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Region of Waterloo

Service Review

Final Report

September 3, 2015

Disclaimer

This report is based on information and documentation that was made available to KPMG at the date of this report. KPMG has not audited nor otherwise attempted to independently verify the information provided unless otherwise indicated. Should additional information be provided to KPMG after the issuance of this report, KPMG reserves the right (but will be under no obligation) to review this information and adjust its comments accordingly.

Pursuant to the terms of our engagement, it is understood and agreed that all decisions in connection with the implementation of advice and recommendations as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the Region of Waterloo. KPMG has not and will not perform management functions or make management decisions for the Region of Waterloo.

This report includes or makes reference to future oriented financial information. Readers are cautioned that since these financial projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material.

Comments in this report are not intended, nor should they be interpreted, to be legal advice or opinion.

KPMG has no present or contemplated interest in the Region of Waterloo nor are we an insider or associate of the Region of Waterloo or its management team. Accordingly, we believe we are independent of the Region of Waterloo and are acting objectively.

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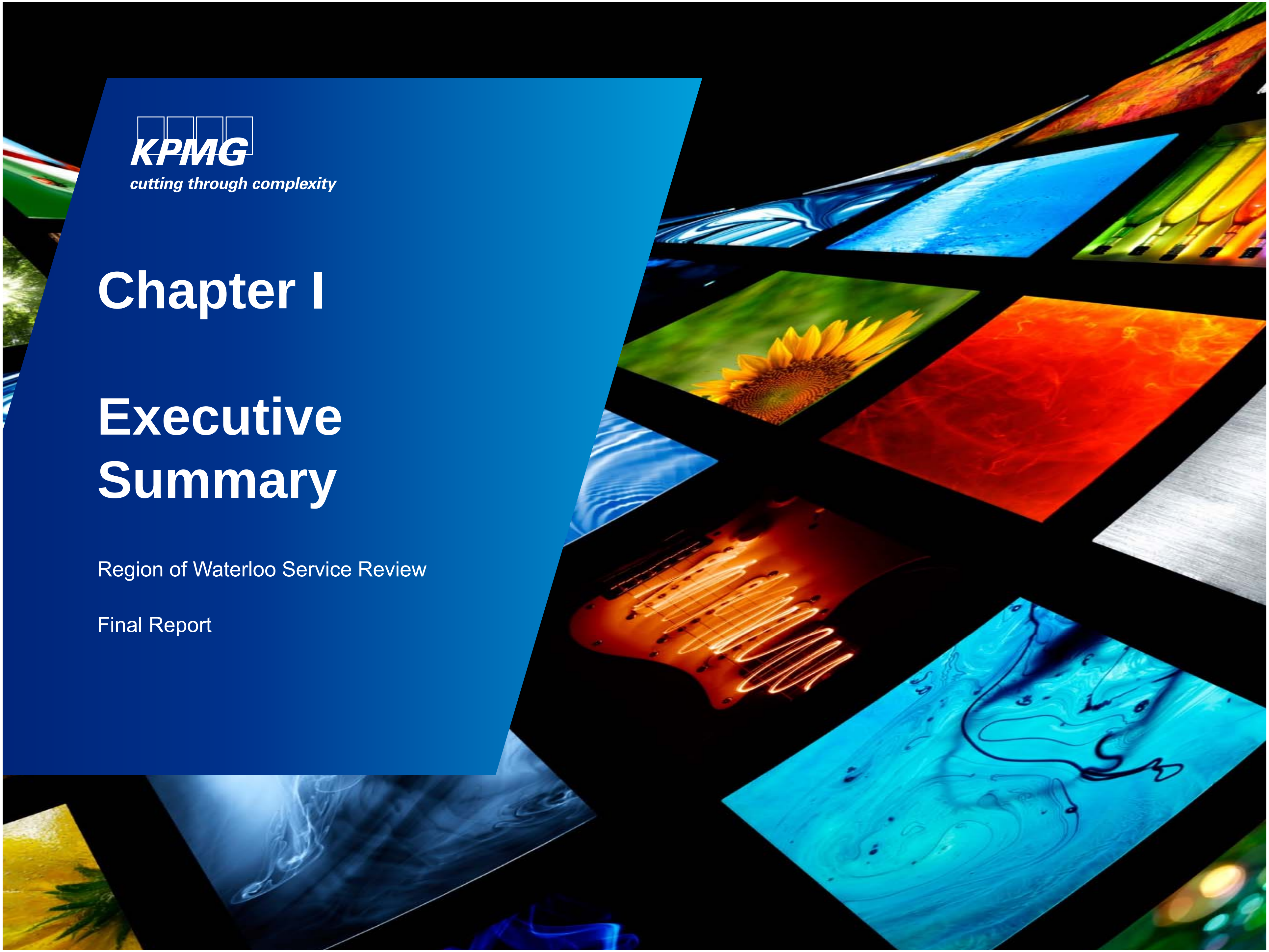
Chapter I

Executive Summary

Region of Waterloo Service Review

Final Report



Executive Summary

Located in Southwestern Ontario with a population of over half a million people, Waterloo Region is one of Ontario's growth areas. The Region's population growth rate from 2006 to 2011 surpassed both the provincial and national averages, becoming the 10th largest metropolitan area in Canada and the fourth largest in Ontario. In addition, over 50,000 students attend its local universities and college full-time and live within the Region's member municipalities. In total, the Region of Waterloo provides services to approximately 563,000 residents. Over the next twenty years, Waterloo Region is projected to add an additional 200,000 residents to its population.

This growth in population and the expected future growth for the Region has caused both the elected and non-elected leadership of the Region to think about the efficiency and effectiveness of Regional service delivery, and possible changes to services and service levels. As part of this consideration of Regional services, KPMG was retained to undertake a service review to understand whether the Region is providing the desired level of service as efficiently and effectively as possible, and identify ways to enhance the efficiency and effectiveness of the Region's services.

Scope of Work

The Service Review project consisted of the following five phases of work.

1. **Project Planning**: KPMG met with the Audit Committee, CAO and Project Team to clarify expectations, refine lines of inquiry and develop a subsequent work program for the engagement. This was summarized in a project charter.
2. **Service Profiles**: KPMG developed an inventory of programs and services provided by the Region using KPMG's Municipal Reference Model. The inventory of programs and services was created through a series of work shops with the leadership of each Regional department and the review of key corporate documents (budget, financial statements, operational plans etc). To inform the development of the service profiles, interviews were conducted with Council members and the Corporate Leadership Team. As well, the public was asked through an online survey to identify what services were important to them as citizens. This survey was conducted as part of the Region's strategic planning process that was occurring in parallel to the Service Delivery project.
3. **Benchmarking:** KPMG surveyed five comparator municipalities and benchmarked Regional services to identify opportunities for improved efficiencies and effectiveness. The results of the benchmarking were included in the service profiles for each Regional department.
4. **Analysis:** Using the service profiles, KPMG identified a long list of potential opportunities for improved efficiency and effectiveness in the delivery of Regional services. Through a series of workshops with the staff working group and the steering committee, the long list of potential opportunities was grouped into three categories: opportunities already in process, opportunities requiring additional follow-up, opportunities not to be pursued. Finally, through a half day workshop the Steering Committee identified the five top opportunities for deeper analysis. KPMG then conducted more in-depth analysis and developed business cases for the five top opportunities.
5. **Final Report:** KPMG consolidated the work of the previous phases into a final report and presented a final report with practical, achievable and realistic recommendations on the Region's service delivery model.

Executive Summary

Overall Findings

The overall goal of the Service Review was to determine whether the Region of Waterloo is providing the best value to the community, or how the Region could provide even better value.

It is apparent at the conclusion of the project that the Region of Waterloo is a well managed organization with good governance practices. Accordingly, it is necessary to indicate that there is no low hanging fruit to offer Council as easy wins for cost savings or improved service delivery. The low hanging fruit has been picked through by previous Councils and Regional leadership. Several of the opportunities are transformational and will require some difficult decisions on the part of Council and the Region's corporate leadership team.

Top Five Opportunities & Recommendations

The top five opportunities are as follows.

Top 5 Opportunities	Recommendations
Not Renew Employment Ontario Contract	1. That the Region of Waterloo not renew its contract for direct delivery of Employment Ontario services at the conclusion of the current contract (March 31, 2016).
Shared IT Services	1. That the Region and interested municipalities (invite all area municipalities to participate) conduct a detailed review to further explore the feasibility of a shared data centre, and a shared service desk and deskside support service as a first step to expanded collaboration.

Executive Summary

Top 5 Opportunities	Recommendations
Road Maintenance Compensation	Restructure the road maintenance agreement based on the following principles to reduce the cost of road maintenance operations for the citizens of Waterloo Region. 1. Establish the same rate structure for all participating area municipalities; 2. Make the rate a combination of a fixed amount per km and a variable amount per km; 3. The variable payment should be tied to the Environment Canada reported snowfall record; 4. Municipalities should be able to manage expenses and retain any savings, subject to meeting the established service level; 5. The above changes can be implemented in the short term with any municipalities that agree, or introduced as part of the next contract negotiation; 6. That the Region explore with the townships the desire to merge road operations by having the Region purchase services from the townships – or sell services to the townships.
Optimize Airport Commercial Value	1. The opportunity for incremental cost optimizations and revenue increases exist. The Region should complete the master plan/business plan and present their approach to increasing revenue and managing both operational and capital expenses. 2. The Region should establish a net levy target for airport management to budget against to control operating and capital expenditures. 3. The Region of Waterloo should test the market for a range of private sector involvement to determine the level of interest from potential private sector partners to not only drive operational and strategic goals but also reduce the operational costs and impact on the property tax levy.

Executive Summary

Top 5 Opportunities	Recommendations
Child Care Service Manager	1. That the Region develop a detailed plan to phase out the five Regionally owned Children's Centres over a 5 year period, using the savings to expand the number of subsidized spaces available to be delivered by other childcare providers in the community 2. That the Home Child Care operation should continue at present, with these changes over time: a) Home Child Care should be expanded in areas as required to support the transition plan for the Children's Centres b) Encourage / facilitate the formation of a full service home child care agency in the community, serving all age groups.

Chapter II

Project Overview

Region of Waterloo Service Review

Final Report

Introduction and Background

Located in Southwestern Ontario with a population of over half a million people, Waterloo Region is one of Ontario's growth areas. The Region's population growth rate from 2006 to 2011 surpassed both the provincial and national averages, becoming the 10th largest metropolitan area in Canada and the fourth largest in Ontario. In addition, over 50,000 students attend its local universities and college full-time and live within the Region's member municipalities. In total, the Region of Waterloo provides services to approximately 563,000 residents. Over the next twenty years, Waterloo Region is projected to add an additional 200,000 residents to its population.

This growth in population and the expected future growth for the Region has caused both the elected and non-elected leadership of the Region to think about the efficiency and effectiveness of Regional service delivery, and possible changes to services and service levels. As part of this consideration of Regional services, KPMG was retained to undertake a service review to understand whether the Region is providing the desired level of service as efficiently and effectively as possible, and identify ways to enhance the efficiency and effectiveness of the Region's services.

This final report builds upon the interim report presented in April 2015. The interim report was an assessment of the current state of the Region's services through the compilation of service profiles for each one of the Region's services. These service profiles identified and described:

- Municipal services and service levels
- Service Quality
- Finances – costs, revenues
- Key resources used – (IT, equipment, facilities)
- Legislative environment
- Service Delivery (who delivers, to whom)
- Efficiency and Effectiveness measures
- Strategic Issues
- Comparative performance to peer municipalities

The final report contains a series of potential opportunities for improved operations that can potentially be achieved through the following:

- Elimination or transfer services, or increased cost recovery
- Changed service levels
- Alternative service delivery approaches
- Re-engineered services to increase efficiency and effectiveness

These opportunities are grouped into three categories: opportunities already in process, opportunities requiring additional follow-up, opportunities not to be pursued. Through a series of workshops with Regional Staff and the Steering Committee, five top opportunities were identified from this analysis that represent what was viewed to be the highest potential options. The final report's in-depth analysis of these top opportunities captures the current state of the service, the Region's position relative to its peers and other leading practices, and the identification of options to realize improved outcomes for the Region.

Objectives, Drivers & Project Principles

Project Objectives (How will we define success)

KPMG has been engaged by the Region of Waterloo to undertake a service review. The overall goal of the service review is to determine whether the Region is providing the best value to the community, or how the Region could provide even better value. Specific project objectives include:

- Understand whether the Region is providing the desired level of service as efficiently and effectively as possible, and identify ways to enhance the efficiency and effectiveness of the Region's services;
- Identify whether there are any changes to the level of service the Region should consider;
- Determine whether there are any programs or services the Region should no longer provide;
- Recommend mechanisms of continuous improvement that can improve the efficiency and effectiveness of Regional service delivery on an ongoing basis.

Project Drivers (Why are we doing this, what problem do we want to solve)

- As with all municipal and other orders of government, the Region of Waterloo is balancing service expectations and financial constraints. Carrying out service reviews is one of the strategies to ensure that the Region continues to provide the best value to the community, considering all opportunities to enhance the efficiency and effectiveness of its services, while taking into account fiscal and service impacts.
- To operate the Region in an efficient and effective manner while ensuring service excellence and sustainable service delivery.

Project Principles (What is important to us)

- The Service Review was a continuous improvement effort that required the support and direction of Council and the active participation from Regional staff in order to improve the service delivery to citizens; it was not an audit.
- The Service Review required the appropriate participation of community stakeholders at appropriate stages of the project.
- The project was meant to be a comprehensive, continuous and long term strategy to best meet the needs of the community and determine if the Region was providing the right services, for the right reasons and in the most effective and efficient way.
- The framework and approach was based on leading practice from municipal or other levels of government experience and/or private sector.
- The Service Review was informed by other ongoing strategic initiatives, eg: Strategic Plan.

Project Overview
Scope and Timing

It is common for both internal and external stakeholders to confuse an organizational review with a service delivery review given the widespread media attention of the Toronto Service Delivery Review.

A service delivery review is all about identifying municipal services that can be delivered in a new manner or at a different service level.

An organizational review instead is about the alignment of the organization's resources to most effectively and efficiently deliver those services.

Project Scope

- **Project Planning**: KPMG met with the Audit Committee, CAO and Project Team to clarify expectations, refine lines of inquiry and develop a subsequent work program for the engagement. This was summarized in a project charter.
- **Service Profiles**: KPMG developed an inventory of programs and services provided by the Region using KPMG's Municipal Reference Model. The inventory of programs and services was created through a series of work shops with the leadership of each Regional department and the review of key corporate documents (budget, financial statements, operational plans etc). To inform the development of the service profiles, interviews were conducted with Council members and the Corporate Leadership Team. As well, the public was asked through an online survey to identify what services were important to them as citizens. This survey was conducted as part of the Region's strategic planning process was that was occurring in parallel to the Service Delivery project.
- **Benchmarking:** KPMG surveyed five comparator municipalities and benchmarked Regional services to identify opportunities for improved efficiencies and effectiveness. The results of the benchmarking were included in the service profiles for each Regional department.
- **Analysis:** Using the service profiles, KPMG identified a long list of potential opportunities for improved efficiency and effectiveness in the delivery of Regional services, some of which were already underway and some that required further analysis. Through a series of workshops with the staff working group and the steering committee, the long list of opportunities was grouped into three categories: opportunities already in process, opportunities worth pursuing, opportunities not to be pursued. Finally, through a half day workshop the Steering Committee identified the five top opportunities for deeper analysis. KPMG then conducted more in-depth analysis and developed business cases for the five top opportunities.
- **Final Report:** KPMG consolidated the work of the previous phases into a final report and presented a final report with practical, achievable and realistic recommendations on the Region's service delivery model.

Project Timing

- The project commenced October 15, 2014 and will be completed when the final report is submitted to the Region of Waterloo on or before September 30, 2015.

Project Phases

Project Planning | **Service Profile Development** | **Benchmarking** | **Analysis** | **Final Report**

1. Meet with Audit Committee, CAO and Project Team to clarify expectations, refine lines of inquiry and develop a subsequent work program for the engagement.

2. Development of an inventory of programs and services provided by the Region using KPMG's Municipal Reference Model.

3. Survey 5 comparator municipalities, benchmark Regional services to identify opportunities for cost savings and improved efficiencies and conduct public engagement.

4. Identification of potential opportunities to achieve the most efficient and operationally effective approaches to service delivery.

5. Develop and present a final report with practical, achievable and realistic recommendations on the Region's approach to service delivery.

