



Media Release: Friday, May 1, 2015, 4:30 p.m.

## **Regional Municipality of Waterloo**

### **Administration and Finance Committee**

#### **Agenda**

Tuesday, May 5, 2015

Approximately 2:00 p.m.

(Immediately following Community Services Committee) ← **Note Change**

Regional Council Chamber

150 Frederick Street, Kitchener

- 
- 1. Declarations of Pecuniary Interest Under The “Municipal Conflict of Interest Act”**
  - 2. Delegations**
  - 3. Presentations**

#### **Consent Agenda Items**

Items on the Consent Agenda can be approved in one motion of Committee to save time. Prior to the motion being voted on, any member of Committee may request that one or more of the items be removed from the Consent Agenda and voted on separately.

- 4. Request to Remove Items from Consent Agenda**
- 5. Motion to Approve Items or Receive for Information**
  - a) [COR-FSD-15-09](#), 2015-2016 Federal & Provincial Budgets (Information) 1
  - b) [CAO-IAU-15-03](#), Service Review – Project Update (Information) 7

<b>Regular Agenda Resumes</b>
-------------------------------

**6. Information/Correspondence**

a) Council Enquiries and Requests for Information [Tracking List](#) 32

**7. Other Business****8. Next Meeting – May 26, 2015****9. Adjourn**



**Report:** COR-FSD-15-09

**Region of Waterloo**  
**Corporate Services**  
**Financial Services and Development Financing**

---

**To:** Chair Sean Strickland and Members of the Administration and Finance Committee

**Date:** May 5, 2015                      **File Code:** F01-80

**Subject:** 2015-2016 Federal & Provincial Budgets

---

**Recommendation:**

For Information

**Summary:**

Both senior levels of government tabled their 2015-16 budgets in April 2015; the Government of Canada on April 21 and the Province of Ontario on April 23. Both budgets contain measures that will impact municipalities, including the Region of Waterloo. This report provides an overview of these budget announcements and highlights the specific measures that may impact the Region.

**Report:**

During the third week of April 2015 both the Government of Canada and the Province of Ontario tabled their budgets for the 2015-2016 fiscal year: Federal Finance Minister Joe Oliver delivered the Government of Canada's budget on April 21 and Ontario's Finance Minister Charles Sousa outlined the Province of Ontario's budget on April 23. An overview of potential impacts on municipalities is provided herein and where possible, any possible impacts on the Region of Waterloo are identified where known.

**1. 2015-2016 Federal Budget Highlights**

The federal government budget anticipates a deficit of \$2 billion for the 2014-2015 fiscal year and plans to balance the budget in 2015-2016 with a surplus of \$1.4 billion. The following table outlines forecasted federal budget balances over the next four years:

(\$ billions)		Forecast			
		2014-2015	2015-2016	2016-2017	2017-2018
<b>Revenue</b>	<b>\$279.3</b>	<b>\$290.3</b>	<b>\$302.4</b>	<b>\$313.3</b>	<b>\$326.1</b>
<b>Expense</b>					
Programs	254.6	263.2	274.3	282.7	293.0
Interest on Debt	26.7	25.7	26.4	28.0	30.5
<b>Total Expense</b>	<b>281.3</b>	<b>288.9</b>	<b>300.7</b>	<b>310.7</b>	<b>323.5</b>
<b>Surplus (Deficit)</b>	<b>(\$2.0)</b>	<b>\$1.4</b>	<b>\$1.7</b>	<b>\$2.6</b>	<b>\$2.6</b>

The balanced budget will be achieved, in part, by the sale of General Motors shares (to offset declining oil revenues) and by reducing the budget contingency from \$3 billion to \$1 billion in the fiscal years ending in 2016 and 2017 and increasing it to \$2 billion in 2018-2019 and returning it to \$3 billion in 2019-2020. Additionally, any contingencies not required will be used to reduce the federal debt.

The federal budget includes several investments that impact municipalities in four areas: public transit, housing, public safety (broadband networks), and, starting in 2017, employer payroll costs (employment insurance).

