REPORT FOR ACTION

Award of Negotiated Request for Proposals to Various Suppliers for the Provision of Traffic Electrical Maintenance and Emergency Services; and Traffic Electrical Planned Capital Works Roster

Date: June 18, 2021
To: Infrastructure and Environment Committee
From: General Manager, Transportation Services and Chief Procurement Officer, Purchasing and Materials Management
Wards: All

SUMMARY

The purpose of this report is to advise on the results of the Negotiated Request for Proposal (nRFP) Doc2865468161 for the provision of Traffic Electrical Maintenance and Emergency Services; and Traffic Electrical Planned Capital Works Roster (Capital Works Roster), and to request authority for the General Manager, Transportation Services to enter into agreements with the top-ranked Suppliers meeting the requirements set out in the nRFP. There are essentially three components comprising this nRFP.

The first two components will allow the City to retain two qualified electrical contractors responsible for the purposes of traffic signal maintenance and state-of-good-repair as well as maintenance and state-of-good-repair for the City's existing RESCU traffic management infrastructure including traffic cameras, expressway variable message signs and automatic traffic counting systems. Each contractor would be assigned to geographic areas of responsibility for either Etobicoke, North York, Toronto/East York (Service Area A) or Scarborough (Service Area B). Each Service Area will have a contract term of four (4) years from date of execution of the contract with the option to renew for one (1) additional year at the sole discretion of the City and subject to budget approval(s). The total potential contract award including all option years for Service Area A is $82,881,589 net of all applicable taxes and charges, $84,340,305 net of HST recoveries. The total potential contract award including all option years for Service area B is $27,125,501 net of all applicable taxes and charges, $27,602,910 net of HST recoveries.

The third component of this nRFP will allow the City to create a Capital Works Roster of qualified electrical contractors that will be utilized to deliver and install the City's new

traffic control devices in support of Vision Zero, electronic signal components in support of cycling infrastructure (e.g. bike heads), as well as various electronic components associated with the City's recent MoveTO congestion management plan related to Smart Signal deployment and Intelligent Intersections (eg. pedestrian and bike detection) supporting all road users, City wide. It is anticipated that having a Capital Works Roster of qualified electrical contractors ready to undertake the work will reduce the overall time for delivery of new traffic control devices by six months relative to the traditional procurement process. The Capital Works Roster will have a contract term of three (3) years with an option in favour of the City to extend for two (2) additional one (1) year periods at the sole discretion of the City and subject to budget approval(s). The total potential contract award including all option years for the Capital Works Roster is $79,578,212 net of all applicable taxes and charges, $80,978,789 net of HST recoveries.

This nRFP was developed as a strategic sourcing initiative led by the Purchasing and Materials Management Division's Category Management and Strategic Sourcing (CMSS) unit working with the Transportation Services staff and with external consultant support.

As a result of this sourcing initiative, the City will benefit from an increased Supplier base for the provision of traffic signal and RESCU electronic system maintenance for the two (2) Service Areas and to provide planned capital work through a prequalified group of Suppliers (Capital Works Roster) in support of Transportation Services Vision Zero, Cycling Infrastructure and MoveTO key initiatives. Benefits will also include access to live GPS to improve accountability, and key performance metrics to hold Suppliers accountable in terms of contract requirements.

Furthermore, there is a quantifiable total projected benefit consisting of cost reduction and cost avoidance. This includes all option years of 10% for Service Area A, 8% for Service area B and 14% for Capital Works Roster below the pre-solicitation engineering estimate, respectively. This represents a projected average annual benefit of $1,910,828 (net of all applicable taxes and charges) for Service Area A, $440,112 (net all applicable taxes and charges) for Service Area B, and $2,644,770 (net all applicable taxes and charges) for the Capital Works Roster.

RECOMMENDATIONS

The General Manager of Transportation Services and the Chief Procurement Officer recommend that:

1. The Infrastructure and Environment Committee, in accordance with Section 195-8.4 of Toronto Municipal Code Chapter 195 (Purchasing By-Law), grant authority to the General Manager, Transportation Services to negotiate, enter into, and execute an agreement with each of the following two successful Suppliers based on the terms and conditions set out in nRFP Doc2865468161 and any other terms and conditions satisfactory to the General Manager, Transportation Services and in a form satisfactory to the City Solicitor:

a. Black & McDonald Limited for the provision of Traffic Electrical Maintenance and Emergency Services for Service Area A (Etobicoke, North York, Toronto/East York) as defined in the nRFP, for a contract term of four (4) years from date of execution of the agreement in the amount of $65,443,155 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment ($66,594,954 net of HST recoveries, including contingency), with the option to renew at the discretion of the General Manager Transportation Services for an additional one (1) year period in the amount of $17,438,435 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment, ($17,745,351 net of HST recoveries, including contingency) for a total potential contract value including all option years of $82,881,589 net of all applicable taxes and charges, $84,340,305 net of HST recoveries.

b. TM3 Inc. for the provision of Traffic Electrical Maintenance and Emergency Services for Service Area B (Scarborough only) as defined in the nRFP, for a contract term of four (4) years from date of execution of the agreement in the amount of $21,375,038 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment ($21,751,239 net of HST recoveries, including contingency), with the option to renew at the discretion of the General Manager Transportation Services for an additional one (1) year period in the amount of $5,750,463 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment, ($5,851,671 net of HST recoveries, including contingency) for a total potential contract value including all optional years of $27,125,501 net of all applicable taxes and charges, $27,602,910 net of HST recoveries.

