

ZBR PROGRAM UPDATE – MAY 2017

EXECUTIVE SUMMARY

The Zero-Based Review (ZBR) program complements The City of Calgary's other continuous improvement activities by adding a periodic, more thorough review of whether the right services are being provided in the right way. This work is especially important in the current economic climate when resources are limited but the demand for City services is not.

This is the first ZBR program report that incorporates new reporting principles agreed by the Priorities and Finance Committee in November 2016 (PFC2016-0883). In line with the new principles, this report presents program-level results together with updates on individual reviews, giving Council a more holistic and strategic view of the program.

There are currently reviews in all of the different stages of the ZBR process. Eight reviews have been completed since 2012, which identified between \$54 million (low estimate) and \$62 million (high estimate) in annual financial gains after full implementation. Many of the recommendations from completed reviews have been implemented and are now resulting in real benefits for citizens, including \$10 million in recurring annual savings (as of December 2016) as well as service effectiveness improvements, such as better customer service and reduced environmental impact.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommend that Council:

1. Receive for information:
 - a. ZBR Program Dashboard (Attachment 1);
 - b. Service Improvement Case Studies (Attachment 2);
 - c. Calgary Transit ZBR Status Update (Attachment 3); and
 - d. Calgary Transit ZBR Implementation 2017 Update Report (Attachment 4).
2. Approve Administration's request to defer the report on the Water Resources ZBR implementation plan to Q2 2018.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED

2017 MAY 16:

That Council approve the Administration Recommendations contained in Report PFC2017-0431.

PREVIOUS COUNCIL DIRECTION / POLICY

The ZBR program was created by Administration as part of its response to Council's direction to become "a more effective and disciplined organization" (C2011-55).

The program has evolved over time, driven by both the changing circumstances since its inception and the continuous improvement ethos of the ZBR program itself. Direction for the program is therefore contained in a number of previous reports to Council, including:

- The initial report establishing the program and setting up the pilot (FCS2011-31);

Approval(s): Sawyer, Eric concurs with this report. Author: Dietrich, Megan
City Clerk's: J. Darragh

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- A follow-up report, modifying some program parameters, reflecting lessons learned in the pilot (PFC2012-0492);
- Approval of the ZBR program for 2013 and 2014 (subjects and resources), with further method improvements (PFC2012-0713);
- Approval of the 2015-2018 ZBR program (subjects and resources), with further method improvements (PFC2014-0554);
- Two information reports prepared in response to a Council inquiry, detailing the relationship between ZBRs and Audits, explaining the costing methods used and proposing further enhancements (PFC2015-0903 and PFC2016-0518); and
- Approval of a new program mandate and reporting approach to enable the program to continue delivering results in the face of changing circumstances and new requirements (PFC2016-0883).

In June 2016, the Calgary Transit Zero-Based Review and Administration's Response (PFC2016-0469) were presented to Council, and Council directed Administration to report back by June 2017 with an implementation plan.

In September 2016, the Water Resources Zero-Based Review and Administration's Response (PFC2016-0660) were presented to Council, and Council directed Administration to report back by September 2017 with an implementation plan.

BACKGROUND

The ZBR program is one of the tools that Administration is using to execute Council's five imperatives (C2014-0703):

1. **Integrated Service Delivery** – Council is consistent in its view that the corporation needs to provide services in a much more coordinated and integrated way
2. **Engaged Leadership** – Council wants collaborative organizational leaders and managers that function together as a team
3. **Trust and Confidence** – Council is asking for an organization that is reliable, honest, effective, and that has its confidence and trust
4. **Public Service Culture** – Council wants the organization to deliver its services with a citizen and customer focused approach
5. **Investment and Value** – Council expects a sustainable financial plan from Administration that is responsible and creates value

As established in the Leadership Strategic Plan (C2014-0703), the ZBR program is part of Administration's Performance Management System, which is a disciplined approach to continuous improvement designed to better serve our customers, communities and citizens. This system is comprised of five interconnected strands (Figure 1).

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Figure 1: Performance Management System



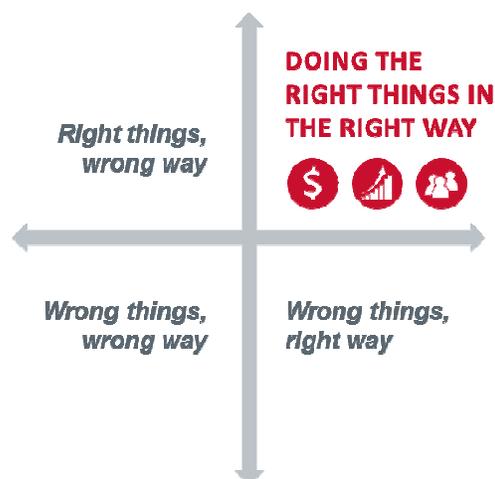
The ZBR program draws on all elements of the Performance Management System to identify efficiency and effectiveness improvements. It has the greatest intersection with the “Service Review and Improvement” strand, where the ZBR program complements The City’s other continuous improvement activities by adding a periodic, more thorough review of whether the right services are being provided in the right way.