### Public Transit

The federal government has committed to creating a new permanent Public Transit Fund for expanding infrastructure in major mass transit systems across Canada:

- The fund is scheduled to start in 2017 with \$750 million over two years and increase to \$1 billion annually thereafter;
- Allocations under the fund will be based on the merit of projects delivered under alternative financing and funding mechanisms involving the private sector, including P3s;
- The Federation of Canadian Municipalities (FCM) will be working with the federal government to develop the design of the transit plan with an announcement of further details expected later in the year.

### Affordable Housing

The federal government has outlined a few steps it will be taking to reduce homelessness and provide funding for affordable housing in its 2015 plan:

- Provide \$150 million over four years to enable non-profit and cooperative housing

providers to pre-pay long-term mortgages with Canada Mortgage and Housing Corporation (CMHC) without penalty;

- Confirm its commitments to reducing homelessness and improving access to affordable housing by investing \$119 million per year for five years to renew the Homelessness Partnering Strategy (through to 2018-2019) and reaffirmed its commitment to provide \$1.7 billion annually to social housing supports through CMHC investment programs;
- To no longer reduce the federal transfer payment to municipalities as social housing mortgages mature. How these amounts will flow through the province to municipalities is yet to be determined.

### **Broadband**

The Government will be providing \$3 million over two years starting in 2016 to establish a Public Safety Broadband Network. This high-speed mobile network will be dedicated to first responders in emergency management and will be available to services including fire, police and ambulance services. In addition the federal government plans to double the allocation of the 700 MHz broadband spectrum from 10 MHz to 20 MHz for emergency management purposes.

### **Employment Insurance (EI) Rates**

The Government plans to implement a seven-year break-even EI premium rate setting mechanism in 2017. After the new mechanism takes effect, any cumulative surplus for EI will result in lower rates being set in the subsequent year. The expected employee rate for 2017 will be reduced to \$1.49 per \$100 from \$1.88 per \$100, and the estimated impact to the Region of Waterloo based on the current employer rate is a reduction of approximately \$1.1 million in expenditure for this premium in 2017.

## **2. 2015-2016 Ontario Budget Highlights**

For 2015, the Province of Ontario has reduced its spending estimates from the 2014 budget plan and still plans to eliminate the deficit by 2017-2018 as outlined in the following table:

(\$ billions)	2014-2015	Forecast		
		2015-2016	2016-2017	2017-2018
<b>Revenue</b>	<b>\$118.5</b>	<b>\$124.4</b>	<b>\$129.4</b>	<b>\$134.4</b>
<b>Expense</b>				
Programs	118.8	120.5	120.6	120.0
Interest on Debt	10.7	11.4	12.4	13.2
<b>Total Expense</b>	<b>129.5</b>	<b>131.9</b>	<b>133.0</b>	<b>133.2</b>
Reserve	-	1.0	1.2	1.2
<b>Surplus/(Deficit)</b>	<b>(\$10.9)</b>	<b>(\$8.5)</b>	<b>(\$4.8)</b>	-

The Province of Ontario's 2015 plan focuses on increased investment in infrastructure, job creation programs, development of a highly skilled workforce, improvements to health care, poverty reduction strategies and assistance for vulnerable people. The plan outlines several initiatives which intersect the service mandates of municipalities and may impact the Region of Waterloo in coming budgets.

### Infrastructure

The 2015 budget plan calls for the largest investment in infrastructure in the province's history at a level of \$130 billion over 10 years. One of the province's major infrastructure initiatives is Moving Ontario Forward with 10 year planned expenditures of \$31.5 billion. The initiative splits funding relatively evenly between projects inside and outside the Greater Toronto and Hamilton Area (GTHA):

- \$16 billion in transit projects in the GTHA, including development of the Regional Express Railway (RER) initiative on the Kitchener corridor which is slated to commence 2016-2017; and
- \$15 billion for transportation and other priority infrastructure projects outside the GHTA, including construction of a new alignment of Highway 7 between Kitchener and Guelph and advancement of an environmental assessment for a high speed rail line connecting Windsor to Toronto through Kitchener-Waterloo.

