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Toronto District School Board

Resource Allocation Review

Final Report

November 27, 2012

Private and Confidential

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Important Preamble to Final Report

This report is issued by PricewaterhouseCoopers LLP ("PwC") to the Director of Education of the Toronto District School Board ("TDSB") through the Ministry of Education in connection with the Resource Allocation Review. This report, or portions thereof, should not be referred or distributed, orally or in writing, to any other persons or entity, other than the intended parties as determined by the TDSB's Director of Education. PwC does not accept any responsibility to any other party to whom it may be shown or into whose hands it may come.

Our work did not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the Canadian Institute of Chartered Accountants ("CICA"). Accordingly, we do not express an opinion or any other form of assurance on the financial or other information, or operating and internal controls, of TDSB.

Our work was based primarily on information supplied by the management of TDSB and was carried out on the basis that such information is accurate and complete. Information was not subject to checking or verification procedures, except to the extent expressly stated to form part of the scope of our work. In particular, PwC did not assess the accuracy or completeness of the budget deficit and various databases as presented by the TDSB.

We make no representation regarding the sufficiency of our work either for the purposes for which this report has been requested or for any other purpose.

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Executive Summary

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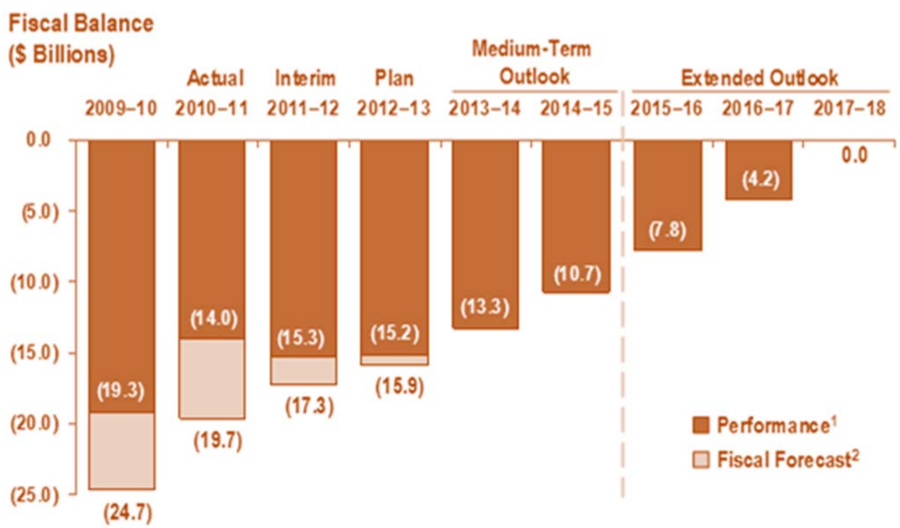
Provincial Context

In the current provincial fiscal context, it is more critical than ever for school boards to demonstrate strong fiscal management and accountability in resource allocation.

Ontario's Plan to Balance the Budget



"The status quo is not an option. If action is not taken, the deficit will increase."

2012 Ontario Budget: Chapter I: Transforming Public Services

- The 2012 Ontario Budget has set an objective of balancing the provincial budget by 2017/18 while continuing to reinforce the importance of the education system in Ontario.
- In 2012-13, total projected education funding will be held stable at almost $21B. Funding to school boards will increase by approximately 1.5 %.
- Between 2003 and 2011, Ontario has increased funding through the GSN by $6.5B, or 45%, while also making significant investments outside the GSN in school capital and full day kindergarten.
- To support the sustainability of funding, the 2012-13 GSN includes both investments to help school boards address cost pressures and a number of constraints.
- Most of the constraints are not new, but continue savings measures introduced in previous years, and focus on areas where school boards have the capacity and are positioned to find efficiencies.
- The Government of Ontario has signaled that budget constraint strategies will continue for the next several years.

Toronto District School Board Background

TDSB must continue to consider the financial sustainability of services provided to optimize resource allocation

Expenditure	$M	%
Instruction	2,062	78%
School Operations Allocation	276	10%
In-School Administration	170	6%
School Board Administration	59	2%
Transportation	48	2%
Financing	44	2%
Total	2,660	

Source: TDSB 2011-12 Revised Estimates

- TDSB's 2012-13 budget is approximately $2.7B, of which approximately 78% is in instruction, with the remaining in school operations, administration, transportation and other expenditures.

- The majority of TDSB's revenue are funded by provincial grants which are highly regulated by legislation, existing contracts or collective agreements. The school board is required by law to maintain a balanced budget each year.
- The FY12-13 operating budget that was approved in June 2012 contained a provision to identify $10M in operational savings through an operational review. The $10M operational savings was intended to bridge a budget gap that staff and Trustees were not able to close in order to balance the FY12-13 budget.
- Not all of TDSB's budget is directly addressable by this review. The addressable portions are primarily in operations (i.e. operations, administration, and 'other'), which represents 22% of the budget. It should be noted, however, that attendance support covers all staff categories across the board.
- Similar to other school boards in the province, TDSB is experiencing declining enrolment over the past decade. This has the effect of creating pressures on revenues provided through enrolment-based grants.
- In addition, TDSB also faces under-utilized school capacity. This has the effect of increasing operating costs of school facilities and provides opportunities to consolidate under-utilized schools, and dispose of surplus school sites.
- Despite the school board's budget reduction efforts over the past two years, TDSB still has a FY13-14 structural deficit estimated by staff to be approximately $30M, and by PwC to be approximately $62M.

Project Mandate, Objectives and Outcomes

Mandate

To assist the Director of Education by conducting a review of business services and existing revenue-generating programs to identify opportunities for increased cost effectiveness, cost efficiency and optimal resource allocation that will help address the school board's budget pressures and assist in aligning to the Board's long-term strategic vision.

Objective

The main objective is to identify $10 million in operational savings to help balance the FY 2012-2013 operating budget.

Expected Outcomes

Recommendations on short- and long-term strategic opportunities to optimize existing resources in time of fiscal restraint and ensure the school board is operationally aligned to support student achievement.

Project Scope and Limitations

The following diagram illustrates the scope and limitations of the review in terms of functional areas:

Central Administration	Business Services	Human Resources	Facilities Services	Information Technology	Education Operations	Revenue Generation
Director's Office	Reporting & Compliance	Planning & Policy Compliance	Maintenance Services	IT Planning & Strategy	School Improvement	International Education
Governance Model	Accounting & Treasury	Staff On Boarding & Off Boarding	Construction Management	IT Operations	Teaching & Learning	Continuing Education
Decision-Making Process	Budgeting & Forecasting	Succession Planning	Operations	IT Purchasing	Special Education	Adult Education
Accountability	Project /Risk Management	School Staffing & Allocation	Planning & Facilities		Section Programs	Special Programs
Strategic Planning	Payroll & Benefits	Health & Safety	Work Order Management		Professional Support Services	Rentals & Leases
Stakeholder Engagement	Records Management	Labour Relations	Cafeteria Services		Inclusive Schools	Cafeteria Services
	Purchasing	Performance Appraisal	Custodial Services		Research Services	
		Attendance Support	Facilities Procurement			
		Supply Teacher Management	Disposition of Assets			

LEGEND

In Scope	Out Of Scope

Note: This project did not constitute an audit of the TDSB's operations.

Key Themes

TDSB has the opportunity to strengthen leadership accountabilities and achieve tangible operational savings

What is at Stake?	What needs to be done?	What is the upside?
• The symptoms are operational in nature, but the root causes are structural – they include the lack of: i. Operational Leadership ii. Accountability iii. Controls iv. Focus on Core Mandate v. Financial Stewardship vi. Process Efficiency vii. Stakeholder Management • The TDSB's long-term ability to carry on its operations sustainably is at stake	• Shared Leadership – commit to shared and visible leadership across the senior team • Accountability – Strengthen accountability mechanisms across the board • Clarity of Roles & Responsibilities - clarify roles, operational authority and decision making within the TDSB and between the Board of Trustees and staff • Controls – Implement more stringent controls over key expenditure items • Core Mandate – Reassess the core mandate and divest non-core assets, services and programs • Financial Stewardship – Proactively manage budget risks and drive value for money, particularly in procurement • Process Efficiency - Optimise existing operational processes to drive efficiency savings • Stakeholder Management – Provide transformational change management support for all staff	• Leadership accountability and a shared responsibility for alignment of fiscal resources to the strategic plan • Clarity of roles and responsibilities • Significant, real and tangible operational savings can be achieved without impacting classroom program services

… in addition, PwC believes that a similar review on the academic side of the school board will also yield additional and substantial savings opportunities.

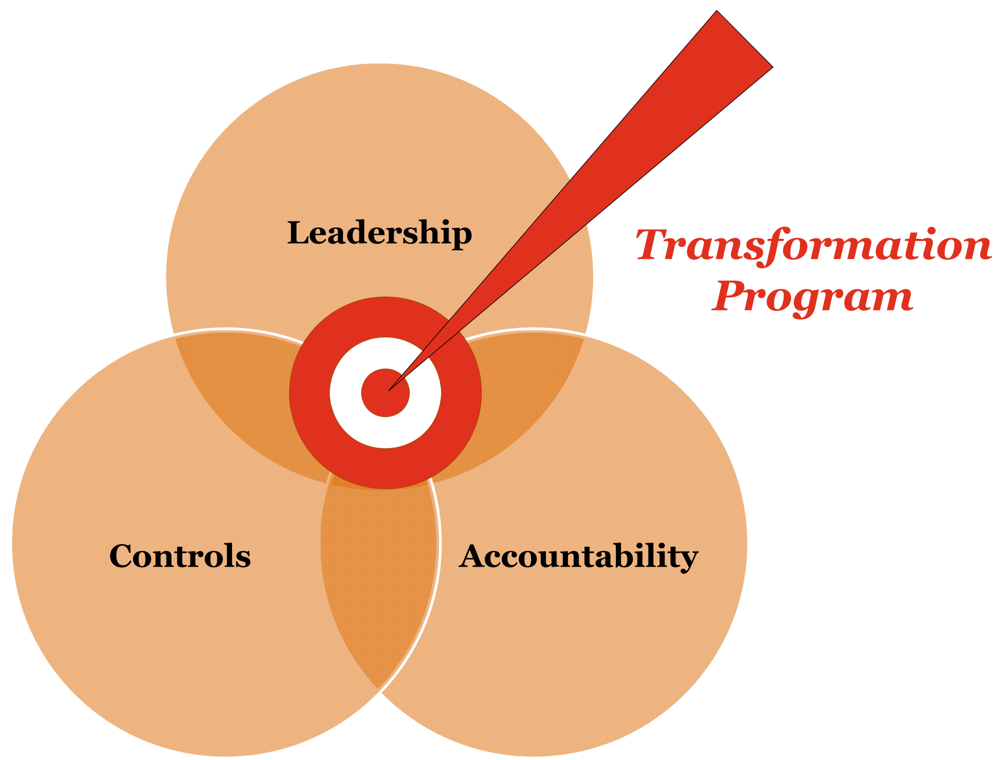
Core Values

The transformation program proposed by PwC is based on three core values:

Transformation Program

The transformation program proposed by PwC is based on the three core values of:

1. *Leadership* – visible, committed and unwavering support right from the top;
2. *Accountability* – embracing full responsibility for outcomes at both an organizational and individual level; and
3. *Controls* – mechanisms in place to ensure stricter management oversight, and the ability to monitor the fiscal health of the organization.



Summary of Findings

The following section summarizes the key findings for in-scope areas at a high level. These findings form the basis of the recommendations that are outlined in the following section.

Senior Level Organizational Structure

1. The TDSB's senior level organizational structure has undergone several changes over the past two years. PwC believes that the current senior level organizational structure lacks sufficient checks and balances to ensure that accountability is enforced effectively for all functions including both operations and academic. Furthermore, PwC notes the absence of a role that can provide strategic financial advice, and also the expertise to drive transformation and major business/operational change at the board.

Human Resources

2. In FY11/12, the TDSB lost an average of 13 paid days per employee, or the equivalent total of 351,552 paid days in aggregate. Teacher absences, whether paid or unpaid, have a great impact on students. The TDSB's supply teacher expenditure is estimated to be close to $55 M for FY 12-13.

3. Days lost without pay are also significantly higher than comparable unionized, public sector education statistics.

4. The TDSB does not have a formal attendance support program – this places the TDSB among the minority of Ontario school boards that have not yet started to introduce a formal attendance support program.

5. TDSB has an established staff allocation planning process supported by detailed procedures with defined roles and responsibilities. However, changes to the senior leadership level have raised questions regarding how the staff allocation process will continue to function. PwC also believes that the process used to align the staff allocation plan to actual enrolment is weak in terms of controls.

6. The number of staff positions within the TDSB – a critical piece of information – is not readily available for analysis and decision-making purposes. PwC is not confident that TDSB decision makers have ready access to up-to-date staff position numbers for analysis.

Summary of Findings (continued)

Capital Management

7. TDSB has a formal capital program which is driven by academic program needs. TDSB's ageing infrastructure, excess facilities capacity and mounting maintenance backlog are creating pressures on the capital program. The Board and staff recognize the need to shed excess facilities capacity, and have implemented a capital planning framework to address TDSB's capital program needs.

8. The TDSB has a capital deficit of approximately $50M. The Board has approved a capital deficit recovery plan which relies on capital revenue projections to cover future capital expenditures. The assumptions made regarding the project capital funding revenues have several risks that PwC believes are significant, and may jeopardize the ability of the Board to eliminate the capital deficit within the planning horizon.

9. The Toronto Lands Corporation (TLC) was created as a wholly-owned, arms-length corporation to help implement the TDSB's capital program through the expert management and sales of real estate properties. PwC notes the TDSB has lost operational control over key staff within the Capital Projects and Design Services functions to the TLC due to a dual reporting structure. These TDSB staff report jointly to the TLC's Chief Architect as well as to TDSB department heads. This dual or joint reporting relationship is highly problematic as it hampers the TDSB's ability to direct and control key functions responsible for capital project management and design.

