

CITY OF NANAIMO

**REVIEW OF
CONTRACTED SERVICES**

Submitted to:

City of Nanaimo

Mr. Brian Clemens
Director of Finance

Submitted by:

MMK Consulting Inc.

Stuart MacKay
Jim Pammenter
Graeme Johnsen

FINAL DRAFT - January 27, 2012



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Mr. Brian Clemens
Director of Finance
City of Nanaimo
Nanaimo, BC
By email: brian.clemens@nanaimo.ca

Dear Mr. Clemens

Re: Review of Contracted Services

We are pleased to submit our report on this assignment.

In doing so, we would like to express our appreciation to you and your colleagues at the City of Nanaimo who have assisted us in undertaking the underlying research and analysis. All findings and conclusions, of course, are those of MMK Consulting.

We appreciate the opportunity to have assisted the City on this project, and would be pleased to respond to the City's questions or comments.

Yours truly,

A handwritten signature in black ink that reads 'Stuart MacKay'. The signature is written in a cursive, flowing style.

Stuart MacKay
President
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Executive Summary

The City of Nanaimo ("the City") has commissioned MMK Consulting ("MMK") to *"review programs and services that are currently performed by outside contractors [to the City of Nanaimo] and conduct an analysis to determine whether contracting out provides the best value to the City's taxpayers."* The study terms of reference also include provision to *"Review other programs and services provided by the City ... to determine if there are any that may be more effectively and efficiently provided by an outside contractor."*¹

Our work program included (1) identifying the priority areas for detailed examination, through a review of City expenditure records and discussions with staff, (2) describing the current operation, and defining an alternate operation involving higher or lower levels of contracting out, (3) comparing the costs of each operation, (4) noting other comparative factors, and (5) assessing the potential of the alternate operation to provide net cost savings and/or other benefits.

The potential of switching to the alternate operation is assessed as **high** if the benefits of changing clearly outweigh the costs; **medium** if the trade-offs between cost and other considerations could influence the decision in either direction; and **low** if there are no cost savings, or where potential savings are small in relation to other considerations. We have not provided assessments in a few cases where the initiative would raise significant collective agreement issues, since this would be a policy decision for the City.

Summary of findings

Our findings are summarized as follows:

- **Integrated Downtown Bylaw Enforcement and Parking/Security Patrols** – This topic was the subject of a previous 2010 MNP analysis, as well as a recent City presentation. The proposal is to integrate the City's in-house downtown non-parking bylaw enforcement with two contracted services – parking patrols and security patrols, in an in-house City operation. Our analysis identifies three key impacts:
 - A change in the nature of the patrol service, with City-staff patrol officers playing a more "ambassadorial" role in liaising with downtown businesses, residents and visitors
 - A 20% reduction in staff time spent directly on downtown bylaw enforcement and security activities, including a 17% reduction in the number of patrol hours.
 - A neutral fiscal impact on the City.

We assess the strength of the opportunity as **medium**.

- **Engineering Consulting** – There are three civil engineering position types – design engineer, design technician, and CADD technician – where the City contracts sufficient business to have potential cost savings by hiring additional staff. City Engineering staff indicate that, based on current workloads, they have sufficient work to keep at least one additional position fully occupied. We assess the strength of this opportunity as **high** for at least one additional position, and **medium** for up to two additional positions.

¹ City of Nanaimo Request for Proposal No. 1176, "Consultant Services - Review of Contracted Services,"

- **Residential Garbage and Kitchen Waste** – This collection service is currently provided in-house. Given the Regional District of Nanaimo’s cost experience in contracting out these services, we assess the short-run strength of the contracting-out opportunity as **low**. In the medium run, this issue should be considered in conjunction with the collection of residential recycling (see also following point).
- **Residential Recycling** – A contract for the collection and processing of residential recycling was awarded in early 2009, with all of the proceeds from recycling flowing back to the contractor. Since 2009 the prices of recycled materials (especially fiber) have increased significantly. If the City had chosen to collect recycling in-house, it would also likely be contracting with a processor, under terms leaving most of the recycling market risk with the municipality. Assuming this scenario, the City would likely have benefitted from the stronger markets in 2011, reducing its net costs of in-house recycling collection. However, the City is locked into the current contract until early 2014.

The best opportunity for the City to review its overall approach to collecting residential solid waste (garbage/kitchen waste and recycling) will be upon expiry of the current contract in March 2014. We recommend that the City review its residential solid waste strategy, including all-contracting and all in-house options, well in advance of that date.

- **Excavating and Trucking** – There are two areas of equipment – tandem dump trucks and backhoes – where that City’s utilization of hired equipment is sufficiently high to warrant consideration of acquiring an additional unit. We assess the strength of this opportunity as **medium**.
- **Hydro-flushing, Excavating and Video Inspection** – The City could likely achieve a moderate reduction in its overall costs by acquiring and operating a City-owned flush truck, and by upgrading its video inspection capabilities. We assess the strength of this opportunity as **medium**.
- **Animal Control** – An in-house operation would be no more cost-effective than the currently-contracted operation, even before considering the significant costs that would be entailed in replicating the current contractor’s specialist expertise. We assess the strength of this in-house opportunity as **low**.
- **Custodial (Janitorial) Services** – If the City were able to contract out approximately 19 current janitorial positions without penalty, and without placing “Fair Wage” requirements on contractors, potential annual cost savings are estimated as being in the range of \$260,000. However, this level of savings would not be available if the City required the contractor to comply with “Fair Wage” provisions. Other provisions in the collective agreement would also need to be considered.
- **Other Currently-Contracted Services** – Based on the detailed analyses presented in the later chapters of this report, we have assessed many other currently-contracted services as having **low** potential for in-house provision – including **electrical service and repair, plumbing, brushcutting, external painting, graffiti removal, fabrication and welding, fire hydrant servicing, HVAC repair and servicing, refrigeration maintenance and service, waste removal from City facilities/construction projects/parks, handyman cleanup services, landscaping, sports field spring treatment, traffic and street light maintenance, and tree cutting**. As detailed in the following pages, these areas are assessed as having low potential for in-house provision due to various combinations of (1) being more costly than the current contracted arrangement, (2) having too small a volume of work to justify hiring/training an in-house resource, and/or (3) requiring specialist expertise and/or equipment.

- **Other Areas** – A number of other contracted service areas were not analyzed in depth for various reasons. For example, the possibility of direct City provision of services at the Vancouver Island Convention Centre was not assessed, given the potential impact on attracting a major hotel investor that would likely want to operate the Centre itself. Other contracted services that were not assessed in detail include specialized IT services (e.g. SAP consulting), as well as external legal and accounting/audit services where independence is important and/or the nature of services provided is highly specialized.

Recommendations

Our recommended priorities for following up on this report are:

- That the City give further consideration to the proposal to establish an in-house daytime parking and security patrol function for downtown Nanaimo (see Chapter 2).
- That the City give further consideration to the hiring of one or more additional Engineering Services staff (see Chapter 3).
- That the City establish a “watching brief” with respect to residential solid waste collection and processing, with a view to undertaking a detailed review of the City’s options well in advance of March 2014 expiry of the current recycling contract (see Chapters 4 and 5).
- That the City give further consideration to the potential to add:
 - one tandem dump truck and/or back hoe (see chapter 6)
 - a hydro-flushing unit (see chapter 7).

We would also like to express our appreciation for the assistance we received from all parties - in particular the efforts of City staff in responding to our questions, and in providing the detailed information required to perform our analysis. All findings and assessments, of course, are those of MMK unless indicated otherwise.

1. Introduction

1.1. Study Objectives

The City of Nanaimo ("the City") has commissioned MMK Consulting ("MMK") to *"review programs and services that are currently performed by outside contractors [to the City of Nanaimo] and conduct an analysis to determine whether contracting out provides the best value to the City's taxpayers."* The study terms of reference also include provision to *"Review other programs and services provided by the City ... to determine if there are any that may be more effectively and efficiently provided by an outside contractor."*¹

1.2. Study Conduct

In performing this assignment, we:

- Reviewed the entire list of the approximately \$31 million (2010)² in contracted expenditures by the City, as listed in Appendix 1.
- Identified, in consultation with City staff, the areas of greatest potential interest in terms of increasing the in-house service provision, and/or increasing the use of contracted services:
 - Grouping the service providers by type of service, as illustrated in Appendix 1, to identify the service areas of sufficient size to be considered for analysis.
 - Reviewing the contractor list with City staff, to exclude some areas from further consideration because of the nature of the service (e.g. external audit, litigation support.), or because of the small dollar value of the expenditure.
 - Assigning priorities for detailed examination of each area, as indicated in Appendix 1, based on the expected potential for improvement (priority 1 being highest, and priority 3 being lowest).
 - Identifying, in consultation with City staff, the areas of greatest interest to study the potential for increased contracting out in certain areas (e.g. janitorial services).
- Documented the current situation, by gathering and analyzing available information. This step included an extensive sampling of contractor invoices, as well as conducting extensive personal interviews with City management staff as well as CUPE representatives, and in some cases speaking directly with the contract service providers³
- Specified the alternate operation(s) for each type of service, involving a lesser and/or greater level of contracting out of services, using the following guidelines:
 - For most types of service we examined, the services are currently being contracted, so that the alternate operation(s) involved performing some or all of the services in-house.

¹ City of Nanaimo Request for Proposal No. 1176, *"Consultant Services - Review of Contracted Services,"*

² We have confirmed with City staff that 2010 data are representative of a normal operating year for the City.

³ To avoid causing unnecessary concern, direct service provider contact was avoided where possible.

- For those types of services where the City currently uses a mix of contracted and in-house providers (e.g. landscaping, residential solid waste & recycling), we examined the potential to either increase or decrease the level of in-house provision of services.
- We also examined the potential for contracting out of the janitorial services that are currently being provided in-house by City staff.
- Analyzed and compared the current and alternate operation(s), in terms of cost and other factors (see also following discussion on methodology).
- Wrote up our findings and conclusions in this report, including the detailed analyses of individual service areas contained in the following chapters.
- Reviewed our findings in draft with City staff, prior to finalizing them.

All findings and conclusions are those of MMK Consulting, unless otherwise noted.

1.3. Advantages/disadvantages of contracted versus in-house service

Exhibit 1 presents an overview of some of the general advantages and disadvantages of contracted services, relative to in-house services.

Exhibit 1 – General advantages/disadvantages of contracted services

Advantages of contracted services	Disadvantages of contracted services
<ul style="list-style-type: none"> ■ Greater workforce flexibility – Contracting provides the City with flexibility in matching workforce supply to short-term needs requirements. Contractors can be hired and let go as workloads expand and contract. 	<ul style="list-style-type: none"> ■ Less direct control over specific activities – Contracted services provide City management with less direct control over contractor staff activities on a day to day basis, including the loss of guaranteed availability in urgent situations (except as contractually specified).
<ul style="list-style-type: none"> ■ More flexible labour relations environment – Most contractors operate in a more flexible labour relations environment than does the City. 	<ul style="list-style-type: none"> ■ Less flexibility in assigning staff to different service areas – Contractors can only assign staff to their contracted service area, whereas the City can re-assign staff to a wide range of City-provided service (to the extent permitted by its collective agreement).
<ul style="list-style-type: none"> ■ Contract accountability - Contractors are legally bound by the commitments and obligations set forth in their contract. 	<ul style="list-style-type: none"> ■ Contract management requirements – The process of hiring contractors must be managed and can be time-consuming, especially if the process must go through a formal bid and tender.

<ul style="list-style-type: none"> ■ Cost control - Contractors are paid to complete contract requirements, normally within a specified contract amount or with significant restrictions on the City's cost exposure. Contractors have a direct incentive to complete their contractual obligations in the most cost-effective way possible. 	<ul style="list-style-type: none"> ■ Job quality control – Since the contractor is managing the delivery of services, the City's control over job quality is indirect. In addition, the contractor's need to control costs also raises the potential for "cutting corners" with respect to job quality.
<ul style="list-style-type: none"> ■ Salary and wage cost base – Based on the research performed for this assignment, it appears that in some cases contractors have lower salary and wage rate bases than those of the City. 	<ul style="list-style-type: none"> ■ Cost and profit components – Unlike the City, contractors need to build into their pricing allowances for certain types of costs, as well as allowance for profits.
<ul style="list-style-type: none"> ■ Contractor breadth of experience and specialist expertise - Contractors may have a wider range of experience, from serving many customers/clients. They may also have higher levels of specialist expertise in providing specialized services, on an irregular basis, to a broad customer base. 	<ul style="list-style-type: none"> ■ Knowledge and understanding of the City's specific needs - Contractors in many cases may not have the same depth of knowledge and understanding of the City's specific circumstances and requirements.
<ul style="list-style-type: none"> ■ No payment for unproductive time – Contractors normally charge for time working at the worksite, while City labour costs typically reflect both (1) paid time not worked and (2) travel time to the work site. (These considerations are factored into the individual analyses of contracted versus in-house services – see following section on methodology.) 	
<ul style="list-style-type: none"> ■ Contractor owns and maintains equipment – When equipment is contractor-provided, the City avoids the capital and operating & maintenance costs of owning equipment, as well as the associated administrative burdens. 	<ul style="list-style-type: none"> ■ Equipment availability in urgent situations – When equipment is contractor-provided, the City could have a lower level of equipment availability to deal with urgent situations (unless specified in the contract, such as for winter snow clearing).
<ul style="list-style-type: none"> ■ Primary liability – If legal liability issues arise, primary liability typically rests with the contractor. 	<ul style="list-style-type: none"> ■ Secondary liability – To the extent that the City's lack of direct control over contractor performance contributes to legal liability issues, and where the contractor cannot resolve the issue itself, the City could face higher levels of secondary liability.

1.4. Study methodology

1.4.1. General approach

This study's overall methodological approach in comparing the current and alternate operating scenarios is as follows:

- Define the current operation in terms of service levels and costs -- through a combination of personal interviews, review of City-provided information, and detailed reviews of invoices.
- Specify the alternate operation(s), in terms of the level of in-house and/or contracted-out services required to achieve an equivalent level of service.¹
- Compare the relative costs of the current and alternate operations
- Highlight other particularly relevant non-cost considerations
- Assess the potential for increased in-house and/or contracted provision of services.

For service areas where the City's total expenditures are relatively significant, and where the service requires a team of dedicated staff (e.g. downtown parking & security, residential solid waste), the cost comparison is based on annual costs. Where City's total expenditures are less sizable the in-house service could be provided by staff on a part-time and/or pooled basis, the cost comparison is based on the relative hourly costs of service.

1.4.2. Basis for wage rate comparisons - non-professional services

Where contractors are providing non-professional services, and where labour rates are specified or can be inferred from invoices, the labour rates normally apply only to time that contractor staff are actually "on the job". The rates also include an allowance for the contractor's costs of providing benefits to the employee, plus additional mark-ups to cover contractor supervisory costs, overheads and profit.

To calculate the City's comparable hourly costs of providing in-house employees, and displacing contractor-provided hourly labour, we have made the following adjustments to the City's nominal hourly rates (based on 2010 CUPE rates):

- First, the costs to the City of providing employee benefits, from City records, are approximately 23% of salaries and wages.
- Second, while the hourly rate paid by the City pays to its unionized employees is based on 2,080 hours per year (52 weeks times 40 hours per week), the impact of statutory holidays, vacation, illness and other allowances reduces the time actually at work to approximately 1,643 hours. Allowing for this time paid while not at work adds approximately 27% to the City's effective hourly cost to the City of in-house staff.
- Third, in its internal costing, the City includes an allowance of approximately 10% for the direct management supervision that would otherwise be the contractor's responsibility, which we have adopted for this analysis.

¹ The exception to this general rule is the analysis of Downtown Bylaw Enforcement and Security where our analysis is based on an alternate service model, involving a different type and level of service, that has already been developed by City staff.

Combining these three factors, we have applied a 60% mark-up factor to the City's nominal hourly rates, for the purpose of comparing them to contractor hourly labour rates. This mark-up is generally consistent (actually slightly lower than) the City's internal costing practices.

This 60% mark-up of non-professional hourly rates is somewhat conservative, since it does not include an allowance for the City's administrative and other administrative costs (e.g. HR & payroll). As indicated in the following pages, we are not recommending significant increases in in-house staffing, and thus for the purposes of this analysis it is reasonable to not include the incremental impacts on administrative and overhead costs. However, if significant increases were being recommended, these additional costs would also have to be considered.

1.4.3. Basis for cost comparisons - professional services

Where contractors are providing professional services (e.g. engineering services), the basis for comparison is somewhat different, since professional staff typically charge only about 60% to 80% of their time at work to clients. For professional services, the comparison is based on the number of contracted-out professional hours that a City-employed staff member would be able to replace – in the case of engineering services, approximately 1,200 hours annually.

1.4.4. Analysis based primarily on calendar year 2010

This analysis is based primarily on an analysis of the City's expenditure records for the calendar year 2010. In a few cases (e.g. residential garbage), multi-year considerations (such as the timing of the expiry of existing contracts) are relevant, and have been considered in the analysis. City staff confirm that in most cases the expenditures are of an ongoing nature, and that 2010 is considered a representative year in terms of expenditure levels and patterns.

1.4.5. Service-specific methodological issues

Within the general approach, our methodology in addressing each of the specific types of service also varies to some extent, depending on the amount and type of information available through invoices and other City records. These are discussed in the relevant Chapters.

1.5. Analysis of specific areas and opportunities

The following chapters provide the detailed analysis of the opportunity for increased and decreased levels of in-house provision of services, within specific areas. The earlier chapters are the ones of greatest interest, both in terms of the size of the issue and in terms of the estimated strength of the opportunity for change.

2. Downtown Bylaw Enforcement and Security

Over the past two years, City staff members have developed a proposed alternative to the City's current downtown security and bylaw enforcement model. The model would combine two currently-contracted services – parking enforcement and downtown daytime security – with the other bylaw enforcement services provided by two existing Bylaw Enforcement Officers (BEOs). The resulting integrated in-house "Bylaw Enforcement and Security Officer" (BESO) unit would be headquartered in the downtown Community Policing & Services (CP&S) Office.

An earlier version of the in-house model was assessed in February 2010 by MNP, and an updated version of the proposal was the topic of a City staff PowerPoint presentation dated June 12, 2011.

Both versions of the in-house model contemplate the undertaking of some parking/security patrol hours by two BEOs that are currently assigned to non-parking bylaw enforcement duties. Accordingly, our analysis takes the changed responsibilities of these BEOs into account in assessing the impacts of moving to the alternate model.

2.1. Current situation

At present, downtown parking enforcement is contracted out to Robbins Parking Services Ltd. ("Robbins"). Robbins receives a management fee of \$8,500 monthly, plus 14% of total parking revenues.¹ In addition, Robbins bills the City for a number of "pass-through" expense items including labour, repairs & maintenance, meter rentals, violation searches, utilities, wireless communication, PCI compliance and processing, and supplies. The MNP report indicates that for the twelve months ending July 31, 2009, the City received 7,920 hours of patrolling services, and paid Robbins approximately \$582,000. During the calendar year 2010, the City paid Robbins \$591,975.

Downtown security and other patrol services are provided by Footprints Security Patrol Inc. ("Footprints"). The MNP analysis, confirmed by City staff, estimates the portion of Footprints' overall charges attributable to downtown daytime security patrol as \$65,000.

Thus the total cost of contracting out the two downtown patrol services (Robbins for parking, and Footprints for security) is approximately \$657,000.

In addition, the City has five bylaw enforcement officers (BEOs) that deal with non-parking bylaw issues – four weekday and one weekend BEO. Of the four weekday BEOs, one is geographically focussed on the downtown, and works primarily out of the downtown Community Policing & Services (CP&S) Office.² The one weekend BEO is based in the City Annex, and is approximately 20% available to deal with downtown bylaw enforcement issues. Thus the two existing BEOs whose duties would be affected under the alternate operating model are (1) the downtown-focused weekday BEO and (2) the weekend BEO.

¹ Includes parkade and meter revenues, but not fines (100% to City).

² The other three weekday BEOs deal with bylaw infractions outside the downtown area, and their positions would be unaffected by the alternate operation.

2.2. Alternate operation

The alternate operating model would combine three current downtown bylaw/security patrol functions – (1) parking bylaw enforcement (currently contracted), (2) other downtown bylaw enforcement (currently in-house), and (3), daytime security (currently contracted). The new in-house integrated operation would be headquartered in the Community Policing & Services (CP&S) Office.

Under the alternate operation, the new in-house patrol unit members would be playing an “ambassadorial” role in the downtown area, as they fulfill their parking enforcement, security patrol, and other bylaw enforcement responsibilities.

