



Change Order: Additional Funding for Third-Party Security Services – (VAC22309/RFP18315)

Item 8C

June 28, 2023

Board of Directors

Report: TCHC:2022-40

To: Board of Directors (the "Board")

From: President and Chief Executive Officer

Date: June 20, 2022

PURPOSE:

The purpose of this report is to seek the Board's approval of change orders of up to **\$28,301,603** (exclusive of taxes) to Allied Universal Security Services (Formerly G4S Canada) for the 5 year contract at all locations of the TCHC portfolio.

The Board's approval is required as it exceeds the \$5 million financial approval limit of the Building Investment, Finance and Audit Committee ("BIFAC").

No new funds are being requested to date as it has been funded within TCHC's operating and capital budgets.

RECOMMENDATIONS:

It is recommended that the Board approve the following recommendations to:

1. Approve change orders of up to **\$28,301,603** (exclusive of taxes) for third-party contract security services ending November 14, 2023:

- a. **\$5,925,587** is the amount overspent on security services by TCHC as of April 30, 2022.
 - b. **\$22,376,016** is the forecasted spend for May 1, 2022 to November 14, 2023.
2. Authorize the appropriate staff to take the necessary actions to affect the above recommendation.

PROGRAM BACKGROUND:

On September 18, 2018 when TCHC sought a third-party security vendor through the RFP process, CSU aligned all security requirements under one contract. TCHC entered into a five-year (3+1+1) service agreement with G4S Canada (subsequently bought out by Allied Universal Security Services) to provide third-party security services. The original five year contract awarded to G4S Canada was valued at \$42,358,247.

The five year contract award value was estimated based on all TCHC Business Units' requirements that took into consideration historical spend and future anticipated needs known at that time.

In Q4 2021 CSU started a review to reconcile all business units security services spend against the award which revealed that TCHC had exceeded the overall approved spend for the five year contract amount by **\$5.9M**. (As of April 30, 2022 the actual organizational spend on Security Services was \$48.3M).

Table 1 shows a detailed breakdown of TCHC's actual spend and reason for spend up to April 30, 2022.

Table 1: Breakdown of TCHC's Actual Spend as of April 30, 2022.

Original Contract	Year 1 (Nov 15, 2018 to Dec 31, 2019)	Year 2 (Jan 1 to Dec 31, 2020)	Year 3 (Jan 1 to Dec 31, 2021)	Year 4 Actuals (Jan 1 to Apr 30, 2022)	Total Actuals
(in \$000's)					
Security Guard	9,024	9,285	6,316	2,837	27,462
Fire Picket	2,025	2,025	1,961	386	6,397
Total	11,049	11,310	8,277	3,223	33,859
Additional Spend					
	Year 1 (Nov 15, 2018 to Dec 31, 2019)	Year 2 (Jan 1 to Dec 31, 2020)	Year 3 (Jan 1 to Dec 31, 2021)	Year 4 Actuals (Jan 1 to Apr 30, 2022)	Total Actuals
(in \$000's)					
Security Guard					
CSU					
Additional Covid Requirements	-	2,181	642	-	2,823
Additional Security Requirements in VRP Communities	-	-	2,400	-	2,400
Other than CSU					
Cooling Centres during Extreme Heat Alerts	-	22	158	-	180
Total Security Guard	-	2,203	3,200	-	5,403
Fire Picket					
Other than CSU					
Unexpected Fire Watch Services requested by Toronto Fire Services for EIFIS Cladding capital repair projects	-	600	200	-	800
Covid Premium for Security Guards	-	83	40	-	123
Total Fire Picket	-	683	240	-	923
Key Holder					
Other than CSU					
FM Capital Projects	2,600	2,700	2,000	622	7,922
Covid Premium for Security Guards	-	106	72	-	178
Total Key Holder	2,600	2,806	2,072	622	8,100
Total Increase	2,600	5,692	5,511	622	14,425
Total Expense	13,649	17,002	13,788	3,845	48,284

Justification for Overspend:

The \$5.9M in extra spend over the contract amount was to cover the unanticipated COVID premiums, Social Distancing for COVID, Coverage for VRP sites where Special Constable vacancies were not filled, unexpected fire watch services and unanticipated work for Facilities Management.

