

Memorandum



BUDGET COMMITTEE
MEETING: January 31 2011
ACTION ITEM 53

TO: Chair and Members, Budget Committee

FROM: Brenda R. Breault, CMA, MBA
Commissioner of Corporate Services & Treasurer

DATE: January 26, 2011

SUBJECT: Budget Committee Action Items – January 24, 2011

In response to Mayor McCallion's request for 2010 statistics for telephone calls as compared to other municipalities' call centres, the following table shows results from a quick poll of municipalities across Canada. It is important to note that there are many differences in how service is provided and the types of calls handled in each municipality.

REGION/CITY	CALL VOLUMES	COMMENTS
Peel Region	851,838	Upper Tier Population: 1.2 million
Calgary	1,191,483	Single Tier Population: 1.1 million
Kitchener	178,617	Lower Tier Population: 220,000
Newmarket	94,616	Lower Tier Population: 82,000
Vaughan	187,296	Lower Tier Population: 280,000
Kingston	188,479	Single Tier Population: 120,000
Mississauga	281,036	Lower Tier Population: 734,000

We will continue to work with the Municipal Service Delivery Officials (MSDO) to advance the development of meaningful benchmark comparables. The MSDO currently has 33 municipalities representing 8 Provinces as members and also has The Institute for Citizen Centred Services (ICCS) as an associate member. The ICCS has done excellent customer service research across Canada including the Citizens First research.

Through the Business Planning process we have introduced metrics to demonstrate value and to monitor our performance and will continue to pursue relevant and comparable benchmarks.


Brenda R. Breault
Commissioner of Corporate Services & Treasurer

Memorandum



**BUDGET COMMITTEE
MEETING: January 31 2011
ACTION ITEM 57**

TO: Chair and Members of Budget Committee

FROM: Brenda R. Breault, Commissioner of Corporate Services & Treasurer

DATE: January 26, 2011

SUBJECT: Response to Budget Committee on Payments in Lieu of Taxes

At the Budget Committee meeting of January 24, 2011, Mayor McCallion requested information about the Payments in Lieu of Taxes for hospitals, and federal / provincial facilities.

Payments in Lieu of Taxes (PILTs) are required by federal and provincial statute to be made on federally and provincially owned properties as these levels of government are exempt from property taxation. The PILTs are intended to compensate the municipality for the lack of property taxation revenue from these properties. Most PILTs paid by the Province are calculated using the property taxation rules established by the Province and assessment as determined by MPAC. However, the Minister has discretion and may choose not to pay a PILT. Some PILTs such as railway rights-of-way and those for hospitals and universities are based upon a formula established by the Province. Some PILTs may be shared with the school boards or with the Region but the sharing rules vary depending upon the property. The two PILTs the City receives on federal property, for the airport and Canada Post lands, are discussed later in this memo.

The following chart shows the major PILTs received by the City of Mississauga.

Organization	2010 PILT (\$)	City Share (\$)
Atomic Energy Canada	478,815	348,183
Canada Post	1,172,443	850,644
Management Board Secretariat	225,306	82,402
Metrolinx	478,681	177,290
Ministry of Transportation	217,409	54,851
LCBO	7,554	2,827
Polish Embassy	2,185	617
Greater Toronto Airport Authority	26,143,067	18,967,609
Canadian National Railway	238,908	38,120
Canadian Pacific Railway	225,657	36,006
Hydro One Networks	1,511,032	1,096,301
Orangeville Railway	12,505	9,073
Trillium Health Centre, Credit Valley Hospital, University of Toronto	834,900	312,489

The calculation of PILTs for hospitals and universities is based upon attendance figures (ie. heads) or number of beds as determined by the Ministry of Municipal Affairs and Housing and for 2010 was as follows:

Trillium Health Centre (Mississauga Site)	610
University of Toronto, Mississauga	10,156
Credit Valley Hospital	366

The payment is \$75 per head/bed and has not changed for many years. Staff have been advised that the estimated number of students at Sheridan College will be 1,760 by 2013.

The PILT paid by the GTAA is based upon the number of enplaned and deplaned passengers, three years in arrears as reported by Statistics Canada, multiplied by a rate of \$0.94029 per passenger (ie. 2011 PILT based upon 2008 passenger count). There has been no change in the per passenger rate since this formula was established in 2001 nor has cargo movement ever been included in the formula. The increase in the PILT is capped at 5% annually while any decrease in the PILT due to a decline in the number of passengers is unlimited. The PILT revenue lost as a result of capping has accumulated to \$9.5 million at the end of 2010. Canada Post pays a PILT based upon current value assessment as established by MPAC similar to any other taxable property in the City. The GTAA and Canada Post PILTs are shared between the City and Region with the education portion of these PILTs being retained entirely by the City.



Brenda R. Breault, CMA, MBA
Commissioner of Corporate Services & Treasurer
905-615-3200, Ext. 5395

c: Jeff Jackson, Director, Revenue and Materiel Management

Memorandum



BUDGET COMMITTEE
MEETING: January 31 2011
ACTION ITEM 58

TO: Chair and Members of Budget Committee

FROM: Brenda R. Breault, Commissioner of Corporate Services & Treasurer

DATE: January 26, 2011

SUBJECT: Response to Budget Committee on Vacancy Rebates

At the Budget Committee meeting of January 24, 2011, Mayor McCallion requested information about the cost of rebating taxes for vacant commercial/industrial properties.

