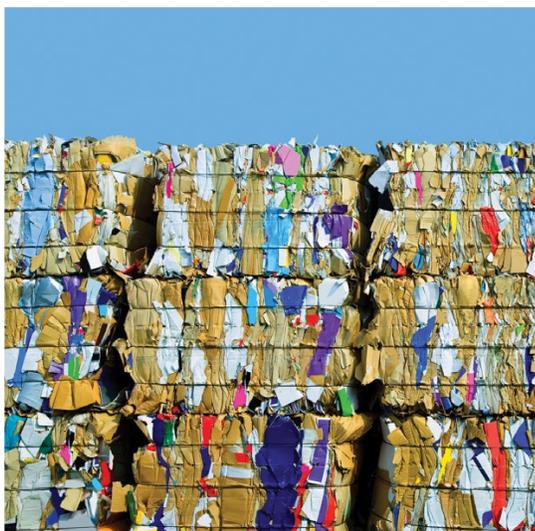
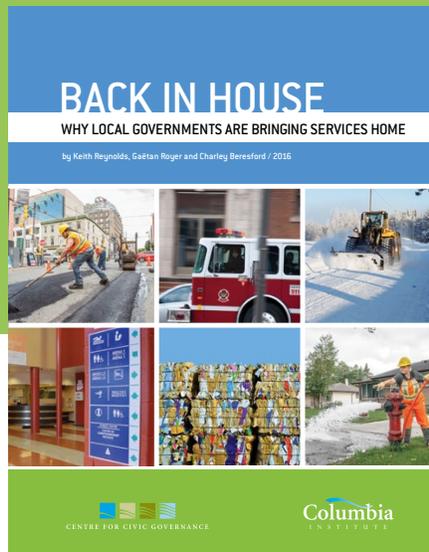


BACK IN HOUSE WORKBOOK



CENTRE FOR CIVIC GOVERNANCE

Columbia
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This workbook is intended to build on the Columbia Institute report *Back in House* by providing a practical guide to help communities identify work that can and should be brought back in house.

Back in House Workbook

by Charley Beresford, Keith Reynolds, and Gaëtan Royer

May 2018

Columbia Institute gratefully acknowledges funding from the Canadian Union of Public Employees for this project.

We wish to thank Alejandro Pachon, Marle Roberts, Audrey Barr and the CUPE Alberta team for their support.

Design: Nadene Rehnby, Hands on Publications

Cover photos, clockwise from top left: Halifax street repair, Gregory Bennett; Winnipeg fire truck, Michael Himbeault/Flickr Creative Commons; snow plow, iStock; Ray Friel sign, Ottawa.ca; waste diversion, iStock; Winnipeg city worker, Gregory Bennett

Columbia
INSTITUTE



Suite 510 – 1155 Robson Street
Vancouver, BC V6E 1B5
604.408.2500

columbiainstitute.ca

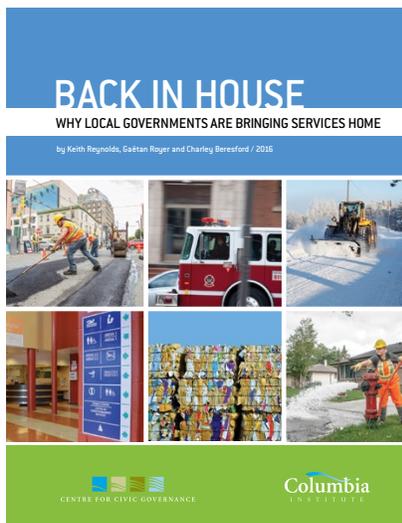
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INTRODUCTION

This workbook is intended to build on the Columbia Institute report *Back in House* by providing a practical guide to help communities identify work that can and should be brought back in house.



THIS BACK IN HOUSE WORKBOOK is intended to be a practical guide to help communities evaluate different service delivery methods and identify opportunities to bring work back in house. It is designed as an instruction manual and workshop outline that will provide participants with a better understanding of what is needed to prepare strong business cases to return public services in house. Cities can better allocate resources, save money and deliver high quality services to the community by working collaboratively with union locals and administration to support the public delivery of public services.

The Columbia Institute and the authors of *Back in House*—Charley Beresford, Keith Reynolds, and Gaetan Royer—were retained by the Canadian Union of Public Employees to develop this practical guide. In parallel, CUPE Alberta arranged a series of *Back in House* workshops with union, management and elected officials in cities in Alberta in 2018.

We wish to thank Alejandro Pachon, Marle Roberts, Audrey Barr and the CUPE Alberta team for their support.

ADOPT IN-HOUSE SERVICE POLICIES

POLICIES GOVERN THE WAY THINGS GET DONE IN THE LONG TERM. The best way to ensure a practice becomes integral to the way an organization does business is to make it a policy.

Every public body calls for tenders because this requirement is spelled out in their procurement policy. It would be easy to just take the first offer that comes in and use the same contractor over and over. A good procurement policy acknowledges that the same contractor may not always offer the best deal. Once in place a procurement policy that incorporates *Back in House* language will compel managers to consider the use of its in-house workforce. Once a policy exists, if managers simply assume that a task has to be done by contract, they find themselves working against that policy.

HOW TO INTRODUCE BACK IN HOUSE LANGUAGE IN A PROCUREMENT POLICY

The most appropriate way to approach this matter is by stressing the responsibility of all elected and appointed officials to use taxpayers' money wisely. The labour element of this policy is an important side-benefit, but the need to question "how" a service is delivered is simply about good and responsible management.

After identifying the policy that requires amendment and verifying that it does not contain in-sourcing language, options to introduce the change are the same as any matter brought to council's attention:

- A council member may introduce the amendment as a good management measure;
- A CUPE representative may write or appear before council to request an amendment to the policy;
- A taxpayer association / community group representative may bring the idea forward to council; and
- The idea may be introduced at finance committee meetings, during strategic planning sessions, annual budget consultation, service delivery review, employee satisfaction surveys and/or any other public forum.

PROPOSED RESOLUTION

WHEREAS decisions about whether a service should be delivered in house or by contract have a lasting financial impact and should be carefully considered,

BE IT RESOLVED THAT the following language be inserted in procurement policy _____.

1. Prior to issuing requests for quotes, tenders, or requests for proposals, and prior to extending or renewing any contract, the approval authority shall confirm that the service cannot be delivered more economically using in-house staff and assets;
2. The approval authority is the position designated in the procurement policy for the type of work and amount budgeted;
3. Estimates for in house and contracted out service delivery will use fully loaded wages and be based on costs and hours required for actual work, supervision, quality control, management, and overhead;
4. Exempt from this section of the procurement policy are:
 - a. Procurement of manufactured goods;
 - b. New construction projects;
 - c. Procurement of services that are one-time, intermittent or unpredictable;
 - d. Services that require unusual expertise; and
 - e. Services that require the acquisition of specialized equipment that would be rarely used.

The council member making the motion to adopt the amendment will be more effective if equipped with the background information to fully support the measure's careful consideration.

EXPLAINING THE BENEFITS OF ADOPTING A PROCUREMENT POLICY AMENDMENT

1. Decisions about how work is performed should be based on evidence.
2. Long-term reliance on unreviewed renewed annual contracts is costly.
3. Reviewing how taxpayers' money is spent is a prudent measure and good management.
4. Understanding full costs, including supervision and quality control, leads to more transparent budgets.
5. Services that are exempt will not be affected.
6. Services that are subject to this new clause will be delivered in the most economical way.
7. Bringing public services back in house will save money.
8. Bringing services back will be a source of growth and pride for the organization's labour force.

