

**Agenda - Alternate Service Delivery Committee - May 17, 2005**

**REPORTS**

**Item No. 1                    Solid Waste Collection Services Business Plan – May 2005  
Files WT-1 and WT-1.3**

ADMINISTRATIVE 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.

**RE: SOLID WASTE COLLECTION SERVICES BUSINESS PLAN**

**FOR SUBMISSION TO:** Alternative Service Delivery Committee  
**ORIGINAL REPORT SIGNED BY:** Director of Water and Waste Department  
**REPORT DATE:** May 6, 2005

**RECOMMENDATION(S):**

- 2. 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.

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**REPORT SUMMARY**

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**KEY ISSUES:**

The attached business plan recommends contracting out of solid waste collection services for both manual and AutoBin collection.

**IMPLICATIONS OF THE RECOMMENDATION(S):**

**General Implications**

- None
  - For the organization overall and/or for other departments
  - For the community and/or organizations external to the City of Winnipeg
  - Involves a multi-year contract
- Comment(s): Adoption of the recommendation will reduce the demand for space provided by Planning Property and Development as well as fleet services provided by the Fleet Management Agency.

**Policy Implications**

- No
- Yes – Comment(s):

**Environmental Implications**

- None
- Yes – Comment(s):

**Human Resources Implications**

- No
- Yes – Comment(s): Contracting out of services will result in a reduction of permanent and temporary employees of the City of Winnipeg

**Financial Implications**

- Within approved current and/or capital budget
- Current and/or capital budget adjustment required  
Comment(s): Contracting out of services will result in a saving of tax dollars as outlined in the report.

**REPORT**

**REASON FOR THE REPORT:**

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

1. *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;*
  - A. *Productivity improvements for City staff currently providing the service; or*
  - B. *Contract out the manual collection and/or AutoBin collection work currently done by City forces.*
2. *That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.*

**DISCUSSION:**

The previous report outlined that savings of approximately \$3 million per year less transition costs over the status quo could be expected if the portion of solid waste collection by City forces were contracted out. The report outlined the reasons for this discrepancy and recommended a more detailed examination and preparation of a business plan.

The business plan has now been completed and is attached. The business plan includes a ten year present value analysis of the cost of internal servicing versus contracting out. Transition costs including employment security for permanent employees are accounted for in the business plan.

It is now appropriate for City Council to decide to proceed with contracting out or to retain the work internally.

The business plan considered and analyzed four options as follows:

1. Option 1 – Internal improvements to City staff providing manual collection and contract out AutoBin collection.
2. Option 2 – Contract out manual collection and internal improvements to City staff providing AutoBin collection.
3. Option 3 – Internal improvements to City staff providing both manual and AutoBin collection.
4. Option 4 – Contract out both manual and AutoBin collection.

A comparative summary of each of these options is presented in the following table:

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

*Notes*

<sup>1</sup> II = Internal Improvements to city staff delivery of services

<sup>2</sup> CO = Contract out services

<sup>3</sup> Ten year present value discounted at 3.5%

<sup>4</sup> Light fleet not included

A more detailed cost breakdown from the Business Plan is attached.

The business plan recommends that the Water and Waste Department be directed to proceed with Option 4 – namely the contracting out of the manual collection work in the south area and the AutoBin collection work in the north central area of the City of Winnipeg.

The reasons for this recommendation are as follows:

1. This service delivery option will provide the service at the lowest cost to the residents of Winnipeg over the 10 year period considered in this business plan. After the business plan period, this option would provide even larger savings since the transition costs will no longer apply.
2. The risks associated with this option are mainly related to the escalation of contract pricing. The Solid Waste Services Division has a contracting strategy that fosters a fair and competitive bidding process. The number of bids received has always been sufficient to indicate that the marketplace is competitive and there is no known reason to expect this to change in the future.
3. The risks associated with achieving the savings in the internal improvement options are significant. These risks cannot be mitigated by the Water and Waste Department. As a result, the full savings of the internal improvement options would not likely be achieved.
4. Currently the difference in cost between contract and City forces doing the work can be attributed to two factors – productivity and the cost of labour. The internal improvement options presented in this business plan still assume productivity that is lower than the productivity in the private sector. A system with lower productivity by City workers at higher wages is not considered sustainable.

From a human resource perspective the impact of the recommendation is a significant reduction of permanent positions from about 70 to 4. However, non-permanent staff currently occupies a large number of these permanent positions. Redeployment into positions occupied by non-permanent staff as well as vacancies, retirements and attrition, necessitate only 15 permanent staff within the Solid Waste Division be redeployed. In addition another 15 staff will need to be redeployed from Fleet Management. The cost of these redeployments is accounted for in the business plan as transition costs. Non-permanent staff displaced by this workforce adjustment process will be deployed throughout the City through the normal layoff and recall process.

In terms of next steps, the collective agreement requires the following with respect to outsourcing of CUPE work.

