

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING OF SEPTEMBER 26, 2016
FROM:	ART ZUIDEMA CITY MANAGER AND MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES & CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	SERVICE REVIEW INITIATIVES, PROCESS AND 2016 UPDATE

RECOMMENDATION

That on the recommendation of the City Manager and Managing Director, Corporate Services and City Treasurer, Chief Financial Officer the following report **BE RECEIVED** for information.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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"Tabling of the 2016 – 2019 Multi-Year Budget," Strategic Priorities and Policy Committee, January 11, 2016

PURPOSE OF REPORT

On March 10, 2016, Municipal Council resolved the following, as part of the 2016 – 2019 Multi-Year Budget approval:

That the following actions be taken with respect to service review processes as they related to the 2016-2019 Multi-Year Budget:

- a) *the City Manager BE DIRECTED to undertake a service review process that achieves the following savings reflected in the 2016-2019 base budget:*
 - i) *\$500,000 in 2016;*
 - ii) *an additional \$1,000,000 in 2017;*
 - iii) *an additional \$1,000,000 in 2018; and*
 - iv) *an additional \$1.500,000 in 2019;*
- b) *the City Manager BE DIRECTED to report back to the Strategic Priorities and Policy Committee within 6 months of the adoption of the 2016-2019 Multi-Year Budget outlining the process that has been put in place to achieve the savings noted in a) above;*
- c) *the City Manager BE DIRECTED to report annually as to how the savings noted in a) above, were achieved; and,*
- d) *the Board and Commissions BE ENCOURAGED to take advantage of service review training by City of London staff so that they, too, can use those tools to identify efficiencies in their own operations.*

The purpose of this report is to provide Committee and Council with an update on the Service Review process, initiatives being undertaken to achieve savings targets and the results of the 2016 Service Review.

LINK TO THE STRATEGIC PLAN

The Service Review initiative advances the following areas of focus and objectives of Council’s Strategic Plan:

- **Leading in Public Service**

- 3. Proactive Financial Management

- A) Make sure that finances are well-planned to keep costs as low as possible and look to limit the burden on current and future rate payers.
 - B) Make sure that financial issues are not created and pushed into the future, creating problems for future generations.

APPROACH

Targets and Initiatives

Per Council’s direction, the targeted cost savings to be achieved through Service Review are as follows:

Table 1: Service Review Targets¹

	2016	2017	2018	2019	Total
Savings Targets	\$0.5M	\$1.0M	\$1.5M	\$1.0M	\$4.0M

Under the direction of the Senior Leadership Team, service areas have employed a number of initiatives/tools to achieve these targets, including:

- **Service Delivery Review:**
 - Lean Six Sigma: staff-initiated process improvements and efficiency analyses to improve service delivery;
 - Service reduction or elimination: reducing the scope of services or eliminating services that can be offered by an alternative provider;
 - Shared services: seeking opportunities to combine resources internally or in partnerships with local agencies, boards and commissions;
 - Organizational review: reviewing the organizational structure for greater efficiency;
 - Innovative applications: examining new ways of providing services/maintaining assets;
- **New revenue generation:** investigating opportunities for asset sales or fee increases to provide new/expanded revenue streams;
- **Contract negotiations:** identification of possible savings arising from contract negotiations;
- **Zero-based Budgeting review:** comparing existing service area budgets with hypotheticals assuming the creation of the service from scratch; and,
- **Value for Money Audits:** assessing the social, environmental and economic “return on investment” achieved by services and their efficiencies in providing services.

Service Review Process

Appendix ‘A’ provides the process used by the Service Review team to determine specific projects and anticipated annual savings.

¹ Following the adoption of the resolution provided in “Purpose of Report,” Council revised the 2018 and 2019 targets to shift \$500,000 to 2018 from 2019.

RESULTS

Lean Six Sigma Update

The City is exploring the use of Lean Six Sigma (LSS) principles through a pilot training project to improve services. LSS aims to improve the effectiveness of service delivery for internal and external customers, and is a proven methodology to achieve continuous improvement.