The in-house operating model would be implemented by:

- Discontinuing the \$591,975 Robbins parking enforcement contract, as well as the \$65,000 Footprints daytime downtown security contract.¹
- Establishing a downtown-based “Bylaw Enforcement and Security Officer” (“BESO”) group, located at the Community Policing and Services Office, and:
 - Converting an existing weekday BEO position (currently assigned to non-traffic bylaw infractions) to the broader BESO responsibilities. The newly-converted BESO would also continue to perform a portion of his/her current non-parking-related BEO responsibilities, shared with three newly-hired BESOs.
 - Hiring three new BESOs (assumed CUPE level 10, as for current BEOs) to perform the expanded parking/security patrol duties, and to also share the non-parking-related BEO duties. The intent would be to hire individuals with strong relevant qualifications in both security and bylaw enforcement.
 - Assigning 20% of the current weekend BEO’s time to downtown-related bylaw enforcement (80% of this new BESO’s time would continue to be spent on non-downtown-related bylaw enforcement issues, and this position would not be relocated to the CP&S Office).
 - Adding one new weekday clerical staff member (level 7), located at Community Policing & Services Office, to support the new integrated BESO group.
- Entering into a supplemental contract with a service provider, to fill a gap (between 6 pm and 9:30 pm daily) in the security patrol hours under the existing contracted services and the alternate in-house patrol schedules, at an annual cost of approximately \$13,000 on a shared-service basis.²
- Establishing a City “Parking Manager” position. (This feature was added to the June 2011 presentation, subsequent to the February 2010 MNP analysis). City staff estimate that the additional management time would be approximately 0.75 FTEs.

¹ This analysis’ assumption that these contracts can be cancelled without significant penalty, remains to be confirmed.

² This estimate assumes 3.5 hours daily, at \$10 per hour, on a “shared-use” basis whereby a contracted firm would patrol a both City-owned and other facilities. It assumes that the City pays approximately 25% of total patrol costs. Source: City staff.

2.3. Comparison of costs and service levels

2.3.1. Nature and level of services provided

The alternate operation would be significantly different from the current situation in terms of the nature and level of services provided:

- **Nature of services provided** – As described in the June 2011 staff presentation, Bylaw Enforcement and Security Officers (BESOs) would take a much more active “ambassadorial” role in connecting with the downtown community, in contrast to the more specialized roles of the current contracted parking and security patrol services. Their broader areas of responsibility would include all bylaw enforcement areas (not just parking), as well as daytime security patrols. BESOs would be expected to take a less assertive approach to issuing parking tickets – having the latitude to cancel a just-written ticket when the driver is returning to the vehicle.
- **Level of services provided** – As illustrated in the following chart, the integrated in-house model (as currently proposed) would involve a reduction of approximately 1.4 FTE’s (20%) in total time spent on activities directly related to daytime downtown bylaw enforcement and security. This approach is consistent with the intent of the proposed initiative – i.e. to operate a leaner downtown patrol system, eliminating service overlaps.

Direct time spent on downtown security & bylaw enforcement	FTEs
Current Contract-out Model	
• Parking patrol (Robbins)	4.8 ¹
• Security patrol (Footprints)	0.8 ²
• Weekday BEO (downtown non-parking infractions)	1.0 ³
• Weekend BEO (City-wide non-parking infractions – 20% on downtown)	0.2 ³
Direct FTEs on downtown security & bylaw enforcement	6.8
Alternate In-house Model	
• Weekday downtown BEO, converted to Bylaw Enforcement & Security Patrol Officer (BESO)	1.0 ⁴
• Weekend BEO, 20% converted to BESO duties	0.2 ⁴
• New-hire BESOs	3.0 ⁴
• New-hire BESO Office Clerk	1.0 ⁵
• Shared patrol services (Contractor – 6 to 9:30pm daily)	0.2 ⁶
Direct FTEs on downtown security & bylaw enforcement	5.4

1. Based on 7,920 actual patrol hours, @ 1,643 hours per City FTE.

2. Assuming that the \$65,000 Footprints contract represents the equivalent of approximately 0.8 FTEs.

3. One weekday and one weekend BEO, currently assigned 100% and 20% respectively to downtown non-parking bylaw enforcement.

4. Weekday BEO to become part of four-BESO parking security patrol team. Weekend BEO to continue to be 20% downtown, 80% other area bylaw enforcement.

5. New clerks located at CP & S building to support BEO parking/security and other bylaw enforcement activities.

6. Based on 25% of a shared-service patroller’s time being spent patrolling City facilities.

Some of these adjustments (for example the reduced patrol hours and less assertive approach to issuing parking tickets) could be achieved under the current contracted-services model, with the potential for reductions in overall costs to the City. However, implementation of the "ambassadorial" patrolling approach would not be possible under the current contracting-out model.

2.3.2. Cost comparison

The February 2010 MNP analysis estimated potential annual net cost savings of approximately \$136,000 associated with the alternate model, primarily as a result of (1) \$70,600 less in in-house expenses, relative to the avoided Robbins' charges, and (2) avoidance of \$65,000 in Footprints' patrol charges. Further details of MNP's February 2010 analysis, and MMK's Fall 2011 update, are illustrated in the following chart.

Cost Analysis of Integrated Parking Enforcement and Security Functions

	MNP Analysis (February 2010)	MMK Update (Fall 2011)	Notes
Current costs avoided			
Robbins' Commission & Fixed Management Fees	250,000		
Robbins' Labour	179,600		
Robbins' Other pass-through cost items	152,400		
	<u>582,000</u>	<u>591,000</u>	Updated to actual 2010 data
Footprints' daytime security charges	65,000	65,000	Per MNP analysis
Total relevant parking enforcement & security costs	<u>647,000</u>	<u>656,000</u>	
Additional costs incurred			
Existing Weekday BEO, converted to BESO	0	0	Assumes no change in pay level
Three additional BESOs	205,501	234,858	Pay level 10 (2080 hrs @ \$30.11 + 25% O'head)
Weekend BEO (continues current duties)	0	0	Assume no change in pay level
New Clerk to support BESO group	62,085	70,954	Pay level 7 (2080 hrs @ \$27.29 + 25% O'head)
Part-time downtown BESO Manager (0.75 FTE's)	0	67,500	Assume \$90k (72k plus 25% benefits)
Additional cashier collections costs	3,825	3,825	Per MNP analysis
Additional collections costs (Commissionaires)	7,784	7,784	Per MNP analysis
Additional routine maintenance costs	79,823	79,823	Per MNP analysis
Additional costs of contracted patrol services 6-9:30pm	0	13,000	1300 hours @ \$10/hr (shared service)
Additional office space costs (four new hires)	0	0	Assumes "free" CP&S space
Other pass-through cost items	152,400	152,400	Per MNP analysis
	<u>511,418</u>	<u>630,144</u>	
Cost savings, before loss of parking fine revenues	135,582	25,856	
Impact on parking fine revenues	0	22,780	Assume 17% loss of \$134,000 (see note 1)
Net cost savings, after loss of parking fine revenues	<u>135,582</u>	<u>3,076</u>	

Note 1 Current model includes 7,920 parking enforcement patrol hours from Robbins.

In-house model involves 6,572 parking & security patrol hours (4.0 BESOs @ 1,643 hours) - a 17% reduction.

MMK's updates and adjustments to the February 2010 MNP analysis are:

- **Higher BESO staffing costs** – Based on the calculation contained in the preceding table.
- **Incremental staff management/supervisory costs** – An allowance of 0.75 FTE's for the part-time services of the new Parking Manager. The need for a part-time Parking Manager position is noted in the City's June 11 presentation, and an allowance of 0.75 FTE's has been provided by City staff.
- **Additional costs of contracting patrolled services** – Assuming that shared-service coverage can be arranged to fill a gap in security coverage between 6 pm and 9:30 pm, as advised by City staff.
- **Reduced parking fine revenues** - An allowance of \$23,000 for reduced parking fine revenues has been added, reflecting the approximately 17% reduction in parking patrol hours compared to the current model. This reduction may be conservative in that it assumes that BESOs will write the same number of parking tickets per patrol hour despite (1) the need for BESOs to also deal with security issues and non-parking bylaw enforcement issues, plus (2) the BESOs' new "ambassadorial" role, which may include reduced issuance of parking tickets.

As illustrated in the preceding table, these adjustments combine to reduce the estimated size of the cost savings associated with the alternate model, from the \$136,000 estimated by MNP to approximately a break-even situation.

In addition to these adjustments, there is a staff position in the City Annex that is assigned to parking administration and fine collections. While the workloads for this position would be expected to increase under an in-house operation, City staff estimate that the additional workloads could be handled at current staff levels. Thus we have not built in a cost allowance for the increased workloads for Annex-based staff, beyond the small allowances contained in the original MNP report.

2.3.3. Risk of additional City costs, if alternate operation not introduced

This financial assessment is before considering the potential impact of a current CUPE "Article 31" grievance against the City with regard to the wage levels being paid by Robbins to its patrol staff, which CUPE alleges are less than is required under the collective agreement. If successful, this grievance would potentially increase the City's cost, in respect of both prior and future years. However, CUPE has indicated to us its willingness to abandon this grievance if the City adopts the new integrated model. The potential financial impacts on the City are assessed as follows:

- For prior years through December 2011, and based on MNP's February 2010 estimate that the City has a potential exposure averaging approximately \$35,000 annually between 2007 and 2011, there is a potential risk of not implementing the alternate model of between zero (if the grievance was unsuccessful) and \$180,000 (if the grievance was successful and was applied to the entire five-year period).
- For future years, and based on the 2010 MNP analysis, the potential future annual cost is estimated as approximately \$40,000 if this grievance was successful and affected future-year contracting costs.

2.4. Other considerations

2.4.1. Considerations favouring the proposed in-house model

Non-cost considerations favouring the proposed integrated in-house model include:

- **Opportunity to develop an “ambassadorial” role for patrolling BESOs** – by training the City’s BESO patrol officers to provide a range of advisory and assistance services to downtown businesses, residents and visitors.
- **Opportunity to work more closely in partnership with DNBIA and Chamber of Commerce** – in achieving the appropriate level of enforcement of downtown parking and security by-laws, and becoming more “friendly” in the administration of parking and security patrols.
- **Opportunity to avoid the current overlap of contracted downtown daytime security patrols with those of contracted parking enforcement patrols** – by combining these two functions in the City-employed BESO position.
- **Opportunity to directly implement City policy with respect to security and bylaw enforcement** – by directly controlling the actions and activities of bylaw enforcement and security officers
- **Opportunity to achieve full roll-out of Community Policing and Services Office** – by locating the expanded Bylaw Enforcements & Security Officers (BESO) unit at that office.
- **Potential for improved quality of service to the public** – to the extent that the City-employed BESOs provide a wider range and higher quality of bylaw enforcement and security services than the current Robbins and Footprints patrol employees (e.g. by having increased discretion not to issue a ticket when a driver is returning to the vehicle).

2.4.2. Considerations favouring the current operating model

Other considerations mitigating in favour of retaining the current model, include:

- **Loss of Robbins as a “buffer” for parking ticket issuance and dispute resolution** – Under the current model, Robbins issues the tickets and deals directly with appeals and minor complaints (unless they are elevated to Bylaw Services). In the integrated model, the City would have to issue the tickets and deal with all appeals and complaints directly, possibly leading to an increase in the number of complaints and/or an increased expectation of success in challenging tickets.
- **Loss of Footprints night time mobile services** – Footprints provides a night time mobile patrol service, shared with several clients, that is included in their \$65,000 fee, but would not be provided under the new model.
- **Need to train/hire qualified BESOs** – The proposed new Bylaw Enforcement & Security Officers (BESOs) will need to possess a diverse set of technical skills - parking bylaw enforcement, other bylaw enforcement, and security patrols - as well as having strong customer relations skills. BESOs will need to have good judgement in fulfilling their enforcement duties, while simultaneously playing an “ambassadorial” role during their patrols.
- **Less flexibility of staff availability** – City staff indicate that Robbins is able to provide greater flexibility of staff availability (e.g. backfilling for sickness or vacation coverage) than the City is able to provide.

- **Loss of flexibility in adjusting service levels** – City staff also indicate that the City has greater flexibility in adjusting the patrol hours and related costs for the current contracted operation than it would have under the integrated in-house operations.
- **Costs of reversing the decision after the four-year trial period** – City staff advise that the discussions between the City and CUPE are based on a four-year trial period. However, there would certainly be costs of reverting to the current model, if the City wished to return to contracting out at the end of the four years.
- **Performance of the current contractors** – City staff indicate that the current contractors are providing good service, and that the development of the proposed integrated in-house model is not related to contractor performance issues.
- **Reduction in the overall hours spent on bylaw enforcement/security patrols** – As discussed previously, the alternate model involves a significant reduction in the total time spent on bylaw enforcement and downtown security patrols.

2.4.3. Other considerations

Other considerations in comparing the current and alternate operating models include:

- **In-house parking enforcement is commonly found in other jurisdictions** – Based on research undertaken by the City and supplemented by the consultant, we understand that the typical approach in other similarly-sized BC municipalities is for parking enforcement to be performed in-house by City employees, rather than contracted out.
- **Integration of parking/security patrol systems, with an “ambassadorial” focus, is not commonly found in other jurisdictions** - We are unaware of any other BC municipality that has combined in-house parking enforcement with security patrols, or has attempted to assign an “ambassadorial” role to its parking enforcement staff.
- **Pattern of patrol hours** – The current parking enforcement model features three on-street daytime patrollers, six days per week, plus a shared night mobile patrol. The integrated in-house model would have four BEOs providing daytime parking/security coverage, including Sunday coverage, albeit with fewer total patrolling hours. While neither pattern is clearly preferable to the other, they are somewhat different in nature.

2.5. Consultant’s assessment

The alternate integrated in-house operation would be significantly different from the current operation in three key aspects:

- **Basic nature of downtown daytime security/bylaw operations** – The new integrated operation would establish City employees as downtown By-law Enforcement and Security Officers – to take on the multiple roles of parking enforcement, other bylaw enforcement, security patrol, and “downtown ambassador.”
- **Fewer bylaw enforcement hours** – The integrated operation would reduce the total bylaw enforcement hours by approximately 20%. On the other hand, the relative effectiveness of patrol hours under the integrated model could be higher, because of (1) the elimination of parking/security patrol route overlaps and (2) the expected higher qualifications of the City’s BESO staff members, compared to the contractors’ current security and parking patrol staff.

- **Avoidance of potential grievance costs** – The integrated operation, with the reduced patrol hours, is approximately cost-neutral in comparison to the current operation. However, the implementation of the alternate operation would likely help the City avoid the risk of the current CUPE Article 31 grievance claim being successful.

In our view, the City's decision should be driven by the larger issue of what is important to the City in providing daytime bylaw enforcement and security services to the downtown core:

- If the City sees it as more important to have direct operating control over its downtown bylaw enforcement and security functions, and if the City sees the proposed BESO "ambassador" role as attractive, then it should make the change.
- On the other hand, if it is more important for the City to maintain current levels of patrol hours, minimizing its costs per patrol hour, and having higher levels of service flexibility, then it should continue with the current operating model.

In summary, we assess the potential of this in-house contracting proposal as **medium**.

3. Engineering Consulting

3.1. Current situation

The City's records for 2010 indicate the following payments to engineering consultants:

	Including GST/HST	Est. before tax
Specialist consultants	\$ 806,737	\$ 743,536
Civil Engineering consultants	784,747	727,035
Total Engineering Consultants	\$ 1,591,484	\$ 1,470,571

With regard to specialist consultants, in 2010 the City paid \$734,000 to consulting firms that provide engineering consulting services in relatively narrow fields of specialization -- such as geotechnical, environmental, structural, soils, and electrical engineering. These types of service are typically provided on an as-required basis, at various stages in the undertaking of a construction or other relevant engineering project. Given the variable nature of the demand for their services, these specialist consultants typically provide on-demand services to numerous projects. Nanaimo does not generate a enough relevant work to keep these specialist engineering consultants busy on more than a part-time basis, and thus they are not good candidates for the consideration of in-house service provision.

On the other hand, civil engineering consultants with similar skill sets to current City engineering department employees were paid \$727,000 in fees during 2010. These fees covered a wide range of services and seniority levels – including project manager, traffic engineer, design engineer, design technician, CADD technician, and surveyor.

To understand the nature of these costs to the City, we analyzed invoices representing 55% of total pre-tax charges. Combined, they displayed the following level of detail:

Professional fees - civil engineering (for 3,026 hrs)	\$ 302,027	75%
Professional fees – contractors' specialist staff	19,731	5%
Lump sum charges	6,650	2%
Sub-contracts	60,135	15%
Disbursements	10,319	3%
	\$398,863	100%

Prorating these results to the \$727,000 in total invoice values, civil engineering fees are estimated to account for approximately \$545,000 in professional fees. Based on the average rate of approximately \$100 per hour (see following analysis) for the invoices reviewed, this represents approximately 5,500 hours of professional time.

3.2. Alternate operation

3.2.1. Hours, by category of consultant

Under the alternate operation, the City would replace a portion of the 5,500 hours of contracted civil engineering time by hiring one or more in-house professional and technical civil engineering staff.

Based on our review of invoices, the hours charged by engineering consultants in 2010 for different types of engineering services have been assigned to equivalent City positions as follows:

City position	Sample		Average hourly fee rate	Population		
	Hours	Fees		Hours	Fees	Equiv. City FTEs
Project manager	401	\$ 55,742	\$ 139.00	687	\$ 97,539	0.57
Traffic engineer	263	24,726	94.02	359	33,999	0.30
Design engineer	864	90,247	104.45	1651	174,910	1.38
Design technician	750	73,016	97.35	1452	140,642	1.21
CADD technician	594	44,005	74.08	1062	80,389	0.89
Surveyor	154	14,291	92.80	286	26,199	.024
Total	3,026	\$ 302,027	\$99.81	5,496	\$ 553,678	

Based on an assumed 1,200¹ "chargeable" hours (avoided contractor-charged hours) per City staff member, currently-contracted engineering work represents approximately 1.4 FTEs of Design Engineer time, 1.2 FTEs of Design Technician time, and 0.9 FTEs of CADD Technician time. Thus the alternate operation is modelled as the establishment of up to three new staff positions to perform these services.

The following table estimates the annual and average hourly costs of City staff, based on 1,200 chargeable hours per year:

	Design engineer (Salary)	Design technician level 12	CADD technician level 9
Paid hours		1,820	1,820
Pay rate		\$33.78	\$29.17
Annual pay	\$80,967	\$61,480	\$53,089
Overhead 23%	18,622		
Overhead 25%		15,370	13,272
Supplies	250	250	250
Clerical 5%	4,979	3,842	3,318
Vehicle 3 hrs/wk	1,000	1,000	1,000
Annual total	105,819	81,942	70,930
Average rate \$/hr	\$ 88.18	\$ 68.29	\$ 59.11

Note: Space costs are excluded in the short to medium term because the new City Hall will have space to accommodate Engineering expansion. Inclusion of an allowance for space costs would increase the estimated hourly rates.

¹ As discussed in more detail in Chapter 1, the appropriate basis for analyzing the cost saving implications of hiring an in-house professional staff member is the consulting fees that the City will avoid. This analysis is based on the assumption that, by hiring an additional full-time civil engineer, the City will be able to avoid approximately 1,200 billable hours currently charged to it by civil engineering firms.

3.3. Cost comparison

The following table compares the annual costs of a Design Engineer, Design Technician and a CADD Technician with 1,200 hours of time provided by consultants:

	Design engineer	Design technician	CADD technician	Total
City annual cost	\$ 105,819	\$ 81,942	\$ 70,930	\$ 258,691
Contractor average rates	\$ 104.45	\$ 97.35	\$ 74.08	
Contractor charges (1,200 hrs)	\$ 125,340	\$ 116,820	\$ 88,896	\$ 331,056
City cost advantage	\$ 19,521	\$ 34,878	\$ 17,966	\$ 72,365

Based on this analysis, the alternate operation is estimated to potentially save the City between \$18,000 and \$35,000 per employee added - up to \$72,000 for all three positions. This estimate excludes additional space occupancy costs, which would reduce the level of potential savings.

3.4. Other considerations

Other considerations include:

- Most of these new employees' time would be spent working on capital projects. While the volume of capital work undertaken by and for the City has been relatively stable in recent years, a decrease in future activity levels could reduce or eliminate the potential cost savings. On the other hand, engineering management believes that capital works are more likely to increase than to decrease in the foreseeable future.
- The analysis assumes that the net impact on City management time is neutral. Managing contractors is expensive in terms of City staff time – which includes writing RFPs, reviewing proposals, reviewing contractors' drawings, managing the contractor, and reviewing and approving payments. An earlier analysis prepared by the department estimated contract preparation and management at 10% of the contracted engineers' fees.
- The comparison is thus based on a relatively modest overheads assignment – with no incremental cost of space or management time. Changing these assumptions would reduce the size of the potential benefits.
- The in-house operation would reduce the City's flexibility in increasing/decreasing its level of civil engineering services.
- Even after employing three additional civil engineering staff, the City would still be contracting more than \$1 million to engineering consultants – mostly to specialist consultants.

