



Calgary Building Services Zero-Based Review

Summary

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zbr | zero~based
review program



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CBS Zero-Based Review at a glance

| Calgary Building Services ZBR Results | | |
|--|---|---|
| Focus Area | Efficiency | Service Effectiveness |
| 1. Customer Segmentation Analysis | NA | <ul style="list-style-type: none"> Greater organizational understanding of needs & preferences of different customer segments |
| 2. Business Model Service Simplification | <p>\$3.5M or 5% cost savings/avoidance annually after implementation (based on the CBS operating budget), Year 5</p> <p>Reduction of financial risk based on cost containment from automation</p> <p>\$1.9M back to Calgarians – out-of-pocket expenses plus time</p> | <ul style="list-style-type: none"> Easier, more consistent, up-to-date information Customer can access information anytime/anywhere No need to come downtown saving customer time & money Staff is focussed on higher risk areas Consistent process no matter the channel used Gaps in business licensing resolved Culture shift to customer centric service model Foundational for service improvement for other segments More uptake in permit applications – greater compliance to safety codes |
| 3. Project Portfolio Management | \$1.14M or 1% annual cost savings (based on the whole PD operating budget), Year 1 | <ul style="list-style-type: none"> Faster delivery of projects; better value for investment Better, more timely decision making Greater transparency & accountability |
| ZBR Scope and Focus Areas & Key Recommendations | | |
| Focus Area 1: Customer-oriented Services <ul style="list-style-type: none"> Market Segmentation Customer Profiles Customer Journeys | Focus Area 2: Business Model Service Simplification <ul style="list-style-type: none"> Self-directed services for home and small business owners Improved processes & business rules & formalize risk based approach | Focus Area 3: Project Portfolio Management <ul style="list-style-type: none"> Portfolio Management Framework Facilitate Prioritization for 2017 departmental work plan |
| Detailed Recommendations | | |
| Self-directed Services for Home/Small Business Owners: <ul style="list-style-type: none"> Roadmap, design and pilot online chat channel Accept digital documents from home owners Provide electronic submission and processing of home owner applications and payments Develop and implement a formal customer contact/education strategy that supports a proactive approach in the community Create a home/small business owner relationship role responsible for the education, and sustainment of customer information Develop partnership programs with stakeholders who provide services to home/small business owners Simplify & guide the customer journey by creating online navigable content where the needs, wants & limitations of the customers are taken in account Issue home owner permits at City multi-use locations as per Council mandate (LAS201536) Upgrade & complete the technology solution to enable small business owners to pay online through registered access | | |
| Improve Process and Business Rules based on Risk Approach: <ul style="list-style-type: none"> Review citizen complaints and move rules to the appropriate bylaw for enforcement Apply a risk-based approach and remove discretionary business rules not supported by bylaws and standards Complete inspection business process redesign and then implement a workforce management tool Formalize risk-based decision-making for Inspectors Capture operational data for meaningful performance measurement Use the small business owner customer journey to create a holistic sequence of compliance requirements across all stakeholder agencies | | |
| Project Portfolio Management Framework: <ul style="list-style-type: none"> Establish clear terms of reference for strategic vs. execution portfolio governance Include and prioritize all business planning, operations and portfolio projects Adopt corporate project management and governance standards across all projects Develop performance measurement strategy and discipline for identifying, gathering and reporting on key metrics Develop portfolio management roles and responsibilities that support the PD Business Portfolio Management Framework | | |

CBS ZBR is all about the Customer!

About Calgary Building Services

Planning and Developing (PD) is pivotal realizing our vision of making Calgary a great place to live and work. It is the engine that enables customers to build their dream home, a state-of-the-art office tower, or even a new community, ensuring that Calgary remains one of the most liveable cities in the world.

With an operating budget of \$110M, PD has four business units that are tightly integrated in the provision of planning, development and building approval services for land use and development throughout Calgary and the surrounding region. Calgary Building Services (CBS) role is to *educate, support, inspect, and enforce* the development and building of the City of Calgary.