2. The Infrastructure and Environment Committee, in accordance with Section 195-8.4 of Toronto Municipal Code Chapter 195 (Purchasing By-Law), grant authority to the General Manager, Transportation Services to enter into and execute an agreement with each of the four (4) top-ranked prequalified Suppliers that will form the Traffic Electrical Planned Capital Works Roster, whereby each individual project (work assignment) will have a value less than $500,000, all in accordance with the terms and conditions as set out in nRFP Doc2865468161 and in a form satisfactory to the City Solicitor, as follows:

a. TM3 Inc. for a contract term of three (3) years from date of execution of the agreement in the amount of $15,186,846 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment ($15,454,134 net of HST recoveries, including contingency) with the option to renew at the discretion of the General Manager Transportation Services for an additional two (2) separate one (1) year periods in the amount of a total additional $4,707,707 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment, ($4,790,563 net of HST recoveries, including contingency) for a total potential contract value including all optional years of $19,894,553 net of all taxes and charges ($20,244,697 net of HST recoveries).

b. Beacon Utility Contractors Limited for a contract term of three (3) years from date of execution of the agreement in the amount of $15,186,846 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment ($15,454,134 net of HST recoveries, including contingency) with the option to renew at the discretion of the General Manager Transportation Services for an additional two (2) separate one (1) year periods in the amount of a total additional $4,707,707 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment, ($4,790,563 net of HST recoveries, including contingency) for a total potential contract value including all optional years of $19,894,553 net of all taxes and charges ($20,244,697 net of HST recoveries).

c. Black & McDonald Limited for a contract term of three (3) years from date of execution of the agreement in the amount of $15,186,846 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment ($15,454,134 net of HST recoveries, including contingency) with the option to renew at the discretion of the General Manager Transportation Services for an additional two (2) separate one (1) year periods in the amount of a total additional $4,707,707 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment, ($4,790,563 net of HST recoveries, including contingency) for a total potential contract value including all optional years of $19,894,553 net of all taxes and charges ($20,244,697 net of HST recoveries).

d. Guild Electric Limited for a contract term of three (3) years from date of execution of the agreement in the amount of $15,186,846 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment ($15,454,134 net of HST recoveries, including contingency) with the option to renew at the discretion of the General Manager Transportation Services for an additional two (2) separate one (1) year periods in the amount of a total additional $4,707,707 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment, ($4,790,563 net of HST recoveries, including contingency) for a total potential contract value including all optional years of $19,894,553 net of all taxes and charges ($20,244,697 net of HST recoveries).

FINANCIAL IMPACT

The total amount of the award for nRFP Doc2865468161, the Maintenance and Operation of Electrical Traffic Control and Related Devices within the City of Toronto, for Service Area A and B is $110,007,091 ($111,943,216 net of HST recoveries) over the five (5) year contract term (inclusive of the option year and contingency) and for the Capital Works Roster is $79,578,212 ($80,978,789 net of HST recoveries) over the over the five (5) year contract term (inclusive of the two option years and contingency).

Funding for these contracts will be accommodated within the approved 2021 Operating Budget and 2021 – 2030 Capital Budget Plan for Transportation Services. Funding for future years will be included for consideration in the future years' budget processes along with all other funded and unfunded City priorities.

Tables 1 to 3 summarize the Operating and Capital Budget cash flow requirements for Service Areas A & B respectively. Table 4 summarizes the Capital Budget cash flow requirements for the Capital Works Roster. Table 5 summarizes the contract value for both Service Areas A & B and the Capital Works Roster.

Table 1 – Transportation Services Forecasted Operating Budget for Service Area A and B for 2021 (Net of HST Recoveries)

Cost Centre / Cost Element	Date of Award - December 31, 2021	Total (Net HST recoveries)
TS7030 (4481)	$408,358	$408,358
TS7030 (4483)	$136,119	$136,119
TS7030 (4486)	$6,261,495	$6,261,495
TS7030 (4486) Contingency	$756,219	$756,219
Total	$7,562,192	$7,562,192

Table 2 – Transportation Services Forecasted Operating Budget for Service Area A and B for 2022 - 2026 (Net of HST Recoveries)

