CUPE Local 500

Speaking Notes
Executive Policy Committee

Re: Alternate Service Model Proposal for a City of Winnipeg Utility Corporation

Recommendations made by Department Corporate Finance based on the Proof of Concept Report, "A new Model for the City of Winnipeg's Utility Services" by Deloitte & Touche LLP

November 12, 2008

positively Public the Winnipeg Way!

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Introduction

Thank you for the time to address this important proposal.

The report and proposal before EPC today, if adopted, will create a radical change in how the City of Winnipeg delivers major utilities; a change we think is risky and unnecessary.

There are a number of concerns we could address in the Deloitte & Touche report and recommendations to establish a City owned Municipal Corporate Utility. However, we will focus our comments on one aspect of the report - one aspect that underlies all the assumptions and recommendations being considered today.

We want to focus on the existing capacity of the Water and Waste Department, basically emphasizing what the Department has done and can do to provide quality water and waste

services to Winnipeggers. We want to do this, as the report before you implies that the Water and Waste Department is not capable of meeting future needs and therefore a change in governance and delivery method is needed.

Water and Waste Department Track Record

The Water & Waste Department is a very efficient provider of services for the City. The engineering and operating staff are experts in their specific fields. The staff have undergone extensive education and training and have attained the levels of certification required by Provincial Legislation. The City has invested heavily in this training and education. If a Private company is contracted by the new Utility, it would want City Staff to continue to deliver these services because of their expertise and experience.

However, the current complement of staff could diminish if a company has to maintain profit within rate structures that are acceptable to the public. Because of the competitive nature of the business and the provincially mandated levels of certification, it is highly likely there will be pressure to reduce staff rather than lower wages for highly trained employees. Will there be controls in place by the private contractors to ensure that all facilities are maintained with adequate numbers of trained staff?

Over the last decade, City Councils have purged the revenue account of the Department to achieve balanced budgets. Pressure was put on City Budgets because of the freeze or reductions in Municipal Taxation. The current City Council has recognized that stripping the Department of their assets is wrong and as part of the 2008 budget exercise, they have decided that from 2009 onward, this practice would stop.

Stopping this practice will ensure that all of the revenue generated by the Department would be used strictly for the operation of the Department and therefore for the provision of water and waste services. It would also allow the department to plan for the future in terms of ongoing construction projects.

As a result of the Clean Environment Commission hearings that took place a couple of years ago, a number of recommendations and orders were given to the City of Winnipeg for upgrading the Wastewater Treatment Plants. Never before in history has the Water & Wastewater operations had to deal with such a huge list of capital projects. Costs associated with Capital projects such as the upgrades for the West End and South End Wastewater Treatment plants are enormous given the rising cost of construction materials.

Given that the capital projects will continue even if City Council chooses to create the Municipal Utility, we need to ask - what are the real reasons for such change? All other Manitoba Municipalities are governed by the Public Utilities Board which approves any rate increases. The Union is sure if given the same opportunity to enjoy such an exemption (such as the City of Winnipeg enjoys for decades) every Municipality would jump at the chance. Is it not a good business decision for City Council to relinquish such control over its existing Water & Waste Departmental Utility.

If the problem was to just stop taking from the coffers of the department, then the passage of a simple by-law by Council Resolution was all that was required. A privately run utility would have to obtain permission each and every time it wanted a rate increase. It would not stop rate increases for the ratepayers but the

accountability on City Council would not be there. Removing this Utility from City Council's direct responsibility sends the wrong message to the public. There is nothing that an arm's length Utility can accomplish that the current Water & Waste Department could accomplish. City Council is basically shirking their duties as elected officers of the City of Winnipeg.

Responding to the 9 Points

The Deloitte & Touche report list nine advantages of a Municipal Utility with Private sector components. We believe the Department is now capable of meeting all these requirements.

