

Award of Negotiated Request for Proposal Doc3823446646 to Various Suppliers for the Provision of School Crossing Guard Services at various City of Toronto locations

Date: May 25, 2023

To: General Government Committee

From: General Manager, Transportation Services and Chief Procurement Officer

Wards: All

SUMMARY

The purpose of this report is to advise on the results of the Negotiated Request for Proposal (nRFP) Doc3823446646 for the provision of School Crossing Guard Services at various locations across the City of Toronto, and to request authority for the General Manager, Transportation Services to enter into legal agreements with the top-ranked Suppliers meeting the requirements set out in the nRFP - Carraway Inc., Ottawa Safety Council, and Synergy Protection Group Inc. - for a period of two (2) years from the date of award, with an option to renew for three (3) additional one-year periods.

The total cost to the City of awarding contracts to all three (3) Suppliers is \$164,538,037 net of all taxes, \$185,927,981 including HST and applicable charges and \$167,433,906 net of HST recoveries). The above costs are inclusive of contingency and estimated 3% year-over-year CPI adjustment to reflect the CPI price escalation for each year starting in 2024, as per the terms of the nRFP.

This nRFP was developed strategically to source School Crossing Guard Services by the City's Transportation Services and Purchasing and Materials Management Division's Category Management and Strategic Sourcing (CMSS) team. As a result of this nRFP the City achieved an optimized shift distribution model to meet the increased service requirements at various locations requiring School Crossing Guard Services.

RECOMMENDATIONS

The General Manager, Transportation Services and the Chief Procurement Officer recommend that:

1. The General Government Committee grant authority to the General Manager, Transportation Services to enter into, and execute an agreement for the provision of School Crossing Guard Services, with:

- a. Carraway Inc. at various locations in the City within Zone 1 – North and Zone 3 – East, as identified in the nRFP, for a period of two (2) years from date of award with an option to renew for three (3) additional one-year periods, in the amount of \$62,297,571 net of all applicable charges and taxes (\$70,396,255 including HST and all other charges, and \$63,394,008 net of HST recoveries) in accordance with terms and conditions as set out in the nRFP and any other terms and conditions satisfactory to the General Manager, Transportation Services, and in a form satisfactory to the City Solicitor. The above costs are inclusive of contingency funds, supplier-offered volume discounts and estimated 3% price adjustment applied annually to account for inflation.
- b. Synergy Protection Group Inc. at various locations in the City within Zone 2 – South, as identified in the nRFP, for a period of two (2) years from date of award with an option to renew for three (3) additional one-year periods, in the amount of \$66,854,869 net of all applicable charges and taxes (\$75,546,001 including HST and all other charges, and \$68,031,514 net of HST recoveries) in accordance with terms and conditions as set out in the nRFP and any other terms and conditions satisfactory to the General Manager, Transportation Services, and in a form satisfactory to the City Solicitor. The above costs are inclusive of contingency funds, supplier-offered volume discounts and estimated 3% price adjustment applied annually to account for inflation.
- c. Ottawa Safety Council at various locations in the City within Zone 4 – West, as identified in the nRFP, for a period of two (2) years from date of award with an option to renew for three (3) additional one-year periods, in the amount of \$35,385,597 net of all applicable charges and taxes (\$39,985,725 including HST and all other charges, and \$36,008,384 net of HST recoveries) in accordance with terms and conditions set out in the nRFP and any other terms and conditions satisfactory to the General Manager, Transportation Services, and in a form satisfactory to the City Solicitor. The above costs are inclusive of contingency funds, supplier-offered volume discounts and estimated 3% price adjustment applied annually to account for inflation.

FINANCIAL IMPACT

The total potential contract award amount to the three (3) suppliers is \$164,538,037 net of all HST and charges (\$185,927,981 including HST and charges) over a five (5) year contract term. The total potential cost to the City is \$167,433,906 net of HST recoveries (inclusive of contingency funds and estimated 3% price adjustment applied annually to account for inflation).

Funding in the amount of \$12,471,544 net of HST recoveries is available in the 2023 Council Approved Operating Budget for Transportation Services. The remaining funding of the interim term will be included in the 2024-2025 Operating Budget submissions.

Should the City exercise the optional years, funding will be included in the 2025-2028 Operating Budget submissions. Further funding details can be found in Table 1.

