

ROADS ZERO-BASED REVIEW: RESULTS OF HIGH LEVEL ANALYSIS

EXECUTIVE SUMMARY

This report brings forward the Zero-Based Review (ZBR) high level analysis on all lines of service and their respective sub-services within the Roads Business Unit. This report makes recommendations for each sub-service, identifying (1) those that do not require a further in-depth review, and (2) those that should be considered for in-depth review during the remaining part of this ZBR project. It is anticipated that at the completion of the in-depth review, specific, tangible changes and improvements will be identified and these will be brought forward to the Priorities and Finance Committee (PFC) in the final Roads ZBR report in September 2014.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommend that Council:

1. Receive for information the report from Western Management Consulting (WMC), Zero-Based Review (ZBR): Roads Business Unit Phase 2A Report (Attachment 1).
2. Approve the Steering Committee's response to the Consultant's report, as shown in Attachment 3, which accepts WMC's recommendations for in-depth review on seven sub-services:
 - Traffic Asset Management (Street Lights only)
 - Road Marking
 - Engineering Operations Service (Traffic Management Centre only)
 - Sign Manufacturing
 - Pavement Rehabilitation
 - Street Excavation and Permission Service
 - Construction Materials Production and Sales Service (Gravel Crusher only)
3. Direct Administration to provide the Final Report of the Roads ZBR to the Priorities and Finance Committee no later than September 2014.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2013 DECEMBER 10 AND 11:

That the Administration Recommendations contained in Report PFC2013-0751 be approved.

PREVIOUS COUNCIL DIRECTION / POLICY

At its 2012 November 22 meeting, Council approved the Zero-Based Review Program for 2013 and 2014 (PFC2012-0713). This report identified the business units to be subjects of a zero-based review over the next two years, including Roads as the subject of a review starting in the first quarter of 2013.

On 2013 May 06, Council approved the Project Initiation of the Roads Zero-Based Review and received for information the Roads Lines of Service and 2012 Operating Budget Overview document (PFC2013-0340). The report detailed the purpose, scope, method and governance of the Roads Zero-Based Review and provided a date of September 2013 for the submission of the high level analysis to the PFC. It also provided a date of May 2014 for the submission of the final report to the PFC.

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On 2013 July 29, Council approved a three-month deferral of the high level assessment report for the Roads ZBR from 2013 September 03 to the fourth quarter of 2013 (PFC2013-0585) as a result of the local state of emergency declared on 2013 June 20 and specifically the impact of the flood on Roads operations. Administration also committed at that time to providing a new date for the submission of the Final Report on the Roads ZBR.

BACKGROUND

Zero-Based Reviews are a part of the Corporate Strategy on Efficiency and Effectiveness, and respond to Council's direction to transform government, and specifically to become a more effective and disciplined organization, and to raise the care and attention that Council and the organization pays to restraining expenditures and increasing efficiencies. Zero-Based Reviews (ZBRs) do this by examining *what* products and services are provided as well as *how* they are provided, to ensure that resources are used well in creating the kind of city that citizens have said they want to live in.

The analytical phase of a zero-based review is divided into two main parts:

- A high level analysis of an entire Business Unit to identify service areas that could benefit from a further review and have the greatest potential for improved efficiency and effectiveness; and
- An in-depth review of service areas identified during the high level analysis that would recommend specific potential improvements to those services, the appropriate way to provide them and at what level they should be provided.

Following a Request for Proposals process, the contract for the high level analysis phase of the Roads ZBR was awarded to Western Management Consulting (WMC) in May 2013. WMC is a Canadian based consulting firm that provides consulting services to clients in the private and public sector.

WMC's report (Attachment 1) provides the results of their high level analysis and their recommendations for sub-service areas that are the most likely to benefit from an in-depth review in the next phase of the Roads ZBR. The next phases will also include tangible recommendations for changes to the sub-services through business cases that will support the need for those changes. Specifically, after the in-depth review in the next phase, WMC will make recommendations on:

- How changes to the sub-services could achieve greater results within currently available resources; and
- How changes to the current method of delivering those sub-services could improve Roads' cost-effectiveness.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

WMC Report Overview (Attachment 1)

The WMC report (Attachment 1) provides the results of a high level analysis on all areas of the Roads Business Unit. The Business Unit is organized into eight lines of service, which are

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further sub-divided into 32 sub-services. These form the basis of the analysis conducted by WMC. Each sub-service was assessed against a framework that considers:

- Service Rationale (why does The City provide the service?)
- Service Level and Scope
- Service Efficiency,
- Service Effectiveness,
- How the service is funded.