3.5. Consultant's assessment

There is a potential to achieve moderate cost savings, and to strengthen the City's internal engineering resources, by adding up to three civil engineering professional/technical staff. The move would also result in some loss of flexibility, and would leave the City vulnerable to a downturn in construction activity. Engineering management is supportive of adding at least one civil engineering staff member.

We assess the potential for increased in-house provision of engineering professional/technical services as **high** for at least one additional staff member, and **medium** for up to two additional staff members.

4. Residential Solid Waste – Garbage and Kitchen Waste

Residential solid waste removal and recycling is handled by the City using a combination of in-house and contracted services. This chapter examines the potential for increased contracting out of services, by contracting out garbage and kitchen waste collection as well as recycling. (The following chapter assesses the potential for in-house provision of all residential waste collection.)

4.1. Current situation

Collection systems and schedules have been evolving over the past few years, but starting in October 2011 were as follows:

- Conventional garbage and kitchen waste** is collected by the City. Conventional garbage is collected bi-weekly, while kitchen waste is collected weekly. The City's fleet currently consists of eight single packers and one split packer (with two bins, able to collect two waste streams at the same time). For the operation established in October 2011, the "ideal" City fleet is three single packers and four split packers (one as a back-up). The City has three additional split packers on order, and may be selling some of its single packers.

In addition to its operating costs, the City pays Regional District of Nanaimo (RDN) landfill fees of \$110 per tonne of garbage (\$107 in 2010). For food waste delivered directly to the processing plant (50% of the total), RDN pays processing fees of \$89 per tonne. The remaining food waste is delivered to a transfer station, which attracts an estimated additional \$10 per tonne cost for the extra handling and transport.

- Recyclable materials** are collected by BFI Canada, under contract to the City. Recycling pick-up is bi-weekly, and includes two streams – (1) old newsprint (ONP) and (2) mixed waste paper (MWP) and other containers. Glass is not collected (negligible recycling value).

Collection volumes for 2010 were as follows:

	2010 tonnes	House-holds	kg/hh/yr
Garbage ("G") by the City	7,816	25,034	312
Recyclables ("R") by the Contractor			
Old newsprint ("ONP")	1,734		
Old corrugated cardboard ("OCC")	526		
Mixed Waste Paper ("MWP")	799		
Metal	172		
Plastic	449	25,034	147
Total	11,496		459

The City's direct costs in 2010 were approximately \$1.91 million for in-house operations (operating under a different schedule), plus \$605,000 paid to the contract recycler, for total costs of \$2.51 million.

4.2. Alternate operation

The alternate contracting-out operation modelled is one where all residential solid waste services (garbage, kitchen waste, and other recycling) are awarded to a single service provider, with the same service levels being provided under the current mixed operation

The following table presents a breakout of the City's residential solid waste disposal costs (based on 2010 records), and also identifies the continuing costs that would still be incurred by the City, should residential solid waste collection and recycling be fully contracted out.

Residential Solid Waste Disposal Costs in 2010	Total Costs in 2010	Continuing Costs	Note	Avoidable City costs
Garbage and Food Waste				
Wages & salaries	\$ 650,603	\$ 8,993	1	\$ 641,610
Freight & courier	7			7
Printing & graphics	11,756	11,756	2	0
Laundry & dry cleaning	14,000			14,000
Landfill fees	813,309	813,309	3	0
Food waste processing fees	17,484	17,484	3	0
Protection Island bin	12,072	12,072	3	0
Equipment R&M	1,815			1,815
Employment expenses	163			163
Materials & supplies	7,979			7,979
Bank charges	51			51
Vehicle charges & allocations	378,675			378,675
Computer charges	1,140			1,140
	<u>\$ 1,909,054</u>	<u>\$ 863,614</u>		<u>\$ 1,045,440</u>
Recycling				
Printing & graphics	3,049			3,049
Contract fee	601,749		4	601,749
	<u>\$ 604,802</u>			<u>\$ 604,796</u>
Combined	<u>\$ 2,513,856</u>			<u>\$ 1,650,238</u>

Notes:

1. Approximately 1.4% of staff charge-out rates is manager's salary, which would still be required.
2. Printing of bag tags would continue.
3. The City would continue to pay landfill and food waste processing fees, and fees to the RDN for a bin on Protection Island.
4. BFI's monthly charge is \$23.99 per household per year, i.e. \$0.06572 per day, multiplied by days in the month and household served.

Thus, in order to be financially attractive, the cost of replacing the current mixed City/contractor operation with a contractor-only operation would have to be less than \$1.65 million (assuming that the City was still responsible for landfill and food processing fees).

The Regional District of Nanaimo's experience

The Regional District of Nanaimo's recent experience is useful in assessing the likely costs to the City of going to an all-contracted operation. In 2010, RDN entered into a five-year solid waste contract with BFI for \$10.85 million. For the period after October 2010, when service levels are comparable to those of the City's (i.e. weekly collection of kitchen waste, bi-weekly collection of other recyclables and garbage), the annual value of the contract is \$2.21 million. (For calendar year 2010, when services through September 2010 did not include kitchen waste, the value of the contract was \$1.89 million.)

The number of households being served by RDN, from October 2010 onwards, is similar to the City's 25,000 households:¹

Period	Garbage weekly	Garbage bi-weekly	Kitchen waste weekly	Recycling bi-weekly	
Jan 1 to Sept 30	15,120	5,455		26,075	3 streams
Oct 1 to Dec 31		21,965	25,815	26,075	1 stream

However, there are also some significant differences between the actual RDN contracted operation and the prospective City contracted operation:

- Average per-household quantities of garbage/recycling are higher for the City than for RDN.
- The City recycling is two-stream, while the RDN recycling is one-stream.
- The average distance between pickups is significantly shorter in the City than the RDN.

Another indicator of the relative size of the RDN and City operations is the BFI equipment used to service RDN. We understand that BFI operates seven split packers that collect kitchen waste and garbage on the first week, then kitchen waste and recycling on the second week. Each week the fleet works 35 truck-days and visits 26,700 residences for an average route of 762 calls. Thus the parameters of BFI's RDN operation are similar in some respects to the parameters of the City's operation.

The payment of additional charges is also similar for RDN and the City. The RDN pays landfill fees of \$110 per tonne of garbage (\$107 in 2010). For food waste delivered directly to the processing plant (17% of the total) the RDN pays processing fees of \$88 per tonne. The remaining food waste is delivered to a transfer station, which attracts an additional \$7 per tonne in costs.

Also, like the City, service is conducted on an "add-a-day" system whereby collection is pushed back a day after every statutory holiday.

4.3. Cost comparison

The Regional District experience provides insights into the likely costs to the City of replacing the current mixed system with an all-contracted system:

¹ In October 2010 kitchen waste collection was introduced, and recycling streams were reduced from 3 (ONP, MWP and containers, including glass) to a single stream without glass. Kitchen waste is collected weekly, and garbage and recyclables alternate weeks.

- Looking back, 2010 was a year of transition for both the City and RDN, and cost comparisons are complicated because the two jurisdictions did not collect the same waste streams.¹ However, we note that the City's garbage collection costs for 2010 (estimated earlier as \$1.65 million) were approximately \$250,000 less than the RDN's comparable costs of \$1.90 million under the BFI contract.
- Looking ahead to 2012, when service levels will be more comparable, RDN's costs of contracting are expected to be \$2.21 million (\$7.42 per household per month). The City's costs are also expected to increase, with the acquisition of the new split packers and the new schedules, and better cost information will be available once the new contract is in place. (The City's FY2012 budget is for "escapable" in-house costs of \$1.868 million.)

Based on the information available regarding the RDN contracting-out experience, the City's costs of collecting garbage in-house appear to be competitive with what could be achieved by contracting out.

Of course, the only way to answer this question with certainty would be to enter into discussions with private contractors (outside this study's mandate), leading to a proposal process and the possible "privatization" of the service (likely including the sale of the City's trucks to the new operator). The City's options in this respect are further discussed in the following chapter.

4.4. Other considerations

Other considerations in considering the potential contracting out of garbage collection include:

- Unless paid to do so, a contractor would not provide a number of additional services that the City currently provides (e.g. carry-out service for the elderly and less-mobile residents; extra garbage dispensation for residents with specific medical conditions; special handling of medical waste).
- The City's recycling contract with BFI does not expire until March 2014. Thus, in the short to medium term, it would be difficult for the City to contemplate entering into an agreement for integrated garbage/kitchen waste/recycling services with any company other than BFI.
- Under Article 32 of the collective agreement, the City cannot hire contractors to perform the work of laid-off staff. Thus the transition to a private contracted operation would require discussions and negotiations with CUPE, affected employees, and the incoming contractor.

¹ The City collected garbage weekly from almost all residences for 9 months, and from 2/3 of residences for 3 months. It collected kitchen waste from 1/3 of residences for 3 months. It also contracted out other recycling. Its collection costs, net of landfill fees and other unavoidable costs under contractor operation, were \$1.65 million (see table of City 2010 costs).

The RDN has different numbers of residences served with garbage, kitchen waste and recycling collection. The number receiving garbage service in 2010 was lower than those in the City. Residences receiving kitchen waste and recycling collection were more than the City's. For 9 months the RDN collected garbage weekly from 73% of its garbage customers and bi-weekly from the remainder. On average this was less frequent than the City's frequency. The RDN collected kitchen waste from all its kitchen waste customers for the last three months, whereas the City collected from only 1/3. Unadjusted, 2010 costs for the RDN's service was in the region of \$1.90 million, calculated above.

4.5. Consultant's assessment

Based on the available information, the City's current costs of in-house garbage and kitchen recycling collection appear competitive with those that a private operator would charge, and thus we assess the short-term potential for contracting out these services as **low**.

At the same time, we note that, because of the changing nature of services being provided in recent years, the City will have better cost information once the new operation and equipment has been in operation for a year. Also, there may be opportunities for combining the current in-house and contracted-out services at the completion of the current recycling contract (see also next chapter). Thus we recommend that, the City re-examine this issue in 2013, as cost information has been gained and the recycling contract is nearing expiry.

5. Residential Solid Waste – Recycling

This Chapter examines the potential for the City to perform residential solid waste recycling in-house – a service that is currently contracted out to BFI. (This analysis is the other side of the analysis in the previous chapter, which examined the potential for contracting out current City-provided residential garbage and kitchen waste services.)

5.1. Current situation

In 2010, the City's recycling volumes in tonnes were:

Old newsprint ("ONP")	1,734
Old corrugated cardboard ("OCC")	526
Mixed waste paper ("MWP")	799
Metal	172
Plastic	449
	<hr/>
	3,680

Collection is performed by BFI, using three split packers collecting two streams of recyclables – ONP and the rest. The City's accounting report for recycling payments in 2010 was:

	\$
Printing & Graphics	3,049
Contract Fee (to BFI)	<hr/>
	601,749
	<hr/>
	604,802

Under the terms of the BFI contract, BFI processes the recyclable materials as part of its fee, and retains all of the revenues from recycled materials.

The BFI contract runs from April 1, 2009 to March 31, 2014. Its value varies with the number of City households.

5.2. Alternate operation

The alternate operation considered would be for the City to buy three split-pack garbage trucks, at an estimated cost of \$310,000 each, and assign three operators. The City would also need to arrange a separate sorting/processing/marketing contract with BFI or another recycling company. (Vancouver, Burnaby, Port Moody, Port Coquitlam and New Westminster all manage recycling in this way.)

City staff members estimate that an additional management position would be required to supervise the operation, and to manage the processing and marketing contracts.

5.3. Cost comparison

The following table summarizes estimated costs of City collection:

	Rate - \$	Quantity ¹	\$
Wages			
Refuse collector/operator, level 6	\$ 26.35/hr	6,240 hrs	164,424
Overhead mark-up	60%		98,654
Printing & Graphics			3,049
Laundry & Dry Cleaning			3,900
Trucks, twin pack	\$6,046/mth	3	217,656
Manager			
Salary	\$75,000	1	75,000
Overhead	23%		17,250
			<u>579,933</u>

The City's collection costs must be adjusted by the net surplus or deficit arising from the processing and marketing of the recyclable materials (currently the responsibility of BFI). (Contracts are typically split into processing costs per tonne, and a share of revenues. Based on our understanding of contracts for other jurisdictions in the BC lower mainland, the following table illustrates potential recycling costs and revenues for the City based on 2011 price levels:

	Tonnes (2010)	\$/tonne (2011 prices)		\$
Sorting/processing/marketing cost				
Old newsprint	1,734	\$ 46		\$ 79,764
Mixed waste paper	1,325	57		75,525
Mixed containers	621	49		<u>30,429</u>
				\$ 185,718
Sales revenue				
			Typical City share	
ONP	1,734	\$ 140	75%	\$182,070
MWP	1,325	176	75%	173,906
Mixed containers	621	0		<u>0</u>
				\$ 355,976
Net revenue				<u>\$170,258</u>

¹ The 6,240 hours of time at work is based on having 3.0 City staff members at work on every weekday. To achieve this level of daily staffing, and after allowing for time not worked (vacation, sickness, etc.), this number of FTE staff required is approximately 3.8 FTEs.

The share of recycling revenues received by the City depends on the nature of the contract that the jurisdiction strikes with the recycling contractor - if a municipality wants lower processing costs, it has to accept a lower revenue share. In addition, market rates for recycled materials have experienced wide swings in recent years - fibre prices are much higher in 2011, than when the City entered into its recycling collection contract in early 2009.

Based on 2011 recycling market revenues, the potential net costs of an in-house City operation are estimated as \$580,000 in gross costs, less the net \$170,000 in net revenues on recycling operations, for net costs of \$410,000.

Thus, the estimated in-house net cost (\$410,000) is nearly \$200,000 less than the \$605,000 actually paid by the City to BFI in 2010. However, we caution that the difference is largely attributable to the strong increase in the market value of recyclables since the contract was signed in 2009. In weaker markets, such as those prevailing in 2008 and 2009, the cost comparison would have been significantly different.

5.4. Other considerations

Other issues to consider include:

- The current BFI contract does not expire until March 31, 2014, and thus the earliest opportunity to take the operation in-house, without incurring substantial penalties, is more than two years away.
- The attractiveness to the City of taking residential recycling in-house, will vary with the future strength of the market for recycled materials. (This risk could be mitigated, depending on the specific terms of the contractual agreement with the recycling firm.)
- The attractiveness of taking the operation in-house will also depend on the terms available from contract recyclers in 2014. If the stronger market for recycled materials continues, the City can expect to be offered more favourable terms than are contained in the current contract.
- As discussed in the previous chapter, the Regional District of Nanaimo operates an all-contracting model for residential solid waste, unlike the City mix of in-house and contracted services. The March 2014 expiry of the current BFI contract will present an opportunity for the City to consider all-contracted versus all-in-house options to its current operations.
- Taking the operation in-house would require the City to purchase three additional trucks, for which the City would have to find additional capital funding.

5.5. Consultant's assessment

Based on current recycling markets, we estimate that the City would benefit financially if recycling collection, (including a share of marketing revenues) could be brought in-house without penalty, rather than the City needing to wait until the current contract expires in March 2014. However, given the expected costs of cancelling the current contract, this is likely more of a theoretical benefit than an achievable one.

Since most of the theoretical benefit is due to the improvement in the markets for recycled materials since early 2009, it may also be possible for the City to capture most or all of these savings by re-letting the contract in 2014. In the shorter term, the City might be able to negotiate better terms with BFI for the balance of the existing contract - if it was willing to consider the current contract beyond its current 2014 expiry date.

Assuming that the City decides to let the current contract run its course, we assess the strength of the potential opportunity to achieve savings by taking recycling in-house in 2014 as **medium to high**. As the contract expiry date approaches, determination of the best go-forward strategy will require a fairly complex analysis, and the answer will depend on cost and market factors and outlooks at the time. Accordingly, we recommend that in 2013 the City should consider its options for 2014 with respect to:

- Whether to continue the City's current combination of contracted and in-house residential solid waste collection, under a renegotiated recycling contract.
- Whether to adopt an all-contracted model, similar to that of the Regional District of Nanaimo.
- Whether to adopt an all in-house collection model (likely continuing to contract out recyclable sorting and marketing), similar to that of several other BC municipalities.

6. Excavation and Trucking

6.1. Current situation

6.1.1. Owned Units

The City has a number of dump trucks (but no trailers), two backhoes, a skid steer and a mini-excavator, most of which are allocated to various departments. Each department provides its own operators. Utilization approaching 1,500 hours is considered good.

Fleet Unit	2010 Allocation	2010 hours	2010 \$/hr
400 Dump Truck (Tandem Axle)	Roads	1,164	19.00
401 Dump Truck (Tandem Axle)	Fleet	1,664	19.00
404 Dump Truck (Single Axle)	Drainage	1,357	16.65
405 Dump Truck (Single Axle)	Roads	1,202	17.40
406 Dump Truck (Single Axle)	Drainage	1,803	16.65
407 Dump Truck (Tandem Axle)	Water	Added 2011	22.30
563 Backhoe	Drainage	919	17.95
568 Backhoe	Water	1,675	15.25
571 Backhoe	Drainage	1,776	21.20
573 Backhoe	Roads	1,208	19.80
582 Backhoe	Construction	1,645	19.80
5010 Bobcat/Skid Steer	Fleet	79	36.29
Mini-excavator	Parks	Monthly charge.	No usage records

6.1.2. Hired equipment rentals

When required, the City also rents hired equipment - dump trucks and trailers, plus various types of earthmoving equipment. The contractors provide operators for the rented units. Payments in 2010 for hired equipment rentals were as follows:

	Including GST/HST	Est. before tax
24 vendors.	\$ 673,745	\$ 616,476

For dump trucks and trailers, rates are based on the provincial Ministry of Transportation and Infrastructure's "Blue Book". For other earthmoving equipment, the City pays rates negotiated with each vendor. The Construction Department is the largest user of hired equipment.

We analyzed vendors' invoices that represented 45% of the pre-tax value of services billed. Combined, they display the following detail:

Detailed rentals	\$ 277,831	85%
Non-rental charges	48,615	15%
	\$ 326,446	100%

Our detailed sampling of invoices revealed the following rental volumes for units in high demand:

Equipment type	Hours on Analyzed Invoices (45% sample)			Estimated Total Hired Equipment Hours (extrapolating sample results)		
	Constr.	Utilities	Total	Constr.	Utilities	Total
Tandem & trailer	659	7	666	1,464	16	1,480
Tandem axle	487	99	586	1,082	220	1,302
Single axle	125	153	278	278	340	618
Backhoe	614	65	679	1,361	144	1,505
Bobcat/skid steer	180		180	399		399
Mini-excavator	113		113			250

The Construction Department has no permanently allocated equipment, and is the main use of hired equipment. Utilities is the only other department renting the equipment.

6.2. Alternate operation

Based on the preceding analysis of hired equipment volume, it would appear that the strongest area of potential is for the City to operate an additional tandem & trailer. This unit could be used to replace a portion of the current 2,780 hours of tandem truck (with and without trailer) time. In addition, there are sufficient hours to consider adding a backhoe.¹

One of the challenges in analyzing the potential for in-house services is in determining the number of hired equipment hours that could be avoided through the acquiring an additional in-house unit. While the demand for hired equipment is known to be variable, it is difficult to state with confidence the likely utilization achievable by an in-house unit. Accordingly, this analysis consider two cases:

¹ Demand for the bobcat and mini-excavator is insufficient to acquire either one for Construction, the City already owns one of each. The fleet bobcat reported very low utilization in 2010 (though this may be a reporting rather than a usage issue). In addition, the utilization on the mini-excavator is unknown. It is permanently rented to Parks and Recreation for a monthly fee.

- Case 1 - The "best-case" scenario, which assumes that the additional City-owned units can be utilized for up to approximately 1,500 hours, replacing the hired equipment hours.

This best-case scenario is more realistic for the tandem & trailer unit, with its current total of 2,780 hours (tandem/tandem & trailer) of hired equipment time, than it is for the backhoe, with its current 1,505 hours of hired equipment time.

- Case 2 - The "break-even" analysis, which calculates of the minimum number of hired equipment hours that the City-owned unit would need to replace, in order to justify in-house operation.

