



Marathon
Human Resources
Consulting Group Ltd.

Regional Governance and Shared Service Review

Town of Mahone Bay
Town of Bridgewater
Municipality of the District of Lunenburg


Report

January 2012





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Executive Summary

Marathon Human Resources Consulting Group Limited was engaged by the **Municipality of the District of Lunenburg, the Town of Mahone Bay and the Town of Bridgewater** to conduct a Regional Governance and Shared Services Review to determine how to enhance municipal service delivery and related governance for the three municipalities.

This **Report** summarizes the review methodology, the engagement and guidance of the Steering Committee (made up of the Mayors and CAOs) the management, staff and elected leaders of the units; the data reviewed and the approach to developing conclusions and recommendations.

Highlights of Our Analysis

- **Mahone Bay, Bridgewater and the Municipality of the District of Lunenburg are in fairly good positions in terms of financial viability, human resources and operational performance**, when compared to other municipal units in Nova Scotia.
- **There are significant challenges related to economic and regulatory factors that are outside of the control of the municipalities.** Examples of these outlined within the Report include required infrastructure renewal, economic expansion and changing service requirements of residents. It is very difficult to put a dollar figure on these items; however, we can say that municipalities across the country are challenged by the same issues.
- There is a high percentage of municipal revenue from residential taxation and area rates, which mean **the three units have the ability to generate the revenues needed to provide necessary services, but the balance between commercial and residential tax payers could be improved.** Specifically the residential / commercial tax revenue split is: BW: 71/29%; MB: 82/18%; MODL: 94/6%. In recent years, the three units have been able to contain expenditures without significant increases in tax rates. It is the desire of everyone involved in this Study to continue to minimize tax increases.

- Within the three municipalities, **population growth is focused on the retired age groups and the percentage of working age people is shrinking dramatically.** In the ten years between 1996 and 2006, there was a drop of 26% in the 20-34 age group; minimal growth (4%) in the 35-54 age group; 52% growth in the 55-64 age group; and, 16% growth in both the 65-74 and 75+ age groups. This has significant impact on service needs (more seniors focused) (seniors moving from homes) and the availability of a skilled workforce.
- **The combined municipal workforce is strong in some service areas and very stretched in others.** It is evident that there is strong operational leadership and very dedicated staff within each unit. This echoes the analysis of the recent **Service Capacity / Operational Review** conducted in the Municipality of the District of Lunenburg. Like many employers, the units have 'hard to fill positions' especially in technical fields.

Moving Forward Together

The Steering Committee and the Consulting Team were focused on recommendations that are based in solid evidence. There has been a concerted effort to determine both possible cost savings and service improvements to ensure value for money spent within potential options.

This direction aligns with the **Joint Goals for Sharing Services**, as established by the Steering Committee:

- 1. To make the most of every municipal tax dollar raised.**
- 2. To create a more sustainable local government organization.**
- 3. To work together to attract economic development.**

Achieving these goals will require three significant steps resulting in changes in service delivery and governance by focusing on:

- 1. The creation of a unified approach to economic development in the region supported by a pooling of current resources** into a decision-making body that would have the authority to aggressively promote economic development for the combined units.
- 2. More aggressive economic development to build the commercial tax base;** maintain residential tax levels; develop the area as an attractive place to live, work and do business
- 3. Regionalizing municipal services to the maximum extent possible** and agreed to by the three partners.

There are a number of reasons for sharing services. In this review we have put the emphasis on service quality as it fits best with the three goals. It offers good value for money spent and has the greatest potential for promoting economic development which in turn grows the commercial revenue side of the municipal budget. Potential savings in line department budgets such as public works and recreation would be used to improve and enhance services in order to make the area more attractive to investors and employees.

The general assumption is that sharing services or amalgamating will reduce the costs of municipal services by reducing duplication and overlaps. It is also important to note that in most cases amalgamations do not result in immediate cost savings as both service and compensation levels tend to rise to the highest level that currently exists among the municipal units.

We are clear, based on the experience with other municipalities and a careful analysis of the current state of the municipal units that, in the short term, few cost savings are likely from the recommendations within

this Report. However, with proper management of the changes we have recommended, economies and efficiencies resulting in savings and improved services are achievable in the longer term.

Tables 7 and 8 in this report indicate that over 20% of total combined municipal expenditures are mandated by the Province to cover education, corrections and other costs. When capital debt payments are added, the percentage of budget allocated to these expenditures ranges from 21% to 36% of individual budgets. Police and fire, sewage collection and treatment and solid waste management, all subject to national / provincial standards, account for another 45% of the budget. These facts reduce the possibility for expenditure savings to about 35% of the current combined budgets. Future amalgamation could reduce the costs of Council and senior administration, and position the Region to respond better to economic challenges, but it will not necessarily reduce overall costs significantly.

The evidence supports the recommendations to increase shared services and work towards future amalgamation. This approach will position the units to increase revenues by focusing on economic development with one voice to attract development that will benefit all units and taxpayers.

Recommendations:

1. The three municipal units that have undertaken this Regional Governance and Shared Service Delivery Review should **take concrete steps to increase sharing of municipal services, to support joint economic development and to improve the financial sustainability of local government in the Lunenburg region**. These steps should include regular public reviews of progress and periodic consideration of further areas of joint service delivery.
2. **Broaden the current plans for a new joint authority for solid waste management, and create a Lunenburg Regional Services Board**. This joint authority should have a mandate to increase the number of shared services over time and to report regularly to participating Councils on its operations, financial performance and progress in sharing services. Utilize the Board representation (4: Municipality of the District of Lunenburg, 3: Bridgewater, 2: Mahone Bay) currently proposed for the solid waste authority.
3. **Utilize senior staff in each municipal unit to design and implement shared services through the Regional Services Board, and maintain staff compliments at existing levels during the transition of services to the Regional Services Board**. Staff reductions identified during the implementation process should be accomplished gradually, through attrition and transfer.
4. **Begin Regional Services Board operations with solid waste management followed by recreation services and municipal economic development programs** (maintaining existing partnerships with the Regional Development Authority and Bridgewater Development Agency). Obtain Council approvals for transfer of individual services through a Joint Service Program proposal process that provides common information about the Program elements, financing, human resource considerations and transfer timeline.
5. **Undertake a further joint review of the municipal amalgamation option, once the Regional Services Board has three years of operating experience**. Future amalgamation may become an outcome of enhanced collaboration for the delivery of municipal services, and the experience of the Regional Services Board will provide a different experience of collaboration and how to increase value for money and build capacity to attract economic development.



Chapter 1

Strengths and Challenges for the Three Municipal Partners

From the initial meetings of this Shared Services Review it became apparent that the three Municipal Partners have significant strengths based in their capacity to administer and deliver services to their citizens. Like most municipal units in Canada the partners also have significant challenges that will impact their long-term sustainability. This Chapter is intended to be an overview of these strengths and challenges in recognition of their impact on our discussion of Regional Governance and Shared Service Delivery.

A key starting point is to recognize that, if we understand and build upon strengths, the long term results will be much more beneficial to the municipal partners and residents. It is also imperative to recognize that factors, some controllable and some un-controllable, will challenge decision-makers to carefully analyze short and long-term service sharing initiatives, to ensure the overall sustainability of the units and region.

Strengths: An Overview

As we discuss the options for governance and service delivery, it is important to appreciate the key strengths that exist within the units. We identify these to establish a foundation to support the other recognized assets within the municipal departments in each unit. These identified strengths are supported in the following chapters.

- Financially, the three municipal units are generally in good shape: budgets are balanced, reserves are well managed, long-term capital plans are in place and there is a comparable percentage of revenues from property taxes. It is also important to note that average household incomes are similar among all three units. Detailed financial information is included in Appendix B.
- Our review of the human resources in the units indicates that there is a wide spectrum of skill sets among the units and that there are well qualified leaders and staff in key roles.

- Economic development is recognized as a regional activity and the units are key players in the broader Lunenburg Queens economic region. The fact that greater Halifax is within 100 km of the review area is a positive factor for attracting future commercial and residential growth.

Challenges

Municipal units everywhere are challenged by a number of factors that have present and future impact on their overall sustainability. As we mention the challenges we found impacting the three units in this review, we do so to indicate their importance in future strategic and financial planning. These challenges will need to be addressed as the units move into the future.

External demands are those that come to municipalities from other levels of government and as a result of world economic developments. The costs associated with these factors must be accounted for in budgeting and through long-term municipal financial planning. Municipalities often need to find new sources of revenue to manage these expenses. Examples within the scope of this review are:

- National initiatives to raise standards for provincial regulation of the treatment of water and wastewater. The impact of this evolving issue is currently unknown; it is clear however, that depending upon the new requirements for wastewater treatment adopted by the Canadian Council of Environment Ministers (CCME) in particular, there will be a cost involved. The municipal partners in this study will need to meet this financial requirement.
- Government of Nova Scotia policies and regulations related to cost sharing for education, housing, corrections, property assessment, and decisions around Federal Gas Tax revenue sharing, solid waste management and climate change. The MOU between the Province and the Union of Nova Scotia Municipalities has contained some of these costs and reduced others. It is anticipated that the costs related to these issues will increase with the expiry of the MOU and the implementation of provincial deficit reduction initiatives.
- The long standing provincial practice of turning over surplus schools and jails to municipalities means that the municipalities must assume the financial obligations associated with ownership of old buildings and land. For example the cost to the Municipality for demolishing the recently acquired County Jail totaled \$141,615.00.
- Global economic conditions have an impact on the three units' ability to attract investment and the subsequent tax revenues from economic growth. From a regional perspective these challenges are seen as:
 - The availability of serviced industrial / commercial land
 - The impact of population changes; for example, a shrinking workforce makes it more difficult to attract business and an increase in senior residents creates differing service needs for municipal programs and funding
 - The need for a regional focus: speaking with one voice for economic development. One voice and an agreement to share new commercial tax revenues would create an attitude that what is good for one unit is good for all.
 - The variations among municipalities in capacity to deliver affordable services

There are also significant demands on municipalities that are related to the normal delivery of municipal services. Examples are:

- The renewal of aging infrastructure (e.g. water and sewer pipes). The combined capital budgets of the three units identify over \$40 million in necessary infrastructure projects over the next five years. These needs are currently included in the Capital Budget plans of each unit and in addition to funding through municipally generated revenues; they are only partially funded by anticipated Federal Gas Tax and Grants. Again, these are significant costs that will increase but to what level is unknown.
- The development of serviced land to support economic growth. This issue is most relevant where the Municipality and Bridgewater meet at 'Exit 12'. Presently it appears that there are challenges for the individual units to coordinate efforts to meet regulatory standards and service these lands for possible new developments.
- Two of the units in this review have significant financial investments associated with previous arrangements such as the Lunenburg County Lifestyle Centre, Osprey Ridge Golf Course and Glen Allen Subdivision.
- The municipalities have established their own service standards. The cost of services in general are increasing, putting pressure on general tax rates, water and sewer rates, and area rates where applicable.

Human resource issues are also a challenge for the units. For example:

- There is a minimum of professional Human Resources support among the units and there is a need to bolster resources particularly in the area of Occupational Health and Safety.
- There are significant pension liabilities where defined benefit pension plans exist and differing pension programs within the three units.
- Several people in key leadership positions could be preparing to retire within the next few years. Overall 39% of the total employee group is in the 50+ age group. This increases the risk associated with losing key talent through retirement and provides an opportunity to change the workforce through attrition.

Table 1: Municipal Employees by Age Range

Employees Age	20 - 39	40 - 49	50-54	55 +
Totals (181)	53	57	29	42
Percentage	29%	32%	16%	23%

Source: Municipal Files

- There are a number of typically 'hard to fill' professional and technical positions in important municipal service areas. Positions are 'hard to fill' because of the low numbers of people training for these roles and the ability of individuals with the expertise to work in more financially attractive environments.

Table 2: Hard to fill positions: Current Situation and HR Risks

Position Type	Current Situation	Needs to Meet Risks
Financial Services Professionals	Resourced by staff potentially nearing retirement	Ensure succession plan to meet anticipated retirements
IT	Resourced by staff potentially nearing retirement	Ensure succession plan to meet anticipated retirements
Engineers	Younger qualified staff support senior staff	Plan for succession readiness
Waste Water Treatment Operators	Overall a more senior workforce certified at various levels	Ensure succession plan to meet anticipated retirements
Water Treatment Operators	A wide age range among the three units certified at various levels	Ensure succession plan including internal career opportunities
Technicians: Drafting; Engineering; Planning and GIS	Overall a younger group	Have career mobility; may require internal career opportunities
Arena Operators	Qualified Stationary Engineers	Ensure succession plan to meet anticipated retirements
Building Inspectors	A wide age range among the three units	Ensure succession plan

Source: Municipal Files

These challenges leave 'stand-alone units' vulnerable to the risks associated with an aging workforce, competitive job market and persistent human resource issues.

Demographic Trends

Demographic trends have an impact on the future of municipal units. Relevant information for the three units in this study is indicated in the following tables:

Table 3: Population Trends 1991-2006
The combined population is stable or declining

	1991	1996	2001	2006
Bridgewater	7,248	7,351	7,621	7,944
Mahone Bay	1,096	1,017	991	904
Municipality	25,720	25,949	25,570	25,164
TOTALS	36,055	36,313	36,183	36,018

Source: Statistics Canada

Table 4: Age Breakdown, Combined Population
The aging of the population, particularly in working age groups, is dramatic

Age Breakdown	1996 Census	2006 Census	10 Year Change
Under 5	5%	4%	-29%
5 to 19	20%	17%	-17%
20 to 34	19%	14%	-26%
35 to 54	31%	32%	4%
55 to 64	10%	15%	52%
65 to 74	9%	10%	16%
75 plus	7%	8%	16%
	100%	100%	-1%

Source: NS Community Counts: Bridgewater, Mahone Bay, Municipality

Key Points

While the Mahone Bay demographics show a greater percentage of population in the 65+ group and fewer young people and the largest percentage population loss of the 3 units the overall data indicates wider challenges related to future workforce availability and residential home ownership. It also raises questions related to the ability of a large portion of the population to contribute to tax revenues. As well, changing demographics indicate the need for municipal services to be modified to meet new areas of resident need such as seniors care and to grow the working population figure through aggressive economic development activities.

