

National Capital Heavy Construction Association Education Series

Vendor Performance Management (VPM)

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VPM Background

- In April 2011, Council directed staff to implement a procedure for reporting supplier performance to Supply Services (Council Motion No. 11/10, 27 April 2011).
- VPM rolled out on City projects in 2014.
- Supply Services is the Owner of VPM, and a VPM Business Process Guide has been created to provide procedure and overview of the VPM Program.
- Thresholds for the VPM framework have been defined as all consulting assignments over \$15K and all contractor assignments over \$100K.



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Program Goals

- The main goals and objectives of VPM, from the Guide:
 - Improve communication between vendors and the City
 - Provide feedback with the goal of performance excellence
 - Create and track standard Key Performance Indicators (KPIs)
 - Support the Contract Administration process used to address non-performance
- Ensure "Best Value" for tax payer's dollars
- Helps ensure performance issues can be addressed in a timely manner and allow the vendor to achieve performance improvement through ongoing discussions/communication.



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CONTRACTOR PROJECT SCORE AVERAGE AND STANDARD DEVIATION



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Continuous Improvement

Since inception of the VPM program, the City has conducted regular meetings with its partners to discuss program performance

- NCHCA VPM Committee
- ACEC

Feedback has been appreciated and has led to numerous modifications and updates to the Guide. Recent examples include:

- Modifications to wording in Section 8 (Schedule Management) of Contractor Performance
- Update to Guide to reinforce the process in case of Mergers or Acquisitions (currently seeking feedback). In the case of a merger or acquisition of two companies or entities, the Overall Vendor Score (OVS) of the two companies will be amalgamated and used to calculate one single vendor score. That single score will determine the vendor performance ratings of the resulting single company or entity.



Current Discussions with Construction Industry

Discussion #1: The NCHCA requested the City explore the possibility of not applying bid bypasses when OVSs are similar.

Discussion #2: The City is considering raising the OVS weighting in bid evaluation to 30%

DISCUSSION #1

Addressing NCHCA's Project Evaluation Subjectivity Concern

- NCHCA has raised concerns about perceived subjectivity in project evaluations
- Concern that bid bypasses when vendors have similar OVS scores would be unfair
- NCHCA proposes an 'OVS 5-Point Threshold' Rule: Bid bypass canceled if vendor OVS scores are within 5 points

