Agenda - Executive Policy Committee - March 17, 2004

PRELIMINARY 2004 to 2006 OPERATING BUDGET

Item No. 11 Helicopter Services for Insect Control
File FE-1

STANDING COMMITTEE RECOMMENDATION:

On March 11, 2004, the Standing Policy Committee on Protection and Community Services received as information the May 13, 2003 recommendation of Standing Committee on Fiscal Issues referring the additional resource requirements of $115,476.00 for 2004 and $138,194.00 for 2005 to the 2004 to 2006 Operating Budget process.

Further, the Standing Policy Committee on Protection and Community Services recommended that a Reserve Fund be established for insect control.

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On March 11, 2004, the Standing Policy Committee on Protection and Community Services received as information the May 13, 2003 recommendation of the Standing Committee on Fiscal Issues, and recommended that a Reserve Fund be established for insect control.

On May 13, 2003, the Standing Committee on Fiscal Issues concurred in the administrative recommendation, namely, that the additional resource requirements of $115,476.00 for 2004 and $138,194.00 for 2005 be referred to the 2004 - 2006 budget process.

STANDING COMMITTEE DECISION:

On May 13, 2003, the Standing Committee on Fiscal Issues concurred in the administrative recommendation, and approved an additional appropriation in the amount of $80,920.00 for 2003 to cover the increased costs for insect control helicopter services. (These costs are a result of the increased rates included in the new three-year contract between the City of Winnipeg and Western Aerial Applications Ltd.)

Report

Re: **ADDITIONAL APPROPRIATION RELATED TO PROVISION OF HELICOPTER SERVICES FOR INSECT CONTROL (TENDER NO. 397-2002)**

For submission to: **Standing Committee on Fiscal Issues**

Original report signed by: **Clive Wightman, Acting Director, Community Services Department**

Report date: **April 4, 2003**

Recommendation(s):

1. That Standing Committee on Fiscal Issues approve an additional appropriation in the amount of $80,920 for 2003 to cover the increased costs for insect control helicopter services. These costs are a result of the increased rates included in the new three-year contract between the City of Winnipeg and Western Aerial Applications Ltd.

2. That the additional resource requirements of $115,476 for 2004 and $138,194 for 2005 be referred to the 2004 – 2006 budget process.

Report Summary

Key Issues:

- The Chief Financial Officer has recently approved a new three-year contract between the City of Winnipeg and Western Aerial Applications Ltd for the provision of helicopter services to carry out insect control measures.

- Western Aerial Applications was awarded the contract based on evaluation criteria, including the fact that they were the lowest bid.

- However, the cost associated with this Bid for the first year of service is 29% higher than the cost for air services in 2002. Based on a projected flight time requirement of 600 hours per season, this price change is equivalent to an increased cost of $131,634 in 2003, (G.S.T. included) for a total budgetary requirement of $580,920.

- The 2003 Current Estimates contain an operating budget for aircraft services for insect control of $340,000.
- An additional $160,000 in 2003; $176,000 in 2004; and $184,800 in 2005 will be allocated to this account from the $1million Provincial funding for the Expanded Larviciding Program in response to these increased costs.

- This results in a potential short fall of $80,920 for aircraft services in 2003, for which the Department is requesting an additional appropriation. It is recommended that the additional resource requirements of $115,476 for 2004 and $138,194 for 2005 be referred to the 2004 – 2005 budget process.

- If an additional appropriation is not approved, it would be necessary to reduce flight time and larviciding, however this would severely decrease the effectiveness of the overall mosquito control program.

Implications of the Recommendation(s):

General Implications

	None
	For the organization overall and/or for other departments
	For the community and/or organizations external to the City of Winnipeg
X	Involves a multi-year contract

Comment: Western Aerial Applications has been the sole provider of helicopter services for insect control since 1993. During this time it has been awarded 3 multi-year contracts, each for 3-year duration.

Policy implications

X	No
	Yes

Comment:

Environmental Implications

X	No
	Yes

Comment:

Human Resources Implications

X	No
	Yes

Comment:

Financial Implications

	Within approved current and/or capital budget
X	Current and/or capital budget adjustment required

Comment: Additional Funds in the amount of $80,920 for 2003, $117,476 for 2004 and $138,194 for 2005 will be required.

