Chapter 6

The Ontario Municipal Benchmarking Initiative

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Case background and origins of material

This case provides an example of both the development of performance measurement systems in a complex environment, and the linkage of that exercise to providing more effective financial management practice. It also is a case that points to the benefits of the development of cross-jurisdictional comparative measurements leading to the identification of benchmarks and leading practices within those jurisdictions. As such, the case can be used in the academic setting for exploring these topics in the application of theory in these areas as well as in the organisational setting to review steps taken and lesson learned in this process. This initiative is ongoing and, subject to change, its website – www.ombi.ca – provides a rich source of documentation about the initiative. This case also benefited from interviews with participants who have been involved in it for some time.

Origins and goals

The Ontario Municipal Benchmarking Initiative (OMBI) was established in 2000 as a result of collaboration between the Ontario Ministry of Municipal Affairs and Housing, regional administrative officers of municipalities across the province and 15 municipalities which committed to be part of the actual project. Member municipalities include the Canadian cities of Great Sudbury, Thunder Bay, Hamilton, London, Toronto, Windsor and Ottawa, the County of Brant, the District of Muskoka and the regional municipalities of Halton, Niagara, Peel, Durham, York and Waterloo. These OMBI municipalities, which represent about 72 per cent of the population of the Province of Ontario, are working together to identify and share performance statistics, create financial costing models that permit comparison of the costs of the services measured and identify operational leading practice.

The goals of the initiative are two-fold:

- To identify and develop appropriate service-specific performance measures, capture performance data, analyse and benchmark (i.e. create comparative performance standards against which performance is compared); and
- To provide a useful management tool that integrates financial and performance data to assist municipal decision-making, e.g. methodologies and systems for activity-based cost account and asset management.

The initiative has adopted the following mission statement:

> 'The Municipal Chief Administrative Officers' Benchmarking Initiative is the result of their partnership effort to continuously strive for service excellence in municipal government. Participating municipalities are working together to identify and share performance statistics, operational best practices and to network in the spirit of innovation and entrepreneurship to push for even greater success.'

As the Mayor of one of the participating municipalities said early in the process, 'OMBI is sharing collective wisdom'.[15]

This case study examines how the OMBI began and grew. It reviews the uses to which the performance information is put. It explores how the OMBI created a common performance platform across varied and profoundly different municipalities. However, challenges have also arisen with respect to the interpretation of the data and the capacity to create a true basis for direct comparison; the chapter will also examine the role that transparency continues to play in this programme.

A note on benchmarking and its role in this case

Benchmarking is a commonly used comparative performance management methodology. It provides a means of comparing one jurisdiction or organisation's performance against an accepted level of performance that is arrived at either through comparison with another similar entity or group of entities or measures arrived at through research or set by a professional body. In many instance, benchmarks are set as standard in the field of practice. It can be debated about whether, in the case of OMBI, there is true benchmarking taking place, as standards per se are not applied throughout. There is a greater tendency to use the average or mean as the basis of relative comparison.

In this case, the municipalities developed two forms of benchmarking suited to their needs. Through a process of data collection and clarification, outlined below, a series of common measures were developed for the services that each municipality offered, e.g. social assistance cases per 100,000 population that enabled the municipalities within the initiative to compare their performance with the benchmark as it developed. If no benchmark existed, however, the municipalities would still have data comparisons, often with some form of ranking. This then drove the analysis to define a mean for comparison purposes. In each case, we are dealing with what is in essence a numerical measure, devoid of context. As the project developed, a series of intense studies were developed, aimed at identifying the practices behind good performance to be used by all municipalities in assessing their capacity for improvement. These can be called leading practice benchmarks.

Project design

Project resources and the commitment of time and energy came from the chief administrative officers (CAOs) of the participating municipalities. They saw the value in building up a body of knowledge through a variety of methodologies that would enable them to better understand:

- Their relative level of services;

- Their relative cost per unit of service;
- What an appropriate standard or best practice for each service element would look like; and

How this could be communicated to decision makers and citizens in a meaningful way. However, to reach such goals required considerable attention to the front-end work of defining services in a way that permitted comparison, developing measurement methodologies and then testing them with the experts in the fields being assessed in their own municipalities. For the first time, these specialists, be they in the field of social service, water management, waste management, or policing, were being asked to collaborate in order to come up with common definitions and costing models that would expose them to comparison with their colleagues.

