

<b>TO:</b>	<b>CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING OF SEPTEMBER 18, 2017</b>
<b>FROM:</b>	<b>MARTIN HAYWARD CITY MANAGER AND ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES &amp; CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>SERVICE REVIEW INITIATIVES 2017 UPDATE</b>

<b>RECOMMENDATION</b>
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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.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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- “Tabling of the 2016 – 2019 Multi-Year Budget,” Strategic Priorities and Policy Committee, January 11, 2016
- “Service Review Initiatives, Process and 2016 Update,” Strategic Priorities and Policy Committee, September 26, 2016
- “Update on Service Review Initiatives,” Strategic Priorities and Policy Committee, May 29, 2017

<b>PURPOSE OF REPORT</b>
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On March 10, 2016, Municipal Council resolved that the City Manager be directed to undertake a service review process that achieves the following savings reflected in the 2016-2019 base budget:

- \$500,000 in 2016;
- an additional \$1,000,000 in 2017;
- an additional \$1,000,000 in 2018; and
- an additional \$1,500,000 in 2019.

Following the adoption of the resolution, Council revised the 2018 and 2019 targets to shift \$500,000 to 2018 from 2019. The updated service review targets are shown below:

**Table 1: Service Review Targets**

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

Furthermore, the City Manager was directed to report annually as to how the savings were achieved.

As reported to the Strategic Priorities and Policy Committee on September 26, 2016, the \$500,000 target for 2016 was achieved. Civic Administration provided further details on the various “tools” being employed through the service review process in a report to the Strategic Priorities and Policy Committee on May 29, 2017.

The purpose of this report is to provide Committee and Council with an update on the Service Review initiatives undertaken to achieve the \$1,000,000 incremental Service Review target for 2017. A brief overview of other service reviews undertaken in recent years but not reported through the formal service review process is also provided for information purposes.

**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**

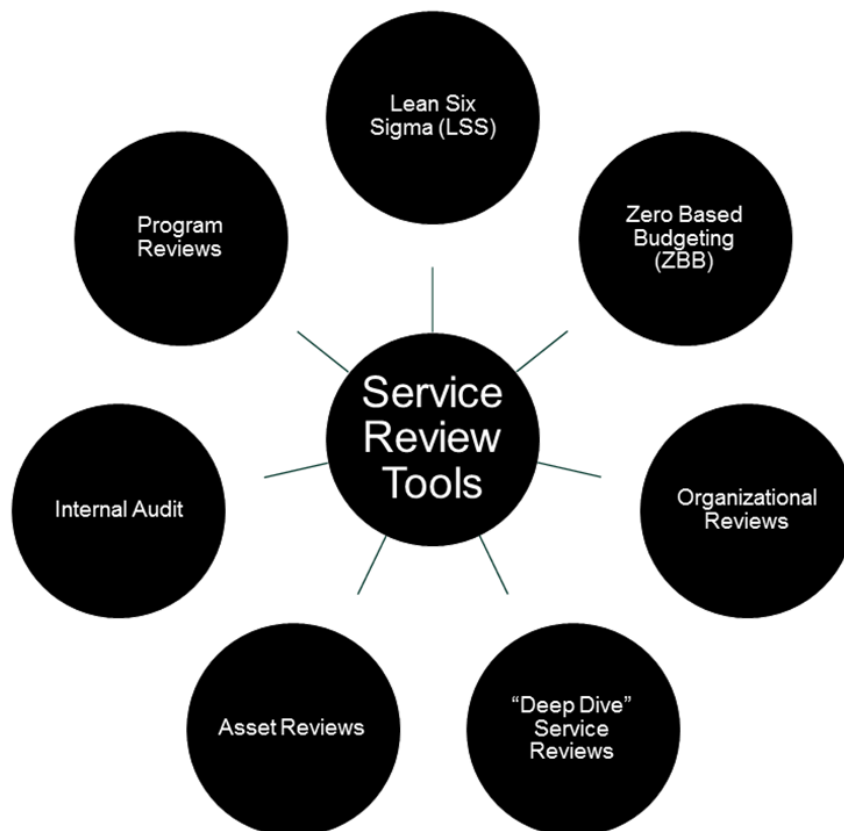
- 3. Proactive Financial Management

- 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**

Initiatives

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



Appendix A provides a detailed description of each of the service review tools.

