

Decision Making and Investment Planning



Selecting a Professional Consultant

This document is the eleventh in a series of best practices that transform complex and technical material into non-technical principles and guidelines for decision making. For titles of other best practices in this and other series, please refer to <www.infraguide.ca>.

National Guide to
Sustainable Municipal
Infrastructure



NRC · CNRC **FCM** Canada
Federation of Canadian Municipalities
Fédération canadienne des municipalités

Selecting a Professional Consultant

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INTRODUCTION

InfraGuide® – Innovations and Best Practices

Introduction

InfraGuide –
Innovations and
Best Practices

Why Canada Needs InfraGuide

Canadian municipalities spend \$12 to \$15 billion annually on infrastructure but it never seems to be enough. Existing infrastructure is ageing while demand grows for more and better roads, and improved water and sewer systems responding both to higher standards of safety, health and environmental protection as well as population growth. The solution is to change the way we plan, design and manage infrastructure. Only by doing so can municipalities meet new demands within a fiscally responsible and environmentally sustainable framework, while preserving our quality of life.

This is what the *National Guide to Sustainable Municipal Infrastructure (InfraGuide)* seeks to accomplish.

In 2001, the federal government, through its Infrastructure Canada Program (IC) and the National Research Council (NRC), joined forces with the Federation of Canadian Municipalities (FCM) to create the National Guide to Sustainable Municipal Infrastructure (InfraGuide). InfraGuide is both a new, national network of people and a growing collection of published best practice documents for use by decision makers and technical personnel in the public and private sectors. Based on Canadian experience and research, the reports set out the best practices to support sustainable municipal infrastructure decisions and actions in six key areas: decision making and investment planning, potable water, storm and wastewater, municipal roads and sidewalks, environmental protocols, and transit. The best practices are available online and in hard copy.

A Knowledge Network of Excellence

InfraGuide is a national network of experts and a growing collection of best practice publications for core infrastructure, offering the best in Canadian experience and knowledge of core infrastructure. With our founders — the Federation of Canadian Municipalities, the National Research Council and Infrastructure Canada, and our founding member, the Canadian Public Works Association — we help municipalities make informed, smart decisions that sustain our quality of life.



Volunteer technical committees and working groups—with the assistance of consultants and other stakeholders—are responsible for the research and publication of the best practices. This is a system of shared knowledge, shared responsibility and shared benefits. We urge you to become a part of the InfraGuide Network of Excellence. Whether you are a municipal plant operator, a planner or a municipal councillor, your input is critical to the quality of our work.

Please join us.

Contact InfraGuide toll-free at **1-866-330-3350** or visit our Web site at www.infraguide.ca for more information. We look forward to working with you.

The InfraGuide Best Practices Focus



Decision Making and Investment Planning

Current funding levels are insufficient to meet infrastructure needs. The net effect is that infrastructure is deteriorating rapidly. Elected officials and senior municipal administrators need a framework for articulating the value of infrastructure planning and maintenance, while balancing social, environmental and economic factors. Decision-making and investment planning best practices transform complex and technical material into non-technical principles and guidelines for decision making, and facilitate the realization of adequate funding over the life cycle of the infrastructure. Examples include protocols for determining costs and benefits associated with desired levels of service; and strategic benchmarks, indicators or reference points for investment policy and planning decisions.



Potable Water

Potable water best practices address various approaches to enhance a municipality's or water utility's ability to manage drinking water delivery in a way that ensures public health and safety at best value and on a sustainable basis. Issues such as water accountability, water use and loss, deterioration and inspection of distribution systems, renewal planning and technologies for rehabilitation of potable water systems and water quality in the distribution systems are examined.



Environmental Protocols

Environmental protocols focus on the interaction of natural systems and their effects on human quality of life in relation to municipal infrastructure delivery. Environmental elements and systems include land (including flora), water, air (including noise and light) and soil. Example practices include how to factor in environmental considerations in establishing the desired level of municipal infrastructure service; and definition of local environmental conditions, challenges and opportunities with respect to municipal infrastructure.



Storm and Wastewater

Ageing buried infrastructure, diminishing financial resources, stricter legislation for effluents, increasing public awareness of environmental impacts due to wastewater and contaminated stormwater are challenges that municipalities have to deal with. Storm and wastewater best practices deal with buried linear infrastructure as well as end of pipe treatment and management issues. Examples include ways to control and reduce inflow and infiltration; how to secure relevant and consistent data sets; how to inspect and assess condition and performance of collections systems; treatment plant optimization; and management of biosolids.



Transit

Urbanization places pressure on an eroding, ageing infrastructure, and raises concerns about declining air and water quality. Transit systems contribute to reducing traffic gridlock and improving road safety. Transit best practices address the need to improve supply, influence demand and make operational improvements with the least environmental impact, while meeting social and business needs.



Municipal Roads and Sidewalks

Sound decision making and preventive maintenance are essential to managing municipal pavement infrastructure cost effectively. Municipal roads and sidewalks best practices address two priorities: front-end planning and decision making to identify and manage pavement infrastructures as a component of the infrastructure system; and a preventive approach to slow the deterioration of existing roadways. Example topics include timely preventative maintenance of municipal roads; construction and rehabilitation of utility boxes; and progressive improvement of asphalt and concrete pavement repair practices.

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Pete Steblin, Chair
City of London, London, Ontario

Betty Matthews-Malone (Co-Vice Chair)
Haldimand County, Ontario

Paul Barnable
City of Corner Brook
Corner Brook, Newfoundland

Dave Burgess
City of Brandon, Brandon, Manitoba

Doug Drever
City of Saskatoon
Saskatoon, Saskatchewan

Gary Guthrie
City of Abbotsford, Abbotsford
British Columbia

Ed Kovacs
City of Cambridge, Cambridge, Ontario

Eric Lalonde
Harfan Technologies Inc.
Pont Rouge, Quebec

David Main
Earth Tech Canada Inc.
Burnaby, British Columbia

Osama Moselhi
Concordia University
Montréal, Quebec

Harold Murphy, Technical Advisor
National Research Council (NRC)/InfraGuide
Ottawa, Ontario

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Joe Augé
Government of the Northwest Territories,
Yellowknife, Northwest Territories

Francis Cheung
Engineering and Operations
City of Port Coquitlam
Port Coquitlam, British Columbia

Doug Drever
Public Works, City of Saskatoon
Saskatoon, Saskatchewan

Jeff McConnell
Councillor, City of Virden Virden, Manitoba

Serge Ouellette
Purchasing, City of Montréal, Quebec

Wayne Ryan
Operational Services, City of Corner Brook
Corner Brook, Newfoundland

Pete Steblin
Environmental Services, City of London
London, Ontario

Andrew Steeves
ADI Group Inc., Fredericton, New Brunswick

Chris Wade
Infrastructure Services
City of Calgary, Calgary, Alberta

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Mark LaRoche, ing., Directeur général
City of Gatineau, Gatineau, Quebec

Bob Dolphin, P.Eng.
Consultant, Langley, British Columbia

Dan Hogan, P.Eng., Consultant
DMH Engineering Ltd., Saskatchewan

Rob Howard, Councillor
City of Richmond, Richmond, British Columbia

Dave Rudberg, P.Eng
General Manager, Olympic Operations
City of Vancouver, Vancouver, British Columbia

Rick Prentice, P.Eng
Stantec Consulting, Edmonton, Alberta

Richard Hewitt, P.Eng., Deputy City Manager
City of Ottawa, Ottawa, Ontario

George Butts
Director General (Acquisitions), PWGSC

Murray Jamer, P.Eng.
Director of Engineering and Public Works
City of Fredericton, Fredericton, New Brunswick

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Governing Council:

Joe Augé
Government of the Northwest Territories
Yellowknife, Northwest Territories

Sherif Barakat
National Research Council Canada (NRC)
Ottawa, Ontario

Brock Carlton
Federation of Canadian Municipalities (FCM)
Ottawa, Ontario

Jim D'Orazio
Greater Toronto Sewer and Watermain Contractors
Association, Toronto, Ontario

Douglas P. Floyd
Delcan Corporation
Toronto, Ontario

Derm Flynn
Town of Appleton, Appleton
Newfoundland and Labrador

John Hodgson
City of Edmonton
Edmonton, Alberta

Joan Lougheed
Councillor, City of Burlington
Burlington, Ontario

Saeed Mirza
McGill University
Montréal, Quebec

Umendra Mital
City of Surrey, Surrey
British Columbia

René Morency
Régie des installations olympiques
Montréal, Quebec

Ric Robertshaw
Public Works, Region of Peel
Brampton, Ontario

Dave Rudberg
City of Vancouver
Vancouver, British Columbia

Van Simonson
City of Saskatoon
Saskatoon, Saskatchewan

Basil Stewart, Mayor
City of Summerside, Summerside,
Prince Edward Island

Serge Thériault
Government of New Brunswick
Fredericton, New Brunswick

Tony Varriano
Infrastructure Canada (INFC)
Ottawa, Ontario

Vaughn Paul
First Nations (Alberta) Technical Services Advisory
Group, Edmonton, Alberta

Alec Waters
Alberta Infrastructure Dept
Edmonton, Alberta

Wally Wells
The Wells Infrastructure Group Inc.
Toronto, Ontario

Municipal Infrastructure Committee:

Al Cepas
City of Edmonton, Edmonton, Alberta

Wayne Green
Green Management Inc.
Mississauga, Ontario

Haseen Khan
Government of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Ed S. Kovacs
City of Cambridge
Cambridge, Ontario

Saeed Mirza
McGill University, Montréal, Quebec

Umendra Mital
City of Surrey
Surrey, British Columbia

Carl Yates
Halifax Regional Water Commission
Halifax, Nova Scotia

Relationship Infrastructure Committee:

Geoff Greenough
City of Moncton
Moncton, New Brunswick

Joan Lougheed
Councillor, City of Burlington
Burlington, Ontario

Osama Moselhi
Concordia University
Montréal, Quebec

Anne-Marie Parent
Parent Latreille and Associates
Montréal, Quebec

Konrad Siu
City of Edmonton
Edmonton, Alberta

Wally Wells
The Wells Infrastructure Group Inc.
Toronto, Ontario

Founding Member:

Canadian Public Works Association (CPWA)

EXECUTIVE SUMMARY

“It is unwise to pay too much, but it is worse to pay too little. When you pay too little, you sometimes lose everything because the thing you bought was incapable of doing the thing you bought it to do.”

John Ruskin (1819-1900)

This quotation captures the reality faced by public officials engaged in commissioning the services of professional consultants. Often, cheapest price gets mistaken for *best value*. The need to re-introduce the concept of value to consulting procurement was the impetus for this document.

The best practice was written for four primary audiences:

Decision-makers — senior staff responsible for administrative policy and processes;

Technical staff — those responsible for implementing policy and administrative processes;

Procurement Staff and Auditors — staff responsible for conducting or monitoring procurement processes; and

Policy-makers — primarily elected officials.

Adaptation of this best practice will create a common ground of understanding between professional consultants and governments seeking their services. The knowledge that a fair and transparent process is being used, in which all proponents are given proper consideration, should contribute to reducing the tendency for consultants to seek advantage by lobbying senior and elected officials.

There is a large body of knowledge on worldwide practices to select professional consultants. The most common method recommended is qualifications-based selection (QBS). This procedure facilitates selection of professional consultants based on their qualifications, experience and competence as it relates to a particular assignment.

The United States *Brooks Act*, enacted in 1972, requires all federal procurement of architectural and engineering services to incorporate QBS. Forty-seven states and many local jurisdictions have adopted similar legislation since.

Several US studies are also referenced that support QBS over traditional price-based methods, including professional consulting services.

In Canada, many professional bodies recommend qualifications-based methods, but the process is not widely used. Federal, provincial and local governments primarily use price-based methods.

The procurement of goods and services in the Canadian public sector is most often obtained through a public tendering process. Government purchases are guided by policies designed to ensure transparency and value. The product or service is described in detail in a tender document and sealed bids are invited. The lowest bid normally receives the contract.

