

- 3. INDEPENDENT REPORTS ON LRT STAGE 2 LESSONS LEARNED AND LRT STAGE 3 PROCUREMENT OPTIONS ANALYSIS AND PROJECT GOVERNANCE BEST PRACTICES**  
**RAPPORTS INDÉPENDANTS SUR LES LEÇONS APPRISSES LORS DE L'APPROVISIONNEMENT DE L'ÉTAPE 2 DU TLR ET L'ANALYSE DES OPTIONS D'APPROVISIONNEMENT ET PRATIQUES EXEMPLAIRES EN MATIÈRE DE GOUVERNANCE DES PROJETS DE L'ÉTAPE 3 DU TLR**

### **COMMITTEE RECOMMENDATIONS**

**That Council receive KPMG's submissions of Document 1: LRT Stage 2 Procurement Lessons Learned, and Document 2: LRT Stage 3 Procurement Options Analysis and Project Governance Best Practices.**

**That Council approve the KPMG recommendations outlined in this report and identified in Document 1: LRT Stage 2 Procurement Lessons Learned.**

**That Council direct staff to consider, in the development of LRT Stage 3, the procurement methodologies and best practices for governance of large-scale procurements outlined in this report and described in Document 2: LRT Stage 3 Procurement Options Analysis and Project Governance Best Practices.**

### **RECOMMANDATIONS DU COMITÉ**

**Que le Conseil reçoive les soumissions de KPMG sous forme de Document 1 : Leçons apprises lors de l'approvisionnement de l'Étape 2 du TLR, et de Document 2 : Analyse des options d'approvisionnement et pratiques exemplaires en matière de gouvernance des projets de l'Étape 3 du TLR.**

**Que le Conseil approuve les recommandations de KPMG énoncées dans le présent rapport et dans le Document 1 : Leçons apprises lors de l'approvisionnement de l'Étape 2 du TLR.**

**Que le Conseil dirige le personnel d'examiner, lors de l'élaboration de l'Étape 3 du TLR, les méthodes d'approvisionnement et les pratiques exemplaires pour la gouvernance des grands projets d'approvisionnement décrites dans le présent rapport et dans le Document 2 : Analyse des options d'approvisionnement et pratiques exemplaires en matière de gouvernance des projets de l'Étape 3 du TLR.**

DOCUMENTATION/DOCUMENTATION

1. Chief Procurement Officer's report, Supply Services, Innovative Client Services Department, dated June 24, 2021 (ACS2021-ICS-PRO-0002 )  
  
Rapport du Chef de l'approvisionnement, Service Approvisionnement, Direction générale des services novateurs pour la clientèle, daté le 24 juin 2021, (ACS2021-ICS-PRO-0002 )
2. Extract of draft Minutes, Finance and Economic Development Committee, 6 July 2021.  
  
Extrait de l'ébauche du procès-verbal, Comité des finances et du développement économique, le 6 juillet 2021.

**Report to  
Rapport au:**

**Finance and Economic Development Committee  
Comité des finances et du développement économique  
6 July 2021 / 6 juillet 2021**

**and Council  
et au Conseil  
21 July 2021 / 21 juillet 2021**

**Submitted on June 24, 2021  
Soumis le 24 juin 2021**

**Submitted by  
Soumis par:**

**Will McDonald, Chief Procurement Officer, Supply Services, Innovative Client  
Services Department / Chef de l'approvisionnement, Service Approvisionnement,  
Direction générale des services novateurs pour la clientèle**

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**Ward/Quartier : CITY WIDE / À  
L'ÉCHELLE DE LA VILLE**

**File Number: ACS2021-ICS-PRO-0002**

**SUBJECT: Independent Reports on LRT Stage 2 Lessons Learned and LRT  
Stage 3 Procurement Options Analysis and Project Governance Best  
Practices**

**OBJET: Rapports indépendants sur les leçons apprises lors de l'approvisionnement de l'Étape 2 du TLR et l'analyse des options d'approvisionnement et pratiques exemplaires en matière de gouvernance des projets de l'Étape 3 du TLR**

## **REPORT RECOMMENDATIONS**

**That the Finance and Economic Development Committee recommend that Council receive KPMG's submissions of Document 1: LRT Stage 2 Procurement Lessons Learned, and Document 2: LRT Stage 3 Procurement Options Analysis and Project Governance Best Practices.**

