Confidential Record

TOWN OF COLLINGWOOD

February 17, 2015 **NO.** 077-15

MOVED BY Bob Madigan

SECONDED BY [illegible]

BE IT RESOLVED:

THAT Council receive and approve the Collingwood Public Utilities Service Agreement Review Summary Report and Addendum as presented, and defer the recommendation to provide notice of termination of the current agreement until the Board and CAO have an opportunity to review and report back to Council by no later than May 13, 2015, of the required services.

☑ **CARRIED**
☐ **DEFEATED**
☐ **TABLED** *Moved by:* _____
Seconded by: _____
Deferred Until: _____

Sandra Cooper
MAYOR

CLERK

☐ ***RECORDED VOTE***

COUNCIL	Yea	Nay
Cooper		
Saunderson		
Fryer		
Edwards		
Ecclestone		
Jeffery		
Doherty		
Madigan		
Lloyd		
TOTAL		

CPS0007337_0001

Collingwood Public Utilities

Service Agreement Review

Summary Report

December 22. 2014

Beacon 2020, Inc.
Smart Solutions Delivering Capacity & Efficiency in the Public Sector

True North Consultants, Inc
New Directions in Management
For the 21st Century

Disclaimer

The information contained in this document is of a general nature and not intended to address the circumstances of any particular individual.

Although we have tried to provide accurate information, it is based solely on information from the documents provided and interviews conducted, and there is no guarantee that the information is accurate or complete as of the date it is received or that it will continue to be accurate in the future.

Before using this information for a specific purpose, appropriate professional advice should be sought.

Beacon 2020, Inc. and True North Consultants.

Table of Contents

On July 21, 2014 Council unanimously carried a motion that directed staff to conduct an independent operational review[1] of the Services Agreement between Collingwood Public Utilities (formerly known as Collingwood Public Utilities Commission)/Town of Collingwood and Collus PowerStream Solutions Corp. (formerly known as Collus Solutions Corp.).[2] The purpose of the review was to determine whether or not the agreement provided value-for-money to the Town's rate payers in light of the CPU auditor's management letter dated May 12, 2014[3] stating the agreement ended January 1, 2005 and should be reviewed.

Executive Summary

The operational review of the Services Agreement ***(Agreement)*** resulted in the following summary findings:

- The ***Agreement*** described 18 services and 1 activity, of which only 10 were actually delivered
- According to the ***CPU*** auditor the ***Agreement*** ended January 1, 2005. Subsequently the Town received a legal opinion that the Agreement is still in force until January 1, 2016[4]. Regardless, the term of the ***Agreement*** is unclear
- Monthly payments were based on estimating and allocating Collus Solutions Corp. ***(Solutions)*** staff time spent on Collingwood Public Utilities ***(CPU)*** business, not based on individual services delivered or service levels achieved
- There was no documented record of service performance reporting as was required under the ***Agreement***
- There was no documented evidence of value-for-money and few benchmarking comparators
- There were some indications of value in the working service relationship
- It was difficult to find documentation related to the ***Agreement*** and there was no official system of record for the ***Agreement***
- Stakeholder interviews revealed a low level of awareness of the ***Agreement***, its status and its content
- The change in ***Solutions*** ownership and governance in 2012 caused conflicts of interest and role confusion in the management of the ***Agreement***
- There is a lack of recognizable identity and cultural cohesion in water & wastewater and little independence from Collus PowerStream in the management of the ***Agreement***

An analysis of the findings resulted in the following recommendations:

- Start from first principles rather than (a) continuing the status quo beyond an interim period or (b) trying to update or adapt the 2003 ***Agreement***. Set a clear vision for water and wastewater management and governance, clearly define required services and service levels, decide the best delivery method for each service, then establish any necessary agreements.
- In the interim, retain water and wastewater under CPUSB for with increased Town oversight, give the required 6 month notice to terminate the ***Agreement*** before June 1, 2015 and continue the current working relationship for business support service provision until

[1] **STAFF REPORT**: Report #CAO/COO 2014-01, submitted to Mayor and Council on July 21, 2014
[2] COLLINGWOOD PUBLIC UTILITIES COMMISSION -and - COLLUS SOLUTIONS CORP - SERVICES AGREEMENT, January 1, 2003
[3] Letter from Gaviller & Co. dated May 12, 2014
[4] Email from Aird & Berlis LLP dated August 10, 2014

January 1, 2016 to enable an orderly definition of requirements and associated changes

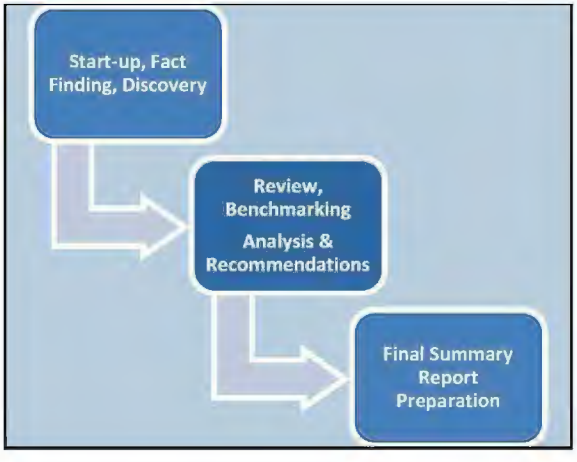
- Discuss opportunities for shared efficiencies with PowerStream, as there may be mutually beneficial economies of scale in areas such as customer service and billing
- Reflect good principles & best practices[5] in any future service relationships
- Ensure the pricing model associated with any future service relationships reflects the chosen governance structure (e.g. for services received from an external provider, use a fee-for-service basis rather than the current cost allocation method)
- Include the following requirements in any future service relationships: (1) monthly performance reporting that would accompany the submittal of invoices and (2) a schedule of expected periodic benchmarking or market testing
- Build a clear, strong identity and culture for ***CPU*** / water and wastewater services.

Scope of Work

The Town hired the team of Beacon 2020, Inc. and True North Consultants to conduct the operational review and report back to the Town's designates. The review had 5 major objectives:

1. Obtain an independent opinion with recommendations with respect to value-for-money for the services in the ***Agreement*** – from the inception of the ***Agreement*** in 2003 to the present
2. Determine if the services under the ***Agreement*** best support delivery of cost-efficient water and wastewater service – and if not, recommend modifications to the ***Agreement*** or alternative service delivery strategies to achieve it
3. Identify the business support services necessary on a "go forward" basis for CPUSB
4. For each needed service, identify alternative resourcing strategies which might provide these services in a more cost-effective or superior manner
5. For alternatives/options identified, define the implementation process(es) to enable changes to be made, if acceptable by Council

The review of the Agreement consisted of the 3 major activities shown below:



Activity 1: Start-up, Fact-Finding & Discovery

The consultant team set out to obtain evidence related to the Agreement and the service relationship between ***CPU*** and ***Solutions*** during Activity 1. This evidence was obtained in the following forms:

1. Documentation associated with the ***Agreement***
2. Interviews with key stakeholders
3. Observations
4. External sources of comparative data (i.e. benchmarking)

[5] See Appendix 1: Elements of good service agreements

More than 60 documents related to the ***Agreement*** were reviewed to discover relevant documentary evidence. This included the original ***Agreement***, updates to the ***Agreement*** as well as a variety of background documents describing the circumstances and actions surrounding the implementation and on-going management of the ***Agreement***. It also included all available related financial information from ***CPU*** and ***Solutions***. See Appendix 2 for a complete list of documents reviewed.

More than 20 stakeholders in the ***Agreement*** were interviewed, including members of Council, members of the ***CPU*** Services Board, staff members of ***CPU*** and ***Solutions*** and the Town, members of the Collus PowerStream Board, and other stakeholders previously involved in the ***Agreement***. Interviews were conducted face-to-face or by phone. See Appendix 3 for a summary of the themes derived from the interviews.

There was a short walk-through of the ***Solutions*** operations and an opportunity for additional informal discussions with ***Solutions*** staff.

Information from the National Water and Wastewater Benchmarking Initiative as well as the team's more than 50 years' combined experience improving performance of water, wastewater and public works organizations was drawn upon for the analysis and recommendations.

Activity 2: Review, Benchmarking, Performance Analysis and Recommendations

FINDINGS

Review of the *Agreement*

The ***Agreement*** was a representation of the services to be provided by ***Solutions*** to ***CPU*** and related payments to be made by ***CPU*** to ***Solutions***. It also detailed the rent for computer usage to be paid by ***Collus Power Corp*** to ***CPU***.

In the ***Agreement, SERVCO (Solutions)*** agreed to *"provide supervisory, operational, engineering, finance, administrative and other services to PUC at a base cost of $670,000 for the first year of the agreement – with an automatic 3.5% increase per annum thereafter"*

In addition, ***Solutions (SERVCO)*** *"will rent all computer hardware and software from PUC at a rate of $84,000 for the first year of the agreement – with an automatic 3.5% increase per annum thereafter"*

It must be noted that the relationship between ***Solutions*** and ***CPU*** was not simply a one-way arrangement. There has also been a Shared Facilities Lease in place since 2000 wherein Collus Power Corp (including ***Solutions***) rents space from PUC (***CPU***). This lease was renewed annually. The most recent lease payment was $216,000.

Agreement did not reflect services actually delivered and may have expired on January 1, 2005

The ***Agreement*** warrants the delivery of 18 identified services and 1 additional activity while it appears that only 10 of those services were ever delivered. There may have been an original intent for Solutions to deliver services such as operations and engineering, but warranting such services in the ***Agreement*** should have been avoided or the ***Agreement*** should have been changed. There was no record of any such adjustments or related adjustments in pricing between the parties.

The Table on the following page shows all the services identified in the ***Agreement*** and indicates those services actually delivered.

Services in *Agreement*	Service Delivered
Reconnect & Collection	YES
Meter Reading	YES
Billing & Collecting	YES
Customer Service	YES
Data Tracking (Information Technology?)	YES
Accounting	YES
Engineering Services	NO
Planning & Necessary Maintenance	NO
Contracting with Developers, Customers & Others	NO
Subcontracting Services	NO
After Hours Response (crew response)	NO
Normal Hours Response	NO
Emergency Preparedness (Electricity only)	NO
Provision of Supervisory Services	NO
Management Services: HR	YES
Management Services: Policy Development	YES
Management Services: Regulatory Assistance	YES
Management Services: Reporting	YES
Activity: Capital Construction Activities	NO

Based on the term of the agreement, the ***Agreement*** it was in force during 2003, rolled over for an additional year in 2004, then appears to have expired on January 1, 2005. On May 12, 2014 the CPU auditor stated that the ***Agreement*** ended January 1, 2005 while the Town's lawyers determined on August 10, 2014 that the ***Agreement*** is still in force until January 1, 2016. The two opposing opinions confirm that at the very least the language in the term of agreement section of the ***Agreement*** is not clear.

Payments based on staff time allocation, not on services delivered

The cost for all the services defined in the ***Agreement*** for 2003 was set at $670,000 with an automatic annual increase of 3.5%. There is no documented relationship defined between that cost and the services provided. The first record of payment was $544,000[6] a year later.

Based on interviews, it appears that the initial base cost of the bundle of services in the ***Agreement*** was an estimate based on the previous year's actual costs. After the first year of the ***Agreement's*** implementation, the actual amount allocated to ***CPU*** was established based on an estimation of the amount of time (and cost) individual staff members spent supporting the water business versus the electric business or the Town of Collingwood. Individual staff estimates were then totalled to calculate the overall allocation percentage.

The overall allocation was approximately 40% to water and 60% to electricity distribution[7]. This cost was then budgeted for the subsequent year and allocated on a monthly basis at 1/12th of the previous year's costs. At the end of each year, an adjustment would be made based on the actual staff time accrued.

It appears that the cost allocation model was used to distribute ***Solutions*** costs to ***CPU*** as well as the Town of Collingwood and Collus Power Corp (more recently Collus PowerStream Corp.) since the initial 2003 ***Agreement***. There was, however, no documented evidence of any allocation schedule found[8] until the report produced by HSG Group based on its review of the ***Solutions*** cost allocation

[6] Collus Power Solutions Corp 2004 Income Statement
[7] Actual allocations to ***CPU*** ranged from 38% (2004) to 43% (2013) – see Appendix 5
[8] Initial documentation may no longer be available due to limitations of storage requirements

methodology[9] in April, 2013. The HSG review also looked at the methodology used by ***CPU*** to charge Collus Power for use of its facility and computer systems.

The HSG review was the first document that explicitly related services and work performed to payment received. It identified services provided, estimated the time each ***Solutions*** employee spent providing those services and identified cost drivers to allocate costs. It also reviewed the allocation model against OEB regulations[10] to ensure compliance.

It also appears that there has never been any relationship documented between the individual services provided and the monies paid by ***CPU*** to ***Solutions***. Everything was transacted at the aggregate service grouping level (i.e. all business support services). There is some minor fluctuation in the allocation % visible which may have been related to the introduction of new legislation in water or electricity.

No record of service performance reporting

There is no record of any management or performance reporting by ***Solutions*** to ***CPU*** for the services provided as required under the ***Agreement***[11], nor any indication of the quantity or quality of each service actually delivered.

The ***Agreement*** contains a number of references to the electricity industry, makes little reference to important water regulations and fails to conform to expected standards of good practice agreements in a number of areas[12].

We conclude that the ***Agreement*** was never a good representation of the actual services provided, that the parties were likely in technical breach of the ***Agreement*** as soon as it was signed, that the parties did not meet the performance management requirements set out in the ***Agreement*** and that the ***Agreement*** was never updated as required.

A typical private sector service agreement might include periodic reviews of performance, sometimes performed by an independent reviewer. In addition, service benchmarking or market reviews of costs for resources might be used.

Good private sector service providers would also solicit feedback on their performance by use of client surveys or other means.

No documented evidence of value-for-money and few benchmarking comparators

There is no documented evidence that any of the business support services provided by ***Solutions*** to ***CPU*** under the ***Agreement*** have ever been delivered cost-effectively or provided value-for-money for rate payers. The only indication of service performance can be found by comparing expected financial results vs actual results for ***CPU***. Provincial legislation requires water and wastewater facilities to operate on a breakeven basis[13] and this was not achieved from 2009 to 2013. During this time financial management appeared not to meet outcome standards, although the root cause of the deficit was not apparent. A rate study was recently conducted to address financial deficiencies and ensure long-term financial sustainability of ***CPU***.

[9] Collus PowerStream Solutions Corp. Review of Cost Allocation Methodology, HSG Group, April 2013
[10] Ontario Energy Board's *"Affiliate Relationships Code for Electricity Distributors and Transmitters"* (ARC)
[11] ***Agreement*** Section 3.03: Performance Standards
[12] See Appendix 1: Elements of good service agreements
[13] Bill 13, *The Sustainable Water and Wastewater Systems Improvement and Maintenance Act, 2010*

No performance results were documented as per the ***Agreement*** and no link was ever established between services and payments. It is therefore not possible to identify if any of the services were ever provided in a cost-effective manner, have improved or deteriorated over time.

The limited benchmarking evidence available suggests that:

1. Overall water service delivery costs are close to the industry median across Canada and providing good value. Average aggregate costs for water services, including chargebacks for indirect business support services were close to the median for water treatment and water distribution when compared to other water and wastewater utilities in Canada[14] between 2010 and 2012 (e.g. 3 year average water treatment cost per ML treated was $217 versus the national median at $207))
2. Cost of customer billing (provided by ***Solutions***) is high. (Average cost of customer billing per service connection was approximately twice the median when compared to other water and wastewater utilities in Canada (i.e. 3 year average of $22.90 versus the national median at $11.33)). It must be noted that during 2010 Collus Power moved to smart meters and no longer shared the cost of meter reading with ***CPU***
3. IT Services (delivered by ***Solutions***) are cost-effective based on an estimated 1.0 FTEs responsible for water-related IT support when compared to other similar water utilities or government agencies.

The overall water service delivery cost is reasonable and this cost includes the business support services provided by ***Solutions***. There is very little evidence, however, that further describes whether those services are cost-effective or not outside the high cost of customer billing and the cost-effective provision of IT Services.

Benchmarking results are of limited value uncontrolled variables such as utility size, type of customer mix, location, treatment type and water source. ***CPU***, for example, is the smallest of 45 participants in the National Water and Wastewater Benchmarking Initiative. This likely has an impact on results as lower relative economies of scale may drive higher costs per customer. They are, however, the only current source of comparison for the services provided by ***Solutions***.

It was not possible to perform a proper value-for-money assessment because of the absence of adequate performance data as well as a lack of any relationship between specific services provided and money paid.

Recent cost allocation adjustments corrected previous inappropriate charges

The evidence shows that there have been several corrections to the costs charged by ***Solutions*** to ***CPU*** over the past 2 years.

1. A Town Public Works employee whose salary and benefits were charged from 2003 to 2013 by ***Solutions*** to ***CPU's*** budget through the annual service payment (and shown in the Town's accounts as an "in-kind" contribution) was appropriately moved to the Town's payroll
2. The Collus PowerStream CEO, a % of whose time was charged to ***CPU's*** budget until 2013 is no longer being charged to ***CPU.*** This change may be appropriate under the new governance structure. However, if ***Solutions*** is seen as an external service provider it would be expected that the management overhead associated with the CEO position (as it relates to managing ***Solutions***) would be included in the overhead portion of ***Solutions*** staff charge-our rates.

[14] National Water and Wastewater Benchmarking Initiative – 2010, 2011, 2012 results

Those reductions are confirmed for 2015[15] and reflected in the projected allocation percentage of 34.2% (versus previous allocations that ranged between 38 to 43% between 2004 and 2013)[16]

The cost reductions, though positive, are still not tied to any documented change in service or service level but based on an improper allocation of resources to ***CPU***.

Oversight of the wastewater treatment and pumping service was recently moved from the Town's Public Works Department to ***CPU***. Despite that change, there was no documented evidence found of an accompanying change in service level or additional fees for providing services to the newly added service[17]. ***Solutions*** only reflected the change by showing an "in-kind" contribution in its financial statement.

The recent cost reductions and the use of in-kind contributions further confirm the lack of connection between services provided by ***Solutions*** and compensation paid by ***CPU.*** They also highlight the need to properly define any potential future service relationships by clearly defining the change management process.

Solutions staff passionate and working hard, new time management system added

Based on interviews and a walkthrough of the ***Solutions*** work area it is clear that the team works well together, staff members are working hard and are passionate about providing a good service to rate payers.

A new time management application was recently purchased and is currently being implemented to overcome the historical lack of documented staff time tracking. The new system captures ***Solutions*** staff time to support the cost allocation model. This is a positive step. However, it still does not provide the necessary information to support the recommended management of service performance or decision making.

Governance change caused conflicts of interest and role confusion

The governance of the ***Agreement*** was affected significantly by the August 2012 change in the governance structure of ***Solutions***. PowerStream, a private corporation acquired 50% of Collus Power Corp, including ***Solutions*** and created Collus PowerStream.

Thus ***Solutions*** is no longer an organization wholly owned by the Town. In addition, PowerStream, its 50% owner, has a stated objective of earning stable, regulated returns[18] while the Town has a break-even mandate.

The change in governance created a number of conflicts of interest and some role confusion in the current governance and management structures of ***CPU***. The review found that:

1. The Chief Financial Officer for ***CPU*** is an employee of Collus PowerStream. It is not advisable for an employee of any service provider to hold a strategic or executive management position within its client organization
2. The President and CEO of Collus PowerStream also served as ***CPU*** CEO until December 2013 and is a voting member of the CPU Services Board[19]. It is not advisable for any Board to have representation from a service provider as this creates a conflict of interest

[15] Proposed cost allocations for 2015 provided by ***Solutions*** and reflected in the projected budget
[16] Calculations based on ***Solutions*** financial statements, see Appendix 5 for summary financial analysis table.
[17] 2012 Collus PowerStream Solutions Corp financial statements

[18] PowerStream website – Introduction to Annual Reports
[19] By-Law No. 2012-096 – a by-law to re-establish the Collingwood Public Utilities Services Board – clause 3.2 Voting members

3. The Executive Assistant of the President and CEO of Collus PowerStream / Director of Human Resources serves as the Secretary to the CPU Services Board. It is not advisable for an employee of any service provider to hold a strategic or executive management position within its client organization or to perform an administrative role on its Board
4. There is no Town staff-based CPU Services Board support and oversight outside the attendance of the COO – thus it remains the responsibility of the Mayor and 1 other representative appointed by Council to ensure proper oversight

The creation, governance and management of any service agreement between ***CPU*** and an external service provider needs to be driven and controlled by ***CPU***. The current governance structure makes this difficult, as it does not show sufficient independence, oversight and scrutiny.

Difficulty finding documentation and lack of stakeholder awareness

It was difficult to locate the available documentation associated with the ***Agreement*** and a number of key evidentiary documents (e.g. performance reports) were not found at all. There was no central repository of information (e.g. document management system) or single source of contact with responsibility for documentation associated with the ***Agreement***, including:

- The allocation model or schedules
- Performance records
- Invoices
- Financial transactions
- Records of any changes associated with the ***Agreement*** or the subsequent working service relationship between Solutions and ***CPU***.

Most interviewees showed a lack of awareness and understanding of the ***Agreement***, its currency, its contents and any associated information.

Lack of water and wastewater identity, little independence from Collus PowerStream

Healthy service agreements between clients and service providers require clear roles and responsibilities to be defined. This clarity is lacking in the current service relationship between ***CPU*** and ***Solutions***.

The ***CPU*** executive management team consists of a Chief Operating Officer (COO) who is an employee paid by ***CPU***, and a Chief Financial Officer and Human Resources Officer who are both ***Solutions*** employees paid by ***Solutions*** (before being charged to ***CPU*** through the ***Agreement)***.

All three roles and positions on the executive management team were shown at the same level on organization charts until recent adjustments were made to the organization chart and reflected on the web-site.

It is unusual for any executive management team to include participants from a service provider as their objectives would typically conflict. For ***CPU*** the 2012 governance change to ***Solutions*** should have precipitated an immediate separation between ***CPU*** and ***Solutions***, a re-drafting of the organization charts and a re-definition of the roles, responsibilities and authorities of all key management team members.

Oversight of the team is provided in a number of ways. The COO reports directly to the CPU Services Board while the two other EMT members report to the President & CEO of Collus PowerStream and the Collus PowerStream Board.

Due to its membership, Collus PowerStream continues to have a strong presence and influence in the ***CPU*** executive management team as well as on

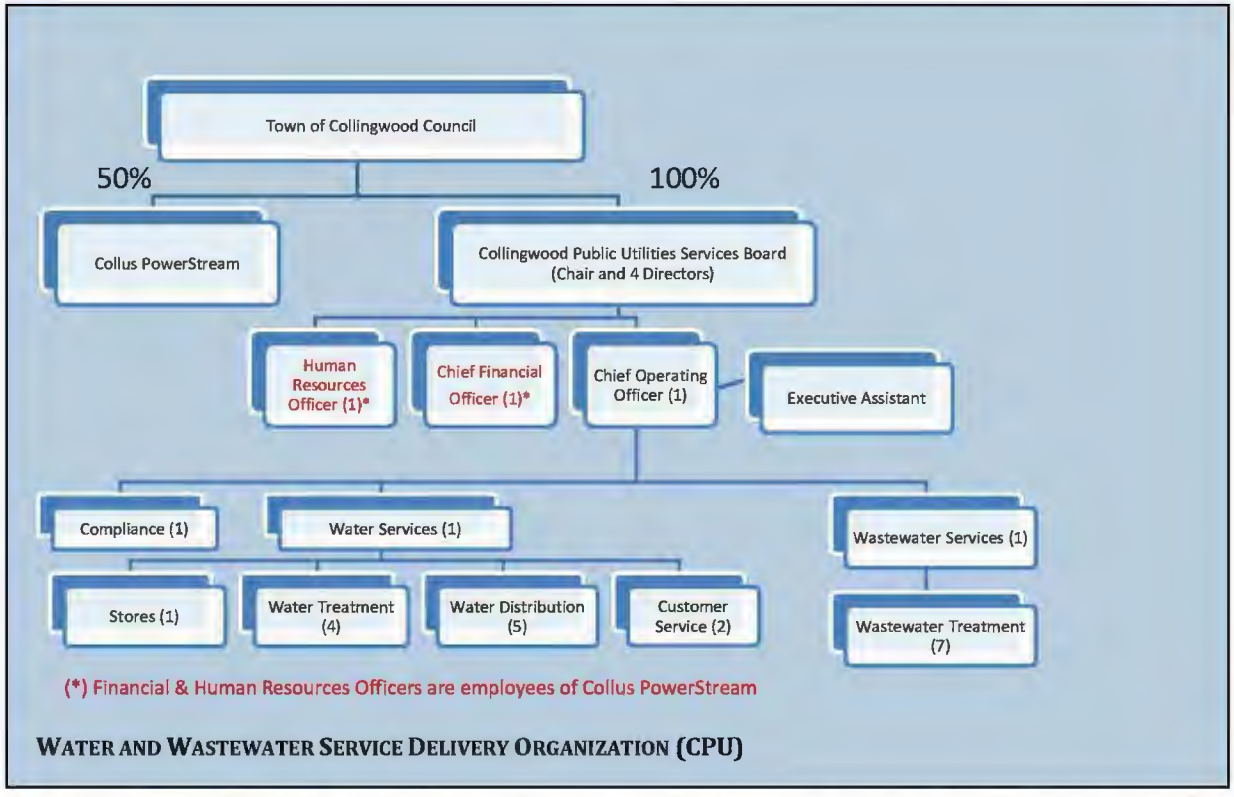
the ***CPU*** Services Board. This has made it difficult for water to develop its own strong identity or culture outside Collus PowerStream. It has also resulted in role and responsibility confusion. This confusion was confirmed during the interviews conducted.

Even within ***CPU*** there is a distinct cultural difference between the water section, which has had a strong historical affiliation with the electricity distribution service, and the wastewater treatment and pumping section whose oversight was recently changed from the Town to ***CPU*** and exhibits very little sense of being part of the ***CPU*** team.

governance structure as it causes confusion for customers and staff alike.

Recent updates to the web-sites have separated the water and wastewater from electricity distribution services and provided a significant improvement in clarity for customers

The current logos and names related to ***CPU*** are likely unclear for customers. The new water and wastewater logo is similar to that of Collus PowerStream and has a lightning bolt in it. In addition, the Collingwood Public Utilities name has a strong historical association with the electric utility.



WATER AND WASTEWATER SERVICE DELIVERY ORGANIZATION (CPU)

The website www.collus.com previously showed the combined Collus PowerStream/Collingwood Public Utilities Executive Management Team. The EMT includes employees at various levels with titles including Manager, Officer, Vice-President and President & CEO and several employees hold the same titles in both organizations. This kind of "double-hatting" is no longer advisable in the new

There appear to be opportunities to better reflect and differentiate the services being delivered through the logos being used.

