

Municipality of Yellowhead

Final Report

Value for Money (VFM) Review of Landfill and
Recycling Operations

March 2022



Contents

Executive summary	2
I. Overview and background	5
II. Purpose, scope and approach	6
III. Highlights of the analysis	8
IV. Potential options for the future	10
V. Further opportunities for improvement	17
VI. Considerations for moving forward	19
Appendix A - Phases of the review	22
Appendix B - Example flow of activities	23
Appendix C - RFP and contracting considerations	24

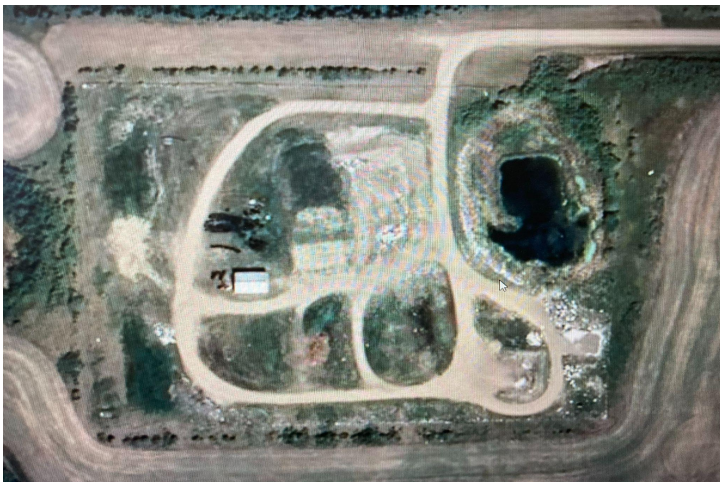
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Executive summary

Overview and background

The Rural Municipality of Yellowhead (the Municipality) currently operates Strathclair Landfill and Shoal Lake Landfill. The Landfill and Recycling Operations (the Operations) include accepting garbage and recycling products at each landfill as well as weekly garbage, recycling and paper/cardboard collection services for the communities. The Municipality is currently exploring if continuing the current services is sustainable and the “best” course of action.

As such, the Municipality applied for the Municipal Service Delivery Improvement Program (MSDIP) and was approved by the Department of Municipal Relations (the Municipal Services) to obtain a Value-For-Money (VFM) review of its Operations. This review aims to help improve service delivery of municipalities by evaluating the effectiveness, efficiency and economy of programs and services.



Strathclair landfill aerial view



Shoal Lake landfill aerial view

Purpose, scope and approach

This report aims to provide management of the Municipality with a better understanding of key Landfill and Recycling processes, strengths as well as challenges and risks of the operations.

Highlights of the analysis

The Municipality recognizes the need for continuous service and operational improvements and formed an internal oversight Waste Management Committee (the Committee) focused on key aspects of the Operations. The Municipality's Committee, management and employees are highly engaged and receptive to exploring opportunities for continuous and operational improvement.

In recent years, the Municipality spent considerable time discussing the operational challenges of the Operations. During the review, five key operational challenges and risks faced by the Municipality in delivering waste management services to the communities were identified, as follows:

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- **Aged equipment:** There were service disruptions due to vehicle breakdowns.
- **Limited resource pool:** Absences and inability to find replacements of an already limited workforce was highlighted during the Covid pandemic.
- **Manual processes:** Collection processes are inefficient and time consuming.
- **Inconsistent collection services:** There is concern on the sustainability of current service offerings.
- **Compliance with Standards for Landfill in Manitoba:** Challenges in ensuring the landfills are appropriately supervised during operating hours.

Potential options for the future

This report includes three options for the future that can potentially provide service delivery improvements, cost savings, and process improvements/efficiencies for the Municipality's operations. These options were identified by management as the most feasible options compared to the other alternative options analyzed. The summary below should be read in conjunction with the detailed analysis presented in **IV. Potential options for the future**.

Option	Benefits	Drawbacks
A. Modified operations	<ul style="list-style-type: none"> + duplicate processes are reduced + employees can focus on specific activities 	<ul style="list-style-type: none"> - operating cost is expected to increase - challenges with aged equipment, resources, processes and landfill compliance are not addressed - service delivery level is reduced - capital expenditure for collection vehicles is required
B. Partial outsourcing	<ul style="list-style-type: none"> + operating cost is expected to decrease due to streamlined collection services + capital expenditure for collection vehicles is not required + collection services are consistent and efficient + challenges with aged equipment, resources, processes and landfill compliance are addressed 	<ul style="list-style-type: none"> - municipal funds leaving the Municipality - administrative cost is expected to increase for monitoring outsourcing agreement (i.e. for monitoring contractor service levels/performance against the contract)
C. Full outsourcing	<ul style="list-style-type: none"> + capital expenditure for collection vehicles is not required + collection services are consistent and efficient + challenges with aged equipment, resources, processes and landfill compliance are addressed 	<ul style="list-style-type: none"> - operating cost is expected to increase due to higher cost of a full-service waste management contractor - municipal funds leaving the Municipality - capital expenditure is required for transfer station equipment/facilities - administrative cost is expected to increase for monitoring contractor performance against the contract) - landfill disposal facility will not be fully utilized (landfill is converted to a transfer station)

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Considerations for moving forward



This report is an input into management's decision making process and is not intended to be a final recommendation as all decisions based on information within this report are the responsibility of management. There was no opinion, attestation, or other form of assurance with respect to the review or the information upon which the review was based.

The report aimed to enable the Municipality to focus its efforts in analyzing each potential option against evaluation criteria that are most imperative to the Operations - its impact to **people** (constituents and employees), **services and processes** and **cost savings and sustainability**. Management will assess each potential option based on its overall advantages over other potential options and will determine any additional information and analysis needed to make their decision which, upon completing their analysis, may or may not be one of the options included in this report.

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I. Overview and background

Background of landfill and recycling operations

The Municipality is an amalgamation of three (3) municipalities. The Municipality currently operates two landfills - Strathclair Landfill and Shoal Lake Landfill. Each landfill accepts garbage and recycling products. The recycling material, however, is transported from Strathclair Landfill to the Shoal Lake Landfill site. The municipality's landfill operating hours ensure there is always one open landfill.



The Municipality offers weekly garbage and recycling curbside pickup service for constituents in two communities and one seasonal area. Paper/cardboard pickup is also provided for businesses to accommodate for the additional product. On the other side of the Municipality, storage bins and storage sheds are available. These are situated in populated areas and picked up a couple times a week.

The Municipality offers multiple service options to ratepayers. However, with the onset of licensed landfill operators, safety regulations, equipment costs, landfill expansions and environmental regulations, the Municipality is unsure if continuing the service in this fashion is sustainable and the “best” course of action.