Table 1: Total Contract Award Summary (net of HST recoveries)

	Period	Division Cost Centre/ Account: TS7010, GL Code: 4424
Initial Term	August 1, 2023 to December 31, 2023	\$12,471,544
	January 1, 2024 to December 31, 2024	\$31,648,888
	January 1, 2025 to July 31, 2025	\$19,412,359
Option Year 1	August 1, 2025 to December 31, 2025	\$13,338,340
	January 1, 2026 to July 31, 2026	\$20,007,509
Option Year 2	August 1, 2026 to December 31, 2026	\$13,846,084
	January 1, 2027 to July 31, 2027	\$20,769,127
Option Year 3	August 1, 2027 to December 31, 2027	\$14,376,022
	January 1, 2028 to July 31, 2028	\$21,564,033
Total (Net of HST Recoveries)		\$167,433,906

Cost Avoidance Benefits

As a result of the strategic sourcing approach and the accompanying nRFP process, the City is expected to realize an estimated financial benefit of **\$48.1M in cost avoidance (\$9.6M per year)** over the 5-year duration of the contract.

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

DECISION HISTORY

At its meeting on October 1, 2021, City Council direct the General Manager, Transportation Services to include an additional 31 locations, as listed in Revised Attachment 1 to the report (August 31, 2021) from the General Manager, Transportation Services, in the School Crossing Guard Program for the 2021-2022 school year, for which the operational costs of these 31 locations will be put before City Council for consideration in the 2022 Operating Budget submission.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.IE24.10>

At its meeting on September 30, 2020, City Council direct the General Manager, Transportation Services to include the 30 additional new locations, and undertake a warrant review audit of the original 704 locations to determine whether the lunch time school crossing guard coverage is required as well as the anticipated cost-savings. The Council decisions can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.IE15.7>

At its meeting on October 2, 2019, City Council requested the General Manager, Transportation Services to work with crossing guard vendors to provide ongoing training to all crossing guards to ensure that they are fully prepared to perform their duties.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.CC10.1>

At its meeting on June 18, 2019, City Council directed the General Manager, Transportation Services to award the Request for Proposal 9148-19-0114 for the Provision of School Crossing Guard Service to two vendors, A.S.P. Inc. and Carraway Inc. There was a motion to ensure that crossing guard site-approval criteria not impede the ability of smaller schools, located in residential neighbourhoods, from being approved for a crossing guard. Further, there was an approved motion to have Transportation Services Staff collaborate with both school boards to develop a road map and plan for safe drop-off and pick-up of students. The Council decisions can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.IE5.5>

COMMENTS

Background

In November 2017, City Council approved the transfer of the School Crossing Guard Program from Toronto Police Services to the City's Transportation Services Division with long-term services to be provided through a third-party supplier. School Crossing Guard locations were subsequently grouped into the following 4 Zones within the City with suppliers to be procured for servicing each of the Zones.

- Zone 1: North
- Zone 2: South
- Zone 3: East
- Zone 4: West

In August 2019, after a lengthy procurement process which included an extensive evaluation of both supplier technical capabilities and pricing proposals, City Council authorized the award of contracts to two (2) suppliers for a period of two (2) years with the option to renew for an additional two (2) separate one-year periods.

Spend, Internal Needs & Market Analysis:

Despite the challenges it faced over the last 3 years due to the sporadic COVID-19 lockdowns and resumption periods, City staff and Suppliers continued to deliver a high-level of service for the School Crossing Guard Program, maintaining 98-100% coverage of all locations over the last four (4) years. Throughout the duration of these contracts,

and in preparation of the upcoming strategic sourcing initiative (current contracts are set to expire on July 31, 2023), City staff from the Category Management & Strategic Sourcing team (Purchasing and Material Management Division (PMMD)) and Transportation Services divisions, conducted various analysis and reviews to identify opportunities to optimize the program from both a cost and program delivery perspective. These included, but were not limited to:

- **Analysis of growth in the School Crossing Guard Program (# of locations):**
Over the last year, City staff have conducted a thorough review of the historical increase in the number of locations throughout the last few years. The review found that since the City adopted the School Crossing Guard (SCG) Program from Toronto Police in 2019, the number of new school crossing guard location requests have continued to increase each year. At the start of the program, there was a total of 704 locations requiring SCG services daily, while today this number has grown to 825 locations. Based on an analysis on the number of new requests received annually and the percentage of those new requests resulting in a new SCG location being warranted, the City forecasts that the number of warranted locations will steadily increase, totaling nearly 1,100 locations across all zones by 2029.
- **Development of Warrant Analysis & Change in Shift Distribution Type**
Almost all of the 704 locations adopted from Toronto Police required School Crossing Guards to deliver a three-shift service (morning, lunch, and dismissal). As such, the initial supplier shift estimates, and proposals submitted only accounted for one shift-type (3-shifts).

