

One Calgary Report to
Strategic Meeting of Council
2019 July 16

ISC: UNRESTRICTED
C2019-0883

Initial work plan for sub-service reviews

EXECUTIVE SUMMARY

Since 2014, The City has been moving towards a service-based approach. A key goal of this work is to better understand and articulate our services and sub-services. The first service-based plans and budgets were presented to Council in November 2018. This new format communicates more clearly to citizens the value they receive for their tax dollars and supports Council to make investment choices from a perspective of citizen services rather than organizational structure. The next goal of the One Calgary program was to go deeper on services: to define sub-services, and leverage this more granular view to enhance our ongoing work to review and improve services.

Council has identified sub-service reviews as an important tool to identify service areas that municipal government does not need to provide or could reduce to decrease expenditures. The potential of these reviews to reduce cost makes them a high priority for 2019.

For Council to identify which sub-services they wish to review, a list of them must first be created. This report brings forward an initial sub-service list with some initial service-related information, and a proposed work plan for sub-service reviews for 2019. Reviews conducted in 2019 will be completed in time to inform adjustments to The City's plan and budget for 2020 and beyond.

The work plan proposes that 6 sub-service reviews be completed in 2019. It further outlines different types of sub-service reviews that could be undertaken. A review may focus on whether The City should provide a given sub-service at all, or it may focus on the impacts and trade-offs of implementing a material reduction in service levels that results in significant savings. All sub-service reviews will include a high-level investigation of the impacts on The City's citizens/customers, expenditures, revenues, performance measures and risks of eliminating a sub-service altogether or implementing a material reduction.

The proposed plan is informed by some of the results, approaches and lessons learned from service review programs in other Canadian municipalities. An overview of some information which would enhance and inform The City's process is included in this report.

ADMINISTRATION RECOMMENDATION:

That Council:

- 1) Approve the sub-service reviews contained in Table 1 of Attachment 3 (Confidential) to be completed for the November 2019 adjustments to the One Calgary 2019-2022 Service Plans and Budgets.
- 2) Direct that Attachment 3 be held confidential pursuant to Section 24(1)(d) of the *Freedom of Information and Protection of Privacy Act*, until it is approved by Council.

PREVIOUS COUNCIL DIRECTION / POLICY

At the Regular Meeting of Council on 2018 November 30, Council approved the One Calgary 2019-2022 Service Plans and Budgets (C2018-1158). At the same meeting, Council also approved the following motion:

To better inform mid-cycle budget considerations and to shape the focus of anticipated Zero-Based Reviews, direct Administration (specifically Corporate Initiatives and

One Calgary Report to
Strategic Meeting of Council
2019 July 16

ISC: UNRESTRICTED
C2019-0883

Initial work plan for sub-service reviews

Intergovernmental & Corporate Strategy) to work with Mayor Nenshi and Cllrs. Colley-Urquhart and Gondek in drafting the agenda and outcomes for the January 28, 2019 Strategic Meeting of Council that will accomplish the goals of:

- a. setting Council strategic priorities for the remainder of the term;
- b. discussing the major unfunded capital projects; and
- c. 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.

On 2019 May 28, Council approved the recommendation from the 2019 May 14 Priorities and Finance Committee meeting, that Council:

1. Reconsider and rescind 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.”
2. Bring reduction package options for tax supported services equivalent to tax increases of 2%, 1.5%, 1.0%, 0.5% and 0% to Council’s budget deliberations in 2019 November for the 2020 tax year including, but not limited to impacts on services, wages and head count;
3. Direct Administration to deliver on the next steps to streamline costs, as follows:
 - a. Develop the City’s portfolio of sub-services (May-Sept 2019).
 - b. Support Council to review the list of sub-services and identify areas for further investigation where scope could potentially be reduced and budget targets for 2021 and 2022
 - c. Undertake service reviews in the areas selected by Council (2020-2022+).
 - d. Deliver existing efficiency and saving commitments already approved within the plans and budgets, and continue delivering the ZBR program (2019-2022).
 - e. 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).

BACKGROUND

Citizens can best understand value when it is clear what their tax dollars are invested in and what they received in return. A service-based approach is critical to successfully communicate value to our citizens. It also guides us to increase that value, both through refining our investments and improving our service delivery.