## RESULTS

### Update on 2017 Service Review Results

Table 2 outlines a detailed summary of the initiatives undertaken that have resulted in savings to contribute to the 2017 target. As noted below, the \$1,000,000 target for 2017 has been achieved and surpassed.

**Table 2: 2017 Service Review Results**

Category	Initiative	2017
Flow-through	<ul style="list-style-type: none"> <li>Incremental savings from initiatives identified in the 2016 service review results, which have an additional savings in 2017.</li> </ul>	\$167,000
Program Review	<ul style="list-style-type: none"> <li>Insurance Premiums – On-going savings identified in the Corporate Insurance Premium budget largely attributable to a change in insurance provider in 2016. After review of insurance budget in 2017, sufficient funding is in place at this time to cover any retro-assessments that the City may be exposed to based on past experience.</li> </ul>	\$500,000
Program Review	<ul style="list-style-type: none"> <li>Mobile Devices and Services - Information Technology Services, Finance and the Purchasing and Supply Division conducted a review of the mobile services environment to determine the most advantageous approach ensuring business needs are satisfied, costs are controlled and data capacity is maximized. Based on that review, by entering into the Vendor of Record, Province of Ontario Agreement for the Mobile Devices and Services, on-going budgetary savings will be realized.</li> </ul>	\$150,000
Zero-based Review	<ul style="list-style-type: none"> <li>Social Services (Ontario Works Program) - Restructuring of the staff within the Ontario Works Program resulted in potential savings and necessitated a zero based review. The personnel budget was reconstructed based on the new staffing complement, resulting in the identified savings.</li> </ul>	\$115,000
Program Review	<ul style="list-style-type: none"> <li>Fire Services – Review of training program to identify opportunities to minimize overtime costs. Periodic reviews of the training program are conducted to ensure that the program not only satisfies the required learning objectives, but also is delivered as efficiently as possible. This review and optimization of the program yielded the identified savings.</li> </ul>	\$100,000
<b>Total</b>		<b>\$1,032,000</b>

**TARGET  
ACHIEVED**

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

#### Other Service Reviews Previously Completed

Although the City's service review process has only recently been formalized, Civic Administration has been undertaking various initiatives aimed at enhancing the efficiency and effectiveness of service delivery for many years. Table 3 summarizes a sample of these initiatives conducted over the past 2-3 years that resulted in cost savings, cost avoidance or new revenue generation opportunities. These savings, efficiencies and revenue opportunities are already incorporated in the 2016-2019 Multi Year Budget and have offset tax levy increases that would otherwise have been required.

**Table 3: Other Service Review Initiatives**

<b>Service Program</b>	<b>Cost Savings/Cost Avoidance/New Revenue</b>	<b>Description of Initiative</b>
Culture Services:  Ontario 150 Community Celebration	New Revenue:  <ul style="list-style-type: none"> <li>• Ontario 150 Program - \$70,000</li> <li>• The London Heritage Council - \$50,000 from Ontario 150 grants</li> <li>• Heritage Canada - \$10,000</li> </ul>	<ul style="list-style-type: none"> <li>• The City, with London Heritage Council, London Multi-cultural Community Association, Downtown London and Tourism London used Budweiser Gardens and surrounding space to provide programming and events to over 20,000 Londoners and visitors. Events helped to profile and employ 318 local musicians.</li> </ul>
Economic Prosperity:  Review of Community Improvement Plan (CIP) incentives	Cost Savings:  <ul style="list-style-type: none"> <li>• Yielded annual gross cost savings of \$620,000 to reserve funds</li> <li>• \$200k contribution to the 2018 service review target.</li> </ul>	<ul style="list-style-type: none"> <li>• Developed new method for administering financial incentives which reduces risk of large incentive requests to City, reduces the risk of significant unplanned contributions to reserve funds. Allowed for a range of new incentives and financing of existing incentives as requested by Council.</li> </ul>
Environmental Services:  Manning Drive MRF – a modern two stream facility	New Revenue:  <ul style="list-style-type: none"> <li>• Approximately 10% - 15% premium paid over market index pricing paid for commodities recovered at Manning Drive MRF.</li> </ul>	<ul style="list-style-type: none"> <li>• As a result the aggregate recovered commodities from the facility on an annual basis are typically sold for a 10% to 15% premium over the Continuous Improvement Fund Price Index, which is a pricing index for recovered Ontario municipal Blue Box materials.</li> </ul>
Parks, Recreation & Neighbourhood Services:  Camps on TRACKS partnership	Efficiencies within existing resources, revenue generation	<ul style="list-style-type: none"> <li>• Partnership between Fanshawe College, the City and Thames Valley Children's Centre (Camps on TRACKS) was awarded an Ontario Trillium Foundation Grant exceeding \$330k to launch a website and on-line resources making this peer to peer inclusion support program available across the province.</li> </ul>
Planning and Development Services:  London Plan – In house vs. consultants	Cost Avoidance:  <ul style="list-style-type: none"> <li>• Estimated savings of \$2-\$3M in consulting fees</li> </ul>	<ul style="list-style-type: none"> <li>• Planning Services performed the vast majority of work to undertake the ReThink London engagement process and to write and produce The London Plan. Based on the experience in other municipalities, it is estimated that this saved in the order of \$2-\$3M in consulting fees.</li> </ul>