RECOMMENDATIONS

Start over: set vision, define service needs, decide delivery method, establish agreements

It is important to develop service requirements for ***CPU*** from first principles rather than continuing the status quo or updating or adapting the 2003 ***Agreement*** because:

- The ***Agreement*** has been not been in effect since the end of 2004 and has never been market-tested
- The 2012 change in governance of ***Solutions*** means the service provider in the ***Agreement*** is now 50% owned by a private corporation
- The provincial government's intent to increase private sector participation in the water and wastewater industry.

The following steps are recommended:

1. Step 1: Set a new and inclusive vision for the delivery of water and wastewater services, including governance by the CPU Services Board and the Town of Collingwood
2. Step 2: Clearly define the core and business support services required to achieve the vision through efficient, effective and quality water and wastewater services to rate payers and external customers
3. Step 3: Determine and prioritize options of where and how to obtain the core and business services. (e.g. hire external engineering firms to deliver capital projects through an RFP process, hire in-house staff to deliver financial services, hire O&M contractor to deliver water and wastewater treatment services)
4. Determine which, if any, service relationships are required for ***CPU***, develop and implement those service relationships with selected service providers.

The figure on the following page shows a proposed framework and process to determine the governance structure, services and delivery methods. It also shows some of the options available to the Town and ***CPU*** to best deliver water and wastewater services.

A typical water and wastewater utility includes core services like water treatment and distribution and wastewater collection and treatment as well as a number of business support services such as finance, human resources and customer services and billing.

Any of the services can be delivered in a number of ways.

Many municipalities provide core water and wastewater services such as operations and maintenance in-house while one or more business support services are provided by other municipal departments such as finance and human resources. (e.g. City of Toronto). Some municipalities provide core water services in-house, while wastewater treatment is outsourced to an external provider (e.g. Region of Waterloo / OCWA). Others outsource all water and wastewater treatment operations and maintenance (e.g. Region of Peel) or have used both internal delivery and outsourcing at various times (e.g. Hamilton).

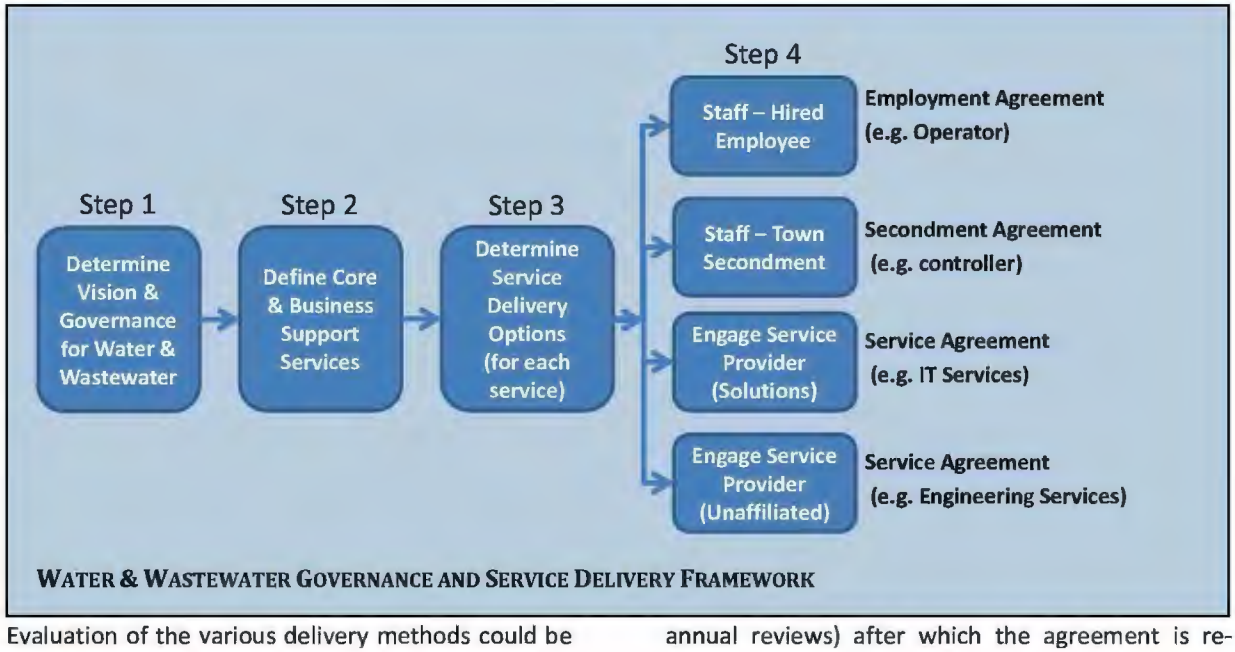
Most municipalities outsource all engineering design and construction services to consultants and contractors, while some provide the overall management of the capital program in-house. (e.g. Region of Halton)

In municipalities that decide to deliver water and wastewater services in-house, there are a number of services regarded to be essential to properly managing and controlling the business. These include operations & maintenance, compliance, finance.

Transactional services (e.g. customer billing, payroll and laboratory sample analysis), services easily

purchased locally (e.g. grounds-keeping) and complex or specialized services (e.g. engineering, geo-technical or legal) are more likely to be acquired from external providers, especially in smaller municipalities. Billing services are provided by electric utilities in a number of municipalities.

It is important to consider both the most appropriate resource to deliver each service and the best way to ensure long term competitiveness of that service.



WATER & WASTEWATER GOVERNANCE AND SERVICE DELIVERY FRAMEWORK

Evaluation of the various delivery methods could be done based on criteria developed by the Town such as impact to water and wastewater quality, level of oversight required, cost of provision, and level of public transparency.

Strategic management services such as business planning, budgeting and financial planning, capital planning, and workforce planning should be performed by ***CPU*** staff.

For services such as accounting, payroll, transactional HR (e.g. recruitment) and IT services, ***CPU*** could consider:

- A new agreement with ***Solutions***
- An agreement with the Town of Collingwood
- An agreement with an external private sector provider acquired through an RFP process
- Full-time resource(s) hired directly into ***CPU***

For services where continuity is important, like accounting services, the requests may be for a specific period (e.g. 2-3 years maximum term with annual reviews) after which the agreement is re-tendered.

One way to ensure competitive provision of engineering and legal services, for example, would be to issue a request for proposals for projects to which private sector engineering or law firms respond.

Once the best provider(s) have been selected the appropriate agreements can be established.

The impact of reviewing the current working relationship and any service delivery changes on the Town or current partners (***Solutions***) should be considered. It is important to communicate to staff

that this process is an important part of ensuring due diligence to the public and the rate payers.

The current working relationship between ***CPU*** and ***Solutions*** should continue on an interim basis pending the outcome of any visioning, services definition and resource acquisition process.

Agree interim stage: retain CPUSB governance of water and wastewater & increase Town oversight

The current Collingwood Public Utilities Services Board is one of a number of governance structures to be considered in the future. There are a number of other governance structures used by municipalities to deliver water and wastewater services. There are also different options for operating and maintaining water and wastewater facilities.

Most municipalities brought water and wastewater services into the town's organizational structure as a department or division after the break-up of the Public Utilities Corporations. Collingwood, however, like Peterborough, Kingston and several other municipalities, kept the water service under a public utility corporation governance structure[20].

There are a number of future considerations in determining any future governance structure, including the Town's economic development aspirations, pending government legislation and public expectations. It is the intention of the Ontario government to increase the involvement of the private sector in the water & wastewater industry as well as the electricity distribution industry. Bill 13, ***The Sustainable Water and Wastewater Systems Improvement and Maintenance Act, 2010*** passed first reading in 2010. It describes the intent to have municipalities deliver water and wastewater services through public corporations with boards that include a majority of public members to provide increased transparency.

During the interim period before the future governance structure and service delivery methods have been determined it is recommended that the Town of Collingwood strengthen its oversight of ***CPU***, its services and its agreements on the ***CPU*** Board to reflect its vision.

The following decisions are recommended to continue its forward thinking on governance:

- Amend By-law 2012-096 to:
  - Place Town CAO or his/her designate on the ***CPU*** Services Board to increase Town oversight
  - Remove the President and CEO of Collus PowerStream from the CPU Services Board to avoid having a service provider on the Board
- Consider using the Town Clerk to provide clerking services to ensure:
  - All appropriate documentation is stored in one location and readily accessible
  - Better compliance and increased alignment between ***CPU***'s and Town's policies and procedures

Town should discuss opportunities for shared efficiencies with PowerStream

The Town of Collingwood should have discussions with PowerStream about efficiency improvement opportunities beneficial to ***CPU*** before any final decision is made about the delivery method of business support services to ***CPU***.

These discussions should aim to build understanding and awareness of the business visions of both the Town and PowerStream. They would provide an opportunity to share capabilities of the various parties to deliver business support-type services.

[20] See By-Law 04-29, enacted per the requirements of the ***Municipal Act, 2001***, re-forming the Collingwood Public Utilities Commission to establish The Collingwood Public Utilities Service Board.

This collaborative approach would ensure important opportunities in the partnership between the Town of Collingwood and PowerStream fully are explored and considered.

The Town could then use that information along with criteria such as efficiency, degree of control, and information sensitivity to prioritize, evaluate and identify the most appropriate delivery method (e.g. through PowerStream, ***Solutions***, ***CPU***, the Town, other provider).

Any future service relationships should reflect good principles & best practices

There are a number of principles and components that should characterize service relationships between ***CPU*** and any service provider in the future. Those same components would also be applicable to similar relationships for the Town of Collingwood.

- Principles of good client service relationships:
  - Open Communication, Transparency, Trust
  - Fairness, equitable (both parties agree)
  - Clear accountability
  - Skills and experience
  - Focus on the relationship (e.g. surveys, feedback)
  - Periodic market testing

- Major Components expected in good service agreements:
  - Clear description of services
  - Schedule of prices for all services & service levels
  - Clear roles and responsibilities for agreement management & reporting
  - Integrated service performance management
  - Leveraged experience from previous agreements
  - Explicit reflection of the spirit of the agreement
  - Fair dispute resolution process
  - Comprehensive legal terms and conditions
  - Definitions of all terms

A typical agreement would include a base agreement with an appended schedule describing all services and associated costs and all resources (by role) with fully burdened fees. The schedule would also define any specific deliverables, milestones or results required. This makes it much simpler to adjust services, service levels and costs without having to change the entire agreement.

Appendix 1 provides a detailed table of the components that should be considered base requirement for ***CPU*** in any future agreements.

Future governance structure requires fee-for-service type model, not cost-allocation

Any future service relationship will require a value-exchange on a fee-for-service basis. Cost allocation is no longer acceptable. Costs need to be tracked against each specific service, process and possibly sub-process level rather than at the service bundle level.

Time and costs for each service provider resource in a relationship would be allocated to a service, a specific deliverable or tied to the achievement of a specified result. For example, an invoice would show the resource's name, the number of hours they spent on each defined service, and a fully burdened charge rate (e.g. Jim Johnson – 5 hours – accounting - @ $100/hour = $500). The invoice format and resource costing table would be specified in any agreement. This would allow proper tracking of costs against services.

Currently the rates ***Solutions*** charges ***CPU*** for its resources are only used to cover the internal costs of operations and do not reflect a profit margin. In the future, any service provider would supply a fully burdened rate (i.e. charge-out rate) for each of its resources. This rate would include a mark-up based on a target profit margin.

Require monthly performance reporting and benchmarking for business support services regardless of provider

In a typical service agreement with a private sector service provider there would be additional information submitted with monthly invoices to reflect work performed, milestones met, deliverables produced and/or results achieved. This type of performance reporting would provide an ongoing record of the proper value-exchange.

Work performed could be evidenced by time sheets and a record of transactions (e.g. number of customer enquiries responded to within a specified time period).

Deliverables produced would be subject to a quality standard and reviewed against that standard.

Results achieved would be compared to targets and timelines. In addition, performance of the service provider would be actively managed and documented. See Appendix 4 for a proposed performance management framework to apply to any future agreement for business support services.

Build clear, strong identity for *CPU* / water and wastewater services

Any leading water and wastewater utility's face to the customer is clear and easily identifiable.

Customers know exactly who is locating their service connection by the uniform staff is wearing and through recognition of their vehicle identification logo. They know exactly what their water and wastewater rates pay for by the way their bill is designed. They also know who is responsible for providing the right water and wastewater services to support their public health & safety, environmental protection and economic development.

All materials are consistent so that customers see those same messages and the same images reflected in all communication, all documentation and all social media.

They see names like Collingwood Water, and they see water and wastewater pictures on websites. They also see water logos on trucks, uniforms and buildings and can readily access a website specifically oriented to water and wastewater. On that website it would show the close partnership with the Town (e.g. coordination with Public Works with road and sewer / watermain construction) and mention other partnerships that help Collingwood Water deliver its services.

Conclusion

Based on the review of the ***Agreement***, the interviews and the documents associated with the ***Agreement*** it was not possible to perform a value-for-money analysis of the services provided under the ***Agreement***.

The ***Agreement*** may have expired on January 1, 2005 and the subsequent working relationship between ***CPU*** and ***Solutions*** has included the delivery of services such as finance, accounting, information technology (IT), human resources (HR), customer service/call centre, CPU Service Board support, customer billing and collection, and customer connection & disconnection management. Of those, only IT and customer service and billing have any benchmarked information available to determine whether they best support delivery of efficient water and wastewater service delivery.

In summary, there is not enough documented evidence of performance management or market-testing of the services to determine whether or not they were competitively delivered.

Decisions on who delivers what business support service should only be made after a determination of ***CPU***'s future vision and agreed governance structure. This would be followed by a clear

definition of the services required in water and wastewater before a criteria-based selection of the best service delivery methods is completed by Council and staff.

Pending that determination, the current governance and service relationship would remain in place with strengthened Town oversight in an interim period. This period would start immediately upon Council receipt of this report, notice of termination of the ***Agreement*** would be given before June 1, 2015, and any new service agreement(s), if required, would be established to start on January 1, 2016.

Rienk de Vries
Beacon 2020, Inc.

Sandy Scott
True North Consultants

APPENDIX 1: Elements of good service relationships and agreements

Any future service relationship or agreement developed by ***CPU*** with a service provider should follow the guidelines proposed below. The guidelines have been adapted for Collingwood and ***CPU*** from a best practices guide developed and captured within the Federation of Municipalities "First Nations – Municipal Community Infrastructure Partnership Program" Service Agreement Toolkit Unit 3[21].

The table below describes the elements that would be expected in a service agreement. This information should always be the basis for any agreement, with legal drafting of the actual agreement only occurring after the service requirements and associated compensation are clearly described.

Element	Description
ESSENTIAL ELEMENTS	
1. Effective date	The effective date of a service agreement establishes when the agreement becomes legally binding on the service recipient and the service provider. This date can be the date of adoption by both parties or a predetermined date. The effective date should always be after the necessary council resolutions, bylaws and authorizations have been approved.
2. Parties to Agreement	The names of the parties in the agreement must be clearly stated at the beginning of the service agreement. Each party's title would be followed by its authority to enter into the agreement (as described in the next subsection).
3. Authority to enter into Agreement	The parties to the agreement may provide evidence of their authority to enter into the agreement itself (i.e. approval from municipal council or private corporation). In the case of a municipality it would gain authority to enter into an agreement from a municipal bylaw or a Council resolution. Ideally the service agreement would include a reference to this bylaw or a copy of the bylaw would be attached as a schedule to the agreement. This section is usually included in the preamble section (see below) as the first two clauses.
4. Preamble	The preamble sets out the background information about the agreement and describes the purpose of the agreement in broad and general terms. It immediately follows the parties of the agreement clause and is generally a short section that

[21] www.fcm.ca/Documents/tools/cipp/CIPP_Toolkit_Unit_3_EN.pdf

	follows "WHEREAS".
5. Definition of Terms	The definition of terms section of the agreement provides any legal definitions, short forms used within the document and definitions of any common terms including terms related to service provision. The definitions in this section are important for consistency in the agreement and to ensure the parties are able to reference these definitions at a later date, leaving little ambiguity in the interpretation of the agreement.
6. Term of Agreement	In most cases parties will request to have the agreement for a finite period of time. Typically the term of the agreement relates closely to the time and effort required by one or both parties. Water and wastewater operations and maintenance service agreements, for example, can range from 5 to 20 years. A 20 year agreement would allow more investments by the service provider in areas such as technology to be made. To ensure continued competitiveness and fairness of the price, the client municipality might choose to add review and re-negotiation provisions based on pre-determined criteria and time-frames. Simpler service agreements tend to be 5 years or less, with business support services agreements often being 3 years or less with annual reviews Parties may want the ability to be able to terminate the service agreement with reasonable notice from either party before the specified termination date. What constitutes reasonable notice will depend on the circumstances and will need to be defined by the municipality and its service provider. More complex agreements that are of longer duration generally require earlier notice.
7. Renewal of Agreement	If the parties have agreed to create a fixed term service agreement, it is possible that the agreement will expire before a new service agreement can be negotiated. The parties may wish to include an automatic renewal provision to avoid the possibility of having no agreement in the interim. Alternatively, if the parties wish to renegotiate with each renewal, it is possible to stipulate a time frame for renegotiation. For example, the parties would begin to renegotiate the agreement six (6) months before the end of the term. This may be preferable in any future agreements for business support services in Collingwood.
8. Applicable Laws, by-laws, regulations	Some service agreements will include general statements about compliance with all applicable laws and regulations. In water and wastewater service agreements a number of specific regulations should be specified. Service providers might be subject to or refer to the following laws and regulations: • ***Municipal Act, 2001, S.O. 2001, c. 25 –*** ability to pass by-laws to establish public utilities and systems – including

	water and wastewater utilities
	• ***Public Utilities Act*** **-** s. 195 allows PUCs to continue as municipal service boards, s. 196 allows municipalities to establish a municipal services board (MSB)
	• ***Ontario Water Resources Act*** – statutory foundation of water policy
	• ***Capital Investment Plan Act (1993)*** – created OCWA
	• ***Municipal Water & Sewage Transfer Act*** **(1997)** – transferred ownership of W&WW assets from OCWA/Province to municipalities
	• ***Energy Competition Act*** **(1998)** – end of almost all PUCs (electricity and water) / set up of electricity distribution companies / uniting water and wastewater services
	• ***Safe Drinking Water Act, Reg. 170/03*** **(2002)**
	• ***Sustainable Water & Sewage Systems Act*** **(2002)** - all water and wastewater utilities develop asset management plans and set rates to fully recover operating and capital costs
	• ***Operator Full Re-certification*** **(2006)**
	• ***Policy for Drinking Water Quality Management System*** **(2006)**
	• ***Clean Water Act, 2006*** – for source water protection
	• ***Sustainable Water and Wastewater Systems Improvement and Maintenance Act, 2010*** (first reading) – repealing the Sustainable Water and Sewage Systems Act, requiring municipalities to establish municipal corporations to deliver water and wastewater services.
	
	Local by-laws might include:
	
	• **Town of Collingwood *By-law 04-29* –** original 2004 By-law that established Collingwood Public Utilities Service Board (CPUSB) to govern water supply, appoint board members, regulate operations
	• **Town of Collingwood *By-law 2012-096 (August 13, 2012)* –** repeals By-law 04-29 – re-establishes CPUSB, adding sewage and wastewater services in addition to water services:
	  ○ Fulfil all requirements of the Sustainable Water and Sewage System Act, 2002 and Safe Drinking Water Act, 2002
	  ○ Follow established municipal rules, policies, and procedures
	
	For services such as finance or accounting, there might be additional laws and regulations specified, while privacy expectations might also be referenced where sensitive information about the service recipient's customers, water quality or the environment is involved.

9. Licences, permits & standards	The delivery of the services under an agreement might require that the service provider obtain permits and licences. In addition, there may be reference to professional standards.
10. Impact of regulatory changes	Service agreements may be in effect for a long period of time and in some cases, legislative changes may take place that will affect the rights and obligations of the parties in the agreement. If this is anticipated the parties may wish to consider including a mechanism in their agreement for resolving any difficulties caused by future legislative changes (e.g., environmental regulations, water or wastewater regulations, electricity regulations) as legislative changes may require changes in service such as service level increases, capital upgrades, increased material costs or increased monitoring and reporting.
11. Consent by interested party	When one party hires another service provider to deliver a service or product that may impact or be impacted by the agreement or the other party to the agreement, the other party may want to ensure that the service provider is aware of the provisions of the service agreement. It may be necessary to include a clause in the agreement stating that the party contracting the services will be obligated to provide the other service provider with notice and a copy of the agreement. This clause should also state that although the service provider consents to the terms of the agreement, it does not replace a separate agreement between all three parties (i.e. CPU, the other party to the agreement, other service provider) outlining responsibilities. The other party to the agreement may also want to ensure that it is indemnified from liability of losses or damages as a result of the service provider's actions.
DESCRIPTION OF SERVICES	
12. Description of Services[22]	The description of services section explains the services the service recipient in the agreement intends to purchase from the service provider. Services may include one or more core municipal services (e.g., water treatment, water distribution, wastewater treatment, wastewater collection) or a range of business support services (e.g. accounting, HR, IT, billing, customer service). In this section, services have to be described as clearly as possible, including a detailed description of which services are included and what those services entail. For the provision of HR services, for example, include a description of processes and sub-processes. One process within

[22] See diagram below for sample services definition

	the HR service might be "Train and Develop Employees", while sub-processes might be: • Orient new employees • Monitor training needs • Contract out for courses • Develop training curriculum • Deliver training courses • Manage water and wastewater certification program. Additional specificity could be provided related to deliverables to be produced under the agreement. This may include customer lists for monthly billing, scheduled dates for delivering accounts (e.g. monthly, quarterly, annually on a particular date), or maps of serviced or billed properties.
13. Level of services	A description of the level of services should state the target level of service for key performance indicators or measures. These measures can be used to determine effectiveness, quality or efficiency of service delivery. For a core service such as water distribution a standard would be related to the expected pressure at a fire hydrant or at a customer's tap. For water treatment it might be related to water quality, such as the level of turbidity leaving the filtration stage or level of disinfectant leaving the treatment facility. In business support services, there might be customer measures and targets, such as a 24-hour average time to provide a verbal response to a customer enquiry. There would typically also be measures in the other service areas like IT (e.g. system availability) For more sophisticated agreements there might be to following additional performance criteria to define service levels: • Measures and targets related to achievement of results. One example for the provision of a core service like water treatment would be an efficiency improvement of 5% in total cost per ML treated • Measures and targets related to the service relationship that could be measured using tools like periodic customer surveys • Periodic benchmarking and reporting of key performance indicators against valid industry comparators Often the services provided and the associated costs are defined in a schedule or exhibit to the agreement. This provides a simpler process for changing or updating the services, service levels or costs without changing the entire agreement.

14. Charges for services, asset ownership	This section should outline the costs associated with the agreement and the provision of the agreed services. The overall objective of this section is to set prices between the service provider and the service recipient that are fair and equitable. All costs, including capital and operating costs, additional insurance costs, expenses (including third party), fees, taxes (corporate or payment in lieu of taxes, property, land) need to be considered in this section. Any costs associated with late payment could be considered in this section or in association with the breach of contract section below. There may be provisions for automatic increases in costs related to standard factors such as the consumer price index. Some agreements consist of a lump sum for a baseline level of service and additional costs per increase in the quantity or quality of service delivered. In the case of core water or wastewater services, for example, there may be a base costs of service up to a certain volume treated in ML. Whenever the flows increase above that volume, an additional charge per ML may be applied based on the extra volume. In the case of customer connections, for example, disconnections and re-connections there might be an increased cost for every 50 additional connections above the base level. Some services are priced more effectively based on number of hours spent by a particular resource or role. In the case of consulting type services, the cost may be related to the resources or roles providing the services. A junior accountant, for example, might charge $110/hour. In the case of provision of resources, the service provider would warrant that they provide resources that have the professional qualifications and skills to perform the tasks and deliver the services specified under the agreement. There may be costs associated with the use of assets such as technology, hardware and software, buildings or land used for the purposes of providing the service. Lease or rental costs would be specified along with relevant calculations and depreciation of the assets should be considered as per accounting standards. There may be other costs considered such as capital projects. Rationales for pricing or demonstrations of pricing calculations should be in a schedule to the agreement to ensure corporate memory over the term of the agreement due to staff and elected official turnover.
15. Payments & additional charges	The invoicing and bill payment section outlines the procedures for bill payment including how the payment will be transferred, deadlines for bill payment and late fees, if necessary. There would be examples of any invoice formats to

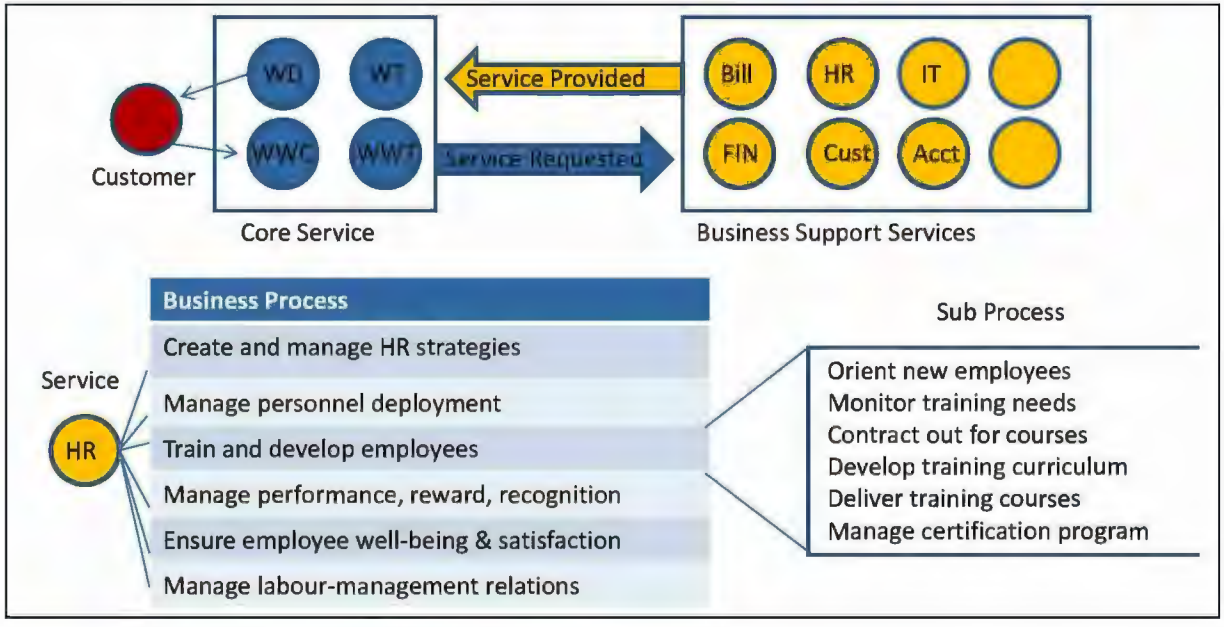
	ensure appropriate information is provided to the service recipient. User fees indicate if there are any other additional charges for services. For example, a service fee for a building inspection or a recycling services fee may be paid in addition to charges for services. It is possible to incorporate charges for services and user fees under the same heading in the service agreement.
16. Consequences for Agreement breach	A service provider will want to establish some recourse against a service recipient who does not pay for services, which would put the recipient in breach of the terms of the service agreement. Financial penalties would traditionally be used in the case of non-payment or late payment. In the case of agreements between parties that are owned by the same organization (e.g. Solutions and CPU were both owned by the Town of Collingwood before the PowerStream share purchase) such penalties would not be an effective mechanism. This is still somewhat the case in new model where the Town of Collingwood and PowerStream both own 50% of Solutions. Generally, provisions would be made for the suspension of services while the amount owing accrues interest or, in extreme cases, termination of the service agreement. In the case of services that cannot easily be discontinued (e.g. core water and wastewater services), preventative measures — such as a letter of credit provided to the service provider in case of failure to pay for the service(s) — are also a practical way to deal with breach of agreement issues that may arise. Similarly, the service recipient may want the service agreement to provide remedies that it can use if the service provider breaches its obligations under the agreement. This may include suspension of payment or, in extreme cases, termination of the agreement.
17. Ownership and use of equipment, infrastructure	The ownership of infrastructure provision specifies which party owns any new infrastructure required to implement the service agreement. This would include technology (e.g. hardware and software) as well as the use of any infrastructure assets (e.g. real estate, land) and equipment. Business support services, for example, might be provided in a building or from an operations yard or treatment facility owned by the service recipient. In addition, service provider staff may use the service recipient's computers and software applications. This might involve rental or lease payments by the service provider to the service recipient. Any such payments could be detailed in a schedule or exhibit to the agreement. Usually each party will fund capital within their jurisdiction or boundaries and will retain ownership of such infrastructure.

