

Reimagine Services Update

Recommendation

That the June 22, 2021, Office of the City Manager report OCM00503, be received for information.

Previous Council/Committee Action

At the December 2, 2020, Community and Public Services Committee, the following motion was passed:

That Administration report on the necessary steps to transition operation of Rundle Golf Course to a new operator, based on a revenue sharing model with the City and to keep adequate public access to golf

At the December 9/11, 2020, City Council meeting, the following motion was passed:

That Administration engage with interested community partners and report back on any potential operations and maintenance strategies for aging City recreation facilities such as Oliver, Tipton and Eastglen.

Executive Summary

In July 2020, the City of Edmonton committed to bold and decisive actions in managing its finances during a time of uncertainty, while continuing to make progress towards its vision as outlined in The City Plan. The City's recommendation to reimagine services was developed through a systematic assessment of City services, resulting in actions to achieve cost savings or generate revenue across five of the largest budgeted service areas:

- Fire Rescue Services;
- Facility Management and Maintenance;
- Fleet Management and Maintenance;
- Parks and Open Space Access; and
- Recreation and Sport Facilities Access and Recreation and Culture Programming.

In reviewing each of these services, the objective was to explore opportunities to ensure we remain relevant, effective and efficient through a need to:

- Reduce or eliminate services
- Evaluate private sector and potentially non-profit sector involvement in the delivery of the services, and

- Complete a GBA+ analysis on all future recommendations

Recommendations were reviewed and actions were developed based on impacts on service levels, service delivery, social equity and potential risks to the City. As a result of the review, 18 actions will be moving forward for implementation in the business areas.

Implementation and cost savings will begin to be realized in 2022. Estimated potential cost savings identified range between \$572,000 up to \$1.4 million per year. Some of the actions will require further analysis with a potential for additional savings of \$9.9 million over five years.

Therefore, the total estimated potential cost savings is up to \$16.0 million between 2022 and 2027.

The actions resulting from the Reimagine Services review will ensure that as stewards of a large municipal corporation, we are managing the corporation to best serve the needs of all Edmontonians and that we remain relevant, effective and efficient today and into the future.

Report

Background

At the July 6/8, 2020, City Council meeting, Administration presented the Reimagine - Strategic Response to COVID-19 report, CR_8379, and committed to bold and decisive actions in managing its finances in this time of uncertainty, while continuing to make progress towards its vision as outlined in The City Plan.

Through Reimagine Services, Administration focused on making targeted, concrete recommendations that would reduce costs or increase revenues across the five identified service areas. In reviewing each of these services, the objectives were to create evidence-based, action-oriented and defensible rationale in identifying opportunities to:

- Reduce or eliminate services,
- Evaluate private sector and potentially non-profit sector involvement in the delivery of the services and
- Complete a GBA+ analysis on all future recommendations.

Guided by the four principles of Reimagine, be bold, be agile, be brave and be smart, the actions resulting from Reimagine Services demonstrate the City's commitment to manage the corporation and ensure that services are relevant, effective and efficient.

Process

Through a systematic, City-wide assessment of City services, Administration identified the following five service areas for review, as they provided the greatest potential for cost saving opportunities:

- Fire Rescue Services,
- Facility Management and Maintenance;
- Fleet Management and Maintenance;
- Parks and Open Space Access; and
- Recreation and Sport Facilities Access and Recreation and Culture Programming.

To provide objective third party advice, analysis and support an evidence-based approach, Administration contracted KPMG for the five service reviews. Their approach followed a process of progressive refinement, moving from broad ideas through to focused recommendations.

On February 8, 2021, Administration presented a verbal update to City Council, UFCSD00280 Reimagine Services Update, outlining 28 ideas and the next steps, which included the development of a business case focused on the key service areas, and identifying:

- Impacts on service levels;
- Impacts on service delivery
- Impacts on social equity (i.e. GBA+);
- Quantify potential cost savings/revenue; and
- Potential risks to the City.

In addition, KPMG collected and reviewed data from other cities and completed a market sounding analysis with external service providers and business partners to understand the current market and likelihood for success in changing current service delivery models.