10. PwC also found that design parameters and community expectations are frequently set before formal approval for funding has been determined or approved. PwC believes this is a fundamental flaw in the capital planning process that must be rectified in the near future.

11. Several high profile (re)development projects initiated on or around 2010/2011 are now significantly over budget and/or delayed. PwC believes that the control process used to oversee and manage construction change orders for projects initiated over the past two years is weak. PwC is concerned that until recently, senior TDSB Facilities Services and Strategy & Planning staff do not have direct authority to approve or reject construction change order requests from contractors.

Summary of Findings (continued)

Procurement

12. TDSB has adopted a number of leading practices in procurement such as compliance with BPS Directives, joint purchasing, and achieving success in some commodities to maximize savings opportunities (i.e. utilities).
13. TDSB has significant annual spend volumes of approximately $396M (non-wage related). A substantial portion of this spend (~$183M or 46%) is not currently on contract. This represents a significant opportunity to standardize on common products, aggregate volumes and rationalize the supply base to drive down costs with suppliers.
14. A significant portion (~$198M or 50%) of the total spend is considered by PwC as "addressable spend", meaning that the spend may be influenced from a strategic sourcing perspective. "Addressable spend" excludes non-tenderable spend (e.g. taxes, bursaries), existing contractual commitments, employee reimbursements and spend with one-time vendors.
15. TDSB's spend is spread over a large number of suppliers (averaging 700 per category) and suggests that the TDSB is not maximizing the full buying power of the board. There is opportunity to rationalize the supply base and to work more strategically with fewer suppliers in exchange for more favourable contract terms.
16. There appears to be a culture of providing maximum choice to end users, illustrated by the large numbers of suppliers per category and a lack of product standardization (e.g. laptops, door frames, locks).
17. There is evidence of maverick spend or non-compliance with existing contracts as illustrated by notable variations in purchase price for common commodities such as textbooks, hand sanitizer and stationary equipment.
18. TDSB owns and operates a 32,000 SF distribution centre in McGriskin that warehouses a portfolio of supplies in bulk and ships direct to schools. A high level business case found that the distribution centre is not a cost effective operation based on current volumes, and decommissioning the distribution centre can deliver significant annual savings.

Summary of Findings (continued)

Facilities Services

19. There is a culture of "providing everything to everyone" and a lack of strategic analysis to determine what facilities services are core vs. non-core and which should be in-sourced vs. outsourced.
20. Maintenance operations demonstrate little evidence of planning. Majority of Work Orders (WOs) do not have a budget estimate; of those that do, many are over budget.
21. Maintenance time allocation is sub-optimized. Regular hours are spent on "fire fighting" emergency WOs; expensive overtime hours are spent on routine, non-critical WOs. Not enough time is spent on preventative maintenance.
22. Unionized maintenance is operating well below capacity and productive "wrench time" is a small portion of time spent overall. On the other hand, the span of control for managerial staff is too high.
23. Many examples of sub-optimization in maintenance operations, e.g. lack of WO budgeting/estimation, sub-optimal route planning and excessive travel time.
24. Facilities operating costs are comparatively high. High costs are driven by a number of factors including process sub-optimization, lack of access to information and tools, and a maintenance staff complement that is higher than is necessary.
25. Opportunities exist to stream line operations and improve efficiencies. These savings opportunities do not involve reductions in education services or program offerings.

Summary of Findings (continued)

Finance and Budgeting

26. TDSB has a structural deficit that is expected by staff to persist for at least two to three years. The Board and staff have recognized that the structural deficit is unsustainable in the long-run, and have taken steps to address it. However, much more needs to be done.
27. The Board has already made significant deficit reductions over the past two years, and expects to cut $108 M for FY 12-13. PwC believes the permanent cuts are critical and necessary to ensure the long-term financial viability of the school board, but additional permanent cuts are still necessary.
28. TDSB's budget process is established and broadly communicated. The budget process is also aligned with some leading practices in budget development. Nevertheless, several issues in the budget process are note worthy: lack of system budget perspective, a silo-ed sense of budget ownership and the lack of an unbiased system arbitrator between budget owners are key concerns.
29. For interim financial reporting – a standard sector-recognized format is used and there is good comparability between periods, however PwC has concerns over the controls process and the accuracy of the interim financial reports.
30. From a budget risk management perspective, the Finance Department is proactive in communicating deficit forecasts. However, historically the deficit increased significantly over past planning cycles, and opportunities exist to improve budget risk management through adoption of several leading practices.
31. The current staff forecast of $30 M for FY 13-14 makes assumptions regarding the effectiveness of planned reductions, the size of unplanned risks and cost pressures. PwC has concerns over these assumptions and believe that the FY 13-14 deficit may potentially be twice the current staff forecast of $30M.
32. Going forward, the current deficit management strategy of selecting items to cut from a maintained list will need to account for increased stakeholder resistance, change management issues and the lack of internal capacity and expertise to effect transformative business change across the board.

Revenue Generating Functions

33. The TDSB has already implemented a number of initiatives to operationally improve revenue-generating functions. PwC believes that staff have a good understanding of the underlying financial performance of these functions, and provided that the approved budget balancing initiatives are executed, PwC believes that there are no additional substantial savings to be found in these functions.

Opportunity Types

Opportunities have been categorized into six types

Based on the findings in the previous section, PwC has identified a number of savings opportunities. These have been categorized into six types. The following section provides a summary of the opportunities in terms of savings, barriers and risks.

Type	Description
I. Alternate Service Delivery Model	• Opportunities to deliver programs and services using different delivery models such as in-sourcing, out-sourcing or co-sourcing arrangements.
II. Enhanced Risk Mitigation and Controls	• Opportunities that focus on strengthening accountabilities through identification of key budget risks, and the development of appropriate risk mitigation strategies. • Opportunities that provide control mechanisms to enable greater monitoring and reporting of parameters that have significant fiscal impact.
III. Reduction in Non-Core Expenditures	• Opportunities that strategically align the services provided to the core priorities of TDSB's strategic and fiscal priorities. • Opportunities to reduce the scope of the services provided while maintaining the requisite outcomes. • Opportunities to eliminate services that are not part of the school board's core business.
IV. Service Delivery & Cultural Transformation	• Opportunities to deliver existing program outcomes using a combination of streamlined delivery approaches and a transformation of the cultural behaviours that affect the cost of service delivery. • Opportunities to streamline and/or redesign processes to increase efficiency, reduce duplication and eliminate fragmentation of service delivery while maintaining the same level/scope of services.
V. Strategic Restructuring	• Opportunities that consider fundamentally changing the mandate and/or the organizational design of key functions or departments.
VI. Value for Money	• Opportunities that focus on driving value for money by reducing costs on third party spend on goods and services, effectively leveraging the buying power of the TDSB, and implementing category management leading practices.

Savings Summary

By implementing the recommendations in this report, PwC expects the TDSB can achieve annual savings of approximately $49.7M to $91.7M by FY 2014-2015

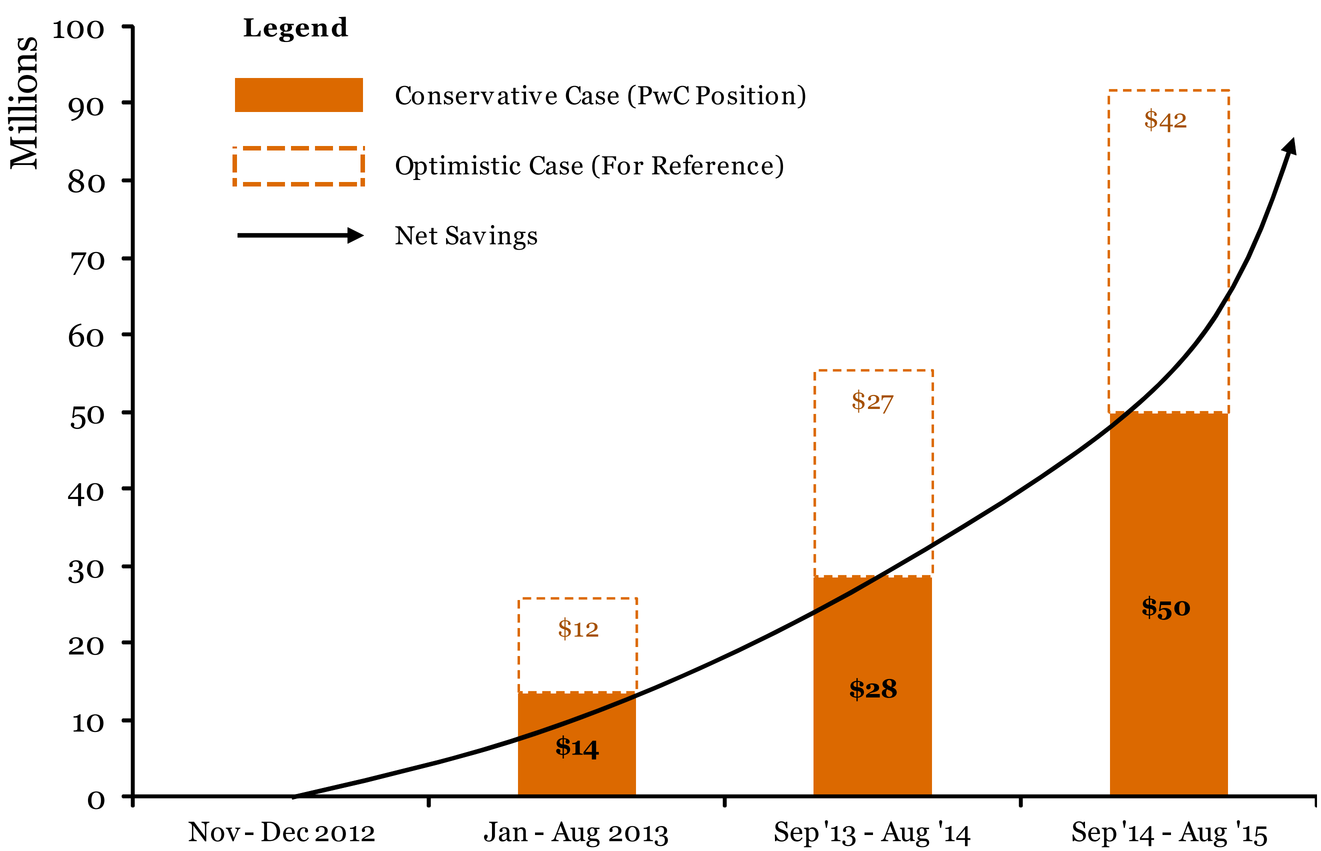
Type	Conservative			Optimistic		
	Jan '13 – Aug '13 (FY12*)	Sep '13 – Aug '14 (FY13)	Sep '14 – Aug '15 (FY14)	Jan '13 – Aug '13 (FY12*)	Sep '13 – Aug '14 (FY13)	Sep '14 – Aug '15 (FY14)
I. Alternate Service Delivery Model	-	$820,000	$5,460,000	-	$1,300,000	$8,680,000
II. Enhanced Risk Mitigation and Controls	$6,570,000	$9,750,000	$9,750,000	$15,190,000	$21,750,000	$21,750,000
III. Reduction in Non-Core Expenditures	$155,000	$2,820,000	$6,100,000	$195,000	$7,060,000	$14,660,000
IV. Service Delivery & Cultural Transformation	$5,710,000	$8,340,000	$18,500,000	$8,830,000	$12,940,000	$28,330,000
V. Strategic Restructuring	$338,000	$450,000	$450,000	$394,000	$525,000	$525,000
VI. Value for Money	$774,000	$6,212,000	$9,430,000	$1,498,000	$11,577,000	$17,720,000
TOTAL	$13,547,000	$28,392,000	$49,690,000	$26,107,000	$55,152,000	$91,665,000

* *Note: Balance of FY 2012*

- The savings illustrated above are full annual savings for each fiscal year. The majority of these savings are permanent and recurring in nature, i.e. these savings will recur in FY 15 and thereafter.
- These savings represent approximately 7%-12% of the addressable portion of the TDSB's operating budget.
- In order to realize the above savings, TDSB needs to prepare a comprehensive transformation program by the end of 2012, and start implementing the recommendations starting January 2013.
- Savings will be realized over the course of the transformation program.
- TDSB will need to invest in up-front costs in order to realize many of these savings. These investments may be a mix of internal and external resources, or internal staff time. Section 2 of this report provides further details for each recommendation.
- PwC's position is to take the conservative case as the target baseline and use the optimistic case for reference only.

Illustrative Cash Flow View

Savings will be realized over the course of the transformation program



- The investment required to realize the savings is not quantifiable at this stage, but it is important to note that investments will be required
- PwC's position is to target the conservative savings case as the baseline for measurement purposes.
- As the transformation program matures and permanent savings are achieved, the net savings amount will recur and accumulate well into the future.

Important Note:

- It is expected that significant one-time capital revenue can be generated through the disposition of surplus assets.
- This is estimated to be approximately $65M to $130M.
- These additional one-time revenue sources have not been included in the diagram above.

