



City of St. Albert Operational and fiscal review

Phase 2 Final Report

May 2021

Disclaimer



Ernst & Young LLP (EY) prepared the attached report only for the City of St. Albert ("the City," "St. Albert," "Client") pursuant to an agreement solely between EY and the Client. We have completed our engagement to provide business cases for selected corporate wide and Phase 2 department opportunities. Our services to date were performed in accordance with our engagement agreement, and our procedures were limited to those described in that agreement.

Between November 2020 and March 2021, EY performed a high-level review of Phase 2 departments, identified opportunities, and created business cases for the selected opportunities. This Phase 2 Final Report is a result of our work.



Our work has been limited in scope and time and we stress that more detailed procedures may reveal issues that this engagement has not. The procedures summarized in this report do not constitute an audit, a review or other form of assurance in accordance with any generally accepted auditing, review or other assurance standards, and accordingly we do not express any form of assurance.

Consistent with our engagement agreement, the Phase 2 Final report is intended solely for the information and use of the management and Council of the City of St. Albert and is not intended to be and should not be used by anyone other than these specified parties. EY did not express any form of assurance on accounting matters, financial statements, any financial or other information or internal controls. EY expressly disclaims any duties or obligations to any other person or entity based on its use of the attached report. Any other person or entity must perform its own due diligence, inquiries, and procedures for all purposes, including, but not limited to, satisfying itself as to the financial condition and control environment of the City and any of its funded operations, as well as the appropriateness of the accounting for any particular situation addressed by the report. EY did not conclude on the appropriate accounting treatment based on specific facts or recommend which accounting policy/treatment the City or any funded operations should select or adopt.

The observations and business cases relating to all matters that EY provided to the City were designed to assist the City in reaching its own conclusions and do not constitute EY's concurrence with or support of Client's accounting or reporting or any other matters.

