



Legal Services ZBR Summary Report

Building Sustainable, High Caliber Legal Services

Service Review and Improvement Team, Corporate Initiatives
Chief Financial Officer's Department

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Administrative Commitments

1. Ensure Legal Services has an appropriate team to lead and support business operations

- a. Hire a permanent Director for Law with a clear mandate to pursue the recommendations of this ZBR; and
- b. Assign responsibilities to resources with business operations skills to support the Director and Managers.

2. Develop a clear picture of strategy

- a. Engage the Administrative Leadership Team to define priorities for the service;
- b. Articulate and document a strategic direction for the Legal Services;
- c. Develop a strategic roadmap (workplan) to implement that strategic direction; and
- d. Communicate strategy and direction with all Legal Services staff and customers.

3. Develop robust performance measures

- a. Identify and adopt measures that tell the story of “how much did we do”, “how well did we do it” and “is anyone better off” using the Results-Based Accountability™ framework;
- b. Create a data development agenda to identify and implement data requirements needed to track selected performance measures;
- c. Select 3-5 headline performance measures for Legal Services; and
- d. Formalize any changes to headline performance measures through the plan and budget adjustments process.

4. Use customer understanding to formalize service offerings, scope and levels

- a. Classify each customer group using the customer segmentation model developed in this ZBR;
- b. Work with customers to define and scope the services offered by Legal Services;
- c. Formalize service level commitments with key customers, including roles and responsibilities as well as methodology to update and keep commitments relevant;
- d. Develop and implement an annual customer satisfaction survey to monitor customers' perception of performance; and
- e. Develop and implement a formal intake, triage and work scoping process.

5. Streamline work processes supporting high-volume and/or low-risk work

- a. Engage Legal Services staff in Corporate Risk Tolerance and Appetite training with the Corporate Integrated Risk Management Team;
- b. Build online self-serve capabilities for Transactional and Casual work;
- c. Develop standard templates for all highly used documents (including standard caveats, covenants and conditions) along with a formal process for regular template reviews and updates;
- d. Work with stakeholders to explore the use of electronic signatures; and
- e. Develop a robust, standard framework for better communication of legal risk and mitigation alternatives in cooperation with the Corporate Integrated Risk Management Team.

6. Engage experts to support a redesign of the service's operating model

- a. Develop an Integrated Technology Ecosystem Roadmap;
- b. Streamline, standardize and automate business processes where possible; and
- c. Craft an updated staffing model which better supports Corporate needs at appropriate costs.

Benefits at a Glance

Administration's Commitments will result in a primary benefit of realignment and improved resilience and scalability, which will then enable further benefits in the future.

Realignment, Resilience & Scalability of Legal Services Enhances Risk Management for the Corporation



and enables the ability to...

Track, analyze & respond to cost
drivers



Cost Avoidance

- Prevents a potential budget increase of **\$3M-\$6M** due to forecasted volume increase

Focus on streamlining operations



Productivity Gains

- Less time required for administrative and other non-law tasks

Intentionally design and manage
people, processes and technology



Service Outcomes

- Reduced risk to the Corporation through handling more of the most important files faster

Identify corporate and customer
priorities and defer non-priorities



Employee Morale

- Less over-work and increased ability for lawyers to focus on what they were trained to do, may contribute to lower turnover rates

1. Executive Summary

Building the Sustainable, High Caliber Legal Service Required to Serve the Interests of all Calgarians

Over the past 20 years, The City of Calgary scope, scale and vision has broadened in response to a growing population and changing environment. In parallel, the volume and complexity of legal matters has increased at a faster rate than either workforce or expenditures. Ultimately, major changes in legal service operations are required to ensure the long-term viability of The City's Legal Services.

As the City grew, Legal Services developed organically into a service provider whose customers readily praise the quality of their legal advice and deliverables. "Law is always there for us" is a common sentiment among Legal Services' key customers. Today, legal services are integral to the delivery of all City services and the Corporation's ability to serve the interests of all Calgarians.