The City of Mississauga is mandated to have a Vacant Unit Rebate Program under Section 364 of the *Municipal Act*. Rebates are issued to owners who submit a vacancy rebate application to substantiate that all or a portion of a commercial or industrial building has been vacant for at least 90 days.

Revenue lost to the City in 2010 due to vacancy rebates was \$1.2 million. The comparable loss of revenue in 2009 was \$750,000.

Approximately 1,100 applications are processed annually for the Vacant Unit Rebate Program. The program requires 2.5 FTE (City staff) to administer at an estimated cost of \$160,000. Staff are required to review the rent rolls, leases, sketches, prior years' vacancies and tenancies in order to substantiate that the space is truly vacant. Site inspections and discussions with the landlords and/or tenant may be held. Often the applications are missing information and substantial follow up is required. As well, when an appeal is successful, the rebate must be recalculated.

A handwritten signature in cursive script that reads "Brenda R. Breault".

Brenda R. Breault, CMA, MBA
Commissioner of Corporate Services & Treasurer
905-615-3200, Ext. 5395

c: Jeff Jackson, Director, Revenue and Materiel Management

Memorandum



BUDGET COMMITTEE
MEETING: January 31 2011
ACTION ITEM 60

TO: Chair and Members of Budget Committee

FROM: Brenda R. Breault, CMA, MBA
Commissioner of Corporate Services and Treasurer

DATE: January 24, 2011

SUBJECT: Allocation of Enersource Corporation Dividends

As requested at Budget Committee on January 24, 2011, the dividends received from Enersource over the past seven years are outlined below.

Dividends Received by the City of Mississauga	
2004	\$14,167,800
2005	8,010,000
2006	8,010,000
2007	9,302,400
2008	8,082,000
2009	10,380,000
2010	9,484,000
Total Received	\$67,436,200
2011 Revised Budget	\$ 9,000,000

A total of \$67,436,200 in dividend payments by Enersource have been received by the City for the years 2004 to 2010 inclusive. These dividends are included in the annual operating budget as a source of revenue. A dividend of \$9.0 million is being included in the 2011 budget based on estimates provided by Enersource staff.

A handwritten signature in cursive script that reads "Brenda R. Breault".

Brenda R. Breault, CMA, MBA
Commissioner of Corporate Services and Treasurer

c: Janice Baker, City Manager
Crystal Greer, Director of Legislative Services and City Clerk
Patti Elliott-Spencer, Director of Finance

Memorandum



TO: Chair and Members of Budget Committee

FROM: Brenda R. Breault, CMA, MBA
Commissioner of Corporate Services and Treasurer

DATE: January 27, 2011

SUBJECT: Summary of Transfer from Operating to Capital

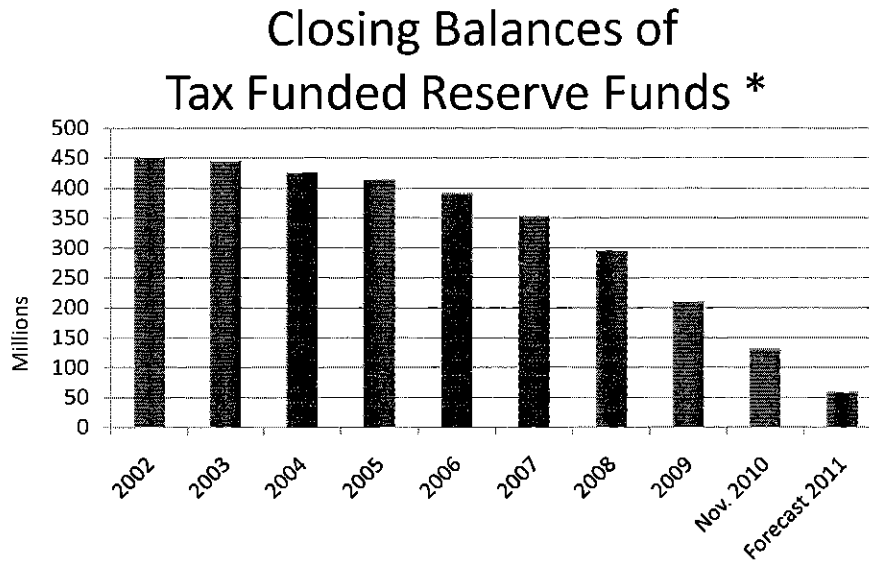
As requested at Budget Committee on January 25, 2011, this memorandum provides a summary of transfers from the operating budget to capital as well as the closing balances of the tax based capital reserve funds for the period 2002 to 2011.

Transfers from the operating budget to capital are outlined in the chart below. The significant reduction in the transfer to capital in 2006 was the result of the decision to re-allocate the principle portion of the Hydro Reserve Fund to the Capital Reserves. As a result, interest earnings of \$25 million on these funds were no longer available as a source of revenue in the Operating Budget. The interest accrues to the reserve funds until it is transferred to fund a capital project. The \$25 million loss in interest revenue was offset by reducing the transfer to capital to \$15 million from approximately \$40 million. Also, at that time, it was decided to further reduce the transfer to capital by \$4.7 million to reduce the 2006 tax rate increase by 2.2%.

Year	Transfers from Operating to Capital
	(\$'000)
2002	40,307
2003	40,831
2004	39,660
2005	39,317
2006	9,600
2007	13,200
2008	16,020
2009	18,720
2010	18,720
Forecast 2011	21,690 *
Total	258,065

* Includes a 1% Infrastructure Levy

A graph showing the closing balances of the tax based reserve funds is provided below. The balances in these funds have been steadily declining as the tax funded capital program has averaged \$80.2 million per year while contributions average \$25.8 million per year over the 10 year period. For 2011, it is proposed that \$21.7 million be allocated to capital (including the 1% infrastructure levy). A total of \$105.1 million is being allocated out of the tax based capital reserve funds to fund the capital program.



