

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING OF APRIL 8, 2019
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES & CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	CITY OF LONDON SERVICE REVIEW: PROJECT UPDATE

RECOMMENDATION

That on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the report regarding the update on the status of the City of London Service Review **BE RECEIVED** for information, it being noted that KPMG will undertake, on behalf of the City, in-depth reviews (“Deep Dives”) of the following opportunities:

1. Service Delivery for Housing;
2. User Fees For Municipal Services; and,
3. Service Delivery for Municipal Golf.

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

“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

“Service Review Initiatives 2017 Update,” Strategic Priorities and Policy Committee, September 18, 2017

“RFP 18-04: City of London Service Review – Consulting Services,” Strategic Priorities and Policy Committee, March 26, 2018

“Service Review Initiatives 2018 Update,” Strategic Priorities and Policy Committee, September 17, 2018

“Response to London Middlesex Housing Corporation (LMHC) Requested Changes to the Articles of Incorporation and PricewaterhouseCoopers Internal Audit Report,” Strategic Priorities and Policy Committee, March 4, 2019

LINK TO THE STRATEGIC PLAN

The City of London Service Review 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.
 5. Excellent Service Delivery
 - A) Continue to effectively and efficiently deliver nearly 100 services that Londoners rely on every day.

PURPOSE

On March 6, 2019, Municipal Council put forward and approved a resolution to undertake a review of the delivery of housing programs and services that are specific to the shareholder agreement between the City and London Middlesex Community Housing Corporation (“LMCH”) as well as the City and Housing Development Corporation, London (“HDC”). This report responds to item c) of the Council resolution, which is as follows:

That the following actions be taken with respect to requested changes to the Articles of Incorporation and PricewaterhouseCoopers Internal Audit Report for London Middlesex Housing Corporation:

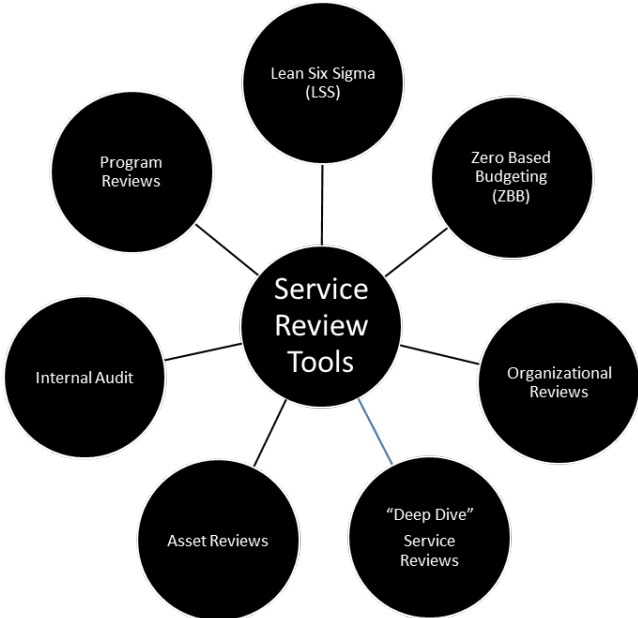
- a) *on the recommendation of the Managing Director, Housing, Social Services and Deerness Home, the Civic Administration’s response to London Middlesex Housing Corporation’s (LMHC) requested changes to their Articles of Incorporation and PricewaterhouseCooper’s Internal Audit Report, dated March 4, 2019, BE RECEIVED for information;*
- b) *the attached presentation from J. Browne, S. Quigley and M. Allen Easton, London & Middlesex Community Housing, with respect to this matter, BE RECEIVED; and,*
- c) *to ensure it is maximizing its investment in housing, civic administration BE DIRECTED to undertake a review of the delivery of housing programs and services that are specific to the shareholder agreement between the City and London Middlesex Community Housing Corporation (“LMCH”) as well as the City and Housing Development Corporation, London (“HDC”) to evaluate the current service delivery model, including the relationships, roles and functions of the City and the two housing corporations, including any necessary changes to the shareholder declarations, noting that the review be completed in time to inform the development of the 2020-2023 Multi-Year Budget.*

This report provides an update on the City of London Service Review and identifies the two additional in-depth reviews that are planned to be undertaken by KPMG.

CITY OF LONDON SERVICE REVIEW

Background:

Through the 2016-2019 Multi-Year Budget process, Council directed Civic Administration to undertake a Service Review program in order to fund \$4 million in unidentified permanent budget reductions that were built-in to the approved budget. Civic Administration reports out annually on how the budget reductions have been achieved. To date, the City has selectively utilized six of the seven tools identified below to achieve the permanent budget reductions identified by Council for 2016, 2017 and 2018.