With growth and service success comes the need to formalize and intentionally manage operations. This ZBR is about the 'business of law', not the quality of legal output. It's about how the service is managed in a time of growing demand and constrained resources. Ultimately, we must leverage the investment made in Corporate lawyers by focusing them on our highest risks and most impactful issues, leaving low-value and low-risk work (e.g. repetitive operational tasks) to more appropriate, cost-effective resources.

A good starting point for legal service operations assessment is the Legal Services Maturity Model developed by Deloitte's Legal Services practice (see page 9). The model identifies various states of progression in legal services operational improvement. According to this operating maturity model, Legal Services' operations are at the lower end of the maturity scale, "Ad Hoc" to "Forming", indicating that substantial work is required to build a highly effective legal services operation. As the Corporation matures, so must Legal Services.

Legal Services is now at a tipping point. With a workload trending towards more complexity and increasing volume (28 per cent increase in files from 2012 to 2018) and a lawyer turnover rate of 41 per cent between 2017 January and 2019 November, Legal Services cannot keep up with Corporate demand. A rough estimate calculation (see page 8) illustrates the imbalance in service demand with Legal Services capacity.

In 2018, Legal Services had a capacity deficit of approximately 11,000 hours or 8 lawyers. They addressed the capacity deficit with \$178,000 in overtime payments, time in lieu (which only exacerbates capacity issues), and 'just getting the work done.' This is not a long-term solution. Nor is 'just hire more lawyers,' given The City's current financial constraints. Nor is outsourcing a solution, with the cost of outside lawyers at least three times greater than in-house staff. It is clear the current Legal Services service model is unable to scale up to effectively support the Corporation in the traditional way. Without a major redesign of its Legal Services operations, Legal Services is at a breaking point. If Legal Services is stretched too thin, the Corporation is at risk.

The opportunity emerging from this ZBR is the chance to build a more resilient, scalable and effective operation by:

- better understanding cross-Corporate priorities in order to better define Legal Services' priorities;
- better understanding client needs;
- clearly defining core services and service levels and empowering Legal Services to turn away low-risk or low-value items;
- optimizing and automating tasks that do not require human critical thinking; and
- building an organization that is agile in the face changing demands.

The City of Calgary is not alone with its legal services challenges. Scanning a range of industry publications and discussing challenges with General Counsel for the City of Toronto, the ZBR team discovered a very conservative legal industry facing major shifts as service value, cost controls and new technologies replace traditional operating models.

Building a resilient and scalable legal service operation focused on doing the right work with the right resources in the right way benefits the entire Corporation. Strong Legal Services provides protection both of taxpayers' investment in The City's entire \$4.5B operating and \$1.7B capital budgets and of The City's reputation.

Redesigning the Legal Services will take time. The Administrative Commitments presented in this report provide the first steps and a guide to priority actions. Legal Services has been discussing many of the issues identified in this report for years. Through the ZBR, an understanding has been gained for operational change planning with commitments and work underway.

2. Legal Services is at a Tipping Point

The story of the Legal Services ZBR begins with a service that is integral to the delivery of all City services. It is a service in high demand, described by their customers as 'trustworthy and reliable' advisors. As Doug Morgan, Acting General Manager of Transportation, describes, "Law greases the wheels of all the interfaces Transit must deal with to get the job done...They are the oil that makes the engine spin." Over the years, Calgary's Legal Services have built a quality reputation and is known to 'just get the job done!' "Law is always there for us" is a common sentiment among Legal Services' key customers.

It is also the story of increasing volume and complexity of legal matters, an organization with limited focus on 'the business of law' and major challenges in hiring and retaining legal staff. As the City has broadened its scope, scale and vision in response to a growing population; the demand for Legal Services has outpaced the service's capacity in its current state, putting the Corporation at risk. In order to support the management of overall corporate risk, Legal Services must be empowered to turn away low-risk and low-value work.

