



REGION OF WATERLOO

**TRANSPORTATION AND ENVIRONMENTAL SERVICES
FINANCE**

TO: Chair Jim Wideman and Members of the Planning and Works Committee

DATE: February 26, 2013 **FILE CODE:** A02-30/PW

SUBJECT: STAGE 1 LIGHT RAIL PROJECT – RECOMMENDATION FOR THE SELECTION OF THREE PRE-QUALIFIED BIDDERS, AND OVERVIEW OF THE REQUEST FOR PROPOSAL (RFP) PROCESS

RECOMMENDATION:

THAT the Regional Municipality of Waterloo take the following action regarding the procurement of Stage 1 of the light rail project, as described in Report No. E-13-020/F-13-011, dated February 26, 2013:

- a) Pre-qualify the following three Design-Build-Finance-Operate-Maintain (DBFOM) teams based on the evaluation of the submissions to Region of Waterloo Request for Qualifications 2012-01, as endorsed by the Rapid Transit Senior Management Team and the Rapid Transit Steering Committee:
- GrandLinq
 - Kitchener Waterloo Cambridge Transit Partners
 - TriCity Transit System

SUMMARY:

The Region continues to plan for population and employment growth over the next two decades. Recognizing this challenge, Council approved rapid transit as the preferred transportation mode to move people and shape urban form.

In February 2012, Council approved the procurement delivery model for Stage 1 of the rapid transit implementation plan.

In April 2012, the Region received “Approval in Principle” letters from both the Federal and Provincial Governments that authorize the Region to accrue eligible costs for cost sharing purposes. During this month, Council also approved the selection of Parsons Brinckerhoff Hallsall Inc. as the General Engineering Consultant to advance the system design and prepare output specifications for the procurement of the Stage 1 of the rapid transit implementation plan.

In September 2012, Council was informed on the RFQ process for the delivery of Stage 1 light rail project. In October 2012, Regional staff issued the RFQ document and subsequently received seven submissions.

Following a comprehensive evaluation of the RFQ submissions, the three successful pre-qualified teams, as endorsed by the Rapid Transit Senior Management Team and the Steering Committee, are listed below (in no particular order):

- GrandLinq
- Kitchener Waterloo Cambridge Transit Partners
- TriCity Transit System

Based on the comprehensive evaluation, it is recommended that Council approve the three pre-qualified DBFOM teams.

Staff will report back to Council prior to issuing the Request for Proposal (RFP) document to the pre-qualified teams in April, 2013.

REPORT:

1. Introduction

In June 2011, Council approved the technology, route, stations, staging and funding for Stage 1 of the Region's rapid transit project. Stage 1 includes 19 km of Light Rail Transit (LRT) from Conestoga Mall to Fairview Park Mall and 17 km of adapted Bus Rapid Transit (aBRT) from Fairview Park Mall to the Ainslie Street Terminal. Council also directed staff to complete an evaluation of project procurement and delivery options with the goals of maximizing project innovation and quality, leveraging private sector expertise, and managing risks to the Region of Waterloo.

In February 2012, Council approved DBFOM as the procurement and delivery model with the intent to build on the strengths of the public and private sectors and to provide the best value to the Region. As part of their deliberations, Council also directed staff to review options that would allow the Region to take advantage of Operations by a private contractor without losing significant flexibility for future system expansion.

In September 2012, Council approved the initial term of 10 years for the operations component of the approved procurement and delivery model with two or four renewal options to be exercised at the discretion of the Region.

In September 2012, Council was also informed on the Request for Qualification (RFQ) Process for the Stage 1 light rail project.

In October 2012, Regional staff issued the RFQ document and subsequently received seven submissions.

Following a comprehensive evaluation of the RFQ submissions, three successful pre-qualified teams, as endorsed by the Rapid Transit Senior Management Team and the Steering Committee, have been selected.

Specific details on the RFQ Evaluation, the successful pre-qualified teams and the planned RFP Process are provided in the body of this report.

2. Request for Qualifications

2.1 Process

The RFQ was issued on October 5, 2012 with pre-qualification submissions received on November 23, 2012.

