

September 8, 1999

ACS1999-CO-CMG-0016
(File: ACC1315)

Office of the Chief Administrative Officer

Ward/Quartier
City Wide

- Policy, Priorities and Budgeting Committee / Comité des politiques, des priorités et des budgets
- City Council / Conseil municipal

Action/Exécution

Municipal Government Reform

Reforme du gouvernement municipal

Recommendations

1. That staff be directed to develop a draft submission to be presented to the Ministerial Special Advisor that focuses on the rationale for and implementation of a one-tier one city model of local governance for Ottawa-Carleton, as approved by City Council on November 4, 1998.
2. That the firm of Hemson Consulting be retained for an upset limit of \$25,000 to update the financial information on the governance models presented to PP&B on May 6, 1998.
3. That a consultant be retained for an upset limit of \$25,000 to review and make recommendations on the preferred political structure associated with the one-tier one City model of local government.



September 8, 1999 (2:48p)

John S. Burke
Chief Administrative Officer

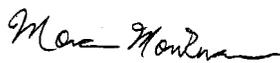
JB:lb

Contact: John S. Burke 244-5402

Financial Comment

Funds are available from the General Contingencies Reserve for an amount of \$50,000 for the retention of the consultants. In the event that projects are cancelled as a result of the Provincial Government's decision anticipated in December, the money allocated to these projects will be

redirected to the governance work and the General Contingencies Reserve will be reimbursed. Staff will report any changes in a future financial status report.



September 8, 1999 (3:03p)

Mona Monkman
City Treasurer

MM:ms

Executive Report

Reasons Behind Recommendations

Recommendation 1

On August 23, 1999, the Province of Ontario announced their intention to reduce the number of politicians and improve local government in four regions in Ontario, including Ottawa-Carleton, by making it simple, more efficient and more accountable. The other regions included in the review are Haldimand-Norfolk, Hamilton-Wentworth and Sudbury.

The Government set a 90 day time-frame for discussion and consultation on how to improve local municipal government. During the 90 day period the Minister of Municipal Affairs and Housing advised that he would be appointing a “special advisor” whose mandate will be to spend the next 60 days consulting with local taxpayers, businesses and other key stakeholders, review municipal reform proposals, and submit a written report with recommendations to the Minister immediately following the review. The Government has indicated that it anticipates bringing the necessary legislation to Cabinet before the end of the year. The intent is that there will be a new local government structure in place for the November 2000 Municipal Elections.

On May 6, 1998, City Council received a report from PP&B which supported a one-tier, one city concept for the Region of Ottawa-Carleton. The proposed model recommended that the following urban/suburban municipalities be eliminated: Cumberland, Gloucester, Rockcliffe Park, Vanier, Nepean, Kanata, Ottawa and the Region of Ottawa-Carleton and that they be amalgamated to create a new City of Ottawa. The rural municipalities were to determine whether or not they wished to be a part of the new city.

On November 4, 1998, City Council reconfirmed its commitment to a one-tier, one city local government for Ottawa-Carleton. Specific elements of the Council approved motion on the governance structure are provided as Document 1 to this report. In addition to their proposal for a one-tier one city government, City Council also approved a motion for municipal reform legislation to be in place if triple majority was not reached by November 12, 1998, and that a Commissioner be appointed to order municipal restructuring in this region.

When triple majority consensus on a government structure was not achieved, City Council passed a motion on November 18, 1998 that they would take no further action on this matter until such time as the provincial government passed enabling legislation to allow for a change in governance structure in Ottawa-Carleton along with the necessary framework for implementing the change.

