BACKGROUND

In the second quarter, Council approved Motion CC2019-156 which directed staff to undertake an enterprise-wide review of services and service levels. The review would involve two parts. The first part is the subject of this report and involves the compilation of service descriptions for each service the municipality provides. The second part, subject to Council's review of the service descriptions, involves undertaking detailed reviews of selected services to assess the potential for change. The objective is to identify cost savings or efficiency opportunities.

Factors influencing this direction included:

- A perception that municipal services provide low value for money, combined with a view that taxation levels should not increase. If service improvements required higher funding levels, the review could identify how the corporation could reallocate available resources to provide the required funding.
- Greater Sudbury's property taxes remain below the provincial average. Council expressed an interest in exploring the potential for changing the municipality's services as a way of sustaining current taxation levels.
- Recognition that years of underinvestment in asset maintenance and renewal are catching up to us in the form of increased emergency repair requirements, service interruptions and dissatisfaction with service levels.
- Consistent annual deficits produced as a consequence of service demands – typically in response to weather events that drive higher maintenance costs, especially in winter – that require more resources than were included in the annual budget.

Staff are aware of leading practices and recognize the asset renewal requirements our services need. In addition to Council's requests for staff's advice, peers in other communities also consult staff for advice about policy or service delivery choices. We have a number of staff who, through their participation on industry or provincial advisory committees, demonstrate significant thought leadership. Putting some of those ideas into practice in most municipalities is deemed unaffordable in an environment where there is a desire to keep taxes low and sustain all of the services that have been traditionally provided.

For the past two years staff have been working on changing administrative routines and increasing the use of standard systems and information to inform choices about service delivery. The focus has been on describing how services and service levels drive costs, demonstrating how strategic and long range plans influence our budget recommendations and acknowledging our accountability for service performance through the use of benchmarking data and key performance indicators. Conceptually, staff's approach reflects the continuous management cycle (see Appendix A).

Council expressed a desire for a review that would allow it to examine the corporation's costs and consider the services and service levels it provides. In the short term, this creates an opportunity for an informed debate about changes in what type of services are provided, when services are provided, how much gets provided and how to maintain sustainable funding plans. Over a longer planning horizon, the review provides valuable insights that advance the state of the corporation's work planning, budgeting and performance measurement processes.

ANALYSIS

Method

Staff adapted a version of the Municipal Reference Model (MRM) to classify services. Devised initially by municipal IT staff from across Ontario, the MRM has evolved over the past decade to represent the best available system for defining municipal services. It is a typical basis for municipal enterprise-wide service reviews.

Staff prepared a template (a "Service Profile") to describe each municipal service based on the MRM. The initial version was developed by members of the corporation's Enterprise Performance Planning working group. The Enterprise Performance Planning Group is a collection of self-selected staff, led by the Chief Administrative Officer, with a mandate to advance the state of the corporation's planning, accountability and performance reporting frameworks. Rob Blackwell, a member of the Enterprise Performance Planning working group, provided overall coordination with assistance from Finance.

Directors then reviewed the templates to include specific details, such as planned and actual service levels. These were defined as:

> Service Level – the expected volume and quality of work as defined by legislation, by-law or traditional practice. This is what the corporation is legislatively required to provide or that Council directed the corporation to provide. Where there hasn't been explicit direction, service levels reflect staff's understanding of what residents have come to expect from the municipality.
> Activity Level – the actual volume and quality of work typically provided, based on performance data or counts of actual work output. It may differ from the service level for various reasons. Typically, differences exist when volumes of work vary from planned levels or resource levels do not match those required to meet the service level.

Much of this information can be found in the annual budget, which has evolved over the last three years to reflect staff's understanding of the connection between service levels and their costs. Staff also relied on a work planning application developed within the last three years, as part of the budget process, that helps Directors assign resources to anticipated workloads. This exercise helped refine workload estimates and clarify where gaps may exist between expected service levels and actual activity levels.

Nevertheless, this information and our systems to help manage it continue to evolve as our experience grows. There continues to be significant judgment required to analyze and consistently present information about all of the municipality's services.

Through a series of meetings, staff compiled the service profile information in Appendix B. Currently, there are **58** "Services" that include over 150 "Sub-services". For each service, in addition to service level and activity level details, there is also information describing the scope of the work, background details about why the municipality provides the service, a net cost estimate and performance indicators. Sub-services, where they are described, break down a service into component parts that help further illustrate the corporation's outputs and results.

