



Staff Report

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Report To:	General Government Committee	
Date of Meeting:	January 6, 2020	Report Number: OPD-001-20
Submitted By:	Stephen Brake, Acting Director of Operations	
Reviewed By:	Andrew C. Allison, CAO	Resolution#:
File Number:		By-law Number:
Report Subject:	Contracting Out of Snow Plow Routes	

Recommendations:

1. That Report OPD-001-20 be received;
2. That Council approve, as requested in the 2019 Capital Budget submission, the purchase of two additional single axle combination plow trucks that are to be 90% funded through development charges; and
3. That if Council wishes to contract out future snow plow routes, staff be directed to (a) issue a tender as soon as possible requiring that two pieces of equipment be provided on November 1, 2020; and (b) add additional routes to the contract each year as existing combination snow plow trucks reach the end of their service life and are scheduled for replacement.

Report Overview

This report addresses resolution #GG-132-19, whereby Council requested that the purchase of two additional single axle combination plow trucks identified in the 2019 Capital Budget be deferred until staff review and report back on the option of contracting out of services for several snow plow routes. This report is also intended to address the recommendation (#18) in Grant Thornton's Organization Structure Review report that snow removal services be reviewed.

1. Background

- 1.1. The Operations Department currently provides winter plowing services on all roads within the Municipality using in-house equipment and staffing resources. A funding request was identified within the 2019 capital budget to acquire two additional single axle combination snow plow trucks that are necessary to keep pace with the continued growth of the Municipal road network. The proposed capital purchase of the two new trucks at a total estimated cost of \$480,000 was to be 90% funded through development charges.
- 1.2. At the Special General Government Committee meeting held on February 19, 2019, Council passed resolution #GG-132-19. This resolution specifically deferred the purchase of the two additional single axle combination winter plow trucks until such time that staff could review and report back on the option of contracting out the services for several snow plow routes.
- 1.3. In accordance with the direction given, staff have researched whether an alternative service delivery method is a viable model for Clarington snow plowing operations. This report outlines the possible efficiencies that may be achievable and the challenges that may be experienced with the implementation of this type of service delivery change.
- 1.4. This report also addresses the recommendation in Grant Thornton's Organization Structure Review report dated December 4, 2019 that snow removal services be reviewed. The body of the report (at page 15) contained the following comments:

The Municipality currently provides timely and quality snow removal services (some non-road areas such as sidewalks are contracted out), however, with a growing road network further investments or outsourcing may be required to maintain service levels. We recommend that a review be completed to determine what the optimal mix of internal versus contracted services is for the Municipality.

2. Purchase of Additional Trucks

- 2.1. The Municipality of Clarington has a geographic area of 611.30 square kilometers and an existing road transportation network that requires the plowing of approximately 1848.8 lane kilometers. Facilities within the road network range from multi-lane paved urban arterial roads to gravel road sections within the rural areas that carry very low volumes of traffic.
- 2.2. The provision of winter maintenance service on these roadways is currently split into 31 routes of different lengths due to various operating parameters and their proximity to Municipal depot locations. The current average for an urban route is approximately 25.4 kilometers and 39.1 kilometers for a rural route.
- 2.3. Of the 31 snow plow routes that presently exist, 27 require the use of a single or tandem axle heavy combination plow truck to maximize efficiencies. The remaining four routes are completed with much smaller 1-3 tonne vehicles that accommodate various operating constraints including narrower pavement widths and dead-end roadway geometry.
- 2.4. In order to consistently adhere to the Provincial Minimum Maintenance Standards and Hours of Work legislation, the length of each snow plow route should ideally be between 20 to 25 kilometers for urban areas and 35 to 40 kilometers for rural. Establishing routes within these maximum distances helps to ensure that expected levels of service can be properly maintained and that the levels of risk and liability inherent to this type of service can be better managed.
- 2.5. New additional equipment required to keep pace with the annual growth rate of Clarington's roadway network is provided through the development charges by-law. This source of funding delivers 90% of the costs required for the purchase of new vehicles, whereas, existing fleet is replaced through the local property tax levy at a burden of 100%. It should be noted that development charge funding that is dedicated for the purchase of new equipment cannot be used for any other purpose.
- 2.6. Whether or not Council opts to contract out future snow plow routes, there is a current need for two additional single axle combination plow trucks in order to maintain expected levels of service. It is therefore recommended that this purchase be made.

