

MAR 30 2015

Utilities & Environmental Protection Report to
SPC on Utilities and Corporate Services
2015 March 20

ITEM: *Urgent Business*
UCS2015-0220
CITY CLERK'S DEPARTMENT

UNRESTRICTED
UCS2015-0220
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WASTE & RECYCLING SERVICES: COLLECTION SERVICE REVIEW

EXECUTIVE SUMMARY

In 2013, Waste & Recycling Services (WRS) commissioned CH2M HILL to undertake a review of WRS' residential collection services and to provide input on alternative service delivery models that could include participation from the private sector. The timing of the review was set to ensure sufficient time to implement any changes to the service delivery model in conjunction with the implementation of the residential green cart composting program and the expiration of the blue cart recycling contract.

In 2014 November, Council directed WRS to Report back to SPC on UCS no later than 2015 March with a recommended collection service delivery model for black, blue and green cart service commencing in 2018. WRS completed further analysis on two service delivery options that were outlined in the CH2M HILL report. The first option is called "mixed service" whereby 1/3 of the city is serviced by a private contractor and 2/3 serviced by The City. The second option is a continuation of the current service with the entire city being collected by The City.

This report provides an analysis of the two service models including an assessment of the customer experience, service standards and a financial analysis including local market conditions and ongoing contract management costs. WRS utilized the CH2M HILL report, an independent labour market consultant and other municipal experiences as part of this analysis.

The financial analysis found that potential private contracting savings due to lower employee benefits and fleet costs would be offset by additional contract management costs and private sector profit. In addition, there was no evidence that the private sector collection would be more efficient than public sector collection. Accordingly, there would be no clear financial benefit realized by adopting a mixed service model at this time.

WRS will re-evaluate private sector delivery of services once the Green Cart program is fully implemented city-wide. Once this program is in place, limits on garbage can be introduced and The City will be in a better position to clearly define the contract parameters for the private sector including more clarity on service standards and the volume of waste to be collected across the three streams (recycling, organics and garbage).

ADMINISTRATION RECOMMENDATION(S)

That the Standing Policy Committee on Utilities and Corporate Services recommends that:

1. Council direct Administration to provide city-wide black, blue and green cart residential collection services through a public service delivery model for the remainder of the 2015-2018 business cycle ;
2. Council direct Administration to consider alternative service delivery models in alignment with the 2019-2022 business cycle;
3. This report be forwarded to the 2015 March 30 Regular Council Meeting; and
4. Direct that Appendix 2 (Attachment 2), be heard In Camera and remain confidential under Section 23(1)(b), of the *Freedom of Information and Protection of Privacy Act*, that the verbal discussions, and presentation remain confidential under 24(1)(c)&(d) and 25(1)(b)&(c), until this matter is resolved.

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**RECOMMENDATION OF THE SPC ON UTILITIES AND CORPORATE SERVICES, DATED
2015 MARCH 20:**

That Council:

1. Direct Administration to provide city-wide black, blue and green cart residential collection services through a public service delivery model for the remainder of the 2015-2018 business cycle;
2. Direct Administration to consider alternative service delivery models in alignment with the 2019-2022 business cycle; and
3. Direct that Appendix 2 (Attachment 2), remain confidential under Section 23(1)(b), of the *Freedom of Information and Protection of Privacy Act*, that the verbal discussions remain confidential under 24(1)(c)&(d) and 25(1)(b)&(c), until this matter is resolved.

Excerpts from the Minutes of the SPC on Utilities and Corporate Services held 2015 March 20:

"3. This report be forwarded, **as an item of Urgent Business**, to the 2015 March 30 Regular Council Meeting."

"And further that the distribution, Attachment 3, received with respect to Report UCS2015-0220 be attached to the report prior to being forwarded to Council."

PREVIOUS COUNCIL DIRECTION / POLICY

On 2014 November 3, Council approved Report UCS2014-0262 Waste & Recycling Service Collection Service Delivery Review, and directed Administration to:

1. Report back to SPC on UCS no later than 2015 March with a recommended collection service delivery model for black, blue and green cart service commencing in 2018; and
2. Review the consultants' recommendations on operational performance and fleet management and bring a status update to SPC on UCS no later than 2015 June.

BACKGROUND

WRS' Collection Services delivers residential black cart garbage collection, blue cart recyclables collection and the current Green Cart program to four communities.

The key findings in the CH2M HILL report included:

- Both public and private sector collection models can perform well depending on how they are managed and implemented.
- In the long-run, cost savings from switching to private sector collection is less certain. Experience in other jurisdictions has found initial savings can be difficult to sustain over many years.

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efficient than public sector collection. Accordingly, there would be no clear financial benefit realized by adopting a mixed service model at this time.

