

Water and Waste Department

Solid Waste Collection Services Business Plan

Presentation to ASD Committee

May 17, 2005



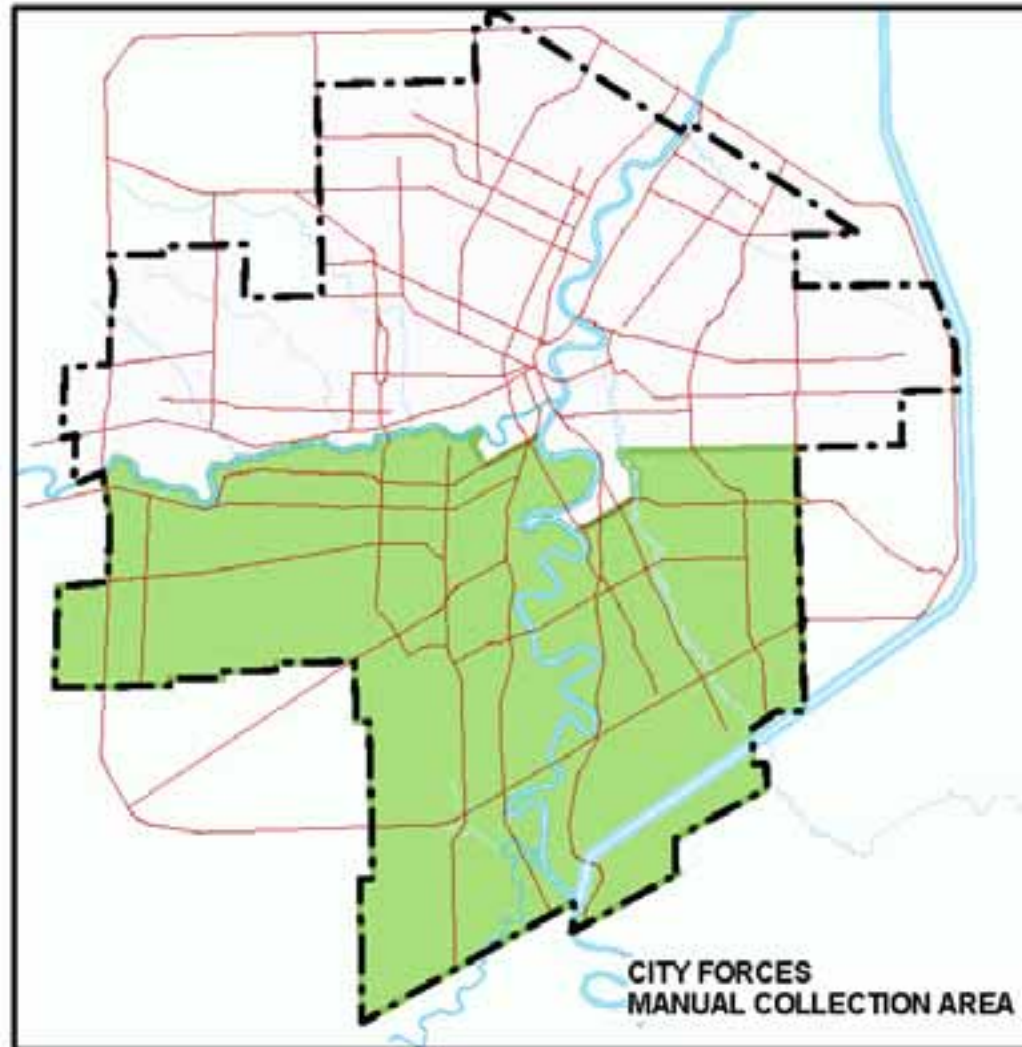
Reason for the Report

- On April 21, 2004, Council concurred in the recommendation of the Alternate Service Delivery Committee and adopted the following:

