REPORTS

Minute No. 50 Building Permits and Inspection Service Audit
eFile FA-2

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee received the matter as information and recommends to Council:

1. That the Building Permits and Inspections Service Audit dated September 2009 be received as information.

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

DECISION MAKING HISTORY:

Moved by Deputy Mayor Swandel,
That the Building Permits and Inspections Service Audit dated September 2009, be received as information and forwarded to Council.

Carried

AUDIT COMMITTEE RECOMMENDATION:

On November 26, 2009, the Audit Committee received as information the Building Permits and Inspections Service Audit dated September 2009, and forwarded the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

ISSUE: Building Permits and Inspection Service Audit

Critical Path: Audit Committee – Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Mansky	B. Whiteside		

RECOMMENDATIONS

The Audit Report contains 6 recommendations to improve operations in the following areas:

- Permit and Inspection processes
- Enforcement and compliance
- Management of key resources
- Performance Management

The report is attached as an Adobe PDF.



Building Permits and Inspections Service A

IMPLICATIONS OF THE RECOMMENDATIONS

The responsibility for implementation of the recommendations resides with the Planning, Property and Development Department. When implemented the implications of the recommendations should be:

- A service that more effectively and efficiently achieves its goals
- Improved enforcement of by-laws
- Improved management of resources
- More transparent performance information available to management, decisions makers and the public.

HISTORY

This audit was included in the City Auditor's 2007-2009 Audit Plan that was approved by Audit Committee.

FINANCIAL IMPACT

Financial Impact Statement **Date:**

Project Name: **First Year of Program**

Building Permits and Inspections Service Audit

	0	1	2	3	4
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The financial impact cannot be quantified at this time. Financial benefits should be realized as the Audit recommendations are implemented.

original signed by
Department Controller

CONSULTATION

In preparing this Report there was consultation with:

Management and staff of the Planning, Property and Development Department.

SUBMITTED BY

Department: Audit Department
Division
Prepared by: B. Mansky
Date: October 6, 2009
File No.

Winnipeg

Audit Department

Building Permits and Inspections Service Audit Final Report September 2009

Leaders in building public trust in civic government

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EXECUTIVE SUMMARY

The Development Approvals, Building Permits and Inspections Service (the Service) is a statutory public service as outlined in *The City of Winnipeg Charter Act* Part 5 sections 150-152. The Service is provided primarily for the purposes of reviewing and approving proposed design, construction, demolition and occupancy of new buildings and existing buildings in order to meet minimum health, life safety, zoning, accessibility and community standards as established by building, plumbing and electrical codes and related by-laws. The Service also provides inspection and enforcement offered to complainants, property owners and neighbourhood residents relative to the provisions of the City's property-related by-laws to maintain minimum prescribed standards. The Service is primarily delivered by the Development and Inspections Division (the Division) with input from other City departments.

Over the past several years the Development and Inspections Division has made changes and improvements to the building permits and inspections processes through initiatives such as Permits X-Press. This has included the implementation of an electronic permit application system for trades and the building industry and several amendments to building codes and permit requirements designed to ensure public safety while limiting the burden of unnecessary permits. The Division has also moved towards a full-cost recovery fee structure for its services.

The purpose of this audit is to report to Audit Committee and Council on the efficiency and effectiveness of the Development Approvals, Building Permits and Inspections Service and the progress made to date as a result of the Permits X-Press and other initiatives.

Audit Objectives

The audit was identified in the City Auditor's Audit Plan for 2007 to 2009 and endorsed by Audit Committee.
The objectives of the audit were:

- to assess the efficiency and effectiveness of the permits and inspections processes and management of key risks;
- to assess whether service performance is measured, monitored and reported; and
- to assess whether the service fees charged are based on the costs of delivering the service and are collected.

Audit Conclusions

The audit work performed led us to the following conclusions:

- The Division needs to adjust its service delivery strategies and business processes to more efficiently and effectively deliver its services and manage its key risks. While we acknowledge that the Division is moving more towards a risk-based service delivery strategy, the shift has not been sufficient to deliver the service effectively. The Division needs to increase its reliance on certified building professionals work and risk-based audits and focus its limited resources on the building activities that pose the most risk to the public and the property owner. The Division also needs to take additional steps to manage its key risks, including: the growing level of work started and/or completed without a permit, the significant backlog of open residential permits, the consistency and frequency of enforcement, ensuring there is sufficient staff to deliver the planned service strategy both in the short and long term. The key risks, if not properly managed, will serve to undermine the performance of the service.
- The Division does not have adequate processes in place to measure, monitor and report on service performance.
- The Division has established a fee structure that is approaching full-cost recovery of the cost of delivering the services. However, the Division has to ensure proper processes are in place to capture all of the costs of providing the service. The Division does ensure the majority of the fees are collected before a permit is issued. However, follow-up procedures are required to deal with accounts receivable and approved permits ready for pick up.

Key Observations and Recommendations

The Development and Inspections Division (the Division) current strategy of full plan reviews and inspections for all permits is not achievable with the existing resources. In fact, it has led to the Division not being able to fully achieve its key goals. Currently, it is estimated that a significant portion of residential and non-residential construction begins without a permit in place. There are also over 35,000 open residential permits. These are permits where the required inspections have not been completed. Of these permits, over 6,000 have known deficiencies.

We have made a number of recommendations to address these issues. The Division needs to continue to move towards a risk-based methodology. By this we mean the Division needs to ensure that permits are only required for higher risk building activities. The Division also has to rely more on the work of certified building professionals for both plan reviews and inspections. The Division needs to formalize many of the risk-based practices they currently employ on an informal basis. A move to a risk-based methodology will assist the Division in focusing its limited resources on the activities that pose the most risk to the public and the property owners.

The Division's enforcement regime needs to be revamped. The Division needs to utilize the enforcement mechanisms currently at its disposal more consistently and possibly more frequently. We believe this can be accomplished with the establishment of a more formalized process for enforcement. This should be supported with improved tracking and reporting of enforcement and compliance activities.

The Division is implementing a fee structure that is approaching the recovery of the full cost of delivering the Development Approvals, Building Permits and Inspections Service. It has been able to do so while still remaining competitive with other Canadian cities. The Division has not captured all costs incurred by other City departments involved in the delivery of the service. We also recommended that the Division take the necessary steps to allocate costs to each type of service offered. These efforts will help make the fees more transparent and will further aid any future policy decisions regarding the fee structure.

The Division does not have sufficient staff to successfully carry out its current service delivery strategy and desired level of service. The Division is going to have to decide on the optimal balance of service level and staff resources. The Division needs to improve its analysis of staff productivity and establish service standards before an optimal balance can be determined. In the near future the Division could be faced with a large number of retirements. We found that thirty-nine percent of the staff are currently eligible to retire. Although the Division has identified the need to replace these staff, the Division lacks a formal succession plan to address this. This is particularly concerning because a significant percentage of staff are eligible to retire (or soon will be) and the Division lacks formal training documents and policies and procedures to guide new, less experienced, staff. This left unaddressed could result in a significant service gap in the near future. The Division needs to develop a formal succession plan and take measures in the short term to enhance its ability to retain and recruit staff.

The Division does not report on actual performance results or establish performance goals or targets to evaluate performance against except for the reporting done on the Permit X-press initiative. The Division should establish measurable and achievable performance goals and service standards. The Division needs to establish formal processes to collect performance information. Once appropriate performance information is available it should be used to better inform management decision-making and will also enable the Division to better manage its operations and determine what the appropriate balance between service level and resources is.

In the current environment of increased public scrutiny and fiscal restraint the Division needs to ensure it is positioned to clearly and transparently report to Council on its performance and demonstrate that its work adds value and the fees charged for these services are fair. We believe that the implementation of our recommendations will move the Division closer to achieving this.

MANDATE OF THE CITY AUDITOR

The City Auditor is a statutory officer appointed by City Council under the *City of Winnipeg Charter Act*. The City Auditor reports to Council through the Audit Committee (Executive Policy Committee) and is independent of the City's Public Service. The City Auditor conducts examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring the Public Service's accountability for the quality of stewardship over public funds and for the achievement of value for money in City operations. Once an audit report has been communicated to Council, it becomes a public document.

AUDIT BACKGROUND

The audit was identified in the City Auditor's Audit Plan for 2007 to 2009 and endorsed by Audit Committee. Over the past several years the Planning, Property and Development Department has made significant changes and improvements to the building permits administration and inspections processes through initiatives such as the Permits X-Press initiative. This has included the implementation of an electronic permit application system for trades and the building industry and several amendments to permit requirements designed to ensure public safety while limiting the burden of unnecessary permits.

The purpose of this audit is to report to Audit Committee and Council on the efficiency and effectiveness of the Building Permits and Inspections Service and the progress made to date as a result of the Permits X-Press initiative.

AUDIT OBJECTIVES

The objectives of the audit were:

- to assess the efficiency and effectiveness of the permits and inspections processes and management of key risks;
- to assess whether service performance is measured, monitored and reported; and
- to assess whether the service fees charged are based on the costs of delivering the service and are collected.

AUDIT APPROACH

We have conducted the audit in accordance with generally accepted auditing standards. **Appendix 1** provides a flowchart of the audit process.

- We conducted interviews with the Development and Inspections Division (the Division) staff to gain an understanding of the Service, the policies, procedures and practices in place relating to the building permits and inspections process.
- We interviewed four members of the building industry to gain an understanding of their assessment of the level of service provided by the Division
- We obtained and reviewed statistical information from the Division staff.
- We reviewed related industry reports, policies, standards, procedures and other relevant background documentation relating to the Development Approvals, Building Permits and Inspections Service in general.
- At the conclusion of the audit, we provided a report to the Director Planning, Property and Development, the Manager of Development and Inspections, the Chief Administrative Officer and Council.

The conclusions in our report are based upon information available at the time. In the event that significant information is brought to our attention after completion of the audit, we reserve the right to amend the conclusions reached.

AUDIT SCOPE

The audit covered the period January 1, 2005 to December 31, 2008. The scope of our audit included the transactions, processes, policies and practices in place for the Building Permits and Inspections Service subsequent to implementation of the Permits X-press initiatives, with a focus on the processes and practices in place in 2007 and 2008 to take into account any process changes that were made as a result of the Permits X-press initiative and the Red Tape Report.

We noted, that effective in fiscal 2009, the Building Permits and Inspections Service was renamed to the Development Approvals, Building Permits and Inspections Service to more accurately reflect the scope of services provided. Our audit focused on the activities limited to the services provided under the former Building Permits and Inspections Service and was further limited to the four branches within the Development and Inspections Division that are primarily involved in the building permits and inspections process.

We have undertaken appropriate procedures in an attempt to verify the accuracy of the information we were provided. In some situations, we were unable to complete our review due to a lack of information stemming from information system limitations. These areas are noted in the report.

AUDIT CONCLUSIONS

The audit work performed led us to the following conclusions:

- The Division needs to adjust its service delivery strategies and business processes to more efficiently and effectively deliver its services and manage its key risks. While we acknowledge that the Division is moving more towards a risk-based service delivery strategy, the shift has not been sufficient to deliver the service effectively. The Division needs to increase its reliance on certified building professionals work and risk-based audits and focus its limited resources on the building activities that pose the most risk to the public and the property owner. The Division also needs to take additional steps to manage its key risks, including: the growing level of work started and/or completed without a permit, the significant backlog of open residential permits, the consistency and frequency of enforcement, ensuring there is sufficient staff to deliver the planned service strategy both in the short and long term. The key risks, if not properly managed, will serve to undermine the performance of the service.
- The Division does not have adequate processes in place to measure, monitor and report on service performance.
- The Division has established a fee structure that is approaching full-cost recovery of the cost of delivering the services. However, the Division has to ensure proper processes are in place to capture all of the costs of providing the service. The Division does ensure the majority of the fees are collected before a permit is issued. However, follow-up procedures are required to deal with accounts receivable and approved permits ready for pick up.

ACKNOWLEDGEMENT

The Audit Department wants to extend its appreciation to the management and staff of the Development and Inspections Division of the Planning, Property and Development Department and members of the industry for their cooperation.

Members of the Audit Team
Jason Egert, CA•CIA Project Leader Larissa Wladyka, CMA Auditor



Brian Whiteside, CA•CIA
Acting City Auditor

September 2009
Date

INTRODUCTION

The Development Approvals, Building Permits and Inspections Service is a statutory public service as outlined in *The City of Winnipeg Charter Act* Part 5 sections 150-152. The service is provided primarily for the purposes of reviewing and approving proposed design, construction, demolition and occupancy of new buildings and existing buildings in order to meet minimum health, life safety, zoning, accessibility and community standards as established by building, plumbing and electrical codes and related by-laws. The Service also provides inspection and enforcement offered to complainants, property owners and neighbourhood residents relative to the provisions of the City's property-related by-laws to maintain minimum prescribed standards.

Legislated authority for the Development Approvals, Building Permits and Inspections Service is derived from two provincial Acts, *The City of Winnipeg Charter Act and The Buildings and Mobile Homes Act*. The codes that are enforced are primarily the *Canadian Building Code*, *Manitoba Building Code, Canadian Electrical Code, and Manitoba Fire Code*. The primary City of Winnipeg by-laws that are enforced by the Service are *The City of Winnipeg Zoning - 200/06, Downtown Winnipeg Zoning - 100/2004, the Winnipeg Building 4555/1987, Winnipeg Electrical No. 133/2006 and Electrical By-law Supplement No. 1, and The Planning, Development and Building Fees - 166/2004.* A complete listing of the applicable legislation, codes and by-laws is attached in **Appendix 2**.

Development Approvals, Building Permits and Inspections Service's Business Plan clearly outlines the purpose of the Service which is to:

"Ensure compliance with by-laws and standards through consultation, education, administration, inspections and the regulatory enforcement of property standards, construction, renovation, and demolition of buildings."

The key goals in support of this purpose are to:

1. Ensure safe, healthy, accessible buildings through the administration and enforcement of building by-laws and property standards
2. Continue to streamline the building permit application and approval process for industry professionals and non-professional customers
3. Enhance our customers' awareness of necessary, safety-related building project requirements
4. Improve our ability to provide timely site inspection services and proactive by-law enforcement
5. Pursue financial self sufficiency

The Director of Planning, Property and Development reports to the Office of the Chief Administrative Officer. Politically, the Planning, Property and Development Department reports to the Standing Policy Committee on Property and Development.

In 2009 the Building Permits and Inspections Service was renamed to the Development Approvals, Building Permits and Inspections Service to better reflect the scope of services provided. In 2009 additional revenue and costs from other Planning, Property and Development divisions and branches and other City departments were attributed to the Service to more accurately account for the full costs of providing the services. The 2009 Operating Budget reflects additional revenue of $144,000 and the additional expenses of approximately $3.8 million. In addition, $785,000 of the Development and Inspections Division's budgeted expenses have been attributed to other services. This resulted in a net effect of approximately $2.9 million in additional expenses. We noted that the costs for Water and Waste's review of plans were not included in these service costs.

We also noted that only the revenue and expenses were included in the budget for the service and that the administrative control of these resources still remained in the other City departments. We understand that adjustments will be made from time to time to the service based budgets to include all the costs associated with the delivery of service. The practice of making a service accountable for budget resources that they have little or no control over administratively is not an optimal practice. We would encourage that as the City gets closer to arriving at a more firm definition of its services that, where possible, reporting relationships and control over revenue and expenses are aligned.

Organizational Structure

Administratively, the Development and Inspections Division (the Division) is the Division with the primary responsibility for the Development Approvals, Building Permits and Inspections Service (the Service). The Development and Inspections Division within the Planning, Property and Development Department is made up of six branches: Commercial Inspections, Housing/Existing Buildings Inspection, Plan Examination, Zoning and Permits, Land Development and Geomatics. Our audit focused on the following four branches: Commercial Inspections, Housing/Existing Building Inspections, Plan Examination, and Zoning and Permits.

Within these four branches there are a total of 107 employees that possess the skills, experience and education required to complete the tasks within the Division. An organization chart of the Development and Inspections Division is included in **Appendix 3**.

Permits and Inspections Process

A building permit is required for any new construction, addition, alteration, renovation, relocation, and repair or rehabilitation of a building or structure. To begin the process the property owner (or the contractor who has been hired to carry out any construction activity) is responsible for applying for the permit based on the type of work that is being carried out. Ultimately, it is the property owner who is responsible for obtaining the necessary permits and complying with the applicable building codes and zoning requirements.

Based on the type of construction, the applicant is required to submit the necessary information regarding the structure and the property as well as all the plans regarding construction. Once the applicant has all the necessary plans, documents and information requested in the application, the application is submitted to the Application Centre of the Zoning and Permits Branch. The Application Centre has two windows, Appointments Window, for preferred customers such as MHBA, WCA members, etc. and Non-appointment Window, for all others, including the general public and homeowners. The permit process throughout the service has been segregated by the two types of permits: Residential (Housing) and Non-Residential (Commercial).

