

From: Dawn Martin
To: Les Malawski, Karen Gasmó
CC: Fabian Contreras
Date: 17/Mar/2011 10:19 am
Subject: Re: Actually, I did the edits...

Good point Les. Maybe elaborate on that issue a bit in that section.

D.

Dawn Martin
 Strategy and Performance
 City of Regina
 Phone: (306)751-4077
 Mobile: (306)550-5407

Message sent from Blackberry handheld

-----Original Message-----

From: Les Malawski
To: Dawn Martin <DMARTIN@regina.ca>
Cc: Fabian Contreras <FCONTRER@regina.ca>
To: Karen Gasmó <KGASMO@regina.ca>

Sent: 3/17/2011 10:03:25 AM
Subject: Re: Actually, I did the edits...

The overhead which is 10% for asphalt and 22% for paving could be easily added to modify the graph; however based on the memo from GM of Corporate Services on overheads calculations, when comparing options and considering alternative delivery models, only the overhead that could be eliminated as a result of change should be considered.

I don't believe that by adding corporate overhead to our cost but not to the cost of City of Saskatoon would be comparing apple to apple.

When City of Saskatoon manages contracted paving projects they have corporate overhead associated with tendering, project management, approvals, paying bills, inspection, more detailed design required for tenders than it is for internal work etc. Based on the estimates from the Roadways Preservation Branch our design/administration/project management/ cost for managing internal projects is between 35% and 50% of the cost of managing contracted work.

Les

>>> Dawn Martin 17/Mar/2011 8:03 am >>>

Hmmm... good point. Les, how much work would it take to change the Regina/Saskatoon comparison? I know you have the overhead costs for 2010 (they're in the chart in the discussion on Rec 2), but do you have them for the other years? If you don't, maybe the discussion could say that you have the 2010 overhead costs and if they are added to the Regina internal costs, the picture stays about the same. That would likely satisfy.

On recommendation 2, I'm assuming that your department (the department that issues the tenders) would lead the investigation of self-tendering because your interest is cost reduction. But the department that might actually bid on the tenders would also need to be involved because a key element of this change would have to be establishing the systems to be able to accurately cost and track the work. Purchasing would also have to be involved to provide advice on establishing a transparent process. The fact of the matter is that it's a fairly big move and more than one department would clearly need to be involved. If you think another department should lead it, then just change the recommendation (but make sure you talk to who ever the rec would suggest before you change it). I put it in there as it was because the whole item was coming from your department.

Any other changes you need, you or Les are going to have to cover. I missed the gas tax reference in the Communications section -- I had changed it everywhere else to refer to any funding from other levels of government. I would suggest simply making it consistent.

I'm not sure of your concern in the "Other" section. But feel free to elaborate. I'm assuming the item is yours now. As I said yesterday. I'm available on my cell till about 11:00 and will be checking my email periodically over the next two days. But my access is pretty limited.

D.

>>> Karen Gasmó 03/16/11 10:03 PM >>>

Hi all,

Finally found time to read. Couple of questions about the report.

First on the 2nd recommendation. Is the plan for self tendering something from my department (the dept that issues the call for tenders) to create or would this be better developed by the Dept that provides the service (ie the contractor)? I am not suggesting we don't have anything to add or that we don't help with this but I am a little concerned about optics.

When we compare costs between S'toon and Regina but don't show overhead are we going to get questioned by Glen as he often disputes the statement that we offer this service at a lower cost as he says we are not comparing apples to apples. Can this be addressed in this section? I believe overhead is marginal and doesn't change shape of graph but I anticipate the challenge...

Last sentence in section title "Other" after "evaluation criteria" I did see how this fit. Can this be explained a little further.

Communications section: why do we talk only about gas tax as this bidding concept would be for any type of third party funding. Not sure if I am missing something.

That is my few comments from my couch... Thank you again Dawn, Fabian and Les for all your work on this.

We now await Dorian's comments!
Karen

Message sent from Blackberry handheld

-----Original Message-----

From: Les Malawski

To: Dawn Martin <DMARTIN@regina.ca >

Cc: Fabian Contreras <FCONTRER@regina.ca >

To: Karen Gasmol <KGASMO@regina.ca >

Sent: 3/16/2011 3:34:10 PM

Subject: Re: Actually, I did the edits...

Thanks, Dawn and Fabian
Les

>>> Dawn Martin 16/Mar/2011 2:56 pm >>>

I thought I should add a bit more commentary in the section on the implications of the Cities Act since Jayne and Byron will be pursuing more research on the matter.

I've also edited the wording of rec. 2 slightly. Fabian noted some problems with the wording that made the rec difficult to understand.

Here ya go with the next one.

Dawn Martin
Performance Measurement Consultant
Office of Strategy Management
P: (306)751-4077
F: (306)949-7210
E: dmartin@regina.ca

Les Malawski - Re: ASD Comments

From: Les Malawski
To: Dorian Wandzura
Date: 27/Jan/2011 5:06 PM
Subject: Re: ASD Comments
CC: Karen Gasmol

Dorian,
 thanks for your comments. I have few questions for you before I can start rewriting the report.

