

P.O. Box 1749 Halifax, Nova Scotia B3J 3A5 Canada

Item No. 15.1.3 Halifax Regional Council March 1, 2022

SUBJECT:	Award - Increase to PO# 2070869233 Emergency Michelin Tire Procurement
DATE:	February 2, 2022
SUBMITTED BY:	Original Signed by Jacques Dubé, Chief Administrative Officer
то:	Mayor Savage and Members of Halifax Regional Council

<u>ORIGIN</u>

This report originates from a need to increase PO#2070869233 for procurement of Michelin tires beyond 20% or \$20,000 of the original award value.

LEGISLATIVE AUTHORITY

The Municipality may spend money for municipal purposes in accordance with section 79A of the HRM Charter. The recommended contract award complies with all of the pre-requisites for awarding contracts as set out in section 26 of Administrative Order 2020-004-ADM, the *Procurement Administrative Order*.

In accordance with Administrative Order 2020-004-ADM, The Procurement Administrative Order, Section 32 Contract Amendment Guidelines, Council can approve cumulative contract amendments of any amount; Director is limited to 15% or \$15,000, CAO is limited to (a) \$20,000 or (b) a 20% increase to the originally approved, contract amount, whichever is greater.

RECOMMENDATION

It is recommended that Halifax Regional Council approve an increase to PO#2070869233 for procurement of Michelin tires in the amount of \$22,539.07 (Net HST) from Operating account R938 BTC Bus Maintenance as outlined in the financial Implications section of this report.

BACKGROUND

Halifax Transit's Fleet division has a responsibility to provide a daily quota of buses for service that are safe and ready for use. As a direct result of COVID-19, we have been experiencing serious disruptions in our supply chain, leading to long delays in receiving parts required to maintain and repair buses.

Recently, our tire inventory was completely depleted, and our vendor under contract was unable to fulfil any orders. In order to avoid an impact on service levels, it was necessary to source tires from a different vendor. Originally it was estimated that an order of twenty-five (25) tires would suffice as an interim solution,

and this information was conveyed to Procurement. It was determined after the fact that this quantity was insufficient, and the order was increased to fifty (50) tires. Unfortunately, this information was not conveyed to Procurement and the requisition was not adjusted accordingly.

This purchase was completed under alternate procurement due to the urgency and to avoid impact to service. The Transit fleet team has worked with the vendor under the standing offer and have since resolved any pending issues to meet the needs.

DISCUSSION

On November 29, 2021, PO#2070869233 was issued to Miller Tire to meet the urgent need brought about by events unforeseeable by the municipality.

The increase to the contract of \$22,539.07 is due to twenty-five additional tires requested after the PO was issued. There was also an increase in price per tire.

The vendor has supplied the additional tires with an invoice.

The increase of \$22,539.07 is detailed below

Description	Quantity	Unit price	Total
Price Increase in cost per tire	50	\$24.34	\$1,217.00
Additional tires	25	\$811.33	\$20,283.25
Tire Levy for additional tires	25	\$4.50	\$112.50
Тах	4.286%		\$926.32
		Total Net HST	\$22,539.07

This request is an increase of 113% to the original contract of \$20,000 (net HST included). There is no impact to schedule.

This incident has identified a potential gap in the process that led to the error. Measures have been taken to improve communication and cross checks are being put in place that would avoid reoccurrence in the future.

FINANCIAL IMPLICATIONS

Funding in the amount of \$22,539.07 (net HST), is available in operating budget R938 - BTC Bus maintenance. The budget availability has been confirmed by Finance.

Budget summary:	Cost Center, R938 - BTC Bus Maintena	ince
	GL 6805 – Tires and Tubes, Available:	\$186,377.00
	Less: Increase to PO#2070869233	<u>\$ 22,539.07</u>
	Balance	\$163,837.93

*This purchase is unplanned purchase. There was no budget for this purchase.

The balance of funds will be used for repair and maintenance needed for tires of Halifax Transit Buses.

RISK CONSIDERATION

Delay in the approval of the recommendation can result in penalties by the vendor on the pending invoice.

COMMUNITY ENGAGEMENT

There is no community engagement required for this request.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this requested.

ALTERNATIVES

Regional council could choose not to approve the recommendation. This is not recommended as the tires are needed and cannot be returned.

ATTACHMENTS

There are no attachments.

A copy of this report can b 902.490.4210.	be obtained online at <u>halifax.ca</u> or by contacting the Office of the Municipal Clerk at
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