

Calgary



PFC2020-0891
Presentation

PFC2020-0891: Solutions for Achieving Value and Excellence (SAVE) Program Preliminary Results and Actions

Priorities and Finance Committee
2020 September 8



Agenda and Objectives

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Today's overall aim is to update PFC on the progress made by the SAVE program, and provide an opportunity to hear directly from the external consultant supporting the program on challenges and opportunities faced by the City of Calgary.

Agenda



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3	Context and Methodology
4	Overview of Progress to Date
5-6	Business Cases
7	Challenges and Opportunities
8	PFC and Council's Role
9-10	Next Steps and Recommendations


Today's Objectives

- Provide PFC with an update on SAVE's overall progress
- Provide PFC with the opportunity to hear directly from the external consultant supporting SAVE
- Provide a framework for PFC members to think about decisions and behaviours required going forward

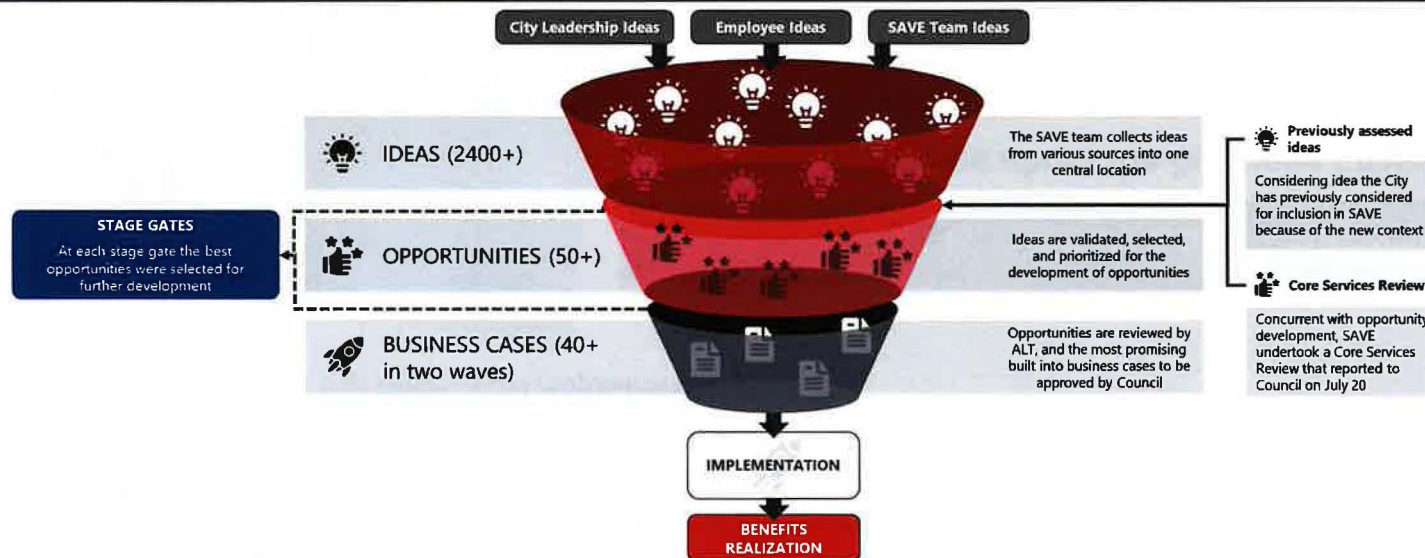


The following outlines, at a high level, what has happened to date, how the SAVE program was deployed, key upcoming milestones, and the overall context the SAVE program is situated within.