1. Core services.

- It was established through the core service review conducted in 2005 that services to plan, build and maintain roads are essential (core) activities. Building and maintaining roads require material, equipment and labour. I see production of asphalt mixes as core activity similar to paving, placing concrete, fixing water and sewer lines etc. The services being the core however, does not mean that we have to provide them internally. All above activities are available from private sector now as well as internally. The fact that the services are available from private sector does not mean that this is the best option. Our job as public servants (in my view) is to choose and recommend the option (internal versus external) that provides the best value for tax payer money.

Some of the purposes of the cities as described by Cities Act is:

- (a) to provide good government;
- (b) to foster economic, social and environmental well-being;
- (c) to provide wise stewardship of public assets.
- (d) make the decisions in the best interests of their residents.

Question 1.

As it is impossible to make recommendation that will be in the best interest of everybody, should we consider first the best interest of the majority of the population (the residents) instead of the few having the most influence?

When I make recommendations, I always think about the best interest of the residents first and identify and list the potential political implications (if I am aware of them). I don't think I am in the position to assign weight to them. The reason for it is that I believe that politicians role is to make political decision and management role is to provide good management and sufficient information. **Please let me know if I am missing the boat?**

Question 2.

Before making the recommendation on the policy should we create opportunities for public consultations? Would the policy be restricted to asphalt plant or extend to all services PW provides. (the policy development may take long time).

Question 3.

Are we getting any direction from City Council regarding ASD for asphalt production or other services currently provided by City crews?

Question 4.

Do you see shortage of the arguments in the last version of the report supporting recommendation to keep the plant? If yes, what is missing?

Question 5.

a) Is the decision already made not to expand the operation of the plant?

If yes, there is no sense to invest time and money to investigate it any further and in such case we should tell McNair that the project is not moving to phase II so they can plan their work.

b) Would you still want them be a part of the presentation?

c) If the decision is not made yet, would you see us limit the recommendation to keep the asphalt plant and then provide options for the expansion as information only with decision requested to proceed or not proceed any further?

Thanks

Les

>>> Dorian Wandzura 25/Jan/2011 5:06 pm >>>

Les:

Here's some suggestions on the ASD report.

Generally, it reads like a technical report, especially in the discussion on P. 4 when we compare raw materials supply, etc. My suggestion would be to write this at a policy level and pretend that you are writing for City Council. The Policy Decision you are asking ELT to make is centred around the principle of whether governments should own and operate businesses that are available in the private sector. The parallel is that cities own and operate Leisure Centers, Pools and Transit systems because the private sector couldn't operate them at a reasonable price so they're subsidized municipal operations. The Asphalt Plant, it could be argued, is not a core municipal business in that the supply of asphalt is available in the marketplace.

So, the your report should pull the key issues together that can lead to a recommendation on what to do with the Plant.

Since we own a construction company, it makes eminent sense to have our own Plant and own more of the Value Chain, rather than pieces of it. The counter argument is that most large national/international corporations are now outsourcing big parts of their supply chains, although I'd argue that is only good strategy when you have significant and robust competition.

The other argument is that why do we have our own construction company? A bit off target for what we've put together, but nonetheless a valid question. We've always touted that we're better, faster, cheaper, so now might be the time to put those #'s together in a comparison between in house and contracted services. Especially now we have a standard OH calculation.

Although the report talks about negative reaction from the asphalt companies, I don't think that you've given that factor enough weight. They've shown time and time again that they have significant influence, and I think that they can end this exercise quicker than we can start. I'd suspect they'd lobby Councillor Fougere very hard on this point too. I'm not going to run headlong into a fight with industry on this. The Communications Plan speaks to notifying the Industry, but I'd suspect we need substantially more.

The total financial impact is a maximum of \$250k/year. While that's a significant amount, it's likely not enough to weather a bad PR storm. If you recall the recent toe stubbings over the Christmas Trees, the Private Sector interest in Waste Plan Regina, and even the recent articles on back alley garbage bin conversion, I can see that this issue will become a Communications nightmare if not done well. I think that on it's own it will likely raise enough issues that it will be hard to stand behind.

If, this plan was part of a broad ranging revenue strategy, designed to decrease the City's reliance on taxation, I could see it faring better, but on it's own, it feels like a risky venture that has a thin margin of success.

I think that the key questions would be to:

- 1) establish that our construction company delivers good and superior value for the Community
- 2) Establish that owning the Plant is the best financial option
- 3) Determine that Increasing private sales would be a viable financial option

If you can get through those 3, then the question is "How best to do it?". I think that answer will be like treading through a mine field, but it can be done with careful consideration and thoughtful planning.

Hope that helps.

Dorian

Issues raised from SHCA meeting

1. What is the City's goal? To become a competitor? SHCA and partners do not see the role of being in business as part of what the City should be. They are a municipal government, not a business.

