

**TORONTO COMMUNITY HOUSING CORPORATION –
ESTIMATED COST SAVINGS**

The February 2011 report on purchasing policies and procedures at Toronto Community Housing Corporation (TCHC) estimated that annual savings of between \$4 and \$10 million could be realized by improving purchasing procedures. The estimate was based, in large part, on actual savings realized as a result of our 2007 report, “Toronto Water Division, Review of Wastewater Treatment Program – Phase Two”. As a result of implementing recommendations in that report the City’s Purchasing and Materials Management Division advised us that establishing blanket contracts for repetitive purchases resulted in actual discounts ranging from 10 to 25 per cent.

TCHC procures approximately \$200 million per year in goods and services. Of that total, only 10 per cent, or \$20 million follow a normal competitive procurement process. In addition, annual purchases of \$80 million in purchases are considered “low value” and generally not subject to a competitive bid process. For purposes of estimating savings we assessed the nature of TCHC’s operations and assumed that \$60 million of these purchases could be made through blanket contracts. Assuming savings in the 10 – 25 per cent range were achieved by the City, estimated savings would be between \$6 and \$15 million.

We have not attributed any savings to TCHC’s remaining \$100 million in purchasing that does not follow normal purchasing procedures. Many of these purchases are sole sourced. In our opinion it would not be unreasonable to assume that more competitive purchasing practices could achieve savings of five per cent at a minimum. This would yield a further \$5 million in savings.

In summary, our estimate of savings at the TCHC of between \$4 and \$10 million was a conservative best estimate and was based on savings actually achieved by implementing improved purchasing practices in the City.

During the 2012 Auditor General's Office annual follow up process to outstanding audit recommendations, TCHC reported annual savings of \$5 - \$7 million from working with City Stores. This is an annual incremental savings, to the cost savings previously estimated.