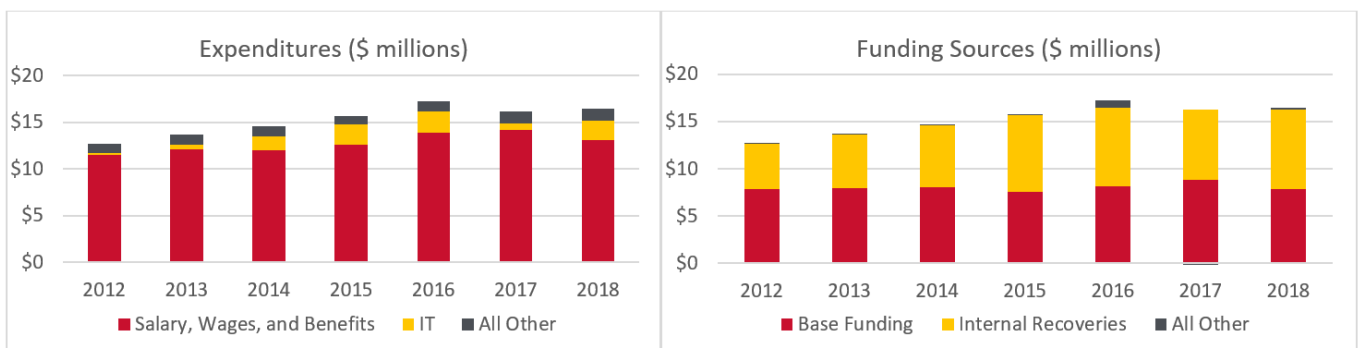
2.1 By The Numbers

Legal Services: The Legal Counsel & Advocacy service works with all City services and represents internal clients in legal proceedings involving The City. It also supports service delivery to citizens through issue and risk identification, drafting legal documents, advising on legal and regulatory requirements, supporting informed decision-making and developing solutions/strategies.

Legal Practices: The organization is structured into six legal sections comprising eight areas of legal practice, plus a small business support division.

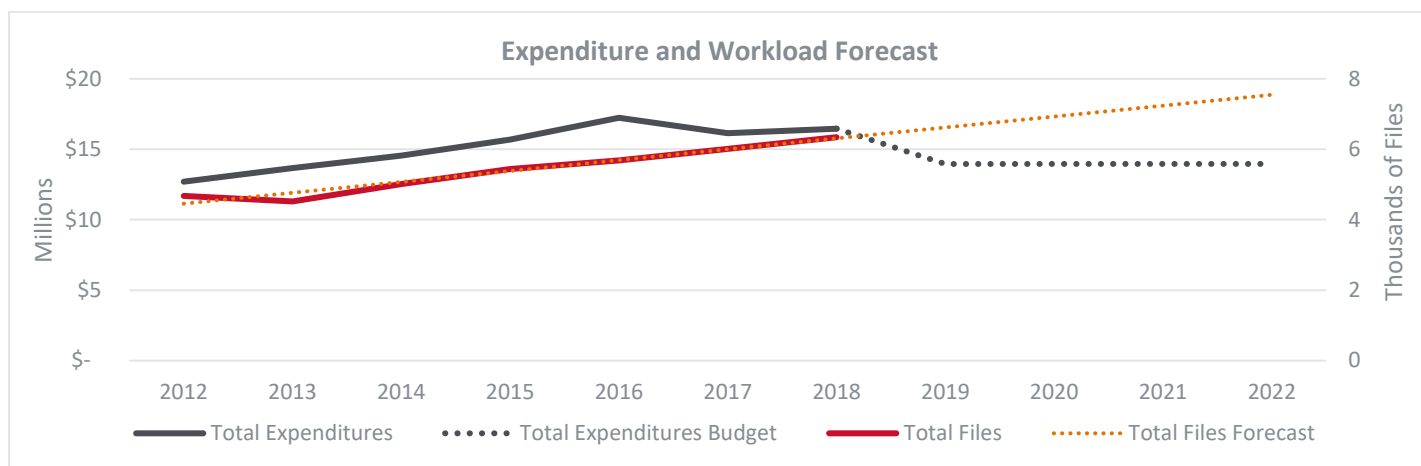
- Prosecutions - Specialists focused on prosecuting offenses against The City
- Litigation - Specialists focused on defending The City against legal suits in court
- Planning & Environment - Specialists focusing on the legalities of land use and environmental issues
- Real Estate & Expropriation - Specialists focusing on the legalities of acquiring and disposing of property
- Corporate Services - Standard corporate legal practices including contract law, HR law and FOIP
- Research, Legislative, & Administrative Law - Combination of three practice areas: legal research, legislative law (bylaws and other legislation) and administrative law (internal policies and tribunals)

