



*cutting through complexity™*

**City of Toronto**  
Core Service  
Review Project

**Council Committee Presentation:  
Licensing and Standards**

July 25, 2011

# Core Service Review Project

## Terms of Reference

In May of 2011, the City engaged KPMG LLP (KPMG) to conduct the Core Service Review. As per the City's Statement of Work, the purpose and intent of the review is as follows:

- The project purpose is to review and analyze all City of Toronto services, activities and service levels provided by divisions and agencies and to apply a core service filter to assist Council's decision-making. The filter identifies services that are not core, or that are provided at higher than standard service levels.

## In Scope

- Review and analysis the City's approximately 105 services.
- Review and analysis of approximately 50 services provided by the City's agencies, boards, and commissions.
- Research and analysis of several comparable municipalities and jurisdictions.

## Out of Scope

- Detailed analysis of services to identify efficiency and effectiveness opportunities (these will be delivered through a separate Efficiency Review process).
- Detailed articulation of cost savings potential to be achieved through service changes.
- Management decisions on what actions to pursue with respect to City services.

# Roles and Responsibilities

Projects of this nature require a very clear governance structure, unambiguous roles and responsibilities, and well-defined accountabilities. The following table outlines the roles of the City and KPMG:

Roles and Responsibilities	
City of Toronto	KPMG
<ul style="list-style-type: none"> <li>• Provide an inventory of all services, service standards and service levels</li> <li>• Provide, validate, and ensure accuracy of all financial and budget data and all other available information related to particular services and activities</li> <li>• Provide relevant service-related policy directions, reports, and Council decisions</li> <li>• Provide any input gathered through the public engagement process (if available in time)</li> <li>• Review and validate factual information of service assessment</li> <li>• Present results of this report at Council's Standing Committees</li> <li>• Council to decide on changes to services provided</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct an assessment of all in-scope services provided by the City and its agencies, boards, and commissions</li> <li>• Conduct a jurisdictional review of comparable municipalities/jurisdictions</li> <li>• Apply a core service filter to determine the degree to which services are core and whether service levels are above standard</li> <li>• Identify options and opportunities to change services and service levels</li> <li>• Support the City at Council Committee presentations</li> <li>• Provide guidance, advice, and support to the City, as required</li> </ul>

# Project Approach

To meet the objectives of this review, KPMG conducted an assessment of services delivered and service levels, and identified options and opportunities the City could potentially undertake to make changes to its suite of services. The approach is described below and on the following pages.

## Service and Service Level Assessment

- Assessment involved evaluation of each service through a core ranking filter on a mandatory/discretionary continuum
- KPMG also compared current service levels against established service standards set by legislation, council, management, funding sources or industry best practices
- KPMG used four sources of input to perform the assessment (also detailed on the next two pages):
  1. Program maps and type profiles provided by the City. These were developed by the City as a result of its service mapping and cost allocation initiative, and included financial data submitted by programs and divisions
  2. Jurisdictional review of comparative cities and governmental bodies. These included municipal, regional, and provincial governments either of similar size and profile, or of similar approach to delivering specific services
  3. Input and validation from City of Toronto senior management. Numerous interviews and workshops were held with City representatives to gather and subsequently review and validate service assessment information
  4. KPMG experience, including global KPMG Specialist Panel. KPMG involved its own senior employees in other countries with specialized expertise related to a particular domain (e.g., law enforcement, transportation, etc.) to identify global trends and leading practices to inform analysis of services

## Jurisdictional Review

Jurisdictional review included an analysis of OMBI data for Ontario cities and research of jurisdictions, which are comparable to Toronto, were generally established and built out in the same timeframe, and with similar urban characteristics. Provincial and federal jurisdictions were reviewed for information primarily related to governance and administration of large public sector organizations. Note that all cities do not necessarily provide a good comparison for all services (e.g., snow and ice control). List of jurisdictions was validated with City management. Some additional jurisdictional information was provided by the City.