6.3. Cost comparison

Case 1 – Replacing approximately 1,500 hours of hired equipment time

This "best-case" scenario assumes that the City could replace 1,480 hours of tandem/tandem & trailer hired equipment, and/or could also replace 1,505 backhoe hours, by operating an additional in-house unit. Under this assumption, the best-case potential cost savings would:

	Tandem & trailer	Backhoe
In-house costs		
Staff:		
Equipment Operator – Public Works – level 7	\$ 27.29	\$ 27.29
Overhead – 60%	16.37	16.37
Equipment:		
Tandem dump truck	22.30	
Dump truck trailer	3.95	
Backhoe		19.80
Estimated hourly in-house cost	\$ 69.91	\$ 63.47
2010 hired equipment rental hours	1,480	1,505
Annual in-house costs	\$103,500	\$95,500
Hired equipment costs		
Average hired equipment rental rates	\$ 118.45	\$ 96.18
2010 hired equipment rental hours	1,480	1,505
Annual costs of hired equipment	\$175,300	\$144,800
Best-case savings from in-house operations	\$ 71,800	\$ 49,300

Under the best-case scenario, the net savings to the City would be up to \$121,100. As noted earlier, the opportunity to achieve the required utilization levels would be stronger for the tandem unit.

Case 2 – Break-even analysis

The Case 2 analysis considers the "worst-acceptable-case" scenario –i.e. the minimum number of utilization hours, in place of hired equipment, that would be required to make the investment at least financially neutral for the City.

For backhoes, the “break-even” hired equipment hours that an in-house unit would need to replace in a year is estimated as follows:

- Annual City equipment ownership and operating costs of approximately \$30,000.¹
- Per-hour City operator costs of \$43.66, versus hired equipment costs (equipment plus operator) of \$96.18.
- Required annual utilization of 571 hours, to achieve break-even.

For the tandem & trailer, the break-even calculation is 519 hours.

Both calculations assume that the City operator, when not operating the unit, can be re-deployed to other useful activities

Comparing Case 1 and Case 2

The “best-case” Case 1 analysis indicates potential savings of up to \$121,100 if the tandem & trailer and backhoe units could achieve 1,500 hours of utilization per year. However, this would require careful scheduling for the tandem unit, and almost perfect scheduling for the backhoe, and it not considered practically achievable.

On the other hand, the Case 2 analysis indicates that the break-even point for each unit is in the range of 500-600 hours.

These findings suggest that, if utilization of about 1,000 to 1,100 hours per year for each unit could be achieved, replacing current hired equipment hours, then annual cost savings in the range of \$60,000 may be achievable. Again, this utilization target may be more promising for the tandem & trailer unit than for the backhoe.

6.4. Other considerations

Other considerations include:

- The estimated purchase costs of the units (allowed for in the analysis) would be significant - approximately \$175,000 for the dump truck, \$35,000 for the trailer, and \$130,000 for the backhoe.
- To the extent that the equipment operator could not be assigned to other productive duties while the units are not in use, the size of the potential savings would be reduced.
- Achieving the cost savings would require effective scheduling of the additional in-house units - using them in preference to hired equipment, even when it is less convenient.

6.5. Consultant’s assessment

The level of potential savings to the City depends on how many hours of hired equipment use that the additional unit(s) would actually displace. If utilization levels of 1,000 to 1,100 hours annually could be achieved for each of the units under consideration, in place of current hired equipment hours, we estimate potential savings in the range of \$60,000.

On balance, we assess the potential for increasing the City’s fleet by a tandem dump truck & trailer, and possibly a backhoe, as **medium**.

¹ This annualized cost is consistent with the 1,505 hours @ \$19.80, as shown in the preceding chart.

7. Hydroflushing, excavating and video inspection

7.1. Current situation

The City's sanitary and storm drainage sewers are routinely inspected by video and flushed every year. They are also inspected, cleaned and repaired on an as required basis. In 2010 the work was shared between the City and two contractors.¹

7.1.1. Current City operations

The City directly operates one hydro-flusher and one video van, to inspect and clean sanitary sewer and storm drainage lines. The flush truck is also used for hydro-excavating on behalf of the Utilities and Construction Departments. Hydro-excavation is a technique where holes and trenches are dug using water pressure, dramatically reducing the likelihood of damage to other pipes and cables that are close to the work area.

In 2010, the City's flush truck recorded 2,013 hours of use, including 923 hours for hydro-excavating. It also flushed 6.9 km of storm drains and 122.7 km of sewer lines.

In 2010, the City's video van recorded 1,379 hours of use, including inspection of 14.3 km of sewer mains and 22.7 km of storm mains.²

7.1.2. Current Contracted services

Payments by the City to the two contractors in 2010 were as follows:

	After GST/HST	Est. before tax
Gross Environmental Services	\$ 135,445	\$ 125,357
Pipe Eye Video Inspection	301,159	278,827
	\$ 436,604	\$ 404,184

One of the two contractors (Gross) carries out routine cleaning of 9,500 catch-basins, as well as hydro-excavating for utilities and construction. The other (Pipe Eye) does video inspection and flushing of sewer and storm mains, flushing without video inspections, video inspections without flushing, and video inspection and cleaning of catch-basins and manholes.

As illustrated in the following table, different services may be priced differently, on a per-hour, per-meter and per-unit basis. Working with City staff, we have converted each service to an equivalent per-hour basis, for the purposes of this analysis.³

¹ A third contractor worked for the city inspecting sewer lines inside the property line, usually from the property itself; however, this firm is excluded from the analysis because the City has a policy not to work on private property.

² The City's camera equipment is superior to the contractors' equipment in that a subsidiary camera can branch off from the mains to inspect service lines to the property boundaries, and to locate clean-outs at property boundaries that cannot be located from the surface because they have become buried. In 2010 the City examined 5.0 km of sewer lines and 0.6 km of storm service lines. It also located 314 sewer and 14 storm clean-outs.

³ The analysis, performed jointly with the City, involved both an analysis of total City invoice payments plus a review of 38% of actual invoices. Some normalizing adjustments were made to the invoices reviewed, to allow for seasonal factors.

Service	Basis for service charge	Hours		\$
		Flush truck	Video van	
Gross Environmental Services				
Catch basin program	\$ 6.40/each	468		\$ 61,037
Flushing	\$ 150.00/hour	168		29,138
Hydro-excavating	\$ 150.00/hour	203		35,182
		454		\$ 125,357
Pipe Eye Video Inspection				
Flushing	\$ 173.25/hour	117		\$ 20,281
Hydro-excavating	\$ 173.25/hour	716		124,099
Video inspect/flush sanitary sewer	\$ 2.36/meter	127	159	56,361
Video/clean sanitary manholes	\$ 52.50/each	52	52	20,325
Video inspect/flush storm drains	\$ 2.36/meter	78	98	34,657
Video/clean storm manholes/catchbasins	\$ 52.50/each	59	59	23,104
Video only (occasional)	\$ 168.00/hour			
		1,149	367	\$ 278,827
Total		1,988	367	\$ 404,184

7.2. Alternate operation

The alternate operation would be for the City to (1) buy and operate a second a flush truck, and (2) upgrade the existing video van to have comparable technical capabilities as the contractor's equipment¹.

Under the alternate operation, the City-owned flush truck would perform the work associated with the 1,988 (equivalent) hours currently being performed by the contractors. The work would be performed by a two-person City crew.

The 367 additional hours of video van utilization, using the upgraded van, would increase the video van's annual utilization from 1,379 hours to 1,746 hours. For this analysis, we assume that this utilization (slightly more than 1 FTE) would trigger the hiring of another video van operator, who would also be available for related duties (e.g. relief/backup on the flush truck operations).

Seasonal scheduling

City staff advise that there are significant seasonal differences in the nature of the work performed using the equipment, but that, because much of the work is schedulable throughout the year, there is sufficient work to keep a City-owned unit could be kept fully utilized in all seasons.

¹ The contractor's video software delivers detailed reports that can be used by consulting engineers for cost estimating. We understand that the City's costs to acquire the hardware would be approximately \$75,000.

7.3. Cost comparison

The City's average hourly costs of operation are estimated in the following table:

	Flush Truck (including crew)	Video van (excluding crew)
Equipment Operator, Public Works level 9	\$ 29.17	See following table
Equipment Operator, Public Works level 9	29.17	
Overhead – 60%	35.00	
Equipment		
#417 Flush Truck	44.61	
#231 Video Van		9.00
Allow for \$75,000 software, 7,500 hours life		10.00
Allow for \$100,000 existing eqpt. 7,500 hours life		13.33
Total equivalent in-house cost	\$ 137.95	\$ 32.33

Based on these hourly rates, and assigning all of the video van operator costs to the new operation, the total annual costs of an in-house operation are estimated as follows:

	Hours	Rate	Cost
Flush truck – truck plus 2-person crew	1,988	\$ 137.95	\$ 274,245
Video van – equipment only	367	\$ 32.33	\$ 11,865
Video operator level 9 & 60% overhead	1,643	46.67	76,679
			\$ 362,789

Thus we estimate the City's cost of providing equivalent service as approximately \$363,000 or \$41,000 (10%) less than the City's \$404,000 in payments to Contractors in 2010.

7.4. Other considerations

Other considerations include:

- The City would have to assume the legal liability for work taken over from the contractors.
- The analysis may be somewhat optimistic, to the extent that not all of the currently-contracted services may be completely replaceable through the acquisition of an additional flush truck and upgraded video van.
- On the other hand, the analysis may be somewhat conservative, in that it allows for an additional FTE for video van and flush truck relief operations, despite the relatively modest increase in video van hourly utilization requirements.
- If the City took over all the work, it would be able to use its more sophisticated camera equipment on sewer inspections currently performed by the contractor.
- The current contractors have levels of expertise and operating abilities that the City would have to replace through the training of in-house staff.
- Capital investment requirements (allowed for in the cost comparison) would be \$350,000 for the hydro-flusher and \$75,000 for software, a total of \$425,000.

7.5. Consultant's assessment

The choice here is a trade-off between the prospective benefits - \$41,000 in potential annual cost savings, plus some operational benefits – versus the significant equipment purchase requirements and significant transitional costs associated with taking the operation in-house.. On balance, we assess the potential to bring contracted hydro-flushing, hydro-excavating and video inspection in-house as **medium**.

8. Animal Control

8.1. Current situation

Animal Control and impound services are currently provided by Coastal Animal Control Services ("Coastal"). The base value of the 2009 contract is \$345,000 annually before GST/HST, plus an optional \$20,000 for a seasonal employee during the summer. In 2010 the City paid Coast \$365,585.

Coastal is a family operation based in Duncan, BC. While Coastal has a number of animal control contracts with Vancouver Island municipal and regional agencies, the City of Nanaimo is its biggest customer. The services provided by Coastal include:

- Operation of the city-owned impound centre. This facility houses impounded animals, issues licenses, and manages animal control office/administrative functions. It also provides impound and related services for the Regional District of Nanaimo. The impound centre is staffed by a weekday administrator and a weekday cleaner, plus a Saturday administrator and a Saturday cleaner.
- Patrols of the City and its parks by Animal Control Officers (ACOs). These ACOs patrol the City and its parks, dealing with unlicensed dogs, dogs at large, confined dogs, deceased and injured animals, vicious/restricted animals, and other related animal control issues. These duties are performed by two year-round Animal Control Officers, plus a summer-season Animal Control Officer.

We understand that the City has been subject to an "Article 31" grievance from CUPE, alleging that Coastal's wage rates are below those of equivalent City positions, and that the grievance has been resolved by the City agreeing to pay an additional \$73,000 to Coastal that will flow through to Coastal's employees. Thus the annual cost to the City of the contract, going forward, is estimated as approximately \$439,000.

8.2. Alternate operation

Under the alternate in-house operation, the City would assume responsibility for Coastal's current provision of Animal Control Officers and operation of the impound centre. The in-house operating model is assumed to consist of:

- Two full-time Animal Control Officers, plus a seasonal (May-September) ACO (CUPE Level 10), provided with patrol vehicles.
- A weekday and Saturday administrative clerk (CUPE Level 6), located at the impound centre (1.2 FTEs).
- A weekday and Saturday custodian/cleaner (CUPE Level 4), based at the impound centre (1.2 FTEs).
- A management-level City employee to act as "Manager of Animal Control Operations" on a part-time basis (assume 0.3 FTEs).

- Directly paying a number of cost items currently absorbed by Coastal under its current contract with the City - including utilities, uniforms, office supplies cleaning supplies, spay/neuter fees, veterinary care, and euthanasia fees.¹

8.3. Cost comparison

The annual costs of the in-house operation are estimated as follows:

Labour Costs	Amount	
Animal Control Officer (level 10)	\$78,286	Inside regular
Animal Control Officer (level 10)	\$78,286	Inside regular
Animal Control Officer (level 10) - Seasonal	\$26,545	Inside temp/casual
Clerk (level 6)	\$59,946	Inside regular
Clerk (level 6) - Saturday	\$12,661	Inside perm. pt-time
Custodian (level 4)	\$63,674	Inside regular
Custodian (level 4) - Saturday	\$11,767	Inside perm. pt-time
Management	\$36,937	Inside management
Total Labour Costs (loaded)	\$368,102	
Vehicle Costs		
Assume Dodge Sprinter - 3,400 hrs @ \$9.00	\$30,600	
Other Operating Costs (Per Coastal Records)		
Office Supplies	\$1,730	
Utilities	\$13,037	
Uniforms	\$4,275	
Cleaning Supplies	\$501	
Spay/neuter	\$2,309	
Veterinary Care	\$5,485	
Euthanasia	\$1,662	
	\$28,998	
Total Annual Costs	\$427,700	

(Note: Annual labour costs are based on hourly rates, plus 25% benefits, times 2080 paid hours per year. This calculation is equivalent to hourly rates, times 1643 hours at work per year, plus 60% overheads allowance. See also Chapter 1.)

The \$428,000 estimated cost of in-house operation is higher than the \$366,000 historical (2010) cost of the external contract. However, it is \$11,000 less than the estimated \$439,000 estimated future-year costs, after including the costs to the City of resolving the CUPE grievance.

8.4. Other considerations

Other considerations include:

- **Direct control over animal control operations** – The City would have greater direct control over animal control operations, rather than working indirectly through a contractor.
- **Dependence on the current service provider** – Animal control is a specialized service area. While there are other service providers on Vancouver Island, Coastal is the largest provider of private animal control services in the mid-Island area, and the City would be hard-pressed to replace Coastal with a similarly qualified vendor on short notice if the need arose.

¹ A number of Coastal's other costs are assumed either not to be incurred by the City, or to be accounted for through the City's overheads/administrative cost allocations - including accounting/legal, training & education, advertising & promotion, business licenses, building repairs & maintenance, telephone, etc. In costing the in-house operation, Coastal's actual vehicle expenses are replaced by the City's vehicle charge-out rates.

- **Time and costs of replicating existing contractor's expertise** – Because of the specialized nature of the service, and the expertise required to deal with a wide range of animal control situations (vicious/injured animals, pet owners, etc.), the City's costs of introducing an in-house operation, and in particular in recruiting and training Animal Control Officers, would be significant.
- **Service levels associated with the current contractor** – The current contractor, is a second generation family firm providing animal control services to mid-Island municipal agencies. City staff indicate that the current contractor's service levels are very good.

8.5. Consultant's assessment

Given the lack of a significant cost advantage in moving to an in-house operation, and the significant time and costs likely to be required in replicating the current contractor's levels of expertise and service, we assess the potential for in-house provision of animal control services as **low**.

9. Custodial (Janitorial) Services

Custodial (janitorial) services have been identified by City staff as an area of potential interest for contracting out.

9.1. Current situation

Information provided by City management indicates that the City employs the following custodial staff, working the following shifts:

Facility	Permanent Full-time	Permanent Part-time	Auxiliary	Shift times
Bowen Park	2			5:00am – 1:30pm 3:00pm - 11:00pm
Oliver Woods	2	1	1	7:00am - 3:00pm 3:00am -11:00pm
Fleet Services	1			4:00pm-12:00mn
City Hall & Annex				
Supervisor	1			8:00am-8:00pm
Custodians	2 + 1 vacant			4:00pm-12:00mn
Activity Centres	1 vacant			10:pm-6:am
Field House	1 vacant			10:pm-6:am
Aquatic Centre	6			10:pm-6:am
Beban Park	3			7:30am-4:00pm 4:00pm-12:00mn
RCMP Building				
Supervisor	1			7:30am-4:00pm
Custodians	3			5:30pm-2:00am
Overload Custodians			5	
Total	<u>21 + 3 vacant</u>	<u>1</u>	<u>6</u>	

The three full-time vacancies are currently being filled by the part-time and auxiliary staff. Part-time staff work up to 40 hours per week. Full-time staff work 40 hours per week on a rotating schedule that includes weekends in most cases.

9.2. Alternate operation

Under the alternate operation, the City would contract out most of this custodial work. The following analysis is for the janitorial services being provided at all buildings other than the RCMP Building. (Because of the requirement for custodial staff to have security clearance, the RCMP Building is not included in the analysis.)

9.3. Cost comparison

Excluding the RCMP Building, the current level of City janitorial employment is approximately 19 FTEs. Based on an average of 1643 hours actually at work in a year¹, the total number of janitorial hours at work is 31,200. Because City staff are paid on the basis of 2,080 hours per year, the estimated annual cost to the City, including benefits, is estimated as \$1.21 million² - \$38.80 for each hour that the janitorial staff member is at work.

These cost estimates do not include staff supervision/contract management costs incurred by the City, which are assumed to be similar under both the current and alternate scenarios.

We have assessed the relative costs of in-house versus contracted janitorial services under two alternate assumptions:

- **“Fair Wage” assumption** – Assuming that the contractor is required to pay their janitorial staff at least the 2010 level 4 rate of \$24.49 per hour
- **“Market Rates” assumption** – Assuming that the contractor is not constrained by “Fair Wage” issues in compensating their janitorial staff.

We contacted a Vancouver-based janitorial contractor, and without disclosing the source of the enquiry, asked for estimated rates for Vancouver Island for approximately 10,000 and 31,000 hours at work per year, under both the City’s “fair wage” and “market rate” assumptions. We received the following information:

	Estimated rate per hour at work	
	“Fair Wage” Policy	“Market Rates”
31,000 hours per year	\$40 to \$45	\$28 to \$33
10,000 hours per year	5% to 10% higher	5% to 10% higher

Based on this information, the estimated comparative costs are as follows:

- Under the “Fair Wage” assumption, the contractor’s range of hourly rates is higher than the City’s equivalent rate of \$38.80 per hour at work.
- Under the “Market Rates” assumption, and using the contractor’s mid-point estimate of \$30.50, the estimated savings available to the City would be \$8.30 per hour at work. Applied to the annual total of 31,200 janitorial hours worked by City staff (excluding the RCMP building), the potential cost savings to the City from contracting out would be approximately \$260,000.

¹ Actual average for outside workers, assumed applicable to janitorial staff.

² Equal to the CUPE Level 4 rate of \$24.49 (2010) 25% benefits, times 2080 paid hours, times 19 FTEs.

The \$260,000 estimate is based on initial discussions with custodial customers, and would need to be refined through further discussions. (From discussions with purchasers of custodial services, we understand that the initial figures provided by the services provider may be somewhat higher than those that could be achieved through a competitive bid process.)

9.4. Other considerations

Other considerations include:

- **Past experience** – We understand that the City tried contracted custodial services at the Aquatics Centre some years ago, but was not satisfied with the quality of the service delivered.
- **Collective bargaining provisions** – Clause 27(a) of the City’s collective agreement with CUPE states “a reduction in the number of employees rated in any classification will only be made in the event that the Employer considers such a justification to be justified owing to the fact that the number of employees in such classification cannot be gainfully employed as such.” In addition to the Fair Wage (Article 31) provisions of the collective agreement, this clause could also become an issue if the City were to proceed with contracting out janitorial services.

9.5. Consultant’s assessment

Under the “Market Rates” scenario, and before considering the other provisions of the collective agreement, the potential savings through contracting out of janitorial services is estimated as significant - in the order of \$260,000 annually.

On the other hand, the “Fair Wage” and other provisions of the City’s collective agreement raise issues whether these potential cost savings could actually be achieved.

Pursuit of the potential cost savings would require a policy mandate from City Council, and thus we have not assess this opportunity in terms of having high, medium or low potential.

10. Electrical Service and Repair

10.1. Current situation

The City has no electrical technicians, and in 2010 most of the work was provided by one vendor that submitted 470 invoices during the year. The total value of work invoiced in 2010 was:

	Including GST/HST	Est. before tax
Shaw Electrical Services Ltd.	\$ 439,079	\$ 404,681
Harbour City Electric Ltd.	\$ 30,013	\$ 27,662
	\$ 469,092	\$ 432,343

(The above costs exclude traffic and street light maintenance, which is contracted to a specialist firm, and a capital project carried out by a third firm.)