Developing clearly defined service requirements for a potential contractor at this time presents a challenge. The city-wide implementation of the Green Cart program will result in a major change in service levels. Consideration of introducing a new service provider to implement a large scale program change would represent a significant risk to The City.

Additionally, The City currently does not impose volume limits on the amount of waste that residents can set out for collection each week. Once the Green Cart program is implemented, WRS will be in a position to recommend pay as you throw options for garbage which will help to clearly define service collection requirements and more accurate waste volumes. This clarity is essential in order to provide a clear service expectation for all private sector bidders.

WRS will continue to advance efficiency opportunities through Action Plan 2015-2018. WRS will be returning to Standing Policy Committee on Utilities and Corporate Services in 2015 June with a status update on operational performance and fleet management opportunities identified by CH2M HILL.

In addition, WRS will be reviewing their Financial Model and conducting a Cost of Service Review as part of Action Plan 2015-2018 with a view to presenting a sustainable business model in the 2019-2022 business cycle, which will include reconsideration of private residential collection service.

Stakeholder Engagement, Research and Communication

WRS engaged other municipalities that have experience with contracting some or all collection services (Attachment 1, Appendix 1).

WRS retained Align HR Consulting to conduct a salary survey of Class 3 drivers in Calgary and Alberta to gain an understanding of local market conditions and to determine if significant savings could be achieved within that market. WRS also utilized CH2M HILL's report and expertise as part of this analysis.

Citizen satisfaction with waste and recycling services continues to be consistently highly valued and scored by our residents. In 2014, 96 per cent of citizens were satisfied with residential garbage collection, and 92 per cent of citizens were satisfied with City-operated recycling programs (Ipsos Reid survey, November 2014).

WRS engaged with Supply, Law, Fleet Services, Human Resources, and WRS operations in the development of the recommendations.

Strategic Alignment

There are a number of key commitments that WRS has incorporated into the Action Plan 2015 - 2018 that will have a direct impact on improving Calgary's environmental performance through increased waste diversion, efficiency of WRS' operations and financial sustainability.

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The recommendations align with Council Priorities; A well run city, A healthy and green city and A city of inspiring neighbourhoods.

Social, Environmental, Economic (External)

Social

The Collection Service Delivery Review supports A city of inspiring neighbourhoods through the provision of efficient and effective services.

Environmental

Implementing collection systems that extract recyclables and compostable materials from the waste stream conserves resources, produces value-added commodities and reduces the environmental risks and long-term liabilities associated with landfills.

Economic

Ongoing evaluation of WRS' collection system to identify efficiencies minimizes the cost of the services WRS provides to Calgarians.

Financial Capacity

Current and Future Operating Budget:

WRS' 2014 operating budget and 2015-2018 Action Plan is based on The City providing all black, blue and green cart residential collection services. Contracting a portion of the services to a private service provider would require that the cost of the contract and the additional resources required for contract management would not exceed WRS' operating budget.

Current and Future Capital Budget:

There are no direct capital budget implications related to the Collection Services Delivery Review.

Risk Assessment

The risks identified with this report are as follows:

Option 1 - (move to 1/3 private) introduces a significant risk to citizen satisfaction levels. Other municipalities have experienced service delivery issues when a new service provider begins collection. The risk is compounded if private contracting is introduced at the time The City is introducing the Green Cart program city-wide.

Entering into a long-term contract prior to the introduction of green cart is risky for both The City and any private sector bidder. Developing clearly defined service requirements for a potential contractor is essential. The cost of this risk would ultimately be borne by The City whether or not the requirements were set too high or too low. Once green cart has been implemented, The City will be in a better position to provide clarity on nature and volume of waste across the three carts and service expectations.

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Option 2 – Potential cost savings are not realized until later. However, this risk is not significant in that the analysis indicates no savings at this time. As well, both The City and a private sector bidder need to have more clarity on the nature and volume of the waste in order to bid appropriately.

REASON(S) FOR RECOMMENDATION(S):

Municipalities that have changed service delivery models have been driven to those changes to achieve significant cost savings and service guarantees. Estimates indicate that significant cost savings are not achievable in the Calgary market and Calgary's service efficiency is on par with the private sector.

Operational cost savings achieved through a mixed service delivery model would be offset by additional contract management costs and private sector profit. These circumstances could change once the Green Cart program and every other week black cart garbage collection are fully established. WRS will be reviewing their Financial Model and conducting a Cost of Service Review as part of Action Plan 2015-2018 with a view to presenting a sustainable business model in the 2019-2022 business cycle, which will include reconsideration of private residential collection service.

ATTACHMENT(S)

Attachment 1 – Waste & Recycling Collection Service Review – Option Analysis

Attachment 2 – Appendix 2, *Confidential* Financial Analysis

Attachment 3 - Distribution Appendix 2, Financial Analysis (Public)

Reference Link: CH2M HILL report: [Waste & Recycling Service Collection Service Delivery Review](#)