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Background



Background | Context, overview, and considerations

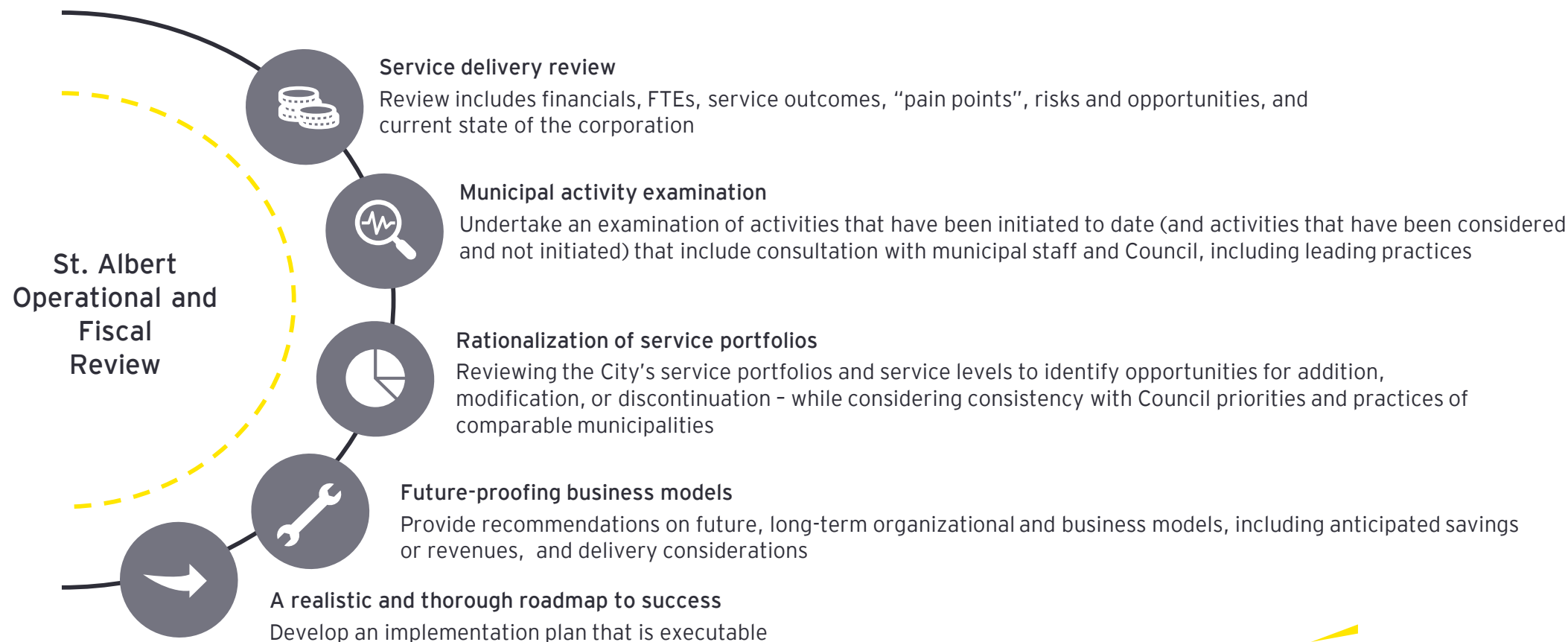


Context	Overview of report	Considerations
<p>Phase 2 of the operational and fiscal review ('the review') focused on 8 Departments. The objectives of the review are to:</p> <ul style="list-style-type: none">i. Recommend with rationale, the addition, modification or discontinuation of services and programs, or changes to service levels.ii. Identify long-term, sustainable expense management solutions to ongoing budget challenges.iii. Recommend measures to provide quality, affordable municipal programs and services in the most efficient and effective manner, while maintaining responsible taxation.	<ul style="list-style-type: none">• This report is intended to present the current state analysis and jurisdictional comparator findings for the departments that were in scope for Phase 2 of the review.• It identifies a list of opportunities for improving the efficiency and effectiveness of service delivery at the City, and reducing the net cost of service delivery over the short-, medium-, and long-term related to Phase 2 departments.• Each of these savings opportunities identified has a business case that includes high level financial impact estimates (where applicable), directional implementation activities, and an overview of risk and implementation considerations.• EY also conducted a core service review as part of Phase 2, where we evaluated all the services and service levels offered by the City in comparison with benchmarks at other peer municipalities to identify opportunities for reduction or discontinuation of services, if applicable.	<ul style="list-style-type: none">• Opportunities identified in this report were developed through a combination of stakeholder consultations (with Council and Leadership Team), leading practice findings that were validated with Department Leadership to understand applicability to St. Albert, and internal EY subject matter knowledge from previous projects.• Certain opportunities are currently being considered by the City as part of findings from previous corporate initiatives, and reviews/audits. EY had the opportunity to provide additional considerations or insights to help accelerate these opportunities towards implementation.

Background | Objectives







The operational and fiscal review takes into consideration the uncertain economic realities of a post-pandemic landscape, existing evolution of resident needs, increasing demands for service quality and higher service levels against the backdrop of economic, demographic and technological change. It also takes into account the work completed by the City to identify cost efficiencies through its Priority Based Business Planning and Budgeting (PBB) exercise, previous service reviews, and the financial modeling exercise conducted to identify ways to mitigate financial impacts of the COVID-19 pandemic. EY is conducting this review based on the five parameters illustrated below:



Background | Ongoing work at the City



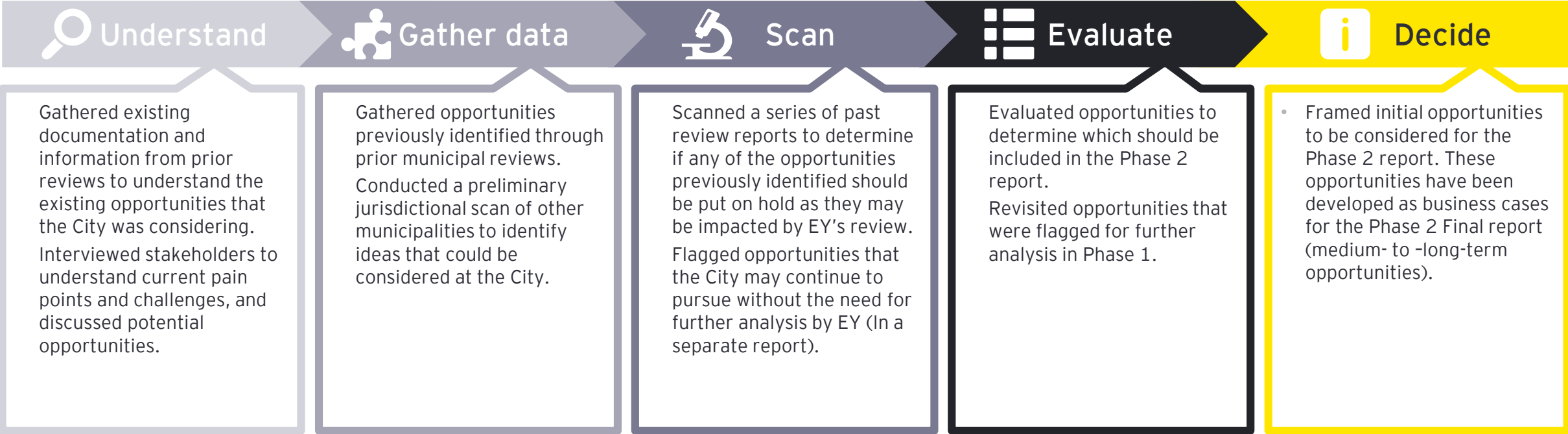
WHAT THE CITY HAS BEEN DOING

- There is work that the City is already conducting to reduce expenses and streamline operations and we would like to acknowledge the City for their continued focused approach to these areas. Examples include:
 -  The City completed numerous service reviews (both internal and through third parties) to identify potential opportunities and are working to prioritize these for implementation
 -  The City completed a Priority Based Business Planning and Budgeting (PBB) exercise to identify opportunities for service refinements and cost reductions
 -  The City reduced their forecasted deficit result from COVID-19 impacts through real time expense management actions
 -  The City is continuously searching for, and identifying, both new sources of revenue and cost reduction opportunities that will impact the 2021 budget and beyond
- Many initiatives and actions already underway by the City are not reflected in this report as decisions have already been made by the City related to their implementation.

Background | Approach

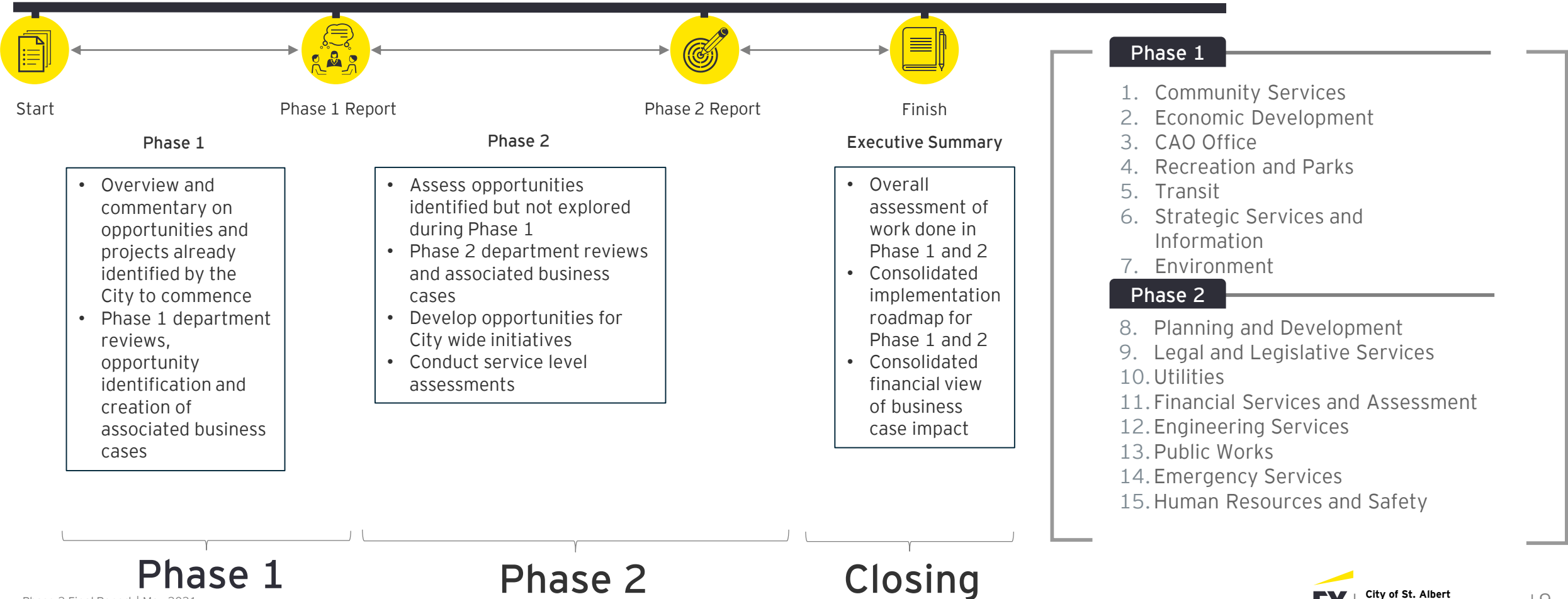


A starting point for the review was the previous and ongoing work done by the City. It was observed that through prior service reviews and audits, the City had already identified and initiated actions on a number of short-term/quick-win (< 6 months) recommendations in order to reduce costs and improve service efficiency.



