

Program and Service Review - Q4 2018 Status Update

Recommendation

1. That the November 6, 2018, Urban Form and Corporate Strategic Development report CR_6433, be received for information.
2. That Attachment 4 of the November 6, 2018, Urban Form and Corporate Strategic Development report CR_6433 remain private pursuant to sections 24 (advice from officials) and 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

Previous Council/Committee Action

At the November 6/7, 2018, City Council meeting, the following motion was passed:

1. That the November 6, 2018, Urban Form and Corporate Strategic Development report CR_6433, be postponed to the November 28, 2018, City Council Budget meeting.
2. That Attachment 4 of the November 6, 2018, Urban Form and Corporate Strategic Development report CR_6433 remain private pursuant to sections 24 (advice from officials) and 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

Executive Summary

The purpose of the Program and Service Review is to determine if municipal services align with the expectations of Council and Edmontonians by examining **relevance**, **effectiveness** and **efficiency**. Overall, ongoing savings identified by the reviews completed in 2016 and 2017 total \$2.4 million. Since 2018, there is a further \$25 million that has been identified as follows:

\$6.3 million in one time savings
\$9.5 million of ongoing savings
\$9.2 million in cost avoidance

While approximately \$27 million has been identified to date, Program and Service Review is not simply about reducing costs; rather, the initiative is intended to ensure the City is delivering services in a way that responds to the changing world. The process is offering value by fostering a culture of continuous improvement in the organization.

Some of the recommendations made by the Program and Service Review team include exploring business model changes and the possible retirement of specific services. Such recommendations are made after thorough analysis to understand the potential impact. The City’s labour unions and management association are engaged to gather feedback on draft recommendations. Administration is appreciative of this valuable feedback and is aware that their input and engagement is not deemed as support for the recommendations.

A summary of the types of recommendations are outlined in Attachment 2 and 4 and are listed below:

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|-------------------------------------|--------------------------------------|
| Process improvement | Improved resource deployment |
| Optimizing staff time | Developing Performance Measures |
| Ensuring staff have the right tools | Integration of services |
| Benchmark city comparison | Getting out a line of business |
| Review of fees | Replace/ Repurpose/ Close Facilities |
| Develop/review strategy or policy | |

Administration has implemented some of the recommendations, others are in progress and some require Council approval. Recommendations that require Council approval are outlined in this report and will be presented to Council and Committee as appropriate. It is understood that, as with all business improvements in both the public and private sectors, realizing all potential savings from some service reviews takes time. The chart below outlines both actual and potential financial benefits that are contained within Attachment 2 and 4, which includes savings from reviews completed in 2016-2017 as well as reviews completed in 2018. Implementation of recommendations from 2018 service reviews are currently in progress.

To Date Realized and Potential Financial Benefit	Attachment 2	Attachment 4	Total
One Time Savings	\$6,300,000	\$0	\$6,300,000
Ongoing Savings	\$6,340,500	\$5,600,000	\$11,940,500
Cost Avoidance	<u>\$870,000</u>	<u>\$8,300,000</u>	<u>\$9,170,000</u>

Total	\$13,510,500	\$13,900,000	\$27,410,500
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Attachment 4 of this report will be reviewed by the City’s Freedom of Information and Protection of Privacy Act (FOIP) Head for potential public release, pursuant to the Freedom of Information and Protection of Privacy Act upon completion of procurement.