In the Non-appointment window, the Application Centre clerks screen all applicants to ensure the applicants have enough documents before proceeding to a Permit Technician. The clerks also have the ability to approve certain types of electrical and plumbing permits for Housing. The application is forwarded on to the permit technicians to complete a review of the information and ensure all necessary documents and plans are complete for review by others. In the Appointment window a similar review is conducted by the permit technician. Once they have verified that the information is complete they will enter the application into Amanda and assign the permit a tracking number. Depending on the complexity of the project, the permit technicians have the ability to approve permits and issue permits after their review. The application is entered into Amanda and the application and the plans are forwarded on to the permit trackers (Non –residential and Residential). The permit trackers coordinate the distribution and approval of all permits which require review by the other areas. The plans are distributed to the Plan Examination Branch and the other applicable branches and departments such as Zoning, Water and Waste and Public Works. It is the responsibility of each area to review all plans submitted to ensure compliance with the applicable by-laws and codes. In Plan Examination, once a plan review is complete and is in compliance with the applicable codes and by-laws, each plan examiner is responsible for signing off on their review in Amanda (in Housing, a single signoff; in Commercial, a signoff for architectural, structural, mechanical and electrical) and sending the plans back to the permit tracker.

The permit tracker receives all the documents and plans back from the different departments and branches and contacts the applicant to advise them that their permit application has been approved and is ready to be picked up. The permit is forwarded to the cashier who issues the permit upon collecting the fee for the permit from the applicant.

Once the permit has been issued, the permit is sent to the appropriate inspections branch: Commercial Inspections or the Housing/Existing Building Inspections Branch. The applicant is responsible for contacting the appropriate inspections branch at the time they are ready for an inspection. The inspectors will visit the construction sites once an appointment has been made at the various stages of construction to ensure that all the appropriate steps are being followed and to ensure that the work conducted is in accordance with the approved plans, applicable codes and by-laws .

A building permit is considered closed once a final inspection has been conducted. If deficiencies have been identified by either the Commercial Inspections or the Housing/Existing Buildings Branch, the permit is not closed until the deficiencies have been corrected and a final inspection has been performed.

A detailed explanation of the permit approval and inspection process is included in **Appendix 4**. A flow chart of the permit application process for a Single Family Dwelling is included in **Appendix 5**. A flow chart of the permit application and approval process for Non-Residential – New Construction and Additions is included in **Appendix 6**.

KEY RISKS

The *potential* key risks associated with the Development Approvals, Building Permits and Inspections Service include:

- Construction without a permit
- Backlog in housing inspections
- Lack of timeliness in issuing permits
- Lack of timeliness in performing inspections
- Legal liability with respect to quality of inspections
- Inadequate staff resources to issue permits and complete inspection in a timely manner
- Inadequate level of supervision
- Inadequate financial resources to retain and attract appropriate level and quality of staff
- Fee structure not sufficient to cover full costs of delivering services
- Fee structure not competitive with other jurisdictions
- Volatility in demand for permits and therefore in revenue
- Lack of adequate performance information to effectively manage the building permits and inspections process

PERFORMANCE ANALYSIS

Municipal managers want the service they manage to be efficient and deliver value. Taxpayers need to know how their tax dollars are spent and how City services are performing both year-to-year and in relation to other cities. There are four main reasons why performance measurement is important:

- Enhances accountability - In today's environment, it is important that taxpayers are informed about what the Public Service plans to achieve, what it is actually achieving and what it costs. Measuring and reporting on performance strengthens the understanding between the Public Service and Council of the expected results and actual results for each service. It helps focus Council's decision making and helps the Public Service understand the level and type of service delivery required. Performance measures demonstrate to taxpayers how they are being served and the value they are receiving for their tax dollars.

- Helps to improve performance - The analysis of performance results identifies opportunities for municipalities to improve the quality, efficiency and effectiveness of the services.

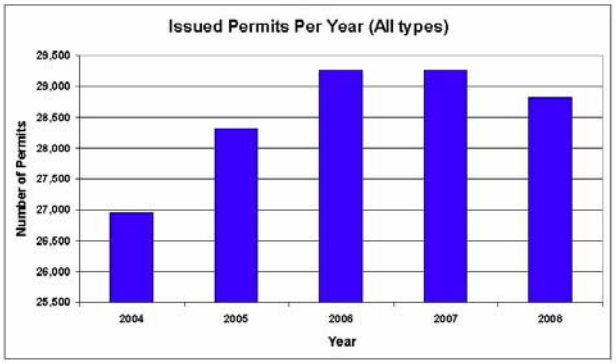
- Stimulates productivity and creativity - Performance measures can be used to create new incentives and rewards to stimulate staff creativity and productivity.

- Improves budget processes - Performance measures can help the City develop budgets that are based on realistic costs and benefits, not just historical patterns. Performance measurement can also improve the monitoring of budgets by measuring whether the budget and expected service levels are being met.

We started our audit by reviewing the performance information that was already being produced by the Division and when necessary we supplemented it with our own analysis. All data analyzed in this section was retrieved from either the PeopleSoft system or the Amanda system. Amanda, is the system that captures most of the data related to the building permits and inspections processes. Amanda is a very powerful information system and is capable of capturing all the performance information required to aid in the efficient and effective operation of the Division. We analyzed the performance information available which helped to provide us with a more thorough understanding of the challenges faced by the Division in achieving its key goals. It also provides a basis for determining if the service is operating in an efficient and effective manner.

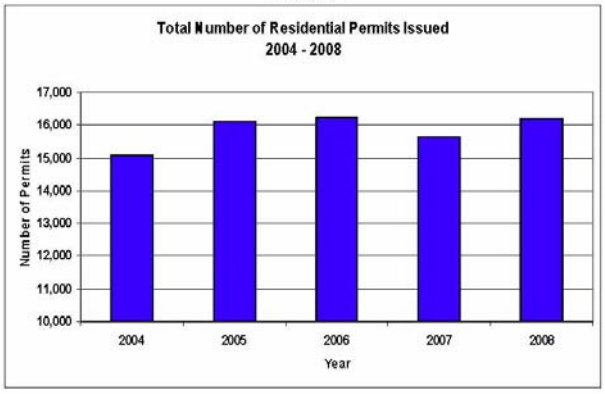
We found that the City has experienced an increase in permit applications over the past four years. In 2008, there were approximately 2,000 more permit applications as compared to the 2004 level (see Exhibit 1). This increase in permit applications is attributed to the increase in development activities within the City.

Exhibit 1



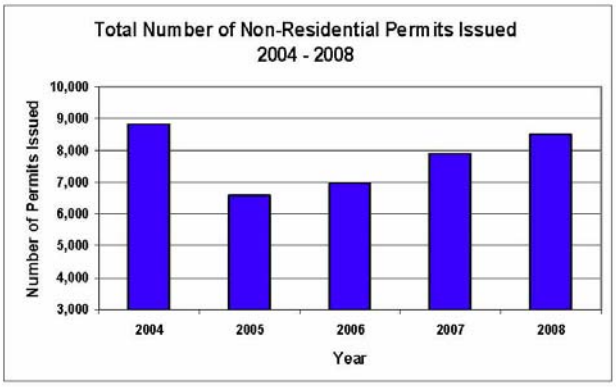
The City of Winnipeg has experienced an increase in residential building activity during the period of 2004 to 2006 and has maintained a high level of permit activity through to 2008 (see Exhibit 2). This increase has put stress on the resources of the Division, in particular the Housing/ Existing Buildings Inspections Branch. Management has struggled to deal with the increase in the volume of permits.

Exhibit 2



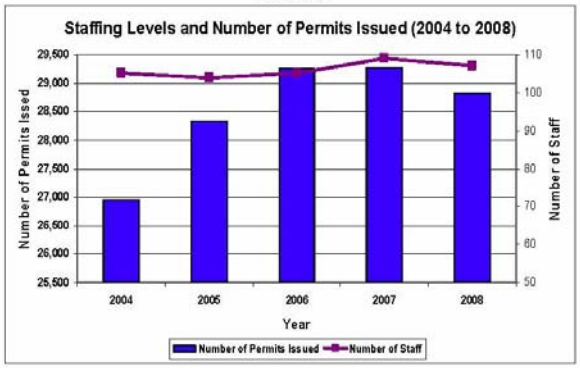
The total number of non-residential permits has steadily increased since 2005 (see Exhibit 3). The decrease in non-residential permit activity from 2004 to 2005 was due to the reclassification of Mobile Signs. In 2005, the review of all mobile signs became the responsibility of Zoning.

Exhibit 3



We also found that the number of staff in the period under review did not increase to deal with the increase in applications (see Exhibit 4). The Division has had to deal with a staff shortage in the Plan Examination Branch, due to the fact that the City has not been able to fill vacant positions due to the extremely competitive environment for that particular skill set. This is further explored in the Human Resources section of the report.

Exhibit 4



Since 2005 there has been significant growth in the backlog of active residential permits (see Exhibit 5). The backlog of active residential permits has grown from 21,706 in 2005 to 35,718 by the end of 2008. If the number of permits issued is going to remain at about 16,000 per year, then this backlog is going to continue to grow at a rate of approximately 4,000 permits each year.

Exhibit 5

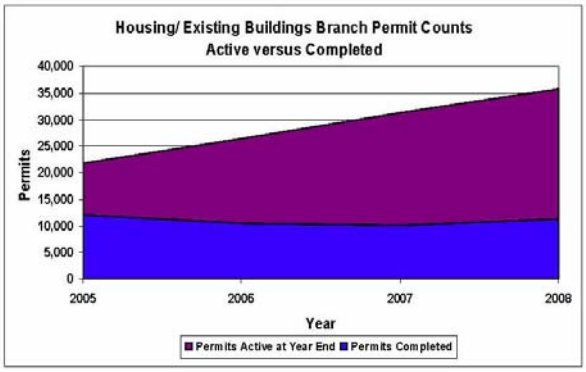
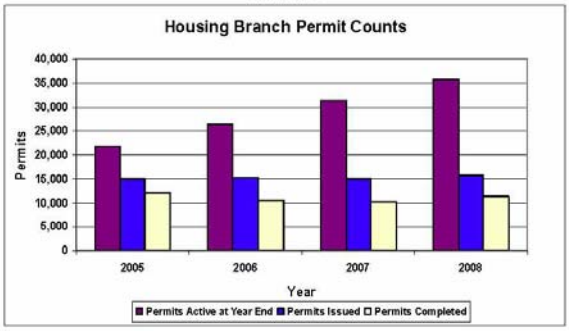


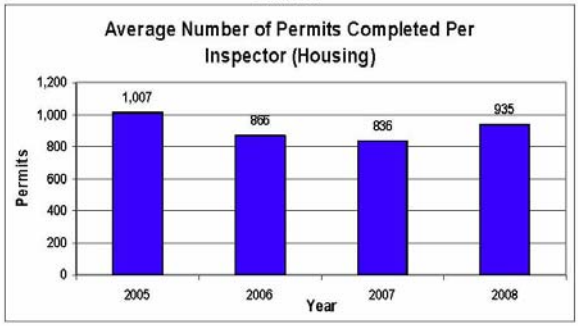
Exhibit 6 highlights this growing backlog in files is caused by an apparent lack of capacity to meet service demand in the Housing/ Existing Buildings Inspections Branch. With the current level of resources the branch only has the capacity to complete between 10,000 and 12,000 permits per year based on their historical averages. Each permit requires several inspections (at minimum three in most cases) to complete, yet the number of new permits issued has been consistent with 15,000 to 16,000 issued each year. This results in a service deficit of 3,000 to 5,000 each year. This is definitely a cause for concern because it highlights the fact that, if everything remains unchanged in terms of staff levels, demand for service and scope of inspections that the division will never be able to address the current backlog and in fact the current backlog will only continue to grow each year.

Exhibit 6



We performed some additional analysis to try and determine what was causing the growth in the backlog. First, we looked at the productivity of the branch in terms of the trend in the numbers of folders completed per staff per year. Exhibit 7 illustrates that there has been a decrease in the productivity during the period of 2005 to 2007 and the productivity showed a considerable improvement in 2008 from the four year low exhibited in 2007. There is no doubt that this decrease in productivity has contributed, at least in part, to the growing backlog. But it is important to note that a measure of this kind does not take into account the complexity of the inspection work associated with the permits, and as such should not be looked at in isolation. Factors such as the experience of the permit holder and the complexity of the construction play a factor in the amount of inspection work required. This is further complicated by the fact that more contractors, some with a lot less experience, emerged as a result of the increase in building activity resulting in more time spent on inspections for some permits.

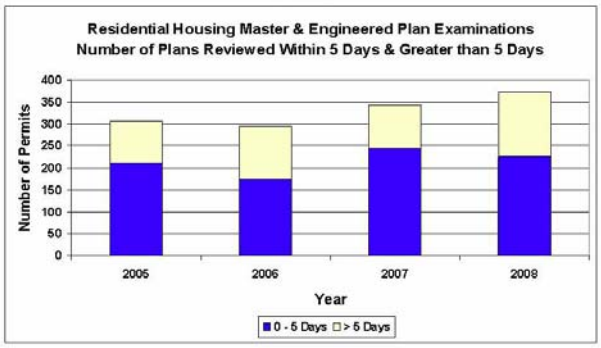
Exhibit 7



Permit X-press Initiative

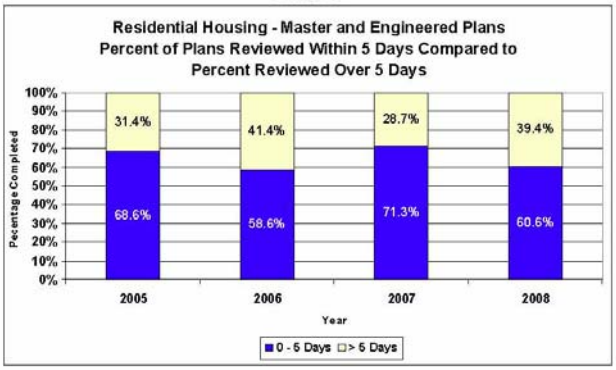
One of the most visible service commitments of the Permits X-press initiative is the five day turnaround time commitment for master plans and engineered plans. It is important to note that in 2008 these plans only represented 373 of the 4,067 total housing permits. Even though there has only been a modest increase in the number of permits issued under the master and engineered plan program (see Exhibit 8), the industry representatives we interviewed valued this service and would like to see it expanded. The Division does report on the service performance in this area on a quarterly basis at a meeting of the Industry Advisory Group.

Exhibit 8



To assess the Division's ability to meet this service goal over the past four years we summarized the quarterly reports data in Exhibit 9.

Exhibit 9



The latest data for 2008 shows that Building Permits and Inspections service is meeting their commitment of a five day turnaround in 60.6% of the applications. Unfortunately, this represents a significant drop in service level as compared to 2007 which was at 71.3%. Further analysis of the 2008 data by Division management on process times show that most delays occurred with respect to work performed by other City departments. More frequent monitoring of process times is needed and more follow-up is needed with these outside departments to ensure the program is operating properly.

OBSERVATIONS AND RECOMMENDATIONS

The remainder of this report deals with our observations and recommendations. Our observations and recommendations are reported in four sections. The first section —The Permit and Inspection Process — deals with the purpose, objectives, goals and strategies for service delivery. The second section — Enforcement and Compliance — deals with the enforcement and compliance process that is primarily performed by the Housing/ Existing Buildings Inspections Branch and Commercial Inspections Branch. The third section — Resources — deals with the adequacy and management of the Division's financial, human and information resources. The fourth and final section — Performance Management — highlights the vital role performance management can play in assisting the Division achieve its key service goals effectively and efficiently.

We believe that the issues identified are important and implementing the recommendations will assist management in better managing the Division and the Service. A complete summary of our recommendations is attached as **Appendix 7**.

Permits and Inspections Process

We have reviewed the Division's processes and practices to determine if they were adequate to ensure that the division can meet its key goals. The Development and Inspections Division (the Division) has expended considerable effort to move the Division closer to achieving these key goals with major initiatives such as Permits X-press and a major review of the fee methodology. The Division has also taken steps to eliminate the requirement for a permit for construction activities that pose little risk to the safety of the public. Finally, they are working closely with the building industry to establish a Certified Professional program in Manitoba. While the Division has taken these positive steps, it is evident both to us and the members of industry that we interviewed that while the intentions of the Division to perform plan reviews and inspections on 100% of permits taken out is admirable, it is not achievable given the current level of resources and the current fiscal environment. The Division needs to revisit its processes and practices and develop new ways of achieving its key goals. We also believe that the Division has flexibility within the legislation and by-laws to modify its current approach to a more risk-based audit approach by placing greater reliance on the professionals involved in the building construction industry (i.e. engineers, architects and skilled trades). In fact, we encourage the Division to continue and expand some of its recent efforts in moving closer to a risk-based approach to service delivery.