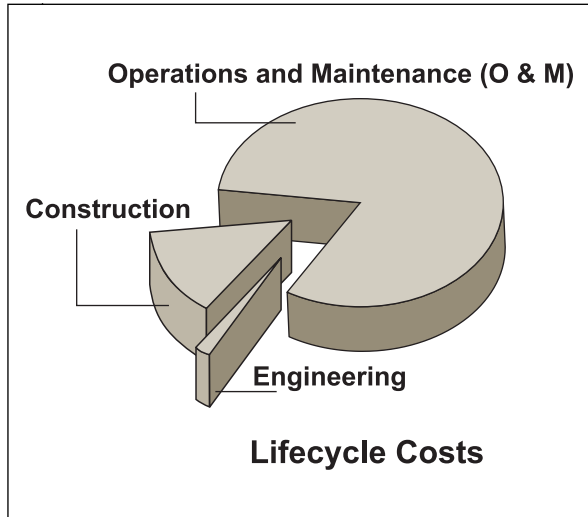
This approach is not appropriate for professional consulting services because it is frequently not possible to provide sufficient detail about the services required to ensure that all firms are bidding on equal footing. This is because part of the undertaking may be an exploration for the most appropriate solution.

The most appropriate solution is not necessarily the cheapest design solution. Furthermore, the consultant’s ability to devise the most appropriate solution depends on expertise, training and, most importantly, experience. It follows that purchasers wishing to identify the most appropriate solution should implement a selection process that:

- Leads to the selection of the individual or team that is best qualified to undertake the particular assignment, and
- Employs the experience of this team to develop the scope of services to ensure that all opportunities for adding client value are provided for within the project.

Executive Summary

The knowledge that a fair and transparent process is being used, in which all proponents are given proper consideration, should contribute to the tendency for consultants to seek advantage by lobbying senior and elected officials.



The recommended method encourages clients to view consultants as “trusted advisors” who share their priorities and interest in achieving the best outcomes for their project.

This approach does not preclude the consideration of price in the process. Rather, it encourages consideration of price within a more meaningful context by bringing the fee into the equation after the scope of work has been jointly established and agreement reached with the top-ranked firm.

Understanding the relative contribution to overall costs of 1) engineering required to solve a problem, 2) the cost of construction, and 3) the future operation and maintenance costs of the solution, underlines why it is so important to start with the “right” or “best” consultant.

“Engineering design” typically represents 1 to 2 percent of the overall lifecycle cost of a project, with construction accounting for approximately 6 to 18 percent of the cost. All the rest—80 to 93 percent of the lifetime asset cost—is accounted for by operations, annual and capital maintenance and decommissioning.

This cost relationship is apparently well understood by engineers working in the public sector, but its consequences may not be applied during the tendering process. The appeal of the *lowest-price* design solution appears to override the value that can be gained from considering lifecycle costs.

Best Practice Principles

This Best Practice incorporates principles that ensure a sound and fundamentally fair process and one that will achieve the goal of adding the greatest value for the client.

Recommended Best Practice

The recommended consultant selection practice is a competitive qualifications-based process that is principle-based and meets the following objectives:

- selecting a consultant who is best qualified for a specific project, and
- providing a client the benefit of the consultant’s skill, knowledge and experience to jointly develop a scope of services that considers all opportunities for adding value.

| BEST PRACTICE PRINCIPLES |
|-----------------------------------|
| Qualifications |
| Quality |
| Innovation |
| Relationships |
| Fairness |
| Respect for Intellectual Property |
| Efficient and Effective |
| Flexibility |
| Non-Predatory Pricing |
| Sustainability |

The recommended method encourages clients to view consultants as “trusted advisors” who share their priorities and interest in achieving the best outcomes for their project.

The best practice diverges from price-based selection practices in that it frees consultants to demonstrate how they can add maximum value to a client’s project rather than focusing on how to minimize their fees to ‘win’ an assignment.

Implementation Challenges

Municipal engineers and other practitioners knowledgeable in the long-term implications of selecting the most qualified consultant for technical assignments generally support the recommended best practice intellectually and philosophically. They understand that selection on the basis of lowest price may not achieve the best outcome. However, when working in government, it is much easier to justify objectivity on the basis of quoted fees (lowest price) than on the basis of qualitative assessment (qualifications-based selection).

Satisfaction with present price-based methods in Canada suggests leadership to adopt this best practice will not generally come from within municipal or other governments. Only when some jurisdictions begin to use the best practice, and promote its benefits, will others do so. The first step to convincing municipal

| RECOMMENDED BEST PRACTICE |
|----------------------------------|
| Request for Qualifications |
| Evaluate and Rank Consultants |
| Request for Proposals |
| Select Highest-Ranked Consultant |
| Define Scope |
| Negotiate Fee Agreement |
| Award Assignment |

and other governments of the benefits of applying the recommended method will be a broad initiative that enlists the support of those jurisdictions that have used and benefited from its use, as well as industry, professional and educational leaders.

Executive Summary

Satisfaction with present price-based methods in Canada suggests leadership to adopt this best practice will not generally come from within municipal or other governments. Only when some jurisdictions begin to use the best practice, and promote its benefits, will others do so.

1. General

1.1 Introduction

This is one of a number of best practices being developed under the auspices of the *National Guide to Sustainable Municipal Infrastructure (InfraGuide)*. Several of these best practices describe activities that, for many municipalities, will be undertaken by professional consultants.

Planning and Defining Municipal Infrastructure Needs (InfraGuide, 2003), for example, is a best practice that gives municipalities the basic tools for defining municipal infrastructure needs and for developing strategic plans to address them. Best practices include such issues as:

- Exploring new and innovative methods for continuous improvement, and
- Linking capital expenditures with operations and maintenance costs over the lifecycle of the asset.

Identifying those best qualified to address such issues is one of the most important tasks related to hiring a professional consultant.

The method used should:

- Ensure the selection of the most qualified and competent consultant to perform the work at a fair and reasonable price.
- Be fair, transparent, clearly understood by all parties and supportable by those using the method.

This best practice defines a process to achieve those objectives.

1.2 Purpose and Scope

This best practice is written for those public sector officials responsible for selection of professional consultants. It will assist them to select the most appropriate consultant for a given assignment.

While it is primarily an administrative tool, this guide should also foster an appreciation among elected officials and policy-makers of the long-term value of selecting the most

qualified and competent consultant, rather than the lowest-cost consultant.

The best practice is also intended for professional consultants who respond to government requests for proposals. It will help them understand the processes being used to select a successful proponent.

Following the best practices highlighted will gradually bring uniformity to methods used by various levels of government. It should also foster uniformity within organizations, where multiple individuals may be responsible for selecting or recommending professional consultants.

1.3 How to Use This Document

This best practice should be applied with a clear understanding and appreciation that its practices and methodologies are intended to guide the achievement of best outcomes from the selection of professional consultants for engineering/infrastructure projects.

1.3.1 General

This guide was written for four primary audiences:

Decision-makers — Senior staff responsible for administrative policy and processes to reinforce how high-quality engineering services add value in the form of innovation, sustainability and lifecycle analysis.

Technical staff — Those responsible for implementing policy and administrative processes; to assist in their selection of the most appropriate individual or firm for a given project.

Procurement Staff and Auditors — Staff responsible for conducting or monitoring procurement processes that: ensure fiscal responsibility and best value for taxpayers, and adherence to established procurement policies.

1. General

1.1 Introduction

1.2 Purpose and Scope

1.3 How to Use This Document

Identifying those best qualified to address such issues is one of the most important tasks related to hiring a professional consultant.

1. General

1.3 How to Use This Document

It is expected that the knowledge that a fair and transparent process is being used, in which all proponents are given proper consideration, will remove the perception of bias that leads consultants to seek advantage in this manner.

Policy-makers — Primarily elected politicians; to foster an appreciation of the long-term value a client receives when the best qualified and most competent consultant, not the lowest-cost consultant, wins the bid.

It will also help professional consultants understand government procurement processes. Knowing that procurement processes give all proponents proper consideration will allay fears that the process is biased and belie the contention that direct lobbying is the best way to win bids. Consultants engage in marketing activities to expand their businesses similar to most corporate entities. They will seek opportunities to engage clients and potential clients to help them understand the role of the professional consultant, the areas of expertise they have and how value can be added to a client's project if the most appropriate consultant is selected using a fair and transparent selection process.

Occasionally, consultants who feel they are being unfairly managed within a selection process may attempt to influence the selection through direct representation to senior or elected officials. They may believe resorting to such tactics is necessary to ensure they receive fair consideration in the selection process. Lobbying in this fashion undermines the process and often creates resentment between the parties.

It is expected that the knowledge that a fair and transparent process is being used, in which all proponents are given proper consideration, will remove the perception of bias that leads consultants to seek advantage in this manner.

This document is organized into four sections as follows:

1.3.2 Research

The Research section describes fact-finding undertaken for the writing of the guide. Research included review of printed publications, web reviews and searches, surveys of municipal engineers and consulting engineers, and interviews with selected practitioners. In addition, members of the working group and other stakeholders, including the Royal Architectural Institute of Canada, provided information on methodologies currently in use or being proposed.

The **municipal survey** sought input from all geographic regions of Canada and from a cross section of small, medium and large municipalities. The **consultant survey** targeted firms from all geographic regions working primarily in the public sector. Detailed stakeholder interviews were conducted with a representative sample from each group and from several external agencies.

Summaries of findings are reported in the appendices.

1.3.3 Rationale

The Rationale section provides justification for this best practice and describes benefits to be achieved by its application.

1.3.4 Methodology

The Methodology section describes *what* needs to be done and *how* to use the recommended best practice. The guide provides details of how to apply the methodology.

1.3.5 Limitations

The Limitations section describes potential limitations associated with the application of the recommended methods described in this guide.

1.4 Glossary

The following words and terms are used in the document and are defined for clarity only, not to add any judgmental component.

Best Practices — State-of-the-art methodologies and technologies for municipal infrastructure planning, design, construction, management, assessment, maintenance and rehabilitation that consider local, economic, environmental and social factors.

Budget Method — The client supplies a budgeted figure for consultant fees to short-listed firms within the terms of reference for the project. Consultants are expected to respond with a proposal priced at or below this upset. Consultant selection is based on the best quality proposal that best meets the needs of the client.

Design Competition — A small group of pre-qualified consultants is invited to participate in a design competition. The consultants are requested to submit a “concept design”, estimates of construction cost and their fee proposal to complete the overall project. Competing consultants are either paid for their concepts at cost or (more commonly) paid a set fee established in the competition’s terms of reference. The concept that best meets the needs of the client is usually accepted as the “winner”. Ownership of the unsuccessful design submissions should be addressed in the competition guidelines.

Consultant — See “Professional Consultant”.

Lifecycle — The lifecycle is the full life of a project from planning through design, construction, operation, annual and capital maintenance, rehabilitation, and eventual disposal or decommissioning.

Lifecycle costing — A method of expressing cost that includes the anticipated costs associated with the construction, operation, annual and capital maintenance and possibly decommissioning. It can be expressed as a “present worth” that represents the current

investment that would have to be made at a specific discount (or interest) rate to pay for the initial and future costs of the works.

Operations and Maintenance (O&M) — The process of running an infrastructure asset, including consumable resources such as labour, equipment, energy, chemicals and other materials; and all actions necessary for retaining the asset as near as practicable to a condition that will continue to provide the service required, but excluding rehabilitation or decommissioning.

Price Negotiation — A small group of pre-qualified consultants are invited to participate in a project as defined by the owner. Design fees for the completion of a project are negotiated with each consultant independently. The consultant offering the lowest negotiated price is successful.

Professional Consultant — Includes professional project managers, architects, engineers, construction managers, geoscientists, land surveyors, engineering surveyors, landscape architects, contract administrators etc.

