

DATE: August 8, 2018

FILE: 5330-20/CVWTP

TO: Chair and Directors
Comox Valley Water Committee

Supported by Russell Dyson
Chief Administrative Officer

FROM: Russell Dyson
Chief Administrative Officer

R. Dyson

RE: Comox Valley Water Treatment Project – Request for Proposals Direction

Purpose

To present for approval two significant components of the Request for Proposal (RFP) documents for the Comox Valley Water Treatment Project (the Project).

Recommendations from the Chief Administrative Officer:

THAT the Comox Valley Water Committee approve the “tie-breaker” method for selecting the preferred design-build proponent in the Comox Valley Water Treatment Project Request for Proposals as described in the August 8, 2018 staff report;

AND FINALLY THAT the Comox Valley Water Committee approve Indigenous peoples, apprentices and under-represented populations (women, persons with disabilities, veterans, youth or recent immigrants) as the three target groups for the Community Employment Benefits to be implemented in the Comox Valley Water Treatment Project, as required by the federal government for the Request for Proposal and grant application documents.

Executive Summary

- Staff have been working with our procurement advisors, creating the RFP documents for the Project, due to be released as early as October 2018.
- Staff plan to bring a comprehensive RFP staff report to the Comox Valley Water Committee in September.
- Prior to finalizing the terms of the documents, two significant decisions stand out as needing Comox Valley Water Committee direction:
 - The process for evaluating the proposals; and
 - The selection of target groups for Community Employment Benefits.
- Staff recommend the tie-breaker method for evaluating proposals (Appendix A). This method drives proponents to minimizing project cost, judged on life cycle cost, while at the same time including high value (low cost/high benefit) components in their design, thereby increasing project quality.
- If the tie-breaker method is approved, staff will work on a proposed percentage or monetary value assigned to it, and include this in the September staff report.
- The proposed RFP evaluation team consists of Stephen Horseman (Lead Technical, WSP), Chris Baisley (Commercial Advisor, Deloitte), Jonathan Huggett (Procurement Advisor), and Charlie Gore (Capital Projects Manager, Comox Valley Regional District (CVRD)).
- Community Employment Benefits are a federal requirement of projects which receive large grants from the upcoming Investing in Canada Infrastructure Program (Appendix B).
- Three groups need to be selected from the federal list and submitted for approval at the end of August to ensure the RFP process is not delayed by grant funding.

- Staff propose selecting Indigenous peoples, apprentices and under-represented populations (women, persons with disabilities, veterans, youth, or recent immigrants) as the three groups for the Project.
- In addition to the federal requirements, staff are planning to provide trail head facilities at the water treatment plant location as a benefit to the entire community. The existing trails along the Puntledge River are extensive (Appendix C) and trail head facilities are a low cost / high impact amenity for users.
- Both the Community Employment Benefits and the trail head requirement will be required to be described in detail in the RFP documents.
- The Ministry of Municipal Affairs and Housing have confirmed that the Project will not be subject to the Province’s new hiring initiative.

Prepared By:

Concurrence:

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Stakeholder Distribution (Upon Agenda Publication)

K’ómoks First Nation	✓
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Background/Current Situation

RFP Evaluation Method

CVRD staff are currently working with experienced procurement advisors to design the RFP process. These advisors have been involved in numerous similar design-build projects, and have experienced several different methods for evaluating projects. There is no industry standard for evaluation processes, and it is a difficult balance of price versus qualitative elements such as operability, aesthetic, and community benefits. Some common processes are described below:

Evaluation Process	Advantages	Disadvantages
<u>Weighted Scoring</u> Qualitative elements of the evaluation are given a weighting and a score – best overall total wins.	- Allows owner to emphasize importance of different elements.	- Hard to define weightings – likely to result in higher total project costs.
<u>Lowest Financial Cost</u> Monetize as many elements as possible (infrastructure, life-cycle cost, consumables, O&M time) and compare based on price alone.	- Highest incentive to minimize project costs.	- No focus on non-monetized qualitative elements (aesthetics, architectural aspects, community benefits) - Not as likely to end up with exactly what we’re looking for.
<u>Tie-Breaker</u> If lowest prices are within X per cent of each other, qualitative elements are evaluated to determine most advantageous proposal to CVRD (See Appendix A).	- Strong incentive to minimize project costs. - Provides some incentive to include high value qualitative elements in proposal.	- Hard to define threshold of qualitative assessment to ensure both low cost and high-quality.