External stakeholders include constituents (i.e. residents in the area of Shoal Lake and Strathclair, campground/seasonal area, certain businesses, the school and those that use the landfill and recycling services). Other external stakeholders include a licensing body that trains and provides operator licenses and Multi-Material Stewardship Manitoba Inc. (MMSM), an industry-funded organization that funds and provides support for residential recycling programs for packaging and printed paper. Internally there are approximately three full time staff members and another three casual workers. There is also a Council and a Committee responsible for governance over the Operations.

Council and management has challenges with oversight and management of operations of the landfill in areas such as effectively meeting its mandate in streamlining collection services and controlling costs. Management wants to make sure there is a strong, respectful and positive environment available for employees and that roles and responsibilities are clearly outlined and employees are utilized to the best of their abilities. Management also aims to improve constituents' understanding of current Operations and increase public awareness and knowledge on acceptable and non-acceptable waste and recycling materials.

The Municipality is committed to providing better services for constituents and a positive working environment for its employees.

To address these challenges and realize its objectives, the Municipality made a decision to participate in the Municipal Service Delivery Improvement Program.

Municipal Service Delivery Improvement Program (MSDIP)

In 2021, the Municipal Services of Manitoba initiated an MSDIP. It provides municipalities and planning districts with financial support to complete a VFM service delivery reviews of programs and services. These reviews can help municipalities and planning districts improve service delivery without raising taxes or reducing front line services. The Municipality was approved of such a program and has obtained a VFM review of Landfill and Recycling Operations. PricewaterhouseCoopers LLP was engaged by Municipal Services to assist with a VFM service delivery review of the Operations of the Municipality. This report represents the results of that review.

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II. Purpose, scope and approach

Purpose and objectives of the review

The review consisted of a VFM service delivery review of Operations performed by the Municipality in servicing three communities and two campground/seasonal areas.

The objective and desired outcomes from the review include service delivery improvements, cost savings if possible, process improvements/efficiencies (i.e. streamlining how things are done), documentation of current and/or future target state processes where possible.

The review considered the effectiveness, efficiency, and economy (cost) of dollars spent on programs and services and seeks to provide recommendations for improvement. These are the standards for defining and measuring VFM.

Scope and limitations

This report was developed in accordance with the Statement of Work (SOW) approved by management on December 14, 2021 and by the Municipal Services on January 25, 2022. The review was limited to the specific approach described herein and was based primarily on evidence obtained from management and interviews. The review took place over a three month period commencing the end of January 2022.

This review analyzed the effectiveness, efficiency and economy of dollars spent on the landfill and recycling services of Shoal Lake and Strathclair, including curbside and storage bin collection services.

The review did not include interviews, surveys or other correspondence with the recipients of municipal services, although constituent related feedback (e.g. constituent complaints) that was available and provided by management and discussed during Council meetings was considered.

This review did not extend beyond municipal accountability/jurisdiction. Formal benchmarking with other jurisdictions was not conducted, although information that was available as provided by management was considered. The performance of individual employees was not reviewed and wages or benefits were not evaluated. Compliance with relevant Acts and Regulations (e.g. The Dangerous Goods Handling and Transportation Act, Waste Management Facilities Regulation and Operating Permit) was also not assessed.

PricewaterhouseCoopers LLP's role is advisory only. Management is responsible for all management functions and decisions relating to this review, including evaluating the scope of the Services and determining that it meets management needs. Management is responsible for using the results of this review, and for establishing and maintaining organizational processes and internal controls over its operations.

There was no opinion, attestation, or other form of assurance with respect to the review or the information upon which the review was based. The procedures performed under this Agreement do not constitute an examination or a review in accordance with generally accepted auditing standards or attestation standards. The information supplied to us in connection with any engagement under this Agreement, from whatever source, except as specified in this Agreement was not audited or otherwise verified. No legal advice was provided.

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The standard for defining and measuring VFM, include the following:	
Economy	Economy refers to the minimization of cost while acquiring the resources. Consideration is given to whether resources have been procured in the right amount, at the right place, at the right time and at the right cost and of the right kind.
Efficiency	Efficiency refers to relationships of inputs and outputs against predetermined standards or criteria. For example, we may compare the measure to internal historical and/or external benchmarks, as available.
Effectiveness	Effectiveness refers to the adequacy of current operations in meeting the measurable objectives or outcomes of the public program. Effectiveness could also include compliance considerations (i.e. how effective are operations in meeting relevant Acts, regulations and/or policies and procedures).

Methodology and approach

The review was carried out in the following three phases: Phase I. Understand and define the review; Phase II. Examine and assess; and Phase III. Evaluate and report. An overview of the phases of the review is included as **Appendix A**.

The review included key activities such as the following:

- Developed a detailed project plan with key milestones and activities (e.g. interviewees/small group workshops, activity timelines, status update schedule), approved by management. Prepared document requests, interview guides and applicable templates (e.g. flowchart, report format).
- Developed a review strategy, including key evaluation criteria for effectiveness, efficiency and economy (cost) areas of the evaluation. Identified available sources of information and data (e.g. production data, summary of staff hours/overtime) in respect of the review criteria.
- Reviewed relevant documentation (e.g. financial statements and information, stakeholder surveys/feedback as available from management, procedure documentation, operational performance related data) and information as available. Prepared certain current state documents, such as process flowcharts as part of the review.
- Interviewed and/or held small group meetings/workshops with key internal stakeholders; interviews included members of the Committee involved in providing oversight of the Operations.
- Assessed/analyzed data and other available information to the predetermined evaluation criteria and assessed current operations and identified opportunities for improvement
- Developed and analyzed future state options / recommendations for management and Committee feedback.
- Prepared draft and final reports of observations, findings, and recommendations. Recommendations focused on areas within the Municipality's jurisdiction. Other project outputs (e.g. documentation of the flowchart of key activities) resulting from the review were provided to management.

This report has been reviewed by management prior to finalization. This report represents the completion of this review and its deliverables under the SOW with the Municipality and Municipal Services.

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III. Highlights of the analysis

Summary of current operations

Strathclair Landfill operates 19 hours per week and is open three days of the week. A one ton truck and trailer collects 4-yard metal garbage bins in Strathclair, Elphinstone and Thomas Lake (seasonal households). Cardboard and recyclables are “hand bomb” from recycling and cardboard sheds or collected in bags in some locations. On a weekly basis, there are approximately five to six trips, approximately thirty loads of 4-yard bins for garbage collection and four to five trips for cardboard and recyclable materials collection.