	There might be a repair provision describes the processes for repairing, upgrading or integrating the services that will be provided to the service recipient. Often, the procedure and costs of repairs resulting from negligence or wilful acts are made distinct from routine maintenance repairs. If new infrastructure is needed to provide the agreed-upon services to the service recipient, the parties must establish who will be responsible for constructing the new infrastructure. The clause may also define the infrastructure standards that must be met. For example, it helps to state the minimum requirements in the service provider's health and safety standards and any building codes and design standards that must be followed.
18. Indemnification	This provision ensures the parties to the agreement indemnify each other (including officers and directors) against losses, liabilities and damages, costs, expenses, fees, litigations costs, settlements, legal judgements, appeals, interest and penalties assessed in relation to any claims associated with the agreement. It also describes the indemnification process in case of a claim against either party.
19. Liability	The liability clause ensures that there will be no liability on the part of the service provider for failure to make a service available at a certain level, although the service provider will make its best efforts to ensure services are in their best working order. This may also include no liability in the case of the service recipient not adopting and/or abiding by by-laws or resolutions relating to service provision.
PROVISIONS	
20. Notice	The notice clause ensures that parties will always be able to contact each other. It includes up-to-date contact information and provisions indicating appropriate forms of communication (letter, fax, etc.), the procedure for change of address and the date that notices from one party to the other shall be deemed effective (e.g., emails are effective the date they are sent).
21. Entire Agreement	It is important that the parties outline all their rights and obligations in one single document. If the agreement involves several separate documents, the other documents such as the services and associated costs must be attached as scheduled documents to the main agreement. A short clause should be used to state which documents are considered part of the agreement. This clause should also state that the agreement will be interpreted using all of these documents, which will be considered the entire agreement.
22. Interpretations in the agreement	This provision further specifies items not included in the definition of terms section. It includes items like describing the way words are used, dates are interpreted, which currency is assumed, when and how statutes are to be interpreted,

	how headings are used, how abbreviations are to be interpreted, and how the terms and conditions should be interpreted to remain fair to both parties to the agreement. For example, headings make an agreement easier to read but sometimes a heading does not always accurately reflect the subject matter that follows it. This clause would include the clarification that headings do not guide the interpretation of each provision, but are used to make the agreement more reader-friendly.
23. Amendment	An amendment clause outlines the manner in which future changes can be made to the agreement. Ideally, the amendment clause will stipulate that all amendments are to be made in writing and attached to the agreement. This would increase the certainty of the agreement for future staff members of the parties.
24. Assignment	Assignment means the extent to which other parties, particularly in the case of amalgamation, will adopt the agreement. Generally, courts assume that a contractual right is assignable unless it has been otherwise stated in the agreement. Usually parties will not want automatic assignment without first obtaining the new parties' agreement to assume the obligations and liabilities of the agreement. Whether or not amalgamation of either First Nations or municipalities constitutes an assignment is unclear in the law. It is therefore ideal that parties define in the agreement whether an amalgamation constitutes an assignment or not.
25. Enurement	An enurement provision ensures that the agreement binds the current parties and their successors or substituted party (e.g. the next elected Mayor or members of the Public Utilities Board) to the rights and obligations included in the service agreement.
26. Severability	In the case that a court deems a provision in the service agreement invalid, the entire agreement could fall apart without a provision that allows the parties to remove the invalid provision while leaving the rest of the agreement intact.
27. Waiver of breach	To avoid having the agreement interpreted as allowing a party's conduct, silence or inaction constitute a waiver of their rights in the agreement, the parties should include a provision that ensures rights cannot be waived, except by written agreement.
28. Conflict and dispute resolution	Ideally, agreements include a provision related to the resolution of disputes and conflicts between the parties. The parties should select the method of resolution (arbitration, mediation, etc.) for the circumstances of the agreement. The terms of the resolution mechanism should also be defined in this provision. For example, if binding arbitration was selected, define how the costs will be borne by the parties and specify the time frame for the decision.
29. Further assurances and	Laws of general application apply to municipalities but sometimes additional compliance will be necessary while the

compatible by-laws	agreement is in place. Service recipients may choose to include a clause indicating which additional by-laws need to be complied with (e.g., health and safety, procurement) or it may create additional comparable by-laws.
30. Consultation	This provision ensures that both parties intend to consult with one another about broader issues related to the agreement. This is especially important when the parties have a mutual interest in areas such as economic development, environmental and community sustainability, responses to new regulations and other opportunities to work together. This provision would reflect the parties' shared objectives and support the continuation of the partnership beyond services reflected in the agreement.

The diagram below shows examples of core and business support services for water and wastewater organization adapted from the *"Creating High Performance Business Services"* – a Public Sector Handbook by AMSA and AMWA.



APPENDIX 2: Document Inventory

The *Services Agreement Review* relied on two primary sources for information; a records search, and interviews with key stakeholders. The *Review* is focussed on the *Agreement's* history, its management and administration, governance, and terms and specifications under which support services have been delivered to the Collingwood Public Utilities (CPU) and the Town of Collingwood (CPU/Town), by Collus PowerStream Solutions (Collus Solutions), since 2003:

- *Records Search – Task #1.2*
- *Interview Key Stake Holders – Task #1.3*

During the course of the *Records Search* more than 60 documents were assembled and reviewed. These documents comprise a historic record of the *Agreement*, from inception on through a variety of bylaws, amendments, staff reports, working documents, financial records, business reports and related correspondence. This compilation provides a chronological record of the workings of the *Agreement*, as it was modified from-time-to-time, so as to stay current with dynamic changes going on in the utilities industry, in terms of policies, regulations and governance structure.

All the documents provided were reviewed and any gaps were identified. Based on the gaps and for validation and further clarification a number of interviews were conducted (see APPPENDIX 3). The table below lists and describes the documents as well as any comments relevant to this assignment.

Number	Date	Document Type	Title	Description	NOTES
001	1-Nov-00	By-Law	See NOTE	Incorporation of WIRESCO (Collus Power Corp) - Formerly Collingwood Public Utilities Commission. [Pursuant to Section 142 of the Electricity Act, 1998]	(Extracted from "OUR HISTORY" page of Collus PowerStream website. Accessed 18-Sep-2014) - *Changed [from Collingwood Public Utilities Commission] to Collingwood Utility Services Corp (COLLUS Power) for Electricity Operations on November 1, 2000, Water Operations continued as Collingwood Public Utilities Commission.*
002	22-Feb-00	Memorandum	Meeting of Collingwood Utilities Services	*Request for a joint meeting between Collingwood Council and the Collingwood Public Utilities Services to discuss opportunities for the Management of Collingwood Utility Services.*	The substance of the proposed joint meeting is occasioned by the retirement of long-time Town Engineer (30 years), Mr. Ken Astill. His retirement opens up various options for restructuring the various Public Service related functions to gain cost efficiencies and

					management effectiveness in the delivery of Public Services. (See Staff Report, Document #003, following)
003	2-Mar-00	Staff Report (DRAFT)	Management of Collingwood Utility Services	Background Document for the joint meeting between Collingwood Council and the Collingwood Public Utilities Services to discuss opportunities for restructuring the Management of Collingwood Utility Services.	The recommendations of the Report arise out of the retirement of Mr. Ken Astill, Town Engineer. Focus of the *Staff Report* is on "Amalgamating" management of Utility Services, thereby creating a new Director of Utilities Services (Ed Houghton) with integrated responsibility, "..... for energy, water, waste water, storm water management, roads, busses, airport, information technologies, traffic, special projects and engineering functions while reporting directly to the CAO..." The Staff Report includes the requirement to hire, ".....a Civil Engineering Technologist with experience in transportation and storm water management."
004	8-Mar-00	Minutes - Special Meeting of the Town Council	MOTION #58 Moved By Councillor B. Willis Seconded by Councillor C. Carrier	Authorizes recruitment of a *Civil Engineering Technologist*, ".....to meet the determined needs within the Engineering Department."	(See Staff Report, Document #003, above)
005a	27-Mar-00	Staff Report	Leading Change Strategy: Immediate Financial Benefits and Future Financial Benefits Through Synergies, Scope of work and Growth within Collingwood Utilities."	A *Financial Review* of the benefits of adopting the "Leading Change *Strategy*" for the Collingwood Utilities. Joint submittal to the Collingwood Council and Utilities Commission by Carman Morrison, CAO; Ken Astill, Town Engineer; Ed Houghton, Director of Engineering and operations.	Confidential - "Leading Change Strategy: Immediate Financial Benefits and Future Financial Benefits ....." (See Document #005b, *MOTION #76, Adopting Report,* March 27, 2000)

005b	27-Mar-00	Minutes - Meeting of the Town Council	MOTION #76 Moved by Deputy Mayor T. McNabb Seconded by Councillor C. Carrier	Adopts report "*Leading Change Strategies for Collingwood Utilities*" recommending, ".....combining the Collingwood municipal services through a single entity to optimize the use of equipment, materials and staff..." (See Document #006, following)	Confidential - Includes "Leading Change *Strategy*: Immediate Financial Benefits and Future Financial Benefits Through Synergies, Scope of work and Growth within Collingwood Utilities." (See Document #005b, *A Financial Review for Collingwood Council and Commission, March 27, 2000*, below)
006	3-Apr-00	Meeting Report	General Committee Meeting, *REPORT NO. 00-06*	DEPUTATIONS: "Mr. Ed Houghton introduced members of the Management Team to the Committee. Team will administer Water and Roads under the new management structure. (See Document #007, "Leading Change *Strategy: A Report on Managing Collingwood Utility Services"*	Introducing the Management Team implements the action taken by Council on March 27, 2000.
007	13-Apr-00	Staff Report	Leading Change Strategy: Immediate Financial Benefits and Future Financial Benefits Through Synergies, Scope of work and Growth within Collingwood Utilities."	Revised and expanded Staff Report detailing the "*Immediate Benefits and Future Financial Benefits.....*" that are expected to be realized through restructuring the organizational relationships and Management Team structure of the Collingwood Utility Services.	CONFIDENTIAL: This is an expanded and updated version of the Report as requested by Council in their action approving the restructuring of the Collingwood Utility Services. (Council MOTION NO. 76 - See Document #005a, above.) This version includes a breakdown of cost and benefits due to changes in compensation, and qualifies the "ADVANTAGES" associated with the restructuring. It also shows the new organization for Water/ Waste Water/Roads.
008	2000	Staff Presentation	Collingwood Utility Services Corp./Collingwood Public Utilities Commission & The Town of Collingwood - **Working Relationship**	A presentation to the Board of Directors of Collus & CPUC by Ed Houghton, President and CEO, describing the "Advantages" of the "single entity" for managing all of the Collingwood Municipal Services. Advantages were listed as *Reduction of Costs, Improved Customer Service, Co-ordination of Projects, Staff Advancements, Internal Contracting,*	The date of this presentation is uncertain. The hardcopy version shows a print date of 17-September-2010. However, it makes reference to the acceptance of the management structure as proposed in March, 2000. (See document #003, above.) It also References payment by the Town to the *Collingwood Public Utilities Commission* for fire hydrant maintenance and recommendation to continue payment of this

				Safety, and Misc. *Other.*	charge through the years 2000 and 2001. Note, also, the reference to the "Collingwood Public Utilities Commission", a designation that was changed to the *Collingwood Public Utilities* under By-law 04-29. (See Document #013 below.)
009a	18-Dec-02	Agreement (DRAFT)	Services Agreement	An "Agreement" between Collus Power Corp (WIRESCO) and Collus Solutions Corp (SERVCO) for provision of certain "Services" as herein listed.	CONFIDENTIAL: Collus Solutions Corp. (SERVCO) ".....agrees to provide supervisory, operational, engineering, finance, administrative and other services to WIRESCO (Collus Power Corp) on the terms as set forth in this Agreement, and.....other products and services as may be agreed to by the parties from time to time."
009b	1-Jan-03	Agreement (DRAFT - Revision)	Services Agreement	An "Agreement" between Collus Power Corp (WIRESCO) and Collus Solutions Corp (SERVCO) for provision of certain "Services" as herein listed.	CONFIDENTIAL: Modifies "Term" of the agreement: ***from*** ".....the Effective Date to and including January 1, 2008 and the term shall be automatically extended for a further period of one (1) year unless either party gives notice in writing that the Agreement is not to be extended on the date which is four (4) years prior to the end of the term..." ***to*** ".....the Effective Date to and including January 1, 2004 and the term shall be automatically extended for a further period of one (1) year unless either party gives notice in writing that the Agreement is not to be extended on the date which is six (6) months prior to the end of the term..."

009c	8-Jan-03	Minutes - Commissioners of the Collingwood Public Utilities Commission	FINANCE MEMO (Mr. Tim Fryer, CFO)	Mr. Fryer reported that the services agreement between the Collingwood Public Utilities Commission and COLLUS Solutions Corp. will be completed for the next meeting.	Action 03 - T Fryer: to complete service agreement between Collingwood PUC and COLLUS Solutions.
009d	17-Feb-03	Minutes - Commissioners of the Collingwood Public Utilities Commission	FINANCIAL REPORTS (Mr. Tim Fryer, CFO)	Mr. Fryer reported that the services agreement has been completed.	In-Camera: "A discussion ensued as to the amount of detail in the agreement. It was decided that Mr. Fryer and Mr. Houghton would look at it and evaporate(?) down." Action 03 - T Fryer: To review draft service agreement.
009e	14-May-03	Minutes - Commissioners of the Collingwood Public Utilities Commission	FINANCIAL REPORTS (Mr. Tim Fryer, CFO)	Services Agreement approved for signature.	Commission authorized signing of the agreement once two minor changes made. (Changes not specified)
010	21-May-03	Agreement	Amending Agreement	Amending Agreement between Collus Power Corp (WIRESCO) and Collus Solutions Corp (SERVCO)	To correct the Base Financial Consideration ($765,838.00 -> $1,374,139.00) and clarify the Effective Date of the Services Agreement (January 1, 2002)
011	17-Dec-03	Agreement	Amending Agreement	Amendment clarifying Effective Date of the Services Agreement from January 1, 2002 to January 1, 2004 and amending the Base Financial Consideration (from $765,838 to $1,374,139) as originally specified in the Agreement.	

012	31-Dec-03	Financial Report	Corporation of the Town of Collingwood, County of Simco, Consolidated Financial Report	Auditors Report, Gaviller and Co., LLP, Chartered Accountants	The consolidated financial statement includes the operations of Collus Energy Corp., Collus Solutions Corp., Collus Power Corp., Collingwood Utility Services Corp., and the Corporation of the Town of Collingwood Public Utilities Commission Water Department. (See NOTE 4, Government Business Enterprise, Public Utilities Commission)
013	2004 (?)	By-Law	By-Law 04-29	By-Law enacted per the requirements of the Municipal Act 2001, reforming the Collingwood Public Utilities Commission to the Collingwood Public Utilities.	**See Document #034c,** By-Law #12-096, which repeals By-law #04-029, substituting new provisions for the Board of Directors and adds Wastewater into the Collingwood Public Utilities.
014	4-Nov-04	Agreement	Amending Agreement	Amendment of "Parties" to the Agreement to change name formerly Collingwood Public Utilities Commission to *Collingwood Public Utilities (CPU).*	This Amendment reconciles the agreement to reflect the changes made under Town By-Law 04-29.
015	18-Sep-06	Staff Report	Cost-benefit analysis of shared services, submitted to the Human Resources Committee for information.	The Report, "……compares the actual 2005 direct costs and benefits of the shared services related specifically to the manpower requirements of Information Technology and Public Works [Management]."	CONFIDENTIAL: Report concludes that the one-time cost for set up to bring IT services in-house would be $15,000 with additional annual costs of $104,000. One-time cost for bringing Public Works management in-house was estimated to be $9,200 with additional annual costs of $279,280.
016	2006	Annual Report & Business Plan	2006 Annual Report & 2007-2009 Business Plan, Collingwood Utility Services	Consolidated Report for all "Utility Services" provided by *Collingwood Utility Services*	

017	2006	Financial Statements	The Corporation of the Town of Collingwood Public Utilities Service Board Financial Statements December 31, 2006 (http://www.collus.com/sites/default/files/2006-AnnualReport-CPUSB.pdf)	Annual "Audit Report" of the Financial Statements of revenue, expenditures, and surpluses, and cash flows for the year ending 31, December, 2006. Report prepared by Gaviller & Company, LLP, Chartered Accountants. The Report is directed to the "Board of Directors, Members of Council, Inhabitants and Ratepayers of the Corporation of the Town of Collingwood".	This is the annual Auditors' Report prepared for each year ending 31 December. Reports are available on-line going back to 2006, the first year reviewed. See pg. 7, Item #3 of the NOTES TO THE FINANCIAL STATEMENTS for *Related Party Transactions.*
018	31-Dec-07	Financial Report	2007 Transaction Trace - Collus PowerStream Solutions, Summary of Charges to CPUSB, for the year ending December 31, 2007	Report shows charges to Collingwood Public Utilities Service Board, by month and by category. Report drawn from Collus Solutions accounts (e.g. #4205-000-00 Service Revenue) and the CPU Accounts (e.g. Trial Balance Accounts 4315-001-00000 and 4315-0002-00000)	
019	2007	Annual Report & Business Plan	2007 Annual Report & 2008-2010 Business Plan, Collingwood Utility Services (http://www.collus.com/sites/default/files/BusinessPlan2008-2010.pdf)	Consolidated Report for all "Utility Services" provided by *Collingwood Utility Services*	

020	2008	Annual Report & Business Plan	2008 Annual Report & 2009-2011 Business Plan, Collingwood Utility Services (See Document #020, following) (http://www.collus.com/sites/default/files/BusinessPlan2009-2011.pdf)	Consolidated Report for all services provided by *Collus Power* and *Collingwood Public Utilities.*	There are only general references to: *Providing Service for the Least Possible Cost* *a Shared Resources Model in place for CEO, IT, HR, Finance, Customer Care and Administration Services* *a Further cost savings to the Town of Collingwood; we provide IT, Public Works Management and managerial assistance and expertise to Environmental Services.* No specific mention of Collus Solutions is found except in the last table, pg. 43, ".....Payments Received from the Corporations". Otherwise, there are only three general statements of shared cost savings, without any analysis or data to backup the assertion.
021	25-May-09	Council Minutes	Council Minutes - Town of Collingwood, May 25, 2009 (http://www.collingwood.ca/node/1834) See pg. 1	DEPUTATIONS: "Ed Houghton presented the highlights of the *2008 Annual Report & 2009-2011 Business Plan, and* introduced members of the Management Team and the Board to Council.	Financial overview for Collus and Collingwood Public Utilities for 2008 and 2009-2011 projections was given by Tim Fryer.
022	9-Mar-10	Legal Opinion (DRAFT)	Collingwood Public Utilities Service Board Governance Structure File # 104201	DRAFT Opinion authored by John Mascarin, Aird & Berlis, LLP, ".....as to the status of an entity known as the Collingwood Public Utilities Service Board (CPUSB)", as per the provisions of the *Municipal Act, 2001.*	Document concludes that, *".....it is our opinion that CPUSB is a MSB [Municipal Services Board] of the Town validly constituted under the Municipal Act, 2001."* As such: The CPUSB is ".....*a body corporate unless the municipality provides otherwise when establishing the board.*" ".....*is an agent of the municipality.*" And, ".....*is a local board of the municipality*

					for all purposes."
023a	23-Jan-12	Council Agenda	**10. Staff Reports** **CAO 2012-01 Collus PowerStream Partnership** **RECOMMENDING THAT** Council receive Staff Report CAOP2012-01 titles COLLUS PowerStream Strategic Partnership and enact By-law 2012-011 to execute the agreements..... (pg. 28)		
023b	23-Jan-12	Staff Report	Re: Staff Report CAO2012-01 Sale of Collingwood Utility Services Corp. shares to PowerStream, Inc. (http://www.collingwood.ca/files/Jan_23_12_Council_Agenda_Pkg.pdf) See pg. 28		

023c	23-Jan-12	Council Minutes	A Meeting of Council held Monday January 23, 2012 in the Council Chambers, Town Hall, Collingwood commencing at 5:00pm.	**Staff Reports** **No. 030** THAT Council receive Staff Report CAOP2012-01 and enact By-law 2012-011 to execute the agreements with respect to the sale of 50% of the shares of the Collingwood Utility Services Corp. to PowerStream, Inc. CARRIED **No. 031** THAT By-law 2012-011 being a by-law to authorize entering into and execution of a Share Purchase Agreement respecting the sale of shares of the Town of Collingwood to PowerStream, Inc. CARRIED Unanimously (Councillor Hull; Absent)	
023d	23-Jan-12	By-Law (By-law 2012-011)	"BEING A BY-LAW AUTHORIZING THE ENTERING INTO AND EXECUTION OF A SHARE PURCHASE AGREEMENT RESPECTING THE SALE OF THE SHARES OF THE TOWN OF COLLINGWOOD ("THE TOWN") IN COLLINGWOOD UTILITY SERVICES CORP. ("CUS") TO POWERSTREAM INC., A SHAREHOLDERS AGREEMENT IN RESPECT TO CUS AND RELATED MATTERS. (http://www.collingwood.ca/files/Jan_23_12_Council_Agenda_Pkg.pdf) See pg. 34	Enacts No. 031 (Document No. 026a), authorizing the Mayor or Clerk to ".....execute the Share Purchase Agreement and the Unanimous Shareholders Agreement to effect the sale of shares (50 percent) to PowerStream, including, without limitation approve financing, authorize and file articles of amendment, amend by-laws, amend and enter into service agreements between the Town and CUS or it's Subsidiaries....."	Includes *Schedule A, Promissory Note* dated 31-Oct-2000, Promising Collus Power Corp. to pay the Town of Collingwood the sum of $1,710,169 for 50% share in Collus Power Corp, the Town owned electrical utility. Payable at 5% interest until Note is retired. (The Date and the interest rate seem to vary depending on the base document in-hand. However, the differences do note in any way affect the final Promissory Note as approved by Council. (For further information, see Document #024, following.)

024	23-Jan-12	News Release	Collingwood to form strategic partnership with PowerStream - A press release jointly issued by Ed Houghton, President & CEO, Collus Power and Eric Fagan, Director, Corporate Communications, PowerStream.	"In a vote held Monday evening, Council approved selling a 50 percent interest in Collingwood Services Corp., to *PowerStream*, a community-owned electricity distribution company serving residential and commercial customers in several municipalities located in Simco County and York Region."	This action was taken based on a Council goal of providing more efficient and cost effective services to customers of the Collingwood Utility services. Selection of *PowerStream* was unanimously supported by Council, following screening of proposals from four proponents. The transaction is expected to result in proceeds of approximately $14-15 million as a result of the sale of the 50 percent share purchase, re-capitalization and redemption of a promissory note. The Town Treasurer tells us that: *"As a corollary to this item, on September 12, 2011 Council authorized the Treasurer via resolution #389 to call the promissory note in order to pay for the purchase of 507 Tenth Line. This note was included as a selling feature to the Town on January 23, 2012 and subsequently on April 12, 2012 Council resolved (#160) to not call the note but rather pay for the land and building purchase from the wastewater reserve monies."* (See Document #023d, above.)
025	1-Mar-12	Letter of Intent	Re: Share Purchase agreement dated March__, 2012 (the "Agreement")	Joint letter issued by Mayor Sandra Cooper, for Town of Collingwood, and Ed Houghton for the Collingwood Utilities Services Corp., to Dennis Nolan, Executive Vice-President, Corporate Services and Secretary, PowerStream, Inc., stating *intent* to continue to purchase the services as described in the Services Agreement.	Provides for continuity of the support services as described in the *Service Agreement* but does not specify the date or version number of the agreement in force at the time of this letter of intent. Note: Includes the following, "*This is a statement of intention. It is not and shall not be construed as a legally binding agreement nor as creating any other legally enforceable rights of any kind.....*"

026a	13-Aug-12	Council Agenda	**11. STAFF REPORTS** **CPU2012-02 A By-law to replace By0-law 04-29 and enact By-law 2012-096**		
026b	2-Aug-12	Staff Report	Subject: A By-law to replace By-law 04-029, re-establishing the Collingwood Public Utilities Board and expanding the scope of Collingwood Public Utilities to include Wastewater Services. (http://www.collingwood.ca/files/Aug%2013_12CouncilAagendaPackage.pdf) See pg. 22	Staff Report to the Mayor and Council recommending enactment of By-law 2012-096.	Consistent with Provincial initiatives to amalgamate water services from source to tap and return to environment. In addition to incorporating wastewater into the CPU, the Staff Report recommends that the Board of Directors be comprised of five (5) members, "*.....appointed by Council and made up of the Mayor or his/her designate, one other member of Council, the President & CEO of Collus PowerStream (or Chief Administrative Officer of the Town of Collingwood), and two suitably qualified independent public representatives.*"
026c	13-Aug-12	Council Minutes	Council Minutes - Town of Collingwood, August 13, 2012 (http://www.collingwood.ca/node/5790)	By-Law enacted to provide Council with a common standard of care for water and wastewater services through the incorporation of wastewater into the Collingwood Public Utilities. The by-law also	No. 361 Council enacted and passed By-law No. 2012-096 to re-establish the Collingwood Public Utilities Service Board, to expand the scope of Collingwood Public Utilities to include Wastewater Services and repeal By-law 04-29.

