

# Vendor Relationship Management Procedures and Guidelines

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Client & Vendor Relations, Metrolinx



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## 1.0 Document Overview

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### 1.1 Vendor Relationship Management Summary

The Vendor Relationship Management program (VRM) ensures that an appropriate level of oversight and structure is established for every Vendor that works with Metrolinx. VRM supplements standard contract management procedures to maximize relationships between Metrolinx and its Vendors, generating value for both the Vendor and Metrolinx.

VRM has the following primary objectives:

- To develop and establish formal governance structures to manage Vendor relationships;
- To support Metrolinx Business Units in managing their Vendors;
- To maximize the potential value delivery from all Vendors;
- To ensure efficient Vendor collaboration that promotes innovation, cost reduction and maximization of efficiency, resulting in competitive advantage;
- To evaluate Vendor performance in accordance with value-based goals and objectives along with contract-specific criteria intended to drive compliance with project requisites;
- To conduct regular review sessions identifying gaps in performance and expectations; and
- To integrate Vendor Performance Management outputs as criteria in tender/RFx evaluations.

Ultimately, a strong Vendor Relationship Management program brings significant benefits for both the Business Unit and for the Vendor:

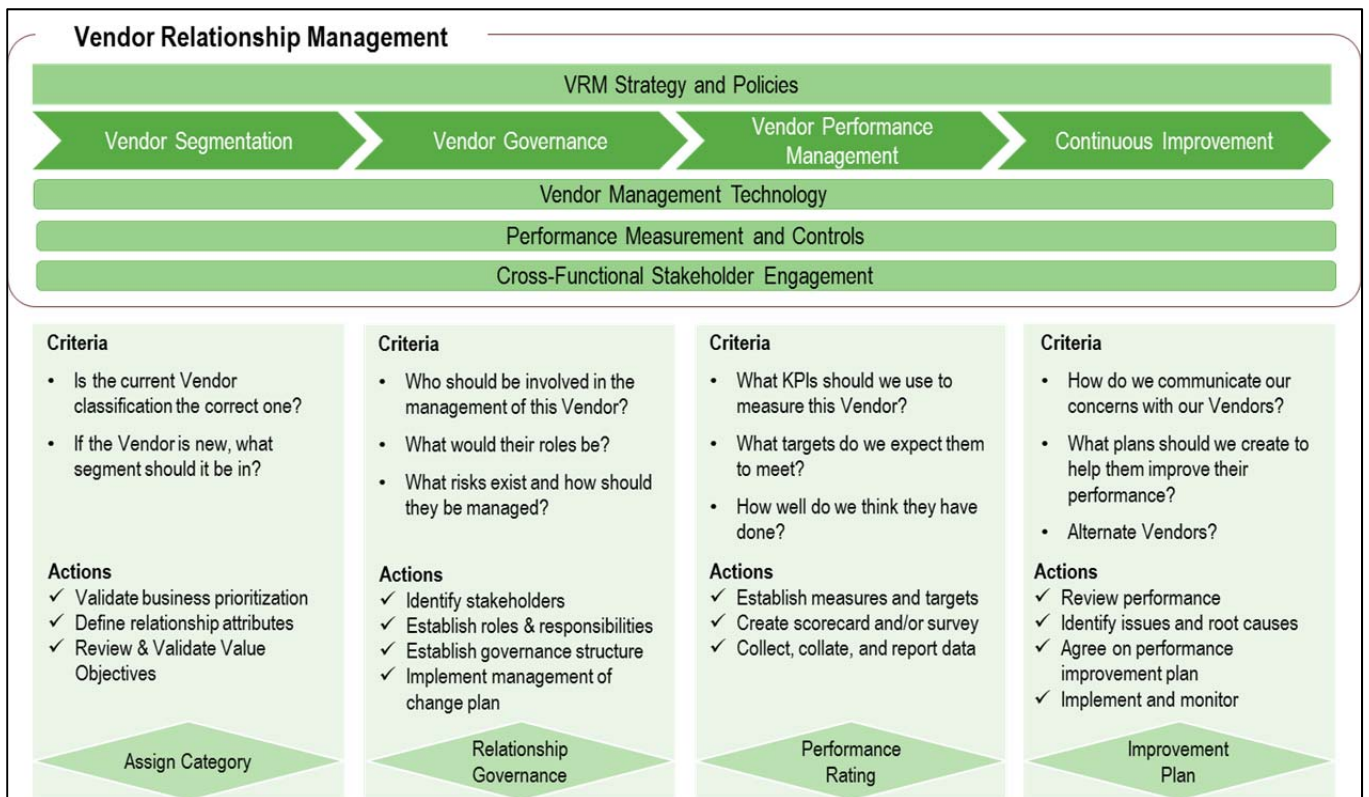
- For the Business Unit:
  - Long term strategic planning;
  - Improved efficiency;
  - Cost savings and cost avoidance; and
  - Mutual collaboration.
- For the Vendor:
  - **One voice:** Clearer expectations from Metrolinx by synthesizing directions from many individuals into one form.
  - **Standardization and a common language:** Consistent management processes across all Metrolinx operations. This provides the potential for increased reputation, business volume and profit.
  - **Performance driven:** Identification of performance-enhancing opportunities through quantitative measurement of Vendor performance.
  - **Transparent communications:** Clear communications route for all parties. Feedback goes both ways in an open and transparent manner.
  - **Stronger Vendor relationships:** Provides a framework for objective and equitable communications helping to remove obstacles created by Metrolinx that may impact a Vendor's performance.
  - **Value Generation:** Provides a platform in which Vendors can bring value opportunities and ideas to the Metrolinx that may be outside the contract.

