

Service Review Program

A Service Review Program was approved by Council in April 2011, in preparation for the 2012 Budget Process and Multi-Year Financial and Service Planning Budgeting Process. The purpose of the Service Review Program is to help address the City's serious financial challenges, set the foundation for services and service levels and establish the basis for multi-year planning and service delivery to meet the City's objectives in 2012 and beyond.

The Service Review Program was comprised of three parts:

- The Core Service Review identified what services the City delivers. These include services the City must legally provide and services the City should provide as a government. Completed in 2011, the review considered what it takes to meet the needs of Torontonians, what is important to people on a day-to-day basis, and what it takes to run the largest city government in Canada.
- Service Efficiency Studies to ensure that services do not cost more than they should. The studies take a closer look at how certain services are delivered to identify new and more efficient ways to deliver them at a lower cost. Service Efficiency Studies continue to be implemented to identify opportunities for continuous improvement.
- The User Fee Review examined how we pay for the City's services using user fees and established a user fee policy which is now applied to all of the City's agencies and divisions.

Together, the three components of the Service Program Review generated significant cost savings, and improved the efficiency and effectiveness of City services. The full report can be found at: <http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-36612.pdf>.

Public consultations on the Core Service Review and the User Fee Review were conducted in spring 2011. The full program approved by City Council can be found at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX4.10>

In the 2013 Tax Supported Operating Budget, the Service Review program contributed to efficiency and other cost savings of \$178 million which consisted of a reduction in compensation and benefits of \$56 million, implementation of service efficiencies of \$72 million, service changes of \$10 million and other cost reductions of \$40 million. In addition, City Programs and Agencies incremental revenues from changes to existing user fees and proposed new user fees totalled \$29.532 million of which \$18.000 million was attributable to a Transit Fare increase.

In the 2014 Tax Supported Operating Budget, the Service Review program contributed to balancing the 2014 Tax Supported Operating Budget by assisting to absorbed inflationary increases of \$9 million, base savings of \$30 million, and efficiency and service cost savings of \$21 million.

Core Services Review

To support City Council's budget deliberations, the City Manager undertook a Core Service Review of all services delivered by City divisions and agencies. The Core Service Review was conducted using third party expertise provided by KPMG LLP (KPMG), and set the foundation for what services the City delivers, and reaffirm services and business investments on which the City of Toronto should focus. KPMG was requested to:

- review and analyze all City services, activities and service levels provided by divisions and agencies and to apply a core service filter to services and identify which services are provided at higher than standard service levels;
- conduct a jurisdictional review of comparable municipalities and jurisdictions; and
- identify options and opportunities to change services and service levels.

The Core Service Review process was conducted in 2011, and included a public consultation process that elicited public input from approximately 13,000 people through a variety of mechanisms, including online, survey, and in-person forums. The timelines for the Core Service Review were ambitious as recommendations were used in the 2012 budget process.

Input from the public was consolidated, analyzed and considered for the City Manager's reports on the Core Service Review, which you can find at:

www.toronto.ca/torontoservicereview/results.htm.

In September 2011, Council approved the report, *Core Service Review – Final Report to Executive Committee*, which contained KPMG's findings of the Core Service Review and recommendations to City Council from the City Manager. The full report can be found at: <http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-40702.pdf>.

In its review, KPMG found that 90 percent of the City services were core services, and identified 69 opportunities for Council's consideration to eliminate, divest, or reduce services. The implementation of the efficiencies identified by KPMG is expected to result in an estimated total savings of \$200 to \$300 million over the period 2012 to 2014. Implementation of recommendations is ongoing, with additional efficiency opportunities continuing to be pursued in 2014 and future years. Furthermore, capital expenditure reductions recommended in the ten-year capital plan is approximately \$132 million.

Service Efficiency Studies

Another component of the Service Review Program includes Service Efficiency Studies, which examine current service delivery, activities, and functions to identify opportunities for improvement and cost savings through mechanisms such as automation, innovation, re-engineering, restructuring, and strategic sourcing. Whereas the Core Service Review examined **what** services the City should be delivering, the Service Efficiency Studies examine **how** the City services are delivered.

The City Manager and the Deputy City Managers identified services that would benefit from a service efficiency study in 2011 and beyond. Studies have been completed for the following services:

- 311 Toronto;
- Children Services;
- City Planning;
- Communications;
- Court Services;
- Counter Services;
- EMS and Fire Services;
- Energy and Environment;
- Facilities and Real Estate;
- Fleet Services;
- Long Term Care Homes;
- Museum Services,
- Parks, Forestry and Recreation;
- Shared Services;
- Shelter, Support and Housing Administration;
- Solid Waste Management; and
- Transportation Services.

