TORONTO

REPORT FOR ACTION

Amendment to Blanket Contract No. 47020391 - to TBM Service Group Inc., for Custodial Services Various City Divisions

Date: February 8, 2018
To: Government Management Committee
From: General Manager, Facilities Management
and Chief Purchasing Officer, Purchasing and Materials Management
Wards: All

SUMMARY

The purpose of this report is to request authority to amend Blanket Contract No. 47020391 awarded to TBM Service Group Inc. ("TBM") as a result of the Request for Proposal (RFP) 0203-16-0091 for the supply of all labour, materials and equipment necessary to provide required custodial services at various Facilities Management Division and client locations. The amendment would apply to the period from February 1, 2017 to January 31, 2018 and the first option period from February 1, 2018 to January 31, 2019. Further work is being undertaken by FM to ensure effective contract management and administration.

The amendment is mainly driven by Facilities Management's efforts to standardize custodial service throughout all divisions and clients within the City of Toronto and to consolidate disparate custodial contracts to ensure more consistent, effective and transparent service delivery.

The contract, therefore, requires amendment to account for:

- Timing of transition to the new custodial standard
- The addition of facilities to the contract
- The minimum wage increase as a result of Bill 148.

Locations where there was previously no service and those that were serviced by expiring custodial contracts were migrated to the TBM contract. Furthermore, the contract allowed FM to begin the process of implementing the CSSM model for baseline service delivery; thereby enabling consistent application of our standards and driving cost efficiency. In addition, implementation of the standard has enabled set pricing which simplifies contract management.

This model is meant to standardize custodial services across all locations. The contract with TBM is based on this level of service. FM continues to work with clients to implement this change, but based on the time required to implement the new standard across all client groups, further work is underway, an amendment to the contract value is required.

Bill 148 legislated a change to the minimum wage, and ultimately triggered a change to the fair wage for certain categories of job types. FM staff have consulted with Legal, PMMD and other clients and have determined that an amendment to the contract is the best course of action to account for the increase in minimum wage.

The total Blanket Contract amendment being requested is for an additional amount of $2,998,982 net of all taxes and charges ($3,051,764, net of HST recoveries).

These costs have been accounted for in the 2017 and 2018 Council Approved Operating Budgets for Facilities Management, Real Estate Services and Environment & Energy program (FREEE), as well as in various Divisional budgets where services are provided.

RECOMMENDATIONS

The General Manager, Facilities Management and the Chief Purchasing Official recommend that:

The Government Management Committee, in accordance with Section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-law) grant authority to amend Contract No. 47020391 with TBM Service Group Inc., for the supply of all labour, materials and equipment necessary to provide custodial services required for various Facilities Management Division locations, by an additional amount of $2,998,982 net of all taxes and charges ($3,051,764, net of HST recoveries), adjusting the current contract value from $9,190,493 net of all taxes and charges ($9,352,245 net of HST recoveries) to $12,189,475 net of all taxes and charges ($12,404,010 net of HST recoveries).

FINANCIAL IMPACT

The recommended amendment to Contract No. 47020391 for the initial year of the contract is $1,145,285 net of all taxes and charges ($1,165,442 net of HST recoveries) is required to bring the overspent contract into compliance and remove any over-expenditures. In addition, an amendment of $1,853,697 net of all taxes and charges (and $1,886,322 net of HST recoveries) is required for the first option year. The recommended total amendment to Contract No. 47020391 for an additional amount of $2,998,982 net of all taxes and charges ($3,051,764, net of HST recoveries). This will adjust the total contract value, for year one and the first option year, from $9,190,493 net of all taxes and charges ($9,352,245 net of HST recoveries) to $12,189,475 net of all taxes and charges ($12,404,010 net of HST recoveries).
FM recognizes that this request to amend the contract should have been brought

forward in the fourth quarter of 2017, however there were mitigating circumstances such as: the formalization of the Job Quality Assessment Tool with SDFA, introduction of Bill 148 legislation, and evaluation of the decision to exercise the first option year and associated costs that prevented the request from coming forward sooner.