Financial Issues

While there are many similarities among the units' financial statistics there are also financial variations. Some of the notable differences are:

- Variation in % of commercial assessment to total assessment. Specifically the residential / commercial taxable assessment split is: BW: 71/29%; MB: 82/18%; MODL: 94/6%.
(See Appendix B: Financial Data Table 14)
- The Municipality has much lower expenditure per dwelling unit
- The Municipality has lower per capita costs for police and fire services
- Bridgewater has significantly higher policing costs
- Mahone Bay carries less non-utility debt than the others
- Mahone Bay and the Municipality have had the greatest assessment (UA) increases since 2007
- Both Bridgewater (Police) and the Municipality have defined benefit pension plans which have pension liabilities noted in their audited Financial Statements. This issue needs to be addressed individually, or in any future organizational change. Mahone Bay and most Bridgewater staff are covered by defined contribution pension plans.

Synthesis

All of the above raises the question of the units' ability to 'pay for these demands'. Typically municipalities raise revenue through property taxes and user fees. There is an understandable reluctance to raise residential taxes. The only viable alternative is to increase revenues from existing sources (e.g. property tax) or to develop new sources of revenue. We have noted that, except for the Town of Bridgewater, the commercial tax assessment is low in comparison to residential assessment. Developing the co-operative structures and the physical infrastructure required to attract and retain new commercial investment appears to be the best way for the units to position themselves to face the challenges which lay ahead.



Chapter 2

Common Goals for Sharing Services

In the course of the Review process, with the assistance of the Steering Committee, three joint goals for sharing services among the units have been developed:

Joint Goals for Sharing Services

1. **To make better use of every municipal tax dollar raised.**
2. **To create a more sustainable local government organization.**
3. **To improve our capacity to attract economic development.**

These goals represent an appreciation of the responsibility to manage finances effectively and to develop a collective strategic approach to municipal sustainability in the future. It is significant that these goals align with strategic and operational plans currently in place within the units as outlined in the table 5 on the next page.

Analysis

As we analyze the data related to the strengths and the challenges facing the units we suggest that an incremental approach be implemented to achieve greater regional service delivery and governance. We believe that the first task is to build the tax base through focusing on regional economic development and the infrastructure that is required to support future growth. In sequence this would require three significant steps resulting in changes in service delivery and governance by focusing on:

1. **The creation of a unified approach to economic development in the region supported by a pooling of current resources** into a decision-making body that would have the authority to aggressively promote economic development for the combined units.

2. **More aggressive economic development to build the commercial tax base;** maintain residential tax levels; develop the area as an attractive place to live, work and do business
3. **Regionalizing municipal services to the maximum extent possible** and agreed to by the three partners

Table 5: Examples of Strategic Alignment of Regional Shared Services and Governance Review with Current Unit Plans

Regional Shared Services and Governance Review Goal	Alignment with current Unit Plans
1. To make the most of every municipal tax dollar raised	<p><i>Mahone Bay ICSP</i></p> <p><i>Bridgewater Community Action Plan</i></p> <p><i>MODL Council Strategic Priorities</i></p> <ul style="list-style-type: none"> • New Waste Management Agreement • Sharing of Services/Governance Review • Electoral Boundary Review • Governance Review – Committees/Focus Group • Contract Negotiations • Regional Cooperation Protocol
2. To create a more sustainable local government organization	<p><i>Mahone Bay ICSP</i></p> <ul style="list-style-type: none"> • Housing: a diverse mix of housing for all ages and socio-economic groups. • Age Friendly Community: appropriate housing, easy transportation to services, amenities and community supports. • Health and Wellness: healthy living initiatives, facilities, active clubs and groups, and comprehensive health services. <p><i>Bridgewater Community Action Plan</i></p> <ul style="list-style-type: none"> • To enhance and expand learning opportunities in our community. • To promote and encourage a healthy life-style in our community • To enhance our quality of life and sense of community. <p><i>MODL Council Strategic Priorities</i></p> <ul style="list-style-type: none"> • Arts and Culture Policy • Active Transportation, Transit, Housing Priorities
3. To work harder together to attract economic development.	<p><i>Mahone Bay ICSP</i></p> <ul style="list-style-type: none"> • Model Green Community: attracting green businesses - energy efficiency, locally produced renewable power and comprehensive waste management. • Economic Development: open for business, profitable year-round enterprises providing many good jobs and tax revenue. • Waterfront Development: a plan to preserve and develop the harbour and waterfront - a valued physical asset <p><i>Bridgewater Community Action Plan</i></p> <ul style="list-style-type: none"> • Create a climate that will increase the spectrum of work opportunities in our community. <p><i>MODL Council Strategic Priorities</i></p> <ul style="list-style-type: none"> • Regional Visitor Information Centre, Osprey Village Marketing; Business Retention and Expansion Strategy



Chapter 3

Moving Forward Together: Consideration of Two Governance and Shared Service Options

The objective of the Regional Governance and Shared Service Review is a simple one:

To determine how to enhance municipal service delivery and related governance for Mahone Bay, Bridgewater and the Municipality of the District of Lunenburg.

The Regional Governance and Shared Service Review goals and their underlying rationale as outlined in Chapter 2 above have been developed to move the three partner municipalities towards the objective of the Review process. It is clear that the stakeholders: Councillors and Steering Committee are supportive of a gradual but intentional approach to working together. We have discovered many examples of existing cooperation. We recommend; however, a more cohesive and comprehensive approach to cooperation that is designed to enhance the municipal services within the entire region. This Chapter outlines our recommendations to move towards a new level of cooperation.

There are, in the literature on municipal governance, a number of options for sharing municipal services. This Review has considered in some detail (see Appendix A) six that are generally applicable to Nova Scotia local governments:

1. Informal cooperation
2. Inter municipal agreements
3. One municipality provides services to another via contract
4. Units cooperate in contracting services with another service provider
5. Special purpose body (joint service delivery agency) created to provide the service
6. Amalgamation

Working with the Steering Committee, and keeping in mind the three Goals for sharing municipal services identified earlier, we have determined that Options 5 and 6, the creation of a special purpose body and amalgamation, have the best potential for offering service improvements across the existing municipal departments and programs. Although Option 3, with one municipality providing contracted services to another, does have some potential, it was considered less valuable because it does not build a framework for improved collaboration on a range of services, and its benefits can be incorporated into Options 5 and 6. As an example, one unit could be contracted by a Regional Services Board to provide Information Technology services to all three units jointly.

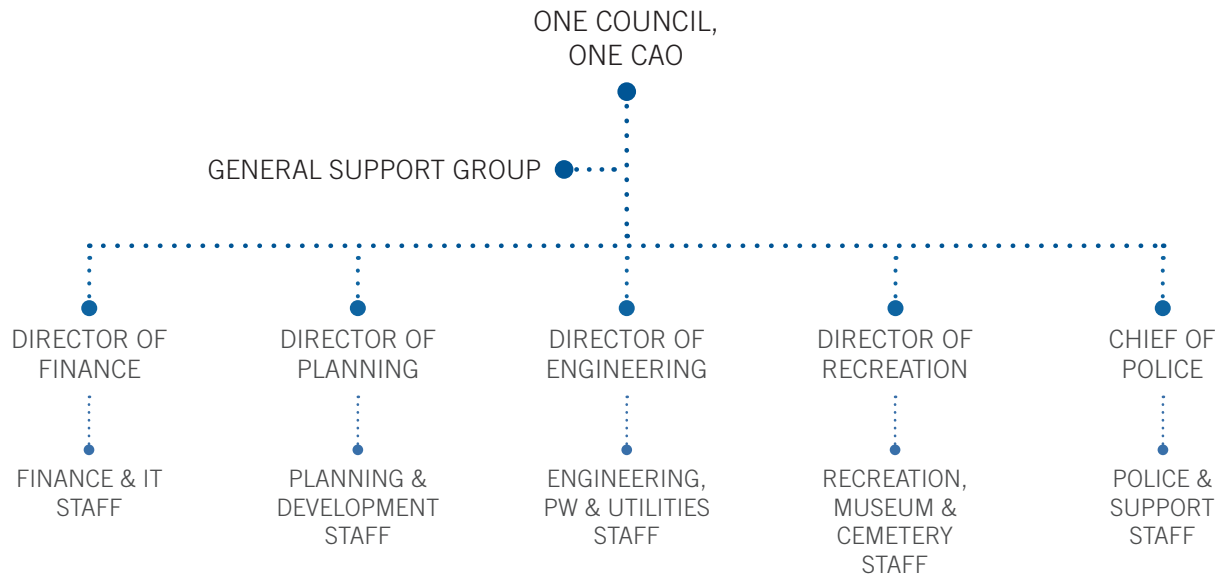
It is important to recognize that one choice for the three Councils is to maintain the status quo. This would mean that the two towns and one rural municipality maintain existing regional agreements as they exist in services such as solid waste, economic development, emergency management, the Lunenburg County Lifestyle Centre, and continue to meet informally at Council and staff levels to cooperate on specific issues or programs. This approach has produced a high quality solid waste management system and draws upon existing municipal expertise to advance economic, protective services and recreation. Participation in joint activities is spread across a number of Councillors and staff, which is a good practice, although the ability to consolidate and coordinate activities to achieve broader joint goals is less than it might be. We have observed the separate municipalities spending considerable time and effort on the governance and administration of joint activities, under the terms of historic and unrelated structural arrangements. This report does not recommend maintaining the status quo. We recommend a more deliberate and coordinated approach to sharing services and adapting governance arrangements.

Appendix A of this report explains how the Review process has narrowed the range of options, to assist Councils and other stakeholders to focus quickly on the key issues that must be considered before moving forward together. To simplify the working names for these two shared services options, we will refer to them here as Lunenburg Regional organizations, although we recognize that this Review is focused on three units in the larger region: Mahone Bay, Bridgewater and the Municipality. Although we have outlined the governance options in Appendix A in a step wise order, from informal cooperation to amalgamation, we will focus in this chapter on amalgamation first.

Two Shared Services Options for the Lunenburg Region

Option A: An Amalgamated Lunenburg Area Municipality

The amalgamated model outlined in the simple organization chart that follows looks very much like existing structures in the Town of Bridgewater or the Municipality of the District of Lunenburg, although the Municipality does not have the police and cemetery staff that are part of the Bridgewater operation. The key difference of course would be having one Council setting policy for the three communities and the staff they direct. In moving from three separate municipal units to one, decisions would be required on the size of council, actual organizational design and utilization of existing staff.



For the purpose of this Review, one can assume that initially the new municipality would respect the existing taxation levels (creating area rates for Mahone Bay and Bridgewater), protect dedicated capital reserves for the purposes they have been established (e.g. Bridgewater Public Service Commission capital reserves), and generally protect existing capital commitments and labour arrangements from the individual units to the maximum extent possible. Table 7 has been prepared to provide a general costing review of an amalgamation option, using some general assumptions about how a new single municipal government might be structured. One of the key elements of these assumptions is municipal organization and council representation.

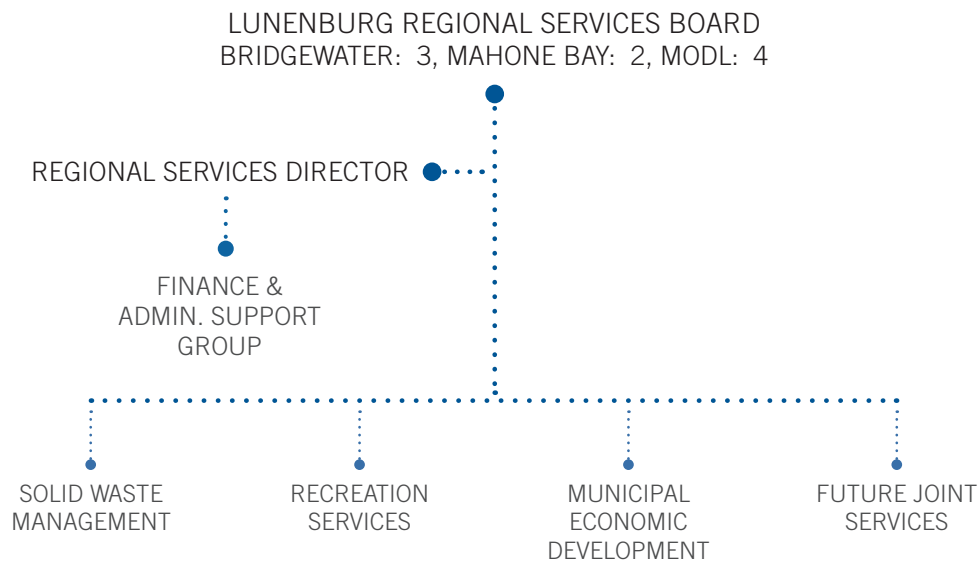
Moving into an amalgamated municipality would entail a reduction in senior staff, but our analysis suggests this would be limited initially unless service reductions accompanied amalgamation. We have assumed a transition to a single unit would mean a reduction from three CAO's to one, and a reduction of one senior finance staff, once the transition process was completed.

