



Calgary Transit ZBR Implementation

May 16, 2017

2017 Update Report

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Introduction

The Calgary Transit Zero-Based Review (ZBR) report was presented to Council in June 2016.

This report highlights for Council key changes underway at Calgary Transit to deliver the Council-approved ZBR recommendations and continually improve efficiency and effectiveness of public transit service delivery.

All we do is driven by our customer commitment. That's our promise to deliver service that's safe, reliable, helpful, informative, easy to use and clean.



ZBR Implementation Plan Summary

The Calgary Transit Zero-Based Review (ZBR) report was presented to Council in June 2016.

We've determined that the Council-approved recommendations, once fully implemented, will result in a minimum operating cost savings of \$6 million annually as well as \$25 million in capital cost avoidance.

CT ZBR Annual Financial Benefit* Summary (\$ millions - operating)

2017	2018	2019	2020	2021	CT vs ZBR
(\$0.8)	\$3.1	\$4.0	\$5.0	\$6.0	\$6.0 vs \$5.3

*Annual financial benefit includes all project costs, cost savings and cost avoidance.

CT ZBR Capital Cost Avoidance (\$ millions - capital)

2017	2018	2019	2020	2021	CT vs ZBR
\$0.0	\$0.0	\$0.0	\$12.0	\$13.0	\$25 vs \$25

The ZBR estimated additional annual revenue of \$3.9 million. All the revenue-related recommendations are underway through various Calgary Transit and interdepartmental initiatives. The \$3.9 million of additional revenue will be confirmed through those initiatives.

In addition to financial benefits, Calgary Transit expects that the implementation of the ZBR recommendations to result in other benefits, including:

- More collaboration between Calgary Transit and other City departments
- Better use of metrics to respond to internal and external challenges and opportunities;
- More robust business planning and business development approaches.

Please see Attachment 4 "Calgary Transit ZBR Status Update" for more detail on our ZBR implementation.

Calgary Transit Financial Background, Context

Funding of transit service in Calgary relies on a combination of municipal taxes, transit fares and other revenue, such as advertising and Park and Ride reservation fees.

Council direction calls for Calgary Transit to achieve a revenue/cost (R/C) ratio of between 50 and 55 per cent. The ratio has been trending downward, from a high of 58 per cent in 2006 to 46 per cent in 2016.

As we grow our business to meet the needs of our customers, our costs are rising faster than money we collect from customers and taxpayers.

Cost increases are mainly attributed to increasing prices for labour, parts, technology, and fuel.

The increase in the average fare paid by transit customers has not kept pace with the increase in average cost of providing a transit trip.

For example, cost per trip increased 14 per cent from 2011 (\$3.25) to 2016 (\$3.70), while revenue



per trip only increased four per cent (from \$1.68 to \$1.74) over the same period.

Calgary's economic downturn is also creating major challenges for Calgary Transit to meet its R/C ratio target.

Ridership is trending downward and corresponding revenues from fares and other sources, such as advertising and parking, have also decreased.

From 2015 to 2016, Calgary Transit saw a seven per cent decline in ridership and a nine per cent (or \$17 million) decrease in total revenue.

Rising costs and eroding revenues pose a significant risk to providing targeted levels of service frequency and coverage for Calgarians.

Our Approach

Calgary Transit has responded to economic conditions by eliminating all service growth approved in Action Plan 2015-2018 for 2017 (65,000 hours) and 2018 (55,000 hours) and by implementing Zero-Based Review (ZBR) recommendations City Council approved in June 2016.

Calgary Transit is taking actions for both short-term and long-term impact. We're revising our 2017 strategy to adjust to current economic conditions.

The goal is to manage our budget intentionally and make adjustments where necessary. As part of this, we're reviewing:

- proposed service expansions and existing service;
- all Calgary Transit positions to make sure our resourcing levels make sense given our business environment;
- our expenditures to make sure spending levels align with current ridership.

To help address rising costs and make Calgary Transit more efficient and effective over the long term we're implementing various strategies to continually improve our business.



ZBR Implementation Projects

Work has begun in our Transit Fleet and Infrastructure areas to implement the Council-approved ZBR recommendations and make changes for achieving, measuring and sustaining improved business results.

Our ZBR implementation projects are described in the following pages.

Supply Transit Enhancement Project

The ZBR recommended that we pursue internal process improvements to:

- better align leadership objectives between Calgary Transit and The City's Supply Management;
- identify and address root causes such as unclear roles and responsibilities, data collection and metrics;
- develop purchasing and inventory centres of excellence to drive continuous improvement, drawing on Canadian transit agency experiences.

The Supply Transit Enhancement Project (STEP) is underway to better align Calgary Transit and Supply Management area on processes from maintenance planning to delivery of requested goods and services.

STEP provides a structured approach to understand the existing process and establish an improved new process, which is more cost-effective and facilitates better reliability. This is essential, given that 30 distinct and related processes have been identified in-scope for improvements.

STEP has established an alignment team co-chaired by Supply Management and Calgary Transit leadership to guide process improvements.

