

Chief Financial Officer's Report to
Priorities and Finance Committee
2019 January 22

ISC: UNRESTRICTED
PFC2019-0041

ZBR Program Update

EXECUTIVE SUMMARY

The Zero-Based Review (ZBR) program complements The City of Calgary's other continuous improvement activities by adding a periodic, more thorough review of whether the right services are being provided in the right way. Ten ZBR reviews have been completed since 2012, including the Information Technology (IT) ZBR that is presented as part of this report. The findings from the IT ZBR bring the total annual financial gains identified through the ZBR program up to a range of \$60.4 million to \$71.5 million. In 2018, over \$16 million of financial gains were realized towards this target, bringing the total annual gains realized to \$43.6 million. A full update on the financial benefits realized and forecasted can be viewed in Attachment 1 – ZBR Program Dashboard.

The IT ZBR is now complete, and all recommendations are progressing to the Implementation stage. The focus of this ZBR was to balance IT's role in enabling and empowering The City's front-line services with its ability to act for the good of the overall corporation – maximizing the service's ability to promote the efficient and effective use of technology in, and across, all services for the benefit of all Calgarians. Opportunities range from achieving greater corporate clarity on the role of IT to creating a greater level of standardization throughout the corporation. These actions have the power to improve how services work together, assess investments, reduce overall costs and reduce security risks that arise from technology – a principle corporate risk. This approach has identified \$1.3 million in cash savings and \$4.4 million in productivity gains, for a total of \$5.7 million in annual financial gains upon full implementation (Attachment 2 – IT ZBR Summary Report).

The Roads ZBR recommendations are now fully implemented, having realized \$2.8 million in average annual financial benefits for the 2015 - 2018 period (Attachment 3 – Roads ZBR Final Implementation Update). These benefits represent significant cost savings and productivity gains beyond the consultant's estimate of \$1.4 million to \$1.9 million per annum. Roads has also implemented several additional initiatives resulting in customer service improvements, such as introduction of an online application which significantly reduced processing time for business customers obtaining excavation permits.

In addition to the financial benefits, the ZBR program also delivers benefits in the form of improved service effectiveness and enhanced organizational capacity for continuous improvement at The City. These benefits are diverse in nature and are harder to quantify, making it difficult to present them as a single headline measure. Administration continues to develop new performance measures to better align with the Results Based Accountability™ (RBA) framework and capture the full spectrum of the ZBR program's impact.

ZBRs currently in progress include Law, Supply and the Shared Challenges of Internal Services. Updates on these reviews will be brought forward to council in future ZBR program updates.

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ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommend that Council:

1. Receive for information:
 - a. ZBR Program Dashboard (Attachment 1);
 - b. IT ZBR Summary Report (Attachment 2); and
 - c. Roads ZBR Final Implementation Update (Attachment 3).

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2018 JANUARY 22:

That the Administration Recommendations contained in Report PFC2019-0041 be adopted.

PREVIOUS COUNCIL DIRECTION / POLICY

The ZBR program was created by Administration as part of its response to Council's direction to become "a more effective and disciplined organization" (C2011-55). This direction was reaffirmed in the 2018 March update of these principles (C2018-0304).

The program has evolved over time, driven by both the changing circumstances since its inception and the continuous improvement ethos of the ZBR program itself. Direction for the program is therefore contained in a number of previous reports to Council, including:

- The initial report establishing the program and setting up the pilot (FCS2011-31);
- Follow-up reports, modifying some program parameters, reflecting lessons learned and further method improvements (PFC2012-0492, PFC2012-0713 and PFC2014-0554); and
- Approval of a new program mandate and reporting approach to enable the program to continue delivering results in the face of changing circumstances and new requirements (PFC2016-0883).

BACKGROUND

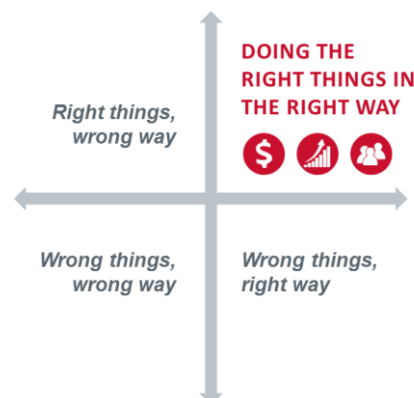
The ZBR program exists to:

1. Increase the value Calgarians get from their tax dollars by improving the efficiency, effectiveness and sustainability of services; and
2. Build the organization's capacity for continuous service improvement.

