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IMPLEMENTATION OF INFRASTRUCTURE DELIVERY REVIEW KEY OUTCOMES

The Transportation and Works Committee recommends the adoption of the recommendations contained in the following report, June 15, 2004, from the Commissioner of Transportation and Works:

1. RECOMMENDATIONS

It is recommended that Regional Council:

1. Endorse the key findings of the Region's Infrastructure Delivery Review as outlined herein.

2. Direct staff to initiate the proposal call process to retain private sector parties to deliver two "bundles" of Regional capital projects (one for roads and one for water and wastewater projects).

3. Approve an increase to the staffing complement of the Infrastructure Design and Construction Branch of the Transportation and Works Department by three full time equivalents (FTEs) to allow for the program management of the Region's Special Projects and the two proposed capital project "Bundles", and two 2-year contract positions to implement improvements to the Branch's stakeholder relationship management, with the positions to be funded from the approved 2004 Roads, Water, and Wastewater Capital Budgets.

4. Authorize the Regional Chair and Chief Administrative Officer to execute appropriate service level agreements with the Toronto Region Conservation Authority and the Ontario Ministry of Environment to allow for more timely approvals on the Region's capital infrastructure projects.

5. Direct staff to report back in fall 2004 on the progress of these efforts, and on recommended procedural and Purchasing By-law amendments to allow for the implementation of the key procurement streamlining recommendations and also on the progress of this effort.

2. PURPOSE

The purpose of this report is to provide the Transportation and Works Committee and Council with an update of progress to date on the Region's recent Infrastructure Delivery Review, and to secure endorsement of the proposed process and resourcing improvements.

3. BACKGROUND

In June 2003 Regional Council approved the undertaking of a review of infrastructure delivery opportunities and requested that staff report back to Transportation and Works Committee in winter 2003/04. In the summer of 2003, the Region retained the firm of KPMG to undertake this Infrastructure Delivery Review.

A status report was received and endorsed by the Transportation and Works Committee and by Regional Council in January, 2004 and a Council workshop was subsequently held on February 26, 2004. Staff received endorsement from Regional Council to continue their review with the assistance of KPMG and to report back with final recommendations as soon as possible.

4. ANALYSIS AND OPTIONS

As presented at the Regional Council workshop the key study outcomes, as determined by KPMG were:

- Region faces significant service delivery challenges.
- Region must maintain and enhance core non-delegable responsibility for Stakeholder Relationship Management and Program Management.
- Procurement streamlining is required.
- Negotiated arrangements with external regulators would be beneficial.
- A delivery strategy that optimizes the use of existing expertise and experience of both Regional staff and the private sector.

Further to the Council Workshop, KPMG has identified additional recommendations for organizational improvements focusing on the delivery challenges associated with unique projects with extenuating or special attributes, and on more effective integration of the engineering and construction administration function.

4.1 Regional Service Delivery Challenges

The KPMG review confirmed that in relation to other municipal jurisdictions the Region faces significant service delivery challenges due to the extremely large capital infrastructure programs, and the accelerated need for infrastructure resulting from the recent pace of growth. Furthermore the KPMG review confirmed that the existing program management resource levels within the Infrastructure Design and Construction Branch should be increased. The KPMG review indicated that the current levels were too low to allow for both effective and strategic program management as well as normal administrative management for a unit charged with such a heavy delivery agenda.

4.2 Core Regional Responsibilities

The KPMG review confirmed three key management responsibilities required for superior delivery of municipal capital infrastructure products:

- Program Management.

- Stakeholder Relationship Management.
- Project Management.

The appropriateness of outsourcing each of these is reviewed below.

4.2.1 Program Management

Program Management is the overall strategic management of the capital infrastructure programs. This includes the decision making of how individual projects are to be delivered, the scheduling, the assignment of resources, the monitoring of progress in the delivery of the programs, the costly identification of program related issues, and the management of issues which are brought to the Regional level for decision-making as they arise in the context of the delivery of the programs. Program management activities are owner's activities which for many reasons, including legal obligations, should not be delegated to an outside service provider.

4.2.2 Stakeholder Relationship Management

Stakeholder Relationship Management relates to the Corporations activities in which affect its many direct and influencer stakeholders relative to each capital project. As identified through earlier work, the stakeholders to the Region's capital infrastructure projects are many and diverse and, often have competing objectives. The Region's projects often have real, potential, and perceived impacts/effects on these stakeholders and the relationships associated with these stakeholders. Management of these relationships must be more proactive, thus requiring constant strategic attention, sensitivity and care to ensure that the delivery of the projects are not jeopardized, or that the Region's position/reputation is not negatively affected.

