Agenda – Executive Policy Committee – January 17, 2007

REPORTS

Item No. 3 311 Customer Service Model
File GG-5

ADMINISTRATIVE RECOMMENDATION:

1. That the report by the consulting firm AtFocus Incorporated entitled, "City of Winnipeg Final Report 311 Project: 311 Business Plan" be received as information.

2. That the Administration be directed to prepare business cases for two consolidated service delivery options of 311 service, a City of Winnipeg internally operated service and one which is outsourced to the private sector.

3. That Council authorize expenditures in the amount of $250,000.00 for the 311 project, including external expertise, prior to the adoption of the 2007 Capital Budget as a first call against the 2007 Capital Budget.

4. That the Proper Officers be authorized to do all things necessary to implement the intent of the foregoing.

DECISION MAKING HISTORY:

COUNCIL DECISION:

On November 23, 2005, Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That a 311 Model of Customer Service be adopted for the City of Winnipeg.

2. That a detailed business plan be prepared, with the assistance of an external consultant, to address the implementation of the 311 Model of Customer Service with options regarding the scope of the initiative and associated costs and benefits.

3. That the Administration report back on the results of the business plan by June 2006 with recommendations for moving forward.

4. That the Proper Officers be authorized to do all things necessary to implement the intent of the foregoing.

RE: 311 Customer Service Model

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: Chief Administrative Officer

REPORT DATE: January 5, 2007

RECOMMENDATION:

1. That the report by the consulting firm AtFocus Incorporated entitled, "City of Winnipeg Final Report 311 Project: 311 Business Plan" be received as information.

2. That the Administration be directed to prepare business cases for two consolidated service delivery options of 311 service, a City of Winnipeg internally operated service and one which is outsourced to the private sector.

3. That Council authorize expenditures in the amount of $250,000.00 for the 311 project, including external expertise, prior to the adoption of the 2007 capital budget as a first call against the 2007 capital budget.

4. That the Proper Officers be authorized to do all things necessary to implement the intent of the foregoing.

Report Summary

Key Issues:

- On November 23, 2005, Council concurred in the recommendation of the Executive Policy Committee that a 311 model of customer service be adopted for the City of Winnipeg and that a detailed business plan be prepared, with the assistance of an external consultant, to address the implementation of the 311 model of customer service.

- In February 2006, the City contracted the services of an external consultant (AtFocus Incorporated) to assist in the development of a business plan for the 311 model of customer service.

- Following research and analysis the consultant, supported by the Administration, reviewed six models of 311 to determine which best served the City's needs.

- The consultant, supported by the Administration, recommends that a consolidated model of 311 customer service is the most suitable for the City.
- The proposed model would consolidate all existing non-emergency civic customer contact points into a single site that would operate 24 hours a day, seven days a week, 365 days a year to handle all phone, email, fax and web related contacts for any City service.

- The consolidated model is recommended because it offers tangible benefits to the City (a streamlined, effective and transparent service with detailed service reporting potential) and service benefits for citizens (single point of entry, ease of access, improved access to information, and a more responsive service).

- 311 has been embraced by municipalities as a means of improving customer service. While it offers the potential for efficiency gains, it is not generally viewed as a cost saving initiative but rather an enhanced customer service strategy.

- To evaluate the outsourcing service delivery option within the scope of the Alternative Service Delivery (ASD) process, it is necessary for the Administration to investigate the opportunities within the private sector market.

- The preparation and evaluation of Request for Qualifications (RFQ) and Request for Proposals (RFP) to evaluate outsourcing services is complex and will require assistance from external experts to garner maximum advantage for the City.

- Same service level standards will be required for each of the two service delivery options thereby allowing a comparison of the respective business cases.

- The financial categories of the business cases will be comparable and there will be an internal process of normalizing the internal and external business cases.

- As a part of the business case preparation process the Administration will have discussions with the potentially affected civic unions on related issues and opportunities.

Implications of the Recommendation(s):

General Implications

( ) None

(**X**) For the organization overall and/or for other departments

(**X**) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s): The proposed consolidated model, if approved, will significantly change and enhance the process by which the City interacts with citizens.

Policy Implications

( ) No

(**X**) Yes

Comment(s): The adoption of the consolidated model for 311 centralizes non-emergency call center services that are currently handled by departments.

