



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachment**

**3-1-1 Technology Solution Request for Proposal No.
3412-07-3010: Best and Final Offer Results**

Date:	September 4, 2007
To:	Government Management Committee
From:	Deputy City Manager Sue Corke Deputy City Manager and Chief Financial Officer Joseph P. Pennachetti
Wards:	All Wards
Reason for Confidential Information:	<ol style="list-style-type: none">1. This report involves the security of property belonging to the City or one of its agencies, boards, and commissions. The negotiating position of the City could be severely weakened if the contents of this report were to be public at an inappropriate time and the contents cannot be discussed publicly without risk of deviating from statutory requirements, Council policy and risking potential legal action.2. This report contains advice or communications that are subject to solicitor-client privilege.
Reference Number:	

SUMMARY

The purpose of this report is to advise on the evaluation results of the Best and Final Offer Process (BAFO). This option was invoked as part of the 3-1-1 Technology Solution Request for Proposal (RFP) No. 3412-07-3010. As per Council direction in March 2007, the New Pricing RFP for the 3-1-1 Technology Solution was issued to the two pre-qualified Proponents that met all technical requirements for RFP No. 3412-06-3061. At this time, Council is being requested to approve the Preferred Proponent recommended through this procurement process. This Preferred Proponent offers the Solution that provides the best value to the City. Recommendations to address both short and long term issues are found in the Confidential Attachment to this report.

RECOMMENDATIONS

The 3-1-1 Executive Sponsor Deputy City Manager and the Deputy City Manager and Chief Financial Officer recommend on behalf of the 3-1-1 Steering Committee:

1. That Council adopt the instructions to staff in Confidential Attachment 1.
2. That Council authorize the public release of recommendations adopted by Council, subject to the ongoing protection of City and Proponent interests and information per the City of Toronto Municipal Code, Chapter 27 on Council Procedures, section 27-10: In-camera meetings.

Financial Impact

All financial analysis of the BAFO Proposals, including the short-term Year 1 Capital and Implementation cost findings, the longer-term Years 2 to 5 maintenance and support cost findings, the projected total Technology Solution costs, and staff recommendations are presented in Confidential Attachment 1 to this report.

Decision History

A Preferred Proponent was not identified from the evaluation of the Proposals received for the first RFP because both Proponents submitted non-compliant pricing documentation. At its meeting of March 5, 6, 7, and 8, 2007, Council adopted recommendations contained in Report GG2.16, "Update on City's 3-1-1 Project", from Deputy City Manager Sue Corke, and the Deputy City Manager and Chief Financial Officer. Council directed that the two Proponents from the original RFP No. 3412-06-3061, who passed the technical evaluation successfully, be deemed Pre-qualified Proponents in a limited Pricing RFP for the 3-1-1 Technical Solution. Under the conditions of the new RFP, a Pre-qualified Proponent who wants to participate in the new process, must confirm that the technical portion of its Response to the first RFP would remain the same. This condition had to be met so that the technical submissions in the first RFP evaluation could be considered part of their new submission for the new RFP No. 3412-07-3010. It also meant that the technical scores for those submissions could be considered in the new evaluation process. Both Pre-qualified Proponents participated in the new RFP.

Issue Background

When the new pricing Proposals underwent preliminary review by the City, both exceeded the approved budget. A Preferred Proponent was not identified at this stage in the Evaluation Process. The 3-1-1 Technology RFP Advisory Committee recommended that further pricing efficiencies and better value be sought for the City. Accordingly, the

3-1-1 Steering Committee directed that the Best and Final Offer Process (BAFO) specified in section 6.3 of the RFP be invoked in order to further clarify the Proponents' understanding of scope, to explore alternative methods and strategies of delivery, and attempt to obtain reduced pricing without reducing scope, deliverables, or project schedule. It was determined that this additional process offered the most realistic and cost-effective likelihood of recommending a Preferred Proponent to Council.

3-1-1 Project Status

The 3-1-1 Customer Service Initiative is comprised of nine sub-projects. This report focuses specifically on the technology sub-project. The other eight sub-projects remain on schedule and on budget. The technology sub-project must proceed in order to:

- Complete the final step in achieving the Council-approved 3-1-1 Service Model;
- Complete the remaining implementation component of the divisional business reviews and service re-engineering completed over the last eighteen months;
- Implement the new electronic performance reporting function for all 3-1-1 service requests with specified service standards; the information will be used to precisely diagnose problem areas and electronically track service order results and response times by ward;
- Link the 3-1-1 system to the customized legacy work order systems to build capacity to track service requests from start to completion;
- Migrate the Knowledge Base content for all City service divisions (more than 12,000 documented questions and answers) to the new technology to ensure that the information can be easily searched electronically by 3-1-1 Contact Centre staff;
- Ensure full capacity to produce the 3-1-1 statistics on divisional productivity and service performance; and
- Provide Council with accurate service status reports that are essential to realizing significant City efficiencies.