Service efficiency studies were also conducted in some of the larger agencies including the Toronto Transit Commission, Toronto Police Service, and Toronto Public Library.

As noted above, the City Manager also asked KPMG, while conducting its Core Service Review, to identify opportunities for potential service efficiencies. In total, KPMG identified 119 opportunities for service efficiencies; these opportunities assisted the City Manager in focusing the scope of current and future Service Efficiency Studies, and identifying areas that might benefit from continuous improvement.

The City Manager continues to work closely with senior management to determine which of the recommended actions resulting from service efficiency studies are feasible and can be implemented, in addition to identifying implementation methods, timeframe, and estimated savings.

All completed studies can be found at:

<http://www.toronto.ca/torontoservicereview/efficiencystudies.htm>

Comprehensive User Fee Review

The third component of the Service Review Program is the Comprehensive User Fee Review. This review was led by the Financial Planning Division which was completed in November 2011.

The goal of the User Fee Review was to examine all user fees currently in place to determine the extent to which they are fair, and whether the full cost of providing the some services can be fully funded through user fees.

City Council required City Programs and Local Boards to:

- identify all existing user fees;
- determine the current basis of the fee price;
- determine which fees should be fully cost-recovered, and the extent to which the full cost is recovered;
- determine which fees should be exempt from full cost recovery;
- identify additional opportunities for collecting user fees;
- assess whether user fee services are delivered economically and efficiently; and,
- assess access and equity issues.

On September 26, 2011, Council approved the report '*User Fee Policy*'. The approved User Fee Policy set out a consistent and transparent approach for establishing and managing the City's user fees. The fundamental principle of the recommended Policy is that user fees should be used to finance City services and goods that provide a direct benefit(s) to specific users and should be set at a rate to recover the full cost of services to the extent that there is no conflict with City policy objectives and other legislative requirements. Services that benefit the entire community should be funded by property taxes. The full report can be found at:

<http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-40701.pdf>.

On January 4, 2012, Council approved the Comprehensive User Fee Review which examined the City's existing user fees against the principles established in the User Fee Policy. The report identified opportunities for improving the effectiveness and efficiency of the City's management of its user fees. Specifically, the Review resulted in the categorization of all user fees on the basis of full cost recovery, city policy, provincially-legislated and market-competitiveness. These groupings provided clarity and transparency for the basis on which the fees are established, reviewed, approved and managed, which is consistent with the principles established in the User Fee Policy.

While the User Fee Review identified user fee services that should be fully cost recovered, it was not possible to determine the full cost of all user fee services due to time and staff resource constraints. It is evident, however, that in most cases the full cost of providing user fee services has not been determined given that capital cost and all indirect costs were generally not taken into account in determining the fee amount prior to approval of the User Fee Policy.

In order to fully comply with Council's principle of full costing as the basis for setting user fees the City is working towards calculating the full cost of user fee services in time for the 2014 Budget process. The report can be found at:

<http://www.toronto.ca/legdocs/mmis/2012/bu/bgrd/backgroundfile-43928.pdf>

As a result of the Comprehensive User Fee review, changes to existing user fees and the introduction of new user fee opportunities in the 2013 Operating Budget will generate incremental revenues totalling \$29.532 million (excluding Toronto Water and Solid Waste Management Services).

2014 Tax Supported Operating Budget Balancing Strategy

On January 28 and 29, 2014 City Council approved the 2014 Tax Supported Operating Budget. The Service Review program helped contribute to absorbing inflationary increases of \$9 million, base savings of \$30 million, and efficiency and service cost savings of \$21 million as illustrated below.

2014 Balancing Strategies \$Million

Total Expenditure Pressures	213
Revenue Change:	
Municipal Land Transfer Tax (MLTT)	(35)
TTC Ridership Growth	(7)
TTC Fare Increase	(23)
Other Revenue in Corporate Account	(5)
User Fee/Revenue Change	(6)
Provincial Funding Shortfall	43
Accrued Loan Interest & TESS Reserve Draw	(43)
Reserve draw	(28)
TCHC Tax exemption	(18)
Reduced Tax assessment	18
Total Revenue Change	(104)
Pressure after Revenue Changes:	109
Assessment Growth	(25)
subtotal	84
Absorbed Inflationary Increase	(9)
Other Base Savings	(30)
Recommended Reductions	(21)
Total Reductions	(59)
Tax Levy Increase before New Requests:	24
New & Enhanced	18
Tax Levy Increase after New Requests:	42