As the Province has announced its commitment to proceed with reform before the end of the year, this report recommends that Council ask staff to proceed with the process and develop an implementation plan to operationalize the one-tier one city concept for submission to the Special Advisor by November 23rd. The news release issued by the Ministry of Municipal Affairs and Housing on August 23rd, makes it clear that in any restructuring proposal, they are looking for demonstrated ways on how restructuring proposals could result in achieving:

- lower taxes
- enhanced or improved services
- a reduction in the number of municipal politicians
- less bureaucracy and
- clear lines of responsibility and better accountability at the local level

Given that the City of Ottawa has already taken a one-tier one city position, we are now in a position to put together an implementation plan which would illustrate how this model would meet the government's restructuring criteria. It is felt that a specific plan on how the restructuring process would take place would be beneficial to the Special Advisor and the Minister of Municipal Affairs and Housing as a specific implementation plan, along with demonstrated benefits of the new municipal structure, would be provided to assist in their decision-making process. Because of the time constraints, our efforts would likely be best spent adding value to the work already carried out by us over the past two years, by concentrating on how to design a model which actually saves money for the taxpayer.

The strategy, which would be the subject of a future report, would consist of a number of elements including: political representation (eg. for advisory councils, community councils, boroughs etc.); where efficiencies can be achieved (opportunities and challenges); how administrative structures would be combined; how the financial transition would be handled (assets, tax rates, reserves etc.); proposed service levels; the pre-amalgamation governance structure; recommendation for a transition team; proposed legislative requirements to facilitate the amalgamation and; the broader qualitative benefits of a one-tier one city model of local government (eg. economic development). It is recommended that this report be brought back to Council for consideration no later than November 3, 1999, in order to meet the Provincial timetable.

Recommendation 2

In the spring of 1998, Hemson Consulting was retained by the City of Ottawa to undertake a review of the financial implications of three governance models:

- One City
- 3 cities, 1 rural municipality; and

- ❑ One city, one rural municipality (with two variations: with and without tax adjustment for rurals)

At that time, all analysis was built on 1997 taxation and adjustments were made to account for the Who Does What (Megaweek Download) service swaps. The report also dealt with the taxation impacts from reassessment.

Based on the work done by Hemson, staff reviews and established guiding principles, City Council supported the one-tier one city concept as it demonstrated that all 7 cities would see a net decrease in taxes through straight amalgamation. As mentioned previously, the Council approved position on the one-tier one city model left the decision of whether or not the rurals wished to be a part of this new city to their discretion.

The Hemson work differs from other modelling exercises performed by local governments in this region. It looks specifically at the taxation impacts of combining local governments' existing tax rates, assessment bases and revenue and expense sources. It differs from other modelling works which have focussed solely on establishing the savings that might be achieved through amalgamation. Understanding taxation impacts will be important to the debate particularly in assessing choices around the harmonization of tax rates and net assets (reserves/debts) through amalgamation.

Given that tax policy has changed and the provincial service realignment exercises have been completed, and given that the City of Ottawa financial situation has changed since the report on governance was considered by City Council last May, it is recommended that the firm of Hemson Consulting be retained to update the figures for the work they did last year.

Several key factors that now impact on the financial outcome of any amalgamation scenario are:

- ❑ Ottawa has the lowest tax rate for municipal purposes among the urban municipalities in the region (See Document 2)
- ❑ Ottawa has the second lowest overall (local, regional and education) tax rate among the urban municipalities and once police phase in is complete in 2000, the City of Ottawa will have the lowest overall rate among the urban municipalities. (See Document 3)
- ❑ The City's net debt outstanding has decreased from \$175 million in 1996 to \$123 million in 4 years and will be dropping to \$106 million by the end of 2000 (See Document 4)
- ❑ The debt issue being contemplated for Ottawa Hydro alone could off-set the City's net debt starting in 2001.
- ❑ The City's PIL revenues are currently equivalent to the revenues raised through taxation. There are no other municipalities in this region that have this amount of extra ordinary revenues.
- ❑ The PIL revenues are considerably higher than our cost of debt servicing.

Recommendation 3

Following the Provincial election in June of this year, renewed pressure from area municipalities was directed to the Government to make a decision with respect to governance reform in this Region. While not all municipalities within the Region agree on a proposed structure, all seem to agree that reform is needed. As a result, on August 23, 1999, the Provincial Government responded to these issues in the manner outlined in Recommendation 1.