Moving Ontario Forward will be funded through dedicated funds and supported by several sources such as:

- 7.5 cents of the existing provincial tax on gasoline (currently 14.7 cents in total) above the existing gas tax funding to municipalities (2 cents) with no increase in the current tax rate;

- Repurposing revenues from the existing Harmonized Sales Tax charged on provincial taxes on both gasoline and road diesel (note that provincial tax on gasoline and road diesel is a tax on wholesale product and HST is a retail tax that would include provincial taxes in its base);
- Securing federal funding through the New Building Canada Plan;
- Dedicated proceeds from targeted revenue measures;
- Dedicating net revenue gains from high-occupancy toll lanes, when they become available;
- Supplementing dedicated funds by leveraging provincial borrowing to ensure a stable funding source is available to support priority projects;
- Provincial asset optimization (increase in forecasted valuation of certain provincial assets).

Specifically for 2015-2016, \$11.9 billion is planned for key infrastructure projects related roads, bridges, public transit, water systems, hospitals and schools.

### **Modernizing Child Care and Early Learning**

Enhancements to programs and supports for children under the age of 12 include:

- An additional \$44.5 million in child care operating funding in order to stabilize fees, improve the reliability of child care, and better meet the needs of child care providers and parents;
- An additional \$120 million over three years in capital funding to create more child care spaces in schools;
- A wage increase of \$1 is set for 2016 for eligible child care workers in the licensed child care sector in addition to the \$1 increase announced that was effective January 1, 2015;
- Implementation of reforms introduced in order to strengthen oversight of unlicensed child care and provide families with increased access to licensed child care options.

### **Seniors**

Highlights of enhancements to certain services focussed on supporting seniors in the community include:

- Investment of \$40 million over four years to enhance coordinated rehabilitative services for complex-needs seniors who have recently lost strength or mobility due to an injury or long hospital stay;
- Wages of publicly funded personal support workers is increasing to a minimum of \$16.50 by April 1, 2016;
- Investment of \$4 million to expand access to physiotherapy services in primary care settings across the province;

- The Seniors Community Grant Program is doubling to \$2 million per year to facilitate programs that promote greater social inclusion, volunteerism, education and community engagement for seniors.

### **Poverty Reduction and Assistance to Vulnerable People**

The Province confirmed the continued implementation of strategies and updates to programs aimed at reducing poverty and providing support to those in need include:

- Contributions of \$80 million annually over five years (cost matched by the federal government) to the investment in the Affordable Housing for Ontario program;
- Social assistance rates for 2015 will increase by 1% for people receiving Ontario Disability Support Program benefits (effective October 2015) and for adult recipients of Ontario Works benefits (effective November 2015). Municipalities will not be required to cost-share these increases in benefits until 2016;
- Provincial uploading of social assistance benefit programs will continue as planned and will be fully implemented by 2018. In 2016, the provincial cost sharing of social assistance benefits will increase to 94.2%.

### **Corporate Strategic Plan:**

The Provincial Budget has the potential to impact several elements of the Corporate Strategic Plan including 3.4 – Encourage improvements to intercity transportation services to and from Waterloo Region, and 4.5, work collaboratively to increase the supply and range of affordable housing and reduce homelessness.

### **Financial Implications:**

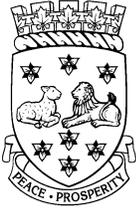
The full financial impact on Waterloo Region will become clearer as details are released by individual ministries. Staff will continue to monitor these budget implementations and report to Council as required and/or include impacts in the Region's 2016 Budget.