The City goals are:

- minimize the cost of road reconstruction and paving jobs that City tenders
- generate between \$50,000 and \$200,000 revenue from sale of recycled asphalt slabs and sale of asphalt mixes
- help the construction industry by providing materials when they are not available during specific day or portion of a day from private market.

The City is responsible for road infrastructure and is the City obligation (as good government) to provide this infrastructure at the lowest life cycle cost

2. City would be supporting out of province competition by selling asphalt to them such as when the City of Edmonton does work in Regina.

For City projects the City would make the products available to in province or out of province contractors to reduce the cost of City projects. Contractors from out of province would have additional costs such as mobilization cost or leaving expenses for their employees. If bids from local contractors are higher than bids from out of province contractors, this means that either the out of province contractors are more efficient or the profit margin is big. Competition creates innovation, which reduces the cost. Paying less for the projects would allow the City to do more work (potentially contracted work) and would benefit all Regina taxpayers.

3. Could the City cap the amount they will to sell to small contractors to minimize the impact to large contractors? What about five years down the road, would the City open it up and remove caps?

By selling asphalt at market price plus \$2/tonne, the local asphalt suppliers would be in control of how much asphalt the City would sell. If the private asphalt suppliers sell asphalt mixes when needed, the paving contractors would most likely buy from lowest cost source rather than from the City.

4. What quantity of asphalt are smaller companies approaching the City for?

The quantity was either not discussed or depended on the price for which the City would be selling asphalt mixes for. We believe that if asphalt mixes are available to all reputable paving contractors from private source, the City would only sell asphalt if project is close to City plant or if City plant is open while other plants are closed on a specific day or part of the day. We estimate that the quantity will be approximately 5,000 tonnes per year.

5. SHCA is upset about lack of projects available to private companies. The City is not tendering out as many projects as in the past and doing more work themselves therefore looks to be positioning themselves as competition against private companies. Ring Road project was brought up a number of times as an example of this.

The cost of work provided by contractors in the past few years was increasing at much higher rate than the cost of similar work done by the City crews. Funding increases over the last years are below the cost increases. City is trying to stretch available funding as much as possible and if doing the work in house is the cheaper option the City has obligation to taxpayers to deliver the services utilizing the most cost effective means..

6. City of Saskatoon holds a meeting at the end of the year with contractors to announce their plans for the year ahead so industry can plan accordingly and have a heads up on projects they'd like to bid on. Would Regina be willing to do this? It may be possible to share with the industry the plans for big projects (such as bridge work) for which the funding is already known, but most likely we would not be in the position to list all projects that will be contracted out.
7. How does the City plan to determine pricing if industry won't disclose their prices? There is number of options such as:
 - If the difference between prices the City was quoted in 2014 and the City internal cost to produce similar mixes is D then the calculated market price would be our cost plus D
 - Ask paving contractors how much they pay for asphalt products
 - Any other suggestion provided by the Industry

KEY MESSAGES

- The City of Regina has been contacted by potential customers in the past to supply them with asphalt mixes and materials indicating demand in the market.
- Making asphalt mixes and granular materials available to contractors help to support community growth and foster local economic opportunities.
- The price for City-produced asphalt mixes will be adjusted annually and set slightly above the average price charged for similar products as to not directly compete with the private industry.
- Revenue generated by the sale of asphalt mixes and other products will be used for City of Regina programs, services and projects.
- The sale of recycled asphalt and concrete is beneficial to the environment as it reduces the environmental impact of depositing usable materials at the Landfill.
- It is estimated that selling asphalt mixes and granular/recycled materials to external contractors could generate approximately \$50,000 to \$200,000 per year.

QUESTIONS AND ANSWERS

1) Why was the asphalt plant and paving operations reviewed?

The City was asked to identify possible revenue streams and the production of asphalt and other materials was suggested. McNair Business Development Inc. was engaged to evaluate the City's asphalt production and paving operations and compare it to other options available to the City.

2) What were the key findings of the report?

The analysis shows that the asphalt plant is currently operating between 60% - 70% capacity so there is room for an increase in production. This increase in production and sale of asphalt and other materials to contractors would allow the construction industry to grow and meet the local demand for construction services.

3) What will be the impact on existing businesses that supply asphalt mixes?

The City recognizes that its entry into the asphalt market could have an affect on existing businesses that supply these products. The price for the external sale of City-produced asphalt will be annually adjusted and set slightly higher than the average price charge for similar products in the private sector, as to not directly compete with the private industry.

- 4) **How will this benefit the industry and contractors?**
Asphalt mixes and other products are occasionally not available on the market. The sale of asphalt mix and other products from the City would provide contractors with an additional source to purchase their materials.

- 5) **What environmental impacts would there be to increased production?**
The sale of recycled asphalt and concrete would reduce the use of natural materials, reducing the depletion of gravel pits and the harmful emissions caused by long distance hauling of these materials. Also, using materials previously deposited at the Landfill will reduce the amount of materials sitting in the Landfill.

