

# EXHIBITION PLACE

October 11, 2002

To: The Board of Governors of Exhibition Place

From: Dianne Young,  
General Manager & CEO

Subject: Practices on the Contract Term of Supply and Service Agreements

**Recommendation:**

**It is recommended that the Board receive this report for information.**

**Background:**

At its meeting of May 31, 2002, the Board requested that staff report back on a general policy concerning terms of agreements.

**Discussion:**

In accordance with the Board's By-Law 2-99 and City policies, the Board utilizes the services of the City of Toronto's Finance Department, Purchasing and Materials Management Division (PMMD) for all Requests for Quotation (RFQ) and Request for Proposals (RFP) commitments in excess of \$10,000. This arms length competitive bid process is one avenue available to staff in meeting the Board's specific one-time and on-going maintenance, repair and operational (MRO) requirements. The other method used, where possible, is to key into City of Toronto contract agreements, established by PMMD for the benefit of all City Departments and participating Agencies, Boards and Commissions.

With respect to the term of the agreements proposed in any RFQ and RFP document, the City's Director of Purchasing advises that no City policy exists and each requirement is reviewed with respect to overall cost; the product or service called for and its complexity; and the prevailing market conditions. Since the Board follows City purchasing policies, if Council passed a formal policy with respect to the term for agreements, staff would bring this forward to the Board.

While no formal policy exists at the City or the Board, generally staff follow certain purchasing practices that have been effective in the past to ensure the best service at the best price. Minor supply and service agreements (under \$50,000 per annum) are straightforward and managed as follows:

- (a) For supply agreements for goods (ie supply of paint, lumber etc.) the term of the agreement set in the RFQ is typically one year with the option open to the Board to renew for one additional

year.

- (b) For service agreements (ie window repairs, catch basin and sewer flushing etc) the term of the agreement set in the RFQ is typically either one-year or one-year with the option open to the Board to renew for an additional one or two years.
- (c) The decision to exercise an optional second or third year is based on a market analysis by PMMD and an assessment of performance by the Board's operational staff. This ensures that the optional second year prices quoted are still fair and reasonable based on market conditions. An unfavourable report from PMMD or operational staff would result in a new RFQ being issued.
- (d) All RFQ's require firm pricing for each year.
- (e) In accordance with the Board's By-Law 2-99, the Board must approve all contracts where the value cumulatively or in one instance is in excess of \$100,000.
- (f) A condition of every Purchase Order issued with respect to all service commitments allows the Board to cancel the agreement on thirty (30)-days notice for failure of the contractor to perform.

Major service related agreements (generally over \$50,000 per annum) are treated in a different manner as they are usually:

- (g) More complex in nature
- (h) Involve a specialized manpower component and require a more managed relationship
- (i) Generally have a learning curve at the beginning where staff time (on the part of both Exhibition Place and the contractor) is required to focus on the details of that relationship and the distinct business of Exhibition Place.

Therefore, the longer fixed term (ie longer than 1 year) reflects this complexity and the start-up period, provides price stability for budget forecasting, locks in quotes at competitive rates, attracts bidders who may need to capitalize some investments to bid on contract and maximizes service value. As part of the preparation for competitive bidding, Board staff, in conjunction with advise from PMMD staff, take these noted variables into consideration in order to achieve the most favourable agreement possible. Over the last year, the Board has entered into 9 agreements for services a term longer than one year at a total value of all these contracts approximately \$1.9 million with the highest priced agreement being \$1.275 million.

An example of such a service agreement would be the RFP for security services within the NTC. Security services are a key service for the NTC as these personnel may be a first point of customer contact. These services are also more complex than just providing "front-desk" security duties. The contractor must understand the security network at the NTC, manage marshalling during show move-in/move-out, be involved in fire safety response and supply typical security services such as patrolling, customer directions and customer reporting of incidents. There is a learning period for any company to provide these services within the NTC. These services also require a security company to have a fairly high level of staffing and therefore, may require a company to commit to additional investment to retain a high-quality of staff. Accordingly, the term provided in the RFP was for three years.

As with the Purchase Orders, conditions that would be included in any agreement for specialized services would be certain performance standards, a requirement to meet these standards and an

ability for the Board to terminate the agreement if such performance standards are not met. City Legal is involved in the drafting of any such agreements.

Conclusion:

This report outlines the general practice followed by Exhibition Place staff with respect to the term of an agreement as proposed in RFQs and RFPs issued by the Board through the City of Toronto Purchasing. As noted, the City of Toronto does not have a policy with respect to the standard term of an agreement for services and I would not recommend that the Board adopt any such policy at this point as it would be too restrictive for operational purposes. Staff recognize the concerns expressed by the Board about being committed to three-year agreements that may not be competitive in the second and third years. Certainly, this issue has always been considered by Exhibition Place staff and PMMD in their evaluation process when putting together the RFP and whenever feasible, staff will try secure the shortest term possible while obtaining the most competitive pricing.

Contact:

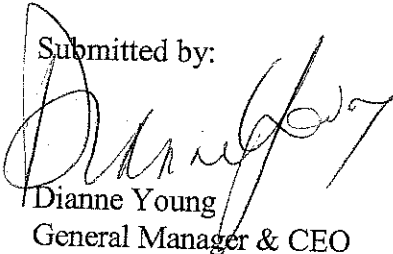
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