

# Contractor Performance Evaluation



**Canadian Construction Association**  
**Sept. 25, 2014**

# Agenda

- 1) Objectives and Background
- 2) Evaluation Process
- 3) Evaluation Template and Scoring
- 4) Use of Vendor Score

# Objectives and Background

- The City procures over \$500 million yearly in construction.
- In 2015 the City is launching an evaluation system for construction contracts as a result of:
  - Council Direction.
  - Auditor General recommendation in Construction Services Audit.
  - Best practices.
- Evaluations and scores stored in online database.

# Objectives

The **objectives** of performance evaluation are to:

- Improve communication between contractor and owner.
- Provide feedback with the goal of performance excellence.
- Create and track standard Key Performance Indicators (KPI).
- Supports the Contract Administration process used to address non-performance.

# Development Process

- Reviewed reports and evaluation systems in use:

<u>FEDERAL:</u>	PWGSC, Defence Construction Canada
<u>PROVINCIAL:</u>	MTO, Infrastructure Ontario
<u>MUNICIPAL:</u>	Calgary, Toronto, Hamilton, Oakville, Mississauga

## Additional:

- Office of the Procurement Ombudsman 2010/14 Reports
- CMC Canada 2012 VPM Study

# Development Process

- Consulted with numerous industry organizations:

<b><u>CONTRACTORS:</u></b>	<ul style="list-style-type: none"><li>• Ottawa Construction Association</li><li>• General Contractors Association of Ottawa</li><li>• National Capital Heavy Construction Association</li></ul>
<b><u>CONSULTANTS:</u></b>	<ul style="list-style-type: none"><li>• Consulting Engineers of Ontario</li><li>• Ontario Association of Architects / Ottawa Regional Society of Architects</li><li>• Ontario Association of Landscape Architects</li></ul>

- Industry was supportive of an evaluation system.

# Basic Process Outline

- Contractor notified up front on eligible contracts.
- Operations departments go through the evaluation process:
  - Start-up meeting – to discuss expectations.
  - Progress meetings – to discuss performance to date and improvement areas. Interim evaluations may be used to help give feedback.
  - Debriefing – discuss formal evaluation at project completion.
  - Appeal – vendors may request a score review.



# Evaluation Process Design

Detailed process being built with focus on consistency and fairness.  
Design has incorporated key industry feedback:

- 1.) Industry wanted better defined scoring criteria.
  - *There is a standard contractor template that describes each criteria and performance level.*
  - *A start-up meeting will further clarify the criteria as it relates to project specific expectations .*



# Evaluation Process Design

- 2.) Industry wanted multiple controls to ensure consistency and fairness.
- *Project Managers (the evaluators) will receive technical and process training.*
  - *All evaluations are reviewed and approved by higher level managers.*
  - *Evaluations based on supporting documentation. There are more rigorous reviews for very high scores and those below satisfactory.*
  - *Scoring trends will be monitored internally.*

# Evaluation Process Design

- 3.) Industry wanted to give written feedback in the online system prior to approving or appealing the evaluation.
- *The system enables open text vendor feedback.*
- 4.) Industry wanted a chance to review and discuss the evaluation prior to it being entered into the system.
- *The performance evaluation will be a mandatory topic at monthly update meetings and project completion. Feedback will be ongoing.*

# Evaluation Process Design

- 5.) Industry wanted the evaluation to reflect certain extra costs and delays outside their control.
- *Contractors are not penalized for things outside their control (deficient drawings, requested scope changes etc.).*
  - *Regular communication and documentation will ensure these issues are addressed at the time of occurrence and reflected as such in the evaluation.*

# Evaluation Process Design

- 6.) Industry wanted an appeals process.
- *Appeals incorporated into evaluation process.*
  - *Vendors given fair period (15~ calendar days) to file an appeal.*
  - *Evaluation score suspended until final decision rendered.*
- In order to ensure consistency and fairness, design consultants and contract administrators are also subject to evaluation.