- 6) **How would the generated revenue be distributed?**
The revenue generated from the sale of asphalt and other products would be reinvested back to the City to deliver programs and services to residents.

Heavy Construction Association & City of Regina

Recorded Minutes

June 11th, 2014

Regina Construction Association Building
1939 Elphinstone Street

Introductory Comments

- Purpose of these meetings is to consult with stakeholders who would be affected by the City adopting the sale of asphalt and granular materials produced by the City asphalt plant.
- Goal is to reach large contractors (Heavy Construction Assoc. members), smaller contractors, as well as developers
- City administration requested that we work to find alternative sources of revenue – due to the surplus of asphalt and having been approached by interested parties in the past who have expressed there being a shortage of available materials for sale in Regina, the sale of City asphalt and granular materials was presented as an option
- City's intention is not to compete with other businesses who sell asphalt themselves. As such, City asphalt would be priced at \$2 above market cost.
- Overall, the sale of asphalt and granular materials is beneficial to the bettering of the community (in instances where contractors run out of materials, underestimate quantities, etc., City plant is also occasionally open on weekends, Sundays in particular, while others are not)

Raised Concerns

- Concern that contractors/buyers will go to the City's asphalt plant to purchase materials rather than the North end out of convenience/lower hauling costs being closer to jobs, etc.
- Shared feeling of the City "undermining/competing with local businesses" and creating a source of unfair competition.
- Against City's mandate to enter into business – should remain a governing body
- Argument that capacity of materials is not an issue – there are ten asphalt plants in town and more than enough materials available
- Concern that the City's sale of asphalt and granular materials will be subsidizing out of province contractors who do not pay taxes to the City of Regina
- A similar situation occurred in rural municipalities (RMs) where the RMs began to bid on their own contracts and would always outbid outside contractors – as a result, contractors have simply stopped bidding on jobs in these RMs
- Concern regarding sustainability of this plan – concern that the project would start small, and continue to grow, eventually making the City a huge contractor and an unbeatable source of competition for private contractors
- Concern that the City has "no bottom" when it comes to finances – one of the factors that can potentially make the City a big source of competition

- Shared feeling that the City has advantages over smaller contractors already – ex. Discounts on equipment/heavy machinery.
- Shared feeling that there is likely no demand for crushed slab/asphalt/concrete mix materials
- Jobs tendered by city to contractors – provisions are too tough and unrealistic to meet given the conditions of the areas contractors are hired to pave/work on, etc.
- Shared feeling that the City only contracts out the difficult work and keeps the easy jobs for themselves
- This makes accurate comparisons of City versus contractors costs difficult
- Concerns that the City will be providing material to sub-standard contractors or contractors that cannot properly organize and plan
- Not the City's responsibility to solve private sector's problems – developers want the City in the business, but it is not the City's place to do so

Meeting Conclusion

- The Heavy Construction Association (represented by asphalt producers and one aggregate producers) would not support any City involvement in the sale of asphalt to the private sector (even if private sector work is paving City streets).
- They are okay with the City supplying asphalt to our own projects paved by City crews
- They do not believe that there is a market for the sale of recycled asphalt.
- The suggestion was made that the City should sell recycled or recyclable asphalt in big lots (100,000 tonnes per lot) to whoever provides the best price for it – this way the buyer of the material would become the supplier of the material to contractors

Les Malawski

From: Gerry Dizy
Sent: Thursday, May 01, 2014 10:06 AM
To: Les Malawski
Cc: Nigora Yulyakshieva
Subject: FW: Package 11, 12 and 13price for paving vs City cost

Importance: High

Hi Les,

Here are the asphalt cost/ tonne rates for the past 3 years. Rates include labour material & equipment for installed product.

2011 17(1)(b),
2012 17(1)
2013 (f)&(g)
2013 -

gd

From: Nigora Yulyakshieva
Sent: Thursday, May 01, 2014 7:46 AM
To: Gerry Dizy
Subject: FW: Package 11, 12 and 13price for paving vs City cost
Importance: High

Hi Gerry
Can you provide requested info to Les.
Thanks,
Nigora

From: Les Malawski
Sent: Tuesday, April 29, 2014 9:23 AM
To: Nigora Yulyakshieva
Subject: Package 11, 12 and 13price for paving vs City cost

