



STAFF REPORT ACTION REQUIRED

Response to the Service Efficiency Study Recommendations for Hostel Services

Date:	May 8, 2013
To:	Community Development and Recreation Committee
From:	General Manager, Shelter, Support and Housing Administration Director, Purchasing and Materials Management
Wards:	9, 19, 20, 23, 27, 28, 37, 43
Reference Number:	

SUMMARY

In the fall 2011, MCC Workplace Solutions (the "Consultant") was retained by the City Manager to conduct a Service Efficiency Study for the Shelter, Support and Housing Administration Division ("SSHA"). One area of specific focus for this study was to identify and recommend opportunities for improved efficiency and cost savings in the Hostel Services delivery model. The Consultant delivered their report to the City Manager in November 2011. The report included four recommendations aimed at improving the efficiency of the City's emergency shelter operations. This report addresses two recommendations from the Consultant, which proposed the contracting out of services within Hostel Services:

- Recommendation 3: Outsource food and facilities services; and
- Recommendation 4: Change the mixed-shelter model to gradually convert five shelters to purchase-of-service contracts.

This report provides an update on the due diligence completed by staff and proposed next steps in determining the feasibility of these Service Efficiency Study recommendations. The report seeks Council's approval to issue:

1. a Request for Expression of Interest for the purpose of seeking market interest in providing food services at City directly operated shelters;
2. a Request for Expression of Interest for the purpose of seeking market interest in providing facility services at City directly operated shelters; and

3. a Request for Expression of Interest for the purpose of seeking market interest in providing the shelter services at the City's Fort York Residence, a transitional shelter for men.

The results of the Requests for Expression of Interest ("REOI") will be used by staff to determine whether to proceed to a Request for Proposal ("RFP") stage. A report will be submitted to Council seeking approval prior to proceeding with any procurement call.

Should staff recommend the process proceed to the RFP stage, the City would provide notice in accordance with the Collective Agreements prior to the issuance of the RFP.

RECOMMENDATIONS

The General Manager, Shelter, Support and Housing Administration, and the Director, Purchasing and Materials Management, recommend that:

1. Council authorize the General Manager, Shelter, Support and Housing Administration, and the Director, Purchasing and Materials Management, to issue a Request for Expression of Interest for the purposes of seeking market interest in providing food services at the following sites:
 - a. Seaton House - Main Program
 - b. Fort York Residence
 - c. Birchmount Residence
 - d. Downsview Dells
 - e. Women's Residence
 - f. Bellwoods House
 - g. Robertson House
 - h. Streets to Homes Assessment and Referral Centre
 - i. Adelaide Women's Resource Centre
 - j. Birkdale Residence Children's Program
 - k. Family Residence Children's Program

2. Council authorize the General Manager, Shelter, Support and Housing Administration, and the Director, Purchasing and Materials Management, to issue a Request for Expression of Interest for the purposes of seeking market interest in providing facility (custodial) services, at the following sites:
 - a. Seaton House- Main Program
 - b. Fort York Residence
 - c. Birchmount Residence
 - d. Downsview Dells
 - e. Women's Residence
 - f. Robertson House
 - g. Streets to Homes Assessment and Referral Centre

- h. Adelaide Women's Resource Centre
 - i. Family Residence
3. Council authorize the General Manager, Shelter, Support and Housing Administration, and the Director, Purchasing and Materials Management, to issue a Request for Expression of Interest for the purposes of seeking market interest in operating shelter services at Fort York Residence; and
 4. Council direct the General Manager, Shelter, Support and Housing Administration, and the Director, Purchasing and Materials Management, to report back on the results of the Requests for Expression of Interest prior to the issuance of any procurement call.

Financial Impact

There are no immediate financial impacts associated with this report.

The Consultant estimated that contracting out food and facility services could save between \$0.9 million and \$1.8 million annually. Additionally, the consultants estimated that the conversion of five City operated shelters to Purchase of Service operators could save \$4.1 million to \$5.3 million annually.

The feasibility of realizing operational savings through contracting out of program services will be evaluated by staff after reviewing market response to the Request for Expression of Interest from interested parties. SSHA will be providing a status update during the 2014 Operating Budget process.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

Equity Impact

The Emergency Shelter system in Toronto serves equity-seeking groups such as seniors, people with disabilities, individuals with mental health issues, the working poor, and other vulnerable groups. Effective operation of the shelter system is important in ensuring that temporary accommodation is available to a variety of equity seeking-groups.

DECISION HISTORY

There are no Council approvals regarding the contracting out of services at the City's shelters.

