



TORONTO STAFF REPORT

July 9, 2004

To: Ad Hoc Committee on the Development of a Long-Term Fiscal Plan

From: Chief Administrative Officer
Chief Financial Officer & Treasurer

Subject: Status Report on Performance Measurement in the City of Toronto

Purpose:

To report on the current status of performance measurement work at the City of Toronto and future work to be undertaken.

Financial Implications:

There are no financial implications arising from this report.

Recommendations:

It is recommended that:

- (1) Departments, Agencies, Boards and Commissions continue to improve the performance measures related to efficiency, customer service and community impact as well as indicators of service levels and/or standards;
- (2) Such measures and indicators be included in the 2005 operating budget submissions for consideration;
- (3) A copy of this report be forwarded to the Heads of all Agencies, Boards and Commissions.

Background:

On May 26, 2004 the Ad Hoc Committee on the Development of a Long-Term Fiscal Plan requested the Chief Administrative Officer and the Chief Financial Officer and Treasurer to submit a report on potential new performance measures including output, effectiveness and efficiency measures with respect to the Municipal Performance Measurement Program (MPMP).

This report will provide details and examples of the City of Toronto's performance measurement framework, the value and uses of this information and the ongoing work staff have been doing in

this area both internally and in partnership with other municipalities. It will also summarize future work to be undertaken.

Discussion:

In order to assess or evaluate if City programs are successful in service delivery there are two main sets of information that should be considered. They are:

- Qualitative factors such as achievements and completion of initiatives
- Quantitative information through performance measurement
 - Examining internal year over year results
 - Comparison of results to other municipalities (benchmarking)

This report focuses on the performance measurement which strives to provide objective information on how well a program is meeting stated goals and objectives and serves as an additional tool in decision making and resource allocation processes.

Additional benefits of performance measurement include:

- Clarifying goals and objectives
- Establishing expectations and defining results to be achieved
- Measuring and demonstrating actual achievements
- Assigning accountability
- Providing a tool to track progress over time
- Helping to evaluate results so that any necessary actions can be taken
- Promoting a continuous improvement culture by stimulating productivity and creativity
- Providing a tool to communicate results on how well we are doing to both internal and external audiences
- Identifying and uncovering best practices and the sharing of that information both internally and with other municipalities

The sheer size and complexity of Toronto's \$6.6 billion gross operating budget, with program budgets ranging in size up to \$941 million, creates a great challenge in understanding and interpreting how well municipal resources are being used. Examining performance measurement results concurrently with requests for financial resources can assist in this understanding.

Toronto's Performance Measurement Framework

In November 2001, Council approved a report from the Chief Administrative Officer on the City of Toronto's performance measurement framework that outlined the need for service level indicators and identified four distinctive categories of performance measures that have been used in budget submissions.

As a point of reference in any resource allocation process, it is important for each program to clearly identify and define the existing service levels and/or standards that Council has established. In some cases this is clear and quite straightforward while in other programs it is not.

Information on service levels and standards also assists in the interpretation of performance measurement results and when making internal and external comparisons, because of the impact they can have on results.

Budget instructions ask that each program provide a service level indicator(s) with their submission which provides an indication of the level and/or standard of service that is provided to citizens. This information could reflect a standard processing time, frequency of service, or the total units of service relative to the target client group. Using Solid Waste Management as an example, their service level indicators would be:

- Frequency of collection
 - Residential waste - Once a week curbside pick-up and twice a week bulk-lift collection from apartments.
 - Commercial/institutional waste - 18,000 businesses in some parts of the City
 - Recyclables - bi-weekly curbside pick-up in from single-family homes and weekly containerized collection from apartment units.
 - Green Bin Organics - Weekly curbside pick-up in Etobicoke and Scarborough from single-family homes.
 - Leaf and Yard Waste Collection - weekly during April, May, October and November and every second week during the slower growing months of June to September.
- Material types collected in recycling program – over fifteen such as glass bottles, aluminium cans, newspapers and organics.
- Time standard for collection- curbside collection routes completed by 5:00 PM