Hi Nigora,
Could you please provide me with the internal cost for paving (\$/tonne) and the price we paid for the same service in 2011, 2012 and 2013. I need this info this week for the report and presentation to PW Committee (which I need to provide to the Committee in advance of the meeting).
Thanks
Les

| Name | Company | Email | Phone |
|------------------|--------------------------------------|--|----------------|
| Paul Moroz | Dream Developments | pmoroz@dundeerealty.com | 28(1) Personal |
| Bobby Pawar | Earth King Investments | 28(1) | |
| Mark Geiger | Geiger Developments Ltd. | 28(1) | |
| Jerven Weekes | Rosewood Alliance Church | jerven@rosewoodpark.ca | |
| Chad Jedlic | Harvard Development | cjedlic@harvard.ca | |
| Kevin Reese | Karina Developments | 28(1) | |
| Andrew Bruce | Melcor Developments Ltd. | abruce@melcor.ca | |
| Bob Linner | North Ridge Developments | 28(1) | |
| Stu Niebergall | Regina & Region Home Builders' Assoc | s.niebergall@reginahomebuilders.com | (|
| Lorne Yagelniski | Yagar Developments | 28(1) | (|



City of Calgary Asphalt Plant Price Quotation_2013

(Prices are subject to change periodically to reflect market conditions.)

Date: Effective 04 June 2013

Customer: All Customers

Address:

| Description | Product Code | Price per tonne | Location |
|------------------------|--------------|-----------------|------------|
| A Mix – PG 58-31 | 2A | \$83.00 | Manchester |
| B Mix – PG 58-31 | 1A | \$91.00 | Manchester |
| B Mix – PG 64-34 | 1B | \$98.00 | Manchester |
| B Mix – PMA 70-31 | 1C | \$104.00 | Manchester |
| C Mix – PG 58-31 | 4A | \$94.00 | Manchester |
| C Mix – PG 64-34 | 4B | \$101.00 | Manchester |
| C Mix – PMA 70-31 | 4C | \$104.00 | Manchester |
| SP-B – PG 58-31 | 3A | \$94.00 | Manchester |
| SP-B – PG 64-34 | 3B | \$101.00 | Manchester |
| SP-B - PMA 70-31 | 3C | \$107.00 | Manchester |
| J Mix – PG 58-31 | 5A | \$106.00 | Manchester |
| Sheet- PG 58-31 | 6A | \$124.00 | Manchester |
| Bridge Mastic (Note 4) | 7E | \$400.00 | Manchester |
| Recycled Asphalt | 70 | \$80.00 | Manchester |
| PG 58-31 Asphalt Oil | 0A | \$900.00 | Manchester |
| Cold Mix | 8 | \$175.00 | Manchester |

Terms and Conditions

1. Prices do not include delivery, testing or GST.
2. After regular hours a flat surcharge of \$200/load will be added. A minimum Call-out charge of \$1,000 (4 hour shift) and \$350 for each additional hour will apply.
3. Bridge Mastic available only on Mondays.
4. BULK PURCHASE PRICE (Annual Quantity exceeding 5,000 tonnes) - \$5 off **Posted Price** for minimum annual purchase of 5,000 tonnes for any products listed. This price does not apply to a combination of products, but only to individual products, i.e., the annual quantity of any one product must exceed 5,000 tonnes to qualify for the bulk purchase price, instead of an aggregate annual total of all products purchased. The Bulk Purchase Price is only available with written agreement prior to purchase.
5. This price list supersedes all previously published prices.
6. Asphalt mixes are made in accordance with the latest City of Calgary specifications at the time of quote.
7. The City of Calgary cannot be held responsible or liable for plant disruptions due to issues beyond our control (labour strikes, weather, mechanical breakdowns, material shortages, etc.). Every effort will be made to minimize disruption, and you will be kept posted should any situations arise.

City Representative: Dan Schinnour, Plant Coordinator,
Construction Services
Tel: (403) 268-1264

Customer Representative:

Company Name/Address/Phone Number:

Signature:

Signature:

Dan Schinnour, Plant Coordinator.

Name: (Print)

Date:

Date:

KEY MESSAGES

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2) What were the key findings of the report?

The analysis shows that the asphalt plant is currently operating between 60% - 70% capacity so there is room for an increase in production. This increase in production and sale of asphalt and other materials to contractors would allow the construction industry to grow and meet the local demand for construction services. Profits generated from this production and sale are estimated between \$50,000 to \$200,000 per year.

3) What will be the impact on existing businesses that supply asphalt mixes?

The City recognizes that its entry into the asphalt market could have an affect on existing businesses that supply these products. The price for the external sale of City-produced asphalt will be annually adjusted and set slightly higher than the average price charge for similar products in the private sector, as to not directly compete with the private industry.

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The revenue generated from the sale of asphalt and other products would be reinvested back to the City to deliver programs and services to residents.

Darlene Loucks

From: Dorian Wandzura <DWANDZUR@regina.ca>
Sent: Tuesday, November 30, 2010 3:04 PM
To: Karen Gasmol; Les Malawski
Subject: Re: ASD report - second draft

Les: Just a couple of general comments.

