

# Municipal Contracting Experiences: Best Practices for Successful Contracts

1

## 2011 Climate for Change Conference

May 31, 2011

SWANA Northern Lights Chapter

Janine Ralph & Beth Goodger



# Presentation Overview

- Developing Effective Specifications
- Case Studies from the City of Hamilton
  - 2001 – newly amalgamated City, multiple service levels and contractors
  - New Master Plan approved in 2001 helped to set direction for a new integrated solid waste management system
  - Contracting & procurement processes played an essential role in the evolution of the new system



# Developing Effective Specifications

- Tender vs RFP - When choice is a necessity
- Considerations for Developing Specifications – Focus on Performance
- Managing Risks – For both parties
- Optimizing Service Delivery – You get what you ask for
- Evaluation Processes – It's not just about the lowest price
- Getting the right people at the table



## Tender vs. RFP

- Tender only if scope of work is extremely precise and no flexibility needed
- Otherwise -- RFP always preferred
- Allows decision making based on combination of factors that results in most effective service delivery outcome
- Municipality dictates strategy, provider works out the tactics



# Hamilton Experience: Tender vs. RFP

- Request for Proposals for all services except scale house operations
- Pre-qualification for most complex project (composting facility)

# Developing Specifications

- Identify service level outcome and product that is to be achieved as a result of contract award
  - Eg minimize complaints, timeframes for collection
- Focus on clearly defining the what
  - Not the how -- contractor does this
- External advice
  - Best practices, pushing the envelope
- Look at current practices to determine what isn't working or needs improvement

# Developing Specifications (Cont'd)

- Additional investigations to determine where to focus changes
- Provide as much background info as possible for clarity of bids
  - balance between creativity/flexibility of submissions while setting boundaries

# Hamilton Experiences: Developing Specifications

- Landfill operations – compaction ratios to maximize landfill capacity
- Utilizing consulting services to get information on best practices, new technology
- Review of existing contracts
  - SWOT analysis
  - Eg. MRF wait times and role of recycling collection contractor and MRF operator
- Additional investigations
  - Eg. Facility capacity for 4 day collection



# Managing Risks

- Identify risks (as a whole and allocation of risks between municipality and proponent)
- Balance (if all on proponent, will pay for this in costs or vulnerability)
- Being realistic about risks proponent can assume
- Performance incentives and penalties
- Contract mechanisms to fairly address circumstances beyond control of municipality and proponent



# Hamilton Experiences: Managing Risks

- **Risks**
  - Volatility in fuel/energy prices → Fuel escalation in contract
  - Commodity prices → separate contracts
  - Technology (eg. Composting)
- **Balance of risks – new technology**
  - Design, build, operate for composting facility
- **Performance incentives and penalties**
  - Liquidated damages
- **Clauses in contract to set out framework for negotiations for unexpected circumstances**



# Optimizing Service Delivery

- You get what you ask for
- Set base level of service and flexibility for creativity in bid process (eg. Alternative proposals)
- Getting pricing on several options
  - Go fishing for some real numbers
- Make service level based on result of process
- Not limiting options if flexibility is needed or possible
  - Don't decide until you have to



## Hamilton Experiences: Optimizing Service Delivery

- Reports to Council in advance of RFPs to try and scope options for service levels
- Price out several options to enable firm pricing on options
- Allow for creativity, while setting some parameters on what can be changed



## Overview of Recycling Program Options - 2007

Option	Pricing Options	RFP	Tender	Internal Estimate
Curbside Recycling Collection - <i>100% Contracted</i>	<ul style="list-style-type: none"> <li>• 5 day collection</li> <li>• 4 day collection</li> <li>• 2 stream collection</li> <li>• Single Stream Collection</li> </ul>	✓ (All Zones)		
Curbside Recycling Collection - <i>50/50 Split</i>	<ul style="list-style-type: none"> <li>• 5 day collection</li> <li>• 4 day collection</li> <li>• 2 stream collection</li> <li>• Single Stream Collection</li> </ul>	✓ (B Zones)	✓ (Trucks - A Zones)	✓ (A Zones)
Curbside Recycling Collection - <i>100% City Forces</i>	<ul style="list-style-type: none"> <li>• 5 day collection</li> <li>• 4 day collection</li> <li>• 2 stream collection</li> <li>• Single Stream Collection</li> </ul>		✓ (Trucks – All Zones)	✓ (All Zones)
Automated Cart Recycling & Special Events - <i>100% Contracted</i>	<ul style="list-style-type: none"> <li>• 5 day collection</li> <li>• 4 day collection</li> <li>• 2 stream collection</li> <li>• Single Stream Collection</li> </ul>	✓ (All Zones)		

# Evaluation Processes

- Not about the lowest price
- Well thought out criterion on technical evaluation
  - Setting the bar high before prices are considered forces contractor to be specific on how this will be achieved, which becomes part of the contract
- Written commitment from contractor on how service is delivered becomes part of the contract



## Evaluation Processes (Cont'd)

- Communicate criterion in RFP documents
  - Better bid quality and better defense for decision making
- Think about how it will be scored as part of RFP development
  - Makes evaluation easier, both in time and transparency
- Team evaluation, broad participation for different perspectives
  - Fresh eyes, substantiates decision making