The table below illustrates the four categories of performance measures included in the City's performance measurement framework and again provides examples from Solid Waste Management for illustration purposes.

| Category of Performance Measure in Toronto's Performance Measurement Framework | Example of Performance Measure in Solid Waste Management Program |
|--|--|
| Output Measures <ul style="list-style-type: none"> • Captures the number of units of a service provided or delivered • Often an indicator of workload | <ul style="list-style-type: none"> • Number of tonnes : <ul style="list-style-type: none"> ➤ waste collected ➤ waste disposed ➤ material diverted |
| Efficiency Measures <ul style="list-style-type: none"> • Measures the ratio of the amount of resources used to the number of units of service provided or delivered • Usually expressed in terms of cost per unit of output or volume of output per staff member (productivity) | <ul style="list-style-type: none"> • Cost per tonne of: <ul style="list-style-type: none"> ➤ waste collected ➤ waste disposed ➤ material diverted |

| Category of Performance Measure in Toronto's Performance Measurement Framework | Example of Performance Measure in Solid Waste Management Program |
|---|--|
| <p>Customer Service Measures</p> <ul style="list-style-type: none"> Measures the quality of service and degree of customer satisfaction with the service they receive, relative to service standards that have been established as well as the customer's needs and expectations | <ul style="list-style-type: none"> % of routes completed on time (by specified time standard of 5:00 PM) Number of complaints received in a year concerning the collection of solid waste (garbage) and recycled materials per 1,000 households Customer survey results |
| <p>Community Impact Measures</p> <ul style="list-style-type: none"> Measures the impact or benefit the program is having on the communities they serve in relation to the intended purpose or societal outcomes expected These community impact measures will usually tie back to the mission statements of each program and ideally can be linked to the City's Strategic Directions The municipal government is often not the only organization influencing these outcomes. Other City partners such as the provincial and federal governments, the private sector, and volunteer community can also affect these societal outcomes Program support functions that support operating programs will typically not have this category of measure | <ul style="list-style-type: none"> % of material diverted from landfill site Amount of residential waste generated per capita |

It is the responsibility of staff, with the financial resources and the specified service levels and/or standards approved by Council, to deliver service as efficiently, and with the highest customer service or quality, as possible.

Balancing the optimal combination of efficiency and customer service quality when providing service is an ongoing challenge. Too much focus on efficiency in isolation may have an adverse impact on customer service and vice versa.

Together, staff and Council have to assess, how the financial resources and service levels/ standards approved by Council, along with efforts of staff in delivering these service levels, have impacted the communities we serve. These community impacts relate to measuring the societal outcomes that are usually articulated in each program's mission statement.

The following three sections provide additional background on how we measure efficiency, customer service and community impact.

Measuring Efficiency

Efficiency measures are usually expressed in terms of cost per unit of output or volume of output per staff member (productivity). There tends to be annual increases in our gross costs each year, as a result of increased wage rates specified in collective agreements as well as inflationary increases in the goods and services we purchase. Our cost per unit of service calculations will also tend to mirror this increasing pattern unless we make productivity gains to offset the increased costs.

Currently, the cost component of efficiency measures included in our budget process, are based primarily on direct costs as well as any indirect costs that are part of our current interdepartmental charge system. This information is useful for internal year-over-year comparisons and trends but not for external comparisons.

To make any external comparisons of costs to other municipalities, a consistent and more comprehensive methodology must be used. Each municipality must follow the guidelines in the Financial Information Return (FIR) and MPMP that have been established by the Ministry of Municipal Affairs and Housing. Under this methodology, in addition to direct costs and any existing interdepartmental charges in program budgets, we must also include an allocation of the following types of expenditures, which are typically not included in the operating budgets of our City programs, when making external comparisons:

- Program support costs that have not been allocated through the existing interdepartmental charge systems. These costs in areas such as Human Resources and Information & Technology, are allocated to operating programs using activity drivers such as the number of approved positions or number of personal computers, that are proxies for consumption of those services.
- Expenditures funded from reserve funds that are attributable to programs for items such as sick leave payments, insurance claims, and employee benefits.

