

Staff Report



To	City Council
Service Area	Corporate Services
Date	Monday, July 19, 2021
Subject	Service Rationalization Review

Recommendation

1. That the KPMG Service Rationalization Final Report as attached in Attachment-1 to the Service Rationalization Review report, dated July 19, 2021, be received.
 2. That the Priority Opportunity Action Plan as attached in Attachment-2 to the Service Rationalization Review report, dated July 19, 2021, be approved, subject to any amendments made by Council in Service Rationalization Review closed session.
 3. That the remaining 26 opportunities not already underway as attached in Attachment-3 to the Service Rationalization Review report dated July 19, 2021 be approved and staff be directed to incorporate these into future work plans and multi-year budgets that support the Strategic Plan, Guelph. Future Ready, subject to any amendments made by Council.
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Executive Summary

Purpose of Report

As a result of Council direction from the 2021 budget, staff shifted work plans and made it a priority to plan and execute a service rationalization review this year. Staff engaged KPMG, through a competitive procurement process, to perform a third-party service rationalization review of all City services. The project assessed current service offerings to determine why the City provides a service (mandatory, essential, traditional, or other), identified gaps and challenges being experienced, and how to optimize service delivery or consider alternative approaches to delivering that service. The final KPMG Service Rationalization (KPMG SR) report can be found in Attachment-1. There is an accompanying closed portion of the KPMG SR report on the agenda for Council consideration as it contains 12 out of 53 opportunities (of which two are prioritized) that meet the open meeting exceptions as outlined in section 239 of the Municipal Act.

Key Findings

- Staff responded to Council direction immediately in 2021, which impacted work plans through the prioritization of this significant body of work due to the requirement of support from employees through the entire organization.
- The project scope was defined considering the Audit and Accountability Fund provincial grant requirements, due diligence and timing of a competitive

procurement process, budget timelines, staff resourcing, and complexity of project stakeholder engagement and coordination.

- Phase one and two of the KPMG SR was an environmental scan of available City documentation along with 42 stakeholder consultations and municipal [Financial Information Return \(FIR\)](#)-based benchmarking against four comparator municipalities. These phases were conducted by KPMG to provide foundational knowledge to begin the service review. It was found that the City:
 - is in a strong financial position as a result of leading fiscal practices like asset management, and has increasing flexibility due to growing reserve balances;
 - needs to increase spending on capital to meet the requirements of aging infrastructure; and
 - is below the comparator average on user fees/recoveries.
- An inventory of services was created which led to the development of 38 service profiles that highlighted the method of service delivery, current service levels, alignment to the strategic plan, and identified 149 key performance indicators (KPIs). This process has been invaluable for senior management; it has advanced performance measurement within the organization and will quicken the pace of operational KPI adoption into business planning and budgeting. Overall, 34 services (89%) were measured at target, one service (3%) was above target, and three (8%) were behind target.
- Based on the review of documentation, stakeholder consultations, comparator benchmarking, and service profile results, 53 opportunities were identified, ten were prioritized, and 17 were already underway by staff.
- The opportunities were prioritized by KPMG based on consideration of financial benefit/investment, customer experience impact, and level of risk or barriers to implement.
- Staff have developed a Priority Opportunity Action Plan as included in Attachment-2 for the top ten ranked opportunities; noting that two of these priority opportunities are described in closed session. Staff have estimated timelines, and estimated investment needs required to implement the opportunity with the understanding that further business case and justification will be required.
- Of the remaining 43 opportunities as included in Attachment-3, 26 will require approval by Council as they are not currently underway (and ten of these are described in closed session). This approval will provide staff direction to incorporate these actions into a comprehensive action plan in order to inform upcoming budget conversations and future work plans. Next steps for these opportunities would include in some cases, business case development and community engagement activities in order to support a future Council decision.
- Staff will report back to Council annually through the Internal Auditor on the implementation progress of the opportunities approved by Council and the resulting quantified value created in the organization.

Financial Implications

There are a variety of financial implications resulting from the KPMG SR. Overall, the opportunities identified will lead to more effective and efficient use of resources. In some cases, financial investment will be required to realize the noted benefit; and in many cases, the business case will need to be developed and justified, and

community engagement activities will be required to inform implementation and budget approval.