Council representation is a tougher assumption to make, but our analysis has been based on recent work done for determining representation in the Municipality of the District of Lunenburg and the decision of the Nova Scotia Utility and Review Board for the Cape Breton Regional Municipality. Current municipal council representation is by 27 elected officials: Mahone Bay: Mayor and 6 Councillors; Bridgewater: Mayor and 6 Councillors; and Municipality of the District of Lunenburg: Mayor and 12 Councillors. Recent decisions by the Nova Scotia Utility and Review Board are reducing the number of councillors in other municipal units. We have proposed an amalgamated council of a Mayor and 9 Councillors, reflecting this general trend, and municipal districts of approximately 4,200 people. The approximate district sizes in CBRM are 8,800; HRM 23,300. This is a working assumption, and it would require review should the amalgamation option be pursued in the future.

An amalgamated municipal unit would have to establish programs and policies to protect local community identity and influence in the larger governance structure. This can be as simple as continuing the Municipality of the District of Lunenburg’s flexible recreation programming and community development initiatives. Another tool is provided by Section 27 of the Municipal Government Act, which provides for the establishment of “community committees”, to monitor local government services, recommend changes in level of service and areas served, and how best to provide the services. Community committees for Bridgewater and Mahone Bay residents, effectively supported by the new municipality, could provide a continuing focus for addressing local concerns within a larger amalgamated unit.

Option B: A Lunenburg Regional Services Board

This model, which is similar to joint services authorities in other parts of Nova Scotia (e.g. Valley Waste Resource Management Authority), would be structured as a separate municipal corporation, with a joint Board of Directors, separate terms of reference and cost sharing for each service. Appendix D provides examples from British Columbia and Alberta, the Fraser Valley Regional District and the Calgary Regional District, which have operated successfully for a number of years as joint services boards. The Province of New Brunswick has also announced a new Regional Services Board implementation process for a range of possible joint services, some of which will be imposed by the Province as part of a larger municipal reform process. A Lunenburg Regional Services Board would provide a regular forum for reviewing regional cooperation for any special projects, and for working towards greater sharing of services over time. Mahone Bay, Bridgewater and the Municipality would continue to operate those services that are not transferred to the joint board.



The three municipal partners, together with their neighbouring municipalities involved in the Lunenburg County Recycling Centre operation, have already considered the establishment of a single purpose joint authority to continue solid waste management for the participating units. We propose to take advantage of this initiative to create a more comprehensive regional structure, one that would be deliberately set up to adopt additional services, and to report to its member municipal councils on its progress in sharing services. The achievement of economies of scale and greater effectiveness in service delivery in comparison to the separate municipal operations would become the responsibility of the Regional Services Board and its staff. New candidate regional services could be identified by the Board or by the member municipal units. To be successful, the Board would have to communicate with each Council or to joint Council meetings regularly on its progress and operations.

The Regional Services Board concept has a number of key attributes that should be recognized in developing the new structure:

- 1) By moving gradually to adopt shared services, rather than amalgamating the three units, the participating units can reduce and phase in the start-up human resource, financial and other costs of creating a new organization.
- 2) For councils, staff and ratepayers, gradual changes in restructuring municipal services can be easier to consider, explain, monitor and evaluate.
- 3) On the negative side, each transfer of services will take time and resources to develop, and require collaborative decisions from the three partner Councils. We are suggesting a common Joint Service Program proposal for each service to be transferred, so Councils will become familiar with a consistent framework and content.
- 4) The Regional Services Board concept provides a good direction and vehicle to add services over time, but it also puts in place a barrier to long term recruitment for individual units. As retirements and resignations take place in individual municipal units, there should be consideration of the timing and value of transferring specific functions to the RSB, to take advantage of its potential broader scope and sharing of professional resources.
- 5) This report proposes using the 4 (MODL), 3 (Bridgewater) and 2 (Mahone Bay) representation by elected officials as is currently proposed for a new solid waste authority. Representation is an important issue, and the new Board should be structured as a consistent, flexible organization for managing a variety of services for the Lunenburg Region.
- 6) If the Regional Services Board is successful, it will necessitate and foster continuing evaluation of the longer term amalgamation of the partnering municipal units. This report provides a firm recommendation for a review of the amalgamation concept, after three years of Regional Service Board (RSB) operation. The three year window should provide sufficient time to test the RCB, and still provide a firm timeline to periodically review how best to enhance municipal service delivery and related governance for the partner municipalities.

Key Considerations for Either Shared Service Option

The Regional Governance and Shared Services Review is being conducted at a time when the three municipalities are dealing with on-going individual and joint changes, including the launch of the Lunenburg County Lifestyle Centre, re-structuring the Lunenburg County Recycling Centre, and responding to regulatory changes for water and sewer services. Through our early consultation with senior staff and the Steering Committee, we have identified several key considerations that would influence and perhaps encourage a joint approach to governance, regardless of which option is selected. These issues are outlined below:

- 1. Creating a separate solid waste management authority:** This report is proposing to use the work done to date on creating a stand-alone regional waste management authority to develop a broader regional joint service organization. This recommendation would impact on both the timing and structure of that important joint municipal decision. The new solid waste authority may be considered step one in creating the recommended broader organization. Alternatively the parties involved could take more time to achieve the new organization, and include the potential for adding services that is proposed through the joint services board option described in this chapter of the report.
- 2. Pensions:** Mahone Bay and Bridgewater (except Police) have Defined Contribution Pension Plans which could be transferred into a new organization (Joint Service Board or Amalgamated Unit) with minor adjustments. Bridgewater Police and the District of Lunenburg have Defined Benefit Pension Plans, both of which have current funding liabilities and financial plans to address them. For the individual units, and for any joint organization to be created, the treatment of pension liabilities, and how best to provide pensions to future staff, need to be addressed. As well, this may be subject to collective bargaining considerations.
- 3. Street Maintenance costs under an amalgamated model:** Rural Municipalities do not have the extensive street maintenance responsibilities of towns like Bridgewater and Mahone Bay. If the towns were to be amalgamated with the rural municipality, the implications for street maintenance by Nova Scotia Department of Transportation and Infrastructure Renewal (NSDTIR) would require research and negotiation. The amalgamations of HRM and Queens Regional Municipality did not change street maintenance initially: Queens still maintains Liverpool streets.
- 4. HST Implications for a Joint Service Board:** The recent efforts to create a separate authority for solid waste management, and the creation of the Lunenburg County Lifestyle Centre (LCLC) have required a detailed analysis of possible HST treatment of these new organizations. While the general object of this review is to preserve favourable municipal tax rebates and exemptions, there are opportunities to reduce taxes payable for the partner municipalities, depending on the specific service being combined in a new organization.
- 5. LCLC Staffing:** The creation of the LCLC will have an impact on existing municipal staff, particularly in recreation roles, who might wish to transfer to the new organization. Arrangements could be made early in the process to foster and coordinate these changes rather than react to problems as they arise by treating LCLC as a standalone employer. As an example, the Bridgewater Defined Contribution pension and benefits plan could be extended to the LCLC, so these provisions are common at the outset.

6. **Early Sharing and Contracting In:** While the Joint Services Board might be the best vehicle to achieve economies of scale and coordination of services in the longer term, there may be opportunities for the existing municipalities to coordinate on a smaller scale, as a general 'go forward approach'. Examples might include joint procurement of legal, audit and other services, contracting with Bridgewater or Mahone Bay to plow MODL streets, sharing of computer systems and support.
7. **Future Sharing and Contracting In:** Similarly, a regional approach to future issues such as the disposal of surplus buildings, creation of new office spaces and expanding public works facilities could take advantage of joint initiatives among two or more of the municipal partners. The idea would be to build for the future together, rather than in isolation. Next year, for example, assuming the future of the Bridgewater Police contract and the Provincial RCMP contract are known quantities, there may be opportunities to look at changing the balance between Town and RCMP policing in the three municipalities, if this were advantageous for the municipalities involved.
8. **Salary Costs:** Bringing together management and salaried employees from three units will require specific attention to employee salaries. A review of the current information on salary bands and collective agreements identify a potentially wide range of salaries. As a general rule we suggest that salaries be kept at the actual present levels. The norm in the development of Joint Services or an Amalgamated unit is that employees are not penalized; as well, during the implementation of the changes initiated by Councils it will be imperative to contain salaries at the existing budget levels. Future salary considerations are best completed after a detailed review of the new position for scope, role, level and qualifications as it evolves in the new service delivery model.



Chapter 4

Regional Governance and Shared Services Review Recommendations

The recommendations that follow in this report flow from the Common Goals for Sharing Services outlined in Chapter 2 and further developed in Chapter 3:

- 1. To make better use of every municipal tax dollar raised.**
- 2. To create a more sustainable local government organization.**
- 3. To improve our capacity to attract economic development.**

After completing a number of Steering Committee Meetings, speaking with individual Councillors and staff, visiting key facilities and reviewing the available documentation, we have come to the conclusion that the real key to success for the Lunenburg Region, is that Mahone Bay, Bridgewater and the Municipality comprise, more aggressively pursue economic development opportunities for the region. Pooling resources and creating seamless collaboration to support economic development activities to attract and retain business; streamline administrative processes by ensuring consistency in processes for permits, planning, building inspection; and working together to provide required infrastructure, are examples of how the units can create a unified presence and become more attractive to investors. We see these initiatives as essential first steps to meet the goals outlined above and addressing the overall financial sustainability of local government in the region.

We strongly suggest that there is a need to reduce the complexity of local government partnerships and generally improve the responsiveness of the municipalities to new opportunities. We have seen good examples of regional cooperation that could be a foundation for expanding shared services. The existing strengths demonstrated by the solid waste, REMO, LCLC and recent RDA improvements encourage such joint activities. When this Study has been completed and the Councils have decided whether they endorse the general direction or not, it will be important to establish and maintain momentum and focus on sharing services and reducing differences among the two towns and the municipality.

This Report, using best practice literature on introducing shared service delivery, has been developed to support decision-making by Councils.

The reasons (Common Goals) for sharing service that have been developed over the course of this study are not about the form or structure of the local governments. They are about function and effectiveness when using tax dollars carefully, remaining financially solvent, and attracting the kind of growth that can make a difference for the Lunenburg Region. **We are suggesting that the process of bringing the three municipal partners together is as important as the end result.**

From the early stages of this study, the 'elephant in the room' has been amalgamation, something that is seen as a way to reduce costs, cut the size of government, and move the Lunenburg Region ahead in a dramatic fashion. But our consultation and research on the specifics for Mahone Bay, Bridgewater and the Municipality suggests that administrative and Council costs are not the main drivers of local tax levels. Experience in other amalgamations also suggests that there are some significant startup costs that would offset the initial potential savings.

Councils want to explore the option of amalgamation. We hope this report will answer some of the questions about that. We have not seen opportunities within the Amalgamation option to immediately save significant funds. We see, however, the potential to increase municipal revenues by attracting new developments through working as one unit. We believe a sudden move towards amalgamation could be seen as moving too far too fast and could even threaten existing cooperative initiatives. We heard from many people that the level of cooperation among units has improved dramatically over the past two decades and it is important that it continue. The joint authority approach is seen as a positive first step in moving toward amalgamation at a future date. By delivering many municipal services jointly through a regional services authority, municipal functions will be amalgamated one at a time.

As this Study is being conducted the three municipalities are heading into the last year of the four year Council terms. October 2012 is not far off in terms of decision making on a major structural change for local governments. The elections, and the months between now and then, could be seen as an opportunity to build upon existing joint services experience, test the recommendations of this report, and communicate the results to new Councils in the Fall of 2012.

A relevant point to be made before outlining our recommendations is that throughout our research and interviews, we have been aware that Councils value their staff, and that staff, understandably, are concerned about job security and change. The success of much of what is proposed in this report will depend on the hard working staff members that currently work for the three municipal units.

The Common Goals of this Review suggest that the units should do more with the tax dollars collected, not reduce staffing immediately upon implementation of a needed structural change in government. Experience with amalgamations has shown it is important to support staff during the transition period, and to draw upon their abilities to shape the new organization and make it function effectively. For this reason, we have proposed a specific recommendation dealing with those staff concerns at the outset of the process to create a new joint organization (Recommendation 3).

Recommendations

1. The three municipal units that have undertaken this Regional Governance and Shared Service Delivery Review should take concrete steps to increase sharing of municipal services, to support joint economic development and to improve the financial sustainability of local government in the Lunenburg region. These steps should include regular public reviews of progress and periodic consideration of further areas of joint service delivery.
 - **Rationale:** Throughout the review process we have been aware of a desire to work together on municipal matters. Specifically it is understood that together the three units can do more than they can do alone. This first recommendation is designed to note the importance of formalizing, by Council action, the commitment to work together; to develop a progressive plan, and to ensure public accountability.

2. Broaden the current plans for a new joint authority for solid waste management, and create a Lunenburg Regional Services Board. This joint authority should have a mandate to increase the number of shared services over time and to report regularly to participating Councils on its operations, financial performance and progress in sharing services. Utilize the Board representation (4: Municipality of the District of Lunenburg, 3: Bridgewater, 2: Mahone Bay) currently proposed for the solid waste authority.
 - **Rationale:** Build upon the progress made in developing the solid waste management agreement by ensuring that the new agreement allows for future opportunities to integrate other municipal services. Initiating a Regional Services Board is a key first action in facilitating agreements to provide seamless service and allows for future integration of municipal services.

3. Utilize senior staff in each municipal unit to design and implement shared services through the Regional Services Board, and maintain staff compliments at existing levels during the transition of services to the Regional Services Board. Staff reductions identified during the implementation process should be accomplished gradually, through attrition and transfer.
 - **Rationale:** The three units have operational leaders and staff who are experts in their fields. These municipal employees know their programs and the value that they bring to the regional population. We have identified very little staff redundancy and a risk of retirements that require concerted succession planning. This combination of factors, if this recommendation is followed, will serve to maintain municipal services, transition to a new model of delivery and manage the transition of staff and leadership over the time period of developing the Regional Services Board.

