

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 23, 2015

Item 3, CW(WS) Report No. 28 – Page 2

This has led to higher costs for winter maintenance. In 2014, a draw of \$4.4M on the Winterization reserve was processed. This draw represented 87% of available reserve balance, resulting in a year-end Winterization reserve balance of \$0.7M.

With more severe winter weather, this report contributes to the financial sustainability of the roads winter maintenance program. A new contract framework based on clearly defined service levels will provide the best value for money for Vaughan's residents.

Economic Impact

The roads winter maintenance operating expenditures budget is \$9.3M (2015), including internal labour and other costs, and external service contracts.

Approval of the Service Level Objectives for Roads Winter Maintenance in Attachment 1 will require an increase in the current snow removal budget from \$200K to \$725K annually to reflect actual costs. It is expected that this budget increase will be funded through potential cost savings realized through the new contract framework or, if required, through taxation.

Communications Plan

A residents' survey was conducted as part of the 2014 Operational Review of Winter Control Programs; a detailed analysis of the survey is available on "Have Your Say" on Vaughan.ca. The survey found that:

- Residents largely feel positively about the winter control services provided by the City and the associated levels of service;
- Residents would not welcome a reduction in service or an increase in taxes to secure a higher level of service; and
- The City should look at leveraging local radio and TV stations and other tools to provide up-to-date winter storm-related communications.

In the 2014 Citizen Survey, 84% of residents were satisfied with road snow removal and 76% with end of driveway snow removal, and that these services are priorities (9 and 7 respectively) for improving overall satisfaction in Vaughan.

Further citizen consultation was not conducted as part of this report as a significant change to roads winter maintenance service levels is not proposed; three of the four service level changes are to formally approve existing practices and one (windrow clearing) is a change to a Council-directed operational practice.

The Roads Winter Maintenance Service Level Objectives in Attachment 1 will provide the basis to develop a proactive communication campaign (prior to the 2016/17 winter season) to inform residents of the service that they will receive during a winter storm event. The goal of the communication campaign is to provide residents with multiple channels to receive information about service levels and winter storm-related news. The communications campaign will also aim to provide one customer service window for residents.

Purpose

The report requests Council approval of the Roads Winter Maintenance Service Level Objectives, and authority to proceed with a competitive procurement process for a 10-year performance based contract for roads winter maintenance services. A new contract framework based on clearly defined Service Level Objectives will provide the best value for money for Vaughan's residents.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 23, 2015

Item 3, CW(WS) Report No. 28 – Page 3

Background - Analysis and Options

The adoption of updated Winter Maintenance Service Level Objectives for City roads is recommended

The Operational Review of Winter Maintenance found that Vaughan residents receive some of the highest levels of winter maintenance services in the GTA. The Operational Review also found that the City is currently providing service levels greater than those that have been formally approved by Council because service levels have been “evolving” in response to citizen service requests and greater accumulation of snow on the roads. The Operational Review recommends clarifying and formalizing service level objectives, prior to proceeding with a request for tender for winter maintenance services in 2016/17.

The highlights of the Service Level Objectives are:

- *Primary and Secondary Road Salting and Plowing:* No change
- *Laneway Salting and Plowing:* An increase to the previously approved service level to formalize the existing practice of maintaining laneways as secondary roads.
 - *Windrows:* Operational change to no longer require the snow plow and windrow machine to operate within close proximity of each other (“coupling”). Service level standards will continue to be met.
 - *Snow Removal:* Request to approve service levels for snow removal to formalize existing practice.

A Winter Control Programs Operational Review was completed in 2014 (see Attachments 2 and 3)

On May 21, 2014, Council received the Operational Review of Winter Control Programs, which identified “opportunities to improve aspects of efficiency, effectiveness and cost management.” A summary of the recommendations from this review is in Attachment 2; this report responds to 1, 3, 5 and 8 of the Operational Review, and work is underway on the remaining recommendations.

