

One Calgary Report to  
Priorities and Finance Committee  
2019 May 14

ISC: UNRESTRICTED  
PFC2019-0550

## **Streamlining the Cost of Municipal Government**

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### **EXECUTIVE SUMMARY**

Calgarians value an efficient and effective municipal government – one that is committed to delivering services that meet the needs of the community and businesses. Council and Administration are working together to deliver on these expectations by transforming service delivery and by focusing on Citizen Priorities (i.e. a prosperous city, a city that moves, a healthy and green city, a city of safe and inspiring neighbourhoods, and a well-run City). A survey by The Economist Intelligence Unit of 140 cities put Calgary as the fourth best city to live in 2018, up from fifth place the year before. Continuing efforts to advance our Citizen Priorities will contribute towards improving the state of our economy in the years to come.

This report provides an overview of the journey that The City has been on, and continues to be on, to transform the way we deliver services, streamline costs and contribute to economic recovery. This report is part of a series, including “Prioritizing next steps to streamline the cost of municipal government” (PFC2019-0585), as well as an update to Council on 2019 July 16.

### **ADMINISTRATION RECOMMENDATION:**

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

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### **RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2019 MAY 14:**

That Council receive Report PFC2019-0550 for information.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

On 2014 September 15, Council approved the Leadership Strategic Plan: Contract with Council (LSP) (C2014-0703) which outlined five focus areas: (1) Establish a cooperative and meaningful relationship with Council, (2) Cohesive leadership culture and collaborative workforce, (3) Better serve our citizens, communities and customers, (4) Focus immediate and collective attention on planning and building a great city, and (5) Strengthen the Corporation’s financial position.

On 2017 March 20, Council received a report from the City Manager on Organizational Efficiency – Intentional Management (PFC2017-0234). This report and its attachments highlighted many of Administration’s achievements towards organizational efficiency and savings since 2015.

On 2018 November 30, Council approved the One Calgary 2019-2022 Service Plans and Budgets as amended. Administration’s Commitments were outlined in the One Calgary 2019-2022 Service Plans and Budgets and provide high-level strategic guidance to the organization for the four-year term. Administration’s Commitments reflect Council’s direction and the priority of citizens for a well-run city including one that is both efficient and effective and provides value for tax dollars.

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On 2018 December 17 (C2018-1440), a progress report on the LSP was provided to Council with additional updates being provided in a previous 2016 progress report as well as through mid-year and year-end accountability reports to Council.

On 2019 February 4, Council received for information a Zero-Based Review (ZBR) Program Update (PFC2019-0041) that outlined the financial benefits realized and forecasted.

On 2019 February 12, Council received a verbal update on the savings to date in a number of areas including the Budget Savings Account initiative, corporate workforce planning, management exempt cost savings, and intentional workforce management, as part of the Organizational Efficiency Strategy and Intentional Management (PFC2019-0913).

### **BACKGROUND**

Council Directives for 2019-2022 include the following directions regarding streamlining the cost of service delivery and enhancing service value to Calgarians:

- Council and Administration need to speak in a collective voice that improves communication with Calgarians to help them understand: the services The City delivers; how their taxes are invested; that their municipal government functions to serve Calgarians; and that their municipal government is well-run and efficient. We need to learn from Calgarians through meaningful engagement to fully understand and respond to their service requirements and needs.
- We need to shift our understanding and focus from how services are delivered to why services are delivered. The City must work on improving the value of municipal services delivered by simplifying and streamlining processes and procedures, cutting red tape, eliminating service silos, and discontinuing those services that The City should not be providing. Beyond removing barriers, The City must move to a culture that actively promotes businesses.