In addition, since the City of Ottawa suspended formal discussions on governance reform, several reports and studies have been generated on the issue of governance reform both in this Region and in the recently amalgamated City of Toronto. Highlights of the proposed models of governance for this region that have been recently produced and the progress report on the City of Toronto amalgamation are provided in Documents 5, 6 and 7 respectively.

Given the government's commitment to proceed with some form of government reform in this region before the end of the year, it is recommended that more work relating to the political representation associated with the one-tier one city model should be conducted, in addition to providing an assessment on the other governance models that have been presented in recent weeks. It is further recommended that an independent consultant be retained for this purpose. The Consultant would be asked to specifically look at what structure of local government achieves non-financial objectives. For example, in a one-tier system, are community councils more preferable than a borough system of governance? It is felt that a third party view of these issues would provide more credibility to this debate.

Consultation

The Mayor has scheduled a public forum on the issue of municipal government reform for September 22, 1999.

Disposition

Chief Administrative Officer and City Treasurer.

List of Supporting Documentation

Document 1	November 4, 1998, Council approved motion on form of local government
Document 2	Municipal Purposes Comparison of 1999 Residential Tax Bill (Goulbourne publication, August 1997)
Document 3	Total Tax Bill Comparison of 1999 Residential Tax Bill (Goulbourne publication, August 1999)
Document 4	City of Ottawa Net Outstanding Debt
Document 5	Summary of KPMG Report
Document 6	Summary of University of Ottawa Borough Report
Document 7	Summary of City of Toronto Progress Report on Amalgamation

Part II - Supporting Documentation

Document 1

October 29, 1998

ACS1998-CC-PPB-0003
(File: ACS1300)

Policy, Priorities and Budgeting Committee

Ward/Quartier
City Wide

• City Council / Conseil municipal

Action/Exécution

Local Government in Ottawa-Carleton

La gestion publique dans Ottawa-Carleton

Policy, Priorities and Budgeting Committee Recommendation

That the following resolution be approved:

WHEREAS our Council believes there is a strong public consensus to restructure municipal governments in Ottawa-Carleton.

AND WHEREAS public consultation confirms the public's support for change.

AND WHEREAS it is in the public interest to reduce the size of government in Ottawa-Carleton, simplify the municipal government structures, reduce costs, improve accountability, efficiency and effectiveness.

AND WHEREAS our Council wishes to jointly support a municipal government restructuring model.

AND WHEREAS municipal restructuring in Ottawa-Carleton should be based on the following principles to:

1. respect, preserve and enhance local communities and communities of interest and ensure community level consultation on specified local matters, including the preservation of the character of rural areas and villages;
2. create an accountable, streamlined government structure with fewer elected officials and a streamlined administration;
3. maintain accessibility to municipal government and continue an appropriate community presence;
4. increase the financial viability and continuing prosperity of municipal government;

5. focus municipal spending on the delivery of service; and
6. continue to recognize English and French as the official languages of the new municipal organization.

NOW THEREFORE be it resolved that the proposed governance model include the following elements:

