Region of Waterloo

Office of the Chief Administrator

Internal Audit

To:	Chair Sean Strickland and Members of the Administration and Finance Committee
Date:	September 15, 2015

File Code: A32-40/RSR

Subject: **Service Review – KPMG's Final Report**

Recommendation:

That the Regional Municipality of Waterloo hold a Public Input Meeting on Wednesday September 30, 2015 at 7:00 pm in the Regional Council chambers, for the purpose of hearing public feedback regarding the KPMG Service Review recommendations, as set out in Report CAO-IAU-15-06.

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 addresses 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 was designed around these questions and encompasses all Regional services with the exception of Waterloo Regional Police Service which is governed by the Police Services Board.

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).

The Steering Committee for the project has consisted of the Audit Committee, two additional Regional Councillors and appropriate senior staff. The Steering Committee has provided oversight of the project, and has reviewed and provided input to draft documents at key milestones.

Methodology and Approach:

Summary of Key Project Tasks & Phases

The following is a summary of the key project tasks and phases. The Service Review was organized into five key phases, which are outlined below.

Phase One: Project Planning

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

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 and were made available on the Region's website 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

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 could influence the need for change.

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 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.

This phase concluded with the preparation of KPMG's Service Review Interim report. The Interim Report includes a project overview and the service profiles. At the same time, staff provided a Service Review Update to A&F Committee (Report CAO-IAU-15-03).

KPMG's interim report included 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 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 competed 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 appears 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 this phase, KPMG identified a list of over 90 potential opportunities for improvements in efficiency, effectiveness and/or service levels. The Service Review scope of work required KPMG to complete more in-depth analysis on 5 opportunities for improvement. KPMG worked with the Service Review Project Steering Committee and Council to identify the most promising opportunities for improvement (top five opportunities). KPMG then conducted a deeper analysis regarding these top opportunities for improvement. The deliverable from this phase was 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 took 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 their consideration.

The analysis phase took place from April to July, 2015.

Phase Five: Final Report and Presentation

In this phase, KPMG summarized all of the work completed during the previous phases and developed a final report with an executive summary, project overview, approach & methodology, in-depth analysis of five opportunities, conclusion and prioritization of opportunities. KPMG's final report is included as Appendix 3 to this staff report. The final service profiles are not appended but are available separately on the Region of Waterloo's website for review by the public at:
http://www.regionofwaterloo.ca/en/regionalgovernment/standingcommittees.asp. This report, including KPMG's Service Review Final 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.

Opportunities for Improvement:

KPMG has noted in their Final Report 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."

Phase 4 of the project included the analysis and identification of opportunities for improvement. Using the service profiles and its knowledge of leading practices in local government, KPMG identified a long list of opportunities for improved efficiency and effectiveness in the delivery of Regional services; some of which were already underway, and some required further analysis.

Each opportunity was evaluated using a range of criteria including:

- Operating Dollar ($) 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 organizations, 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.

The long list of opportunities was categorized into three groups:

1. Opportunities Underway or About to be Implemented (Appendix 1). These opportunities were either underway prior to the start of the Service Review or are shortly being initiated. Accordingly, there is limited value in considering these opportunities for further in-depth analysis by KPMG. These opportunities are listed in Appendix 1, along with a brief description of work underway or planned.

2. Opportunities Requiring Additional Investigation / Follow-up (Appendix 2). 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. These opportunities are listed in Appendix 2 along with a brief description of the next steps and timing anticipated by Regional staff to further explore these opportunities.

3. 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.

As noted under next steps, staff will report back to Council at appropriate milestones regarding the status of the opportunities noted in Appendices 1 & 2. In addition, staff will report annually on the status of all the opportunities listed in those appendices.

A working session with the Steering Committee took place to review each of the opportunities and determine the five opportunities most appropriate for more in-depth analysis. The Steering Committee selected the following opportunities as being the most appropriate for greater analysis (in no particular order):

- Review Employment Ontario contract.
- Consider sharing IT services with area municipalities.
- Review road maintenance compensation.
- Optimize Airport commercial value.
- Review child care service delivery.

Top Five Opportunities, Recommendations and Implications Regarding Implementation:

KPMG prepared a more detailed analysis for each of the top five opportunities as described in their Final Report (Appendix 3).

The following is a summary of each of the five opportunities, KPMG's recommendations and potential implications regarding implementation identified by Regional staff.

Opportunity #1: Review Employment Ontario Contract

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 has chosen to be one of 14 organizations delivering EO programs within Waterloo Region; it is under no obligation to remain one. The EO Program offers training and skills development, employment preparation, work experience, and job search initiatives. MTCU is the primary funder of the Employment Ontario program, but the MTCU funding does not fund the full cost of delivering the programs to meet specified targets. The Region of Waterloo has a contract with MTCU to provide employment services that expires Mach 31, 2016, and the Region subsidizes from property taxes the delivery of the program by approximately $384,000 per year.

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 and Halton Region have any involvement with the direct delivery of Employment Ontario services.

KPMG's Recommendations:

Recommendation #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).

Implications Regarding Implementation:

The Region of Waterloo is one of six Consolidated Municipal Services Managers (CMSM) operating Employment Ontario programs and services in Ontario. The combination of both Employment Ontario and Ontario Works Employment programs ensures that clients of Ontario Works, who do not typically fare well in other employment programs, are provided with access to the benefits of both programs while working with employment staff who understand the significance of the employment barriers OW clients face. Although a significant benefit, it limits client exposure to other programs that may well be equally beneficial. De-linking these programs presents an opportunity for the Region to work more closely and toward stronger partnerships with

other Employment Ontario providers that may well enhance opportunities for clients, enhance responsiveness, efficiency and effectiveness across the employment services continuum.

Currently, the Ontario Works Employment and Employment Ontario programs are integrated within the Community Services Department. Efforts will be required to separate the programs. This can very likely be achieved before the end of the current contract.

Impacts to the volume of Employment Ontario services available to clients will be minimal in that the early indication from the Ministry of Training Colleges and Universities is that the funding for services will remain within Waterloo region. There are 13 other Employment Ontario service providers through the region. This will mean that Ontario Works recipients will have to work with other program providers in order to obtain these services rather than have access to both programs in one location.

Opportunity #2: Shared IT Services

Currently most IT services with the region are delivered independently by the Region and the area municipalities. However, there are numerous examples of inter-municipal collaboration between the Region and the 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.

To evaluate opportunities for improved efficiency and effectiveness, KPMG analyzed data that was provided by the IT departments in the Region, City of Cambridge and City of Waterloo. Through this 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.
- Deskside support services.

KPMG has indicated that a shared service delivery model for shared data centre and service desk/deskside support services could provide the following benefits:

- Currently, the Region of Waterloo (ROW), City of Waterloo, and City of Cambridge have their own data centers. In KPMG's experience, given the size

of these entities, they 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 centre and save on operational costs while maintaining capacity for growth as required.

- The Region's IT service desk utilizes Information Technology Infrastructure Library (ITIL) practices which have not been adopted by City of Waterloo or the City of Cambridge helpdesks. A shared IT service desk could enhance the level of services 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.

KPMG's Recommendation:

Recommendation #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.

