

COMMUNITY LEADERS' TASKFORCE

ON

RESTRUCTURING

THE PREFERRED ALTERNATIVE

FOR

GOOD MUNICIPAL GOVERNMENT

Presented May 28, 2001



Introduction:

This Task Force has spent a significant amount of time over the past several months, both in meetings and in individual research, examining the options that were presented to us in Council's original Terms of Reference. We have outlined in this report our recommendation for a preferred form of governance for Cambridge and this regional area. The recommendation that we are making is one of consensus and agreement amongst the members of the Task Force.

We are not made up of municipal structure experts, or professors of government studies. We are made up of local citizens who are concerned about the future and the structure of our municipal government. We have read the experts and the professors, and debated the merits of each, based upon common sense and a study of other experiences in Ontario and in other parts of Canada. We are not presenting a definitive cost analysis of our alternative, but a knowledgeable projection of the cost savings that should be realized through the implementation of our recommendation.

The Terms of Reference asked us to return to this Council with a preferred option for municipal restructuring in Cambridge. We have done that while also considering a more global view of the rest of the Region. We recognize the political landscape within the communities that make up the Region, and believe that if our preferred alternative is to be implemented in Cambridge it must be accepted by the other communities of the Region and the Province of Ontario.

One of the driving forces behind our conclusions and the arrival at our preferred alternative is the sense of community that exists here in Cambridge. This sense of community was spelled out in the October, 1994 report entitled "Our Common Future". This report does not lend any tax saving justification to its conclusions; however, it does spell out the tremendous pride that the citizens of Cambridge feel towards the City, as it exists today. There are a large number of unique attributes with which we describe Cambridge. They are found in the defining document known as "Our Common Future", as well as in the events that have occurred since that time, such as the Cambridge Arts



Centre, the Riverwalk Trails, Cruickston Park, and soon, we hope, the University of Waterloo School of Architecture.

The Preferred Alternative:

This Task Force is recommending that the form of municipal government in Cambridge and the rest of the Region move to a single-tier system for each of the current municipalities with a Management Board overseeing services provided on a Region-wide, cost-effective basis. However, local municipalities would provide most services to their constituents. The Management Board would replace the current Regional Council. The Management Board would consist of 3 city councillors from each of Cambridge, Kitchener, and Waterloo, and one councillor from each of the 4 townships in the Region. This Board would meet once per month or as often as necessary under the direction of an appointed non-voting chair who is not part of any municipal council or staff and this chair would be appointed for a single non-renewable three year term.

The Management Board would be responsible for Police Services, Social Services, and Public Health. These services would remain as a Region wide service. The Management Board would also have one full time staff to act as a “Coordinator” for planning, and one full time staff to act as a “Coordinator” for Roads and for Public Transit. Each Coordinator would hold a monthly meeting with the department heads of the planning or roads departments of the three cities and four townships in order to coordinate these functions from a Region wide perspective. We recognize that voluntary agreement will not always be possible on some issues, in which case resolution of the issue would be accomplished by the Management Board.





**The Allocation of Responsibilities Between the
City of Cambridge and the Management Board**

| | City of Cambridge | Management Board |
|------------------------------------|--------------------------|------------------------------|
| Police | | X |
| Fire | X | |
| Planning Development | | Planning Coordinator only |
| a. Building | | |
| Zoning | X | |
| By-law enforcement | X | |
| Development fees | <u>X</u> | |
| Official Plan | <u>X</u> | |
| b. Economic Development | | |
| Planning | X | |
| Promotion/Liaison | X | |
| Taxation | | |
| Collection | X | |
| Tax Rate | X | |
| Roads | | |
| Planning & Construction | <u>X</u> | |
| Maintenance | <u>X</u> | |
| Snow Removal | <u>X</u> | |
| Regional Roads Cost Sharing | <u>X</u> | X |
| Water | | |
| Source | <u>X</u> | |
| Distribution | <u>X</u> | |
| Quality Control Testing | | X |
| Sewers/Storms | <u>X</u> | |
| Cost share sewage treatment | X | X |
| Parks/Rinks/Pools | X | |

