



COUNCIL BRIEF – Utility Costing Model

Date: December 1, 2020
To: Council
From: Finance Department
CC: CAO
Subject: Water and Wastewater Services – Internal vs. WRC Contractor Analysis

Background:

The County currently contracts Wheatland Regional Corporation (“WRC”) to provide utility (water and wastewater) services to various hamlets and regions. Staff reviewed costs in continuing to contract WRC based on current requirements as well as projected servicing hours for the newly acquired Muirfield site. Further analysis was done to assess transitioning a whole or portion of responsibility for servicing the utilities to internally provided service. Staff project approximately 4,400 hours of staff/contractor time in order to fully service all regions.

Scenario 1 – Fully Internal:

An internal review of facility requirements along with WRC historical hours shows that three additional full time positions will properly service the water and wastewater functions within the County. This includes two level 2 and one level 3 operator. The three staff would be paid for a total of just over 6,200 hours; however, the productive working hours accounting for time off (i.e. vacation, sick days) likely work out to around 5,500. This would be enough to sufficiently cover the required 4,400 hours to service utilities as well as some residual time available to assist in other County functions.

Currently, the hamlet crew is able to complete essential service tasks but the utility staff could support the hamlet crew in a variety of ways:

- Hydrant repairs and maintenance
- Valve exercising
- Leak detection program
- Storm and sewer flushing program

- Co-ordinate and or completing underground infrastructure repairs
- Camering and flushing of main lines as required for repair work
- Labour and equipment support to hamlet crew
- Well shocking
- Co-ordinate emergency response for water breaks/sewer backups/etc.

Scenario 2 – Hybrid:

An alternative approach may be to utilize only two operators and contract to WRC for any remaining work. In this scenario the productive available hours for internal staff would likely be approximately 3,600. As this wouldn't reach the required 4,400 hours to service all utilities the residual 800 hours would be covered by WRC.

Scenario 3 – Full Contractor (WRC):

This scenario essentially considers a status quo approach in fully utilizing WRC to service the various regions. With the inclusion of Muirfield the full 4,400 hours of utility servicing would need to be addressed by WRC.

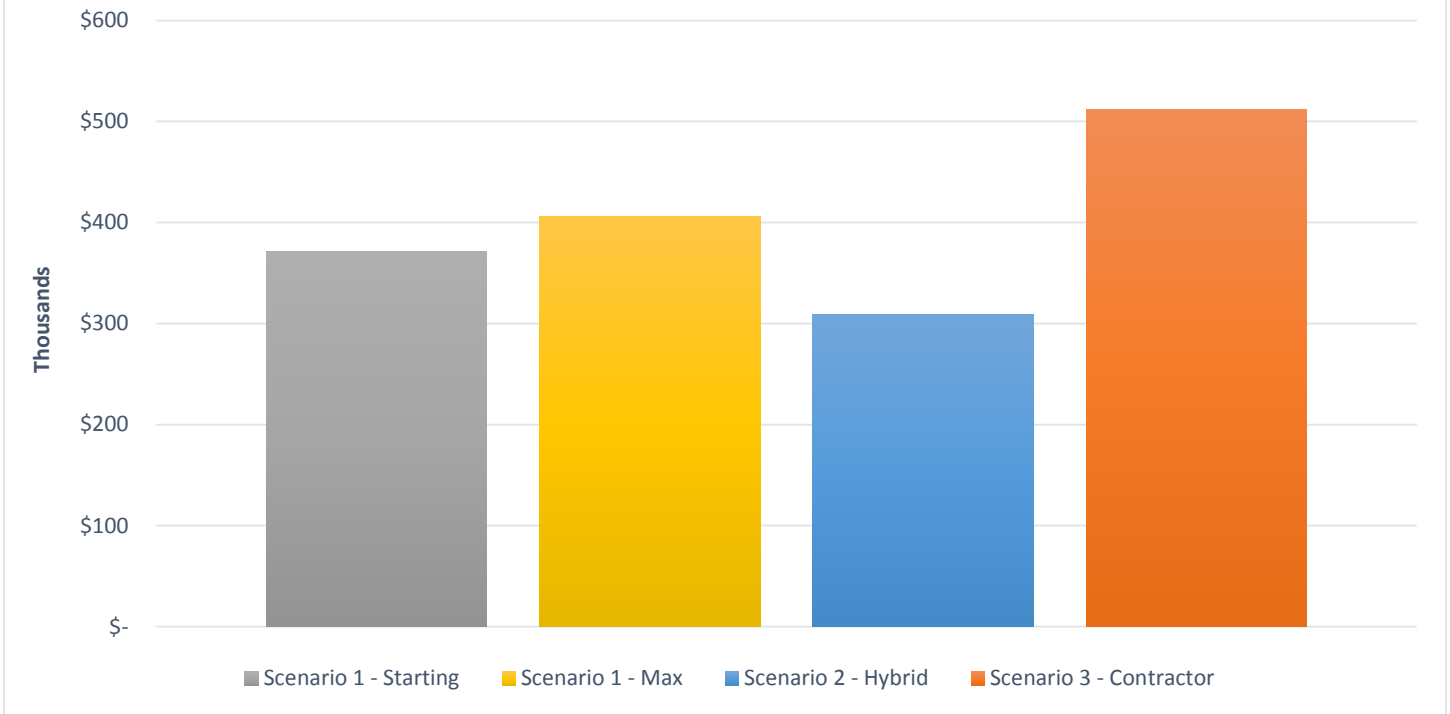
Cost Comparisons:

The metrics below show the projected cost among the three scenarios. Scenario 1 shows a starting value based on new staff however this assumes staffing at a midpoint of the pay grade system. Over time, the three staff would likely see increases in wages based on the current salary grid system. The maximum value for Scenario 1 (yellow bar graph) shows what the total internal costing would be if all three staff reached the top of their respective pay grade.

Internal costing included all required aspects of new positions such as salary, benefits, training and related vehicle expenses.

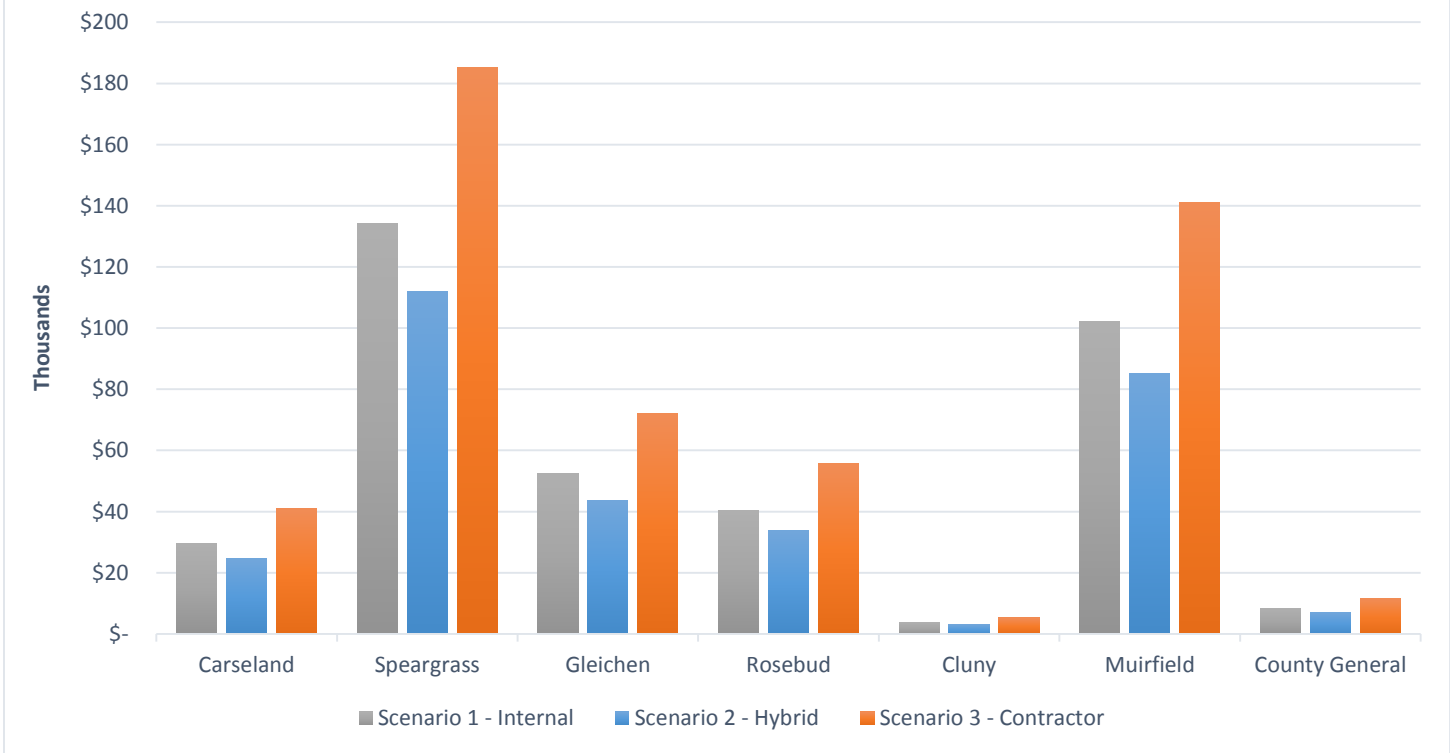
Scenario Summary	Scenario 1 - Internal	Scenario 2 - Hybrid	Scenario 3 - Contractor
Carseland	\$ 29,630	\$ 24,720	\$ 40,922
Speargrass	\$ 134,102	\$ 111,879	\$ 185,206
Gleichen	\$ 52,279	\$ 43,615	\$ 72,201
Rosebud	\$ 40,358	\$ 33,670	\$ 55,738
Cluny	\$ 3,831	\$ 3,197	\$ 5,292
Muirfield	\$ 102,173	\$ 85,241	\$ 141,109
County General	\$ 8,514	\$ 7,103	\$ 11,759
Total	\$ 370,888	\$ 309,424	\$ 512,227

Scenario Analysis - Annual Cost Projections



Further breakdown of scenario costing by region is shown below. These are based on actual hourly charges from WRC and estimated Muirfield requirements.

Scenario Analysis - Annual Cost Projections by Area



As Scenario 1 involves staff performing work in the hamlet group it makes sense to estimate the total costing between the utilities and hamlets. The graph below shows the breakdown of the Scenario 1 starting estimates; approximately 260K of the total 370K being associated with utility operations.