The actions and opportunities outlined in Attachment 1 support cost savings for the 2022 operating budget (through the Fall 2021 and Spring 2022 supplemental operating budget adjustments) and will contribute to the necessary foundational cost savings required for the next four year budget cycle.

Gender Based Analysis Plus

The COVID-19 pandemic is disproportionately impacting women, racialized and marginalized people. As presented at the January 18, 2021, Executive Committee meeting, CR_7352 Implementation and Impacts of Gender-based Analysis Plus

Update, as Administration reimagines how best to relaunch and recover from the ongoing pandemic and economic recession, careful consideration is being given to the use of GBA+ in order to minimize inequalities and barriers for Edmontonians and employees. Attachment 2 summarizes the GBA+ impacts to each of the actions.

Reimagine Service Actions

Service: Parks and Open Space Access

1. Parking fees

Parking is an asset that provides the City with the opportunity to strategically manage parking occupancy, generate revenue and manage the service to ensure costs are recovered. Paid parking exists in comparable sites in other cities. Paid parking is one tool which supports the Open Option Parking approach. An Open Option Parking approach will help to achieve strategic city objectives around supporting transit use, contributing to increasing health, improving neighbourhood vibrancy and reducing greenhouse gas emissions.

The business case explored applying a parking fee to some of the City's larger parks, open spaces and amenities with an option of the first two hours free, at select locations in the river valley. It also reviewed the overall impact to access at facilities where drivers are parking at the facility to access other amenities and services in the area.

Actions: Based on the analysis, the City will implement paid parking at Emily Murphy Park, Rafter's Landing, Muttart Conservatory, Fort Edmonton Park and TELUS World of Science in spring 2022. Additionally, Hawrelak Park should be considered for paid parking once the major rehabilitation is completed, at the earliest 2026. To help mitigate GBA+ impacts, there will be a two-hour free period for parking lot locations in the river valley area that are not associated with an attraction. This action will be connected to the City's broader strategic Public Parking Action Plan, which will be before Council spring 2022.

2. Maintained park space

Naturalization helps preserve and celebrate the natural plant and animal species found in the Edmonton region. Responsible parkland care means sustainable practices that contribute to a healthy, climate resilient and livable City for generations to come. This business case explored how to enhance the overall benefit of passive or natural naturalization in park spaces, specifically turf and shrub bed areas. Naturalization involves reducing mowing and manicuring, monitoring the area over time to maintain legislated weeds and eventually replanting the shrubs, plants and trees that are natural to our city.

Strategic naturalization enables the City to reduce mowing and maintenance of turf and shrub bed areas in ways that provide benefits to overall biodiversity.

Actions: The City will invest in a new naturalization strategy and implementation plan to replace the current plan that was created in 1994. The new plan will result in cost savings by coordinating naturalization activities across key City departments and will be better aligned with current strategic initiatives, such as The City Plan and Greener as We Grow. The City will also invest in a more comprehensive engagement and education action plan to support the work. Additionally, the City will also continue pursuing passive naturalization of 80 hectares per year. Future cost savings related to naturalization will be quantified after the new strategy is developed.

Service: Recreational and Sport Facility Access and Recreation and Cultural Programming

3. Registered Program Offerings

This business case explored improving overall cost recovery of registered programs by reducing or eliminating course offerings with low enrolment. Since 2015, attendance for programs has declined by 20 percent while the average number of program hours declined by nine percent.

Actions: Based on the analysis completed, the City will reduce the amount of registered recreation and culture programming that it delivers. Specifically, the City will:

- Reduce the number of course offerings and/or eliminate some registered programs where direct programming costs, including wages of frontline delivery staff, required materials and staff time for program coordination and programming are not being recovered by registration fees.
- Explore the delivery of certain registered programs using third-party providers that may be able to deliver at a lower cost on behalf of the City.
- Ensure a GBA+ analysis is applied and that Administration tracks course offerings offered below minimal cost recovery.