When CSU originally forecasted their third-party security spend for the award over the five year term, there was a clear plan within CSU to decrease the security usage over those five years. When VRP was implemented, the majority of sites were staffed with third-party security guards who were going to be replaced with the newly hired and trained VRP special constables at these sites. It was estimated that there would be an accumulated decrease of service requests valued at \$12.6M over the last 3 years.

With the suspension of 12 VRP officer positions (as per decision made at the December 2020 TCHC Board Meeting), the inability to hire/train during COVID and the high rate of attrition, CSU was not able to reduce the security usage at the VRP sites as originally anticipated.

With the savings from the vacancies noted above, CSU was able to off-set a portion of the third-party security costs, see table 2 below. The savings from the VRP vacancies dropped in 2021 and 2022 as CSU only budgeted for partial year knowing that the 12 positions may remain on hold.

Table 2: Savings mainly from Special Constable Vacancies Dec 2019 to Dec 2022*

Funding (in \$000's)	Dec-19	Dec-20	Dec-21	Dec-22
CSU Underspending mainly due to Staff Vacancies*	3,577	2,203	1,931	1,928

*The annual cost of 12 VRP Special Constable Positions is approximately \$1.0M

It is important to note that the contract overspend was against the award and not against the budget as it was offset with savings from funding outlined below.

Table 3: Funding for third-party security over the 5 years

Funding (in \$000's)	Year 1 (2019)	Year 2 (2020)	Year 3 (2021)	Year 4 (2022)	Year 5 (2023)	Total
CSU Operating Budget	7,472	11,310	8,277	8,400	8,261	43,719
FM \$350M Capital Plan	2,600	3,489	2,312	2,770	2,730	13,901
Development Revitalization Projects				850	850	1,700
Other – Vacancies/ Covid reimbursement from CoT	3,577	2,203	3,200	2,361	-	11,341
Total	13,649	17,002	13,788	14,381	11,841	70,661

Estimated spend for remainder of the contract:

The estimated spend for May 1, 2022 to November 14, 2023 security services is outlined in Table 4. These amounts take into consideration the previous service-related cost increases (as built into the contract) and the increased demand for third-party security services to support vital capital repair programs across the portfolio.

Table 4: Estimated cost for the remainder of Year 4 and Year 5.

Original Contract (in \$000's)	Year 4 Forecast (May 1, 2022 to Dec 31, 2022)	Year 5 Forecast (Jan 1, 2023 to Dec 31, 2023)	Total Forecast
Security Guard	1,968	3,578	5,546
Fire Picket	1,526	1,427	2,953
Total	3,494	5,006	8,499
Additional Spend (in \$000's)	Year 4 Forecast (May 1, 2022 to Dec 31, 2022)	Year 5 Forecast (Jan 1, 2023 to Dec 31, 2023)	Total Forecast
Security Guard			
CSU			
Maintain annual static security to support broader program across 11 VRP communities	1,483	1,194	2,677
Other than CSU			
Residential Access Control	586	586	1,171
Hub Offices Access Control	500	-	500
Revitalization Projects Security Patrol	850	850	1,700
Cooling Centres during Extreme Heat Alerts	175	175	350
Total Security Guard	3,594	2,805	6,399
Fire Picket			
CSU			
Unexpected Ontario Fire Code requirements during a malfunction of Fire Alarm system	1,300	1,300	2,600
Other than CSU			
Unexpected Fire Watch Services requested by Toronto Fire Services for EIFIS Cladding capital repair projects	770	730	1,500
Total Fire Picket	2,070	2,030	4,100
Key Holder			
Other than CSU			
FM Capital Projects	1,378	2,000	3,378
Total Key Holder	1,378	2,000	3,378
Total Increase	7,041	6,835	13,877
Total Expense	10,535	11,841	22,376

REASONS FOR RECOMMENDATIONS:

TCHC is requesting a change order in the amount of the **\$28,301,603** (exclusive of taxes) for third-party contract security services. (The amount overspent as of April 30, 2022 is \$5,925,587 and the forecasted spend for May 1, 2022 to November 14, 2023 is \$22,376,016.)