- The report is likely OK to go to WLT for presentation and discussion.
 - When we get to ELT, I'd like to shorten up the Conclusion and Background. they tend to go on for a while.
 - You mention it slightly, but one of the objectives of City Council is to look for more 'non-tax' revenues, which the Status Quo Plus option would be. It would only be \$250,000 or so, which isn't tremendously significant (maybe 0.15% or so on the mill rate?), but as part of a coordinated revenue strategy, it would be one piece.
- Dorian

>>> Les Malawski 29/Nov/2010 12:20 pm >>>

Dorian, Karen,

please find attached the revised draft report, which includes the comments I have received from both of you.
Please review it and provide me with your feedback.

Thanks

Les

Darlene Loucks

From: Fabian Contreras
Sent: Thursday, March 06, 2014 12:35 PM
To: Les Malawski
Cc: Dawn Martin
Subject: RE: Sale of asphalt and other materials
Attachments: Asphalt Report (FC).doc

Hey Les,

Attached are my suggestions and comments on the report.

I've done a bit of editing to the document. All the information is there, but there were some places in the discussion that I thought could use some tightening up.

One policy question that didn't get addressed is about differential pricing between what we charge private contractors and what we charge City crews. I think what we are saying is that we will continue to supply internal crews based on the status quo, but surplus materials will be made available to private contractors at a higher price (at or above market price). Is there precedence for us doing this? For example, when we increase fees for the landfill, city crews and the private sector pay the same price. If we are opening up product for sale, will we get resistance (either politically or legally) to charging separate prices?

Also, what is the proposed timing for starting to sell product. Are you expecting it to be this year, or should this be part of next year's budget.

If the report hasn't yet, it should receive further input from legal and communications.

Cheers,

Fabian Contreras
Strategy Management Branch
306.777.6989

From: Les Malawski
Sent: March-04-14 5:27 PM
To: Fabian Contreras
Cc: Dawn Martin
Subject: Sale of asphalt and other materials

Hi Fabian,
please review the attached draft of the report and provide me with your comments.

Thanks

Les

Elaine Gohlke

From: Shantel Lipp <slipp@saskheavy.ca>
Sent: Monday, September 08, 2014 9:09 AM
To: Linda Leeks
Subject: RE: Information for Public Works and Infrastructure Committee meeting of Sep. 11/14
Attachments: Submission to City of Regina Public Works and Infrastructure Committee.doc

Importance: High

Good morning Linda,

I wanted to let you know that myself and several representatives from the Saskatchewan Heavy Construction Association will be attending the meeting this Thursday at 4:00 p.m. Attached is a submission I have prepared and would like to share with the committee before the meeting. Please advise if there is anything special I need to do in order to present at the meeting Thursday.



1939 ELPHINSTONE ST
REGINA, SK. S4T 3N3

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f: 306 586 3750

WWW.SASKHEAVY.CA

SHANTEL LIPP
PRESIDENT

[Think BIG]

Contact the SHCA office for information on these upcoming events:

- June 19-20, 2014 - SHCA Annual Golf Tournament, Waskesiu, SK
- September 9, 2014 - P3 Summit, Jointly Hosted by SCA, SCC, and SHCA, Delta Hotel, Regina, SK
- November 19, 2014, Joint MHI/SHCA Standard Practices Meeting, Delta Hotel, Regina, SK
- November 20-21, 2014 - SHCA Fall Convention, Delta Hotel, Regina, SK



From: Linda Leeks [mailto:LLEEKs@regina.ca]
Sent: September-04-14 10:58 AM
To: Shantel Lipp; s.niebergall@reginahomebuilders.com; zlysak@aslpaving.ca; jim@blsasphalt.com; rgsmith@wfbotkin.ca; allan@morsky.org; dpenner@jdpenner.com; klservices@accesscomm.ca;

southernasphalt@sasktel.net; site@sasktel.net; khumphres@oscowestern.ca

Subject: Information for Public Works and Infrastructure Committee meeting of Sep. 11/14

Good day,

Please find attached information regarding the Thursday, Sep. 11/14 meeting of the Public Works and Infrastructure Committee. If you need any information regarding the meeting please contact myself.

Thank you.

Linda Leeks

Committee Assistant
Office of the City Clerk

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September 5, 2014

To: Members,
Public Works and Infrastructure Committee

Prepared by: Shantel Lipp, President
Saskatchewan Heavy Construction Association

RE: Sale of Asphalt Mixes and Granular/Recycled Materials to External Customers

Introduction:

The Saskatchewan Heavy Construction Association has been actively promoting understanding and development of our industry since its incorporation in 1945. The Association is lead by a Board of Directors, made up of leading construction owners and executives who represent all facets of the heavy civil construction industry. Specialized standing committees give concentrated effort to specific areas of inters within the industry. The Urban Infrastructure Committee works to promote standardized tendering practices encourage predictable public and private sector investment and ensure fairness and accountability is followed through the public tendering process.

The heavy construction industry invests greatly in our capital expenditures and labour. The industry employs over 22,900 people directly, in addition to 9,400 indirect jobs (suppliers), and another 14,000 induced jobs due to industry spending. 1/10 of all jobs within the province of Saskatchewan are dependent on heavy construction either directly or indirectly.