The one notable cost component that is not currently included in municipal benchmarking work is annual depreciation to reflect the use and consumption or deterioration of fixed assets, such as roads and buildings, over the course of their useful lives. Currently, the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Board (PSAB), currently does not require municipalities to account for fixed assets, however, this requirement is expected in the years to come. The Treasurers Group of the Ontario Municipal CAOs Benchmarking Initiative (OMBI) has recognized the need to account for fixed assets in benchmarking work and has been working for several years on developing appropriate valuation and depreciation methodologies for service specific infrastructure.

Measuring Customer Service

Citizens First 3 published in January 2003 by The Institute of Public Administration of Canada (IPAC) and the Institute for Citizen Centred Service, found there were five key drivers associated with customer satisfaction. These are:

- timeliness
- knowledge and competence of staff
- courteous staff who went the extra mile

- fairness in how they are treated
- the outcome - if they got what they needed

There are a number of ways that customer service can be measured. These include:

- objective measures - such as the percentage of time that a municipal unit of service (such as a building permit) is issued or completed within a specified time standard. If there is no defined standard it could be measured as the average time it takes to deliver a unit of service.
- complaint rates - it is important to distinguish complaints from citizens about the quality of services they are entitled to receive such as timeliness, versus concerns related to service levels they may feel are insufficient or services they are not entitled to receive.
- customer surveys - results can be significantly influenced by the types of questions asked and the methodologies used to conduct the surveys.

A Corporate Customer Service Initiative (CSII) led by the CAO's Office has been working, through various teams, on future directions for service delivery to the public. There is representation from every department and all relevant supporting teams across the city in this initiative. They are looking at a multi-channel approach to service public needs, capacity planning, streamlining service processes, counter service prototypes, call centre co-ordination and management and electronic service delivery opportunities. Part of their review will focus on the recommendation of corporate service standards for all customer service units.

The Chief Administrative Officer has recently submitted a report to the eCity Committee, dated June 23, 2004 on the "3-1-1" Customer Service Strategy. Section 5.5 of that report deals with policies and procedures, service standards and performance measurements and is quoted below.

"Strong service quality management will be driven in part by consistent policies, procedures and performance standards across all channels of access. The public will find the City easier to understand when there are harmonized processes in place. The Customer Service Improvement Initiative (CSII) policy team has been developing draft policies and standards for all service channels. The framework includes: a standard set of corporate definitions and policies; citizen-centred service standards; quality assurance standards, one complaint protocol, standardized call documentation and reporting formats, and multi-lingual and access and privacy guidelines. These proposed standards are scheduled to be tabled internally in the fourth quarter of 2004. Pilots to test the proposed e-mail response standards are currently being hosted in WES Customer Service and the CNS Public Health Connection Contact Centre. Revenue Services also hosted a test pilot for response standards for the mail channel in April/May 2003 and found that the proposed standard was achievable within a very high volume operation. This strategy recommends that all relevant policies, procedures and service standards be harmonized for all teams contributing to the delivery of "3-1-1" services."

If we are to compare customer service measures with other municipalities, it is essential that each municipality identify its own service standards. If we are to compare customer survey results, it is important that common questions, sampling techniques and reporting standards are used to ensure that the results are comparable.

The ongoing work of the Corporate Customer Service Initiative will be of great assistance in the development of appropriate customer service measures which will help us monitor our own year-over-year performance.

The municipalities involved in the Ontario Municipal CAOs Benchmarking Initiative (OMBI), discussed later in this report, have identified the need to use consistent methods to measure customer service and have formed an expert panel to explore options. One potential option is use of the “Common Measurement Tool” which provides a common methodology through a bank of questions and a five point rating scale.

Measuring Community Impact

When examining changes and trends in the staffing and expenditures of individual programs, it is important to consider the intended purpose or expected community impact of each program. This information is usually embedded in each program’s mission statement and ideally we should be measuring the impact our programs are having on the communities they serve, in relation to these mission statements, as part of our resource allocation processes.