| | | |
|---|----------------------|---|
| Garbage Collection Disposal (Sites) | <u>X</u> <u>X</u> | |
| Electrical Power Distribution | X | |
| Building Department Approvals/Permits Inspection | X X | |
| Environmental Planning Monitoring/Testing Control | X X X | |
| Libraries | <u>X</u> | |
| Public Transit | <u>X</u> | With traffic coordinator only |
| Parking Control | X | |
| Cultural Events | X | |
| Heritage | <u>X</u> | |
| Marriage Licensing | X | |
| Animal Control | X | |
| Cemetery | X | |
| Social Services Public health units Sexually transmitted disease control School dental care Public health inspection and control Contribution to public hospitals Ambulance service General welfare assistance Home care Seniors homes and services Children's aid society grants Volunteer organization grants Day care facilities and grants | <u>X</u> <u>X</u> | X X X X X X X X X X X |

Note: X in above chart indicates movement of service from regional level to local or rationalization of service from both regional and local to local.



Other functions to be handled by the Management Board staff would be Water Quality Control. The Management Board would also Cost Share in the construction of Sewage Treatment Plants, and in Road Construction for roads that are currently considered “Regional”.

One other difference with our Management Board alternative is that it will not be a taxing authority, nor would it create by-laws. Each year, the members of the Management Board would approve a baseline budget for the costs that it expects to incur in the following year, and these costs would be allocated out to the municipal governments on a weighted Taxable Assessment basis. Each municipality would include this amount in their tax bill to the taxpayers of their community, and remit monies on a monthly basis to the Management Board. Any by-law required to implement Management Board programs would be passed by each municipality.

Higher levels of service requested by an individual municipality over and above the base line service set by the Management Board could be purchased from the Management Board by that municipality. The Management Board would be responsible for administering this extra level of service for the particular municipality requesting the higher level of service. No other municipality in the Regional area would be contributing to the extra cost of this higher level of service.

Management Board staff would be supervised by a general manager. The job description for this position compared to the current CAO would change somewhat, due to the absence of taxing ability, and the reduction in overall region-wide responsibility for services that are currently in place.

Services that would remain or become solely the responsibility of each municipality would be Fire, Planning and Development, Taxation, Roads, Water and Sewer, Parks and Recreation, Garbage, Electrical Power Distribution, Environmental Protection, Libraries, Public Transit, Parking Control, Culture and Heritage, Animal Control, and Cemeteries. Also, volunteer organization grants, and Day Care Facilities and grants would become the responsibility of each local municipal government.



Cost Saving:

Obviously, one of the major factors in making this alternative widely acceptable in the regional area is that the cost of government needs to be reduced. This objective has been a key priority for the Task Force. We asked a municipal government consultant, Dr. Peter Tomlinson, to take our model and make some costing calculations. He has done this with the help of the Deloitte & Touche report which analyzed restructuring in the Region of Waterloo in the year 2000. In fact, three quarters of the savings generated by our model have been derived directly from the D&T calculations.

In total, it is estimated that our preferred model will save the taxpayers of the Region in excess of \$4,000,000 on their tax bill **each year**, which includes about \$1,000,000 for Cambridge taxpayers **annually**. (Please see Appendix A for the detailed calculations underlying the savings projections)

Ontario Government Mandate:

One of our main criteria was to ensure that our Preferred Alternative met the mandate of the Government of Ontario with respect to municipal restructuring. We feel that this objective has been accomplished. The Provincial mandate stated the following five objectives:

1. Fewer **municipal politicians** while maintaining **accessible, effective, accountable representation**, taking into consideration population and community identity.
- *The preferred alternative eliminates all paid **Regional** politicians that sit solely at the Regional Government level.*
 - *It maintains **accessibility** because all members of the management board sit on municipal councils.*
 - *It is **effective** because all the management board members clearly understand the issues and needs of their respective communities.*
 - *It is **accountable** because all the members of the management board are subject to reelection as members of their respective council.*
 - *It is **representative** based upon the recommended weighting of three members per city and one member per each of the townships.*



- *It does not undermine or dilute community **identity** the way that the current system does by having independently elected councilors to regional council.*

2. **Lower Taxes by reducing overall municipal spending**, delivering high quality services at the lowest possible cost, preserving **volunteerism** and **promoting job creation, investment and economic growth**.

