Toronto Community Housing

Change Order: Demand General Repairs Program
Item 7
March 18, 2024
Building Investment, Finance and Audit Committee

Report:	**BIFAC:2024-37**
To:	Building Investment, Finance and Audit Committee ("BIFAC")
From:	Chief Operating Officer (Acting)
Date:	March 12, 2024

PURPOSE:
The purpose of this report is to seek the BIFAC's retroactive approval of a change order of up to $1,450,000 (exclusive of taxes) for the Demand General Repairs ("DGR") Program to provide demand general repairs across the Toronto Community Housing ("TCHC") portfolio.

RECOMMENDATIONS:
It is recommended that the BIFAC:

1. Approve a change order of up to **$1,450,000** (exclusive of taxes) for the Demand General Repairs Program and demand general repairs services rendered within the September 1, 2022 to August 31, 2023 contract year; and

2. Authorize the appropriate staff to take the necessary actions to give effect to the above recommendation.

REASONS FOR RECOMMENDATION:

Background

Demand general repair work is defined as unplanned work; it is required as needed, often involving small volume repairs in one or more residential units or in a common area. Demand general repair work represents a high volume of the jobs assigned to vendors every year and these types of repairs are generally outside of the typical building staff's skill level and responsibilities. The general repairs, in common areas and in-suite, consist of:

- Bathroom and kitchen renovation work;
- Flooring;
- Painting;
- Plastering; and
- Other repair work as deemed necessary.

On July 22, 2021, the Board of Directors approved the award for the delivery of work under the Demand General Repair program (Report TCHC:2021-45) to a roster of 13 pre-qualified vendors in the amount of up to $170.6M based on the outcome of RFP 21032:

- Up to $87.8M for three years:
  - Year 1: $25.3M
  - Year 2: $29.1M
  - Year 3: $33.5M

- Up to $82.7M for two additional one-year terms:
  - Year 4: $38.5M
  - Year 5: $44.2M

Change Order History

On June 28, 2022, the Board of Directors approved a temporary pricing of 30% to the unit list prices for the DGR Program to cover significant unplanned increases related to transportation, manufacturing, and logistics caused by the COVID-19 pandemic (Report TCHC:2022-31). Specifically, the Board of Directors approved (a) a temporary price increase of 30% for six months, effective July 1, 2022 to December 31, 2022, and (b) a budget increase in the amount of $11.74M in order to fund the temporary price increase.

For the 2021-2022 contract year, the actual expenditure was $19.73M, which was well under the approved budget. The underspend can be attributed to the COVID-19 pandemic restrictions that were in place during that period, which limited the ability to complete in-suite work. As a result, this contributed to the bottleneck of repairs that were completed in the latter half of 2022 and into 2023 (see Table 1). It should be noted that this budget increase impacted multiple contract years; as a result, the appropriate amount will be distributed to those contract years (see Tables 1 and 2).

Table 1: Demand General Program, Year 1: September 2021 – August 2022

Approval	Total
Original Approved VAC Budget	$25.30 M
Change Order (July 1, 2022 – August 31, 2022)	$3.91 M
Updated Approved VAC Budget	$29.21 M
Actual Spend	$19.73 M

On December 7, 2022, the Board of Directors approved the continuation of the temporary pricing of 30% to the unit list prices for the DGR program to cover unplanned increases in costs related to the COVID-19 pandemic (Report TCHC:2022-85). In particular, the Board of Directors approved (a) a temporary price increase of 30% for six months, effective January 1, 2023 to August 31, 2023, and (b) a budget increase in the amount of $9.38M in order to fund the continuation of the temporary price increase (see Table 2).

Table 2: Demand General Program, Year 2: September 2022 – August 2023

Approval	Total
Original Approved VAC Budget	$29.10 M
Change Order (September 1, 2022 – December 31, 2022)	$7.82 M
Change Order (January 1, 2023 – August 31, 2023)	$9.38 M
Updated Approved VAC Budget	$46.30 M
Actual Spend	$47.75 M

With the approval of the requested change order of $1,448,157, it will align the actual spend with the approved contract budget for the 2022-2023 contract year for the DGR program. To date, there has been a cumulative total of $22,568,157 of approved change orders for the DGR program, which represents 13.23% of the original award of $170,600,000 (see Table 3).

Table 3: Change Order Summary

CO	VAC	Approval Date	Reason	Total
1	20492B	November 12, 2020	Cost of materials, supply chain challenges	$11,740,000
2	21130	August 13, 2021	Cost of materials, supply chain challenges	$9,380,000
3	24096	March 18, 2023	To align with governance on budget spending	$1,448,157
Cumulative approved change orders to date				$21,120,000
Change order as requested in this report				$1,448,157
Total Cumulative change orders				$22,568,157
Original contract awarded				$170,600,000
Revised total contract amount				$193,168,157
Cumulative CO % of contract award/purchase order				13.23%

Key Drivers
The unplanned increase of work orders for the DGR program was informed by a variety of factors. First, the previous original scope of work and subsequent change orders were projections based on historical and forecasted trends for demand general in-suite repairs. However, due to the inherent nature of the program to respond to demand requests, there are instances where the requests exceed the projected amount as distinct factors influence the need for in-suite repairs and subsequent issuance of work orders.

Second, the 2022-2023 contract year also coincided with lifting of the majority of COVID-19 pandemic restrictions, which resulted in addressing the bottleneck of previous requests and increase of new requests for in-suite repairs given the expanded access and lifting of safety restrictions.

Lastly, the 2022-2023 contract year represented the first full year where legacy contract management buildings were absorbed into the TCHC portfolio and included as part of the DGR program. Since these buildings were previously managed by third-party contract providers, there was limited visibility into the varying conditions across these buildings and the amount of required repair work.

Strengthening Program Stewardship

The circumstances that give rise to this change order highlights the need to further focus on strengthening the following enterprise-wide controls across the organization to instill greater oversight and accountability to ensure that this situation does not recur:

1. **Work Order Triage**
   Implement a triaging system for DGR work orders that will make sure that critical and urgent maintenance work are completed. This enables a balanced approach to managing the program budget while continuing to perform critical repair work.

2. **Contract Management**
   Adoption of the appropriate tools and practices that will allow for the accurate and timely tracking and reporting of multi-year and multi-vendor award expenditures against the aggregate and annual upset limits for both the fiscal and award year.

3. **Contract Repository**
   Leverage HoMES as an integrated enterprise-wide solution that will serve as a centralized repository for multi-year and multi-vendor contracts and enable the ability to track award spend, budget, and renewals.

IMPLICATIONS AND RISKS:

TCHC has a duty to ensure that its buildings are safe and maintained and the DGR Program plays an important role in delivering demand maintenance work to common and in-suite areas. The successful delivery of the DGR program requires the strengthening of controls to ensure the delivery of high-quality repair services to common and in-suite areas, and concurrently monitor the impact of DGR expenses against the approved award. Failure to demonstrate sound stewardship over the DGR program and its services will contribute to negatively impacting tenant satisfaction, corporate reputation, and financial stability of the program.

SIGNATURE:

"Nadia Gouveia"

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Nadia Gouveia
Chief Operating Officer (Acting)

STAFF CONTACTS:

John P. Angkaw, Senior Director, Operations
416-981-6914
John.Angkaw@torontohousing.ca