Insights

Work to date included classifying services into two categories. Services were organized according to the following:

1. <u>Legislated/Regulated/Mandated</u> – Services where there are prescribed senior government requirements for delivering the service that define the municipality's responsibility, influence how work processes are designed and/or define the outputs that should be produced.
2. <u>Traditional</u> – Services where there is a long history of the municipality providing the service and the service is generally available in other municipalities. While it is generally delivered in a consistent way among communities, the amount or quality of the service may differ according to local choices.

<u>Legislated/Regulated/Mandated Services</u>

Of the municipality's 58 services, **11** are legislated/regulated/mandated. An example of this is "Building Permits/Approvals", where the provincial/federal government directs the municipality to provide the service, includes requirements for processing cycle times, and indicates the type of output to be produced (i.e. a building and/or demolition permit).

The total annual cost of legislated services is approximately $132 million. Changes to these services are possible, but may be less substantial than changes in traditional services. Changes may also require, or be dependent on, provincial/federal government changes.

Generally, the service profile information provided in this report shows the corporation is largely meeting the demand for legislated/regulated/mandated services. It is also clear that activity levels fully utilize the corporation's available capacity and there are some specific examples, such as Fire Inspections, where the service demand exceeds the corporation's resource capacity.

Activity levels reflect typical performance results based on available benchmarking data. MBNCanada comparisons are available for nine (9) of the 11 services in this category. Legislated/Regulated/Mandated services include the following:

Service Name	Workload Comparison	Benchmarking Comparison	Page Reference
POA Court	Exceeds capacity	Above median performance	B-16
Taxation	Near capacity	Below median performance	B-19
Housing Registry	Near capacity	Above median performance	B-58
Housing Programs	Near capacity	Below median performance	B-56
Ontario Works	Near capacity	Above median performance	B-83
Children Services	Near capacity	Median performance	B-71

Cemetery Services	Near capacity	N/A	B-69
Building Permits/Approvals	Exceeds capacity	Below median performance	B-114
Building Inspections	Exceeds capacity	Below median performance	B-112
Fire Safety and Prevention	Near capacity	N/A	B-51
Paramedic Medical Care and Transportation	Near capacity	Above Median Performance	B-53

Traditional Services

Of the municipality's 58 services, **47** are traditional. Council has full discretion to change these services with appropriate regard for contracts with our employee unions, suppliers and/or other stakeholders. Generally, the service profile information in this report shows the corporation has a mixed record regarding its ability to meet traditional service expectations. Two examples illustrate this conclusion.

The first example is "Parks". The majority of municipalities in Ontario deliver this service. Our benchmarking data shows that Greater Sudbury's Parks operations are more efficient than the group median for both maintained and natural parkland. In 2014, Council approved a Parks, Open Space and Leisure Master Plan that included a standard of providing 4.0 hectares of active (maintained) parkland per 1,000 residents.

The MBNCanada average is 3.4 hectares per 1,000 residents. So, Greater Sudbury's service level for Parks is higher than its municipal peers. However, we are currently delivering service above the Council-approved standard. Our actual activity level currently provides 7.3 hectares of active parkland per 1,000 residents, which includes:

- 177 km of non-motorized trails
- 190 playgrounds
- 166 play fields (baseball and soccer fields)
- 56 outdoor rinks

The second example is "Roads Operations and Maintenance". This is also a common service among municipalities in Ontario. The service level described here reflects both Council-approved policies as well as provincial regulations. There are a variety of specific activities within this service, all designed to ensure the operation and maintenance of 3,600 km of roadways, 440 km of sidewalks and 458 km of storm drainage piping.

Our benchmarking data shows Greater Sudbury's performance reflects typical levels of efficiency among municipalities, with results at the MBNCanada median. Service levels, however, are generally lower than the MBNCanada median and also do not meet local expectations. Resource constraints prevent all of the anticipated service levels to be fully met.

