



Strategic Procurement Update: Enabling Mid-Sized Vendors to Bid on Work at TCHC

Item 12

January 25, 2024

Building Investment, Finance and Audit Committee

Report: BIFAC:2024-02

To: Building Investment, Finance and Audit Committee
("BIFAC")

From: Senior Director, Strategic Procurement

Date: January 12, 2024

PURPOSE:

The purpose of this report is to seek the Building Investment, Finance and Audit Committee's ("BIFAC") feedback on measures that the Strategic Procurement Unit ("SPU") is recommending to attract various sized vendors to bid on work at Toronto Community Housing ("TCHC").

At its April 20, 2022 meeting, the GCHRC requested the Strategic Procurement to review the procurement process and identify opportunities to enable mid-sized vendors to participate in contract competition, and report back. This report responds to that request.

This request originally came up at Governance, Communications and Human Resources Committee ("GCHRC"), however following consultation with the GCHRC Chair and as reported through the GCHRC at its January 30, 2023 meeting, all Procurement-related action items were moved to the Action Item Lists of the BIFAC as this work more appropriately falls within their jurisdiction.

Further information will be presented to BIFAC at the March 18, 2024 meeting that pertains to demographic information, as that forms part of the social procurement review.

RECOMMENDATIONS:

It is recommended that the BIFAC receive this report for information and provide any feedback on the proposed measures to attract various sized vendors to bid on work at TCHC.

REASONS FOR RECOMMENDATIONS:

The Strategic Procurement Unit (“SPU”) at Toronto Community Housing Corporation (“TCHC”) leverages a fair, open and transparent competitive process. The SPU posts all competitions onto a trade regulated public platform called Bonfire that is available to any supplier.

SPU supports various complex business unit needs ranging from securing land developers, construction services including both consulting and physical good purchases, such as equipment and general services (e.g. janitorial and specialized work like electrical and HVAC services), to critically sensitive information technology requirements and general corporate-wide related professional services.

SPU engages with the respective business units in designing a clear and well-defined scope of work to address their specific organizational need(s) in accordance with the Procurement Policy, which emphasizes value for money. This means that the selection of goods, services and construction will be based on an optimal combination of relevant factors, beyond the price, and leveraging the aggregate spend to achieve economies of scale, where possible.

This includes such factors as:

- Total cost of acquisition;
- Quality and fit-for-purpose issues;
- Product or service lead time and delivery schedule;
- Vendor performance;
- Product or service support;
- Environmental and sustainability issues;
- Support and maintenance considerations;

- End-of-life disposal; and
- Other corporate objectives.

SPU – COMPETITIVE PROCESS PRELIMINARY REVIEW:

The current competitive process for construction and development contracts is designed to support established and particular requirements that are anchored by the layout and design of the TCHC building(s) and land guidelines. This includes, but is not limited to, building age, structural design, use of land and adjacent land development feasibility, etc., and many of these detailed specifications require specialized services, which TCHC clearly stipulates as part of the competitive scope requirements.

In addition to the specially designed scope deliverables, for all TCHC procurement opportunities, SPU works collaboratively with the business unit(s) in establishing minimum thresholds for evaluation purposes. The intent is to capitalize on supplier responses that demonstrate a clear understanding of the complexities of the requested deliverables, along with affirmation of the supplier's ability and capacity to support TCHC's requirements. Such evaluations are conducted in accordance with TCHC's procurement policy's value for money governance model.

Furthermore, suppliers' seeking to partner contractually with TCHC must submit responses that factor in industry-specific market conditions, ensuring to reference how they intend to keep up with escalating risks such as global economic expansion/reduction, resource scarcity, rising inflation, cybersecurity risks, environmental and social concerns, and many other ongoing supply chain challenges.

TCHC's competitive processes are subject to cross functional committee evaluations and analysis. The resulting award is then confirmed with respondents whose proposal demonstrates the depth and breadth of business requirements to perform the work, inclusive of overall value for money, as well as the ability and capacity to handle the very particular requirements associated with working in TCHC's portfolio.

RECOMMENDATIONS TO ATTRACT VARIOUS SIZED SUPPLIERS:

To continue to evolve and grow TCHC's value-added procurement practices, the following recommendations are aimed to promote and attract various sized businesses. Considerations will be piloted in early 2024 and will be

fully implemented by the end of 2024 if deemed successful and economically feasible.

Recommendation # 1: Vendor Outreach Program

A full vendor outreach program is currently being reviewed for implementation in all competitive initiatives. The vendor outreach is targeted at several stages in the competition including prior to a competition posting, during the posting and after competition has closed.