Background | Overview of work

In this phase of work we are looking at both the specified Phase 2 departments but also broader city wide opportunities, assessment of service levels and overall alignment to the City’s goals for the future. In this phase we also revisited the opportunities identified in Phase 1 that were flagged for a review in Phase 2 to allow for broader consultations and analysis.



Summary of Phase 2 business cases





Summary of business cases

Phase 2 opportunities were investigated through consultation with Department Staff and EY subject matter advisors to understand the qualitative and quantitative benefits, and determine implementation timelines, considerations, and risks. These have been summarized in this section and presented as high level summaries intended to support further prioritization and decision making.

Business Cases | Overview

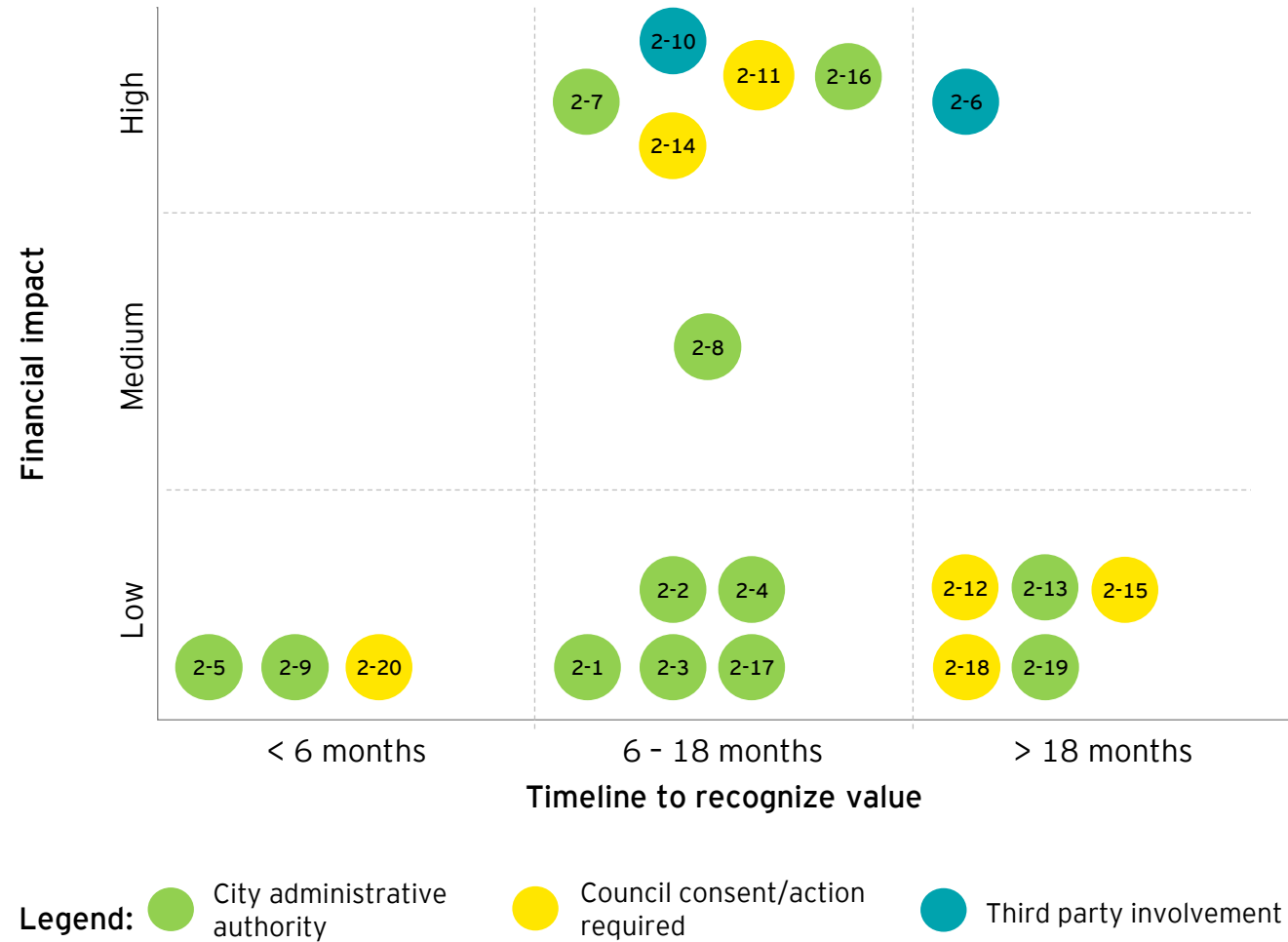


- The subsequent pages present the business cases developed which investigate improvement opportunities identified through the current state assessment (stakeholder consultations and document review), service review, and a jurisdictional review of leading practices.
- The business cases explore the improvement opportunities in detail, and a cost-benefit analysis has been done where applicable to illustrate the net budgetary impact for the City of St. Albert.
- All opportunities identified are some combination of technology-driven modernization, process improvements, organizational realignments, business model changes, or alternative service delivery considerations.
- No attempt has been made to prioritize the business cases. Nor has there been any analysis of the City's capacity to undertake these initiatives simultaneously or in conjunction.
- Business cases in this report come from various sources:
 - City staff have conducted prior internal reviews and analysis that generated opportunities, including through the Priority Based Business Planning and Budgeting (PBB) process
 - Previous reviews/initiatives commissioned or considered by the City
 - Leading practices observed in other jurisdictions



Summary of business cases

The business cases completed during Phase 2 have been categorized by time frame to achieve savings and cumulative budget impact of potential savings, with a breakdown shown in the graph below



Opportunities			
Emergency Services		Community Services*	
2-6	Increased tiered policing and civilianization	2-11	Exploring partnership structures for Arden Theatre operations
2-12	Rapid response vehicle program for fire services	Cross Corporate	
Human Resources		2-1	Continue towards centralized asset management
2-16	Third party adjudication of disability claims management	2-2	Shared Services for Public Participation
Planning & Development		2-3	Standardize Capital Project and Contract Management Procedures
2-8	Revenue opportunities for planning services	2-7	Digitization of City services and creation of one window mechanism