Brenda R. Breault, CMA, MBA
Commissioner of Corporate Services and Treasurer



TO: Members of Budget Committee

FROM: Janice M. Baker, City Manager
and Chief Administrative Officer

DATE: January 27, 2011

SUBJECT: Region of Peel – 2011 Budget

Attached is a brief analysis by staff of the Regional Budget. The Region's budget detail was not available online at the time this was prepared so staff worked from the Mayor's copy. If you wish a more detailed analysis in any area, we have requested a copy of the Region's budget and can follow up with Council as required. One issue that has not been touched on in the budget is the issue of Regional Roads.

The Region of Peel in collaboration with Brampton, Caledon and Mississauga are undertaking a review of alternative options to assign jurisdiction of the major arterial roads throughout the Region. Phase I defined the major arterial roads and generated the options for the uploading or downloading of jurisdictional responsibilities. Phase II, currently underway is focused on generating an evaluation methodology and criteria for the assessment and evaluation. A consultant was hired to undertake this work. Each option being reviewed will have financial, planning and operational implications. The work being prepared will summarize this information.

A draft report has been prepared which is currently being reviewed by staff from the Region and area municipalities. Once completed, a report will be going forwarded to Regional Council's Arterial Road Review Ad hoc Steering Committee.

Depending on the final recommendations coming out of Regional Council it would be beneficial for staff from the Region of Peel and the City of Mississauga to look for opportunities to deliver services more efficiently for the taxpayers by considering additional contracting between the City and the Region. This would be similar to the arrangements currently in place where the City maintains Cawthra, The Queensway and Winston Churchill (south of Dundas) which are Regional Roads. It will take time for to evaluate and consider potential opportunities but staff will be working with Regional staff during 2011 to explore these subject to the outcome of Regional Council decision's from the Arterial Roads Rationalization Review.

A handwritten signature in black ink, appearing to read 'Janice M. Baker'.

Janice M. Baker, CA
City Manager and Chief Administrative Officer

/attachment

Region of Peel – Regional Council – Jan. 27, 2011

Comments provided by Patti Elliott-Spencer, Finance

2011 Budget Document

Region of Peel 2011 Budget Comments

Tax Supported Budget has a proposed tax increase of 2.5%, total expenditures \$1.36 billion. It includes Region controlled services and external agencies. The Impact on total tax bill (Region, City, Education) is 1.2%. (Combined with City Budget total increase in property tax bill would be 3.4%)

- Region controlled services requires a tax levy increase of 0%
 - Includes 1% infrastructure levy
 - Total expenditures \$980.2 million, tax levy \$477.4 million
 - Includes Upload savings total \$26.6 million – this is equal to a 3.3% tax levy impact
 - If the upload savings were not available, the increase in Region controlled services would have been 2.3%, and total tax levy increase 4.8%
- External Agencies require a 2.5% tax levy increase
 - Total expenditures \$387.9 million, tax levy \$353.1 million
 - Peel Police 7.7%
 - Conservation Authorities 17.7%
 - MPAC 3.5%
- Utility Rate Supported Budget – Rate Increase of 9.1%
 - Includes 3% for Infrastructure
 - Total expenditures \$277.7 million
- Impact on a Residential Tax Payer
 - Per 100,000 of assessment – approx. \$12
 - House assessed at 350,000 - \$41
 - House assessed at 450,000 - \$52
 - Utility rate impact on residential -\$36

- Increase in FTE's 139.4, including 32 for Police, details page 24 of binder.
- Four Year Forecast of Tax Increases
 - Details are provided on page 17 of Executive summary
 - Total tax impact -2012 – 3.7%, 2013 – 2.6%, 2014 – 4.4% - includes 1% infrastructure levy in each year
 - Utility Rate Increase – 2012 – 5.5%, 2013 – 4.0%, 2014 – 3.8%

Main Drivers of 2011 Tax Levy Increase

- Total increase in the property tax levy is \$34.2 million
- Police accounts for \$22.2 million:
 - \$16.1 million due to salaries and benefit costs, including annualization of 27 new officers in 2010
 - \$4 million for 27 new front line staff and \$0.4 million for 5 additional communicators
- Conservation Authorities account for \$2.1 million (17.7% increase), primarily for capital projects
- Waste Management accounts for \$5.6 million for phasing in of \$3 million in lost revenue and \$1.4 million in HST costs
- Human Services – 7 new FTE's
 - Early Learning and Child care – increase of \$4.7 million, \$2.3 million due to elimination of parental co-payment approved in 2010, balance salaries, benefits and inflationary pressure
 - Housing is up \$4.7 million - \$3.8 million for rent geared to income and rent supplements; annualized cost of \$0.5 for RGI/rent supplements approved in 2010, and inflationary increases for salaries and benefits
 - Social Assistance, Employment Homelessness up \$2.8 million – inflationary pressure for salaries, benefits, rent costs offset by saving of \$3.0 million due to reduction of 715 in the average monthly caseload
 - These costs are more than offset by the upload savings of \$26.6 million
- Health Services – 55.8 new FTEs
 - Long term care base up by \$1.6 million – salary and benefits \$1.5 million, other inflation \$660,000, offset by increased grants of \$1.6 million. New initiatives to meet Long Term Care Homes Act, Bill 168 and Health & Workplace Safety
 - Public Health up \$1.8 million primarily for year two of the implementation of Public Health Four year plan

- Internal services up \$4.3 million. Includes \$1.5 million for 22 new staff and inflation
- Non-Program up \$8.1 million for the 1% infrastructure levy
- Utility Programs – Water up \$13 million or 9.8%, Wastewater up \$7.4 million or 7.3%. Proposed rate increase 9.1%. Electricity accounts for 5% of the rate increase. Also includes 3% for Infrastructure and new initiatives for reducing climate change.