The “tie-breaker” method was designed to resolve the issues inherent in the weighted scoring method and lowest financial cost method, and is currently being used successfully by Metro Vancouver. As per the details in Appendix A, a percentage or value is chosen such that if a compliant bid(s) is within this value from the lowest bid, they are evaluated against each other and the highest ranking allotted to the best value proposal. If the lowest bid is cheaper by a value greater than the chosen threshold, that bid is automatically selected. The method effectively requires the designer to determine how much extra the CVRD would consider paying for a better project, based on certain qualitative elements. This method drives the proponents to be the lowest price, but ensures they also provide low cost/high benefit solutions to ensure they are considered best value if the tie-breaker mechanism is triggered.

Staff recommend the “tie-breaker” method for the Project. If the Comox Valley Water Committee supports this recommendation, CVRD will continue to work with our advisors to select a percentage/value for the tie-breaker threshold as well as a list of qualitative elements to present at the September Comox Valley Water Committee meeting.

Community Benefits

Community benefits are a federal requirement of projects which receive large grants from the upcoming Investing in Canada Infrastructure Program (See Appendix B). The federal government has specified that “a specific target for the benefits that will be provided for at least three of the federal target groups (apprentices, Indigenous peoples, women, persons with disabilities, veterans, youth, recent immigrants, and small/medium-sized enterprises) will be required for the project”. At this stage, CVRD must nominate the three target groups the Project will focus on, with the specific targets able to be set post-RFP stage.

In addition to these federal requirements, staff are planning to provide trail head facilities at the water treatment plant as a benefit available to the entire community. The new property purchased for this facility borders fantastic trails along the south side of the Puntledge River, which run from the fish hatchery adjacent the BC Hydro Generating Station all the way to Comox Lake and back down the north side to Nymph and Stotan Falls (Appendix C).

Staff need to specify community benefits in two specific documents:

1. Within the RFP documents, such that proponents understand the target groups that they must meet targets for and report on; and
2. Within an application to the federal government, to confirm funding eligibility (due at end of August, to ensure it does not delay grant funding)

The Ministry of Municipal Affairs and Housing has clarified that the Project will not be part of the Province’s new hiring initiative for large publically funded infrastructure projects.

Policy Analysis

At the November 15, 2016 meeting of the Comox Valley Water Committee the following motion was approved:

THAT the Comox Valley Water System treatment project be delivered following a design build project delivery method, with further consideration given to construction financing and a performance period to ensure a high quality, operable facility.

At the June 19, 2018 meeting of the Comox Valley Water Committee the following motion was approved:

THAT the request for qualifications plan for the Comox Valley Water Treatment Project as described in the staff report dated June 14, 2018 be approved.

Options

RFP Evaluation Method

The Comox Valley Water Committee has the following options:

1. Approve the use of the “tie-breaker” method to evaluate the Project proposals;
2. To direct staff to use another method to evaluate Project proposals such as the weighted scoring method;
3. To not approve a method to evaluate Project proposals and request more information to make the decision.

To ensure CVRD receive Project proposals which are both lowest cost and focus on providing high-value qualitative elements, Option No. 1 is recommended. If Option No. 2 is chosen, weighted scoring is the preferred alternative. Evaluating based purely on cost is not recommended. Option No. 3 may delay the release of the RFP.

