

## Items involving in-kind contributions provided by suppliers

### Important considerations for the competitive bid process

To help establish the fair market value of an item involving an in-kind contribution provided by a supplier, the institution should request that suppliers provide in their bids a breakdown of the price including the list price, the normal and educational discounts, the amount of in-kind contribution (if any) and the net selling price. Having this information helps the institution perform a price analysis and market comparison. This comparison, in addition to the consideration of other sources of readily available information (e.g. cash consideration paid in a previous purchase of a similar item not related to a CFI-funded project, institution's experience with a supplier's discount structure) help the institution make an informed assessment of the fair market value.

Information on what constitutes an eligible in-kind contribution and the definitions of the various pricing elements should be shared with the suppliers to help ensure that they will provide accurate pricing information. The institution may also want to emphasize the importance of receiving reasonable pricing information and in-kind contributions and request a declaration from the suppliers that the prices they provide are consistent with the definitions.

The request for bids document should clearly outline the evaluation process and criteria. The institution may request consideration of an in-kind contribution by the suppliers but should not ask for a specific amount or percentage, since this is to be provided by the suppliers on a voluntary basis.

After the competitive bid process is closed, the institution should evaluate the bids received using the pre-established evaluation criteria. The institution is responsible for establishing appropriate evaluation criteria, weightings and minimum requirements for each criterion (if any) based on the needs of the project. The institution should carefully design its evaluation to ensure that:

- The needs of the project will be met;
- CFI funds are spent effectively and economically;
- Suppliers provide reasonable pricing information (i.e. prices after normal and educational discounts and amounts of in-kind contributions);
- The integrity in the procurement process is maintained and that the process is fair to all suppliers.

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## Appropriately communicating with suppliers about the CFI and in-kind contributions

The following includes sample material that can be included in requests for proposals, requests for quotes, requests for tenders, or pricing information requests (hereafter referred to as RFX) to communicate information about the CFI and to request consideration of in-kind contributions at the application stage and at time of purchase. It can also be used as part of an orientation process to educate suppliers, researchers, or other individuals involved in the administration of CFI awards. From the outset, institutions (through their own procurement services or otherwise) should assist researchers and must be involved in discussions and negotiations with suppliers. Institutions must take the necessary steps to ensure that fair and transparent procurement processes are in place.

Important elements that have been incorporated in this sample material are:

- General information on the CFI, including in-kind contributions;
- Requesting consideration of in-kind contributions on a voluntary basis;
- A request that suppliers provide a breakdown of the price including the list price, the normal and educational discounts, the amount of in-kind contribution (if any) and the net selling price to help the institution establish the fair market value of an item involving an in-kind contribution;
- Information on what constitutes an eligible in-kind contribution and definitions of the various pricing elements to help ensure suppliers provide accurate pricing information; and
- Attestation from suppliers related to the pricing information provided to the institution.

This sample material should be tailored to meet the needs of each project and institution.

### Sample material (for use by institutions)

The Canada Foundation for Innovation (CFI) was created by the Government of Canada in 1997 to fund research infrastructure. The CFI's mandate is to enhance the capacity of Canadian universities, colleges, research hospitals, and non-profit research institutions to carry out world-class research and technology development that benefits Canadians. To achieve its mandate, the CFI invests in research infrastructure jointly with institutions and their funding partners. *(Consider including provincial partner information, where applicable.)*

The CFI provides funding up to 40 percent of the total eligible cost of the infrastructure projects it supports and the Province of *(insert name of province)* also funds up to 40 percent of the total eligible costs; Combined, the CFI and the province provide funding up to a maximum of 80 percent. The remaining 20 percent or more must be contributed by the institution and other eligible funding partners. *(Modify the information above based on the funding model for the project.)*

Voluntary in-kind contributions from responding suppliers will be recognized as eligible partner funding. This type of contribution may be given by the responding suppliers when an item is sold to the institution below the "normal educational price."

