



STAFF REPORT ACTION REQUIRED

UPDATE ON THE CORE SERVICE REVIEW AND SERVICE EFFICIENCY STUDIES

Date:	January 6, 2012
To:	Budget Committee
From:	City Manager
Wards:	All
Reference Number:	

SUMMARY

This report provides an update on implementation of the Service Review Program for 2012 to 2014 including service adjustments being implemented through the 2012 and future years' budget process as a result of Council's decisions on the Core Service Review and the status of the 119 additional efficiency measures identified during the process. Many of the additional efficiency measures have been captured in the 2012 operating budget process while others will be considered for future years' savings or included in longer term studies. Appendix A summarizes the status of all of these activities.

The Statements of Work (SOW) and full final reports prepared by external firms for completed Service Efficiency Studies are available on the City's Service Review website at <http://www.toronto.ca/torontoservicereview/efficiencystudies.htm>.

These studies provide advice and recommendations to the City Manager and were conducted in consultation with divisions and agencies. They identify actions and directions which could result in more efficient and effective service delivery, organizational and operational arrangements and associated savings.

The City Manager will work closely with divisional and agency senior management to determine which of the actions are feasible and can be implemented, the timeframe and methods of implementation and the estimated cost savings. Appendix B provides a summary of recommendations from the eight studies completed to date.

RECOMMENDATIONS

The City Manager recommends that City Council:

1. Receive this report for information.

Financial Impact

Approximately 28 Core Service Review related actions have been submitted in the 2012 operating budget for an estimated \$49.42 M Gross and \$42.82 M Net of savings as part of divisional and agency budget reduction targets. These actions are identified as 2012 Budget Business Cases in Appendix A. Any further savings achieved during 2012 to 2014 will be reported out as part of ongoing budget reporting processes.

To date, the Service Efficiency Studies conducted by external firms have identified ranges of initial high level savings estimated between \$167.0 M to \$249.1 M during 2012 and future years including one-time and ongoing financial benefits. These recommendations and high level savings are outlined in Appendix B. The achievement of these savings will be highly dependent on the viability of these actions as determined by more detailed review and due diligence, the implementation timeframes required and available, and other considerations such as changing operating demands, or new legislative requirements over time.

It should be noted that some Core Service Review related actions and efficiency recommendations arising from the Service Efficiency Studies were identified by divisional and agency staff as part of ongoing efficiency measures prior to the commencement of these reviews. In these instances, external firms reviewed and validated efficiency plans as part of the broader study.

Funds in the amount of \$3 M were approved in the 2011 Operating Budget to engage third-party expertise to support the Core Service Review and Service Efficiency Studies as required. Approximately \$2.05 M (net of HST recoveries) will be spent on the Core Service Review and 2011 Service Efficiency Studies (completed and in-progress). \$2.75 M has been included in the 2012 Recommended Operating Budget to support the 2012 Service Efficiency Study Program, inclusive of up to 12 studies in progress or planned for 2012. \$40 M capital has also been allocated over the next 6 years to enable technology investments identified through the Service Review Study Program.

Equity Statement

There may be impacts to equity seeking groups due to service level adjustments and changes as a result of Core Service Review decisions. Equity implications have been considered and planned for wherever possible as part of budget business case development and other implementation planning, and will be built in as part of the budget process in future years.

DECISION HISTORY

Initiating a Service Review Program

At its meeting on April 12 and 13, 2011, City Council approved the report, *Service Review Program, 2012 Budget Process and Multi-Year Service Planning Process*, and requested:

- (a) the City Manager to report the findings of the Core Service Review in preparation of the 2012 Budget Process to the applicable Standing Committee;
- (b) that each Standing Committee make recommendations to Executive Committee for its September 2011 meeting; and the City Manager comment on any Standing Committee recommendations, and submit a report directly to Executive Committee for consideration.

The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX4.10>

Core Service Review: Reports to Standing Committees

As requested by City Council, the City Manager transmitted the results of the Core Service Review undertaken by KPMG, and information gathered from an extensive public consultation process to special Standing Committee meetings scheduled between July 18, 2011, and July 28, 2011.