Cost Centre / Cost Element	2022	2023	2024	2025	January 1 , 2026 - August 31, 2026	Total (Net HST recoveries)
	January 1 - December 31					
TS7030 (4481)	$1,079,368	$1,070,592	$1,101,306	$1,136,408	$829,091	$5,216,765
TS7030 (4483)	$359,789	$356,864	$367,102	$378,803	$276,364	$1,738,922
TS7030 (4486)	$16,550,306	$16,415,750	$16,886,694	$17,424,915	$12,712,732	$79,990,397
TS7030 (4486) Contingency	$1,998,829	$1,982,579	$2,039,456	$2,104,458	$1,535,354	$9,660,676
Total	$19,988,292	$19,825,786	$20,394,558	$21,044,584	$15,353,540	$96,606,760

Table 3 – Transportation Services Forecasted Capital Budget for Service Areas A and B for 2021 - 2026 (Net of HST Recoveries)

WBS Element	Date of Award - December 31, 2021	2022	2023	2024	2025	Total (Net HST recoveries)
		January 1 - December 31				
CTP716-06 (RSP Accessible Pedestrian Signals)	$1,679	$12,873	$12,873	$12,873	$12,873	$53,170
CTP716-01 (New Traffic Control Devices)	$11,397	$28,493	$28,493	$28,493	$0	$96,876
CTP716-30 (Congestion Management Plan)	$0	$360,000	$360,000	$360,000	$360,000	$1,440,000
CTP719-03 (RSP Major Modifications)	$0	$115,000	$115,000	$115,000	$115,000	$460,000
CTP716-07 (Traffic Plant State Of Good Repair)	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$5,000,000
CTP721-01 (Move TO)	$12,109	$12,109	$0	$0	$0	$24,219
CTP 315-09 (Pooled Contingency)	$101,442	$151,243	$150,045	$150,045	$147,225	$700,000
Total	$1,126,628	$1,679,718	$1,666,410	$1,666,410	$1,635,098	$7,774,264

Table 4 – Transportation Services Forecasted Capital Budget for Capital Works Roster for 2021 – 2025 (Net of HST Recoveries)

WBS Element	Date of Award - December 31, 2021	2022	2023	2024	2025	Total (Net HST recoveries)
		January 1 - December 31				
CTP716-06 (RSP Accessible Pedestrian Signals)	$112,954	$1,794,562	$1,794,562	$1,562,416	$865,978	$6,130,472
CTP716-01 (New Traffic	$0	$8,047,735	$8,047,735	$6,035,801	$0	$22,131,272

Control Devices)						
CTP716-30 (Congestion Management Plan)	$373,027	$360,000	$360,000	$360,000	$360,000	$1,813,027
CTP719-03 (RSP Major Modifications)	$76,667	$115,000	$115,000	$115,000	$115,000	$536,667
CTP716-07 (Traffic Plant State Of Good Repair)	$1,823,206	$6,066,289	$6,066,289	$5,730,967	$4,725,000	$24,411,752
CTP721-01 (Move TO)	$0	$508,800	$1,017,600	$1,017,600	$0	$2,544,000
CTP 717-20 (LED Signal)	$1,500,000	$1,900,000	$0	$0	$0	$3,400,000
CTP717-58 (RSP LSGI and SCPEA (Vision Zero))	$0	$100,000	$100,000	$100,000	$100,000	$400,000
CTP817-05 (Cycling)	$800,000	$2,200,000	$2,640,000	$3,170,000	$3,801,600	$12,611,600
CTP315-09 (Pooled Contingency)	$443,383	$1,995,798	$1,905,794	$1,711,876	$943,149	$7,000,000
Total	$5,129,237	$23,088,185	$22,046,980	$19,803,660	$10,910,727	$80,978,789

Table 5 – Total Contract Value from 2021 – 2026 (Net of HST recoveries)

Year	Service Area A + B		Capital Works Roster	Annual Amount (Net of HST recoveries)
	Operating	Capital	Capital	
2021	$7,562,192	$1,126,628	$5,129,237	$13,818,056
2022	$19,988,292	$1,679,718	$23,088,185	$44,756,194
2023	$19,825,786	$1,666,410	$22,046,980	$43,539,176
2024	$20,394,558	$1,666,410	$11,552,135	$33,613,103
2025	$13,482,392	$953,807		$14,436,199
Total Base Contract	**$81,253,220**	**$7,092,973**	**$61,816,537**	**$150,162,730**
Option Year 1	$22,915,732	$681,291	$14,616,116	$38,213,139
Option Year 2			$4,546,136	$4,546,136
Grand Total	**$104,168,952**	**$7,774,264**	**$80,978,789**	**$192,922,005**
	$111,943,216			

Should the City choose to exercise its option(s), then appropriate additional funding, if needed, will be included in the 2024-2026 Operating and Capital Budget Submissions for Transportation Services for consideration as part of the Annual Budget process.

