BACK IN HOUSE

WHY LOCAL GOVERNMENTS ARE BRINGING SERVICES HOME

by Keith Reynolds, Gaëtan Royer and Charley Beresford / 2016

CENTRE FOR CIVIC GOVERNANCE

Columbia INSTITUTE

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by Keith Reynolds, Gaëtan Royer and Charley Beresford

2016

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PART 1

Introduction

BACK IN HOUSE: WHY LOCAL GOVERNMENTS ARE BRINGING SERVICES HOME is about the emerging trend of remunicipalization. Services that were once outsourced are finding their way back home. Most often, they are coming home because in-house services cost less. The bottom-line premise of cost savings through outsourcing is not proving to be as advertised.

Other reasons for insourcing include better quality control, flexibility, efficiency in operations, problems with contractors, increased staff capacity, better staff morale, and better support for vulnerable citizens. When services are brought back in house, local governments re-establish community control of public service delivery.

The report examines the Canadian environment for local governments, shares 15 Canadian case studies about returning services, follows-up and reports out on two earlier studies promoting contracted out services, provides a scan of international findings, and shares some best practices and governance checkpoints for bringing services back in house.

Since the 1980s, governments, consultants, and lobby groups have authored or sponsored dozens of reports suggesting privatization of services is not just the best way to go, it is the only way.

There is a whole industry built around privatizing public services. Authors such as David Osborne and Ted Gaebler in their 1992 book *Reinventing Government* admonished local governments to "steer not row." Consultants jumped on the bandwagon and privatization and contracting out became part of the inevitable template of advice from the major consulting firms to local governments. Big law firms too saw the money involved and major law firms often have a profitable public-private partnership (P3) practice.

Lobby groups like the Canadian Federation of Independent Business weighed in demanding services be privatized and their taxes cut. The Canadian Council for Public-Private Partnerships brought industry and governments together to lobby for public-private partnerships.

Services that were once outsourced are finding their way back home. Most often, they are coming home because in-house services cost less. The bottom-line premise of cost savings through outsourcing is not proving to be as advertised.

For decades, local governments in Canada and around the world have felt pressure to contract out or privatize their services. In some cases, governments have made this either mandatory or nearly so.

Somewhere along the way, however, the pendulum has begun to swing back. In a number of Canadian communities, and other communities around the globe, services are coming back into the local government house.

Legislation, policies, and practices from other jurisdictions have influenced how Canadian municipalities deliver services over time.

Trend lines in a number of international jurisdictions show services being brought back in house as local governments reconsider previous decisions to outsource work.

Studies in the United States suggest the privatization of local government services peaked in the 1997 with insourcing subsequently exceeding outsourcing. European studies show hundreds of local governments taking back services, particularly in areas like water and energy services.

For decades, local governments in Canada and around the world have felt pressure to contract out or privatize their services. In some cases, governments have made this either mandatory or nearly so.

Public service delivery remains the most common form of service delivery in the United States. Despite pressure to contract out services, many local governments in the UK are moving services in house. In 2011, the Association for Public Service in the UK found that 67 per cent of the 140 local governments surveyed had either brought a service back in house, were in the process of insourcing, or were considering doing so. In France, there has been a major initiative since 2010 to bring public services back in house, with the largest being the conclusion of a 25-year contract with Suez and Veolia in Paris. The majority of electrical distribution in Germany is now municipal rather than private as municipalities bring their energy services back into public hands.

Until recently, the Canadian government required large municipal capital projects with federal funding to go through a public-private partnership (P3) screen. This requirement was removed in the fall of 2015, shortly after the federal election resulted in a change of government.

In 2016, the 1980s Margaret Thatcher phrase "There is no alternative," is wearing thin.

OF THE 15 CASE STUDIES on bringing services back in house detailed in this report, 80 per cent were brought home, because—amidst other reasons—the price tag was better.

Of the 13 communities identified in two pro-contracting out studies, prepared for Canada's Intergovernmental Committee on Urban and Regional Research in 1997, 40 per cent have now brought the work fully back in house.

Experience with out-of-house service delivery in Canada is showing that contracting out can be more costly, impact quality of service, remove services from community control, and reduce flexibility to meet changing governance needs.

And, as these Canadian stories of services returning home demonstrate, public delivery of public services is a model that has shown its worth. Public delivery of public services means local community control over quality, flexibility, and a contribution to the local economies. Very often with a better price tag too.

PART 2

Reasons to Insource

MAJOR STUDIES IN BOTH BRITAIN AND THE UNITED STATES have identified several key reasons why local governments might choose to insource work that has previously been contracted out. This report examines 15 Canadian examples of contracting in and finds, for the main part, reasons are similar to those found in out-of-country studies.

One thing worth noting is that in 11 of the 15 examples, Canadian municipalities had more than one reason to contract the work back in.

In the UK, 44 per cent of local governments identified inadequate quality of service as a reason they had brought work back in house. In US studies, the figure was 51 per cent.

PHOTO COURTESY RICHARD ERIKSSON/FLICKR

Cost Savings

In both the US and the UK studies, a majority of local governments bringing work back in house cited savings from doing the work themselves as a reason for the decision. Among our Canadian examples, 12 of 15, or 80 per cent, cited cost savings as a reason to bring the work back in house. Contracted out work identified as too costly included both water and wastewater, trash collection, snow removal, sidewalk construction and repair, recreation arenas, and the development of police and fire infrastructure.

This was true both for large and small local governments. Winnipeg anticipated a saving of $9.7 million over 30 years from a decision not to proceed with a public-private partnership for police stations. The much smaller community of Conception Bay South in Newfoundland and Labrador anticipated it would save $100,000 from bringing waste services back in house.

Inadequate Quality of Service

In the UK, 44 per cent of local governments identified inadequate quality of service as a reason they had brought work back in house. In US studies, the figure was 51 per cent. Among the 15 Canadian examples, service quality was less likely to be cited; however, it still affected four of the 15 communities, or 27 per cent of examples. These included excessive numbers of complaints about transit services, waste management services, and sewage spills. In the fourth case, the public body simply reported that bringing the work back in house would allow the improvement of customer service.

Responding to vulnerable citizens was identified in the UK as a reason to bring work in house. In Canada, local governments generally do not have legislated responsibility for social services, but they deliver many services that support vulnerable citizens, social inclusion, health, and community spirit through services such as recreation, library, and child care programs.

Problems With the Contractor

Problems with contractors were not specifically identified in UK or US studies, where it is likely the issue was dealt with under service quality. However, eight of the 15 Canadian examples cited some sort of problem with their contractor. Problem areas included inability to monitor the contract, waste management, sidewalk repair and replacement, wastewater, recreation, transit, and cafeteria services. Problems covered the gamut from failure to meet the contractor's obligations to corruption and bid rigging.

In all but two of the Canadian examples work was returned in house upon the expiry of a contract with an outside provider.

PHOTO: GREGORY BENNETT

Increased Local Capacity

In one United States study, 30 per cent of communities bringing work in house identified an increase in efficiency by the local government. Among the Canadian examples, five of the 15—or 33 per cent—identified increased capacity by their local government as a reason work had been brought back in house. In some cases, this reflected either a growth in the size of the community or an amalgamation leading to the creation of a larger community to carry out the work. However, three communities elected to bring work back in house simply because they reported their staff was now able to do the work.

Need for Greater Flexibility

International studies have identified lack of flexibility by private sector operators as a reason for insourcing. This was a theme echoed in Port Moody, BC, which cited the rapidly changing regulatory environment for waste management.

Contract Expired

In all but two of the Canadian examples work was returned in house upon the expiry of a contract with an outside provider.

Other Issues

British and American studies have identified other issues as a reason to bring work back in house that were not identified by the 15 Canadian examples in this report. One such reason is a lack of competitive bidders. Environmental issues are particularly important in Germany's decision to bring energy management in house. In Canada, waste management would be included as an environmental issue.

PART 3

Local Government Framework

NEARLY 20 YEARS AGO, A REPORT for the Intergovernmental Committee on Urban and Regional Research wrote about choices local governments make deciding whether to contract out work:

> *In Canada, in recent years, reductions in provincial transfers and the downloading of expenditure responsibilities have had an impact on the ability of local government to keep expenditure commitments. Municipalities have had to respond to increased costs of their own services, as well as to new environmental and social initiatives (such as environmental standards and employment equity).*[1]

It is hard to imagine a better starting point to begin a discussion of the situation facing local governments in Canada today.

Faced with limited revenues, rising costs, aging populations, and climate change, local governments must decide which services to provide for their citizens, how these services will be delivered, and how they will be funded. They make these decisions in an environment of public needs, guided by provincial legislation and federal policies, and with an awareness of the degree to which their actions may be affected by national and international trade agreements.

Under Canada's constitution, local governments are the responsibility of the provinces. While powers for local governments vary among the provinces, in recent decades the trend has been for provinces to offer local governments somewhat increased autonomy.

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VANCOUVER CITY HALL PHOTO COURTESY PUBLIC SPACE NETWORK/FLICKR

Provincial Legislation and Policy

Under provincial legislation, local governments in Canada have traditionally been able to contract out services. In recent decades, several provinces have granted municipalities "natural person" powers similar to powers enjoyed by corporations. In general, this has meant local governments could exercise powers more broadly rather than being strictly limited to a laundry list of items specified under provincial legislation. A 2006 article in

1 Skelly 1997, 2.

the *Osgoode Hall Law Journal* suggested the granting of natural person powers in Ontario was in part "intended to facilitate private-public partnerships."[2]

A number of provincial governments have encouraged the use of P3s by creating agencies to champion their use. These projects have become more controversial as provincial auditors have questioned both the P3 methodology and the savings promised by their proponents.

The federal Conservative government was a strong proponent of public-private partnerships, creating PPP Canada to encourage their use by all levels of government.

Under the Conservatives, a "P3 screen" was established that required large federally funded infrastructure projects to assess a range of procurement options to determine whether a P3 approach would provide value. PPP Canada played a large role in how this screen was applied.[3]

This situation has changed with the election of a new federal government. In the incoming government's mandate letters, the Minister of Infrastructure and Communities was instructed to remove the P3 screen. A priority is "making changes to the Building Canada Fund so that it is more transparent and approval processes are sped up, which would include removing the P3 screen for projects."[4] This should reduce pressure to use public-private partnerships for federally funded projects.

Downloading

In recent decades Canada's municipalities have faced downloading of costly responsibilities from federal and provincial governments. This has taken the form of reduced transfers, unfunded regulatory change such as the requirement to upgrade sewage systems, and the abandonment of social services.

When provincial governments underfund mental health services, costs show up in local government police budgets as communities struggle with the outcome of inadequate support for people with mental health challenges. Local governments have both fewer funds and restricted regulatory capabilities than other orders of government, but they feel the full brunt of responsibility for their constituents and struggle to deal with issues such as homelessness and housing.

The 2014 Columbia Institute report *Who's Picking up the Tab? Federal and provincial downloading onto local governments* set out national figures, particularly on infrastructure spending.[5]

The report found:

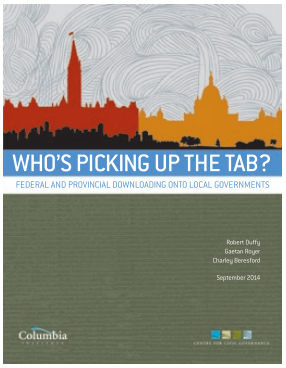
> *Senior government — and especially federal government — underinvestment in public infrastructure construction and renewal has been a key driver of downloading onto local governments. As noted in a 2013 study by economist Hugh Mackenzie, "Canada's fiscal commitment to infrastructure*

2 Levi and Valverde 2006, 429.
3 PPP Canada 2014.
4 Prime Minister Justin Trudeau, *Minister of Infrastructure and Communities Mandate Letter*, 2015.
5 Duffy, Royer and Beresford 2014.

was in steady decline for four decades, before the infrastructure-led fiscal stimulus program prompted by the 2008–09 recession." Net investment as a share of Canada's GDP (accounting for depreciation) declined steadily over the 40 years between the late 1950s and the late 1990s, and for two years in the 1990s was actually negative — new investment was "less than the annual rate of depreciation of the pre-existing infrastructure stock." According to Mackenzie, the cumulative effect of underinvestment was an infrastructure deficit of about $145 billion by 2011.[6]

Who's Picking Up the Tab? identified such downloading drivers as mental health services, federal and provincial water and sewer mandates, changes in police cost sharing, and other costs.