We analyzed invoices that represented 47% of the pre-tax value of services billed. Combined, they displayed the following breakout of costs:

Labour	\$ 90,722	45%	67%
Materials & disbursements	44,744	22%	33%
Lump sums	67,240	33%	
	\$ 202,706	100%	

Most invoices indicated the labour content of the service. Where labour costs were indicated, they represented 67% of the invoice values. Applying this 67% to the total pre-tax billings of \$432,000, the labour-based component is estimated as approximately \$290,000.

One vendor identified labour rates of \$60.56 per hour for regular time, while another charged \$59.00. Assuming an average rate of \$60.00 per hour, the \$290,000 of labour represents approximately 4,820 hours of electrical contractor time.

10.2. Alternate operation

Under the alternate operation, the City would employ a number of in-house electrical staff.

Based on outside staff paid hours of 2,080 per year, less 21% allowance for time not worked, City outside staff members have 1,643 hours available to work. Thus the 4,820 hours of work performed by electrical contractors is equivalent to approximately 2.9 full-time electrical staff.

Peaks and valleys in workloads would likely make it desirable to continue to contract out a portion of the work, to take advantage of the pool of electricians available in the community during busy times and to avoid "dead time" for in-house electrical staff. Thus the alternate operation is modelled as having two in-house electricians, while continuing to contract out the balance of the work.

10.3. Cost comparison

If the City were to employ its own staff, the hourly rate is estimated as:

	Rate
Staff	
Electrician (no City staff - assume level 14)	\$ 38.52
Overhead – 60%	23.11
Equipment	
Van, similar to #231 2006 Dodge Sprinter Van	9.00
Total equivalent in-house cost	\$ 70.63

From time to time the staff would require a vehicle with an aerial ladder, similar to unit #42 (\$11.95 per hour) used by the Roads Department to work on overhead street signs.

Based on the approximately \$10 difference between the in-house rate and the \$60 rate charged by contractors, the additional cost of bringing two-thirds of the work in-house, by hiring two electricians, is estimated as approximately \$33,000.

10.4. Other considerations

Other considerations include:

- If the City wished to pursue this option, further analysis of the pattern of demand for electrician services would be required, to confirm that two in-house electricians could be kept fully occupied without unduly impacting the timeliness of service delivery.
- To bring the work in-house, the City would need to specify the work content of the job, evaluate it, establish the appropriate level in the CUPE contract, and set the rates offered.

10.5. Consultant's assessment

Given the higher cost structures associated with in-house versus contracted electrical services, and the potential loss of flexibility in meeting demand patterns, we assess the potential for in-house electrician services as **low**.

11. Plumbing

11.1. Current situation

The City has no staff plumbers, and uses a number of different vendors. Payments to plumbing firms in 2010 were as follows:

	Including GST/HST	Est. before tax
Archie Johnstone	\$ 31,082	\$ 28,647
Art's Plumbing and Heating	18,152	16,730
Gary McKinnon Plumbing	12,432	11,458
	\$ 61,666	\$ 56,855

We analyzed invoices representing 47% of the pre-tax value of services billed. Combined, they displayed the following level of detail:

Labour	\$ 4,210	13%	42%
Materials	5,872	18%	58%
Lump sums	22,589	69%	
	\$ 32,671	100%	

The majority of invoices did not distinguish the labour and material content of the service. For the invoices that did, the labour component represented 42% of the invoice values. Applying this ratio to the total pre-tax billings of \$56,855, labour charges represent approximately \$24,000 of total invoice amounts. One vendor identified labour rates of \$70 per hour for regular time, indicating that the, \$24,000 in labour represents approximately 340 hours of plumbing time (approximately 0.2 FTEs).

11.2. Alternate operation

If the City were to employ a qualified plumber, approximately 20% of the employee's time would be spent on currently-contracted plumbing, while 80% of the employee's time would be available for non-plumbing activities.

11.3. Cost comparison

For the time that the in-house plumber would be working on plumbing-related work orders, the estimated in-house costs compares favourably with the external rate of \$70:

	Rate
Staff	
Plumber (no City staff – assume similar to Water Technician) – level 11	\$ 31.37
Overhead – 60%	19.82
Equipment	
Van, similar to #231 2006 Dodge Sprinter Van	9.00
Total equivalent in-house cost	\$ 59.19

While there is an apparent hourly cost advantage of providing plumbing services in-house, this cost advantage would apply to only 20% of the staff plumber's time. It would thus be necessary to productively utilize the remaining 80% of the plumber's available time on other high-value work.

11.4. Other considerations

Other considerations include:

- It could be difficult to attract a qualified plumber to the position, if only 20% of the work is plumbing-related.
- The estimated labour component of the current contracted invoices (\$24,000) is not large.
- Legal liability would rest with the City rather than the contractor.

11.5. Consultant's assessment

Based on the relatively small volume of contracted plumbing undertaken by the City, we assess the potential of in-house plumbing services as **low**.

12. Brushcutting

12.1. Current situation

The City formerly performed brushcutting in-house, but sold one of its units to the business that became the current contractor. Payments in 2010 were:

	Including GST/HST	Est. before tax
Seans' Brushcutting	\$ 211,496	\$ 194,927

The service is carried out between May and October. The verges and medians along the full length of City roads and street must be cut at least twice per year. The contractor also does additional work as required for the Water Utility (along the watershed), and for Parks and Recreation.

The purchase order calls for two machines from April to October, with a third machine during June to September. The equipment works four 10-hour days per week. The contract estimates 2,700 labour hours per year, at an inclusive rate of \$75 per hour (\$202,500). Travel time, down time, lunch periods and rest breaks are not paid.

12.2. Alternate operation

Under the alternate in-house operation, brushcutting would be undertaken directly by City staff (assume CUPE level 7 – equipment operator), using City-owned equipment that was purchased new and/or re-purchased from the current contractor.

12.3. Cost comparison

The City's hourly costs of providing brushcutting services in-house are estimated as:

	Rate
Staff	
Equipment Operator, Public Works – level 7	\$ 27.29
Overhead – 60%	16.37
Equipment	
Articulated tractor, rate similar to #576	Per
tractor/loader	month \$ 1,588
estimated	per hr 12.50
Mower head (new cost \$ 50,000) estimated	per hr 10.00
Subtotal	\$ 66.16
Add for travel time (60 mins/day)	12.5% 8.27
Add for paid breaks (20 mins/day)	4.2% 2.78
Total equivalent in-house cost	\$ 77.21

Thus the hourly cost of in-house operation is similar to that of the current contracted service.

12.4. Other considerations

Other considerations include:

- An in-house operation would give the City greater direct control over day-to-day brushcutting assignments and activities.
- On the other hand, City staff indicate that the current contracting-out model results in greater flexibility for City departments to order additional work on short notice.
- If operators needed to be hired and laid off on a seasonal basis, this could increase the City's costs over those estimated.
- Legal liability would be shifted from the contractor to the City.
- There would be significant capital requirements – for example the acquisition of three tractors (new value approximately \$90,000 each) and three mower heads (new value approximately \$50,000 each). While these costs are accounted for in the preceding cost comparison, the City would still need to acquire and finance the new equipment.

12.5. Consultant's assessment

Given the similar cost structures associated with contracted versus in-house brushcutting services, and the other factors mitigating mainly in favour of continuing to contract this service, we assess the potential for in-house brushcutting services as **low**.

13. External Painting

13.1. Current situation

For several years the City has not performed external painting, although building maintenance workers do paint internal surfaces and fixtures. All external painting is contracted to a vendor who works in terms of a standing purchase order. Payments in 2010 were:

	Including GST/HST	Est. before tax
Garco Coating Systems Ltd.	\$ 112,742	\$ 103,910

The purchase order for the painting contractor specifies unit prices per square foot, for preparation and painting of different surfaces. It also specifies a rate of \$35 per hour for painting non-flat surfaces (e.g. windows, trim, handrails, railings, stairs, pipes and physical plant). The tender document states that the contract prices shall include all labour, materials, equipment and vehicles necessary to perform the work.

Because of the nature of the contract, it is not possible to establish what hourly rate was used by the contractor in developing the unit price, nor what allowance was made for materials.

Analysis of invoices representing 50% of 2010 charges reveals that the rates in the contract are not referenced in invoices. Painting both of buildings and of non-flat surfaces are invoiced as lump sums, not as a price per square foot or price per hour, and thus we do not know the actual hours spent by the contractor in providing any of the services.

13.2. Alternate operation

The alternate operation would be for the City to employ a painter. Because the invoices provide no information regarding actual hours and materials costs, they are not useful in estimating the actual hours of work performed. However, using the \$35 per hour (including materials) specified in the contract as an indicator of time spent, the total hours of painting is estimated as 2,970, or approximately 1.8 FTEs at the City's standard availability per outside worker (i.e. 1,643 hours – 2,080 hours less 21% allowance for time not worked).

13.3. Cost comparison

The comparison of hourly rates for the current versus in-house operation is as follows:

	Rate
Staff	
Painter (no City staff - assume similar to Carpentry Tradesperson) – level 9	\$ 29.17
Overhead – 60%	17.50
Equipment	
Van, similar to #231 2006 Dodge Sprinter Van (say 1 per 2 employees)	4.50
Total equivalent in-house cost (before materials)	\$ 55.67

The contractor's quoted hourly rate of \$35 for non-flat surface (including materials) is significantly lower than the City's estimated hourly cost (excluding materials).

13.4. Other considerations

Other considerations include:

- Legal liability, currently resting with the contractor, would become the City's responsibility.
- The City would need to acquire an additional vehicle (included in above cost comparison).
- To bring the work in-house the City would need to specify the work content of the job, evaluate it, establish the appropriate level in the CUPE contract, and set the rates offered.

13.5. Consultant's assessment

Given the difference between the City's estimated costs and the contractor's hourly rate, the potential for cost savings through in-house external painting is assessed as **low**.

14. Graffiti Removal

14.1. Current situation

The City has never performed external graffiti removal internally. Seicoat Canada is contracted to remove graffiti on call, at a rate of \$75 per hour (according to a purchase order for services up to June 30, 2010.) The City's contracted payments in 2010 for graffiti removal were as follows:

	Including GST/HST	Estimated pre-tax
Seicoat Canada Inc.	\$ 37,188	\$ 34,275

Materials are not mentioned in the purchase order and are presumably not charged by the vendor. The order also specifies prices for window cleaning and pressure washing, though none was charged in the invoices we analysed.

We analyzed invoices representing 48% of 2010 charges, covering 251 hours. Work (both before and after June 30, 2010) was charged at \$65 per hour, \$10 below the contract rate. Assuming all invoices were similarly priced, the total number of hours charged for graffiti removal in 2010 is estimated as approximately 520 hours.

14.2. Alternate operation

The alternate City operation is assumed assign a City employee, to graffiti removal on a part-time basis. The hourly labour and vehicle cost for the City is estimated as follows:

	Rate
Staff	
Graffiti remover (no City staff - assume similar to Carpentry Tradesperson) – level 9	\$ 29.17
Overhead – 60%	17.50
Equipment	
Van, similar to #231 2006 Dodge Sprinter Van)	9.00
Total equivalent in-house cost (excludes materials)	\$ 55.67

14.3. Cost comparison

The contractor's hourly rate, including materials, is approximately \$9.00 per hour higher than the City's estimated in-house cost, excluding materials. Based on 520 hours per year, the potential savings available, after allowing for materials, is estimated as approximately \$5,000, less the cost of materials.

14.4. Other considerations

Other considerations include:

- Legal liability, which currently rests with the contractor, would be transferred to the City.

- Training costs would be incurred by the City. Seicoat Canada is a franchise chain, specializing in coatings and graffiti prevention and removal. To bring graffiti removal in-house, the City would need to provide initial and ongoing training for the City employee(s) responsible for graffiti removal.
- To bring the work in-house, the City would need to specify the work content of the part-time job, evaluate it, and establish the appropriate rate level.

14.5. Consultant's assessment

Given the small value of the potential savings and the increased training requirements, we assess the potential for significant City benefits through in-house provision of graffiti removal as **low**.

15. Fabrication and Welding

15.1. Current situation

Fabrication and welding services were provided by four vendors in 2010, paid by the City as follows:

	Including GST/HST	Est. before tax
Nanaimo Sheet Metal	\$ 85,824	\$ 79,100
Wendell's Welding	65,094	59,995
K & K Welding	35,344	32,575
Macon Welding	10,893	10,123
	<u>\$ 197,155</u>	<u>\$ 181,793</u>

Invoices for fabrication and welding are priced as a total amount, including labour and materials. Neither the hourly labour rates nor the costs of materials (likely significant) are indicated.

15.2. Alternate operation

The alternate operation would be for the City to employ its own tradesmen and equip a suitable work shop in the works yard. From discussions with City staff we understand that fitting out a suitable work shop would require significant capital investment, especially when equipment acquisition is included.

Because of the lack of information contained in City invoices, it is not possible to estimate with precision the labour hours represented by the vendor invoices. However, assuming that labour comprised half to two-thirds of 2010 invoice values, and that a typical welder charge rate is in the order of \$40-\$50 per hour, the labour component of the 2010 invoices is broadly estimated as being in the range of 2,000-3,000 hours, or about 1.0 to 1.5 FTEs.

We also understand from City staff that the demand for fabrication and welding varies significantly, with large peaks and valleys. Thus, the alternate operation would have significant down time, and at other times would have demand for two or more welders. It is also likely that a portion of the currently-contracted work would continue to be contracted during busy periods.

15.3. Cost comparison

The lack of detailed information on invoices means that direct research (interviews) would be required to perform a detailed cost comparison. However, given the expected significant down time that would be associated with an in-house operation, such an analysis would almost certainly have higher costs than those of the current outside contractors.

15.4. Other considerations

Establishment of an in-house fabrication and welding shop would involve a significant capital outlay, and would require the hiring and training of new City staff.

15.5. Consultant's assessment

Based on these considerations, we assess the potential for in-house fabrication and welding as **low**.

16. Fire Hydrant Servicing

16.1. Current situation

Until a few years ago a technician from the Water Department maintained the City's fire hydrants. When he retired the service was put out to contract. The purchase order specifies unit prices for A, B and D services, with C services being charged on a time basis at \$35 per hour. City payments in 2010 were as follows:

	Including GST/HST	Est. before tax
Underline Hydrants	\$ 79,306	\$ 73,093

Analysis of invoices representing 50% of 2010 charges reveals that 95% of labour charges were based on unit prices, while 5% were based on the \$35 hourly rate. Applying the \$35 rate to the labour component of unit price invoices, the total number of labour hours represented by the contractor payments in 2010 is estimated as 1,966 hours.

16.2. Alternate operation

The alternate operation would be for the City to support an in-house individual to do the work. Based on a City employee's available time of 1,643 hours (2,080 hours, less 21% for time not worked), the estimated 1,966 hours of fire hydrant servicing represents 1.2 FTEs of City outside staff.

The hourly labour and vehicle cost for the City is estimated as follows:

	Rate
Staff	
Plumber (no City staff - assume similar to Water Technician) – level 11	\$ 31.37
Overhead – 60%	18.82
Equipment	
Van, similar to #231 2006 Dodge Sprinter Van	9.00
Total equivalent in-house cost (excluding materials)	\$ 59.19

16.3. Cost comparison

The City's estimated costs of performing the work in-house are estimated as \$59.19 per hour, significantly higher than the contractor's estimated hourly rate of approximately \$35.00.

16.4. Other considerations

Other considerations include:

- Legal liability, which currently rests with the contractor, would revert to the City under the in-house operation
- An additional vehicle would have to be acquired by the City (included in the cost comparison).

- To bring the work in-house the City would need to specify the work content of the job, evaluate it, establish the appropriate level in the CUPE contract, and set the rates offered.

16.5. Consultant's assessment

Given the cost disadvantage associated with in-house fire hydrant servicing, we assess the potential for in-house services as **low**.

17. HVAC Repair and Servicing

17.1. Current situation

The City has no HVAC technicians, and uses a number of vendors. Vendor payments in 2010 were as follows:

	Including GST/HST	Est. before tax
Hallmark Airconditioning	\$ 162,591	\$ 149,853
Hein Mechanical Services	6,623	6,308
Mount Benson Mechanical	20,973	19,975
Sloan's Heating Services	5,797	5,342
Torry and Sons Plumbing	8,194	7,552
Johnson Controls	53,032	48,877
	<u>\$ 257,392</u>	<u>\$ 237,907</u>

We analysed invoices that represented 47% of the pre-tax value of services billed. Combined, they displayed the following level of detail:

Labour	\$ 8,633	8%	31%
Materials	18,809	17%	69%
Lump sums	<u>83,990</u>	<u>75%</u>	
	<u>\$111,432</u>	<u>100%</u>	

All of the invoices we reviewed were related to facilities that are directly managed by the City, and none was related to facilities that are indirectly managed (e.g. VICC, Port Theatre, Centre of the Arts, Museum). This analysis assumes that these facilities continue to be indirectly managed, and any HVAC requirements are separately procured.

Most invoices did not distinguish the labour and material content of the service. For invoices that provided this detail, the labour content was 31%. Applying this ratio to the total pre-tax invoices of \$238,000, labour would represent about \$74,000. One vendor identified labour rates of \$95 per hour, and another identified a rate of \$75 per hour. Based on these rates, the annual number of HVAC labour hours is estimated as 700-900, or approximately 0.5 FTEs.

17.2. Alternate operation

If the City were to employ an HVAC technician, the position is estimated to be only 50% utilized on HVAC work. Assuming that other productive work could be found, the hourly rate is estimated as follows:

	Rate
Staff	
HVAC Technician (no City staff - assume level 13)	\$ 36.02
Overhead – 60%	21.61
Equipment	
Van, similar to #231 2006 Dodge Sprinter Van	9.00
Total equivalent in-house labour cost per hour at work	\$ 66.63

17.3. Cost comparison

On an hourly basis, the City's labour rate of \$66.63 is somewhat lower than the \$75 to \$95 range shown in contractor invoices. Based on an estimated 800 hours of work per year, and using the mid-point contractor invoice rate of \$85, the potential cost savings are estimated as being in the range of \$20,000.

17.4. Other considerations

Other considerations include:

- Since the HVAC technician's time would only be 50% spent on HVAC activities, the estimated savings depend on the remaining 50% of the HVAC technician's time being assigned to similarly high-value (level 13) non-HVAC activities – which would likely be a significant challenge.
- Some of the HVAC work may be sufficiently specialized that it would have to be contracted, even if an in-house HVAC technician was available.
- Legal liability, currently resting with the contractor, would be transferred to the City.
- The City would likely have to acquire another vehicle (included in cost analysis).
- To bring the work in-house the City would need to specify the work content of the job, evaluate it, establish the appropriate level in the CUPE contract, and set the rates offered.

17.5. Consultant's assessment

Given the relatively modest potential savings of approximately \$20,000 annually, combined with the challenges in keeping the HVAC technician fully occupied on other high-value work for half of his/her time at work, we assess the potential to bring HVAC work in-house as **low**.

18. Refrigeration Maintenance and Service

18.1. Current situation

The City has no refrigeration technicians, and used two different vendors in 2010:

	Including GST/HST	Est. before tax
Martel/Coral Refrigeration	\$ 61,902	\$ 57,317
Cimco Refrigeration	42,006	38,894
	<u>\$ 103,908</u>	<u>\$ 96,211</u>

We analysed invoices that represented 52% of the pre-tax value of services billed. Combined, they displayed the following level of detail:

Labour	\$ 17,986	36%	61%
Materials	11,298	23%	39%
Lump sums	20,436	41%	
	<u>\$ 49,720</u>	<u>100%</u>	

The majority of invoices specified the labour and material content of the service. Where specified, the labour content was 61% of invoiced amounts, which applied to the total pre-tax billings of \$96,000 results in estimated 2010 total labour charges of \$59,000. One vendor charged \$52.00 per hour for regular time, while another charged \$62.00 – indicating total labour hours in the range of 1,000 to 1,100 hours.

18.2. Alternate operation

If the City were to employ a refrigeration technician, the internal rate is estimated as follows:

	Rate
Staff	
HVAC Technician (no City staff - assume higher than Instrumentation & Telemetry Technologist) – level 14	\$ 38.52
Overhead – 60%	23.11
Equipment	
Van, similar to #231 2006 Dodge Sprinter Van	<u>9.00</u>
Total equivalent in-house cost	<u>\$ 70.63</u>

18.3. Cost comparison

The City's estimated in-house hourly cost of approximately \$71 is higher than the range showing on vendor invoices.