Qualifications — “Qualifications” include both technical and non-technical considerations such as local knowledge, past performance, long-term relationships and availability of resources that a client may consider when qualifying a consultant for selection.

Qualifications-based Selection — QBS is a competitive process for the procurement of professional consulting services based on professional qualifications. Qualifications are submitted to an owner, who evaluates and selects the best-qualified firm or individual(s) for the proposed project, based on technical qualifications. The selected firm and the owner then jointly develop the final scope of work for the project. The consultant’s fee is then negotiated based on the agreed-upon scope of work and the consultant’s submitted rate schedule.

1. General

1.4 Glossary

1. General

1.4 Glossary

RFP with Prices — A selection method requiring proponents to respond to a request for proposals and include their proposed fee as part of their submission. The owner's evaluation process addresses the submitted fee as one of the weighted evaluation criteria. (Also referred to as; qualifications cost-based selection, QCBS, cost-weighted method, value-based or price-based selection).

Scope of Service/Scope of Work — A detailed description of the work to be undertaken by a consultant in the fulfillment of a consulting assignment.

Sole Source/Direct Appointment — An owner selects a professional consultant based on its knowledge of the consultant's abilities, usually through previous working relationships.

Sustainability — Conditions that meet current needs without compromising the needs of future generations. Sustainability considers environmental, social, and economic factors together. The term sustainability and sustainable development can have varying interpretations, depending on perceptions, values, priorities, and perspectives.

Two Envelope Method — A selection method in which consultants are requested to submit a priced proposal in two sealed envelopes. The first envelope contains the technical proposal including corporate and key personnel qualifications, methodology, schedule and any other technical requirements of the proposal call, exclusive of price. The second contains the proposed fee for the services. The second envelope containing the price is only opened for the highest ranked firm from the technical evaluation.

Value — The cost savings a client will accrue over the lifetime of a project or facility, calculated by comparing the lifecycle costs of alternative design solutions and selecting the lowest-cost solution that meets the client's needs.

Whole lifecycle costing — A costing methodology that includes engineering costs, construction costs, operations and maintenance costs, decommissioning costs to the public and sustainability costs.

2. Research

2.1 Literature Review

The **References** section, at the end of this report, provides a synopsis of the documents reviewed to write this best practice.

There are many Internet references to methods of selection for professional consultants. Most references support a qualifications-based selection process, (QBS), particularly when the scope of services is not readily definable. In cases where the scope of work can be definitively established at the outset, a fee-based request for proposals (RFP) or qualifications cost-based system (QCBS) is referenced.

The most notable references relate to the United States *Brooks Act* enacted in 1972. This requires all federal architectural and engineering services procurement to follow "qualifications-based selection." Forty-seven states and many local jurisdictions have adopted similar legislation.

Most professional engineering associations throughout Canada and the rest of the world recommend the qualifications-based selection method.

Two of the referenced studies provide particularly strong arguments for qualifications-based selection:

1) The American Institute of Architects:
Selecting Architects and Engineers for Public Building Projects: An Analysis and Comparison of the Maryland and Florida Systems (AIA, 1985).

This 1985 study compares the experience of Maryland's Department of General Services, which used a qualifications/price-based selection process, with that of the Florida Department of General Services and the State University System, both of whom used qualifications-based selection processes, exclusive of price. Data were collected on projects over \$50,000 in fees awarded by both states from 1975 to 1983. Conclusions reported were:

- Maryland's process was significantly more expensive than Florida's from an administrative perspective and took considerably longer to complete.
- Florida selected on the basis of technical competence, Maryland on the basis of both price and technical competence but price was becoming the dominant factor (of 40 contracts studied, 83 percent were awarded to low bidder).
- User agencies in both states were generally satisfied with their respective processes, but most architectural and engineering firms in Maryland were resentful of the system and viewed work for the state to be "work of last resort".

2) Polytechnic University:
Qualifications-Based Selection (QBS) For the Procurement of Professional Architectural-Engineering (A/E) Services.

This study (undated — 2001/2002), reviewed the arguments for and against a proposed initiative in the City of New York to require a qualifications-based selection process in line with state policy, rather than the current qualifications/price-based process.

The conclusion stated:

"...it can be concluded that QBS offers significant advantages over competitive bidding and it should be the preferred method for the procurement of A/E services. QBS not only ensures that the most qualified firm is selected for each project, but it is also cost-competitive and has the best potential to reduce long-term project costs."

2.2 Stakeholder Surveys and Interviews

Two surveys were undertaken to obtain input from a representative sample of municipal engineers and consulting engineers. The municipal survey solicited input from a broad geographical base of small, medium and large communities across Canada. The consultant

2. Research

2.1 Literature Review

2.2 Stakeholder Surveys and Interviews

The United States Brooks Act, enacted in 1972, requires all federal architectural and engineering services procurement to follow "qualifications-based selection." Forty-seven states and many local jurisdictions have adopted similar legislation.

2. Research

2.2 Stakeholder Surveys and Interviews

Lifecycle asset management achieves business requirements of safety, environment protection, and service delivery at minimum cost of ownership (Kennedy, 1993).

survey was also geographically diverse and targeted firms that were active in the municipal infrastructure field.

Summaries of the municipal and consultant surveys are contained in **Appendix A**.

A summary of interview key points is contained in **Appendix B**.

Following is a summary of the outcomes:

2.2.1 Municipal Survey

- The RFP with prices and the sole sourcing method are the most commonly used by respondents. Price represents on average 22 percent of the evaluation criteria.
- Qualifications-based selection methods are not well understood, particularly with respect to how price is treated.
- The value of lifecycle costing, while understood, is seldom applied.
- 92 percent of respondents expect consultants to consider innovative and alternative design solutions. 73 percent of respondents said that their terms of reference specifically require this. These statements are “at odds” with data received in the consultant survey.

2.2.2 Consultant Survey

- Qualifications-based processes, including sole source, are considered to be two to three times as likely to add value for the client as price-inclusive processes.
- QBS is well understood by consultants, as is the value of jointly establishing the scope of services.
- The value of lifecycle costing and innovative and alternative design reviews is similarly well understood. However, 93 percent report that they are “seldom or never” required to consider lifecycle costs when responding to RFPs.
- 80 percent also report that terms of reference typically do not specifically require the investigation of innovative and/or alternative solutions.

2.2.3 Stakeholder Interviews

In-depth interviews of a cross-section of respondents were undertaken to further explore emerging issues. The results:

- There is a need for a faster selection method, with less paperwork involved.
- The larger the municipality, the more likely it is to view consulting services as a **commodity**.
- Municipalities have become overly prescriptive; a too-well-defined scope of service can limit innovation and creativity.
- **Best value** for the client is achieved by a selection method focused on qualifications and joint scope development.
- There is an identified need for education at all levels.
- Price-based selection methods often lead to an adversarial relationship between client and consultant. The objective should be a **team relationship**.
- The best practice should provide for the reality that some engineering/infrastructure projects might appropriately use a price-based selection method. For example: less-complex projects, where scope can be readily defined, and work such as materials testing, traffic data gathering, water quality testing, etc.
- Recognition that lifecycle costing provides value, but is seldom asked for.
- Whole lifecycle costing goes beyond project lifecycle costing and considers cost to the public and sustainability costs. Recent emphasis on green buildings may drive an appreciation for lifecycle costing.
- Risk transfer to the consultant is an outcome of joint development of the scope of service that can directly benefit to the client.

3. Rationale

3.1 Background

The public sector buys most commodities through a public tendering process designed to identify the vendor with the lowest price. Public tendering is cost-effective for materials and equipment that are readily described, and for construction contracts with clearly specified deliverables.

Consulting services, however, are not commodities and their procurement cannot effectively be obtained in this fashion. For this reason it is commonplace to use a request for proposals (RFP) process to evaluate candidate credentials to identify the best-suited consultant. Generally, the RFP process requires submission of a fee component for the proposed work. The fee component is often allocated considerable weight in the evaluation, with the result that the lowest-priced proposal is often accepted on the assumption that it represents best value for the client. The literature reviewed does not support this assumption. In the USA, the federal and most state governments have legislated against this method (Federal *Brooks Act*, 1972 and others).

The general wisdom is that **best value** for a client is most likely achieved when the focus is on finding the most effective, long-term solution to a problem, not the cheapest design. As in most professions, expertise varies, based on an individual's training and often more importantly, their experience. Therefore, to meet the goal of identifying the most effective, long-term solution, a selection process must result in the selection of the consultant best qualified to undertake the assignment and consequently bring the most **added value** to the project.

Selecting a consultant is aptly compared to the task of selecting a technically trained, temporary employee for a specific assignment. The focus at the time of selection will be the training, experience, and skill of the individual

being considered, with the objective being to identify the most suitable candidate, not the cheapest.

Selecting a consultant based on qualifications **does not** preclude consideration of price. It simply removes it from the consultant evaluation phase and introduces it once the scope of service has been determined.

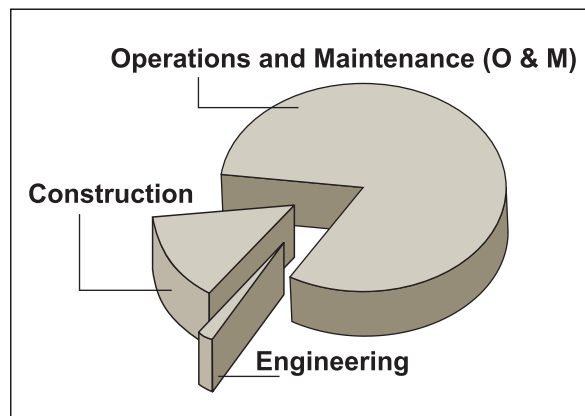
3.2 Lifecycle Costs

Best value is achieved for the client when design alternatives are evaluated based on their lifecycle costs. It is during design that both construction and operations/maintenance cost savings are most easily achieved.

This is a complex process and the desired outcomes are seldom achieved through hiring the consultant offering the lowest fee. Emphasis on lowest lifecycle cost drives a different process than one designed to ensure the cheapest design fee.

Lifecycle costing is critical because public infrastructure projects are long-term investments, paid for with public funds. Best value for the taxpayer means the asset is delivered with the least financial impact in the long-term. Best value is not achieved by deferring costs for later payment.

Figure 3–1: Lifecycle Costs



3. Rationale

3.1 Background

3.2 Lifecycle Costs

Figure 3–1
Lifecycle Costs

*The general wisdom is that **best value** for a client is most likely achieved when the focus is on finding the most effective, long-term solution to a problem, not the cheapest design.*

3. Rationale

3.2 Lifecycle costs

Figure 3–2

Lifecycle Savings through Design Innovation

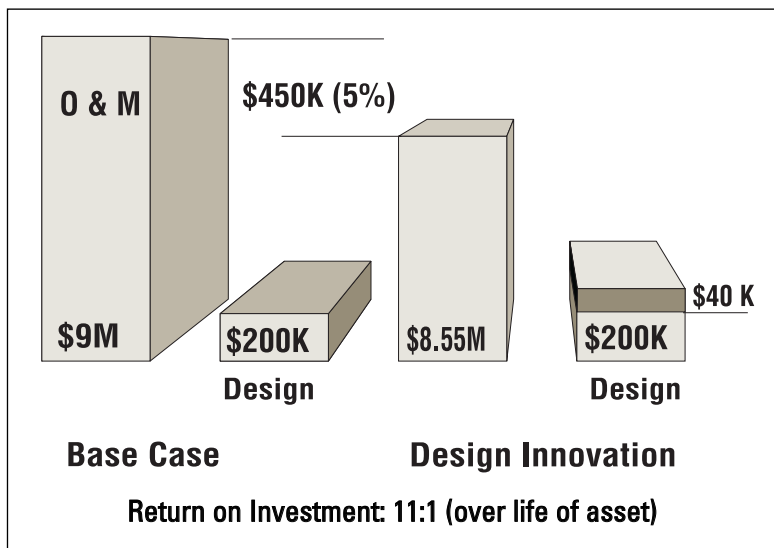
“It is unwise to pay too much, but it is worse to pay too little. When you pay too little, you sometimes lose everything because the thing you bought was incapable of doing the thing you bought it to do.”