### **Other Department Consultations/Concurrence: Nil**

**Attachments:** Nil

**Prepared By:** Cheryl Braan, Manager of Budgets and Performance Measurement

**Approved By:** Craig Dyer, Commissioner of Corporate Services/Chief Financial Officer



**Report:** CAO-IAU-15-03

**Region of Waterloo**  
**Office of the Chief Administrator**  
**Internal Audit**

---

**To:** Chair Sean Strickland and Members of the Administration and Finance Committee

**Date:** May 5, 2015

**File Code:** A32-40/RSR

**Subject:** Service Review – Project Update

---

**Recommendation:**

For Information.

**Summary:** Nil.

**Report:**

**Background**

On January 15, 2014, Regional Council adopted the following resolution regarding a potential Regional Service Review:

“Be it resolved that the Regional Municipality of Waterloo tender for and secure the services of a third party consulting firm to conduct a service review of all Regional services and programs, that this review be led by a subcommittee of Regional Council and the CAO and that the third party consulting firm report to Regional Council with the purpose of finding efficiencies in the delivery and overall service levels of Regional services and programs and that the CAO report back by the Summer of 2014 with a report detailing the scope of work and RFP for review.”

On June 25, 2014, Regional Council approved undertaking a Regional Service Review under the direction of the Audit Committee. The overall purpose of the Service Review is to ensure that the Region's services provide the best value to the community.

The Service Review will address questions such as:

- Is the organization providing the desired level of service as efficiently as possible? Are there ways to provide the desired services more efficiently?
- What programs and services should the organization be providing?
- Because of changing circumstances, are there programs or services that the organization should no longer be providing?
- For those programs and services that the organization continues to provide, what "level of service" should be provided?
- Are there mechanisms of continuous improvement that could be implemented to improve the efficiency and effectiveness of service delivery on an ongoing basis?

The Service Review is designed around these questions and will encompass all Regional services with the exception of Waterloo Regional Police Service which is governed by the Police Services Board.

### **Request for Proposal & Consultant Selection**

A Request for Proposal (RFP) was prepared in order to engage a consulting firm to undertake the Service Review. The RFP was reviewed by the Audit Committee, and issued in late July, 2014. Consultant submissions were evaluated in accordance with the Region's Purchasing By-law which included quality and price factors. The Evaluation Committee was comprised of the Audit Committee and several senior staff members.

Based on the recommendation of the Audit Committee, in October, 2014, the Region awarded the proposal to KPMG through the CAO's Office and advised Council (Report CA-14-011).

### **Update on Key Project Tasks, Phases and Next Steps**

The following is an update on the key project tasks and phases as well as a summary of the next steps in the project.

The Service Review is organized into five key phases, which are outlined below.

### **Phase One: Project Planning - Completed**

The first phase of the project consisted of working with KPMG to refine the project approach. These activities took place in October and November, 2014. 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 levels of service the Region should consider.
- Recommend mechanisms of continuous improvement that can improve the efficiency and effectiveness of Regional service delivery on an ongoing basis.

The project planning phase helped to clarify and document the project goals and objectives, project principles, scope and timing of the deliverables.

### **Phase Two: Service Profiles - Completed**

The second phase of the study consisted of the development of an inventory of programs and services provided by the Region using the Municipal Reference Model. KPMG facilitated working group sessions with senior staff to ensure that the requested information required for the service profiles was understood by the affected Regional Staff. Service profiles were completed by March, 2015 for each of the seven departments. A complete set of the service profiles are available on the Region's website at <http://www.regionofwaterloo.ca/en/regionalgovernment/standingcommittees.asp> and in the Councillor's Library.

Each service profile contains the following: service name and purpose, service description, service levels, financial and performance data and rationale for service level assessment and service data (i.e. mandatory, essential, traditional, other discretionary). Some of the information in the service profiles was provided by Regional staff; information was also provided by KPMG.

### **Phase Three: Benchmarking and Data Collection – Completed**

The benchmarking, initial public engagement and data collection phase took place from January to March 2015.

This phase consisted of analyzing the municipal context within which the Region operates to determinate relevant factors that may influence possible changes. Furthermore, the identification of leading practices allows for service delivery options to be informed by the experiences of comparable municipal organizations. This phase included the consultant surveying a number of comparator municipalities followed by the benchmarking of Regional services to identify opportunities for improved efficiency and effectiveness.

