

City of St. Albert Operational and Fiscal Review Phase 2 Final Report and Executive Report

Management Response

May 3, 2021

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PURPOSE

The purpose of this document is to present the City Administration management response to the Ernst and Young (EY) Operational and Fiscal Review Phase 2 Final Report and the Executive Report. The management response will address the reports overall and provide specific comments related to each Phase 2 business case. The comments provided address the opportunity identified, assumptions, progress to date, if applicable, and further insights on the feasibility of the opportunity based on additional City perspectives.

MANAGEMENT RESPONSE

Overall Response

As identified in the reports, City Administration has taken proactive steps to reduce expenses and to prioritize services delivered to the community to offset the impact on the tax rate. The immediate focus has been on short to long-term opportunities. EY's focus on medium to long-term recommendations is welcomed to help identify opportunities that will support the City's long-term financial sustainability.

Overall, City Administration supports most of the recommendations presented by EY. It is important to note that many of the opportunities identified have already been considered, and some are currently being actioned by the City. City Administration values additional insight and validation of these opportunities provided by EY.

It is also of note that most opportunities require further analysis to ensure assumptions provided are relevant for the City of St. Albert. Full impact on the community and the organization needs further evaluation to ensure that stated benefits can be realized, and required investments made to achieve the projected benefits long-term. Also, it is important to consider synergies between opportunities and align those properly for implementation to maximize realization of expected benefits.

Furthermore, implementation dates do not consider the work already in progress nor the City's capacity to take on additional work or budget requirements for implementation. Further discussions are required with Council to ensure City Administration is proceeding with the initiatives that are projected to result in the highest return on investment and are prioritized with the work already in progress to achieve desired Council Strategic Plan and Corporate Business Plan outcomes. As identified in the reports, some opportunities require investment of City monies with Council approval or solely Council approval before City Administration can proceed and benefits can be realized.

At present, City Administration is committed to proceeding with Phase 2 opportunities that are already in progress or are ready for implementation. These opportunities include standardized asset management program, standardizing public participation efforts, Corporate Grants Review, City's records classification and retention review, and third-party adjudication of disability claims management.

In addition, Administration is continuing with opportunities identified in Phase 1 that were already in progress and those identified by Council during their strategic planning session to proceed with in 2021:

- Communication to community and increase in virtual public engagement opportunities.
- Business planning for new revenue sources to alleviate tax burden on residents (non-traditional and non-residential growth).
- Regional partnership for recreation service delivery (updated scope for the existing project in the corporate Business Plan).
- Economic development mandate refresh and alignment of services provided to business community.

All other opportunities identified in Phases 1 and 2, unless in progress with existing resources, will be brought forward to the new Council during their strategic planning session in 2022. These longer-term opportunities and recommendations provided by the review will be brought forward then to be incorporated and prioritized as part of the overall development of Council's 2022-2025 Strategic Plan.

Business Cases

A. Centralization of Functions (01-03)

01 Continue Towards Centralized Asset Management

Continue the transition towards a centralized asset management function, with a single owner accountable for strategic decision-making.

Timeline to realize benefits: 2023

Management Response:

Administration supports this recommendation. The City has a project in progress to develop a standardized program for asset management and will continue with this work. Centralization of asset management at the portfolio level will align in functionalities and efficiencies across different asset stewarding groups in the organization.

The portfolio level centralized asset management service is currently provided by two resources within the Engineering Department. There are also various asset stewarding groups with corresponding resource requirements for asset management functions currently embedded within each asset owner/department. This set up essentially functions as a hub and spoke model that consists of one main centralized hub and several connected localized centres.

This model seems to be the best fit in the mid-term considering financial resource constraints. As the asset management maturity level increases within the organization in the coming years, there is a potential for the portfolio asset management function to be migrated to the corporate level rather than remaining with the Engineering Department, with potential additional resources assigned in the future.

02 Shared Services for Public Participation

Centralize public participation resources to assist departments in the administration, planning and facilitation of public participation activities.

Timeline to realize benefits: 2021

Management Response:

Administration supports this recommendation. It is the City's intention to deliver effective and consistent opportunities for residents to share input and inform decision making. These recommendations will further enhance current efforts and provide residents with a more standardized approach and opportunities that they can rely on for input into decision making at the right level and at the right time.

To realize benefits, it will be important to allocate resources through re-allocation from other areas in the organization or to create a new position, which would result in additional costs before savings can be realized. Without additional resources, the corporate consistency benefits and cost savings would be slow to realize.

03 Standardize Capital Project and Contract Management Procedures

Create a set of standardized guidelines and procedures to manage project hand-offs, reporting and compliance.

Timeline to realize benefits: 2022

Management Response:

Administration supports this recommendation. Centralization of capital project management will result in process alignment and consistency in delivery of capital projects, which will yield efficiencies in resource management within the organization.

