

# 2019 TLG Innovation Showcase Applicant

## Getting Better Performance, Pricing and Value from Service Contracts

City of Vaughan, Ontario, Canada

*#Reality Focused, Results Driven*

Population: 325,000

### Innovation

#### Criteria:

- Initiative fundamentally changed a process, product or service (fundamental)

OR

- Initiative builds upon existing knowledge to improve a product, process or service (incremental)
- The initiative substantially stretched the boundaries of ordinary governmental operations.

### Describe Your Innovation

*(When and how did this innovation get started? Do also detail how the program or policy innovative, how it has changed previous processes, products, or services, and how it has substantially stretched or improved the boundaries of ordinary governmental operations.)*

The City of Vaughan has developed exciting innovations in the procurement and delivery of major service contracts. Introduced in 2016, these innovations were designed to optimize performance, costs, and citizen satisfaction, and have proven successful in the City's Winter Road Maintenance (WRM) contract, which has completed its second season, and the Solid Waste Collection (SWC) contract, which began in January 2018. Innovations include:

- Using a consultative instead of prescriptive procurement approach to leverage the market's expertise on how best to deliver services.
- Using a Fairness Monitor (FM) to oversee procurement of service contracts, where FMs have traditionally only been used to oversee design and construction projects.
- Aligning of the contract length to equipment lifecycles to better reflect actual costs and risks.
- Using incentives and disincentives to manage contractor performance.
- Sharing responsibility for citizen satisfaction with the contractor.
- Embedding change management into the contract to enable the City and vendor to partner on efficiency improvements.

To date, improvements to performance, costs and citizen satisfaction have been clear. The new SWC contract saved the City \$1 million. For the WRM contract, the City saved over \$200,000 per year and citizen complaints have dropped significantly due to contractors being more focused on delivering citizen satisfaction. The City of Vaughan's proven success with its innovative approach to contract procurement is applicable to all municipalities for any type of service or operating contract.

## Collaboration

### Criteria:

- Initiative demonstrated engaging stakeholders both internal and external.
- Initiative demonstrated high performance teaming, breaking down internal silos.
- Strategic partnerships and or community networks were developed as a result of the initiative

**In less than 200 words, what individuals or groups are considered the primary initiators of your program? How does the innovation engage stakeholders or demonstrate high performance teaming? What strategic partnerships and/or community networks, if any, were developed?**

The primary initiators of the innovative service contracts were two departments within the City of Vaughan's Public Works portfolio: Transportation Services, Parks and Forestry Operations (TSPFO) and Environmental Services (ES). In the development of the contracts, expertise was leveraged from several City departments including Procurement and Legal. External organizations were also consulted such as the Ontario Road Builders Association, the Ontario Ministry of Transportation (MTO), York Region, peer municipalities and the Continuous Improvement Fund (CIF). The City leveraged inputs from a diverse set of experts, integrated feedback on best practices to develop a best-in-class service contract and implemented a contract that is delivering quality service and satisfaction to the citizens of the City – proof of high performance teaming. Strategic partnerships were developed with several service partners who not only provide service delivery but are part of the customer service team.

**If a private consultant was used please describe in detail their involvement, identify the consultant and/or firm and provide contact information. Maintain a 100 word maximum.**

Consultants were used in the development of the contracts. Carrie Nash of the Continuous Improvement Fund (905.936.5661) funded a consultant (Phil Jenson) to perform Activity Based Costing analysis for the Solid Waste Collection (SWC) contract. Greg Dadd of OPTIMUS | SBR (416.649.6000) provided consulting services and advice as a Fairness Monitor for the Solid Waste Collection (SWC) contract proposal. Steve Thornton of RFP Solutions (613.728.1335) was used for the Winter Roads Maintenance (WRM) contract for Request-for-Proposal (RFP) development and evaluation support services with a view to realize efficiencies and reduce risk.

## Significance

### Criteria:

- Initiative addresses an area of concern for the majority of local government organizations.
- Initiative can serve as a model and replicated in other jurisdictions.

