

WATER SERVICES ZERO-BASED REVIEW (ZBR)

Project Initiation Document

I. Purpose of the Water Services Zero-Based Review

To systematically review each of the services within the Water Services business unit and recommend to Council possible changes to current operations that would lead to an increase in the effectiveness and/or efficiency of the services.

The review will take place over the next 14 months, and will use The City's Zero-Based Review method. This method includes two levels of analysis: the initial review period assesses all services at a high-level and recommends a sub-set of these services to be reviewed in greater detail. This sub-set of services is then reviewed in-depth to make recommendations on:

- how changes to the services (including service scope and service level) could achieve greater results within currently available resources; and
- how changes to the current method of delivering services could improve its cost-effectiveness.

II. Scope

The Water Utilities consist of two business units: Water Resources and Water Services. The ZBR will examine the Water Services' business unit's portion of the services and budgets within the Utilities & Environmental Protection 2012-2014 Business Plan and Budget, which include the Water Treatment, Wastewater Treatment, Construction Services and Field Services divisions and related support services.

The services identified for the Water Services ZBR are:

1. Collect and treat stormwater,
2. Produce and deliver clean drinking water,
3. Collect and treat wastewater, and
4. Support the delivery of services to customers.

These service lines are further divided into sub-services to enable analysis at a sufficient level of detail.

The Water Utilities' (Water Resources and Water Services) capital and operating budgets are funded through water, wastewater and stormwater rates. The Water Utilities are fully self-supporting and receive no support from property taxes.

Water Service's 2012 actual net operating costs of the services under review was \$143.6 million. The capital spend for 2012 was \$25.5 million.

III. Methodology and Objectives

Consistent with the Council-approved method, the Water Services ZBR will respond to all questions within the five areas of analysis for the sub-set of services that are part of the in-depth analysis:

- i. Service Rationale Analysis:
 - Why is The City of Calgary providing the service?
 - What would be the effect if The City of Calgary discontinued the service?

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- ii. Service Level and Scope Analysis:
 - Why is The City of Calgary providing the scope and level of service?
 - What would be the effect if The City of Calgary changed (increased and decreased) the scope and level of service?
- iii. Service Efficiency Analysis
 - According to industry standards, is the service efficient?
 - Why is the service efficient or inefficient?
 - Would best practices and other suggestions for improvement apply to The City of Calgary?
- iv. Service Effectiveness Analysis
 - According to industry standards, is the service effective?
 - Why is the service effective or ineffective?
 - Would best practices and other suggestions for improvement apply to The City of Calgary?
- v. Service Funding Analysis
 - How is the service funded?
 - Are the sources of funding sustainable and appropriate?
 - Would best practices and other suggestions for improvement apply to The City of Calgary?

IV. Governance

The Water Services review will follow the Council-approved governance model. Under this model, the Steering Committee membership for the Water Services ZBR has been determined as follows:

Eric Sawyer, Chief Financial Officer (Chair)
Rob Pritchard, General Manager, Utilities and Environmental Protection
Dan Limacher, Director, Water Services
Kurt Hanson, Director, Recreation
Elizabeth Dewart, Manager, Corporate Initiatives

V. Timeline and Reports to Council

The Water Services review will take place from 2014 February to 2015 March (14 months). During the course of the review, The City Manager will report to Council with the following:

- a) Preliminary findings and recommended refinement of ZBR scope to Priorities and Finance Committee on or before 2014 September 02. This report will identify services that are recommended to be considered for further in-depth review. The services identified will become the focus of the remainder of the ZBR.
- b) Final Report to Priorities and Finance Committee that includes recommendations for tangible improvements to one or more of Water Services' services on or before 2015 March 31.