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EVALUATING REQUESTS FOR PROPOSALS

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, May 2, 2006, from the Commissioner of Finance, subject to the following amendments:

- 1. the words “ provided they meet the minimum technical score requirement” be added at the end of recommendation 1; and**
- 2. the Commissioner of Finance report to the Committee with a detailed review of the process set out in Situation 2 within 60 days of the first anniversary of its implementation;**
- 3. the Commissioner of Finance provide a report on the overall purchasing process to the September 7, 2006 or October 5, 2006 meeting of the Committee.**

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council approve an amendment to the Purchasing By-law to allow the Region the ability to award to the proponent with the lowest dollar cost per technical point as calculated in accordance with Situation 2 of this Report.
2. Legal Services be authorized to prepare the necessary By-law.
3. That the Chief Administrative Officer be authorized to award Requests for Proposals in accordance with the evaluation processes contained in this report.
4. That a copy of this report be forwarded to the Consulting Engineers of Ontario for their information.

2. PURPOSE

This report is to provide staff with an additional uniform set of procedures and guidelines in evaluating and reporting Requests for Proposals in certain limited circumstances.

3. BACKGROUND

Presently York Region procures most of its capital and goods and services (approximately \$584 million) through public tendering and Request for Proposal (RFP) processes in compliance with the “Purchasing By-law”. During the period from June 1st, 2004 to December 31, 2005 the Region issued seventy-four (74) RFPs representing

approximately \$160 million of goods and services. Of this amount less than six (6) accounted for awards to a proponent without the lowest cost proponent or to a single proponent. Of these RFPs fifty-five (55) or seventy-four (74)% were awarded under the authority of the Chief Administrative Officer (CAO). The remaining nineteen (19) or twenty-six (26)% were awarded by Council either because the amount exceeded the CAO's threshold for awarding RFPs and/or the recommendation was to award to a proponent that did not have the highest overall score and/or the lowest cost. Of the nineteen (19) RFPs awarded by Council, only six (6) were within five (5) points of the highest score. This report is recommending a uniform set of procedures that could be applied in cases like these thirteen (13) cases or approximately seventeen (17)% of the RFPs issued if past trends continue.

At its meeting of January 10, 2006 the Senior Management Committee asked staff to develop a model for evaluating RFPs to address the instances where the technical evaluation of an RFP results in only one (1) proposal being recommended for further evaluation or where the lowest cost proponent was not being recommended for contract award.

4. ANALYSIS AND OPTIONS

York Region follows well proven procedures when calling and evaluating Requests for Proposal for consultants or where the Region is looking for a solution to a particular challenge. The Region follows the "Purchasing By-law" passed by Region Council on November 18th, 2004 and Procedures for Evaluation and Selection of Professional Services passed by Council in June of 1998. This report details the processes that can be used in selecting suitable proponents. The existing processes include single and two stage (pre-qualification) processes and one and two envelope systems. The report further describes the base criteria that can be used during evaluation stages such as in the case of final evaluation. The following criteria may be expanded or altered by the project manager depending on the nature of the project.

- Technical support staff
- Sub-consultants or partners
- Experience on similar projects
- Availability of key staff
- Stability and reputation of firm
- Multi-disciplinary/specialty capabilities
- Quality assurance system
- Approach and methodology
- Schedule of key activities and resources
- Project quality assurance program
- Fees

These criteria must be established prior to opening of any of the technical envelopes in any RFP process. An evaluation committee of a minimum of three (3) persons is established to evaluate the merit of each proposal against the criteria stated above or as specified in the proposal document. A member of the Supplies and Services staff facilitates the evaluation process. This evaluation structure helps to keep the subjectivity of evaluation to a minimum.

In determining the level of acceptability, points are assigned to each criteria as follows:

- 0-2 - Unsatisfactory, doesn't meet requirements
- 3-5 - Marginal, some reservations in meeting requirements
- 6-8 - Meets requirements or expectations
- 9-10 - Exceeds requirements or expectations

Interviews are conducted in some cases to evaluate proponents on the quality/technical criteria. Proponents that meet a minimum technical score proceed on to the next stage which is to have their cost/price envelope opened. The pricing elements are evaluated based on a numerator/denominator pricing formula. The lowest price becomes the numerator with the denominator being the bid price and the result is the pricing score, e.g. based on a weighting of 10.

<u>Consultants</u>	<u>Price</u>	<u>Numerator</u>	<u>Denominator</u>	<u>Final Score</u>
A	\$150,000	\$150,000	\$150,000	10.0
B	\$175,000	\$150,000	\$175,000	8.6
C	\$200,000	\$150,000	\$200,000	7.5

This score is added to the technical score to arrive at an overall score. The proponent with the highest overall score would be recommended. Although many municipalities' recommendation reports only reflect the proponent being recommended, York Region uses a more transparent approach whereby all qualified proponents' results are reflected in the report.