Centralization of project management will also bring in the benefits of organizational level risk management and consistency in service. Currently it is a centralized function within the Engineering Department working in partnership with asset owners, and procurement for contract administration, which is in preliminary stage with recent incorporation of procurement as per procurement audit.

B. Alternative Service Delivery Models (04-05)

04 Alternative Service Delivery for Public Works Services

Explore alternative service delivery options for City services to free up capacity and physical infrastructure to meet service level demands.

Timeline to benefits realization: 2021+

Management Response:

Today a hybrid model of in-house and contracted services already exists. As the city grows, Public Works intends to support city growth to ensure that the established service levels are met. This may be possible through contracted services, such as in Jensen Lakes and for Ray Gibbon Drive that are currently in progress. This hybrid approach will help the City better understand contracting costs generated to meet service levels in growth areas to inform future decisions for additional in-house vs contracted services.

05 Remunicipalization of Organic Waste Collection

Evaluate the feasibility to gain additional in-house control and lower exposure to contract risks by bringing organic waste collection in-house.

Timeline to benefits realization: 2022+

Management Response:

Administration is supportive of this opportunity in the long-term. The growth and inclusion of organic collection by City operators provides several long-term opportunities for the City. It allows for a consistent level of service between organic and waste collection, an expanded hands-on approach to education, reduction of co-mingling, and maintaining consistent long-term costs.

If the opportunity is to be implemented, it should be phased in over several years to mitigate the increases in one year to the solid waste rate and amortize equipment on multiple schedules.

Currently, organic collection has several challenges with co-mingling that are likely to result in an increased tipping fee for organics at the landfill. Service delivery by existing staff provides the opportunity for impromptu education, collaboration with other departments within the City to support education, and if required addressing residents' concerns. Solid waste and residuals collection is one component of the overall waste management system (from generation to disposal/residuals management) and Administration would also want to consider the full gamut of other strategies and regional initiatives underway from decentralization to regionalization and ensure that future collection systems are aligned and integrated within the overall strategy for the entire system.

C. Increased Tiered Policing and Civilianization (06)

06 Explore Increased Tiered Policing and Civilianization

Explore opportunities for increasing civilianization in proactive and non-risk policing roles at the City.

Timeline to benefits realization: 2025

Management Response:

Administration supports this recommendation to continue building on the strong, collaborative and integrated public safety partnership between City Community Peace Officers, specialized municipal civilian/support employees, and the RCMP while maximizing effectiveness and efficiency in service delivery to the community.

Building upon the established, tiered, law enforcement model that has been deployed has some advantages. Caution should be exercised to ensure that transfer of services from the RCMP to the municipality does not increase to a point where the cost advantages are outweighed by increased risk and liabilities. Potential increases in operational costs of Human Resources, Information Technology, and administrative oversight also need to be considered.

Increased civilianization and behind-the-scenes support are a necessary part of a generally accepted and proven cost avoidance model.

D. Digitization (07)

07 Digitization of City Services and Creation of One Window Mechanism

Accelerate the transition of services to online and digital channels to improve resident and business experience while managing costs.

Timeline to benefits realization: 2021+

Management Response:

Administration supports this recommendation to provide more services online to improve convenience for residents and other stakeholders. Up-front investment in information technology would be required to realize benefits of this opportunity. Further work is required to determine the right level of consolidation for in-person services to ensure this method is still available for residents.

Improving uptake on digital channels is the key to achieving these benefits. There is a risk that the 75% target will not be reached or that it will take longer to achieve those results. Time, effort, and capacity are required to move these services online. If it takes longer or the City is unable to achieve the 75% target, the in-person front counter services may need to continue to backfill, delaying the benefit.

E. Cost Recovery (08)

08 Revenue Generation – Planning and Development Fees and Applications

Review and update fee schedules to reflect the true cost of service delivery, while exploring opportunities to levy fees for activities currently provided without charge.

Timeline to benefits realization: 2022

Management Response:

Administration is supportive of the fee study. Additional steps would be required to ensure that proper processes are in place before this opportunity is implemented.

Support for true costing would be most likely seen if St Albert's municipal neighbours are also on board. The timeline should be pushed back into 2022, as most of the consulting budget has been spent for this year, and staff have very limited capacity to undertake this work at this time.

Administration recommends that once the City reviews the appropriate fees, the development community is informed before a new fee structure is implemented. Information about the fees can be shared during the pre-application meetings on those applications that may need a third-party review.

Administration has at times received pushback on attempts to implement fees approved by Council. The City will look to Council to provide support for collection of some of these fees.

F. Program and Service Review – Grant Management (09)

09 Civic Partners and Grant Funding Allocation

Development of a cross corporate framework and guiding principles to govern ongoing support provided by the City to community organizations.