With input from KPMG and the Steering Committee, it was proposed that the initial public engagement and input to the Service Review would include the methods noted below. These public input opportunities were designed so that the input could inform both the Service Review and inform the Region's 2015-2018 Strategic Planning process.

- a) Public Survey – Through a competitive RFP (Request for Proposals) process the Region engaged Environics to conduct a statistically reliable phone survey. KPMG provided input regarding survey questions which has informed the Service Review. Data collected from the public survey was provided to KPMG for review and consideration as a part of the analysis phase of the Service Review.
- 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 provided to KPMG for review and consideration as a part of the analysis phase of the Service Review.

The results of the Environics survey and the on-line engagement will be summarized in a report to the Administration and Finance Committee on May 26, 2015.

The benchmarking, initial public engagement and data collection phase took place in January and February, 2015. This phase concluded with the preparation of KPMG's Service Review Interim report which is attached in Appendix 1 (excluding the service profiles). The Interim Report includes a project overview (introduction and context, objectives and drivers, scope, project phases and next steps and key observations to date) and the service profiles. This report (CAO-IAU-15-03) along with KPMG's Service Review Interim Report will be posted on the Region of Waterloo's website for review by the public at:

<http://www.regionofwaterloo.ca/en/regionalgovernment/standingcommittees.asp>.

KPMG's interim report includes the following initial findings and observations:

### **“1. Corporate Support & Participation**

Thus far in the project there has been comprehensive participation from all levels of the Region of Waterloo. The quality of information and insight provided from government officials has been high, resulting in reliable, thorough profiles of services. The preparation of service profiles is a labour intensive and can cause the project to fall behind schedule. It is a compliment to Regional Staff and the Steering Committee that the service profiles were completed on time according to the master project schedule.

### **2. Benchmarking**

With respect to the benchmarking against other regional governments, the Region compares well to its municipal peers. When benchmarked against Halton, Durham, Peel, York and Niagara, the Region typically ranks in the mid-range for FIR comparisons. The few services where the Region of Waterloo's costs were higher than its comparators (for example, child care, long term care, social service benefits) are still undergoing analysis to ensure completeness and accuracy.

### **3. Emerging Opportunities**

At the mid point in the project, it is apparent 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 appear to be transformational and will require some difficult decisions on the part of Council and the Region's corporate leadership team.”

## **Phase Four: Analysis – In Progress**

The Service Review is currently in the analysis phase of the project. In this phase, KPMG will identify a list of potential opportunities for improvements in efficiency, effectiveness and/or service levels. KPMG will work with the Steering Committee and Council to identify the most promising opportunities for improvement (approximately 5). KPMG will conduct a deeper analysis regarding these top opportunities for improvement. The deliverable from this phase will be the development of recommendations that could improve the efficiency and effectiveness of Regional programs and services; recommendations of continuous improvement tools that could

be implemented; and, possible changes to service levels that more effectively balance cost and benefits and any other opportunities for cost savings or cost recovery.

During this phase, additional public engagement will take place in the form of online engagement via the Region's Strat Chat online forum. The public will have 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.

The analysis phase will take place from April to mid June, 2015.

### **Phase Five: Final Report and Presentation – Not Yet Started**

In this phase, KPMG will summarize all of the work completed during the previous phases and develop a final report with an executive summary. The draft final report will be provided to the Audit Committee for review and feedback prior to being finalized. The report will include practical, achievable and realistic recommendations on the Region's Service delivery model. The report is expected to be finalized during the summer of 2015.

Once the final report has been validated, KPMG will present the findings and recommendations to Regional Council. It is expected that this will occur at an open meeting of Council in the fall of 2015. At a subsequent meeting, Council would seek public input and comment on KPMG's recommendations. Following this public input, Council would ultimately make decisions regarding the recommendations provided by KPMG.