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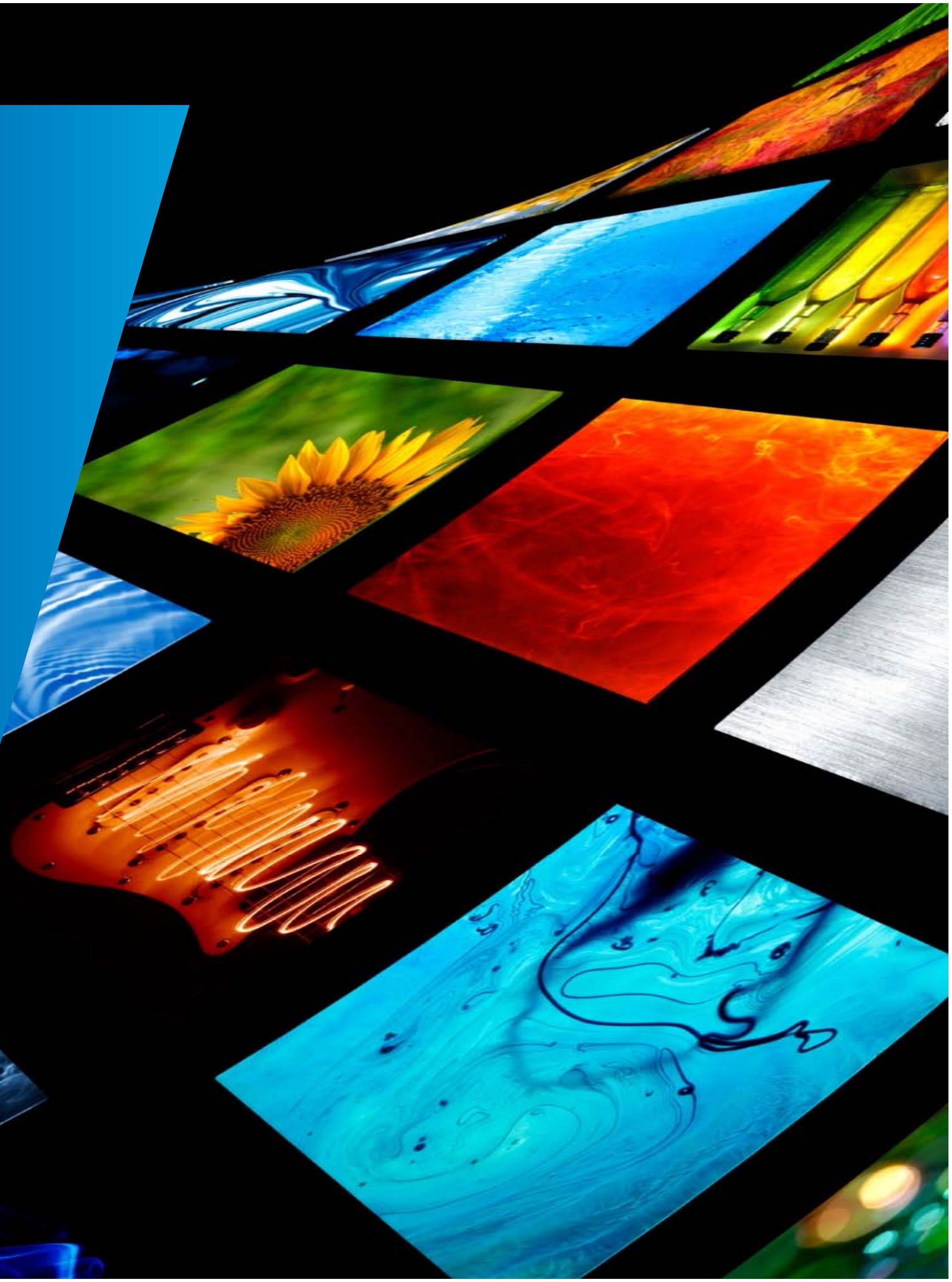
Chapter III

Project Approach



Region of Waterloo Service Review

Final Report

Methodology

The Region of Waterloo Service Review involved the following major work steps:

1. Environmental scan

a. Council Interviews

At the beginning of the service review, interviews were conducted with members of Regional Council to determine their individual position with respect to taxation levels, municipal services (specifically whether services could be eliminated, reduced, maintained or enhanced), and alternative means of delivering services. In addition, the emerging key priorities for the Region of Waterloo were explored with Councillors and key constraints that keep the Region from achieving these priorities was discussed .

b. Current State Analysis

Historical financial information for the Region, including audited financial statements, internal financial statements, Financial Information Returns and annual budgets were reviewed to identify factors influencing operating costs, non-taxation revenues and municipal levies. Historical information relating to staffing levels was summarized and reviewed to identify staffing levels by department and the nature of year-over-year staffing changes.

Meetings were held with representatives of the Corporate Leadership Team to review the Region's history of service delivery and operational requirements under the current service delivery model. Preliminary opportunities for improved or more productive service delivery were identified for further exploration later in the project.

2. Jurisdictional Review

The Corporate Leadership Team was consulted on previous program reviews and the findings from the 2014 Organizational Review. Discussions were also held on the appropriate municipal comparators, based on the following considerations:

- Population
- Households
- Geography
- Distribution of services between the Province and member municipalities
- Role as a regional municipality

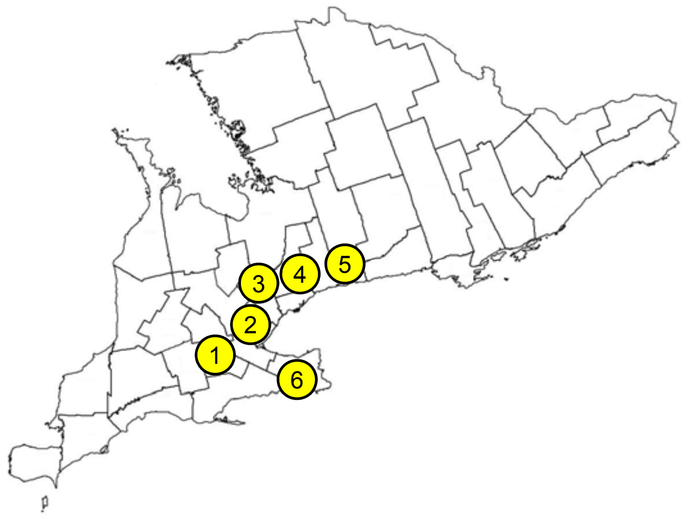
Based on these considerations, the following communities were selected as municipal comparators

- Region of Halton
- Region of Peel
- Region of Durham
- Region of Niagara
- Region of York

2. Jurisdictional Review (continued)

The benchmarking review consisted of an analysis of financial statements, Ontario Financial Information Returns (FIRs) and Census data of the five comparator regional municipalities to identify areas where the Region's performance indicators varied substantially from other municipalities. KPMG also reviewed the most recent OMBI Report to identify/confirm areas for potential improvement, and analyzed benchmarking data collected by Regional departments through industry associations.

As part of the benchmarking review, KPMG identified specific areas of interest where the benchmarking data suggested other municipalities are providing different service levels, or have different cost levels or revenue levels. The results were incorporated into the Service Profiles as part of the overall preparation and categorization of service profile data.



Community	Population[1]	Households[1]	Size (Hectares)
1. Region of Waterloo	563,000	201,080	136,900
2. Region of Halton	518,311	189,124	96,925
3. Region of Peel	1,047,000	419,000	58,876
4. Region of York	1,130,386	340,138	177,600
5. Region of Durham	650,895	228,200	253,800
6. Region of Niagara	445,351	192,335	185,400
Comparator Average	758,389	273,759	154,520

[1] Statistics Canada census profiles (2011)

3. Service Profiles

The third major step of the work plan was the development of an inventory of programs and services provided by the Region, commonly called Service Profiles. The basic elements of a service profile includes a description of the service and sub-service, comparative analysis, service level justification and financial overview. The many different services of the Region were categorized using KPMG's Municipal Reference Model.

For the past ten years, KPMG has been actively involved in the profiling of all citizen facing and internal services using the Municipal Reference Model for Canadian municipalities. The Municipal Reference Model describes the business of local government from the outside-in, in terms of the programs and services that municipalities provide and how these contribute to achieving defined policy outcomes. This can be contrasted with an inside-out view, which focuses on how local governments are organized and the activities that they undertake. Focusing on outcomes, and how governments are achieving those outcomes through their programs and services, supports the fundamental questions of whether we ***are delivering the right services, for the right reasons and in the right way.***

A series of working sessions with the Region of Waterloo's management team representing the following departments were conducted during the months of January and February 2015.

- CAO's Office
- Community Services
- Corporate Services
- Human Resources and Citizen Service
- Planning, Development, and Legislative Services
- Public Health and Emergency Services
- Transportation and Environmental Services

These working sessions considered the nature of the department's work, its position within the municipal reference model and the results of the benchmarking review. Data necessary for the completion of the service profiles was discussed and collected. This included the following:

- Budget information, including a breakdown of cost streams
- Compensation – includes salaries, benefits and related costs
- Supplies and services – items or services purchased
- Grants and payments – grants or payments from the Region to individuals and external agencies
- Capital – includes debt payments and current contributions to capital projects
- Allocations – costs charged to this service by other departments of the Region

Public Engagement

As part of the service profile development and analysis of Regional service delivery, a public engagement initiative was undertaken.

a. Public Survey - Environics Analytics was engaged to conduct a statistically reliable phone survey. KPMG provided input on the survey questions. Data collected from the public survey was forwarded to KPMG for review and consideration as a part of the analysis phase of the Service Review.

3. Service Profiles (Continued)

- User fees – amounts charged to users for use of a service
- Other governments – amounts received from other governments to support the service
- Internal recoveries – amounts recovered from other services; the opposite of “allocations”
- Property taxes – the balance of funds included in Regional property taxes
- Definitive service descriptions
- Rationale on service level assessments and types
- Data on the number of staff delivering the service in “Full Time Equivalents” (FTEs)
- Legislative authorities

Based upon this collected data, the different services of the Region were analyzed by the following:

a. Service Level

Each service was analyzed to determine the its service level. The following scale was applied to each of the Region’s services and sub-services:

- Above standard
- At standard, with S- and S+ indicating somewhat below or above standard
- Below standard

A service level “At Standard” is:

- Consistent with the level required by legislation, or …
- Consistent with industry standards and practices, or…
- Consistent with business case analysis justification, or …
- Consistent with service levels in other municipalities, or …
- Consistent with reasonable expectations.

A service may be noted as “Above Standard” because the service actually provided is above the service level target, or because the service level target is higher than the standard, as defined above.

Methodology

Public Engagement (continued)

b. On-line Engagement – the Region hosted an on-line engagement forum to solicit broad public input regarding the Strategic Plan and the Service Review. The on-line forum encouraged responses to both open-ended questions and survey-type questions. Data collected from the online engagement was forwarded to KPMG for review and consideration as a part of the analysis phase of the Service Review.

3. Service Profiles (Continued)

b. Service Type

Service Reviews typically involve an assessment of a collection of services defined under the municipal reference model to understand to what degree they are core. Some organizations define this categorization as a simple binary choice – “core” vs. “non-core”. Others adopt a more descriptive approach of classifying services as “mandatory”, “critical”, “discretionary” (or other relevant terms pertinent to their industry, scope, and scale). KPMG experience suggests that a “core continuum” is a more useful assessment method, yielding better results and more informative products.

KPMG, with validation by our municipal clients, has developed a customized continuum for assessing core versus discretionary services. Along the continuum, there are four descriptive categories, which, when applied to a service formed the “Core Ranking” for that service. The “core continuum” was defined with the following categories:

- **Mandatory:** mandated or required by legislation from the federal or provincial government
- **Essential:** critical to the operation of the region. Without the service, the region (the community, not the corporation) would stop functioning
- **Traditional:** municipal service, provided by virtually all large municipalities for many years
- **Discretionary:** service provided by the Region to respond to particular community needs, based on a positive business case, or other specialized purposes

c. Service Level Justification

Finally, to understand and justify the service level analysis, KPMG identified the origin of a service level standard and the role that the Region of Waterloo plays in delivering a service or sub-service. In each service profile, KPMG reviewed the degree to which the standard was prescribed by legislation (L) or set by the Council (C), management (M), or funding agreement (F). KPMG also reviewed the appropriateness of the standard with respect to industry benchmarks (IS) or traditional practice (T) , in cases where information was available.

Sixty three service profiles, identifying 175 sub-services, were prepared to serve as the base line data source for the determination of opportunities in the second half of the project. These service profiles are included in Appendix B to this final report.

Public Engagement (continued)

In phase 4 of the project, additional public engagement took take place in the form of online engagement via the Region's Strat Chat online forum. The public had the opportunity to review the completed service profiles and interim report and provide feedback to improve the efficiency and effectiveness of Regional programs and services, and changes to service levels. This information was collected and provided to KPMG for consideration in our analysis.

4. Opportunity Identification

The fourth step in the Service Review was the identification of potential opportunities to improve operations through the following:

- Elimination or transfer services, or increased cost recovery
- Changed service levels
- Alternative service delivery approaches
- Re-engineered services to increase efficiency and effectiveness

Using the service profiles and its knowledge of leading practices in local government, KPMG identified a long list of over 90 opportunities for improved efficiency and effectiveness in the delivery of Regional services. Each opportunity was evaluated against the following criteria:

Assessment Criteria	Description
Operating $ Impact	Estimated impact on operating budget
Capital Impact	Estimated impact on capital requirements
Barriers To Implementation	Barriers, issues or obstacles to implementing the opportunity.
Recent Reviews	Recent reviews or studies conducted that provide insights on the opportunity.
Comparator Analysis	An assessment of service performance against comparable competitors, industry standards or leading practices.
Strategic Program Alignment	The opportunity aligns with the objectives and values of the Region, the service, Official Plan and/or a Council priority/ies.
Client/ Customer Impact	The impact of the opportunity on the number of clients, customers and/or people and the extent of the impact.

4. Opportunity Identification (Continued)

In a half day workshop with the Staff Working Group, the long list of potential opportunities was categorized into three groups:

1. Opportunities Underway or About to be Implemented
2. Opportunities Requiring Additional Investigation / Follow-up
3. Opportunities Which Do Not Merit Further Follow-up or Action

The categorized long list of opportunities is attached in Appendix A of this report.

As part of the Service Review Work Plan, KPMG had agreed to conduct more in depth analysis of five opportunities. The CLT workshop was then followed by a working session with the Steering Committee to review all the opportunities and determine the top five opportunities worthy of more in-depth analysis. The review considered the results of the technical evaluation using the evaluation criteria, as well the input of CLT members, the political practicality of the opportunities and the desire to identify opportunities in different sectors of Regional activity. The Steering Committee selected the following opportunities as the top five opportunities for greater analysis (in no particular order):

1. Employment Ontario Services
2. Road Maintenance Compensation
3. Information Technology Shared Services
4. Optimize Airport Commercial Value
5. Child Care Service Manager

The selection of these five opportunities was subsequently validated with the Regional Finance and Administration Committee.

5. In-depth Analysis

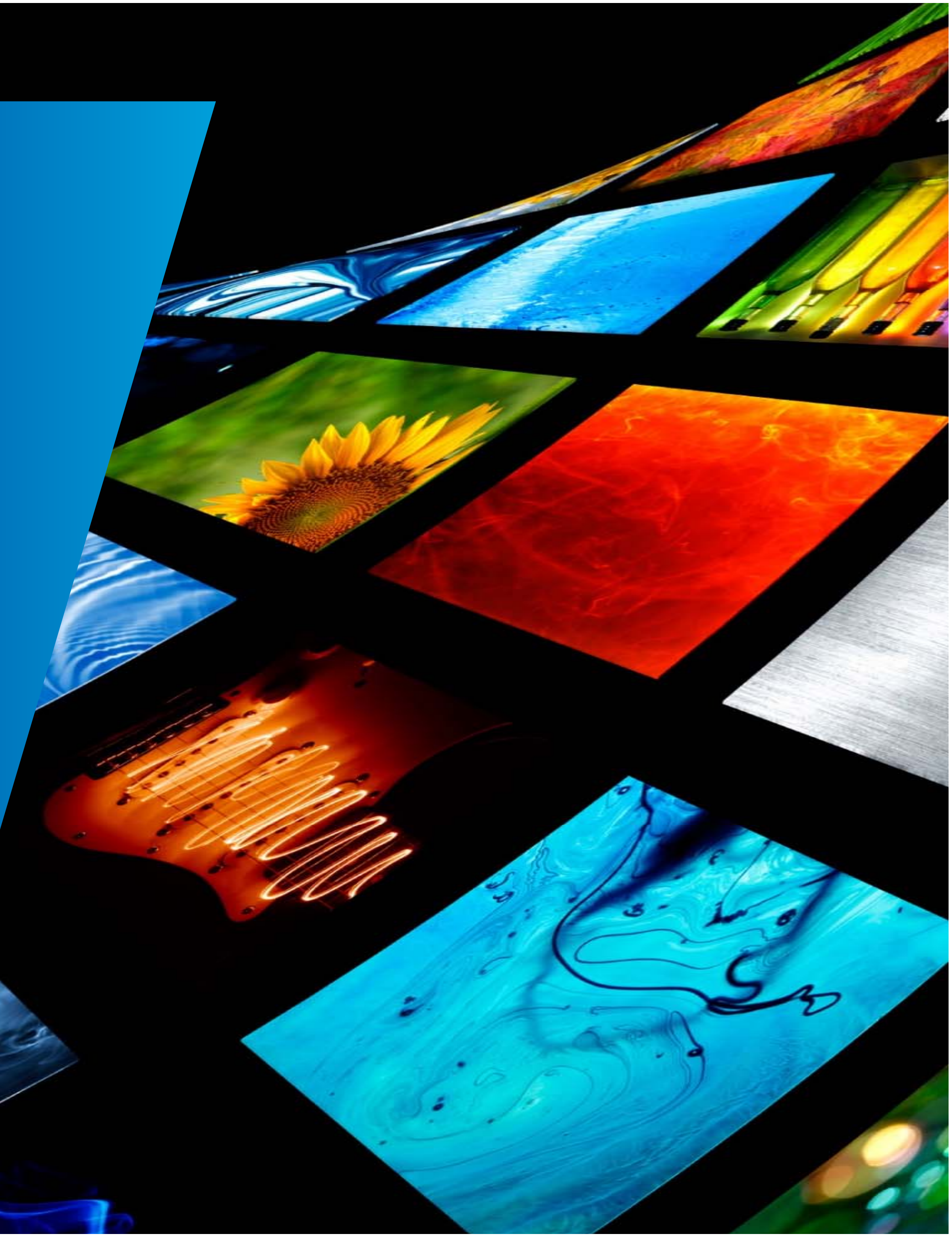
Following the validation by the Finance and Administration Committee, KPMG prepared five reports representing an in-depth analysis of the top opportunities. These reports have been reviewed by the CLT, department leadership and the Steering Committee.

Chapter IV

Top Five Opportunities In-depth Analysis

Region of Waterloo Service Review

Final Report



Top Five Opportunities In-depth Analysis
Introduction and Context

The phase 4 scope of work included the analysis and identification of approximately 90 potential opportunities for improved efficiency and effectiveness, which could potentially be achieved through the following:

- Eliminate, or transfer services, or increase cost recovery
- Change service levels
- Alternative service delivery approaches
- Re-engineering services to increase efficiency and effectiveness

It is apparent at the conclusion of the project that the Region of Waterloo is a well managed organization with good governance practices. Accordingly, it is necessary to indicate that there is no low hanging fruit to offer Council as easy wins for cost savings or improved service delivery. The low hanging fruit has been picked through by previous Councils and Regional leadership. The majority of opportunities are transformational and will require some difficult decisions on the part of Council and the Region's corporate leadership team. Through a series of workshops with Regional Staff and the Project Steering Committee, five top opportunities were identified as having the highest potential. The final phase of the Service Review project required the in-depth analysis of these top opportunities to capture the current state of the service, the Region's position relative to its peers and other leading practices, and the identification of options to realize improved outcomes for the Region. They are examined in the chapters that follow.

