THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
May 11, 2011
Report of the
General Manager

COIN-TO-CARD OPERATED LAUNDRY EQUIPMENT

1. RECOMMENDATION

It is recommended that:

1. The Board of Directors authorize the award of the Request for Tender for the installation and maintenance of coin-to-card laundry equipment services within Housing York Inc. rental properties to Sparkle Solutions L.P., for a projected total revenue amount of $1,292,532 (excluding taxes), over a seven year term.

2. PURPOSE

This report requests the Board of Directors' authorization to award a Request for Tender T-11-18 to Sparkle Solutions L.P. for laundry concession services within Housing York Inc. (Housing York) properties.

3. BACKGROUND

Laundry concession history

Housing York has publicly tendered the laundry services in its buildings since its creation in 2001. The concession is a significant income generator for the housing corporation. Five years ago, the successful bid for the laundry concession was submitted by Phelps Apartment Laundries Limited (Phelps) with a winning bid of $745,138 ($149,027.60 annually) for a contract covering a five year period and which expires in June 2011.

Over the past ten years, contract terms have been five years in length. It is a condition of the contract that the successful bidder install new machines at all Housing York buildings. The major suppliers of laundry concession services have suggested that longer term contracts would provide a better annual return for Housing York because the useful life of the laundry equipment extends beyond five years. A decision was made to tender the upcoming contract using a five year and a seven year scenario to determine which option produces the best return for Housing York.

Contracts exceeding $500,000 or a five year term require Board approval

Purchasing Bylaw 3-10 states that a report shall be submitted to the Board for approval prior to authorizing the award where the contract price is in excess of $500,000 and also where the term of the proposed contract is for a period longer than five years.

4. ANALYSIS AND OPTIONS

Request for Tender process demonstrates the benefit of a seven year contract term

A public tender issued by Supplies and Services on February 15, 2011 and closed on March 8, 2011, requested proposed revenue bids for both a five year term and a seven year term.

Laundry equipment is owned and maintained by the successful vendor. However, the vendor is required to supply high efficiency washers and gas dryers, where natural gas supply is available.

Table 1 lists the proponents that submitted bids and their revenue bids.

Table 1
Qualified Laundry Concession Revenue Bids Received

Concessionaire	Five Year Term*	Seven Year Term*
Sparkle	$884,872.00	$1,292,532.00
Harco	812,094.00	1,217,856.50
Phelps	549,296.00	952,774.00
Coinamatic	Rejected as non-compliant bid	

*revenue bids are projected and based on historical revenues.

During initial review by Supplies and Services, irregularities were noted in the Coinamatic bid. Supplies and Services engaged the Bid Review Committee which ultimately rejected the Coinamatic bid due to non-compliance by Coinamatic with the terms and conditions of the Request for Tender.

In the final assessment, Sparkle Solutions is the high bidder for both the five year and seven year options. Sparkle Solution's annual revenue bid based on a five year term is $176,974. A seven year term would generate $184,647/year and a 24% increase in return to Housing York compared to the current annual revenue.

An extended term also benefits tenants as they would not face the disruption of having laundry machines replaced, along with their cash cards that are unique to the particular laundry concessionaire, for another seven years.

Tenants will receive assistance with the transition from the current concessionaire to the new concessionaire including plans for co-ordination meetings and the distribution of information packages highlighting the service changes.

5. FINANCIAL IMPLICATIONS

Approval of seven year term

The seven year contract term is recommended because Housing York will benefit from an additional $53,711 (4.2%) in revenue over the seven year term compared to a five year term. Additionally, a longer term contract reduces both administrative costs and operational impacts due to the reduced frequency of changing the laundry service agreement.

Housing York supplies and incurs the cost associated with the natural gas, electricity and water used during the operation of the laundry equipment.

The past five years, wash and dry rates have remained at $1.50 each. During the term of the Sparkle Solutions contract one rate increase will occur. In January 2014, tenants will receive a wash rate increase from $1.50 per wash to $1.75. This is consistent with current market rates.

6. LOCAL MUNICIPAL IMPACT

Increasing revenue will allow Housing York to better serve its tenant communities through stronger customer service.

7. CONCLUSION

The Housing York Purchasing Bylaw 3-10, issued September 2010, requires Board approval for a contract that either exceeds $500,000 in value or is for a period longer than five years.

The laundry concession is an income generating contract; analysis demonstrates a benefit to a seven year agreement.

It is recommended that the Board of Directors approve entering into an agreement with Sparkle Solutions in the amount of $1,292,532 (excluding taxes) for a seven year term.

For more information on this report, please contact Sylvia Patterson, Assistant General Manager at Ext. 2091.

The Senior Management Group has reviewed this report.

Recommended by:	Approved for Submission:
Sylvia Patterson Assistant General Manager	Adelina Urbanski General Manager

April 21, 2011

DM/dpm
#3310286

Report Wizard v.1.2010