### **Corporate Strategic Plan:**

The Service Review is consistent with Focus Area 5.3: Ensure Regional programs and services are efficient and effective and demonstrate accountability to the public.

### **Financial Implications:**

The Region's cost of the Service Review proposal is approximately \$300,000, which is being funded from the approved 2014 and 2015 budgets.

### **Other Department Consultations/Concurrence:**

Nil.

**Attachments:**

Appendix 1: Service Review – KPMG’s Interim Report

(Alternate formats are available upon request)

**Prepared By:** David Young, Manager, Internal Audit

**Approved By:** Michael L. Murray, Chief Administrative Officer

Appendix 1: Service Review – KPMG’s Interim Report





## 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.



## Contents

The contacts at KPMG in connection with this report are:

**Mark MacDonald**

Advisory  
Partner  
Tel: 416-777-8647  
markmacdonald@kpmg.ca

**Bruce Peever**

Management Consulting  
Senior Manager  
Tel: 905-523-2224  
bpeever@kpmg.ca

**Brian Bourns**

Management Consulting  
Senior Manager  
Tel: 613-212-2888  
bbourns@kpmg.ca

**Katharine Campbell**

Management Consulting  
Consultant  
Tel: 416-777-8917  
katharinecampbell@kpmg.ca

Chapter I	Project Overview	3
Chapter II	Project Approach To Date	9



**KPMG**  
*cutting through complexity*

# Project Overview

Region of Waterloo Service Review  
Interim Report



Project Overview

**Introduction and Context**

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;

The interim report is 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 identify and describe:

- 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 findings of our interim report level sets our collective understanding of the Region and its operations and serves as the foundation for the next phase of the service review project. The project's fourth phase involves the identification of potential opportunities for improved operations 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



## Project Overview

### Objectives and Drivers

This is an interim report prepared to identify issues arising from the consulting team's benchmarking of Regional services, internal stakeholder consultation and the development and completion of Service Profiles. This report will provide the foundation for its review to improve quality, efficiency and sustainability of delivering services to the Region's citizens.

#### Project Objectives

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.
- Council wishes to operate the Region in an efficient and effective manner while ensuring service excellence and sustainable service delivery.



## Project Overview

### Scope, Deliverables 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 Principles

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

#### Project Scope

- **Project Planning:** Meet with Audit Committee, CAO and Project Team to clarify expectations, refine lines of inquiry and develop a subsequent work program for the engagement.
- **Service Profiles:** Development of an inventory of programs and services provided by the Region using KPMG's Municipal Reference Model.
- **Benchmarking:** Survey 5 comparator municipalities, benchmark Regional services to identify opportunities for improved efficiencies and effectiveness and conduct public engagement.
- **Analysis:** Identification of potential opportunities to achieve the most efficient and operationally effective approach to service delivery and a deep dive into the top five opportunities.
- **Final Report:** Develop and present 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 complete when the final report is submitted to the Region of Waterloo on or before July 15, 2015.