To achieve the benefits noted above, a comprehensive Vendor Relationship Management framework will comprise of the following business practices:

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- **Vendor Segmentation:** Vendors are to be segregated in accordance with their historical or forecasted annual expenditure with Metrolinx, as well as their criticality to Metrolinx. This enables appropriate levels of governance to be applied to Vendors in order to generate value from the relationship and to drive open communication.
- **Vendor Governance:** Establishment of organized and consistent communication between Metrolinx and the Vendor, through key points of contact and defined meeting schedules. The frequency and nature of interaction is to be commensurate with the criticality of the Vendor, as determined by the Vendor's designated relationship type.
- **Vendor Performance Management:** Vendor performance is to be evaluated throughout the duration of a contract to establish Vendor Performance Ratings which may be used in subsequent tender/RFx submission evaluations. As part of Vendor Performance Management, Vendors may be sanctioned for contractual breaches and/or consistently poor performance.
- **Continuous Improvement:** Performance Improvement Plans are established with Vendors, to improve project delivery from perspectives of cost, quality and timeliness.

VRM is supported by comprehensive strategies and policies, with the appropriate technologies, standardized performance measurement processes and controls, and cross-functional stakeholder engagement. Figure 1, shown below, provides a structured view of the VRM framework, along with its comprising business practices.



**Figure 1 - Vendor Relationship Management Program**

## 1.2 Contacts

Name	Position	Email
Paul Davidson	Senior Manager, Client & Vendor Relations; Secretary of VRM Committee	Paul.Davidson@metrolinx.com
Frank Colella	Procurement Advisor, Client & Vendor Relations – Rapid Transit	Frank.Colella@metrolinx.com
Felix Soare	Procurement Advisor, Client & Vendor Relations – Metrolinx Corporate	Felix.Soare@metrolinx.com
Sunny Khemai	Procurement Advisor, Client & Vendor Relations – PRESTO & UP Express	Sunny.Khemai@metrolinx.com
Sonia Calligaris	Procurement Advisor, Client & Vendor Relations – GO Transit	Sonia.Calligaris@metrolinx.com

## 1.3 Key Definitions

- **Adjusted Financial Rating:** A Qualified Vendor's Basic Financial Rating less any reduction or restriction, because of sanctions or experience.
- **Available Financial Rating:** A Qualified Vendor's Adjusted Financial Rating (or Basic Financial Rating if no adjustments have been made), less the total value of all work which the Vendor has been recorded as low bidder and work that has been awarded to the Vendor, plus the total of all progress payment certificates submitted on that work.
- **Available Maximum Workload Rating:** A Qualified Vendor's Maximum Workload Rating, less the total value of all Metrolinx work awarded during the fiscal year in which the Maximum Workload Rating was imposed.
- **Basic Financial Rating:** A measure of a Qualified Vendor's assets that is proportionate to the financial risk that Metrolinx is willing to assume in doing business with the Vendor. The Basic Financial Rating is the calculated financial rating without reduction or restriction for penalties or experience.
- **Business Days:** means any day other than: (a) a Saturday or Sunday and (b) any other day on which Metrolinx is not open for business. Each Business Day will end at 4:00 p.m. on that day.
- **Company:** For the purposes of the Vendor Qualifications Process, a Company refers to a Qualified Vendor.
- **Contract Performance Appraisal (CPA):** means either an Interim or a Final Contractor Performance Appraisal used to evaluate Vendor's performance throughout the life of a contract. Contract Performance Appraisals are presented in a scorecard format which includes Key Performance Indicators (KPI) that are specific to the contract and drive the desired performance characteristics of the Vendor for the duration of the contract.
- **Contract Financial Rating:** The Available Financial Rating that a prospective bidder must have in order to submit a tender bid;
- **Contract Maximum Workload Rating:** The Available Maximum Workload Rating on a contract a prospective bidder must have in order to submit a tender bid.
- **Designated Contract Appraiser:** A Metrolinx Business Unit's Project Manager, Manager, Project Coordinator, Analyst or individual that is delegated to evaluate a Vendor's performance through scheduled Contract Performance Appraisals.
- **Effective Bid Price:** The Effective Bid Price is equal to a Vendor's bid price on a non-Qualified price-based tender, divided by the Vendor's VPR. The Effective Bid Price is used to determine which bidder will be awarded the contract, where Effective Bid Prices are applied.
- **Event of Default:** Any event leads to a Vendor default, as such default is defined in the General Conditions of the Metrolinx contracts.

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- **Maximum Workload Rating:** The highest annual total dollar value of work awarded to a Vendor in one of the five fiscal years (April to March) preceding the current fiscal year.
- **Notice to Readers (Financial Statement):** Financial Statements that may not be prepared by a Chartered Accountant, or an accredited Public Accountant.
- **Qualified Vendor:** A contractor that has applied for and been granted a Basic Financial Rating or Maximum Workload Rating in accordance with the Vendor Qualifications Process.
- **Review Engagement:** Financial Statements prepared by a Chartered Accountant or an accredited Public Accountant. Statements must include a copy of the Balance Sheet, Income Statement and Notes as presented to shareholders or owners.
- **Statement of Facts:** A document that summarizes an Event(s) of Default and identifies the relevant details of the underlying issue(s) relating to the Event(s) of Default.
- **Vendor:** Any business entity that provides goods or services to Metrolinx. A Vendor may therefore be, but is not limited to, a contractor (general building, general engineering, specialty, etc.), contract administrator, engineering firm, consultant, professional services firm or goods supplier, consortium or legal partnership.
- **Vendor Performance Rating (VPR):** The formulated value and time-weighted consolidation of a Vendor's completed and approved Contract Performance Appraisals which provides a holistic view of a Vendor's performance over the past three (3) years, using contract-value as an indicator of each applicable contract's relative significance / importance.
- **Vendor Sanction:** Systematic reductions to Qualified Vendors' Basic Financial Ratings and/or Maximum Workload Ratings as a result of poor historical performance or occurrence of Event(s) of Default.