The work to deliver on these directives is well underway and is part of an ongoing journey to deliver effective and efficient services to Calgarians.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Council and Administration have demonstrated their commitment towards making life better every day, working together as One City, One Voice and streamlining the cost of service delivery. Examples include:

- Cut Red Tape and Transforming Government initiatives. These initiatives were aimed at advancing any public work, initiative, project, program or plan that reflects the principles of transparency, accountability, civic engagement, innovation and citizen orientation. They included making food trucks more accessible, allowing appointment-bookings and paying for building and development permits online, a one-application program for services for low-income Calgarians and creating a business-friendly environment.

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- From 2015-2018, The City identified savings of over \$600 million through operating cost reductions and efficiencies, containing labour costs, and utility rate reductions. These savings have been applied towards various efforts including lowering previously-approved tax rate increases, and re-investing towards initiatives such as the Opportunity Calgary Investment Fund (OCIF), Calgary Transit and the low-income transit pass. More details about this are provided in Attachment 1.
- The 2019-2022 One Calgary Service Plans and Budgets put what Calgarians value about services as the focus. One Calgary supports two important cultural transformations – from an “inside-out” mindset (focused on departments and business units) to an “outside-in” mindset (focused on services); and from a “responding to growth” mindset to a “constraint environment” mindset, through increased focus and prioritization of resources. A least-harm approach with minimal impact in service delivery was taken in investment decisions made by Council and Administration on City services, focusing further investments in high priority areas that citizens and customers value, and budget freezes or reductions in areas that do not directly impact citizens. As well, there is a commitment for Administration to find an additional \$100 million in savings and efficiencies through the next four years, and \$16.5 million in workforce savings from the base in 2019.

Calgary is seen by other municipalities and organizations as a leader in our approaches in managing a well-run city. According to The Economist Intelligence Unit, Calgary was ranked the fourth most livable city in the world in 2018, up from fifth place the previous year, putting Calgary in the ranks of other world-class cities including Vienna, Melbourne, and Osaka. As a city, we are rated high in terms of stability, health care, education and infrastructure, but relatively lower in culture and environment.

Being ranked the fourth best city to live in North America in 2018 is a strong indication that we are on track with having a clear line of sight between what Calgarians value about life in Calgary, Council’s direction to Administration over the next four years to make that happen, and Administration’s response by delivering City services that matter to citizens in the most effective and efficient way. Below are some of the results that have been achieved to date to streamline costs and improve value:

- Our world-class Zero-Based Review (ZBR) program, as part of the Council-approved Corporate Strategy on Efficiency and Effectiveness (C2011-55), involves taking City services through an in-depth review. An examination of why The City is providing the service and whether we should be providing the service is a part of the ZBR program. The goal of the ZBR program is to determine whether we are doing the “right things” in the “right way”; and deliver services in an effective and efficient manner.

To date, ZBRs have been completed on 70 per cent of City services, with the total predicted annual financial gains identified through the ZBR program between \$60.4 million and \$71.5 million after full implementation. More details on how the ZBR program has been successful in streamlining costs across City services is provided in Attachment 2. By 2020, it is anticipated that 80% of City services will have been reviewed through the ZBR program.

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- Guided by new Capital Infrastructure Investment Principles, capital investment recommendations for 2019-2022 are focused on providing critical infrastructure and critical asset maintenance to help address the infrastructure gap. The City will continue to maintain and enhance partnerships with the private sector and other orders of government to strategically invest and optimize capital investments to deliver value to Calgarians.
- In recent years, Calgary has consistently ranked the highest in performance in key service areas when benchmarked against other similar municipalities across Canada participating in the Municipal Benchmarking Network of Canada (MBNCanada) program. As examples, for three years in a row from 2015 – 2017, Calgary Roads has ranked first in having the lowest cost for all maintenance roads functions, and first in the per cent of paved kilometers where road conditions are rated as good to very good two years in a row (2016 and 2017). For three years in a row (2015 – 2017), Calgary has also ranked highest in the per cent of accounts enrolled in a pre-authorized property tax payment plan. MBNCanada Performance Reports are available at [www.mbnCanada.ca](http://www.mbnCanada.ca). Benchmarks were also an important element of the service plans and budgets as outlined in the service pages. Benchmarking remains an ongoing practice The City has adopted to ensure we learn from others and continuously improve relative to industry best practices.
- The City has in place a rigorous strategic planning process that involves a clear line of sight between the aspirations and expectations of the community with Council's direction to Administration. It will also align these aspirations, expectations and direction with service delivery through the 2019-2022 Service Plans and Budgets. Administration's progress in delivering on Council's direction for the next four years is shown in Attachment 3.