The Region also incorporates standard practices as outlined by the National Institute of Governmental Purchasing Inc. through the Model Procurement Code 2000. These combined policies and procedures have worked very well for the Region, however in a few specific circumstances additional processes would enhance the evaluation and awarding of Requests for Proposals.

A copy of this report was forwarded to consultants KPMG for comments. Their reply said in part "Overall, the report looks good and there are no major problems with either of your proposed changes". They further commented that "The new method must be disclosed to all bidders".

4.1 Situation 1 – only one qualified proponent

What can we do in the event only one proponent meets or exceeds the minimum score?

In a two envelope process only proponents who meet or exceed a pre-determined minimum technical score proceed to have the pricing envelope opened. Once the pricing envelope is opened, the weighted technical score and pricing score are totalled. The proponent submitting the proposal with the highest overall score and lowest cost can be awarded by the CAO up to a value of \$500,000.00 or by Regional Council for any amount.

On occasion a recommendation is made wherein only one proponent has had their price envelope opened either because only one proposal was received or only one proposal made the minimal technical score and therefore the only proponent recommended. In these situations there are only two legal options available to Region Council:

- a) make an award; or
- b) not make an award

It has been suggested as a third option that the Region consider whether it could open the next best proponent's proposal. Since the evaluation stage of the process is concluded, it would taint the process and prejudice the rights of the one successful proponent if the next best proponent's price envelope and proposal were to be reconsidered. In essence, the Region would be making a non-compliant proposal (i.e. one that did not meet the minimum technical score) into a possible compliant proposal. This is not permissible at law.

The Region does not have the option of awarding to other proponents.

However, in both of these scenarios there is still a lack of comparative value analysis to assist in making an informed decision.

The following is recommended in the event that only one proponent is being recommended. This internal process would be followed only to help determine whether to proceed with an award recommendation or not to proceed.

Step 1

That a review of the scores of the evaluation team be referred back to the respective Commissioner where he/she will have a value analysis conducted based on comparative historic cost data and/or have conducted an external cost comparison to verify the value of the single proponent.

Step 2

If after the value analysis process the Commissioner finds that the single proponent's cost/price is not good value, he/she may make a decision to cancel the RFP and re-issue it with a revised scope of work.

Step 3

If the Commissioner agrees that the findings of the value analyses reflect good competitive value, he/she may proceed with the award recommendation which would include comments on the comparison of the costs to the value analysis findings. The above steps would not require an amendment to the Purchasing By-law. Instead, this process would be set forth in the RFP documents for the procurement.

4.1.1 Situation 2 – More than one Proponent, very close in overall score

What can we do if two or more proponents are very close in overall score but their pricing is significantly different?

In the instance where there are two or more proponents who have passed the technical evaluation and had their price envelopes opened, it is recommended that the following process be followed. The following process identifies which of the acceptable proposals is actually the best value.

That a dollar cost per technical point be calculated with all proponents (who meet or exceed the minimum technical score) who come within 5 overall points of the highest overall score. The lowest cost per point submission would be the one recommended. The calculation would have the raw technical score divided by the overall price, for example;

Dollar cost methodology calculation
(based on minimum technical score of 70)

Proponent A Price - \$850,000 (overall score 82 points)

Technical score of - 72

Cost = \$11,805.56 per technical point

Proponent B Price - \$1,100,000 (overall score 85.7 points)

Technical Score of - 78

Cost = \$14,102.56 per technical point

Award recommendation in this case would go to Proponent A even though Proponent B had a higher overall score. This process would allow us to avoid the need to award to a

proponent that did not submit the low proposal but to the proponent that provides the best value per technical point.

This process would require an amendment to the Purchasing By-law because it represents a deviation from the authorities given under the current By-law to award to the highest overall scoring proponent.

It is to be noted that in addition to the standard weighted score evaluation method generally used in the public sector, the dollar cost approach is also used in certain RFP evaluations by the Region of Halton, City of Hamilton, GO Transit, Public Works Canada and sparingly by the City of Ottawa.

5. FINANCIAL IMPLICATIONS

It is expected that by applying the above processes in specific circumstances it is anticipated that there will be some administrative cost savings because of not having to re-issue RFPs. Also, in the instances where the Region uses the dollar cost methodology process the Region may realize a lower cost per technical point. In the case of the 18 month study there could have been a maximum potential savings of \$1.4 million.

6. LOCAL MUNICIPAL IMPACT

No local Municipal impact.

7. CONCLUSION

The Region's present Request for Proposal evaluation process is sound, fair and transparent. It also emphasizes the awarding to the proponent with the highest level of expertise. However, by following the two new enhancements reported on above in specific circumstances the Region will be assured of continuing to receive best value for high quality of services.

The content of this report has been reviewed by consultants KPMG for an opinion on the process changes proposed. Their general conclusion is that "Overall, the report looks good and there are no major problems with either of your proposed changes".

The Senior Management Group has reviewed this report.