# REPORTS NOT RELATED TO THE JURISDICTION OF ANY COMMITTEE

## REPORT OF THE

## ALTERNATE SERVICE DELIVERY COMMITTEE

## DATED FEBRUARY 4, 2000

On motion of Councillor Angus, the Report of the Alternate Service Delivery Committee, dated February 4, 2000, was considered clause by clause.

Moved by Councillor Angus,
That the Consent Agenda, Clauses 1,2 and 3, be adopted.

Councillor Steek requested that Clauses 2 and 3 be pulled from the Consent Agenda.

The motion to adopt the Consent Agenda, Clause 1, was put and declared carried.

**2000 Alternate Service Delivery Review**
**Agenda File GL-5.6.1 (Vol. 2)**

**390 -** 1. On March 25, 1998, Council adopted the Policy and Framework for Alternative Service Delivery in the City of Winnipeg. The objective of this policy is to set out a framework for reviewing City services and delivery mechanisms on a case by case basis to determine and develop the most appropriate methods and structures for providing affordable, responsive and sustainable services. This framework establishes the ground rules and provides direction to ensure a consistent approach to ASD decision-making at the City of Winnipeg.

The ASD policy applies to all public and internal City services. The ASD framework indicates that on an annual basis, Council shall approve which services will be examined in conjunction with this policy, through the adoption of an annual ASD Review Agenda.

On February 24, 1999, Council approved an Alternate Service Delivery Committee of Council to oversee the annual ASD Agenda. At that time, Council also approved the 1999 ASD Agenda which included 15 initiatives to proceed through the City's established ASD process. The ASD Policy and Framework outlines ASD development in five phases. Council approval is required for each initiative to progress to the next phase of development consistent with the ASD Policy and Framework in the City of Winnipeg.

ASD is a key tool to support the City's efforts to achieve a more affordable municipal government. The Administration is committed to an ASD process where the best candidates are identified, developed and implemented, consistent with Council direction.

It has been a full year since the first ASD Agenda was approved by Council. During this time, much effort has been expended by departments on ASD initiatives. Of particular note, the Animal Services Special Operating Agency (SOA) recently received Council approval. It began operating in its new form on January 1, 2000. Notwithstanding the positive results to date, much work remains to be done on the overall 1999 ASD Agenda. A status update of the 1999 ASD Agenda as at December 31, 1999, has been prepared and is as outlined in Appendix "A" hereto.

Based on results of the first year efforts, it is appropriate at this time to reassess priorities and examine the existing 1999 ASD Agenda. Appendix "B" hereto outlines a re-grouping of the current agenda items which is recommended based on the circumstances of individual initiatives as well as what has been learned through the development of the ASD process in its first year.

Appendix "C" provides an outline of new initiatives to add to the ASD Agenda. Council approval of these initiatives for the 2000 ASD Agenda will provide direction to the Administration to begin work on feasibility studies in those areas. As the Administration completes the phases of the ASD process for all initiatives on the ASD Agenda, decision documents, including financial impact statements, will be presented to Council consistent with the City ASD Policy and Framework.

**Report of the Alternate Service Delivery Committee dated February 4, 2000**

The Alternate Service Delivery Committee recommends:

I. That Council receive as information the 1999 ASD Agenda Status Update for initiatives as at December 31, 1999, identified as Appendix "A" hereto.

II. That Council approve the re-grouping of 1999 ASD initiatives for 2000, as shown on Appendix "B" hereto.

III. That Council approve the addition of new ASD initiatives to the 2000 ASD Agenda, outlined in Appendix "C" hereto.

IV. 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.

Copy of attachments referred to in the above clause are on file in the office of the City Clerk.

Adopted by consent.

(See Minute No. 399 for Appendices "B" and "C")

**Municipal Golf Services Feasibility Study**
**Files GL-5.6.1 (Vol. 2) and PR-6 (Vol. 8)**

**391 -** 2. On March 20, 1997, Council approved a major strategic direction through its "*Reshaping Our Civic Government*" document, which recommended the contracting out of the operation, maintenance and management of all civic golf courses.