In their response to the RFX, respondents must provide a breakdown of the price including the list price, the normal and educational discounts, the normal educational price, the amount of in-kind contribution (if any) and the net selling price. To help ensure uniform interpretation and accuracy of the pricing information, the following definitions are provided:

**Normal discount:**

A discount normally offered to the institution, taking into consideration factors such as the institution’s current volume of transactions and location. A discount for early settlement or for settlement in cash is considered to be a normal discount.

**Educational discount:**

A discount offered to the institution due to its educational status.

**Normal educational price:**

The price that would normally have been charged to the institution after normal and educational discounts, but prior to any discount offered as a contribution towards the CFI-funded purchase or project.

**In-kind contribution:**

A non-monetary resource that an external partner offers as a contribution towards a CFI-funded project. It may include the value, in whole or in part, of eligible capital items (i.e. equipment, accessories/options and software), or non-capital items (i.e. extended warranties, delivery, installation and training) that are needed to bring the infrastructure into service. The in-kind contribution is equal to the normal educational price, less the net selling price (if any).

**Net selling price:**

The cash consideration payable by the institution.

The following is an example of the pricing structure that must be used in your RFX response. Amounts included are for illustrative purposes only.

	Item A	Item B	Item C	Item D
List price	\$55,000	\$7,500	\$7,200	\$4,000
Less: normal discount	\$2,400	\$300	\$250	\$0
Less: educational discount	\$5,500	\$200	\$150	\$500
Price after normal and educational discounts (normal educational price)	\$47,100	\$7,000	\$6,800	\$3,500
Less: in-kind contribution	\$8,500	\$700	\$550	\$3,500
Net selling price	\$38,600	\$6,300	\$6,250	\$0
Percentage in-kind contribution	18 %	10%	8%	100%
<p>If the list price and the normal educational price are the same, the explanation for our pricing structure is as follows:</p> <p style="text-align: center;"><i>(Statement from respondent)</i></p>				

The institution values and appreciates in-kind contributions offered by respondents. This RFX provides an opportunity for the supplier community to contribute to this project. Without the primary funding from the CFI and the province, this RFX opportunity would not be possible. It is not mandated that respondents provide an in-kind contribution. Respondents' in-kind contributions are voluntary. In-kind contributions (if any) will be taken into consideration in the bid evaluation as they are an element of the net selling price.

The objective of this RFX is to select the best supplier that meets the desired technical requirements. It is the intent of the institution to select a supplier that offers the best value solution and quality equipment to ensure the success of this project.

Note that the normal educational price and the in-kind contribution may be reviewed for reasonableness. It is also possible that the CFI will audit this information. Respondents should ensure that they provide accurate pricing information in line with the definitions provided above. The CFI does not endorse the procurement of infrastructure that results in an overestimation of the value of the item and of the in-kind contribution.

The following attestation must be included by the respondent in the RFX response:

I hereby certify that the pricing information provided in this bid is in line with the definitions provided in the RFX and that this information is accurate as supported by current practices and conditions.

\_\_\_\_\_  
Respondent signature

Respondents should familiarize themselves with the CFI guidelines located under Our funds/CFI *Policy and Program Guides* on the CFI website at [Innovation.ca](http://Innovation.ca). (See clauses 4.6, 4.9 and 6.5 in particular.)

## Items involving in-kind contributions provided by suppliers

### Example of bid evaluation, including a fair market value assessment

#### Example 1

Here is an example of an internal bid evaluation and a documented fair market value assessment. It should be noted that the institution is responsible for establishing appropriate evaluation criteria, weightings and minimum requirements for each criterion (if any) based on the needs of each project. The institution should tailor this example and analysis accordingly. The institution is encouraged to consider complete life cycle costs in its evaluations (i.e. from acquisition and commissioning to ongoing maintenance and disposal).

The four bids in this example were received as part of a competitive bid process, including a public bid notice.

