

MAY 14 2019

PFC2019-0550 Distribution

ITEM

& PFC2019-0585

CITY CLERK'S DEPARTMENT

Calgary



PFC2019-0585: Prioritizing next steps to streamline the cost of municipal government

Glenda Cole, Q.C., City Manager
Carla Male, Acting CFO

Role of the City Manager

**A bridge between
Council and
Administration**



City Manager



**Leading and inspiring our
City team to make
Calgarians' lives better
every day**





Executive Leadership – Service Description

“Executive Leadership works to secure the trust and confidence of citizens, Council and employees by setting strategic direction and priorities, ensuring financial sustainability, and proper use and management of public resources through Corporate oversight. This service fosters high performance with the use of a performance management system, and promoting a culture of accountability, transparency, collaboration, and resilience.”



Executive Leadership – Goal

“Executive Leadership is about public and employee trust and confidence in municipal government. Outputs of the service line include corporate culture, norms/values, corporate brand, corporate strategic plans/priorities, corporate ethics and code of conduct, service review & improvement, integrated risk management, and performance management/accountability”.

One Calgary, 2019-2022
Service Plans and Budgets

Role of the Chief Financial Officer

**Oversight of The
City's financial
strategy**



CFO



**Leading and inspiring
our One Calgary team**





Financial Support – Service Description

“This service provides sound leadership in financial planning and budgeting, reporting, measuring services’ financial performance and monitoring adherence to financial plans. This service also provides investment management, non-tax revenue billing and collection, and payments for goods and services provided to The City”.



Financial Support – Goal

“A financially well-managed City”.

**One Calgary, 2019-2022
Service Plans and Budgets**



Chief Financial Office Service Plan Overview

Corporate Alignment and Key Result Areas

Our Common Purpose

Making life better every day

4 Cs

CHARACTER
we behave the right way

COMPETENCE
we do the right things the right way

COMMITMENT
we are dedicated to the greater public good

COLLABORATION
we work together for a common purpose

CFOD Service Statement

We enable the success of others.

Results

CFOD will work in four diverse roles to achieve outcomes: steward, operator, strategist, and catalyst.

Steward

Protect and preserve assets.

- support the governance for the delivery of corporate services
- accountable for compliance with financial and service-related regulations
- risk identification and intentional management
- communicate value

Operator

Create balance.

- function as a means of efficiency for the delivery of corporate service
- provide a variety of enabling services to the corporation
- seek to model a service-oriented mindset and approach
- continually review processes seeking efficiency and improvement

Strategist

Provide leadership.

- function as a performance leader to help shape overall strategy and direction
- provide financial and corporate service leadership
- align business and finance strategy to grow the business
- support long-term corporate investments and initiatives

Catalyst

Stimulate behavior.

- best practice focus for doing business
- inspire and lead change focused business improvement initiatives
- generate transformational innovations that add corporate value
- utilize professional development to foster a unified professional workplace

Chief Financial Office Service Plan Overview

*CFOD SERVICE

*COLLABORATIVE SERVICE

A Prosperous City	A City of Safe & Inspiring Neighbourhoods	A City That Moves	A Healthy & Green City	A Well-Run City
<ul style="list-style-type: none"> Affordable Housing* Arts & Culture* Business Licensing Community Strategies* Economic Development & Tourism* Land Development & Sales Library Services* Social Programs 	<ul style="list-style-type: none"> Building Safety Bylaw Education & Compliance Calgary 9-1-1 City Cemeteries City Planning & Policy* Development Approvals Emergency Management & Business Continuity Fire & Emergency Response Fire Inspection & Enforcement Fire Safety Education Neighbourhood Support Pet Ownership & Licensing Police Service 	<ul style="list-style-type: none"> Parking Public Transit Sidewalks & Pathways Specialized Transit Streets Taxi, Limousine & Vehicles-for-Hire 	<ul style="list-style-type: none"> Environmental Management Parks & Open Spaces* Recreation Opportunities* Stormwater Management Urban Forestry Waste & Recycling Wastewater Collection & Treatment Water Treatment & Supply 	<ul style="list-style-type: none"> Appeals & Tribunals Citizen Engagement & Insights Citizen Information & Services City Auditor's Office Corporate Governance Council & Committee Support Executive Leadership Mayor & Council Municipal Elections Property Assessment Records Management, Access & Privacy Taxation
Enabling Services <i>(foundational to all five Citizen Priorities)</i>	<ul style="list-style-type: none"> Corporate Security Data Analytics & Information Access Facility Management Financial Support 	<ul style="list-style-type: none"> Fleet Management Human Resources Support Infrastructure Support Insurance & Claims 	<ul style="list-style-type: none"> IT Solutions & Support Legal Counsel & Advocacy Organizational Health, Safety & Wellness 	<ul style="list-style-type: none"> Procurement & Warehousing Real Estate Strategic Marketing & Communications



What we have done so far



The City's journey to increased efficiency and effectiveness

- **2010:** Council directed Administration to develop a strategy and work plan to incorporate additional efficiencies into the preparation work for the 2012-2014 business cycle
- Participation in Ontario Municipal Benchmarking Initiative (now known as Municipal Benchmarking Network Canada)
- **2011:** Council-approved Corporate Strategy on Efficiency and Effectiveness included the Zero-Based Review (ZBR) program. Program goal: to determine whether we are doing the “right things” in the “right way” and to deliver services in an effective and efficient manner.
- **2011-2012:** Economic rebound
- **2013:** Flood and recovery
- Pivoting from Action Plan planning and budgeting in a period of growth to planning and budgeting in an economic downturn



The City's journey to increased efficiency and effectiveness – Road Map – Former City Manager Fielding

Stage One: Organizational Stability

- Step 1: Articulate the Leadership Philosophy and Approach
- Step 2: Concentrate on Priorities
- Step 3: Establish Goals
- Step 4: Set Specific Objectives, Measures and Targets

Stage Two: Organizational Effectiveness and Economy

- Step 5: Align with Strategic Direction
- Step 6: Clarify Accountability
- Step 7: Enhance Organizational Development
- Step 8: Enable Service Integration
- Step 9: Build Organizational Flexibility
- Step 10: Focus on Customer Needs and Citizen Engagement
- Step 11: Balance Scope and Scale of Departments