4. Service Delivery Contracting for Recreation and Sport Facilities

This business case reviewed facility access, operations and programming to determine if there are benefits to contracting third party service providers, associations, or community partners. It focussed on smaller, single purpose facilities such as arenas, leisure centres, senior centres and the City Arts Centre. This business case was developed, in part, to respond to the Council motion from December 9/11 2020: That Administration engage with interested community partners and report back on any potential operations and maintenance strategies for aging City recreation facilities such as Oliver, Tipton and Eastglen.

In addition, this business case explored alternative service delivery of operations and programming of the future Lewis Farms Community Recreation Centre; work is currently underway to explore an expression of interest to build, finance and operate the Lewis Farms Recreation Centre.

During interviews with potential interested parties, participants communicated willingness to work with the City to meet the goals of accessibility, quality and responsiveness and the needs of residents. Overall, the potential partners suggested they would like to support the City but suggested that large-scale recreation facilities (especially aquatics) can also encounter challenges with cost recovery and may require some level of operating support. Other than the financial relationship, understanding the level of autonomy in decision-making was the second most important consideration related by the participants. The general sentiment was that the governance structure must be clear and consistent; the City could provide parameters but must allow third-party operators to run the facility to the best of their ability or compensate them for specific requirements that impair profitability. Some of these participants expressed more interest in undertaking single-purpose facilities (such as arenas, sports fields or courts, etc.) than undertaking a larger multi-purpose facility such as Lewis Farms.

Action: Multi-Purpose Recreation Facility: Should the Lewis Farms Community Recreation Centre move forward, Administration will pursue a pilot for third-party service delivery, integrating recommendations from the business case. Specifically that:

- The City retains ownership of facilities, including lifecycle maintenance responsibilities, communicates objectives for recreation programming, provides all maintenance, including minor maintenance (interior and exterior), as well as major maintenance (e.g., envelope / rehabilitative) and capital upgrades and provides management and oversight support for third party-operator and contract management.
- The third-party vendor has autonomy to determine programming, fees, allocation (with high-level guidance provided by the City); collects all revenue, delivers all programming in compliance with objectives as determined by the City, performs day to day caretaking, operations (front desk, lifeguards), custodial operations and complies with all legal, health, safety and environmental requirements that the City follows.

The business case also explored contracting out single-purpose facilities. In order to assess options, it was assumed that the City would retain ownership of all facility assets, but transfer day-to-day management responsibilities for facility operations and program delivery to third-party operators. Single-purpose facilities would continue to operate under all applicable City provisions (such as the fee structure, allocation policy, Leisure Access Program, etc.), and operators would receive a negotiated fee for services rendered on behalf of the City.

The business case suggested that third party operators may be able to operate select facilities in ways that deliver overall cost savings, while maintaining service levels, primarily through lower personnel costs.

Action: Single-Purpose Recreation Facility: Administration has decided not to explore outsourcing single-purpose recreation facilities at this time. Rather, Administration has initiated a review of current programming and operating models and will develop new strategies aimed at improving the financial performance of the single purpose facilities. New pricing, programming and rental models will be examined. This may result in a reduction in the amount of subsidized rental time and programs being made available. Increased fees and an increased use of third party program providers will also be under consideration.

5. Golf Course Operations

Cost recoveries from the City's three golf courses (Riverside, Victoria and Rundle Park golf courses) have declined from 2015 to 2019 with Rundle Golf Course experiencing the lowest cost recovery of the three courses. This business case assessed the viability of a future model in which the City leases golf courses and the driving range to a private operator. The City would retain all ownership of the courses, facilities, land and capital assets and the courses would remain fully public.

Actions: Based on the analysis, including engagement with external stakeholders, an Expression of Interest (EOI) will be developed in 2022. The EOI will allow the City to assess private sector interest in entering into a leasing agreement with the City for Riverside, Rundle and Victoria Golf Courses to determine if this approach provides better cost recovery to the City.

6. Service Delivery

The Community and Recreation Facilities branch is in the middle of implementing a strategy to modernize how it plans, assesses and delivers some recreation services. This includes approved work currently underway to automate many processes, including how customer data is analyzed, provide online customer service and integrate with the Canada Revenue Agency to offer streamlined program application options for Leisure Access Members.