In addition WMC's report includes:

- Four 'Assessment Filters' used by WMC to help guide their decision on the recommendations for or against conducting an in-depth analysis on each sub-service (page ii)
- Recommendations on sub-services within Roads that should undergo an in-depth analysis through the ZBR (pages iv and v).
- A summary of the project approach used by WMC to conduct the high level analysis (page 2);
- An overview of the documentation and information that was gathered by the Business Unit and provided to the Consultant as part of the pre-work preparation for the ZBR (pages 3 - 6)
- Background Information on Roads' organizational structure, strategic priorities, 2012 operating expenditures and 2012 full time employees by sub-service (pages 7 - 10)
- A high level analysis of the 32 sub-services provided by Roads with recommendations on each one with regard to the need for a further in-depth review (Pages 11-69)

WMC Report Recommendations

WMC identified seven sub-services that could benefit from further review. These are illustrated in Attachment 2 and are shown below in rank order, along with a brief explanation of the sub-service:

- 1) Traffic Asset Management (Street Lights only) – Plans for and manages the inventory of street lighting and traffic sign assets. Responsible for retaining an external contractor to maintain city's lighting system.
- 2) Road Marking – Responsible for the application and maintenance of all lane-line, centreline, stencils and crosswalk markings on city roadways.
- 3) Engineering Operations Service (Traffic Management Centre only) – Monitors camera systems and operates traffic control devices such as lane reversal systems to maximize infrastructure efficiency.
- 4) Sign Manufacturing – Manufactures signs, decals, large format graphics, banners, vehicle wraps, building signage and other specialty items for The City and other municipalities in the Calgary region.
- 5) Pavement Rehabilitation – Includes City crews and contract work on roadways such as base repairs as required, milling for profile, paving with specified materials, adjustments of appurtenances to final profile.
- 6) Street Excavation and Permission Service – Concrete repairs, gravel street repairs, paved street repairs, manhole repairs, boulevard maintenance, repairing fences and guardrails and repairs incurred during the installation of utilities. Also, The City may

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grant permission to any other person to perform an excavation in the road right of way subject to City specifications and standards.

- 7) Construction Materials Production and Sales Service (Gravel Crusher only) – Mines and crushes rock to produce gravel supplied to the Manchester Asphalt Plant and for the sanding chips blending operation. Also creates air-space for landfill operation and recycles glass recovered from the Blue Box Program

WMC applied the four assessment filters (Page iii of WMC Report) in arriving at their recommendations. The main reasons for selecting the seven sub-services for further review were: budget size; length of time since last formal review; preliminary comparisons with other municipalities; and opportunities for alternative delivery method.

WMC also concluded that the remaining sub-services do not warrant further in-depth review. These services generally receive high levels of citizens satisfaction, favourable cost per output comparisons to other municipalities, comparatively smaller budgets and, in some cases, recent or current changes to the organizational structure of the sub-service.

WMC Additional Findings:

WMC also outlines a number of other findings related to Roads performance with respect to other municipalities and citizen satisfactions results.

- Ontario Municipal Benchmarking Initiative (OMBI): Of the five performance measures related to maintenance, Roads outperforms the median score in four categories over the last 3 years. These include achieving lower operating costs per lane KM for all functions (page 13), lower operating cost per square metre of bridge (page 15), lower operating cost for winter maintenance per lane KM maintained in winter (page 18). In addition, The City exceeds the OMBI median for the percentage of paved Lane KM rated as good to very good over the last four years (page 13).
- Citizen Satisfaction: On page ii WMC noted the commitment of staff within the Roads Business Unit Staff to providing quality service to Calgarians and in particular how the Staff has embraced the ZBR process as an opportunity to improve service efficiency and effectiveness.
- This commitment to providing quality service has also been reflected in almost all of the 29 measures of citizen satisfaction levels mentioned throughout WMC's report. Of these 29 measures 14 (or 48% of the measures) indicate high levels of citizen satisfaction and another 10 (34%) indicate a reasonable or acceptable level of satisfaction with the sub-service.
- For Snow and Ice Control WMC's report indicates that satisfaction improved from 62% in 2009 to 80% in 2012 for Main Roads. Also, satisfaction improved from 32% to 60% on Neighbourhood Roads in the same period. (page 17)
- For Downtown Maintenance satisfaction with the general condition of sidewalks downtown and in other business areas has achieved a satisfaction level of 82% or higher from 2006 to 2012 (page 19)