Submissions were received from the following seven teams:

- GrandLinq
- Kitchener Waterloo Transit Solutions
- Kitchener Waterloo Cambridge Transit Partners

- Region of Waterloo Transit Group
- Transit Link Partners
- Tricity Transit System
- Waterloo Region Community Link Transit

2.2 Evaluation

A comprehensive Evaluation Framework was developed by the Region in coordination with its consultants to describe and outline the process to select the pre-qualified parties.

The objectives of this Evaluation Framework were to:

- Safeguard the interests of the Region by ensuring that the evaluation process was fair, applied consistently, free of conflicts of interest, confidential, and transparent.
- Define the authority, decision making process, and reporting structure, while ensuring an appropriate separation of roles and responsibilities related to approvals, conflict of interest determination, fairness oversight, due diligence, overall co-ordination, completeness of Prequalification Submissions, and scoring of Rated Criteria.
- Provide multiple levels of due diligence to confirm that all material facts have been considered in selecting the RFP Proponents.
- Ensure that the evaluation process was conducted in a secure environment.
- Ensure that the evaluation process is consistent with best practices and industry expectations.
- Provide evaluation criteria and a process to select the three most qualified teams.

The reporting structure that guided the evaluation process is presented in Appendix 1. A description of the stepped process used to evaluate and pre-qualify teams is summarized below:

Step 1: Based on the established Evaluation Framework, the submissions initially underwent a completeness review to determine their substantial compliance to the terms and conditions of the RFQ. A bidder's failure to provide a substantially complete prequalification submission would have resulted in their submission not being evaluated. Following the completeness review, it was determined that all of the bidders provided substantially complete prequalification submissions.

Step 2: Evaluation teams established by the Region assessed the Technical Package and the Financial Information Package of those pre-qualification submissions that passed the substantial completeness review under Step 1.

- The technical component focused on the bidder's past experience and proposed approach to project development (e.g. team organization, integration, and responsibilities), design and construction, maintenance, and operations. The teams also looked at how advanced the Prime Team Member's named projects were (for example, level of completeness), how recent (for example, completed within the past 5 years), the role and level of involvement that a Prime Team Member or Key Individual played on the prior project (for example, was the role similar to proposed role on the Project), the level of design excellence demonstrated in the project, and the overall success of the named project.
- The financial component focused on the bidder's financial strength, track record and proposed approach to risk allocation, ability to secure performance, and financing structure.

Step 3: The prequalification submission assessment completed by the evaluation teams was presented to the Evaluation Committee for consideration as part of their review and evaluation.

Step 4: Based on the information provided through steps 1 to 3, the Evaluation Committee evaluated and ranked each submission for each of the following Evaluation Criteria Categories.

Evaluation Criteria	Points
Applicant's Approach to Project Partnering and Development and Financial and Financing Information	40
Applicant's Approach to Project Partnering and Development	20
Financial and Financing Information	20
Design and Construction Approach and Experience	30
Design Approach and Experience	10
Construction Approach and Experience	20
Maintenance and Rehabilitation Approach and Experience	20
Operations Management Approach and Experience	10
Total	100

Steps 5 and 6: The Evaluation Committee prepared a final score for the prequalification submissions and presented their recommendations on the pre-qualified teams to the Rapid Transit Senior Management Team and the Steering Committee for endorsement.

Based on the completed evaluation process and as endorsed by the Rapid Transit Senior Management Team and the Steering Committee staff recommends that the following three teams be pre-qualified for the RFP phase of the procurement process.

Pre-Qualified Teams	Prime Team Members
GrandLinq	<ul style="list-style-type: none"> • Plenary Group Canada Ltd. • Meridiam Infrastructure Waterloo LRT ULC • Aecon Construction and Materials Ltd. • Aecon Concessions • Peter Kiewit Infrastructure Co. • Kiewit Canada Development Corp. • Mass Electric Construction Canada Co. • Keolis SA • Keolis Canada Inc. • AECOM Canada Ltd. • STV Canada Construction Inc. • CIBC World Markets Inc.
Kitchener Waterloo Cambridge Transit Partners	<ul style="list-style-type: none"> • Gracorp Capital Advisors Ltd. • Fluor Canada Ltd. • Connor, Clark & Lunn GWest Traditional Infrastructure Partnership • Parsons Canada Ltd. • Parsons Enterprise Inc. • Graham Infrastructure LP • IBI Group • exp Services Inc. • E & E Seegmiller Ltd. • Guild Electric Ltd. • Alternate Concepts Inc.