Top 5 Opportunities	Summary
Not Renew Employment Ontario Contract	Not renew the Employment Ontario (EO) contract. The Ontario Ministry, Training, Colleges and Universities (MTCU) does not fund the full cost of EO, resulting in the Region effectively subsidizing a Provincial program. There are existing service providers within the region that provide EO services.
Shared IT Services	Explore common/shared IT solutions for municipalities within the Region of Waterloo. The choice of delivery system and operator should be determined on the basis of cost efficiency and service levels, and need not be the Region.
Road Maintenance Compensation	Base compensation models for road maintenance services performed by member cities on a dollar amount per lane km after determining an efficient price. Consider changes to the delivery model for the townships to eliminate duplication and lower total cost of service.
Optimize Airport Commercial Value	Optimize the public value of the Airport, considering airside, landside and operations opportunities, including potential for contracted operations and acquiring or disposing of assets.
Child Care Service Manager	Restructure the service delivery role of the Region in the areas of Child Care Services and Home Child Care to focus on its legislated role as Service Manager.

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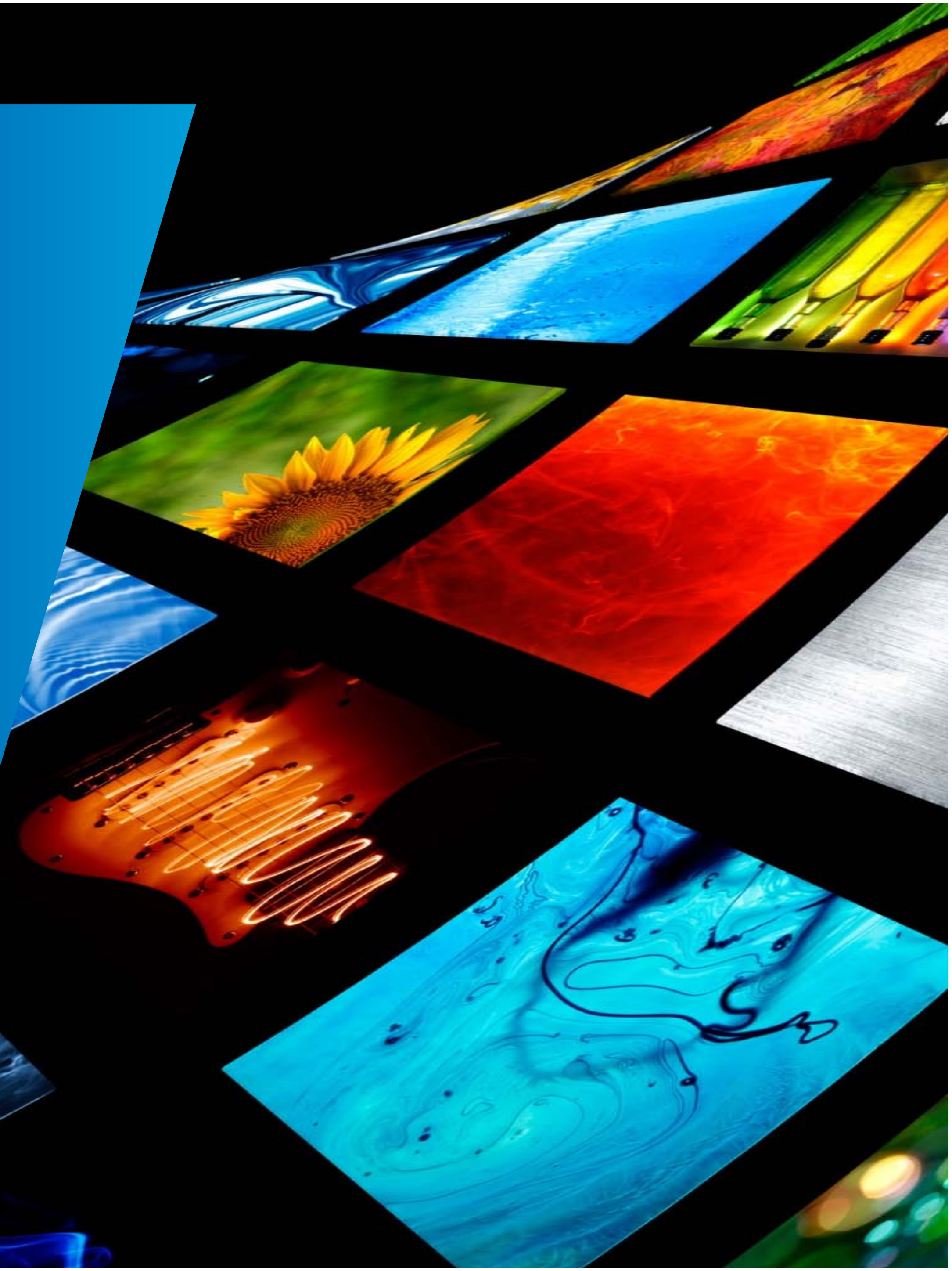
Chapter IV

Top 5 Opportunities – In Depth Analysis

Employment Ontario



Employment Ontario in Waterloo Region

The Opportunity

Not renew the Employment Ontario (EO) contract. The Ontario Ministry, Training, Colleges and Universities (MTCU) does not fund the full cost of EO, resulting in the Region effectively subsidizing a Provincial program. There are other service providers within the region that provide EO services.

Setting the Stage

Employment Ontario is a program administered by the Ministry of Training, Colleges and Universities (MTCU) and delivered by multiple contract agencies in each community. The Region of Waterloo has chosen to be one delivery agent, but is under no obligation to remain one. It offers training and skills development, employment preparation, work experience, and job search initiatives. MTCU is the primary funder of the Employment Ontario program, but delivery agencies do provide additional funding for the programs specific to their operations. The Region of Waterloo has a contract with MTCU to provide employment services that expires March 31, 2016.

The Region also has an obligation under Ontario Works (OW) to provide employment services to social assistance recipients. Ontario Works offers financial assistance to help pay for food and housing costs, as well as help finding work. The Ontario Works program is the responsibility of the Ministry of Community and Social Services and is delivered through designated service managers throughout the province. Ontario Works is a compulsory program and the Region is the only delivery agent, is separate from the Employment Ontario program, and is not within the scope of this opportunity. Nonetheless, the Community Services department is responsible for the delivery of both programs on behalf of the province and has merged departmental resources to meet the requirements of both programs.

There are currently three (3) Employment Resource Centres operated by the Region that are located in Waterloo, Cambridge and Kitchener. These Centres provide:

- Community self-help centres with free services to help with education, training and employment search.
- Current information on career planning, job search, labour market, education and training and Employment Ontario products including Apprenticeship, Second Career and Ontario Self-Employment Benefit.
- Regularly scheduled employment workshops including Resumes, Interview Preparation and weekly Employment Coaching.
- Computers, printers, faxes, TTY, telephones, voice mail boxes, job postings, and classified ads.

Employment Ontario in Waterloo Region

Comparative Analysis

The majority of comparator regional governments do not deliver Employment Ontario services. Of the comparator regional governments that have been analyzed for this service review (Niagara, Peel, Halton, York & Durham), only the Region of Waterloo has a significant involvement with Employment Ontario service delivery.

Halton Region delivers Employment Ontario services at one service centre, through its Social and Community Services Department. The employment centre offers:

- Job postings(external link) from local employers (updated daily);
- On-site staff support to help you with your job/career search ;
- Internet access and links to local employment and training(external link) related websites;
- Access to a fax machine and photocopier at no cost;
- Books, career guides, local newspapers and business directories.

None of the other regional governments directly deliver Employment Ontario services. Employment Ontario services are delivered through non-profit agencies and School Boards in these regions. A survey of regional government employment services found the following:

- The Region of Peel provides employment assistance services as part of Ontario Works, including an Employment Resource Centre, but is not associated with Employment Ontario.
- York Region also offers services through Ontario Works, but does not deliver Employment Ontario Services.
- The Region of Durham does not deliver Employment Ontario services. Durham Region provides employment services through Ontario Works, including a resource centre that is for Ontario Works and Ontario Disability Support Program recipients.
- In Niagara Region, Employment Ontario services are provided through external agencies and not for profits. The Niagara Employment Help Centre receives funding through Employment Ontario, but this service is not associated with the regional government.

Employment Ontario in Waterloo Region

Financial Analysis

- Employment Ontario is a $1.9 million program delivered by the Region of Waterloo on behalf of the province of Ontario.
- Employment Ontario has been a shared cost service since it was established by the Region. Currently, the Ministry funds 82% of the program, while the Region contributes 18% of the funding.
- In monetary terms, the Region contributes $384,000 from property taxes and the Province contributes $1,492,000 in funding to the program.
- There are 11 full time employees directly involved in the Region's delivery of the Employment Ontario program.
- **The savings opportunity for the Region of Waterloo by withdrawing from Employment Ontario direct service delivery is $334,000 net of any reallocation and/or one-time transition costs.**

The following is a financial summary of the Employment Ontario opportunity:

Expenditures	
Compensation	$997,000
Supplies/ Services	$870,000
Allocation	$9,000
Total Expenditures:	$1,876, 000

Revenues	
User Fees	$0
Ministry of Training, Colleges and Universities	$1,492,000
Internal Recoveries	$0
Tax Levy	$384,000
Total Revenue:	$1,876,000

Annualized Cost Savings	
Tax Levy	$384,000
Office Occupancy Costs	($50,000)
Annualized Savings	$334,000 [1.]

[1.] Any reallocation and/or one-time transition costs are not included in the analysis

Employment Ontario in Waterloo Region

Anticipated Benefits and Outcomes

The Region of Waterloo would save $334,000 per year in operational costs by ending the direct delivery of Employment Ontario Services.

- There are ten (10) other Employment Ontario service providers in the region to absorb the clients served by the Region of Waterloo Employment Ontario office. These ten Employment Ontario providers operate nine Employment Ontario offices in Kitchener-Waterloo and six Employment Ontario offices in Cambridge and North Dumfries.

Employment Ontario Service Providers in Region of Waterloo	
Anishnabeg Outreach Employment & Training Inc	The Working Centre
The Canadian Hearing Society	Lutherwood
Conestoga College	Northern Lights Canada
YMCA	Bridging Employment Supports Links to Work
Cambridge Career Connections	Francophone Employment Resource Centre

- Comparator regional governments are depending on external non profit agencies to deliver Employment Ontario services, recognizing the savings opportunity without reducing the level of service available to clients in need of employment services.
- The province indicates it will reallocate the funding currently going to the Region to one or more of these service providers if the Region ceased to be a provider, so the level of service available to clients in need of employment services would likely not change.
- This opportunity would produce annual savings of $334,000 with minimal impact on the Region of Waterloo's citizens.
- Extracting the annual savings would be achieved through a reduction in resource levels at the Region. An alternative options would be to re-allocate resources to provide an equivalent investment in other services.
- Business process redesign will be required to address the current integration between Employment Ontario and Ontario Works service models; Regional staff have indicated they are capable of achieving process changes without incremental cost.

Employment Ontario in Waterloo Region

Key Challenges & Considerations for Implementation

- Currently, the Region of Waterloo is under an agreement with the Ministry of Training, Colleges, and Universities until March 31st, 2016. The Region can choose to not renew the agreement at the end of the fiscal year.
- The 2015-2016 agreement outlines steps for the Ministry to give the Region notice that they will end the program, but does not outline how the Region can request exit of the program prior to March 31st.
- Should the Region decide to end the direct delivery of Employment Ontario services, it may wish to provide notice to the other ten regional service providers. Early notification will allow the other service providers the necessary time to increase their capacity and request the reallocation of the Region's Employment Ontario funds from MTCU. Early planning will also ensure minimal disruption in service to the Region's Employment Ontario clients.
- The Employment Ontario program is integrated with Ontario Works. There will be administrative process changes required to extract Employment Ontario resources and tasks from Ontario Works resources and develop a new model for Ontario Works employment services.
- The Region will need to determine whether to fully extract and "cash in" the operational cost savings, or re-allocate (some portion of) resources to another purpose (with corresponding benefit likely being higher service level achievement). Should the Region determine that it will "cash in" the operational cost savings, there may be severance costs associated with the decision.
- There are 11 staff directly employed in the delivery on Employment Ontario services. The removal of the Region from the delivery of Employment Ontario services would require a process consistent with the collective agreement.

Recommendations

1. That the Region of Waterloo not renew its contract for direct delivery of Employment Ontario services at the conclusion of the current contract (March 31, 2016).

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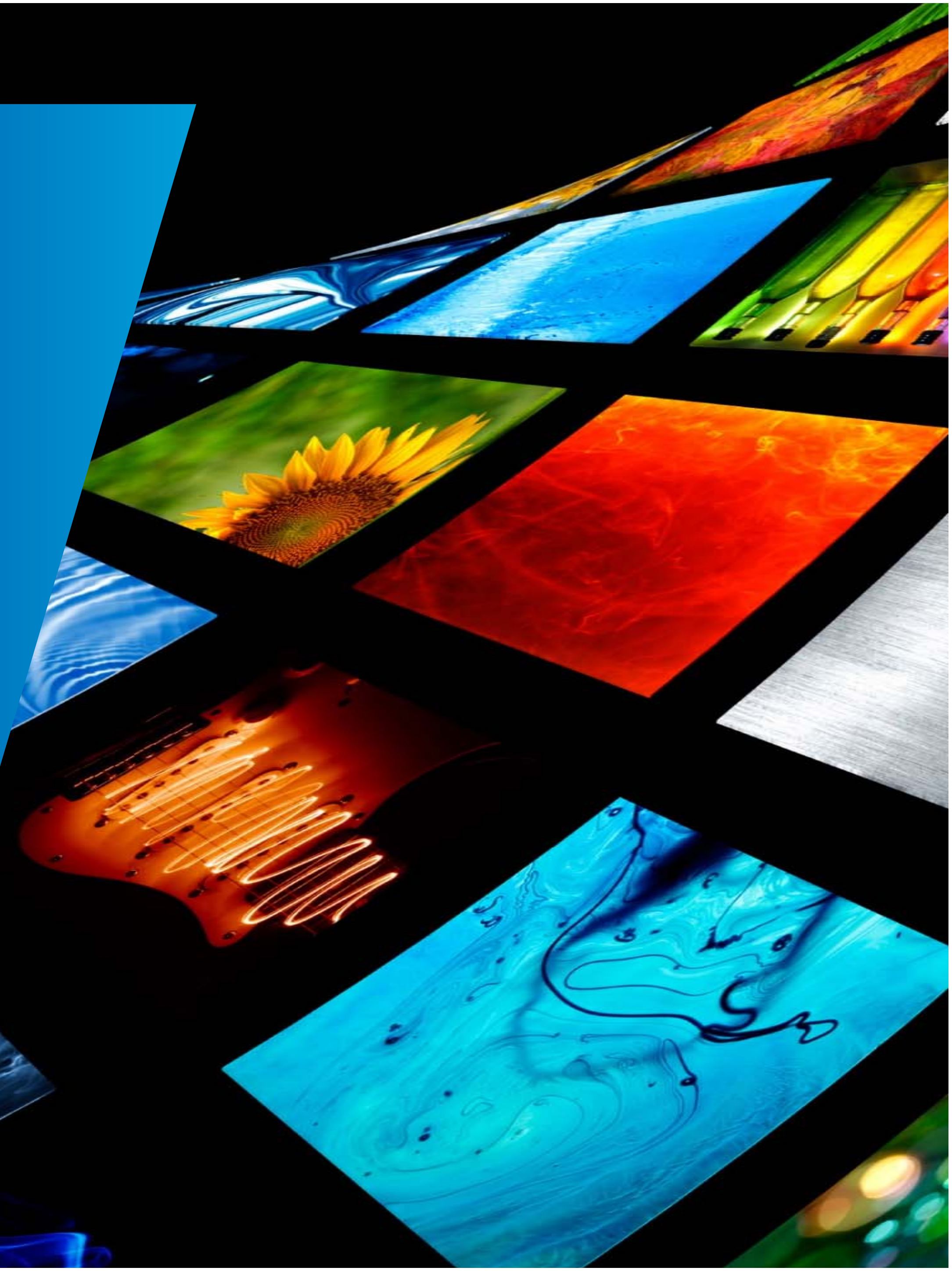
Chapter IV

Top 5 Opportunities – In Depth Analysis

IT Shared Services



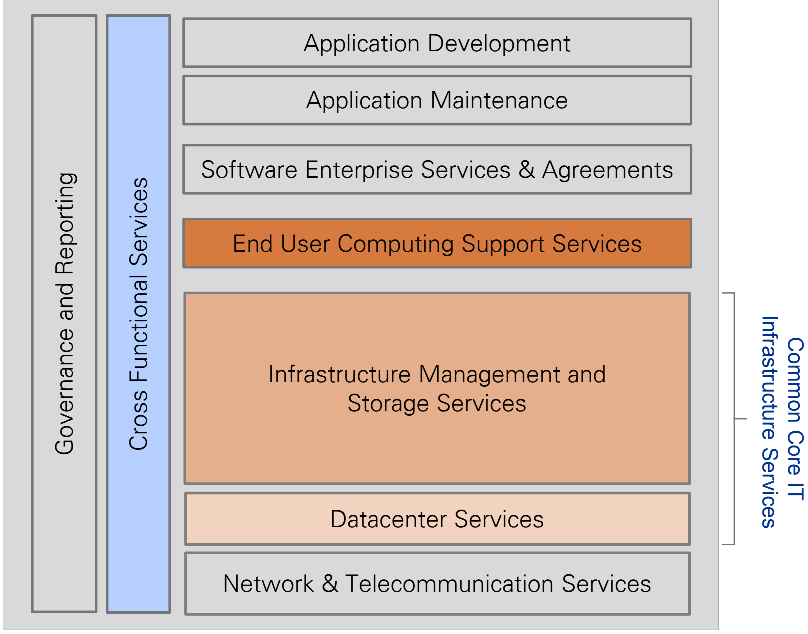
Information Technology Shared Services

The Opportunity

Explore common/shared IT solutions for municipalities within the Region of Waterloo. The choice of delivery system and operator should be determined on the basis of cost efficiency and service levels, and need not be the Region.

- When thinking about IT shared services it is common to jump to software applications as the greatest opportunity for cost savings and improved efficiencies.
- KPMG's experience in IT shared services and leading practice suggests a different approach. It is our belief that the initial opportunity rests with a shared data centre and service desk/deskside support services. Changing the delivery model would not negatively impact the current IT operations at either the Region or the area municipalities.
- Once the common core IT infrastructure services, i.e., datacenter, infrastructure management and storage, are organized under a shared service delivery model, there is large potential to attain economies of scale in future technology investments in these areas (see highlighted service areas in the reference model in Figure 1).

