



STAFF REPORT ACTION REQUIRED

Core Service Review – Final Report to Executive Committee

Date:	September 9, 2011
To:	Executive Committee
From:	City Manager
Wards:	All
Reference Number:	

SUMMARY

The purpose of this report is to make recommendations to the Executive Committee for actions related to the opportunities identified by KPMG LLP (KPMG) during the Core Service Review process. The Core Service Review is intended to set the foundation for what services the City delivers, and reaffirm services and business investments the Toronto government should focus on given constrained funding capabilities. Reaffirming key services supports the implementation of the Multi-Year Financial and Service Planning Budgeting Process.

A public consultation process was launched to encourage the public to tell the City what they think about City services, to elicit their input on service priorities, and to learn what the public wants Council to consider when making decisions about future service delivery. Approximately 13,000 people participated in the public consultation on the City's services, held between May 11 and June 17, 2011, by completing a feedback form and/or attending a consultation session.

The City Manager retained third-party expertise, the firm KPMG, to assist with this initiative. KPMG was requested to:

- review and analyze all City services, activities and service levels provided by divisions and agencies and to apply a core service filter to services and identify which services are provided at higher than standard service levels;
- conduct a jurisdictional review of comparable municipalities and jurisdictions; and
- identify options and opportunities to change services and service levels.

KPMG Core Service Review Summaries and Service Profiles, along with the findings from the public consultation were considered by Standing Committees at special meetings held between July 18 and July 28, 2011.

KPMG ranked 90 percent of City services as core and identified 69 opportunities for Council's consideration to eliminate, divest or reduce some services. Many of these services have been added over the years to respond to emerging community needs, and to provide enhanced services to residents. Given the City's financial pressures, decisions need to be made about which services go beyond what municipal governments generally provide, and could be eliminated or divested as they are no longer affordable or required.

The City Manager has reviewed these opportunities in the context of feedback from the public, and recommendations arising from the special Standing Committee meetings. The City Manager has also assessed the opportunities to identify further social, economic, environmental, and legal implications that need to be considered. The needs of disadvantaged and vulnerable communities were also considered to ensure that City services continue to meet statutory obligations under the *Ceeguukdiky' Iqt'Qntarians with Disabilities Act*, 4227. and support the City's equity goals and objectives wherever possible.

Most of the services KPMG put forward for consideration have not been recommended for elimination. Many of these are traditional and discretionary services that contribute to the liveability of the City, and provide important services which residents rely on. However there are opportunities to reduce some of these services to meet the 2012 budget reduction target, and the City Manager recommends that some services be considered in the context of service level reduction rather than elimination.

The report includes 16 recommendations that cover matters where Council authority is required to take action, and implement changes in the 2012 or future Operating Budget processes.

- Recommendation 1 directs staff to adjust certain services, and service levels now to meet 2012 budget requirements.
- Recommendation 2 refers several KPMG opportunities to divisions, and agencies where applicable, for consideration as part of their general program reduction to meet the 2012 budget reduction target.
- Recommendation 3 authorizes the City Manager to initiate a process to divest the Toronto Zoo, the Theatres, and Heritage Toronto, and report further to the Executive Committee.
- Recommendations 4 to 7 direct staff, or agency boards where relevant, to develop a plan to enhance their financial condition, and report back on these matters.
- Recommendation 8 refers opportunities that are longer term to the City Manager to undertake broad service, and organizational studies.
- Recommendation 9 to 13 request staff to review a policy-related matter, and report to the relevant Standing Committee.

- Recommendation 14 refers the efficiency-related opportunities to the City Manager for consideration, and implementation through the 2012, 2013 and 2014 Operating Budgets.
- Recommendation 15 refers efficiency-related motions from Standing Committees to the City Manager for consideration, and implementation through the 2012, 2013 and 2014 Operating Budgets.
- Recommendation 16 provides authority to the City Manager to implement changes where required pursuant to applicable City by-laws, collective agreements, policies, and legal obligations.

The report includes five appendices:

- Appendix A – a summary of Standing Committee decisions and responses.
- Appendix B – a summary of the decisions of the larger Agency Boards which met to consider this matter.
- Appendix C – a summary of the KPMG opportunities in relation to public input.
- Appendix D -- KPMG opportunities related to eliminating, divesting or reducing services, their implications, and recommended disposition.
- Appendix E -- KPMG opportunities related to service efficiencies, their implications, and recommended disposition.

In addition to service efficiency studies underway as part of a regular process of review for a number of City divisions, agencies, and cross-corporate functions, this report recommends that broader service, and organizational studies be undertaken in the areas of child care, long-term care, emergency services (a joint study of Emergency Medical Services and Fire Services), arenas, community centres, and shared services across divisions, and larger agencies, and reported out in 2012 and 2013.

RECOMMENDATIONS

The City Manager recommends that City Council:

1. Approve the following actions and service level adjustments:
 - a. 311 -- Eliminate development capacity in 2013 when 311 is fully implemented;
 - b. Affordable Housing -- Reduce new affordable housing development to limit it to completing the existing Council approved commitments for development which is funded by federal, and provincial governments, and request the General Manager, Shelter, Support and Housing Administration, and the Director, Affordable Housing Office to reflect these reductions in their

upcoming report to City Council on the new Investment in Affordable Housing Program;