18.4. Other considerations

The estimated total annual workload (1,000 to 1,100 hours) is only about 0.7 FTEs. It could be a challenge to find similarly productive work for the refrigeration technician, during the 30% of available time not spent on refrigeration-related work.

18.5. Consultant's assessment

Given the hourly cost disadvantage and the relatively small annual workload, we assess the potential for in-house provision of refrigeration services as **low**.

19. Solid Waste Removal – City-owned Facilities

19.1. Current situation

The City contracts with Greater Nanaimo Hauling (“GNH”) to collect 2, 3, 4 and 5-yard bins of garbage, recyclables and food waste from 29 City facilities, using a front-loading compacting truck. Pickup frequencies vary by facility – some facilities may have pickups three times weekly, while others have pickups every other week. GNH is responsible for processing and selling recyclables. Payments to GNH and GNH’s predecessor in 2010 were:

	Including GST/HST	Est. before tax
Greater Nanaimo Hauling	\$ 68,978	\$ 63,574
Waste Services (first part of 2010)	19,917	18,357
	<u>\$ 88,175</u>	<u>\$ 81,931</u>

The busiest month in 2010 was October, with invoices for \$8,001 (approximately 10% of the year’s charges,) for the following levels of activity:

Facilities served	29
Total stops	43
Waste bins/week	69
Recycling bins/week	16
Organics totes/week	<u>10</u>
Total per week	<u>95</u>

19.2. Alternate operation

The alternate scenario would be for the City to buy a suitable truck and operate its own collections.

Given the distances between facilities, the variability of each day’s schedule, and the fact that separate runs would need to be made for recyclables and organics, a daily average of 9 stops, handling 20 bins and 12 tonnes per day, may be considered a reasonable workload. This is generally equivalent to the contractor’s 43 stops per week in October 2010.

19.3. Cost comparison

To provide the service in-house, the City's costs are estimated as follows:

Wages			
Refuse collector/operator, - level 6	\$ 26.35/hr	1,643 hrs	\$ 43,293
Overhead (includes allowance for time not worked)	60%		25,976
Laundry & Dry Cleaning			1,300
Front-loading truck similar in cost to #430 Shupak twin packer (new value approx. \$310,000)	\$6,046/mth	12 months	<u>72,552</u>
			\$ 143,121

The City's estimated costs of \$143,000 are significantly higher than the contractor's \$82,000.

19.4. Other considerations

Other considerations are:

- Legal liability currently resting with the contractor would be transferred to the City.
- The cost of a suitable vehicle is estimated as \$310,000 (allowed for in cost analysis).

19.5. Consultant's assessment

Based on the cost comparison, the potential for the City undertaking the pick-up of commercial solid waste from City facilities is assessed as **low**.

20. Solid Waste Removal – City Construction

20.1. Current situation

DBL Disposal Services Ltd. provides a number of waste removal services to the City. In 2010, DBL's charges for removing the City's construction waste (in large 20-yard bins) was:

	Including GST/HST	Est. before tax
Waste bin rentals	\$ 11,547	\$ 10,642
Waste hauling	30,774	28,363
	<u>\$ 42,321</u>	<u>\$ 39,005</u>

Neither the hourly rates, nor the total tonnage handled, is available from invoices.

20.2. Alternate operation

The alternate operation is for the City to buy a suitable truck and operate its own collections. Based on reasonable equipment utilization levels, the hourly costs of providing the service in-house are estimated as follows:

	Rate
Staff	
Refuse collector/operator, level 6	\$ 26.35
60% overhead	15.81
Equipment	
Rear loading flat bed similar in cost to #413 Crane Truck (new value approximately \$300,000)	<u>22.30</u>
Hourly equivalent in-house cost	<u>\$ 64.46</u>

Assuming that the contractor's hourly rates are generally comparable to the \$64 estimated for in-house operation, the contractor's invoices for 2010 represent approximately 440 hours. Thus, if the City were to perform the service directly, the flat-bed truck would be needed for City construction waste only about 30% of the time. Unless other productive work could be found for the equipment, its average hourly cost to the City could be significantly higher than the rates indicated.

The City would also be faced with the costs of disposing the construction waste (volume not known), would have to purchase the bins (not included in above calculation), and would have to finance the purchase of an additional truck.

20.3. Cost comparison

While contractor hours applied (and quantities handled) are not available from invoice records, the relatively modest size of the annual invoices (\$39,000 before GST/HST), and the significant hourly costs of the alternate in-house operation, indicate that the cost comparison would be strongly in favour of continued external contracting.

20.4. Other considerations

Other considerations are:

- There is no obvious suitable source of additional use for a City-owned flat bed unit that would utilize a significant portion of the unit's 70% availability.
- Legal liability, currently resting with the contractor would be assumed by the City under an in-house operation.
- If the City took over the operation it would also assume the additional costs of disposal fees and bin costs.

20.5. Consultant's assessment

Given the limited volume of services contracted and the modest value of the contract, we assess the potential for the City to achieve cost savings by collecting its own construction waste as **low**.

21. Solid Waste Removal – City Parks

21.1. Current situation

Solid waste removal on City parks is provided by Lone Pine Horticulture, which collects full and replaces new garbage bags in litter bins. The full bags are placed in a Park's dumpster for later collection by another contractor. Lone Pine provides a combination of services to the City parks. Most of its business is landscaping and horticultural services (see separate chapter on landscaping), but it also provides garbage collection for City parks, as well as winter snow and ice removal services.

The City paid Lone Pine a total of \$348,000 in 2010, of which approximately \$60,000 is attributable to garbage pickup from parks.¹

Based on Lone Pine's standard rate in 2010 of \$31.75 per hour, including vehicle fees, we estimate that the City's payments to Lone Pine in 2010 include approximately 1,900 hours (1.2 FTEs) worth of garbage collection activity.

21.2. Alternate operation

The alternate operation would be for the City to employ auxiliary staff for the required weeks and hours. The City's rates would be:

	Rate
Staff	
Labourer (auxiliary), level 2	\$ 22.61
Overhead – 40% (auxiliary rate)	9.04
Equipment	
1 ton truck similar to #277 1 ton pickup	8.00
Total equivalent in-house cost (excludes landfill fees)	\$ 39.65

21.3. Cost comparison

The vendor's \$31.75 hourly rate is approximately \$8.00 lower than the City's estimated costs.

21.4. Other considerations

Performing this service in-house would provide the City with more direct control over a highly visible service. On the other hand, it would also transfer the legal liability from the contractor to the City.

21.5. Consultant's assessment

In view of the hourly cost comparison, we assess the potential for the City directly providing garbage collection services as **low**.

¹ While a breakout of payments by type of service is not available from City records, our review of actual invoices for the months of May-October (the primary collection months) identified garbage collection related invoices of \$52,435.

22. Handyman Cleanup Services

22.1. Current situation

Youngblood Handyman Services works according to an open purchase order stating "To provide general yard cleanup and miscellaneous labour, as required by Bylaw Department". In 2010 the vendor also worked for other departments such as Parks and Fire. City payments were:

	Including GST/HST	Est. before tax
Youngblood Handyman Services	\$ 64,375	\$ 59,332

Vendor billings in 2010 related to (1) Projects over \$5,000, for which a specific purchase order was issued (often after the fact), and (2) Miscellaneous services against the open purchase order, for invoices below \$5,000.

No written quotes could be found for the invoices we analyzed, although we understand that the vendor provides oral quotes on a "per job" basis. No hourly rates were quoted on any of the invoices or purchase orders. Examples of this vendor's charges (representing 50% of annual billings) are:

Invoices over \$5,000	
For demolition	\$8,800
Installation of fabric and fall protection and cleanup of debris for whole playground	8,000
Invoices under \$5,000	
For miscellaneous projects	4,970
For construction of cedar fence	4,450
For construction of barricades	2,165
For miscellaneous playground upgrades	2,100
Total analyzed invoices	\$30,485

22.2. Alternate operation

The alternate operation would be for the City to perform these services directly. This may be more convenient for the Parks Department, which would likely have suitable staff, than for the Bylaw and Fire Departments who also used this vendor's services in 2010.

To provide the service in-house would involve the following hourly costs:

	Rate
Staff	
Parks Utility Assistant - level 5	\$ 25.42
60% overhead	15.25
Equipment	
Pick-up truck similar in cost to #213 ½ ton 4x4 pick-up	6.90
Total equivalent in-house cost	\$ 47.57

22.3. Cost comparison

Since none of the invoices or orders we examined provide information regarding hourly rates, it is not possible to assess with certainty whether the City could perform the work at lower cost using in-house staff. However, based on our review of the vendor's invoices and our understanding of the work performed, our assessment is that the City's in-house rates would likely be higher than the hourly rates underlying the vendor's pricing.

22.4. Other considerations

Other considerations are:

- The vendor works for multiple City departments. Some departments may not have suitable staff to take over the work, thus requiring them to "borrow" handyman cleanup services from other departments.
- Contracting provides the City with the flexibility to change handyman contractors immediately, if performance issues arise.
- Legal liability, which currently rests with the contractor, would be transferred to the City under the alternate operation.

22.5. Consultant's assessment

For all of the above reasons, we assess the potential of the City providing its own handyman services as **low**.

23. Landscaping

23.1. Current situation

The City has its own landscaping crew of seven, who concentrate on maintaining the grounds of City facilities. Contract crews maintain parks, highways and boulevards. Vendor payments in 2010 were as follows:

	Including GST/HST	Est. before tax
Acer Landscaping	\$ 133,934	\$ 123,441
Graf Excavating	277,075	255,369
Easy Living Holdings	80,557	74,246
Lone Pine Horticulture ¹	294,603	271,524
Strain Landscapes	197,961	182,453
Undercutter Lawn & Prop.	17,281	15,927
	<u>\$ 1,001,411</u>	<u>\$ 922,960</u>

¹ This excludes an estimated \$60,000 (before tax), for collecting solid waste from City parks. (See separate chapter.)

We analyzed invoices that represented 54% of the pre-tax value of services billed. Combined, they displayed the following level of detail:

Labour	\$ 98,237	20%	80%
Equipment	4,367	1%	4%
Materials	18,937	4%	16%
Lump sums	<u>375,743</u>	<u>75%</u>	
	<u>\$497,284</u>	<u>100%</u>	<u>100%</u>

The average rate on invoices that charged for time was \$41.94.

While most landscaping invoices are on a lump sum basis, landscaping contracts are generally labour-intensive. Where indicated in invoices, labour charges represented 80% of invoiced amounts, which, applied to all billings, indicates total labour costs of \$740,000. Applying the average rate of \$41.94 to this value results in estimated annual hours of 17,600 at work, or 10.7 FTEs of City staff time.¹ Because landscaping is largely seasonal work, this could represent approximately 18 staff for an average of 7 months. This size of operation would also likely require at least one additional supervisor.

The lump sum purchase orders also identify hourly rates for work outside the scope of the lump sums. In most cases the rates included materials, equipment and vehicles. Typical rates include:

- Rates quoted for general labour in different contracts were \$31.75, \$35.70, \$36.77, \$39.00, \$42.95, \$45.00 and \$48.00.
- Rates for pesticide application were \$35.70, \$39.50, \$45.00 and \$47.28.
- Rates irrigation repair were \$35.70 and \$39.50.

¹ Based on 1,643 hours at work annually per City outside worker.

- A rate for hand watering was \$39.50, and a rate for labour with mower was \$47.28.

23.2. Alternate operations

Two alternate operations have been considered:

- **Option 1 – 100% in-house operation** – Option 1 would be for the City to add 18 staff, plus at least one supervisor, plus additional vehicles and equipment for 7 to 8 months of the year. (This would be in addition to the current City crew.)
- **Option 2 – 100% contracted operation** – Option 2 would be for the City to contract out the work of its seven-person landscaping crew. This group works on City facilities for seven to eight months each year and on other horticultural work (in the nursery) during the off season.

23.3. Cost comparison

Option 1 – 100% in-house operation

If the City were to replace the currently-contracted services with an in-house operation, and assuming that the City can hire 18 staff on a 7-month-per-year basis, then the City's effective cost per staff hour at work would be:

	Horti-culturalist (level 9)	Labourer (level 2)	Horticulture supervisor (level 11)
Rate	\$ 29.17	\$ 22.61	\$ 31.37
Overhead 60%	17.50	13.57	18.82
Equipment			
Share of pickup truck similar to #290	3.45	3.45	6.90
Total equivalent in-house cost (excl. materials)	\$ 51.12	\$ 39.63	\$ 57.09
Average rate assuming 50/50 each category	\$45.37		

The staff would also require other equipment such as mowers, pesticide applicators, leaf blowers etc. that are included in almost all contract rates. The City has adequate equipment for its current crew, but would need to acquire additional equipment for the additional crew.

Assuming a 50/50 split of level 9 horticulturalists and labourers, the City's costs before materials (plants, pesticide and fertilizer) on average would be \$3.43 higher than the average contractor rates that include those materials. Based on a total of 17,300 hours annually,¹ the additional costs would be \$60,000. Additional supervisory costs are estimated as \$55,000,² resulting in estimated additional labour costs of \$115,000 before allowing for the increased costs of materials and equipment.

¹ 18 staff, times 1,643 hours at work per year, times 7/12 of a year.

² Assume one supervisor, earning \$57.09 per hour at work, times 1,643 hours at work per year, time times 7/12 of a year.

Option 2 – 100% contracted services

If the City were to contract out the work of its current in-house landscaping crew, and were to be able to do so without penalty, then current costs that would be avoided include:

	No. of staff	Hours at work per FTE	Rate	Total \$ incl 60% OH
Staff				
Horticulture supervisor – level 11	1	1,643	\$ 31.37	\$ 82,465
Landscape horticulturist – level 9	3	1,643	29.17	230,046
Park's maintenance worker – level 7	1	1,643	27.29	71,740
Truck driver – level 4	1	1,643	24.55	64,537
Labourer – level 2	1	1,643	22.61	59,537
Totals, including average wage rate	7	11,501	\$ 27.62	\$ 508,325
Equipment				
Pickup truck (unit #290)		1,643	\$ 6.90	\$ 11,337
Miscellaneous mowers, blowers etc				<u>additional</u>
In-house staff and equipment costs avoided		11,501	\$45.18	\$ 519,662

These avoided costs are before considering the impact of additional contractor-provided materials and equipment that are currently included in the hourly rate, and that the City would no longer have to purchase for its in-house crew.

Assuming that the City contracted with its existing suppliers to replace these 11,501 in-house landscaping hours with an equivalent number of contractor hours, the costs of contracting out are estimated as \$482,000.¹

Thus the potential net savings associated with contracting out are estimated as approximately \$38,000, plus the additional savings from contractor-provided materials and equipment that the City would no longer have to purchase and manage.

23.4. Other considerations

Other issues to consider are:

- For Option 1 (in-house service), at least four 1-ton trucks (\$42,000 each) and minor equipment would need to be acquired. In addition, the hiring (and laying off) of qualified horticultural staff and supervisors on a seasonal basis could be more difficult for the City than for independent contractors.
- For Option 2, (contracted service), there could be a requirement to retain at least one staff member, to manage the overall landscaping program. In addition, contracting out this work could raise issues relating to:
 - Article 27 of the collective agreement (the employer will endeavour to maintain the number of employees assigned to each classification)

¹ Equals 11,501 hours, at an average rate of \$41.94, as per 2010 invoices

- Article 32 of the collective agreement (prohibiting the City from hiring contractors to do the work of laid-off staff).

23.5. Consultant's assessment

We assess the potential for in-house provision of landscaping services as **low**, based primarily on the expected additional costs.

We also assess the potential for all-contracted provision of landscaping services as **low**, based on the moderate level of potential cost savings in relation to the labour relations issues that would need to be addressed.

24. Snow and Ice Control – Roads Department

24.1. Current situation

The City has approximately 1,100 lane-km of roadway, of which 300 are arterials, 400 are local roads and 300 are lanes. All are cleared but in descending order of priority.

Contractors are allocated specific stretches of arterial roads, covering roughly 100 lane km. City crews maintain the rest. The separation of City and contractors' crews is a deliberate decision to clearly distinguish responsibility for accidents and damage.

Costs vary widely from year to year. The following table summarizes costs for 2008, 2009, 2010 and 2011 to September:

Year	Total Cost \$'000	Contract Cost \$'000	Contract %
2008	1,175	190	16%
2009	501	109	18%
2010	350	43	12%
2011	495	75	15%
	2,582	417	16%

In 2010 the City had 2 contractors for snow and ice control. Payments in 2010 to the contractors were as follows:

	Including GST/HST	Est. before tax
Emcon Services Inc.	\$ 11,303	\$ 10,765
Windley Contracting. Ltd.	34,496	31,794
	\$ 45,799	\$ 42,559

24.2. Alternate operation

The alternate operation would be for the City to take in-house all, or contract out more, snow and ice control activities.

24.3. Cost comparison

On a cost per km basis, the contractors appear to be more expensive. Contractors are responsible for 9% of road length but incur 12% to 18% of total costs. However, it is misleading to compare snow and ice control costs per kilometre only. The City has 10 times the length of roads, but may not need to clear all roads after every snow storm. Because of the descending order of priority, the snow on lanes may have melted before City crews reached that priority. Also, the contractors are each paid a monthly retainer (\$1,200 to one and \$1,353 to the other) for each of two trucks to be on call for the five months of the contract. For example, in 2010 one contractor billed \$10,700, of which \$8,100 was for the retainer. The other contractor billed for the retainer \$12,000 out of a total of \$31,800.

On an hourly basis and at regular time pay rates, the City's hourly costs are similar to contractors' rates. However, an unknown number of City night and weekend hours are paid at premium rates. On the other hand contractors are paid a retainer which is not a part of the City's cost base.

	Single Axle	Tandem Axle
Staff		
Equipment operator – public works, level 7	\$ 27.29	\$ 27.29
Overhead 60%	16.37	16.37
Equipment		
Single axle dump truck #406	16.65	
Tandem axle dump truck #400		19.00
Front plow # 6122	6.50	6.50
Under plow #6059	6.50	6.50
Sander #6049	6.50	6.50
Anti-icing tank #6051	35.00	35.00
Total equivalent in-house cost	\$ 114.81	\$ 117.26
Contractor A		
Hourly rate	\$ 95.00	
Retainer per month per truck	\$ 1,200	
Contractor B		
Hourly rate	\$ 96.04	
Retainer per month per truck	\$ 1,353	

The City's hourly costs are approximately \$20 higher than contracted rates, and overtime would push the difference even higher. However, for the first 60 hours of contract hire each month, the retainer balances the regular time cost differential.

24.4. Other considerations

Other considerations include:

- When needed, all available City vehicles and crews are occupied in snow and ice control. Adding to their workload by not using contractors would mean either taking longer to manage the task, or adding equipment and drivers.
- Qualified contractors lack the capacity to mobilize 12 or 15 fully equipped trucks at a moment's notice. The retainer for 15 trucks for 5 months would have cost over \$90,000 before the first truck hit the road.
- The City's present snow and ice control strategy is part of a larger annual equipment and manpower utilization strategy. Significant costs would be attached to giving work to contractors, while City vehicles and drivers remain idle because the weather prevents them from carrying out their normal work.

24.5. Consultant's assessment

In our view the current 84/16 mix of in-house/contracted services works well. Our assessment of the potential to do either more or less snow and ice control in-house, without adversely impacting either costs or service, is **low**.

25. Snow and Ice Control – Parks, Recreation and Culture

25.1. Current situation

Two contractors serve the PRC department. Payments made in 2010 were as follows:

	Including GST/HST	Est. before tax
Lentz Contracting Ltd.	\$ 24,557	\$ 22,831
Lone Pine Horticulture	6,804	6,075
	\$ 31,371	\$ 28,906

One contractor, using a 4x4 pick-up and plow and single axle dump truck and plow, maintained Oliver Woods and Beban Park. In 2010 the hourly rate for each was \$66.50. The rate for hand shovelling was \$19.00 per hour.

The other contractor, using a pick-up & plow plus a tractor & plow, maintained the Nanaimo Ice Centre and the Aquatic Centre. The 2010 rate was \$75.00 per hour. The labour rate for hand shovelling was \$31.75 per hour.

The PRC uses a variety of light equipment to clear remaining park roads and trails, as well as City facilities parking areas.

Expenses vary widely from year to year, as does the percentage of costs represented by contracted services. The following table summarizes costs for 2008, 2009, 2010 and 2011 to September:

Year	Total Cost \$'000	Contract Cost \$'000	Contract %
2008	275	100	37%
2009	129	19	14%
2010	98	29	30%
2011	129	44	34%
	631	192	30%

25.2. Alternate operation

The alternate operation would be for the City to take in-house all, or contract out more, snow and ice control activities.