A pilot project is currently underway in all City of London Service Areas, facilitated through the City Manager's Office. Individuals across all Service Areas have been trained as LSS White Belts, LSS Green Belts or LSS Black Belts. Green Belt and Black Belt training involves completing a LSS project, and numerous projects are underway. Small cross-functional teams have been formed in each Service Area to work on their respective projects.

Update on 2016 Service Review Results

Table 2 outlines a detailed summary of the initiatives undertaken for the 2016 Service Review and the results of Administration's efforts to find cost savings. As noted below, the \$500,000 target for 2016 has been achieved.

Table 2: 2016 Service Review Results

Initiative	Activity	2016 Amount
Service Delivery Review	<ul style="list-style-type: none"> • Dearness Café New Service Delivery Model 	\$31,700
Lean Six Sigma	<ul style="list-style-type: none"> • Consolidation of hours at low utilization arenas 	\$40,000
New Revenue	<ul style="list-style-type: none"> • Increased default POA fines • Solid waste revenue adjustments • Parks & Recreation sponsorship revenues 	\$167,500
Contract Negotiations	<ul style="list-style-type: none"> • Animal services • Third Party contract negotiation savings 	\$260,800
Total		\$500,000

TARGET ACHIEVED

Additional details regarding the above initiatives are provided in Appendix 'B'.

Budget adjustments will be made to reflect the above figures and will be incorporated into the Multi-Year Budget Update.

Future Reviews

Senior Leadership Team, under the direction of the City Manager, will be undertaking further reviews to achieve 2017 and beyond targets. These targets will include ongoing savings/revenues described above arising from the 2016 review. It is anticipated that additional ongoing savings will be identified in future years, further improving Council's financial position and assisting with the achievement of targets.

CONCLUSION

The 2016 Service Review has achieved the target established by Council as part of the 2016 – 2019 Multi-Year Budget process. A number of the identified savings will be ongoing, providing future benefits and “baseline savings” for next year’s target of \$1.0M.

Senior Leadership Team will continue to investigate options for cost savings, using the process identified in this report.

PREPARED AND RECOMMENDED BY:
MARTIN HAYWARD, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
REVIEWED AND RECOMMENDED BY:
ART ZUIDEMA CITY MANAGER

