Minute No. 178
Report - Alternate Service Delivery Committee - January 20, 2004

Item No. 1 **Alternate Service Delivery (ASD) Policy and Process Review**
File GL-5.6.1

On January 21, 2004, the Executive Policy Committee laid the matter over for 30 days.

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DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 21, 2004, the Executive Policy Committee laid the matter over for 30 days.

STANDING COMMITTEE RECOMMENDATION:

On January 20, 2004, the Alternate Service Delivery Committee concurred in the administrative recommendation and submitted the matter to Executive Policy Committee and Council.

On November 18, 2003, the Alternate Service Delivery Committee considered an administrative report dated November 14, 2003 and laid over consideration of the report to a meeting to be scheduled in January 2004.

REPORT

RE: Alternative Service Delivery (ASD) Policy and Process Review

FOR SUBMISSION TO: Alternate Service Delivery Committee

ORIGINAL REPORT SIGNED BY: Chief Administrative Officer

REPORT DATE: January 9, 2004

RECOMMENDATION(S):

It is recommended that:

1) Council rescind the policy item '*Policy and Framework for Alternative Service Delivery*' that was approved on March 20, 1998.
2) Council adopt a revised Alternative Service Delivery review process as outlined in Appendix 2.

REPORT SUMMARY:

Key Issues:

- Although no longer bound by the *'Policy and Framework for Alternative Service Delivery'*, it is proposed that, as a matter of standard practice, Council direction on policy-related issues for potential Alternative Service Delivery (ASD) initiatives would be obtained at the beginning of the ASD review process before extensive and expensive evaluations of the business merits of ASD initiatives are conducted.
- At the conclusion of the evaluation of a potential ASD initiative, Administration would continue to seek Council approval to proceed to implement the ASD initiative where business merit is demonstrated. In the case of Special Operating Agencies (SOA), the Administration would seek Council approval of Operating Charters, Business Plans and Annual Reports as required by legislation.
- A common set of delegations and exemptions should be established and incorporated into the Operating Charters of all existing and future SOAs.
- SOA reporting requirements should be streamlined wherever possible so that, rather than being required to report to a number of Council committees, SOAs should have to report only to the ASD Committee.

Implications of the Recommendation(s):

General Implications

☐ None

☒ For the organization overall and/or for other departments

☐ For the community and/or organizations external to the City of Winnipeg

☐ Involves a multi-year contract
Comment(s): The recommendation would streamline the review process for evaluating potential ASD initiatives.

Policy Implications

☐ No

☒ Yes

Comment(s): Council direction on policy-related issues for potential Alternative Service Delivery (ASD) initiatives would have to be obtained at the beginning of the ASD review process.

Environmental Implications

☒ No

☐ Yes Comment(s):

Human Resource Implications

☒ No

☐ Yes Comment(s):

Financial Implications

☒ Within approved current and/or capital budget

☐ Current and/or capital budget adjustment required

Comment(s):

REASON FOR THE REPORT:

On November 18, 2003, the Alternate Service Delivery Committee laid over consideration of the Report to a meeting of the Alternate Service Delivery Committee to be scheduled in 2004.

The Special Service Units (SSU) legislation of the City of Winnipeg Charter stipulates that Council must arrange for a review of the process for developing, implementing, operating and evaluating SSUs no later than January 1, 2005. This Report sets out the results of that review. Currently, Special Operating Agencies (SOA) are the only example of SSUs in the City. The review was broadened beyond SSUs to include the entire Alternative Service Delivery (ASD) policy and process for evaluating all potential ASD initiatives.

HISTORY:

In March of 1997, Council made a commitment to the citizens of Winnipeg that civic government would be more affordable and efficient. The principles for that commitment were outlined in the *Reshaping Our Civic Government* report that Council adopted as a directive to Administration.
In the report, Council set out its expectations regarding cost reductions, innovations and alternative methods of service delivery. Various alternative service delivery initiatives were identified for administrative review and action.

Following Council's directive to Administration, the Executive Policy Committee (EPC) of Council created an *Ad Hoc* Committee led by Councillor Angus and comprising the Chief Financial Officer and the City Auditor to examine SOAs and report to EPC on the implementation of SOAs in civic government.

Council adopted Clause 3 of EPC's report, entitled *Special Operating Agencies Initiative*, which provided the strategic direction for the implementation of the SOA initiative, the legislative amendment requests, a development and approval process, and a training and communications plan. The report also directed that a detailed framework design for alternative service delivery be developed.