Implications Regarding Implementation:

As noted above, there are numerous examples of inter-municipal collaboration between the Region and the area municipalities through the Inter Municipal IT Collaboration Group comprised of the Region and the seven area municipalities. Implementation of a shared data centre and/or service desk could initially be discussed by this group to assess, on a more detailed basis, the interest, willingness and extent of opportunity for cost savings and/or service improvements. The Region is in the process of recruiting for a new Director of Information Technology Services, and this Director would facilitate this collaboration with the area municipalities. A shared data centre could be an excellent idea to consider if one of the partners was considering a major near term data centre investment. A consolidated data centre could then also incorporate requirements from other municipalities who might be planning their own investments in the medium term. The Region would undertake to include all area municipalities in future discussions. From a risk perspective, restructuring Help Desk and Desk Side potentially poses greater risks to front line service delivery, as these functions are the "face" of IT service in any organization. Any implementation challenges can cost users significantly in terms of service levels and confidence in IT as a whole. These services carry a major

burden/responsibility in terms of overall service delivery, and any changes in how they are delivered would need to be carefully considered.

Opportunity #3: Road Maintenance Compensation

The Region has historically directly delivered road maintenance services on Regional roads in the four Townships but has contracted with the three cities for road maintenance service on Regional roads within the urban areas. In the rural Townships, the Region operates its own road maintenance facilities. The result is that in the Townships there are two sets of equipment and work crews for either Regional roads or Township roads.

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 having two jurisdictions maintaining roads as in the Townships.

Between 2010 and 2014 the road maintenance agreement between the Region and the 3 cities provided payment for actual costs (plus 7%) of winter maintenance and a fixed price per km for summer maintenance. In the past year, the Region and the three cities signed a new five year agreement to cover the period from January 2015 to December 2019. Some of the key changes to the current agreement are as follows:

- Grass and weed control along Regional roads is excluded since it requires the cities to engage extra staff in the summer.
- The costs of direct supervision (e.g. forepersons) will be included in the costs to be paid by the Region.
- Incentives to the cities for efficient summer and winter operations based on agreed upon clauses.
- 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.
- The agreement also continues to exclude the following:

- Sign installation and maintenance.
- Line painting and crack sealing.
- Traffic control signal maintenance.

KPMG's Recommendation:

Recommendation #1: Restructure the road maintenance agreement based on the following principles to reduce the cost of road maintenance operations for the citizens of Waterloo Region:

- Establish the same rate structure for all participating area municipalities.
- Make the rate a combination of a fixed amount per km and a variable amount per km.
- The variable payment should be tied to the Environment Canada reported snowfall record.
- Municipalities should be able to manage expenses and retain any savings, subject to meeting the established service level.
- The above changes can be implemented in the short term with any municipalities that agree, or introduced as part of the next contract negotiation.
- 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.

Implications Regarding Implementation:

The current maintenance agreements between the Cities and the Region covers the period from January 2015 to December 2019. As noted by KPMG their recommendations can form part of the negotiations for a new maintenance agreement. Implementation will be dependent on agreements being reached with the Cities.

Integrating road operation and maintenance activities between the Region and one or more of the Townships would require the careful consideration of the following issues:

1. If one or more but not all of the Townships wished to consider operating and maintaining Regional Roads on the Region's behalf, potential savings may not materialize as the Region would still have to maintain and operate roads in one or more Townships (i.e. economies of scale would not be reached). The same could also be true if the Region were to assume operations and maintenance of roads activities for one or more but not all of the Townships.

2. Depending on how this was implemented, there would likely be labour collective agreement issues, and potentially impacts on management staff at the Region and / or the Townships that would have to be addressed.

3. There could be inefficiencies introduced between winter and summer work and required staffing levels that could negate any savings that might have been achieved either at the Township or Region level.

Opportunity #4: Optimize Airport Commercial Value

The Region of Waterloo International Airport (RWIA) provides access to air transport to the 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 approximately $86 million during 2013.

KPMG's in depth analysis indicated the following:

- 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.
- 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.
- Given available capacity, it is prudent to manage capital expenditures and defer expansions unless growth materializes.
- 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.
- The Region must determine the success criteria (from both a subsidy and net economic benefit perspective) for the RWIA and whether another operating or contracting model could better achieve the Region's objectives for the RWIA.

KPMG's Recommendations:

Recommendation #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.

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

Recommendation #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.

Implications Regarding Implementation:

The Airport's current Master Plan was completed in 2001. An update to the Master Plan commenced in 2013, and Council provided initial direction regarding the Master Plan in mid-2014. The initial direction, which will provide a framework for completing the Master Plan, included: optimizing the use of the existing capacity of the Airport; attracting new air service; development of the airport's business campus; protecting for growth; improving community interaction; and finding ways to assist in the development of the adjacent East Side employment lands. The Master Plan needs to be completed in order to guide growth and provide clarity to the community as to growth expectations.

The Master Plan will include an associated Business Plan which is expected to include cash flow projections and to establish financial and usage performance targets so that elements of the plan may be phased in as growth warrants. The Master Plan will also include a strategy for further developing the aviation-related campus (and potentially adjacent supporting uses), recommendations for attracting additional air services, as well as a review of existing facilities and options for future approach and runway configurations. Completion of the Master Plan will allow Federal zoning regulations (different from municipal land use zoning) to be amended in order to protect for any future growth that may be required. A target date of the end of 2016 is being recommended for a new Master Plan to be considered for adoption by Regional Council. Additional public consultation would precede such consideration.

The Airport Master Plan / Business Plan will identify opportunities for incremental cost optimization and revenue generation, and will propose a net levy target as recommended by KPMG. Staff will also continue to review operating and capital costs and revenue sources as part of the annual budget process. It should be noted that Council recently approved a reduction in the passenger fee for international flights as a way to stimulate air carriers to locate or expand their services at our Airport.

If Council chooses to proceed with recommendation #3 (testing the market for potential private sector involvement) staff would recommend that this occur following the completion of the Airport Master Plan / Business Plan in late 2016.

Opportunity #5: Child Care Service Manager

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. The Region is also a child care operator, providing child care services comparable to those providers it funds and manages. The Region operates 5 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.

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).

KPMG's comparator analysis identified that some municipalities are moving to a pure Service Manager role. For example, the Region of Peel transitioned to a pure Service Manager role in 2012, closing the 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.

As indicated in KPMG's Final Report, their 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.

With respect to Home Child Care, KPMG is suggesting that there may be potential savings by replacing the services provided by the Region's Home Child care program with similar services from another community agency in the Region. Given that such an agency does not exist today, KPMG recommends that 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**.**

KPMG's Recommendation:

Recommendation #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.

Recommendation #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.

Implications Regarding Implementation:

There are a number of potential implications that Council should consider regarding the recommendations. These relate to the Consolidated Municipal Service Manager (CMSM) role, the Region's role as a leader in supporting high quality Early Learning and Care services in the community and additional financial considerations.

1. The role of the Consolidated Municipal Service Manager involves a wide range of responsibilities, including directly operating services. Removing the 'lived experience' component of the CMSM role could place the Region of Waterloo at a disadvantage in understanding and supporting the broader system.
2. The Early Learning and Child Care system is currently at capacity and may not have the ability to accommodate this increase in spaces without significant investment in physical infrastructure to construct new buildings or renovate existing space. There is a shortage of Registered Early Childhood Educators across the Province of Ontario which has implications for availability of a trained labour force to support growth.
3. It is uncertain if demand exists to increase fee subsidy spaces by approximately 200. At the present time there is no waiting list for fee subsidy and demand has been somewhat stable for the past two years. Without the addition of new Provincial funding to support this growth adding 200 subsidized spaces will create additional funding pressures for the Region of Waterloo.
4. The directly operated Children's Centres have high quality ratings, provide service to high needs populations, and set benchmarks/best practices for other child care operators. All sites meet the exacting standards required to be accredited as demonstration sites for the HighScope curriculum approach to early childhood education. Only four other programs have achieved this standing

in the Province of Ontario and eleven across Canada. Benchmarking is an important factor in sustaining current levels of quality.

