



City of Sault Ste Marie Third Party Review

Opportunity Analysis Report

Version 3 (December 12, 2019)



Introduction

KPMG LLP (“KPMG”) is very pleased to provide our report on the potential opportunities for the City of Sault Ste. Marie, forming part of a broader service review. As outlined in the terms of reference for our engagement, the overall goal of the service review is to better understand the relevance, effectiveness and efficiency of programs and services offered by the City (the “City”) and to identify opportunities consistent with the objectives of the Province of Ontario’s Audit and Accountability Fund (the “AAF”).

This document presents the opportunities identified during the course of the service review. The opportunities contained within the report are considered to described at a high level and as such, the potential financial and non-financial benefits were determined on an incremental basis.

From our perspective, we suggest that the potential benefits from these opportunities could be in the form of either financial benefits or capacity benefits:

- **Financial benefits** refer to efficiency gains that provide incremental cost savings to the City through reductions in personnel and other operating costs. The realization of financial benefits would require the City to reduce its workforce in response to identified efficiency gains and/or service level reductions, which could be accomplished through attrition (e.g. retirements or staff departures) in order to avoid severance costs, avoid adverse labour relations impact and align staffing reductions with the transformation period.
- **Capacity benefits** result from workload reductions achieved through efficiency gains, allowing City personnel to focus on other activities. Given that this results in a redirection of staff, as opposed to a reduction in staff, capacity benefits do not result in direct cost savings.

A. Acknowledgement

We would like to take the opportunity to acknowledge the assistance and cooperation provided by staff of the City that participated in the service review. We appreciate that reviews such as this can be difficult for staff and we would be remiss if we did not express our appreciation for the cooperation afforded to us.

Introduction

B. Restrictions

This report is based on information and documentation that was made available to KPMG at the date of this report. We had access to information up to October 21, 2019 in order to arrive at our observations but, should additional documentation or other information become available which impacts upon the observations reached in our report, we will reserve the right, if we consider it necessary, to amend our report accordingly. This report and the observations and recommendations expressed herein are valid only in the context of the whole report. Selected observations and recommendations should not be examined outside of the context of the report in its entirety.

Our observations and full report are confidential and are intended for the use of the City. Our review was limited to, and our recommendations are based on, the procedures conducted. The scope of our engagement was, by design, limited and therefore the observations and recommendations should be in the context of the procedures performed. In this capacity, we are not acting as external auditors and, accordingly, our work does not constitute an audit, examination, attestation, or specified procedures engagement in the nature of that conducted by external auditors on financial statements or other information and does not result in the expression of an opinion.

Pursuant to the terms of our engagement, it is understood and agreed that all decisions in connection with the implementation of advice and opportunities as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the City of Sault Ste. Marie. Accordingly, KPMG will assume no responsibility for any losses or expenses incurred by any party as a result of the reliance on our report.

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 City of Sault Ste. Marie nor are we an insider or associate of the City of Sault Ste. Marie or its management team. Our fees for this engagement are not contingent upon our findings or any other event. While KPMG does provide auditing and other professional services to the City of Sault Ste. Marie, the service review was conducted by KPMG partners and employees that are not involved in the provision of these services. Accordingly, we believe we are independent of the City of Sault Ste. Marie and are acting objectively.

C. Confidentiality

KPMG requests that the confidentiality of this report be maintained in the event of a request under the Municipal Freedom of Information and Protection of Privacy Act to the extent permitted by the available exemptions.



City of Sault Ste Marie Third Party Review

High Level Opportunity Analysis



High Level Opportunity Analysis

Nature of the Opportunity	Opportunity	Rationale	Anticipated Benefit
Alternate Service Delivery	Investigate the potential of the expanded use of third party service providers	<p>Municipalities provide an extensive and diverse range of services to their respective residents and to potentially maximize effective and efficient service delivery, municipalities deliver those services through one of three ways: with internal resources, the use of third party service providers (contracted services) and/or a combined approach where the municipality and a third party service provider share in service delivery.</p> <p>Based upon those service profiles, it would appear that the City relies on its own resources for service delivery in particular in areas where a combined service delivery approach is more commonly used.</p> <p>The following areas are potential candidates but not exclusive to:</p> <ul style="list-style-type: none"> • Public Works Operations –winter control and summer maintenance activities; • Building maintenance • Print shop services • Carpentry services • Municipal greenhouses • Outdoor rinks • Parabus operations • Snow removal for transit operations 	<p>Potential cost savings in excess of \$1,000,000 annually</p>