<b>Bid Evaluation</b>					
<b>Evaluation criteria</b>		<b>Supplier 1</b>	<b>Supplier 2</b>	<b>Supplier 3</b>	<b>Supplier 4</b>
<b>SECTION I</b>	<b>Weight</b>	<b>Score</b>	<b>Score</b>	<b>Score</b>	<b>Score</b>
<b>Technical: features and performance</b>	<b>40%</b>				
Adherence to technical specs	10%	8	7	10	5
Functional suitability	10%	8	7	10	5
Expected lifetime of equipment	5%	3	5	5	5
Warranty and support	5%	2	2	3	1
Ease of use of equipment	5%	5	4	3	1
Other factors	5%	3	3	3	1
<b>SUBTOTAL (Minimum 25)</b>		<b>29</b>	<b>28</b>	<b>34</b>	<b>18</b>
<b>Management plan/proponent qualifications</b>	<b>25%</b>				
Corporate reputation, service history	5%	4	4	5	3
Proposed shipping/delivery timelines	5%	5	5	4	2
Commissioning and training support	7%	7	7	7	4
Implementation timelines	5%	5	5	5	5
Other factors	3%	3	2	2	2
<b>SUBTOTAL (Minimum 18)</b>		<b>24</b>	<b>23</b>	<b>23</b>	<b>16</b>
<b>Proposal</b>	<b>5%</b>				
Contractual terms proposed by proponent	1%	1	1	1	1
Acceptance of contractual provisions	2%	2	1	0	0
Format: clear/comprehensive	1%	1	1	1	1
Other factors	1%	0	0	1	0
<b>SUBTOTAL (Minimum 3)</b>		<b>4</b>	<b>3</b>	<b>3</b>	<b>2</b>
<b>SECTION I TOTAL</b>		<b>57</b>	<b>54</b>	<b>60</b>	<b>36</b>
<b>Meets minimum requirements</b>		<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>

<b>SECTION II<sup>1</sup></b>					
<b>Cost<sup>2</sup></b>	<b>30%</b>				
Net selling price (cash consideration) <sup>3</sup>	20%	20	19	15	
Cost savings <sup>4</sup>	5%	2	2	4	
Value-added benefits <sup>5</sup>	5%	2	2	5	
<b>SUBTOTAL</b>		<b>24</b>	<b>23</b>	<b>24</b>	
<b>SECTIONS I and II TOTAL</b>	<b>100%</b>	<b>81</b>	<b>77</b>	<b>84</b>	
<b>Award</b>				***	

<sup>1</sup> Only the bids meeting the minimum requirements in Section I are considered in Section II.

<sup>2</sup> The institution may want to disclose to the suppliers in its request for bids the various pricing elements that will be taken into consideration for the evaluation of the cost criteria (e.g. net selling price, life cycle costs).

<sup>3</sup> The net selling price is the cash consideration payable by an institution (i.e. price after normal and educational discounts minus any in-kind contribution).

<sup>4</sup> Considers the impact on other life cycle costs, such as energy use, operations and maintenance, consumables, etc.

<sup>5</sup> Considers other benefits offered to the institution, such as additional support, training, etc. Excludes consideration of any in-kind contribution, since this contribution is already factored in the net selling price and considered in a previous evaluation criterion. No separate additional consideration should be given to in-kind contributions.

The institution selects the supplier with the highest total score. In this case it is Supplier 3.

## Fair market value assessment

Supplier pricing information – bid summary				
	Supplier 1	Supplier 2	Supplier 3	Supplier 4 <sup>7</sup>
List price	\$2,380,000	\$2,600,000	\$3,000,000	
Normal discount	(\$100,000)	(\$100,000)	(\$200,000)	
Educational discount	(\$150,000)	(\$100,000)	(\$100,000)	
Price after normal and educational discounts <sup>6</sup>	\$2,130,000	\$2,400,000	\$2,700,000	
In-kind contribution	(\$405,000)	(\$670,000)	(\$885,000)	
Net selling price	\$1,725,000	\$1,730,000	\$1,815,000	

<sup>6</sup> If the institution believes that the price stated by the supplier after normal and educational discounts differs significantly from the expected fair market value, that supplier's bid should be clarified during the competitive bid process to ascertain whether there are any errors or omissions in the proposal response to the requested specifications.