### 1.4 Key Roles

**Client and Vendor Relations (CVR):** The team within Metrolinx responsible for the implementation and monitoring of the VRM program, procedures and activities.

**Business Units:** The teams within Metrolinx which are jointly responsible for the execution and delivery of the VRM program, supported by the Client and Vendor Relations team within the Procurement Services (PS) department.

**VRM Committee:** The internal Metrolinx committee with the authority to hear appeals of sanctions on Vendors. The VRM Committee is comprised of senior representatives of Metrolinx as appropriate. The Committee is chaired by an appointed executive sponsor of the VRM program, who is also responsible for appointing a Secretary and legal counsel as advisor to the Committee.

The VRM Committee shall meet monthly as required. The agenda of the meetings is set by the VRM Committee Secretary, based on requests and/or information received from Vendors and the Business Units in the time since the last monthly meeting.

Agenda items for the meeting may include, but are not limited to:

- Sanction appeal review with optional oral presentation from the Vendor;
- Contract Performance Appraisal Level 2 Appeal; and
- Updates on sanctions imposed on Vendors.

## 2.0 Vendor Performance Management

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Vendor Performance Management (VPM) is a critical business practice within Vendor Relationship Management that measures and manages the performance of Vendors throughout the duration of Metrolinx contracts to drive improvements to service delivery and to foster communication within defined governance frameworks. Performance

evaluations are intended to promote collaboration between Metrolinx and its Vendors and generate opportunities for improvement.

VPM ensures that Vendors are consistently evaluated by using standardized and objective appraisal procedures across all divisions of Metrolinx. Performance appraisals are consolidated by category of work for all Vendors in order to provide a holistic view of every Vendor's historical performance, which can be used as an evaluation criterion in subsequent tender/RFx bid submissions, or may determine a Vendor's eligibility to bid on subsequent contracts based on perceived risks correlated to performance history.

Figure 2, shown below, displays the three primary processes of the Vendor Performance Management program: performance appraisal (or Contract Performance Appraisal), aggregation of performance evaluations (or Vendor Scoring) and assessing past performance in subsequent bid evaluations (or Contract Bidding).

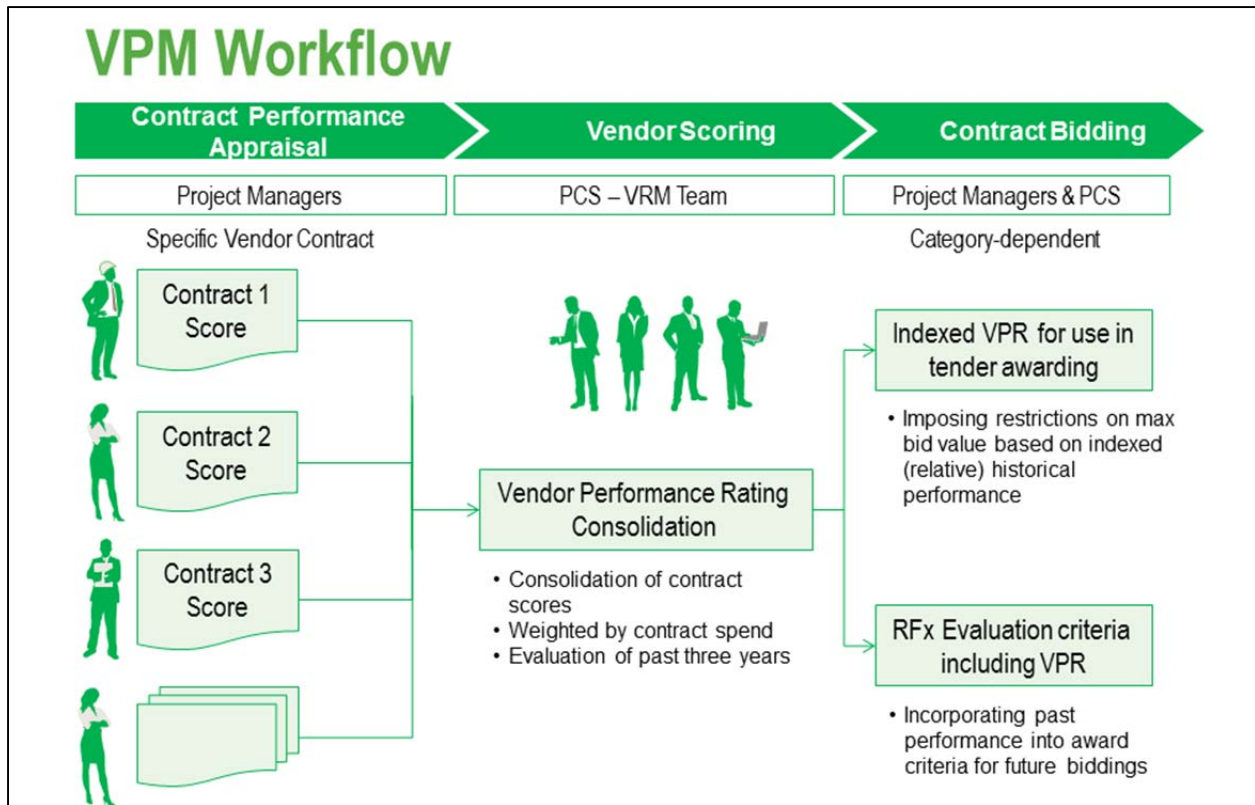


Figure 2 - Vendor Performance Management Framework

Maintaining a fair and equitable program is paramount to the success of the objectives of VPM. By ensuring that the Vendors' Performance Ratings are truly reflective of each Vendor's performance, Metrolinx aims to recognize the Vendors that consistently provide high quality service to Metrolinx, and incentivize these qualified Vendors to work with Metrolinx on future projects.

