



City of Niagara Falls Organization Review

Final Report

December 18, 2019



Disclaimer

This report is subject to the terms and conditions in our engagement letter dated October 1, 2019. This report is intended solely to assist the City of Niagara Falls (“the City”) with a review of municipal operations. The comments and observations in our report are not intended, nor should they be interpreted, to be legal advice or legal opinion. This report is based on information and documentation that was made available to KPMG up to the date of this report. KPMG has not audited nor otherwise attempted to independently verify the information provided unless otherwise indicated.

We had access to information up to November 30, 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 report are confidential only and only intended for use by 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 considered in the context of the procedures performed. In this capacity, we are not acting as external auditors nor value for money auditors and, accordingly, our work does not constitute an audit, examination, value for money, 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 recommendations as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the City of Niagara Falls. KPMG has not and will not perform management functions or make management decisions for the City.

KPMG has no present or contemplated interest in the City of Niagara Falls, nor are we an insider or associate of the City. Accordingly, we believe we are independent of the City of Niagara Falls and are acting objectively.

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Introduction and Context

Introduction

In May 2019, the Provincial government established the Audit and Accountability Fund for large urban municipalities and district school boards in order to find efficiencies, save taxpayer dollars and focus spending on community programs and services. The purpose of this report is to present our observations and Opportunities for the City of Niagara Falls (“City” or “Niagara Falls”), stemming from our independent review.

This report contains key observations and Opportunities to better align the City to its goal of becoming a *Smart City*, as well as achieving operational efficiencies. The Opportunities are based upon research, stakeholder consultation, organization design exercises and a comparison of the City to other municipalities. KPMG anticipates that this report will provide the necessary foundation for modernizing service delivery and processes e.g. how staff, equipment and materials are tracked; further integrating operational teams that fall under Engineering, Building and Facility Maintenance, Parking and By-Law Enforcement, Roads and Parks Maintenance, Procurement, Environmental Services, and Recreation and Cultural Services; and achieving operational efficiencies in all other City departments, with administrative staff, mobile workforce and large operational teams.

Setting the Stage

The City of Niagara Falls is a hub for manufacturing, tourism and entertainment activity. The main manufacturing activities includes processed food, abrasives, chemicals, automotive parts, metal & paper goods, and wines & alcoholic beverages. The City also hosts two casinos as part of its tourism infrastructure.

The City is governed by a Mayor and eight Council members. The City strives to provide its citizens a high level of services through its fourteen departments. As with all municipalities, the City seeks to balance stakeholder expectations and the financial constraints of citizens in the delivery of municipal services. Council's goal is to manage the tax levy so there is minimal impact on residents and local businesses. With increasing growth in the community and the financial constraints imposed on public sector entities, the City is endeavouring to find efficiencies in its current operating model in order to sustain the delivery of municipal services and ensure its long-term financial sustainability.

The City has release a refreshed Strategic Plan in early 2020 with aggressive goals to transform the municipality into a *Smart City*. This review is intended to provide Opportunities to support the City's strategic objectives and priorities.

Project Objectives and Project Scope

Project Objectives

KPMG was engaged by the City to undertake an organizational review. The overall goal of the project was to conduct an operational review of nine departments within the City and to identify ways to leverage technology to become a *Smart City*. The project focused on the following nine specific departments: Business Development, Clerks, Human Resources, Finance, Legal, Municipal Works, Planning & Building, Recreation & Culture, and Transportation.

The project reviewed the City's core business areas, including service delivery structure and capacity, staffing levels and reporting relationships. Specific project objectives were to identify opportunities for:

- Modernizing the service delivery and processes e.g. how staff, equipment and materials are tracked;
- Further integrating operational teams that fall under Engineering, Building and Facility Maintenance, Parking and By-Law Enforcement, Roads and Parks Maintenance, Procurement, Environmental Services, and Recreation and Cultural Services; and
- Achieving operational efficiencies in all other City departments, with administrative staff, mobile workforce and large operational teams.

