



Corporation of the  
Municipality of French River

# Operational Review

Final Report

March 2, 2017





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**Mr. Marc Gagnon**  
**Chief Administrative Officer**  
**Corporation of the Municipality of French River**  
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Noelville ON P0M 2N0

March 2, 2017

Dear Mr. Gagnon

### **Operational Review**

We are pleased to provide our report concerning KPMG's review of the operations of the Municipality of French River (the 'Municipality'). Our review was undertaken based on the terms of reference outlined in our engagement letter with the Municipality dated September 16, 2016.

The purpose of the review was to evaluate the services of the Municipality with the intention of identifying potential opportunities for efficiencies while at the same time balancing services and service levels with affordability concerns. As noted in our report, the results of our review have identified opportunities that could be considered by the Municipality in this regard. Our review has also identified aspects of the Municipality's operations that could benefit from additional investments and as such, consideration could be given to reinvesting any cost reductions realized for the purposes of enhancing services and ensuring that the Municipality's infrastructure meets the needs of its residents.

We trust our report is satisfactory for your purposes and appreciate the opportunity to be of service to the Municipality. Please feel free to contact the undersigned at your convenience should you wish to discuss any aspect of our report.

Yours truly,

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Corporation of the  
Municipality of French River

# Executive Summary



# Executive Summary

## A. Background to the Review

KPMG LLP ('KPMG') has been retained by the Municipality of French River (the 'Municipality') to undertake an operational review, the intention of which was to:

1. Provide an overview and evaluation of the Municipality's operations, staffing and service levels;
2. Objectively evaluate the Municipality's operating effectiveness and efficiency, using consultations with staff, comparative analysis and process mapping; and
3. Identifying potential opportunities for Council's consideration for changes that will maintain adequate service levels while allowing for the achievement of long-term sustainability for the Municipality.

Beyond the items identified within the engagement letter, the Municipality sought out a review that would focus on increasing organizational effectiveness and efficiencies opposed to an exercise where only service level reductions were identified and developed.

This report outlines the results of our analysis.

## B. Key Themes

Our review of the Municipality's operations involved the following approaches to gathering information and identifying areas for improvement:

- A review of relevant documentation, including financial reports, agreements and operating statistics where available;
- A comparison of key financial indicators against other municipalities; and
- Consultation with personnel and selected other parties through individual interviews as well as group discussions.

The results of our analysis identified key themes of the Municipality's operations, including the following:

### 1. There is a need for continuity within the organization

Since 2012, the Municipality has experienced significant turnover among its senior management ranks with two key positions, the Chief Administrative Officer and Treasurer. Constant turnover has presented challenges to the Municipality's with partially implemented systems and processes and loss of continuity at the senior management level.

# Executive Summary

## **B. Key Themes**

### **2. The Municipality's approach to its financial processes require attention**

Directly related to turnover at the Treasurer position but also consistent with what our experience has been with other municipalities, the Municipality's processes have remained unchanged for a number of years. During the course of the review, the Municipality's financial processes were mapped out with over 20 process changes identified to address a variety of issues such as better utilization of the Municipality's software, manual entries and the duplication of efforts.

### **3. There are aspects of the Municipality's financial management which support long-term financial sustainability but recent trends appear to counter the past**

Over the past five years, the Municipality has incorporated financial management practices which would be considered as best practice with consistent contributions into its reserves and reserve funds and capital infrastructure investments. In our experience, a municipality's capital replacement program is typically linked to the availability to funding support from senior levels of government whereas the Municipality appears to be investing in its infrastructure annually rather than only when grant programs are made available. However, the Municipality's budget process appears to be in need of refinement with a more consistent approach to municipal taxation to assist in meeting the Municipality's operating needs while supporting the Municipality's continued investment in its infrastructure.

To be discussed further as part of the next key theme where the Municipality appears to be delivering what is expected of a municipality of similar size. Also, the Municipality appears to be providing these services either close to or below the municipal average in comparison to ten municipal peers. As such, there does not appear to be an affordability issue in the Municipality. In our analysis of municipal taxation, the typical property in the Municipality trends toward the lower (non-seasonal) or middle (seasonal) of the taxation spectrum.

### **4. Service levels and operating costs appear to be consistent with the comparator group**

Based on our analysis of the Municipality's operations and the associated operating expenditures, the Municipality currently provides a complement of services that would appear to be consistent with its comparator group and do not appear to exceed service level standards with the exceptions highlighted later in the report. Beyond service levels, the Municipality appears to be a low cost provider of municipal services in comparison to the Municipality's peers. Ultimately, the current state of operations in the Municipality appears to limit the number of opportunities to reduce service levels. However, the decision to reduce service levels always remains with Council if they choose to pursue those.

# Executive Summary

## C. Opportunities for Consideration

As part of the initial consultation process with Council, the Municipality elected officials indicated they would be receptive to change across the organization and the services provided by the municipality. The results of the review provide the Municipality with over thirty (30) specific items for their consideration which identify operational change (financial and non-financial), the potential for increases in non-taxation revenues (user fees) and a number of areas to which the Municipality could improve upon its financial management practices and policies. The opportunities identified as part of the operational review are summarized below.

Opportunity
• Refinement of corporate systems including establish corporate goals and objectives, clarifying roles and responsibilities and performance management
• User fees – standardize cost recovery for recreational services opposed to the current approach of an annual percentage increase
• Rationalization of library support
• Shift towards a full cost recovery model for building control services including the enforcement of the Municipality’s building permit renewal fee
• The establishment of a communications policy including internal, external, and social media components
• The establishment of financial policies including formalizing the Municipality’s budget process
• Reducing road maintenance to private and rural roads
• The establishment of a capital levy to assist in the reinvestment in the Municipality’s infrastructure
• Re-evaluating the Municipality’s approach to solid waste management services
• The acquisition of an excavator to assist in public works activities

# Executive Summary

## C. Opportunities for Consideration

Opportunity
<ul style="list-style-type: none"><li>• Rationalization of municipal assets</li></ul>
<ul style="list-style-type: none"><li>• A series of process efficiencies and enhancement as identified in our mapping of the Municipality's processes</li></ul>

We recognize that the ultimate decision as to the operations and associated service levels provided by the Municipality of French River rests with Council and we trust our report assists with the decision making process.



Corporation of the  
Municipality of French River

Study

Overview



# Study Overview

## A. Terms of Reference

The terms of reference for our engagement were established in KPMG's engagement letter dated September 16, 2016 and consistent with KPMG's proposal document dated April 2, 2015, the intention of our review was to provide the Municipality with a comprehensive review of its municipal services and operations that will make recommendations on Municipality's structure, service delivery and staff resourcing while prioritizing efficiency and effectiveness in municipal service provision, customer service excellence, value and respect for municipal staff, value for money for municipal services provided, fiscal responsibility, and accountability and transparency. Specific outcomes outlined within the engagement letter included:

- Assisting the Municipality with the establishment of a methodology for the operational review;
- In conjunction with the Municipality's staff, undertaking analysis of financial practices, services, service levels and associated costs and funding; and
- Summarizing the results of our analysis and presenting potential opportunities to the Municipality.

## B. Methodology

### Project Initiation

- An initial meeting was held with the Chief Administrative Officer (the 'CAO') to confirm the terms of the review including the objectives, deliverables, methodology and timeframes.
- The Municipality's review team was comprised of municipal senior management and staff with the intention of assisting with the review of municipal operations and services (including the Municipality's financial management practices and policies) and the identification of potential opportunities for change.

# Study Overview

## B. Methodology

### Environmental Scan

- Information concerning the Municipality's operations, staffing and financial performance were reviewed and summarized in order to identify the types of services delivered, the associated level of resources (personnel and financial) and the method of funding.
- Additional information pertaining to the Municipality's financial management and related policies were reviewed.
- Individual meetings were held with municipal staff within the following groups to discuss the nature of the services provided and the associated service levels, the rationale for the Municipality's involvement in the delivery of these services and the method of delivery:
  - Corporate services representing the Municipality's administrative functions including the CAO, Clerk, Executive Assistant and Administrative Assistant, Treasurer and Deputy Treasurer
    - Additionally, KPMG held a separate set of meetings with the Municipality's Treasury staff (Treasurer and Deputy Treasurer) to discuss the financial practices and processes of the municipality
  - Public works and environmental services comprised of individual meetings with the Municipality's Roads and Landfill Lead Hands, Solid Waste Operator, Public Works Administrative Assistant and the Municipality's Parks and Recreation/Facilities Manager who is currently overseeing the Public Works and Environmental Services department on a trial basis.
  - Protective services included individual meetings with the Municipality's Fire Chief to discuss the Fire Department's operations and activities and the Chief Building Official/Municipal Law Enforcement Officer to discuss building controls and trends and the Municipality's approach to by-law enforcement.
  - Community services included individual meetings with the Municipality's Parks and Recreation/Facilities Manager and Head Librarian to gain insight into service levels and trends with respect to recreational and community services.
- Members of Council were interviewed to gain their perspective on the review, services provided by the Municipality and potential areas for focus.

# Study Overview

## B. Methodology

### Comparative Analysis

- Discussions were held with municipal representatives to determine appropriate municipal comparators that would be utilized during the course of the operational review. Municipal comparators were selected based on the following considerations and the following communities were selected:
  - Single tier municipalities
  - Located in Northern Ontario
  - Similar population and households
  - Typical comparators to the Municipality of French River

Municipality	Population <sup>1</sup>	Households <sup>2</sup>	% of Seasonal Households <sup>1</sup>	Geographic Size (sq. km) <sup>1</sup>
French River	2,662	2,550	54%	735.48
Black-River Matheson	2,438	1,448	8%	1,163.45
Callander	3,863	1,759	8%	105.98
East Ferris	4,750	2,136	14%	155.17
Killarney	386	935	54%	1,653.32
Markstay-Warren	2,656	1,337	13%	512.78
Mattawa	1,993	1,052	9%	3.66
McDougall	2,702	1,868	28%	268.48
Northeastern Manitoulin and the Islands ('NEMI')	2,712	2,029	49%	496.09
Sables-Spanish Rivers	3,214	1,870	21%	815.21
St.-Charles	1,269	963	30%	321.75

Sources: <sup>1</sup> Statistics Canada – Census Profiles (2016) <sup>2</sup> Financial Information Returns (2015)

# Study Overview

## B. Methodology

### Comparative Analysis

- Information concerning municipal services, operating costs, staffing levels, and other aspects of the comparator municipalities was obtained through analysis of available documentation (including information provided by the municipalities' websites and other information such as Financial Information Returns).
- Information concerning service levels for Ontario municipalities was also obtained from other sources, including the Ministry of Municipal Affairs and Housing and the Province of Ontario's legislative and regulatory website.

### Business Process Mapping

- During this stage of our work, an analysis of the current financial policies, procedures and practices was performed. In conjunction with the Municipality's Treasury staff, key financial processes were mapped out, analyzed and reviewed to ensure compliance. Those processes included:
  - Purchasing and tendering process including:
    - Purchasing amounts (\$500 to \$5,000)
    - Policy testing for purchasing for all amounts
  - Tax collection
    - Tax bill processing
    - Issues of non-payment
    - Policy testing for tax arrears
  - Cash controls
    - The collection of payments at the Municipality
    - Receipt of payment
    - Segregation of duties

# Study Overview

## B. Methodology

### Business Process Mapping

- Payroll
  - Payroll process mapping
  - Accounting system analysis
- Annual budget process
- Disposal of assets
  - Disposal process mapping
  - Policy testing for the disposal of assets
- In addition, an analysis of the duties and responsibilities of the members of the finance team was undertaken including the interaction between Treasury staff and other municipal departments and Council.
- Workflow processes related to the Public Works and Recreation departments was documented and mapped with suggested courses of action
- Our analysis focussed on the identification of internal controls, areas of strengths and weaknesses within those financial processes as listed above and develop proposed process changes for the Municipality's consideration based upon our experience and best practices.

### Opportunity Identification

- During the environmental scan stage and in individual meetings with municipal staff, discussions were held to identify potential opportunities for enhancing efficiencies, reducing operating costs and increasing non-taxation revenues, as well as the potential implementation issues and risks associated with each opportunity
- Summaries of each opportunity were developed and reviewed with municipal management to ensure the accuracy of the information presented, the reasonableness of the estimated savings and implementation issues and the potential strategies for implementation

# Study Overview

## **B. Methodology**

Communication and Council direction

- Throughout the review process, KPMG and management remained in frequent contact to discuss the progress of the review.
- An interim presentation was provided to Council on September 14<sup>th</sup> to update Council on the review process with a preliminary list of opportunities.
- Subsequent to the presentation, members of Council were interviewed individually to determine their preliminary level of support for the identified opportunities on November 14<sup>th</sup> and 15<sup>th</sup>
- Based on the results of the Council interviews, the opportunities were then presented to Council along with potential strategies for implementation during an open meeting of Council on March 2<sup>nd</sup>, 2017.

# Study Overview

## **Restrictions**

This report is based on information and documentation that was made available to KPMG at the date of this report. KPMG has not audited nor otherwise attempted to independently verify the information provided unless otherwise indicated. Should additional information be provided to KPMG after the issuance of this report, KPMG reserves the right (but will be under no obligation) to review this information and adjust its comments accordingly.

Pursuant to the terms of our engagement, it is understood and agreed that all decisions in connection with the implementation of advice and recommendations as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the Municipality of French River. KPMG has not and will not perform management functions or make management decisions for the Municipality of French River.

This report includes or makes reference to future oriented financial information. Readers are cautioned that since these financial projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material.

Comments in this report are not intended, nor should they be interpreted, to be legal advice or opinion.

KPMG has no present or contemplated interest in the Municipality of French River nor are we an insider or associate of the Municipality of French River or its management team. Our fees for this engagement are not contingent upon our findings or any other event. Accordingly, we believe we are independent of the Municipality of French River and are acting objectively



Corporation of the  
Municipality of French River

# Corporate Overview



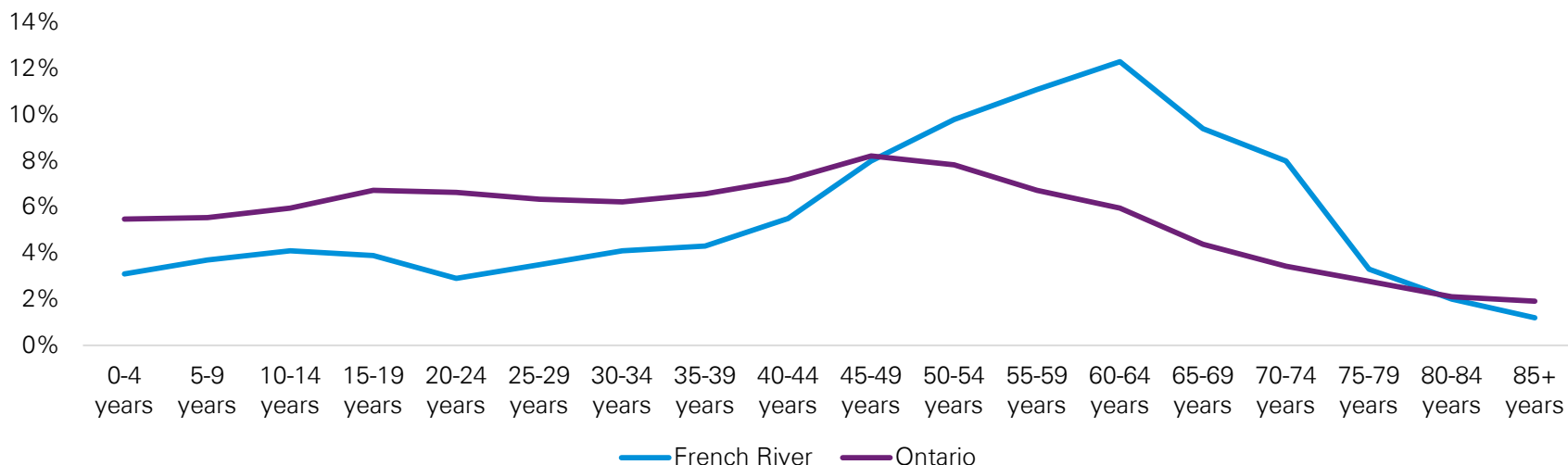
# Corporate Overview

## A. Community Profile

Incorporated on January 1, 1999 as part of municipal restructuring in Ontario, the Municipality of French River is located 45 minutes outside of the City of Greater Sudbury with 2,662 residents with 2,550 households. Based on information contained within the Municipality’s most recent Census profile, 54% of the Municipality’s residents may be considered as ‘seasonal’ and may not reside in the community for 12 months of the year. The Municipality’s economy is largely tourism based with a modest service industry. Over the past fifteen years, the Municipality’s population has grown by 9% from 2011 to 2016 and similar to many communities, the demographics of the Municipality reflect one of an aging population.

	1996	2001	2006	2011	2016
Population <sup>1</sup>	2,847	2,810	2,659	2,442	2,662
Change	-	↓1.3%	↓5.4%	↓8.2%	↑9.0%

### Municipality of French River Demographics (2011)<sup>1</sup>

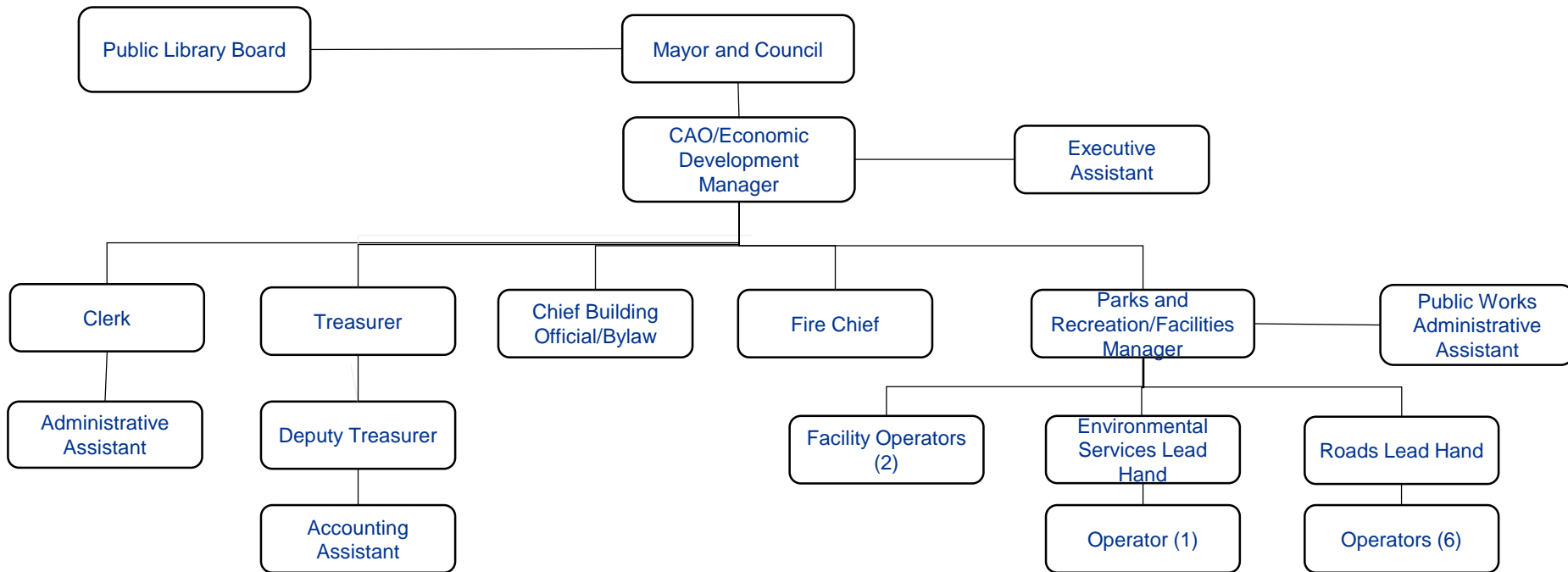


Sources: <sup>1</sup> Statistics Canada – Census Profile for the Municipality of French River

# Corporate Overview

## B. Organizational Structure

The Municipality's operations are structured with six direct reports (at the time of this report, five direct reports with a vacancy in the Director of Operations position) to the Chief Administrative Officer ('CAO') who also holds the position of Economic Development Manager after the department was restructured in 2015. The restructuring in 2015 resulted in three fulltime equivalent positions being eliminated within the organization including the fore-mentioned management position, the elimination of a fulltime Community Development Officer, and a fulltime Tourism Officer. At the time of the review, the Municipality has decided, on a trial basis, to have the Parks and Recreation/Facilities Manager oversee the Public Works department. The organizational structure is consistent with similarly sized municipalities with all department heads reporting to the CAO.



# Corporate Overview

## C. Operating Expenditures

Over the past five years, the Municipality's total operating expenditures have increased by \$471,000 (\$5.49 million in 2011 vs. \$5.97 million in 2015), representing an average change of 3% per year. Wages and benefits increased by an average of 3.4% on an annual basis with wages and benefits fluctuating over the past five years. Expenditures relating to contracted services (OPP, solid waste management, and other miscellaneous public works contracts) increased by 5.2% on average. External transfers (payments to the District Social Services Administrative Board, Health Unit, and other agencies) increased by 4.0% annually from 2011 to 2015 and materials and supplies decreased by an average of 4.2% annually between the years of 2011 to 2015. Other expenditures (rents and other financial expenses) accounted for \$187,000 in 2015 but have decreased by 1.8% over the past five years.

(in thousands)	2011	2012	2013	2014	2015	Average Annual Change
Wages and benefits	\$1,632	\$1,498	\$1,787	\$1,921	\$1,886	↑3.4%
Contracted services	\$1,513	\$1,471	\$1,237	\$1,710	\$1,825	↑5.2%
External transfers	\$1,016	\$1,081	\$1,193	\$1,198	\$1,232	↑4.0%
Materials and supplies	\$1,120	\$1,063	\$1,328	\$982	\$838	↓4.2%
Other	\$212	\$253	\$239	\$201	\$187	↓1.8%
<b>Total expenses</b>	<b>\$5,493</b>	<b>\$5,366</b>	<b>\$5,784</b>	<b>\$6,012</b>	<b>\$5,968</b>	<b>↑3.0%</b>

Source: KPMG Analysis of Financial Information Provided by the Municipality of French River

# Corporate Overview

## C. Operating Expenditures

### *Contracted Services*

With respect to contracted services, the Municipality of French River uses external service providers for a variety of municipal services including the following larger municipal functions:

Wastewater operations – The Ontario Clean Water Agency ('OCWA') is responsible for the operation and maintenance of the Noelville wastewater treatment facility;

Policing – The Municipality has an agreement with the Ontario Provincial Police for the provision of policing services; and

Roads – The Municipality has agreements with private contractors for summer and winter road maintenance.

Overall, the Municipality has experienced an increase of just over 20% for the entirety of its contracted services when comparing 2011 to 2015. Outside of contracted services in other functions, road maintenance contracts represent the largest contracted service increase with an escalation in costs of \$77,532 or 48% over the past five years. Solid waste management services have decreased by slightly over half during the same time period.

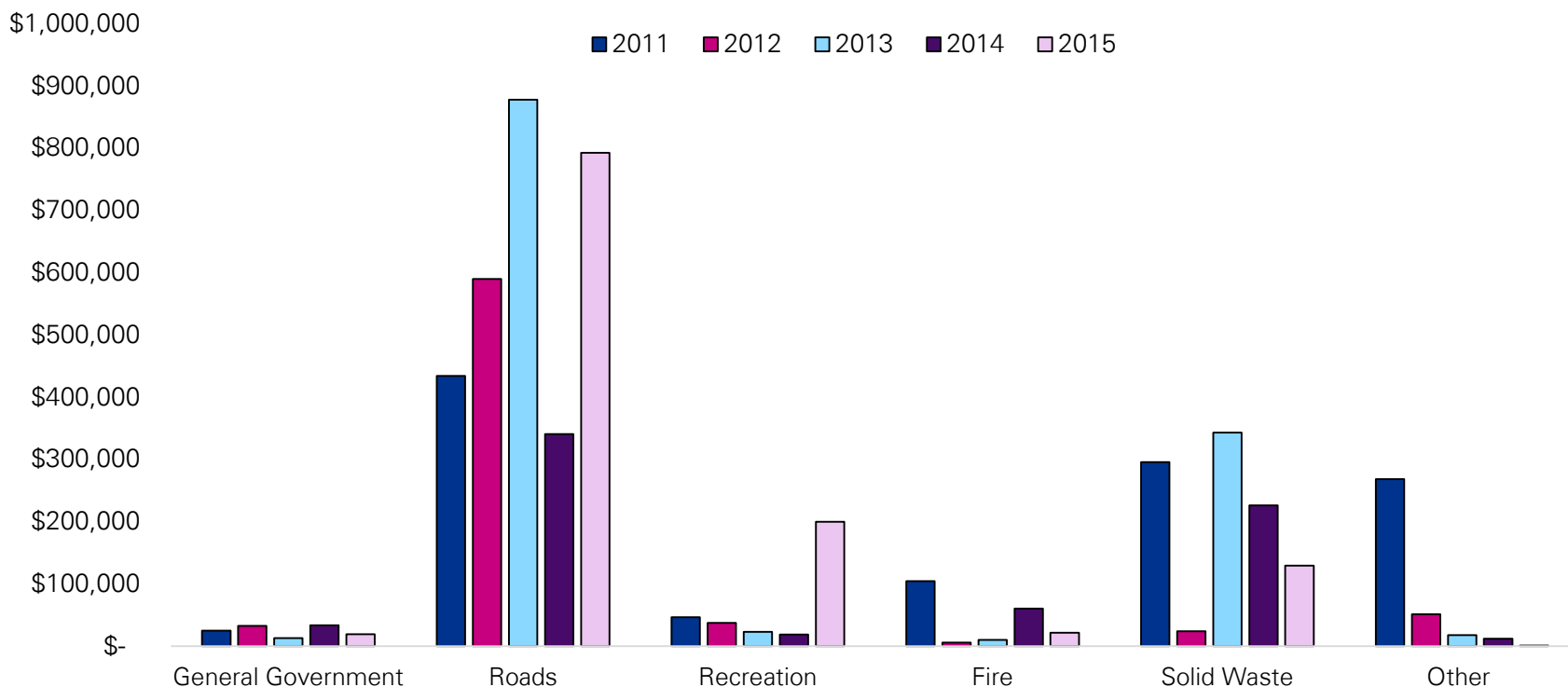
Contracted services costs by function	2011	2015	Change (2011-2015)
Ontario Provincial Police	\$430,605	\$593,018	↑37.7%
Wastewater	\$102,251	\$124,937	↑22.2%
Roads	\$161,230	\$238,762	↑48.1%
Solid Waste Management	\$504,958	\$240,604	↓52.4%
All other functions	\$314,287	\$625,013	↑98.9%
<b>Total</b>	<b>\$1,513,331</b>	<b>\$1,825,334</b>	<b>↑20.4%</b>

# Corporate Overview

## D. Capital Expenditures

The Municipality has spent an average of \$1 million on its municipal infrastructure over the past five years. Investments into the municipal transportation infrastructure received the majority of capital investment on an annual basis ranging from 37% in 2011 to 80% in 2012 and an average of 62% for the other three years. The second largest capital expenditure category is within the Municipality's solid waste infrastructure with a total of slightly over \$1 million over the past five years.

