



Change Order: Additional Funds for Domestic Furnace and Hot Water Heater Replacement – RFP 16176

Item 8G

November 3, 2021

Building Investment, Finance and Audit Committee

Report: BIFAC:2021-113

To: Building Investment, Finance and Audit Committee
("BIFAC")

From: Vice President, Facilities Management

Date: October 26, 2021

PURPOSE:

The purpose of this report is to seek the BIFAC approval for a change order to Richmond Mechanical Ltd. (Richmond) for up to \$1,350,000.00 (exclusive of taxes) for additional funding under the current RFP 16176 domestic furnace and hot water heater replacement contract from January 1, 2021 to December 31, 2021.

BIFAC approval is required for the recommended change order, as the cumulative amount exceeds the financial approval limit of Toronto Community Housing's ("TCHC's") Procurement Award Committee ("PAC").

RECOMMENDATIONS:

It is recommended that the BIFAC approve the following recommendations to:

1. approve a change order to Richmond Mechanical Ltd. for up to \$1,350,000.00 (exclusive of taxes) for additional funding under the

current RFP 16176 domestic furnace and hot water heater replacement contract from January 1, 2021 to December 31, 2021; and

2. authorize the appropriate staff to take the necessary actions to give effect to the above recommendation.

BACKGROUND

Residential furnaces and domestic hot water (DHW) tanks provide heating and hot water to townhouse units. As a preventative maintenance measure, all furnaces and DHW tanks in TCHC townhouses are inspected and serviced annually. Due to age and condition, where a furnace or a DHW tank is found to be beyond the point of economic repair, replacement occurs on an as needed basis. A pricing submission was included in the RFP to obtain pre-determined unit rates.

On January 1, 2017, a contract was awarded to Richmond for the replacement of residential furnaces and DHW heaters on demand at various townhouse units, for a five-year term in the amount of \$2,050,600.00 (\$410,120.00 annually approx.). The RFP was issued for a term of five years (three years with the possibility of two one-year extensions). A contract was executed for a three-year term, expiring on December 31, 2019. TCHC exercised the option to renew the contract for two additional one-year terms. The current contract will expire on December 31, 2021.

REASONS FOR RECOMMENDATIONS

Since the commencement of the contract, the replacement number of furnaces and DHW tanks have increased due to:

- Addition of Operating Unit W (OUW) developments in 2020 to the direct managed portfolio.
- An increase in failure rate of rental hot water tanks lead to an increase in replacements from rental hot water tanks to TCHC owned units.
- In March 2020 the Natural Resources Canada (NRCan) issued new regulations to revise furnace standards, which contributed to an overall cost increase from \$1,865.00 to \$2,315.00 (an increase of \$450.00 per furnace).

- September 2020 to December 2020: increase in cost due to a severe shortage in equipment supply during the COVID-19 pandemic. In addition, an alternate, more readily available model of tank was specified for use in order to keep up with needs at the cost of an additional \$145.00 per tank (8-10% increase).
- The incoming OUW townhomes also incurred additional repair costs due to poor existing conditions, incomplete historical maintenance records, and newly identified code violations.
- The change order also includes for anticipated furnace and DHW tanks replacement and demand repair costs for the remainder of the year up until the contract's expiration and new contract agreements will commence.

Additional funds are being requested to bridge the time remaining on the contract (approx. 3 months) with the commencement of the new contract in January 2022.

CHANGE ORDER SUMMARY

A change order for up to \$1,350,000.00 (exclusive of taxes) for additional funding is being requested to accommodate the addition of OUW to the direct managed portfolio and address the cost increases and supply shortages as noted above. The current contract runs to December 31, 2021.

Table 1: Purchase Order and Change Order summary

CO No.	VAC #	Approval Date	Description	Reason	Individual CO Amount
1	20032	Jan 2020	Additional Funding	TCHC directed Increased replacements of furnaces and hot water tanks beyond staff estimates.	\$438,700.00
2	20458	Oct 2020	Additional Funding	New regulations Increased costs due to DHW tank change/price increase	\$355,357.00
3		Pending	Additional Funding	TCHC directed	\$1,350,000.00

				Increased costs due to furnaces and DHW price increase More furnaces and DHW tanks replaced. Realignment of OUW	
Cumulative approved change orders to date					\$794,057.00
Change order as requested in this report					\$1,350,000.00
Total Cumulative change orders					\$2,144,057.00
Original contract awarded (VAC 16252)					\$2,050,600.00
Revised total contract amount					\$4,194,657.00
Cumulative CO % of contract award					104.55%

IMPLICATIONS AND RISKS:

The change order is recommended to ensure tenants received ongoing and necessary preventative maintenance and demand repair services.

The recommended change order is in accordance with TCHC's current Procurement Policy. The Procurement Award Committee has reviewed and recommends that the change order be approved by BIFAC.

Performance will continue to be evaluated in accordance with TCHC's Vendor Compliance evaluation system. Results gathered through project reviews can be used to support decisions to remove underperforming vendors from TCHC's rosters and/or future bidding opportunities.

Funding is confirmed within the 2021 Capital Budget as approved by the TCHC Board (TCHC:2020-88).

SIGNATURE:

“Allen Murray”

Allen Murray
Vice President, Facilities Management

STAFF CONTACT:

Allen Murray, Vice President Facilities Management
416-981- 6955
Allen.Murray@torontohousing.ca