
DATE: June 13, 2012

REPORT TITLE: **2012 BUDGET APPROVAL FOLLOW UP- DETAILS REGARDING
CONVERSION OF TEMPORARY POSITIONS TO REGULAR POSITIONS
(CONTRACT CONVERSIONS)**

FROM: R. Kent Gillespie, Commissioner of Employee and Business Services

RECOMMENDATION

That the conversion of 10 contract positions proposed for conversion to regular positions as presented in the 2012 Regional Budget, be approved.

REPORT HIGHLIGHTS

- At the December 15, 2011 Regional Council Budget Meeting, direction was given to defer the proposed conversion of 10 temporary employees who are working in temporary positions (sometimes called contract employees).
- These non-union positions are currently being filled by employees on long-term contracts.
- The funding for each position was approved in the 2012 Regional Budget.
- The work being done by these employees is shown to have special value, is of a permanent nature and requires specialized skills.
- Maintaining contract positions in these circumstances over more than two years does not save salary and benefit costs, rather costs tend to increase through turnover, loss of productivity and lack of skills.
- Continuation of contract status prevents employees from participating in the Long Term Disability group insurance plan at their own cost.

DISCUSSION

1. Background

At the December 15, 2011 Regional Council Budget Meeting, direction was given to defer the proposed conversion of 10 temporary employees (sometimes called contract employees) to regular employees until such time as Regional Council could review the details of these positions.

The 2012 operating budget impact of these positions in total was \$326,000. This impact related to the conversion of only three temporary employees as the funding source would change from capital to operating. There would be no funding change for the remaining seven as had been approved in previous annual budgets. Regional Council chose to approve the necessary funding for all these employees in the 2012 budget however the

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actual implementation of the conversion of these contract employees was deferred pending this report. Therefore, this report will focus on the reasons for conversion from contract to regular employees.

2. Findings

The following table is a summary of the positions being brought forward for conversion.

Department and Division	Position Title	Brief Comments	Number of Employees
Corporate Services - Business Planning & Financial Services	Asset Management Advisor	Long term planning for "state of good repair" of all Regional asset classes.	1
EBS - Real Property Asset Management	Project Specialist - Energy Services	Energy conservation and renewable energy projects and regulatory compliance	1
EBS - Real Property Asset Management	Project Manager - Construction Services	Manage construction projects for Regional and Peel Living buildings and facilities. 84 projects underway or planned.	3
	Project Specialist - Construction Services		1
EBS - Real Property Asset Management	Lease Negotiator - Real Estate	Supports the Region acting as both a tenant and as landlord for a large portfolio of real estate holdings and program needs.	1
EBS - Purchasing and Strategic Projects	Business Analyst	To achieve greater efficiencies through integration of service delivery.	1
Human Services - Service System Management	Technical Advisor - Housing Capital Assets	To support housing providers in capital planning.	2

As presented during the 2012 Budget meetings in order to meet increasing demands for services in a growing Region, the expectation that the Region will be innovative and continuously improve its ability to deliver programs and services, and to be careful and prudent stewards of the increasing number and value of public assets, increases the staff resources. Due diligence is carried out to ensure that increases in staffing levels are warranted.

When long term or permanent work is known to exist immediately, for example increases in the number of paramedics or the requirement to open a new Community Recycling Centre, the requests for regular staff positions can be made in the annual budget. However, where incremental increases in work load are occurring or where there is a new program or process being developed that will increase efficiencies or meet new and emerging needs, the request for regular staffing is often deferred until the need is confirmed or the program benefit is clearly established. In the meantime, annual budget requests include sufficient

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funding for resources to be obtained through temporary positions filled with contract staff. When appropriate, staff bring requests to convert these temporary positions to regular positions in the annual budget.

Temporary positions occupied with contract employees are not generally sustainable over long periods of time and two years has been the benchmark normally set for conversion. After two years a contract employee is entitled to enrol in Ontario Municipal Employee Retirement Savings (OMERS). The benefit package is otherwise the same, except for Long Term Disability Insurance (LTD), which is employee paid and not a cost to the Regional taxpayer. Therefore there is no difference in costs to the Region.

As to other employee relations, such as the ability to terminate employment based on performance, there is little difference after more than two years of contract renewal between contract employees and regular employees. Employment Standards Act requirements apply to both and common law rights begin to apply when employment through renewals essentially becomes indefinite. Therefore, maintaining long term contracts does not reduce contingent liabilities in respect of these non-union positions.

It is only in the case of unionized workers where dismissals require proof of just cause under labour law and so layoffs require "bumping" by seniority. None of these positions are union positions. Indeed, it is not possible to have long term contract employees in union positions because collective agreements require these workers to become regular employees after a short period of time, usually six months.

The greatest problem with contract positions is that, although one may get good qualified staff at the beginning on the hope of the contract becoming permanent, if the contract employees are not eventually converted to regular employees, turnover begins to take place at an increased rate. Generally turnover will cost up to a quarter of the position's annual salary in recruiting and training and in lost productivity. Also, it becomes increasingly difficult to recruit employees with the right skills if there is no prospect of conversion to a regular position.