5. A caution should be noted that basing child care solely on cost has a negative effect on quality. High quality child care is more costly given the direct correlation between staff qualifications, salary levels, equipment and physical space. The economic and social benefits gained from high quality, accessible child care include: increased tax revenue and lower social assistance costs because more parents are working; local economic stimulus linked to child care's labour intensive nature; better outcomes for children and potential mitigation of cost associated with social support later in life.

6. Should any of the current funding allocations be reduced there will be an impact on the Provincial funding provided to the Region of Waterloo. This could result in further erosion and destabilization of the ELCC service system.

Next Steps and Timing:

KPMG's final report, including their findings and recommendations will be tabled at the Administration and Finance Committee Meeting on Tuesday September 15, 2015. KPMG will be present to answer Councillor's questions and provide any necessary clarifications regarding their findings and recommendations.

At a subsequent meeting, it is anticipated that 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.

The proposed timeline for completing the Service Review is summarized in the table below.

Service Review Project Timeline:

Project Deliverable	Timing
KPMG Final Report, and accompanying staff report tabled at A&F Committee	September 15
Public Input Meeting – to seek public input regarding KPMG's recommendations	September 30 at 7:00 pm
Staff Report & Council Decision on Implementation Activities	Regional Council on October 21

Staff will also report back to Council at appropriate milestones regarding the status of the opportunities noted in Appendices 1 & 2. In addition, staff will report annually on the status of all the opportunities listed in those appendices.

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:

The Corporate Leadership Team has been involved in all phases of the Service Review Project and has specifically provided input into the key challenges and considerations for implementation for each of the Top Five opportunities.

Attachments:

Appendix 1:   Opportunities Underway or About to be Implemented and Next Steps and Timing

Appendix 2:   Opportunities Requiring Additional Investigation / Follow-up and Possible Next steps

Appendix 3:   KPMG's Service Review Final Report

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Approved By: Michael L. Murray, Chief Administrative Officer

Appendix 1:   Opportunities Underway or About to be Implemented and Next Steps and Timing

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	Next Steps and Timing
Corporate Performance Measurement Program	Establish corporate performance measurement program with relevant but limited Key Performance Indicators (KPIs), performance targets, and regular measurement and reporting.	Performance measures are being tracked through Ontario Municipal Benchmarking Initiative (OMBI), Municipal Performance Measurement Program (MPMP), and various professional associations (e.g. water, wastewater, transit). The new office of Corporate Performance will coordinate the development, monitoring and use of performance measures. This office will be created in late 2015.
Integrated Asset/Work planning System	Develop approach for systems to support integrated: service request, work planning, asset management, time recording for payroll.	Q3/Q4 2015: Update report to Council. Issue a Request for Proposal for a corporate work order management system
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).	Information Technology Services staff will work with program areas over the next 12 to 18 months to assess mobile technology needs and recommend mobile device strategy to the Corporate Leadership Team.

Opportunity	Opportunity Description	Next Steps and Timing
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.	A review of existing "reception" areas will be undertaken by Human Resources and Citizen Service to assess the scope and necessity of reception desks within the building and opportunities for consolidation will be identified by Q2 of 2016.
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.	"Ping Street" has been launched as an introduction to self serve options. Currently, traffic management coordinated between the Region and the cities within the Region. Kitchener. Once the pilot is complete, other services will be reviewed to test their viability once an evaluation of the software is completed by Q1 of 2016. A prioritized list of possible options will be developed by Human Resources and Citizen Service in concert with program areas to broaden opportunities for eservice options.
LRT station areas	Conduct planning reviews of areas around Light Rail Transit (LRT) stations with view to increasing density of development permitted.	The Region of Waterloo has completed a Community Building Strategy, which focuses on Station Area Planning in particular. The three Cities have or are in the process of amending their zoning by-laws to ensure they appropriately support higher densities of development in the ION corridor.
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).	Looking at how this can be implemented (either fully or in part) through the taxi by-law review, slated to be completed in 2016.

Opportunity	Opportunity Description	Next Steps and Timing
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.	A key issue is part of the above-noted taxi by-law review to be completed in 2016.
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.	This process was initiated during the 2014 budget process. Surplus land was identified and phased. Several parcels have been disposed of and others underway. Disposal of several parcels is complete, others are underway, and additional phases to proceed in 2015 and 2016.
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.	Issue will be referred to Emergency Medical Services Master Plan Review which is currently underway and which will be completed by the end of 2016 under the direction of a steering committee with Regional Councillor and staff membership.
Re-evaluate Medical Transport	Evaluate medical need for transport, by case type, and seek authority to limit transport to cases where medically necessary.	Issue will be referred to Emergency Medical Services Master Plan Review which is currently underway and which will be completed by the end of 2016 under the direction of a steering committee with Regional Councillor and staff membership.

Opportunity	Opportunity Description	Next Steps and Timing
Bus Lifecycle	Given the cost of maintenance for bus infrastructure, conduct a lifecycle analysis to determine best bus lifecycle management plan, including retirement timing.	Council has already approved a change to a 12 year life cycle from 18 year life cycle for buses. Staff are reviewing this annually and have moved to a 13 year life cycle to minimize overall cost. This will continue to be reviewed annually and revised as necessary to minimize life cycle costs.
Bus Route Data	Optimize bus route efficiency and effectiveness through the use of data and evidenced based decision making for bus routes.	The organizational integration of Transit Planning with the Transit Services Division has allowed closer alignment and sharing of data. This is being used to better understand ridership and provide the appropriate level of ridership. GRT is also reviewing minimum route ridership levels and targets. This information will be prepared for and used in the development of the next GRT business plan scheduled for completion in early 2016.
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.	Electronic Fare Management System project is underway and expected to be in place by 2017.
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	This is to be reconsidered during the development of the GRT business plan. This is scheduled for completion in early 2016.

Opportunity	Opportunity Description	Next Steps and Timing
Garbage Collection Service Levels	Establish consistent service levels throughout the ROW where there are similar operating environments.	Council recently approved consistent service levels across the Region and staff are preparing the contract for a private sector garbage collector. Selection of garbage contractor to occur in late 2015 with start of new contract to be in March 2017.
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.	Council has approved bi-weekly collection of garbage with weekly blue box and green bin collection. This is to commence March 2017 with the start of a new garbage collection contract.
Large Item Pick-Up	Operational savings can be achieved through a change from weekly to monthly large item curbside pickup.	Council recently approved consistent service levels across the Region and staff are preparing the contract for a private sector garbage collector. Large Item pick-up was changed to biweekly.
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.	Staff are evaluating thermal options for future garbage disposal. It is anticipated this will be back with Council in January 2016.
Waste and Recycling Public Relations	Expand messaging to residents and businesses with view to improving recycling rates and reducing solid waste.	Waste management has an ongoing public outreach program that incudes education for children, Environews and recent promotional videos.
Transfer Station Operation	Based upon the cost and utilization of transfer stations, Close or privatize their operations	Staff are preparing a report to Council for September 15, 2015. Council will decide how to proceed.