Community Benefits

The Comox Valley Water Committee has the following options:

1. Approve the selection of Indigenous peoples, apprentices, and under-represented populations (women, persons with disabilities, veterans, youth or recent immigrants) as the three target groups for the Community Employment Benefits for the Project.
2. Approve the selection of Indigenous peoples, apprentices, and small/medium-sized enterprises as the three target groups for the Community Employment Benefits for the Project
3. Approve a different selection of three groups from the federal target groups for the Community Employment Benefits for the Project.

Maximising the incorporation of Indigenous peoples is a requirement of the partnership with K’ómoks First Nation, and is therefore highly recommended as one group to be selected. The provincial government has a large focus on apprenticeships, and thus it is believed that their inclusion may help grant funding chances. Allowing the design-build proponent flexibility to choose amongst the five nominated groups should allow them to provide the highest impact on employment without negatively affecting their competitiveness.

An alternative to under-represented populations is proposed as small/medium-sized enterprises. While trade treaties prohibit the CVRD from favouring local enterprises, targeting small/medium-sized enterprises can assist in ensuring local enterprises have more opportunity for inclusion on a project of this size. However, a review of other jurisdictions undertaking similar type and scale of projects indicates that smaller businesses are very likely to be involved regardless.

Financial Factors

The evaluation method of the Project proposals does not impact the budget of the Project. The RFP language will clearly state that CVRD reserves the right to reject any proposal which does not fit within the Project budget.

The community benefits do not have a direct associated cost. Those community benefits which are associated with federal targets are a requirement of the necessary grant funding to complete the Project. The remainder of the specified community benefits (trailhead facilities) are low-cost, high-value items which do not impact the affordability of the Project within the budget.

Legal Factors

None.

Regional Growth Strategy Implications

None.

Intergovernmental Factors

Community benefits are a requirement of the federal government and are evaluated by the provincial Ministry of Municipal Affairs and Housing. Both the federal and provincial government must be satisfied with the proposed plan for community benefits for the Project to receive significant grant funding from the Investing in Canada Infrastructure Program.

K'ómoks First Nation are involved with the following elements of community benefits:

- Targets for involvement as per federal requirements;
- Procurement and involvement agreements as part of the CVRD – K'ómoks First Nation partnership;
- Cultural incorporation and aesthetic of water treatment plant; and
- Trailhead facilities at water treatment plant.

Interdepartmental Involvement

Engineering Services is leading this work with help from Communications within the Corporate Services, as well as Capital Procurement, within the Financial Services.

Citizen/Public Relations

The Project has a communications plan, which was approved by the Comox Valley Water Committee in October 2017. The plan calls for the communication of project milestones to keep the public up-to-date on project progress. The release of the RFP is considered an important milestone and would be communicated in a press release, through the CVRD's website, Connect CVRD and social media. The community benefits would be highlighted in this initial release and in subsequent communications about the tendering process and the project construction.

Attachments: Appendix A – “RFP Evaluation Method – Tie-Breaker”
Appendix B – “Investing in Canada Infrastructure Program – Community Employment Benefits”
Appendix C – “Puntledge River Trail Network”

Memo

Date:	July 12, 2018
To:	File: CVRD WTP DB
Subject:	Potential Proposal Evaluation Approach ~ "Tie-breaker" as used by Metro Vancouver

Example of the "tie-breaker" proposal evaluation approach, where if the prices are within X% of each other the choice is made qualitatively based on best value / most advantageous proposal. This should drive Proponents to pursue being lowest cost to avoid getting into the tie-breaker situation in the first place, while at the same time including high value (low cost / high benefit) components in their designs and plans to maximize their win chances should there be a tie-breaker situation.