STEP has also formed a community of practice, comprised of Supply Management and Calgary Transit subject matter experts, to identify and implement process improvements.

STEP is mapping the current state process and is slated to begin mapping the future state process in May 2017. The future state work will consider root causes and determine what actions are needed to develop the improved process.



Work has begun to develop metrics to assess effectiveness of the new process and implement and sustain use of new process. Metrics focused on fleet reliability, customer service, supply times, costs savings and inventory volumes are being considered.

This project uses process mapping knowledge, skills and techniques, which can be applied to other areas of our business.

Process mapping brings clearer understanding of a process or series of processes and will help us spot opportunities to boost efficiency and effectiveness in other areas.

STEP is an example of working collaboratively between business units in order to achieve goals for City customers. It highlights the importance of individual responsibility and collective accountability, as well as using metrics to monitor and improve on processes.

Fleet Reliability

The ZBR identified several internal improvements related to a more rigorous planning, execution and measurement of fleet maintenance and service lane activities, processes, workforce allocation and maintenance philosophy.

We are making changes to improve our Transit Fleet function, which specifies, procures repairs, maintains, cleans, fuels, and lines up buses and trains to prepare them for service.

Transit Fleet accounts for almost 20 per cent of Calgary Transit's operating expenses (excluding fuel) and is performed in four facilities; Anderson Garage, Oliver Bowen Maintenance Facility, Spring Gardens Centre, and Victoria Park Garage.

Continuous improvement was introduced at Transit Fleet's service lane maintenance operations at its four facilities, starting in January 2017. The rollout is focused on identifying and implementing opportunities that improve one or



Service lane dispatcher Sokunthal Mean found a different way to organize buses in the Spring Gardens garage which reduced employee movement from two minutes to 30 seconds, making cleaning and fueling buses more efficient.



Staff developed shadow board prototypes to better organize tools, supplies and equipment close to where they're needed.

more of: safety, quality, delivery, cost, employee satisfaction.

We expect to rollout continuous improvements in other Transit Fleet areas later in 2017. We're keeping Amalgamated Transit Union Local 583 representatives informed as we advance our implementation.

The Transit Fleet service lane maintenance work will provide initial insights about what's required in terms of support and resources for continuous improvement to produce positive impacts and sets us up to start continuous improvement as a new business strategy in our operations.

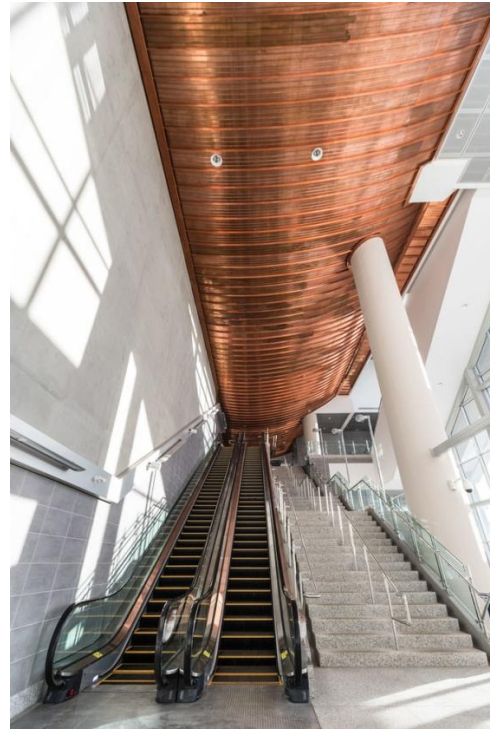
Janitorial and Outside Maintenance

The ZBR recommended Calgary Transit increase the use of external contractors in place of in-house provision for tasks where significant cost savings can be achieved, while maintaining service quality.

We held meetings with Amalgamated Transit Union Local 583 to gather feedback on potential alternatives to contracting out, but comparable savings were not found.

We'll be contracting external companies to perform janitorial, outside maintenance, landscaping and snow and ice control services at our facilities. We expect to have contractors in place before July 2017.

The external companies will be selected using The City of Calgary's bid opportunities process, which awards contracts based on bids that provide the best value for each dollar spent.



Outsourcing our janitorial and outside maintenance services is expected to save \$2.7 million in operating costs without impacting service.



Rail System Communication

The ZBR recommended Calgary Transit find a new approach for Rail System Communications maintenance which captures more value for money and supports future growth (such as the opening of our new Operations Control Centre.)

Calgary Transit is improving the efficiency and effectiveness of how we operate and maintain these critical systems.

The systems help provide important communications services, such as passenger announcements, station Help Phones and cameras, train tracking technology, system signals, and staff radio communications.

Calgary Transit operates and maintains these systems, with some system maintenance services sourced from an external provider.

Through rigorous business analysis, we identified an unexpected opportunity to save costs and avoid future costs by sourcing all communications systems maintenance services internally.



Systems maintenance using internal resources will result in \$175,000 budgetary cost savings and \$310,000 future cost avoidance annually, for a combined total of almost \$500,000 in savings and avoidance in 2018.

Calgary Transit expects this higher level of preventative maintenance will improve system reliability and reduce downtime, and will track this through improved metrics and monitoring.