# Evaluation Template

- 8 KPI for contractors with the following point weightings:

Key Performance Indicators	Points
Overall Project Management	15
Supervision	10
Quality	15
Health and Safety	15
Cooperation and Client Relations	10
Cost Control	10
Site Management	10
Schedule Management	15
<b>Total</b>	<b>100</b>

# Evaluation Template

- Each KPI has 5 performance levels with a corresponding rating:

Performance Level (Highest to Lowest)	KPI Rating (% of total possible Points)
Outstanding	100%
Commendable	85%
Satisfactory	70%
Needs Improvement	50%
Not Satisfactory	25%



# Evaluation Template

- Rating guide describes each KPI and the 5 performance levels:

Performance Indicator	Description	(X)	Points
<b>1. OVERALL PROJECT MANAGEMENT</b> (How well the Contractor managed the project in regards to scope, schedule, budget and risk. Was the Contractor project manager organized, prompt and did they communicate with City staff effectively? Was the performance of the Sub-Contractors managed effectively?)	Outstanding Project Management - above normal standard.		15.00
	Appropriate Project Management that exceeds normal standard in some areas, project delivered on time, on budget and within scope.		12.75
	Satisfactory Project Management. Acceptable understanding of project objectives and requirements.		10.50
	Many issues with Project Management that impacted scope, schedule and/or budget. Minor problems with project risk management.		7.50
	Serious Project Management problems that negatively affected the overall Project. Risks were not managed and/or communicated to City Project Manager.		3.75

# Evaluation Template

2. SUPERVISION (The extent to which the Site Supervisor provided supervision and guidance)	Outstanding supervision of site. Proactive approach to project and timely issue management.		10.00
	Consistent, qualified and coordinated supervision. Issue management completed in a timely and appropriate fashion.		8.50
	Satisfactory supervision with some issues. Issues were corrected in a reasonable time frame.		7.00
	Supervision of site needs improvement. Inconsistency in approach; slow to respond to identified issues.		5.00
	Multiple interventions required to bring supervision to adequate level. Unresponsive to identified issues.		2.50

# Evaluation Template

3. QUALITY (Finished product meets the defined standards for quality assurance in Contract Specifications; product delivered within project scope and in expected condition.)	Above average to extraordinary workmanship;		15.00
	Some areas exceed normal standard and expectations; remainder of items delivered satisfactorily.		12.75
	Acceptable workmanship; Average number of deficiencies for project type.		10.50
	Below average workmanship. Above average number of deficiencies.		7.50
	Poor workmanship. Numerous deficiencies.		3.75

# Evaluation Template

<p>4. HEALTH AND SAFETY (Contractor ensures adequate and proper safety procedures followed. Site is safely accessible by all.)</p>	Outstanding Health and Safety; exceeds OHSA standard.	15.00
	Commendable Health and Safety; meets OHSA standard and exceeds in some areas.	12.75
	Acceptable Health and Safety; meets OHSA standard.	10.50
	Multiple Health and Safety concerns (please provide specific examples). Effort made by Contractor to meet OHSA standard(s).	7.50
	Significant Health and Safety concerns identified (please provide examples); Little to no effort made by Contractor to meet OHSA standard(s).	3.75



# Evaluation Template

<p><b>5. CO-OPERATION &amp; PUBLIC/CLIENT RELATIONS</b> (Degree of co-operation with City operations and officials, BIAs, Community Associations and public; Contractor's consideration of and communication with general public, motorists and residents.)</p>	Co-operative and proactive response to City, Operations and resident concerns. Innovative communications with public and/or City staff.		10.00
	Co-operative and timely response to City, Operations and resident concerns. At times, communication exceeds expected standard.		8.50
	Satisfactory response to City and resident concerns; Contractor involved in developing solutions and ensures prompt and appropriate action.		7.00
	Public/Client Relations needs improvement. Management of issues slow and inconsistent. Communications with public and City have minor issues.		5.00
	Unacceptable Public/Client Relations; Issue Management is slow, inconsistent, uncooperative. Communication(s) with the public and City are strained.		2.50



# Evaluation Template

<p>6. COST CONTROL (Project delivered within budget. Changes to work and Extra Work reasonable and processed in a timely manner.)</p>	Outstanding cost control. Reasonable pricing on Change Orders and Extra Work and processed in an expedited manner.	10.00
	Cost Control was consistent and exceeded expectations on some occasions. Change Orders and Extra Work were priced fairly and processed efficiently.	8.50
	Consistent and fair pricing on Change Orders and Extra Work. Prompt receipt of Change Orders.	7.00
	Inconsistent and/or unfair pricing on Change Orders and Extra Work. Change Orders received promptly.	5.00
	Multiple occasions of inconsistent and/or unfair pricing on Change Orders and Extra Work. Change Orders processed slowly (please provide specific examples).	2.50





