



Calgary Building Services Zero-Based Review

Opportunity Identification Report

October 2016



Prepared by: Corporate Initiatives, Chief Financial Officer's Department



Zero-Based Review Program Overview

The Zero-Based Review program is one component of The City of Calgary's Integrated Performance System, which is a disciplined approach to continuous improvement designed to increase the organization's capacity so we can better serve our Citizens.



The objectives of the Zero-Based Review (ZBR) program are to:

- Identify ways to improve the efficiency and effectiveness of City services, by examining what we do (service scope and service level) and how we do it (service delivery method and funding);
- Enhance integration across the organization; and
- Encourage evolution to a culture of continuous improvement and innovation.

Opportunity Identification Approach

The Opportunity Identification phase for the Calgary Building Services ZBR occurred from August to December 2015. During this phase, the Service Efficiency & Effectiveness team within Corporate Initiatives conducted a high level review of the business unit in order to identify areas with the greatest potential for efficiency and effectiveness gains. The result is three recommended opportunities for improvement and associated rationale for pursuing these within the ZBR.

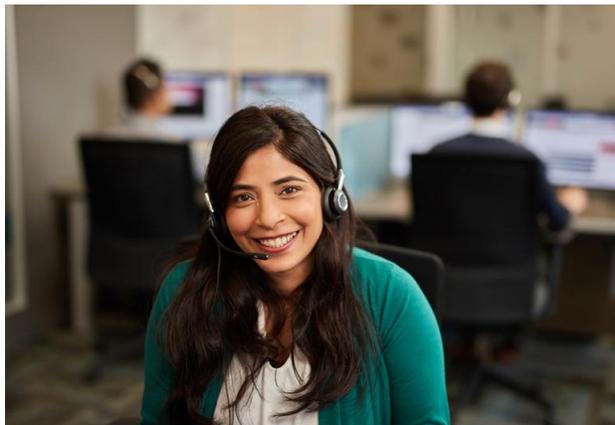
The opportunities were identified using a variety of information sources, including site visits, employee interviews, customer surveys and focus groups, budget/financial information, performance measures and benchmarking data, and key documents (including key strategic plans and past audits/reviews).

The opportunities identified in this phase were used as the basis to develop detailed business cases and recommendations, which are presented in a separate report.

OVERVIEW OF CALGARY BUILDING SERVICES

Calgary Building Services (CBS) plays a central role within Planning & Development for The City of Calgary. Working with the public and businesses, CBS coordinates and manages issuance of development permits, building permits, and business licenses.

Calgary Building Services is made up of three divisions:



Customer Advisory Services is the single point of contact for customers, operating a mixture of front counter, online, call centre, publication and information services.

Building Regulations manages the permitting process through plan reviews, permit issuance, inspections and enforcement of applicable codes to ensure public safety. It also promotes construction site safety through industry engagement, education and enforcement.

Business Services provides project management, technology, and administrative support for the entire Planning & Development department.

Statistics	2015	2014	2013
# of development permits processed	5,290	6,190	5,340
# of building permits processed	15,623	19,350	18,800
# of trade permits processed	60,644	57,100	50,700
# of business licenses processed (new)	7,081	6,837	6,721
# of business license renewals	31,641	28,590	29,939
# of building permit inspections performed ¹	235,755	230,450	230,610
# of calls answered at the call centre ²	143,600	147,550	133,400
# of customers served at front counter ³	59,050	62,100	58,900

1 Includes building, electrical, HVAC, gas, plumbing and pre-expiry inspections

2 Includes 5311 and Trades Support call centres

3 Includes front counter and reception

ZBR Project Scope

The scope for this ZBR includes the total operating budget for Calgary Building Services, which was approximately \$76 million in 2016. These expenditures can be broken down into four service lines and nine processes, as follows:

		Services				
		Land Use Management	Land Development	Building Approvals	Business Licensing	Total
Processes	Answer customer inquiries	\$ 94	\$ 378	\$ 1,357	\$ 94	\$ 1,923
	Accept & circulate applications	\$ 281	\$ 1,263	\$ 983	\$ 281	\$ 2,807
	Process payments and manage fees	\$ 596	\$ 596	\$ 596	\$ 199	\$ 1,985
	Conduct plan reviews / approve applications	\$ 1,893	\$ 3,460	\$ 3,918		\$ 9,271
	Perform inspections / approve occupancy		\$ 2,098	\$ 12,874		\$ 14,973
	Enforcement & safety response			\$ 1,751		\$ 1,751
	Manage records & information	\$ 323	\$ 573	\$ 838	\$ 1,445	\$ 3,179
	Community industry engagement			\$ 1,670		\$ 1,670
	Business support to all PD business units	\$ 12,521	\$ 9,673	\$ 16,166	\$ 406	\$ 38,765
in \$000s		\$ 15,708	\$ 18,040	\$ 40,153	\$ 2,425	\$ 76,326

