Agenda – Executive Policy Committee – March 7, 2012

Report – Alternate Service Delivery Committee – March 2, 2012

Item No. 2 Alternative Service Delivery (ASD) Process Revisions

COMMITEE RECOMMENDATION:

On March 2, 2012, the Alternate Service Delivery Committee concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That a revised Alternative Service Delivery review process as outlined in the report of the Winnipeg Public Service and Appendices 1 and 2, be adopted.

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

Agenda – Executive Policy Committee – March 7, 2012

Report – Alternate Service Delivery Committee – March 2, 2012

DECISION MAKING HISTORY:

COMMITTEE RECOMMENDATION:

On March 2, 2012, the Alternate Service Delivery Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **Alternative Service Delivery (ASD) Process Revisions and Potential ASD Candidates**

Issue:

Critical Path: **ASD Committee, EPC, Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
I. Day	M. Ruta	M. Ruta	

RECOMMENDATIONS

1. That a revised Alternative Service Delivery review process as outlined in this report and Appendices 1 and 2 be adopted.
2. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

- The Public Service recommends updating the ASD review process to include two new service delivery options - Modified Managed Competition (MMC) and Public-Private Partnerships (PPP). The addition of these options provide an important strategic advantage in government service delivery as both options focus on the effective use of competition and cooperation.
- Council approval is required.

IMPLICATIONS OF THE RECOMMENDATIONS

- By revising the existing ASD policy and review process, new service delivery options can be accommodated without creating separate review processes and approval procedures.
- The proposed revisions to the existing ASD policy and review process are intended to provide a more flexible, all-inclusive review procedure for any new service delivery options that might arise.
- The MMC option seeks to partner with the relevant union to find creative service delivery solutions in an approach that is consistent with the collective agreement.

- MMC or Contracting Out service delivery options require performance measures that are collected annually and reviewed every three years to make sure that service delivery is meeting service expectations.

HISTORY

Background

The purpose of the ASD process is to pursue the most appropriate methods and structures for providing services to achieve the best value for the municipal tax dollar and the optimal balance of overall benefits to the City and its community.

The City already has a process that can accommodate the inclusion of Modified Managed Competition (MMC) and Public Private Partnerships options through the current Alternative Service Delivery (ASD) process, which was adopted by Council in March, 1998 and revised on February 25, 2004. The ASD process includes provision for the following:

i. A high-level preliminary business case, with quantitative analysis, prepared for Council's consideration, upon preliminary evaluation as an Alternative Service Delivery candidate.

ii. That the Chief Administrative Officer report back to Council through the Alternative Service Delivery Committee in the event that the Chief Administrative Officer recommends not proceeding after Council approval for an administrative review has been granted.

The supporting documentation that sets out the ASD process and service delivery options is *The Policy and Framework for Alternative Service Delivery in the City of Winnipeg*. It is intended to be flexible to include new service delivery options that may arise. It also lists the screening and assessment criteria for potential ASD candidates and service options. There is also the *Alternative Service Delivery Feasibility Study Workbook* which provides a framework and guidelines for analyzing options when considering alternative forms of service delivery.

The development of the competitive process for service delivery within the public sector has produced two new service delivery options - Managed Competition (MC) and Public-Private Partnerships (PPP or P3) (see Appendix 1 for definitions). These recent options provide an important strategic advantage in service delivery. Both processes focus on the effective use of competition and cooperation.

A true MC fits under the Contracting Out ASD option. It allows both public and private entities to compete for a contract through a Request for Proposals (RFP) process. It encourages healthy market-based competition for certain government services.

The proposed MMC option allows the relevant union to participate in the process before a formal competitive bid is initiated for the contracting out of the service. MMC involves relevant union and management working in partnership to develop creative solutions for service delivery. If mutually agreeable solutions are developed and approved, then these are implemented without holding a competitive bid process. If solutions are not found, then the terms and conditions for contracting out under the relevant collective agreement are followed before launching an RFP process for contracting the service.

Procurement approaches such as MMC provide an opportunity for relevant union and management to work cooperatively to develop innovative ideas that will enhance service delivery and ensure the efficient and effective use of scarce resources.