1. Subject to paragraph 2, below, all existing upper and lower tier municipalities in Ottawa-Carleton will form part of a new single tier, unified city to be named the “City of Ottawa”.
2. The Townships of Goulbourn, Osgoode, Rideau and West Carleton together may choose, on fair and equitable terms, to opt out of the unified city.
3. An independent expert will be appointed to develop a ward system that will produce a Council of up to 26 members plus one Head of Council (where the maximum of 26 wards includes the municipalities of Goulbourn, West Carleton, Rideau & Osgoode in the unified city).
4. New ward boundaries shall reflect existing communities of interest and follow accepted principles for representation by population.
5. A system of community-based councils or borough councils will be created to identify and address local issues and priorities. These community-based councils are to be geographically based and comprised of the councillors elected from a defined area within the municipality. They shall have responsibilities on matters of local interest as delegated to it.
6. One hydro corporation will be created for the new unified city.
7. To ensure fairness and equity, the assets, liabilities, reserves and revenues of each existing municipality shall be taken into account in the creation of the unified city and where agreement cannot be reached, any municipality shall have recourse to an agreed upon binding dispute resolution process.
8. The new unified city will come into existence on December 1, 2000.
9. In the event that the four rural municipalities choose to opt out of the new unified city, there shall be :
 - a) an agreement for the purchase of services from the unified city at a fair and equitable cost;
 - b) an agreed upon mechanism to address common planning issues; and
 - c) where agreement cannot be reached, recourse to a binding dispute resolution process to resolve these matters.

10. Our Council continues to endorse the use of and need for municipal reform legislation applicable to Ottawa-Carleton.
11. If a “triple majority “ as previously defined in the *Municipal Act*, R.S.O. 1990, c.M.45, as amended, has not been achieved by November 12, 1998, the Provincial Government be requested to immediately appoint a commissioner to order municipal restructuring in Ottawa-Carleton and to provide for the mechanics of transition.
12. That this resolution be circulated for action to all area municipalities in Ottawa-Carleton.



October 29, 1998 (1:01p)

Lorenzina Ferrari
Executive Assistant

EF:ef

Contact: Lorenzina Ferrari - 244-5300 ext. 1-3619

City Council Decision - November 4, 1998

► *The Policy, Priorities and Budgeting Committee recommendation, as presented, carried. Councillor Howard dissented on principle #11.*

Financial Comment provided at City Council (November 4, 1998)

This resolution is administrative in nature in that it proposes that Council support a single tier municipal government restructuring model. Any financial implications will be addressed in future reports to Council as more details of the proposed governance model are made known.



for Mona Monkman
City Treasurer

Executive Report

Reasons Behind Recommendation

City Council, on June 3, 1998, tabled a report from the Policy, Priorities and Budgeting Committee concerning Local Governance, until after the Regional Municipality of Ottawa-Carleton dealt with the same motion. It was agreed that the Mayor and Regional Chair be tasked to coordinate the two motions with a view to producing one uniform motion. The recommended motion is the result of this directive.

The Policy, Priorities and Budgeting Committee unanimously approved the motion as its October 28, 1998 meeting and noted the information summary provided by the City Solicitor.

The Mayor updated the Committee on the development of the motion and indicated he would provide Council with a similar briefing.

Disposition

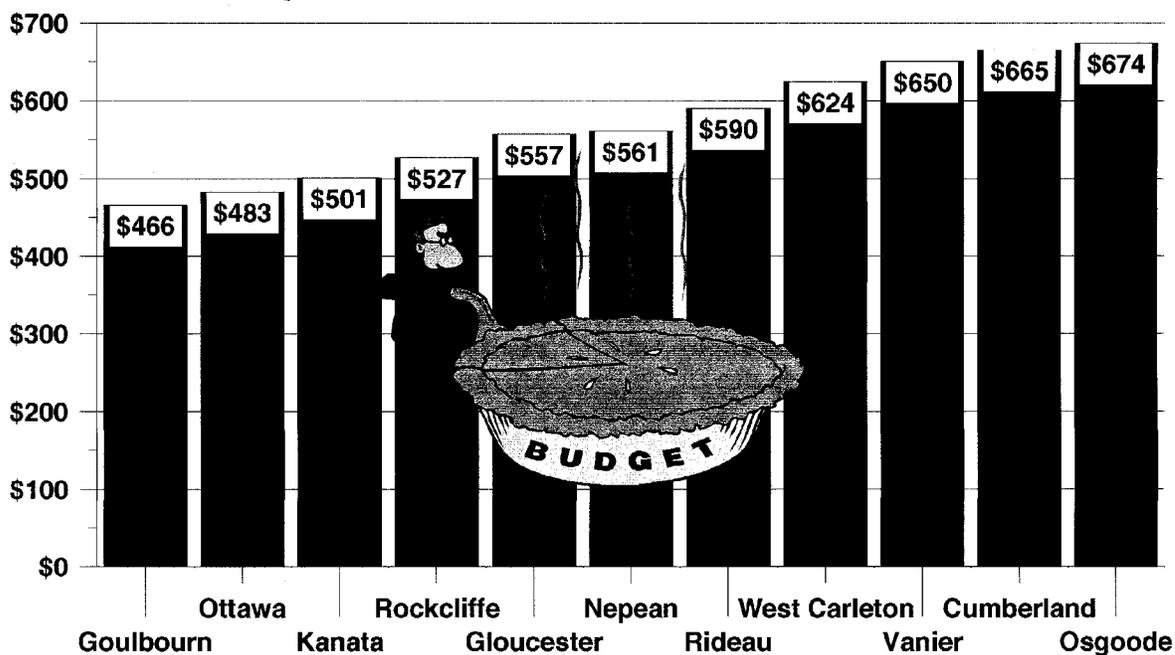
The City Clerk to circulate the resolution to all area municipalities.