The City Manager recommended that Standing Committees consider the list of KPMG Opportunities identified for the services within their mandate as part of meeting the 2012 budget reduction targets, and make recommendations to the Executive Committee to its September 19, 2011 meeting. The City Manager also recommended that each Committee request the City Manager to review the KPMG Opportunities to ensure service efficiencies are maximized to meet the 2012 budget targets and multi-year planning objectives; and report directly to Executive Committee for its September 19, 2011 meeting.

The links to the Standing Committee reports can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.PW6.1>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.ED6.1>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.CD6.1>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.PE6.1>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.LS6.1>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.GM6.1>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.PG7.1>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX8.1>

Core Service Review: Final Report

At its meeting on September 26 and 27, 2011, City Council considered the final report on the Core Service Review. Council decided to reduce or eliminate some services, referred some of the recommendations to the 2012 budget process and directed staff to undertake further studies in a number of program areas. Council also made decisions to preserve some services that the City Manager had recommended for reduction or elimination.

The full report can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX10.1>

ISSUE BACKGROUND

A Service Review Program was approved by Council in April 2011, in preparation for the 2012 Budget Process and Multi-Year Financial and Service Planning Budgeting Process. The intended purpose of the Service Review Program is to help address the City's serious financial challenges, set the foundation for services and service levels and establish the basis for multi-year planning and service delivery to meet the City's objectives in 2012 and beyond.

COMMENTS

The Service Review Program has three components: 1) A Core Service Review which has now been completed; 2) Service Efficiency Studies – eleven studies are in progress or completed; and 3) A User Fee Review – the User Fee Policy was approved by Council in September 2011 and a further report will be provided in January 2012 with findings of the user fee review and recommendations on the disposition of existing user fees and new fees.

Appendices A and B summarize the actions to date resulting from the first two components of the Service Review Program (the Core Service Review and the Service Efficiency Studies) and related savings that have been included in the 2012 Budget launched on November 28, 2011.

1. Council's Core Service Review Decisions

Service Adjustments

In September 2011, Council made decisions to reduce or eliminate some services, including for example, the four free garbage tags program, some paid duty activities of police officers, and certain community and neighbourhood development activities. Council also referred a range of recommendations to the 2012 budget process to reduce or eliminate services which have been reflected in the recommended 2012 Operating Budget. Examples include animal pick up, business services, sector and trade development activities, and horticultural activities.

Service Efficiencies

Over one hundred efficiency measures were identified during the Core Service Review and Council requested the City Manager to "review the remaining efficiency related opportunities as

set out in Appendix E of the report (September 9, 2011) from the City Manager, to determine whether and in what manner implementation is appropriate through the 2012, 2013 and 2014 Operating Budget, subject to Toronto Municipal Code Chapter 71, Financial Control, City and agency collective agreements, and human resource policies".

Some of these efficiencies are planned for implementation in 2012 as noted in Appendix A. Others will be reviewed by divisions and agencies for viability and implementation in future years where feasible. Many of the efficiencies are related to shared service opportunities or other longer term service and organizational studies identified through the Core Service Review.

Appendix A outlines the disposition of identified service reduction and efficiency opportunities from the Core Service Review.

The disposition categories include:

- Budget Business Case 2012: The option has been included in a business case through the 2012 operating budget process;
- Study/Report: A further study will be undertaken and/or a report to the relevant Standing Committee and Council will be forthcoming;
- SES: The opportunity identified has been or will be reviewed within the scope of a Service Efficiency Study;
- Pursue through IGR activity: Refers to where an intergovernmental relations activity is required;
- Review for viability: The relevant Division Head/General Manager will review the opportunities for viability and future implementation; and
- Received - no further action required: Council 'received' the recommendation meaning that no further action is required.

2. Status of 2011 Service Efficiency Studies

In addition to the Core Service Review, and to help bridge the remaining budget gap, fifteen Service Efficiency Studies were identified in the City Manager's April 2011 report to be undertaken as part of a regularized review process to enhance the City's continuous improvement initiatives and ensure that City services are delivered in the most efficient and cost-effective manner.

External third parties were used to conduct the studies where determined appropriate with oversight and project management through the City Manager and Deputy City Managers.

Eleven of the fifteen studies identified for 2011 are in progress or completed. Where completed, Statements of Work and final reports from external firms are posted on the City's service review website at <http://www.toronto.ca/torontoservicereview/efficiencystudies.htm>. It is anticipated that the in-progress studies will be completed early in 2012. Final reports will be posted at that

time and reported out as required. Some studies identified were deferred until 2012 due to resource pressures.

