

# HALIFAX

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**Item No. 14.1.1**  
**Halifax Regional Council**  
**July 17, 2018**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed by   
\_\_\_\_\_  
Jacques Dubé, Chief Administrative Officer

**DATE:** June 6, 2018

**SUBJECT:** **Award – Standing Offer – Rock Salt – Alternative, Negotiated, Collaborative Procurement between HRM and the Provinces of NS, PE**

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## **ORIGIN**

The expiry of the existing agreement to the supply of Rock Salt for snow and ice control.

## **LEGISLATIVE AUTHORITY**

Under the HRM Charter, Section 79 Halifax Regional Council may expend money for municipal purposes.

The recommended contract award complies with all the pre-requisites for awarding contracts as set out in section 34 of Administrative Order 2016-005-ADM, the *Procurement Administrative Order*.

Section 36 of the *Procurement Administrative Order*, provides that Halifax Regional Council may approve contract awards of any amount.

## **RECOMMENDATION**

It is recommended that Halifax Regional Council:

- a) Approve HRM's portion of the collaborative award to K+S Windsor Salt Ltd. for the purchase of Rock Salt, which will form standing offer, for an estimated amount in the range of \$ 7,702,391 - \$12,323,825. (net HST included) for the five-year period of July 1, 2018, to June 30, 2023, with an option to renew the agreement for an additional five-year period ending in year 2028, for an additional estimated amount in the range of \$8,504,062 - \$13,606,499 (net HST included).
- b) Authorize the CAO to execute the services contract with terms and conditions acceptable to the CAO and subject to review and approval as to form and authority by Legal Services.

## **BACKGROUND**

HRM purchases rock salt for snow and ice control operations for use on Municipality's assets during winter works operations. Rock Salt is budgeted and utilized by various business units within HRM. As well, various snow and ice control vendors contracted by HRM are permitted to purchase rock salt from HRM for use on the Municipality's assets for snow and ice control.

The existing shared standing offers for the purchase of rock salt requirements to the Municipality and the Provinces of Nova Scotia and Prince Edward Island are expiring. In anticipation of this, and in collaboration with staff from HRM and the provinces of Nova Scotia and Prince Edward Island negotiated an agreement with K+S Windsor Salt Ltd. for the purchase of Rock Salt for snow and ice control.

## **DISCUSSION**

Staff from the provinces of Nova Scotia and consultants from PricewaterhouseCoopers LLP completed a detail market analysis not limited to:

- Vendors' infrastructure requirement (Scale and equipment, salt domes, etc.)
- Volume requirements specific to the Provinces
- Transportation abilities to meet stakeholder's demand.
- Safety of supply which may lead to a public safety concern

The analysis rationalized due to absence of competition for technical reasons, to pursue and negotiate the purchase of Rock Salt from K+S Windsor Salt Ltd. sourced from Pugwash, NS. This rationale aligns with Article 513 of Canadian Free Trade Agreement(CFTA), Article 19.12 of Comprehensive Economic Trade Agreement with the European Union (CETA) and HRM's Administrative Order 2016-005-ADM, the *Procurement Administrative Order (Procurement policy)*. In the policy under the section "Alternative Methods of Procurement", sub section 25.3(b) which states "where there is an absence of competition for technical reasons and the Goods or Services can be supplied only by a particular supplier and no alternative or substitute exists;"

### **Terms & Conditions of Negotiated Agreement are not limited to:**

Pricing, Term, Standard Specification Manual; Testing Standard ASTM D632-salt-spec; Key Performance Indicators & Annual Review; Steps for Escalating Contract Issues and a Communication Plan.

### **Price:**

The purchase price of Rock Salt for the 2018-2019 season will be increased by **2 %** over 2017-2018 season. Subsequent years (years two through five), salt prices will be increased by Nova Scotia's Consumer Price Index (All Items), average January to December to be applied July 1st of each year.

This is a **UNIT PRICE** Agreement, and the cost will be dependent upon the actual quantities purchased, measured, utilized and approved by the HRM Staff. The severity / number of snow and ice events, and the number of HRM contracted vendors purchasing salt from HRM are variables that will have a direct implication on the quantities and cost of salt in any given year of the agreement. The number of vendors and the volume of salt purchased has been on a decline since 2014-15. The decline in vendors' purchases from HRM in recent years, outside of the severity and number of snow and ice events, is predominately associated with two vendors that are no longer sourcing salt from HRM.