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- WMC noted low satisfaction on two measures related to Road Marking, and this sub-service is recommended for further review (page 34).

Steering Committee Response (Attachment 3)

The Steering Committee accepts all of WMC's recommendations for the sub-services that should undergo further review.

As required by the ZBR Method, the Roads ZBR Steering Committee prepared a response to the WMC report. Attachment 3 lists the 32 sub-services examined as well as the rationale provided by WMC for each and the Steering Committee's response to each recommendation.

The Steering Committee concluded that the seven sub-services recommended by WMC provide the greatest opportunity for identifying improvements in efficiency and/or effectiveness through the ZBR process.

Project Schedule Update

The original project schedule, approved in May 2013, called for the high-level analysis to be completed by September, 2013 and the final report to be completed by May, 2014. The impact of the 2013 flood, however, meant that it was not feasible to complete the initial analysis on this schedule. Therefore, in July 2013, Council approved a three-month deferral of the initial report from September to December 2013. Administration committed to bring a recommendation for a revised date to the final report as part of this December 2013 report to the Priorities and Finance Committee.

Administration is of the opinion that the three-month deferral should carry through to the completion of the project, in order to provide a thorough analysis in the second stage, and to ensure that the impact on Roads operations and service delivery is manageable. The original approved date for the final report was May, 2014; a three-month delay would result in a final report in August 2013. However, since there are no Council or Committee meetings scheduled for August 2014, Administration is proposing that the final Roads ZBR report will be brought in September 2014.

Stakeholder Engagement, Research and Communication

As part of the high level analysis, WMC conducted interviews with managers and subject matter experts in the Roads Business Unit. Existing employee engagement and citizen satisfaction results were also reviewed. WMC has noted that additional staff input and feedback may be undertaken during the in-depth review phase.

Strategic Alignment

The high level analysis included an assessment of each Roads service with long-term planning documents, including Council's Fiscal Plan, the Municipal Development Plan (MDP), Calgary Transportation Plan (CTP) and the 2020 Sustainability Direction. The coordination of this work was completed and summarized internally and provided to the consultant.

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Social, Environmental, Economic (External)

The ZBR process assesses the extent to which each of the services being reviewed supports (or do not support) major policy goals. Major policy goals includes those within the MDP and CTP (which were founded on the ImagineCALGARY vision), as well as the Sustainability Direction and Council's Fiscal Plan.

Financial Capacity

Current and Future Operating Budget:

Costs to undertake the remainder of the Roads ZBR will be accommodated within the existing budget.

Current and Future Capital Budget:

There are no capital budget implications.

Risk Assessment

A risk assessment for the Roads ZBR was conducted and risk mitigation strategies were put in place to reduce the likelihood and impact of potential risk events. The ZBR method is founded on evidence-based analysis that requires extensive data. Providing clear communications messaging, business continuity and availability of subject matter experts have all surfaced as a key focus area for mitigating many of these risks.

REASON(S) FOR RECOMMENDATION(S):

The recommendations, as formulated by the Steering Committee are designed to:

- Allow for a thorough review of seven important sub-services where there is the greatest probability of finding improvements to service efficiency and effectiveness; and
- Allow the remaining ZBR work to be completed to the required quality standard within a reasonable timeframe. This will enable Roads to use this information to inform the next Business Plan and Budget cycle.

ATTACHMENT(S)

1. City of Calgary Zero Based Review (ZBR) Roads Business Unit Phase 2A Report
2. Roads Organizational Structure & Recommended In-depth Reviews
3. Steering Committee Response to the Roads Zero-Based Review: Results of High Level Analysis