EXPLAINING THE IMPACT OF NOT ADOPTING THIS POLICY AMENDMENT

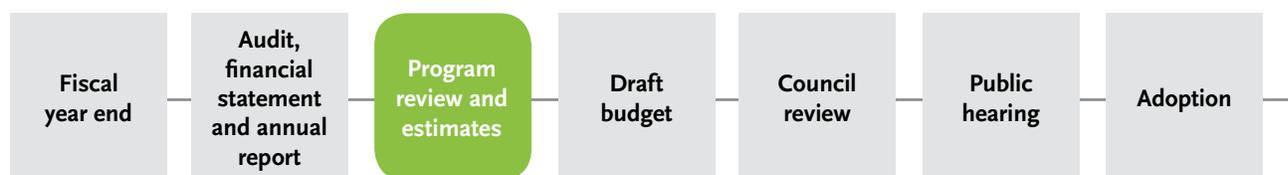
1. Some contracts that were initially competitive may now be uncompetitive.
2. If not, we may award contracts on the basis of an assumption rather than evidence.
3. We may lose an opportunity to take advantage of economies of scale as we grow.
4. Our hands are tied to the same scope of work during the life of a contract.
5. When changing or adding to the scope of a contract, the organization may be bound to use the existing contractor to undertake additional work. Competitive service contracts often become costly monopolies until they expire.

FOLLOWING THROUGH AND CELEBRATING SUCCESS

After the policy is adopted, it is important to follow up. Use this workbook to identify a specific contract or service and demonstrate that implementing the policy saves money, improves service delivery and benefits the community.

ANNUAL REVIEW OF EMPLOYER'S OUTSOURCING

REVIEWING ANNUAL FINANCIAL STATEMENTS and providing input into the next budget is a proactive way to advance insourcing. It is important to initiate the annual review shortly after the city's annual report is released. This is when department managers start their program review and estimates for the following year. It is also the best time to engage the administration in discussing the feasibility of contracting-in—before the detailed work on the budget has started. The preparation of the annual budget is a complex process and the window of opportunity for the administration to consider new ideas and changes tends to close quite rapidly. Discuss dates with the chief financial officer and plan ahead.



The BC Financial Information Act (RSBC 1996 Chapter 140) has stringent requirements for annual reports to be filed by BC municipalities. All municipal governments must include in their Statement of Financial Information a schedule of payments made to suppliers of goods and services who received more than \$25,000 during the year.¹ In this report, we used the disclosure from the City of White Rock, BC as an example of how such a schedule payments to suppliers works.

CUPE Alberta and municipal locals could lobby Alberta Municipal Affairs to require municipalities to report all payments in excess of \$50,000 made to individual suppliers during each fiscal year. Here is a sample request:

We respectfully request that you consider amending legislation and the Municipal Financial Information Return Manual to require that municipalities report payments made to all suppliers of goods and services who received more than \$50,000 in the fiscal year. This information will provide better transparency and public access to important government information about how funds are spent and how services are delivered in each jurisdiction. This reporting requirement has been in place in BC and other jurisdictions for over a decade.

Alberta Municipal Affairs (2017)
Municipal Financial Information Return Manual

Edmonton: Alberta Municipal Affairs
(December 2017)

For more information contact:

Municipal Capacity Building
Municipal Services and Legislation
Division

Alberta Municipal Affairs
17th Floor, Commerce Place,
10155 – 102 Street
Edmonton, Alberta T5J 4L4
Tel: 1 780 427 2225

Toll free: 310 0000 (in Alberta only)

¹ This amount was set many years ago and it is overdue for a revision. This report recommends a \$50,000 threshold.

In parallel, CUPE Alberta and its locals, as well as mayors and councils, could advance legislative change through individual council requests and by forwarding a resolution to the provincial municipal association (e.g., Alberta Urban and Rural Municipalities associations).

Until this becomes an annual reporting requirement, the information will have to be requested each year. Most financial information systems provide relatively easy ways to query and sort information. Ask the organization's finance department staff to search the financial database for all payments to third parties in excess of \$50,000 from January 1 to December 31 of the past year. Ask them to put their query results into an Excel spreadsheet and include the name of the third party and the cumulative amount paid during the year. Then, ask them to sort it in descending order of payment.

When this information is requested for the first time, some managers may feel threatened. They may have approved or recommended approval for contracting out the same type of work, often to the same contractor, for many years. Front line managers tend to treat contract renewals as routine, answering the same questions each time.

Did you call for quotes? Yes. Is this the low bid? Yes. Is this a reputable contractor? Yes, same as last year...

It's time to ask new questions.

Would it be cheaper in house? Answering yes to this question may be an admission that money was wasted last year and the year before that. So, there may be a motivation to prove that the number noted in the contract is the best one. A circular argument may be made that the number is fine because it's already in the budget. There may be efforts to discredit and dismiss the in-house numbers. Be tactful and persistent.

Why do we spend x per household when the neighbouring municipality spends only x per household? The most helpful questions are well researched. With a bit of homework, well researched questions can be directed to the manager.

It's also time for a different conversation.

Can we help bring this work in house? Make this collaborative from the start. Compared to simply renewing an existing contract, bringing the work in house could look like a big challenge and, perhaps, even an additional burden.

Keep in mind that there is a bias reinforced daily by the business community, media and, at times, a union's membership, that anything done by the private sector is more efficient and costs less.

Back in House is a good resource to dispel this myth.

Here are the top arguments that may be used to undermine the credibility of back in house cost estimates:

- . Is this only take-home pay? Benefits also need to be included.
- . We do not need anyone with that qualification right now; recruiting and training is costly.
- . We do not have space for new staff.
- . We do not have the equipment for doing this in house.

It is easy to forget that when paying a contractor, the municipality also pays for the contractor's overhead, training their staff, and using and replacing the contractor's equipment, etc. The implication is that these costs are included in the contractor's price to the municipality. The municipality pays a premium for each contractor's overhead and profit. There are also a host of costs that carry a higher fee in the private sector. For example:

- Borrowing costs are higher for the private sector than for municipalities that can borrow at a lower rate;
- Most municipalities have access to lower-priced insurance while private operators pay much higher premiums²; and
- Contractors pay municipal, provincial and federal corporate taxes.

WHERE TO START

Begin with the annual review. In the first year, focus on finding one or two services that are ripe to be brought back in house. Find a low-hanging fruit that will successfully and undeniably demonstrate the concept.

Step by step:

1. Ask your membership for services that contractors perform that could be undertaken by staff.
2. Request a list of suppliers of goods and services who received more than \$50,000 in the fiscal year. This will be a relatively short list (e.g., one to four pages). If there are concerns about releasing proprietary information, consider the following:
 - a. Other jurisdictions require that a similar list be made available to the public upon request. For example, BC requires that a list of suppliers awarded \$25,000 be received by council on a public agenda each year;
 - b. Since tenders are normally open in public, a contract's value is not confidential information;
 - c. Ask that the information be consolidated. For example, if three contractors have contracts for a similar service, ask for the average cost so the value of each individual bid is protected;
 - d. If all else fails, offer that a small group enter into an undertaking of confidentiality to not release any financial or proprietary information after reviewing it.