While the service profiles in Appendix B provide details, the following table summarizes performance information for the corporation's traditional services. The comparisons noted here provide two insights:

- Workload Comparison: this assesses whether the activity level exceeds, is near or is below the expected service level – generally, services that exceed capacity are not sustainable. Eventually service quality, access or reliability will decline unless some change occurs. Services that are near capacity meet current service level expectations and can be sustained in the current operating environment. None of Greater Sudbury's services are below capacity.
- Benchmarking Comparison: this assesses whether the service performance is above, below or at the median performance level of peer municipalities. This is derived from a review of the latest available MBNCanada information.

Service Name	Workload Comparison	Benchmarking Comparison	Page Reference
Information Technology	Exceeds capacity	Median performance	B-12
Communications and Engagement	Exceeds capacity	N/A	B-7
Manage Service Requests and Inquiries	Near capacity	N/A	B-5
Clerks and Council Support	Near capacity	Below median performance	B-17
Legal Services	Exceeds capacity	Above median performance	B-14
Security, By-law and Parking	Near capacity	Above median performance	B-42
Human Resources & Labour Relations	Exceeds capacity	Median performance	B-27
Compensation & Benefits	Near capacity	Median performance	B-29
Organizational Development, Safety, Wellness & Rehab	Near capacity	Median performance	B-31
Accounting, Purchasing, Payroll	Exceeds capacity	Median performance	B-21
Financial Planning and Budgeting Support Services	Exceeds capacity	Below median performance	B-24
Assets and Facilities Management	Exceeds capacity	Below median performance	B-35
Real Estate	Near capacity	Above median performance	B-33
Fleet Services	Exceeds capacity	Below median performance	B-38
Housing Operations	Near capacity	N/A	B-85
Emergency Shelters and Homelessness	Near capacity	Above median performance	B-81

Libraries	Exceeds capacity	Below median performance	B-76
Arenas	Exceeds capacity	Above median performance	B-63
Parks	Exceeds capacity	Above median performance	B-65
Recreation Programming	Near capacity	Median performance	B-67
*Transit	Below capacity	Below median performance	B-60
Engineering Project Delivery	Exceeds capacity	N/A	B-95
Engineering Design	Exceeds capacity	N/A	B-93
Construction Services	Near capacity	N/A	B-97
Infrastructure Capital Planning	Near capacity	N/A	B-99
Transportation and Innovation	Exceeds capacity	Below median performance	B-102
Roads Operations & Maintenance	Exceeds capacity	Below median performance	B-88
Distribution & Collection Operations & Maintenance	Near capacity	Below median performance	B-91
Solid Waste	Near capacity	Below median performance	B-121
Water Treatment	Near capacity	Below median performance	B-116
Wastewater Treatment	Near capacity	Below median performance	B-118
Community & Strategic Planning	Near capacity	Above Median performance	B-104
Development Approvals	Exceeds capacity	Above median performance	B-108
Environmental Planning	Near capacity	N/A	B-106
Plans Examination	Exceeds capacity	Above median performance	B-110
Fire Emergency Response	Near capacity	Below median performance	B-49
Emergency Management & Public Safety	Near capacity	N/A	B-47
Audit & Oversight	Near capacity	N/A	B-124
Economic Development	Exceeds capacity	N/A	B-9
Animal Control & Shelters	Near capacity	Above median performance	B-40
Energy Initiatives	Near capacity	Median performance	B-37
Long Term Care	Exceeds capacity	Above median performance	B-78
Citizen Services	Near capacity	N/A	B-75
Museums	Exceeds capacity	N/A	B-73
Community Grants	Near capacity	Below median performance	B-66

Crossing Guards	Near capacity	N/A	B-62
Community Paramedics	Exceeds capacity	N/A	B-45

*Prior to recent Transit Action Plan

The total annual cost of traditional services is approximately $95 million. Generally, Council has full discretion to change these services with appropriate regard for contracts with our employee unions, suppliers and/or other stakeholders. It is important to note that some of the assessments described here reflect staff's best judgment since there hasn't been formal, explicit directions to establish clear service level requirements.

Potential for Change

Subject to Council's consideration of this report, it will select some services for detailed review by a third party. The review will identify specific changes for consideration. Staff will provide whatever support is required for this review.

It is important to note that staff regularly identify and implement a variety of changes to the municipality's services. Typically, these changes increase efficiency so that service outputs can continue to be delivered as expected. Or, they introduce quality improvements that reduce the risk of asset failure or service interruptions. These are choices effective managers make to run the business and ensure the corporation makes the best available use of the resources under its control.