Up loading Savings:

- 2011 savings are \$26.6 million
 - Toronto Tax savings - \$10.1 million, remaining budget is \$20.3 million and will be fully phased out by 2013
 - ODSP Savings - \$15.7 million – now fully phased out and 100% provincial responsibility
 - OW Benefits Savings - \$800,000 – upload continues to 2018

Capital Budget:

- 2011 Capital Budget totals \$844.5 million, ten year forecast \$4.87 Billion
- Debt for non-DC projects \$102 million over ten years (City debt forecast is \$446 million over ten years)
- 70% of 2011 Capital Budget for water and wastewater
- Includes 200 affordable housing units @ \$56 million
- \$374 million for water plant facilities and distribution systems
- \$133.6 million for wastewater trunk sewers.
- 47% of 2011 and ten year forecast funded from Development Charges



Corporate Report

**BUDGET COMMITTEE
MEETING: January 31 2011
ACTION ITEM 67**

BUDGET COMMITTEE

JUN 11 2008

COPY

DATE: June 4, 2008

TO: Budget Committee
Meeting Date: June 11, 2008

FROM: Janice M. Baker, CA
City Manager & and Chief Administrative Officer

SUBJECT: Efficiency Review of City Operations

COPY

RECOMMENDATION: That Council provide direction on the preferred option for identifying cost savings opportunities through efficiency reviews.

BACKGROUND: On May 13, 2008, Budget Committee expressed an interest in engaging an external consulting firm to take an objective look at our services, to ensure all opportunities for efficiency are explored, best practices are used and innovative ideas to save money or increase revenues are fully examined. Specifically, the Budget Committee requested that the City Manager explore the options and prepare a report for Council's consideration on the terms of reference, expected time lines and estimated cost of such a review.

PRESENT STATUS: Past Initiatives
The City of Mississauga has a long history of operational reviews to ensure that the most efficient processes and practices are used, opportunities for new revenues are taken advantage of, and effective management controls are in place to get the best value from budgeted resources. In many service areas staff regularly compare performance, user fees and wages against our counterparts in comparable cities in both Canada and the US to ensure service value remains competitive with the best in the field. City services are regularly held up for scrutiny and staff are challenged to manage expenditures carefully

while taking advantage of every practical opportunity to reduce costs and increase revenues. As a result of this work, the Corporation has been able to effectively contain the costs of responding to the public demand for new and expanded services for many years.

External consulting firms have been used by the Corporation to provide an objective review of a number of areas of the organization, identifying cost savings, best practices and the most cost effective methods for service delivery. Examples of external consulting reviews in the past three years include: the review of Departmental Administrative Services (Finance, HR & IT), Community Center Maintenance Operations Review, Service Delivery Model Review for Emergency Services, IT Business Application Simplification, Infrastructure Asset Management Process for Roadway Rehabilitation, Transit Financial Planning Model, BRT Project Management and Risk Identification, Electricity Procurement Model, Corporate-Wide Energy Audit, Counter Services Strategy, Traffic ITS Strategy, and a Fees and Charges Review for Development Applications.

In addition to reviews conducted by external consultants, many areas of the Corporation have been reviewed with the assistance and support of our internal Management Consulting group to identify the most efficient staffing levels, organizational structure and work processes, examples from the past three years include reviews in the following areas: Communications, City Clerk's Office, Central Stores, Print Shop, Records Management, Call Centre Consolidation, Fire Prevention, Transit Maintenance, Winter Maintenance, Traffic Management Centre, Street Lighting, Development Approvals, Corporate Fleet Maintenance, Capital Budgeting Process, IT Business Case Process, Disability Management Program, Municipal Election processes, and the Mayor's Office.

Current Approach

Recognizing the financial challenges facing the organization, and the importance of demonstrating and/or improving the efficiency and long-term sustainability of City services, the Leadership Team adopted the e3 Program, which was presented to City Council on June 27th 2007, as a structured framework for the review of all City Services and a pivotal component of the strategy to "Build a

Sustainable Business Plan”.

Overall, City staff continue to be committed to seeking out cost saving measures and incorporating innovative ideas to deliver services more efficiently as they have done in the past. Opportunities for additional cost savings in city operations are certainly possible. However, as a consequence of our continuous examination of City services for efficiency improvements and new revenue opportunities in past years, new options with the potential for significant and immediate budget reductions that do not affect front-line services appear to be limited.

COMMENTS:Experience of Other Cities

Research on the experience of Cities across Canada reveals several examples of reviews that have been undertaken to reduce the cost of city services. The most obvious examples in recent history include the restructuring of municipal services and operations in several large Ontario cities to create a single tier municipality through municipal amalgamations. The results of these initiatives were primarily focused on staff reductions to eliminate duplication and redundant services. For example, the City of Ottawa was merging twelve local municipalities with the regional municipality of Ottawa-Carleton to create the new City of Ottawa. While significant operating cost savings were achieved through staff reductions in many cases, up-front transition costs were substantial and budget relief has proven to be only temporary. Restructuring the City of Mississauga would not have the same scale of opportunities for cost savings as was available in these Cities because we do not have the obvious redundancies and duplication as is the case when merging multiple administrative structures.