## Project Overview

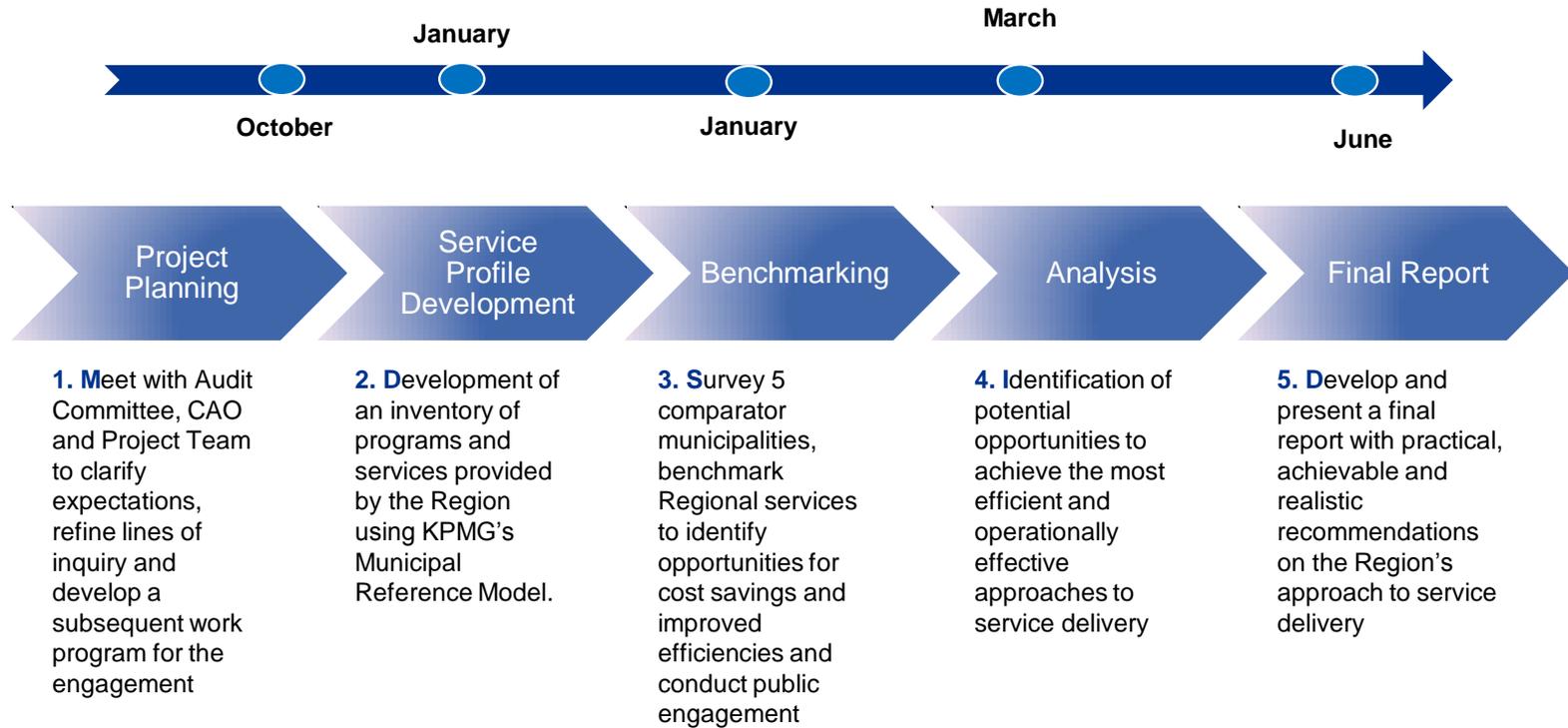
### Scope, Deliverables and Timing

#### Deliverables

- **Phase One: Project Planning**
  - Kick off meeting with Project Team
  - Project charter
- **Phase Two: Service Profiles**
  - Inventory of programs and services based upon the Municipal Reference Model
  - Service profiles identifying the service delivery model for each service and program
- **Phase Three: Benchmarking**
  - Document review
  - Interview key internal and external stakeholders, including staff/public engagement exercise
  - Benchmarking of Regional services, costs and performance indicators with municipal comparators
- **Phase Four: Analysis**
  - Identification of potential opportunities for improvements in efficiency and effectiveness
  - Conduct a deep dive on the top five opportunities
  - Develop recommendations to improve the efficiency and effectiveness of Regional programs and services, implement continuous improvement and identify changes to service levels that more effectively balance cost and benefits and any other opportunities for cost savings or cost recovery
- **Phase Five: Final Report and Presentation**
  - Recommendations and implementation plan
  - Review recommendations and implementation plan
  - Final report (in PowerPoint format) consolidating the different project phases



## Project Overview Project Phases





*cutting through complexity*

# Project Approach To Date

Region of Waterloo Service Review

Interim Report



Project Approach To Date  
**Work Steps**

The development of the first half of the 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), alternative means of delivering services and staffing reductions. 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. The Corporate Leadership Team was consulted on previous program reviews and the findings from the 2014 Organizational Review. Further, public input from the statistically reliable telephone survey and online engagement ("Strat Chat") was also considered.