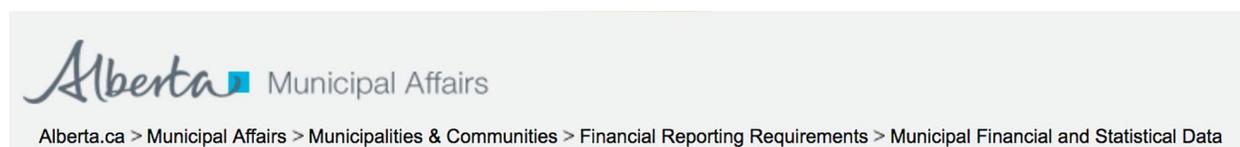
2 BC Municipal Insurance Agency (www.miabc.ca) and Alberta Urban Municipalities Association (www.auma.ca) offer access to highly competitive rates for group insurance coverage based on a huge pooled purchasing power.

3. Sort the list by first pulling out the following payments to:
 - a. Governments and public agencies;
 - b. Financial institutions such as pension funds, insurance, banks, etc.;
 - c. Public and private utilities such as hydro, Telus, etc.;
 - d. Suppliers of manufactured goods and specialized services such as fuel, computer licenses, etc.; and
 - e. Services which, by legislation, must be done by third parties such as audits, lab tests, etc.

4. Now that the list is shorter, opportunities to bring work back in house will be more evident.
 - a. Review the list and identify cases where the same work is done by employees and by contract.
 - b. Find data and measures for:
 - . Revenues and costs;
 - o Identify work that can most easily be quantified by unit (e.g., square foot, number of vehicles and number of patrons);
 - . Quality of service;
 - . Number of complaints and taxpayers' satisfaction;
 - . Flexibility to make adjustments and changes without incurring extra costs; and
 - . Overall effectiveness.
 - c. Identify groups of contractors and consultants pursuing similar work. Does the overall volume of work add up to one full-time position or more? Consider that some contracting out may have started at a time when the municipality was smaller and had less capacity. Also, a small city-wide seasonal contract may have grown to a few year-round contracts.
 - d. Identify potential profit centres such as parking enforcement and recreation programs with low delivery costs. For example, could recreation staff use existing parks for outdoor fitness programs where revenues partially offset arena maintenance costs?

FIND YOUR MUNICIPALITY'S IN-HOUSE RANKING

ALBERTA MUNICIPALITIES report their expenses to Alberta Municipal Affairs where annual municipal financial and statistical data is consolidated in easily downloadable Excel spreadsheets.



Online at: municipalaffairs.alberta.ca/municipal_financial_statistical_data

The data most relevant to the annual review of outsourcing is found in section C—Financial Activities by Function. The data for each municipality is consolidated on a single line.

C Financial Activities by Function
REVENUE/EXPENSE

Total	2016	2015	2014	2013	2012
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The available online data goes back five years. It may be useful if a specific service was contracted out during that period. Select the year of choice to get a spreadsheet that resembles the example below.

MUNICIPALITY	Water Supply and Distribution	Wastewater Treatment and Disposal	Waste Management	Parks and Recreation	Culture: Libraries, Museums, Halls
	01350	01360	01370	01530	01540
LETHBRIDGE	15,513,000	13,240,000	11,682,000	46,424,000	12,576,000
LLOYDMINSTER	8,261,214	3,015,046	3,325,728	16,252,701	2,991,665
MEDICINE HAT	12,164,000	12,152,000	5,821,000	22,384,000	7,638,000
RED DEER	17,252,876	17,288,572	14,524,718	41,675,369	10,248,725
SPRUCE GROVE	8,613,333	3,887,848	2,601,010	9,431,810	1,676,082
ST. ALBERT	10,584,866	10,588,284	5,418,488	25,181,942	13,476,735
WETASKIWIN	3,146,117	1,227,753	1,308,065	5,672,340	1,121,539
CROWSNEST PASS, Municipality of	1,385,674	1,563,299	608,366	2,522,323	312,874
JASPER, Municipality of	1,142,308	1,452,781	988,516	3,467,445	482,885
MACKENZIE COUNTY	3,015,859	957,855	746,993	648,432	265,863
STRATHCONA COUNTY	26,055,640	19,489,922	8,136,290	41,980,236	9,942,099
WOOD BUFFALO, Regional Municipality of	40,800,582	33,993,102	16,692,618	86,467,976	6,733,575

This information is not prorated, which means data from different municipalities cannot be compared directly. The ways to compare data from different municipalities based on their geographical size, number of residents, etc. need to be identified.

For example, to compare the cost of infrastructure, such as water supply between two municipalities, the numbers need to be prorated to the number of dwellings. Other assumptions also need to be taken into account, such as water use for farming, the geographic area served and other parameters that influence water treatment and consumption. To compare the cost of providing soft services, such as recreation and culture, the numbers need to be prorated to the population served. Again, other factors such as age distribution, may influence the cost of providing these services. Think about the points that will be raised to challenge your findings and use this research to prepare answers.

A careful analysis of this statistical data will provide insight that is not otherwise available. A spike in costs for waste collection a couple of years following contracting out that service may provide clear evidence if the cost of other services delivered in house has not increased nearly as much.

Below is a comparison for large Alberta communities in terms of overall money spent in house compared to overall money spent on contract, prorated to the population.

MUNICIPALITY	Total revenue	Salaries, wages and benefits	\$/capita in house	% in house	Contract and general services	\$/capita contract	% contract	Population
EDMONTON	3,672,815,000	1,538,465,000	1,710	85%	278,484,000	310	15%	899,447
CALGARY	4,787,618,000	1,975,359,000	1,599	80%	491,047,000	398	20%	1,235,171
STRATHCONA COUNTY	416,958,977	161,704,149	1,692	79%	43,682,766	457	21%	95,597
RED DEER	402,252,246	141,092,720	1,413	77%	41,997,914	421	23%	99,832
CAMROSE	55,800,605	20,168,505	1,076	76%	6,266,011	334	24%	18,742
LETHBRIDGE	434,050,000	159,931,000	1,652	75%	54,375,000	562	25%	96,828
WETASKIWIN	35,120,172	11,620,120	921	75%	3,962,270	314	25%	12,621
CHESTERMERE	39,947,786	12,474,050	633	74%	4,351,327	221	26%	19,715
AIRDRIE	176,013,633	50,114,253	810	74%	17,593,293	284	26%	61,842
MEDICINE HAT	328,920,000	129,764,000	2,059	72%	50,178,000	796	28%	63,018
ST. ALBERT	230,224,307	77,546,464	1,200	72%	30,158,260	467	28%	64,645
COCHRANE	85,768,662	20,443,940	814	72%	8,071,692	321	28%	25,122
GRANDE PRAIRIE	236,845,415	84,006,556	1,225	70%	35,601,873	519	30%	68,556
PARKLAND COUNTY	105,353,549	31,705,133	1,037	70%	13,437,959	440	30%	30,568
FORT SASKATCHEWAN	106,832,181	24,980,250	1,017	69%	11,211,216	456	31%	24,569
LEDUC	159,656,662	37,687,553	1,236	68%	18,093,871	593	32%	30,498
GRANDE PRAIRIE No 1 County	113,246,954	30,453,173	1,497	67%	14,882,183	731	33%	20,347
BEAUMONT	61,461,534	13,047,072	736	64%	7,206,898	407	36%	17,720
LLOYDMINSTER	95,760,202	25,593,718	1,297	62%	15,861,201	804	38%	19,740
OKOTOKS	71,796,916	22,633,714	808	62%	14,034,330	501	38%	28,016
ROCKY VIEW COUNTY	136,994,350	35,409,461	930	59%	24,151,728	635	41%	38,055
SPRUCE GROVE	114,255,270	32,338,491	961	58%	22,983,125	683	42%	33,640
COLD LAKE	76,472,186	13,068,848	831	56%	10,192,455	648	44%	15,736
WOOD BUFFALO, Reg. Muni	1,113,448,468	289,403,554	2,315	56%	229,883,686	1,839	44%	125,032

Once the data is prorated to the population, discovering why more work is done in house in some municipalities is intriguing. The fact that the two largest cities, Edmonton and Calgary, do so much work in house challenges the argument that it is easier to contract-out in big cities, where private service providers are readily available.