25.3. Cost comparison

The City uses qualified staff to operate its snow clearing equipment, and to carry out hand shovelling. Job classifications range from Labourer (level 2) with a cost including overhead of \$36.18, up to a Parks Maintenance Worker (level 7) with a total rate of \$43.66.

The staff use a variety of its commonly used equipment and seasonally used attachments, which themselves have varying costs. Some are charged monthly, some hourly and some are "owned" by PRC and have no charge rates.

The equipment includes:

Gator, plow and spreader	\$8.50/month for the gator
Ride-on mower and plow	\$950/month for the mower
Ride-on mower and snow blower	\$950/month for the mower
4x4 pick-up and plow	\$1,302.75/month for the pick-up
Tractor/loaders (to shovel)	\$1,588/month
Tractor/loaders (to shovel)	\$19.80/hour
Bobcat with bucket (to shovel)	\$36.28/hour

The City's equivalent hourly rates with operator are difficult to compare with contractors' hourly rates, especially as the City uses different equipment. Most combinations of staff and City equipment appear to be lower than or equal in costs to contractors' rates. City labour-only rates are higher than those of contractors.

25.4. Other considerations

When needed, all available City equipment and staff are occupied in snow and ice control. Adding to their workload by not using contractors would mean either taking longer to manage the task, or permanently adding equipment and staff who would only be occupied for a number of days over the snow season.

The City snow and ice control strategy is part of a wider annual staff and equipment utilization strategy. Significant costs would be attached to giving work to contractors, while City vehicles and drivers are idle because the weather prevents them from carrying out their normal work.

25.5. Consultant's assessment

Given the above considerations and the modest values involved, our assessment of the potential to do either more or less snow and ice control in-house, without adversely impacting either costs or service, is **low**.

26. Sports Field Spring Treatment

26.1. Current situation

In April and early May the City contracts the aeration, seeding and top dressing of its sports fields to the firm that also services the Nanaimo School District. The treatment is applied over a compressed period, stopping only for adverse weather. A manager in the Parks and Recreation Department estimates that 240 work hours are required. Payments in 2010 were:

	Including GST/HST	Est. before tax
Ross Rivers Enterprises Ltd.	\$ 55,399	\$ 52,689

The purchase order specifies unit prices per 100 square meters for the three different treatments. Materials (sand and seed) are provided by the City, and the operator and equipment are provided by the contractor.

26.2. Alternate operation

The City has two in-house operators qualified to carry out the work and most of the equipment required. A spreader estimated to cost \$50,000 would need to be bought. Assuming that 240 hours of labour would be required, City in-house costs would be the following (ignoring material costs that would be the same in both cases):

	Rate	Hours	Cost
Staff			
Equipment Operator – Parks – level 6	\$ 26.35	240	\$ 6,324
Overhead – 60%	17.50	240	3,794
Equipment			
Tractor # 576	\$ 1,588/mth	1.5 months	2,382
Aerator # 6322	\$ 32.75	240	7,860
Seeder #6321	\$ 32.75	240	7,860
Top dresser (new)	\$ 32.75	240	7,860
Total equivalent in-house cost			\$ 36,080

Note: Rates for aerator, spreader and top dresser are high because of their low annual hours of usage.

26.3. Cost comparison

The cost of in-house work appears to be at a potentially lower cost value, in the range of \$17,000 – if the work can be scheduled effectively.

26.4. Other considerations

Other considerations include:

- The contractor dedicates a full time operator to the task, during the busy April-May period, when Parks staff are converting fields from soccer to baseball.

- Legal liability rests with the contractor.
- The cost of purchasing a top dresser is estimated at \$50,000.

26.5. Consultant's assessment

While the contract work appears more expensive, the time clash with other critical seasonal responsibilities would make it very difficult for City staff to schedule the work. Given the modest potential savings, we assess the potential for the City to treat its own fields to be **low**.

27. Traffic and Street Light Maintenance

27.1. Current situation

The City has no traffic and street light technicians, and the work is contracted to a specialist firm. In 2010 the firm submitted over 800 invoices, indicating the frequent need for its services. Total billings in 2010 were:

	Including GST/HST	Est. before tax
Raylec Power Ltd..	\$ 220,554	\$ 203,275

The current contractor was established by former provincial Electrical Branch staff in the late 1980s when the provincial government privatized road maintenance operations. The contractor maintains the majority of traffic and street lights on Vancouver Island.

We analyzed invoices that represented 70% of the pre-tax value of services billed. Combined, they displayed the following level of detail:

Labour	\$ 82,542	58%	82%
Materials	17,666	12%	18%
Specialist testing	4,850	3%	
Lump sums	38,486	27%	
	\$ 143,544	100%	100%

The majority of invoices distinguished the labour and material content of the service. (The majority of lump sum charges are for a service contract which is primarily labour costs.) The labour content was 82% of invoices that detailed this cost,, which applied to total City costs represents a labour content of \$167,000.

The vendor's 2010 contracted labour rate was \$73.78 per hour for regular journeyman time, with apprentices charged at \$45. A small percentage of work was done after regular hours at premium rates, and the average rate was \$75.90 for the invoices that indicated labour costs. At this rate, \$167,000 of labour represents 2,200 hours.

With City staff paid hours of 2,080 per year and 21% allowed for time not worked, the equivalent City staff required would be 1.34 FTEs.

27.2. Alternate operation

The alternate operation would be for the City to employ one electrician and for demand in excess of his services to be contracted out. The hourly costs are estimated as:

	Rate
Staff	
Electrician (no City staff - assume higher than Instrumentation & Telemetry Technologist) – level 14	\$ 38.52
Overhead – 60%	23.11
Equipment	
Van with aerial ladder similar to #428	13.95
Total equivalent in-house cost	\$ 75.58

27.3. Cost comparison

The City's labour regular time rate for a journeyman would be about \$2 per hour higher than the contractor's. On the 1,643 working hours for 1 FTE (2,080 hrs x 79%) the cost difference would be less than \$3,000.

27.4. Other considerations

Other considerations include:

- The contractor is a recognized specialist used by the majority of jurisdictions on Vancouver Island. Considerable investment in training would be required to develop in-house expertise.
- Legal liability, which currently rests with the contractor, would be transferred to the City.
- Cost of vehicle is estimated at \$125,000 plus technical equipment of \$40,000. Additionally, an estimated \$150,000 of inventory would be required with associated purchasing and inventory management costs.
- The contractor employs many more staff than the 1.3 FTEs required for City work. The high number of invoices indicates frequent demand for small jobs that a larger pool of staff may be able to respond to more promptly.
- Demand is uneven, with the peak in fall and winter. In times of low demand there may be insufficient work to fully occupy the electrician.

27.5. Consultant's assessment

In view of the small potential savings and the other many considerations, we assess the potential for the City to provide some of traffic and streetlight maintenance services as **low**.

28. Tree Cutting

28.1. Current situation

The City has no certified tree fallers on staff, and contracts out all required cutting, trimming, pruning and debris removal to Davey Tree Services, who themselves sub-contract tree falling. Payments in 2010 were as follows:

	Including GST/HST	Est. before tax
Davey Tree Services	\$ 226,350	\$ 208,618

The purchase order specifies a number of rates for different combinations of staff and equipment. Rates apply only from the time of arrival at the job site, to the time of departure.

Examples of rates in Purchase Order	\$/hour
Aerial lift truck, chipper, arborist & groundman – 50-55 ft	105.00
Aerial lift truck, chipper, arborist & groundman – 60-69 ft	138.00
Chipper & 2 operators	157.50
Stump grinder & operator	130.00

We analysed invoices representing 44% of the pre-tax value of services billed. Combined, they displayed the following level of detail:

Item	Chg'd Hrs	Price	Total	Man hrs
<u>Labour and equipment</u>				
1 Man Crew	5	\$ 69.00	\$ 345	5
1 Man Crew	81	78.75	6,379	81
2 Man Crew	8	105.00	840	16
2 Man Crew	10.5	138.00	1,449	21
2 Man Crew	1.5	148.50	223	3
2 Man Crew	158.5	157.50	24,964	317
2 Man Crew	12	225.00	2,700	24
3 Man Crew	8.5	222.75	1,893	25.5
3 Man Crew	60.5	236.25	14,293	181.5
3 Man Crew	8.5	337.50	2,869	25.5
4 Man Crew	19	315.00	5,985	76
Stump Grinding 1 operator	44	130.00	5,720	44
	417		\$ 67,659	73%
Lump sums			22,646	24%
<u>Disbursements</u>			2,427	3%
	417	Total	\$ 92,732	100%

By value, 73% of analyzed invoices identified labour content. The labour content was 788.5 hours of these detailed invoices. Applying this labour ratio to the total pre-tax value billed by the contractor, the labour component of billing is estimated to represent about 1,774 hours in 2010, or slightly more than 1 FTE. Labour charges represent about 73% of pre-tax billings, and the average charge-out rate in 2010 was approximately \$86.00. This rate includes provision of the equipment required to perform each job (excluding direct disbursements), and does not include the time travelling to and from the job site.

28.2. Alternate operation

The alternate operation would be for the City to establish an in-house team to perform tree cutting services. Given that most of the work requires a two-person or three-person crew, the in-house team would likely need to comprise at least three individuals. To perform the total of 1,774 hours of tree cutting and related services, the in-house team would only need to be assigned to tree-cutting and related services on a part time basis – approximately 30% of their time at work. These individuals would have to be trained in multiple activities – arborist, ground man, faller, chipper/grinder operator – but would only perform any particular function for a small portion of their time at work.

In addition, the City would need to acquire at least one aerial lift truck, as well as chippers and grinders. City managers have estimated the cost to purchase the required equipment required would be in the range of \$500,000 – all for use on a part-time basis.

The City would have to provide extensive safety and technical training to its in-house team. Safety is of paramount importance in this type of operation. The current contractor is a recognized specialist, used by many jurisdictions in northern Vancouver Island, and the City would face a significant investment to replicate the contractor's level of expertise.

28.3. Cost comparison

Contractor invoices in 2010 (pre-tax) were approximately \$210,000. Based on the significant capital investment required, the need to establish a three person part-time team, the need to provide extensive staff training, and the significant inefficiencies associated with a part-time operation, we estimate that the City's costs of establishing and maintaining an in-house tree cutting operation would be far higher than it currently pays for contracted services.

28.4. Other considerations

Legal liability, currently resting with the contractor, would be transferred to the City. This is a particularly important consideration in this industry, given the potential for property damage and personal injury because of operator error.

28.5. Consultant's assessment

Based on the all of these considerations, we assess the potential for the City to perform tree cutting services in-house as **low**.

29. Other Areas

In addition to the areas examined in this report, a number of other contracted and in-house services were not assessed in detail for various reasons.

For example, the City's contracted management and operating services associated with the **Vancouver Island Convention Centre** were not assessed for possible in-house provision, in consideration of the impact on the likelihood of attracting an investor to build a major hotel and assume the operations of the Convention Centre.

We also briefly reviewed **information technology (IT)** contract expenditures, where the City spent more than \$700,000 in 2010. However, the bulk of these expenditures were for highly specialized services that could not be practically provided by the City – Internet services, SAP consulting and software support services, communications equipment and services, IT services, telecommunications services, etc.

Other contracted services that are not candidates for in-sourcing include **legal services** and **accounting/audit services**, given the specialized and individual nature of many of the City's requirements in these areas, plus the need for independence in performing certain functions (e.g. the external audit.).

30. Conclusions and Recommendations

Our review found a number of areas where the City has an opportunity to achieve cost savings, and/or to improve service levels, through in-house provision of services. However, for most of the areas examined, our review confirmed that it is in the City's interest to continue its contracting out of services.

30.1. Implications of significantly increasing in-house operations

The preceding analysis was based on incremental changes to the City's operations by specifying alternate operations with increased or decreased levels of contracting out. Through our analysis, we found no areas where it would be in the City's interest to significantly increase the level of new in-house employees. However, if a significant increase in new employees were recommended, there would be implications that the City would need to consider.

The City would need to address how many managers to hire whereas to ensure no duplication of workloads were added and a manageable level of supervision was still being provided to the employees. The City would also need to consider the potential for added costs in administration and office/building space. The greater the number of new employees hired would incrementally increase overall costs at certain cost centres at the City, such as the accounting and human resources departments; and, depending on the level of increase in new employees, require new office/building space to be constructed to occupy the new in-house services/increased in-house services.

30.2. Recommendations

Our recommended priorities for follow-up on this report are:

- That the City give further consideration to the proposal to establish an in-house daytime parking and security patrol function for downtown Nanaimo (see Chapter 2).
- That the City give further consideration to the hiring of one or more additional Engineering Services staff (see Chapter 3).
- That the City establish a "watching brief" with respect to residential solid waste collection and processing, with a view to undertaking a detailed review of the City's options well in advance of March 2014 expiry of the current recycling contract (see Chapters 4 and 5).
- That the City give further consideration to the potential to add:
 - one tandem dump truck and/or back hoe (see chapter 6)
 - a hydro-flushing unit (see chapter 7).

We would also like to express our appreciation for the assistance we received from all parties - in particular the efforts of City staff in responding to our questions, and in providing the detailed information required to perform our analysis. All findings and assessments, of course, are those of MMK unless indicated otherwise.

Appendix 1 – Inventory of City contracted programs and services

Appendix 1 - Inventory of City contracted programs and services

Does not include non-service contracts

Total value of 2010 contract programs and services was \$31,701,590

Priority Level	
High	1
Medium	2
Low	3

City Dept	Service Type	Vendor	Amount	Priority Level
All	Catering	Spice Of Life Catering	5,569	3
All	Courier Services	Purolator Courier Ltd	10,282	3
All	Online Title Searches	B C Online	12,000	3
Bylaw	Animal Control contract	Coastal Animal Control	365,585	1
City Mgr	Legal Services	Staples McDannold Stewart	327,349	2
City Mgr	Legal Services	Heenan Blaikie LLP	28,499	3
City Mgr	Consulting - management	Tekara Organizational Effectiveness	46,386	2
Corp Servs	Consulting for communication strategy	Neilson-Welch Consulting Inc	6,584	3
Dev Servs	Surveying	J E Anderson & Associates	17,586	2
Dev Servs	Surveying	Parallel Geo-Services Inc	13,796	2
Dev Servs	Land Planning Consultant Services	G P Rollo & Associates Ltd	9,628	3
Dev Servs	Archaeological	Millennia Research Ltd	27,165	3
Dev Servs	Appraisal Services	Cunningham & Rivard Appraisal	19,559	3
Dev Servs	Microfilming Services	Micro Com Systems Ltd	6,054	3
Finance	Audit	Church Pickard & Co	69,020	3
Finance	Armoured Car Services	G4S Cash Services (Canada) Ltd	45,135	3
Finance	Collections Agency	Wiggins Adjustments Ltd	9,628	3
Fire	emergency response training	Amy And Associates Consulting	8,925	3
Fire	Consulting management	Patrick Ross Consulting	17,200	2
Fire	Emergency Services	Davison Bruce	12,288	3
Fire	EMS, Fire/Safety training progs. & mats.	Jones&Bartlett Learnin	8,435	3
HR	Advertising for jobs	T M P Worldwide	5,707	2
HR	Career transition consulting	Knightsbridge Human Capital Mgmt In	7,350	2
HR	Consulting for human resources	Cygnus Management Consultants Inc	20,475	2
HR	Human Resources Contracting Service	Williamson D E	9,209	2
HR	Safety Consulting Services	Mid Island Safety Services	22,116	2
HR	Training programs through HR	Typefocus Internet Inc	20,342	2
HR	Training programs through HR	Greenfield Partners For	8,133	2
HR	Training programs through HR	Centrepoint Career Management Ltd	7,620	2
IT	Cable Services	Shaw Cable	22,798	2
IT	Cable Services	Shaw Cablesystems G.P.	21,643	2
IT	Cable Services	Shaw Business Solutions	16,165	2
IT	Computer training	Idea Works Computer Solutions	9,600	2
IT	consulting services communication plan	I R Web Reporting International	5,096	2
IT	Duke Point radio antenna upgrade design	Allnorth Consultants Limited	6,697	2
IT	Internet Services	Bell Canada	71,039	2
IT	SAP consulting	Taproot Industries Inc	15,381	2
IT	SAP consulting	Miller Blake	10,500	2
IT	SAP software project	Illumiti Inc	216,473	2
IT	SAP software support	Via Consultants Inc.	118,925	2
IT	SAP training programs	Wis Publications	8,331	2
IT	Software	Assetworks Inc	12,069	2
IT	Software License & Support	Tempest Development Group	105,089	2
IT	Support & Licenses SCADA system	Control Microsystems	9,797	2
IT	Communications equipment & repair	Grover Communications Inc	28,959	2
IT	Communications Services	Island Communications Ltd	31,485	2
IT	IT Services	Open Storage Solutions	116,859	2
IT	IT Services	Active Network	26,260	2
IT	Telecomm Services	Telus Communications Inc	9,588	2
IT	Telecommunication Services	Island Pacific Telecommunication	22,284	2
IT	Telecommunication Services	M T S Allstream Inc	18,901	2
IT	Telephone services	Telus Communications Company	7,255	2
Leg Servs	Record Keeping Services	Nanaimo Community Archives	55,848	2
Leg Servs	Archives	Christine Meutzner Heritage Consult	17,955	2

City Dept	Service Type	Vendor	Amount	Priority Level
Planning	Prop. Mgmt Servs (Nan. Historical Soc.)	Widsten Property Management	10,982	1
Planning	Downtown parking enforcement	Robbins Parking Service Ltd	591,975	1
Planning	Parkade upgrade	Floor-Tech Systems Inc	211,660	3
Planning	Consulting parking study	Opus International Consultants Ltd	17,500	3
Planning	Consulting parking study	Meyers Norris Penny	10,474	3
Planning	Architects	Ramsay Worden Architects	78,900	3
Real Est Servs	Land Survey Services	Williamson & Associates	58,512	3
Strat Servs	Consulting Economic development strategy	C P M J Consulting Inc	91,990	3
Strat Servs	Economic Development consulting	P K F Consulting	11,424	3
Strat Servs	First Nations consultant	Katherine Gordon	24,035	3
Strat Servs	Realtor Services	DTZ Barnicke Nanaimo Ltd	6,123	3
PRC	General contract RCMP renovations	Pumpkin Ventures Limited	11,539	3
PRC	General contractor repairs to facilities	Mike Little Construction	5,390	3
PRC	General contractor retaining wall - mats and labour	Halo Hardscapes	15,707	3
PRC	Graffiti removal	Seicoat Canada Inc	36,765	2
PRC	Janitorial Contractor Services	Sandy's Cleaning Service	9,061	3
PRC	Janitorial Contractor Services	Classic Care Carpet & Upholstery	7,309	3
PRC	Janitorial Services	Improvement Building Maintenance Lt	12,740	3
PRC	Landscape Contractor Services	Undercutters Lawn & Property Mainte	17,281	1
PRC	Landscaping	Lone Pine Horticulture	353,749	1
PRC	Landscaping	Easy Living Holdings Ltd	289,958	1
PRC	Landscaping	Strain Landscapes Ltd	199,063	1
PRC	Landscaping	Acer Landscaping	116,982	1
PRC	Landscaping	Stonescape Contracting Ltd	31,984	1
PRC	Plumbing	Parksville Roto Rooter	84,106	1
PRC	Plumbing	Archie Johnstone	29,250	1
PRC	Plumbing Contracting Services	Gary Mckinnon Plumbing & Heating	12,839	1
PRC	Plumbing Contractor Services	Art's Plumbing & Heating	21,781	1
PRC	Plumbing Contractor Services	Torry & Sons Plumbing & Heating Ltd	10,634	1
PRC	Rental - of flowers	Anything Grows Ltd	9,264	3
PRC	Roofing	Blake Erickson Roofing & Waterproof	31,414	3
PRC	Roofing Contracting Services	Ram Roofing Ltd	14,734	3
PRC	Roofing Contractor Services	Aurora Roofing Ltd	11,541	3
PRC	Roofing Contractor Services	G & G Roofing Ltd	7,446	3
PRC	Security	Footprints Security Patrol Inc	341,673	1
PRC	Snow Clearing Services	Lentz Contracting Ltd	33,291	1
PRC	Sod installation includes material	English Lawns Ltd	9,341	3
PRC	Training & Wellness Services	Shape You're In Fitness And Wellnes	50,347	2
PRC	Architectural Services	Bruce Carscadden Architect Inc	18,985	3
PRC	Bastion parkade cables - supplies included	T N C Restoration Ltd	13,574	3
PRC	Brushcutting	Sean's Brushcutting	211,496	1
PRC	CAD Services	Island Cad Graphics Consulting Ltd	53,513	2
PRC	Cleaning and servicing pool floor	Precision Fibre Structures Inc	5,716	3
PRC	Compost collection	International Composting Corporation	6,970	3
PRC	Environmental Service	CMJ Equipment Ltd	8,912	3
PRC	Flooring Contractor Services	End Of The Roll	23,270	3
PRC	Flooring Contractor Services	P D Q Floors & Services	10,999	3
PRC	General contract drywall installation includes mats.	Ron's Drywall Ltd	8,809	3
PRC	HVAC	Hallmark Air Conditioning Ltd	191,583	3
PRC	HVAC controls	Johnson Controls #V4020	66,584	3
PRC	HVAC heating Contractor Services	Sloan's Heating Services	5,869	3
PRC	HVAC upgrade	Eng Sheet Metal Ltd	88,495	3
PRC	HVAC/Mechanical Contracting Service	Hein Mechanical Services Inc	6,623	3
PRC	HVAC/Mechanical Contractor Services	Mount Benson Mechanical Ltd	20,974	3
PRC	Mechanical	Vondella Mechanical 2000 Ltd	446,079	3
PRC	Pool Services	Nanaimo White Rapids Swim Club	22,650	3
PRC	Power Washing Contractor Services	Power West Power Washing	24,024	3
PRC	Refrigeration	Martell/Coral Refrigeration &	61,698	1
PRC	Refrigeration	Cimco Refrigeration	40,377	1
PRC	Sports field aeration	Ross Rivers Enterprises Ltd	55,399	2
PRC	Sports field operation & maintenance	McGWirr Sports Field Society	17,523	3
PRC	Supply & Services	Troy Sprinkler Limited	5,432	3
PRC	Trail counts, signs	Brodie Ketelsen	15,699	3
PRC	Tree cutting	Davey Tree Services	226,663	1
PRC	Adaptive lighting study	DMD & Associates Ltd	18,233	3
PRC	Alarm Monitoring Services	Price's Alarms Nanaimo	18,667	3

