

Section II – Items for Executive Action

TO: Chair and Members of the Executive Committee
Meeting #6/18, Friday, August 10, 2018

FROM: Michael Tolensky, Chief Financial and Operating Officer

RE: TORONTO AND REGION CONSERVATION AUTHORITY ADMINISTRATIVE OFFICE BUILDING PROJECT
Award of Contracts #10008739 and #10008893 to Provide Professional Consulting Services in support of project delivery

KEY ISSUE

Award of Contract #10008739 to provide consulting services as a Commissioning Agent and award of Contract #10008893 on a preferred source basis for consulting services to assist with retaining financing for Toronto and Region Conservation Authority's (TRCA) new administrative office building project

RECOMMENDATIONS

THAT Contract #10008739 for a qualified engineering consultant firm to be a Commissioning Agent for TRCA's New Administration Office Building Project, in the City of Toronto be awarded to JLSR Engineering Inc. at a total cost not to exceed \$137,450, plus contingency of 10% to be expended as authorized by TRCA staff, plus HST, it being the highest ranked proposal that best meets TRCA's specifications as set out in the Request for Proposal;

THAT Contract #10008893 for consulting services to assist with retaining financing for TRCA's New Administration Office Building Project, in the City of Toronto be awarded to KPMG Corporate Finance Inc. (KPMG) at a total cost not to exceed \$75,000, plus contingency of 10% to be expended as authorized by TRCA staff, plus HST.

AND FURTHER THAT authorized officials be directed to take the necessary action to implement both contracts including the signing and execution of documents.

BACKGROUND

At Authority Meeting #5/16, held on June 24, 2016, Resolution #A85/16 approved the construction of an administrative office building at 5 Shoreham Drive in Toronto and directed staff to take the necessary action to complete the project. Since October 2017, TRCA staff has been working with an integrated design team, led by ZAS Architects and Bucholz McEvoy Architects in joint venture, to realize a new administrative office building within a \$63,538,000 budget. The proposed head office concept, as presented to the Authority on May 25, 2018, consists of a highly efficient, four storey 7,500m² (80,000ft²) mass-timber structure. At Authority Meeting #6/18, held on July 20, 2018, Resolution #A112/18 approved the project update which proposes to modify the previous Authority approval of the administrative office building project to adhere to budgetary changes.

TRCA is currently proceeding with the Site Plan Approval process with a target of completing construction and achieving occupancy of the building by June 2021. TRCA is seeking to retain a qualified firm for commissioning services and a separate consultant firm on a preferred source basis to assist with retaining construction finance services.

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The retained Commissioning Agent will be the designated site commissioning authority for the project. The building commissioning will include the equipment and assemblies for the following of systems:

- Mechanical
- Electrical/Life Safety Systems
- Plumbing
- Renewable Energy Systems and Assemblies
- Building Envelope

The retained financial consultant will provide terms and conditions in support of preparation of the Request for Procurement Services Proposal, review and evaluation of the proposals, and pricing and closeout documentation in order to secure competitive pricing for construction financing.

RATIONALE

Request for Proposal #10008739 to retain a qualified engineering consultant firm to be a Commissioning Agent for TRCA's New Administration Office Building Project was publicly advertised on the electronic procurement website Biddingo (www.biddingo.com) on July 26, 2018. Prospective Proponents interested in submitting a proposal were advised that the evaluation process would be completed in a two-stage process.

Stage 1 of the evaluation process required Proponents to submit a Qualifications Submission. For Qualifications Submission, Proponents were evaluated firstly on the basis of their firms and nominated team's qualifications based on the information submitted in the Qualifications Submission. Up to five Proponents were then selected for Stage 2 of the evaluation process which considered the results of the Technical and Fee Proposal.

Evaluation criteria and associated weighting for Qualifications submission included the following:

| Criteria | Weight |
|---|--------|
| 1. Firm Profile | 10 |
| 2. Proponent's Commissioning Qualifications and Relevant Project Experience | 50 |
| 3. Proponent's Team, Organization, Roles and Responsibilities | 40 |
| Total Weighted Points | 100 |

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On July 30, 2018 TRCA received six Qualification Submissions from the following consultant firms:

- C.E.S. Engineering Ltd.
- GCMY Inc.
- JLSR Engineering Inc.
- Loring Consulting Engineers Inc.
- Morrison and Hershfield Ltd.
- WSP Canada Group Ltd.

Based on the results from the evaluation of the Qualification Submissions received, TRCA selected the following five consultant firms based on their weighted score:

- C.E.S. Engineering Ltd.
- GCMY Inc.
- JLSR Engineering Inc.
- Morrison and Hershfield Ltd.
- WSP Canada Group Ltd.