List of Supporting Documentation

- 1 Information summary - Revisions in Joint Governance Motion

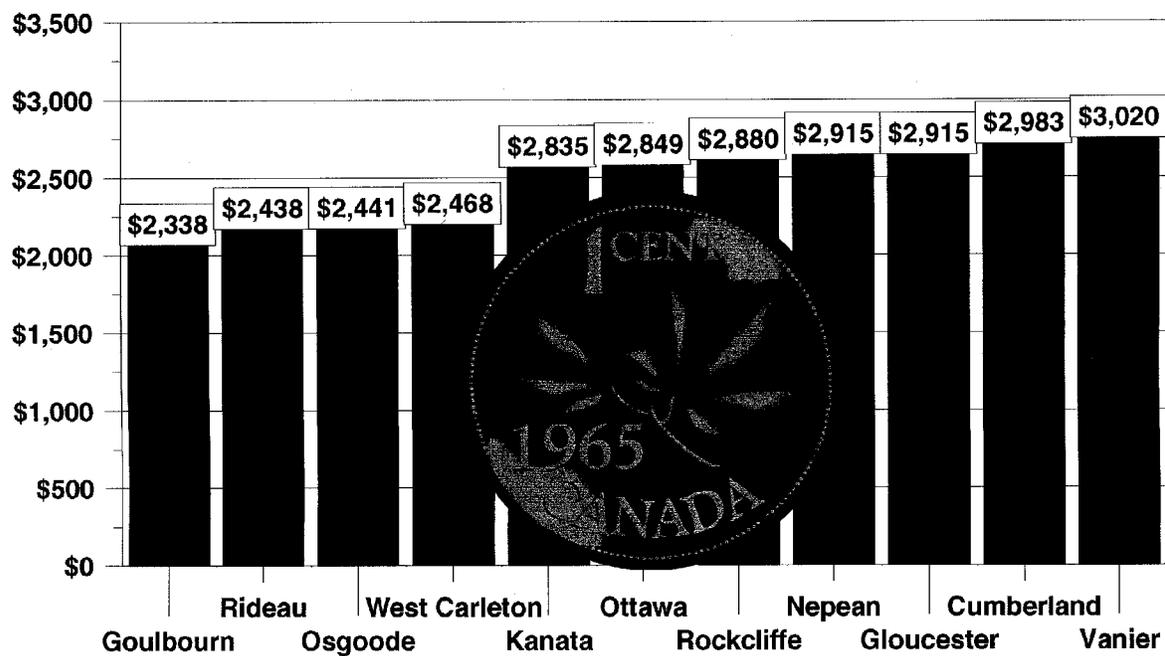
Municipal Purposes

Comparison of 1999 Residential Tax Bill



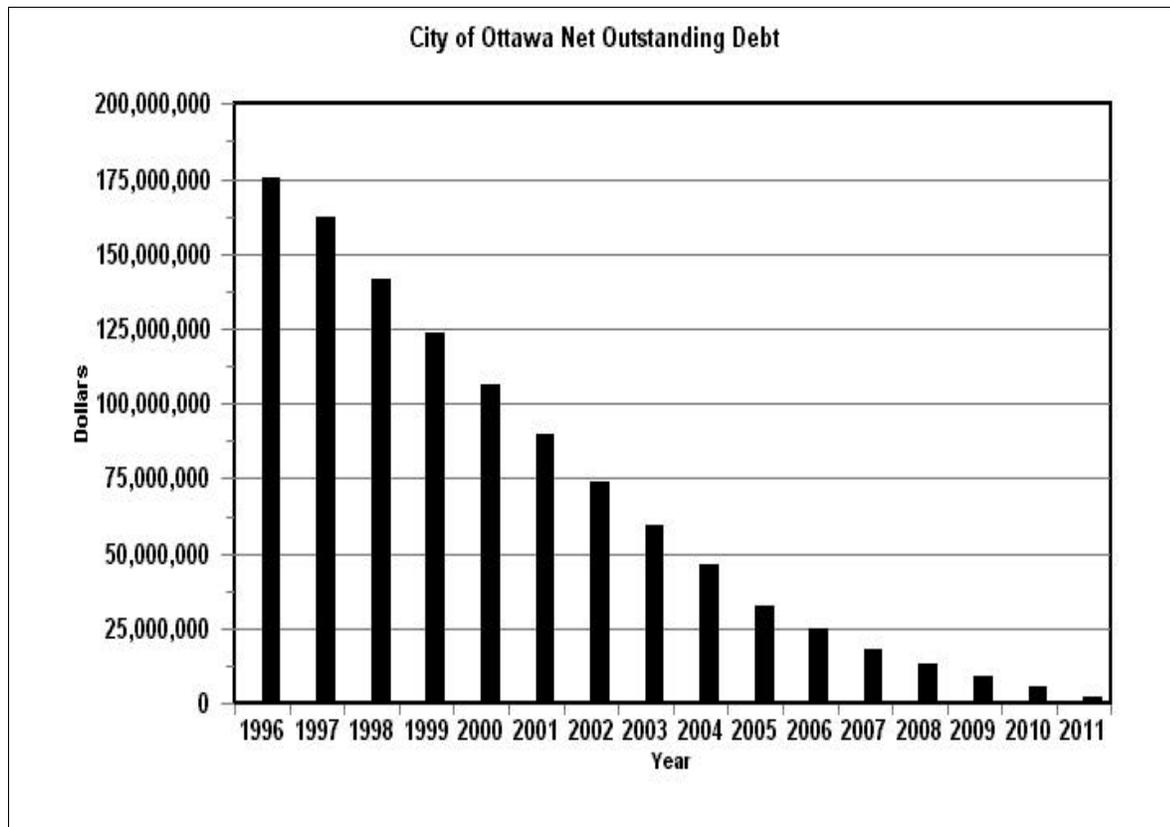
TOTAL TAX BILL

Comparison of 1999 Residential Tax Bill



includes municipal, region & education purposes

Year	Net Debt \$ *
1996	175,615,00
1997	162,405,00
1998	141,674,00
1999	123,413,00
2000	106,087,00
2001	89,629,00
2002	73,859,00
2003	59,596,00
2004	46,593,00
2005	32,732,00
2006	24,592,00
2007	18,096,00
2008	12,904,00
2009	8,812,00
2010	5,673,00
2011	2,534,00



* Based on figures extracted from the Financial Information Return

KPMG Report on Financial Implications of Three Local Government Models

In August of this year, the Region of Ottawa-Carleton retained the firm of KPMG to examine the potential financial implications of three possible approaches to restructuring local government in Ottawa-Carleton:

One city model – all eleven municipalities and the ROC is a single new city structure which would accommodate local decision-making by committees of councillors representing identified boroughs

Tri-city model – 3 cities comprised of the following municipalities

1. Ottawa, Rockcliffe Park and Vanier
2. Kanata and Nepean
3. Cumberland and Nepean

Rural townships would remain separate.