2-17	Modernize building and development application process	2-9	Review of civic partner funding and grant management
Public Works		2-13	Automation of internal City processes
2-4	Alternative service delivery models - Outsourcing of Public Works services	2-14	New business models and revenue generation
Utilities		2-15	Investment promotion to expand non residential tax base
2-5	Alternative service delivery models - Re-municipalization of organic waste collection	2-18	Budget process modernization
Community Services*		2-19	Organizational structure review
2-10	Review of library grant funding	2-20	Municipal Reserve methodology refresh

Business Case Guidance

Approvals Required: Different levels of approvals will be required depending on anticipated changes. Leadership approval is required for internal efficiency improvements, but Council approval is required for any changes to approved services to community and associated service levels, and opportunities that have significant budget implications.

Net Budget Impact: The opportunity range is calculated by taking the potential cost savings, cost recoveries and additional revenues, less the associated implementation costs over a five year period.

Timeline to Realize Benefits: - Estimated timeline to begin realising benefits from the opportunity.

*Carried forward from Phase 1

Summary of business cases



Sl. No.	Business case title	Description	Cumulative 5 yr net benefit	Timeline to implement
01	Continue towards centralized asset management	Continue the transition towards a centralized asset management function, with a single owner accountable for strategic decision-making.	N/A - Improve operating outcomes	6 - 18 months
02	Shared services for public participation	Centralize public participation resources to assist departments in the administration, planning and facilitation of public participation activities.	\$54k-\$66k	6 - 18 months
03	Standardize capital project and contract management procedures	Address duplicate and fragmented functions through centralized, shared services or standardized policies and procedures.	N/A - Improve operating outcomes	6 - 18 months
04	Alternative service delivery models - Outsourcing of Public Works services	Consider outsourcing for public works services (e.g. grass cutting and street sweeping) which may allow the City to realize savings on labour and material costs. Outsourcing may also help in redeploying of excess capacity and garage space to bring costly maintenance work back in-house.	(\$66k)- (\$36k)	6 - 18 months
05	Alternative service delivery models - Re-municipalization of organic waste collection	Evaluate the feasibility of bringing outsourced organics collection in-house in order to reduce contract volatility and improve quality control.	N/A - Improve operating outcomes	< 6 months
06	Increased tiered policing and civilianization	Increase civilianization of policing roles and transition roles from the RCMP to Municipal Enforcement.	\$447k - \$498k	> 18 months