To date, no change orders have been requested to support this program see table below.

Table 5: Change Order Summary

CO No.	VAC #	Approval Date	Description	Reason	Individual CO Amount
1		Pending	Static Security, Fire Watch & key Holder Services	Reconcile current Contract	\$28,301,603
Cumulative approved change orders to date					0
Change order as requested in this report					\$28,301,603
Total Cumulative change orders					\$28,301,603
Original contract awarded (VAC 18514)					\$42,358,247
Revised total contract amount					\$70,659,850
Cumulative CO % of contract award/purchase order					66.81%

PROCESS IMPROVEMENTS:

There have been a number of process improvements that have been put into place with respect to ensuring these programs remain compliant:

- Business Unit: Re-enforcing requirement to conduct a diligent review of invoices and receipting invoices in HoMES in a timely manner to monitor PO balance vs anticipated future spend.
- Business Unit and Finance: Completion of quarterly reconciliations of actual vs. budgeted spend including forecasting of future requirements.

- Procurement: Building master database of contracts along with expiry dates to help Business Units track expiry dates and allow for sufficient time to complete RFP process.

In addition to the above improvements, with the implementation of HoMES Track 2B, staff is working with Yardi to include a new functionality that will link the approved award with the Purchase Order to provide greater visibility between spend and the approved award amount.

Until an automated solution is in place, the scheduling clerk will review all third-party security invoices and continuously keep track of spend by each department against the contract.

IMPLICATIONS AND RISKS:

As mandated TCHC is obligated to complete this work to ensure its buildings are properly maintained, monitored and secure. Properly maintained buildings preserve TCHC assets, help achieve a state of good repair for the portfolio and meet our obligations regarding the Occupiers Liability and Fire Prevention & Protection Acts.

Failure to adequately provide third-party security services will result in decreased tenant perception of safety, negatively impact worker safety, jeopardize capital projects, and result in TCHC's inability to meet its regulatory obligations under the Fire Code.

Financial Implication

In anticipation that reliance on external third-party security services will continue to be utilized at current rates, CSU along with the other business units request the Board approve a change order in the amount of **\$28.3M** to ensure that vital security services will continue uninterrupted until November 14, 2023.

No new funds are being requested for year 4 as it will be funded within TCHC's operating and capital budgets.

The estimated and anticipated funding of \$11.8M for year 5 (as shown in table 6) will be included in the 2023 budget process for the Community Safety Unit, Facilities Management and Development. Any unanticipated shortfalls in year 5 for CSU will be covered through savings in staff vacancies.

Table 6: Funding for Year 4 & 5

Funding (in \$000's)	Year 4	Year 5
CSU Operating Budget	8,400	8,261
FM \$350M Capital Plan	2,770	2,730
Development Revitalization Projects	850	850
Covid Costs Reimbursed by City of Toronto	433	-
CSU Underspending mainly due to Staff Vacancies	1,928	-
Total	14,381	11,841

TCHC staff will continuously and rigorously monitor Allied Security's performance during the program.

At the conclusion of this 5 year contract when TCHC goes out to market for external security services, the organization will consider two split contracts, one for Facilities Management ("FM") and the other for CSU/Operations to ensure that FM's unique security requirements and scope of work can be best valued and forecasted in line with Capital Repair needs and funding.

SIGNATURE:

"Allan Britton"

Allan Britton
Acting Senior Director, Community Safety Unit

STAFF CONTACTS:

Mona Bottoni, Acting Senior Manager, Corporate Services, CSU
416-981-5036
mona.bottoni@torontohousing.ca