While local responsibilities were increasing, federal and provincial transfers decreased. In BC, federal and provincial transfers to local governments peaked in 1995 and then plummeted. While they rose again, they have not yet reached levels achieved in 1995.



Who's Picking Up the Tab? identified such downloading drivers as mental health services, federal and provincial water and sewer mandates, changes in police cost sharing, and other costs.

Impact of Trade Agreements

Canadian municipalities have long voiced their concerns about their lack of involvement in discussions of Canada's many international trade agreements. During the negotiations of the Canada–EU Comprehensive Economic and Trade Agreement (CETA), groups such as the Union of BC Municipalities and dozens of individual communities, including major centres such as Toronto, passed resolutions asking for permanent exemptions from the agreement.[7]

Despite these concerns, at least some local government decisions have become subject to international trade rules. One of the impacts of this has been a "chilling" effect as some local government leaders second guess their decisions, fearing a potentially expensive trade agreement challenge. However, while it is important to be aware of these trade rules it is equally important to understand that most decisions made by municipalities will never be affected by these agreements.

With the passage of the North American Free Trade Agreement in 1994,[8] Canadian municipalities became subject to the agreement's Investor State dispute-settlement provisions. This opened some of their decisions to challenges for compensation taken by foreign individuals or corporations.

One area possibly affected by these trade deals is the ability of local governments to favour local contractors. In CETA negotiations, Canada agreed to European demands to prohibit municipalities and provinces from offering incentives or otherwise favouring local bidders on procurement contracts. In Canada to date, no such challenges have been made to any such municipal decision under any trade agreement.

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6 Ibid., 39.

7 Council of Canadians, *News: More municipalities want exemption from CETA*, April 16, 2012, http://canadians.org/fr/node/8421

8 *North American Free Trade Agreement* (NAFTA). Office of the United States Trade Representative.

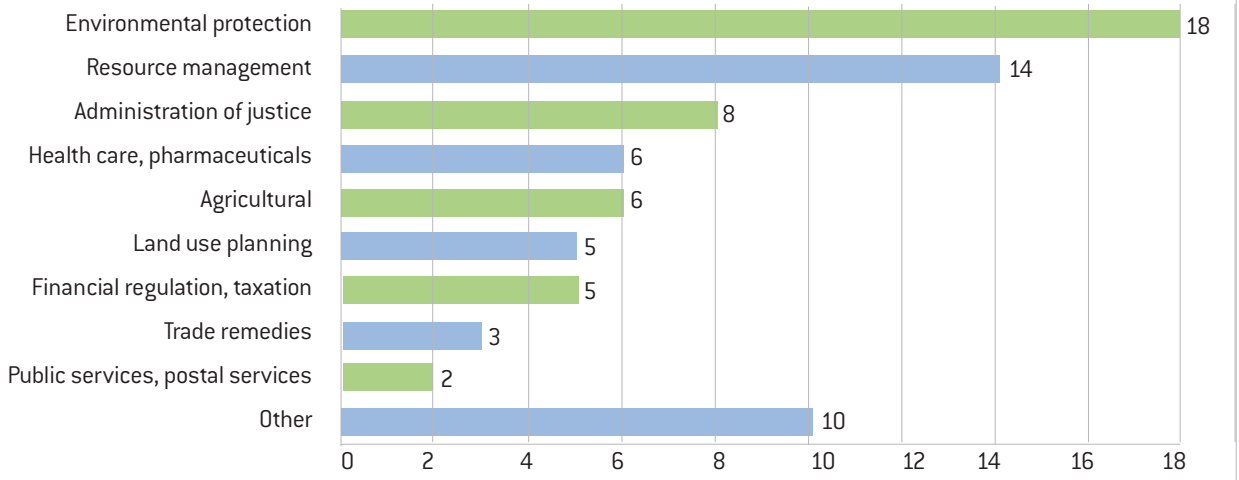
The largest number of claims filed under NAFTA have been related to the environment, with environmental protection and resource management (a euphemism for resource extraction) accounting for 40 per cent of the claims (see Figure 1).

Concerns persist that new municipal regulations that place limits on activities that are inherently damaging to the environment may trigger penalties.

Despite these potential problems, there are underlying principles to these agreements and by paying attention to these principles most problems can be avoided.

- Decisions by many local governments, particularly small municipalities, will fall beneath the financial thresholds of these agreements.
- Municipal services are considered exempt as long as they are not being provided on a commercial basis or in competition with other suppliers.
- If a municipality is buying services for commercial resale or use, trade agreement obligations may apply.
- If a municipality authorizes a new monopoly supplier of a service, the monopoly would likely be subject to obligations under trade agreements.
- Costly international disputes are normally reserved for significant matters where the financial stakes are high.
- Large (over $8.5 million) municipal construction projects are typically subject to international trade agreements.
- The ability of a municipality to regulate in the public interest and to protect the environment has not been successfully challenged.

FIGURE 1: NAFTA CLAIMS BY MEASURE CHALLENGED



Source: Scott Sinclair, *Democracy Under Challenge*, Canadian Centre for Policy Alternatives, 2015.

- No international trade agreement requires cities to allow foreign businesses to provide drinking water or water distribution services. However, if a municipality chooses to procure water services from private sector firms, or to privatize water distribution services, then certain trade obligations will apply.

In the end, it is important that contracts entered into by a given Council be negotiated in such a way that a future Council may return to providing that service directly to the public using its own employees should they choose to do so.

Revenue and Expenditures

Decision making by local governments is also affected by the level of services required by citizens and by the amount of revenue available to provide these services. Just as legislation differs among the provinces, the level of revenue, sources of revenue, and the mix of services also differs.

Until 2008, Statistics Canada provided data on spending and revenue for local governments in Canada. These reports found local governments in different provinces varied significantly in both their own source revenues and in funding by higher levels of government. Expenditures by municipalities in different provinces were equally divergent.

These differences reflected provincial policies on such issues as social services and the degree to which protective services are paid for by the province. They also reflect local priorities such as spending on recreation and culture.

Statistics Canada has replaced the survey described above with a new survey. Unfortunately, while this survey has information on local government revenue and expenditures, it is no longer broken down by spending function that permits comparison of priorities among provinces. The new survey, however, continues to demonstrate the difference in the role played as a revenue source by property taxes, sales of goods and services, and grants from other governments. As a revenue source, property taxes, for example, range from a high of 68 per cent in Manitoba to a low of 27 per cent in Saskatchewan.

When it comes to revenue and expenditures, however, perhaps the most important thing to remember, as the Federation of Canadian Municipalities has reported, "Municipalities own over 60 per cent of the country's infrastructure but collect just eight cents of every tax dollar paid in Canada, with the other 92 cents going to federal, provincial and territorial governments."[9]

"Municipalities own over 60 per cent of the country's infrastructure but collect just eight cents of every tax dollar paid in Canada."

9 Federation of Canadian Municipalities website, *About the Issue*, December 21, 2015, www.fcm.ca/home/policy-and-advocacy/about-the-issue-x6245.htm

Outsourcing and Insourcing Choices

Canada does not have the data on outsourcing and insourcing available in the United States through the ongoing surveys by the International City/County Management Association.

However, on one occasion the survey was replicated in Canada.[10] In 2004, Robert Hebdon and Patrice Jalette sent the survey to all communities in Canada with a population greater than 5,000. The survey was endorsed by both the Canadian Federation of Municipalities and the Canadian Association of Municipal Administrators.

The authors were not surprised to find that local governments in Canada offered more services than local governments in the United States. They were surprised to find "Canadian local governments had higher rates of privatized services and greater numbers of privatization plans."[11]

Echoing later reports on downloading, the authors speculated that, "Because of the devolution of services by Canadian provinces to the cities without the necessary funding, it is conceivable that Canadian managers may be under more pressure to restructure than their American counterparts. There was evidence, for example, that Ontario and Alberta, where pressures have been highest during the Klein and Harris governments, had significantly higher privatization rates."[12]

While this Canadian survey was not repeated, it is possible, on a much smaller scale, to examine historical outsourcing for communities identified in two Canadian studies released in 1997. These two studies identified 13 communities that had outsourced services such as property assessment, water and wastewater management, garbage collection, transit, and infrastructure.[13]

Of these 13 communities identified as having contracted out by 1997, 40 per cent have now brought the work fully back in house, dealing with services such as property assessment, water management, waste management, and snow clearing. The reasons for bringing work back in house, where identified, included local control, cost, problems with contractors, increased local capacity, or a combination of these elements.

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PHOTO COURTESY SANGUDO/FLICKR

10 Hebdon and Jalette 2008.
11 Ibid., 144.
12 Hebdon and Jalette 2008.
13 Skelly 1997; Carr, Bowden and Storrer 1997.

PART 4

A Collaborative Leadership Story

by Gaëtan Royer, Former Port Moody City Manager

> Irate caller: "I just put my stinking garbage back in the garage... for the second week in a row!"
>
> City manager: "I'm very sorry your lane was missed again. We will notify the contractor immediately."
>
> Irater caller: "That's what your staff said last week!!!"

DOES THIS CONVERSATION RING TRUE FOR YOU? As a public servant, it made me feel ashamed and powerless. Contracting out doesn't give an organization any escape from accountability.

Whether you are dealing with traffic stalled for hours or inadequate performance by a contractor maintaining your public washrooms in a busy park, the feeling of powerlessness is the same. When you no longer have staff and equipment to fix a problem to your taxpayers' satisfaction, you can always withhold payment; but no after-the-fact penalty against a contractor will restore trust in your organization.

Responses from a remote call centre operator just make things worse. Finger-pointing won't convince your constituents that you care. If you can't get a problem resolved, telling anyone that your hands are tied by contract terms only confirms in their mind that you've let an important service drop out of your control.

In 2008, Mayor Joe Trasolini, his Council and Port Moody's management team were committed to resolving residents' issues. Trasolini's weekly open office, my willingness as City Manager to do house calls and the entire staff team's eager responsiveness were much appreciated in the community. It was painful to see how success in other areas could so quickly become over-shadowed by totally inadequate solid waste collection.

"Our" deteriorating waste collection service eroded a lot of good will even though we tried everything to influence our contractor's responsiveness. Some public officials may think that doing work by contract insulates the government from criticism. Blaming a contractor for bad service is in fact blaming yourself for a bad decision. In our case, that bad decision had been taken 10 years earlier.

"As a public servant, it made me feel ashamed and powerless. Contracting out doesn't give an organization any escape from accountability."
— Gaëtan Royer

In Port Moody, expiry of a contract that provided sub-standard service delivery may have set the context for bringing the work in house, however it is a joint commitment to collaborative leadership that set the tone. CUPE President Maria Wahl also set the tone by committing to work with management in a collaborative process. Council decided to weigh the pros and cons of hiring a new contractor vs pulling the work back in house.

Investigating options, including in-house service delivery, could have been done in many different ways. Management normally controls the extent of union involvement in a given process. At the minimally engaged end of the spectrum, management proceeds unilaterally and relies on the right of the union to be heard if they so choose. At the fully engaged end, public sector leaders decide to work in partnership with union leaders. To investigate waste collection, Port Moody's management team worked in partnership with its local CUPE executive.

What does it take for a City Manager to share his or her power to advise Council? What does it take for a Council to entertain joint union/management recommendations? What does it take for union leaders and the workers they represent to not feel used or co-opted by such a process? It takes mutual trust.

We jointly set up a project structure consisting of equal numbers of management and union representatives. All decisions had to be made by consensus. From the outset, both sides resolved that the final recommendations would be presented to Council by the joint team.

What does it take for a City Manager to share his or her power to advise Council? What does it take for a Council to entertain joint union/management recommendations? What does it take for union leaders and the workers they represent to not feel used or co-opted by such a process? It takes mutual trust.

Before this project started, Port Moody's Council, management team and CUPE leaders worked well together and respected each other—as is the case in many municipalities. When this initiative started, inter-personal relationships among Council, management and union representatives were good but likely not exceptional compared with other municipalities.

To successfully build trust and form a joint team required the inclusion of a few key ingredients:

- **EQUAL REPRESENTATION THROUGHOUT THE PROCESS.** The project steering committee had equal management and union representation. When our investigation required the formation of a task-specific sub-group such, it was also done with equal representation.
- **SHARED ACCESS TO ALL DATA.** Measures were put in place to overcome any suspicion about contributions made by third parties:
  - Reports and data provided by national and regional union representatives were shared and scrutinized by management;
  - Quotes from the private sector and financial data from other municipalities obtained by management were shared and scrutinized by the union; and
  - Exaggerated claims and unfounded data provided by third parties on both sides were dismissed by mutual consent.