By first asking fundamental questions about whether we are doing the 'right things' in the 'right way', the ZBR program lays a foundation for true efficiency and effectiveness (Figure 1).

This work is especially important when resources are limited but the demand for City services is not. The recent economic downturn has increased the pressure on Administration to use fewer resources without

Figure 1: Effectiveness and efficiency



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compromising service quality, and incremental budget cuts are no longer enough to address this challenge. The ZBR Program helps The City balance changing citizen needs and priorities with the resources available. The savings identified by the program will help Administration to achieve the targets for efficiencies and other savings established in One Calgary: 2019-2022 Service Plans and Budgets.

Since its inception, the ZBR program has used a service based approach including five areas of analysis:

1. **Service Rationale:** Why is The City providing the service? Should we be in this business?
2. **Service Level and Scope:** Why is The City providing the scope and level of service?
3. **Service Efficiency:** According to the industry standards, is the service efficient?
4. **Service Effectiveness:** According to the industry standards, is the service effective?
5. **Service Funding:** Are the sources of funding sustainable and appropriate?

While these fundamental questions are unchanged, the frameworks, approaches and tools used in the program have evolved over time. The continuous improvement architecture that underpins the ZBR program is the same one that guided the service planning and budgeting process used in One Calgary. Using a common approach across all elements of The City's Performance Management System helps us build a culture of continuous improvement that is a hallmark of every high-performing organization, and not only in times of financial constraint. Our efforts to further embed this culture at The City will continue in the 2019-2022 cycle.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

ZBR Program Status: January 2019

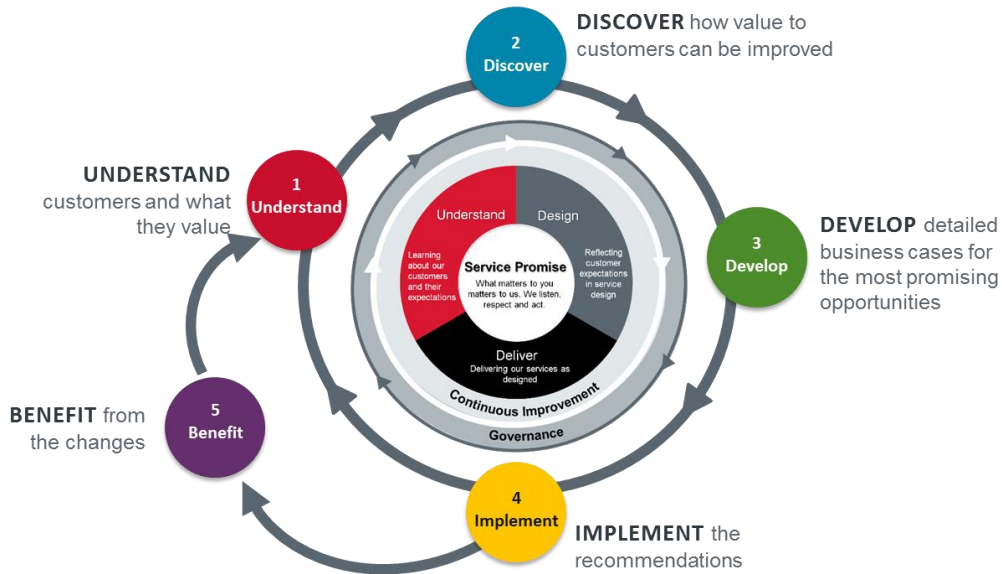
The continuous improvement process used in ZBRs is based around The City of Calgary's Customer Service Approach (Figure 2), starting with the 'Understand' phase on the left side of the circle, below.

Figure 2: The ZBR continuous improvement process

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ZBR projects are listed below by their stage in this process. ZBR Program Updates to PFC, like this report, occasionally offer additional detail on progress for a specific project in attachments. The goal of this reporting is to bring timely progress updates on all projects. Details on where more detailed information can be found on each ZBR project is also provided.