As part of the strategic initiatives identified by Council in its "*Reshaping*" document, an Organizational Review and Performance Assessment report (the "*Cuff Report*") was commissioned. Pursuant to the recommendations contained in the October 1997 report, a major restructuring of civic services was effected. Municipal golf course services were removed from the responsibility of the former Parks and Recreation Department, and became the purview of the Cultural Amenities and Services Division of the new Community Services Department.

Moveover, Council on March 25, 1998, adopted the Policy and Framework for Alternative Service Delivery (ASD) in the City of Winnipeg. The objective of this policy is to set out a framework for the review of City services and delivery mechanisms on a case by case basis to determine and develop the most appropriate methods and structures for providing affordable, responsive and sustainable services. This framework establishes the ground rules and provides direction to ensure a consistent approach to ASD decision-making at the City of Winnipeg. The ASD policy applies to all public and internal City services. The ASD framework indicates that on an annual basis, City Council will give approval on which services will be examined in conjunction with this policy, through the adoption of an annual ASD Review Agenda.

On October 22, 1998, the City's first ASD Call Letter to Department Heads was issued by the Chief Administrative Officer. Department Heads were requested to identify candidates for ASD review, taking into consideration any items referred by Executive Policy Committee, Audit Committee, Standing Policy Committee or Council.

Pursuant thereto, Council adopted the "*1999 Alternative Service Delivery Review Agenda*" on February 24, 1999, which included many of the initiatives from the "*Reshaping*" document. The review of the operation of municipal golf courses was included in the ASD Review Agenda, in the Identification and Planning Stage (Phase II).

The Community Services Department has prepared a draft feasibility analysis for the future operation and management of municipal golf courses. The feasibility analysis reviewed the existing operations of all five golf courses currently managed by the City, including: Kildonan Park, Windsor Park, Crescent Drive, Harbour View and John Blumberg. It also examined the golf course business in general, as well as the demographic, market and economic factors that influence the business of golf now and in the future.

A key element of the analysis was the recognition of a fundamental shift in the City's approach to the management of golf services. Historically, municipal golf courses have operated with an emphasis on the provision of recreational services. The Administration is now viewing them as potential profit centres and emphasizing the

**Report of the Alternate Service Delivery Committee dated February 4, 2000**

entrepreneurial management of them as financial assets. This approach is intended to maximize revenue from this non-core service area to offset mill-rate support required for core services.

The feasibility analysis has concluded that a Special Operating Agency (SOA) provides the best alternative for attaining enhanced fiscal targets. Retention of golf services as an asset would enable the City to capitalize on the expected long-term sustained growth potential in the golf industry arising from demographic and market trends. The SOA model would allow for increased management authority, policy flexibility, and the ability to operate in an entrepreneurial and innovative environment. By the end of fifth year, the contribution to mill rate support is estimated to increase by $488,090.00.

Presently, the Community Services Department is responsible for municipal golf courses where golf services are provided directly to the public, while the Planning, Property and Development Department is responsible for golf courses operating under lease or other agreements with the City of Winnipeg. It is recommended that municipal golf course operations be realigned into a Special Operating Agency under the Planning, Property and Development Department in order to consolidate the mandate for golf services and existing golf course land arrangements in a single agency.

It should be noted that the Coordinator of Municipal Golf Course Operations carries a dual role, also having responsibility for Municipal Cemetery Operations. As well, the Operations Assistant also maintains some responsibility for concessions. The Community Services Department will be responsible for continued management of these service areas and will provide service on an interim basis until more permanent arrangements are put into place. Some fiscal capability will need to be maintained to support the services that remain.

Realignment of the service area must occur immediately in order that recruitment and business planning may be undertaken by the Planning, Property and Development Department, which will have ultimate accountability for the fiscal performance of golf course operations. In addition, existing staff will be required to provide continuity in management on an interim basis, even during winter months, as arrangements for such things as equipment replacement and merchandise acquisition need to be undertaken in anticipation of the 2000 golf season.

The SOA Business Plan will address the following:

- All Council approved policy parameters including affordability, accessibility and social policy.
- Existing collective agreement parameters.
- The implementation of strategic initiatives aimed at enhancing financial performance and customer satisfaction, to enhance the profitability of these assets, as well as their long-term value.
- A commitment to the existing service delivery mix for a minimum of three years; i.e., operation of some courses and the contracting out of others [continued operation of the John Blumberg Golf Course in a GOCO (Government owned, Contractor operated) arrangement with contract administration being the responsibility of the Golf Services SOA].
- Accountability to achieve performance targets.
- A performance review at the end of three years.