Planning & Development also has an annual capital budget of approximately \$13M. This ZBR includes all projects and capital works funded through this budget that pertain to projects for Calgary Building Services.

This ZBR does *not* include:

- Functions performed by Calgary Growth Strategies, including but not limited to growth management and city-wide policy work (e.g. maintenance of the Municipal Development Plan and the Land Use Bylaw);
- Functions performed by Community Strategies, including but not limited to development of Area Structure Plans and Area Redevelopment Plans; or
- Functions performed by Calgary Approvals Coordination, including but not limited to Application Services (formerly CPAG).

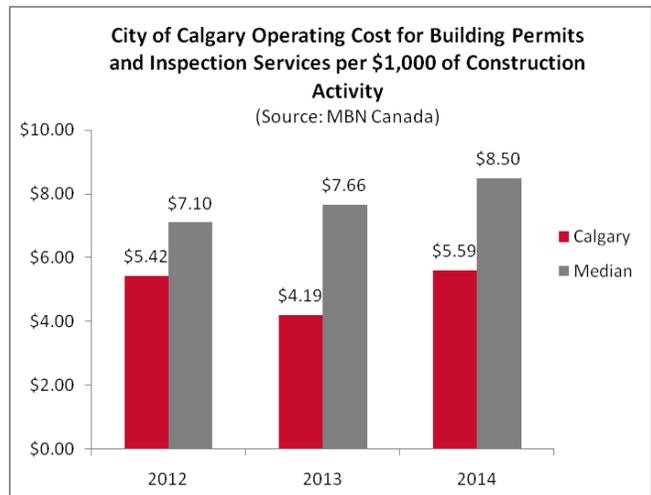
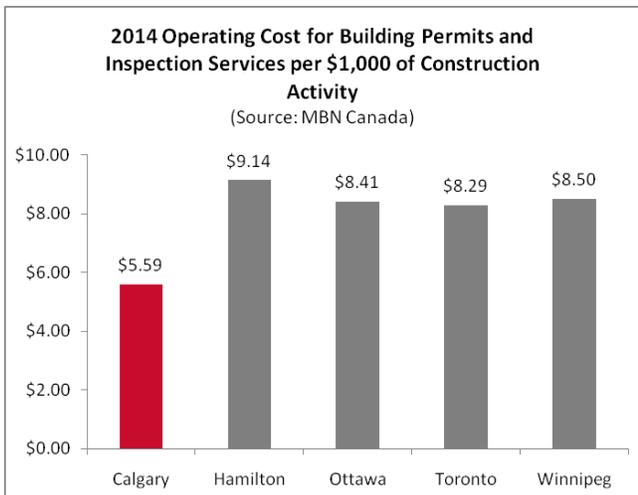
Strengths of Calgary Building Services

During the Opportunity Identification phase, Corporate Initiatives identified the following strengths within Calgary Building Services:



- ✓ Well below the median on cost per \$1000 construction activity
- ✓ Knowledgeable, friendly, and professional workforce
- ✓ Proud ambassadors of The City of Calgary
- ✓ Viewed as best practice in Alberta – support provincial efforts to improve the Safety Code
- ✓ Open and transparent relationship with industry
- ✓ Continuous improvement culture

Sources: Municipal Benchmarking Network (MBN) Canada, site visits, and interviews with the Calgary Home Builders Association.



Customer Service in Planning & Development

Moving towards a more customer-focused organization is a current priority for The City of Calgary and is a key pillar within the Leadership Strategic Plan. During the Opportunity Identification phase for the Calgary Building Services ZBR, Corporate Initiatives found that customer service is especially important within Planning & Development. Compared to other services offered by The City of Calgary, the customer experience is particularly high stakes, with customers often having significant financial investments tied to the planning and building approvals process.