Timeline to benefits realization: 2022

Management Response:

The City is currently in the process of conducting a Corporate Grants Review to identify opportunities for efficiencies and understanding of best practices that can be incorporated to enhance current practice. EY has suggested a cross corporate framework to support the management and allocation of both monetary and non-monetary supports to community organizations, as well as using a software solution to manage the administration of grants more efficiently. Both of these suggestions will be considered as part of the Corporate Grants Review project.

G. Program and Service Review - Other (10-12)

10 Review Library Grant Funding

Review existing funding allocation to St. Albert library and evaluate opportunities for improved operational efficiency and financial independence.

Timeline to benefits realization: 2022+

Management Response:

Administration values the services offered through the Library and the benefits provided to the residents. Administration is committed to working in collaboration with the Library to formalize the parameters of the working relationship and potentially revisit the current funding allocation.

Aligning the City's funding relationship with the Library will be a critical exercise and over time could result in financial benefits. The City would be committed to supporting the Library in identifying new revenue sources to offset the impact of potential grant reductions.

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.

Timeline to benefits realization: 2022+

Management Response:

Administration supports the opportunity to explore alternative service delivery of City assets. Long-term decisions that can result in cost savings and reduced impact on tax rate are important to consider and explore. Evaluating alternative operating models for the Arden Theatre will provide valuable insights and options for consideration, such as looking at the best interest of the arts community and the long-term viability of the Arden Theatre.

12 Rapid response vehicle program for fire services

Adoption of a two-person staffed rapid response vehicle (RRV) program to improve responsiveness of emergency services while managing costs.

Timeline to benefits realization: 2023+

Management Response:

Administration supports this opportunity as it has the potential to decrease response times for low acuity calls that do not qualify as Basic or Advanced Life Support incidents. It will also allow for resource management to prioritize incident needs with availability of equipment. Fire suppression principles are evolving more into a science that supports a quick initial response that could be provided by a Rapid Response Vehicle.

H. Automation of Internal City Processes (13)

13.1 Automation – Accounts Payable

Process automation program focused on processes with the greatest opportunity to realize efficiencies and generate savings.

Timeline to benefits realization: 2023+

Management Response:

Administration supports this recommendation. Automating some of the manual Accounts Payable processes through Robotic Process Automation (RPA) and/or Optical Character Recognition (OCR) would be relatively low cost and would require additional budget while offering significant efficiencies. Other opportunities for automation also exist and require budget and organizational capacity to implement; therefore, proper scheduling of implementation is very important.

Without automation efforts and without an increase in staff, there is a risk that this would become an issue, as volumes increase beyond capacity with city growth.

13.2 Automation – Records Management

Process automation program focused on processes with the greatest opportunity to realize efficiencies and generate savings.

Timeline to benefits realization: 2023+

Management Response:

Administration supports this recommendation. Initial steps for implementation are already under way. A comprehensive review and revision of the City's records classification and retention schedule practices and directives is in progress.

I. New Business Models & Revenue Generation (14-15)

14.1 New Business Models – Payroll & Compensation

Leverage existing skills and infrastructure within the City to expand services to neighbouring municipalities for a fee or through shared service models.

Timeline to benefits realization: 2022+

Management Response:

Administration supports this recommendation and is very interested in all revenue generating models to offset future expense increases. To pursue this opportunity, resourcing to engage in business development with external entities would be required.

The timing of this recommendations would have to follow the implementation of the City's new Human Resources Information System (HRIS) currently underway and expected to complete by the end of 2021.

The Human Resources and Safety Department does not have a business development role that can market our available services, establish a service contract, and manage contracts. Timelines provided in the business case would have to be adjusted to account for resourcing requirements and organizational readiness to proceed with this opportunity.

14.2 New Business Models – Learning & Development

Leverage existing skills and infrastructure within the City to expand services to neighbouring municipalities for a fee or through shared service models.

Timeline to benefits realization: 2022+

Management Response:

Administration supports this recommendation and is very interested in all revenue generating models to offset future expense increases. To pursue this opportunity, resourcing to engage in business development with external entities would be required.

The Human Resources and Safety Department does not have a business development role that can market our available services, establish a service contract, and manage contracts.

14.3 New Business Models – Workplace Safety

Leverage existing skills and infrastructure within the City to expand services to neighbouring municipalities for a fee or through shared service models.

Timeline to benefits realization: 2022+

Management Response:

The Administration supports this recommendation and is very interested in all revenue generating models to offset future expense increases. To pursue this opportunity, resourcing to engage in business development with external entities would be required.

The Human Resources and Safety Department does not have a business development role that can market our available services, establish a service contract, and manage contracts.

15 Improve investment promotion to expand non-residential tax base

Expand non-residential tax base by prioritizing business attraction and retention, to alleviate tax burden on residents.