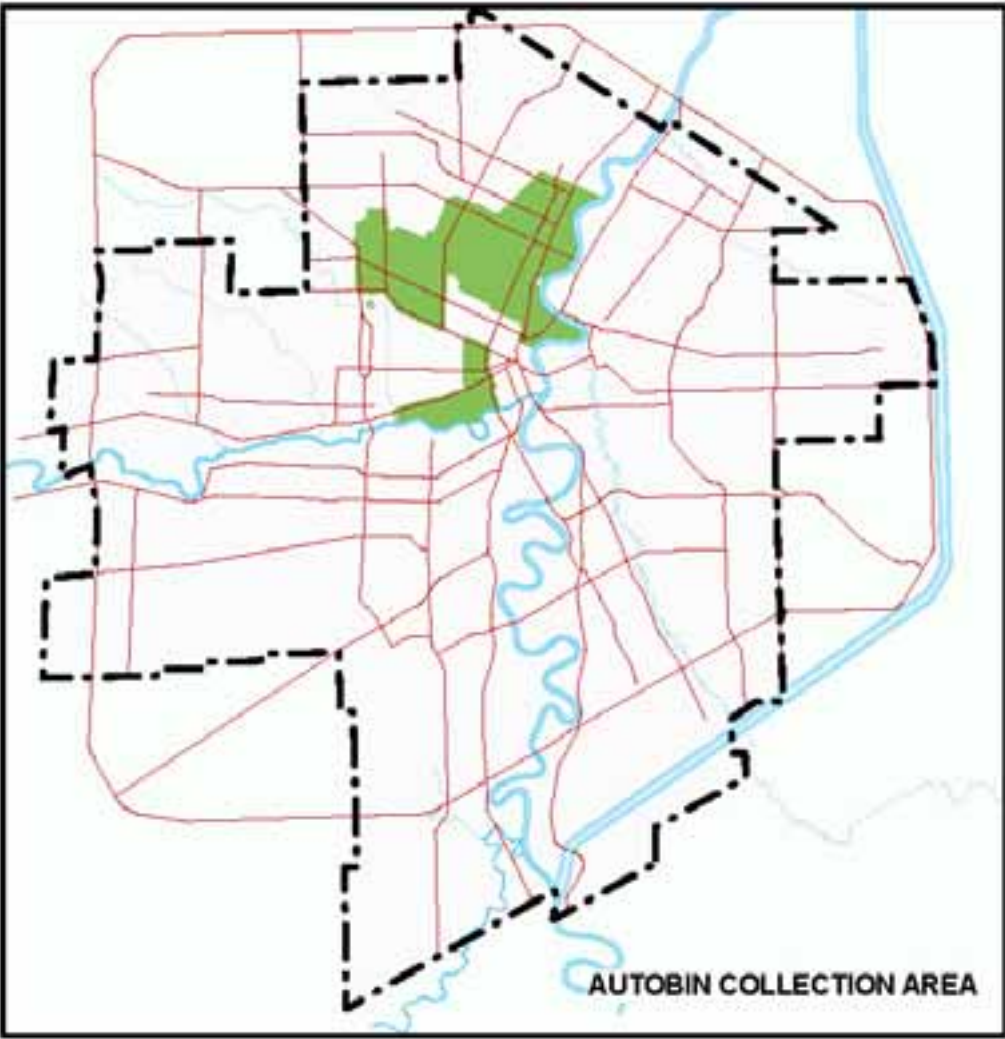
“That the Administration be directed to prepare a business plan consistent with the collective agreement and the Alternative Service Delivery (ASD) process related to the provision of solid waste collection services in the City of Winnipeg providing a comparison of the following alternatives;

- *Productivity improvements for City staff currently providing the service; or*
- *Contract out the manual collection and/or AutoBin collection work currently done by City forces.”*

Manual Collection



AutoBin Collection



Solid Waste Collection – Single Family

Table 2 – Single Family Dwelling Units Summary (2002)

| Area | Service Type/Provider | Single-family Dwelling Units |
|-------------|-------------------------------------|-------------------------------------|
| Northwest | Manual Collection/Contracted Forces | 42,756 |
| Northeast | Manual Collection/Contracted Forces | 42,575 |
| Central | AutoBin Collection/City Forces | 30,476 |
| South | Manual Collection/City Forces | 63,733 |
| Total | | 179,540 |