John Ruskin (1819-1900)

It follows that lifecycle costing is an integral part of municipal sustainability analysis and essential for Integrated Community Sustainability Plans hoping to qualify for Government of Canada funding under programs that require real, measurable progress towards sustainability.

The key to understanding and ultimately implementing this best practice is making a clear distinction between cost and value. In the context of selecting professional consultants, cost refers to the cost of the consulting services to be provided. Value refers to the savings the client will receive over the life of the project; from construction through the entire lifecycle of the particular asset, to its decommissioning. **Best value** is achieved with the design solution that produces the lowest lifecycle cost, measured as the sum of consulting, construction and operations/maintenance (O&M) costs. The method recommended in this best practice focuses on achieving the lowest lifecycle cost and hence the “best” value for the client.

Figure 3–2: Lifecycle Savings through Design Innovation



Professional consultant services account for a small percentage of direct project cost but their impact on both construction costs and operations/maintenance costs is significant. Canadian and USA studies report that engineering/design typically represents 1 to 2 percent of project lifecycle cost.

Construction accounts for 6 to 18 percent of lifecycle cost and the remainder is taken up by operations, maintenance, refurbishment and ultimately, decommissioning costs. Actual percentages will vary by project and discipline but trends are the same.

The **Figure 3–1** illustrates the rationale for evaluating design alternatives with rigorous reviews. For a project with the following costs:

| | |
|---------------|-------------|
| Engineering: | \$200,000 |
| Construction: | \$2,000,000 |
| O&M: | \$9,000,000 |

If a 5 percent reduction in the O&M costs can be achieved through design innovation on this project, the municipality would save \$450,000 over the life of the asset.

Assume this saving is achieved for an additional design cost of \$40,000 or a 20 percent increase in project consultant fees. This increase is more than offset by the lifecycle savings—an increasing investment from 1.8 to 2.1 percent of lifecycle cost, returns savings in the ratio of 11:1 (almost twice the total engineering design fee). Not a hard business case to make!

Without a detailed review of design and construction alternatives it is impossible to assess the long-term advantages that might be gained for this small increase in consulting fees.

Most professionals and municipal engineers understand the principle of minimizing lifecycle costs through value engineering. However this principle is infrequently applied.

The potential for long-term savings achieved by placing an emphasis on selecting the consultant with the qualifications, skill, creativity and experience to analyze all design alternatives will generally far outweigh potential savings from a low-bid selection.

“It is unwise to pay too much, but it is worse to pay too little. When you pay too little, you sometimes lose everything because the thing you bought was incapable of doing the thing you bought it to do.”

John Ruskin (1819-1900)

3.3 Selection Methods

There are several methodologies available for selecting professional consultants. Most evaluate and compare capabilities to rank the proponents. Selection practices and their benefits and shortcomings are outlined in the **Table of Selection Methods** found in **Appendix C**. The table defines common practice, but many variations exist.

Selection processes are primarily distinguished by how the scope of services is created and how fees are treated within the evaluation process.

RFP and Price Negotiation — These methods include fees within the initial evaluation, based on a scope of services established by the client.

Two Envelopes — This method is based on the evaluation of qualifications and experience relating to a client-defined scope of services, with fees considered after the technical evaluation has been completed.

Budget and Design Competition — These methods require the consultant to write or finalize the scope of services:

- In the budget method, the consultant identifies the services proposed (to be undertaken) for the budget amount.
- In the design competition method, the consultant provides a conceptual design for evaluation.

In both cases the client chooses the proposal that provides the best solution for their application.

Qualifications-Based Selection and Sole Sourcing — These methods determine the preferred consultant based on qualifications and experience. They provide the opportunity to jointly establish the scope of services before bringing the fee into consideration.

3.3.1 Request for Qualification (RFQ)

Since many consultants will have the qualifications necessary to undertake most assignments, the owner is faced with the challenge of deciding who is **most** or **best**

qualified for the assignment. If the assignment is advertised for all interested parties to respond, evaluating request for proposals can entail a considerable (and inefficient) use of time and effort for the owner.

To prevent this waste, clients often use a request for qualifications (RFQ) or a request for expression of interest (RFEI) to develop a “short list” of three consultants who will be invited to respond to a detailed proposal call.

Municipalities can use the RFQ or RFEI process to:

- identify the three firms, which will be requested to submit a detailed proposal for a particular assignment; or
- create a list of pre-qualified firms that will be:
 - invited to bid on projects on a rotational basis; or
 - used in the selection of a sole-sourced consultant.

The RFQ typically requests proponents to provide information about the firm, the type of business entity, address, contact information, main areas of expertise, and recent project experience relative to the project at hand. It will also request information on key personnel who will be assigned to the project, if successful, their roles, qualifications, experience, and references for comparable projects. It should not require proponents to provide details on their approach to project design.

For relatively large assignments or complex projects, clients typically establish a technical evaluation team, consisting of two or three members of their engineering group who are familiar with the project and possibly a representative from their purchasing department. This team establishes the evaluation criteria and weighting, and evaluates the proponents. The three top-ranking firms are sent a detailed RFP for a specific project.

In some circumstances, special considerations apply to the pre-qualification process. An example is the cost of travel for projects in

3. Rationale

3.3 Selection Methods

3. Rationale

3.3 Selection Methods

3.4 Search for a Best Practice

3.5 Conclusions Regarding Process

While research indicates municipal engineers believe qualifications-based selection is more effective, there is a reluctance to challenge the oft-stated reality that the public is best served and receives best value through price competition.

small and/or remote communities where these costs may be an extraordinarily high percentage of the overall fee. These additional costs should be factored into the RFQ process. If the impact is considerable and one or more local firms have the expertise and experience necessary to undertake the work, consideration should be given to “sole-sourcing” the project or inviting local consultants only to respond to an RFQ. Conversely, in a “hot” economy, demand for services may exceed local supply. In this case, sole sourcing or the RFQ process may supplant the RFP process.

The cost (for both municipalities and consultants) of the request for proposal process underlines the importance of using pre-qualification (RFQs) to create a short list of firms and to limit the invitation to respond to a proposal call to three companies.

Several consultants reported that the cost of writing an RFP for a mid-sized project could be 8 to 10 percent of the value of expected fees. Municipal representatives also report that evaluation costs are considerable. Failing to acknowledge these costs results in higher costs to all clients, as consultants must ultimately recover these costs of preparing proposals.

An example taken from a recent municipal project illustrates this point:

Strategic study; value approximately \$110,000 in fees. Cost incurred by successful consultant to respond to RFP approximately \$10,400.

Municipality invited three firms to submit proposals, thus if each firm expended roughly the same amount of effort preparing their response to the RFP, their combined costs approached one-third of the value of the assignment. In addition, the municipality reported that staff time to evaluate the RFPs using a three-person team was approximately 45 hours.

The cost to respond to an RFP underlines the importance of using a pre-qualification process to create a short list of firms and limiting the number invited to respond to a proposal call to a maximum of three.

3.4 Search for a Best Practice

This guide seeks to identify the practice most beneficial to the needs of the client and worthy of the **best practice** designation. Research shows that a client’s needs are best met when the “*best suited*” consultant is selected by virtue of its qualifications, skills and experience to deliver a quality product. This ensures that the considerations most likely to add value for the client are thoroughly investigated.

3.4.1 Best Practice Principles

A best practice should incorporate principles that will ensure a sound and fundamentally fair process and one that will achieve the goal of adding the greatest value for a client. The principles shown in **Table 3–1** are reflected in the recommended best practice:

3.5 Conclusions Regarding Process

3.5.1 Price-Based Methods

Price-based methods usually require that fees be included in proposal responses. Justification for this requirement often refers to the common misconception that the public interest is best served when price competition is present. Some jurisdictions such as the Northwest Territories and Quebec require price to be a component of a competitive selection process. While research indicates municipal engineers believe qualifications-based selection is more effective, there is a reluctance to challenge the oft-stated reality that the public is best served and receives best value through price competition.

A requirement to bid fees in a proposal call does not achieve the expected outcomes. Inevitably it forces the consultant to focus on “how to minimize fees to win the assignment” instead of “how to deliver a service that will add the most value for the client.”

This is a serious problem, as it minimizes or even eliminates the “value-added” services that an owner should be seeking in all professional consulting assignments. Elements such as quality control and assurances, value analysis of design alternatives to minimize

Table 3–1: Principles of a best practice consultant selection process

| # | Principle | Description |
|-----|--|--|
| 1. | Qualifications | Training, skill, and experience should be considered paramount in the selection process. |
| 2. | Quality | The delivery of a quality service that includes identification of appropriate design alternatives and evaluation of lifecycle cost implications, and value-added services such as peer review, value analysis and value engineering. |
| 3. | Innovation* | An assurance that new, innovative and creative opportunities will be considered. |
| 4. | Relationships | Create an opportunity to expand internal team with external professionals |
| 5. | Fairness | Ensure an open, transparent process that focuses on identifying the most competent professional for a particular project. |
| 6. | Respect for intellectual property | Recognition that design ideas belong to the professional proposing them and should be respected. |
| 7. | Efficient and Effective | The process should consider the input required to achieve the desired outcome. |
| 8. | Flexibility | The process should be adaptable to different needs. |
| 9. | Non-predatory pricing | The process should not encourage firms to under-cut competitors. |
| 10. | Sustainability | The process should encourage identifying and incorporating practices into the design solution that consider issues of sustainability. |

* Innovation is the process of converting knowledge and ideas into new and improved products and services that are valued by the community (i.e. construction industry) or into better ways of doing business (sustainable infrastructure). The innovation process incorporates research and development, commercialization, and technology diffusion. (Working definition of the National Round Table on Sustainable Infrastructure (NRTSI), 2005.)

3. Rationale

3.5 Conclusions
Regarding Process

Table 3–1
Principles of a best practice consultant selection process

construction costs and optimize sustainability, and lifecycle cost analysis to evaluate operating and maintenance implications are important value-added services that will yield savings far greater than any achieved through minimizing design fees.

Stakeholder surveys and interviews canvassed views on these points. Following are their comments in favour and against price-based competition:

Arguments for Price-Based

- To many in the public sector, fees are expected to be included in the selection process to ensure competitiveness.
- Purchasing/finance/internal auditor would not support a process that did not include price in evaluation process.
- In government, decisions tend to be made based on short-term costs; therefore not a lot of room to place emphasis on long term such as full lifecycle costs.

- Public sector engineers fear they may be at a disadvantage negotiating fees with a consultant who is a specialist.
- Perception that consultants who are qualified to undertake the work are essentially equal in their capabilities, therefore awarding to the low bid provides best value.

Arguments against Price-Based

- Process is very time-consuming.
- A great deal of input is required to develop scope of work with sufficient detail to ensure a sound comparison of fee proposals.
- Even after investing a lot of time and effort, scopes can still be somewhat “fuzzy” resulting in numerous claims for extras when assignment undertaken.
- “Fuzzy” scope will tend to favour consultant and lead to an adversarial relationship between client and consultant.

3. Rationale

3.5 Conclusions

Regarding Process

- The consultant's experience is negated in the process of developing the scope thus depriving the client of a valuable resource.
- Consultant tendency not to include or consider creative or innovative solutions in proposal responses for fear of having ideas "shopped", likely to the detriment of the client.
- Price-based methods will not generally achieve the desired outcomes.
- The research indicates that price competition acts as a constraint to exploring options or innovations that may lead to reduced lifecycle costs.

3.5.2 Best Practice Methods

The research undertaken in the course of preparing this guide provided a clear vision of the elements inherent in a consultant selection best practice. Information from the United States, Europe, Australia and many other jurisdictions pointed to the most effective selection method as one that:

- Identifies the consultant that best demonstrates the training, skill and experience necessary to undertake a project; and
- Ensures that opportunities to add value are not only provided for but also encouraged.