- **MAINTAINING THE INTEGRITY OF THE PROCESS.** Old habits die hard; when tensions arose, project leaders on both sides shared the responsibility of keeping their representatives focused on terms of reference that called for openness and collaboration.
- **FOCUS ON OUTCOMES.** Clear goals were set out along with expected outcomes to help groups and individuals focus and overcome setbacks.
- **GOOD DESIGN EASES IMPLEMENTATION.** The team's investment in a collaborative design process that involved front-line workers resulted in more realistic plans and paved the way for smoother implementation when the new service was rolled out.
- **CONSENSUS DECISION-MAKING RIGHT TO THE END.** The best way to undermine trust in a joint process is to insert one party's interpretation at the eleventh hour. In the end, Port Moody's union and management leaders signed the joint study and endorsed all of its recommendations.
- **SHARED CREDIT.** Port Moody's solid waste collection project was about making residents win, achieving the best outcomes at the least cost, and creating a pattern of collaborative decision-making. At the outset, egos were kept in check and everyone's contribution was recognized. At the end, celebrating success together and sharing credit for a big win helped our organization to create common memories and strengthen its corporate culture.

Port Moody's solid waste collection project was about making residents win, achieving the best outcomes at the least cost, and creating a pattern of collaborative decision-making.

PHOTO COURTESY SWANA.ORG

Once the decision was made to bring the service back home and hire new staff, setting workers up for success became the priority. New trucks were needed, new bins, new drivers, new rules for separating waste, new routes, a new calendar and, most importantly, new habits for residents to adopt at the kitchen sink and in their garage. All of these changes had to come together as smoothly as possible.

Again, management and the union worked together. They ensured drivers were trained to operate the new trucks. They were taught how to speak as recycling ambassadors. Drivers were given the authority to stop on their route and educate residents at the curb where necessary. A comprehensive communication strategy was rolled out, earning Port Moody an award of excellence from the Solid Waste Association of North America (SWANA).

With the roll-out date approaching, mutual trust had built to the point where union and management discussed strategic directions about public communications, enforcement and measurement methods. Mistakes, when they inevitably happened, were handled calmly and professionally.

Within months of contracting in, Port Moody found itself in the enviable position of getting positive media coverage about its improved service. Having regained full control of its equipment, workforce and service level, the City was better able to adapt to changes in regulations. This became evident when the city quickly implemented cost-saving measures that would otherwise be considered a costly extra by a contractor.

Port Moody soon became the first community in BC to pass the 70 per cent mark for waste diversion. The City's utility rate at the time remained lower than fees charged in neighbouring communities. This remained true for years. The City was also able to set aside significant funds to replace its fleet at the end of its life cycle. Eight years later, Port Moody's in-house service and in-house financing continue to make good fiscal sense.

Port Moody soon became the first community in BC to pass the 70 per cent mark for waste diversion.

PHOTO COURTESY
JUSTIN RICHIE/FLICKR

PART 5

Services Come Home: 15 Canadian Stories

IN CANADIAN COMMUNITIES across the country, public services are finding their way home. Detailed in the pages that follow are 15 case studies from coast to coast, pulled from public sources of information and local government response to requests for information.

CONCEPTION BAY SOUTH

NEWFOUNDLAND AND LABRADOR

SOLID WASTE COLLECTION

ISSUES

- Problems with contractor
- Cost savings

"Right now, the projections that staff have indicated to us [are] that we'll save probably in the vicinity of $100,000-plus."

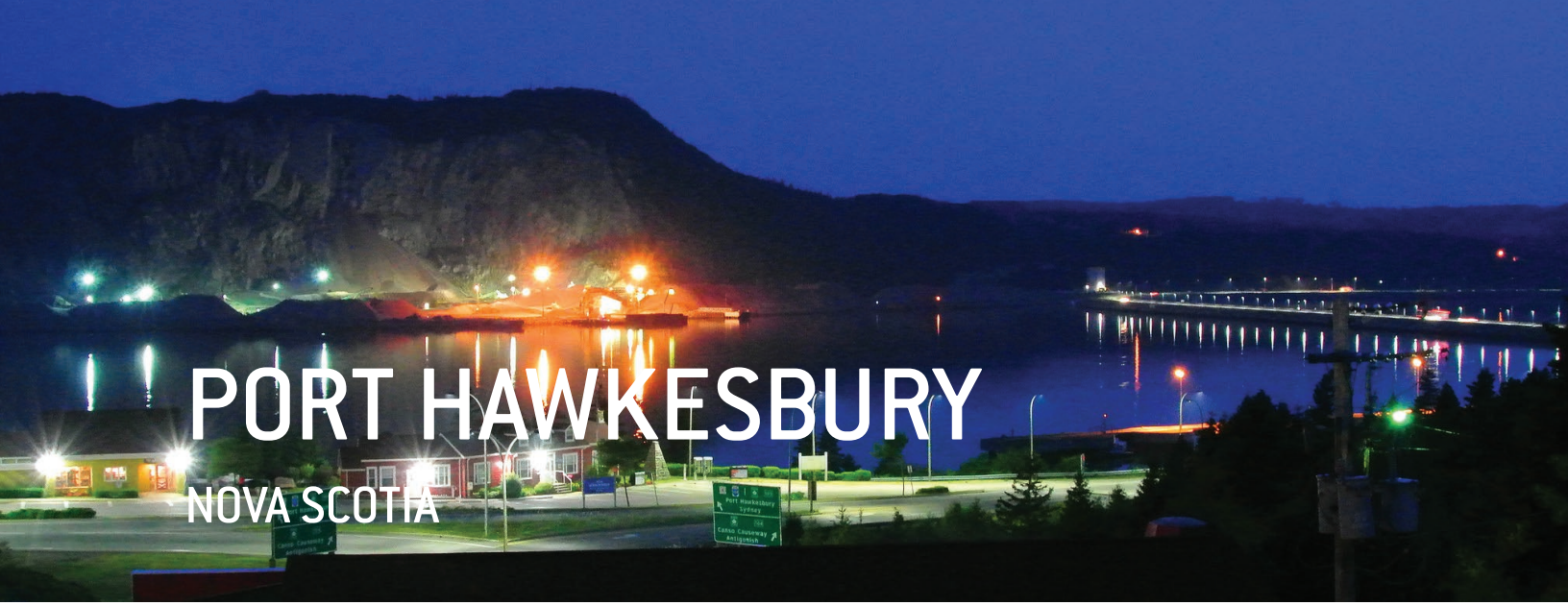
TOP PHOTO COURTESY SCOTT HOWES/FLICKR

BOTTOM COURTESY CLIFFY/FLICKR

CONCEPTION BAY SOUTH is a rapidly growing community close to St. John's in Newfoundland and Labrador. According to the 2011 Census, Conception Bay South, with a population of nearly 25,000, is the second largest community in Newfoundland and Labrador. The population increased by 40 per cent between 2006 and 2011.[14]

The community traditionally contracted out garbage services; however, in the six months following a new 2007 contract, the community received 800 complaints about the service.[15] In 2011, when a tender call came in at a price of over $2 million, councillors decided to bring the work back in house. There had also been what was described as "a fuss" with the contractor. Then-Mayor Woody French told the media, "Right now, the projections that staff have indicated to us [are] that we'll save probably in the vicinity of $100,000-plus."[16]

14 "C.B.S. has more residents than Mount Pearl, says census," *CBC News*, February 8, 2012.
15 "Dump garbage contractor, C.B.S. councillors told," *CBC News*, June 27, 2007.
16 "Contractors out as C.B.S., Paradise bring services in-house," CBC News, December 29, 2011. www.cbc.ca/news/canada/newfoundland-labrador/contractors-out-as-c-b-s-paradise-bring-services-in-house-1.1108307



PORT HAWKESBURY

NOVA SCOTIA

SNOW REMOVAL

In 2014, the **TOWN OF PORT HAWKESBURY** on Cape Breton Island ended most of its practice of contracting out snow removal. In 2013, the last year the job was done by contractors, the snow removal budget was $350,000. This fell to $216,000 in 2014 when the work was done in house.

"Our workforce was very interested in doing this and they had a sense of responsibility to our citizens and were able to really demonstrate that this is a big savings to the town," said Maris Freimanis, the CAO of Port Hawkesbury.[17]

The final three small snow removal contracts were phased out in 2015.

ISSUES

- Cost savings
- Capacity of local employees

In 2013, the last year the job was done by contractors, the snow removal budget was $350,000. This fell to $216,000 in 2014 when the work was done in house.

TOP PHOTO COURTESY JASON MICHAEL/FLICKR

17 Yvonne Leblanc-Smith, "Port Hawkesbury may record surplus in snow removal budget," *CBC News*, March 6, 2015.

SAINT JOHN

NEW BRUNSWICK

SOLID WASTE COLLECTION

ISSUES

- Cost savings

Two years later, a report to Council showed the shift to the in-house model had saved the City $700,000 in one year, surpassing earlier estimates of a $500,000 saving.

PHOTO COURTESY JAMIE MCCAFFREY/FLICKR

For several years, the **CITY OF SAINT JOHN** contracted out part of the collection of its solid waste, "primarily for reasons of internal capacity and resource limitations."[18] Nineteen of 53 solid waste collection routes were contracted out, while the remainder were serviced by City staff. In 2010, the City had sought and received "expressions of interest" to provide solid waste and compost collection. Two contractors submitted 10 bids for the entire project, while other contractors submitted bids for an arrangement that would see 50 per cent of the routes contracted out.[19]

In August 2011, staff presented two reports to Council outlining three options for garbage collection. The first option was status quo, with two thirds of collection remaining in house. The second option was to make all collection in house, while the third option was for a fully contracted-out service.

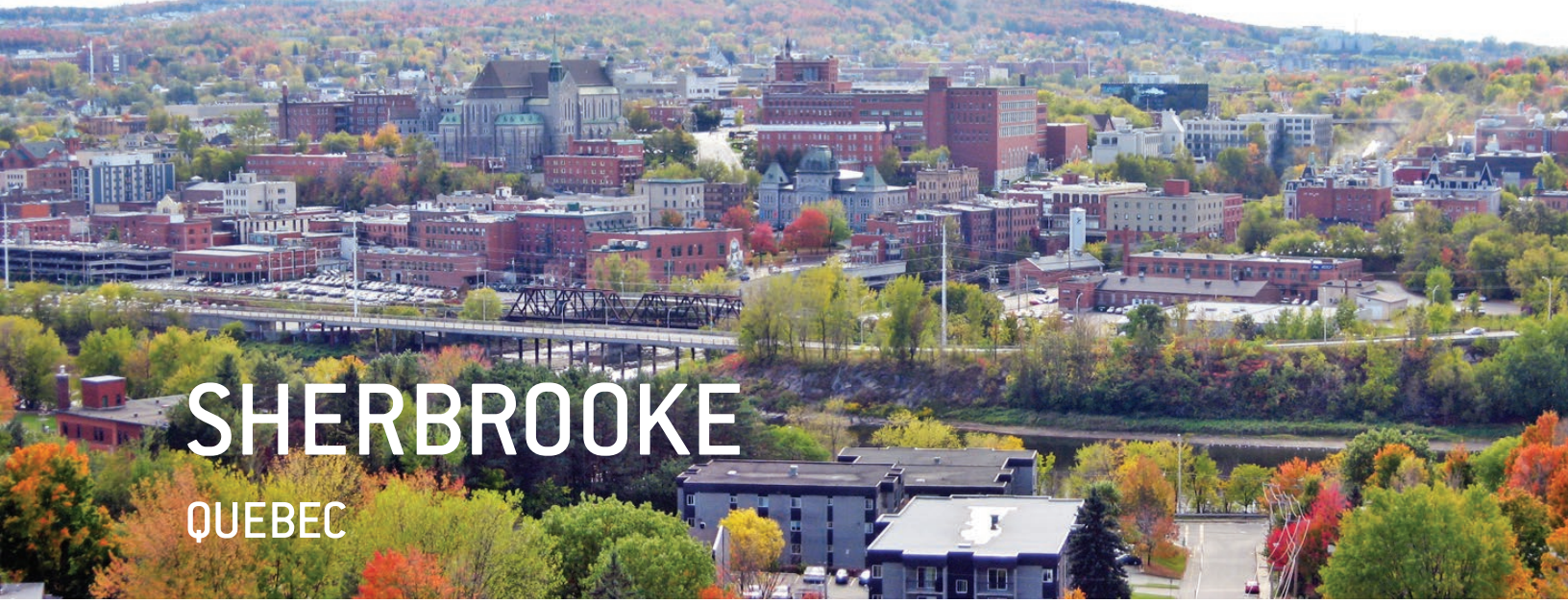
Staff recommended option two: end contracting out and bring all services in house. Approval was given to purchase the necessary equipment.[20] On October 11, 2011, Saint John Council approved the recommendation.