People: 62 lawyers, 6 paralegals, 17 assistants (legal & library), 12 other (filled positions as of 2018 December 31).



2.2 Increasing Legal Workload

From 2012 to 2018, the volume of legal files has increased 28 per cent. This increase is due to many factors beyond Calgary's growing population and the Corporation's broadening scope. Over the years Legal Services has provided advice and results that all City services have come to count on. In a 2018 Internal Services Impact survey, 64 per cent of respondents rated Legal Services as having the greatest impact on their ability to service customers, second only to HR at 65 per cent. However, at least one General Manager feels staff is "hooked and dependent on law... we need to take responsibility for our own business risk and be taught 'how to fish.'" Over-dependence on Legal Services plus a changing environment (i.e. regionalization, aging infrastructure, economics) continues to put pressure on an organization that is dealing with a 41 per cent lawyer turnover rate (2017 January to 2019 November) and other operational issues.



If this continues at the current pace and no changes are made to how Legal Services operates, by 2022 we will need to either **increase budget by up to \$6M** or accept that **almost 30 per cent of demand** (over 2100 files) will go unsatisfied.

2.3 Operational Challenges

Through workshops, data reviews and customer and staff interviews, a range of issues facing the Legal Services were identified, all of which are related to the management of service operations:

- **Gap in leadership:** No director¹ and no formal direction from the Corporation to Legal Services, resulting in an organization that lacks a shared overarching strategy or long-term direction and goals. Staff are unclear on both cross-corporate and intra-service priorities and risk tolerance.
- **Lack of clearly defined service value and service levels,** resulting in Legal Services over-performing in some instances and under-performing in others, with no basis upon which to say "no."
- **Lack of standardization and automation** across and within legal practices, such as no standard intake process, inconsistent contracts/leases and unnecessarily manual or paper-based processes.
- **41 per cent lawyer turnover rate** (2017 January to 2019 November) due to long-running salary freezes, uncompetitive compensation, work/life balance issues and retirements. This has associated financial costs as well as opportunity costs (e.g. lowered capacity for succession planning).
- **Few meaningful performance measures** and no data development plan, making it difficult to manage and measure success.
- **Limited operations staff** focused on working on the business.
- **No integrated technology strategy,** along with **existing technology past end-of-life** and limited staff understanding of or training on how best to use existing technologies, resulting in wasted time and inefficiencies.

¹ Note: leadership structure has changed since findings were noted. While a director position is being hired, the gap in leadership will remain due to capacity challenges.

2.4 A Service at Risk

Despite the will to do the best job possible for the Corporation, Legal Services is hampered by the above operational challenges. A 2018 rough estimate calculation illustrates the capacity deficit this has created: 11,000 hours or 8 lawyers. The situation has deteriorated further in 2019.

The result is a management team continually fighting fires, with inadequate time for intentional management, succession planning, proactive problem solving and evidence-based decision making. This is compounded by a lack of expertise and support for business operations and continuous improvement.