In all cases, the method most often cited is qualifications-based selection (QBS). QBS facilitates the selection of consultant services based on qualifications, including technical competence, availability, methodology, local knowledge, long-term relationship, past performance and other factors of relevance to a specific project; and the subsequent determination of a fair and reasonable price, all relative to the scope and needs of the project.

Arguments for Qualifications-Based

- QBS is objective, fair and transparent, and ensures efficient, sustainable and cost-effective services.
- It embodies the previously stated principles and leads to the identification of the "best qualified" consultant to perform the work.

- The methodology encourages the development of a close working relationship with the client, which in turn ensures open exploration of project issues, needs and opportunities, all leading to the maximization of value and minimization of the risk of unforeseen costs for the owner.
- Client jointly develops the scope of services with the highest-ranked firm as determined through the technical evaluation process. This methodology:
 - Allows the consultant, through its proposal, to identify opportunities that may add value to the client's project, rather than seeking ways to minimize the fee.
 - Affords the opportunity for the client and the consultant to develop the scope of services jointly, thereby ensuring that all opportunities for adding value to the assignment are provided for and properly accounted for within the budget.
- The final fee or price responds directly to the jointly developed and agreed to scope of services, greatly minimizing future disagreements or misinterpretations.
- If the client and the top-ranked consultant are unable to finalize an acceptable scope and associated fee, the process gives the client latitude to negotiate with the second-ranked firm. The consultant is not selected until agreement is reached on scope and fee and the contract executed.
- The method is widely used in the United States and considerable process information is available regarding implementation, benefits, etc.
- It is well suited to work where scope of work has not yet been determined, such as when applying for grants; it supports the role of consultant as "trusted advisor."
- The method is commonly used by major industries in the form of sole-sourcing or direct appointment.

Arguments against Qualifications-Based

This best practice takes into account the interests of the client. The following points remain as concerns for some practitioners:

- There is limited knowledge of QBS within Canadian municipal and other government sectors.
- Municipal engineers fear that they will be at a disadvantage in fee negotiations with consultants.
- Does not respond to the requirements of those who want, or are required, to include price in the technical evaluation. (This method specifically argues against this inclusion.)

3.5.3 Comparing Price- and Qualifications-Based Methods

The primary differences between the two methods are how the scope of service is created and how fees are managed. The scope defines the project and establishes the requirements the consultants will be expected to address. Projects (except straightforward projects and those with easily described deliverables) can be relatively complex, making the definition of scope a difficult undertaking at best.

3. Rationale

3.5 Conclusions
Regarding Process

Table 3-2
Comparing price-based and qualification-based methods

Table 3-2: Comparing price-based and qualification-based methods

| <u>Price-Based</u> | <u>Qualifications-Based</u> | <u>Notes</u> |
|---|--|---|
| Use RFQ process to create a short list of consultants | Use RFQ process to create a short list of consultants. | Methodology is common to both processes. |
| Develop Terms of Reference for a proposal call that includes: <ul style="list-style-type: none"> ■ Detailed scope of services ■ Evaluation criteria and weighting scores | Develop Terms of Reference for a proposal call that includes: <ul style="list-style-type: none"> ■ General scope of services ■ Evaluation criteria and weighting scores | Price-based process requires detailed, thorough and complete scope of services. Qualifications-based process requires a less detailed, general definition of scope of services. Cost of proposal preparation is higher with price-based process. |
| Request "priced" proposals from short listed firms | Request proposals, (without prices), from short listed firms | |
| Evaluate proposals against criteria and rank by score | Evaluate proposals against criteria and rank by score | |
| | Highest-ranked firm and client jointly defines scope of services | Qualifications-based process requires final scope of services to be developed jointly by consultant and client. When mutual agreement on scope is reached, a fee proposal is requested. Fee proposal and scope are revised until mutual agreement is reached. If achieved, award contract. If not achieved, repeat with next-ranked consultant. |
| | Based on agreed scope, request fee proposal | |
| | Negotiate as necessary | |
| Award commission on score | Award commission based on agreed scope and fees | Price-based process invariably requires revisions to the scope and fees to accommodate changes, omissions, new ideas etc. during assignment. |
| Revisions to scope and fees as required during progress of the assignment. | | |

3. Rationale

3.5 Conclusions Regarding Process

Price-Based Method

In the **price-based** method the client develops the detailed scope. Consultants are required to respond to this scope. They will be evaluated against a set of criteria and scored on their response to the proposal and their proposed fees. Price is usually weighted at 10 to 35 percent of the overall criteria.

Although it is possible to write a performance requirement for the physical aspects of a project it is extremely difficult to prescribe how a consultant is to perform. Factors such as the extent of investigations, consideration and evaluation of design alternatives and their implications, and any number of other variables make this a daunting task. A great deal of time and effort will be required of the client if there is to be any assurance that proposals submitted can reasonably be compared one against the other. A “fuzzy” scope will invariably lead to numerous changes after the fact, including claims for extras.

Qualifications-Based Method

A **qualifications-based** method takes a different approach. It requires the client to develop the scope of service in general terms only. It should provide sufficient information to guide development of consultants’ proposals and to facilitate evaluation of those proposals on the basis of technical and managerial capabilities of the firm and key personnel, a suggested methodology, references, availability, etc.

The client’s evaluation team evaluates proposals, ranks proponents and works with the highest ranked firm to jointly develop a detailed scope of services. Once the scope is finalized, the consultant is requested to submit a fee proposal based on the agreed scope.

This method draws on the consultant’s experience to develop the scope of services. The client and consultant are free to discuss matters such as alternative design solutions, lifecycle cost analysis, and innovative and creative design options and other issues that could add long-term benefits. Not only is value added but the guesswork and hence the risk, is removed from the equation. When the price is subsequently submitted, the client clearly understands the work the fee is based upon.

A secondary benefit of including the consultant in the development of the scope of services is that the traditional risk of claims for additional fees need only be anticipated in the circumstance where the client chooses to modify the agreed-upon scope.

4. Methodology

4.1 The Recommended Best Practice

The recommended consultant selection method detailed in **Tables 4-1** and **4-2**, is a qualifications-based process that meets the best practice principles. It both:

- Ensures the selection of the most qualified and competent consultant to perform the work at a fair and reasonable price, and
- Is a fair, transparent process, easily understood by all parties and supportable by those using the method, that ensures that opportunities to add value are not only provided for but also encouraged.

The best practice encourages clients to view consultants as “trusted advisors” who share their objective of achieving best outcomes. It gives the client the advantage of the consultant’s skill, knowledge and experience, with the result that the jointly developed scope of services embraces options for adding value.

The best practice frees consultants to demonstrate how they can add maximum value to a client’s project rather than focusing on how to minimize their fees in order to ‘win’ an assignment.

While **Tables 4-1** and **4-2** set out the basic steps in a best practice methodology, it is not a prescriptive solution. Users are encouraged to seek the latest methodologies for the application of each step in the process. This detail is readily available through professional organizations, other stakeholders and the Internet. References at the end of this document provide a detailed listing of such organizations.

4.2 Development of Scope

The primary differences between the recommended best practice and other methods for selecting a professional consultant are how the scope of service is determined and how fees are treated.

There are three ways to develop the scope of services:

- Jointly between the client and the consultant
- Independently by the client
- By the consultant for client approval

Fees are established through a methodology that depends on how the scope of service is developed. Each of these differences is addressed in the following sections.

4.2.1 Jointly Developed Scope of Service

Projects that are complex and for which the scope is not readily definable at the outset will respond well to a process that affords the client the opportunity to use the expertise of the consultant in its development. Once the scope of service is agreed upon, the consultant is requested to submit a fee proposal reflecting the agreed scope.

A fee proposal that responds to a jointly developed scope will be a much more realistic representation of the work to be undertaken and will be an appropriate level of funding to ensure the client’s best interests are met. Jointly developing the scope develops a “team” approach, which also contributes to a successful project.

The recommended best practice incorporates this process.

Sole source and qualifications-based methods are based typically on jointly developed scope of service.

4.2.2 Client-Developed Scope of Services

Where the scope of services is easily defined, clients may independently develop the scope of services. The scope must be developed in sufficient detail to form the basis for competitive proposals.

4. Methodology

4.1 The Recommended Best Practice

4.2 Development of Scope

The best practice encourages clients to view consultants as “trusted advisors” who share their objective of achieving best outcomes.

4. The Recommended Best Practice

4.1 Development of Scope

Table 4-1
Recommended Best Practice—Selecting a Professional Consultant

Table 4-1: Recommended Best Practice—Selecting a Professional Consultant

| Best Practice Jointly Developed Scope (4.2.1) | Alternative Practice Client Developed Scope (4.2.2) | Alternative Practice Consultant Developed Scope (4.2.2) |
|---|---|--|
| Request for Qualifications | Request for Qualifications | Request for Qualifications |
| Request for Proposals Based on <i>General Scope</i> of Work RFP Without Prices | Request for Proposals Based on <i>Detailed</i> Scope of Work Two-Envelope Process | Request for Proposals Based on <i>General</i> Scope of Work Budget Method Design Competition |
| Evaluate / Rank Proposals | Evaluate / Rank Proposals | Evaluate / Rank Proposals |
| Select Highest-Ranked Consultant | | |
| Define Scope Highest-ranked firm and client jointly define scope of work | | |
| Negotiate Fee Agreement <i>Using Agreed Scope</i> | Negotiate Fee Agreement <i>Using Fee Envelope</i> | |
| Award Assignment | Award Assignment | Award Assignment |
| | Revisions <i>Scope and fees revised as required during assignment</i> | |
| Application Considerations Roster 4.3.1 Standing Offer 4.3.2 Extended Partnership 4.3.3 | | |

Table 4–2: Recommended Best Practice—Selecting a Professional Consultant

| | | |
|---|--------------------|--|
| Request for Qualifications | Purpose: | To set out in writing, the general scope and expectations of the client to enable consultants to assess their interest and their suitability for the assignment. The client will develop a list of qualified consultants from whom proposals will be requested. |
| | What to do: | The client describes the general scope of services for the assignment, including any special project or client requirements. It should take the form of a brief, non-technical written statement of what the assignment will include. Advise consultants that there will be an RFP for the assignment. The client prepares a list of consultants believed to have the requisite qualifications for the assignment. The size of the list should reflect the value of the assignment, (maximum of 10 to 12). Invite consultants to submit their qualifications and availability for the assignment. |
| Evaluate and Rank Consultants | | Evaluate and rank consultants, perform reference checks and short-list three consultants. |
| | | Consider an alternate process for small or specialized assignments. |
| Request for Proposals | Purpose: | To obtain detailed information from the consultants invited to participate in the assignment, to enable a client to select the consultant best suited for the assignment. |
| | What to do: | Define the scope of services in sufficient detail to enable consultants to submit project-specific proposals. Short-listed firms from the RFQ are requested to submit proposals to complete the assignment. |
| Select Highest-Ranked Consultant | | Proposals should include methodology and options, design alternatives, assignment personnel, preliminary schedule, basis for fee negotiations and evaluation criteria. Fees are not a part of this step. |
| | | Proposals received, evaluated, and ranked by the owner. |
| Define Scope | Purpose: | The owner and the first-ranked consultant jointly finalize scope of services to ensure a common understanding of the assignment. |
| | What to do: | Finalize an agreement on the scope of services upon which the consultant will be retained and remunerated. Scope the project in detail, review and assess options and innovations to be explored, lifecycle costs comparisons to be developed, the involvement of the consultant in project processes, approvals and documentation, etc. |
| Negotiate Fee Agreement | Purpose: | To negotiate consultant’s fees and how consultant will be paid based on the agreed scope of services and to create a supporting client-consultant agreement. |
| | What to do: | Fine-tune the scope of services and negotiate fee revisions with the consultant until agreement is reached on project scope and fees. Include in the negotiation how the project’s design risk will transfer to the consultant. Consider setting out a payment schedule and provisions related to deliverables to minimize administrative needs. |
| | | If agreement cannot be achieved, client undertakes negotiations process with the second-ranked consultant. This process is continued until agreement is reached. |
| Award Assignment | Purpose: | Finalize formal consulting contract for the agreed project scope and fee estimate. |
| | What to do: | Sign consulting contract-awarding assignment. Notify and thank unsuccessful consultants. |

4. The Recommended Best Practice

4.1 Development of Scope

Table 4–2
Recommended Best Practice—Selecting a Professional Consultant

4. Methodology

4.2 Development of Scope

4.3 Best Practice Application Considerations

Clients should respect the intellectual property of the proponents and are not at liberty to mix elements from the offered solutions without prior agreement of the proponents.