The Division's key goals are:

1. Ensure safe, healthy, accessible buildings through the administration and enforcement of building by-laws and property standards
2. Continue to streamline the building permit application and approval process for industry professionals and non-professional customers

3. Enhance our customers' awareness of necessary, safety-related building project requirements
4. Improve our ability to provide timely site inspection services and proactive by-law enforcement
5. Pursue financial self sufficiency

The Division is currently not achieving its goals of a streamlined permit issuance process and timely site inspection services

The current service delivery strategy requires that a detailed review be completed of all plans that are submitted with all permit applications before a permit is issued and inspections be performed of all construction activity under a permit before a permit is closed. The application and approval process is performed by the Zoning and Permits Branch and the Plan Examination Branch. This may also include a review from other City departments such a Public Works or Water and Waste. A permit is issued after the plans have been examined and accepted and the permit is paid in full. The applicant is permitted to begin work in accordance to the applicable by-law and legislation. At the initiation of the permit holder, the inspectors perform inspections at key points during the permit work on all permits issued. Once the inspectors are satisfied all work is in accordance with building by-laws and codes the permit is closed. A lot of time can elapse between the issuance of a permit and the completion of work and the closure of a permit. The inherent uncertainty about the timing of activities in the construction processes has an impact on the management of the workload of the inspectors.

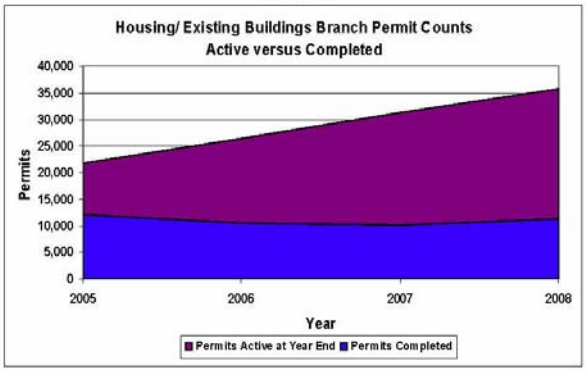
Customer satisfaction is deteriorating

Despite all of the Division's efforts to improve the service delivery customer satisfaction ratings have decreased from 2004 to 2007. The City conducted a citizen survey in 2007 and one of the questions related to the level of satisfaction of respondents who had applied for a permit. The survey showed that the number of respondents that were somewhat or very satisfied with the Regulating Building and Property Development through Zoning Regulations and Building Permits (i.e. Development Approvals, Building Permits and Inspections Service) dropped to 46.2% in 2007 from 72.9% in 2004. This represents a drop of 26.7% which is significant, especially considering the considerable effort the Division has made to date to improve the service. We identified some reasons that have likely contributed to this decline in customer satisfaction which we will discuss further in the following sections.

Housing/ Existing Buildings inspections backlog continues to grow

We found that there are 35,718 active permits in the Housing/ Existing Buildings Inspection Branch as at the end of 2008. Over 6,000 of these active permits have known deficiencies. Seventy-eight percent of the 6,000 permits with known deficiencies have been outstanding prior to 2007. This means that a significant portion of the residential construction activity is going on without the proper follow-up inspections as required by the current process. As illustrated in the following graph (see Exhibit 10) this backlog continues to grow each year.

Exhibit 10



There are over 15,000 new permits requiring inspection work issued each year and the Housing/Existing Buildings Inspection Branch only has a capacity of completing approximately 10,000 to 12,000 permits at the current productivity level. This represents a structural capacity deficit of at least 3,000 permits per year. This means that a significant portion of residential building work is not being adequately inspected or inspected at all. For these permits the Division is not in a position to state that they have ensured safe, healthy, accessible buildings or enhanced customers' awareness of necessary, safety-related building project requirements. We found no formal procedures in place for addressing the timely closure of open permits. Permits open for periods longer than the expected time to complete the permitted work potentially poses a risk to the public and property owner. At a minimum the risks associated with these open permits should be formally assessed and the necessary measures should be taken to close these permits or properly enforce the permits, if necessary. To address this, the Division must first develop formal processes and procedures for the timely closure of permits. They must also continue to look at ways to reduce the number of new permits coming into the system, or the number and extent of inspections required for each permit or a combination of the two.

Plan examination wait and turnaround times are increasing

The permit application process is working well in most cases for non-residential permits due in part to the Division having dedicated resources for non-residential permit applications. Building industry professionals are also able to make appointments with a permit technician, which allows them to plan their days work more effectively and efficiently and is certainly more of a convenience.

However, our review of the performance data indicates that for most types of non-residential permit applications clients are waiting longer to get their permit applications reviewed (see Exhibit 11a) and the actual review time is increasing (see Exhibit 11b). These delays are in part due to staff shortages in the Plan Examination Branch, incomplete information provided by permit applicants and delays caused by other City departments such as Water and Waste and Public

Works. As a result of these delays the industry is not waiting until they have a permit approved before they begin construction which is in direct violation of the *Winnipeg Building By-law*. The fact that buildings are being constructed prior to the issuance of a permit undermines the very purpose of examining the plans, limiting any added value plan examination can provide to the property owner, public and the industry.

Exhibit 11a

Percent of plans in queue for greater than 2 weeks		
Type of Plan Reviewed	**2004**	**2008**
Electrical	51%	71%
Fire Protection	18%	32%
Mechanical	47%	76%
Structural	75%	61%

Exhibit 11b

Percent of Plan Reviews completed in 1 day		
Type of Plan Reviewed	**2004**	**2008**
Electrical	91%	86%
Fire Protection	71%	68%
Mechanical	89%	70%
Structural	83%	58%

Submission of incomplete or non-compliant plans at time of permit application
Two of the most common reasons cited by the Division for delays in plan examination are that either the plans submitted with the permit application were incomplete or they were non-compliant with the building codes and by-laws.

One common problem with respect to compliance is that the proposed structure is not in compliance with the zoning by-law. Depending on the nature of the difference this can delay the process up to several months.

One common problem with respect to submission of incomplete plans is the submission of a foundation only permit without a drawing of the structure that is being placed on that foundation. It is very difficult to determine if a foundation will be in compliance with the applicable codes related to loads if they are unable to determine what the expected load of the structure will be.

We were unable to quantify the extent of theses problems because this information is not tracked in Amanda in a manner that can be easily extracted. Notes are documented in the files that record instances of incomplete information and non-compliance. This enables detailed follow-up only on a file by file basis.

Open permit applications are not being followed up on a timely basis

An area of concern for both residential and non-residential permits is that Zoning and Permits staff are so busy attending to new applications they have little or no time to follow-up on "dormant' applications. As a result the number of dormant applications has been steadily increasing over the past several years. These "dormant" applications include applications that require information from the applicant before it can be approved, permits that have been approved but not picked up and paid for, and permits that have been picked up but not paid for. These "dormant" applications pose a potential problem to the City on at least two fronts. First, they may represent work that is being conducted without a permit and potentially in violation of applicable codes and by-laws. We found that as of January 31, 2009 there were 237 files identified where applications were on hold for more than four months awaiting more information from the applicant. Second, they may represent uncollected funds for City services that have already been rendered. Information on "dormant" applications was formally tracked by the Division for the first time in 2008. At the end of 2008, there was approximately $91,000 in uncollected fees from 558 issued permits.

The City's role in the current permit approval and inspection process is more than the legislation requires

It is clear from the issues cited in the previous three sections that the Division's current strategy of reviewing all plans and inspecting all work is not achievable and is in fact contributing to growing dissatisfaction with the Service by the permit applicants. Clearly something has to change in the way the service is being delivered. We first needed to determine if the current legislation provided enough flexibility for the Division to change.

From our review of the Division's goals and the City of Winnipeg Charter legislation there appears to be some ambiguity in the legislation as to what the City's role is with respect to permits and inspections. It appears that this ambiguity has led the Division to take a conservative approach and take full responsibility for ensuring buildings are compliant with code in the name of ensuring public safety. The Division's practice and procedures appear to place much more responsibility on the City of Winnipeg for ensuring compliance with code than the City's own building by-law requires. Section 5.8 of *The Winnipeg Building By-law* No. 4555/87 states: "The granting of a permit, the review and acceptance of the drawings and specifications or inspections made by the designated employee, shall not in any way relieve the person responsible of a structure from full responsibility for carrying out the work or having the work carried out and maintaining the building of a structure in accordance with the requirements of the code and this By-law…", making it very clear that the "person responsible" (i.e. engineer, contractor, etc.) is ultimately responsible for ensuring a building they construct complies with all applicable codes and legislation.

The members of the industry we interviewed from both residential and non-residential construction and development sectors fully understand this responsibility and take it very seriously. The members of the industry we talked to understand the role of the City in ensuring compliance with building codes and by-laws and ensuring public safety is protected. However, they do not believe

that the Division's current process adds value to the experienced builder, developer or contractor as they already have taken the necessary measures to ensure the buildings they are responsible for are designed and constructed in accordance with building by-laws and codes. They only hire qualified engineers, architects, managers and sub-trades. However, they do see the value in ensuring less experienced builders or developers and do-it-yourselfers are building in accordance with the applicable codes and by-laws. They believe the City would add more value if they accepted the work of qualified building professionals and conducted more risk-based inspections and plan reviews. We believe that the current governing legislation and by-laws would permit such a risk-based approach.

The Division needs to continue their efforts to move towards a more risk-based approach to service delivery

The Division has undertaken several measures over the last five years to both streamline the processes and reduce the permit volumes. These initiatives were undertaken to help ensure the Division is efficient and effective in the delivery of its services and also continues to be responsive to their customers.

The Division, through the Permits X-Press initiative and in response to the Red Tape Commission Report has initiated several changes to their processes aimed at streamlining the processes for both residential and non-residential permit approvals and inspections. The Division created a separate process for the construction industry professionals and initiated a service standard of a five day turnaround for Master and Engineered Plans for residential construction. While this is a good start at improving the process, master and engineered plans represent 26% of new construction building permits, but, it only represents a very small portion (approximately 5%) of the total residential housing permits that are issued in a year.

The Division has also taken a risk-based approach to determining what building projects require a permit. They have set a minimum dollar limit for non-structural residential work that requires a permit, a move that has been undertaken in several other cities. Changes have been made to requirements for deck permits, where only decks over a certain height are required to have a permit. These changes have served to reduce the number of low-risk building activity building permits and have helped ease the strain on the Division's resources. These changes for both the residential and non-residential customers have been well received and are certainly a move in the right direction.

In response to the recommendations made by the Red Tape Commission the Division developed a Certified Professional Program which is aimed at providing the architects and engineers responsible for preparing the building plans with additional training in building code and by-law related issues. Once trained, the professional would then write an exam to certify themselves as a Certified Professional. In turn for projects that use Certified Professionals, the Division has committed to issue a permit based on the plans submitted and stamped by a Certified Professional within four weeks. As part of the program the Certified Professional would post a bond that the City could use to rectify any code violations in a timely manner if necessary. Unfortunately, the Division has

indicated that the architectural and engineering communities have not embraced this program. A pilot program in November of 2008 was not well received, with no one from either profession willing to participate. The Division still plans on pursuing the implementation of this program over the longer term but the timeline is ultimately dependent on the architectural and engineering professions willingness to participate.

The Division is developing a Certified Builder Program where members of the building industry receive additional training in building code and by-law related issues. Once trained, the building professional would then write an exam to certify themselves as a Certified Builder. In turn for projects that use Certified Builders, the Division would be able to rely on the inspections of the Certified Builder during the construction stage and would only perform inspections of the Certified Builder's work on an audit basis. This process would speed up the construction process for the construction industry and would reduce the inspection workload in the inspection branches of the Division. The Division feels that this program will be far better received as the building community and trades community are much more receptive to taking on more responsibility in order to streamline there construction processes.

The move to a risk-based approach for reviewing and inspecting all permit related work as well as increased reliance on the work of all Certified Builders is the next logical step in this evolution and is already supported by the applicable legislation and by-laws. Section 483(3) of *The City of Winnipeg Charter Act* states "For the purpose of an inspection, the city may rely on a certificate of or representation by an engineer, architect, surveyor or other person with expertise respecting the thing being certified or represented, and where the city relies on such a certificate or representation, it is not liable for any loss or damage arising from the negligence of the person giving the certificate or making the representation." This is further supported in section 6.3 of the *Winnipeg Building By-law No. 4555/87* which states "Prior to the issuance of a Building Occupancy Permit, the responsible architect and/or professional engineer shall, where required by the designated employee, submit a certificate stating:
"The construction has been reviewed under my supervision in accordance with recognized professional inspection standards, and that to the best of my /our knowledge the structure was constructed in accordance with accepted drawings and specifications and requirements of the applicable By-laws".

The fact is that these certificates and reports are regularly required for residential and non-residential work already. These signed statements clearly place the responsibility for ensuring the plans and the structure itself are in compliance with all applicable codes and by-laws with the building professional managing the project. We are suggesting that the Division's processes and practices and level of work performed in ensuring code and by-law compliance better align to these realities by placing more reliance on the work of certified building professionals, whether it is engineers, architects who are graduates of the Certified Professional Program over the longer term, or skilled trades and construction managers who are graduates from a newly created Certified Builder Program. By this we mean the acceptance of drawings that are appropriately stamped by a professional in good standing with their professional body and are a graduate of the Certified

Professional program with further review only on an audit basis. We also mean that certain projects overseen by professional project managers who are graduates of the Certified Builder program should not require full inspections, instead copies of their inspection reports may be required to be submitted to the City and may be reviewed by City inspectors and inspections on an audit basis may be conducted. This we believe will help address the current shortfall in human resources that has been experienced at every stage of the process and will ultimately allow the Division to focus its limited resources on development and building projects that pose the most risk to the safety of the public. That is, the focus of detailed plan reviews and inspections should be on higher risk projects such as office towers or on work performed by unskilled workers, non-professionals, and contractors and developers with a history of non-compliance. We believe there still should continue to be an audit component where a certain number of permit applications and permits, in addition to the higher risk projects, are subjected to the full review and inspection. Information gathered from these full reviews should be used to create a database that can ultimately be used to further enhance the risk-based model. The random audit approach also helps ensure that the risked-based methodology is working as intended and serves an effective deterrent against work being performed that is not in compliance with applicable codes and by-laws.

The bottom line is that the Division is going to have to adjust their current practices to help reduce the workload and focus their limited resources on the building activities that pose the highest risk to public safety. These changes will become even more critical as the Division will face an increase in the demand for their services when the Residential Certificate is introduced. This initiative will likely increase the demand for resources to complete the certificates and will likely result in an increase in the number of permits being taken out as more homeowners want to ensure that their homes will be portrayed favorably on the new Residential Certificate.

Recommendation 1:
The Division should re-evaluate its current practices and procedures and move to a more risk-based plan examination and inspection methodology. In the short term, a methodology similar to that proposed for the Certified Builder Program in that the Division will be able to rely on the inspection work of Certified Builders but will still maintain a risk-based audit function of the work that is relied on. In the longer term, the Division should continue to work towards fully implementing the Certified Professional Program.

Management Response
We agree with the recommendation. The Department is committed to work with Industry to develop programs that place more reliance on the building professional and will have a program in place for Industry use by the second quarter of 2010. The Department will continue to work on other strategies to develop further enhancements for Industry use.

Recommendation 1a:
The Division should continue to reevaluate the building activities that require permits with a mind in reducing and eliminating the requirements for building activities that are considered to be low risk.

Management Response
We agree with the recommendation. The Department is committed to continuing yearly reviews with an attempt to streamline the requirements for permits with an emphasis on permitting only that work that is deemed to pose higher risk.

Recommendation 1b:
The Division should analyze the backlog of residential permits to better assess the risk posed by leaving these permits open. Steps should be taken to implement formal processes for closing of permits that pose a minimal or low safety risk or where the permit is open beyond the term of the permit (i.e. six months unless original term has been extended by the Division).

Management Response
We agree with the recommendation. The Department has started a process of analysis of open permits and closing off inspection processes for permits with minimum safety risks or where new houses have been occupied for more than one year. The Department has also started a review of permits with no activity and is developing a process for notification that the permits will be closed by the fourth quarter of 2010.

Enforcement and Compliance

The Development and Inspections Division (the Division) has been given the authority to enforce building codes and by-laws under both the *City of Winnipeg Charter Act* and the *Winnipeg Building By-law*. Within the Division the enforcement duties are primarily carried out by the Commercial Inspections Branch and the Housing/ Existing Buildings Inspections Branch. Inspectors within these two branches are responsible and are given the appropriate authority to enforce the building codes and by-laws. The inspectors' main responsibility is to ensure the construction is taking place in accordance with approved plans and in compliance with building codes and by-laws.