4. Begin Regional Services Board operations with solid waste management followed by recreation services and municipal economic development programs (maintaining existing partnerships with the Regional Development Authority and Bridgewater Development Agency). Obtain Council approvals for transfer of individual services through a Joint Service Program proposal process that provides common information about the Program elements, financing, human resource considerations and transfer timeline.

- **Rationale:** The renewal of the Solid Waste Management agreement presently in process is a logical place to start the work of the Regional Services Board. Recreation services among the three units already have a significant level cooperation and demonstrate a 'borderless' mentality of citizens who utilize programs in each municipality. Economic development activities are designed to be a catalyst for attracting future development that can benefit all of the partner units by enhancing the commercial tax base. These are the logical services to initiate and develop the success of the Regional Services Board.
5. Undertake a further joint review of the municipal amalgamation option, once the Regional Services Board has three years of operating experience. Future amalgamation may become an outcome of enhanced collaboration for the delivery of municipal services, and the experience of the Regional Services Board will provide a different experience of collaboration and how to increase value for money and build capacity to attract economic development.
- **Rationale:** The immediate move to an amalgamated unit is not supported by the stakeholders and evidence found in the process of this review. Future amalgamation may become an outcome of enhanced collaboration for the delivery of municipal services. Because the expected success of the Regional Services Board will provide a different experience of collaboration and awareness of how to increase value for money and build capacity to attract economic development, we recommend that Councils re-visit this option on a regular basis.



Appendix A

The Shared Services Review Approach

Introduction

The best practice literature on introducing shared services suggests that the first step to starting off on the right foot is to be inclusive and involve council and staff in the process. Our approach was to work with a steering committee which included Mayors and CAOs to set clear goals, report regularly on our progress and offer opportunities for feedback and input. Councils and staff were included at various stages of the process. Communication bulletins, suitable for public distribution, were prepared for each steering committee meeting. Best practice also recommends that shared service reviews should be methodical, well documented and progress should be monitored to ensure that the goals of the review will be achieved.

Conditions favouring regional cooperation

The most common reasons to consider a regional shared services approach are to take advantage of economies of scale in service delivery, that the service provision boundaries already include more than one municipal unit, and that there is a preference for a standardized availability and level of service. These conditions exist in the study area and speak to the logic of carrying out the shared service review.

Range of collaboration options

There are a number of published reports and articles that discuss the spectrum of collaboration options. A National League of Cities 2006 report presents and discusses nineteen options which range from informal cooperation, identified as the easiest option to implement, on one end of the spectrum to the amalgamation of municipalities on the other end. Examples of some of the easier to implement options are informal cooperation, contracting out to other units, and regional bodies. The harder options include transfer of functions, and creating special districts and authorities. The options presented are shown below:

SPECTRUM OF COLLABORATION OPTIONS (REFERENCE: NATIONAL LEAGUE OF CITIES, 2006)**Easier Options**

1. Informal Cooperation
2. Interlocal Service Contracts
3. Joint Powers Agreements
4. Extraterritorial Powers
5. Councils of Governments
6. Federally Encouraged Single-Purpose Regional Bodies
7. State Planning and Development Districts
8. Contracting
9. Regional Purchasing Agreements

Harder Options

10. Local Special Districts
11. Transfer of Functions
12. Annexation
13. Special Districts and Authorities
14. Metro Multipurpose Districts
15. Reformed Urban County
16. Regional Asset Districts
17. Merger / Consolidation

Research done in 2009 by three faculty members (Dollery, Akimov and Byrnes) at the University of New England on shared services, differentiates between capital intensive public goods (such as water and wastewater systems) and local public services such as development permit approvals. This distinction is used to argue that the potential for economies of scale differ widely between different municipal activities (p211). The potential benefits of a shared service approach depend on the trade-off between scale economics and coordination economics. (p212). The research identifies options for linking service provision with production which either involves cooperation with other local governments or the private sector. With respect to the cooperation with other local governments, the first option is having councils coordinate the delivery of a service; the second is joint production where two municipalities organize a single production unit (e.g. tax billing), and the third is intergovernmental contracting where one unit contracts services from another unit. Alternative shared service models presented include voluntary arrangements between geographically adjacent councils to share resources on an ad hoc basis, formalization of the ad hoc arrangements, joint board models, contracting with a shared administration and service centre, contracting out services with another level of government, and amalgamation. (p214).

Collaboration options selected for the Shared Service Review

Following a review of the service delivery options available, six options were selected as being most relevant to the review. They represent both ends of the spectrum identified through the research. All but one of the options selected are either currently being used or considered for at least one service that is shared by the municipal units participating in the Shared Service Review. The service delivery options selected are presented and described below:

INFORMAL COOPERATION

Under an informal cooperation arrangement municipalities provide services to each other for a prearranged fee or a mutual support arrangement. The advantages of this model are that

it is pragmatic and widely used and it accomplishes its goals without complex arrangements. Its challenges include a difficulty to sustain over time given a lack of formal structure and its susceptibility to changes in politics, personnel and resources. Examples of existing informal cooperation arrangements among the municipal units participating in the Review are fire protection and recreation programs.

INTER MUNICIPAL AGREEMENTS

These are agreements which municipal units enter into on a voluntary basis. The partners are involved in the planning, financing, and service delivery aspects of the agreement. Mutual aid agreements can also be established through inter municipal agreements. The advantages of this method of service delivery are the existence of a formal agreement and potential for cost effective solutions. Challenges include working out the specifics of expected services and partner responsibilities as well as cost distribution among the participants. Renegotiations can be difficult and each municipality must perceive an ongoing benefit to its citizens. An example is the current arrangements related to solid waste.

ONE MUNICIPALITY PROVIDES A SERVICE(S) TO ANOTHER VIA CONTRACT. THE SERVICES CAN BE EITHER ADMINISTRATIVE OR PUBLIC

This is a straight forward method of service delivery where one municipal unit provides a service to another at an agreed price. Advantages include the provision of a formal agreement which can provide a cost effective solution to units which lack the resources to provide a particular service in a cost effective manner. Challenges associated with this approach are meeting service expectations, cost distribution, and potential issues with service provision by staff from another municipality. Examples are the arrangement for the Town of Bridgewater to provide building inspection services to the Municipality and the Town of Mahone Bay's purchase of planning services from the District of Chester.

UNITS COOPERATE IN CONTRACTING A SERVICE WITH ANOTHER SERVICE PROVIDER

This service delivery option involves the cooperation of two or more municipalities in contracting a service to an outside organization. The outside organization can be a private company, a provincial government, or a not for profit organization. Advantages include service delivery through an entity that has a particular expertise the municipalities lack or one that has the experience to offer the service more efficiently. Challenges with this model of service delivery relate to expectations regarding service standards, the management of the contract, and potential issues with service provision by contracted staff. Joint contracts for solid waste collection and animal control are current examples.

SPECIAL PURPOSE BODY (JOINT SERVICE DELIVERY AGENCY) CREATED TO PROVIDE THE SERVICE

Under this shared service delivery option, powers are vested in a board of representatives from the member governments. Its main advantage is the potential for an effective solution to standardized regional service delivery. Its challenges include the upfront efforts to create the agency, maintaining accountability and transparency, and achieving an effective balance between control by the board and partner municipalities. An example is the draft solid waste agreement scheduled to take effect in April 2012.

AMALGAMATION

Amalgamation occurs when the existing municipalities are consolidated into one new municipality. The advantages include a potential for greater efficiency, unified leadership and a focused community agenda. It provides a governance structure for dealing with broader issues such as fiscal disparities, social equity, and improving economic development. Challenges with this collaboration option are that changes create perceived community and individual winners and losers with respect to cost and value for services received. As this option is the only one to include municipal boundary adjustments, there can also be public concerns regarding changes in the status quo and community identities. Queens Regional Municipality is generally considered to be a positive example of the adoption of this option.

Application of these six service options to municipal service cooperation in the three municipal units

The matrix shown below was developed to provide an overview of the range of shared service delivery options that are thought to be appropriate for the various service categories.

Table 6: Matrix matching service delivery options to the six general municipal service areas

	Informal Cooperation	Inter municipal agreements	Contract with other municipality	Joint contracting out	Joint service delivery agency	Amalgamation
General Government			•			•
Engineering & Public Works						
<i>Engineering</i>			•		•	•
<i>Solid waste collection</i>				•	•	•
<i>Solid waste disposal</i>			•	•	•	•
<i>Sewage treatment</i>			•		•	•
<i>Water</i>			•		•	•
Planning & Development			•		•	•
Recreation & Culture	•		•	•	•	•
Protective Services						
<i>Fire</i>	•	•	•		•	•
<i>Police</i>		•			•	•
Financial Administration			•			•

Matrix results

The matrix identifies potential areas within service categories for shared service delivery. Based on our knowledge of the municipalities and their financial and staff resources, we have identified a number of options on the service delivery side that range from informal cooperation to the joint service delivery agency and amalgamation options. On the administrative side there are opportunities for one municipality to provide specialized services to other units which do not have dedicated staff in these areas.

Rationale for / Selection of options for further consideration

Based on the information provided in the matrix, there are three service delivery options identified as having the potential for offering service improvements in several areas. They are **contracting with another municipality, establishing a joint service delivery agency** and **amalgamation**. The use of contracting from one unit to another as a service delivery option will not be explored further as it does not address all of the Common Goals identified in Chapter 2 of the Review. This approach is not seen as conducive to improving regional economic development as it does not build a framework for improved collaboration in this area. The use of joint contracting out has potential to be incorporated with the remaining two options which have the potential to meet the joint goals for service sharing.

Discussion of the joint service delivery agency option

This service delivery option is a good fit for all of three of the four direct service categories and it is compatible with the Common Goals of the Review. Services could be transferred to the agency one at a time to ensure a smooth transition. There is a good opportunity for economies of scale in service delivery and standardization of service level and quality, while still allowing for differences in rural and urban service levels. Coordination of service cost could be kept to a minimum by using a standard model for shared services. Under this option each municipality would retain its municipal status and boundaries.

The drawback of this service delivery option from a governance perspective is that it creates another governance structure for the provision of some municipal services. It will require administrative support to ensure that appropriate business practices and accountability and transparency mechanisms are in place.

Discussion of the amalgamation option

The amalgamation option enables all direct services and administrative services to be delivered by one governing body; e.g. the amalgamated municipality. This option has the potential to address the common goals, advance the general objectives of improving regional economic development and increase the general sharing of services. The combined population of the three municipalities is 35,000, the administration of which should not require additional layers of management compared with present governance structures in the Town of Bridgewater and the Municipality. This option would result in more standardized service levels (rural and urban) for the area, enable the region to speak with one voice when promoting economic development and regional services and when advocating on behalf of the area. This option also results in the greatest change in boundaries and governance and there would be short and longer term financial impacts on communities and individuals resulting from the consolidation of revenues and expenditures. Approximately one percent of the combined operating budget revenue of the three municipal units comes from Provincial equalization and town grants. The impact that an amalgamation would have on operating grant allocations requires a discussion with the Nova Scotia government department responsible for municipal relations.

Financial considerations relating to these two options

Both of these shared services arrangements offer two potential benefits; one is an opportunity to improve services and the other relates to potential cost savings and greater value for money spent. Improved resource allocation enhances services and contributes to organizational efficiency and the attractiveness of communities as places to live and work. During our meetings with staff we met a number of dedicated professionals who were fully engaged in their work. It is our view that the opportunity a shared service initiative offers is better deployment of front line workers in order to enhance service planning and delivery. The three units all have different characteristics; e.g. large town, small town, rural municipality, which reflect different service needs. We do not see a reduction in the number of front line staff resulting from the shared service options under consideration. The opportunities for longer term savings would come at the senior management levels where there will be one person overseeing a jointly managed or amalgamated service where there are currently two or more. In some service areas it is suggested that, for the initial phases of the transition, surplus senior staff positions be used to enhance management capacity in policy development and service delivery through a realignment of responsibilities. Based on the experience with transitioning to new service delivery models we suggest retaining existing staff complements during any transition periods to facilitate the change and that any longer term staff reductions through attrition and transfer. Other factors that impact on potential savings are the decisions the governing body makes regarding standardization of service levels, salaries and benefits (including pensions).

There are a number of financial issues associated with amalgamation as outlined below:

Issues related to aligning amalgamated departments

- Standardizing salaries and benefits; the highest salary tends to become the norm
- The discrepancies between Defined Benefit and Defined Contribution Pension Plans
- Aligning unionized and non-unionized employee groups

Expected service levels and quality standards

- There are differing expectations, needs and standards that will need to be aligned
- New standards will need to be developed

Setting tax rates and user fees

- Tax rate change is difficult and normally results in quiet winners and vocal losers
 - Questions such as: 'one residential rate' or 'urban and rural rates'? need to be discussed
- The discrepancies between current commercial / residential ratios
- Transition issues for properties with major tax changes
- The use of area rates
- Request for authority to establish a 'new model of taxation'

Provincial equalization / operating grants

- Under the present formula the three amalgamated units would no longer receive equalization and town foundation grants with a combined value approaching \$500,000

The perceived fairness of investment in infrastructure, debt and reserves among the units. Currently,

- Units vary in amounts of debt and reserves and the quality of current infrastructure.
- All current debt levels are within provincial guidelines
- Reserves as a % of expenditures within a 32% to 40% range for all units
- There is wide variation in capital asset values among the units

A straightforward solution is to recommend that no adjustments be made based on differences in infrastructure investment, debt and reserves. All units have similar reserves when adjusted for their size and differences in infrastructure quality, investment, and capital debt will level out over time. It is suggested that each unit's unallocated capital reserves be spent on capital works within the existing boundaries of the unit.

