

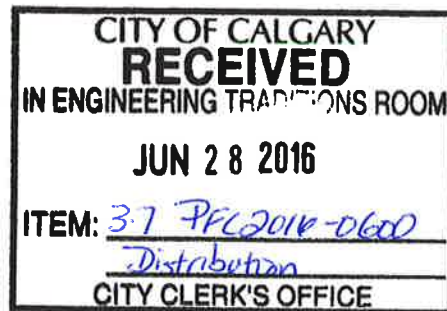
REFERED REPORT

Q2 2016 UPDATE ON THE CAPITAL INFRASTRUCTURE INVESTMENT STRATEGY,
PFC2016-0600 (C2016-0561)

Excerpt from the Minutes of the Strategic Meeting of Council, held 2016 June 27:

"REFER, Moved by Councillor Woolley, Seconded by Councillor Pincott, Report C2016-0561, be referred to the 2016 June 28 Regular Meeting of the Priorities and Finance Committee for further Discussion.

CARRIED"



Q2 2016 UPDATE ON THE CAPITAL INFRASTRUCTURE INVESTMENT STRATEGY

EXECUTIVE SUMMARY

To update Council on the progress of the Capital Infrastructure Investment Strategy since the 2015 November 25 Council Strategic Session and request Council's approval to proceed with a 2017 capital budget recast, reprioritization of the capital budget and identification and assessment of new opportunities to advance infrastructure investment that will promote private investment.

ADMINISTRATION RECOMMENDATION(S)

That that the Priorities and Finance Committee recommends that Council:

1. Receive for information:
 - a) The previously approved Capital Infrastructure Investment Strategy (Attachment 1);
 - b) Additional information on Infrastructure Calgary (Attachment 2); and
 - c) Additional information on the Supply function at The City of Calgary (Attachment 3).
2. Direct Administration to proceed with:
 - a) Presenting the 2016 capital recast to the Priorities and Finance Committee on 2016 September 20;
 - b) Recasting the 2017 capital budget;
 - c) Reprioritizing the capital budget and bring proposed reprioritization list to Council in the Fall of 2016; and
 - d) Identifying additional infrastructure investment opportunities and bring forward to the Priorities and Finance Committee for approval where necessary.

PREVIOUS COUNCIL DIRECTION / POLICY

Council approved the 2015-2018 capital budgets at the 2014 November 24 Special Meeting of Council. Council subsequently approved amendments to the capital budgets contained in the 2014 Year-end revisions report (PFC2015-0347) and 2015 Mid-year revisions report (PFC2015-0697).

On 2015 November 25, Council (C2015-0855) directed that Administration return to Council by Q2 2016 with a recommended capital budget recast, and approved the Investment Strategy review process as shown in Attachment 1.

The capital budget recast and revisions to the capital budgets are required to reflect changes that have arisen since that time relating to actual experience, Council directions, and administrative changes. The proposed 2016 recast is near completion by Administration. However, because of the volume and nature of the information, it was thought best to allow for discussion to occur at the September 20 Priorities & Finance Committee (PFC) meeting and then onto Council, rather than discuss at a Strategic Planning meeting of Council.

BACKGROUND

Following the 2016 November 25 Special Meeting of Council, Infrastructure Calgary was created with the mandate to oversee the Capital Infrastructure Investment Strategy (see Attachment 1). The overarching themes of the strategy are to improve forecasting, prioritize

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projects, optimize funding, examine ways of involving the private sector and monitor and report on progress.

The City's capital spend rate has historically been approximately 50% to 60% of the planned capital budget, often around \$1.2 billion. The current approved 2016-2019 capital budget is front-end loaded, with budgets in 2016 and 2017 well above historical spending averages. The City has undergone a thorough review of the 2016-2018 capital budget and is near completion of the recast of the cash-flow timing for projects in 2016. The capital budget recast included engagement with business units to determine a more accurate forecast. Other initiatives such as Accelerating Capital for Economic Resilience (ACER) and Supply's Five Point Plan will further assist in delivering The City's capital budget projections.

The City is mindful of the current economic situation and is looking at ways to advance its investment in infrastructure while examining related issues, including but not limited to, the operating cost of capital, private sector investment levels, short and long-term job creation and project readiness and worthiness.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Capital Budget Recast Overview

The current approved 2016 capital budget is \$3.2 billion, which is comprised of the 2016 approved action plan capital budget of \$1.6 billion, plus amounts carried forward as part of the budget revisions process in 2014 and 2015 totalling \$1.6 billion (\$307 million in 2014, \$456 million in 2015, and \$844 million from the 2015 year end).