Process Revisions

An MMC process is similar to a true competitive proposal situation in which bids are solicited from external service providers except that costing details, including HR implications, for a service are shared with the relevant union to develop solutions prior to initiating an RFP process.

The ASD process has been revised to include MMC and PPP options as follows:

Step 1 Preliminary Option Analysis
The first step of the ASD process is to identify a service or service area suitable for ASD review. A preliminary analysis of governing policies and service costs, including preliminary costs from external suppliers, for the ASD option is carried out. The result is reviewed by the CAO/COO/CFO and submitted to the ASD Committee for approval to proceed.

Step 2 Detailed Option Analysis
If approval is given to pursue a particular ASD option, such as MMC or PPP, then a more detailed analysis is required.

If a PPP option is proposed, then a business case and a value for money (VFM) assessment are prepared. A favourable value for money assessment determines if the PPP option proceeds (or not).

If MMC is the proposed ASD option, then prior to pursuing contracting out, costs are shared with the relevant union and compared to preliminary bids solicited from the private sector. There are three possible outcomes of the MMC:

1) If the detailed analysis of the contracting out option does not provide cost savings, and the relevant union cannot provide innovative costing solutions, then the CAO/COO/CFO recommends to the ASD Committee not to pursue MMC.
2) If the relevant union provides innovative costing solutions that are equal to or less than the lowest preliminary private sector bid, then the CAO/COO/CFO recommends to the ASD Committee that the relevant union solutions be implemented.
3) If the relevant union provides costing solutions that are greater than the private sector, then the CAO/COO/CFO recommends to the ASD Committee that contracting out of the service is pursued through an RFP process abiding by the terms and conditions of the relevant collective agreement.

If Modified Managed Competition or Contracting Out is pursued then that particular service, or service area, should have performance measures (outcomes, cost-effectiveness, etc.) which are collected annually and reviewed every three years to make sure that service delivery is meeting service expectations.

The chart in Appendix 2 illustrates the revised ASD review process to include MMC and PPP ASD options.

FINANCIAL IMPACT

Financial Impact Statement **Date:**

Project Name: **First Year of Program**

	0	1	2	3	4
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

There are no financial implications as this is a policy and process change.

Original signed by R. Abeysekera
Radhika Abeysekera
Manager of Finance (Campus)

CONSULTATION

In preparing this report there was consultation with:

SUBMITTED BY

Department	Corporate Finance
Division	
Prepared by:	Iain Day
Date:	February 24, 2012
File No.	

Appendix 1: ASD Definitions

Managed Competition

The City of San Diego describes Managed Competition as a formal mechanism whereby City departments compete with private sector vendors to perform City services. The goals of the managed competition program include, but are not necessarily limited to, maximizing the quality of service the City provides to its residents in a cost-effective manner.

Under managed competition, a public-sector agency competes with private-sector firms to provide public-sector functions or services under a controlled or managed process. This process clearly defines the steps to be taken by government employees in preparing their own approach to performing an activity. The agency's proposal for providing the service, which includes a bid proposal for cost-estimation purposes, is used in competing directly with private-sector bids.

Modified Managed Competition

Modified Managed Competition is similar to Managed Competition except that the public sector does not compete directly with submissions from private-sector firms in a managed process. Instead, management and relevant union collaborate on finding costing efficiencies that are at least the same as or better than the costing estimates of preliminary bids solicited from the private sector. If there are no savings, then a competitive bid process is initiated for private sector service delivery.

Public Private Partnership

The Canadian Council for Public-Private Partnerships (CCPPP) notes the term "public-private partnership" carries a specific meaning in the Canadian context. First, it relates to the provision of public services or public infrastructure. Second, it necessitates the transfer of risk between partners. Arrangements that do not include these two concepts are not technically "public-private partnerships" and do not fall within the scope of the work being done by CCPPP. The definition embraced by The Canadian Council for Public-Private Partnerships is as follows:

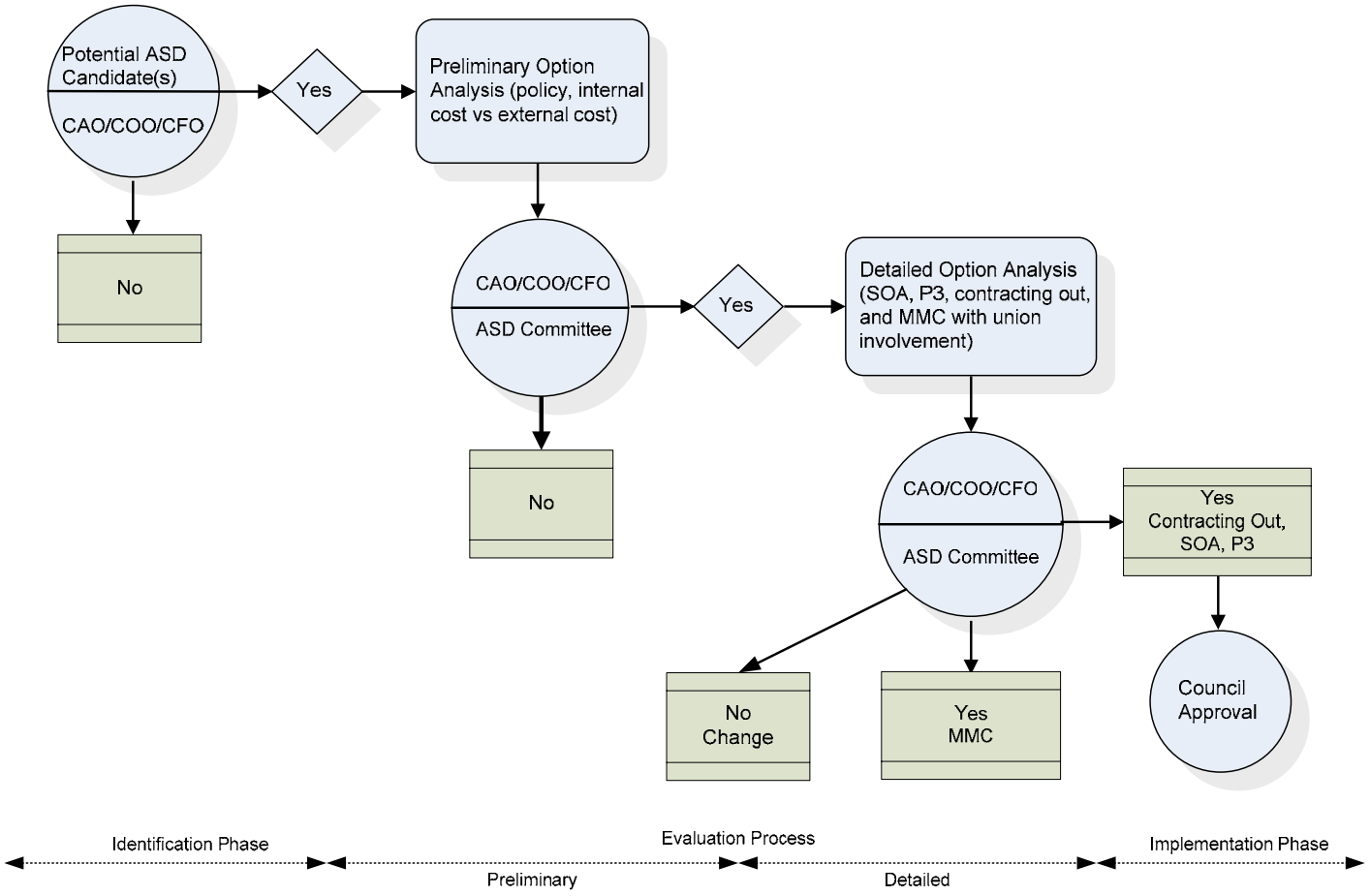
> *"A cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards."*

Public-private partnerships span a spectrum of models that progressively engage the expertise or capital of the private sector. At one end, there is straight contracting out as an alternative to traditionally delivered public services. At the other end, there are arrangements that are publicly administered but within a framework that allows for private finance, design, building, operation and possibly temporary ownership of an asset.

Value for Money

The term “value for money” is used to describe the difference in risk-adjusted cost to the City between traditional procurement and Public-Private Partnership procurement.

Appendix 2: Revised ASD Review Process Including Modified Managed Competition and Public-Private Partnerships Options



Dated November, 2011