Projected Financial Benefit-Cost Reduction and Cost Avoidance

The total projected benefit for Service Area A, Service Area B and the Capital Works Roster for the full term of the contract (inclusive of optional years) is in the amount of $24,978,553 net all applicable taxes and charges. The total projected benefit consists of cost reduction and cost avoidance and further described below:

The projected cost reduction identified in this procurement for the full term of the contract (inclusive of optional years) is in the amount of $1,293,282 net all applicable taxes and charges. This projected cost reduction applies to the Capital Works Roster only, and will be used by Transportation Services to advance other capital projects. For Service Area A and Service Area B, there is no cost reduction identified. See table 7 below for a detailed breakdown of the projected benefit of cost reduction and cost avoidance.

The projected cost avoidance identified in this procurement for the full term of the contract (inclusive of optional years) will not impact the Capital or Operating budgets and is in the amount of $23,685,271 net all applicable taxes and charges. The projected cost avoidance amount applies to Service Area A, Service B and the Capital Works Roster, see table 7 below for a detailed breakdown of the projected benefit.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On June 29, 2020 Infrastructure and Environment Committee adopted IE13.8, "Accelerate Implementation and Installation of the New Traffic Control Devices Including New Traffic Signals, Mid-block Pedestrian Signals, Pedestrian Crossovers, and Flashing Beacons" which directed the General Manager, Transportation Services to develop an action plan to accelerate the implementation of new traffic control devices including new traffic signals, mid-block pedestrian signals, pedestrian crossovers, and flashing beacons from 18 months down to 8 months or less from the time that they are approved by Council. The Committee decision can be found at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IE13.8

On May 28, 2020, City Council adopted the recommendations of Report No. CC21.15, "Amendment of Contract 17TM-01TP to Guild Electric Limited, for the Maintenance and Operations of Electrical Traffic Control and Related Devices". This report extended the contract duration for an additional four (4) month period from March 31, 2021 to July 31, 2021 for Guild Electric to continue undertaking the maintenance and operation of electrical traffic control and related devices as well as improvement and expansion of

the traffic control signal infrastructure within the City of Toronto. The Council decision can be found at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.CC21.15

On October 5, 2016, City Council adopted the recommendations of the Public Works and Infrastructure Committee Report No. PW15.2 "Award of Tender Call 2-2016, Contract 17TM: Maintenance and Operation of Electrical Traffic Control and Related Devices and Approval of Multi-Year Cash Flow Commitments for the Award". This report discusses the contract award to Guild Electric Limited for a five (5) year period from February 1, 2017 to March 31, 2021 to undertake the maintenance and operation of electrical traffic control and related devices as well as improvement and expansion of the traffic control signal infrastructure within the City of Toronto. The Council decision can be found at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PW15.2

COMMENTS

Background

The existing contract for the maintenance and operation of electrical traffic control and related devices commenced on February 1, 2017 and was extended via Council approval to expire on July 31, 2021. In the past, this contract and its predecessors were tendered as Request for Quotations (RFQs) whereby the successful Supplier was determined solely based on lowest price. The previous RFQ resulted in only two bids with a difference of $35M between bids.

In the past, Transportation Services had also included scope for capital planned work in the previous electrical maintenance contracts. This approach would consume contractor resources from the electrical maintenance contract impacting the contractor's productivity. Furthermore, it would take 12 months to 18 months from the time a new traffic signal was approved in Council for the procurement, design and construction to take place however, Council had approved a motion in June, 2020 to reduce this timeframe.

This resulted in the need to amend the procurement strategy for the maintenance and capital portion of the previous electrical maintenance contract. Transportation Services staff engaged the Category Management and Strategic Sourcing Unit for support.

Category Management and Strategic Sourcing

The City's Purchasing and Materials Management Division introduced a Category Management and Strategic Sourcing approach in 2018 and 2019 to secure the best value for the City within various categories of spend.

Category management is a systemic and disciplined approach to procurement, of which strategic sourcing is a component. Strategic sourcing relies on the analysis of information about Supplier markets, anticipated volumes and dollar value of purchases to leverage the City's purchasing power, and to find the best possible value in the marketplace to meet the City's requirements. Negotiation with Suppliers and periodic assessments of transactions to understand what the City is receiving and how to maximize value for money are exemplify effective strategic sourcing, and are reflected in this procurement event.

Strategic Sourcing for Traffic Electrical Maintenance and Emergency Services & Capital Works Roster

A team comprised of staff from Purchasing and Materials Management Division, Traffic Management in the Transportation Services Division, Ernst & Young, IBI Group, with support from Legal Services, developed the nRFP. The team utilized several different inputs to understand trends, challenges, innovation, including market soundings with traffic electrical Suppliers and public organizations, with the goal of increasing value for money, improving quality of service and productivity, and meeting the City's service level expectations.

The main components of the strategy that led to the benefits of this procurement explained below were:

1) To consolidate all related traffic electrical maintenance work and separate the City into two Service Areas by geographical regions to leverage City's volume of related scope and improve the supply base leading to a more competitive process. The need to improve the supply base was due to limited participation from Suppliers in previous RFQs of this type of work. This new strategy also encouraged participation from both small and large Suppliers.