The ZBR program exists to:

1. Increase the value Calgarians get from their tax dollars by improving the efficiency, effectiveness and sustainability of services; and
2. Build the organization’s capacity for continuous service improvement.

This work is especially important when resources are limited but the demand for City services is not. The recent economic downturn has increased the pressure for Administration to use fewer resources without compromising service quality, and incremental budget cuts are no longer enough to address this challenge. By first asking fundamental questions about whether we are doing the ‘right things’, the ZBR program lays a foundation for true efficiency (Figure 2).

Figure 2: Effectiveness and efficiency



INVESTIGATION: ALTERNATIVES AND ANALYSIS

New ZBR Reporting Approach

This is the first ZBR report that incorporates new principles agreed by the Priorities and Finance Committee in November 2016 (PFC2016-0883), which stated that future ZBR reports will:

- Present new and cumulative results, together with the opportunities Administration is pursuing to deliver further results in the future;
- Be strategic, with a level of detail consistent with Council’s role (with full details of any specific review or opportunity available to Council members on request); and

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- Clearly and concisely communicate the benefits the program has delivered for Calgarians.

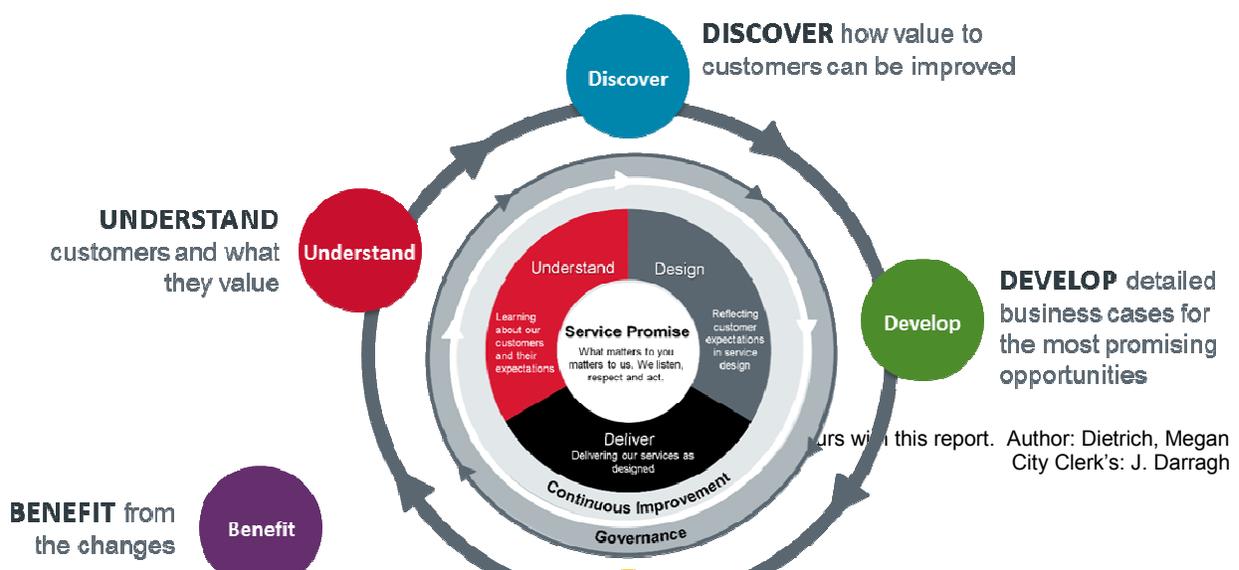
To reflect these new principles, ZBR program reports from this point forward will include the following components:

- A new ZBR program dashboard: This document provides Council with visibility of the whole program and the status of individual projects. For the first time, information is presented on the implementation and benefits realized from completed ZBRs. This dashboard will be updated and presented to Council with each program report, enabling Council to track progress over time. (Attachment 1)
- Service improvement case studies: These case studies illustrate the wide range of tangible benefits being delivered for Calgarians. They serve two purposes:
 - To present some of the effectiveness gains made as a result of the ZBR program; and
 - To provide examples of service improvements undertaken outside of the ZBR program, which demonstrate Administration's increasing capacity for continuous improvement in line with the second purpose of the program. (Attachment 2)
- In-depth updates on major ZBR milestones: To give Council a more holistic view of the program, in-depth updates on individual reviews are provided together with overall program results. These detailed updates will be provided at key project milestones, such as finalization of recommendations or implementation. In this report, a detailed update is provided on Calgary Transit's progress towards implementing the recommendations. (Attachments 3 and 4)

ZBR Program Status: May 2017

ZBRs use a continuous improvement process based around The City of Calgary's Customer Service Approach (Figure 3).