The Division is performing enforcement activities on both residential and non-residential permits. Over the past five years there has been an increase in the number of inspections, an increase in the number of defects found and corrected and the increase in the number of successful prosecutions. However, we believe that the enforcement activities to date have not been sufficient to substantially reduce the amount of non-residential construction work beginning without an approved permit in place or residential work being completed without a permit.

We found that the Division has the appropriate enforcement mechanisms at its disposal. However, we also found that these mechanisms are not used

consistently or as frequently as we believe is warranted. This lack of consistency in applying these mechanisms coupled with a lack of formal tracking and management of the enforcement issues has led to an opinion held by some members of industry and public that it is acceptable to not take out a permit as long as they are building to code. This view is regrettable, since it serves to undermine the value of the building permits and inspections process.

The key objective for the Division is to ensure compliance with the following:

- The *Winnipeg Building By-law 4555/87* which states – "*No person shall work or authorize or allow work to proceed on a project for which a permit is required unless a valid permit exists for the work to be done*"; and
- The applicable building codes and standards related to the permit obtained (electrical, plumbing & building)

The City of Winnipeg enforces compliance with all building by-laws, codes and safety standards through processes established in the Commercial Inspections Branch and the Housing/ Existing Buildings Inspections Branch. Building permits issued by the City regulate the types of construction allowed in the community and protects each homeowner's interests, as well as those of the community at large. Permits help ensure that any structural change is safe, legal and sound. An ineffective enforcement process could result in construction which does not meet the minimum standards and therefore could pose significant risk to the public or property owner. It could lead to unsafe construction and costly repairs in the future to correct the problem or even a complete failure of the construction.

Sufficient enforcement mechanisms are available to the Division to effectively enforce compliance

The Division has several enforcement mechanisms. These include powers that have been given to inspectors within the Division through the *Winnipeg Building By-law.* The mechanisms to enforce compliance include the following:

- *Verbal Warnings* are issued by the inspector to advise the builder of any deficiencies identified at the time of the inspection.

- *Violation Notices & Written Orders* are issued in the cases where the builder or applicant fails to comply with the by-laws and codes.

- *Monetary Penalties* are issued by the inspector when they identify construction without a permit, or if defects fail to be corrected.

- *Stop Work Orders* are issued to force the builder or contractor to stop construction immediately.

- *Prosecutions* – In the instances when an applicant or builder consistently fails to comply with the orders that have been issued by the City, the case can be sent to the enforcement coordinators who present the case in the Provincial By-law Court.

Despite these mechanisms, both Division staff and members of industry we interviewed have indicated that the level of non-compliance with the by-laws and codes has been increasing over the years.

Increasing levels of non-compliance are undermining the purpose and the value of the Service

With the increasing pressures placed on builders to start and complete construction as soon as possible coupled with the increasing backlogs and processing times within the permits and inspections services, the Division has found an increasing number of construction projects which do not comply with the building by-laws and/or the building codes.

Through our review of the various processes, discussions with management and various industry representatives and a review of a sample of forty permit files and inspection records, we determined that there are a significant number of residential and non-residential construction projects that have been completed or are in the process of being completed which do not comply with the *Winnipeg Building By-law*.

We analyzed compliance in the following two areas:

- Construction started and/or completed without a permit
- Construction with a permit, however construction is not in compliance with the building codes

Construction without a permit

Currently, Division staff estimate that three quarters of commercial construction begins before a permit application has been approved and issued. This estimate was supported by members of the industry and Division management. In the majority of these cases the contractor or permit applicant has applied for a permit, but has started construction before the permit has been adequately reviewed and approved. This is a clear violation of the *Winnipeg Building By-law*.

Commercial construction projects which have been completed before the building and trade permits have been issued are usually identified when a building occupancy permit inspection is requested. Building occupancy permits are required for non-residential buildings or any alterations or changes in use of a non-residential building or part of a building. The occupancy permit is only approved and issued when a building has been inspected and it is confirmed all permits have been obtained and closed meaning the structure is in compliance with the building codes and by-laws. However, the Division believes, and the members of industry we interviewed have confirmed, that a number of construction projects continue to proceed and the premises are occupied without applying or receiving the proper permits. The members of industry indicated that some of the reasons for this lack of compliance are that they can not afford to wait for permit applications to be approved, or inspections to be conducted. These waits cause delays in construction and delays cost them money and potentially business.

With the residential construction projects, the Division estimates that a significant number of residential construction projects, especially interior home renovations, occur without applying for a permit. The Division does not specifically measure the level of non-compliance, in part, because it would be very difficult to measure due to the fact that most of the work is interior work and is hard to detect. However, we were able to analyze 2,500 complaints that have been received related to the permits and inspections processes. We identified 16% are related to complaints regarding construction that is taking place without permits.

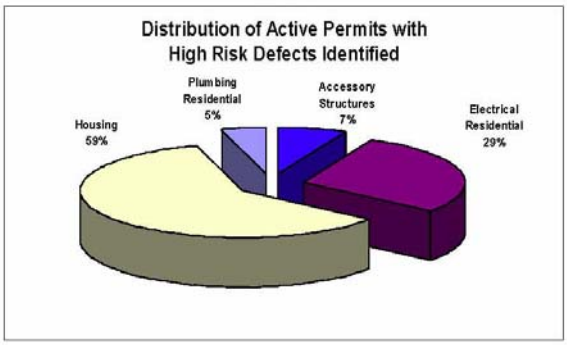
We noted that in order to partially address the issue of construction occurring in residential homes without permits, the Division is proposing the implementation of a Residential Compliance Certificate Program. This program when implemented would require purchasers of any single or two-family residential property to obtain a Residential Compliance Certificate for the property being purchased. This certificate would outline what permits have been taken out to date on a specific property. With this information potential home buyers can then assess the level of reliance they will place on the development work performed on the property, certainly gaining more comfort for work carried out under a building permit. This should provide an incentive for home owners to ensure they have the necessary permits for any work conducted in their home. This program is currently in the preliminary stages. The Division will need to be prepared to deal with an increase in the number of new permit applications anticipated to result from this process.

While this is a good start, we believe that a more rigorous effort on enforcement is warranted to ensure that the trend of construction without a permit is reversed. Potentially unsafe construction activity left unchecked places the public and property owners at increased risk. Allowing construction without a permit to continue will diminish the value the Development Approvals, Building Permits and Inspections Service adds to the development and building process.

Approved permit but construction is not in compliance with codes

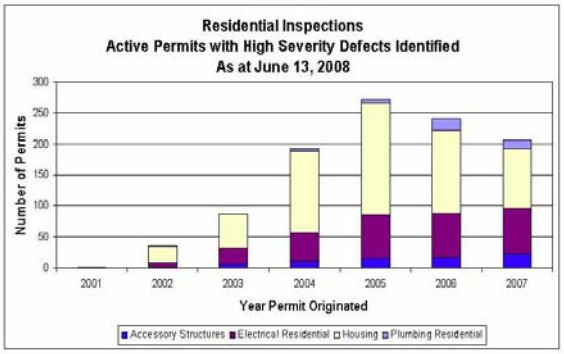
Through a review of reports maintained by the Housing/Existing Buildings Branch as well as through discussions with Division staff, we determined that a significant number of defects have been identified by City inspectors where the work completed was not in compliance with the building codes and by-laws. We had expected to find that inspections would identify defects. However, we did not expect to find the number of known defects that have not been re-inspected to determine if they have been corrected. We did a high level review of the residential permits outstanding between 2001 and 2007, we determined that as of June 13, 2008, a total of 6,366 permits were open where defects were identified by the inspector and a final inspection had not been conducted. These represent buildings with construction activity with known defects that have not been followed up by inspectors to ensure these deficiencies have been corrected. Out of the total number of permits identified with defects, 1,038 defects have been given a high severity rating. The highest percentages of defects were identified in new housing construction (See Exhibit 12).

Exhibit 12



Some of these permits have not been followed up by inspectors for several years. As of June 13, 2008 some permits were still open from 2002. (See Exhibit 13).

Exhibit 13

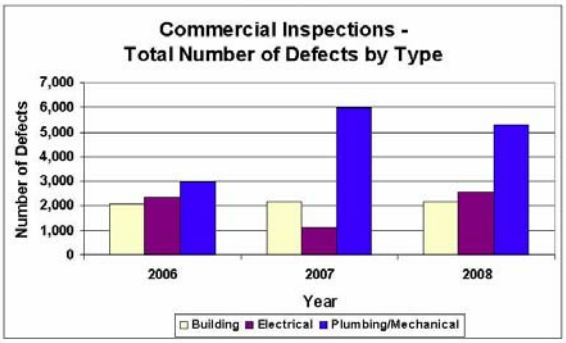


The Division's inability to follow-up on known defects on a timely basis and the growing backlog of open permits where no inspections have been made to date are potentially placing the public and property owners at risk and are causing the Division to fail to meet a key goal of ensuring public safety through the enforcement of building by-laws and codes. The lack of timely follow-up is due in part to the fact that the permit holder has not initiated the inspection of the work completed, which is required by the *Winnipeg Building By-law*. We will explore this issue in more detail later in this section of the report. The lack of timely follow-up is also due in part to not enough staff available to perform all the required inspections which will be further discussed in the *Human Resources* section of the report.

We found that over the past three years there has been an increase in the number of defects identified with non-residential permits by the Commercial Inspections Branch, particularly in plumbing and mechanical (see Exhibit 14). We

found that inspectors are doing their jobs in detecting deficiencies, we also found that the Division may need to do a better job at educating and informing the public and the industry of by-law and code changes. For example, in the case of the significant increase in mechanical defects identified from 2006 and 2007, the Branch was unable to determine the reason for the increase in defects.

Exhibit 14



The Division must take measures to ensure all work performed under a permit receives the appropriate inspections in a timely manner. Proper enforcement, through education, issuing formal notices, issuing monetary penalties and prosecution must occur to ensure the Division will achieve its key goals efficiently and effectively. While we acknowledge that some of these issues are due, in part, to insufficient staff and permit holders not initiating inspections. The growing level of non-compliance is at least partially due to the fact that the Division is not consistently enforcing the building by-laws and codes.

Enforcement needs to be better managed

Although the Division has identified that risks related to the lack of enforcement exist and they have sufficient enforcement mechanisms in place, they have not been able to manage the process and increase the consistency and effectiveness of enforcing compliance with the building by-laws and codes.

The three main issues we identified regarding enforcement include:

1. Inconsistent enforcement by inspectors
2. An ineffective process to initiate enforcement
3. No formal tracking and monitoring of all enforcement activities

<u>Inconsistency with issuance of penalties and enforcement of the code</u>

Through discussions with Division staff and members of the industry we discovered that inspectors are not consistently enforcing the by-laws and codes. Members of industry we interviewed indicated that the level of inspection and area of focus (i.e. plumbing, electrical or structural) can be different depending on the inspector. This translates into some inspectors finding different or more defects than others. This is especially the case with Housing/ Existing Buildings

inspectors because they are multi-disciplinary versus the Commercial inspectors which are specialized in each area. You would normally expect an inspector to focus more on an area where they have specific expertise in. However, from the permit holder's perspective, it is also reasonable to expect that the building codes and by-laws will be enforced consistently, regardless of the inspector's primary expertise. This type of inconsistency serves to undermine the value of the inspection process to the permit holder and property owner and ultimately may dissuade potential permit applicants from applying for a permit at all.

We found that the rate that formal by-law violation notices and monetary penalties are issued when defects or work without permits are identified varies by inspector. Overall, we also found that the number of notices and penalties issued is not as high as we expected given the estimated level of non-compliance estimated by both Division staff and members of industry. The inspector's experience on the job and the past experience the inspector has had with the builder can affect the type and frequency of enforcement mechanisms applied. In addition, we noted inspectors are reluctant to assess penalties if a permit application is in place and they determine the permit is being held up at least in part due to delays in the plan examination process.

Lack of formal guidance contributing to inconsistencies in enforcement

Currently, guidance regarding when and how to enforce the building by-laws and codes is primarily provided through on the job training. The building by-laws and codes are also used as guidance when determining when to enforce the building by-laws and codes. We identified a lack of documented formal policies and procedures outlining guidelines that inspectors should follow when enforcing the by-laws and codes and when assessing penalties. Ultimately we determined that the lack of documented guidelines and policies have contributed to the inconsistencies in enforcement between inspectors.

Primary responsibility for enforcement has been delegated to inspectors. Inspectors are required to use their judgment when deciding when and how they will enforce building by-laws and codes. The issuance of the violation notice or a monetary penalty becomes a judgment call made by the inspector rather than guided by Departmental or City policy. Branch management only becomes involved with decisions on enforcement if the inspectors bring the issues to their attention or complaints are received by permit holders or property owners.

We acknowledge that inspectors are typically very experienced in the application of building codes and by-laws. Based on this experience, delegating a certain level of judgment with respect to enforcement is both warranted and desirable. However, without proper formal guidance on when penalties should be given and formal notices issued there is a real risk that there will be inconsistencies in the application of mechanisms of enforcement. Formal guidance on the application of the mechanisms of enforcement will help ensure that enforcement is transparent and consistent throughout the Division.

Recommendation 2:
We recommend that the Division develop enforcement guidelines that provide decision criteria with respect to the utilization of various enforcement mechanisms. The enforcement guidelines should also clearly outline the parameters where the inspectors have authority to use judgment.

Management Response
We agree with the recommendation. The Department is committed and has started a process for the creation of material for training and developing enforcement procedures for more consistency in the area of enforcement by the second quarter of 2011.

Process to initiate Residential inspections is not effective
As of December 31, 2008 there were 35,718 residential permits open and awaiting at least one inspection. It could be either a first inspection, re-inspection if defects were identified, or a final inspection. This indicates that a significant portion of residential building construction is not being inspected on a timely basis or inspected at all.

Furthermore, we reviewed a total of forty permits issued in 2008, twenty of which were residential permits. Out of the twenty permits reviewed thirteen permits where for new home construction. We identified that as of May 2009, eleven of the new home permits had not had the final inspection conducted. In four of the cases, the inspector identified the home as being occupied and therefore no final inspection was conducted.

This backlog has been created in part due to the process which relies on the applicant contacting the inspectors once construction is ready for an inspection and once defects have been corrected. A permit is not closed until all the required inspections have been conducted and any deficiencies identified are corrected.

We did not identify any processes or guidelines in place suggesting timeframes for when issues of non-compliance should be followed-up. These decisions are up to the inspector to make and there are no procedures or guidelines which require the inspector to contact the applicant to ensure they are correcting the deficiencies.

Given the increasing backlog, we believe processes need to be established in order to address the backlog and to keep up to date with the inspections. We acknowledge that there is a need to hold the permit holders responsible for contacting the Division when their work is ready to be inspected and we support this in general. However, there are two situations in which we feel the Division has an obligation to contact the permit holder to assess the progress of the work required under the permit. The first is when a serious deficiency is noted. If the Division has not been contacted by the permit holder within a reasonable timeframe after the deficiency was noted we believe that in the interest of ensuring safe, healthy and accessible buildings, the Division is obligated to

perform some follow-up action. Secondly, if a permit holder has not contacted the Division within six months of the permit approval date to arrange for an inspection. At this point it is reasonable to expect that the work has been performed without the required inspections and it should be followed up by the Division. If work has not been started within the six month period, this would cause the permit to expire in accordance with Section 14.1.3 of the *Winnipeg Building By-law*. The Division should issue a warning to the permit holder that their permit will expire if they have not commenced work, or if they have commenced work that they need to schedule an inspection.

We identified that the current practice of holding the permit holders responsible for initiating the inspections is consistent in all the jurisdictions we reviewed. However, we believe that since it is the City's obligation to ensure safe, healthy and accessible buildings that are in compliance with the applicable codes and by-laws that the Division has a responsibility to follow-up on situations where there are known violations or suspected violations.

Recommendation 2a:
We recommend that the Division establish formal procedures for follow-up in situations where there are known violations or where permits are approaching the end of their term (i.e. six months unless original term has been extended by the Division). Priority should be given to developing these procedures in the Housing/Existing Buildings Branch.

Management Response
We agree with the recommendation. The Department, in conjunction with actions taken for recommendation 1b is in the process of developing a process to address permits with no activity by the fourth quarter of 2010.

Tracking of non-compliance and enforcement information needs to be improved
We were unable to definitively determine the extent of the issues surrounding compliance because of a lack of information on enforcement maintained by the Division. Except for the number of defects found and the information maintained by the Enforcement Coordinators, the Division does not track or review information regarding the levels of non-compliance or use of the enforcement mechanisms. We were unable to determine the number of times a violation notice, verbal or written, had been issued, as well as the number of times a monetary penalty was issued. The Division does not track the number of violation notices issued as well the Division does not record the amount of monetary penalties assessed and collected separately from the total fees that are collected from applicants in either the Amanda system or the PeopleSoft system.