Recommendations Summary

Based on the findings and opportunities identified previously, PwC recommends the following initiatives:

Type	Code	Project Name and Brief Description	Barriers	Priority	Savings
I. Alternate Delivery Model	CAP6	Business Case for Modular Construction for Smaller Scale Projects– TDSB should complete a formal business case on using modular construction methods in order to objectively assess the benefits and potential compromises involved.	High	Medium	Strategic Enabler
	FAC5	Outsource and decommission non-core services and functions – Outsource the following services: Security Services, Grounds, Vehicle Maintenance, Print Shop and Construction Services. Decommission the Electronics Repair Shop and the Distribution Centre.	High	High	$5.5M - $8.7M
II. Enhance Risk Mitigation and Controls	HR2	Increase Staff Allocation Holdbacks – Increase the level of staff allocation holdbacks to minimize the risk of having more staff than needed.	Low	Medium	$1.5M - $2.3M
	HR3	Strengthen Enrolment Verification Controls – Implement stricter controls over the use of the Enrolment Verification Application to ensure teacher allocations are as accurate possible.	Low	Medium	Strategic Enabler
	HR4	Strengthen Staffing Verification Controls – Implement stricter controls over the number of staff in the payroll system, and ensure that key staffing-related data (i.e. number of active staff on payroll) is readily available for verification and planning purposes.	Low	High	Strategic Enabler
	FIN2	Formal Budget Risk Plan – The Finance department should enhance the budget risk management plan by reassessing the assumptions behind the budget recovery plan.	Low	High	Strategic Enabler
	FIN3	Interim Financial Reporting Controls – The Finance department should review the process used to submit and review interim financial reports.	Low	Medium	Strategic Enabler
	FIN4	Strengthen and Realign Payroll Operations – Strengthen accountabilities and oversight for Payroll Operations, including realigning Payroll Operations to report to, and be accountable to Finance, so that more financial oversight can be provided for the TDSB's largest expenditure item.	Medium	High	$8.3M - $19.5M
	CAP5	Update Capital Deficit Recovery Plan – The school board should review the key assumptions made concerning its ability to generate revenues to support its capital plan.	Low	High	Strategic Enabler

Recommendations Summary

Type	Code	Project Name and Brief Description	Barriers	Priority	Savings
III. Reduce Non-Core Expenditures	CEN3	Reduce Board-Sponsored Partnerships – TDSB should review all financial and in-kind contributions with a view of reducing expenditures in this area by 50%.	Low	Medium	\$0.3M - \$0.4M
	CAP2	Rationalize Property Portfolio – The Board should proceed quickly to rationalize its portfolio of low utilization school properties.	High	High	\$4.5M - \$11.5M
	CAP3	Build New Construction to Benchmark – TDSB should build new construction to comparable industry construction cost benchmarks.	High	High	\$1.3M - \$2.8M
IV. Service Delivery and Cultural Transformation	CEN2	Administrative Process Modernization – TDSB should conduct a board-wide business process reengineering initiative to identify and eliminate process inefficiencies.	High	Medium	\$0.8M - \$1.6M
	HR1	Attendance Support– design and implement a comprehensive attendance support program for all staff groups with the aim of reducing the average paid-days lost per employee by 1 day by FY 2013/14.	Medium	High	\$6.6M - \$10.5M
	FIN1	Enhance Budget Planning Coordination – The Finance department should enhance and build on the positive aspects of the budget planning process.	Medium	High	Strategic Enabler
	CAP4	Establish Capital Planning Process – The school board should formally establish a new capital planning process that begins with identification and approval of planning and budget requirements.	Low	High	Strategic Enabler
	FAC1	Realign the Maintenance and Custodial Staffing Models – restructure and reduce the number of full time equivalent positions in these functions.	High	High	\$11.1M - \$16.3M
	FAC3	Maintenance & Custodial Function Transformation – including process re-engineering and technology implementation.	High	High	Strategic Enabler
	FAC4	Facilities Services Performance Management Program – Implement a Performance Management framework within the Facility Services organization.	Medium	Medium	Strategic Enabler

Recommendations Summary

Type	Code	Project Name and Brief Description	Barriers	Priority	Savings
V. Strategic Restructuring	CEN1	Executive Leadership for Implementing the Transformation Program – design and implement a new senior leadership organizational structure, covering both operations and academic.	Low	High	Strategic Enabler
	CAP1	Capital Management Re-Organization – The Director should abolish the practice of shared or dual reporting structures.	Medium	High	$0.5M - $0.5M
	FAC2	Facilities Services Re-Organization – implement an organizational restructuring of the custodial, maintenance, and permits functions.	High	High	Strategic Enabler
VI. Value for Money	PROC1	Procurement Cost Reduction Program – implement a comprehensive Procurement Cost Reduction Program that covers 19 major procurement categories and is implemented over three waves of 8 months each.	Medium	High	$9.4M - $17.7

Implementation Timeline

The implementation plan below provides a view of the first 24 months across all the work streams designed to implement the recommendations and deliver the benefits.

Code	Activities	2013												2014			
		M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Q1	Q2	Q3	Q4
-	Mobilize implementation team and finalize project plans																
CEN1	Executive Leadership for Implementing the Transformation Program																
PROC1	Procurement Cost Reduction Program																
CEN3	Reduce Education Partnership Sponsorships																
CAP1	Capital Management Restructuring																
Fac2	Facilities Organizational Restructuring																
CAP4	Establish Capital Planning Process																
CAP5	Update Capital Deficit Recovery Plan																
F3	Interim Financial Controls																
CAP3	Build New Construction to Benchmark Costs																
F1	Enhance Budget Planning Coordination																
F2	Formal Budget Risk Plan																
F4	Realign and Strengthen Payroll Operations																
FAC1	Maintenance and Custodial Staffing Model																
FAC3	Maintenance & Custodial Function Transformation																
FAC4	Facility Services Performance Management																
CEN2	Administrative Process Modernization																
HR1	Reduction in Teacher, Caretaker and Maintenance Staff Days Lost																
HR2	Increase Staff Allocation Holdback																
CAP6	Business Case for Modular Construction																
HR3	Strengthen Enrolment Verification Allocation with stricter controls																
HR4	Strengthen Staffing Verification with stricter controls																
FAC5	Facility Services Outsourcing and Decommissioning																
CAP2	Property Rationalization																
	Ongoing program & change management and benefits tracking																

Legend:

Plan

Implement

Immediate Next Steps

Several important activities need to be completed in the next 30-60 days to get implementation up and running by January 2013 to start harvesting the benefits.

- ✓ Present findings and opportunities to senior management to solicit sponsorship and support for implementation.
- ✓ Secure approval for implementation.
- ✓ Develop a detailed implementation plan with key activities, dates / milestones, and assign key roles, responsibilities and accountability requirements.
- ✓ Establish implementation program governance including steering committee meetings, project management protocols and communication plans.
- ✓ Identify resources and mobilize the implementation program team.
- ✓ Agree on benefits to be captured and align potential savings with FY 13/ 14 budgets.

Detailed Savings Opportunities and Recommendations

2

CEN1 – Executive Leadership for Implementing the Transformation Program

Theme: Leadership | *Type: Strategic Restructuring*

Opportunity Profile			
Savings	Strategic Enabler		
Investment	Mix of internal and external resources		
Barriers	Low: change management	**Priority**	High
Current State	• Until September 17, 2012, there were two deputy director roles – one each for operations and academic. The Deputy Director, Operations, who recently retired, was not replaced. As such, all operations functions now have a direct reporting line to the Director. • The functions of finance, capital planning and design, facilities services and employee services all reporting directly into the Director. • PwC notes that this current interim structure lacks sufficient accountability to the Director of Education – there are not enough checks and balances in place to ensure that accountability is enforced effectively for all functions including both operations and academic. • Furthermore, the current structure impedes the senior team's ability to promote shared leadership, accountabilities and controls. • There is also a need for a business transformation function to drive major change in the way business is conducted at the school board and implement recommendations in this report. • Transformation support will be required on a go-forward basis.		

Synopsis	
Proposed Actions	• The Director should implement an organizational restructuring. Some key considerations include: 1. Ensure that the Director and the senior executive team are fully accountable for driving change across the school board. In particular, the functions of academic, operations, and financial oversight should be delineated, yet be able to collaborate closely with the Director on a day-to-day basis. 2. Ensure greater level of independence for the Finance and Controllership functions so that they are empowered to provide strategic financial advice and fiscal oversight to the board as a whole. 3. Integrate capital and plant services – the entire capital planning process starting from strategy to planning, design, construction, maintenance and care-taking is fully integrated and directly accountable to a functional head of capital and design services. 4. Restructure the organizational alignment for Facilities Services (FAC2) and Capital Management (CAP1). 5. Realign payroll operations to report under the Finance function to ensure greater fiscal oversight for the board's greatest expenditure item (see FIN4). 6. Reconsider the reporting alignment of the Permits function, which currently resides under Facilities Services. 7. Consider the level of transformation expertise that will be required to support the implementation of recommendations.

CEN1 – Executive Leadership for Implementing the Transformation Program

Theme: Leadership *Type: Strategic Restructuring*

Synopsis	
Outcomes	• Strengthens leadership and accountability at the senior level. • Clarifies leadership roles/accountabilities and aligns departments under the member of the leadership team with the skill set and visibility to best support them.
Considerations for Implementation	
• Change management support will be critical as staff will need to undergo significant change while maintaining existing operations. • TDSB currently lacks the in-house capacity to acquire the necessary skills and expertise to drive business transformation, a mix of internal and external resources may be required to implement this recommendation.	

CEN2 – Administrative Process Modernization

Theme: Process Efficiency *Type: Service Delivery and Cultural Transformation*

Opportunity Profile			
Full Annualized Savings	**$790,000 - $1,570,000**		
Realization	Jan' 13 - Aug '13	Sep '13 - Aug '14	Sep '14 - Aug '15
Conservative	$400,000	$590,000	$790,000
Optimistic	$790,000	$1,180,000	$1,570,000
Investment	Mix of internal and external resources		
Barriers	High: Process re-engineering and change management	**Priority**	Medium
Current State	• Current administrative processes are very dependent on many manually-intensive and paper-intensive tasks. • Almost across the board, administrative processes in both operations and academic are segmented into silos and not well coordinated. • Although TDSB has invested in information and technology management systems over time in an effort to improve process efficiencies, there remains significant opportunity for process improvements. • For information and decision making purposes, senior staff and trustees rely mainly on *ad hoc* reports that are often Excel-based and delivered in paper format. • The precise costs for process inefficiencies are difficult to quantify, but for a large organization such as TDSB it may be significant.		

Synopsis	
Proposed Actions	• TDSB should conduct a board-wide business process reengineering initiative to identify and eliminate process inefficiencies. • Examples of high-level processes could include the purchase-to-pay and enrolment-to-staffing processes.
Outcomes	• Modernized administrative process flows. • Improved, faster access to critical information for decision-making purposes. • Improved communications across departments and functional silos. • Savings from process redundancies and decreased use of print format.
Key Assumptions	• Actual administrative expenditures: $79M • Projected savings from process re-engineering and efficiency improvements: 1%-2%
Considerations for Implementation	
• This recommendation is best facilitated through specialists with the required knowledge and expertise in business process reengineering. • This initiative should be supported by intensive levels of business transformation, communications and change management activities.	

CEN3 – Reduce Board-Sponsored Partnerships

Theme: Focus on Core Mandate

Type: Reduction in Non-Core Expenditures

Opportunity Profile			
Full Annualized Savings	**$310,000 - $390,000**		
Realization	Jan' 13 - Aug '13	Sep '13 - Aug '14	Sep '14 - Aug '15
Conservative	$155,000	$310,000	$310,000
Optimistic	$195,000	$390,000	$390,000
Investment	Internal Staff Time		
Barriers	Low: external stakeholder change management	**Priority**	Medium
Current State	• TDSB currently supports a variety of educational partnerships through financial and in-kind contributions. • For FY 2011-12, the school board had a budget of more than $785,000 in financial support and in-kind contributions to various benefactors. • For a school board facing a structural deficit estimated by staff to be $30 M in FY 2012-13, the amount of financial sponsorships appears to be very high. • These partnerships may provide opportunities for students or research. However, the benefits and impact are difficult to quantify while the costs are tangible and immediate. • Furthermore, these sponsorships are discretionary in nature. • The process of identifying, selecting and approving educational partnerships is not broadly communicated. Outcomes are also difficult to ascertain and measure. These factors raise questions of accountability and transparency.		

Synopsis	
Proposed Actions	• TDSB should review all financial and in-kind contributions with a view of reducing expenditures in this area by 40% to 50%. • The process used to identify, select and approve partnerships should be formally established and communicated. • Open and transparent reporting of outcomes should become readily available to external stakeholders.
Outcomes	• Reductions in non-core spending. • Improved accountability of financial and in-kind contributions.
Key Assumptions	• FY 2011/12 Partnership Expenditures: ~$790,000 • Reductions: 40%-50%

Considerations for Implementation

- This initiative should be supported by intensive levels of business transformation, communications and change management activities involving external stakeholders

HR 1 – Attendance Support Program

Theme: Accountability *Type: Service Delivery and Cultural Transformation*

Opportunity Profile			
Full Annualized Savings	**$6,580,000 - $10,510,000**		
Realization	Jan' 13 - Aug '13	Sep '13 - Aug '14	Sep '14 - Aug '15
Conservative	$1,970,000	$3,300,000	$6,580,000
Optimistic	$3,160,000	$5,260,000	$10,510,000
Investment	Mix of internal and external resources		
Barriers	Medium : culture and change management	**Priority**	High
Current State	• The TDSB does not have a formal attendance support program. • In FY11/12, the TDSB lost an average of 13 paid days per employee, or the equivalent of 351,552 paid days. • Teachers lost an average of 18 and 13 paid days for elementary and secondary teachers respectively. • The TDSB's supply teacher expenditure is estimated to be close to $55 M for FY 12-13. • Care-takers (Unit D) and maintenance workers (Unit E) also have high rates of absence at 15 and 11 paid days respectively. • Remaining staff (Unit A, B, C and non-union staff) average out at 9 paid days per year (note: a more detailed break-down per category is not available due to lack of data).		