*Capital Expenditures by Function (2011 to 2015)*



# Corporate Overview

## E. Funding Sources

During the 2015 fiscal year, the Municipality generated a total of \$8.2 million to fund operating and capital expenditures. Local funding sources (defined as taxes and user fees) accounted for \$4.9 million in 2015, representing 64% of all revenue for the Municipality. The Municipality received \$1.9 million or 25% of its revenue from the Province of Ontario through the Ontario Municipal Partnership Fund ('OMPF') in 2015 which has decreased by \$131,000 since 2011. Grants from senior levels of government amounted to \$424,000, consisting of \$276,000 in operating grants and an additional \$148,000 in capital grants.

Since 2011, the Municipality's total revenues increased by \$1,400,000 with the majority of this increase being comprised of increased municipal taxation revenues offset with a decrease in capital grants over the five year period.

(in thousands)	2011	2012	2013	2014	2015	Change (2011-2015)	Average Annual Change
Taxes	\$3,452	\$3,748	\$3,872	\$4,102	\$4,730	↑\$1,278	↑6.6%
OPP per Household Charge	-	-	-	-	\$522	-	-
User fees	\$245	\$389	\$278	\$214	\$253	↑\$8	↑5.1%
Operating grants	\$156	\$226	\$154	\$385	\$276	↑\$120	↑26.9%
OMPF	\$2,001	\$1,921	\$1,956	\$1,900	\$1,870	↓\$131	↓1.3%
Capital grants	\$561	\$163	\$450	\$15	\$148	↓\$413	↑95.5%
Other revenue	\$345	\$402	\$448	\$385	\$361	↑\$16	↑1.5%
<b>Total</b>	<b>\$6,760</b>	<b>\$6,849</b>	<b>\$7,158</b>	<b>\$7,001</b>	<b>\$8,160</b>	<b>↑\$1,400</b>	<b>↑5.0%</b>

Source: KPMG Analysis of Financial Information Provided by the Municipality of French River

# Corporate Overview

## F. Taxation and Assessment

As noted earlier, municipal property taxes represent the largest single source of revenue for the Municipality, accounting for 62% of total revenues.

In Ontario, the allocation of municipal taxes among different property classes is influenced by a number of factors, the most significant of which we consider to be:

- Assessed values of the property classes, which are determined every four years by MPAC. Where properties experience a decrease in assessed values, these are considered immediately for the purposes of calculating property taxes. For those properties experiencing increases in assessed values, the increases are phased in over four years.
- Tax ratios, which distribute the burden of municipal taxes between different property classes and which are intended to reflect the distribution of taxes prior to the implementation of the property tax regime (fair value assessment). In order to manage the use of tax ratios and prevent the unfair shifting of taxes between classes, the Province has established maximum and minimum tax ratios, as well as other rules concerning how municipalities can change tax ratios.

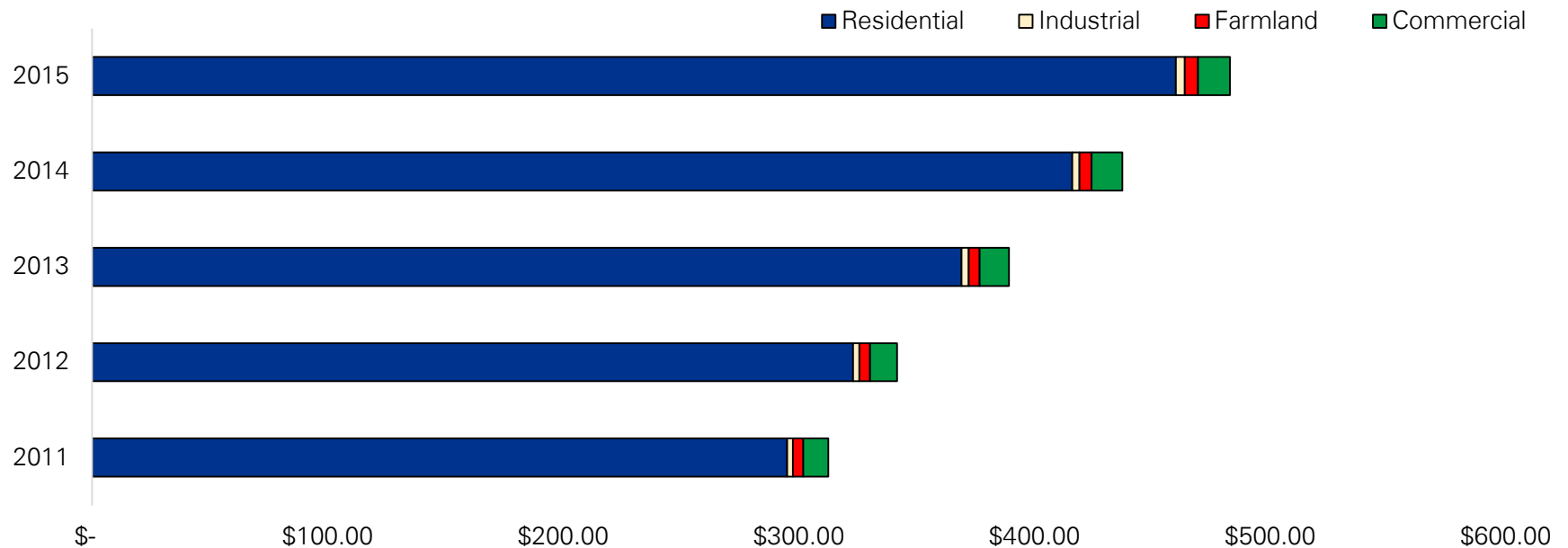
It is important to recognize that within Ontario, there can be little to no correlation between property taxes and the level of services received. Similar to income taxes, municipal property taxes can be argued to be a progressive tax, whereby individuals with higher property values pay higher taxes on the basis that they can afford to do so. Similarly, industrial and commercial taxation levels are further impacted by tax ratios, which in most (but not all) cases assign a higher burden of taxes to non-residential properties vs. residential properties even where assessed values are the same.

# Corporate Overview

## F. Taxation and Assessment

For the 2015 taxation year, the total assessed values of taxable properties in the Municipality of French River totaled \$482 million, the majority of which (\$459.6 million or 95.3%) related to residential properties. Overall, the Municipality's taxable assessment increased by \$170 million since 2011, representing an average annual increase of 11.5%.

*Phased In Assessment by Property Class (In Millions)*



Source: KPMG Analysis of Financial Information Returns for the Municipality of French River

# Corporate Overview

## F. Taxation and Assessment

For comparative purposes, one of the additional criteria applied to select appropriate municipal comparatives is the composition of the Municipality of French River’s assessment in comparison to the other municipalities. The Municipality’s assessment base is almost exclusively residential based with 95.3% of its total assessment being residential and with the exception of one municipal comparator (the Township of Black River-Matheson), all of the comparators reflect a similar distribution of assessment.

*Comparison of Residential vs Total Assessment, in millions*

	French River
Residential Assessment	\$459.5
Total Assessment	\$482.5
Residential Assessment as a % of Total	95.2%

(In Millions)	Black River Matheson	Callander	East Ferris	Killarney	Markstay-Warren	Mattawa	McDougall	NEMI	Sables-Spanish Rivers	St.-Charles
Residential Assessment	\$126.3	\$468.8	\$541.7	\$157.6	\$196.5	\$89.0	\$673.8	\$425.3	\$242.9	\$149.7
Total Assessment	\$242.1	\$492.2	\$561.7	\$169.2	\$175.1	\$104.9	\$688.7	\$475.5	\$266.9	\$159.9
Residential Assessment as a % of Total	52.2%	95.2%	96.4%	93.1%	89.1%	84.8%	97.8%	89.4%	91.0%	93.6%

Source: KPMG Analysis of Financial Information Returns (2015)

# Corporate Overview

## F. Taxation and Assessment

Among the comparator group selected for the purposes of this study, the current value assessment ('CVA') for a typical/median residential property varied across the group with \$175,000 separating the highest CVA ( \$254,000 in the Municipality of Callander) to the lowest median CVA in the Township of Black River-Matheson (\$79,000). From a seasonal perspective, the range between municipal compactors greatly varied but the Municipality of French River's median residential CVA is consistent with its neighbouring municipalities and its seasonal CVA ranks among the higher within the comparator group.

*Median Current Value Assessment – Residential and Seasonal Properties (2016)*

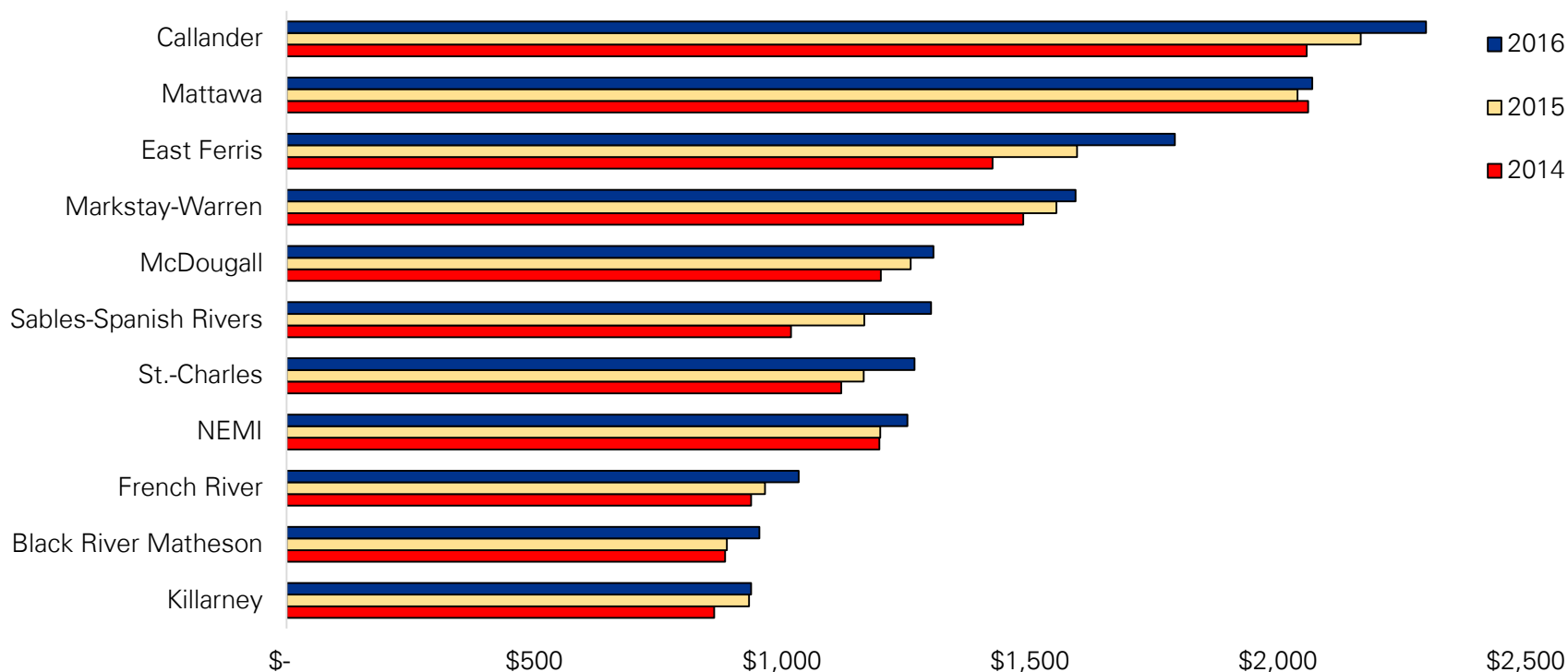
Median Current Value Assessment				
	Residential		Seasonal	
	# of Properties	CVA	# of Properties	CVA
French River	664	\$127,000	859	\$198,000
Black River-Matheson	824	\$79,000	123	\$65,000
Callander	1,095	\$254,000	75	\$274,000
East Ferris	1,253	\$226,000	279	\$223,000
Killarney	146	\$126,000	651	\$157,000
Markstay-Warren	301	\$133,000	86	\$149,000
Mattawa	622	\$110,000	4	\$135,000
McDougall	721	\$240,000	712	\$284,000
NEMI	741	\$139,000	805	\$253,000
Sables-Spanish Rivers	947	\$106,000	334	\$153,000
St.-Charles	318	\$123,000	269	\$180,000

# Corporate Overview

## F. Taxation and Assessment

Among the comparator group selected for the purposes of this study, median residential property taxes per household in 2016 varied across the group with over \$1,300 separating the highest average residential taxes ( \$2,300 in the Municipality of Callander) to the lowest median residential taxes in the Municipality of Killarney (\$937). The Municipality's median residential property taxes are the third lowest within the comparator group and second lowest among its neighbouring municipalities.

*Residential Property Taxes – Typical/Median Property (2014-2016)*

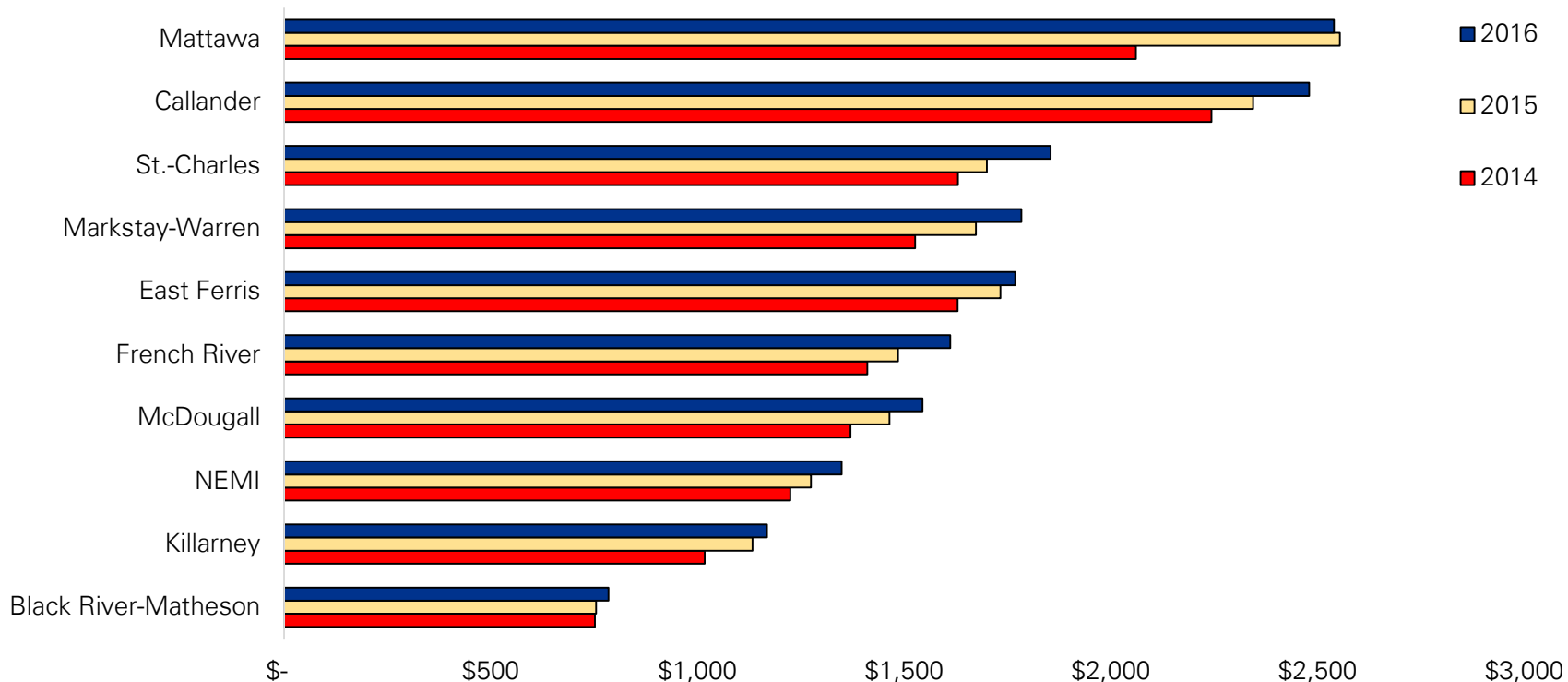


# Corporate Overview

## F. Taxation and Assessment

Among the comparator group selected for the purposes of this study, median seasonal property taxes per household in 2016 varied across the group with over \$1,700 separating the highest average residential taxes ( \$2,500 in the Town of Mattawa) to the lowest median residential taxes in the Township of Black River-Matheson (\$785). The Municipality’s median seasonal property taxes are on the lower end of the spectrum despite having the largest number of seasonal properties with the fifth highest seasonal CVA.

*Seasonal Property Taxes – Typical/Median Property (2014-2016)*

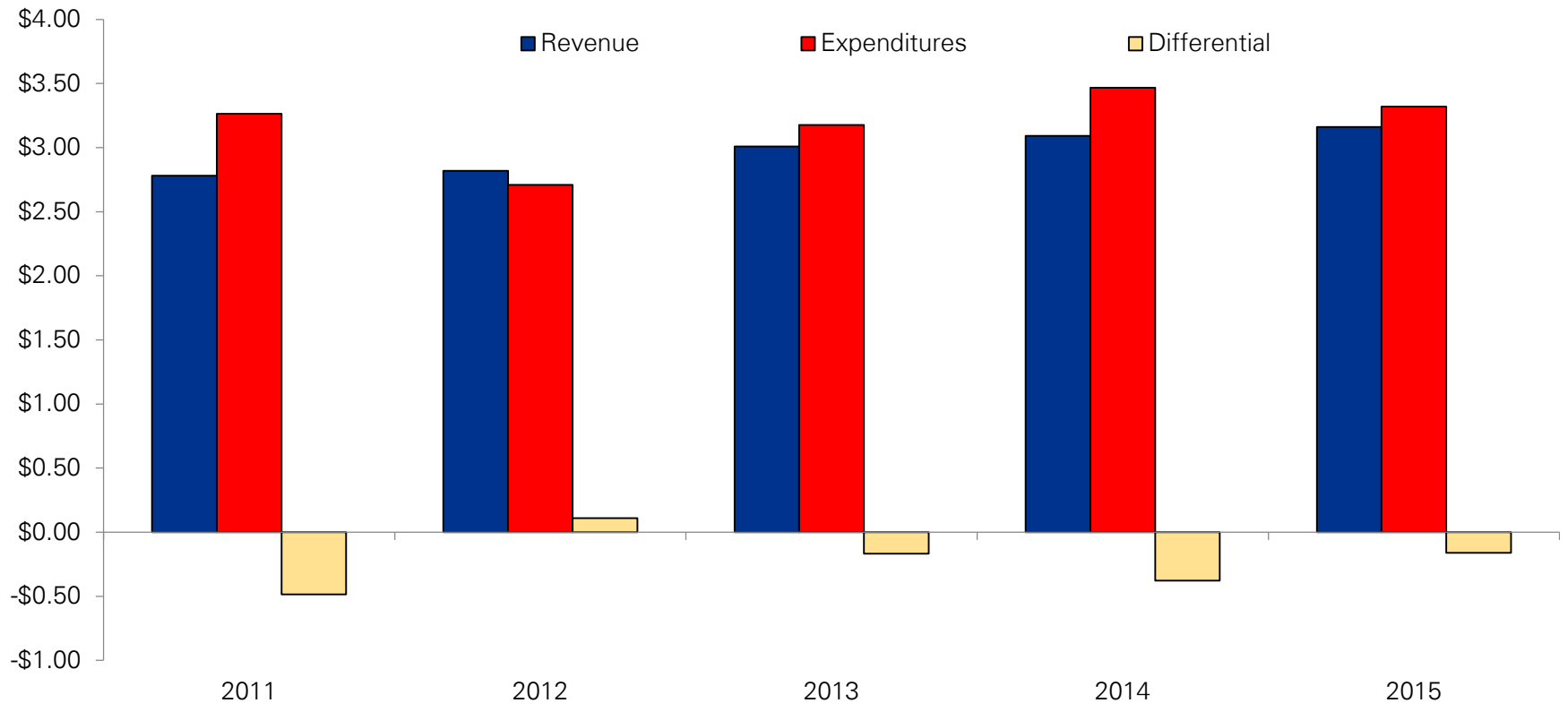


# Corporate Overview

## G. Municipal Financial Overview

### Municipal Operating Results

Overall and the financial performance of the Municipality of French River is reflective of the Municipality's investment into its capital works program. Over the past five years, the Municipality has incurred operating deficits in four of the five years but the negative variances appear to be the result of the Municipality's capital expenditures.



# Corporate Overview

## G. Municipal Financial Overview

### Long Term Debt

Long term debt levels for the Municipality of French River have remained relatively consistent over the past five years where long debt term has only increased by an average of 0.1%. The Municipality's use of debt appears to be consistent with municipal best practices where long term debt has been incurred for capital purposes. The majority of the Municipality's long term debt is associated with the construction of the municipal complex which accounts for 86% of the Municipality's total debt load but has decreased by an annual average of 0.2% over the past five years. The remaining 14% of the Municipality long term debt has decreased by an annual average of 3.9% (solid waste disposal) and 26.5% (planning and development).

#### *Long Term Debt Burden by Function (2011 to 2015)*

	2011	2012	2013	2014	2015	Average Annual Change
General Government	\$3,495,844	\$3,417,202	\$3,344,954	\$3,568,913	\$3,458,874	↓0.2%
Solid Waste Disposal	-	\$688,003	\$663,345	\$637,769	\$611,245	↓3.9%
Solid Waste Collection	\$226,163	\$152,729	\$77,358	-	-	N/A
Planning and Development	\$64,454	\$53,332	\$42,130	\$30,442	\$18,246	↓26.5%
Roadways	\$109,500	-	-	-	-	N/A

Source: KPMG Analysis of Financial Information Returns

# Corporate Overview

## G. Municipal Financial Overview

### Reserves and Reserve Funds

The development and investment in reserves and reserve funds is a key component to the long-term financial sustainability of a municipality. Over the past five years, the net result in the Municipality's reserves and reserve fund balances has been positive. The Municipality's reserves and reserve funds have increased with average annual growth of 11.9%. In 2011, the Municipality had \$2.8 million set aside for various purposes and at the end of 2015, the Municipality had \$4.3 million, representing an increase of 54% from 2011 to 2015.

As a municipal best practice, municipalities develop and adopt policy for its reserves and reserve funds with the purpose of establish the framework and outline requirements for establishing reserve funds, authorizations required for use of reserve funds, and for reporting requirements to Council. Based upon conversations with senior management, the Municipality is in the process of drafting a policy for Council's approval.

*Reserve and Reserve Funds (2011 to 2015)*



Source: KPMG Analysis of Financial Statements Provided by the Municipality of French River



Corporation of the  
Municipality of French River

# Departmental Overview



# Municipal Service Summary

As outlined in the terms of reference, an objective of the review was to assess the Municipality’s service levels in comparison to service level benchmarks and comparative best practices. In this chapter we provide a summary of the Municipality’s services and our conclusions with respect to service levels and associated costs. As noted in the summary, the Municipality’s service levels appear to be consistent with both other municipalities and, where applicable, minimum service level standards established by legislation. In addition, the Municipality’s costs and staffing levels are both among the lowest of the selected comparator municipalities.