Report

Background

As a result of Council direction as part of the 2021 Budget, staff shifted work plans and made it a priority to plan and execute a service rationalization review this year. Through a competitive procurement process, KPMG was engaged by the City to conduct a comprehensive service rationalization based on their expertise, and experience in delivering these engagements to other municipalities. The project assessed current program and service offerings to determine how to optimize service delivery through a series of service improvement opportunities.

Project objectives and scope

Overall, the project objectives and scope were to:

- Review the City's services to assess current program and service models, and explore their alignment to the Strategic Plan and legislative requirements;
- Analyze whether municipal services are being provided in the most cost-effective manner and represent sound value for money;
- Benchmark City performance against comparator municipalities to identify key trends and patterns in service delivery models and improvements that can be applied within the business units;
- Identify current service levels and provide recommendations on future service level standards by creating key operational performance indicators (KPI) for each service profile;
- Identify services that provide the best value to the community, and services that are redundant and/or no longer provide public value;
- Identify recommendations regarding best practices to cost-effective service delivery; and,
- Identify recommendations and measures to improve the efficiency and effectiveness of service delivery throughout the organization.

The scope of the review excluded the services delivered by City agencies, boards and commissions including wholly-owned subsidiaries (municipal corporations).

KPMG SR process overview

The engagement commenced on March 16, 2021 and included four phases culminating in a final report submitted to the City.

Phase One and Two: Planning and Environmental Scan

- Obtain and review existing City documentation such as strategic plans, organization charts, inventory of current programs and services, approved service levels, and other relevant documents;
- Conduct stakeholder consultations through 42 interviews with City leaders including elected officials, union representatives, and eight focus group sessions with front line and supervisory staff;
- High level benchmarking against comparator cities of Barrie, Burlington, Kingston, and Waterloo which was based on FIR data. This provided KPMG

with contextual information that required further investigation given this data source is limited in use without a significant detailed review.

Phase Three: Current State Analysis

- Establish an inventory of services and summarize them in 38 service profiles that highlighted method of service delivery, current service levels, alignment to the strategic plan, and identified 149 KPIs;
- Conduct meetings with senior management and Executive Team to review and confirm service profile data.

Phase Four: Opportunities and Recommendations

- Identify opportunities for services, programs, resources, and responsibilities;
- Evaluate and rank opportunities based on project team and senior leadership feedback;
- Prioritize opportunities and develop a robust opportunity profile for the ten top ranked items.

Summary of emerging themes identified from consultations

Based on phase one and two, key themes from six organizational domains were developed. These key themes were used by KPMG to build understanding of City operations and build the foundation for identifying opportunities to improve the efficiency and effectiveness of service delivery. Themes included governance and strategy, service standards, process and delivery model, data and technology, equipment and infrastructure, and our people. Themes identified include:

- Service areas are in the early stages of developing KPIs to track service performance to the strategic plan and service level targets.
- Stakeholders indicated the City offers a wide range of services including a number of discretionary services. Changes to current service levels may be met with citizen dissatisfaction.
- Staff experience capacity constraints due to the effort required to respond to citizen inquiries. This can be attributed to the lack of a defined inquiry intake process and a Customer Relationship Manager system.
- The City has identified a number of digital investments within the 2021 budget. Digital investments include process digitization opportunities and software upgrades.
- The City has initiated several new capital projects to upgrade existing infrastructure. However, the City does not have enough project managers to carry out all projects, resulting in delays to the capital plan.
- The City's citizen-facing services have been supplemented with additional staff to meet service level expectations; however, there is a perception that back-office services have not been supplemented to support the increase.

Summary of emerging themes from benchmarking and performance perspectives

For the purposes of the project, four comparator communities were selected as municipal comparators based on population growth, urban/rural characteristics and geography: Cities of Barrie, Burlington, Kingston, and Waterloo.

The primary purpose of the comparative analysis is to understand the performance of comparator municipalities and to identify opportunities to change how the City delivers municipal services.

After reviewing the benchmarking and analyzing performance several themes emerged for further consideration.

