

MEMORANDUM



March 3, 2025

TO: Ben Van Nostrand
CC: Tim Perepolkin
FROM: John Weninger
FILE: Columbia Shuswap Regional District
SUBJECT: O&M Services Review

INTRODUCTION

The Columbia Shuswap Regional District (the CSRD) currently own and operates eleven water systems dispersed throughout the district. The operation and maintenance of these water systems has historically been outsourced to a contractor that specializes in the operation and maintenance of small water systems. This model has worked successfully in the past, however as the number and complexity of the water systems has gradually increased the CSRD seeks to evaluate whether an outsourced model is the best model moving forward or whether an in-house approach would be advantageous.

This memo seeks to provide a cursory exploration of this topic with the goal of providing some recommendations on how to proceed.

OUTSOURCING PROS AND CONS

The CSRD currently contracts all the O&M requirements for the eleven water systems to a single contractor based in the Salmon Arm area. The term of contract is generally five years, with the latest contract expiring in 2029.

It is understood that the contractor currently has a crew of (3) fulltime field employees that collectively possess the necessary qualifications to maintain water distribution and treatment facilities, in addition to the owner who oversees the management and scheduling requirements.

The weekly responsibilities of the contractor are detailed within the service agreement and included all of the activities generally required to operate and maintain each of the various supply, treatment and distribution systems.

COST CONSIDERATIONS

The CSRD is expected to spend in the order of \$650,000 for contracted O&M services in 2025. This includes \$530,000 of firm costs and an additional \$125,000 estimated for emergency callouts and miscellaneous overtime.

The scope of this review does not include a detailed examination of the costs of providing the services in house, however, a high-level estimate is as follows:

Annual In-house Costs Estimate

Base Labour and benefits	\$370,000	allowance ⁽¹⁾
Overtime and on-call Costs	\$120,000	allow same as outsource model
Vehicles, Tools and Equipment	\$35,000	allowance ⁽²⁾
Fuel and vehicle maintenance	\$40,000	allowance ⁽³⁾
Training, cell phone, other	\$20,000	allowance
Internal administrative costs	\$55,000	allowance based on 10% of other costs
Total	\$640,000	

⁽¹⁾ Assume (2) fulltime operators and (1) supervisor

⁽²⁾ Assume (2) pick-ups at \$75,000, one equipped maintenance truck at \$150,000 plus \$50k allowance for tools and IT (\$350,000 amortized over 10 years = \$35,000 per year).

⁽³⁾ Based on 25,000km annually per vehicle (75,000km total), 4km/L and fuel at \$1.85/L, maintenance at \$0.20 per km.

Based on the high-level nature of this estimate it is not clear whether there are potential cost savings for transitioning to an in-house model without a more in-depth analysis.

OTHER CONSIDERATIONS

In addition to the costs, there are other important considerations with respect to transitioning to an in-house arrangement.

A brief discussion on the potential advantages of each approach follows:

Advantages of In-House

Greater Control of the Service: In an in-house model the CSRD would have direct oversight of the operations and maintenance processes. In addition, the teams would be directly accountable to the CSRD, fostering a greater sense of ownership.

Reduced Risk: Relying on a single provider poses a risk for the CSRD. The contract allows either party to terminate with 90 days' notice without penalty. In addition he current contractor may elect to not to renew the contract upon expiry.

Given that the contractor is a small, owner-managed firm, there's a real risk to the CSRD if they were to terminate the contract unexpectedly. This would leave the CSRD needing to immediately find a new contractor or quickly develop the service in-house. An in-house arrangement would mitigate this risk.

Advantages of Outsourcing

Qualified Personnel: Operators of water systems in British Columbia are certified by the Environmental Operators Certification Program (EOCP). This program mandates extensive training tailored to the specific type of system being managed. Water

operations & maintenance contractors currently employ personnel who possess the necessary skills and certifications. Developing and maintaining these skills and qualifications internally would require significant time and financial investment.

Potential for Reduced Costs: Utilizing contractors may prove to be more economical over time as it reduces the expenses related to hiring, training, and maintaining a dedicated team. Additionally, contractors often have more flexible arrangements concerning overtime and on-call work compared to union environments. In situations involving multiple water systems spread over a large area, the expenses for emergency callouts and associated overtime can be significant.

Scalability: External providers can often more effectively scale their services as the needs of their clients evolve, due to their ability to share resources. This scalability would be beneficial as the CSRD acquires new systems.

CONCLUSION

Based on this high-level review, there do not appear to be significant cost advantages to transitioning to an in-house model. However, the current model presents a notable risk to the CSRD if the current contractor cancels the contract or chooses not to renew for an additional 5-year term.

It is advisable that the CSRD develop a contingency plan in case the current arrangement is terminated unexpectedly. This plan should explore alternatives for operating the systems until an alternative service provider is engaged or an in-house approach can assume the services.

The contingency plan will highlight the vulnerability of the CSRD to the termination of the contract. If the vulnerability is still deemed significant, the CSRD should consider putting plans in place to transition the O&M functions in-house.

JW INFRASTRUCTURE PLANNING LTD.

John Weninger
john@jwip.ca
Principal Consultant
604-789-4538