Service Program	Cost Savings/Cost Avoidance/New Revenue	Description of Initiative
Protective Services:  Pet Smart Canada Grant	New Revenue:  • \$150,000	<ul style="list-style-type: none"> <li>The City was awarded a Pet Smart Canada Grant to assist the City Veterinary Clinic in providing spay/neuter services to feral cats and pre-adoption veterinary services. In the future a low-income spay/neuter program may be rolled out, which would result further cost avoidance.</li> </ul>
Social & Health Services:  Provincial Subsidy (Ontario Works)	New Revenue:  • \$236,000 (2017 est) • \$180,000 (2016) • \$165,000 (2015)	<ul style="list-style-type: none"> <li>Ontario Works maximized Provincial subsidy through claiming a portion of Vocational Skill Training costs under Employment Programs (cost shared at 50% with the Province) under available Discretionary Benefit capped Provincial funding (cost shared through Provincial Upload funding at a higher rate of 97.2% in 2017; 94.2% in 2016; and 91.4% in 2015).</li> </ul>
Transportation Services:  Street Lights Maintenance & Energy:	Cost Avoidance:  • \$750,000 in 2016 • \$415,000 in 2017 • \$425,000 in 2018	<ul style="list-style-type: none"> <li>In 2016, Phase 1 of the upgrade of cobra-style HPS street lights to LEDs was completed on major roads. Phase 2 (minor roads) started in June 2017. The total annual cost avoidance from Phase 1 and Phase 2 is \$1,590,000.</li> </ul>
Corporate, Operational & Council Services:  City of London's Master Print Contract	Cost Avoidance:  \$100,000 (annually)	<ul style="list-style-type: none"> <li>Information Technology Services, with the support of Finance, Legal and Purchasing, reviewed and renegotiated the City of London's master print contract resulting in the identified savings without impacting service levels. Savings were reallocated within Information Technology Services to the creation of an Information Technology Security Operations Centre.</li> </ul>
Financial Management:  Corporate Cheque Run and EFT (Electronic Funds Transfer)	Increased capacity and service levels	<ul style="list-style-type: none"> <li>Changed process from twice per week to once per week. This change was undertaken to manage increasing volumes with existing resources while also improving service levels in key areas. The change provided more time for ensuring HST accuracy (ITC vs Rebate) and signing authority review as well as follow up with the various service areas.</li> </ul>

#### Future Reviews

Senior Leadership Team, under the direction of the City Manager, will be undertaking further reviews to achieve 2018 and beyond targets. These targets will include ongoing savings/revenues described above arising from the 2016 and 2017 reviews. 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.

<b>CONCLUSION</b>
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The 2017 Service Review process has achieved the target established by Council as part of the 2016 – 2019 Multi-Year Budget process. The identified savings will be ongoing, providing future benefits and “baseline savings” for next year’s target of \$1.5M.

