

Staff Report

Report To: City Council
Report From: Tim Simmonds, City Manager
Meeting Date: July 17, 2023
Report Code: CM-23-012
Subject: Service Review Implementation and Next Steps

Recommendations:

THAT in consideration of Staff Report CM-23-012 respecting Service Review Implementation and Next Steps, City Council approves the Service Review Priority Opportunity Action Plan, as attached in Attachment 1 to the report, subject to any amendments made by Council.

Highlights:

- It is anticipated that Service Review will achieve direct and indirect savings of approximately \$2 million, equivalent to 10 per cent of the gross operating budget.
- Implementing the Service Review Priority Opportunity Action Plan has created the first-of-its-kind three-year work plan for the City Manager and Strategic Leadership Team, elevating the accountability and transparency of the organization.
- Adopting the recommendations and 53 actionable opportunities identified in the plan will improve administrative operations and sets a clear policy and role directive from Council; that is, to ensure that the municipality's financial and organizational resources are being used as efficiently as possible.

Strategic Plan Alignment:

[Strategic Plan](#) Priority: Service Excellence

Climate and Environmental Implications:

This supports the objectives of the City's Corporate Climate Change Adaptation Plan by strengthening the resiliency of City infrastructure or services.

Previous Report/Authority:

[Report CM-22-002 Service Review 2022 - Project Launch](#)

[Deputation from MNP LLP Re: Service Review 2022](#)

[Report CM-22-005 Service Review 2022 – April Update](#)

[Report CM-22-006 Service Review 2022 – May Update](#)

[Report CM-22-010 Service Review 2022 – June Update](#)

[Report CM-22-011 Service Review 2022 – July Update](#)

[Report CM-23-004 Service Review Implementation and Next Steps](#)

Background:

MNP's scope of work included services within Corporate Services, Community Services, Public Works and Engineering, City Manager's Office, and the Tom Thomson Art Gallery (TTAG). These departments' day-to-day operations are funded by 50 per cent of the annual gross operating budget or \$21 million. The other 50 per cent of the gross yearly operating budget of \$21 million is dedicated to Police Services, Fire Services, Library, and Debentures.

MNP created six (6) overarching recommendations for the City's Service Review Report through their work. These were highlighted on April 17, 2023, Presentation and Report to Council. A link to the Report is provided in the Previous Report/Authority section. As per MNP, the recommendations were developed based on the documentation review, feedback collected through internal interviews with each Council Member (past-term), Surveys with members of Committees, Senior Management, and an all-staff survey. In addition, MNP noted they also used external consultation in their analyses.

MNP further stated that the recommendations are based on municipal service delivery best practices and focus on five (5) key strategic focus areas for improvement:

1. Organizational Effectiveness
2. Service Delivery Efficiencies
3. Increasing Communication and Clarity
4. Prioritizing Core Services
5. Staffing Capacity Limitations

MNP (and SLT) recognized that information from the [Provincial Financial Information Return](#) submitted annually by municipalities provides a data source for comparison at a high level. However, it is recognized that this data does not create an “apples to apples” comparison of services. Instead, it is meant to provide insight and indicate where there may be potential opportunities to investigate. MNP identified that further analysis would be required to determine the cause of the differences across each spending envelope and within each municipality, which was outside the scope of their work.

The benchmarking results are only used as one source to determine potential themes for recommendations. The consultant noted that the benchmarking results should be remembered that the overall themes are more important than the exact numbers.

MNP was clear that their work was undertaken as an independent consultant’s analysis, and requested changes should be presented as a Management Response to Council.

This report and Management’s accompanying Service Review Priority Opportunity Action Plan document (Attachment 1) contain Management’s review, response, and identification of 53 opportunities proposed to form the basis of the Administration’s work over the next three years. The Service Review Priority Opportunity Action Plan, by default, is the first-of-its-kind three-year work plan for the City Manager and Strategic Leadership Team, elevating the accountability and transparency of the organization to Council and the citizens of Owen Sound.