**That the Finance and Economic Development Committee recommend that Council approve the KPMG recommendations outlined in this report and identified in Document 1: LRT Stage 2 Procurement Lessons Learned.**

**That the Finance and Economic Development Committee recommend that Council direct staff to consider, in the development of LRT Stage 3, the procurement methodologies and best practices for governance of large-scale procurements outlined in this report and described in Document 2: LRT Stage 3 Procurement Options Analysis and Project Governance Best Practices.**

## **RECOMMANDATIONS DU RAPPORT**

**Que le Comité des finances et du développement économique recommande que le Conseil reçoive les soumissions de KPMG sous forme de Document 1 : Leçons apprises lors de l'approvisionnement de l'Étape 2 du TLR, et de Document 2 : Analyse des options d'approvisionnement et pratiques exemplaires en matière de gouvernance des projets de l'Étape 3 du TLR.**

**Que le Comité des finances et du développement économique recommande que le Conseil approuve les recommandations de KPMG énoncées dans le présent rapport et dans le Document 1 : Leçons apprises lors de l'approvisionnement de l'Étape 2 du TLR.**

**Que le Comité des finances et du développement économique recommande que le Conseil dirige le personnel d'examiner, lors de l'élaboration de l'Étape 3 du TLR, les méthodes d'approvisionnement et les pratiques exemplaires pour la**

**gouvernance des grands projets d'approvisionnement décrites dans le présent rapport et dans le Document 2 : Analyse des options d'approvisionnement et pratiques exemplaires en matière de gouvernance des projets de l'Étape 3 du TLR.**

## **BACKGROUND**

On February 12, 2020, City Council approved a motion directing City staff to engage an independent consultant to undertake a 'Lessons Learned' exercise on the Stage 2 Light Rail Transit Project Procurement Process, building on the recommendations in the Auditor-General's November 26, 2019 report titled, "Audit of Stage 2 Light Rail Transit (LRT) Project Procurement" ([ACS2019-OAG-BVG-0011](#)), as well as options to strengthen any of the following key public procurement principles: Transparency, Integrity, Value for Money, Openness, Fairness, Competition and Accountability.

On April 8, 2020 City Council approved the scope of work for the independent consultant ([report ACS2020-CMR-OCM-0002](#)). The scope of work is divided into two sections, each of which was subject to its own report to Council.

The first report, "Stage 2 LRT Lessons Learned" and attached as Document 1, assesses the recommendations of the Auditor General in his report titled "Audit of Stage 2 Light Rail Transit (LRT) Project Procurement" ([ACS2019-OAG-BVG-0011](#)) against leading practices within industry, including those from other jurisdictions.

The second report, "LRT Stage 3 Procurement Options Analysis and Project Governance Best Practices" and attached as Document 2, presents best practices for future light rail or similar linear infrastructure procurements in order to achieve transparency, integrity, value for money, openness, fairness, competition and accountability.

Following Council's approval of the Scope of Work, Supply Services issued a formal Request for Proposal (RFP) procurement process on April 21, 2020 seeking proposals for independent consulting services to undertake an LRT Stage 2 Procurement Lessons Learned Exercise. The RFP closed on May 27, 2020, with four firms submitting proposals in response. An evaluation was undertaken by City staff which concluded that the proposal submitted by KPMG LLP represented the best value to the City having achieved the highest technical score and offering the lowest price. Council approved the

award of contract to KPMG on September 9, 2020 for a firm price of \$157,175.00 ([report ACS2020-ICS-PRO-0004](#)).

In accordance with Councillor Fleury's direction, City staff sent a memo to Councillors on September 28, 2020, advising them of the process to engage with KPMG LLP in order to better understand the background from Councillors' perspective and to provide additional context.

## **DISCUSSION**

As outlined in the April 8, 2020 Council-approved scope of work, KPMG LLP produced two documents. Document 1, assesses the recommendations of the City of Ottawa's Auditor General in his report titled "Audit of Stage 2 Light Rail Transit (LRT) Project Procurement" ([ACS2019-OAG-BVG-0011](#)) against leading practices within industry, including from other jurisdictions.