Since then, City staff developed a warrant analysis process for newly requested locations, which involved the collection and review of various data including the number of student pedestrian's crossing and vehicle volume counts, to determine their frequency and level of interaction during the morning, lunch and dismissal school shift times. The key findings determined that many of the new requested locations either did not have enough vehicles coming into conflict with student pedestrians crossing or simply did not have enough pedestrian volume to warrant a lunch-shift. As such, these were serviced in a safe-manner through a two-shift (morning and dismissal) service.

Over the next five (5) years, the City, intends to also analyze the original 704 locations inherited by Toronto Police Service, all of which have maintained 3-shift service. Based on historical results, it is anticipated that approximately 85% of these locations will only require two-shift service (morning and dismissal) while still maintaining a high level of pedestrian safety. Therefore, the City expects a significant change in the shift-type distribution over the duration of the Contract (moving from predominately 3-shift locations to predominately 2-shift locations).

- **Supplier Market Sounding**
In addition to the internal reviews on usage requirements and shift distribution, and in preparation for the upcoming strategic sourcing process, staff from the City's Category Management & Strategic Sourcing team (PMMD) as well as Transportation Services led a series of Market Soundings with incumbent

suppliers in November 2022. Through these sessions, the City identified various details including but is not limited to:

- Key cost drivers and cost elements associated with the School Crossing Guards services, and the expected cost escalations above and beyond typical CPI indexes.
- Operational challenges to suppliers for switching from 3-shift to 2-shift locations and validating potential savings.
- Trends in broad market condition including but not limited to employment, competition, logistics, labour relation and resource management.

The information collected from these sessions was then utilized to validate assumptions, enhance the scope of services, and inform the sourcing strategy outlined below.

Strategic Sourcing Strategy & Achieved Benefits:

Upon completing its analysis of the spend, internal needs, and review of the supplier market, the City developed a detailed sourcing strategy focused on issuing a Negotiated RFP (nRFP) with the objective of achieving a reduction in the total cost of ownership, obtain improved service level standards, optimize resource planning, and increase competition.

As a result of executing this sourcing strategy, the City is expected to realize an estimated financial benefit of **\$48.1M in cost avoidance (\$9.6M per year)** over the duration of the contract.

In addition, the City has also secured various non-financial benefits, some of which includes:

- Increasing supplier participation and competition (receiving 10 suppliers' responses to the nRFP and increasing contract awards to 3 suppliers).
- Establishing operational and payment protocols in case of school closures
- Enhancing technology tracking capabilities utilized to ensure a high-level of service and mitigating time-fraud

Highlights of Sourcing Strategy & Benefits:

- **Shift Distribution Model Change**

Due to the nature of the previous contracts, the City paid a single cost per shift regardless of whether the location was a 2-shift or 3-shift location. At the time, this approach was financially suitable as the locations within each Zone were comprised of predominately 3-shift locations. However, in developing the sourcing strategy for the new contracts, the City considered the large increase in the number of 2-shift locations over the duration of the original contract. In this case, obtaining a single blended cost per shift applicable for both shift types would result in an increased cost to the City. To address this, as part of the sourcing strategy, the City developed a dual price model to obtain costs for both 2-shifts and 3-shifts and developed a framework for which a location's shift-type could be converted at any point in the contract.

Upon review of the final pricing submissions from suppliers, the City identified an average of 33% reduction in cost per day per location, when converting locations from 3-shifts to 2-shifts. Based on the forecasts, it is anticipated that approximately 85% of the original 704 locations (currently all 3-shift locations) inherited by Toronto Police Service will be converted to 2-shift locations by 2029. This is expected to achieve an estimated **\$10.7M in cost avoidance (\$2.1M annually)** over the duration of the contract.

- **Open Cost Model & Tiered Pricing Structure**

A key objective of the sourcing strategy was to increase visibility and better understand the breakdown in the cost per shift paid to suppliers. To achieve this, the City developed a cost model based on its understanding of the program and validated its assumptions with suppliers through feedback obtained in market soundings sessions. This cost model formed the basis of a complex price form used in the nRFP. Rather than simply submitting a cost per shift for each zone, Suppliers were required to provide a detailed cost breakdown with information including but not limited to costs for management salaries, indirect & overhead expenses, labor, technology, and insurance. In addition, suppliers were required to submit the number of proposed management staff, standby guards, and school crossing guards for each shift type and zone. This increased visibility to the key cost drivers of the cost per shift and allowed the City to validate assumptions, ensure appropriate staffing resources, and identify opportunities for reducing total cost of ownership.