CBS is funded almost exclusively by permits and licensing fees. The business unit has an operating budget of \$76M. CBS expenditures can be broken down into four service lines and eight processes shown in the chart below. As part of the 2017 business plan work services will be re-categorized into six groups. This is a work in progress.

It's all about the customer!

For PD, the customer experience is particularly important, with customers often having significant

financial investments tied to the planning and building approvals process. As the single point of contact for PD customer transactions, CBS services a wide range of customers from “do-it-yourself” homeowners to large corporate developers. To service this wide-range of customers, the business unit operates a mixture of access channels including; front counters, online, call centre, publication and information services. As a part of their commitment to customer understanding, PD/CBS regularly surveys customers, facilitates focus groups and engages with industry organizations.

A few customer stats....

- Over 200,000 customer inquiries per year
- Average 76,000 permits per year
- 60,000 customers served at front counter
- About 1,000 inspections per day

CBS is all about the customer and the focus of this review reflects that - the value CBS services bring to them and the efficiency and effectiveness by which they deliver those services.

| | | Services | | | | | |
|-----------|--|---------------------|------------------|--------------------|--------------------|-----------|------------|
| Processes | | Land Use Management | Land Development | Building Approvals | Business Licensing | Total | % of total |
| | Answer Customer Inquiries | \$ 94 | \$ 378 | \$ 1,357 | \$ 94 | \$ 1,923 | 3% |
| | Accept & Circulate Applications | \$ 281 | \$ 1,263 | \$ 983 | \$ 281 | \$ 2,807 | 4% |
| | Process Payments & Manage Fees | \$ 596 | \$ 596 | \$ 596 | \$ 199 | \$ 1,985 | 3% |
| | Conduct Plan Reviews/ Approve Applications | \$ 1,893 | \$ 3,460 | \$ 3,918 | \$ - | \$ 9,271 | 12% |
| | Perform Inspections/ Approve Occupancy | | \$ 2,098 | \$ 12,874 | | \$ 14,973 | 20% |
| | Enforcement & Safety Response | | | \$ 1,751 | | \$ 1,751 | 2% |
| | Manage Records & Information | \$ 323 | \$ 573 | \$ 838 | \$ 1,445 | \$ 3,179 | 4% |
| | Community Industry Engagement | | | \$ 1,670 | | \$ 1,670 | 2% |
| | Supports all PD Business Units | \$ 12,521 | \$ 9,673 | \$ 16,166 | \$ 406 | \$ 38,765 | 51% |
| in 1000's | | \$ 15,708 | \$ 18,040 | \$ 40,153 | \$ 2,424 | \$ 76,326 | |

Figure 1.0 – CBS 2015 Operating Budget by services and processes

Uncovering opportunities

CBS has a strong service culture and being a more customer-centric service organization is a priority for both CBS and the PD department. An initial high level exploration and analysis of services was conducted identifying areas with the greatest potential value to customers.

However, PD and CBS face challenges to improving service delivery including:

- A lack of capacity, due in part to the volume of improvement initiatives underway.
- Difficulties moving services online due to exceedingly complex services and processes.
- Lack of an aligned, organizational understanding of customer expectations and preferences.
- Repeated reviews and audits that distract from implementing change.

Building a service model

To assist CBS in improving its customer-centricity, a service improvement model was introduced to prioritize these new opportunities and align existing initiatives. (See figure below) Each step on the triangle is a prerequisite for the next. Foundational to any service improvement strategy is a thorough understanding of the customer and their needs and preferences.

From the customer perspective, services and service levels are then defined, and business processes simplified, before investing resources into optimizing delivery. This provides a clear rationale for service improvements from the customer's point-of-view. Like many businesses, CBS has implemented initiatives at the top of the triangle while the foundation has not been addressed.