Stage Three: Organizational Efficiency

- Step 12: Address Structural Efficiency
- Step 13: Strive for Cost Efficiency



Road Map Details

1. **Articulate the Leadership Philosophy and Approach:** Create purpose for the Corporation through a compelling philosophy that is inclusive and credible, and challenges and inspires people to align their energies in a common direction.
2. **Concentrate on Priorities:** State what is important and why. Rate and rank those priorities in terms of critical importance.
3. **Establish Goals:** Determine the direction that should be taken. Formulate specific goals to be accomplished that clarify ambitions and aspirations.
4. **Set Specific Objectives:** Specify how improvement will be evaluated and measured. Establish measurable targets that clearly outline intentions (outputs and outcomes) to be achieved.
5. **Alignment with Strategic Direction:** Support the vision, strategic direction and priorities of the City.
6. **Clarity of Focus and Accountability:** Ensure there are clearly defined roles, responsibilities and accountabilities with single points of accountability, no duplication in service delivery and clustering of like services to promote service efficiencies and effectiveness.
7. **Organizational Development:** Build organizational skills and capabilities, and provide staff opportunities, to meet current and future expectations and requirements while facilitating a clear plan for succession.
8. **Service Integration:** Provide an integrated service approach which leverages existing expertise, encourages collaboration and adopts best practices, to ensure seamless and coordinated service delivery.
9. **Organizational Flexibility:** Enable sufficient flexibility to anticipate and respond to changing needs and requirements.
10. **Customer-Driven and Citizen Engagement:** Be accessible, responsive and easily understood by customers while enhancing the ability of The City to anticipate and respond to changing customer needs and requirements. Enable the effective and ongoing engagement with citizens and respond to changing needs and expectations.
11. **Balance in Scale and Scope:** Ensure that the scale and scope of operations across each layer in the organization are comparable in terms of operational, political and financial complexity and risk.
12. **Address Structural Efficiency:** Improve the formal system of task and reporting relationships that manages employees to achieve the corporation's goals and objectives. Promote productive and positive behavior. Help people understand the purpose behind the tasks they perform enabling greater performance efficiency. Develop cohesion between groups, teams, divisions and departments.
13. **Strive for Cost Efficiency:** Produce optimum results for municipal investment or expenditure. Create value.



The City's journey to increased efficiency and effectiveness

- New vision: Calgary: A great place to make a living, a great place to make a life
- New common purpose: Making life better every day
- New service promise: What matters to you matters to us. We listen, respect and act.
- New employee promise: "The City supports a safe and respectful work environment. Above all, employees are afforded the same concern, trust, respect and caring attitude they are expected to share with every Calgary resident, business and visitor."
- New shared values: Individual responsibility and collective accountability

The City's journey to increased efficiency and effectiveness

- 4 Cs: Character, commitment, competence, and collaboration
- New accountability triangle: Focus on services Calgarians want and need and measure performance based on “who is better off” as a result of the services The City provides
- Newly defined Citizen Priorities: A Prosperous City, A City of Safe & Inspiring Neighbourhoods, A City that Moves, A Healthy & Green City, A Well-Run City
- New Leadership Strategic Plan (now Administration's Commitments):
 - Sustain a cooperative and meaningful relationship with Council
 - Foster a safe and respectful workplace for all employees
 - Continue to promote a progressive public service culture through One City, One Voice
 - Focus attention on planning and building a resilient city, including flood mitigation and climate change
 - Enhance service to our customers and communities, including citizens and businesses
 - Further strengthen the corporation's financial position





The City's journey to increased efficiency and effectiveness

- **2014:** Snow event
- **2015:** Introduction of the concept of “intentional management”
- Various realignments to meet changing service needs: Focus on investment, growth management, real estate, intergovernmental relationships, and human resources. Examples: Build Calgary, Infrastructure Calgary, One Calgary
- One City, One Voice service philosophy



The City's journey to increased efficiency and effectiveness

- **2016:** \$40 million in operating savings used to reduce the tax rate from 4.7% to 3.5% and to offset lower franchise fee revenues
- **2017:** Corporate Workforce Planning Initiative:
 - Savings of \$20.2 million in the base budget from backing out 2017 and 2018 growth no longer required
 - Creation of a corporate pool of permanent positions to be distributed, for example, to business units with employees currently in limited term roles but whose work is permanent in nature



The City's journey to increased efficiency and effectiveness

- **2018:** Identified gap of \$170 million closed through savings from workforce and manageable costs, service reductions, reserves, and tax rate increase
 - Administration recommended a 0% tax increase with \$8 million available for use at Council's discretion
 - Council approved an additional \$20.8 million for police services and \$4 million for transit service - tax rate increase to 0.9%
 - Council approved \$4 million in one-time funding from Fiscal Stability Reserve for the Low Income Transit Pass



The City's journey to increased efficiency and effectiveness

- **2015-2018:** \$607 million in savings, reductions and efficiencies
- Meanwhile:
 - 2026 Olympic and Paralympic Winter Games bid project
 - Green Line project
 - Responding to an increased number of notices of motion
 - Servicing new Council committees and working groups
 - Continued intentional management
 - Realignments to meet changing service needs
 - Delivery of One Calgary, first-ever service-based business plan and budget
 - Implications for employees: intentional management of hiring, delay in filling vacancies, salary freeze for exempt employees, filling One Calgary-approved positions while keeping FTE count same as in 2018 (with the exceptions of FTEs approved for One Calgary)

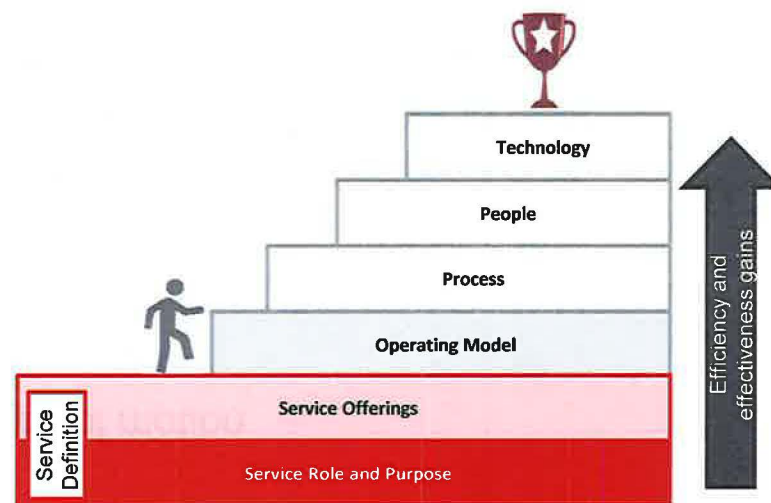
The City's journey to increased efficiency and effectiveness

The ZBR Program

70% of City's operating budget reviewed

\$60-\$71M in identified efficiencies

\$44M annualized financial gains realized to date



ZBR approach is a leading practice – the Steps to Service Improvement help sequence efforts for maximum impact

