

Presented To:	Operations Committee
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## Request for Decision

### Underground Infrastructure Notification System Act

#### Recommendation

That the City of Greater Sudbury authorize staff to proceed with Option 3 (Outsource and Join the Locates Alliance Consortium) to meet current service level deficiencies and the new legislated requirements for locate services during the spring of 2013 in order to be able to meet expected construction season peaks in 2013; and

That the City of Greater Sudbury join the Locate Alliance Consortium (LAC); and

That locate services be outsourced to an external service provider to meet the City of Greater Sudbury infrastructure locate obligations through a competitive acquisition process that fully complies with the purchasing bylaw; and

That Staff be authorized to draw any deficit from the respective reserve funds.

#### Finance Implications

Under Option 3, the unbudgeted estimated operating costs ranges from \$189,000 to \$243,000 and will be absorbed into the 2013 operating budget, if possible. If there is a deficit at year end in either Water and Wastewater or Roads, it will be funded from the Water and Waste Water Capital Financing Reserve Funds and Roads Capital Financing Reserve Fund respectively.

The one-time outlay of \$10,000 to join the LAC will also be funded from the operating budget.

For 2014, the associated annual costs will be reflected in the operating budget.

## Background

It is standard business practice when excavation is to take place to locate underground infrastructure to prevent damage or avoid injuries from potential contact with the underground infrastructure. As part of its operations, CGS is required to provide locates to anyone excavating where CGS infrastructure is in place. The City's underground infrastructure that must be located before excavation proceeds are water and sanitary sewer lines, storm sewers and the underground infrastructure for traffic lights. Currently the City

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does not provide locate services for storm sewers or underground infrastructure for traffic lights.

Historically, locate requests to CGS have been processed and provided by internal staff resources. Recently, as demands have increased for both locates and core W/WW work functions, locate service standards have suffered prompting an increasing number of concerns being expressed by local excavators whose schedules and projects have been delayed while locates are being processed.

The building inadequacy of the present locate processes coupled with imminent legislation that prescribes new service standards requires prompt implementation of an improved way for CGS to provide locates to excavators.

The new system must not only provide value for money, bring CGS standards into line with local excavators' expectations and industry norms but also set the stage to smoothly transition into compliance with looming legislated standards.

### **Existing Legislation**

Presently there are three existing pieces of Ontario legislation that define requirements for locating infrastructure prior to excavating:

- Occupational Health & Safety Act, Construction Projects Regulation 22/04:  
Requires that an employer shall ensure the services in the area of the excavation are located and marked;
- Technical Standards and Safety Act, Oil and Gas Pipeline Systems Regulation 210/01:  
Requires that no person shall excavate without first ascertaining from the license holder the location of the pipelines;
- Electricity Act, 1998:  
Requires that prior to excavating an excavator shall ascertain from the distributor the location of any distribution line that the excavation may interfere with.

### **New Provincial Legislation**

The *Ontario Underground Infrastructure Notification System Act, 2012* was passed by the Ontario Legislature in June 2012 and came into effect via a phased implementation schedule that began June 19 2012. The new requirements are scheduled to come into effect for all owners of underground infrastructure except municipalities in June 2013 and for municipalities in June of 2014.

### **Requirements of the Act**

Of particular significance to CGS, this new legislation prescribes the response time to locate requests as set out below.

- Emergency Locate Requests:  
Defined as a loss of an essential service by a utility and an excavator work crew is either on site or has been dispatched, or there is an imminent safety hazard requiring a locate response within two hours. Such requests are to be forwarded to the member utility by Ontario 1 Call within fifteen (15) minutes.
- Priority Locate Requests:  
Defined as an emergent situation that requires a locate request to be completed within five business days. Such requests are to be forwarded to the member utility within twelve (12) hours.
- Standard Locate Requests:  
Defined as planned work where a locate request is required within five (5) business days and forwarded to the member utility within twenty-four (24) hours.

The legislation also requires locates for storm sewers and traffic light underground infrastructure. The City does not currently meet the prescribed response times and does not locate storm sewers or traffic light underground infrastructure. CGS will be unable to meet these requirements as the business function is currently structured.

