

# Report

Date November 20, 2024

File:

Subject Duncan Paving Contract – Recommendation to Award

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## **PURPOSE**

To consider awarding North Cowichan’s paving contract to Duncan Paving for a period of two years with an option to extend for up to two years by mutual agreement.

## **BACKGROUND**

North Cowichan has been working with Duncan Paving for over 20 years, constructing sidewalks, curbs, gutters, and asphalt paving for the Engineering and Operations Departments. The work was done under successive five-year contracts. Duncan Paving has consistently delivered reliable service and quality workmanship over those 20 years. Most local governments have paving contracts similar to North Cowichan’s paving contract.

Over the last 20 years, North Cowichan’s annual expenditures with Duncan Paving have ranged from \$0.5 million to just over \$2.1 million. The average expenditure in the previous 10 years has been around \$1.4 million. The work involved can include anywhere from 50 to 150 jobs per year, ranging from a small asphalt patch or a sidewalk panel replacement to repaving an entire road along with curb, gutter, and sidewalks.

The agreement with Duncan Paving has expired. North Cowichan has continued to use Duncan Paving under the provisions of the expired agreement which includes language around how costs are adjusted each year. Staff review the rate increases against market rates to confirm that the rates are fair. In the meantime, in accordance with North Cowichan’s procurement processes, staff went out to the market with a Notice of Intent indicating that it intends to negotiate with Duncan Paving on a new paving contract. No other companies expressed an interest in bidding on a paving contract.

## **DISCUSSION**

Since no companies responded to the Notice of Intent, the Engineering Department negotiated a new two-year contract with an option to extend for an additional two years through mutual agreement with Duncan Paving. Given current inflation rates and unpredictability in construction labour and material costs over the past few years, both parties believe that a two-year contract with an option to extend for up to two additional years provides the best path forward so as to not pre-determine rates in an uncertain pricing environment.

The intent of this contract is to provide the best value for North Cowichan while also providing some certainty in costs and maintaining efficiencies by not having to negotiate multiple contracts on a project-by-project basis. The rates set out in the contract were checked against rates set out in other paving contracts. The research included consultations with multiple municipalities on Vancouver Island. The said municipalities have recently renewed contracts with their local paving and concrete contractors, making their rates highly relevant and current.

The terms and conditions of the contract remain largely unchanged. The rate increases ranged from 3% to 25%, depending on the service. These increases are consistent with those seen in other municipalities. The Manager of Infrastructure, Director of Engineering, and North Cowichan's legal counsel have reviewed the proposed contract's terms and rates and found them acceptable.

## OPTIONS

1. **(RECOMMENDED)** THAT Council authorize the Mayor and Corporate Officer to sign a two-year contract between the Municipality of North Cowichan and Duncan Paving, with an option to extend for an additional two years by mutual agreement, to provide paving and concrete services.

### *Pros:*

- *Enables the Engineering and Operations Departments to procure work relatively quickly.*
- *Fosters a strong working relationship with Duncan Paving, which has historically prioritized Municipal work over other, smaller, local contracts.*
- *Saves significant staff time by avoiding the need for tenders or Requests for Quotations, which require extensive preparation and evaluation.*
- *Provides North Cowichan with predictable rates for the next two years (and potentially four), allowing for better project planning and budgeting.*
- *The Operations Department can rely on this contract for routine and emergency maintenance, such as utility main break repairs and road surface patching, without having to request quotations first.*

### *Cons:*

- *Under the contract, Duncan Paving would do all the paving and road-related concrete work in North Cowichan, including work on tendered capital projects. This can present some challenges when preparing contracts, as Duncan Paving is not inherently under contract with the general contractor. However, this can be managed with a properly structured construction contract document.*

2. **Alternative options** - THAT Council direct staff to prepare a tender package for a five-year paving contract and advertise the tender call.

### *Pros:*

- *There is a possibility of competitive bids and potentially lower rates, though prior experience suggests this is unlikely.*

### *Cons:*

- *Research shows that rates across municipalities are typically within 5-10% of each other, meaning that pricing would likely be similar even with multiple bidders.*
- *Preparing and managing a tender process requires significant staff resources and may not yield lower rates.*

**IMPLICATIONS**

If Council chooses not to go with the recommended option, staff will have to either go out to the market again with a formal tender package or go out for quotations/tenders on every project, small or large.

In the former case, this will likely be a waste of municipal resources as there will probably be no bidders other than Duncan Paving. In the latter case, this is likely to cause a significant delay in undertaking projects, and the rates would likely become higher. Rates would likely be higher because there would be no long-term relationship that provides pricing certainty to paving contractors. Paving contractors would also incur additional overhead costs to prepare quotes on every project.

**RECOMMENDATION**

THAT Council authorize the Mayor and Corporate Officer to sign a two-year contract between the Municipality of North Cowichan and Duncan Paving, with an option to extend for an additional two years by mutual agreement, to provide paving and concrete services.

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