Opportunities

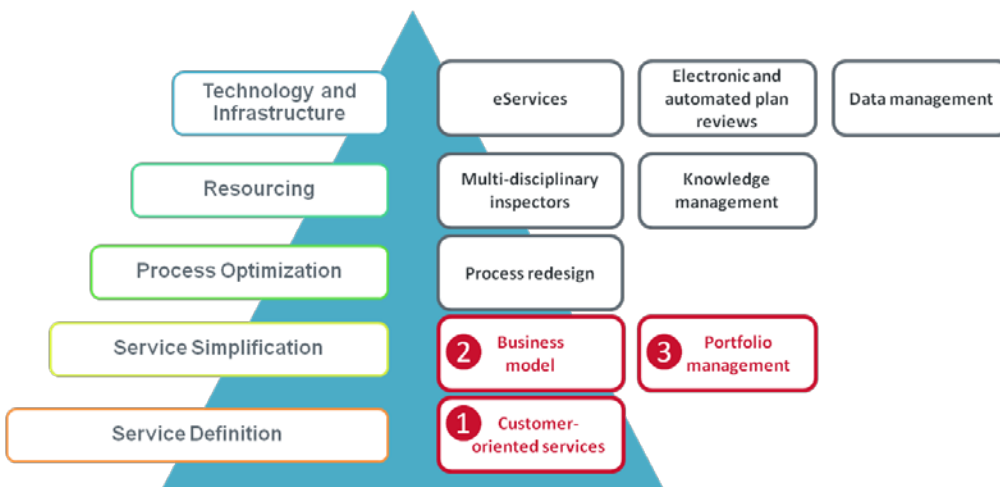
Nine potential opportunities were identified and prioritized using this model. The opportunity identification process and all nine opportunities are detailed in the *Opportunity Identification Report* authored by Corporate Initiatives (Attachment 2).

Three foundational opportunities were identified for a more in-depth analysis.

1. **Customer-oriented services:** Improve understanding of the different groups of customers served by PD/CBS to align service improvements and the development of new channels with customer needs and preferences.
2. **Business model simplification:** Building on the knowledge learned from the above customer analysis; assess the value of services provided in relation to customer

needs and the legislative environment. The current service model is overly complex, creating significant costs.

3. Portfolio management: Develop, for PD business unit, rigor around portfolio management to increase efficiency and effectiveness of projects and the value for money obtained from capital and operating investments.



Getting to know the customer

Foundation of service improvement

To address CBS's customer service demands the primary focus of the ZBR include:

1. Building a more effective and efficient service delivery program.
2. Creating greater alignment and discipline in CBS's continuous service improvement efforts.

In the past, PB/CBS have employed several tools to learn about customers including surveys, focus groups and stakeholder engagement. Based on the results of the 2015 Customer Survey, focus groups and interviews with industry representatives, the following customer expectations were identified:

- A predictable, consistent experience
- Simple processes and a clear understanding of what's required in their application
- 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)

A few questions still remain – Who wants what service? How do they want to receive information? What processes make sense? To answer these questions and address customer expectations, getting to know the each customer type, in detail, is the first step in the service design and delivery process. (See Figure 3.0)

Customer segmentation analysis

To begin to foster greater organizational understanding of their customers, Corporate

Initiatives in partnership with Customer Service and Communications (CSC) worked with departmental staff to define PD's customer segments and develop a comprehensive, shared view of each customer type, developing customer profiles (needs and preferences), as well as customer journeys (customer experience). See *CBS Customer Segmentation* (Attachment 3) for details.

Through the customer segmentation analysis, PD/CBS was able to clearly understand:

- Differences in customer expectations
- Bottlenecks in a customer's City experience
- How each customer type strategically fit into the departments' service improvement plans

This market segmentation piece was so valuable that its success was noted throughout the corporation and will be a regular feature of future Zero-based Reviews.