Where the scope can be defined with a reasonable level of effort, a variation on the pure QBS approach commonly applied is the two-envelope method for receiving proposals. Qualifications, experience, and past project performance should be the primary determinants in the evaluation process. The sealed fee envelope should not be opened until the technical evaluation is complete. This avoids introducing a price-based bias to the evaluation process. Typically, the fee envelope of the highest ranked firm is opened. Negotiations are undertaken with this firm if clarification or changes to the scope of services are required.

Some jurisdictions currently use a process that is purely price-based for projects where the scope of services is easily determined and where minimal exercise of professional judgment is required. Examples are assignments such as materials testing, survey layout, traffic data gathering, water quality testing and similar type engagements.

4.2.3 Consultant-Developed Scope of Services

A consultant-developed scope of services occurs when a client provides a statement of a problem to be solved and invites consultants to submit design solutions or proposals. Two methods fall into this category: the budget method and the design competition.

In the budget method the consultant defines the work it proposes to undertake for a budget set by the client. The client evaluates the proposals and selects the firm offering what the client considers to be the best value.

This is an effective method when the client has the technical capability to estimate accurately the value of the project and associated fees at the outset. Providing the municipality has set aside sufficient funds to undertake the scope of services, the client has an opportunity to select the firm that best demonstrates the expertise and experience necessary to perform the work and whose proposal will add the greatest value for the client.

In the design competition method, firms are invited to submit a conceptual design solution and their estimated cost of completion. The client pays a set fee to each respondent for its conceptual solution. The client is free to choose the concept solution it believes best meets their needs and will enter into a contract with this firm. Clients should respect the intellectual property of the proponents and are not at liberty to mix elements from the offered solutions without prior agreement of the proponents.

4.3 Best Practice Application Considerations

The following sections describe options that can be employed in the implementation of the selection methods. Many were identified by survey and interview respondents and adapted to suit the above practices. None are inconsistent with the implementation of the Recommended Best Practice.

4.3.1 Roster Method

The municipality invites interested consultants to submit qualifications and experience. It evaluates and places accepted firms on a roster, often by category of expertise. As projects come forward, consultants are either offered assignments directly or invited to respond to a proposal call. The scope of work is established jointly followed by negotiations on remuneration. The rosters are usually established annually or biannually.

4.3.2 Standing Offer

Consultants are invited to submit qualifications and charge out rates (or informed of the rate of remuneration, usually referencing published rate schedules), again annually or biannually. As projects come forward a consultant is selected from the list based on their qualifications and experience relative to the project. The scope is jointly established and the consultant is awarded the assignment. Remuneration is as per the established rates.

4.3.3 Extended Partnership

An extended partnership is similar to a standing offer but is for a longer period of time—up to five years, for example. The municipality identifies a consulting firm, usually multi-disciplined, that they can call upon for a broad array of work. This is usually either done through an RFQ process or directly based on past relationships. The client and firm negotiate compensation rates with most work being completed on hourly charge-out rates. An upper fee limit would normally apply.

4.4 Benefits of Recommended Method

The recommended best practice provides tangible benefits for the client.

4.4.1 Credible Outcomes

The use of a multidisciplinary evaluation team will minimize biases that might otherwise enter the process. Evaluating qualifications and experience in the absence of price will ensure fees do not influence the outcome.

4.4.2 Maximum Value for Client

Jointly developing the scope of services with the top-ranked firm allows the client to draw on the consultant's experience to develop a scope with the greatest likelihood of providing maximum value for the client.

4.4.3 Focus on Quality

Joint scope development will ensure that the appropriate level of attention is given to quality issues such as effective analysis of design alternatives including, lifecycle analysis, sustainability, innovative and creative ideas, and value-engineering analysis.

4.4.4 Fair and Cost-effective Outcomes

Establishing a fee for service that responds directly to the mutually understood scope of services produces a fair and cost effective outcome.

4.4.5 Development of Team

The process facilitates a sense of team whereby the consultant and the client work together to define and address the client's needs, removing the adversarial relationship that often develops in a price-dominated process.

4.4.6 Risk Reduction

Risk, in the form of claims for extras to pay for changes to the scope (scope creep, fuzzy scope) can largely be reduced as a result of the certainty of scope achieved through the joint development process. Claims for extras need only be anticipated in the circumstance where the client chooses to modify the agreed-upon scope.

4.5 Evaluation of Consultant Performance

Clients should evaluate consultant performance and include the results of these evaluations in the future selection process for other engagements. A consultant's past performance is a good predictor of future performance and provides valuable insight into how they undertake their responsibilities, their technical and managerial abilities, how well they respond to the client's needs, etc.

Consultant evaluation should:

- Ensure that the services provided are meeting high-level performance objectives, including that:
 - The client's expectations set out in their performance evaluation criteria have been met.
 - Project targets for quality, budgeting, scheduling and forecasting were achieved.
 - Internal and external communications and citizen engagement processes were satisfactorily carried out.
- Provide for documented annual reviews.

4. Methodology

- 4.3 Best Practice Application Considerations
- 4.4 Benefits of Recommended Method
- 4.5 Evaluation of Consultant Performance

The use of a multidisciplinary evaluation team will minimize biases that might otherwise enter the process.

4. The Recommended Best Practice

4.5 Evaluation of Consultant Performance

- Provide for reviewer training to ensure consistency.
- Provide feedback to the consultants.
- Be implemented by a senior level manager in the organization and require “sign-off.”
- Include an appeal mechanism.

5. Limitations

Limitations

5.1 Implementing the Best Practice

5.1 Implementing the Best Practice

5.1.1 InfraGuide Best Practices

The national InfraGuide initiative has embarked on a program to develop a series of best practices to assist municipalities with their ever-increasing infrastructure demands. This best practice (currently over 50) addresses municipal selection of professional consultants.

Municipalities and other governments are encouraged to support and implement InfraGuide's recommended best practices. While not encouraged or supported, circumstances may require that municipalities forego the application of a particular best practice or implement it in an "incremental" fashion, gradually working towards its full application as part of a larger continuous improvement and learning cycle.

The reader is encouraged to make his/her own determination as to the sustainability of applying this and other practices given current local conditions and realities.

5.1.2 The Issue of "Fees" in the Selection Process

Most government clients include a requirement for consultants to include fees in their RFP responses. They are reluctant to undertake the technical evaluation portion of the process without the inclusion of fees.

Some recognize the inherent value of a qualifications-based process and have developed a strategy of "moving towards" its implementation by gradually reducing the weighting granted to price in the process. While this strategy is not recommended, its application does not diminish the value of the recommended best practice.

InfraGuide's principles of sustainable municipal infrastructure recognize

that sustainability is a dynamic evolving process that requires us to sustain a long-term vision, and to implement and measure progress in a practical and incremental fashion.

5.1.3 The Recommended Best Practice

The recommended method shifts decision-making from a price-based model to a model founded on finding ways to add the greatest value for the client. It encourages selection of consultants who are best qualified and technically competent to achieve value over the asset's lifetime.

Applying the best practice raises the quality of consulting services and helps municipalities identify long-term, cost-effective solutions to their infrastructure needs. With a solid commitment to use and follow the best practice, communities will reap the benefits of well-defined projects that take advantage of innovations and technical advice that will minimize lifecycle costs.

Implementation of the best practice by municipalities and other governments should include the following elements:

- Formally documented and published processes.
- A competitive process that is open, transparent, and fair.
- Provision for meaningful stakeholder involvement in the development of processes that impact them.
- Lifecycle costing principles.
- A relationship with selected consultants that exploits their expertise and experience and places the consultant in the position of "trusted adviser" on the technical team.
- Recognition of the value of innovation.
- Performance reviews of consultants for use in future assignment evaluations.

Applying the best practice raises the quality of consulting services and helps municipalities identify long-term, cost-effective solutions to their infrastructure needs.

Limitations

5.1 Implementing the Best Practice

5.2 Challenges\

This recommended best practice is a foundation on which municipalities can build. It must be supported by actions that address the many challenges set out following.

5.2 Challenges

Many municipal and other governments staff members intellectually and philosophically support a qualifications-based selection process, but use price-based selection methods. Unless they are convinced that price-based selection methods have serious shortcomings, they will not apply the recommended best practice.

A notable roadblock for those users who want to shift to the Recommended Best Practice is the influence exerted by non-technical staff on the consultant selection process. Other key members of the infrastructure service delivery team often drive the requirement for price to be included in procurement processes, without consideration for the differences between commodity purchases and the selection of professional services. Their role in protecting the public interest creates reluctance on the part of Policy-makers and Decision-makers to act contrary to their recommendations.

Elected officials, procurement staff, internal auditors/auditors general and others who drive this requirement for price to be included in the selection process, need to understand the benefits of selecting professionals who will create long-term value for the client as opposed to providing the cheapest design solution.

This challenge was met decades ago in the United States with the enactment of laws mandating the use of qualifications-based selection methods. Given our quest to address the national infrastructure deficit, it would be beneficial to have federal/provincial legislation that establishes a qualifications-based framework for selection of consulting services. In the absence of legislation, leadership will have to come from elsewhere.

This leadership element will involve a wide range of groups including InfraGuide, elected officials, staff responsible for engaging consultants, the consultant industry and professional associations and organizations. All have a role to play in promoting and implementing this best practice.

Appendix A: Summary of Survey Outcomes

A. Summary of Survey Outcomes

| Issue | Municipal | Consultant | Comments |
|-------------------------------------|---|---|--|
| DISTRIBUTION OF RESPONSES | <ul style="list-style-type: none"> ■ 27 of 60 responded. ■ Good distribution. ■ Weighted to Western Canada. ■ 15 percent from communities up to 25K. ■ 48 percent from communities between 25 and 150K. ■ 37 percent from communities over 150K. | <ul style="list-style-type: none"> ■ 15 of 60 responded. ■ Poor distribution. ■ Weighted to Eastern Canada. | <ul style="list-style-type: none"> ■ Survey not statistically representative. Represents opinions of those who chose to respond. |
| SELECTION METHODS IN GENERAL | <ul style="list-style-type: none"> ■ RFP and sole source methods most often used. ■ Portion of weighted evaluation criteria assigned to price = 22%. ■ Personal preference of engineers indicates that 41% favour qualification-based selection and 54% favour price-based selection | <ul style="list-style-type: none"> ■ Price-inclusive methods used about 60 percent of the time. ■ Qualifications-based methods used about 40 percent of the time. ■ Qualifications-based selection (sole and QBS) seen as 2 to 3 times more likely to add value to client as price-inclusive processes. ■ 73% of respondents did not feel municipal processes were fair and objective. ■ 6 of 15 respondents said that price results in the wrong focus. ■ Portion of weighted evaluation criteria assigned to price: 20 to 25% | <ul style="list-style-type: none"> ■ 26 of 27 appear happy with RFP and sole source and 15 of 27 with QBS. ■ 100% of those surveyed were happy with price being included in the evaluation process, one via a two-envelope method. ■ Municipal reps and consultants “ranked” evaluation criteria similarly. ■ Familiarity with QBS-type methods varies significantly between consultants and municipalities. Consultants reported 80% “very familiar” compared to 38% for municipal. Could point to a need for education. ■ Lowest engineering fees come from price-inclusive methods which are used 60% of the time. |