Service	Does a Minimum Standard Exist by Legislation?	Service Level Assessment		Municipality Rank (1 – highest, 4 – lowest)	
		Rating	Comments	Cost	Staff
Mayor and Council	Yes (Municipal Act)	Consistent	<ul style="list-style-type: none"> <li>Council size exceeds minimum requirement of five councillors</li> </ul>	3	2
Corporate Services	Yes (Municipal Act requires Clerk and Treasurer)	Consistent	<ul style="list-style-type: none"> <li>Staffing and financial indicators are low compared to selected comparator municipalities</li> <li>Contracted services appear to be higher than the comparator group</li> </ul>	3	2
Fire	Yes (FPPA)	Consistent	<ul style="list-style-type: none"> <li>Staffing and financial indicators are consistent with selected comparator municipalities</li> </ul>	3	3
Building and Bylaw Services	Building – Yes (OBCA) Bylaw – No	Consistent	<ul style="list-style-type: none"> <li>Building services adheres to timeframes and requirements of OBCA</li> <li>Adherence to municipally established renewal fees is in question and may result in a loss of potential revenue</li> </ul>	3	3

# Municipal Service Summary

Service	Does a Minimum Standard Exist by Legislation?	Service Level Assessment		Municipality Rank (1 – highest, 4 – lowest)	
		Rating	Comments	Cost	Staff
Roads	Yes (Ontario Regulation 239/02)	Consistent	<ul style="list-style-type: none"> <li>Service levels for roads maintenance reflects minimum standards</li> <li>Efficiency may be impacted by use of contractors opposed to own resources</li> </ul>	2	3
Solid Waste	No	Low	<ul style="list-style-type: none"> <li>Costs are higher than the comparator municipalities providing solid waste management services (Third highest)</li> <li>Service delivery among the comparator varies with 7 municipalities offering curbside collection and 4 municipalities contracting out the service</li> </ul>	2	3
Parks, Facilities and Recreation	No	Low	<ul style="list-style-type: none"> <li>Investment in parks, facilities and recreation is consistent with the selected comparator municipalities</li> </ul>	3	4
Library	No	Consistent	<ul style="list-style-type: none"> <li>Net operating costs are fifth lowest in the comparator group</li> <li>Lowest cost provider of municipalities with two branches</li> </ul>	3	3

A summary of the Municipality's functional areas and services provided is provided on the following pages.

# Mayor and Council

### A. Mandate

Council acts as the governance body for the Municipality. As defined under the Municipal Act, 2001, S.O. 2001, c.25 (the 'Municipal Act'), Council's role includes:

- representing the public and consider the well-being and interests of the Municipality;
- developing and evaluating the policies and programs of the Municipality;
- determining which services the Municipality provides;
- ensuring that administrative policies, practices and procedures and controllership policies, practices and procedures are in place to implement the decisions of Council;
- ensuring the accountability and transparency of the operations of the Municipality, including the activities of the senior management of the Municipality;
- maintaining the financial integrity of the Municipality; and
- carrying out other duties of Council as required.

As a governance body, Council's role is to establish corporate-level policies and programs that are then used by municipal staff to deliver services in accordance with Council's direction. As noted above, Council's involvement in administrative and controllership aspects of the Municipality are limited to 'ensuring that these are in place'. Section 227 of the Municipal Act goes on to indicate that the role of the officers and employees of the Municipality is to 'implement council's decisions and *establish* administrative policies and procedures to carry out council's decisions' (emphasis added).

### B. Basis for Delivery

The establishment of a municipal council is a requirement of the Municipal Act, which is the primary legislation governing Ontario municipalities. Among other things, the Municipal Act:

- defines the role of council (Section 224);
- defines the role of the head of council (Section 225); and
- establishes the head of council as the chief executive officer and defines the role of chief executive officer (Section 226.1).

# Mayor and Council

### C. Organizational Structure

Council is comprised of the Municipality's mayor and six councilors, all of which are elected based on six wards with one elected official per ward.

In addition to regular council meetings, Council operates with two committees of Council including:

- Public Works and Environmental Committee; and
- Committee Advising on Recycling Ecologically (CARE).

Beyond committees, members of Council sit on various boards including but not exclusive to:

- Sudbury East Planning Board;
- Sudbury East Municipal Association; and
- Other provincial boards such as the Sudbury Manitoulin District Social Services Administration Board.

### D. Comparative Analysis

On the following page is the comparative analysis for the composition of Mayor and Council for the Municipality and its municipal comparator group. The analysis examines population and household density for representation. However, under the current ward structure, the chart below illustrates the distribution of electors by ward for the Municipality of French River.

Ward 1	Ward 2	Ward 3	Ward 4	Ward 5	Ward 6
748	719	974	383	487	741

# Mayor and Council

## D. Comparative Analysis

	French River	Black River-Matheson	Callander	East Ferris	Killarney	Markstay-Warren
<b>Council composition</b>						
Number of councillors (including mayor)	7	7	5	5	6	5
At Large vs Ward	Ward	Ward	At Large	At Large	Ward	At Large
Population	2,662	2,438	3,863	4,750	386	2,656
Number of households	2,550	1,448	1,759	2,136	935	1,337
Residents per councillor (excluding mayor)	444	406	966	1,188	77	664
Households per councillor (excluding mayor)	425	241	440	534	187	334
		Mattawa	McDougall	NEMI	Sables-Spanish Rivers	St.-Charles
Number of councillors (including mayor)		7	5	9	7	5
At Large vs Ward		At Large	At Large	Ward	At Large	At Large
Population		1,993	2,702	2,712	3,214	1,269
Number of households		1,052	1,868	2,029	1,870	963
Residents per councillor (excluding mayor)		332	676	339	536	317
Households per councillor (excluding mayor)		175	467	254	312	241

Source: KPMG Analysis of Financial Information Returns and Municipal Information

# Corporate Services

## A. Mandate

### *Chief Administrative Officer (CAO)*

Pursuant to Section 229 of the Municipal Act, municipalities may (but are not required) to appoint a CAO. Under the provisions of the Municipal Act, the CAO shall be responsible for:

- exercising general control and management of the affairs of the municipality for the purpose of ensuring the efficient and effective operation of the municipality; and
- performing such other duties as are assigned by the municipality.

Notwithstanding the optional nature of this position, our experience demonstrates that many Northern Ontario municipalities have a CAO as opposed to a Clerk-Treasurer position, a position which appears to be becoming less popular in the municipal sector as the treasury function continues to evolve and become more complex and as a result, more time consuming.

### *Municipal Clerk*

Under the provisions of the Municipal Act, the formal duty of the clerk includes:

- recording, without note or comment, all resolutions, decisions and other proceedings of the council;
- if required by any member present at a vote, recording the name and vote of every member voting on any matter or question;
- keeping the originals or copies of all by-laws and of all minutes of proceedings of the council;
- performing other duties required under the Municipal Act or under any other act; and
- performing other duties as are assigned by the Municipality.

### *Treasurer*

The Municipality's Treasury department is responsible for all aspects of the Municipality's financial management, including budgeting, levying and collecting taxes, transaction processing (cash receipts, cash disbursements, payroll), procurement, and financial planning and reporting.

# Corporate Services

### B. Basis for Delivery

#### *CAO*

As outlined in the Municipal Act, the role of the CAO is to exercise general control and management of the affairs of the Municipality for the purposes of ensuring the efficient and effective operation of the Municipality. In doing so, the CAO is tasked with implementing Council's strategic direction and seeking guidance, approval and revisions to this direction where considered appropriate.

CAOs in smaller communities (similar to the Municipality) are typically operational in nature (i.e. directly involved in service delivery) whereas their counterparts in larger communities, tend to be more strategic in nature, focusing on policy development, strategic planning, communications and special projects, including major economic development initiatives. However, the size of the community does not necessarily restrict a CAO from shifting towards becoming more strategic versus operational.

The CAO acts as the go-between for Council and staff and as such, is responsible for monitoring the activities and performance of the other members of the senior management team. The role of the CAO as the only direct report to Council is intended to preserve the distinction between governance and operations.

Inherent in this oversight role is both the requirement for the CAO to monitor major aspects of the Municipality's operations and the need for the CAO to assess the performance of the direct reports and hold them accountable for their performance in achieving the strategic direction established by Council.

In addition to the CAO's role within the Municipality, the CAO is responsible for the Municipality's economic development initiatives as the CAO also serves as the Municipality's Economic Development Manager.

#### *Municipal Clerk*

Section 228 of the Municipal Act requires all municipalities to appoint a clerk. The Municipal Clerk is also responsible for the oversight of the Municipality's front desk reception.

#### *Treasurer*

Pursuant to Section 286(1), all Ontario municipalities are required to appoint a treasurer "who is responsible for the handling of all financial affairs of the municipality on behalf of and in a manner directed by the council of the municipality"

# Corporate Services

## C. Organizational Structure

### *CAO*

The position of CAO sits atop of the Municipality's organizational chart. The position has five direct reporting relationships – the Municipal Clerk, Treasurer, Chief Building Official/Municipal Law Enforcement Officer, Fire Chief, and Parks and Recreation/Facilities Manager. In addition to the direct reports, the CAO has one indirect reporting relationship with the position of Executive Assistant who provides support to all of the Municipality's departments and serves as the Municipality's lead in writing grants.

### *Clerk*

The Clerk reports to the CAO within the Municipality's organizational structure. The Administrative Assistant for the Municipality directly reports to the Clerk. Additionally, the Executive Assistant may report to the Clerk as well which does not appear to be clearly delineated within the Municipality's organizational structure.

### *Treasurer*

The Treasurer reports to the CAO within the Municipality's organizational structure. The position of Treasurer has two positions who directly report to the Treasurer. The Municipality's Deputy Treasurer and Accounting Assistant report to the Treasurer as a result of duties and responsibilities assigned to each position which pertain to the functions of the Treasury department.

# Corporate Services

## D. Financial Overview

The Municipality spent \$1.4 million for its corporate services in 2015, representing an increase of 1.4% or slightly over \$19,000 from the 2014 expenditures. Salaries and benefits represents the largest single expenditure item, amounting to \$587,431 or 43% of total budgeted expenditures which is typically consistent with the provision of corporate services. The Municipality also spent \$506,718 in contracted services in 2015 which included a waste management study and other contracted services.

Operating Costs	2011	2012	2013	2014	2015
Salaries and Benefits	\$514,428	\$407,573	\$443,106	\$594,191	\$587,431
Materials	\$272,661	\$212,445	\$313,227	\$104,458	\$110,461
Contracted Services	\$154,200	\$155,852	\$107,297	\$484,102	\$506,718
Other	\$193,025	\$188,277	\$187,961	\$176,300	\$173,760
<b>Total</b>	<b>\$1,134,314</b>	<b>\$964,147</b>	<b>\$1,051,591</b>	<b>\$1,359,051</b>	<b>\$1,378,370</b>

Source: KPMG Analysis of Financial Information Provided by the Municipality of French River

## E. Municipal Comparisons

On the following page is the comparative analysis for corporate services for the Municipality and its municipal comparator group. Although the Municipality's overall operating costs are the highest among the comparator group when that amount is analyzed on a per household basis, the Municipality's operating costs per household are consistent with the comparator group. Additionally, when wages and benefits are compared, the Municipality's salary costs (which represent the largest expenditure for every municipality for corporate services) are the lowest when expressed as a percentage of total administrative operating costs.

# Corporate Services

	French River	Black River-Matheson	Callander	East Ferris	Killarney	Markstay-Warren
Operating Costs	\$1,378,370	\$881,027	\$857,951	\$1,076,499	\$705,386	\$829,380
User Fees and Service Charges	\$8,236	\$36,588	-	\$5,744	\$52,132	\$6,795
Number of households	2,550	1,448	1,759	2,136	935	1,337
<b>Net Operating Cost per Household</b>	<b>\$537</b>	<b>\$583</b>	<b>\$488</b>	<b>\$501</b>	<b>\$699</b>	<b>\$615</b>
Fulltime Equivalents	6.5	5.0	7.0	6.0	4.0	5.0
Salary Costs	\$587,431	\$457,195	\$593,173	\$601,331	\$426,522	\$433,189
Salary Costs as a % of Operating Costs	42.6%	51.9%	69.1%	55.9%	60.5%	52.2%
		Mattawa	McDougall	NEMI	Sables-Spanish Rivers	St.-Charles
Operating Costs		\$714,035	\$890,888	\$1,081,285	\$615,814	\$792,925
User Fees and Service Charges		\$4,475	\$170,220	\$42,144	\$13,872	\$5,301
Number of households		1,052	1,868	2,029	1,870	963
<b>Net Operating Costs per Household</b>		<b>\$674</b>	<b>\$386</b>	<b>\$512</b>	<b>\$322</b>	<b>\$818</b>
Fulltime Equivalents		5.5	8.0	8.5	6.0	6.0
Salary Costs		\$482,276	\$581,835	\$654,164	\$378,040	\$380,703
Salary Costs as a % of Operating Costs		67.5%	65.3%	60.5%	61.4%	48.0%

Source: KPMG Analysis of Financial Information Returns (2015)

# Fire Services

### A. Mandate

The Municipality's Fire Department are responsible for ensuring the health and safety of residents through the provision of programs and services focusing on three areas:

- Education, including fire prevention and education programming in schools and public venues;
- Prevention, including home inspections to ensure compliance with applicable legislation (e.g. residential smoke detectors) and non-residential inspections of specified properties on a quarterly, bi-annual and annual basis; and
- Suppression.

In addition to the above, Fire Department also contributes towards the health and safety of residents through:

- Medical response, with the Fire Department responding to medical assist calls where ambulances are not available within a specified timeframe or where the individual is classified as 'vital signs absent'
- Vehicle extrications for motor vehicle accidents

Fire Services also provides assistance to other neighbouring municipalities and the Ministry of Natural Resources as required.

### B. Basis for Delivery

The Fire Prevention and Protection Act, 1997, S.O. 1997, c.4 (the 'FPPA') is the primary legislation impacting municipal fire services in Ontario. Pursuant to Section 2(1) of the FPPA, every municipality is required to:

- Establish a program in the municipality which must include public education with respect to fire safety and certain components of fire prevention; and
- Provide such other fire protection services as it determines may be necessary in accordance with its needs and circumstances.

# Fire Services

## B. Basis for Delivery

While Section 2(2) of the FPPA requires municipalities to either (i) appoint a community fire safety officer or a community fire safety team; or (ii) establish a fire department, the size of the municipality and its associated fire safety risks requires a fire department.

Under the FPPA, the Municipality is responsible for determining the level of fire services provided within the community. While Section 2(7) of the FPPA permits the Office of the Fire Marshal and Emergency Management ('OFMEM') to 'monitor and review the fire protection services provided by municipalities to ensure that municipalities have met their responsibilities', the FPPA further states that the OFMEM can make recommendations to the council to address threats to public safety. Accordingly, the OFMEM cannot direct the Municipality to change its fire services. Ultimately, if a municipality does not adopt recommendations from the OFMEM or take compensating measures to address threats to public safety, the Province could make regulations establishing standards for fire protection services in a municipality.

## C. Organizational Structure

The Municipality operates a volunteer fire service with no fulltime employees. The department is structured with a Fire Chief atop of the organization supported by one Deputy Fire Chief. Currently, the Fire Department has a 22 person volunteer complement across two fire stations.

## D. Financial Overview

The Municipality spent \$164,000 on its fire service in 2015, representing a decrease of 15.3% or slightly over \$21,000 from the 2014 expenditures. Salaries and benefits represents the largest single expenditure item, amounting to \$82,139 or 56% of total budgeted expenditures which is typically consistent with the provision of fire services.

Operating Costs	2011	2012	2013	2014	2015
Salaries and Benefits	\$103,288	\$105,844	\$107,895	\$106,048	\$82,139
Materials	\$69,458	\$83,799	\$99,003	\$64,819	\$62,301
Contracted Services	\$10,454	\$11,768	\$600	\$22,927	\$19,645
<b>Total</b>	<b>\$183,200</b>	<b>\$201,411</b>	<b>\$207,498</b>	<b>\$193,794</b>	<b>\$164,085</b>

Source: KPMG Analysis of Financial Information Provided by the Municipality of French River

# Fire Services

## E. Municipal Comparisons

The following is the comparative analysis for the fire services for the Municipality and its municipal comparator group. All of the fire services compared are volunteer based fire services. The Municipality's fire operating costs per household are the lowest within the comparator group and wages and benefits as a percentage of the fire services operating costs are consistent with the comparator group.

	French River	Black River-Matheson	Callander	East Ferris	Killarney	Markstay-Warren
Operating Costs	\$164,085	\$239,005	\$324,945	\$256,839	\$75,262	\$437,290
User Fees and Service Charges	\$2,505	\$14,370	\$14,245	\$19,904	-	\$26,144
Number of households	2,550	1,448	1,759	2,136	935	1,337
<b>Net Operating Cost per Household</b>	<b>\$63</b>	<b>\$155</b>	<b>\$177</b>	<b>\$111</b>	<b>\$80</b>	<b>\$308</b>
Salary Costs	\$82,139	\$117,396	\$161,170	\$180,210	\$32,965	\$193,766
Salary Costs as a % of Operating Costs	50.1%	49.1%	49.6%	70.2%	43.8%	44.3%
		Mattawa	McDougall	NEMI	Sables-Spanish Rivers	St.-Charles
Operating Costs		\$336,490	\$368,829	\$143,630	\$193,291	\$100,191
User Fees and Service Charges		-	\$318	\$12,252	\$22,803	-
Number of households		1,052	1,868	2,029	1,870	963
<b>Net Operating Costs per Household</b>		<b>\$320</b>	<b>\$197</b>	<b>\$65</b>	<b>\$91</b>	<b>\$104</b>
Salary Costs		\$100,520	\$226,162	\$65,436	\$87,254	\$47,267
Salary Costs as a % of Operating Costs		29.9%	61.3%	45.6%	45.1%	47.2%

# Other Protective Services (Police, Building Controls and Bylaw)

## A. Mandate

### *Police Services*

Under Section 4 of the Police Services Act, “every municipality to which this subsection applies shall provide adequate and effective police services in accordance with its needs.”

The legislation provides what adequate and effective police services at a minimum for municipalities and that is:

- Crime prevention.
- Law enforcement.
- Assistance to victims of crime.
- Public order maintenance.
- Emergency response.

### *Building Services*

In Ontario, the Building Code Act and its regulation, the Ontario Building Code set out the rules for construction. The following describes what the two pieces of legislation deal with:

### ***Building Code Act***

- Governs the construction, renovation, change of use, and demolition of buildings;
- Provides specific powers for inspectors and rules for the inspection of buildings; and
- Allows municipalities to establish property standard by-laws.

# Other Protective Services (Police, Building Controls and Bylaw)

## A. Mandate

### *Building Services*

#### ***Ontario Building Code – A Regulation of the Act***

- Focuses primarily on ensuring public safety in newly constructed buildings, but also supports the government's commitments to energy conservation, barrier-free accessibility and economic development;
- Sets out objectives and requirements for new construction;
- Does not provide standards for existing buildings, with the exception of small on-site sewage systems; and
- Establishes the qualification and registration requirements in Ontario for certain building practitioners

### *Bylaw Enforcement*

Under Section 10 of the Municipal Act, municipalities have the ability to pass and enforce bylaws respecting the following matters:

- Governance structure of the municipality and its local boards
- Accountability and transparency of the municipality and its operations and of its local boards and their operations.
- Financial management of the municipality and its local boards.
- Public assets of the municipality acquired for the purpose of exercising its authority under this or any other Act.
- Economic, social and environmental well-being of the municipality.
- Health, safety and well-being of persons.
- Services and things that the municipality is authorized to provide under subsection (1).
- Protection of persons and property, including consumer protection.
- Animals.
- Structures, including fences and signs.
- Business licensing. 2006, c. 32, Sched. A, s. 8.

# Other Protective Services (Police, Building Controls and Bylaw)

## B. Basis for Delivery

The Municipality of French River contracts out police services as part of the agreement with the Ontario Provincial Police ('OPP') and its contract with the police service expires in 2019.

Building controls and bylaw enforcement are delivered with internal resources with one fulltime employee, the Chief Building Official/Municipal Law Enforcement Officer ('CBO/MLEO'), being tasked with the delivery of both services, year round. The Municipality supports the CBO/MLEO on ad-hoc basis with the use of students and cross-training of one other municipal employee to assist.

## C. Organizational Structure

Not applicable based on the basis of service delivery.

## D. Financial Overview

The Municipality spent \$699,780 for its policing, building controls and bylaw services in 2015, representing an increase of 4% or slightly over \$26,000 from the 2014 expenditures. OPP contract costs increased by 13% while building and bylaw costs decreased by 28% over the past year.

Operating Costs	2011	2012	2013	2014	2015
OPP Contract Costs	\$430,605	\$450,613	\$445,502	\$524,304	\$593,018
Building/Bylaw – Salaries and Benefits	\$64,006	\$52,677	\$70,395	\$119,087	\$92,776
Building/Bylaw – Materials	\$33,524	\$27,677	\$25,357	\$5,232	\$5,321
Building/Bylaw – Contracted Services	\$38,528	\$36,135	\$10,060	\$24,573	\$8,665
<b>Total</b>	<b>\$566,663</b>	<b>\$567,102</b>	<b>\$551,314</b>	<b>\$673,196</b>	<b>\$699,780</b>

Source: KPMG Analysis of Financial Information Provided by the Municipality of French River

# Other Protective Services (Police, Building Controls and Bylaw)

## E. Municipal Comparisons

The following is the comparative analysis for police services for the Municipality and its municipal comparator group. All municipalities in the study contract out their police services to the OPP. The Municipality's police operating costs per household are consistent within the comparator group.

	French River	Black River-Matheson	Callander	East Ferris	Killarney	Markstay-Warren
Police Service Delivery Model	OPP	OPP	OPP	OPP	OPP	OPP
Operating Costs	\$593,018	\$488,192	\$486,026	\$391,242	\$109,826	\$483,811
Number of households	2,550	1,448	1,759	2,136	935	1,337
Net Operating Cost per Household	\$233	\$337	\$276	\$183	\$117	\$362
		Mattawa	McDougall	NEMI	Sables-Spanish Rivers	St.-Charles
Police Service Delivery Model		OPP	OPP	OPP	OPP	OPP
Operating Costs		\$551,419	\$297,447	\$909,203	\$790,234	\$290,835
Number of households		1,052	1,868	2,029	1,870	963
Net Operating Costs per Household		\$524	\$159	\$448	\$423	\$302

Source: KPMG Analysis of Financial Information Returns (2015)

# Other Protective Services (Police, Building Controls and Bylaw)

## E. Municipal Comparisons

The following is the comparative analysis for building and bylaw services for the Municipality and its municipal comparator group. The Municipality's operating costs per household are consistent within the comparator group and the Municipality has one of the highest cost recoveries among the comparator group.

	French River	Black River-Matheson	Callander	East Ferris	Killarney	Markstay-Warren
Operating Costs	\$106,762	\$111,163	\$171,382	\$125,895	\$63,261	\$48,405
User Fees and Service Charges	\$49,174	\$29,115	-	\$69,823	\$19,276	\$42,449
Number of households	2,550	1,448	1,759	2,136	935	1,337
Net Operating Cost per Household	\$23	\$57	\$97	\$26	\$47	\$4
Cost Recovery	46.1%	26.2%	0.0%	55.5%	30.5%	87.7%
		Mattawa	McDougall	NEMI	Sables-Spanish Rivers	St.-Charles
Operating Costs		\$102,464	\$188,449	\$168,019	\$76,924	\$85,612
User Fees and Service Charges		\$14,988	\$4,496	\$78,454	\$4,091	\$36,054
Number of households		1,052	1,868	2,029	1,870	963
Net Operating Costs per Household		\$97	\$101	\$83	\$41	\$89
Cost Recovery		14.6%	2.4%	46.7%	5.3%	42.1%

Source: KPMG Analysis of Financial Information Returns (2015)

# Public Works

### A. Mandate

Public Works is responsible for the maintenance of the Municipality's municipal road network, including sidewalks and laneways and also plows a portion of the municipal road network in the winter months. The Municipality contracts out a portion of its winter maintenance. In addition to the maintenance of the municipal road network, the division provides resources in the maintenance of the municipality's facilities and provide support in the enforcement of the municipal bylaws.

The Municipality's wastewater treatment facility is operated as part of a contract with the Ontario Clean Water Agency ('OCWA').

Solid waste management services are the responsibility of the Municipality's Public Works department with the operation and maintenance of the Municipality's landfill and the maintenance of six garbage collection bin sites across the Municipality with on-site recycling services provided. From a solid waste management perspective, the Municipality also provides weekly garbage collection (six day collection schedule) at twelve commercial sites across the Municipality.

### B. Basis for Delivery

Section 44(1) of the Municipal Act establishes the Municipality's responsibility to keep highways or bridges under its jurisdiction "in a state of repair that is reasonable in the circumstances." Ontario Regulation 239/20: Minimum Maintenance Standards for Municipal Highways (which has been amended by Ontario Regulation 47/13) provides further clarification by establishing minimum maintenance standards for a range of road network maintenance activities, including but not limited to:

- Patrolling highways to monitor conditions
- Snow plowing
- Ice prevention (sanding and salting)
- Surface repairs, including potholes and surface cracking

Under Ontario Regulation 239/02, municipal roads are divided into one of six classes, with the categorization depending on the average annual daily traffic volume and the posted speed limit (see following page). As noted on the following pages, maintenance standards will vary by class of road, with the standards decreasing (both in terms of response time and service level) as the classification progresses from Class 1 to Class 6. Under the regulation, minimum maintenance standards do not apply to Class 6 roads.