Regulatory Implications

( ) None

(**X**) Eliminates or reduces regulatory impact

() Proposes regulatory impact

Comment(s): The consolidated model follows through with:

- Recommendation #24 of the Mayor's Red Tape Commission to build a better "front door" to City services by setting standard response times to acknowledge citizen inquires, standardized voice mail greetings and email signatures, etc.
- Recommendation #25 of the Mayor's Red Tape Commission to enhance customer service by identifying an appropriate "311 based solution."

Environmental Implications

(**X**) No

( ) Yes

Comment(s):

Human Resources Implications

( ) No

(**X**) Yes

Comment(s): The 311 consolidated model introduces new technologies and operational enhancements that will ultimately impact front line call center staffing needs and resources.

Financial Implications

( ) Within approved current and/or capital budget

(**X**) Current and/or capital budget adjustment required

Comment(s): Depending on the option selected by Council, adjustments may be required to the operating and capital budgets in 2007 onwards. The recommendation to this report requests a first call against capital in 2007, of $250,000.00 for the 311 project, including external expertise.

Report

REASON FOR THE REPORT:

At its meeting of November 23, 2005, Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That a 311 model of customer service be adopted for the City of Winnipeg.
2. That a detailed business plan be prepared, with the assistance of an external consultant, to address the implementation of the 311 model of customer service with options regarding the scope of the initiative and associated costs and benefits.
3. That the Administration report back on the results of the business plan by June 2006 with recommendations for moving forward.
4. That the Proper Officers be authorized to do all things necessary to implement the intent of the foregoing.

HISTORY:

In the June 2002, Review of the Winnipeg Police Service Communications Centre, the City Auditor recommended that the "City undertake a strategic planning initiative, under the direction of the Chief Administrative Officer, to develop a vision for the future provision of emergency and non-emergency communication services."

As a result of these early recommendations, the City of Winnipeg began investigating the possibility of undertaking a 311 initiative as a way to improve access to City information and services through a centralized 311 number.

In October 2002 and May 2004, delegates from the City of Winnipeg conducted site visits to United States cities with 311 operations, namely Baltimore, Chicago, Dallas and Houston. They continued to research 311 technology and case studies.

In November 2004, the Mayor established the Red Tape Commission to review City operations and regulations in order to improve customer service and minimize red tape for citizens, businesses, and government.

The Red Tape Commission completed its final report in June 2005, and in July 2005 it was presented to the Executive Policy Committee of Council. Building on the research that had been done by the Administration, the Red Tape Commission included a recommendation to identify an appropriate 311 based solution. Recommendation 25 proposed that the Administration "Report to Council on the merits of a full transition to a

311-based customer service model, with the goal of obtaining a final Council decision on the City's 311 service objectives as soon as possible."

An Administrative report was prepared and at its meeting in November 2005, City Council concurred with the report and adopted the recommendations as detailed in the aforementioned section of this report. A consultant was retained in February of 2006 to commence the work.

DISCUSSION:

The Current State

The consulting firm AtFocus Incorporated was retained by the City to provide a business plan to address the implementation of the 311 model of customer service with options regarding the scope of the initiative and associated costs and benefits. The consultant analyzed the state of the City's existing customer contact point environment and their report details the following as it relates to the current call taking environment at the City of Winnipeg.

The City currently receives approximately 2.4 million non-emergency customer contacts per year on a range of issues related to services (road maintenance or transit schedules), transactions (property tax billing or registration fees), and general information (Council policy or other political matters). These customer contacts, (by phone, fax, e-mail or otherwise web related) are received by no less than 22 different contact points across the City. Each customer contact point typically has specialized information regarding certain services and/or transactions. In addition, all of the customer contact points operate with different technologies, protocols, and recordkeeping.

AtFocus utilized a four-pronged approach in their evaluation of our current customer contact environment.

1. A review of random telephone calls. Calls were reviewed and compared to leading practices using a five point proficiency scale from unacceptable to outstanding. Customer and knowledge skills were assessed.

2. A review of each customer contact point relative to leading practices in four key areas: (i) citizen focus, (ii) service focus, (iii) operational focus and (iv) strategic focus. Customer contact points were categorized into five levels of proficiency ranging from limited to enhanced.

3. An analysis of the City's cost per call minute, (CPCM). CPCM is the primary metric used to benchmark call centre environments. Calculating by call minute, as opposed to per call, neutralizes the type of call received and creates a

common denominator for comparison. The City's current CPCM ranges between $1.13 and $1.31 (depending on salary range) and this was used to compare against leading practices.

4. An evaluation of existing and projected future staffing level requirements with a staffing model used in the call centre industry.

