



Staff Report

Report To: Dan Best, Chief Administrative Officer

From: **Don Giberson, General Manager of Infrastructure & Development**
Shane Timmermans, Manager of Transportation Services

Date: February 22 2022

Report: TSD.21.07

Subject: Update on Procurement of Tandem Axel Plow and Amendment to the Budget.

Recommendations:

That South Huron Council receive the report from Don Giberson, General Manager of Infrastructure and Development Re: Update on Procurement of Tandem Axel Plow and Amendment to the Budget, AND;

That South Huron Council authorize an amendment to the contract awarded to Carrier Truck Inc in the amount of \$8,600 (plus HST), AND;

That South Huron Council approves an "Amendment to the Budget" to increase the capital budget for the Replacement of Tandem Axel Plow Unit #67 from \$315,000 to \$321,283.80, AND;

That South Huron Council authorizes the additional amount of \$6,283.80 over the original approved budget be funded from the Transportation Capital Replacement Reserve.

Purpose:

The purpose of this report is to notify Council of the additional costs for the purchase of the new Tandem Axel Plow to replace Unit #67 and to seek approval for an amendment to the budget for the additional costs.

Background and Analysis:

Immediately after Council approval at the Feb 1, 2021 Council Meeting, Staff placed the order with Carrier Truck Center Inc. for a new tandem axel plow to replace Unit #67. The original delivery date in the Tender Document was prior to November 1, 2021. By May 2021 the Vendor advised that the estimated delivery was now the end of the year and may be delayed further due to COVID related supply chain issues. In June 2021 the Vendor notified Staff that the estimated delivery was now April 2022 due to COVID related supply chain issues. In January 2022 the Vendor advised that the estimated delivery for cab & chassis alone was March 2022 and specialized winter maintenance equipment (box & plow) was delayed further as a result of COVID related supply chain issues. In February 2022 the Vendor, Carrier Truck Center, advised that there would be a further delay and additional costs in the amount of \$8,600 plus HST.

The additional costs are all pandemic related supply chain issues that have caused significant production delays and higher component costs. The truck Manufacturer (International) has incurred increased costs for raw materials, transportation, fuel and faced additional challenges such as international border crossing restrictions and a world-wide shortage of computer chips. Carrier Truck Center's understanding is that the truck Manufacturer is absorbing approximately 50% of the increased costs.

Staff have reviewed the terms of the original tender document, contract and consulted with the Municipal Solicitor to confirm the Vendors contractual obligations. There is some question regarding our legal obligation to pay the additional costs. The Vendor is claiming unforeseeable circumstances that prevented them from fulfilling the contract (ie. force majeure). The Vendor has offered to cancel the purchase if we did not wish to pay the additional costs. However, cancelling at this point would result in a significantly longer delay, higher maintenance costs for the existing unit and higher costs to purchase another Tandem Axle Plow.

In the most recent discussion with Carrier Truck Center, they have confirmed that the cab & chassis is scheduled for production in Mexico during the week of March 22, 2022 and will be a 2023 model. The original tender specified a 2020 or 2021 model. Carrier Truck Center also confirmed that within six weeks of production the vehicle will be delivered to Viking-Cives Ltd in Mount Forest, Ontario. After delivery to Viking-Cives plant, the specialized box and plow equipment/controls will be manufactured and installed. The new delivery date for the completed Tandem Axle Plow is now November 15, 2022

Operational Considerations:

Staff have reviewed and considered all available options, including expressing our concerns to Carrier Truck Centre Inc. Staff are recommending that the Municipality proceed with the purchase and pay the additional cost.

South Huron's Strategic Plan:

Section 6.2.2 of the Municipality of South Huron 2015- 2019 Strategic Plan identifies key objectives that are reflective of the collective perspectives of the strategic planning process. The recommendations and actions outlined in this report are reflective of the following strategic objectives:

- ✓ Administrative Efficiency and Fiscal Responsibility
- ✓ Increased Communications and Municipal Leadership
- ✓ Transparent, Accountable and Collaborative Governance
- ✓ Dedicated Economic Development Effort

Financial Impact:

Due to the pandemic related production delays, there are additional costs in the amount of \$8,600 plus HST. This additional cost results in the total purchase price exceeding the approved Capital Budget for this vehicle. The following is a summary of the cost breakdown:

FINANCIAL ANALYSIS SUMMARY	
	Total
Original price of Tandem Axle Truck	\$307,127.00
Non-recoverable HST	<u>\$5,405.44</u>
TOTAL	\$312,532.44
Additional costs (including non-recoverable HST)	<u>\$8,751.36</u>
New TOTAL COST	\$321,283.80
Approved Budget	\$315,000.00
Net Additional Cost	\$6,283.80

To fund the amount over the original approved budget, Staff recommend that the additional cost be funded from the Transportation Capital Replacement Reserve.

Where expenditure estimates approved in the budget have been subject to quotations or tenders quoting an amount greater than the estimated expenditure for that item, notice of such amendment is required to be included in the Report to Council and the printing of this item on the Council

Agenda, with the notation "Amendment to Budget", shall constitute sufficient notice.

The proposed increase in the capital budget for the Replacement of Single Axle Plow Unit #67, requires an "Amendment to Budget" and this report to Council constitutes sufficient notice.

Legal Impact:

There are no legal implications for the Corporation resulting from the proposed recommendation, if the Municipality proceeds with the purchase.

Staffing Impact:

There are no staffing implications for the Corporation resulting from the proposed recommendation.

Communication Actions:

The public will be notified through the publication of the Council Agenda and Minutes.

Policies/Legislation:

1. Approved 2020 Capital Budget
2. Approved 2021 Capital Budget
3. South Huron Asset Management Plan

Consultation:

Dan Best Chief Administrative Officer, Sandy Becker, General Manager of Financial Services and the Municipal Solicitor.

Related Documents:

None

Respectfully submitted,

Don Giberson, General Manager of Infrastructure & Development

AND

Shane Timmermans, Manager of Transportation Services