

**ELLIOT LAKE COMMISSION OF INQUIRY**  
(Established pursuant to Order In Counsel 1097/2012)

**THE CORPORATION OF THE CITY OF ELLIOT LAKE**

**AN INTERESTED PERSON**

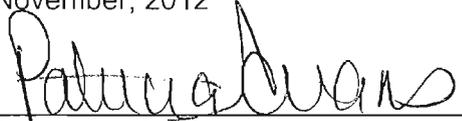
**AFFIDAVIT OF LINDA HURDLE**  
**(Sworn November 2<sup>nd</sup>, 2012)**

I, LINDA HURDLE, of the City of Sault Ste. Marie, in the District of Algoma, make oath and say as follows:

- 1) I am the assistant to Mr. Cassan, solicitor for the Corporation of the City of Elliot Lake in this matter and as such have personal knowledge of the facts hereinafter deposed to except where stated to be based on information and belief.
- 2) I am informed by Rob deBortoli, Chief Administrative Officer for the City of Elliot Lake, and verily believe it to be true that the Municipality undertook a study to find out whether there were any further expenses they could cut to mitigate their financial position. Attached hereto as **Exhibit A** is a copy of a report prepared by KPMG and specifically prepared by Oscar Poloni with respect to the Municipal efficiencies.
- 3) I am informed by Mr. deBortoli and verily believe it to be true that this shows that all of the identifiable cost cutting measures available to the Municipality have been completed.

4) I make this affidavit for no improper purpose.

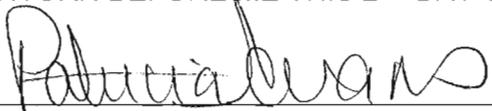
SWORN BEFORE ME )  
at the City of Elliot Lake, in the )  
Province of Ontario, this 2<sup>nd</sup> day of )  
November, 2012 )

  
\_\_\_\_\_  
A Commissioner, etc.

  
\_\_\_\_\_  
LINDA HURDLE

Patricia Ellen Evans, a Commissioner, etc.,  
District of Algoma, for Wishart Law Firm LLP,  
Barristers and Solicitors.  
Expires October 1, 2012.

THIS IS EXHIBIT A TO THE AFFIDAVIT OF LINDA HURDLE  
SWORN BEFORE ME THIS 2<sup>ND</sup> DAY OF NOVEMBER, 2012



A handwritten signature in cursive script, appearing to read "Patricia Evans", written over a horizontal line.

Patricia Ellen Evans, a Commissioner, etc.,  
District of Algoma, for Wishart Law Firm LLP,  
Barristers and Solicitors.  
Expires October 1, 2012.



*cutting through complexity*

# CORPORATION OF THE CITY OF ELLIOT LAKE

**Municipal Service  
Delivery Review**

**Final Report**





## Contents

**The contact at KPMG  
in connection with this  
report is:**

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	<b>Page</b>
<b>Executive Summary</b>	2
<b>Study Overview</b>	3
<b>The Case for Change</b>	7
<b>Opportunities For Cost Reductions</b>	14
<b>Other Opportunities for Consideration</b>	27



## Review of Municipal Services for the City of Elliot Lake Executive Summary

Since its inception in 1955, the City of Elliot Lake (the City) has experienced significant 'ups and downs' from an economic and municipal government perspective. Built on the mining sector, the City's fortunes were highly dependent on uranium prices until the early 1990's when mining activity in the City completed ceased. Faced with the disappearance of virtually all of its industrial base, the City reinvented itself as a seniors' community, managing to persevere despite the complete disruption of its local economy.

As a seniors' community, the issue of affordability is a major concern in Elliot Lake given the high reliance of residents on pensions, government support and other fixed sources of income. For municipal governments in general, affordability often translates into minimizing increases in taxes and other user fees. In the case of Elliot Lake, the City attempted to address concerns over affordability by significantly reducing taxes in 2010 (decreasing the municipal levy by 22% from 2009 levels), based on the presumption that the municipal operating costs could be adjusted accordingly. While the City did introduce a variety of cost reduction strategies, including reducing the municipal workforce by 13%, it has been unable to reduce its costs by the same measure as the decline in revenues, resulting in significant and recurring financial losses since 2010. While the City has relied on reserves to fund these losses, this does not represent a sustainable approach as its financial resources will eventually be exhausted. Faced with recurring financial deficits and long-term concerns over sustainability, the City has undertaken a review of its municipal operations with the view of identifying additional opportunities for cost reductions.

