Attachment 1

Toronto Community
Housing Corporation
931 Yonge Street
Toronto, ON
M4W 2H2

Toronto Community Housing

October 25, 2012

VIA REGULAR MAIL and EMAIL (jpennac@toronto.ca)

Joseph P. Pennachetti
City Manager
City Manager's Office
City Hall
100 Queen Street West
East Tower, 11th Floor
Toronto ON, M5H 2N2

Dear Mr. Pennachetti:

RE: Dissolution of TCHC's Subsidiary, Housing Services Inc.

Toronto Community Housing Corporation ("TCHC") has conducted a review of its operating subsidiary, Housing Services Inc. ("HSI"). TCHC's Board of Directors met on October 22, 2012, and passed a resolution to dissolve HSI as set out in the enclosed confidential report.

Pursuant to section 6.2 (c) of the Shareholder Direction between TCHC and the City of Toronto, TCHC requires the approval of its Shareholder to institute proceedings for any winding up or dissolution of any of its subsidiaries.

In accordance with the recommendations by TCHC's Board, we are seeking the City of Toronto's approval to dissolve HSI. Through the City Manager's Office, we request this item be placed before City Council for approval. We anticipate to complete the dissolution of HSI by year end, and respectfully request this item be placed on the November 27, 2012 City Council agenda. Please advise if this is the suitable manner for obtaining approval by the City of Toronto.

Yours sincerely,

Eugene E. Jones Jr.
President and Chief Executive Officer
Toronto Community Housing

Attachments:
1. Secretary's Certificate
2. TCHC Confidential Board Report TCHC:C2012-69 **now public**

cc: Martin Herzog, Manager, Governance Structures & Corporate Performance
Joe Borowiec, Corporate Management & Policy Consultant, City Manager's Office
Norman (Bud) Purves, Chair, Board of Directors, Toronto Community Housing Corporation

Toronto Community Housing

Board of Directors

931 Yonge Street
Toronto M4W 2H2

SECRETARY'S CERTIFICATE

I HEREBY CERTIFY that the foregoing is a true copy of a Resolution passed by the Board of Directors of the Toronto Community Housing Corporation during its closed meeting held on the 22nd day of October, 2012, which Resolution was duly enacted in the manner authorized by law and in conformity with the constating documents of the Corporation and that this Resolution has not been amended and continues to be in full force and effect.

REPORT: DISSOLUTION OF SUBSIDIARY, HOUSING SERVICES INC. TCHC:C2012-69

The Board of Directors approved the recommendations in the report, as amended, to:

(1) authorize the dissolution of hsi by special resolution pursuant to s. 237 of the *Business Corporations Act* (Ontario), which special resolution is to be effective as of the date that TCHC's Shareholder (City of Toronto) provides its approval of the dissolution of hsi;
(2) direct TCHC's President and CEO to seek approval from TCHC's shareholder, the City of Toronto, of the dissolution of hsi, as required by TCHC's Shareholder Direction with the City of Toronto;
(3) as incidental to recommendation (1), authorize the Directors of hsi to cause hsi to pay and discharge its liabilities and thereafter to distribute to TCHC, the shareholder of hsi, the remaining property and assets of hsi;
(4) authorize and direct any one Officer or Director of hsi, on behalf of hsi, in due course, to sign and deliver articles of dissolution to the Director[1] under the *Business Corporations Act* (Ontario) and to do all other things necessary or advisable in connection with the foregoing; and
(5) authorize the appropriate TCHC and hsi officials to take the necessary actions to give effect to the foregoing, including the appointment of a liquidator, if required.

DATED at the City of Toronto this 24th day of October, 2012.

Michelle Wong
Michelle Wong
Corporate Secretary
Toronto Community Housing Corporation

1 Under the *Business Corporations Act* (Ontario), Director is a person appointed by the Minister of Consumer and Business Services to carry out duties and powers as assigned under the Act.

[redacted]

Item E
October 22, 2012

Dissolution of Subsidiary, Housing Services Inc.