Draft estimates have been prepared for 2000, 2001 and 2002, and are identified as Appendix “A” hereto. Some strategic initiatives from the feasibility analysis are reflected in the budget numbers. However, the Special Operating Agency would have to pursue financing for initiatives such as the salary for a Chief Operating Officer (COO), marketing funds, merchandising, etc., through the SOA's Business Plan process. In addition, some minor adjustments for full costing will be required.

The Business Plan, once prepared, will provide a full financial impact of the proposed Special Operating Agency.

As defined in the Policy and Framework on Alternative Service Delivery, Council authorization for preparation of an SOA Operating Charter and Business Plan is required. Furthermore, Council approval is required to realign the civic structure from one department to another.

In addition to the recommendations set out below, the Alternate Service Delivery Committee concurred in the recommendation of the Chief Administrative Officer, and has provided a copy of the “Municipal Golf Services Feasibility Study”, together with its recommendations, to the Standing Policy Committee on Protection and Community Services and the Standing Policy Committee on Property and Development.

The Alternate Service Delivery Committee recommends:

**Report of the Alternate Service Delivery Committee dated February 4, 2000**

I. That an Operating Charter and Business Plan for a Special Operating Agency (SOA), with a mandate to manage and be accountable for maximizing the return on City-owned golf course assets, be prepared for consideration by Council.

II. That the current municipal golf course operation be immediately realigned under the purview of the Planning, Property and Development Department.

III. That the Director of Planning, Property and Development begin a recruitment process to select a Chief Operating Officer (COO) for the proposed Special Operating Agency.

IV. That, following the recruitment process, the newly appointed Chief Operating Officer (COO) of the SOA be directed to prepare the afore-mentioned Business Plan and Operating Charter, for consideration by Council within 120 days of his/her employment start date.

V. 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.

Copy of attachment referred to in the above clause is on file in the office of the City Clerk.

Moved by Councillor Angus,
Adoption of the clause.

The Speaker called the Deputy Speaker, Councillor Lazarenko, to the Chair and left the Chamber.

The motion for the adoption of the clause was put and declared carried.

**Primary Materials Quarry Operations - Alternate Service Delivery Feasibility Study**
**Files GL-5.6.1 (Vol. 2) and S-8 (Vol. 1)**

**392 -** 3. 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 for 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, a 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 retaining the operation "as is". Each option was evaluated over its estimated life.

Consistent with the City's approved ASD Policy and Framework, Council on February 24, 1999, adopted the *"1999 Alternative Service Delivery Review Agenda"* which included the review of the City's quarry operation, in the Identification and Planning Stage (Phase II).

The financial outcomes and qualitative considerations of the options are outlined for the decision-making process as follows:

SALE OF THE ASSET

In December of 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 an amount of money, 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 the granular reserves is further north of the City. This would result in longer hauls and therefore, increased costs. It is estimated that this option would provide the City with a net present value of $3,500,000.00. 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 would 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 13 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 $4,100,000.00. In this scenario, there are non-avoidable costs the City would still incur.

SOA OPTION

As stated, the concept of the Special Operating Agency (SOA) was introduced via the Policy and Framework for Alternative Service Delivery in the City of Winnipeg approved by Council in March of 1998. The SOA option would preserve the pit operation as a City asset. This option has been evaluated in the context of enhancing the entrepreneurial spirit of the existing utility operation, 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 $4,900,000.00 over a 20 year period. 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. This value also includes a tax equivalency/payment to the City. This payment is included so the SOA competes on a fair basis with the private sector in selling of its material.

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 1996-97, Primary Materials 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 compared to estimates received from the private sector. The cost of the material supplied was reviewed by the engineering consultant on the project.

To operate as a successful SOA and be able to produce material efficiently will require the purchase of additional equipment. Some of the cost to purchase is available through the Equipment Replacement Reserve Fund, to which the present utility operation is a contributor.

A summary of the qualitative considerations for the three options is outlined in Appendix "B" hereto.