This report outlines the results of the review and the potential opportunities that could be considered by the City for reducing costs. Recognizing that the City has already undergone cost reduction measures in response to its reduced revenues, the ability to extract additional cost reductions often requires reducing or eliminating services, including cutting financial contributions and other support provided to community organizations. The challenge faced by the City is not an easy one – managing its financial issues through expenditure reductions will necessarily impact the community in one form or another. Additionally, it appears that resolving its financial situation will likely involve more than just cost reductions. The magnitude of the financial deficits incurred by the City and the need to actually invest more resources in certain areas exceeds the opportunities for cost reductions identified through the service delivery review. Accordingly, the City will likely need to consider a parallel course of revenue increases, including a reversal of the 2010 tax reduction, if it is to achieve financial sustainability.

Overall, a total of 37 opportunities for cost reductions have been identified through the service review process and are provided to the City for its consideration. We recognize that the ultimate decision as to type and level of services provided by the City rests with Council and we trust that our report assists Council with its decision-making process.

# Study Overview

The terms for reference for our engagement were established in the Project Charter dated June 20, 2011, which reflected the City's request for proposal document for the service delivery review. As outlined in the Project Charter, the deliverables for our engagement include the following:

- A review of the City's operations;
- The identification of strategies for achieving cost reductions; and
- The identification of courses of action intended to provide for long-term sustainability.

In conducting the review, it was expected that the process would be:

- Open and transparent
- Inclusive of input from key stakeholders and constituencies
- Respectful of existing collective bargaining agreements
- Undertaken with the view of promoting the effective and efficient use of staff
- Reflective of existing municipal plans

The service delivery review included the following elements to address these requirements.

Open and transparent	The results of the review were presented at open meetings of Council, with the exception of one meeting held at a closed session at the request of KPMG due to the disclosure of information concerning identifiable individuals.
Inclusive of input from key stakeholders and constituencies	The process included consultation with community organizations as well as two public input sessions. In addition, the results of a community survey were considered during the evaluation of potential opportunities for cost reductions.
Respectful of existing collective bargaining agreements	Collective bargaining agreement provisions were considered during the identification of potential cost reductions. In addition, meetings were held with representatives of the City's collective bargaining units during the process.
Undertaken with the view of promoting the effective and efficient use of staff	Staffing levels were reviewed as part of the process.
Reflective of existing municipal plans	Existing municipal plans and strategies were reviewed as part of the information gathering component of the review.

As requested by the City, the service delivery review was conducted primarily through the use of review teams that were comprised of municipal staff and KPMG representatives. A total of five review teams were established for the process, each dealing with specific functional responsibilities:

- Corporate services – finance, information technology, clerks
- Protective services – fire, police, bylaw enforcement, building controls
- Physical services – roads, water, wastewater, airport, transit, solid waste
- Community services – culture, recreation, leisure, library, economic development

The major components of the service delivery review process were as follows:

- A survey of City Council was undertaken to develop an understanding of Council's preference on taxation policy, municipal services, service levels, contracting out and staff reductions
- Information concerning the City's operations and financial performance was reviewed by KPMG
- Review teams were established and an orientation session was held to introduce the process and outline timeframes, expectations and deliverables
- A working session was held with review teams to inventory City services, the basis for delivery and outcomes, which were documented in service matrices
- A second working session was held with review teams to identify potential opportunities for cost reductions, as well as requirements for financial sustainability
- Estimates of the financial impact of the identified opportunities, as well as other potential risks, were developed
- Potential opportunities were presented to Council, along with the results of the public consultation



## Study Overview Restrictions

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

Pursuant to the terms of our engagement, it is understood and agreed that all decisions in connection with the implementation of advice and recommendations as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the City.

