REPORT OF THE

ALTERNATE SERVICE DELIVERY COMMITTEE

DATED JANUARY 12, 2001

On motion of Councillor Angus, the Report of the Alternate Service Delivery Committee, dated January 12, 2001, was considered clause by clause.

Primary Materials Quarry Operations Alternate Service Delivery Feasibility Study
Files GL-5.6.1 (Vol. 5) and S-8 (Vol. 1)

248 - 1. On February 23, 2000, Council adopted Clause 3 of the Report of the Alternate Service Delivery Committee dated February 4, 2000, approving the opportunity to allow the Primary Materials Quarry Operation to compete with the private sector.

Council further directed that the Primary Material Services gravel pit operation at the Pine Ridge site become a Special Operating Agency (SOA), and be afforded a five year period in which to prove its viability; and authorized the Equipment and Material Services Division of the Public Works Department to proceed with the development of a Business Plan and Operating Charter to be completed by May 31, 2000.

On June 29, 2000, The Manitoba Heavy Construction Association filed a Notice of Application in the Queen's Bench seeking an Order for certiorari to quash the decision made by Council on February 23, 2000, and an Order of mandamus requiring the City to follow procedures set forth in the formal Policy and Framework for Alternative Service Delivery in the City of Winnipeg.

On December 5, 2000, Justice J. Glowacki granted certiorari quashing the decision of Council on February 23, 2000, but did not grant the Order of mandamus.

In order to move the Primary Materials initiative forward in the Alternate Service Delivery process, this subsequent report reiterates the analysis provided, updated to reflect the data collected during the period from February through December, 2000, and affords Council the opportunity to confirm its decision of February 23, 2000.

The Primary Materials quarry, Pine Ridge Pit, has had a long history of operation. It is operated as a utility operation where its costs are recovered from the sale of its products. It provides material to civic departments for its various operations and is a ready source of sand for flood fighting operations. The consideration of this operation as an ASD option has had a protracted time frame due to its proceeding in advance of a formal framework for development of ASD feasibility studies and the introduction of the SOA concept.

Since 1996, the range of options from selling the Pine Ridge Pit, to outsourcing the operation, to creating it as an SOA have been considered, all as outlined in the detailed history provided in Appendix "A" hereto. These options have been costed on a cash flow basis. The options were compared to the status quo, that being keeping the operation "as is". Each option was evaluated over its estimated life.

The financial outcomes and qualitative considerations of the options are outlined below and summarized in Appendix "B" hereto.

Sale of the Asset

In December, 1997, the Executive Policy Committee gave direction to the Administration to evaluate the Pine Ridge Pit for the purpose of its sale. The value of the asset has been determined through an extensive survey of the gravel deposits. The results of the survey have determined that the City's Pine Ridge Pit has good granular reserves and is one of the last remaining pits with significant reserves above the water table, in comparison with existing adjacent gravel pit operations. If the asset is sold, the City would receive the proceeds, but would then be required to purchase its granular requirements in the marketplace. The cost of granular material would depend on the length of time the existing granular reserves are available in the Pine Ridge area. Once the City's pit is depleted, the other area for granular reserves is further north of the City. This would result in longer hauls and

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therefore, increased costs. It is estimated that this option would provide the City with a net present value of $2,800,000.00. In this scenario, there are non-avoidable costs the City would still incur.

Lease of the Pit

A tender for the lease of the Pine Ridge Pit was advertised in 1997 and responses submitted. The tender allowed a successful bidder to extract an amount of material over an initial five year period. The tender did not place any limits on the type of material to be extracted or from which location of the pit. The stone in any quarry operation is the most valuable material. The history of the quarry operations in the Pine Ridge area is to extract the stone from the granular deposits and leave behind massive amounts of sand as spoil material. Consequently, the amount of revenue received by the City from this type of arrangement will be limited and the asset may be destroyed by not quarrying the pit in an efficient manner. Once the stone has been depleted from the pit, the City will be left with a much less valuable resource. The analysis of this option was based on mining and removal of all aggregate in areas with good stone concentration at the rate identified in the tender. Pit depletion would occur in 15 years. The period of extraction may be shorter if the contractor mined the aggregate at a rate higher than originally identified. In this scenario, the City would be required to purchase its material from the private sector. The cost of the material would also depend on the length of time the existing granular reserves are available in the Pine Ridge area before more distant reserves have to be accessed. It is estimated that this option would provide the City with a net present value of $4,500,000.00. In this scenario, there are non-avoidable costs the City would still incur.