## 2.1 Contract Performance Appraisals

### 2.1.1 Contract Performance Appraisal Criteria & Scores

Metrolinx Business Units will measure the performance of their Vendors across various criteria using a Contract Performance Appraisal in a scorecard format. The Contract Performance Appraisal is comprised of Key Performance Indicators (KPIs), which are selected by the Business Units in three categories: Quality and Process, Financial

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Management and Customer Satisfaction. As many as five (5) KPIs may be selected from each of the following KPI categories to evaluate a Vendor's performance on a contract:

- **Quality and Process:** Criteria reflective of the Vendor's adherence to contract specifications and perceived quality of delivered services or goods. The criteria may also be reflective of effective worksite safety procedures and practices, worksite cleanliness, etc. Vendors that receive high Quality and Process scores will often differentiate themselves from Vendors with frequent service or quality deficiencies.
- **Financial Management:** Criteria reflective of the Vendor's adherence to budget, effective spend management and value delivery for the Contract. Vendors that receive high Financial Management scores will often be well within Metrolinx's specified budget, have submitted few and/or have justified change requests, and will have collaborated with Metrolinx to identify and pursue cost-savings opportunities.
- **Customer Satisfaction:** Criteria reflective of the Vendor's effective project management, approach to issue resolution, communication with Metrolinx or Contract Administrator, and timely and effective issue identification and resolution.
- **Corporate Performance:** In addition to the above three (3) categories, Corporate Performance will also be evaluated. Corporate Performance reflects the measure of the Vendor's risk to Metrolinx, which is determined through assessment of financial and corporate stability, sustainable and ethical practices, workplace safety practices and tendering practices. Corporate Performance is not assessed on each contract, but is refreshed by the Client and Vendor Relations team as required and appended to each Contract Performance Appraisal; Vendors receive full points for Corporate Performance, but may have their score reduced in proportion to their assessed risk.

### 2.1.2 Corporate Performance Rating

Every Contract Performance Appraisal completed by Metrolinx will have an appended Corporate Performance score with an associated weight of 10% of the Contract Performance Appraisal Rating. Every Vendor will initially receive the maximum Corporate Performance Rating (ie. score of 5 out of 5) which may be reduced by the Client and Vendor Relations team to address risks including but not limited to a Vendor's:

- Financial stability;
- Corporate stability;
- Sustainable and/or Ethical practices;
- Workplace Safety practices;
- Tendering practices - including but not limited to any material irregularity during the tendering cycle such as lobbying or collusion, non-disclosure of past Metrolinx experience during the tendering cycle, where the selected bidder fails to furnish the necessary documentation to execute the contract, the selected bidder refuses to enter into the contract, execute the contract or commence work on the contract;
- Any other relevant risks identified by the Client and Vendor Relations team

Justification for any reduction to the Corporate Performance Rating will be provided to Vendors by the Client and Vendor Relations team upon request.

### 2.1.3 Contract Performance Appraisal Types and Timelines

The following Contract Performance Appraisal types and rules generally apply to Metrolinx contracts that are greater than or equal to \$10,000 in total value.

- **Interim Contract Performance Appraisals** are issued at least annually or every six (6) months at the discretion of Metrolinx for contracts that are greater than twelve (12) months in duration. For contracts that are less than twelve (12) months in duration, Interim Contract Performance Appraisals are issued half way into the



contract. An Interim Contract Performance Appraisal may also be issued where contract completion has been deferred but the majority of work has been completed. In this case, the Interim Contract Performance Appraisal is followed by a Final Contract Performance Appraisal, upon final completion of the contract. Interim Contract Performance Appraisals are issued within fifteen (15) business days of the bi-annual requirement date, or the contract mid-way point, whichever may apply. An Interim Contract Performance Appraisal will also be triggered immediately upon issuance of a Notice of Event of Default as defined in Section 2.4 below.

- **Final Contract Performance Appraisals** are issued to the Vendor within fifteen (15) business days of contract completion (as defined within each Metrolinx contract). A revised Final Contract Performance Appraisal may be issued to replace a previously issued Final Contract Performance Appraisal following a review or audit of the deliverables.

**Table 1 - Contract Performance Appraisal Types and Timelines**

Contract Duration	Contract Performance Appraisal Type	Contract Performance Appraisal Timing
Up to twelve (12) months	Interim Appraisal	Within fifteen (15) business days of the half way point into the contract period
	Final Appraisal	Within fifteen (15) business days of contract completion
Greater than twelve (12) months	Interim Appraisal	Within fifteen (15) business days of the half way point into the contract period or every six (6) months during contract period at Metrolinx discretion
	Final Appraisal	Within fifteen (15) business days of contract completion

If the completion of any assignment is deferred, an Interim Appraisal may be issued at the time of deferring the assignment completion. A Final Appraisal will be issued to the Vendor within five (5) business days after reaching the deferred completion date.

Both Interim and Final Appraisals apply in a Vendor’s Performance Rating. Any Interim appraisal will be replaced by any subsequent Interim Appraisal or the Final Appraisal such that only one (1) Contract Performance Appraisal will be on record at any time for a specific Contract.

**2.1.4 Date of Contract Performance Appraisals**

The effective date of a Contract Performance Appraisal is the date at which the Contract Performance Appraisal is applicable to be used in the calculation of a Vendor’s Performance Rating.

The effective date of a Contract Performance Appraisal may be any one of the following:

- The date of sign-off/approval, when the Contract Performance Appraisal is accepted and signed by the Vendor as originally issued; or
- Five (5) Business Days from the issuance of the Contract Performance Appraisal if the Vendor does not respond to Metrolinx, or
- Five (5) Business Days following the Contract Performance Appraisal Review Meeting if the Vendor does not respond to Metrolinx, or
- Five (5) Business Days from the issue of a first Appeal decision, if the Vendor does not respond to Metrolinx; or

- The date determined by the VRM Committee.