The three agency studies – Toronto Police Services, Toronto Public Library and Toronto Transit Commission – have been provided to their respective boards for their review.

In all cases, Divisional and Agency senior management were involved in determining the areas of study, selection of the consultant, providing input to the study and reviewing the final report. A status update of the 2011 Service Efficiency Studies is provided in Table 1 below.

TABLE 1: STATUS OF SERVICE EFFICIENCY STUDIES

Study Focus	Completed	In Progress	Deferred to 2012	Range of Estimated Savings
Facilities Management and Real Estate (Cross-divisional/agency study)	✓			\$13.5-35.7M
Fleet Services (Cross-divisional/agency study)	✓			\$2.7-3.7M
Shelter, Support and Housing Administration	✓			\$7.7-14.6M
Solid Waste Management	✓			\$10.9M
Toronto Public Library	✓			\$10.5M
Toronto Police Service	✓			\$52.1M
Toronto Transit Commission	✓			\$57-101M
Transportation	✓			\$14.6-20.6M + ¹
Communications		✓		–
Environment and Energy		✓		–
Parks, Forestry and Recreation		✓		–
Counter Services			✓	–
Court Services			✓	–
City Planning			✓	–
Municipal Licensing and Standards			✓	–

3. Key Themes from the 2011 Service Efficiency Studies

The eight completed service efficiency studies have identified cost savings opportunities as detailed in Appendix B. Recommendations include options to improve existing business

¹ The estimated savings includes \$10.65 M operating and \$2-\$10 M in capital.

processes, efficiencies through technology investment, consolidation of resources, functions that should be considered for outsourcing and opportunities for shared service approaches.

The improvement of existing business processes was a common theme across all of the service efficiency studies. Recommendations include options to improve administrative based processes (i.e. invoice handling, planning and scheduling) in addition to adjusting process standards and other minor efficiencies.

Automation of business processes through the investment in technology was another common theme with respect to the divisions, agencies and cross-corporate functions that were reviewed. For example, significant technology investments were recommended to improve the operations of the Toronto Public Library including opportunities to support self-service, virtual resources, and utilizing label technology. \$40 M capital has been allocated over the next 6 years to enable technology investments identified through the Service Review Study Program.

Several activities were also identified by consultants as areas where outsourcing may generate cost savings. In particular custodial, maintenance and security services were identified in more than one study (i.e. Fleet, Facilities, SSHA). Consolidation of resources whether through a shared service approach as identified in the cross-corporate studies, or by consolidating responsibilities among fewer management staff (i.e. Fleet, Toronto Police Services) was also identified.

The key themes that emerged from the completed studies include:

Process Improvements

- Fleet: improve planning and scheduling.
- SWM: revise route lengths to achieve savings in labour and equipment wear; improve transfer station unloading to enable daytime collection trucks to unload faster.
- SSHA: implement improved processes: streamline invoice approval and eliminate paper handling; improve report production; improve process control.
- Toronto Police Service: adjust call taking standards.
- Toronto Public Library: minor process efficiencies. (reshelving processes, physical space layout suggestions, etc).

Investment in technology

- Fleet: improve information systems.
- Facilities: automation of invoice, work order management processes, etc.
- Toronto Public Library: invest in virtual library, self service automation, label technology, automated sorter to realize business process efficiencies.

Outsourcing

- Fleet: outsource maintenance.
- Facilities: outsource custodial, security, maintenance, and other activities.
- SSHA: outsource food and facilities services; convert five shelters to purchase of service contracts.

Consolidation of resources

- Fleet: consolidate garages.
- SWM: span of control analysis reveals opportunities to consolidate responsibilities among fewer managers.
- Toronto Police Service: span of control analysis to reduce number of supervisors.
- Toronto Police Service: consolidate dispatch desk.
- Toronto Public Library: consolidate the services of some branches.

Shared Services

- Fleet: consolidate fleet functions of other divisions/agencies under one organizational structure.
- Facilities: Facilities Transformation Project.
- Toronto Public Library: include libraries in community infrastructure study looking at integrated service delivery and shared facilities.

4. Key Findings from Completed 2011 Service Efficiency Studies

The key finding of the completed studies are summarized below. Appendix B provides recommendations from external firms, estimated savings and implementation time lines. In many cases, the findings validate and support work already planned by divisions and agencies to meet 2012 and future years' budget reductions.

