

## **Staff Report 2022-0128**

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Meeting Date: March 22, 2022

Subject: Pre-approval for the Purchase of 2023 Fleet and Heavy Equipment

Submitted By: Delton Zehr, Manager, Roads & Fleet, Operations

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### **RECOMMENDATION**

That due to global supply chain uncertainties and long lead time required to acquire fleet and heavy equipment, that the following proposed procurements for 2023, as outlined in Schedule A of Staff Report 2022-0128, be pre-approved for the 2023 Budget:

- a) Capital Project #22-011 - Fleet Asset Replacements in the amount of \$2,870,000;
- b) Capital Project #22-012 - Development Growth Fleet Asset Additions in the amount of \$1,877,472; and

That the 2023 fleet funding commitments outlined in Table 1 of Staff Report 2022-0128, be approved.

### **REPORT HIGHLIGHTS**

- The lead time required to acquire heavy equipment fleet assets is a minimum of one year from the time of award of contract pre-pandemic.
- The COVID 19 pandemic has had a significant impact in delaying the ordering and delivery of heavy snowplow trucks, heavy equipment, light truck and passenger vehicles due to manufacturing shutdowns.
- This report recommends pre-approval for the Replacement Fleet Assets including Growth Related Fleet Additions for 2023, to allow for procurement to start in 2022, with actual delivery, funding and payment occurring in 2023.
- In accordance with the Town's Purchasing Bylaw, no procurement shall be initiated unless sufficient approved funding is available

### **DISCUSSION**

The current economic and industry capacity and supply chain uncertainties for vehicle and equipment manufacturers to deliver certain fleet assets, i.e. heavy truck with snowplow equipment is now taking 18 to 24 months or more to take delivery of any single unit. Heavy Duty pickup trucks require approximately 12 months with light duty estimated at 6-8 months from order date. This requires a longer lead time for tendering and award of such fleet assets to manufacture so delivery of the new asset takes place in the budget year for which that unit is planned for deployment. The desired time of year to take possession of a new snowplow unit of any type is in the summer months before September or at least before winter sets in. As such, new units should be ordered far enough in advance so the Town takes delivery in advance of the fall season.

Recent industry market trends for the supply of certain raw materials like steel and computer chips, and the actual demand for new heavy equipment in both the construction sector and the municipal public works sector has resulted in delays for the delivery of key pieces of fleet assets as noted above. This has an impact on the Town's ability to meet its desired level of service especially in the winter and could potentially impact its ability to meet the Minimum Maintenance Standards.

The COVID-19 pandemic has also played a significant role in delaying the ordering and delivery of large equipment, small passenger vehicles and light to heavy duty pickup trucks. In 2020 and part of 2021, small vehicle manufacturing was shutdown. The big three automakers had advised order intake was delayed indefinitely and they would not participate in government contracts in the meantime. Since June 2021, staff have procured some of the planned pickups from dealer lots to address the immediate needs for the 2020 and 2021 pickup trucks. A full list of emergency vehicle purchases made will be presented in the next bi-annual purchasing memo. It may take some time before the industries that supply raw materials and parts can prevent these types of delays from occurring in the future. As a result of this compounded issue, orders for snowplow equipment at all manufacturers are now taking approximately 18-24 plus months.

In 2021, Council pre-approved the 2022 Fleet and Heavy Equipment procurements as part of Staff Report 2021-0229. This report also recommended that the 2023 fleet be pre-approved in 2022 since there continues to be long lead times in procuring fleet. Staff recommend that these projects be pre-approved for the 2023 budget to allow staff to start procurement now so the fleet can be delivered in 2023. These projects were included in the 10-year capital plan for the 2022 budget.

Additionally, Town Staff are working towards a stable long-term funding model that may include increasing annual contributions to reserves to reflect the increase in prices and ensuring assets are kept in good working order. Town Staff are also looking at a 10-Year Fleet Replacement Program and a potential term of council procurement plan.

### Green Fleet Initiative

With the implementation of the green fleet initiative, it is anticipated that the cost to purchase new and replacement fleet assets to reduce the town's carbon footprint will increase. Cost savings over time due to the reduction of gasoline or diesel fuel use and in the form of reduced GHG emissions should be realized. Green fleet will also require an investment in infrastructure before the new green fleet assets are purchased. This infrastructure may include natural gas supply upgrades, solar panels, storage batteries and electric vehicle charging stations at all operations yards, firehalls, and community centres. Staff anticipate some of the infrastructure costs can be mitigated through federal funding programs.

**FINANCIAL IMPLICATIONS**

The 2023 Fleet purchases outlined in Schedule A of this Report are proposed to be funded as outlined in Table 1.

**Table 1: 2023 Fleet Funding**

<b>2023 Capital Projects</b>	<b>Capital Asset Replacement Reserve</b>	<b>Equipment Replacement Reserve</b>	<b>Public Works Development Charges</b>	<b>Total Funding</b>
22-011 2023 Replacement of Fleet Assets	\$2,085,000	\$785,000	-	\$2,870,000
22-012 2023 Growth Related Fleet Additions	-	-	\$1,877,500	\$1,877,500
<b>Total</b>	<b>\$2,085,000</b>	<b>\$785,000</b>	<b>\$1,877,500</b>	<b>\$4,747,500</b>

Growth Related Fleet Additions were approved in the Town's 2021 amendments to the 2019 DC by-law and background study. The funding outlined in Table 1 will be committed for the two (2) new 2023 capital projects that were created in 2022. These projects were included in the 2022 budget's 10-year capital plan along with the use of reserve funding.

With the purchase of the growth-related Fleet there is a 2023/2024 unavoidable operating budget impact since these are net new assets. For 2023 fleet additions, a conservative estimated annual operating impact of \$312,820 is anticipated. Estimated costs are comprised of \$158,100 annual vehicle operating costs, such as fuel, maintenance, and insurance as outlined in Schedule A, as well as staff requirements of \$154,720 based on a minimum requirement of five (5) additional temporary full-time (TFT) staff with timing of hiring dependent upon procurement timelines.

Overall recommendations relating to Operations staff requirements above and beyond what is outlined above will be included in 2023 Operating Change in Service Level Requests as part of the 2023 budget process for Council's consideration. As mentioned above in the report there are overall growth impacts to staffing that will be contemplated as part of the 2023 budget process.

Recommended 2024 Fleet procurements will be included in the 2023 budget submission, for council's consideration, to allow for procurement to start in 2023, with actual delivery, funding and payment occurring in 2023 or 2024 depending on actual delivery timing.

**COUNCIL WORK PLAN**

**Sustainable Growth** - Advance proactive infrastructure development solutions for growth management

**ATTACHMENTS**

Schedule A: 2023 Replacement Fleet Assets and 2023 Growth Additional Fleet Assets