### Cities

- Chicago, USA
- Philadelphia, USA
- Boston, USA
- Montreal, Canada
- Barcelona, Spain
- Melbourne, Australia

### Governments

- Government of Canada
- Government of Ontario
- Government of Alberta
- Government of Saskatchewan

## Options and Opportunity Identification

- Options and Opportunities were identified based on the service and service level assessment
- Services that were ranked closer to the “discretionary” side of the core/discretionary continuum were considered for opportunities for scaling down, divestiture, or elimination
- Services that appeared to have elevated service levels were considered for opportunities for service level reductions, alternate service delivery, or reengineering
- Other opportunities were also presented on the basis of jurisdictional review, City management input, and KPMG experience
- Risks and implications of each option were identified and validated with City Management
- While KPMG was not explicitly contracted to quantify the potential savings of each opportunity, a high-level classification of savings potential was nevertheless performed
- Potential timelines for implementation (when first financial impacts would begin to materialize), as well as barriers for implementation (conveying ease or difficulty in pursuing the option) were also identified

## Options and Opportunities – Intended Use

- Options and opportunities presented in this report should not be construed as recommendations; they are included solely for informed decision making by the CMO. Options are identified as things the City could consider doing, rather than advice to proceed.
- Presented options are suggested for consideration if the primary objective is cost savings. Some may have negative effects on the City, its residents and communities, and these have been identified to the extent possible. KPMG has made no effort to evaluate whether the negative impacts outweigh the savings possible.
- Options and opportunities have been classified into several categories: **potential savings, risks, timing, and barriers to implementation**. These categories closely align with decision criteria, which have been used extensively by other public sector organizations to prioritize opportunities for change. The classification was done by KPMG to assist the Committee with prioritization and decision making, and should not be construed as detailed analysis of options.
- **Potential Savings** – this is a categorization of cost savings that relates to a specific service, activity, or type. These related services and activities have been included in the summary table only to demonstrate relationship of options to services. The committee is not advised to calculate potential savings by multiplying savings categories and service/activity budgets.

# Core Service Review Methodology

## Methods and Tools

Core Service Reviews typically involve an assessment of a suite of services to understand to what degree they are core. Some organizations define this categorization as a simple binary choice – “core” vs. “non-core”. Others adopt a more descriptive approach of classifying services as “mandatory”, “critical”, “discretionary” (or other relevant terms pertinent to their industry, scope, and scale). KPMG experience suggests that a “core continuum” is a more useful assessment method, yielding better results and more informative products.

KPMG, with validation by the City, has developed a customized continuum for assessing core versus discretionary services. Along the continuum, there are four descriptive categories, which, when applied to a service formed the “Core Ranking” for that service. Services that were deemed to be classified between these four categorizations were given a fractional ranking (e.g., 3.5).

## Service Assessment Methodology

The “core continuum” was defined with the following categories:

- **Mandatory(1):** mandated or required by legislation from the federal or provincial government
- **Essential (2):** critical to the operation of the City. Without the service, the City would stop functioning
- **Traditional (3):** municipal service, provided by virtually all large municipalities for many years
- **Other (4):** service provided by the City to respond to particular community needs, based on a positive business case, or other specialized purposes

## Service Level Assessment Methodology

In order to assess service level performance, we used the following scale to compare the current service levels of City of Toronto activities with service level standards:

- Below Standard (B)
- At Standard (S), with S- and S+ indicating somewhat below or above standard
- Above Standard (A)

Service level “At Standard” is:

- Consistent with the level required by legislation, or where there is no legislation...
- Consistent with industry standards and practices, and where they are not clear...
- Consistent with business case analysis justification, and where that is not clear...
- Consistent with service levels in other municipalities, and where that is not clear...
- Consistent with reasonable expectations

# **Municipal Licensing and Standards**

# Municipal Licensing and Standards

## Business Licensing, Enforcement and Permitting

Standing Committee
Licensing and Standards

Cluster
Cluster B

Program
Municipal Licensing and Standards

Service Type
External Service Delivery

Service Budget (\$m)	
Gross	\$14.7
Net	-\$7.3

**Rationale for Core and Service Level Assessment**

Business Licensing is a traditional municipal service, although the range of business types licensed varies.

The Municipal Licensing and Standards division is slower in providing permits to applicants than the council approved target.

**Jurisdictional Examples**

Montreal, Chicago, Philadelphia and Melbourne provide licensing as a city service. Boston and Barcelona have independent ABCs conduct licensing.

A number of other compliance oriented organizations have shifted to a balanced approach between enforcement and customer service, thereby, increasing compliance and lowering operating costs.