The capital budget recast, which will be presented to the September 20 PFC meeting, aims to increase The Corporation's annual capital investment average from \$1.2 billion by no less than 25%. This is below the funding available but portrays a realistic delivery program. This number may potentially be higher by September depending on the success of the actions discussed in this report. This increased capital investment was further validated by looking at the progress of procurement and land acquisition requirements. The Administration believes that this increased level of investment will provide benefits to the economy.

Infrastructure Calgary Progress

Infrastructure Calgary is a corporate wide initiative created to provide governance and oversight of The Corporation's Capital Infrastructure Investment Strategy. This initiative is based in the Deputy City Manager's Office and guided by a cross-corporate governance committee representing capital intensive business units and business areas supporting the capital process. A dedicated Program Management Office has been established to plan, manage, execute and report on the Infrastructure Calgary portfolio, and act as a central point of coordination for the programs and projects within the portfolio. Infrastructure Calgary will manage the forecasting, prioritization of projects, optimization of funding, examine ways to involve the private sector and monitor and report on progress.

A cross-corporate network of representatives has also been established to support the initiatives within the portfolio and act as representatives for departments and business units across The Corporation. The Governance Committee, Program Management Office and contacts within each department will engage and collaborate with stakeholders throughout the organization to

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strengthen the systems and processes involved in capital planning management (see Attachment 2 for more information). Infrastructure Calgary does not participate in the execution of projects throughout the organization – this responsibility continues to reside in the individual business units.

As part of Infrastructure Calgary, the Accelerating Capital for Economic Resiliency (ACER) program has been established to identify and implement means by which The City can deliver investments in capital projects as efficiently and effectively as possible. The ACER team has facilitated efforts to increase the communication of information about upcoming project work between capital project delivery teams and capital project delivery partner groups. A workshop was held on 2016 February 8 to share information on upcoming 2016 projects and determine appropriate actions to increase capital project delivery capacity. This exchange of information is essential for ensuring that there is adequate capacity to support capital project delivery, as well as an opportunity to seek efficiencies in capital project delivery.

One of the challenges identified in capital project delivery has been insufficient capacity in some key areas that support capital projects, including Law and Supply Management. The ACER program has initiated work with these key areas and others to increase staff in roles that support capital project work. Additional staff are now in place or are being recruited in these areas. While it is too early in the 2016 capital project construction season to report results, this is being monitored to ensure that the increases in staffing result in positive outcomes for capital project investments. The ACER program continues to work with stakeholders to identify opportunities to expedite capital project delivery by streamlining and clarifying project delivery processes.

Supply Function Update

As part of the recent organizational changes announced by the City Manager, the Supply function, led by Sarah Aspinall, now reports into the Deputy City Manager's Office and is being fully integrated into Infrastructure Calgary. In addition to the work ACER has completed, Supply has made recent organizational and other changes in its own area and has developed a five point plan to further enhance its support for the organization (see Attachment 3 for more detailed information about these changes).

Advancing Infrastructure Investment – Next Steps

Over the next several months, the Administration will work on recasting the balance of the approved capital budget. Additionally, the Administration will be looking to update and reprioritize the capital budget and present an updated and coordinated infrastructure investment plan during the mid-cycle adjustments in November of this year.

Given the current economic situation, The City has also been analyzing potential infrastructure investments that would support further economic growth, create jobs and leverage public investment to trigger private investment.

At least two ways to drive this investment from The City's perspective are: (1) to invest capital funding now in infrastructure that can be the impetus for development in an area, and (2) to provide greater clarity regarding infrastructure investment commitments that The City will make to provide capacity for future development.

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As a result, Administration may recommend to Council, prior to November, projects based upon their economic stimulus impact, meaning the majority of projects are ready for procurement of consulting or construction services (i.e. shovel ready and worthy), they leverage City and private investment, and contribute to the creation of jobs.

Advancing infrastructure would increase capacity for development in established, industrial and greenfield areas of the city, helping to achieve the goals of supporting the economy while accelerating capital spending, delivering infrastructure and taking advantage of favourable pricing. Specific information and requests for approval will be brought to Council through PFC as soon as possible.

Considerations in prioritizing the investment opportunities will include, but not be limited to, operating costs of capital, investment leverage (multiple of Industry investment to City investment), short and long term job creation, and project readiness. Considerations for funding operating costs of capital will depend on the nature of the project and whether property tax is the only funding option or whether there may be an opportunity for developers to contribute with these costs. Operating costs of capital will need to be addressed along with these capital requests.

Federal and Provincial Grant Programs

Lastly, work continues with the Federal and Provincial governments, as details are released with respect to previously announced grant programs. In some instances, funding criteria have been announced and City Administration is working to bring investment decisions to Council for its consideration in alignment with current priorities. In other instances, funding criteria have not been announced, and The City is providing input on what the criteria should be and how the programs should be administered to maximize local benefit. The Administration is aware that matching contributions will be required and this funding is being considered as the infrastructure investment strategy is being updated.