A number of Cities have used external consultants to support a review of City Services, very similar to the City of Mississauga's City Services Review (CSR) undertaken in 2003/2004. External consulting firms have been used to set up sophisticated evaluation frameworks and in some cases public engagement processes, at considerable expense and investment of staff time. For the most part, these reviews have not been effective in identifying options for service reduction that deliver significant sustainable cost savings, or practical options that City Council's were willing to implement.

The City of Ottawa has recently engaged a consulting firm to act as an external 3rd party challenger to review the City's Administrative Branches and Programs. The intention of this review was to find \$27 million in savings over the next three years that could be used to offset current budget pressures. A recent report put forward by the consulting firm concludes that it was "difficult to identify cost savings, but opportunities to clarify accountabilities and reorganize will provide efficiencies." There is no clear evidence of any direct cost savings resulting from this initiative.

The City of Vancouver has not undergone a corporate-wide efficiency review in recent years, however, they have set up an internal team under a new General Manager of Business Planning that is driving shared services, new models for service delivery, as well their Director of Finance is driving a multi-year budget process.

The last time the City of Edmonton engaged an external consulting firm to undertake a corporate-wide efficiency review was approximately 10 years ago. They now have an internal Auditor that reports directly to City Council who does 2 or 3 efficiency audits a year a branch at a time, similar to the City of Mississauga's e3 Program.

The City of Calgary engaged an external consulting firm for an organizational review in 1998. The review took a two phased approach and cost the City approximately \$10 million in direct and indirect expenses in total over a three year period. The first phase of the review was to conduct customer service benchmarking, scoping and building the case for future work. The areas of focus identified in Phase One of the review mapped out a very comprehensive and aggressive work plan for the organization that turned out to be unachievable. The review was successful in introducing a new organizational structure and customer service framework including 311 technology, but failed to deliver the targeted \$21 million in savings. In reflection, this review was considered to be too broad brush and too invasive to the organization.

The City of Winnipeg undertook a restructuring in 1994 which resulted in a reduction of approximately 23% of middle and senior management positions saving approximately \$10m annually. In 1997,

an external consulting firm was hired to conduct a full organizational review. The consultant recommended changes to the political and administrative systems, further reducing senior management positions. With a tax freeze (or reduction) in the City of Winnipeg since 1996, budget cycles have been used to drive down costs to the fullest degree resulting in gradual shifts in resources from internal services to public services with some reductions in front line services. Winnipeg continuously looks at alternative service delivery and contracting out, and two special purpose Commissions spearheaded by the Mayor were set up to explore particular areas of opportunity for cost savings and new revenues. External consultants have only been used to review specific areas of opportunity such as Information Technology systems.

Local school boards have engaged external consulting firms in the past to evaluate the efficiency of transportation services, facilities management and administrative support services with some degree of success. It is interesting to note that a recent review of the Toronto District School Board Information Technology function by KPMG concluded that this function was under funded, resulting in increased spending on this function. The Ministry of Education announced in 2007 that it has engaged two consulting firms to conduct operational reviews of all 72 District School Boards over the next three years. The focus of these reviews is on the assessment of Key Performance Indicators and the diffusion of leading practices across the Province. This type of review would be more straightforward than a review of City operations since the consulting firms are dealing exclusively with a Board that provides a single service and the Ministry has access to all comparator information within the scope of the review. School Boards are more homogenous than municipal government and easier to standardize across the sector to achieve efficiency improvements.

OPTIONS:

The research to date on the experience of other cities offers little guidance in developing a Terms of Reference for a corporate-wide efficiency review, revealing no clear examples of Canadian cities that have successfully achieved significant and sustainable cost savings with this approach. However, we have developed a framework for Council's consideration.

The City's External Auditor (KPMG) was consulted for advice on the

preparation of the proposed terms of reference for an Organization-wide Efficiency Assessment to ensure that this proposal represents an approach that is practical and effective and that the time and cost estimates are reasonable for the scope of work under consideration.

Option 1 - Organization-wide Efficiency Review

Description: The City of Mississauga would engage an external consulting firm, reporting directly to City council to conduct an objective third party evaluation of the efficiency of City operations corporate-wide, clearly identifying areas of opportunity, quantifying the potential for cost savings, providing specific action plans to achieve the expected results, and the expected timeframe for results to be realized.

Scope: The Consulting Firm will be expected to validate areas of excellence, introduce innovative ideas and best practices that explore all options for budget reductions through cost savings, efficiency improvements or new revenue opportunities. Cost savings through service level reductions will also be included within the scope of this review to ensure all possible opportunities are explored. The review will look at both horizontal (corporate-wide) systems and vertical (service specific) systems and processes.

Approach: Typically, corporate-wide efficiency reviews are completed using a two stage approach to achieving cost savings, consisting of 1) a broad organizational scan to identify and diagnose significant efficiency gaps, followed up by 2) the detailed design and implementation of cost savings solutions. It is important to keep in mind that budget reductions will not be possible until stage 2 of the review is complete and any new operational processes are fully implemented and stabilized. It may be possible to get an estimate of the potential budget reductions resulting from proposed change initiatives by the end of 2008, but it is highly unlikely that any substantial opportunities for cost savings will be realized to address 2009 budget pressures.