SAVE context

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- Starting in 2020 April, EY and City Staff have been working together to meet the goal of achieving \$24M in ongoing savings from the City of Calgary's tax-supported operating budget in 2021, with an additional \$50M to be achieved in 2022
 - The SAVE program took a structured approach to generate ideas, develop opportunity statements, and then develop business cases, with rigorous stage gates between each step

The SAVE program's funnel approach



The overall project timeline speaks to the continued need for urgency

- April 2020 – Onboarding**
- June 2020**
Initial report to ALT on a suite of opportunities that are being pursued; approval to advance opportunities to business case development and execution
- September 2020**
Report to PFC on progress and forecast list of business cases to be executed
- November 2020**
Midcycle adjustments, including forecast SAVE results for 2021

Overview of Progress to Date

As detailed in Attachment 1, SAVE is pursuing 44 business cases in a two-stage process; the first portion will be presented to Council as part of the Mid-Cycle Adjustments process



Business Case Characteristics

Some key notes about the business cases:

- Presented in three groups: Cost Reduction, Modernization, and Revenue
- Significant portion of business cases are focused on making structural changes to make service delivery more efficient and reduce back-office costs
- Implementation, risk, change management and performance measures are considered for each
- Note that SAVE business cases are only a portion of achievable savings across The City – for example, capital and Police Services were out of scope, and initiatives that had a longer-term payoff were deferred



Business Cases

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Business cases are being developed in two groups, with the first wave being incorporated into the Mid-Cycle Adjustments package coming to Council in November

Wave 1 (Focused on 2021)		
Cost Reduction	Modernization	Revenue
Budget Process Modernization	Application Portfolio Management (APM) Acceleration	911 Public-Safety Answering Point Optimization
Bylaw Enforcement	Category Management & Strategic Sourcing	911 Service Offering
Civic Census	Contract Compliance	Cost Recovery
Civic Partner Funding	Digital Service Enablement	Calgary Parking Authority Management of Transit Parking
Discretionary Expenditure Optimization	Future of Work	Data Sales
Duplicate/Fragmented Functions	Payroll Modernization	
Energy Budgeting	Process Automation	
External Counsel		
External Memberships		
Financial Reserves Optimization		
Fire Response Service Level		
Fire Wellness Centre		
Fleet Optimization		
Span of Control		

Wave 2 (Focused on 2022)		
Cost Reduction		Modernization
Computer Power Management	Safety Performance	Chatbots
Corporate-Wide Route Planning	Tax Advisory Temporary Workforce	Revenue
Council Requests & Reporting	Transit Service Level Re-Alignment	Advertising
Energy Efficiency Investment	Transit Service Rationalization - On-Demand Service	Asphalt & Aggregate Production
Rostering, Scheduling, and Time-Tracking	Winter Maintenance	Enmax Dividend
		Roads Revenue

Development of financial estimates can be complex given the short timeframes; two representative examples are provided

Procurement Reform

- Comprised of Category Management and Strategic Sourcing and Contract Compliance business cases
- Shift procurement operating model and improve resources to focus on category management and strategic sourcing; Support business units to improve compliance after contracts are signed to ensure full value is captured
- Significant opportunity to drive savings without impacting service delivery to residents
- While reform is facilitated by Supply Management, support from all Business Units will be critical for success.
- Benefits are realized at the Business Unit level; extracting those savings to the corporate level will require ongoing buy-in from Business Units

Financial Reserves Optimization

- Review the City of Calgary's reserves for their purpose, utilization, funding sources and adequacy, and the reasonability of their balance
- Focus on identifying areas where The City can redirect annual contributions or other ongoing fiscal benefits and redirect them in order to reduce tax support for ongoing operations.
- Key challenge is control and accountability of reserves managed by Business Units, considering this process takes a wider view of reserves as a collective responsibility that must meet the objectives of the whole Corporation while continuing to mitigate the Business Unit's risk profile.
- Support is required by all General Managers to review full-cycle business models, future commitment decisions or timing/scope of plan execution.
- Potential impact to previously approved Council commitments and expectations.