### **Estimated Spend:**

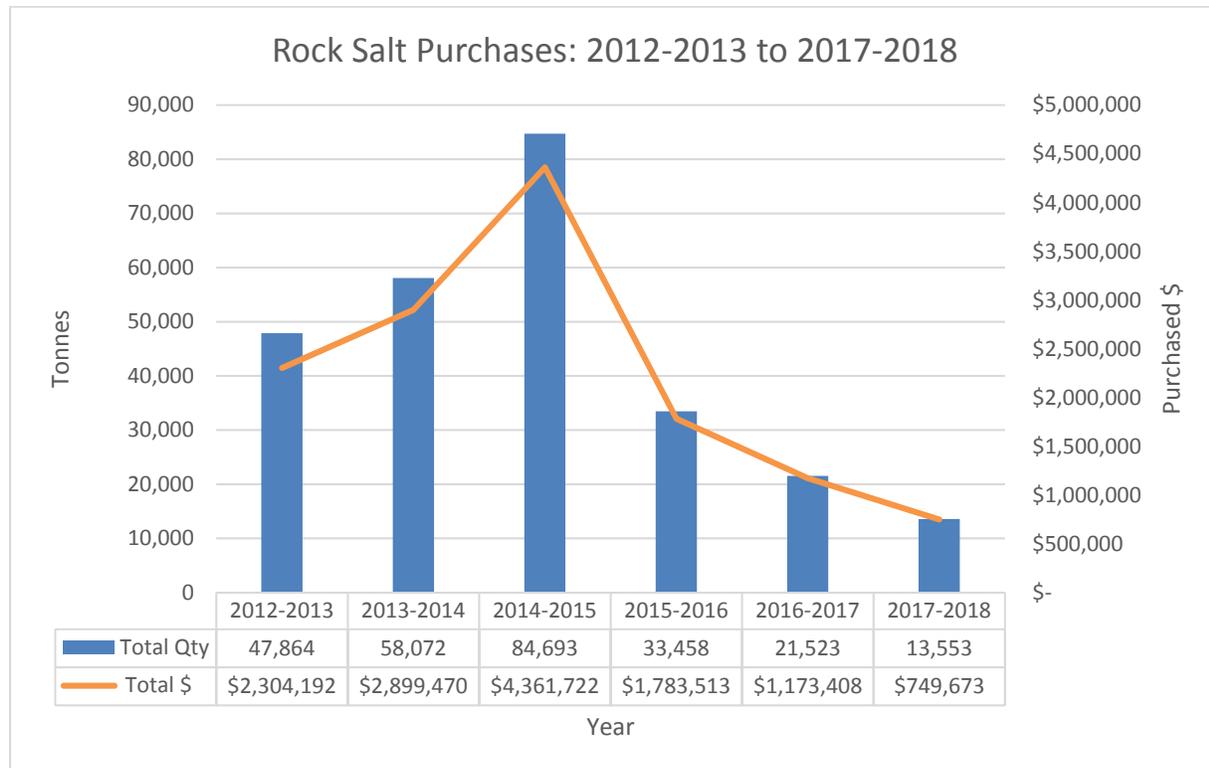
The following matrix projects HRM's spend based on estimates 25,000 and 40,000 Tonnes/year for each year, and includes an estimated increase at a rate 2 % (CPI) for each year, two through ten. HRM's purchase of rock salt has been on a decline since the year 2014-15. In 2014/15 HRM purchased approximately 85,000 Tonnes. In 2017/18 HRM purchased approximately 13,600 Tonnes. The average number of Tonnes purchased in the last six seasons was approximately 43,000 Tonnes (M). The average

of purchases for the last three seasons (2015-2018) was approximately 23,000 Tonnes (M).

			Estimated at	
			25,000 Tonnes	40,000 Tonnes
First Five Years of the Agreement	Year #	Period	Total- Net HST included \$	Total- Net HST included \$
<b>2018- 2023</b>	1	2018 -2019	1,480,079	2,368,126
	2	2019-2020	1,509,681	2,415,489
	3	2020-2021	1,539,874	2,463,799
	4	2021-2022	1,570,672	2,513,075
	5	2022-2023	1,602,085	2,563,336
<b>Total-Estimated Value for Five Year</b>			<b>\$ 7,702,390.84</b>	<b>\$ 12,323,825.35</b>

			Estimated at	
			25,000 Tonnes	40,000 Tonnes
Option to Renew - Five Years	Year #	Period	Total- Net HST included \$	Total- Net HST included \$
<b>2023-2028</b>	6	2023-2024	1,634,127	2,614,603
	7	2024-2025	1,666,809	2,666,895
	8	2025-2026	1,700,146	2,720,233
	9	2026-2027	1,734,149	2,774,638
	10	2027-2028	1,768,831	2,830,130
<b>Total -Estimated Value of one, Five Year Option to Renew</b>			<b>8,504,062</b>	<b>13,606,499</b>
<b>Total - Estimated Value for Ten Years</b>			<b>\$ 16,206,452.71</b>	<b>\$ 25,930,324.34</b>

**Rock Salt- Purchases 2012-13 to 2017-18**



**FINANCIAL IMPLICATIONS**

The purchase of Rock Salt is primarily funded through the operating budgets of Transportation and Public Works Services and Corporate and Customer Services and sold externally to outside contractors. The cost for the supply of Rock Salt in 2018/19 is estimated to be in the range of \$ 1,480,079 - \$2,368,126. The cost of salt is provided for in the 2018/19 approved budgets.

**RISK CONSIDERATION**

There are no significant risks associated with the recommendations of this Report.

**ENVIRONMENTAL IMPLICATIONS**

Implications not identified.

**ALTERNATIVES**

Council could choose not to approve the Agreement and the related standing offer. This is not recommended by staff since it would cause the Municipality to seek its own Rock Salt supplier(s) independently without taking advantage of the combined volume buying power of the Municipality, the Provinces.

**ATTACHMENTS**

None

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

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Procurement Review: Original Signed  

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Report Approved by: Original Signed  

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