The City has embraced continuous improvement including streamlining costs and being responsive to the needs of Calgarians as part of the way we work everyday. Examples include:

- redesigning transit services in consultation with customers to lower overall costs in public transit;
- building capacity in the community to transition senior home maintenance services,
- better managing City data across services;
- reducing the response time for Freedom of Information and Protection (FOIP) requests; and
- implementing on-call and work-from-home strategies in the 311 call centre that has improved overall service levels to citizens.

As directed by Council (PFC2018-1300), there is also currently a policy review underway to improve the value of City services by identifying and resolving policy issues that act as barriers to outcomes for citizens and customers. This review is intended to improve customer experience, make City operations more efficient and develop a method that can be applied to other areas, supporting Administration's future efforts in the pursuit of these benefits in-house.

Looking ahead, the journey to transform government and streamline costs will continue. Guided by our road map into the next four years as described in the One Calgary 2019-2022 Service Plans and Budgets, Administration's response to deliver services to citizens is guided by clear corporate priorities as articulated from Administration's Commitments.

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Administration will also continue to apply a results- and evidence-based approach, known as Results-Based Accountability™ (RBA), towards managing our performance (PFC2017-0234) at The City of Calgary and contribute towards quality of life for Calgarians. The results- and evidence-based approach was applied in the development of the 2019-2022 Service Plans and Budgets and continues to be applied across the organization in ongoing performance measurement and accountability, service reviews and improvement, and the management of risks. The City's performance management system and its associated elements is shown in Attachment 4.

A key piece of managing our performance will also involve maturing the process of risk management at The City, which adheres to ISO 31000 standards. Over- or under-managing risks limits the organization's ability to be agile towards responding to shifting circumstances and can potentially strain resources. As Administration gains a clearer understanding of Council's appetite and tolerance for managing risks in service delivery, we will be better able to apply the appropriate risk treatments to ensure that costs and efforts used to manage risks are in line with streamlining costs of municipal government.

The organizational shift from a department-based to a service-based mindset will require changes on several fronts, including removing service silos and delivering services in an integrated fashion. Embracing a service-focused perspective by putting citizens in the forefront, the focus will shift from "HOW we do things and WHO does them", to "WHAT services citizens and businesses are receiving and WHY". We will remain focused on our ability to measure and report "is anyone better off?" from the services we offer.

Transformation at The City is an ongoing journey as the needs of our citizens and customers continue to evolve amid an increasingly complex and competitive world. In recent years, our ongoing journey to continuously improve how we deliver services has been disrupted by external stresses and shocks, including adverse weather-related events and a persistent economic downturn, adding further pressure on our fiscal health. The impact of a poor economy and the resulting significant financial pressures on households and businesses in Calgary has only increased the urgency of Council and The City to relieve taxes and "do more with less". While there is an urge to continue cutting budgets when economic recovery is slow, the search for quick wins in an uncoordinated and ad-hoc fashion can disrupt and direct resources away from ongoing efforts along the steady course of service improvement The City has been on.

Calgary has a demonstrated track record with regards to streamlining the cost of municipal government with the journey continuing in 2019-2022. The key is to continue to put our citizens and customers at the forefront, improve financial sustainability through thoughtful and deliberate changes to service delivery, and embrace an operating model of continuous improvement and service excellence.