There are also costs associated with transition to a single, larger unit. Typically, amalgamations are done as of a single date, involving complex negotiations, legal costs and labour compensation changes that are usually costed and capitalized for pay down over a period of years.

Any savings identified in this report (see Appendix B) are potential long term savings and it would be the responsibility of the new governing body to make the appropriate decisions in order to reduce costs in the course of amalgamation.

Long-term savings and cost potential for recommended options: Regional Services Board and Amalgamation

Regional Services Board

- Staff resources to be gradually realigned rather than reduced when services moved to the authority means minimal savings in the short-term
- Method of providing support services to the new regional services board would have minimal financial implications. As the number of services delivered by the board is increased it would be necessary to appoint a director to oversee and coordinate all activities. The report recommends that senior staff be redeployed during the transition stage and it is expected that the position would be filled from the existing management pool. The support staff function could be provided by the units.
- Head of Authority can either be a new position or one of the existing heads of a service provided by the Authority, implying different costs associated with each choice

Amalgamation

General government costs:

- Immediately reduce to one CAO and 9 Councillors.
- Administrative positions to be realigned to meet needs of the organization.
- Potential annual savings \$400K

Financial administration:

- Reduce by one certified accountant, once transitional financial changes are complete.
- Realignment of other positions.
- Will require fewer financial statement audits, with fewer separate organizations.
- Potential annual savings \$80K

Summary

The total expenditure savings identified represent approximately one percent of the combined municipal annual operating budgets

Reduction / elimination of \$486K received from provincial operating grants using the current grant formula.

Table 7: Budget by Service Groupings 2011-2012 Budget Year and Potential Savings with Options

	Bridgewater	Mahone Bay	MODL	Total	Percent of Total	Joint Service Agency	Amalgamation
General Government							
Legislative (Note 5)	\$161,314	\$40,678	\$550,773	\$752,765	1.6%	\$752,765	\$519,378
Administration (Note 2)	\$413,773	\$75,406	\$1,015,844	\$1,505,023	3.2%	\$1,505,023	\$1,310,023
Economic development	\$121,124		\$984,519	\$1,105,643	2.4%	\$1,105,643	\$1,105,643
Other	\$181,878	\$114,423	\$205,925	\$502,226	1.1%	\$502,226	\$502,226
Engineering and Public Works							
Solid waste	\$1,464,512	\$139,438	\$3,555,520	\$5,159,470	11.1%	\$5,159,470	\$5,159,470
Waste water	\$585,670	\$112,744	\$496,078	\$1,194,492	2.6%	\$1,194,492	\$1,194,492
Transportation	\$1,454,000	\$272,248	\$1,165,175	\$2,891,423	6.2%	\$2,891,423	\$2,891,423
Buildings	\$230,959	\$7,448		\$238,407	0.5%	\$238,407	\$238,407
Building inspection	\$85,088	\$15,041	\$331,416	\$431,545	0.9%	\$431,545	\$431,545
Engineering	\$668,266	\$1,000		\$669,266	1.4%	\$669,266	\$669,266
Other				-	0.0%	-	-
Planning and Development	\$326,923	\$90,617	\$320,832	\$738,372	1.6%	\$738,372	\$738,372
Recreation and Culture							
Admin & salaries	\$218,763	\$2,868	\$318,416	\$540,047	1.2%	\$540,047	\$540,047
Programming	\$183,340	\$2,750	\$202,602	\$388,692	0.8%	\$388,692	\$388,692
Other	\$9,525		\$87,065	\$96,590	0.2%	\$96,590	\$96,590
Facilities	\$651,728	\$12,636	\$43,500	\$707,864	1.5%	\$707,864	\$707,864
Parks & playgrounds	\$295,644	\$30,353	\$167,000	\$492,997	1.1%	\$492,997	\$492,997
Trails				-		-	-
Libraries	\$41,057			\$41,057	0.1%	\$41,057	\$41,057

	Bridgewater	Mahone Bay	MODL	Total	Percent of Total	Joint Service Agency	Amalgamation
Protective Services							
Police	\$3,719,890	\$275,561	\$3,060,885	\$7,056,336	15.2%	\$7,056,336	\$7,056,336
Fire	\$1,178,207	\$165,130	\$2,602,909	\$3,946,246	8.5%	\$3,946,246	\$3,946,246
REMO/EMO	\$20,177	\$5,055	\$108,277	\$133,509	0.3%	\$133,509	\$133,509
Other		\$300	\$21,500	\$21,800	0.0%	\$21,800	\$21,800
Financial Administration	\$670,886	\$75,220	\$814,164	\$1,560,270	3.4%	\$1,560,270	\$1,480,270
Mandatory contributions	\$1,998,123	\$366,332	\$7,305,223	\$9,669,678	20.8%	\$9,669,678	\$9,669,678
Transfer to reserves	\$800,034	\$80,475	\$800,881	\$1,681,390	3.6%	\$1,681,390	\$1,681,390
Capital out of revenue	\$732,933	\$157,816	\$159,425	\$1,050,174	2.3%	\$1,050,174	\$1,050,174
Debt principal repayment	\$1,356,938	\$65,333	\$1,043,300	\$2,465,571	5.3%	\$2,465,571	\$2,465,571
Interest expense	\$403,268	\$11,143	\$697,600	\$1,112,011	2.4%	\$1,112,011	\$1,112,011
Other							
Parking commission	\$83,271			\$83,271	0.2%	\$83,271	\$83,271
Museum	\$151,001	\$7,100		\$158,101	0.3%	\$158,101	\$158,101
Cemeteries	\$127,502	\$9,000		\$136,502	0.3%	\$136,502	\$136,502
Total (Note 1)	\$18,335,794	\$2,136,115	\$26,058,829	\$46,530,738	100%	\$46,530,738	\$46,022,351

NOTES:

1. These figures exclude utilities which are regulated by the UARB and funded through user charges
2. Some administration expenses are cost shared by the general and utility funds: Mahone Bay Utility Budgets: Water \$469,297 Electric \$1,592,178, Bridgewater Utility Budget Water \$3,349,238
3. Equalization and town foundation grants from the Province currently provide \$486,754 to the units combined operating revenues. Under the existing formula the amount for the amalgamated units would be zero. This is an issue for negotiation with the Province.
4. Transition costs in setting up the new governance structure(s) can be funded through reallocating existing staff and budgets or if a coordinator position is established to oversee the transition, a request could be made for Provincial cost sharing.
5. The compensation for mayor and councillors is calculated using the highest rates of remuneration currently offered by the units. Travel and other expenses are included.

Source: Financial data provided by Units



Appendix B

Existing Services: Overview and Shared Services Considerations

Introduction:

One of the essential initial steps on this Shared Services Review has been preparing an inventory of local government services provided by the Towns of Mahone Bay and Bridgewater, and the Municipality of the District of Lunenburg (the Municipality). This inventory was prepared by conducting interviews with a number of staff, visiting facilities and assembling related reports and documentation. What we have found is three municipal organizations that have been shaped by Councils and their CAO's to reflect the individual needs and financial conditions of each community. Our challenge as consultants has been to look at these separately tailored and historic organizations from a more regional or joint service perspective – through a “shared services lens”.

Financial Capacity

From an overall financial perspective, Mahone Bay, Bridgewater and the Municipality are doing quite well in spite of their infrastructure, regulatory and organizational challenges. When compared to similar sized towns and rural municipalities in Nova Scotia, none of these units is in “dire straits”. However, Mahone Bay, providing water, sewer, roads and other typical small town services in an affordable manner, operates at a very different scale when compared to Bridgewater and the Municipality. All three municipal units are largely self-sufficient, over 80% of revenues to cover operating costs are obtained through property taxation. Balanced budgets are regularly achieved, providing for mandatory services and community priorities. Each unit has established operating and capital reserves to support its operations. Tax collections are well managed, reflecting the community ability to pay and good municipal financial practices. Debt levels are well within acceptable limits for each municipality.

Financial Challenges

All three municipal units are facing significant financial challenges in coming years, including:

- Affordability of required and desired investment in capital infrastructure;
- Meeting increasing federal and provincial standards, especially for water, wastewater and solid waste;
- Growing the property tax base to keep up with financial demands; and demographic trends;
- Availability of serviced industrial and commercial lands;
- Individual municipal issues: policing and related pension costs in Bridgewater, water rates in Mahone Bay, Osprey Village infrastructure debt and defined benefit pension liability in the Municipality.
- Anticipation of a significant capital investment in the renewal of aging composting facilities at the regional solid waste facility.

Human Resources Challenges

- Attracting, developing and retaining a skilled work force;
- Dependence on key individuals for meeting critical and certified service requirements.

Other Challenges

- Strengthening the regional focus on economic development – speaking with one voice for the region;
- Municipal service standards vary among the three units, reflecting both fiscal capacity and citizen preferences.

When looking at these issues from a shared services perspective, it is apparent that a number of these services would benefit from a joint approach by the three municipal units involved in this review, either collectively or in partnership with other municipalities in the region: the Municipality of the District of Chester, the Town of Lunenburg and Queens Regional Municipality. Controlling municipal service costs, growing municipal revenues through economic development, and cooperating effectively on addressing technical issues like the selection of a new composting facility or service are obvious areas that have and will continue to benefit from joint action by the three municipal Councils and their staff.

The Shared Service Inventory

For the purposes of the initial inventory of existing services, we have divided the municipal operations of Mahone Bay, Bridgewater and the Municipality into six general areas, as follows:

- A. General Government: CAO, Council and organizational support
- B. Engineering and Public Works: including water and electrical utilities
- C. Planning & Development Control: including Building & Fire Inspection (part of Engineering and Public Works in Bridgewater)
- D. Recreation & Culture
- E. Protective Services: Police, Fire, Regional Emergency Management
- F. Financial Services

The following Charts and discussion will provide an overview of the Shared Service Inventory, and summarize the implications of the existing organization of municipal services for increasing sharing and cooperation.