3. Possible Contracting Out

- 3.1. As a means to consider best practices, a review of the snow plowing procedures delivered by the seven other local municipalities within the Region of Durham was conducted. Although a broader scope of municipalities could have been included in the survey, the group was intentionally kept small and local such that weather conditions,

levels of service, type of public administrations and market conditions for contracted services would be somewhat similar to Clarington and therefore could be equitably compared. The Region of Durham was not included in the survey group as their levels of service for higher road classes are quite different than what is required at the local level.

- 3.2. The contracted service data requested from the local municipalities focused on three main areas of evaluation being operations, budget expenditures and quality of service. Background information was specifically requested on the number of routes, route lengths and route structure, while budget information focused on actual operating costs. Quality of service details determined the frequency of customer complaints and also the contractor's overall commitment to comply with minimum maintenance standards.
- 3.3. For comparison purposes, the cost of internal snow plowing services at the Municipality of Clarington was also determined. These costs included the original purchase price of a single axle combination plow truck, the operating expenditures for the life of the vehicle and its expected final disposition value. The average costs incurred for a Clarington employee to operate the vehicle earning regular, overtime and double time rates as well as benefits was also included in the total calculation.

4. Survey Findings

- 4.1. The municipal service level review confirmed that the Town of Ajax, Town of Whitby and the City of Oshawa presently have long-term external contracts for roadway snow plowing operations. The total number of routes and kilometers that are maintained by contractors for each municipality vary, but in general the distances account for between 40 and 64 percent of their total snow plowing responsibilities.
- 4.2. The outsourcing of a municipal snow plowing contract would require an agreement with a vendor for the period of approximately 10 years such that the value of the new capital equipment investment could be sufficiently amortized. A contract term of this length would also provide the best pricing options for the municipality. Beyond a 10-year term, the contractor's equipment would retain minimal value and the condition of the trucks may result in more frequent breakdowns thereby compromising the levels of service that must be achieved by the municipality.
- 4.3. The quality of service provided in routes by contractors was reported to produce a similar or slightly higher number of complaints than those serviced by municipal staff. The contractors that provide winter plowing service, however, were able to consistently achieve Minimum Maintenance Standards. It can be expected that additional administrative resources will be necessary to regularly manage contractor performance, investigate complaints and ensure accountability.

- 4.4. The estimated operating costs for Clarington's in-house winter control snow plowing program are provided on Table 1. These costs are based on the original purchase of a new single axle combination plow truck, 10-year amortization term, estimated residual value and various operating costs that include repair and maintenance, fuel, licensing, insurance, radio and GPS locating. Also added to the amount is the average cost for staff wages and benefits to operate the vehicle for a full winter season. The final total is represented as an average cost per urban truck route.
- 4.5. Contracted snow plow operating costs for the Town of Ajax, Town of Whitby and the City of Oshawa are provided on Table 2. These costs represent the totals for equipment standby fees and all other associated operating costs. Contracted rates are also shown as an average cost per truck route.
- 4.6. Table 3 provides the calculated service cost differential per route when comparing Clarington's existing in-house snow plowing costs to external contracted services.

Table 1

Clarington Snow Plow Operating Costs (6 months/year)	
Single Axle Truck Amortization and Operating Cost	\$47,332.20
Staff Cost – Regular and O.T. Hours (2018 rates)	\$19,562.58
Total Operating Cost/Route/Winter Season	\$66,894.78

Table 2

Comparator Contracted Snow Plow Operating Costs (6 months/year)			
Municipality	Operating Budget	Number of Routes Serviced	Average Operating Cost/Route
Ajax	\$268,185.86 (2018)	7	\$38,312.27
Oshawa	\$1,040,000 (2018)	14	\$74,285.71
Whitby	\$720,811.15 (2016)	12 (2016)	\$60,067.60
Average Contractor Operating Cost/Route			\$57,555.19

Table 3

Clarington In-House Service vs. Contracted Services	
Service Cost Differential/Route	(\$9,339.59)

5. Analysis

- 5.1. There are many factors that need to be considered before a decision respecting contracting out of snow removal services is made.