# Hamilton Experiences: Evaluation Processes

- Two envelope system
  - Envelope 1 – Technical
  - Envelope 2 – Financial opened for those passing the technical evaluation
- Evaluation criteria and process set out in RFP documents
- Multi-stakeholder team for evaluation
- Financial Evaluation – total system costs
- Debriefing for unsuccessful proponents



# Getting the Right People at the Table

- Purchasing, legal, finance, fleet, facilities and other support groups
- Technical/planning AND operations
- Outside support - role of external help
  - eg. New technology, technical expertise, additional analysis technical/financial
- Flexibility -- use help where its needed when it comes up
  - You won't know at the beginning where this might be

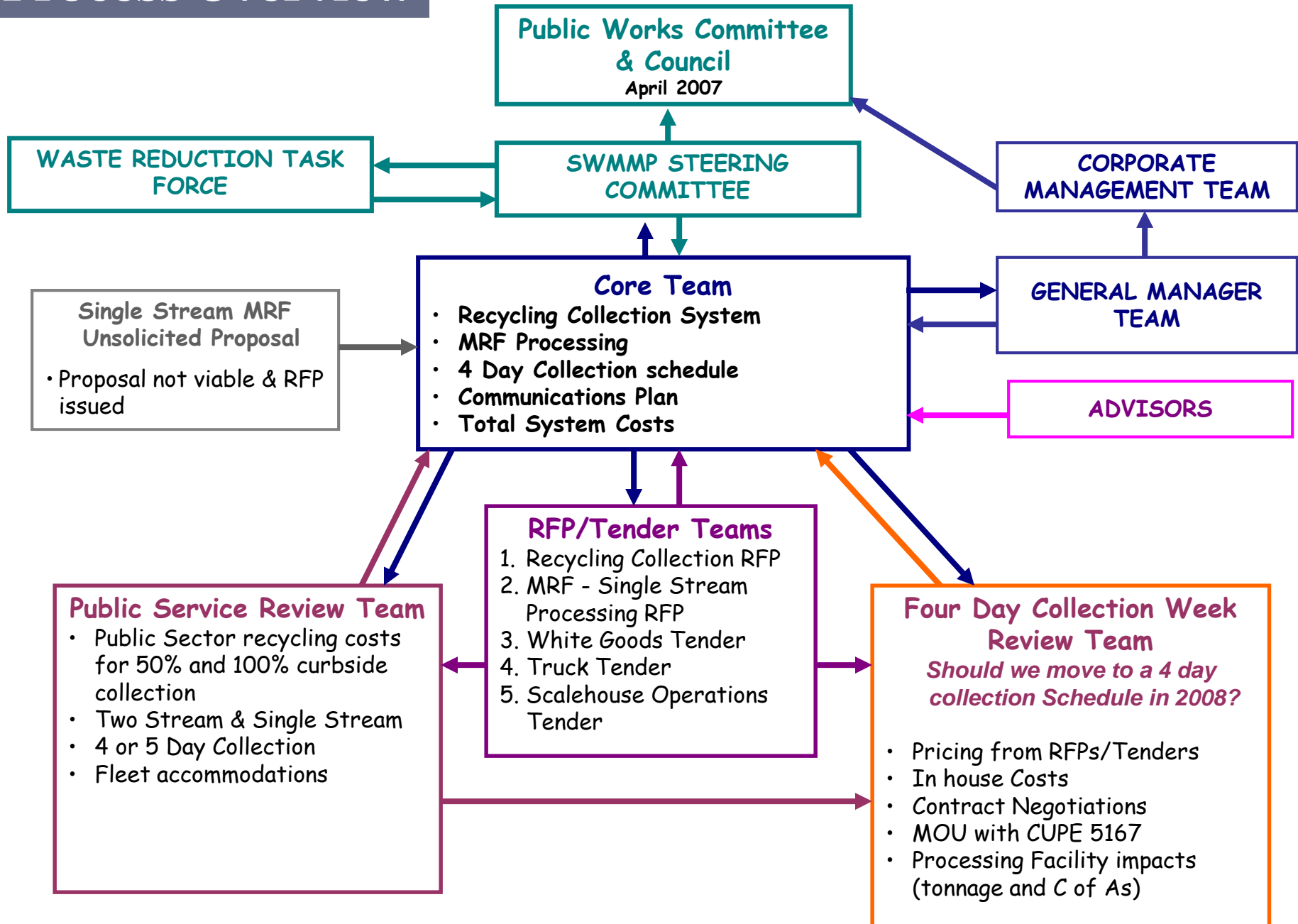


## Hamilton Experiences: Getting the Right People at the Table

- Team based approach
- Use of consulting expertise as a team member
  - Roster system for consulting services allows for flexibility to use expertise when and how it is needed
- Better buy-in during evaluation, Council approval and implementation phases
- Good project management during RFP process
  - Project plan, deadlines, assignment of responsibilities, project manager



# Process Overview



# Hamilton Experiences: Contract Management

- Designated Contract Administrator
- Person responsible for knowing and following up on contract requirements
- Regular contract meetings
  - Monitoring performance
  - Invoice approval
  - Liquidated Damages
  - H&S
- Annual Performance reviews



# Questions?

Janine Ralph – [Janine.Ralph@stantec.com](mailto:Janine.Ralph@stantec.com)  
Beth Goodger – [Beth.Goodger@hamilton.ca](mailto:Beth.Goodger@hamilton.ca)