Stakeholder Engagement, Research and Communication

Department budget actions are predicated on directions received from Council during the 2015-2018 Action Plan deliberations. Actions also reflect current Council directions and actual spending patterns. Capital project owners across The Corporation were engaged for their insights and estimates to update the capital budget recast.

Findings from The City's annual Citizen Satisfaction survey and Research on Calgary's Economy show that infrastructure remains at the top of the issue agenda for Calgarians. The majority of Calgarians think it is a good time for The City to invest in new projects, with local job creation a key driver.

Strategic Alignment

The capital budget recast is an important part of the Adjustments process. The Adjustments process is part of multi-year business planning and budgeting, and is designed to maintain the direction and priorities established in the approved 2015 – 2018 business plans and budgets. The ability to adapt to the changing economic conditions is a critical aspect of the process. The Adjustments process allows Administration to adapt to changes in the external environment and propose adjustments that allow long term objectives to be met and support Council's priorities of a Well Run City.

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Social, Environmental, Economic (External)

The economic situation has changed in Calgary significantly from the time Action Plan was approved. Recasting the budget and identifying contingencies that can be released provides council and citizens with more up to date information regarding the activities of The City.

Financial Capacity

Current and Future Operating Budget:

Operating costs of capital may be required for projects arising from opportunities to advance and reprioritize infrastructure investment as they are finalized.

Current and Future Capital Budget:

Capital budget revisions to the 2015-2018 Action Plan are discussed in this report but will be reported in detail at the 2016 September 20 PFC meeting.

Risk Assessment

From an Integrated Risk Management perspective, the most significant risks are internal capacity and the economic situation. The City will need to ensure that there is sufficient capacity to implement the plans and initiatives outlined. From an economic perspective, the changes in the economy could continue to put additional pressures on The City. There is also a risk that new infrastructure projects may take The City beyond some of the targets in the Municipal Development Plan.

REASON(S) FOR RECOMMENDATION(S):

Given the current economic situation, The City is analyzing potential infrastructure investments that would support further economic growth, create jobs and leverage City and private investment.

Administration is providing Attachments 1, 2, and 3 to update Council on progress made in relation to the Capital Infrastructure Investment Strategy and related initiatives.

ATTACHMENT(S)

1. Capital Infrastructure Investment Strategy
2. Infrastructure Calgary
3. Supply Update

Capital Infrastructure Investment Strategy

Administration's Infrastructure Investment Strategy will work in conjunction with the Accelerated Capital for Economic Resilience (ACER) project to address several areas that have caused low capital spend rates in the past. Specifically, the strategy will:

1. Critically examine and recast cash flows

One of the reasons for the low capital spend rate is that not enough rigour has been put into forecasting the cash flows of capital projects. This results in budgets that do not reflect the anticipated cash flow, leading eventually to budget deferrals. Critically examining the cash flows is anticipated to yield a more realistic capital budget. This may also free up funding in some years to advance shovel ready projects that are budgeted in later years. The recast capital budget will be presented to Council in the Budget Finalization report in Q2 2016.

2. Determine the priority projects

Administration will review the prioritization of capital projects, taking a more corporate view of prioritization, understanding restricted funding sources. Rather than allocating funding to Departments to apply to the individual priority lists, the corporate priority list will be developed, with funding allocated on a project by project basis. A revised priority list will be presented to Council as part of the mid-cycle adjustment process.

3. Align with Federal and Provincial Government Initiatives

Administration will review Federal and Provincial governments' announcements to identify incremental funding initiatives. Administration will also work with these governments to identify priorities and processes for infrastructure investment and align The City's capital investment priorities accordingly.

4. Review funding sources and switch accordingly

Building off the corporate priority list, the funding sources will be considered and allocated on the basis of the most restricted sources first, in an attempt to free unrestricted funding.

5. Review allocation of funding

The current allocation of funding will be reviewed and redistributed to best meet the corporate priority list. This will result in the revised capital budget to be presented to Council in 2016 November as part of the mid-cycle adjustments.

6. Standardize processes

Cash flow estimation, procurement and permit application processes will be standardized to the greatest extent possible in order to gain efficiencies and remove key bottle necks that constrain spending.

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Proposed Investment Strategy Review

7. Fund additional resources

Fund capital project acceleration initiatives through an increase of the existing corporate project management charge against capital budgets from up to 0.5% to a maximum of 1.5%. Funding will be used to augment capital project delivery capacity in key areas such as Law and Supply Management. It will also support the implementation of cross functional teams focused on delivering capital projects efficiently and effectively. This funding will only be used as required and appropriate controls will be established.