Report

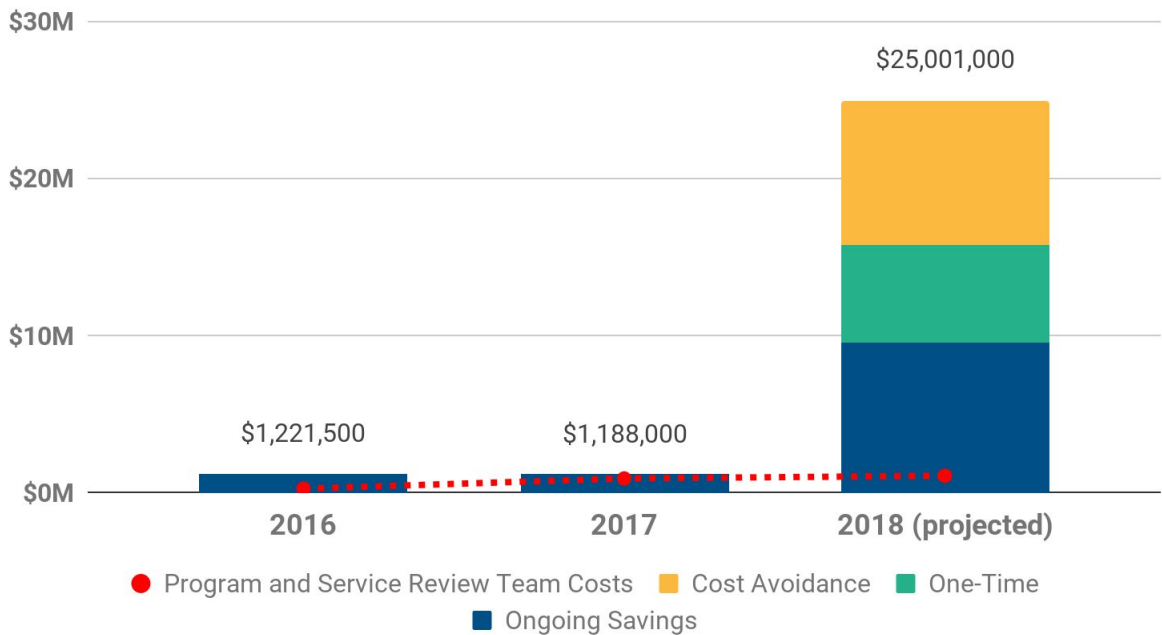
The Program and Service Review examines the relevance, effectiveness and efficiency of the City’s services. In November 2015, City Council directed Administration to develop a preliminary Terms of Reference for a service level review that would apply to all departments and deliver on the main objectives of ensuring effectiveness and increasing efficiency of programming. At the November 27, 2015, City Council Budget meeting, a preliminary Terms of Reference was approved. In April 2016, City Council approved the approach for the Program and Service Review.

Administration has provided quarterly progress updates, schedules, and overall learnings from the Program and Service Review to both Executive Committee and City Council. A summary of these reports is provided as Attachment 1.

As of October 2018, there are completed reviews for 20 of 73 services, with reviews of an additional 25 services currently in progress. The total potential financial benefits as a result of completed reviews is approximately \$27 million. A comprehensive list of recommendations and potential savings for each of the 20 completed service reviews is provided as Attachment 2. Estimated financial benefits account for known implementation costs required for each recommendation. For more complex capital related recommendations, further in-depth financial cost assessments will be completed by business units as part of implementation.

Since inception, the pace of service reviews and identified savings has also increased. Attachment 3 provides an overview of the Program and Service Review’s evolution. The escalating benefit from Program and Service Review investment is evident in the following graph:

Actual and Potential Savings Identified



Recommendations that yield savings but require procurement activities to be completed are provided in Attachment 4. Recommendations in this attachment include details that may impact the City’s competitive interests or procurement options related to a variety of services; thus, Administration recommends that information related to these considerations be kept private pursuant to Sections 24 (advice from officials) and 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

Savings identified are described as follows:

- **One-time:** Expenditure reductions or increased revenues associated with a limited term (typically one year) savings. An example could be an asset sale.
- **Ongoing savings:** Expenditure reductions or increased revenues that provide annual savings to the Corporation in perpetuity.
- **Cost Avoidance:** Expenses that will not be incurred as a result of a service review recommendation. Examples could include avoided capital investment or renewal costs.

Although implementation of recommendations is well underway, it will take time to realize full financial benefits from service reviews. For instance, shifting service delivery to different organizations or service providers may involve multiple processes

to address procurement, contractual, legal, financial or staff reallocations. Despite this complexity, the City has demonstrated the ability to realize similar partnerships in previous years. For instance, in the Mail service review, implementation took nearly a full year due to an existing contract expiration date. More complex examples outside of the formal Program and Service Review process include the shift of emergency medical services to the now-Alberta Health Services and the transfer of Drainage Services to EPCOR. Both of these transfers of services required complex, multi-year implementation periods and were successfully implemented.

Complementing the formal work associated with the Program and Service Review, the principles of continuous improvement have also advanced multiple internal transformational and culture projects including, but not limited to, the Urban Form Business Transformation, the Open City and Technology Transformation, Procure to Pay and the Waste Strategy Review. All of these initiatives have the potential to deliver City services in a more sustainable and innovative fashion, while responding to the needs of the City's multiple stakeholders.

Relevance and Effectiveness: Non-Regulated Waste

The first thing Administration reviews is relevance of a service including if the City is mandated to be in the line of business. If not, Administration will examine alternative service delivery approaches that consider economic, social and environmental factors, as well as alignment with Council's overall direction. A summary of the City of Edmonton's service listing and classifications is provided as Attachment 5.