Figure 1: IT Service Delivery Reference Model

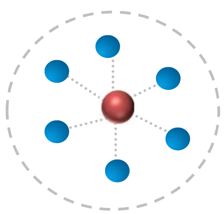


Information Technology Shared Services

Setting the Stage

Currently, most IT services within Waterloo region are delivered independently by the Region and the various area municipalities. However there are numerous examples of inter-municipal collaboration between the Region and its area municipalities, including the Waterloo Region Education and Public Network (WREPNET), shared Wireless Network Services, Traffic Signal pre-emption technology, the Service First Call Centre, Emergency Management Software, a joint web development group, and shared Vehicle Collision Reporting. Such initiatives are typically managed through the Inter Municipal IT Collaboration Group.

Centrally Managed Shared Services Center



Advantages

- Leading practice drives innovation
- Leverages resources efficiently
- Allows for organic growth with less risk
- Economies of Scale

Considerations:

- May be less responsive to unique needs of entities
- Member entities devolve their IT operations into a centralized shop

In our view, there exist opportunities to expand that collaboration and deliver common IT infrastructure services through a shared services delivery model. This type of model is the consolidation of IT operations that are used by multiple parts of the same organization or partnering organizations. In a regional government environment where there are two levels of local government, the shared services delivery model would involve either one of the member municipalities being the lead entity and responsible for the delivery of shared IT services or the creation of a new non-profit organization with the mandate to provide shared IT services to the participating municipalities.

Shared services are cost-efficient because they centralize back-office IT operations that are used by multiple divisions of the partnering organizations and eliminate redundancy and provide economies of scale. Typically organizations use a chargeback system to bill participating divisions or organizations that use the service on a per-use, per-quarter or per-year basis.

The goal of a shared services delivery model is to allow each business unit to focus its limited resources on activities that support the organization's strategic goals and objectives. Typically, technology has been the leading example for shared services because of the high capital costs for IT infrastructure and the low variable cost of operations. For example, once a centrally managed shared services centre is established, the cost of operation per transaction does not significantly vary with the number of transactions.

Setting the Stage (continued)

To examine this opportunity, KPMG requested data from the Region and the area cities, and then analyzed the data received from the Region and the cities of Cambridge and Waterloo. Through primary data analysis, KPMG identified three main candidates for migration to an IT shared services delivery model:

- Datacenter infrastructure services (excluding network and telecommunications)
- IT service desk
- Desk side support services

The three areas are considered core commodity technology services and can be executed within a shorter term. Generally, the three areas are less complex than applications rationalization and technology teams. Usually, the technology teams also have far greater control over their data center footprint. As we go further up the "technology stack", towards the business applications that users interface with, higher involvement is required from the user departments. Establishing shared infrastructure will also facilitate further development of shared applications of a subsequent phase.

Benefits of a Shared Data Centre & Service Desk

A shared service delivery model for shared data centre and service desk/deskside support services can provide the following benefits:

- Currently, the Region of Waterloo (RoW), City of Waterloo (CoW) and City of Cambridge (CoC) have their own data centers. In our experience, given the size of these entities, we anticipate that the performance of these data centres will be less than optimal, i.e. they will likely have unused capacity or insufficient capacity to manage their needs. A shared model would allow both the ROW and the area municipalities to maintain a single data center and save on operational costs (related to power/ utility, UPS maintenance, air conditioning, disaster recovery) and capex costs (data center equipment refresh) while maintaining capacity for growth as required.
- The RoW IT service desk utilizes ITIL practices which have not been adopted by CoW and CoC helpdesks. A shared IT service desk can enhance the level of services and maturity as well as move to a common standardized IT Service Management (ITSM) software for cost sharing and savings.
- There are long term opportunities and benefits associated with a shared services model for business and IT applications (e.g. utilizing the same financial system, common application development and testing tools). Once a shared data centre and service desk/deskside support services is in place, it is much easier to develop the sharing of business and IT applications.

Comparative Analysis

In a recent study conducted for the City of Toronto and its agencies by KPMG, the potential cost savings of a centrally managed shared services model were identified.

The study found that although the City had taken steps to consolidate and centrally deliver nearly all core IT infrastructure services for City divisions, the service delivery model was not a formalized centrally managed shared service model and did not deliver the full benefits of a true shared services operating model. Over a 8-year term, the City of Toronto could begin to realize savings between years 3 and 4 under this model as opposed to maintaining the current state operating model. Savings by year 5 would cover the entire costs of implementation.

[1] Full report publically available at: http://www1.toronto.ca/City%20Of%20Toronto/City%20Manager's%20Office/Strategic%20&%20Corporate%20Policy/shared_services_ses.pdf

Anticipated Benefits and Outcomes

Quantifiable Benefits:

As illustrated on the two pages that follow, data center consolidation would likely cost about $2M to implement, but would produce savings of about $500,000 per year, resulting in an estimated Net Present Value (NPV) of $1.3M over a 8 year period. The calculations show the expected cost of each potential participant without the changes, followed by the cost of providing the same services using the shared service model, including the implementation costs. The NPV calculation is based on a 5% discount rate.

The Service Desk concept would likely cost in the range of $250,000 to implement, less than the expected cost of implementing IT Service Management software independently in the two cities should they decide to do so. Annual savings of about $130,000 could also result, leaving a net present value of about $900,000 over the 8 years.

The savings for both projects would be larger if more area municipalities participated. It is important to recognize, however, that the savings noted are total savings for all participants. The portion of the savings which would accrue to each participating municipality would need to be determined during the implementation process.

Qualitative Benefits:

Other qualitative benefits that the Region and participating cities can potentially realize include:

- Enhanced data center backup, disaster recovery and associated policies and procedures
- Economies of scale by leveraging similar skills across and eliminating overlap/redundant functions while complementing skills gaps among specific areas
- Increased collaboration and knowledge sharing among staff
- Increased responsiveness/agility and improved utilization of resources as workloads fluctuate during the year
- Adoption of more consistent tools and operating procedures
- Shared IT architecture and IT strategy efforts
- Ability to leverage economies of scale when procuring IT hardware, software and services
- Standardization and reduction in the number of workstation/server images to be maintained
- Overall betterment of IT services provided to business
- Additional benefits down the road as a result of forming more synergies in IT across the Region

Information Technology Shared Services

Financial Analysis – Datacenter Services Opportunity

Current state - datacenter services	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total	Assumptions
Region of Waterloo										Operates 210 virtual servers and 193 physical servers
FTE cost (4 FTEs)	432,000	440,640	449,453	458,442	467,611	476,963	486,502	496,232	3,707,843	4 of 12 FTEs in datacenter and server infrastructure roles, 2% y/y growth
Power/utilities	112,000	117,600	123,480	129,654	136,137	142,944	150,091	157,595	1,069,500	5% y/y growth
Datacenter opex	150,000	157,500	165,375	173,644	182,326	191,442	201,014	211,065	1,432,366	Includes maintenance contracts (equipment, DR and facility), 5% y/y growth
Capital expenditures (estimated)	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	2,400,000	Lower range of budgeted datacenter improvement such as UPS, generators, etc.
Total - Region of Waterloo	**994,000**	**1,015,740**	**1,038,308**	**1,061,740**	**1,086,073**	**1,111,349**	**1,137,607**	**1,164,893**	**8,609,709**	
City of Waterloo										Estimated footprint similar to that of City of Cambridge
FTE cost (3 FTEs)	392,278	400,124	408,126	416,289	424,614	433,107	441,769	450,604	3,366,910	3 total FTEs related to datacenter management, network servers and support, 20% benefits cost, 2% y/y growth
Power/utilities	37,500	39,375	41,344	43,411	45,581	47,861	50,254	52,766	358,092	250,000 KWhr at 15 cents, 5% y/y growth
Datacenter opex	202,396	212,516	223,142	234,299	246,014	258,314	271,230	284,791	1,932,701	Includes maintenance contracts (equipment, DR and facility), 5% y/y growth
Capital expenditures (estimated)	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	1,200,000	Average cost on refresh cycle as $150K
Total - City of Waterloo	**782,174**	**802,014**	**822,611**	**843,998**	**866,209**	**889,281**	**913,252**	**938,162**	**6,857,703**	
City of Cambridge										Operates 150 virtual servers and 35 physical servers
FTE cost (4 FTEs)	453,400	462,468	471,717	481,152	490,775	500,590	510,602	520,814	3,891,518	2% y/y growth
Power/utilities	37,500	39,375	41,344	43,411	45,581	47,861	50,254	52,766	358,092	250,000 KWhr at 15 cents, 5% y/y growth
Datacenter opex	280,000	294,000	308,700	324,135	340,342	357,359	375,227	393,988	2,673,750	Includes maintenance contracts (equipment, DR and facility), 5% y/y growth
Capital expenditures (estimated)	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	1,200,000	Average cost on refresh cycle as $150K
Total - City of Cambridge	**920,900**	**945,843**	**971,761**	**998,698**	**1,026,698**	**1,055,810**	**1,086,082**	**1,117,568**	**8,123,360**	
Total cost of ownership (A)	**2,697,074**	**2,763,597**	**2,832,680**	**2,904,435**	**2,978,981**	**3,056,440**	**3,136,942**	**3,220,623**	**23,590,772**	

Proposed model - datacenter services	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total	Assumptions
Shared across all entities										
FTE cost (10 FTEs)	1,064,732	1,086,026	1,107,747	1,129,902	1,152,500	1,175,550	1,199,061	1,223,042	9,138,559	Combined setup estimates two less FTEs, 2% y/y growth
Power/utilities	187,000	196,350	206,168	216,476	227,300	238,665	250,598	263,128	1,785,683	5% y/y growth
Datacenter opex	537,537	564,413	592,634	622,266	653,379	686,048	720,350	756,368	5,132,996	85% of individual opex spend, 5% y/y growth
Capital expenditures (estimated)	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	3,600,000	75% of individual capex spend
Total - shared	**2,239,268**	**2,296,790**	**2,356,548**	**2,418,643**	**2,483,179**	**2,550,262**	**2,620,009**	**2,692,538**	**19,657,238**	
Setup / one-time costs	**1,000,000**	**1,000,000**	**-**	**-**	**-**	**-**	**-**	**-**	**2,000,000**	Includes datacenter selection, equipment moving, network circuits, professional services fees, etc.
Total cost of ownership (B)	**3,239,268**	**3,296,790**	**2,356,548**	**2,418,643**	**2,483,179**	**2,550,262**	**2,620,009**	**2,692,538**	**21,657,238**	
Savings (A) - (B)	**(542,194)**	**(533,192)**	**476,132**	**485,792**	**495,802**	**506,177**	**516,933**	**528,085**	**1,933,535**	
NPV analysis	**1,367,059**									5% discount rate

Note: Data utilized was provided by the respective regions and cities

Information Technology Shared Services

Financial Analysis – Service Desk and Deskside Support Opportunity

Current state - service desk & deskside support services	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total	Assumptions
Region of Waterloo										
FTE cost (8 FTEs)	864,000	881,280	898,906	916,884	935,221	953,926	973,004	992,464	7,415,685	8 of 12 FTEs in support roles, 2% y/y growth
ITSM software	5,000	5,250	5,513	5,788	6,078	6,381	6,700	7,036	47,746	ITSM software cost $5K annually, 5% y/y growth
Total - Region of Waterloo	**869,000**	**886,530**	**904,418**	**922,672**	**941,299**	**960,307**	**979,705**	**999,500**	**7,463,431**	
City of Waterloo										
FTE cost (3 FTEs)	294,209	300,093	306,095	312,216	318,461	324,830	331,327	337,953	2,525,182	2% y/y growth
ITSM software (TrackIT)	6,435	6,757	7,095	7,449	7,822	8,213	8,624	9,055	61,449	5% y/y growth
ITSM software selection & implementation (est.)	-	150,000	-	-	-	-	-	-	150,000	Estimated cost to implement Maximo
Total - City of Waterloo	**300,644**	**456,849**	**313,189**	**319,666**	**326,283**	**333,043**	**339,950**	**347,008**	**2,736,631**	
City of Cambridge										
FTE cost (5 FTEs)	566,750	578,085	589,647	601,440	613,468	625,738	638,253	651,018	4,864,398	2% y/y growth
ITSM software (Heat)	5,000	5,250	5,513	5,788	6,078	6,381	6,700	7,036	47,746	ITSM software cost $5K annually, 5% y/y growth
ITSM software selection & implementation (est.)	-	150,000	-	-	-	-	-	-	150,000	$150K estimated for ITSM tool as part of $950K strategic plan
Total - City of Cambridge	**571,750**	**733,335**	**595,159**	**607,228**	**619,546**	**632,119**	**644,953**	**658,053**	**5,062,143**	
Total cost of ownership (C)	**1,741,394**	**2,076,714**	**1,812,766**	**1,849,565**	**1,887,127**	**1,925,469**	**1,964,608**	**2,004,561**	**15,262,205**	

Proposed model - service desk & deskside support services	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total	Assumptions
Shared across all entities										
FTE cost (15 FTEs)	1,617,149	1,649,492	1,682,481	1,716,131	1,750,454	1,785,463	1,821,172	1,857,595	13,879,936	Combined setup estimates one less FTE, 2% y/y growth
ITSM software	7,000	7,350	7,718	8,103	8,509	8,934	9,381	9,850	66,844	All entities on a single ITSM software, 5% y/y growth
Total - shared	**1,624,149**	**1,656,842**	**1,690,199**	**1,724,234**	**1,758,962**	**1,794,397**	**1,830,553**	**1,867,445**	**13,946,780**	
Setup / one-time costs	**250,000**	-	-	-	-	-	-	-	**250,000**	Migration to RoW ITSM software
Total cost of ownership (D)	**1,874,149**	**1,656,842**	**1,690,199**	**1,724,234**	**1,758,962**	**1,794,397**	**1,830,553**	**1,867,445**	**14,196,780**	
Savings (C) - (D)	**(132,755)**	**419,873**	**122,568**	**125,331**	**128,165**	**131,073**	**134,055**	**137,116**	**1,065,425**	
NPV analysis	**892,182**									5% discount rate

Note: Data utilized was provided by the respective regions and cities, with addition of ITSM software assumed for cities to implement ITIL

Key Challenges & Considerations for Implementation

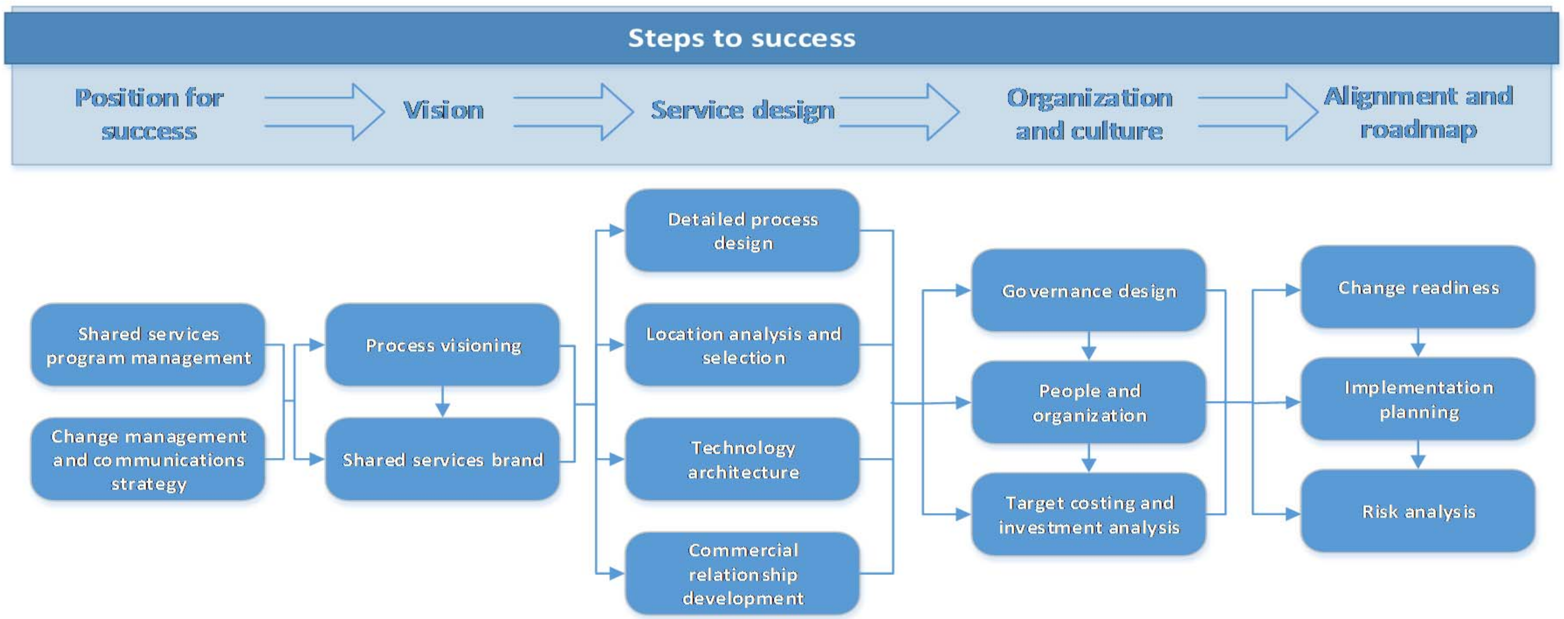
Implementation considerations:

- The Cities of Waterloo and Cambridge have provided data for this review, but have not been involved in discussions or the analysis. A key challenge will be to engage all of the area municipalities with a view to identifying and developing interest in the concepts and commitment to investigate them further.
- Savings and operating benefits would be greater with more area municipalities participating. The City of Kitchener would add scale to the project and increase the financial benefits, while the participation of the townships would provide them access to high quality systems they could not do on their own cost-effectively.
- Governance ownership: a key consideration is the future ownership and responsibility for the governance of the IT shared services function. The Region and area municipalities must determine the optimal governance structure for this function and ensure that all stakeholders are involved in the process and are in agreement with the final outcome
- Timeline to implement: all participating municipalities must consider ongoing projects and the availability and capacity of stakeholders and personnel when developing the project plan for undertaking this initiative
- Culture for change: in order to take advantage of this opportunity, there will be certain unavoidable changes that would impact the daily routines of stakeholders, such as relocating to a neighboring office or a change in the reporting hierarchy. This type of change has been found to be resisted by some stakeholders and the entities must take a closer look into the cultural drivers within their organization to ensure the success of this initiative
- Implementation risks:
  - Risks associated with migration of data center and servers
  - Software selection, data migrations for IT service desk software
  - Problems with implementation could affect services and support to system users

Key Challenges & Considerations for Implementation

This review could also consider further solution options such as outsourcing various components, virtualizing environments, utilized private or public cloud offerings should also be considered in the review.