Solid Waste Collection – Multifamily

Table 3 – Multifamily Dwelling Units Summary (2002)

| Area | Service Type/Provider | Multifamily Dwelling Units |
|-------------|--|-----------------------------------|
| Northwest | Front End Collection/Contracted Forces | 30,423 |
| East | Front End Collection/Contracted Forces | 25,226 |
| Southwest | Front End Collection/Contracted Forces | 19,872 |
| Central | AutoBin Collection/City Forces | 7,643 |
| South | Rear Load Collection/City Forces | 1,697 |
| Total | | 84,861 |

Options

Table 1 – Service Delivery Options

| Option | Manual Collection | AutoBin Collection |
|---------------|---|---|
| 1 | City Staff Internal Improvements | Contract Out |
| 2 | Contract Out | City Staff Internal Improvements |
| 3 | City Staff Internal Improvements | City Staff Internal Improvements |
| 4 | Contract Out | Contract Out |

ASD Study Project

- Internal Improvements Team
- Contract Out Team
- Human Resources Team
- Financial Analysis Team

Internal Improvements

| Production Efficiency Measure | Before | After |
|--------------------------------------|-------------------|-------------------|
| <u>Manual</u> | | |
| Average Dwelling Units/Day/Crew | 715 ¹ | 1022 ² |
| Average Tonnes/Load | 6.9 | 7.9 |
| <u>AutoBin</u> | | |
| Average Tonnes/Paid Hour | 1.54 ³ | 1.84 ⁴ |
| Average Tonnes/Load | 5.6 | 6.3 |

¹Eight hour shift

²Ten hour shift

³Eight hour shift

⁴Eleven hour shift

Employment Security

The collective agreement provides for employment security for permanent employees.

“4-2 During the life of this Agreement, no permanent employee shall be laid off provided they accept any reasonable offer of alternative employment made by the City. This provision shall expire on December 30, 2005 (the end of Pay Period #26, 2005). “[1]

[1] Collective Agreement December 29, 2002 to December 30, 2005, Article 4-2

Comparative Financial Analysis

- 2002 used as base year
- Ten year net present value analysis
 - 3.5% discount rate used (net of inflation)
 - No growth in number of dwellings
 - No growth in solid waste quantities
- Civic Accommodations impact included
- Fleet Management Agency impact included

Options – 10 Year NPV

| OPTIONS | 2002 - Status Quo | Option 1 | Option 2 | Option 3 | Option 4 |
|---------------------------------------|----------------------|---|---|---|------------------------|
| Manual Collection | City Staff | City Staff - Internal Improvements | Contract Out | City Staff - Internal Improvements | Contract Out |
| Autobin Collection | City Staff | Contract Out | City Staff - Internal Improvements | City Staff - Internal Improvements | Contract Out |
| Operating Costs | | | | | |
| Manual | | | | | |
| Salaries and Benefits | \$ 26,454,978 | \$ 21,245,531 | \$ 1,374,966 | \$ 21,245,531 | \$ 1,193,742 |
| Equipment | 10,351,998 | 8,254,471 | 205,420 | 8,254,471 | 160,228 |
| Contracts | - | - | 16,722,266 | - | 16,722,266 |
| Tipping Fees | 11,758,268 | 11,595,424 | 11,758,268 | 11,595,424 | 11,758,268 |
| Other Operating | 1,046,388 | 1,065,192 | 859,212 | 1,065,192 | 854,821 |
| | 49,611,633 | 42,160,618 | 30,920,132 | 42,160,618 | 30,689,324 |
| Autobin | | | | | |
| Salaries and Benefits | 7,001,265 | 1,293,189 | 6,524,893 | 6,524,893 | 1,062,540 |
| Equipment | 9,817,595 | 205,420 | 9,353,678 | 9,353,678 | 147,903 |
| Contracts | 373,689 | 12,091,701 | 415,830 | 415,830 | 12,091,701 |
| Tipping Fees | 7,137,443 | 7,137,443 | 7,137,444 | 7,137,444 | 7,137,443 |
| Other Operating | 998,068 | 506,352 | 1,089,509 | 1,089,509 | 500,764 |
| | 25,328,060 | 21,234,105 | 24,521,353 | 24,521,353 | 20,940,350 |
| Subtotal Operating Costs | 74,939,693 | 63,394,723 | 55,441,485 | 66,681,971 | 51,629,674 |
| Facility Costs | 749,314 | 803,494 | 509,493 | 803,494 | 356,101 |
| Total Operating Cost | 75,689,007 | 64,198,216 | 55,950,978 | 67,485,465 | 51,985,775 |
| Transition Costs | | | | | |
| City Staff | - | - | 1,089,023 | - | 3,195,494 |
| Sale of Fleet Equipment | - | (882,136) | (645,030) | (270,136) | (1,257,030) |
| Fleet Management | - | 1,039,182 | 1,633,676 | 657,717 | 2,015,142 |
| Total Transition Cost | - | 157,046 | 2,077,670 | 387,581 | 3,953,606 |
| TOTAL COST | \$ 75,689,007 | \$ 64,355,262 | \$ 58,028,647 | \$ 67,873,045 | \$ 55,939,381 |
| NPV - Variance from Status Quo | | \$ (11,333,745) | \$ (17,660,360) | \$ (7,815,962) | \$ (19,749,626) |
| Equivalent Annual Cost | \$ 9,100,950 | \$ 7,738,165 | \$ 6,977,444 | \$ 8,161,148 | \$ 6,726,228 |