Metrolinx will not unreasonably delay the issuance a Contract Performance Appraisal. If any Contract Performance Appraisal is delayed in issuance further to Section 2.1.3 above, Metrolinx will issue such Contract Performance Appraisal at the earliest opportunity and the provisions of Section 2.1.6 will apply accordingly.

- By a mutual agreement signed by the Vendor and Metrolinx, the cancellation of a scheduled Contract Performance Appraisal event may occur due to Metrolinx staff changes, or other acceptable reasons.

The effective date of a Contract Performance Appraisal cannot be changed once it has occurred.

### **2.1.5 Contract Performance Appraisals for Consortiums and Legal Partnerships**

Consortiums, legal partnerships, joint ventures or any other association of Vendors that form to bid on Metrolinx tenders will have their performance assessed throughout the duration of the contract as one single entity. All associations must, on a joint and individual basis, be responsible for all obligations under the contract.

The Contract Performance Appraisal that is assigned to the single entity will also be applied equally to all constituents of the Vendor association.

Contract Performance Appraisals are used in determining the association's Vendor Performance Rating and any sanctions imposed by Metrolinx will also be applied equally to all constituents of the Vendor association.

### **2.1.6 Contract Performance Appraisals for Existing Contracts**

For Contracts that were Tendered prior to January 2015 and did not include Vendor Performance Management requirements or a Contract Performance Appraisal , Metrolinx may in it's sole discretion, subjectively choose to apply the Vendor Performance Management program to such a contract. In such cases the Vendor will be notified that the Contract is going to become subject to the Vendor Performance Management Program and Metrolinx will prepare a Contract Performance Appraisal for the said Contract. The first initial Contract Performance Appraisal that will be delivered to the Vendor under this provision will be for information purposes only and will not be used in the calculation of the Vendor Performance Rating and will not be eligible for the Contract Performance Appraisal Review Appeals Process described below. All subsequent Contract Performance Appraisals for the subject Contract will be considered as Interim or Final Contract Performance Appraisals as appropriate and will be subject to all provisions of such processes as described herein.

### **2.1.7 Contract Performance Appraisal Review Appeals Process**

The Contract Performance Appeals Process is comprised of an preliminary review meeting and if necessary, a formal 2-stage appeals process. This process is designed to provide a progressive opportunity for the Vendor to meet with Metrolinx to discuss any part of the Contract Performance Appraisal that is in dispute.

#### **2.1.7.1 Contract Performance Appraisal Review Meeting**

The Contract Performance Appraisal Review Meeting is the preliminary review meeting to discuss the issuance of a Contract Performance Appraisal that is in dispute. In addition to the Designated Client & Vendor Relations Representative, the Metrolinx Project Manager and any individuals who have provided input into the Vendor's performance assessment will be present for the Contract Performance Appraisal Review Meeting.

The Contract Performance Appraisal will be issued to the Vendor with communication confirming that:

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- i) The Vendor may make a written request to the Client and Vendor Relations team for a Contract Performance Appraisal Review Meeting with Metrolinx to discuss the original rating;
- ii) The Vendor will be deemed to have accepted the Contract Performance Appraisal as originally issued if the Vendor does not reply within five (5) business days of the date of issuance of the Contract Performance Appraisal; and
- iii) A date for the Contract Performance Appraisal Review Meeting will be set for a day that is not more than fifteen (15) business days after receiving the Vendor's request.

If the Vendor requests a Contract Performance Appraisal Review Meeting on or before the due date for a response, the Designated Client & Vendor Relations Representative will set a date for a Contract Performance Appraisal Review Meeting to occur that is not more than fifteen (15) business days after receiving the Vendor's request. Both the Vendor and Metrolinx will act reasonably in the scheduling of the Contract Performance Appraisal Review Meeting.

At the Contract Performance Appraisal Review Meeting, the Designated Contract Appraiser will answer any questions from the Vendor about how the original Contract Performance Appraisal rating was determined. The Designated Contract Appraiser will consider new information that the Vendor makes available at the Contract Performance Appraisal Review Meeting. Any inadvertent errors or omissions identified by the Vendor will be noted and corrected.

- If an amendment(s) is made, the Designated Contract Appraiser will make the amendment(s), prepare a new Contract Performance Appraisal for issuance to the Vendor.
- If no amendments are made, the Vendor will be notified that the originally issued CPA will stand. A second Contract Performance Appraisal Review Meeting will not be permitted.

### **2.1.7.2 Level 1 Appeal: Senior Manager, Client and Vendor Relations**

The Level 1 Appeal is the next step in the review of a Contract Performance Appraisal that is in dispute. The Level 1 Appeal will be performed by the Senior Manager of the Client and Vendor Relations team.

The Vendor may appeal the Contract Performance Appraisal following a Contract Performance Appraisal Review Meeting by writing to the Senior Manager of Client and Vendor Relations within five (5) business days of the Contract Performance Appraisal Review Meeting.

The Vendor's request for a Level 1 Appeal must identify the disputed sections of the Contract Performance Appraisal, and provide reasons, documentation and any other material necessary for the Senior Manager Client and Vendor Relations to determine whether the Contract Performance Appraisal should be revised. The Senior Manager Client and Vendor Relations will conduct a review and will respond to the Vendor within fifteen (15) business days of receiving the request for a Level 1 appeal, giving reasons for the decision. The Senior Manager Client and Vendor Relations may choose to meet with the Vendor and Metrolinx representatives at their sole discretion as part of the Level 1 Appeal.

- If an amendment(s) is made to the Contract Performance Appraisal, the Designated Contract Appraiser will make the amendment(s), prepare a new Contract Performance Appraisal for issuance to the Vendor.
- If no amendments are made, the Vendor will be notified that the Contract Performance Appraisal will remain unchanged. A second Level 1 Appeal will not be permitted.

