
HALDIMAND COUNTY

Report FDS-04-2020 Municipal Modernization Project Final Report For Consideration by Council in Committee on December 8, 2020



OBJECTIVE:

To report on the findings of the Municipal Modernization Project and request approval to execute the organizational structure and staffing changes outlined in this report.

RECOMMENDATIONS:

1. THAT Report FDS-04-2020 Municipal Modernization Project Final Report be received;
2. AND THAT the proposed Information Systems (IS) reorganization structure, including the renaming of the Division to the Innovation and Technology Services ("ITS") be approved;
3. AND THAT the Draft Tax Supported Operating Budgets for 2021 and 2022 include, as Council approved initiatives, the staffing and consulting resource costs as outlined in Report FDS-04-2020 Municipal Modernization Project Final Report;
4. AND THAT the Draft 2021 Tax Supported Capital budget include the funds required to hire a dedicated Capital Project Manager for the County's Broadband initiative as outlined in Report FDS-04-2020 Municipal Modernization Project Final Report;
5. AND THAT the Tax Supported Capital Budget be amended to include a dedicated Capital Project Manager for the Business Application Support project as outlined in Report FDS-04-2020 Municipal Modernization Project Final Report.

Respectfully submitted: Mark Merritt, CPA, CA, General Manager of Financial & Data Services

Approved: Craig Manley, MCIP, RPP, Chief Administrative Officer

EXECUTIVE SUMMARY:

The Ministry of Municipal Affairs and Housing (MMAH) provided funding to Haldimand County through the *Municipal Modernization Program* to facilitate a third-party independent review for the purpose of developing a formal report providing specific and actionable recommendations for cost savings and improved efficiencies. This report presents the consultants findings as required by the funding agreement.

The key findings and recommendations are as follows:

IS Division Services and Organizational Review:

In reviewing the IS Division services and the IS Division specifically, the consulting team found:

- An under-resourced, overwhelmed team, with a heavy focus on technology infrastructure and back-office support that operates in a reactive mode. As a result, there is no ability to proactively react to challenges or opportunities to leverage technology to improve service delivery.

- A flat organization structure, with limited progression and growth potential for staff, and out-of-date job descriptions causing problems for recruitment and retention of IS staff. The current structure contributes to lack of focus which, in turn, limits strategic improvement and service delivery efficiency.
- Limited business solutions skills and capacity, with specific concerns about the ability of the Division to effectively drive the implementation and support of Business Solutions products (such as BAS and CityView) once they have been implemented. The County has made strategic investments in technology that cannot be leveraged without the appropriate IT resources to effectively support innovation and improvement to these business solutions.
- No project management or business analysis capability resulting in challenges successfully implementing business technology projects.
- An organization that has significant risk in terms of cybersecurity in terms of policies, processes and systems to mitigate this.

These challenges inhibit the ability of the County to modernize and deliver efficient and effective services. As a result, it is recommended that the County:

- Rethink and reposition the IS Division as a strategic partner with business units and as an engine of modernization; renaming the Division to “Innovation and Technology Services” (ITS) to signify the change.
- Create an IT organization structure that promotes internal growth and development to support recruitment and retention.
- Establish an IT team with clearly defined roles and responsibilities, capacity and capabilities to implement operational efficiency and effectiveness improvements.
- Make targeted and sustained investment in experienced business solutions, analyst and project management staff to assist business units in digitization / process modernization.

The main staffing/financial recommendations are as follows:

- Reorganize the existing structure into three separate teams: Client Services; Infrastructure, Cloud and Security; and Business Solutions, GIS and Data. This will require changes to existing positions as follows: elevate role of IT manager to include Chief Information Officer and elevate 2 existing staff positions to a Supervisor and Senior role with higher responsibilities
- Immediate staffing resources representing 3 full time staff to lead the Business Solutions, GIS and Data team (recommending to be phased in over 2 years).
- Add two (2) contract project management positions to specifically support the County’s Broadband and BAS project delivery to be funded through these projects
- Plan to add additional staff over future years to build out capacity and capabilities of ITS and to address emergent priorities.