The implementation of the operating models and opportunities proposed within this analysis require consideration regarding their sequencing and dependencies. It is important to note that to achieve a shared services model for IT the next stage of activities is mainly further analysis. We consider the next logical phase of work to be positioning IT shared services for success as per the diagram below: Once the project has moved through the different steps and establish alignment and a roadmap, the initiatives can move directly into implementation to realize the intended benefits of the opportunity. The timeline for the phases is dependent on factors such as the organization's ability to change, current pipeline of projects and managing risks through the process.



Recommendations

1. Based on our review, we recommend that the Region and interested municipalities (invite all area municipalities to participate) conduct a detailed review to further explore the feasibility of a shared data centre, and a shared service desk and desk side support service as a first step to expanded collaboration.

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Chapter IV

Top 5 Opportunities – In Depth Analysis

Road Maintenance Compensation

Road Maintenance Compensation

The Opportunity

Base compensation models for road maintenance services provided by cities on a dollar amount per lane km after determining an efficient price. Consider changes to the delivery model for the townships to eliminate duplication and lower total cost of service

Setting the Stage

The Region has historically directly delivered road maintenance services in the four townships but has contracted with the three cities for road maintenance service within the urban areas.

In the rural townships, the Region operates its own road maintenance facilities, in some cases through a contractor. The result is that there is a duplication in road maintenance facilities, one owned and operated by the Region and the other by the respective township. There are also two sets of equipment and work crews for either Regional roads or Township roads. This leads to duplication and redundancy in service delivery, for example, winter control where the Townships will maintain residential streets at the same time as the Region plows the major arterials.

The Region is responsible for the maintenance of the regional roads within the three cities, but has chosen to contract much of the work to the cities. This avoids the kind of duplication seen in the rural areas.

Between 2006 and 2008 the contract for cities provided for a fixed price per lane km., however, the cities suggested the price was not enough to cover their costs when snowfalls were heavy. Between 2010 and 2014 the contract provided payment for actual costs (plus 7%) of winter maintenance and a fixed price per km for summer maintenance; this approach introduced the following challenges:

i. The cities had no incentive to deliver services efficiently – their costs are covered, whatever they are – the Region has limited capacity to challenge service delivery costs;

ii. The cities were keen to deliver only the range of services required to keep their staff employed year round;

iii. There were disagreements over what the costs actually are and difficulty validating the time and effort devoted by both sides to identify the costs, bill the other party, and verify the invoices;

iv. The reimbursed costs only includes direct services, and does not include supervision costs. The cities believe the 7% “mark-up” was insufficient to cover supervision and overhead costs.

Road Maintenance Compensation

Setting the Stage

In the past year, the Region and the three cities signed a new five year agreement covering the period from January 2015 to December 2019. The revised agreement contains some changes to respond to these identified issues:

a. Grass and weed control along Regional roads is excluded since it requires the cities to engage extra staff in the summer. The work will be tendered competitively by the Region as a separate package;
b. The costs of direct supervision (e.g. forepersons) will be included in the costs to be paid by the Region;
c. To try and provide incentives for efficient operations, the Cities will recover:
   - For Summer Maintenance – a fixed amount per lane km. is paid to all cities, ranging from $1,487 to $1,779 per lane km., depending upon the City. The cities can manage the costs as they see fit, and accrue any savings (or bear any losses) that result.
   - The actual costs of winter maintenance up to a baseline amount (average of last 5 years plus allowance for inflation. The inflation adjustment is based on the actual costs of the labour rate, equipment cost and salt cost experienced by the Cities);
   - Any costs over 105% of the baseline (to provide protection in a "bad" winter);
   - In years when costs are below the baseline, the "savings" will initially go to the Region;
   - Cities will receive payment only for the costs between 100% and 105% of the baseline if the Region has achieved equivalent savings in other years;
   - Any unpaid balance – or accumulated savings can be carried over into the next contract.
d. The agreement provides that the area municipalities will perform the following work on Regional roads:
   - Road patrolling
   - Summer maintenance including surface maintenance (pothole repair), shoulder maintenance, street sweeping, spring cleanup, and right of way drainage including catch basin and manhole maintenance
   - Winter snow and ice control
   - Emergency response (e.g. accidents, washouts, spills, trees, debris, etc.)
   - Leaf pickup and disposal and any preventative maintenance as agreed to by the Region
e. The agreement also continues to exclude the following:
   - Sign installation and maintenance
   - Line painting and crack sealing
   - Traffic control signal maintenance

Road Maintenance Compensation

Comparative Analysis

The Ontario Municipal Benchmark Initiative (OMBI) data indicates that RoW costs are generally lower that those of other Regions, suggesting the current approach of purchasing services from the cities is appropriate.

Operating Costs for Roads per Lane Km

Municipality	2014 Result	2013 Result	2012 Result	2011 Result
Durham	$17,194.90	$19,041.74	$21,170.36	$16,875.27
Halton	$19,951.37	$20,294.11	$29,972.67	$21,289.56
Niagara	$8,245.28	$16,781.99	$18,481.21	$11,281.34
Waterloo	**$13,935.84**	**$12,845.72**	**$11,986.64**	**$10,721.80**
York	$21,872.34	$16,825.25	$19,759.96	$14,878.49
Average	$16,239.95	$17,157.76	$18,715.97	$17,480.41

Source is OMBI

However there may still be opportunities for improvement through modifying the nature of the contract. Some of the different approaches that other municipal jurisdictions use for contracting winter road maintenance may provide a useful model, whether the contract is with the cities or with private contractors.

a. Halifax awards area contracts based on a fixed annual price, with the contactor taking the risk (and benefit) of fluctuations in weather. This past heavy winter in Halifax meant that contractors incurred sizeable business losses under this model and future prices are likely to increase as a result.

b. Quebec City contracts some areas based on a price per centimetre of snow – adjusting the payment based on the amount of snowfall reported by Environment Canada. While easy to administer, this does introduce the prospect of payments below fixed costs in extremely light winters (perhaps less of a concern in Quebec City where snowfall is very heavy).

c. Finally, some municipalities combine the concepts and hire equipment based on a fixed “standby fee” plus a usage fee – so much per hour or per event that the equipment is deployed.

Road Maintenance Compensation

Financial Analysis

The table below shows the potential savings from paying all three cities at the same amount per lane km. for winter and summer and road maintenance costs – assuming the rates adopted were the lowest rates currently paid. Data is the experience of the participating municipalities for the past five years as found in the 2015 Maintenance Agreements.

1. Each of the cities currently receives payment for winter maintenance based on actual costs, which varies significantly by City – with historical costs setting a benchmark. There is no evident rationale for why Kitchener has received 16% more than Cambridge for essentially the same winter maintenance work. Waterloo receives 20% more for summer maintenance than does Kitchener. The only difference is the historical cost of performing road maintenance in each city. As a result, the agreement is rewarding inefficiency in road maintenance.

	Cambridge	Kitchener	Waterloo	Total
Winter Lane Kms	255.6	425.0	237.5	918.1
Current Cost Per Lane Km	$ 4,080	$4,743	$4,195	
At Cambridge Rate	$4,080	$4,080	$4,080	
Potential Cost Reduction	$-	$ 281,848	$ 27,232	$309,080
Summer Lane Kms	219.2	382.6	237.5	
Current Cost Per Lane Km	$1,655	$ 1,487	$1,779	
At Kichener Rate	$1,487	$1,487	$1,487	
Potential Cost Reduction	$ 36,828	$-	$ 69,355	$106,182
Total - Both Seasons	$ 36,828	$ 281,848	$ 96,587	$415,262

Data from draft of Maintenance Agreement with cities, provided by ROW

2. The provision to adjust rates annually based on the actual change in cost for each city ensures that the rates will continue to vary between cities.
3. The new agreement does provide some incentive for the Cities to contain their costs, particularly their summer costs which are fixed (though different by city). For winter maintenance, the only incentive to reduce costs below the base rate is to develop “insurance” for high cost years.
4. The cost per lane km. of the Region conducting winter maintenance on its own roads in the rural areas ($4,233 budget for 2015, $4,421 actual in 2014) is within the range identified above (a little higher than Cambridge but lower than Waterloo and Kitchener) which suggests the costs are similar in the rural and urban areas, at least on Regional roads
5. All three cities have adopted the Province’s Minimum Maintenance Standards, Ontario Reg. 239/02 as the maintenance standard for their road network.

Road Maintenance Compensation

Anticipated Benefits and Outcomes

There is some duplication and reward for inefficient operations in the current road maintenance agreements between the Region and the area municipalities.

A restructured road maintenance agreement that establishes the baseline at the lowest cost of the three service providers can potentially save $415,000 per year.

A restructured agreement with payment based on a formula (not actual costs) would also provide an incentive for the cities to contain their costs. If a city were able to deliver costs for $150,000 less than the contract amount, it would be able to keep this amount. If a city were to spend more than the contract amount (which would consider the amount of snow that fell), the city would absorb those costs - and hence would have every incentive to contain its costs. The costs to the Region would be as described in the contract. It would still vary with the snowfall, but not with the actual spending level of the cities.

Similarly, negotiating a road maintenance agreement with the Townships for the maintenance of Regional roads – or, having the Region contract to provide maintenance of township roads - would remove the current duplication in effort between Regional resources and Townships, particularly with respect to winter control. While the savings cannot be quantified at this point, it is anticipated that there would be increased efficiency from consolidating the maintenance activities.

Key Challenges & Considerations for Implementation

The current agreement was recently negotiated and signed for a five year term. Accordingly, there is time for the Region and cities to rethink the structure of the road maintenance agreement. The following key elements should be considered as part of the implementation of a new road maintenance agreement:

1. Maintain the “single provider” concept and avoid having both the cities and the Region operating road maintenance services;
2. Be easy to operate, minimizing the cost of tracking, billing and confirming amounts payable;
3. Be fair, and be seen as being fair to ensure the continuing commitment of the cities;
4. Structure the agreement to incentivize the cities to innovate and reduce costs over time;
5. Provide a framework the rural municipalities could use should they choose to maintain regional roads if they are able to demonstrate the capacity and capability to perform the work – or should they choose to invite the Region to maintain some or all local roads.

Road Maintenance Compensation

Recommendations

Restructure the road maintenance agreement based on the following principles to reduce the cost of road maintenance operations for the citizens of Waterloo Region.

1. Establish the same rate structure for all participating area municipalities;
2. Make the rate a combination of a fixed amount per km and a variable amount per km;
3. The variable payment should be tied to the Environment Canada reported snowfall record;
4. Municipalities should be able to manage expenses and retain any savings, subject to meeting the established service level;
5. The above changes can be implemented in the short term with any municipalities that agree, or introduced as part of the next contract negotiation;
6. That the Region explore with the townships the desire to merge road operations by having the Region purchase services from the townships – or sell services to the townships.

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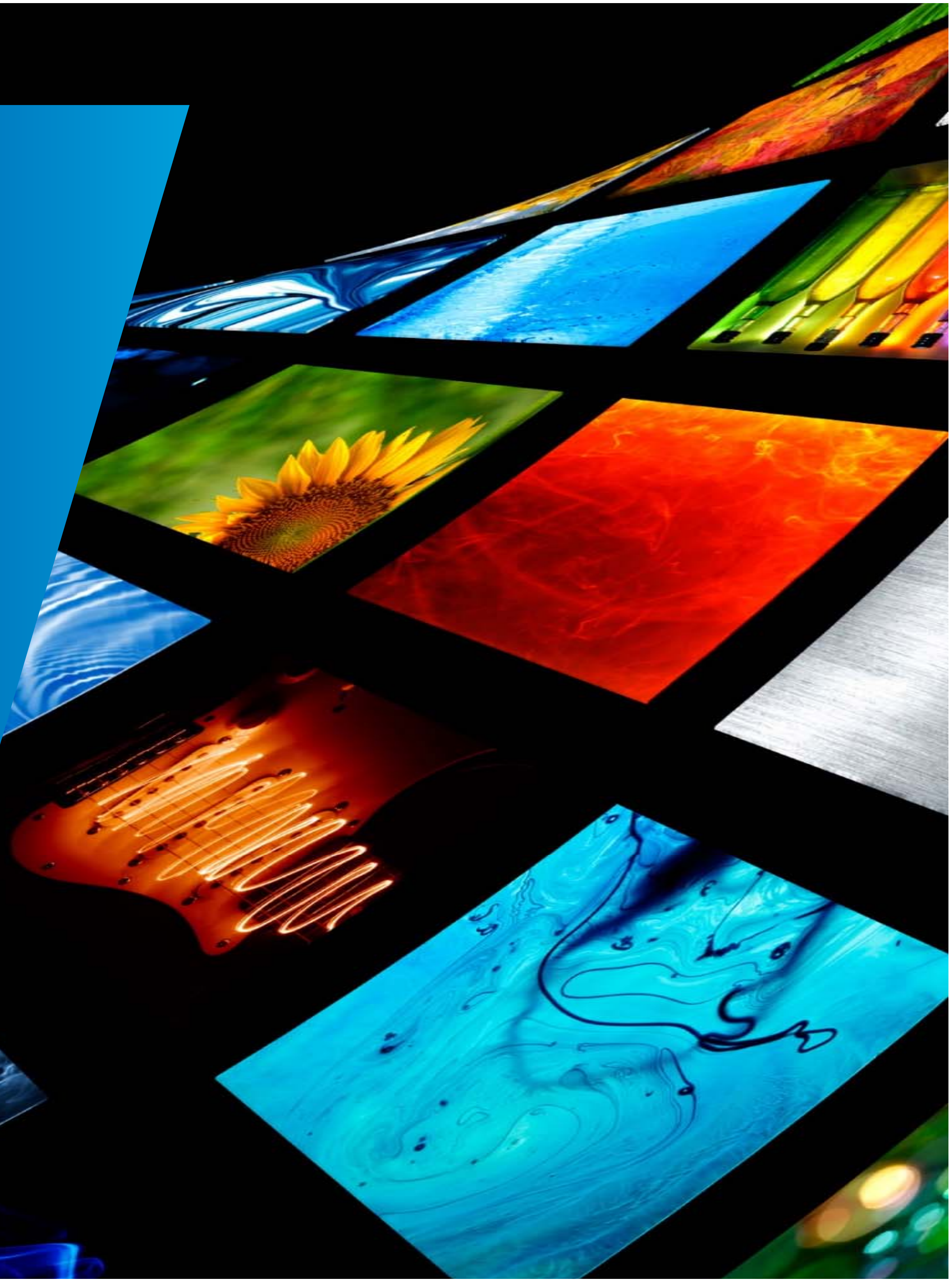
Chapter IV

Top 5 Opportunities – In Depth Analysis

Region of Waterloo International Airport



Region of Waterloo International Airport
Opportunities Overview

Overview

- The RWIA provides access to air transport to Waterloo Region and is a strategic asset that supports economic development. The RWIA is an important economic and social driver in the Waterloo Region. A recent study concluded that the RWIA's direct, indirect and induced economic impacts were approx. $86 million during 2013.
- Regional Council is interested in understanding options for monetization, operational efficiencies or revenue enhancements to help reduce or eliminative the public subsidy.
- In the airport context of alternative service delivery, the RWIA must weigh its strategic options versus operational optimization.
- **Operational Optimization:** To determine the scope for operational efficiencies, a detailed analysis of revenue, cost and capital expenditures is required. This mode of analysis cuts across services and facilities to take a holistic look at the airport's operations. While Alternative Service Delivery options can be generated for specific activities, services or facilities, in the context of an airport that is not at national/global scale, an operations wide approach is required. While we have not conducted a detailed operational analysis, our experience with several airports gives us an understanding of what is generally possible from an operational perspective. In our experience, benefits are often found in the unbundling or re-bundling of job functions and categories, and in a number of airport circumstances, in the co-definition of job categories. Airports in North America have traditionally followed the model that an airport's operation was to be fully independent of any outside service provider. This "island" mentality has led to very high-cost operations in certain circumstances where significant labour and capital equipment downtime is experienced because specific trades or equipment were only needed for a very short period of time. Other areas of potential for savings include the utilization of capital equipment of other entities or organizations who have already paid for them.
- **Strategic Partnerships:** The RWIA is a net cost business and therefore not a likely candidate for monetization. However, strategic partnerships may be a viable option to drive other goals. The primary objectives of such partnerships are to create the conditions to access expertise, capital, and enhance managerial freedom to drive cost containment or cost certainty; achieve growth in passenger traffic and the aerospace industry; create jobs and economic activity; and increase the overall significance of the airport in the region. There are a number of possible partnership models, and the Region must assess the possible and realistic goals of such a partnership and test the market to determine the interest and terms of potential partners.

Opportunity

Optimize the public value of the Airport, considering airside, landside and operations opportunities, including potential for contracted operations and acquiring or disposing of assets.

Two different aspects were examined:

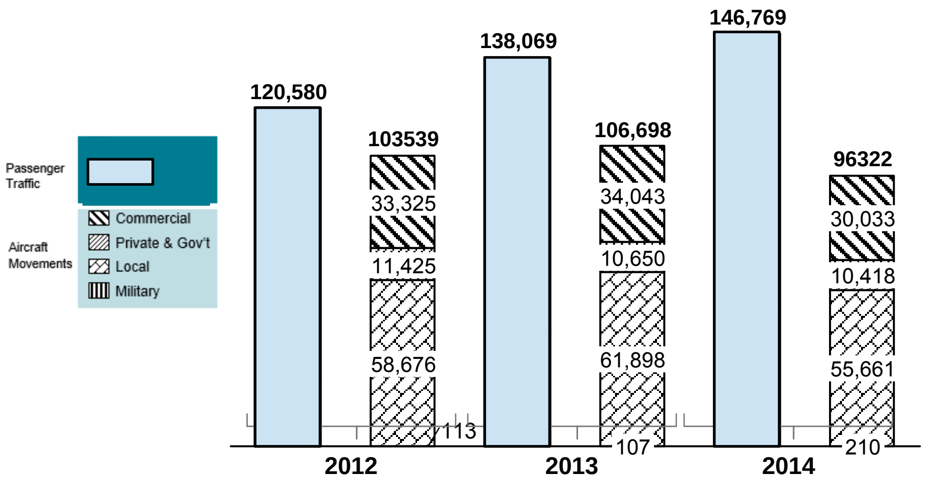
- **Optimization** - Increasing revenues, operational savings and reducing capital projects.
- **Strategic Partnerships (ASD) –** Considering Alternative Service Delivery mechanisms to enable meaningful savings, revenue increases or monetization.