It is not easy to explain why small communities like Camrose (pop. 18,742) and Cochrane (pop. 25,122) spend 76% and 72% respectively doing work in house while a community one-third larger, Spruce Grove (pop. 33,640) spends only 58% in house.

Regarding local factors at play, the wide disparity reveals that political and/or ideological factors may influence the decision to have services delivered in house or by contract. This is an interesting question that falls outside the purview of this practical guide, but is worth examining.

The range from 56% to 85% of in house to contracted out services helps us understand that good quality services can be delivered by well-managed municipalities both in house and by contract. We have to assume that leaders in Wood Buffalo care just as much for their residents as community leaders in Red Deer.

The disparity indicates that it is important for leaders to take the time to choose how each service is delivered. Seeing that other cities have made different choices and saved money by contracting demonstrates sound fiscal stewardship and decision making.

Municipalities need to weigh costs, quality of service, flexibility to adjust service levels, loyalty and the economic impact of local spending by local employees. Evidence gathered on actual costs and the benefits of delivering a service in house or by contract is essential information in making this determination. Contracting out or continuing to contract out should never be an automatic decision.

GET CLARITY BEFORE COMPARING WAGES

IN THE PREVIOUS SECTION, we discussed the top arguments that will be used to undermine the credibility of cost estimates included in any proposal to bring work back in house. It is important that fully loaded costs be used for each position.

PUBLIC SECTOR WAGES

The in-house labour costs included in a proposal should always include hourly wages and the full cost of benefits and vacations, etc. Avoid being attacked for using take-home pay rather than the actual cost that taxpayers have to absorb.

If the information is not readily available from the human resources or finance departments, look for reports presented to council to justify a new position in past budget years. Use the same ratio of straight salary to overall cost of the position as a proxy for fully-loaded wage costs. Comparing the budget allocated for similar work done in house offers a good comparison as these budgets should include the wages of managers, supervisors and, in some cases, overhead representing transfers to other departments.

PRIVATE SECTOR WAGES

It will be more difficult to obtain the true cost of private sector wages, but it can be done. Start with a function that serves the municipal sector. Civil engineering or urban planning firms typically count municipalities as their clients.

- Find average wages offered to attract engineering technologists, planning technicians and other jobs that are comparable to union jobs in your organization.
- Obtain the billable rates charged by these firms to their municipal clients. You can ask them for a quote or you can obtain this information from past proposals. Most proposals will include both fixed fees for a certain amount of work and hourly billable rates.

Engineering technologists and planning technicians in the private sector might be paid, for example, \$20 to \$25 per hour (the numbers will vary in each province and city). Their billable rate will be \$40 to \$75 per hour. Each job quoted by those firms will be based on the billable rate and a multiplier of two to three times their employees' take-home pay.

Small landscape contractors, janitorial services and low-skill services facing competition will use a multiplier as low as 1.25. Actual and billable rates will be more difficult to get for certain services, but if you are proposing to bring a contract back in house, you need to find the rates.

In summary, don't let someone opposed to contracting-in wave a job ad that pays half of what the city pays for an employee with similar skills. Include those rates in your proposal. Then show how your fully loaded wages compare with the billable rates of contractors in the area.

GET SMART ABOUT AMORTIZATION AND NET PRESENT DAY VALUE

WHAT ARE AMORTIZATION AND NET PRESENT DAY VALUE ANYWAY? This section provides tips on how to calculate these important numbers.

Front loading or spreading equipment costs works the same as paying cash or borrowing the funds. A contractor bidding on a multi-year service contract will likely spread the cost of purchasing specialized equipment over the life of the contract. Often, a contractor will lease the equipment for the same term as the service contract. Or, the contractor will borrow to purchase the equipment, again with the same term as the contract.

Detractors of delivering a service in house may emphasize the capital cost of the equipment. Of course it will cost more in Year 1, so it is important to be ready to show that it will cost less in the following year and far less over several years.

If the capital cost of equipment is raised as an obstacle to bringing work back in house, offer solutions. The city can lease the equipment or borrow for the same term as any contractor. Some chief financial officers (CFOs) will suggest internal borrowing from an unallocated reserve. Explore that option with senior management as a way to bring the work in house while avoiding a bump in the operating budget for Year 1. Moving the capital expenses to a one-time funding source is another way to keep the operating budget at the previous level or even reduce it.

- . Get an estimate for leasing equipment; and
- . Find the city's borrowing rate and use any bank's online loan calculator to come up with an annual cost of borrowing for the same number of years as the competing multi-year contract.

If capital funds are the issue, leasing equipment will be budgeted as an operating expense each year rather than being front-loaded as a capital item.

EXAMPLE OF ANNUAL REVIEW

THE CORPORATION OF THE CITY OF WHITE ROCK: SCHEDULE SHOWING PAYMENTS MADE FOR THE PROVISION OF GOODS OR SERVICES

This schedule shows the aggregate of amounts paid to all suppliers of goods and services that received more than \$25,000 during the year ending December 31, 2015. This is the list from the City of White Rock in British Columbia for its 2015 financial disclosure statement.

SUPPLIER NAME	PAID
AECOM CANADA LIMITED	\$48,389
AON REED STENHOUSE	\$127,719
AVENUE MACHINERY CORP	\$70,627
BARNES WHEATON	\$32,321
B & B CONTRACTING (2012) LTD	\$370,091
BCHYDRO	\$483,366
BC PLANT HEALTH CARE INC	\$68,118
BLACK PRESS GROUP LTD	\$57,377
BNSF RAILWAY COMPANY	\$537,294
BRANDT TRACTOR LTD	\$168,909
BULL HOUSSER & TUPPER LLP	\$63,009
CANADA REVENUE AGENCY	\$534,206
CEDAR CREST LANDS (BC) LTD	\$491,541
CHEVRON CANADA LTD	\$163,265
CITY OF SURREY	\$494,117
CITY SPACES	\$34,263
CORE CONCEPT CONSULTING LTD	\$68,864
CRESCENT ELECTRICAL CONTRACTORS LTD	\$140,341
DEAD LEVEL CONSTRUCTION LTD	\$146,524
DELL CANADA INC	\$61,277