<sup>7</sup> Comparison with Supplier 4 is not completed, since the minimum requirements in Section I were not met.

## Assessment

The institution has performed a comparison of the prices of the three suppliers after normal and educational discounts, as well as an analysis of the differences between the suppliers' items, to establish whether the price of \$2,700,000 stated by Supplier 3 is a representation of the fair market value of the item.

After normal and educational discounts, Supplier 3's stated price of \$2,700,000 exceeds that of Supplier 1 and Supplier 2 by \$570,000 and \$300,000, respectively.

The institution has assessed whether the differences between the suppliers' items warrants Supplier 3's higher price after normal and educational discounts. After careful consideration, the institution believes Supplier 3's price is warranted for the following reasons:

- The technical features of the equipment offered by Supplier 3 are superior to those of Supplier 1 and far exceed those of Supplier 2. The superior technical features of Supplier 3 will enable additional research and allow more advanced techniques to be incorporated. Testing also indicates that the equipment offered by Supplier 3 yields more accurate results.
- The life expectancy of the equipment from Supplier 3 is the same as that of Supplier 2 but is likely to exceed that of Supplier 1 by four years. This has a significant impact on price.
- Supplier 3 has a well-established reputation. Its references indicate that its after-sale support is superior to that of the other two suppliers.

There have been no purchases of this infrastructure item by the institution in the past, nor has the institution previously dealt with Supplier 3. Therefore, the institution is solely relying on the above market comparison to establish the fair market value of the item.

## Conclusion:

Given the above, the price of \$2,700,000 reported by Supplier 3 after normal and educational discounts is deemed to be a fair representation of the fair market value of the item.

## Items involving in-kind contributions provided by suppliers

### Example of bid evaluation, including a fair market value assessment

#### Example 2

Here is an example of an internal bid evaluation and a fair market value assessment. It should be noted that the institution is responsible for establishing appropriate evaluation criteria, weightings and minimum requirements for each criterion (if any) based on the needs of each project. The institution should tailor this example and analysis accordingly. The institution is encouraged to consider complete life cycle costs in its evaluation (i.e. from acquisition and commissioning to ongoing maintenance and disposal).

The three bids in this example were received as part of a competitive bid process, including a public bid notice. The evaluation methodology in this example is based on Quebec's Regulation respecting supply contracts of public bodies,<sup>1</sup> where the price of an acceptable tender is adjusted to take quality into consideration. To help ensure an unbiased evaluation, the price and the quality demonstration must be presented separately by the suppliers. The evaluation committee first evaluates quality, without knowing the price submitted. This is then followed by a calculation of the price-quality ratio, and the contract is awarded to the supplier with the lowest adjusted price. For purposes of this example, the institution is willing to pay up to 30 percent more for an item of greater quality.

PART 1							
EVALUATION OF QUALITY		Supplier 1		Supplier 2		Supplier 3	
CRITERION (minimum of three) Where applicable, indicate with a check mark the criterion that requires a minimum of 70 points to meet the "acceptable level of performance." A tender that fails to meet this level is rejected.	Weight of criterion (P) (0 to 100%)	Score (N) (0 to 100)	Weighted scores (P X N)	Score (N) (0 to 100)	Weighted scores (P X N)	Score (N) (0 to 100)	Weighted score (P X N)
		Technical requirements	√	60%	75	45	87
Proponent qualifications	√	20%	75	15	90	18	Fail
Ability to meet deadlines		10%	70	7	90	9	
Technical support		10%	90	9	70	7	
<b>FINAL SCORE FOR QUALITY:</b>	100%		76		86.2		Fail
(Sum of weighted scores)			100		100		100
<b>Acceptable tenders (final score of 70 or more)</b>			<b>76</b>		<b>86.2</b>		<b>Fail</b>

<sup>1</sup> Refer to Schedule 2 (Quality evaluation conditions for a contract award based on the lowest adjusted price) of Quebec's Regulation respecting supply contracts of public bodies.