Analysis:

The Service Review project did not have a targeted dollar value reduction or a quantifiable reduction of full-time positions as an outcome. However, it was intended for a third-party consultant to take a more in-depth review of the services offered by the City and identify opportunities that could impact the

day-to-day operations of the corporation and, thus, generate more effective and efficient delivery of services and potentially avoid future operating costs – thereby realizing savings.

In Management's opinion, the actions recommended by MNP lacked detail and in-depth analysis that could be overlaid to "Municipality A" rather than a made-for-Owen Sound set of actions. Furthermore, in Management's opinion, the identified outcomes and savings simply in many cases, the anticipated savings are simply not realistic or attainable. This magnified the notion that MNP's Service Review Report failed to recognize the unique characteristics of the City's organization.

Although the final report's actions presented by MNP wasn't what was anticipated, Management does support the six (6) recommendations and five (5) themes. The recommendations and themes are focused on Continuous Improvement, rooted in the feedback collected by MNP through internal interviews with each Council Member, Members of each Committee, Senior Management, and an all-staff survey.

Management used the basic premise of the MNP report to begin formulating a strategy to affect the six (6) recommendations and deliver a positive outcome for the Service Review process. Since receiving the final MNP report and presenting to Council in April, management compiled core information from across the corporation to build a set of opportunities that, if endorsed and implemented, will have a positive impact on the operations of the corporation as they are a "Made for Owen Sound" set of actions.

Management aggregated multiple data points to create the attached plan, including each department's and service's associated gross costs. This provided a clearer picture using data rather than opinion to form a reference point when reviewing the organizational structure and the City's services. Management used gross costs because a service's net or tax levy requirement doesn't necessarily capture the full impact due to the potential uncertainty of grants, revenue, internal allocations, etc. Management wanted to identify clearly – What does this Service Cost?

The multiple data points that management correlated to create the opportunities in the plan include:

- Organizational chart by Department and Division with name and position
- Gross dollar costs
- Revenue generation

- Historical analysis of staffing levels versus total staffing
- Span of control for management
- Breakdown of divisional costs associated with Salaries and Benefits, Materials and Supplies, and Contract Services
- MNP recommendations and actions
- Management response and proposed “Made for Owen Sound” opportunities.

Staff recognized in the April 17 Report to Council that Service Review is an ongoing exercise in continuous improvement, which should be the foundation of the future of the City and is the basis of the attached Service Review Priority Opportunity Action Plan.

Reports to Council throughout the year and through the annual budget process highlight that continuous improvement is being embraced, producing significant savings for the corporation. The recent disruption of the pandemic and the ongoing costs related to inflation over the past three years have had far-reaching impacts but exemplify the culture management has introduced in adopting continuous improvement; the annual budgets of 2021, 2022, and 2023 have yielded some of the lowest tax levy requirements in the past 20 years and this current budget cycle produced more than \$720,000 in savings.

The Service Review Priority Opportunity Action Plan, as presented, supports the notion that the organizational structure is the outcome of the completed actions undertaken by Service Review rather than the beginning. It appeared that the scope and change that MNP was proposing was a change for the sake of the consultant’s change – management believes that this type of recommendation would lead to a deterioration of the organization. Moving boxes on an organizational chart is an exercise that does not produce results without understanding what is trying to be solved. Beyond the service title, the city’s services are complex and interrelated. Management recognizes that we do not collectively celebrate and communicate the ongoing continuous improvement that is taking place, nor do we ‘connect the dots’ for Council, Staff, and Citizens to appreciate the continuing efforts to provide the services most effectively and efficiently. Continuous improvement actions are taking place throughout the year. These improvements are subtly identified in staff reports, while others are not documented but are undertaken during day-to-day operations. Management must do better at this.

The 53 actions that management proposes intend to root out inefficiencies and build capacity by using the proper business analysis and input on proposed changes to the services provided throughout the term of Council. Management will use the LEAN methodology to proactively and routinely assess two processes, programs, or services annually. In addition, to this ongoing review, the operations of the Parks and Public Works Teams, Winter Maintenance, and By-law are named explicitly as areas to review.