Each prong was supported by an assessment tool and each prong was evaluated independently to verify the results. With each assessment prong, AtFocus identified opportunities for improvement including:

- The City's current call taking practices, policies and systems generally operate at a mid to low level when measured against industry standards and best practices;
- There are no standard protocols for customer service delivery including service quality measurement, complaint management, or training;
- The City's CPCM appears to be two to three times that of the private sector industry standard;
- Staffing efficiencies could be realized by consolidating customer contact services.

311: A Change Initiative

The result of AtFocus's analysis of the City's existing customer contact environment is that appreciable service enhancements and the potential for financial savings could be achieved were the City to establish "a more aligned and synergistic consolidated call centre environment."

While 311 in its most simplistic definition is just a phone number, it has been used as the catalyst to transform municipal governments into citizen-centred organizations across North America and has demonstrated an increase in local governments' capacity to respond to emergencies and critical events. Many cities in both Canada and the United States have already realized the benefits associated with establishing 311 which, according to the AtFocus report, includes:

- A single, easy to remember entrance point for citizens into City services;
- The creation of credible, valuable, and timely decision-making data;
- Encourages citizen participation in the overall management and maintenance of the City;
- Protects the emergency nature of 911;
- Maximizes the inherent economies of scale of a consolidated call center and achieves operational savings.

In order to achieve these benefits, however, a city must be completely committed to fully implementing one of the most important and complex change initiatives in recent memory.

A Range of Models to Deliver 311

Having assessed the current state of the City's existing customer contact point environment in the context of best practices, industry standards, and local circumstances, AtFocus evaluated which model of 311 service delivery would best suit the City of Winnipeg.

In total six models were reviewed:

1. **Status Quo:** Retains the current approach to citizen service and assumes no major improvements to citizen service and no requirement for the use of 311.
2. **Take and Transfer Model:** Citizens would call the 311 centre and in turn, be connected with the appropriate call centre, staff member, or civic facility.
3. **Pod Model:** A semi-consolidation of the existing customer contact points into three or four independent pods, each with expertise in specific areas.
4. **Consolidated Model:** A consolidation of all customer contact points into one physical site that would handle all enquiries or requests for any City service.
5. **Virtual Model:** A virtual consolidation of 311 service but staff would be located in multiple locations across the City.
6. **Independent Model:** (Agency, Public/Private Partnership, Outsourced): Under any of these options the service is closely aligned with the private sector service model of service delivery either because the service is delivered by the private sector (outsourced or 3P) or because it operates in a business like setting (SOA).

For the purposes of this Administrative report, the Independent Model is not considered a stand alone model for a 311 centre because an internal, public/private partnership or outsourced approach could potentially apply to any of the other five models.

Upon review of each model, the consolidated model of 311 customer service was determined to be the most appropriate and is the model that the Administration is recommending Council approve. While consolidation is the model recommended for the *structure* of the 311 centre, what remains to be determined is how this model will be delivered. The following summarizes the rationale behind this recommendation.

Why the Consolidated Model?

The consolidated model fully delivers on the twin objectives of 311: enhanced service delivery and the opportunity for financial savings. The City has no less than 22 customer contact points within its structure. The investment required to individually

bring these centres up to leading practice levels (with technology, telephony, customer service training, monitoring, etc) would be substantial.

In a consolidated centre, the economies of scale enable these improvements. A consolidated centre would also give the City the ability to operate in a managed call centre environment addressing the peaks and valleys of call volumes as well as the staffing levels. This model not only provides the opportunity to improve citizen service and overtime reduce costs, it positions the City to meet future demands for service.

AtFocus estimates that the cost and complexity of implementation is however, outweighed by the benefits that accrue to both the citizens of Winnipeg and the City over the long term. They estimate in their report that the approximate up front, one-time capital cost to construct the consolidated model ranges from $4.99M to $7.9M, not including a facility which the City estimates will cost approximately $2M to retrofit. AtFocus has indicated that savings will accrue through reductions in the CPCM, average handling time, call volumes and optimized workforce management processes.

Some of the benefits of a 311 consolidated model for the citizens of Winnipeg include the following:

- Ease and simplicity of access;
- Extended service hours (24x7x365) and availability;
- First call resolution of issue;
- Personal time saving;
- Better tracking information regarding issue or complaint;
- Consistency of service;
- Improved service response time;
- Improved “wait” experience.

For those citizens who have encountered difficulty navigating City departments or the 600 telephone numbers in the municipal government pages of the MTS telephone book, the 311 consolidated model provides an effective means of access for those requiring information or service from the City.