Chart 1: Simplified Organization Chart: Mahone Bay

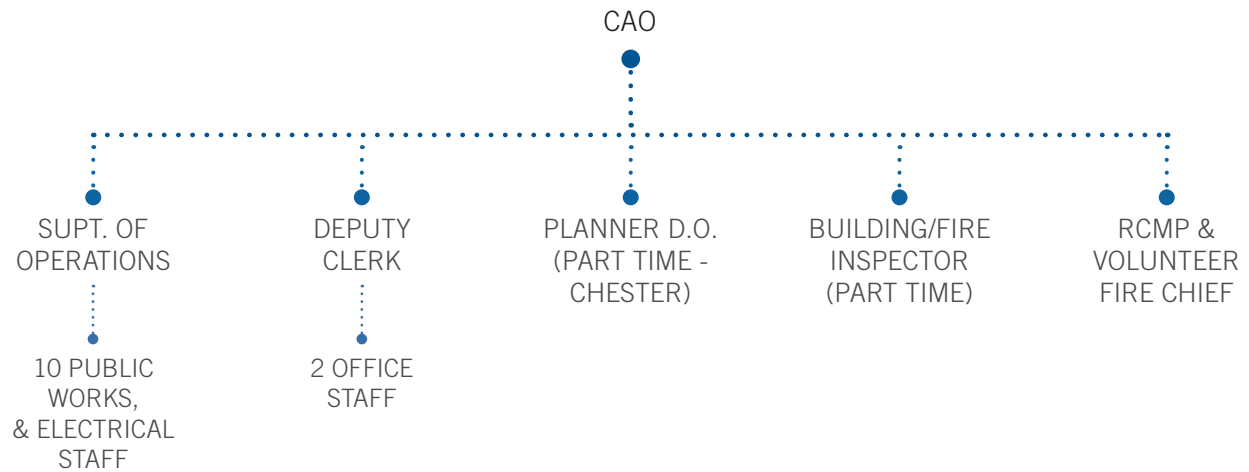


Chart 2: Simplified Organization Chart: Bridgewater

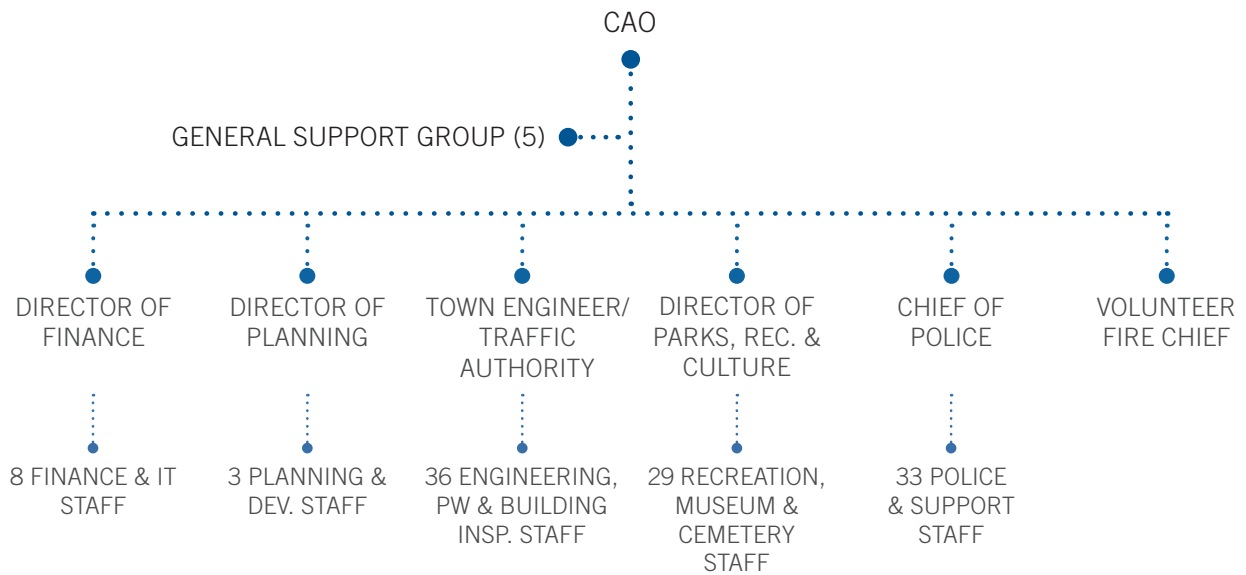
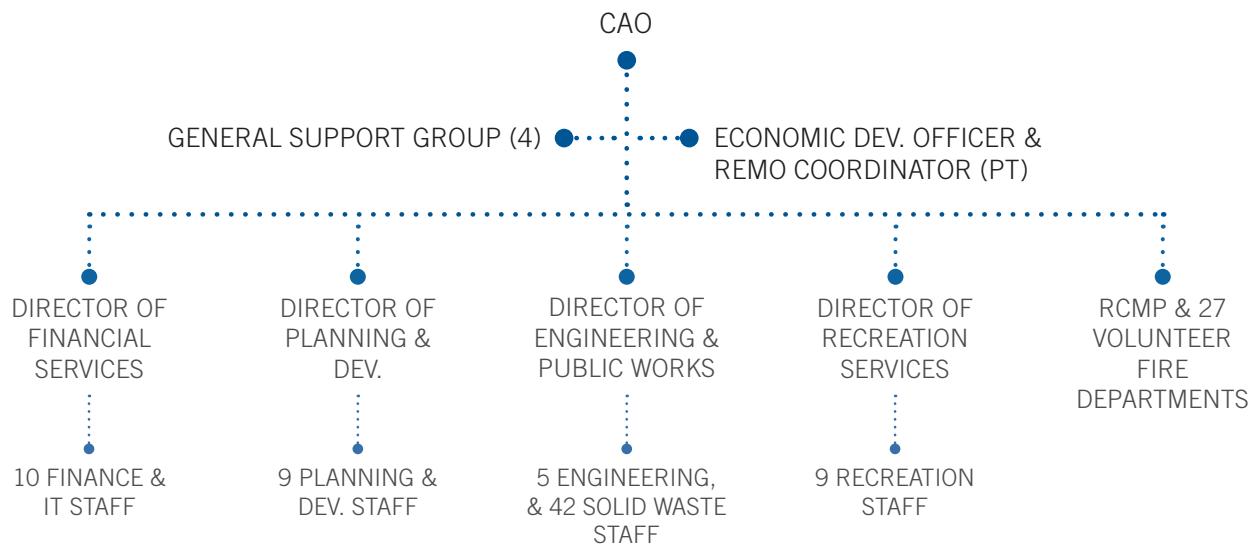


Chart 3: Simplified Organization Chart: Municipality of the District of Lunenburg

A. General Government

Mahone Bay, as the smallest of the three units in this review, has the leanest general government organization, with the CAO and Deputy Clerk providing most of the Council and organizational support. Both of these staff members carry significant direct financial and supervisory responsibilities as well, and the CAO is effectively the Chief Financial Officer for the Town. Bridgewater has a small staff group, under the CAO, that includes strategic initiatives and part time human resource assistance, in addition to legislative administrative support for the Mayor and Council. The Municipality also has a small staff group attached to the CAO office, with dedicated resources for the legislative function, fire services coordination, economic development, administrative support and strategic initiatives.

From the perspective of sharing services through the inter-municipal organization or a full scale amalgamation options, the General Government area of the existing municipal organizations would be impacted. For example, with one municipal unit and one Council instead of three, the CAO, Council and legislative support roles would be compressed. The details of this depend upon the size of the new organization, the size of Council and the ability to reduce the number of existing inter-municipal organizations through that amalgamation. The need for continuing fire services coordination, municipal economic development and strategic initiatives resources would not change, and could increase in an amalgamated unit or a new joint services organization for the three units. The creation of a new municipal organization is itself a substantial piece of work for those involved in the details of establishing such a body, and we believe there is a need for increased municipal economic development activity for the partners involved.

While the possible economies of scale for an amalgamated municipality would be tempered by the considerations summarized above, there are some common strengths in the General Government organizations that would encourage sharing of this service:

- Each unit operates with similar, if not identical, legislative processes and Council support for meeting packages, records and similar routine documentation.

- The General Government staff members generally have the most experience in inter-municipal agreements, joint services and regional cooperation.
- The existing resources for economic development, human resource management, fire service coordination and strategic initiatives could be combined in a stronger joint organization.

It should be noted that these same resources are used currently in achieving the informal cooperation that is on-going between the three municipalities in this Review.

POTENTIAL FOR LONG TERM SAVINGS

- Under joint service delivery agency: minimal
- Under amalgamation: would need only one CAO, one Mayor and fewer councilors, the 2 administration positions related to council support would be replaced by 2 positions that would encompass economic development, human resources, occupational health, fire services, project coordinator functions (we will explain the specifics of these suggestions, including dollar value, further in the Discussion Paper)

B. Engineering and Public Works

The Shared Services Review looked at the staff, equipment and resources that make up the Engineering and Public Works functions, including the Public Service Commission of Bridgewater and the Mahone Bay Water and Electrical utilities. This is the 'hard services' area of municipal activity; one which generates considerable pressure on municipal tax rates and user fees.

Mahone Bay, the smallest of the groups is primarily an operational organization, with non-union workers who take care of public works, street maintenance snow clearing, cemeteries, parks, water, wastewater and electrical maintenance activities under the guidance of a Director of Operations. They have a newly upgraded water treatment system, an older wastewater treatment facility and a public works garage in need of replacement or upgrade. This is the only municipal unit in this Review that has its own electrical utility, with the attending infrastructure and maintenance that that implies, along with opportunities for low electrical rates unique to this community.

Bridgewater has the largest and most structured Engineering organization, reflective of the size and history of the Town. Bridgewater has significant water, wastewater, street and sidewalk services. Staff are unionized, well trained and certified in areas such as water supply and wastewater operations. Facilities and procedures are well documented and structured for optimal maintenance practices and the supporting fleet and public works garage appears to be in very good condition overall. The growth of the Town on two sides of the LaHave River presents some engineering and technical challenges which are reflected in the design and operation of the water and wastewater treatment systems.

The Municipality is served by an Engineering group and operates over a large geography. However, many of their operational responsibilities are confined to a few communities with wastewater treatment facilities. This group also has a primary responsibility for the operation and capital planning of the regional solid waste management facility in Whynot's Settlement (LCRC), where staff, mostly unionized, are operating the area's joint recycling, composting and waste disposal activities. Although the partners in the LCRC operation are contemplating a change in the current structure of the solid waste organization, it has been included in the Municipality's Engineering service inventory for the purposes of this Review. Finally, the Municipality's Engineering group is also responsible for the maintenance of fifteen kilometers of roads, a number of surplus schools (and until recently, the former County jail) that have become the property of the Municipality over the years. These buildings present an on-going liability that must be managed until disposal or demolition takes place.

When looking at the three Engineering and Public Works organizations from the perspective of sharing services, the first observation is that there is not a lot of duplication or surplus capacity in the existing staff at either the management or operational levels. This reflects the condition of the infrastructure they are supporting, the demands for snow clearing crewing in the winter months, and the workload of capital projects clustered around the warmer months of the year. All three units are facing significant upgrades in wastewater treatment due to the age of the piped network and the new Canadian Council of Ministers of the Environment (CCME) wastewater treatment requirements being implemented by the Nova Scotia Department of Environment (NSDOE).

The impending renewal or replacement of the organic waste composting facility at the LCRC is also awaiting decisions by NSDOE. This puts pressure on the regional partners in the facility to determine future investment and organization. Finally, all of the Engineering and Public Works groups are dealing with the human resource management issues common in similar hard service organizations: occupational health and safety, operator certification, professional recruitment and succession planning. A significant human resource management issue to be addressed if greater sharing and cross training were pursued would be the relations between non-union staff in Mahone Bay and two separate bargaining units for Bridgewater and the Municipality's Public Works staff.

On the positive side of the equation, when considering greater sharing of municipal resources among the three units, Engineering and Public Works is an obvious area where professional resources, certified operators and specialized equipment could be shared. This sharing would require Managers to lead changes in procedures, a redefining of individual priorities and the geographic distribution of assets and staff. This approach may increase overall efficiency and sharing of valuable resources among the three units. For the Engineering managers and other professionals involved in a joint or amalgamated organization, the larger scale and variety of facilities and operations would be both a challenge and an opportunity for career development. There is also potential to share in treatment plant procedures, Occupational Health and Safety obligations and procedures, equipment inventory, geographic information systems, SCADA and related technical support systems.

POTENTIAL FOR LONG TERM SAVINGS

- Under joint service delivery agency: Realignment of functions for one of the existing director positions to manage services brought into the joint agency. Service candidates would include engineering, water and sewage treatment facilities. No change in staff complement
- Under amalgamation option: Similar to the joint services delivery option

C. Planning & Development

Although Councils spend considerable time on planning issues generally, this is one of the smaller areas in terms of staff and other resources for the three units in this Review.

Mahone Bay uses contracted and part time staff to supply this function. Planning support is obtained from the neighbouring Municipality of the District of Chester, providing well-qualified planning staff members that are familiar with the Town and its development. Building and Fire Inspection services are provided through a part time staff person as well. This level of service has met Council's requirements for a number of years.

Bridgewater has a strong land use planning and development control organization, typical for a town of its size and continuing growth. Bridgewater has demonstrated leadership in sustainable development planning and implementation initiatives, and has a planner in a term position dedicated to this purpose. As outlined earlier, Bridgewater Building and Fire Inspection services are located within the Engineering Department, and these staff are also engaged in capital project inspection and other duties within that Department.

The Municipality has a planning and development group similar in size to Bridgewater, although only a portion of the Municipality is covered by detailed planning strategies and the related controls. The staff support Area Advisory Committees in 5 communities, administer civic addressing and geographic information systems, and respond to Dangerous and Unsightly Premises complaints. Building and fire inspectors administer the Building Code and Fire Safety Act permit approval and regulation processes throughout the Municipality.

When looking at the Planning and Development services in the three municipal units, we note that this is an area where Mahone Bay is in a unique position which reflects their size and need for service. The Chester District planning and development support contract is working well, and is already a good example of service sharing. Bridgewater and the Municipality are more likely to be able to share resources, although their history and geography have resulted in individual planning cultures and organizations that are as different as the urban and rural communities they support. Having said this, experienced land use planners and certified development, building inspection and fire inspection staff are a scarce resource in Nova Scotia. The potential for sharing, back-up and career development opportunities is an attractive one that could result from greater sharing among the three units in this review. This opportunity is already being demonstrated currently by an interim sharing of building inspection services between Bridgewater and the Municipality while the Municipality is filling a recent vacancy. In addition, there is an opportunity to create common permitting and inspecting systems across the three units. This would create efficiencies for contractors and developers who would benefit from a consistent service approach.

POTENTIAL FOR LONG TERM SAVINGS

- Under joint service delivery agency: Realignment of one of the existing director positions.
No change in staff complement
- Under amalgamation option: Similar to the joint services delivery option

D. Recreation and Culture

The provision of Recreation and Culture services is another area where Mahone Bay is unique among the three partners in this study. Even though there is no formal Recreation and Culture programming, residents have access to a number of local and joint recreational programs similar to residents in the other municipal units in this Review. Partnerships with local service clubs, the Marina Society and others are administered through Council and the CAO, and maintenance of Jubilee Park, cemeteries and related facilities is managed by the Director of Operations.

Both Bridgewater and the Municipality have mature and substantial recreation programs and facilities administered by professional staff.

Bridgewater has an arena, playing fields, an outdoor pool and the Desbrisay Museum, together with a substantial inventory of parks, a large Town cemetery and related facilities. They program a wide variety of recreational activities, many with a focus on lower income residents in the Town, and provide regional leadership on lifeguard training.

The Municipality also has a substantial inventory of parks and recreational facilities, including the MARC in Dayspring, and beach parks on lakes and coastal areas spread across the District. Their focus for programming of dispersed activities, requires community development and liaison with local organizations. One of their priorities is Trails development, working with six local trails groups to improve this component of recreational activity and tourism. Another focus is community development, assisting local organizations with structural and strategic development.

The pending startup of the Lunenburg County Lifestyle Centre (LCLC) creates an important new player in the provision of recreation services impacting the three units and adjacent areas. The LCLC will play a leading role in providing pool and rink facilities. Integration of this new facility with the existing municipal recreation programs will be a great opportunity, and a corresponding challenge, for the staff involved.

Recreation and Culture is a municipal service area with significant community support and program participation across all three units. This is evidenced by the variety of programs and solid registration numbers. Informal cooperation has existed for years, whether between Bridgewater and the Municipality directly, or through the Lunenburg Queens Recreation Directors organization. This is demonstrated by the quarterly Recreation Guides (equal numbers of pages for both Town and the Municipality's program listings), by participation in low income initiatives like KidSport, and staff supporting special events in either municipal unit. This would be a foundation for more formal shared service arrangements. The caution against sharing resources among the three partners is that there should not be any deterioration in programming and facility maintenance that exists currently, especially for the Bridgewater and the Municipality's organizations.