2) Utilizing a Negotiable Request for Proposals (nRFP): In conventional Request for Quotations (RFQs) and RFPs, there is limited flexibility to engage with Suppliers in a collaborative way during the procurement process. As such, the City utilized a nRFP in order to: (i) develop an opportunity to recognize the Suppliers' difference in experience and quality of delivery through technical proposal evaluations (including evaluation of innovation or value added services); and (ii) facilitate engagement with Suppliers in a collaborative way during the procurement process through direct negotiations with the highest scoring Suppliers for Service Area A and Service Area B.

3) Create a Capital Works Roster of prequalified Suppliers based on the evaluation of Supplier qualifications and cost of work to ensure best value for money. Having a roster for planned capital work will ensure it is executed expeditiously to satisfy Council's request for improved lead times to procure and complete capital work and this will also avoid interrupting the required maintenance and emergency services work with capital work being separated from the maintenance and emergency services contracts. The City also found benefit in consolidating all three parts (Service area A, Service area B and the Capital Works Roster) into one nRFP to reduce City staff time and efforts so it may be used on other urgent City needs.

4) Leveraged an outcome based mechanism (Monthly Maintenance Fee) to control over-expenditures and the inclusion of service levels with associated key performance indicators (KPIs) to improve overall performance and ensure City service levels are being met for the Service Area contracts. This also fosters a collaborative working

relationship with Suppliers as both parties will review the results of the KPIs regularly as defined in the nRFP to ensure service levels are being met.

5) Use of a standardized price adjustment mechanism to account for inflation, commodity and labour cost changes over the term of the contracts.

Negotiated Request for Proposal (nRFP) Process

The nRFP Doc2865468161 was issued on February 19th, 2021, with a closing date for submissions of March 29th, 2021. Two (2) Supplier Information Sessions were conducted to inform the Supplier market of the objective and process of this procurement. In total, there were six (6) addenda issued during the posting period of this nRFP.

The nRFP identified three separate scopes of work: two of the scopes of work were for the Traffic Electrical Maintenance and Emergency Services for all RESCU and Traffic Control Devices within the City of Toronto for the two (2) regions identified as Service Area A and Service Area B respectively; and one scope of work was for the Capital Works Roster.

