

Clause embodied in Report No. 12 of the Administration Committee, as adopted by the Council of the City of Toronto at its meeting held on October 1, 2 and 3, 2002.

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Fleet Service Card: Update on Actions Taken and Status of Re-Tendering

(City Council on October 1, 2 and 3, 2002, adopted this Clause, without amendment.)

The Administration Committee recommends the adoption of the following report (August 20, 2002) from the Commissioner of Corporate Services:

Purpose:

This report informs Council on the actions taken to date by Fleet Services on remaining amalgamation related contract consolidation issues. It also provides information on the fleet maintenance card re-tendering strategy and actions taken to ensure continued service delivery until such a time as new contract(s) are awarded.

Financial Implications and Impact Statement:

There are no financial implications resulting from the adoption of this report. Fleet maintenance card costs for 2002 are already budgeted for directly by City departments, primarily in Water and Waste Water Services and Solid Waste Services. Programs with vehicles under the former Metro fleet maintenance card program will budget for 2003 fleet maintenance card costs in their 2003 Operating Budget submissions.

Recommendations:

It is recommended that:

- (1) Council approve the actions taken to date in establishing a sole source contract with PHH Vehicle Management Services and the extension of the sole source until such a time as new contracts are implemented, no later than March 31, 2003, at a total cost not to exceed \$1,000,000 to cover flow through charges, licensing and service fees already budgeted for in 2002 departmental budgets and included in 2003 budget submissions, to ensure continued service for vehicles covered by the fleet maintenance card; and
- (2) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

Background:

At amalgamation, fleet maintenance services for the former Metropolitan Toronto were provided primarily through contracted services by maintenance garages selected directly by the municipality with their charges flowing through a fleet maintenance card provider, with the following exceptions: specialized heavy equipment at the Keele Valley landfill site which are maintained by WES staff or through direct contracts with maintenance facilities and approximately 30 tractor units in Solid Waste Management Services which are also maintained through direct contracts with repair facilities.

In 1996, a contract was established with PHH Vehicle Management Services for a fleet maintenance card. Services included in the contract were vehicle administration services such as licensing, vehicle repair authorization for maintenance garages selected by the municipality, and fuel card access. PHH paid the municipality's contracted garages for repairs and gas stations for fuel purchases, and submitted a single monthly consolidated invoice to the Municipality for payment. The Metro selected maintenance locations had to agree to become a PHH authorized repair location and go through PHH for vehicle repair authorization and payment. Fuel was purchased through various gas stations honouring the PHH fuel card.

The Municipality received a single monthly billing from PHH, which included the charges for repair services, fuel, and licensing plus the monthly card fee and various other charges agreed to. The contract was for a term of one year with a clause allowing for month to month extension of the contract after the expiry date until such a time as the municipality provided 60 days notice of cancellation. The contract has been running on a month to month basis since October 1997. In 2001, the total PHH billing was \$1,567,028.02. This included PHH direct charges of \$195,022.72. This amount included the service card fee of \$33,303.60 as well as licensing and registration costs. Flow through charges for fuel purchases and fleet maintenance from the contracted repair facilities was \$1,372,005.30.

The PHH direct and flow through charges are billed directly to operating departments' budgets and are not part of Fleet Services charge backs at this time. The budgets for these charges currently reside with Works and Emergency Services in Water and Waste Water Services and Solid Waste Services. Community Services also has a single PHH covered unit. Fleet Services tracks the costs for reporting purposes, charges the costs directly to departmental budgets, monitors and establishes the contracts with the maintenance garages that flow through their charges. PHH charges are not entered into the Fleet Services fleet management database M4 and have to be compiled separately for reporting and fleet monitoring purposes.

In May 2001, Fleet Services' new management focused on reshaping operations and resolving remaining amalgamation-related issues, particularly contract management. The implementation of the new Fleet Services organizational structure included dedicated contract management staff that are now in place and focused on consolidating and developing contracts to ensure essential contracts are in place to meet requirement of the Purchasing By-law. To date, Fleet Services staff have completed 45 contracts including the contracts for the fleet maintenance suppliers for heavy trucks whose charges flow through the fleet maintenance card. These heavy truck contracts cover \$550,000 in contracted services under the current fleet maintenance card program.

In May 2002, Fleet Services was notified that a valid City of Toronto purchase order number was required for further payments under the fleet maintenance card program. In order to ensure payment of contracted maintenance garages for heavy trucks, continued maintenance for the former Metro component of the light fleet during potential labour disruption, and to allow time for the proper development of a fleet maintenance card RFQ and related RFQ's, a sole source contract was issued to PHH Vehicle Management Services in an amount not to exceed \$500,000.