The KPMG review included an analysis of the positions of many of the Region's stakeholders, and a review of recent experience. Although the Region has in the past attempted to delegate some of the responsibilities inherent to stakeholder relationship management, this attempt has proven to be risky. Furthermore, it is clear that the Region's stakeholders feel that Regional staff should be in charge of this aspect of the capital infrastructure projects. It is recommended that the Region maintain the management of the stakeholder relationships as a core non-delegable responsibility.

4.2.3 Project Management

Project management is the administrative and technical management of individual capital projects. The Region has traditionally carried out project management of all phases of project delivery (environmental assessment, preliminary design, detail design, and construction administration) as an in-house activity. Recently however, due to the lack of in-house resources the Region, and other government jurisdictions, have moved to delegation of some of the project management responsibilities to private sector service providers.

The KPMG review recommends that the partial outsourcing of project management responsibilities should continue to be used to effectively manage the size increases and acceleration of the Region's capital programs. Further outsourcing of this function will not only allow the Region to manage the fluctuations in the size of these programs, but could also be used to free up more of the existing in-house resources to focus on the above-mentioned critical stakeholder relationship management function. The KPMG review also points out however that a knowledgeable owner should maintain a critical mass of in-house project management resources. This will allow an owner to maintain sufficient expertise to be able to continue to critically evaluate the product which is being delivered by outside service providers, and maintain sufficient flexibility for an owner to respond quickly to unexpected or urgent projects as they arise.

4.3 Procurement Process Streamlining

In order to ensure that delivery cycles are not unduly protracted the KPMG review recommends that the Region explore the potential to streamline some of the procurement procedures. Furthermore, the review recommends that some improvements could be made to ensure that the Region maximizes its use of outside service providers who have provided good service in the past while minimizing its exposure to those with whom the experience has not been as positive. Among the improvements suggested are:

- Greater use of pre-qualification processes, including Vendors of Record and Standing Offer Arrangements.
- Greater delegation of "call-up authority" to Regional Program and Project Managers with appropriate accountability and reporting mechanisms.
- Greater use of negotiated contracts, especially for large and complex projects.
- Value-based procurement versus the lowest-bid procurement.

The key to any such improvements would be the development and complementary implementation of appropriate checks and balances to ensure that the Region maintains its ability to receive the best value for its investments, while allowing for the quicker implementation of projects.

4.4 Negotiated Arrangements with External Regulators

Because all of the Region's infrastructure projects are subject to the approvals of a number of external regulatory agencies, the KPMG review has recommended that the Region pursue potential agreements with a number of the key agencies to address issues of timing, service levels, and potential resource needs of the agencies. Key agencies include the:

- Toronto Region Conservation Authority (TRCA).
- Ontario Ministry of Environment (MOE).
- Ontario Ministry of Natural Resources (MNR).
- Federal Department of Fisheries and Oceans (DFO).

Regional staff efforts are already underway to negotiate such potential agreements with both the TRCA and the MOE. The Region, TRCA, and MOE staff are reviewing the Region's project approval timeline requirements, and specific resourcing needs are being identified for each of the agencies to meet Regional needs over the next several years. Corresponding expectations of service levels on the part of TRCA and MOE are also being identified. It is currently estimated that TRCA may require an additional four to five positions and the MOE may require an additional three positions to meet the Region's review, approval and permit timing requirements. As these temporary additional needs are not funded by these agencies, the Region is being asked to fund these. Although, these negotiations are still being finalized Regional staff estimate that the additional funding may cost approximately $0.75 million annually.

4.5 Optimized Delivery Strategy

In reflection of the above considerations, the KPMG has recommended that the Region employ an optimized delivery strategy which would maintain the core non-delegable responsibilities in the hands of Regional staff, while outsourcing a larger part of the project management responsibilities. Furthermore, KPMG recommends structuring the work to be outsourced in a way which would ensure that the Region is able to attract the best qualified external resources to assist the Region in its delivery.

The Review recommends that the Region identify one or more "bundles" of its projects for outsourcing of all associated delivery activities (project management, environmental assessment, preliminary design, detail design, and construction administration). It is suggested that such bundling of projects and activities will make the package appealing enough for the private sector to import additional resources from outside of the greater Toronto area market. One of the current concerns of the consulting engineering community is that there is not enough certainty in their existing work flows to allow for the attraction of additional engineering resources to the area. A successful proposal on the part of one or more companies for a large multi-year volume of work would prompt these companies to be more aggressive in recruitment from other markets.