Agencies

A. Toronto Police Services

Ernst and Young identified potential annual savings of up to \$52.1 M (\$38.3 M of which are constrained in some way by terms of the collective agreement). The analysis included an extensive benchmarking exercise involving 60 cities across North America. In each of the following areas, further analysis is needed to assess constraining factors and public policy impact.

- Adopt a staffing model in which 40% of a front line officer's time is spent on proactive policing, for a potential reduction of between 105 to 115 officers resulting in annual savings of \$9 to \$10 M;
- Change the shift schedule for front line officers from a 10-10-8 shift schedule (28 hours per day, including four hours of overlap) to an 8-8-8 shift schedule (24 hours per day) for a savings of approximately 300 officers and annual savings of up to \$25 M;
- Civilianize as many as 227 further positions for annual savings up to \$3.7 M;
- Increase span of control with potential annual savings of approximately \$2.2 M;
- Reduce the number of call taking staff for annual savings up to \$400,000; and
- Consolidate the dispatch desks with potential annual savings of \$650,000.

The study also identified a few opportunities for further study including (a) a review of call handling time and use of related data as a key metric to measure and improve efficiency in deployment in staff resources; and (b) a review of premium pay for officers attending court (this was a policy decision to ensure court attendance did not interfere with other policing duties).

B. Toronto Public Library

DPRA identified potential annual savings of approximately \$10.5 M. There are two key recommendations that deal with the number of branches and the hours of operation for library branches. Most of the other recommendations deal with operational efficiencies or administrative improvements. DPRA's conclusions are based on the premise that it makes good business sense to direct scarce resources to the services, times, and locations that most appropriately match the public's needs without impairing services.

DPRA conducted an analysis of hours of operation using data supplied by TPL regarding library visits by day of the week. Their conclusion is that hours of operation could be reduced with minimal service impact by shifting hours of operation from lower use times to the times and days that have experienced the highest demand from residents of Toronto, namely afternoons, evenings, and weekends.

DPRA, assisted by TPL staff, identified 15 branches with below average performance. The consultant did an analysis of each of these and concluded that service levels could be maintained by consolidating services provided by 14 of these branches within neighbouring branches, whereby library users would be redirected to libraries still within a reasonable travel distance defined by TPL. Given Council's decision not to pursue branch closures, this recommendation is for information and not for consideration for the 2012 budget process. However, including Library branches in the City Manager's study of public facilities (to be conducted in 2012) will assess opportunities for shared facilities as per Recommendation 9 in DPRA's report.

C. Toronto Transit Commission

Accenture identified potential annual savings of \$57 to \$101 M, some of which is already included in the TTC's 2012 budget proposal. Given the two-month timeframe of this assessment, the report's focus was to identify recommendations that would provide the necessary markers for further in-depth analysis. The savings identified are broad estimates to provide a basis for establishing priorities among initiatives. Some of the areas identified for further study include:

- For capital project management, tools for performance metrics, systems to support standardized government reporting, improvements in contingency management;
- Bus life maintenance and procurement policy and practices;
- Further opportunities for contracting out;
- Potential opportunities for shared services with the City in areas of procurement, IT, HR systems and payroll, and with other transit services; and

- Rebalancing mix of in-house and outsourced WheelTrans services and improving process for no-shows.

The consultant also reviewed the Ridership Growth Strategy and made a number of recommendations that improve service to accommodate growth in future without adding to costs and therefore there are no savings associated with these changes. Accenture also reviewed routes that contribute the most to TTC deficits, but did not recommend changes because providing a minimum service regardless of demand is a public policy issue that the TTC and the City need to consider.

Divisions

A. Solid Waste Management Services

Ernst & Young (E&Y) identified potential efficiency savings of up to \$7.1 M. In addition, E&Y assessed and validated five service efficiency opportunities identified by the Solid Waste Management Services Division (SWMS) (four free tags, overflow recycling, Environment Days, Drop and Load, and revenue opportunities from non-residential customers) with an estimated savings of \$3.8 M. As part of the Study E&Y reviewed SWMS operations in the areas of Solid Waste Collection, Transfer Station Operations, and Processing and Disposal. Some of the savings identified or validated by E&Y are included in the SWMS 2012 budget.