At that time, there was no legal authority in the City of Winnipeg Act that would allow the City to implement SOAs. Therefore, the City had to approach the Province of Manitoba with proposed legislative amendments to the Act – Section 3.1 provides further details on the governing legislation.
Council adopted the *Policy and Framework for Alternative Service Delivery* in March of 1998. The policy laid out a framework for reviewing City services and their delivery mechanisms to determine the most appropriate method for service delivery. It established a consistent approach to ASD decision-making for the organization and applied it to all public and internal City services. Council, on an annual basis, gives approval to those services that will be evaluated, in conjunction with the policy, through the adoption of the annual ASD Review Agenda that lists potential ASD initiatives.

In October of 1998, the CAO issued the first Call Letter to departments launching the ASD process. In the letter, departments were asked to identify any potential ASD initiatives. In February of 1999, Council approved the formation of an Alternate Service Delivery Committee of Council to oversee the annual ASD Review Agenda. At the same time, Council approved the first ASD Review Agenda comprising 15 initiatives that were to proceed through the ASD review process. Those initiatives were as follows:

- Fleet Services
- Primary Materials
- Winnipeg Transportation Utility
- Property Assessment Department
- Animal Services
- Golf Courses
- Assiniboine Park Zoo
- Brady Road Landfill
- Solid Waste Collection
- Winnipeg Police Service Training
- Printing
- Communication Systems Branch
- Stores/Inventory (Materials Management)
- Parking
- Winnipeg Hydro

Presently, Council has approved four SOAs – Animal Services (2000), Glacial Sand and Gravel (2001), Golf Services (2002) and Fleet Management Agency (2003). A fifth SOA candidate, Parking Services, has hired a Chief Operating Officer (COO) who will prepare, for Council approval, a business plan and operating charter for SOA status.

DISCUSSION:

The administrative review of the ASD policy and process involved a three-pronged approach: 1) a review of the policy and legislation components of ASD (Special Service Units legislation, ASD Committee By-law, ASD policy and framework); 2) a review of previous ASD reports; and 3) a consultation process to solicit feedback on workings of the existing ASD process. The following personnel involved with ASD were interviewed or solicited for their comments:

- Department representatives and directors who have been involved in the ASD process
- Corporate Finance representatives
- Legal Services representatives
- The Chief Operating Officers of the SOAs

Alternative Service Delivery

The discussion in this section refers to the Council adopted policy and process that governs the evaluation of alternative service delivery.

Policy

The *Policy and Framework for Alternative Service Delivery* manual has proven to be a useful guide for Administration to follow when conducting evaluations of potential ASD initiatives. However, areas of the manual should be updated and streamlined to incorporate the lessons learned from five years of implementation. The area found to be most in need of streamlining is the multi-stage approval mechanism prescribed as a part of the ASD review process.

A key lesson learned has been that the application of the ASD policy and framework has proven to be a challenge when clear policy direction is not provided at the outset. As the potential ASD initiatives progress through the evaluation stages of the ASD review process, as outlined in the *Policy and Framework for Alternative Service Delivery*, there are several key Council reporting milestones that have proved problematic for Administration. The difficulty stems primarily from the need for the Administration to assume a general policy direction in order to assess the business merit of the ASD approach(es) chosen for evaluation. If the Administration's policy assumptions prove wrong, as has been the case in several instances, valuable time and scarce resources are wasted. Simply stated, the *Policy and Framework for Alternative Service Delivery* combines a high-level Council policy formulation process with an administrative business merit review process often to the detriment of both.

Clear policy direction is essential prior to conducting a full evaluation of a potential ASD initiative. In the absence of such policy direction, sponsoring departments can expend significant time and effort on evaluating potential ASD initiatives with a higher than necessary risk that, in the end, Council will not approve their recommendations for reasons unconnected to the business evaluation. To mitigate this risk, relevant policy recommendations of a potential ASD initiative, along with supporting detail and preliminary business merit analyses, could be provided in a report to ASD Committee at the beginning of the ASD review process.

If ASD Committee (and Council) agrees to proceed, then the sponsoring department would conduct a thorough evaluation of the potential ASD initiative following the *Policy and Framework for Alternative Service Delivery* manual. At the end of the ASD review process, the sponsoring department would provide its advice through the CAO in the form of recommendations to the ASD Committee.