The change will also bolster our internal communications systems maintenance capability and capacity.

Rigorous business case development and analysis, which considered costs, cost avoidance, metrics and sustainment, helped us identify this improvement opportunity.

Our other business areas are adopting a similar approach to review and assess external costs and vendor arrangements.

10-Year Integrated Capital and Operating Plan

While not part of the ZBR scope, the ZBR report recommended we improve the Calgary Transit business planning process.

Calgary Transit is bolstering how we currently plan and set budgets for our business.

We're adopting a 10-year Integrated Capital and Operating Plan to bridge the gap between long- and short-term plans, and also capture real-time projects and linkages within our business areas.

The plan's first phase has been completed and includes:

- 10-year projections for ridership, revenues, operating costs, capital costs, and fare strategy;
- identification of team linkages and expenditure projections;
- identification of business unit key performance indicators (KPIs) and linkages with customer commitment objectives;
- identification of team KPIs and linkages with business unit KPIs;
- detail about asset conditions and state of good repair investments.



The plan is aligned with The City's approach to service plans and budgets and the next four-year business plan cycle.

Subsequent plan phases will further understanding of our business, as more structured planning leads to better evaluation and progress towards our goals and increased ability to respond to internal and external forces that affect our business.

Transit Revenue

The ZBR explored changes we could make with our revenue approach that could stabilize or improve the current downward trend of our R/C ratio, as well as diversifying our revenue sources and reviewing certain fares.

Diversifying, Increasing Revenue Sources

We're looking beyond traditional sources to diversify and increase revenue streams. Our initiatives include:

- long-term contract with leading outdoor advertiser and marketing agency for digital advertising placements at our LRT stations, with revenue expected to start in late 2018;
- automated teller machine installations at LRT stations;
- work with other City business units on a coordinated street furniture strategy, with a request for proposal expected to be released in 2018;
- review of policy options for park and ride, including a shift to demand-based parking pricing.

Fare Structure Review

We're reviewing our fare pricing structure to ensure it's equitable for customers and taxpayers. We'll develop a fare strategy and revenue framework to support the development of the 2019-2022 business plan and budget.



Economic Climate and Revenue Generation

New revenue sources and equitable fare pricing are expected to generate additional revenue.

However, this could take some time, as our overall revenues are decreasing due to the economic climate (and corresponding declines in ridership and lower parking).

We expect new revenue sources and equitable fare pricing, along with efficiency improvements, will help us weather current economic conditions and put us in a better position for when the economy recovers.

Continuous Improvement

Continuous improvement is one of the business strategies we're implementing to help address rising costs and make Calgary Transit more efficient and effective over the long term.

Continuous improvement involves frequently reviewing processes, identifying opportunities for improvement, creating more value, reducing waste, and implementing changes to get better.

With continuous improvement, senior leadership, middle management, frontline management, and frontline workers are all involved in improving the business.

Private and public sector organizations that embraced continuous improvement have grown stronger and more collaborative, and have enhanced product/service quality, delivery, safety, and productivity.

Improving our business is nothing new for Calgary Transit. We have a long track record of adapting to better move Calgarians.

From incorporating modern transportation vehicles and systems to service enhancements, we've embraced change to become more efficient and responsive to the many challenges of a dynamic city. Our organization today is strong and successful and focused on customers.

Continuous improvement taps into Calgary



Transit's dedicated, talented and knowledgeable people to find better ways to do the work.

Continuous improvement is collaborative and empowers employees to suggest and make improvements.

It looks for ways for us to work smoothly, reducing employee frustration and hassles.

Instilling a continuous improvement mind-set at all levels of the organization will enable Calgary Transit to realize several benefits:

- ensure Council, taxpayers and customers see the best value for money invested in and spent on Calgary Transit;
- be better able to respond to internal and external challenges and opportunities by making better decisions based on metrics and analytics;
- increased engagement and accountability among all employees and service partners through better understanding of the connection of daily work to business goals and ensuring they have the tools to thrive in their roles;
- evolve as an industry leader through a culture committed to continuous improvement and innovation.

In addition to increased engagement, accountability at all levels and pride of work, employees will experience a simpler, easier-to-navigate workplace, which will offer more opportunities for growth and development.

We'll also be better aligned to The City's values of individual responsibility and collective accountability and the 4Cs: the essential organizational qualities of character, competence, commitment and ability to collaborate.

Calgary Transit Improvement Program

We've set up the Calgary Transit Improvement Program (CTIP) to guide continuous improvement integration into our culture and leverage the implementation of ZBR recommendations for larger, sustained impact throughout our organization.

CTIP is giving us a more robust and solid understanding of our business.

In partnership with Calgary Transit divisions, CTIP is delivering the ZBR recommendations City Council approved in June 2016 and supporting improvements in other areas, as opportunities are identified.



CTIP is sponsored by the Calgary Transit Director and guided by a steering committee, which includes Calgary Transit senior leaders.

CTIP is currently being funded through one-time funding from the Budget Savings Account and includes staff costs and costs for bridging to full implementation of ZBR recommendations.