The first part of the review would include an organizational scan that would 1) gather and document baseline performance and service level information and benchmark against comparators, 2) identify cost drivers, assessing and prioritizing efficiency gaps, 3) identify root

causes, constraints and strategies to eliminate inefficiencies, 4) develop a prioritized action plan to capture operational savings. Where service reductions are recommended, the public will be consulted.

When the organizational scan is complete, the second stage of the review would involve the detailed design of organizational change initiatives which may include: organizational restructuring, business process reengineering, contracting out strategies, service reductions etc., complete with a comprehensive implementation plan. The consulting firm doing this work would be expected to assist the organization to implement the planned changes, conduct a post implementation review and assist with the design of a performance management and continuous improvement approach for sustainable results.

The external consulting firm would require the active participation of many staff throughout the organization as well as the dedicated support of 10 to 12 internal staff at various points throughout the stage 1 process, with an average time commitment of approximately 8 weeks each. Service delivery staff are expected to be consulted throughout the review process and their input and feedback will be addressed at each stage in the process.

Depending on the scope and depth of opportunities identified in the stage 1 organizational scan, City Council may choose to use a combination of internal resources and/or various consulting firms in specific areas of expertise to complete the solution design and implementation planning stage of the review. The Stage 2 design and implementation work can be phased in over a number of years to fit within annual budget constraints as directed by Council.

Deliverables: Stage 1 of the efficiency review should provide City Council with the following:

1. Council approved framework for the evaluation and identification of budget reduction opportunities throughout the organization;
2. Report on organizational strengths and evident efficiency gaps based on quantitative and qualitative performance

metrics, comparative analysis with other municipalities and known best practices;

3. Prioritized action plan for change initiatives in areas of most opportunity, estimate of achievable cost savings or new revenue potential associated with each initiative net of any new investment required, identified risks and uncertainties, and projected timeframe for the realization of expected results.

Stage 2 of the efficiency review would provide City Council with the following:

4. Fully developed detailed design of organizational change initiatives
5. Comprehensive implementation plan clearly identifying resources, responsibilities, time lines and milestones including a communication strategy, workforce transition strategy, etc.
6. Report on post-implementation performance
7. Methodology and tools for performance management and continuous improvement

Governance: City Council should make all significant decisions related to this review, including approval of: the Request for Proposals, the selected consulting firm, the efficiency evaluation framework, the prioritized action plan for change initiatives, the budget and resourcing plan for Stage 2 of the review process, and the implementation plans.

In addition, it is recommended that a Steering Committee be established that includes at least four members of City Council to evaluate proposals and select the preferred consulting firm, provide ongoing direction to the consultants, and oversee the progress of the initiative to ensure Council's expectations are appropriately addressed and to maintain adequate independence from City staff.

Expected Time Lines:

Procurement and selection of the preferred consulting firm	7 to 8 weeks
Stage 1 Organizational Scan	4 months
Stage 2 Development of Change Initiatives and Implementation	Unknown

Estimated Cost:

Stage 1 Organizational Scan consulting fees	\$500K to \$1M
dedicated staff resources	\$250,000
Stage 2 Development of Change Initiatives and Implementation	Unknown

Advantages:

- This approach would allow City Council to gauge the full potential for operational efficiencies, service level adjustments and cost reduction across the Corporation from an objective third party perspective;
- Strengths of the current operation would also be validated from an objective third party perspective;
- A corporate-wide approach will allow for linkages and synergies among different areas of city operations to be identified and addressed in a comprehensive manner;
- The results of the review should provide the City with a comprehensive performance measurement system for service efficiency that can be adopted and maintained for future monitoring and management purposes;
- Areas of most opportunity will be identified to ensure a focused targeted approach to improvement so that the most time will be spent where the most opportunity exists; and
- Consultant's experience in the private sector and other government jurisdictions can be an effective way to introduce and integrate innovative ideas and best practices with City operations.

Disadvantages or Risks:

- Since there are no recent examples of similar types of reviews in Canadian Cities, it may be difficult to identify a consulting firm with the depth of knowledge and understanding of municipal services and the environment we operate within to perform an effective assessment of service specific cost saving opportunities;
- Given the experience of other cities, there is a risk that the achievable opportunities for savings resulting from this type of a review may not justify the cost of the consulting fees to identify and implement them;
- A Consulting firm conducting this review will be heavily dependant on City staff for information and discussion throughout the review process, and project timelines for Stage 1 of the review will coincide with the budget preparation window. There is the risk that the Corporation will not have the capacity to support an exhaustive review of operations in a short period of time without negatively impacting services to the public and time lines for priority projects;
- City Council will not know how much time and money will be required to develop and implement cost saving measures or the degree of improvement that will be achievable until the organizational scan and diagnostic stage of the review is complete. It is possible that the recommended prioritized action plan for change initiatives may require a commitment to consulting fees beyond existing budget constraints and may take longer than desired to achieve measurable budget reductions.

Option 2: Accelerate the e3 Program

Given the substantial cost of engaging an external consultant for this type of review and the possibility of realizing minimal results, an alternative lower cost option has also been prepared for the consideration of Budget Committee.

The Leadership Team has already established a process for the review of City services to identify cost savings opportunities, and our internal Management Consulting group is currently working on a number of service reviews with good results. The primary objective of the e3

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Program is to identify the most efficient way to deliver the expected service levels into the future by streamlining processes, eliminating inefficient practices and reducing low value-added activities. If cost savings are not achievable, increased user fees may be justified or proposed adjustments to the expected service levels may be considered to reduce the burden on the tax base.