The summary below outlines the initial period and option year impacts from the delay in migrating to the CSSM, the additional locations added to the TBM contract in 2017 and the impacts from the minimum wage adjustments on the value of the TBM contract.

Table 1: Summary of Impact on the TBM Contract

Category	Initial Period (Feb 1, 2017 - Jan 31, 2018)	First Option Period (Feb 1, 2018 - Jan 31, 2019)
1 a. Additional Locations	$268,231	$661,496
1 b. Deleted Locations	$-32,150	-$32,150
2. Service Level Migration Delay	$1,179,202	$915,981
3. Min Wage Adjustment	$0	$308,370
Total Unused Contingency Adjustment	$-270,000	$0
Total Purchase Order Amendment	$1,145,285	$1,853,697
Total POA over 2 year period	$2,998,982	

Total funding of $2,998,982 net of all taxes and charges is available in the 2017 and 2018 Council Approved Operating Budgets for Facilities Management, Real Estate Services and Environment & Energy (FREEE) program. Of the $2,998,982 increase, $1,243,310 is accounted for in FREEE's Operating Budgets, while the remaining $1,755,672 will be charged back to internal clients including Toronto Police, Toronto Water, and other divisional budgets.

Funding of 2017 fees of $1,145,285 net of all taxes and charges, are included in the 2017 Council Approved Operating Budget for FREEE, of which $796,314 is funded by client divisions. Funding of 2018 fees of $1,853,697 net of all taxes and charges are included in the 2018 Council Approved Operating Budget for FREEE, of which $959,358 will be charged back to client divisions.

There were anticipated savings as a result of the contract that were contingent upon the timing of the migration of all clients to the new standard in year one of the contract. Performance and costs have been monitored throughout the first year of the contract, and although much of our client base has been migrated we still have additional work to complete with some clients. Based on the substantial change management requirements of this transition we anticipated that some clients would need more time to migrate. Based on the clients that FM has successfully migrated to the CSSM standard in year one, annual savings in the amount of $800,000 have been realized for 2017. Additional potential savings are still achievable and FM will continue to work to progressively phase in all clients by the end of 2018.

Should the City of Toronto choose to exercise its option(s) to renew for an additional four (4) separate one (1) year periods, then appropriate additional funding, if needed, will be included in the 2019 - 2021 Operating Budget submission.

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

DECISION HISTORY

At the July 12, 13, 14 and 15, 2016 meeting, City Council adopted AU6.9 Audit of City Cleaning Services – Part 1: Opportunities to Control Costs, Improve Productivity.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.AU6.9

At the July 12, 13, 14 and 15, 2016 meeting, City Council adopted AU 6.10 Audit of City Cleaning Services - Part 2: Maximizing Value from Cleaning Contracts which requested that the General Manager of Facilities Management complete a service review of all current cleaning contract including an analysis of their cost effectiveness and the results of such review to be reported to the Government Management Committee.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.AU6.10

At its meeting on November 14, 2016, Government Management Committee, in accordance with Section 195-14C of Toronto Municipal Code Chapter 195 (Purchasing By-law) authorized the Chief Corporate Officer to negotiate and enter into an agreement with TBM Service Group Inc. as a result of the Request for Proposal (RFP) No. 0203-16-0091 for the provision of Custodial Services for various locations throughout the City of Toronto. In addition, City Council requested the CCO to report on the impact of the Job Quality Assessment Tool Report on this contract to Government Management Committee prior to the exercise of the first option year to confirm if the option year should be exercised.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.GM16.10

At its meeting on November 13, 2017, the Government Management Committee received a report for information titled "Facilities Management Service Review of External Cleaning Contracts". This report was in response to a recommendation in the Auditor General's report dated June 14, 2016, "Audit of City Cleaning Services - Part 2; Maximizing Value from Cleaning Contracts", requesting the GM, Facilities Management to complete a service review of all current cleaning contracts including an analysis of their cost effectiveness.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.GM23.18

At its meeting on January 11, 2018, the Government Management Committee received a report for information titled "Renewal of Contract No. 47020391 to TBM Service Group". This report summarizes TBM's adherence to the job quality standard and advised that Facilities Management will be proceeding with the renewal of the first option year of the TBM contract.
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.GM24.5

COMMENTS

In 2016, Facilities Management (FM) developed the Custodial Services Standard Model (CSSM) in consultation with client divisions via the Facilities Management Service Standards Committee. The CSSM was established to standardize custodial service across all City divisions and locations. Service frequencies are based on industry standards including the International Facility Management Association (IFMA) 2009.