# Public Works

*Classification of Roads Under Ontario Regulation 239/02*

Average Annual Daily Traffic	Speed Limit (kilometres per hour)						
	>90	81-90	71-80	61-70	51-60	41-50	<41
>15,000	Class 1			Class 2			
12,000-14,999							
10,000-11,999				Class 4			Class 5
8,000-9,999	Class 6						
6,000-7,999			Class 6				
5,000-5,999	Class 6						
4,000-4,999			Class 6				
3,000-3,999	Class 6						
2,000-2,999			Class 6				
1,000-1,999	Class 6						
500-999			Class 6				
200-499	Class 6						
50-199			Class 6				
<50	Class 6						
			Class 6				

*Minimum maintenance standards by class of road (selected standards only – not inclusive of all standards)*

	Class					
	1	2	3	4	5	6
Maximum accumulation before snow clearing commences	2.5 cm	5.0 cm	8.0 cm	8.0 cm	10.0 cm	Minimum maintenance standards are not established for Class 6 roads
Minimum depth that snow must be cleared to	2.5 cm	5.0 cm	8.0 cm	8.0 cm	10.0 cm	
Maximum time that snow clearing must be commenced once snow accumulates to maximum level	4 hours	6 hours	12 hours	16 hours	24 hours	
Maximum time to treat icy roadway	3 hours	4 hours	8 hours	12 hours	16 hours	
Maximum surface area of potholes on paved roadways before repairs are required	600 cm <sup>2</sup>	800 cm <sup>2</sup>	1000 cm <sup>2</sup>	1000 cm <sup>2</sup>	1000 cm <sup>2</sup>	
Maximum depth of potholes on paved roadways before repairs are required	8 cm	8 cm	8 cm	8 cm	8 cm	
Maximum time within which required pothole repairs are to be completed	4 days	4 days	7 days	14 days	30 days	
Maximum dimension of cracks before repairs are required	5 cm width 5 cm depth	5 cm width 5 cm depth	5 cm width 5 cm depth	5 cm width 5 cm depth	5 cm width 5 cm depth	
Maximum time within which required crack repairs are to be completed	30 days	30 days	60 days	180 days	180 days	
Maximum time within which to complete required streetlight repairs (three or more consecutive are not functioning)	7 days	7 days	14 days	14 days	14 days	

# Public Works

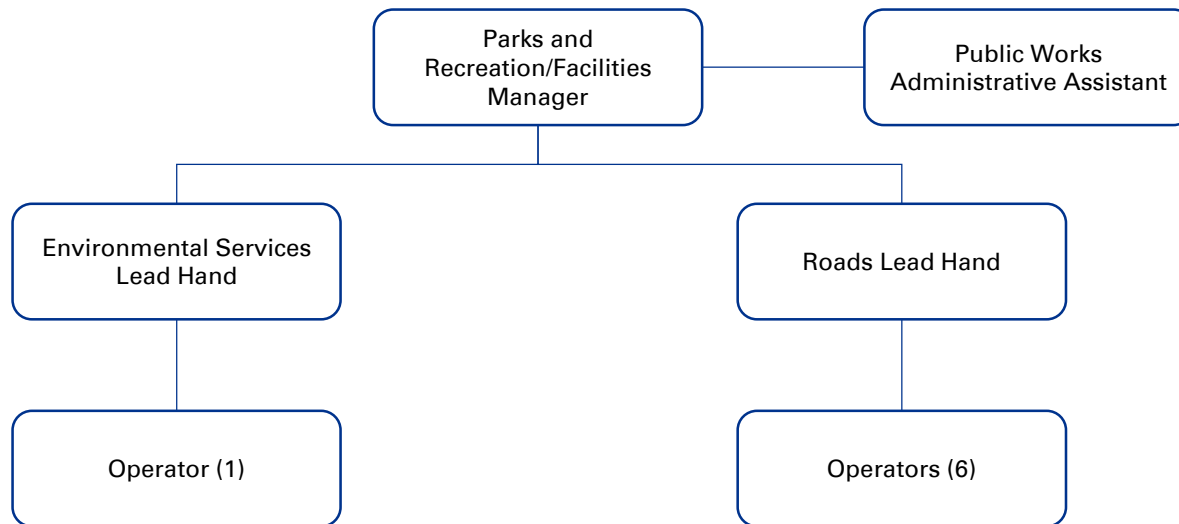
### B. Basis for Delivery

Unlike road maintenance, there is no regulatory requirement for municipalities to provide solid waste collection services..

Under the Municipal Act, there is no requirement for municipalities to maintain drinking water systems. Where municipalities choose to maintain a drinking water system, the provisions of the Safe Drinking Water Act, 2002, S.O. 2002, c.32 ('SDWA') and related regulations apply.

### C. Organizational Structure

In the absence of a Director of Operations, the Municipality has structured its Public Works department under the supervision of its Parks and Recreation/Facilities Manager on a trial basis. The following is a graphic representation of the Municipality's Public Works department at the time of this report.



## Public Works

## D. Financial Overview

The Municipality spent \$1,742,351 for its public works services in 2015, representing an overall decrease of 0.3% from the 2014 expenditures. Expenditures relating to the Municipality's road network accounted for \$1 million of the \$1.7 million and costs decreased by 4.7% from 2015 to 2014. Environmental services, including solid waste and water/wastewater, accounted for approximately \$733,000 and increased by 6.4% from 2014 to 2015. For expenditures relating to its road network, salaries and benefits and materials account for 79% of the total cost and contracted services account for 48% of environmental services expenditures which is consistent given the nature of the Municipality's service delivery models.

Operating Costs – Roads	2011	2012	2013	2014	2015
Salaries and Benefits	\$364,361	\$353,019	\$388,582	\$359,520	\$378,582
Materials	\$367,267	\$451,617	\$454,718	\$481,420	\$391,960
Contracted Services	\$161,320	\$171,405	\$236,125	\$217,776	\$238,762
Other	\$8,717	\$4,614	\$763	\$551	\$313
<b>Total</b>	<b>\$901,665</b>	<b>\$980,655</b>	<b>\$1,080,188</b>	<b>\$1,059,267</b>	<b>\$1,009,617</b>

Operating Costs – Environmental Services	2011	2012	2013	2014	2015
Salaries and Benefits	\$236,995	\$265,027	\$297,212	\$271,764	\$295,198
Materials	\$94,550	\$80,398	\$135,733	\$60,915	\$48,842
Contracted Services	\$607,209	\$478,274	\$337,753	\$331,549	\$365,541
Other	\$6,445	\$4,575	\$27,543	\$24,522	\$23,153
<b>Total</b>	<b>\$945,199</b>	<b>\$828,274</b>	<b>\$798,241</b>	<b>\$688,750</b>	<b>\$732,734</b>

Source: KPMG Analysis of Financial Information Provided by the Municipality of French River

# Public Works

## E. Municipal Comparisons

The following is the comparative analysis for solid waste management services for the Municipality and its municipal comparator group. The Municipality's operating costs per household are consistent within the comparator group. With the exception of the Municipality of Callander who has an arrangement with the City of North Bay, the Municipality has the lowest cost recovery among the comparator group. The Municipality of McDougall achieves its higher level of cost recovery through transfers from other area municipalities who contribute to solid waste services.

	French River	Black River-Matheson	Callander	East Ferris	Killarney	Markstay-Warren
Operating Costs	\$595,693	\$313,144	\$317,875	\$277,431	\$278,210	\$168,915
User Fees and Service Charges	\$96,588	\$78,737	-	\$177,875	\$35,440	\$8,610
Number of households	2,550	1,448	1,759	2,136	935	1,337
Net Operating Cost per Household	\$196	\$162	\$181	\$47	\$260	\$120
Cost Recovery	16.2%	25.1%	0.0%	64.1%	12.7%	5.1%
		Mattawa	McDougall	NEMI	Sables-Spanish Rivers	St.-Charles
Operating Costs		\$514,172	\$545,328	\$395,821	\$365,612	\$147,411
User Fees and Service Charges		\$61,681	\$874,372	\$101,057	\$34,259	\$6,975
Number of households		1,052	1,868	2,029	1,870	963
Net Operating Costs per Household		\$430	(\$176)	\$145	\$177	\$146
Cost Recovery		12.0%	160.3%	25.5%	9.4%	4.7%

Source: KPMG Analysis of Financial Information Returns (2015)

# Public Works

## E. Municipal Comparisons

The following is the comparative analysis for transportation services for the Municipality and its municipal comparator group. The Municipality's operating costs per household align with the lowest with respect to transportation expenditures within the comparator group. The size of the Municipality's road network for which it is responsible in maintaining is the fourth largest within the comparator group.

	French River	Black River-Matheson	Callander	East Ferris	Killarney	Markstay-Warren
Operating Costs	\$1,009,617	\$1,527,106	\$868,970	\$1,389,929	\$459,253	\$1,047,211
Municipal Road Network (in Lane Kilometres)	378	781	157	218	50	516
Number of households	2,550	1,448	1,759	2,136	935	1,337
Operating Cost per Household	\$396	\$1,055	\$494	\$651	\$491	\$738
	Mattawa	McDougall	NEMI	Sables-Spanish Rivers	St.-Charles	
Operating Costs	\$659,519	\$1,285,477	\$1,649,420	\$1,471,894	\$621,003	
Municipal Road Network (in Lane Kilometres)	20	240	149	499	91	
Number of households	1,052	1,868	2,029	1,870	963	
Operating Costs per Household	\$627	\$688	\$813	\$787	\$645	

Source: KPMG Analysis of Financial Information Returns (2015)

# Parks and Recreation

## A. Mandate

The Municipality's parks and recreation department is responsible for the operation and delivery of recreational and community based activities. Additionally, the parks and recreation department is responsible for the maintenance of all municipal facilities and the Municipality's two active cemeteries.

The Municipality delivers its parks and recreation services with the following inventory of facilities:

- Noelville Arena;
- Alban Community Centre;
- Four ballfields;
- Five wharfs; and
- Three municipal parks.

The Municipality provides community development services as part of its parks and recreation department and the programming includes:

- Youth based recreational programming;
- Youth recreational sports programming including baseball and soccer; and
- Assistance in the delivery community events including Canada Day activities and the Rubber Boots festival.

## B. Basis for Delivery

The provision of parks and recreation services (either through programming or access to recreational facilities) is not legislated and as such, represents a discretionary (although expected) municipal service.

# Parks and Recreation

## C. Organizational Structure

Under the supervision of the Parks and Recreation/Facilities Manager, the Municipality's parks and recreation department consists of two fulltime operators. One operator is exclusively dedicated to the operation and maintenance of the municipality's facilities whereas the other operator's role and responsibility is split between facility operation and maintenance and the provision of community development.

## D. Financial Overview

The Municipality spent \$455,584 for its parks and recreational services in 2015, representing an increase of 0.8% from the 2014 expenditures. Salaries and materials represent the majority of the department's spending with salaries and benefits accounting for 52% of the department's expenditures and materials accounting for an additional 36%.

Operating Costs	2011	2012	2013	2014	2015
Salaries and Benefits	\$140,098	\$146,555	\$256,156	\$224,998	\$234,711
Materials	\$132,410	\$127,993	\$212,394	\$163,166	\$163,259
Contracted Services	\$34,259	\$29,693	\$212	\$63,965	\$55,155
Other	\$658	\$710	\$16,685	-	\$2,459
<b>Total</b>	<b>\$307,425</b>	<b>\$304,951</b>	<b>\$485,447</b>	<b>\$452,129</b>	<b>\$455,584</b>

Source: KPMG Analysis of Financial Information Returns

# Parks and Recreation

## E. Municipal Comparisons

The following is the comparative analysis for the operation of recreational facilities the Municipality and its municipal comparator group. The Municipality's net operating costs per household trend towards the lower end of the comparator group. Another aspect of the operations of recreational facilities is the level of cost recovery or how municipalities offset operating costs via user fees. The Municipality's cost recovery (16.0%) is the median within the comparator group.

	French River	Black River-Matheson	Callander	East Ferris	Killarney	Markstay-Warren
Operating Costs	\$332,186	\$199,331	\$114,724	\$790,313	\$118,678	\$239,116
User Fees and Service Charges	\$53,279	\$23,275	\$13,384	\$211,976	\$37,433	\$65,241
Number of households	2,550	1,448	1,759	2,136	935	1,337
Net Operating Cost per Household	\$109	\$122	\$58	\$271	\$87	\$130
Cost Recovery	16.0%	11.7%	11.7%	26.8%	31.5%	27.4%
		Mattawa	McDougall	NEMI	Sables-Spanish Rivers	St.-Charles
Operating Costs		\$359,126	\$47,619	\$879,876	\$292,866	\$221,926
User Fees and Service Charges		\$32,564	\$3,087	\$683,295	\$100,517	\$21,422
Number of households		1,052	1,868	2,029	1,812	963
Net Operating Costs per Household		\$310	\$24	\$97	\$103	\$208
Cost Recovery		9.1%	6.5%	77.7%	34.3%	9.7%

Source: KPMG Analysis of Financial Information Returns (2015)

# French River Public Library

### A. Mandate

The mission statement of the French River Public library is “to serve the community with resources to enrich knowledge, encourage lifelong learning, inspire interests, and provide pleasure in recreational reading.”

The French River Public Library operates out of two branches – a branch in Alban with the other branch located in Noelville. The two branches are open on alternating days and both locations are closed on Sundays. The Alban branch is open on Tuesdays, Thursdays and Saturdays for 20 hours per week. The Noelville branch is open on Mondays, Wednesdays, and Fridays for 24 hours per week. Both branches provide a variety of services and programming geared for all ages.

### B. Basis for Delivery

The operations of the French River Public Library are established under the *Public Libraries Act* and the library is governed by a separate Board with one representative from the Municipality’s Council.

### C. Organizational Structure

The library interacts with the Municipality through its Board and the library staff report to the Library’s CEO who oversees two part-time employees and one student employee.

### D. Financial Overview

Through the Municipality’s library board, the French River Public Library spent \$140,407 for its operations, which is a decrease of 9% from the previous year and operating costs at the library have decreased on average by 8% annually. In 2015, 78% of the operating expenditures for the French River Public Library are related to wages and benefits with remaining 22% consisting of material related expenditures.

Operating Costs – Library	2011	2012	2013	2014	2015
Salaries and Benefits	\$103,711	\$105,842	\$100,402	\$108,098	\$109,639
Materials	\$93,173	\$51,299	\$50,494	\$45,899	\$30,768
Contracted Services	\$3,295	\$7,507	\$140	-	-
<b>Total</b>	<b>\$200,179</b>	<b>\$164,648</b>	<b>\$151,036</b>	<b>\$153,997</b>	<b>\$140,407</b>

# French River Public Library

## E. Comparative Analysis

The following is the comparative analysis for the operation of public libraries for the Municipality and its municipal comparator group. The Municipality's net operating costs per household trend towards the lower end of the comparator group. The Municipality of Killarney purchases library services from the Municipality of French River. The challenge the Municipality faces with respect to library services is, by nature, libraries do not have the ability to significantly generate revenues.

	French River	Black River-Matheson	Callander	East Ferris	Killarney	Markstay-Warren
Operating Costs	\$140,407	\$104,520	\$243,451	\$128,955	\$1,066	\$92,613
User Fees and Service Charges	\$4,991	\$5,494	-	\$5,819	-	-
Number of households	2,550	1,448	1,759	2,136	935	1,337
Net Operating Cost per Household	\$53	\$68	\$138	\$58	\$1	\$69
Cost Recovery	3.6%	5.3%	0.0%	4.5%	0.0%	0.0%
		Mattawa	McDougall	NEMI	Sables-Spanish Rivers	St.-Charles
Operating Costs		\$119,979	\$40,902	\$114,768	\$162,969	\$56,624
User Fees and Service Charges		\$6,861	-	\$7,586	\$15,119	\$6,586
Number of households		1,052	1,868	2,029	1,812	963
Net Operating Costs per Household		\$108	\$22	\$53	\$79	\$52
Cost Recovery		5.7%	0.0%	6.6%	9.3%	11.6%

Source: KPMG Analysis of Financial Information Returns (2015)



Corporation of the  
Municipality of French River

# Key Themes



# Key Themes

### *Key Themes*

During the course of our review, a number of themes emerged concerning both positive aspects of the Municipality's operations and areas of potential improvements (which support the rationale of the operational review and its focus on enhancing the efficiency of the Municipality's operations), which we have summarized below:

#### **1. There is a need for continuity within the organization**

Since 2012, the Municipality has experienced a high level of turnover within its senior management team including the positions of Chief Administrative Officer, Treasurer and Director of Public Works. Dating back to 2014 when the Municipality first initiated the discussion of conducting an operational review to the present time, three individuals have served as Chief Administrative Officer with the same level of turnover within the Treasurer's position.

Regardless of the municipality, change can bring about organizational challenges and opportunities whereas there is an expectation that someone will want to implement and bring about change within the organization. The challenge facing the Municipality of French River is in the absence of senior management remaining with the organization for less than 24 months, change appears to be partially implemented. Additionally, the Municipality is faced with a loss of internal knowledge transfer. Partially implemented change and loss of knowledge at the senior management table creates the potential for increased inefficiencies within the organization and its operations. Ultimately, the organization should attempt to gain an understanding to address on an ongoing basis and implement corporate systems to lessen the impact on turnover in the future.

#### **2. The Municipality's approach to its financial processes require attention**

Related to the high level of the turnover at the senior management table but in particular, the position of Treasurer, the Municipality's financial management and processes should be updated to reflect the scope of the Municipality's accounting software as well to implement what we would consider to be municipal best practices. Through discussions with the Treasurer and Deputy Treasurer, three key sub-themes were identified and highlighted below along with the implications these themes have on the Municipality's Treasury department:

# Key Themes

## *Key Themes*

### **2. The Municipality's approach to its financial processes require attention**

#### a) Application and Working Knowledge of the Municipality's Accounting Software

- Currently, the Municipality uses the Microsoft Dynamics GP (formerly known as Great Plains) accounting software package and multi-functional platform can perform a multitude of processes and tasks but in consultation with municipal staff, the Municipality does not appear to be utilizing the software to its fullest. It appears that a number of the Municipality's financial processes have evolved to work around the software rather than maximize its functionality to the fullest. The approach appears to be the result of a training gap within the Treasury department where municipal staff appear to be unaware of the platform's capabilities. The Municipality may wish to consider additional training for its staff to better utilize the software for the Municipality's needs.
- Expanding upon the application and use of the Municipality's accounting software and based upon anecdotal information provided, Treasury staff do not fully utilize the report printing capabilities of Microsoft Dynamics GP. There is an issue with ability to print reports whereas the Treasurer has the ability to print reports from the software's Management Reporter but the Deputy Treasurer does not. Again, it appears to be rooted in a need for additional training to allow municipal staff to create, print and utilize financial reports. In the absence of working knowledge, reports are developed outside of the accounting system and creating departmental inefficiencies. One example of the inefficiencies created by this is within the Municipality's budget process flowchart, whereby the Deputy Treasurer must manually input all actual numbers into the budget in order to provide a budget to actual report to the departments.

#### b) Manual Tracking of Financial Information

- Based on a review of Municipality's financial process flowcharts, multiple items are manually tracked through the use of Microsoft Excel spreadsheets. Manually tracking information increases the following:
  - The potential risks of errors in calculations and tracking of the information; and
  - The amount of time required to complete routine tasks such as payroll processing.
- Examples of information tracked manually include; Sick time, vacation time, banked time, union dues, inventory, equipment usage statistics, other payroll related statistics.

# Key Themes

## *Key Themes*

### **2. The Municipality's approach to its financial processes require attention**

#### c) Opportunity to Improve Processes

- The recent appointment of a new Treasurer in conjunction with the review provides the Municipality with an opportunity to improve processes as the Treasurer becomes more familiar with the organization and its processes and may bring new perspective.

### **3. There are aspects of the Municipality's financial management which support long-term financial sustainability but recent trends appear to counter the past**

#### a) *Approach to investments into reserves and reserve funds*

- Over the past six years (2010 to 2015 inclusive), the Municipality's reserves and reserve funds have grown from \$2.8 million (2010) to \$4.3 million by the end of 2015 which represents average growth of 12% over that time period. Anecdotal information shared during the course of the review highlighted a commitment by the Municipality to invest its reserves and reserve funds for the purposes of assisting in the future financing of capital assets. According to the Municipality's asset management plan, the Municipality's future investment into its reserves should be \$2.1 million so the approach the Municipality has taken appears to be consistent with the plan.

#### b) *Past investments into capital*

- In our experience, the common approach to investing in municipal infrastructure is linked to the availability of grants provided by senior levels of government with one example being the time period between 2010 to 2012 when the Provincial and Federal governments provided grants for infrastructure. When those funds were no longer available, investments in municipal infrastructure typically decreased in subsequent years. The Municipality of French River appears to have bucked the trend and invested on average \$1 million for the time period of 2010 to 2015. For 2016, the Municipality's capital budget is \$597,000 which would be below the average spend for the Municipality and also appears to inconsistent with the Municipality's asset management plan which calls for an annual investment of \$2.9 million for the Municipality's infrastructure.

# Key Themes

## *Key Themes*

### **3. There are aspects of the Municipality's financial management which support long-term financial sustainability but recent trends appear to counter the past**

#### *c) Budgeting*

- Associated with turnover at the senior management level, the Municipality passed its 2016 budget in late June 2016. It would appear the budget process may be inefficient in that the roles and responsibilities of municipal staff are not clearly defined and there is no formal process adopted by the Municipality. It appears that there has not been any consistency as to who has been directly involved in the budget's development over the past three years. Complicating matters further is the Treasury department appears to work around rather than work with its accounting software which if fully utilized, could assist in making the budget process more efficient.

#### *d) Municipal Taxation*

- In the absence of a formal budget process which lends itself to being inefficient in its development, the Municipality's approach to taxation presents a challenge to long-term financial sustainability. Prior to the 2016 budget, the Municipality's taxes increased by 2.2% from 2012 to 2015 and municipal taxes increases by 7.1% for what would be considered a typical property in the Municipality of French River. What may further challenge the Municipality is a shift towards austerity in an attempt to manage municipal expenditures which based on information shared during the course of the review explains the increase from 2015 to 2016. Ultimately, the Municipality may need to a more structured approach towards municipal taxation with a focus on meeting the current and future needs of the Municipality. However, based on our analysis of municipal taxation from a comparative standpoint, the typical property in the Municipality trends toward the lower (non-seasonal) or middle (seasonal) of the taxation spectrum and as such, the Municipality does not appear to have an affordability issue at this time.

### **4. Service levels and operating costs appear to be consistent with the comparator group**

Based on our analysis of the Municipality's operations and the associated operating expenditures, the Municipality currently provides a complement of services that would appear to be consistent with its comparator group and do not appear to exceed service level standards with the exceptions highlighted later in the report. Beyond service levels, the Municipality appears to be a low cost provider of municipal services in comparison to the Municipality's peers. Ultimately, the current state of operations in the Municipality appears to limit the number of opportunities to reduce service levels.



Corporation of the  
Municipality of French River

# Opportunities for Consideration



# Opportunities for Consideration

This section of our report outlines potential opportunities that could be considered by the Municipality which generally fall into one of four categories:

- Operating efficiencies, which involve changes to the Municipality's processes to maximize outcomes while minimizing resources;
- Service level reductions, representing either (i) the discontinuance of the Municipality's involvement in a non-core service; or (ii) a reduction in the level of service provided;
- Alternate service delivery, which involves changing the Municipality's delivery model for a service (e.g. internal resources vs. contracting out); and
- Revenue generation. These opportunities seek to reduce the municipal levy by identifying alternate means of funding municipal services through user fees and other cost recovery methods.

In addition to the categories noted above, we believe that opportunities will differ based on the nature of the approval required for implementation. Specifically, we suggest that some opportunities – those that are purely operational in nature – could be implemented by management without Council's explicit approval on the basis that these are operational matters and fall within management's discretion. Other opportunities – for example those involving major changes to services – are considered to be more strategic in nature and as such, would likely require Council approval prior to implementation. Ultimately, the distinction between operational and strategic opportunities rests with the Municipality, recognizing once again that Council's role is that of a governance body.

The potential opportunities for consideration follow.

# Refinement of Corporate Systems

**Potential financial impact**

*To be determined* x

*Less than \$100,000*

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency* x

*Alternate delivery*

*Revenue generation*

**Approval category:**

*Strategic* x

*Operational* x

**Implementation timeframe:**

*2017* x

*Subsequent years*

**A. Opportunity Overview**

During the course of our review, we noted that the Municipality currently lacking or inconsistently delivering upon corporate programs, policies and systems necessary to ensure the effective and efficient delivery of municipal services. Specifically, we note that the following are either lacking or in early stages:

- Up-to-date job descriptions that reflect the current functions undertaken by municipal employees. The Municipality has undergone change in a number of departments and re-assigned functions across the organization. The Municipality may wish to consider a review of all positions to ensure that the job descriptions more accurately reflect the roles and responsibilities of all staff;
- Establish training policies to ensure training reflects the roles and responsibilities of staff;
- Establish an annual goal setting process for management that aligns with corporate and Council priorities. The Municipality may wish to consider this as part of a refresh of the Municipality’s strategic plan;
- The goals and objectives identified above are then linked to formal and timely performance evaluations for senior management. We understand that the Municipality has a performance management program in place but because of staff turnover, specifically at the CAO level, the application of the program has been inconsistent over the past three years; and
- Centralizing key corporate functions with a particular emphasis on purchasing and grant writing. Currently, these functions are spread across the organization and it is beneficial to centralize these function to realize efficiencies and greater interdepartmental collaboration.

With a new CAO in place, this may present the Municipality with a timely opportunity to consider making the development of necessary corporate systems a priority for the municipality to ensure:

- Roles and responsibilities of every employee are clearly defined;
- Management understands how they will be evaluated on an annual basis; and
- The potential benefit of enhancing the Municipality’s ability to achieve Council’s vision/direction, identify and address performance issues and ensure compliance with necessary legislation (e.g. Occupational Health and Safety Act)

# Refinement of Corporate Systems

**Potential financial impact**

*To be determined* x

*Less than \$100,000*

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency* x

*Alternate delivery*

*Revenue generation*

**Approval category:**

*Strategic* x

*Operational* x

**Implementation timeframe:**

*2017* x

*Subsequent years*

**B. Financial Impact and Timeframe**

The development and implementation of corporate systems could commence immediately, recognizing that the process may require one to two years to complete.

While the majority of work involved in the development and implementation of corporate systems could likely be undertaken internally, the Municipality may be required to retain external advisors for certain aspects of this opportunity including a refresh of the Municipality's strategic plan.

**C. Suggested Approval Requirements**

The establishment of goals and objectives on the part of Council will require Council approval and as such this aspect of the opportunity we would consider it to be a strategic-level opportunity.

The development of the other corporate systems are considered to be operational in nature and as such, we suggest it can be implemented without Council approval.