Business Process Review & Methodology Transfer:

The Business Process Optimization (BPO) portion of the project required the Perry Group to review, in detail, 15 specific County processes, from a potential list of hundreds of existing processes. An internal staff team, working with an evaluation criteria developed in conjunction with the Perry Group, selected 15 specific processes to be reviewed. The Perry Group trained County staff on their BPO methodology and actively engaged them in how to conduct a BPO review. The team then jointly reviewed the 15 identified business processes. This process included looking at the “as is” process and then, working collaboratively with the business units involved in the current process, to identify/develop the “to be” revised process improvements.

The following are some of the key/underlying observations from the process reviews:

- Most customer facing services are designed for over the counter service delivery with limited customer self-service available.
- Business processes are largely paper based and managed manually, including administrative staff support.
- Overall, there is a lack of end-to-end automation, in most cases business solutions only automate some parts of the process, but not all required steps.
- Field staff are not connected to office systems – information is written on paper forms and then later transferred into the systems by administrative staff.
- There is a significant use of postal mail to deliver notices, resulting in significant annual costs.

Significant opportunities to gain staff capacity and generate efficiencies and improve customer service exist by undertaking business process improvement of these largely manual existing processes. Most of these business process improvements, if not all, are dependent upon the implementation of technologies to enable streamlined processes and, in fact, can be implemented as part of existing or new software projects currently underway or planned in the future. However, as noted in the IT review, there is a lack of resources and capacity to help business units capitalize on these opportunities. As a result, the success of implementing these business process improvements is contingent on implementing the IT recommend structure as well as an immediate need for 3rd party resources.

BACKGROUND:

In November 2019 staff received notification from the Ministry of Municipal Affairs and Housing (MMAH) that Intake 1 of the Province's new *Municipal Modernization Program* was open for applications. This notice was sent to all municipalities that received a Service Modernization Payment in 2019. As Council may recall, Haldimand County received a one-time Service Modernization Payment of \$750,000 in March 2019, which was contributed to the Capital Replacement Reserve - Information Technology (CRR-IT) to identify and facilitate internal and external customer service improvements including software improvements for customer service needs and internal technological efficiencies.

Under this new program, the Province is proposing to provide additional support to small and rural municipalities to conduct new independent service delivery reviews, implement recommendations from previous reviews, and undertake a range of projects, by making up to \$125 million available through 2022-2023. Future intakes will provide the opportunity to apply for projects aimed at implementing service delivery efficiencies to achieve cost savings, in addition to service delivery reviews.

Report [FDS-03-2019 Municipal Modernization Fund Expression of Interest](#), requesting Council support for submitting a funding application to hire an independent third-party reviewer for the purpose of developing a formal report, providing specific and actionable recommendations for cost savings and improved efficiencies, was approved at the November 15, 2019 Council meeting.

Funding approval in the amount of \$100,000 was received from the MMAH in March 2020. While the initial deadline for publicly posting the final report was June 30, 2020, the deadline was extended to December 4, 2020.

A Request for Proposal seeking a third-party reviewer was issued in June, 2020. The RFP identified two distinct projects to meet the requirements of the grant program: A total of ten (10) submissions were received with the Perry Group Consulting Ltd. (the *Perry Group*) deemed the successful bidder and the contract was awarded in July 2020.

Since that time, the consultant has conducted project work under the following two streams:

1. Review IS organization structure, recommend future structure

2. Conduct Business Process Optimization (BPO) reviews against 15 business processes, including transferred knowledge/methodology to internal staff

The consultants analysis and recommendations form the final report as shown in Attachment 1.

Additionally, above and beyond the scope of this review, an independent and more comprehensive review of the status of the Business Application Support (BAS) project was undertaken. The intent of this analysis was to assess the current state of the implementation and make further recommendations on the resources required to bring this project to completion.

ANALYSIS:

The intent of the grant program was to review municipal service delivery expenditures, by an independent third-party reviewer, for the purpose of finding savings and efficiencies. To that end, the consultants work plan included the following phases and activities.