- c. Affordable Housing -- Reduce the Housing Loan Program, and Housing Policy and Partnership activities to a service level supported by funding from the federal, and provincial governments, and request the General Manager, Shelter, Support and Housing Administration, and the Director, Affordable Housing Office to reflect these reductions in their upcoming report to City Council on the new Investment in Affordable Housing Program;
- d. Child Care -- Reduce the number of subsidized spaces through attrition once the Child Care Expansion Reserve Fund is depleted in 2013, and request the Provincial Government to increase funding for child care;
- e. Economic Development and Culture -- Reduce cultural services activities by closing museums with the least attendance, and revenues compared to costs;
- f. Municipal Licensing and Standards -- Eliminate animal pick-up and delivery of owner-surrendered animals to shelters, and request the Executive Director of Municipal Licensing and Standards to implement emergency pick-up only for persons unable to do so;
- g. Parks, Forestry and Recreation -- Reduce the service level standard for snow clearing in City parks, and open spaces from 6 centimetres to 8 centimetres, and adjust crew size as required;
- h. Parks, Forestry and Recreation -- Reduce the service level standard for grass cutting, except for sports fields, and adjust crew size as required;
- i. Parks, Forestry and Recreation -- Request the General Manager of Parks, Forestry and Recreation to issue a Request for Expression of Interest, on terms and conditions satisfactory to staff, to operate the Park, Forestry and Recreation's zoos and farms, and in the event there is no interest; authorize the General Manager of Parks, Forestry and Recreation to close the zoo and farm attractions;
- j. Parks, Forestry and Recreation – Authorize the General Manager to negotiate the transfer of the operation of Black Creek urban farm from the City of Toronto to the Toronto and Region Conservation Authority (TRCA) on such terms as may be agreed;
- k. Social Development, Finance and Administration, Cluster A -- Reduce community and neighbourhood development activities by suspending (1) staff supports to Council Advisory Bodies, (2) work on the development of community service hubs, and (3) work on the development of social development plans for communities undergoing revitalization;
 - l. Solid Waste Management -- Eliminate the 4 free garbage tag program;
 - m. Solid Waste Management -- Eliminate Community Environment Days;

- n. Toronto Building -- Eliminate building permit, and related zoning information provided to the public over the phone, and in written correspondence, and migrate to the web, and 311 to access this information, and continue to comply with the Toronto Building Routine Disclosure Policy;
- o. Toronto Environment Office – Consolidate, and reduce environmental services within divisions, and agencies, and refocus their mandates on services that, in the opinion of the City Manager, are required to meet regulatory environmental reporting requirements, support the City's interests, or have the greatest return on investment;
- p. Toronto Atmospheric Fund – Consolidate, and reduce environmental services within divisions, and agencies, and refocus their mandates on services that, in the opinion of the City Manager, are required to meet regulatory environmental reporting requirements, support the City's interests, or have the greatest return on investment;
- q. Toronto Employment and Social Services -- Eliminate the Christmas Bureau, and seek alternative funding sources for the continuation of the Christmas Bureau from the voluntary, philanthropic and/or private sectors;
- r. Toronto Employment and Social Services -- Eliminate the Hardship Fund, and request the Provincial Government to fund these services, and items;
- s. Transportation Services – Eliminate the requirement for paid duty Police officers at construction sites where possible, and request the General Manager of Transportation Services to report to the Public Works and Infrastructure Committee with any necessary changes to City by-laws, policies, and criteria to effect this change;
- t. Transportation -- Eliminate the Public Realm's Neighbourhood Improvement Program which allocates funding to each of the City's 44 wards;
- u. Transportation Services -- Eliminate the current windrow clearing program, and request the General Manager of Transportation Services to implement a windrow, and sidewalk snow shovelling program for seniors and people with disabilities, operated by a third party;
- v. Transportation Services -- Maintain service levels at minimum standard for snow removal, and snow ploughing on local streets as required by Ontario Regulation 612/06, and reduce service levels if required to meet the minimum standard;
- w. Transportation Services -- Reduce mechanical, and manual sweeping on local streets, and request the General Manager of Transportation Services to report to Community Councils on any required by-law changes to effect the temporary parking restrictions for parked vehicles to accommodate mechanical street sweeping; and

- x. Reduce the Community Partnership and Investment Program based on consideration of existing legal obligations, and the following criteria: eliminate allocations where City funding represents less than five percent of the program budget or is less than \$10,000.

Refer to Divisions and Agencies for Consideration as Part of the 2012 and 2013 Budget Reductions

- 2. Refer the following KPMG opportunities to divisions and agencies for consideration as part of their program's 2012 and 2013 budget reductions:
 - a. City Planning: Consider less proactive, and detailed intents review process;
 - b. City Planning: Consider reducing Heritage Grants and Heritage Tax Rebate Program;
 - c. Economic Development and Culture: Consider reducing Business Services;
 - d. Economic Development and Culture: Consider reducing Sectors and Trade Development activities;
 - e. Economic Development and Culture: Consider reducing staff support services to Business Improvement Areas or recovering costs of support provided;
 - f. Municipal Licensing and Standards: Consider reducing the level of proactive investigation, and enforcement;
 - g. Parks, Forestry and Recreation: Consider eliminating horticultural activities;
 - h. Toronto Building: Consider reducing or eliminating proactive inspection for illegal signs, and investigation of sign complaints;
 - i. Toronto Public Health (Dental Health – Investing in Families): Consider eliminating this program or reducing the service level;
 - j. Toronto Police Service: Consider reducing the size of the police force through budgetary means, and a business based approach to efficiency, and effectiveness. This could include reducing or temporarily eliminating hiring of new officers, providing incentives for early retirement benefits savings, and one-officer patrols in appropriate circumstances;
 - k. Toronto Public Library: Consider opportunities to reduce services (hours and days of operation);
 - l. Toronto Public Library: Consider rationalizing the footprint of libraries to reduce service levels, closing some branches;
 - m. TTC: Consider rolling back some of the service improvements implemented under the Ridership Growth Strategy, including changes to the crowding standard. Also consider reducing/eliminating the Blue Night Network or making it a premium service by raising fares;

- n. TTC: Review service levels of support activities to conventional transit; and
- o. TTC – Wheel Trans: With conventional transit becoming significantly more accessible, the role and service levels should be continuously reviewed. Consider potentially developing individual plans for riders to use conventional services for their needs, relying less on Wheel-Trans.

