

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 30, 2012

Item 1, Report No. 42, of the Committee of the Whole (Working Session), which was adopted without amendment by the Council of the City of Vaughan on October 30, 2012.

1 PROGRAM REVIEW – SAVINGS AND FRAMEWORK

The Committee of the Whole (Working Session) recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, dated October 23, 2012:

Recommendation

The Commissioner of Finance & City Treasurer, in consultation with the City Manager and the Senior Management Team, recommends:

1. That that the following programs be assessed through a GTA service level comparison, to clearly identify how the City of Vaughan service levels compare to the average GTA service level:
 - a. Program 131 - Winter Control/Sanding and Salting
 - b. Program 128 – Winter Control/Road Snow Clearing
 - c. Program 67 - Path/Sidewalk snow clearing
 - d. Program 186 – Animal Services
 - e. Program 87 – Seniors Programs
2. That staff report back with the results of the service level comparisons in the early part of 2013 (Q1); and
3. That, following the assessment of Programs 131, 128, 67, 186 and 87, staff provide recommendations regarding preferred public consultation techniques to examine public support for potential service levels changes.

Contribution to Sustainability

Sustainability by definition focuses on the ability to maintain an activity over an extended time horizon. A program review is intended to examine the City's programs and services and validate their alignment with the City's vision, respect for taxpayer's dollars and community interest.

Economic Impact

There is no economic impact associated with this report, however the Program Review does provide a framework to consider the extent, and relative costs, of the various programs offered by the City, complemented with residents' responses to the Ipsos Reid survey questions relating to the importance of, and level of satisfaction with, programs offered by the City.

As a background for further examination of services levels and their associated costs, the following chart illustrates that 95% of the costs of the programs reviewed are either mandatory or standard programs offered by municipalities.

Categories	Programs		Expense	
	#	%	\$Mil	%
Mandatory Programs	30	15%	33.6	18%
Standard Programs	141	69%	145.3	77%
Premium Programs	33	16%	10.3	5%
	204	100%	189.2	100%

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Summarized information from the approved 2012 Operating Budget illustrating the cost components of the average residential property in the City of Vaughan tells a similar story, in that the majority of tax dollars are going towards mandatory and standard programs.

	2012 Cost of Municipal Services	Cumulative Percentage
Fire and Rescue Services*	\$286	23.5%
Public Works & Road Services	\$264	45.3%
Recreation*	\$114	54.7%
Vaughan Public Libraries*	\$109	63.7%
Parks	\$100	71.9%
Infrastructure	\$96	79.9%
Waste Management	\$71	85.7%
Corporate Administration	\$63	90.9%
Building & Facilities	\$63	96.1%
Development	\$47	100%
Total**	\$1,213	

*Building & Facility costs included

**Based on average 2012 residential assessment

The alignment of tax dollars spent on mandatory and standard programs compared to the Ipsos Reid "Importance of Individual Services" results appears high, however an understanding of how the City's level of service for these programs differs from other GTA municipality's level of service is not readily apparent.

As a guide, a 1% tax impact on the average residential property was \$12 in 2012.

Communications Plan

In the event that the comparison of GTA service levels results in consideration of changes to the City's current service levels, further reporting and public consultation, potentially via on-line surveys, focus groups or on-line citizen budget tools, will be required depending on the nature of the changes.

Purpose

The purpose of this report is to set out a process to assess and compare City of Vaughan service levels for five key programs to service levels provided by other GTA municipalities.

Background - Analysis and Options

The City of Vaughan, like all municipalities, continues to be challenged with limited resources to meet service demands and the long term sustainability of the City. The annual budget process demonstrates the challenge of prioritizing resources, allocating marginal tax dollars and sustaining operations. In response to these challenges, and with a desire to examine opportunities to reduce budget pressures, the City has proactively implemented several elements of an overall plan, guided by the City's Strategic Plan, to manage our future. These elements include strict budget guidelines, the program review of services, multi-year financial planning, operational reviews and performance measurement.