026d	13-Aug-12	By-law	BY-LAW No. 2012-096 BEING A BY-LAW TO RE-ESTABLISH THE COLLINGWOOD PUBLIC UTILITIES SERVICE BOARD FOR THE CORPORATION OF THE TOWN OF COLLINGWOOD (http://www.collingwood.ca/files/Aug%2013_12CouncilAagendaPackage.pdf) See pg. 34	By-Law enacted to provide Council with a common standard of care for water and wastewater services through the incorporation of wastewater into the Collingwood Public Utilities. The by-law also repeals By-law 04-029 and re-establishes and re-comprises the Collingwood Public Utilities Services Board. Note that, as defined by the Municipal Act, 2001, a Municipal Services Board is a "body corporate" and an agent of the Municipality. Assets related to the municipal service are under the control and management of the Municipal Services Board, and, as such, are held in trust for the municipality.	The final By-law specifies that the Board is to be comprised of five (5) voting members: - Mayor (or his/her designate) and one Council Member, as appointed by Council - President & CEO of Collus PowerStream - Two (2) other persons who are qualified to be elected as a member of Council Non-voting members shall not be included in establishing a quorum, and shall consist of: - Chief Operating Officer of Collingwood Public Utilities - Recording Secretary **NOTE:** That the CAO of the Town of Collingwood has been eliminated from eligibility for voting or non-voting membership on the Board. (See Document #034b) Also the requirement for a "*qualified independent public representative*" has been changed to "*qualified to be elected as a member of Council.*"

027	April, 2013	Review of Cost Allocation Methodology	Report to Collus PowerStream Solutions Corp.	HSG Group was engaged for this Review, having the following GOALS: - To develop a Cost Allocation Methodology (CAM) to distribute the costs of services provided by Solutions among the businesses to which services are provided; - To build a spreadsheet model reflecting the CAM; - To implement the CAM; - To review the CAM for compliance with the *Affiliate Relationships Code for Electricity Distributors and Transmitters* ("ARC") of the Ontario Energy Board ("OEB").	Results of the Cost Allocation Methodology (CAM) are as follows: **Table 4- Summary of Cost Allocation Results** $000s except per customer | Collus Power | Collingwood Water | Town | Total Salaries & benefits | $1,293 | $710 | $174 | $2,177 Other costs and revenues, net | 32 | 18 | 2 | 52 Total costs, net | $1,325 | $728 | $176 | $2,229 Overall Shares | 59.4% | 32.7% | 7.9% | 100.0% Customers | 9,647 | 6,438 | | Monthly cost per Customer | $11.45 | $ 9.42 | | In summary, the Review concludes that, "*.....the methodology to compute Asset User Fees is cost-based and the allocation of those costs reflects cost causation, and is therefore reasonable and appropriate."* Note, also, that wastewater is NOT even mentioned in the study.
028	1-Nov-13	Collective Agreement	Collective Agreement between Collus PowerStream Corp. and Collingwood Public Utilities of the Town of Collingwood and its' Employees through Local #636 of the International Brotherhood of Electrical Workers - September 1st, 2013 to August 31st, 2017	This a four (4) year Agreement between the IBEW Local #636 and the "Employees" of Collingwood Public Utilities, or specifically, the *Water Services* employees.	Note that the Wastewater employees are not members of the IBEW, nor are they covered by this Collective Agreement. Rather, they are treated as regular Town of Collingwood employees. This creates a duality in the management/employee relationship within the Collingwood Public Utility Services with the Water Plant staff being aligned with culture and the formal relationships typified by the *private corporate* organization of Collus PowerStream. Further, the maintenance and repair of both water and sewer lines as well as operations and maintenance of the Water Treatment Plant are more aligned with the *public* culture and formal management/employee relations (e.g. the

					provision of retirement benefits through "OMERS") of the Town of Collingwood.
029	2013	Financial Statement	Collus PowerStream Solutions Corp. Financial Statements For the year ending December 31, 2013	Auditors Report, Gaviller and Co., LLP, Chartered Accountants Submitted March 17, 2014	
030	2013	Activity Report	Information Technology Services 2013 Activity Report	Reports on achievements of IT Staff for 2013, including inventory of hardware/software acquired (Projects), accounts serviced, IT staffing and professional development, etc.	No mention of performance measures or of progress toward meeting performance objectives for the year. Significant lack of focus on customer service/customer satisfaction.

031	2013	Annual Report	2013 Annual Report - Together We Are Better, Collus PowerStream	Annual Report focusing primarily on performance under the first full year of operation under 50/50 shares ownership of the electric utility by Collus PowerStream and the Town of Collingwood (referred to as "The Strategic Partnership"). Includes: *Collingwood PowerStream Utility Service Corp., Consolidated Financial Statements* *For the year ending December 31, 2013* Also includes: *Third Party Review of the Collus PowerStream Strategic Partnership* *March 30, 2014* Prepared by: *Consol Asset Group*	Indirect mention of the Shared Services "Agreement" with the Town and Public Utilities shows in two statements "At a Glance", pg. 3: - *Continuation of strong working relationship with the Town of Collingwood to provide a joint IT department* - *Continuation of shared services for billing, collecting, management and finance with the Collingwood Public Utilities Service Board*
032a	30-Jun-14	Council Minutes	10. Staff Reports	Council received the Report and were provided with an overview of the Business Plan by Marcus Firman (COO Public Utilities) and the Financial Report by Jay Anstey (Gaviller & Company, LLP).	The Business Plan is incorrectly listed in Title of the Agenda Item for the Council Minutes as 2014-2017 when, in fact, the Business Plan covers one year less (2014-2016). It's a minor point, but it could be a source of confusion in tracking progress over the reporting period.
032b	30-Jun-14	Staff Report	CPU2014-04 2014-1017 Business Plan & Annual Financial Report		
032c	2013	Business Plan	Collingwood Public Utilities 2014-2016 Business Plan	Annual Report for 2013 plus Three (3) year Business Plan for anticipated direction for the functions and operations of the Collingwood Public Utilities.	This is the first year Report that separates Collingwood Public Utilities from Collus PowerStream.

033	15-May-14	Audit Report	2013 Annual Financial Report	Annual Audit Report of the financial statements of the Collingwood Public Utilities Service Board, for the year end 31, December, 2013, and the statements of operations, change in net debt and cash flow for the year ended, and a summary of significant accounting policies and other explanatory information.	Presented with the 2013 Annual Report and 2014-2016 Business Plan
034	12-May-14	Letter	Re: 2013 Year End Audit From: Gaviller & Company, LLP To: Doug Garbutt, Chair Collingwood Public Utilities Service Board	Letter summarizing, ".....matters to bring to the Board of Directors' attention. The Auditors' Report for the 2013 Year End Audit identified: <u>Services Agreement</u> "*During the course of our audit we reviewed the services agreement between the service board and Collus PowerStream Solutions Corp. The term of this agreement ended January 1, 2005 and there is no indication an updated agreement exists. <u>It is important that all agreements be updated on a regular basis</u>* (emphasis added), *both to provide clear understanding between both parties and to provide good audit evidence. We recommend the services agreement with Collus PowerStream Solutions Corp be updated in 2014*" The management response was: *in 2013 we retained HSG Group Inc. to review the shared services provided by Collus PowerStream Solutions. The report concluded, "The methodology developed for Collus PowerStream Solutions Corp. to*	The management response does not address this audit deficiency except to say they have retained Jason Cowan to produce an updated agreement. The Statement about the HSG Group's role in analyzing the agreement relates only to the work they did in developing and testing the "Cost Allocation Methodology" (CAM) that has subsequently been implemented by Collus PowerStream Solutions Corp. and is not related to the delinquency in updating the Shared Services Agreement.

				distribute its costs among the businesses it serves is cost-based, consistent with OEB precedent and regulatory practice and is transparent and efficient." *Currently, we have retained Jason Cowan from the Law Offices of Besse Merrifiueld & Cowan LLP. He has been retained to update the services agreement. We expect to have the updated agreement before the end of summer 2014.*	
035	10-May-14	Article	Collingwood Utility Services - Pioneering on the Nottawasaga Bay		
036a	21-Jul-14	Council Agenda	11. STAFF REPORTS CAO/COO 2014-01 Terms of Reference for an Independent Operational Review of the shared services agreement between the CPUSB/Town of Collingwood and Collus Solutions Inc.	RECOMMENDING THAT Council approve the terms of reference, as prepared by the Chief Operating Officer (CPU) and Chief Administrative Officer.	
036b	21-Jul-14	Staff Report	REQUEST FOR QUOTATIONS For a SHARED SERVICES AGREEMENT REVIEW RFQ #: CPU2014-01		

036c	21-Jul-14	Council Minutes	Staff Reports #308 CAO/COO2014-01 Terms of Reference for an Independent Operational Review of the shared services agreement between the CPUSB/Town of Collingwood and Collus Solutions Inc.	STAFF REPORTS No. 308 Moved by Councillor Edwards Seconded by Councillor Gardhouse THAT Staff Report CAO/COO2014-01, recommending Council approve the terms of reference defined herein, as prepared by the Chief Operating Officer and Chief Administrative Officer, be hereby approved. CARRIED	
037a	15-Sep-14	Council Agenda	10. STAFF REPORTS CAO2014-08 ORGANIZATIONAL REVIEW - PHASE I - STRATEGIC PRIORITY #3	RECOMMENDING THAT Council receive Staff Report CAO2014-08 and authorize the CAO to implement the recommendations as detailed in the report.	
037b	15-Sep-14	Staff Report	CAO2014-08 ORGANIZATIONAL REVIEW - PHASE I - STRATEGIC PRIORITY #3 (http://www.collingwood.ca/files/Sept15_14_CouncilAgendapkg.pdf) pg. 13		
037c	15-Sep-14	Council Minutes	CAO2014-08 ORGANIZATIONAL REVIEW - PHASE I - STRATEGIC PRIORITY #3	#374 CARRIED subject to the realignment of communications being referred to the Phase II Review.	

038	24-Sep-14	Agreement (DRAFT)	Services Agreement	New Services Agreement (DRAFT) proposed to replace all previous versions of Agreements and Amendments	Confidential - Proposed Agreement (DRAFT) per BLG Attorneys, Toronto. Although this new version of the Services Agreement corrects some of the deficiencies in the older versions, it still does not provide the kind of information and data that is expected of such an agreement. This proposed version may be legally enforceable, but it does not provide what is needed to *manage* such an agreement, either by the provider or the client. It is in the interest of all parties to the Shared Services Agreement to adopt a standard agreement format, based on industry "Best Practices" and engage in a participatory process to establish an Agreement that meets the needs and requirements of both the provider and its clients.
In addition to the documents catalogued above, the following Financial Documents are among those used in the Review of the Shared Services agreement.					
F01	31-Dec-09	Financial Report	Collus PowerStream Solutions Corp. Income Statement For the years 2005 to 2009	Report shows the aggregate annual *Revenue* for Collus Solutions Corp., from various sources, including from *CPUSB* and the Municipality. Also shown are the various *Operating Expenses* by category, including *Administration, Bank Charges & Interest, Board Expenses, Salaries, EI & CPP, EHT, WSIB, Pension Benefits* and *Health Benefits.*	

F02	10-Sep-14	Financial Report	Collus PowerStream Solutions Corp. Income Statement For the years 2010 to 2015	Report shows the aggregate annual Revenue for Collus Solutions Corp., from various sources, as shown in F01 and includes Budget estimates for 2014 and 2015.	
F03	N/D	Invoice (Example)	INVOICE: from: Collus PowerStream Solutions Corp. to: Collingwood Public Utilities Service Board	Sample monthly INVOICE for Shared Services provide: Service Centre IT Accounting Human Res & Board Billing & Collection GIS/Engineering	Unit Costs for Labour blanked out - Personal Information
F04	16-Sep-14	Time Sheet Report (Example)	Transactions by Job and Object Code	Sample breakdown of Labour hours as generated through WORKTECK	Unit Costs for Labour blanked out - Personal Information
F05	N/D	Software Flowchart	Microsoft *Great Plains* Software Flow	Breakdown/flowchart of the various accounting packages associated with the *Great Plains* system utilized by Collus PowerStream Solutions.	
F06	August 2014	Distribution Profiles	Current Standard Distribution Profiles @ August 2014	Standard labour Distribution Profiles for Collus Solutions staff: Power/Water/Town	
F07	16-Oct-14	Financial Report	Various		

APPENDIX 3: Interview Summary

The *Services Agreement Review* relied on a records search and interviews with key stakeholders as the two primary sources of information. The *Review* focussed on the *Agreement's* history, its management and administration, governance, and terms and conditions under which support services have been delivered to the Collingwood Public Utilities (CPU) and the Town of Collingwood (CPU/Town), by Collus PowerStream Solutions (Collus Solutions), since 2003:

- *Records Search – Task #1.2*
- *Interview Key Stake Holders – Task #1.3*

More than 60 documents provided by staff were reviewed during the *Records Search* by the consultants. Together, these documents provided a historic record of the *Agreement*, from inception on through a variety of bylaws, amendments, staff reports, working documents, financial records, business reports and related correspondence. The documents provide a chronological record of the workings of the *Agreement* while showing modification made to reflect changes in the utilities industry and the Town such as policies, regulations and governance structures.

A number of *Interviews with Key Stakeholders* (*Task #1.3*) were conducted in parallel with the *Records Search (Task #1.2)*. Interviewees included representatives from management and staff of the service provider, the service recipient, and other stakeholders in the *Agreement*. Interviews were designed to form a more complete and accurate picture of the support services that had been provided under the *Agreement*. The interviews helped fill in gaps found during the *Records Search*. They also added to the understanding of the role of the *Agreement* in assuring the on-going delivery of support services to CPU/Town.

Structured interviews were conducted with a total of 22 individuals to capture the views of both service providers and service recipient groups. Interviewees included:

- Town Counsellors (Current and Former)
- Collingwood Public Utilities Service Board Members (Current and Former)
- Managers and Staff, Collus PowerStream Solutions, Corp. (Service Providers)
- Managers and Staff, Collingwood Public Utilities (Service Clients)
- Managers and Staff, Town of Collingwood (Service Clients)

During the interviews, several common "themes" emerged. Those "themes" emerged from the collective input, thoughts and recollections of several, if not all, of the persons interviewed. The "themes" do not represent the views or the comments of any one individual interviewed.

This *collective* feedback complemented the observations drawn from the *Records Search*, to ensure the *Findings* related to the *Agreement* were accurate. Including how it was originally established, how it functioned in managing the delivery of support services, how well the services met the needs of the CPU/Town of Collingwood and how much was paid for the services.

The main "themes" found in the interviews were:

1) **The majority of interviewees lacked awareness, knowledge and understanding of the *Service Agreement*** - There was a lack of concern and little knowledge or understanding of the *Agreement* or services provided under the *Agreement*. Several CPU/Town clients were not aware that an agreement existed under which their support services were being provided. Several of the interviewees seemed surprised to learn that their support services were delivered through an outside provider, under the terms and conditions of a *Services Agreement*, rather than being internally provided. For these individuals, support services "just seem to happen".

   The corollary to the lack of awareness was the difficulty in finding documents related to the *Agreement*. There was confusion about the responsibility for the documentation that would be considered the official record or system-of-record of the *Agreement*. A number of interviewees had some knowledge of part of the document record, but no one had full knowledge of or responsibility for the related documents.

2) **Interviewees lacked awareness, knowledge & understanding of the services provided under the *Service Agreement* –** There was a lack of understanding of which services were being provided under the *Agreement* and any more detailed description of those services (e.g., service scope, levels of service, cost of delivery). The recipients of the services have little, if any, knowledge about the services for which they pay. No one interviewed could list the catalogue of services included in the *Agreement* nor describe them in any detail. This lack of information about the services provided was evident whether those interviewed were providers, clients or other stakeholders.

   Interviewees were also unaware that the *Agreement* had expired on January 1, 2005 without any formal extension from that point forward. This situation was not caught until the Town's Auditor, Gaviller and Co., LLP, raised the issue in a follow-up letter, dated May 12, 2014, regarding the findings of their Year End Report for 2013. Everyone thought it had been extended, but according to the auditor, there was no formal basis for continuance of services for a period of almost 10 years. In August 2014, Aird & Berlis provided a contrary opinion that the *Agreement* was still in force. Regardless of the accuracy of either opinion, their conflicting positions confirm the lack of clarity in the language in the term of the agreement as well as the subsequent documents.

3) **Interviewees cited lack of data to support any quantitative analysis of the services provided –** Many of the interviewees mentioned their concern about the lack of data with which to assess the "value for money" of the services delivered under the terms of the *Agreement*. No one could definitively state whether or not the CPU/Town are receiving "value" from expenditures on the services provided by Collus Solutions. This lack of quantitative analysis is illustrated in the following statement that was included in the 2014-2016 *Business Plan* for Collingwood Public Utilities and as echoed by the interview participants:

   Through the use of shared employee services with Collus PowerStream we achieve cost reductions in the areas of billing and collecting, management, finance and administration. Where the same task is completed from a central location for multiple companies this results in major cost savings.....

   This statement has been repeated in different ways and in different documents over the years by the Collus Solutions management, but without any quantitative proof. Several of the interviewees made similar intuitive assertions regarding "cost reductions" and "major cost savings" without any quantitative backup to validate the assertion.

4) **The basis for payment for services rendered seems to be understood only by one individual, the Chief Financial Officer of Collus PowerStream** – No one among the interview participants, aside from the Chief Financial Officer, Collus PowerStream, could give us any explanation of the payment method for the services delivered to the CPU/Town. There was some broad acceptance that there is some allocation formula involved, but there was no understanding of the parameters or variables that go into the allocation. The HSG Group's *Review of Cost Allocation Methodology*, April, 2013, provided a detailed breakdown and explanation of the allocation procedure, but the interview participants either did not know of the HSG Report or did not understand the content. The CPU/Town simply has accepted that the allocation approach must be reasonable, and they must, somehow, be getting value for money from their support services.

5) **There has been little or no status reporting to Council and/or clients on the services delivered –** Participants in the interviews were asked if they could remember ever having been given any reports, either written or verbal, that indicated the relative performance of their support services, or "value for money", especially vis-à-vis some outside comparators, or benchmarks. None of the individuals interviewed could remember having any sort of regular update performance reporting on the services delivered under the terms of the *Agreement*, except for some general statements included in the Annual Reports and Business Plans. Although a few could recall some ad hoc reporting, the general answer was "No". But, somehow, most everyone interviewed seemed to accept that their support services "must be delivered at competitive cost" because of what they have assumed or heard stated. This supposition, however, is based solely on some subjective sense ("I think", "I feel", "I believe") that the services, provided through Collus Solutions, must be delivering savings simply because of their centralized delivery. (See Number 3, above.)

   This not with-standing, most everyone indicated they wanted to see more actual data behind any claims of efficiency, effectiveness and/or quality production.

6) **There was confusion regarding the governance structure underlying the *Agreement* –** Among the interviewees who questioned the workings of the *Agreement* the focus tended to be on the level of confusion on the overall governance structure behind the *Agreement* rather than on the services delivered. Few of the interviewees could describe the roles and relationships of the various parties to the *Agreement*. Among those who could identify those relationships, none could clearly define responsibilities and levels of authority related to determining what services should be delivered, the level of each service, or how the cost allocations are calculated and distributed each year.

7) **There is little individual "brand" identity for CPU/water & wastewater operations** – Many interviewees tended to mix up the water utility with Collus PowerStream, the electrical services provider. Staff assignments across the two organizations were not clear, even to those directly involved. Interviewees were asked, "Who do you work for?" And, "Who do you get a paycheck from?" In several cases, the answer was, "I'm not sure". With the various organizational changes that have occurred over the past several years, the communication related re-assignments of responsibility has been inadequate. In one case, we were told that the wastewater staff had never been informed about their incorporation into the CPU or what exactly that change meant to them. Many of the interviewees mentioned the need for a separate logo for CPU. Currently the CPU logo contains a lightning bolt similar to the Collus PowerStream logo. This is visible on staff uniforms and many CPU vehicles. Most of those interviewed also mentioned that this confusion extends to the website for CPU, which is inter-mixed with the Collus PowerStream web-site.

(**NOTE:** Since the interviews, CPU has implemented its own individual website, a good first step in establishing individual brand identity.)

8) **Interviewees were generally satisfied with the working relationship between the Collus PowerStream and CPU/Town –** Despite all the issues raised and problems noted, many interviewees "thought", "felt", and "believed" there was a positive and productive working relationship between CPU and Collus PowerStream. Most mentioned the "Team Work" and the high morale within both organizations, with a strong sense they are all working to serve the utility needs of the citizens of Collingwood. Several of the interview participants spoke of their ability to make a phone call or send an email, and arrange the sharing of resources needed to get a particular job done, whether it be fixing a piece of equipment or having access to a member of staff for a few hours. Most interviewees seemed to appreciate the flexibility of the organizations to cooperate in getting related tasks accomplished, and there was a strong desire to maintain this flexibility.

9) **Satisfaction level with the services provided was split among interviewees –** Interviewees were split between those who were satisfied with the services as currently provided and those who saw significant room for improvement. Answers were likely impacted by the natural tendency to resist change. In addition, they were likely impacted by the desire to maintain the flexibility that is currently enjoyed by the various parties to the *Agreement*. This was mentioned several times in the interviews.

   Those who desired improvement usually expressed it as a frustration over the lack of quantitative data with which to evaluate the performance of the service provider. Another factor cited was the need to better define the services to be provided. This opinion was shared by bot the service provider and the recipient of those services. Most interviewees wanted to see better definition of what goes into any potential future agreement. In addition, a number of interviewees shared a strong desire to see change in the existing governance structure associated with the *Agreement*.

In summary, a general consensus exists that cites that the shared services "just seem to work" somehow, with or without the appropriate content and legal framework of the *Services Agreement*. Even among those who questioned the workings of the *Agreement*, the focus tended to be on a lack of performance tracking and reporting and/or on confusion about the overall governance structure behind the *Agreement*.

In terms of advocating for the future, interviewees were split. Half of those interviewed advocated significant changes and improvements while the other half pushed for the status quo. These results reinforce our observations from the Records Review and are echoed in the findings in the Summary Report.

We want to thank everyone who participated in the interviews. Their time and effort was very helpful in the analysis of the *Agreement*. Without exception, interviewees provided open and thoughtful responses that helped to fill-in gaps in our search through the document record. Their input has enabled validation and enhancement of our findings as recorded in the Summary Report.

APPENDIX 4: Performance Management Framework

Performance Management[1] *can be defined as a set of management processes, often supported by information technology, that help to improve the management, strategy execution and decision making in organisations. Performance management processes help companies define strategic objectives, measure performance, analyse and report performance as well as align people and culture.*

Bernard Marr, *Advanced Performance Institute*[23]

In July, 2014, Collingwood Public Utilities (CPU) and the Town of Collingwood (Town) initiated a *Review* of the *Services Agreement* (*Agreement*) they have relied on since 2003 for the provision of certain crucial support services. One of the principle concerns of the *Review* was the issue of "value for money". The *Review* was to assess the provision of services, as stipulated under the *Agreement* with their current Service Provider (Provider), and to determine if the services, as delivered, are sufficient to meeting the needs of the CPU/Town and cost effective when compared against what other service providers are achieving. The "Overview" of the RFQ, as approved by Council on July 21, 2014, states that:

> *The primary objective of this RFQ is to obtain an independent opinion with recommendations with respect to value for money.* (Emphasis Added) *Good value for money can be defined as the optimal use of resources to achieve the intended outcome. This review will focus on water and wastewater services provided to CPU under the 2003 services agreement to the present date in terms of service necessity and value for money estimated.*

This issue of "Value for Money" can be addressed only to the extent that two underlying conditions are met:

1) Appropriate and sufficient data are available and can be used to establish the "evidence-base" required to build and populate a "Performance Framework" that can then be used to assess the performance of the current provider of Support Services; and,

2) There are some comparative "benchmarks" available against which to assess the relative efficiency, effectiveness and quality (or, "Value for Money") of the measured performance in delivery of the support services.

Among the principal "Findings" of the *Review* was, first, a general absence of clear description and specification of the services to be delivered. And second, the *Review* found a significant lack of appropriate data for application in assessing how well each of the specified support services may actually be meeting the "value for money" criteria and expectations of the CPU and the Town of Collingwood (CPU/Town).

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[23] Bernard Marr, ""Corporate Performance Management Explained, What is Performance Management?", *Advanced Performance Institute*, Accessed November 8, 2014. http://www.ap-institute.com/Performance%20Management.html

These two interrelated findings, when coupled with the "value for money" concerns and expectations of the CPU/Town, require an integrated corrective solution. And that corrective solution comes in the development, implementation and on-going utilization of a systematic *Framework* of *Performance Indicators*, as stipulated under *Activity #2* of the RFQ. This *Framework* is a structure that can be used to collect and manage the business information needed to help address the concerns of "value for money". In addition, the Framework solution can function as a general model for on-going monitoring of the performance of services provided under any future *Agreement*, thereby ensuring continued "value for money". It also can be employed for strategic decision-making and for measuring and tracking progress toward meeting the policy goals and objectives of the CPU and the Town of Collingwood, for both core or support services.

The Performance Management Framework

Development of a Performance Management Framework is an individualized process. The Framework must meet the specific requirements of the implementing organization. It must "*frame*" the "Management Information", or "Business Intelligence", that will equip managers with the tools they need to make better informed decisions (i.e. decisions that results in more efficient, effective and higher quality outcomes). Specifically, the Framework must help the CPU/Town to address the question of what "Management Information" is required in order to ensure high-performance outcomes from its functions and operations.

The Framework also must provide a systematic format for use in monitoring and reporting performance information to other stakeholders. This will ensure that the services received from any contract service provider, whether from an external or internal source, are competitive with the top providers in the industry.

Definitions

There is a great deal of contradiction and confusion in the literature, both professional and academic, as to the meaning of the basic terms used in any discussion of Performance Management. So, before proceeding, it is necessary to establish some common definitions.[24]

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[24] There are as many definitions of the functions and variables of Performance Management as there are managers who are using them. The definitions that follow are composites from a number of sources and are intended to clarify the concepts and practices of Performance Management as described in this document. See, for example, the definitions offered by:

- *Business Directory.com* http://www.businessdictionary.com/definition/business-performance-management-BPM.html;
- *Free Management Library* http://managementhelp.org/;
- *Oak Ridge Associated Universities* http://www.orau.gov/;
- *Business Performance Improvement Resource (BPIR)* http://www.bpir.com/;
- *Advanced Performance Institute (API)* http://managementhelp.org/; and,
- *The KPI Institute* http://www.smartkpis.com/key-performance-indicator-KPI.