Two years later, a report to Council showed the shift to the in-house model had saved the City $700,000 in one year, surpassing earlier estimates of a $500,000 saving. The City subsequently moved its line painting program in house.

18 City of Saint John, *Solid Waste Collection Financial Analysis — Resource Overview*, June 17, 2011.

19 J.M. Paul Groody, Commissioner Municipal Operations and Engineering and J. Patrick Woods, City Manager, Solid Waste Management, *Outsource Decision, Report to Saint John Common Council*, June 17, 2011.

20 J.M. Paul Groody, Commissioner Municipal Operations and Engineering, Solid Waste Management Service — Collection Decision, *Report to Saint John Common Council*, September 22, 2011.



SHERBROOKE

QUEBEC

SOLID WASTE COLLECTION

Following municipal mergers, solid waste in **SHERBROOKE** had been shared between a contractor, who covered the new territory, and City workers, who covered the territory within the previous City limits.

In 2011, City staff recommended bringing the service completely in house after their analysis determined the City could save up to $750,000 per year.

"Once the numbers were put in front of us, the decision [to bring services back in house] could not be made any easier,"[21] said then-Mayor Bernard Sévigny. These savings included the price of purchasing and maintaining new equipment, as well as labour, administrative, and management costs.

ISSUES

- Cost savings

"Once the numbers were put in front of us, the decision [to bring services back in house] could not be made any easier."

TOP PHOTO COURTESY LIBERTAD/ WIKIMEDIA COMMONS; BOTTOM COURTESY MICHEL G/FLICKR

21 City of Sherbrooke, press release, "La Ville de Sherbrooke prend en main la collecte des déchets et économise 750 000 $," February 23, 2011, www.ville.sherbrooke.qc.ca/salle-de-presse/actualites/communiques-et-actualites/actualites/actualites/article/la-ville-de-sherbrooke-prend-en-main-la-collecte-des-dechets-et-economise-750-000/

MONTREAL

QUEBEC

SIDEWALK CONSTRUCTION AND REPAIR

ISSUES

- Problems with vendors
- Cost savings

"When a crew is working on a project on a street and sees a sidewalk that needs repair nearby, it can simply do the work, whereas private companies must stick to their contract."

TOP PHOTO COURTESY COREY TEMPLETON/FLICKR

BOTTOM: ROSEMONT–LA PETITE-PATRIE COURTESY CHRIS GOLDBERG/FLICKR

Until the 1980s, **MONTREAL** local government employees did most of the work on sidewalks and roads. Extra volume was outsourced to private firms. By 2002, however, following municipal mergers, municipal employees were no longer doing any of the work.[22]

In 2013, Quebec's public inquiry into corruption and collusion in the construction industry, the Charbonneau Commission, exposed bid rigging schemes in which companies had been awarded public road, wastewater, and other building contracts at highly inflated prices. The same year, the province of Quebec passed legislation requiring construction companies doing work for local governments above specified costs to apply for authorization to a new provincial body.[23] In one 2013 Montreal contract bid, tenders were scrapped when none of the bidders had received proper authorization under the Order in Council.

As a result of these issues, many boroughs decided to bring sidewalk maintenance and construction projects back in house. These included Villeray–Saint-Michel–Park-Extension, Rosemont–La Petite-Patrie, and Côtes-des-Neiges–Notre Dame-de-Grâce.

The mayor of Villeray–Saint-Michel–Park-Extension told the media that quotes from private contractors had come in 25 to 44 per cent higher than expected.[24] Rosemont–La Petite-Patrie reported savings of over $150,000 (or 18 per cent of the budget) in 2015 by bringing sidewalk maintenance back in house. The mayor of Rosemont–La Petite-Patrie, François Croteau, cited cost-savings and increased flexibility as the main reasons to have public workers doing this work: "When a crew is working on a project on a street and sees a sidewalk that needs repair nearby, it can simply do the work, whereas private companies must stick to their contract."[25]

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22 Linda Gyulai, "City could reconsider outsourcing much of its roadwork," *Montreal Gazette*, February 21, 2013.

23 Government of Quebec, Order in Council 482-2013, May 15, 2013, Certain Contracts of Ville de Montreal.

24 Linda Gyulai, "Borough takes concrete action on sidewalks," *Montreal Gazette*, February 21, 2013.

25 Améli Pineda, "Rosemont-La Petite-Patrie: 150 000$ d'économies en faisant les trottoirs à l'interne," *24Heuresville*, June 12, 2015, www.journaldemontreal.com/2015/06/12/rosemont-la-petite-patrie-150-000-deconomies-en-faisant-les-trottoirs-a-linterne

OTTAWA

ONTARIO

RAY FRIEL RECREATION CENTRE

In 1988, the Township of Cumberland, Ontario, announced plans for a needed sports complex. Five years later the community decided to contract out management of the facility in a sole-source contact to Contemporary Leisure Canada. Employees complained at the time that wages were being cut under the new operation.[26] In 1993, the company was renamed Recreation Services International after the bankruptcy of Contemporary Leisure's parent company. In 1996 a refinancing for RSI collapsed and the company filed for bankruptcy.[27] The bankruptcy allowed for the sale of RSI contracts to Serco Facilities management. In 1997, Cumberland signed a 10-year contract with Serco.

In 1999, the Ontario government passed legislation forcing amalgamation in 2001 of Ottawa and its neighbouring communities, including Cumberland. With this amalgamation, Ottawa became responsible for the facility. Ottawa subsequently approved a 20-year public-private partnership with Serco under which Serco would repay capital costs for the facility.[28] However, in 2004 a report to Council raised concerns about declining cleanliness at the facility and increased customer complaints.[29]

ISSUES

- Turnover in management by the private company
- Lack of management capacity by the initial municipality
- Problems in quality control
- Cost savings
- Increased management capacity in the public partner

A report to Council raised concerns about declining cleanliness at the facility and increased customer complaints.

OTTAWA.CA PHOTOS

26 Alana Kainz, "Ray Friel Centre: Denied shot at contract, fitness firm owner says," *Ottawa Citizen*, March 12, 1993.

27 Randy Boswell, "CFL plea reached Durrell as his firm hit the rocks: Management company fights bankruptcy as paycheques bounce," *Ottawa Citizen*, November 21, 1996.

28 Patrick Dare, "Public-private concept tested at Friel Centre: Orleans residents would have waited years for service otherwise: councillor," *Ottawa Citizen*, August 3, 2005.

29 City of Ottawa, *Report to Corporate and Economic Development Committee*, May 6, 2004, Reference Number ACS2004-CMR-OCM-0008, http://ottawa.ca/calendar/ottawa/citycouncil/csedc/2004/06-01/ACS2004-CMR-OCM-0008.htm

At an in-camera Council meeting in 2007, councillors were told Serco wanted another $2 million annually to run the facility. Councillors balked at this, and Serco subsequently communicated that it wished to end its relationship with the City. In November 2007, Council voted to terminate the agreement and bring the work in house, approving 69 new full-time equivalent positions.[30]

Ottawa has traditionally supported P3s and was the first city in Canada to have its own P3 office. Officials in Ottawa emphasized that Serco asked to be released from the deal and noted that Ottawa, a much larger community than Cumberland, was better equipped to manage a large centre like Ray Friel in-house.

Councillors were told Serco wanted another $2 million annually to run the facility. Councillors balked at this, and Serco subsequently communicated that it wished to end its relationship with the City.

RAY FRIEL RINK PHOTO, OTTAWA.CA PHOTOS

30 Ottawa City Council, Minutes, November 28, 2007.

HAMILTON

ONTARIO

WATER AND WASTEWATER

In 2004, the *Hamilton Spectator* reported that "Hamilton led the way in Canada 10 years ago when it agreed to an untendered private operating contract [for its water and wastewater] and is now understood to be the first municipality in the country to bring operations back in-house."[31]

In 1994, Hamilton had agreed to an untendered 10-year public-private partnership for the operation and maintenance of its water and wastewater treatment plants. In 1999, the private operator was sold to Azurix North America (Canada) Inc.[32] Subsequently, there were more changes in ownership and problems with sewage spills creating conflicts between the private operator and the City.[33] Over the period of private operation, staff was cut and—thanks to contract wording protecting the private company—the City was faced with fines because of spills from its sewage plant.

In 2003, as the end of the contract approached, Hamilton began the bidding process to find a private operator for its water and waster facilities. However, a year later Hamilton cancelled its request for proposals and authorized the Acting General Manager to "implement the in-house Municipal Model and commence the process of assuming municipal responsibility for the operations and maintenance of the City's Water and Wastewater Treatment System."[34]

31 Peter Van Marten, "City takes back control of water; Turbulent Waters: Part 1," *Hamilton Spectator*, December 27, 2004.

32 City of Hamilton and Azurix, *Achieving the Vision: The true story of Hamilton and Outsourcing*, undated, www.archives.gov.on.ca/en/e_records/walkerton/part2info/partieswithstanding/pdf/HamiltonAzurix.pdf

33 Brubaker 2011.

34 Minutes of the Public Works, Infrastructure and Environment Committee, City of Hamilton, September 13, 2004.

ISSUES

- Problems with private partner
- Turnovers in ownership
- Quality of service
- Cost savings

"Hamilton led the way in Canada 10 years ago when it agreed to an untendered private operating contract [for its water and wastewater] and is now understood to be the first municipality in the country to bring operations back in-house."

TOP PHOTO COURTESY KIDD99/FLICKR

BOTTOM PHOTO COURTESY ROBERT LAWTON/WIKIMEDIA COMMONS

Three years later in a report from the General Manager of Public Works, Hamilton Council was told,

> *At the start of 2008, $30.201M was budgeted for the in-house model. The transition to the in-house model and continued improvements in operations that have been achieved in the first 9 months of this year are resulting in a forecasted 2008 cost of $29.701M, for a savings of $0.5M from the original maintenance budget. In addition to these savings, the City avoided incentive payments to a potential contract operator of over $75,000.*[35]

Hamilton cancelled its request for proposals and authorized the Acting General Manager to "implement the in-house Municipal Model and commence the process of assuming municipal responsibility for the operations and maintenance of the City's Water and Wastewater Treatment System."

HAMILTON PHOTO COURTESY PERRY QUAN/FLICKR

35 Scott Stewart, General Manager Public Works Department, *Hamilton Water and Wastewater Operations Contract Annual Report Card, to the Chair and Members of the City of Hamilton Committee of the Whole*, November 20, 2008.

WINNIPEG

MANITOBA

POLICE AND FIRE/PARAMEDIC FACILITIES

In June 2012, the **CITY OF WINNIPEG** voted in favour of an administrative report recommending the use of a public-private partnership to finance construction of the new South District Police Station.[36] The City had planned to lease back the station at a cost of $1.17 million annually for the first five years. However, a year later the situation had changed. The new low interest rate environment meant that buying back the station from the P3 partner could save the City $9.7 million over 30 years.[37] Winnipeg decided to borrow $16 million to purchase the building outright using a termination/purchase clause in the contract. "Because we're still in a low interest-rate environment, it's in the city's advantage to exercise its right to purchase the station," said Brad Erickson, property management superintendent for the planning, property, and development department.[38]

This was the second Winnipeg project to start life as a P3 but end up going public before the buildings were completed. In 2009, the City posted a Request for Qualifications for four new fire stations. The RFQ stipulated that the City was looking at a public-private partnership[39] involving design, build, and finance and in 2010 an RFP was issued to P3 qualified firms. Three years later, mired in controversy and having seen the financing aspect of the plan removed from the proposed plan, the City Auditor called for a review of the program.[40]

A report from Ernst & Young to Council in October 2013 outlined the process whereby the proposal had gone from a P3 to an amended RFP that was not a P3. Ernst & Young concluded that the City's complex requirements in the public-private

ISSUES

- Cost savings
- City failed to properly manage a complex P3 proposal
- Lack of competition in the P3 market may have led to higher costs

The new low interest rate environment meant that buying back the station from the P3 partner could save the City $9.7 million over 30 years.