Development of sub-services is the next step in the maturation of The City’s service-based approach. It builds on the service identification work that The City has been doing since 2015 and that was the basis of the One Calgary 2019-2022 Service Plans and Budgets.

The purpose of developing the sub-service portfolio is:

1. **Informing:** Give Council and citizens a deeper line of sight into the services The City provides and communicate the value they deliver more effectively.
2. **Decision-Making:** Give Council the opportunity to make decisions about whether they want to continue offering each sub-service, and at what level of service.
3. **Improving:** Give Administration a useful tool to drive service improvement into the future.

One Calgary Report to
Strategic Meeting of Council
2019 July 16

ISC: UNRESTRICTED
C2019-0883

Initial work plan for sub-service reviews

As of 2019 June 28, 245 sub-services within 58 services have been identified. These 245 sub-services are listed in Attachment 1, with details of how the portfolio was created. There are three services, also listed in Attachment 1, that did not identify any sub-services: Insurance & Claims; Police Services; and Property Assessment.

Administration accelerated the development of a basic sub-service list (and initial related information) to meet Council's need to move forward rapidly with sub-service reviews. It requires further refinement to meet the quality and consistency needed to fully achieve all the purposes for which it was created. It will therefore be subject to change as this further work is completed.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Experience of other municipalities

To inform the development of a sub-service review workplan, Administration conducted a high-level web-based scan of publicly-available information from other municipalities that have completed service reviews to reduce the cost of government. Municipalities reviewed include Toronto, Vancouver, Regina, Saskatoon and Nanaimo.

There is diversity in the approach, length of time, depth and extent of reviews across the municipalities. There are also differences in the definitions of savings and efficiencies across municipalities. A large range of savings are reported per municipality online and, in interpreting these numbers, it should be noted that the operating budgets of each municipality reviewed vary widely.

Publicly-available reports identified that successful reviews require ample time for a thorough review process, and that a focused and prioritized scope of review with clear and specific targets is necessary. Some municipalities used external consultants for the service reviews (e.g. Toronto and Regina), while others did the reviews in-house (e.g. Saskatoon) or used both approaches (e.g. Regina). Some municipalities reported that dedicated resources for managing the process helps advance the initiative, and a strong engagement approach with business units and unions is important. A summary of the high-level scan can be found in Attachment 2, along with specific references to the information gathered for each municipality.

Experience at The City of Calgary

Service review and improvement has been long-practiced at The City and includes a wide range of activities from formal, corporate review processes like the Zero-Based Review (ZBR) program, significant programs conducted by departments and business units, and the continuous improvement activities that are an integral part of our day-to-day work. Through intentional management, The City achieved \$607 million in savings, efficiencies and reductions in 2015-2018. The creation of the sub-services list gives The City an additional avenue for service review and improvement using a more granular service-based lens.

Proposed sub-service review workplan

The information gathered from other municipalities, along with The City's own experience with continuous improvement initiatives and service reviews (including the ZBR program), suggests that conducting successful sub-service reviews will require a significant commitment of staff resources and time across various teams including Corporate Initiatives, Human Resources, Finance, Law, and the sub-service operating units undergoing a review. It is estimated that each sub-service review will require approximately \$50,000 to \$100,000 in staff labour time. The

Initial work plan for sub-service reviews

time requirement, and thus cost of each sub-service review, will vary depending on the scale of the sub-service, complexity of operations and reporting structure, as well as ability to access the right information in a timely manner. Re-assigning staff from the ZBR program will provide enough resources to conduct six sub-service reviews between 2019 July 16 and the November budget adjustment deliberations.

This proposal will leave sufficient resources for Administration to move forward with two ZBRs already underway this year – Shared Challenges of the Internal Services (including Internal Recoveries) and Law – though not the full four that were originally planned. It will also ensure Administration has capacity to pursue other cost reduction strategies alongside sub-service reviews. Increasing the number and/or scope of sub-service reviews is possible with additional delays to ZBRs currently underway or planned, or to other cost-reduction work.

