



cutting through complexity™

City of Toronto
Core Service
Review Project

**Council Committee Presentation:
Economic Development**

July 19, 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"> • Provide an inventory of all services, service standards and service levels • Provide, validate, and ensure accuracy of all financial and budget data and all other available information related to particular services and activities • Provide relevant service-related policy directions, reports, and Council decisions • Provide any input gathered through the public engagement process (if available in time) • Review and validate factual information of service assessment • Present results of this report at Council's Standing Committees • Council to decide on changes to services provided 	<ul style="list-style-type: none"> • Conduct an assessment of all in-scope services provided by the City and its agencies, boards, and commissions • Conduct a jurisdictional review of comparable municipalities/jurisdictions • Apply a core service filter to determine the degree to which services are core and whether service levels are above standard • Identify options and opportunities to change services and service levels • Support the City at Council Committee presentations • Provide guidance, advice, and support to the City, as required

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

Economic Development and Culture

Economic Development and Culture

Business Services

Standing Committee
Economic Development

Cluster
Cluster A

Program
Economic Development and Culture

Service Type
External Service Delivery

Service Budget (\$m)	
Gross	\$5.1
Net	\$3.1

Rationale for Core and Service Level Assessment

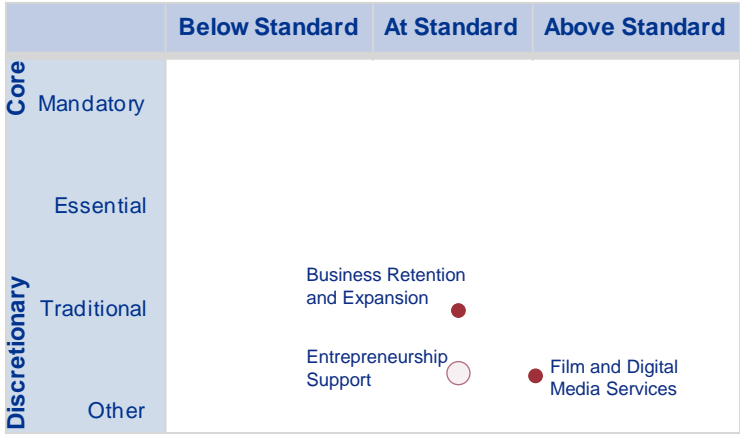
These are optional programs provided by the City because the economic benefits (investments, jobs, assessment growth) are assumed to outweigh the costs. Entrepreneurship support also attracts support from the other levels of government.

Jurisdictional Examples

All major filming centres such as NYC, Montreal, LA, Vancouver, Chicago as well as Ottawa, Hamilton, Mississauga, do film permitting.

Business Retention and Expansion, and, Entrepreneurship support are offered by almost every significant municipality in Ontario and around the world.

Melbourne provides this service at the City level. Boston, Philadelphia and Barcelona provide this service through a City ABC. Montreal outsources the service.



Key Opportunities

- All these services can be reduced or eliminated, however these steps will impact the Toronto economy.

Economic Development and Culture

Cultural Services

Standing Committee
Economic Development

Cluster
Cluster A

Program
Economic Development and Culture

Service Type
External Service Delivery

Service Budget (\$m)	
Gross	\$23.4
Net	\$17.3

Rationale for Core and Service Level Assessment

These are optional programs similar to those offered by most municipalities.

Jurisdictional Examples

OMBI report indicates that Toronto, Ottawa and Hamilton are the Ontario municipalities with largest investments supporting culture and arts.

The city reports that Toronto's spending on cultural services per capita is lower than other cities.

	Below Standard	At Standard	Above Standard
Core	Mandatory		
	Essential		
Discretionary	Traditional		
	Other		

Key Opportunities

- All these services can be reduced or eliminated, however these steps will impact the cultural vitality of Toronto.

Economic Development and Culture

Economic Competitiveness Services

Standing Committee
Economic Development

Cluster
Cluster A

Program
Economic Development and Culture

Service Type
External Service Delivery

Service Budget (\$m)	
Gross	\$7.9
Net	\$5.9

Rationale for Core and Service Level Assessment

BIA Support is a facilitation which leverages significant private sector investment on public property and enhances the public realm. Most cities also conduct Research and Information on economic activities that contributes to planning and program development.

Sectors and Trade Development activities are discretionary economic development strategies that some but not all municipalities employ.

Jurisdictional Examples

New York City, Boston, Houston, LA, Washington, Montreal, Calgary and Vancouver all employ a sector based approach. BIAs were initiated in Toronto and have been copied in many large cities around the world.



- Key Opportunities**
- All these services can be reduced or eliminated, however these steps will impact the Toronto economy.
 - The support to BIAs could be modified by charging the costs back to BIAs and eliminating any support services BIAs do not value sufficiently to pay for.

Economic Development and Culture

Economic Competitiveness Services

Activities								
Activity Name	Gross Cost (\$m)	Net (\$m)	% Net	Core Ranking	Service Level	Source of Standard	City Role	Notes
BIA Support	1.87	1.33	71%	3	S+	C/L	Mp/F	<ul style="list-style-type: none"> Provides a vehicle for main street businesses to cooperate.
Research and Information on Toronto	2.77	1.88	68%	3	S	M/C/F	D	<ul style="list-style-type: none"> Citywide Economic Strategic Advice and Consultation. Consultations with visitors/public. Economic Bench Marking. Economic Overview. Intergovernmental Economic Project Support. Event Calendar Maintenance. Hospitality Excellence Program. Info Kiosks. Research Enquiries.
Sectors Development	2.69	2.09	78%	3	S	M	D	<ul style="list-style-type: none"> Business to Business collaboration. Economic Sectors', Advocacy and Promotion. Economic Sectors' Support.
Trade Development	0.54	0.54	100%	3	S	M	D	<ul style="list-style-type: none"> Business Matching and Assistance. City to City Alliances. Export Assistance and Facilitation.