BOARD OF DIRECTORS

To:	Board of Directors	**Report:** TCHC:C2012-69
From:	Corporate Affairs and Audit Committee	
Date:	October 12, 2012	Page 1 of 12

PURPOSE:

To seek approval of the dissolution of Housing Services Inc. ("hsi"), a wholly-owned subsidiary of Toronto Community Housing Corporation ("TCHC"), and to advise on the steps required to discontinue the operations of hsi, along with the legal, financial, and operational implications of the dissolution.

RECOMMENDATIONS:

It is recommended that the Board of Directors of TCHC:

(1) authorize the dissolution of hsi by special resolution pursuant to s. 237 of the *Business Corporations Act* (Ontario);
(2) direct TCHC's President and CEO to seek approval from TCHC's shareholder, the City of Toronto, of the dissolution of hsi, as required by TCHC's Shareholder Direction with the City of Toronto;
(3) as incidental to recommendation (1), authorize the Directors of hsi to cause hsi to pay and discharge its liabilities and thereafter to distribute to TCHC, the shareholder of hsi, the remaining property and assets of hsi;
(4) authorize and direct any one Officer or Director of hsi, on behalf of hsi, in due course, to sign and deliver articles of dissolution to the Director[1] under the *Business Corporations Act* (Ontario) and to do all other things necessary or advisable in connection with the foregoing; and
(5) authorize the appropriate TCHC and hsi officials to take the necessary actions to give effect to the foregoing, including the appointment of a liquidator, if required.

CORPORATE AFFAIRS AND AUDIT COMMITTEE COMMENTS:

At its October 12, 2012 meeting, the Corporate Affairs and Audit Committee approved the recommendations in the report received from management, and requested that the

[1] Under the *Business Corporations Act* (Ontario), Director is a person appointed by the Minister of Consumer and Business Services to carry out duties and powers as assigned under the Act.

report be amended as discussed with management and then forwarded to the Board for approval.

REASONS FOR RECOMMENDATIONS:

hsi has consistently fallen well short of the forecasted annual net revenues of $42 million by 2008 contemplated the year after its creation in 2006. More significantly, hsi has not been able to able to provide sufficient returns to TCHC – at best, it has earned profits cumulative profits of $420,000 over the last 7 years from external sales.[2] As the subsidiary of a publicly funded company, operating under public sector principles and within a unionized environment, it is highly unlikely that hsi's external business can achieve its targets. Continuing to pursue these unrealistic outcomes exposes TCHC to risks associated with the potential for financial losses and litigation stemming from operating an external business. Discontinuing hsi's external work will improve how TCHC and hsi can operate as a single integrated enterprise to provide better housing and services to TCHC's 164,000 residents, and better value to TCHC's shareholder, the City of Toronto. Dissolution of hsi avoids costs associated with maintaining a shell company, including overhead, governance and accounting costs.

Background

Creation of hsi

hsi was created as a wholly owned subsidiary in 2004 to provide construction and maintenance services to TCHC and the external market. These services include design-build construction, demand maintenance response, preventative maintenance program delivery and call centre services.

The original reasons given for establishing hsi were:

- the ability to focus on maintenance, call centre and small construction services to market them competitively, thereby reducing TCHC's associated costs, while improving service;
- to gain additional net revenues for TCHC from external customers, such as other social housing providers, municipalities that function as social housing providers, condominiums, and private landlords; and
- to create a value-added service for TCHC operations by creating a profit centre that is independently managed and governed to provide cost-comparable services to internal units.[3]

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[2] Note: these cumulative incomes does not account for the net present value of money. Over the last 7 years, hsi has incurred a cumulative loss $34,000 if the 200 Wellesley work is excluded. The $34,000 loss is based on invoiced work, however, as noted in its 2011 audited financial statements, hsi suffered a loss of $4.9M in 2011, of which $4.7M for work done to reconstruct 200 Wellesley is subject to dispute adjudication.