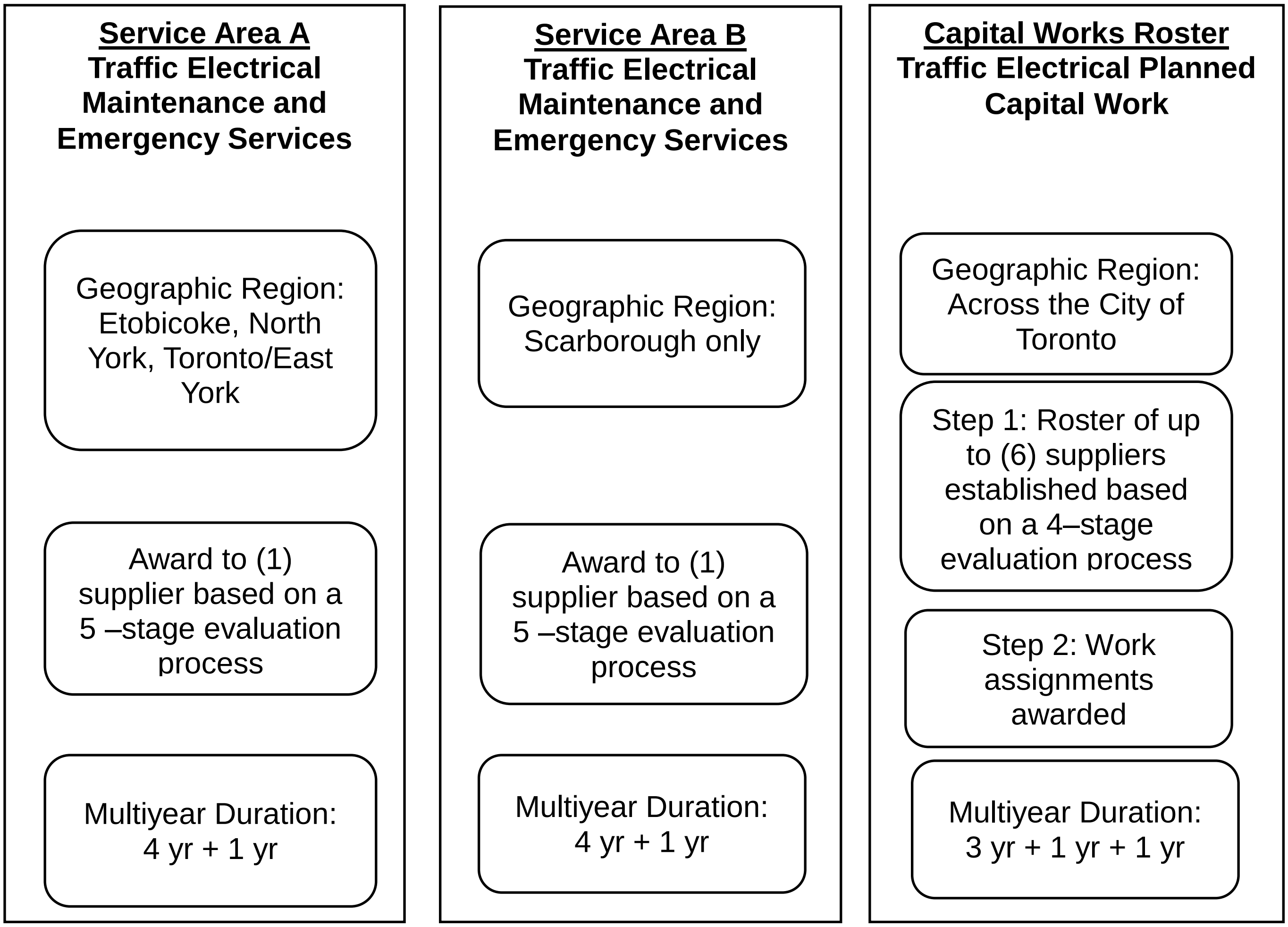

Figure 1: Three (3) separate scopes (Service Area A, Service Area B, and Capital Works Roster)

Suppliers were invited to bid on all or any of the three scopes of work by submitting separate proposals for each, demonstrating their ability to meet or exceed experiential and technical requirements while offering high quality service at their best price. The Supplier who scored highest on the combination of technical and pricing criteria would be invited to enter into direct contract negotiations for each of the Service Area contracts. The Capital Works Roster did not involve negotiations.

Evaluation, Supplier Selection & Negotiation Process and Results
At the time of closing, proposals were received from the following Suppliers for each scope:

1) **Service Area A:**
   - -Black & McDonald Limited
   - -Guild Electric Limited
   - -TM3 Inc.
   - -Tristar Electric Inc.

2) **Service Area B:**
   - -Black & McDonald Limited
   - -Guild Electric Limited
   - -TM3 Inc.
   - -Tristar Electric Inc.

3) **Capital Works Roster:**
   - -Beacon Utility Contractors Limited
   - -Black & McDonald Limited
   - -Guild Electric Limited
   - -TM3 Inc.
   - -Tristar Electric Inc.

A formal evaluation committee was established for the purpose of reviewing proposals received from the above Suppliers. The proposals were evaluated in compliance with the criteria set out in the nRFP and were evaluated separately for each of the three (3) scopes.

The evaluation process described in the nRFP consisted of five (5) stages for Service Area A and Service Area B; and four (4) stages for the Planned Capital Works Roster.

Service Area A and Service Area B- Stages of Evaluation:
Stage 1: Mandatory Submission Requirements
Stage 2: Technical Proposal Evaluation
Stage 3: Pricing Proposal Evaluation & Ranking (Combined prorated score)
Stage 4: Contract Negotiations
Stage 5: Contract Award

Capital Works Roster- Stages of Evaluation:
Stage 1: Mandatory Submission Requirements
Stage 2: Technical Proposal Evaluation
Stage 3: Pricing Proposal Evaluation & Ranking (Combined prorated score)
Stage 4: Finalized Prequalified Supplier List

Service Area A and Service Area B- Stages of Evaluation and Results

Stage 1: Mandatory Submission Requirements

In accordance with the nRFP, each of the Suppliers were required to submit responses to a list of mandatory requirements. As a result of this compliance review, all four (4)

Suppliers met the mandatory requirements and advanced to Stage 2 of the evaluation process for both Service Areas.

Stage 2: Technical Proposal Evaluation

In Stage 2, which is worth 40% of the overall total score, each of the Suppliers were to be evaluated by an evaluation team, against non-price related criteria for each Service Area. Only Suppliers that achieved the minimum score threshold of 70% in addition to the minimum requirements of all individual evaluation criteria, would proceed to Stage 3 - Pricing Proposal Evaluation & Ranking. Table 8 sets out which Suppliers moved onto Stage 3.

Table 8: Stage 2-Technical Evaluation Results- Service Area A & Service Area B

Stage 2- Technical Evaluation Results				
Service Area	Black & McDonald Limited	Guild Electric Ltd.	TM3 Inc.	Tristar Electric Inc.
A	Met threshold	Met threshold	Met threshold	Did not meet threshold
B	Met threshold	Met threshold	Met threshold	Did not meet threshold

Stage 3: Pricing Proposal Evaluation & Ranking (Combined prorated score)

In Stage 3, which is worth 60% of the overall total proposal score, the price evaluation was conducted in accordance with the methodology set out in the nRFP for each Service Area. After the completion of the pricing evaluation, all scores from Stage 2 (40% of the total score) and Stage 3 (60% of the total score) were to be added together and the Supplier submissions would be ranked in descending order of Total Scores per Service Area. According to the nRFP, the highest-ranked Supplier would be invited to enter into Stage 4 Contract Negotiations. The following top-ranked Suppliers proceeded to Stage 4 Contract Negotiations:

-Top Ranked Supplier for Service Area A: Black & McDonald Limited
-Top Ranked Supplier for Service Area B: TM3 Inc.