Operational Review Recommendations		Response
1	Prior to developing a Request for Tender (RFT) for a new contract for the delivery of Winter Control Programs, review, clarify and formalize service level objectives for the City’s Winter Control Programs.	This report requests approval of Service Level Objectives for Roads Winter Maintenance (see Attachment 1).
3	Consider alternative contracting and costing frameworks for Winter Maintenance contracts, including performance based work specifications.	This report requests approval for staff to proceed with a competitive procurement process for a 10-year performance based award for roads winter maintenance services.
5	While windrow clearing is a key service provided by the City, consider de-coupling windrow clearing from the plowing of roads.	This report requests approval of Service Level Objectives for Roads Winter Maintenance (see Attachment 1), including item 3.1 related to windrow clearing.
8	Implement and resource a communications protocol for developing and delivering proactive communications about Winter Control Programs.	This report requests approval of Service Level Objectives for Roads Winter Maintenance (see Attachment 1). The service level objectives in provide the basis to develop a proactive communication campaign beginning the 2016/17 season.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 23, 2015

Item 3, CW(WS) Report No. 28 – Page 4

A new long term performance based contract (10 years) starting in 2016/17 will allow bidders to reduce their risk by increasing the amortization period in capital (new and reliable equipment) leading to more efficient and cost effective service delivery. This will provide the best value for money for Vaughan’s residents.

Performance based contracts are a tool used by buying organizations to achieve better service delivery performance, lower costs or both. Rather than focus on “how work will be performed”, performance based contracts focus on the service level achieved when the work has been completed, and rewarding (or penalizing) the contractor based on exceeding or missing the service level.

As the focus is on desired and achieved service delivery performance, performance based contracts can easily be aligned with the City’s residents’ overarching requirements. For the Winter Control Programs, residents’ requirements are effectively captured (and articulated) in the service levels in Attachment 1, e.g., we need our roads/windrows/laneways cleared – and the ability to meet these requirements is the yardstick by which the contractor is measured.

In this environment, the contractor would be accountable for ensuring that service levels are met and is responsible for incorporating quality control into its service delivery model, and will be penalized (fined) if service levels are not met. The City’s current contract framework (based on providing specific equipment for a specific price) makes it difficult to link contractor’s performance directly to the service level, and the City is held accountable by residents with little opportunity to get redress from the contractor.

A feature of many performance based contracts, particularly those requiring contractors to invest in facilities and/or equipment, is that the term of the contract is often longer than service contracts based largely on price. This is so that capital equipment / facilities associated with the contract (a fixed cost) can be amortized over a period that is closer to the life of the equipment and so reduce the annual contract cost. An additional benefit of the longer amortization period is that the bidders may be able to invest in newer, more cost effective equipment as they are not limited using their existing fleet fleets.

<i>Features of a Performance Based Contract:</i>	Focuses on the “what” (i.e. service levels)	Higher quality assurance	Encourages cost savings and innovations	Long-term contract minimizes bidder risk pricing
Citizen Focus	<i>Contract is focused on service delivery to citizens</i>		<i>Best value for money</i>	
Business Effectiveness	<i>Encourages different ways to achieve the same result (innovation)</i>	<i>Payment is tied to achievement of service levels</i>	<i>Potential for cost savings</i>	<i>Capital can be amortized to reduce risk and costs</i>
Consistency in Service Delivery	<i>TPSFO oversees quality assurance</i>			<i>New, cost effective and reliable equipment reliable can be worked into contract price</i>

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 23, 2015

Item 3, CW(WS) Report No. 28 – Page 5

Risks associated with Performance Based Contracts:

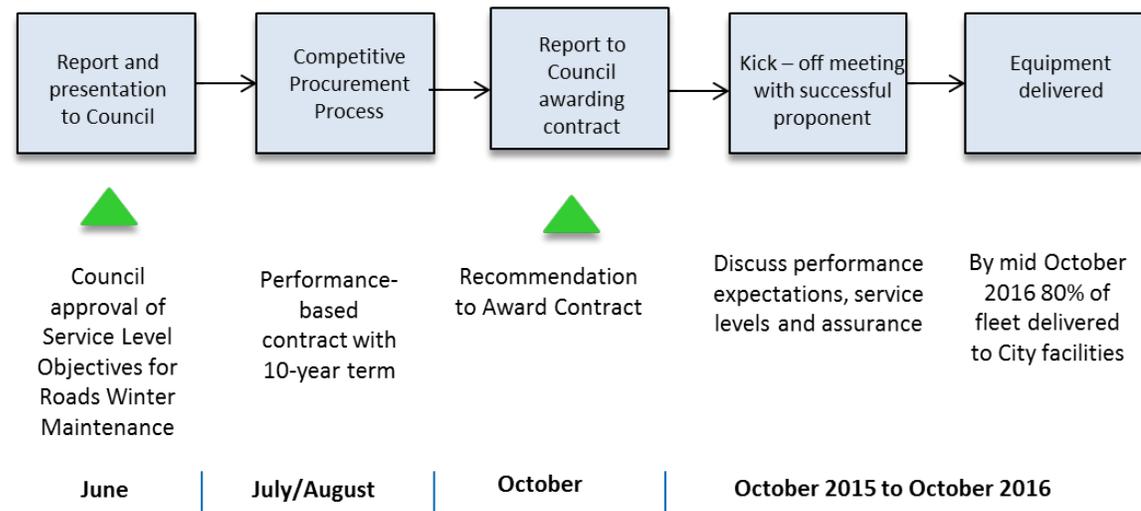
The recent Auditor General of Ontario’s report on the Province’s Winter Highway Maintenance performance based contracts, identified risks that the City must take into account when developing the specifications for the contract and the governance framework for managing the contract. These risks include:

- Not adequately factoring in the contractor’s ability to deliver required services and focusing too much on cost;
- Not developing a risk-based approach to auditing contractors;
- Relying too much on contractors to self-report performance, rather than having real-time access to key performance data; and,
- Not aligning performance or other penalties appropriately with the City’s liabilities for meeting the Ministry’s Minimum Maintenance Standards.

Transportation Services, Parks and Forestry Operations is aware of these risks and will include provisions in the competitive procurement process to mitigate these risks:

- Incorporating the Roads Winter Maintenance Service Level Objectives in the performance requirement;
- City staff assuming a quality assurance role to monitor the contractor’s achievement of service level objectives; and
- Including increased liquidated damages for non-performance.

Once service levels are approved, staff will proceed with a competitive procurement process for a performance-based roads winter maintenance award in summer of 2015 and report back to Council with results in October 2015



←—————→
NOTE: Industry requires one-year lead time to respond to a new performance based contract

Transportation Services, Parks and Forestry Operations will bring forward a separate report in 2015 requesting approval of Service Level Objectives for Sidewalk Winter Maintenance and evaluating different operational models (including outsourcing) for improving sidewalk maintenance.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 23, 2015

Item 3, CW(WS) Report No. 28 – Page 6

Relationship to Vaughan Vision 2020/Strategic Plan

A new contract framework based on clearly defined service levels will provide the best value for money for Vaughan's residents. This purpose contributes to the following Vaughan Vision 2020 goals:

Goal: Service Excellence

- Objective: *Demonstrating excellence in service delivery*

Goal: Organizational Excellence

- Objective: *Ensure financial sustainability*
- Objective: *Enhance and ensure community safety, health & wellness*

Goal: Management Excellence

- Objective: *Maintain assets and infrastructure integrity*

Regional Implications

The Operational Review of Winter Maintenance found that Vaughan residents receive some of the highest levels of winter maintenance services in the Region.

Transportation Services, Parks and Forestry Operations will continue working with its Regional partners to ensure that winter maintenance activities are coordinated to deliver service to citizens (e.g. windrow clearing for homes on arterial roads).

Conclusion

It is recommended that Council endorse the updated Roads Winter Maintenance Service Level Objectives, and give authority to staff to proceed with a competitive procurement process for a 10-year performance based contract for roads winter maintenance services for the 2016/17 winter season. A new contract framework based on clearly defined service levels will provide the best value for money for Vaughan's residents.

Attachments

1. Roads Winter Maintenance Service Level Objectives
2. 2014 Operational Review of Winter Control Programs – Summary of Recommendations
3. Winter Programs Operational Review – Council Extract (May 27, 2014)

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)