Economic Development and Culture

Economic Competitiveness Services

Options, Opportunities, Risks and Implications			Potential Savings *	Timeframe **	Barriers
Type	Options and Opportunities	Risks and Implications			
SLR	Consider reducing Sectors and Trade Development activities.	This would reduce the impact the City has on growing the economy.	Medium (up to 20%)	2012	Medium
NCSR	Consider moving Sectors and Trade Development activities to a regional agency.	City of Toronto would lose some control over these services. Could potentially result in cost-savings.	Low (up to 5%)	2014	High
SLR	Consider reducing staff support services to BIA's, or, recovering costs of support provided.	BIA's may react negatively to elimination of services. Giving BIAs the opportunity to continue receiving services where economies of scale are relevant on a cost recovery basis could be a useful approach.	High (more than 20%)	2012	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.

Toronto Employment and Social Services

Toronto Employment and Social Services

Employment Services

Standing Committee

Economic Development

Cluster

Cluster A

Program

Toronto Employment and Social Services

Service Type

External Service Delivery

Service Budget (\$m)

Gross	\$124.8
Net	\$43.6

Rationale for Core and Service Level Assessment

Provision of Employment Services is required by provincial legislation.

All Employment Services are cost shared and provincially approved through the Service Plan submitted to the Province.

Jurisdictional Examples

Even though most cities provide this service at the City level, it is generally provincially funded.

In Philadelphia this service is provided by a private organization.

Employment assistance is generally a provincial responsibility and the province provides funding to support the delivery of these services.

	Below Standard	At Standard	Above Standard
Core	Mandatory	Plan and Manage the City of Toronto's Employment Service System	Individualized Employment Case Management
	Essential	Manage City Employment Centers	
Discretionary	Traditional	Provide target training and skill development services through the Purchase of Employment Services and Contract Management	
	Other		

Key Opportunities

- There may be some savings available by adjusting the mix of in-house and contracted services.

Toronto Employment and Social Services

Financial Assistance

Standing Committee
Economic Development

Cluster
Cluster A

Program
Toronto Employment and Social Services

Service Type
External Service Delivery

Service Budget (\$m)

Gross	\$1,074.8
Net	\$155.6

Rationale for Core and Service Level Assessment

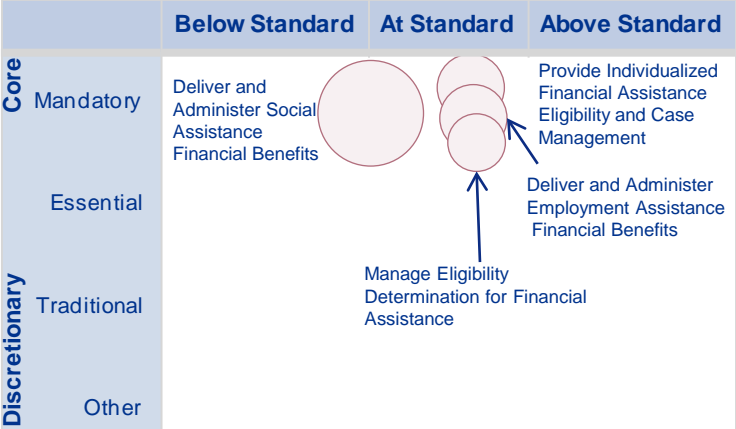
Financial Assistance Services is required by provincial legislation.

Jurisdictional Examples

The OMBI report indicates that:

- Toronto has the highest level of social services cases among the OMBI Municipalities and the longest average time period on social assistance.
- Toronto has the lowest proportion of social assistance cases with employment income.
- Toronto is in the middle of OMBI municipalities in terms of administrative costs per case and is the lowest of the GTA municipalities.
- Toronto has the highest number of OW cases per FTE in the GTA and third highest in the province.

In most American Cities this is a state role, and in other Canadian provinces it is a provincial role.



Key Opportunities

- No significant opportunities were identified.

Toronto Employment and Social Services

Social Supports

Standing Committee
Economic Development

Cluster
Cluster A

Program
Toronto Employment and Social Services

Service Type
External Service Delivery

Service Budget (\$m)	
Gross	\$8.8
Net	\$1.5

Rationale for Core and Service Level Assessment

These services respond to community needs that the City has identified.

Jurisdictional Examples

Chicago and Barcelona provide this service at the City level.

Montreal and Boston provide this service at the City ABC level.

In Philadelphia this service is provided by a private organization.

Melbourne does not provide this service.

	Below Standard	At Standard	Above Standard
Core	Mandatory		
	Essential		
Discretionary	Traditional	Administer Funds to help Elderly and Disabled Torontonians Purchase Critical Medical Supplies	Administer Applications for a range of City Social Support Programs
	Other		

- Key Opportunities**
- These services can be reduced or eliminated, however each responds to specific community needs that would go unmet.
 - The Welcome Policy is administered on behalf of Parks, Forestry and Recreation and the Christmas Bureau administers referrals on behalf of community agencies in Toronto.