E&Y's recommendations targeted:

- Operational efficiency improvements (e.g. optimizing curbside collection routes);
- Continuous improvement initiatives (e.g. adjusting truck unload times at certain transfer stations); and
- Balancing span of control across SWMS operations.

B. Shelter, Support and Housing Administration

MCC Workplace Solutions Inc. identified potential savings of \$7.7 to \$14.6 M. A portion of these savings (\$0.9 - \$1.8 M related to outsourcing of food and facilities services at directly-operated shelters) is dependent on whether the City continues to directly operate shelters.

The Study identified opportunities for improved efficiencies and cost savings by:

- Making shelter operations more efficient, including streamlining administrative processes and report production, outsourcing food and facilities services at directly-operated shelters, and changing the mixed-shelter model to gradually convert five shelters to purchase-of-service contracts;
- Improving processes in the service systems manager function, including using multi-year purchase-of-service contracts and streamlining administrative processes;

- Regularly assessing the enhanced program stream of the Streets to Homes Program implemented as of 2008, and adjusting street-outreach services to reflect changes in numbers, characteristics and needs of the street population.

The Study also recommended retaining the existing organizational structure for delivering housing and homelessness planning and programs through the Affordable Housing Office and the Shelter, Support and Housing Administration Division.

C. Fleet Services

Fleet Services was a cross-corporate study involving multiple divisions and agencies.

Western Management Consultants of Ontario conservatively quantifies annual savings in the range of \$2.7 to \$3.7 M in the short-term (2012-2013) for the Fleet Services Division alone. These gains to the City would be realized through improvements in labour productivity and improved customer service levels, parts purchasing management, and a 50% reduction of costs in the form of charge backs now levied to City customers for avoidable vehicle damage and wear.

Much greater savings could be realized if the recommended implementation plan to consolidate (over 4 years in total approximately) fleet functions from Police, Fire, EMS, and TTC (non-revenue fleet) occurs. Western is recommending that these functions be centralized with the Fleet Services Division functions under a single Director, far fewer garage locations, improved garage facilities and working environments (some already in place), greater geographic and shift coverage, and centralized shared services (such as reliability engineering, vehicle acquisition and utilization, lifecycle management, driver training, and IT M-5 support).

Together, these consolidations are expected to yield economies of scale at an estimate of at least 5-10% of the combined budgets of the City-owned garages across the City (i.e. the Fleet Services Division plus other City divisions and agencies).

In addition, however, there are significantly more in savings (currently not quantified) expected to be realized through consolidation of other divisional and agency fleet operations with the Fleet Services Division, as a result of:

- Closure, over time, of 9 Fleet Services Division garages and the re-use, or sale of, their holdings and land values;
- Closure of some other City-owned (current divisional/agency-operated) facilities;
- Facility operation capital and utility cost savings under a centralized operation;
- Shared vehicle and equipment asset utilization;
- Ongoing monitoring and improvements to, for example, increase productivity, reduce vehicle abuse (i.e. defined in the industry as avoidable vehicle/equipment damage and wear), standardize job times;

- Lower fuel costs due to management improvements such as greater use of City depots, appropriate fuel grade use (e.g. a projected \$3.9 M over 3 years for just the TTC non-revenue fleet if undertaking a trial of D2 Diesel use), and bulk fuel purchasing;
- Supply chain management, bulk parts purchasing, and an outsourced parts solution; and
- Maintenance outsourcing alternatives possible to determine the best value for the City through rigorous comparisons, monitoring of costs and benefits, and assessment of performance based on standards.

Further study to ascertain the relative cost-benefits of options identified by Western for aspects of the recommended consolidations is required. Other analysis is also required in conjunction with that exercise, to take into account factors such as opportunity costs for the City. For example, Western identified that closing one particular garage and avoiding its repair will yield approximately \$4 M in opportunity costs.

In 2012, the Fleet Services Division will be implementing several of the improvements recommended by Western. Some of the improvements will be ongoing as an integral part of a new way of operating, while others (such as changing from 13 garage locations to 4 main locations) are recommended to be phased in over a longer period of time.

There would be some initial costs associated with achieving the recommended improvements in labour and vehicle utilization productivity, since resources would be needed to implement:

- Improved planning and scheduling;
- Formalized Quick Service Processes;
- Improved reliability and performance management;
- Specialists in maintenance;
- Improving garage work environments; and
- Improving information systems.