Opportunity	Opportunity Description	Next Steps and Timing
Road Patrol Tool	Implement automated, GPS enabled, road patrol tools to improve the level of road safety and efficiency in road operations.	Transportation is working with IT to develop options for implementing. See "Hand-held Data Entry Terminals" below.
Hand-held Data Entry Terminals	Implement automated utility locate, work order and timesheet processes with hand-held data entry terminals (with GPS).	Implementation of this is linked with providing the road patrol tool. Current software that is being used for work management makes both of these items difficult to implement. The proposed asset management system would make of these items much easier to implement. When a decision on moving forward with asset management is made in fall 2015 a schedule and approach for implementing the items will be developed. If the proposed asset management system doesn't move forward a stand alone option will be considered.
Transportation Rehabilitation	Given the significant cost of capital replacement, focus capital expenditures more on rehabilitation employing lifecycle analysis.	Current budget process already balances rehabilitation with replacement. TES is in the process of implementing a more advanced asset management system to further support rehab vs reconstruction decisions. Anticipated final implementation in 2018.
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.	Competition for insurance consultant completed in 2014. New consultant chosen has confirmed that current insurance provider is the most cost effective option. Competitive process to be conducted for 2016/17 insurance renewal.
Consolidate Dispatches	At present, there are multiple dispatches serving emergency services in the ROW. There is an opportunity to	The Region, area municipalities and WRPS, continue to pursue the creation of a consolidated dispatch system service Police, Fire and EMS. The Province is unwilling to

Opportunity	Opportunity Description	Next Steps and Timing
	develop a consolidated dispatch for police, fire and EMS across the Region and LHIN	transfer EMS dispatch responsibility to municipalities. Accordingly Police and Fire are continuing to work on an implementation plan for consolidated police and fire dispatch, which will maintain the opportunity to expand to include EMS dispatch in the future.
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.	Tablets and portable printers have been deployed to Public Health Inspectors, to allow inspection results to be directly inputted in the field, and printed if needed, for more accurate and timely service delivery. The inspectors are able to securely access information in the Region's electronic document management system off-site, contributing to a reduced need for trips to the office and quicker, more efficient service in the field. These new enhancements also enable after-hours, on-call Inspectors to receive time-sensitive faxes on their Blackberries, eliminating trips to the office to check fax machines.
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.	A review of benefit coverage and contribution levels is underway to look at options for cost efficiencies. Current models will be reviewed along with comparators from other comparable jurisdictions such as other municipalities to see if there are alternatives to current models of benefits services.

Opportunity	Opportunity Description	Next Steps and Timing
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.	Underway. Over the next year new systems options will be identified for improvement. LEAN methodology will continue to be utilized to establish new HR Processes. Currently the "Life Cycle" Review is focused on recruitment and job evaluation as prioritized areas for improvement. Process improvement exercises will be underway in August with proposed process changes anticipated in Summer 2016.
Consolidate Service Improvement Planning	Consider consolidating Service Improvement Planning with Organizational Effectiveness & Wellness and/or Internal Audit.	This is being incorporated into HRC more fully as part of the HRC renew to ensure integrated organizational effectiveness support services are delivered in an integrated way with other organizational design and development functions. This will be announced in Q3 of 2015.

Appendix 2:   Opportunities Requiring Additional Investigation / Follow-up and Possible Next steps

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	Possible Next Steps
Improve Training Program Targets	Conduct research on job market to improve the targeting of training programs offered by Employment Services.	In collaboration with local Employment Ontario service providers and Economic Development Offices, determine workforce and skill needs of current and future employers with the goal of designing skills based programs for under/unemployed citizens to fill job vacancies. To be undertaken in 2016.
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.	While no one solution is the answer to housing and homelessness and options are required to meet the needs of those being housed further analysis is required. To be undertaken in 2016.
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.	Review and action plan to be undertaken in 2016.
Sunnyside Laundry/Kitchen Revenue	Use the large Sunnyside laundry to generate revenue from other customers in the public sector.	Require cost-benefit analysis of options for both food and laundry services to determine the most efficient and least costly methods to deliver both services. Analysis to be conducted in 2016.

Opportunity	Opportunity Description	Possible Next Steps
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.	All funded programs are under review in 2015/16 to examine for efficiency, value (outcome) for the investment made. Modifications will be made following the review.
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.	Finance staff to consider reviewing the Region's budget development and approval process in either 2016 (after 2016 Budget approval) or 2017 (after 2017 Budget approval).
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.	Division of duties between Financial Analysts and program area staff to be undertaken in 2016.
A/R process	Review the Accounts Receivable (A/R) process to reduce the operational costs of processing invoices and payments	Review staff levels, work flows, possibly undertake LEAN review in 2016.

Opportunity	Opportunity Description	Possible Next Steps
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.	Initiate a full review of internal charge-back allocation policies and procedures in 2017.
Materials Management Staffing	In order to ensure the optimum staffing and service for client facing departments, review materials management staffing and locations.	Assess staffing levels through either an internal review or by engaging a third party to conduct an external review in 2017.
E-payments	In order to reduce the processing cost of applications, establish systems to accept e-payments, e.g. for planning applications, etc.	Assess options for online application and payment system and methods of tracing payments to the applications to ensure payments have cleared before application proceeds. To be considered in 2016.
Municipal HR Service	Provide Human Resource (HR) services to lower tier municipalities (particularly the Townships) on a cost recovery basis.	The Commissioner of HRC will reach out to local municipalities, with a particular focus on the Townships, to determine their interest in acquiring any Human Resources services from the Region on a cost recovery basis. Some townships have expressed an interest in shared training opportunities. An evaluation of their responses will be available in early 2016.

Opportunity	Opportunity Description	Possible Next Steps
Reception Desk Reduction	Eliminate reception functions at Regional buildings wherever possible, using access control with phones, and phone listings to contact staff.	Please see Reception Desk Consolidation in Appendix 1.
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).	See E-service Expansion in Appendix 1. There is a natural link between expanded e-service options and increased Web capability. Citizen service is developing a strategy that will provide an integrated focus that links the portal, website and e-serve public options by Q2 of 2016.
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.	The Commissioner will reach out to local counterparts in the cities and townships to initiate discussions to explore the opportunities that exist for integrating a broad range of services including a 311 call centre or alternatively integrating multiple municipal services (i.e. fine payment) at the client service desks in Regional, City and Township headquarters. An initial review will be completed by Q1 of 2016 with options identified by Q3 of 2016.
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.	This matter will be discussed with all of the Area Municipalities in 2016. It is unclear which Area Municipalities would be interested, but could include the Townships as well.

Opportunity	Opportunity Description	Possible Next Steps
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.	This matter is being examined by Legal Services as to whether local Official Plans are required under the Planning Act. Staff will report back on this matter in 2016 in conjunction with the item immediately above.
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.	Passing responsibility back to Area Municipalities would require a successful triple majority vote. It may be advantageous to have this function remain Regionally to regulate these uses relative to source water considerations, including municipal supply wells. However, this by-law will be reviewed starting in 2016.
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.	A considerable amount of progress has already been made relating to this opportunity. However, in early 2016, key parties will be brought together to explore any additional opportunities for cooperation and coordination.

Opportunity	Opportunity Description	Possible Next Steps
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.	To be considered during the next DC Background Study. Timing is dependent on outcome of Bill 73 amendments to the DC Act and related regulatory changes.
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.	Region recently changed multi residential waste collection to achieve consistency across the Region with implementation in March 2017. To be reviewed as part of 2021 update to Council.
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.	To be reviewed as part of the multi residential waste collection as noted above.
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.	To be considered as part of 2016 budget process.

