

CALGARY BUILDING SERVICES ZERO-BASED REVIEW AND ADMINISTRATION'S RESPONSE

EXECUTIVE SUMMARY

This report provides the results of the Zero-Based Review (ZBR) of Calgary Building Services (CBS), as well as Administration's response to recommendations.

The ZBR focused on improving the customer experience, and on management of the service improvement project portfolio. As such, the review was scoped around specific customer segments rather than the business unit boundaries. In the first stage of the ZBR, Administration conducted an initial high-level review and customer analysis identified the customer segments and opportunities with the greatest potential for improvements. Thereafter, the review was highly focused on homeowners and small business owners who comprise the highest volume (79% of the customer base), and require the most support. Although these customers are the main drivers of cost in Planning & Development, to date they have rarely been the main beneficiaries of improvement efforts since they contribute relatively little (8%) of the Department's revenue.

As a result of a thorough service analysis, three high-level and twenty detailed recommendations were presented to Administration and Administration recommends that all be accepted. After all recommendations are implemented, Administration expects that \$4.6M in annual cost savings and cost avoidance will be realized, with an estimated five year return on investment.

More important than the efficiency gains are the CBS service improvements. Development and building permit information will be online, written from the customer perspective and consistent across all delivery channels. Homeowners and small business owners will order and pay for their permits online. There will be little to no need for the customer to travel downtown (saving them both time and money). In addition, a Portfolio Management framework has been outlined which will result in greater alignment between service improvement, resource allocation and corporate direction.

Please see the *CBS ZBR Summary* (Attachment 1) for a complete overview.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommend that Council:

1. Approve Administration's Response to the recommendations in Kogawa Ltd.s Report (Attachment 1); and
2. Receive for information the Opportunity Identification Report (Attachment 2), Customer Segmentation, (Attachment 3) and the CBS ZBR Final Report (Attachment 4);

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2016 NOVEMBER 15:

That the Administration Recommendations contained in Report PFC2016-0884 be approved.

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PREVIOUS COUNCIL DIRECTION / POLICY

The ZBR program was initiated by Council, and has been the subject of several previous Council reports, providing direction for the overall program. As the program has evolved, Council has directed that the program results should include both efficiency gains and service effectiveness improvements. Council has also asked Administration to undertake an increasing amount of ZBR work in-house. The CBS ZBR is one more step in this evolution: not only was the opportunity identification completed by City staff (as has been the case for the past two ZBRs); the first of the three focus areas for the in-depth review (i.e. the customer segmentation and customer needs analysis) was also completed by internal City staff. This increased the efficiency of the ZBR itself, while building the organization's capacity for ongoing customer service improvements.

BACKGROUND

Planning and Developing (PD) is pivotal to achieving Council's vision (set out in the Action Plan for 2014-2018) of making Calgary *"a great place to make a living, a great place to make a life"*. It is the engine that enables customers to build their dream home, a state-of-the-art office tower, or even a new community, ensuring that Calgary remains one of the most liveable cities in the world. With an operating budget of \$110M, PD has four business units that are tightly integrated in the provision of planning, development and building approval services for land use and development throughout Calgary and the surrounding region.

Calgary Building Services' (CBS) role in PD is to *educate, support, inspect, and enforce* the development and building of the city of Calgary. It is also the single point of contact for PD customer transactions and serves a wide range of customers from "do-it-yourself" homeowners to developers of office towers and mixed-use facilities.

The initial high level review was conducted in the fall of 2015, focusing on the former Inspection and Permit Services (IPS) business unit. A new division was added when IPS became Calgary Building Services (CBS) during the City Manager's strategic realignment in January 2016. Since the high level review was already complete, this division was not included in it.

Because all PD business units work as a tightly integrated system to serve their customers, the first recommendation of the ZBR was to scope the review around customer segments rather than business unit boundaries.

PD currently has several major service improvement programs in-flight for developers/builders (City/Industry Work Plan) and contractors (ePermits and Field Service Delivery program). The ZBR focus on home/small business owners ensures service improvements are also made for this "silent" majority, complementing the work already in progress.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

The following provides the structure for a complete understanding the Calgary Building Services Zero-based Review.