First. The Water & Waste Department is better equipped through the current governance structure to keep ahead of increasing regulatory requirements and service level expectations that protect public health and stewardship of the

environment. Public Sector water and wastewater facilities are measured at the highest levels of scrutiny because they work directly for the public. Systems that are at "arms length" are one step removed from that accountability and therefore less able to assure regulatory compliance.

For example, the administration of your Water & Waste Department frequently meets with officials from other levels of government. It is their responsibility to stay in front of any regulatory changes and are the best positioned to take on these challenges. There are no conflicts that currently exist.

Second. A Private Sector Partner cannot control factors that are out of their control. The Water & Waste Department has experienced spiralling construction costs with the multitude of capital projects that are taking place. A private sector

partner would experience the same barriers. There is no data available that indicates that a long term contract would reduce the City's exposure to risk. The Water & Waste Department identifies the risks upfront and puts in place sound business practices to reduce those risks.

Third. The Water & Waste Department has never placed the ratepayers at risk. Any cost over runs or any delays in projects were driven by the economy and nothing that a Private Sector Partner could have changed over the past number of years. The construction backlash we are facing in the province is something that is being experienced by all players in the economy. To say that a Private Sector Partner could have attracted more competitive bids is simply speculation – it is not fact.

The Floodway expansion is an example of how the competitive nature of the construction business is being stretched. The Floodway expansion experienced the same thing as the City when it came to attracting competitive contracts. Political commitment and over site by elected officials is a far greater control on costs than mere contracts with Private Sector Partner. City employees have the political and professional commitment to maintain services, while Private Sector Partners will always have to temper public benefit with private profit.

Fourth. The operations of the Department are completely open and transparent to the public. The likelihood of a Private Sector Partner being as transparent is highly unlikely. Look at the Charleswood Bridge as an example of where the Private Sector Partner has refused to share any details of the contract they signed with the City. The Water & Waste Department has a long term

commitment to serve the citizens of Winnipeg and as such they can be held responsible for the financial sustainability of the utility.

Fifth. As indicated above through the 2008 Budget exercise City Council indicated that starting in 2009 the purging of assets from the Water & Waste Department would stop. Property taxes are not being used by the Department to support the utility's functions.

Sixth. The Water & Waste Department, in conjunction with other Financial Departments of the City currently take advantage of grants available at various levels of government. This is not a new process for the Department and one that would not be enhanced by any Private Sector Partner. In fact, any private sector application for grants would require backing by the City to assure security.

Seventh. The Water & Waste Department currently attracts and employs some of the most highly qualified employees in the country. The Department works with Human Resources when seeking new staff. The City of Winnipeg has identified the need to train and educate more employees as they comply with the current Provincial Certification Legislation. Hundreds of thousands of dollars are being spent in upgrading the certification of employees so that the Department now has the largest number of certified employees in the province. A Private Sector Partner would not be as motivated to enhance staff qualifications.

Eighth. The Department currently works with Capital Region partners in addressing topics related to their business. When instructed by Council, City staff are also better equipped to conclude utility service agreements with these partners because of their history of collaboration

and common interest. Having this history improves cooperation and lessens the risk placed on the ratepayers of the City in any long term agreements.

Ninth. The Water & Waste Department has already been investigating innovative ways of improving services and capturing energy.

In general then, your current employees in the Water & Waste Department are delivering a far more enhanced service to the ratepayers of the City than any Private Sector Partner could deliver. Given the magnitude of the capital projects they are dealing with, the administration should receive total support and commitment from City Council. If Council holds true to its word and does not continue to purge the assets of this revenue generating Departmental, you will allow your employees to be a beacon for other publicly run Municipal Utilities.

In Conclusion

We should be very clear, that as city workers, residents and taxpayers, we do not see anything in this report that justifies a radical change in governance and service delivery.

Instead of privatizing this important service, we propose that the EPC and Council commend the Water and Waste Department staff for their ability to deliver these important services. Council should provide them the political encouragement and financial resources to continue providing the public with these important services. The City has the track record, commitment and means to do so. The private sector does not!
Thank you.

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