A Tri-city authority would be created to provide the following services to all three cities (and in some cases townships)

- social services(Ontario works, Child care, Home for aged and Social Housing)
- policing
- public transit
- public health
- solid waste disposal
- economic development strategic planning

The tri-city authority would be governed by a four member board (3 Mayors and one additional councillor from Ottawa.

One urban city model

Combines the 7 urban/suburban municipalities
4 rural townships would remain separate entities
(for a total of 5 municipalities in the region)

Rurals would provide their own services except for social services and public health which would be delivered by the urban city. Policy would be delivered by the Police Services Board covering the current regional area.

The report prepared by KPMG was based on numerous studies that have been produced locally on governance by both municipalities and consultants.

KPMG reviewed the three models by service area using a number of assumptions. Key findings of the report demonstrate that the one city model would have the most substantial impact in reducing public expenditures with savings estimated between \$50 - 80 million per year. The urban model was not that far behind with estimated savings of between \$43 - 72 million per year.

However, it was pointed out that there are other considerations to the financial savings such as the importance of effective and coordinated planning and development control covering the urban and developing rural areas. The tri-city model resulted in significantly lower savings (between \$7-14 million), due, in their opinion to the need to maintain 4 distinct, complete organizations.

It should be pointed out that the KPMG report did not deal with disengagement costs and Collective Agreement issues in their analysis. The detailed report has been provided to Members of Council under separate cover and is on file with the City Clerk.

Estimated Financial Impact of Restructuring						
	One City Model	Tri-City Model	One Urban City Model			
	Low	High	Low	High	Low	High
General Government	\$ 20,800,000	\$ 28,400,000	\$ 6,100,000	\$ 8,300,000	\$ 17,000,000	\$ 24,600,000
Fire and Emergency	\$ 5,750,000	\$ 12,450,000	\$ 500,000	\$ 3,500,000	\$ 5,450,000	\$ 12,000,000
Planning and Inspection	\$ 3,700,000	\$ 5,100,000	\$ 500,000	\$ 700,000	\$ 3,300,000	\$ 4,700,000
Roads and Winter Control	\$ 4,500,000	\$ 9,660,000	\$ 2,100,000	\$ 4,900,000	\$ 4,200,000	\$ 9,100,000
Water and Sewer Operations	\$ 1,120,000	\$ 1,880,000	\$ (722,000)	\$ (1,300,500)	\$ 1,120,000	\$ 1,880,000
Health Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Disposal	\$ 0	\$ 0	\$ (1,633,000)	\$ (2,450,000)	\$ (100,000)	\$ (200,000)
Parks and Recreation	\$ 4,400,000	\$ 8,800,000	\$ 1,350,000	\$ 1,500,000	\$ 3,700,000	\$ 8,100,000
Libraries	\$ 2,000,000	\$ 3,000,000	\$ 400,000	\$ 500,000	\$ 1,900,000	\$ 2,900,000
Economic Development	\$ 1,000,000	\$ 1,500,000	\$ (500,000)	\$ (2,000,000)	\$ 900,000	\$ 1,400,000
Hydro Utilities	\$ 2,000,000	\$ 3,000,000	\$ 500,000	\$ 700,000	\$ 1,900,000	\$ 2,900,000
Police Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Public Transit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Social Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Human Resources	\$ 0	\$ (2,300,000)	\$ 0	\$ (860,000)	\$ 0	\$ (2,210,000)
Debt and Capital	\$ 5,100,000	\$ 8,200,000	\$ (100,000)	\$ (450,000)	\$ 4,500,000	\$ 7,400,000
Total	\$ 50,370,000	\$ 79,690,000	\$ 8,495,000	\$ 13,039,500	\$ 43,870,000	\$ 72,570,000