- *On a region wide basis, it is estimated that the total annual **savings** would be approximately 4 million dollars per year.*
- *Savings are achieved by:*
 1. *Reducing **overall municipal spending**.*
 2. *Allowing **service levels** to be established on a municipal basis rather than on a region wide basis.*
 3. *Maintaining the opportunity for **voluntary participation** in government by local citizens.*
 4. ***Promoting job creation, investment and economic growth** by having competitive local municipal government structures that are responsive to the needs to both the citizen and business community.*

3. **Better, more efficient service delivery** while maintaining taxpayer **accessibility**.

- *By maintaining the center of government in each of the three cities and four Townships, **accessibility** by the taxpayer is guaranteed while at the same time providing each of the municipal entities the opportunity to determine, on behalf of their respective taxpayers, the most **effective and efficient** way of providing **services**.*

4. **Less bureaucracy** by simplifying and streamlining government, reducing **duplication** and overlap, and reducing **barriers** and **red tape** for business.

- *The Preferred Alternative eliminates all **duplication**, thereby reducing **barriers** and **red tape** since there is only one local level of government to deal with for decision making purposes.*

5. **Clear Lines of responsibility and better accountability at the local level** by reducing **duplication** and **overlap**.

- *Based upon the preferred alternative, the **responsibilities** for various activities are very clearly defined since **duplication and overlap** have been eliminated from the system.*



In order to reduce costs to the taxpayers of Cambridge, and indeed to all the other residents of the Region if our approach is followed, we need to remove as much duplication from the system as possible. In order to make municipal government more accountable, we need to have the municipal political decision makers as close to the community they represent as possible. In order to enhance the sense of community in Cambridge, ordinary citizens need to be able to feel comfortable speaking with their representatives in familiar surroundings. We believe that our preferred alternative accomplishes these objectives.

Support for Preferred Alternative:

The other municipal alternative that has received a lot of attention over the past couple of years is the so-called “Mega City” approach. Effectively, this would eliminate all seven existing municipal governments within the Region, and centre it in one location, away from the communities that it is supposed to serve. The objective of this approach in the Region appears to be to remove the competition for assessment between the seven municipal areas within the region. This approach is singular in nature, and will not reduce taxes or assessment in the future, but removes the incentive to keep taxes down.

This Task Force has reviewed a number of reports that indicates that savings projections based on amalgamation service delivery are unlikely to be realized, whereas locally based savings from ending duplication are more realistic. The 2001 C.D. Howe Institute report by Prof. Robert Bish cites a considerable number of independent publications, pointing to the conclusion that a city as large as the Regional Municipality of Waterloo is larger than required to achieve lowest servicing cost. The fact that there are no independent research publications pointing to a contrary conclusion is evidence of this fact.

At the same time, the C.D. Howe study points to the inefficiency of having local governments that are larger than necessary, which brings with the size the lack of competitive pressure to innovate. Larger municipalities are also burdened with the inability to meet varying service demands. Prof. Andrew Sancton’s book “Merger



Mania” (2000) provides additional evidence on this point. Where savings appear to have been achieved by amalgamation, opinion surveys indicate a belief that service levels have not been maintained. (See Kushner, J. and Siegel, D. [2000] “Citizens’ Perception of Municipal Amalgamation in Chatham-Kent”, cited in C.D. Howe report.)

Experience suggests that the projected savings on amalgamations does not happen in the long run. Initially, there is a levelling up of wages and salaries to the highest level within the organizations that are amalgamated, and then there is a levelling up of service levels to the highest common denominator. In Cambridge we have the experience of a levelling up of wages and salaries recently in the amalgamation of the transit service, where we saw a significant cost increase to level up the wages, salaries and benefits of Cambridge transit personnel with the transit service of Kitchener and Waterloo. This is an annual cost increase, in that we pay for this every year from this point forward.

Conclusion:

This Task Force has initiated a statistically significant public opinion survey that will begin within Cambridge two weeks from now. The results will be available to us within 3 weeks after the start of that survey. These opinions will be incorporated into this report to make a final report to Council, that will be presented before the end of June, 2001.

The research that we have reviewed, and the knowledge that we have about the City of Cambridge and the other municipalities in this regional area, lead us to conclude that a region-wide single-tier approach to municipal restructuring is the wrong solution. A number of the conclusions reached in that model are without basis, and are directly opposite to experience reported in studies made after the fact where amalgamation has occurred. We trust that this will not happen to Cambridge.