However, given that Council would be involved only at the outset and the conclusion of the ASD review process, there is no need to impose on Administration as a mandatory policy the process set out in the *Policy and Framework for Alternative Service Delivery* (refer to Appendix 1 for the existing ASD review process). It is proposed that Administration continue to use the *Policy and Framework for Alternative Service Delivery* manual as a guide to evaluating potential ASD initiatives following modifications to the approval steps in the ASD review process as proposed in this Report and outlined in Appendix 2.

In order to streamline approval steps in the ASD review process, it is recommended that:

- Council rescind the policy item '*Policy and Framework for Alternative Service Delivery*' that was approved on March 20, 1998.
- Council adopt a revised Alternative Service Delivery review process as outlined in Appendix 2.

Process

Under the current ASD review process, an evaluation of a potential ASD initiative can be a time-consuming exercise requiring the commitment of a sponsoring department's scarce staff resources. At key stages of the evaluation process, reports have to be prepared for ASD Committee, EPC and Council approval.

Departments are already engaged in the organization-wide annual business planning and budget process that identifies alternative service delivery opportunities. They consider alternative service delivery to be part of their business approach to their operations. Rather than have separate processes for business planning and alternative service delivery, a better use of a department's resources would be to combine

the two. This would be as an extension of current practice as departmental directors already have the delegated authority to pursue the "contracting out" form of alternative service.

If a department thinks there is merit in evaluating a potential ASD initiative that would eventually require Council approval, it would prepare, for consideration by the CAO, a high-level summary of the initiative with particular emphasis placed on relevant policy issues. If there were administrative agreement to proceed, the CAO would submit a report for ASD Committee (and Council) approval (as noted previously).

Special Operating Agencies

The discussion in this section refers to Special Operating Agencies. Any suggested specific amendments to the SOAs' operating charters can be made in their annual business plan submissions and requires a 2/3 majority vote of Council.

Guiding Principles
The COOs indicated that some significant improvements have been made to their service delivery as a result of becoming an SOA. With the implementation of four SOAs, and a fifth in the process of developing a business plan and operating charter for SOA status, there are improvements that can be made to the process for establishing of new SOAs and to the ongoing operations of the existing agencies.

Council should decide on the high-level policy implications of establishing a potential SOA at the beginning of the ASD evaluation process to reduce the risk of serious delays and backtracking in the ASD process.

The intent of establishing an SOA in a given service delivery area is to provide the agency with the autonomy and flexibility to operate in a more business-like manner than regular line departments. When evaluating a potential SOA, the following principles should guide the development and implementation of the SOA:

- High-level policy decisions that will provide administrative direction for a potential SOA be obtained from Council at the beginning of the ASD review process.
- SOAs must operate in a business-like manner and be given the tools needed to do so.

Delegations and Exemptions
A review of the existing SOAs' delegations and exemptions indicates that they do not share a common set of delegations and exemptions. Currently, there are differences in delegated authorities and levels of exemptions for individual SOAs (e.g. exemptions from the City's purchasing procedures and the amount of a COO's signing authority).

SOAs should be exempt from any and all City policies that limit "business flexibility" but should continue to be bound wherever the City itself is bound by legislative requirements, collective agreements, contractual arrangements, by-laws and the like. SOAs' delegations and exemptions are intended to provide them with the ability to conduct their business as if they were companies operating in the private sector. The expectation is that they will be able to achieve their goals by operating in a truly business-like manner. Individual charters would continue to provide for any unique circumstances affecting a particular SOA. Delegated authority should be clearly described in the operating charter.

A subsequent report, proposing what constitutes a common set of delegations and exemptions for the Operating Charters of all existing and future SOAs, will be prepared for consideration. In order to implement this proposal, amendments to existing SOAs' operating charters would be required. These require a 2/3 majority vote of Council. It makes the most sense to make these amendments during the annual business plan approval process for the SOAs.

Governance
SOAs are expected to run in an efficient and business-like manner. To this end, reporting requirements should be streamlined wherever possible. Instead of being required to report to a number of Council committees, SOAs should have to report only to the ASD Committee. Through that committee, SOAs would seek Council approval for annual business plans, operating charters and amendments thereto, and would submit their annual reports.

On the administrative side, the CAO will establish appropriate reporting and governance mechanisms for the SOAs. It will be important that the governance arrangements ensure that customers, and others, perceive that the SOAs are operating in a fair an open manner.

Again, this proposal requires amendment of each SOA's operating charter by a 2/3 majority of Council. Again, it is recommended that this take place during the SOAs' annual business plan approval process.