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

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

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



# The Case for Change

## The Case for Change

# Factors Contributing to the Current Financial Situation

Since 2008, the City has experienced a significant decline in its overall financial performance, moving from a surplus of \$1.3 million in 2008 to a budgeted deficit of \$3.2 million in 2011. This decrease can be fully attributed to lower levels of revenue, which have declined by \$5.0 million since 2011, with this decrease comprised of:

- Reduced property taxation revenue \$2.264 million
- Reduced capital grants \$1.539 million
- Reduced operating grants \$0.715 million
- Reduced user fees, interest and other revenues \$0.511 million

Overall, municipal expenditures were reduced by approximately \$600,000 since 2008, providing some measure of offset against the lower levels of revenues. This, however, understates the total level of cost reductions actually achieved by the City – had costs risen by the rate of 3% per year due to inflation, municipal expenditures during 2011 should have amounted to \$27.2 million as opposed to the budgeted costs of \$24.3 million. This analysis would imply that the actual level of cost reductions realized by the City since 2008 could be as high as \$2.9 million, representing the difference between the inflation-adjusted amount (\$27.2 million) and the actual budgeted amount (\$24.3 million).

*City of Elliot Lake Financial Performance – 2008 to 2011*

<i>(in thousands)</i>	2008	2009	2010	2011
Revenues:				
• Taxation	\$10,693	\$10,606	\$8,343	\$8,429
• Grants	\$9,246	\$10,257	\$7,453	\$6,992
• User fees and other revenues	\$6,211	\$5,433	\$5,931	\$5,700
<b>Total municipal revenues</b>	<b>\$26,150</b>	<b>\$26,296</b>	<b>\$21,727</b>	<b>\$21,121</b>
Expenditures:				
• Operating	\$21,256	\$23,427	\$22,529	\$20,694
• Capital	\$3,628	\$4,353	\$1,642	\$3,579
<b>Total municipal expenditures</b>	<b>\$24,884</b>	<b>\$27,780</b>	<b>\$24,171</b>	<b>\$24,273</b>
<b>Municipal surplus (deficit)</b>	<b>\$1,266</b>	<b>(\$1,484)</b>	<b>(\$2,444)</b>	<b>(\$3,152)</b>

## The Case for Change

### Factors Contributing to the Current Financial Situation

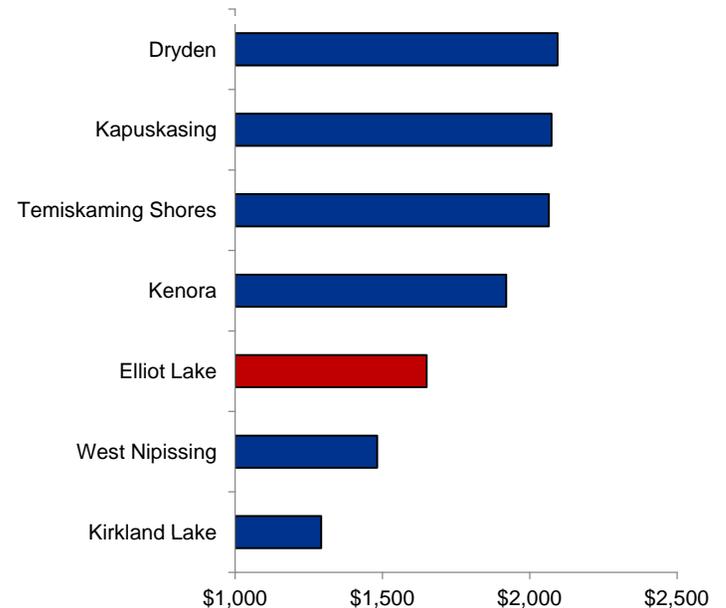
The primary factor contributing to the reduction in municipal revenues is the City's decision in 2010 to reduce its municipal levy from \$10.6 million to \$8.3 million, a decrease of 22%. We were advised that this decision was made in response to concerns over the affordability of municipal taxes in Elliot Lake, as well as the perception that sufficient efficiencies could be identified to offset the reduction in revenues. During 2011, the total municipal levy is budgeted to increase by 1% above 2010 levels.