PHOTO COURTESY AJ_BATAC/FLICKR

36 Jen Skerritt, "City hopes to pull solution out of plastic-bag dilemma," *Winnipeg Free Press*, June 28, 2012.
37 Bartley Kives, "City may buy station now," *Winnipeg Free Press*, June 8, 2013.
38 Bartley Kives, "New police station unveiled," *Winnipeg Free Press*, November 23, 2013.
39 Gabrielle Giroday, "Four new fire halls on tap," *Winnipeg Free Press*, April 21, 2009.
40 Bartley Kives, "No closed-door deal: Shindico," *Winnipeg Free Press*, November 10, 2012.

partnership RFP had the effect of limiting competition.[41] Only one response had been received to the original RFP.

Ernst & Young also noted the City had failed to follow the City's administrative requirements for projects of this size and for public-private partnerships.[42] Other reports suggests the City had significantly underestimated the cost of the project.[43]

Winnipeg's Fire Chief was fired and the Chief Administrative Officer resigned.[44] On July 18, 2014 the City of Winnipeg asked the Manitoba Justice Department to conduct reviews into matters related to the Real Estate Management Review and the Winnipeg Police Service Headquarters Construction Project Audit.[45]

In the end, both the police station and the fire/paramedic facility projects were financed by the City after the P3s were abandoned.

This was the second Winnipeg project to start life as a P3 but end up going public before the buildings were completed.

WINNIPEG PHOTO COURTESY MICHAEL HIMBEAULT/FLICKR

41 Ernst & Young 2013, 9.
42 Ibid., 11.
43 "How the deal went awry," *Winnipeg Free Press*, October 22, 2013.
44 Bartley Kives, "Report set to stoke the flames," *Winnipeg Free Press*, October 21, 2013.
45 Government of Manitoba, Media Bulletin, "Province requests RCMP review of City audits," August 15, 2014, http://news.gov.mb.ca/news/index.html?item=32226

FORT MCMURRAY

ALBERTA

MUNICIPAL TRANSIT

In 2013, the **REGIONAL MUNICIPALITY OF WOOD BUFFALO** awarded Tok Transit Ltd. the contract for standard and specialized transit services for Fort McMurray. The 15-year contract, with a five-year renewal option, provided for Tok to manage the facilities, procure capital assets, and manage transit planning, fares, marketing, and customer service.[46]

Less than two years later, an audit of the service found Tok was not following staffing requirements, had failed to meet timelines for constructing a bus facility, and customer complaints exceeded acceptable thresholds. The local government's transit services branch found it was unable to monitor financial results or system utilization. A number of other administrative issues were raised.[47]

Based on the audit, the Regional Municipality of Wood Buffalo exercised a contract provision allowing for cancellation without cause on 90 days' notice. The municipality said "the bus fleet may not have been maintained to the standard the Municipality believes necessary to keep buses running both efficiently and safely."[48] Council reported costs were expected to remain the same, while service was expected to improve.

ISSUES

- Quality of service
- Contract compliance
- Problems with monitoring service
- Cost savings

Based on the audit, the Regional Municipality of Wood Buffalo exercised a contract provision allowing for cancellation without cause on 90 days' notice.

SYNCRUDE CANADA PHOTO

46 Tokmarjian Group, new release, "Tok Transit wins Fort McMurray Transit Contract," March 2013, http://tokmakjian.com/

47 Regional Municipality of Wood Buffalo, Municipal Transit Services, *Summary of Audit Findings and Recommendations*, October 21, 2014, www.rmwb.ca/Assets/Departments/Legislative+and+Legal+Services/Audit/AIT_MunicipalTransitService.pdf

48 Regional Municipality of Wood Buffalo website, "FAQ: New Era For Transit in Wood Buffalo," February 2015, www.rmwb.ca/Municipal-Government/municipal_departments/Public-Operations/Wood-Buffalo-Transit/New-Era-FAQ.htm

Director of Public Works Robert Kirby told the media "There were about 10 to 15 areas of concern. A lot of it dealt with customer service, accountability and customer safety," adding that many of the complaints the auditors heard centred around specialized transit provided to seniors and people with disabilities.[49]

"This allows us to control the revenue stream and put money back into the local transit system," explained Kirby. "We live in Fort McMurray, we're part of the community, and we understand what the community's needs are."

"It's not that we're going to save millions by bringing it in-house, but what we're making in profit, we will return into the transit system. Based on our best estimates and business case, that could be as much as a million to $2 million."[50]

Tok employees represented by the Canadian Union of Public Employees supported the move, saying they would be able to transfer to become direct employees of the municipality.[51]

As of April 2015, Tok was suing the municipality for ending the contract.

"This allows us to control the revenue stream and put money back into the local transit system," explained Kirby. "We live in Fort McMurray, we're part of the community, and we understand what the community's needs are."

PHOTO COURTESY GOVERNMENT OF ALBERTA : FLICKR

49 Rebekah Benoit, "RMWB commits in-house transit services will be better after terminating contract," *Fort McMurray Connect*, February 2015, www.fortmacconnect.ca/2015/02/rmwb-commits-in-house-transit-services-will-be-better-after-terminating-contract/

50 Ibid.

51 Andrew Bates, " RMWB cancels transit contract, brings bus services in-house," *Fort McMurray Today*, February 19, 2015.

CALGARY

ALBERTA

PARKING ENFORCEMENT

In 1968, the **CITY OF CALGARY** established the Calgary Parking Authority to develop and operate parking facilities on behalf of the City. In 1994, responsibility for parking enforcement was transferred to the Authority from the Police Department. Revenue from the Authority is returned to the City as a dividend.[52] In the past, more than half of the staff of the Authority were members of Corps of Commissionaires.

On June 3, 2015, the Calgary Parking Authority announced it was moving its Enforcement Services in house, "allowing us to improve customer service to Calgarians."[53] A total of 125 enforcement related positions that had traditionally been part of contracted services would become administrative, call taker, and operational staff employees.

ISSUES

- Improved customer service

A total of 125 enforcement related positions that had traditionally been part of contracted services would become administrative, call taker, and operational staff employees.

TOP PHOTO COURTESY MICHAEL MURAZ/FLICKR

BOTTOM PHOTO COURTESY THANKYOUFORVISITINGMY/FLICKR

52 Calgary Parking Authority website, "About the CPA: Frequently Asked Questions," www.calgaryparking.com/web/guest/aboutthecpa/faq

53 Calgary Parking Authority, media release, "CPA brings parking enforcement services in house," June 3, 2015.

BANFF

ALBERTA

MANAGEMENT OF WASTEWATER FACILITY

ISSUES

- Turnover in ownership of companies providing the service
- Quality control issues
- Cost savings
- Confidence in internal staff capacity

"This is a significant price difference...$350,000 is a lot of money to a municipality of our size."

PHOTO COURTESY DOUG ZWICK/FLICKR

Until recently, wastewater treatment in the **TOWN OF BANFF** was contracted out to a series of different providers, including Aquatrol, United Water, JMM, and Earth Tech. In 2008, Earth Tech, the company originally contracted to run the plant, was bought by AECOM, which then sold the water division to US-based United Water.[54]

After problems such as the release of partially treated sewage to the Bow River[55] arose, Banff looked for a different company to manage the facility. In April 2009, Banff issued a contract to EPCOR Utilities Inc. The Town of Banff continued to retain ownership of the plant, while EPCOR became responsible for operations and maintenance.[56]

Banff Council voted in September 2011 to seek a price from the company for a new 10-year contract, while at the same time comparing it to possible in-house delivery.[57]

The in-house delivery option won out. After three years of negotiation with EPCOR, Council passed a motion in 2014 directing administration "to continue directly operating the Town's current water, sanitary and storm systems and reassign the operation of the wastewater utility plant from EPCOR to the Town of Banff."[58] Council cited price as a factor, with the mayor telling the media, "This is a significant price difference...$350,000 is a lot of money to a municipality of our size." Other Council members expressed confidence in the ability of Banff Town Council employees to run the facility.[59]

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54 Kathy Ellis, "Banff ponders wastewater ops," *Rocky Mountain Outlook*, September 22, 2011.
55 Ibid.
56 Water Canada, "EPCOR takes on Banff," April 3, 2009, http://watercanada.net/2009/epcor-takes-on-banff/
57 Supra note 54, Ellis 2011.
58 Town of Banff, Minutes of the Regular Council Meeting, October 14, 2014.
59 Tanya Foubert, "Banff to go it alone on utilities," *Rocky Mountain Outlook*, October 16, 2014.

NEW WESTMINSTER

BRITISH COLUMBIA

CAFETERIA SERVICES

Cafeteria services for **NEW WESTMINSTER** City Hall have historically been contracted out to a private caterer. The City Hall operation had one employee and provided services for municipal employees, police services, Council meetings and other City functions.

By 2010, police operations had left the building and the caterer ceased to make a profit on the City Hall cafeteria. The caterer requested a subsidy, something not permitted under BC municipal law.

The caterer failed to appoint a supervisor for the City Hall cafeteria, which created difficulties both for the City and the employee. With no manager present, there was no one with whom the City could discuss issues.

In 2010, a Committee of the Whole discussed the issue and staff met with the contractor to discuss options.[60] In the end, the caterer stopped providing the service and there were no responses to a City RFP for cafeteria services.

Council felt it was important to continue providing food services in City Hall and in 2011 accepted a recommendation to bring the work in house. The incumbent employee of the caterer applied for and was accepted in the new in-house position.

New Westminster was Canada's first municipality to become a Living Wage Employer. Becoming a City employee meant a significant increase in pay for the cafeteria worker.

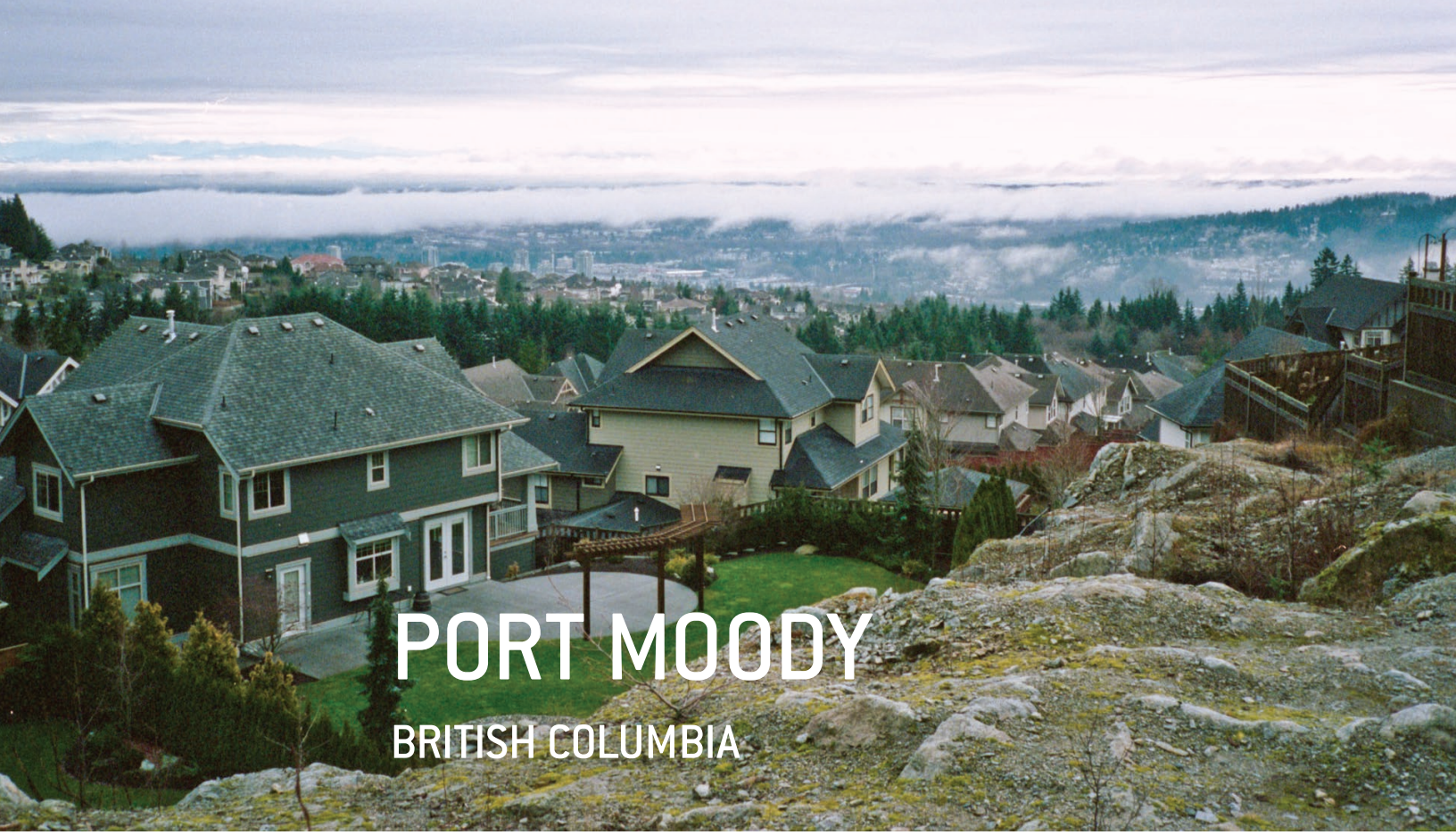
ISSUES

- Lack of a supervisor created problems for the City and the contracted out employee
- The City wanted to continue to provide the service
- The contracted out employee was making less than the Living Wage stipulated in the City's policy

Becoming a City employee meant a significant increase in pay for the cafeteria worker.

