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**REPORT TITLE:**      **Request for Contract Increase for Laboratory Sample Analysis Services**

**FROM:**                      Kealy Dedman, Commissioner of Public Works

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## **RECOMMENDATION**

- 1. That the contract (Document 2019-032N) for Laboratory Analysis Services, awarded to Bureau Veritas Canada (2019) Inc. in the amount of \$7,354,653.66 for a five-year contract term ending June 10, 2024, be increased by \$5,000,000.00, for a revised total contract amount of \$12,354,653.66 (excluding applicable taxes) for the current contract term; and**
- 2. That the optional one-year extension term of the contract be exercised as of June 11, 2024, in the estimated amount of \$3,500,000, for a revised total contract amount of \$15,854,653.66 (excluding applicable taxes) on the same terms and conditions governing the current agreement, subject to satisfactory performance, and available budget; and**
- 3. That the Director of Procurement be authorized to approve any further contract increases with the service provider during the current and optional term, should demand for the service require it, subject to satisfactory performance, price and approved budget, all in accordance with Procurement By-law 30-2018, as amended.**

## **REPORT HIGHLIGHTS**

- In 2019 Regional Council approved a contract (Document 2019-032N) for the provision of laboratory services to Maxxam Analytics (Council Resolution 2019-173). This current contract has a five-year duration (June 2019 to June 2024), with an option to extend for one additional year. Maxxam Analytics was renamed Bureau Veritas Canada Incorporated in 2019 ("Bureau Veritas").
  - In April 2023, the funds available under the current contract will be exhausted due to increased analytical requirements for laboratory services needs for the Divisions serviced and pricing increases permitted as per the original contract.
  - Staff are seeking approval to increase the current contract for laboratory sample analysis to ensure that funds are available to the end of the current contract term. Additionally, staff are providing a cost estimate for the previously approved optional one-year extension term with Bureau Veritas.
  - Prior to the end of the one-year contract extension term, staff will prepare and issue to market a Request for Proposal document for a new Laboratory Analysis Services contract, to commence in 2025.
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# Request for Contract Increase for Laboratory Sample Analysis Services

## DISCUSSION

### 1. Background

In 2012, the Region of Peel's (Region) internal laboratory was closed and in 2013 Regional Council authorized the outsourcing of laboratory services to Maxxam Analytics International Corporation (Council Resolution 2013-228). At that time, a direct negotiation was completed with the laboratory for the analysis of all water and wastewater samples. The original contract was for five years with an optional one-year extension. The contract ended in June 2019.

In 2017, two years before the original contract ended, the Region began the process to procure laboratory sample analysis services before the end of the existing contract. After an extensive procurement process Maxxam was awarded a new five-year contract commencing in 2019 with a one-year extension option (Council Resolution 2019-173). Maxxam was renamed in 2019 as Bureau Veritas Canada Incorporated (Bureau Veritas).

The original laboratory services contract was set up to allow for growth as organizational needs matured. The first year of the contract in 2013 was for chemical analysis of water and wastewater samples and in the second year, microbiology samples were added along with analysis for Waste Management. Opportunities to consolidate Region wide sampling and testing were reviewed and incorporated into the contract. Laboratory services are now more widely used across the organization.

In 2018, the Transportation Division commenced using the contract to analyze their de-icing materials. Due to economies of scale, the Ontario Clean Water Agency (OCWA) sampling requirements for water facilities were also transferred to the contract, along with wastewater facilities in 2020. As legislative requirements changed, soil sampling, biosolids and ash analysis were also added. Specialized testing for material characterization has been used by both the Operation Support Division in Public Works and the Health Department. All costs for services are recovered directly from operating budgets for each service area but the purchase order for services must be amended to address the additional quantities required.

Table 1 below shows the number of samples analyzed by the laboratory for the major users within the Region. The number of samples analyzed has risen over 80% since the first full year of external laboratory analysis in 2014. In 2022, over 183,000 samples were analyzed. The sampling for SARS-CoV-2 in Wastewater is not included in the chart below as the province is paying labs directly to complete the analysis.