A. Summary of Survey Outcomes

| Issue | Municipal | Consultant | Comments |
|---|--|---|--|
| <p>QBS SELECTION METHODS</p> | <ul style="list-style-type: none"> ■ 40% of municipalities are familiar with qualification-based selection. ■ Drawbacks quoted as: lack of familiarity; lack of political support; lack of control over fees; seeing no benefits. | <ul style="list-style-type: none"> ■ 80% of consultants are familiar with qualification-based selection. ■ Barriers to broader use of QBS: lack of control over fees, lack of political support, benefits not seen, lack of process understanding. | <ul style="list-style-type: none"> ■ Need for education? Benefits and value of QBS not well understood. |
| <p>STRENGTHS AND WEAKNESSES OF SELECTION METHODS</p> | <ul style="list-style-type: none"> ■ Fear of being taken advantage of. ■ QBS method can be onerous for smaller jobs. ■ QBS-type method enables selection based on the best team and methodology. ■ Evaluators have to be more knowledgeable to evaluate qualifications. ■ Sole sourcing small projects is cost-effective. ■ Sole sourcing provides incentive to maintain long-term relationships. ■ Standing offer system up to a fee value of \$X using a roster of pre-qualified firms. ■ Need a way to ensure fairness in awarding work to equally qualified consultants ■ Politicians do not always understand why we do not just accept the lowest price. ■ Appeal process for consultants that have issue with the process (not the evaluation). ■ Price becomes the main differentiator when evaluators lack the experience or the courage to differentiate on subjective criteria. ■ Price-based selection results when inadequate spread in technical evaluation. | <ul style="list-style-type: none"> ■ Price weighting results in minimized effort instead of maximum value. ■ “Weights” can be skewed to favour lowest price. ■ Need to focus on best “value”. ■ Price removes incentive for innovation. ■ Difficult to put a price on something that is not well defined. ■ Two-envelope intent defeated by “tie” and opening two envelopes or by asking for estimated levels of effort in envelope one. ■ Concern about “shopping” design concepts that are innovative. ■ Sole-source best for small projects. ■ Want to promote client/consultant as a “team”. | <ul style="list-style-type: none"> ■ Sole-source is the best method of all. Consultant wants to do an outstanding job, and doesn’t gouge the client because he wants to maintain the privileged relationship. ■ Qualifications-based yields a “trusted advisor” relationship. ■ System may not be seen as broken, hence resistance to “fix it”. Issue is should we not always be seeking better ways to do business? ■ Quote <i>“the bitterness of a poorly designed project remains long after the sweetness of obtaining a low bid”.</i> |

A. Summary of Survey Outcomes

| Issue | Municipal | Consultant | Comments | | | | | | | | | | | | |
|-----------------------------|---|---|---|---------------------|--|--|-------|----|----|--------------|----|----|-------------|---|----|
| PROCESS IMPROVEMENTS | <ul style="list-style-type: none"> ■ 54% of municipalities report that requests for qualifications are used to short-list professional consultants as part of the selection process. | <ul style="list-style-type: none"> ■ 53% of consultants report that requests for qualifications are commonly used to short-list professional consultants as part of the selection process. ■ 79% of consultants respond to RFPs where three or more firms are "invited". | <ul style="list-style-type: none"> ■ About 50% of municipalities use the RFQ process as part of their selection method. Higher use of RFQ process may be a process improvement to consider. ■ Process is failing... money is being used on responding to RFPs that could be used on doing the work. | | | | | | | | | | | | |
| LIFECYCLE COSTING | <ul style="list-style-type: none"> ■ 61% of municipalities report that they "Often" consider lifecycle costs when defining the scope of work for a project. ■ 92% of municipalities expect consultants to provide for the investigation of innovative and alternative solutions. ■ 73% of municipalities say their terms of reference support this expectation by specifically requiring consultants to provide for the investigation of innovative and alternative solutions. | <ul style="list-style-type: none"> ■ 93% report that they are "Seldom or Never" called upon to consider lifecycle costs when defining the scope of work for a project. ■ 53% report they are expected to provide for the investigation of innovative and alternative solutions. ■ 80% report that terms of reference do not support this expectation by specifically requiring consultants to provide for the investigation of innovative and alternative solutions. | <ul style="list-style-type: none"> ■ Responses conflict. Municipal response does not jibe with experience of authors. ■ Everyone agrees that, generally, project costs can be minimized by the application of an objective analysis of engineering design alternatives. While municipalities appear to expect reviews, there is a large gap in understanding this expectation being reported. ■ Consultants report that half of clients expect an objective analysis of alternatives but only 20% of terms of reference "require" consultants to undertake an objective analysis. <p>Life-cycle cost allocation:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3" style="text-align: center;">Munic. Cons.</th> </tr> </thead> <tbody> <tr> <td style="padding-right: 20px;">O & M</td> <td style="padding-right: 20px; text-align: center;">50</td> <td style="text-align: center;">58</td> </tr> <tr> <td>Construction</td> <td style="text-align: center;">41</td> <td style="text-align: center;">30</td> </tr> <tr> <td>Engineering</td> <td style="text-align: center;">9</td> <td style="text-align: center;">10</td> </tr> </tbody> </table> <p>The question may have been inappropriately worded, leading to these percentages, which deviate from the general wisdom.</p> | Munic. Cons. | | | O & M | 50 | 58 | Construction | 41 | 30 | Engineering | 9 | 10 |
| Munic. Cons. | | | | | | | | | | | | | | | |
| O & M | 50 | 58 | | | | | | | | | | | | | |
| Construction | 41 | 30 | | | | | | | | | | | | | |
| Engineering | 9 | 10 | | | | | | | | | | | | | |
| LOBBYING | | <ul style="list-style-type: none"> ■ 60% of respondents find lobbying a necessary part of the selection process. | | | | | | | | | | | | | |

Appendix B: Summary of Interview Key Points

B.1 Process Issues

- Want faster process with less paperwork than experiencing with RFP processes.
- With the budget method, establishing the budget amount can be a challenge.
- The larger the municipality, the more commodity-based they become.
- Cost of consulting is higher for government than for private sector because of the processes used; proposals, negotiations, etc. all increase cost of service.
- Qualifications-based methodologies not understood. Need to talk to ten clients to get one that understands the QB methodology.
- Qualifications-based methodology is fully endorsed and promoted by the consulting fraternity.
- Selection processes can be manipulated to favour fees or price.

B.2 Negotiation of Fees

- Use Engineering Association fee guidelines as a basis for negotiations and evaluating proposals. If cannot reach agreement, move to next ranked consultant.
- In a qualifications-based methodology, fees are the result of a bilateral negotiation prior to any selection commitment being made. A second proponent is always in the wings should negotiations fail.
- Need to educate consultants and municipalities that QBS includes price.

B.3 Scope of Work

- A too-well-defined scope of work can limit innovation and creativity. Municipalities may have become too prescriptive.
- Jointly developing scope and fees is a good way to ensure both parties are on the same wavelength. Systems work best when consultant works with city staff to develop scope. This is common practice in architecture.

- Best way to get 'value' is to have process include qualifications and joint development of scope of work.
- Poorly defined scope is impossible to cost and creates wide variation in fees. Consultants cannot provide a valid fee without clearly defining the project.

B.4 Relationship Issues

- A lack of trust between municipalities and consultants makes it difficult to get acceptance for a qualifications-based methodology.
- Challenge to keep people on-board with process and keep politicians out of process.

B.5 Political Issues

- Consultants often lobby city to take lowest-cost proposal because it is often in their self-interest—e.g. keep the out-of-towners out of town!
- Engineers and politicians have to stop using "tendering" language for consultant selection. It is very misleading.
- Smaller communities should consider long-term relationship with consultants.
- Problem with opening one envelope, as part of a two-envelope method is that unsuccessful consultants can lobby politicians and claim they would have had a lower price. This can be countered by using a 'team' to evaluate.
- Difficult to maintain a trust with the politicians. Price is easy to justify politically.

B.6 Price Issues

- Local consultants prefer RFP with prices. They are local, their expenses are lower and including price favours them.
- Price should NOT play ANY part in design process.

B. Summary of Interview Key Points

- Consultant fees are last thing you should be worrying about; they are a small part of the total costs. Focus on major costs. Must sell idea of “getting what you pay for.”
- Price-based competition can lead to problems. Low fees get you in the door. Often result in animosity and conflict. Can lead to court.
- It is sometimes easier to justify contract awards based on “lowest price.”
- Clients want to use price to cover the variation of a poorly defined scope of work.
- There are some areas that are not strictly a “professional” service. Might be appropriate to include price in the initial proposal for them. For example: materials testing, traffic counting.
- Federal government uses RFP/price process; eliminating price will meet with a lot of resistance.
- Price is creeping up as a percentage of the evaluation criteria across the board.
- No legislation requires price.

B.7 Lifecycle Issues

- Now moving beyond lifecycle and considering “whole-life” costing approach that includes the broader societal and environmental costs.
- Lifecycle costing of design alternatives is seldom or never asked for. Standard municipal specifications imply that lifecycle costing considerations have been addressed. This is a fallacy.
- Federal government does not use lifecycle costing.
- RAIC has a one-day training program on lifecycle costing.

B.8 Best Practice Issues

- Would like best practice to present choices...e.g. methods a, b, c, all meet best practice. Present testimonials of successful projects using qualifications-based methodologies and how price is included.

- If risk transferred with signing of a commission, then little reason not to support a QBS-type of process. Risk transfer proposal has appeal to many. Risk transfer concept must be a part of the contract negotiation process.
- BP should include a “Facts and Fallacies of QBS” section.
- Have RFPs provide for three firms doing technical proposal. Then select the highest ranked firm to complete the selection process.

B.9 Implementation Issues

- BP should stress need for education and networking with peers and participating in engineering functions. The proposed BP will be very helpful in education efforts.

B.10 Staff Issues and Training

- Need to have purchasing department on side for any changes to the system.
- Municipal generally need more training in the area of defining scope.
- Municipal staff noted they do not like “negotiating” as part of the qualifications-based methodology. The quality of staff and their job maturity is not high, resulting in staff feeling uncomfortable with negotiating fees. Not equipped to handle positions and related responsibilities such as negotiations. Could explain municipal reluctance to support qualifications-based methodologies.
- Need to educate all related staff groups in the various selection methodologies: engineering, finance, purchasing, administration and politicians.
- Process-oriented staff may drive a more price-based selection policy in future, because they generally lack capacity necessary to make complex technical judgments.