Summary of Benefit & Implement Stages

Stage	Business Area	Last Update
	Fleet	Complete - PFC2012-0492
	Parks	PFC2018-0017
	Roads	Complete – Attachment 3
	Water Services	UCS2016-0169
	Fire	PFC2015-0695
	Calgary Transit	PFC2017-0431
	Water Resources	PFC2018-0647
	Calgary Building Services	PFC2018-0017
	Recreation	PFC2018-0647
	Information Technology	Attachment 2

Overall Program Summary for Benefit & Implementation Stages

- With the completion of the IT review the total number of reviews completed since 2012 is now ten. These reviews represent 70% of City services as measured by December 2018 gross operating budget. Details of the completed reviews are presented in Attachment 1.

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- Total annualized financial gains of between \$60.4 million (low estimate) and \$71.5 million (high estimate) have been identified¹ in these reviews.
- In 2018, the Corporation realized² over \$16 million in financial gains towards this goal, bringing the total annual gains realized to \$43.6 million.
- The City has also realized benefits in the form of service effectiveness, including better customer service, reduced environmental impact and improved public safety. These results are diverse in nature and may be harder to quantify, making it difficult to present them as a single headline measure. The ZBR program's impact on service effectiveness is currently reported through case studies and success stories. This report does not include a case study attachment but further case studies will be provided to Council in the next program update report.

Specific Project Updates for Benefit & Implementation Stages

- Attachment 2 presents the conclusion of the IT review. As a result of the IT ZBR, Administration is making commitments that will see improvement in seven areas. All seven are now in the implementation phase.
 - The overall focus of the review relates to the need for IT to find the right balance between their role as a service provider for all business units and their role in promoting and supporting decisions for the overall good of the corporation. Achieving the right balance requires a better dialogue and understanding between IT and its customers. To that end, IT has already improved their understanding of a key internal customer group: leaders with responsibility for line of business software applications. Following on from this, a tool was developed to provide clarity for customers around the true and full costs of supporting an application from the initial purchase to decommissioning. This tool supports the ongoing dialogue between IT and their internal customers to optimize service levels to meet, but not exceed, service needs.
 - In addition, the IT ZBR identified the need to achieve greater clarity around IT's role in making decisions that support the overall good of the corporation in connection to how existing software assets are assessed over their lifecycle and how new software is acquired and then managed for individual services and across the corporation. More clearly defining, developing and, where prudent, standardizing the data, processes and decision-making criteria needed to manage The City's application portfolio will reduce cost, reduce risk and create an environment for better cross-service collaboration. Identifying redundant line-of-business systems and decommissioning them will significantly reduce the risk for escalated support and sustainment costs in the future. Further risk reduction related to technology security results from a streamlined portfolio – not only is it more cost effective to maintain fewer applications but it also reduces the potential for security threats. As for hardware use, optimizing the use of personal productivity devices (PC's, laptops, smartphones, etc.) throughout the corporation and ensuring that each user has the right device – no more, no less –

¹ **Benefits Identified:** A recommendation has been made that, when implemented, has a potential benefit associated with it and a plan to achieve these benefits is being developed or implemented.

² **Benefits Realized:** A recommendation has been implemented and benefits are being experienced financially and/or through non-financial improvements.

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- to do their job will enhance staff productivity across the corporation while reducing the capital and operating costs of these devices.
- The total annual financial gains identified through the IT ZBR are estimated at \$5.7 million - \$1.3 million in cash savings and \$4.4 million in productivity gains. It should be noted that these benefits are expected to be achieved throughout the Corporation and do not solely fall within IT's operating or capital budgets. Further details on the benefits of the IT ZBR, and the commitments and actions Administration will undertake to deliver them, are presented in Attachment 2 – IT ZBR Summary Report.
 - The implementation of the Roads ZBR is now complete. Attachment 3 provides an update of the Roads ZBR implementation results and benefits realized, including \$2.8 million in average annual financial gains. These benefits are well above the initial estimate of \$1.4 million to \$1.9 million in annual benefits. By the end of 2018, these gains have allowed Roads to reinvest approximately \$11.4 million back in to service delivery since 2014. The ZBR program has also further strengthened Roads' culture with respect to continuous improvement. Several additional initiatives have been undertaken since the review was concluded that have resulted in halved response times for street light repairs, removal of 50% additional debris through pre-sweeping for spring cleanup, and enhanced customer experience for excavation permits through introduction of an online application for businesses.

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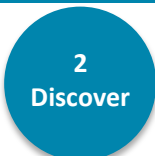

Summary of Develop Stage

Stage	Business Area	Last Update
	Shared Challenges of the Internal Services	PFC2018-0647

Specific Project Updates for Develop Stage

- The Shared Challenges of Internal Services ZBR is in progress. Foundational work on two opportunities (Internal Services' Role and Internal Recoveries) is underway.