Completed ZBRs include: Fleet, Parks, Roads, Water Services, Fire, Calgary Transit, Water Resources, Calgary Building Services, Recreation, IT

In-flight ZBRs include: Law, Shared Challenges of the Internal Services (Internal Recoveries), Supply



Budget Savings Account – established in March 2015

Objectives:

- 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
- Create additional financial capacity to achieve goals and provide services that are valued and expected by Calgarians

Budget Savings Contributions		
	Operating	Capital
2015	\$30,313,000	-
2016	\$24,246,000	\$95,213,000 (2015 & 2016)
2017	\$34,718,000	\$106,053,000
2018	\$41,236,000	\$1,812,000
Subtotal	\$130,513,000	\$203,078,000
Total	\$333,591,000	



Budget Savings Account – Council Approved Operating Allocations

Budget Savings Account Operating Allocations		
Year	Project/Initiative	\$ Amount
2016	Calgary Transit	\$270,000
2017	Calgary Transit	\$866,000
2017	Lowering property tax (MCA)	\$15,000,000
2018	Calgary Transit	\$764,000
2018	Opportunity Calgary Investment Fund	\$25,000,000
2018	2026 Olympic and Paralympic Winter Games – City Secretariat*	\$3,337,000
2019+	Social Procurement	\$505,000
2019+	One Calgary One-Time	\$40,270,000
2019+	Temporary Accommodations	\$10,000,000
2019	Transfer to Major Projects Reserve**	\$37,440,000
TOTAL		\$133,452,000

*-*The City Secretariat budget was allocated \$3.4M in funding in 2018. Actual spend against the allocation was \$2.6M in 2018 and \$800K was returned to the BSA at the end of the year.*

*-**\$3 million from Community Economic Resiliency Fund.*

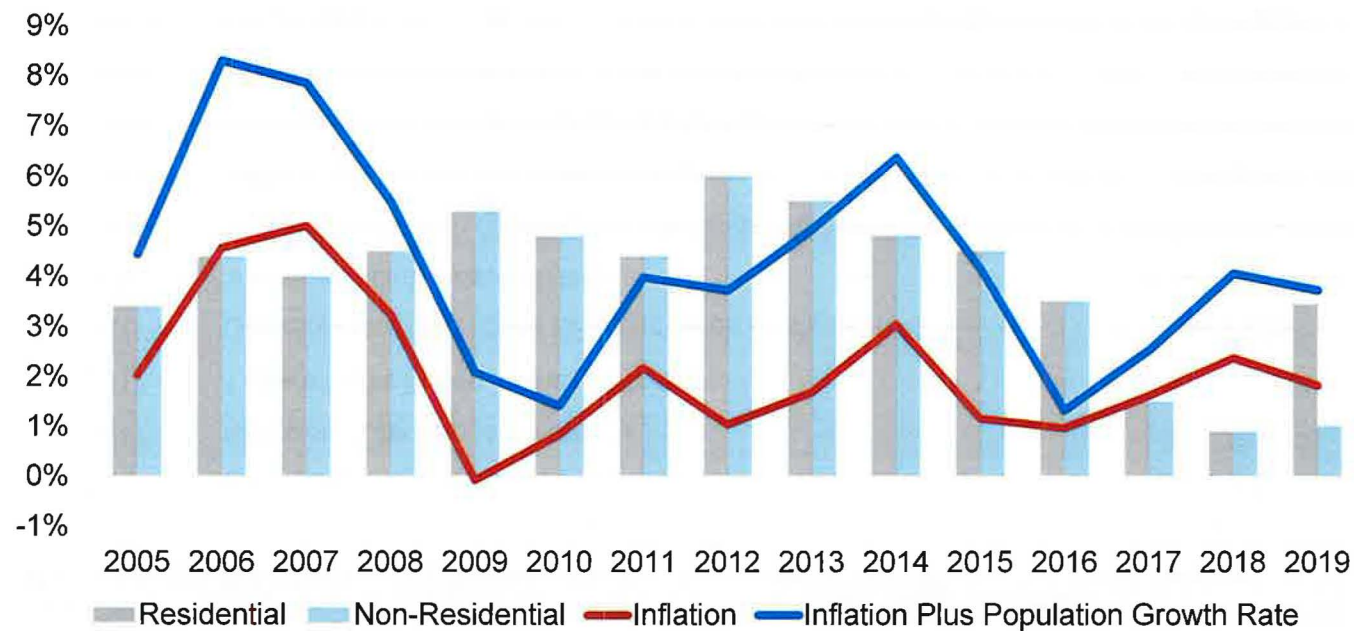


Budget Savings Account – Council Approved Capital Allocations

Year	Project/Initiative	\$ Amount
2017	Crowchild Trail Short term Improvements	\$50,571,000
2017	Main Streets Program	\$30,000,000
2017	Corporate Lifecycle Maintenance	\$24,755,000
2017	Legacy Parks Phase 3 - Tier 2 Projects	\$10,000,000
2017	Glenmore and 68th Street SE Interchange Enhancement	\$7,039,000
2017	Investment Optimization Fund	\$5,000,000
2017	194 Avenue Slough Crossing & CPR Grade Separation	\$2,100,000
2017	14th St. and 90 Ave SW Pedestrian Bridge	\$989,000
2017	Inglewood / 9th Ave SE: Jack Long Park/Mills Park	\$600,000
2017	River Access Improvements – High Priority Projects	\$383,000
2017	Missing link pathway (Bridgeland Community/Montgomery Community)	\$270,000
2017	Community Infrastructure Lifecycle incl. Community Assoc.	\$250,000
2017	Baines Bridge Rehabilitation & Upgrading	\$240,000
2018	Airport Trail NE	\$8,089,000
2019+	One Calgary	\$47,851,000
TOTAL		\$188,137,000