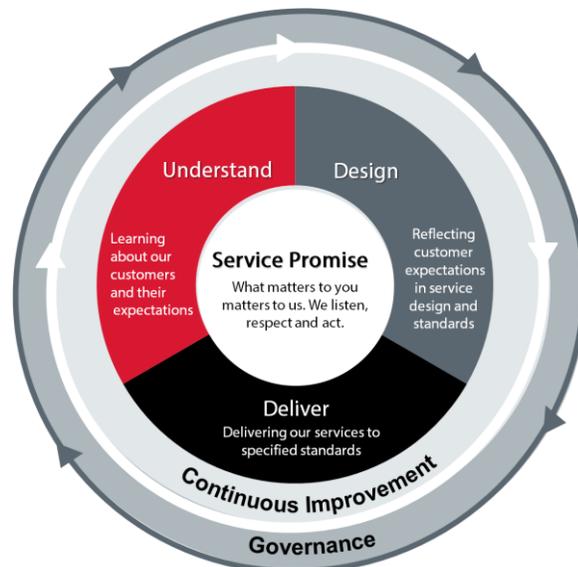
Planning & Development is investing substantial resources and effort into understanding and improving the customer experience. There is an extensive portfolio of initiatives to improve customer service, including but not limited to:

- Moving services online, including the Residential ePermit program that launched in 2015 (making Calgary the first city in Canada to offer a complete online service to customers applying for new home construction permits)
- Improving information available online through the Customer Centered Web Strategy
- Customer service training for employees
- Regular surveys and focus groups with customers and stakeholders
- Approximately 30 projects completed through the Cut Red Tape initiative

However, the department also faces some challenges to improving service delivery for customers, including:

- A perceived lack of capacity and focus, due in part to the volume of improvement initiatives underway
- Challenges moving services online due to exceedingly complex services and processes
- Repeated reviews and audits that distract from implementation of changes

The City of Calgary's Customer Service Approach asserts that understanding customers and their expectations is a core component of improving customer service. Moving forward, it is essential to expand on Planning & Development's current understanding of customers to ensure improvement efforts are achieving maximum value.



Planning & Development serves a wide range of customers, from individual homeowners who are completing home improvement projects to land developers who are developing new communities.

Based on the results of Planning & Development's 2015 customer survey and focus groups, as well as interviews with industry representatives, Corporate Initiatives identified five broad themes in terms of customer expectations:

- A predictable, consistent experience
- Simpler processes and a clear understanding of what's required in their application
- More convenient access to services (e.g. online, expanded hours)
- Flexible processes that meet their specific needs and situations
- A seamless experience (from land use through to occupation)

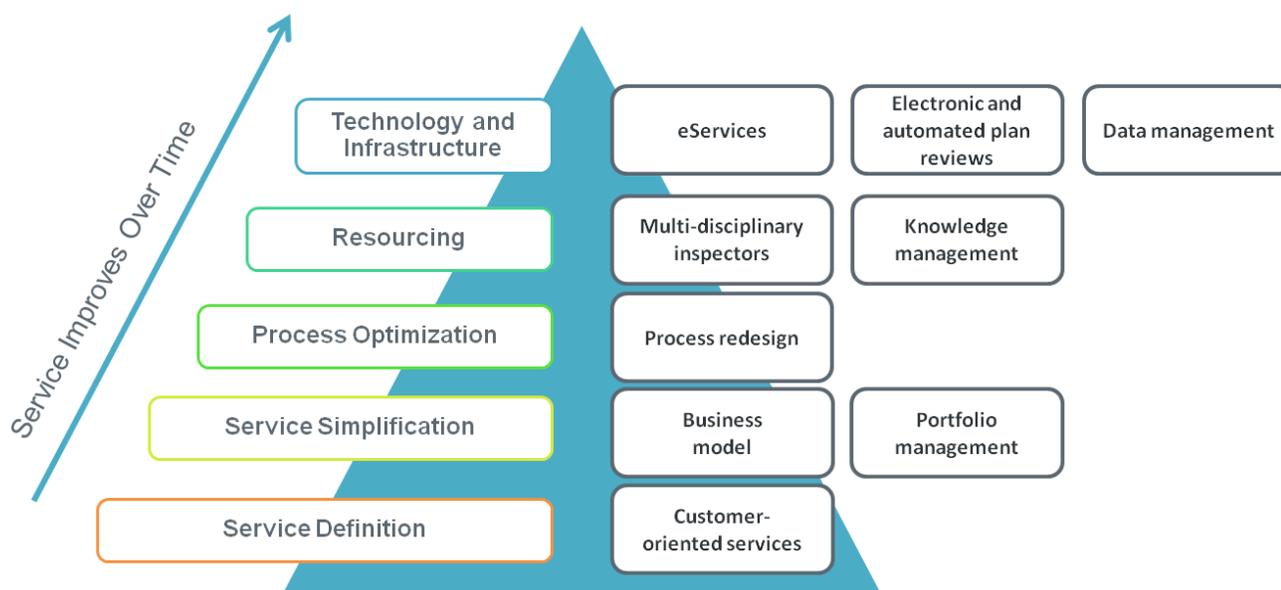
However, more work is needed to fully understand the different customer segments and their unique preferences. Aligning services to meet customer needs will drive both customer satisfaction and operational efficiencies, and is central to The City of Calgary's aim of becoming a more citizen-focused organization.