Additionally, the City developed a 3-tier pricing structure to leverage supplier cost efficiencies. In this tiered approach, rather than submit one cost per shift to be used during the entire duration of the contract (adjusted for inflation), Suppliers were required to submit multiple costs per shift based on each Zone's changes in shift distribution and # of locations found throughout the duration of the contract. As per the nRFP, the cost per shift will be adjusted dependant on the Tier group (Tier 1, Tier 2, and Tier 3) in which the Zone currently operates in, allowing the City to capitalize on economies of scale.

Overall, the sourcing strategy elements above, among other enhancements to the program, led to an overall **cost avoidance of \$15.5M for the City (\$3.1M/year)**

- **Negotiations (Commercially Confidential Meetings & BAFO)**

As part of the nRFP evaluation and award process, the City conducted commercially confidential meetings with the top 3 short listed suppliers in each Zone (details provided in Stage 4: Commercially Confidential Meetings and BAFO below). These meetings were utilized to clarify risks and assumptions, optimize staff resourcing requirements, and discuss the detailed cost model submitted by each supplier with the objective of identifying opportunities to reduce total cost of ownership to the City. Based on these discussions, suppliers were given the opportunity to improve and enhance their proposal prior to final evaluation for award. This process ultimately led to an estimated **\$21.9M in cost avoidance to the City (\$4.4M annually)**.

Awarding of Contracts for School Crossing Guard Services

The City conducted an extensive investigation of other Ontario municipalities' School Crossing Guard Programs and used this knowledge coupled with the lessons learned from delivering the City's school crossing guard services for the past 4 years to develop a Negotiated Request for Proposal (nRFP) that would allow for effective delivery the program.

Fairness Monitor

In preparation of the nRFP, a Fairness Monitor was retained through a competitive bidding process and awarded the contract to P1 Consulting Inc. to act as a Fairness Monitor for the nRFP. The Fairness Monitor's scope of work included the following:

- addressing any concerns relating to accountability/fairness (monitoring the level of openness, transparency, and competitiveness of the procurement process),
- independent assurance of integrity of the procurement process with a signed attest statement for the RFP,
- preparing a Final Attestation Report for the City that may be provided to Council as part of any required staff report to Council on a particular procurement,
- presenting report findings to City Council members, if required, and
- providing evidence and testifying in relation to any legal claim that may arise from the procurement process, if required.

Strategic Sourcing Initiative (Negotiated Request for Proposal)

The nRFP was issued on January 20, 2023, with a closing date for submissions of February 21, 2023. In total, there were six (6) addenda issued during the posting period of this nRFP. The scope of work to be delivered as set out in the nRFP included recruitment, hiring, training, disciplining, providing equipment (including but not limited to PPE equipment), and supervision of the School Crossing Guards, and investigating, tracking, responding, and resolving public complaints about the School Crossing Guards. The work locations were divided into four Zones:

1. Zone 1: North
2. Zone 2: South
3. Zone 3: East
4. Zone 4: West

Suppliers were requested to submit Proposals demonstrating their ability to meet or exceed technical requirements while offering high quality service in addition to submitting pricing for each Zone they would like to be considered for.

Evaluation of Supplier Proposal Submissions

Proposals were received from the following ten (10) suppliers:

1. A.S.P. Incorporated
2. Carraway Inc.
3. Neptune Security Services Inc.
4. Ottawa Safety Council

5. Safety First Security Services Inc
6. Sgm Janitorial Services Inc.
7. Synergy Protection Group Inc.
8. The Unit CGMC Ltd
9. The West Egg Group Security Services
10. Valguard Security Inc

A formal Evaluation Committee was convened for the purpose of reviewing the proposals received from the suppliers. The evaluation process consisted of five (5) stages:

1. Stage 1: Mandatory Submission Requirements
2. Stage 2: Technical Proposal, Presentations & Rated Evaluations
3. Stage 3: Pricing and Initial Rankings
4. Stage 4: Commercially Confidential Meetings (CCM) and Best & Final Offer (BAFO)
5. Stage 5 – Optional Contract Negotiations

Stage 1: Mandatory Submission Requirements

In Stage 1, each supplier was required to submit responses to a list of mandatory requirements. Suppliers that did not satisfy the mandatory submission requirements were issued a rectification notice which identified the deficiencies and provided an opportunity to rectify the shortcoming(s) by a specified date. As a result of this compliance review, all ten (10) suppliers met the mandatory submission requirements and advanced to Stage 2 – Technical Proposal & Rated Evaluations.