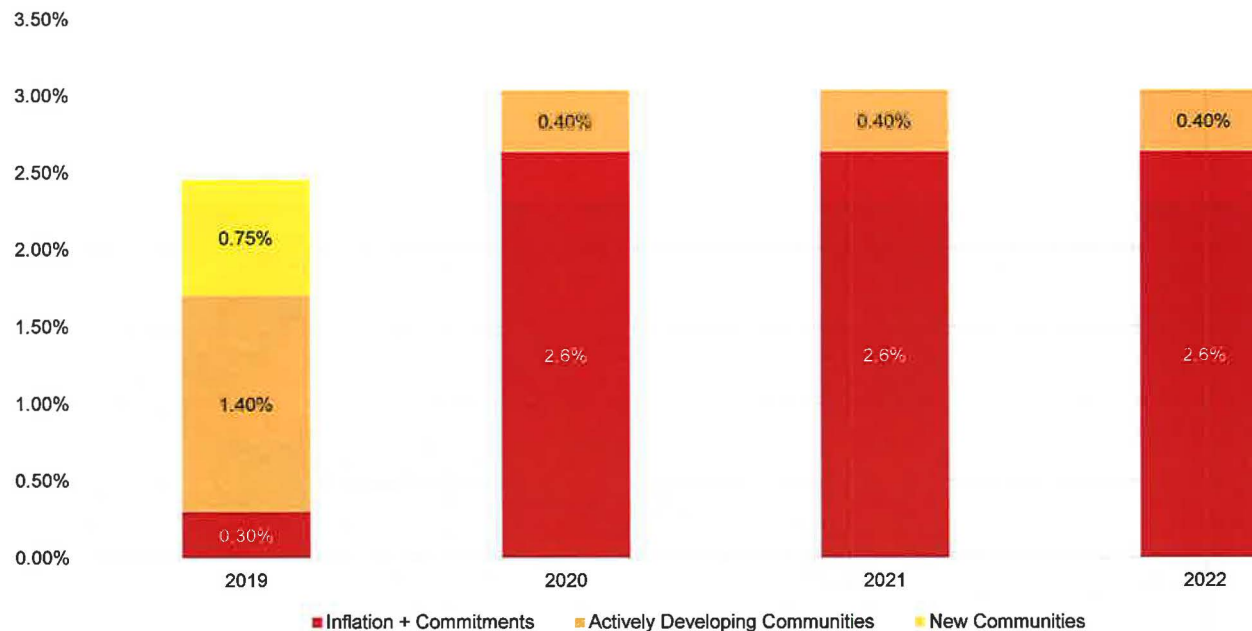
Residential and Non-residential Tax Rate Increases

- **Municipal Property Tax Rate Increases of Residential and Non-residential Sectors Compared Against Inflation and Population Growth: The City of Calgary 2005 -2019 (Excluding Tax Room)**



Source: Statistics Canada, The City of Calgary.

Composition of Tax Rate One Calgary 2019-2022



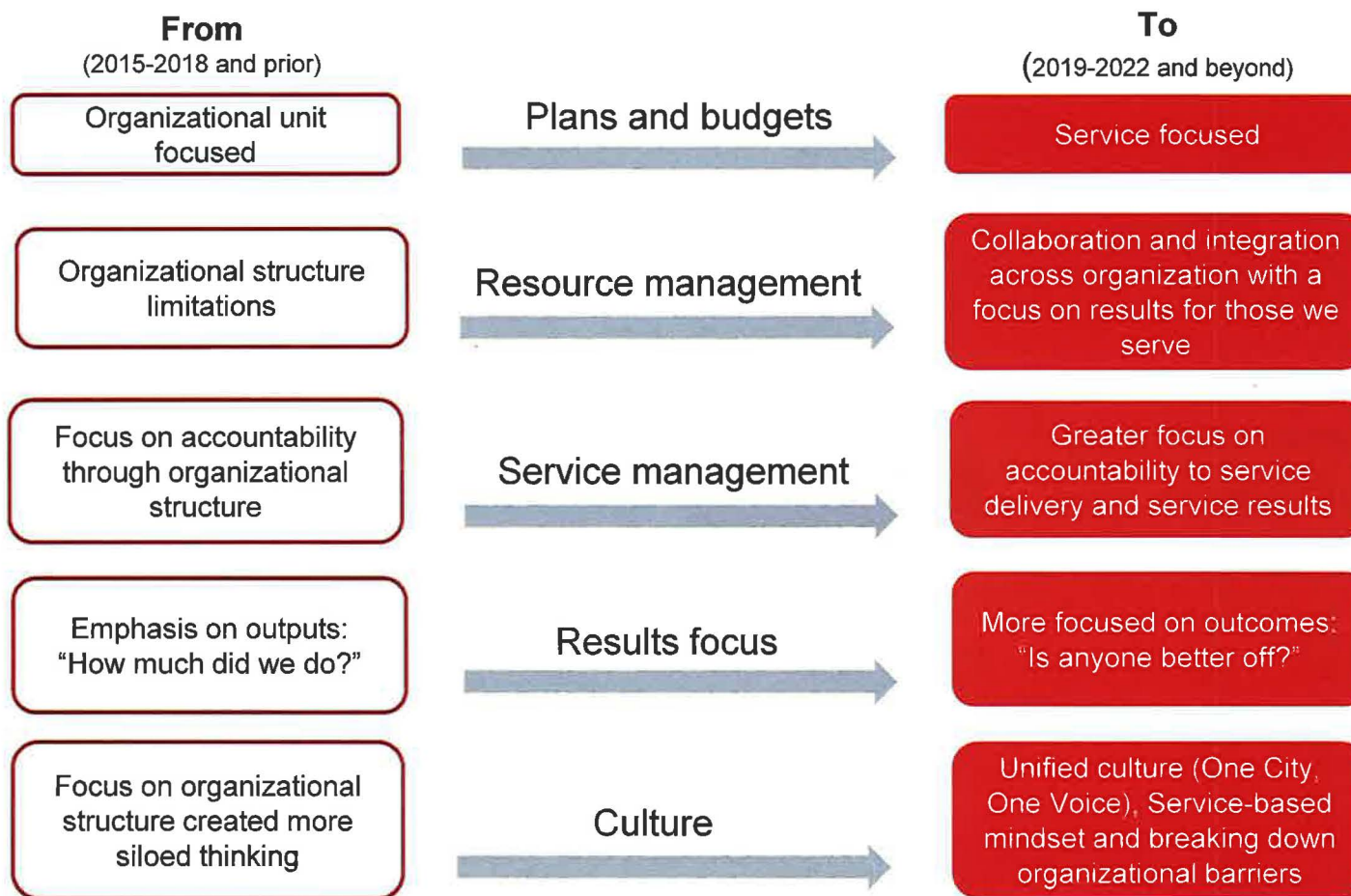
The One Calgary 2019-2022 Service Plans and Budgets includes Council's direction on investments such as (not limited to):

- New and actively developing communities
(includes investments in multiple services including Fire, Parks & Open Spaces, Police, Public Transit, Streets, etc.)
- Main Streets
- Indigenous Relations Office
- Low income transit
- Snow and Ice Control
- Calgary Arts and Development Authority (CADA)