The members of the Saskatchewan Heavy Construction Association account for 7% of the provincial Gross Domestic Product (GDP), this economic impact is the equivalent to 145 Grey Cups being held in the City of Regina every year.

For the benefit of the local taxpayer the heavy construction industry has a vested interest in working non-competitively with stakeholders such as the City of Regina. It is with this in mind that we offer the following response to the recommendations being brought for to the Public Works and Infrastructure Committee on behalf of the city's administration.

Sale of Asphalt Mixes and Granular/Recycled Materials to External Customers

Background

Earlier this year members of the Saskatchewan Heavy Construction Association (SHCA) were asked to consult on the potential sale of asphalt mix and granular/recycled materials to external customers.

The Saskatchewan Heavy Construction Association is concerned with the recommendation going before the Public Works and Infrastructure Committee to find alternative sources of revenue by producing and selling asphalt and other materials in the marketplace. The origins of these recommendations come from a report commissioned for the City of Regina in 2010 by McNair Business Developments.

After reviewing the report commissioned by McNair in 2010, the SHCA feels that the information contained within the McNair report is no longer valid and the recommendations in the report should not be considered. Not only was the information provided in the report speculative at best, there was no consultation of private industry at the time the report was written to secure accurate pricing or get a firm grasp of the private sector environment.

Other information contained in the report seems to be inaccurate, under the collective bargaining agreement of CUPE Local 21 – Outside workers the average annual salary for an Equipment Operator working in the Roadways division is upwards of \$50,000, salaries noted in the collective bargaining agreement for an Asphalt Plant operator are shown to be just under \$70,000 annually, the total salaries shown for the entire asphalt division in the McNair report was \$366,000. Total equipment cost was \$81,000, aggregates cost/tonne was \$26.73 with nothing reflected in the report to cover operations or administrative costs, employee benefits, material testing, vehicle maintenance and repair costs, waste and other miscellaneous items.

Another item highlighted in the McNair report were unit prices from a City tender that would require emergency supply of asphalt should the city plant break down. These unit prices would be quoted at a premium due to lack of advanced notice, possible interruption of normal operation and delays to work crews. These are exceptions to the norm and should not have been used as comparison.

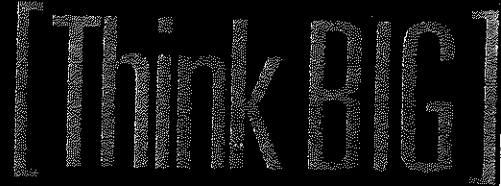
For more than 200 years Canada's municipal infrastructure has been built and maintained by private industry. Local civil contractors have supported municipal development, whether it was building and maintaining roads, bridges, installing underground utilities and generally delivery the core infrastructure that supports and enables future development and economic growth.

Taxpayers trust you spend their hard earned tax dollars effectively and prudently. To do that you need to have complete and balanced information. Publically tendered major construction projects and procuring the supply of asphalt, aggregate and other materials allow for certain guarantees. Private industry has a much better record of on time and on budget and many times can be done cheaper, faster and better.



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The city administration is now recommending competing with the private civil contracting industry. This is an industry comprised of small and large and specialized contractors that are the cornerstones of our local economy. Local industry employs hundreds of workers, they produce material locally, provide considerable local tax revenue and invest heavily in local economic development.

Over the past several years the supply demand gap the City of Regina was hoping to fill is no longer there. The SHCA membership has grown from 184 members in 2010 to 219 members in 2014. There are approximately 10 asphalt plants operating in and around the Regina area. Both ASL and Pasqua Paving the two companies referenced in the McNair report have purchased new asphalt plants within the past 2 years resulting in a doubling of their production capacity.

The current market demand for recycled concrete and asphalt is low. The SHCA would not support the City's involvement in the retail sales of crushed asphalt and concrete. We are further opposed to the city offering large quantities of raw or recycled material to the market.

The SHCA has consulted with the Regina Homebuilders and presently there seems to be no interest from the land developers in the city pursuing this model. The Regina Homebuilders association further questioned whether an accurate analysis had been done to ensure there is no risk to Regina taxpayers?

There have been many cases of municipal and provincial governments trying to compete with local business, particularly in the sale and production of asphalt and more times than not it's proven a losing venture. Earlier this year the province of Nova Scotia sold its mobile asphalt plant back to a private industry contractor. ***"As promised to Nova Scotians, we have taken government out of the paving business and returned the work to the private sector, we'll now focus on strengthening the road building environment with earlier tendering to ensure that we get the best return on our investment."*** said Transportation and Infrastructure Renewal Minister Geoff MacLellan.

Recommendations:

The SHCA believes that the City of Regina should be working together with their stakeholders to ensure there is greater private sector involvement, as well as leverage private investments, and increase the use of public private partnerships where they can generate better value for taxpayers, not use municipal dollars to compete against its taxing businesses.