The opportunity emerging from this ZBR is the chance to build a more resilient, scalable and effective operation – one better suited to managing overall Corporate risk, enabling decisions having high financial impact and contributing to modern and efficient local government – by understanding client needs, clearly defining core services and service levels and automating tasks that do not require human critical thinking. While this may reduce the scope of service provided, it will enable Legal Services to ensure the *right* service is being provided at the *right* cost and the *right* time by the *right* people.



2.5 Calgary is Not Alone

Industry publications were reviewed to gain insight into current legal issues trending elsewhere. In addition, General Counsel for the City of Toronto took time to share her challenges. The following is an overview of trends driving changes in the legal services industry.

- More work is remaining in-house due to the high cost of outside counsel who often have little insight into business issues and organizational politics.
- Increase in legal matters volume and complexity due to: changes at all levels of government driving increases in administrative requirements, emerging industries, disruptive technologies and greater public scrutiny – balancing accountability, transparency and an increase in timing of news cycles.
- Many legal departments are moving from cost driven to value driven organizations. In-house lawyers are increasingly expected to be not only lawyers, but also business partners.
- Increased automation and artificial intelligence (AI). 84 per cent of surveyed firms expected an increase of automation and AI in the legal industry.
- The role of legal operations is growing. The legal operations professional is vital for tasks which lawyers and their support teams typically don't have either the time or skill set to manage.

2.6 A Call to Action!

Industry research on best practices is focused on three pillars required to manage an effective legal service: the legal practice, the business operations and the technology that supports it all. The key issues concerning Legal Services relate to a lack of focus on the 'business of law' (i.e. service operations) and its supporting technology.

Legal Services has built a great reputation for their legal expertise and providing platinum service. This legal expertise must be supported by a resilient and scalable operating model. But no matter how desirable, The City can no longer afford this level of service across all customer segments and must begin to say no to lower-risk work.



Legal Services’ relatively unchanged business model has yet to substantially affect the *quality* of legal work, but has certainly affected the *amount* of work that can be accommodated. A well-managed legal service must manage both sides of the operational equation, demand and capacity, to be able to simultaneously minimize risk and maximize efficiency.

With Legal and Compliance one of The City’s top risks (see the upcoming risk report AC2020-0011), this is a call to action because a legal service stretched to its maximum ability puts the Corporation at risk.