The proposed work plan is based around two different types of review that a sub-service could undergo:

- The first type of review seeks to address whether The City should provide a sub-service (i.e. determine whether to stop providing a sub-service altogether or not).
- The second type of review seeks to address the impacts and trade-offs of implementing a material reduction in level of service, and thereby achieving significant savings (for example, 20% of the tax-supported operating budget for the sub-service). This type of review may include consideration of contracting out all or a portion of the sub-service, service level or scope reductions or many other options. The focus of these reviews will be to identify what services citizens value most and identify significant reductions in other areas, so as to materially reduce the tax-supported operating costs while minimizing impact to those most valued services.

A wide range of factors were considered in choosing areas for review:

- Preliminary research into municipal government service areas that may yield cost savings, for example, recent municipal government service improvement case studies completed through the Harvard Kennedy School - Ash Centre for Democratic Governance and Innovation.
- Where an external change is anticipated that would significantly impact the sub-service, a more detailed consideration of the sub-service is required and therefore makes a good candidate for a review.
- Areas of interest to Council members, including topics that have arisen in debate and individual Council members' thoughts about potential areas to reduce expenditures which were recently shared with Administration as part of the exercise to find \$60M in cashable savings in 2019.
- In this first round of sub-service reviews, Administration also placed weight on choosing sub-services that could be completed in time for the November budget adjustments. To enable work to proceed quickly, synergies with existing or planned reviews that could be leveraged were considered. Existing information and data about those sub-services may be more easily accessed or developed.
- Conversely, avoiding overlaps with existing work, such as the ZBR program, was a factor. Where savings are already being pursued through one method, further resources are not required and can be directed to other areas. Since 2016, the ZBR program has turned its attention to The City's internal services, currently including Law.

Initial work plan for sub-service reviews

- Opportunities that apply to the entire corporation or to multiple sub-services were not selected and will be considered through a different review method. For example, the Shared Challenges of the Internal Services ZBR will address various different cross-corporate opportunities.

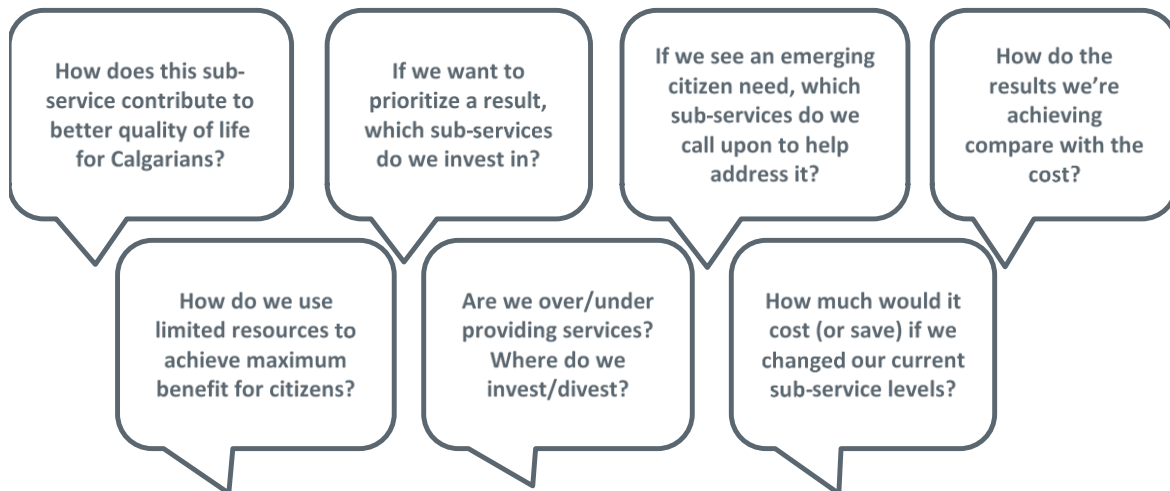
Topics for the six 2019 proposed sub-service reviews are listed in Attachment 3 (Confidential).

Stakeholder Engagement, Research and Communication

Service owners, supported by service teams, were provided guidance to help identify sub-services and complete the sub-service profiles required by 2019 June 14. Members of Council were invited to provide their suggestions to the Chief Financial Officer for expenditure reduction opportunities that could be implemented for further savings, as part of the exercise to find \$60M in cashable savings in 2019. The Administrative Leadership Team reviewed the initial list of sub-services and related information and the proposed 2019 work plan for sub-service reviews.