SOA Option

The concept of Special Operating Agencies (SOA) was introduced in the Policy and Framework for Alternative Service Delivery in the City of Winnipeg, approved by Council on March 25, 1998. This option has been evaluated in the context of enhancing the entrepreneurial spirit of the existing utility operation and preserves the pit operation as a City asset. However, it raises the issue of selling the majority of its products to the private sector. The civic staff operating the Pine Ridge Pit has the expertise in quarry operation and the market analysis has determined that with proper pit management and utilizing all of the material, there is a potential net present value of approximately $7,100,000.00. This value is much greater than the outright sale of the asset and preserves the asset for a greater length of time in a productive mode than the lease option.

Proceeding from a utility operation to an SOA operation has inherent risks. The greater risk is the ability to market its products in a marketplace where the buyers may not want the City to be. The City’s Pine Ridge pit is one of the last pits in the area with good quality granular reserves above the water table. Consequently, it enjoys a cost advantage of production of $.90 per tonne. It also enjoys a cost advantage of $.05 per tonne/km hauling compared to any operation further north of the City. Ultimately, the cost advantages will prevail in the marketplace. In 1998, the Pine Ridge operation provided $240,000.00 to the infrastructure program. These funds were primarily from unsolicited sales to the private sector for its excess material.

In 1996-1997, Primary Material Services bid on providing material to the Deacon Reservoir project. Primary Materials was successful in their bid and saved the Water Utility in the order of $400,000.00 as compared to estimates received from the private sector. The cost of the material supplied was reviewed by the engineering consultant on the project.

In a marketing study undertaken by the Public Works Department, the industry consultant concluded that "long-term competitive prospects for the City's Pine Ridge Pit are excellent because there are few other coarse aggregate reserves above water in the area" and "if aggregate processing is accomplished efficiently, successful competition in the marketplace is assured". Therefore, consistent with the financial outcomes presented, it is recommended that the utility operation proceed as an SOA.

To minimize the risk of a full-scale operation, the Administration proposes to proceed with a Business Plan to operate over a five year start up period. In order to compete on an equal basis with the private sector, a tax equivalency cost has been included in the proposed operation. A five year start up is being recommended to permit the SOA to try to establish a market for its products.

If the SOA cannot achieve its goal of selling sufficient product to the private sector, the option of its sale is still available with minimal loss of sale value. This is possible because of the increase in its asset value with the depletion of material from other area quarry operations.

If the SOA does prove to be competitive in the marketplace, it can expand its operation with the security of increased revenues and profits accruing to the City.

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In reviewing its previous recommendations on this matter, it is important to note that at its meeting held on January 12, 2001, the Alternate Service Delivery Committee heard from the following parties:

Dave Angus, President and CEO, Winnipeg Chamber of Commerce
Jay Knysh, President, Heavy Equipment Rental Association of Manitoba
Bill Kachur, Kachur Sand and Gravel Ltd.
Bill Fisher, Hugh Munroe Construction Ltd.
Bob Sanderson, Inland Cement
Chubb Chabot, Chabot Enterprises Ltd.
Ken Stuttaford, Vice-President and General Manager for Manitoba/Saskatchewan, LaFarge Canada Inc.
Gordon P. Lee, Nelson River Construction
Chris Lorenc, President, and Barry Mulder, Chairman of the Board, Manitoba Heavy Construction Association
Councillor Timm-Rudolph, Transcona Ward, and Councillor Lazarenko, Mynarski Ward.

Committee also received written submissions from Jay Knysh, Bob Sanderson, and Chris Lorenc, copies of which have been placed on the file in the office of the City Clerk.

Pursuant to its deliberations thereon, the Alternate Service Delivery Committee directed that the Administration prepare a response to the concerns raised by the delegations, and recommends:

I. That the Primary Materials Services gravel pit operation be authorized to develop a Special Operating Agency (SOA) Business Plan and Operating Charter.

II. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing, including the execution of any documents related thereto.

Moved by Councillor Angus,
That the clause be laid over to the Council Meeting of February 28, 2001.

Carried.