The KPMG review further recommends that two such assignments be structured in a flexible way to allow the Region to add work to the assignment should Regional programs further increase or be further accelerated to meet further increases in the pace of growth. It is also suggested that in the future the Region could also look at including the actual construction of some or all of the capital work as part of a capital "bundle".

A procurement process and the associated products for the assignment of such a "bundle" of capital work greatly exceeds what the Region currently has in place. The development of same therefore requires a substantial one-time investment on the part of the Region. Regional staff are now preparing to hire an external team comprised of consulting engineering resources and legal resources to prepare the process and products, and will report back in fall 2004 with the recommended strategy before issuing a Request for Proposal for the services associated with the "bundles" of capital work.

4.6 Other Organizational Improvements

In order to more effectively manage the capital programs in reflection of the above recommendations, and to address recently emerging concerns relative to special or critical infrastructure projects such as the 16th Avenue Trunk Sewer and the Southeast

Collector, it is proposed that the organizational structure of the Infrastructure Design and Construction Branch be refined and that some additional resources be dedicated to specific program management and stakeholder relationship management functions.

The critical considerations leading to the proposed realignment were the need to:
- Dedicate resources for the project management of special Regional projects critical to the Regional economic position.
- Increase program management resources.
- Re-focus internal resources on stakeholder relationship management.
- Address project management needs through increased outsourcing/bundling of projects of the more traditional or regular Regional capital projects.

The review has identified that the delivery of the special or critical projects requires additional dedicated program management support. It is proposed that a team of dedicated project managers, one for each special project, report to a newly created and resourced position of Program Manager of Special Projects. Also, it is proposed that two new Capital Bundle Program Manager positions be created to oversee the management of the two proposed capital bundles. One bundle will deliver primarily Roads Capital Program projects. The other bundle is proposed to include projects primarily from the Water and Wastewater Capital Programs.

Lastly, the KPMG review recommends the temporary hiring of two communication specialists to assist in the refocusing of existing project management resources to more active management of stakeholder relationships throughout the delivery of the capital programs. It is intended that these two specialists be hired on a contract basis for a period of two years, with the need to be reviewed at the end of the first year.

5. FINANCIAL IMPLICATIONS

It is proposed that the procurement process improvements be developed with appropriate safeguards to ensure that the Region continues to receive best value for money while allowing for shorter delivery timelines to reflect the accelerated needs for Regional infrastructure. Regional staff will report back in fall 2004 and will address any potential financial implications at that time.

The proposed additional annual costs for the additional staff to affect the proposed program and stakeholder relationship management are outlined in Table 1.

Table 1
Infrastructure Design and Construction Proposed Staffing Adjustments

Additional Proposed Staffing	Number	Annual Salary Including Benefits
Program Manager, Special Projects	1	$135,000
Capital Bundle Program Manager	2	230,000
Stakeholder Relationship Specialist (Contract)	2	200,000
Total Annual Salary including Benefits		**$565,000**

Additional one time costs of $50,000 for furniture and annual information technology costs estimated at $75,000 would also be incurred with the addition of the proposed staff.

Furthermore, as identified in section 4.4 the additional financial impact of funding temporary review/approval resources at the TRCA and MOE to allow for more timely approvals is estimated at approximately $0.75 million annually.

All of the above outlined additional costs can be accommodated within the current approved 2004 Roads, Water, and Wastewater Capital Budgets, and would be further budgeted for in future annual budgets. Funding for these costs would be primarily from development charges and also from rate and tax levy funding.

6. LOCAL MUNICIPAL IMPACT

The proposed process and resource improvements will allow for the Infrastructure Design and Construction Branch to more quickly respond to the accelerated needs for Regional capital infrastructure and to address the increasing demands of the multiple stakeholders involved in the delivery of the capital programs. These improvements will serve to therefore improve the Region's service of the local municipalities and our residents.

7. CONCLUSION

The recent growth and acceleration of the Region's capital infrastructure programs has stretched the resource ability of the Region's infrastructure delivery area. A recent review by KPMG has identified a number of key measures which are recommended for Regional implementation. Regional staff are already implementing a number of initiatives, and further procurement process improvements will be reported on in fall 2004. Furthermore, Regional staff propose now to develop the processes for outsourcing significant portions of the Regional capital programs in order to refocus existing resources to core non-delegable responsibilities. An external team is being hired to develop these processes and report back to Regional Council in fall 2004 before the issuance of a Request for Proposal for the services associated with the delivery of the proposed "bundles" of capital work. Additional resources are also being requested to assist in the critical areas of program management and stakeholder relationship management.