Agency Related Matters

- 3. Initiate the divestment of the following City agencies or bodies by taking the following actions and request the City Manager to report back to Executive Committee as required:
 - a. Request the City Manager, in consultation with the General Manager of Exhibition Place, to negotiate, and report on an agreement for separation and governance arrangements between Exhibition Place and the Canadian National Exhibition Association (CNEA);
 - b. Authorize the City Manager to issue a Request for Expression of Interest, on terms satisfactory to the City Manager, to determine the options for sale, lease, operation or other arrangement in respect of the Toronto Centre for the Arts, the Hummingbird Centre for the Performing Arts (the Sony Centre), and the St. Lawrence Centre for the Arts;
 - c. Authorize the City Manager to issue a Request for Expression of Interest, on terms satisfactory to the City Manager, to determine options for sale, lease, operation or other arrangement in respect of the Toronto Zoo, provided that the City Manager shall work with the Toronto and Region Conservation Authority (TRCA), Provincial and Federal Governments to accommodate their interests; and
 - d. Request the General Manager of Economic Development and Culture to consult the heritage community with the objective of establishing an independent not-for-profit corporation funded by sponsorships, donations, and membership fees to assume the responsibilities of Heritage Toronto.
- 4. Request the Exhibition Place Board of Governors to prepare a development plan for Exhibition Place to increase annual revenues, and report back to Executive Committee in early 2012.
- 5. Request the City Manager to work with the Provincial Government on potential partnership opportunities related to the governance, and operations of the Exhibition Place and Ontario Place, and report back to Executive Committee as required.
- 6. Request Yonge-Dundas Square Board of Management to develop a plan to reduce their reliance on tax supported funding, and become financially self-sufficient, and report to the Executive Committee.

7. Request the Deputy City Manager and Chief Financial Officer to review the option to sell or lease TTC and Toronto Parking Authority street lots and garages in his report, *Potential Monetization of Assets* for consideration by Executive Committee

Refer to the City Manager for Further Study

8. Refer the following KPMG opportunities to the City Manager for inclusion in broader service, and organizational studies to be reported to Standing Committees, and Council as required:

Child Care

- a. Consider whether quality assessments are required;
- b. Review child care funding and subsidies to reduce the funding and subsidies;
- c. Consider transferring the city-operated child care centres to community or private operators.
- d. Consider making changes to program structure consistent with the full-day kindergarten initiative;
- e. Consider reducing the maximum subsidized per diem rates the City will support to levels near the average rates of non-profit providers;

Long Term Care

- f. Terminate community based programs or transfer day programs to a community agency;
- g. Transfer most municipally operated LTC homes to operation by non-profit community organizations which could reduce costs and transfer net costs to the province over time;
- h. Sale of municipally operated LTC homes to private sector operators would reduce city costs more quickly and may provide some recovery of investment in buildings;
- i. Re-engineer the operations to achieve specified target cost reductions;

Emergency Medical Services/Fire Services (Joint Study)

- j. Consider eliminating EMS community medicine activities;
- k. Consider outsourcing some or all of EMS non-emergency inter-facility patient transports;
- l. Consider reducing the range of medical calls to which the fire department responds;
- m. Consider the opportunities to improve fire response times and decrease equipment requirements through dynamic staging of equipment;
- n. Consider integrating EMS and Fire organizationally and developing new models to shift resources to EMS response and less to fire response over time;

Arenas (Directly Operated and Board Operated)

- o. Consider examining the existing business and governance models currently in place at all arenas (internally operated arenas and all 8 arena boards);

Community Centres (Directly Operated and Board Operated)

- p. Consider examining the existing business and governance models currently in place at all community centres (internally operated and association operated); and

Shared Services Model

- q. Consider a shared service approach to finance, administrative and other cross divisional / agency activities (similar opportunities were identified in multiple services).

Request a Policy Report to Standing Committee

9. Request the Executive Director of Municipal Licensing and Standards to examine the City's licensing system to assess the ongoing public benefit of licensing categories, and report to the Licensing and Standards Committee.
10. Request the General Manager of Parks, Forestry and Recreation to review the forestry service plan, and report to the Parks and Environment Committee with recommended changes to extend the timeframe to achieve the City's tree canopy goals.
11. Request the General Manager of Economic Development and Culture to review the establishment of a regional economic development agency, including initiating discussions with regional, and other key stakeholders, and report to the Economic Development Committee in early 2012.
12. Request the Chief Planner to review options to cover the City's administrative costs for the Percent for Public Art Program, and report to the Planning and Growth Management Committee.
13. Request the City Manager to undertake a study of community infrastructure provided through the City's libraries, community centres, community hubs, related agencies, and organizations, and report to Executive Committee on a plan that maximizes the use of the City's assets, and enhances service system coordination.

Refer Efficiency-Related Opportunities to the City Manager

14. Request the City Manager to review the remaining efficiency related opportunities as set out in Appendix E, 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.