Western emphasized, however, that implementation of those changes in the Fleet Services Division will pave the way for further efficiencies and consolidations with other areas of the City so that further and significant cost-savings beyond 2012 will be achieved.

D. Facilities Management and Real Estate Services

Facilities Management and Real Estate Services was a cross-corporate study involving multiple divisions and agencies. KPMG quantifies annual savings from \$3.35 to \$5.6 M in the short-term (2012-2013) for the Facilities Management and the Real Estate Services Divisions before broader initiatives that would incorporate functions and assets across the City are taken into account. Together, the above Divisional changes combined with City-wide broader initiatives offer significant potential annual savings of about \$13.5 to 35.7 M.

(a) Facilities Management Division:

The Facilities Management changes recommended by KPMG to produce cost-savings for the City would be realized through implementation of 3 major Opportunity Areas, with the first two being:

- Process Improvement: to standardize administrative processes and remove reliance on manual processing in the FM Division and other divisions, and to aggregate facilities-related spending by divisions and agencies to save \$0.7M annually (8 FTEs); and
- Shared Services: using a ‘true’ model that separates policy and governance from the service delivery organization to save \$2.6 to \$4.9M annually (positions across the City).

The third opportunity area is outsourcing and this is associated with significant savings potential:

- Outsourcing: 4 scenarios were presented beginning with City savings if it outsourced custodial, security, general maintenance, and the management activities associated with these functions, as follow:
 - Scenario 1: Outsourcing the functions for the divisions served by the corporate FM team would yield savings in the range of \$8.8 to \$13.2M annually;
 - Scenario 2: Also outsourcing the functions for divisions that perform the activities themselves, would yield cumulative savings in the range of \$12.7 to \$19 M annually;
 - Scenario 3: Extending outsourcing of the functions to also include selected agencies, would result in cumulative savings in the range of \$16 to \$22M annually; and
 - Scenario 4: If the management of project-based services across the FM Division, all other Divisions, and selected agencies was outsourced, an additional \$1.1 to \$1.7M would accrue to the City annually.

(b) Real Estate Services Division:

The Real Estate focused changes recommended by KPMG to produce cost-savings for the City by the second Quarter of 2013, are for the Opportunity Area of Portfolio Optimization as follow:

- Consolidate Leased Space and Facilities: two options were presented by KPMG respecting the accommodation and re-location of City staff:
 - Consolidate Externally Leased Space by re-locating existing leased facilities, to save about \$1.4M annually (not taking into account one-time moving costs) if the City revises its space allocation policy to allow for more dense allocation of office space comparable to other entities;
 - Consolidate within City-owned facilities to save about \$4.2M annually (not taking into account one-time moving costs) if the City revises its space allocation policy to allow for more dense allocation of office space comparable to other entities.
- Rationalize Existing Space & Property: No cost-savings were estimated by KPMG about whether the City should reduce its overall space usage and the extent of City-owned

properties since this matter was not in scope for the SES. It was noted, however, that significant value can be derived from reducing City spending in this regard; and

- Sale/Leaseback of City-Owned Buildings: No cost-savings were estimated by KPMG on this policy matter since it was not in scope for the SES. It was, however, recommended that the City convert its operating model from managing its owned buildings, to that of occupying building space as tenants. KPMG notes that property sales/disposition would serve a broad economic development mandate and yield significant City revenue.

For all opportunity areas, KPMG provided a series of risks and implications for the City to take into account in making its implementation decisions. These range from technology investment needs (with most pay-back achieved within 2 years), to needing a higher level of coordination among divisions and agencies, to the need for the City to revise its current costly mixed-model of using in-house and contracted staff. It was strongly recommended that the City (as have other major Canadian public sector jurisdictions) outsource its non-core facilities related operational activities, as well as optimize its property portfolio as described above.

E. Transportation Services

The Service Efficiency Study focused on six areas within the Transportation Services and the Major Capital Infrastructure Coordination office (MCIC). The analysis focused both on potential cost savings and opportunities for enhanced customer service.

KPMG identified potential operational savings of \$10.65 M, some of which are already included in the division's 2012 budget proposal. KPMG also concluded that capital savings of \$4-10 + M could result from the City making substantial investments in systems.