The CAOs were also conscious that the province, which has overall jurisdiction over municipalities under the Canadian constitution, was developing its own measurement system – the Municipal Performance Measurement Program (MPMP) – as a means of gathering certain costing and performance information. The OMBI was, in part, a defensive measure to ensure that the CAOs maintained some control over the measurement process and that they gathered the information relevant to their needs. They were conscious that the concerns of their political masters, the city councils, would benefit from this approach. As such MPMP and OMBI developed in parallel, serving somewhat different purposes: one focused on the province as a whole and the other on the specific municipalities. The province did not oppose OMBI and provided some initial financial support. Further, as in the instance of the development of the asset valuation protocol which provided for the first time some guidance on the valuation of assets, the province deferred to the work of the OMBI team in meeting the need for this protocol across the province.

While the MPMP measures and reports met certain provincial needs, they were seldom used within municipalities for planning. The level of generality was not found to be useful and there was little basis for comparison. On the other hand, the OMBI information generated considerable media and political interest.

Project overview

As noted, the purpose of the project was to:

- Identify and develop appropriate service-specific performance measures;
- Capture performance data in a consistent manner in all participating municipalities;
- Provide financial costing information for comparative purposes; and
- Analyse and benchmark results in order to identify best practices of service, efficiency and quality.

In doing these activities, the objective was and remains to provide a useful management tool that integrates financial and performance data to assist in decision making within municipalities to support continuous quality improvement.

The key elements of the work plan to get the project started were as follows:

Assessment

In developing the OMBI, the following actions were taken to assess the state of municipal performance benchmarking:

- National Research Council;
- National Quality Institute;
- Municipal Performance Measurement Program; and
- International City/County Management Association's Centre for Performance Measurement.

It was clear that some cross-jurisdictional comparative data had been developed in other parts of the world. Within the group of participating municipalities, some experimentation in developing comparative data had taken place.

Standards and systems

Intense work, involving expert practitioners in each field, had to:

- Establish standardised financial policies and activity-based- costing accounting standards across all the municipalities; and
- Identify opportunities to jointly develop information technology systems to capture measurement data for service specific data in individual municipalities and then in a central repository data warehouse.

Develop strategies

The data definition, collection and analysis were never the end in themselves, but means to:

- Create activity-based costing models further, to encompass support services and infrastructure costs;
- Communicate findings within the municipalities and to the public;
- Benchmark methodology, processes and data templates for further use, sharing of information and making the system available to other governments;
- Connecting with the MPMP information from the province;
- Create training opportunities and best practice forums for service segments, general municipal managers, councillors and the public; and
- Manage data and website for the project.

Funding support and project approach

While there was some initial sponsorship from the provincial government, it was only as seed money in the first year. There has been no ongoing funding from the province for this initiative. The province funded development of a training document, and a pilot project on

capital asset accounting. Therefore, the participating municipalities paid their own way in both direct money contributions and staff time. The initial project cost was about US$1,200,000 per annum in 2000. The cost as it evolved became US$280,000 annually (2006 figures). This has enabled the creation of a project office and the appointment of a full-time project director. However, by far the largest contribution has been the time of staff in the service areas for work on expert panels, consultations and the development of consensus understandings of the measures. Further, staff are engaged in documenting benchmarked practices for sharing across the municipalities. It is estimated that each municipality contributed approximately 1,200 hours of staff effort. This would vary given the uneven distribution of expertise and the need for a concentrated effort for a specific period of time on specific projects. Over time, some municipalities have questioned the relative benefits of this investment. This is exacerbated by changes in governing councils.

This ambitious work plan was built around the commitment to devote resources to getting the measures and costing figures right and useful for municipal public servants, but also for politicians and for engaged citizens. The work plan was even more difficult as comparative 'apples to apples' measures did not exist and those that did failed any intensive scrutiny. Data elements, even carrying the same name, were not necessarily common among the municipalities. As time passed and measures were agreed upon, fault lines appeared in how such information was understood. In some cases, most notably those with legislated standards, the creation of measures was relatively straightforward. In many others, difficulties arose. However, one design challenge that could potentially have unintended consequences was the use of cost per unit of service as a basis of measurement. It was realised that, once this kind of measure was in the hands of political decision makers or the media, there could potentially be a 'race to the bottom' in which the only factor of the service was cost. Therefore, in most instances, two steps were taken to mitigate this danger:

- Use of a number of measures for each service area, including cost; and
- Detailed explanations for cost variations, e.g. distance between service units in a geographically dispersed municipality will affect transportation costs.