Opportunity	Opportunity Description	Possible Next Steps
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.	Region staff to contact Area municipal staff by Q4 2015 to initiate discussions concerning this option.
Focus on Obesity	Shift focus to increase emphasis within Public Health towards chronic disease prevention, including obesity prevention.	The planned actions are as follows:

As one of the selected sites for the provincially funded Healthy Kids Community Challenge (HKCC), ROWPHE will be working with all area municipalities and a variety of community partners. The goal of HKCC is to reduce childhood obesity, as a community, through activities related to healthy eating, physical activity and adequate sleep. Expected start date: September 2015 for four years.

Healthy Living is initiating a number of program related reviews across the Division in order to ensure we are effectively addressing key issues related to chronic disease prevention including obesity prevention. Expected start date: August 2015 for approximately 12 months. |
| RERU | Expand Regional Emergency Response Units (RERU) concept to provide response where (urgent) transport not required in urban area. | Issue will be referred to Emergency Medical Services Master Plan Review which is currently underway and which will be completed by the end of 2016 under the direction of a steering committee with Regional Councillor and staff membership. |

Opportunity	Opportunity Description	Possible Next Steps
Emergency Dispatch	Following the successful lead of the Region of Niagara, assume responsibility for Emergency Medical Services (EMS) dispatch services from the Province.	The Region, area municipalities and WRPS, continue to pursue the creation of a consolidated dispatch system service Police, Fire and EMS. The Province is unwilling to transfer EMS dispatch responsibility to municipalities. Accordingly Police and Fire are continuing to work on an implementation plan for consolidated police and fire dispatch, which will maintain the opportunity to expand to include EMS dispatch in the future.
More Consultation	Develop a program that will allow more frequent and more meaningful involvement by the public in the Region's decision-making processes.	One of the draft objectives in the Region's 2015-2018 Strategic Plan is to "enhance opportunities for public engagement, input and involvement in Regional decision making". The Strategic Plan will include specific actions to address this objective.

Appendix 3: KPMG's Service Review Final Report

KPMG

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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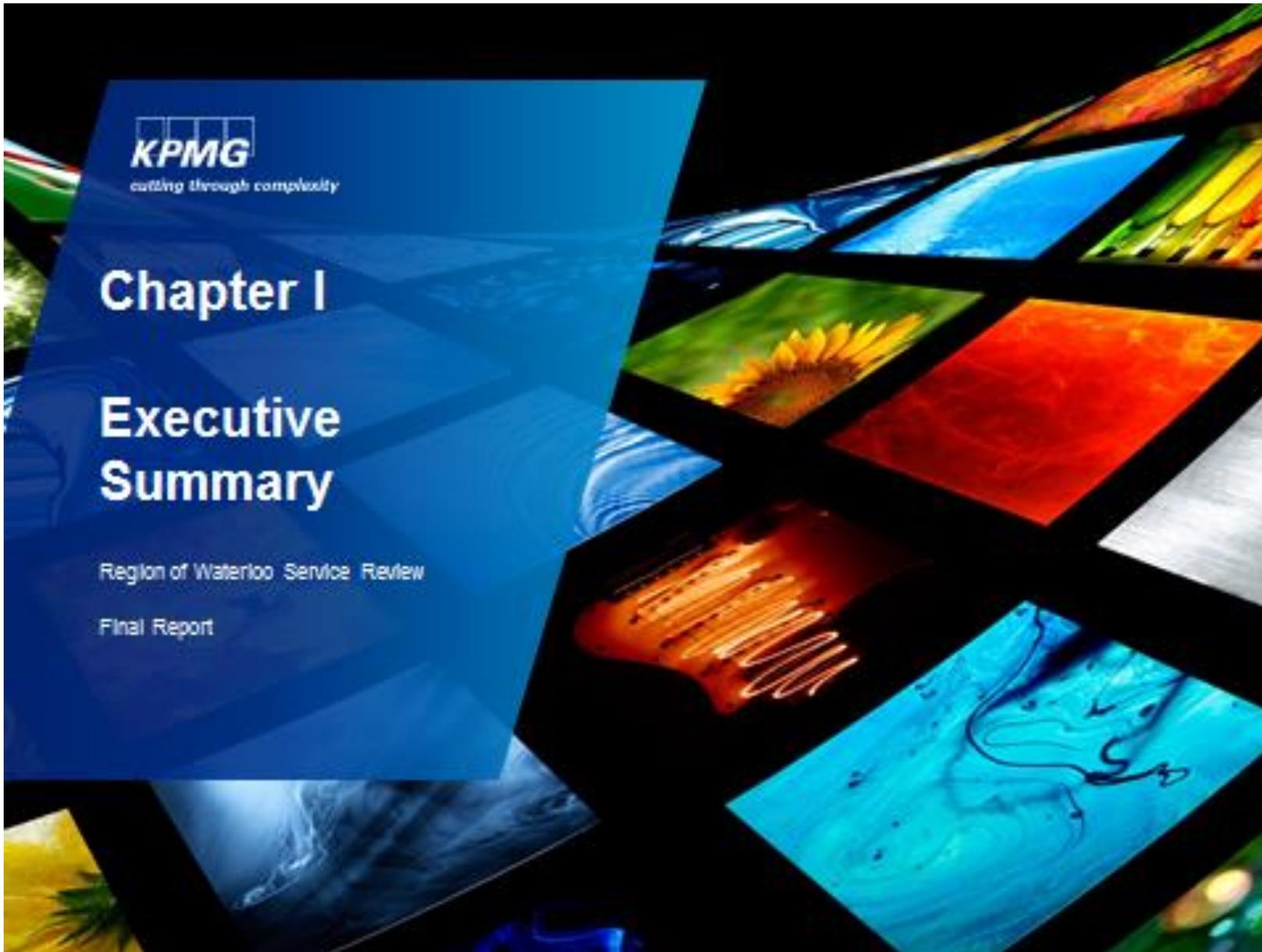
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Service Review
Executive Summary

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.

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Service Review
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.

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Service Review
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.

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Service Review
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.

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Project Overview
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.

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Project Overview
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.

