

City of Edmonton Re-organization

Journey Towards a Modern Municipal Corporation

Recommendation:

That the May 9, 2017 Office of the City Manager report CR_4485, be received for information.

Report Summary

This report provides information regarding the City of Edmonton reorganization and corporate transformation.

Previous Council/Committee Action

At the February 7, 2017, City Council meeting, the following motion was passed:

That Administration provide an update report on the re-organization, including, but not limited to:

- i. What has been the cost to the City for 3rd party support (consultancy, advisory, communications, and any other categories) related to planning, designing and implementing this current re-organization? These costs should include any costs incurred in 2015 to present with a future forecast of total expenditures.
- ii. What quantifiable metrics is the City using to determine the resulting change from the re-organization investment? What targets have been set for these metrics (and when were they set), and what was the benchmark for these metrics when the reorganization was conceived?
- iii. What areas are primarily accountable for achieving these metrics and what is the target date for achieving them?

Report

Imperative For Change

Edmonton and region are undergoing rapid and multifaceted change. Not long ago, the City of Edmonton was largely a utilities provider. Today, the City manages more than 300 services and programs. The way citizens and the City of Edmonton communicate to each other has radically changed. Societal understanding of diversity has become more sophisticated. Edmontonians have new attitudes about and preferences for how they live, do business in, enjoy and get involved in their city and how they wish to see their city built for the future.

The work of the City of Edmonton has a more profound social and economic impact on citizens and stakeholders than it ever has before. And appropriately, Administration is being scrutinized and held to account - by citizens, Council and stakeholders - more than ever before. The City of Edmonton must continue to improve in its service delivery. Like all modern large corporations, it must make constant and ongoing investments in organizational change to meet changing needs. The following report is a snapshot for change management support initiatives during 2015-2017.

Council Expectations

In September 2015, the City Manager was replaced by a new Acting City Manager. At that time, Council advised Administration that it felt many aspects of work were siloed and not complete with pertinent information from all departments; that written material did not use plain language; that on occasion, Councillors felt that Administration's technical expertise and language was a barrier to Council, community and city-building intention; that Council and citizens expect more help from Administration in realizing their city-building aspirations; and that project management at the City appeared ad hoc and fragmented.

To address these concerns, the City Manager recognized the need for profound change that would re-shape the organizational structure, its accountabilities, strategic focus, processes, culture and the competency of its extended leadership team. Administration needed to become more open and responsive. To begin, the roles and focus of the Executive Leadership Team evolved.

As implementation of Executive Leadership Team's new direction began, individual departments accessed external consultants to address their specific needs, in alignment with the corporate direction. External expertise was critical as City Council's direction necessitated that Administration take a modern municipal approach to business. New, unbiased expertise and perspectives were essential.

The City of Edmonton accessed local external expertise to develop and help guide the implementation of the transformation plan. To date, \$1.115 million has been spent (exclusive of the consulting services provided by Dupont Sustainable Solutions in support of the Corporate Safety program) across all departments. External support costs for the transformation in 2017 are projected at \$609,682. Much of the 2017 expenditure will be devoted to training and development. A detailed list of third party contracts used to support corporate transformation work and projected future expenditures is included in Attachment 1.

Early investments in a new leadership model for the corporation have improved capacity for continuous improvement. The initial support provided by the external consultants was an essential building block for the corporation's transformation goal. The elements of support included diagnosing and facilitating solutions to organizational challenges; sharing impartial advice; providing an expert lens based on decades of

experience working with other organizations; and providing support to change management efforts. Administration's current focus is on developing the internal leadership and capacity to manage ongoing organizational change and development.

Journey To a Modern Municipal Corporation

A Modern Municipal Corporation is an organization that embraces its relationship with functional and geographic partners while delivering a multitude of services.

Characteristics of a Modern Municipal Corporation include, but are not limited to:

- A contingent, flexible organization as opposed to a closed system
- Executive level agents who integrate across and co-manage the corporation as opposed to technical experts who advocate for their own area's needs and interests
- Leaders who operate on a principal tenet of integration and shared accountability as opposed to autonomy and competition for resources.