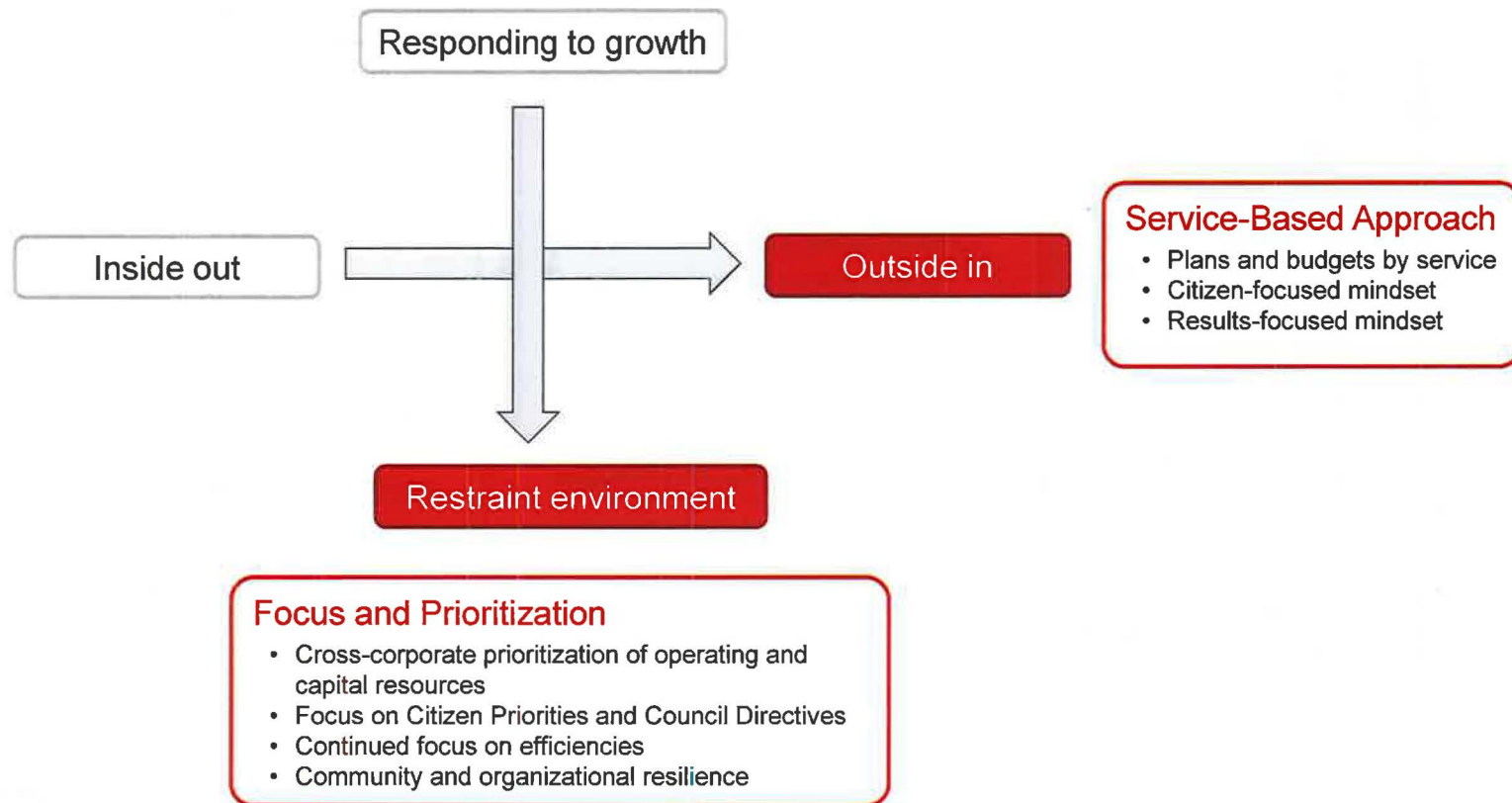


Going forward

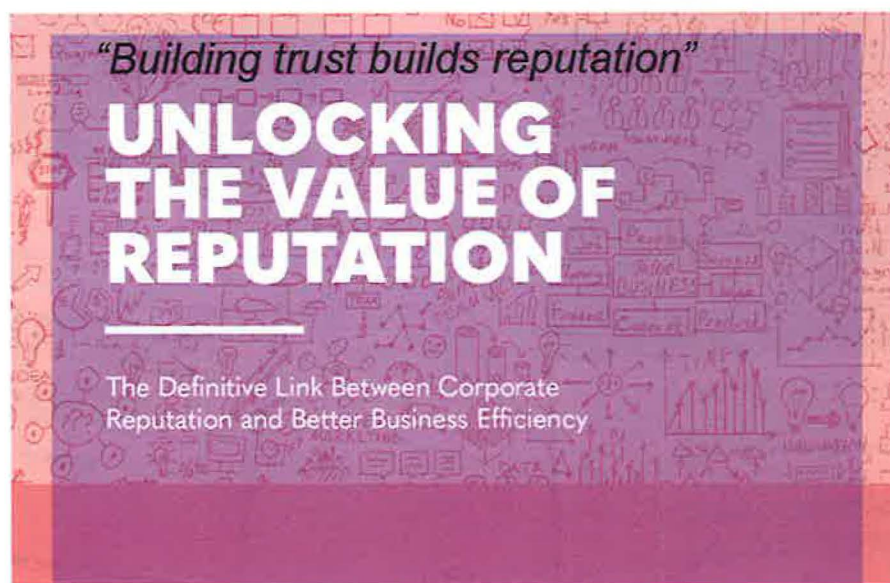
Past, Present and Future



One Calgary falls at the intersection of two transformational changes

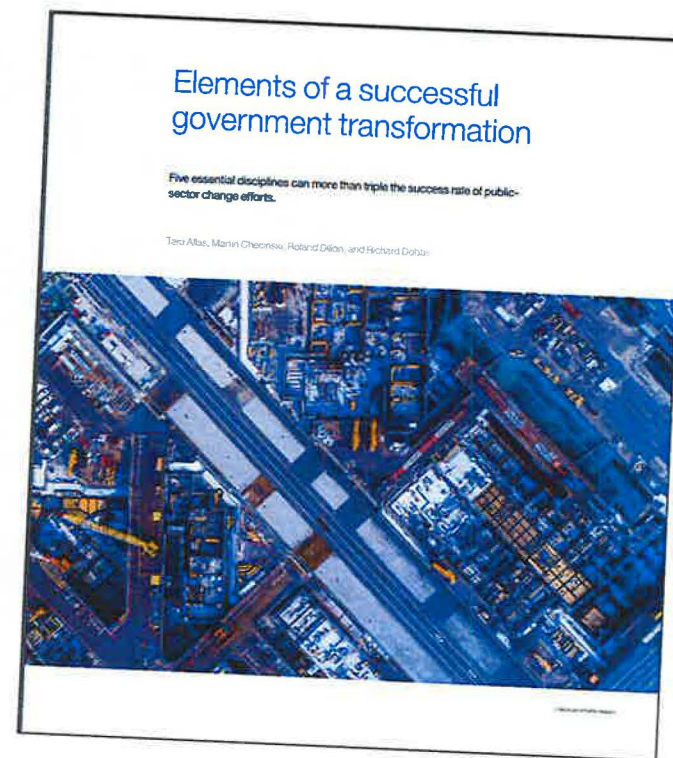
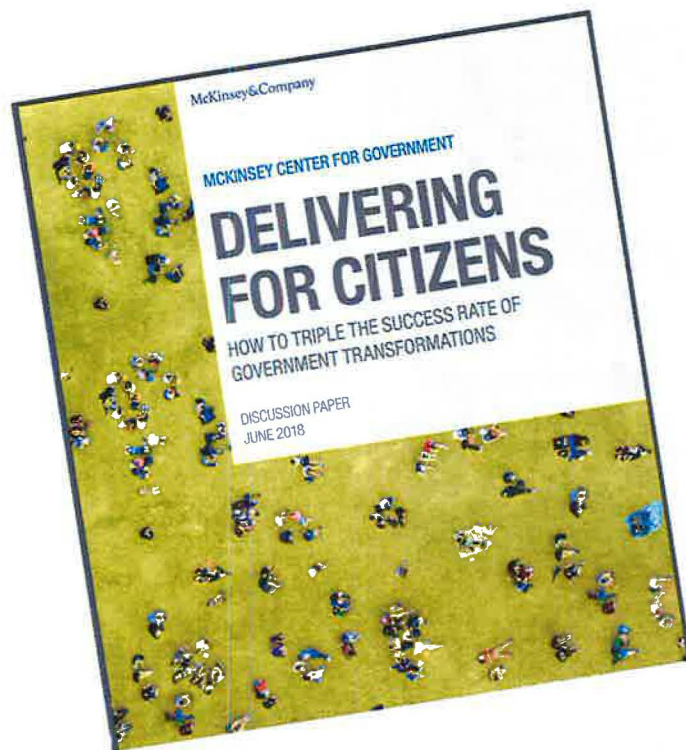


Continuing to ensure public trust and confidence – The Value of Reputation



Ipsos – Global Reputation Centre,
May 2018

McKinsey & Company Studies – Critical Success Factors for Transformational Change





Recent direction from Council

2018 November 30

Council approved over \$100M in savings within the 2019-2022 Service Plans and Budgets

- \$40M in efficiencies already identified
- Additional \$60M to be identified and delivered by 2022
- \$16.5M in base salary and wage savings in 2019