On September 9, 2011, the City Manager issued a Statement of Work requesting consulting assistance for the Service Efficiency Study of SSHA. The statement and scope of work can be viewed at:

http://www.toronto.ca/torontoservicereview/pdf/ssha_sow.pdf

The Consultant, MCC Workplace Solutions Incorporated, were awarded the call and in November 2011 issued their report. The report can be viewed at:

http://www.toronto.ca/torontoservicereview/pdf/ssha_sew.pdf

At the Budget Committee meeting of January 9, 2012, report BU21.1af, "Update on the Core Service Review and Service Efficiency Study", was before Budget committee for information. The report can be found at:

<http://www.toronto.ca/legdocs/mmis/2012/bu/bgrd/backgroundfile-43912.pdf>

<http://www.toronto.ca/legdocs/mmis/2012/bu/bgrd/backgroundfile-43913.pdf>

<http://www.toronto.ca/legdocs/mmis/2012/bu/bgrd/backgroundfile-43914.pdf>

ISSUE BACKGROUND

In the fall 2011, the Consultant, MCC Workplace Solutions, was retained by the City Manager to conduct a Service Efficiency Study for SSHA. An area of specific focus for this study was to identify and recommend opportunities for improved efficiency and cost savings in the delivery of emergency shelter services. The Consultant delivered their report to the City Manager in November 2011. The report included four recommendations aimed at improving the efficiency of emergency shelter operations. This report addresses the following two consultant's recommendations, which proposed contracting out services within Hostel Services:

Recommendation 3: Outsource food and facilities services:

- Implement an REOI to determine the interest by qualified bidders
- If sufficient interest, move to an RFP process
- Ensure processes are rigorous and eliminate unsuitable candidates and protects the City against lowball bids
- Develop and implement contract, transition and outsource-provider relationship management processes

Recommendation 4: Change the mixed-shelter model to gradually convert five shelters to purchase-of-service contracts:

- Design a project plan for scheduled conversion to purchase-of-service
- Establish and implement an expedited RFP and evaluation process
- Create a transition plan
- Negotiate contracts
- Implement agreements and transition plans

COMMENTS

SSHA conducted preliminary consultations with Legal Services, Human Resources and Purchasing and Materials Management Divisions to gain advice to assist in determining whether or not the contracting out recommendations were feasible.

Based on the preliminary consultations, staff are recommending that Council approve a two stage process. The first stage of the process consists of a REOI to gain information and determine whether there is market interest to take on work currently provided by City staff. The first stage will not result in the contracting out of any services and could lead to a decision to take no further action. At the conclusion of the REOI stage, SSHA will report back to Council the results of the REOI, and depending on the results, may seek authority to proceed with a procurement call. If Council determines that contracting may be a viable option, the second stage of the process would proceed. This stage would consist of issuing RFPs that may result in recommendations to contract out food service, facility service or shelter services. Should the process proceed to a RFP stage, the City would provide notice in accordance with the collective agreements prior to the issuance of the RFP.

Confirmation of Consultant's Financial Assumptions

SSHA has tested the assumptions used by the Consultant to identify the potential savings from contracting out dietary and facility services at the directly operated shelters and also the potential savings identified for the proposed conversion of five directly operated shelters to Purchase of Service (POS) operators.

The Consultant's analysis identified total savings through contracting out food and property services in the range of \$900,000 to \$1,800,000 per annum. SSHA's analysis of comparable costs from a sample of POS shelter operator's financial statements found a range of savings similar to the Consultant's conclusions. However, actual achievable savings can only be determined by testing the market through a competitive process.

The Consultant's analysis identified total savings through the gradual conversion of five Directly Operated shelters to POS operators in the range of \$4.6 to \$5.3 million. SSHA's analysis of comparable salaries and benefits and per bed night costs, as indicated in POS shelter operator's financial statements, supports the Consultant's estimated savings. However, these savings are dependent on community agencies being willing to enter into contracts with the City for lower costs. Typically POS operators rely on fundraising to supplement the funding provided by the City for shelter operations. There is some question as to whether agencies will be able or willing to do this in the current financial environment.

A number of factors will impact potential savings, including:

- Financial impact of labour and employment law and/or collective agreements and any one time costs related to the same;

- Ultimately, the total number of shelters to be included in the outsourcing; and
- Interest and competitiveness of the market.

The Consultant's report did not provide a detailed assessment of potential impacts related to employment and labour law and/or the Collective Agreement on the recommendations proposed. SSHA has consulted Legal Services and Human Resources to seek opinions on the feasibility of proceeding with the recommendations.

Legal Services advises that the contracting out envisioned by SSHA would be permissible under the existing collective agreements, subject to restrictions on notice and employment security. Should the process proceed to a RFP stage, the City would provide notice in accordance with the collective agreements prior to the issuance of the RFP.

While the REOI, if approved, is underway Shelter, Support and Housing will seek further information from Legal Services on the potential impacts, as well as further clarification on the *Employment Standards Act* that provides special protection to employees providing building services such as cleaning, security and food services.

