

Process for Award of Negotiable Request for Proposal Document Number 4053424337 for the Construction of Two New Fully Electric Ferry Vessels

Date: June 17, 2024

To: General Government Committee

From: General Manager, Parks, Forestry and Recreation, and Chief Procurement Officer

Wards: All

SUMMARY

The City of Toronto provides year-round ferry services for residents, passengers and vehicles traveling to and from Toronto Island. Due to the aging ferry fleet, City Council directed Parks, Forestry and Recreation to advance the Ferry Fleet Replacement Strategy, beginning with the construction of two new, fully electric ferry vessels: a new passenger and vehicle vessel and new passenger vessel.

The delivery of the two new vessels will increase the City's ferry capacity by over 400 passengers per trip for the passenger and vehicle vessel and nearly 1,000 passengers per trip for the passenger vessel. Delivery of the new vessels will also enhance the passenger experience with contemporary ferry designs and amenities, reduce anticipated repair costs of the current fleet, and significantly reduce greenhouse gas emissions as the ferry fleet transitions from diesel to electric.

City Council initiated the Ferry Fleet Replacement Strategy with preliminary funding allocated in 2015. During the course of the design process, in 2022, City Council established the objective of constructing fully electric vessels (rather than hybrid diesel-electric vessels). The recommended design responds to this direction and input received through community engagement.

Delivery of the new vessels is targeted to occur in the fall of 2026 and spring of 2027.

The purpose of this report is to advise on the status of the Negotiated Request for Proposals (nRFP) for the construction, delivery, commissioning, and warranty of two new fully electric ferry vessels, and the intention of staff to continue negotiations with the preferred proponent. A supplemental report, with full details on the recommended contract award, delivery schedule and financial impact, will be submitted to General Government Committee for its meeting of July 2, 2024.

Consideration of this report at July 2024 City Council is essential to preserve the current planned delivery schedule for the new vessels.

RECOMMENDATIONS

The General Manager, Parks, Forestry and Recreation and Chief Procurement Officer recommend that:

1. This report be received for information.

FINANCIAL IMPACT

There is currently no financial impact from the recommendation in this report. Full discussion of financial implications will be addressed in the anticipated supplemental report.

DECISION HISTORY

At its meeting on May 1, 2024, General Government Committee approved an amendment to Purchase Order Number 6044203 of \$1,302,500 net of applicable taxes and charges (\$1,325,424 net of Harmonized Sales Tax recoveries), revising the current purchase order from \$4,540,721 net of all applicable taxes and charges (\$4,620,638 net of Harmonized Sales Tax recoveries) to \$5,843,221 net of all applicable taxes and charges (\$5,946,062 net of Harmonized Sales Tax recoveries), and to extend the contract term from December 31, 2025 to March 31, 2027 for the completion of the contract.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.GG12.5>

At its meeting on February 14, 2024, City Council approved the 2024-2033 Capital Budget and Plan for Parks, Forestry and Recreation through item MPB15.1 (69) and additional funds of \$10,000,000 for Ferry Fleet Replacement.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.MPB15.1>

At its meeting on February 15, 2023, City Council approved the 2023-2032 Capital Budget and Plan for Parks, Forestry and Recreation through item MPB4.1 (98) and \$3,050,000 for Ferry Design and Infrastructure and \$10,950,000 for Ferry Fleet Replacement.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.MPB4.1>

At its meeting on February 17, 2022, City Council approved the 2022-2031 Capital Budget and Plan for Parks, Forestry and Recreation through item EX30.2 (177) and \$10,950,000 for Ferry Design and Infrastructure and \$28,942,000 for Ferry Fleet Replacement.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.EX30.2>

At its meeting on January 14, 2022, General Government and Licensing Committee approved an amendment to Purchase Order Number 6044203 of \$2,689,565 net of applicable taxes and charges (\$2,736,901 net of Harmonized Sales Tax recoveries), revising the Purchase Order value to \$4,540,721 net of all applicable taxes and charges (\$4,620,638 net of Harmonized Sales Tax recoveries) for the Provision of Design and Construction Support Services for the Delivery of Two Electric Ferries and Associated Shore-side Infrastructure, which confirmed the switch from hybrid to fully electric vessels.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.GL28.1>

At its meeting on February 19, 2020, City Council approved the 2020-2029 Capital Budget and Plan for Parks, Forestry and Recreation through item EX13.2 (197) and \$13,000,000 for Replacement of Ferry Boat Number 2.