SUPPLIER NAME	PAID
SUZANNE DENBAK DBA CADENCE STRATEGIES	\$30,492
DIAMOND HEAD CONSULTING LTD	\$47,649
DMCDUBAS MANAGEMENT & CONSTRUCTION INC	\$586,986
DOUGNESS HOLDING LTD	\$88,728
DYNAMIC FACILITY SERVICES LTD	\$146,903
E-COMM EMERGENCY COMMUNICATIONS FOR BC INC	\$74,310
ECOTAIR SALES INC	\$45,560
ELEMENT SPRAY FOAM INC	\$26,801
EMCO LIMITED	\$49,676
EPCOR WHITE ROCK WATER INC	\$684,413
ESRI CANADA LTD	\$33,040
FONTANA LANDSCAPES LTD	\$28,130
FORTIS BC	\$73,768
FRASER VALLEY REGIONAL LIBRARY	\$842,274
HARVEST FRASER RICHMOND ORGANICS LTD	\$86,124
GDI SERVICES (CANADA) LP	\$122,170
1-800-GOT JUNK	\$28,576
GREATER VANCOUVER REGIONAL SEWER & DRAINAGE	\$1,320,764
GREGG DISTRIBUTORS (BC) LTD	\$27,479
HYTEK MECHANICAL INC	\$48,959
IMPARK	\$370,594
INSURANCE CORP OF BC	\$95,320
JONATHAN MORGAN & COMPANY LIMITED	\$43,730
S-304 HOLDINGS LTD DBA JONKER NISSAN	\$28,687
KIKHOSROWKIAN FEREIDON	\$33,047
KPMG LLP	\$45,507
WSP CANADA INC	\$37,525
LIDSTONE & COMPANY BARRISTERS & SOLICITORS	\$150,600
LIDSTONE & COMPANY LAW CORP. IN TRUST	\$13,928,770
LLOYD TRAMM INSTALLATIONS LTD	\$41,413
MEDICAL SERVICES PLAN OF BC	\$126,329
METRO VANCOUVER	\$158,470
METRO MOTORS LTD	\$65,240
MICROSOFT LICENSING GP	\$50,866

SUPPLIER NAME	PAID
MILLS BASICS	\$47,253
MMM GROUP LIMITED	\$182,934
MODERN GROUNDS MAINTENANCE LTD.	\$47,376
MUNICIPAL INSURANCE ASSOC. OF BC.	\$160,839
MUNICIPAL PENSION PLAN	\$1,008,596
NORTHWEST SHEET METAL LTD	\$31,375
OCEAN PARK FORD SALES LTD.	\$42,965
PACIFIC BLUE CROSS	\$343,618
PARKIORIA TECHNOLOGIES LLC	\$27,359
POSTAGE BY PHONE - PITNEY BOWES	\$37,494
POWER CIVIL CONTRACTORS LTD	\$85,193
PROFESSIONAL MECHANICAL LTD	\$71,266
PROGRESSIVE WASTE SOLUTIONS CANADA INC	\$251,567
RECEIVER GENERAL FOR CANADA	\$3,802,101
R F BINNIE & ASSOCIATES LTD	\$166,385
RITE-WAY FENCING INC	\$52,011
SANDPIPER CONTRACTING LTD.	\$235,233
SEMIAMMOO BULLDOZING & TRUCKING LTD.	\$66,843
SMITHRITE DISPOSAL LTD.	\$72,939
SUN LIFE ASSURANCE COMPANY OF CANADA	\$33,668
SUNRISE LANDSCAPING LTD.	\$181,997
TELUS	\$137,518
TEMPEST DEVELOPMENT GROUP	\$126,706
MIRAMAR VILLAGE A BCS 3236	\$35,616
TRITECH GROUP LTD	\$245,421
URBAN SYSTEMS LTD.	\$50,106
URBAN GROVE TREE CARE & CONSULTING	\$45,103
VADIM COMPUTER MANAGEMENT GROUP LTD.	\$32,167
VIRTUAL GRAFFITI INC	\$51,183
WEB EXPRESS	\$40,216
WENJADE MANAGEMENT INC	\$60,900
WINVAN PAVING LTD	\$219,661
WORK SAFE BC 289,896 XEROX CANADA LTD.	\$35,491
XEROX CANADA LTD.	\$35,491
YARDMASTERS LANDSCAPE SERVICES LTD	\$38,834
YOUNG ANDERSON BARRISTERS	\$156,530

The first step is to dismiss the items where there is no opportunity to bring work back in house. The services in this list fall outside the jurisdiction of the municipality and/or were unrealistic to deliver in house.

SUPPLIER NAME	PAID
RECEIVER GENERAL FOR CANADA	\$3,802,101
GREATERVANCOUVERREGIONALSEWER&DRAINAGE	\$1,320,764
MUNICIPAL PENSION PLAN	\$1,008,596
FRASER VALLEY REGIONAL LIBRARY	\$842,274
BNSF RAILWAY COMPANY	\$537,294
CANADA REVENUE AGENCY	\$534,206
CITY OF SURREY	\$494,117
BC HYDRO	\$483,366
PACIFIC BLUE CROSS	\$343,618
WORK SAFE BC	\$289,896
BRANDT TRACTOR LTD	\$168,909
CHEVRON CANADA LTD	\$163,265
MUNICIPAL INSURANCE ASSOC. OF BC.	\$160,839
METRO VANCOUVER	\$158,470
TELUS	\$137,518
AON REED STENHOUSE	\$127,719
TEMPEST DEVELOPMENT GROUP	\$126,706
MEDICAL SERVICES PLAN OF BC	\$126,329
INSURANCE CORP OF BC	\$95,320
E-COMM EMERGENCY COMMUNICATIONS FOR BC	\$74,310
FORTIS BC	\$73,768
AVENUE MACHINERY CORP	\$70,627
BC PLANT HEALTH CARE INC	\$68,118
METRO MOTORS LTD	\$65,240
DELL CANADA INC	\$61,277
BLACK PRESS GROUP LTD	\$57,377
RITE-WAY FENCING INC	\$52,011
MICROSOFT LICENSING GP	\$50,866
EMCO LIMITED	\$49,676
AECOM CANADA LIMITED	\$48,389
MILLS BASICS	\$47,253

SUPPLIER NAME	PAID
ECOTAINER SALES INC	\$45,560
KPMG LLP	\$45,507
OCEAN PARK FORD SALES LTD.	\$42,965
WEB EXPRESS	\$40,216
POSTAGE BY PHONE - PITNEY BOWES	\$37,494
XEROX CANADA LTD.	\$35,491
SUN LIFE INSURANCE COMPANY OF CANADA	\$33,668
ESRI CANADA LTD	\$33,040
BARNES WHEATON	\$32,321
VADIM COMPUTER MANAGEMENT GROUP LTD.	\$32,167
S-304 HOLDINGS LTD DBA JONKER NISSAN	\$28,687
GREGG DISTRIBUTORS (BC) LTD	\$27,479
LIDSTONE & COMPANY LAW CORPORATION IN TRUST	\$13,928,770
DMC DUBAS MANAGEMENT & CONSTRUCTION INC	\$586,986
CEDAR CREST LANDS (BC) LTD	\$491,541
B & B CONTRACTING (2012) LTD	\$370,091
SANDPIPER CONTRACTING LTD.	\$235,233
WINVAN PAVING LTD	\$219,661
MMM GROUP LIMITED	\$182,934
DEAD LEVEL CONSTRUCTION LTD	\$146,524
CRESCENT ELECTRICAL CONTRACTORS LTD	\$140,341
POWER CIVIL CONTRACTORS LTD	\$85,193
PROFESSIONAL MECHANICAL LTD	\$71,266
SEMIAMMOO BULLDOZING & TRUCKING LTD.	\$66,843
JONATHAN MORGAN & COMPANY LIMITED	\$43,730
LLOYD TRAMM INSTALLATIONS LTD	\$41,413
MIRAMAR VILLAGE A BCS 3236	\$35,616
NORTHWEST SHEET METAL LTD	\$31,375
PARKIORIA TECHNOLOGIES LLC	\$27,359
ELEMENT SPRAY FOAM INC	\$26,801

FINDING LOW HANGING FRUITS

THE MUNICIPALITY OF WHITE ROCK contracted out the management of its water storage, treatment, and distribution to EPCOR until 2016. This work, however, was successfully brought back in house and continues to be publicly delivered. The payment listed above was the last payment.