Having our internal Management Consulting Group lead this program, reporting directly to the Leadership Team and City Council, was considered the best way to provide the support and expertise needed to keep this initiative moving forward and the third party perspective to validate an objective view of performance.

The e3 Program is designed to complete an in-depth assessment of all City Services by:

- i. documenting and assessing the service delivery model including established performance objectives and all significant cost drivers;
- ii. observing, measuring and evaluating service efficiency and effectiveness based on quantitative and qualitative information, benchmarking with comparable municipalities where possible;
- iii. researching and exploring best practices and innovative ideas for improvement for each service, engaging external expert advisors in specific areas to challenge conventional thinking and validate new ideas;
- iv. working directly with service delivery staff to develop workable options for cost savings and performance improvement; and
- v. developing action plans to effectively implement improvements that are practical, appropriate, and innovative.

Considering the current capacity of the internal Management Consulting Group, the existing work plan includes the review of six to ten City Services per year (appendix 1), with progress reported to the Leadership Team and results presented to City Council incorporating all cost savings opportunities into the annual budget process as they

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come forward. Approximately 15-20% of the operating budget can be reviewed annually with existing resources, with all City services reviewed in a 6 year timeframe.

The core elements of the e3 Program are very similar to the methodology an external consulting firm would provide, with the primary distinction being that all City services will be reviewed in depth, without the benefit of an Organizational Scan to identify areas of most opportunity.

As an alternative to a comprehensive organization-wide assessment of operational efficiency conducted by an external consulting firm, City Council can choose to accelerate the progress of the e3 Program by engaging external consulting resources and/or seconding internal staff resources to this initiative to allow for the review of more City Services in a shorter period of time. Depending on how aggressive Council would like to be in completing city service reviews and the degree of dependence on external consultants vs internal staff, the additional investment in the e3 Program could range from an estimated \$250,000/yr to complete the review of all City Services by the end of 2012, to \$800,000/year to complete the review of all City services by the end of 2010.

City Council also has the option of allowing the e3 Program to progress as planned with all City services reviewed by the end of 2014 without any additional budget expenditure in this area. City Council may choose to be directly involved in setting the priorities for services to be reviewed each year.

Advantages:

- The annual cost of the review process is more manageable depending on how aggressive Council would like to be in the review of City Services;
- This approach builds on an initiative that has been recently established and communicated corporate-wide and leverages the expertise and experience of existing internal resources that have demonstrated the ability to conduct a thorough and objective review of City operations, using external consulting resources where appropriate;

- The engagement of external consulting resources into the e3 Program may improve access to innovative ideas and best practices that could be integrated with City operations; and
- All City services will be reviewed in-depth to ensure that all opportunities are fully examined.

Disadvantages or Risks:

- This approach may take longer to complete because of the level of detail of analysis and the number of City services that will need to be reviewed;
- The use of internal resources to conduct service reviews may compromise the perception of objectivity in the eyes of the public;
- Since all City services will be reviewed it is possible that in some cases resources will be used to review City services that have little or no potential to deliver cost savings;
- The cost savings opportunities will be revealed gradually over time as each service review is completed so City Council will not be able to anticipate or plan for the full potential of cost savings through efficiency improvements and the expected impact on the budget.

FINANCIAL IMPACT: **Option 1** – Organization-wide Efficiency Review is expected to cost between \$500,000 to \$1 million in consulting fees and approximately \$250,000 in dedicated staff resources to complete Stage 1 of the review process only. It is important to keep in mind that additional resources will be required to design change initiatives and implement them to allow the City to realize actual cost savings which would be at an additional cost. These costs cannot be estimated at this time.

Option 2 – Accelerate the e3 Program is expected to cost between \$250,000/yr to complete the review of all City services by the end of 2012, to \$800,000/yr to complete the review of all City services by the end of 2010.

The decision to allow the e3 Program to progress as planned with all City services reviewed by the end of 2014 would not require any additional budget expenditures in this area.

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CONCLUSION:

The research that has been gathered to date shows that cities across Canada do not typically rely on corporate-wide efficiency reviews to drive budget reductions, and those that have hired external consulting firms to review their organizations have not been very successful in achieving substantial and sustainable cost savings as a result. There are potential advantages and risks associated with this approach, but if done effectively City staff are open to exploring any new opportunities that may be identified that would improve the long-term sustainability of City services.

Considering all of the possible options for such an undertaking, the most effective approach would involve a two stage processes, starting with an organizational scan that scopes out the full potential for savings and recommends a targeted and prioritized plan of change initiatives that can be phased in at a pace that is both manageable and affordable.

It is expected that the first stage of the review would take approximately four months to complete, and could deliver an estimate of potential savings and prioritized work plan for change initiatives by the end of 2008 if the procurement process was to start immediately. Additional time and resources would be required to fully develop and implement solution so that cost savings can be realized from the opportunities that are identified.

Consulting fees for the first stage of the efficiency review is expected to be between \$500,000 and \$1 million. The full cost of harvesting any opportunities that are identified cannot be estimated until Stage 1 of the review process is complete.

An alternative option for Council to consider is the acceleration of the e3 Program, reviewing more City services in a shorter period of time. This could be achieved by engaging external consulting resources and/or seconding internal staff to this initiative. It is estimated that all City services could be reviewed by 2012 with an investment of \$250,000 a year into the e3 Program, and with an investment of \$800,000 a year all City services could be reviewed by the end of 2010.