	Below Standard	At Standard	Above Standard
<b>Core</b>	Mandatory		
	Essential		
<b>Discretionary</b>	Traditional	Right of Way Permitting and Enforcement	Business Licensing and Enforcement
	Other		

- Key Opportunities**
- The range of business licenses issued could be reduced to those serving a clear purpose.
  - The service could be delivered on a city-wide basis.

# Municipal Licensing and Standards

## Business Licensing, Enforcement and Permitting

Activities								
Activity Name	Gross Cost (\$m)	Net (\$m)	% Net	Core Ranking	Service Level	Source of Standard	City Role	Notes
Business Licensing and Enforcement	13.60	-5.97	-44%	3	S-	C	R/D	<ul style="list-style-type: none"> <li>Timeframes generally slower than target, but improving.</li> <li>New Council direction to license personal services such as body piercing which may mean 3000-5000 more business licenses.</li> </ul>
Right of Way Permitting and Enforcement	1.09	-1.33	-122%	3	S-	C	R/D	<ul style="list-style-type: none"> <li>Timeframes generally slower than target, but improving.</li> </ul>

Options, Opportunities, Risks and Implications					
Type	Options and Opportunities	Risks and Implications	Potential Savings *	Timeframe **	Barriers
NCSR	Consider eliminating license categories that do not clearly serve a public service.	Would reduce paper burden in the industry, but may not produce a net saving for the City.	Low (up to 5%)	2013	Low
SLR	Consider reducing the level of proactive investigation and enforcement.	May lead to reduced compliance with licensing requirements.	Low (up to 5%)	2012	Medium
SSR	Consider the opportunity to deliver these services city-wide instead of district-based.	Division is currently district-based as it relates to Right of Way Permitting and Enforcement, and Business Licensing and Enforcement. Delivery of services city-wide could allow for an increased span of control and more consistent service delivery – this could result in better processes and reduced cost.	Low (up to 5%)	2013	Low

\* Potential Savings are relative to the size of the corresponding program/service/activity the option/opportunity relates to, and may include increased revenues to produce lower tax requirements. Savings will accrue to utility rates rather than taxes where noted.

\*\* Timeframe refers to first year in which savings could be realized. Full savings may take longer.

# Municipal Licensing and Standards

## Property Enforcement

**Standing Committee**  
Licensing and Standards

**Cluster**  
Cluster B

**Program**  
Municipal Licensing and Standards

**Service Type**  
External Service Delivery

**Service Budget (\$m)**

Gross	\$22.8
Net	\$20.2

**Rationale for Core and Service Level Assessment**

This is a traditional municipal service. Council mandated response times are generally not met, with a particular deficiency in respect to Heat and Vital Services property standards complaints.

Over 90% of property standards enforcement is funded from the tax base.

**Jurisdictional Examples**

OMBI data indicates that Toronto receives fewer complaints per capita than Hamilton and Ottawa, yet spends much more per capita on bylaw enforcement and takes longer to resolve complaints.



**Key Opportunities**

- The Property Standards and Maintenance Enforcement activities could be delivered on a city-wide basis.

# Municipal Licensing and Standards

## Animal Care and Enforcement

**Standing Committee**  
Licensing and Standards

**Cluster**  
Cluster B

**Program**  
Municipal Licensing and Standards

**Service Type**  
External Service Delivery

**Budget (\$m)**

Gross	\$12.0
Net	\$8.6

**Rationale for Core and Service Level Assessment**

Animal control is a traditional municipal role, although approaches to licensing vary.

- Jurisdictional Examples**
- All jurisdictions provide animal care and enforcement services at the City level.
- Philadelphia provides Animal Licensing and Animal Management services through the Department of Public Health.
  - The City of Melbourne has a contractual agreement with The Lost Dogs' Home to provide a range of animal management services.
  - Chicago Animal Care has a complete medical complex, full laboratory, radiology, and surgical capabilities for the care of its animals and the Chicago Police Canine Unit.
  - Boston's Animal Control unit offers a variety of services to Boston residents. The City also operates its own Animal Shelter in Roslindale staffed by a full time veterinarian to care for the animals in their custody.



- Key Opportunities**
- The City provides a high level of service for animal care.
- Cat and dog licensing could be eliminated.
  - Service delivery could be outsourced in some areas.
  - The level of service for response to animal emergencies could be reduced and the pick-up of pets placed for adoption could be eliminated.