The Contract Performance Appraisal will then be applicable in the calculation of the Vendor's Performance Rating unless the Vendor further requests as Level 2 appeal within five (5) business days of the issuance of the ruling of the Level 1 Appeal by the Senior Manager Client and Vendor Relations.

Level 2 Appeals will not be permitted for:

- Contract Performance Appraisals where the Vendor Performance Rating is equal to or greater than 70%; or

- any Interim Contract Performance Appraisal.

### 2.1.7.3 Level 2 Appeal: Vendor Relationship Management (VRM) Committee

The Vendor may appeal the Level 1 Appeal decision to the VRM Committee. The VRM Committee shall not consider any requests for appeals that have not gone through the Level 1 Appeal. The Level 2 Appeal request must be made within five (5) business days of the issuance of the Level 1 Appeal decision. The VRM Committee will investigate the appeal and decide the outcome.

The VRM Committee will only consider an appeal if the Vendor can demonstrate that:

- There is evidence that Metrolinx has not followed the prescribed process for the Contract Performance Appraisal; or
- New or additional information exists that substantiates the Vendor's claim that the Vendor's performance was not adequately assessed.

The request for a Level 2 Appeal must identify those sections of the Contract Performance Appraisal that are disputed, and give detailed reasons for the appeal. New or additional information is considered to be relevant information not considered by Metrolinx during the Contract Performance Appraisal Review Meeting, or the Level 1 Appeal, or information that supports a challenge of a decision made as part of the Level 1 Appeal. The VRM Committee will not consider sections of the Contract Performance Appraisal that were not disputed in the request for the Level 1 appeal.

The decision of the VRM Committee is final. A second Level 2 Appeal will not be permitted.

## 2.2 Vendor Performance Rating (VPR)

### 2.2.1 Calculation of VPR

By evaluating each Vendor's performance relative to their defined contractual obligations, Metrolinx's Business Units can establish a Vendor Performance Rating for each Vendor. The VPR is the consolidation of all completed and approved Contract Performance Appraisals and provides a holistic view of a Vendor's performance over the past three (3) years, using contract-value as an indicator of its significance / importance. The measurement window of three (3) years is applied to provide an aggregated, up-to-date rating while avoiding less relevant evaluations that are not representative of Vendors' ongoing operations and practices or an outdated organization structure.

The VPR calculation accounts for the year- and contract value-weighted average of approved Contract Performance Appraisals in the past three (3) years:

$$VPR = \frac{3(\text{Year 1 Average}) + 2(\text{Year 2 Average}) + 1(\text{Year 3 Average})}{3(\sum \text{Year 1 Contract Spend}) + 2(\sum \text{Year 2 Contract Spend}) + 1(\sum \text{Year 3 Contract Spend})}$$

Where *Year 1 Average* is the value-weighted sum of all final and applicable (active) Interim Contract Performance Appraisal scores completed in the past twelve (12) months, and can be calculated as follows:

$$\text{Year 1 Average} = C_1S_1 + C_2S_2 + C_3S_3 + \dots C_N S_N$$

where *C* = Contract awarded value on 1st to Nth contract completed in past twelve (12) months  
and *S* = Contract Appraisal score on 1st to Nth contract completed in past twelve (12) months

*Year 2 Average* = Value-weighted average of all final and applicable (active) Interim Contract Performance Appraisal scores completed in the twelve (12) months prior to Year 1;

$$\text{Year 2 Average} = C_1S_1 + C_2S_2 + C_3S_3 + \dots C_N S_N$$

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where  $C$  = Contract awarded value on 1st to  $N$ th contract completed in twelve (12) months prior to Year 1  
and  $S$  = Contract Appraisal score on 1st to  $N$ th contract completed in twelve (12) months prior to Year 1

Year 3 Average = Value-weighted average of all final and applicable (active) Interim Contract Performance Appraisal scores completed in the twelve (12) months prior to Year 2.

$$\text{Year 3 Average} = C_1S_1 + C_2S_2 + C_3S_3 + \dots C_N S_N$$

where  $C$  = Contract awarded value on 1st to  $N$ th contract completed in twelve (12) months prior to Year 2  
and  $S$  = Contract Appraisal score on 1st to  $N$ th contract completed in twelve (12) months prior to Year 2

For example, a Vendor has the following Contract Performance Appraisals completed and recorded as acknowledged:

Contract Number	Contract Performance Appraisal Type	Contract Performance Appraisal Score	Contract Value	Contract Value Type	Applied to VPR?	Appraisal Completed
1	Interim 1	90%	\$800,000	Estimated Total	No	4 months ago
1	Final	92%	\$900,000	Actual Total	Yes	10 months ago
2	Interim 1	88%	\$5,000,000	Estimated Total	No	11 months ago
2	Interim 2	85%	\$5,000,000	Estimated Total	No	17 months ago
2	Final	82%	\$4,000,000	Actual Total	Yes	23 months ago
3	Final	96%	\$600,000	Actual Total	Yes	26 months ago
4	Interim 1	74%	\$3,000,000	Estimated Total	Yes	2 months ago
5	Interim 1	84%	\$350,000	Estimated Total	No	10 months ago
5	Interim 2	89%	\$350,000	Estimated Total	Yes	16 months ago

As can be seen in the example, only one Contract Performance Appraisal per contract is applied to a Vendor's VPR, where each Interim Contract Performance Appraisal overwrites the previous and a Final Contract Performance Appraisal overwrites the associated Interim Contract Performance Appraisal. Accordingly, the performance data, shown above, would be used to calculate the Vendor's VPR as follows:

$$\begin{aligned} VPR &= \frac{3[(92\% \times \$900,000) + (74\% \times \$3,000,000)] + 2[(82\% \times \$4,000,000) + (89\% \times \$350,000)] + (96\% \times \$600,000)}{3(\$900,000 + \$3,000,000) + 2(\$4,000,000 + \$350,000) + \$600,000} \\ &= 80.5\% \end{aligned}$$

Similarly, if the above Vendor had not been awarded contract 5, the Vendor would have no performance data recorded for Year 3, and their VPR would then be calculated as follows, adjusting accordingly:

$$\begin{aligned} VPR &= \frac{3[(92\% \times \$900,000) + (74\% \times \$3,000,000)] + 2[(82\% \times \$4,000,000) + (89\% \times \$350,000)]}{3(\$900,000 + \$3,000,000) + 2(\$4,000,000 + \$350,000)} \\ &= 80.0\% \end{aligned}$$

Incorporating contract value into the VPR calculation is the means by which a proxy for contract importance and size can be established, rather than using contract duration. This method also ensures that the VPR is not skewed by delivery of numerous small contracts, but is assessed based on performance across all contracts, with importance being placed on Contract Performance Appraisals in proportion to their monetary value.