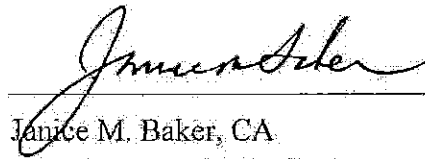
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City Council also has the option of allowing the e3 Program to progress as planned with all City services reviewed by the end of 2014 without any additional budget expenditure in this area.

ATTACHMENTS:

Appendix 1: 2007 – 2010 e3 Work Plan

Appendix 2: Program Structure for e3 Reviews



Janice M. Baker, CA

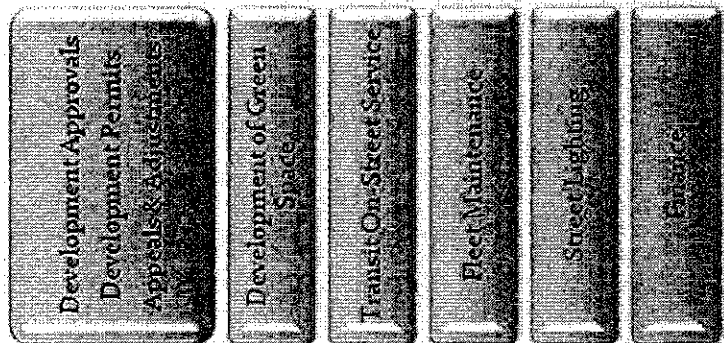
City Manager & Chief Administrative Officer

Prepared By: Laurie Majcher, Manager Management Consulting

e3 - 2007 - 2010 Work plan

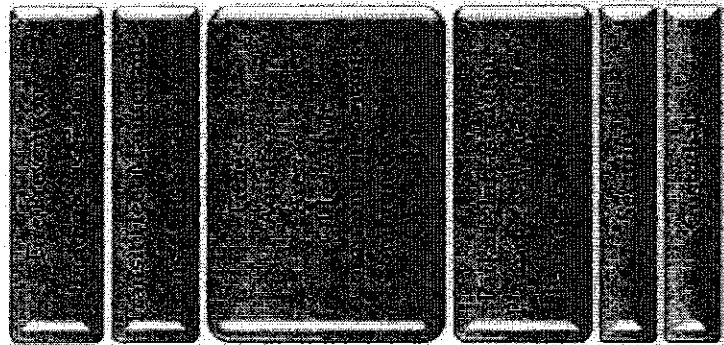
2007/08

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20%



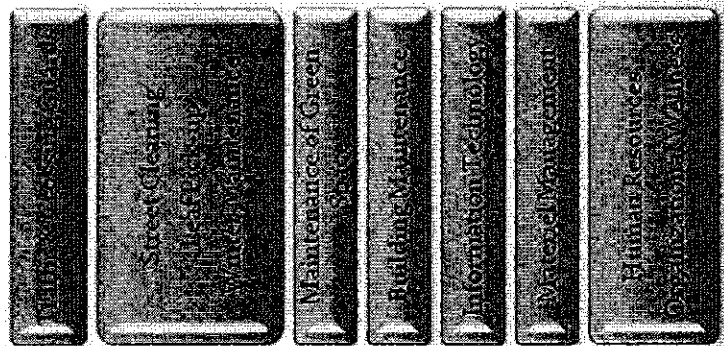
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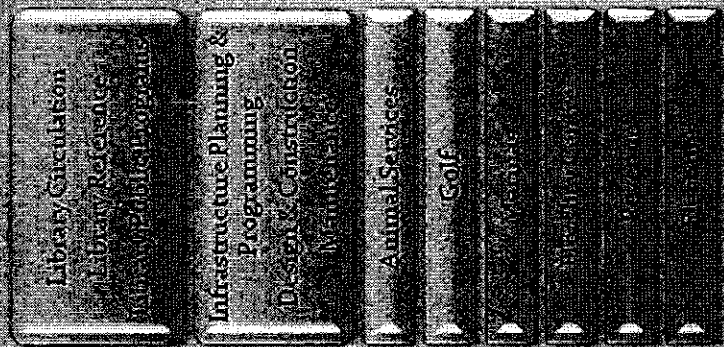
2009/10

\$73.4 m
17%



2010/11

61.3m
14%



BUDGET COMMITTEE

JUNE 11 2008

Structure for e3 Reviews

BUDGET COMMITTEE

JUN 11 2008

Strategic Policy

City of Mississauga

Human Resources

Information Technology

Legal Services

Material Management

Records Management

Customer Service

Business Services & Corporate Assets

Finance

Revenue

Information Technology

Human Resources

Legal Services

Material Management

Records Management

Legislated Services

POA Court

Prothonotary

Elections

Council & Committee Support

Regulatory Services

Planning & Development

Building & Construction

Fire & Emergency Services

Animal Services

Land Development Services

Planning & Development

Building & Construction

Fire & Emergency Services

Animal Services

Roads, Storm Drainage & Watercourses

Planning & Development

Building & Construction

Fire & Emergency Services

Animal Services

Recreation & Parks

Fitness

Aquatics

Arenas

Community Programs

Community Centres

Horsing Centre

Golf

Arts & Culture

Arts & Culture

Arts & Culture

Arts & Culture

Arts & Culture

Arts & Culture

Arts & Culture

Arts & Culture

Mississauga Library

Library Reference

Library Circulation

Library Public Programs

Library Public Programs

Library Public Programs

Library Public Programs

Library Public Programs