In this model, the City's Executive Leadership Team operates as follows:

Previously	Today
General Manager is a functional manager, department advocate	Deputy City Manager is an integration manager
An assembly of individuals	Corporate team
Department is team number 1	Executive Leadership Team is team number 1
Technical experts	Complex systems managers
Focus on projects, reports	Focus on culture, competency, leadership style
Answers questions in a technical context	Tells a story, articulates intent, represents the integrated view

From this work to date, the Executive Leadership Team has recently made five commitments:

1. The individual and collective roles of Deputy City Managers will be redefined; all other leadership roles will be defined in this context.
2. Corporate processes will be defined and the Executive Leadership Team will ensure the leadership role is focused on aligning to these common approaches.
3. The Executive Leadership Team is committed to rebuilding social capital with Council through the accountability of the City Manager. Communications with Council and Councillors are considered to be communications from the City Manager.

4. The system of agents will be aligned with the Executive Leadership Team beginning with the redefinition of Branch Manager leadership team and other existing and future Branch Manager committees.
5. The leadership model will focus on a talent management process, engaging high potential and high performance individuals in building the leadership capacity of the Corporation.

The Executive Leadership Team intends to report back to City Council and City staff on its fulfillment of these commitments each year end in the 2017- 2019 period.

Corporate Accountability

As the City of Edmonton evolves towards an organization that is fully integrated and shifts to a servant/service leadership culture, all employees are expected to exhibit new behaviours based on the notion of shared and mutual accountability. This starts with leadership and a concerted effort has been underway to broaden leaders' understanding of their role by clarifying accountabilities and expectations. Leaders are learning about mutual accountability and shared success through a series of workshops and information sessions. These sessions are the genesis of a renewed culture that emphasizes a 'one city' approach. While every employee has a specific job, job profile and expectations, it is the corporate expectation that City employees are mutually responsible for building a great city.

Below is a summary of the work that has taken place at the department level.

Integrated Infrastructure Services

In October 2015, Integrated Infrastructure Services was established, bringing together capital project specialists from across the corporation to ensure capital projects are delivered in a more integrated way. In addition to defining its strategic direction, this Integrated Infrastructure Services' transformation work included the creation of the Project Development Delivery Model, a new approach that provides Council with better information to make capital investment decisions. This new structure enables consideration of the entire asset lifecycle early in the planning design phases and will result in more accurate and timely estimate project schedules and budgets.

The City of Edmonton continues to experience rapid population growth and as a result the infrastructure capital program has escalated to meet the needs of its increasingly engaged citizens, businesses and communities. Integrated Infrastructure Services ensures the consistent, efficient and transparent delivery of capital projects with an organizational structure that supports horizontal alignment rather than traditional vertical silos.

Most Canadian municipalities operate a centralized infrastructure and project delivery structure. The City of Edmonton has taken this approach one step further and designed an organization where expertise is valued within the context of serving as agents of the Executive Leadership Team, City Council and citizens. In the role of an agent, Administration seeks to align to the interests of citizens and Council and deliver results for the City as a whole.

Communications and Engagement

In December 2015, Communications and Engagement was elevated from a Branch to a Department, to address the need for a common, consistent and important voice in the way the City of Edmonton engages citizens and partners in the programs, services and initiatives it offers.

Communications and Engagement leads, manages and delivers consistent and brand-aligned communications, engagement, marketing and external relations services. It is designed to ensure the City of Edmonton operates in a more coordinated manner, engaging, listening and speaking with stakeholders appropriately and ensuring all Departments speak with 'one voice'. Communications and Engagement is focused on aiding all Departments in having a conversation with Edmontonians about the City's direction and developing a network of external partners who can help advance Edmonton's reputation at home and across the globe.

In creating this Department, work to date has focused on building a new leadership team, setting its strategic direction and developing a new organizational structure that will enable that direction. The Department is also defining a new service delivery model to better support an integrated approach to its service to the corporation, City Council, citizens and stakeholders.

Corporate Structural Redesign

In January 2016, further work of the City's functional realignment was announced. Departments have been reorganized into like functions along an integrated value chain, reframing autonomous units into functional departments that work with other Departments, Branches and Sections to develop integrated solutions to issues.

City Operations

This new Department brings the transportation, fleet, buildings, parks, roads, transit, drainage and waste operations together and sets the stage for improved coordination, effectiveness and efficiency in the delivery of direct operational services to citizens.