On December 13, 2011, staff provided information and details to the Finance and Administration Committee regarding the City's 204 high level program offerings. The Program Review had the following objectives:

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- Awareness with respect to the broad scope of services provided by the City;
- The relative cost of the services;
- Fees and cost recovery for each program; and
- Why certain programs are offered

The Program Review process filtered the City's 204 high level program offerings through a series of questions designed to provide awareness and a framework for discussion. The key product resulting from the process was the sort of the programs into the following categories:

- Mandatory – imposed by Provincial or Federal Acts
- Standard – typically provided by most urban GTA municipalities and further sorted into:
 - Essential – Vital for the City to function on a basic level
 - Traditional – Needed for the City to function on an urban level
 - Desirable – Typical community requested program
- Premium – Not commonly provided by urban GTA municipalities or available through other servicing agents

Analysis of the programs sorted into these categories indicated that 84% of the City's programs, and 95% of the total program value is allocated to programs that are either mandated or traditionally provided by urban GTA municipalities.

On May 8, 2012, Committee of the Whole (Working Session) further discussed the Program Review.

While there was discussion at both the December 2011 and May 2012 meetings on various programs within the categories, there seemed to be a comfort level that the programs currently offered should be continued.

This position was further supported by the 2012 Ipsos Reid survey, which indicated that residents consider all the surveyed program offerings as important. For example, while arts and culture is ranked the least important of the services surveyed, the majority (74%) still indicate that it is an important program.

Further to the Program Review process and discussion, complemented by the Ipsos Reid survey of residents, it appears that, on balance, the programs currently being offered by the City are valued by the public, and should be continued.

As a result of the further discussion at the May 8, 2012 Working Session Committee, the following recommendation was passed:

"That staff continue to identify savings and bring back a report to a future Committee of the Whole (Working Session) for Committee to consider such savings and to discuss the framework of the programs to be delivered"

The identification of savings is a challenging task, as it will involve a careful review of the costs of providing services, and a determination of the impact of reducing costs on the service level provided and the way in which the services are provided.

Review of Service Levels Provided

Council has a great deal of discretion in determining services offered by the municipality, and, as noted in the program review results, is providing services comparable to neighboring urban GTA municipalities. The level to which that service is provided is not as readily apparent. To some extent, Council is guided by property owner requests, and feedback from surveys gauging importance levels against satisfaction levels.

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The Ipsos Reid survey indicates that residents are relatively satisfied with the service level provided for the majority of the programs that they consider important.

In addition, the impetus behind the creation of the new Innovation and Continuous Improvement Department was recognition of the corporate benefits of having an internal consulting department dedicated to providing services such as project management, change management and business process re-engineering, to assist departments in operational reviews and other efficiency and effectiveness improvement efforts. While it is not expected that the department efforts, supported by Innovation and Continuous Improvement, will result in significant immediate savings, the City will be better positioned to deal with upcoming financial pressures as a result of the improvements.

In order to identify potential opportunities for cost savings, staff recommend that the following programs be assessed through a GTA service level comparison, to ascertain how City of Vaughan service levels compare to the average GTA service level:

- Program 131 - Winter Control/Sanding and Salting – \$6.2m cost
- Program 128 – Winter Control/Road Snow Clearing - \$2.4m cost
- Program 67 – Path/Sidewalk snow clearing - \$2.1m cost
- Program 186 – Animal Services - \$692k cost
- Program 87 – Seniors Programs - \$324k cost

The service level assessments will be facilitated through the Strategic & Corporate Services Commission with support from the relevant operating department and the Finance Commission, with the results reported back to Committee of the Whole (Working Session) in Q1 2013. Further service level assessment comparisons will be recommended in 2013, once vacant staffing positions in the Strategic & Corporate Services Commission have been filled.

Public Consultation

Following the comparable service level assessment of the five programs noted above, staff recommends that feedback from taxpayers regarding potential changes to service levels be obtained.

Staff met with a representative from Pollara to discuss options available to obtain feedback from members of the public regarding services, and what they are prepared to fund. Pollara recommended the use of on-line surveys, which are designed to provide greater context and background information to questions. The questions are based on a “cost tradeoff/optimization model”, causing the respondent to have to make decisions regarding the allocation of limited financial resources, for example, reducing funding to one service in order to maintain another. The on-line survey can be provided to a larger sample size than traditionally used for phone surveys. Focus groups are also an option for community input but are a much smaller sample size and are more expensive to run.

In addition, staff have become aware of several on-line budget tools that allow residents to work through a constrained budget exercise, similar to the reality Members of Council deal with each year. The tool could be accessed on the City's Website and would be open to anyone wishing to use it. Staff have investigated one of these tools, and the cost is between \$5,000 to \$7,500 to run one budget simulation. It is important to note, however, that the tool is more educational in nature and would not produce statistically valid results, as it would not be a random sampling due to its open access on the website.