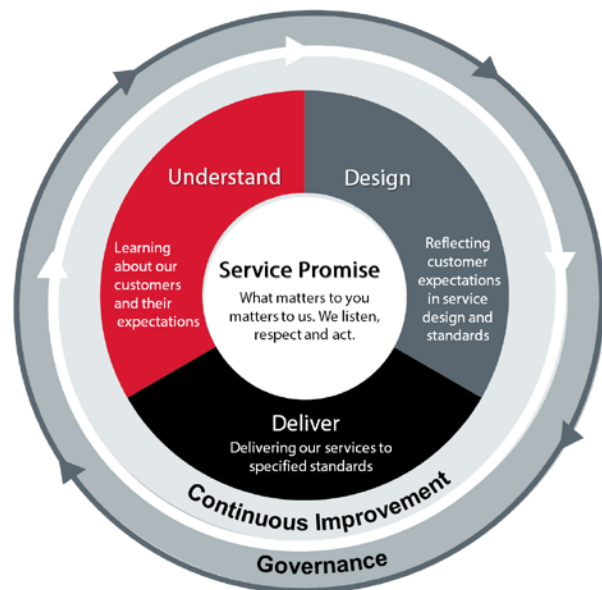


Figure 3.0 – CSC Service Improvement Cycle

Focusing the review

| Key Customer Segments | % of Customer Base | % of Permit Volume | % of Permit Fees | Approx. Average # of Permits per Customer | Approx. Average Fees Paid per Customer |
|-----------------------------|--------------------|--------------------|------------------|---|--|
| 1. Home Owners | 66% | 13% | 4% | 2 | \$600 |
| 2. Business Owners | 13% | 4% | 4% | 3 | \$3000 |
| 3. Land Developers | <1% | <1% | 2% | 6 | \$90,000 |
| 4. Builders | 2% | 7% | 24% | 28 | \$100,000 |
| 5. Contractors | 7% | 11% | 14% | 14 | \$20,000 |
| 6. Trades | 8% | 57% | 12% | 61 | \$14,000 |
| 7. Supporting Professionals | 4% | 7% | 41% | 16 | \$104,000 |

Figure 4.0 – CBS Customer Segments

A Focus on the “silent” majority

The customer segment analysis underscored that homeowners and small business owners contribute a small percentage of revenue (8%), and require a high need for support making these segments the biggest drivers of cost. In addition, of the many service improvement projects in-flight, few focus on these high volume/low revenue/high cost segments: a clear opportunity.

As the ZBR moved into a deeper analysis of **Business Model Simplification**, the following factors led to a focus on homeowners and small business owners, or – the “silent” majority.

- They are the majority of customers (79%).
- They typically are one-time or infrequent users of PD services and therefore require substantial support.

- The combination of high volume and high support makes these segments the major driver of cost.
- These customers are dissatisfied with the existing service model. See Figure 5.0.
- The large number of initiatives already in-flight is specific to large developers and builders.
- There is limited service improvement initiatives centred on these high volume customer segments due to their low revenue contribution.

Simplifying the Business Service Model

After years of keeping up with the City's growth demands, the ZBR offered a chance to develop a new way of doing business with their "silent majority".

Customer journey mapping

Typically, home and small business owners are either first-time customers or infrequent customers of CBS. These customers have a limited understanding of City processes and just want to know what they need to do. Building on the completed customer profiles and journeys, improvements focused on the ability to answer customer questions quickly, consistently and at any time. These customers did not want to travel downtown. They expect that everything they need to know and do, including financial transactions, can be completed online.

The *CBS ZBR Final Report* (Attachment 4) details real experiences of a Calgary home owner and small business owner, showing the current-state and the future-state after all the identified improvements are implemented. A one page customer journey placemat (Attachment 5) summarizes these journeys, including current customer roadblocks and recommended improvements.

The cost of service

The current customer experience shows that both home and small business owners require a high degree of support. While customer feedback is highly complementary of the customer service received from Customer Advisory Services (CAS) staff-(including the Front Counter and business unit call centres) - information and service comes at a high cost (both financially and reputationally).

In 2015, 202,000 customer contacts occurred (which translates into approximately 76,000 permits) at an average cost of \$65/contact. The high costs are not just for The City; customers spend on average \$50 for each application at the downtown front counter and over eight hours on permit research and application. CBS currently provides online information, and while it is improving the information, it remains complex and

of limited value. (Note Figure 5.0 from the 2015 customer survey.)