EPCOR WHITE ROCK WATER INC	\$684,413	Last payment – work was brought back in house
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Drawing from the remaining list of outsourced services, parking metering is an attractive target for contracting-in.

IMPARK	\$370,594	Parking metering and enforcement
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Parking metering is often viewed as a profit centre for cities. It is also viewed as a job for contractors. To the contrary:

1. Parking enforcement downtown is a service provided to local merchants and their staff by:
 - Helping create a rotation of clients for local businesses;
 - Helping merchants manage the problem of employees taking away customer parking; and
 - Encouraging transit use.
2. It addresses important neighbourhood issues in residential areas.

If this service could be better provided in house, here are a few items to keep in mind:

1. Promote the service aspect. City staff on the front lines should be empowered to meet with business owners and adjust services to match their needs. For example, city staff may hear that two-hour parking limits don't work. There will be requests for 15 minute parking in front of convenience outlets and three-hour parking near hair salons. Empowered city staff will be better able to maintain a flexible approach to metering and enforcement.
2. Parking enforcement is a low-risk service to bring in house. It would be rare to provide this service at a loss.
3. The budget line is typically positive, showing a net of total revenues minus the costs of enforcement.

4. Private service providers, who also supply the hardware/software, amortize its cost over a multi-year contract.
 - a. Check the term of the contract;
 - b. Check whether there is an automatic renewal and/or notification period for non-renewal; and
 - c. Initiate a review with the administration at least twelve months prior to expiry of the contract.

Once a decision has been taken to undertake the review and potential in-sourcing of this service:

1. Identify the available budget from all sources. For example,
 - a. Funds spent on direct expenses;
 - b. Increase in funding that was forecasted to be required for inflation upon contract renewal;
 - c. Costs of contract administration;
 - d. Costs of handling citizen complaints and forwarding same to contractor; and
 - e. Costs of implementing mid-term changes to the scope of the contract.
2. Identify all costs of providing the service in house:
 - a. Direct staff expenditures using fully-loaded wages;
 - b. Additional management costs may or may not be required after the work is brought in house; management's involvement is often the same whether work is done by contract or in house; and
 - c. Supervisor involvement may be minimal if done in tandem with supervision of existing services; and working supervisors may be used to undertaking some of the front-line work.
3. Identify capital costs.

FINDING ECONOMIES OF SCALE

The next area to be examined is services that are contracted out on a piecemeal basis. The way some services evolve over time can create a lot of confusion. For example, who do we call again about a complaint for shoreline trail maintenance? What do you mean it depends on which park the trail goes through?

VIRTUAL GRAFFITI INC	\$51,183	Park maintenance
SUNRISE LANDSCAPING LTD	\$181,997	Park maintenance
URBAN GROVE TREE CARE & CONSULTING	\$45,103	Park maintenance
FONTANA LANDSCAPES LTD	\$28,130	Park maintenance
YARDMASTERS LANDSCAPE SERVICES LTD	\$38,834	Park maintenance
MODERN GROUNDS MAINTENANCE	\$47,376	Park maintenance
TOTAL FOR GROUNDS MAINTENANCE SERVICES	\$392,623	Park maintenance

Inefficiencies may not be recognizable until they are brought forward. A list of similar contracts, such as the one above, in a city as small and compact as White Rock, begs for a service efficiency review. Even with a total of \$350,000, this budget could easily support two year-round workers and a large seasonal crew.

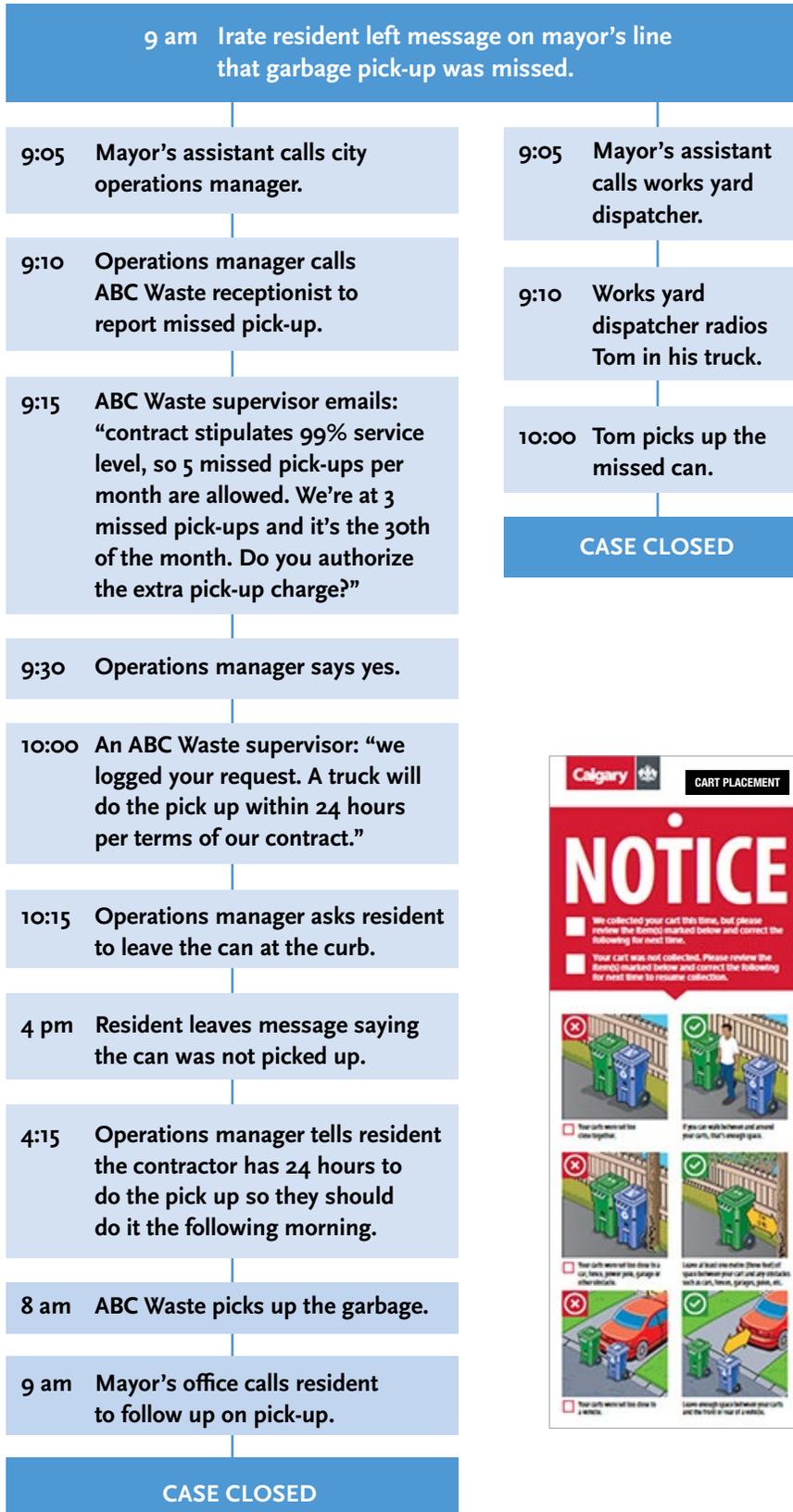
For example, two companies provide janitorial services to the municipality in White Rock. It would be easy to find how the work is being divided and devise an approach to take over from one of the contractors when the contract expires.