Alternate forms of service delivery may also be suggested, as was the case with the August 23, 2018, Industrial, Commercial and Institutional Sector Strategic Review Report (Utility Committee report CR 6217) which incorporated the Program and Service Review by recommending a rethink of the business model of the Construction and Demolition Operations. This work is now underway.

A key finding from the review process is the appreciation that, in some circumstances, the City of Edmonton may not be the most suitable operator of services. This is particularly true for services already offered by existing private, non-profit, and academic sectors, or even other orders of government. In cases where there are key policies to advance, such as environmental policies that would require changes in behaviour of existing operators, the City can choose to directly participate to offer the alternative model or it can move towards development of policy instruments to change market behaviour. In addition, partnerships with the business community, non-profit sector and academic institutions represent opportunities for the City to pursue. Such changes have the potential to create economic opportunities for the region, facilitate the efficient use of limited financial resources and allow the City to focus on core service fundamentals. In other words, this shift in approach positions the City of

Edmonton as a stable purchaser, rather than a competitor, of select services while also creating savings for taxpayers. Any potential impacts to staff would be completed in accordance with collective agreement responsibilities the City of Edmonton has in place with various unions and the management association.

For example, a full strategic review of the non-regulated waste sector is now underway. This review will consider the optimal role for the City in this sector and asks how the City can best impact waste diversion.

In the event changes to service delivery or new policy instruments are adopted, to best practices regarding procurement and contract management to confirm the quality of public services are maintained will be followed. Equally important is consideration to any impacted staff through the involvement of the labour unions and associations that represent these individuals.

In instances where City Council approval or direction is needed, Administration will bring forward options and well founded recommendations for review and consideration. Examples of recommendations requiring City Council approval may include changes to City policies, significant changes in service delivery models, or the retirement of select service offerings.

Service Reviews in Other Municipalities

The City of Edmonton is not alone in its efforts to critically examine service delivery through a formal review initiative. The cities of Calgary, Nanaimo, Prince George, Saskatoon, Toronto, and Vancouver have either completed or are undertaking a review process comparable to the Program and Service Review.

These recommendations can be generalized into the following themes:

Theme	Considerations
Relevance	<ul style="list-style-type: none"> ● Should municipalities continue to provide the services that are currently offered by the private or non-profit sector? ● Outside of what is mandated by the <i>Municipal Government Act</i>, what are the traditional services offered by cities?
Service Levels	<ul style="list-style-type: none"> ● Can service levels be reduced without a significant impact to resident or user experience? ● What is the optimal level of service that balances cost to taxpayers?
Efficiency	<ul style="list-style-type: none"> ● Can process improvements drive efficiencies in service delivery? ● Can the service be better delivered at a lower cost by a third-party provider while maintaining an acceptable level of quality?

Effectiveness	<ul style="list-style-type: none"> • Is the way services are provided making a substantial impact in achieving our goals? • Is there a better way to achieve desired outcomes?
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By learning how other cities have approached service reviews, the City of Edmonton can explore recommendations with high potential while understanding the challenges of implementation. This enables Administration to pursue recommendations that minimize risk to the Corporation while maximizing benefits for Edmontonians.

Innovative Resourcing

The team of nine internal consultants is funded through an innovative model. This work is completed by existing staff members and is funded solely through the savings generated from the initiative. By using an internal team, the City is building organizational capacity to lead continuous improvement. As required, external consultants may augment the internal team for specialized review.

Expenses for the initiative remain lower than originally anticipated and outlined in the November 27, 2015, City Council Budget report CR_3096 - Preliminary Terms of Reference, Service Level Review report and the process of conducting reviews has matured. The return on investment for program has grown exponentially.

Costs and Return on Investment for the Program and Service Review Team			
Team	Program and Service Review Team Costs	Potential Savings Identified	Return on Investment: (Potential savings - Costs) / Costs
2016 (initiation)	\$0.3M	\$1.2M	341%
2017	\$0.9M	\$1.2M	28%
2018 (projected)	\$1.1M	\$24.7M	2135%
Total	\$2.3M	\$27.1M	1072%

Next Steps

Administration will continue to conduct reviews that thoughtfully consider the perspectives of diverse stakeholders and the service expected by all Edmontonians. In accordance with the Program and Service Review process, all proposed

recommendations will be circulated to the City's unions and management association for review by the appropriate governance bodies.

The work of the Program and Service Review has been informed and enabled by leadership representing all City Departments and will continue to shape the upcoming 2019-2022 Capital, Operating, and Utility Budgets. In parallel, implementation to fully realize benefits is ongoing, with further recommendations outside of Administration's decision-making authority to be presented to Committee and Council for future consideration as required.