Options – Equivalent Annual Cost

| OPTIONS | 2002 - Status Quo | Option 1 | Option 2 | Option 3 | Option 4 |
|---------------------------------|---------------------|-----------------------|------------------------------|------------------------------|---------------------|
| | | City Staff - Internal | | City Staff - Internal | |
| Manual Collection | City Staff | Improvements | Contract Out | Improvements | Contract Out |
| Autobin Collection | City Staff | Contract Out | City Staff - Internal | City Staff - Internal | Contract Out |
| | | | | | |
| Operating Costs | | | | | |
| Manual | | | | | |
| Salaries + Benefits | \$ 3,180,983 | \$ 2,554,592 | \$ 165,328 | \$ 2,554,592 | \$ 143,537 |
| Equipment | 1,244,738 | 992,529 | 24,700 | 992,529 | 19,266 |
| Contracts | - | - | 2,010,708 | - | 2,010,708 |
| Tipping Fees | 1,413,830 | 1,394,250 | 1,413,830 | 1,394,250 | 1,413,830 |
| Other Operating | 125,819 | 128,080 | 103,313 | 128,080 | 102,785 |
| | \$ 5,965,371 | \$ 5,069,450 | \$ 3,717,879 | \$ 5,069,450 | \$ 3,690,126 |
| Autobin | | | | | |
| Salaries + Benefits | \$ 841,842 | \$ 155,495 | \$ 784,562 | \$ 784,562 | \$ 127,761 |
| Equipment | 1,180,481 | 24,700 | 1,124,699 | 1,124,699 | 17,784 |
| Contracts | 44,933 | 1,453,923 | 50,000 | 50,000 | 1,453,923 |
| Tipping Fees | 858,216 | 858,216 | 858,216 | 858,216 | 858,216 |
| Other Operating | 120,009 | 60,884 | 131,004 | 131,004 | 60,213 |
| | \$ 3,045,481 | \$ 2,553,218 | \$ 2,948,481 | \$ 2,948,481 | \$ 2,517,896 |
| Subtotal Operating Costs | \$ 9,010,851 | \$ 7,622,668 | \$ 6,666,360 | \$ 8,017,931 | \$ 6,208,023 |
| Facility Costs | \$ 90,099 | \$ 96,613 | \$ 61,262 | \$ 96,613 | \$ 42,818 |
| Total Operating Cost | \$ 9,100,950 | \$ 7,719,281 | \$ 6,727,622 | \$ 8,114,545 | \$ 6,250,841 |
| Transition Costs | | | | | |
| City Staff | \$ - | \$ - | \$ 130,945.62 | \$ - | \$ 384,230.62 |
| Sale of Fleet Vehicles | - | (106,069) | (77,559) | (32,482) | (151,147) |
| Fleet Management | - | 124,953 | 196,435 | 79,085 | 242,303 |
| Total Transition Cost | \$ - | \$ 18,883 | \$ 249,822 | \$ 46,603 | \$ 475,387 |
| TOTAL COST | \$ 9,100,950 | \$ 7,738,165 | \$ 6,977,444 | \$ 8,161,148 | \$ 6,726,228 |