Actions: Administration is planning a hybrid model of customer services at City recreation facilities, where self-service payment kiosks will be introduced; starting with a funded and approved pilot at Terwilligar Community Recreation Centre in late 2022. Administration anticipates this new approach will offer a more streamlined customer experience, as well as an opportunity to better leverage staff skills, and will result in a reduction of workforce costs.

While implementation at the first site is funded and approved, the remaining 18 locations being considered will require funding, which will go forward as a funding request within the 2023-2026 budget..

Service: Facility Management and Maintenance

7. Facility Maintenance Functions

Some of Facility Management Services' internal clients, such as Edmonton Transit Service, have their own facility maintenance coordinators. This review explored whether or not there were opportunities to increase efficiencies through a more centralized approach.

Actions: The feasibility of a more centralized approach will be revisited at the end of 2022 to better align with future regional agreements with the Edmonton Metropolitan Transit Services Commission.

8. Re-Evaluate Partner / Non-Profit Leases: Review non-profit lease and facility arrangements to improve cost recovery

In general, leasing arrangements for not-for-profit (NFP) organizations are inconsistent and there does not appear to be a clear link between the investment made providing these spaces to organizations and the outcomes achieved for the benefit of the City. There is an opportunity for the City to either reduce the space provided to non-profits or to increase recoveries on existing leases (e.g. for rent, utilities, maintenance costs, capital investment, etc.).

Also, many of the NFP leases are in buildings with systems nearing their end of life. These buildings are often leased to NFPs prior to any disposal decisions. This practice makes it increasingly difficult to dispose of an asset once a tenant has occupied it. Procedures for Maintenance of Building Envelopes, CR_8195, presented to City Council on August 31, 2020, indicated that 77 of these buildings are in fair to poor condition. It is estimated that this represents a deferred maintenance liability of approximately \$170 million.

Additionally, leases less than five years typically do not require the tenant to pay for capital renewals. Many of these existing leases between the City and NFPs have been rolled over multiple times with the same tenant. If they were under a long-term lease, the NFPs would be responsible for capital renewal. Currently 50 percent to 60 percent of the City's NFP leases are less than five-year terms.

Actions: Administration will review NFP leasing practices to determine where changes might be implemented to improve cost recovery. With the current lack of performance monitoring of NFP leases, the City may not be optimally utilizing funds to deliver services in line with its strategic priorities or receiving good value for investment.

Approximately 55 percent (65 of the 118 NFP leases) will expire by the end of 2023, which could enable the City to evaluate, negotiate and/or end leases on a rolling basis. Further exploration is required and cost saving considerations must be balanced with GBA+ and Corporate GHG reduction target considerations.

Potential cost savings will be identified after the review of current NFP leases is complete.

Service: Fleet Management and Maintenance

9. Fabrication Shop

The City's fabrication program provides development and repair work for the City's fleet of vehicles and other fabrication projects across the City. The fabrication shop is not the sole provider to the City for these services. The business case examined the financial cost of the fabrication program, including multiple options related to service level changes, potential levels of outsourcing and impacts to overall financial viability.

Actions: Based on the analysis completed, welding and fabrication services will continue within the organization because it is a service that recovers costs and provides the highest net positive financial return for the organization. Continued analysis including financial reporting, ongoing validation will ensure ongoing competitiveness.

10. Lifecycle Replacement Strategy

This business case examined how the City could benefit from a fleet lifecycle maintenance and replacement framework. The City has approximately 5,100 vehicles and pieces of equipment, and a lifecycle framework could guide decision making about the timing of vehicle replacements.

Actions: Using recommendations from the review, Administration will develop an action-oriented Fleet Lifecycle Replacement Strategy to improve governance, accountability and standardization across the organization. The Strategy will be developed in tandem with the "Optimize Overall Fleet Size" action as they are interrelated. This action is designed to decrease costs related to fleet purchases. The structure and framework will be completed for implementation in 2022.