Stage 2 of the evaluation process included a review and analysis of the Technical and Fee Proposal submissions. Five qualified Proponents identified in Stage 1 were evaluated based on their understanding of the project, work plan, lessons learned and fee proposal. Evaluation criteria and associated weighting for the Technical and Fee Proposal included the following:

| Criteria | Weight |
|--|--------|
| 1. Proponent's Understanding, Proposed Approach and Methodology for the Services | 40 |
| 2. Lessons Learned from Similar Projects | 20 |
| 3. Fee Proposal | 30 |
| 4. Points from the Qualifications Submission Evaluation | 10 |
| Total Weighted Points | 100 |

The results of the Technical evaluation were compiled using the weighted scoring system shown above including 10% of the value of the points the Proponent earned during the Phase 1 – Qualifications Submission. The weighted scoring of the fee proposal (30%) was calculated using the following formula: $\text{Number of Points} = \text{Lowest Fee} / \text{Proponent Fee} \times 30 \text{ points}$.

The results of Phase 1 and Phase 2 of the evaluation and the overall score for each Proponent's proposal submission are as follows:

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| PROPONENT | FEE PROPOSAL (Plus HST) | OVERALL SCORE |
|------------------------------|----------------------------|---------------|
| JLSR Engineering Inc. | \$137,450 | 1 |
| WSP Canada Group Ltd. | \$148,900 | 2 |
| C.E.S. Engineering Ltd. | \$117,000 | 3 |
| Morrison and Hershfield Ltd. | \$272,002 | 4 |
| GCMY Inc. | \$156,725 | 5 |

Based on the results from the evaluation process for RFP #10008739, it was determined that the technical and fee proposal submitted by JLSR Engineering Inc. was the highest ranked proposal meeting TRCA's project needs and offering the best value for services.

Furthermore, staff recommends awarding Contract #10008839 on a preferred source basis to KPMG as per section 9.3.3 of TRCA's Purchasing Policy as follows:

The required goods and services are to be supplied by a vendor or supplier having specialized knowledge, skills, expertise or experience that cannot be reasonably provided by any other supplier.

KPMG was retained in 2016 to provide auditing services for TRCA over a 5-year term. Since then KPMG has been working closely with staff reviewing TRCA's financial position and performance for auditing purposes. KPMG has provided a proposal for their consulting services in the amount of \$75,000, plus HST. The proposal demonstrates significant value for TRCA given their extensive knowledge of TRCA's financial records. KPMG's scope of work will include the following:

Stage 1 – Request for Proposal Planning and Advice

- Conduct working sessions with TRCA stakeholders to capture the most recent Project information and assumptions, review all relevant Project documentation, and confirm Project objectives and constraints.
- Review TRCA's Project financial model ("Model") including the calculation of interest during construction.
- Review TRCA's draft Request for Proposals ("RFP") and provide input and advice based on our experience financing over \$2 billion in public sector real estate and infrastructure.
- Prepare a list of targeted prospective lenders including bank lenders, non-bank real estate lenders, and institutional lenders. We believe opening the RFP to a broader pool of prospective lenders with a targeted approach could create additional competitive tension for TRCA.

Stage 2 – Funding Competition

- Assist TRCA with the presentation of the Financing opportunity to prospective lenders in a targeted process.
- Assist TRCA with the coordination of lender preliminary due diligence questions.

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- Assist TRCA with the review and evaluation of term sheet proposals / offers to finance, and prepare a summary of the offers for evaluation consensus.
- Facilitate an evaluation consensus session with TRCA and prepare a memo that includes the results of the Funding Competition, presents the proposed lender, and sets out a path to financial close.

Stage 3 – Documentation, Pricing and Close

- Assist TRCA with overall transaction management and team communications.
- Assist TRCA with the coordination of information related to final due diligence and any conditions precedent to close.
- Provide financial advice and input into the credit agreement (“Financing Agreement”) and related documents. Note, TRCA’s legal counsel will have primary drafting responsibility for the Financing Agreement.
- Assist TRCA with the preparation of any additional documents and provide ongoing strategic financial advice.
- Assist TRCA with the development of the final draw schedule, and design of the interest rate swap transaction(s) if applicable.
- Assist with financial close including pricing / interest rate set and closing procedures (“Financial Close”).

TRCA staff are satisfied that the above scope of work will meet the needs of this project and are therefore recommending award of contract #10008839 on a preferred source basis.

FINANCIAL DETAILS

Funding for this project is made available from the New Administrative Office Building Budget via Account 436-02.

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