Synopsis	
Proposed Actions	• Demonstrate strong, visible leadership commitment to reduce paid days lost across the board. • Design and implement a comprehensive attendance support program for all staff groups with the aim of reducing the average paid-days lost per employee by 1 day by FY 2013/14. • Develop monthly absentee reports to be sent to departments and supervisors to follow up and manage.
Outcomes	• Proactive monitoring of absenteeism and ability to foster a healthier environment for students and staff. • Promotion of the well-being of staff, increased management capacity, reduction in unnecessary costs related to absenteeism and support of student achievement through the development of a healthy work culture and consistent staff attendance. • Reduction in culpable absentee instances and avoidable costs associated with them.

Considerations for Implementation

- Sensitivity to existing collective agreements and an overall focus on employee wellness rather than a disciplinary model.
- Based on the experience of school boards that have initiated attendance support programs in the province (the majority of school boards have initiated an attendance support programs), it takes between several months to more than a year before measurable reductions can be observed.
- Return-to-work programs should also be considered an integral part of formal attendance support programs.
- The focus of the attendance support program should be on demonstrating a visible leadership commitment to reducing paid days across the school board. Training may be required to ensure system leaders are aware of provisions in existing and future collective bargaining agreements, including any terms of third-party adjudication processes.

HR 1 – Attendance Support Program (cont'd)

Theme: Accountability

Type: Service Delivery and Cultural Transformation

Savings Breakdown by Staff Group			
Savings	Jan - Aug '13	Sep '13 - Aug '14	Sep '14 - Aug '15
Conservative			
Teachers	$1,510,000	$2,520,000	$5,030,000
Care Takers	$420,000	$710,000	$1,410,000
Maintenance	$40,000	$70,000	$140,000
Total	$1,970,000	$3,300,000	$6,580,000
Optimistic			
Teachers	$2,270,000	$3,780,000	$7,550,000
Care Takers	$850,000	$1,410,000	$2,820,000
Maintenance	$40,000	$70,000	$140,000
Total	$3,160,000	$5,260,000	$10,510,000
Other	Data required for estimation purposes not available. Total savings may increase if other staff groups realize reductions in work days lost.		

Key Assumptions

Teachers

- Savings from Reducing Paid Days Lost is estimated by considering No. of Teachers, Average Teacher Paid Days Lost, Supply Teacher Cost, and No. of Work Days Per Year
- No. of Teachers: ~13,000
- Reduction in Paid Days Lost: 1 day
- Supply Teacher Cost: ~$390 per day (average)
- No. of Work Days per Year (normalization): 250

Care Takers and Maintenance Workers

- Savings from Reducing Paid Days Lost is calculated by considering Current Productive Work Days Lost, Equivalent Work Days Recovered, Overtime Premiums, and No. of Work Days Per Year

	Care Takers	Maintenance
Current Sick Days Lost	~15	~11
Sick Days Lost Reduction	2.5	1.0
New Sick Days Lost	~12.5	~10.0
No. of Staff	~5,400	~580
Equivalent FTEs Recovered	~21	~2
Average Comp.*/ FTE (including overtime)	~$65,000	~$65,000

Source: PwC analysis based on board data, compensation is fully loaded including salary and benefits

HR 2 – Increase Staff Allocation Holdbacks

Theme: Controls *Type: Enhance Risk Mitigation and Controls*

Opportunity Profile			
Full Annualized Savings	**$1,500,000 - $2,250,000**		
Realization	Jan' 13 - Aug '13	Sep '13 - Aug '14	Sep '14 - Aug '15
Conservative	$380,000	$1,500,000	$1,500,000
Optimistic	$560,000	$2,250,000	$2,250,000
Investment	Internal Staff Time		
Barriers	Low: Procedural change and change management	**Priority**	Medium
Current State	Enrolment Projections • Staff allocation holdbacks are determined in March to limit the potential of having too many teachers in case actual enrolment is less than projected. • For FY 12/13, actual enrolment as at September 28 came in at 1,107.20 student FTEs over allocation, as compared with projected enrolment. This translates to roughly 40-50 teaching positions, not all of which are included in the planned holdback.		

Synopsis	
Proposed Actions	• Increase the level of staff allocation holdbacks to minimize the risk of having more staff than needed. • Teaching positions should be re-aligned to actual enrolment after the Oct 31st enrolment count – this means that if there are extra positions that result from an over-allocation, these teaching positions should be reduced. • Clarify the role of the Staff Allocation Committee now that the chairperson has retired and the position is vacant.
Outcomes	• Lowered risk of having more staff than required. • Strengthened controls over the staffing process. • Greater alignment of staff allocation to grant funded allocations. • Greater flexibility for management decision making.
Key Assumptions	• Actual vs. Projected Enrolment Variance (Sept 2012): ~1,200 • Total Enrolment: ~23,500 • Variance %: ~0.5% • Equivalent No. of Teaching Positions: ~60 • Assumed Existing Hold Backs: ~40 • Net No. of Extra Teaching Positions: ~20

Considerations for Implementation

- Need to manage scenario in which actual enrolment exceeds projected enrolment – in which case there may be a shortage of teachers available.
- Need to manage change associated with greater staff allocation holdbacks, communication of changes in procedure will be critical.

HR 3 – Strengthen Enrolment Verification Controls

Theme: Controls

Type: Enhance Risk Mitigation and Controls

Opportunity Profile			
Savings	Strategic Enabler		
Investment	Internal staff time		
Barriers	Low: process change	**Priority**	Medium
Current State	• The process used to align the staff allocation plan to actual enrolment is weak in terms of controls – There is significant risk that enrolment figures used for staff allocation purposes are inflated. • A recent Day-School Enrolment Compliance Audit Report issued by the Ministry reported significant weaknesses in internal controls.		

Synopsis	
Proposed Actions	• Implement stricter controls over the use of the Enrolment Verification Application to ensure teacher allocations are as accurate possible. • Implement enhancements to the Enrolment Verification Application, and consider using more sophisticated staff allocation software to assist in the detailed staff allocation process.
Outcomes	• Strengthened controls over the enrolment allocation process. • Greater confidence in the accuracy of enrolment projections, as well as actual enrolment figures used for staff allocation purposes. • Efficiencies may be achieved through the use of a technology-enabled, staff allocation process.

Considerations for Implementation

- Change management considerations for over 500 school principals who are accustomed to current staff allocation and enrolment verification processes.
- The Ministry will be conducting a follow-up Enrolment Compliance Audit – this initiative will better position the TDSB for this audit.
- Potential revenue could be negatively adjusted in a material manner if the follow-up audit finds further negative variances in enrolment figures.

HR 4 – Strengthen Staff Verification Controls

Theme: Controls

Type: Enhance Risk Mitigation and Controls

Opportunity Profile			
Savings	Strategic Enabler		
Investment	Internal staff time		
Barriers	Low: process change	**Priority**	High
Current State	• PwC found that basic information such as the total number of staff on payroll, and total number of full time equivalents (FTE) submitted to the Ministry to be not readily available. • PwC also found the two figures to be difficult to reconcile. • Although no audit was carried out, PwC does not have confidence in the integrity of TDSB's internal staffing numbers, or FTE numbers submitted to the Ministry.		

Synopsis	
Proposed Actions	• Provide a central information portal that provides basic staffing information, updated regularly (at least weekly). • Conduct regular reconciliation exercises to confirm that the number of staff within payroll matches that of approved staffing figures. • Conduct a process review in the data entry area.
Outcomes	• Strengthened controls over the staffing process • Greater confidence in the accuracy of staffing figures.

Considerations for Implementation

- This implementation should be implemented in conjunction with the realignment of Payroll Operations to report under the Finance function (see FIN4)

FIN1 – Enhance Budget Planning Coordination

Theme: Stakeholder Management *Type: Service Delivery and Cultural Transformation*

Opportunity Profile			
Savings	Strategic Enabler		
Investment	Mix of Internal and External Resources		
Barriers	Medium**:** process change and cultural transformation	**Priority**	High
Current State	• TDSB has adopted several leading practices in budget planning. Although the budget process is established and communicated, there are still several process concerns that are worth noting: 1. Lack of system-level perspective for budgeting – Different departments, schools and wards still perceive budgeting as a "zero-sum" affair where the loss of one area is a gain to another. 2. Some cost centre owners still report that roles and responsibilities are unclear – some budget owners do not understand (or agree to), and hence do not pay heed to the ownership role that they need to play in building the system budget. There is a cultural attitude that Finance should be the owner of the budget, but spending decisions are still to be made by individual department cost owners. 3. An internal perception of systemic budgetary bias that the school based reductions were reductions to Academic areas and therefore 2013-14 reductions were skewed towards Academic.		

Synopsis	
Proposed Actions	• Implement change management strategy to reinforce joint responsibility/ownership of the budget – that all departments (not just Finance) – need to collectively take ownership of the budget process. • The Finance department, as the key facilitator of the budget process, should enhance and build on the positive aspects of the budget planning process. • Specifically, TDSB should implement an improved budget planning process including externally facilitated budget planning sessions that involve all key TDSB stakeholders in a timely fashion. • In addition, all performance appraisals should reflect the responsibilities of budget owners.
Outcomes	• Cultural transformation of the budget process into an approach that endorses joint responsibility and ownership of the budget by all stakeholders. • Greater commitment from staff that it is the responsibility of all functions (as opposed to just Finance) to own the budget.

Considerations for Implementation

- This recommendation may be best facilitated independently by facilitators who have the required knowledge and expertise in budget planning.
- There are strong, engrained cultural behaviours and attitudes regarding budget responsibilities and ownership in all departments, as such, significant change management support will be required.
- Finally, strong and visible leadership commitment is a critical pre-requisite for this initiative.

FIN2 – Formal Budget Risk Plan

Theme: Financial Stewardship *Type: Enhanced Risk Mitigation and Controls*

Opportunity Profile			
Savings	Strategic Enabler		
Investment	Mix of Internal and External Resources		
Barriers	Low: one-time implementation of new tools	**Priority**	High
Current State	• The Finance Department is proactive in communicating budget deficit forecasts. However, historically the deficit increases significantly over the planning cycle. • The current staff forecast of $30M for FY 13-14 makes assumptions regarding the effectiveness of planned reductions, unplanned risks and cost pressures. There are three main categories of risks: A. Planned FY 12-13 budget reductions may not be 100% fully achieved; B. Certain unplanned risks that have been identified by staff have not been built into the budget; C. New cost pressures that should be expected based on historical patterns. • PwC conducted a re-forecast of the deficit, and believes that the size of the deficit may be significantly higher at $62 M for FY 13-14.		

Synopsis	
Proposed Actions	• The Finance department should enhance the budget risk management plan by reassessing the assumptions behind the budget recovery plan. • As part of FIN1, leverage this initiative to also reinforce joint responsibility/ownership of the budget – that all departments (not just Finance) – needs to collectively take ownership of the budget process.
Outcomes	• Sensitivity analysis to assess the likelihood of various budget scenarios • Improved transparency and understanding of various budget scenarios • Senior leadership accountability over the accuracy and completeness of budget scenarios • Budget risks are quantified to assess the impact to the board • Budget risks are monitored and changes are promptly reported • A detailed budget risk mitigation plan is in place
Considerations for Implementation	
• This recommendation may be best facilitated by independent resources with the required knowledge and expertise in budget planning • The approach needs to be perceived as independent and unbiased	

FIN3 – Interim Financial Reporting Controls

Theme: Controls

Type: Enhanced Risk Mitigation and Controls

Opportunity Profile			
Savings	Strategic Enabler		
Investment	Internal Staff Time		
Barriers	Low: one-time implementation of new tools	**Priority**	Medium
Current State	• The Finance Department has adopted some leading practices such as adopting the format as recommended by the sector Interim Financial Reporting Committee, including updates on budget drivers (i.e. enrolment) and staffing. • In at least one instance, the interim financial report has a clerical error in reporting the change in classroom expenditures over budget – a key expenditure line item. • Inaccurate financial reporting could contribute to poor decision-making on the part of senior leadership and/or Trustees. • PwC notes that interim financial reports are submitted to the Board for information purposes only; but given that such information is ultimately used as input into the budget planning process, it is imperative to ensure accuracy and transparency.		

Synopsis	
Proposed Actions	• The Finance department should review the process used to submit and review interim financial reports. • Interim financial reports should be formally signed-off by senior leadership. • Senior leadership should take joint responsibility over reporting accurate financial information, and promote the cultural shift that emphasizes joint responsibility/ownership of financial matters by all departments, and not just Finance.
Outcomes	• Improved accountability and transparency of the interim financial reporting process. • Greater public confidence in the budget planning process. • Better financial information to Trustees for decision making purposes.
Considerations for Implementation	
• Trustees may benefit from additional routine training on financial reporting matters.	

FIN4 – Realign & Strengthen Payroll Operations

Theme: Controls *Type: Enhance Risk Mitigation and Controls*

Opportunity Profile			
Full Annualized Savings	**$8,250,000-$19,500,000**		
Realization	Jan' 13 - Aug '13	Sep '13 - Aug '14	Sep '14 - Aug '15
Conservative	$6,190,000	$8,250,000	$8,250,000
Optimistic	$14,630,000	$19,500,000	$19,500,000
Investment	Mix of Internal and External Resources		
Barriers	Medium: Organizational and procedural changes	**Priority**	High
Current State	Alignment of Payroll Operations • Payroll operations currently reports under Employee Services, as opposed to Finance. • This arrangement limits the level of financial oversight that could be provided for the board's key expenditure item – payroll expenses. Access and Accuracy of Payroll Data • During the review, PwC found that access to basic payroll data (i.e. no. of active payroll positions) to be very limited and difficult to obtain. • PwC also noted variances between FTE figures submitted to the Ministry and from internal payroll sources. • It appears that the TDSB has more active FTEs on payroll than is used by Finance for planning or funding purposes.		