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**

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 Durham      ▪ Region of York
- Region of Peel      ▪ Region of Niagara

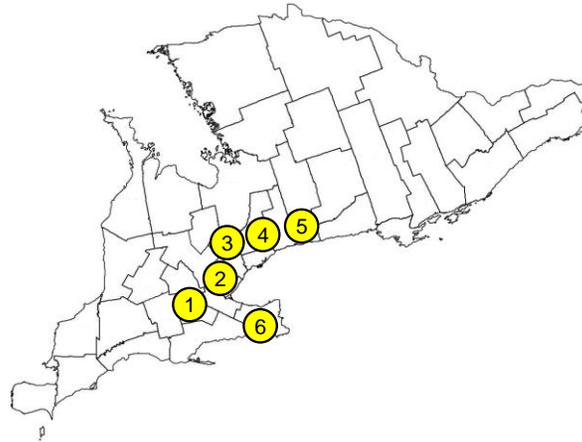


Project Approach To Date  
**Work Steps**

**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 <sup>1</sup>	Households <sup>1</sup>	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

© 2015 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. KPMG CONFIDENTIAL.

<sup>1</sup> Statistics Canada census profiles (2011)



## Project Approach To Date Work Steps

### 3. Service Profiles

The final major step of the work plan involved in the interim report 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 Services
- 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



## Project Approach To Date Work Steps

### 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.



## Project Approach To Date

### Work Steps

#### 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 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 include in the appendices to this interim report.



## Project Approach To Date Initial Findings and Observations

### 1. Corporate Support & Participation

Thus far in the project there has been comprehensive participation from all levels of the Region of Waterloo. The quality of information and insight provided from government officials has been high, resulting in reliable, thorough profiles of services. The preparation of service profiles is a labour intensive and can cause the project to fall behind schedule. It is a compliment to Regional Staff and the Steering Committee that the service profiles were completed on time according to the master project schedule.

### 2. Benchmarking

With respect to the benchmarking against other regional governments, the Region compares well to its municipal peers. When benchmarked against Halton, Durham, Peel, York and Niagara, the Region typically ranks in the mid-range for FIR comparisons. The few services where the Region of Waterloo's costs were higher than its comparators (for example, child care, long term care, social service benefits) are still undergoing analysis to ensure completeness and accuracy.

### 3. Emerging Opportunities

At the mid point in the project, it is apparent 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 appear to be transformational and will require some difficult decisions on the part of Council and the Region's corporate leadership team.

KPMG has started to conduct a more detailed assessment and it is through this analysis that the opportunities for increased productivity, cost savings or improved service delivery will be uncovered. This detailed assessment will involve both the Corporate Leadership Team and the Project Steering Committee. It is the Project Steering Committee that will make the final recommendation to Council on the ranking of opportunities.



## Project Approach To Date Next Steps & Concluding Comments

In today's municipal environment, councillors are faced with the competing objectives of attempting to minimize taxation increases while ensuring sufficient funds are available to maintain, support existing operations and finance residents' demands for enhanced services. The experience of the Region of Waterloo, which combines Council's intention to improve the efficiency and effectiveness of service delivery through a process of meaningful community involvement is a leading practice and benchmark for other municipalities to follow.

The next phase of the project will involve the identification of 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

KPMG would like to express our appreciation to the Project Steering Committee, Corporate Leadership Team and staff of the Region of Waterloo who assisted with and participated in the service review to date.



*cutting through complexity*

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2015 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.

<b>Council Enquiries and Requests for Information</b>				
<b>Administration and Finance Committee</b>				
<b>Meeting date</b>	<b>Requestor</b>	<b>Request</b>	<b>Assigned Department(s)</b>	<b>Anticipated Response Date</b>
24-Mar-15	T. Galloway	Report on options and impacts regarding blending Multi-Residential and New Multi-Residential property classes.	PDLS/COR (Finance)	Oct-2015