FM issued an RFP in 2016 for 71 City locations and the contract was awarded to TBM. This contract allowed FM to begin the process of implementing the CSSM model for baseline service delivery and to consolidate six existing custodial contracts into one; thereby enabling consistent application of our standards and driving cost efficiency. In addition, implementation of the standard has enabled set pricing which simplifies contract management.

CSSM SERVICE MIGRATION:

The pricing in the TBM contract was based on the CSSM standard assuming it would be fully implemented at all locations in year one of the contract. At the time of the contract award FM undertook a process of gradually migrating clients and locations to the CSSM standard. The budget for these locations was adjusted based on an assumption that locations would be brought onto the CSSM standard throughout the first year. Despite best efforts to migrate as quickly as possible to the new standard full implementation on day one was not possible. Therefore the contract value requires adjustment. However sufficient budget is in place to account for this. Facilities Management continues to work with these clients to either migrate to the CSSM or identify other service adjustments to offset increased costs from providing a higher than standard service level.

The gradual migration to the CSSM across the portfolio requires an increase to the contract value by $1,179,202 for the period from February 2017 to January 2018 and an additional $915,981 in the first option period (February 2018 to January 2019).

ADDITIONAL SERVICE LOCATIONS:

In addition to service level cost impacts, over the course of the first year of the TBM contract FM added new locations and shifted other locations to the TBM contract. This resulted in the addition of 16 new locations that were outside the original contract scope. Two Toronto Police locations that are no longer in the Toronto Police portfolio were removed from the contract.

The following provides the breakdown of each location:

- Four locations previously serviced by TBM under a different contract (expired) were migrated to new TBM contract.
- Two locations were transferred to the TBM contract from an expired contract that was previously managed by SSHA through an inherited contract.
- Seven new locations without any previous custodial service were added to the contract.
- Two temporary warming centres, Moss Park and Exhibition Place, were serviced through the TBM contract.
- One location for an expansion of service used by Toronto Public Health at the Rexdale Community Hub (21 Panorama Court).

The additional locations requires an increase to the contract value of $268,231 on the initial year of the contract and an additional $661,496 annualized in the first option period. The contract provided contingency for additional costs associated with changes to the base services and locations outlined in the original agreement.

MINIMUM WAGE IMPACTS:

FM received a request from TBM for additional fees to account for the increase in minimum wage for 2018 and consulted with City Legal and PMMD to get guidance. FM was informed there is no obligation under the contract, but that FM would need to assess the merits of the minimum wage increase request, consider the implications of not agreeing to the request, and determine if an increase is the best option to go forward with. TBM submitted a detailed breakdown of the impact of the minimum wage increase which was validated by internal FM staff. As a further validation FM contacted other City entities that have ongoing custodial contracts with TBM to evaluate their approach. FM found that both parties with existing contracts with TBM had taken a similar approach and agreed to an amendment; the increase per hour was in line with what was proposed. FM agreed to amend the TBM contract to account for the minimum wage increase. This will increase the contract value of the first option year by $308,370. Bill 148 also legislates an incremental increase effective January 1, 2019 that FM would have to consider for future option years.

CONCLUSION:

In 2016 FM entered into a custodial contract with TBM for 71 City locations. This contract consolidated six previous custodial contracts under four different vendors and established the CSSM as the baseline cleaning standard. The CSSM had been previously established by the Facilities Management Service Standards Committee which was comprised of FM staff and representatives from client divisions. The contract amendment request is driven by Facilities Management's efforts to standardize custodial service throughout all divisions and clients within the City of Toronto and to ensure more consistent, effective and transparent service delivery.