TOP PHOTO COURTESY DANNA&CURIOUSTANGLES/FLICKR

60 City of New Westminster, Minutes of Council in Committee of the Whole, December 13, 2010, www.newwestcity.ca/council_minutes/0110_11/RGAG%20Dec%2013%202010%20CW%20Min.pdf



PORT MOODY

BRITISH COLUMBIA

SOLID WASTE COLLECTION

ISSUES

- Cost savings
- Flexibility issues in a changing regulatory environment
- Problems with contractor
- Confidence in staff capacity

Port Moody now finds itself in the position of providing much improved service at a rate lower than fees charged in neighbouring communities.

PHOTO COURTESY WOLFPETERSON/FLICKR

In 2008, **PORT MOODY**'s five-year solid waste collection contract was expiring. The City faced rapidly escalating waste collection costs. Resident complaints about service quality were escalating even faster. Due to new recycling targets and the contractor's shortcomings, Council faced intense pressure to rethink its service delivery model.

Ten years earlier, the 1998 decision to outsource had been based on two competing reports. A report from management listed benefits of lower payroll and savings from not replacing the city's trucks. A report prepared by the union promoted the employees' loyalty and investment in new trucks to achieve lower operating costs. Estimates between the two reports were vastly different. Council opted to outsource.

Determined to avoid a repeat of such a divisive approach in 2008, management invited the Canadian Union of Public Employees (CUPE) to form a joint task force. A team with an equal number of management and union representatives built trust through joint research and decisions made by consensus. Resources were allocated by both the City and CUPE to fund a joint study, which they presented to Council together. Council applauded the collaborative approach and voted to bring the service in house.

Port Moody now finds itself in the position of providing much improved service at a rate lower than fees charged in neighbouring communities.

In preparation for the transition to the new collection system, the City set out to educate residents about waste diversion. The City's communication strategy

earned an award from the Solid Waste Association of North America (SWANA).[61] Waste diversion[62] climbed to 73 per cent in 2011 from less than 50 per cent when the service was done by a contractor three years earlier.[63] Port Moody is now one of very few Canadian communities having reached a waste diversion rate above 75 per cent. This is very favourable compared to the diversion rate for British Columbia as a whole at 35.4 per cent[64] according to the 2013 Statistics Canada Waste Management Industry Survey.

Resources were allocated by both the City and CUPE to fund a joint study, which they presented to Council together. Council applauded the collaborative approach and voted to bring the service in house.

PHOTOS COURTESY SWANA.ORG

61 City of Port Moody, news release, "Port Moody's Record-Breaking Trash Reduction Wins International Award," September 14, 2011, www.portmoody.ca/index.aspx?page=43&recordid=32&returnURL=%2findex.aspx

62 Federation of Canadian Municipalities Green Municipal Fund, "Getting to 50% and Beyond: Waste Diversion Success Stories from Canadian Municipalities," www.fcm.ca/Documents/tools/GMF/Getting_to_50_percent_en.pdf. Waste diversion is the percentage in weight of solid waste diverted away from landfill.

63 Taylor Royer, "Contract-in and win: How a City partnered with its Union to win big dividends," Solid Waste Association of North America, 2011, https://community.swana.org/HigherLogic/System/DownloadDocumentFile.ashx?DocumentFileKey=df98ddcd-fc79-4860-bf1c-1ca211935a63

64 Laurie Giroux, *State of Waste Management in Canada Prepared for: Canadian Council of Ministers of Environment*, Giroux Environmental Consulting, 2014, www.ccme.ca/files/Resources/waste/wst_mgmt/State_Waste_Mgmt_in_Canada%20April%202015%20revised.pdf

SOOKE

BRITISH COLUMBIA

ISSUES

- Cost savings
- Increased local capacity

Council's decision to bring the work back in house was based on a staff report that concluded in-house operation would save the community approximately $225,000 annually.

PHOTO COURTESY RUTH HARTNUP/FLICKR

WASTEWATER TREATMENT

In 2004, the **DISTRICT OF SOOKE** entered into an agreement with EPCOR Water (West) Inc. to design build, finance, and operate its wastewater system. Operation commenced in 2006 with EPCOR having a five-year operating contract.[65]

Five years later, in 2011, Sooke Council sought to enter into a new 21-year operating agreement with EPCOR, but was met by a backlash from the community. More than 20 per cent of the population signed a petition opposing the deal, questioning the cost and length of the contract and demanding Council consider an in-house option. Some councillors at the time questioned whether Sooke had the capacity to manage its own wastewater system and Council chose to enter into another five-year agreement with EPCOR.[66]

That five-year agreement expires in 2016 and Sooke Council has once again considered its options and come to a very different conclusion. On March 29, 2016, Sooke Council voted unanimously for in-house operation of the plant when the EPCOR contract expires.[67] Council's decision was based on a staff report that concluded in-house operation would save the community approximately $225,000 annually.[68]

Acting Mayor Rick Kasper said 10 years was a long time for the plant to be in operation and "Sooke now has the ability to deal with it in house."[69]

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65 "District of Sooke eyes end to EPCOR contract," *Sooke News Mirror*, March 30, 2016.
66 "Five-year deal for EPCOR," *Sooke News Mirror*, August 11, 2011.
67 "Sooke goes in-house on sewage work," *Victoria Times Colonist*, March 31, 2016.
68 District of Sooke, Report to Sooke Council on the EPCOR Service Agreement Update, March 29, 2016, http://sooke.ca/wp-content/uploads/2013/12/Council-Agenda-New-Business-Package-March-29-16.pdf
69 "Sooke goes in-house on sewage work," *Victoria Times Colonist*, March 31, 2016.

PORT HARDY

BRITISH COLUMBIA

WATER AND WASTEWATER OPERATIONS

In 1999, the **DISTRICT OF PORT HARDY** entered into a 20-year agreement with EPCOR Water Services Inc. for the management of the district water system. The arrangement included a five-year agreement to manage the wastewater system. In 2002, the wastewater agreement was extended to 20 years to be consistent with the water agreement. The District said the contract with EPCOR was necessary as the District lacked necessary expertise. Fortunately, the agreement contained a three-year exit clause if either party was unhappy with the arrangement.[70]

In September 2013, following an in-camera meeting, Port Hardy District Council voted to terminate the agreement with EPCOR. The mayor told the media that ending the arrangement was in the best interests of the taxpayer. She said EPCOR's employees had originally been drawn from the community's public works department and that the arrangement had left the department somewhat stretched. EPCOR employees were offered positions with Port Hardy's public works department.[71]

ISSUES

- Cost saving
- Management of staff in public works department

EPCOR employees were offered positions with Port Hardy's public works department.

PHOTO COURTESY PROVINCE OF BC/FLICKR

70 Port Hardy Council Briefing, December 2002—Updated November 2005, www.civicinfo.bc.ca/Library/Elections/Council_Briefing_Brochure--Port_Hardy--2005.pdf

71 "Council pulls plug on EPCOR agreement," *North Island Gazette*, September 19, 2013.

PART 6

International Perspective

Public service delivery remains the most common form of service delivery in the United States, with surveys showing that privatization peaked in 1997.

TREND LINES in a number of international jurisdictions show services brought back in house as local governments reconsider previous decisions to outsource work.

Public service delivery remains the most common form of service delivery in the United States, with surveys showing that privatization peaked in 1997. Despite pressure to contract out services, many local governments in the United Kingdom are moving services in house. In 2011, the Association for Public Service in the UK found that 67 per cent of the 140 local governments surveyed had either brought a service back in house, were in the process of insourcing, or were considering doing so. In France, there has been a major initiative since 2010 to bring public services back in house, with the largest being the conclusion of a 25-year contract in Paris with Suez and Veolia. The majority of electrical distribution in Germany is now municipal rather than private as municipalities bring their energy services back into public hands.

United States

In the United States, municipal and county contracting is governed by state law. Some states require bids to go to a lowest bidder; others also allow local governments to have local preference provisions.[72] In many cases local governments can only exercise specific powers granted by the legislature; however, some communities with their own "charters" have broader powers.[73]

Similarly, different states have differing legislation governing the use of public-private partnerships. Some 33 states are reported to have some sort of P3 enabling legislation.[74]

72 Bloustein Local Government Research Centre, Rutgers, the State University, and New Jersey Division of Local Government Services, *New Jersey Local Public Contracts Law and Regulation Reference Manual With Related and Supporting Information*, April 1, 2014, www.nj.gov/dca/divisions/dlgs/programs/lpcl_docs/Full%204-14%20LPCL-NJAC%20Reference%20Handbook.pdf; Ronald L. Jones, *Letter to To Whom it May Concern*, State of Alabama Department of Pubic Examiners of Public Accounts, January 7, 2016, www.examiners.alabama.gov/documents/formpub/bid_law.pdf

73 Reich 1988, 17.

74 Bipartisan Policy Center, "Public-Private Partnerships (P3) Model State Legislation," December 17, 2015, http://bipartisanpolicy.org/library/public-private-partnership-p3-model-legislation/

Some communities face pressures to privatize services because of limitations on property taxes imposed by referendum or legislation. This movement began in California and was subsequently adopted by other states.[75]

US Local Government Services Data

The United States has a valuable historical database of how local government services are delivered. Every five years the International City/County Management Association (ICMA) conducts a survey of US local governments on their service delivery choices.

These survey results are a gold mine for academics. Some information is notable comparing responses to questions over time. For example, in 1997, 65.7 per cent of respondents answered "Yes" to the question, "Has your local government studied the feasibility of adopting private service delivery within the last five years." By 2007 this figure had fallen to 49.6 per cent.

In 1997, 65.7 per cent answered "Yes" to the question, "Has your local government studied the feasibility of adopting private service delivery within the last five years."

By 2007 this figure had fallen to 49.6 per cent.

However, while these numbers are interesting they do not permit an accurate assessment of changes over time because the same communities do not always respond to surveys five years apart. Academics Mildred Warner and Amir Hefetz found that 476 communities had responded to both the 2002 and 2007 surveys. Of this, 430 were useable pairs. They analysed "the paired 2002–2007 sample as representative of the larger survey, as the key demographic means were similar."[76]

Warner found that between 2007 and 2012 new outsourcing accounted for 11.1 per cent of services while new insourcing accounted for 10.4 per cent. Stable contracting was 29.7 per cent and stable public delivery was 48.9 per cent. She concluded, "Public delivery remains the most common form of service delivery across local governments in the US."[77]

Analysing the data, Warner found the following as key reasons why work was being brought in house.

REASONS FOR BRINGING WORK IN-HOUSE IN THE US	
Cost savings were insufficient	52.5%
Outsourced service quality not satisfactory	51.4%
Local government efficiency improved	30.4%
Successful proposal by in-house staff	23.4%
There was strong political support to bring back the service delivery	15.0%
There were problems monitoring the contract	12.9%
Other	12.1%
There were problems with contract specifications	10.0%
Lack of competitive private bidders	7.1%
Source: Warner 2016, 6.	