Potential Benefits (Pros)

- 5.2. The most obvious potential benefit is cost savings. The previous section of this report indicated that on average Durham lakeshore municipalities have realized savings as compared to our costs (\$9,000 per truck per winter season). But this is an average. We will not know whether Clarington will realize savings unless and until we have gone to market and tested the delivery model.
- 5.3. Clarington has a much larger geographic size with several climate zones, and it therefore can be expected that more frequent call-outs will occur in our municipality as compared to Ajax, Whitby and Oshawa. This will potentially reduce the overall cost differential and estimated savings.
- 5.4. Clarington's location at the eastern end of the Greater Toronto Area could also negatively impact our ability to realize the estimated savings. The interest and availability of contractors that are qualified to undertake this type and scope of work may be somewhat limited. As a result, contracted costs obtained through a fair and open bid process may be higher than those received by other local municipalities. The pricing received for this type of service will be largely dependent on the level of competition that exists in the marketplace and the timing of when the contract is put out for bids.
- 5.5. Another opportunity for cost savings related to contracting out of snow removal is in the area of overtime. The Grant Thornton report identified reduction of overtime hours as an obvious opportunity to create savings. Appendix A to that report provided a summary of overtime wages paid by year and department. A large part of overtime within the Operations Department overtime is related to snow removal.
- 5.6. An additional benefit of contracting out could be right sizing of the existing fleet of heavy trucks for summer operations. At times, some single or tandem axle trucks may be underutilized during the off-winter season which can result in additional and unnecessary ownership and operating costs.

- 5.7. The introduction of contracted services could also provide an added level of service protection should equipment or staff shortages ever become a problem.
- 5.8. A contract for the provision of road snow plowing could be structured such that bidders are provided with a standby fee to ensure that the required pieces of equipment are kept at Clarington's Operations Depots and reserved exclusively for deployment by the Municipality. These fees are paid to the contractor on a monthly basis whether or not the vehicles are utilized in any winter events. An operating fee will also be paid to the contractor for each service call-out. These fees are best established as a per kilometer rate and could apply individually to a variety of services including sanding/salting or sanding/salting/plowing.
- 5.9. The introduction of a contracted snow plowing service could create opportunities to develop routing plans for main roads with higher levels of service that could be assigned to the contractor.

Potential Risks (Cons)

- 5.10. As stated above, it is not certain that cost savings will be realized in Clarington. Our closest municipal neighbour (Oshawa) pays more to contract out the service than we pay to provide the service in-house.
- 5.11. In order to test the model, we may be required to commit to a long-term contract. If the efficiencies are not realized, we could be required to maintain the service model for the duration of the contract.
- 5.12. If contracted road plowing services are utilized, it cannot be at the expense of quality service. Clarington residents must be assured that the model will continue to provide them with the level of service noted in the Grant Thornton report.
- 5.13. We must also be cognizant of our workforce. The Operations Department has many employees dedicated to winter control operations. As part of the development of this report, preliminary discussions have been held with the Local Union Executive. Understandably, the initial response respecting the proposal to contract out winter snow plow routes was one of concern. However, if Council chooses to pursue contracting out as outlined below, it will not result in any job loss.

Option

- 5.14. The review completed by the Operations Department indicates that there could be cost savings and other operating efficiencies that are sufficient to justify contracting out snow plow routes in the Municipality. This alternative service delivery method is already firmly entrenched at three other local municipalities in Durham Region and is commonplace in many other lower and upper tier municipalities throughout the Province.

- 5.15. If Council wishes to implement contracted snow plowing, it is recommended that the number of outsourced routes should parallel the replacement schedule of existing combination snow plow trucks as they reach their end of service life. As trucks are replaced, the available funding that is held in the capital fleet reserve account could be transferred into operating to finance the new contracted service. Given that two existing single axle combination trucks are proposed for replacement in 2020, the introduction of this new method of service could begin as early as the upcoming 2020/2021 winter control season. The timeline for the tendering of the contract is best to occur as early as possible in 2020 in order to attract multiple bids and ensure that vendors can obtain the necessary new equipment.
- 5.16. It must also be clearly acknowledged that contracting out snow plow routes will require the full collaboration and support of staff. If Council provides direction to commence the contracting out of snow plow routes, discussions will begin immediately to develop the necessary working relationships.

6. Concurrence

The report has been reviewed by the Director of Finance who concurs with the recommendations.

7. Conclusion

It is respectfully recommended that Council approve, as requested in the 2019 Capital Budget submission, the purchase of two additional single axle combination plow trucks that are to be 90% funded through development charges. If Council wishes to contract out future snow plow routes, staff should be directed to (a) issue a tender as soon as possible requiring that two pieces of equipment be provided on November 1, 2020; and (b) add additional routes to the contract each year as existing combination snow plow trucks reach the end of their service life and are scheduled for replacement.

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Attachments:

Not Applicable

Interested Parties:

There are no interested parties to be notified of Council's decision.