The introduction of the LCLC into the existing significant cross-boundary use of recreation services by the residents of Mahone Bay, Bridgewater and the Municipality, provides an important opportunity to consider a regional recreation organization that can make the most of the existing resources and the new recreation complex. A number of factors support this point:

- The net operating cost of the LCLC will be shared by Bridgewater and the Municipality;
- Existing municipal swim and hockey programming could be impacted;
- Outdoor pools in Mahone Bay and Bridgewater and the Bridgewater Arena will be impacted by the LCLC operation;

If the municipalities and the LCLC can partner effectively, there is a great opportunity to achieve a 'one window' system to access recreation programs across the larger community, and to better position recreation as a tool of economic development.

POTENTIAL FOR LONG TERM SAVINGS

- Under joint service delivery agency: Reassignment of one director position to resource the community development function. Potential for eliminating one seasonal position but there may be a requirement to use that position to replace volunteers.
- Under amalgamation option: Similar to the joint services delivery option

E. Protective Services

Municipalities dedicate considerable funding to ensuring safe communities, through police, fire and emergency management services. The Regional Emergency Management Organization (REMO) is an example of an effective sharing of services arrangement already in use, one that is well received by Councils and first responders.

Regarding policing, Mahone Bay uses RCMP policing, through a sharing arrangement with the Municipality and the Town of Lunenburg that equals 1.5 members staffing to police the Town. This arrangement includes a community office integrated with Town Hall.

Bridgewater is one of the towns in Nova Scotia with a municipal police force, 20 uniformed officers providing 24/7 urban policing from a central police station. The Municipality has RCMP policing, with 20.5 officers providing coverage, based in Cookville, and a sub-office in Lilydale. Both Bridgewater Police and the RCMP have a number of shared policing activities in progress, particularly with respect to street crime and intelligence.

From the perspective of this Shared Services Review, police service is an area that is presently not in a position to be considered for organizational changes. Bridgewater is in negotiations with the Police Association of Nova Scotia on a new contract. Consideration of new organizational concept is prohibited during a negotiation process. On the RCMP side, municipalities throughout Nova Scotia are awaiting the results of negotiations on a new Provincial contract for their services. This is anticipated to be completed in the coming months. Having said this, this Review will propose a structure for possible growth in municipal sharing of services in future years and policing could be one of those to be reviewed once the two contractual issues outlined above are concluded. If the three municipal units look at policing regionally for example, it may be possible to change the geographic balance between Town and RCMP policing in future, if this would better serve the communities in the long term.

Fire services through the three municipalities are provided by volunteer departments, through a variety of volunteer societies and fire commissions. Mahone Bay and Bridgewater have Town facilities and equipment, operated by volunteer organizations. The Municipality has 27 volunteer departments. The Municipality has established a joint committee of Council and the departments to coordinate its direct financial support. The majority of fire funding comes through area rates, some of which are set by Fire Commissions directly and others that require Council ratification through the budget process. Departments, including those in Mahone Bay and Bridgewater, cooperate regularly on training and related initiatives, through the Lunenburg Regional Fire Association.

In summary, municipal Protective Services may not have much potential at present for achieving economies or effectiveness of scale through joint service initiatives but there is potential for more cooperation in service delivery over time. REMO is in existence already, police services are transitioning to new contracts, and fire services are operated primarily through valued volunteer organizations.

POTENTIAL FOR LONG TERM SAVINGS

- Under joint service delivery agency: This service was not identified as having joint agency service potential at this time
- Under amalgamation option: Potential for savings or costs would depend on the type of regional policing services selected. The status quo, with Town Police and RCMP forces working in different parts of the region is one of the options. Even with this option there is potential for additional costs that may offset any savings.

F. Financial Administration

Mahone Bay's financial team is led by the CAO and Deputy Clerk and includes two staff who provide customer service and accounting for the 650 tax accounts and comparable numbers of water and electrical accounts.

This is one area of the Shared Service inventory where Bridgewater and the Municipality have almost identical structures, providing accounting, compensation, purchasing and information technology support. Both organizations have high levels of municipal accounting expertise and experience and will soon be using the same accounting software system (also used in Mahone Bay). The two units have different workload characteristics for payroll and revenues (e.g. police payroll in Bridgewater, area rate accounting in the Municipality). Both have familiarity with the joint service financial activities such as solid waste and the new LCLC.

The commonality of organizational structures for Bridgewater and the Municipality suggests that there should be opportunities for combining and sharing financial administration activities. However, the existing workloads, the increased emphasis on long term operating and capital planning, increased reporting required

by changes in accounting procedures (i.e. Public Sector Accounting Board (PSAB) compliance) and the scale of activities in each unit would caution against assuming economies of scale through consolidation and sharing of financial activities.

On the positive side, accounting and financial administration is an area of local government which requires professional and certified staff, and where a combined operation could attract, develop and compensate staff more effectively.

POTENTIAL FOR LONG TERM SAVINGS

- Under joint service delivery agency: minimal
- Under amalgamation option: elimination of a senior manager position.

Financial Data

Table 8: Percentage of total expenditure in each of the six general areas identified in Chapter 5

Expenditure area	Amount	Percent
General Government	\$3,865,657	8.3%
Engineering & Public Works	\$10,584,603	22.75%
Planning & Development	\$738,372	1.59%
Recreation and Culture	\$2,267,247	4.87%
Protective Services	\$11,157,891	23.98%
Fiscal Services	\$8,247,290	17.72%
Mandatory contributions*	\$9,669,678	20.78%
Total	\$46,530,738	100.00%

*Note: Mandatory contributions is part of fiscal services but shown here separately due to its significance

Source: Financial data provided by Units

Table 9: Revenue and Expenditure Comparison

Indicator (2010 SNSMR)	Bridgewater	Mahone Bay	Municipality
Financial Revenue			
Taxes as a % of Revenue	83%	86%	83%
Transfers from Governments	5%	4%	0
Uniform Assessment per Dwelling Unit	\$129,000	\$173,000	\$137,000
Financial Expenditure			
Mandatory i.e. Debt, Education, Corrections	23%	21%	36%
Expenditures per Dwelling Unit	\$4,057	\$3,536	\$1,812

Table 10: Financial Indicators

Indicator	Bridgewater	Mahone Bay	Municipality
Operating position			
Liquidity ratio	1.0	0.62	1.53
Deficits last 5 years	2	0	1
Uncollected taxes	6%	6%	6%
Reserves as % of expenditures	32%	40%	33%
Debt			
Debt service ratio (excluding utilities)	10.5%	2.0%	6.3%
Debt outstanding as % of uniform assessment	1.6%	0.5%	0.8%

Table 11: Economic, Social, Demographic Indicators

Indicator (2010 SNSMR)	Bridgewater	Mahone Bay	Municipality
Economic			
Increase in Uniform Assessment since 2007	7.9%	22.6%	29.7%
Commercial % of total Assessment	32%	16%	6%
Social			
Average Household Income	\$50,901	\$48,480	\$51,441
Residential Tax burden % of average income	2.9%	3.8%	2.0%
Demographic			
Age profile (2006)			
0 to 18	18%	13%	18%
19 to 65	60%	53%	63%
65 above	22%	34%	19%
Workforce (2006)			
20 to 34	18%	10%	13%
35 to 54	29%	28%	33%
55 to 64	13%	15%	16%

Table 12: Utilities

	Bridgewater	Mahone Bay	Municipality
Water			
Residential rate per quarter	\$144	\$188	n/a
Water revenues	\$2,700,000	\$343,000	n/a
Electric			
Revenues	n/a	\$1,500,000	n/a

Table 13: Capital Asset Values

March 2010 Financials	Bridgewater	Mahone Bay	Municipality
Before depreciation	\$101,600,000	\$5,800,000	\$35,800,000
After depreciation	\$63,000,000	n/a	\$27,300,000
Capital debt outstanding	\$8,300,000	\$1,900,000	\$14,600,000

Table 14: Assessment

Assessed property value	Bridgewater	Mahone Bay	Municipality
Pre CAP	\$614,000,000	\$126,000,000	\$2,800,000,000
With CAP	\$570,000,000	\$112,000,000	\$2,400,000,000
Residential/commercial split	71/29	82/18	94/6
Uniform assessment per dwelling unit	\$129,000	\$173,000	\$137,000
Tax ratio	1.69/4.058	1.175/2.895	.81/2.057
Residential tax burden with area rates			
New Germany at average Municipality assessment of 137K @ 1.75	\$2,375	\$2,304	\$1,274
New Germany at average district 7 assessment of 88K @ 1.75			\$2,397
District 12 average assessment 142K (\$70.00 flat rate street lights + .20 fire)			\$1,540

Table 15: Expenditures Distribution %

Category	Bridgewater	Mahone Bay	Municipality
General Government	10%	16%	14%
Protective Services	25%	21%	22%
Transportation	19%	14%	4%
Environmental Health	14%	12%	21%
Health and Welfare	1%	1%	0%
Environmental Development	2%	4%	5%
Recreation	8%	3%	4%
Fiscal Services	13%	14%	7%
Education	8%	16%	23%
Total Expenditures \$	21.6M	2.1M	27.7M

Table 16: Volumes (Accounts etc.)

	Bridgewater	Mahone Bay	Municipality
Tax Accounts	3,742	675	28,346
Utility Accounts			
Water	2,943	500	n/a
Electric	n/a	600	n/a
Population (2006 Rounded)	8,000	900	2,600
Dwelling Units 2007	3,801	517	14,403

Table 17: Mahone Bay Capital Investment Plan

Year	Amount	Areas of greatest expenditures
2011-2012	\$884,000	Line truck, Fire Hall, Paving, Water, Coast Guard Building
2012-2013	\$785,000	Wharf repairs, Water, Paving
2013-2014*	\$3,400,000	Fire Hall (\$2,000,000), Water, Sewer, Paving
2014-2015*	\$1,400,000	Public Works garage, Water, Sewer

*Assumes cost sharing on Fire Hall, some Water and Sewer

Table 18: Bridgewater Capital Funding Projections

Year	Amount	Areas of greatest expenditures
2011-2012	\$1,900,000	Streets, Sidewalks, Paving
2012-2013	\$2,300,000	Sewer separation and upgrades
2013-2014	\$2,000,000	Equipment, Sewers
2014-2015	\$2,000,000	Sewers, Streets
2015-2016	\$3,000,000	Water, Fire Equipment

Minimal reliance on grants other than gas tax

Table 19: Municipality Capital Budget

Year	Amount	Areas of greatest expenditures
2011-2012	\$2,300,000	Recycling Plant, Osprey Village
2012-2013	\$9,400,000	Compost Facility upgrade, Landfill, Reservoir
2013-2014	\$5,000,000	Reservoir, Recycling Plant
2014-2015	\$3,800,000	Solid Waste
2015-2016	\$1,300,000	Solid Waste

Minimal reliance on grants other than gas tax

Sources: Mahone Bay, Bridgewater, Municipality of the District of Lunenburg Staff.



Appendix C

Regional Services Board Examples

A. Fraser Valley Regional District, Chilliwack, British Columbia

Like the other 26 regional districts in the province, the Fraser Valley Regional District (FVRD) derives its authority to govern primarily under the Local Government Act and the Community Charter of British Columbia.

Regional districts were created to ensure that all residents in British Columbia have access to an elected, representative form of local government. Like its municipal counterparts, regional districts deliver a wide variety of services to its citizens. The Fraser Valley Regional District delivers over 100 separate services throughout the region. The range of services that the Fraser Valley Regional District delivers is extensive. Services such as water supply, sewer, street lighting, garbage collection and fire protection are delivered on a very localized level, while other services such as E911, regional parks, mosquito control or solid waste management are delivered on a regional level. Regional districts deliver services on a user-pay basis and only those individuals who benefit from the service pay for the service.

Operating as a type of federation of regional stakeholders, the Fraser Valley Regional District is governed by a 20-member board of directors, which is equivalent to a municipal council.

The FVRD board is presided over by the chair of the board and is comprised of the following members:

- seven electoral area representatives representing the unincorporated areas of the region,
- five municipal directors from the City of Abbotsford,
- three municipal directors from the City of Chilliwack,
- two municipal directors from the District of Mission,
- one municipal director from the District of Kent,
- one municipal director from the District of Hope, and
- one municipal director from the Village of Harrison Hot Springs.

Municipal directors on the board are appointed at will by their respective municipal councils. Electoral area directors are elected to office for a three-year term at each general local election.

Like a municipal council, the regional board establishes policy, sets short- and long-term strategic goals and objectives, creates the vision for the region and is responsive to its constituency at large. Regional district management and staff are responsible for implementing the board's policy directives.

Local Government Act

The following outlines the purposes of the Fraser Valley Regional District, as stated by British Columbia's Local Government Act.

- Recognizing that regional districts are an independent, responsible and accountable order of government within their jurisdiction, the purposes of a regional district include:
 - a. providing good government for its community,
 - b. providing the services and other things that the board considers are necessary or desirable for all or part of its community,
 - c. providing for stewardship of the public assets of its community, and
 - d. fostering the current and future economic, social and environmental well-being of its community.

B. Calgary Regional District

The Calgary Regional Partnership (CRP) is a coalition of municipalities that understands the synergistic relationship of local governments in the region. The CRP's Vision: *We are **working together** to live in **balance** with a **healthy environment**, in **enriched communities**, with **sustainable infrastructure** and a **prosperous economy**.*

The partnership includes fifteen communities in the Calgary area from Banff to Strathmore, Crossfield to Nanton, with Calgary and other municipalities in between. They represent 1.2 million residents of unique landscape.

The critical issues that we are addressing include...