Council directed Administration to “keep the FTE count for the City of Calgary at or below the 2018 levels for 2019-2022, with the exception of FTEs in the One Calgary Plans and Budget” and directed “that all FTEs associated with the 2019-2022 One Calgary approved budget must be requested through the established Corporate Workforce Planning Committee with a view to limit new FTEs.”



Recent direction from Council

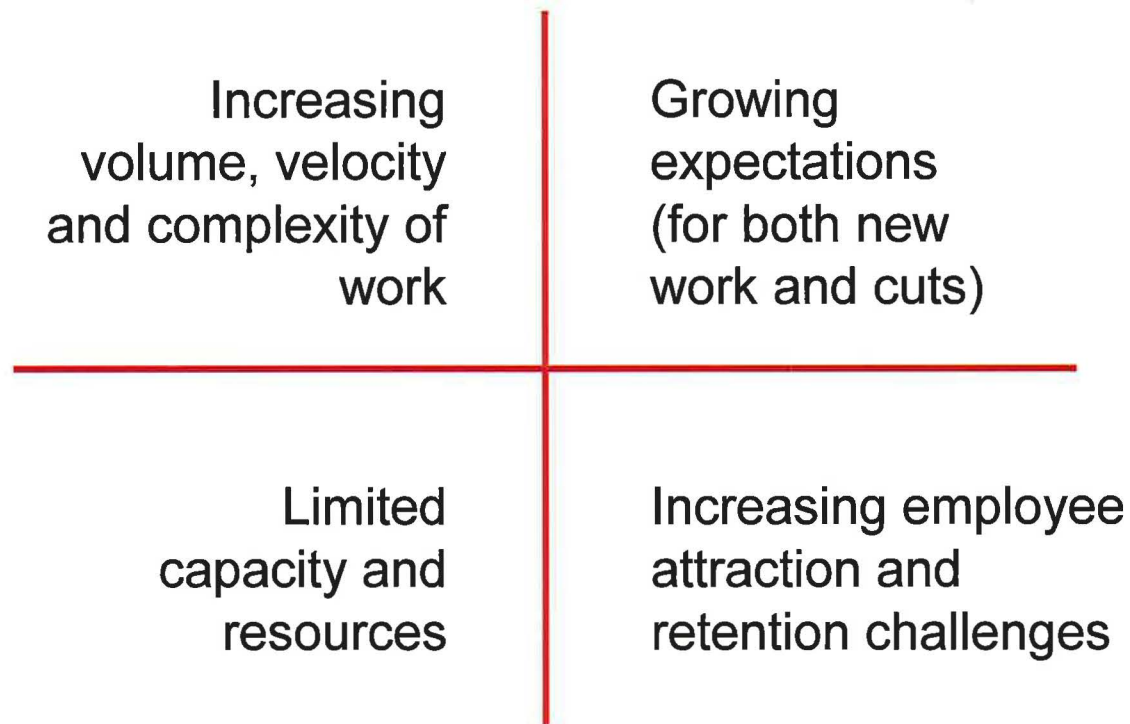
2018 November 30

To better inform mid-cycle budget considerations, Council directed that the January 28, 2019 Strategic Meeting include a discussion to “inform the agenda and outcomes for a subsequent session to conduct a review of the 61 service lines (and subsets) before the end of Q3 2019”