An analysis of residential taxation levels per household indicates that in 2009, the City's taxes were higher than comparable municipalities. However, we note that the nature of the City's assessment base differs significantly from other municipalities due to the absence of significant amounts of non-residential assessment, particularly industrial assessment. As a result, residential ratepayers in Elliot Lake are required to assume a greater share of the municipal levy and accordingly, higher than average residential taxes do not necessarily reflect inefficiencies or a higher level of municipal costs. We also note that since 2010, comparable municipalities have increased their taxation levels at a greater rate than the City, resulting in the average residential tax for Elliot Lake residents being \$200 per household less than the average of comparable municipalities.

*Residential taxes per household – 2008 to 2011 (selected communities)*



*Residential taxes per household – 2011 (selected communities)*



## The Case for Change

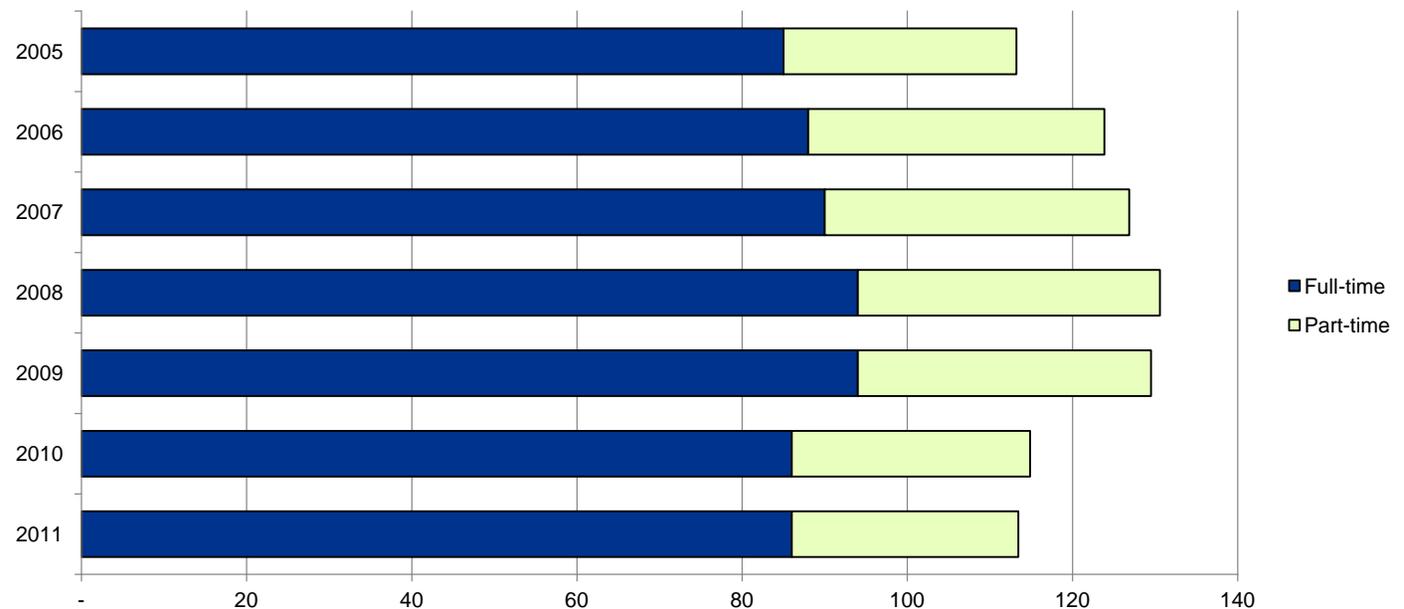
# The City's Response to its Financial Situation

A review of financial and other information indicates that the City's strategy for dealing with reduced revenues included a combination of service level reductions and staffing reductions.