*“In all instances of changes regarding alternate sources of service delivery which affect the workloads assigned to CUPE rated staff, the following process shall apply:*

- 1. The City shall provide a minimum of 90 days' notice to the Union of its intention to arrange for the outside delivery of services currently provided by CUPE rated staff. Said notice, including a copy of the related business plan, shall also be supplied to all members of the Joint Council - CUPE Committee.*
- 2. Concurrent with the above noted provision, the Joint Council- CUPE Committee shall meet within 30 days, to discuss the business plan and concerns, if any, regarding impact on CUPE employees.*
- 3. Within 45 days of the initial notification, the Joint Council - CUPE Committee shall report to the Executive Policy Committee regarding the discussions that have taken place.”<sup>1</sup>*

After the above process, the Executive Policy Committee would make a recommendation to Council. If Council elects to proceed with the recommended option, it will take about nine months to implement as discussed in the business plan.

#### **FINANCIAL IMPACT:**

The following financial impact statement for this project has been prepared in accordance with the recommendation adopted by Council on December 13, 2000.

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<sup>1</sup> Collective Agreement December 29, 2002 to December 30, 2005, Letter of Understanding Re: Changes in Staffing Levels.

**Financial Impact Statement    Date:**

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**Project Name:**                    **SOLID WASTE COLLECTION SERVICES BUSINESS PLAN**

**COMMENTS:**

The attached business plan provides a comparative ten year present value financial analysis of the cost savings of contracting out versus the status quo. The equivalent annual savings are approximately \$3 million per year. There is no financial impact prepared for the recommendations in this report because the base year for this analysis was 2002 and some internal improvements have already been made and the operating budget impacts can only be determined once Council makes a decision and detailed plans for implementation of the preferred service delivery method are prepared.

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Moira L. Geer C.A.  
Manager of Finance & Administration

**IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH AND CONCURRENCE BY:**

N/A

**THIS REPORT SUBMITTED BY:**

Department: Water and Waste Department  
Prepared by: Barry MacBride, P. Eng.  
File No. 011-15-10-03-00



SolidWasteCollection  
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**Solid Waste Collection ASD Study  
Summary of Service Delivery Options  
(10 Year NPV discounted at 3.5%)**

OPTIONS	2002 - Status Quo	Option 1	Option 2	Option 3	Option 4
<b>Manual Collection</b>	<b>City Staff</b>	<b>City Staff - Internal Improvements</b>	<b>Contract Out</b>	<b>City Staff - Internal Improvements</b>	<b>Contract Out</b>
<b>Autobin Collection</b>	<b>City Staff</b>	<b>Contract Out</b>	<b>City Staff - Internal Improvements</b>	<b>City Staff - Internal Improvements</b>	<b>Contract Out</b>
<b>Operating Costs</b>					
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
<b>Subtotal Operating Costs</b>	<b>74,939,693</b>	<b>63,394,723</b>	<b>55,441,485</b>	<b>66,681,971</b>	<b>51,629,674</b>
Facility Costs	749,314	803,494	509,493	803,494	356,101
<b>Total Operating Cost</b>	<b>75,689,007</b>	<b>64,198,216</b>	<b>55,950,978</b>	<b>67,485,465</b>	<b>51,985,775</b>
<b>Transition Costs</b>					
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
<b>Total Transition Cost</b>	<b>-</b>	<b>157,046</b>	<b>2,077,670</b>	<b>387,581</b>	<b>3,953,606</b>
<b>TOTAL COST</b>	<b>\$ 75,689,007</b>	<b>\$ 64,355,262</b>	<b>\$ 58,028,647</b>	<b>\$ 67,873,045</b>	<b>\$ 55,939,381</b>
<b>NPV - Variance from Status Quo</b>		<b>\$ (11,333,745)</b>	<b>\$ (17,660,360)</b>	<b>\$ (7,815,962)</b>	<b>\$ (19,749,626)</b>
<b>Equivalent Annual Cost</b>	<b>\$ 9,100,950</b>	<b>\$ 7,738,165</b>	<b>\$ 6,977,444</b>	<b>\$ 8,161,148</b>	<b>\$ 6,726,228</b>

**EQUIVALENT ANNUAL COST BASIS**

<b>Operating Costs</b>					
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
<b>Subtotal Operating Costs</b>	<b>\$ 9,010,851</b>	<b>\$ 7,622,668</b>	<b>\$ 6,666,360</b>	<b>\$ 8,017,931</b>	<b>\$ 6,208,023</b>
Facility Costs	\$ 90,099	\$ 96,613	\$ 61,262	\$ 96,613	\$ 42,818
<b>Total Operating Cost</b>	<b>\$ 9,100,950</b>	<b>\$ 7,719,281</b>	<b>\$ 6,727,622</b>	<b>\$ 8,114,545</b>	<b>\$ 6,250,841</b>
<b>Transition Costs</b>					
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
<b>Total Transition Cost</b>	<b>\$ -</b>	<b>\$ 18,883</b>	<b>\$ 249,822</b>	<b>\$ 46,603</b>	<b>\$ 475,387</b>
<b>TOTAL COST</b>	<b>\$ 9,100,950</b>	<b>\$ 7,738,165</b>	<b>\$ 6,977,444</b>	<b>\$ 8,161,148</b>	<b>\$ 6,726,228</b>