**Please describe the extent to which you believe your program or policy initiative is potentially replicable within other jurisdictions and why? To your knowledge, have any other jurisdictions or organizations established programs or implemented policies modeled specifically on this project? Please also provide verification of the replication.**

The City of Vaughan's innovative approaches can be applied by any municipality to achieve better performance, better pricing and long-term cost stability with virtually any type of service contract, especially contracts that -  
Are operationally complex, such that the market's expertise could be leveraged through an RFP process to

elicit vendor proposals for more efficient service delivery - Rely on costly capital equipment, such that matching the contract term with the equipment life cycle mitigates investment risk borne by vendors - Could benefit from having the vendor share the responsibility of receiving and responding to citizen complaints - Could benefit from incentives, disincentives and liquidated damages to manage contractor performance. Vaughan is currently working to expand on its success by re-designing its contracts for sidewalk repairs, boulevard grass cutting and pavement marking.

Moreover, Vaughan has already received many calls from peer municipalities seeking to emulate the success of our WRM and SWC contracts. The contracts have media attention from outlets, such as CP24 and Global News, and has received prestigious innovation awards from the Ontario Public Works Association (2017 Award for Technical and Management Innovation) and Association of Municipalities of Ontario (2018 Peter J. Marshall award for Municipal Innovation).

## Effectiveness

### Criteria:

- Initiative addresses a community or organization need.
- Initiative has achieved tangible results.
- Initiative improved the organizational culture or the traditional approach to problem solving.
- Initiative has received recognition for its achievements, i.e. independent evaluation, national recognition, local press, etc.

**Please describe the most significant obstacle(s) encountered thus far by your program. How have they been dealt with? Which ones remain?**

1) PROACTIVELY GAINING COUNCIL SUPPORT For the WRM contract, Council was concerned about the ability to exit a long-term contract in the event of unsatisfactory performance. In addition, Council support was needed to implement service level adjustments. To overcome these challenges, Staff engaged Council early in the change process (a full year before bid release) and presented with results of a municipal scan, peer interviews and a detailed financial analysis. 2) ADDRESSING MARKET RESISTANCE Vendors expressed concern that contract innovations would threaten the viability of their businesses. For the WRM contract, staff consulted with industry organizations, such as the Ontario Road Builders Association, regarding perceived issues and challenges with a performance-based contract and were confident the proposed changes would be successful. Sixteen bidders expressed interest providing a solid base of candidates. A Fairness Monitor (FM) was also engaged to address bidder concerns. 3) DEFINING FAIR MARKET VALUE FOR LONG-TERM CONTRACTS For both the WRM and SRC contracts, because the contracts had not gone to a competitive tendering process for many years, City conducted financial analyses examining service delivery models, route structures and fleet compositions that could deliver superior citizen satisfaction more efficiently than previous contracts. No significant issues remain.

**What outcomes did this program or policy have? Could you share one or two objective measures that demonstrate these outcomes? Ultimately, how did you measure the change based on the intervention, and why do you believe in the credibility of this assessment?**

The redesigned contracts and the City's collaborative partnerships with its contractors have yielded the following benefits. REDUCED OPERATIONAL COSTS FOR THE CITY: The new SWC contract has reduced costs by \$1 million. Though WRM operational costs are challenging to compare due to seasonal variations, the elimination of

fuel and GPS costs alone saved over \$200,000 annually. Other costs are comparable even though quality control and customer service have been added to the contractor's scope. **HIGHER CITIZEN SATISFACTION:** By sharing responsibility for citizen satisfaction with the contractors and incentivizing performance, the re-designed contracts have reduced customer complaints by 50 per cent compared to pre-contract years. **INCREASED CITY STAFF AVAILABILITY FOR CITIZEN EDUCATION:** With contractors preventing and resolving most service complaints and deficiencies, City staff are now available to dedicate more attention to other citizen concerns such as explaining City-wide service levels and policies. These discussions are important for building relationships with citizens and educating them on City services to prevent on-going frustration. **GREATER PREPAREDNESS FOR THE WINTER SEASON:** Annual mobilization activities have ensured contractors are ready for the start of the winter season. Moreover, this continuous engagement has enabled the City to call on contractors to salt and plow before the official start and after the official end of the winter season contract in response to exceptional snow events. **BETTER CONDITION AND RELIABILITY OF FLEET EQUIPMENT:** The contract term extension, fair and equitable standby rates, and a capped maximum average fleet age have encouraged contractors to use newer, more reliable equipment. Contractors chose to start their contracts with brand new fleets, providing for more reliability and an improved citizen experience. Through the first two winter seasons of the WRM contract, there have been no instances of service routes not completed due to equipment break down.