In certain areas (e.g. crack sealing) services were eliminated wholesale while other areas (e.g. recreational facility operating hours, cemetery maintenance), service levels were reduced. From a budgeting perspective, it appears that cost reductions were reflected in both adjustments to individual expense items (presumably where expense reduction measures were identified) as well as an 'allocated budget reduction', which we understand represented a targeted level of savings, the means of achieving which were not specifically identified.

In connection with the adjustment to service levels, the City also undertook a reduction in its workforce, with 8.0 full-time FTEs and 6.7 part-time FTEs eliminated in 2009, with a further 1.4 FTEs eliminated in 2011. Overall, the City's staffing complement in 2011 amounted to 113.4 FTEs (86.0 full-time and 27.4 part-time), a reduction of 13% from 2008 levels and a complement that is consistent with the City's staffing levels during 2005.

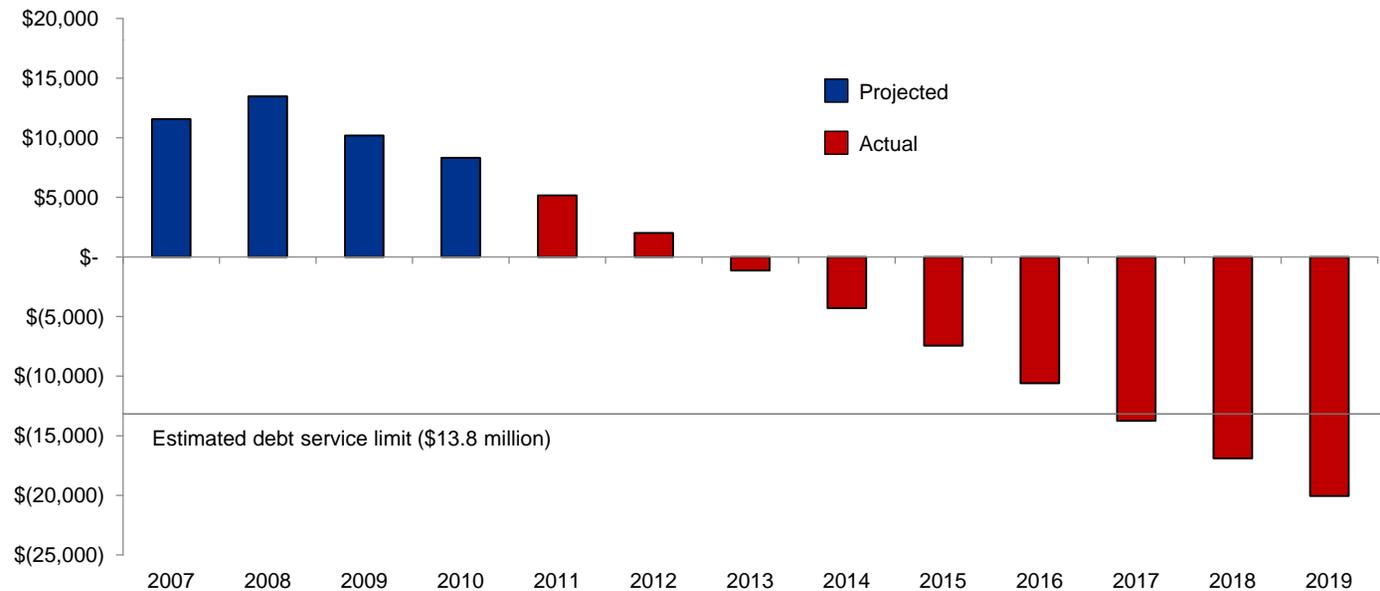
*City of Elliot Lake Staffing Complement – 2008 to 2011*



Despite its efforts to reduce expenditures, the City was unable to decrease expenditures at the same rate of revenue declines, resulting in the reliance on reserve transfers to fund the deficits. From 2008 to 2010, the City's reserve and reserve fund balances decreased from \$16.3 million to \$6.3 million, with an additional reserve transfer of \$734,000 budgeted during 2011.

From a longer-term perspective, the City's ability to rely on reserve and reserve fund balances is finite as it will at some point exhaust its available financial resources. While debt financing may provide some form of additional extension, this also has limitations as the Province of Ontario establishes borrowing limits for municipalities. In the event that the City continues to incur financial deficits at levels consistent with 2011 (\$3.2 million per year), it is likely that it would exhaust its available cash balances by 2013 and reach its estimated borrowing limit by 2017.