- *CBS ZBR Summary* presents a comprehensive overview of the investigation process and outcomes of the CBS ZBR, Attachment 1.
- *Opportunity Identification Report* describes the process and the rationale for the three focus areas chosen by Administration for more in-depth analysis. Attachment 2.
- *Customer Segmentation Analysis*, outcome from focus area 1: Customer-oriented Services: Administration's analysis to improve understanding of the different customer groups service by PD/CBS to align service improvements with customer needs and preferences. Attachment 3.
- *CBS ZBR Final Report*, in-depth analysis and recommendations by Kogawa Ltd for focus areas 2 and 3, Attachment 4:
 - Business Model Simplification: Building on the knowledge acquired from the above customer analysis; assess the cost/value of services provided in relation to customer needs and legislative environment.
 - Project Portfolio Management: Increase efficiency and effectiveness of all PD projects (capital and operational).
- *Home and Small Business Owner Customer Journey Placement*, overview of the customer experience of two targeted customer types with identified bottlenecks and recommended solutions. Note: This was prepared by Kogawa based on real customer experiences. Attachment 5

High Level Recommendations

The following are three key Kogawa Ltd. recommendations resulting from their in-depth analysis of focus areas 2 and 3:

- Recommendation 1: Create a self-directed online customer journey for home/small business owners (9 detailed recommendations).
- Recommendation 2: Improve home/small business owner processes and supporting business rules including using risk-based approach for decision making (6 detailed recommendations).
- Recommendation 3: Adopt a business portfolio framework to improve the governance, management and monitoring of projects required to meet Council priorities and action plans (5 detailed recommendations).

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Administration expects that the CBS ZBR, once recommendations are implemented, will result in the following:

Calgary Building Services ZBR Results		
Focus Area	Efficiency	Service Effectiveness
1. Customer Segmentation Analysis	NA	<ul style="list-style-type: none"> Greater organizational understanding of needs & preferences of different customer segments
2. Business Model Service Simplification	<p>\$3.5M or 5% cost savings/avoidance annually after implementation (based on the CBS operating budget), Year 5</p> <p>Reduction of financial risk based on cost containment from automation</p> <p>\$1.9M back to Calgarians – out-of-pocket expenses plus time</p>	<ul style="list-style-type: none"> Easier, more consistent, up-to-date information Customer can access information anytime/anywhere No need to come downtown saving customer time & money Staff is focussed on higher risk areas Consistent process no matter the channel used Gaps in business licensing resolved Culture shift to customer centric service model Foundational for service improvement for other segments More uptake in permit applications – greater compliance to safety codes
3. Project Portfolio Management	\$1.14M or 1% annual cost savings (based on the whole PD operating budget), Year 1	<ul style="list-style-type: none"> Faster delivery of projects; better value for investment Better, more timely decision making Greater transparency & accountability

Stakeholder Engagement, Research and Communication

The CBS ZBR, like others, included consultation with a number of internal and external stakeholders to ensure that their knowledge and experience was considered in developing the recommendations. This included interviews with senior staff, management team workshops and follow-up interviews. The ZBR team used existing customer research particularly the 2015 customer survey and focus group tapes. Kogawa also performed benchmarking of other Municipalities (pages 42-45 of Final Report, Attachment 4).

Strategic Alignment

The ZBR recommendations will help ensure that CBS can continue to make progress towards the strategic goal of creating an “efficient planning and building function” and ensuring that buildings are safe for occupants and citizens. The customer segmentation analysis, performed in partnership by Corporate Initiatives, Communication and Customer Services and PD, supports the corporate goal of building a more customer centric organization. This work has proved so valuable it is now a standard feature of future ZBRs and is being adopted by other business units outside of the program.

Social, Environmental, Economic (External)

The CBS ZBR contributes to social outcomes by ensuring compliance with regulations governing development, building, use and occupancy and promotes excellence in construction site safety through industry engagement, education and enforcement. The ZBR recommendations make it easier for citizens to understand what is required to build safely and

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comply with municipal and provincial regulations, ensuring greater compliance. It also reduces required trips downtown.

Financial Capacity

Current and Future Operating Budget:

The recommendations of the CBS ZBR will yield a combination of annual cost savings and avoidance of \$3.6M. This will be achieved as the recommendations are implemented with an expectation that all twenty detailed recommendations will be fully implemented by Year 5.

Current and Future Capital Budget:

The recommendations of the CBS ZBR will yield \$900K in annual cost savings starting in Year 1.

Risk Assessment

A risk assessment was completed for each of the three key recommendations and can be found on pages 55 and 71 of the *CBS ZBR Final Report* (Attachment 4).

REASON(S) FOR RECOMMENDATION(S):

Approval of Administration's recommendations will make it possible for Calgary Building Services to proceed with implementation, and to achieve the benefits described in the report.

ATTACHMENT(S)

1. Calgary Building Services Zero-Based Review – CBS ZBR Summary (Administration)
2. Calgary Building Services Zero-Based Review Opportunity Identification Report (Administration)
3. PD Customer Segmentation: Customer Profiles and Journeys (Administration)
4. Calgary Building Services Zero-Based Review Final Report (Kogawa)
5. Customer Journey Placemat (Kogawa)