Research Boundaries

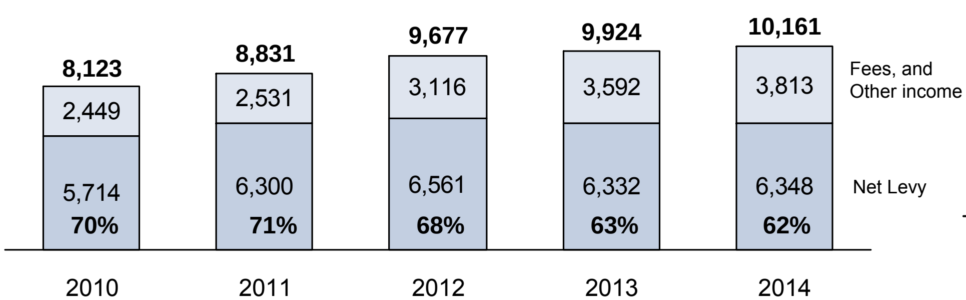
- Benchmarking, detailed analysis of airport operations, revenue opportunities, capital deployment and partnership opportunities was not within the scope of this project
- Findings are indicative and should be validated by detailed analysis

Region of Waterloo International Airport
Current State

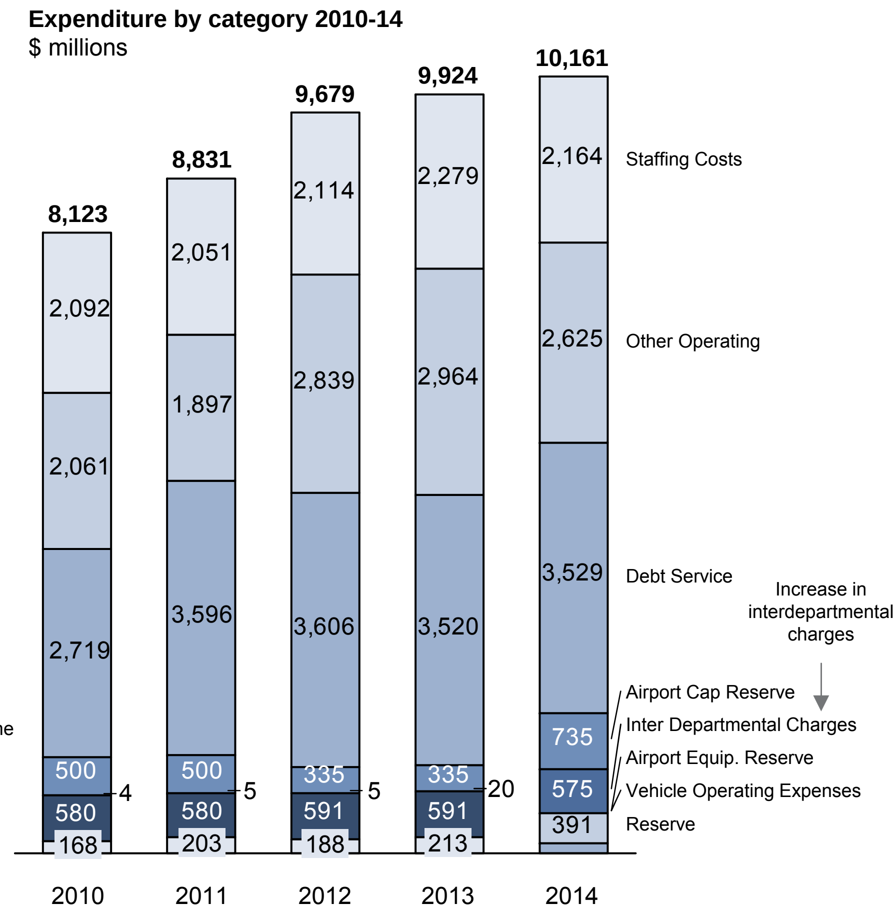
Passenger Traffic and Aircraft Movements 2012-2014



Revenue by Category, 2010-2014 ($ million)



Expenditure Baseline



The RWIA has experienced increased passenger traffic and increased operating revenue. It is, however, dependent on the Region of Waterloo's property tax levy for over 60% of its costs. Furthermore, in the short/medium term, a large component of airport expenditures are fixed (debt service).

Hypothesis overview

Observation 1: Identifying the indicative revenue increases, operational savings or reduce capital employment opportunities

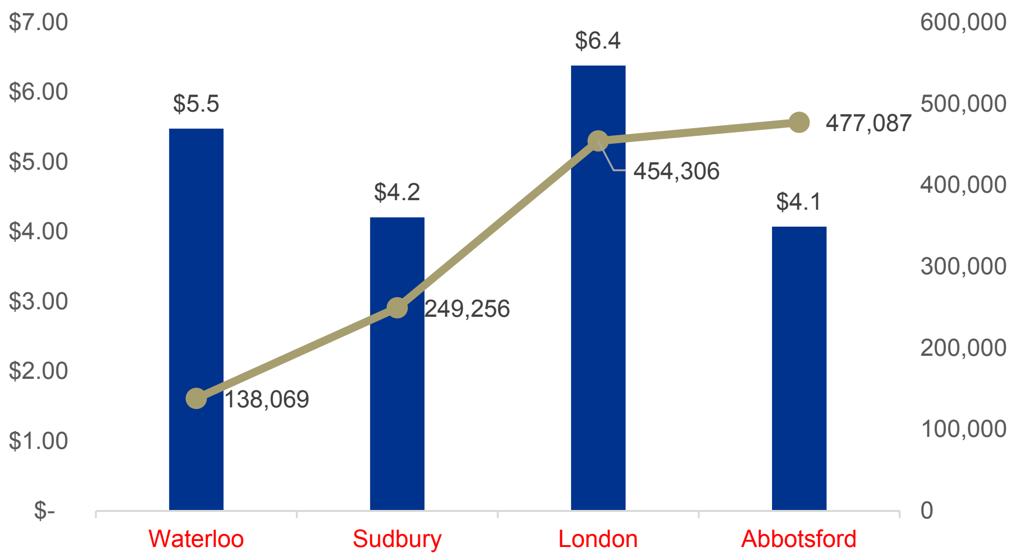
Observation 1	**Optimization** ▪ Identifying the indicative revenue increases, operational savings or reduce capital employment opportunities

OPPORTUNITY ($ millions)

BASE		STRETCH
0.250	↔	.500

High-level Reference Comparison

Operating Expense (millions) Vs. Total Annual Passengers (2013)



Revenue Per Passenger	$26.02	$24.98	$22.06	$12.88

Key Insights

- **Operational Savings:** Based on a small sample of comparable airports, RWIA's cost base is in the mid-range while passenger traffic is at the low end. This suggests under-utilization, with some limited cost reductions possible.
- **Revenue Side:** Revenue per passenger is comparable to airports in the small sample. Additional revenues can be generated through an increase in the Airport Improvement Fee but needs to be weighed against other policy objectives. The median Airport Improvement Fee (both international and domestic) of 61 Canadian airports is $20. Regional comparators: Hamilton ($25), London ($15), Windsor ($15), Pearson ($25)
- **Capital Expenditures:** Given available capacity, it is prudent to manage capital expenditures and defer expansions unless growth materializes.

The Region should complete the master plan, continue to optimize revenue and control operating expenses and capital expenditure. The Region should establish a net levy target that the airport would have to budget against.

Note: Waterloo operating expense calculated by adding staffing costs, other operating expense and vehicle operating expense for 2013

Hypothesis overview

Observation 2: Determining appropriate alternate service delivery mechanisms

Observation 2	**Strategic Partnerships (ASD)** ▪ Determining Alternate Service Delivery (ASD) mechanisms appropriate for generating sufficient scope for creativity or managerial effectiveness to enable meaningful savings, revenue increases or monetization

OPPORTUNITY ($ millions)

Not knowable at this juncture, third party interest needs to be tested

Private Sector Participation Rationale

1. Promote market and traffic growth (new airlines, operators, cargo)
2. Promote capital growth
3. Exploit commercial opportunities (retail, real estate)
4. Obtain greater operational efficiency
5. Attract new service approach and/or technology
6. Attract private sector financing
7. Governance reform - more commercial mandate, remove administrative burden

Private Sector Participation with Public Ownership

Description	Attributes
Service or advisory contracts	▪ Fee for service ▪ Minimal risk transfer ▪ Examples: Marketing and operational advice
Performance-based contracts	▪ Fee for service with revenue of cost sharing ▪ Performance risk assumed by private sector ▪ Examples: Airport operating contract with cost guarantee (Indianapolis Airport) ▪ Airport retail development concession with revenue guarantee (Pittsburgh Airport)
Investment-based contracts	▪ Private sector makes capital investment ▪ Private sector remunerated through availability or other mechanism ▪ Example Proposed Iqaluit Airport PPP

Airport Ownership and Management Structures

Management Structures	Full Public Ownership and Operation	Airport Operating Contract	Airport Concession
Responsibility for day-to-day airport operation	Public	Private	Public or Private (Depending on nature of concession, for example airport-wide concession vs. passenger terminal concession)
Revenues earned by private sector dependent on airport traffic?	Not applicable	No	Yes
Private financing Involved	No	No	Yes
Examples	Waterloo	Oshawa	Hamilton Airport lease with Tradeport/Vantage Group*

Ownership Structures	City Owned	Not For Profit	Private
Example	Waterloo	GTAA (Toronto)	Buttonvile

- **Historical context, financial and policy considerations drive different ownership and governance structures**

The RWIA may be able to find a partner to drive operational and strategic goals, but needs to test the market to determine appetite, terms and potential for risk transfer

Hypothesis overview

Observation 2: Determining appropriate alternate service delivery mechanisms

Observation 2	**Strategic Partnerships (ASD)** ▪ Determining Alternate Service Delivery mechanisms appropriate for generating sufficient scope for creativity or managerial effectiveness to enable meaningful savings, revenue increases or monetization

Potential Partnership Assessment Framework

Attribute	Description
Alignment of mandates	Does a proposed partner share the same vision for the development of the airport? Does tension exist between a private sector interest and public interests (for example, broader economic development vs. commercial performance)?
Global/regional network	The extent to which a proposed partner can access global carrier networks and other client relationships to attract carriers and secure new routes. Are the proposed relationships and networks feasibly applied to the airports strategic context/?
Transfer of revenue risk	Are proposed partners willing to commit to specific growth metrics linked to passenger growth or to performance milestones?
Marketing and BD	Do proposed partners have proven marketing and business development capabilities and resources that are superior to that of the status quo operator?
Low-cost carrier strategy	Is a low cost carrier strategy likely given the airport's facilities and cost structure? Does the proposed partner have resources and expertise to bring such a carrier to the airport?
Cargo growth	Does the proposed partner have the necessary relationships, commercial expertise and facilities improvement plan to realistically increase cargo/ technical traffic and associated revenues?
Experience with regional airports	Do proposed partners have extensive experience managing airports of similar sizes and is familiar with Regional Airport challenges and opportunities and would be of value in promoting business development and growth strategies?
Capital Projects	To what extent are proponents willing to fund capital improvements such as servicing of employment lands, terminal improvements, facility expansion, US pre-clearance, ground access improvements, and runway expansion.
Economic Development	Does the proponent have a plan to link airport operations into a integrated regional economic development plan? Are there opportunities for government initiatives such either educational, research or regulatory related that would increase the opportunity for the airport to create a sustainable, value added sector?
Management	Would the proposed partnership relieve the Region of day-to-day management?

Key Insights

- **Potential for partnerships:** An airport of the size of RWIA may find it difficult to attract experienced airport operators because the scale for cost savings and efficiencies may not exist.
- Given negative cash flow, private investors will be interested only with sustained subsidy commitment. Monetization is unlikely.
- Possible approach would be a concession where the firm that requires the lowest subsidy from government is awarded concession. The key is to find the right incentives that match the operating and strategic prospects of the RWIA.
- The actual net subsidy for the RWIA has been in the $6.3M range in recent years, and as a percentage of total expenditures, has been declining (from 71% in 2011 to 62% in 2014). This net subsidy includes investments in infrastructure for airport services other than passenger service operations such as industrial lands development and training facilities.

The Region must determine the success criteria (from both a subsidy and net economic benefit perspective) for the RWIA and whether another operating or contract model could better achieve the Region's objectives for the RWIA.

Recommendations

Recommendations

1. The opportunity for incremental cost optimizations and revenue increases exist. The Region should complete the master plan/business plan and present their approach to increasing revenue and managing both operational and capital expenses.

2. The Region should establish a net levy target for airport management to budget against to control operating and capital expenditures.

3. The Region of Waterloo should test the market for a range of private sector involvement to determine the level of interest from potential private sector partners to not only drive operational and strategic goals but also reduce the operational costs and impact on the property tax levy.

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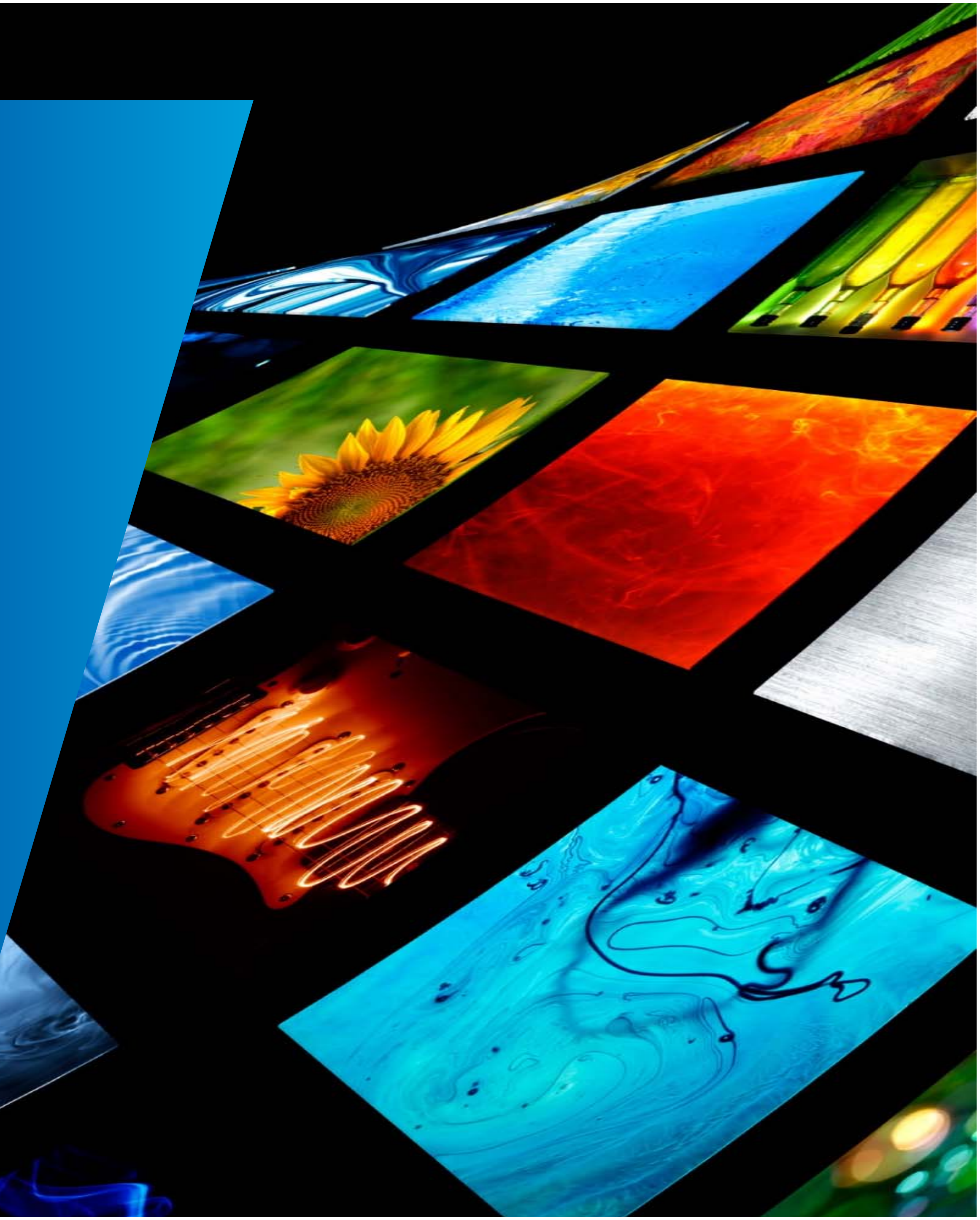
Chapter IV

Top 5 Opportunities – In Depth Analysis

Child Care



Child Care Service Manager

The Opportunity

Restructure the service delivery role of the Region in the areas of Child Care Services and Home Child Care to focus on its legislated role as Service Manager.

Setting the Stage – Regional Roles

The Province is responsible for licensing of child care programs under the (Day Nurseries Act (replaced by the Child Care & Early Years Act as of August 31, 2015).

The Region of Waterloo is the "Service Manager" for child care, which currently involves:

a. Child care planning, including the completion of an annual Early Learning and Child Care (ELCC) Plan.
b. Negotiating service agreements with licensed child care providers (centres and home child care administrators).
c. Supporting OneList Waterloo Region – a centralized referral and wait list for child care centres.
d. Determining subsidy eligibility for children/families based upon provincially established tests, and providing funding to support those eligible.
e. Provide funding to support children with special needs in child care.
f. Determine eligibility of child care providers for direct funding (wage enhancement, repairs and maintenance, capital funding, professional resources, etc.).
g. Ensure regulatory compliance with the Day Nurseries Act and the Region's funding agreements.
h. Provide funding and programs to encourage and improve the quality of child care and enhance the capacity of providers.
i. Collect data concerning system performance and report to the Province.