Figure 3: The ZBR continuous improvement process



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Updates are provided below on the reviews in each of these different stages, starting with the final stage (benefits realized) and working backwards to the beginning stages.

Benefit:

- Eight reviews have been completed since 2012 (including the pilot project) representing 67% of City services, as measured by 2016 gross operating budget. The total financial gains identified in these reviews are between \$54 million (low estimate) and \$62 million (high estimate) annually after full implementation.
- Many of the recommendations from completed reviews have now been implemented and are resulting in real benefits for citizens.
- Approximately \$10 million in recurring annual savings have been realized as of December 2016. Additional savings are expected in 2017 and beyond as a result of completed ZBRs. Work is underway to collect information on forecasted benefits so that future reports will provide a year-by-year breakdown of when we expect to realize the balance of savings.
- The City has also realized benefits in the form of service effectiveness, including better customer service, reduced environmental impact and improved public safety. These results are diverse in nature and may be harder to quantify, making it difficult to present them as a single headline measure. Administration is developing measures to better capture these effectiveness gains; in the interim, a collection of case studies is provided in Attachment 2 as examples.
- Benefits can take time to be fully realized. Some of the recommendations arising from ZBRs are relatively easy to implement and benefits are realized right away. Others are more fundamental changes and in these cases, while the benefits are often more significant, it can take several years for implementation to be completed and for benefits to manifest.

Implement:

- The three most recently completed ZBRs are currently developing implementation plans and expect to begin realizing benefits soon.
- The Calgary Transit ZBR implementation plan is attached to this report for information. Attachment 3 provides a snapshot of each recommendation including progress to date, expected savings and next steps. Attachment 4 provides more information about Calgary Transit's overall approach in addressing the ZBR recommendations and implementing continuous improvement for sustained impact throughout the organization.
- Implementing the Water Resources ZBR complements work underway to identify significant budget reductions in the Water Utility (PFC2017-0402). Administration previously committed to updating Council on the Water Resources ZBR implementation

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plan by September 2017 (PFC2016-0660). However, to ensure alignment with other budget reduction efforts, a deferral is requested to bring the ZBR implementation plan forward by Q2 2018 as part of a future ZBR program update.

- Calgary Building Services is planning for implementation and details will be available in Q4 2017.

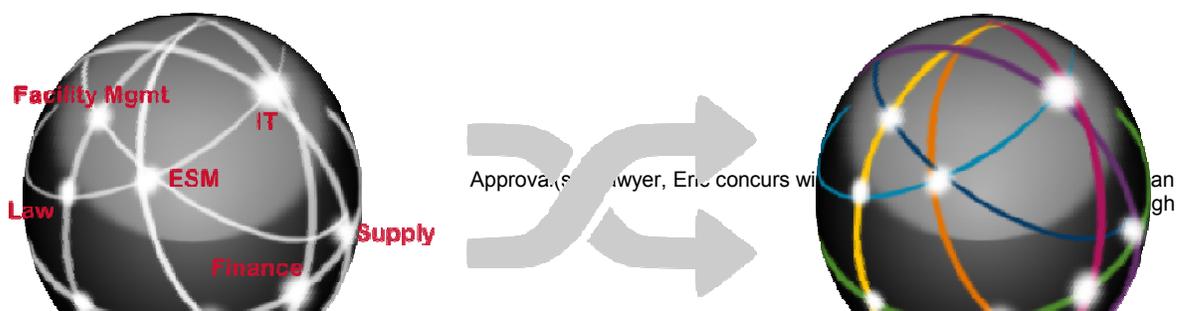
Develop:

- The Recreation ZBR is currently developing recommendations in two phases. The first phase of the ZBR is focusing on facilities that Calgary Recreation operates. The second phase will focus on how future recreation facilities constructed by The City should be operated.
- The biggest opportunity for improvement in direct delivery is to step back and ask: are we providing the right recreation services to the right people at the right price?
- Recreation's purpose, target customers and value propositions have been distilled from previous Council directions and confirmed to be in line with Council members' expectations.
 - Overarching goal: More Calgarians, more active and creative, more often.
 - Target customer segments: Youth and families with children.
 - Value proposition: Affordable and accessible services; quality, introductory skill development; services not offered by other providers, and; diverse recreation and culture sector.
- Confirming Recreation's overall purpose and aligning its operations with that purpose will result in a more focused business unit delivering services demanded by customers in a streamlined fashion.
- The resulting recommendations will be presented in the Q4 2017 ZBR program report.
- The second phase of the Recreation ZBR will commence later this year.