The local government mandate should be focused on a better system of asset management, and become better informed of the risks, costs and accountability between publically tendering vs. self performance on the delivery of construction of municipal infrastructure projects.

SASHA

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Engage with the private investment community and seek their advice on the type of policy changes that need to be made to help promote addition interest in partnering with government.

Move away from a cyclical capital program that produces higher taxpayer costs for infrastructure asset procurement and move toward a long term capital program. Better planning allows industry to submit more competitive pricing, lowering procurement costs.

Going to tender on major infrastructure projects during periods of lower demand (ie November to January) would yield better pricing, and allow construction to begin as soon as the ground conditions permit.

The association, in conjunction with its fellow Canadian heavy civil industry partners, as well as the Canadian Construction Association, has produced a document highlighting the important questions municipal councils should be asking: ***"Does self-performance, or in-house performance, of infrastructure construction work meet the imperatives of cost, quality and accountability?"***

Further, does competing with local business fall under the mandate of municipal government?

The Saskatchewan Heavy Construction Association's Urban Infrastructure Committee welcomes the opportunity to discuss this submission in further detail with the committee members and/or members of council at their earliest convenience.

Sincerely,

Signature Removed

Signature Removed

Ron Smith
Chairman
Urban Infrastructure Committee
Saskatchewan Heavy Construction Association

Shantel Lipp
President
Saskatchewan Heavy Construction Association

21(a)(b)&(c)

21(a)(b)&(c)

21(a)(b)&(c)

▪ 21(a)(b)&(c)

Les Malawski - Corporate Overhead

From: Janet Aird
To: Malawski, Les
Date: 08/Dec/2010 12:08 PM
Subject: Corporate Overhead
CC: Beckman, Jennifer; Messer, Colleen

Hi Les,

The Corporate Overhead that was attributed to Granular Material Supply & Asphalt Production in the Corporate Overhead Allocation is as follows:

| | |
|--|--|
| Granular Material Supply ^{17(1)(b)} | \$101,489 of which \$43,680 was estimated to be |
| charged out to ^{17(1)(b)} operations | |
| Asphalt Production ^{17(1)(b)} | \$524,867 of which \$225,901 was estimated to be |
| charged out to ^{17(1)(b)} operations | |

These figures were based on your 2009 actual expenditures.

I think this is all you were looking for us to confirm. However, if you need something in addition to this, please let me know. I realize you wanted this for a report the 1st week of December so this is late. I wasn't sure how you were incorporating this information.

Janet

21(a)(b)&(c)

21(a)(b)&(c)

Darlene Loucks

From: Les Malawski
Sent: Wednesday, June 11, 2014 1:38 PM
To: pmoroz@dundeerealty.com;; 28(1) ; 28(1)
jerven@rosewoodpark.ca; cjedlic@harvard.ca; 28(1)
abruce@melcor.ca; 28(1) ; s.niebergall@reginahomebuilders.com;
28(1)
Cc: Hayley Park; Adam Homes
Subject: Stakeholder feedback

Dear Sir/Madam,

City of Regina currently provides asphalt mixes and recycled asphalt and concrete to internal crews, As there is excess capacity the City is considering providing asphalt mixes to contractors at the rate \$2/tonne above the average market price in Regina area for similar products. The City is also considering the sale of recycled concrete and asphalt (materials crushed for the City by contractors at City Landfill) at the rates that would allow for reduction of the inventory of these materials in the landfill while generating additional revenue for the City. The internal City needs for these materials will be always priority #1 and only excess capacity would be available to others.

City of Calgary has been providing asphalt mixes and other materials to contractors for number of years, at prices above the market prices. The City has received number of requests for supplying asphalt mixes and recycled materials to some smaller and mid size contractors in the past, which indicates that there is a gap and adopting City of Calgary approach may fill this gap.

The summary of the feedback from various groups will be attached to the report that will be presented to Public Works and Utilities Committee in July.

The City goals are:

- minimize the cost of road reconstruction and paving jobs that City tenders
- generate between \$50,000 and \$200,000 of annual revenue from the sale of recycled asphalt/concrete slabs and the sale of asphalt mixes
- help the construction industry by providing materials when they are not available during specific day or portion of a day from private market.
- Reduce the inventory of recyclable materials at the City Landfill
- Prolong the life of the gravel pits by replacing portion of the materials extracted from gravel pits with recycled concrete and asphalt

Currently we are collecting feedback from various sectors of the industry to determine what would be the net impact on the industry if City enters the material supply market and what limitations should be put in place to ensure net gain for the industry . Land Developers utilize road construction services and therefore are invited to provide their feedback.

If you would like to provide your feedback please answer the following questions:

1. Does your company has sufficient access to road construction services?
2. Would having contractors to have an additional source of asphalt and recycled materials benefit your industry?
3. If City enters the materials supply market, what would you see as negative impact on the land development industry?

4. Should the City provide restrictions of how much materials would be made available to each contractor?

5. Would you have additional comments?

Thank you for your anticipated participation in this survey.

Regards

