

PROJECT INITIATION OF THE WATER SERVICES ZERO-BASED REVIEW

EXECUTIVE SUMMARY

This report brings forward the Project Initiation Document, which establishes the purpose, scope, method, timelines, and governance for the Water Services Zero-Based Review (ZBR). This document is consistent with the approved ZBR method and initiates the Water Services ZBR in accordance with Council's direction.

ADMINISTRATION RECOMMENDATIONS

That the Priorities and Finance Committee recommend that Council:

1. Approve the Water Services Zero-Based Review (ZBR) Project Initiation Document (Attachment 1); and
2. Receive for information Water Services' Service Descriptions (Attachment 2).

PREVIOUS COUNCIL DIRECTION / POLICY

At its 2011 December 19 meeting, Council approved FCS2011-31, Implementation of the Efficiency and Effectiveness Program, including Zero-Based Review (ZBR) Method and Pilot. The approved method prescribes five areas of analysis (service rationale, level and scope, efficiency, effectiveness and funding analysis) and sets out the terms for ZBR governance and reporting.

Following the ZBR pilot on Fleet Services in 2012, the ZBR method was refined to include conducting more of the work in-house, extending timelines, and narrowing the scope part way through the process to allow for in-depth analysis of specified areas (PFC2012-0492).

In November 2012, Council approved the continuation of the ZBR Program and directed that Water Services be the subject of a ZBR starting in 2014 (PFC2012-0713).

BACKGROUND

ZBRs are a part of the Corporate Strategy for Efficiency and Effectiveness (C2011-55) and respond to Council's direction to transform government. They examine *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.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Attachment 1, for Council approval, provides the Water Services Zero-Based Review (ZBR) Project Initiation Document, detailing the purpose, scope, method, timelines and governance for the Water Services ZBR. All are consistent with the principles and guidelines previously approved by Council.

Pending Council's approval of Attachment 1, Administration will proceed with the procurement process to retain consultant(s) to conduct the aspects of the ZBR that are not completed in-house. It is anticipated that a Request for Proposals (RFP) will be advertised in February for a period of five weeks.

The Water Utilities consist of two business units, Water Resources and Water Services. Water Resources oversees the management of water resources, and plans and builds infrastructure. Water Services is focused on the delivery of services, and operating and maintaining

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infrastructure. Together, the Water Utilities ensure the supply and delivery of clean drinking water, collect and treat wastewater, and manage urban runoff to protect public health and the environment and meet regulatory requirements. The scope of this ZBR is the Water Services business unit only. Water Resources is not included in the scope of this review and will be the subject of a ZBR in the future.

Attachment 2, to be received for information, contains a description of Water Services' four main services. The Water Services business unit consists of four divisions: Water Treatment; Wastewater Treatment; Construction Services; and Field Services. The services described in Attachment 2 align with these divisions, meet the requirements of the ZBR method for data collection and analysis, and encompass 100% of Water Services' business and budget.

It is anticipated that the review of Water Services will be completed by March 2015. Administration will use the consultant's preliminary findings to provide a report on refining the project scope (i.e., specific aspects for a "deep dive") no later than the end of September 2014. The in-depth analysis will take place through the fall of 2014. In early spring of 2015 Administration will provide a report to the Priorities and Finance Committee that will include the recommendations made by the consultant as well a response from the Steering Committee. This timeline is consistent with the schedule outlined in PFC2012-0713 (Zero-Based Review Program for 2013 and 2014).

Stakeholder Engagement, Research and Communication

The Water Services management team was provided an overview of the ZBR Program and method, and an oversight team (consisting of management team members) and a project team (consisting of subject matter experts within each division) has been formed. A ZBR pre-work phase with Water Services began in September 2013. A work plan and a communications plan have been completed. Communication with Water Services' staff has begun, with an emphasis on supporting leaders in face-to-face discussions with employees so that all staff receive timely and accurate information, and have an opportunity to ask questions and address concerns. During the ZBR, The City of Calgary will be renegotiating its labour contracts with unions that represent City employees, including employees from Water Services. Administration will communicate with union representatives to keep them informed of the status of the ZBR program and to address any questions.

Strategic Alignment

Consistent with the ZBR method, all Water Services' services will be assessed for their alignment to Council's strategic goals and objectives by reviewing each service in light of their contribution to long-term planning documents, specifically Council's Fiscal Plan, the Municipal Development Plan (MDP), Calgary Transportation Plan (CTP), and the 2020 Sustainability Direction.

Social, Environmental, Economic (External)

Water Services operates and maintains water and wastewater treatment plants and collection and distribution systems to deliver water, wastewater and stormwater services to citizens and regional customers, meet regulatory requirements and safeguard public health, the environment, and property. The ZBR method will assess each of the services making

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recommendations for improvement in light of legislative and regulatory requirements and considering Water Services' contribution to the social, environmental and economic well-being of Calgary.

Financial Capacity

Current and Future Operating Budget:

Direct costs for this project will be funded through the ZBR Program. For the duration of the ZBR, there is a significant requirement for staff and management time, both within Water Services and enabling services, to manage the project, collect and organize data, and conduct analysis. Costs incurred within Water Services and any additional enabling services costs related to the Water Services ZBR will be accommodated within existing budgets.

Current and Future Capital Budget:

There are no capital budget implications.

Risk Assessment

A risk assessment for the Water Services ZBR has been conducted and risk mitigation strategies have been put in place to reduce the likelihood and impact of potential risk events. One of the key risks identified is a natural event, such as significant flooding in the spring, occurring during the ZBR. Should this risk event occur, Administration will delay the ZBR so that Water Services staff and management resources can be focused on emergency response and service continuity. A deferral request will be brought forward to the Priorities and Finance Committee with revised timelines and any other project impacts.

Other risks include managing expectations of stakeholders, limiting the scope of the review due to Water Services, and monitoring synergies and challenges with other concurrent corporate processes, such as the development of the 2015-2018 business plans and budgets. Mitigating strategies and actions have been included in the project plan and communications plan.

REASON(S) FOR RECOMMENDATION(S):

This report details the purpose, scope, method, timelines and governance of the Water Services Zero-Based Review and initiates the Water Services ZBR, consistent with Administration's previous direction from Council.

ATTACHMENTS

1. Water Services Zero-Based Review (ZBR) Project Initiation Document
2. Water Services' Service Descriptions