Business Model - Refers to the logic of the organization, the way it operates and how it creates value for its stakeholders. It depicts the Content, Structure, Governance and Transactions designed to create value in the production and delivery of goods and services.

> *Content refers to the goods and services, or information exchanged, as well as the resources required to make the exchange happen;*
>
> *Structure refers to how the parties in the exchange are linked and the way they choose to cooperate and communicate;*
>
> *Governance refers to the way flows of information, resources and goods or services are controlled by the relevant parties, the legal form of organization, the incentives ta the participants, and the rules by which they make collective decisions; and,*
>
> *Transactions refers to the points of exchange, or transfers, of information, resources, and/or goods and services, where "value" is carried forward and accumulated until the final transaction where the finished goods or services are exchanged for the equivalent cumulative value, paid to the producer by the end customer.*

As you can see, *Content*, *Structure*, *Governance* and *Transactions* characterize the organization in a way that represents a ready framework for the systematic measuring and monitoring of performance. But, it does require selection of the right Business Model to serve as the foundation for the Framework. Before opening-up that discussion, however, several other definitions need to be added to the mix:

Business Intelligence (BI)[25] – Is an *umbrella term* that includes the applications, information, tools and best practices that enable managers to troll through, compile, analyze and organize data from various interrelated sources into an aggregate *Business Framework* that can help optimize decisions and enhance business performance. In relation to Performance Management, BI can be thought of as an *integrating structure* built from the Key Performance Indicators (KPIs) that are the major sources of Business Information required for strategic and tactical decision-making.

Measure – Is a number or a quantity that records a directly observable value or performance. The number provides a magnitude (how much) and the unit gives the number a meaning (what). Performance measures are represented by single dimensional units like the number of hours, meters, nanoseconds, dollars, number of errors, or length of time to complete a process cycle, etc. Single-dimension units of *Measure* represent very basic and fundamental measurements of some elemental process or product until they are aggregated into a formula that calculates the value of a *Performance Indicator*. They are a tool to help understand, manage, and improve what organizations do, especially when used as real-time input values used in strategic and tactical *Key Performance Indicators (KPIs)*.

Performance Metrics – Are compound measurements used to characterize some *quantifiable* aspect of an organization's performance. Metrics are numerical values that indicate the state of an operation or a business function or activity, at a fixed point in time. As such, *Performance Metrics* capture a series of "snapshots" of what is

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- *Also see*: Ramon Casadesus-Masanell and Joan Enric Ricart, "From Strategy to Business Models and onto Tactics", *Long Range Planning* (LRP), Vol. 43, pg 195-215, 2010. http://www.businessmodelcommunity.com/fs/Root/8oex1-Casadesus_et_Ricart.pdf

[25] This description of *Business Intelligence* is a composite, based on definitions found in:

- *Technopedia* http://www.techopedia.com/definition/345/business-intelligence-bi , and
- *Logianalytics* http://www.logianalytics.com/bi-encyclopedia/business-intelligence

happening at a particular point within some dynamic process or function. In this sense of the definition, Performance Metrics can be seen as a *quantifiable* subset of what are understood as Performance Indicators.

Another common meaning of the term *Metrics* comes when coupled with "Business". The definition, then, of **Business Metrics** refers to any measurement or indication of the performance of the business functions and/or outcomes of an organization. This is the definition that fits within the context of *Business Intelligence*, or *BI*. It is this definition that will most often be employed in the discussion that follows.

> ***In business, words are words; explanations are explanations, promises are promises, but only performance is reality.***
> ***Harold S. Geneen***

- **Performance Indicator** – Refers to a calculated value, *either quantitative or qualitative* that tells something important about the strategic, tactical or operational performance of some aspect of the Business Model. Performance Indicators are multidimensional units of measure, usually expressed as ratios of two or more fundamental units (Performance Measures). These may be units like the number of lost time accidents per hundred-thousand hours worked, or the ratio of the total cost per month charged against a particular repair activity, e.g. pump overhaul, divided by the number of repairs accomplished during the month.
- **Key Performance Indicators (KPI)** – Are composite *Business Indicators* used to evaluate performance characteristics that are *crucial* to the success of an organization. KPIs are limited in number and ordinarily used to measure performance against the strategic and tactical goals and objectives of the organization. When developed to indicate the *operational* performance of the organization, they usually are referred to as *Key Operational Indicators*, or KOIs.
- **Performance Framework**[26] – Is an *information structure* for bringing together an interrelated set of performance Indicators, Measures and Metrics, along with associated Business Information, to populate a frame, or *Framework* that can aide in achieving the organization's goals and objectives, through more informed decision-making. This *Framework* is a systematic representation of the performance characteristics of the inner workings of the organization's *Business Model*. It is a means of organizing, analyzing and reporting on the performance of critical activities and outcomes of the organization in a way that is transparent and comprehensible for interpretation and application by managers and other stakeholders, both within and outside the organization.

***NOTE**: In what follows, we will use the broad term of "indicators" when referring to Performance Indicators, Measures and Metrics together in a collective sense.*

[26] This definition for "Performance Framework" is compiled from the concepts and descriptions developed in:

- *Performance Management Framework*, Canadian Transportation Agency, V. 2, 2004. https://www.otc-cta.gc.ca/sites/all/files/altformats/books/performance_e.pdf; and,
- *A Performance Management Framework for State and Local Government: From Measurement to Reporting to Management and Improving*, National Performance Management Advisory Council, 2010. http://www.gfoa.org/sites/default/files/APerformanceManagementFramework.pdf.

While on paper these terms can be differentiated, in practice, the difference between and among them is blurred and to some extent irrelevant. As long as their purpose and use is clear and carry the same understanding for everyone using them, whether they are called Performance Measures or Metrics or Performance Indicators is a matter of organizational culture and personal preference.

If you have been following along with the references included in the footnotes, then you are seeing the variety of definitions currently in use in Performance Management and the confusion that this can cause. As you work through the proposed Performance Management Framework and the sample process for selection of Performance Indicators and associated Measures and Metrics, please keep in mind the definitions we are using here. And remember to always indicate what definitions you are using when discussing your own *Performance Management Framework*. That will help to keep your Business Information transparent and comprehensible to your managers and stakeholders.

A great deal of work has been done to develop measures for analysis and tracking of the performance of *Core* Services. Considerably less work, however, has been done in the area of *Support* Services. But the gap is narrowing, and much of what has been learned about the use of performance data for managing Core Services is now being applied in the management of Support Services. As you move through the discussion to follow, you will, no doubt, see some of the cross-over that is occurring.

The Business Model and the Performance Framework

The *Performance Framework* is a particular representation of the *Business Model*. The information contained in the Framework maps to, and provides performance information about, the working of the organization, as shown in the Business Model.

There are several broad types of Business Model that can provide the foundation for your Performance Framework, all of which have been subjected to extensive study and practical application. Following is a brief overview of the primary Business Model types we considered in determining the Framework that is best suited to meeting the Performance Management needs of the CPU/Town of Collingwood, both now and well into the future. These include:

- **Balanced Scorecard**[27] – This is a Corporate or Strategic-level Framework that takes account of the interests of multiple stakeholder groups or points of view. As originally conceived, the four different *viewpoints* that were defined by Kaplan and Norton are the *Customer Perspective*, *Financial Perspective*, *Internal Business Process Perspective*, and the *Learning and Growth Perspective*. The "Perspective", or viewpoint, may change from application to application, but the concept of balancing the Framework to take account of various "Interests" or "Perspectives" remains the same. For example, the Balanced Scorecard Framework is now often employed in the monitoring and analysis of competing interests in the field of Environmental Management,

[27] See: Robert S. Kaplan and David P. Norton, *The Balanced Scorecard: Translating Strategy into Action*, Harvard Business School Press, 1996; and,

Liz Murby and Stathis Gould, "Effective Performance Management with the Balanced Scorecard: Technical Report", *The Chartered Institute of Management Accountants (CIMA)*, 2005.
http://www.cimaglobal.com/Documents/ImportedDocuments/Tech_rept_Effective_Performance_Mgt_with_Balanced_Scd_July_2005.pdf

in which case the "Views" usually are *Environmental, Economic, Social* and *Governmental*, or some variation thereof, depending on the particular application.

- **Value Chain**[28] – Another common Framework for managing business performance is the *Value Chain*. This approach looks at points of hand-off, or *Transaction Points* across the business, where one process or sub-process fulfills its responsibilities (i.e. has added value to the product or service by satisfactorily completing the assigned process or sub-process) and passes responsibility on to the next process or sub-process in line. And, that process or sub-process will, in-turn, add additional value to the service or product being developed, and so on. This progression, or "chain", proceeds until the final hand-off to the client or customer of the finished product or service, at which point, value is maximized.

> ***"Measurement is the first step that leads to control and eventually to improvement. If you can't measure something, you can't understand it. If you can't understand it, you can't control it. If you can't control it, you can't improve it."***
>
> **H. James Harrington**

This *Value Chain Framework* was developed to function equally well at any transaction point across the organizational environment, from strategic planning right through to line-tasks on the plant floor. This flexibility makes it an increasingly common choice for framing a Performance Management system.

A similar Framework that is often used in commercial and industrial applications is referred to as the "Supply Chain". This application functions much the same as the Value Chain, but the scope of the Framework tends to be focused more on modeling the flow of component goods and supplies that cumulatively assemble into some finished, high-value goods or services. But, the concepts and techniques of the Supply Chain model are not significantly different and can be applied as supplements to understanding the Value Chain.

- **Function or Activity**[29] – This Framework is designed with hand-off points, or transactions, defined by the completion of a specific function or activity. This definition may coincide with the completion of "Responsibilities", as in the Value Chain model. However, this approach also may cut across the Value Chain, establishing more than one transaction point within a Value Chain segment. Or it may aggregate across more than one Value Chain segment. However, the basic concepts and techniques of the Function/Activity remain the same as for the Value Chain model. It is primarily the definition of the hand-off points that is fundamentally different.

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[28] Transportation Performance Audit Board, "The Value Chain Model of Performance Measures", *Review of WSP Performance and Outcome Measures*, December, 2004. http://www.reneewing.com/pdf/Appx_A.pdf

[29] Zott, Christopher and R. Amit, "Business Model Design: An Activity System Perspective", *Long Range Planning* (LRP), Vol. 43, pg. 195-215, 2010. http://www.scopus.com/record/display.url?eid=2-s2.0-77952558158&origin=inward&txGid=75AED46EB7137314F71FB6148B45E1E6.ZmAySxCHIBxxTXbnsoe5w%3a8

- **Work Unit/Division**[30] - This is an organizationally based approach, taking Work Units, or sometimes Divisions, as the defined entity around which to frame Performance Management. It is intentionally designed as a tactical-level Framework that assumes some discrete role for the Work Unit (or Division) in producing a defined component of a product or service. The production of this defined component and its organizational Unit, then becomes the basis for measuring and reporting performance. The real value of this model, based on organizational units, is that, if they have clearly delineated Responsibilities and Authorities, Structures and Governance, then their internal integrity may ensure they have the inherent flexibility to find a place in most any organizational restructuring. In this case, they can function as a "Drag-and-Drop" Work Unit, one that fits into most any reorganization plan.

  NOTE: The Work Unit/Division is the smallest element of the business that, working together as a group, produces a defined component or sub-component of the product or service that is the intended output of the business. It is the smallest unit of measure in Performance Management. *Performance Management*, in this context, *does NOT deal* with the performance of individual workers. That is a matter for Personnel Management.

- **Responsibility-based**[31] - This final Business Model is grounded in a "Responsibility-based" approach that can incorporate the elements of the Value Chain, the Function/Activity, and/or Work Unit models. And, it can even accommodate the concepts and techniques of the Balanced Scorecard, if needed. It can be structured in different ways, but the most common is to define the model according to the *transactional responsibilities* (and *authorities*) of either "Business Processes" or "Business Units" across the Value Chain. This "Business Model", or "Framework", usually is defined by points of hand-off, as identified by completion of assigned responsibilities, or points at which responsibility passes from one process, or sub-process to another, or from one business unit to the next in the Value Chain. The organizational space, in which the point of hand-off between the Producer and the Consumer occurs, is referred to as the "transaction space".

  The flexibility of defining the boundaries of the various elements of the Responsibility-based Business Model makes it ideal for any process-driven product or service. For example, the "Recruitment and Hiring" sub-process within HR, can be analyzed linearly from "notice of vacancy" in the organization to full "on-boarding" of a new hire into the procedures and culture of the business. Under the Responsibility Framework, performance across the Recruitment & Hiring Cycle can be measured and analyzed as a whole or in discrete parts based on responsibility-defined hand-offs, depending on the size and scope of the service and whatever issue(s) the responsible manager may be concerned with addressing.

As pointed out in the "Findings" of the *Review*, there are insufficient data available to test how the *Framework* functions in assessing the performance of the various services delivered under the terms of the current *Agreement*. Therefore, instead of selecting a Framework by fitting the model to the available data, the Consultants took a "clean-slate" approach and have selected a *Framework* that best fits the *management requirements* of the CPU/Town. On that basis, a

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[30] M. Ezzamel, *Business Unit and Divisional Performance Measurement*, Academic Press, December 1992. http://www.amazon.ca/Business-Unit-Divisional-Performance-Measurement/dp/01224567W0X/ref=sr_1_1?s=books&ie=UTF8&qid=1416330596&sr=1-1

[31] David Teece, "Business Models, Business Strategy and Innovation", *Long Range Planning (LRP)*, Vol. 43, pg 172-194, 2010. http://www.businessmodelcommunity.com/fs/Root/8jig8-businessmodelsbusinessstrategy.pdf

modified "Responsibility-based Model" was determined to be the best choice to adopt as their *Performance Management Framework*. This choice seems best suited to the immediate needs of the CPU/Town for use with contracted Support Services, but also for possible application in enhancing the performance of Core Services, long-term. And, it is this choice that will be discussed further in the "Example" Framework that follows.

The Business Interface Model[32]

The Framework Model we are recommending was selected, primarily, to address the Consultants' Recommendation for ensuring that future *Agreements*, ".....should reflect good principles and best practices", specifically:

Major Components expected in good service agreements:

- *Clear description of services*
- *Schedule of prices for all services & service levels*
- *Clear roles and responsibilities for agreement management & reporting*
- *Integrated service performance management*

(See the "Service Review, Summary Report", pg. 14)

The "Business Interface Model" recommended, is an application of the "Responsibility-based Business Model", as described above. The key feature of the model is the focus on the "transaction space" or "interface" of the business structures that link the Client or Consumer (CPU/Town) and the Provider. (Figure 4-1 – Business Interface Model) In this model, the corresponding points of ***responsibility*** for provision of products or services, and the use or consumption of those services or products, occur across the transaction space and must first be clearly defined. It also requires that the ***description of services*** be clearly crafted, so that all concerned will have a common perception and understanding of the exchange that occurs across the "transaction space". Absent clarity of both *Definitions* and *Responsibilities*, the connecting links across the "transition space" will be weak

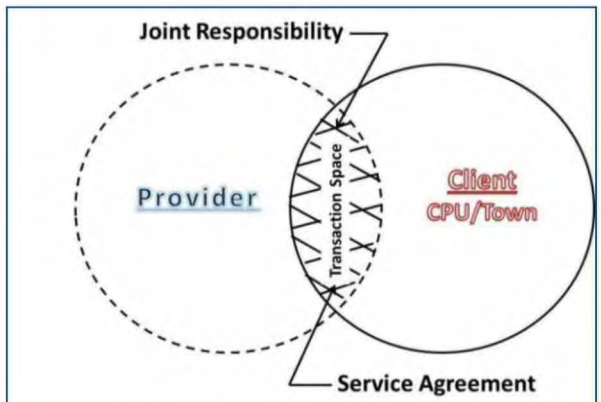

Figure 4-1 – Business Interface Model

[32] Much of what has gone into the design of the Business Interface model comes from the concepts and practices of "Object Modeling", developed for use in the design of complex IT systems. In particular, see:

a) David A. Taylor, *Business Engineering with Object Technology*, John Wiley and Sons, 1995;

b) David A. Taylor, *Object Technology: A Manager's Guide (2nd Ed.)*, Addison Wesley Professional, 1997; and,

c) Alistair Cockburn, "Responsibility-based Modeling", *Alistair Cockburn*, 1999. http://alistair.cockburn.us/Responsibility-based+modeling

and misunderstandings and conflicts will arise. And, this is the situation that was discovered during the *Review*.

This interface, or ***transaction space***, is where responsibilities are exchanged between the provider and the consumer for each of the Services that are to be delivered, as specified in the *Service Agreement*. This intersection between the Provider and the Client is the organizational space across which responsibility for products and/or services are transferred, first, from the Client to the Provider, in the initial contracting for services, and finally, from the Provider to the Client in the delivery of services.

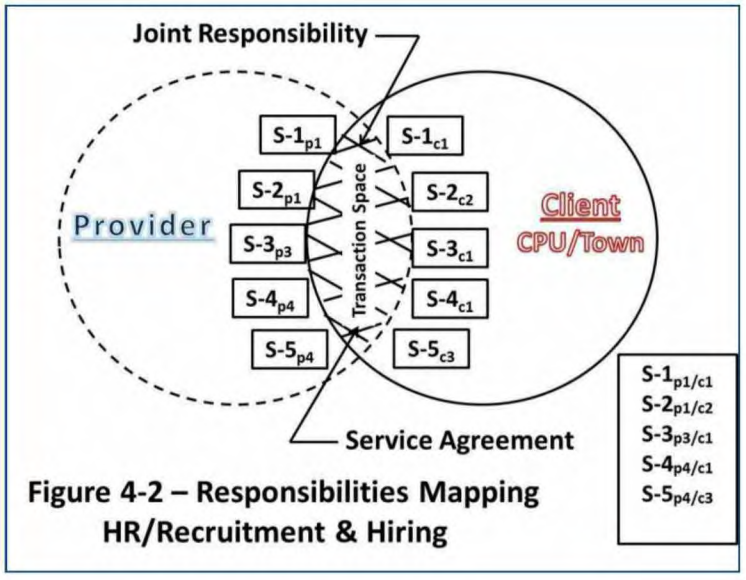

Figure 4-2 – Responsibilities Mapping HR/Recruitment & Hiring

To illustrate, (Figure 4-2), the first step in building the Interface Model is to define the ***Services*** required by the Client. These Services, delineated as S-1, S-2, S-3, S-4 and S-5, are the cornerstone of any *Agreement* that follows. This first step is the responsibility of the Client (CPU/Town) and is critical to all that follows in the process of developing the *Service Agreement*. This step also involves designating where, within the organization, the delegated positions of responsibility occur for managing each of the specified Services. (That is, C1, C2, and C3 in the model.) The person who occupies each of these positions, the "Client Representative", should be the one who develops the specifications for the assigned service(s) and provides on-going management oversight of the delivery and consumption of the service, wherever it occurs within the Client organization. Notice that one Client Representative may have delegated responsibility for more than one service, as in the example where Client Representative C1 is responsible for Services S1, S3, and S4.

Once the Services to be provided by Agreement are defined, then the rest of an RFQ/RFP document can be built and distributed to potential Providers.

After the RFQ/RFP is received by potential Providers, the process of responsibility delegation will be repeated, but this time within the Provider organization, as the designated Provider Representatives, P_1, P_3, and P_4, assume primary responsibility for developing their Proposal in response to the Client's requirements. Responsibility, then, transfers back to the Client in the form of the completed Proposal, at which point, the Client assumes responsibility for selecting a Provider from among the firms that have submitted proposals, and negotiating, then, a *Services Agreement* with the selected Provider. Beyond the Proposal stage, the Client and the Provider enter into the back-and-forth of periodic performance assessment along with the issuance of invoices (Provider) and payment for services rendered (Client). And finally, upon delivery, it is the responsibility of the Client Representative to accept the products or services, assuring conformance with specifications, and to authorize payment, in accordance with the terms of the *Agreement*.

This "*Responsibilities Mapping*", is completed when all connection points across the -"transaction space" have been identified and detailed for all contracted services. This *Mapping*, then, defines the contractual relationship for management of any *Services Agreement*. A map of the relationships involved in these responsibility transactions is represented in Figure 4-2, *Responsibilities Mapping*.

In the model, it is clear that there are certain responsibilities that are specific to the Client Representative, responsibilities to ensure the services received are in conformance with the specifications of the *Agreement*. In the same way, there are responsibilities that are specific to the Provider Representative, responsibilities to manage production and to deliver the specified services, in accordance with the specifications of the *Agreement*. But, there are responsibilities, primarily of communication and coordination, which apply jointly to the Client and the Provider Representatives. These are responsibilities to manage the ***Transaction Space***, so that any misunderstandings and/or conflicts over interpretation of the terms and specifications of the *Agreement*, or performance issues with the services, are eliminated or reconciled before escalating into major disputes.

The *Business Interface Model* (Figure 4-1), then, is the foundation for identifying the Performance Indicators that apply at each of the points of interface, as defined by the Service(s) provided, and as viewed individually, and jointly, by the Client and Provider Representatives. And, it is these Performance Indicators that provide the bricks and mortar for the Performance Framework we are recommending for the CPU/Town of Collingwood.

The Business Interface Model – Example (HR/Recruitment & Hiring)

The partially completed input table for the sample *Business Interface Model* (See Table 4-1, Pg. 16), shows what the Responsibility-based *Framework* looks like when populated. And, you can see the value of the approach in setting up a systematic format that identifies and catalogues *Performance Indicators*. It also clearly identifies the corresponding *Indicators* that define the *responsibilities* across the interface, or Transaction Space, between the Provider and the Client (CPU/Town of Collingwood).

The example (Pg. 16) uses the HR sub-process of *Recruitment and Hiring* to illustrate how the Framework is populated. The indicators and associated performance measures and data points used are suggestive of what might be developed and adopted for use, both by the Client (CPU/Town) and the Service Provider, in the provision of contracted Support Services. A final populated Framework would have to be developed jointly, and cooperatively, by the parties involved, for each service proposed for inclusion in a new *Services Agreement*.

To illustrate how the Interface Model works, we will follow a twelve (12) step process to populate the Performance Framework (Table 4-1). And, we will see how the model fits together to produce the management information needed to make better business management decisions[33].

[33] The literature identifies several schemes for developing a Performance Management Framework. One of the better works is: "Performance Measurement Strategy Framework: A Guide to Developing Performance Measurement Strategies," *Treasury Board of Canada, Centre of Excellence for Evaluation*, Accessed November 8, 2014. http://www.tbs-sct.gc.ca/cee/dpms-esmr/dpms-esmr06-eng.asp

1) ***Management Information:*** Determine the *Management Information* you need to make better *Business Decisions*. This is always the starting point for building an effective Performance Management Framework. You must understand *why* you are developing the Framework and *how* you intend to use it. Your first and foremost concern as a business manager is to understand your decision-making role, and then to become more effective in fulfilling the requirements of that role.

2) ***Service Definition:*** Identify and clearly define the Service(s) to be delivered, including identifying the corresponding points of responsibility for the Provider and the Client, acting individually and/or jointly. This is the cornerstone upon which to build a solid *Services Agreement*. It is also the foundation for establishing a *Performance Management Framework* that can be a powerful tool in management decision-making. If this is done clearly and completely, it will ensure that both parties to any *Agreement* will have a common starting point for jointly managing the services as specified. Clear and complete service definitions are absolutely necessary if you are to avoid, or at least limit, misunderstandings that otherwise will arise when the expectations of the Client do not match the intentions of the Producer.

3) ***Process Identification:*** Identify the primary processes and/or sub-processes that are employed in the production and delivery of the specified services. A clear statement of the processes that underpin a contracted service, gives both Provider and Client a clear picture of "how" the processes of production and delivery of services function, back-and-forth, across the organizational interface.

4) ***Responsibilities:*** This is a critical step in the design and development of any Performance Management Framework. You must know the individual and joint responsibilities at each connecting point between the Provider and the Client, as the roles and responsibilities are different from the Client perspective, the Provider perspective, and from the joint perspective of the Provider and Client acting together. This is especially important when the scale and/or complexity of sub-processes may be such that they require very different responsibility definitions and assignments, as may be the case in large bureaucracies.

5) ***Performance Indicators:*** Identify the Performance Indicators, Measures or Metrics that will form the basis for understanding and managing the performance of some component of the service. This is the point where you bring your management experience into the picture. Think through what business and/or operational information you need in order to make more informed decisions about each service. Look for information that will give you the greatest return on your investment, in time, effort and budget outlay. And then, develop the Indicators, Measures, and/or Metrics that will provide the information that will help you to better fulfill your management responsibilities.

6) ***Indicator Calculations:*** Develop the formula you will use to calculate each Indicator of Performance. Remember, Indicators do not stand alone. They are generated through a set of analytic functions that calculate the information you need, using data relating to the performance characteristics, you have identified, as input variables for each service. Different formulas can generate different Indications of Performance, using

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See also: Jack Diamond, "Establishing a Performance Management Framework for Government", *International Monetary Fund, Fiscal Affairs Department*, May, 2005. http://www.imf.org/external/pubs/ft/wp/2005/wp0550.pdf

the same input data. So, be sure the formula you are using actually generates the Indicator you want. In developing these formulas, keep in mind the mathematical axiom of "*Occam's Razor*", that basically states the simpler the equation, the better will be the result[34].

7) ***Data Requirements:*** Identify the data needed to drive the formula behind each Performance Indicator. In general, Quantitative Indicators are preferred over qualitative. Qualitative Indicators can be important sources of management information and seem to be used with increasing frequency.[35] Remember, however, they are indirect and inferential rather than direct, as is the case with Quantitative Indicators. In either case, there usually is some form of data that goes into any formula that produces performance indicators. Stating the data requirement behind any indicator tells what must be measured in order to drive the formula that generates the desired management information.

8) ***Data Source(s):*** Determine the source for the data required for each Indicator. Having listed the data requirements behind your Performance Indicators, the next step is to identify where each bit of necessary data is going to come from. This step may also involve identification of substitute or surrogate measures in cases where the primary data are not available.

9) ***Data Collection:*** Determine the method and frequency of data collection. Note here the form of the data that is available from each source, i.e. electronic or hardcopy. Look for automated electronic importation of data rather than having to rely on manual input which usually is labour intensive and can be prohibitively expensive. The expense of developing a software application for data collection and import may be significantly less than the cost of manual entry, over even a very short period of time. Always make a credible benefit/cost analysis, spanning an appropriate time period (say 3-5 years), before making any choice that by-passes investment in an electronic solution for your data collection needs.

10) ***Baseline Data:*** Identify the baseline data that are required for trending performance over time, so you can build an adequate and credible starting point for analysis. Trends are an important form of management information. It is always helpful to know if some aspect of production or delivery of service(s) is trending positively or negatively. The range and application of management decisions intended to enhance performance can be quite different depending on whether the measurements are trending up or down. So, establish a baseline for comparative trending as soon as possible in the process of developing the Performance Framework.