PART 2				
EVALUATION OF PRICE		Supplier 1	Supplier 2	Supplier 3
Price submitted – net selling price <sup>2</sup> (Acceptable tenders only)		\$ 2,525,000	\$ 2,650,000	N/A
K Parameter (between 15% and 30%)				
	<b>30%</b>			
1	Quality adjustment factor <sup>3</sup> $1 + K \left( \frac{\text{Final score for quality} - 70}{30} \right)$	1.06	1.162	N/A
2	Adjusted price $\frac{\text{Price submitted}}{\text{Quality adjustment factor}}$	\$ 2,382,075	<b>\$ 2,280,551</b>	N/A
Award			Yes	

The institution has selected Supplier 2, which has the lowest adjusted price.

### Fair market value assessment

Supplier pricing information – bid summary			
	Supplier 1	Supplier 2	Supplier 3 <sup>4</sup>
List price	\$3,000,000	\$4,500,000	
Normal discount	(\$100,000)	(\$200,000)	
Educational discount	(\$200,000)	(\$300,000)	
<b>Price after normal and educational discounts</b>	<b>\$2,700,000</b>	<b>\$4,000,000</b>	
In-kind contribution	(\$175,000)	(\$1,350,000)	
<b>Net selling price</b>	<b>\$2,525,000</b>	<b>\$2,650,000</b>	

<sup>2</sup> The institution has decided to use the net selling price (i.e. price after normal and educational discounts minus the in-kind contribution). No separate additional consideration is given to the in-kind contribution.

<sup>3</sup> The quality adjustment factor is calculated using a percentage (K), which is the additional percentage the institution is willing to pay for a higher-quality item. For Quebec public institutions, K can range from 15–30 percent.

<sup>4</sup> Comparison with Supplier 3 is not completed, since the minimum requirements in Part I of the evaluation of quality were not met.

## Assessment

Supplier 2, with a stated price of \$4,000,000 after normal and educational discounts and a net selling price of \$2,650,000, will be awarded the contract. The stated price after normal and educational discounts exceeds that of Supplier 1 by \$1,300,000.

The institution has attempted to assess whether the differences between the two items warrants Supplier 2's higher price after normal and educational discounts. The institution has concluded that the two bids are significantly different, and consequently, a comparison cannot be established between the stated prices of the two suppliers.

The institution has, therefore, chosen to compare Supplier 2's stated price after normal and educational discounts with a previous purchase made for a very similar item from the same supplier only six months prior. Although there are small differences in the specifications of the items, these would not materially impact the cost of the item. Technology has not changed significantly in the last six months, and pricing is expected to have stayed relatively the same. Because this previous purchase was not related to a CFI-funded project and did not involve an in-kind contribution, it can be used as a basis for establishing the fair market value for the current item being purchased.

The cash consideration paid for the similar item six months ago was \$3,375,000, and the pricing breakdown on the invoice indicates that Supplier 2 had provided the institution with a 25 percent discount on the list price, given the institution's educational status. Other invoices from this supplier also indicate discounts on the order of 25 percent off the list price. Therefore, the institution has concluded that an appropriate fair market value for the current purchase is \$3,375,000 and that the pricing breakdown provided by Supplier 2 should have been consistent with prior purchases, resulting in the following revised breakdown for the current purchase:

Supplier 2	
List price	\$4,500,000
Normal and educational discounts (25%)	(\$1,125,000)
Price after normal and educational discounts (fair market value)	\$3,375,000
Net selling price	(\$2,650,000)
Eligible in-kind contribution (by difference)	\$725,000

## Conclusion:

Given the above circumstances, the institution has assessed the fair market value of the item at \$3,375,000 (rather than Supplier 2's stated price of \$4,000,000 after normal and educational discounts). The total eligible cost to be reported to the CFI is \$3,375,000, of which \$2,650,000 constitutes the cash portion and \$725,000 constitutes the in-kind contribution portion.