**D. Other Considerations**

This opportunity is not expected to pose significant risks from a labour relations, regulatory, public safety or customer service perspective.

# User Fees

**Potential financial impact**

*To be determined*

*Less than \$100,000* x

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency* x

*Alternate delivery*

*Revenue generation*

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017* x

*Subsequent years*

**A. Opportunity Overview**

User fees represent a significant revenue source for municipalities and allow municipalities to directly generate revenue related to the provision of service and its users. A municipality’s approach to user fees and charges may vary where one municipality may pass a consolidated user fee by-law which is annually approved for a variety of municipal services with increases due to rising costs to provide those services. Other municipalities may break their user fee by-law into a series of separate schedules with increases occurring within some schedules but not all and with user fees and charges another municipality may not charge for. One’s approach is at the discretion of the municipality.

A recent trend in the municipal sector is a shift related to how user fees are determined with a particular focus on user fees and charges associated with recreation facilities and programming but not exclusive to only recreational services. The historical approach utilized by municipalities is an increase in user fees by a percentage on an annual basis typically be linked to the increase in the consumer price index (‘CPI’) and this is a practice many municipalities still use including the Municipality of French River.

The issue with this practice is there are elements (materials, hydro, etc.) related to providing a service which may not follow the inflationary curve associated with the CPI. The by-product of this approach is a municipality may be increasing the level of municipal subsidy for a service through its municipal levy by increasing user fees only by the rate of inflation. Based upon anecdotal information provided as part of the review process, the Municipality has not adjusted its user fees on an annual basis and as a result, the level of municipal support increases.

Beyond adjusting user fees on an annual basis, municipalities are also re-adjusting their approach to user fees. Municipalities appear to be shifting way from the traditional approach of annual increases based on CPI and establishing cost recovery targets for user fees where municipalities have discretion in establishing fees. In our experience, municipalities commonly use this approach for recreational and/or community focused services.

# User Fees

**Potential financial impact**

*To be determined*

*Less than \$100,000* x

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation* x

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017* x

*Subsequent years*

**A. Opportunity Overview**

The Municipality may wish to consider establishing a user fee structure based on a standard cost recovery percentage for all municipal facilities with an emphasis on the Noelville Arena. We would not advocate for cost recovery percentages in excess of 50% due to concerns surrounding affordability. Based on information provided during the review, the Municipality recovers approximately 16% through user fees to offset recreational facility expenditures which represents a net cost of \$109 per household.

The potential revenue impacts that could result from a standardized cost recovery percentage are presented below.

**Scenario 1 – Assumes a standardized recovery of 20% of costs, based on typical low cost recovery target**

	Recreation Facilities
2015 Operating Expenditures	\$332,186
Potential Cost Recovery Percentage	20%
<b>Required User Fee Revenue</b>	<b>\$66,437</b>
Current User Fee Revenue	\$53,279
Projected Increase (Amount)	\$13,158
Projected Increase (Percentage)	24.6%
<b>Projected Net Cost per Household</b>	<b>\$104</b>
Projected Decrease per Household (Percentage)	-3.7%

# User Fees

**Potential financial impact**

*To be determined*

*Less than \$100,000*      x

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*      x

**Approval category:**

*Strategic*      x

*Operational*

**Implementation timeframe:**

*2017*      x

*Subsequent years*

A. Opportunity Overview

*Scenario 2 – Assumes a standardized recovery of 25% of costs, based on municipal comparator average*

	Recreation Facilities
2015 Operating Expenditures	\$332,186
Potential Cost Recovery Percentage	25%
<b>Required User Fee Revenue</b>	<b>\$83,047</b>
Current User Fee Revenue	\$53,279
Projected Increase (Amount)	\$29,768
Projected Increase (Percentage)	55.9%
<b>Projected Net Cost per Household</b>	<b>\$97</b>
Projected Decrease per Household (Percentage)	-11.0%

# User Fees

**Potential financial impact**

*To be determined*

*Less than \$100,000* x

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation* x

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017* x

*Subsequent years*

A. Opportunity Overview

*Scenario 3 – Assumes a standardized recovery of 30% of costs, based on high cost recovery target*

	Recreation Facilities
2015 Operating Expenditures	\$332,186
Potential Cost Recovery Percentage	30%
<b>Required User Fee Revenue</b>	<b>\$99,656</b>
Current User Fee Revenue	\$53,279
Projected Increase (Amount)	\$46,377
Projected Increase (Percentage)	87.0%
<b>Projected Net Cost per Household</b>	<b>\$91</b>
Projected Decrease per Household (Percentage)	-16.5%

# User Fees

**Potential financial impact**

*To be determined*

*Less than \$100,000*      x

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*      x

**Approval category:**

*Strategic*      x

*Operational*

**Implementation timeframe:**

*2017*      x

*Subsequent years*

**B. Financial Impact and Timeframe**

A new user fee structure could be implemented as part of the Municipality’s review of its current user fee bylaw. Based on the three scenarios presented and the current rate of cost recovery, the increases may need to be phased in over time to lessen the potential impact on the community. Beyond a phased in approach and dependent on Council’s decision to pursue a cost recovery target higher than current levels, Council may wish to consult with the community and in particular, facility user groups regarding increasing user fees and the potential impact upon utilization.

**C. Suggested Approval Requirements**

We have considered this to be a strategic-level opportunity that requires Council approval.

**D. Other Considerations**

This opportunity is not expected to result in regulatory, labour or public safety risks.

The potential does exist for negative reception to this opportunity by residents, leading to reduced utilization of the Municipality’s recreational facilities and a net decrease in revenues.

# Rationalization of Library Support

**Potential financial impact**

*To be determined*

*Less than \$100,000* x

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction* x

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017*

*Subsequent years* x

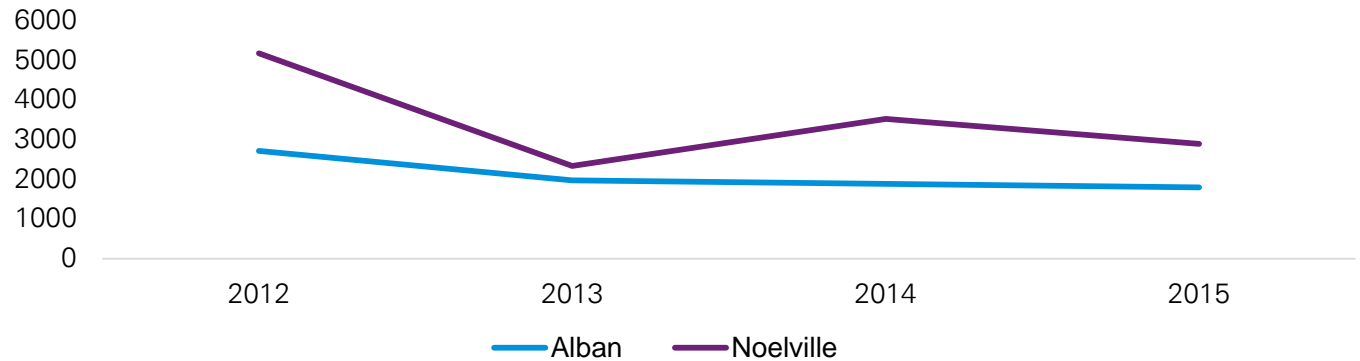
**A. Opportunity Overview**

Over time, public libraries have evolved from the traditional viewpoint where residents would go for reading and reference materials to the present time where now libraries serve a larger role in acting as community hubs to provide traditional library services but also now offer a wide range of recreational/educational programming to their respective communities.

The French River Public Library is no different in that it provides a variety of community services and operates under the mission statement, "to serve the community with resources to enrich knowledge, encourage lifelong learning, inspire interests, and provide pleasure in recreational reading."

The French River Public Library provides service to the community with two branches: one located in Alban which was constructed in 1995 through community fundraising efforts and another in Noelville which is attached to a municipal fire hall. The Alban branch is open three days per week (Tuesday, Thursday and Saturday) for a total of 20 hours with the Noelville branch open on alternating days (Monday, Wednesday and Friday) for a total of 24 hours. Neither location is open on Sunday. The following charts illustrate the utilization of the two branches.

French River Public Library Walk-In Traffic by Branch 2012-2015



Source: Statistical Information Provided by the Municipality of French River

# Rationalization of Library Support

**Potential financial impact**

*To be determined*

*Less than \$100,000* x

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction* x

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017*

*Subsequent years* x

A. Opportunity Overview

French River Public Library Computer and Wifi Usage by Branch (2012-2015)				
	2012	2013	2014	2015
Alban	1,329	910	551	977
Noelville	1,771	1,453	1,313	1,457

French River Public Library Courses and Programs by Branch (2012-2015)				
	2012	2013	2014	2015
Alban	107	16	8	0
Noelville	518	181	463	631

Source: Statistical Information Provided by the Municipality of French River

Upon a review of the statistics of the two branches, it appears that both branches are experiencing a decline in walk-in traffic but an increase in the usage of computer stations and access to wifi. With respect to programming, the Alban branch did not offer any programming in 2015 whereas the Noelville branch increased the number of programs offered from 2014 to 2015.

As established under the Public Libraries Act, the library is governed by a library board which consists of six members with one representative from Council; all of which are appointed by the Municipality. Beyond the governance relationship, the financial relationship by which the Municipality and the Board operate under is the library board develops and adopts a budget to which Council then approves as set out by the Act.

The Municipality of French River provides financial support to the French River Public Library and in 2015, the Municipality provided the French River Public Library with a contribution of \$114,000. This represented a reduction of 10% from the previous year.

# Rationalization of Library Support

**Potential financial impact**

*To be determined*

*Less than \$100,000*      x

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*      x

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

**Approval category:**

*Strategic*      x

*Operational*

**Implementation timeframe:**

*2017*

*Subsequent years*      x

**A. Opportunity Overview**

Based on a review of the two assets, neither appear to present themselves as suitable candidate for closure with the Alban branch being slightly over 20 years old and the traffic levels at the Noelville branch.

Ultimately, the question of reducing municipal support to the French River Public Library is one that cannot take place in isolation of the Board and the two parties will need to determine what library services will look like as a result of any reductions in financial support.

**B. Financial Impact and Timeframe**

A reduction in financial support to the French River Public Library could be implemented as part of the Municipality's 2017 budget process. However, as previously identified, the Municipality should work with the library board to determine what a reduction could potentially look like and what impact that would have on current service levels. Additionally, the Municipality may want to consider consulting with the public to gain their perspective on the complement of services provided by the library at its two branches.

**C. Suggested Approval Requirements**

We have considered this to be a strategic-level opportunity that requires Council approval.

**D. Other Considerations**

This opportunity is not expected to result in regulatory, labour or public safety risks.

The potential does exist for negative reception to this opportunity by residents as any significant reduction in municipal support could lead to service level reductions.

# Establish Full Cost Recovery for Building Inspection Services

**Potential financial impact**

*To be determined*

*Less than \$100,000* x

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation* x

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017* x

*Subsequent years*

**A. Opportunity Overview**

Under Section 7 of the Ontario Building Code Act, municipalities are provided with the authority to establish fees for building inspection services and associated permits. With respect to the establishment of its building inspection and permitting fees, a municipality has the ability to operate its building inspection department at full cost recovery.

Another aspect of municipal building services and cost recovery is a municipality’s approach to managing open permits and the process it puts in place to attempt to close open building permits. Upon the closure of a building permit, the permit information is shared with the Municipal Property Assessment Corporation (‘MPAC’) who can then make assess the property’s value as a result of the building activity. The change in assessment allows the municipality to issue a supplementary property tax bill to better reflect the updated assessed value of the property.

To discourage property owners from keeping permits open and to assist the municipality in capturing additional taxation revenues, a common approach used within the municipal sector is the establishment of a ‘maintenance’ fee for open permits that exceed one year. Again, the rationale behind the establishment of the fee is to provide a disincentive to property owners while providing the municipality with revenues to maintain and manage open building permits. Upon review of the Municipality of French River’s building inspection service fees, the Municipality has established and adopted an annual maintenance or renewal fee of \$80 for its building permits. In consultation with the Municipality, there are approximately 500 open permits that are subject to the fee but there is a question of the Municipality’s willingness to enforce and collect the renewal fee. Based on the estimate provided, the Municipality may not be realizing upwards of \$40,000 in building inspection service revenues.

# Establish Full Cost Recovery for Building Inspection Services

**Potential financial impact**

*To be determined*

*Less than \$100,000*      x

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*      x

**Approval category:**

*Strategic*      x

*Operational*

**Implementation timeframe:**

*2017*      x

*Subsequent years*

**B. Financial Impact and Timeframe**

In 2015, the Municipality of French River spent \$73,366 on building inspection services and generated \$46,338 in associated revenues which translates to a cost recovery rate of 63%. Establishing a full cost recovery structure would allow the Municipality to reduce its municipal levy by as much as 0.8% assuming full cost recovery for building inspection services. The Municipality could further reduce its municipal levy by as much as 1.2% assuming 100% collection of renewal fees on the Municipality’s estimate of 500 open permits on an annual basis.

With the renewal fee already established, Council may wish to pursue this opportunity immediately.

**C. Suggested Approval Requirements**

This opportunity will require changes to the Municipality’s user fee bylaw and as such, Council approval will be required. Accordingly, we have considered it to be a strategic-level opportunity.

**C. Other Considerations**

If the Municipality should choose to pursue the already established renewal fee on open building permits, the Municipality may require additional resources to assist given the roles and responsibilities assumed by the CBO. The Municipality may also want to provide public notice to its residents about the fee.

# Establish a Communications Policy

**Potential financial impact**

- To be determined* x
- Less than \$100,000*
- \$100,000 to \$250,000*
- \$250,000 to \$500,000*
- More than \$500,000*

**Type of opportunity:**

- Service level reduction*
- Operating efficiency* x
- Alternate delivery*
- Revenue generation*

**Approval category:**

- Strategic* x
- Operational*

**Implementation timeframe:**

- 2017* x
- Subsequent years*

**A. Opportunity Overview**

During the course of our review, we noted that the Municipality does not appear to have corporate communications and social media communications policies in place. As a result, there are multiple points of contact for municipal services such as various social media pages without any corporate coordination. Policies such as these are considered to be municipal best practice and assist in the delivery of effective and efficient municipal services where the community and beyond has the opportunity to inform themselves as to the Municipality's activities.

**B. Financial Impact and Timeframe**

The development of a communications policy can commence in 2017. As part of its development process and from an external communications perspective, the Municipality may wish to consult with the public to gain a better understanding as to how and by what methods, residents want to receive communication products from the Municipality.

This opportunity is intended to increase the overall efficiency of the organization and as such, the potential cost savings cannot be reasonably determined.

**C. Suggested Approval Requirements**

As this opportunity will deal with how the Municipality communicates both internally and externally, we consider it to be a strategic-level opportunity requiring Council approval.

**D. Other Considerations**

This opportunity is not expected to have any regulatory, labour or public safety risks.

# Establish Financial Policies

**Potential financial impact**

*To be determined* x

*Less than \$100,000*

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency* x

*Alternate delivery*

*Revenue generation*

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017* x

*Subsequent years*

A. Opportunity Overview

During the course of our review, we noted that the Municipality does not possess a number of policies which are considered to best practice in the municipal sector and with the absence of policy, there can be delays/inefficiencies in the Municipality's operations. The policies include:

**Budget policy**

A budget policy establishes an annual budget process encompassing all municipal departments and Agencies, Boards and Commissions (ABC's) for which Council is required to approve annual budget estimates or levies.

*Objectives of the policy:*

- To establish the processes of the annual budget
- To encourage long-range planning in operating expenditures
- To achieve approval of the annual budget prior to December 31 (unless an election year in which years the budget shall be approved by March)
- To encourage effective planning, analysis and allocation of the Corporation's limited financial resources
- To encourage Agencies, Boards and Commissions to adopt the Municipality's budget timelines

# Establish Financial Policies

**Potential financial impact**

*To be determined* x

*Less than \$100,000*  
*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency* x

*Alternate delivery*

*Revenue generation*

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017* x

*Subsequent years*

A. Opportunity Overview

**Capital financing policy**

Establishment of capital financing policy sets out the guiding principles for the financing of future capital expenditures in a manner that considers the infrastructure investment requirements as well as affordability issues for taxpayers.

Within this policy, the Municipality would determine how much it intends on raising for capital purposes over a specific period of time and for what purposes. The following is an example:

The Municipality shall establish and increase the Municipal Levy by a minimum of 2% per year for each of the next five years (2017 to 2021 inclusive), with the increase being added to the Capital Levy.

The increase in the Capital Levy shall only be used for the following purposes:

- To fund capital expenditures;
- To increase reserve balances in order to finance future capital expenditures; or
- To finance the annual costs associated with Long-term Debt issued in connection with capital projects.

Subsequent to the five year phase-in period for increases to the Municipal Levy, the Municipality shall increase the Capital Levy by at least the CPI, as published by Statistics Canada.

Additionally, in the spirit of efficient communications with the community, the Municipality may wish to incorporate an annual reporting function within the policy which sets out a process by which the Municipality can update on residents as to how much has been raised via the capital levy and which projects have been supported by the levy.

# Establish Financial Policies

**Potential financial impact**

*To be determined* x

*Less than \$100,000*  
*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency* x

*Alternate delivery*

*Revenue generation*

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017* x

*Subsequent years*

**B. Financial Impact and Timeframe**

The Municipality may wish to commence the development and adoption of the policies identified. The cumulative intent of the policies is to streamline the financial administration of the Municipality and address operational inefficiencies by putting processes on ‘auto pilot’ where the policies guide the budget process and related financial matters.

From a timing perspective, the development and subsequent implementation could commence immediately. To assist in the development and implementation process, a potential policy development process is included in Appendix B and sample policies can be found in Appendix C of this report.

**C. Suggested Approval Requirements**

We have considered this to be a strategic-level opportunity that requires Council approval.

**D. Other Considerations**

This opportunity is not expected to pose significant risks from a labour relations, regulatory, public safety or customer service perspective.

# Reduce Road Maintenance to Private and Rural Roads

**Potential financial impact**

- To be determined* x
- Less than \$100,000*
- \$100,000 to \$250,000*
- \$250,000 to \$500,000*
- More than \$500,000*

**Type of opportunity:**

- Service level reduction* x
- Operating efficiency* x
- Alternate delivery*
- Revenue generation*

**Approval category:**

- Strategic* x
- Operational*

**Implementation timeframe:**

- 2017* x
- Subsequent years*

A. Opportunity Overview

The Municipality maintains a road network of 389 lane kilometres and the network itself is comprised of surface treated and gravel roads. During the second phase of the review process (Phase II – Environmental Scan), it appears that the Municipality is exceeding the Province of Ontario’s minimum maintenance standards for rural roads or roads classified as Class 6 under the regulation. As such, the opportunity exists for the Municipality to achieve potential cost reductions through a reduction to the maintenance standard provided.

Additionally, the Municipality provides road maintenance services to private roads which is not required under the Provincial regulation. Private road maintenance is provided through an agreement between the Municipality and the private property owners but it appears the agreement may not reflect the true cost of service and does not include any capital cost recovery.

It is our understanding that the Municipality is currently in the process of ensuring roads are properly classified as private or municipally owned.

As a means of reducing future maintenance and capital costs and potentially re-deploy public works staff to other infrastructure priorities, the Municipality may wish to consider the following:

- Discontinue road maintenance services to Class 6 roads within the Municipality where applicable;
- Discontinue road maintenance services to private roads within the Municipality, or
- If Council should wish to continue providing services to private roads, explore the potential of adjusting the fees for service to ensure full cost recovery for the Municipality including a component to account for the Municipality’s capital needs.

B. Financial Impact and Timeframe

The level of revenue generated by this opportunity will be contingent upon the nature of the changes implemented and cannot be estimated at this time.

The implementation of this opportunity can be considered as part of a revision to the Municipality’s asset management plan where Council has the ability to define service levels relating to its assets..

# Reduce Road Maintenance to Private and Rural Roads

**Potential financial impact**

*To be determined* x

*Less than \$100,000*

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction* x

*Operating efficiency* x

*Alternate delivery*

*Revenue generation*

**Approval category:**

*Strategic* x

*Operational*

**Implementation  
timeframe:**

*2016*

*Subsequent years* x

**C. Suggested Approval Requirements**

Given the potential sensitivities surrounding road maintenance standards, we consider this opportunity is considered to be strategic in nature and as such, should require Council approval.

**D. Other Considerations**

This opportunity is not expected to pose significant risks from a labour relations, regulatory, public safety or customer service perspective.

# Establish a Capital Levy

**Potential financial impact**

*To be determined*

*Less than \$100,000*

*\$100,000 to \$250,000*

*\$250,000 to \$500,000* x

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation* x

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017* x

*Subsequent years*

**A. Opportunity Overview**

In 2013, the Province of Ontario (the ‘Province’) required every municipality to develop and adopt an asset management plan. At that time, the development of an asset management plan was identified as a pre-requisite for the receipt of funding from the Province under the Municipal Infrastructure Investment Initiative (‘MIII’) and as such, represented an important first step in obtaining financing for necessary infrastructure investments. By the end of 2016, municipalities are expected to have refreshed their asset management plans and captured assets that were previously excluded from the requirements in 2013. Based upon a review of the Municipality’s asset management plan, it appears that all assets were captured during its preparation in 2013. That said, planning for capital reinvestment is essential with or without the incentive provided under MIII, or any other grant program, particularly given that the trend is the infrastructure for many municipalities is approaching the end-of-useful-life.

Based upon the findings of the Municipality’s asset management plan, the Municipality of French River’s asset management plan identified the need to invest approximately \$2.9 million on annual basis with an additional \$2.1 million needed in reserve investment to assist in the replacement of the Municipality’s assets. The findings of the asset management plan translates to approximately an additional \$2,020 per household to finance the Municipality’s capital needs.

**B. Financial Impact and Timeframe**

Recognizing the Municipality’s inability to unilaterally address its infrastructure-related financial requirement, it recognizes the need to begin to address the challenge. One potential financing strategy that municipalities are adopting is the adoption of a capital levy to address their capital needs and the Municipality may wish to consider the same. Introducing a five year capital levy would see the total levy increase by 2%, with the new revenue allocated to capital purposes (i.e. not for operations). The capital levy would add approximately \$93,000 per year to existing capital funding and nearly \$465,000 in the fifth year of the levy, which is significant in comparison to current spending. In 2015, the Municipality’s capital budget is largely comprised of grants and drawing down from its reserves.

# Establish a Capital Levy

**Potential financial impact**

*To be determined*

*Less than \$100,000*

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*     x

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*     x

**Approval category:**

*Strategic*     x

*Operational*

**Implementation timeframe:**

*2017*     x

*Subsequent years*

**B. Financial Impact and Timeframe**

The implementation of this opportunity may commence immediately and could be implemented as part of the Municipality's 2017 budget process. Additionally, this opportunity's implementation is expected to require predominantly staff time. A sample policy statement is provided to assist staff.

*Sample Policy Statement*

The Municipality of French River shall increase the Municipal Levy by a minimum of 2% per year for each of the next five years (2017 to 2021 inclusive), with the 2% increase being added to the Capital Levy.

The increase in the Capital Levy shall only be used for the following purposes:

- To fund capital expenditures;
- To increase reserve balances in order to finance future capital expenditures; or
- To finance the annual costs associated with Long-term Debt issued in connection with capital projects.

Subsequent to the five year phase-in period for increases to the Municipal Levy, the Municipality shall increase the Capital Levy by at least the Consumer Price Index, as published by Statistics Canada.

**C. Suggested Approval Requirements**

We have considered this to be a strategic-level opportunity that requires Council approval.

**D. Other Considerations**

The establishment of a capital levy is not expected to pose significant risks from a labour relations, regulatory, public safety or customer service perspective.

The Municipality may wish to give consideration to some form of public reporting as a mechanism by which the Municipality communicates with its residents on an annual basis as to how the capital levy was spent in the year it was raised.

# Re-Evaluate the Municipality's Approach to Solid Waste Management Services

**Potential financial impact**

- To be determined* x
- Less than \$100,000*
- \$100,000 to \$250,000*
- \$250,000 to \$500,000*
- More than \$500,000*

**Type of opportunity:**

- Service level reduction* x
- Operating efficiency* x
- Alternate delivery*
- Revenue generation* x

**Approval category:**

- Strategic* x
- Operational*

**Implementation timeframe:**

- 2017* x
- Subsequent years*

A. Opportunity Overview

A municipality's approach to solid waste management and its associated service levels typically attracts attention when service levels are adjusted. Based on information provided to us during the course of the review, it is our understanding that the Municipality has reviewed its service levels involving solid waste including examining the potential for curb-side collection which ultimately did not receive approval and a reduction in the number of bin sites available for the use of the community which was reduced by two sites with one site being reinstated by Council.

Beyond residential solid waste service levels, we understand that the Municipality provides solid waste collection services for non-residential customers, including industrial and commercial properties and after a review of the collection schedule for non-residential customers, commercial properties appear to receive a high level of service with multiple weekly visits for collection at no additional cost with the exception of a one-time fee that non-residential customers agreed to purchase Municipality-approved bins in 2004.

In our experience, municipalities typically do not provide solid waste collection to non-residential customers but rather require these customers to make arrangements with third party providers.

Contingent upon legal advice, the Municipality may wish to consider to discontinue providing collection services to non-residential customers. Discontinuance of the service may provide the Municipality to re-deploy resources to other public work activities such as road maintenance. If the Municipality wishes to proceed with maintaining the service level, the Municipality may want to establish a user fee for this service and consideration should be given to determining user fees with reference to market rates for similar service.

B. Financial Impact and Timeframe

The level of revenue generated by this opportunity will be contingent upon the Municipality to initiate change and if so, the nature of the changes implemented and cannot be estimated at this time.