Proposal Ranking Process

Each Proposal that has not been rejected will be ranked according to the following process:

Proposal Cost is the NPV of DB price and the guaranteed consumption costs (and potentially other costs)

- (a) if the Proposal Cost of each Proposal other than the Proposal with the lowest Proposal Cost is more than **110%** of the lowest Proposal Cost, then the Proposal with the lowest Proposal Cost will be designated the highest-ranked Proposal; and
- (b) if the Proposal Cost of one or more of the other Proposals is not more than **110%** of the lowest Proposal Cost, then the CVRD will select from among the Proposal with the lowest Proposal Cost and the other Proposals with a Proposal Cost not more than **110%** of the lowest Proposal Cost **the Proposal that in the CVRD's discretion is the most advantageous to the CVRD** and such Proposal will be designated as the highest ranked Proposal. The CVRD's determination of which Proposal is the **most advantageous** to the CVRD will include consideration of the following criteria:
 - Project management and implementation systems;
 - Facility design;
 - Systems and plans; and
 - cost of the Proposal.

This list is intended to cover, essentially, any and all aspects of the Proposal, including price.



COMMUNITY EMPLOYMENT BENEFITS GENERAL GUIDANCE

VERSION 1.1 • JUNE 22, 2018



Infrastructure
Canada

Canada

1. INTRODUCTION

The purpose of this document is to provide guidance for the reporting of the community employment benefits achieved by implicated infrastructure projects receiving funding under the Investing in Canada Infrastructure Program.

The Investing in Canada Infrastructure Program, delivered through Integrated Bilateral Agreements with provinces and territories, provides long-term, predictable funding for infrastructure priorities. Projects supported by this funding offer an opportunity to promote increased employment opportunities for a broader array of Canadians. Through the implementation of this initiative, the Government of Canada aims to complement efforts across Canada to increase the supply and retention of diverse workers in infrastructure-related industries like construction, as well as broader federal employment initiatives like the Indigenous Skills and Employment Training Program and the Veterans Education and Training Benefit.

The initiative is designed to allow for flexibility for provinces and territories to identify appropriate targets for the achievement of community employment benefits by larger projects receiving funding under the Investing in Canada Infrastructure Program. Information collected on implicated projects will be made public.

1.1 What is the community employment benefits initiative?

The Community Employment Benefits initiative provides a framework for establishing project targets and reporting on results. Participation in the initiative is not an eligibility criterion for the approval of project funding under the Investing in Canada Infrastructure Program.

Implicated projects are to provide employment and/or procurement opportunities for at least three of the groups targeted by the initiative: apprentices; Indigenous peoples; women; persons with disabilities; veterans; youth; recent immigrants; and small-sized, medium-sized and social enterprises. Provinces and territories will establish specific targets for each project, allowing for flexibility to consider various factors such as complementarity with existing local and regional employment initiatives or local labour market dynamics. The employment and procurement opportunities achieved against the project targets will be reported on an annual basis over the course of the project.

Provinces and territories are also asked to develop a community employment benefits approach and to establish associated targets in the three-year infrastructure plans they will be developing under the Investing in Canada Infrastructure Program.

1.2 Why implement the initiative?

The Government of Canada has committed to providing sustained economic growth; building stronger, more inclusive communities; and creating meaningful jobs for more Canadians. The Investing in Canada Infrastructure Program's significant long-term investment provides opportunities across the country to promote expanded employment, training, and procurement opportunities for federal target groups while building the cities of the 21st century and providing communities across the country with the tools they need to prosper and innovate.

Community employment benefits initiatives for infrastructure projects are emerging as an innovative practice in Canada, and around the world. At the provincial and municipal levels, many jurisdictions across Canada are experimenting with innovative approaches to leverage infrastructure investments and public procurement for positive social outcomes.

The inclusions of this initiative under the Investing in Canada Infrastructure Program seeks to encourage project planners and communities across the country to take advantage of their infrastructure projects to support the diversification of recruitment, training and procurement practices. The reporting of project achievements will help capture data on best practices across the country, highlighting the opportunities and challenges being faced by the construction industry and related sectors in this regard, and be used to report out to Canadians on the additional benefits to be gained from infrastructure projects.

1.3 Threshold for project participation

The initiative applies to all projects funded under the Investing in Canada Plan over the total eligible costs threshold negotiated by the jurisdiction where the project is located. The cost thresholds negotiated with the province or territory are identified in the Integrated Bilateral agreements available on the Infrastructure Canada website.