(continued)	• The Payroll team indicated it was resource constrained at the time of the review due to a HRIS system upgrade, as such Payroll was not able to provide the data extract requested by PwC. • As a result, board staff were not able to reconcile the variances noted above satisfactorily to PwC. • Board staff noted that there aremany factors that influence the variance between the payroll data and the EFIS data (i.e. secondments, retirements, on-boarding, part-time, headcount vs. FTE). • Board staff acknowledged it is possible that a discrepancy may exist between payroll data and official FTE data submitted to the Ministry for funding purposes. • Payroll cannot readily produce a report that would indicate how many FTEs are on payroll. PwC therefore concludes that it is possible for the TDSB to have more (or fewer) FTEs on payroll than what the Board has approved, or compared with EFIS. Control Mechanisms • The Board had commissioned a set of detailed audit control reports for payroll operations more than two years ago. The documents describe the control objectives, risks, guidance, ownerships, activities (approvals, triggers, checklists, data processing, validation) and test of controls. However, the controls have not been fully implemented since the report was released in 2010. • Finally, there are no known previous attempts to compare the FTEs on payroll versus what has been approved, or what is in EFIS.

FIN4 – Realign & Strengthen Payroll Operations

Theme: Controls *Type: Enhance Risk Mitigation and Controls*

Synopsis	
Proposed Actions	• Realign Payroll Operations to report to, and be accountable to Finance, so that more financial oversight can be provided for the TDSB's largest expenditure item. The alignment of Payroll Operations should be reviewed in the future once appropriate controls have been implemented. • Release a report that provides an updated summary of the number of active payroll FTEs within the payroll system, and reconcile any differences with FTE figures used for planning purposes, or provided externally to the Ministry. • This report should be regularly updated on a monthly basis and posted on the board's web site to provide transparency and accountability over FTEs. • In addition, TDSB should fully implement the control mechanisms recommended by the audit control report commissioned by the school board in 2010. • Finally, should it be confirmed that there are more active payroll FTEs on payroll than what has been planned for or approved, the Board should proceed expeditiously to reduce the surplus payroll positions.
Outcomes	• Strengthened accountability over payroll operations and increased oversight for the board's largest expenditure item. • Greater confidence in the accessibility and accuracy of critical payroll data.

Synopsis	
Key Assumptions	• Total No. of FTEs in Payroll: ~30,000 • % variance of extra FTEs in Payroll vs. Planned: 0.5% - 1% • Equivalent Extra FTEs in Payroll: 150 – 300 • Average compensation (fully loaded salary and benefits) per Active FTE: $55,000 - $65,000
Considerations for Implementation	
• Need to first place priority on this issue so that Payroll Operations can provide sufficient resources to produce supporting data for analysis and action. • Need change management support to ensure smooth transitioning of payroll operations from Employee Services to Finance. • Need detailed communications strategy to handle anticipated inquiries from both internal and external stakeholders regarding FTE matters.	

CAP1 – Capital Management Re-Organization

Theme: Leadership & Accountability

Type: Strategic Restructuring

Opportunity Profile			
Full Annualized Savings	**$450,000 - $525,000**		
Realization	Jan' 13 - Aug '13	Sep '13 - Aug '14	Sep '14 - Aug '15
Conservative	$338,000	$450 ,000	$450,000
Optimistic	$394,000	$525,000	$525,000
Investment	Internal staff time		
Barriers	Medium : culture and change management	**Priority**	High
Current State	• Senior leadership positions responsible for capital project management have undergone notable changes over the past two years. • The TDSB has lost operational control over key roles within the Capital Projects and Design Services functions. These roles, which are comprised of 11 FTEs, have a shared reporting relationship to the TDSB and the Toronto Lands Corporation. • This shared reporting structure weakens accountability over capital management and prevents effective integration of planning, design, and key capital project management activities. • Project management support for capital and construction projects is also weakened due to the reporting structure. In certain projects, such as the roof-top solar panel project, accountabilities are poorly defined.		

Synopsis	
Proposed Actions	• The Director should abolish the practice of shared or dual reporting structures. All TDSB staff within Capital Projects and Design Services should report to the proposed Chief of Capital Planning and Design Services (per CEN1) • The Chief of Capital Planning and Design Services should evaluate whether there are opportunities for streamlining the design, leasing and architectural services functions further under an integrated structure. • TDSB should review the realignment of responsibilities following the appointment of the Chief Architect to the TLC. As part of this review, TDSB should evaluate how the employment contracts of seconded employees align with the TLC's Shareholders Direction – in cases where alignment is not clear or does not exist, the TDSB should consider revising the terms of the contracts. • The performance contracts of all affected employees, including that of the Chief Architect at the TLC, and the heads of Capital Projects and Design Services, should be updated accordingly based on these restructuring changes
Outcomes	• Improved accountability and leadership over Capital Projects and Design Services functions • Clarity over roles and responsibilities within capital management • Cost savings from streamlined organizational structure

CAP1 – Capital Management Re-Organization

Theme: Leadership & Accountability *Type: Strategic Restructuring*

Synopsis	
Key Assumptions	• Number of positions targeted: 3 • Average compensation of positions targeted: $150,000 - $175,000
Considerations for Implementation	
• Needs to be implemented in conjunction with CEN1.	

CAP2 – Rationalize Property Portfolio

Theme: Financial Stewardship

Type: Reduction in Non-Core Expenditures

Opportunity Profile

Full Annualized Savings	**$4,500,000 - $11,480,000**		
Realization	Jan' 13 - Aug '13	Sep '13 - Aug '14	Sep '14 - Aug '15
Conservative	-	$2,080,000	$4,500,000
Optimistic	-	$5,740,000	$11,480,000
Investment	Mix of internal and external resources		
Barriers	High: culture and change management	**Priority**	High

Current State

- There is a clear co-relation between the operating cost per student and the utilization rate of school facilities: The lower the utilization rate, the higher the relative operating expenditure (OPEX) of the facility on a per student basis.
- Currently TDSB's portfolio of school properties includes schools with very low utilization – between 10 to 15 have under 12.5% utilization. The TDSB's average utilization is lower than the provincial average.
- The Board of Trustees has not addressed under-utilized schools in a fundamental way; and where they have, the process to close and dispose of these low utilization, high maintenance schools takes an extraordinarily long time to complete.
- The smaller the school size the higher the operating cost per student.
- Few schools have been approved for disposition, to date.

Synopsis

Proposed Actions

- The Board should proceed to rationalize its portfolio of low utilization school properties.
- The Capital Management function should establish and communicate a formal operating procedure to identify and dispose of low utilization properties.
- The Board should target a disposition of low utilization school properties by roughly 10 to 15 properties. Once these properties have been identified through due process, the projected revenue should be built into the capital deficit reduction plan.

Outcomes

- Improved utilization of school assets and better allocation of resources for the school board as a whole.
- Eliminate deferred maintenance and additional capital improvement requirements
- Reduced operating expenses through the closure/consolidation of school properties and the disposition of assets.
- Revenue generated through disposition of assets will be used to reduce the capital deficit and invest in new capital. (Note: this report did not quantify the projected revenues through disposition of assets)

Key Assumptions

Assumptions based on utilization rates:

- No. of schools <25% utilization: 10 or 15* (out of ~595)
- No. of schools <50% utilization: 34 or 75*
- No. of schools sold over 3 years: 13 or 36*
- Average SF: 29,420 – 32,356
- OPEX/SF: $11.77 - $13.65

* conservative vs. optimistic case

Considerations for Implementation

- The process to close and dispose of school property should be supported by intensive levels of business transformation, communications and change management support.
- Outcomes of K-12 Strategy Consultation should be taken into consideration.

CAP3 – Build New Construction to Benchmark Costs

Theme: Financial Stewardship

Type: Reduction in Non-Core Expenditures

Opportunity Profile			
Total One-Time Savings	**$1,720,000 - $3,720,000**		
Realization	Jan' 13 - Aug '13	Sep '13 - Aug '14	Sep '14 - Aug '15
Conservative	-	$430,000	$1,290,000
Optimistic	-	$930,000	$2,790,000
Investment	Internal staff time		
Barriers	High: culture and change management	**Priority**	High
Current State	• PwC reviewed the findings of a draft independent report commissioned by TDSB staff to benchmark construction costs within the school board sector. • For comparison purposes, PwC focused only on new construction projects within the Toronto area. • TDSB's construction costs for new construction projects since 2010/2011 are significantly higher than comparable benchmarks. • On average, TDSB's construction cost for recent projects is 29% higher than comparable benchmark construction costs for new construction projects.		

Synopsis	
Proposed Actions	• TDSB should build new construction to comparable industry construction cost benchmarks by reviewing three aspects of its construction management: 1. Design process – ensuring planning, design and budgetary parameters have been set prior to broad public consultation in order to set appropriate expectations. 2. Construction methods – evaluate the benefits of alternate construction methods which may be more cost-effective (i.e. modular classrooms). 3. Change order management – establish stricter oversight on change orders during the construction stage in order to minimize CO costs.
Outcomes	• TDSB construction costs will be in line with comparable industry construction cost benchmarks. • Stakeholder expectations will be more in line with planning, design and budgetary parameters. • Buildings may be designed and constructed with more cost effective methods while maintaining quality. • Change order costs will be minimized.
Key Assumptions	• Number of new construction projects over next three years: 1 • Average Cost of Construction: $20M • % savings by building to benchmark: 29% • "Construction Trade" premium off-set: 10-20% • Net %savings by building to benchmark: 9%-19%

CAP3 – Build New Construction to Benchmark Costs

Theme: Financial Stewardship *Type: Reduction in Non-Core Expenditures*

Synopsis
Considerations for Implementation
• TDSB capital construction funding is currently paused– savings will be contingent on construction resuming and using lower construction costs. • As per Ministry guidance, note that the "pause" on the Ministry's approval of new major capital projects does not mean that the TDSB must stop all accommodation and capital planning, or that all capital projects of the board are on hold. • It means that the board will not be given an approval to tender or begin construction on any new major capital projects. • Any projects that the ministry has already provided the board with an Approval to Proceed (ATP) can continue to move forward. • Furthermore, the Ministry will continue to review and provide the board with approvals to proceed on smaller scale projects, particularly related to Full Day Kindergarten (FDK).

CAP4 – Establish Capital Planning Process

Theme: Accountability *Type: Service Delivery and Cultural Transformation*

Opportunity Profile			
Savings	Strategic Enabler		
Investment	Internal staff time		
Barriers	Low: process change	**Priority**	High
Current State	• Currently the TLC and the Board conducts a significant amount of community engagement regarding the design and future plans for specific school properties. This has the effect of setting expectations within a community, prior to determining the costs and future maintenance attributes related to the project. • PwC believes this is a fundamental flaw in the capital planning process that must be rectified in the future to ensure that the highest capital priorities are addressed by tax payers' funding. • Several high profile (re)development projects initiated on or around 2010/2011 are now significantly over budget and/or delayed. PwC believes that the control process used to oversee and manage construction change orders for projects initiated over the past two years is weak.		

Synopsis	
Proposed Actions	• The school board should formally establish a new capital planning process that begins with identification of the student accommodation need and the infrastructure need, followed by the approval of planning and budget requirements. • Specifically, detailed planning and budgeting should take place first, before setting any public expectations around design parameters. • Subsequent community consultation activities should be conducted within the framework provided by the approved budget for each capital project.
Outcomes	• Proper capital planning and budgeting activities take place before design parameters are communicated to the community and expectations have been set. • Community remains fully engaged and expectations are set fully within financial and budgetary framework.

Considerations for Implementation

- This initiative should be supported by intensive levels of business transformation, communications and change management activities.
- Outcomes of K-12 Strategy Consultation should be taken into consideration.
- The capital planning process should also incorporate the Ministry's Capital Priorities Funding process, whereby the Ministry provides funding for additions, major retrofits and new school construction - school boards are asked to submit Capital Priorities funding requests with business cases that clearly outline the need for this funding. The three main priorities include accommodation pressure, facility condition, and school considerations.

CAP5 – Update Capital Deficit Recovery Plan

Theme: Financial Stewardship *Type: Enhanced Risk Mitigation and Controls*

Opportunity Profile			
Savings	Strategic Enabler		
Investment	Internal staff time		
Barriers	Low: process change	**Priority**	High
Current State	• The TDSB has an approved five-year capital plan that proposes significant capital investments in TDSB schools. The capital plan is to be funded through planned capital grants and disposition of assets through property sales, re-development and land-severance projects. • The capital plan is based on assumptions made regarding the revenues that can be generated through property sales, re-development and land-severance projects. • The capital plan assumptions are dependent on several factors that are beyond the direct control of TDSB staff, including municipal approval of re-zoning applications, trustee approval of disposition of assets, and the ability of the TDSB to successfully partner with a property re-developer to develop properties. These are significant risks that may jeopardize the ability to generate revenues to support the capital plan.		

Synopsis	
Proposed Actions	• The school board should review the key assumptions made concerning its ability to generate revenues to support its capital plan. • In particular, TDSB should reassess the projected revenues on re-development projects based on realistic assessments on the feasibility, timing and costs associated with re-zoning and accommodation reviews. The TDSB should seek external assistance in making these assessments in order to preserve objectivity and independence.
Outcomes	• An updated capital deficit recovery plan that is based on more realistic assumptions around the revenues to be generated through re-development projects, land severance and asset dispositions. • Greater alignment with the Ministry which could result in more funding for capital priorities. • Greater accountability and public confidence concerning the TDSB's ability to eliminate its capital deficit within a set time frame.

Considerations for Implementation

- This initiative should be supported by intensive levels of business transformation, communications and change management activities.
- Outcomes of K-12 Strategy Consultation should be taken into consideration.

CAP6 – Business Case for Modular Construction for Smaller Scale Projects

Theme: Financial Stewardship *Type: Alternate Delivery Model*

Opportunity Profile			
Savings	Strategic Enabler		
Investment	Internal staff time		
Barriers	High: culture and change management	**Priority**	Medium
Current State	• The construction industry has made significant advances in construction methods, including the use of state-of-the-art modular construction. • Benefits of modular construction include higher quality facilities and lower capital construction expenses for smaller scale projects. E.g. Full Day Kindergarten additions. • Currently there is insufficient understanding and knowledge of the benefits and potential compromises involved in using modular construction methods. • There is significant cultural resistance to using any construction methods other than conventional, high-cost construction methods. • A formal business case for using modular construction for TDSB has not been completed and communicated.		