Shoal Lake Landfill operates 20.5 hours per week and is open four days of the week. A garbage compactor and one ton dump truck collects curbside garbage, cardboard and recyclable materials in Shoal Lake, Oakburn and Marshall Chambers (seasonal households). On a weekly basis, there are approximately six to eight trips for garbage collection and eleven to thirteen trips for cardboard and recyclable materials collection.



Shoal Lake garbage compactor

In addition to the scheduled garbage and recycling collection activities, cardboard and recyclable materials collected are sorted at the Shoal Lake recycling facilities. A waste management employee is responsible for baling recyclables, which are subsequently transported to a materials recovery facility. In addition, waste management employees are also responsible for supervising the landfill and directing the public, cleaning the burn pit, operating equipment (skid steers, glass crusher, can crusher and bailer), maintaining records for recyclables and proper maintenance of the landfill, tools, equipment and building facilities, among other things.

An example flow chart of operations is included as **Appendix B**.

Strengths of current operations

The Committee provides oversight on key aspects of the Operations of the Municipality. The Committee recognizes the need for continuous service and operational improvements and are receptive to ideas and options for improvement while keeping in mind the financial impact on constituents and financial sustainability of these options.

The Committee is well supported by management. Management provides relevant information to the Committee and enables good discussions on key aspects of the Operations.

The Municipality has committed and highly engaged employees that understand their jobs. The landfills and recycling facilities are meeting the current needs of the Municipality and based on feedback from communities being serviced, these facilities are conveniently located and are well maintained. Rate payers from rural areas are afforded convenience by offering storage bin pick-up services.

Constituents are onboard with the Municipality's recycling program and are supportive of landfill improvements.

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Challenges and key risks

Council and management have been discussing issues relating to the Operations process and this is using a significant amount of management and Council time. Key challenges highlighted during the review include:

- **Aged equipment:** Collection vehicle breakdowns have led to some disruption in collection services (missed collection schedules or untimely collection services) for the constituents. The Municipality is currently spending approximately 10% of the total Landfill and Recycling operating costs on repairs and maintenance costs of these vehicles. The estimated useful life of the three collection vehicles is less than three years, as such there is a need to develop a capital expenditure plan to replace these vehicles.
- **Limited resource pool:** While the waste management employees are capable and committed to their jobs, they are currently unable to fully provide the desired service levels. Limited workforce availability is putting pressure on all the employees involved in the process and this was highlighted by the Covid pandemic with absences and inability to find replacements.
- **Manual processes:** The collection services provided by the Municipality is a manual, labor-intensive process. Except for the collection of fifteen 4-yard metal bins in the Strathclair area, garbage, cardboard and recyclable materials are “hand bomb”. Although, there has been no significant employee injuries, there is risk to the employees’ health and safety (e.g. injuries) as a result of this manual process. Manual processes are time consuming, thus also impact the efficiency of the collection process.
- **Inconsistent collection services:** The Municipality recognizes that each community has different needs and preferences in terms of waste management services. Currently, the Municipality addresses this by offering both curbside and storage bin collection services. However, the Municipality and its waste management employees have reached a point of feeling stretched too thin and are concerned that the current service offerings are not sustainable.
- **Compliance with Standards for Landfills in Manitoba:** The review identified the risk of non-compliance with the Standards for Landfill in Manitoba. There are instances wherein the Landfill is unsupervised during operating hours due to limited resource pool, inability to find replacements due to absences and current collection schedules.



Shoal Lake dump truck



Strathclair truck and trailer

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IV. Potential options for the future

Management has reviewed various options and related analysis and provided the following summarized assessment for further consideration. Management also considered the impact of each option against effectiveness, efficiency and economy VFM considerations.

Potential options	Brief description
A. Modified landfill operations	One location will be used exclusively for landfill or garbage disposal (Strathclair) and one location will be used exclusively for recycling (Shoal Lake). There will be no change in the current collection services for the various communities.
B. Partial outsourcing	Municipality is responsible for Landfill Operations and all collection services will be outsourced. Curbside collection services will be offered to all communities.
C. Full outsourcing	Strathclair Landfill and Shoal Lake will operate as Transfer Stations and all collection services will be outsourced. Curbside collection services will be offered to all communities.

In addition to these options, other variations of activities (e.g. reduction in operating days, reduction in employee hours, bin collection for all communities, one operating landfill) were considered but decided by management to be least feasible.

Assumptions used for the detailed analysis presented in this report includes:




- Operating cost data and operational schedules for the period January 1, 2021 - December 31, 2021 were used to calculate the cost saving opportunities.
- Calculations for benefit estimate, efficiencies, cost savings and cost avoidance have been performed using input assumptions and data provided by management. Inputs to the analysis are the sole responsibility of management.
- Not every potential change or factor has been considered, including but not limited to changes in waste disposal and recycling practices, changes in waste management by-laws and regulations, and new waste management technology.
- An average inflation rate of 2.02% was used in assessing the services fees of management provided contractor quotation against the Municipality's current cost for the year ended December 31, 2021. The increasing trend in inflation rate in the last quarter of 2021 (inflation rate averaged 4.7%) was not considered in the analysis.
- An average fuel efficiency of 39.5 Liters/100 kms and fuel cost of 1.43/L (January 31, 2022) was used in the analysis. The analysis did not consider potential increases/decreases in fuel cost.
- There was no expected significant change in the number of households and population.
- Transfer Station will have the same operating hours as the current landfill operating hours: Shoal Lake (20.5 hours per week), Strathclair (19 hours per week).

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Detailed analysis

The benefits of each of the potential options for the future are analyzed against the VFM standards of measure - **effectiveness**, **efficiency**, and **economy**.

Legend:

Potential impact to the achievement of objectives	Example considerations
 <p>High impact</p>	<ul style="list-style-type: none"> Favorable impact in service delivery, operational efficiency and cost savings Cost saving opportunity likely > 5%
 <p>Medium impact</p>	<ul style="list-style-type: none"> Moderate impact in service delivery, operational efficiency and cost savings Cost saving opportunity likely < 5%
 <p>Low impact</p>	<ul style="list-style-type: none"> Limited impact or unfavorable impact in service delivery, operational efficiency and cost Cost likely to increase

A. Modified landfill operations

Brief description

One location will be used exclusively for landfill or garbage disposal (Strathclair) and one location will be used exclusively for recycling (Shoal Lake). There will be no change in the current collection services for the various communities.

The analysis takes into consideration each landfill's existing facilities and capacity. Recycling facilities are only available at the Shoal Lake Landfill and based on management's assessment this meets the current needs of the Municipality. Shoal Lake Landfill has approximately a quarter section (approximately 160 acres) of unutilized landfill land, which makes it a more viable option for landfill operations. The analysis also takes into consideration incremental costs of modifying the operations such as additional mileage and travel time for transporting collected garbages and recyclable materials as well as avoidable operating costs (e.g. duplicate loading/transferring of recyclable materials, landfill salaries and wages) while weighing in risks and qualitative benefits that are less tangible and difficult to quantify.