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Operating Efficiency	Realign responsibilities currently within Corporate Communications to other City departments.	<p>Currently, the City’s Corporate Communications function is responsible for employee recognition and the oversight of the City’s Information Manual (a collection of City policies).</p> <p>The City may wish to consider the following:</p> <ul style="list-style-type: none"> • Shift the responsibility of City’s employee recognition program from Corporate Communications to Human Resources – Municipal employee matter typically are the responsibility of a municipality’s human resources function. • Shift the oversight and maintenance of the Information Manual to the Clerks function within Corporate Services given the nature of the document 	Enhanced decision-making and service delivery
Operating Efficiency	Conduct a citizen’s satisfaction survey to assess City’s performance with respect to services and service delivery	Based on information shared during the review, the City has not conducted such a survey in recent years. The survey may assist the City in future decision making with respect to the level of service provided as well as assess the current basket of services delivered by the City and potentially identify gaps.	Enhanced decision-making and service delivery
Operating Efficiency	Ensure all communication functions are centralized to ensure all City departments are compliant with new visual branding as well as coordinating all internal communications from the department	Centralizing communications to ensure consistent messaging is delivered across the organization and brand compliance is considered to be a best/common practice and represents an operating efficiency within the corporation.	Enhanced decision-making and service delivery

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Operating Efficiency	Explore the potential for a continuous improvement pilot project	<p>While the City currently has a relatively small budget for quality improvement, the current use of that budget appears to be focused on corporate training opposed to continuous improvement initiatives (e.g. Lean Six Sigma expertise).</p> <p>Establishing continuous improvement allows the City to have access to resources who are then tasked with identifying areas of interest and assisting staff in acting upon the results with the intended goal of increasing the effectiveness and efficiency in service delivery.</p>	Potential capacity gains and/or cost savings of \$100,000 to \$500,000
Operating Efficiency	Identify an approach in measuring the implementation of the City's strategic plan	<p>At the time of the review, there did not appear to be a process in place which measured the progress of implementation in relation to the City's strategic plan.</p> <p>The establishment of such a process provides Council, City management and staff and the community with the ability to monitor progress and establish annual goals based on progress made.</p>	Enhanced decision-making and service delivery
Operating Efficiency	Ensure the integration of legal services with respect to corporate wide decision making processes	Based on information shared during the consultations, the legal department is not consistently brought into the decision making processes of other departments which may expose the corporation to risk. The City may want to establish a process by which the legal department has an opportunity to provide comments prior to a decision	Enhanced decision-making and service delivery

High Level Opportunity Analysis

Nature of the Opportunity	Opportunity	Rationale	Anticipated Benefit
Operating Efficiency	Investigate the number of committees and sub-committees of Council and the associated impact on effective decision making and use of resources.	To ensure that the City is maximizing the use of both Council and staff resources, the City may wish to review the mandate of each committee and subcommittee. The purpose of the review would be to determine whether or not their original intent is still being achieved and how it assists in effective decision making.	Enhanced decision-making and service delivery
Operating Efficiency	Explore the potential of redeveloping the City's approach to procurement	To ensure that the City's procurement policy and associated permitting spend approvals are appropriate given the size of the municipality and provides the opportunity for more effective and efficient decision making	Enhanced decision-making and service delivery
Operating Efficiency	Review the City's delegation of authority bylaw	To ensure that the City's level of delegation of authority is appropriate given the size of the municipality and provides the opportunity for more effective and efficient decision making	Enhanced decision-making and service delivery
Operating Efficiency	Undertake vendor rationalization	To ensure that the City's approach to vendors is appropriate and provides the opportunity for more effective and efficient decision making	Enhanced decision-making and service delivery
Operating Efficiency	Establish data analytics within the Finance department to optimize financial processes	Information shared during the review identified a number of low value activities which could be potentially be eliminated (low value journal entries and disbursements)	Enhanced decision-making and service delivery
Service Level Adjustment	Explore the potential of reducing the level of snow removal services provided during the winter months	Based on information shared during the review, the City appears to provide a high level of service with respect to snow removal and as such, there exists the potential of reducing the level of service potentially in line with the municipal comparator group.	Potential cost savings in excess of \$1,000,000 annually