Table 1: Laboratory Samples Analyzed 2013 - 2022

Client	2013*	2014	2015	2016	2017	2018	2019	2020	2021	2022
Peel Water and Wastewater	25,150	82,086	121,975	113,832	131,137	145,633	137,500	118,520	109,625	125,939
Drinking Water (OCWA)	4,199	10,141	9,454	9,452	9,136	19,904	20,533	20,261	17,238	19,336
Wastewater Treatment Plants (OCWA)	595	331	232	206	240	1,104	16,405	19,594	20,757	23,306
Waste Management Division	4,603	7,618	7,578	7,286	6,531	7,208	6,521	7,371	13,830	13,422
Poltawa Water Distribution System (Private)				261	394	272	278	275	268	274
Transportation Division						316	170	305	913	824
Total Number of Analysis	34,547	100,176	139,239	131,037	147,438	174,437	181,407	166,326	162,631	183,101

\*May 1 - December 31, 2013

Note: This table does not include specialized analysis done for other Divisions/Departments within Peel (e.g. Operations Support and Public Health)

In addition to the increased analysis, the contract allows the Vendor to increase pricing consistent with the consumer price index. Costs of individual tests have increased between six

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and 10 per cent over the duration of the contract to date. The increase for the upcoming year of the contract will take effect in June 2023 and staff are anticipating an additional five per cent increase in costs. The laboratory analysis of samples is critical in meeting the Region's provincial Environmental Compliance Approvals requirements for Water, Wastewater and Waste Management. The Water and Wastewater Division is also dependent on these laboratory services to ensure compliance with requirements under the *Safe Drinking Water Act (2002)*.

### **2. Proposed Direction**

With increased sampling requirements, increased costs and more departments using the laboratory services, the value of the initial contract will soon be depleted. Therefore, staff are requesting a contract increase in the amount of \$5,000,000. In addition, staff will be extending the contract to include the additional one-year option term to June 2025 for an estimated cost of \$3,500,000. The contract increase is to address sampling quantity increases as well as cost increases related to consumer price index. The overall contract increase also provides for flexibility for scaling of sampling quantities over the balance of the contract's duration.

As a next step, staff will complete a multi-stage procurement process to select a service provider that can meet current and future needs while providing the Region with the best value in 2023/2024 for commencement in 2025.

There are sufficient funds available in the approved 2023 budget to cover costs for the required sample analysis. All costs are recovered from operating and capital accounts in individual service areas that utilize the contract.

### **RISK CONSIDERATIONS**

The Region is required to use a fully licensed and accredited laboratory for all drinking water sample analysis. These requirements ensure that the laboratory meets or exceeds all requirements of the Ministry of the Environment, Conservation and Parks (MECP). Failure to use an accredited laboratory would result in non-compliance with the drinking water regulations.

Not extending the contract would increase the operating costs for the Region, and impact staff's ability to ensure samples are tested in laboratories that meet the minimum MECP requirements for analysis and reporting. Proper testing is critical to ensuring that the Region is providing safe drinking water to residents and businesses.

In addition, not extending the contract will result in an inability to complete required sampling and testing in key business areas including Peel Health, Waste Management and Transportation.

### **FINANCIAL IMPLICATIONS**

There are sufficient funds available in current approved operating and capital budgets to carry out the report's direction. Costs for the analysis are recovered from users of the service including capital projects and operating accounts.

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### CONCLUSION

Staff are seeking approval to increase the current contract for laboratory sample analysis to ensure funds will be available to the end of the current contract with Bureau Veritas. Additionally, staff will be exercising the additional one-year option within the current contract to extend it to June 2025 on the same terms and conditions governing the current agreement while staff prepare an informed Request for Proposal to retain services for the period beyond the current contract term.

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Kealy Dedman, Commissioner of Public Works

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