WRC contract costs with Scenario 3 include payments for hourly work performed as well as mileage. The below table provides a costing model comparing vehicle associated expenses between Scenario 1 and 3. The total internal cost is slightly higher than the mileage expense incurred by WRC. However, if the costs are prorated to account for the time the crew spends specifically for utilities it works out to less than the WRC mileage charges.

Internal Vehicle vs. WRC Mileage (Annual Cost Estimate)

Scenario 1 - Internal Vehicle (includes vehicle, fuel, maintenance and insurance)

Cost Allocation (based on proportion of hours in hamlets vs. utilities)

Hamlet Portion	\$13,900
Utilities Portion	<u>\$32,000</u>
Total cost	\$45,900

Scenario 3 - WRC Mileage (including estimate for Muirfield)	\$38,000
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Recommendations:

Although the Hybrid scenario is seen as the lowest cost there are significant concerns with this approach:

- 1) WRC is unlikely to accommodate a hybrid model as it significantly reduces their work
- 2) The County loses flexibility around high demand periods or events

This leaves the decision between Scenario 1 and 3. Scenario 1 is preferable as it is less expensive. In addition, it provides extra capacity to the hamlet crew. Despite these reasons it is important to consider the impact this decision may have on the County's relationship with WRC and other repercussions that may result from terminating the current process.