For all Contract Performance Appraisals, the respective total contract value of each applicable Contract Performance Appraisal is used in the VPR calculation. For Interim Contract Performance Appraisals, the total estimated contract value is used. Final Contract Performance Appraisals will be weighed against the actual total dollar amount spent by Metrolinx with the Vendor on the contract.

The VPR is refreshed on a quarterly basis and considers all approved Contract Performance Appraisals completed in the in the past thirty-six (36) months from the time of refresh. At each VPR calculation, Contract Performance Appraisals with approval dates beyond the past thirty-six (36) months are dropped from the calculation.

All interim appraisals will be overwritten by subsequently completed and approved interim appraisals. The Final Contract Performance Appraisal will overwrite any previously completed interim appraisal. This ensures that only one performance assessment per contract is included in the VPR calculation so that there is not a disproportionate importance placed on one contract due to its duration.

### **2.2.2 VPR Classifications**

In order to ensure that VPR calculations are reflective of the nature of work that is completed by Vendors, various classifications of VPR exist. Each VPR classification consists of the aggregation of all Contract Performance Appraisals completed by the Vendor in the classification of work corresponding to the VPR type. Metrolinx is responsible for identifying the VPR classification for the contract at the outset, based on the nature of the work set out the contract.

The VPR classifications are the following:

- Design Engineering\*
- Construction Administration (CA)\*
- Design Engineering and Construction Administration\*
- Construction Services
- General Goods and Equipment (Non-I&IT)
- Maintenance, Repair and Operations Services (Non-I&IT)
- Professional and Consulting Services (Non-Engineering)
- IT Managed Systems and Services (Enterprise Level)
- IT Software, Licensing and Maintenance

- \* Where a Vendor bids on a single tender for Design Engineering and Construction Administration work, the Vendor's Design and Construction Administration VPR, or Starter VPR, will be used in the bid evaluation. For greater clarity, Contract Performance Appraisals for Design Engineering and Construction Administration work will apply to neither the Vendor's separate Design Engineering nor their Construction Administration (CA) VPR's.

### **2.2.3 VPR for Consortiums and Legal Partnerships**

In the case of consortiums, legal partnerships, joint ventures, or any association of Vendors, one Contract Performance Appraisal for each contract is completed and the rating is applied equally to each constituent's Vendor Performance Rating, using the VPR formula described in Section 2.2.1. Contract Performance Appraisal scores are applied equally to each constituent's respective VPR, regardless of the level of involvement of each constituent in the contract.

Only one VPR classification, based on the nature of the contract, will be used to assess the performance of the association of Vendors. Therefore, every constituent of the Vendor association will be assessed equally based on the VPR classification of the contract work.

#### **2.2.4 Starter VPR**

If a Vendor does not have any past Contract Performance Appraisals in the VPR Classification of work being bid on, the Vendor is assigned a Starter VPR for that VPR classification of work. A Starter VPR for a VPR Classification of work is equal to the Metrolinx-wide average of all approved Contract Performance Appraisals in that classification. The Starter VPR for each VPR classification is re-calculated every quarter in order to be made available for future tender evaluations.

A Starter VPR is available only to Vendors with no relevant history with Metrolinx, an expired VPR (one with no applicable Contract Performance Appraisals in the past thirty-six [36] months) or to a registered Vendor pursuing work for the first time in a specific VPR classification. A Starter VPR allows a Vendor with no past Contract Performance Appraisals to compete for contracts. A Starter VPR will also be assigned to any consortium or legal partnership without any Metrolinx Contract Performance Appraisal history. If one or more constituents of the association have VPRs that corresponds to the work advertised in the tender, those VPRs will be averaged with Starter VPRs of the Vendors in the association that do not have performance history in the work being bid on.

Once a Vendor has one approved Contract Performance Appraisal in a VPR Classification of work, the Vendor's VPR will then be based on the approved Contract Performance Appraisal(s) in the classification. At this point, a Starter VPR will no longer be made available to the Vendor for the respective VPR Classification.

### 3.0 Vendor Events of Default

#### 3.1 Overview of Events of Default

Notices of Event of Default are issued to Vendors who are parties to a legal contract with Metrolinx. On assignments where a consortium or legal partnership is listed, all parties involved in the association will be impacted by any issued notices.

Penalties resulting from Vendor defaulting will also include adjustments of the Vendor's Vendor Performance Rating (VPR) further to section 2.1.3 above. Notices of Event of Default address contract breaches in a timely manner, and the Vendor Contract Performance Appraisals and Vendor Performance Ratings are used to measure the Vendor's overall performance and assess their quality of service for future contract awarding purposes.