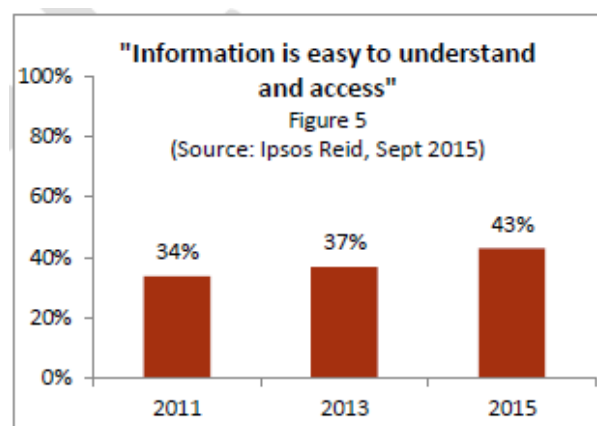
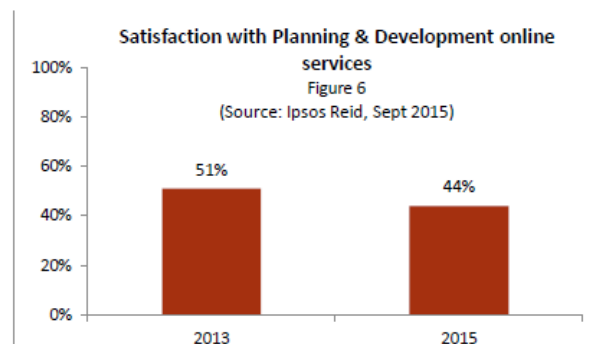


Figure 5.0 – Limited online satisfaction

Creating a Self-Directed Journey

"Provide services to home/small business owners that enable customers to be self-directed," is the first high level recommendation for Business Model Simplification. This means that firstly, all the information the customer requires is online; written from the customers' perspective, in lay terms. Secondly, the complexity of the Land Use Bylaw and codes are dealt with "behind the scenes" and all plans and paperwork are accepted electronically. Finally, the customer pays for and receives their permit, electronically.

Improving the journey will enable customers to find information when they need it, and in a way they can easily understand. This is not new - for example, the United Kingdom has had planning

and permitting online since 2002. As part of their Citizen First initiative, the UK Government established the Planning Portal to provide an entry point to online planning information, allowing for planning/permitting applications in England and Wales to be submitted electronically. The project was completed in 2008 and reduced the number of form variations from 12,000 to one. By 2014, 80% of all applications from England and Wales were submitted online.

Simplifying processes and rules

The current permitting and licensing processes are so complex - they are difficult for customers to understand and employees to administer. For example:

- 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 to 20 customer requirements for different permit types.

To simplify the current processes, two primary recommendations were put forward.

- 1) Create a self-directed home/small business customer journey.
- 2) Improve process and business rules by using a risk-based approach.

These recommendations ensure higher level functions are aligned, efficiently implemented and the expected benefits are realized.

Implementation outcomes

Implementing the two primary recommendations and supporting 15 detailed recommendations supports higher service levels for less cost by offering online channels for guidance and service.

Ultimately, this will improve the customer experience and reduce the cost per contact for these customer segments. CBS is advised to consider the following for implementation.

- All recommendations **together** provide service improvements and cost-savings key to a successful journey for home owners and small business owners.
- The recommendations **lay the foundation** for service improvements for other customer segments.

