



Legislation Text

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Operational and Fiscal Review - Phase One Final Report

Presented by: Alan Thom, Ernst & Young LLP

RECOMMENDED MOTIONS

1. That Council receive the Operational and Fiscal Review Phase 1 Final report attached to the agenda dated November 30, 2020, as information.
2. That the following postponed motion be deferred for debate to the December 1, 2020 Committee of the Whole meeting:

PM-21-033

That the 2021 operating budget be reduced by \$15,000 related to a shift to a bring your own device policy for the cellular needs of the City as described in the City of St. Albert Operational and Fiscal Review Final Report.

PURPOSE OF REPORT

The purpose of the report is to share with Council the City of St. Albert Operational and Fiscal Review - Phase 1 Final Report for information and a postponed motion for debate at December 1, 2020 Committee of the Whole meeting.

ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN

N/A

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

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

Administration Priority - Corporate Business and Financial Planning, Continuous Improvement, Business Process Improvement, and organizational productivity and capacity.

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

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
- (b) identify alternative service delivery methods and opportunities that have the potential to result in expenditure reductions.

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 1 review conducted by Ernst & Young (EY).

Phase one that commenced in late August included the review of the following departments:

- Community Services
- Economic Development
- CAO Office
- Recreation and Parks
- Transit
- Strategic Services and Information Technology
- Environment

In addition, opportunities were identified in Finance and Assessment and Emergency Services based on previously completed reviews. The review of these two departments will continue in Phase 2.

Council, Senior Leadership Team and directors of Phase 1 have been involved and consulted by EY to identify opportunities and provide input for the analysis that led to opportunities presented by EY.

Internal Audit Steering Committee has been involved to review timelines, progress update, and to review and provide input into Phase 1 Final Report before recommending the report be shared with Council.

Management Response

Administration has prepared a management response to the Operational and Fiscal Review Phase 1 Final Report presented in a separate document attached to this report.

As identified in the report, Administration has taken proactive steps to reduce the forecasted deficit and expenses, and to prioritize services delivered to the community to offset the impact on the tax

rate. The focus of Administration has largely been on short to long-term opportunities and actions; therefore, EY's focus on medium to long-term opportunities is welcomed to help identify and implement opportunities that will support the City's long-term financial sustainability.

Overall, 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. Administration values the 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.

Furthermore, implementation dates do not consider the work already in progress nor the City's capacity to take on additional work. Discussions are required with Council to ensure that 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.

At present, Administration is committed to proceeding with opportunities that are ready for implementation including Arden Theatre ticketing system (in-progress) and a review of existing cellular device directives with proper implementation plan to be developed in Q1 2021.

Savings resulting from the Arden Theatre ticketing system have been reflected in the base budget for 2021 and presented to Council as part of the proposed 2021 Budget. Additional savings and potential revenue will be assessed once the system is fully implemented.

With respect to the update to the cellular device directives (bring your own device), it is anticipated that approximately \$15,000 savings will be realized in year one, 45,000 in year two, and 90,000 in year three. A detailed implementation plan will be developed in Q1 2021 and savings are subject to aligning implementation with current cellular contract expiry dates.

LEGAL IMPLICATIONS:

None at this time.

FINANCIAL IMPLICATIONS:

Opportunities identified will have financial impact only if implemented. Also, should Council approve the postponed motion, a \$15,000 adjustment to the proposed 2021 budget will be made.

The maximum budget set aside for completion of the Operational and Fiscal Review is \$960,000. Approximately \$160,000 will be re-directed from the Internal Audit Steering Committee's previously approved budget, \$100,000 from the previously approved internal service reviews budget and the remainder (as needed) will be drawn from the Stabilization Reserve.

OTHER SIGNIFICANT IMPLICATIONS:

Program or Service:

Implementation of identified opportunities will have impact on related programs and/or services.

Organizational:

Implementation of the opportunities identified would impact workplans and capacity of related areas and in some cases organization as a whole.

Implementation of any recommended business cases is subject to availability of both employee and financial resources and in some cases Council approval

Report Date: November 30, 2020

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