[3] TCHC Board Report for November 18, 2009 – "Establishing a Housing Services Subsidiary – Housing Services Incorporated (HSI)"

In 2004, at the time of its creation, it was envisioned that the subsidiary would provide additional net revenues of $3M to $4M by the end of 2006. As noted in its 2005 Business Plan, hsi planned to achieve the following external revenues: 873K in 2006, $16.3M in 2007, and $42M in 2008.

External Market Performance

Achieving hsi's annual net income targets has been a challenge, as the market for construction and maintenance services is difficult to penetrate with many customers and competitors with diverse inter-relationships. Although hsi has been able to provide services to both the public and private sectors, there have been only 3 years in which hsi has had a positive net income from external sales.

Since its creation, the subsidiary has failed to establish a viable external customer base. Therefore, hsi has relied on TCHC business for its source of revenues. As an example, over the past 3 years, approximately 93% of hsi's revenue came from TCHC.

hsi's financial performance in the external market is summarized in the table below.

$000s	2005	2006	2007	2008	2009	2010	2011
Revenue	0	0	2,957	7,037	8,105	13,580	11,448
Cost of Sales	0	0	2,652	6,530	7,358	11,497	10,043
Gross Margin $	0	0	305	507	747	2,083	1,405
Gross Margin %	0	0	10.3%	7.2%	9.2%	15.3%	12.3%
Non-TCHC Overhead	0	0	289	687	1,398	1,120	1,133
Non-TCHC Net Income	0	0	16	(180)	(651)	963	272
Net Income%	0	0	0.5%	-2.6%	-8.0%	7.1%	2.4%

The above figures for 2010 and 2011 include work completed at 200 Wellesley as a result of the September 2010 fire, which was obtained as a consequence of TCHC being the owner of the building. Excluding this work, hsi's external market performance in 2010 and 2011 showed net incomes of $517K and $264K[4], respectively.

Discontinuation of the External Work

Losses at the subsidiary level equate to losses at the parent level, which is subsidized by government funding.

[4] In contrast to hsi's performance numbers created internally, which provide for a receivable as revenue once invoiced, as per its audited financial statements, in 2011, hsi suffered a loss of $4.398M (a net income of negative 64.9%) on its external work; hsi has claimed up to $4.7M for work done to reconstruct 200 Wellesley, which claims are subject to adjudication processes which, as at the date of its audited financial statements, had not yet been completed, and are still ongoing.

Further, as a supplier of goods and services to the external market, hsi is exposed to risks of litigation as a result of contractual disputes, negligent construction, warranty claims, etc. It should be noted that there has not been any significant lawsuits in the past, but the risk is there as long as hsi is providing services to outside parties.

Based on its historical track record, the lack of recurring business, and the risks and uncertainties in future contracts, in September 2012 hsi suspended all external business development activities.[5]

The closing down of the external business is anticipated to enable staff focus on TCHC projects and programs. Given that external client projects were often emerging with short notice and under varied time and cost constraints, the staff effort to mobilize and re-mobilize resources was challenging. Moreover, it limited hsi's flexibility to meet unplanned capital project demands (also arriving on short notice). Operating without the concurrent pressure of external client demands, the hsi construction and maintenance departments can work more closely with TCHC stakeholders to improve delivery time lines, cost and overall quality.

Thus, the cessation of external work will improve how TCHC and hsi can operate as a single, integrated enterprise to provide better housing and services to our 164,000 residents, and better value to our shareholder, the City of Toronto.

OPTIONS CONSIDERED

The recommendation for dissolution of hsi is being put forward after evaluation of various other options. These options include:

1. Status Quo – keeping the external business
2. Restructuring to continue without external marketing
3. Selling hsi
4. Amalgamation of hsi with TCHC

Each of these options was rejected and the reasoning is given below.

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[5] In particular, hsi and TCHC have decided not to pursue a contract with the WSIB that had potential to generate revenues of $30 million over a 5 year term. It was decided that the risks and uncertainties outweighed the potential income, in that: the contract provides no guaranteed volume of work over its term; nor does it provide that only one vendor would be used. Moreover, based on the historical work, the average job would be in the range of $16,901, which would yield net incomes in the range of $845 (5%) to 1,690 (10%), which leaves little room for error and cost overruns. Given that hsi's historical net incomes have averaged in the negative, it was determined that the risks outweighed the potential benefits.
While it will honour its existing commitments,[5] hsi will no longer pursue or enter into new agreements to provide services to external customers. Review of all existing commitments will be done as part of the due diligence exercise described below. The work on hsi's two major external contracts for the construction of solar panels (which contract prices are approximately $1M each) has been completed.

