City Manager's Office Report to
Priorities and Finance Committee
2019 February 12

ISC: UNRESTRICTED
PFC2019-0193

Update: Organizational Efficiency Strategy and Intentional Management

EXECUTIVE SUMMARY

The Administrative Leadership Team (ALT) has been intentionally managing costs within the organization since 2015. In addition, an Organizational Efficiency Strategy was introduced to Council in 2016 November to provide a corporate approach to realign necessary resources to City priorities and reduce costs in a way that strives for the least harm to services and people. Some of the elements of this strategy and senior administration's intentional management of costs since 2015 have included (but are not limited to):

- Budget Savings Account;
- Corporate Workforce Planning;
- Management Exempt Cost Savings; and,
- Intentional Workforce Management.

This report provides an update to the Priorities and Finance Committee (PFC) on many of the accomplishments under the Organizational Efficiency Strategy and intentional management of costs to-date. It also outlines some of the focus areas for 2019, including compensation review, senior management expense disclosure, and temporary accommodations.

The legislative change and internal challenges accommodating employees deemed fit to return to work requires The City to address its accommodation process. A budget of $10 million is requested to improve The City's accommodation process, expedite employees' return to work and reduce liability.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommends that Council:

Approves funding from the Budget Savings Account Reserve of up to $10 million to be used for accommodations costs described in this report from 2019 to 2022.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2015 March 30, Council received a report from the Chief Financial Officer on a Budget Savings Account Proposal (PFC2015-0181). This report and its attachments responded to Council's request for ways to encourage and provide incentives for business units to seek annual savings, innovation and efficiencies within their operating and capital budgets.

On 2015 November 23, City Manager Jeff Fielding brought an in-camera presentation to Council on Senior Management Team and Exempt employee compensation, capacity and human capital planning, and organizational effectiveness (C2015-0934).

On 2016 November 14, City Manager Jeff Fielding brought an in-camera report to Council on Organizational Efficiency – Intentional Management (C2016-0896). This report outlined how the Organizational Efficiency Strategy would be developed and delivered.

On 2016 December 19, City Manager Jeff Fielding gave Council an in-camera verbal update on organizational efficiency.

On 2017 March 20, Council received a report from the City Manager on Organizational Efficiency – Intentional Management (PFC2017-0234). This report and its attachments

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highlighted many of Administration's achievements towards organizational efficiency and savings since 2015, and provided a progress update on the Leadership Strategic Plan.

On 2017 December 05, City Solicitor and General Counsel Glenda Cole gave an update on the Corporate Workforce Planning program to the Priorities and Finance Committee as the Chair of Administration's Corporate Workforce Planning Committee.

On 2018 June 5, the Priorities and Finance Committee received a verbal closed session Organizational Update (PFC2018-0701) from the City Manager for information.

On 2018 September 24, Council adopted a Motion Arising with respect to Administration's response to Councillor Keating's Administrative Inquiry (AI2018-03) directing Administration to engage an external Human Resources consultant that would report directly to Council, with a review of elements of the total compensation package of The City of Calgary employees.

BACKGROUND

On 2014 September 15, City Manager Jeff Fielding introduced Council to the Leadership Strategic Plan and a strategic Road Map (Attachment 1), which includes stages aimed at addressing structural efficiency and striving for cost efficiency. The Administrative Leadership Team (ALT) has been intentionally managing costs within the organization since 2015. In addition, an Organizational Efficiency Strategy was introduced to Council in 2016 November to provide a corporate approach to realign necessary resources to City priorities and reduce costs in a way that strives for the least harm to services and people. Some of the elements of this strategy and senior administration's intentional management of costs since 2015 have included (but are not limited to):

- Budget Savings Account;
- Corporate Workforce Planning;
- Management Exempt Cost Savings; and,
- Intentional Workforce Management.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

2015-2018 Update

Budget Savings Account

The Budget Savings Account (BSA) reserve was established in 2015 March to provide an incentive for business units to efficiently manage their service delivery and benefit from resulting savings; encourage spending decisions that support the prudent management of operating budget dollars; and create additional financial capacity to achieve goals and provide services that are valued and expected by Calgarians. Since its establishment, more than $129 million in operating savings has been contributed to the BSA reserve with another $203 million in capital budget savings found and redirected to Council priorities. Budget savings for both operating and capital have been allocated by Council to a number of projects that benefit Calgarians, including the Opportunity Calgary Investment Fund, Calgary Transit, the Crowchild Trail short-term improvements project, Main Streets Program, and initiatives to lower the property tax rate, to name a few.

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Corporate Workforce Planning

Administration established the Corporate Workforce Planning Committee in 2016 August to: find savings in the base budget to reduce the 2018 tax increase; align current workforce numbers and composition to service priorities and budget; delay hiring to create savings and drive effective workforce planning; and reconcile ongoing work within The City's workforce. The Corporate Workforce Planning program has resulted in $59.2 million in savings since the Committee's establishment in 2016 among several other notable accomplishments, including:

- Reduced employee headcount (core and temporary) by 508 positions between November 2016 and November 2018;
- Reduced temporary employee headcount by 22.7% between November 2017 and November 2018;
- Reduced number of vacancies from 655 in November 2016 to 293 in November 2018; and,
- Reduced number of vacancies greater than six months from 597 in September 2016 to zero in October 2018.

Management Exempt Cost Savings

The Administrative Leadership Team (ALT) began its focus on exempt staff costs in 2016 to identify opportunities to save costs to the organization, intentionally manage exempt staff programs, and reflect economic conditions in The City's compensation and related programs. Since this program began, an estimated $19.7 million in savings has been found through a series of targeted initiatives.