The implementation of this opportunity can be considered as part of the Municipality's ongoing operations and could commence in 2017.

# Re-Evaluate the Municipality's Approach to Solid Waste Management Services

**Potential financial impact**

*To be determined* x

*Less than \$100,000*

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction* x

*Operating efficiency* x

*Alternate delivery*

*Revenue generation* x

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017* x

*Subsequent years*

C. Suggested Approval Requirements

We have considered this to be a strategic-level opportunity that requires Council approval.

D. Other Considerations

This opportunity is not expected to pose significant risks from a labour relations, regulatory, or public safety perspective beyond the need for legal advice regarding the Municipality's ability to discontinue service.

The potential does exist for negative reception to this opportunity by commercial property owners who will perceive this as a service level reduction.

# Acquisition of Equipment

**Potential financial impact**

*To be determined*

*Less than \$100,000*

*\$100,000 to \$250,000* x

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency* x

*Alternate delivery*

*Revenue generation*

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017* x

*Subsequent years*

**A. Opportunity Overview**

In its delivery of public works services/activities, the Municipality relies upon a mix of its own resources and resources provided by third party operators. One aspect of the Municipality’s public works efforts where a third party is contracted to assist in service delivery is the operation and rental of an excavator. Excavator services were purchased to provide the following services:

- Road maintenance;
- Capital road improvements;
- Municipal drains; and
- Beaver dam issues.

During the course of the review, we reviewed what the Municipality purchased over the past six years in excavator rental/operational costs. Over the past six years, the Municipality has purchased \$465,662 in excavator services which represents an annual average spend of \$77,610. Excavator expenditures decreased in 2016 as a result of the Municipality’s decision to decrease its operating and capital investments into the municipal road network. Excluding 2016, the Municipality has spent on average \$89,218 for excavator related services. The Municipality’s expenditures are summarized in the table below:

**Contracted Excavator Services (2011-2016)**

	2011	2012	2013	2014	2015	2016	Total
	\$61,910	\$99,960	\$60,433	\$106,071	\$117,715	\$19,572	\$465,662

Given the annual expenditures for excavator services and the potential that road maintenance and capital road improvements will return to pre-2016 expenditure levels, the Municipality may wish to consider the acquisition of an excavator for its own use rather than rely upon third party contractors.

# Acquisition of Equipment

**Potential financial impact**

*To be determined*

*Less than \$100,000*

*\$100,000 to \$250,000* x

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency* x

*Alternate delivery*

*Revenue generation*

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017* x

*Subsequent years*

**B. Financial Impact and Timeframe**

The acquisition of an excavator will require an investment on the part of the Municipality including an initial investment to purchase the excavator as well as maintenance costs. Subject to the exact specifications to be determined by the Municipality and dependent on the age of the machine, the acquisition cost of an excavator could range between \$200,000 to \$250,000. If the Municipality purchases a new excavator, aside from routine maintenance costs, the equipment should have a useful life of seven to ten years based on information provided. Based on information provided during the course of the review, staff within the Public Works department believe the equivalent of a fulltime operator would be required. However, dependent on the direction the Municipality may take with other public works opportunities identified within this report, the Municipality may create additional capacity and then offset the need for an additional operator.

In terms of the Municipality’s payback period, two scenarios have been developed:

***Scenario 1 – Assumes \$250,000 acquisition cost with the addition of one FTE***

		Costs
	Excavator	\$250,000
	Fulltime Operator (Based on 2017 wage rate – 40 hours/wk)*	\$46,218
	Benefits (30%)	\$13,865
	<b>Total Cost</b>	<b>\$310,083</b>
	Assumption of Average Excavator Expenditure	\$89,218
	<b>Expected Payback Period</b>	<b>3.5 years</b>

\* - This assumes 100% utilization on the excavator which would not likely be the case and provides the Municipality to utilize this resource in other public works functions.

# Acquisition of Equipment

**Potential financial impact**

*To be determined*

*Less than \$100,000*

*\$100,000 to \$250,000* x

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency* x

*Alternate delivery*

*Revenue generation*

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2017* x

*Subsequent years*

**B. Financial Impact and Timeframe**

*Scenario 2 – Assumes \$250,000 acquisition cost with internal resources being available*

	Costs
Excavator	\$250,000
<b>Total Cost</b>	<b>\$250,000</b>
Assumption of Average Excavator Expenditure	\$89,218
Expected Payback Period	2.8 years

Planning for and development of a municipal tender for the potential acquisition of an excavator can commence immediately with its final approval/implementation taking place as part of the 2017 process.

**C. Suggested Approval Requirements**

The acquisition of an excavator will require Council approval as part of the 2017 budget process and as such this aspect of the opportunity we would consider it to be a strategic-level opportunity.

**D. Other Considerations**

This opportunity is not expected to pose significant risks from a labour relations, regulatory, public safety or customer service perspective.

# Rationalization of Municipal Assets

**Potential financial impact**

- To be determined* x
- Less than \$100,000*
- \$100,000 to \$250,000*
- \$250,000 to \$500,000*
- More than \$500,000*

**Type of opportunity:**

- Service level reduction*
- Operating efficiency*
- Alternate delivery*
- Revenue generation* x

**Approval category:**

- Strategic* x
- Operational*

**Implementation timeframe:**

- 2017* x
- Subsequent years*

**A. Opportunity Overview**

At the time of amalgamation, the Municipality of French River assumed a number of facilities including libraries, fire halls and recreation facilities. The challenge facing the Municipality in its rationalization of those facilities is the facilities are not nearing the end of their useful life and in some cases, are not of sole use. For example, the Noelville fire station is also the location of one of the Municipality’s library branches and based on the information provided during the course of the review, the branch with a higher level of usage. As these assets begin to near end of their useful lives, the Municipality may wish to consider their replacement as part of their overall approach to asset management.

In particular, the Municipality owns a property located at 37 St. Antoine Street in Noelville. The building once housed the Municipality’s economic development office but with changes to the delivery of economic development services, the building does not house any municipal services but instead only provides office space for medical services. The following chart shows the revenues and expenditures associated with the building.

*37 St. Antoine Operating Revenues and Expenditures (2012 to 2015)*

	2012	2013	2014	2015
<b>Revenues</b>				
Rent Received	\$7,389	\$8,262	\$9,530	\$6,463
<b>Expenditures</b>				
Utilities	\$6,741	\$6,924	\$12,003	\$9,588
Repair and Maintenance	-	\$9,063	\$4,704	\$2,814
Other	-	-	-	\$400
Total	\$6,741	\$15,987	\$16,707	\$12,802
Net Cost	\$648	-\$7,725	-\$7,177	-\$6,339

# Rationalization of Municipal Assets

**Potential financial impact**

*To be determined* x

*Less than \$100,000*

*\$100,000 to \$250,000*

*\$250,000 to \$500,000*

*More than \$500,000*

**Type of opportunity:**

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation* x

**Approval category:**

*Strategic* x

*Operational*

**Implementation timeframe:**

*2016*

*Subsequent years* x

A. Opportunity Overview

Given the revenues for the property do not cover the expenditures, the Municipality no longer requires space for its economic development department and the now commercial nature of the building, the Municipality may wish to explore the potential of selling the property.

A. Financial Impact and Timeframe

The level of revenue generated by this opportunity will be contingent upon the Municipality's ability to sell the building and therefore, potential one-time revenues cannot be estimated at this time.

The implementation of this opportunity can be considered immediately.

C. Suggested Approval Requirements

The disposition of an asset will require Council approval and as such this aspect of the opportunity we would consider it to be a strategic-level opportunity.

D. Other Considerations

This opportunity is not expected to pose significant risks from a labour relations, regulatory, public safety or customer service perspective.



Corporation of the  
Municipality of French River

# Considerations for Implementation



# Considerations for Implementation

As the Municipality moves forward with the implementation of opportunities identified through the operational review, the Municipality may wish to consider the following framework.

- **Establishment of Council Committee for Project Sponsorship**

In our experience, a number of transformational projects do not achieve their expected results due to the absence of support from those tasked with governance, which in the case of the Municipality means Council. In order to ensure that the Municipality of French River maintains direction with respect to the implementation of the review findings, it may wish to consider the establishment of a committee of Council (membership from Council and the CAO), the mandate of which should include:

- Receiving reports from staff as to the progress of implementation activities, which we suggest occur on a monthly basis
- Providing approval for specific implementation plans
- Reporting to Council on the progress of transition activities
- Providing guidance and advice (as requested) to staff in support of transition activities.

In establishing the Council committee, we suggest that the Municipality first establish terms of reference that outline the responsibilities of the committee members, including a delineation of responsibilities between the committee and staff (recognizing that staff have operational responsibility for the implementation activities).

- **Establishment of Transition Teams**

Concurrent with the establishment of the Council committee, the Municipality may wish to consider the establishment of transition teams comprised of the department head responsible for the specific department and key staff from the functional area. The purpose of the transition team will be to establish the implementation plan for the opportunity, communicate and obtain approval from the Council committee, execute the implementation plan and monitor and report on outcomes.

- **Develop Implementation Plans**

The requirement for implementation planning and the associated level of detail will vary depending on the nature of the opportunity and its inherent complexity. Notwithstanding differences in detail, we suggest that a standardized template for implementation activities be developed so as to ensure that all important factors are considered as well as to facilitate communication with the Council committee and the community at large. A suggested implementation plan is included on a later page in this chapter.

# Considerations for Implementation

- **Develop Implementation Plans**

Upon completion of the implementation plans by the transition team(s), the plans would be presented to the Council committee for their review and approval. Upon approval, the transition teams would then execute the plans, revising the approach as circumstances warrant.

We suggest that stakeholder notice represents a critical component of the implementation plan for any opportunities involving services provided to the general public. Accordingly, we suggest that the Municipality consider at least one public communication session for same or similar opportunities (e.g. recreation) that may impact on service levels. While the Municipality may wish to combine different opportunities into the same session, we suggest that potential differences in services, customer impacts and the differing priorities of residents may reduce the overall benefit of a combined communication session.

- **Monitor and report on outcomes**

The final component of the implementation process should be the monitoring and reporting on implementation outcomes, the purpose of which is to communicate the overall impact and/or benefits of the implementation process and any 'lessons learned' that may be relevant to other transition activities.

In reporting on implementation outcomes, we suggest that the following areas be addressed:

- Actual implementation activities vs. planned activities
- Actual implementation timeframes vs. planned timeframes
- Actual financial benefits (cost reductions) vs. planned benefits
- Actual one-time costs vs. planned one-time costs
- Outcomes of public meetings (if any)
- Major challenges experienced during the implementation process
- Implications for future/other transition initiatives (i.e. lessons learned)

The Municipality may wish to consider accumulating the results of multiple implementation activities into a single report to the Council committee.

# Considerations for Implementation

Opportunity		Re-evaluate the Municipality's approach to solid waste management services			
Implementation strategy		Timeframe	Responsibility	One-time Cost	Annual Cost
<ul style="list-style-type: none"> <li>Identify all potential impacted users of commercial collection services</li> </ul>					
<ul style="list-style-type: none"> <li>Establish communication with those potentially impacted properties to discuss the impact of a change in service delivery</li> </ul>					
<ul style="list-style-type: none"> <li>Determine a course of action with respect to service delivery: Continue to provide the service for a fee; or Discontinue service</li> </ul>					
<ul style="list-style-type: none"> <li>Staff conduct financial and non-financial impact on operations and the potential redeployment of resources</li> </ul>					
<ul style="list-style-type: none"> <li>Consult with public as to the options before Council</li> </ul>					
<ul style="list-style-type: none"> <li>Council decides on the matter</li> </ul>					
<ul style="list-style-type: none"> <li>Staff monitor change to determine if desired results are being achieved</li> </ul>					
Considerations			Response		
Staff reductions	None				
Collective bargaining agreement	None				
Community relations	None				
Service levels	Yes	Commercial properties expect solid waste collection services and this would represent a service level reduction			
Contractual obligations	None				



Corporation of the  
Municipality of French River

# Business Process Mapping



# Business Process Mapping

## A. Scope of Business Process Mapping

The major work steps of the business process mapping were noted earlier in the study overview section of this report. The review was conducted via two streams:

- Interviews of municipal staff; and
- Financial analysis undertaken by KPMG based upon the results of the interviews as well as based on our experience in working with municipalities.

The municipal staff selected for the interview process were chosen by the CAO and KPMG. For the purposes of the review, the Municipality's Treasurer and Deputy Treasurer selected to participate in the review and chosen because of the roles and responsibilities each position has associated with the Municipality's financial services and associated processes. For the purposes of examining the Municipality's Public Works and Parks and Recreation departments, the Parks and Recreation/Facilities Manager, Roads Lead Hand and CAO participated in the review of workflow processes.

The focus of the interviews was:

- To obtain an understanding of the individuals role within the Municipality; and
- To provide municipal staff with an opportunity to suggest potential changes which in turn could improve upon the efficiency of the Municipality's processes.







The intended results of interview process was to develop recommendations which increase efficiencies, provide oversight and compliance with policies for the Municipality.

# Business Process Mapping

## A. Scope of Business Process Mapping

The following legend was developed for the purposes of describing the Municipality's processes.

### Flowchart Legend

Shape	Description
	Process: Action is being taken by staff
	Decision: Multiple options and a decision must be made
	Start/End: The beginning or ending of a process
	Internal Control: Internal control present
	Manual Document: Manual document prepared
	Manual Process: The process is completed manually

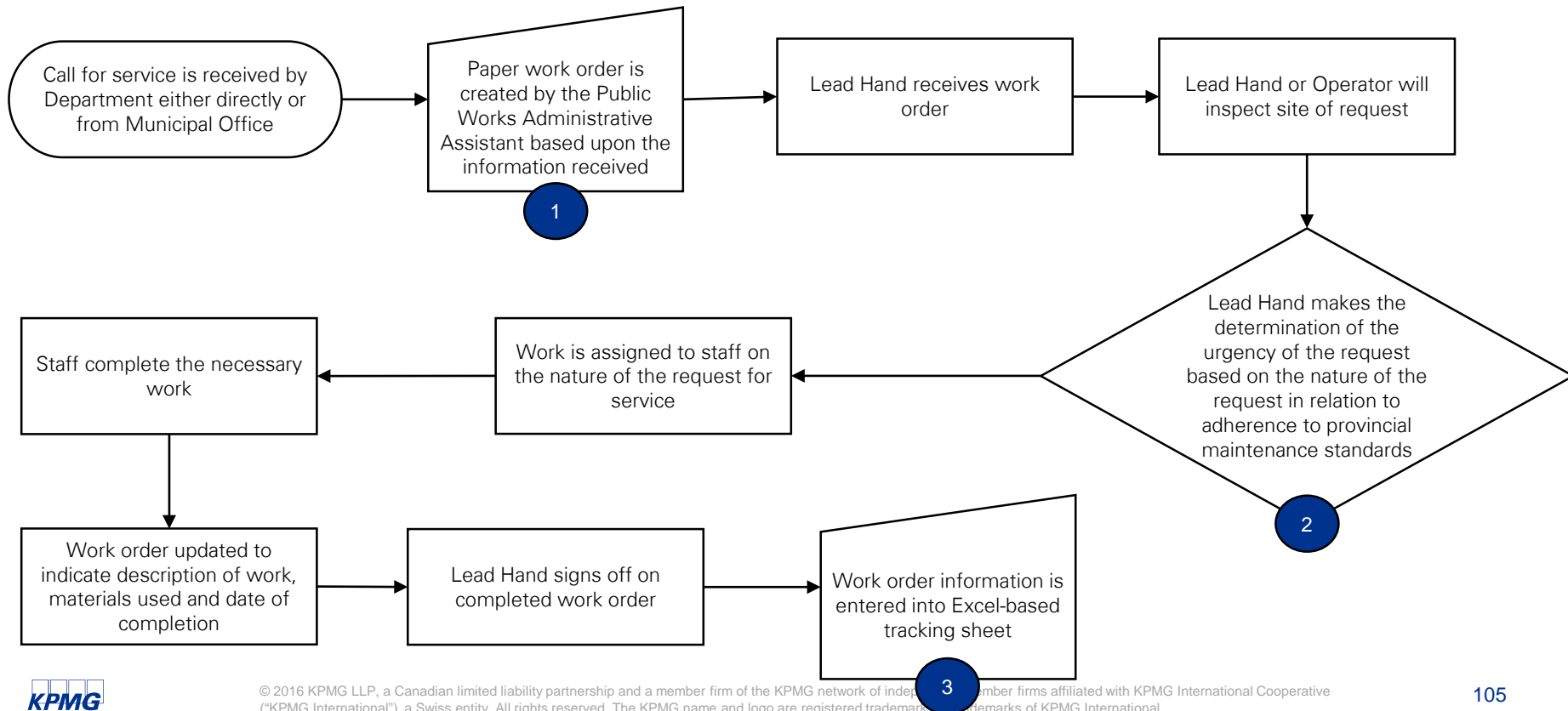
# Business Process Mapping

## Work Allocation and Scheduling of Work (Public Works)

The following depicts the process followed when a call for service is received by the Public Works Department

**Staff Involved:** Public Works Lead Hand, Public Works Administrative Assistant, Public Works staff (various), Municipal Office staff (various)

**Programs:** Paper based work order system and Excel spreadsheets for tracking



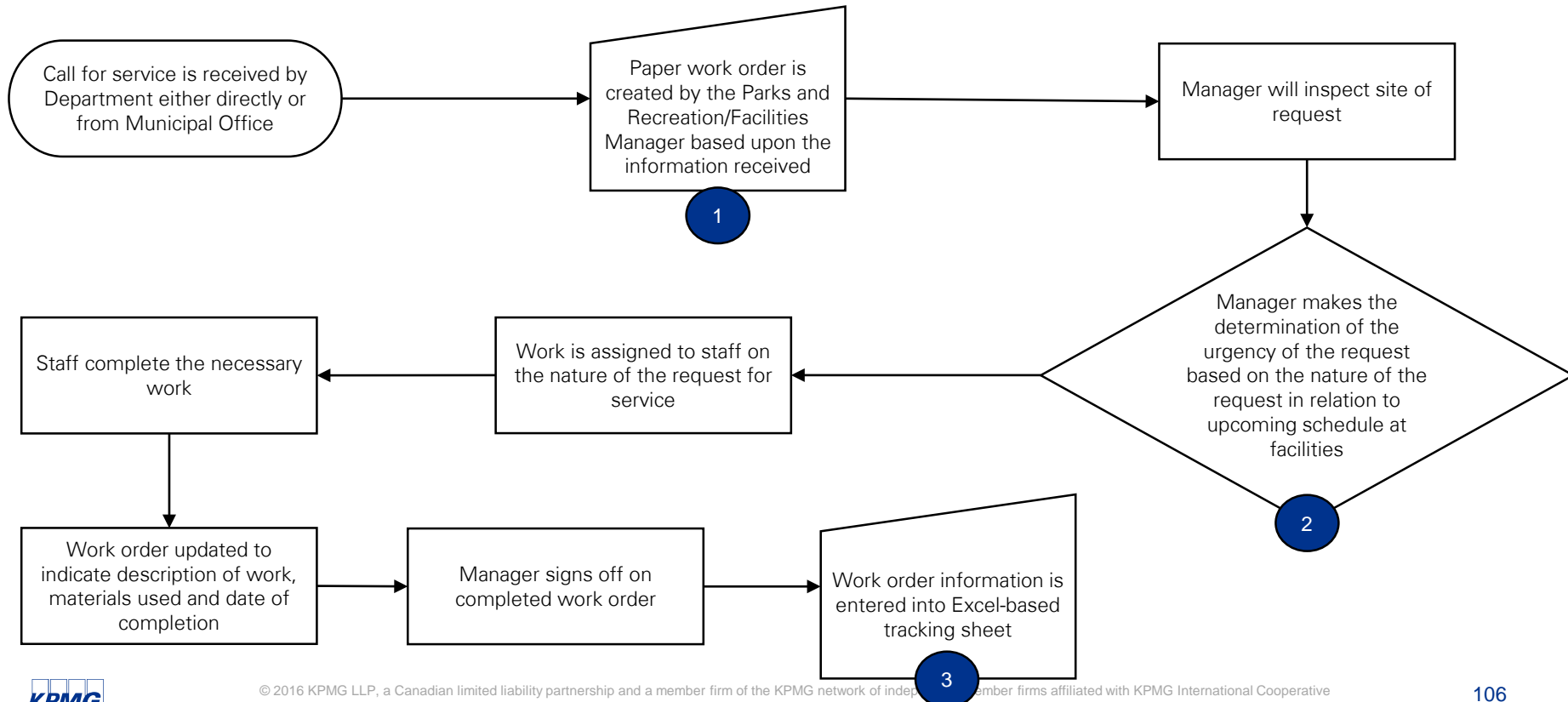
# Business Process Mapping

## Work Allocation and Scheduling of Work (Parks and Recreation/Facilities)

The following depicts the process followed when a call for service is received by the Parks and Recreation/Facilities Department

**Staff Involved:** Parks and Recreation/Facilities Manager, Parks and Recreation/Facilities staff, Municipal Office staff (various)

**Programs:** Paper based work order system and Excel spreadsheets for tracking



# Business Process Mapping

Issue	Suggested Course of Action
<p>1. No formal 'triage' process where staff can mitigate the need for work order and resolve the issue with respect to the call or service</p>	<p>The Municipality may wish to consider the implementation of staff having access to public works activities which could reduce the number of callouts to involved public works and/or parks and recreation staff</p>
<p>2. No formal prioritization process exists for non-urgent request for service calls, with the potential for the same type of request being assigned different priorities. Public Works will assign priority to work based on provincial regulations.</p>	<p>The Municipality may wish to consider the development of a standard checklist for the prioritization of requests. In addition, consideration could be given to periodic audits to assess the effectiveness of the checklist and degree of staff compliance with the prioritization results.</p>
<p>3. The Municipality has recently created a manual tracking sheet for all work orders – implemented in late August/early September. The use of Excel spreadsheet may increase the risk of errors.</p>	<p>The Municipality may wish to consider whether or not its accounting software has a module that would allow for electronic tracking of work orders opposed to the use of manual documents.</p>

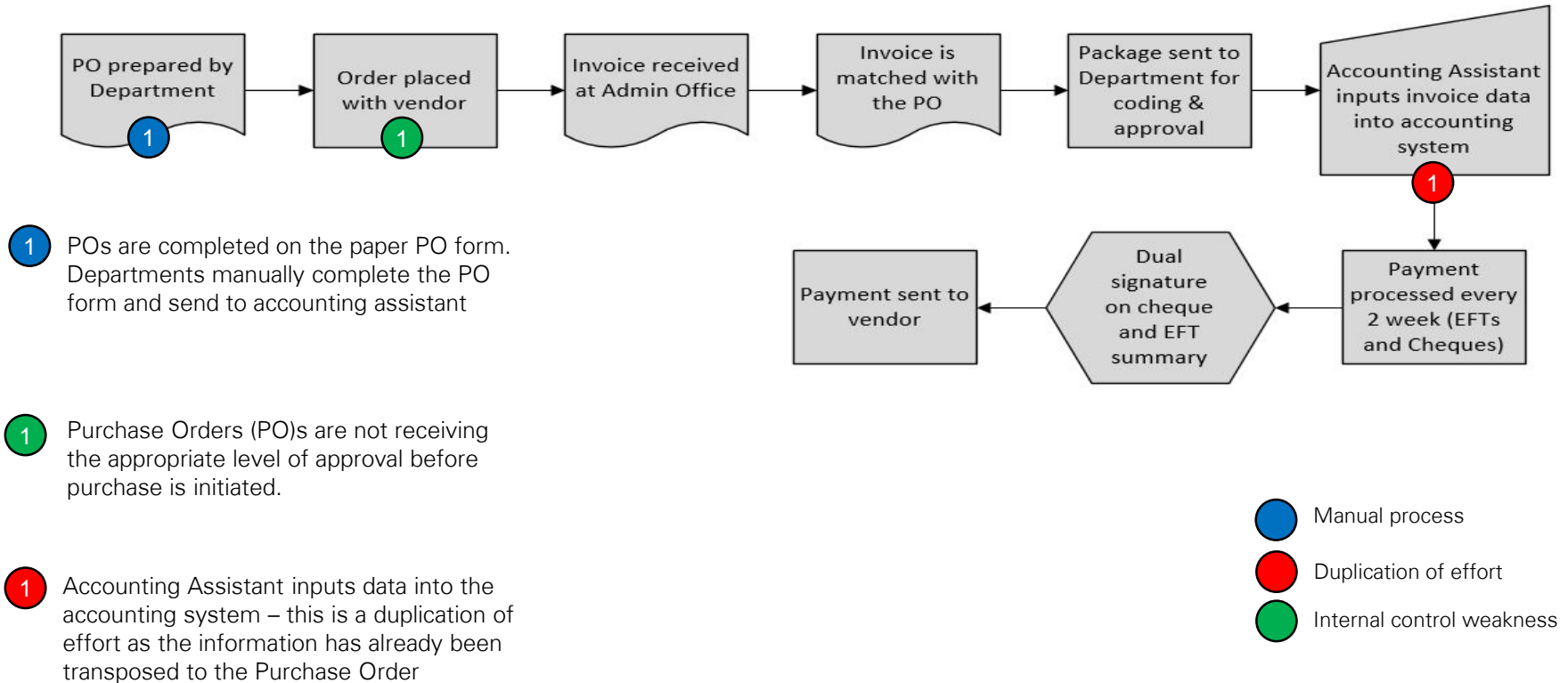
# Business Process Mapping

## Purchasing (\$500 to \$5,000)

The following depicts the process followed for the purchasing of items between \$500 and \$5,000 monetary value.