1. Status Quo – keeping the external business

For the reasons provided above, management has determined that the risks associated with the potential of gaining external profits is no longer warranted, and that hsi operations should be streamlined within TCHC for the efficiency of internal service delivery.

2. Restructuring – Continue as TCHC subsidiary without external marketing

Under this alternative HSI would be kept as a wholly-owned subsidiary of TCHC, with potential restructuring to improve business efficiency for TCHC operations but with all external business discontinued.

Moreover, as noted above, the original reasons given for establishing hsi were (1) to focus on maintenance, call centre and small construction services to gain efficiencies and benefit from economies of scale in order to service TCHC; and (2) to gain additional revenues from other external customers.

Efforts are already under way within TCHC to plan and coordinate all maintenance and construction work across TCHC's portfolio, enabling the company to achieve efficiencies and economies of scale in these areas without having to operate a subsidiary. TCHC is currently reviewing hsi's call centre operations, as performance in this area may not be up to industry standards and is high- cost.[6] As part of the realignment of hsi and TCHC operations, outsourcing of the Client Care Centre is being explored in order to eliminate the salary delta as well as the costs related to maintaining the technology platform required to operate the centre.[7] The savings are estimated to be $1.5M annually.

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[6] *hsi* has operated a 24/7/365 Client Care Contact Centre servicing TCHC residents, TCHC Superintendents and hsi external client customers. Industry benchmark research indicates that the current service level targets established for TCHC's Contact Centre are not aligned to emerging standards in either the Contact Centre industry, or public sector service channels. Moreover, the Centre's costs (primarily comprised of labour) are double that of the private sector's operational norms. Since 2009, the average loaded cost per FTE has increased by 15% from $65,390 to $75,400 as a result of the negotiated collective bargaining agreement in place. This is compared with the private sector salary benchmark of $34,378. Loaded salaries are exasperated by disparities in WSIB/Benefits related costs, which are higher in our environment (33% of base wage vs. 25% in private sector).

[7] TCHC would anticipate procuring a vendor to operate at both a lower cost and higher service level (aligned with industry benchmarks). The proposed arrangement will not violate the terms pertaining to "contracting out" in the collective bargaining agreement as long as we satisfy the collective bargaining obligations pertaining to the process of contracting out:

- to meet the obligations to provide notice of the contracting out and any elimination of positions; and
- to meet the obligation to ensure no permanent employees (with 10+ years of seniority) lose their employment as a result of the contracting out.

Work is already underway to develop a scope of work necessary to go to RFP.

As noted above, the purpose and benefit of maintaining hsi in order to generate net revenues from external sources are no longer warranted, based on the recommended course and actions taken to date.

There are significant costs associated with hsi's corporate operations, including workers' compensation, overhead, governance and accounting costs. Details of these costs are described below.

Worker's Compensation

Currently, TCHC is under the Workplace Safety and Insurance Board ("WSIB") Schedule II system, which uses a "pay-as-you-go" system. Since October 17, 2005, hsi has been registered as a Schedule I employer, as it must be in order to perform work outside of the TCHC/City of Toronto boundaries. This means hsi has been under a premium program and has paid a higher premium over the years.

As an example, in 2010 and 2011 combined, hsi's WSIB net costs are estimated to be approximately $745K. If hsi had been a Schedule II company, the net costs would have been $29K. This is a difference of approximately $716K over the two years.

Following dissolution of hsi, there would be no need to maintain the costly Schedule I system, and former hsi workers could be reclassified under Schedule II.