11. Optimize Overall Fleet Size

This business case explored whether or not there was additional opportunity to optimize the City's light and heavy duty fleet. Although Edmonton has a comparable number of assets per capita of other Canadian cities, the initial review hinted that there may be opportunity to further optimize the fleet size.

Actions: Administration will develop a governance structure and decision-making framework to ensure a consistent, City-wide approach to determining levels of spare

vehicles; making rent versus own decisions; and identifying opportunities to improve the sharing of vehicles across departments. This work will be done at the same time as the development of the “Fleet Lifecycle Replacement Strategy” as they are interrelated. This action is designed to decrease costs related to fleet purchases. The structure and framework will be completed for implementation in 2022.

12. Reduce Mileage Reimbursement

When City employees are required to travel for work, they have the option of using their personal vehicle, taking transit, ridesharing, or renting a vehicle. Staff that choose to use personal vehicles are reimbursed based on the number of kilometres travelled. The reimbursement rate for personal vehicles is set out in the City’s Private Vehicle Reimbursement Procedure. The review explored the opportunity to re-align the private vehicle mileage reimbursement rate it uses to reimburse staff for mileage on personal vehicles with public sector comparators for Alberta.

Actions: The City will consider reducing the private vehicle mileage rate for staff to better align with public sector comparators for Alberta. If approved, Financial Administrative and Control Directive, A1206 - Private Vehicle Reimbursement Administrative Procedure, will be adjusted to reflect the rate change. Work is still underway on this action.

13. Vendor-managed / consignment parts inventory system for Fleet Management and Maintenance

This business case explored enhancing the Vendor-Managed Inventory (VMI) / consignment system for municipal and transit fleet by introducing a consignment model. Doing so has the potential to reduce the carrying costs of inventory because rather than being charged for inventory at the time that it is purchased, the City would be charged when it is consumed.

Actions: Administration will expand its use of VMI/Consignment approaches to include parts inventory for both transit and municipal fleet with key vendors who have expressed interest. This opportunity would seek to leverage the City’s purchasing power with key vendors to optimize parts inventory costs. Administration will align implementation of this initiative taking into consideration the Enterprise Commons project.

Service: Fire Rescue Services

14. Response to Medical Calls

Pre-hospital medical care is a voluntary partnership that now makes up almost 70 percent of the calls responded to by Edmonton Fire Rescue Services (EFRS) and medical call volume is growing 3.5 times faster than non-medical calls. In addition, 24 percent of the pre-hospital medical calls are non-urgent calls to which EFRS is not

required to respond. This may create a sustainability issue for the service and/or there may be an opportunity to reallocate some of the time spent on non-urgent medical calls to other more critical care activities.

Actions: EFRS will work closely with Alberta Health Services (AHS) to explore opportunities to divert some activities related to non-urgent medical calls to more impactful activities. Although the recommendation has merit, a more detailed assessment is required before a change of this scope is adopted.

15. Medical Response Units

This business case explored if efficiencies might be realized without compromising the safety of citizens or staff by replacing two recently added pumper trucks (1A & 5A) to the downtown (and their four-person crews) with smaller units and reduced staff to respond to medical calls at Station 1 (Headquarters) and/or Station 5 (Norwood). The medical specific response units would consist of a sport utility vehicle or similar vehicle, staffed by two or three firefighters and equipped with medical supplies necessary to support the current First Medical Responder level of pre-hospital medical care.

Actions: EFRS will pursue a two year pilot in 2022 and 2023 that replaces one pumper truck with a three-person Medical Response Unit at Station 1 and another at Station 5, using existing vehicles outfitted as Medical Response Units (at marginal cost). The pilot will include adding equipment to current light-fleet vehicles, training of operations staff, coordination with AHS and Edmonton Police Services (EPS), response radius modeling, collection of data and report of findings prior to any permanent decisions pertaining to smaller medical response units. While this model is active, the projected annual savings will be reallocated towards priority initiatives such as enhanced outreach, mental wellness, training and development within EFRS.

16. EFRS Capital Investment

A new fire station represents a substantial capital investment, though the costs of different stations vary according to their intended uses and capacity. Capital costs for acquiring land, design, construction and new heavy vehicles is approximately \$18 million. The addition of a new station and new crews also carries an ongoing operational cost increase. This business case explored how current decisions, related to capital investments for EFRS, are made.