**Staff Involved:** Treasurer, Deputy Treasurer, Accounting Assistant, Department Managers (various)

**Programs:** Microsoft Dynamics GP (accounting system)



# Business Process Mapping

## Purchasing (\$500 to \$5,000)

The following describes the issues identified with respect to the purchasing process:

### Process Inefficiencies

- Due to the manual nature of the POs, there is a duplication of effort related to inputting invoice and purchase order information.
- Purchase orders are utilized for recurring expenses such as hydro, telephone, and internet. Purchase orders are implemented to control the purchasing within the township. Recurring expenses such as utilities, telephone and internet as not required to utilize purchase orders as the expense has been appropriately authorized when the contract was implemented.

### Manual Processes

- The POs forms are manual forms that must be filled out by employees. There is potential within the accounting system to implement electronic POs which would eliminate the need to input the information into the accounting system twice.

### Internal Control Weaknesses

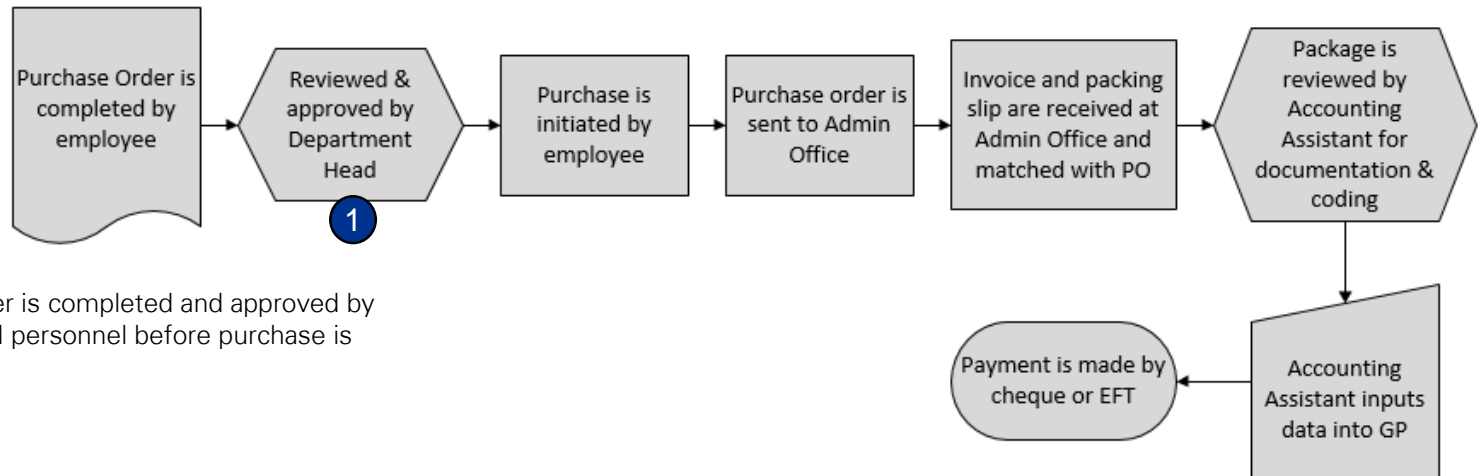
- Purchase Orders (PO) are not receiving the appropriate level of authorization before the purchase is initiated with the vendor. This internal control weakness allows employees to initiate purchases that may not be within the budget or in the municipality's best interests.
- Once the purchase has been made, there is very little option to decline the purchase request, therefore creating additional expenses for the Municipality.

### Oversight

- Lack of oversight by Department Heads, Treasurer & CAO as appropriate level of approval is not obtained before purchase is initiated.

# Business Process Mapping

## Process Recommendations – Purchasing (\$500 to \$5,000) Option 1



- 1 Purchase order is completed and approved by the authorized personnel before purchase is initiated.

### Process Efficiencies

- Purchase Order is received at the Admin Office before the invoice and product are received. This ensures that the Admin Office is aware of the purchase before the purchase initiation, and is able to efficiently code and record the purchase.

### Manual Process

- The purchase order is completed manually and is outside of the accounting system, therefore remains a manual process.

### Internal Controls

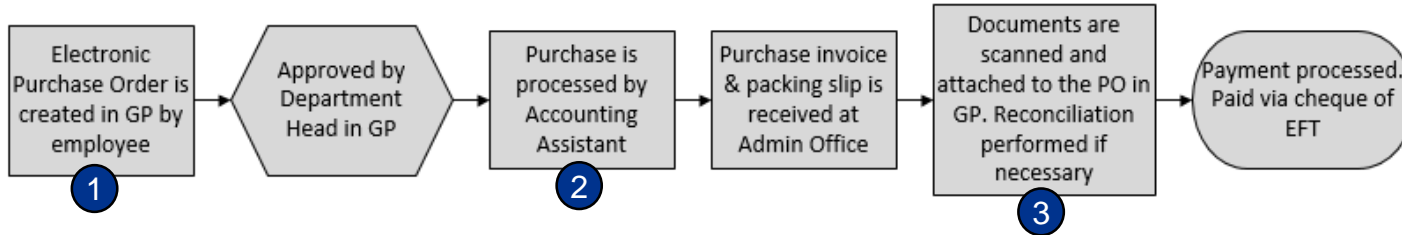
- Completing a Purchase Order (PO) and obtaining the approval by Department Heads ensures that inappropriate purchases are not initiated. Purchase Order, Invoice and Packing slip are reconciled and filed at the Admin Office, therefore ensuring the purchase was approved, received and invoice paid.

### Oversight

- Appropriate oversight by Department Heads, and Accounting Assistant.

# Business Process Mapping

## Process Recommendations – Purchasing (\$500 to \$5,000) Option 2



- 1 PO is drafted in GP and submitted electronically
- 2 Purchase is initiated by the accounting assistant, therefore ensuring the purchase has been approved by the appropriate level of authorization.
- 3 Documents are stored in electronic format. This allows the department to view the invoice, packing slip and purchase order through GP.

Process Efficiencies
<ul style="list-style-type: none"> <li>• Purchase order is completed in GP, therefore all the information is input into the system at initiation of the purchase process. The Accounting Assistant does not have to re-input the information at a later time, therefore eliminating the duplication of effort</li> <li>• All related documents are stored in GP, therefore allowing departments to access information at any time without contacting the Admin Office</li> </ul>

Manual Process
<ul style="list-style-type: none"> <li>• None</li> </ul>

Internal Controls
<ul style="list-style-type: none"> <li>• Purchase Orders cannot be processed within GP without all of the required information, and is approved by the correct level of authorization.</li> <li>• A three way match is performed with the packing slip, purchase order and invoice to ensure authorization of the purchase, and accuracy and existence of the product.</li> <li>• The process is fully automated, therefore little risk of circumventing the internal controls exist.</li> </ul>

Oversight
<ul style="list-style-type: none"> <li>• Appropriate oversight by Department Heads, and Accounting Assistant.</li> </ul>

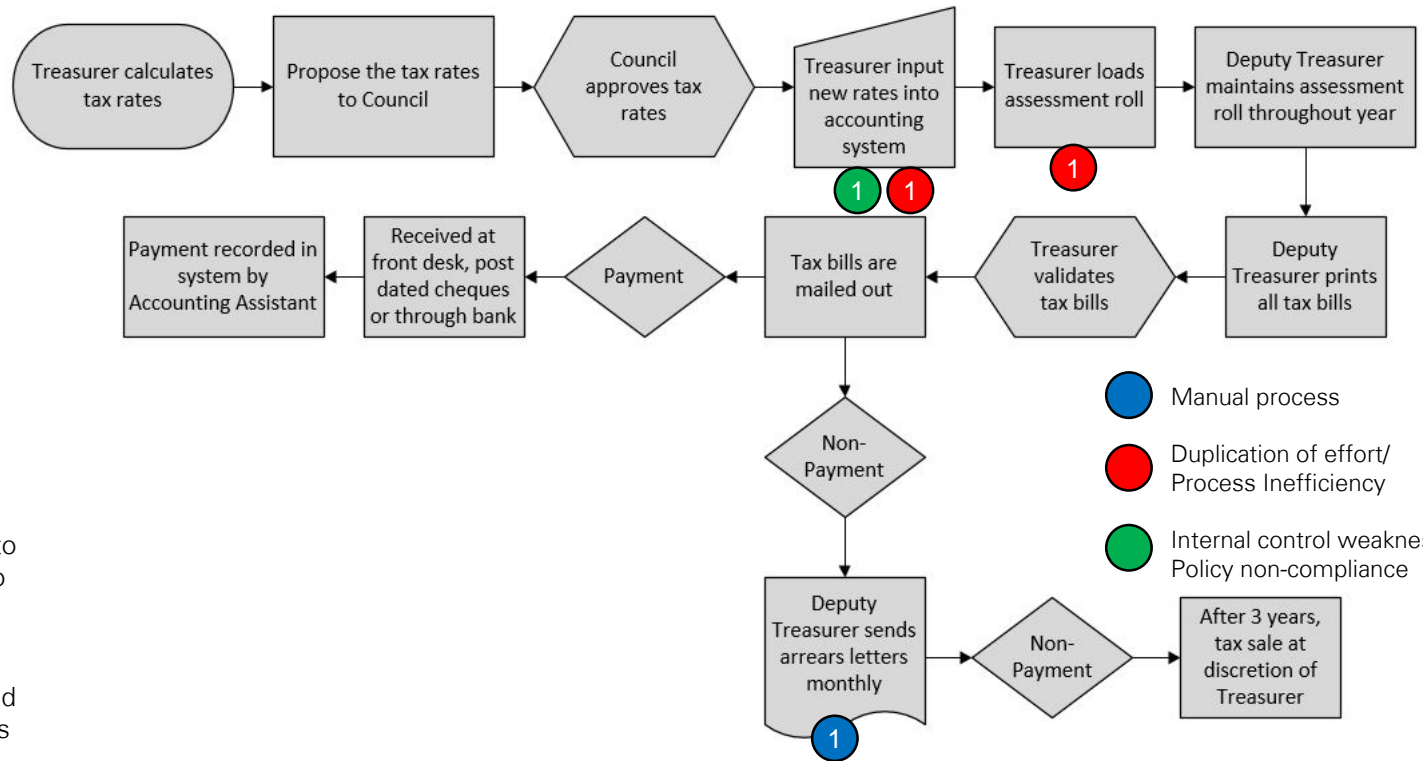
# Business Process Mapping

## Tax Collection

The following depicts the process followed for the property tax collection.

**Staff Involved:** Treasurer, Deputy Treasurer

**Programs:** Microsoft Dynamics GP (accounting software), OPTA (Online Property Tax Analysis)



- 1 Process inefficiency – performed by Treasurer
- 1 No review of input information (tax rates) into the accounting system to unsure rates are correct
- 1 All tax bills are printed and mailed out to all residents

- Manual process
- Duplication of effort/ Process Inefficiency
- Internal control weakness/ Policy non-compliance

# Business Process Mapping

## Tax Collection

The following describes the issues identified with respect to the tax collection process:

### Process Inefficiencies

- Various administrative tasks within the process are performed by the Treasurer position. The Treasurer position is responsible for oversight within the department – routine tasks can be performed by staff, and reviewed on a high level by the Treasurer. This ensure appropriate level of oversight as well as efficient use of the Treasurer's time.

### Internal Control Weaknesses

- There is no review of the tax ratios once they are manually input into the accounting software by the Treasurer. A review that there are no manual key in errors would provide a preventative control for tax bill errors.

### Manual Processes

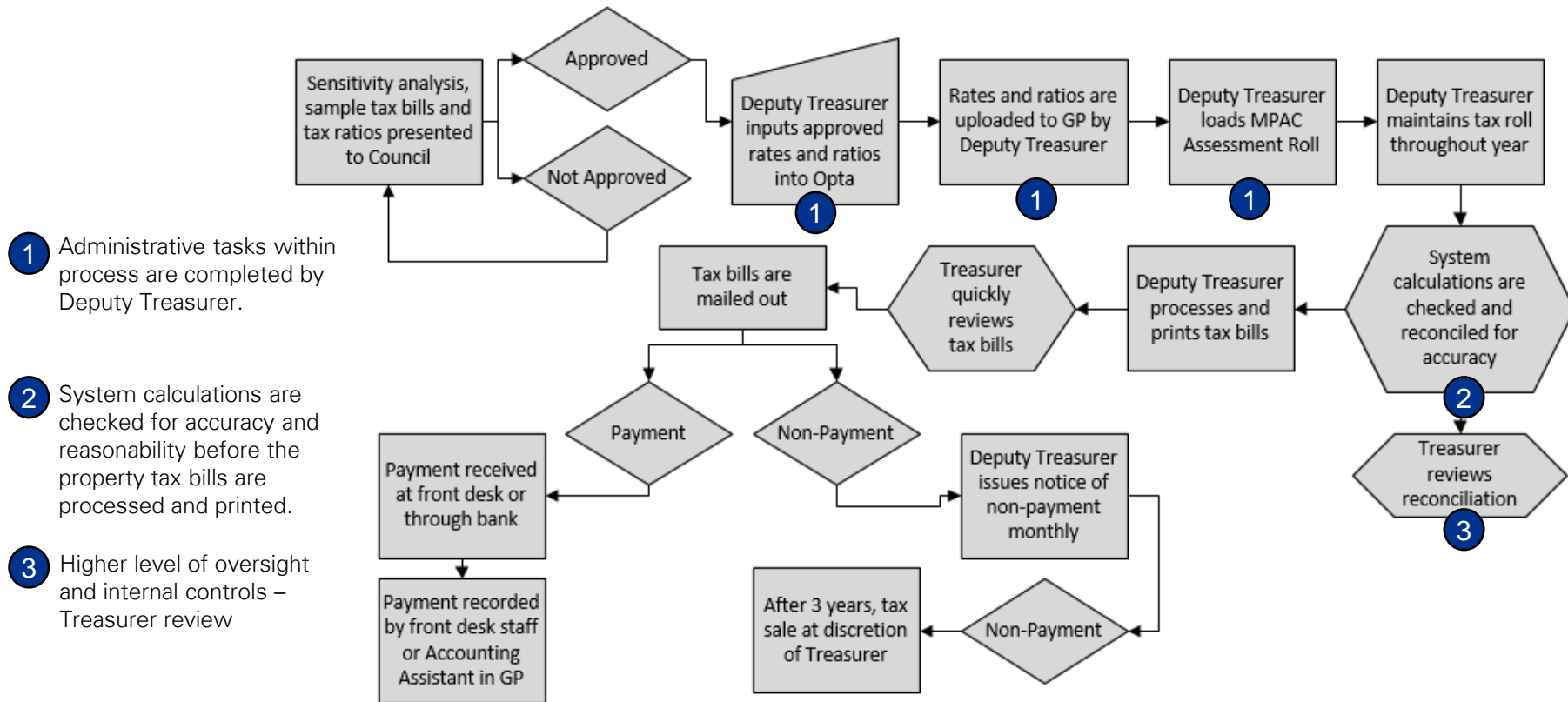
- All tax bills are printed and mailed out to the residents. This is a manual process which requires valuable time and resources within the finance office.

### Oversight

- Appropriate level of oversight by Council and Treasurer

# Business Process Mapping

## Process Recommendations – Tax Collection



# Business Process Mapping

## Process Recommendations – Tax Collection

### Process Efficiencies

- Many of the tasks within the process have been transferred to the Deputy Treasurer, with the exception of presenting recommended rates to Council. The Treasurer is now available to provide oversight and review of the process. This ensures the appropriate level of oversight and creates operational efficiencies that allows the Treasurer to focus on internal controls and strategic initiatives.

### Internal Controls

- With the input of tax rates and ratios into the accounting software shifted to the Deputy Treasurer, the Treasurer can now perform an oversight role. The Treasurer reviews all data input to ensure accuracy, reviews reconciliation of system calculations, and reviews the final tax bills for reasonability. This ensure an appropriate level of internal control over the tax collection process.

### Manual Processes

- There is an opportunity to implement e-billing with the software. This would allow for property tax bills to be emailed directly to the resident instead of mailed out by the Municipality. This would eliminate the manual process of printing the tax bills, stuffing envelopes and mailing the bills. However, not all residents have access to a computer, or are willing to adopt this new practice, therefore a gradual phased in approach would be beneficial to the Municipality.

### Oversight

- There is appropriate level of oversight over the tax collection process.

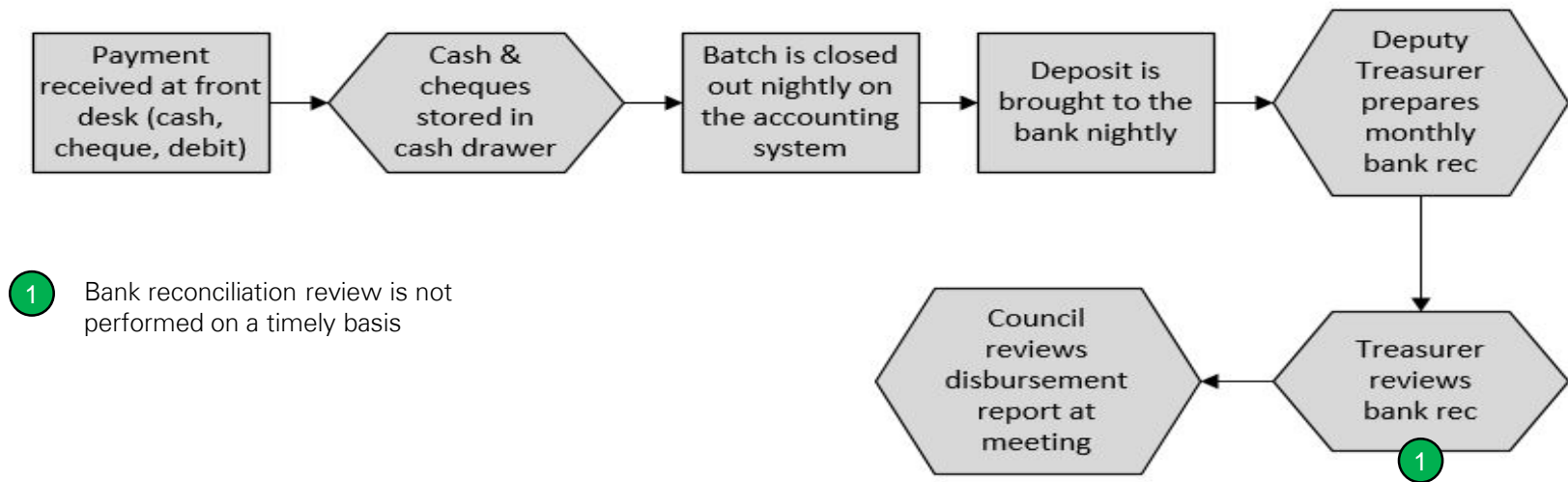
# Business Process Mapping

## Receiving Payments

The following depicts the process followed for the receipt of payment.

**Staff Involved:** Accounting Assistant, Deputy Treasurer, Treasurer

**Programs:** Microsoft Dynamics GP (accounting software)



1 Bank reconciliation review is not performed on a timely basis

Internal control weakness/  
Policy non-compliance

# Business Process Mapping

## Receiving Payments

The following describes the issues identified with respect to the receipt of payments process:

### Process Inefficiencies

- Not applicable

### Internal Control Weaknesses

- The Treasurer reviews and approves the bank reconciliations, however not on a timely basis. This is a detective internal control which is most effective when performed on a timely basis in order to identify any issues immediately.

### Manual Processes

- Not applicable

### Oversight

- There is an appropriate level of review. However, the Treasurer's review of the bank reconciliation is not performed on a timely basis.

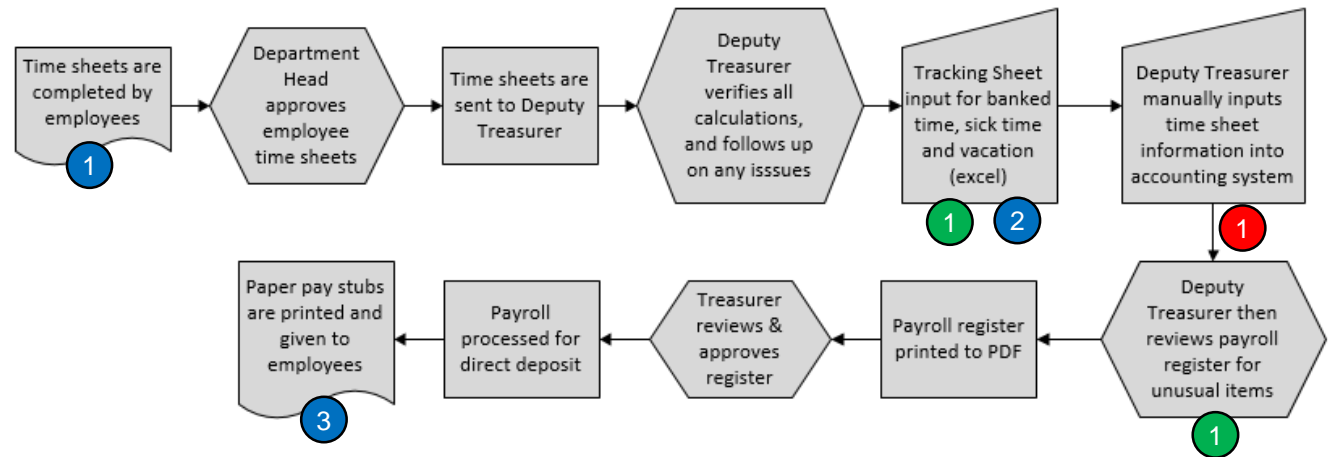
# Business Process Mapping

## Payroll

The following depicts the process followed for the payroll process.

**Staff Involved:** Department Heads, Deputy Treasurer, Treasurer

**Programs:** Microsoft Dynamics GP (accounting software) , Excel Spreadsheets



1 Time sheets are completed manually on a time sheet form by employees

2 Tracking sheet is completed manually by the Deputy Treasurer

3 Pay stubs are printed and given out to every employee.

1 All vacation time, OT, banked time and sick time are tracked manually through excel. This increases the risk of human error.

1 Manual input of data into the accounting system from the paper employee time sheets. This is a duplication of effort.

Manual process

Duplication of effort/  
Process Inefficiency

Internal control weakness/  
Policy non-compliance

# Business Process Mapping

## Payroll

The following describes the issues identified with respect to the payroll process:

### Process Inefficiencies

- Duplication of effort is apparent in the many manual processes, such as; manual time sheets, manual input into accounting system and manual tracking of overtime, sick time and vacation time. Inputting the same data multiple times increases the risk of error in the data as well as creates inefficiencies within the process.

### Internal Control Weaknesses

- Manually tracking overtime, sick time and vacation time using excel increases the risk of error within the process due to human error.
- There are no payroll exception/error reports that are produced using the accounting system. An overall review for unusual items in the payroll register is performed by the Deputy Treasurer, however there is no specific criteria to determine what is unusual. Utilizing exception reports within the accounting system will allow for an efficient analysis of payroll compared to prior years and against set criteria such as standard work hours for specific employees.

### Manual Processes

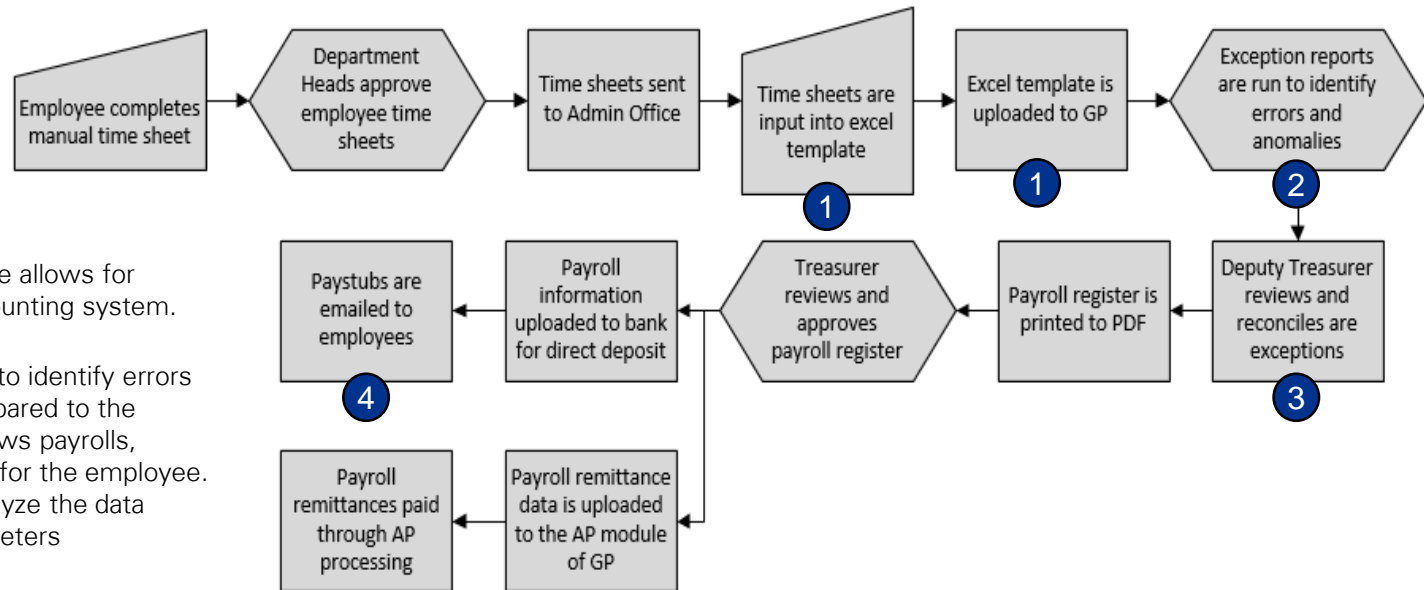
- Employee time sheet are a paper copy which is given to the Deputy Treasurer and manually keyed into the accounting system.
- Manual tracking of banked time, sick time, vacation and payroll statistics.
- Union dues calculation is performed manually and tracked by the Deputy Treasurer in an Excel worksheet.

