



## STAFF REPORT ACTION REQUIRED

### Final Report of the Service Efficiency Studies

<b>Date:</b>	October 5, 2015
<b>To:</b>	Executive Committee
<b>From:</b>	City Manager
<b>Wards:</b>	All

### SUMMARY

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As part of the broader Service Review Program, the City undertook service efficiency studies across a range of programs and services to identify opportunities to improve effectiveness and efficiencies. The Service Review Program was initiated to address a significant shortfall in the 2012 budget and to set the foundation as a basis for the implementation of multi-year service-based planning and budgeting.

The service efficiency studies program was the broadest third party review of City programs and services since amalgamation. Undertaking periodic third-party reviews is an important evaluation mechanism to ensure an objective assessment and benchmarking of City programs and services.

The studies confirmed the high quality and efficient services that the City delivers and in some areas highlighted City programs as leading practice. Implementation of study recommendations resulted in \$16 million in savings and confirmed other opportunities resulting in an additional \$34.6 million in savings from 2011 to 2014. Savings from 2015 have not yet been calculated and additional savings resulting from continued implementation of some recommendations are anticipated in 2016 and future years. Decisions arising out of the study of the City's energy and environment functions released \$60 million from a reserve to provide a funding source for mitigation of the Emerald Ash Borer.

The Service Review Program including the service efficiency studies has concluded. The City will continue to evaluate its services and programs through a range of evaluation and assessment mechanisms to ensure that the City delivers high quality, customer focused and efficient services to Toronto residents, businesses and visitors.

## RECOMMENDATIONS

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### The City Manager recommends that:

1. City Council receive this report for information.

### Financial Impact

The audit by the Auditor General confirmed that \$16.1 million in savings were generated due to the service efficiency studies, net of investment and technology costs of \$11.5 million and in excess of the \$3.5 million spent on the studies from 2011 to 2013. Implementation is still underway for a number of recommendations with future anticipated cost savings reported through the 2016 and future years' budget process. Cost savings resulting from service efficiency studies have not yet been calculated for 2015.

An additional \$34.4 million in savings were generated through opportunities identified by City staff and validated by the consultants as part of the studies. The studies served as a catalyst to pursue these opportunities. Lastly, a one-time release of \$60 million of reserve funds resulted from City Council decisions arising out of the service efficiency study related to the City's energy and environment functions and provided a funding source to mitigate the Emerald Ash Borer.

The Deputy City Manager & Chief Financial Officer has reviewed this report and concurs with the financial impact statement.

### DECISION HISTORY

City Council in considering the Auditor General's report, *Service Efficiency Consultants Studies - Extent of Value for Money from Studies Has Not Been Clearly Demonstrated*, requested the City Manager submit a final report with respect to the overall value for money achieved from the use of consultants on the Service Efficiency Studies.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU1.16>

### ISSUE/BACKGROUND

The service efficiency studies of City programs and services were part of a broader Service Review Program authorized by City Council to address a \$774 million shortfall in the 2012 budget and to set the foundation for City services as a basis for the implementation of multi-year budgeting and service planning.

The Service Review Program included three key components: (1) a Core Service Review of all services delivered or managed by City divisions and agencies to set the service foundation for multi-year service planning and budgeting, (2) Service Efficiency Studies to examine service levels and how to ensure the most cost effective and efficient delivery of services, and (3) a User-Fee Review to determine the extent to which the City's user fees are fair and collect the full service cost.

## COMMENTS

Seventeen studies were completed across a range of City services and programs and cross-corporate functions from 2011 to 2014. Three agency studies were also undertaken in the Toronto Police Service, Toronto Public Library and the Toronto Transit Commission with implementation through their respective boards. Third party consultants were retained to conduct the studies to ensure an objective, impartial review considering a range of opportunities to generate cost savings and improve service including through automation, shared services, business re-engineering, and alternative service delivery.

The studies provided advice and recommendations to the City Manager and identified actions and directions for more efficient and effective service delivery, organizational and operational arrangements and associated savings. Resulting service changes, led by the divisions, were reported through the City's annual budget process and/or to the relevant standing committee where required.

### 1. Coordination of Service Efficiency Studies

The service efficiency studies were centrally coordinated through Strategic and Corporate Policy with senior leadership provided through a Steering Committee composed of the City Manager and Deputy City Managers.

A pre-qualified roster of management consultants was established through a competitive process to provide pre-qualified firms with specific expertise and specialization to undertake the studies and address other priority work for which in-house expertise or resources were not readily available. The roster did not preclude the City from issuing other call documents as required and separate documents were issued where more specialized expertise was required. A dedicated staff person was responsible for managing the roster and all associated procurement processes related to the studies to ensure procurement policies and procedures were applied, consistent processes were used and study costs were closely monitored.

Scopes of work were developed in collaboration with the relevant division head to identify the service areas with the most potential for improvements. Each study followed a similar evaluation cycle including benchmarking against other jurisdictions, a literature review, stakeholder consultation, a current state assessment, analysis and recommendations for improvements. Study recommendations and associated cost savings or investments were tracked on an ongoing basis through the budget process and implementation updates through relevant division heads.

Scopes of work and final reports for the service efficiency studies are posted on the City's website at:

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=bf676056e60c3410VgnVCM10000071d60f89RCRD>

## **2. Key Service Improvements**

The studies resulted in over 300 recommendations across a broad range of City programs and services. Recommendations were implemented to improve service and automate or streamline business processes. In some cases, the studies were undertaken to evaluate the City's role in a particular service area including directly operated child-care centres and directly operated long-term care homes. The studies represent a third party and objective review of many of the City's services using a common approach and methodology.

Many of the improvements were implemented over the last several years while some improvements are longer term and continue to be pursued. In some cases, City Council considered recommendations resulting from a service efficiency study and determined it did not want to move forward with the proposed changes. A list of the seventeen service efficiency studies including a brief summary of study focus and key improvements is included in Attachment 1.

## **3. Evaluation of Consultant Performance**

The Auditor General recommended that the City Manager, in consultation with the Chief Purchasing Official, develop an evaluation process for management consultants. The Contractor Performance Evaluation, developed in 2013, to assist in evaluating the quality and performance of construction contractors, is being used as a basis for this work.

The consultant evaluation will assist the City in evaluating management consultants in terms of quality of work, management of time and resources, and cost and benefit of the work conducted. It is anticipated that the evaluation process for management consultants will be implemented in early 2016.

## **4. Next Steps and Continuous Improvement**

The program of service efficiency studies has concluded with remaining recommendations to be monitored and implemented in future budgets. Ongoing operational efficiencies and cost containment strategies will continue to be included in the annual operating budget to meet immediate and future pressures.

The City continues to take a multi-pronged approach to continuous improvement to advance service improvements and efficiencies on a regular basis through a variety of activities. These activities include an enhanced performance measurement system to improve the City's capacity to maintain, update and regularly report on how the City is doing, and implementation of Excellence Toronto, an evaluation process to systematically measure and improve in key organizational categories. The City is also moving forward with the multi-year service-based planning and budgeting process as well as shared services for common corporate functions with the City's agencies.

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## SIGNATURE

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Peter Wallace  
City Manager

## ATTACHMENTS

Attachment 1: Summary of Service Efficiency Studies