# Evaluation Template

<p><b>7. SITE MANAGEMENT</b>          (Site is clean, accessible and safe. Degree of care taken when handling and storing materials, where applicable. Minimal to no adverse impact on ongoing facility operations, including timely isolation requests, where applicable. Site is accessible and traversable by all transportation modes at all times including after hours and weekends. Adherence to Contract provisions and restrictions.)</p>	Outstanding site management; site is clean, accessible and traversable by all transportation modes at all times.	10.00
	Minimal direction from City required in regards to Site Management; Issues resolved promptly and to standard.	8.50
	Satisfactory Site Management; Some instances of site not being tidy, accessibility issues and/or improper equipment storage. Issues resolved to standard.	7.00
	Site Management needs improvement. Multiple instances of site accessibility issues, site not being tidy and/or improper equipment storage. Some instances of issues not brought to satisfactory resolution.	5.00
	Considerable delay(s), public and/or operations inconvenienced; site not accessible; issues not brought to satisfactory resolution. Multiple infractions of Contract provisions and restrictions.	2.50



# Evaluation Template

8. SCHEDULE MANAGEMENT (Amount of effort required in order to deliver the project on time.)	Delivered ahead of schedule	15.00
	Delivered on schedule	12.75
	Delivered on schedule with significant effort required by Contractor to achieve timelines	10.50
	Schedule slippage but some effort made by Contractor to achieve timelines	7.50
	Schedule slippage; little to no effort made by Contractor to achieve project timelines	3.75

# Scoring

- Individual evaluation scores and **overall Vendor Score (OVS)** will be tracked.
- OVS is a weighted-average over the last 3 years:

$$\text{Overall Vendor Score (OVS)} = \frac{3(\text{Avg. Year 3 Scores}) + 2(\text{Avg. Year 2 Scores}) + 1(\text{Avg. Year 1 Scores})}{6}$$

(Year 3 refers to the most recent year, also used by MTO and IO)

- Low scores will have supporting comments and documentation.

# Scoring

- Individual evaluations and OVS scores fall into 5 performance levels:

Performance Level	Score Range
Outstanding	90-100%
Commendable	80-89%
Satisfactory	70-79%
Needs Improvement	50-69%
Not Satisfactory	<50%

- Those with an OVS below *Satisfactory* (in yellow) will be monitored more closely.

# Rationale for Using Past Performance

- The initial lowest priced bidder isn't always best value or even the lowest bid (cost overruns later).
- City mandate is to get “**Best Value**” on purchases. Best value is the *optimal balance* of performance and cost.
- Evaluations reflect the contractor's *ability to perform* - deliver good quality/service, meet deadlines, control costs etc.



# Use of Overall Vendor Score

- Overall Vendor Score will (in the future) be a **criteria** in bid evaluations.
  - May bypass the lowest bidder for a better performing contractor.
  - Reduces pressure to make trade-offs from competing on just price alone.

## Tender Evaluation Example:

<b>Price</b>	<b>/70</b>
<b>Vendor Score (OVS)</b>	<b>/30</b>
<b>Total Evaluation Score</b>	<b>/100</b>



# Use of Overall Vendor Score

	Bid	Vendor Score
Contractor 1	1.0 million	60%
Contractor 2	1.1 million	90%

## ▪ Price Component (/70 Points):

- Points awarded based on Standard Deviation.
- Lowest responsive bid gets full points. Other bids lose points relative to how much they exceed the lowest bid.

# Use of Overall Vendor Score

## ▪ Price Component Calculation (/70 Points):

**Contractor 1:** \$1.0M – lowest bid. Gets **70 points**.

**Contractor 2:** \$1.1M – 10% over lowest. Gets **63 points** (10% less points).

## ▪ Vendor Score Component (/30 Points):

- Vendor Score (OVS) x total possible points.

**Contractor 1:** 60% x 30 = **18 points**.

**Contractor 2:** 90% x 30 = **27 points**.

# Use of Overall Vendor Score

## Results:

	Evaluation Score	Bid	Vendor Score
Contractor 1	<b>88 points</b>	1.0 million (70 pts)	60% (18 pts)
Contractor 2 <b>(BEST VALUE WINNER)</b>	<b>90 points</b>	1.1 million (63 pts)	90% (27 pts)

- **Contractor 2** bid higher but still wins given their much better overall vendor score.

# Timeline – Next Steps

## Sept. – Dec. 2014:

- Providing industry updates and collecting ongoing feedback.

## Nov. 2014:

- System development completed.

## Dec. 2014:

- System acceptance testing conducted.
- Internal training begins.
- Communication to vendors to register on the MERX system.

# Timeline – Next Steps

## Jan. 2015:

- Vendor training offered online and in 2 sessions.

## Throughout 2015:

- Feedback on process in action collected through industry meetings.

## Jan. 2016:

- Formal review conducted – determine when score can be phased into bid evaluations.

# QUESTIONS?