Some of the benefits of a 311 consolidated model for the City of Winnipeg include the following:

- Provide the community with a single point of access to the City;
- Comprehensive service statistics generated from the 311 centre will assist in providing increased accountability and public access to information related to service delivery;
- 311 statistics will assist in improving the City’s ability to respond to issues and trends with the goal of continually improving City services;
- Provide information that is more consistent and timely;

- Efficiencies derived through the utilization of a common technology required for 311 will enhance and simplify the City's electronic network;
- Increased knowledge management of City services;
- Increased capacity to respond to emergencies and critical events;
- Maximizes the economies of scale and may achieve operational savings;
- Increased ability to manage growing service demands.

Why not the other models?

Each one of the six, 311 service delivery models identified by the consultant was reviewed and evaluated against three main objectives: ease of implementation, tangible benefits and citizen service. Through this process, the consolidated model was identified as the most advantageous for the City.

Service Delivery Options

311 has been embraced by a number of municipalities as a means of enhancing customer service. While 311 offers the potential for efficiency gains, it is not generally viewed as a cost-saving initiative but rather a customer service strategy. Deciding factors for implementing 311 systems generally arise from a desire to improve customer service, access to services, and the transparency of government operations.

The Administration is recommending Council approve the "consolidated" model of 311 customer service. Consolidation is the model recommended for the *structure* of the 311 centre, what remains to be determined is how this model will be delivered. There are two basic service delivery options to consider:

1. City of Winnipeg internally operated
2. Outsourced to the private sector

<u>1. City of Winnipeg Internally Operated Option</u>

Working with the consultant firm AtFocus, the Administration assessed the current state of the City of Winnipeg's contact centre services and obtained a business plan for a consolidated model of customer service which is internally operated by the City. This business plan is the AtFocus report noted in the first recommendation of this report. The Administration is now able to supplement this business plan with a business case for a 311 centre which is consolidated and internally operated. Some of the key advantages and disadvantages for this service delivery option are as follows:

Advantages:

- Fewer staff redeployment issues and interruption of services.

- Continuity of experienced City staff and ease of preparation of the knowledge base required to operate the centre.
- Accessibility and ownership of information is maintained by the City.

Disadvantages:

- The cost of this approach requires a capital investment of approximately $10M to $12M. This range includes the external expertise required to construct systems and facilities.
- Possible concerns respecting scalability and the City's ability to change staffing levels quickly to accommodate demand.
- The start up time could be protracted due to the City's unfamiliarity with setup.

This model includes some significant capital costs ($10M - $12M) for infrastructure (technology, facility, etc). The option of partnering with the private sector to lease these requirements can be explored. This may have the net affect of reducing the upfront capital costs and utilizing expertise within the call centre community to provide these services. This option would require us to issue Request for Qualifications (RFQ) and Request for Proposals (RFP) documents with assistance from external experts to garner maximum advantage for the City.

2. Outsourced to the Private Sector Option

For the purposes of this report, the outsourcing service delivery option includes outsourcing the management, operations and infrastructure (technology, facility, etc.), for the City of Winnipeg's 311 customer contact centre.

The consultant's report indicated that the outsourcing service delivery option, within the *Independent Models* grouping, *appeared* to have some advantages. They noted these as: a high degree of fast and aggressive change in regards to expenditure control, savings, leading edge technology in a short time frame with no significant initial capital outlay, no requirements or costs to train or re-engineer processes and rapid speed of implementation. For the most part, these comments are based on the consultant's experience and knowledge of private sector call centres and limited municipal experiences.

No Canadian municipality has opted for the outsourcing approach, however two municipalities in the United States have. New York City adopted a service delivery model which has two separate call centres offering the same service. One centre is operated by the City; the second is operated by an outsourcer. New York chose this model for several reasons: they did not have sufficient space to house the total complement of staff required, they wanted to implement the centre rapidly, and they wanted to have flexibility for staffing around special events and activities. The second

municipality to outsource is New Orleans. The disaster created by Hurricane Katrina was the sole motivator for this service delivery option.

The Administration has spoken informally with a number of private sector call centre operations in Winnipeg to obtain some basic information regarding their operations and to determine if there would be interest within the private sector for this type of business opportunity. It would appear there is genuine interest but without formally going to the private sector market, the Administration cannot accurately assess the business case for outsourcing.