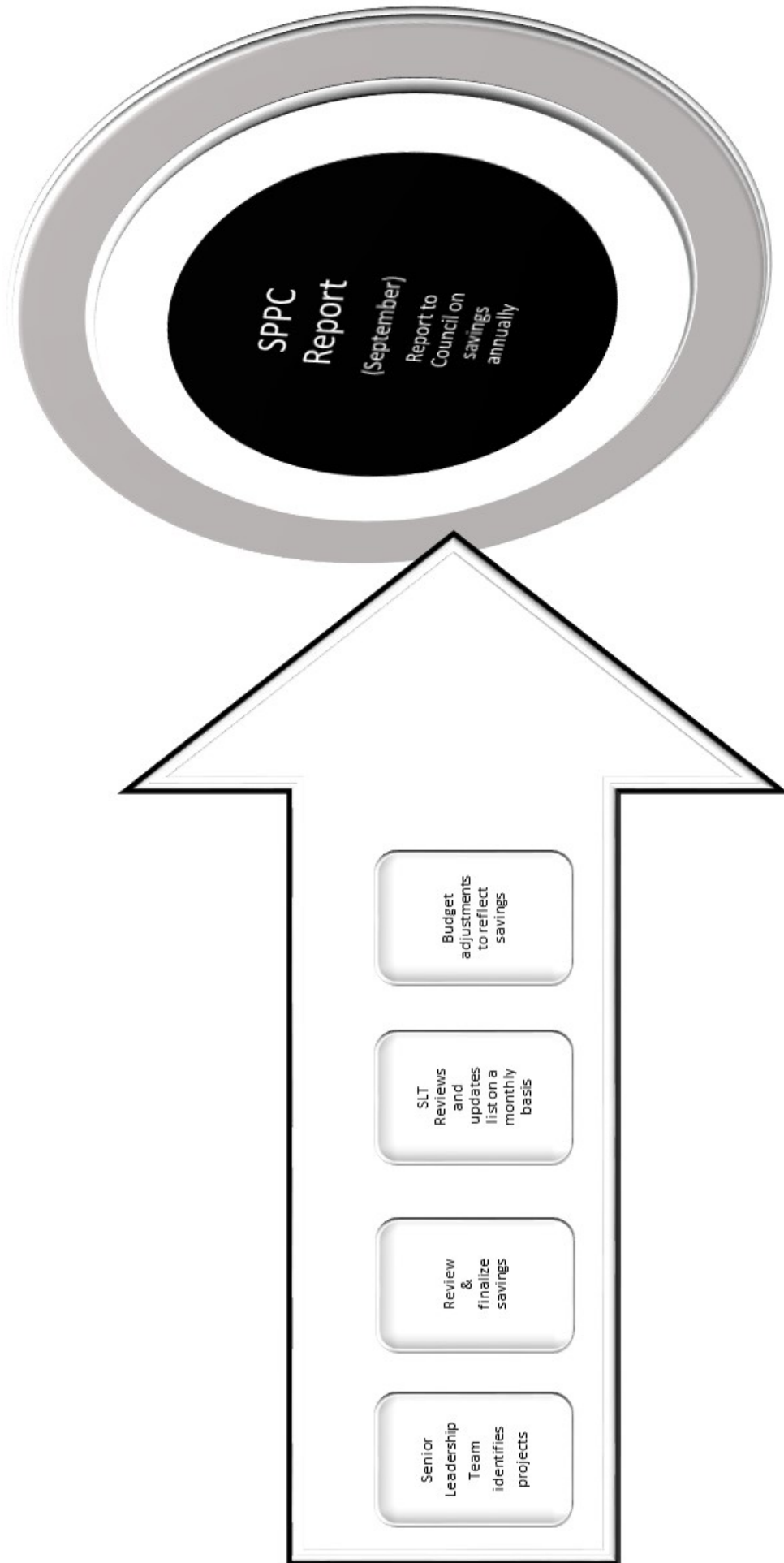
September 16, 2016

- cc. Senior Leadership Team
- Larry Palarchio, Director, Financial Planning & Policy
- Ian Collins, Senior Financial Business Administrator
- Kyle Murray, Senior Financial Business Administrator

Appendix ‘A’: Service Review Process

Appendix ‘B’: Summary of 2016 Service Review Initiatives

Appendix 'A': Service Review Process



Appendix 'B': Summary of 2016 Service Review Initiatives

Service Delivery Review:

- Dearness Café new service delivery model: Changes to the service delivery model have been implemented while still maintaining a variety of food and beverage options for residents and staff. Savings of \$31,700 are anticipated in 2016; ongoing annual savings of \$82,000 are expected and the incremental \$50,300 will be reflected in 2017.

Lean Six Sigma:

- Consolidation of hours at low utilization arenas: A Lean project was completed to assess the potential for savings by consolidating the sporadic (intermittent) use at low utilization arenas into block use. This focuses the hours to the high use block times. Savings of \$40,000 is anticipated for 2016 with ongoing annual savings of \$80,000 expected into 2018.

New Revenue:

- Increased default POA fines: The Ministry of the Attorney General of Ontario (MAG) has informed municipal courts managers that it is increasing the Provincial Offences Act (POA) Default Fee effective January 1, 2016.
- Solid waste revenue adjustments: Ongoing revenue increases in Solid Waste due to additional volumes of material (about 1000 tonnes) requiring disposal at W12A Landfill including residual materials from the water treatment plants, Greenway process residuals and recycling process residuals.
- Parks & Recreation sponsorship revenues: Additional ongoing revenues are expected as a result of the implementation of a contract for the sale of sponsorship and naming rights at City recreation facilities. Revenue of \$37,500 is anticipated in 2016; ongoing annual revenues of at least \$75,000 are expected and the incremental \$37,500 will be reflected in 2017.

Contract Negotiations:

- Animal Services contract savings: Ongoing savings in Animal Services resulting from negotiated savings within the animal services contract.
- Third Party contract negotiation savings.