The contract requires amendment to account for the timing of the transition to the new custodial standard, the addition of facilities to the contract and the minimum wage increase as a result of Bill 148.

Facilities Management is working to improve contract management on consolidated contracts to ensure that any operational changes are reflected in the value of contracts in a timely and effective manner.

CONTACT

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SIGNATURE

Sunil Sharma
General Manager, Facilities Management

Michael Pacholok
Chief Purchasing Officer

Attachments:
Appendix 1: List of Locations Service by TBM on Contract No. 47020391

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Original Locations	
Number	Address
1	2050 Jane St. (Bld A)
2	200 Trethewey Dr
3	1435 Eglinton Ave W.
4	350 Dovercourt Rd.
5	791 Islington Ave
6	3699 Bloor St. W.
7	2126 Kipling Ave. (Close)
8	40 Norfinch Dr.
9	30 Ellerslie Ave
10	50 Upjohn Rd
11	242 Milner Ave.
12	255 Dundas St. W.
13	75 Eglinton Ave. W.
14	101 Coxwell Ave.
15	44 Beechwood Dr
16	951 Wilson Ave.
17	18 Cranfield Rd
18	2050 Jane St. (Bld B)
19	259 Queens Quay W.
20	7 Brimley Rd.
21	2 Bayview Ave (Toronto Island)
22	2233 Lakeshore Blvd. W.
23	4610 Finch Ave. E. (Close)
24	2440 Lawrence Ave. E.
25	4331 Lawrence Ave. E.
26	255 Duncan Mill Rd.
27	330 Progress Ave.
28	5230 Finch Ave W.
29	60 Tiffield Rd.
30	220 Atwell Dr.
31	1900 Dundas St. W.
32	1880 Eglinton Ave. E.
33	150 Eglinton Ave. E.
34	1117 Finch Ave. W.
35	1225 Kennedy Rd.
36	20 Lesmill Rd.
37	2985 Kingston Rd.
38	1631 Queen St. E.
39	779 The Queensway

Original Locations	
Number	Address
40	605 Rogers Rd.
41	111 Wellesley St. E.
42	277 Victoria St.
43	9 Leslie St. (Admin Bld)
44	545 Commissioners St.
45	45 Twenty Third St.
46	30 Dee Ave.
47	1026 Finch Ave W. (Bld B & D)
48	435 Kipling Ave.
49	275 Merton St.
50	51 Beechgrove Dr.
51	130 The Queensway
52	30 Northline Ave
53	235 Cottingham St.
54	1050 Ellesmere Rd (Bld A)
55	891 Morningside Ave.
56	821 Progress Ave.
57	8270 Sheppard Ave. E.
58	1305 Ellesmere Rd. E.
59	4560 Sheppard Ave. E.
60	185 Fifth St.
61	21 Panorama Court
62	662 Jane Street
63	1652 Keele St York
64	320 Bering Ave.
65	330 Bering Ave.
66	150 Disco Rd
67	399 The West Mall
68	2 Civic Centre Court.
69	2700 Eglinton Ave. W.
70	150 - 160 Borough Dr.
71	1530 Markham Rd.

Additional Locations	
Number	Address
1	150 Disco Rd (Bld 100)
2	799 Islington Ave
3	35 Spadina Rd
4	3 Eaglet Court
5	320 Bering Ave "New Building"
6	320 Bering Ave "Bld B"
7	320 Bering Ave "Bld D"
8	320 Bering Ave "Bld A"
9	176 Elm St.
10	5504 Lawrence Ave. E.
11	1229 Ellesmere Rd.
12	21 Panorama Crt. (Public Health)
13	402 Shuter St.
14	201 Copperfield Rd
15	195 Princes' Blvd. (Temporary warming centre)
16	130 Queen St. E. (Temporary warming centre)

Deleted Locations	
Number	Address
1	2126 Kipling Ave.
2	4610 Finch Ave. E.