Summary of Discover & Understand Stages

Stage	Business Area	More Information
	Supply	In progress
	Law	In progress
	Facility Management ESM Land	On hold

Specific Project Updates for Discover & Understand Stages

- The foundational work completed prior to commencement of the One Calgary process ensured Supply had a head start on customer-focused and service-based thinking that is the cornerstone of the ZBR Program. The Supply ZBR has identified preliminary opportunities for improvement and those opportunities are being assessed and prioritized.
- The Law ZBR has resumed and foundational work is underway.
- During 2018, a significant amount of the organization's time and attention was focused on development of four year plans and budgets through One Calgary, including moving to a service-based model. The ZBR Program team provided support to all 61 services, integrating service review and improvement into service planning wherever possible. The work done in developing these service plans and budgets provides a strong foundation for future ZBR work and will help accelerate progress in 2019.

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Data Development

In response to the direction of the Priorities and Finance Committee in January 2018 (PFC2018-0017), the estimated date of full implementation has now been added to the program dashboard.

Work continues to improve how effectiveness gains are reported (in addition to efficiency gains) and how the ZBR program reports on its objective of capacity building for service improvement within the organization.

Stakeholder Engagement, Research and Communication

Many stakeholders were engaged in the creation of this report:

- Content was developed and tested in conjunction with the IT ZBR Steering Committee, all Directors of business units that have already completed or are in the midst of completing a ZBR, as well as numerous individuals in those business units.
- Staff across the organization collaborated to collect data on benefits realized to date.
- As agreed in an earlier report on ZBR program governance (PFC2015-0903), Administration provided an opportunity for Councillors to provide input to the internal service ZBRs in May and June of 2017. Further opportunity was provided in 2018 for Council to provide input on both internal services reviews and the direction of the program in 2019-2022 through the One Calgary program engagement.

Strategic Alignment

The ZBR Program is part of the Performance Management System, which in turn is one component of the Leadership Strategic Plan. The ZBR Program helps the organization respond to Council's five imperatives of integrated service delivery, engaged leadership, increased trust and confidence, a public service culture and investment and value. In particular, the ZBR program supports Stage 3 of the Leadership Strategic Plan "Road Map" as it is a tool to help improve organizational efficiency.

Social, Environmental, Economic (External)

There are no direct implications from this report.

Roads contributes to social outcomes through supporting citizens' perception of safety, including providing well-lit and well-marked streets. Provision of the Streets service by the Roads business unit is also a significant economic force, providing work for The City employees as well as many contractors and other private businesses. The ZBR recommendations have supported Roads and IT in achieving these outcomes in a more efficient and effective manner.

IT contributes to social, environmental and economic outcomes through enabling other business units in service delivery thereby indirectly contributing in many ways to the quality of life for Calgarians. IT achieves these outcomes through the implementation and maintenance of technology platforms that provide the most convenient and accessible channels for citizens to connect to City services.

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Financial Capacity

Current and Future Operating Budget:

The ZBR program helps the organization to manage operating costs, which is particularly important in the current economic climate. This report presents identified and realized reductions in operating budgets.

Current and Future Capital Budget:

The ZBR program also helps the organization to manage capital costs. This report presents identified and realized reductions in capital budgets.

Risk Assessment

Any program driving significant changes to improve services includes a degree of risk to the organization. This risk is primarily related to change management. As such, all decisions about changes to services include a detailed consideration of the risks, and this practice is now well-established at The City.

Outside of the risk to the organization, there are also risks to the successful implementation of any particular ZBR recommendation. The risks associated with the implementation of recommendations through the completed reviews include such factors as:

1. A lack of resources to implement the recommendations;
2. Poor communication with employees or customers leading to a reluctance to support implementation;
3. Lack of capacity for change within the business unit; and
4. Not measuring performance which impedes ability to demonstrate/measure improvements/success.

REASON(S) FOR RECOMMENDATION(S):

This report updates Council on the progress made through the ZBR program in increasing value for citizens by improving service efficiency and effectiveness. It also fulfills Administration's commitment to provide regular updates to Council on the ZBR program.

ATTACHMENT(S)

1. Attachment 1 – ZBR Program Dashboard
2. Attachment 2 – IT ZBR Summary Report
3. Attachment 3 – Roads ZBR Final Implementation Update