Provinces and territories have the flexibility to apply the requirement to smaller projects in addition, if they so choose.

Provinces and territories may also, on a case-by-case basis, decide that certain projects meeting or exceeding their jurisdiction's threshold are not suitable for participating in the initiative.

In that case, the province or territory in question will provide Infrastructure Canada with their rationale for exempting the project from the community

employment benefits initiative. This rationale will be made publically available as part of broader project reporting including in the project level updates on the [Investing in Canada Plan Project Map](#). It is the responsibility of the province or territory to determine what constitutes a valid rationale for non-participation by a particular project; Infrastructure Canada will not be adjudicating the merits of the rationale provided.

2. WHEN AND HOW TO REPORT

2.1 Reporting required at the time of project submission

At the time of submission of a project proposal to Infrastructure Canada for a funding decision, provinces and territories must indicate whether or not the project will be participating in the community employment benefits initiative.

If a province or territory indicates that the project will be participating in the initiative, then a specific target for the benefits that will be provided for at least three of the federal target groups (apprentices; Indigenous peoples; women; persons with disabilities; veterans; youth; recent immigrants; and small-sized, medium-sized and social enterprises) will be required for the project. This project-level target does not need to be provided at the time of submission, but should follow as soon as possible after the funding decision. As noted above, in establishing targets for each participating project, provinces and territories have the flexibility to consider what would be most appropriate in the context of that specific project, considering various factors such as complementarity with existing local and regional employment initiatives or local labour market dynamics.

In cases where a province or territory decides that a project meeting or exceeding their provincial or territorial threshold in total estimated eligible costs will not be participating in the initiative, the province or territory must provide a rationale for why that project will not be participating. The rationale needs to be provided at the time of project submission. Infrastructure Canada will make the rationale provided by the province and territory publicly available. A decision by a province or territory that a particular project will not be participating in the community employment benefits initiative will not affect the eligibility of that project for federal funding under the Investing in Canada Infrastructure Program.

2.2 Annual reporting on progress against project targets

Projects subject to the requirement must report annually on progress made against the target set by the province or territory for that project.

Data points requested are the number of hours worked by a target population and/or the value of contracts provided to small-sized, medium-sized or social enterprises as applicable to the targets set for that project. A qualitative narrative around the progress to date by the project in meeting its targets is also requested. This narrative could identify both key successes as well as any challenges encountered by the project in attempting to meet the project targets. This qualitative information will help to identify both best practices as well as the practical challenges faced by industry in seeking to offer more diversified employment and procurement opportunities.

2.3 Provincial/territorial three-year infrastructure plans

Provincial and territorial three-year rolling infrastructure plans are a new program design element to support Infrastructure Canada's project assessment and selection process under the Investing in Canada Infrastructure Program. In addition to identifying provincial and territorial priority projects under the program, these plans provide an opportunity for provinces and territories to indicate how they intend to advance the promotion of community employment benefits under the program. Specifically, provinces and territories will include aggregate aspirational goals for each of the federal target groups in their three-year plans, and report annually on progress toward achieving those aspirational targets.

3. DISASTER MITIGATION AND ADAPTATION FUND

Please note that under the Disaster Mitigation and Adaptation Fund (DMAF), applicants will be required to identify targets as part of the full application. In cases where an applicant will not participate in the initiative, a rationale must be provided by the applicant and will be made public in the case where the project is approved. For additional information please consult the DMAF Applicant's guide available at the following link:

<http://www.infrastructure.gc.ca/dmaf-faac/application-eng.html>.

4. SMART CITIES CHALLENGE

Under the Smart Cities Challenge, finalists will be required to identify how they will fulfill the CEB reporting requirements in their final proposal. In cases where this is not appropriate due to the nature of the project, finalists will be required to provide a rationale which could be made public in the case where they become Smart Cities Challenge winners in their prize categories.

Appendix C – Puntledge River Trail Network