The analysis assumed that the Municipality will operate using existing landfill equipment and no capital expenditures were included in the analysis.

Potential impact:

There is no expected change in service fees as this option would see no change on collection services for each of the communities. However, constituents will have reduced access to the landfill services with the reduction of landfill operating hours and may still experience delays or disruption in collection services due to vehicle breakdowns and resource constraints.

Effectiveness: Impact to people

Efficiency: Impact to services and processes

Economy: Cost savings and sustainability



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Benefits	<ul style="list-style-type: none"> + Duplicate weekly loading/transferring of recyclable materials may be eliminated (includes loading time, mileage and travel time, approximately 2,600 kilometers per year) (efficiency, economy) + Recycling facilities can be fully utilized by directing all cardboard and recyclable materials to Shoal Lake recycling facilities (effectiveness, efficiency, economy) + Landfill facilities can be fully utilized by directed all garbages to Strathclair Landfill (effectiveness, efficiency, economy) + Reduced landfill labor hours due to re-purposing Shoal Lake landfill to a recycling facility (efficiency, economy) + Municipality employees at each landfill will have the opportunity to concentrate on specific tasks or activities and obtain focused or specific training (effectiveness, efficiency) + Operational risks such as unsupervised landfill can be addressed by having more municipality resources focused certain operating activities (effectiveness)
Drawbacks	<ul style="list-style-type: none"> - Operating cost is estimated to increase by > 5%¹ due to additional mileage and travel time transporting materials from Shoal Lake to Strathclair and vice versa. - Impact of additional mileage from Shoal Lake to Strathclair and vice versa (approximately 63,700 kilometers per year) to the vehicle wear-and-tear and useful life - Inconsistent collection services as there will be no change in collection service for the communities - Capital expenditure for new collection vehicles is required - Risks of service disruption and limited resources are not addressed as there is continued reliance on limited employees - Municipality employee health and safety risks are not addressed as there is continued manual collection services - Reduced landfill operating hours (from 39.5 landfill operating hours per week to 19 hours per week) - Administrative costs for developing, updating and passing By-laws may be incurred

B. Partial outsourcing

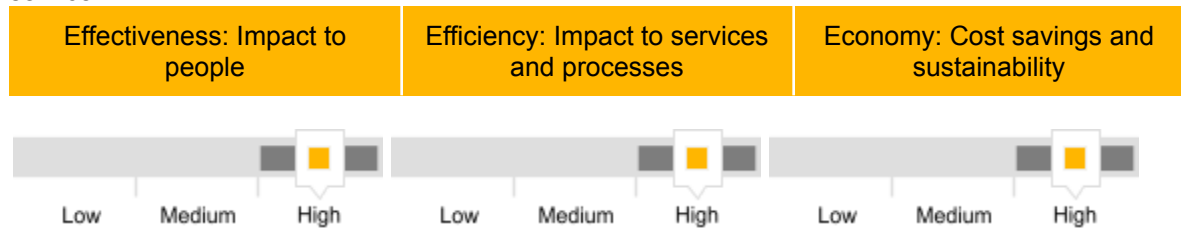
Brief description	<p>Municipality is responsible for Landfill Operations and all collection services will be outsourced. Curbside collection services will be offered to all communities. Shoal Lake and its surrounding communities will continue to receive curbside collection services, while Strathclair and its surrounding communities will transition from a storage bin to curbside collection services. There will be no change in the landfill operating hours for both Shoal Lake Landfill and Strathclair Landfill.</p> <p>The analysis takes into consideration the cost of outsourcing the collection services for all communities, current Municipality operating costs that could be avoided by partially outsourcing some services while weighing in risks and qualitative benefits that are less tangible and difficult to quantify. Direct collection services costs such as salaries, wages, collection supplies and collection vehicles operating costs (i.e. fuel costs, registration, repairs and maintenance) are avoidable costs</p>
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¹ The estimated increase in operating cost above does not take into consideration the impact of Special Tax Levy and other sources of revenue (e.g. rebate, recyclable revenue).

that were eliminated in the analysis by outsourcing the process. The cost of outsourcing was based on previously provided contractor service fee quotations, adjusted for inflation to be comparable to the Municipality's operating cost for the year ended December 31, 2021.

The analysis assumed that the Municipality will operate using existing landfill equipment and no capital expenditures were included in the analysis. Potential losses or gains for the sale of unutilized capital assets as well as the cost of re-purposing unutilized capital assets are not considered in the analysis.

Potential impact: Constituents across the Municipality will have the benefit of consistent service delivery (standardized collection service) and reduced instances of delayed or disrupted collection services due to larger contractor workforce. A standardized collection service will streamline public education efforts. There may be changes in the service fees as a result of the change in collection service.



Benefits

- + Operating cost is estimated to be reduced by < 5%¹. Operating costs such as landfill levy and processing costs may be reduced and operating efficiencies are expected from streamlining collection services at Strathclair (efficiency, economy)
- + Operational risks such as unsupervised landfill can be addressed by having more municipality resources focused on landfill operating activities (effectiveness)
- + Health and safety risk of employees can be addressed by eliminating manual collection services (effectiveness)
- + Solid waste may reduce and recycling may increase due to increased public education on waste management, generally handled by the contractor (effectiveness, economy)
- + Revenue may increase (e.g. increased recycling revenue/rebate and by collecting Special Tax Levy for curbside collection) (economy)
- + Service delivery level can improve (e.g. reduced service disruption, ongoing garbage collection services, consistency in collection services) (effectiveness, efficiency, economy)
- + Workforce availability and flexibility, including availability of waste industry experts due to larger contractor workforce (efficiency, economy)
- + Economies of scale and multiple service provider options (economy)
- + Service fee predictability by having the option to set contractor rates / service fees for a period of time (benefit from competitive RFP process) (effectiveness, efficiency, economy)
- + Municipality employees may be reallocated to other departments that can best utilize their abilities (effectiveness, efficiency, economy)
- + Repairs and maintenance cost of collection vehicles can be eliminated (effectiveness, efficiency, economy)
- + Capital expenditure for collection vehicles will not be required (effectiveness, economy)

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Drawbacks

- Municipality employee hours for waste management services will be reduced
- Capital assets such as collection vehicles and baler may be unutilized
- Administrative costs for monitoring outsourcing agreements, and developing, updating and passing By-laws may be incurred
- Contractor service and delivery level may fall below constituent standards
- Constituents' negative reaction to possible increase in service fees
- Municipal funds leaving the Municipality