**Has the program received any press or other media coverage to date? If yes, please list the sources and briefly describe relevant coverage.**

- CP24 Breakfast (Nov 14, 2016): Four hours of live coverage featuring interviews to discuss the contract and its innovations, new equipment, snow crew preparations and a snowplow test drive
- City's Breakfast Television with host Kevin Frankish (Nov 15, 2016): Contract innovations and benefits for the City of Vaughan.
- Evening news coverage on CTV News Barrie (Nov 14, 2016): Contract innovations and benefits
- Newstalk 1010 The Rush (formerly The Live Drive) with hosts Ryan Doyle and Jay Michaels (Nov 14, 2016): Roundtable discussion of the Innovative Winter Roads Maintenance (WRM) contract
- CFTR AM 680 News (Nov 14, 2016): New trendsetting Winter Roads Maintenance (WRM) contract
- News release pickup on major news websites including Yahoo! Finance, Globe Advisor, Canada.com, Edmonton Journal, Vancouver Sun
- OPWA Future Focus (Jan 25, 2018): Announcement of the City of Vaughan as the OPWA 2017 "Project of the Year Award – Management Innovation" for "WINTER ROADS MAINTENANCE SERVICES AND WASTE COLLECTION CONTRACTS"
- AMO website (Aug 21, 2018): Press release, "CITY OF VAUGHAN RECEIVES INNOVATION AWARD FOR NEW APPROACH TO SERVICE CONTRACTS", announcing the City of Vaughan as the winner of the Peter J. Marshall Innovation Award
- Municipal World (Aug 2018): Press release, "Vaughan and Innisfil recognized as municipal innovators"; announcement of City of Vaughan as a winner of the Peter J. Marshall Innovation Award and an overview of the its innovative service contract approach.

## Presentation

### Criteria:

- Presentation will be delivered by a team.
- Presentation will be highly interactive and engaging.

## Example Social Media Post

The City of Vaughan's new and innovative Winter Roads Maintenance (WRM) and Solid Waste Collection (SWC) contracts drive higher citizen satisfaction, improve operational performance and keeps costs in check! #TLG2019 #Vaughan #publicworks

### **Please write an abstract or short description for your innovation that would make conference attendees say "Well, I need to attend this session!"**

Better performance, better pricing and long-term cost stability. The City of Vaughan began a journey two years ago to achieve all three from its contracted services, which comprise a significant portion the Vaughan's service delivery model. The City started with winter road maintenance (WRM) and solid waste collection (SWC). To date, improvements to performance, costs and citizen satisfaction have been clear. The new SWC contract saves the City \$1 million/year, and the WRM contract saves over \$200,000 per year. Moreover, citizen complaints have dropped significantly due to contractors being more focused on delivering citizen satisfaction.

Come find out how the Vaughan applied a consultative procurement approach to leverage the market's expertise on how to deliver services more efficiently, how Vaughan restructured bid pricing to reduce risks to vendors and ultimately to reduce costs to the City, and how Vaughan embedded citizen satisfaction into the contractor's responsibilities. The City of Vaughan's innovative approaches are applicable to all municipalities and types of service contracts.

### **How will you make the session creative and unique?- How do you plan to be both entertaining and educational?- Include a description of how your session will facilitate group activities and/or interaction.- What will attendees be able to have as an actionable "takeaway" from the session?**

Our presentation will inspire attendees to find opportunities within their contracted services to improve performance, lower costs and improve citizen satisfaction. Attendees will learn about the types of concerns that will likely arise from stakeholders, such as Councillors and vendor, and will leave the session equipped with strategies to help stakeholder groups adjust to the change, based on Vaughan's experience and lessons learned. Our presentation will include photos and videos, along with a discussion of lessons learned, which will attendees will be able to leverage to kick-start contract improvements at their own municipalities.

### **Anything else you would like to add?**

The contract innovations have enhanced the sense of partnership between the City of Vaughan and its winter road maintenance and solid waste collection contractors, due to the long-term nature of the new contracts, the shared responsibility for citizen satisfaction, and the shared ownership of the operational design. This partnership contributes to improved performance, as has led to a mutual desire to seek win-win solutions when faced with challenges, such as extreme weather.