Appendix C: Table of Selection Methods

C. Table of Selection Methods

| Practice: RFP with Prices | |
|--------------------------------------|--|
| Description: | This method requires proponents to respond to a request for proposals with their firm's experience, key personnel and their specific experience and qualifications, proposed methodology, references, any other relative information and their proposed fee for undertaking the work. The owner evaluates the proposals based on a pre-determined set of weighted evaluation criteria. The evaluation process addresses the submitted fee as one of the weighted evaluation criteria. |
| Pros: | The evaluation process affords the client the opportunity to rank the firms based on the quality of their submission and the qualifications and expertise they will bring to the project. |
| Cons: | The scope of work for engineering projects is often not well known at the outset and precludes the joint development of a more rigorous scope, utilizing the experience of the consultant. The consultant is expected to provide a firm price for undertaking the work. In addition, including price will change the mindset from "what should be included in the proposal response to ensure maximum value for the client" to "what is the cheapest proposal I can submit to ensure I win the assignment?" |
| Practice: Two Envelope System | |
| Description: | <p>Consultants are requested to submit a priced proposal in two sealed envelopes. The first envelope contains the technical proposal including corporate and key personnel qualifications, methodology, schedule and any other technical requirements of the proposal call, exclusive of price. The second contains the proposed fee.</p> <p>All proponents' envelope ones are opened and evaluated against the evaluation criteria and a rank order established. The highest ranked firm's envelope two is then opened. Negotiations can be conducted at this stage with the first ranked firm, leading to a binding contract. If agreement cannot be reached, negotiations are concluded with the first ranked proponent and the owner proceeds to open envelope two of the second ranked firm. This process continues until agreement is reached. The fee proposal envelopes of the unsuccessful proponents are returned unopened as soon as an agreement has been reached.</p> <p>Compromises to the two envelope method include:</p> <ul style="list-style-type: none"> ■ Opening fee envelopes of all firms where the technical ranking of two or more firms is within 5%. The fee envelopes for all such firms are opened and the assignment awarded to the lowest priced proposal. ■ Awarding the assignment to the firm with the lowest fee of the two highest ranked firms. ■ Establishing a "pass/fail" point based on the evaluation criteria. The fees of all firms achieving the pass mark are scored using a formula that awards points to all the firms. The sum of the fee score and the technical evaluation score is used to determine the final ranking of the firms. ■ Conducting a technical evaluation based on weighted criteria; then opening all of the price envelopes and adding the price component to determine the final ranking. |
| Pros: | Qualifications are evaluated on technical and other relevant criteria. Excluding price removes any bias that price might impart. |
| Cons: | <p>As in the RFP method, the scope of services is often not well known at the outset and precludes the joint development of a more rigorous scope, utilizing the experience of the consultant. Yet the professional consultant is expected to provide a firm price for undertaking the work.</p> <p>Opening more than one price envelope is an abuse of the two-envelope method, and changes the method to a price-based one. Methods that bring more than one price envelope into play open the method to compromise. For example: rating of the evaluation criteria to ensure minimal differences in the technical evaluation results in price becoming the determining factor.</p> |

C. Table of Selection Methods

| | |
|---|--|
| Practice: Budget Method | |
| Description: | The client requests proposals from short-listed firms and provides a budgeted figure for consultant fees to within the terms of reference for the project. Consultants are expected to respond in a manner that takes the budgeted fee amount into consideration. Consultant selection is based on the best quality proposal. |
| Pros: | Knowing the budget allows a consultant to tailor the proposal accordingly. The client can choose the proposal it feels will provide best value for the given amount of money. |
| Cons: | If the funds are "limited" the client may not be achieving maximum value and may miss out on investigations that could provide long-term benefits. |
| Practice: Qualifications-Based Selection (QBS) | |
| Description: | QBS is a competitive process for the procurement of professional consulting services that is based on professional qualifications. Qualifications are submitted to an owner, who evaluates and ranks the firm or individual(s) for the proposed project, based on their technical qualifications. The highest-ranked firm and the owner then jointly develop the final scope of work for the project. Following agreement on the scope of work, the consultant is requested to submit a fee for the work as jointly established. "Negotiations" are undertaken if necessary to reach an acceptable fee. If agreement cannot be reached with the number one ranked firm, negotiations are concluded with that firm and commenced with the second ranked firm. |
| Pros: | Jointly developing the scope of work with the consultant affords the client the opportunity to make use of the consultant's expertise. It permits client and consultant to develop an intimate understanding of one another's goals, objectives, needs, preferences, risk tolerance and similar concerns before the proposal is priced. The selection process is not concluded until an agreement on price is achieved. |
| Cons: | None |
| Practice: Sole-Source | |
| Description: | An owner selects a professional consultant based on its knowledge of the consultant's abilities, usually through previous working relationships. The scope of work is jointly established and the consultant is either requested to submit a fee proposal based on the agreed scope or to submit charge-out rates to be applied to hours charged. |
| Pros: | Usually based on past performance, develops client/consultant trust, provides the opportunity to discuss and develop scope of work to achieve optimum benefits for the client |
| Cons: | Most often is used for relatively small assignments, phased projects or for highly specialized services. Can lead to perception of bias in other circumstances. Commonly used by private industry clients for design services. |
| Practice: Design Competition | |
| Description: | A small group of pre-qualified consultants are invited to participate in a design competition. The consultants are requested to submit a "concept design", estimates of construction cost and their fee proposal to complete the overall project. The design fees of all competing consultants for their concept designs may be paid for at cost, or the design fee for concept designs may be specified by the owner as part of the competition terms of reference. The owner is expected to award the project to one of the consultants based on their submission. |
| Pros: | The client has the advantage of having a clear idea of the consultant's proposed solution and its expected cost. |
| Cons: | An expensive option only appropriate for large projects, often in combination with other considerations such as design-build or design-build-operate scenarios. |
| Practice: Price Negotiation | |
| Description: | A small group of pre-qualified consultants are invited to participate in a project as defined by the owner. Design fees for the completion of a project are negotiated with each consultant independently. The successful consultant is determined on the basis of lowest negotiated price. |
| Pros: | Low price |
| Cons: | Quality of product usually suffers as consultant has been forced to reduce its work to the cheapest level possible. Most reputable firms will not take part in a process that forces them to reduce their standards to absolute minimum. |

The following documents were used in the preparation of this best practice.

- National Guide to Sustainable Municipal Infrastructure (InfraGuide). Decision Making and Investment Planning Best Practice: *Planning and Defining Municipal Infrastructure Needs* (InfraGuide, 2003), Ottawa, Ontario.

CANADIAN ENGINEERING ASSOCIATIONS

Association of Consulting Engineers of Canada (ACEC), <www.acec.ca>.

- Qualifications Based Selection.
- Submission to the Parliamentary Secretary's Task Force on Government-Wide Procurement; October 26, 2006.
- Letter to Honourable Scott Brison, Minister of PWGSC, May 10, 2005.
- Various articles concerning selection of consulting engineers.
- *When Building Canada, Choose Quality and Avoid False Economies*. Norm Huggins, P.Eng., ACEC Chair.
- High Cost of Cheap Design.

Canadian Council of Professional Engineers (CCPE), <www.ccpe.ca>.

- National position statement supporting QBS as the preferred selection method.

CANADIAN, PROVINCIAL CONSULTING ASSOCIATIONS

Consulting Engineers of British Columbia, <www.cebc.org>.

- Guide to Selecting a Consulting Engineer.
- Qualifications Based Selection (QBS).

Consulting Engineers of Alberta (CEA), <www.cea.ca>.

- Qualifications-Based Selection System.

Consulting Engineers of Ontario (CEO) <www.ceo.on.ca>.

- Quality-Based Selection: Ensuring engineering services provide quality and value.
- Guidelines for the Selection of Consulting Engineers.

Ontario Society of Professional Engineers (OSPE) <www.ospe.on.ca>.

- Compendium of research articles for members of QBS Task Force.
- Revised Draft #7, February 3, 2006 — OSPE Best Practice — *Selection of Professional Engineering Services*.

Consulting Engineers of Saskatchewan, (CES)

- Supports qualifications-based selection.

Consulting Engineers of Manitoba (CEM)

- Supports qualifications-based selection.

Consulting Engineers of Nova Scotia (CENS)

- Supports qualifications-based selection.

Association of Consulting Engineers of Quebec, (AICQ)

- Supports qualifications-based selection.

Consulting Engineers of New Brunswick (CENB)

- Supports qualifications-based selection.

OTHER CANADIAN ORGANIZATIONS

Encon Insurance

- *Loss Control Bulletin*, Derek Holloway, 2005.

Municipal Engineers Division of APEGBC

- *Selecting a Professional Consultant*. A MED Best Practice Guide, October 2005.

**UNITED STATES
(GOVERNMENT AND STATES)****United States government**

- *Brooks Act*, 1972.

**Architects and Engineers Conference
Committee of California, (AECCC)
<www.cspe.com>.**

- A guide (based on QBS) for the selection of professional consulting services for public owners. (Organization represents associations in California for: engineering geologists, architects, landscape architects, geotechnical engineers, Society of Professional Engineers, American Society of Civil Engineers, consulting engineers and land surveyors and structural engineers).

QBS Colorado, <www.acec-co.org>.

Detailed explanation of the use of QBS and various templates to be employed in the process.

State of Maine, <www.meqbs.org>.

- Detailed explanation of the use of QBS and various templates to be employed in the process.

State of Wisconsin

- Support qualifications-based selection.

Other States

- Almost all states (47), have adopted qualification-based selection.

UNITED STATES ASSOCIATIONS**American Council Engineering Companies
(ACEC), <www.acec.org>.**

- Various documents — QBS resources page on web site lists numerous documents relating to the use and promotion of QBS.
- QBS Facilitator Grant Program.

**American Public Works Association
(APWA), <www.apwa.org>.**

- Policy statement supporting use of QBS procurement methods for public bodies.
- *Selection and Use of Engineers, Architects and Professional Consultants*, Guidelines for Public Agencies, 2nd edition.
- *QBS* by Joyce Everhart Jungelaus, Editor, *APWA Reporter*.

**National Society of Professional
Engineers NSPE, <www.nspe.org>.**

- Position statement—strongly supports the *Brooks Act* of 1972

**American Institute of Architects, (AIA),
<www.aia.org>.**

- *Selecting Architects and Engineers for Public Building Projects: an Analysis and Comparison of the Maryland and Florida Systems*, 1985.

Polytechnic University

- *Qualifications-Based Selection (QBS), for the Procurement of Professional Architectural/Engineering (A/E) Services in New York City*, Authors: Symeon Christodoulou, PhD; F.H. (Bud) Griffif, PhD, PE; Lisa Barrett; Max Okungdowa.

INTERNATIONAL ASSOCIATIONS AND ORGANIZATIONS

Association of Consulting Engineers of Australia (ACEA), <www.acea.com.au>.

- Supports qualifications-based selection.

Australian Council of Building Design Professionals (ACBDP), <www.bdp.asn.au>.

- *QBS for the Procurement of Engineering and Management Services.*

Conference on Railway Engineering. The Institution of Engineers, Australia.

- *An Asset Management Philosophy*, Kennedy, J.R. (1993).

International Federation of Consulting Engineers (FIDIC), <www.fidic.org>.

- *FIDIC Guidelines for the Selection of Consultants*, 1st Edition, 2003. Excellent site with plenty of material regarding comparison of alternate methodologies, strong QBS support and implementation detail.
- FIDIC News Items.

Union of International Architects (UIA)

- Procurement policy: price-based selection forces architects to reduce the services provided to clients, which in turn compromises design quality. Endorses: design competition, QBS, direct negotiation.

The World Bank Group, <www.worldbank.org>.

- *Guidelines: Selection and Employment of Consultants by World Bank Borrowers*, May 2004.

Asian Development Bank, <www.adb.org>.

- QCBS is the ADB's preferred selection method for consulting firms.

Royal Institute of Architects

- Endorses qualifications-based selection process.

CANADIAN LOCAL GOVERNMENT

City of Chilliwack, BC

- Request for proposals (example project).

City of Coquitlam, BC

- REIQ (example project).

City of Corner Brook, NL

- Policy statement: *Professional Engineering Consultant Selection.*

City of Hamilton, ON

- Public Works Department professional and consultant roster.

City of Kamloops, BC

- Consulting services procurement.

City of Kelowna, BC

- Works and Utilities Department consultant selection process.

City of Kingston, ON

- Evaluation criteria.

Township of Langley, BC

- Consulting services proposal evaluation form.

City of London, ON

- Consultant appointment policy.

City of Ottawa, ON

- Sample—request for proposal for professional engineering services.

City of Port Coquitlam, BC

- Procedure for use of request for proposals and evaluation of proposals.

City of Port Moody, BC

- Corporate policy re: procurement of consulting and professional services.

City of Richmond, BC

- Request for proposal (example project).

References

City of Surrey, BC

- Request for proposal (Sample).

City of Vancouver

- *Corporate Policy for Consultants—Hiring.*

District of North Vancouver, BC

- Administrative policy—*Contracting for Professional or Technical Services.*

Regional Public Works Commissioners of Ontario

- Various articles—Selection and approval of engineering consultants.

