

# Relieve Your Budget Stress!

## How the Lean approach can help transform local government

Today, everyone seems focused on the federal and provincial budgets and the challenges they face with growing demands and global economic woes. But, as we know all too well, those problems are passed along to municipalities and, ultimately, to the local taxpayer. Struggling more than ever, municipalities find themselves in a perfect storm.

Public demands and expectations continue to grow. Meanwhile, the number of people living within cities is also growing and municipalities are not receiving the support from other orders of government needed to maintain or upgrade infrastructure, let alone build new facilities. And, all these external pressures are intensified by the internal pressures of staff to keep their wages at the level where they can maintain their standard of living, and by the increased tax pressures put on them by other orders of government.

The result is the same cycle every year. Property owners receive an annual tax notice, advising of the amount that their taxes are being raised. It seems to be the accepted norm that an increase of about two percent per annum is reasonable. The interesting part is that we all accept this increase exactly because it has become the norm, and we also feel powerless to do anything about it. It is reminiscent of the analogy, "if you put a frog in cold water and gradually increase the heat, it will not perceive the danger, and will be cooked to death." Taxation can be

like that gradual "heat increase." As taxes slowly increase without much resistance, it puts pressure on our standard of living. The most we tend to do is make passing and ineffective complaints to our friends and colleagues, and then hope for a different result next year.

### The Winds of Change

There is an adage: *The pessimist complains about the wind. The optimist expects it to change. The realist adjusts the sails.*

It is time to adjust the sails and stop being the pessimist or the optimist. Municipal leaders must become realists and say "enough is enough" in order to make the necessary adjustments. The solution lies in changing how we think and how we go about analyzing and making improvements. It is obvious that current methods of improvement are not capable of solving the problem of needing to do more with what we have. Councils and municipal staff have been engaging in the "same old" improvement methods for decades. The only difference is that, over time, they have changed the name or brought in another "flavour of the month" cure, which may be different in name, but not substance.

It's time to stop this ineffective and damaging cycle of focusing on departments or nodes within a system. In order to truly create sustainable, effective, and positive change, it's important to stop doing what we always have done and to adopt instead a method that:

1. recognizes the importance of engaging staff *and* customers;
2. looks at the "system" (cross-functional) not at "points";
3. puts customer/client value as the determining factor of what activities are required;
4. does not point fingers at staff as the problem; and
5. has a structured change methodology that adapts to all situations.

As discussed in our previous article ("Leveraging the Power of Lean in Local Government," p. 7, *Municipal World*, July 2016), Lean is one of these methodologies. And, when adapted and applied properly, it is an approach that works in every situation. The challenge is to get the right



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knowledge and ensure that you adapt and apply it properly.

## Applying Lean in Local Government

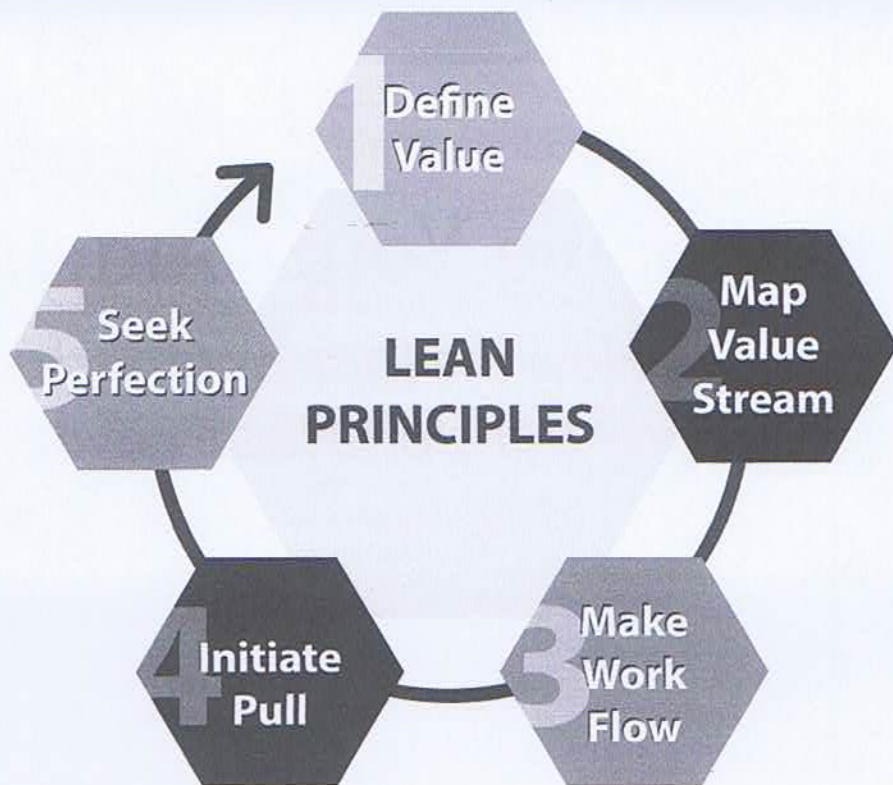
Some municipalities have recognized that they need to adjust their sails and use different thinking than what they have been using for the past decade or more. Old ways of thinking and approaches to improvement may have given municipalities some relief in the past; but, the changing demands and expectations of citizens, combined with economic challenges, have made those methods ineffective.

Lean methodology offers an approach and thinking that can lead to the successful transformation required to meet the pressures facing local government. The following case study from the City of Oshawa illustrates how municipalities can begin thinking about how to tackle and meet the demands of tomorrow and contemplate alternate solutions for achieving their goals.