Phase	Activities
Kick-Off and Project Management	<ul style="list-style-type: none">• Kick off & background information gathering & project planning• Ongoing project management• Background document review• Current technology briefing and Municipal Technology Maturity Model review
IS Division Services and Organizational Review	<ul style="list-style-type: none">• IS Division staff services survey, satisfaction• Conduct IT management self-assessment• IS Division management / coordinator interviews• IT team SCOR (Strengths, Challenges, Opportunities, Risks) session• Business unit round-tables• Prepare IS Division Discovery Summary• Review current state and opportunities• Develop functional model• Develop organizational model with County staff• Develop transition model• Develop recommendations, implementation sequencing• Prepare supporting job descriptions
BP Review & Methodology Transfer	<ul style="list-style-type: none">• Identify priority process reviews• Review / explain / teach methodology and approach• Coordinate and collect background process documentation• Schedule and conduct data gathering interviews• Document as-is process maps• Validate accuracy of as-is maps• Collaborative design workshops• Identify process changes• Identify time, cost savings and defined customer benefits• To-be process implementation considerations• Distribute and review to-be process maps
Final Report	<ul style="list-style-type: none">• Compile business benefits & savings• Compile collective recommendations• Prepare written draft strategy• Revise, finalize and publish report

The Perry Group will present their findings, at a high level, to Council at the Council-in-Committee on December 8, 2020. The following is a summary of their findings, the details of which can be found in Attachment 1.

IS Division Services and Organizational Review:

Review Findings:

The Perry Group has performed numerous IS structure/reorganizations reviews for municipalities of various sizes across Ontario. They have developed a very refined approach to evaluating the current structure and identifying gaps, deficiencies and leveraging existing strengths/efficiencies.

Based on their review, they have identified that the County has made a major commitment to technology, investing in the BAS project, CityView, Alfresco, ActiveNet, introducing 2 in 1 laptop/tablet devices, enabling mobile working, implementing new technologies to equip the new building, and taking steps to improve internet access in the community. These are very positive steps and signs of a progressive organization. But, while their review of the technology environment identified positives, it also identified some risks and a lack of investment and focus on cyber security, risk management, and disaster recovery/preparedness.

Additionally, given the importance of technology to achieving the business process optimizations (BPO) identified through a review of 15 specifically selected processes (as detailed in the final report), the IS Review work stream looked at how well the County is positioned to respond to the opportunities identified in the BPO review.

The Perry Group's review consisted of a detailed approach to evaluating the current needs and limitations leading to developing recommendations to best support the innovation and leveraging of technology corporately and County wide. This review included: a staff-wide IT survey; specifically focused meetings with all business units/senior staff, including the BAS team; and individual meetings with all current IS staff and Management.

In reviewing the IS Division services and the IS Division specifically, the consulting team found:

- An under-resourced, overwhelmed team, with a heavy focus on technology infrastructure and back-office support that operates in a reactive mode.
- A flat organization structure, with limited progression and growth potential for staff, and out-of-date job descriptions causing problems for recruitment and retention of IS staff.
- Limited business solutions skills and capacity, with specific concerns about the ability of the Division to effectively drive the implementation and support of Business Solutions products (such as BAS and CityView) once they have been implemented.
- No project management or business analysis capability resulting in challenges successfully implementing business technology projects.

These challenges inhibit the ability of the County to modernize and deliver efficient and effective services. As a result, it is recommended that the County:

- Rethink and reposition the IS Division as a strategic partner with business units and as an engine of modernization.
- Create an IT organization structure that promotes internal growth and development to support recruitment and retention.
- Establish an IT team with clearly defined roles and responsibilities, capacity and capabilities to implement operational efficiency and effectiveness improvements.
- Make sustained investment in experienced business solutions, analyst and project management staff to assist business units in digitization / process modernization.

Ancillary to the Perry Group's review of the IS structure and needs, they also evaluated the County's ability to manage the Council approved corporate priority for developing the high speed, County-wide Broadband initiative. Based on the scope of the Project Agreement and length of time this project spans (up to 5 years for full construction build-out), they have identified the need for a dedicated project management resource to ensure the ultimate success of this project. Similar to other dedicated Capital project management resources, this Capital Project Manager would focus on the development of the Broadband project, but can also be leveraged to ensure adequate project management/oversights are in place for other major technology related capital projects currently in progress (i.e. Cityview upgrades and digitization project).