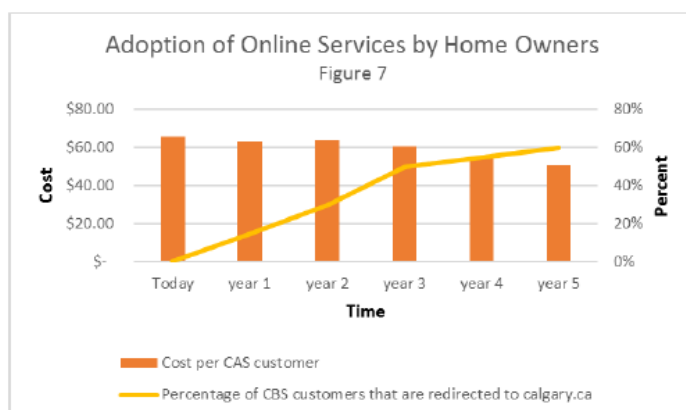
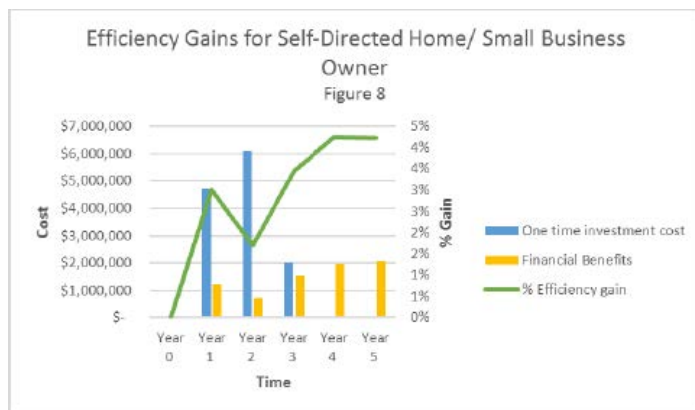
Expected results – 23% drop in cost per contact after recommendations are implemented (year five).

Savings potential – \$3.5M in annual cost avoidance/savings if 60% customers adopted the implemented recommendations.

Customer savings – \$1.9M back to Calgarians' (out-of-pocket expenses and time).

End result – Significantly better customer experience with The City and greater compliance to safety codes.

For in-depth financial analysis, please refer to the *CBS ZBR Final Report* (Attachment 4).



Figures 6 & 7 - Efficiency gains

Building rigor

PD is in the midst of significant change. A new General Manager took on the leadership role in March 2016. The operational re-organization, the initiation of the City/Industry Workplan to support large developers, the continuation of eServices, and many other improvement projects place intense demands on a department that also has time critical operational responsibilities.

These many projects are not (in all cases) prioritized with respect to their potential value, nor have they been assessed to determine optimal sequence and timing. Pro-actively anticipating the priority of projects in the Action Plan is a difficult task, as PD tries to predict what the needs of various segments are and anticipate where Council will direct the department as a result of an issue or changed mandate. Balancing priorities is a major challenge and it is critical for the department's success to ensure that staff know what they are working towards, what resources are available, and how decisions are to be made.

Developing a Portfolio Management Framework

Developing rigor around portfolio management would increase efficiency and effectiveness of projects in CBS. It would increase the value for money obtained from capital and operating investments, and ensure proficient resources.

Therefore PD should: **“Adopt a business portfolio management framework to improve the governance, management and monitoring of projects required to meet Council priorities and action plans”.**

The work has already begun!

Through collaboration with the PD directors and management team, a Portfolio Management Framework was developed to support a department with a high volume of project work and limited resources. This framework is meant to ensure the right projects are resourced and completed. If CBS implements all detailed recommendations, summarized in the next section, PD overall will realize \$1.14M in annual cost avoidance beginning in year 1.

This framework has already been put into action for the department's 2017 Work Plan and will position the department well for the next business planning cycle.

What is a portfolio?

A portfolio is a collection of programs, projects and/or operations managed as a group. The components of a portfolio may not necessarily be interdependent or even related—but they are managed together as a group to achieve strategic objectives.

What is portfolio management?

Portfolio management is the centralized management of one or more portfolios, which includes identifying, prioritizing, authorizing, managing, and controlling projects, programs and other related work to achieve specific strategic business objectives.

How does portfolio management differ from project management and program management?

Portfolio, program and project management are all aligned and driven by organizational strategies. However, each one contributes differently to the achievement of strategic goals.

Why is portfolio management important?

It supports the organization's strategic goals and, ultimately, its bottom line. Portfolio management is critical to organizing and prioritizing projects and programs and ensuring that the appropriate financial support is being allocated in support of those goals

Figure 8.0 – PMI Portfolio Management Definitions used by CPMC

Summary of recommendations

The high-level recommendations coming out of the CBS ZBR are underpinned by a set of interrelated, detailed recommendations all effectively prioritized along with other service improvement initiatives, through the PD Business Portfolio Management Framework. Together they will change the service model for home/business owners and assist the Calgary Building Services business unit and the Planning and Development department in maximizing the benefit of their service improvement portfolio. Many of the detailed recommendations will benefit all customer segments, not just home/small business owners.