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Alternatively, utilizing technology in a public meeting to survey attendees' responses to options presented at the public meeting has been used successfully by the City in the past during budget deliberations. Members of the public can be educated and informed on the programs and service levels provided, and engaged in an immediate response to any proposed change through hand held survey devices.

Public/Private Partnerships

One of the questions used in the Program Filter is "Should it (the program) be delivered in partnership with the private or voluntary sector?" The intent of Public/Private Partnerships is to provide a service to taxpayers through an efficient and effective alternative delivery model. As part of the comparable service level assessment, the use by other municipalities of partnership contracts should be examined. In comparing service levels, it would be informative to understand how other municipalities are providing the service, e.g. internally or externally through partnership contracts.

Outsourcing services is a form of partnership that the City has already undertaken to achieve efficiencies. Waste collection, winter road maintenance and street lighting are major services provided through external contracts. Three of the five programs recommended for a service level review are primarily outsourced (Programs 424~~131~~, 128 and 67). Program 186 (Animal Services) is run by the City, but also provides service to 2 other municipal partners. In addition, the City provides a golf course/winter ski facility and a 4 pad indoor ice surface facility through partnership contracts with external operators.

The City of Vaughan's Partnering Policy (Policy 04.1.21) includes the following section on the intent of partnering:

"The intent of partnering is to provide municipal administration, services or infrastructure in ways that encourage creativity and innovation, free up or allow more flexible use of capital and operating resources, and encourage economic development within the municipality as permitted under the Municipal Act.

Partnering should be pursued only if it results in less cost to the taxpayer, while ensuring efficiencies, quality and levels of service acceptable to Council."

As the various operational reviews and service level comparisons take place, opportunities for partnerships that could achieve the above criteria will be considered.

Cost Recovery Through User Fees

Programs provided to the public at large are not generally suited to cost recovery fees, unless there is an ability to measure the use of the service (e.g. water meters) or there is a desire to encourage ratepayers to limit their use of the service (e.g. garbage for landfill). Services provided specifically to individuals or community groups are better suited to cost recovery charges, but to varying degrees, depending on Council's social and community objectives.

The 2012 Ipsos Reid survey indicated that, of the 39% of residents surveyed who supported an increase in taxes or user fees to maintain services, 88% supported the maintenance of service levels through a combination of increased taxes and user fees (47%) or strictly through increased user fees (41%). User fees offset the subsidy level required from property tax revenues, and can be used strategically to cover some or all of the cost of providing a specific program, depending on the Council's objectives.

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Approximately 16% of the City's operating budget is funded by user fees (not including water/wastewater revenues) or \$35.9 million. In order to generate the equivalent of a 1% tax rate savings (\$1.4 million) it would be necessary to increase overall user fees by 3.9%. Approximately 90% of the City's user fees are generated by the following 5 areas:

- Recreation
- Building Standards
- Planning and Committee of Adjustment (COA)
- Enforcement Services
- Licensing

The City currently has policies regarding the level of cost recovery for several of these major user fee categories. The budgeted revenues and expenses, as well as the policy recovery goal is reported annually in the final Operating Budget report which goes to Council for approval.

Based on the 2012 budgeted recovery levels, there may be opportunities to review the user fees for these departments, with the objective of either moving the cost recovery closer to the policy recovery goal, adjusting the policy recovery goal to a more achievable level or increasing the policy recovery goal. In addition, a number of programs were identified in the Program Review as having User Fee potential, either through new or increased user fees. In any case, once achieved, programs should maintain the cost recovery level designated for that program.

Further information regarding user fees and budgeted recovery levels will be provided to Council during the upcoming 2013 budget discussions.

Relationship to Vaughan Vision 2020/Strategic Plan

The report is consistent with the priority initiatives set by Council.

Regional Implications

Not applicable

Conclusion

Staff recommends that the City's level of service provided for five key programs compared to service levels for the same programs provided by other GTA municipalities be reviewed to inform and assist staff and Council in managing and prioritizing limited resources. Achieving efficiencies and/or savings without a full understanding of the impact on service levels could lead to declining satisfaction with services from the community. It is further recommended that, following the service level review, consultation with members of the public take place prior to any changes to service levels to obtain their input and test their willingness to pay taxes or user fees to support service levels that are above average, or services that are provided to individuals or smaller groups that are more suited to cost recovery through user fees.

Attachments

Attachment #1 – List of Programs

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)