#### 3.2 Events of Default and VPM Integrated Process

Activity	Activity Description	Personnel Responsible
Terminate Contract for Convenience	As per the General Conditions of Metrolinx tenders, Metrolinx may terminate or suspend the performance of a contract in whole or in part.	Business Unit Project Manager Legal Services
Capture Deficiency in Next Scheduled Contract Performance Appraisal(CPA)	Where a Vendor is in default under a contract, as set out in the General Conditions of Metrolinx contracts, but Metrolinx, in its discretion, does not issue a Notice of Default to the Vendor, the corresponding performance deficiency will be taken into consideration by the Business Unit in the next scheduled Contract Performance Appraisal, as defined in Section 2.1.	Business Unit Project Manager
Issue Notice of Event of Default	Where a Vendor is in default under a contract, as set out in the General Conditions of Metrolinx contracts, Metrolinx, in its sole discretion, may issue a Notice of Default to the Vendor in accordance with the General Conditions.	Business Unit Project Manager Legal Services Client and Vendor Relations
Notify CVR Team	Where a Vendor has received a Notice of Default and responds and acts in accordance with the General Conditions of the Metrolinx contract, the Business Unit will notify the Client and Vendor Relations team that the Event of Default has been cured.	Business Unit Project Manager
Terminate Contract and Notify CVR Team	Where a Notice of Default has been issued to a Vendor and the Vendor has not acted in accordance with the General Conditions of the Metrolinx contract, Metrolinx may terminate the contract. Upon termination of the contract, the Business Unit will notify the Client and Vendor Relations team that the contract has been terminated.	Business Unit Project Manager
Initiate Contract Performance Appraisal (CPA)	Upon review and investigation of the Event of Default and its corresponding outcome, Metrolinx will initiate an automatic Interim Contract Performance Appraisal in order to immediately capture the underlying performance deficiency. Where the Event of Default has led to the termination of contract, the Contract Performance Appraisal will be considered Final. Where the Event of Default has either been cured or has not led to termination, the Contract Performance Appraisal will be treated as an additional Interim appraisal.	Business Unit Project Manager Client and Vendor Relations Team



### 3.3 Investigation

The Client and Vendor Relations Team is responsible for leading the collaborative investigation with the Business Unit Project Manager of the incident(s) preceding the Vendor Event of Default, and the preparation of a corresponding Statement of Facts. The Statement of Facts summarizes the Event(s) of Default and identifies the relevant details of the underlying issue(s) and/or performance deficiencies. It may also include facts that the Client and Vendor Relations Team considers relevant, but were not included in the Business Unit's submission of facts. This may require exchange of documents between the Vendor and Metrolinx, as well as meetings and interviews. A copy of the Statement of Facts will be provided to the Vendor and the Business Unit with an invitation to review and comment on the document. Any comments must be received, in writing, by the Client and Vendor Relations Team within the period specified in the covering letter. The Statement of Facts, and any responses, is further considered by the Client and Vendor Relations Team for any potential sanctions.

## 4.0 Contract Bidding

### 4.1 Evaluation of Bid Submissions & VPR

All Vendors that complete or wish to bid on Metrolinx tenders will be given a VPR, as described in Section 2.2. In addition to the Technical and Price criteria that are evaluated for submissions Metrolinx may now include a criterion that will be used to assess each Vendor's past performance in the relevant classification of work. Past performance will be based upon the Vendor's VPR.

The weights applied to each of the evaluation criteria will be chosen for each tender, based on the nature of the contract work and the tender type.

### 4.2 Submissions for Price-Based Tenders: Example

Metrolinx price-evaluated tenders that do not include a Contract Financial Rating or Contract Maximum Workload Rating may incorporate each bidding Vendor's respective VPR to establish an Effective Bid Price to be used in evaluating each Vendor's bid. The Effective Bid Price is equal to a Vendor's bid price divided by the Vendor's VPR.

For example, a price-evaluated tender solicited by Metrolinx has the following bids, Effective Bid Prices and resulting rankings:

	Vendor 1	Vendor 2	Vendor 3	Vendor 4
<b>VPR</b>	90%	85%	80%	95%
<b>Bid Price</b>	\$1,000,000	\$900,000	\$950,000	\$980,000
<b>Effective Bid Price</b>	$\$1,000,000/0.90 =$ \$1,111,111	$\$900,000/0.85 =$ \$1,058,824	$\$950,000/0.80 =$ \$1,187,500	$\$980,000/0.95 =$ \$1,031,579
<b>Rank</b>	3	2	4	1

In the above example, the Vendor that had submitted the second highest bid price would have been awarded the contract, based in part on the Vendor's high performance rating relative to the other Vendor's bidding on the tender.

### 4.3 Submissions at the Request for Proposals (RFP) Stage: Example

For RFP submissions, Past Performance and Price criteria are scored out of 100 points each. The highest Submission score, the highest Vendor Performance Rating and the lowest Price are each assigned a score of 100, with values from all other submissions being pro-rated lower in relation to those highest scores.

## Metrolinx Vendor Relationship Management Procedures and Guidelines

For this example RFP, the following weights apply to the evaluation method:

- Technical: 40%
- Past Performance (VPR): 50%
- Price: 10%

The weighted Technical, Past Performance and Price score are added, and the total is used to rank the applicants. The highest Total Weighted Score will be awarded the contract.

Example submissions information is included below, in order to illustrate how five Vendors may be evaluated based on their submissions for non-construction evaluated tenders:

Vendor	Technical	Score (/100)	Weighted Score (/40%)	Past Performance (VPR)	Score (/100)	Weighted Score (/50%)	Price (\$)	Score (/100)	Weighted Score (/10%)	Total Score	Rank
A	590	100.00	40.00	0.88	92.63	46.32	95,000	82.11	8.21	94.53	1
B	560	94.92	37.97	0.79	83.16	41.58	92,000	84.78	8.48	88.03	5
C	500	84.75	33.90	0.85	89.47	44.74	78,000	100.00	10.00	88.64	4
D	540	91.53	36.61	0.89	93.68	46.84	88,000	88.64	8.86	92.31	3
E	510	86.44	34.58	0.95	100.00	50.00	86,000	90.70	9.07	93.65	2