The bulk of the City Operation's transformational work to date has focused on its strategic direction and finding opportunities for aligning programs and services. A new organizational structure was developed by the leadership team and refined by engaging with more than two hundred staff members. In a Department with such diverse services, change management is a primary consideration.

Work in 2017 will focus on improving processes and services with a focus on integration of services that will result in a complete citizen experience.

Financial and Corporate Services

The integration of this Department represents the combination of two previous Departments. Finance and Corporate Services integrates all back-of-house corporate services, focusing on optimal efficiency and effectiveness. It includes law, human resources, information technology, corporate procurement and supply services, assessment and taxation, and financial services, strategies and budget.

The Department's transformation work to date has focused on setting the strategic direction. Next steps will be finding opportunities to work in a more efficient, effective and integrated manner.

Regional and Economic Development/Urban Form and Corporate Strategy (previously Sustainable Development)

In 2017, Sustainable Development is being reconstituted into two Departments to enhance the delivery of services. Like the structural adjustments made elsewhere in the organization, the intent is to group like work units together to enable a more strategic and integrated approach.

The planning function had previously been spread out through all Departments based on technical focus areas. Now, transportation and land use planners are centralized in the Urban Form and Corporate Strategy Department for stronger strategic alignment. This structure allows for improved decision-making and a more responsive approach to urban design. Reorganization activity in 2017 will be focused on leadership development and building collaborative, cross-departmental networks.

The Edmonton Metropolitan Region is in the process of creating a new framework for regional cooperation, building new institutions that can help ensure future growth, transit and economic prosperity. The outcome of these discussions is fundamental to Edmonton's future and will set the context for municipal decision-making and growth over the next 30 years. Regional and Economic Development was created in March 2017 from the former Sustainable Development Department to ensure this area gets the resources and attention from the Corporation it deserves during this critical time.

Corporate Safety

In addition to the structural shifts taking place across the corporation, there is significant work being done to enhance the corporate focus on safety.

Safety in the workplace, along with citizen expectations for the delivery of safe city services, have evolved significantly, causing Administration to re-evaluate the corporate strategy and operational focus.

The City of Edmonton is investing in a broad-based safety program that moves the organization from good to excellent so it can become a municipal industry safety leader. Work is underway to shift the approach to safety from a reactive one based on compliance and discipline to a proactive one based on building a safety culture of excellence throughout the organization. Employees have every right to expect they will return to their families healthy and safe at the end of their shift. The same holds true for members of the public who use City services.

Dupont Sustainable Solutions, a leading expert in this field, conducted a current state assessment of the City's safety management system and its safety culture. Diagnostic and development work has begun within the City Operations Department.

As next steps, training and evaluation programs will be strengthened across the organization and new technologies that enable staff to work better and safer will be explored and adapted. The journey towards a culture of safety excellence will take time and require active participation from all levels of the organization.

Corporate Culture Audit

Measurement of organizational effectiveness as it relates to employee alignment with administrative direction is done via assessment of corporate culture ('the way things are done around here'). City Administration began culture efforts in 2012. Today, the work of building culture has been strategically tabled, to be resurrected at an appropriate time as the transformation work continues.

In the interim, the City Auditor has begun an audit of previous culture-building efforts, an assessment of current state and recommendations for the future. Administration has been involved in the development of the audit's Terms of Reference and looks forward to implementing audit recommendations.

Conclusion

Administration is committed to shifting the organization to a Modern Municipal Corporation as a means to earn the trust and confidence of Council, citizens and stakeholders. The journey is an evolution that will take time, require flexibility and demand organization-wide participation.

To date, the journey has focused on creating a more adaptive organizational structure as well as an Executive Leadership Team that understands and champions its role in fostering alignment and integration. In First Quarter 2017, the transformation cascade began with Branch Managers participating in a series of meetings and workshops.

The strategic support to the Executive Leadership Team from Branch Managers is manifest into four higher level committees that make policy recommendations to the Executive Leadership Team. These committees, while still in their infancy, will focus on:

- Strategy/Council Priorities
- Integrated Operating
- People and Workforce
- External Relations and Partnerships

As Branch Managers internalize the implications of specific changes and change management, they have started to involve the next tier of leaders, Directors, into the knowledge exchange. A series of meetings and opportunities for peer to peer dialogue are planned to encourage engagement with Directors and their staff.