For example, crime rate statistics are key, when reviewing staffing and gross expenditure levels for Police. When examining staffing and expenditure levels in Solid Waste, past, present and future diversion rates or targets should also be considered. In Parks and Recreation and Libraries, participation rates or average use per capita are important factors to consider when allocating resources. For Public Health, the incidence of Communicable Disease is a crucial factor in setting service levels and requests for resources. In Municipal Licensing and Standards, the rate at which by-laws are being broken or violated is relevant information to take into account. In Public Transit, ridership levels and trips per capita are important factors in service planning. In Social Services, it is important to be aware of the percentage of the average caseload that re-enters the workforce.

A companion report from the Commissioner of Community and Neighbourhood Services on Quality of Life Reporting, highlights that there are a number of report card initiatives or monitoring reports that are currently produced on a periodic basis such as:

- The Toronto Report Card on Children
- The Toronto Report Card on Housing and Homelessness
- Toronto Health Status at a Glance
- Reports on Economic Indicators

These types of reports are a primary data source for community impact measures and it is important that this information be examined concurrently with financial requests to assist in resource allocation decisions such as those made during the budget process.

The Commissioner’s report also discusses the status of broader quality of life reporting systems that examine areas such as societal outcomes.

One challenge with developing community impact measures for each program, is the difficulty in separating the portion of these impacts or outcomes that are related to the efforts of City programs versus the efforts of partners such as other orders of government, the private sector or the volunteer community. Again using the Solid Waste example, if Council’s goal is a 100%

diversion rate, the actions of provincial and federal governments (refundable deposits on containers), the private sector (the types and amounts of packaging materials used) and citizen participation (utilizing the green bin program as opposed to the green bag), all have an effect on diversion rates.

As noted in another companion report from the Chief Administrative Officer and Chief Financial Officer and Treasurer that summarized changes in approved staff positions and gross expenditures from 1997 to 2004, we expect to make improvements in the community impact measures included in future decision making processes.

Evaluating our Performance Measurement Results

There are two ways to evaluate the City's performance measurement results:

- a) Internally through monitoring of the City's own year-over-year trends and targets and incorporating these measures in various planning and decision-making processes.
- b) Through benchmarking results with other similar municipalities in order to identify best practices that lead to improved performance.

Internal Review of Performance Measurement Results in Budget Process

The table below summarizes the number and types of performance measures included by all programs, in 2004 budget submissions.

| | Service Level Indicator | Number and Types of Performance Measures in 2004 Operating Budget | | | | |
|-----------------------|-------------------------|---|---------------------|-------------------------------------|--------------------------------------|-------------------------|
| | | Output Measures | Efficiency Measures | Customer Service Measures (Quality) | Community Impact Measures (Outcomes) | Total Perform. Measures |
| Number in 2004 Budget | 10 | 568 | 115 | 129 | 29 | 841 |
| % of Total | N/A | 68% | 14% | 15% | 3% | 100% |

At the present time, the performance measures provided through the operating budget process are heavily oriented (almost 70%) towards output measures. Output measures do provide information on workloads but they do not provide an indication of how efficiently and effectively we are dealing with these workloads with the resources assigned by Council through the annual budget process.

Ideally all departments, agencies, boards and commissions should be reducing the use of output measures and placing more focus on including results and analysis of key efficiency, customer service and community impact measures. In doing so, however, we must assess the degree of effort that would be required to capture appropriate performance measurement data versus the benefits and insights that that could be gained from the results.

Some of the programs, particularly those not impacted by amalgamation, have well established performance measurement systems in place and the ability to show trends over time while others may not have the necessary subsystems required to capture non-financial data.

In working with other CAOs in the Ontario Municipal CAOs Benchmarking Initiative (OMBI), it is apparent that Toronto is not unique. Most other municipalities have also found that it has been a difficult process to develop and capture appropriate efficiency, customer service and community outcome measures and they also have much more work to do in this area.