- coordinated planning needed
- complex inter-municipal relationships
- the region's environmental carrying capacity is threatened
- there are significant transportation pressures
- they have critical infrastructure & servicing needs, and there is a general stress on our quality of life

CRP Members:

Airdrie, Banff, Black Diamond, Calgary, Canmore, Chestermere, Cochrane, Crossfield, High River, Irricana, Nanton, Okotoks, Redwood Meadows, Strathmore, Turner Valley

What projects is the CRP currently involved in?

The scope of projects is fairly wide reflecting the diversity of regional issues, from regional growth planning and economic development to regional water and wastewater servicing and specialized transportation. They include:

- A **Regional Economic Development** Program which markets and develops the region through coordinated and strategic projects.
- A **Regional Transit** Program which will develop convenient and reliable regional transit to reduce the region's vehicle dependency and create more compact, complete and connected communities.
- A **Regional Water and Wastewater Servicing** Program which will create a sustainable regional water and wastewater system based on water conservation, watershed protection and sustainable settlement patterns.
- A **Regional Ecological Infrastructure** systems plan including corridors, large patches, major stepping stones, watershed / riparian areas, publicly acceptable recreation areas and regional scale parks.
- A **GIS Mapping** program which is creating new web-based mapping tools to help municipal decision makers better plan at the local and regional level.
- A **Regional Composting** project will ultimately turn 50% of the region's waste stream going into our landfill into a valued resource - compost and / or energy.

The Partnership's priority initiative includes implementation of the Calgary Metropolitan Plan which protects the environment and agriculture; guides growth to where it should more efficiently go and should not go; and integrates planning for efficient infrastructure including environmental protection, regional transit and transportation, water and wastewater servicing, economic development, waste management and Geographical Information Systems (GIS).

Source: <http://www.capitalregionboard.ab.ca/>

C. New Brunswick: Action Plan for a New Local Governance System, December 2011

The Province of New Brunswick has recently released a new Action Plan for reforming local government. This Action Plan has five objectives:

1. Strengthen capacity of local governments while maintaining their community identity
2. Fair and effective property taxation and assessment system for the long-term
3. Increased collaboration, communication and planning between Communities
4. More equitable community funding arrangements
5. Modernized legislation supporting local and regional decision-making

Objective 3, which focuses on increased collaboration, communication and planning between communities is particularly relevant to the Lunenburg Regional Governance and Shared Services Review, and the following excerpt from the Action Plan summary outlines the Provincial understanding of this issue and the plan to address it.

Citizens in New Brunswick's communities receive services, either from a local government (city, town, village or Rural Community) or the province in the case of Local Service Districts. Some services are delivered by Municipalities or Rural Communities themselves, while others are acquired or arranged for from service providers including commissions, local volunteers, other municipalities, the private sector, and in the case of RCMP services, from the federal government.

There are currently 12 commissions providing planning services and 12 commissions providing solid waste management, as well as 15 regional economic development agencies and 9 water and wastewater commissions. There are also a number of mutual aid agreements in place across the province between Municipalities, Rural Communities and Local Service Districts for the delivery of services such as fire protection, as well as a number of agreements for cost-sharing and managing services such as recreational facilities. Neighbouring communities often compete for new investments; build infrastructure or acquire equipment which can result in duplication; and many struggle to maintain these structures or inventories with limited available revenue. With some exceptions, communities tend to individually purchase or acquire needed expertise to manage or administer services. Government recognizes that this approach to service delivery is inefficient and doesn't capitalize on the collective strength of neighbouring communities.

The primary challenge is that there is no existing structure to enable communities to communicate with one another, plan and prioritize from a regional perspective, collaborate on projects, cost-share on service delivery, make mutually-beneficial decisions on investments, or share expertise. The New Local Governance System will have, as one of its key features, a model to support the needed connectivity and cooperation between communities to ensure that both individual local governments and local service districts are better positioned to meet the service needs of residents and to benefit from collective efforts to build and sustain stronger regions.

CURRENT CHALLENGES AT A GLANCE:

- Many communities have small populations and their ability to generate revenue (raise money) to pay the costs of delivering community services is limited.
- Neighbouring communities across New Brunswick are trying to deliver many of the same services on their own. This can result in higher delivery costs and service duplication.
- There is a need for more coordinated planning at the local, regional and provincial levels.
- There is no existing structure to allow neighbouring Municipalities, Rural Communities, and Local Service Districts to manage shared service delivery, make regionally-beneficial decisions, share costs, and collaborate for efficiencies.

The Path Forward - Actions to Achieve Objective 3

GOVERNMENT WILL:

Enable improved service delivery and collaboration by:

1. Implementing a new Regional Service Delivery Model, which will include the establishment of:
 - Boundaries for 12 regions, based on communities and regions of interest (including such factors as regional identity, existing boundaries, language profiles, as well as proximity to and use of facilities such as schools, recreation centres, etc.)
 - 12 multi-purpose Regional Service Commissions to plan, deliver, or facilitate delivery of services to both municipal and unincorporated (LSD) communities, with the initial responsibility for

- regional planning
 - local planning in LSDs;
 - solid waste management;
 - regional policing collaboration;
 - regional emergency measures planning; and
 - regional sport, recreational, and cultural planning and cost-sharing.
- Mechanisms to enable other voluntary services to be delivered on a regional or sub-regional basis, including local planning or corporate services provided to interested municipalities.
 - A Board for each Commission made up of representatives from Municipalities, Rural Communities, and Local Service Districts. The Regional Service Commissions will be service delivery agents rather than a tier of government, and will not have taxing authority.
2. Developing access for First Nations communities to services through the Regional Service Commissions, and a mechanism for acquiring those services, as desired, in conjunction with the Aboriginal Affairs Secretariat and First Nations communities.
 3. Developing a provincial policy to guide regional investments related to sport, recreation, and cultural facilities.
 4. Providing support to each region to develop and implement a plan to transition to the new regional service model.

DESIRED OUTCOMES:

- Increased collaboration and service sharing amongst communities.
- Stronger and more integrated planning on regional approaches to address public service needs.
- Reduced duplication through service delivery efficiencies.
- Increased fairness in costs of regional services.
- Improved coordination of decision-making and investment in infrastructure, facilities, and equipment.
- Increased accountability, as citizens and councils will be better able to evaluate the performance of their Regional Service Commissions.
- Concurrent boundaries to facilitate the planning and delivery of many local, regional, and provincial services.
- Stronger regions, benefiting from the collective strength of communities to meet common needs, and plan for the future.



Appendix D

Shared Services Review Implementation Guide

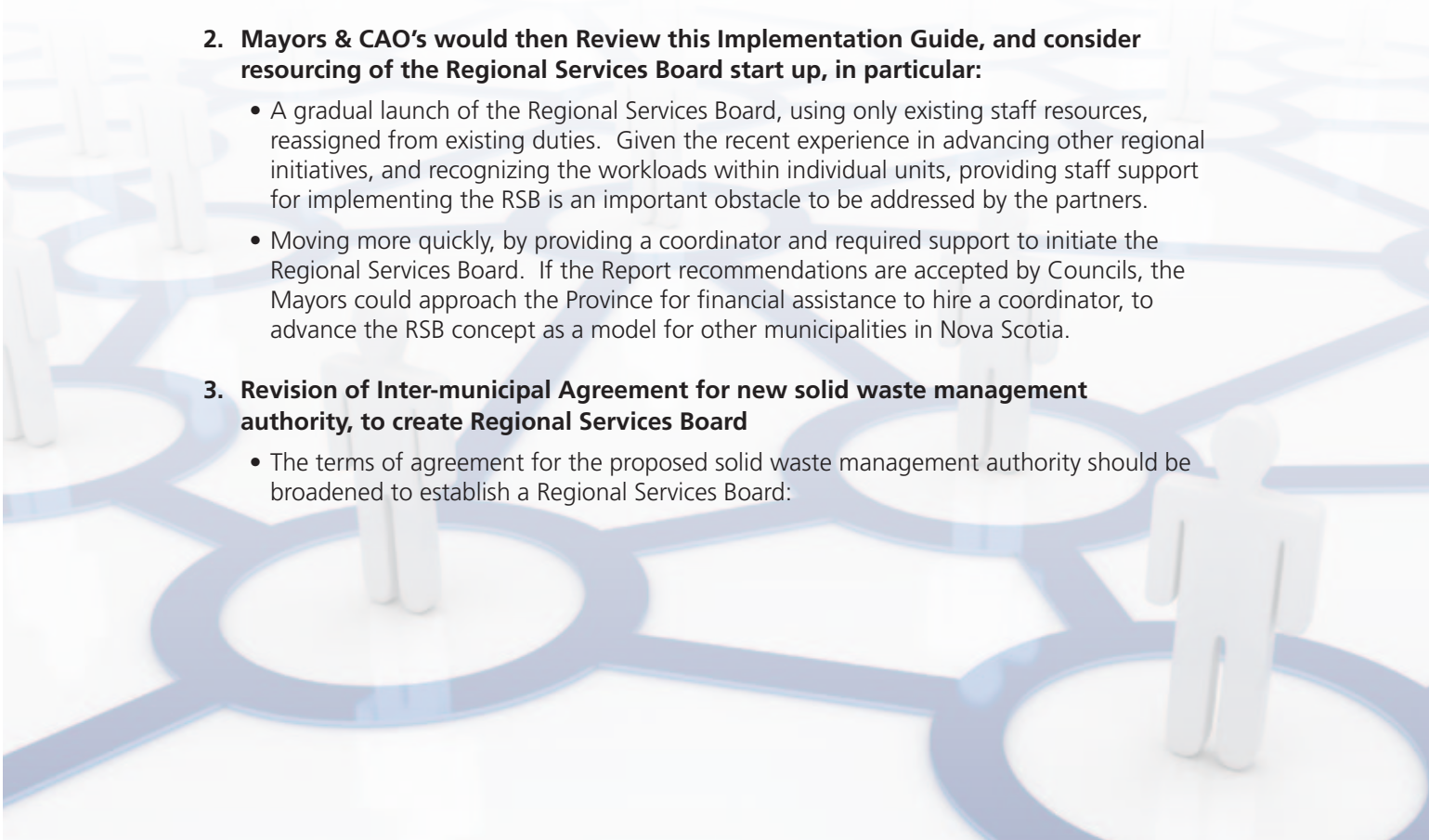
1. Council approvals of Lunenburg Governance & Shared Services Review Recommendation

- Once the Review is complete, each Council should be asked to approve the Report's Recommendations, and direct the Mayors and CAO's to lead the follow up steps.
- Responsibility: Individual Councils, Mayors, CAO's

2. Mayors & CAO's would then Review this Implementation Guide, and consider resourcing of the Regional Services Board start up, in particular:

- A gradual launch of the Regional Services Board, using only existing staff resources, reassigned from existing duties. Given the recent experience in advancing other regional initiatives, and recognizing the workloads within individual units, providing staff support for implementing the RSB is an important obstacle to be addressed by the partners.
- Moving more quickly, by providing a coordinator and required support to initiate the Regional Services Board. If the Report recommendations are accepted by Councils, the Mayors could approach the Province for financial assistance to hire a coordinator, to advance the RSB concept as a model for other municipalities in Nova Scotia.

3. Revision of Inter-municipal Agreement for new solid waste management authority, to create Regional Services Board

- The terms of agreement for the proposed solid waste management authority should be broadened to establish a Regional Services Board:
- 

- Revision Checklist:
 - Mandate to manage a variety of municipal services jointly.
 - Balance accountability, flexibility and independence on operational matters.
 - Continue ability to contract with outside organizations to provide common services to partner units.
 - Confirm representation as agreed for solid waste authority or change.
- Responsibility: CAOs, Mayors, Councils (Approvals)

4. Launch of Regional Services Board (RSB) and solid waste management operation.

- The solid waste management program should be developed in the context of creating an adaptable framework for assuming future shared services.
- Solid Waste Transition Checklist:
 - Pension provisions with a view to adding other staff groups in time, while protecting existing staff from significant changes in pensions and benefits.
 - Arrangements for finance, administration, engineering support
 - Required changes in Solid Waste organization itself
 - Financial software requirements to accommodate scales, invoicing
- Responsibility: Regional Services Board, CAO's

5. Development of Joint Recreation Program proposal by Regional Services Board:

- The adoption of a phased, step-wise approach to sharing municipal services should offer the opportunity to limit the typical start-up costs of large scale re-organizations or amalgamations. To minimize start-up costs, the Joint Recreation Program proposal should be developed within existing separate municipal budgets and human resource compliments. The proposal should include a first year budget that identifies start-up costs, if any are required, and how these costs would be met within existing budget limits. The Joint Recreation Program proposal should be a model for developing similar joint program proposals as the Regional Services Board evolves in partnership with the member municipal units.
- Joint Recreation Program Proposal checklist:
 - Overview of Joint Service Program Components
 - Confirmation of Existing Budget Provisions for Selected Service
 - Finance and Facilities Arrangements (could leave ownership of facilities with individual units, focus on joint programming)
 - Outline of Human Resource Changes required
 - Proposed timeline for implementation
- Responsibility: Senior Recreation staff, CAO's, Regional Services Board

6. Council approvals of Joint Service Program Proposal

- The Joint Service Program Proposal would require approval by each Council in order to proceed with the implementation.
- Responsibility: Individual Councils

7. Implementation, monitoring and reporting by RSB on Joint Recreation Program.

- The RSB and municipal partners will follow the proposed timeline to implement the Joint Service Program proposal, and report regularly to the partner municipalities.
- Responsibility: Senior Recreation staff, CAO's, Regional Services Board

8. Development of the Next Joint Service Program proposal by Regional Services Board.

- Utilizing the experiences of establishing the solid waste and recreation services within the Regional Services Board organization, future opportunities to share services should be identified and Joint Service Program proposals should be developed as a matter of course.
- Responsibility: Senior municipal staff, CAO's, Regional Services Board



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