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[34] Occam's (or Ockham's) Razor is a principle attributed to the 14th century logician and Franciscan Friar William of Ockham. The principle states that "**Entities should not be multiplied unnecessarily.**" Or, "keep it simple, stupid!" This principle has been famously restated by such giants of science as Sir Isaac Newton, Albert Einstein and Stephen Hawking, among many others, and it has become a core organizing principle of mathematics, physics and the biological sciences.

[35] See: Jonathan Becher, "Qualitative KPIs", *Manage by Walking Around*, August 26, 2006. http://jonathanbecher.com/2006/08/26/qualitative-kpis/

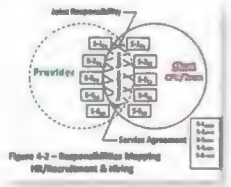
And: Stacy Barr, "Quantitative versus Qualitative KPIs", *The Measure Specialist*, May 21, 2013. http://staceybarr.com/measure-up/quantitative-versus-qualitative-kpis/

11) ***Improvement Targets:*** Where improvement in performance is indicated, determine targets and timelines for future performance. Enhanced performance has become a management mantra for the 21st Century, requiring constant management attention and proactive decision-making. If done correctly, the establishment of improvement targets can be a strong motivator for changing behaviour. So, where appropriate, establish targets that will provide objectives toward which to work, something you can measure over time and gauge progress toward achievement.

12) ***Testing and Validation:*** And finally, the Framework should be populated with sample data and tested by the managers who will be using the Framework for decision-making. This final QC step will ensure the Framework is actually producing accurate and useful results. If not, this testing phase provides an opportunity to modify the Framework prior to committing to full-scale use.

Table 4-1 Support Services Business Interface Model

SAMPLE



Service: HR – Recruitment & Hiring (2015-2018)

Indicator	Provider	Joint	Client
Level of Effort (Indicates the amount and/or value of the effort that goes into the combined Recruitment & Hiring Processes.)	• Labour (Avg. staff effort in hr./cycle of recruitment & hiring)	• Cost (Avg. cost/cycle of recruitment & hiring)	• Hiring Cycle Time (Avg. time in days/cycle of recruitment & hiring)
Quality of Recruitment Process (Indicates how well qualified the candidate pool is, relative to job specifications and expectations, for each position opening)	• Quality of Applicants (% of applicants exceeding job qualifications)	• Repeat Recruitments (% of total hires requiring repeat recruitment/hiring cycle) • Preferred Candidate Offer Acceptance Rate (% of total offers)	• Quality of Candidate List (% of candidates exceeding job qualifications)
Quality of New Hires (Indicates how well qualified the successful candidate is, relative to job specifications and expectations, for each position opening that is filled)	• Source of New Hire (Source of most New Hires – reliance on repeat sources)	• Client Satisfaction (Survey/interview with client after completion of each hiring cycle.)	• Initial Qualifications of New Hires (Time from hiring to full assumption of responsibilities – mos.) • Initial Qualifications of New Hires (Performance rating at end of probation period)
Retention of New Hires (Indicates how well the organization is doing in retaining new hires beyond retention targets, e.g. 5-years, 10-years, etc.)	•	• Avg. Longevity of New Hires • 1st Year Termination Rate (Voluntary) • 1st Year Termination Rate (Involuntary)	• Opportunity Costs (Value of lost production from turnover and repeat recruitment/ hiring cycle)
Conformance with Standards (Indicates how well the Recruitment and Hiring process conforms to overall Town Standards and Procedures.)	• Policies & Procedures (Following Town of Collingwood Policies and Procedures for Recruitment and Hiring)	•	

NOTES:

Now, going to the SAMPLE Input Table (Table 4-1), we will walk through the process of populating one element of the *Performance Framework* (HR – Recruiting & Hiring), and you will see how it fits within the context of the 12 steps:

Populating the Performance Framework

You can now start populating the *Performance Management Framework*. To Illustrate the process from the ground up, we will start by using the Input Table for *Recruitment & Hiring. (See page 70)* Beginning in the Title Block, the Service (or sub-service) is clearly noted as HR – Recruitment & Hiring, and the term of the *Agreement* is noted (2015-2018). This is the minimum you need in order to have some idea of what the boundaries are, or the scope, for the Performance Framework. If additional sub-processes are of interest, as perhaps New Hire Orientation (Corporate and/or Work Unit), then that breakdown could be included in the NOTES as part of the *Hiring Process*. Or, it might require further "drill-down" of the Hiring Process, in which case additional in-put sheets would be needed for the Framework. For example, Candidate Screening, Candidate Interviewing, and Candidate Offer and Acceptance might be analyzed as sub-processes, or drill-downs, in the Interface Model, depending on the scale of the HR function or the level of management concern and/or focus. In this SAMPLE, however, we assume that the overall "Hiring" Process is sufficiently detailed for performance analysis and reporting.

In a fully mature *Framework*, you would also use some space in the title block to show any Tactical Objectives the organization may have established related to Recruitment & Hiring. For example, as part of an overall performance enhancement initiative for 2015-2018, management may have set an *Improvement Target* of 25% reduction in Avg. Cycle Time for Recruitment and Hiring, which, hypothetically, might translate to a 2.5 FTE reduction in staffing, for a typical mid-sized organization. These targets, or objectives, would be included in the Table so all stakeholders who see the numbers would have some context for understanding just what is being indicated and why.

> ***Keeping score isn't winning; you have to manage the activities that contribute to the score.***
>
> ***F. John Rae***

Moving, then, to the left-hand column, ***Indicator***, the first line shows "Level of Effort", defined as the first Indicator of performance for the combined processes of Recruitment and Hiring. The management interest in this Indicator is defined as, "……the amount and/or value of the effort that goes into the combined Recruitment & Hiring Processes". Notice this ***Performance Indicator*** does not provide any quantitative information that, in-and-of itself, can be used in any performance analysis. But, it does indicate what a manager might be most interested in knowing about the Service(s) being examined (i.e. HR – Recruitment & Hiring).

Moving on to the next column over, ***Provider***, the Framework shows the specific information that conveys some quantitative indication of performance the Provider may need to know in order to better manage the production and delivery of the Recruitment & Hiring Service being analyzed. In this case "Labour", the identified measurement of performance, is calculated as the "Avg. staff effort in hrs./cycle of Recruitment & Hiring." This is a number, or ***Performance Measure***, that can be calculated from measured data and tracked over time to provide an indication of the staff hours needed to deliver this particular service to the Client. Or, when compared against some established baseline, it also can indicate a trend toward or away from the baseline, implying enhanced or deteriorating performance, something that certainly would be of interest to the Provider of the Service.

Jumping over to the last column, ***Client***, we see the performance information that is of specific interest to a manager on the Client side of the business relationship. Here the specific indicator of interest, "Hiring/Cycle Time", is calculated as the "Avg. time in days/cycle of recruitment & hiring." The Client manager may be more concerned with the length of time that a position remains open than with the amount of labour that goes into the process of *Recruitment and Hiring*. The longer a position is open, the longer the disruption and the greater the impact on the mission of the Client organization. Here, you can see the real value of the *Business Interface Model*. In this case the Model allows for different views and different performance measurements for the Provider and the Client. And, these may be quite different, requiring very different perspectives on what constitutes "Performance".

Now, returning to the space between the Provider and the Client, i.e. the column labeled as *Joint*, shows the performance measures that are of common concern to the Responsible Managers in both the Provider and the Client organizations. Once again, you can see the benefit of this approach in accommodating the separate and discrete performance concerns of the Provider and the Client. It can also point to common ground that will help bring the two sides together around shared performance concerns. In this case, the common performance management concern, or joint interest, is around "Cost", which is calculated as "Avg. cost/cycle of recruitment & hiring". And, in the example of the Provider and the Client views, the performance measure yields quantitative information about costs that can be analyzed and tracked over time, giving both Provider and Client managers information they need to make better informed decisions about the service of Recruitment & Hiring.

The same logic applies through the remainder of the Performance Indicators that are listed as being of interest to the Responsible Managers on either or both sides of the Provider/Client relationship. This three-way view of performance is formatted so you can tell at a glance what the focus of performance measurement and analysis is in any Provider/ Client relationship. And, you can set up the form to follow trends in performance as seen from the perspectives of both Provider and Client, or from the combined perspective of the two sides acting together. This combined perspective helps to facilitate communication in the relationship in that both parties have a mutual interest in the joint Indicators, i.e., those which provide common ground for sharing in the analysis, interpretation and communication of the information generated.

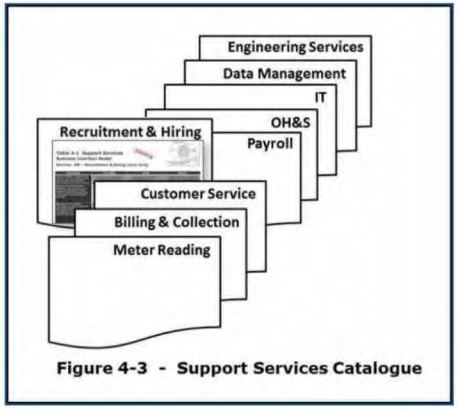


Figure 4-3 - Support Services Catalogue

Looking now at the context of the example, you can see that *Recruitment & Hiring* is only one element of the *Support Services Catalogue*. (Figure 4-3) The overall *Catalogue* is built by taking the input sheets for each process or sub-process that comprise the Support Services to be included in a *Services Agreement*, and compiling them into a systematic set of services and associated indicators. You can see how this same process of using the input sheets to populate the *Performance Indicator Table*, for each Support Service, is a cooperative way to build the *Support Services Agreement*. Using the same format for capturing the input for all of the Support Services provides an easy structure for cross-referenced Indicators throughout the *Catalogue*. This cross-referencing can give you a visual means for identifying indicators for reuse in more than just one Service, cutting down the time required to develop and maintain any repeating indicator. This way, you can do a calculation once and duplicate the value for other input sheets, as appropriate.

As you can see, one of the primary advantages of the Performance Management Framework approach is that all parties to the *Services Agreement* are put into a position where they are forced to share some level of mutual understanding of, and shared responsibility for, development and on-going production of the contracted services. This is a major advancement over the current situation where the *Review* found fertile ground for misunderstanding and conflict over what services were produced and how those services were to be monitored and managed.

Keep in mind the *Framework* is a built from your "Catalogue", of Indicators, Measures and Metrics that can be used to indicate the status of different aspects of your business or operations. But, just because you have identified Indicators or Measurements for all of your service processes and sub-processes doesn't mean that you should use them all. On the contrary, you should identify just a few of the more critical measures that provide necessary information about the business. What you have done with the Performance Framework is to develop a catalogue of Indicators, Measures and Metrics from which to select only the ones that provide the management information that best satisfies your particular need, i.e. Performance Indicators or Business Metrics that will facilitate your decision-making. And, after all, that is what you are trying to accomplish with your Framework.

And, this comes back to the concept of KPIs, or Key Performance Indicators, as defined on page 5.[36] If you try to keep up with too many indicators, you may find yourself bogged-down analyzing data, instead of spending your time managing the business. You should start with those Indicators you think will provide the most useful information. Keep track of how you are using the information generated through your KPIs, and add or delete different Indicators, Measures and Metrics as you see what is most useful for understanding the performance of your service(s).

And this leads to two further considerations that can help you select KPIs that are best suited to addressing your management information needs.

First, always start by determining the ***purpose*** behind any indicator you select. If you can't identify the need for a particular indicator, *then don't use it*. This goes back to the core of what you are trying to accomplish, and that is to develop some specific performance information that will help in your management decision-making. So, start with the question, "What is the ***purpose*** of this indicator?" And, the answer should be found somewhere in the following:

- *Production* – You may be interested in knowing how *effective* some process in your business is in maximizing the output, or *production*, of products or services. You may want to know if production is maxed-out, relative to overall capacity. Perhaps you need to know if you can ramp-up production to meet some new market challenge or opportunity. In both business and operations management, you often will have a need for Production Indicators.

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[36] For a more detailed discussion of KPIs, see: David Parmenter, *Key Performance Indicators (KPI): Developing, Implementing, and Using Winning KPIs, 2nd Edition,* Wiley, 2010 (NOTE: 3rd Edition forthcoming early 2015);

Bernard Marr, "How to design Key Performance Indicators – Management White Paper", *Advanced Performance Institute*, V. 6, June, 2010. http://www.ap-institute.com/media/3970/how_to_design_key_performance_indicators_indicators.pdf ; and,

Bernard Marr, "What are Key Performance Questions – Management White Paper", *Advanced Performance Institute*, V. 11, June, 2010. http://www.ap-institute.com/media/3973/what_are_key_performance_questions.pdf

But, you can't measure everything all the time, nor do you want to. You must plan your *Performance Framework* carefully, so that you get the most benefit from your indicators at least cost, in money and time.

- *Productivity* – You may want to see how well you are doing in *efficiently* applying your resources in *optimizing productivity* in the development and delivery of products or services. This may be done, for example, in conjunction with a reengineering study, or to be included as performance targets (objectives) in your annual Business Plan. You may need unit cost numbers for capital investment planning for plant expansion or modernization. Ask yourself, "Why do I need to understand unit cost for _____?" (In money or other resources.) Understand your need, and then select an indicator, or set of indicators, accordingly.
- *Status* – You may need to know how far you have come in achieving some goal or objective. Or, you may need to check on the availability of resources that go into a product or process, as, for example, knowing how far along you are in achieving energy saving objectives, as set down in last year's Business Plan, or in your region. Or, a Roads Manager will need to know the amount of road salt available, say six-weeks into the winter season. Anytime someone is apt to ask, "Where are we with_____?", then you need some indicator of *status* to give your answer.
- *Variance* - You may need to monitor and report on whether some aspect of your business is functioning as planned or some process is in *compliance*, or at variance with some specification(s), as stipulated in the legislative and regulatory requirements of your business. If you have specified regulatory tolerances you must meet, you likely will have to have some need for variance measurements to meet your reporting requirements.
- *Trending* – Often, you will need to understand the *trend, or pattern*, behind what you are observing and measuring. You may have introduced some new technology and need to see what the impact is of these changes over time. Or, you may need to know when the planned capacity of your plant is going to be reached, triggering a major expansion or shift in product line. Whenever a time-line is involved in your decision-making, you likely will want some *trending* data to support your decisions. And, this doesn't usually happen quickly, so *plan ahead* for what you need!

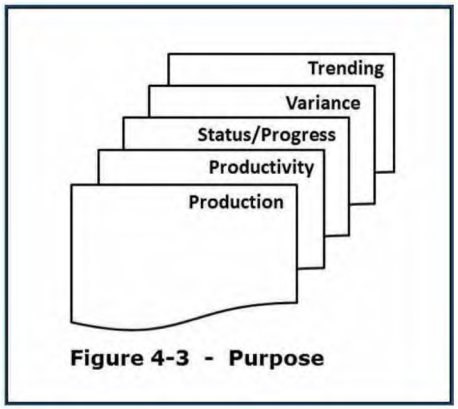

Figure 4-3 - Purpose

So, begin with how you are going to employ each indicator or measure. Ask yourself, "What management information do I need, and what indicator, or set of indicators will supply that information?" Each of these applications may require a different indicator, or set of indicators, in order to satisfy both internal and external requirements for performance information.

Another view that is important when selecting KPIs is the "type" of indicator needed. Once you understand your need for measuring performance, you now need to determine what type of indicator will best meet that need. Traditionally there have been three broad "types" of performance indicators identified for application in the *Framework*:

- *Effectiveness* – refers to the *production* of results (outputs) expected from strategic policy directives or tactical business decisions without regard to the expenditure of resources (inputs). Effectiveness deals with *maximizing* outputs and most often is expressed as total units produced;

- *Efficiency* – is the relationship between resources used (inputs) and the results (outputs). It is an indication of *productivity*, or the degree to which an activity or function produces the required output at minimum resource cost. Efficiency deals with *optimizing* outputs and is often expressed as *unit cost* or labour effort required per unit of production;

- *Quality* – is the degree to which a product or service meets customer requirements and expectations. It is an indication of the degree to which the outputs fulfill stated specifications (quantitative), or the degree to which the outputs satisfy the expectations (qualitative) of clients or consumers. Quality takes many forms, but one form that is most common is the percentage of units produced that pass (or fail) some QC testing regimen.

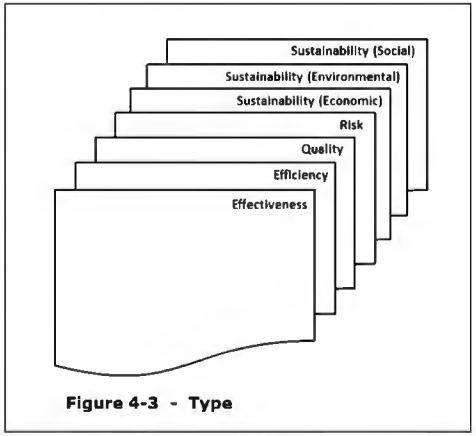

Figure 4-3 - Type

There are other business concerns that fit into the *Typing* of Performance Indicators, Measures and Metrics. Increasingly, indicators are being employed to describe the *Uncertainty* faced by the business, as well as the *Social* and *Environmental* context, in addition to the traditional economic setting. For example, *Type* designations of *Risk* and *Sustainability* are becoming more-and-more common, with Sustainability being broken-down into *Economic, Environmental* and *Social*. These *Types* are, generally, qualitatively based rather than quantitative, requiring more careful construction of the measurement and calculation of the Indicator, if you are to have faith that you are describing something accurately.

Also, in order to have the most complete picture of the performance of some activity, function, product or service, it is always necessary to employ more than one *Performance Indicator*. If you rely on a single indicator or measure to interpret some aspect of your business or function, you may miss some critical factor in the overall picture. You can easily fall into the trap illustrated by the blind men and the elephant, each of whom understood what they felt of the animal very differently. It's a good analogy to our discussion of Performance Indicators. So, as you decide on what Indicators are right for keeping you informed about the performance status of your organization, look for a set of measures that will give you a comprehensive view of the complexity of what you may be measuring and interpreting.

Now you have the building blocks from which to construct the finished *Performance Management Framework*. The finished *Framework* is most easily displayed in **MATRIX** format with the *Services* comprising one axis of the matrix and the KPIs forming the other. This *Framework* gives a visual presentation of the various KPIs used for each Service as well as a cross-comparison between and among the Services, giving a clear means to identify where more than one service employs the same KPI. This can help avoid duplication of effort in designing KPIs, if you have KPIs that fit the needs of multiple services. The more you can reuse your KPIs, the lower will be the cost in development, implementation, data collection and interpretation of your measuring and monitoring program. And that can add up to a significant time investment, unless you can develop multiple applications for your KPIs.

The matrix also will give you a way of assessing the degree of performance monitoring coverage you have for one service as opposed to another. And, this is important when looking at priorities for measuring your various services. You need to put your measurement focus and effort on those services with the greatest potential return on investment, and the matrix can help you to make these determinations at a glance. Build your Framework so that it gives you information

that tells you about what you most need from a management perspective. Don't put too much effort into measuring a small, simply managed service just because its performance is easily measured and reported. The matrix will show you where you need to put the most emphasis when developing KPIs that comprise the *Performance Management Framework*.

Once you are satisfied that the Framework adequately reflects the performance of your business, then you can design a "Dashboard" you can use to tell, at a glance, how the service in question is performing. Properly designed, a Dashboard can give you a quick visual check of the status of your *Performance Indicators*. How you set up your Dashboard will depend on who are the intended users of the information displayed. An operational Dashboard is intended to give you a quick check on the operating parameters of some production process or, perhaps, several critical elements in your "Supply Chain". On the other hand, a Business Management view will be quite different from what you see in an operational Dashboard. From a Business Management perspective, the Dashboard is most often designed around the *KPIs* you have established to indicate the performance status of the most critical aspects of the business.[37] But, in an operating environment, the Dashboard also is ideal for display of Key Operational Indicators (KOIs). Any time you have a systematic collection of Performance Indicators, whether aggregated at a policy level or at an operational level, you probably can benefit by building a dashboard display of the more crucial indicators.

The Performance Management Framework is never fixed, once-for-all. Rather, you should see it as a dynamic *process*, used to assess performance and to make informed management decisions. Monitor the performance of the Framework, just as you do the performance of your services, and you will find real value for money in its development and application.

Note that what has been described and discussed is applicable not only to contracted services but also to services supplied by internal sources. In fact, application of the Framework to ***all*** core and support services, across the CPU/Town, can assure that services delivered, whether through internal sources or by contract, are competitive with the best in the business. The Framework, along with a companion Dashboard, can give you an on-going basis of comparison that can motivate all parties to perform at the highest-levels, with an assured "value for money" to the rate-payers and the citizens of Collingwood.

The Business Interface Model for Recruitment & Hiring has been used to illustrate the basic structure of the Performance Management Framework recommended for adoption by the CPU/Town of Collingwood. But, this is only one of several possible approaches. All of the possibilities described earlier in this document are based, in one way or another, on the concepts and practices of Business Modeling. However, the approach recommended has several advantages over any of the other options, including:

- Makes clear the roles and responsibilities of all parties to any *Service Agreement;*

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[37] For an extended discussion of Performance Dashboards, see: Wayne W. Eckerson, *Performance Dashboards: Measuring, Monitoring and Managing your Business*, John Wiley and Sons, 2nd Ed., 2011. http://www.learningexecutive.com/cllc/media/2012/bbr_performancedashboards_chi.pdf

See, also, the interactive displays of 10 different Dashboard configurations/outputs from *iDashboards*. http://www.idashboards.com/;

And, a practical application of the Dashboard can be seen in: *City Manager's Performance Dashboard*, City of Phoenix, AZ, Accessed November 13, 2014. https://www.phoenix.gov/citymanager/dashboard

- Provides a framework for mutual understanding of the performance characteristics that all parties to the *Agreement* will find helpful in managing the production and delivery of the contracted services;
- Establishes a catalogue of performance measures from which Indicators can be designed and built into your *Performance Management Framework* to monitor and report on the performance of the contracted services during development and production and on into delivery;
- Establishes a logical process for measurement, monitoring and managing the support services of the CPU/Town, including those supplied by internal providers; and,
- Gives the CPU/Town a general model which can be extended to cover the performance of all *Core Water and Waste Water Services*.

On all counts, the *Business Interface Model* seems best suited to the *Performance Framework* requirements of the CPU/Town of Collingwood. Any Producer of Support Services can also benefit by participating in developing the Framework and employing it to assure compliance with the specifications of any future agreement that may be reached.

Performance Indicators/Measures/Metrics

You will find that a somewhat limited range of possible Performance Indicators, Measures and Metrics has been developed for Support Services. But, you will find enough to give the results you need from a management perspective. Remember, always start by asking yourself what management "Purpose" is behind any indicator you are designing. Then, what specific management question or issue will you be addressing through a particular indicator. Then determine the "Type" of indicator that can be employed to answer the questions raised by the management "Purpose" of the indicator.

Keep in mind that *Quantitative* measures are preferred over *Qualitative*. That said, however, *Qualitative* measures and indicators are becoming more acceptable as important secondary sources of information. Standing alone, however, they do not provide the degree of rigorous management information, usually needed, to make the strategic or tactical decisions that impact on the future of the organization. If you do introduce qualitative measures into your Performance Management Framework, it is best if they are introduced as secondary to some set of quantitative measures that are primary to the calculation of your business metrics.

The selection of Performance Indicators, Measures or Metrics for your Performance Framework is not necessarily an easy task. Before proceeding, we recommend you go back and review the 12 Step process for populating the Performance Management Framework. That will give you a solid base for understanding the context of the Framework when you begin to select your Indicators/Measures/Metrics (Pgs. 13-15).

And, as we move on with this discussion, remember the fundamental differences between and among *Measures, Metrics* and *Indicators* (See Pgs. 3-5). This will help eliminate at least one potential source of confusion when discussing your Performance Framework with others.

There are any number of works available that list and describe the more common Indicators and Business Metrics used for assessing the performance of a wide variety of Support Services. We have not tried to anticipate your specific requirements, as you will need to establish your own Framework for assessing the

performance of your Support Services. Instead, in what follows, we have listed a sampling of the more commonly used *Performance Indicators, Measures* and *Metrics* for each of the services we have identified as the most likely candidates for inclusion in any *Support Services Agreement*. These reference works will help you expand your own knowledge base, giving you a stronger background from which to develop your overall *Performance Management Framework.*

When pulling together your catalogue of indicators, keep in mind, *there is no-one-size-fits-all!* Every situation truly is unique, and no one indicator can tell you all you want to know in a way that you can be assured represents the reality of what you are measuring. The source and reliability of the data you use may vary from application to application, from season to season, from reading to reporting and/or from interpretation to interpretation. Individuals looking at your indicators will understand what they are seeing through their own lens of bias and experience. And this often leads to interpretations that are quite different from what you may have intended. You must take special care to ensure that each and every indicator you employ actually bears a close relationship with reality, and that they generally will be comprehended similarly by all who may view your results. This necessarily requires special attention to the design and application of each indicator, if you are to ensure the general validity of your results and interpretations.

> ***"In business, the idea of measuring what you are doing, picking the measurements that count like customer satisfaction and performance... you thrive on that."***
> ***Bill Gates***

Selecting and Using Performance Indicators, Measures and Metrics

There are many resources available that can give you a more in-depth introduction to the topic of Performance Indicators. Much of what is seen in the literature comes from various academic and professional sources in the UK, where there now is a legislative requirement for inclusion of Key Performance Indicators (KPIs) in annual Business Reports. This legislation has opened the door to much creative and productive thinking about the development and use of Performance Indicators in management decision-making in the UK. And, we can take advantage of that thinking for our own development and use of Indicators for more efficient and effective management of our own business functions and activities.

The following resources, many of them UK based, describe the process of building, and employing, a systematic set of Performance Indicators. These resources will help you to better understand the logic and the process you will need to employ in order to be fully effective in populating the Performance Management Framework, as previously discussed. A well-constructed framework, populated from a well thought-out and systematic "catalogue" of Indicators, will provide you with a powerful tool for decision-making.