With the lack of processes to record, track or review this information, it is impossible for the Division to review and monitor the level of non-compliance with the building by-laws and codes as well as track their Division's effectiveness in enforcing these building by-laws and codes. Without adequate information the Division can not identify where possible inconsistencies in enforcement exist within the Division and what trends in the areas of non-compliance issues are occurring.

Recommendation 2b:
We recommend that the Division formally track and report on its enforcement activities, which include the number of violation notices verbal and written, stop work orders, and the number of monetary penalties assessed.

Management Response
We agree with the recommendation. Through the Permits X-Press process the Department will continue to work with industry to develop formal reports on the enforcement activities agreed on though our discussions with the Industry Advisory Committee by the first quarter of 2011. The Department will also continue to improve recording of enforcement activities.

Resources

In order to be able to accomplish its goals the Division must have adequate resources at its disposal and processes in place to ensure they are well managed. We reviewed the adequacy of the financial, human and information resources in the context of ensuring they were adequate to meet the Division's goals using the current strategy. The current strategy is to provide a full review and inspection of all permit related work. We found, in general, that the Division is moving towards full-cost recovery, thus ensuring adequate resources exist to meet current service levels. However, the current service levels are not meeting expectation and the desired service levels can not be achieved with the current staff complement unless significant changes to the processes and/or strategy are made. We also found that the Division does have a very powerful information system at its disposal that can satisfy most if not all of the Division's information needs but it needs to be fully utilized for the management of non-residential permits and should be better used for performance management related activities.

Financial resources

Fee structure to allow for the full cost recovery of the Service
In 2000, Council instructed PP&D to move from recovering only fifty percent of the costs associated with delivering the Development Approvals, Building Permits and Inspections Service to full cost recovery. This meant the Service would no longer be tax supported. PP&D has undertaken several measures to help ensure that service fees are fair, transparent and sufficient to support the desired level of service over both the short and long term. Over the past nine years, PP&D has performed a comprehensive review of the City's fee structure that resulted in the wider use of the service index method in 2004. The adoption of the service index method makes the fee structure fairer and more consistent with other cities. PP&D also has reviewed the fees structure three times with corresponding recommended increases in 2008 of 21% and in 2009 of 11% to ensure the service is sustainable. The Department recommended the creation of a Permit Reserve Fund to address potential fluctuations in fee revenue due to changes in the mix and level of permit activity.

The Division has been adjusting fees to reflect the full cost of the service

Planning, Property and Development (PP&D) has the authority to make recommendations about the building fee structure. When determining a fee structure that is full cost recovery PP&D must first ensure that the fee revenue will cover the costs to deliver the service. They must also ensure that the fees remain comparable with other jurisdictions to prevent any barriers to development activity in the City. Finally, they have to ensure the stability of the fees as the industry would not support frequent significant changes to fees.

We found that at the Service level the Division is moving towards full-cost recovery. However, we had to limit our analysis to the Service level as there has been no detailed cost analysis performed for each fee charged to date. We also had to limit our analysis to costs associated with the Development and Inspections Division. We reviewed the adjusted net income, defined as the Total Division revenue net of transfers to and from the Permit Reserve Fund. The table below indicates that up until 2008 the fees were not sufficient to cover the costs of delivering the service (see Exhibit 15). Adjusted building fee revenue exceeded adjusted expenses by $1.06 million for the first time in 2008. Our analysis only included the costs associated with the Development and Inspections Division within the Planning, Property and Development Department and did not include the costs associated with providing the service incurred by Water and Waste and Public Works and other branches within PP&D. Prior to 2009 these costs have not been allocated to the Development Approvals, Building Permits and Inspections Service to allow us to quantify and include in our analysis. If these costs were included the City still may not be recovering its full costs of delivering the service.

The City also has experienced a significant increase in the level of permit activity over the period of 2004 to 2008 (10% increase), which is likely not sustainable, especially given the current state of the economy. Should the level of permit activity decrease it would result in a decrease in development and building fee revenue, unless the fees increase.

Exhibit 15

	2004	2005	2006	2007	2008
REVENUE					
Adjusted Total Revenue	$ 8,569,770	$ 8,801,135	$ 9,943,033	$11,036,588	$12,110,492
EXPENSE					
Adjusted Expenses	10,503,087	10,542,165	11,195,011	11,292,460	11,055,287
Adjusted Net Income (Expense)	$(1,933,317)	$(1,741,030)	$(1,251,978)	$ (255,872)	$ 1,055,205

Source: PeopleSoft GLBT Reports (DeptIDs 631401 to 631407)

PP&D has conducted a similar analysis to ours in their most recent Building Fees By-law Review report dated February 9, 2009. The analysis showed that, without the 11% increase for 2009 they were forecasting a deficit of between $1 million to $1.98 million for each of the years 2009 to 2011 would occur for the Development Approvals, Building Permits and Inspections Service. We noted that their financial analysis of the reorganized Development Approvals, Building

Permits and Inspections Service included approximately $2.9 million in additional net costs for 2009. These costs are from other PP&D divisions (primarily Planning and Land Use and Property and Information Systems) and Public Works staff responsible for development and permit work. These cost allocations were made to more accurately reflect the costs of delivering the service for 2009 and beyond. We noted that it still does not include costs from Water and Waste that are a part of the development approvals, building permits and inspections process.

Planning, Property and Development is taking some positive steps to ensure that the service is sustainable. They have performed a high level analysis of their revenues and expenses and have asked for fee increases in each of the past two years. This is to ensure that their costs of providing the services are fully recovered and at the same time keeping the fees comparable with other jurisdictions. We do note that for the 2009 operating budget, PP&D did include costs from other branches within PP&D and other City departments. However, PP&D has not sufficiently analyzed the specific costs of providing each deliverable they offer to their customers. This analysis was supposed to be completed by December 2008 but has not been competed to date due to shift in priorities and a lack of staff resources. Once a full costing of each product and service is performed then and only then can PP&D make informed recommendations to Council about the future fee structure. This analysis should be completed and include the costs incurred by all the other City departments that play a part in the delivery of the Development Approvals, Building Permits and Inspections Service. PP&D will likely find that some services are subsidizing other services and that may be acceptable from a policy perspective. We noted that from the information contained in the 2009 – 2011 Service Based Operating Budget that this appears to be the case. The Non-Residential revenues appear to be contributing more to cover the costs of delivering the service than Residential revenues. In fact, there is a surplus for Non-Residential permits and inspections in those three years ranging from $793,000 in 2009 to $213,000 in 2011 while there is a shortfall for Residential permits and inspections ranging from $1.8 million in 2009 to $2.2 million in 2011 indicating that the Non-residential building fees subsidize the Residential services.

Recommendation 3:

PP&D should complete a full costing of services (i.e. residential permits, non-residential permits, occupancy permits, etc.), which includes the costs incurred by Public Works and Water and Waste in delivering the service.

Management Response

We agree with the recommendation. The Department has initiated a full costing of services related to permit activity as part of the Service Based Budget process. The Department will evaluate to what extent it is feasible to include the full costs incurred by other departments in the provision of building permits and inspections services within the Service Based Budgeting model. We will complete this review by the third quarter of 2010.

Recommendation 3a:
Once the full costs of providing these services are known, PP&D should review the fee structure and recommend to Council any policy changes that may be required regarding the setting of Building Fees.

Management Response
We agree with the recommendation. The Department has yearly reviews of the fees on the Service Based budget and has adjusted fees in the last two consecutive years. The Department will continue to review and update fees as part of this process.

Fees are comparable with other Canadian cities
We found based on the review of a report issued by Planning, Property and Development's in March 2008, that the City's development and building fees are amongst the lowest of eleven Canadian included in a survey of Canadian cities that use the service index to set fees. The City of Winnipeg also primarily uses the Service Index method in determining the fees.

The review conducted by PP&D compared charges for similar services for Building Permits and Land Development Approvals in the following eleven Canadian cities:

Hamilton	Regina	Brampton
London	Edmonton	Markham
Toronto	Vancouver	Calgary
Ottawa	Saskatoon	

The Service Index method provides greater equality, simplicity and consistency concerning the application of fees for both private and public sectors. Under this model, the fee charged is based on three factors:

1. the type of building being constructed (based on a National Building Code classification);
2. the size of the building; and
3. whether the construction will leave the building finished or merely a shell.

Three specific areas were reviewed, in order to determine if Winnipeg's charges for services provided were comparable. The three areas covered were as follows:

1. Planning and Development Fee Comparison
2. One and Two Family Building Permit Fee Comparison
3. Commercial Building – "Service Index" Comparison

The review showed that fees in Winnipeg for building permits, land development approvals and planning services are considerably lower than other cities in many instances. The Planning and Development and the One and Two Family Building Permit Fees in particular were notably lower in Winnipeg as compared to

other cities across Canada. The Commercial Building Fees were at about the median.

Process for determining the cost of services needs to improve
We found that PP&D does have a process in place to ensure that fees charged for services cover the department's costs at the Division level. However, we noted that currently PP&D does not have a process in place to determine the cost of each deliverable in the *Building Fees By-Law*. PeopleSoft is a very powerful accounting information system and can be set up to capture these costs at a cost-centre level. To date, PP&D has lacked the resources to undertake such an allocation of costs to specific services offered.

PP&D also does not have a process in place to capture the costs of the resources used in other City Departments' in the delivery of the Development Approvals, Building Permits and Inspections Service. As previously mentioned in our report PP&D committed to perform a full costing of their services at a detailed level in a February 17, 2008 report. The detailed costing will include land development and approval activities carried out by the planning service in Public Works. We certainly encourage PP&D to continue in their intended direction but also challenge them to include all costs from all City departments that are involved in the delivery of the Service. Without a complete understanding of the actual costs of delivering a particular service it is very difficult to ensure that the service is being provided efficiently. Without an established process and costing methodology the full costs of providing a service may not be captured. Without full costing it will be difficult for PP&D to be transparent about the costs to deliver the service. Transparent cost information is required to support and justify the fees charged for the service.

Recommendation 3b:
PP&D needs to establish a process for capturing and compiling detailed costing information of the Development Approvals, Building Permits and Inspections Service which is inclusive of all departments that assist in providing the service. The total cost to deliver the service needs to be transparent to enable the Department to support the fees charged to provide the service.

Management Response
We agree with the recommendation. The Department is currently working with Corporate Finance to better reflect accounting of fees collected as part of the Service Based budget, with a focus on development related fees. In conjunction with actions taken to address recommendation 3, the Department will evaluate to what extent it is feasible to capture the full costs incurred by other departments in the provision of building permits and inspections services within the Service Based Budgeting model. We will complete this review by the third quarter of 010.

Prudent use of the reserve should ensure sustainability over the longer term
The Division's ability to manage the bottom line is made more difficult by the fact that the fee revenue is variable in nature and depends on the level and types of permit activity in any given year, but the Division's expenses are relatively fixed

in nature. Given the fact that the permit volumes for 2005 to 2008 are higher than the historical average, basing pricing decisions on this level of permit activity could lead to a deficit in years where the level of permit activity is lower than the base year selected. The challenge in setting adequate fees is to select a truly representative average permit mix and activity level to base the fees on.

Because of the difficulty in estimating the level and mix of permit activity in any given year the actual revenue received from development and building fees can fluctuate considerably potentially leaving the Service with a large surplus or deficit. To address this issue, in February 2007, at the request of PP&D, Council established the "Permit Reserve Fund" to maintain specific program needs and provide budgetary stabilization by using the reserve to mitigate revenue shortfalls in development and building fee revenue in any annual operating budget cycle. In the creation of any reserve there always remains a risk that in times of budget restraint these funds will be used to offset other unrelated budget shortfalls. Recommendation 1(d) of the Establishment of a Permit Reserve Fund report specifically allows for this on reserve balances greater than $3,000,000. This presents two problems. One being that the development and construction industry is less likely to support future fee increases if they feel that any excess funds will be used to address the City's other unrelated budget shortfalls and not be used for process improvements to the Development Approvals, Building Permits and Inspections Service. Secondly, sufficient funds may not be available for normalizing revenue in periods where the level of permit activity is lower than the average used to base the fees on resulting in a budget shortfall. Any excess reserve funds should be used for service improvements or to reduce fees.

Recommendation 3c:
The Fund manager should ensure that the use of Permit Reserve Fund is restricted to stabilizing development and building fees and to support the delivery of the Development Approvals, Building Permits and Inspections Service. Any excess reserve funds should be used to make service improvements or to allow for a reduction in fees.

Management Response
We agree with the recommendation. The Fund has been created for that purpose and the department will review the policy and determine if additional policy changes are be required in order to develop clear guidelines on its use by the second quarter of 2010.

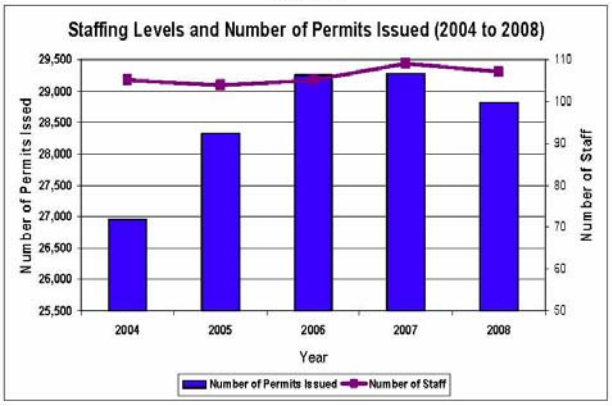
Human Resources

The Division currently does not have enough staff to effectively carry out the current service delivery strategy
We believe that the Division currently does not have enough staff to carry out its current service delivery strategy effectively. The current strategy of reviewing all the permit applications in detail before a permit is approved and ensuring all the permit activity is subject to inspections before a permit is closed is simply not achievable with the current staffing levels. The effects of the shortfall have

resulted in the increase in backlogs and a decline in the level of service provided to the public.

Over the past five years, the Division's staffing levels have remained relatively stable while at the same time experiencing an increase in permit activity putting a strain on existing resources (see Exhibit 16).

Exhibit 16

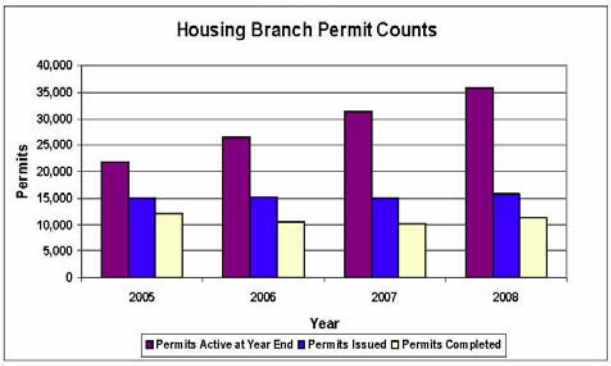


The Division has taken some steps to address this strain on resources. During the busier construction season from May to October we noted that the Zoning and Permits, Plan Examination and Inspections Branches do have some flexibility in resources. They are able to and regularly do hire additional seasonal workers. These are primarily summer students for the clerk level positions, engineering and engineering technologist students for basic plan examination work and retired workers for the more senior inspections and zoning officer positions. This is usually accomplished through existing budget and vacancy management. These measures do not always provide extra capacity but allow the service to cover for staff vacations. From the interviews we conducted, although management has found this measure to help, they still find that the staff routinely work overtime during these months. Excessive or prolonged overtime can cause staff to "burnout" and can contribute to a reduction in efficiency and effectiveness.

<u>Housing/Existing Buildings Inspections Branch is not adequately staffed</u>
With the increase in activity in the construction industry over the past few years and the increase in permits issued, the Housing/Existing Buildings Branch has experienced a strain on resources and as a result it is now has a backlog of 35,718 open permits at the end of 2008. The number of resources in the branch is insufficient to handle the demand and the branch has not hired additional resources due to budget restraints.

As mentioned in a previous section there are over 15,000 new residential permits requiring inspection work being added each year and the Housing / Existing Buildings Inspections Branch only has a capacity of completing approximately 10,000 to 12,000 permits based on the their historical productivity level (see Exhibit 17). This represents a structural capacity deficit of at minimum 3,000 permits per year. At the current productivity level we calculated that the branch would have to hire an additional thirty-nine inspectors to eliminate the current backlog within a year and would have to hire four inspectors on a full-time basis to address the annual backlog. This is clearly not feasible as it would quadruple the number of residential inspectors over the next year and would represent a 25% increase in staff on an on-going basis. The building permits and inspections service is not able to keep up with the current demand and as a result permitted work is being performed without adequate inspection and higher risk code infractions are not being followed up on a timely basis. This capacity deficit will not go away in the near future. To address this, the Division must look at ways to reduce the number of new permits coming in to the system, or the number and extent of inspections required for each permit or a combination of the two.

