



## Change Order: Additional Funding for 3<sup>rd</sup> Party Security Services – (VAC22309/RFP18315)

Item 8

June 17, 2022

Building Investment, Finance and Audit Committee

**Report:** BIFAC:2022-72

**To:** Building Investment, Finance and Audit Committee ("BIFAC")

**From:** Senior Director (Acting), Community Safety Unit ("CSU")

**Date:** June 7, 2022

### PURPOSE:

The purpose of this report is to seek the BIFAC's and 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.

BIFAC approval is required for this change order as it exceeds the \$2.5 million financial approval limit of TCHC's Procurement Award Committee ("PAC"), and Board of Directors (the "Board") approval is required as it exceeds the \$5 million financial approval limit of the BIFAC.

### RECOMMENDATIONS:

It is recommended that the BIFAC approve and recommend that the Board approve the following recommendations to:

1. Approve change orders of up to **\$28,301,603** (exclusive of taxes) for 3<sup>rd</sup> 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 3<sup>rd</sup> 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 3<sup>rd</sup> party security services. The original 5-year contract awarded to G4S Canada was valued at \$42,358,247.

The 5-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 5-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 for years one to three.

**Table 1: Breakdown of TCHC's Actual Spend for years 1,2 and 3.**

Original Contract (in \$000's)	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
Security Guard	9,024	9,285	6,316	2,837	27,462
Fire Picket	2,025	2,025	1,961	386	6,407
<b>Total</b>	<b>11,049</b>	<b>11,310</b>	<b>8,277</b>	<b>3,223</b>	<b>33,659</b>
Additional Spend (in \$000's)	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
<b>Security Guard</b>					
<b>CSU</b>					
Additional Covid Requirements	-	2,181	642	-	2,823
Additional Security Requirements in VRP Communities	-	-	2,400	-	2,400
<b>Other than CSU</b>					
Cooling Centres during Extreme Heat Alerts	-	22	158	-	180
<b>Total Security Guard</b>	<b>-</b>	<b>2,203</b>	<b>3,200</b>	<b>-</b>	<b>5,403</b>
<b>Fire Picket</b>					
<b>Other than CSU</b>					
Unexpected Fire Watch Services requested by Toronto Fire Services for EIFS Cladding capital repair projects	-	600	200	-	800
Covid Premium for Security Guards	-	83	40	-	123
<b>Total Fire Picket</b>	<b>-</b>	<b>683</b>	<b>240</b>	<b>-</b>	<b>923</b>
<b>Key Holder</b>					
<b>Other than CSU</b>					
FM Capital Projects	2,600	2,700	2,000	622	7,922
Covid Premium for Security Guards	-	106	72	-	178
<b>Total Key Holder</b>	<b>2,600</b>	<b>2,806</b>	<b>2,072</b>	<b>622</b>	<b>8,100</b>
<b>Total Increase</b>	<b>2,600</b>	<b>5,692</b>	<b>5,511</b>	<b>622</b>	<b>14,425</b>
<b>Total Expense</b>	<b>13,649</b>	<b>17,002</b>	<b>13,788</b>	<b>3,845</b>	<b>48,284</b>

**Justification for Overspend:**

The table above outlines the \$14.4M overspend from November 15, 2018 to April 30, 2022. The extra spend 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 3<sup>rd</sup> party security spend for the award over the five year contract, there was a clear plan within CSU to decrease the security usage over the five year period. When VRP was implemented the majority of sites were staffed with security guards who were going to be replaced with the newly hired and trained VRP special constables at these

sites. With the suspension of 12 VRP officers, 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. The vacancies fluctuate throughout the year, the table below shows the number of vacancies at end of year. As of May 31<sup>st</sup> 2022, CSU has 30 Special Constable Vacancies (11 Special Constables plus 19 VRP Special Constables (includes the 12 on hold))

**Table 2: Special Constable Vacancies Dec 2019 to Dec 2021**

	Dec 2019	Dec 2020	Dec 2021
Special Constables	7	0	8
VRP Special Constables	60	44	39
<b>Total Vacancies</b>	<b>67</b>	<b>44</b>	<b>47</b>

\*At the December 2020 TCHC Board Meeting, a decision was made to suspend the hiring of 12 VRP Special Constable Positions.

Table 1 also shows the extra spend by other TCHC units where the demand for services surpassed the volume of work they had originally projected which all contributed to the unanticipated and underestimated security services that was originally forecasted.

It is important to note that the overspend was against the award and not against the budget for CSU as it was offset with savings from the VRP Special Constable hiring suspension and attrition.

**Estimated spend for remainder of the contract:**

The estimated spend for May 1, 2022 to November 14, 2023 security services is outlined in Table 3. These amounts take into consideration the previous service-related cost increases (as built into the contract) and the increased demand for 3<sup>rd</sup> party security services to support vital capital repair programs across the portfolio.

**Table 3: Estimated cost for the remainder of Year 4 and Year 5.**

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

**REASONS FOR RECOMMENDATIONS:**

TCHC is requesting a change order in the amount of the **\$28,301,603** (exclusive of taxes) for 3<sup>rd</sup> 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 4: 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	<b>\$28,301,603</b>
Cumulative approved change orders to date					0
Change order as requested in this report					\$28,301,603
<b>Total Cumulative change orders</b>					\$28,301,603
Original contract awarded (VAC 18514)					\$42,358,247
<b>Revised total contract amount</b>					\$70,659,850
<b>Cumulative CO % of contract award/purchase order</b>					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 3<sup>rd</sup> 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 3<sup>rd</sup> 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 3<sup>rd</sup> party security services will continue to be utilized at current rates, CSU along with the other business units request the Committee support 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 5) 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 5: 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	-
<b>Total</b>	<b>14,381</b>	<b>11,841</b>

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"*

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Allan Britton  
Acting Senior Director, Community Safety Unit

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