3. A New Approach to Legal Services

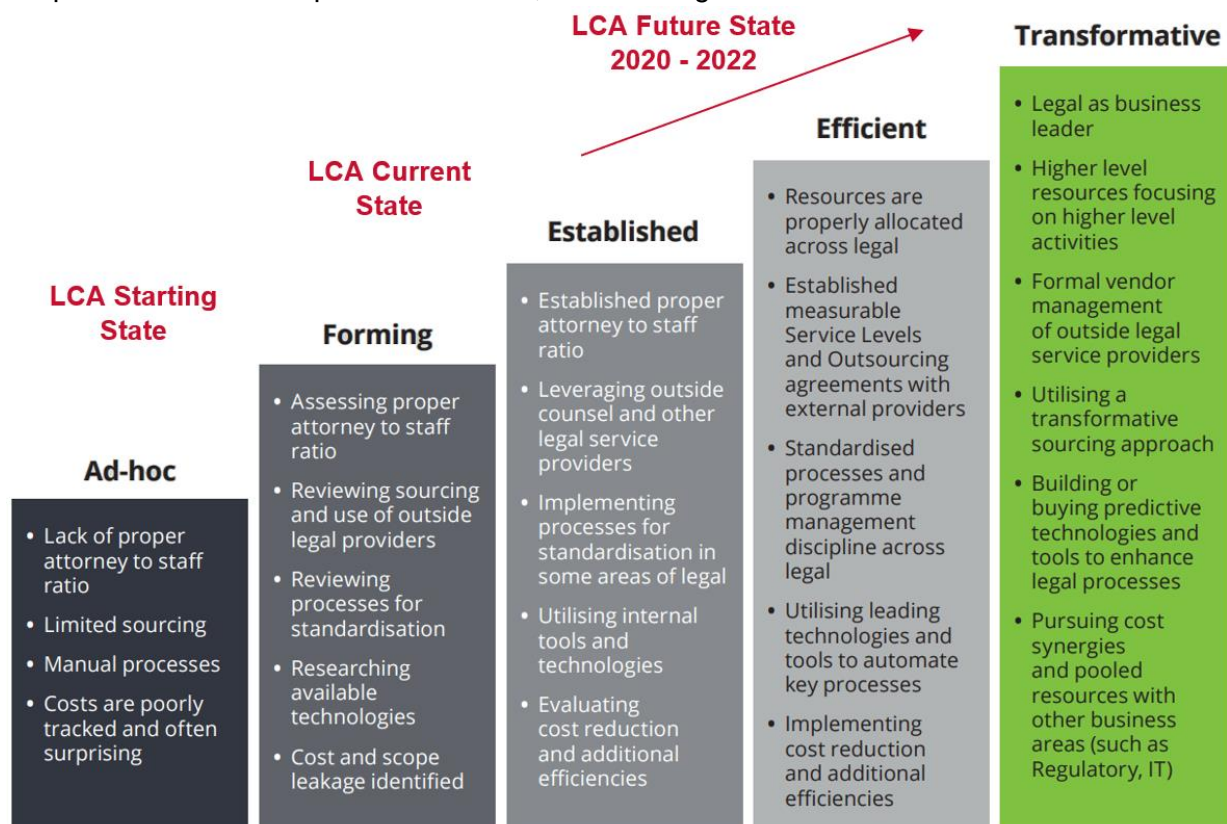
The City requires that its legal team keep pace with the needs of the organization – at the same time Legal Services is increasingly being asked to do more with fewer resources. The current business landscape and the current state of Legal Services creates a compelling reason for The City to rethink:

- **Why** Legal Services exists and agree, at the Corporate level, on Legal Services’ mandate;
- **Who** are Legal Services’ customer groups and what are their needs;
- **What** are Legal Services’ core and supporting services that meet customer needs; and
- **How** does Legal Services operate to achieve greater efficiencies, increase the value provided to the Corporation, customers and citizens and ensure long term sustainability.

3.1 Legal Services Maturity Model

To benchmark the state of Legal Services’ operation, the ZBR team turned to Deloitte’s Legal Service Operating Maturity Model², below. This is an analytical tool for measuring law department performance in terms of technology, analytics and process.

According to this operational maturity model, Legal Services’ operations are at the lower end of the maturity scale, “Ad Hoc” to “Forming,” indicating that substantial work is required to build a highly effective legal services operation. As the Corporation matures, so must Legal Services.



² (Deloitte Legal, 2017, <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Legal/dtll-legal-deloitte-changing-world-requires-a-new-approach-to-law.pdf>)

3.2 Building a Future State

The Legal Services ZBR recommendations were divided into two focus areas:

Focus Area 1: Build a Service Foundation – rebuilding Legal Services’ service foundation to align with our changing Corporation and industry best practices; and

Focus Area 2: Redesign and Implement a Resilient Operational Model – redesign the how (people, process and technology) of service operations to ensure the City of Calgary’s Legal Services are efficient, sustainable, and scalable into the future.

As Legal Services looks to effectively balance service demands with organizational capacity and increase value to the Corporation, the management team must first build a Corporate wide understanding of ‘what are the right things to do,’ and only then focus on ‘doing them right.’ By answering fundamental questions: ‘the why, who, what’ of a service, the ‘how’ can then be addressed.

In short, this ZBR has recommended that Legal Services begin at the beginning: Defining purpose, value, customer groups, core vs other services, and key performance measures before focusing on redeveloping process, integrating technologies, or redesigning the organization.

The following is a high-level list of commitments accepted by the Legal Services ZBR Steering Committee.