While other tools in the City's service review "toolkit" have focused on analyzing targeted components of various services, the "Deep Dive" project is intended to take a more complete view of the City's services to consider whether the right services are being delivered in the right ways. It is anticipated that the "Deep Dive" focus will be on looking for opportunities to achieve the following:

- Service level reduction or service elimination
- Operating efficiency and cost reduction
- Alternative delivery of services and programs
- Revenue generation

Ultimately, the goal of the "Deep Dives" reviews will be to create capacity and or mitigate budget pressures anticipated for the next Multi-Year Budget (2020-2023).

Project Update:

Council endorsed the appointment of KPMG LLP as the successful proponent to undertake the Corporation's "Deep Dive" Service Review initiative on March 27, 2018. Since the appointment, the City's project team and KPMG have been working in collaboration to undertake a comprehensive, data driven evaluation of the City's programs and services, including Agencies, Boards and Commissions who chose to participate in the project, to determine if they are delivered as effectively and efficiently as possible. The section below summarizes the results from the service review to date.

As part of the review, KPMG conducted benchmarking of programs and services with comparator municipalities and indicated that the City's performance and position are consistent with, or favourable to, other large single-tier municipalities and comparator municipalities from an effectiveness and efficiency perspective. KPMG noted that the City has undertaken significant work with regard to service review initiatives completed to date, and that the extent of opportunities characterized as "low hanging fruit" to offer Council as easy wins is limited. Further, KPMG has prepared a list of opportunities for the City to pursue for further analysis. A number of the opportunities that were identified by the consultant are already in progress or required significant investment to achieve the savings. Based on the scoped list of opportunities, Civic Administration has identified two opportunities for further investigation as part of the in-depth review process. In addition, an in-depth review will also be undertaken of the delivery of housing programs and services that are specific to the shareholder agreement between the City and London Middlesex Community Housing Corporation ("LMCH") as well as the City and Housing Development Corporation, London ("HDC") as directed by Council on March 6, 2019.

Opportunities Identified for In-Depth Reviews:

The following section provides an overview of the three opportunities that have been identified for in-depth reviews to be completed by KPMG:

- *Review of Service Delivery for Housing*
 - Housing is a priority for the City and it is acknowledged that strategic and effective investments in housing and homeless prevention services are essential in this community.
 - The City is the Service Manager as established within the Housing Services Act, and is responsible for administering housing programs and services in the City of London and County of Middlesex.
 - As the designated Service Manager, the City wants to ensure that housing is delivered efficiently and effectively in order to maximize its investment in housing programs and services that are provided to the community.
 - To ensure the City is maximizing its investment in housing, KPMG will be undertaking a review of the delivery of housing programs and services that are specific to the shareholder agreement between City and London Middlesex Community Housing Corporation ("LMCH"), the City and Housing Development Corporation, London ("HDC").
 - The review will evaluate the current service delivery model, including the relationships, roles and functions of the City and the two housing corporations.

- *Review of User Fees For Municipal Services*
 - The City delivers a wide range of services, some of which are available to and accessed by a wide range of residents and ratepayers, while others are more specific to certain types of users.
 - In instances where the use of a municipal service is limited to specific users, user fees are often charged in order to provide a more fair and transparent linkage between the cost of delivering a service and its funding.
 - KPMG has identified a number of fee-funded services throughout City operations where user fees have not kept up with increasing costs to deliver the services or where additional fee revenue may be warranted.
 - KPMG will be undertaking a review of the City's user fee structure, which includes a comparison to other municipalities, to ensure that its funding for services provides a fair balance between user pay and tax-supported contributions.
 - The review will also consider potential impacts on users for the increases in fees.

- *Review of Service Delivery for Municipal Golf*
 - The City currently operates three golf courses, Fanshawe, Thames Valley and River Road, which provide golfing, cart rentals, retail sales and food and beverage services to customers.
 - Revenue generated from golf services may be insufficient to fund future required capital reinvestment.
 - KPMG will be undertaking a review of the service delivery model for municipal golf to ensure a sustainable long term service delivery of affordable quality golf opportunities.
 - The service review may include the consideration of alternative strategies to maximize revenue from golf services.

PROPOSED PROCESS / NEXT STEPS

Over the next few months KPMG will undertake the three in-depth reviews as identified above. Civic Administration anticipates that the in-depth reviews will be completed and reported back by the end of the summer. Any recommended changes will be incorporated as part of the 2020-2023 Multi-Year Budget process.

PREPARED AND SUBMITTED BY:
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- cc. Sandra Datars Bere, Managing Director, Housing, Social Services & Dearness Home
 Lynne Livingstone, Managing Director, Neighbourhood, Children & Fire Services
 George Kotsifas, Managing Director, Development and Compliance Services
 Scott Stafford, Managing Director, Parks and Recreation