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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.
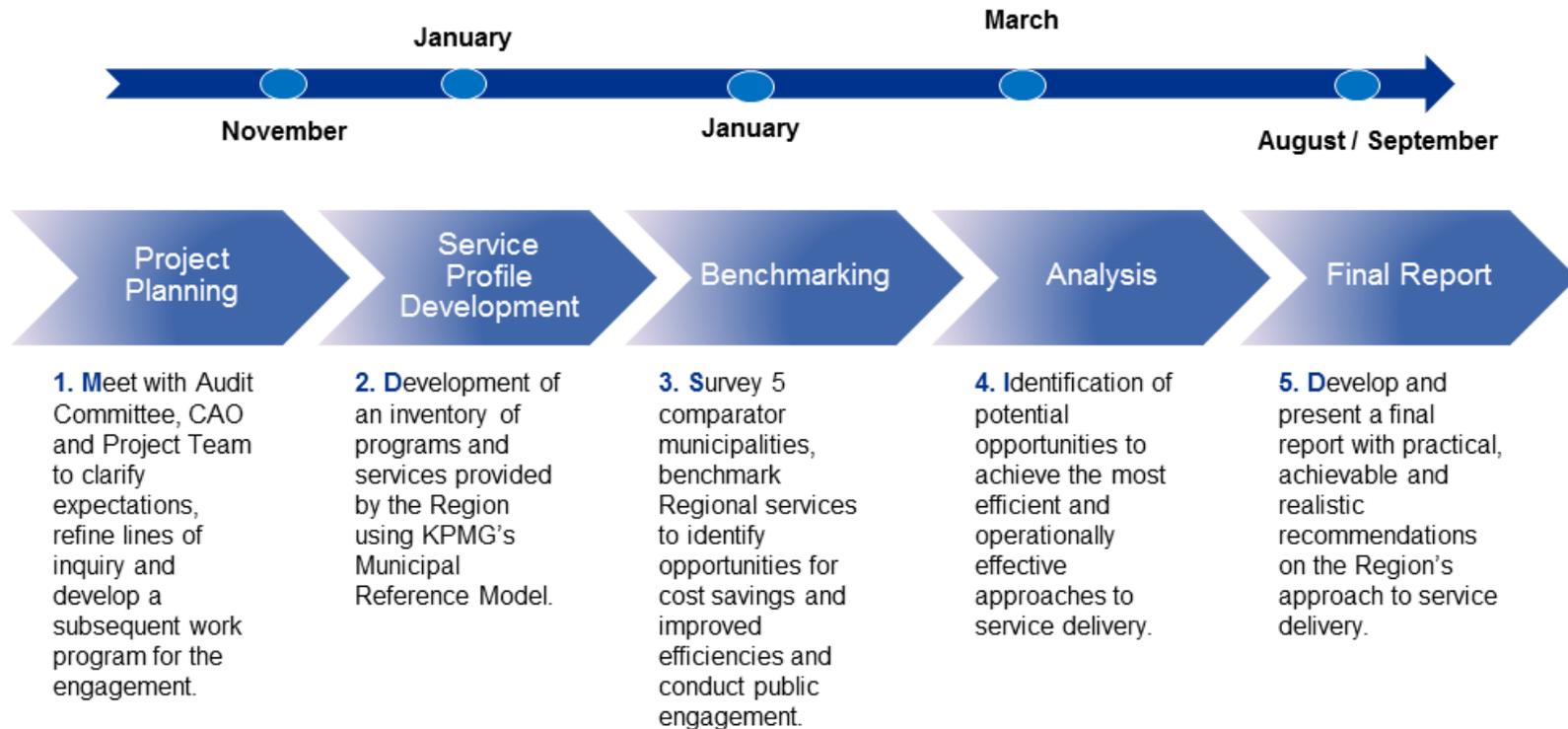
Project Scope

- **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.

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KPMG   Project Overview
Project Phases

March

January

November

January

August / September

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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KPMG

Project Approach
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 Durham | Region of York |
   | Region of Peel | Region of Niagara | |

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Project Approach
Methodology

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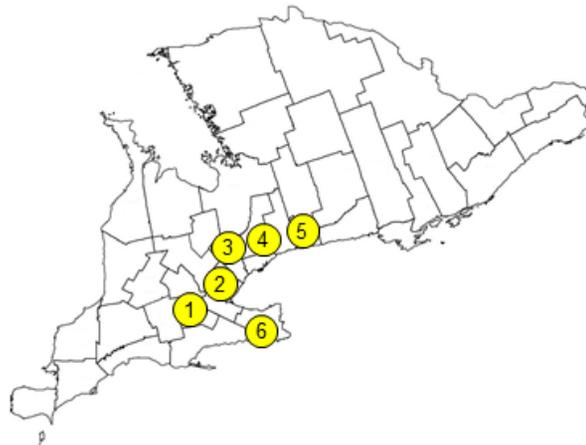
Community	Population[1]	Households[1]	Size (Hectares)
1. Region of Waterloo	563,000	201,080	136,900
2. Region of Halton	518,311	189,124	96,925
3. Region of Peel	1,047,000	419,000	58,876
4. Region of York	1,130,386	340,138	177,600
5. Region of Durham	650,895	228,200	253,800
6. Region of Niagara	445,351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

[1] Statistics Canada census profiles (2011)

KPMG

Project Approach
Methodology

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

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Project Approach
Methodology

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.

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Project Approach
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.

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Project Approach
Methodology

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.

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Project Approach
Methodology

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.

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Chapter IV

Top Five
Opportunities
In-depth Analysis

Region of Waterloo Service Review

Final Report

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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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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

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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.

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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		Revenues		Annualized Cost Savings	
Compensation	$997,000	User Fees	$0	Tax Levy	$384,000
Supplies/Services	$870,000	Ministry of Training, Colleges and Universities	$1,492,000	Office Occupancy Costs	($50,000)
Allocation	$9,000	Internal Recoveries	$0	Annualized Savings	$334,000 [1]
Total Expenditures:	$1,876,000	Tax Levy	$384,000		
		Total Revenue:	$1,876,000		

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

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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.

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KPMG   **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.

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Employment Ontario in Waterloo Region

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).
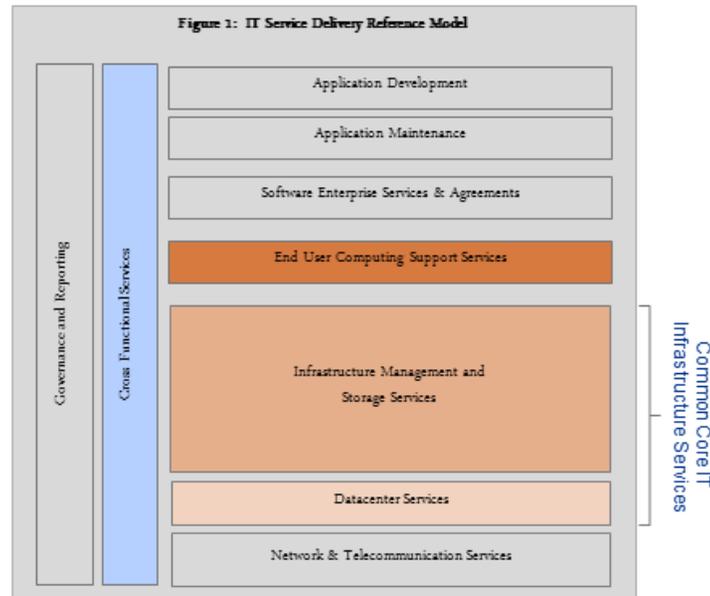
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Chapter IV

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

Governance and Reporting
Cross Functional Services
Application Development
Application Maintenance
Software Enterprise Services & Agreements
End User Computing Support Services
Infrastructure Management and Storage Services
Datacenter Services
Network & Telecommunication Services
Common Core IT Infrastructure Services

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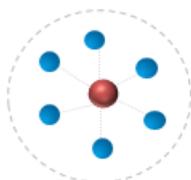
Advantages
- Leading practice drives innovation
- Leverages resources efficiently
- Allows for organic growth with less risk
- Economies of Scale

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.

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Information Technology Shared Services

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.