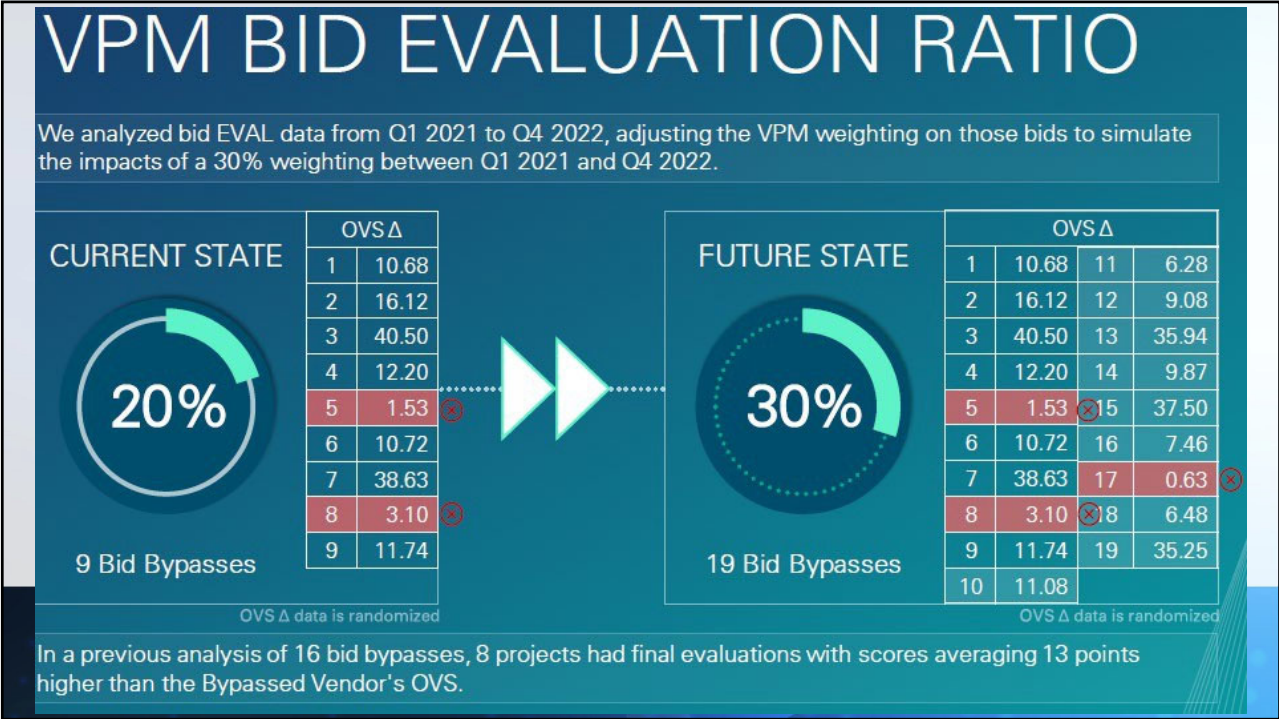
DISCUSSION #2

Strengthening Shared Advantages with VPM Weight Increase

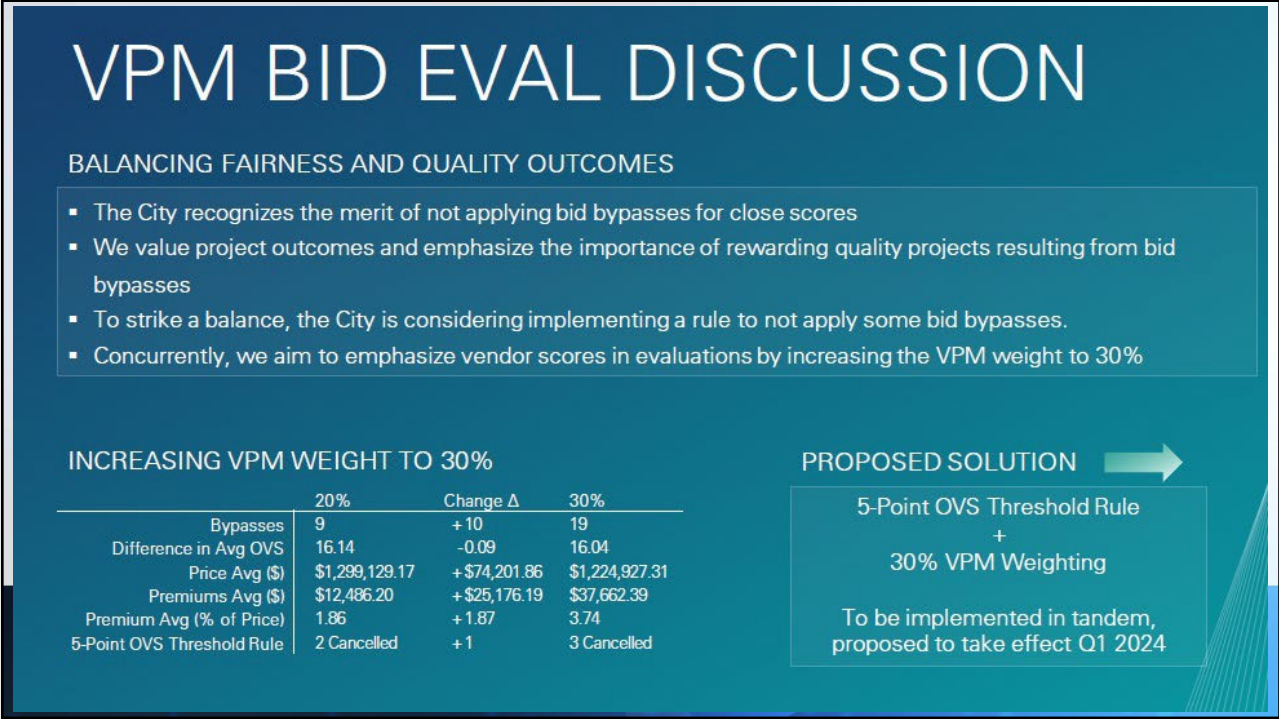
- Raising vendor OVS weighting from 20% to 30% in bid evaluations
- Higher OVS weighting supports higher quality project outcomes
- Recognizes and rewards vendors with superior OVS scores, encouraging exceptional performance

To strike a balance, the City is considering implementing a rule to only apply bid bypasses when OVSs are greater than 5 points different, in conjunction with an increased weighting on OVS scores.





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Discussion Topic w/ Industry 1

- Communication, Communication, Communication
 - Escalation of issues
 - Inexperienced City PM or Contractor PM
 - Difficult Conversation
 - Furthering the “no surprises” strategy



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Discussion Topic w/ Industry 2

- The Importance of Consistency & Training
 - Plurality of NCHCA members agree with performance-based contract management
 - Inconsistency of City Senior Management vs City PMs
 - The immense power a City PM can wield
 - Industry would like to see investment in training



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