Document 2, presents best practices for future light rail or similar linear infrastructure procurements in order to achieve transparency, integrity, value for money, openness, fairness, competition and accountability. It reviews procurement options in the context of the City's existing Design-Build-Finance-Maintain contracts as part of a Stage 3 expansion and recommends preferred procurement options. It also presents best practices for governance of large-scale procurements, including the interrelationship between technical and engineering teams, legal advisory support, procurement management teams, evaluation committees, steering committees, executive decision-makers and elected officials, and recommends a preferred governance model.

As an independent consultant, the content of KPMG's documents was developed at arm's length from City of Ottawa stakeholders. In keeping with the best practices identified by Associate Chief Justice Marrocco's Transparency and the Public Trust: Report of the Collingwood Judicial Inquiry, recommendations 112 and 180, KPMG's reports are attached in full for City Council's review and consideration.

For ease of reference, KPMG's recommendations outlined in Document 1: Stage 2 LRT Lessons Learned are copied verbatim below:

KPMG made the following seven recommendations:

**Recommendation 1:** Develop a procurement disclosure schedule for the RFQ, redacted RFP main body and redacted project agreement. Certain schedules containing sensitive information may be removed entirely, as required. The disclosure deadlines should occur after the conclusion of the procurement process to protect the fairness and competitiveness of the process.

**Recommendation 2:** Prioritize the selection of technical evaluators with a combination of relevant technical (i.e., light rail) and P3 experience. If it is not possible to select evaluators with the appropriate combination of technical and P3 expertise, targeted training should be provided and the inclusion of an evaluation facilitator with extensive P3 and major projects experience could be considered.

**Recommendation 3:** Provide specific training to evaluators around the submission requirements and evaluation criteria. The RFP should be clear about how requirements are linked to scoring, and guidance around these links should be provided to evaluators. The City could also consider adopting a scoring guidance manual or document that is derived directly from the RFP document to clarify boundaries between scores and relevant considerations based on the project's objectives.

**Recommendation 4:** Plan regular project updates as part of the Delegation of Authority to inform Council on the procurement and project progress.

**Recommendation 5:** The City should include clear reporting lines to escalate issues internally with a designated person responsible for taking action as required.

**Recommendation 6:** The City should analyze the optimal evaluation approach and technical/financial weightings for the project being procured to help ensure alignment between the evaluation framework and the overall project objectives. If the City maintains the compliance review and technical evaluation approach, the City should ensure that roles and responsibilities for each team are well understood.

**Recommendation 7:** Provide P3 procurement training to Council, as required, to help ensure comprehension of the process and rationale behind decisions, including variation in budget and adjustments in scope.

## **RURAL IMPLICATIONS**

There are no specific rural implications associated with this report.

## **CONSULTATION**

As directed by Council, on September 28, 2020 a memo was provided advising Councillors of the process to engage with KPMG prior the development of the Lessons Learned report. This was in order to better understand the background from Councillors' perspective and to provide additional context for this report.

## **COMMENTS BY THE WARD COUNCILLOR(S)**

This is a City-wide report.

## **ADVISORY COMMITTEE(S) COMMENTS**

There are no comments or recommendations from any Advisory Committee(s).

## **LEGAL IMPLICATIONS**

There are no legal impediments to approving the recommendations contained in this report.

## **RISK MANAGEMENT IMPLICATIONS**

There are no risk implications.

## **FINANCIAL IMPLICATIONS**

There are no financial implications associated with this information report.

## **ACCESSIBILITY IMPACTS**

Supply Services considers accessibility as part of their regular operations and supports the advancement of objectives of the *Accessibility for Ontarians with Disabilities Act, 2005*.

## **TERM OF COUNCIL PRIORITIES**

This report supports the actions under Council's strategic priority of Integrated Transportation.

## **SUPPORTING DOCUMENTATION**

Document 1: LRT Stage 2 Procurement Lessons Learned



Document 2: LRT Stage 3 Procurement Options Analysis and Project Governance Best Practices

**DISPOSITION**

Subject to Council approval, staff will implement the recommendations as outlined in the report.

Attachments to this report are in English with an Executive Summary in French. The City of Ottawa will translate these attachments or parts thereof upon request. Requests should be forwarded to [jennifer.mccabe@ottawa.ca](mailto:jennifer.mccabe@ottawa.ca)