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. During this time period, a minimum amount of new equipment will be purchased through the operating expense of the pit operation. In order to compete on an equal basis with the

**Report of the Alternate Service Delivery Committee dated February 4, 2000**

private sector, a tax equivalency/payment has been included in the proposed operation. A five year start up is being recommended to permit the SOA to establish a market for its products.

If the SOA cannot achieve its goal of selling sufficient products 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 then expand its operation with the security of increased revenues and profits accruing to the City.

The Alternate Service Delivery Committee recommends:

I. That Council approve the opportunity to allow the Primary Materials Quarry Operation to compete with the private sector.

II. That the Primary Materials Services gravel pit operation at the Pine Ridge site become a Special Operating Agency (SOA), and be provided with a five year period in which to prove its viability.

III. That the Equipment and Material Services Division of the Public Works Department be authorized to proceed with the development of a Business Plan and Operating Charter to be completed by May 31, 2000.

IV. 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.

Copy of attachments referred to in the above clause are on file in the Office of the City Clerk.

Moved by Councillor Angus,
Adoption of the clause.

Moved by Councillor Steek,
Seconded by Councillor Timm-Rudolph,

WHEREAS the objective of the Policy and Framework for Alternate Service Delivery (ASD), adopted by this Council, sets out a framework for the review of City services and delivery mechanisms on a case by case basis;

AND WHEREAS a primary objective is to ultimately provide affordable, responsive and sustainable services for the citizens of Winnipeg;

AND WHEREAS the Council adopted framework established the ground rules and provides direction to ensure a consistent approach to every ASD decision-making at the City of Winnipeg;

AND WHEREAS the ASD Policy specifically states that;

> "Consultation with the public, the service's immediate clients, employees and their representatives and other stakeholders will be an integral part of every ASD review."

AND WHEREAS consistent with the Policy, CUPE Local 500 have been provided every opportunity to consult and have extensively participated in the ASD process beginning as early as July 1997;

AND WHEREAS the heavy construction industry was not provided any opportunity for consultation with the ASD Committee notwithstanding its requests for same, notwithstanding assurances that it would have opportunity to do so before any recommendation was to come from the ASD Committee, and notwithstanding clear obligations for consultations provided for in the ASD Policy adopted by Council;

AND WHEREAS the private sector was denied due process;

THEREFORE BE IT RESOLVED that the "Primary Materials Quarry Operations - Alternate Service Delivery Feasibility Study - Files GL-5.6.1 (Vol.2) and S-8 (Vol.1)" be referred back to the ASD Committee to provide for consultation with the private sector as per the request, and as provided for in the ASD Policy framework adopted by this Council.

**Report of the Alternate Service Delivery Committee dated February 4, 2000**

In amendment,

Moved by Councillor De Smedt,
Seconded by Councillor Timm-Rudolph,

THAT the motion to refer with instructions be amended by including therein consideration of an additional option, that being “closure and retention” as a strategic investment;

The Deputy Speaker called Councillor Eadie to the Chair in order to participate in the debate.

The amendment to the motion to refer the clause was put and declared carried.

Councillors Thomas and Timm-Rudolph asked to be recorded as having voted against the amendment to the motion to refer, in accordance with Rule 50.7 of the Procedure By-law.

The motion to refer the clause back to the Alternate Service Delivery Committee, with instructions, as amended, was put.

Councillor Angus called for the yeas and nays, which were as follows:-

Yea: Councillors Lazarenko, De Smedt, Prystanski, Smith, Steek and Timm-Rudolph. 6

Nay: Councillors Angus, Clement, Gerbasi, Lubosch, Deputy Mayor Thomas, Vandal, Eadie and His Worship Mayor Murray. 8

and the motion to refer the clause with instructions to the Alternate Service Delivery Committee, as amended, was declared lost.

The motion for the adoption of the Clause was put.

Councillor Timm-Rudolph called for the yeas and nays, which were as follows:-

Yea: Councillors Lazarenko, Angus, Clement, Gerbasi, Lubosch, Deputy Mayor Thomas, Vandal, Eadie and His Worship Mayor Murray. 9

Nay: Councillors De Smedt, Prystanski, Smith, Steek and Timm-Rudolph. 5

and the motion for the adoption of the clause was declared carried.