75 Brown, Potoski and Van Slyke 2005.
76 Warner and Hefetz 2012, 316.
77 Warner 2016.

Warner also identified that contracting to for-profit providers had diminished and that by 2012 inter-municipal contracting had surpassed for-profit. Insourcing was shown to be much more common with for-profit contracting than for inter-municipal contracting. "Cooperative agreements may also fail," she reported, "but failure rates are much lower and this helps explain the growth of inter-municipal cooperative agreements in the US."[78]

A number of US cities, such as Milton, Georgia and Evansville, Indiana[79] have brought their water management back in house. Only 8 per cent of US water systems are managed by private companies.[80]

United Kingdom

In the UK, the key reasons given by local governments for insourcing work were poor performance by the contractor, a drive for more value for money, a need for a more holistic approach to public services, and the lack of a motivated workforce in the contracted out service.

In the UK, both Conservative and Labour governments have a long history of aggressively promoting the outsourcing of public sector work through contracting out and public-private partnerships, referred to in the UK as a private finance initiative (PFI).

Compulsory Competitive Tendering (CCT), which ordered that local authorities could carry out certain defined activities only if the work had first gone to tender, was introduced in 1980 and expanded to a broader range of services in 1992.[81] Under CCT "Private sector provision of locally managed services overtook public sector provision, increasing from 40 per cent in the late 1980s, to 55 per cent in the late 1990s."[82]

The Labour government, which came to power in 1997, sought to reduce barriers to the use of PFI by local governments and the first local authority PFI was initiated in 1997.[83]

In 2006, CCT was replaced with "Best Value" which offered a less complex approach by simply ordering local governments to achieve best value for their communities. Best Value, unlike CCT, came to include economic, social, and environmental values.[84]

Despite pressure to contract out work, many local governments in the UK are moving work in house. A 2009 study by the Association for Public Service Excellence (APSE) found 50 examples of work being insourced and provided eight more lengthy case studies. The key reasons given by local governments for insourcing work were poor performance by the contractor, a drive for more value for money, a need for a more holistic approach to public services, and the lack of a motivated workforce in the contracted out service.[85]

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78 Ibid., Warner 2016, 8.

79 "Verdict mixed for towns that privatize," *Frederick News-Post*, July 24, 2011; Dan Shaw, Evansville Courier & Press, August 1, 2010.

80 Lobina 2014.

81 "Government acts to relax compulsory competitive tendering," *European Observatory of Working Life*, December 27, 1997, www.eurofound.europa.eu/observatories/eurwork/articles/government-acts-to-relax-compulsory-competitive-tendering; John Wilson, "Compulsory Competitive Tendering and Local Government Financial Services: An Analysis Of The Views Of Local Government Accountants In The North West Of England," *Public Administration* 77(3), December 17, 2002.

82 Gash and Roos 2012, 32.

83 Bastian Heinecke, *Involvement of Small and Medium Sized Enterprises in the Private Realisation of Public Buildings,* Technische Universitat Bergakademie Freiberg, 2002, http://tu-freiberg.de/sites/default/files/media/fakultaet-6-3307/fileadmin/Arbeitspapiere/2002/winter_09_2002.pdf

84 Dobson 2013.

85 Association for Public Service Excellence 2009.

In 2011, APSE published a second report on insourcing, this time based on a survey of 140 local governments. The survey found that "67 per cent had either brought a service back in-house, were in the process of insourcing or were considering doing so. The majority of work considered for insourcing came from environmental disciplines, followed by housing and building maintenance. There was evidence of insourcing across a broad range of other services."[86]

The most frequently cited reason for insourcing in this study was the need to increase efficiency and reduce service costs (60 per cent) followed by the need to improve the quality of service (44 per cent).

Problems were also emerging in the UK with public-private partnerships. By 2010, Britain's National Audit Office warned that many of the country's PFI hospitals would have to cut services to afford payments to their corporate PFI partners.[87]

In 2012, the UK's Conservative Chancellor described the PFI scheme as "discredited" because many schemes were found to be poor value for money and left some hospitals near bankruptcy. While the UK's coalition government had earlier vowed to replace the PFI scheme, the program was instead revamped. Part of the revamping process was a determination to cut the cost of already signed contracts.

Scotland ended a PFI for the Skye Bridge, saving money for drivers and the government and eliminating tolling.

SKYE BRIDGE PHOTO COURTESY DAVID JONES/FLICKR COMMONS

A partnership between the UK Treasury and the Local Government Association was tasked with the job of recovering money from local authority PPPs. In 2014 they reported, "We have identified over £200 million [CAD$366 million] of savings for local and police authorities through this programme to date."[88] More savings were found in other areas.

Separately, Transport for London (TfL) reported £476 million (CAD$870 million) in savings across PFI contracts, largely through bringing contracted-out work back in house.

In 2004, Scotland ended a PFI for the Skye Bridge, saving money for drivers and the government and eliminating tolling. In 2014, Lancashire County Council and Blackpool Borough Council took ownership of their 25-year private finance initiative (PFI) waste contract.[89] Most recently, Blackpool Council has refinanced its street lighting and traffic signals PFI with Community Lighting Partnership in a move expected to save around £3 million (CAD$5.5 million) over 19 years.[90]

86 Association for Public Service Excellence 2011, 4.

87 Rebecca Smith, "Medical Editor, Controversial PFI hospitals may have to cut patient services: NAO," *The Telegraph*, June 17, 2010.

88 Local Partnerships LLP, "Report and Financial Statements for the year ended 31 March 2014," p. 2, http://localpartnerships.org.uk/images/files/LP_signed_accounts_2013.14.pdf

89 Anne Kane, "Lancashire County Council terminates PFI contract," *Resource*, August 5, 2014.

90 Andy Jowett, "Blackpool targets £3m savings from street lighting PFI renegotiation," *Local Government Executive,* February 15, 2016, www.localgovernmentexecutive.co.uk/news/blackpool-targets-%C2%A33m-savings-street-lighting-pfi-renegotiation

France

In France, where there is a long history of outsourcing by local governments, the central government adopts and monitors procurement rules for local authorities.[91]

The use of public-private partnerships became more common in the late 1980s and the 1990s, but grew significantly after legislation passed in 2004 creating a central agency to evaluate PPPs and defining terms for their use.[92] In 2009, the French government adopted a large stimulus package for investments in public infrastructure, which included a state guarantee for public-private partnerships.[93] By 2012, more than 150 contracts had been signed.

In 2014, France's Inspection générale des finances (IGF), an interdepartmental auditing and supervisory body, condemned the use of PPPs as a means of disregarding budgetary constraints. The report said the production cost of PPPs was 25 per cent higher on average than those associated with other design-and-build arrangements.[94] The same year, a committee of the French Senate said PPPs had a large number of negative effects, particularly for future generations, and that they were a budgetary ticking time bomb.[95]

Concerns were also being raised about quality of services. In a survey of 150 PPP clients, the quality of operation was considered satisfactory or very satisfactory in only 47 per cent of projects.[96]

In a governance trend supporting public ownership, a new law passed in 2010 with all party support enables two or more communities to establish 100 per cent publicly owned 'local public companies' to carry out public services. In the first year, 22 of these companies were created, primarily in public transit. The town of Saumur, for example, created such a company to bring transportation services back in house for an estimated annual savings of more than €400,000 (CAD$570,000).[97]

In a governance trend in France supporting public ownership, a new law passed in 2010 with all party support enables two or more communities to establish 100 per cent publicly owned 'local public companies' to carry out public services.

The largest insourcing of water services was in Paris in 2010 following the conclusion of a 25-year contract with Suez and Veolia. The City of Paris is reported to have saved about €35 million (CAD$50 million) in the first year and was able to reduce water prices by 8 per cent. As water management contracts have expired, a further 40 French municipalities, including the major cities of Bordeaux and Brest, have insourced their water treatment. Other municipal services such as waste and transportation services[98] have been insourced too.

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91 Bianchi and Guidi 2010, 58.
92 European PPP Expertise Centre 2012.
93 Zatezalo-Falatar 2010, 71.
94 "France-Un rapport de l'IGF pointe les défaillances des PPP-Presse," *Reuters France*, July 10, 2014, translation, http://fr.reuters.com/article/frEuroRpt/idFRL6N0PL55X20140710
95 "Partenariat public-privé : une "bombe à retardement budgétaire" (Sénat), *La Tribune*, July 16, 2014, translation, www.latribune.fr/actualites/economie/france/20140716trib000840203/partenariat-public-prive-une-bombe-a-retardement-budgetaire-senat.html
96 Saussier and Tran n.d.
97 Hall 2012, 20.
98 "Re-municipalising municipal services in Europe," Public Services International Research Unit, May 2012, 5.

Germany

In Germany's federal political system, public procurement is a concurrent legislative power, which means there are several thousand awarding authorities responsible for public procurement at the federal, local, and regional levels.[99]

Increased levels of privatization and outsourcing led to a considerable decline in the number of people employed by municipalities and one study found that the state had become a major driver of the low wage sector. "Moreover 30,000 or more procurement bodies in the German public service in practice awarded contracts only on the basis of the lowest price even though the procurement laws leave it to the procurement body to mix price and quality criteria in order to determine the most advantageous offer."[100]

However, as a result of the financial and economic crisis, many local governments lost confidence in the performance of the marketplace and self-regulation by corporations and began to bring previously contracted work back in house. Local governments bringing work back in have also cited an increased focus on public welfare rather than profit maximization, lowering costs and charges, improving efficiency, and preserving municipal jobs.[101]

Major areas of work being brought back in house have included water treatment, energy, transportation, and waste collection.[102] The city of Stuttgart, for example,

Local governments in Germany bringing work back in have also cited an increased focus on public welfare rather than profit maximization, lowering costs and charges, improving efficiency, and preserving municipal jobs.

STUTTGART PHOTO COURTESY JACK AMICK/FLICKR COMMONS

99 Bianchi and Guidi 2010, 81.
100 Ibid., 37.
101 Ibid., 60.
102 Ibid., 69; Wollman 2014.

contracted out water provision to a German provider in 2003, but following a referendum in 2010, decided to repurchase the water work once the concession contract expires.[103]

The most significant area of municipalization in Germany has been energy. *The Guardian* newspaper reports that "Since 2007, 170 municipalities in Germany alone have brought energy services back into public hands."[104] With almost all existing energy concessions up for renewal by 2016, this was expected to continue as a trend.[105]

As an illustration of this governance shift to bring energy services back in house, the citizens of Hamburg, Germany's second largest city, voted in 2013 to buy back their power, gas, and district heating networks.[106] The environment and sustainability played a major role in this decision, with Hamburg promising it would locally produce 50 per cent of energy consumed by its clients.[107]

The majority of electrical distribution in Germany is now municipal rather than private.

After years of partial privatization, Uruguay's water and wastewater services were renationalized after a civil society campaign led to a national vote.

URUGUAY LEGISLATURE PHOTO COURTESY FEDERICO CORRAL/ WIKIMEDIA COMMONS

Other Countries

Taking back privatized work to be delivered in house by local governments is not unique to Europe and North America. *The Guardian* newspaper reports that "Satoko Kishimoto, co-ordinator of the water justice project at the Transnational Institute in Amsterdam, pointed to recent cases in the water sector in Africa and Asia, from Mozambique to Malaysia: 'This is not a minor trend: many municipalities have been disappointed with privatization, with costs, with service quality," she said. "Remunicipalisation is seen as a tangible response, a way to rebuild important social services, more democratically.'"[108]

In South America, after years of partial privatization, Uruguay's water and wastewater services have been renationalized after a civil society campaign led to a national vote in 2004 in which the public demanded that access to water and sewage services be recognized as a basic human right. The wording was written into the Uruguayan Constitution.[109]

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103 Wollman 2013, 23.
104 Claire Provost and Matt Kennard, "Hamburg at forefront of global drive to reverse privatisation of city services," *The Guardian*, November 12, 2014.
105 Hall 2012, 4.
106 Jeevan Vasager, "German grids restored to public ownership," *Financial Times*, November 25, 2013.
107 Douard 2013.
108 Supra note 104, Provost and Kennard 2014.
109 Prieto n.d.

PART 7

Best Practices to Successfully Contract-in

EACH MUNICIPALITY FACES different circumstances and opportunities. The following practices are common contributors to successful remunicipalization initiatives.