External Comparisons of Performance Measurement Results - Benchmarking

There are two main benchmarking initiatives the City is involved in that allow us to compare results to others. These are:

- Municipal Performance Measurement Program (MPMP) - Provincially Mandated
- Ontario Municipal CAOs Benchmarking initiative (OMBI) - Municipally Initiated

Through these two initiatives (described below) and the Ontario Centre for Municipal Best Practices (partnership between the Association of Municipalities of Ontario (AMO) and the Ministry of Municipal Affairs & Housing), the City is working with its municipal partners to jointly measure performance in a consistent way and to identify the underlying best practices that can lead to improved performance by municipalities. There are also other service specific initiatives that some City programs are participants in.

If Toronto's results are to be examined or compared to other municipalities either internally or externally, there are a number of factors that influence Toronto's performance measurement results that must be taken into consideration in any analysis or interpretation of data. Examples of influencing factors that can impact municipalities differently include:

- two tier vs. single tier municipal government
- different service levels and standards
- differences in the age of infrastructure and the intensity of use of that infrastructure
- differing socio-demographic composition and related service needs
- different urban forms and the related impact on services and measures
- differences in financial policies used by various municipalities

Toronto is also unique among Ontario municipalities because of its size and its role as the centre of business, culture, entertainment, sporting, and provincial and international governance activities in the Greater Toronto Area. For selected program areas, it may also be beneficial in the future to explore options to compare performance measurement results with other large Canadian and American cities to gain further insights into our operations. When comparisons to municipalities outside of Ontario are made, it is important to clarify or detail differences that may exist in service responsibilities as well as costing and other methodologies used to generate each municipality's statistics that can make proper comparisons difficult.

Municipal Performance Measurement Program (MPMP)

On October 3, 2000 the Province introduced mandatory reporting of municipal performance measurement results under the Municipal Performance Measurement Program (MPMP). Results of MPMP for each calendar year are required to be reported to the Ministry of Municipal Affairs & Housing (MMAH) by June 30th and to taxpayers by September 30th of the subsequent year. Since the original introduction of the program for the 2000 reporting year, the program has been expanded from sixteen performance measures, to twenty-six (thirty-eight including component measures) for the 2003 reporting year.

The ten service areas currently included under MPMP are:

1. Local Government
2. Fire
3. Police
4. Roads
5. Public Transit
6. Wastewater
7. Stormwater
8. Water
9. Solid Waste
10. Land-Use Planning

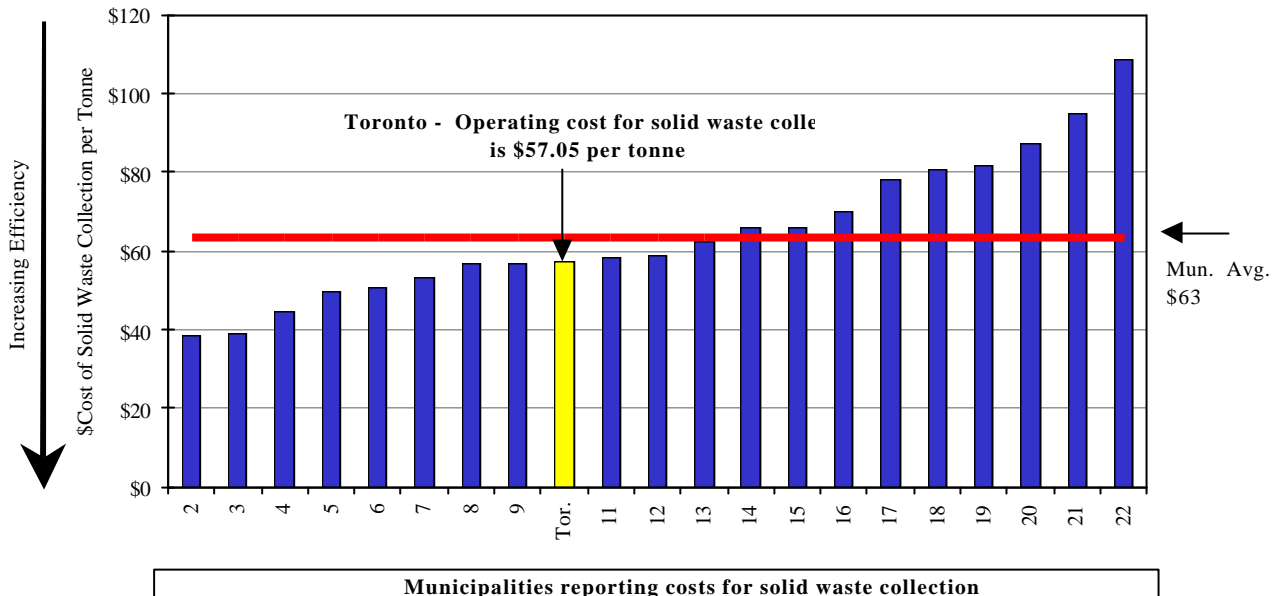
The 2004 program of MPMP is expected to add performance measures in the Parks and Recreation and Library Services Areas. We also believe that the long-term intention of MMAH is to expand MPMP to all program areas of major municipal expenditure.