Such choices produce important, typically incremental, service improvements. They may produce "breakthrough" changes, but where a change involves a significant financial implication or a material change in service level, staff seek Council's direction. Appendix C identifies the services that have recently been, or are currently, under review.

For example, customer service improvements across the corporation required an investment in new Customer Relationship Management software. This one-time investment creates the potential for sustained, better service over several periods, so Council's approval of the necessary funds in the annual budget was required for that work to proceed. Similarly, staff are aware of approaches we can take to make some of our services more efficient, but doing so could have a negative influence on another aspect of service delivery that Council believes is also important. In those examples, Council's direction is needed before the change occurs.

Criteria for Selecting Services for Further Review

Staff considered several factors when developing the recommendations in this report. The Executive Leadership Team screened the service profiles to identify candidates for further review using the following filters:

a) **Cost** – annual net cost of the service should exceed $500,000
b) **Risk** – services would be good candidates for further review if they exposed the corporation to unfavorable financial risk
c) **Reviews complete or underway** – services would be considered to be lower priority if they were reviewed within the last two years and following a strategy/master plan, or are currently under review
d) **Service performance** – services would be good candidates for further review if there was a significant difference between service level expectations and activity level

Based on ELT's assessment, the following services were identified as suitable candidates for further review by a third party in the next phase of this work:

- Arenas
- Parks
- Recreation Programming
- Assets and Facilities Management
- Community Grants (including grants provided by Economic Development)
- Roads Operations and Maintenance
- Long Term Care

ELT also identified several services that could also be reviewed, but their relatively smaller net cost and/or the straightforward nature of the anticipated review made them less suitable as candidates for review by a third party:

- Audit and Oversight
- Energy Initiatives
- Museums
- Crossing Guards

As part of the 2020 budget development process, ELT anticipates reviewing the potential for changing these services to ensure Council's budget directions are reflected in the recommended budget.

System Evaluations and Plans

Like most municipalities, Greater Sudbury's systems were designed over several years and typically reflect choices that offer limited insights into organization performance. It is worth noting that many of the municipality's systems represent the combination of services that were merged at amalgamation. Such combinations may have been completed without a thorough review or consideration as to whether they still "make sense" in an amalgamated city.

Significant manual effort by staff is needed to produce key performance indicators and develop trend information that could inform strategies and policy choices. Performance information like the details in Appendix B, to support judgments about whether service efforts were producing desired community outcomes, were not part of systems design when the corporation's enterprise systems were installed.

The Executive Leadership Team believes the corporation has reached a level of proficiency with its use of process performance data that it is appropriate to assess the work required to make the data automatically available for use. As part of this project's next steps, staff anticipate including work that would evaluate current information systems and identify plans that would enable the production of real-time activity and performance information, including staff time, activity and attendance reporting.

NEXT STEPS

Staff previously advised Council that, late in the second quarter, the province introduced an "Audit and Accountability Fund" municipalities could use to pay for a third party to complete the type of work described in this report. In anticipation of Council's consideration of this report, staff submitted a proposal for funding of up to $300,000 from the Audit and Accountability Fund. The province accepted this proposal.

When it announced the fund, it included an expectation that a final report would be available by November 30. Staff indicated this timing was impractical and requested a deadline that would enable a fulsome analysis to be completed. The province indicated other municipalities made a similar request and while it has not confirmed a revised completion date, it signaled its intention to do so.

Staff issued a Request for Proposals that closes September 18. Subject to Council's consideration of this report, staff anticipate reviewing the proposals received and making a selection that provides the best fit with the corporation's requirements. As described in the recommended motion, staff anticipate the Tax Rate Stabilization Reserve will provide funding for this work. The province's Audit and Accountability funding would then replenish the reserve.

Subject to Council's choices regarding the services to be selected for further, detailed review, next steps include:

- Engaging a third party to begin the detailed service review
- Stakeholder consultation, including both staff and the general public
- Research and analysis into the potential for service changes, in accordance with Council's direction
- System evaluations to define an approach for producing real-time activity and performance information, including staff time, activity and attendance reporting

Updates on the progress of this work will be provided to Council each month until the work is complete. A final report to Council is expected in the first quarter of 2020.

REFERENCES

Report to Finance and Administration Committee July 9, 2019

City Council, Member's Motions, May 7, 2019