SELECTION OF OPPORTUNITIES

Based on the research conducted in the Opportunity Identification phase, Corporate Initiatives identified five opportunities that are already being addressed (see Appendix A) as well as nine opportunities that could be pursued further in the Calgary Building Services ZBR.

Prioritization of Opportunities

In order to select a manageable number of opportunities to pursue within the ZBR timeline and budget, Corporate Initiatives prioritized them based on a sequencing model. The diagram below shows the nine opportunities mapped against a service improvement model, which demonstrates how properly sequencing opportunities can maximize efficiency and effectiveness gains.



Within this model, each step on the triangle is a prerequisite for the next. For example, we first need to establish whether a service is one we want to provide, and to what standard we should provide it, before investing resources into optimizing its delivery. Technology projects applied to an undefined or overly complex service could result in an unstable, over-engineered IT system. Service simplification opportunities can result in significant cost savings, they are often relatively easily to implement, and they free up resources for more complex projects further up the chain.

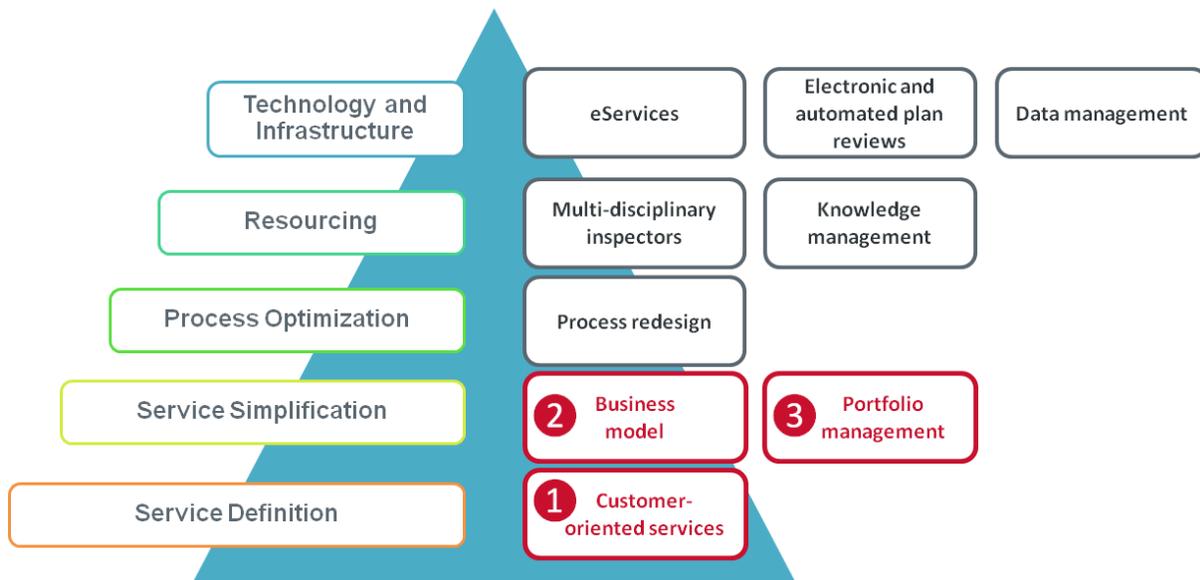
During the Opportunity Identification phase, Corporate Initiatives found that many of the improvement initiatives underway in Planning & Development fall into the “Technology and Infrastructure” category, with a strong focus on moving services online. However, there are a number of significant opportunities to define and simplify services (which fall earlier in the sequencing model) that would maximize the gains of other initiatives.