We wish to take this opportunity to thank the members of council for allowing us to report to you on this critical issue facing Cambridge and the taxpayers of this regional area. We sincerely hope that our recommendations will assist in the development of a better form of municipal government for all of Cambridge and the Region of Waterloo.

Appendix A

In considering the potential for cost savings, our starting point was the Deloitte & Touche “Rationalized Two Tier” model (pp. 53-58 of their report). Unlike our model, Deloitte’s model moves all services to the Region if they are now delivered by both regional and local levels. Because our model moves these same services to the local level, much of the Deloitte analysis of cost savings would not apply to our model.

However, one of Deloitte’s savings components is applicable to both models -- a “shared service organization” that would look after payroll, human resources and information technology on behalf of all municipalities (p. 55). The Board of Management in our model provides a vehicle for such joint-venture projects, if the municipalities choose to use this vehicle for such purposes.

It might seem paradoxical that a shared service organization could accord with our model, given that service responsibility would otherwise be extensively decentralized. However, functions such as IT and payroll are internal support functions, not services provided to the public. We see no contradiction in moving service delivery closer to the taxpayer while also sharing internal support functions -- where doing so would be substantially less costly.

In fact, municipalities would probably be more willing to consider joint ventures once the regional government is eliminated. In the rationalized two-tier model considered by Deloitte & Touche, the shared service organization would be part of the regional government -- a prospect which municipalities could see as threatening. This is a key consideration, given the provincial government’s preference for cost savings achieved by voluntary means.

The Deloitte report shows savings projections from implementing the shared service organization ranging from \$2,088,850 to \$3,675,489/yr. (p. 54). Our projection uses the mid-point of that range: \$2.9 million/yr. on a rounded basis.



The rationalized two-tier model considered by Deloitte & Touche maintains both regional and local councils, along with the full time Regional Chair. Hence governance savings were projected at zero in their report (p. 55). In our model, the regional council positions are eliminated along with the full-time Chair position. Examination of the 2001 operating budget indicates that governance savings of \$600,000/yr. are achievable under our model.



The third projected savings component arises from rationalizing road services. While Deloitte & Touche only considered moving local roads to the regional level, three studies cited in their report (p. 70) considered this option plus the alternative of moving regional roads to the local level. These studies are for Hastings and Simcoe Counties (both by McCormick Rankin), and for Durham Region by Douglas Armstrong and Harry Kitchen.

All three studies projected savings by rationalizing road services at either the local level or regional level, but greater savings were projected if local roads moved to the regional level rather than if regional roads moved to the local level. However, we consider the latter savings projections to be more realistic.

Of the three studies, the Durham study projected the lowest percentage savings from localizing regional roads. Still, it is relied on for our purposes here because it appears most relevant to Waterloo. Based on 1997 FIR (Financial Information Return) data, Waterloo and Durham have similar total roads budgets, a similar upper/lower-tier division of responsibility, and a similar mix of municipalities (cities and townships).

On the assumption that Durham regional road responsibility would move to the local level, Armstrong and Kitchen projected savings ranging from 0.8% - 1.5% of total road expenditure (upper and lower tier combined). Applying the midpoint of that range (1.15%) to 1997 total expenditure on roads in Waterloo (\$50 million), we arrive at a savings projection of \$575,000 per year.

The three savings components discussed to this point make up the savings projection for purposes of this report. To recapitulate, they are General Government (\$2.9 m./yr.), Governance (\$0.6 m./yr.) and Roads (\$0.575 m./yr.), a total of \$4.075 m./yr.



A number of other services delivered by both regional and local levels would be rationalized in our model (at the local level). The major items are sewer/water, solid waste removal and libraries. Expenditure on these services totaled \$122.8 m. in 1997. Detailed analysis of these services would be required before a firm savings projection could be arrived at. We would just note as a provisional estimate that if the 1.15% figure for roads applied to these services as well, the additional savings (over and above the \$4.075 noted in the preceding paragraph) would be \$1.41 m./yr.

We emphasize that in rationalizing expenditure at the local level, any potential loss of scale economies would be avoided by joint service delivery or contracting, along the lines discussed in the C.D. Howe Institute report.