Further, the analysis and extension of the use of such measures to deem them as established 'best practices' for sharing knowledge was even more difficult. For instance, while there was reference to activity-based costing as the preferred measurement tool, accounting practices across municipalities were insufficiently standardised to permit any credible basis of comparison at the outset. The project was therefore challenged to move into setting accounting standards as a basis for moving forward. This, in fact, is what happened in a number of areas. Finding a sound basis for determining what was a best practice proved elusive without a focus on governance as well.

To that end, steps were devised to standardise approaches to data collection, dealing with the analytical phase and then the presentational phase. The methodology adopted at the outset proved to be robust in moving the objectives forward. It had the following features:

- Expert-panel-driven: experts in the specific functional areas being measures, e.g. waste management, would collaborate to build the data set and standards for comparison;

- Core service activities to be used in benchmarking were identified and agreed upon;
- An activity-based costing protocol was established;
- Data performance indicators were agreed upon;
- Data was normalised through an intense phase of consultation to filter out exceptions and poor bases of comparison; and
- Agreement was reached in each service area to establish the best practices of performance.

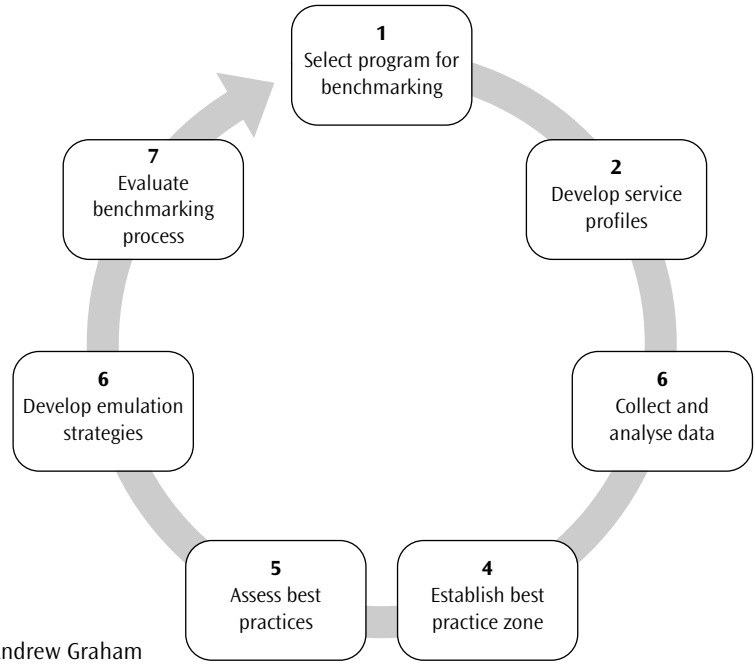
An OMBI steering committee was created, reporting to the CAOs of the municipalities who already worked together through their own committee structure. A project manager was appointed. Funding was secured through the participating municipalities.

With the governance elements in place, attention now had to turn to the underlying processes, intellectual assumptions and means of analysis. The project was guided by a series of methodological underpinnings, developed in a series of steps, all designed to instil confidence in that methodology and the performance indicator outcomes, which had to be credible to be useful.