Opportunities Selected for the ZBR

Taking into consideration the ZBR project timeline and budget as well as the service improvement sequencing model, the Steering Committee selected three opportunities to pursue in the Calgary Building Services ZBR:

- Customer-Oriented Services
- Business Model
- Portfolio Management

Details on each of these opportunities are provided in the following section of this report.



The remaining six opportunities will be considered by Planning & Development for potential future projects outside of this ZBR.

Opportunity:	CUSTOMER-ORIENTED SERVICES																
<p>Description Improve understanding of the different groups of customers served by Planning & Development to enable services to be oriented towards the specific needs and preferences of specific customer segments.</p>																	
<p>Context Customer service is of central importance to Planning & Development – the services are predominantly funded by user fees and customers often have significant financial investments tied to the service. The customer experience is also a top concern raised by Councillors in relation to Planning & Development.</p> <p>Planning & Development recognizes a need to reorient their business to optimize the customer experience and there are a high volume of improvement initiatives underway to do so. High level data from the 2015 Ipsos Reid stakeholder engagement research suggests that customers are responding positively to these improvement initiatives, but there is still some way to go:</p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="191 762 799 1207"> <p>"Planning & Development at The City of Calgary are committed to delivering quality customer service" (Source: Ipsos Reid, Sept 2015)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>54%</td> </tr> <tr> <td>2013</td> <td>55%</td> </tr> <tr> <td>2015</td> <td>61%</td> </tr> </tbody> </table> </div> <div data-bbox="820 762 1412 1207"> <p>"Information is easy to understand and access" (Source: Ipsos Reid, Sept 2015)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>34%</td> </tr> <tr> <td>2013</td> <td>37%</td> </tr> <tr> <td>2015</td> <td>43%</td> </tr> </tbody> </table> </div> </div> <p>A significant amount of work has been completed or is underway within Planning & Development to understand customers and their preferences, including:</p> <ul style="list-style-type: none"> • Planning & Development’s biennial stakeholder engagement research • Developing website content based on customer experience and needs (Customer Centred Web Strategy) • Incorporating customer engagement and research into the design process for eServices projects <p>However, a single document that clearly and fully defines the different customer segments served by Planning & Development and describes their specific needs did not come to light during the Opportunity Identification phase. Interviews with employees working on customer service projects suggested that Planning & Development has not to date tackled the customer experience comprehensively, so while there are many people completing different pieces of work on this topic, these have not been combined into a complete view.</p>		Year	Percentage	2011	54%	2013	55%	2015	61%	Year	Percentage	2011	34%	2013	37%	2015	43%
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Benefits

Understanding customer segments and preferences is a foundational piece of work. While it does not deliver specific benefits on its own, it is critical to maximizing the benefits of all other improvement initiatives.

As described in a 2007 Deloitte report, “Gaining greater insight into customers’ needs and preferences when interacting with government is crucial if efficiency gains and service improvements are to be realised.” (Choosing Channels: Optimizing the channel mix in the UK public sector. Deloitte, 2007).

Customer segmentation allows organizations to better prioritize improvement initiatives based on customer needs, which can reduce implementation costs and ensure maximum return on investment. For example, an improvement opportunity could be implemented for some customer groups but not others, based on what each segment truly wants and needs.

Strategic Alignment

Moving towards a citizen-focused organization is a top priority of The City at this time. Improving our understanding of customers and how we can align our services to meet their needs is front and centre to The City’s current strategy.

This opportunity supports a pillar of the Leadership Strategic Plan to “better serve our citizens, communities and customers” including an “overall Citizen First orientation for municipal public services to meet citizen needs”. It also supports achievement of the Action Plan strategy W7: “Continue to transform the organization to be more citizen-focused in its approach and delivery of service”.

What are the next steps if we pursue this opportunity?

- Compile, validate and build on existing customer research in order to determine:
 - What are the key customer segments for Planning & Development?
 - What are their different needs and preferences?
- Compile data for each of the customer segments such as volume of customers in each segment and frequency of interaction to help inform and prioritize current and future improvement initiatives.