C. Full outsourcing

Brief description

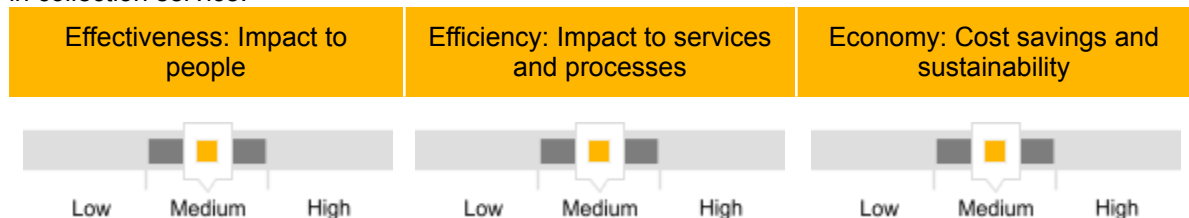
Strathclair Landfill and Shoal Lake will operate as transfer stations and all collection services will be outsourced. **Curbside collection services** will be offered to all communities. Shoal Lake and its surrounding communities will continue to receive curbside collection services, while Strathclair and its surrounding communities will transition from a storage bin to curbside collection services. As a transfer station, the Municipality will accept waste and recyclable materials that will be transported to an off-site facility for further processing or final disposal. The transfer station will operate using the current landfill operating hours.

The analysis takes into consideration the cost of fully outsourcing the landfill and recycling operations of the Municipality, current Municipality operating costs that could be avoided, and additional salaries and wages cost to supervise the transfer stations while weighing in risks and qualitative benefits that are less tangible and difficult to quantify.

Operating costs such as salaries, wages, collection and landfill supplies, collection vehicles operating costs (i.e. fuel costs, registration, repairs and maintenance), processing costs and other landfill operating costs are avoidable costs that were eliminated in the analysis by outsourcing the Operations. The cost of outsourcing was based on previously provided contractor service fee quotations, adjusted for inflation to be comparable to the Municipality's operating cost for the year ended December 31, 2021.

The analysis did not take into consideration the capital expenditures required to set-up the transfer stations, potential losses or gains of unutilized capital assets as well as the cost of re-purposing unutilized capital assets.

Potential impact: Constituents across the Municipality will have the benefit of consistent service delivery (standardized collection service) and reduced instances of delayed or disrupted collection services due to larger contractor workforce. A standardized collection service will streamline public education efforts. Although the landfills will be converted to transfer stations, constituents' access to a disposal site will not change. There may be changes in the service fees as a result of the change in collection service.



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Benefits	<ul style="list-style-type: none"> + Operational risks such as unsupervised landfill can be addressed by converting the landfills to transfer stations. Transfer stations are expected to require less employee hours. (effectiveness) + Health and safety risk of employees can be addressed by eliminating manual collection services and landfill operating activities (effectiveness) + Solid waste may reduce and recycling may increase due to increased public education on waste management, generally handled by the contractor (effectiveness, economy) + Revenue may increase (e.g. increased recycling revenue/rebate and by collecting Special Tax Levy for curbside collection) (economy) + Service delivery level can improve (e.g. reduced service disruption, ongoing garbage collection services, consistency in collection services) (effectiveness, efficiency, economy) + Workforce availability and flexibility, including availability of waste industry experts due to larger contractor workforce (efficiency, economy) + Economies of scale (economy) + Service fee predictability by having the option to set contractor rates / service fees for a period of time (benefit from competitive RFP process) (effectiveness, efficiency, economy) + Municipality employees may be reallocated to other departments that can best utilize their abilities (effectiveness, efficiency, economy) + Repairs and maintenance cost of collection vehicles can be eliminated (effectiveness, efficiency, economy) + Capital expenditure for collection vehicles will not be required (effectiveness, economy)
Drawbacks	<ul style="list-style-type: none"> - Operating cost is estimated to increase by > 5%1 due to salaries and wages cost for transfer station supervision and higher cost of a full-service waste management contractor - Municipality employee hours for waste management services will be reduced - Additional cost for transporting materials to designated locations (i.e. other landfill, recycling facilities) - Capital expenditure requirement for transfer station bins and facilities - Capital assets such as collection vehicles, landfill equipment, and other recycling facilities may be unutilized - Administrative costs for monitoring outsourcing agreements, and developing, updating and passing By-laws may be incurred - Limited full-service/comprehensive waste management service provider options - Contractor service and delivery level may fall below constituent standards - Constituents' negative reaction to possible increase in service fees - Municipal funds leaving the Municipality

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Summarized analysis

The summary of options presented below is a result of the review and analysis of current financial statements, operational performance data and other relevant documentation from management. The option analysis is an input into management’s decision-making process to focus their efforts in analyzing each potential option against established evaluation criteria. Management has reviewed the options and related analysis and provided a summarized assessment based on the following evaluation criteria:

- **Effectiveness:** Impact to people (constituents and employees)
- **Efficiency:** Impact to services and processes
- **Economy:** Cost savings and sustainability

These criteria reflect what management considers most imperative to the Operations and will assist management in its decision on a way forward.

Option	Service delivery (Effectiveness)	Process and people efficiency (Efficiency)	Financial savings/ sustainability (Economy)
A. Modified operations			
<p>To fully utilize resources at each individual landfill. Cost/benefit analysis suggests that outsourcing can achieve desired outcomes at less cost with additional benefit compared to this service delivery model.</p>			
B. Partial outsourcing			
<p>To enable consistent and efficient collection services and relieve current resource constraints. Partial Outsourcing will combine the best of both worlds by reducing risk, improving services and reducing cost, and at the same time allowing the Municipality to retain control of certain aspects of the Operations.</p>			
C. Full outsourcing			
<p>To refocus current resources and have capacity to focus on strategic priorities.</p>			

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V. Further opportunities for improvement

During the review, the following other opportunities for improvement were identified.

Waste management and diversion strategy

Consider developing a waste management and diversion strategy. Currently, the Municipality does not have a strategy that outlines long-term goals for waste management and diversion within the communities. A strategic plan will enable the Municipality to effectively achieve its mandate of a sustainable streamlined landfill and recycling operations, which translates to better services to the constituents and reduced environmental impact on landfills. A strategic plan can provide a roadmap to the Municipality that aligns operational activities with long-term goals, set priorities and effectively manage its resources. It can also be a tool to promote and continue to educate constituents on various waste management programs, such as campaigns that reintroduce the benefits of recycling, how to recycle properly and what can and cannot be recycled, as an example. Management, employees and constituents will have a clear picture and understanding of what the Municipality aims to accomplish and can all work towards achieving these long-term goals.