Focus Area #1 Build a Service Foundation (In Process)	Focus Area #2 Operational Redesign (Future Development)
<ol style="list-style-type: none"> 1. Ensure Legal Services has an appropriate team to lead and support business operations 2. Develop a clear picture of strategy 3. Develop robust performance measures 4. Use customer understanding to formalize service offerings, scope and levels 5. Streamline work processes supporting high-volume and/or low-risk work 	<ol style="list-style-type: none"> 6. Engage experts to support a redesign of the service's operating model <ol style="list-style-type: none"> A. Develop an Integrated Technology Ecosystem Roadmap; B. Streamline, standardize and automate business processes where possible; and C. Craft an updated staffing model which better supports Corporate needs at appropriate costs.

4. A Journey of Service Realignment, Resilience and Scalability

In the short term, Legal Services is “getting the job done” despite high turnover and budget cuts. In the long term, The City requires a legal service that is resilient and scalable and can meet the changing needs of the Corporation and its citizens. Defining and communicating the Legal Services’ service foundation is essential to planning and developing an operating model that can best achieve Corporate objectives and deliver service that is fit for the future.

4.1 A Multi-Year Journey

The process of creating a service foundation and planning and implementing a more effective operating model is not something to rush. Stepping back for clarity and understanding requires both time and ‘head space’ from those involved. This work is vital to both Legal Services and the Corporation to ensure that our legal function is fit for purpose and aligned to the organization’s current strategy rather than a reflection of its past. The change required is transformational. The following are **critical success factors** that will ensure this work does not get lost in the everyday work demands of the organization:

- Organizational acknowledgement that transformational change takes time;
- A clear vision of where Legal Services is headed shared with and understood by the Corporation;
- A senior management governance that will help guide this change with an executive sponsor with clear accountability and line of sight;
- A structured, managed process based on a multi-year implementation roadmap; and
- A project leader given clear responsibility for change with the rest of the service leadership team offering unconditional support for the process of change.

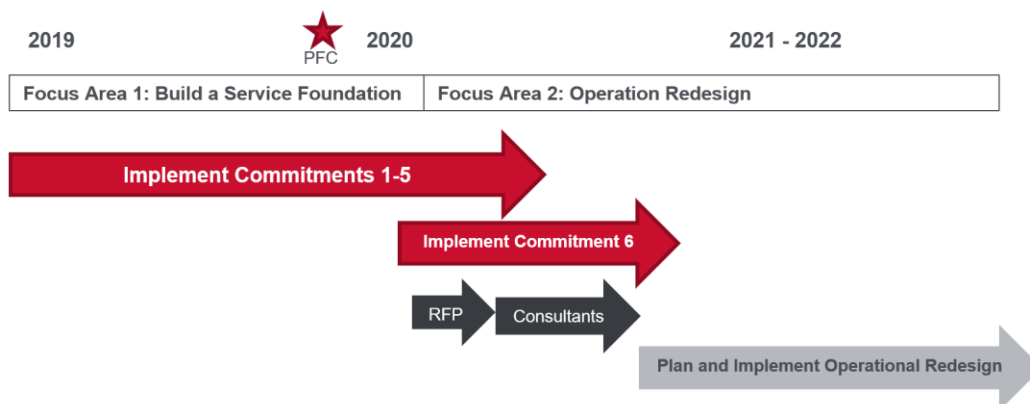
4.2 The Future Begins Now

As a testament to its commitment, Legal Services has already begun to build the foundation for operational redesign:

- Ensure Legal Services has an appropriate team to lead and support business operations**
 Currently, the Law business unit has an Acting Director and has hired an operational resource to assist in driving the implementation of the Legal Services ZBR Administrative Commitments.
- Develop a clear picture of strategy**
 Strategic discussions regarding role and purpose of the Legal Services within the Corporation have begun. This work will continue into 2020 with a focus on the service’s long term goals. It is recommended that discussions regarding this strategy include the whole ALT since it is in the best interest of the Corporation to ensure Legal Services has a clear understanding of corporate priorities and focus.
- Develop robust performance measures**
 Each legal practice is determining both headline and managerial performance measures for the group. In addition, the teams identified gaps in data that is collected. This information will be used by Legal Services management to (1) develop impactful headline measures at the service level and (2) feed data needs into Commitment 6A: Technology Strategy and Roadmap.
- Use customer understanding to formalize service offerings, scope and levels**
 Customer understanding research included 75 customer interviews including Civic Partners, 30 staff interviews, 5 employee engagement session with section management and staff. The feedback from customers reinforced the ZBR team’s initial impressions; an approach to customer segmentation was developed for Legal Services’ future use; and 4 actions (see Administrative Commitments, page 3) were recommended to ensure Legal Services continues this work. A pilot project is already being scoped to right-size the level of service provided to Supply and reallocate low-risk tasks to Supply staff.



Once Legal Services builds their service foundation, they can then turn attention to operational redesign. An external consultant will be hired once the organization is ready to move on to Focus Area 2 – Operational Redesign. The Legal Services ZBR budgeted dollars will be available in 2020 for external consultants with legal services experience to provide insight on best practices and options for process and automation improvements.



4.3 Changes in Legal Services Multiply Across the Organization

An investment in Legal Services benefits the Service, the Corporation and, ultimately, all Calgarians. Efficiencies found through the redesign of the Legal Services operating model will have ripple effects across the Corporation in terms of time saved for their clients and costs avoided. It is difficult to quantify the financial benefits without details of the specific changes being implemented, though the actual scenarios found in the next section demonstrate potential outcomes.

4.4 Examples of Legal Services' Corporate Impact

Service Improvement Between Service Lines

Challenge: Legal Services was experiencing significant work volumes from a high-volume client and had little insight into priority work. Legal Services could spend several days on low risk work for a low value gain (e.g. less than \$5K) while being given very limited time to prepare for and handle high value files (e.g. \$10M+).

Legal Services felt the client could better use legal services to maximize success and wanted to ensure their legal work was: "Consistent, Understandable, and Defensible; to ensure citizen trust and confidence in the Corporation".

The underlying question for both Legal Services and the client was 'What does success look like?' and how do we ensure 'The right resources are doing the right work in the right way.'

The two teams worked together at the staff level for two years to address the 'how' of managing workload and improving the value of legal service to the client. Together the service teams developed shared principles and criteria for prioritizing work and developed rigor and structure to manage expectations and focus on the work most important to the business and Corporation.

Outcomes:

- Shared clarity of what success looks like
- Improved employee engagement and satisfaction in both organizations
- Staff understood priorities
- Legal Services has a set of criteria to triage the work
- Shared understanding of when it is critical to bring in Legal Services and why Legal Services says no to work

Corporate Benefit/Opportunity: This was a win, not just for Legal Services but for the client, the Corporation and the citizens of Calgary. This type of service improvement work with partners should be ongoing to ensure that Legal Services is focused on that which most benefits the Corporation. Legal Services requires operational resources to do this type of work; ensuring lawyers do the work they are paid a premium to do. Additionally, when Legal Services understands and focusses on Corporate priorities, everyone wins.

On-Demand Transit Initiative

Challenge: The On-Demand Transit Initiative was a \$340k pilot project. The project manager described the legal team as "exceptional lawyers, responsive, and thoughtful." This was a small initiative that required interfacing with over 50 people, a dozen different approvals and 5 different lawyers providing expertise in the areas of bylaws, provincial regulations, litigation, supply, risk, community standards, and IT.

Outcomes: The pilot was successful, views were valuable, risks were minimized.

Corporate Benefit/Opportunity: The question is one of Corporate risk tolerance. Is the risk on this \$340k project worth the involvement of 5 staff lawyers? The answer may be yes on this project, but can the Corporation continue to provide this type of support on all small initiatives? With a broader understanding of Corporate risk tolerance, Legal Services can better balance needs and capacity for the breadth of their customers.