Refer Efficiency-Related Motions from Standing Committees to the City Manager

15. Refer the following motions from the special Standing Committee meetings to the City Manager for consideration, to determine whether and in what manner implementation is appropriate through the 2012, 2013 and 2014 Operating Budgets,

subject to Toronto Municipal Code Chapter 71, Financial Control, City, and agency collective agreements, and human resource policies;

- a. Motion 2a from the July 18, 2001 meeting of the Public Works and Infrastructure Committee that requested the City Manager include in his report to the Executive Committee on September 19, 2011 comments on possible service adjustments to benefits, and efficiencies for snow ploughing, snow removal, and windrow clearing services, and street sweeping; and
- b. Motions 2a, e, f, g, and h from the July 26, 2011 meeting of the Government Management Committee that requested the City Manager to include in his report to the Executive Committee on September 19, 2011:
 - i. the identification of which components of 311 could be outsourced – from the call centre to the technology – and the potential savings and timelines of outsourcing of the 311 call centre;
 - ii. Total IT Capital and Operating Budgets for the City, and its agencies broken out by specific Division and Agency, and how this compares to large urban cities such as Montreal, Ottawa, Vancouver, Chicago, and the Ontario government;
 - iii. Identification of what the Province of Ontario has done, and where is there an opportunity for the City to save monies in the IT Division across all Agencies, Boards, Commissions, and Divisions;
 - iv. The total IT headcount for the City, and its agencies broken out by specific Division, and Agency, and why some Divisions have their own IT staff, and how this compares to Montreal, Ottawa, Vancouver, Chicago, and the Ontario Government; and
 - v. Potential cost savings, and timelines if the City, and agencies outsourced all IT functions.

Authorities to the City Manager to Implement Recommendations 1, 14 and 15

16. In addition to authority currently delegated to staff, authorize the City Manager to undertake the following for the purposes of implementing the matters contained in Recommendations 1, 14, and 15 of this report, and to delegate implementation to City staff as appropriate:
 - a. To negotiate and enter into any required agreements, and ancillary transactions on terms satisfactory to the City Manager to be executed by the City Manager or the appropriate Division Head;
 - b. To draft, and introduce any by-laws as may be required; and

- c. To address any employment or labour implications by ensuring that the recommendations are implemented in a manner that complies with any of the City's obligations pursuant to an applicable collective agreement, applicable City policies, and the City's statutory, contractual, and common law rights, and obligations.

Financial Impact

With Council approval of these service eliminations and reductions, and the implementation of the efficiencies identified by KPMG, the total savings is estimated to be approximately \$200 to \$300 million over the period 2012 to 2014. For 2012, the estimated savings from service eliminations, reductions, and KPMG identified efficiencies being actively considered by staff, are projected at approximately \$100 million, and will contribute to reaching the 2012 budget target.

Capital expenditure reductions as a result of adopting the recommendations in this report could total approximately \$132 million gross in the ten-year capital plan.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

Equity Statement

In making recommendations for service changes the City Manager considered equity impacts wherever possible including the needs of disadvantaged and vulnerable communities to ensure that City services meet statutory obligations under the *Accessibility for Ontarians with Disabilities Act, 2005*, and support the City's equity objectives.

An equity lens will be applied when preparing detailed business cases for service changes as part of the 2012 and future years Operating Budget process to ensure that any issues related to equity in public service delivery are identified, and addressed.

DECISION HISTORY

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

- (c) 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>

As requested by City Council, the City Manager transmitted the results of the Core Service Review undertaken by KPMG, and information gathered from the public consultation 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 for 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>

ISSUE BACKGROUND

A Service Review Program was initiated in preparation for the 2012 Budget Process and the Multi-Year Financial and Service Planning Budgeting Process.

The City is facing serious financial challenges. The Service Review Program is intended to help mitigate the 2012 Operating Outlook Pressure and, in the longer term, contribute toward resolving the City's structural deficit.

The 2012 beginning operating spending pressure was estimated at \$774 million, before any potential offsets from revenue sources such as property tax increases.

The Service Review Program includes three key components:

- A Core Service Review that examines what services the City delivers and at what level;
- Service Efficiency Studies that examine how the City delivers its services; and
- A User Fee Review that examines the City's fees to determine the extent to which they are fair, and collect the full service cost.

The Core Service Review will set the foundation for the City's services, and support the implementation of the City's Multi-Year Financial, and Service Planning Budgeting Process.

Service planning and multi-year budgeting includes:

- The establishment of three to five year service plans for City services;
- An annual service plan review to monitor performance and adjust service levels to respond to service priorities and emerging community needs;
- A 10-year Capital Budget and Plan (in place);
- A three-year Operating Budget and Plan;
- Reaffirming capital and operating budgets annually (in place);
- Public input into priority setting; and
- An enhanced role for Standing Committees in the service planning and priority setting process.

Services and service levels approved through the City's 2012 Operating Budget will support the development of three to five year service plans for City services, and agencies.

COMMENTS

1. Overview of the Core Service Review

At its April 12, and 13, 2011 meeting, City Council considered a report from the City Manager, and Deputy City Manager and Chief Financial Officer regarding the initiation of a Core Service Review to confirm what services the City should deliver, and at what service level.

The City Manager retained third-party expertise, the firm KPMG, to assist with this initiative.

KPMG was requested to:

- review and analyze all City services, activities, and service levels provided by divisions, and agencies, and to apply a core service filter to services, and identify which services are provided at higher than standard service levels;
- conduct a jurisdictional review of comparable municipalities, and jurisdictions; and
- identify options, and opportunities to change services, and service levels.

KPMG assessed the City's services, and service levels using four primary data sources:

- program maps, and type profiles developed for the City's Financial Planning, and Reporting System (FPARS);
- review of comparative national, and international jurisdictions;
- input, and validation from City divisions, and agencies; and
- a KPMG global panel with specialized expertise, and knowledge of leading practices in particular service areas.

KPMG developed, and applied a service filter to assess the City's services along a core continuum, and rank services by the following categories:

- Mandatory: Required by legislation.
- Essential: Critical to the operation of the City.
- Traditional: Provided by virtually all large municipalities for many years.
- Other / Discretionary: Provided by the City to respond to particular community needs.

KPMG assessed service levels to identify which services are delivered below standard, at standard, or above standard, and the degree to which the standard was prescribed by legislation, set by Council, management or funding agreement, or based on industry best practice.

