

CITY OF CALGARY
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ITEM: 2019-0113
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**Waste & Recycling Services
 2018 Collection Services Review**

2019 January 23

ISC: Unrestricted

UCS2019-0113

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Calgary Overview

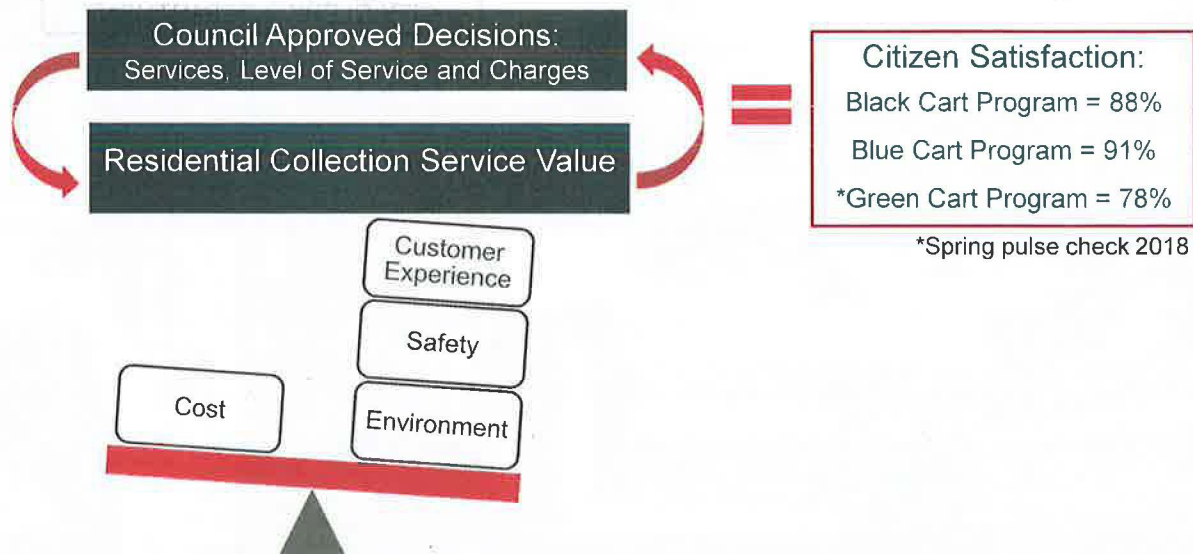
- Consultant highlights: industry scans, analysis and cost comparison to a mixed delivery model
- Limited savings moving to a mixed delivery model
- Opportunities for future cost savings for current public sector delivery model
- Recommendations
 1. Receive this report for information; and
 2. Direct Administration to assess and pursue service efficiency opportunities, as identified in the 2018 Collection Services Review, with a report back to SPC on UCS no later than Q2 2020.

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Objectives for Residential Collection Service



WRS Efficiency and Effectiveness

- 40 million scheduled services in 2018
- Provide reliable and responsive service
 - Missed collections: 8 per 10,000 scheduled services
 - SR response time: 24 to 48 hours
- Collection costs per scheduled service decreased by 6.5% since 2014



Qualitative Evaluation of Service Delivery Models

Objective	Strongest Service Delivery Model Alignment
Customer Service	WRS: stable workforce, consistently reliable and responsive service
Safety	WRS: ergonomic features, training and standards
Environment	Mixed: alternative fuel vehicles WRS: culture and Triple-bottom line assessments
Cost	Mixed: balances in-depth understand of collection operations and ability to compare costs

Industry Scan and Strategic Analysis

Labour

- Collection contracts fail primarily due to labour issues
- WRS has competitive advantage in Alberta's distinct market
- Historically positive Union relationship
- Short-term, private sector can likely provide labour
- Medium to long-term, private sector could fail to attract / retain labour

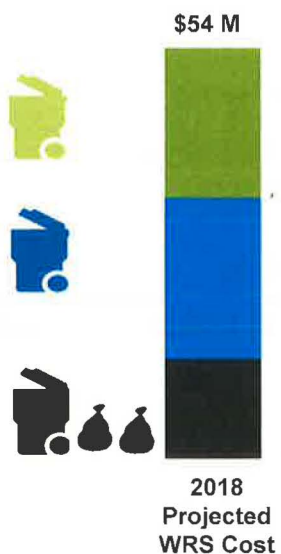
Aggressive Bids

- Cost savings not maintained over contract life

Assumptions: Cost Impact for Alternative Service Delivery

Labour	Equipment	Contract Management	Contractor Profit
<ul style="list-style-type: none"> WRS cost 15% more for salary and fringe benefits WRS 7.5% less efficient 	<ul style="list-style-type: none"> WRS cost 5% more leases, maintenance and fuel WRS between 7.5% and 5% less efficient 	<ul style="list-style-type: none"> Total \$775,000 One-time cost of \$600,000 over 8 year contract 8 additional staff 	<ul style="list-style-type: none"> Private sector profit margin of 10%