Performance indicators to monitor against the strategy

Consider developing a performance management framework to monitor the Operation's performance against the waste management and diversion strategy. The review highlighted the Municipality's lack of performance evaluation processes, including defined performance measurements.



Typically a performance management framework includes five key elements - performance targets, operating budget, record of service delivery, regular measurement of performance and annual review. The Municipality's budget incorporates specific performance targets (service offerings), whereas service delivery requirements have been recorded and communicated to constituents as Landfill Operating Hours and Collection Schedules in the Municipality website or newsletter. The first three elements have been addressed by the Municipality. However, the Municipality is yet to establish regular measurement of performance and annual review processes. These two elements will help the Municipality develop a continuous system of improvement by identifying when a service is not being delivered properly or effectively, enhance management's decision making processes by having relevant information needed to make decisions, and improve accountability. It will also help in identifying those services that the Municipality is delivering well to the communities.

Examples of key performance indicators (KPIs) or metrics that the Municipality can use to evaluate the Operation's performance are operating cost per capita, quality of service and cost recovery. These KPIs can be derived from internal reports such as employee productivity report (e.g. number of households serviced per hour, number of pick-up per day), tonnage reports (e.g. average waste and recycling materials collected per month), constituent feedback report or financial reports allocated by landfill location or activity.

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The Municipality should keep in mind that KPIs benchmarked against other municipalities will be most useful. Where possible, the Municipality should also follow a similar calculation methodology used by benchmarked municipalities in order to allow for meaningful (i.e. “apples to apples”) comparisons.

Procedures manual

Consider developing and implementing a Landfill Operating Manual as required by the Standards for Landfills in Manitoba. Currently, landfill and recycling procedures and practices are not formally documented as such exposes the Municipality to regulatory compliance and operational risks. An operating manual will ensure consistent implementation of policies and procedures, provide clear guidance to employees and consistent service level for the communities.



There is also no documented assessment or report that supports the Shoal Lake Landfill and Strathclair Landfill’s expected service life and/or remaining capacity. The Municipality should consider engaging the expertise of a solid waste engineer or technician to assess the landfill sites’ service life as this may impact management’s assessment of the potential options for the future presented in this report.

Roles and responsibilities



The Municipality should develop a performance assessment framework that measures the employee’s performance against set expectations. The Municipality has a Job Description document that clearly outlines the roles and responsibilities of a waste management employee. This is an effective communication tool used by management for setting employee accountabilities and expectations. However, a formal performance assessment framework that measures the employee’s performance against set expectations is yet to be established. This framework will enable management to utilize employees to the best of their abilities by determining areas for improvement for each of the employees, develop improvement plans as well as highlight performance that exceeds

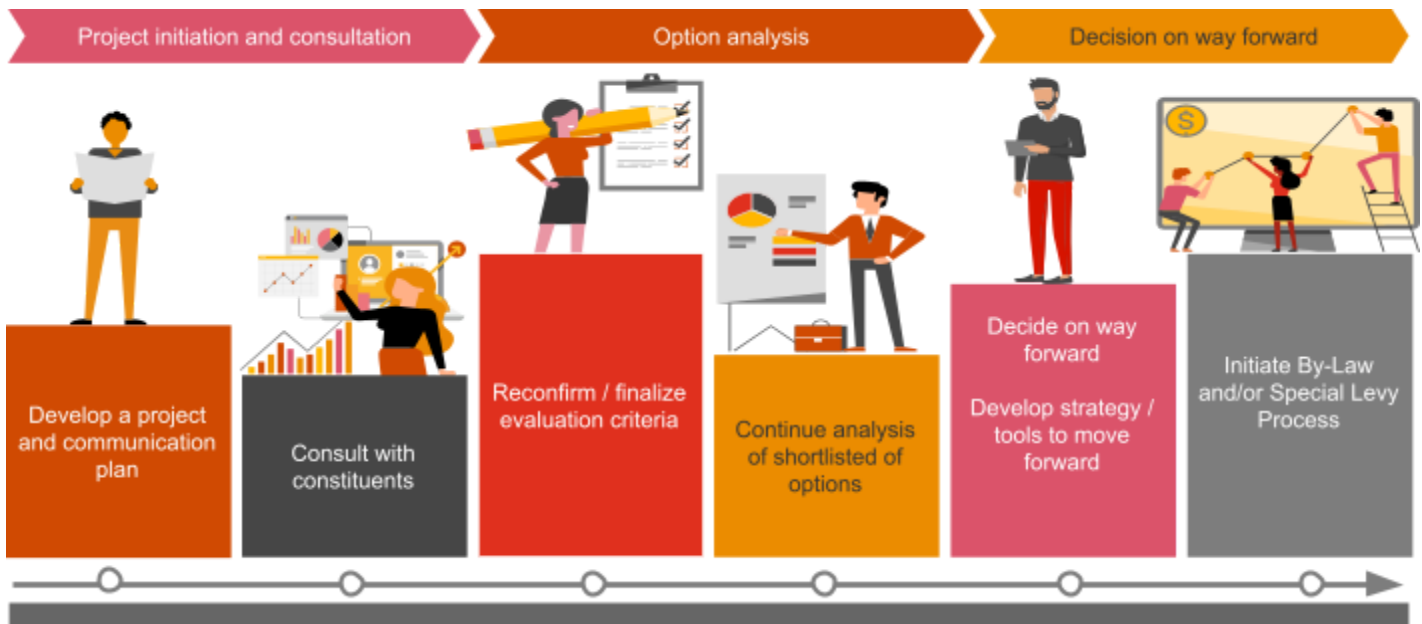
expectations. It is also an excellent tool for management to continue employee engagement allowing for a continuous cycle of improvement.

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VI. Considerations for moving forward

As management gives consideration to desired service and operational improvements and a way forward, key phases and activities need to be considered depending upon the decisions made along the process. These should be considered together with the recommendations presented in **V. Further opportunities for improvement** of this report.

A phased approach is recommended to help management make deliberate and thoughtful decisions.



Project initiation and consultation

- **Project plan:** Reconfirm the project goals and objectives, outline the project deliverables (e.g. project schedule/milestones, communication plan and progress report) and specify key activities to be performed to accomplish the Municipality's goals while mindful of internal capacity and capabilities.
- **Communication plan:** Develop a communication plan to ensure effective delivery of information to the constituents - messaging is consistent, clear and understandable. The communication plan should identify key information to be shared (e.g. project introduction, current status of the Operations, goals of the project), when and how to deliver the information and the tone of the communication.
- **Consultation:** Initiate consultation with constituents. This is an important step as the Council and management recognizes the importance of engaging with constituents to determine appetite for change, gather feedback on potential changes to the Operations and respond to questions constituents may have. There are a variety of methods to consult with constituents. It may be via community events, public meetings, surveys, workshops, or online consultation.