Each of the subject positions has its own unique attributes but there are several common themes that run through all as follows:

- The value of the work is clearly demonstrated;
- The long term or permanent nature of the work has been demonstrated;
- The work requires specialized skills that are difficult to retain in a contract environment.

Appendix 1(as attached) contains the details related to each of these positions.

FINANCIAL IMPLICATIONS

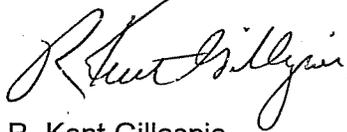
Funding for the positions brought forward for conversion is already included in the 2012 budget. Funding sources for these positions include operating budgets as well as capital projects. If approved these amounts will be included as base funding in the 2013 budget submission and included in the regular full time complement analysis.

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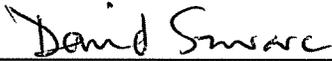
CONCLUSION

At the December 15, 2011 Regional Council Budget Meeting, direction was given to defer the proposed conversion of 10 temporary employees who are working in temporary positions (sometimes called contract employees). These non-union positions are currently being filled by employees on long-term contracts. The funding for each position was approved in the 2012 Regional Budget. The work being done by these employees is shown to have special value, is of a permanent nature and requires specialized skills. Maintaining contract positions in these circumstances over more than two years does not save any costs for salaries and benefits nor does it reduce contingent liabilities, rather it costs more through turnover, loss of productivity and lack of skills. These employees are prevented from participating in the Long Term Disability group insurance program at their own cost.



R. Kent Gillespie
Commissioner of Employee
and Business Services

Approved for Submission:



D. Szwarc, Chief Administrative Officer

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APPENDIX I

Asset Management Advisor – Corporate Asset Management

Peel's 10 Year Capital plan is in the range of \$5 billion, replacement cost of assets is valued at \$17 billion. As Peel's infrastructure ages, decisions on state of good repair and mitigating risks will become increasingly complex. The Corporate Asset Management program (CAM) is in its fifth year of development and the resources necessary for the program have now been more clearly defined.

The CAM program requires the collection of data in respect of all Regional assets including: the inventory of all assets by asset class, the condition of the assets in each class, the level of service that each asset class is expected to perform, and the current level of service that the assets are providing. These data are developed in collaboration with the departments that are responsible for the management of the various asset classes. For example Public Works has responsibility the largest number and most valuable assets including all of the linear assets that provide the Water and Waste Water services and Transportation Services as well as the various plants and facilities related to those services as well the Waste Management Division. Similarly other departments are responsible for other assets including buildings and equipment. The CAM program analyses the data and reports on the level of risk related to the gap between the ability of the assets to achieve the planned level of service and the actual level of service achieved due to the actual condition of the assets in each class.

An asset management program is an essential tool that provides decision makers, including Regional Council, with the necessary information to allocate investments in the state of good repair and carry out critical long term financial planning for infrastructure of all classes.

The program requires the necessary technical expertise to gather the appropriate data and do the required analysis which the asset management advisor position currently provides. There are significant financial risks associated with future asset management costs and there is an expectation that this type of program will be a prerequisite for successfully obtaining future Federal and Provincial infrastructure funding. This program requires a total of four full time staff; a manager, two specialists (one of which is the contract position called "asset management advisor") and a financial analyst.

Project Specialist – Energy Services

Energy Services has two main functions: 1) the centralized procurement and management of electricity and natural gas required for all Regional Services; and 2) the implementation of energy conservation and renewable energy projects under the Energy Plan adopted by Regional Council. The Project Specialist position is required for the second of these two functions.

The project specialist provides key technical support to energy project managers and is responsible to report to the Ministry of Energy in compliance with Ontario Regulation 397/11, prepare documentation requirements for the Ontario Power Authority for renewable energy projects, coordinate with the Local Distribution Companies, monitor expenditures, interface with client departments and outside contractors, and coordinate energy conservation awareness activities. In addition, the specialist is responsible for assisting with implementation of energy conservation projects that are initiated by Term of Council Priority #1: Reduce Greenhouse Gas Emissions.

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Energy projects range from retrofitting existing facilities and developing more energy efficient designs for new facilities up to larger scale energy strategies for large scale services such as the water and wastewater services. It is estimated that the implementation of energy projects over the next five years will achieve reductions of CO₂ emissions by about 740 tonnes, reduce natural gas consumption by 63,600 cubic metres per year and will reduce about \$240,000 per year in energy costs.

There are five staff in the energy projects group: a manager; three project managers; and the temporary position (project specialist) that supports the project managers. The position has been in place for over two years.