Building on the work already undertaken by the division to create efficiencies, KPMG made numerous recommendations, including the following:

- Enhance customer service standards for the construction permitting and utility cut processes;
- Expedite serious claims through the various stakeholders in the City to address immediate safety issues and to reduce the number and dollar value of claims;
- Increase the use of mobile technology and automation to support field work;
- Centralize construction permitting and claims investigations practices within Transportation Services, and use automation to support the centralized process;
- Invest in IT systems to support various functions across Transportation Services;
- Develop an approach for determining what to outsource and what to do in-house for Road & Sidewalk and Winter Maintenance based on an evaluation of the costs and other factors relevant to the service, including the need for a seasonally-balanced in-house workforce; and
- Strengthen the governance of capital infrastructure initiatives by further defining and clarifying the role of all affected stakeholders. Consider broadening the role and mandate of MCIC in this initiative.

5. 2012 Service Efficiency Study Program

In addition to the five 2011 service efficiency studies deferred to 2012, the City Manager was requested to undertake broad service and organizational studies in the areas of:

- Child Care;
- Community Infrastructure including libraries, community centres, community hubs and related agencies and organizations;
- Emergency Medical Services and Fire Services;
- Long Term Care Homes and Services; and
- Shared Services.

In keeping with Council's direction, staff are beginning to prepare terms of reference for these broader service and organizational studies. The Terms of Reference are being prepared in consultation with Division and Agency Heads where applicable and they will continue to be involved throughout the process. It is anticipated that the studies will be conducted by external firms with oversight and project management through the City Manager and Deputy City Managers. Firms will be engaged through a Request for Proposal (RFP) process or using the existing Roster of firms established for general management consulting services. Studies will include stakeholder consultation including academics, experts, clients and the public, or others, as determined through the terms of reference and the study work plans.

The Core Service Review identified other significant activities that will be added to the 2012 Study Program. For example:

- The Separation of Exhibition Place and Canadian National Exhibition Association (CNEA);
- Issuing a Request for Expression of Interest to determine the options for sale, lease or other arrangements for the City's three theatres in keeping with the recommendations from the Mayor's Task Force on Arts and Theatres; and
- Issuing a Request for Expression of Interest to determine the options for sale, lease or other arrangements for the Toronto Zoo.

Actions related to these activities are underway and it is anticipated that the results will be reported out to Executive Committee and City Council in the first half of 2012.

6. Implementation Process for Service Efficiency Studies

The studies provide advice to the City Manager and identify actions and directions which could result in more efficient and effective service delivery, organizational and operational arrangements, and associated savings. The studies provide an opportunity for the City to review and prioritize specific actions and directions for immediate, short and longer term implementation. The City Manager will work closely with divisional and agency senior management to determine which of the actions are feasible and can be implemented, the

implementation methods and timeframe, and estimated savings. Implementation may be achieved through various methods such as:

- Application or changes by management within their existing administrative authorities;
- Annual operating budget processes as part of a business case for service adjustments, or captured in-year; and/or
- Reporting to Council or the applicable Board or both where specific authorities are necessary or a policy decision is required by Standing Committee and Council, or the applicable Board.

Further study may be required in some cases where several options have been proposed and further review is necessary to determine the best course of action. In other cases, the actions may not be deemed feasible and their implementation will not proceed or a variation of them may be implemented. In all cases, implementation will comply with existing collective agreements, human resource policies and legal obligations, including any provisions related to potential contracting out of services.

Some savings from these studies have been captured in 2012 budget submissions and are noted in Appendix A. Further implementation will take place during 2012 wherever feasible.

As mentioned above, several additional broader studies were identified through the Core Service Review and will be added to the City Manager's ongoing study program, for example: the review of EMS and Fire and a study of shared services across City divisions and agencies. The study program will continue through 2012 and 2013 and will set the agenda for service innovation and change throughout the Council term.

CONCLUSION

A Service Review Program was approved by Council in April 2011 and continues throughout the term of Council to reduce expenditures and help address the structural deficit. The Core Service Review component has been completed.

A program of Service Efficiency and other studies is underway and will continue over the next three years. This work will ensure that City services are being delivered in the most efficient, innovative and cost-effective manner possible. Council has approved a User Fee Policy and a further report will be provided in January 2012 with findings of the user fee review and recommendations on the disposition of existing user fees and new fees.

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SIGNATURE

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ATTACHMENTS

Appendix A – Status of Council Decisions on the Core Service Review
Appendix B – Status of the Service Efficiency Study Program