(See Minute No. 264 for attachments)

One Stop Shop Alternate Service Delivery Feasibility Study
Files GL-5.6.1 (Vol. 5), EB-1.4 (Vol. 1) and GP-1.31 (Vol. 1)

249 - 2. On February 23, 2000, Council adopted Clause 1 of the Report of the Alternate Service Delivery Committee dated February 4, 2000, and approved the 2000 ASD agenda, wherein the virtual One Stop Shop (OSS) Project was identified as an ASD candidate based on potential opportunities for partnerships and technological improvements.

Established in 1994, the One Stop Shop provides one central customer service location and concurrent processing and approval of applications within various civic departments. Increasingly, clients and citizens are expecting access to City services via the Internet. While there are a number of delivery options available, growing numbers of organizations are looking to Applications Service Providers (ASPs) as a cost-effective mechanism for providing web-based services to customers. An Application Service Provider (ASP) is an organization that manages and delivers application capabilities to multiple entities from a data center across a wide area network (WAN). In plain language, an ASP owns the software licenses and leases access to the application to its customers for a monthly fee.

A partnership has been established between the Planning, Property and Development, Public Works and Community Services Departments with respect to an ASP Project. The three Departments have submitted a report on the ASP Project to the Chief Financial Officer and, if approved, an ASP contract will be negotiated.

Consistent with the above, many attributes of a successful Alternate Service Delivery (ASD) initiative have been achieved through the One Stop Shop (OSS) Project to date. Achievements include successful partnering between

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City departments, optimizing the use of technology, service improvements for customers, and financial efficiencies. The OSS Project Working Group has prepared a report of their work for submission to the Project Leads. Some of the Working Group's recommendations have already been implemented by the Administration. Service improvements implemented to date include:

- a "Foundation Only" permit for single-family dwellings which allows construction projects to begin quickly with the necessary permit approvals;

- a pilot process for accepting master plans for single-family dwellings in order to expedite the application approval process;

- co-location of Fire Prevention staff at 30 Fort Street to provide application approval.

A meeting has been scheduled with the Cities of Calgary and Edmonton to share information on best practices and process improvements regarding innovative methods of property related service delivery.

City of Winnipeg staff have established a positive working relationship with the City of St. Paul, which will allow for ongoing sharing of information and lessons learned as that City proceeds with their Application Service Provider (ASP) or e-business implementation.

Discussions are underway to formalize the relationship with the City of St. Paul and develop a process to share in best practices for ongoing process improvements using the AMANDA System. AMANDA is permitting and inspection software provided by CSDC Systems Inc. The software automates functions within departments such as planning, building, inspections, code or by-law enforcement, prosecutions, and others. It can easily be modified to meet department specific application tracking requirements. AMANDA also provides an integrated view of transactions to allow for tracking of customers and properties separately or together.

Despite the success of the OSS Project, there remains much work to do. There exists a natural progression from the OSS project to the service delivery enhancements and increased cost effectiveness goals of Phase 2 of the BUILD Project and the ASP Initiative. Specifically, ongoing or long-term improvements to the OSS application process will be addressed as part of the long-term policy and procedure review component of Phase 2 of the BUILD Project. The following Internet based projects will continue the efforts of the OSS initiative through the initial phase of an ASP Project:

- Electrical and Plumbing Trade Permits
- Requests for Services interfaced with the Public Works Customer Information System
- Licenses-in-Lieu of Business Tax for Home Based Businesses
- Residential Construction (New Single-Family Dwellings)

The improvements will be implemented in phases during the first quarter of 2001. An appropriate communication plan will accompany the delivery of Internet Services.

The goals of the OSS application project have been met through the steps implemented to date, and will continue to be addressed through the ongoing efforts of the BUILD and ASP Projects.

The Alternate Service Delivery Committee recommends:

I. That the One Stop Shop (OSS) Alternate Service Delivery Feasibility Study update be received as information.

II. That the OSS Project be considered complete and removed from the 2000 ASD Agenda.

III. That ongoing work and customer service improvements on the OSS Initiative be referred to the Administration for implementation.

IV. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing.

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Moved by Councillor Angus,
Adoption of the clause.

Carried.

(See Minute No. 265 for attachments)

Implementation of The City of Winnipeg Waste Minimization Strategy
Files GL-5.6.1 (Vol. 5) and WT-1.3 (Vol. 21)
[c/r WT-1 (Vol. 20)]

250 *Note: Clause 3 has been laid over for 30 days by the Executive Policy Committee in order to allow the administration to compile and review the list of concerns raised at the public consultations; and the matter will be reconsidered by the Executive Policy Committee at the call of the Chair.*

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