KPMG also put forward options, and opportunities for the City's consideration to change services, and service levels, provided preliminary information on the risks and implications of making these changes, and potential timelines for implementation, and provided a high level order of magnitude of potential savings for each opportunity.

2. Public Consultation

The City Manager launched a public consultation process to encourage the public to tell the City what they think about City services, to elicit their input on service priorities, and to learn what the public wants Council to consider when making decisions about future service delivery.

Approximately 13,000 people participated in the public consultation on the City's services, held between May 11 and June 17, 2011, by completing a feedback form and/or attending a consultation session.

An analysis of the public consultation input was included in the City Manager's report, *Core Service Review* that Standing Committees considered at their meetings in July 2011. The report, *Toronto Core Service Review: Public Consultation*, contained general trends,

themes, and comments on the 10 most frequently mentioned service areas. The public consultation report, along with all raw, and summary data from the consultation, is available at www.toronto.ca/torontoservicereview/results.htm

The consultation process confirmed that the public:

- value and rely on the services that the City delivers;
- prioritized services that generally reflect the services ranked core by KPMG;
- was mixed about how best to pay for City services, and supported different funding strategies for different services;
- identified some services that could be delivered by others; and
- preferred that the City deliver its services better than most or all other cities.

Further analysis was undertaken on the remaining 25 service areas, including responses to in-depth multiple choice questions in the feedback form, and written comments submitted on each area. It should be noted that although approximately 13,000 people filled out a feedback form, the number of people choosing to answer in-depth questions or give written comments about any given service varied considerably, and the choice of service for further comment was at their discretion.

The in-depth multiple choice questions included:

- Whether the participant had used or been in contact with a service.
- A ranking of activities from most important to least important.
- For each activity, whether it was more important to maintain quality or lower costs.
- How each activity should be funded.
- Who should deliver each activity.

Written comments were also submitted to four open-ended questions:

- What do you think are the most important issues facing our city in 2011?
- Are there any other important city-wide issues you think the City of Toronto should consider?
- Do you have any other comments on how the City should fund services?
- Is there anything else you would like City Council to consider when making decisions about services in the future?

Staff also reviewed input from across all services to determine if there were any common themes that could be identified. Common themes reflect general trends across comments on different services and should be considered as generalities.

Common themes included:

- Participants identified that uploading services that used to be, or should be considered the responsibility of the federal or provincial governments is critical to the City's financial sustainability.
- Participants stressed the importance of examining services together to understand how they are related, and to account for their interdependencies when making decisions.
- The more strongly a service was identified as important, the more participants indicated it should be delivered by the City. Participants that were open to options to outsource services generally indicated that service quality, and accountability should not be compromised.
- Participants were more accepting of user fees that do not negatively affect vulnerable and marginalized communities.
- Participants were open to increasing City revenues through property taxes or other revenue sources in order to pay for services which serve or provide a collective benefit to the general population.
- Participants indicated an interest in ensuring non-residents support the costs of the services they use.

Additional analysis of the public consultation input has been summarized in Appendix C and posted in full on the City's service review web site at:

www.toronto.ca/torontoservicereview/results.htm

3. KPMG Core Service Ranking -- Re-Affirming the City's Services

KPMG reviewed the City's 105 services and ranked 90 percent of services as core – either required by legislation or essential to the effective functioning of government.

KPMG identified core services to include:

- Services provided to the general public, and that benefit a broad range of residents, businesses, and visitors, for example – public transit, emergency services, water treatment and distribution, roads, sidewalks, and traffic services, public health, garbage, organics, recycling, and hazardous waste collection, and libraries.
- Governance functions essential to accountable, transparent, and effective decision-making in government, for example -- financial planning, corporate leadership, and strategic planning, intergovernmental relations, elections, and legislative services, information, and records management, and legal services.
- Internal services that support the operations of government including accounting, and revenue services, information and technology, finance and administration, treasury services, and policy and research.

KPMG ranked 8 percent of City services as traditional. They identified traditional services to include:

- Services that enhance the quality of life, and liveability of Toronto, and contribute to a healthy, and vibrant economy such as recreation, and community centres, parks and public spaces, arts and culture, business services, and community development.

KPMG ranked 1 percent of City services as other/discretionary. They identified these services to include:

- Services that respond to emerging needs, and priorities such as neighbourhood revitalization, employment services, youth development, and services to seniors.
- Services that support strategic priorities such as environmental programs, waste diversion targets, public realm improvements, and sector and trade development.

3A. Service Level Assessment

KPMG reviewed the City's service levels, and assessed that 85 percent of the City's services are delivered at or below standard, and assessed that 15 percent of services are currently delivered above standard. They identified 9 percent of core services above standard, 5 percent of traditional services above standard, and 2 percent of other/discretionary services above standard.

KPMG defined "at standard" as:

- 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 this is not clear.
- Consistent with service levels in other municipalities, and where that is not clear.
- Consistent with reasonable expectations.

3B. Service Efficiencies in Service Delivery

The City Manager also requested KPMG to identify opportunities that they observed while conducting the Core Service Review related to potential service efficiencies in the delivery of City services. Service efficiencies were based on KPMG's extensive experience, and knowledge of government services, leading practices, and organizational effectiveness.

Opportunities related to service efficiencies were intended to assist the City Manager in focusing the scope of current, and future Service Efficiency Studies, and identify areas that may benefit from continuous improvement.

3C. Consideration by Standing Committees and Agency Boards

The City Manager reported the results of the Core Service Review, including the Service Profiles and List of Opportunities prepared by KPMG, to special Standing Committee meetings held between July 18, 2011, and July 28, 2011.