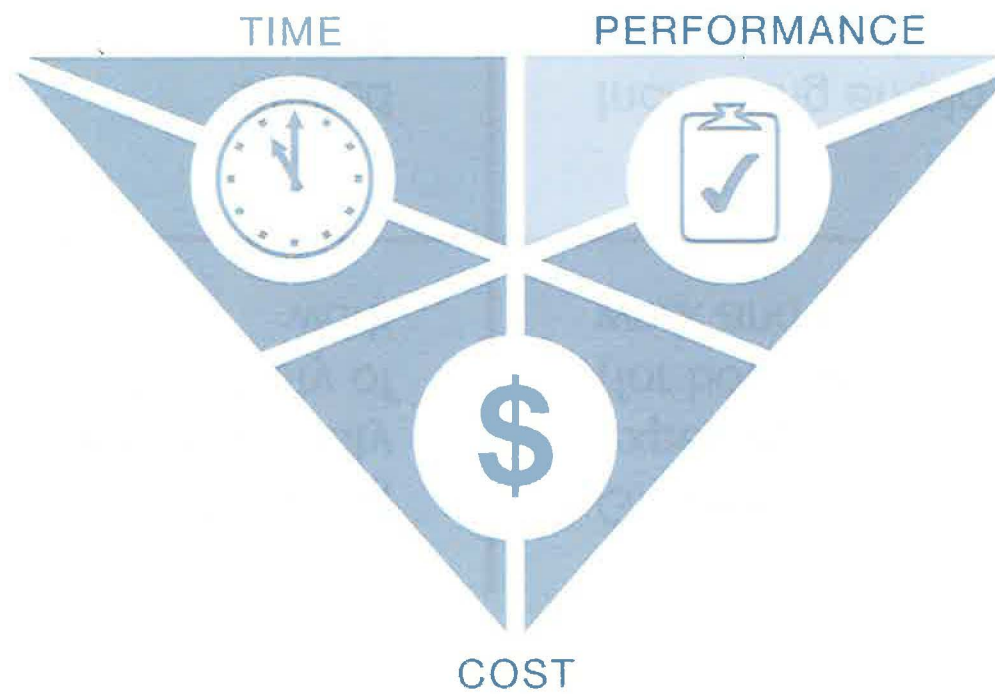
2019 April 01

Council directed Administration to provide operating budget reduction options/scenarios (equating to a budget freeze) as part of the One Calgary mid-cycle budget deliberations (later interpreted to mean during Q3 2019)

Continuing challenges



Priority Triangle



Different cost saving strategies require different approaches



Timeline

Short-term
vs. long-term
benefits



Impact on citizens

Service cuts
vs.
efficiencies



Tactics

“Across-the-
board” vs.
strategic cuts



Staff mindset

Siloed vs.
collaborative

Risk must be intentionally managed to capitalize on opportunities within acceptable risk tolerances

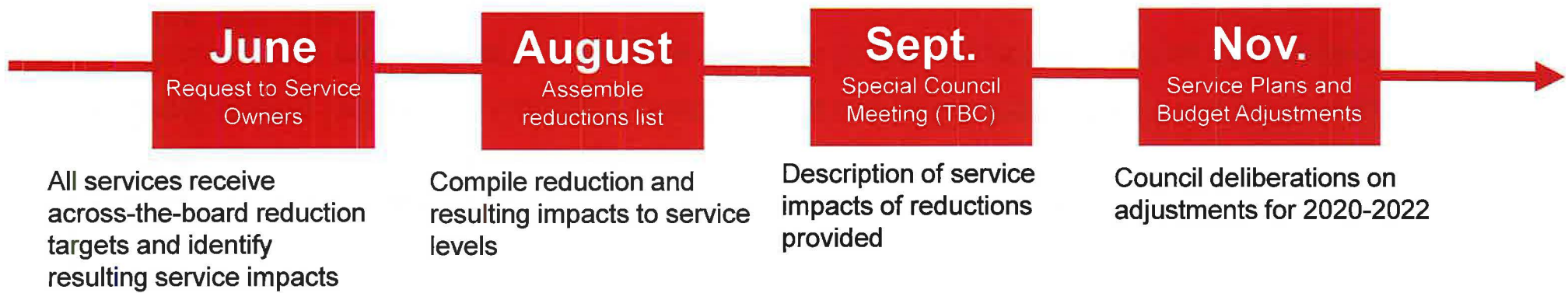
Low		Medium		High
Level 1 Averse	Level 2 Minimalist	Level 3 Cautious	Level 4 Open	Level 5 Motivated
The City is not willing to accept risk under any circumstances.	The City is not willing to accept risk in most circumstances.	The City is willing to accept risk in certain circumstances.	The City is willing to accept risks.	The City accepts opportunities that are inherently high risk.

Efficiency and Effectiveness and Council's Policy of Multi-Year Business Planning and Budgeting



- Council identifies the most important results to focus on over the four-year period to drive Quality of Life outcomes for Calgarians
- Organization focuses on Council's priorities and cascades them down through the organization
- Citizens have more certainty about the direction of City services, finances and taxation, utility rates, and user fees
- Flexibility for Council to adjust approved plans and budgets to respond to changing circumstances

Implications of April 1, 2019 Motion



Opportunities:

- Results in immediate reductions to budgets

Risks:

- Proposed cuts will not necessarily be strategic in nature (i.e. will not use a “least harm” approach and will likely impact the organization’s ability to achieve Citizen Priorities and Council Directives in One Calgary)
- Undermines the organization’s ability to implement the longer-range strategy to reduce costs through efficiencies
- Requires the delay or cancellation of the sub-service work as resources will be redeployed to develop reduction packages
- While citizens may be pleased with reduced taxes, they may not be satisfied with reduced services
- Impacts staff morale, productivity and undermines cultural change

What we propose to do

Order of priority



Examine scope of City services and sub-services



Develop sub-service portfolio
(May-September 2019)



Identify areas for in-depth review
(September 2019)



Undertake service reviews and
implement recommendations
(2020-2022+)

Find \$100M as committed in the 2019-2022 Service Plans and Budgets



Deliver existing efficiency and
saving commitments and continue
delivering the ZBR program
(2019-2022)

Immediate budget reductions



Bring forward targeted
budget reduction information
to the mid-cycle adjustment
(November 2020)