Cost Comparison: one-third residential collection



Third Party Cost Comparison Results

WRS Cost
\$18 million

Private Sector Cost
\$17.2 million

Potential savings of
\$850,000 ± 50%

Customer savings of:
\$1.30 to \$3.90 annually
\$0.11 to \$0.33 monthly if
applied to entire city

Note: numbers are rounded

Potential Service Delivery Risks

Public Delivery (WRS)	Private Contract
<ul style="list-style-type: none"> • Customers don't see potential savings from lower costs options • Future budget constraints may impact high quality service delivery • Labour negotiations could impact costs and customer service • Lack of competition may create complacency 	<ul style="list-style-type: none"> • Savings promised to customers might not be realized • Failure to meet performance expectations i.e. Customer Experience and Safety • Service levels may be impacted by contract default, lack of driver attraction / retention • Profit motive may take priority over quality of service

Residential Collection Performance Measures

Benchmarking:

- Use existing initiatives to monitor performance
- Use measures that support all four of the service value objectives

Objective	Sample Performance Measures
Customer Experience	<ul style="list-style-type: none"> • Missed collections • Service requests response times
Safety	<ul style="list-style-type: none"> • Number of safety incidents
Environment	<ul style="list-style-type: none"> • Residential waste cart-based diversion • Environmental performance (GHG, Spills)
Cost	<ul style="list-style-type: none"> • Collection costs per scheduled service

Calgary		Municipal scan of residential waste charges				
	Public	Mixed			Private	
	Calgary	Vancouver 2/3 Public 1/3 ERP	Toronto 50% / 50%	Edmonton 50% / 50%	Airdrie	Cochrane
2019 Annualized Fee	\$292	\$299* Black & Green Only	\$347* Black & Green Only	\$565	\$255	\$258
Type of Programs	(Unlimited)			Black/Green & Blue bag, Depots, Reuse Centre, Big bin events and Eco Stations	(one bag)	
Collection Frequency	<ul style="list-style-type: none"> ● EOW ● Weekly ● Weekly EOW 	<ul style="list-style-type: none"> ● EOW ● Weekly ● Weekly 	<ul style="list-style-type: none"> ● EOW ● EOW ● Weekly Yard – EOW seasonally 	<ul style="list-style-type: none"> ● Weekly ● Weekly ● Weekly EOW 	<ul style="list-style-type: none"> ● Weekly ● Weekly ● Weekly EOW 	<ul style="list-style-type: none"> ● Weekly ● Weekly ● Weekly EOW

*Ontario and British Columbia have producer-funded recycling programs (EPR) for blue cart recycling, therefore charges are for Black and Green cart service only.

EOW – Every-other-week

Calgary		Additional WRS Cost Saving Opportunities
<p>Completed</p> <ul style="list-style-type: none"> Automation of collection; Improvements in fleet maintenance costs; and Implementation of industry specific route design software. <p>Consultants recommended WRS consider</p> <ul style="list-style-type: none"> Extending collection shifts to a ten-hour day; and Developing an alternative fuel strategy. <p>WRS continues to explore cost reduction opportunities</p> <ul style="list-style-type: none"> Limiting excess garbage collection; In-truck technology; and Advocating for EPR. 		



Summary

Key findings for WRS' residential collection services

- WRS provides reliable, responsive and valued collection services;
- WRS has a competitive advantage to attract and retain labour;
- WRS should annually monitor and report performance; and
- Changing to a mixed service delivery model could:
 - Potential savings range of \$425,000 to \$1,275,000;
 - Equates to city-wide customer savings of \$1.30 to \$3.90 annually; and
 - Pose potential risks to customer experience and program safety.



Recommendation

That the Standing Policy Committee (SPC) on Utilities and Corporate Services (UCS) recommends that Council:

1. Receive this report for information; and
2. Direct Administration to assess and pursue service efficiency opportunities, as identified in the 2018 Collection Services Review, with a report back to SPC on UCS no later than Q2 2020.