## **Stakeholder Engagement, Research and Communication**

Citizen input was a critically important part of determining The City's focus for the 2019-2022 Service Plans and Budgets. Citizen research and engagement was leveraged and identified key

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themes including:

- Overall, satisfaction with City services is high, despite concerns with the economy.
- Businesses want City services and policies to support, not impede their sustainability and growth, and they tend to be more critical of City services overall.
- Citizens want open, efficient and effective City services.
- Citizens are split between increasing taxes to maintain or expand services and cutting services to maintain or reduce taxes.

A 2018 McKinsey & Company study, which involved 80 cases and in-depth interviews with 30 leaders of government transformations, uncovered that only 20 per cent of transformations have been successful. There are five key factors that, when applied along with putting citizens at the forefront, increase the likelihood of success by more than three times – having:

- **Committed leadership**, where leaders model the desired behaviours.
- **Clear purpose and priorities**, where less is more, and setting fewer targets, being specific and results-based increases the chances of success.
- **Coordination in delivery**, where an empowered and focused team is dedicated to the transformation effort.
- **Compelling communication**, where there is two-way communication with all groups impacted by transformation efforts, particularly with employees.
- **Capability for change**, where new capacity for change and encouraging agility within the organization is essential to successful transformations.

It is noteworthy that the McKinsey study has consistently found that “less is more” when it comes to transformation objectives, in that the most successful efforts keep targets few, specific and results-based. It appears that Council and Administration have in place the necessary ingredients for a successful transformation towards striving for continuous improvement, streamlining the cost of government, and better serving the needs of our citizens and customers.

### **Strategic Alignment**

The ongoing work of One Calgary in building an operating environment of continuous improvement is critical in contributing towards fulfilling Council Directives for 2019-2022, and towards Citizen Priorities that Calgarians value about life in Calgary. Continuous improvement, streamlining the cost of government, and being effective and efficient in how we deliver services are the cornerstones of “A Well-run City”.

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### **Social, Environmental, Economic (External)**

Social, environmental and economic guidance is provided through City policies, Citizen Priorities and Council Directives, all of which guide Administration in delivering on the Council-approved plans and budgets.

### **Financial Capacity**

#### ***Current and Future Operating Budget:***

Administration is on track to deliver our commitment of finding an additional \$100 million in savings and efficiencies through the next four years as identified through the 2019-2022 Service Plans and Budgets, as well as \$16.5 million in workforce savings from the base in 2019. The ZBR program is also on track to identify a total predicted annual financial gain of between \$60.6 million and \$71.5 million after full implementation. Financial gains will include cost savings, productivity gains, cost avoidance, and increased revenues. Moreover, ongoing efforts to continuously improve how we deliver services and respond to citizens and customers may result in more savings in the short term.

#### ***Current and Future Capital Budget:***

The capital budget for 2019-2022 has been approved by Council and on track to be applied towards planned initiatives.

### **Risk Assessment**

Administration and Council are working together to address streamlining costs while continuing to deliver service value. There is a risk that The City of Calgary will compromise ongoing, long-term goals that support quality of life of our community to develop an operating environment of efficiency and effectiveness for short term gains. This could lead to the organization putting itself into a position where it is less able to respond nimbly or effectively to changing Citizen demands, and a changing social, political, and economic environment. To address this, Council and Administration will need to work together, taking a collaborative approach to organization-wide challenges, focus on results, keep our citizens and customers at the forefront, and stay the course to implement and deliver on long-term plans.

#### **REASON(S) FOR RECOMMENDATION(S):**

Administration has been on an ongoing journey to transform the way we deliver services and streamline our costs, contributing to economic recovery. This report provides Council with an overview of our ongoing efforts to streamline the cost of municipal government, continuously improve and work together to deliver on what is most important for Calgarians.

### **ATTACHMENT(S)**

1. Savings, Efficiencies and Reductions 2015-2018
2. The Zero-Based Review Program
3. Administration's Corporate Performance Scorecard
4. The City's Performance Management System