Stage 2: Technical Proposal, Presentation and Rated Evaluations

In Stage 2, each suppliers' technical proposal submissions were evaluated against non-price related criteria including but not limited to relevant past experience, operational capabilities, reporting system technology, recruitment, and retention plans. The proposals were scored out of a hundred (100) points and required 75% (75 out of 100) to pass, in addition to a criteria specific technical threshold of 60% (9 out of 15) for Subsection 7 – Reporting Systems.

Suppliers were also invited to a presentation/demonstration stage of their proposed technology and reporting system as part of their response. The Presentations/Demonstrations were used by the Evaluation Committee as a mechanism to verify, clarify, and inform their scoring of each supplier's technical proposal submission, in particular, for the reporting system.

Out of the ten (10) suppliers that were evaluated in this stage, four (4) suppliers met the minimum thresholds and advanced to Stage 3 – Pricing and Initial Ranking.

Stage 3: Pricing and Initial Rankings

In Stage 3 - Pricing and Initial Rankings, the pricing proposals of the four (4) shortlisted suppliers were evaluated and analyzed. In addition to supplier's Cost Per Shift per

Zone, the City also requested the suppliers to offer volume discounts in the event they are awarded with two (2) Zones for the six (6) possible multiple award combinations.

6 Possible Multiple Award Combinations
Zone 1 & Zone 2 (North & South)
Zone 1 & Zone 3 (North & East)
Zone 1 & Zone 4 (North & West)
Zone 2 & Zone 3 (South & East)
Zone 2 & Zone 4 (South & West)
Zone 3 & Zone 4 (East & West)

The four (4) shortlisted suppliers were invited to participate in Commercial & Confidential Meetings (CCM) as they submitted the three (3) lowest cost of service for each Zone:

Stage 4: Commercially Confidential Meetings and BAFO

In Stage 4, the City met with each individual supplier in CCM to review the pricing forms and clarify assumptions related to staffing level expectations, equipment requirements, tier system, annual pricing adjustments. In addition, the City provided feedback on areas of potential improvement for the purpose of reducing total cost of ownership. Upon conclusion of these meetings, suppliers submitted their revised proposals in their best and final offer (BAFO).

CMSS then analyzed and re-ranked suppliers' BAFO pricing for each zone. As per the award process outlined in the NRFP, the City has computed the cost for all award combinations. The following conditions stipulated in the NRFP were applied:

- suppliers' response on Zone Capability Declaration indicating Zone(s) they are capable of operating if awarded
- suppliers' response on Volume Discount if awarded with two (2) Zones
- suppliers can be awarded up to two (2) Zones

CMSS selected the 3 top ranked suppliers based on the award scenario with the lowest total cost to award all Zones inclusive of any volume discount offered.

Stage 5: Optional Contract Negotiations

The City had an option to exercise Stage 5 – Optional Contract Negotiation with suppliers recommended for award to:

- Requests by the City for supplementary information from the supplier to verify clarify or supplement the information provided in its proposal
- confirmation of the conclusions reached in the evaluation discussions
- requests for changes to the reporting system proposed in the supplier's proposal
- discussions on the implementation of value-added services; and
- may include requests by the City for performance terms from the supplier

Stage 5 - Optional Contract Negotiations was not exercised as no further supplementary information or changes were required from suppliers recommended for award.

Fairness Monitor & Fair Wage Conclusion:

After reviewing all required documents and participating in required meetings, evaluation discussions, and the CCM process, the Fairness Monitor concluded that the nRFP process satisfied the principles of openness, fairness, consistency, and transparency. An Attestation Report from the Fairness Monitor on the nRFP is included as Attachment 2 of this report.

The Fair Wage Office has reported that the recommended firms have indicated that they have reviewed and understand the Fair Wage Policy and Labour Trades requirements and have agreed to comply fully.

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SIGNATURE

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ATTACHMENTS

Attachment 1: Contract Award Summaries

Attachment 2: Fairness Monitor Report