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Information Technology Shared Services

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

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Information Technology Shared Services

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

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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

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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

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Information Technology Shared Services

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

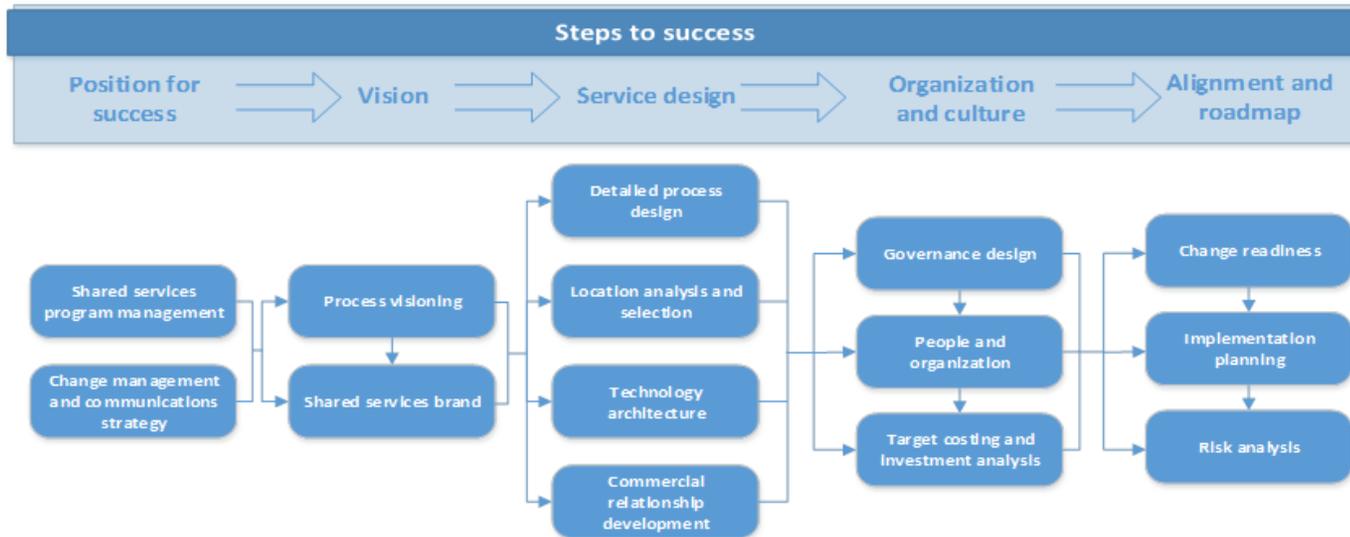 - Problems with implementation could affect services and support to system users

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Information Technology Shared Services

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.

Steps to success

Position for success → Vision → Service design → Organization and culture → Alignment and roadmap

- Shared services program management
- Change management and communications strategy
- Process visioning
- Shared services brand
- Detailed process design
- Location analysis and selection
- Technology architecture
- Commercial relationship development
- Governance design
- People and organization
- Target costing and investment analysis
- Change readiness
- Implementation planning
- Risk analysis

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KPMG | **Information Technology Shared Services**

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

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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.

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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

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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.

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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.

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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.

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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

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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.
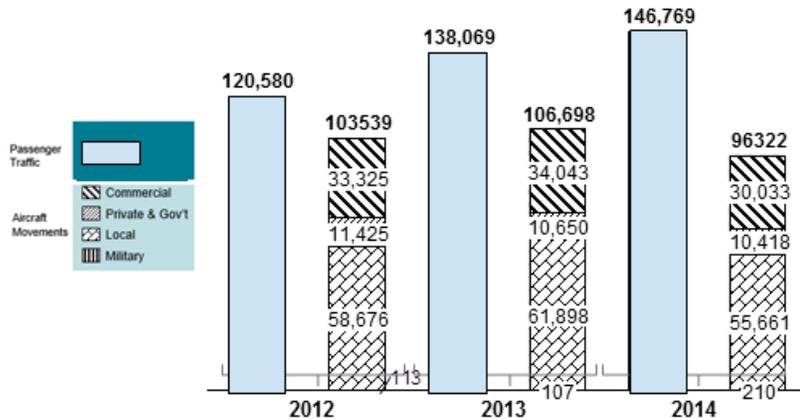
Research Boundaries

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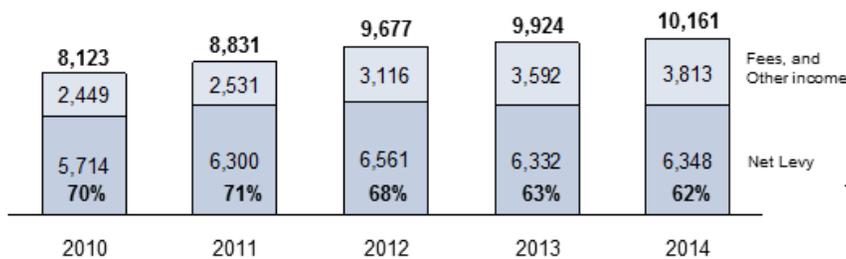- Findings are indicative and should be validated by detailed analysis

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Region of Waterloo International Airport
Current State
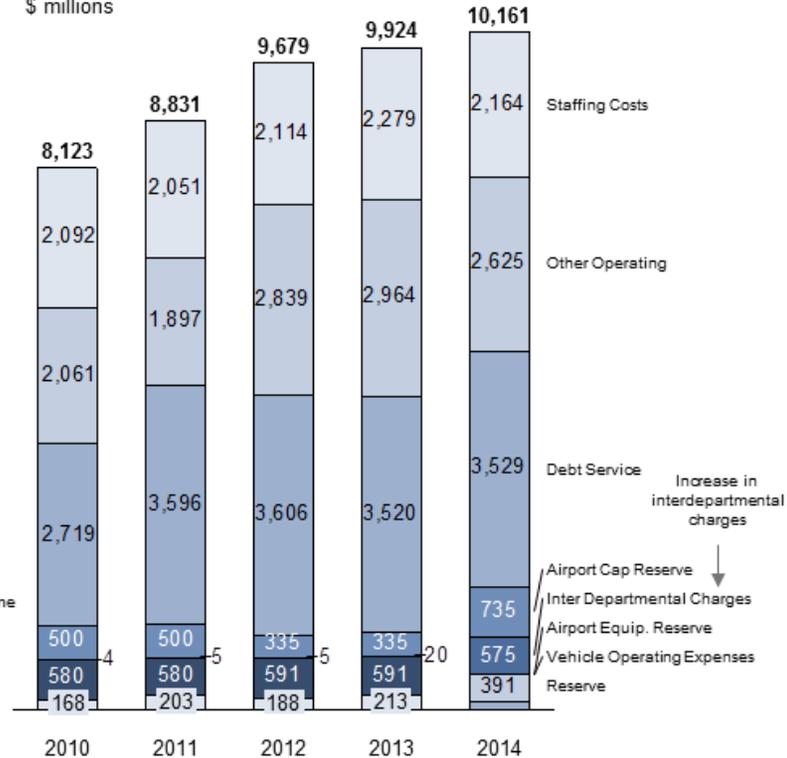
Passenger Traffic and Aircraft Movements 2012-2014

Expenditure Baseline

Expenditure by category 2010-14
$ millions

Staffing Costs

Other Operating

Debt Service — Increase in interdepartmental charges

Airport Cap Reserve
Inter Departmental Charges
Airport Equip. Reserve
Vehicle Operating Expenses
Reserve

Revenue by Category, 2010-2014 ($ million)

Fees, and Other income

Net Levy

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).