8. Examine ways of involving the private sector to a greater extent

Discussions will include the private sector to determine the degree to which their participation can be increased in order to speed processes and delivery of infrastructure.

9. Identify and approve associated operating budget funding

The operating costs of new capital projects must be identified and any associated incremental Operating Budget funding relating to those projects be approved along with the Capital Budget funding associated with those projects.

Infrastructure Calgary

Program Guidance Document

What: Infrastructure Calgary (IC) is a corporate-wide initiative that will provide governance and oversight of The Corporation's Capital Infrastructure Investment Strategy (CIIS). The intent of the CIIS is to increase The City's ability to deliver programs and services to citizens through investment in capital infrastructure. While not limited to increasing The City's capacity to spend capital funding, this has been identified as a core area of investigation. IC will enhance The Corporation's ability to prioritize and manage capital projects and programs across departments, track the value of The City's capital spend, address risk, and ensure we have sufficient staff resources with the capability to deliver projects on time, on budget and within scope.

Who: IC is an initiative under the Deputy City Manager's Office. A dedicated Program Management Office (PMO) has been established to plan, manage, execute and report on the IC portfolio. This initiative and associated PMO will be guided by a cross-corporate governance committee representing capital intensive business units and business areas supporting the capital process. IC has also established a network of department and business unit representatives from across The Corporation to assist future work and initiatives. This will ensure IC will be able to engage and collaborate with stakeholders throughout the organization to strengthen the systems and processes involved in capital planning management.

Why: There are several drivers behind Infrastructure Calgary. Five primary goals have been identified.

1. Stimulate the economy by increasing the quality and velocity of capital expenditures
2. Strengthen investment decision making to maximize the return for Calgarians
3. Enhance capital delivery efficiency and effectiveness
4. Improve transparency and line of sight for key stakeholders
5. Attract investment to Calgary

How: There are multiple initiatives, objectives and deliverables established to deliver on program goals. IC will be focused on all capital investment in The City across all departments. It will be responsible for:

- **Review of capital budgets & cash flow analysis** – all capital budgets need to be reviewed to look at current estimates as cash flow analysis as committed to Council in late 2015;
- **Enhance capital spending velocity** – with the potential announcement of additional funding in Federal & Provincial budgets, The City needs to review its capacity and ability to expend capital on those required infrastructure projects, while incenting the economy during this time;
- **Method of prioritizing** - Setting the overall prioritization criteria, methodology and framework for prioritization of capital projects;
- **Review** –Evaluating all capital business cases submitted by departments;
- **Balancing needs** - Weighing any individual capital project against the corporate list of capital projects in a fair and transparent manner;
- **Corporate alignment** - Ensuring alignment of any approved capital project with corporate priorities;
- **Decisions** - Making decisions on which business cases are approved for funding and delivery;

- **Authority** – Ensure both comprehensive review of the overall capital program and that authority is executed at the correct level to best balance speed and flexibility with governance and protecting the interests of The City.
- **Risk** - Reviewing risk and ensuring it is in-line with the desired corporate risk profile; and,
- **Ensuring high performance** – Receiving regular updates on the performance of the program and directing corporate initiatives aimed at improving any identified gaps.

Infrastructure Calgary will not be involved in:

- The project management or delivery of projects, unless requested by the individual departments or as required, dependent upon monthly reporting results

When: Infrastructure Calgary is a multi-year initiative with goals and deliverables over three phases: short, medium and long term.

Phase 1: Short-Term Priorities

IC will take a long term approach in reviewing its capital budget outcomes and processes. However, a phased approach will be taken to the work-plan. Its first priorities will be to:

1. Increase investment in Calgary through improved capital management;
2. Enhance velocity of infrastructure investment in response to required economic stimulus and increased grants from senior levels of government (ACER);
3. Develop an overall Corporate Infrastructure Investment Program (maintenance and growth);
4. Set corporate funding allocations;
5. Perform corporate-wide project selection; and,
6. Determine corporate-wide project prioritization.

Phase 2 & 3: Medium-Term & Longer Term Priorities

Priorities in the medium to long-term will shift to improving the broader approach to capital investment in The City, including:

1. Review of Project Management best practices;
2. Review and analyze of cash flow and seeking opportunities to capture contingency funds where appropriate for corporate re-allocation;
3. Developing an understanding of:
 - a. how many project managers exist in The Corporation and their workload allocation;
 - b. how much supporting operating is charged to capital; and,
 - c. the project management funding and delivery cycle to evaluate the potential of seeking funding with level 3 estimates, instead of level 5.
4. Improve selection by developing common business cases including but not limited to:
 - a. funding;
 - b. risk identification & mitigation; and,
 - c. cost benefit analysis.
5. Developing common, regular reporting tools, including public facing accountability tools, “dashboards”;

6. Requiring that all status 'red' (major issue) projects come to Infrastructure Calgary for possible resource re-allocation and permit status 'yellow' (some issues) projects to be forwarded as well; and,

Ensuring proper allocation of enabling functions (ex. Engagement & Communications – in alignment with the new service delivery model)

Supply Update

Overview

Supply procures goods, services, fleet, IT, professional services, consulting and construction for City Departments and select City of Calgary partners. It also manages over \$40M of inventory through 19 warehouses and maintain 17 fuel sites. Disposal of some City assets is also within Supply's responsibilities.