Strategic Alignment

The identification of sub-services supports the One Calgary vision of presenting services from a customer-centric – or “outside in” – perspective that expresses the value received by customers. It supports Council to make thoughtful and deliberate decisions about where to eliminate or reduce service level or scope to provide greater overall value for citizens. The service-based approach in general, and identification of sub-services specifically, help Administration and Council ask key questions to inform decision making, such as:



Initial work plan for sub-service reviews

This supports the organization in achieving all Citizen Priorities while striking the right balance between the costs of providing the services and the benefits they provide with the goal of making life better every day for Calgarians. In particular, this work contributes to “A Well-Run City: Calgary has a modern and efficient municipal government that is focused on resilience and continuous improvement to make life better every day for Calgarians by learning from citizens, partners, and others”, and specifically Council Directive W2: “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.”

Social, Environmental, Economic (External)

Social, environmental and economic guidance is provided through City policies, Citizen Priorities and Council Directives, all of which will guide Administration when proposing plan and budget adjustments to Council, including prioritization of potential budget reductions.

Financial Capacity

Current and Future Operating Budget:

There are no budget implications as a result of this report, but the proposed sub-service reviews may inform future operating budget decisions.

Current and Future Capital Budget:

There are no budget implications as a result of this report, but the proposed sub-service reviews may inform future capital budget decisions.

Risk Assessment

Sub-service reviews are an important part of Administration’s response to Council’s direction to find cost savings and review the value of services delivered to citizens. Nonetheless, there are pressures and constraints that expose sub-service reviews to certain risks.

The sub-service list is newly created and foundational information for each sub-service has not yet been corporately compiled. This includes: rationale for why the service exists including any legislative requirements, statements of current and planned service levels, activity volumes, measures of current performance (including how much, how well and is anyone better off), benchmarking data, and budget estimates. It is therefore impossible to use a robust, data-driven analysis of potential benefit to inform the selection of sub-service review topics, and consequently an increased risk that The City will not achieve the desired savings. For the selected areas, some of this foundational information will be gathered as part of the sub-service reviews in 2019. Attachment 4 provides an outline of the information that Council may expect to receive for the six sub-service reviews to be conducted in 2019.

The short timelines mean that sub-service reviews in 2019 will not be as comprehensive or thorough as Council has come to expect from previous service reviews such as ZBRs. Attachment 4 provides an outline of the level of detail and analysis that will be possible for these reviews given the timelines. The analysis of the impacts of reductions may not be sufficiently

One Calgary Report to
Strategic Meeting of Council
2019 July 16

ISC: UNRESTRICTED
C2019-0883

Initial work plan for sub-service reviews

thorough in the time available. This may result in actions that are designed to produce savings but when implemented lead to unanticipated consequences, which may include higher costs.

Addition of a significant review program to the Corporation's work plan displaces other work. The impact on the ZBR program, refinement of the sub-service list and compiling comprehensive foundational information, is already noted in this report. In addition to these impacts on corporate projects, there will be impacts felt in other areas of the organization. These impacts are not visible at the corporate level, opening the risk that some may have significant consequences that may not be anticipated.

If The City is to divest from certain sub-services, or significantly reduce their scope, this can have an impact on The City's risk profile. On one hand, no longer offering a sub-service or program may reduce The City's overall risk profile (any associated risks with that work would no longer be managed by The City). However, any changes to public-facing services carry the risk of reducing citizen satisfaction and may increase The City's reputational or political risks. Similarly, The City may also increase some risk by creating a gap between service delivery and partner expectations.

REASON(S) FOR RECOMMENDATION(S):

This approach addresses Council's desire to move forward rapidly with sub-service reviews. The creation of the sub-service list and the proposed sub-service review workplan for 2019 will empower Council to make thoughtful and deliberate decisions about where to eliminate or reduce service scope in ways that reduce costs with least harm to citizens.

ATTACHMENT(S)

1. Attachment 1 – Sub-Service List
2. Attachment 2 – Experience of Other Municipalities
3. Attachment 3 – Sub-Services Review Work Plan (Confidential)
4. Attachment 4 – Deliverables for Council – November 2019