Should Council direct the Administration to prepare a business case on the outsourcing service delivery option, a two phase process will be commenced to gather the financial and other information required. The first phase is an RFQ process, intended to short list the number of qualified vendors which would be involved in the second phase RFP process. This RFP would expressly provide, that the City would not be committed to entering into a contract as a result of this RFP and that the information provided would be used to prepare a business case that could be compared with the business case for the City of Winnipeg Internally Operated Option.

The City would reserve the right for Council to decide whether to implement the Internally Operated Option or implement the Outsourced to the Private Sector Option with the most advantageous proponent from the RFQ/RFP process.

As a part of the business case preparation process the Administration will have discussions with the potentially affected civic unions on related issues and opportunities. Copies of the two business cases (plans) would be provided to CUPE and procedures outlined in the Letter of Understanding Re: Change Initiatives, would be followed.

Because of the nature of the information that would be accessed by the outsourcer which will include personal information, it would be prudent for the City to require any outsourcer to be a Canadian company with the databases and call centre located in Canada. Privacy and other laws in foreign jurisdictions may conflict with The Freedom of Information and Protection of Privacy Act (FIPPA) such that the City would not be able to properly protect the personal information in its possession.

However, pursuant to the Agreement on Internal Trade, it is unlikely that the City could properly require the call centre and databases to be located in Winnipeg or Manitoba. The City may however, give greater weight in evaluation of proposals for a program that is housed and operated by a contractor, from a facility within the City of Winnipeg.

The Administration’s research to date has identified some of the advantages and disadvantages for this service delivery option which need to be considered before moving forward with the RFQ/RFP process.

Advantages:

- Outsourcing may potentially be less expensive, especially in terms of staff costs and initial capital investments.
- Start up time may be condensed as the outsourced call centre infrastructure is established.
- Private sector call centres have expertise available to provide complex reporting related to the information collected.
- Scaleable to varying requirements of the City.

Disadvantages:

- Negotiating an outsourced contract is considered high risk as the City does not have consolidated service metrics and business processes in place from which to negotiate a contract.
- There will be labour relations implications concerning CUPE, WPA and WAPSO collective agreements.
- Costs of this option are anticipated to be higher at the outset as affected staff need to be redeployed. At the same time, the City would also be paying the outsourcer's employee costs pursuant to a contract. The rate of redeployment will impact the economic model.
- If preparation of a business case for an outsourcing service delivery option is pursued and through an RFQ/RFP process it is found that the pricing is not advantageous compared to the internal model, this RFQ/RFP process will have delayed the implementation timeline.

Summary:

The Administration requires Council direction for the issuance of a 311 RFQ/RFP. The information gathered during this process will allow the Administration to present Council with business cases for two consolidated service delivery options of 311 service; a City of Winnipeg internally operated service and one which is outsourced to the private sector.

Financial Impact Statement — Date: January 5, 2007

Project Name: 311 Customer Service — **First Year of Program** 2007

	2007	2008	2009	2010	2011
Capital					
Capital Expenditures Required	$ 250,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs		-	-	-	-
Additional Capital Budget Required	$ 250,000	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ 250,000	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ 250,000	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 250,000				
Total Additional Debt Required	$ 250,000				
Current Expenditures/Revenues					
Debt and Finance Charges	$ 6,875	$ 60,159	$ 63,013	$ 66,052	$ 69,289
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 6,875	$ 60,159	$ 63,013	$ 66,052	$ 69,289
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ 6,875	$ 60,159	$ 63,013	$ 66,052	$ 69,289

Additional Comments:

1. Depending on the option selected by Council, adjustments may be required to the operating and capital budgets in 2007 onwards. The recommendation to this report requests a first call against capital in 2007, of $250,000.00 for the 3-1-1 project, including external expertise.
2. Annual debt and finance charges are calculated at 5.50% interest per annum for 2007 and 6.50% for future years.
3. Capital expenditures include 3% charge for interest and administrative expenditures.
4. Debt and finance charges for 2012 amount to $72,737
5. Assumes above costs includes PST where applicable.

(Original signed by R. Abeysekera)
Radhika Abeysekera
Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With:
311 Project Advisory Committee
City of Winnipeg Senior Management Team
Corporate Human Resources
Corporate Information Technology
Corporate Finance
Legal Services
Planning, Property & Development Department

External Consultation With:
Consulting firm AtFocus Inc.

THIS REPORT SUBMITTED BY:

Department: CAO Secretariat
Division:
Prepared by: Inspector Shelley M. Hart
File No.



CoW Business Plan
Final Report July 5,2(