DYNAMIC FACILITY SERVICES LTD	\$146,903	Janitorial services
DGI SERVICES (CANADA) LP	\$122,170	Janitorial services
TOTAL FOR JANITORIAL SERVICES	\$269,073	

Recreation services, cultural facilities and schools that contract out janitorial services may end up paying for extras and spending a lot of time dealing with schedule changes, cleaning after special events and unplanned call-outs. Be prepared to enter into flexible schedules, such as averaging agreements (e.g., 80 hours over two weeks) and you will solve a difficult management problem that sometimes results in contracting out. Some workers cherish fixed schedules, but be mindful that others may thrive in positions that require / allow flexible schedules.

WHAT HAPPENS TO A CITIZEN'S COMPLAINT

The value of in house work can be demonstrated by tracking what happens to a complaint received at the mayor's office. Here is the typical process for each service delivery method.



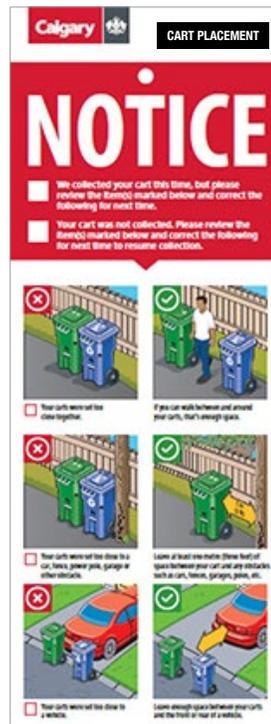
NOTE 1. Many residents don't know who to call, so they just dial the mayor's office.

NOTE 2. Staff routinely bypasses the chain of command when it comes to resolving simple issues. They know each other and want to solve problems. However, staff often tends to default to the manager responsible for work done by contract.

NOTE 3. The principle of substantial performance is relevant when a contractor's performance is in some way deficient, yet it is so nearly equivalent that it would be unreasonable for the owner to deny the agreed upon payment. Missing one pickup per 1,000 households translates into 99.9 percent accuracy.

If a contractor demonstrates that their service is *almost* perfect, the owner is obligated to pay. It is easy to find wiggle room in defining contract performance, especially when the other party also has to follow strict rules. In the above example, it's easy for the contractor to blame a missed pickup on the resident, to claim they didn't place the garbage cans far enough apart in accordance with city rules. (See cart placement graphic.)

Of course, blaming a resident who has to bring a smelly garbage can back to their garage and sees themselves as the victim is not an acceptable strategy for anyone, including the mayor who got the call in the first place.



TRANSPARENCY LEGISLATION BEST PRACTICES

THE FREEDOM OF ACCESS TO INFORMATION movement stems from widespread obfuscation and secrecy around the administration of government processes and decisions. Freedom of Information and Protection of Privacy Act legislation was created in large part to force bureaucracies to release information of interest to individuals, the general public and the media. FOI rules emerged from the assumption that government information is secret unless you ask for it, use the appropriate form and pay for the research and release of this information.

Some cities may still make the search for obtaining information challenging, arguing that citizens might misunderstand, misuse or misquote complex city data. Some administrations have introduced a policy that no information should be released without following a process that involves management. FOIP gives them that process.

By contrast, several cities have adopted open data policies. For example, Calgary's Open Data Catalogue provides public access to most information and data managed by the city. The catalogue contains hundreds of datasets available in multiple file formats that can be downloaded for free. The data may be used for any legal purpose. By providing public access to city data, these cities are promoting transparency in government. By allowing automated access online, these cities also promote innovative uses.

When investigating labour relations and contracting out matters, systems like open data are valuable to use when available. When they are not available, advocating for proactive transparency and open data is critical.

FREEDOM OF INFORMATION REQUESTS

ASSUMING THAT THE CLIMATE OF the open sharing of information may differ between municipalities, it is important to know that every Canadian political jurisdiction now has freedom of information or access to information legislation giving their citizens limited rights to obtain government documents. In most cases this legislation is included in the same law that protects personal privacy. (This section does not deal with personal information.)

In most provinces, FOI legislation also applies to local governments and other organizations. Both Ontario and Saskatchewan have separate legislation governing local authorities. Alberta's Freedom of Information and Protection of Privacy Act (FOIPPA) covers municipalities and several other local bodies, including police commissions, library boards, post-secondary institutions, and school boards.

FOI legislation is a valuable tool for citizens seeking information about their government. But it can also be a frustrating, costly, and time consuming exercise as requests and appeals can drag on for years. In Alberta, an initial fee of \$25 is required for a request for general government information. Under the federal Access to Information Act requests cost \$5. Across Canada, cases have been reported of requestors being charged tens of thousands of dollars for searching for and providing information.

For this reason, seeking material through FOI should not be a first resort. If a requestor has a good relationship with the public body it can be far quicker to request the information informally. For unions, requests for information directly connected to bargaining can also be faster than going the FOI route.

HOW TO SUBMIT AN FOI REQUEST

1. Do the preliminary research. Look for previously released public information. Talk to people who are knowledgeable.
2. Identify the public body to which you will direct your request. In Alberta, you can search for contact information on the Service Alberta website. (See servicealberta.ca/foip/find-a-foip-office.cfm.)
3. Phone the FOI coordinator for the public body to see if you can obtain the information informally.
4. Write a letter to the public body requesting the information.
5. If all else fails, use a Freedom of Information form. (For Alberta, see servicealberta.ca/foip/documents/2012_form112_request_to_access_information.pdf.)

WHAT HAPPENS NEXT?

All FOI legislation includes timelines for the public body to respond, normally thirty calendar days. However, public bodies may also extend the time line if the request is not detailed enough, if there are many records or if a third party needs to be consulted. The public body may also transfer the request to another public body if they think it is appropriate.

A public body can also demand a fee for locating, retrieving, preparing and handling a record. The clock stops on producing the records until the fee is paid. You can request the fee to be waived, but this is unlikely. In Alberta, you will have to pay 50 per cent of fees above \$150 up front.

A response to a request may be complete or it may be empty. In some jurisdictions, responses can come back as “no responsive records found.” Large amounts of material may also be redacted for a variety of reasons. The most common reasons are that the records contain “advice from officials,” are “cabinet confidences” or “contain third party information.”