Supply is a team of 189 dedicated staff with considerable experience and a high level of professionalism with one third of the team being directly involved in procurement activities. Supply, through the establishment of contracts, enables The City to spend capital and operating budgets.

Supply plays a critical role in supporting Infrastructure Calgary and setting the capital projects and contracts in motion, and has an equally important role to continue to support departments' operating activities. They work in close collaboration with many enabling groups within The City but have a particularly close relationship with the Law Department. The success of Infrastructure Calgary depends on the close collaboration of all parties, including business units and enabling services.

Procurement of goods and services is subject to regional and national trade agreements such as the New West Partnership Trade Agreement (NWPTA), and the Agreement on Internal Trade (AIT). The City's internal supply chain governance and procurement policies describe the principles, authority, roles and responsibilities that govern City procurement. The primary objective is to ensure The City conducts fair, open and transparent procurement processes to obtain best value for money and to prevent practices contrary to procurement law which may put the organization at reputational and financial risk.

Background

Supply has struggled with a reputational challenge of being slow, overly cautious and bureaucratic. With the new Manager of Supply, the Supply leadership team set about understanding the issues and putting plans in place to improve performance, informed by the Six Sigma / Continuous Improvement approach.

Supply has shifted its attention towards a structured approach to performance: measuring, analysing and improving and making data driven decisions. Feedback from internal departments and external Associations also played a role in Supply's new direction. With the initiation of Infrastructure Calgary and the move of Supply from Finance to the Deputy City Manager's Office (DCMO), a Five Point Plan for Supply was established. The Plan accelerated

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the initiatives already underway along with the new opportunities the alignment with the DCMO and Infrastructure Calgary has created for Supply.

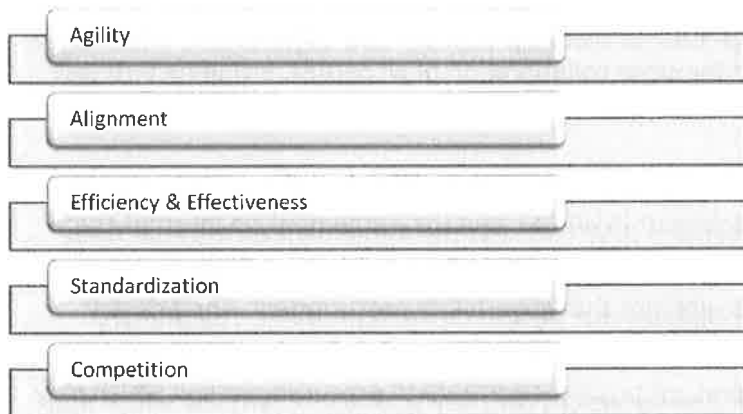
Supply has also leveraged the expertise of the City Auditor's Office through the Continuous Improvement Audit and continued involvement with the evolution of the Five Point Plan.

Transformation

Procurement improvement activities have been underway since mid 2014, however for this report, the transformation will be presented within the formalized Five Point Plan. The report does not include the initiatives that Supply is focussing on to continue to provide exceptional service within the other areas of our operational activities.

Our tag line is - and our aspiration – is: ***Do more, do faster, do it right!***

Five Point Plan



1.0 Agility

1.1 Challenges being addressed: Belief that Supply is slow, limited visibility of workload – current and future, minimal information on status of procurements, need to improve sense of urgency and timeliness.

1.2 Speaking with data: The major focus for data collection was the cycle time of procurements. Supply set about answering the following questions: How long are procurements taking? What is holding up awards? Are there certain steps in the procurement process that are consuming the most time? Are there non-value added activities restraining the procurement process? The overall end to end procurement cycle time has been measured for many years, however the challenge was to see the cycle time broken down into smaller sub processes. In preparation for the Action Plan 2015 – 2018, Supply segmented cycle time as follows:

PS12 to Ready-to-Source	Days to Approve	Days to Post	Days to Close	Days to Send Evaluation	Days to Receive Evaluation	Days to Award from Evaluation
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Supply set about developing a tool that would allow Supply to record the durations across the overall cycle time and within each of the sub processes. Filetracker is a database that was developed internally by The City’s IT department. With measurement in mind, the tool was designed to follow each procurement through the sub processes and to capture the duration within each step. In August of 2015, a cycle time report from Filetracker identified two areas that consumed over 50% of the overall procurement cycle time. The areas were ‘PS12 to Ready to Source’ and ‘Days to Receive Evaluation.’ This information along with a Continuous Improvement Audit performed by The City Audit’s Office, suggested that closer collaboration and alignment with our customers would reduce cycle time as both parts of the sub process are predominantly customer driven.