The risk with moving from Schedule I to Schedule II designation is that being a Schedule I employer affords more financial protection if there are large numbers of high cost claims. For example:

a. With a single $300K claim in each of 2010 and 2011, the organization would have been $530K ahead if the hsi account had been integrated with TCHC;

b. With a single $500K claim in each of 2010 and 2011, the organization would be $259K ahead if the hsi account had been integrated with TCHC; and

c. The data indicate the point at which the cost advantage experienced with a hsi Schedule I account disappears is at about 1.5 high cost claims per year. For example, with one $500K claim and one $300K claim in each of 2010 and 2011, the organization would be in a negative position of $69K if the hsi account had been integrated with TCHC.

For reference, hsi has not experienced the type of high cost claim assessed in the above noted analysis throughout its existence. However, the risk of large claims does still exist but is mitigated to some extent by the termination of external construction work.

Lastly, without the external business, it is unlikely that the WSIB would permit hsi and TCHC to operate under two separate schedules. TCHC's Schedule 2 rate group is under the government services classification, and is one of the most favourable rate groups in terms of cost.

hsi's TCHC Business

hsi has historically only delivered 50% of the capital budget and 70% of the maintenance budget for TCHC. For all services (TCHC and external), over 75% of the services are provided by delivery partners/contractors. There has been some measure of duplication (asset planning, contract management, administration) between the parent and the subsidiary in planning, managing and administrating the services provided by delivery partners/contractors. Thus, there is increased overhead at both TCHC and hsi to manage the customer–vendor relationship, including accounting, invoicing, dispute resolution, and management of inter-corporate agreements.

hsi's overhead (above overhead captured within its costs of sales) is approximately $6M annually. It is expected that some of those administration costs will be saved through the elimination of the inter-corporate relationship, and that there will be efficiencies gained by elimination of duplicate contract/project management functions.

Governance

hsi Board remuneration over the last several years has cost approximately $30,000 per year. In addition, costs include TCHC Executive time spent on the hsi Board, although TCHC Executives do not receive additional remuneration for this role. There are other administration expenditures above the remuneration, including costs of meetings and staff time.

Accounting

Operating as a subsidiary carries additional accounting costs, including the cost of obtaining audited annual financial statements. For hsi's 2011 audited statements, approximately $28,000 was spent.

Given the costs associated with maintaining hsi's corporate existence in the absence of any net revenues from external business, restructuring was rejected as an option.

3. Selling hsi

Selling hsi would benefit TCHC as TCHC would receive the sale proceeds. The difficulty in selling hsi is that there is unlikely to be any purchasers due to the following reasons:

- All hsi employees are TCHC employees. Thus the purchaser would have to either buy the company without any employees or take only employees that choose to go to the new purchaser.
- The assets of hsi are used to service TCHC operations and the majority, if not all, assets, would have to be maintained by TCHC for its properties.
- The vast majority of hsi revenues are for work at TCHC premises. Therefore, the purchasers would want to have guarantees that such work would continue to be given to them. TCHC would not be willing to accept such an arrangement as TCHC must employ public procurement processes to procure such goods and services.
- At the time of making this decision, there was only one large potential external sales contract that was on the horizon (a contract with WSIB) and this contract was not assignable to a third party. Thus there was no guarantee that the new purchaser would get this contract as part of its purchase of hsi.
- The historical losses for hsi would make it very risky for someone to want to purchase the company.

For the above reasons, management agreed that selling of hsi was not a viable option.

4. Amalgamation of hsi with TCHC

Amalgamation would involve TCHC absorbing all hsi staff, assets and liabilities. Once the process is completed, HSI would no longer exist as a separate entity.

The end result would be the same as dissolution—the assets and liabilities of the two companies would be combined to form a single corporate entity. Under both forms of corporate transactions, essentially, the hsi organization would be moved back into TCHC.

The reason that dissolution is recommended instead of amalgamation is due to practical reasons. Under section 34 of the *Housing Services Act, 2011*, Ministerial consent is required for amalgamation of TCHC with hsi. This consent is not required if TCHC were to dissolve hsi.

Amalgamation also triggers the immediate filing of audited financial statements, which can lead to additional costs (approx. $28K), unless the amalgamation was timed to occur at the same time as hsi corporate year end.