While there are cost-savings to be realized, the primary benefits are cost avoidance and significant service improvements. Kogawa has provided in-depth business cases with financial analysis for each recommendation in the *CBS ZBR Final Report* (Attachment 4). As well, CBS has been provided with implementation and change management considerations.

A significant cultural change is required within CBS and PD as a whole to become truly customer centric for all of the customer segments.

The following summarizes the focus areas, recommendations, and benefits of the CBS ZBR.

Administrative Response: Accept all recommendations for implementation.

Opportunity 1: Customer-Oriented Services

➤ Service Improvements

- Increase understanding of customer needs and preferences
- Increase customer satisfaction by giving customers more of what they need
- Increase cost efficiency by giving customers less of what they do not want
- Improve effectiveness of communication
- Enhance partnerships with other groups that serve the same segments

Opportunity 2: Business Model Service Simplification

➤ Efficiency Gains

- \$3.5M or 5% annual cost avoidance/savings full implementation at 60% adoption rate
- 23% drop in cost per customer contact from \$65 to \$50
- \$1.9M savings for Calgarians (out-of-pocket expenses and time)

➤ Service Improvements

- Reduce time and cost to the customer with navigable online content
- Information is consistent, timely and up-to date
- No need to come downtown
- Fewer calls to business call centers and 311
- Fewer follow-up inspections
- More uptake in permit applications – great compliance to safety codes
- Few business rules for staff to manage
- Easier to put services online

| | |
|--|---|
| <p>Recommendation #1:</p> <p>Provide services to home/small business owners that enable customers to be self-directed. As a result, both The City and customers are more efficient and effective in building and maintaining a safe city</p> | <p>Recommendation #2:</p> <p>Improve home/small business owner processes and supporting business rules by using a risk based approach. Rationalize business rules based on bylaws and safety codes, and eliminate legacy rules</p> |
| <ul style="list-style-type: none"> • Roadmap, design and pilot online chat channel • Accept digital documents from home owners • Provide electronic submission and processing of home owner applications and payments • Develop and implement a formal customer contact/education strategy that supports a proactive approach in the community • Create a home/small business owner relationship role responsible for the education and sustainment of customer information • Develop partnership programs with stakeholders who provide services to home/small business owners • Simplify and guide the customer journey by creating online navigable content where the needs, wants & limitations of the customer are taken into account • Issue home owner permits at City multi-use locations as per Council mandate (LAS201536) • Upgrade & complete the technology solution to enable small business owners to pay online through registered access | |
| <ul style="list-style-type: none"> • Review citizen complaints and move rules to the appropriate bylaw for enforcement • Apply a risk-based approach and remove discretionary business rules not supported by bylaws and standards • Complete inspection business process redesign and then implement a workforce management tool • Formalize risk-based decision-making for Inspectors • Capture operational data for meaningful performance measurement • Use the small business owner customer journey to create a holistic sequence of compliance requirements across all stakeholder agencies | |
| <p>Opportunity 3: PD Portfolio Management</p> | |
| <p>➤ Efficiency Gains</p> <p>\$1.14M annual cost savings in Year 1</p> <p>➤ Service Improvements</p> <p>A complete view of all work with better aligned resources</p> <p>Department wide understanding of priorities and expectations</p> <p>Improves transparency and accountability</p> <p>Improves decision making</p> <p>Value for projects is realized for benefit of citizens</p> <p>Improves service to all customer segments with timely and effective delivery of improvements</p> | |
| <p>Recommendation #3:</p> <p>Adopt a business portfolio management framework to improve the governance, management and monitoring of projects required to meet Council priorities and action plans</p> | <ul style="list-style-type: none"> • Establish clear terms of reference for strategic vs. execution portfolio governance • Include and prioritize all business planning, operations and portfolio projects • Adopt corporate project management and governance standards across all projects • Develop performance measurement strategy and discipline for identifying, gathering and reporting on key metrics • Develop portfolio management roles and responsibilities that support the PD Business Portfolio Management Framework |