

A wide-angle photograph of the Peace Bridge in Calgary, Alberta, Canada. The bridge's distinctive red, arched steel structure dominates the left side of the frame, leading the eye towards the city skyline across the Bow River. The sky is filled with large, white, fluffy clouds. The river is calm, reflecting the sky and the city. A few small boats are visible in the distance.

# AC2020-1048: Solutions for Achieving Value and Excellence (SAVE) Program Preliminary Results and Actions

Audit Committee  
2020 September 17



Today’s overall aim is to update Audit Committee 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



| Pg. # | Item                           |
|-------|--------------------------------|
| 3     | Context and Methodology        |
| 4     | Overview of Progress to Date   |
| 5-6   | Business Cases                 |
| 7     | Challenges and Opportunities   |
| 8     | Council’s Role                 |
| 9-10  | Next Steps and Recommendations |

## Today’s Objectives


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



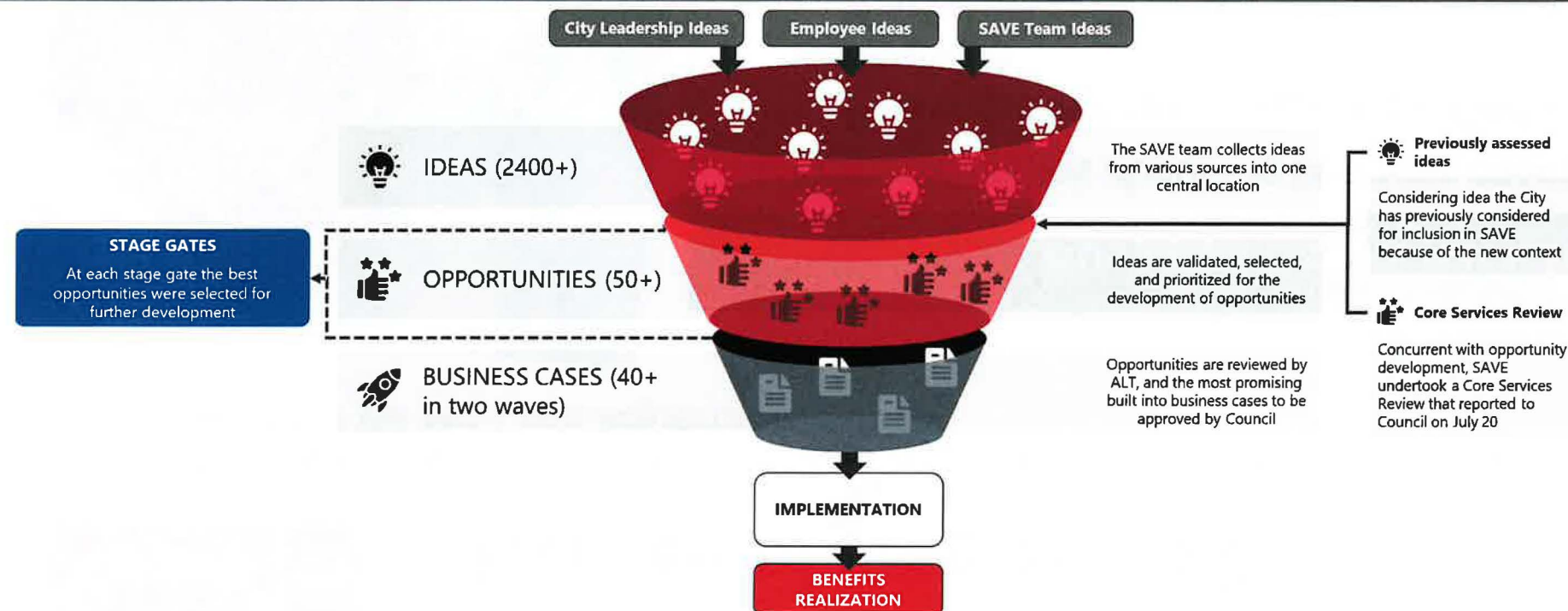


The following outlines, at a high level, what has happened to date, how the SAVE program was deployed, key upcoming milestones, and the overall context the SAVE program is situated within.

## SAVE context

- 
- 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

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



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



## Ongoing support required from Council



Continual focus on benefits realization, linked to accountability for performance. 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

1

### **Complete Business Cases**

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

2

### **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

3

### **Execute on Implementation Plans**

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



## Approved Recommendation from PFC on September 8

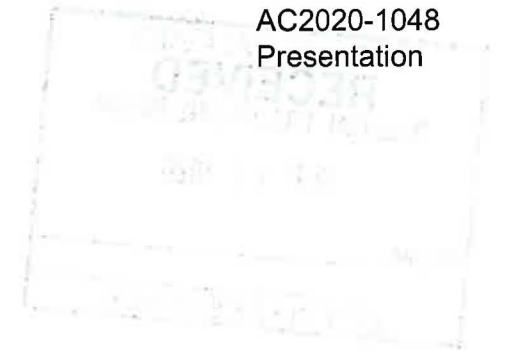
That the Priorities and Finance Committee:

1. Receive this report for the Corporate Record.



## Recommendation

AC2020-1048  
Presentation



That the Audit Committee:

1. Receive this presentation for information.



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