UPDATE ON THE RESULTS OF THIS OPPORTUNITY:

The customer-oriented services opportunity was undertaken by Corporate Initiatives, in collaboration with Planning & Development and Customer Service & Communications, between January and April 2016. The result of this work showed that approximately 80% of PD’s customers fall into the homeowner and small business owner customer segments, but the majority of existing service improvement initiatives focus on other segments (e.g. builders, land developers). As a result, the remaining two ZBR opportunities focused on improving service for the “silent majority” homeowner and small business owner segments.

Opportunity:	BUSINESS MODEL
<p>Description Define the high-level customer journeys for selected customer segments (homeowners and business owners). Review and simplify the products and services offered by Planning & Development for each journey and optimize levels of service.</p>	
<p>Context The current permitting and licensing processes are very complex, which makes them difficult for customers to understand and for employees to administer. For example:</p> <ul style="list-style-type: none"> • There are currently 459 planning related fees and 159 business license related fees. • There are currently 112 Complete Application Requirement Lists (CARLs), each of which outlines approximately 10-20 customer requirements for different permit types. <p>There is an opportunity to review the services and products offered to specific customer segments and simplify, consolidate or eliminate products using a risk-based approach. This opportunity would identify current requirements that could be discontinued with little risk to The City, the customer, and the public.</p> <p>Early analysis confirms that opportunities to simplify exist. One opportunity is to reconsider application requirements to ensure the process is as streamlined as possible. Some work is already underway to consolidate Complete Application Requirement Lists, which is aimed at simplifying application requirements for customers, but employee interviews indicate there is an opportunity to take this work even further.</p>	
<p>Benefits Simplifying Planning & Development’s services would help to make the customer experience faster, easier and more consistent. Consistency of service is a top concern for customers, who feel that they receive different information from different staff. Simplifying services would make it easier for employees to deliver consistent service to customers.</p> <p>Simplifying services would also support the eServices work underway in the department. Best practice research found that simplifying services first before moving services online is essential, because it is difficult to make online information and transactions easy to use if the related back-office policies and processes are highly complicated or subjective (Barriers to Online Booking of Scheduled Airline Tickets, Klein, Köhne & Öörni, 2004).</p> <p>Interviews with employees found that the complex processes “not only cause administrative burden, but also have a negative impact on the efficiency of the application review process.” By reducing variation and complexity, the processes would be less costly to The City and indirect costs would also be expected to reduce. Currently, the complexity of the processes requires a robust and extensive knowledge management system and significant training costs in order to bring new employees up to speed on the various processes. Simpler services would translate into reduced requirement for this support. A simpler process for customers would also reduce customer costs by reducing rework arising from applicant errors.</p>	

Strategic Alignment

- Supports a key pillar of the Leadership Strategic Plan to “better serve our citizens, communities and customers” including an “overall Citizen First orientation for municipal public services to meet citizen needs”
- Supports achievement of Action Plan P4.1 “Improve transparency and understanding of the planning system by standardizing and optimizing internal business practices and policies” and W2.3 “Improve performance standards and targets and establish benchmarks that justify funding requirements and processes”

What are the next steps if we pursue this opportunity?

- Map high level customer journeys for select customer segments.
- Determine opportunities to simplify the customer journey.
 - Seek expert advice on services and products that could be consolidated or eliminated, based on risk, benchmarking and best practice research.
 - Liaise with The City’s Law department to ensure all legal constraints and requirements are met, and any legal implications of proposed changes (such as amendments to local bylaws required) are clearly understood.
- Determine optimal service levels for key steps in the process using a risk-based approach.
- Determine key performance measures that will allow CBS to manage performance based on end-to-end customer journeys.