Synopsis	
Proposed Actions	• The school board should complete a formal business case on using modular construction methods in order to objectively assess the benefits and potential compromises involved. • The school board should consider engaging outside assistance in conducting this business case, in order to ensure independence and objectivity. • Once the business case has been completed, the school board should communicate the results to the community. • Staff should then be able to use the results of the study for planning purposes.
Outcomes	• An independent and objective business case will help the TDSB make more informed decisions about the benefits and trade-offs over the use of modular construction methods. • TDSB may have greater ability to take advantage of advances in technology and build higher quality facilities at lower cost. • Greater flexibility and shorter project timelines compared with conventional construction approaches.
Considerations for Implementation	
• This initiative should be supported by intensive levels of business transformation, communications and change management activities. • Outcomes of K-12 Strategy Consultation should be taken into consideration.	

FAC 1 –Maintenance & Custodial Staffing Model

Theme: Financial Stewardship *Type: Service Delivery and Cultural Transformation*

Opportunity Profile			
Full Annualized Savings	**$11,131,000 - $16,250,000**		
Realization	Jan' 13 - Aug '13	Sep '13 - Aug '14	Sep '14 - Aug '15
Conservative	$3,340,000	$4,450,000	$11,131,000
Optimistic	$4,880,000	$6,500,000	$16,250,000
Investment	Mix of Internal and External Resources		
Barriers	High**:** process, culture and change management	**Priority**	High
Current State	• Unionized maintenance is operating well below capacity and productive "wrench time" is a small portion of time spent overall. • Maintenance FTEs per thousand ADE is 2.4 compared to benchmark of 0.8. • Custodial FTEs per thousand ADE is 9.2 compared to a benchmark of 8.0. • Nearly a third of time is non-value add. • Of the maintenance work orders that were budgeted, 39% exceeded the budgeted amount. • 53% of work orders were of "Emergency" or "Urgent" priority.		

Synopsis	
Proposed Actions	• Realign maintenance and custodial unionized staff roles and responsibilities through the implementation of a supervisory model that drives accountability. • Remove administrative requirements from Facilities Services Team Leads to allow for more time spent at the schools managing and following up on unionized staff. • Clearly define and proactively communicate roles and responsibilities of unionized staff to ensure transparency and to optimize the amount of minor maintenance performed by custodial staff. • Reduce unionized custodial staff complement by 175 FTEs and maintenance complement by 75 FTEs.
Outcomes	• Clearer roles and responsibilities. • Increased proactive management. • Improvements in staff utilization and reductions in non-value add time.

Considerations for Implementation

- Reduce staff positions through attrition, voluntary retirement and reducing the number of positions required. This will be phased in over a three year period.
- May require the renegotiation of key terms within the collective bargaining agreement.
- Need to consider terms associated with layoffs (severance, seniority)
- Labour reductions are contingent on the implementation of other facility services recommendations.
- Need to consider the impact of the school board deemed a construction employer under the *Labour Relations Act*.
- Need to consider the potential reduction in maintenance and custodial requirements once school properties have been rationalized (see CAP2).

FAC 1 –Maintenance & Custodial Staffing Model

Theme: Financial Stewardship *Type: Service Delivery and Cultural Transformation*

Key Assumptions

Savings Breakdown By Staff Group

	Current FTE's (TDSB data)	Future FTE's	FTE Reduction	Current Salary / Benefits	Future Salary / Benefits	Incremental Outsourcing Costs	Net Savings Conservative	Net Savings Optimistic
Custodial	2,515	2,340	175	$163,475,000	$152,100,000	$0	$7,962,500	$11,375,000
General Maintenance	501	426	75	$32,565,000	$27,690,000	$0	$3,168,750	$4,875,000
	3,016	**2,766**	**250**	**$196,040,000**	**$179,790,000**	**$0**	**$11,131,250**	**$16,250,000**

- Note 1: Current FTEs numbers are based on data provided by TDSB.
- Note 2: Assumptions on FTE reductions are based on benchmarks from other similar organizations and industry, and were validated based on detailed analytics regarding current vs. potential productivity levels.
- Note 3: FTE savings are fully loaded – including salary, wages and benefits.
- Note 4: Net savings excludes severance and other implementation costs.

FAC 2 – Facilities Organizational Restructuring

Theme: Leadership — *Type: Strategic Restructuring*

Opportunity Profile			
Savings	Strategic Enabler		
Investment	Mix of Internal and External Resources		
Barriers	High: culture and change management	**Priority**	High
Current State	• The span of control for custodial and maintenance supervisory staff is too high. • Facilities Services Team Leads are focused on administrative tasks and spend a limited time at schools to proactively managing staff (est. 10% of time). • Facilities Services Team Leads have relatively wide span of control and limited access to resource management tools, making it difficult to manage productivity and ensure jobs are getting done on budget.		

Synopsis	
Proposed Actions	• Reorganize the structure of the Facilities Services department. • Rework Team Leads job descriptions to focus on management / supervisory skills, and provide training to support the transition. • Increase to a more appropriate span of control. • Establish an internal Planning function within Facility Services with the responsibility of work order planning and management. • Appoint a Manager to oversee the group, who should report to the Senior Manager, Facility Services. • Conduct a more detailed assessment of the current Caretaking and Maintenance Operating model to identify the optimal structure (e.g. function vs. geography). • Reevaluate the reporting structure of the permits function – this currently resides within Facility Services.
Outcomes	• Planning function that optimizes the management and execution of Work Orders. • More appropriate span of control to allow for more proactive management.

Considerations for Implementation

- Will require strong change management efforts, executive alignment and leadership buy-in.
- Will require strong leadership and support to manage change.
- Will require management and supervision training for team leads.

FAC 3 – Maintenance & Custodial Function Transformation

Theme: Accountability *Type: Service Delivery and Cultural Transformation*

Opportunity Profile			
Savings	Strategic Enabler		
Investment	Mix of Internal and External Resources		
Barriers	High: culture and change management	**Priority**	High
Current State	• Maintenance operations demonstrate little evidence of planning. Majority of work orders (WOs) do not have a budget estimate; of those that do, many end up over budget. • Maintenance time allocation is sub-optimized. Regular hours are spent on "fire fighting" emergency WOs; expensive overtime hours are spent on routine, non-critical WOs. Not enough time is spent on preventative maintenance. • Many examples of sub-optimization in maintenance operations, e.g. lack of WO budgeting/estimation, sub-optimal route planning and excessive travel time. • Facilities operating costs are comparatively high. High costs are driven by a number of factors including process sub-optimization, lack of access to information and tools, and a maintenance staff complement that is higher than is necessary. • Special requests are occasionally made directly by Trustees.		

Synopsis	
Proposed Actions	**People:** • Conduct a competency assessment and identify knowledge gaps across the organization. • Training for custodial staff to improve Work Order diagnosis. • Training for Team Leads on proactive management. • Unionized staff to check in daily at defined dispatch locations (do not go straight to sites) for shift startup meetings with Team Leads. **Process:** • Reengineer Work Order process to drive efficiencies using leading practices (i.e. LEAN methodology). • Enforce and monitor shift start / end times. • Implement solutions to address absenteeism (see HR1) • Implement a preventative maintenance and asset management program to reduce amount of emergency breakdowns. • Reengineer time entry and coding processes to ensure transparency and efficiency. • Develop an overtime policy / approval process to ensure OT is utilized for emergencies. • Reengineer modified workers policy. Ensure the ratio of modified workers does not exceed a predetermined amount.

FAC 3 – Maintenance & Custodial Function Transformation

Theme: Accountability *Type: Service Delivery and Cultural Transformation*

Synopsis	
Proposed Actions (continued)	**Process (cont'd):** • Develop a policy and process for handling special requests for maintenance work. • Engage in an inventory management process to optimize the use and availability of tools and maintenance supplies. • Inventory critical tools required on maintenance vehicles. • Develop inventory management policies including school stock levels, reorder points and minimum order quantities. • Proactively monitor consumption of cleaning / maintenance supplies to effectively track and manage loss-prevention. **Technology:** • Evaluate the cost effectiveness of handheld technology for unionized maintenance staff. • Implement a resource management tool to help with WO planning, batching, scheduling and vehicle routing. • Implement GPS technology in maintenance vehicles, and also ensure alignment to broader transformation objectives (i.e. data capturing, management reporting, performance tracking mechanisms)

Synopsis	
Outcomes	• Highly functioning and productive Maintenance and Custodial organization. • Improved job satisfaction. • Timely execution of work orders that meets client expectations. • Maintenance and cleaning supplies arrive at the 'right place at the right time'. • WOs are executed on time and on budget. • OT hours are minimized as much as possible. • Focus on scheduled and preventative maintenance rather than reactive.
Considerations for Implementation	
• May require the renegotiation of key terms and conditions within the collective bargaining agreements to ensure equitable terms that drive value for money. • Need to consider terms and conditions associated with layoffs (e.g. severance pay, seniority, etc). • Will require strong change management efforts, executive alignment and leadership buy-in. • Will require strong leadership and support to manage change.	

FAC 4 – Facilities Performance Management

Theme: Accountability

Type: Service Delivery and Cultural Transformation

Opportunity Profile			
Savings	Strategic Enabler		
Investment	Mix of Internal and External Resources		
Barriers	Medium: process and change management	**Priority**	Medium
Current State	• Facilities Services does not currently have a performance management system and does not have a dashboard of Key Performance Indicators (KPI) which can be used to measure and track performance, aid in decision making and help drive accountability. • Data is not used to understand performance levels or identify opportunities for improvement. • SAP Plant Maintenance is under utilized. Opportunities exist to develop KPI dashboards to provide management with the right tools to make decisions.		

Synopsis	
Proposed Actions	• Implement a performance management system within Facility Services to drive accountability across the organization. • Implement a cascading dashboard of operational metrics (KPI levels 1,2,3) to enable decision making and drive accountability. • Optimize Service Level Agreements related to WO. Report back to the school and implement a continuous improvement approach. • Revise service levels and target doing more preventative maintenance. • Consider benchmarking performance with other school boards on an ongoing basis to facilitate continuous improvement.
Outcomes	• Provides a mechanism to hold the organization accountable and facilitate continuous improvement.
Considerations for Implementation	
• Will require strong change management efforts, executive alignment and leadership buy-in. • Will require a strong leadership and proactive support from the top to help drive a performance-based-culture.	

FAC 5 – Facility Services Outsourcing and Decommissioning

Theme: Focus on Core Mandate *Type: Alternate Delivery Models*

Opportunity Profile			
Full Annualized Savings	**$5,329,000 - $8,683,000**		
Realization	Jan' 13 - Aug '13	Sep '13 - Aug '14	Sep '14 - Aug '15
Conservative	-	$820,000	$5,460,000
Optimistic	-	$1,300,000	$8,680,000
Investment	Mix of Internal and External Resources		
Barriers	High: process, culture and change management	**Priority**	Medium
Current State	• Strategic misalignment regarding organizational mandates. There is a culture of "providing everything to everyone" and a lack of strategic analysis to determine what facilities services are core vs. non-core and which should be in-sourced vs. outsourced. • Decisions related to in-sourcing of non-core services were based on legacy decisions, and PwC could not find evidence of a business case to support these decisions.		

Synopsis	
Proposed Actions	• Outsource the following services: Security Services, Grounds and Construction Services. • Decommission the Electronics Repair Shop and the Distribution Centre. • Stop ordering inventory into the Distribution Centre and allow for draw downs until inventory is depleted. • Ongoing inventory analysis to inform future state strategy. • Investigate opportunities to partner with other boards and/or the City of Toronto for Permits. • Renegotiate key terms and conditions within the collective bargaining agreements to ensure equitable terms that drive value for money.
Outcomes	• Allows TDSB to focus on core services. • Reduced FTEs and improved productivity. • Operating Expenditure (OPEX) benchmarks closer aligned to averages. • Equitable CBA terms and conditions.

Considerations for Implementation

- May require the renegotiation of key terms and conditions within the collective bargaining agreements to ensure equitable terms that drive value for money.
- Increasing the level of outsourcing may require additional contract and supplier management activities to ensure that third parties are meeting service level agreements.
- In-house vendor management expertise will be required.

FAC 5 – Facility Services Outsourcing and Decommissioning

Theme: Focus on Core Mandate | *Type: Alternate Delivery Models*

Key Assumptions

Savings Breakdown

	Current FTE's (TDSB data)	Future FTE's	FTE Reduction	Current Salary / Benefits	Future Salary / Benefits	Incremental Outsourcing Costs	Net Savings Conservative	Net Savings Optimistic
Construction	392	-	392	$25,480,000	$0	$19,069,820	$4,166,617	$6,410,180
Security	14	-	14	$1,682,864	$0	$951,145	$365,860	$731,719
Grounds	54	-	54	$3,510,000	$0	$2,983,500	$289,575	$526,500
Electronics Repair	10	-	10	$650,000	$0	$59,587	$295,206	$590,413
Distribution Centre	18	-	18	$1,700,000	$0	$1,275,000	$212,500	$425,000
	488	**-**	**488**	**$33,022,864**	**$0**	**$24,339,052**	**$5,329,758**	**$8,683,812**

- Note 1: Current FTEs numbers are based on data provided by TDSB.
- Note 2: Assumes all FTEs will be reduced through the outsourcing initiative.
- Note 3: FTE savings are fully loaded – including salary, wages and benefits.
- Note 4: Savings on Security, Grounds and Electronics Repair are FTE only and exclusive of other OPEX (operating expenditures) that could be reduced as a by-product (e.g. space, utilities and other overhead).
- Note 5: Incremental outsourcing costs are based on benchmark costs for the services by using external third party vendors.
- Note 6: Net savings excludes severance and other implementation costs such as the need for in-house vendor management expertise.