High Level Opportunity Analysis

Nature of the Opportunity	Opportunity	Rationale	Anticipated Benefit
Operating Efficiency	Investigate the potential for energy efficiency projects	The pursuit and potential implementation of energy efficiency projects are considered to be best/common practice and have the potential of reducing the City's energy consumption and incorporate more environmentally friendly practices.	Potential cost savings of up to \$100,000 annually
Operating Efficiency	Explore the potential of how municipal equipment is acquired on an annual basis (lease vs. buy options)	Investigating the potential of leasing versus buying equipment may provide the City with greater flexibility in its approach in financing both their operational and capital expenditures.	Potential cost savings of \$100,000 to \$500,000 annually
Operating Efficiency	Expand the use of Automatic Vehicle Locators (AVLs) on all municipal equipment and fleet.	A recognized best practice for municipal operations is the use of GPS technology that allows municipalities to maintain an electronic record of vehicle location and status. The intention of this technology is to provide a complete and readily accessible record of the City's operations.	Enhanced decision-making and service delivery
Operating Efficiency	Incorporate customer service practices for municipal cemetery operations	The current state of operations for municipal cemetery services may not be consistent with common customer service practices. Currently, there are office closures and limitations to a customer's ability to pay for services including methods of payment and location for payment. The City may want to address these operational matters to potentially enhance the customer's experience.	Enhanced decision-making and service delivery
Service Level Adjustment	Explore the potential of reducing current cemetery maintenance service levels	Currently, the municipal cemetery grounds are cut on a two week schedule and there may exist the ability to reduce maintenance	Potential cost savings of up to \$100,000 annually

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Nature of the Opportunity	Opportunity	Rationale	Anticipated Benefit
Service Level Adjustment	Discontinue the provision of crematorium services	The City currently provides crematorium services. Recently, another crematorium has begun operation and as a result, the level of activity at the municipal site has declined. The City may want to consider no longer offering the service in lieu of competition	Potential cost savings of \$100,000 to \$500,000 annually
Operating Efficiency	Shift toward the full implementation of cemetery software	At the time of the review, the City had yet to fully implement software for its cemetery services; based on information shared, the software is commonly used in the municipal sector but the City has yet to “go live” with the software package	Enhanced decision-making and service delivery
Operating Efficiency	Explore the potential of creating one maintenance unit tasked with all outdoor municipal maintenance	As an operating efficiency and to potentially enhance operational flexibility, the City may want to consider pooling all outdoor maintenance (parks and cemeteries) into one functional unit opposed to its current structure	Enhanced decision-making and service delivery
Service Level Adjustment	Reduce the level of maintenance service provided to municipal sportsfields	Currently, municipal sportsfields are maintained twice a week; The City may wish to explore reducing the level of maintenance to provide grass cutting less frequently for all sportsfields	Potential cost savings of up to \$100,000 annually
Operating Efficiency	Consolidate various activities within the Engineering and Design department	Based on information shared in the development of service profiles, there are three activities that currently are delivered by various departments but to support more effective and efficient service delivery may be candidates to centralized within the Engineering department: <ul style="list-style-type: none"> • All design functions • Asset management • Responsibility for municipal signage including operational functionality of traffic signals • Source water protection 	Enhanced decision-making and service delivery

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Nature of the Opportunity	Opportunity	Rationale	Anticipated Benefit
Operating Efficiency	Shift the responsibility of accessibility from Planning to Clerks	As an operating efficiency and common practice, the City may wish to shift accessibility into the scope of the City Clerk given nature of its service delivery	Enhanced decision-making and service delivery
Operating Efficiency	Explore the potential of creating one maintenance unit tasked with all fleet maintenance	As an operating efficiency and to potentially enhance operational flexibility, the City may want to consider pooling all fleet maintenance into one functional unit opposed to its current structure	Potential cost savings of \$100,000 to \$500,000 annually
Operating Efficiency	Investigate the potential benefits of centralizing fuel procurement	Exploring the potential of going to market for fuel as one larger customer may provide greater economies of scale and potentially lower costs	Potential cost savings of up to \$100,000 annually
Service Level Adjustment	Discontinue the practice of providing two hours of free parking in municipal lots	The City currently provides two hours of free parking at all of their municipal lots; the City may wish to follow a common practice where no free parking is provided and install pay and display units	Potential cost savings of up to \$100,000 annually
Operating Efficiency	Establish a municipal succession plan	Considered to be a municipal common practice, the City may wish to commence the development of a succession plan with the intended outcome of developing staff for the future	Enhanced decision-making and service delivery
Operating Efficiency	Investigate the use of analytics to potentially enhance the organization's ability to identify, monitor and address trends that may impact on service delivery	The use of analytics will potentially assist the City in ensuring potential issues are addressed before any significant impacts occur with respect to service delivery.	Enhanced decision-making and service delivery

High Level Opportunity Analysis

Opportunities in Progress

Opportunities were identified by KPMG that over the course of the review were initiated by City staff. For the purposes of the City, the opportunities are noted below:

Nature of the Opportunity	Opportunity
Service Level Adjustment	Discontinue the collection of non-residential and multi-family (5 units or more) waste
Revenue Generation	Investigate the potential of increasing user fees associated with the following services. All user fees are reviewed on a five year cycle to determine the suitability of all user fees. The following services were identified as potential areas of focus: <ul style="list-style-type: none"> • Legal services • Planning and development services • Solid waste management • Engineering and design • Transit
Service Level Adjustment	Rationalize the number of playgrounds consistent with the City's Master Plan



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