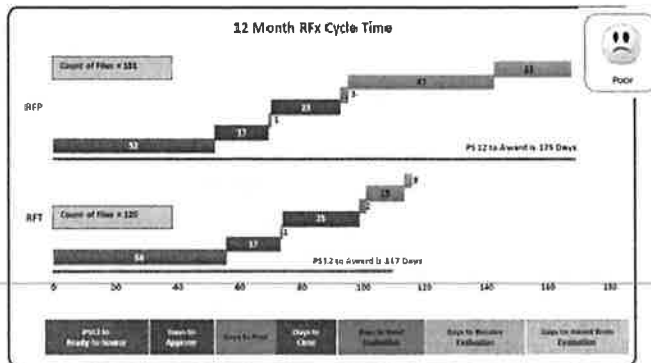
PS12 to Ready to Source: PS12 (Procurement Strategy) is the trigger for the procurement to commence. It is a document that is submitted by a business unit to Supply’s Intake. From the receipt of a PS12, Supply assigns a Buyer and the business unit or Consultant starts the development of the technical specifications, scope, special conditions and evaluation criteria. It ends when the Request for X (RFX) document is ready for final review.

Days to Receive Evaluation: Particularly on a Request for Proposal (RFP) when the highest evaluated proponent is selected, rather than lowest compliant bid for a Request for Tender (RFT), the evaluation sub process plays a significant role in the overall cycle time. Evaluation is performed by project teams and can be complex and time consuming. A rigorous evaluation is crucial in ensuring The City selects the highest evaluated proponent in a Fair, Open and Transparent method.

The graph below contains 12 months of data, with cycle time segmented by the sub processes. The cycle time targets for 2016 are 180 days for Request for Proposal (RFP) and 105 days for Request for Tender (RFT). It is clear that PS12 to Ready to Source and Days to Receive Evaluation contribute most to the overall cycle time. It should be noted that procurements are posted for 3 weeks or 21 days, which is in line with Trade Agreement guidelines.

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W.PM09 RFT & RFP Cycle Time Average Days
Jun 2015 – May 2016



Supply is able to segment the data by department, business unit, procurement method and also type of procurement. Through ongoing measurement and analysis, Supply believes that a 'One size fits all' target based on procurement method is flawed. Cycle time is impacted by risk and complexity of the procurement and the level of engagement, whether it be within The City, with Council and with citizens. In addition, the availability and priority of resource allocation within Supply and from the business unit perspective also plays a role.

Within the sub processes that Supply is wholly responsible for, Supply has identified significant non value added activities – predominantly moving and waiting time.

1.3 Improvements: Supply's new agile approach involves a strong sense of ownership for each procurement, which entails good planning, prioritization, communication, collaboration and monitoring. A weekly scrum style meeting has been adopted to review all files that are within the two time heavy areas (PS12 to Ready to Source and Days to Receive Evaluation). A flagging system has been introduced to provide visibility of file progression – Red, Amber and Green. Files in Red and Amber status are highlighted and discussed with the intent to get them back on target or to identify them as being special cause variations when delivery is expected to be above the average (e.g. P3 procurement). This was a recommendation from the Continuous Improvement Audit and has been fully accepted and introduced as a new way of working. In alignment with Infrastructure Calgary and accelerating capital spend, Supply made a quick modification to Filetracker to have the ability to see all capital procurements. This enables Supply to escalate those capital procurements that are not progressing as planned with the business units and through Infrastructure Calgary if needed.

1.4 Key Performance Indicator: Procurement Cycle Time

2.0 Alignment

2.1 Challenges being addressed: Procurement staff predominantly work on an individual basis, work is assigned and completed by a pool of buyers, outside of direct service level agreements, there was no single point of contact for customers, and no alignment between Supply and business unit at Buyer level.