Tricity Transit System	<ul style="list-style-type: none"> • Investec North America Ltd. • SNC Lavalin Capital Inc. • SNC Lavalin Constructors • SNC Lavalin Operations & Maintenance Inc. • SNC Lavalin Inc. • EllisDon Capital Inc. • Fengate Capital Management Ltd. • URS Canadian Operations Ltd. • Hatch Mott MacDonald Ltd.
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These teams had the highest overall score and demonstrated strengths that are critical to the successful delivery of the Stage 1 light rail project. These include, but are not limited to:

- Strong financial position from all equity providers.
- Relevant experience on a number of similar and relevant projects in the range of CAD \$500 million.
- Continuity and leadership throughout all phases of the planned project.
- A capable, experienced and integrated project team.
- Good understanding of the project and associated risks.
- Practical approach and experience for design and construction, maintenance and operational challenges.

2.3 Role of Fairness Monitor during the RFQ Process

The procurement process employed a Fairness Monitor to ensure that:

- The stipulated process in the RFQ document was followed appropriately.
- Each response was subject to the same degree of scrutiny.
- The evaluation criteria were applied in an unbiased and consistent manner.

The Fairness Monitor has monitored whether the conduct of the Region and its advisors during the procurement process was in accordance with the relevant procurement documents (RFQ) developed by the Region. A copy of the letter confirming the transparency and fairness of the RFQ process is attached as Appendix 2.

Their role will continue through the future phases of the procurement process up to the achievement of Financial Close. This will ensure that in its execution the procurement process adheres to the established protocol.

3. Request for Proposals

The following is a general overview of the RFP process. Upcoming reports will provide additional information about the essential terms and conditions of the RFP documents.

3.1 Overview

The RFP is expected to be issued in April, 2013. The RFP will be issued directly to the three successful pre-qualified Proponents identified through the recently completed RFQ process.

3.2 Due Diligence and Preparation of Documents

In order to release the RFP, a significant number of activities and documents need to be developed to inform the Proponents of the requirements and process to be followed through the RFP period. The RFP document itself sets out the terms and conditions of the procurement. This includes the general governing procurement policies and procedures, along with the project specific features and requirements. As part of the RFP documentation, the proponents are provided the draft Project Agreement (PA) and the Project Specific Output Specifications (PSOS).

The PA is a series of interconnected legal agreements and schedules that provide the commercial terms and form of Contract to be executed between the Region and the Project Company at Commercial Close. This Agreement articulates the responsibilities, obligations, and risk transfer between the parties. Within the PA, the PSOS provides Proponents with all design, technical quality, operations and maintenance requirements they require for their bid submission. The PSOS defines the vision and project objectives which are essential to the enabling of private sector innovation, and acts as the source document for design evaluation and contractual compliance.

Additionally, the project team is developing the technical submission requirements, compliance checklists, and the RFP evaluation framework. These documents are critical to ensure that the Region can appropriately assess the quality of each Proposal to ensure it satisfies the requirements defined in the PSOS.

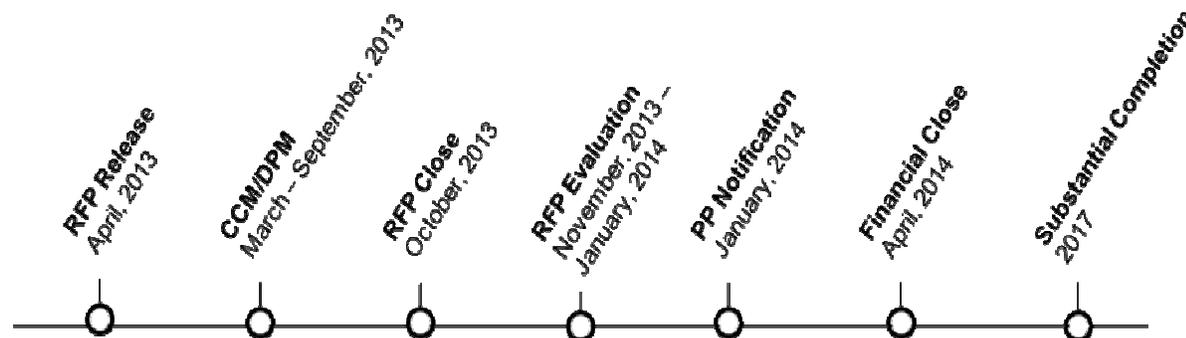
3.3 Release of RFP and Subsequent In-Market Activities