Exhibit 17



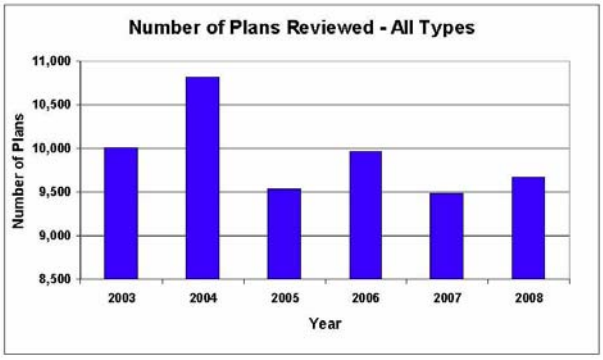
Plan Examination Branch is currently understaffed

Plan examination is a critical function in the permit and inspections process. It is the part of the process that can directly impact how quickly a permit is granted to an applicant. As mentioned in a previous section, the time a plan is waiting to be reviewed and the speed in which it is reviewed is increasing. This translates to longer wait times for permits.

The Plan Examination Branch's ability to process permit applications in a timely manner is impacted by four factors. One factor is the total number of plans the branch must examine each year. The number of plans reviewed has decreased from 2004 levels which you would expect to result in a reduction of the demands on the resources in the Plan Examination Branch (see Exhibit 18). However, even though the number of plans examined may have reduced the complexity of these plans may have increased. We previously noted that the city has a few major complex commercial projects (e.g. construction of a new airport terminal

and a new downtown head office for Manitoba Hydro). A second factor is number of incomplete applications that the Plan Examination Branch has to deal with. It may be that staff have to deal with a higher percentage of incomplete permit applications. Unfortunately, the Plan Examination Branch does not track this information so we are unable to determine if the submission of incomplete permit applications is a growing problem.

Exhibit 18



The third key factor is the number of code deficiencies found on building plans through their plan review. Plan examiners have noted that as projects become more complex and incorporate more design-build construction (Design-build construction is to start a partial design to allow construction to proceed then finalize design to allow construction to be completed), application of the code by designers becomes more challenging which often leads to misapplication of the code thus code deficiencies. Plan examiners have also noted from their experience that an increasing amount of time is spent trying to address these code deficiencies with designers.

The fourth key factor is the number of staff. The number of plan examiners has decreased over the last two years (see Exhibit 19). This reduction in resources has resulted in a reduction in the Branch's capacity. The reduction in staff is due to unfilled vacancies in three plan examination areas (Structural, Mechanical and Building/Fire Protection)

Exhibit 19

	2004	2005	2006	2007	2008
Number of Plan Examiners	14	14	14	13	11

Further analysis indicated that the number of plan examinations performed per staff in 2008 was 879 versus 772 in 2004. This represents a considerable productivity increase over the average of 755 for the period 2004 to 2008. However, this increase in staff productivity is not enough to offset the loss in staff. This is evident by the increasing wait and examination times. Plans waiting more than two weeks have increased by thirty percent. Clearly the current situation is not sustainable or desirable.

Zoning and Permits staff not able to address issues proactively

Zoning and Permits office staff are able to meet the current demand with additional summer resources and overtime. However, they are not able to follow-up on outstanding or open applications. These open applications may involve work that is being done in contravention to the by-law or applicable codes. At minimum, these open applications represent monies owed to the City for services already performed in processing the application.

The Zoning Field Officers we interviewed told us that they have little if any time to perform proactive enforcement activities and instead rely mostly on reactive measures such as responding to citizen complaints.

Recommendation 4:

We recommend the Division review their service delivery strategy and determine the level of service they want to provide and adjust the staffing levels accordingly to be able to provide the determined level of service. If staffing levels cannot be adjusted, the processes and strategy of the Division should be amended to adjust to the level of service that the can be offered with the available staff resources.

Management Response

We agree with the recommendation. The Department, in conjunction with actions taken to address recommendations 1, 1a and 1b, commits to develop a service level consistent with staff resources through discussion with industry as part of Permit X-press by the second quarter of 2011.

Lack of Succession Planning

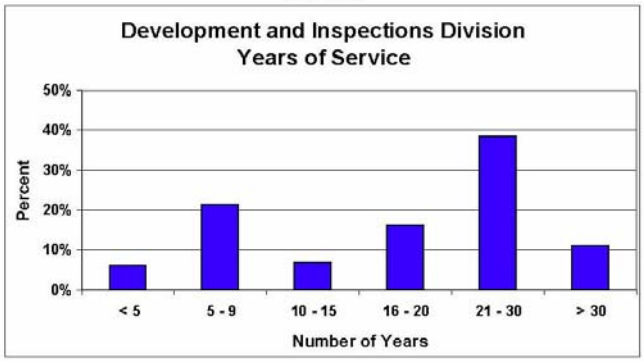
In general, Division staff are required to have considerable experience to be qualified for most positions. We found that inspectors with the City are required to be journeymen in their specialized trade or have their Certified Engineering Technologist designation plus an additional five to ten years of experience in the field. Housing Inspectors, once hired on by the City, are required to complete additional training allowing them to inspect all three trades: electrical, plumbing and building, plus the inspectors should complete approximately six months of job shadowing with another inspector. Newly hired housing inspectors spend approximately one year in additional training before they have the complete knowledge base and experience to conduct inspections thoroughly on their own.

All plan examiners are required to be either a professional engineer or civil engineering technologist. The lead plan examiner in each area (structural, electrical, and mechanical) is required to be a professional engineer in their specialized area. The employees in the branch are kept up-to-date on all by-laws and national and provincial building codes.

Zoning and Permits staff typically progress through the branch's different roles. Clerks typically progress to Permit Technicians and Permit Technicians progress to Zoning Officers which helps ensure experienced staff are available to fill more senior roles as they become vacant.

The Division has a large percentage of senior, experienced and knowledgeable employees that have been with the City for years and have developed relationships with the builders, contractors and developers within the City (See Exhibit 20).

Exhibit 20



Upon an analysis of the number of years that all the current employees have been with the City of Winnipeg, we determined that out of the 107 employees, 72% of the employees have greater than fifteen years of experience, with the Commercial Inspections Branch having the greatest amount of experience. In Exhibit 21, the percent of employees that have been with the City for greater than fifteen years is broken down into the four Branches.

Exhibit 21



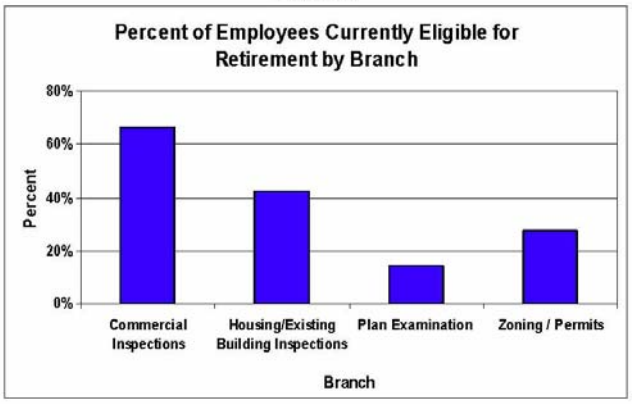
Over time, the zoning and permits staff, plan examiners and inspectors have developed relationships with the different builders, contractors and developers within the City. It is through these relationships that staff have developed a level of knowledge related to each professional, builder, contractor or developer's type

and quality of construction. This base of knowledge has contributed to the development of a number of efficiencies within the Zoning and Permits Branch, Plan Examination Branch and the Inspections Branches such as the ability to review the applications, plans or inspect a building using a risk-based approach. They are aware of where the issues may arise due to their past experiences which a certain professional, developer or builder. In addition they know the type of responses they will get from the different applicants if deficiencies or issues are identified with the plans or inspections. Within both the Commercial Inspections Branch and the Housing/Existing Building Inspections Branch, an example of an efficiency that has been developed is the ability for inspectors to advise specific builders and contractors to cover up their work without an inspection. These decisions are made based on the inspector's experience with that builder or skilled tradesperson and the type and severity of the deficiency identified.

Although the knowledge and experience of the Division staff is an asset, there are risks that exist with a workforce where the majority of employees have been in their positions for over fifteen years and may be eligible for retirement. One of these risks is that unless there is a system in place to capture this institutional knowledge it may be lost when the employee retires. Another risk is that the processes currently in place may be suited to more experienced employees and may not be effective or efficient for less experienced employees.

Of the 107 employees involved in the building permit and inspections process, 39% are currently eligible for retirement and could retire this year. The branch with the most number of employees, who are eligible for retirement this year, is the Commercial Inspections Branch with 67% followed by the Housing/Existing Buildings Inspections Branch with 42% of employees currently eligible for retirement (see Exhibit 22).

Exhibit 22



As of June 2009, the Commercial Inspections Branch will lose two Chief Inspectors to retirement as well as see the elimination of the Branch

Administrator role. Vacancies in these leadership roles could have a significant impact on the operations of the Branch.

To further increase the importance of this issue is the fact that changes are occurring within the Commercial Inspections Branch with the implementation of Amanda. Currently, all commercial inspections are being recorded manually and with the implementation of the new technologies to the branch, new skills and knowledge will be necessary and staff will require additional training. The challenge will be to coordinate and implement the necessary training programs to ensure a successful implementation and adoption of the new process. However, it is possible that with the introduction of the new technology a number of the staff members will pursue retirement from the City. Depending on the number of individuals who choose to retire at the same time, the impact on the services provided by the Commercial Inspection Branch could be significant. With a significant decrease in the staffing levels, the level of service provided would decrease, ultimately creating a backlog within the Branch. Resources would need to be put towards recruiting and training new inspectors providing a further strain on resources and service levels.

Currently there is no formal plan in place to address these potential succession planning issues.

Recommendation 4a:
We recommend the Division develop a succession plan to deal with the significant number of retirements expected in the near future. A strategy to effectively retain and recruit the employees with the necessary skills should be given priority.

Management Response
We agree with the recommendation. The Department is currently in the process of developing succession plans in all of the branches in conjunction with the creation of training and procedures manuals to address recommendations 2 and 4c. We anticipate that this will be completed by the second quarter of 2011.

Plan Examination Branch's difficultly in maintaining a full complement of staff
The Plan Examination Branch is having a difficult time recruiting senior level plan examiners. Currently, the Branch has three vacant senior level engineer positions, two of which they have been unable to fill for approximately two years. The Branch has been unable to recruit and retain qualified engineers due, in part, to the level of compensation offered compared to the industry and other levels of government. In one example, a senior plan examiner was hired by another level of government for a job with less responsibility but a pay increase of approximately twenty percent. Although this issue is being addressed partially with the new WAPSO collective agreement, the Branch continues to have a difficult time recruiting and retaining qualified employees.

Current work environment may also lead to difficulty in retaining and recruiting staff

At the current staff levels there is a significant amount of overtime worked. This overtime is usually focused on the busy construction season. While the use of overtime for short periods of time is an effective strategy for managing costs, if it is allowed to become excessive it starts to impact an employee's work life balance and performance and job satisfaction levels will ultimately suffer.

We noted, from our interviews, that Division employees are under a considerable amount of stress related to the fact that they are constantly "playing catch-up". This feeling of never being able to get ahead can significantly impact the work environment in terms of being a demotivator. Employees faced with never being able to keep up with the demand may eventually stop trying and disengage. These employees are in the front line service roles and it is in the City's best interest to have motivated and engaged employees working directly with our citizens. Only then, will they work together to continue to make improvements to the process.

Staff also have to regularly deal with the growing customer dissatisfaction due to increased wait times for both plan examinations and inspections. This coupled with an inability to change the current situation can lead to increased stress and growing job dissatisfaction.

Finally, we found that at the supervisory levels of the Division that staff are not able to perform other duties that are more value added because of the chronic need to address the day to day workload related issues. These other duties include proper supervision and mentoring of employees, succession planning, proactive enforcement activities and business process analysis.

All the above factors, taken independently or together can have a considerable negative impact on the work environment. This deterioration in the work environment can significantly impact the Division's ability to retain and recruit employees.

Recommendation 4b:

The Division should take the necessary measures to improve the work environment within the Division to ensure they are a workplace of choice. Some of these measures would include ensuring the City's total compensation package is competitive and ensuring a healthy work life balance.

Management Response

We agree with the recommendation. The Department is committed to ongoing review of compensation and improving the overall work environment with a focus on creating a healthy work life balance.

Procedures and training manuals need to be established for the Inspections and Plan Examination branches

We found that the City inspectors require a significant amount of knowledge related to the procedures for the permit and inspections processes as well as the

experience to make "on the job" decisions. A majority of the training each plan examiner and inspector has received has been through their experience on the job. This knowledge and experience is not documented in procedure manuals and as such there is a risk that it will not be transferred effectively or efficiently to the new inspectors that succeed them.

We noted, with a few exceptions, that the Division is able to maintain a highly qualified staff through the hiring process. Overall, we found that there were minimum experience requirements and there was a natural career progression within each branch that allowed staff to gain necessary experience before taking on an increased level of responsibility. However, we found some limitations with the training program. On the job training is used primarily for updating staff's knowledge. This can be problematic given the current workload. Staff are more concerned about addressing the workload than receiving additional training. The Division also does not have up-to-date training manuals and has little documented guidance. Any training documentation that does exist is usually in the form of checklists used for performing specific tasks.

The lack of documented guidance and training manuals increases the risk the customers will be negatively impacted during the time when new staff are hired to replace retiring inspectors. The impacts to customers could be lower quality inspections and/or inspections that take longer to perform and inconsistencies in enforcement actions taken. Documented guidance provides new inspectors with the ability to refer to an up-to-date policies and procedures manual to assist them in the performance of their duties. Internal training, in the form of code updates, is provided, however training regarding the "judgment calls" made in each branch is not formalized. As well past experience with builders and contractors that includes the types and frequency of deficiencies identified are not documented. Manuals providing and outlining guidance are not provided for plan examination or the inspection processes. Informal guidance is typically provided through meetings and emails; however there are no formal guidelines documented.

The inspectors hold a wealth of knowledge and experience that will walk out the door. When new staff are hired the Division will need to ensure that the level of supervision and the training program and tools are adequate to ensure all new employees are properly trained and ready to perform their duties.

Recommendation 4c:
The Division should develop training manuals and guidance to prevent the loss of business knowledge that could be lost with the retirement of staff.

Management Response
We agree with the recommendation. The Department is committed to establishing training manuals through the use of Amanda and working closely with staff working groups in conjunction with actions to address recommendations 2 and 4a by the second quarter of 2011.

Supervision needs to be improved
Adequate supervision is a key component in a performance management system. It is crucial in ensuring performance at the Branch and staff level is

adequately monitored and that any issues that arise are followed up on a timely basis. The workloads in the Zoning and Permits Branch are managed by a process already established within Amanda to monitor the distribution of work and ensure it is distributed reasonably.

Within the Commercial Inspections Branch and the Plan Examination Branch, processes exist for managing and supervising staff. In the Housing/Existing Buildings Inspections Branch, departmental and city policies and directives regarding supervision have been created to assist and guide managers and supervisors with the supervisory function. However, in all four branches, employee reviews are infrequently conducted, criteria have not been developed to evaluate the performance of individual staff members and periodic reviews of inspections and plan reviews are not conducted. In Inspections, due to the constraints on the Chief Inspectors time, they will typically only review the inspectors work when requested by the inspector or when issues are identified by a permit holder. In the Plan Examination Branch limited supervisory processes are in place as the assigned supervisory staff are both plan reviewers and supervisors.

The supervisory roles are to be performed at the Branch Administrator level in each branch as well as, in Commercial Inspections and Housing/Existing Building, at the Chief Inspector levels. The chief inspectors do not spend much time supervising on a regular basis as they do not have enough time in their day to address all the tasks they need to perform. They try to supervise to the best of their ability and will occasionally touch base with the inspectors on site.

At all levels, supervision is lacking and a common compliant is that all their time is spent on day-to-day business and 'putting out fires'.

Overall there are insufficient processes in place within the Division to properly supervise the staff. The lack of sufficient supervisory processes exposes the City to risks that may result in an overall decrease in the quality of service that the City is able to provide. This includes inconsistent plan examinations and inspections, as well as an increase in complaints due to processes that are insufficient to handle the demand as well as complaints regarding the training of inspectors and plan examiners. With the increase in the work load and a decrease in staff, the potential risks that could arise from insufficient supervisory functions are not being managed by the Division.

