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Presented by: Alan Thom, Ernst & Young LLP

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6.2

Operational & Fiscal Review - Phase 2 Final Report and Final Executive Summary Report

Presented by: Alan Thom, Ernst & Young LLP

RECOMMENDED MOTIONS

1. That the Operational and Fiscal Review Phase 2 Final Report, the Final Executive Summary Report, and Management Response Report attached to the agenda report dated May 3, 2021 be received as information.
2. That the CAO be directed to include the Operational and Fiscal Review reports now being received for information on the agenda of the 2022 Council Strategic Planning Session to inform Council priorities and the Council Strategic Plan for 2022-2025.

PURPOSE OF REPORT

The purpose of the report is to share with Council the Operational and Fiscal Review - Phase 2 Final Report and Final Executive Summary Report for information. In addition, Management Response report is attached for Council information.

ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN

Review opportunities identified to support and enable delivery of Council identified priorities.

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

Services and Service Levels Inventory - Documented Council approved services and associated service levels that informs business planning and budgeting decisions.

All City services were considered and reviewed in two phases of the Operational and Fiscal Review.

Administration Priority - Corporate Business Plan and Financial Planning, Continuous Improvement, Business Process Improvement and Organizational Productivity and Capacity.

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

On April 9, 2021, the Internal Audit Steering Committee passed the following motion:

That the Internal Audit Steering Committee recommend to Council that the Operational and Fiscal Review - Final Phase Two Report and the Final Executive Summary Report be received as information at the May 3, 2021, City Council meeting.

On November 13, 2020, the Internal Audit Steering Committee passed the following motion:

That the Internal Audit Steering Committee recommend to Council that the Operational and Fiscal Review - Final Phase One Report be received as information at the November 30, 2020, City Council meeting.

On October 14, 2020 the Internal Audit Steering Committee passed the following motion:

That the Internal Audit Committee recommend to Council that the Operational and Fiscal Review - Initial Opportunities report be received as information at the October 27, 2020 Special Council Meeting.

CM-20-019

That an independent third party Operational and Fiscal Review be undertaken with the objectives of:

- a. Identifying long-term, sustainable expense management solutions to ongoing budget challenges; and
- b. recommending measures to provide quality, affordable municipal programs and services in the most efficient and effective manner while maintaining responsible taxation.

That the review be carried out in two phases:

- a. Phase One, focusing on the following services to the public and corporate functions: Community Services, Economic Development, CAO Office, Recreation & Parks, Transit, Strategic Services & Information Technology Services and Environment to be completed by October 31, 2020 so that any recommendations arising from it may be considered by Council in establishing the 2021 operating and capital budgets; and
- b. Phase Two, focusing on the following services to the public and corporate functions: Planning & Development, Legal & Legislative Services, Utilities, Financial Services, Engineering

Services, Public Works, Emergency Services and Human Resources & Safety to be completed by June 30, 2021 so that any recommendations arising from it may be considered by Council in establishing the 2022 operating and capital budgets.

That the review will, at a minimum:

- a. consider "what" services the City provides and "how" the services are provided, emphasizing "what" services and programs the City should deliver or can afford to deliver and at "what" level or standard of service; and identify alternative service delivery methods and opportunities that have the potential to result in expenditure reductions.
- b. That the Internal Audit Steering Committee (IASC) be tasked with selecting the party to conduct the review after a competitive procurement process, and thereafter providing governance oversight to that party including vetting their findings and recommendations and providing those findings and recommendations to Council from both Phase One and Phase Two together with the IASC's own comments as deemed appropriate by the IASC.

That the CAO present to Council for approval the proposed scope of review and deliverables to be included in the request for proposals, prior to initiating a competitive procurement of external management consulting services to conduct the review.

That the remainder of the money allocated for the Internal Audit Steering Committee (approx. \$160,000) be reallocated as well as any money previously approved in the budget for internal service reviews (approx. \$100,000) be used to fund this initiative. The remainder of the funds up to \$700,000 come from the Stabilization Reserve.

Council Policy C-CAO-15 Program and Service Review

The policy directs Administration to review programs and services on a regular basis to ensure the efficiency and effectiveness of programs and services delivered to the community.

BACKGROUND AND DISCUSSION

The attached report provides opportunities identified related to the Phase 2 review and the Final Executive Summary Report for the Operational and Fiscal Review conducted by Ernst and Young (EY). In addition, Administration is providing Management Response document that provides response for each of the opportunities identified.

Phase one of the review commenced in late August 2020 with the review of the following departments:

- Community Services
- Economic Development
- CAO Office
- Recreation and Parks

- Transit Services
- Strategic Services and Information Technology
- Environment

Phase two included review of the following departments:

- Planning and Development
- Legal and Legislative
- Utilities
- Financial Services and Assessment
- Engineering Services
- Public Works
- Emergency Services
- Human Resources and Safety

Cross-organization opportunities that carried forward from Phase One were reviewed together with opportunities identified in Phase Two. In addition, EY reviewed the Council approved Services and Service Levels Inventory. EY confirmed that services provided by the City fall under one of the three categories - mandatory, critical, and non-mandatory traditional services usually provided by municipalities. The review of the Inventory concluded that the City does not currently provide any services that are typically not delivered by comparable municipalities. The insights gained from the review of the Inventory was used by EY to identify services to further review for opportunities.

Council, Senior Leadership Team and directors have been involved and consulted by EY to identify opportunities and provide input for the analysis that led to opportunities and business cases presented by EY.

Internal Audit Steering Committee has been involved to review timelines and progress throughout the review, and to review, provide input into development of opportunities identified, and points for consideration for implementation of the opportunities and business cases. The Committee recommended that the final Phase Two report and the Final Executive Summary Report are shared with Council.

Management 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 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 Phase 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.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

EY consulted with external stakeholders that may be impacted by the opportunities identified, as appropriate, to gain their input for consideration. For Phase Two of the review, the consultations involved the Library Board, RCMP, Chamber of Commerce.

Further engagement and consultations may be planned in the future, once opportunities are approved and planned for execution.

IMPLICATIONS OF RECOMMENDATION(S)

Financial:

Opportunities identified will have financial impact only if implemented.

The maximum budget set aside for completion of the Operational and Fiscal Review is \$960,000. Approximately \$160,000 will be allocated from the Internal Audit Steering Committee previously approved budget, \$100,000 from the previously approved internal service reviews budget, and the remainder is to come from the Stabilization Reserve.

Legal / Risk:

None at this time.

Program or Service:

All existing programs and services were reviewed as part of the Operational and Fiscal Review. Recommendations provided by the consultant do not have direct implication on programs and services unless they are implemented.

Organizational:

Implementation of the opportunities identified would impact workplans and organizational capacity of related areas and in some cases organization as a whole. Opportunities currently not in progress with existing resources (budget and people) will be brought forward to new Council in February 2022 during their strategic planning session to be incorporated and prioritized as part of the overall development of Council's 2022-2025 Strategic Plan.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

None at this time.

Report Date: May 3, 2021

Author: Darija Slokar

Department: Strategic Services

Deputy Chief Administrative Officer: Kerry Hilts

Chief Administrative Officer: Kevin Scoble