## Ontario 1 Call

The new legislation also creates Ontario 1 Call that is a statutory, not-for-profit corporation that will operate a call centre where inbound calls will be excavators requesting excavations and outbound calls to member utilities and municipalities to arrange the requested locate. Every municipality in Ontario who owns or operates underground infrastructure will be required to become a member of Ontario 1 Call. At the present time it has not been clearly established as to whether municipalities will be required to pay a membership fee.

### **Impact on CGS**

CGS must become a member of Ontario 1 Call by June of 2014. Members of Ontario 1 Call are required to meet the service standards for providing locates to excavators within prescribed times as above. The number of locate requests is variable in nature and is expected to change by season with the peak season for expected locate requests from May until November of each year. The following graph shows CGS's locate request statistics and it is projected that there will be 5,400 locate requests in 2013. The increase in the projection is due to increased education activity about completing locates before excavating by regulatory authorities. In addition, other municipalities have informed CGS that upon becoming members of Ontario 1 Call, their locate requests increased by about 30%.

### **Options To Meet New Legislated Requirements**

As previously mentioned, CGS currently has difficulty meeting the demands for locate services and does not have the resources to meet the new legislated requirements. In developing a strategy to provide improved locate services and consistently comply with these new requirements, staff considered three possible options. In evaluating these options consideration was given to factors such as costs, sustainability, impact on core work and consistency of compliance with legislated requirements. A summary of options is presented below:

#### **1. Continue to perform locates with City staff**

CGS locate requests are received and processed by CGS dispatchers and relayed to field staff. The field work portion of the locates are currently performed by certified operators from Water and Wastewater Services and Construction Services staff. None of the staff who currently provide locates do this as their sole function and when demand for locates is high other core work of these functions is left undone.

The 2013 projection for locate requests is 5,400 most of which will occur in the peak period of May to November. For this number of locates, it is anticipated that CGS will require 6 temporary employees for seven months. The labour, training and administrative support costs would be approximately \$275,000. In addition, these employees would require a vehicle and the cost of leasing these vehicles for the temporary period would be approximately \$42,000. Other equipment such as locating equipment, computers and software is required at an estimated annual charge of approximately \$7,500. In addition, CGS will be required to purchase software that allows the City to communicate with Ontario 1 Call at a cost of \$50,000. The total cost of this option is \$324,500 in annual operating costs and a onetime cost for the software to communicate with Ontario 1 Call of \$50,000.

This strategy would reduce the burden on dispatchers and free up two existing certified operators from Water and Wastewater Services in the peak season who currently perform locates to work on other core programs. As a result there are no potential savings. In the non-peak periods, the existing certified operators from Water and Wastewater Services would perform locates.

Since this option proposes temporary employees, it is of note that staff attempted to recruit two utility locators on a limited basis during 2012 and was unable to find successful applicants. Given that locates may be requested on a 24 / 7 basis and the significant seasonal variability in the number of locate requests, recruitment of suitably qualified staff on an ongoing basis will likely be difficult and this could compromise the City's ability to comply with the legislated requirements and thereby detract staff from their core work programs. Even if qualified staff could be recruited, barriers in the Collective Bargain Agreement (CBA) require that premium rates be paid for locates provided outside normal dayshift hours and any work on weekends.

## **2. Outsource to External Service Provider**

Due to the mandated service standard and unpredictability of the volume of locate requests from day to day, contracting the work to an external locate provider has advantages. Such companies are subject matter experts who are better set up to manage variable or unpredictable locate work flows.

Outsourcing would also reduce CGS costs by eliminating the requirement for the City to purchase software to communicate with Ontario 1 Call as this relationship will be managed by the successful bidder. Based on the projected volume of locate requests for 2013 of 5,400 and an estimated average cost of \$35 to \$50 per locate (provided by another utility based on their experience) the expected cost to outsource the locate function is between \$189,000 and \$270,000. The actual cost of a locate will not be known until CGS undertakes a procurement process.

## **3. Outsource and Join the Locates Alliance Consortium (LAC)**

The Locate Alliance Consortium (LAC) is a group of utility owners who work together to create best practices and find ways to provide the best value for money through synergies. A LAC exists in several regions in Ontario, and Sudbury falls within the Northern Ontario region. All LAC members outsource their work to a contractor (through competitive processes) who is willing to abide by the terms and conditions developed by the LAC.