<https://secure.toronto.ca/council/agenda-item.do?item=2020.EX13.2>

At its meeting of March 5, 2019, General Government and Licensing Committee approved an amendment to Purchase Order Number 6044203 of \$767,364 net of applicable taxes and charges (\$780,870 net of Harmonized Sales Tax recoveries), revising the Purchase Order value to \$2,041,720 excluding all applicable taxes and charges (\$2,077,654 net of Harmonized Sales Tax recoveries) for the inclusion of design modifications and an option for the design of a second passenger only vessel.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.GL2.7>

At its meeting on February 12, 2018, City Council approved the 2018 Capital Budget for Parks, Forestry and Recreation through item EX31.2 (20a.i.) and additional funds of \$1,500,000 for Replacement of Ferry Boat Number 1.

<https://secure.toronto.ca/council/agenda-item.do?item=2018.EX31.2>

At its meeting on August 3, 2016, Bid Committee adopted item BD94.11 to award Request for Proposal Number 9117-15-0142 for the total design and construction support services for the construction of a new City of Toronto Marine Services passenger and vehicle vessel and an optional second ferry for a total potential contract award, including all options, of \$1,274,356 net of all applicable taxes and charges (\$1,296,785 net of HST recoveries) to Concept Naval Experts Maritimes Inc.

<https://secure.toronto.ca/council/agenda-item.do?item=2016.BD94.11>

At its meeting on March 10, 2015, adopted Parks, Forestry and Recreation's 2015 Capital Budget through item EX3.4 (23a.i.) and \$11,000,000 for the Replacement of Ferry Boat Number 1.

<https://secure.toronto.ca/council/agenda-item.do?item=2015.EX3.4>

COMMENTS

Background

The City of Toronto's Parks, Forestry and Recreation division (PFR) operates a fleet of five ferry vessels providing year-round ferry services to and from Toronto Island. Under the 1993 Toronto Islands Residential Community Stewardship Act, the City of Toronto is mandated to provide year-round transportation to and from Toronto Island.

The City's ferry fleet includes four primary vessels, the Ongiara, the William Inglis, the Sam McBride, and the Thomas Rennie, and one heritage vessel, the Trillium. Together, this fleet transports approximately 1.5 million passengers and over 5000 vehicles annually. While ferry service is maintained year-round, more than 80 per cent of passenger volume takes place from May-September.

The Ferry Replacement Strategy

In recent years, growing passenger numbers and pressure on Toronto Island Park have stretched the fleet towards its operating limits. As the vessels age, the risk of unexpected failure and substantial and unexpected repair costs continues to increase.

The City has incurred notable costs in recent years to maintain the fleet. While all the vessels are well maintained, the vessels in the City's existing fleet are between 61 and 114 years old. The Ongiara undertook significant and unexpected repair work in late 2023, costing \$5.4 M in state of good repair funding.

Additionally, while the marine industry has made significant advancements in areas such as accessibility, design and energy efficiency, the age of the vessels has limited the City's ability to benefit.

Increasing the capacity and reliability of the fleet is central to the outcome of improving the passenger experience when traveling to and from Toronto Island Park.

To address these challenges, the City is advancing the Ferry Fleet Replacement Strategy. In 2016, the City awarded a contract to Concept Naval Experts Maritime Inc. for the design of the new vessels. In 2019, PFR received Council direction to pursue a "dual design" fleet replacement option, which included a passenger-only vessel design, and to explore hybrid and fully electric options rather than diesel-only vessels. This led to the direction in 2022 to fully electrify the vessels and develop the necessary shoreside infrastructure, in keeping with the Council-adopted TransformTO Net Zero Strategy. These substantial changes in the replacement strategy resulted in additional stakeholder engagements and purchase order amendments.

The first phase of the Ferry Fleet Replacement Strategy has been advanced through the issuance in July 2023 of the Negotiated Request for Proposals (nRFP) for the construction and delivery of two new vessels. The objective is to obtain a year-round passenger and vehicle vessel with a capacity of 650 passengers and 14 vehicles (or 1,300 passengers with no vehicles onboard) that will replace the Ongiara (capacity: 220 passengers and 10 vehicles). The Ongiara is the only vessel in the City's ferry fleet that can carry vehicles and is the only vessel certified to operate in icy water conditions through the winter months.

In addition, the nRFP seeks to procure a new passenger vessel with a capacity of 1,300 people will replace the Inglis (capacity: 309 passengers).

Once delivered, these two vessels will provide a combined capacity increase of over 1,400 additional passengers compared to the existing vessels, representing a 3.7 times increase in capacity or approximately 400-1000 additional passenger spaces per trip.

Delivery of the new vessels is targeted to occur in the fall of 2026 and spring of 2027. The vessel design established through this process can inform and potentially accelerate procurement of additional replacement vessels in the future. The construction of additional vessels beyond the two addressed in the recommended contract award is not presently funded in the City's capital budget and plan.

Integration of new electric vessels at Jack Layton Ferry Terminal will require the construction of new shoreside infrastructure for vessel charging and other modifications in advance of the first vessel arriving. These modifications will be advanced through a planned capital project and separate procurement process. No infrastructural changes are required at the Toronto Island ferry landings.