Budget / Financial Implications

The savings identified by the Program and Service Review in 2016 and 2017 were initiatives that generated ongoing savings and have since been incorporated budgets as appropriate. The \$25.0 million identified in savings for 2018 can be separated between one time savings of \$6.3 million, ongoing savings of \$9.5 million and cost avoidance of \$9.2 million.

Administration has incorporated the one time and ongoing saving into the proposed 2019-2022 Operating and Capital Budgets and accompanying reports. Specifically, the \$9.5 million of ongoing savings has the ability to provide a direct reduction to the tax levy requirement over the next four years. An example of these savings include the deferral of the City's municipal Census from 2018 to 2019, which provided the business area the opportunity to re-allocate funding towards more integrated and cost effective technologies. In another example, the Program and Service review recommendation of roadside litter collection has already yielded \$200K in tax-levy savings for the 2019 fiscal year, with a further budget reduction anticipated in future years. In some cases the initiatives and recommendations that generate savings will require further discussion or approval by City Council. Pending Council decisions, Administration will incorporate the changes in the appropriate budgets.

Public Engagement

To understand diverse perspectives and expertise, a key milestone in service reviews is conducting a Challenge Panel, a group consisting of leaders from non-profit organizations, the private sector, academic institutions, and other municipalities. This panel of experts is intended to review analysis, scrutinize recommendations, and provide considerations for successful implementation. Challenge Panel members provide new perspectives and suggest different approaches for delivering services to the public. In total, there have been 24 Challenge Panel sessions, involving more than 250 participants with an estimated 440 hours of volunteer time.

The Edmonton Insight Community is an inclusive and accessible online citizen panel made up of diverse Edmontonians who provide feedback on City policies, initiatives

and issues. With the multitude of topics put forth to the community through Insight surveys, the Program and Service Review team is able to initiate new or leverage previous survey results and comments to further understand the sentiments and perspectives of Edmontonians. For example, the Edmonton Insight Community was leveraged to survey self-identified pet owners on their preference for City of Edmonton multi-year pet licences. In this instance, 74 percent of pet owners within the sample indicated they would prefer to license their pet for two years, as opposed to one. This feedback informed the service review recommendation to offer one or two year licenses and will be implemented in 2019.

Further public engagement for some of the recommendations may be necessary as part of the implementation of recommendations.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Conditions of Success			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Effective and Efficient Service Delivery: Corporate services are effective, efficient, and relevant	Percentage of funding for the Program and Service Review sourced from project savings realized from reviews and recommendations.	Over 100% of funding for Program and Service Review sourced from realized savings	≥100%
Effective and Efficient Service Delivery: Corporate services are effective, efficient, and relevant	Number of recommendations related to: Relevance: <ul style="list-style-type: none"> • Eliminate services Effectiveness: <ul style="list-style-type: none"> • Maintain service / status quo • Increase services • Improve services Efficiency: <ul style="list-style-type: none"> • Change service delivery • Reduce service \$ savings identified as a result of the reviews \$ avoided for future expenditures	Recommendations: Relevance: <ul style="list-style-type: none"> • Eliminate services = 6 Effectiveness <ul style="list-style-type: none"> • Maintain service / status quo = 1 • Increase services = 1 • Improve services = 33 Efficiency: <ul style="list-style-type: none"> • Change service delivery = 35 • Reduce service = 8 Total Identified One-time = \$6.3M Total Identified Ongoing Savings = \$11.9M Total Identified Cost Avoidance = \$9.2M	N/A
Effective and Efficient Service Delivery: Corporate services are relevant, effective and efficient	# of identified recommendations that have been implemented	25 identified recommendations implemented of 84; implementation of all approved recommendations in progress	100% by completion

Project management practices are effective, consistent and aligned	% of services reviewed	27% (20 reviews) of 73 completed 34% (25 reviews) in progress	100% by completion
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Attachments

1. Previous Initiative Reporting to City Council and Committee Meetings
2. Recommendations from Completed Service Reviews
3. Evolution of the Program and Service Review Process
4. Recommendations Requiring Procurement or Early Council Direction (Private)
5. City of Edmonton Service List and Classification

Others Reviewing this Report

- K. Armstrong, Deputy City Manager, Employee Services
- T. Burge, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- G. Cebryk, Deputy City Manager, City Operations
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- C. Owen, Deputy City Manager, Communications and Engagement
- R. Smyth, Deputy City Manager, Citizen Services