Based on the request from the Commissioner of Corporate Services and under the authority granted under the Purchasing Bylaw, the Purchasing Agent entered into a sole source contract with PHH. The Purchasing By-law states that the Purchasing Agent shall be authorized to enter into a Commitment without the issuance of a Call or Request when an event occurs that is determined by a Department Head to maintain essential City services and the security of the City's interest requires immediate delivery of goods and services and times does not permit for an Award, other than by the Purchasing Agent.

Comments:

The Fleet Services Future Plan Update included proposed changes to the fleet maintenance card program to allow Fleet Services (1) to take advantage of industry loss leaders, (2) secure specialized repairs quickly when needed, (3) to achieve the necessary flexibility for fleet maintenance staff to make decisions between in-house and various contracted services based on price and quality of the repair (4) expand the program to include preventative maintenance for the entire light duty fleet of approximately 1,200 vehicles, whereas the former maintenance card program covered only the former Metro fleet which consisted of approximately 200 light fleet vehicles and approximately 45 heavy trucks and equipment, and (5) to harmonize Fleet Services delivery model, budgeting and accounting practices.

Fleet staff are developing several RFQ's in conjunction with the fleet maintenance card RFQ to identify the most cost-effective strategy for a variety of preventative maintenance services, specialized repair services, and fuel card access. These additional RFQ's are essential to determine the cost effectiveness of the fleet maintenance card model to allow Fleet Services staff to make the best decision in securing contracted fleet maintenance services and fuel card access. All RFQ's have been drafted and Fleet staff are currently working with Purchasing and Materials Management to ensure that the RFQ's are comprehensive. It is estimated that the RFQ's will be ready for release in October/November of 2002 with awards in January 2003. Once awards are made, sufficient time needs to be allowed for changes in repair authorization procedures and accounting practices, and for proper notice to the current maintenance card provider should the award of a fleet maintenance card be awarded to another service provider. Time also needs to be allowed to disentangle the budgets related to the former Metro fleet maintenance card program. Therefore, it is estimated that the existing sole source arrangement with PHH will likely need to continue to the end of March 2003.

With the changes to the fleet maintenance card program to include the entire light fleet a single budgeting, accounting and tracking system is essential for the maintenance card program.

Given the time frame before new contract(s) are awarded, budget disentanglement and the current rate of spending on the fleet maintenance card program under the existing sole source contract, an additional or extension of the sole source contract will need to be awarded. The sole source reflects funds that are already budgeted or will be budgeted for in 2003 Operating Budgets.

Current average billing of service charges and flow through charges for fuel and maintenance are approximately \$123,000 per month. At this rate, the current sole source contract limit of \$500,000 will be exceeded before the end of 2002. It is estimated that an additional \$550,000 is required to cover expenditures under the contract to December 31, 2002. Charges to date, from January to July 2002, total \$1,058,023. This will bring to total allowable spending for 2002 under the fleet maintenance card program to \$1,608,023, allowing for an inflation factor from 2001 total costs. Total charges in 2001 under the fleet maintenance card program was \$1,567,028.

Estimated costs for the first three months of 2003 are \$450,000. This includes monthly charges of approximately \$123,000 plus a one-time cost of approximately \$80,000 for licensing that will be incurred in January, therefore, there will need to be an extension of the sole source to cover balance of expenditures for 2002 and the first three months of 2003 at a total cost not to exceed \$1,000,000.

This report seeks Council support to undertake additional sole source commitments with PHH Vehicle Management Services to cover service delivery to March 31, 2003, to allow time for the development of a fleet maintenance card RFQ and related RFQ's for fuel and specialized services, evaluation of the most cost effective and efficient options for the City, orderly transfer of budgets needed to harmonize Fleet Services charge back service delivery model, and to allow for changes in accounting and billing procedures with service providers if need.

Conclusions:

The development of the RFQ's had initially been delayed due to significant management and staff changes in Fleet Services and reassignment of staff during the labour disruption. The fleet maintenance card RFQ and related RFQ's are under development and are expected to be released no later than October 31, 2002. Fleet Services expects to have contracts awarded by January 31, 2003. Additional time is required to provide 60 days notice of termination of contract if PHH is not successful and to change administrative and billing procedures. In addition, to complete this amalgamation related disentanglement, a technical adjustment will be required to the 2003 budget to consolidate the budget for the former Metro fleet into Fleet Services and move the balance of the Water Waste Water Services and Solid Waste Services fleet into the charge back model, with the exception of the budget related to Keele Valley which is scheduled to close in 2003.

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