A pilot for the vendor outreach phase prior to posting has already been processed with a very high level of excitement from various vendors, some of whom were completely new to the public sector tendering process.

Next steps:

SPU management will complete a full draft of all stages of the vendor outreach program and commence training and implementation for all competitions, while concurrently measuring its success. This is targeted for full implementation by December 2024.

Outcome Expected:

Early vendor engagement, along with a solid strategy to advertise and promote TCHC's competitive business opportunities, will support in improving the quantity and quality of interested suppliers who put forward bid submissions.

Recommendation # 2: Revisiting Minimum Thresholds

Revisiting the minimum threshold requirements when evaluating competitions and either easing or removing it all together will promote more qualified suppliers' proposals being reviewed and evaluated, which in turn may result in varying sized business being awarded work at TCHC.

Minimum thresholds are a set of criteria that disqualify any vendor who did not meet the requirements and by reducing or eliminating the minimum thresholds, TCHC will, in effect, promote more qualified suppliers' proposals to be reviewed and evaluated, which in turn may result in varying sized businesses being awarded work. This is contingent on processes being amended under the procurement process guidelines.

Next steps:

SPU will start the process of revamping the RFx process to remove the minimum threshold criteria, taking into consideration the TCHC-specific business needs and along with a review of the procurement policy. This work will be in collaboration with the various business units and will receive the necessary legal support. Following this review, a few pilot competitions will be conducted to test the efficacy and efficiency of this change.

Outcome Expected:

The expectation is that there will be a spike in the number of respondents who express interest in submitting proposals to TCHC as their proposals will gain more traction through the evaluation process. In turn, suppliers would be able to request feedback on their overall response quality, as applicable, in comparison to their competition and in support of improving their future proposal content quality.

Recommendation # 3: Leverage Requests for Information

SPU will encourage and promote initial market gathering through Requests for Information (“RFI”) prior to a competitive process. This is a step that is currently not regularly used, although it is recommended as a preliminary step to any competitive process. Its benefits span widely from generating awareness of supplier changing landscapes, to clarity on general supplier operations and accompanying budgets to support TCHC in scaling expectations of work either up or down based on specific needs. This, in turn, would help to elevate mid and small sized businesses since certain businesses may not need the high scalability features.

Next steps:

SPU management will work to identify a few pilot competitions for which an RFI can be applied and gauge success rates. Some pilots are already underway that aim to raise awareness amongst TCHC stakeholders as to the many benefits an RFI process provides to both the vendor community and TCHC.

Outcome Expected:

It is anticipated that this process will provide clarity of current industry standards and any challenges within particular industries. This, in turn, will help calibrate competitive expectations and set the stage for TCHC to review proposals from organizations of various sizes and structures, with a stronger

chance for mid and small sized organizations to secure more business opportunities.

Recommendation # 4: Supplier Outreach Days

SPU will reach out to the City of Toronto to investigate the feasibility of conducting supplier outreach days and doing so in conjunction with the City Purchasing Group (“CPG”) Co-operative. The intent is to advertise and market how interested suppliers can do business with TCHC and provide education to public sector procurement processes. This will also serve as an opportunity to have the suppliers provide high level presentations of their services to interested business units within TCHC or CPG in general.

Next steps:

SPU management will connect with City of Toronto peers in regards to the logistics and feasibility of this proposal, as well as add this topic to an upcoming CPG meeting agenda to gauge their interest and ability to support with this initiative.

Outcome Expected

Suppliers will see TCHC and CPG’s efforts in taking the first step to build trust and transparency in providing education regarding public sector procurement practices. It is anticipated that this will in turn lead to an increase in the number of suppliers interested in TCHC’s business and yield various sized supplier receiving awards.

Recommendation #5: Leverage Co-operative Purchasing & Buying Groups

SPU will continue to leverage co-operative purchasing and vendors/suppliers lists from buying groups such as Kinetic GPO, Ontario Education Collaborative Marketplace (“OECM”), and Supply Ontario, along with opportunities with the City of Toronto to further enhance TCHC’s ability to access various sized suppliers.

Next steps:

SPU management will outline specific categories of spend that qualify under a buying group arrangement and secure contracts through the various buying groups with the awarded successful supplier.

Outcome Expected:

Mid-sized qualified suppliers who have contractual arrangements with buying group organizations would have the ability to support TCHC's business needs.

IMPLICATIONS AND RISKS:

It is anticipated that the implementation of the measures outlined in this report will help to attract a more varied group of vendors who bid on work at TCHC. In doing so, it is anticipated that more small and mid-sized vendors will be enabled to do business with TCHC, creating a wider and more diverse pool of vendors who provide services to TCHC and the communities we serve.

SIGNATURE:

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