Overview of the Best and Final Offer Process

General:

The Best and Final Offer procurement process was the subject of expert testimony at the Toronto Computer Leasing and External Contracts Inquiries. In her volume on *Good Government*, Madame Justice Bellamy notes that "From the research, expert opinion, and practice in other jurisdictions, the Best and Final Offer (BAFO) methodology emerges as a best practice designed to mitigate the risk associated with the traditional one-shot processes." BAFO is a very useful vehicle for ensuring the best possible technical solutions at the lowest prices and for avoiding unnecessary competition cancellations. This is the first time that Toronto has taken advantage of the Best and Final Offer option, achieving the positive results outlined in this report.

When specifically included in an RFP, the BAFO process provides the City with an optional step in the evaluation process prior to selecting a recommended Preferred Proponent. BAFO offers short-listed Proponents the opportunity to improve their original Proposals through new strategies or methods/ways of meeting the project scope or requirements specified in the RFP. The revised Proposals are submitted as the Best and Final Offer Proposals. The BAFO Proposals form the basis of formal re-evaluation by the City in accordance with the criteria specified in the RFP.

Toronto:

Both Pre-Qualified (short-listed) Proponents were given formal notice of the intent of the City to invoke the voluntary BAFO process outlined in the RFP and both informed the Purchasing and Materials Management Division (PMMD) in writing that they were voluntarily choosing to participate.

An information session was held May 8th, 2007 for both Proponents to clarify City expectations and review the purpose and ground rules for individual BAFO Proponent meetings. The Technology Advisory Committee (non-evaluation team members from the 3-1-1 Project Management Office, PMMD, Legal, Information and Technology) then conducted individual Proponent meetings on May 11th, 2007. At the individual meetings, the Proponents were required to take the lead in discussion on potential areas of price adjustments. This was designed by the City to ensure that the participants focused the discussion on options, new methods or strategies encompassing areas of deliverables, and not on specific “line item” details. Both the Information Session and the Individual meetings were attended by a Fairness Monitor. Revised submissions, incorporating any changes to the costing from the first submission and the rationale for it, were received on May 29th (extended from May 18th on request from a Proponent) for evaluation by the RFP evaluation team.

Evaluating the BAFO Proposals

The BAFO Proposals were first evaluated using the “Cost per Technical Point” fee formula cited in Appendix E of the first 3-1-1 Technology Solution RFP No. 3412-06-3061. The formula was calculated by taking the total capital cost of Services in BAFO Proposals, divided by the Proponent’s Technical Score. Other disclosed criteria as set out in Confidential Attachment 1 were also considered by the 3-1-1 Steering Committee.

Summary of the BAFO Evaluation Result

The BAFO process met its intended goal of receiving reduced (one-time) Initial Capital pricing from both Proponents. In addition, the BAFO meetings provided clarification for the vendors on project scope, City expectations, and the extent of 3-1-1 technology sub-project work already completed internally. The BAFO Process is also expected to reduce the time required to conduct subsequent formal negotiations with a Preferred Proponent. It must be noted that the other eight 3-1-1 sub-projects remain on budget and on schedule, and are close to completion, pending the installation of the technology component.

The outcome of the BAFO process is that both pre-qualified Proponents submitted significantly reduced Proposals, but both still exceed the approved Initial Capital budget for the Technology Solution.

Council Decisions Required

1. The detailed cost analysis results associated with the Technology Solution Best and Final Offer Proposals are also presented in the Confidential Attachment to this report. Approval is being sought from Council in accordance with its authority to direct the City's purchasing and budget processes to confirm a Preferred Proponent for the 3-1-1 Technology Solution.
2. The 3-1-1 Executive Sponsor Deputy City Manager, and the Deputy City Manager and Chief Financial Officer are recommending a one-time capital budget transfer which is detailed in the Confidential Attachment to this report. Council approval of the transfer is a pre-requisite to proceeding with the Technology Solution response to this RFP.

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ATTACHMENTS

Confidential Attachment: 3-1-1 Technology Solution Request for Proposal No 3412-07-3010: Best and Final Offer Results and Recommendations