Project Scope

This engagement commenced on September 27 and is scheduled to end on December 20, 2019. The diagram below depicts the key phases as outlined in the Project Charter.



1. Meet with Project Team to clarify expectations, refine lines of inquiry, and develop a subsequent work program for the engagement.

2. Collect relevant information on current organizational structure, conduct stakeholder engagement exercises, survey comparator Municipalities and inventory functional improvements.

3. Analysis of current state effectiveness and development of Opportunities and implementation plan.

4. Development of department structural options and develop structure Opportunities.

5. Develop an implementation plan, and present a final report with all Opportunities and the implementation plan.

Our Approach

Overview of the Approach that was Used

Part A: Approach to Conducting an Assessment Related to the City's Smart City Journey

At the beginning of the engagement, the City of Niagara Falls' Project Team selected the following four comparator municipalities for a Smart City assessment:

- City of Guelph
- City of St. Catharines
- Town of Oakville
- City of Kitchener

When gathering examples of leading practices, innovation and other initiatives from the four comparator municipalities listed above, KPMG used publicly available information from each municipality's website. Since the municipalities included in this peer group analysis vary in terms of their relative size, the number of households in each municipality were used. The household information was generated using the 2017 Financial Information Returns (FIRs). Larger municipalities with more households will likely have larger budgets available to them for investments in technology and Smart City infrastructure.

In an October 25th workshop that was attended by all department leaders, KPMG asked the team to prepare a list of the current and ongoing initiatives for their respective departments. All departments submitted their complete inventory of initiatives, which were compared to the examples of leading practices from the four comparator municipalities websites to provide insights to support Niagara Falls' Smart City objectives.

Part B: Approach to Assessing the City's Effectiveness & Efficiency

KPMG conducted one-on-one interviews with each of the department leaders in October to discuss their current state operating model including the structure, processes, technology, data, governance and management processes. During these discussions, 173 challenges and opportunities were identified which were categorized into the six organizational factors that are presented on page eight. A breakdown of these items by factor is presented on page nine. The interview data was assessed and 26 main themes were identified that were common across multiple departments.

During the workshops in October and November, the department leaders discussed the 26 main themes and agreed upon a set of Opportunities to address each of the prioritized opportunity areas. See page ten for the relative effort and impact of each prioritized opportunity.

Part A: Assessment Related to the Smart City Journey

Purpose: The purpose of this assessment was to provide Niagara Falls with insights into leading practices, innovation and continuous improvement initiatives that other municipalities have adopted in their journey to become a Smart City. It was also intended to stimulate ideas that would help the Senior Leadership Team at Niagara Falls to identify opportunities to accelerate the journey to becoming a *Smart City*.

Key Observations: The review of the four comparator municipalities identified several leading practices or innovation examples for almost every department in the assessment.

City of Guelph	City of St. Catharines Transportation & Environmental Services
<ul style="list-style-type: none"> • The website provides open communication to the public for items such as: environmental related updates, water and energy rebates available to the community, water related updates, etc. • The City provides water related service updates to the community including water quality results reports, water quality policies, current water rates, water supply master plan as well as detailed instructions on what to do if residents have frozen water pipes. • Storm water management information is provided to the public including: capabilities to report a spill online, information on draining pools and hot tubs, storm water fees, credits and rebates and the Storm water management master plan for the City. • The City offers an up-to-date construction map for residents to identify the locations of the City currently under construction. • The website offers the capability to report a problem on roads, sidewalks or trails online. 	<ul style="list-style-type: none"> • The City allows users to use the online water/wastewater consumption calculator tool to obtain an estimate of their bill. • The City is rolling out a new automatic water meter reader across the City that transmits the water usage information directly to the City's billing system. This is done through Smart Meters and an Automatic Meter Reading Program. • The City offers a free app for users to receive alerts from the City.

The review of the City of Niagara Falls' inventory of current and ongoing initiatives revealed that the City is making good progress. In some instances, there is a lack of resources to support the implementation of approved software – which is a barrier that needs to be addressed. Further, additional opportunities to accelerate the progress towards becoming a *Smart City* have been identified in the assessment of the comparator Municipalities.

