

ORGANIZATIONAL EFFICIENCY - INTENTIONAL MANAGEMENT

EXECUTIVE SUMMARY

The City of Calgary is taking action to support Calgary's economy, keep Calgarians working, and reduce the cost of local government. Under Council direction, Administration has achieved significant savings and has provided notable benefits to Calgarians through the intentional management of The City's financial position under the Leadership Strategic Plan: Contract with Council (LSP) and the Performance Management System. This report and its attachments highlight many of Administration's achievements towards organizational efficiency and savings since 2015, provide a progress update on the LSP, and create an opportunity for discussion about ongoing efficiency strategies and initiatives for 2018.

ADMINISTRATION RECOMMENDATION(S)

That Priorities and Finance Committee recommends that Council:

1. Receive this report and its attachments for information; and
2. That ATTACHMENT 5 remain confidential pursuant to Section 23(1)(b) and Sections 24(1)(a)(d)(g) of the Freedom of Information and Protection of Privacy Act until the conclusion of 2018 budget deliberations.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2017 MARCH 07:

That the Administration Recommendations contained in Report PFC2017-0234 be approved.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2014 September 15, Council approved the City Manager's Leadership Strategic Plan: Contract with Council (C2014-0703), which outlines five focus areas: (1) Establish a cooperative and meaningful relationship with Council, (2) Cohesive leadership culture and collaborative workforce, (3) Better serve our citizens, communities and customers, (4) Focus immediate and collective attention on planning and building a great city, and (5) Strengthen the Corporation's financial position.

On 2014 November 24, Council approved Action Plan 2015-2018, as amended (C2014-0863). The Action Plan process included significant public engagement and the approval of Council Priorities and Strategic Actions to guide the development of the plans and budgets.

On 2015 February 10, Administration presented to Council the Economic Resilience Strategy (VR2015-0014) to focus efforts and to respond to the emerging economic downturn. The seven strategies of the Economic Resilience Program emphasize the need for The City to continue to deliver services to Calgarians in a responsible fashion and to stay financially prudent in the midst of changing economic conditions

2015 September 28, Council approved the 2016 Resilience Budget, with a reduction in the municipal property tax rate increase for 2016 from 4.7 per cent to 3.5 per cent. This was achieved through an \$18M operating budget reduction with no significant service impacts (C2015-0696). A \$30M resilience fund was also created and distributed to key areas such as

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community programs, Calgary Economic Development and affordable housing (PFC2015-0959).

2016 June 27, Council approved a 1.5 per cent property tax increase with a one-time 1.5 per cent property tax rebate to effectively bring the 2017 tax rate to 0 per cent. In addition, Council decided at this time to maintain the 2016 freeze on transit fares and other citizen-facing user fees, fund the reduction in the tax rate through a combination of further efficiency gains, service reductions and corporate funding, and request Administration to identify specific, targeted projects to help those most in need as a result of the shift in the economy.

2016 November 21, Council approved the 2017 Action Plan Mid-Cycle Adjustments, including The City's Capital Investment Plan. In response to the downward shift in the economic environment, Infrastructure Calgary continues to make progress on The City's Capital Infrastructure Investment Strategy and find ways to deliver value to Calgarians through capital investment. The Investment Plan outlined how The City can work with other levels of government, the private sector and public institutions to align and optimize respective capital investments to create jobs, build and maintain needed infrastructure and attract and retain people, business and investment. To support potential new investments in Calgary, Infrastructure Calgary conducted a comprehensive capacity review within the organization to identify funding that can be allocated to generate value for Calgarians. Administration will return to Council no later than Q2 2017 with specific recommendations for new, or currently unfunded investment projects, that will deliver social, economic and environmental value to Calgarians.

2017 January 23, Council approved the Municipal Non-Residential Phased Tax Program. Under this program, the 2017 non-residential municipal property tax increase will be phased in by limiting the increase in 2017 to five per cent, not including the effect of business tax consolidation or any provincial property tax requisition.

BACKGROUND

The Leadership Strategic Plan: Contract with Council (LSP) was designed to place intentional focus on supporting the Council priority of a well-run city and place organizational emphasis on being as efficient and effective as possible (ATTACHMENT 1). The LSP is further enhanced by the strategic Road Map to guide the organization towards cost efficiency through three distinct stages (ATTACHMENT 2). Through the LSP, The City has adopted a standard Performance Management System that includes service review and improvement, service plans and budgets, performance measurement and accountability, integrated risk management, and individual performance development (ATTACHMENT 3). As part of this system, the Results Based Accountability (RBA) Framework supports better serving citizens, communities and customers by starting from the desired results to determine actions, making evidence-based decisions and embracing continuous improvement.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Since 2015, Administration has achieved \$325 million in savings through efficiencies and reductions (ATTACHMENT 5). Through these savings, Administration provided Calgarians with an additional \$228 million in benefits in 2017 under the direction of Council. These benefits include a lower 2017 tax rate, a property tax rebate, the Municipal Non-Residential Phased Tax

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Program, user fee freezes and reductions, reduced utility rates, and other targeted initiatives. Many of the savings and efficiencies that have been realized are a result of the progress Administration has made in advancing the LSP's five focus areas since September 2014.

Progress on the LSP has been reported in the Mid-Year and Year End accountability reports since 2015. As in past reports, the 2016 Year End Accountability Report will include a high level summary of the key accomplishments towards achieving the five focus areas supporting the LSP in the second half of 2016. In addition, and at the direction of the Administrative Leadership Team (ALT), a separate and more robust detailed LSP Progress Report (ATTACHMENT 4) has been developed to strengthen the RBA approach to reporting on the LSP and demonstrate how The City is measuring key results. This report will be a supplement to the Year End Accountability report going forward.