Flowing out of the business unit focused meetings, it was evident from the meeting with the BAS team and other business units impacted by this implementation, that a more comprehensive review was required to assess the current state of the implementation and make further recommendations on the resources required to bring this project to completion. Although this review is still on-going, initial recommendations include the immediate need for a dedicated BAS capital project manager as the former project manager has returned to her role as Manager, Legal & Support Services while still responsible for project managing the BAS project. The existing capital budget does not provide adequate resources for this inclusion.

Recommendations: Although the target structure recommended is what is considered as the "Ideal State"; recognizing funding constraints, current impacts of the ongoing COVID situation and competing priorities, it is recommended to build out the recommended IT structure incrementally over time. As a result, as recommended in the Perry Group Consulting Ltd final report, the following are the main recommendations related to the IS Division Services and Organizational Review to be implemented in the near term (one to two years):

1. Reposition the IS Division to become a strategic partner and rename it to "Innovation and Technology Services" (ITS) to signify the change.
2. Establish stronger leadership for the Division by adding the role of Chief Information officer (CIO) to the Manager of ITS team to provide strategic leadership to Business Units, Senior Management Team and Council.
3. Establish 3 teams within ITS focused on: Client Services; Infrastructure, Cloud and Security; and Business Solutions, GIS and Data.
4. Reorganize existing roles, with new job descriptions and reporting relationships.
5. Add up to three (3) new permanent positions in the immediate term into the ITS team to establish the Business Solutions, GIS and Data team and to support in-flight IT related projects.
6. Add two (2) contract project management positions to specifically support the County's Broadband and BAS project delivery.
7. Create Project teams to implement recommended Business Process Optimization initiatives from the processes reviewed to date (this will also require additional 3rd party resources to achieve in the near term).
8. Plan to add additional staff over future years to build out capacity and capabilities of ITS and to address emergent priorities.
9. Develop a multi-year Digital, Innovation and Technology Strategy to set the future roadmap, and to integrate the various technological aspirations, projects and opportunities into a comprehensive and achievable plan.

Business Process Review & Methodology Transfer:

Review Findings/Observations:

The Business Process Optimization (BPO) portion of the project required the Perry Group to review, in detail, 15 specific County processes, from a potential list of hundreds of existing processes. An internal staff team, working with an evaluation criteria developed in conjunction with the Perry Group, selected

15 specific processes to be reviewed. The Perry Group trained County staff on their BPO methodology and actively engaged them in how to conduct a BPO review. The team then jointly reviewed the 15 identified business processes. This process included looking at the “as is” process and then, working collaboratively with the business units involved in the current process, to identify/develop the “to be” revised process.

Most of these business process improvements, if not all, are dependent upon the implementation of technologies to enable streamlined processes and, in fact, can be implemented as part of existing or new software projects currently underway or planned in the future. However, as noted in the IT review, there is a lack of resources and capacity to help business units capitalize on these opportunities. As a result, the success of implementing these business process improvements is contingent on implementing the IT recommend structure as well as an immediate need for 3rd party resources.

The following were identified as key/underlying observations from the process reviews:

- Most customer facing services are designed for over the counter service delivery with limited customer self-service available.
- When online forms are available, the customer often still needs to visit a County office to either make payments or produce original signed documents.
- Business processes are largely paper based and managed manually, including administrative staff support.
- Where business software solutions are in place, they are typically used to track data after the fact and are not used to automate the process.
- Overall, there is a lack of end-to-end automation, in most cases business solutions only automate some parts of the process, but not all required steps.
- Duplication of information is common, with many examples of parallel data entry into Excel spreadsheets.
- Field staff are not connected to office systems – information is written on paper forms and then later transferred into the systems by administrative staff.
- There is a significant use of postal mail to deliver notices, resulting in significant annual costs.

Recommendations/Opportunities:

The following were identified as key opportunities from the implementation of the revised 15 processes reviewed:

- Significant savings in staff time per transaction based primarily on increased digitization and automation – estimated to range from 10,750 to 16,200 hours of staff time per year.
- Reduced unnecessary travel time across the County – estimated to be between 12,500 to 18,500 kilometres annually; also having significant favourable impacts on the environment.
- Reduction in paper use by 750,000 to 1.2 million sheets annually, not including the significant reduction in use of postal mail services.
- Ordering the implementation of recommended process improvements to leverage the highest value; the estimated value of cost avoidance from the top 7 processes (as detailed in the final report) is estimated to be approximately \$880,000 annually (primarily in staff time savings). It is estimated the remaining 8 processes would result in an estimated \$50,646 of cost avoidance annually.