FAC 5 – Facility Services Outsourcing and Decommissioning

Theme: Focus on Core Mandate | *Type: Alternate Delivery Models*

Key Assumptions	
Other Observations	• In addition to outsourcing / decommissioning of the services noted on the previous slide, PwC believes that there is opportunity to achieve further savings on outsourcing additional services. Due to the TDSB's current cost allocation mechanism, operating costs on these services lacked data (rent, utilities) and so a business case to quantify the opportunities was not possible. PwC strongly believes that outsourcing the following services would drive significant savings for the TDSB: ○ **Print Shops** ○ TDSB owns and operates 2 internal print shops. Based on PwC's experience with other school boards and BPS organizations, and in consideration of the current landscape of external print vendors, PwC does not believe that internal print shops within TDSB are cost-effective. ○ **Vehicle Fleet** ○ TDSB currently operates a fairly large fleet of vehicles. PwC believes that there are too many board-operated vehicles. TDSB should review existing vehicle lease contract terms and seek to rationalize the number of board-operated vehicles. Staff should review the business case for owning maintenance and student transportation vehicles. ○ **Vehicle Maintenance** ○ TDSB operates several garages which perform maintenance services on an extensive fleet of vehicles which are not fully utilized. Many public sectors organizations are moving toward an outsourced model on vehicle maintenance, which includes negotiated maintenance agreements with third party vendors. PwC recommends that the TDSB move to an outsourced model and proactively manage service level agreements with vendors to ensure high vehicle performance. ○ By reducing the size of TDSB's fleet of leased or owned vehicles, TDSB will be able to reduce vehicle maintenance expenditures substantially. ○ **Window Fabrication Shop** ○ A previous report related to the performance and cost effectiveness of the window shop operation lack significant details related to current operating costs and annual volumes. PwC strongly believes that outsourcing this service would deliver savings for the TDSB.

PROC 1 – Procurement Cost Reduction Program

Theme: Financial Stewardship *Type: Value for Money*

Opportunity Profile			
Full Annualized Savings	**$9,430,000 - $17,720,000**		
Realization	Jan' 13 - Aug '13	Sep '13 - Aug '14	Sep '14 - Aug '15
Conservative	$774,000	$6,212,000	$9,430,000
Optimistic	$1,498,000	$11,577,000	$17,720,000
Investment	Mix of Internal and External Resources		
Barriers	High: process, culture and change management	**Priority**	High
Current State	• A substantial portion of spend (~$183M or 46%) is not currently on contract. This represents a significant opportunity to standardize on common products, aggregate volumes and rationalize the supply base to drive down costs with suppliers. • TDSB's spend is spread over a large number of suppliers (averaging 700 per category) and suggests that the TDSB is not maximizing the full buying power of the board. • There appears to be a culture of providing maximum choice to end users, illustrated by the large numbers of suppliers per category and a lack of product standardization (e.g. laptops, door frames, locks). • There is evidence of maverick spend or non-compliance with existing contracts as illustrated by notable variations in purchase price for commodities such as textbooks, hand sanitizer and stationary equipment.		

Synopsis	
Proposed Actions	• Implement a comprehensive Procurement Cost Reduction Program. Scope • The scope of the Program will cover all major procurement divided into 19 categories. Timelines • Implementation will be divided into three waves based on priority. • Each wave will span 8 months, and be implemented consecutively over the course of the overall transformation program. • With a January 1 2013 start, Wave 1 will span January to August of 2013 and cover FY12-13. Wave 2 will cover the first 8 months of FY13-14, and Wave 3 will straddle FY13-14 and FY14-15. Key Initiatives • Establish a disciplined program structure to implement the opportunities and commit dedicated resources with the right skills. • Begin with detailed category discovery to validate opportunities and strategies. • Go beyond the typical tendering process and take advantage of all cost reduction levers. • Build credibility and momentum through a proof-of-concept approach – Execute Wave 1 Categories to achieve quick wins. • Identify a project manager and leverage transformation resources to oversee implementation.

PROC 1 – Procurement Cost Reduction Program

Theme: Financial Stewardship *Type: Value for Money*

Synopsis	
Proposed Actions (continued)	• Develop an internal training program for the Procurement team to improve skills. • Develop a savings tracking methodology to track savings with a mechanism to tie back to budgets. • Implement a cascading dashboard of operational metrics (KPI levels 1,2 ,3). • Develop a robust change management plan and communication strategy to outline key messages of the cost reduction program and solicit buy-in from key stakeholder groups.
Outcomes	• \$9,430,000 - \$17,720,000 in cumulative cost savings by the end of the three wave program. • Comprehensive view as to how the board is spending on goods and services, supported by operational metrics. • The board will receive value for money through implementation of cost reduction strategies (e.g. consolidation of suppliers and rationalization of products and services, mitigating demand for goods/services, etc). • Training in category management leading practices for Procurement staff.

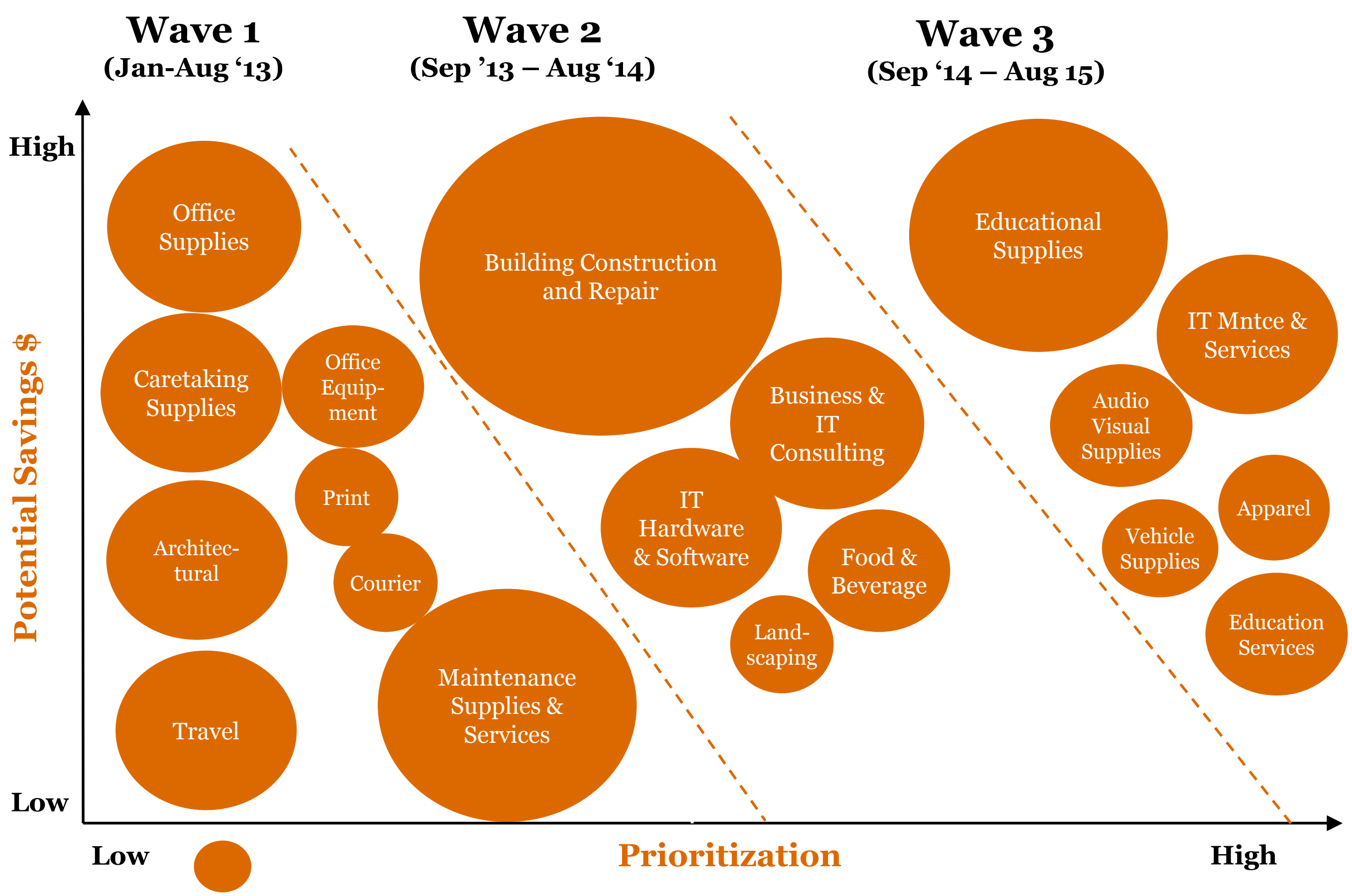
Synopsis
Considerations for Implementation
• Develop a robust change management plan and communication strategy to outline key messages of the cost reduction program and solicit buy-in (internally and externally). Change management will be a critical component that will underpin all of the cost reduction initiatives. • Need to develop a savings tracking tool and create an approach to track savings and tie back to departmental budgets to show impact of implementation. • Require a strong Procurement team with significant experience in procurement cost reduction and change management. • Highly functional Procurement processes (e.g. contract management) to manage the execution of category management strategies.

PROC 1 – Procurement Cost Reduction Program

Theme: Financial Stewardship *Type: Value for Money*

Synopsis

Implementation Timelines



PROC 1 – Procurement Cost Reduction Program

Theme: Financial Stewardship *Type: Value for Money*

Key Assumptions

Addressable Spend and Benchmark Savings %

Wave	#	Category	Addressable Spend	Benchmark Savings
Wave 1 – High Priority	1.1	Maintenance Supplies & Services	$21,660,000	6%-10%
	1.2	Office Supplies	$11,090,000	8%-16%
	1.3	Caretaking Services & Supplies	$8,370,000	8%-18%
	1.4	Architecture / Design Services	$6,370,000	5%-8%
	1.5	Office Equipment & Furniture	$3,140,000	10%-19%
	1.6	Printing	$1,850,000	8%-20%
	1.7	Courier and Postage	$2,050,000	8%-14%
	1.8	Travel	$2,270,000	3%-12%
Wave 2 – Medium Priority	1.9	Building Construction & Repair	$71,200,000	4%-6%
	1.10	Business & IT Consulting Services	$7,500,000	5%-15%
	1.11	IT Hardware & Software	$5,000,000	5%-10%
	1.12	Food & Beverage Services & Supplies	$2,220,000	5%-14%
	1.13	Landscaping Supplies & Services	$1,120,000	4%-8%
Wave 3 – Lower Priority	1.14	Educational Supplies	$22,380,000	6%-12%
	1.15	IT Maintenance & Services	$3,320,000	6%-12%
	1.16	Audio / Visual Supplies	$3,650,000	5%-10%
	1.17	Educational Services	$2,940,000	2%-4%
	1.18	Apparel	$1,450,000	7%-12%
	1.19	Vehicle Maintenance & Supplies	$1,440,000	4%-12%
			$179,020,000	

PROC 1 – Procurement Cost Reduction Program

Theme: Financial Stewardship *Type: Value for Money*

Key Assumptions

Conservative Savings Breakdown

Wave	#	Category	Jan - Aug 2012	Sep '12 - Aug '13	Sep '13 - Aug '14
Wave 1 – High Priority	1.1	Maintenance Supplies & Services	$260,000	$1,040,000	$1,300,000
	1.2	Office Supplies	$178,000	$712,000	$890,000
	1.3	Caretaking Services & Supplies	$134,000	$536,000	$670,000
	1.4	Architecture / Design Services	$64,000	$256,000	$320,000
	1.5	Office Equipment & Furniture	$62,000	$248,000	$310,000
	1.6	Printing	$30,000	$120,000	$150,000
	1.7	Courier and Postage	$32,000	$ 128,000	$160,000
	1.8	Travel	$14,000	$56,000	$70,000
Wave 2 – Medium Priority	1.9	Building Construction & Repair	$0	$1,995,000	$2,850,000
	1.10	Business & IT Consulting Services	$0	$259,000	$370,000
	1.11	IT Hardware & Software	$0	$175,000	$250,000
	1.12	Food & Beverage Services & Supplies	$0	$77,000	$110,000
	1.13	Landscaping Supplies & Services	$0	$28,000	$40,000
Wave 3 – Lower Priority	1.14	Educational Supplies	$0	$402,000	$1,340,000
	1.15	IT Maintenance & Services	$0	$60,000	$200,000
	1.16	Audio / Visual Supplies	$0	$54,000	$180,000
	1.17	Educational Services	$0	$18,000	$60,000
	1.18	Apparel	$0	$30,000	$100,000
	1.19	Vehicle Maintenance & Supplies	$0	$18,000	$60,000
			$ 774,000	**$ 6,212,000**	**$9,430,000**

PROC 1 – Procurement Cost Reduction Program

Theme: Financial Stewardship *Type: Value for Money*

Key Assumptions

Optimistic Savings Breakdown

Wave	#	Category	Jan - Aug 2012	Sep '12 - Aug '13	Sep '13 - Aug '14
Wave 1 – High Priority	1.1	Maintenance Supplies & Services	$434,000	$1,736,000	$2,170,000
	1.2	Office Supplies	$354,000	$1,416,000	$1,770,000
	1.3	Caretaking Services & Supplies	$302,000	$1,208,000	$1,510,000
	1.4	Architecture / Design Services	$102,000	$408,000	$510,000
	1.5	Office Equipment & Furniture	$120,000	$480,000	$600,000
	1.6	Printing	$74,000	$296,000	$370,000
	1.7	Courier and Postage	$58,000	$232,000	$290,000
	1.8	Travel	$54,000	$216,000	$270,000
Wave 2 – Medium Priority	1.9	Building Construction & Repair	$0	$2,989,000	$4,270,000
	1.10	Business & IT Consulting Services	$0	$784,000	$1,120,000
	1.11	IT Hardware & Software	$0	$350,000	$500,000
	1.12	Food & Beverage Services & Supplies	$0	$217,000	$310,000
	1.13	Landscaping Supplies & Services	$0	$63,000	$90,000
Wave 3 – Lower Priority	1.14	Educational Supplies	$0	$807,000	$2,690,000
	1.15	IT Maintenance & Services	$0	$120,000	$400,000
	1.16	Audio / Visual Supplies	$0	$111,000	$370,000
	1.17	Educational Services	$0	$36,000	$120,000
	1.18	Apparel	$0	$57,000	$190,000
	1.19	Vehicle Maintenance & Supplies	$0	$51,000	$170,000
			$1,498,000	**$11,577,000**	**$17,720,000**

PROC 1 – Procurement Cost Reduction Program

Theme: Financial Stewardship

Type: Value for Money

Key Assumptions	
Notes	• Savings were calculated based on PwC benchmarks and experience in working with public sector clients with similar category maturity levels on similar strategic sourcing programs and were validated through tactical sampling of TDSB data, supply market research, benchmarking against market pricing and the analysis of existing contracts. • Out of the $198M in addressable spend, $179M was prioritized for implementation.