The in-market period will likely last about six to seven months, with Proposals submitted to the Region in the fall of 2013. During the in-market period, the Region will engage the Proponents in a number of Commercially Confidential Meetings (CCMs) relating to the PA and commercial matters, along with Design and Technical Presentation Meetings (DPMs).

The CCMs will allow the Proponents the opportunity to provide comments on the PA, and raise issues that require clarity. Prior to the CCMs, Proponents will submit a list of their issues/comments on the PA in advance for internal legal review. These meetings will allow for a confidential dialogue where the Region will respond to the comments received.

The DPMs will allow the Proponents to present their design proposal in its development stage to the Region for feedback on ideas and concepts with respect to their specific design submission.

Proponents may also issue requests for information during the in-market period, which can be classified as general information to be shared with all Proponents or as Commercially-Confidential if it relates to a specific feature of their design or commercial position. A tentative timeline for the next phases of the procurement process is presented below:



During the in-market period, to help encourage local business participation on each of the three pre-qualified teams, the Region of Waterloo is partnering with the Greater Kitchener-Waterloo and

Cambridge Chambers of Commerce to host a unique Rapid Transit Tradeshow on April 23, 2013. The event will feature one-on-one meetings with each of the three pre-qualified teams on the Rapid Transit project. Local businesses and organizations will be invited to exhibit at this one-of-a-kind tradeshow and highlight their business to each of the three pre-qualified teams. The goal is to encourage local partnerships and provide opportunities for local talent to be part of building Rapid Transit in the Region.

3.4 Compliance and Evaluation

Upon submission of the proposals, each submission will be reviewed for completeness, to ensure that it conforms to the submission requirements described in the RFP. Each complete submission will then be reviewed for compliance, to ensure that the submitted design and technical quality substantially satisfies the requirements described in the PSOS.

Each compliant submission will be evaluated based on the defined Technical and Financial criteria. The highest scoring team will be identified as the Preferred Proponent (PP), who the Region will enter into negotiations with to achieve Commercial and Financial Close.

3.5 Commercial/Financial Close

Upon identification of the Preferred Proponent, the Region will enter into negotiations leading up to the execution of the PA. These negotiations will:

- Correct minor non-compliance issues, identified during the compliance review.
- Ensure that appropriate project company securities are in place.
- Address outstanding commercial requirements and items required in the PA.

Once all of these requirements have been met, the PA will be executed, achieving Commercial Close. Financial Close will occur immediately following Commercial Close when:

- Final interest rates spreads are set between the Region, Project Co. and the lenders.
- All the Lending Agreements are in place and funding is available to the Project Co. from its lenders.

4. Regional Council Involvement

Region of Waterloo Council will be required to issue approvals at the following stages of the RFP process:

- Identification of the pre-qualified three (3) teams based on the outcome of the RFQ process anticipated on March 6, 2013.
- Release of the RFP documents in April 2013.
- Significant changes to project scope or commercial terms that may arise out of discussions with Proponents during the RFP in-market period, if required.
- Identification of the Preferred Proponent, and approval to enter into negotiations to achieve Commercial/Financial Close.

In addition to the above, the Regional Council is also expected to receive for information, to direct and/or issue approvals on the following items that are critical to the success of the project:

- Overview of the RFP/PA essential terms and conditions.
- Design modifications at Grand River Hospital and associated public process.

- Recommendation on the brand name.
- Value for Money analysis of the delivery and procurement model for Stage 1 light rail project
- Provincial and Federal funding agreements.
- Rail vehicle procurement.
- Tradeshow overview.
- aBRT/LRT stop concepts public engagement.
- Burial of Hydro cables in the Hydro corridor by Hydro One Networks.
- Recommendation on the brand logo.
- Status and legal strategy with respect to rail issues.
- Approval of aBRT stop concept designs.
- Approval of Conestoga Parkway (Highway 7/8) LRT overpass construction.