2.2 Speaking with Data: The major focus for data collection was procurement cycle time with the additional attribute of buyer alignment. The question was whether a buyer, who is aligned on a service level agreement or through generally supporting the business unit, has a positive impact on the procurement cycle time. The Continuous Improvement Audit (2015 – AP6) set about answering whether there was a positive correlation between cycle time and alignment. Excerpt from Audit: “We observed the review and approval time for an Request for Tender (RFT) in our sample where non-dedicated resources were utilized took 9 extra days compared to a file where Supply resources were aligned with the business unit. We also conducted an analysis of all 2014 RFTs over \$500,000 in value. We calculated that the cycle time of the RFTs where a Supply resource is aligned to the business unit ranges from 87-149 days, compared to 137-272 days for RFTs with standard Supply support.” Supply has accepted the recommendation of aligning resources to business units as a positive action item to start reducing cycle time. In order to determine the appropriate level of staffing for each department, a work load analysis for 2015 was undertaken. Data indicated that on average a buyer procures 40 new files per year. Using the volume of procurements from 2015, Supply able to develop an estimate of resources needed to support each department. New awards, extensions, renewals and change orders were included – basically every time Supply touches a file.

2.3 Improvements: In June 2015, the Continuous Improvement Audit concluded that alignment of staff reduced the cycle time of procurements. The audit also recommended that early engagement on procurements with business units and quality documentation also reduced cycle time by minimizing the review period and number of addendums.

In December 2015, Supply rolled out revised processes for major projects over \$5M, offering business units the opportunity to elect having pre-procurement kick off meetings and procurement review meetings. Pre-procurement meetings are to establish the procurement strategy and to align the team. Review meetings are to conduct a concurrent review of the draft procurement document, working collaboratively rather than in sequence.

In December 2015, this alignment was established; however, with the drive to accelerate capital and the move to Infrastructure Calgary, Supply needed to focus on fully operationalizing the alignment. Through significant staff engagement a matrix was developed to fully align

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teams with departments and secondly as communities of practice: Consulting, Construction, IT, Goods & Services and Contract Management. Staff were asked to focus on each individual's strengths to best provide customer service and deliver on our new objectives: to accelerate capital while continuing to provide exceptional service to our customers.

This matrix illustrates the new Departmental and COP structure:

Departments →	Chief Financial Officer Incl. CMO, Planning & Development	Community Services Incl. Other Partners	Deputy City Manager's Office	Transportation	Utilities & Protective Services
Communities of Practice ↓					
Consulting					
Construction (Including Major Maintenance)					
IT					
Fleet, Goods, General Services					
Contract Management					

Feedback from departments and business units has been very positive. They see the team alignment as a positive shift from the previous structure and delivery model.

To promote the alignment and for all parties to understand more clearly their roles and responsibilities within the procurement process, a RACI (Responsible, Accountable, Consulted and Informed) matrix is being refined. We are leveraging a tri-party RACI project that has been underway since mid 2015 between UEP, Fleet and Supply. The RACI is in the Pilot phase and will be the foundation for the overall Corporate RACI chart.

Supply believes the Departmental alignment will substantially increase customer service, improve lines of communication, deliver appropriate cycle times and create a collaborative team environment.

2.4 Key Performance Indicator: Customer Satisfaction Survey, Procurement Cycle Time.

3.0 Efficiency & Effectiveness

3.1 Challenges being addressed: Paper driven, manual processes, no central intake process, limited visibility and prioritization of workload, outdated delegation of authority, non-value add components within procurement process, limited procurement templates available, version control and Supply's reputation for being slow.

3.2 Speaking with Data: For this area Supply focused on what was trending in other Canadian municipalities and private industry. The questions Supply posed were: Can Supply work differently to free up capacity within Supply? Are there technology options available to improve efficiency? Does Supply have the appropriate level of staffing? The need to modernize Supply activities was very apparent.

3.3 Improvements: The most significant shift in modernizing the Supply chain was the introduction of e-bidding at The City. The e-bidding project resulted in paper bid submissions and public openings being phased out in May 2015. The system selected is user fee based, with funding for the project coming from operations, as the workload was fully absorbed by the Supply team. The system provides visibility on who downloads the documents, who bids and the number of bids, in a central location, providing much-needed data that can be analyzed in many ways.

Supply continues to be challenged with several other paper driven processes, the most significant being the hard copy approval of new procurement awards, procurement extensions and renewals. This is further inhibited by the outdated delegation of authority that governs the approval limits within Supply. In 2015, Supply performed data analysis on the volume of approvals at each level within Supply. Supply concluded that an adjustment of the approval levels was needed to empower staff to be individually responsible and accountable at the appropriate level. With input from the City Auditor earlier this year, Supply is pursuing a review of the approval levels for risk, complexity and dollar value. Filetracker 2.0 was initiated in June 2016 to enhance the tool's capability. The immediate scope is the move from paper to an electronic process for new awards extensions and renewals. Upon completion, Supply believes the outcome will be improved visibility, reporting and removing the manual process duplication.

From a technology perspective Supply is considering opportunities for the Prequalification process, Vendor Performance and Workflow.