*City of Elliot Lake Actual and Projected Cash Balances (in thousands)*



The past financial performance of the City and its projected future results would seem to validate the decision to proceed with a municipal service delivery review.

## The Case for Change

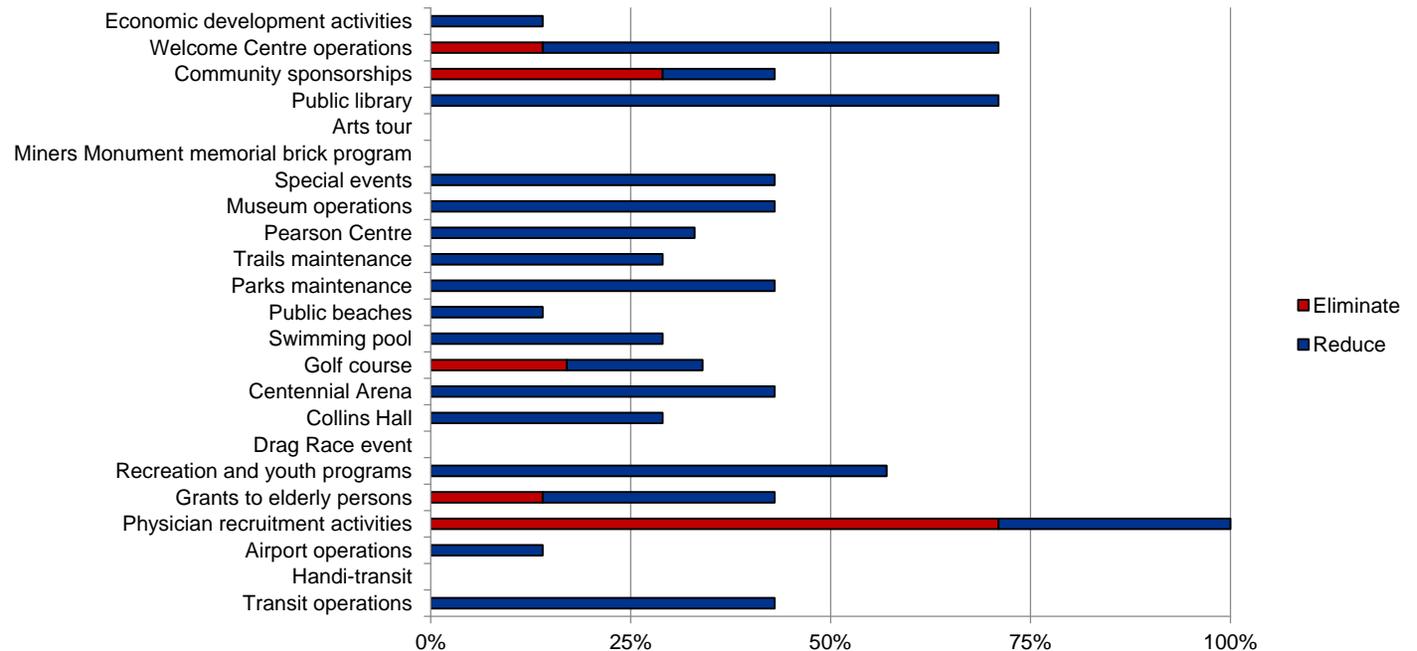
# Attitudes on Cost Reductions and Other Courses of Action

As part of the service delivery review process, Council was surveyed as to their views on potential strategies for addressing the financial situation of the City. While obtained at the start of the process (and therefore subject to change as the review proceeded), Council indicated a willingness to consider strategies that focused on increasing revenues and reducing costs. Specifically:

- 57% of Council were in favour of increasing taxes by a reasonable amount to fund operating and capital needs;
- 43% of Council were in favour of building reserve funds to finance future infrastructure requirements;
- 71% of Council were supportive of contracting out, either to the public or private sector; and
- 86% of Council were in favour of staffing reductions.