- Andy Neely, John Mills, Mike Kennerly, et al., "Performance Measurement System Design: Developing and Testing a Process-Based Approach", *International Journal of Operational and Production Management*, Vol . 20, No. 10, 2000, pp.1119-1145. https://www.cranfield.ac.uk/about/people-and-resources/schools-and-departments/school-of-management/departments/ijopm2010.pdf
- Monica Francisco-Santos, Mike Kennerly, Bernard Marr, et al., "Toward a Definition of a Business Performance Measurement System", *International Journal of Operations and Production Management,* Vol. 27, No. 8, pp. 784-801, 2007. https://dspace.lib.cranfield.ac.uk/bitstream/1826/2789/1/Towards%20a%20definition%20of%20business%20performance%20measurement%20system.pdf

- David A. Ammons, "Performance Measurement: A Tool for Accountability and Performance Improvement", *County and Municipal Government in North Carolina*, UNC – Chapel Hill School of Government, 2007. http://www.sogpubs.unc.edu/cmg/cmg16.pdf
- Bernard Marr, "Measuring and Managing Intangible Value Drivers", *Business Strategy Series*, Vol. 8, No. 3, 2007, 172-178. http://www.ap-institute.com/media/4137/measuring_and_managing_intangible_value_drivers.pdf
- Bernard Marr, *Key Performance Indicators (kpi): The 75 Measures Every Manager Needs To Know*, Pearson Education, 2012. http://www.ap-institute.com/books/essential-reads/key-performance-indicators.aspx
- Christopher Ittner and David Larcker, "Non-financial Performance Measures – What Works and What Doesn't", *Knowledge@Warton/Finance*, December 6, 2000. http://knowledge.wharton.upenn.edu/article/non-financial-performance-measures-what-works-and-what-doesnt/
- Chee W. Chow and Wim A. Van der Stede, "The Use and Unsefulness of Non-financial Performance Measures", *Management Accounting Quarterly*, Vol.7 No.1, Spring Quarter, 2006. http://www.imanet.org/PDFs/Public/MAQ/2006_Q2/2006MAQ_spring_vanderstede.pdf
- Mark J. Epstein and Adriana Rejc Buhovac, "Performance Measurement for Not-For-profit Organizations: A Management Accounting Guideline (MAG)", *The Society of Management Accountants of Canada* and *The American Institute of Certified Public Accountants*, 2009. http://www.ef.uni-lj.si/docs/osebnestrani/Not-for-Profit.pdf
- *A Guide to Key Performance Measures – Communicating the Measures that Matter*, PriceWaterhouseCoopers, 2007 http://www.pwc.com/gx/en/audit-services/corporate-reporting/assets/pdfs/UK_KPI_guide.pdf
- "Key Performance Indicators – The Global 100 Index". *Corporate Knights Capital*, 2014. http://global100.org/key-performance-indicators/
- Bernard Marr, "How to design Key Performance Indicators – Management White Paper", *Advanced Performance Institute*, V. 6, June, 2010. http://www.ap-institute.com/media/3970/how_to_design_key_performance_indicators_indicators.pdf

> ***"You get what you measure. Measure the wrong thing and you get the wrong behaviors."***
> **John H. Lingle**

Support Services

Read through some of the general literature on Performance Indicators, Measures and Metrics, so you will have built-up a general foundation for measuring, monitoring and reporting on all aspects of your business. From its policies and long-range strategic plans, to the operational characteristics of its functions and activities, you then will be ready to take-on the work of developing a systematic set of indicators with which to populate your *Performance Management*

Framework. Remember, what you are putting together, at this point in the generation of your working Framework, is a systematic list, or catalogue, of Performance Indicators, KPIs, Performance Measures and Business Metrics from which to draw-upon, as needed, to populate the *Framework*. Every item that goes into your list, or catalogue, likely will not be used in every instance. But, you want to ensure that you have a comprehensive set of performance measurement tools available, so that you can build the strongest Framework possible for use in management decision-making.

But first, you should begin populating the Framework by compiling a list of indicators that relate to Support Services, generally, without specific application to one service or another. Remember, if you are contracting-out your Support Services, you will be managing a *Contract* rather than a labour force. This is a very different situation, one that usually does not get the attention it deserves. You may not be responsible for *Production* of Support Services, but you are responsible for ensuring that your *Contractor* delivers your Support Services within the specifications you have developed for the contract.

For this first task, and for the work that follows for the individual Support Services, we have used a "Template" that catalogues the indicators. The Template also shows the associated Calculation(s) needed to generate a specific value that represents some bit of information about the performance of a function or activity within your organization. This Template can be (and should be) expanded to include other information that meets your particular needs. For example, you might include the "Type" and/ or the management "Purpose" behind each indicator, etc. The Template, as is, serves as a beginning for development of your Catalogue. But, recognize it as a starting point only, and develop your own template that best serves your own purposes.

What follows, then, are a number of Performance Indicators with associated Calculations and References, which might apply at the overall, or aggregate-level, of *Support Services Management*. This template is set up based on in-house management of production of services. However, it also contains clues about how you might want to measure, track and report on contracted delivery of the Services.

Indicator	Calculation
Staff Utilization	Total Staff Hrs. Job-related Work (Week) X100% Total Staff Hours Available (Week)
Administrative Overhead (Cost of Support Services as % of Total Org. Budget)	Budgeted Labour Cost - Support Services X 100% Total Budgeted Cost of Business
Complaint Resolution (No./% of Service Complaints Referred to Division Manager for Resolution)	Number of Complaints Referred (Metric) Number of Complaints Referred X 100% Total Number of Complaints Received
Cost Overruns (Projection Tracking)	Total Contract Invoiced to date X 12 (No. Months Invoiced)
Training (% Staff Hours Spent in Training during the Past Calendar Year)	Total Hours Staff in Training in Past Year X 100% Total Hour Available for All Staff
Staff Turnover (Percent "Churning" Requiring Extraordinary Training & Orientation Regimens)	Staff Vacancies (Yearly) X 100% Total No. Staff
Conformance w/ Standards (Federal/ Province/ Town of Collingwood Standards)	No. Violations per Year (This is an example of a "Metric" rather than a Performance Measure, i.e. a single numerical value that indicates the state of an operation or a business function or activity, at a fixed point in

	time.)

References

- **Hermen Ian van Ree, "Service Quality Indicators for Support Services", University College London, PhD Thesis, Submitted August 2009.** http://discovery.ucl.ac.uk/19902/1/19902.pdf
- **Mike Morrison, "Key Performance Indicators – Some Sample KPIs", *RapidBI*, Originally Published Nov 29, 2007, reviewed July 2014.** https://rapidbi.com/samplekeyperformanceindicatorskpi/
- **William K. Pollock, "Using Key Performance Measures (KPIs) to Measure and Track the Success of Your Services Operation", Originally Published in: *AFSMI/Sbusiness*, September/October, 2007.** http://www.s4growth.com/publications/articles/28.cfm
- **David N. Ammons, *Municipal Benchmarks: Assessing Local Performance and Establishing Community Standards*, M. E. Sharpe, 2012.** http://books.google.ca/books?id=Cm-_iyYGVqUC&dq=performance+measures+meter+reading&source=gbs_navlinks_s
- **"Gas Distribution Access Rule, Chapter 7 Service Quality Requirements Performance and Measurements", *Ontario Energy Board*, Amended September 6, 2012.** http://www.ontarioenergyboard.ca/oeb/_Documents/Regulatory/gas_distribution_access_rule_GDAR.pdf

You are now ready to turn your attention to the individual Support Services and the Performance Indicators, Measures and Business Metrics that can help you to make better decisions about supporting your core functions. Remember, your support services do not stand alone.....they exist to support your core business, ensuring that your business fulfills its mission and achieves its goals.

In what follows, we have pulled together some of the more generally used indicators, measures and metrics in the area of each of the support services the Collingwood Public Utilities and the Town of Collingwood may expect to consider for outsourcing under a reissuance of a service contract with the current service provider, or with some other source, either internal or external. Properly constructed, a new *Support Services Agreement* will give you a strong foundation of service definitions and clear specification of levels-of-service, as backed by your Performance Management Framework.

For each support service indicated as a likely candidate for future outsourcing, we have developed a "Catalogue Sheet" that shows some of the indicators/measures/metrics in common use today, along with one possible calculation of each indicator, if appropriate. In most cases, the formula shown is only one of a number of possible analytic approaches to generating the indicator. Other approaches may be necessary because of an absence of required data, dictating an alternate approach. Or, it may require the inclusion of some special consideration that otherwise would not be necessary. In most every case, care must be exercised to ensure you are getting the right results for your needs.

Following-on the list of indicators and measures, we have included references to some of the literature that addresses the performance management of each support service. The references shown are drawn from a broad sweep of sources, ranging from academic research to the marketing materials from performance management consults and data management software developers. In all cases, each resource adds something to the knowledge and understanding of performance management and the tools and techniques that support efforts to enhance the operational performance of our public utilities.

Also, be aware that these lists are far from exhaustive. They are meant to be illustrative only! You should not just pick and choose from what we have shown, as you likely will have some particular need that is not adequately covered by the indicators/measures/metrics shown as examples for each support service. Considering these qualifications, the tables for each service have intentional blank spaces to remind you they are incomplete and not to be relied on for direct application. It is up to you to develop your Catalogue from which to populate your own Performance Management Framework.

With this in mind, the following are sample Performance Indicators, Measures and Metrics that are in common use among the more progressive and high-performing businesses and public agencies on the scene today, uses we can learn from and take advantage of in our efforts to enhance the performance of our Public Utilities.

Meter Reading

Meter reading is the critical first step in the revenue collection process. For most utilities, meter reading is a labour intensive activity. While the use of automated meter reading (AMR) technologies is increasing, the majority of meters are still read manually once a month. Any errors or delay in the meter reading process negatively impacts customer satisfaction. ***(See "Benchmarking Meter Reading Performance", Reference, pg. 31)*

In spite of what we see as the truth of this statement, there are few published examples of Performance Measures for Meter Reading. However, as an activity that is crucial to the efficient and effective functioning of the billing/collection interface between the water agency and the customer, we can apply principles of good management practice to develop a set of Measures that will assist in assuring good customer relations. The References found at the bottom of the Table can give you some guidance regarding those management principles.

Indicator	Calculation
Staff Utilization	Total Staff Hrs. Job-related Activities (Week) X 100% Total Staff Hours Available (Week)
Error Rate (No Reading)	No. Reading Failures all Causes X 100% Total Meters in System
Error Rate (Meter Malfunctions)	No. Reading Failures due to Malfunction X 100% Total Meters in System
Automation Index (Automation of System)	No. of ARM in Operation X 100% Total Meters in System
Route Optimization (Statistical Variance from Average Route by Time – Optimized = (+/- 1σ)	For Example: No. Route Time Variances (+/- 1σ) X 100% No. of Routes
Training (% Staff Receiving Refresher Training in Past 3 mo. – 25% Optimal)	No. Staff Receiving Training in Past 3 Mo. X 100% Total No. Staff
Staff Turnover (Percent "Churning" Requiring Extraordinary Training & Orientation Regimens)	Staff Vacancies (Yearly) X 100% Total No. Staff
Conformance w/Standards – Metrics (Health & Safety Standards & Procedures)	No. Violations per Year (This is an example of a "Metric" rather than a Performance Measure, i.e. a single numerical value that indicates the state of an operation or a business function or activity, at a fixed point in time.)
References	
▪ **"Meter Reading Profiles and Best Practices 2014: A Benchmarking Study of Meter Reading Practices", *The Ascent Group*, September 28, 2014.**	

http://ascentgroup.com/eDelivery/wp/MRPBPSummary.pdf

- **"AUC Rule 002, Electric Distribution System Owner (Wire Owner) Service Quality and Reliability Performance, Monitoring, and Reporting Rules" (Formally EUB Directive 002), *Alberta Utilities Commission*, January 2, 2008, Amended December 9, 2013. http://www.auc.ab.ca/acts-regulations-and-auc-rules/rules/Documents/Rule%20002/Rule002January2_08_July1_10.pdf Amended December 9, 2013. http://www.auc.ab.ca/rule-development/service-quality-and-reliability/Documents/Rule%20002%202014%20Final%2020131217.pdf**
- **"Utility Services Business Plan 2012-2014", *Lethbridge Utility Services*, 2012. http://www.lethbridge.ca/City-Government/city-administration/Documents/2012-2014-Utility%20Serv%20Bus%20Plan.pdf**
- ***"Benchmarking Meter Reading Performance", *Metering.com*, March 12, 2007. http://www.metering.com/benchmarking-meter-reading-performance/

Billing and Collection

Much of what we see in the literature about Performance Measures in *Billing and Collection* comes from the experience of private medical practices in the U.S. There are some references to other areas of *Billing/Collection Cycle* management. But, the overwhelming majority of research and discussion articles come out of the U.S. medical system. There, the system places an inordinate burden on the private medical practitioner to process billings through multiple insurers with multiple coverage plans, requiring a great deal of processing, much of it manual, all along the *Billing/Collection Cycle*. Consequently, this is an area of considerable opportunity to achieve increased efficiencies and effectiveness in managing the Cycle. So, there is much to be learned from the U.S. medical profession that is applicable to any industry that is dependent on a similar *Billing/Collection Cycle* in its revenue stream, e.g. rate-payer dependent water and wastewater utilities.

Indicator	Calculation
Staff Utilization	Total Staff Hrs. Job-related Activities (Week) X 100% Total Staff Hours Available (Week)
Accounts Receivables – Metrics (Aging: Avg., 30, 60, 90 Days)	No. ≥ 30 Days No. ≥ 60 Days No. ≥ 90 Days
Accounts Receivables – Metrics (Outstanding Balance)	Total Outstanding Bal. = $$
Accounts Receivable (As % of Total monthly Billing)	Total Outstanding Bal. X 100% Total Monthly Billing
Billing Error Rate (per 10,000 Bills Sent)	Errors X 100% 10,000
Unit Cost (Avg. Cost per Billing Cycle)	Total Cost No. Bills Issued
References	
Stacey Barr, "Case Study: Customer-Driven KPIs for a Billing Process", *The Performance Measure Specialist*, May 8, 2012. http://staceybarr.com/measure-up/case-study-customer-driven-kpis-for-a-billing-process/ **Rob Olsen, "Performance Measures for Credit, Collections and Accounts Receivable", *Credit Research Foundation*, 1999. https://www.crfonline.org/orc/ca/ca-7.html**	

- Tom Schildmeyer, "Billing- The Lifeblood of Your Business – Does Yours Measure Up?", *Medical Practice Management*, November/December, 2010. https://www.asds.net/Assessing_Your_Billing_Performance/
- Elizabeth W, Woodcock, "Key Performance Indicators for Medical Billing", *Getting Paid*, October 11, 2010. http://www.kareo.com/gettingpaid/2010/10/key-performance-indicators-for-medical-billing/
- Brian Foster, "Key Performance Indicators: What to Measure at Your Practice", *Power Your Practice*, http://www.poweryourpractice.com/practice-management/key-performance-indicators-what-to-measure-at-your-practice/

Customer Service

This is the cornerstone of any business that relies on the connection it develops, and the relationship it maintains, over time, with its customer-base, for continued success. This is no less true of a service-based public utility than it is for a product-based private company. Without the good will and strength of connection between the utility and the public, the work of the utility is impeded, and the morale of management and staff will be challenged at every turn.

The variety of Indicators shown, and the range of references included, will give you a wide-reaching introduction to what likely is crucial for you to measure, and critical to your management and operational decision-making. Study these samples carefully, along with the references included. Then, craft your own list of indicators and calculations, all of which are specific to your circumstances and special needs.

Indicator	Calculation
Staff Utilization	Total Staff Hrs. Job-related Activities (Week) X 100% Total Staff Hours Available (Week)
Avg. No. of Contacts by Channel	No./Website No./Email No./Call Centre No./Personal contact
Average Wait Time (Time/Enquiry)	Average No. Hours per emailed Enquiry
1st Contact Resolution (%)	No. Contacts Resolved w/1st Contact X 100% Total Contacts Received
Negative Contacts (No./%)	No. Negative Contacts (Per Mo.) x 100% Total #Contacts (Per Mo.)
Avg. Response Time (No. of Negative Calls)	Total Neg. Response Time (Per Mo.) No. Negative Contacts (Per Month)
Avg. Resolution Time (By Type of Contact)	
Abandonment Rate (%)	No. Contact Disconnects (Per Mo.) x 100 Total Completed Contacts (Per Mo.)
Completion Rate (%)	Total Contacts Completed w/I Specs. X 100% Total Contacts Completed
Hold Time (Avg.)	Total Hold Time (Per Mo.) X 100% No. Connected Contacts (Per Month)

Unit Cost (All Contacts – Avg.)	Total Cost (All Contacts Per Mo.) X 100% No. Contacts per Mo.
Customer Satisfaction Score	Customer Survey

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HR (General)

The area of Human Resources, basically, is a sub-set of Support Services overall. Within HR, we usually find a bundle of specific sub-services that merit some Performance Management attention. And, those we will show separately. In this case, we have drilled-down into HR to track the performance of *Recruitment & Hiring*, *Payroll*, and *Occupational Health & Safety*, although all of these may not always be part of the HR bundle. In the past, *Records Management* is another sub-service that was often found in the HR organizational bundle. However, with the advent of the digital age, this function now is more often managed by a highly qualified team of data management specialists, organized either with IT or separated entirely from the rest of Support Services. So, for this discussion, you will find Data Management listed as a separate Support Service.

With this in mind, the following references are most applicable to HR as a bundled service. They will help build a background regarding Performance Management across all of the sub-services of HR and will set the stage for the listing of Indicators, Measures and Metrics for the sub-services provided through HR. Some of the better "References" in the area of HR include:

- Ing. Iveta Gabčanová, "Human Resources Key Performance Indicators", *Journal of Competitiveness*, Vol. 4, Issue 1, pp. 117-128, March 2012. http://www.cjournal.cz/files/89.pdf

- "The Datafication of HR: Graduating from HR Metrics to Workforce Analytics", *Visier*, 2014. http://www.visier.com/wp-content/uploads/2014/04/Datafication-of-HR -Graduating-from-Metrics-to-Analytics.pdf
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- Anna Mar, "70 HR Metrics with Examples", *Simplicable*, Posted July 23, 2011. http://business.simplicable.cxom/business/new/70-HR-metrics-with-examples

Recruitment & Hiring

This is an area of service that deserves more performance management attention than it gets. From an effectiveness point of view, every day that a position within your organization is vacant represents an opportunity lost to generate productive work. This is referred to as an "Opportunity Cost" and is equal to the value of the unburdened salary or wages associated with the position. Then we have to add the ramp-up time that a new employee must go through in order to get completely up-to-speed and fully productive in his/her new area of responsibility. Different studies have shown that the value of this ramp-up time is from 3 to 9 months, depending on the type of work and the entry qualifications and experience (or *Quality*) of the new employee. Here, we can see that every day the position stays open, can represent significant loss of productive value. It is crucial, then, in this age of shrinking budgets, to ensure every vacancy stay open no longer than is absolutely necessary, and that the quality of the candidates, from which you have to choose, represents the very best available.

With this in mind, what follows is a list of Indicators, Measures and Metrics that can help to ensure a fully efficient, effective and quality outcome from the *Recruitment and Hiring* functions:

Indicator	Calculation
Staff Utilization	Total Staff Hrs. Job-related Activities (Week) X 100% Total Staff Hours Available (Week)
Avg. Days/Cost to Hire New Employee (Labour Effectiveness)(^Cost Efficiency)**	**Total Time (Days) to Hire (Year) X 100% Number of Recruitments ^Total Cost to Hire (Yr.) X 100% Number of Recruitments
Opportunity Cost of Vacant Position	Value of Salary/Wages ($) + Value of Ramp-up ($)
Level of Effort (Cost Efficiency of Recruitment)	Avg. Cost per Recruitment X 100% Avg. Staff Hours per Recruitment
Offer Acceptance Ratio	No. Offers Accepted X 100% No. of Offers
Quality of Recruitment (Exceeds Quals. – Ratio)	No. ≥ Minimum Qualifications X 100% Total No. Applicants
Quality of New Hires (No. Short-listed)	

Retention of New Hires (Avg. Mo.)	Avg. No. of Months New Hires are Retained
Conformance w/Standards (Town Standards & Procedures)	Total No. Violations/Year

References

- **"Recruitment Metrics", *Recruiter*, Accessed 04-Nov-14 https://www.recruiter.com/recruitment-metrics.html**
- **"Keep Your Talent from Walking Out", White Paper, *Globoforce Limited*, 2013. http://go.globoforce.com/rs/globoforce/images/WP_Retention_Globoforce.pdf**
- **Paul Slezak, "7 Recruiting Metrics You Should Really Care About", *RecruitLoop*, October 8, 2013. http://recruitloop.com/blog/7-recruiting-metrics-you-should-really-care-about/**
- **"Recruitment Performance Measures: Operational Guide for Agencies", *Australian Public Service (APS)*, January 8, 2012, pp. 35-39. http://www.apsc.gov.au/__data/assets/pdf_file/0019/7615/recruitment-guidelines.pdf**
- **s"Recruitment performance measures", *Australian Public Service Commission*, Accessed November, 2014. http://www.apsc.gov.au/aps-employment-policy-and-advice/recruitment-and-selection/recruitment-guidelines/performance-measures**
- **Kazim Ladimeji, "5 Key Hiring Metrics for 2013", *Recruiter*, December 4, 2012. https://www.recruiter.com/i/5-key-hiring-metrics-for-2013/**

Payroll

Performance Measurement in *Payroll* is well established because of the long history of firms that have specialized in providing outsourced Payroll services.[38] The accumulated experience of private firms specializing in payroll services has been fertile ground for research by many of the MBA programs across North America where the economic gains from outsourcing of both core and support services has become a magnet for study.

What follows represents some of the best reference materials available that deal, in a very practical way, with outsourcing of Payroll services:

Indicator	Calculation
Staff Utilization	Total Staff Hrs. Job-related Activities (Week) X 100% Total Staff Hours Available (Week)
Payroll Cycle Costs (Cost Efficiency)	▪ Total Cost per Payroll Cycle ($$) ▪ Cost per Payroll Transaction ($$) ▪ Cost per Payroll Cycle as % of Total Payroll ($$)
Payroll Cycle (Labour Effectiveness)	▪ Time Required to Process Payroll (person-hrs) ▪ Time Required to Process Payroll (calendar-days) ▪ Timeliness in Issuing Payroll (Variance-days)
Errors – Metrics (Error Identified thru Process QC)	▪ No. Errors per Payroll Cycle (Avg.) ▪ Errors as % of Total Transactions (Avg.) ▪ Cost of Corrections per Payroll Cycle ($$ Avg.) ▪ Cost per Corrective Transaction ($$ Avg.) ▪ Comparison w/Errors Identified by Employee
Errors – Misc. (Error Identified by Employee)	▪ No. Errors per Payroll Cycle (Avg.)

[38] Some of the better known Canadian Payroll Services include: ADP, Ceridian, DBO, Accu Data and Payweb, as well as every major bank across the country.

	▪ Errors as % of Total Transactions (Avg.) ▪ Cost of Corrections per Payroll Cycle ($$ Avg.) ▪ Cost per Corrective Transaction ($$ Avg.) ▪ Retroactive Adjustments (Days of Delay – Total & Avg.) ▪ Comparison w/Errors Identified thru Process QC
Compliance	▪ Compliance w/Provincial/Federal Standards, & Regulations ▪ Conformance w/Town Standards & Procedures

References

- **Rose Howley, "Measuring Payroll Efficiency: *National Academy of Indian Payroll,* 2010. http://naip.in/members/pdf/rose/KPI.pdf**
- **"Payroll and HR Key Performance Indicators: What to Measure", *Lyceum Payroll*, February 6, 2013. http://www.onetouchpayroll.com/articles/index.php?id=8**
- **Louise Vidler, "The Minimum Essential Payroll KPIs", *The Professional Payroll Manager*, Accessed December2, 2014. https://australianpayrollprofessional.wordpress.com/about/**
- **"KPIs in Payroll", *KPI library*, Accessed December 2, 2014. http://kpilibrary.com/categories/payroll**
- **"Payroll KPI", *HumanResources.Hrvin et.com*, Accessed December 2, 2014. http://www.humanresources.hrvinet.com/payroll-kpi/**
- **Roger Fullilove, "10 Top Tips to get Payroll Outsourcing Right", *changeboard.ca*, October 5, 2009. http://www.changeboard.ca/content/2556/10-top-tips-to-get-payroll-outsourcing-right/**

Occupational Health and Safety

The field of Occupational Health and Safety is another area of Support Services that can deliver significant savings through the effective application of Performance Indicators, Measures and Metrics.

Here we introduce the concept of leading and lagging Indicators, common in OH&S studies and programs. *Leading Indicators* refer to measures associated with actions taken *in advance* of an incident occurring. For example, the estimated effectiveness of a special OH&S Program focused on physical training designed to reduce the incidence of back injuries, is working with leading indicators. These *Leading Indicators* measure safety-related *activity* rather than safety per se. On the other hand, *Lagging Indicators* refer to a focus on incidents that have already occurred and on measures to prevent recurrence. *Lagging Indicators* are aimed at corrective actions taken, *after* the fact, that are intended to prevent or reduce recurrence of similar incidents. For example, looking at the leading causes of back injuries that result in lost-time from the job would be considered working with *Lagging Indicators*. If we are estimating the impact a prevention program will have on the reduction in, say, lost-time back injuries, then we are dealing with *Leading Indicators* in developing an *injury prevention* program. On the other hand, if we are doing an analysis of the primary causes of lost-time back injuries that occurred last year, for example, then we will be looking at *Lagging* Indicators to help design an *incident reduction* program.

The following Table is a compilation of several of the more commonly utilized measures (Leading and Lagging) in the field of Occupational Health & Safety. Employing these, or similar indicators to guide your OH&S Program, can help you to achieve some of the significant savings that are possible through a commitment to instituting a Performance Management Framework for your OH&S Program:

Indicator	Calculation
Leading Indicators (Inputs)	
Commitment (Programming)	▪ OH&S Included in Business Plans ▪ Training/Certification Program Required for All Employees ▪ Employee Engagement Plan Functioning
Commitment (Budget)	▪ Budget - OH&S Program as fixed % of Operating Budget ▪ Safety Equipment and Supplies Furnished by Employer (as Required) ▪ Special Education/Certificate Programs Paid by Employer
Commitment (Operations)	▪ Emergency Simulation Exercises (2 X Yr.) ▪ Work Unit OH&S Briefings (Weekly) ▪ Employee/Work Unit OH&S Recognition Awards (Special and Annual) ▪ Workplace OH&S Inspections/Audits
Commitment (Risk Management)	▪ Hazardous Materials/Conditions Identified and Publicised
Compliance	▪ Compliance w/Provincial Standards & Regulations ▪ Conformance w/Town Standards & Procedures
Lagging Indicators (Outcomes)	
OH&S Committee	▪ Committee Membership comprised of Labour and Management ▪ Committee meetings on regular schedule ▪ Members have
Incident Investigation	▪ Committee Trained in Basics of Incident Investigation ▪ Spot-Check of Past Investigation Results
Program Analysis	▪ Impact of Lost Time Hours (% of total work hours) ▪ Lost Time per Incident ▪ 5-year Trend Analysis (By Incident Type, Frequency and Severity)
Outcome Assessment (Committee Recommendations Follow-up)	▪ % Reduction (Post Investigation) - Prior 3-years History (By Incident Type, Frequency & Severity)

References

- **Canadian Centre for Occupational Health & Safety, *Basic OH&S Elements*, January 3, 2007. http://www.ccohs.ca/oshanswers/hsprograms/basic.html**
- **"Overview of Leading Indicators for Occupational Health and Safety in Mining", Report of the International Council on Mining and Minerals, November, 2012. http://www.icmm.com/document/4800**
- **"Benchmarking Organizational Leading Indicators for the Prevention and Management of Injuries and Illnesses", Final Report of the *Institute for Work and Health*, January 2011. www.iwh.on.ca/**
- **"OLIP Scorecard", *Institute for Work and Health/Ontario Leading Indicators Project*, (05-Jun-14) http://www.iwh.on.ca/system/files/documents/olip_scorecard_june_05_14v4.pdf**
- **"OLIP Benchmarks and Scorecard", *Institute for Work and Health/Ontario Leading Indicators Project*, (05-Jun-14) http://www.iwh.on.ca/olip-benchmarks-and-scorecard**
- **John Leyland, "Measuring Safety Performance with Leading Indicators", *CSSE Burlington*, 2009, *https://portal.csse.org/opendoc.asp?docID=2298***
- **John Speers, Lynda Robson and Cameron Mustard, "System Performance Measurement Report 2008 – Final Report", *Performance Measurement and Information Management Committee of OHSCO*, April 1, 2010. https://www.iwh.on.ca/system/files/documents/ohsco_sys_measurement_2008.pdf**

IT

Another area in which a well-constructed Performance Management Framework can make a significant contribution to the efficiency, effectiveness and quality of the support provided to core services is in the delivery of IT services. A reliable and efficient IT system, increasingly, is the key to high-levels of performance that we expect from our core services. More-and-more, IT is crucial to maintaining the continuing operation of all water/wastewater functions, activities and tasks, from payroll entry to plant process automation.