In its role as Service Manager, the Region has oversight of 137 licensed child care providers at a cost of $3.4M. It also administers $21.6M in fee subsidy payments and $7.9M in operating grants to child care providers within the region.

The Region is also a child care operator, as is permitted in the Act, providing child care services comparable to those providers it funds and manages. The Region operates five child care centres that serve 250 children. Each child care centre has attained the "triple gold" standard of the "Raising the Bar" program for the past 12 years and are accredited sites with the High Scope Curriculum. The Region also operates a licensed Home Child Care program with approximately 425 caregivers serving approximately 1,185 children.

The five Children's Centres cost $5.9M to operate and the Home Child Care operation costs $10.2M, of which $7.7M is payments to the home child care providers.

Child Care Service Manager

Setting the Stage[1]

Indicators of Need

The Region has approximately 80,000 children under 12 years of age and approximately 24,500 children under four years old, the prime target for full day child care. Approximately, 5,100 children under the age of four are in licensed child care. With 82% of families participating in the labour force, 15,000 children under the age of four must be in the care of relatives or caregivers in the informal child care community.

The current licensed Early Learning and Child Care (ELCC) system provides 10,927 spaces for children under 12 years including 250 spaces in the Children's Centres and up to 1400 children in the Home Child Care Program.

About one-third of children in licensed care are subsidized (eligibility for subsidy is based on an income test).

Children Served

Licensed child care centres serve 9,025 children under 12 including 250 children in the five Regional Children's Centres and the remainder in other centres operated by other agencies, many of them non-profit.

Licensed home child care serves about 1,300 children at any time, with about 1,100 in the Region's own Home Child Care program and the rest with three Wee Watch programs.

The Wait List

There are approximately 3,805 children on the OneList Waterloo Region child care waiting list. Some of these are seeking priority for spaces in the future, when they expect to have their child, or when they expect to return to work (or school). Nonetheless, almost half of the families (1,692) are seeking immediate child care (811 infants, 468 toddlers and 413 preschoolers). The Early Learning and Child Care Service Plan indicates most people in the process believe that meeting the needs of children under the age of four should be the Region's child care priority.

1. Data Source: Department of Community Services, Region of Waterloo.

Child Care Service Manager

Setting the Stage

Financing

Child care is funded from three sources:

1. The Province of Ontario funds child care based on a complex formula through 47 designated service managers across the province. The funding formula penalizes Service Managers if they reduce their own contribution to child care costs and provides incentives to re-invest any savings in the child care program. Because the funding formula is based upon the spending level of service managers across the province, it is difficult to forecast the exact impact of any increase or reduction in the Region's support for child care. Nonetheless, recent reductions in Regional funding have been followed by reductions in provincial funding between 75% and 100% of the Region's reduction. For example the 2015 "utilization grant" declined to $2.4M from the $3.9M received in 2014 as a result of budget reductions of $390K and $850K in 2013 and 2014.
2. The Region is a major funder of children's services in Waterloo Region. The provincial funding formula requires a municipal contribution of 50% of administration costs, and 20% of core subsidy costs. In order to address demands for child care when provincial funding was not increased, the Region provides 100% funding over the legislated requirement. In 2015 this "100%" funding totals $2.8M.

   The new funding model introduced in 2013 includes a core funding component and number of smaller components tied to specific issues. One of these funding components encourages municipalities to maintain their current level of child care funding, and as noted above, reduces the provincial support when the Region's support declines. Thus, a reduction in Regional funding amplifies the reduction in child care availability since provincial funding is also reduced.
3. Parents are the largest funder to the child care system, with the majority of child care spaces fully paid by parents. Many of these families use the "informal" child care sector, where costs are generally lower, but some use licensed child care. Recently the Region has welcomed full fee paying parents into the Region's Home Child Care program, collecting an additional $3 per day fee to cover the incremental costs of expanding the Home Child Care program to accommodate them. Within the subsidized child care system, some parents pay a part of the cost, as determined by the Province's income test formula.

Comparative Analysis

Peel

- Transitioned to a pure Service Manager role in 2012, closing their 12 Regional child care centres and purchasing a little over twice as many subsidized spaces from other agencies, with about 25% of the savings allocated to other priorities and enhancements to support community providers.

Windsor

- Closed its seven municipal centres, responding to perceptions of a “two tier” system and providing savings (after replacing the spaces) of $480,000 that were allocated to avoid a wage and rate freeze among purchased services (there was no waiting list).

London

- No longer directly operates any child care programs and has integrated child care management with broader children and community services, including recreation and community centres

Durham

- Still operates municipal child care centres in rural areas where commercial operations not viable. Durham has supported the expansion of commercial centres, particularly for infant care.

Halton

- Operates three licensed child care centres in addition to its role as the service manager for child care services.

Niagara

- Operates five licensed child care centres in addition to its role as the service manager for child care services.

York

- Does not direct operate any child care centres; its only role is as the service manager for child care services.

Financial Analysis – Children's Centres

The chart below was developed to identify the possible savings from closing the Children's Centres and replacing the services they provide with similar services in other child care centres in the Region, that meet all provincial licencing, facility, staffing and quality requirements. The table shows the numbers of children served, the current costs, and the costs of serving those same children using the average cost of purchased services

Comparison of Regional Children's Centres With Purchased Services Alternative

Current Costs - Children's Centres[1]	Infant Care	Toddler Care	Preschool Care	Before & After School Care	Total
Enrollment	3	85	162	n/a	250
Days of Care	750	21,250	40,500	n/a	62,500
All in Cost (2015 Budget)[2]					$ 5,441,556
Net of parent contributions					$ 4,296,784
Purchased Services Option					
Average Cost (Per Diem)	$ 66	$ 47	$ 42	n/a	
With Regulatory Compliance Costs[3]	$ 70	$ 51	$ 45	n/a	
Total Cost of Alternative	$ 52,500	$ 1,083,750	$ 1,822,500	n/a	$ 2,958,750
Net of Parent Contributions					$1,796,406
Savings					**$ 2,500,378**

[1] Based on data provided by the Region of Waterloo
[2] The cost of debentures has been excluded from current costs as they are payable in either case
[3] The cost of increasing the Region's Regulatory Compliance activities for the new private spaces has been included

Note that the presentation above does not show an allocation of provincial subsidy as generally occurs in children's services financial presentations. Expenditures are funded by a combination of parental fees, provincial subsidy and property tax levy contributions. The savings identified ($2.5 million) would generally be shown as being made up of $1.95 million in provincial subsidy and $0.55 million in property tax levy contribution. However, any savings to the property tax levy would likely be eliminated by reduced utilization grants from the Province in two years. Thus these savings can only be applied to other child care services

Financial Analysis – Children's Centres

Savings Forecast

The analysis shows that $2,500,000 could be freed up by purchasing the spaces provided in the Children's Centres from the average purchased services non-profit agencies. While these funds could be taken as savings, provincial funding would likely reduce off-setting the benefit for Regional taxpayers, but at an average cost of $11,765 per space per year, these savings could fund the addition of approximately **200 extra fully subsidized child care spaces** – further addressing the child care needs on the OneList Waterloo Region child care waiting list.

Additional Savings

Actual savings would be higher, as the Region could rent or lease the existing child care centres (and the new Elmira centre once completed), and avoid (or reallocate) the approximately $4.4M capital expenditure currently budgeted for the Edith Macintosh Centre.

Furthermore, the Region has allocated $290,450 in Direct Operating Grants and a further $228,502 in Pay Equity Grants to the directly operated centres. These funds could be diverted to support the new or expanded child care centres. Additionally, some of savings may be required to extend support to all the new spaces.

There is also a term position involved in the Elmira capital project program. While there are potential savings that could be realized through the elimination of this position, it is expected there would be a project management position required to manage the transition from Regional Child Care Centres to purchased services.

Transition Costs

There would be some transition costs involved, depending upon how the program was implemented.

It will be necessary to provide notice to staff and to parents and an orderly transition for both will require some phasing.

There may be some capital costs involved in assisting other providers to expand their programs, or create additional centres.

Child Care Service Manager

Financial Analysis – Home Child Care

The chart below was developed to identify the possible savings from ending the Region's Home Child Care program and replacing the services they provide with similar services from community agencies in the Region. The table shows the current costs, the number of days of service provided, and the costs of serving those same children using the cost of purchased home child care services from existing programs.

Comparison of Home Care With Purchased Services Alternative	Infant Care	Toddler Care	Preschool Care	School Aged <6 hrs/day	School Aged >=6 hrs	Total
Enrollment						1,081
Days of Care	20,844	24,330	89,102	84,096	28.310	246,682
All in Cost (2015 Budget) [3]						$ 10,244,150
Purchased Services Option						
Contracted Home Child Care (Per Diem)[3]	$ 45.00	$ 45.00	.$ 45.00	$ 30.00	$ 45.00	
Total Cost	$ 937,980	$ 1,094,850	$ 4,009,590	$ 2,522,880	$ 1,273,950	$ 9,839,250
With Regulatory Compliance Costs[2]						$337,218
Total Cost of Alternative						10,176,468$
Savings/(Deficit)						**$ 67,682**

[1] Based on data provided by the Region of Waterloo

[2] The cost of increasing the Region's Regulatory Compliance (e.g. contract management) activities for the new private spaces has been included

[3] Per Diems are those charged by suppliers under its contract with the Region.

In this circumstance the RoW could purchase the same level of care at a cost about $67,000 lower than the current costs. There may also be economies of scale if a large agency were involved, and there could be additional savings with a more developed school aged home care program. Given that such an agency does not exist today, the Region should work to encourage the creation of a community home child care agency as a first step. Similar to the circumstances with the Children's Centres, any savings would have to be reinvested in additional service to avoid loss of provincial subsidy.

Financial Analysis – Home Child Care

Additional Savings

The Region has allocated $1,007,180 in Direct Operating Grants and a further $153,542 in Pay Equity Grants to the Home Child Care program. It is not clear if all those funds would be required to support private home child care agencies.

Transition Costs

There would be some transition costs if the Region sought to reduce the scope of or close its Home Child Care program while maintaining service levels. The existing Wee Watch programs do not have the capacity to manage all the home child care services provided by the Region, and their model limits their size in any case. Thus the Region would need to undertake some steps to encourage the creation of one or more other agencies to manage the home child care program. Those costs need to considered if this approach is to be pursued.

Child Care Service Manager

Anticipated Benefits and Outcomes

There are three significant reasons to consider having the Region focus on its role as service manager and divest of its direct child care operations:

1. **Conflict of Interest** – The Region determines the policies that affect all child care operators who serve subsidized families, approves the per diem rates that all subsidized families will receive, and allocates funds, both its own and provincial funds, among the various child care providers. In practice, the Region does not treat its own operations the same way it treats contracted providers. The Region's Children's Centres receive more funding and their budgets are not prepared or funded in the same manner as the contracted centres.

2. **Cost of Operation** - The Region is a high cost provider, particularly for centre based services. This is a result of higher staffing levels, higher staff compensation rates (including benefits) negotiated in union contracts and other factors including the costs of new facilities as they are being built The Regional child care system could serve more children if it purchased spaces from contracted child care providers. Children remain on the wait list, and could be provided care it the Region stopped directly operating child care centres. The financial analysis illustrates that the child care needs of an additional 200 children could be addressed if the money used for the Children's Centres was used to purchase spaces from non-profit/ private child care operators at the current average price. In other words, 80% more children and families could be served within the current funding budget. The same is true to a lesser extent for the Home Child Care service although the home child care market has no significant, mature, diverse agency in the community.

3. **Immediate Capital Costs** - Two of the Regional Centres are to be moved or rebuilt in the next three years. The Elmira Children's Centre is currently being relocated at an estimated cost of $4.6M. The Edith Macintosh Children's Centre is scheduled to be redeveloped in 2017 / 2018 at an estimated cost of $4.4M. The other three centres are all in purpose built facilities not requiring redevelopment in the near future, although they will require approximately $700K in capital expenditures over the next five years. We understand the funding for these capital expenditures will be debentured thereby increasing the cost of service delivery.

Child Care Service Manager

Key Challenges & Considerations for Implementation

There is room to expand the number of Home Child Care placements to maintain service levels during a transition period or expand subsidized spaces if required. The Home Child Care operation can support placement of up to 1400 children.

The provisions of labour agreements need to be considered.

The Home Child Care operation is generally involved in establishing and maintaining a relationship with individuals who provide child care services in their home. Any change in the Home Child Care system should take care to manage the relationship with these care providers carefully.

The potential impact of redirecting the $290K in Direct Operating Grants and $228K in Pay Equity Grants requires some study.

The rental value of current centres should be explored.

Child Care Service Manager

Recommendations

1. That the Region develop a detailed plan to phase out the five Regionally owned Children's Centres over a 5 year period, using the savings to expand the number of subsidized spaces available to be delivered by other childcare providers in the community
2. That the Home Child Care operation should continue at present, with these changes over time:
   a) Home Child Care should be expanded in areas as required to support the transition plan for the Children's Centres
   b) Encourage / facilitate the formation of a full service home child care agency in the community, serving all age groups.

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Conclusion & Prioritization

Region of Waterloo Service Review

Final Report

Top Five Opportunities & Recommendations

Top Five Opportunities & Recommendations

The overall goal of the Service Review was to determine whether the Region of Waterloo is providing the best value to the community, or how the Region could provide even better value.

It is apparent at the conclusion of the project that the Region of Waterloo is a well managed organization with good governance practices. Accordingly, it is necessary to indicate that there is no low hanging fruit to offer Council as easy wins for cost savings or improved service delivery. The low hanging fruit has been picked through by previous Councils and Regional leadership. The majority of opportunities are transformational and will require some difficult decisions on the part of Council and the Region's corporate leadership team. The top five opportunities and associated recommendations are as follows.

Top 5 Opportunities	Recommendations
Not Renew Employment Ontario Contract	1. That the Region of Waterloo not renew its contract for direct delivery of Employment Ontario services at the conclusion of the current contract (March 31, 2016).
Shared IT Services	1. That the Region and interested municipalities (invite all area municipalities to participate) conduct a detailed review to further explore the feasibility of a shared data centre, and a shared service desk and desk side support service as a first step to expanded collaboration.

Top Five Opportunities & Recommendations

Top 5 Opportunities	Recommendations
Road Maintenance Compensation	Restructure the road maintenance agreement based on the following principles to reduce the cost of road maintenance operations for the citizens of Waterloo. 1. Establish the same rate structure for all participating area municipalities; 2. Make the rate a combination of a fixed amount per km and a variable amount per km; 3. The variable payment should be tied to the Environment Canada reported snowfall record; 4. Municipalities should be able to manage expenses and retain any savings, subject to meeting the established service level; 5. The above changes can be implemented in the short term with any municipalities that agree, or introduced as part of the next contract negotiation; 6. That the Region explore with the townships the desire to merge road operations by having the Region purchase services from the townships – or sell services to the townships.
Optimize Airport Commercial Value	1. The opportunity for incremental cost optimizations and revenue increases exist. The Region should complete the master plan/business plan and present their approach to increasing revenue and managing both operational and capital expenses. 2. The Region should establish a net levy target for airport management to budget against in order to control operating and capital expenditures. 3. The Region of Waterloo should test the market for a range of private sector involvement to determine the level of interest from potential private sector partners to not only drive operational and strategic goals but also reduce the operational costs and impact on the property tax levy.

Top Five Opportunities & Recommendations

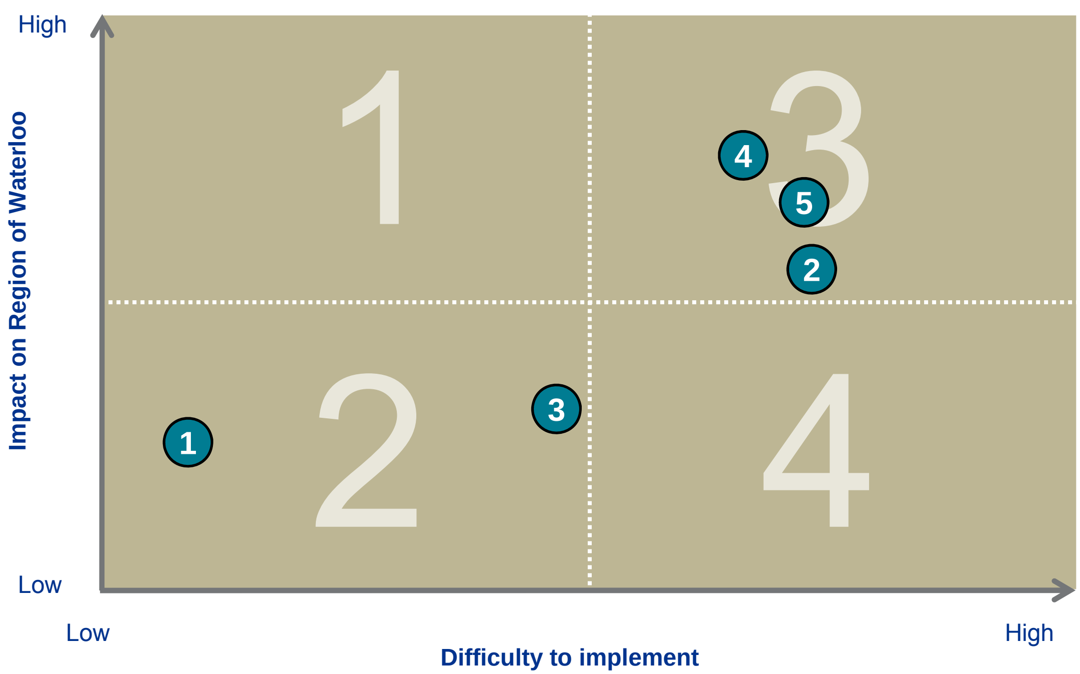
Top 5 Opportunities	Recommendations
Child Care Service Manager	1. That the Region develop a detailed plan to phase out the five Regionally owned Children's Centres over a 5 year period, using the savings to expand the number of subsidized spaces available to be delivered by other childcare providers in the community 2. That the Home Child Care operation should continue at present, with these changes over time: a) Home Child Care should be expanded in areas as required to support the transition plan for the Children's Centres b) Encourage / facilitate the formation of a full service home child care agency in the community, serving all age groups.

Prioritization of Opportunities

This chart is provided to assist the Region of Waterloo in prioritizing the top five opportunities identified in the Service Review report. The order that opportunities should be implemented would be:

(1) top left quadrant (low difficulty, high benefit),
(2) bottom left (low difficulty, low benefit) and
(3) top right (high difficulty, high benefit).