### Oversight

- There is appropriate oversight by the Treasurer in the payroll process.

# Business Process Mapping

## Process Recommendations – Payroll Option 1



- 1 Utilizing the excel template allows for direct import into the accounting system.
- 2 Exception reports are run to identify errors and abnormalities as compared to the employee's profile, previews payrolls, coding previously set up for the employee. Exception reports will analyze the data effectively with the parameters established.
- 3 Treasurer review and sign off of exception reports – additional internal control and oversight.
- 4 Paystubs emailed to employees – eliminate paper paystubs.

# Business Process Mapping

## Process Recommendations – Payroll Option 1

### Process Efficiencies

- Excel template produced from GP allows for direct upload to the accounting system, therefore eliminating the manual input of data into GP.
- All benefits, vacation time, OT, union dues, sick time, etc. are tracked within the accounting system, therefore eliminating the use of excel spreadsheets to track information.
- Exception reports are produced automatically by GP, therefore eliminating the need for the Deputy Treasurer to manually review the payroll register on a per employee basis.

### Manual Processes

- Manual time sheets are still utilized. Unclear if GP has the functionality to implement electronic time sheets for each employee
- Elimination of paper paystubs, therefore eliminating a manual process.

### Internal Controls

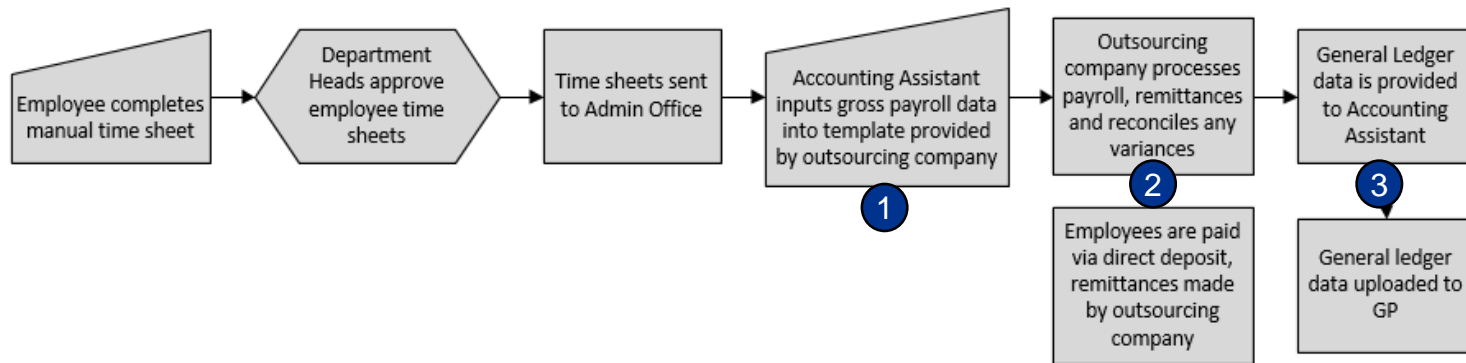
- Increased internal controls with the utilization and review of the exception reports produce by GP.

### Oversight

- There is appropriate oversight by the Treasurer in the payroll process.

# Business Process Mapping

## Process Recommendations – Payroll Option 2



- 1 Accounting Assistant inputs all data into an excel spreadsheet template provided by the outsourcing company and uploads to their receiving website.
- 2 The outsourcing company process all payroll related data, calculates all benefits, union dues, vacation time, sick times, OT, banked time, etc. Any variances are investigated and escalated to Municipality as required. Payroll and all remittances are paid by the outsourcing company

- 3 Outsourcing company provides excel file for upload to GP with all payroll related information.

# Business Process Mapping

## Process Recommendations – Payroll Option 2

### Process Efficiencies

- Payroll processing performed by third party. Payroll information provided to Municipality in excel format for upload directly into the accounting system. Any issues with government remittances, union dues, etc. handled by the third party on behalf of the Municipality.

### Internal Controls

- Third party performs exception reports, and validates the payroll information before employees are paid. Internal controls of third party company should be accessed before contract is entered into.

### Manual Processes

- Manual time sheets are still utilized. Unclear if GP has the functionality to implement electronic time sheets for each employee
- No re-keying of information into the accounting system as the information provided by the third party is a direct upload.

### Oversight

- Appropriate level of oversight as payroll information is reconciled once uploaded to GP.

# Business Process Mapping

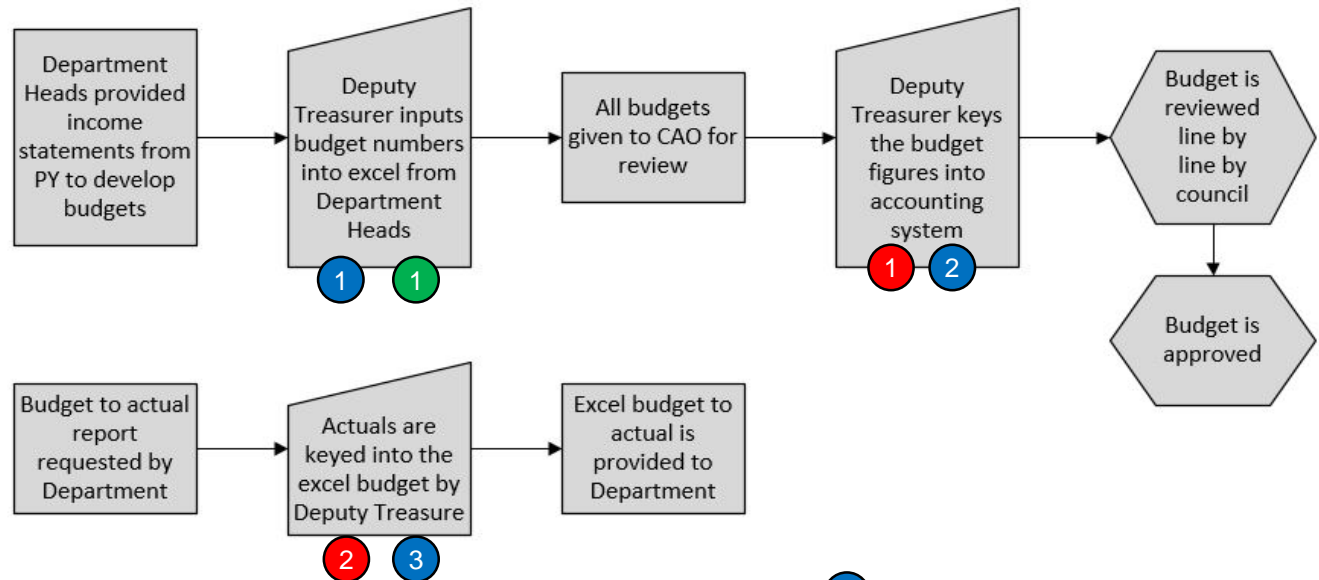
## Annual Budget

The following depicts the process followed for developing the annual budget

**Staff Involved:** Department Heads, CAO and Deputy Treasurer

**Programs:** Microsoft Dynamics GP (Accounting Software)

- 1 Deputy Treasurer manually keys the budget figures into a master excel budget document
- 2 Deputy Treasurer manually keys the budget figures into the accounting system
- 3 Deputy Treasurer manually re-keys the actual balances into the excel budget template for each department
- 1 The budget is maintained in an excel document – this increases the risk of unauthorized revisions to the budget.
- 1 The Deputy Treasurer is transferring the budget numbers into the accounting system manually – this is a duplication of effort as this figures have already been keyed in once to the master excel budget document
- 2 Duplication of effort as actual balances are manually re-keyed into the budget template excel for each department by the Deputy Treasurer



- Manual process
- Duplication of effort/  
Process Inefficiency
- Internal control weakness/  
Policy non-compliance

# Business Process Mapping

## Annual Budget

The following describes the issues identified with respect to the budget process:

### Process Inefficiencies

- The budget functionality within the accounting software is not being utilized. This creates many manual processes within the annual budget drafting process. The budget numbers are re-keyed numerous times, and the actual balances throughout the year are taken from the accounting software and re-keyed into the departmental budget excel worksheets. This re-keying of balances and information is a major process inefficiency that requires addressing.

### Manual Processes

- There are numerous manual tasks performed by the Deputy Treasurer within the process. All of the budget development and analysis tasks are performed in excel spreadsheets, with no integration with the accounting software.

### Internal Control Weaknesses

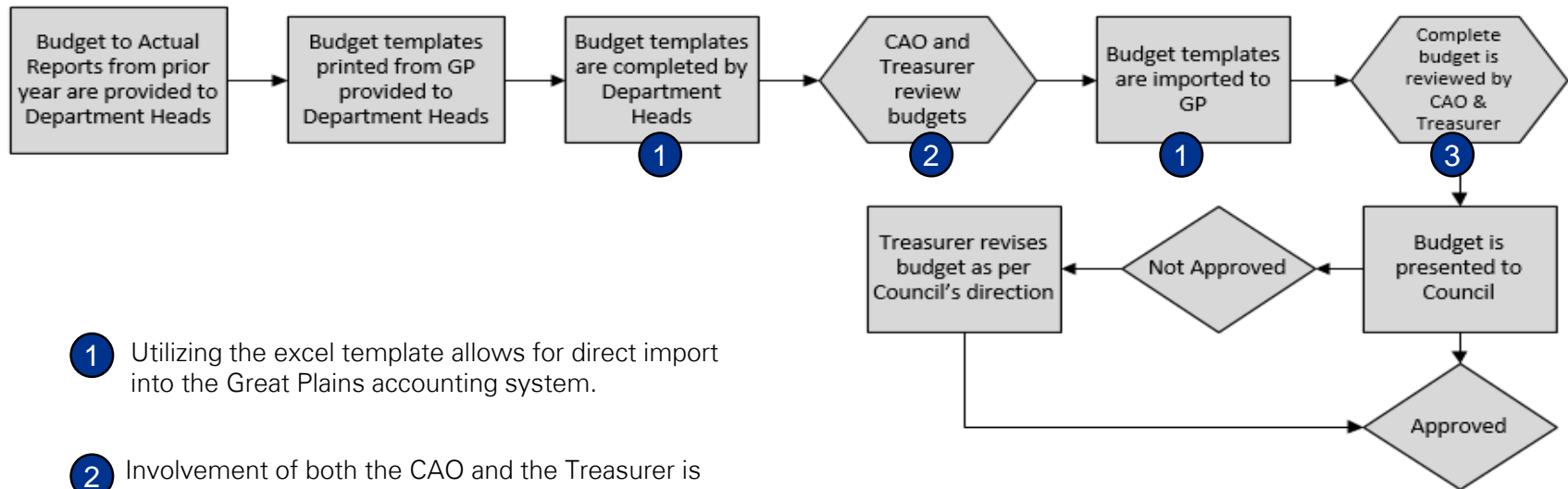
- The Deputy Treasurer is required to re-key the information numerous times, therefore increasing the likelihood of human error in figures reported. This increases the chance of overspending in the departments due to inconsistent information.
- Maintaining the budget in several excel worksheets increases the risk of unauthorized revisions to the budget. It also increase the risk of loss of data as the excel worksheet is not integrated in the IT back up process of the accounting software.

### Oversight

- Currently, there is no involvement of the Treasurer in the annual budget preparation process. This is the result of a vacancy and subsequent hiring of a new Treasurer. Going forward with the 2017 budget preparation, the Treasurer will undertake a proactive role and take on greater leadership in the budgeting process

# Business Process Mapping

## Process Recommendations – Annual Budget



- 1 Utilizing the excel template allows for direct import into the Great Plains accounting system.
- 2 Involvement of both the CAO and the Treasurer is essential in the budgeting process.
- 3 Review of the budget as a whole ensure that all department budgets are functional and are strategically aligned with the Municipality's goals.

# Business Process Mapping

## Process Recommendations – Annual Budget

### Process Efficiencies

- The budget excel template allows for direct import into the GP system, therefore eliminating the need to re-key the budget data more than once.
- Budget to actual reports can be printed through the Management Reporter module at any point in time.

### Internal Controls

- Multiple levels of review of the budget ensures appropriate internal controls

### Manual Processes

- All manual processes are eliminated.

### Oversight

- Appropriate level of oversight by the Treasurer, Department Heads, CAO and Council

# Business Process Mapping

## Internal Controls and Best Practices

### Microsoft Dynamics GP Utilization

- There are many functions available within the accounting software that is not being utilized by the Finance department. This is due to a lack of appropriate and effective training. Utilization of many functions within the accounting system would easily eliminate many manual processes, duplications of error and process inefficiencies.
- Microsoft Dynamics GP has the capability of implementing automated purchase orders, streamlining the payroll process and ability to track multiple budgets with easy to update and maintain functions
- Budget to actual reports can be produced quickly and easily when the Department Heads request them with no re-keying of data and balances.
- The Municipality should explore providing training to its department to ensure that all staff within the Finance department have greater capacity to make better use of the software's capabilities.

### Use of Purchasing Orders

- Purchase orders are not being used effectively by the Municipality. A purchase order is a control put in place in order to prevent employees from initiating purchases on behalf of the Municipality without the appropriate level of authorization.
- It has come to our attention that the appropriate level of authorization is not also obtained and documented before a purchase is initiated. This circumvents the internal control established with the use of purchase orders.
- Purchase order should be used for all purchases that are not routine in nature, such as capital purchases, large parts & equipment, significant services. Routine expenses would include inventory re-ordering, electricity bills, telephone bills, etc.

# Business Process Mapping

## Internal Controls and Best Practices

### Opportunities for Discount

- There are several vendors that are utilized infrequently by the Municipality that have established discounts for early payment. The Municipality is not currently taking advantage of the discounts due to the payment run for AP running every two weeks.
- Within the payable management capabilities of Microsoft Dynamics GP, there is the ability to set up specific terms for vendors. Alerts can also be programmed to alert the user when a discount will expire.

### Disposal of Assets

- The current process for disposal of assets does not involve the Finance department.
- The Departments dispose of assets with little or no communication with the Treasurer or Deputy Treasurer. This represents a significant internal control weakness as the existence of assets listed on the accounting TCA schedule can not be assured, and any payment for the assets disposed of may be unknown to the Finance department.
- If an asset is disposed of, and the Department collects money from the sale, there is no guarantee that the money will be handed into the Finance department.



Corporation of the  
Municipality of French River

# Appendix A – Municipal Comparative Analysis



CORPORATION OF THE MUNICIPALITY OF FRENCH RIVER

Schedule of Financial and Other Indicators for Comparator Municipalities (Note 1)

	Comparator Municipalities											Average	
	French River	Black River-Matheson	Callander	East Ferris	Killarney	Markstay-Warren	Mattawa	McDougal	NEMI	Sables-Spanish Rvers	St.-Charles		
<b>(1) CORPORATE WIDE</b>													
Wages and benefits as a percentage of total operating expenditures		32%	30%	36%	32%	26%	31%	35%	39%	23%	29%	34%	31%
Contracted services per household	\$	472 \$	1,128 \$	769 \$	225 \$	482 \$	678 \$	959 \$	841 \$	733 \$	799 \$	278 \$	656
Total municipal debt per household	\$	1,685 \$	- \$	2,207 \$	443 \$	1,107 \$	1,173 \$	1,017 \$	197 \$	744 \$	756 \$	1,006 \$	865
Debt servicing costs per household	\$	137 \$	- \$	270 \$	66 \$	207 \$	219 \$	96 \$	71 \$	75 \$	87 \$	162 \$	125
Debt servicing costs as a percentage of total operating expenditures		6%	0%	9%	2%	6%	7%	2%	3%	2%	3%	5%	4%
Total reserves and reserve funds per household	\$	1,570 \$	5,537 \$	917 \$	925 \$	1,279 \$	1,178 \$	3,352 \$	1,533 \$	1,641 \$	727 \$	950 \$	1,804
<b>(2) CORPORATE SERVICES</b>													
Administrative costs per household, net of non-taxation revenues	\$	531 \$	486 \$	647 \$	494 \$	719 \$	621 \$	553 \$	424 \$	432 \$	450 \$	801 \$	563
Wages and benefits as a percentage of total department expenditures		44%	55%	62%	56%	58%	49%	65%	63%	66%	42%	50%	57%
<b>(3) PROTECTIVE SERVICES</b>													
Police costs per household, net of non-taxation revenues	\$	208 \$	390 \$	270 \$	131 \$	84 \$	336 \$	659 \$	139 \$	456 \$	468 \$	269 \$	320
Fire costs per household, net of non-taxation revenues	\$	76 \$	144 \$	177 \$	96 \$	109 \$	259 \$	127 \$	206 \$	73 \$	98 \$	102 \$	139
Building/bylaw costs per household, net of non-taxation revenues	\$	37 \$	38 \$	97 \$	12 \$	58 \$	25 \$	77 \$	92 \$	43 \$	34 \$	67 \$	54
Building/bylaw cost recovery		37%	41%	0%	77%	13%	5%	13%	2%	35%	2%	33%	22%
<b>(4) SOLID WASTE MANAGEMENT</b>													
Solid waste costs per household, net of non-taxation revenues	\$	203 \$	130 \$	166 \$	84 \$	235 \$	67 \$	227 \$	(122) \$	151 \$	128 \$	193 \$	126
Solid waste management cost recovery		6%	25%	0%	24%	15%	9%	51%	130%	23%	12%	7%	30%
<b>(5) RECREATION AND CULTURAL SERVICES</b>													
Recreation and cultural costs per household, net of non-taxation revenues	\$	213 \$	223 \$	497 \$	509 \$	20 \$	310 \$	638 \$	144 \$	244 \$	208 \$	459 \$	325
Recreation and cultural cost recovery through non-taxation revenues		12%	13%	3%	17%	85%	15%	7%	4%	57%	25%	4%	23%
Library costs per household, net of non-taxation revenues	\$	59 \$	51 \$	106 \$	50 \$	1 \$	64 \$	105 \$	21 \$	61 \$	89 \$	49 \$	60
<b>(6) PLANNING AND DEVELOPMENT</b>													
Planning and development costs per household, net of non-taxation revenues	\$	100 \$	11 \$	133 \$	90 \$	78 \$	59 \$	342 \$	29 \$	57 \$	45 \$	78 \$	92

Notes:

(1) KPMG analysis based on 2015 Municipal Financial Information Returns and other documentation

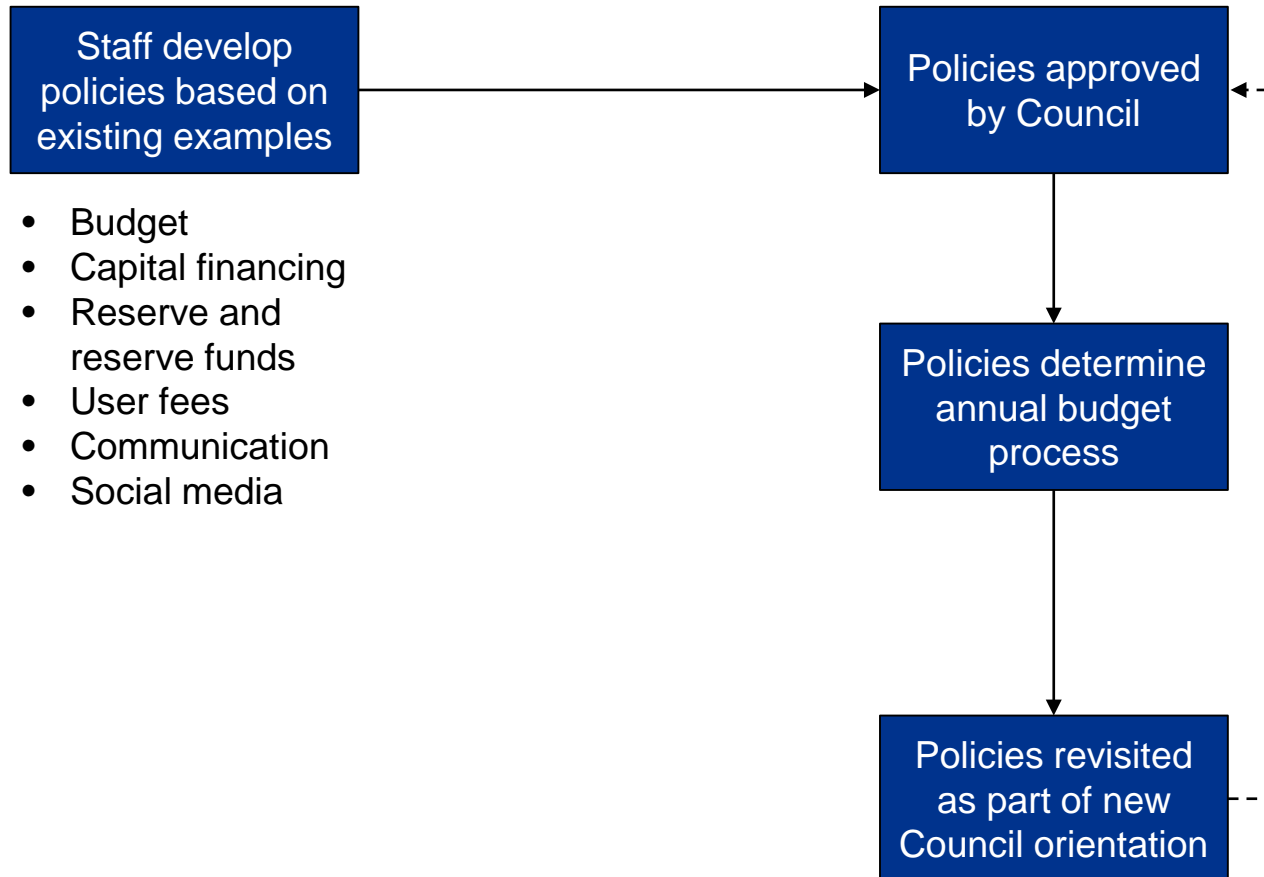


Corporation of the  
Municipality of French River

# Appendix B – Potential Policy Development Process



# Appendix B – Potential Policy Development Process





Corporation of the  
Municipality of French River

# Appendix C - Sample Financial Policies



# Appendix C – Sample Financial Policies

## Budget Policy

### POLICY

- The Municipality's policy is to establish an annual budget process encompassing all municipal departments and Agencies, Boards and Commissions (ABC's) for which Council is required to approve annual budget estimates or levies.

### OBJECTIVES

- To establish the processes of the annual budget
- To encourage long-range planning in operating expenditures
- To achieve approval of the annual budget prior to February 28th of the following year (unless an election year in which years the budget shall be approved by March)
- To encourage effective planning, analysis and allocation of the Municipality's limited financial resources

### IMPLEMENTATION

1. That the Treasurer prepare a report, no later than October 31<sup>st</sup> of each year, to provide Council a report outlining an overview of the projected budget challenges
2. That Council, no later than December 31<sup>st</sup> of each year, provide direction to staff regarding any changes in levels of service required for the following year and that this information be taken into account in the determination of the budget targets.
3. That the Treasurer, working in conjunction with other staff, develop and present a preliminary budget not later than January 31<sup>st</sup> that includes:
  - The calculated amount of capital levy as determined by the capital financing policy.
  - An adjustment to operating cost expenditures (excluding levies from outside boards and agencies) not to be lower than the published year-over-year Consumer Price Index for the month of October
  - An adjustment to levies from outside boards and agencies that reflects the anticipated change in levy amounts.

# Appendix C – Sample Financial Policies

## Budget Policy

### IMPLEMENTATION (Continued)

4. Personnel additions will only be considered if it is substantiated that additional staffing will result in increased revenue or enhanced operating efficiencies.
5. To the extent feasible, personnel cost reductions will be achieved through attrition.
6. Alternative means of service delivery will be evaluated to ensure that quality services are provided to our citizens at the most competitive and economical cost.
7. Operating variances will be monitored on a monthly basis by managers with reports to Council as of June 30<sup>th</sup>, September 30<sup>th</sup> and December 31<sup>st</sup> each year.
8. Capital projects, including approved change orders and other anticipated cost increases, will be reported to Council as of June 30<sup>th</sup> and December 31<sup>st</sup>.

# Appendix C – Sample Financial Policies

## Capital Financing Policy

### Purpose

The goal of the municipality's capital financing policy shall be to set out the guiding principles for the financing of future capital expenditures in a manner that considers the infrastructure investment requirements of the municipality as well as affordability issues for taxpayers.

### Glossary

*Capital Levy* – The amount of money raised through taxation that is transferred to the capital fund or reserves to be used to help pay for the cost of capital projects.

*Debt* – Any obligation for the payment of money. The municipality considers debt to consist of debentures, cash loans from financial institutions, capital leases, debenture financing approved through bylaw for which no debt has yet been issued, debenture financing approved through the capital budget for which no bylaw has yet been established, outstanding financial commitments, loan guarantees and any debt issue by, or on behalf of the municipality, including mortgages, debentures or demand loans.

*Long-term Debt* – Any Debt for which the repayment of any portion of the principal is due beyond one year.

*Municipal Levy* – The amount of money raised through taxation by the municipality for the purposes of funding operating costs as well as the Capital Levy.

### Policy Statements

1. The municipality shall increase the Municipal Levy by a minimum of 2% per year for each of the next five years (2017 to 2021 inclusive), with the 2% increase being added to the Capital Levy.
2. The increase in the Capital Levy shall only be used for the following purposes:
  - a) To fund capital expenditures
  - b) To increase reserve balances in order to finance future capital expenditures; or
  - c) To finance the annual costs associated with long-term debt issued in connection with capital projects.
3. Subsequent to the five year phase-in period for increases to the Municipal Levy, the municipality shall increase the Capital Levy by at least the Consumer Price Index, as published by Statistics Canada.



# Contacts

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