Actions: Administration will establish criteria to guide decisions about capital investments in new stations and heavy vehicles. This will help to determine when investment of capital in a new station is required, and also criteria for investment in a new heavy fleet, so that decisions can become more consistent and create better alignment between EFRS' capital planning and The City Plan.

17. Measurement of Performance Outcomes

This business case looked at how EFRS currently measures performance. For EFRS as with other jurisdictions, performance metrics are heavily focused on the speed of response. When it comes to speed, EFRS targets and measures are generally in line with those of other Canadian cities. However, in some cases, speed of response is not the sole best indicator of impact.

Actions: Administration will strengthen performance measures related to EFRS in ways that:

- Increase transparency and public confidence in the service and in service levels;
- Demonstrate the value of pre-hospital medical care; and
- Enhance monitoring and decision-making related to the efficiency of the service.

More specifically, EFRS will work to modernize internal metrics and engage AHS to better quantify service outcomes. In addition, the work on an integrated call evaluation dispatch (ICED) model aims to improve information sharing and focus on the right resources affecting community safety and well-being outcomes. This philosophy will be implemented across EFRS.

18. Pre-hospital medical care (scope of services provided)

There are five levels of service for pre-hospital medical care as defined by Alberta Health Services, listed in order of increasing scope of practice:

- Standard First Aid (least intensive)
- First Medical Responder (current level of service for EFRS)
- Emergency Medical Responder
- Primary Care Paramedic
- Advanced Care Paramedic (most intensive)

This business case investigated if, in the current context, EFRS is providing the most appropriate level of pre-hospital care services.

Actions: Administration will continue to provide pre-hospital medical care at the First Medical Responder level as the appropriate level of care for citizens delivered by a fire service. One of the most recent benefits of having fire services support emergency medical response, at its current level, has been the response to the opioid crisis. It is recognized that the fire service contributed significantly to responding to these incidents to provide urgent care/treatment. Administration is not considering increasing the scope of practice for pre-hospital medical care at this time because it would introduce significant new expenses that could not be absorbed into the current budget.

Budget / Financial

Overall, six cost saving and revenue generating actions are being advanced by Administration with estimated net budget reductions ranging from \$572,000 up to \$1.4 million per year. The total projected estimated saving over five years is \$6 million. Cost savings will be realized beginning in 2022.

Five additional actions, still requiring further analysis, provide potential for additional cost savings ranging from \$1 million per year up to \$3.2 million, with a total potential cost savings of \$9.9 million over five years.

Financial projections can be found in Attachment 1.

Public Engagement

This review was initiated in March 2020 during the first wave of COVID-19. The scope of the review by design did not include engagement with citizens or external service users. Engagement was completed by KPMG with business areas, external service providers and other municipalities.

The long-term work for Reimagine Services is about providing excellent services and managing the corporation to ensure services and service levels are aligned with the goals outlined in Connect Edmonton and The City Plan. Aligning work with these strategic documents ensures Edmontonians' points of view are being incorporated and that city building ambitions are being considered.

Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton has a resilient financial position			
Outcome(s)	Measure(s)	Result(s)	Target(s)
The City of Edmonton is cost efficient, and has more balanced and sustainable revenue streams.	Adjustments to the approved Operating Budget results in the same or lower approved tax increases.	No tax increase required to fund COVID-19 financial impacts from 2020-2022	0% (2021) 1.6% (2022)

Attachments

1. Estimated Financial Impacts of Reimagine Services
2. Gender Based Analysis - Reimagine Services Update

Others Reviewing this Report

- M. Persson, Deputy City Manager and Chief Financial Officer, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- G. Cebryk, Deputy City Manager, City Operations
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- K. Armstrong, Deputy City Manager, Employee Services
- R. Smyth, Deputy City Manager, Citizen Services
- S. McCabe, Deputy City Manager, Urban Planning and Economy
- K. Fallis-Howell, Acting City Solicitor