The above list is not exhaustive and there may be additional reports identified.

CORPORATE STRATEGIC PLAN:

The report supports Focus Area 3.1 of Council's Strategic Focus: Implement a light rail transit system in the central transit corridor, fully integrated with an expanded conventional transit system.

FINANCIAL IMPLICATIONS:

In 2011, the capital cost of Stage 1 of the rapid transit project was estimated to be \$818 million (in 2014 dollars). On June 15, 2011 Council approved the funding for the Region's portion of the Stage 1 capital costs (\$253 million), as well as for estimated long term operating and maintenance costs, subject to annual budget deliberations. Regional staff are in the process of developing an updated funding model that will reflect all capital, operating, maintenance and financing costs over the 30 year life of the project agreement.

OTHER DEPARTMENT CONSULTATIONS/CONCURRENCE:

This report was prepared with input from Finance, from Planning, Housing and Community Services, and from Transportation and Environmental Services.

ATTACHMENTS:

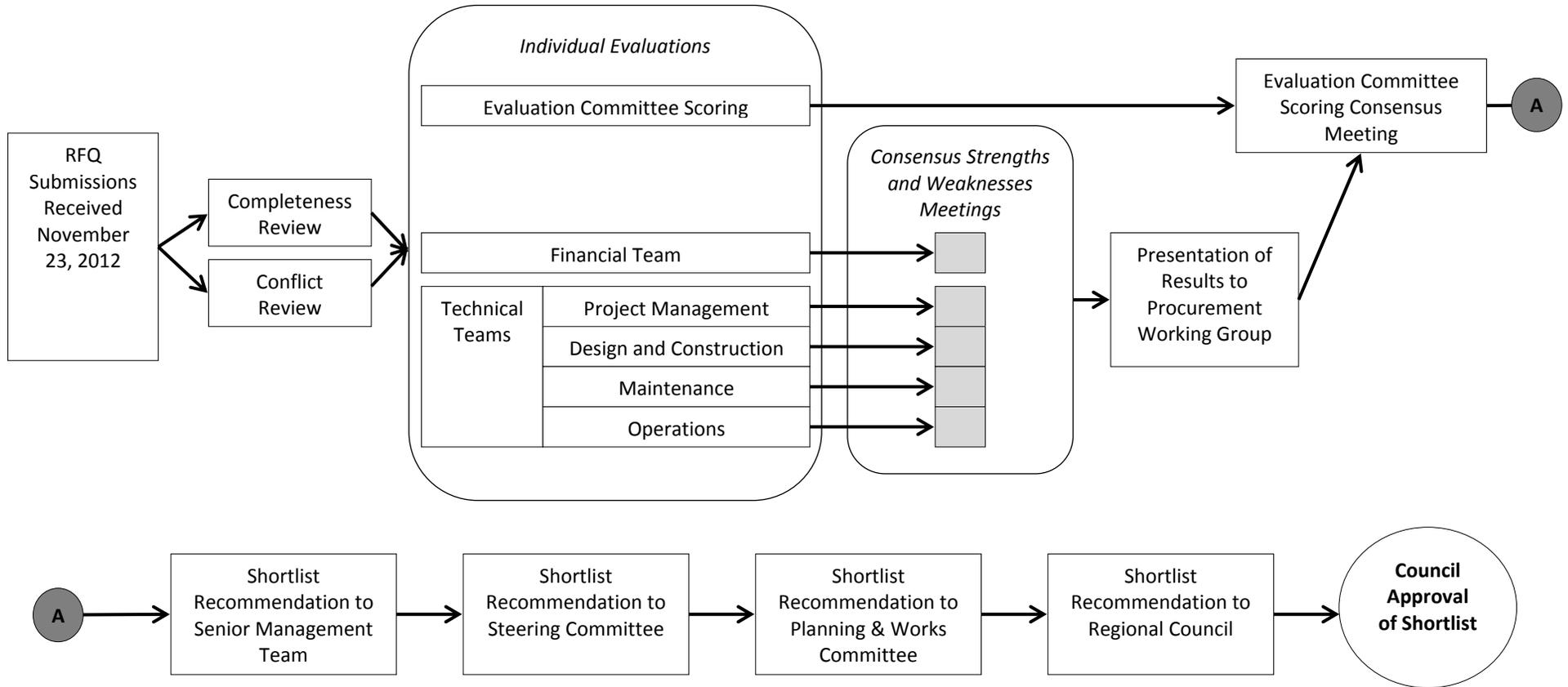
Appendix 1: Request for Qualifications Evaluation Process