One of the key terms of a LAC is that of a tiered pricing structure wherein the cost of a locate to an individual utility is reduced when other utilities are located at the same time. To illustrate (based on experience of another utility), where the average cost for a single locate in Option 2 above for outsourcing is \$35 to \$50, in this option where two or more utilities are located at the same time by the same service provider the average cost of each locate is approximately \$35 to \$45. Based on the anticipated 5,400 locate requests for 2013 and assuming an average price per locate of \$35 to \$45 the cost to the City would be in a range of \$189,000 to \$243,000.

There is a onetime cost related to belonging to LAC of approximately \$10,000.

## **Financial Impact**

Option 1 has unbudgeted estimated operating costs of \$324,500, and if possible, will be absorbed into the 2013 operating budget. If there is a deficit at year end in Water and Wastewater and Roads Services, it will be funded from the Water and Waste Water Capital Financing Reserve Funds and Roads Capital Financing Reserve Fund respectively.

The initial one-time outlay for software of \$50,000 will be funded proportionately from the Water and Wastewater Capital Financing Reserve Funds and Roads Capital Financing Reserve Fund.

Option 2 has unbudgeted estimated operating costs ranging from \$189,000 to \$270,000, and if possible, will be absorbed into the 2013 operating budget. If there is a deficit at year end in Water and Wastewater and Roads Services, it will be funded from the Water and Waste Water Capital Financing Reserve Funds and Roads Capital Financing Reserve Fund respectively.

Option 3 has unbudgeted estimated operating costs ranging from \$189,000 to \$243,000, and if possible, will be absorbed into the 2013 operating budget. If there is a deficit at year end in Water and Wastewater and Roads Services, it will be funded from the Water and Waste Water Capital Financing Reserve Funds and Roads Capital Financing Reserve Fund respectively.

The initial one-time outlay of \$10,000 will be funded proportionately from the Water and Wastewater Capital Financing Reserve Funds and Roads Capital Financing Reserve Fund.

The service delivery method will be evaluated during the course of 2013 and for 2014, the associated annual costs will be reflected in the operating budget.

### **Recommendations**

Following analysis of the various options to meet the new requirements staff recommends the following:

1. Move forward in a proactive manner by implementing a solution to meet current service level deficiencies and the new legislated requirements for locate services during the spring of 2013 in order to be able to meet expected construction season peaks in 2013;
2. Join the Locate Alliance Consortium (LAC);

The LAC provides a time proven framework developed in the private sector for utility owners to provide best value for money, collaborate on best practices, and hold locate providers accountable for the quality of their work as a team. The LAC has a well developed QA / QC program and reports on key performance indicators to effectively manage the locate service providers (LSP's).

There are also mechanisms in place for LAC members to take advantage of lower rates from locate providers by having one locate provider perform several locates while they are already onsite. The analysis of the three options above demonstrates that the option where the municipality joins LAC and outsources locate services results in the option providing the greatest value for money to CGS.

3. Outsource to an external service provider to meet CGS infrastructure locate obligations through a competitive acquisition process that fully complies with the purchasing bylaw.

The CGS locate requirements impact on both Water and Wastewater Services and Road Services. Since CGS has not been providing locates for storm sewers and underground traffic light infrastructure, there are no historical records to establish what portion of the cost will apply to Roads and to Water Wastewater. Generally it is anticipated that the split will be approximately 30% to Roads and 70% to Water and Wastewater. Actual costs will be tracked by division and adjusted at year end to reflect the actual costs for Roads and Water and Wastewater. The 2013 budget does not have an allocation for these costs. It is recommended that the required funding for 2013, if possible, will be absorbed into the 2013 operating budget. If there is a deficit at year end, it will be funded from the Water and Waste Water Capital Financing Reserve Funds and Roads Reserve Funds respectively. Annual costs for 2014 will be included in the 2014

operating budget. The initial one-time outlay for software will be funded proportionately from the Water and Wastewater Capital Financing Reserve Funds and Road Capital Financing Reserve Fund.