Council should ultimately set the policy direction for the Services that are best for the Citizens of Owen Sound, not vice versa. The administration's job is to provide those services offering the best value for our citizen's hard-earned tax dollars.

The Service Review Priority Opportunity Action Plan builds on the Strategic Plan Refresh Council Priorities – Service Excellence and Clear Direction.

Service Excellence identifies the areas where the City's administrative leadership will focus on ensuring we are a high-performance organization that delivers good value for money to our residents— a modern and efficient municipal government that improves citizens' lives every day.

Clear Direction is a common understanding of the City's direction and goals at every level of the corporation that enables a collaborative decision-making process to maximize the organization's impact through a solid financial foundation and engaged workforce.

The Service Review Priority Opportunity Action Plan is built on the premise that the opportunities presented by Management will continue to build and further accelerate the efforts to make the Corporation a better-managed, more transparent, and accountable organization.

Management has worked to create the accompanying Service Review Priority Opportunity Action Plan for the past three months. This plan establishes a set of actions specific to Owen Sound and will make the corporation more accountable, transparent, and ultimately more effective and efficient in how it provides services to the citizens of Owen Sound.

The Owen Sound actions have the unanimous support of the Strategic Leadership Team, which is critical to fulfilling the desired outcomes.

Financial Implications:

There are a variety of financial implications resulting from the Service Review Priority Opportunity Action Plan. Identifying the specific cost savings or impact of each opportunity at this time is not practical or realistic. Still, the estimated effect of service review is based on Management's day-to-day hands-on approach and is conservatively estimated. Overall, the opportunities identified will lead to a more effective and efficient use of resources to which Council and Citizens will have a clear line of sight. A financial investment will sometimes be required to realize the noted benefit. In many cases, the business case must be developed and justified to inform implementation and budget approval. In other instances, the costs associated with needed I.T. enhancements have already been budgeted.

In contrast, MNP identified several actions that, in their opinion, would require external consultants to undertake the work at costs estimated to exceed \$200,000. Management is not recommending retaining external consultants. If the need becomes apparent, Staff will make requests through the annual budget process.

The proposed opportunity for Council to set an annual tax levy rate will significantly impact the corporation and build a default annual service review function that will be reported through the annual budget process. It is anticipated that in the next three years, the administration will have to manage contract negotiations which could significantly impact the overall costs of providing services. In addition, the effects of existing commercial development appealing their MPAC assessment versus new growth-related assessment is considerable and outside the municipality's control. Over the past three years, new changes in assessment have generated more than \$2 million in new revenue for the City. However, the City has expensed \$2.3 million through commercial appeals and assessment write-downs over the same period. This prevents the City from taking full advantage of the work associated with all the services that build growth.

Overall, Management believes that the value of implementing the attached Service Review Priority Opportunity Action Plan will bring more than \$2 million of direct and indirect savings over this term of council which is equivalent to 10 per cent of the gross operating budget. This estimate includes the savings of \$720,000 attributed to Service Review in the current budget cycle.

Communication Strategy:

Following the Open Report, a media advisory will be published summarizing the Service Review Priority Opportunity Action Plan and any amendments that Council may have. The Advisory will frame the benefits from a Citizen's perspective. In addition, the City Manager will meet with Staff teams throughout the corporation for a Q&A style presentation and discussion. Smaller groups will hopefully allow for more significant discussion. During the development of the Service Review Priority Opportunity Action Plan, Directors met with their respective management teams to discuss the opportunities and seek additional input. Other levels of the organization have been updated on the overall status of the Service Review through email touchpoints and a dedicated landing page on the corporation's intranet.

Consultation:

Strategic Leadership Team

Attachments:

Attachment 1 - Service Review Priority Opportunity Action Plan

Recommended by:

Strategic Leadership Team

Submission approved by:

Tim Simmonds, City Manager

For more information on this report, please contact Tim Simmonds, City Manager at tsimmonds@owensound.ca or 519-376-4440 ext. 1210.