The following Indicators, Measures and Metrics are representative of a few of the pointers that can be relied on to ensure the optimal functioning of IT Services for Public Utilities:

Indicator	Calculation
Staff Utilization Rate	Staff Hrs. Job-related Activities (Week) X 100% Total Staff Hours Available (Week)
Service Requests (Avg. Backlog)	No. Service Requests awaiting Action
Service Requests (Response Time – Avg.)	Total Time Logged on Service Requests No. of Service Requests Completed
Service Requests (No. and ^% First Time Resolution)**	**No. of Requests Completed – 1st Response ^No, Requests. Completed – 1st Response X 100% Total No. Requests Completed
Service Requests (No. and ^% Reworks)**	**No. Reworks (Analysis Period, i.e. Month) ^No. Reworks (Analysis Period, i.e. Month) X 100% Total Service Requests (Analysis Period)
Service Requests (Avg. Cost per Contact)	Total Cost of Time Logged to Completed SRs No. of Service Requests Completed
Capacity Management (Capacity in Use as % of Total Capacity)	Data Storage Capacity in Use (Avg.) X 100% Total Data Storage Capacity
Capacity Management (No. of Service Interruptions)	No. of Service Interruptions (Analysis Period)
Capacity Management (Avg. Duration of Service Interruptions)	Total Duration Service Interruptions (Analysis Per.) Total No. Interruptions (Analysis Period)
Security (No. of Major Security Incidents/Year)	No. Major Security Incidents (Year)
Security (Average Lost Time due to Security Incidents/Year)	Total Lost Time due to Security Incidents (Year) No. Lost Time from Security Incidents (Year)

References

- **"Performance Based Management, Eight Steps to Develop and Use Information Technology Performance Measures Effectively", *General Services Administration, Office of Government-wide Policy*, October 28, 2001. http://www.acquisition.gov/sevensteps/library/GSAeightsteps.pdf**
- **"Eleven Essential Metrics for Optimizing the Business Value of IT", *IT Financial Metrics Primer*, APPPTIO/Technology Business Management White Paper, 2013. http://info.apptio.com/rs/apptio/images/WP%20-**

%20Apptio%20IT%20Financial%20Metrics%20Primer.pdf?utm_source=resourcecenter&utm_medium=email&utm_term=itfinancialmetricsprimer&utm_campaign=whitepaper&mkt_tok=3RkMMJWWfF9wsRokva7JZKXonjHpfsX66%2BosUKa3IMI%2F0ER3fOvrPUfGjI4EScJrI%2BSLDwEYGJlv6SgFT7DMMaFwybgPWBE%3D

- IT Process Wiki, the ITIL® (IT Infrastructure Library) Wiki, Run and sponsored by IT Process Maps, Accessed 28-Nov-2014. http://wiki.en.it-processmaps.com/index.php/Main_Page
- Nicholas Spanos, "100 IT Performance Metrics", *Computer Aid, Inc.*, 2009. http://www.compaid.com/caiinternet/ezine/Spanos-Metrics.pdf

Data Collection/Tracking/Database Management

There is a rule of thumb in the world of Data Centre Infrastructure Management (DCIM) that says the volume of digital data is doubling every year. (To put this in perspective, it is estimated that in 1993, total Internet traffic amounted to approximately 100 Terabytes (TBs) for the year. As of June 2008, Cisco Systems estimated Internet traffic at 160 TB/s. In other words, the amount of Internet traffic *per second* in 2008 exceeded all of the Internet traffic in 1993.)[39] Add to this the increasing complexity and sophistication of data-driven business applications, and the importance of Data Management, as a universal *Support Function*, has become more than many public utilities can absorb. Consequently, the need for DCIM resources, both full-time/in-house staff, and through support services contracts, has also been increasing exponentially. As a result, more and more public utilities are turning to contract provision for Data Collection, Tracking and, most especially Database Management. Reliance on outside DCIM resources leaves in-house staff available for frontline support of the end-users, and for managing contract resources, as is the case with IT services, as described above.

But, regardless of whether Data Services are provided in-house or by Agreement, there is a growing need for qualified staff to manage the provision of what has become a critical, and universal, support service for our utility services.

So, reliance on a solid *Performance Management Framework* is becoming increasingly important to ensure reliable and secure provision of efficient and effective DCIM services to support the growing number of applications that are dependent on timely access to data that are current, accurate and secure.

In what follows, you will find some of the more crucial indicators of performance being employed today in the field of Data Centre Infrastructure Management. Notice that many, if not all, of the indicators shown are the same as those needed to manage IT resources. You will find many others that may be adaptable to water and waste water applications, especially drawing from the electrical industry. But, you should find the right mix of indicators that meet your specific needs, and build them into your *Performance Framework*, as soon as possible.

Indicator	Calculation
Staff Utilization	Total Staff Hrs. Job-related Activities (Week) X 100% Total Staff Hours Available (Week)
Capacity Management (Capacity in Use as % of Total Capacity)	Data Storage Capacity in Use (Avg.) X 100% Total Data Storage Capacity

[39] See: http://en.wikipedia.org/wiki/Terabyte.

Capacity Management (Unit Cost – per TB)	Total Cost of Capacity Management Service Total Capacity (TBs)
Reliability (No. of Service Interruptions)	No. of Service Interruptions (Analysis Period)
Reliability (Avg. Duration of Service Interruptions)	Total Duration Service Interruptions (Analysis Period) Total No. Service Interrupts (Analysis Period)
Reliability - Opportunity Cost (Average Cost of Lost Time due to Security Incidents/Year)	Lost Time Cost of Service Interrupts (Year) No. Lost Time Service Interrupts (Year)
Security (No. of Major Security Incidents/Year)	Number of Major Security Incidents (Year)
Security (Average Lost Time due to Security Interruptions/Year)	Total Lost Time from Security Interrupts (Year) No. Lost Time Security Interrupts (Year)
Security – Opportunity Cost (Average Cost of Lost Time due to Security Incidents/Year)	Lost Time Cost of Security Incidents (Year) No. Lost Time Security Incidents (Year)

References

- **Peter Gilbert, Kaushik Ramakrishnan and Ronald Diersen, "From Data Center Metrics to data Center Analytics: How to Unlock the full Business Value of DCIM", *CA Technologies*, White Paper, April 2013. http://www.ca.com/pe/~/media/Files/whitepapers/from-data-center-metrics-to-data-center-analytics.pdf**
- **"Data Entry Performance Measure Verification Self Audit Checklist: For Offices collecting/entering performance data targets and actuals", *U.S Fish & Wildlife Service*, February 14, 2006. https://www.fws.gov/Planning/Documents/Validation/Performance_Measure_Data-Entry_Verification_Checklist.pdf**
- **Leo L. Pipino, Yang W. Lee, and Richard Y. Wang, "Data Quality Assessment", *Communications of the ACM*, Vol. 45, No. 4, April 2002. http://www.researchgate.net/profile/Yang_Lee2/publication/2881159_Data_Quality_Assessment/links/09e4150ecb69dd9165000000**
- **"Data Entry: Performance Measure Verification Self-Audit Checklist", *U.S. Fish & Wildlife Service*, February 2006. https://www.fws.gov/Planning/Documents/Validation/Performance_Measure_Data-Entry_Verification_Checklist.pdf**
- **Priya Singh, "3 Strategies to Prepare Data for Analytics", *Enterprise Today*, Posted November 26, 2014. http://webcache.googleusercontent.com/search?q=cache:http://www.enterpriseappstoday.com/data-management/3-strategies-to-prepare-data-for-analytics.html**
- **Michele Nemschoff, "3 Tips for Getting More from Your Data, *Enterprise Today*, Posted January 24, 2014. http://www.enterpriseappstoday.com/business-intelligence/3-tips-for-getting-more-value-from-your-data.html**

Engineering Services

As we saw with Billing and Collection, much of what we employ as "Indicators" for assessing performance in *Engineering Services* comes from the private sector. Setting aside the measures that are specific to profit margin, there are number of indicators that relate to "efficiency", "effectiveness" and "quality" in the delivery of contracted engineering services. And it this pool of indicators and metrics we have drawn on in setting up the following table.

Indicator	Calculation
Staff Utilization	Total Staff Hrs. Job-related Activities (Week) X 100% Total Staff Hours Available (Week)
Overhead	Total Non-Project Related Exp. X 100% Total Direct Project Related Exp.
Backlog	Value of Projects in Programmed X 100% Value of Project in Progress

Variance – Cost (Δ Bid vs. Estimate)	Actual (Bid-$) – Plan (Est. $) X 100% Plan (Est. $)
Variance – Cost (Δ Actual vs. Estimate)	Actual (Final-$) – Plan (Est. $) X 100% Plan (Est. $)
Variance – Schedule (Δ Actual vs. Estimate)	Actual (Final-Days) – Plan (Days) X 100% Plan (Days)
Variance – Changes (C.O.s as % of Total Cost)	Actual (C.O.s-$) X 100% Actual (Total Payment excluding C.O.s)
Compliance with Specs. – Construction (No. of Failing Tests as % of Total Tests)	No. of Failing Tests X 100% Total No. of Tests

References

- **Nghi M. Nguyen, "The Application of Performance Measurement Technique in Project Management: The Earned Value Management Approach", *Canadian/American Society of Civil Engineers*, 2006. http://www.ndv-projectmanagement.com/pdf/The%20Application_EVM-NN.pdf**
- **Chad J. DaGraca, CPA, "5 Key Metrics for Engineering Business Performance" *Article Library, DiCicco, Gulman & Co.*, August 29, 2012. http://www.dgccpa.com/article/5-key-metrics-for-engineering-business-performance/**
- **Steve L. Wintner, "10 Key Performance Indicators for Architectural & Engineering Firms", *AXIUM Blog*, Accessed November 28, 2014. http://www.axium.com/blog/10-key-performance-indicators-for-architecture-and-engineering-firms/**
- **John Stark, "A Few Words about Metrics", *John Stark Associates*, 1998. http://www.johnstark.com/fwmet.html**
- **James Willett, "6 Performance Indicators for Professional Services Groups in Product Companies", *PS Village*, December 12, 2012. http://www.psvillage.com/pulse/Key-Performance-Indicators-for-Professional-Services-Groups-in-Product-Companies**

The selection of performance measures is a highly individualized process, one that is different for every organization wanting to enter into the world of data-driven decision-making. This is especially true in the area of Support Services where you should think carefully about the indicators/measures you employ.

There is one additional point that needs to be made clear regarding Performance Indicators, Measures and Metrics. You may have noticed that there is no mention of services relating to *Policy* or *Strategic Business Planning* that are listed as candidates for out-sourcing. As a Consulting Team, we are united in our belief that Policy and Strategy are the exclusive purview of the Utility and, as a matter of practice, should never by contracted to another agency. What's more, the Utility, or more specifically the Public Utility Board of Directors, has the fiduciary responsibility, under Provincial law dealing with Corporate Governance, to guide and direct the affairs of the Utility. And, this responsibility, as stipulated under the law, cannot be delegated to another entity. We, therefore, do not ever advocate contracting out any activity that includes any degree of strategic planning or policy determination.

Benchmarking

The selection of benchmarks is even more highly individualized than is the choice of Performance Measures. The use of benchmarks can be effective in establishing improvement targets and in conveying comparative performance to decision-makers as a means of capturing attention and support. However, any benchmark you may decide to compare your own performance against will have pitfalls that must be well understood and taken into account when making comparisons with others.

Once again, it must be recognized and emphasized, that the situation behind any benchmark is unique, in that there never is a clear one-to-one relationship between one set of local conditions and circumstances and another. None-the-less, if benchmarks are used, they may be effective, but only with careful qualification of any inference that may be drawn.

It's generally recognized that there are four different types, or categories, of benchmarking:

- ***Competitive Benchmarking*** against direct competitors. Most often used in business and industry, this looks at the performance of another organization of similar processes and outcomes and with common circumstances, as might be the case if Collingwood were to benchmark water services against, say, Owen Sound. This can be useful if local factors and circumstances are markedly similar between the two parties to the comparison. This type of benchmarking can be especially effective when one party has adopted some new technology or process, for example, and you want to test the outcomes of traditional technology against the results from the new.
- ***Process Benchmarking*** is used when comparisons against industry-wide experience and/or standards may be appropriate. This is benchmarking against the average experience of a group of non-competitive providers with the same mission, function and product or service, but in different service regions or different client groups, for example. This is the basic concept behind the National Water & Wastewater Benchmarking Initiative (NWWBI) that seeks to develop a base of pooled experience against which local comparisons can be drawn. This can be very effective for water agencies that approach the norm in size, local expenditure, etc., as this kind of pooled data always fits the statistical patterns of a "bell-curve". But, unless your water agency falls within, say, one *standard variance* of the curve, any comparison will begin to deviate further and further from the norm, making any benchmarking conclusion less and less valid.
- ***Generic Benchmarking*** looks at similar processes across different product lines or industries. In the field of water and wastewater, for example, it is not uncommon to find benchmarking against the technologies, practices and organizations in the petroleum industry. Once again, this kind of benchmarking can be very effective, but it must take account of the inherent differences between industries.
- ***Internal Benchmarking*** is done, usually, when you have established, or have had imposed, some performance targets against which you need to demonstrate progress, as in the case of a major change initiative. Here, benchmarking can be especially effective. For example, your initiative may involve implementing new technologies, different practices and/or reorganization, and you are running into significant resistance. In this case, "seeing is believing", and so, demonstrating actual progress toward achieving the goals of change can be a strong motivating factor in breaking-down the resistance you are encountering.

When it comes to benchmarking, again the message is, *there is no-one-size-fits-all*. Every situation is unique, and employing benchmarks without taking careful account of local conditions and circumstances, can lead to false interpretations.

The two most significant issues to be aware of in potential Benchmarking for the CPU/Town are:

1) Compatibility of Size, or Scale, and general circumstances. When talking about benchmarks, it is especially difficult to find a small-scale comparator for the CPU/Town to measure against. Most of the benchmarking found has been done for mid-size organizations and larger. In all case where benchmarks were found, the CPU/Town falls on the very lowest-end of the size spectrum and out of any range that could be construed as typical.
2) Area of focus, i.e. core or support service comparators. Most of the work of comparative benchmarking comes from the core services of water supply and wastewater treatment and disposal. There is little information available for benchmarking against support services, especially for support services specific to water/wastewater. The CPU has been a participant in the National Water Wastewater Benchmarking Initiative (NWWBI), having submitting data on water operations since 2009 and adding data for wastewater in 2013. However, these data, for Collingwood, as for most other reporting agencies, are largely *operational* (or core services related) with administrative data (for support services) limited, primarily to *Customer Service*, or in some cases, *Billing & Collection*. Much the same situation is found as you look into the larger private industrial arena of administrative and general support functions. There has been much more comparative data generated for core functions than for support services, making benchmarking very difficult to justify.

Before launching into any benchmarking initiative, we recommend you become familiar with the experience of others, as described in the following references:

- Matt Waldram, "How to Benchmark in Strategic Management", *eHow*, 2012. http://www.ehow.com/how_7887173_benchmark-strategic-management.html?ref=Track2&utm_source=ask
- J. DeLayne Stroud, "Understanding the Purpose and Use of Benchmarking", *Six Sigma*, Accessed November 14, 2014. http://www.isixsigma.com/methodology/benchmarking/understanding-purpose-and-use-benchmarking/
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- *National Water & Wastewater Benchmarking Initiative*, Canada, 2014 (current). http://nationalbenchmarking.ca/old-site/index.htm
- Dean Elmuti and Yunus Kathawala, "An overview of benchmarking process: a tool for continuous improvement and competitive advantage", *Management & Technology*, MCB University Press, Vol. 4, No. 4, 1997, pp. 229-243. http://consensus.liu.se/cng/wp-content/uploads/2010/04/Benchmarking.pdf
- "Administrative and Support Services Benchmarking Report for the Financial Year 2012-2013", *New Zealand Government, Treasury*, May 2014. http://www.treasury.govt.nz/statesector/performance/bass/benchmarking/2012-13

- Dr. Vassilas Kelessidis, "Benchmarking", *Report produced for the EC funded project*, January, 2000. http://www.adi.pt/docs/innoregio_benchmarking-en.pdf

The Performance Management Framework

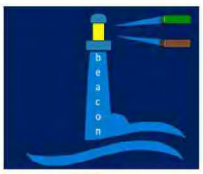
You now have a basic *Framework* you can use to catalogue and cross-reference the various Indicators, Measures and Metrics that characterize how well your support services are doing in meeting or exceeding your performance expectations and/or specifications. This gives you a systematic means for measuring, analyzing and reporting the kind of management data that can help make the business decisions needed for optimum functioning of the services required to support your core water and wastewater delivery services.

Your *Performance Framework* can give you much of the management information you need to make more informed business decisions about the performance of your support services, whether provided under agreement with an outside provider, or through in-house resources. The main point to consider is that the *Framework* is only as good as the thought that has gone into its structure and content, the measurement data that drive your Performance Indicators, and the way it is used. The old adage of "Garbage In, Garbage Out" applies here, so work carefully through what has been described. If you do, you will have a powerful tool that will help ensure your rate payers and the citizens of Collingwood will be receiving significant *value for money*, well into the future.

APPENDIX 5: Financial Analysis Matrix

The matrix below provides the key information related to the financial transactions between *CPU* and *Solutions* from the inception of the *Agreement* January 1, 2003. The first 2 columns are provided to show the potential impact of inflation and population growth on the services delivered under the Agreement. There may have been other factors that impacted the amount of work performed and services delivered, such as the introduction in new regulation or legislation. The wastewater budget is assumed to be covered in the Town budget and not considered below.

1	2	3	4	5	6	7	8	9	10	11	12
Year	**Bank of Canada Total CPI (2002 = 100)**	**Estimated Population Growth (%)**	**Expected Service Cost (considering growth & CPI)**	**Actual Expenditures - Paid by CPU to SERVCO ($)**	**% Allocation to Water**	**% Fee Increase**	**Expected Cost based on fair initial service cost ($)**	**Potential Over-allocation to Water ($)**	**Bldg Lease Paid by SERVCO to CPU ($)**	**Computer System Lease (based on contract +3.5%)**	**Computer Eq't Rental Paid by SERVCO to CPU ($)**
	Start at Jan 1, 2003	**16,000 in 2001**					Assume Initial Service Cost of $544,441.78				
2003	102.00	1.60%	$ 670,000	na	na	na	na	na	$ 90,000	$ 84,000	$ 84,000
2004	103.30	1.60%	$ 689,396	$ 544,442	38%	na	$ 544,442	$ -	$ 137,500	$ 86,940	$ 96,000
2005	105.30	1.60%	$ 702,743	$ 604,300	39%	11.0%	$ 564,216	$ 40,084	$ 137,500	$ 89,983	$ 96,000
2006	108.20	1.60%	$ 722,097	$ 702,997	41%	16.3%	$ 589,867	$ 113,129	$ 143,000	$ 93,132	$ 108,000
2007	109.40	2.15%	$ 734,058	$ 754,299	41%	7.3%	$ 609,780	$ 144,518	$ 150,000	$ 96,392	$ 117,000
2008	111.80	2.15%	$ 750,162	$ 783,917	41%	3.9%	$ 637,840	$ 146,077	$ 194,000	$ 99,766	$ 117,000
2009	113.00	2.15%	$ 758,213	$ 811,881	41%	3.6%	$ 659,372	$ 152,509	$ 200,000	$ 103,257	$ 117,000
2010	115.10	2.15%	$ 772,304	$ 881,803	41%	8.6%	$ 687,693	$ 194,110	$ 200,000	$ 106,871	$ 117,000
2011	117.80	2.15%	$ 790,421	$ 937,020	43%	6.3%	$ 721,445	$ 215,575	$ 216,000	$ 110,612	$ 80,000
2012	120.70	2.00%	$ 808,690	$ 1,057,925	41%	12.9%	$ 757,215	$ 300,711	$ 216,000	$ 114,483	$ 80,000
2013	121.30	2.00%	$ 812,710	$ 921,676	43%	-12.9%	$ 776,993	$ 144,683	$ 216,000	$ 118,490	$ 21,792
2014 (B)	123.10	2.00%	$ 824,770	$ 718,688	33%	-22.0%	$ 806,798	-$ 88,110	$ 216,000		
2015 (P)					34%						



Beacon 2020, Inc.
Smart Solutions Delivering Capacity & Efficiency in the Public Sector

True North Consultants, Inc
New Directions in Management For the 21st Century

February 12, 2015

CAO Town of Collingwood &
Clerk Town of Collingwood

Reference: Addendum to the "Service Agreement Review Summary Report" dated December 22, 2014

Dear Mr. Brown,

We want to thank everyone for the time they spent commenting on the "Service Agreement Review Summary Report" dated December 22, 2014 ("the Report") and submitted by Beacon 2020, Inc. and True North Consultants, Inc. to the CAO Town of Collingwood and COO Collingwood Public Utilities.

Conclusion:
Based on the responses received, the recommendations and conclusions in the Report remain the same.

Validation Process:
Steps in the Report validation process:

(1) The Report was reviewed for factual correctness during the validation process by the Town CAO and the COO of CPU. It was also reviewed and validated for factual correctness by the Town Treasurer and the Town Clerk before being submitted by the consultant;
(2) Comments were received from the President & CEO of Collus PowerStream, the CPUSB and 6 other respondents;
(3) 4 reviewers and 2 respondents found the Report to be factually correct;
(4) Updates to the Report based on the remaining 6 responses are set out below.

Adjustments to the Report

- Page 3, Column 1, line 22: add "it appears" after "which"
- Page 3, Column 2, Line 8 and Page 7, Column 2, Line 20: add "for business support services" after "comparators"
- Page 3, Column 2, Line 18 and Page 9, Column 2, Line 7: add "potential" after "caused"
- Page 5, Column 2, paragraph 1 and paragraph 2: remove quotation marks
- Page 5, Column 2, lines 7 & 8, Page 5, Column 2, line 11, and Page 6, Column 2, line 3: replace "an automatic" with "a default" and replace "thereafter" with "provision"
- Page 7, Column 2, Footnote 13: add "and Sustainable Water and Sewage Systems Act, 2002."
- Page 8, Column 1, Line 7: add "for business support services" after "available"

- Page 8, Column 1, Line 37: add "direct" after "little"
- Page 8, Column 2, Line 12: add "albeit indirect," after "current"
- Page 9, Column 2, Line 20: add "potential" after "of"
- Page 9, Column 2, Line 25: add "Solutions" after PowerStream
- Page 12, Column 1, line 5: add "/" after "has been"
- Page 15, Column 2, line 35: add "external" after "any"
- Page 40, Column 6, Line 16: change "#034b" to "#026b"
- Page 92, Column 11: delete.

Clarification

- Respondents with comments relating to services, financial consideration, associated changes and performance management are referred to the clauses in the services agreement cited below. They are the basis for the consultant's assertions that the documented evidence that is required under the agreement in relation to these was not provided to the consultant:

    - **Section 3.01: Services** *"Unless the parties otherwise agree in writing* (emphasis added) *and subject to the terms, covenants and conditions contained in this Agreement and to the observance and performance by PUC & SERVCO of all terms covenants and conditions hereof, SERVCO will provide or cause to be provided to PUC the following services"* (followed by the list of 18 services and 1 activity).

    - **Section 5.01: Financial Consideration** *"SERVCO agrees to provide the services as outlined in the terms of this Agreement to PUC for an annual base cost of $670,000.00 for the year ending December 31, 2003. The base cost will be reviewed annually* (emphasis added) *and may be adjusted upon agreement between the PUC and SERVCO. If a review is not performed and/or PUC and SERVCO fail to reach agreement, then a 3.5% per annum increase will be applied to the previous year's amount."*

    - **Section 3.04: Changes** *"PUC and SERVCO may, from time to time, agree to modifications to the Services, by negotiating appropriate changes to the descriptions of the services and the consideration in connection with such changes and shall initial and attach amended schedules hereto."*(emphasis added)

    - **Section 3.03: Performance Standards** *"(a) SERVCO will endeavour to perform in the top quartile of industry standards.* (emphasis added) *(b) SERVCO will make all reasonable efforts to meet or exceed performance measures established by the PUC. (c) PUC/SERVCO commit to attempting to provide distribution price stability for customers. (d) SERVCO will use their bid policies to ensure that the most efficient purchases are made."*

- **Page 92: Financial Analysis Matrix: Description of columns:** Column 1: Year - Column 2: Consumer Price Index - Column 3: Estimated Population Growth in Collingwood - Column 4: Base Cost ($670,000) in the multiplied by the growth factors in columns 2 and 3 - Column 5: Actual Expenditures Paid by CPU to SERVCO (based on Collus PowerStream Solutions Corp. Income Statements) - Column 6: % Allocation factor used to determine Solutions costs to be allocated to CPU – Column 7: % change year to year of the actual costs paid by CPU to SERVCO – Column 8: Expected cost based on multiplying the 2004 actual cost (earliest one provided - $544,442) by the annual growth factors in columns 2 and 3 – Column 9: the difference between the actual expenditures paid by CPU and the expected cost based on applying the annual growth

factors in columns 2 and 3 – Column 10: Building Lease payments paid by SERVCO to CPU – Column 12 (now labelled 11): Computer Equipment Rental paid by SERVCO to CPU.

Sincerely

Rienk de Vries, President
Beacon 2020, Inc.
[redacted]

F.G. (Sandy) Scott, President
True North Consultants, Inc.
[redacted]