Step 1: Establishment of the OMBI

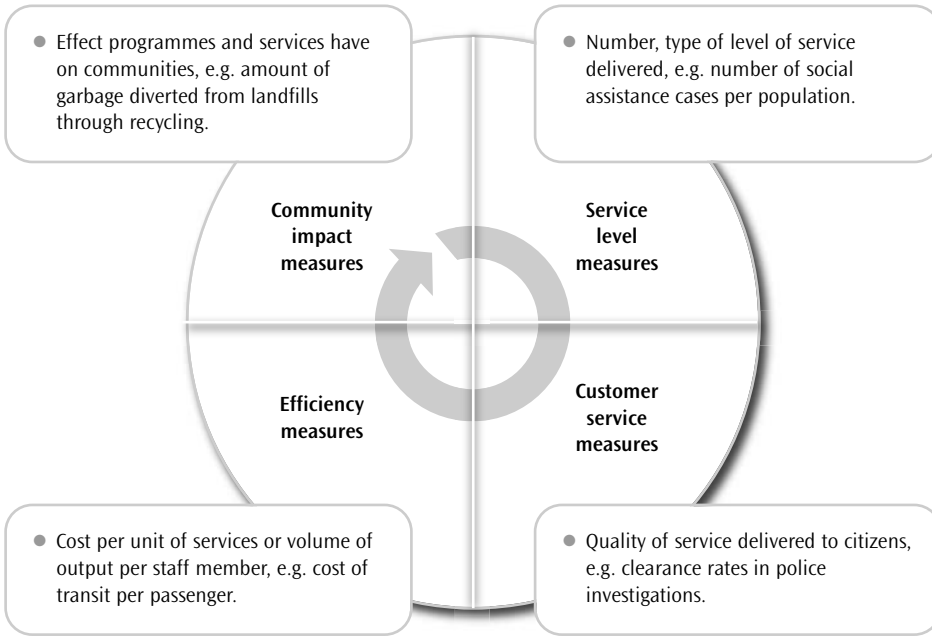
Municipal services cover a spectrum of services from policing to waste and water management. In order to build a common enough platform for data comparison, the OMBI steering committee early in the project adopted a single methodology.

Figure 6.1 OMBI seven-step benchmarking methodology



Source: Andrew Graham

Figure 6.2 The Ontario Municipal Benchmarking Initiative model



Source: Andrew Graham

This process was based on a concept of performance management that encompasses the elements one would find in most of what are designated balanced measurement approaches. These take into account the following areas of concern:

- Cost;
- Impact;
- Client or customer rating; and
- Service efficiency.

The model developed to guide the OMBI process is outlined in diagrammatic form in figure 6.2.

Step 2: Development of data sharing protocols

This case is uniquely challenging in that the development of performance data and benchmarks across several jurisdictions has, from the outset, been voluntary. The resources required to sustain the project have come from the participating municipalities, for the most part. The challenge this poses is that participants may have differing views on the use of the information once it is generated. Further, as this initiative is, by its very nature, comparative, there will be performance variances that may embarrass some participants. As can be seen by how the media have used this information, that could lead to some effort to avoid making such information public. It is also difficult in real political terms to sustain support for a project that makes you look bad.

To this end, a series of information protocols were developed for the original group of municipalities and for those joining later. Contextually, all the information generated by

OMBI would be subject to the Province of Ontario information-access legislation. The protocol was intended to ensure consistency in its use and application.

A series of principles were put in place to guide the management of the information generated by the initiative. These are as follows.

- **Mutual benefit**: Data developed through OMBI work is intended for the mutual benefit of participating municipalities and focused on process improvement.
- **Equal access**: Each member municipality will have equal access to OMBI data.
- **Public dissemination of OMBI data with clear identification**: In general, the OMBI performance measures can be reported upon both by OMBI and by individual municipalities.
- **Definition of public reporting**: Public reporting is defined as any report that is released to council, a committee of council, a report to any public agency, board or commission, a report that is made available to the media or general public or the use of any OMBI measure in any way in any such reports.
- **Eligibility of measure for public reporting**: Only those measures that have been agreed to by the service panel experts and approved by the steering committee as being eligible for public reporting can be reported on.
- **Content of public reports**: The objective of using this information is to provide context for the municipality's performance, but no public report should lead a reader to make conclusions based on raw OMBI data. Local public reports must not make any value judgements about benchmarking results of other municipalities. Where references to other jurisdictions are made, they must only be made to provide context to the reporting jurisdiction's information. No public report will present numbers only. Influencing factors must always be included. Direction about where to find additional information could also be provided.
- **Source of the data**: The OMBI data warehouse is the only source of OMBI data when preparing public reports.
- **Existing measures only**: The data contained in the performance measures must not be used to create or hybrid measures.
- **Review of reports**: Prior to release of any OMBI data by an individual municipality, all reports that include OMBI performance measurement data must be reviewed by the municipal champions, i.e. those persons from the different service area who lead their municipality's contributions in that area, and by relevant service panel experts.
- **Sharing of reports**: All reports using OMBI performance measurement data with municipal comparators will be made available to other members via the OMBI data warehouse.
- **Guiding principle**: Any reports using the OMBI performance measurement data should follow the principles in the Canadian Institute of Chartered Accountants (CICA) Statement of Recommended Practices for Public Reports[16].