- **ADOPT IN-HOUSE SERVICE POLICY:** All cities have procurement policies setting out how to seek competitive bids and proposals. Adopt a policy stating that doing work in house shall be one of the options.
- **MAKE EVIDENCE-BASED DECISIONS:** Make decisions based on a solid business case that considers in house work as part of the case analysis.
- **ENGAGE THE PUBLIC:** Offer opportunities for members of the public to provide input about their priorities. Ensure transparency in communications.
- **QUESTIONS TO CONSIDER:** Are there questions of quality and service levels? Is it really cheaper by contract? How do we deliver better service? Is there a termination for convenience clause that allows for exiting the arrangement early? Is there a clause allowing "termination for cause" in the event of serious contract violations?
- **INVOLVE THE UNION IN BUSINESS CASE:** Form a joint task force and answer these questions together. Consult and involve workers and their trade unions from the early stages.
- **SET CLEAR TARGETS:** Service delivery targets that are quantified and specific impose a more rigorous analysis and evaluation in a business case.
- **COMPARE APPLES WITH...** Be thorough when comparing business cases. Compare:
  - Capitalization, amortization. and present day value;
  - Overhead for tendering and contract administration;
  - Overhead for supervision of your own staff; and
  - Lifecycle costs.

Once you make the decision to deliver a service in house, help your employees succeed.

PHOTO: GREGORY BENNETT

- **EQUIP YOUR TEAM FOR SUCCESS:** Once you make the decision to deliver a service in house, help your employees succeed. Buy the equipment that a contractor would have bought (and charged you for), roll out a communication plan, measure results, and address deficiencies early.
- **MEASURE RESULTS:** Work from a baseline and have clear progress indicators.
- **CELEBRATE TOGETHER:** Share the credit for success and involve Council, management, and front-line workers in celebrating accomplishments.

PART 8

Governance Checkpoints on the Road Home

A LOCAL GOVERNMENT LEADER'S ROLE is about public welfare, not just the bottom line. Councillors charged with making good governance decisions and tight budgets are often on the hot seat.

When it comes to service delivery, a public outcry over safety, service quality, or expense may lead to early exit from contracted services. More likely the exit will come as a contract expires and services haven't been delivered as expected, have proven to be much more expensive than anticipated, or an understanding that better operations are possible with in-house delivery has come to the fore.

As reports are prepared by staff or commissioned by council, there are a number of checkpoints for local leaders to consider.

- **DID THE QUALITY OF CONTRACTED SERVICE MEET STANDARDS AND EXPECTATIONS?** Often insourcing is in response to poor service delivery. Ensure that internal technical evaluations are robust and explore quality from a quantitative and qualitative point of view.
- **HAS THE PUBLIC BEEN HAPPY WITH SERVICE DELIVERY?** If quality of service has been an issue, the public likely has been letting you know.
- **HAS THERE BEEN OPPORTUNITY FOR THE PUBLIC TO SHARE THEIR OPINION?** If the service quality has been a problem, pay special attention to ensuring robust public consultation.
- **DOES THE LOCAL GOVERNMENT HAVE ENOUGH FLEXIBILITY AND CONTROL OVER LOCAL SERVICE DELIVERY?** This is both an operational and governance question. Inflexibility in contracts can mean inefficient deploying of resources. New governance considerations can arise that were not anticipated when the contract was drafted.
- **ARE THERE ADVANTAGES TO DELIVERING THE SERVICE IN HOUSE WITH STAFF WHO ARE COMMITTED TO THE MUNICIPALITY?** Some local governments have insourced in appreciation of good staff morale and the benefit of in-house workers' commitment to operations, internal expertise, and knowledge.

When it comes to service delivery, a public outcry over safety, service quality, or expense may lead to early exit from contracted services.

- **COULD THE SERVICE BE DELIVERED IN HOUSE?** This is a capacity question. If internal capacity doesn't currently exist, are there structures in place and resources available to support development of the needed capacity? If there is scepticism, it's particularly important that evaluation is accurate: that apples are compared to apples.

- **COULD THE SERVICE BE DELIVERED IN HOUSE AT A SIMILAR OR BETTER PRICE POINT?** 80 per cent of the Canadian case studies from this report cite cost advantage for bringing services back in house. Scholarship and other examples from the report challenge the premise of cost savings attributed to outsourcing and demonstrate that the in house option often ends up costing less.

CITY OF OTTAWA WASTE DISPOSAL PHOTO © IAN A. MCCORD/FLICKR

APPENDIX

What Happened to those Outsourcing Examples?

IN 1997 THE INTERGOVERNMENTAL COMMITTEE on Urban and Regional Research published two reports very positive on outsourcing of municipal work. Of those privatized services, 40 per cent have come back in house.

These two reports were:

- Michael J. Skelly, *Alternative Service Delivery in Canadian Municipalities*, Toronto: Intergovernmental Committee on Urban and Regional Research, February 1997[110]
- Glenna Carr, Jeff Bowden and Judi Storrer, *New Directions in Municipal Services: Competitive Contracting and Alternative Service Delivery in North American Municipalities*, Toronto: Car-Gordon Limited, ICURR Press, June 1997.[111]

The following pages set out what happened in the 13 municipalities studied in both reports.

Of the privatized municipal services highlighted in the two 1997 committee reports, 40 per cent have come back in house.

PHOTO: GREGORY BENNETT

AIRDRE, ALBERTA

WHAT: Contracting out of property assessment

2016: Back in-house

Assessment services in the City of Airdrie have been brought back in house. In 1997, the City was a very young community. At that time, population was just over 15,000. It is now a community of 60,000. The decision to bring the assessment service in house was tied to this exponential growth. Assessment values are regulated by the Municipal Government Act and they are meant to be equitable and fair across the province. While it is possible to have this service prepared on a contracted out basis, bringing the service in house allows the City administration to have more control over the assessment values. This is a very important value for the community.[112]

110 Available at www.muniscope.ca/_files/file.php?fileid=fileLJSuuQcjsn&filename=file_alternative_service_delivery.pdf

111 Available at www.muniscope.ca/_files/file.php?fileid=filejNVPuVrVRj&filename=file_New_Directions_in_Municipal_Services.pdf

112 Communications with the City of Airdre.

DARTMOUTH, NOVA SCOTIA

WHAT: Design, build, finance, operate P3 for water treatment

2016: Publically owned and operated

In 1995, Dartmouth issued a request for proposal for a 20-year design/build/finance/own/operate and transfer public-private partnership for the management of its water system. In 1996, Dartmouth became part of Greater Halifax with the establishment of the Halifax Regional Municipality.[113]

Water and wastewater facilities are now handled by a separate entity, the Halifax Water Commission. All water and wastewater plants are now publicly owned and operated.[114]

EAST PRINCE, PRINCE EDWARD ISLAND

WHAT: Waste management

2016: Managed and operated via contract

Since the inception of the PEI Island Waste Management Corporation, and the subsequent expansion of Waste Watch island-wide, there has been no significant change in the waste management system on Prince Edward Island. Other than the program being mandatory for all residents, businesses and institutions for the entire province (and not just the East Prince Region), the only other large initiative is the establishment of the composting facility, which processes all recovered organics. This facility is owned by the Crown corporation; however, it is managed and operated via contract.[115]

EAST YORK, ONTARIO

WHAT: Competitive contracting; various services

2016: Parking enforcement and tax payment system brought back in house; two zones of garbage collection kept in house

In 1998, the six municipalities of East York, Etobicoke, North York, Scarborough, York, and the City of Toronto were amalgamated into the City of Toronto. The City of Toronto currently has four garbage collection areas, two of which are served by in-house staff. Garbage collection services are now provided to the former City of East York in one of the areas served by city employees.

In 2015, Toronto City Council considered the possibility of contracting out the service, but elected to keep two zones in house based on a staff report and external consultant analysis. The report found that productivity for in-house staff had increased and that "Provided that these gains are sustained and improved, the best value and lowest risk to the City of Toronto at this time is to continue with the current model." In-house delivery

113 City of Halifax website, "A History of Halifax: A Brief History of the HRM," https://halifax.ca/community/history.php

114 Discussions with the Halifax Water Commission.

115 Communications with Island Waste Management.

was better on cost, quality of service (fewer complaints), and diversion. Costs were found to be lower for in-house services when two areas were compared, and the areas served by city staff were found to have slightly higher rates of waste diversion.[116]

SAINT-HYACINTHE, QUEBEC

WHAT: Household waste and compost

2016: The services cited here remain contracted out

ETOBICOKE, ONTARIO

WHAT: Waste management

2016: Garbage collection remains contracted out

By 1997 most hard services had been outsourced, including waste management.

As with East York, Etobicoke was one of the six cites amalgamated into the new City of Toronto. The former city of Etobicoke is in one of the zones where garbage collection remains contracted out.

PARADISE, NEWFOUNDLAND AND LABRADOR

WHAT: Garbage, snow clearance, and other public works maintenance

2016: Services are now back in house

At the time these services were contracted out, Paradise was a small bedroom community on the outskirts of St. John's. In recent years, however, it has grown to a population of 22,000 and is referred to as the fastest growing community in Atlantic Canada.

With its growth in population and capacity, Paradise began to look at the way its services were delivered. In 2011, Paradise Council voted to bring snow clearing and garbage collection in house. The mayor said he believed it would cut the cost of garbage collection by half.[117] All of the services mentioned in the 1997 report are now in house.

RCM HAUT-RICHELIEU, QUEBEC

WHAT: Collection and treatment of waste

2016: The services cited here remain contracted out

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116 General Manager, Solid Waste Services, Memo to City of Toronto Public Works and Infrastructure Committee, Curbside Waste Collection Services Review: Comparison of Curbside Waste Collection Services East and West of Yonge Street, City of Toronto, September 9, 2015, www.toronto.ca/legdocs/mmis/2015/pw/bgrd/backgroundfile-83720.pdf

117 "Contractors out as C.B.S., Paradise bring services in—house," *CBC News*, December 29, 2011, www.cbc.ca/news/canada/newfoundland-labrador/contractors-out-as-c-b-s-paradise-bring-services-in-house-1.1108307

PETERBOROUGH, ONTARIO

WHAT: Taxi-bus paratransit

2016: Operated as a contracted service

The 1997 report writes "The Trans-cab system was adopted because some areas of the city, due to low population, could not be economically served on a regular route schedule."

The trans-cab system is still used in areas of the City not serviced by regular bus routes. From these areas, you can take a taxi to and from the designated trans-cab stop for a fixed rate that includes the bus fare.

REGION OF HAMILTON-WENTWORTH, ONTARIO

WHAT: Water and wastewater treatment

2016: Back in-house

At its September 15, 2004 meeting, Council directed staff to implement an in house model for the operation and maintenance of the water and wastewater treatment facilities.[118]

The discontinued water and wastewater public-private partnership was described by the C.D. Howe Institute as one of "North America's least successful experiments with private operations."[119]

BROSSARD, QUEBEC

WHAT: Competitive contracting; two of three districts were contracted out for snow removal

2016: The services cited here remain contracted out

WINDSOR, ONTARIO

WHAT: Competitive contracting and public-private partnerships for services such as snow plowing and a leaseback agreement for police and fire radio communications system infrastructure

2016: The majority of snow removal remains contracted out; however, the City retains seven routes for the purpose of flexibility. When the City's crews are not doing snow clearing they are reassigned to pothole patching and sidewalk repairs. These crews can also be sent out on short notice for work too small to call in contractors, such as dealing with ice that might arise from a fire fighting situation in winter.

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118 Report to the Public Works, Infrastructure and Environment Committee from the General Manager of Public Works, City of Hamilton, March 21, 2006, https://wm-s.glb.shawcable.net/service/home/~/Hamilton%20Water%20Operations%20Report%20Card%20210306.pdf?auth=co&loc=en&id=16523&part=6

119 Brubaker 2011, 15.

WINNIPEG, MANITOBA

WHAT: Charleswood Bridge public-private partnership

2016: Controversy

Completed in 1995, this was one of the first projects in Canada to be designed, built, financed, and leased back to the City as a public-private partnership.[120] Original estimates suggested using a P3 for the project would save the City $2 million.

Subsequently, issues have arisen. The Charleswood Bridge debt was originally envisioned as being "off-book" for the City; however, auditors subsequently required the cost to be accounted for as debt.[121]

The cost for the bridge was pushed up by an agreement to pay a high interest rate to the private partner for the provision of capital. Winnipeg Mayor Sam Katz has said the interest rate on the Charleswood Bridge is higher than some might expect, but blamed it on a previous administration for agreeing to the rate when the agreement was signed.[122]

120 Ernst Hansch Construction Ltd., "Charleswood Bridge and Related Works, Winnipeg Manitoba," http://ehansch.com/PDF/bridges/charleswood-bridge.pdf

121 Loxley 2012.

122 Mia Rabson, "Katz sings the praises of public-private partnerships," *Winnipeg Free Press*, October 23, 2012.

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