With respect to individual municipal services, a number of programs and activities were identified as potential candidates for either outright elimination or reductions to the current levels of service.

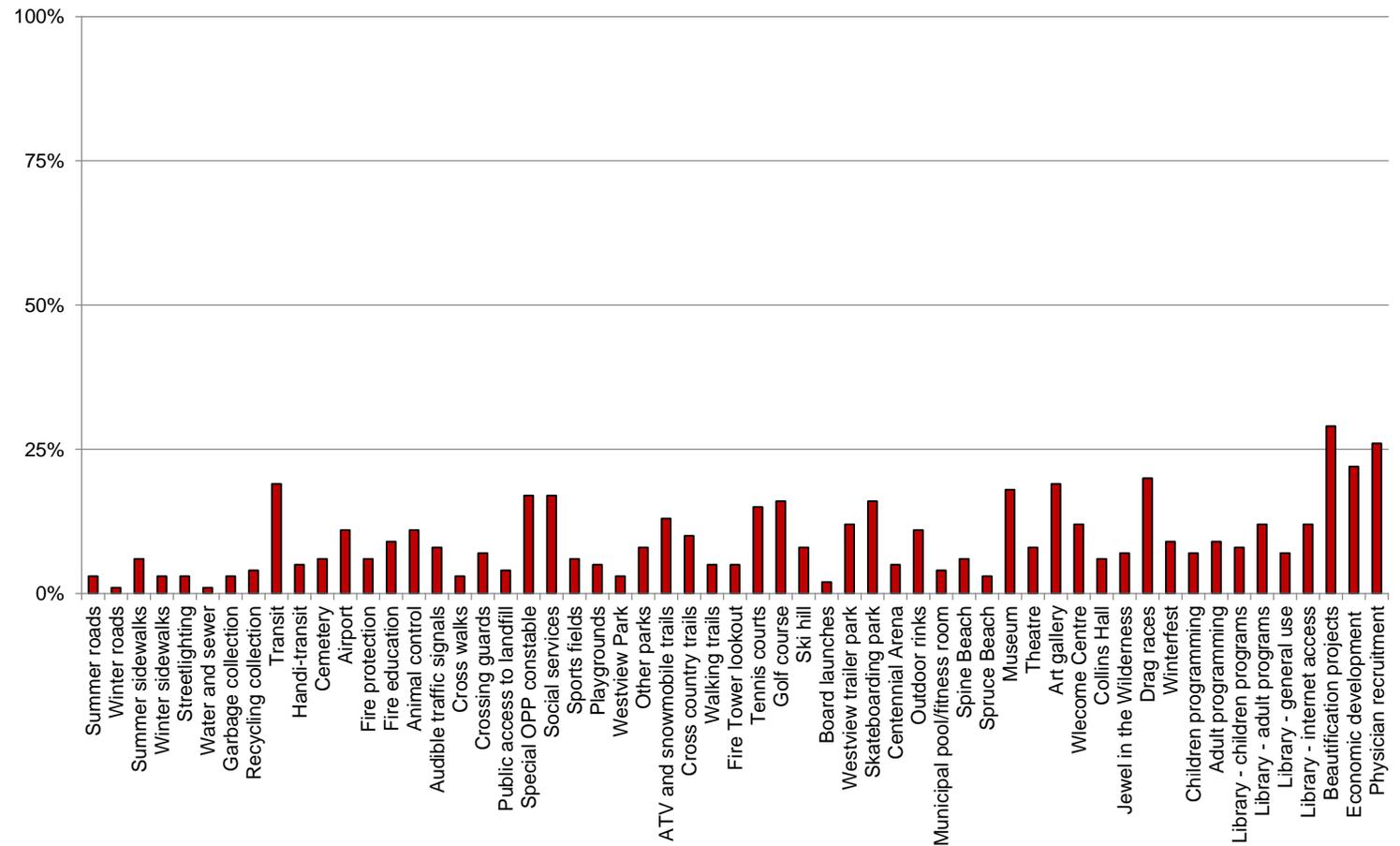
*Council Support for Potential Service Elimination and Reductions (Selected Municipal Services)*



## The Case for Change Attitudes on Cost Reductions and Other Courses of Action

In connection with the service delivery review, the City undertook a survey of residents to assess their views on municipal services, the results of which indicated less than majority support for service reductions and eliminations.