VOLUNTARY DISSOLUTION OF HSI:

The Nature and Effect of Dissolution

The term "windup" is a tax concept which is effected in corporate law by the dissolution, or liquidation and dissolution, of a corporation and the concurrent transfer of the dissolved corporation's assets and liabilities to that corporation's shareholders.

Typically, all assets of the subsidiary are transferred to the parent corporation and the parent corporation assumes all of the subsidiary's liabilities. Once all of the subsidiary's assets have been distributed and its liabilities have been discharged, the corporate existence of the subsidiary can be terminated. It is anticipated that articles of dissolution can be filed in Q1, 2013.

Legal Requirements and Procedures

The procedures for a voluntary liquidation and dissolution of hsi include the following:

- TCHC, as the shareholder of hsi, must approve the dissolution by special resolution;[8]
- Dissolution requires that all assets and liabilities must first be dealt with, which means that they are either liquidated or they are transferred to the parent corporation. Steps to transfer the assets include:
    - Conveyances of assets (bill of sale, transfer of land (none in this case), assignment of contracts, etc.);
    - Agreement (or Dissolution Agreement) between the parent and the subsidiary documenting the assumption of liabilities and obligations by the parent corporation;
    - Releases or discharges from creditors may be required;[9] and
    - Obtaining a letter consenting to dissolution from the Minister of Revenue.

Approvals

TCHC's Shareholder Direction requires that the Shareholder must approve the winding up of hsi. Therefore, City Council approval is required.[10] It is anticipated that, if the TCHC Board approves the recommendations, the request for approval will be before the Executive Committee in or about November or December 2012.

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[8] "Special Resolution" requires that a special shareholders' meeting be held to discuss the resolution and that two-thirds of the shareholders must approve the resolution. The resolution would be to approve the dissolution and to authorize the directors to distribute hsi's property and discharge all liabilities.

[9] Dissolution may only be effected once the corporation has no property and no liabilities. Typically, the parent corporation will assume the subsidiary's liabilities immediately before the subsidiary is dissolved. However, this does not necessarily meet the requirement of "discharging" the subsidiary's liability. While most commercial contracts generally allow for assignment of the contract, the parent's assumption of liabilities may not always operate to release or discharge the subsidiary from its obligations. In such a case, a release must come from the third party to whom the liability is owed. The process of obtaining releases from the subsidiary's creditors and other contracting parties may be time-consuming in some cases; however, management does not expect any major roadblocks as (1) in most cases, existing contracts specify that the work is being done for TCHC, and (2) contractors are likely to want to continue business directly with TCHC, as the Owner, and the larger financial entity.

[10] Section 6.2 of the Shareholder Direction states: "In accordance with the provisions of the *OBCA*, neither *TCHC* nor any *Subsidiary* will, without the approval of the *Shareholder*: ...(c) take or institute proceedings for any winding up, arrangement, corporate governance or legal reorganization or dissolution; ..."

Subject to the approvals from this Board and the Shareholder, and further to the completion of the transfer of assets and liabilities to TCHC, it is anticipated that articles of dissolution can be filed in Q1, 2013.

IMPLICATIONS AND RISKS:

Legal Implications:

The legal steps towards a voluntary dissolution are discussed above. TCHC Legal Services Unit has developed a project plan to obtain the relevant approvals, review all relevant agreements, assist the Human Resources Department with staff re-alignment, and assist with all other tasks in ensuring that the dissolution is conducted in an orderly manner. A working committee comprising TCHC and hsi (legal and business) staff have commenced a due diligence review of the external contracts, which will be followed by a review of the contracts entered into on behalf of or for TCHC. Legal Services has also retained outside counsel to guide the due diligence review and to prepare the corporate filings.

The plan includes:

- Identification of and assigning of tasks for corporate filings;
- Identification and assigning of tasks for Revenue Canada filings;
- Due diligence review of contracts, including agreement name, date and description, contracting parties, agreement term, contractual obligations, assignment provisions and clauses and (high level look at plan);
- Due diligence review of all assets, including vehicles, furniture, other equipment;
- Due diligence review of all leasehold interests;
- Review for litigation, including existing claims and likelihood of new claims; and
- Management of amalgamation of rate group for WSIB insurance.