The report, *Core Service Review*, transmitted the Core Service Review Summary, and Service Profiles prepared by KPMG, specific to the jurisdiction of each committee, and the results of the *Toronto Core Service Review: Public Consultation*. Service profiles related to the City's governance functions, and City agencies were considered by Executive Committee on July 28, 2011.

The Community Development and Recreation Committee deferred consideration of the report, *Core Service Review*, and requested the City Manager report directly to its September 14, 2011 meeting. The City Manager's report that will be considered by Community Development and Recreation Committee on September 14, 2011 will be transmitted to Executive Committee for its September 19, 2011 meeting.

A total of 33 motions were approved at the special Standing Committee meetings. This report responds to these motions and provides requested information where available. It also recommends that motions related to service efficiencies be referred to the City Manager for review through continuous improvement initiatives and an ongoing program of service efficiency studies. Motions approved at the special Standing Committee meetings and the City Manager's responses are provided in Appendix A. Several Standing Committees requested a summary of themes emerging from the deputations and public consultation in relation to the KPMG opportunities. The City Manager has provided this analysis in Appendix C, organized by Standing Committee and service area.

Several of the agency boards, including the Board of Health, Toronto Public Library Board, and Toronto Police Services Board, met to consider the Core Service Review results. The motions arising from their board meetings are attached as Appendix B.

3D. Public Deputations

A total of 357 people spoke at the eight special Standing Committee meetings, and 722 written submissions were received by the City Clerk (including written submissions of some speakers). Table 1 identifies the number of deputations, and written submissions for each Standing Committee.

Across Standing Committees, most deputants opposed the options presented in the KPMG report. Appendix C provides a summary analysis of the common themes from the deputations including information on the proportion of deputations on different KPMG opportunities.

Table 1 – Number of Deputations and Written Submissions

Standing Committee	Number of Deputations	Number of Written Submissions
Public Works and Infrastructure	26	37

Standing Committee	Number of Deputations	Number of Written Submissions
Economic Development	20	34
Community Development and Recreation	57	46
Parks and Environment	73	394
Government Management	7	8
Planning and Growth Management	7	18
Executive Committee	167	185
Total	357	722

4. City Manager's Review of KPMG Opportunities

The Core Service Review is intended to set the foundation for what services the City delivers, and reaffirm services, and business investments the Toronto government should focus on given constrained funding capabilities. Reaffirming key services supports the implementation of the City's Multi-Year Financial and Service Planning Budgeting Process.

KPMG confirmed that the majority of City services are core, and identified 69 opportunities for Council's consideration to eliminate, divest or reduce some services. Many of these services have been added over the years to respond to emerging community needs, and to provide enhanced services to residents. Given the City's financial pressures, decisions need to be made about which services go beyond what municipal governments generally provide, and could be eliminated as they are no longer affordable or required.

The City Manager has reviewed these opportunities in the context of feedback from the public, and recommendations arising from the special Standing Committee meetings. The City Manager has also assessed the opportunities to identify further social, economic, environmental, and legal implications that need to be considered. The needs of disadvantaged and vulnerable communities were also considered to ensure that City services continue to meet statutory obligations under the *Accessibility for Ontarians with Disabilities Act, 2005*, and support the City's equity objectives wherever possible.

Further implications of each KPMG opportunity are set out in Appendix D, and E, along with the City Manager's recommended action for each of the 188 opportunities. Appendix D sets out the KPMG opportunities related to eliminating, divesting and reducing services, and Appendix E sets out the KPMG opportunities related to service efficiencies.

4A. Re-Affirming the City's Services

Most of the services KPMG put forward for consideration have not been recommended for elimination. Many of these are traditional, and discretionary services that contribute to the liveability of the City, and provide important services which residents rely on. However there are opportunities to reduce some of these services to meet the 2012 budget reduction target, and the City Manager recommends that some services be considered in the context of service level reduction rather than elimination.

Where a service is recommended for elimination, and in some cases reduction, several criteria were applied including whether services provided are enhanced beyond what is delivered in most other municipal governments, are more appropriately delivered by another organization, or are the responsibility of the federal or provincial government.

This report recommends that the following enhanced services be eliminated:

- The Public Realm's Neighbourhood Improvement Project that allocates funding to each of the City's 44 wards. The City funds a range of other public realm improvements including through the City's business improvement areas.
- Animal pick-up and delivery to shelters. A limited program for residents that have significant difficulty getting their animals to shelter is recommended.
- The windrow clearing program. A windrow and sidewalk snow shovelling program for seniors, and people with disabilities is recommended.
- The four free garbage tags. This service has been minimally used.
- Community Environment Days. Residents can drop off household hazardous waste to municipal depots or have them picked up by the Toxic Taxi. Electronics are picked up by regular curb-side collection. Some retailers also allow residents to drop-off household hazardous waste.
- Building Permit Information. Residents can access this information on the City's website or through 311.
- Development capacity when 311 is fully implemented. It is anticipated that 311 will be fully implemented in 2013.

This report recommends that the following services are more appropriately delivered by another organization, and be eliminated or transferred:

- Parks, Forestry and Recreation's zoo and farm attractions. It is recommended that if a third party operator cannot be identified, these attractions should be closed.
- Christmas Bureau that coordinates providing gifts to needy children. It is recommended that alternative funding sources for this activity be secured from the voluntary, philanthropic and /or private sector.

- Black Creek Urban Farm. Toronto and Region Conservation Authority (TRCA) owns the land and they have expressed an interest in operating the farm. It is recommended that the Black Creek Urban Farm be transferred to TRCA.

This report recommends that the following services be eliminated and funded by another government:

- The Hardship Fund that largely covers the cost of medical services, and items for people not able to afford them. It is recommended that these services, and items be funded by the Provincial Government.