As noted, the majority of the above noted opportunities will be achieved by leveraging existing business software solutions. These solutions will enable digitization of the processes and allow for more on-line self-service by customers utilizing these services. However, the achievement of these and any future potential optimization benefits is largely dependent on the County’s technological capabilities and resources.

FINANCIAL/LEGAL IMPLICATIONS:

The proposed project was funded 100% by the Municipal Modernization Program grant. The program provided for the full consultant costs associated with both the IS structure and Business Process review, including the final report and recommendations, but did not include any funds for implementation of these recommendations. It is therefore recommended to include \$50,000 in 3rd party consultant/software implementation costs in the Draft 2021 Tax Supported Operating Budget to assist with the implementation of the recommendations in the Perry Group's final report. These funds will ensure, in particular, that the process improvements will best leverage the anticipated savings as noted in the final report.

As outlined in the Perry Group's final report and recommendations, the immediate staffing needs for the IS division, having financial impacts are:

- Organization structure change - resulting in changes to existing positions, namely: Elevate status of current Manager position and adding CIO (this change will be necessary when recruiting a new full-time Manager in late 2021), elevate one current position to Supervisor of Infrastructure, Cloud and Security team and elevate Computer Technician position to Senior Service Desk Analyst – total annual cost, phased in over 2 years is approximately \$38,500 in 2021 and \$13,200 in 2022
- Immediate staffing needs of 3 FTEs: This includes implementation of a new Business Solutions, GIS and Data team; including a new supervisor position in 2021 and 2 project manager/business analysts (phased in over 2 years) – total annual cost of \$217,200 (2.0 FTE) in 2021 and an additional \$98,500 (1.0 FTE) in 2022.

Total levy impacts of the proposed reorganization and recommended structure is \$255,700 in 2021 and \$111,700 in 2022. These initiatives are recommended to be included as Council approved initiatives in the Draft 2021 and 2022 Tax Supported Operating budgets respectively. As with any Council approved initiative, these positions/changes still need Council approval during the deliberations of the specific budgets in question. The above-noted recommended changes were evaluated by the Senior Management Team and identified as a high priority relative to other new initiatives proposed for 2021. The Council approved budget parameters for the Tax Supported Operating Budget include a 1% levy impact to support new initiatives, which totals approximately \$700,000 for 2021.

The Perry Group also evaluated the County's ability to manage the Council approved corporate priority for developing the high speed, County-wide Broadband initiative. Based on the scope of the Project Agreement and length of time this project spans (up to 5 years for full construction build-out), they have identified the need for a dedicated project management resource to ensure the ultimate success of this project. The anticipated annual cost of this position is approximately \$120,000 for a period not to exceed 5 years. It is recommended that this Capital Project Management position be included as part of the Draft 2021 Tax Supported Capital Budget, funded from CRR-IT.

From the Perry Group review of the BAS implementation, initial recommendations include the immediate need for a dedicated BAS capital project manager. The existing capital budget does not provide adequate resources for this inclusion and it is therefore recommended the project budget be amended to include \$120,000, funded from CRR-IT for a period of one year with the ability to extend this position with subsequent/annual Council approval.

STAKEHOLDER IMPACTS:

The Business Process Optimization reviews included 15 specific processes that encompassed a cross-function of all business areas of the County. The implementation of these process improvements will benefit the end users of these services as well as significantly projected costs avoidance in the management of these services.

One of the main benefits of the proposed IT restructuring is a sustained investment in experienced business solutions, analyst and project management staff to assist business units in digitization / process modernization.

REPORT IMPACTS:

Agreement: No

By-law: No

Budget Amendment: Yes

Policy: No

ATTACHMENTS:

1. Business Process and IT Organizational Review - Final report dated November 30, 2020 from Perry Group Consulting.