

MEETING DATE: June 12, 2002

SUBJECT: Procurement Authorization - Purchase Order Amendment For Supply Of Safety Footwear

RECOMMENDATION

It is recommended that the Commission approve the issuance of Purchase Order Amendments to the following companies in the upset limit amounts noted to increase the total value of contracts related to the safety footwear program by \$139,000 to a total of \$1,125,000.

1. Marks Work Wearhouse - \$85,000
2. Mister Safety Shoes - \$35,000
3. ISECO - \$10,000
4. Gordon Contract - \$ 9,000

FUNDING

Sufficient funds are included in the 2002 TTC Operating Budget.

BACKGROUND

At its meeting of November 17, 1999, the Commission approved the award of a system contract for the supply of safety footwear to the Commission's eligible employees to five companies for a three-year term commencing January 1, 2000 to December 31, 2002.

The 3 year safety footwear system contract entails the distribution of vouchers to entitled TTC employees. Accompanying the voucher is a list of 5 firms that have been awarded the contract to participate in this voucher program. The employees can select any one of the approved firms to make the purchase of safety footwear. Vouchers are issued to eligible employees in January of every year, and throughout the year as required. The vouchers have an expiry date of December 31 of the following year. Employees are able to defer the use of their voucher to the following year, which allows them to combine two vouchers to purchase safety footwear.

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Contract details are as follows:

Original Contract Upset Limit Amount \$ 925,000

Previous Contract Amendments \$ 61,000

This Contract Amendment \$ 139,000

Revised Contract Upset Limit Amount \$1,125,000

DISCUSSION

The original combined total upset limit amount of the 5 contracts for the safety footwear program was \$925,000 for the period January 1, 2000 to December 31, 2002 (3 years). The total upset limit amount was estimated based on the actual redemption of vouchers from the previous 3-year contract January 1, 1997 to December 31, 1999. The total value of vouchers issued was \$1.0 million and the value redeemed was approximately \$787,000 or approximately 78% of the vouchers issued.

This redemption rate information was used to estimate the requirements for the new contract. The original estimate for the current contract includes the increases in dollar values of the footwear vouchers assigned to each year of the current contract (increments of \$10 per year as per Local 113 agreement (i.e. \$90 for 2000, \$100 for 2001 and \$110 for 2002), but the calculation was based on the expected lower 78% redemption rate.

However the actual redemption rate for the current contract has increased and as at the end of 2001 was averaging approximately 91%. In addition, based on voucher redemptions to the end of April 2002 expenditures in 2002 are occurring at a rate 18% greater than 2000 and 2001. The redemption rate is expected to be a minimum of 91% for 2002. Based on an average redemption rate of 91% over the three years of the current contract compared to an average 78% rate during the previous contract, an additional amount of approximately \$175,000 is required to provide sufficient funds for the balance of the contract.

In addition, during the current contract an increase occurred in the hiring of temporary employees assigned to two major projects: the Track Rehabilitation and the Sheppard Track Construction. The projects caused an increase in safety footwear requirements, which were not included in the original estimate. This represents approximately 500 half vouchers (\$50.00) worth \$25,000.

A total of an additional \$200,000 is required until the end of the contract on December 31, 2002, which revises the original amount of the program from \$925,000 to \$1,125,000. The amounts assigned to the respective purchase orders for each of the five companies will be adjusted according to the rate of spending which occurred with each of these companies (see Appendix 'A').

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Interim contract amendments in the amount of \$45,000 for Marks Work Wearhouse and \$16,000 for Mister Safety Shoes were issued by staff to sustain the purchasing of safety footwear during the months of May and June 2002.

JUSTIFICATION

Approval of this amendment will ensure the uninterrupted supply of safety footwear for the Commission's eligible employees until the expiry of this contract on December 31, 2002.

May 29, 2002

9-118-39

Attachment – Appendix 'A'

APPENDIX 'A'

SAFETY FOOTWEAR EXPENDITURE SUMMARY

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COMPANY	ORIGINAL AWARD AMOUNT (3 YEARS)	PREVIOUS AMENDMENTS	CURRENT AMENDMENT	REVISED ESTIM. EXPENDI (3 YEA
Marks Work Wearhouse	\$450,000	\$145,000	\$ 85,000	\$ 680,
Mister Safety Shoes	\$175,000	\$ 16,000	\$ 35,000	\$ 226,
ISECO	\$175,000	(\$15,000)	\$ 10,000	\$ 170,
Gordon Contract	\$ 50,000	(\$17,500)	\$ 9,000	\$ 41,5
Iron Age	\$ 75,000	(\$67,500)	----	\$ 7,5
TOTAL	\$925,000	\$61,000	\$139,000	\$1,125