability Charter. In particular, this purchase relates to the Sustainability Charter theme of Public Safety. Specifically, the purchase supports the following Desired Outcomes:

- Transportation Safety DO9: Transportation network supports and provides safe mobility for all ages and abilities; and

- Transportation Safety SD8: Ensure all public infrastructure is built and maintained to ensure community safety and well-being for all ages and abilities.

FUNDING

Funding for this project is available in the approved 2017 Roads Operating Budget.

Fraser Smith, P.Eng., MBA
General Manager, Engineering

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