APPEALING THE PROCESS OR RESULT

If you disagree with the process or the result in Alberta, you can make your request in writing for the Information Commissioner to review “any decision, act or failure to act” by the public body. The Commissioner may attempt to mediate with the public body to settle the matter. If the matter is not settled, the Commissioner may order an inquiry. The burden of proof is on the public body to show why records were not produced. In Alberta, Commissioners have the power to order that records be produced. This, however, can be appealed in the courts.

SOME TIPS

1. Many challenges with FOI requests arise from ones that are too broadly worded, ambiguous or cover too much time. This leads to delays and higher costs. When making a request, be sure to focus. FOI requests may be divided into different parts and submitted by different individuals.
2. Speak to individuals with experience submitting FOI requests.
3. Keep in touch with the FOI coordinator assigned to your file. They can be helpful.
4. If more than one public body is involved, including possibly the federal government, make more than one request.
5. Keep good records of the process.

INFORMATION SOURCES FOR ALBERTA

Access in the Academy: While this document focuses on BC and the federal jurisdiction it is a good summary of dealing with FOI. fipa.bc.ca/wordpress/wp-content/uploads/2014/06/Access-in-the-Academy.pdf

Service Alberta FOI and personal information forms: servicealberta.gov.ab.ca/foip/resources/forms.cfm

Alberta Civil Liberties Research Centre FOI information: aclrc.com/access-to-information/

Alberta FOI legislation: qp.alberta.ca/documents/Acts/F25.pdf

Alberta FOI regulations: qp.alberta.ca/1266.cfm?page=2008_186.cfm&leg_type=Regs&isbncIn=9780779763726

Alberta Information Commissioner leaflet: oipc.ab.ca/media/117454/brochure_abaccesslaws_2015.pdf

EVIDENCE-BASED DECISION MAKING

/ BUSINESS PLANS

It is difficult to provide an exact template for a business case because municipal services are so diverse; however, here are some key elements.

EXECUTIVE SUMMARY

A good executive summary fits on one page.

- **Define the problem:** Answer the why question in a brief paragraph that explains what's not working now and how this impacts the community.
- **Summary of key results:** List main findings by order of importance.
- **Recommendation:** Should be worded in the form of a council resolution — that [name] [action verb] [what needs to be done].

RESEARCH & ANALYSIS

- **Community drivers:** Determine the importance of various factors that should influence the decision in terms of value, service, reliability, equity, integrity, effectiveness, local investment, learning, growth. Determine potential contribution to various goals of the city, such as arts, heritage, environment and economic development.
- **Scope:** Narrow the scope of what needs done to its essential elements. List other elements that are not necessary, but desirable.
- **Financial metrics:** Document your research into costs: quotes obtained, assumptions used, and cost in other jurisdictions.
- **Assumptions:** What method did you use to prorate another source's numbers? How did you determine the number of hours required? Staff qualifications? Service calls expected? Kilometres driven? Fuel consumption?
- **Costs:** Operating costs, including labour (fully loaded wages for workers, supervisors and overhead), material (consumables such as stationary, fuel), and equipment (tools and leases). Capital costs include direct and indirect capital costs, opportunity costs, and other purposes the capital item will be used for.
- **Benefits:** Build irrefutable benefits and arguments to support essential elements. Add benefits to support desirable elements.
- **Risks:** Realistic risks specific to the project.
- **Strategic options:** List all feasible options. Document the rationale for eliminating / selecting options.
- **Recommendation:** The recommendation should specifically target the approving authority, whether a manager, CAO, or council.
- **Next steps:** Systematic list of all action-oriented steps required to achieve the goal.

OPTIONAL TOPICS

AFTER A SHORT LIST OF PUBLIC SERVICES that are candidates for bringing services back in house has been prepared, it will be helpful to review it through the lens of public engagement and public influence over private wages at the low end of the economic scale.

ENGAGING THE PUBLIC

Regaining or retaining public confidence in service delivery is an important part of making the decision to contract in. A transition from contractor to employee will affect service delivery. So, it's important to engage with the public to understand their needs and to communicate changes to how a service is delivered.

You'll find examples in *Back in House*, which explore how public dissatisfaction with contracted-out services has triggered the resumption of in-house service delivery in a number of jurisdictions.

Some questions that could be posed include:

- Did the quality of the contracted service meet standards and expectations?
- Has the public been happy with service delivery?
- Has there been an opportunity for the public to share their opinion?
- Are there advantages to delivering the service in house with staff who are committed to the municipality?
- Are there ways to explain and share the business case with clubs, associations and user groups?
- What opportunities for public input about priorities exist and can be created? For example, can we introduce new questions in annual citizen satisfaction surveys?
- How can we counter the “private sector efficiency” myth in the business community and union ranks, as well as municipal governance?

For further reference, refer to page 49 in *Back in House*.

LIVING WAGE POLICY

Public sector take-home pay can be both higher and lower than private sector wages, depending on the position. For example, public sector property negotiators and property appraisers will never be paid as much as realtors and appraisers who are in the top half of the real estate industry. Yet, most cities pay more than minimum wage for entry-level positions.

Whether the wage disparity is real or perceived, discussion around the issue creates an opportunity to advocate for a living wage that allows all workers to cover their basic living expenses and housing. The working poor place additional demands on the community. Accordingly, the following topics could be considered:

- Introducing the role of living wage policies in procurement;
- Providing examples of cities with living wage policies; and
- Listing the benefits supporting the need to consider adopting a living wage policy.

For more information, visit [Living Wage for Families](http://LivingWageforFamilies.org) at livingwageforfamilies.ca.

WORKSHOP EXERCISES

EXERCISE 1. Small group discussion

Now that we understand how important it is to create a new policy to support in-house work whenever administration considers setting up or renewing a contract, let's consider:

- . Who in the community is pro-contracting in?
- . Who in the community would be the best advocate to appear as a leader on this topic?
- . Which community group(s) may endorse a formal request?
- . Who on council would be the best person to make a motion?

EXERCISE 2. Plenary brainstorming

In this workbook a short list of benefits and impacts was provided.

- . What are additional benefits?
- . What are additional impacts?

EXERCISE 3. Plenary brainstorming: What is the impact of your municipality's rank on the in-sourcing / out-sourcing list?

Review the list (see Part 3) and discuss how the following may react:

- . Chief administration officer;
- . Senior management team;
- . Council;
- . Human resources manager;
- . Chamber of Commerce; and
- . Community at large.

EXERCISE 4. Small group discussion:

Why is your city where it is on the in-sourcing / out-sourcing list?

Think back about decision-making processes, the actors involved and how leadership feels about in-house work and contracts.

- . List all the reasons.
- . Rank the top five reasons and explain why.
- . Given that your city makes both in-sourcing and out-sourcing decisions, consider:
 - o What key factors influence those decisions?
 - o What do you need to "do more of..., less of..." to bring work back in house?
 - o What do you need to "do more of... less of..." to reduce contracting out?

EXERCISE 5. Two person teams: Sell the value of leasing as well as a car salesperson.

- . Insert a lease worksheet example.
- . Insert a borrowing worksheet example.
- . Insert a net present-day value worksheet example.

EXERCISE 6. Plenary discussion

- . Why use FOI requests as a last resort?
- . When to use the threat of launching an FOI request?
- . Are there benefits to partnering with academia? Explain.



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