### Case Study: City of Oshawa

#### Why Lean?

Changes to the capturing of labour and equipment by activities, manual payroll, and the number of activities that were required for payroll and budgeting have been a significant obstacle for more than 10 years. There have been a number of false starts in an attempt to correct the process. Improvement was needed to reduce the non-value added work and create capacity to leverage staff's operational expertise for proactive, value-added analysis along with developing timely and useful key performance indicators (KPIs) that drive decision making. Lean provided the opportunity to revise and consolidate the process to a transitional state/interim solution in



*Lean will fundamentally change the way an organization operates, based on five simple principles.*

preparation for the future state within the new consolidated operations depot.

#### The challenge

Since 1999, the community services department has been using an in-house maintenance management system (MMS). This system was initially a job costing system to measure accomplishments and productivities, and was linked to the city's financial software.

The current state of capturing labour and equipment by activities was characterized by a number of different manual time-entry processes, which included several steps to input, confirm, and validate the accuracy of time reporting data for approximately 288 full-time staff within the areas

of operations and recreation. This payroll process occurs bi-weekly and is required for an employee's pay. It included a number of different mechanisms and/or systems to record the data, and the quality of the data was difficult to interpret and analyze. It involved a significant investment of resources and had a high probability of error. This had an impact on the integrity of the supervisor when adjustments and/or corrections needed to be made later in the process.

The number of activities further complicated the process as it impacted the budgeting process for the department, including the capturing and reporting of unnecessary activities and information.

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Cost and productivity reporting was not current (as it was two weeks behind) and the system did not meet customer needs. The department needed to change its culture and eliminate wasteful activities that had crept into the workplace and become normal practices.

The project mandate and goals were to:

- ▶ facilitate and streamline data entry;
- ▶ 25 percent reduction in tracked activities;
- ▶ develop a uniform and consistent process;
- ▶ create capacity for value-added work;
- ▶ improve financial reporting;
- ▶ develop timely and useful KPIs that drive decision making; and
- ▶ improve morale and the environment.

### The action

Onsite training was provided to the management team. The project was complex, due to the number of activities that impacted the payroll and budgeting processes. The team worked on developing a process to streamline the recording of employee time from initial point of entry to completion of payroll, including cost and productivity reporting, and validating the activities used for the budgeting process. The team developed a Value Stream Charter, mapped the current manual payroll process, captured and evaluated activity statistical data, developed interim and future states, and developed an implementation plan which contained five "kaizen" events.

In order to meet the future state, the team used the following Lean tools.

**Kaizen** – Five kaizen events were held to work through current state and look for opportunities to eliminate waste, which would lead to the future state.

**Work cell optimization** – Inefficient workflow was identified from one area to another throughout the process.

**Pull** – Responsibility was now with the areas for electronic input and authorization.

**Poka yoke** – This tool looked at where mistakes were happening in order to try to stop errors from occurring throughout the process.

**Pilot testing** – One division was used as a test area to ensure the changed process worked.

By using the Lean tools, the team was able to identify various types of waste within the current state, such as:

- ▶ inventory (waiting and batching of timesheets);
- ▶ transportation (distance between work areas);
- ▶ waiting (people, work, slow response, insufficient and/or wrong information, data entry delays);
- ▶ motion (a lot of searching, back-and-forth movement resulting in lost time and multiple handling); and
- ▶ poor quality/defects (no standards, errors were made resulting in re-work).

In order to streamline payroll, an automatic process was implemented for creating employee timesheets using a 10-day template, with the supervisor amending and approving the time online. This allowed for one touch point by the supervisor. This process was implemented for waste and facilities operations, and will be phased in for parks and road operations.

As part of the activity review, the number of activities was reduced from 249 to 116 and task tracking was developed, which included capturing information to help managers identify or direct their division's performance on a daily, weekly, monthly, and annual basis. This gives them the ability to look forward as opposed to looking backward.

### The outcome

The initial goal of 25 percent reduction in the number of tracked activities was surpassed, and a reduction of approximately 53 percent was achieved.

In relation to the goals of facilitating and streamlining data entry and

developing a uniform and consistent process, the team achieved the following:

- ▶ 100 percent reduction in timesheet entry for waste and facilities operations;
- ▶ approximately 45 percent reduction in timesheet entry for parks and road operations (including winter regular time);
- ▶ approximately 89 percent reduction in timesheet entry for winter (including winter overtime/standby); and
- ▶ 100 percent reduction in equipment use in the MMS – flat charge being applied directly to the general ledger.

On the goals of improving financial reporting and developing timely and useful KPIs that drive decision making, the team was able to eliminate the cost and productivity report and implement task tracking for waste, parks, and road operations – measurements and reporting requirements for operational needs.

By doing all of the above, the team was successful in creating capacity for value-added work along with improving morale and the environment for transition to the consolidated operations depot.

The current area now under review is fleet operations, including time entry and work orders.

### Creating Sustainable Change

The Lean approach can offer local governments a different way of thinking, with an effective, structured methodology for creating sustainable change, both culturally and operationally.

It can be a path to improving on services, costs, and pride of municipal staff; but, it will require communities to adjust their sails and do their homework to find the proper methodology.

For municipalities that are committed to change and wanting to meet the increased demands on their organization, Lean offers the opportunity to achieve the results and future that the organization, its staff, and the public deserve. MW