- Discretionary Reserve Balance - Since 2015, the City's discretionary reserve balance has increased by an average of 9% per year. In addition, the City's discretionary reserve per household indicator is strong. This will provide the City with increased flexibility for financing future capital projects and service needs.
- Asset Management - The City's reserve position relative to its tangible capital assets of 31% is the highest amongst the comparator group. This indicates that while the City has implemented a robust asset management process, it is not executing projects at the pace required by the budget and asset management plans.
- Staffing Levels - The City has been strategically managing its staffing mix to meet service and operational needs. As such, there has been an increase in the number of full-time and seasonal staff to meet service level expectations. There is an opportunity to optimize the current staffing complement and redeploy resources to better align with the City's Strategic Plan and Council's direction.
- Municipal Services - In general, the City delivers its municipal services at a cost in alignment with the comparator group (on a per household basis). There is an opportunity to increase recoveries for both Recreation services and Planning and Development services as both are below the average of the comparator group.

Overall, KPMG notes that the City is in a strong financial position and has increased flexibility to finance future infrastructure enhancements and other capital projects if current strategies continue to be employed. There is an opportunity to review Council's approved user fee structure so that the City can increase cost recovery ratios.

Service profiles

KPMG worked with department leaders to identify KPIs that measure three service dimensions: operational efficiency and effectiveness, customer service performance, and sustainability (both financial and/or environmental). Based on the operational KPIs provided/developed by management and qualitative feedback from stakeholder consultations, KPMG assessed the service as behind target, at target, or above target.

In total, the City's services were summarized into 38 service profiles with 149 operational KPIs identified. Overall, 34 services (89%) were measured at target, one service (3%) was above target, and three (8%) were behind target. Within the 149 KPI measures, 83% were self assessed as at or above target and of the remaining 17% KPIs behind target, 60% of these were within the sustainability category.

Opportunities and recommendations

KPMG delivered 53 opportunities for City staff to investigate further and implement if the value creation proposition is validated. Of these opportunities, 17 were already underway by staff which shows the excellent results of the City's Strategic Plan in providing the framework to effect positive change. Ten of the opportunities were profiled by KPMG as being the highest priority based on their ranking

methodology that considered financial benefit/investment, customer experience impact, and risks or barriers to implementation. Finally, the remaining 26 opportunities will require Council approval in order for staff to move forward with next steps including in some cases, business case development and community engagement activities.

Of the total 53 opportunities, 12 are provided on the closed agenda given that they meet the open meeting exceptions as defined under section 239 of the Municipal Act. If Council approves these items, this will be the direction to staff to begin incorporating the next steps into future work plans including appropriate public awareness, engagement and final decisions.

Proposed Priority Opportunity Action Plan

Staff have summarized KPMG's recommended ten highest priority opportunities and created an action plan for approval as included in Attachment-2. These are in addition to the 17 opportunities already underway by staff. This action plan considers the available staffing resources, on-going priorities already in progress, as well as timing considerations as a result of the upcoming election year.

In addition to this Action Plan and the 17 opportunities already underway, staff are recommending that the remaining 26 opportunities identified by KPMG and included in Attachment-3 be approved, providing staff direction to incorporate those into future work plans and multi-year budgets that support the Strategic Plan.

Staff will report back to Council annually through the Internal Auditor on the implementation progress of the opportunities approved by Council and the resulting quantified value created in the organization.

Financial Implications

There are a variety of financial implications resulting from the KPMG SR. Overall, the opportunities identified will lead to more effective and efficient use of resources. In some cases, financial investment will be required to realize the noted benefit, and in many cases, the business case will need to be developed and justified, and community engagement activities will be required to inform implementation and budget approval.

Consultations

Consultations at this stage of the process have included staff, Council, and reviewing results of prior community engagement as it informed City policy. The action plan includes time for community consultation where it is required.

Strategic Plan Alignment

All services provided are planned and delivered to meet the City's five Strategic Pillars – Powering our future; Sustaining our future; Navigating our future; Working Together for our future; and Building our future. The recommendations identified are designed to improve the effectiveness and/or efficiencies of services offered by the City.

Attachments

Attachment-1 KPMG Service Rationalization Final Report

Attachment-2 Priority Opportunity Action Plan

Attachment-3 Remaining Opportunity List

Departmental Approval

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