The Ferry Fleet Replacement Strategy is aligned with the goals and recommended actions of the Toronto Island Park Master Plan, scheduled for Council's approval in July 2024. Operation of the two vessels to and from the Island will greatly improve access and connections, enhance the visitor experience and support four-season enjoyment of the park.

Procurement Process: Negotiated Request for Proposals Process

The City issued the nRFP to select a top proposal for the construction of up to two fully electric ferry vessels. The nRFP was structured to provide what the requirements allow vendors to accomplish, while ensuring the City's operational requirements and revenue expectations are met.

Commercially Confidential Meeting (CCM), Best and Final Offer (BAFO), and Negotiation stages have been held as part of the nRFP to ensure that the City received bids that appropriately addressed its needs and at a fair cost. Additional tools were also used within the nRFP to provide the City with options, such as having suppliers provide pricing for a single vessel and for both vessels in case the budget did not accommodate for two vessels. Technical design specifications were also included to provide guidance to the suppliers on the exact requirements for each vessel, allowing for more accurate pricing submissions.

Evaluation Process

A formal evaluation committee included representation from Parks, Forestry and Recreation staff and Purchasing and Materials Management Division (PMMD), who reviewed and evaluated the submitted proposals with PMMD and Fairness Monitor supervision and in compliance with the criteria set out in the nRFP. All staff involved participated in an evaluation training facilitated by a Fairness Monitor and signed and submitted a Non-Disclosure and Declaration of Conflict of Interest Agreement.

Evaluation Stages

The evaluation process described in the nRFP consisted of five (5) stages and each of the proposals were evaluated against the criteria as follows:

Stage 1: Mandatory Submission Requirements

Stage 2: Rated Criteria Evaluation (Technical Evaluation)

Stage 3: Pricing Evaluation

Stage 4: Commercially Confidential Meeting and Best-and-Final-Offer

Stage 5: Contract Negotiations

Stage 1: Mandatory Submission Requirements

In Stage 1, each supplier was required to submit responses to a list of mandatory requirements. Suppliers that did not satisfy the mandatory submission requirements were issued a rectification notice which identified the deficiencies and provided an opportunity to rectify the shortcoming(s) by a specified date, which was not required for this solicitation. As a result of this compliance review, all participating suppliers advanced to Stage 2: Rated Criteria Evaluation (Technical Evaluation).

Stage 2: Rated Criteria Evaluation (Technical Evaluation)

In Stage 2, each supplier's technical proposal submission was evaluated against non-price related criteria, including past experience, operational capabilities, and engineering competencies. The proposals were scored out of 130 points and required a minimum 70% (91 out of 130) in order to pass. All participating suppliers successfully exceeded all scoring thresholds and moved on to the Stage 3: Pricing Evaluation.

Stage 3: Pricing Evaluation

In Stage 3: Pricing Evaluation, the pricing submission for each supplier was reviewed. The proposal with the lowest cost received the highest score allocated for this stage and all other Supplier's Proposals received a pro-rated score against the lowest priced supplier's proposal accordingly.

Suppliers were required to provide a completed pricing form as per the nRFP requirements. This stage did not require a minimum score, and as a result all suppliers proceeded to Stage 4: CCM and BAFO.

Stage 4: Commercially Confidential Meeting and Best-and-Final-Offer

In Stage 4A, the City met with each supplier to conduct Commercially Confidential Meetings. The purpose of the CCMs was to allow each supplier to improve their Proposal in the areas open to resubmission through BAFO. Suppliers were encouraged to obtain information that would help them refine their technical and/pricing proposals as well as to identify potential changes that may enable the work to be done in a more efficient/cost effective manner.

In Stage 4B, suppliers were requested to submit their Best and Final Offer after the CCM period by submitting a revised version (in part or in full) of their technical proposal and/or pricing proposal. Technical BAFO submissions were reviewed and scored by the evaluation team, with PMMD completing the evaluation and scoring for the pricing BAFO submissions. After evaluation, the highest-ranked supplier was invited to Stage 5 Contract Negotiations.

Stage 5: Contract Negotiations

The City met with the highest-ranked supplier for the purposes of entering into direct contract negotiations, which were conducted starting March 4, 2024 and are currently ongoing with a focus on bringing forward a final recommendation by way of supplemental report to be considered by General Government Committee at its meeting of July 2, 2024.

Fairness Monitor Report

A full report from the Fairness Monitor for the nRFP will be provided as part of the anticipated supplemental report.

Next Steps

Staff will continue negotiations with the highest-ranked supplier with a view to submitting a supplemental report to Committee containing further information on the proposed contract and full details of the proposal and schedule for construction, commissioning and delivery as well as an overview of the proposed vessel design and anticipated benefits.

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