Top 8 Categories By Size of Addressable Spend

- The following slides contain additional detail on the top 8 procurement categories by spend (out of 19):
- The top 8 categories cover more than $150M in addressable spend, or approximately 85% of the total addressable spend.

Ranked by Size of Addressable Spend:

No.	Category	Add. Spend
1.9	Building Construction and Repair	$71M
1.14	Educational Supplies	$22M
1.1	Maintenance Supplies and Services	$22M
1.2	Office Supplies	$11M
1.3	Caretaking Services & Supplies	$8M
1.10	Business and IT Consulting Services	$7M
1.4	Architectural / Design Services	$6M
1.11	IT Hardware and Software	$5M

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Theme: Financial Stewardship *Type: Value for Money*

1.9 Building Construction and Repair	
Current State	• Culture of providing choice is impeding TDSB's ability to drive maximum value for money. For example, the board has qualified more than 200 contractors to perform construction services. • The board has not adhered to a consistent set of design standards. • There is a lack of standardization with respect to capital equipment (e.g. door frames) driving 12% increase in purchase prices. • Significant budget overruns on construction projects.
Proposed Actions	• Develop a more formal, structured 'Value Engineering" program to leverage from supplier experience. Hold contractors accountable (through penalty clauses and hold-backs in contracts) to share in cost reduction initiative. • Aggregate annual construction requirements to identify a panel of prequalified suppliers to execute all requirements. • Conduct project review on completion in order to identify lessons learned and incorporate ideas for cost reduction into subsequent projects. • Agree on construction standards for schools and equipment to avoid overspecialization and keep design and construction costs down. • Attempt to standardize on lower cost alternatives (e.g. modular). • Implement a Contract Governance Model to increase awareness of contract, hold contractors to the terms and conditions, manage budgets and scope change. Continue to seek penalties for delays, back-charges and counter claims for over-runs.

Proposed Actions (continued)	• Increase use of 'term contracts' & 'indefinite quantity' contracts for repeatable services (repaving, lights, repairs, maintenance) to be used when quick turnaround is of importance. • Consider tendering direct with manufacturers for supplies and equipment to negotiate a price based on annual volumes– TDSB will look to establish contracts that can be used to supply materials and equipments directly to contractors. This will provide greater visibility into projects costs and will lead to contractors bidding solely on the cost of labour. • Joint collaboration with other school boards / government organizations for procurement of raw materials (e.g. cold mix asphalt) to leverage from economies of scale. • Standardize construction parts and supplies (e.g. doorknobs) that will help rationalize suppliers and lead to greater volume discounts. This would also lead to efficiencies in maintenance and repairs, since one inventory would be able to cover multiple locations. • Improve forecasting of capital construction projects to estimate the demand for supplies and will assist in negotiating better pricing with manufacturers. • Increase use of "should cost" benchmarking to ensure prices being paid for projects are in line with similar projects in other boards.

Considerations for Implementation

- Advance planning, demand forecasting with multi-year budgeting of capital planning projects is key factor in realizing these savings.
- A structured and formal 'Value Engineering" program to engage supplier in cost saving projects and gain sharing models.

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1.14 Educational Supplies	
Current State	• Lack of controls related to textbook purchasing is contributing to price variation across the school board. Savings of 10% could have been realized in the last fiscal year had pricing been harmonized across the board on the lowest price for the same SKU. • Variation in purchase prices suggests that there is opportunity to improve purchasing controls and compliance to existing contracts. • Aligning schools on similar purchasing cycles could allow the board to take advantage of second hand pricing more consistently.
Proposed Actions	• Collaborate with other school boards and/or the OECM to aggregate volumes to gain more leverage over publishers/distributors. • Advanced planning of annual volumes to reduce the number of purchases per year and improved pricing from economies of scale and reducing shipping costs. • Improved collaboration across the schools during annual budgeting process to align upcoming purchases and take advantage of the reseller market. • Develop common specifications for the education supplies, which would result in a standard product list. • Develop a policy to standardize the use of books in classrooms aligned to curriculums. • For books purchase, evaluate working directly with reduced number of publishers or with distributors to leverage from annual volumes and return/recycle options for unused books.
Proposed Actions (continued)	• Minimize P-Card usage on education supplies to drive additional volumes on contract for better rates and tracking data to assist in negotiations over next years.

Considerations for Implementation
• Will require centralized decision making regarding standard products and enforcing compliance across the schools.

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Theme: Financial Stewardship *Type: Value for Money*

1.1 Maintenance Supplies & Services	
Current State	• There are more than 1,000 suppliers representing a spend of $21M per year, and significant opportunity exists to rationalize products, services and the supply base to drive value for money. • Three of the top 10 suppliers supply plumbing supplies – indicating that plumbing parts and supplies are not standardized. • Trades staff receive a tools allowance, which impedes the board from standardizing with fewer suppliers.
Proposed Actions	• Bundle contracts into fewer larger contracts covering all schools and consolidate specialized maintenance with fewer suppliers. • Standardize demand for maintenance services. • Eliminate tool allowance for trades staff and establish contract with preferred supplier. • Increase preventative maintenance as against corrective maintenance. • Implement operator maintenance training programs for routine maintenance. • Continuous improvement through root cause analysis of failures, change-outs and operational loss events. Strive to eliminate sources of loss rather than focusing on equipment repair. Establish procedures for reporting vendor/contractor preventive maintenance results and hold them accountable for performance.

Considerations for Implementation
• Will require a clear policy and defined process to ensure compliance when sourcing equipment and maintenance services. • Improved tracking of performance and total cost of ownership of equipment.

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Theme: Financial Stewardship *Type: Value for Money*

1.2 Office Supplies	
Current State	• 2,836 suppliers representing an annual spend of $11.7M, representing an opportunity to rationalize the supply base and work with a panel of strategic suppliers.
Proposed Actions	• Aggregate volumes across fewer suppliers. • Leverage a basket of goods approach rather than tendering for products individually. • Advanced planning for estimating annual quantities across the schools to reduce the number of tenders and better negotiating power. • Leverage online supplier catalogues where pre-approved items can be ordered online. To aid compliance, actively manage P-Cards and restrict purchases from suppliers where central contracts exists. • Drive standardization by migrating to an approved list of products (use generic products as against brand names). • Implement standard lead times to encourage planning and inventory management at the department level to avoid reliance on rush orders. Consider limiting the amount of tenders per year which would require departments to forecast their monthly or bi-weekly needs. • Evaluate "Vendor Managed Inventory" Programs to shift inventory management responsibility to suppliers.

Considerations for Implementation
• Departments must be accountable to effectively managing departmental inventory to reduce reliance on rush shipments and P-Cards. • Decommission Distribution Centre.

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Theme: Financial Stewardship *Type: Value for Money*

1.3 Caretaking Services & Supplies	
Current State	• 120 suppliers representing an annual spend of \$8.4M, representing an opportunity to rationalize the supply base and work with a panel of strategic suppliers. • The board does not actively monitor consumption of supplies to identify schools that are over-buying to effectively mitigate demand. • Cleaning standards exist but have not been effectively communicated across the schools. • Leverage third party services in addition to internal unionized complement of more than 2,600 custodians.
Proposed Actions	• Standardize cleaning supplies, manage demand for cleaning services and centralize supplies. • Conduct analysis to evaluate long term opportunities for outsourcing cleaning services. • Standardize cleaning supplies and manage basket of goods centrally. • Manage demand by specifying the quality (grade) and frequency of cleaning services for various facilities to reduce total costs. • Establish and track key KPIs by school and region (e.g. cleaning cost per SF, cleaning performance to standard, etc) to continually identify improvement opportunities. • Monitor inventory consumption of cleaning supplies by school, to identify demand management opportunities.

Considerations for Implementation
• Requires effective communication of a cleaning policy and standard to set expectations on the type and frequency of cleaning. • Implementation of KPIs and increased management oversight of unionized complement to drive improvements in productivity and quality of cleanliness at the schools.

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Theme: Financial Stewardship — *Type: Value for Money*

1.10 Business & IT Consulting Services	
Current State	• There are 533 suppliers representing a spend of \$11.7M in the last 12 months, representing an opportunity to rationalize the supply base and work with a panel of strategic suppliers. • No evidence of analysis to determine the cost effectiveness of outsourcing consulting services as opposed to developing the required skills internally.
Proposed Actions	• In-source specific capabilities where demand is repeatable. • Competitive tendering to establish a panel of prequalified suppliers for standard services based on aggregate demand (Master Services Contract and individual work-orders/SOW – Statement of work). Rationalize suppliers and partner with a panel of strategic firms to obtain competitive rates in exchange for agreed volume based discounts. • Develop a "Consultancy Purchasing" guide to outline appropriate usage and benefits of the preferred vendors, an approval process for using non-preferred vendors, suggested guidelines to minimize costs, such as using available internal staff on projects and leveraging technology where appropriate (videoconference, virtual classrooms) to minimize travel expenses. • Create a central knowledge bank (a repository of various project deliverables and tools to be leveraged for new projects and team trainings).
Proposed Actions (continued)	• Develop standard contract templates and KPIs for managing suppliers so performance can be compared based on standard parameters. Establish tighter project evaluation and payment controls to ensure that requirements have been met prior to payment.

Considerations for Implementation
• Alignment with HR around specific in-sourcing requirements (e.g. pay bands, restrictions on job openings, etc). • Requires a clear policy or "Consultancy Purchasing" guide which outlines guidelines to minimize costs, such as using available internal staff on projects and leveraging technology where appropriate. • Understand the demand requirements and evaluate in-sourcing opportunities for recurring consulting requirements.

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1.4 Architectural Services	
Current State	• 31 architectural firms represent an external spend of $6.5M, representing an opportunity to rationalize the supply base and work with a panel of strategic suppliers. • Lack of a clearly defined governance structure between TLC, TDSB and third party architectural suppliers. • No evidence of analysis to determine the cost effectiveness of outsourcing architectural services as opposed to using internal. • The board has not adhered to a consistent set of design standards.
Proposed Actions	• Rationalize the supply base through competitive tendering to create a panel of prequalified firms to help consolidate volumes. Subsequent tendering to these prequalified firms will help reduce response time to tenders and will allow collaborative planning. • Increasing the use of core design templates will reduce the delivery time and cost of a design by allowing the architecture firm to concentrate on the key differences between the current project and previous projects. • Explore opportunities to bundle with Engineering Service contracts where firms offer multiple service offerings and Conduct regular and post project performance reviews. • Establish a clear governance model between TLC, TDSB and when to use external firms.

Proposed Actions (continued)	• Implement job evaluations for suppliers and hold them accountable for errors and omissions that lead to cost overruns. • Employ fixed fee pricing models wherever possible and proactively monitor hours and budget to actual performance.

Considerations for Implementation
• Continuous evaluation, with regular and post completion performance reviews, to ensure accuracy and quality of work. • Contract management to hold suppliers accountable for cost overruns and other issues. • Increased planning to reduce the number of rushed jobs.

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1.11 IT Hardware and Software	
Current State	• Based on a sampling analysis of desktop computers purchased in the last 12 months, standardizing on the lowest cost substitute can deliver savings of 23% on desktop computers alone. • Computer hardware volume is spread across a broad range of suppliers with limited standardization to drive value for money. • Software (e.g. applications) purchases are not controlled or standardized. The lack of consolidation is driving up purchase prices but also drives a higher total cost of ownership and IT operational costs.
Proposed Actions	• Centralize decision making to drive standardization and compliance. • Develop policies and procedures to ensure compliance to contracts. • Purchase through resellers wherever possible. • Advanced planning of annual volumes to reduce the number of tenders per year and improved pricing. • Competitive tendering process by combining volumes across the school board by evaluating 'total cost of ownership' can help secure improved rates by economies of scale, standardize and deliver 'best value'. • Consider collaboration with other school boards or government organizations. • Negotiate maintenance costs as part of the hardware/software acquisition costs to reduce price uncertainty over the term of the contract. • Develop systems to track asset footprint. Establish a central inventory of licenses and hardware across all departments.
Proposed Actions (continued)	• Bundling software purchase under a single Enterprise licensing agreement and evaluate negotiating hardware contracts with OEM and fulfillment through OEM directed resellers.

Considerations for Implementation
• Centralize decision making and enable IT to facilitate standardization across the schools and corporate departments. • Aggregate software requirements and tender using a single customer approach. • Improved Management Information Systems to track data can help in negotiating better rates as it provides visibility to total volumes purchased, spend and historical pricing.