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

<b>PREPARED AND RECOMMENDED BY:</b>
<b>ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>REVIEWED AND RECOMMENDED BY:</b>
<b>MARTIN HAYWARD, CPA, CGA CITY MANAGER</b>

September 11, 2017

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

**Appendix ‘A’: Service Review Process**

## Appendix 'A': Service Review Tools

Service Review Tool	Description	Purpose
Lean Six Sigma	<p>Lean Six Sigma (LSS) is defined as a set of concepts, principles and tools used to create and deliver the most value from the customers' perspective while consuming the fewest resources and fully utilizing the skills and knowledge of those who do the work.<sup>1</sup></p> <p>The City's LSS initiative is based upon a team structure where members work collaboratively to identify opportunities for improvement in service delivery and operational practices to increase efficiency, capacity and quality of product or service.</p>	<p>LSS identifies and eliminates unnecessary steps, streamlines processes and ultimately improves value for the end users (our customers).</p> <p>LSS aligns with Council's 2015-19 Strategic Plan vision, mission and values, as well as many elements of Focus Area 4: "Leading in Public Service"; 'Innovative and supportive organizational practices' and 'Excellent service delivery'.</p>
Internal Audit	<p>Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.<sup>2</sup></p>	<p>Assist the Administration, Audit Committee and Council in fulfilling their oversight responsibilities.</p> <p>Provide independent, objective audit and advisory services designed to add value and improve the effectiveness of the City's control, compliance and governance processes.</p>
Zero-based Budgeting	<p>Zero-based Budgeting (or Zero-based Reviews) refers to the methodology of building a budget "from the ground up" to achieve the level of service planned. Zero-based Reviews are scalable and may be conducted at the service, business unit or object account level.</p>	<p>Identification of the necessary resources to deliver the unit's objectives/outcomes asking the following questions:</p> <ul style="list-style-type: none"> <li>• Is the program/service effective? – Are we doing the right thing? Is the service achieving the objectives desired by Council or the Administration?</li> <li>• If effective, is the program/service efficient? – Are we doing things in the right way? Could this program be delivered in a way that is less costly, but achieves the same goals?</li> </ul> <p>Avoids an "incremental increase" budget approach.</p> <p>Identify opportunities to reallocate budget to higher priority corporate initiatives (i.e. Service Review Targets).</p>

<sup>1</sup> As defined by the Lean Enterprise Institute.

<sup>2</sup> As defined by the Institute of Internal Auditors.

Service Review Tool	Description	Purpose
Program Reviews	Program Reviews refers to the detailed analysis of existing programs (e.g., grants, loans, revenue streams) provided and/or delivered by the Corporation.	<p>Determine the alignment of the program being reviewed with the Corporation's Strategic Plan.</p> <p>Assess the effectiveness and efficiency of the program in achieving the stated goals and associated key performance metrics of that program.</p> <p>Consider the financial sustainability of the program.</p>
Organizational Reviews	Organizational reviews help ensure Service Area organizational structures are designed to be able to deliver on Council's Strategic Plan, leverage best practices, enhance collaboration and eliminate duplication within and across Service Areas with the goal to create effective and efficient organizational structures that provide optimum service delivery and flexibility for future growth and increased work demands.	<p>Reform and refine our structure to ensure it aligns and supports Council's Strategic Plan</p> <p>Instil clarity of focus and accountability by clearly defining roles and responsibilities</p> <p>Eliminate duplication and confusion in service delivery including examining forms of alternate service delivery</p> <p>Promote efficiencies and effectiveness by bringing activities that require co-ordination together under one Division and one Service Area with clear boundaries and defined processes</p> <p>Ensure both internal and external models for delivering services are aligned and mutually supportive with clearly defined roles</p>
Asset Reviews	Administration is undertaking a comprehensive review of major City-owned assets to assess the future of the assets and whether any candidates for disposal and sale emerge for Council consideration.	<p>Create a Council policy to inform the allocation of proceeds from the sale of a major asset</p> <p>Establish a timeline for future reviews of City-owned assets</p> <p>Review two categories of assets:</p> <ul style="list-style-type: none"> <li>• Class A (Vacant Land and Buildings)</li> <li>• Class C (Major Venues, Non-Core Services and Assets)</li> </ul>
"Deep Dive" Reviews	"Deep Dive" Reviews will examine service delivery and opportunities for associated cost savings. Reviews will be prioritized based on a review of baseline information and community perspectives.	<p>Comprehensive review of City of London services to examine the following:</p> <ul style="list-style-type: none"> <li>• Levels of service and possible service level adjustments</li> <li>• Alternative service delivery opportunities</li> <li>• Potential service reductions or eliminations</li> </ul>