Those in the bottom right quadrant (4) would be considered to be optional as a result of the potential effort required versus the potential benefit derived.



Sample rating of each of the potential opportunities for improvement against two criteria:

- **Difficulty to implement**
  - This rating indicates the degree to which the potential opportunity for improvement would be difficult (higher) or simple (low) to implement
  - A difficult implementation would come at a higher cost to the Region and / or may take longer to implement, while a simple implementation would come at a minimal cost and / or may be implemented within a short time frame
- **Impact on Region of Waterloo**
  - This rating indicates the degree to which the potential opportunity for improvement would produce large (high) or minimal (low) benefits for the Region
  - A large benefit would reduce the budget (or improve service) by a significant amount

Opportunities:

1. Not Renew Employment Ontario contract
2. Shared IT services
3. Road maintenance compensation
4. Optimize the commercial value of the Region of Waterloo International Airport
5. Child Care

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Appendix A

Long List of Categorized Opportunities

A1 Opportunities already in process

A2 Opportunities Requiring Additional Investigation / Follow-up

A3 Opportunities Which Do Not Merit Further Follow-up or Action

Opportunities already in process

These opportunities are either underway or are shortly being initiated. Accordingly, there is limited value in considering these opportunities for further in depth analysis by KPMG.

Opportunity	Opportunity Description
Corporate Performance Measurement Program	Establish corporate performance measurement program with relevant but limited Key Performance Indicators (KPIs), performance targets, and regular measurement and reporting.
Integrated Asset/Work planning System	Develop approach for systems to support integrated: service request, work planning, asset management, time recording for payroll.
Personal IT Devices	At present, the Region supplies its employees with IT devices such as blackberry smart phones; organizations have enjoyed much success by implementing a bring your own device IT strategy (phones, computers, tablets).
Reception Desk Consolidation	There are multiple reception desks located within each ROW building. There is an opportunity to improve customer service through the consolidation of reception desks within Regional buildings.
eService Expansion	The Region currently has limited self-serve opportunities; there is an opportunity to expand the range of e-services offered through the establishment of a portal based self-serve application.
LRT station areas	Conduct planning reviews of areas around Light Rail Transit (LRT) stations with view to increasing density of development permitted.
Taxi Accessibility	As part of the Region's service improvement initiative, require all replacement taxis to be accessible vehicles, with a deadline for all taxis to be accessible within the next 5 years).
Modernize Taxis	Modernize taxi regulations - adopting some of the characteristics piloted by Uber into the taxi industry, or the limousine industry, or as a separate category.
Surplus Regional Land	The Region owns a significant number of property parcels, many the results of projects which have subsequently been completed, or which are otherwise surplus to Regional needs. The Region could review its property holdings with a view to maximize the value of surplus regional land & buildings, by selling, leasing or using as many parcels as possible.
Re-evaluate EMS Response Targets	Recognizing that response targets for EMS will vary according to the density of the population, set response targets based on population density (urban/rural) within the ROW.

Opportunities already in process

These opportunities are either underway or are shortly being initiated. Accordingly, there is limited value in considering these opportunities for further in depth analysis by KPMG.

Opportunity	Opportunity Description
Re-evaluate Medical Transport	Evaluate medical need for transport, by case type, and seek authority to limit transport to cases where medically necessary.
Bus Lifecycle	Given the cost of maintenance for bus infrastructure, conduct a lifecycle analysis to determine best bus lifecycle management plan, including retirement timing.
Bus Route Data	Optimize bus route efficiency and effectiveness through the use of data and evidenced based decision making for bus routes.
Smart Card Fare Payment	Leading practice is to move away from a cash based payment system and implement a smart card fare payment system. This increases the efficiency of payment process and allows the transit operator to collect important user data.
Bus Routes Cost Recovery Target	In order to reduce the amount of levy support required by Grand River Transit, establish cost recovery targets and plan bus routes based upon Council approved targets
Garbage Collection Service Levels	Establish consistent service levels throughout the ROW where there are similar operating environments.
Solid Waste Diversion	Adopt approaches to increase solid waste diversion rates, such as moving to garbage collection every two weeks, and/or setting tight garbage bag limits and/or implementing a bag tag system.
Large Item Pick-Up	Operational savings can be achieved through a change from weekly to monthly large item curbside pickup.
Future Solid Waste Disposal	Launch program to find next solution to solid waste disposal, with consideration for a future landfill site, incineration, and other solutions.
Waste and Recycling Public Relations	Expand messaging to residents and businesses with view to improving recycling rates and reducing solid waste.
Transfer Station Operation	Based upon the cost and utilization of transfer stations, Close or privatize their operations
Road Patrol Tool	Implement automated, GPS enabled, road patrol tools to improve the level of road safety and efficiency in road operations.
Hand-held Data Entry Terminals	Implement automated utility locate, work order and timesheet processes with hand-held data entry terminals (with GPS).

Opportunities already in process

These opportunities are either underway or are shortly being initiated. Accordingly, there is limited value in considering these opportunities for further in depth analysis by KPMG.

Opportunity	Opportunity Description
Transportation Rehabilitation	Given the significant cost of capital replacement, focus capital expenditures more on rehabilitation employing lifecycle analysis.
Tender Insurance	While the ROW has a well-managed insurance program for all member municipalities, there is an opportunity to tender for insurance coverage to ensure that the cost of insurance is consistent with the market.
Consolidate Dispatches	At present, there are multiple dispatches serving emergency services in the ROW. There is an opportunity to develop a consolidated dispatch for police, fire and EMS across the Region and LHIN
Mobile Technology for Public Health Inspectors	Adopt/enhance utilization of mobile technology for Public Health Inspectors to facilitate recording of inspection findings and delivery of service directly in the field.
Compensation	Benefits form a considerable part of the overall compensation plan for ROW staffing. There is an opportunity to review benefit plans with a view to scaling back benefits that exceed municipal comparators and/or introducing cost-sharing.
HR Process Review	In order to reduce the cost of processing and maintaining employee records, there is an opportunity to automate employee life-cycle processes.
Consolidate Service Improvement Planning	Consider consolidating Service Improvement Planning with Organizational Effectiveness & Wellness and/or Internal Audit.

Appendix A2

Opportunities Requiring Additional Investigation / Follow-up

These opportunities are not candidates for further in depth analysis by KPMG, but may warrant follow-up by staff to determine whether implementation is warranted in some other way.

Opportunity	Opportunity Description
Improve Training Program Targets	Conduct research on job market to improve the targeting of training programs offered by Employment Services.
Optimize Social Housing	Compare unit costs of various housing solutions (rent supplement, renovation, new construction, purchasing existing - considering expiring agreements) with a view to focusing supports, and growth in most efficient solution areas.
Divest Nursing and Homemaker Services (Seniors' Community Programs)	Review program with the goal of serving the same or an increased number of seniors in their homes by divesting the service to a community based service provider.
Sunnyside Laundry/Kitchen Revenue	Use the large Sunnyside laundry to generate revenue from other customers in the public sector.
Social Development Program Grants	Evaluate the process for allocating social development program grants and improved accountability for the social development program grants' results and outcomes.
3 Year Budget	There is substantial time and effort devoted by management towards the preparation and review of the budget each year, even though most of the significant changes result from separate reports that are considered by Council outside the budget cycle. The Region could implement a 3 Year Budget Cycle, substantially reducing the cost and time of budget preparation and review. Unanticipated financial changes during the three years could result in a separate report dealing with any implications.
Financial Services Delivery Model	Review the model for delivering finance services and the number of financial analysts both within Corporate Services and in operational departments.

Opportunities Requiring Additional Investigation / Follow-up

These opportunities are not candidates for further in depth analysis by KPMG, but may warrant follow-up by staff to determine whether implementation is warranted in some other way.

Opportunity	Opportunity Description
A/R process	Review the Accounts Receivable (A/R) process to reduce the operational costs of processing invoices and payments
Allocate Shared Services Costs	The Region currently allocates some shared service costs (e.g. Fleet) but does not allocate central costs such as IT, HR, and Finance to operating departments (with the exception of water and sewer). This makes it difficult to identify the actual cost of providing Regional services. The Region could develop a model to consistently allocate all (or at least most) shared/centralized service costs to the operating units to improve transparency and accountability.
Materials Management Staffing	In order to ensure the optimum staffing and service for client facing departments, review materials management staffing and locations.
Municipal HR Service	Provide Human Resource (HR) services to lower tier municipalities (particularly the Townships) on a cost recovery basis.
Reception Desk Reduction	Eliminate reception functions at Regional buildings wherever possible, using access control with phones, and phone listings to contact staff.
eService Responsibilities	Currently, the Region's website is the responsibility of the Communication's unit. There is an opportunity to review roles and responsibilities for the Region's web site ("ownership", content provision, prioritization, e-service).
Regional and Municipal Integration of Client Services	Work towards an integration of regional and local client service functions, perhaps based on a jointly integrated 311 call centre serving the Region, and member municipalities including Regional services in their client service counter offerings.
Planning Application Approval	Establish delegated authority for planning application approval for the cities of Cambridge and Waterloo similar to what was provided to the City of Kitchener in order to reduce possible duplications in service.

Opportunities Requiring Additional Investigation / Follow-up

These opportunities are not candidates for further in depth analysis by KPMG, but may warrant follow-up by staff to determine whether implementation is warranted in some other way.

Opportunity	Opportunity Description
Official Plans	Rationalize Regional and local Official Plans (OP) with a single OP and allow the member municipalities to handle subdivisions and zoning within the one OP.
Transfer Salvage Yards and Second Hand Shops Licensing	The Region has a limited role in licensing, with the area municipalities issuing most licenses. Regional licensing of taxis (and other transportation related categories) is appropriate as it allows taxis to serve the entire Region efficiently, however licensing of salvage yards and second hand goods stores is generally a local matter, and more consistent with other categories licensed by the member municipalities. Responsibility to license salvage yards and second hand goods stores could be transferred to the member municipalities.
Museum Strategy	Invite member municipalities to join in a review of local government museum strategy, clearly defining local and regional role, opportunities for cooperation and coordination (software, promotion, exhibits) and eliminating any duplication or low value elements.
Area Based DCs	When the ROW is required to renew its development charge study, consider the opportunity to calculate and charge development charges on an area specific basis to encourage development in the lowest cost areas to service.
Multi-Residential Recycling	Municipalities are developing recycling services for multi-residential buildings in order to increase the diversion rate. Accordingly there is an opportunity for the ROW to develop recycling options in multi-residential (especially apartment) buildings.
Green Bin - Restaurants	As part of larger initiative to increase the diversion rate for ROW waste, there is an opportunity to implement green bin services for local restaurants.

Opportunities Requiring Additional Investigation / Follow-up

These opportunities are not candidates for further in depth analysis by KPMG, but may warrant follow-up by staff to determine whether implementation is warranted in some other way.

Opportunity	Opportunity Description
ICI Waste	The Industrial, Commercial, Institutional (ICI) waste business is losing money for the ROW; the ROW can either increase fees or get out of the ICI line of business altogether.
Sign Shop	Each member municipality in the ROW operates a sign shop. There is an opportunity to explore with area municipalities the operation of one consolidated, integrated sign shop serving the Region and area municipalities.
Focus on Obesity	Shift focus to increase emphasis within Public Health towards chronic disease prevention, including obesity prevention.
RERU	Expand Regional Emergency Response Units (RERU) concept to provide response where (urgent) transport not required in urban area.
Emergency Dispatch	Following the successful lead of the Region of Niagara, assume responsibility for Emergency Medical Services (EMS) dispatch services from the Province.
More Consultation	Develop a program that will allow more frequent and more meaningful involvement by the public in the Region’s decision-making processes.
E-payments	In order to reduce the processing cost of applications, establish systems to accept e-payments, e.g. for planning applications, etc.

Opportunities Which Do Not Merit Further Follow-up or Action

These opportunities were rated "No Further Action" for the following reasons: another opportunity addresses the issue better, they would have too great an impact on clients, the barriers to implementation are too significant, or simply the ideas lack sufficient merit to pursue.

Opportunity	Opportunity Description	Rationale
Infants in Home Care	Child care services are a high cost service for the ROW. There is an opportunity to improve the efficiency of child care services by limiting the subsidy for infant care to the cost of licensed home care.	The barriers to implementation are too significant. Region does not have jurisdiction over placement of licensed infant spaces; licensing remains the purview of the province.
Performance Based Quality Initiatives	Child care services are a high cost service for the ROW. Improve the efficiency of child care services by replacing Quality Initiatives/Capacity Building funding with higher maximum per diems for programs that achieve quality goals/certifications.	The idea lacks sufficient merit to pursue.
Maximum Subsidy Level	Child care services are a high cost service for the ROW. Improve the efficiency of child care by setting the maximum subsidy level at a level equal to the cost of the median cost licensed providers , allowing parents to top up if they choose higher cost providers.	The barriers to implementation are too significant.
Homemaker Services	Reduce or eliminate the service.	There is too great an impact on clients.
Nutritional Care Outside Home	The Sunnyside kitchen provides extensive services beyond the home and its residents, which do not attract provincial support. The Region could reduce operational costs by eliminating optional services outside Sunnyside.	Cost savings would be very limited in a program that supports residents to age in place (at home) which is a much less costly option than bringing these individuals into care. No further action required.
Homemaker Services	Reduce or eliminate the service.	There is too great an impact on clients.
Home Ownership	Eliminate subsidies/supports for home ownership.	The idea lacks sufficient merit to pursue.
Ontario Renovates	Limit renovation grants and loans to support of accessibility modifications for means tested households.	The idea lacks sufficient merit to pursue.

Appendix A3

Opportunities Which Do Not Merit Further Follow-up or Action

These opportunities were rated "No Further Action" for the following reasons: another opportunity addresses the issue better, they would have too great an impact on clients, the barriers to implementation are too significant, or simply the ideas lack sufficient merit to pursue.

Opportunity	Opportunity Description	Rationale
Low Income Housing Homeless Focus	Look to modify the approach to low income housing, focusing more on dealing with homelessness – year even if that results in slower response to those with economic needs. This could involve converting some social housing to supportive housing, adding supports in existing social housing and/or providing higher priority to homeless applicants, for example.	Converting housing is contraindicated by Housing waitlist. Housing First places the focus on moving the homeless directly into housing, is underway and has achieved results beyond the target established for winter 14/15. This program continues.
Eliminate Social Development Programs	Reduce or eliminate discretionary Social Development Programs.	The barriers to implementation are too significant.
Long Term Care Operations	Establish non-profit corporation to operate the home and provide a governance structure that allows family input into its operations.	The barriers to implementation are too significant.
Eliminate Discretionary Benefits	Eliminate the 100% Region funded dental program.	There is too great an impact on clients.
Provincially Funded Discretionary Benefits	Limit the amount of discretionary benefits to the level of provincially funding.	The barriers to implementation are too significant and impacts on clients are too great.
Independent Housing Corporation	Convert Waterloo Regional Housing to an arm's length corporation, incorporating tenant, community and Council representation on the Board.	The barriers to implementation are too significant.
Rural Downsizing Options	Develop solution to support rural seniors who are required to downsize their housing in the rural communities.	The idea lacks sufficient merit to pursue.

Appendix A3

Opportunities Which Do Not Merit Further Follow-up or Action

These opportunities were rated “No Further Action” for the following reasons: another opportunity addresses the issue better, they would have too great an impact on clients, the barriers to implementation are too significant, or simply the ideas lack sufficient merit to pursue.

Opportunity	Opportunity Description	Rationale
Contract publishing	Contract out publishing services that are currently performed in house by the ROW.	The idea lacks sufficient merit to pursue.
Consolidate Materials Management	Redesign the organizational structure so that materials management and procurement are consolidated into one business unit.	This was considered and rejected in the recent corporate re-organization.
Ward Boundaries	Adjust the ward boundaries to cross municipal boundaries.	The barriers to implementation are too significant.
Review Museum Programs	Review museum programming to uncover opportunities to eliminate low value programs and reduce total funding.	The idea lacks sufficient merit to pursue. A comprehensive review was also completed in 2014 and is being actively implemented.
Consolidate Design & Construction	Redesign the organizational structure so that Design and Construction is consolidated with Facilities to create a single corporate centre of expertise.	This was considered and rejected in the recent corporate re-organization.
In-house Design and Construction	Perform more design and construction management of transportation projects in-house.	The idea lacks sufficient merit to pursue. D&C already reviews projects to determine which are best implemented by internal staff vs external. Bringing more work in-house would require both more staff and more varied expertise which would erode the current savings the Region sees on doing projects in-house.
Park-and-Ride	Move to Park-and-Ride model of service for conventional public transit in low density/smaller communities.	The idea lacks sufficient merit to pursue. Bus routes are already being realigned to integrate with ION using more IXpress type routes.
Outsource Buses	Outsource the operation of regular transit buses where appropriate so that ridership is optimized; some smaller buses in specialized transit are contracted now.	The barriers to implementation are too significant. This would require significant changes in the Region’s current contract with UNIFOR.
Coloured Bags	In an effort to increase the diversion rate, ban the use of coloured garbage bags so that recyclable items are more visible.	The idea lacks sufficient merit to pursue. Changes to biweekly garbage collection and weekly blue box and green bin are already scheduled for March 2017.

Opportunities Which Do Not Merit Further Follow-up or Action

These opportunities were rated "No Further Action" for the following reasons: another opportunity addresses the issue better, they would have too great an impact on clients, the barriers to implementation are too significant, or simply the ideas lack sufficient merit to pursue.

Opportunity	Opportunity Description	Rationale
Funding for Arts & Culture Organizations &	Eliminate the Grants to the Arts Community program.	The idea lacks sufficient merit to pursue and impacts on grant recipients are too great.
Outsource Finance Processes	Contract out Accounts Payable/Accounts Receivable (AP/AR), payroll to private operators or member municipalities.	The idea lacks sufficient merit to pursue.
Contract WRH Operations	Contract out operations of Waterloo Region Housing Office (WRH).	The barriers to implementation are too significant.
Library Consolidation	Invite one of the City libraries to provide library services for the Townships on behalf of the ROW thereby removing duplication in service between the two tiers.	Not recommended for follow-up. An extensive review has recently been completed, and the majority of staff is front-line. Reciprocal borrowing is also in place.

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Appendix B

Service Profiles

Region of Waterloo Service Review

Final Report

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