There are also currently efforts underway to examine if there are additional and perhaps more representative measures of efficiency for Police and Fire Services. Their current efficiency measures are not related to a unit of service they provide (such as a tonne in Solid Waste or megalitre in Water) but instead are much more general, based on the number of households (Police) or assessed values (Fire), which often tend to be more reflective of service levels rather than efficiency.

Each year, the following reports are prepared for Council on MPMP results:

- A comparison of Toronto's year-over-year MPMP results with an analysis of variances between the two years is prepared in July.
- A comparison of Toronto's MPMP results and influencing factors relative to trends in other Ontario municipalities is prepared in February after other municipalities have reported their results. An example of the charts included in this report is shown in Figure 1 below, which would also be accompanied by an explanation of the factors contributing to Toronto's placement relative to other municipalities.

Figure 1
MPMP - Operating Cost of Solid Waste Collection per Tonne in 2002



Ontario Municipal CAOs Benchmarking Initiative (OMBI)

For a number of years, the City has been an active participant in the Ontario Municipal CAOs Benchmarking Initiative (OMBI). This initiative includes the Regional Municipalities of Peel, Durham, York, Halton, Waterloo, and Niagara and the Cities of Toronto, London, Ottawa, Hamilton, Sudbury, Kingston, Thunder Bay and others and represents approximately 80 per cent of Ontario residents.

The purpose of OMBI is to identify and develop appropriate service specific performance measures, capture performance data, and analyze and benchmark results in order to identify best practices of service efficiency and quality in participating municipalities.

Expert panels have been established in the following service areas:

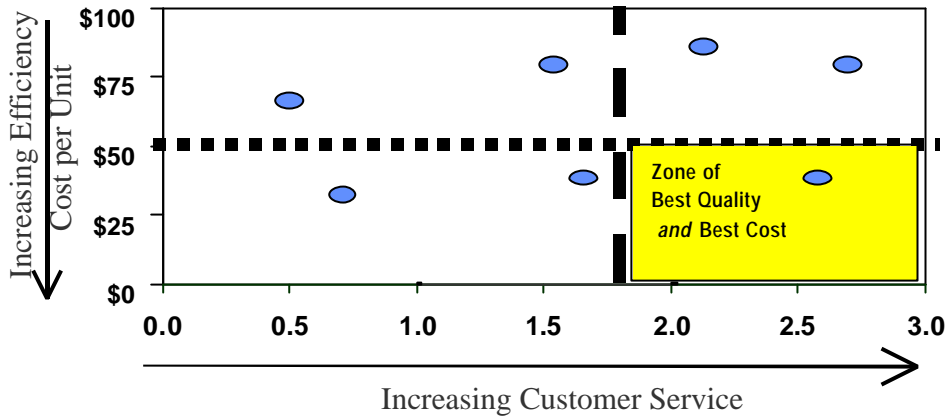
- Solid Waste
- Roads
- Water & Wastewater
- Ambulance (EMS)
- Long Term Care (Homes for the Aged)

The OMBI expert panels in Solid Waste, Roads and Water & Wastewater have all provided advice and assistance in the MPMP measures that have been set in these service areas.