Overall, work on the LSP has contributed to an improved focus on delivering value for citizens and strengthening The City's leadership culture. This focus has resulted in continued high satisfaction rates amongst Calgarians and strong engagement scores with employees. The detailed LSP Progress Report (ATTACHMENT 4) provides information on recent accomplishments, outlines specific performance measures for each of the five focus areas, and tells the story behind the measures for better understanding. The report also includes Administration's intended next steps towards achieving the LSP's outcomes and identifies areas where more work will happen over 2017. In writing the report, the LSP project team took a RBA approach to establish performance measures that can be reported regularly to monitor progress. Performance measures will be reviewed regularly and will be revised and refined over time to ensure they are effective.

The organization is on track to move into stage three of the strategic Road Map (ATTACHMENT 2) in 2018. The two main strategies in stage three include (Step 12) Address structural efficiency and (Step 13) Strive for cost efficiency. In 2018, we will be employing each of these strategies through the following principles:

1. Address structural efficiency
 - Workforce planning
2. Strive for cost efficiency
 - Cost containment: controlling the expenses required to operate an organization.
 - Cost savings: refers to a cost (expense) already incurred or being paid.
 - Cost avoidance: is also a cost savings, but the reference is to a cost (expense) not yet incurred.
 - Cost reduction: is a tangible bottom line reduction of an expense.
 - Opportunity cost: refers to a foregone gain that follows from choosing an outcome. The gain would have been realized had a different action (outcome or scenario) been chosen.

In the 2019-2022 business cycle, we will be shifting our focus to deal with costs and address some of The City's shortfalls in revenue.

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Stakeholder Engagement, Research and Communication

The City of Calgary is working to address the needs of Calgarians in light of economic changes in the community. The City has conducted, and continues to conduct, research about the needs and changing priorities of Calgarians, gauging perceptions on quality of life, the economy and infrastructure investments. Findings indicate that citizen perceptions of quality of life and the economy have weakened. A majority of Calgarians believe that The City has an impact on their quality of life and an obligation to support the local economy.

The detailed LSP Progress Report (ATTACHMENT 4) was presented to the Administrative Leadership Team (ALT) on 2017 February 07. The ALT's feedback has been incorporated in the final version of the report.

Strategic Alignment

This report and its attachments align with the LSP, particularly the focus areas to better serve our citizens, communities and customers, and strengthen the Corporation's financial position (ATTACHMENT 1), and stage three of Administration's strategic Road Map to address structural efficiency and strive for cost efficiency (ATTACHMENT 2). This report also further supports the Council priority of a well-run city and organizational values of individual responsibility and collective accountability.

The detailed LSP Progress Report (ATTACHMENT 4) specifically addresses the LSP commitment "focus on results by establishing timely and meaningful reporting of accomplishments to Council" and highlights the advancements towards achieving the five focus areas. In addition, this report shows progress towards the implementation of a Performance Management System with the inclusion of cross-departmental measures, accomplishments and actions that are being taken to continuously improve.

Social, Environmental, Economic (External)

The detailed LSP Progress Report (ATTACHMENT 4) has been developed with consideration of the social, environmental and economic environment to determine realistic performance measures and results that matter to Council and citizens. In the next business planning cycle, the LSP will be reviewed and revised to enable The City to continue to provide quality public services within changing social, environmental and economic conditions and plan for the future. Some of the critical areas that will influence the LSP going forward will include strengthening the cohesive leadership culture and collaborative workforce focus area through collective agreement bargaining initiatives, and enhancing our service to citizens, communities and customers through service plans and budgets.

Financial Capacity

Current and Future Operating Budget:

This work is being managed within approved plans and budgets. There is no current or future operating budget impacts associated with this report or its attachments.

Current and Future Capital Budget:

There is no current or future capital budget impacts associated with this report or its attachments.

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Risk Assessment

The detailed LSP Progress Report (ATTACHMENT 4) allows The City to measure results, promote accountability, demonstrate performance and provide strategic direction to the organization supporting the delivery of quality public services. Regular progress reports will help to mitigate risks by ensuring Council and Administration are aware of emerging issues, challenges, and opportunities in a timely manner so they can be addressed accordingly.

Regarding ongoing efficiency strategies and initiatives, there is risk associated with inaction or delayed action. Recent economic forecasts suggest that the recovery from the current downturn will be slow, and Calgary's economy is unlikely to see significant improvement in 2017. Unemployment rates are likely to remain high, which will continue to have impacts on citizens and businesses.

REASON(S) FOR RECOMMENDATION(S):

The City of Calgary is taking action to support Calgary's economy, keep Calgarians working, and reduce the cost of local government. Administration is on track to move into stage three of the strategic Road Map to address structural efficiency and strive for cost efficiency in 2018. This report demonstrates Administration's commitment to continuous improvement and ensuring that Council, Administration and citizens are aware of accomplishments made on key initiatives, as well as the areas where more work is planned to make further progress.

ATTACHMENT(S)

1. Leadership Strategic Plan: Contract with Council
2. Road Map
3. The City's Performance Management System
4. Leadership Strategic Plan Progress Report
5. Creating Value through Savings and Efficiencies (CONFIDENTIAL)
6. Strategic Alignment