Tax Implications:

There are no significant tax implications with respect to winding up or dissolving hsi as both hsi and TCHC are exempt from taxes under Part I of the *Income Tax Act (Canada)*. This exemption is available to municipal corporations and their subsidiaries as long as no more than 10% of the corporation's revenue is derived from outside its municipal boundaries.

As part of its due diligence, management is consulting with its auditors to review any tax consequences of winding-up hsi and to coordinate the obtaining of a letter of consent from the Minister of Revenue.

Labour and Employment Implications:

Approximately $21 million in salaries and wages are budgeted to hsi staff[11] in 2012 and TCHC is the employer of these staff.

As the employment relationship with hsi staff is with TCHC, whether or not hsi ceases operations as its own corporate entity, those employment obligations will continue to exist. Similarly, the collective agreements of which hsi unionized staff are subject to are agreements with TCHC, not hsi. Thus, any changes to employment relationships will be subject to the normal labour and employment rules, irregardless of the dissolution of the subsidiary.

In conjunction with the dissolution of hsi, staffing across the organization would be restructured. A steering committee comprising hsi and TCHC Executive and Management Staff, with representation from operations units and support units (HR, Legal, and Finance) has been put in place to oversee the realignment of hsi and TCHC functions.

The goal of realignment is to strategically reintegrate the functions of hsi with those of TCHC Operations to create efficiency within service delivery and cost management. Concurrently, TCHC is developing improved structures to support the delivery of Property Management (rent, lease and subsidy administration) and Resident Services (resident programs and support).

The aggregate realignment is anticipated to increase role clarity and accountability among the various operational functions towards improving service levels, customer experience quality, and revenue/cost management. Moreover, the realignment is being developed in pursuit of amalgamating the parent and subsidiary companies within a new resident-oriented service culture where people, process and systems are strategically aligned to concurrently deliver focused services within their respective core competencies. The outcome objective is:

- grouped functions based on defined accountabilities and skill requirements;
- streamlined business processes that improve service performance and cost while reducing risk;
- increased specialization; and
- business measurement and analysis that enables proper oversight on performance management and business health.

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[11] The current hsi complement is 237, of which there are 75 vacant positions (50 of which have individuals in backfill or acting positions). 200 of the complement positions are permanent, 34 are temporary, and 3 are classified as temporary part-time. Approximately 28% of the positions are Management or Exempt (64 Management, 2 Exempt) and the remaining 72% are Union (76 Local 416-CUPE and 95 CUPE Local 79).

A change management process is being championed by hsi and TCHC Executives, which includes a communications plan, as discussed below, to minimize staff concerns and disruptions. The steering committee is incorporating change management processes in its work to align and integrate work flows, teams, and people.

Communications implications:

Toronto Community Housing's communications plan will ensure, to the extent possible, that affected staff learn about decisions from the Executive of TCHC and hsi, and that Board members, City officials and stakeholders are kept informed in a timely manner. TCHC already successfully applied this approach in September 2012 to communicate the decision to suspend hsi's external business development activities.

All communications will be planned and coordinated by the TCHC Public Affairs Unit, with input from the CEO's Office, CFO's office, and the Enterprise Business Transformation, Legal Services, and Human Resources teams. TCHC President and CEO Gene Jones will serve as corporate spokesperson. Messages will focus on how TCHC is making changes to strengthen how it operates as a single integrated enterprise to provide better housing to its 164,000 residents and better value to the City of Toronto.

TCHC's Public Affairs Unit will coordinate all media inquires. It will develop issues management strategies to address anticipated questions about the rationale for the decision, what savings and efficiencies will result, and transition costs (e.g., possible staffing adjustments, legal fees and financial penalties, and rebranding as hsi's operations are absorbed by TCHC).

Michelle Wong

Michelle Wong
General Counsel and Corporate Secretary

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