The involvement in several Zero Based Reviews over the past 18 months has also highlighted efficiency and effectiveness opportunities for Supply and The City as a whole from a procurement perspective. All of these are being considered as ways to improve Supply, with the ultimate goal of freeing up capacity to work on value-add activities, accelerate capital and continue to provide exceptional service to our customers.

3.4 Measure: Procurement value per FTE (OMBI)

#3.7

4.0 Standardization

4.1 Challenges being addressed: Speed up time to market, bring documents in line with current industry standards and recent legal precedents, expand procurement delivery methods template availability, introduce negotiable request for proposals, version control and visibility of contracts.

4.2 Speaking with data: Given the volume of new bids, which are in excess of 1000 per year, the need to standardize was self evident. Data from 2015 indicates that a new award takes on average 40 hrs per file (Supply resource only).

4.3 Improvements: The most significant improvement activity was initiated in 2014 in collaboration with The City's Law Department. There were numerous advantages to standardizing the procurement documents. After careful consideration, a suite of procurement documents was purchased from Paul Emanuelli's Procurement Office for the procurement of Goods & Services. The suite had consistent language, clauses, look and feel, was up to date with legal precedents and allowed The City to remove at least a year from the development process. Through joint working groups internally within The City, the documents were customized to work with The City's processes. The suite includes negotiable and non-negotiable formats. The Qualification/Quality Based Selection templates are also being developed. The new template is based on the Paul Emanuelli suite, with significant modification to align with the procurement of Non-Price Professional Services. Industry engagement continues with the Consulting Engineers of Alberta and the Consulting Architects of Alberta.

The construction suite of documents is being developed and piloted. Templates will be available for the following procurement delivery methods: Design Bid Build, Design Build and Construction Management. Industry engagement is a critical element to the success and adoption of the new construction suite of documents. The project team is working very closely with the Calgary Construction Association (CCA) and has piloted the new Construction Management documents on five projects to date, including Historic City Hall.

Standardizing procurement documents will alleviate review time, thus reducing overall cycle time. This is fully aligned with the conclusions from the Continuous Improvement Audit (2015 – AP6).

Supply is promoting standardization within business units for specifications, evaluation criteria and special conditions.

Through Infrastructure Calgary, a conversation has started with regards to bundling of similar services across departments, reducing the number of procurements and removing duplication for the vendor community. We are encouraging the use of Request for Standing Offers to

enable the sharing of work between vendors and contractors and also reducing the volume of procurements. This type of procurement is used within pockets of The City, but there is certainly greater opportunity across the organization.

4.4 Key Performance Indicator: Procurement cycle time, Procurement value per FTE (OMBI), NEW – Quantity of ‘Request for Information’ during document postings.

5.0 Competition

5.1 Challenges being addressed: Prequalification process is slow, bid caps leave money on the table, prime contractor – safety or more, risk appetite and the staging of projects to market.

5.2 Speaking with Data: Historical data on new awards: Does prequalification, which means a list of contractors are invited to bid, limit competition? Risk appetite.

5.3 Improvements: In 2015, in collaboration with the CCA, Supply launched a “lean review of the Prequalification for Prime Contractors.” Supply held several workshops, and introduced a number of quick wins. Supply believes they have already saved approximately 10 days from the overall process time. More significant changes are still in the works with regards to the Safety and Environment section and the Technical Categories. For the Safety and Environment component, Supply is working towards more high level, general requirements. In relation to the Technical Categories, data show that we have a number of categories that Supply has never used, wasting the time of contractors who are being prequalified within those categories. This project is targeting a 50% reduction in technical categories in an attempt to remove duplication and wasted efforts. For overall process improvement, expectations on turnaround times have been established for both The City of Calgary and contractors. Finally, Supply is exploring Bid Cap changes. The conversation of changes to Prequalification are now headed to Infrastructure Calgary with the discussion around the circumstances when prequalification makes sense and when it doesn’t. Prequalification may be seen as a barrier to entry, therefore with the drive to stimulate the economy and attract new bidders a strategy shift may be required.

Intentionally staging projects to market is also under review, reducing internal competition for contractor estimating capacity and ultimately for construction capacity. The intention is to have visibility on internal postings overlaid with provincial competitions from Alberta Infrastructure, Alberta Transportation and Alberta Health Services.

5.4 Key Performance Indicator: Number of Bids Received (OMBI).

#3.7

Conclusion

Over the last two years, Supply has dedicated significant effort to transform itself to better support the outcomes of Council Priorities, the Leadership Strategic Plan, and now Infrastructure Calgary.

Supply's systematic approach to continuous improvement, continued collaboration internally and externally with industry partners, and being at the table of Infrastructure Calgary, is laying the ground work to accelerate the award of capital projects for the 2017 construction season. Alternatively stated, Supply is committed to a transformative process and today is positioned to do more, do faster, and do it right!