Project Manager and Project Specialist – Construction Services

Much like the project managers in Public Works manage the construction of Regional infrastructure, this team manages building and facility construction for Regional services. This is a specialized area requiring the technical expertise to plan for and administer the contracts for designing and constructing facilities. Some recent projects include: the new Peel Regional Paramedic stations; Peel Living residential renovations; the Public Works Copper Road Works Yard and Wolfedale Works Yard renovation; the Heritage Complex renovations; and new construction project including the Transhelp facilities. There are about 84 projects of various sizes now planned or underway, those include anything from roof repairs up to the larger projects noted above.

Some specific activities include: coordination of program requirements; feasibility analysis and cost estimates; applications for approvals and permits; management of project design services; management of construction tenders; monitoring project construction and budget; ensuring legal compliance.

This construction group currently employs seven project managers of which three are contract and five project specialists of which three are contract. The project specialists support the project managers working in teams. The proposed conversion includes three contract project managers and one contract project specialist. These contract staff have been in their current jobs for over three years and one as long as five years.

Lease Negotiator – Real Estate

This section manages facility acquisitions, property dispositions and real estate leasing in support of the facility needs of the Corporation and Regional programs. They also maintain records of the Region's real estate portfolio, including assessment, taxation and related appeals.

There are 77 leases where the Region rents (as Tenant) from others including: Health clinics, Recycling centres; Police/Public Works VCOM antenna leases; Police and Region office space leases; Paramedic stations; Childcare centres; Community Police stations; Public Works infrastructure leases such as well houses and pumping stations; parking leases; short term leases related to facility construction projects.

There are 81 leases where the Region rents (as Landlord) to others which generates revenue including: Telecom antennas on the VCOM towers that generate revenue for the program; local municipalities for various parkland, recreation, emergency service and other public uses; carpool lots; vacant lands for interim uses of Public Works sites to telecom companies;

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Municipal Access Agreements with telecoms for fibre access to Regional roads; and Peel Housing Corporation new rooftop antenna leases for revenue.

There are currently two Lease negotiators of which one is a contract position to address the workload as the number of leases of space by the Region as both tenant and landlord has increased with growth in the Region. This contract position has been in place for over three years.

Business Analyst – Purchasing and Strategic Projects

The Region of Peel has been known as a leader in municipal government for many years. This is in part due to the strength of its ability to execute organizational change and continuous improvement. Strategic projects have been fundamental to the Region's success in this regard. There is currently a small team that is assigned to projects that will help the Region to be more efficient and cost effective in service delivery across all regional programs.

The role of a business analyst includes: documenting program business requirements; refining and clarifying business needs in order to define a feasible solution for business improvements; assessing the merits of various business improvement solution options; identify gaps and shortcomings in solution options; determining process changes that may be needed; develop and maintain key project documentation used by the organization. In addition, this position conducts research and evaluates issues regarding current thinking, technologies and business practices as it relates to project work.

The major work of this section at the present time is the development of the integrated service delivery model that is part of Term of Council Priority number 23. The initial return on investment conservatively estimated by external consultants is approximately \$5,000,000 per year of direct expenditures net of ongoing operational support costs and it could possibly be higher. Although the project is still in the initial planning stages it will soon move into implementation. However, this is a long term project and requires both temporary and permanent staff support. This position has been in place for over three years and will be part of the permanent staff support.

Technical Advisors - Housing Capital Assets

The Region of Peel as a Service Manager is ultimately responsible for the funding and administration of social housing in the Region of Peel under the Housing Services Act. This includes the need to ensure that the social housing stock of 46 providers (including Peel Living with 68 buildings) remains safe and in a good state of repair.

In August 2006, Council approved a Social Housing Capital Maintenance Reserves Strategy which included two staff being hired for two years as a dedicated resource to assist housing providers in an advisory capacity on maintenance and capital issues. Council approved that the staff positions be funded from the interest gained on the Region's Contingent Liability Reserve (R1919) and that permanent continuation of the program would be dependent on an evaluation.

Two positions were hired in 2009 and the pilot concluded at the end of 2011. In spring 2011, the Region conducted an evaluation of this pilot project to determine if these services should continue. The results of the evaluation, including survey feedback from social housing providers, indicated that the program was value added and should be continued. The pilot program resulted in the following achievements: 1) preparation of three year capital plans that

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could be used as a baseline for future capital planning; 2) expert based preventative maintenance and capital repair recommendations from the service manager as part of mandatory operational reviews; and 3) significant savings for providers based on assessing current needs and priorities.

The Technical Advisory Services Business Case contains the complete results of the evaluation. This can be provided upon request. Staff will evaluate this service each year with stakeholders to ensure service remains relevant and valuable.

Having this service available to Peel Living and the community-based housing providers has resulted in significant savings in capital/maintenance costs. In 2010, housing providers experienced an aggregate savings \$623,100 in capital/maintenance costs. This team also assisted Peel Living in deferring/prioritizing capital costs in its 2011 capital budget.

Going forth, the Technical Advisor Services team will also play an important role in providing technical assessments and the ongoing oversight of requests made by providers for capital loans under Peel's Accessing Capital Infrastructure Subsidy policy (approved by Council November 24, 2011).