Part B: Observations Related to the City's Efficiency & Effectiveness

In October, KPMG conducted one-on-one interviews with each of the department leaders. As a follow-up, KPMG analyzed the results of the interview data, identified challenges and opportunities for each department and categorized them into the following six organizational factors. The illustration below provides a description of each of the six factors.

Organizational Factor	Description
Strategy	<ul style="list-style-type: none"> • Understanding of Strategy, Vision and Mission • Agreement on Priorities • Clarity in Performance Measures
Service Delivery Model / Business Processes	<ul style="list-style-type: none"> • Scope of Services (Processes) • Location of Service Delivery (In-house vs External)
Structure	<ul style="list-style-type: none"> • Spans of Control • Accountabilities • Scalability and Flexibility
Talent	<ul style="list-style-type: none"> • Capabilities • Capacity • Talent Management • Staffing Strategies
Technology, Data & Innovation	<ul style="list-style-type: none"> • Systems • Tools • Applications
Management Process	<ul style="list-style-type: none"> • Decision Rights and Delegation of Authority • Cross Departmental Communications • Interdependencies and Handoffs

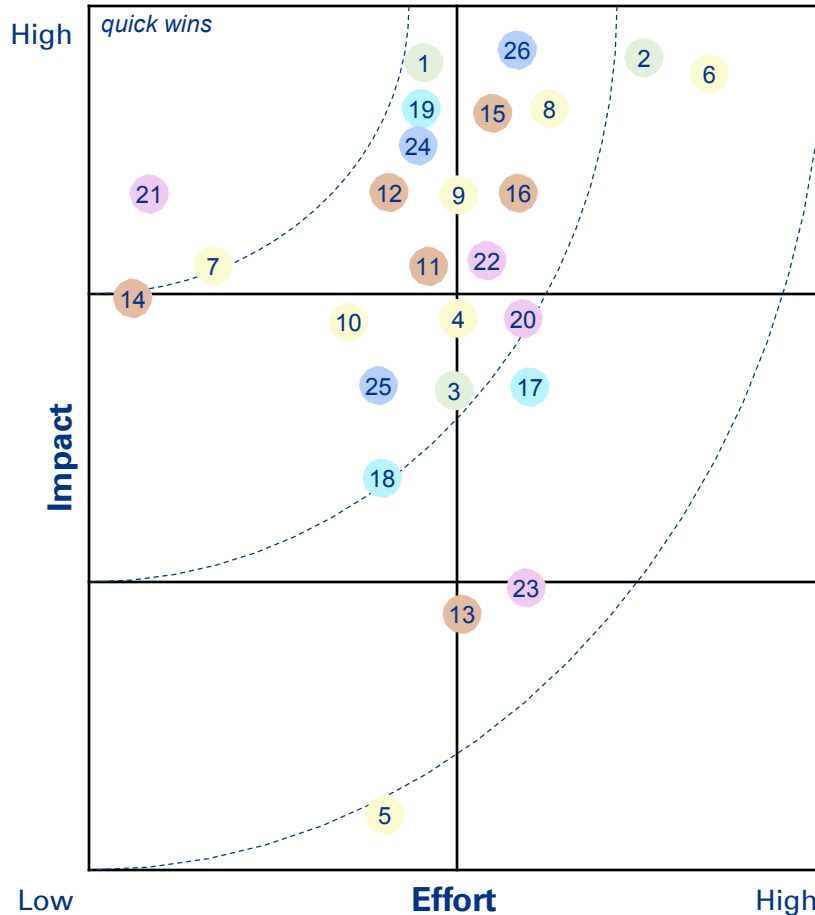
Number of Identified Challenges & Opportunities

The interview process yielded 165 challenges and opportunities – providing a solid foundation for identifying operational efficiencies and cost savings. As a next step, the data was assessed and 26 themes that were common across multiple departments were extracted, which appear on the following slide:

Department Factor	Strategy	Service Delivery Model/ Processes	Structure	Talent	Technology & Data	Management Processes	TOTAL
Municipal Works	3	6	6	3	6	3	27
Human Resources	3	8	0	1	2	1	15
Planning & Building	1	7	4	2	3	3	20
Recreation & Culture	5	10	1	4	3	2	25
Transportation	1	6	3	1	2	1	14
Legal	0	2	5	2	1	4	14
Finance	2	10	3	5	7	1	28
Clerks	1	2	4	2	1	1	11
Business Development	2	3	1	1	3	1	11
TOTAL	18	54	27	21	28	17	165

Prioritization of Opportunity Areas

During the group workshops, opportunities were discussed and validated for the 26 identified opportunity areas on the right – and the **impact vs effort** associated with implementing the opportunities were prioritized.



Opportunity Areas

- 1 Complete Master Plans
- 2 Update and implement the Asset Management Plan
- 3 Review current funding / fee models
- 4 Explore outsourcing services to increase cost-effectiveness or flexibility
- 5 Explore insourcing some services where greater quality control is required
- 6 Identify alternate service delivery solutions for work that is outside the City's mandate
- 7 Redirect services to another area that are a better fit within their mandate
- 8 Formalize ad hoc partnering with other public sector entities
- 9 Address policy gaps
- 10 Update outdated work processes e.g. document management, capital planning
- 11 Address span of control issues e.g. too many direct reports
- 12 Increase the horizontal integration of departments
- 13 Redesign roles to enhance flexibility or allow backfilling
- 14 Eliminate duplicate work between departments
- 15 Address capability gaps that require new positions to be created e.g. legal support
- 16 Address insufficient capacity e.g. not enough full-time equivalents (FTEs) to support the City's growth
- 17 Recruit skilled talent
- 18 Increase training to address skill or knowledge gaps
- 19 Improve succession planning across departments
- 20 Expand portal technology capabilities
- 21 Implement additional payment options e.g. credit card payments
- 22 Automate key business processes
- 23 Address system issues that affect overall productivity
- 24 Improve cross-department communication e.g. ad-hoc inter-departmental teaming approach to major project delivery
- 25 Increase consistency of tracking inter-departmental costs
- 26 Strengthen service level standards to drive performance

Summary of Opportunities

Key Opportunities

Based on the findings and observations of this organization review, KPMG believes that there are three key opportunity areas where the most significant cost savings and efficiencies can be realized:

Opportunity Area	Current State Assessment	Recommendation
1. Partnering	The City partners with outside government agencies consisting of municipalities, school boards, colleges and universities through the Niagara Public Purchasing Committee which does a large volume of group purchasing on products such as fuel, sand, salt asphalt, granular and concrete to name a few.	The City should formalize a partnering relationship with other key municipalities and expand the scope to include additional purchases, shared talent or resources and broader vendor of record agreements to optimize the cost savings
2. Structure:		
a) Outsourcing	The City successfully leverages outsourcing to lower its cost to service for peak or occasional activities	The City should consider outsourcing activities where there is a business case to achieve additional cost savings
b) Staffing	When vacancies have occurred, the City has occasionally reconfirmed the need for the position and adjusted the headcount to address gaps	The City should more systematically leverage the expected increase in employee attrition (due to upcoming potential retirements) to reclassify redundant positions in order to address gaps related to growth demands
c) Integration	There are currently 12 direct reports to the CAO	The City should consolidate the number of Senior Management positions directly reporting to the CAO through attrition
3. Service Delivery Model	There are several services that are delivered by the City that appear to be discretionary and outside the mandate of the City	Identify any services that can be performed by a partner or other public sector entity, thereby increasing the capacity of the City to address the increased demands related to growth

The review also identified opportunities for the City to review its fees and charges to ensure that it is recovering the required amount from service users. By reviewing its user fee model, the City could increase its revenue while ensuring that the general taxpayer is not unfairly subsidizing services.



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