Understand & Discover:

- Looking forward, the primary focus of the ZBR program in 2017 and 2018 is on The City's support services.
- These services have smaller budgets but are key drivers of whole organization efficiency. As such, the maximum value to be gained from these reviews lies not inside each business unit but in the business relationships and processes between them – and those they serve.
- The focus of reviews is therefore shifting from business units to the value chains that run across them (Figure 4).
- Improvements in these areas will have far-reaching benefits across the corporation.

Figure 4: Transitioning from a business unit focus to value chains



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- Understanding how these services create value for their internal customers is ground zero for the upcoming ZBRs. It will identify those areas of current activity that offer low value to customers and determine whether these services are still required. This ensures that our improvement efforts are focused on services we are sure should continue, and thereby maximizes the efficiency of both the service and the ZBR process.
- The deep dive areas arising from this work will be presented to PFC in Q4 2017.

Data Development

The new ZBR program mandate obtained in November 2016 (PFC2016-0883) increases the focus on results. To support this, Administration committed to improving the ZBR program performance measures and this report shows the inroads made on this front.

Since the ZBR program's inception, Administration has consistently tracked the financial benefits *identified* at the end of each ZBR. Information on benefits *realized* (cost savings and service effectiveness improvements) has not been consistently tracked or communicated. Initial benefits tracking has identified \$10 million in realized savings as of December 2016: the first time this figure has been presented to Council.

Other data improvements presented in this report include the range of estimated financial benefits (low and high estimates) and case studies showing service effectiveness improvements.

Additional improvements that will be made in 2017 include:

- Tracking the results and status of individual recommendations;
- More robust tracking of service effectiveness gains (in addition to efficiency gains);
- Year-over-year forecasts for when benefits are expected to be realized; and
- Options for measuring the ZBR program objective of building capacity for service improvement within the organization.

Progress in this area will be presented in the next ZBR program report in Q4 2017.

Stakeholder Engagement, Research and Communication

A number of stakeholders were engaged in the creation of this report:

- Council members provided input on the refreshed ZBR program mandate including the new reporting approach, approved in November 2016 (PFC2016-0883).
- The new ZBR program report format and principles were endorsed by the Corporate Initiatives Departmental Advisory Group, a committee of General Managers and Directors.

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- Principles and relevant content were tested with the Recreation and IT ZBR Steering Committees, and all Directors of business units that have already completed or are in the midst of completing a ZBR.
- Staff across the organization collaborated to collect data on benefits realized to date as well as service improvement case studies.

As agreed in an earlier report on ZBR program governance (PFC2015-0903), Administration is currently offering the opportunity for Councillors to offer their input to the support service ZBRs.

Strategic Alignment

The ZBR program is part of the Performance Management System, which in turn is one component of the Leadership Strategic Plan (C2014-0703). Along with these other elements, the ZBR program helps the organization respond to Council's five imperatives of integrated service delivery, engaged leadership, increased trust and confidence, a public service culture and investment and value. The ZBR program in particular supports Stage 3 of the Leadership Strategic Plan "Road Map" as it is a tool to help improve organizational efficiency.

Social, Environmental, Economic (External)

There are no direct implications from this report.

Financial Capacity

Current and Future Operating Budget:

The ZBR program helps the organization to manage operating costs, which is particularly important in the current economic downturn. There are no operating budget implications as a result of this report.

Current and Future Capital Budget:

The ZBR program also helps the organization to manage capital costs. There are no capital budget implications as a result of this report.

Risk Assessment

This report primarily focuses on changes to the ZBR reporting approach and results achieved to date. Therefore, there are no significant risks associated with this report.

REASON(S) FOR RECOMMENDATION(S):

This report fulfills Administration's commitment to provide regular updates to Council on the ZBR program under new reporting arrangements, as agreed by the Priorities and Finance Committee in November 2016 (PFC2016-0883).

Administration is requesting a deferral on the Water Resources ZBR implementation plan, as this work is complementary to work underway in the Water Utility to identify significant budget reductions for 2017 and 2018 (PFC2017-0402). If the deferral request is approved, the implementation plan will be brought forward by Q2 2018 as part of a ZBR program report.

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ATTACHMENT(S)

1. ZBR Program Dashboard
2. Service Improvement Case Studies
3. Calgary Transit ZBR - Status Update
4. Calgary Transit ZBR Implementation - 2017 Update Report