



## Report of the General Manager

### **Laundry Service Contract Extension and Proposed New Contract Term**

#### **Recommendations**

It is recommended that:

1. The Board authorize an extension of the current laundry services contract between Housing York Inc. and Sparkle Solutions Corporation, expiring on October 31, 2023 for up to four additional months, if required.
2. The President be authorized to exercise the extension of the contract for up to an additional four months, with an expiry date no later than February 29, 2024, on the same rates and terms as the current contract, provided that the contractor has performed the services to the satisfaction of the President and that the projected revenues continue to represent good value.
3. The Board authorize a term of up to seven years for future laundry service contracts.

#### **Summary**

This report seeks Housing York Inc. (HYI) Board approval to extend T-18-23 – Supply, Installation and Maintenance of Cash to Card Operated Laundry Equipment for four months to allow additional time to implement a new contract.

Key Points:

- In 2018, Sparkle Solutions Corporation (Sparkle), was awarded a five-year contract for laundry services ending October 31, 2023
- An extension of the existing contract is required to facilitate new contract implementation
- A proposed seven-year term is recommended to align with current market practices, optimize potential revenue and reduce disruptions to residents

#### **Background**

**Housing York Inc. procures laundry equipment services for most properties across the portfolio**

HYI has tendered laundry services since 2001. Washers, dryers and related equipment such as laundry machine pedestals and cash-to-card loading machines are provided in all residential

buildings and at most townhouse locations under contract with a service provider. The vendor is responsible for the installation and maintenance of all laundry equipment, and HYI supplies and pays for all utility costs (hot and cold water supply, gas, electricity) associated with the contracted services.

The laundry equipment is conveniently located in common areas of each property and services are offered at rates lower than private laundromats. Over 70% of HYI residents rated laundry services as “good” and “very good” in the most recent 2022 resident survey.

The laundry services contract generates revenue for HYI. When the services were last procured in 2018, Sparkle was awarded the contract with a total projected revenue for HYI of \$1,090,769.16 for a five-year term. Revenue contracts are awarded to the compliant bidder with the highest revenue projection.

## Analysis

### **The contract with Sparkle may require an extension to facilitate new contract implementation**

The current contract with Sparkle expires October 31, 2023. The tender will be released to market in June 2023. The successful bidder will be required to install new equipment at 35 HYI properties. If a new vendor is successful, coordination of equipment removal and installation as well as resident refunds on laundry cards will require time. The implementation of the new contract may require several months. It is recommended that the existing contract with Sparkle be extended for up to four months to fully implement a new laundry services contract. HYI will likely approve the contract during summer recess and report back to the Board through the September 2023 Quarterly Contract Awards report..

### **The new laundry services tender proposes a seven-year term to align with current market practices**

A scan of similar third-party laundry service procurements was completed to support the development of the new laundry services tender. Most laundry concession contracts, as noted in Table 1, include a term greater than five years, with seven years as the most popular term length.

**Table 1**  
**Contract term summary by Public Entity**

Entity	Total Contract Term
Toronto Community Housing	10 years
Northumberland County	10 Years
City of Hamilton	7 years
City of Cornwall	7 years
Durham Region	7 Years
Peel Region	7 Years
City of Brantford	5 years

The current contract with Sparkle is five years with a recommended term of up to seven years for future contracts. The benefits to a longer-term contract include:

- Potential revenue increases for HYI as vendor's capital costs are amortized over a longer contract period while also optimizing the useful life of the laundry equipment
- Reduction of disruptions to residents with equipment changes, laundry card administration
- Alignment with current market practices of similar organizations

### **Housing York Inc.'s Purchasing Bylaw 1-18 specifies procurement activities that require Board approval**

Pursuant to Section 12.3 and Section 18.1 of [Purchasing Bylaw No.1-18](#), a report shall be submitted to the Board seeking approval for a proposed contract term that would result in aggregate terms of greater than five years and a scope change that requires the extension of the contract that would result in a total contract term of more than five years.

Extending the current contract with Sparkle up to an additional four months extends the contract beyond five years. There are no renewal options included in the contract with Sparkle. Board approval is required to extend the existing contract. Under Section 16.1 of HYI's Purchasing Bylaw, no extension of a contract may be granted if the Region or HYI is engaged in unresolved litigation with the vendor. Management has confirmed that there is no litigation between Sparkle and the Region/HYI.

Board approval of contracts with a proposed term of greater than five years is required at the time of award. As the award of the contract will likely take place over summer recess when the Board does not meet, the Purchasing By-law authorizes the President to award the contract. The Board will be notified of the award and contract term through the September 2023 Quarterly Contract Awards report.

### **Financial Considerations**

HYI generates non-rental revenue from several sources including parking charges, antenna licenses, commercial space rental and laundry services. In 2022, revenue from the laundry service contract was \$268,676, which represents 12.6% of all non-rental revenue. The contemplated four month contract extension with Sparkle is expected to generate approximately \$22,000 monthly and up to \$88,000 of non-rental revenue for HYI for the full four month extension. The revenue projection is consistent with current monthly revenue received in year five of the contract and represents good value. While some of these revenues are used to offset the cost of utilities to provide laundry services to residents, the laundry services contract provides an important revenue stream for HYI.

### **Local Impact**

The laundry services contract provides an important service to residents living in properties across York Region.

### **Conclusion**

HYI contracts with a third party to provide laundry equipment and maintenance across most of the residential portfolio. The 2022 HYI resident survey indicated that residents were satisfied with the services provided by Sparkle. As the contract expires in October 2023, an extension to

the contract is requested to support the transition to a new laundry contract. Management recommends a seven-year contract when the contract is retendered later this year.

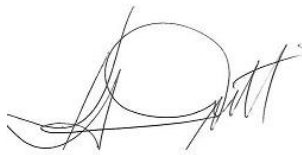
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For more information on this report, please contact Joshua Scholten, Acting Director, at 1-877-464-9675 ext. 72004. Accessible formats or communication supports are available upon request.



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