Contracting Out Food and Facilities Services in Directly Operated Shelters

SSHA wishes to further investigate the feasibility of the Consultant's recommendation to outsource food and facilities services in the directly operated shelters by using the same set of sequenced actions that were outlined by the Consultant. In order to do this, a REOI will assist staff to determine whether there is sufficient market interest to develop and issue a RFP for food and/or facility services.

Food Services

The City operates nine shelters/centres which have food preparation facilities on site:

- Women's Residence
- Bellwoods House
- Robertson House
- Seaton House
- Fort York Residence
- Downsview Dells
- Birchmount Residence
- Adelaide Women's Resource Centre
- Streets to Homes Assessment and Referral Centre (SHARC) - 129 Peter Street

With the exception of Adelaide Women's Resource Centre, which is a drop in program and serves only one meal per day, Dietary Services at the above locations provide three meals per day plus snacks to shelter clients. Dietary Services provides service 16 hours a day, seven days a week at most locations.

In 2013 the budget for Dietary Services is \$5.9 million, which includes the salaries and benefits for 56.45 FTE's.

Facility Services

Currently, Property Services staff in Hostel Services are responsible for the care, maintenance and upkeep of the 13 directly operated facilities that house various shelter and support programs, serving approximately 11,000 clients on site annually:

- Women's Residence
- Bellwoods House
- Robertson House
- Seaton House
- Seaton House- O'Neil program
- Fort York Residence
- Downsview Dells
- Birchmount Residence
- Adelaide Women's Resource Centre
- Streets to Homes Assessment and Referral Centre (SHARC) - 129 Peter Street
- Central Family Intake
- Family Residence
- Birkdale Residence

The Property Services mandate includes provision of preventative and predictive maintenance, repairs, and housekeeping, according to the specific needs of each site, thus ensuring a safe and healthy living and workspace.

In 2013 the budget for Property Services is \$4.4 million, which includes the salaries and benefits for 59.85 FTE's. Property Services are provided 24 hours a day, 7 days a week, 365 days a year.

It is recommended that two separate REOIs be issued, one for food services and one for facility services.

Conversion of Directly Operated Shelter Service to Purchase of Service Shelter Contracts

The Consultant put forward an aggressive outsourcing schedule, proposing that five directly operated shelters be converted to POS shelters, operated by community service agencies, in four years. The report states, "Savings through changing the City's mixed model is worth more investigation as estimated savings varied using different methods of calculations."

SSHA would like to gather more information, through the proposed REOI process before pursuing this recommendation. Before committing to any conversion, SSHA needs to test

the market to ensure that there is sufficient interest from community service agencies. A REOI process would reveal any barriers to implementation and risks associated with conversion in more direct manner than the research conducted by the Consultant. The REOI would provide SSHA with first- hand information from community service agencies. That information could then be used to construct a RFP in a way that addresses the barriers and risks that were identified through the REOI.

SSHA recommends narrowing the scope of the REOI down to one shelter service. The successes and challenges of a single shelter conversion would provide valuable insight which could be used to determine if future conversions should occur and, if so, to design the transition plan for additional shelters.

SSHA evaluated eight of its nine shelter sites. Seaton House's Main Program was not considered as it was explicitly excluded for conversion by the Consultant in the SES recommendations. The evaluation of the eight sites included an analysis of size (beds), client group, program type, tenure (leased/owned), state of good repair, accessibility, marketability of program and an assessment of the capacity within each sector currently serviced by existing POS providers. The evaluation summary is included with this report as Appendix A.

From the analysis, Fort York Residence ranks well in the areas of marketable programming and delivery ready facility. Fort York is a 98 bed transitional shelter for men that includes 24 single room occupancy units. The building was constructed in 2003 and is in good physical condition. The shelter provides transitional housing with a focus on employability. This purpose built site is considered very marketable and is considered a good model that supports the Divisional direction towards an outcome focused, integrated housing stability service system. For those reasons, SSHA is proposing that Fort York Residence be referenced in the REOI to determine market interest.

In 2013, the operating budget for Fort York Residence is \$2.9 million with a staff complement of 23.98 FTEs

CONCLUSION

This report responds to the Consultant's recommendations regarding potential service efficiencies in the City's hostel operations. The report recommends three REOIs to test the market interest in contracting out food and facility services, respectively at directly operated shelter sites. It also recommends issuing a REOI in the operation of Fort York shelter. At the conclusion of the REOI stage, SSHA will report back to Council the results of the REOI prior to proceeding with any procurement call. If Council determines that contacting out may be a viable option, the second stage of the process proceeds and the results of the REOIs will be used to shape subsequent RFPs.

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SIGNATURES

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ATTACHMENT

Appendix A - Identification of Shelter Site for Conversion to Purchase-of-Service Operator