Opportunity:	PORTFOLIO MANAGEMENT
<p>Description Review the current portfolio of improvement initiatives to reschedule, re-scope, delete or add new projects, optimizing the benefit of current and potential initiatives.</p>	
<p>Context The business transformation currently underway in Planning & Development, together with the outputs of various audits and reviews, has created a substantial portfolio of change initiatives. Across the department as a whole, 65 strategic initiatives are listed on the project dashboard and many others are known to exist.</p> <p>Interviews with Planning & Development managers revealed concerns that there are too many initiatives competing for time and resources, jeopardizing their successful completion. A 2013 review of the DBA eServices Program by Grant Thornton noted a similar concern:</p> <ul style="list-style-type: none"> • “Many of those involved in the eServices Program faced competing demands between the eServices Program, other DBA initiatives and operational responsibilities.” (p 28) • “To be successful in conducting a Program of this magnitude at a more strategic level, it requires sufficient capacity in staffing and communication resources and oversight by a dedicated Portfolio Manager.” (p 28) <p>To manage the high volume of technology projects, a new portfolio governance structure has been established and is using a prioritization matrix to implement the eServices program. This is a good start but is currently confined to eServices projects. It has not yet been expanded to include the entire portfolio of Planning & Development improvement initiatives. As such, there is a need for a more strategic, holistic portfolio management approach to ensure resources are allocated to priority change initiatives as efficiently and effectively as possible.</p>	
<p>Benefits Refining the current portfolio would increase the efficiency and effectiveness of project delivery in Planning & Development. It would also ensure greater strategic cohesion among the multiple change initiatives underway, creating a clear roadmap for improvement. This opportunity would be best pursued after services have been simplified (as per the Business Model opportunity), so that any projects concerning unnecessary service elements can be identified and revised.</p> <p>There are currently 23 capital projects planned that are related to improving customer service (primarily in the area of eServices). The capital budget allocation for these projects is approximately \$18.2 million.</p> <p>Potential order of magnitude if unnecessary work or rework is avoided:</p> <ul style="list-style-type: none"> • A 5% reduction would result in one-time capital savings of \$910,000 • A 10% reduction would result in one-time capital savings of \$1.8 million <p>Beyond the capital spend, there are also a number of improvement initiatives underway that impact Planning & Development’s operating budget. However, as these projects are not tracked centrally, it is not possible to estimate an accurate base budget for this work. A more robust portfolio management system would also address this information gap.</p>	

Strategic Alignment

- Supports achievement of Action Plan W2.2 “Improve performance standards and targets and establish benchmarks that justify funding requirements and processes”
- Supports one of the five pillars of the Leadership Strategic Plan to “Better serve our citizens, communities, and customers”

What are the next steps if we pursue this opportunity?

- Review the current portfolio and propose changes to the scope and scheduling of projects.
- Review the current prioritization matrix and recommend changes required to ensure the portfolio remains aligned to business objectives and customer needs.

Opportunities Already Being Addressed

During the Opportunity Identification phase, Corporate Initiatives identified five opportunities for efficiency and effectiveness that are already being addressed through current initiatives.

Opportunity	Description	What is the business unit doing to address this opportunity?
Reserve strategy	The Development and Building Approvals Sustainment Reserve is currently at approximately \$85M, higher than its cap of \$60M. There is currently no formal strategy to guide the management and spending of this reserve.	Several reserve studies have already been completed by external consultants. Work is underway to develop a strategy for managing the fund. The reserve will be audited in Q1 2016 to refresh the terms.
Scanning of historical archives	Annual file storage costs for CBS are approximately \$225,000 and the amount of paper files to be stored continues to grow. Scanning historical files would reduce file storage costs.	A Planning & Development document management project is underway, led by Customer Advisory Services in coordination with Corporate Records Management. The possibility of outsourcing the scanning was considered; however, Corporate Records has found that doing this work in house is less expensive for high volumes of scanning.
Payment systems alignment	There are currently multiple technology platforms and systems that support payment processing and fee calculation. This requires manual work to reconcile the systems and results in inconsistencies in payment processing. It also creates compatibility challenges when moving services online.	A project is underway to develop a central fee calculation database – building permit products have already been migrated to the new system and all other products are expected to be completed by the end of 2016. There is a corporate project underway to replace the current CLASS system, which will align the point of sale system with PeopleSoft.
Fleet management	Planning & Development manages its own fleet of approximately 150 units outside of corporate Fleet Services. There is an opportunity to investigate whether corporate fleet should manage these vehicles.	A four-month trial to move Planning & Development fleet management to corporate Fleet Services began in September 2015. Results have been positive so far and a decision to continue this new model is expected in early 2016.

Opportunity	Description	What is the business unit doing to address this opportunity?
Safety Code Officer training	<p>Currently all Safety Code Officers (SCO) are trained to the same level, despite the varying complexity of buildings inspected. There is an opportunity to train some SCOs only to the level required for less complex residential inspections, which comprise roughly 70% of inspection volumes. This would reduce training costs (which were approximately \$400,000 in 2015) and offer a graduated career path for employees.</p>	<p>The creation of a “Junior SCO” position is included in the Field Services Delivery project. A work plan has been developed for the Junior SCO initiative and is expected to be completed in 2016.</p>