Intentional Workforce Management

The Intentional Workforce Management program began in 2015 with five specific objectives:

- Bring more rigour in managing performance and assessing fit;
- Enable targeted retirements for those nearing eligibility for unreduced pensions;
- Find efficiencies throughout reorganization and realignment of work;
- Test pay equity, including gender pay equity, among exempt staff; and
- Meet any contractual obligations.

Nearly 200 employees departed The City of Calgary as a result of the objectives under the Intentional Workforce Management program between 2015 and 2019.

In 2018, an Exempt Staff Pay Equity Review was initiated to identify if relative equity exists among exempt staff, including gender pay equity. Several considerations were taken into account throughout the review, including, but not limited to, an employee's time in his or her salary grade, peer salaries within the salary grade, and average salaries within the salary grade. The review determined gender pay equity exists among exempt staff, and most differences in average remuneration were explained by average tenure in a salary range. Sixteen employee salaries were adjusted as a result of the review.

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Moving Forward in 2019

Compensation Review

On 2018 September 24, Council adopted a Motion Arising with respect to Administration's response to Councillor Keating's Administrative Inquiry (AI2018-03) directing Administration to engage an external Human Resources consultant that would report directly to Council, with a review of elements of the total compensation package of The City of Calgary employees. At the time, much of the focus of this discussion centered on employee retirement allowances. Given Council's direction to conduct a compensation review, it is recommended that the immediate Council inquiry regarding retirement allowances be reviewed in 2019 with a plan to identify and address other elements of compensation for exempt employees at a later date.

Senior Management Expenses

In 2018 September, City Manager Jeff Fielding made a commitment to members of Council to initiate a system for the disclosure of senior management expenses to improve transparency and accountability. The City Manager's Office and Finance are working with the ALT to draft a policy for public disclosure of employee business expenses with a target to disclose Senior Management Team expenses online in fall 2019.

Temporary Accommodations

The Government of Alberta introduced *Bill 30: An Act to Protect the Health and Well-being of Working Albertans* in 2018. The legislation requires employers to provide an offer of work to their employees within one day of being notified of a fit-for-work date. If the employee is unable to perform his or her own job after a work place illness or injury, the employer is expected to offer suitable, alternative work within a three-day timeframe.

The City of Calgary's current accommodation process is complex and often hampered by issues of union jurisdiction, funding, stigma, accountability, and manual processes. The legislative change and internal challenges accommodating employees deemed fit to return to work requires The City to address its accommodation process and minimize liability. Lack of budget to accommodate employees requiring temporary accommodations is one of the most significant barriers in several reviews over the last 20 years. In the long run, having employees able to return to work when they are ready will improve productivity and save costs. Occasionally funding an accommodation position can be a barrier to an employee's timely return, especially where duties are modified and they cannot return immediately to their normal position. The request for $10 million in the recommendation of this report would make BSA funding available in those instances so the organization can expedite employees' return to work.

Stakeholder Engagement, Research and Communication

Multiple communication strategies and plans have been executed under the programs and initiatives listed within the report. Moving forward, communication strategies and plans will be developed for work completed under the initiatives related to compensation review, temporary accommodations, and senior management expense disclosure.

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Strategic Alignment

The development of an Organizational Efficiency Strategy and the concept of intentional management aligns with Council's priority of a "Well-run City." It also aligns with Administration's Commitments outlined in the 2019-22 One Calgary Service Plans and Budgets, particularly the commitment to "Further strengthen the organization's financial position," in addition to Stage 3 of the Road Map (Attachment 1) to address structural efficiency and strive for cost efficiency.

Social, Environmental, Economic (External)

The City of Calgary is working to address the needs of Calgarians in light of economic changes in the community. The City has conducted, and continues to conduct research about the needs and changing priorities of Calgarians, gauging perceptions of quality of life and the economy. Findings indicate citizen perceptions of quality of life remain strong and perceptions of the economy remain stable, though the expectations of continued improvement have softened. These findings stress the ongoing importance of finding savings and efficiencies throughout the organization.

Financial Capacity

Current and Future Operating Budget:

Increased pressures on the operating budget to comply with Bill 30 will require additional funding. Since 2015, business units have contributed savings to the BSA reserve and the recommendation in this report is requesting the usage of some of the savings to address the new accommodation requirements that is currently unbudgeted. The funding request will allow Administration time to assess the ongoing requirements to comply with Bill 30 and to review a more sustainable funding model in the future.

Current and Future Capital Budget:

There are no implications to the capital budget as a result of this report or its recommendations.

Risk Assessment

There are several risks associated with temporary accommodations and the recommendation in this report:

Operations and process risk through productivity loss: Absenteeism creates a direct productivity loss for the organization. Although the rate of absenteeism at The City for short term disability has remained relatively stable, close to 8.6 days per employee per year, there has been a 24% rise in average duration of all S&A cases over five days. Many of these cases are more complex in nature and have barriers to an early return to work. Some of this duration is a result of the barriers to accommodation/return to work that these recommendations seek to address.

Financial risk: Benefit costs, including extended health, dental, short term illness, as well as WCB costs continue to escalate. Non-compliance with the new WCB legislation comes with large financial penalties.

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Health and safety risk: Health risks are changing due partly to demographic shifts. We are seeing a rise in psychological disability claims as understanding, awareness, and recognition of these conditions becomes more widely apparent. Early and effective return to work practices into work areas where employees feel welcomed, valued and productive contribute to employee health and well-being.

REASON(S) FOR RECOMMENDATION(S):

In 2018, The Government of Alberta introduced Bill 30 to protect the health and well-being of working Albertans. The legislation requires additional operating budget to adjust to the changes required under this new Bill.

ATTACHMENT(S)

1. Attachment 1 – Road Map