City Dept	Service Type	Vendor	Amount	Priority Level
PRC	Commission for advertising sales	Darryl Meads	9,853	3
PRC	Commission on sale of advertising	Bota Holdings	20,547	3
PRC	Consulting - energy efficiency	A M E Consulting Group Ltd (The)	31,000	3
PRC	Consulting fees for liquor licence events	Esplanade Properties Inc	6,109	3
PRC	Consulting fees PRC	Lorna Pawluk & Associates	6,056	3
PRC	Consulting services for NIC	GHL Consultants Ltd	5,335	3
PRC	Elevator maintenance	Thyssenkrupp Elevator	118,128	1
PRC	Fire Extinguisher Contractor Services	Island Fire Protection Ltd	18,464	3
PRC	Fire Extinguisher Contractor Services	Van Isle Fire Protection	5,031	3
PRC	Fitness Equipment Repair Services	Universal Fitness Repairs	12,566	3
PRC	Goose Control Services	Janet Laidlaw	16,799	3
PRC	Irrigation instalation	Myles Randle Contracting	7,440	3
PRC	Locksmith Services	R Gallazin & Son Ltd	28,459	3
PRC	Mechanical & plumbing	M2 Green Mechanical	218,959	3
PRC	Mural restoration	Conserv-Arte	82,983	3
PRC	Murals - art work and supplies	Vander Kooi Yvonne	10,500	3
PRC	Murals artist	Dan Richey	6,400	3
PRC	Pest control services	P C O Services Inc	6,320	3
PRC	PRC Program	Romper Room Indoor Climbing Center	8,600	3
PRC	PRC Program	Sara Raymond Dance Company	8,454	3
PRC	PRC Program	Sportball	6,656	3
PRC	PRC programs	Debbie Beck	24,215	3
PRC	PRC programs	Creative Escape Art Programs	12,742	3
PRC	PRC Programs	Ezra Soccer	12,326	3
PRC	PRC programs	Byte Camp Education Society	12,158	3
PRC	PRC programs	Body Blueprint	10,749	3
PRC	PRC programs	Nanaimo Riptide Swim Team	10,643	3
PRC	PRC programs	Newsome Georgia	5,866	3
PRC	PRC programs	Vance Toni	5,773	3
PRC	Recreation programs	Nanaimo Arts Alive Society	34,221	3
PRC	Recreation programs	Nanaimo Canoe & Kayak Club	31,244	3
PRC	Refrigeration (rink floor)	Fraser Valley Refrigeration Ltd	170,580	3
PRC	Restoration Contractor Services	Acclaim Restorations Ltd	14,035	3
PRC	Roofing	425332 BC Ltd DBA Advanced Products	175,901	3
PRC	Roofing	Advanced Products Roofing	104,518	3
PRC	Security Services	Securco Services Inc	57,990	3
PRC/PW	Electrical	Shaw Electrical Services	432,045	1
PRC/PW	Electrical contractor	Harbour City Electric Ltd	33,175	1
PRC/PW	Electrical Services	JBC Electric Ltd	11,972	1
PRC/PW	Excavating/Trucking Services	Dave Peffers Contracting Ltd	66,345	1
PRC/PW	Excavating/Trucking Services	Bilcik Trucking Ltd	40,443	1
PRC/PW	Excavating/Trucking Services	Lussier & Son Contracting Ltd	39,116	1
PRC/PW	Excavating/Trucking Services	N M K Trucking And Excavating	24,625	1
PRC/PW	Excavating/Trucking Services	AC Trucking	23,211	1
PRC/PW	Excavating/Trucking Services	Olson, David Gary	20,818	1
PRC/PW	Excavating/Trucking Services	M Schott Contracting Ltd	17,098	1
PRC/PW	Excavating/Trucking Services	May Ventures Ltd	16,364	1
PRC/PW	Excavating/Trucking Services	Haylock Bros Paving Ltd	15,348	1
PRC/PW	Excavating/Trucking Services	M T F Enterprises Inc	14,367	1
PRC/PW	Excavating/Trucking Services	Stan Wood Trucking Ltd	14,322	1
PRC/PW	Excavating/Trucking Services	Request Holdings Ltd	12,693	1
PRC/PW	Excavating/Trucking Services	Wg Heathcote Contracting Ltd	11,718	1
PRC/PW	Excavating/Trucking Services	G&L Trucking Ltd	11,572	1
PRC/PW	Excavating/Trucking Services	Ray Boroski Trucking	11,294	1
PRC/PW	Excavating/Trucking Services	Norm Jones Holdings Ltd	10,058	1
PRC/PW	Excavating/Trucking Services	Bastion Excavating Services & Truck	9,132	1
PRC/PW	Equipment Rental Service	Parksville Heavy Equipment Rentals	72,399	3
PRC/PW	Equipment Rental Service	United Rentals Canada Inc	50,044	3
PRC/PW	Equipment Rental Service	Sharecost Rentals & Sales Ltd	30,958	3
PRC/PW	Excavating	Fournier Excavating Ltd	564,105	2
PRC/PW	Excavating	Hub Excavating Ltd	237,399	2
PRC/PW	Excavating	Ken's Backhoe Service	69,295	2
PRC/PW	Excavating	J Mayzes Excavating Ltd	34,023	2
PRC/PW	Excavating Contractor Services	Chew Excavating Ltd	23,104	2
PRC/PW	Excavating Services	Ashlee Bobcat	46,750	2

City Dept	Service Type	Vendor	Amount	Priority Level
PRC/PW	Excavating Services	Copcan Contracting	26,291	2
PRC/PW	Excavating/Trucking Services	Rays Bulldozing	33,362	2
PRC/PW	External painting	Garco Coating Systems Limited	112,394	2
PRC/PW	Tile Contracting Services	Select Tile & Stone	22,148	3
PRC/PW	Tile Contracting Services	City Tile In Nanaimo Ltd	13,433	3
PRC/PW	Tile Contracting Services	Cornerstone Tile Ltd	13,138	3
PRC/PW	Electrical contractor	Canem Systems Ltd	633,053	3
PRC/PW	Electrical contractor	Houle Electric Limited	73,908	3
PRC/PW	Painting	Oak Painting & Decorating	49,717	3
PRC/PW	Removal of oil storage tank	Pacific Tanks & Oil Services	6,195	3
Purch	Supply & Services	Wiseworth Canada Industries (1996)	7,607	3
Purch	Advertising	A-Channel C I V I - Tv	19,950	3
Purch	Advertising	Chek News	19,270	3
Purch	advertising	Weaver Multimedia Group	11,369	3
Purch	Advertising	Harbour Living	11,365	3
Purch	Advertising	Sunset Publishing Corporation	10,710	3
Purch	Advertising	Ostling & Associates Communications	9,993	3
Purch	advertising	Cict-CI	7,553	3
Purch	advertising	Page One Publishing Inc	6,987	3
Purch	advertising	Op Publishing Ltd	6,809	3
Purch	advertising	Canada Wide Media Limited	5,594	3
Purch	advertising	Ride Guide Productions Ltd	5,250	3
Purch	advertising	Suncruiser Publishing	5,108	3
Purch	Advertising	Primal Communications Ltd	17,291	3
Purch	Advertising airtime	C I T V	12,614	3
Purch	Advertising/Conference fees	Civicinfo BC	18,045	3
Purch	Consulting Design Services	Delinea Design Consultants Ltd	14,327	3
Purch	Consulting Services	Optionone Design Planning	88,042	3
Purch	Courier	Ace Courier Services	39,497	3
Purch	Insurance valuation	Suncorp Valuations Ltd	25,153	3
Purch	Copiers ? Includes some repair costs	Canon Canada Inc	78,491	2
Purch	Photocopier Servicing	Ikon Office Solutions	14,857	2
Purch	Photocopy repairs	DMA Computer Services Ltd	6,944	2
Purch	Printing	Impact Visual Communications	12,564	2
Purch	printing of brochures	Print Three	5,380	2
Purch	Printing Services	Kwik Kopy	76,806	2
Purch	Printing Services	Arcprint And Imaging	59,737	2
Purch	Printing Services	Island Business Print Group	54,977	2
Purch	Supply & Service of Copiers	Ricoh Canada Inc	72,758	2
Purch	Towing services	Mid Island Towing Ltd	7,462	3
Purch	video advertising	Immediate Images Inc.	24,394	3
PW	Disposal Services	Waste Services (Ca) Inc	661,246	1
PW	Disposal Services	Greater Nanaimo Hauling Co Ltd	68,978	2
PW	Disposal Services	Youngblood Handyman Services	66,796	2
PW	Disposal Services	DBL Disposal Services Ltd	57,991	2
PW	Disposal Services	B F I Canada Inc (B F I)	55,621	1
PW	Disposal Services	Alpine Disposal And Recycling	25,237	2
PW	Engineering Consulting Services	Read Jones Christoffersen Ltd	90,576	1.5
PW	Engineering Consulting Services	R C L Consulting Ltd	6,079	1.5
PW	Engineering Consulting Services	M J Pawlowski & Associates	20,747	1.5
PW	Engineering Consulting Services	Bruce Musgrave, P.Eng	10,503	1.5
PW	Engineering Consulting Services	Associated Engineering Bc Ltd	860,617	3
PW	Engineering Consulting Services	Koers & Associates Engineering	226,774	1.5
PW	Engineering Consulting Services	Kerr Wood Leidal Associates Limited	188,905	1.5
PW	Engineering Consulting Services	Mcelhanney Consulting Services Ltd	144,973	1.5
PW	Engineering Consulting Services	Andersoncivil Consultants Inc	136,834	1.5
PW	Engineering Consulting Services	Newcastle Engineering Ltd	50,457	1.5
PW	Engineering Consultant Services	Chatwin Engineering Ltd	13,832	1.5
PW	Engineering Consultant Services	Stantec Consulting Ltd	13,447	1.5
PW	Engineering Consulting Services	Wedler Engineering Llp	10,085	1.5
PW	Engineering Consulting Services	R F Binnie & Associates Ltd	47,372	1.5
PW	Engineering Consultant Services	R. F. Binnie & Associates Ltd	12,261	1.5
PW	Engineering Consulting Services	Amec Earth & Environmental	73,161	1.5
PW	Engineering Consulting Services	Herold Engineering Limited	162,061	1.5
PW	Engineering Consulting Services	P B A Engineering	51,537	1.5

City Dept	Service Type	Vendor	Amount	Priority Level
PW	Engineering Consulting Services	R B Engineering Inc	20,371	1.5
PW	Engineering Consulting Services	Eba Engineering Consultants Ltd	187,342	1.5
PW	Engineering Consulting Services	Lewkowich Engineering Associates Lt	33,096	1.5
PW	Engineering Consultant Services	Levelton Consultants Ltd	23,150	1.5
PW	Engineering Consultant Services	Forte Consulting Ltd	22,400	1.5
PW	Engineering Consultant Services	Andritz Automation Ltd	13,160	1.5
PW	Engineering Consulting Services	Designed Air Systems Limited	7,613	1.5
PW	Engineering services	Opus Engineering Ltd	16,342	1.5
PW	Engineering services Beban Park	Busque Engineering	5,570	1.5
PW	Equipment rental Service	R & G Equipment Rentals Ltd	6,712	3
PW	Excavation Services	Scheller Contracting	9,727	3
PW	Hydro excavating	Graf Excavating Co Ltd	85,561	2
PW	Property clean up	Vancouver Island Outdoor Maintenanc	8,269	3
PW	Property clean up	BMT Contracting	7,056	3
PW	Security Services	Canadian Corps Of Commissionaires	121,162	1
PW	Traffic & Street Light Maintenance Services	Raylec Power Ltd	234,855	1
PW	Traffic control	JSK Traffic Control Services	324,407	3
PW	Video inspection of pipes	Pipe Eye Video Inspections	282,331	3
PW	Catch Basin Cleaning Services	Groess Environmental Services Ltd	133,628	1
PW	Concrete Services	Jeffrey Contracting Ltd	52,424	3
PW	Fabrication	Unlimited Fabrication Inc	18,929	3
PW	fabrication and installation of metal posts	Holdfast Metalworks Ltd	5,500	3
PW	Fabrication services	Nanaimo Sheet Metal Ltd	85,824	1
PW	Fabrication services - welding	Wendell'S Welding Services Inc	65,094	1
PW	Fabrication services - welding	K & K Welding & Fabrication Ltd	35,344	1
PW	Fabrication services - welding	Macon Welding	10,893	1
PW	Fire Hydrant Servicing	Underline Hydrants	79,306	1.5
PW	fleet repairs	Lrs Fabricators	8,243	3
PW	Gen contract - Bowen outdoor classroom	C&M Development Inc	157,100	3
PW	General Contracting Services	Wave Crest Construction Ltd	22,267	3
PW	General Contracting Services	Niko Projects Inc	22,022	3
PW	General Contracting Services - Bowen Road	Telus Engineering	6,418	3
PW	General contractor	Windley Contracting Ltd	777,034	1
PW	General contractor	Palladian Development Corp	710,452	1
PW	General contractor	KC Burke Contracting Ltd	546,829	3
PW	General contractor	Saywell Contracting Ltd	332,364	3
PW	General contractor	Miranda Construction Ltd	263,321	3
PW	General contractor	Knappett Industries Ltd	25,690	3
PW	General contractor	Inter-Kraft Contracting Ltd	6,026	3
PW	Subscription monitoring dam levels	Watertrax Inc.	14,624	3
PW	Supply & Services	Cowichan Hydraulic Equipment Servic	8,722	3
PW	Supply & Services	Hub City Springs & Machine Ltd	8,675	3
PW	Supply & Services	Auto Check Automotive Ltd	8,346	3
PW	Supply & Services	Catt Plastic Shop Ltd	5,899	3
PW	Supply & Services	Alberni Automatic Transmission	5,789	3
PW	Supply & Services	Kendrick Equipment (2003) Ltd	5,135	3
PW	Traffic Control Contracting Services	All Power Traffic Control	16,159	3
PW	Architects	Stantec Architecture Ltd	71,952	3
PW	Architectural Consulting Services	C E I Architecture	272,392	3
PW	Auto Body Repair Services	Details Auto Body Ltd	13,739	3
PW	Auto/Truck Glass Services	Speedy Glass	19,095	3
PW	Building demolition	D & S Bulldozing Ltd	85,512	3
PW	Concrete	Coast Cutting & Coring Ltd	31,785	3
PW	Concrete framework	Blackline Holdings Inc	113,505	3
PW	Construction contractor	PMC Builders	79,972	3
PW	Construction labour (project subcontractor)	Labour Unlimited Temporary Services	48,902	3
PW	Consulting transportation study	Boulevard Transportation Group	18,725	3
PW	crane and operator	Crane Force Sales Inc	7,024	3
PW	Crane Contracting Services	Gorosh Cranes Ltd	21,823	3
PW	Dam inspections	North Pacific Divers Inc	8,820	3
PW	Demolition	H L Demolition & Waste Management L	82,290	3
PW	Drywall	B C Drywall Installations Ltd	207,994	3
PW	Electric Motor Contractor Servicing	Burwood'S Electric Motor Service Lt	19,865	3
PW	Environmental Consulting Services	Toth & Associates Environmental Ser	13,769	3
PW	Environmental Consulting Services	Pacific Environmental Consulting	13,563	3

City Dept	Service Type	Vendor	Amount	Priority Level
PW	Environmental Contracting Services	Enviro-Vac A Division Of Paragon	18,907	3
PW	Equipment rentals	Highway Four Rentals Ltd	18,490	3
PW	General contractor	Maple Reinders Inc	1,804,519	3
PW	General contractor	Locar Industries Ltd	1,348,729	3
PW	General contractor	Knappett Projects Inc	1,267,315	3
PW	General contractor	Denis Walsh & Associates Ltd	13,684	3
PW	General contractor	Gallop/Varley	9,950	3
PW	General contractor	Infinite Source	7,332	3
PW	General contractor	Atco Structures & Logistics Ltd	5,883	3
PW	includes materials	Master Masonry Ltd	18,197	3
PW	Industrial Pump Servicing	Duncan Electric Motor Ltd	18,948	3
PW	Overhead Door Servicing	Advanced Automatic Doors Ltd	7,307	3
PW	Pavement	Hub City Paving Ltd	2,355,279	3
PW	Pavement	Royal Paving Ltd	177,772	3
PW	Pavement	Emcon Services Inc	100,435	3
PW	Pavement	Duncan Paving Company	36,061	3
PW	Pavement	R & N Maintenance - Western Divisio	34,611	3
PW	Project management	Task Construction Management	470,058	3
PW	provide bathymetry monitoring	Terra Remote Sensing Inc	6,608	3
PW	Radiator Repair Services	Island Radiators Ltd	12,312	3
PW	Sewer relining	Mar-Tech Underground Services Ltd	552,126	3
PW	Subsidy for recycling depot	Nanaimo Recycling Exchange	107,093	3
PW	Utility locators	Canadian Utility Construction Corp	32,819	3
PW	Water & Sewer Samples analysis	Hyperion Research Ltd	9,970	3
PW	water models and mapping	Coastal Resource Mapping Ltd	7,073	3
PW	Water Quality Testing	Maxxam Analytics	15,443	3
PW	Water Testing Contractor Services	Cantest	20,616	3
PW	water treatment plant contracted service	Caro Analytical Services	12,757	3
PW/Fire	Drycleaning	Alsco Canada Corporation	49,027	3
PW/Fire	Dry cleaning	Pressed For Time Dry Cleaning	14,238	3
VICC	Audio visual at VICC	Sw Audio & Visual	170,425	2
VICC	Food & beverage for VICC	Compass Group Canada	823,467	2
VICC	Wages for VICC sales & operations	VICC Management Company	682,521	2
VICC	Housekeeping & banquet set up for VICC	Joyco Hospitality Services Inc.	316,510	2
VICC	Management Services	Vancouver Island Conference Centre	152,476	2
VICC	VICC	Elizabeth Murphy	10,270	2
VICC	VICC	M & J Tree Service	10,268	2
VICC	VICC	Land Title & Survey Authority Of B C	10,223	2
VICC	VICC	Atlific Distributors	10,215	2
VICC	VICC	Johnsondiversey Canada, Inc.	9,073	2
VICC	VICC	Ignite	8,295	2
VICC	VICC	Omnivex Corporation	6,679	2
VICC	VICC	Dennett Enterprises	6,188	2
VICC	VICC	Mediaedge Publishing Inc.	5,670	2
VICC	HVAC controls	Trane Canada Co	67,116	2
VICC	telephone system at VICC - maintenance	Nortel Networks Inc.	66,485	2