Summary of Options

| Service Component | <i>Manual</i> <i>Autobin</i> | 2002 | Option 1 | Option 2 | Option 3 | Option 4 |
|--|---------------------------------|------------------|--------------------|--------------------|-------------------|--------------------|
| | | Status | II ¹ | CO | II | CO |
| | | Quo | CO ² | II | II | CO |
| <i>Financial Summary</i> (in \$000s) ³ | | | | | | |
| Operating Costs | | \$ 75,689 | \$ 64,198 | \$ 55,951 | \$ 67,486 | \$ 51,986 |
| Transition Costs | | - | 157 | 2,078 | 387 | 3,954 |
| Total 10 Year NPV | | \$ 75,689 | \$ 64,355 | \$ 58,029 | \$ 67,873 | \$ 55,940 |
| <i>Variance from Status Quo</i> | | | \$ (11,334) | \$ (17,660) | \$ (7,816) | \$ (19,749) |
| <i>Operating Summary</i> | | | | | | |
| Staff Complement Water + Waste | | | | | | |
| Permanent FTEs | | 70.8 | 46.2 | 16.8 | 60.0 | 4.0 |
| Temporary FTEs | | 9.1 | 13.0 | 5.0 | 18.0 | - |
| Total FTEs | | 79.9 | 59.2 | 21.8 | 78.0 | 4.0 |
| Fleet Size (includes spares)⁴ | | 32 | 17 | 7 | 24 | 0 |
| <i>Transition Summary</i> | | | | | | |
| Staff Redeployment | | | | | | |
| Water + Waste | | | - | 3 | - | 15 |
| Fleet Management Agency | | | 7 | 10 | 6 | 15 |
| Total FTEs | | | 7 | 13 | 6 | 30 |

Notes

¹ II = Internal Improvements to city staff delivery of services

² CO = Contract out services

³ Ten year present value discounted at 3.5%

⁴ Light fleet excluded

Risks

- Internal Improvements options
 - High risk of not meeting productivity targets
- Contract out options
 - Low risk of price escalation associated with limited competition in the industry

Recommendation

1. That the attached Residential Solid Waste Collection – Alternative Service Delivery Business Plan dated April 25, 2005 be approved subject to:
 - a. In accordance with the collective agreement, that the Chief Administrative Officer provide formal notice to Canadian Union of Public Employees (CUPE) of the intention to arrange for outside delivery of these services.
 - b. In accordance with the collective agreement, the Joint Council-CUPE Committee meet within 30 days of the notification to CUPE and provide a report to the Executive Policy Committee within 45 days of the notification to CUPE.

Rationale

- The business plan process thoroughly explored four alternatives, and provided a fair and detailed comparison of the costs and consequences associated each option.
- This is an opportunity to continue to meet citizen expectations and to provide the service at a substantially reduced cost.
- The risk of cost escalation in contractor pricing is mitigated by the number of competitive firms and the Solid Waste contracting strategy fosters a fair and competitive bidding process. The City has been successful with contracting out.

Timeline

| Timeline | | | | |
|----------|--|------------------|------------------|--------------------------|
| | Event | Date | Day | Days from Notice to CUPE |
| 1 | ASD Meeting | 17-May-05 | Tuesday | |
| 2 | CUPE Notice | 18-May-05 | Wednesday | |
| 3 | Latest CUPE - Council Meeting - 30 days after notice | 17-Jun-05 | Friday | 30 |
| 4 | Latest Report to EPC - 45 days after notice | 01-Jul-05 | Friday | 44 |
| 5 | EPC Meeting | 20-Jul-05 | Wednesday | |
| 6 | Council Meeting | 27-Jul-05 | Wednesday | |
| 7 | Earliest Contract Out Date - 90 days after notice | 16-Aug-05 | Tuesday | 90 |
| 8 | Issue Tenders | 28-Jul-05 | Thursday | |
| 9 | Tenders Close | 25-Aug-05 | Thursday | |
| 10 | Award reports to SPC on Public Works | 13-Sep-05 | Tuesday | |
| 11 | Award reports to EPC | 21-Sep-05 | Wednesday | |
| 12 | Award reports to Council | 28-Sep-05 | Wednesday | |
| 13 | Actual Start-up - 180 days after award | 27-Mar-06 | Monday | |
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