Stage 4: Contract Negotiations

Separate contract negotiation meetings were held for Service Area A and Service Area B with the respective top ranked Suppliers. As set out in the nRFP, Contract Negotiations focused on clarification of scope assumptions, reduction of risk to both contractor and the City, and addressing potential unbalanced bid items. As a non-binding procurement process, the terms and conditions of the nRFP do not form a legally binding agreement until such time as the agreement is fully executed following the award made by the Infrastructure and Environment Committee.

Upon conclusion of Negotiations, Transportation Services staff compared the final price against the adjusted 'Total Estimated Baseline' (pre-solicitation engineering estimate adjusted for inflation and market rate) indicated in the table below for each Service Area, respectively with the Total Estimated Spend based on Supplier's bids for the base term of four (4) years and the additional two separate one (1) year optional renewal years to determine a projected financial benefit of 10% for Service Area A ($9,554,141 net of all taxes, including innovation cost, provisional items and contingency) and 8% for Service Area B ($2,200,560 net of all taxes, including provisional items and contingency).

Scope Components	Total Adjusted Engineering Estimate	Total Successful Supplier's Proposals	Total Anticipated Benefit	Average Annual Benefit	% Total Anticipated Benefit
Service Area A	$92,435,730	$82,881,589	$9,554,141	$1,910,828	10%
Service Area B	$29,326,061	$27,125,501	$2,200,560	$440,112	8%

Stage 5: Contract Award Process

The top-ranked Suppliers meeting the requirements set out in the nRFP are being recommended to be awarded Service Area A and Service Area B, respectively, as follows:

a. Black & McDonald Limited for the provision of Traffic Electrical Maintenance and Emergency Services for Service Area A (Etobicoke, North York, Toronto/East York) as defined in the nRFP, for a contract term of four (4) years from date of execution of the agreement in the amount of $65,443,155 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment ($66,594,954 net of HST recoveries, including contingency), with the option to renew at the discretion of the General Manager Transportation Services for an additional one (1) year period in the amount of $17,438,435 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment, ($17,745,351 net of HST recoveries, including contingency) for a total potential contract value including all option years of $82,881,589 net of all applicable taxes and charges, $84,340,305 net of HST recoveries.

b. TM3 Inc. for the provision of Traffic Electrical Maintenance and Emergency Services for Service Area B (Scarborough only) as defined in the nRFP, for a contract term of four (4) years from date of execution of the agreement in the amount of $21,375,038 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment ($21,751,239 net of HST recoveries, including contingency), with the option to renew at the discretion of the General Manager Transportation Services for an additional one (1) year period in the amount of $5,750,463 net of all applicable taxes and charges, including contingency plus annual escalation adjustment of three (3) percent to account for CPI inflation adjustment, ($5,851,671 net of HST recoveries, including contingency) for a total potential contract value including all optional years of $27,125,501 net of all applicable taxes and charges, $27,602,910 net of HST recoveries.

Planned Capital Works Roster - Stages of Evaluation and Results

Stage 1: Mandatory Submission Requirements

In accordance with the nRFP, each of the Suppliers were required to submit responses to a list of mandatory requirements. As a result of this compliance review, all five (5) Suppliers met the mandatory requirements and advanced to Stage 2 of the evaluation process for the Capital Works Roster.

Stage 2: Technical Proposal Evaluation

In stage 2, which is worth 50% of the overall total score, each of the Suppliers were to be evaluated by an evaluation team, against non-price related criteria for the Planned Capital Works Roster. Only Suppliers that achieved the minimum score threshold of 70% in addition to the minimum requirements of all individual evaluation criteria, would proceed to Stage 3 - Pricing Proposal Evaluation & Ranking. Upon completion of stage 2 evaluations, it was determined that all five (5) Suppliers that were evaluated in this stage, met the minimum threshold score threshold and advanced to Stage 3 – Pricing Proposal Evaluation.

Stage 3: Pricing Proposal Evaluation & Ranking (Combined prorated score)

In Stage 3, which is worth 50% of the overall total proposal score, the price evaluation was conducted in accordance with the methodology set out in the nRFP for the Planned Capital Works Roster. This methodology required Suppliers to have a Pricing Score within 12% of the highest Pricing Score to limit the cost variation received and improve best value. After the completion of the pricing evaluation, all scores from Stage 2 (50% of the total score) and Stage 3 (50% of the total score) were to be added together and the Supplier submissions would be ranked in descending order of Total Scores for the Planned Capital Works Roster. Based on the requirements of Stage 3 in the nRFP, and Stage 3 results, four (4) Suppliers proceeded to Stage 4.