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Option analysis

- **Finalize evaluation criteria:** Reconfirm / finalize the evaluation criteria based on the feedback received from constituents. Evaluation criteria can include both qualitative and quantitative measures in assessing potential options for the service and operational improvements.
- **Analysis of options:** Update / review option analysis based on the feedback received from constituents. Incorporate feedback from constituents and make changes, as necessary. The option analysis will provide management with insights into the benefits and drawbacks of each option. It is an important tool that supports and rationalizes management decisions / selection of an option.

Decision on way forward

- **Decision:** Decide on a way forward. Based on the analysis performed, identify the option that will address the Municipalities objectives - taking into consideration its sustainability and overall impact to people, services and process and cost.
- **Strategy to move forward:** Management should develop tools to move forward with the option and depending on the selected option, management should consider the following:
 - **Change management plan:** If management decides to proceed with any one of the options, a change management plan should be developed that outlines key operational changes (e.g. employee redeployment, change in landfill operational activities), implementation plan, including timeline and required resources to implement the change and an evaluation and monitoring plan to assess the results and impact of the changes.
 - **Request for Proposal (RFP):** If an outsourcing option is selected, management should consider developing an RFP process. To obtain additional insight on current service delivery options, management can conduct an RFP process to solicit proposals from waste management contractors. The elements of the RFP can be structured in a format that can efficiently transition from RFP to the contract development phase. It is important to clearly define the Municipality's key requirements such as scope and service standards up front. Roles and responsibilities for the RFP and Contracting process should be defined. Some of the other key elements of the RFP include a "project manager" (employees or committee) that will function as evaluators, contractor's service delivery approach, resources and previous experience, service fees. A list of RFP and contracting considerations is included as **Appendix C**.
 - **Contract monitoring:** If an outsourcing option is selected, management to establish contract monitoring procedures to ensure desired outcomes or service levels from the contractors are achieved. Management should ensure the contract clearly defines the service standards (e.g. collection performance standards and constituent service standards) to compare against actual performance, consequences for poor performance and dispute resolution procedures.
- **By-law and/or Special Levy process:** The Municipality Council, supported by management should initiate the drafting or revising of the By-law to reflect the necessary changes of the selected service delivery option. Council and management should also consider potential changes in service delivery fees and the need to implement a Special Levy tax.

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Appendices

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Appendix A - Phases of the review

The following depicts the three phased approach used in conducting the VFM review.

I. Understand and define the review	II. Examine and assess	III. Evaluate and report
<p>Key activities:</p> <ul style="list-style-type: none"> • Conducted client kick off and mobilization meeting • Defined communication and reporting protocols with: <ul style="list-style-type: none"> ◦ Department of Municipal Services ◦ Municipality/Planning District • Developed detailed project plan and review strategy with key milestones and activities • Developed resource plan and budget 	<p>Key activities:</p> <ul style="list-style-type: none"> • Reviewed relevant current state documentation • Conducted interviews with key stakeholders • Assessed/analyzed data and available information • Consulted with subject matter specialists when needed or valuable to client 	<p>Key activities:</p> <ul style="list-style-type: none"> • Prepared draft and final reports of observations, findings and recommendations • Validated draft report • Shared the final audit report with: <ul style="list-style-type: none"> ◦ Minister of Municipal Services ◦ Municipality/Planning District
<p>Communication with the Department of Municipal Relations Communication with the Municipality</p>		

Review criteria

The VFM methodology and work plan focused on clearly defining the review criteria upfront to focus on important service and program objectives and outcomes.

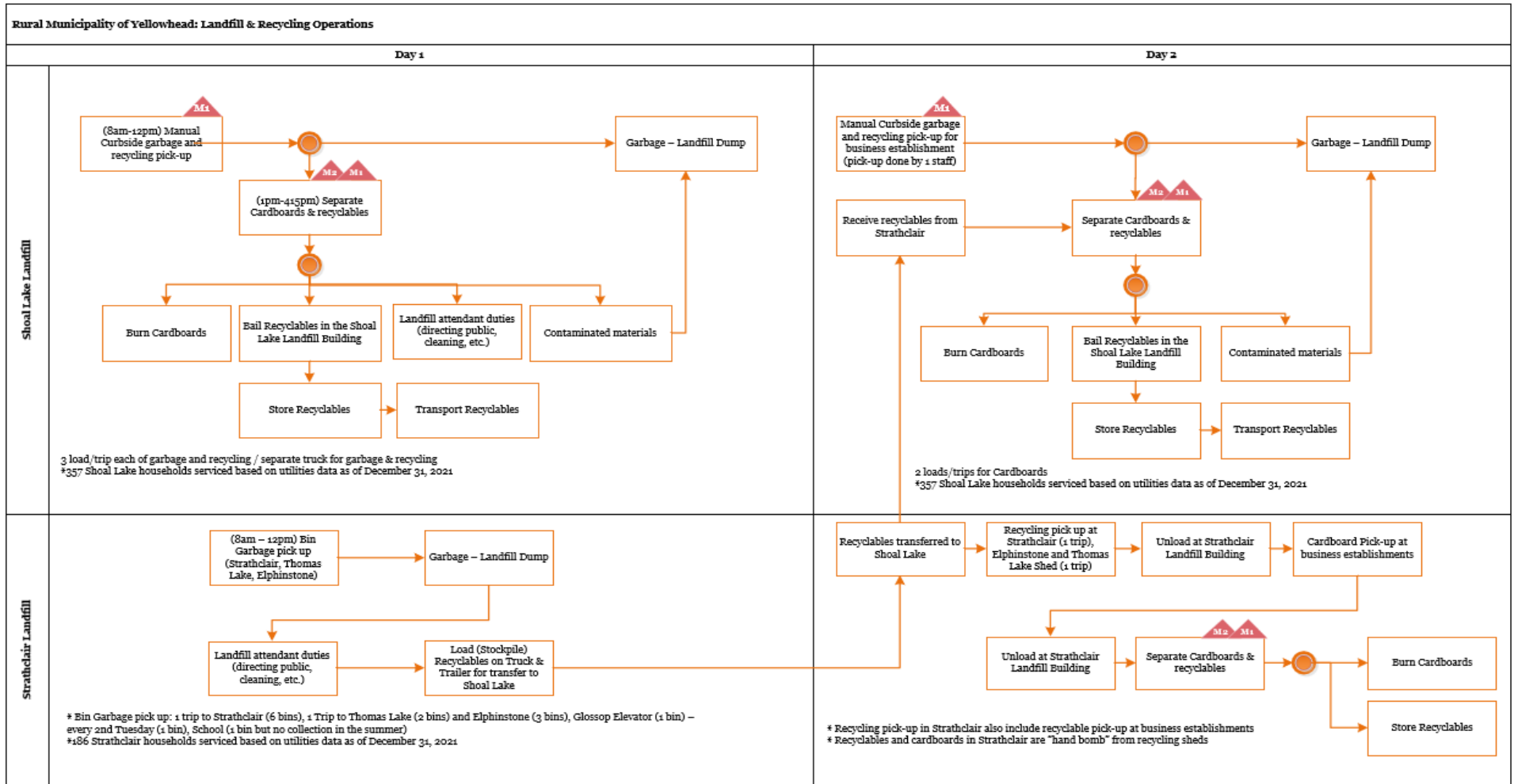
The standards used for defining and measuring the VFM considered the **effectiveness**, **efficiency**, and **economy** (cost) of dollars spent on programs and services. Specifically, the review aimed to determine if:

- The Municipality has spent money on Operations with due regard for **economy** and **efficiency**.
- The Municipality has procedures for measuring and reporting on the **economy** of services provided.
- The Municipality has clearly established performance objectives for Landfill and Recycling operators
- The Municipality has monitoring and reporting mechanisms in place to determine if the performance objectives are being attained and meeting its intended results.

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Appendix B - Example flow of activities

Below shows an example of Shoal Lake Landfill and Strathclair Landfill's operations flow on certain days of the week. There could be some variation in the operations flow depending on the landfill operating hours, type of materials collected and the number of resources scheduled on a given day.



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Appendix C - RFP and contracting considerations

The elements of the RFP can be structured in a format that can efficiently transition from RFP to the contract development phase. It is important to clearly define the Municipality's key requirements such as scope and service standards up front. Roles and responsibilities for the RFP and Contracting process should be defined. This may include defining a "project manager" and employees or committee that will function as evaluators. The Municipality may include the contractor's resources and previous experience, its service delivery approach and service fee in evaluating the RFP responses. Below are some of the key RFP considerations:



Scope of work

Define the services and scope of services to be delivered and by the contractor (e.g. residential curbside cart collection services, front-load collection services, transfer station hauling and disposal, delivery of collected materials to designated facility).



Term, renewal or extension of the agreement

Define the duration of the agreement (when will the agreement commence and end), renewal or extension provisions.

- The Municipality should consider the benefits and drawbacks of having a short term or a long term agreement. Some examples of benefits and drawbacks, include:

	Short term agreement	Long term agreement
Benefits	+ May provide some flexibility to the Municipality as it determines whether an outsourcing arrangement is a good fit.	+ May provide stability to the Municipality in terms of service fees.
Drawbacks	- Contractor may not be able to offer as good a fee compared to a longer term agreement	- May not provide maximum flexibility to take advantage of waste management technology advancements

- The Municipality should also consider whether an agreement renewal provision or an extension provision is necessary. Generally, an agreement renewal creates a new agreement which will give the Municipality options to change previously agreed terms. Whereas an extension, lengthen the terms of the existing agreement.



Service fees, including payment terms, yearly escalation (if applicable) and taxes

Defines the fees during the term of the agreement. The Municipality should closely review the components of the service fees to avoid hidden costs or anticipate the extra costs of the services (e.g. fuel surcharges, administrative surcharges, levy).

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Service standards

The service standards provision will set out the terms and conditions agreed by the Municipality and the contractor for the provision of services. This may include provisions for the collection performance standards and constituent service standards.

- Collection performance standards can indicate that the contractor will collect 100% of agreed upon materials on each collection day between a specified hours and that the contractor is deemed to have failed the services if there are any missed collections.
- Constituent service standards may indicate that the contractor acknowledges and agrees to deliver excellent quality in the performance of the services. The Municipality may also consider incorporating provisions regarding the availability of a contractor personnel to receive and respond to calls, complaints or concerns from the constituents (direct communication from the constituents or forwarded by the Municipality) and the contractor's responsibility for responding and resolving these.
- Implication of non-performance of service standards should be defined, which can include remedies for non-performance and a provision for liquidated damages (e.g. each non-performance incident can have a corresponding liquidated damage rate at an accelerating rate based on incident occurrence).



Roles and responsibilities

Define the obligations of each of the parties to the agreement (Municipality and contractor). A clearly defined roles and responsibilities helps prevent misunderstandings or disputes.

- Reporting: It is important for the Municipality to determine key pieces of information it needs to monitor the outsourcing arrangement.
- Tracking of complaints and inquiries and addressing complaints
- Communication to constituents and public education
- Ownership of curbside carts and/or front-load bins
- Maintenance and repair of curbside carts and/or front-load bins



Termination of services

Agreements typically include a termination clause that outlines terms and conditions regarding cancellation of the agreement. The Municipality should ensure that the agreement clearly addresses who may cancel the agreement and for what reasons. It may also include "transition of services" provisions (e.g. provide support to shift to a new contractor / Municipality employees) upon termination of the agreement.



Other considerations may include:

- Changes and improvements to services (changes initiated by contractor and/or the Municipality)
- Health and Safety: Compliance with Health and Safety Regulations, Public Safety, Personnel safety, training and supervision, Worker's Compensation
- Spillage and Environment Compliance
- Contractor References
- Collection services route map

Contract monitoring

Contractor performance monitoring is one of the key aspects of the outsourcing option. It is an ongoing activity to ensure that the contractor meets its obligations, and the services achieve the objectives of the Municipality (i.e., effectiveness, efficiency, and economy (cost) of dollars spent). The Municipality should define performance indicators as part of its monitoring procedures. Examples of performance indicators that the Municipality can consider are the following:



Service level metrics to measure whether the contracted services are being provided (e.g. number of households serviced, number of carts / bins collected, number of collection days, missed collection days)



Service quality (e.g. constituent satisfaction, number of complaints)



Financial metrics (e.g. average cost per household, average cost per resident)



Change management and contractor's responsiveness to change requests (e.g. change in requested collection days or time)



Safety and environment metrics (e.g. compliance with environmental regulations, quality of equipment, safety issues).



Volume of recyclable materials collected

In addition to the ongoing / day-to-day contract administration activities, the Municipality may also consider having regular performance meetings with the contractor to ensure that the contractor receives timely feedback as a result of performance evaluation

The Municipality may also consider reporting key performance indicators (e.g. in Annual Report, newsletter, Municipality website) to provide constituents with information and understanding of how the outsourcing option is addressing the Municipality's waste management strategies and objectives. It is important for management to explain why they believe a performance indicator is relevant. In many instances this will be because it measures progress towards achieving a specific strategic objective.

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