This report also recommends service level reductions to some enhanced services, including:

- grass cutting, snow clearing in parks, and on local streets, and mechanical, and manual sweeping on local streets;
- cultural services by closing museums with the least attendance, and revenues compared to costs;
- environmental services in order meet regulatory environmental reporting requirements, support activities that benefit the City, or provide an economic return on investment; and
- community and neighbourhood development by suspending some specific policy, and service development initiatives.

It is also recommended the Community Partnership and Investment Program (CPIP) be reduced based on the following criteria: eliminate allocations where City funding represents less than five percent of the program budget and/or is less than \$10,000.

Given other sources of funding, eliminating funding to organizations where City funding represents less than five percent of the program's budget may result in reductions in service levels but not the cancellation of programs. Funding organizations for less than \$10,000 is administratively inefficient. This funding generally supports events, studies, or to examine the viability of a program, initiative or idea.

Some federally and provincially mandated services are delivered above the funding provided by these governments, and at a level that the City can no longer afford to subsidize.

It is recommended that new affordable housing development be reduced to complete existing Council approved commitments only for development that are funded by the federal, and provincial governments, and reduce housing improvement loans, and housing policy and partnership activities to a service level supported by funding by the federal, and provincial governments. The City Manager recommends that these reductions be reflected when staff report back on the Investment in Housing Development Program.

This report also recommends that the 2000 child care spaces fully funded by the City be reduced through attrition, and suspended once the Child Care Expansion Reserve Fund is depleted, unless additional provincial funding is available to cover these costs.

Lastly, it should be noted that the City Manager, and Medical Officer of Health reviewed the opportunity to eliminate fluoridation from the municipal drinking water, and do not recommend this action. The Board of Health recently reaffirmed its position to continue the fluoridation of Toronto's water at its meeting on April 4, 2011. It is the view of the City Manager, and Medical Officer of Health that water fluoridation continues to be the most cost-effective, and efficient way of maintaining improvements in oral health, and is a significant contributing factor in meeting the mandatory requirements for providing preventive oral health measures to Toronto's population.

4B. Adjustments to the City's Agencies

The City Manager has reviewed the KPMG opportunities related to the City's agencies, and agrees that there are opportunities to maximize revenue of some agencies, and divest others.

This report recommends that plans be developed for Exhibition Place, and Yonge-Dundas Square to maximize revenues, and become more financially self-sufficient. The City Manager also seeks authority to explore potential partnership opportunities between Exhibition Place, and Ontario Place. The report also recommends that the monetization of lots, and garages be considered in the report, *Potential Monetization of City Assets*, from the Deputy City Manager and Chief Financial Officer that will be considered by Executive Committee.

The City Manager recommends that a process to divest the Toronto Zoo, the City's Theatres, and Heritage Toronto be initiated, and that the Canadian National Exhibition Association be disentangled from Exhibition Place.

i. Toronto Zoo

It is recommended that the City Manager be authorized to issue a Request for Expression of Interest (REOI) to determine the options for private enterprise or other interested parties to purchase, lease, or operate the Toronto Zoo. The majority of the land on which the Toronto Zoo is located is owned by the TRCA, and the rest is owned by the City. The Toronto Zoo is also located in Rouge Park which the Federal Government intends to declare a National Park. The City Manager will consult with the TRCA, and Federal and Provincial Governments to accommodate their respective interests in any changes to the Toronto Zoo model or ownership.

The Toronto Zoo provides the public with education, and leisure opportunities, and also carries out animal research and conservation programs. Although the Toronto Zoo is a regional attraction, serving local and outside visitors, its operations are primarily supported from the City of Toronto property tax base. The current City agency model

has not allowed the Toronto Zoo to raise sufficient funds from other sources to become financially self-sustaining. Its 2011 gross, and net operating budget is \$46.2 million and \$11.3 million respectively, and the 10-year capital plan is \$57.5 million.

ii. Theatres

It is recommended that the City Manager be authorized to issue a Request for Expression of Interest (REOI) to determine options for the sale, lease, or operation of the three theatres. The REOI would provide an opportunity for the City to gauge the interest of the private sector, and other parties in either purchasing or operating one or more of these properties. At the same time, the City Manager, in consultation with the City's theatres, will examine the KPMG opportunity with respect to amalgamating the City's three theatres under a single board structure.

While the REOI process would uncover opportunities for new governance, and management options for the theatres, responses will have to address issues unique to each theatre. Among such issues are: the restriction under the land lease for the Toronto Centre for the Arts site that limits the use of the property to a theatre only or that it be returned to Ontario Power Generation as vacant land; the limitations on redevelopment of the Sony Centre site due to its designation as a heritage building, and the terms of its Heritage Easement Agreement; and the impacts on the local theatrical, and musical companies, industry infrastructure, and local area businesses, of changes to the St. Lawrence Centre's mandate.

In addition, substantial wind-up, cancellation, and transition costs could be triggered if operation of any of the three theatres is conducted by other legal entities.

The Hummingbird Centre for the Performing Arts (which operates the Sony Centre for the Performing Arts), and the St. Lawrence Centre are City agencies located on lands owned by the City. The Toronto Centre for the Arts is a City agency operated by a corporation established under private municipal legislation, and is located on land subject to a 99-year lease held by Ontario Power Generation. Combined, the three theatres have a 2011 operating budget of \$26.9 million gross, and \$3.3 million net respectively.

iii. Heritage Toronto

This report recommends the General Manager of Economic Development and Culture consult with the heritage community with the objective of converting Heritage Toronto to a fully independent not-for-profit corporation funded by partnerships, donations, and membership fees with a mandate similar to that of the current Heritage Toronto.

It is anticipated that an arms-length organization may be more successful in garnering external support from other levels of government, the public, and the private sector. However, the viability or transition to a different business model will need to be assessed carefully so as to protect the successes, and growth of the program.