In examining performance, the OMBI methodology looks for the optimal combination of low cost, high quality services. Figure 2 below, provides a theoretical example of the approach that is being taken with efficiency shown on the vertical axis and customer service shown on the horizontal axis. The zone of best quality and best cost (shaded) would be the lower right

quadrant. Each municipality's result is then plotted (oval data point), and those municipalities with results that fall within this zone of best quality and cost, would then be examined further to determine if there are identifiable best practices that contribute to these superior results. These best practices, once validated, would then be shared with other municipalities for possible implementation if local conditions warrant.

Figure 2
OMBI- Model



The OMBI expert panels are examining performance at the service and activity levels, as opposed to MPMP, which has established broad performance measures at the much higher program level. The work undertaken by these expert panels will be a key source of information for the Ontario Centre for Municipal Best Practices given that best practices are most likely to be identified through examination of operations at the more detailed service and activity levels.

A major challenge in moving forward with this initiative has been the need for significant up-front work to ensure that data is being collected consistently so that it is as comparable as possible. This has necessitated the development of detailed technical definitions that lists both those activities included and excluded from the calculation of a particular measure. Methodologies for the allocation of indirect costs also had to be developed for OMBI and they have subsequently been adopted by MMAH for use in MPMP.

Data sharing protocols have also been developed to allow for the sharing of municipal information among municipalities for our mutual benefit and a data warehouse has now been developed to share this information.

As mentioned earlier, the OMBI Treasurer's Group is currently examining fixed asset valuation and depreciation and their use in performance measurement. An OMBI Customer Service Group has been formed to explore options to facilitate a consistent way of measuring customer service across municipalities.

Future Benchmarking Work with Other Municipalities

In regular meetings of the Regional and Single Tier CAOs, the subject of how municipalities, collectively, can improve operations is a constant theme. To move this forward, the OMBI CAOs in late spring, unanimously supported the establishment of a sub-committee of four CAOs from the Cities of Toronto and Thunder Bay and the Regions of York and Halton. This sub-committee agreed to identify, for all municipal programs, a few high-level performance measures in the areas of efficiency, customer service and community impact as well as a service level indicator. This format is consistent with the performance measurement framework used by Toronto.

The broader group of Regional and Single Tier CAOs, will then be meeting as a group later in July to review this preliminary list, developed by the sub-committee. They will make changes as appropriate, determine priority areas for examination and establish some general time frames for phased in implementation.

We expect that as this initiative progresses, additional benchmarking information will be included in our future decision making processes.

Conclusion:

Performance measurement results are an important management tool but they are not the sole method of determining success. They should be examined in conjunction with qualitative information such as program achievements and completion of initiatives. Used in conjunction with other information in our planning and decision-making processes, performance measurement provides staff and Council with an objective measurement of progress towards stated goals and provides valuable assistance in resource allocation decisions. Performance measurement also serves as a vital communication tool to our citizens, businesses and external parties, such as provincial and federal governments and bond rating agencies, that helps us demonstrate the efficient and effective use of tax dollars.

In the future, program areas should be placing more emphasis in budgets and business plans on how well we are doing in service delivery through capturing appropriate measures of efficiency, customer service and community impact and less emphasis on the number of service units we provide. The clear identification of each program's existing service levels and/or standards approved by Council, also provides an important reference point in resource allocation decisions and in interpreting performance measurement results.

Benchmarking with other municipalities, when performance measurement results are developed in a consistent and comparable way, provides us with insight on how well we are doing in relation to others. Once benchmarking data is generated, it must be analyzed and the procedures, policies and processes that lead to optimal combinations of low cost and high quality service, need to be identified so they can be collectively shared among municipalities. Significant foundational work has been done with our municipal benchmarking partners but much more work remains to be done.

The development of appropriate performance measures is an evolutionary and iterative process that takes place over a number of years. We have found that the challenges we have faced in

developing and capturing appropriate performance measures are not unique to Toronto but are being experienced by almost all municipalities in Ontario.

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