University of Ottawa Discussion Paper

The Centre for Governance at the University of Ottawa released a discussion paper in August entitled “Governance - The Borough Model: Municipal Restructuring for Ottawa. The borough model as espoused in this document is a version of a single city model called a city-region with 8 boroughs with considerable decision-making power. The argument put forth in this paper states that the borough model addresses the criteria of good governance of efficiency, accountability, preservation of identity and capacity to adapt to change (ie. responsiveness and flexibility). This model, in their opinion, accommodates the urban/rural complexion of the region.

Under this model, the elected official serves two levels: the city-region (for area-wide issues) and the borough level (for local issues). The borough level provides similar services to those currently provided by the area municipalities. Three options were presented with respect to taxation authority, including giving significant authority to the borough councils.

The model also recommends 28 politicians, plus the Mayor who would be elected at large. The borough councils would be made up of between 3-5 ward councillors. The eight boroughs would be as follows: Kanata, Nepean, Orleans, 4 boroughs in Ottawa called: Bytown, Westboro, Southboro, Eastboro; and Carleton (which includes the rurals). Each of the boroughs are divided into wards of between 3-5.

Building the New City of Toronto
Report prepared by City of Toronto Amalgamation Office (July 1999)

The City of Toronto was amalgamated at the beginning of 1998. A progress report on amalgamation was recently issued.

The Ontario government's decision to amalgamate Toronto was made in December 1996 with regulations to effect the transition put in place in April 1997. The provincial government established a Toronto Transition Team to develop the essential operating tools for the new Council to use when it officially took office on January 2, 1998. While the expectation had been that the Transition Team would develop structures, processes and systems to enable Toronto to be operational from day one, in fact the majority of that work fell to the new administration to be completed during 1998 and subsequent years. The Transition Team had recommended a governing structure to enable immediate functioning of Council. However, it provided no administrative structures and the City of Toronto began life as seven separate administrations.

The City of Toronto has recently issued a progress report on the status of these initiatives. The executive summary has been provided to Members of Council under separate cover this report. Key points to note are as follows:

Amalgamation Savings:

Savings to date are approximately \$120.7 million. An additional \$29.3 in savings is estimated to be achievable in the year 2000.

Toronto's savings target was \$150 million, or 10% of amalgamating program expenditures. The new City of Toronto has a combined budget of \$5.5 billion of which \$4.0 billion constitutes previously amalgamated programs at the Metro Toronto Level. Consequently, Toronto's savings target is based only on 10% of the \$1.5 billion (27% of total spending) in amalgamating programs.

Harmonizing Service Levels and Fees:

In 1998, the first year of amalgamation, the City of Toronto continued to maintain municipal services at the same level as those provided by the seven former municipalities. Harmonization of service levels and fees was undertaken prior to the second budget year. Decisions taken to date on harmonization of service levels are estimated to cost the City of Toronto an additional \$9.5 million per year once they are fully implemented over 4 years. The majority of costs are in the harmonization of winter maintenance, sidewalk snow clearing. Other services reviewed included parks and recreation fees, solid waste, health, parking fees.

Harmonization of tax rate, net financial assets, fixed assets:

Because of 1998 Property Tax Reform, all tax rates in the new City of Toronto were harmonized. In effect, new assessments and property tax reform diffused the issue. In addition, hydro rates were also harmonized. Water rate differentials are being phased out over four years. All assets, revenues and liabilities of the former municipalities were also consolidated.

Community Councils:

The role of community councils in Toronto was studied throughout the first year of amalgamation. In October, 1998, Council adopted committee recommendations which included the clarification of community councils' mandates for local planning, transportation and recreation matters; distinguishing between city-wide matters to be addressed by Council vs. local matters addressed by councils and greater scope to make final decisions.