Summary of business cases



Sl. No.	Business case title	Description	Cumulative 5 yr net benefit	Timeline to implement
07	Digitization of City services and creation of one window mechanism	Accelerate adoption of self-service options, digital channels and introduce a Customer Relationship Management (CRM) system, to improve internal processing and management or requests while improving resident experience.	\$399k - \$488k	6 - 18 months
08	Revenue opportunities for planning services	Improve cost recovery of planning services with consistent collection and enforcement of Council approved fees as well as explore new fees for services currently delivered free of charge. Consider conducting a corporate-wide fee review to better understand the full cost of service delivery in the City.	\$204k - \$242k	6 - 18 months
09	Review of civic partner funding and grant management	Development of cross corporate framework and guiding principles to govern ongoing support provided by the City to community organizations.	N/A - Improve operating outcomes	< 6 months
10	Review of library grant funding	Review existing funding allocation to St. Albert libraries and evaluate opportunities for improved operational efficiency and financial independence.	\$5.11M - \$9.49M	6 - 18 months
11	Exploring partnership structures for Arden Theatre operations	Explore and evaluate alternative models for running Arden Theatre operations to reduce the City's net cost of service delivery.	\$768k - \$1.76M	6 - 18 months

Summary of business cases



Sl. No.	Business case title	Description	Cumulative 5 yr net benefit	Timeline to implement
12	Rapid response vehicle program for fire services	Implement a two-person rapid response vehicle program for fire services to manage rising costs associated with fire service delivery while improving service outcomes to residents.	N/A - Improve operating outcomes	> 18 months
13	Automation of internal City processes	Process automation program focused on processes with the greatest opportunity to realize efficiencies and generate savings.	13.1: \$12.5k-\$31.5k 13.2: (\$103k)-(\$98k)	> 18 months
14	New business models and revenue generation	Leverage existing skills and infrastructure within the City to expand services to neighbouring municipalities and social profits for a fee or through shared service models.	\$400k - \$825k	6 - 18 months
15	Investment promotion to expand non residential tax base	Expanding the non-residential tax base through business attraction and retention thereby alleviating tax burden on residents and promoting economic prosperity.	N/A - Improve operating outcomes	> 18 months
16	Third party adjudication of disability claims management	Explore the opportunity to move adjudication of non-occupational disability claims to a third party in order to manage insurance premiums, reduce workload on the City, and increase productivity through reduced absenteeism.	\$448k - \$1,032k	6 - 18 months
17	Modernize building and development application process	Explore continuous improvement opportunities for application processing and service delivery within Planning and Development.	N/A - Further detailed work required by the City	6 - 18 months

Summary of business cases



Sl. No.	Business case title	Description	Cumulative 5 yr net benefit	Timeline to implement
18	Budget process modernization	Transition to multi-year budgeting and improved capital prioritization to increase efficiency of the budgeting process.	N/A - Improve operating outcomes	> 18 months
19	Organizational structure review	Review spans of control and staffing levels at the City, to strengthen the organizational structure and governance processes.	N/A - Improve operating outcomes	> 18 months
20	Municipal reserve methodology refresh	Review current structure of the City's reserves and the methodology used to fund them.	N/A	< 6 months

Core assumptions

- Operating actuals from 2015-2019 provided by the City's Finance department have been used to calculate qualitative and quantitative benefits such as cost savings, efficiencies, and cost avoidance through service level or service model changes.
- Operational and performance data provided by the respective departmental teams have also been used to estimate benefits.
- Calculations of benefit estimates, efficiencies, and cost avoidance analysis have been performed using input assumptions and data provided by the City of St. Albert Finance team, the City of St. Albert departmental teams ("Leadership Team"), and prior EY experiences. These assumptions have been validated with the Leadership Team.
- The analysis contained in this document is in summary form. Selecting portions of this analysis without considering all of the factors and analyses considered may create a misleading view of the output and results.
- Calculations are based on specific assumptions noted in the relevant sections within the business cases presented in this report. Not every potential influence or factor has been considered. Factors that were considered include, but are not limited to, negotiated changes with contractors and unions, inflation, the impact of overhead costs, storage costs for new equipment and changes in contractor rates resulting from changes in requirements.
- We have accepted information provided to EY by the City as presented and have not validated it's accuracy or completeness.

Operational and fiscal review | Acronyms



Acronym	Full form
FTE	Full-Time Equivalent
PBB	Priority Based Business Planning and Budgeting
CRM	Customer Relationship Management

About EY

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