FINANCIAL IMPACT STATEMENT:

Project Name: Alternative Service Delivery (ASD) Policy and Process Review

Date: November 14, 2003 First Year of Program **2003**

	2003	2004	2005	2006	2007
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: Approval of the recommendation will not require additional funding.

Pat Bodnar
Senior Financial Accountant

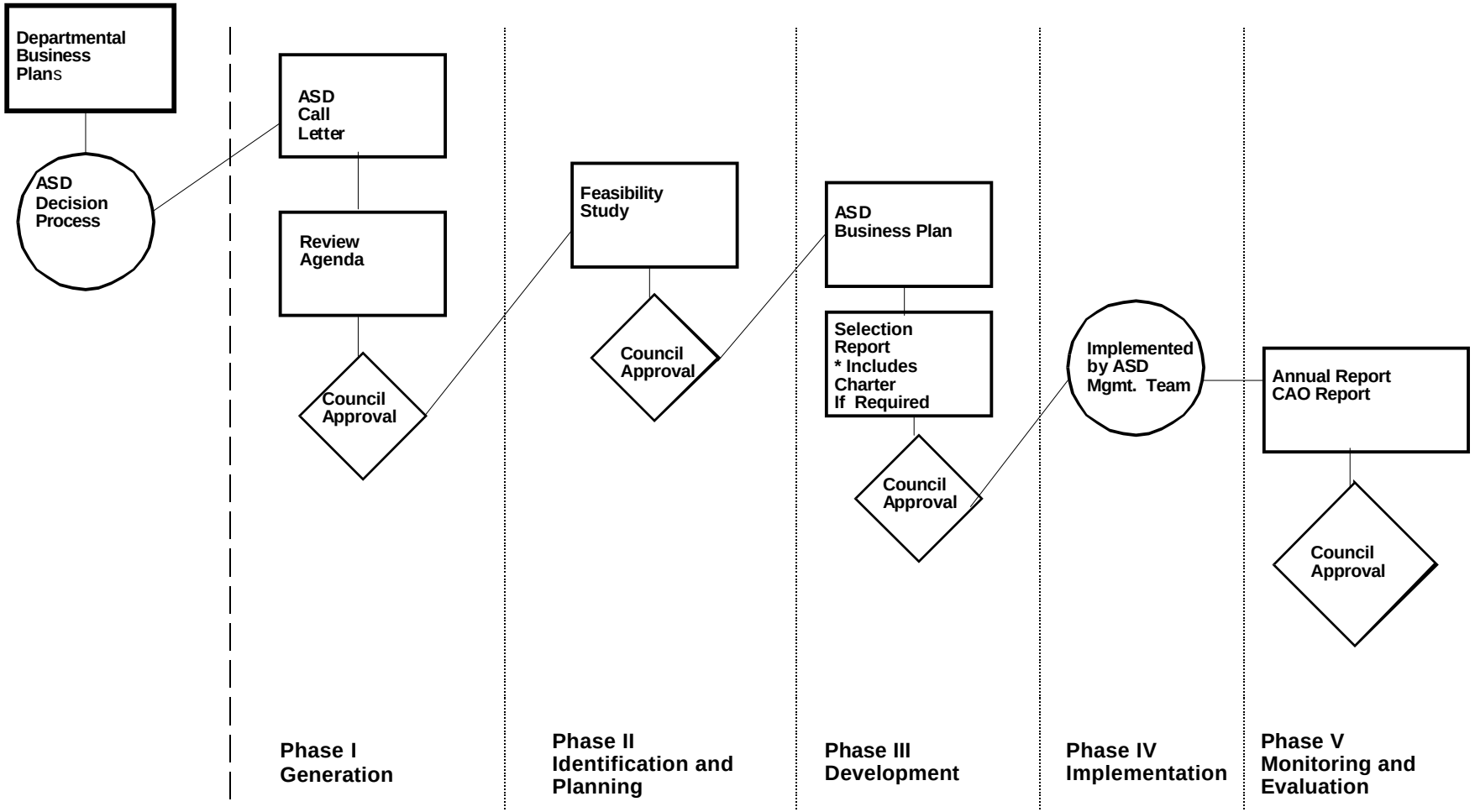
IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

Directors and departmental representatives, who are involved in the alternative service delivery process, were interviewed for this ASD policy and process review.

THIS REPORT SUBMITTED BY:

Department CAO Secretariat
Division Strategic Management
Prepared by: Iain Day
File No.

APPENDIX 1: EXISITNG ASD REVIEW PROCESS



APPENDIX 2: REVISED ASD REVIEW PROCESS