Heritage Toronto is a City agency whose directors are appointed by City Council with a mandate to foster community-based input, and involvement. Its work is distinct from the

heritage advice given by Heritage Preservation Services staff as part of the land planning process. Through partnerships with local community groups, and donations from individuals, foundations, and corporations, Heritage Toronto provides city-wide activities such as heritage tours, plaques, and markers, heritage lectures, and consultations. Its 2011 Operating Budget is \$845.300 gross, and \$346.400 net respectively.

iii. Canadian National Exhibition Association (CNEA)

This report recommends that the City Manager, in consultation with the General Manager of Exhibition Place, report on an agreement for disentanglement of the Canadian National Exhibition Association (CNEA) from Exhibition Place Board of Governors thereby severing it from City governance, and financial support. The focus of this initiative is to implement this separation in the most cost-effective manner in order to ensure continued viability of the Canadian National Exhibition (CNE), and other programs of Exhibition Place. The report back will also recommend an appropriate board governance structure, and staff reporting protocol to ensure clear accountabilities.

Exhibition Place Board of Governors provides oversight, administrative, and financial support to the CNEA. There is a legislated requirement for an annual exhibition to be held on the site of the Exhibition Place grounds. This requirement is met by the annual CNE, which is in its 133rd year of operation at Exhibition Place. However, while the City funds the CNE, it is undertaken by the CNEA which is not a City agency. The CNEA is an organization independently established under provincial legislation to manage the CNE with representation from all three levels of government in its membership, including the City of Toronto, and other sectors. However, the City funds the losses, and assumes any surpluses resulting from the CNE within the budget of Exhibition Place.

5. Opportunities Requiring Further Study

KPMG identified a number of opportunities that are longer-term, and require further study to assess their feasibility. This report recommends that the KPMG opportunities related to child care, long term care, emergency services (a joint study of Emergency Medical Services and Fire Services), shared services models for cross-division, and agency activities, arenas, and community centres be referred to the City Manager to undertake broader service, and organizational studies, and report back in 2012, and 2013 to City Council through the relevant Standing Committee.

KPMG identified an opportunity to rationalize the footprint of the City's libraries. Many residents who spoke in support of City libraries cited community space, and programming, beyond library collection, as a key reason for their support. A range of City divisions and agencies provide community space, and programming. Building on work already undertaken through Wellbeing Toronto, this report recommends that a

community infrastructure study be undertaken to examine the use of community space, and programming across City divisions, agencies, and related organizations to develop a plan that maximizes the City's assets, and investments, and that ensures service system coordination.

Lastly, this report recommends policy reports be submitted to relevant Standing Committees with respect to examining the City's licensing system, reviewing the forestry service plan to extend the timeframe to achieve the City's tree canopy goals, reviewing the establishment of a regional economic development agency, and reviewing options to cover the City's costs to administer the Percent for Public Art Program.

6. Service Efficiencies in City Services

KPMG identified 119 opportunities for potential service efficiencies, and suggested further review be completed in order to validate the viability, cost savings, and efficiencies that may be realized. Under Toronto Municipal Code Chapter 169, City Officials, the City Manager has the authority to determine the manner in which City services are delivered, subject to the Toronto Municipal Code Chapter 71, Financial Control, and pursuant to any Council direction, the City's collective agreements, and human resource policies.

As directed by Council in April 2011, the City Manager is undertaking a regularized review of all City services from an efficiency perspective, including those delivered by agencies. A number of opportunities identified by KPMG are already part of this ongoing program of Service Efficiency Studies, or being reviewed as part of continuous improvement initiatives. Service Efficiency Studies examine current service delivery, activities, and functions to identify opportunities for improvement, and cost savings through automation, innovation, re-engineering, restructuring, and strategic sourcing.

Several City divisions, agencies, and cross-corporate functions were identified for a Service Efficiency Study beginning in 2011. This report recommends that efficiency-related opportunities as set out in Appendix E be referred to the City Manager for review, and integration in the Service Efficiency Study program wherever possible, and brought forward for implementation as appropriate through the 2012, 2013, and 2014 Operating Budgets, and reported to City Council where specific authorities are required.

7. Next Steps and Implementation Considerations

The elimination, divestment, and reduction of some City services will impact the Toronto Public Service from an organizational and staffing perspective. Additionally, some opportunities raise labour relations issues, and human resource implications that will need to be examined further. For example, opportunities related to contracting out City services are subject to legal, and collective agreement obligations. The City Manager will work closely with the City Solicitor to ensure legal issues are addressed appropriately prior to implementation.

Once Council has made decisions on Core Service Review matters, implementation may also require changes to legislation or cost-share arrangements with provincial and federal governments. Other opportunities, such as those requiring innovative approaches to achieve efficiency, and effectiveness, will benefit from consultation, and collaboration with government partners (i.e., cross-government shared service models). All intergovernmental issues emerging from Council's decision making can be addressed within the context of the City's current intergovernmental relations objectives which set the stage for making progress in strategic partnerships, investment in infrastructure, and transportation, and governance support.

The City Manager will monitor, and track the implementation of the decisions arising from the Core Service Review to manage the service delivery, and organizational impact, ensure effective implementation, and cross-corporate consistency, and to identify cost savings as changes take effect.

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SIGNATURE

City Manager

ATTACHMENTS

Appendix A – Decisions of Standing Committees and Responses

Appendix B – Decisions of Agency Boards

Appendix C – KPMG Opportunities in Relation to Public Input

Appendix D – KPMG Opportunities, Implications and Recommended Actions to Eliminate, Divest or Reduce Services

Appendix E – KPMG Opportunities, Implications and Recommended Actions related to Service Efficiencies