Timeline to benefits realization: 2022+

Management Response:

Administration supports this recommendation and agrees that there is an opportunity to expand the non-residential tax base through continued improvement of the City's investment promotion capabilities and business retention and expansion efforts.

An Economic Development Strategy and mandate update would help prioritize and concentrate the Economic Development department's efforts on initiatives within the strategy that are most effective in increasing and supporting the City's non-residential tax base. This approach would allow Economic Development to focus on a narrow set of strategic high-value and high return on investment initiatives that meet key performance indicators, rather than a broad range of continually emerging ideas and recommendations that fall outside the strategy and mandate.

Administration believes that most of the opportunities presented are currently being implemented, to varying degrees. Administration also agrees that the consideration of initial investment and financial support from the City would augment the capacity to deliver more extensively on the expansion of the City's non-residential tax base.

Administration believes that the recommendations around duplication of work would benefit from additional validation and supporting information.

J. Process Re-Engineering (16-17)

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.

Timeline to benefits realization: 2022+

Management Response:

Administration supports this recommendation, and it is already being pursued by the City to be implemented in 2021. This recommendation confirms that the Business Case previously developed by Administration is appropriate. This work will continue with implementation in 2021.

17 Modernize building and development permit process

Continuous improvement of application processing and service delivery within Planning and Development.

Timeline to benefits realization: 2022+

Management Response:

Administration partially supports this recommendation. The City has one of the fastest turnaround times in the region. At present, service levels for building and development permits processing are met and exceeded.

It is Administration's view that self-certification to further speed up processing times does not justify the associated risks. Administration is opposed to self-certification beyond those items that do not require a building permit. The Alberta Safety Codes Act has requirements that the City must follow; therefore, the City can not allow development without performing certain inspections. The City does not generally have flexibility in permit requirements for small structures that require building permits.

Administration does support investigation of permit bundling and simultaneous processing as a one-stop shop approach.

K. Budget Process Modernization (18)

18 Budget Process Modernization

Transition to multi-year budgeting and improved capital prioritization to increase efficiency of the budgeting process.

Timeline to benefits realization: 2023+

Management Response:

Administration supports the recommendations around multi-year budgeting, monthly budgeting and variance reporting as well as automation of budget tools. This long-term view of budget aligned to strategic and business plans will lead to better and more holistic decisions for the City and has the potential to reduce reactionary workload.

This transition will also bring the City in alignment with the Municipal Government Act requirements for a three-year operating and a five-year capital budget planning cycle.

The success of a multi-year budget strategy is contingent on buy-in from Council and alignment with reliable strategic and business plans. Work in progress to align the City's strategic and business plans and develop department business plans will support and enable successful implementation of a multi-year budget.

The challenge with budget transformation projects is that there is only one opportunity each year to implement changes if the plan is to be "gradually" moved to a multi-year budget. There is an opportunity to do this in a big bang approach, where the transformation is well planned over a couple of years, but then once you act, all the changes are implemented at once. There are pros and cons to both approaches that will need to be considered.

L. Organizational Structure Review (19)

19 Organizational Structure Review

Review spans of control and staffing levels at the City, to strengthen the organizational structure and governance processes.

Timeline to benefits realization: 2023+

Management Response:

Administration agrees that span of control and staffing levels are important considerations, as well as the leadership team working relationship when determining appropriate organizational structure.

Over the last couple of years, decisions have been actioned to streamline the organizational structure and ensure a leaner, more effective and efficient

organization, especially at leadership levels of the organization. This has resulted in improved communication and consistencies across the organization.

There is no one model of organizational structure that fits all municipalities and as EY noted “optimal span of control of any given role, however, is a lot more complex to understand. It depends on the volume, type and complexity of work, among other factors.” Administration believes that the current structure in place is meeting the City’s business needs as well as the needs of the community.

Presently, the City has a process in place for the executive leadership to review each permanent position upon vacancy prior to its replacement/recruitment. This process provides an additional checkpoint to ensure that the necessary organizational structure improvements can be made as required.

Administration will continue to look for opportunities to optimize the organizational structure within existing processes and adjust as necessary to continue to meet organizational objectives.

Relating to casual workforce management there are two initiatives in progress that will improve this practice:

1. Implementation of the Human Resources Information System (HRIS), and
2. Workforce Planning.

M. Municipal Reserve Methodology Refresh (20)

20 Municipal Reserve Methodology Refresh

Review current structure of the City’s reserves and the methodology used to fund them.

Timeline to benefits realization: 2021

Management Response:

It is agreed that there is a benefit to rationalizing the City’s reserve funds in terms of structure, caps, minimum levels, and process approvals. While no “savings” or “revenue” will be generated, the review will provide a gap analysis, which can be considered as one of the inputs for future business planning.