Stage 4: Finalized Prequalified Supplier List
The following top-ranked Suppliers proceeded to Stage 4 Finalized Prequalified List, listed below in order of rank:

1. **TM3 Inc.**
2. **Beacon Utility Contractors Ltd.**
3. **Black & McDonald Limited**
4. **Guild Electric Ltd.**

Upon finalization of the prequalification list and execution of the Capital Works Roster agreement with each of the prequalified Suppliers, Transportation Services' staff may issue work assignments (projects) through either a rotational basis or informal request for quotations (RFQ). Work assignments will be issued on a rotational basis when the price form includes items required for the work assignment and the City's estimated cost of the Work Assignment is less than $350,000 exclusive of applicable taxes. Work assignments will be issued through an informal RFQ when a work assignment involves work for which the price form does not apply or the City's estimated cost of the Work Assignment is $350,000 to $500,000 exclusive of applicable taxes. Each work assignment will not exceed $500,000 exclusive of applicable taxes.

The Fair Wage Office has reported that the recommended Suppliers has indicated that they have reviewed and understand the Fair Wage Policy and Labour Trades requirements and have agreed to comply fully for all three (3) scopes: Service Area A, Service Area B and the Capital Works Roster.

Supplier's scores and staff analysis of the evaluation results can be provided to Councillors in an in camera presentation if requested by members of Council.

Projected Financial Benefits of the Sourcing Strategy

In addition to the qualitative benefits mentioned in the Strategic Sourcing section above. The City confirmed a projected average annual benefit of $4,995,711 net of all taxes and charges for this nRFP at the time of award that may be realized during the term of the contract. The average annual benefit consists of cost reduction and cost avoidance. The details of the benefit are summarized below:

(a) The following table 6 is calculated based on the total amount for the entire duration of the contract including options years (five years in total).

(b) For Service Area A and Service Area B, the dollar value amounts include contingency, provisional items and innovation (applicable only to Service Area A).

(c) For the Capital Works Roster, the dollar value amounts include contingency only.

(d) For year 1, the benefit includes cost reduction and cost avoidance. For year 2 to year 5, the benefit will consist of cost avoidance only.

Table 6: Summary of financial benefit confirmed for this nRFP inclusive of the full duration of the contract term of 5 years (including optional years).

Scope Components	Total Adjusted Engineering Estimate	Total Successful Supplier's Proposals	Total Anticipated Benefit	Average Annual Benefit	% Total Anticipated Benefit
Service Area A	$92,435,730	$82,881,589	$9,554,141	$1,910,828	10%

Service Area B	$29,326,061	$27,125,501	$2,200,560	$440,112	8%
Capital Works Roster*	$92,802,064	$79,578,212	$13,223,852	$2,644,770	14%
Total	$214,563,856	$189,585,303	$24,978,553	$4,995,711	12%

*The actual benefit realized for the Capital Works Roster will be depended on when and how much of the projected volume is awarded during the term of the contract.

Table 7 below provides a further breakdown of the projected financial benefit for each scope component by year into cost avoidance and cost reduction. The cost reduction amount will be used by Transportation Services to advance other capital projects.

Table 7: A detailed breakdown of the projected financial benefit into Cost Reduction and Cost Avoidance by year and scope component to be awarded.

	Anticipated Benefit		Cost Avoidance				
Scope	Cost Avoidance Year 1	Cost Reduction Year 1	Year 2	Year 3	Year 4	Year 5	Total Benefit
Service Area A	$2,544,027	$0	$1,675,607	$1,725,875	$1,777,651	$1,830,981	$9,554,141
Service Area B	$414,485	$0	$426,920	$439,728	$452,919	$466,507	$2,200,560
Capital Works Roster	$1,197,491	$1,293,282	$2,565,496	$2,642,461	$2,721,735	$2,803,387	$13,223,852
Total	$4,156,032	$1,293,282	$4,668,023	$4,808,064	$4,952,306	$5,100,875	$24,978,553

Recommended Contract Award Approach and Budget Summary

The approach led by the Category Management and Strategic Sourcing unit was very successful and assisted Transportation Services in achieving their ultimate goals with respect to this overall procurement endeavour.

There were four (4) bidders submitted for Service Area A and B in comparison to the two (2) bids received in the past two RFQs that were issued. Further, there was far less disparity between the pricing of the bids submitted in comparison to the ~$35M delta between bids in the 2016 tender.

The Capital Works Roster will now provide a parallel to the existing consultant roster that will significantly reduce the amount of time necessary to procure, design and construct new traffic control devices. Having four (4) qualified electrical contractors in this roster will provide Transportation Services with the resources necessary to deliver on the traffic control elements in support of Vision Zero, MoveTO and the Cycling Infrastructure Plan.

There is a projected overall net benefit of 12% as a result of this alternative sourcing strategy and the precedence has now been set such that it is anticipated that this benefit will increase in future iterations of this procurement approach as contractors bidding become more familiar with the process and outcomes resulting in reduced costs associated with their perceived risks.

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