Recommendation 4d:
We recommend supervision policies and procedures be established by the branch and division management. The role of every position in a supervisory function should be reviewed to ensure adequate time is allocated to effectively perform the supervisory duties. Division management should ensure this function is being carried out.

Management Response
We agree with the recommendation. The Department strives to have supervisors balance their time between daily business needs and general staff supervision but given existing supervisory resources this recommendation will be difficult to achieve.

Information Resources

The Division should fully implement the Amanda system
We found that the Division has a substantial amount of data that exists regarding each process within the permits and inspections function. With the exception of non-residential inspections, the majority of the performance information we found is available from Amanda, the information system used by the Division. Amanda is a very powerful information system, which to date, is still not being used to its full potential. PP&D has simply not had sufficient resources, financial and human, to make all the desired enhancements to Amanda. This includes the following:

- bringing the Commercial Inspections process into Amanda,
- improving reporting capability, and
- adding information fields to assist in determining processing and wait times in other City departments.

In addition to the information in Amanda, individual branches manually document other information, such as the number of inspections conducted by each inspector and the number of defects identified by each inspector. Most of the manual record keeping is performed in the Commercial Inspections Branch which is not currently on Amanda. The branch administrators and supervisors typically receive this information in its raw data form and use it, without any further analysis, to supplement their experience in order to manage the performance of their staff and branch. This was in part due to the limited time, if any, they had available to perform higher level analysis because their time was occupied with processing more difficult permits and inspections and other project work within the PP&D and the City such as the 311 Project.

We were able to obtain a considerable amount of performance related data from Amanda about the processes within the permit and inspections function. The performance data that is available through Amanda could be used by management to review and manage all processes and improve their effectiveness and efficiencies. We were able to analyze and determine the length of time a permit application takes to be approved and the length of time the permit is in the system, including the period of time that the processing of the permit is on hold.

The information in Amanda is segregated by process: Zoning, Permit Application, Plan Examination, Housing / Existing Buildings Inspections, and by Department such as Water and Waste and Public Works. The performance data available from the Amanda system is an essential component of performance management and would assist the Division in the management of the processes. Information regarding employee work loads, productivity levels, defect detection

rates and turnaround times is available through Amanda and would assist managers with the performance management function.

Our analysis of the performance data relating to each process in the Division led us to some of the following observations:

- The number of new housing/existing building permits exceeds the capacity of the Housing/Existing Buildings Branch by 3,000 to 5,000 permits per year based on historical productivity levels.
- There are significant performance differences in the number of inspections conducted and defects identified by each inspector in both Residential and Non-Residential inspections.
- There is an increasing backlog of housing/ existing building inspections.
- There is a decline in service levels in Plan Examination due in part to a shortage of staff.

We found only one instance (Five–Day Master and Engineered Plans) where this data was used or analyzed on a formal basis to establish performance targets and manage against these targets at the employee, branch or staff level. The Division has a very powerful information system at its disposal that is capable of providing the Division with ample performance information to assist the Division in ensuring its key goals are achieved efficiently and effectively.

Recommendation 5:
We recommend that the Division use Amanda for commercial inspections and that the necessary resources be allocated to accomplish this in a timely manner.

Management Response
We agree with the recommendation. The Department has implemented this recommendation and will follow-up with yearly monitoring and improvements.

Performance Management

Simply put, performance management includes activities to ensure that goals are consistently being met in an effective and efficient manner. Performance management makes it clear that being busy is not the same as producing results. It also makes it clear that training, strong commitment and lots of hard work alone are not results. The major contribution of performance management is its focus on achieving results – providing useful products and services for customers. Performance management steers our efforts away from busyness and towards effectiveness. It is a process which contributes to the effective management of individuals and teams in order to achieve high levels of organizational performance. It establishes a shared understanding about what is to be achieved.

A performance management system involves the following components:

- *Goals and strategies are established by management* - The goals and strategies describe what is to be accomplished by the individuals, and the

organization over a period of time. The goals need to be realistic and defined and relate to the overall purpose of the job.

- *A system in place to collect data* - In order to improve performance and evaluate the level of performance in relation to the goals that have been established, a system needs to be in place to collect the performance data that is produced by the individual employees, the team and the organization.

- *Regular measuring of the actual performance against the goals and strategies* - On a regular basis management should measure the performance produced by the division against the goals and strategies established.

- *Follow-up on targets that are missed* - When targets are missed, follow-up procedures should be developed and followed by management to evaluate the reasons for the variances and move to resolve them.

Performance management practices are not fully implemented within the Division. We found that the Division primarily manages performance on an informal basis utilizing the collective experience of the management group. We found a few areas where the Division is using performance information on a regular basis. The service based operating budget is one area that includes some performance related information. This information includes measures of inputs and outputs such as the number of plan examinations and inspections conducted on an annual basis. This information identifies trends and provides an overview of the Service's work load. However, it does not include targets for performance or service standards. The one area where the Division is currently using performance data and information to evaluate their performance against established targets is related to the initiatives stemming from the Permits X-Press initiative. On a quarterly basis, the Division prepares a report which identifies turnaround times specifically for the Housing Master Plans and Engineered plans as well as for the issuance of foundation permits. This performance information is compared to established goals.

Performance goals and targets need to be established and used to manage the Service

Development Approvals, Building Permits and Inspections Service's business plan clearly outlines the Service's purpose and the Service's key goals. We found these goals to be consistent with the requirements by the City of Winnipeg Charter. However, we noted no measurable targets or goals have been established to monitor the Division's progress towards achieving those key goals. Except for the Master Plan and Engineered Plans initiated through the Permit X-Press initiative, targets for performance have not been established at the Service, Division or Branch level.

Through discussions with Division staff we found that at the Branch level some general guidelines have been established that provide some guidance on performance expectations. The Housing/Existing Buildings Inspections Branch attempt to make high priority inspections within one day of receiving the request

as well a general goal of the Zoning and Permits Branch is to minimize the queues of people waiting to submit permit applications and to clear all walk up permit applicants in any given day. While these goals are a good start they are only guidelines and are not established goals. Goals such as minimizing queue length or streamlining the permit review process are not directly measurable. We are encouraged to report that the Housing/Existing Building Inspections Branch is currently looking into establishing service standards for inspection turnaround times.

The service standard established for the Master and Engineered Plans is to have the plans reviewed and approved within five days of the application date. This is a measurable goal and by monitoring the turnaround time every quarter the Division is able to report on their performance. Furthermore, the Division is able to make the necessary adjustments to the process to help ensure they meet this goal. Unfortunately, this represents a small part of the Division's business and we were unable to identify specific, measurable goals in any other area.

One reason for the Division's reluctance to establish performance goals and targets is the fact that the amount of work associated with each part of the permit application process (i.e. zoning review, plan review, and inspection) can vary considerably for each application. For example, for a permit for a packaged garage built by a professional, the application could be received and approved by a Permit Technician in the Zoning and Permits Branch and issued on the spot taking minimal time and involving only one person. A second garage permit application that was designed by a homeowner, the Permit Technician may need to refer the permit and plans to a Zoning Development Officer depending on how the garage is situated on the property. It may also be forwarded to a Plan Examiner to ensure that the plan is structurally sound and in compliance with the applicable codes. The first permit may require significantly less inspection time because it is being built by a professional versus the second example that is being built by an inexperienced homeowner.

Staff we interviewed are concerned that broad service standards will not accurately reflect the inherent differences in the processing of the different permits. We acknowledge that there are differences in the amount of time and level of effort required for each permit, but we feel it is reasonable to expect that over a month or a year that the Division could measure "average" processing times. These averages should serve as a reasonable base for establishing performance service standards and targets. At a minimum, service standards will serve as a starting point to identify where a problem may exist and where further analysis is warranted. In our jurisdictional review we found that the Ontario Building Code specifies service standards for complete applications ranging from 5 to 10 days for a house to 30 days for a complex building. Ontario has also specified that the service standards do not apply for incomplete applications.

The department does not monitor the status of plan submissions (i.e. complete versus incomplete plan submissions). This must be done in order to be able to assess performance and to determine of process time standards for complete plan submissions.

With the lack of performance standards and targets, the Division is unable to measure and evaluate the actual performance of the Service. Furthermore, the Division is unable to provide the customer with information on wait times to assist them in planning their work.

Recommendation 6:
We recommend that the Division establish measurable performance goals and service standards. These performance goals and service standards should be established to be used to evaluate the performance at the Service, Division, Branch and staff level. The service standards should also be communicated to the customer.

Management Response
We agree with the recommendation. The Department, in conjunction with Permits X-Press and industry, commits to institute new tracking to better gather information to better assess performance with the goal of establishing performance goals and measures and refine existing information gathering systems. We will focus on measures for permit activity and housing inspections first to be completed by the fourth quarter of 2010, followed by commercial inspections and ending with plan examination.

Monitoring of performance information should be improved
As previously mentioned, the Permits X-Press initiatives is the only area where measurable targets have been established, progress has been measured and reported and measures have been taken to address the issues. The primary mechanism for discussing performance related issues has been through the establishment of the Industry Advisory Group. This group is composed of representatives from the building community and the City who meet quarterly to discuss any performance related issues and strategies to address these issues through process improvements or better cooperation from the industry. The Industry Advisory Group is presented with quarterly performance information related to the Master Plans and Engineered Plans. The industry leaders we interviewed fully supported this forum to discuss issues they face.

Below is a brief description of the level of performance information monitoring and reporting that is done in each of the branches included in our review.

Zoning and Permits Branch
The administrator of the Zoning and Permits Branch does not formally track the workload distribution of staff. The focus is primarily on the management of the queue of applicants in the Application Centre for the permit intake function and ensuring a reasonable distribution of the work. There is no formal analysis of workload distribution and productivity of the Permit Technician or the Zoning officers on a monthly or annual basis. Performance data regarding the number of days plans wait to be reviewed and the average number of days to complete a plan review is available through Amanda and provides significant information for the Branch to use to improve the efficiency and effectiveness of the function.

Plan Examination Branch
The administrator of the Plan Examination Branch does not review or monitor any of the performance related data from operations other than workload distribution. Performance data regarding the number of days plans wait to be reviewed and the average number of days to complete a plan review is available through Amanda and provides significant information for the Branch to use to improve the efficiency and effectiveness of the function.

Housing/Existing Building Inspections Branch
The administrator of the Housing/Existing Buildings Branch tracks and reviews the following information: the number of days worked, total number of inspections conducted, type of inspection and number of defects identified and corrected. This information is collected on a monthly basis, along with the information regarding the number of permits assigned, completed and outstanding. However, we identified that this information was not being used to manage the performance of the Branch and was not being used to improve the efficiency or the effectiveness of the Branch or to attempt to manage the backlog in Housing/ Existing Buildings inspections.

We analyzed the performance related data provided by the Branch and from Amanda and we found differences in productivity levels between the different inspectors relating to the number of inspections conducted and defect detection rates. Upon follow-up, we determined that management is aware of each inspector's productivity level in general; however an analysis of the overall productivity of the Branch and comparing performance levels between inspectors is not currently being done. In addition, targets are not established to evaluate performance. They stated that they are in the process of establishing some performance goals and work standards.

Commercial Inspections
The Commercial Inspections Branch also records the number of inspections conducted by each inspector and the number of defects identified. However, this information is not reviewed on a periodic basis and is not used by management to manage the performance of the branch. The Commercial Inspections Branch is the only branch within the building permits and inspections process that is not using Amanda therefore the amount and detail of the information that is tracked in the Commercial Inspections Branch is limited.

In addition, formal processes need to be established to report to Department management on a monthly, quarterly or annual basis regarding the Division's performance with respect to the permits and inspections processes and services. With the implementation of performance management, it is important to ensure that the data and information for performance reporting is tailored to the users of the performance information, including Council and the public. This will ensure that the information provided to each user will better serve to inform the decision making process.

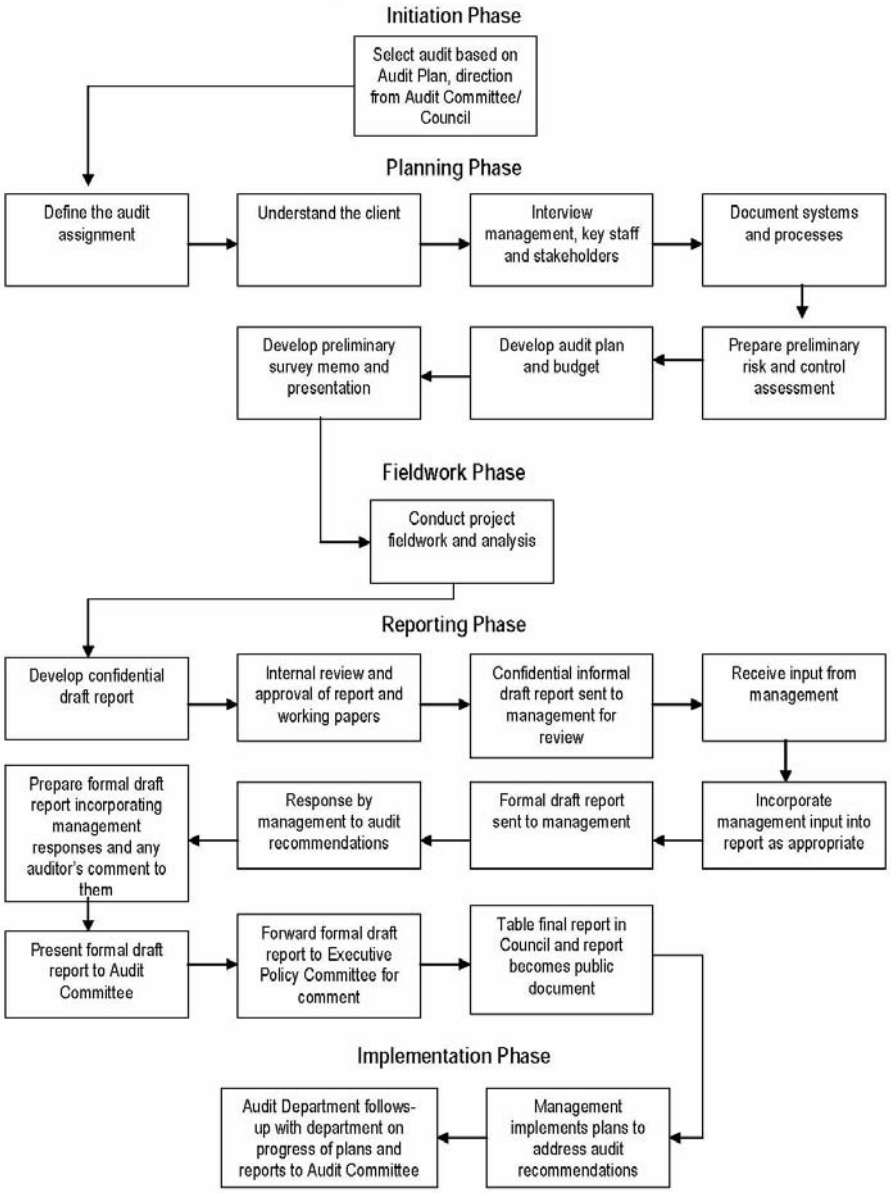
Recommendation 6a:
We recommend that the Division establish formal processes to track and review available performance information in order to improve the efficiencies and effectiveness of the Division and contribute to the decision making process.

Management Response
We agree with the recommendation. The Department, in conjunction with Permits X-Press and industry, commits to institute new tracking processes to better gather information to better assess performance with the goal of improving efficiencies and decision making processes by the third quarter of 2010.

Recommendation 6b:
We recommend that the Division establish formal processes to report to Department management on a monthly, quarterly or annual basis regarding the Division's performance with respect to the established performance goals and service standards for the permits and inspections processes and services. The performance information and the frequency of reporting should be tailored to each level of management.

Management Response
We agree with the recommendation. The Department, in conjunction with Permits X-Press and industry, commits to institute new tracking processes to better gather information to better assess performance with the goal of establishing monthly, quarterly and annual reports to better assess performance against established goals and service standards by the fourth quarter of 2010.