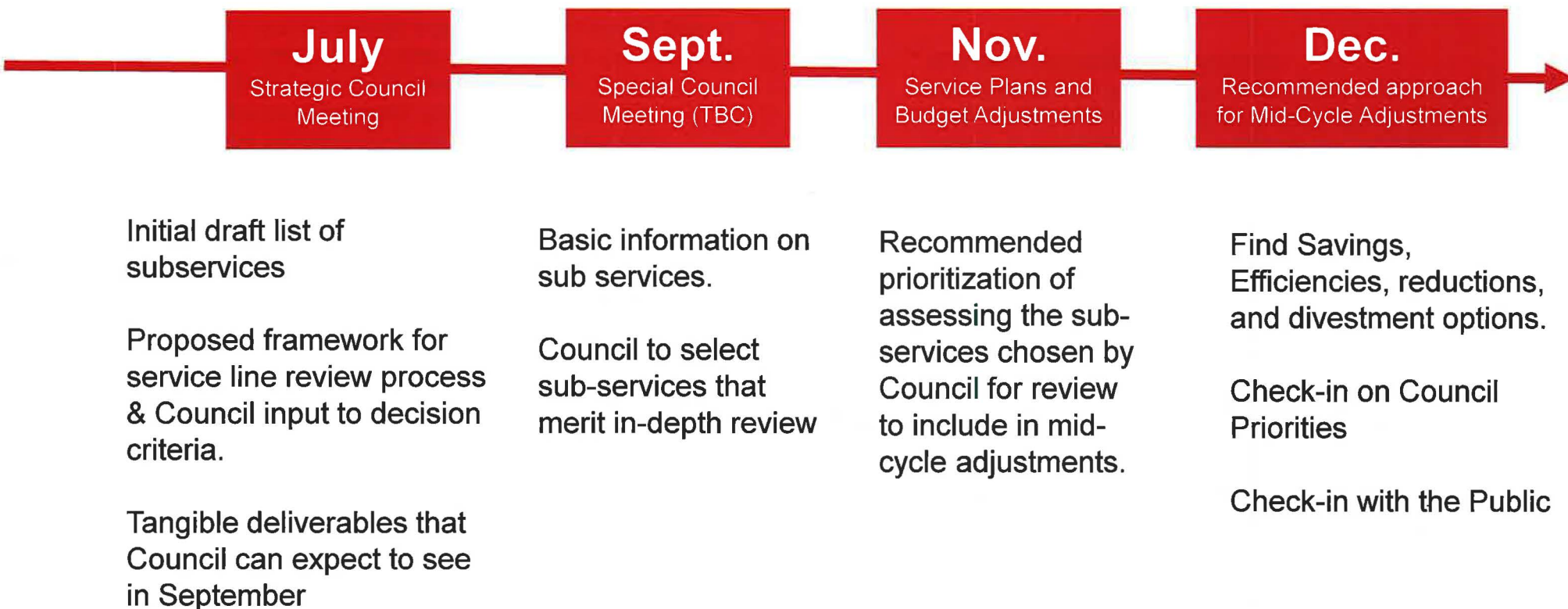
What we propose to do

Examine scope of City services and sub-services

- Step 1 – develop a list of sub-services
- Step 2 – Council to assess which sub-services best help achieve Quality of Life outcomes for Calgarians and which should be considered for review
- Step 3 – assess how to deliver, in the most efficient and effective manner possible, the sub-services that Council chooses to continue to deliver

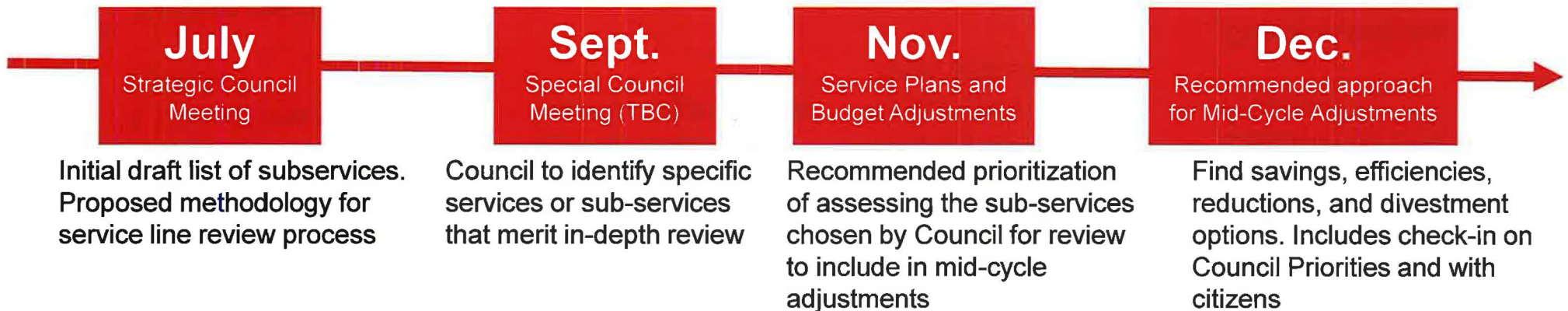


Proposed next steps with Council





Recommendation: Use sub-service list to help find savings, efficiencies and reductions



Opportunities:

- Advances the service-based approach and uses best practice to become a modern municipal government
- Creates a more granular and deep understanding of the sub-services that the City provides, enabling a more precise evaluation of where savings, efficiencies, reductions, and divestiture should be considered
- Citizens can continue to have access to services until such time as an in-depth review can be conducted and rationale provided around changes to or elimination of services

Risks:

- Slower to implement than immediate (i.e. reduction of budgets in November 2019 to be focused on savings and efficiency targets in One Calgary and sub-services' future to be considered in November 2020)



What we propose to do with the sub-services selected in September for further review

Ask the ZBR questions:

1. Service Rationale: Why is The City providing this service? Should The City 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 industry standards, is the service efficient?
4. Service Effectiveness: According to industry standards, is the service effective?
5. Service Funding: Are sources of funding sustainable and appropriate?



Administration Recommendations (PFC2019-0550)

That the Priorities and Finance Committee recommend that Council receive this report for information.



Administration Recommendations (PFC2019-0585)

That the Priorities and Finance Committee recommend that Council:

1. Reconsider its motion on 2019 April 01 "That Council direct Administration to provide operating budget reduction options/scenarios (equating to a budget freeze) as part of the One Calgary mid-cycle budget deliberations."



Administration Recommendations (PFC2019-0585)

2. Direct Administration to deliver on the next steps to streamline costs, as follows:

- Develop The City's portfolio of sub-services (May-Sept 2019).
- Support Council to review the list of sub-services and identify areas for further investigation where scope could potentially be reduced (Sept 2019).
- Undertake service reviews in the areas selected by Council and implement recommendations (2020-2022+).
- Deliver existing efficiency and saving commitments already approved within the plans and budgets, and continue delivering the ZBR program (2019-2022).
- Bring forward targeted budget reduction information to the mid-cycle adjustment in November 2020. Work with Council to determine an appropriate magnitude and scope for these reductions (Nov 2020).



THANK YOU.
QUESTIONS?