- **Non-provision of OMBI data**: Consistent with the spirit of sharing data for the mutual benefit of all municipalities, each municipality must make every effort to generate the appropriate data for data call by expert panels.
- **Sharing the data between expert panels**: The sharing of OMBI data between expert panels is encouraged (for example road congestion and its impact on EMS response times). Such request should be co-ordinated between the expert panel leads and the OMBI project office should be notified for information purposes.
- **Working with consultants and confidentiality and ownership of OMBI data**: Guidelines were set out to avoid conflicts of interest and application of data use restrictions when consultants were used (OMBI, 2007a).

Creation of expert panels

Given the broad range of services being benchmarked and the need to develop cross-service data protocols, it was decided by the CAOs to rely heavily upon the expertise within each function, bound by the concept of benchmarking and protocol to develop the measure, standardise measurement tools and then work on the high performance practices to share across the municipalities. To this end, a series of expert panels were created. Representatives of the service area were named to the panel. In addition, provincial or external expertise was called upon to join the panel. For example, with respect to fire protection, the Office of the Ontario Fire Marshal was invited to the expert panel.

These panels are a continuing feature of the OMBI process as new issues arise. Further, as measurements develop that identify leading practice, the focus of the expert panels has changed to disseminating such practices to member municipalities.

Cutting across services

A second element of the governance process has been the creation of the financial advisory panel to ensure that costing practice is either uniform or measured in an accurate way. Costing is the basis of many of the performance measures in place. This panel ensures that there is consistent guidance. One notable results of its work has been the publication of the *Municipal Guide to Accounting for Tangible Capital Assets* (OMBI, 2007b). This group also worked on the challenging issue of indirect costs of services measured, always a point of contention in full costing scenarios.

OMBI in practice

Between 2001 and 2003, OMBI worked primarily on building a foundation to achieve its objectives. To that end, work focused on an indirect costing methodology, a data sharing protocol and a web-based data warehouse.

In 2004, OMBI partners collaborated and developed measurement definitions and influencing factors for up to 33 services and programme areas across all 15 participating municipalities.

In 2006, OMBI CAOs were prepared to move to a more transparent level by the publicly released *2005 Performance Benchmarking Report.* At that point, all the players were sufficiently confident in the data and were prepared for both potential political and media reactions. By 2007, the report had expanded to 22 services.

How benchmarking has been used

'Changes don't come much bigger than this' – the Implementation of Accounting for Tangible Capital Assets, OMBI

While it may be a case within a case, the decision of the OMBI to develop a common standard of accounting for capital assets is an example of the type of work that is needed to develop a robust basis for comparison and benchmarking. It was recognised that comparing capital costs, both infrastructure value and maintenance costs, was a vital part of municipal performance measurement. Municipalities have an important role in infrastructure construction and maintenance, being the largest public sector spenders in this area in Canada. A significant part of municipal budgets is taken up with these. Therefore, early on it was recognised that the data protocols had to be developed quickly for capital assets if there was going to be a basis for comparison. What emerged from the financial advisory panel was guidance on capital assets that has proven to be a new standard for the entire province.

In June 2006 the Public Sector Accounting Board (PSAB), Canada's national public sector accounting standard setter, approved revisions to the existing standard for how to account for and report tangible capital assets, for implementation in fiscal year 2009 based on this work. A key requirement is that municipalities should record and report their tangible capital assets in their financial statements.

OMBI and the financial advisory panel have invested considerable time and effort in developing an infrastructure accounting model to ensure that its approach meets those reporting standards. A key initiative has been the development of a guide which, consistent with the PSAB research report, provides direction on how municipalities might account for tangible capital assets.[17]

Public users of the information

After several years of development, OMBI began publishing a comparative results report in 2005. This quickly became a focus of interest for both politicians and the media. It began to figure in budget deliberations as municipal councils used it increasingly to put the decisions before them into a broader, comparative context. One of the pitfalls of using comparisons is that some data may not be completely comparable. The quotation from an Ottawa media source shows how the OMBI reports, read only in the context of the numbers without the explanations, can lead to confusions:

> 'The article also reports that there is a discrepancy between what the staff (of the municipality) says it will cost to collect and maintain each parking spot with what was reported in the latest Ontario Municipal Benchmarking Initiative (OMBI)

report. Unfortunately, the OMBI numbers do not provide an accurate reflection in terms of Ottawa's on-street parking program. The primary concern is that most municipalities that participated were not able to include enforcement costs, whereas Ottawa's did. As a result, most municipalities' reported costs were artificially low compared to Ottawa.'
(*The Windsor Star*, 2007)

Similarly, comparative data generated by OMBI has figured increasingly in municipal budget debates. Another story from *The Windsor Star* (2007) illustrates the use of the data and increasing focus on cost comparison, and the continued pitfalls that it poses when the reports are not fully read:

'... it's the substantial hike in sewage rates that will make Windsor's combined water and sewer utility charges among the highest in the province. The average Windsor households pay $635 per year for 294 cubic meters of water and sewer treatment. Next month the cost will rise to $1021 annually, a 60% increase that puts it well above the $894 currently charged by Sudbury, which in a study of 2005 figures charged the highest rates in the province.

'Kingston and London, cities with higher-than-average rates in 2005, currently charge about $798 per year for about 300 cubic meters of water and sewer treatment. Ottawa pays about $776, Kitchener pays $720 and Oakville and Burlington pay $674. But officials say Windsor's new rates are high because it is the first to come to grips with the common dilemma of deteriorated sewer and water pipes and increased environmental requirements.

'One thing to be clear is you can't make comparisons with other municipalities not doing the infrastructure upgrades', Councillor Ken Lewenza said. 'This isn't a Windsor problem. It's a North America problem.'

As OMBI matured and data was better standardised, the platform for identifying best practices emerged. Expert panels provided the ideal means to do this and then to publish the information for use within municipalities and to the public. The following is an example of an OMBI 2006 press release about such reports:

'the Ontario Municipal Benchmarking Initiative Water and Wastewater Expert Panel recognized the following Ontario municipalities for their best practices in water and wastewater operations resulting in exceptional energy management practices:

- City of Ottawa – energy management with alternative sources of energy,
- City of Thunder Bay – energy management with water distribution optimization modeling,
- Region of Durham and Region of Peel – energy management with metering, billing control and verification,
- Regional of Halton and City of Thunder Bay – energy management with water loss control – lead detection,
- Region of Peel – corporate energy management strategy.

> According to the news release, 'combined savings for the five municipalities are estimated in the millions over the past three years. Savings in energy consumption and operations costs for water supply and wastewater services have been documented by the publication of six best practice reports.'[18]

The accompanying data and case studies provided much detail about how the results were measured and what specific practices were of note. Much of this knowledge and experience was transferable to other municipalities within OMBI and outside as well.

Conclusion

OMBI remains a voluntary programme of the participating municipalities. While it has enjoyed considerable recognition, some participants view its overall use as limited. There is a concern that the comparability of the data has created a tendency to look for the least cost while ignoring the policy decisions inherent in cost differences. Further, experience in some instances has shown that the information generated only gets used when it is negative. It has also suffered to some extent from cases of what might be called the 'we are different' syndrome, which rationalises away comparative information on the basis of local exceptions. The key to success in reducing these tendencies is to ensure that contextual information is always provided as the numbers are. Further, the clear statement of the basis of measurement provides an understanding of the numbers.

A final concern is that of the sustainability of such an effort. It is clear that the creation of the expert panels has provided a breakthrough for those involved in that it has reduced their isolation, leveraged their expertise and opened up to a large number of best practice investigations. However, as funding is entirely from the volunteer participants, there is no guarantee it will carry over the medium term. The test will be, as is often the case, in the utility of the information.

References

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OMBI (2007a) Data Sharing and Public Reporting Protocol, available at http://www.ombi.ca/docs/db2file.asp?fileid=188 [last accessed July 2011].

OMBI (2007b) Municipal Guide to Accounting for Tangible Capital Assets, available at http://www.ombi.ca/docs/db2file.asp?fileid=184 [last accessed July 2011]. *The Windsor Star* (2007).

Notes

15 Ken Boshcoff, Mayor of Thunder Bay, August 2001.

16 Available at www.cica.ca [last accessed July 2011].

17 The full case study of the pilot implementation is available at http://www.ombi.ca/docs/db2file.asp?fileid=186 [last accessed July 2011].

18 Available at www.ombi.ca [last accessed July 2011].