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

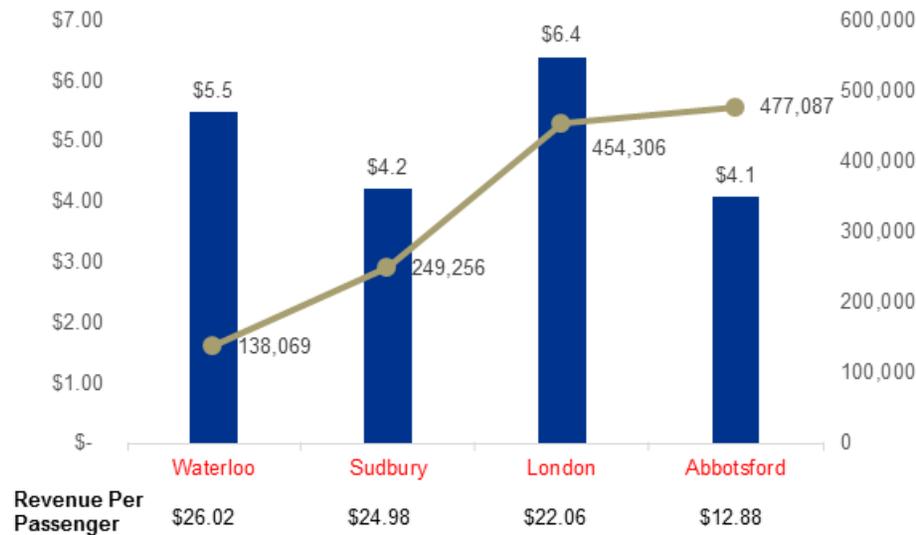| Observation 1	Optimization
	▪ Identifying the indicative revenue increases, operational savings or reduce capital employment opportunities

OPPORTUNITY ($ millions)

BASE		STRETCH
0.250	↔	.500

High-level Reference Comparison

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

	Waterloo	Sudbury	London	Abbotsford
Operating Expense	$5.5	$4.2	$6.4	$4.1
Passengers	138,069	249,256	454,306	477,087
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

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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

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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.

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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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KPMG — 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.

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KPMG   **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.

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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.

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Child Care Service Manager

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.

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Child Care Service Manager

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

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Child Care Service Manager

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.

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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.

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Child Care Service Manager

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.

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KPMG — 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.

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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.

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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
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.

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Conclusion & Prioritization
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.

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Conclusion & Prioritization
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.

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Conclusion & Prioritization
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.
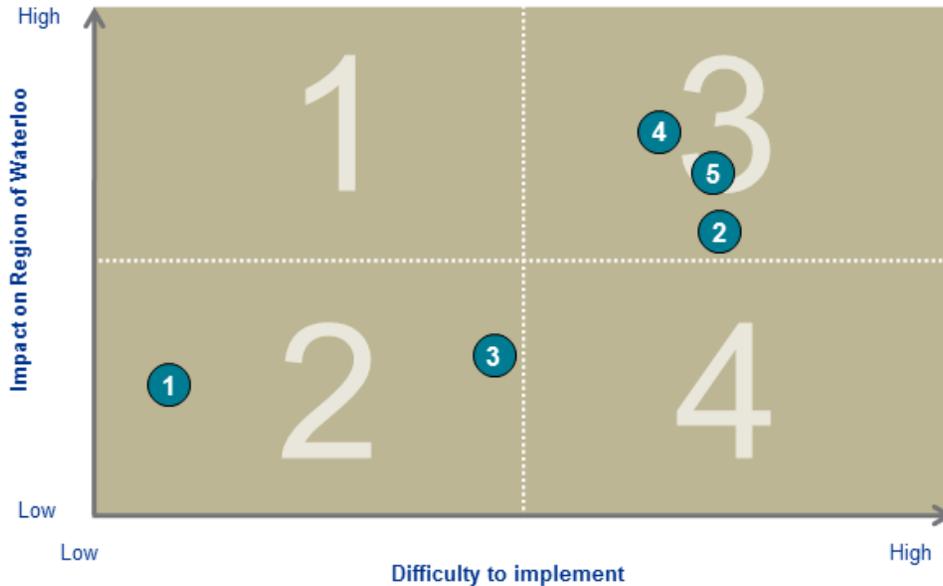
Sample rating of each of the potential opportunities for improvement against two criteria:

- **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 A1
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.

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Appendix A1
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).

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Appendix A1
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.

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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.

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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
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.

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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
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.

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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
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.

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
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.

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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.

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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.

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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
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.
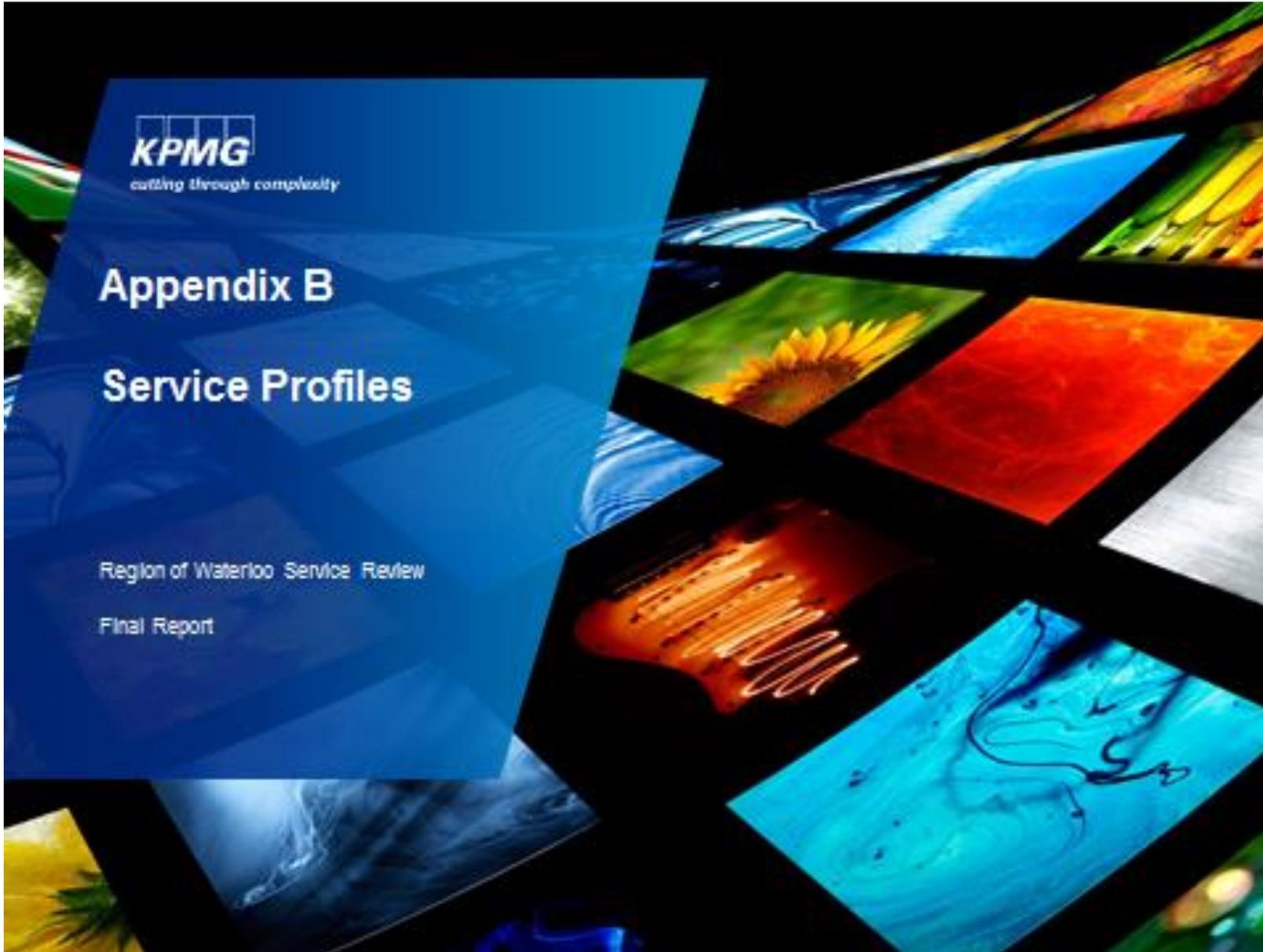
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