Appendix 2: Letter from Fairness Monitor

PREPARED BY: *Darshpreet S. Bhatti*, Director, Rapid Transit
Samer Inchasi, Manager RT Coordination, Rapid Transit

APPROVED BY: *Thomas Schmidt*, Commissioner, Transportation and Environmental Services
Craig Dyer, Chief Financial Officer

Appendix 1: Request for Qualifications Evaluation Process



Appendix 2: Letter from Fairness Monitor



February 15, 2013

Mr. Darshpreet S. Bhatti, P.Eng.
Director, Rapid Transit
Transportation and Environmental Services
Region of Waterloo
50 Queen Street N., Suite 830
Kitchener, ON N2H 6P4

Subject: Region of Waterloo- Stage 1 Light Rail Project. RFQ No. 2012-01

Dear Mr. Bhatti:

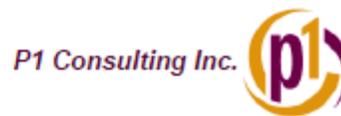
P1-Consulting acted as the Fairness Commissioner to review and monitor the communications, evaluations and decision-making processes that were associated with the RFQ process for the **Region of Waterloo- Stage 1 Light Rail Project** in terms of ensuring fairness, equity, objectivity, transparency and adequate documentation of the evaluation process.

The Region of Waterloo ("the Region") is at a critical point in the development and implementation of Rapid Transit ("RT"). The Region, over the last decade, has carefully studied and planned on how to address the Region's challenges and opportunities associated with population and employment growth (over 200,000 new residents and 80,000 new jobs are expected over the next 20 years). The Region went through several planning phases (including alternative transportation strategies, funding options, field/engineering reviews and community input processes) to formalize the preferred RT Program, Rapid Transit Technologies of light rail transit (LRT) and adapted Bus Rapid Transit (aBRT), alignment/route, and station locations. The preferred RT System, as approved by Regional Council for implementation on June 15, 2011, is fully aligned with the 2003 Regional Growth Management Strategy (RGMS). The approved system is expected to help mitigate urban sprawl, shape efficient transportation choices, re-urbanize/intensify the Region and improve overall environmental conditions.

In our role as Fairness Monitor, P1 Consulting made certain that the following steps were taken during the RFQ process for Stage 1 light rail project to ensure a fair and open process:

- Compliance with the requisite procurement policies and procedures and the laws of tendering for the acquisition of services relating to public sector procurement;
- Adherence to confidentiality of bids, as applicable, and the evaluation process;
- Objectivity and diligence during the procurement process in order to ensure that it was conducted in an open and transparent manner;
- Proper definition and use of evaluation procedures and assessment tools in order to ensure that the process was unbiased;

Mr. Bhatti
February 13th, 2013
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- Compliance of project participants with strict requirements of conflict of interest and confidentiality during the procurement and evaluation processes;
- Security of information;
- Prevention of any conflict of interest amongst evaluators on the selection committee;
- Oversight to provide a process where all Bidders were treated fairly.

The Fairness Monitor actively participated in the following steps in the RFQ process to ensure that fairness was maintained throughout:

- Project kick-off meeting
- Review session of the Draft RFQ Documents
- Applicant's Meeting with potential bidders
- Review of written communication with Applicants
- Review of evaluation process and guideline
- Proposal receipt, bid evaluation and selection of the Prequalified Parties

As the Fairness Monitor for the **Region of Waterloo Stage 1 Light Rail Project**, we certify that, at the time at which this report was prepared, the principles of fairness, openness, consistency and transparency have, in our opinion, been maintained throughout procurement process. Furthermore, no issues emerged during the process, of which we were aware, that would impair the fairness of this initiative.

Yours truly,

A handwritten signature in black ink that reads 'Jillian Newsome'. The signature is written in a cursive, flowing style.

Jillian Newsome
Fairness Commissioner