APPENDIX 1 - AUDIT PROCESS



APPENDIX 2 – APPLICABLE CODES AND BY-LAWS

Codes

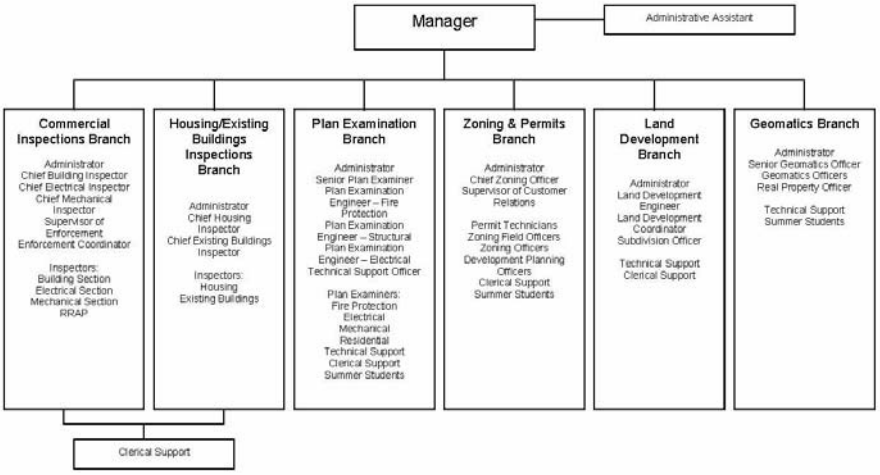
Code	Contact
Manitoba Building Code	Plan Examination Branch
Canadian Electrical Code	Plan Examination Branch
Manitoba Fire Code	Fire Prevention Branch
Manitoba Plumbing Code	Commercial Inspection Branch Housing/Existing Buildings Branch

By-laws

By-law Name	By-law Number
Planning, Property and Development	
The City of Winnipeg Zoning	200/2006
Downtown Winnipeg Zoning	100/2004
Airport Vicinity Acoustic Insulation	6419/1994
Plan Winnipeg	7630/2000
Building, Winnipeg	4555/1987
Development Procedures	5893/92
Electrical, Winnipeg	74/2009
Airport Vicinity Protection Area (Secondary)	6378/1994
Historical Buildings	1474/1977
Waterways	5888/1992
Planning, Development and Building Fees	77/2009
Encroachment on Streets	692/1974
Vacant and Derelict Buildings Bylaw	35/2004
Fire Prevention Branch	
Fire Prevention	150/2004
Public Works	
Streets	1481/1977
Private Approaches	6546/1995
Water and Waste Department	
Lot Grading	7294/1998
Sewer	7070/1997
Waterworks	504/1973
Solid Waste	1340/1976

APPENDIX 3 –

DEVELOPMENT AND INSPECTIONS ORGANIZATIONAL CHART



APPENDIX 4 – PERMITS AND INSPECTIONS PROCESS

A building permit is required for any new construction, additions, alterations, renovations, relocations, and repairs or rehabilitation of a building or structure. To begin the process the property owner or the contractor who has been hired to carry out any construction activity is responsible for applying for the permit based on the type of work that is being carried out. Ultimately it is the property owner who is responsible for obtaining the necessary permits and complying with the applicable building codes and zoning requirements.

Based on the type of construction, the applicant is required to submit the necessary information regarding the structure and the property as well as all the plans regarding construction. Applications are filled out by the applicant prior to submitting their application. Once the applicant has all the necessary plans, documents and information requested in the application, the application is submitted to the Zoning and Permits Branch.

The *Zoning and Permits Branch* is segregated into two sections, one for non-appointments, which includes the general public and one for appointments only - preferred customers such as the Manitoba Home Builders' Association (MHBA) and Winnipeg Construction Association (WCA) members.

The Permit technicians in both areas review all the documents and plans to ensure all the required information is submitted. Once they have verified that the information is complete they will enter the application into Amanda and assign the permit a tracking number. Once the application is entered into Amanda, the application and the plans are forwarded on to the Permit Trackers. Depending on the complexity of the project, the permit technicians have the ability to approve permits and issue permits after their review.

The Permit Trackers are divided into Non-Residential and Residential permits and they are responsible for coordinating the distribution and approval of all permits which require review by the other areas. Once they receive the application and the plans they will forward the plans to all the areas that are required to review and approve the information that has been submitted. All plans are distributed simultaneously among the different areas that are reviewing: Plan Examination, Water and Waste, Public Works, Zoning, etc. The permit tracker is responsible for tracking the application throughout the process. They will not deem an application approved until they have received the approvals from all areas performing their reviews.

APPENDIX 4 – PERMITS AND INSPECTIONS PROCESS CONT'D

Once the plans are distributed to the Plan Examination Branch and the other applicable departments, it is their responsibility to review all plans submitted to ensure compliance with the applicable by-laws and codes. Any additional follow up or questions regarding
the plans submitted is done by the plan examiners in each specific area. The Plan Examination Branch is divided into each type of plan review. For Non-Residential applications, the plans are distributed and reviewed independently by each type of plan examiner: structural, electrical, mechanical and fire protection. In addition the plans are distributed to the other appropriate city departments for their review, primarily Water and Waste and Public Works. For Residential applications, the plans are reviewed by the housing plan examiners. If during their review, a plan examiner identifies any deficiencies with the plans, the applicant is notified and the plans are placed on hold until the deficiencies are corrected or until any requested additional information is submitted by the applicant. Once the additional information is received from the applicant, the plan review continues. Once a plan review is complete and in compliance with the building codes, each plan examiner is responsible for signing off on their review in Amanda. Once all plan examiners have signed off plans are sent back to the Permit Tracker.

Once the permit tracker receives all the documents and plans back from the different departments and branches, they will contact the applicant to advise them that their permit application has been approved and is ready to be picked up. The permit is forwarded to the cashier who issues the permit upon collecting the fee for the permit from the applicant. At this time the applicant is advised that they are required to contact the appropriate inspector for the inspections at the appropriate stages during construction.

Once the permit has been issued, the permit is sent to the appropriate inspections branch: Commercial Inspections or the Housing/Existing Building Inspections Branch depending on the type of permit that is issued.

The process established within both the Housing/Existing Building Inspections Branch and the Commercial Inspections Branch, is that the applicant is responsible for contacting the appropriate inspections branch at the time when they are ready for an inspection. Throughout construction the applicant contacts the inspection branch and schedules an appointment for the inspector to visit the site and conduct the necessary inspections throughout the various stages of construction.

The Commercial Inspections Branch is segregated into the three areas and is staffed with inspectors who are trained in each area: building, electrical and plumbing/mechanical inspections. Throughout construction the inspectors in all three disciplines visit the construction sites throughout the various stages and ensure that all the appropriate steps are being followed and that the work conducted is in accordance with the approved plans, and codes applicable to their areas. Once construction is complete and the building is ready for

APPENDIX 4 – PERMITS AND INSPECTIONS PROCESS CONT'D

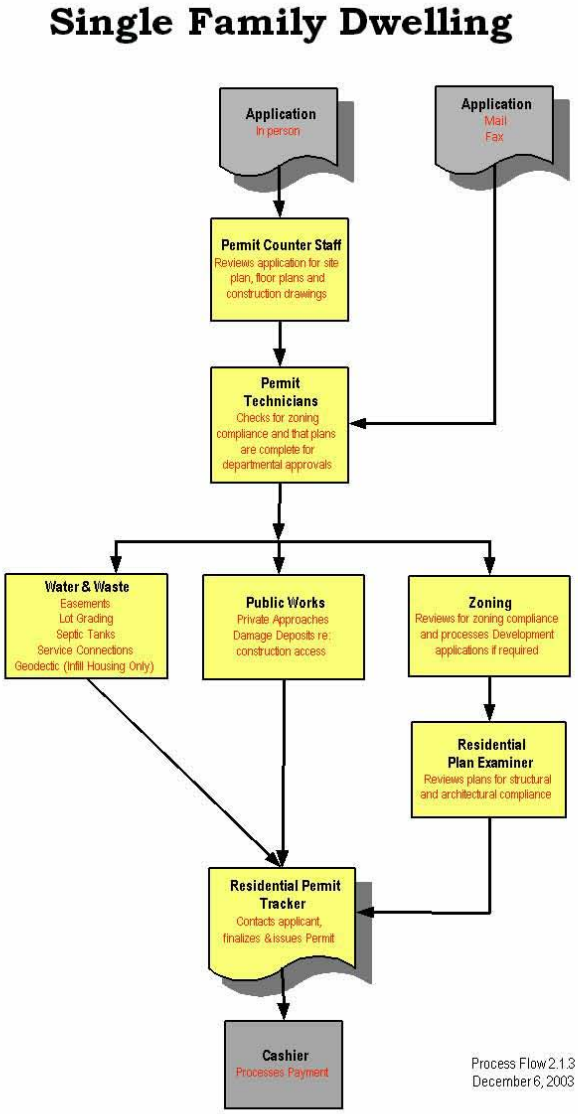
occupancy, the applicant must schedule for a final inspection. An occupancy permit is only issued once all permits have been issued and all inspections have been completed and signed off.

The Housing/Existing Buildings Branch is segregated into two areas: Housing Inspections and Existing Buildings Inspections. The Housing Inspectors are multi-disciplined and are trained to inspect in all three areas: building, electrical and plumbing. When a residential permit is issued the applicant is advised to contact the Housing/Existing Buildings Inspections Branch to schedule the inspections. One inspector is assigned per district and is responsible for all the housing inspections in that district.

Existing Buildings Inspections are responsible for the enforcement and inspections of all existing buildings (residential and commercial) with the applicable City of Winnipeg Building By-laws. The various by-laws include: Unsafe Conditions, per section 12 of the Winnipeg Building By-law, and Vacant and Derelict Buildings By-law). The branch is also driven by permits issued for items such as demolitions, special events and temporary structures such as tents. The branch as well responds to any complaints related to by-law infractions such as unsafe site conditions, maintenance and occupancy issues.

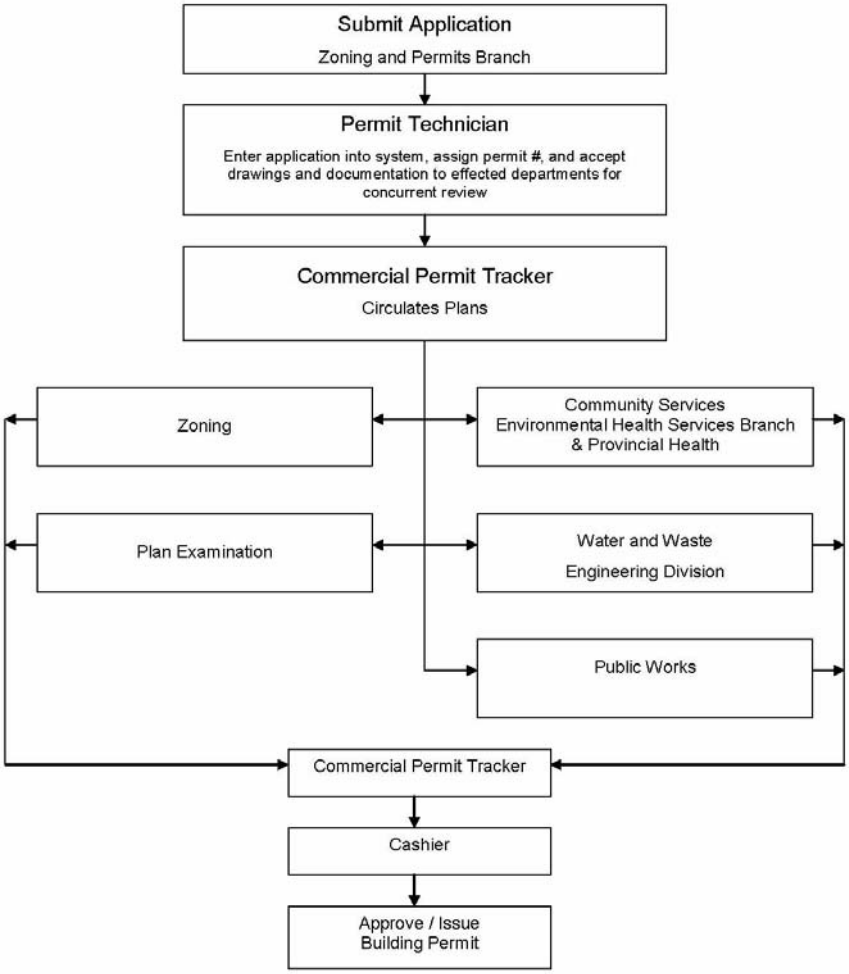
A permit is considered closed once all permits associated with a structure have been issued and a final inspection has been conducted. If deficiencies have been identified by either the Commercial Inspections or the Housing/Existing Buildings Branch, the permit is not closed until the deficiencies have been corrected and a final inspection has been performed.

APPENDIX 5 – FLOW CHART: PERMIT APPLICATION PROCESS – SINGLE FAMILY DWELLING



APPENDIX 6 – BUILDING PERMIT PROCESS FLOW CHART

NON-RESIDENTIAL – NEW CONSTRUCTION AND ADDITIONS



APPENDIX 7 – SUMMARY OF RECOMMENDATIONS

Permits and Inspections Process

Recommendation 1: The Division should re-evaluate its current practices and procedures and move to a more risk-based plan examination and inspection methodology. In the short term, a methodology similar to that proposed for the Certified Builder Program in that the Division will be able to rely on the inspection work of Certified Builders but will still maintain a risk-based audit function of the work that is relied on. In the longer term, the Division should continue to work towards fully implementing the Certified Professional Program.

Recommendation 1a: The Division should continue to reevaluate the building activities that require permits with a mind in reducing and eliminating the requirements for building activities that are considered to be low risk.

Recommendation 1b: The Division should analyze the backlog of residential permits to better assess the risk posed by leaving these permits open. Steps should be taken to implement formal processes for closing of permits that pose a minimal or low safety risk or where the permit is open beyond the term of the permit (i.e. six months unless original term has been extended by the Division).

Enforcement and Compliance

Recommendation 2: We recommend that the Division develop enforcement guidelines that provide decision criteria with respect to the utilization of various enforcement mechanisms. The enforcement guidelines should also clearly outline the parameters where the inspectors have authority to use judgment.

Recommendation 2a: We recommend that the Division establish formal procedures for follow-up in situations where there are known violations or where permits are approaching the end of their term (i.e. six months unless original term has been extended by the Division). Priority should be given to developing these procedures in the Housing/Existing Buildings Branch.

Recommendation 2b: We recommend that the Division formally track and report on its enforcement activities, which include the number of violation notices verbal and written, stop work orders, and the number of monetary penalties assessed.

Resources

<u>Financial Resources</u>

Recommendation 3: PP&D should complete a full costing of services (i.e. residential permits, non-residential permits, occupancy permits, etc.), which includes the costs incurred by Public Works and Water and Waste in delivering the service.

APPENDIX 7 – SUMMARY OF RECOMMENDATIONS CONT'D

Recommendation 3a: Once the full costs of providing these services are known, PP&D should review the fee structure and recommend to Council any policy changes that may be required regarding the setting of Building Fees.

Recommendation 3b: PP&D needs to establish a process for capturing and compiling detailed costing information of the Development Approvals, Building Permits and Inspections Service which is inclusive of all departments that assist in providing the service. The total cost to deliver the service needs to be transparent to enable the Department to support the fees charged to provide the service.

Recommendation 3c: The Fund manager should ensure that the use of Permit Reserve Fund is restricted to stabilizing development and building fees and to support the delivery of the Development Approvals, Building Permits and Inspections Service. Any excess reserve funds should be used to make service improvements or to allow for a reduction in fees.

Human Resources

Recommendation 4: We recommend the Division review their service delivery strategy and determine the level of service they want to provide and adjust the staffing levels accordingly to be able to provide the determined level of service. If staffing levels cannot be adjusted, the processes and strategy of the Division should be amended to adjust to the level of service that the can be offered with the available staff resources.

Recommendation 4a: We recommend the Division develop a succession plan to deal with the significant number of retirements expected in the near future. A strategy to effectively retain and recruit the employees with the necessary skills should be given priority.

Recommendation 4b: The Division should take measures to improve the work environment within the Division to ensure they are a workplace of choice. Some of these measures would include ensuring the City's total compensation package is competitive and ensuring a healthy work life balance.

Recommendation 4c: The Division should develop training manuals and guidance to prevent the loss of business knowledge that could be lost with the retirement of staff.

Recommendation 4d: We recommend supervision policies and procedures be established by the branch and division management. The role of every position in a supervisory function should be reviewed to ensure adequate time is allocated to effectively perform the supervisory duties. Division management should ensure this function is being carried out.

APPENDIX 7 – SUMMARY OF RECOMMENDATIONS CONT'D

Information Resources

Recommendation 5: We recommend that the Division use Amanda for commercial inspections and that the necessary resources be allocated to accomplish this in a timely manner.

Performance Management

Recommendation 6: We recommend that the Division establish measurable performance goals and service standards. These performance goals and service standards should be established to be used to evaluate the performance at the Service, Division, Branch and staff level. The service standards should also be communicated to the customer.

Recommendation 6a: We recommend that the Division establish formal processes to track and review available performance information in order to improve the efficiencies and effectiveness of the Division and contribute to the decision making process.

Recommendation 6b: We recommend that the Division establish formal processes to report to Department management on a monthly, quarterly or annual basis regarding the Division's performance with respect to the established performance goals and service standards for the permits and inspections processes and services. The performance information and the frequency of reporting should be tailored to each level of management.