Throughout 2017 and beyond, there will be several opportunities to introduce the concepts of alignment and integration to front line staff through events and internal communications channels.

Metrics, Targets and Outcomes

It is important to note the transformation was not a cost-cutting exercise; rather its intent is to improve the way Administration operates, resulting in increased confidence of City Council and citizens.

By focusing on making the changes necessary to enhance integration, increase accountability and model servant leadership, Administration can better deliver on Council's vision for the City. Ultimately, success will be measured by the City's performance on its corporate outcomes and related performance measures. These measures, targets and outcomes were established by City Council in 2012 (and updated in 2014) and define success in the journey towards achievement of the City's strategic vision. (Attachment 2). Council may decide to amend or add to these performance measures to address Administration's performance.

The effect of the changes that have been made and the work that lies ahead, while corporately significant, will take time to be fully realized and reflected in corporate performance measures. Shifting from Department and Branch autonomy to an integration model that takes shared accountability for corporate performance will take time and requires establishing significant baselines across the organization.

However, in the interim, positive impacts of the corporate transformation in the short to medium terms have been observed through a number of results. Examples of metrics that demonstrate some early areas of quantifiable improvement are summarized below:

Area	Target	Metric Achieved	Outcome
<u>Financial</u> 2% initiative (savings and cost avoidance) FTE count affected by re-organization	\$22.8 million \$27.4 million \$28.9 million 0 increase in FTEs	2015 - \$15.6 million 2016 - \$29.9 million 2017 - \$34.1 million 0 increase in FTEs	Positive financial contribution for Council to reallocate No net personnel increase as a result of re-organization
<u>Employee Engagement</u> Biennial Employee Engagement and Diversity Survey Corporate Culture Survey	62% participation rate (2014) • Engaged Employees (70.5%) • Effective Leadership (69.5%) • High Performance (72.5%) • Collaborative	72% participation rate (2016) • Engaged Employees (72%) • Effective Leadership (70.5%) • High Performance (73.1%) • Collaborative	Improvement by 10% in survey participation Improvement in 5 key areas of measurement (2016 vs. 2014 results)

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In late fall 2016, the following outcomes for Administration were directed by Council:

1. Fully engaged, accountable, high performance teams throughout the City of Edmonton.
2. A fully informed City Council armed with current, valid, practical data and information about the performance of the City of Edmonton, and strategic advice and guidance on future opportunities.
3. Well-informed citizens who understand the links between their needs, the vision and goals of the City of Edmonton, and its performance.
4. Strong, effective and mutually beneficial relationships with other orders of government, the business community, educational institutions, and arts, culture and recreation organizations.

In February 2017, the City of Edmonton was recognized by the New York-based Intelligent Community Forum as one of the world's Top 7 Intelligent Communities of 2017. As an advocate for best practice for economic and social development in the 21st century, the Intelligent Community Forum recognized Edmonton for fostering collaboration and prosperity between government, residents, business and academic institutions.

A community's willingness to embrace change and the determination to help shape it are core competencies of an Intelligent Community. Attachment 3 details the Intelligent Community Forum's view of how Edmonton has successfully engaged with its resident, business community and institutions to translate changes in infrastructure into prosperity.

The metrics for recognizing the Top 7 Intelligent Community finalists includes quantitative analysis on dozens of factors, including economic competitiveness generated from investments in broadband networks and services; effective use of public-private partnerships; and the application of connectivity to support innovation. Selection of the Top Intelligent Community for 2017 will announced in June 2017.

The City Manager, with the Executive Leadership Team, will develop tangible actions with quantifiably measurable targets as appropriate for 2017 - 2019. This will form a

significant component of the City Manager's 2017 - 2019 workplan upon which the City Manager's performance will be measured.

Attachments

1. Third Party Support to Corporate Transformation
2. *The Way Ahead*: Outcomes Measures and Targets
3. Recognition of Edmonton as a Top 7 Intelligent Community (2017)

Others Reviewing this Report

- T. Burge, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Campbell, Deputy City Manager, Communications and Engagement
- D. Jones, Deputy City Manager, City Operations
- R. G. Klassen, Deputy City Manager, Sustainable Development
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- R. Smyth, Deputy City Manager, Citizen Services