The City's historical culture and context creates a challenge when it comes to implementing centralized initiatives; collecting data and information has also made developing accurate financial estimates a challenge



Business unit buy-in

- Cautious management culture leads to risk aversion
- Emphasis on incremental, more narrowly-focused initiatives instead of transformational, cross-corporate approaches
- Full business-unit buy-in to cross-corporate opportunities, and a sense of ownership across the system needs to be created



Business units have a high level of autonomy to deliver on their mandates, regardless of central initiatives

- Until recently, rapid population growth required a focus on increasing service delivery volumes
- Cross-corporate initiatives to reduce costs took a back seat to meeting population growth demands



A consistent approach to benefits realization is not always used

- The results of some previous initiatives are not always fully realized or sustained, and the root cause of these initiatives is not always understood
- Consistent implementation of a centralized approach to benefits realization is required



Timely, accurate, consistent and easy-to-analyze corporate-wide data is not always available

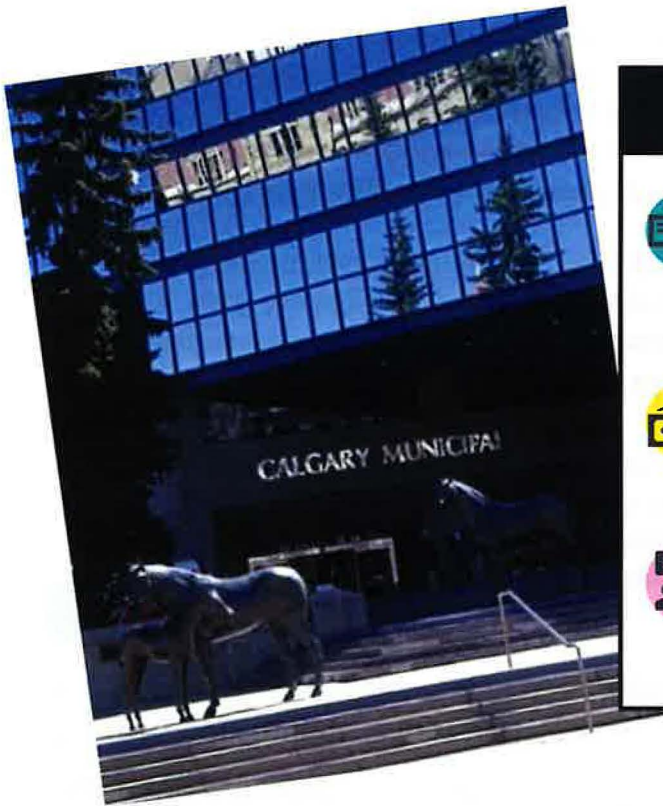
- Benefits become difficult to estimate for cross-corporate initiatives
- Consideration of new approaches to data collection, using existing systems, to support ALT and Council decision-making



PFC and Council's Role

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To enable real and sustainable change, PFC and Council will have to play an active role



Ongoing support required from PFC and Council



Continual focus on benefits realization, linked to accountability for performance. PFC and Council could request a regular cycle of reporting from staff on each approved opportunity, including a demonstration of financial results achieved against the projections in the business case, potentially on a line-item basis



Continued focus on the stewardship of residents' tax dollars, leaving operational decisions to staff; require accountability from staff, without prescribing operational specifics on how to meet business case savings projections



Take a 'customer-first' approach that balances residents' experience and The City's limited budgets. Council has a key role in establishing the right level of services to be provided within existing fiscal constraints – premium services are only realistic if residents are collectively willing to pay for them.

Next Steps



Complete Business Cases

Consolidate impacts with mid-cycle adjustments and present to Council in November



Develop Benefits Realization Framework

Working with City staff to develop an implementable framework that will allow The City to ensure value is captured from SAVE business cases; provide a repeatable approach to benefits realization that the City can continue to use; develop a regular reporting mechanism on benefits realization



Execute on Implementation Plans

Focused execution to allow for The City to realize the necessary financial benefits from SAVE



Recommendations

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That the Priorities and Finance Committee:

1. Receive this report for the Corporate Record and discussion