In addition $160,000 in 2003; $176,000 in 2004; and $184,800 of the Provincial Expanded Larviciding Program funds will be used each year for this purpose, dependant on continuation of this joint initiative on an ongoing basis.

Reason for the report:

Requests for over-expenditure authorization exceeding $10,000 require approval of the Standing Committee on Fiscal Issues.

History:

Helicopter services for insect control have been used since 1977, primarily for the control of larval mosquitoes. Western Aerial Applications Ltd. has been successful in providing these services to the City since 1993. Each of the last 3 contracts has been for 3 year durations, and the last contract expired on August 31, 2002.

Discussion:

Western Aerial Applications, who submitted the lowest responsive bid, has been awarded the contract.

The average price per hour of flight time is $1,019.67. The schedule of prices offered by Western Aerial Applications Ltd. for the 3 year contract is as follows: $940/hour in Year 1; $1,034/hour in Year 2; and $1085/hour in Year 3. Bi-Air Applications has offered a bid price of $1,160/hour of flight time in each of the 3 years of the contract. These unit prices reflect a significant increase in cost relative to the previous 3 years (Attachment 1), and are partly attributed to an increase in insurance costs felt throughout the industry.

Financial Impact:

The cost for the first year of service is 29% higher than the cost for air services in 2002. Based on a projected flight time requirement of 600 hours per season, this price change is equivalent to an increased cost of $131,634 in 2003 (G.S.T. included). Total spending in 2003 is projected to be $580,920 (i.e. $968.20/h x 600h). The operating budget for aircraft services for insect control is $340,000, and an additional $160,000 will be allocated to this account from the $1million Provincial funding for the Expanded Larviciding Program.

This represents a potential short fall of $80,920 for aircraft services in 2003. Consequently, the Department is requesting an additional appropriation. Cost increases of 10% and 5% are scheduled for year two and three of the contract respectfully.

If an additional appropriation is not approved, it would be necessary to reduce flight time and larviciding, however this would severely decrease the effectiveness of the overall mosquito control program.

A Request for an Additional Appropriation is attached (Attachment 2).

Financial Impact Statement **Date:** March 20, 2003

First Year of Program 2003

Project Name: Award of Contract for the Provision of Helicopter Services for Insect Control.

	2003	2004	2005	2006	2007
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	$ 580,920	$ 639,012	$ 670,530		
Less: Incremental Revenue/Recovery	160,000	176,000	184,800	-	-
Net Cost/(Benefit)	420,920	$ 463,012	$ 485,730	$ -	$ -
Less: Existing Budget Amounts	340,000	347,536	347,536		
Net Budget Adjustment Required	$ 80,920	$ 115,476	$ 138,194	$ -	$ -

Additional Comments: Incremental revenue (Provincial funding for the Expanded Larviciding Program) is currently approved on an annual basis only, however hours of flight time would also decrease if the project were discontinued. If an additional appropriation is not approved, it would be necessary to reduce flight time and larviciding, however this would be at the detriment of mosquito control effectiveness.

C. Wightman, Manager
Finance & Administrative Services

This Report Submitted By:

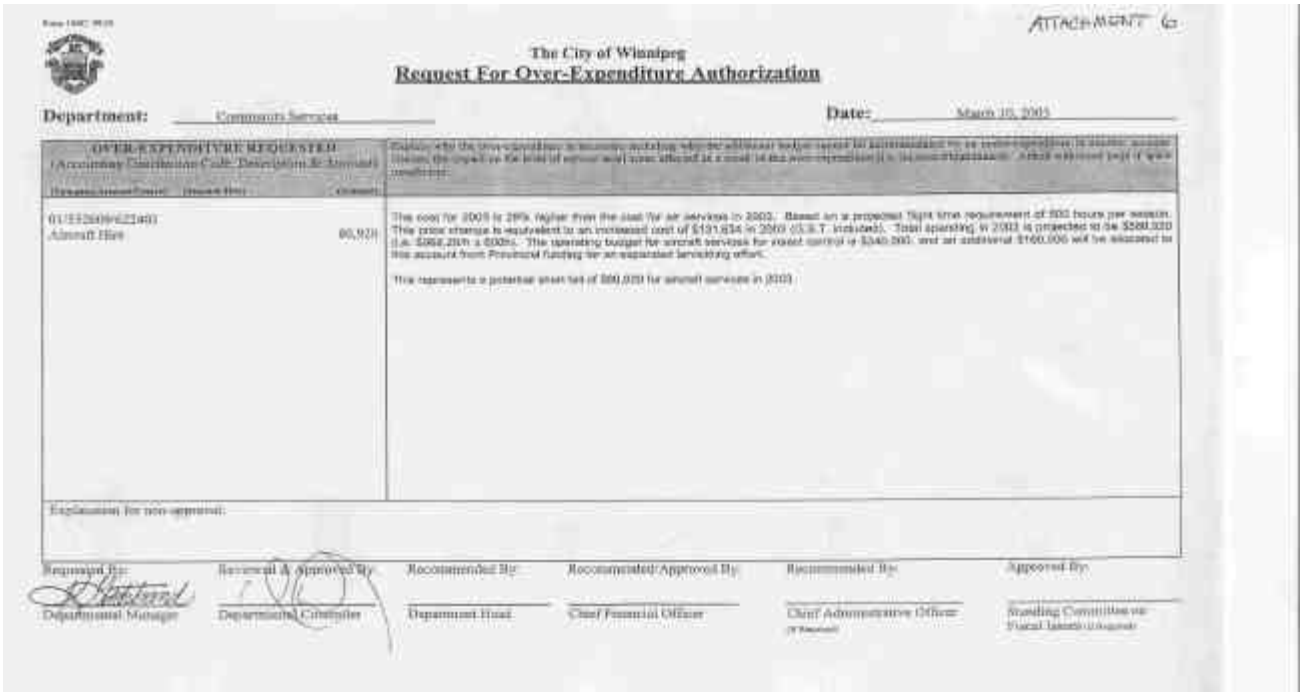
Department: **Community Services**
Division: **Community Resource, Protection & Safety Services**
Prepared by: Kelly Goldstrand, Manager

ATTACHMENT 1

BID PRICES PROPOSED FOR 2003-2005

YEAR	**COST/HOURS ($) *excluding GST/PST**	**% INCREASE IN COST**	**TOTAL HOURS FLOWN**	**TOTAL COST ($) *excluding GST/PST**
2005	**1085**	**+4.9**		
2004	**1034**	**+10.0**		
2003	**940**	**29.3**		
10 YEAR HISTORY OF HELICOPTER COSTS				
2002	727	+5.4	425	308,975
2001	690	+4.5	485	334,650
2000	660	-9.3	414	273,240
1999	728	5.1	297.0	216,216
1998	693	5.0	393.0	272,349
1997	660	0.0	316.0	208,560
1996	660	4.8	351.2	231,792
1995	630	5.0	306.6	193,158
1994	600	0.0	474.8	284,880
1993	600	0.0	336.3	201,780

ATTACHMENT 2



ATTACHMENT 6

The City of Winnipeg

Request For Over-Expenditure Authorization

Department: Community Services **Date:** March 10, 2003

OVER-EXPENDITURE REQUESTED (Accounting Distribution Code, Description & Amount)			Explain why the over-expenditure is necessary, including why the additional budget cannot be accommodated by an over-expenditure in another account (where the impact on the level of service must be affected as a result of the over-expenditure) is not recommended. Attach additional page if space insufficient.
Expenditure Account Code	Account Title	Amount	
01/[illegible]/622403 Aircraft Hire		80,920	The cost for 2003 is 28% higher than the cost for air services in 2002. Based on a projected flight time requirement of 500 hours per season. This price change is equivalent to an increased cost of $131,634 in 2003 (G.S.T. included). Total spending in 2003 is projected to be $580,020 (i.e. $368,20th x 500h). The operating budget for aircraft services for insect control is $340,000, and an additional $160,000 will be allocated to this account from Provincial funding for an expanded larvicidiing effort. This represents a potential short fall of $80,020 for aircraft services in 2003.

Explanation for non-approval:

Requested By:	Reviewed & Approved By:	Recommended By:	Recommended/Approved By:	Recommended By:	Approved By:
Departmental Manager	Departmental Controller	Department Head	Chief Financial Officer	Chief Administrative Officer (If Required)	Standing Committee on Fiscal Issues (if required)