Percentage of Survey Respondents Indicating a Preference for Service Reductions (Selected Municipal Services)



A blue trapezoidal graphic with a gradient from dark blue on the left to a lighter blue on the right. The text is centered within this shape.

# **Opportunities for Cost Reductions**

Overall, the service delivery review identified a total of 37 potential opportunities for cost reductions that are provided to the City for consideration. The following pages provide information concerning the opportunities by City department, including:

- A description of the potential opportunity
- The rationale for its inclusion
- An indication as to the potential financial impact associated with the opportunity, based on the 2011 budget
- Potential risks
- The degree to which the opportunity results in an 'end state' that is consistent with comparable communities
- The extent to which Council indicated a willingness to reduce or eliminate the service, based on the initial Council survey
- Residents' views as to the service, measured based on:
  - Community Ranking - the percentage of survey respondents who ranked the service as very important or somewhat important
  - Community Direction – the percentage of survey respondents who indicated a willingness to reduce service levels

In addition to this information, we have also provided our assessment of the opportunities based on one of three categories:

- Blue opportunities, intended to include opportunities that have minimal impacts on residents and/or result in significant cost reductions. This category also includes opportunities that result in a service level that is consistent with comparable communities or which are consistent with the results of the Council and community surveys.
- Yellow opportunities represent options that have a greater impact on residents or, while consistent with the results of the Council survey, diverge from the results of the community survey and/or comparable communities. Implementation of these opportunities will likely prove to be more challenging given the potential for impacts on local residents.
- Red opportunities represent the most extreme options identified during the service delivery review, having the potential for significant adverse impacts on residents. Additionally, red opportunities are generally inconsistent with the views of Council and residents, as well as service levels provided in comparable communities. Red opportunities are primarily focuses on expenditure reductions without considering the impact on residents and as such, will prove to be the most controversial and difficult to implement.

Four separate opportunities were identified for Corporate Services:

- 1. Transferring responsibility for long-term disability (LTD) premiums from the City to its employees.** Currently, the City is responsible for the payment of LTD premiums for its employees, a practice that is consistent with comparable municipalities. However, the general trend in the private sector is for employees to pay for LTD premiums, with the rationale being that proceeds from LTD policies are not taxable if paid by the employee (if LTD premiums are paid by the employer, LTD benefits are taxable for employees). While this opportunity is not expected to impact on service levels (as it affects City staff and not residents, it does have potential risks from a labour relations perspective as employees will view this as a 'take away' that will likely require changes to the current collective bargaining agreement. However, the City may wish to introduce compensating provisions (e.g. no contracting out clause) in exchange for this option.

Notwithstanding the risks associated with this option and its inconsistency with comparable municipalities, it has been assessed as a blue opportunity based on the magnitude of the potential cost reduction and the absence of a direct impact on service levels.

- 2. Outsourcing short-term disability coverage.** At the present time, the City self-insures for employee short-term disability and is required to monitor and administer short-term coverage for its employees. The City could consider using an external service provider for its short-term disability coverage (similar to LTD) as a means of reducing program costs through both enhanced efficiency and increased diligence for short-term disability claims. Specifically, the City could issue a request for proposal for short-term disability coverage and compare the proposed costs against its existing program costs.

In the absence of any impact on services or changes to employee benefits coverage, this has been assessed as a blue opportunity.

- 3. Increased frequency of tendering for major contracts.** We understand that in certain cases, contracts for professional and purchased services are not subjected to recurring competition. A frequent competitive bidding process may ensure that the City receives a competitive price for services. This has been considered to be a blue opportunity given the absence of service level impacts and risks and the ease of implementation.
- 4. Reduce Council composition from seven to five members.** Under the provisions of the Municipal Act, the minimum size of a municipal council is established at five members. This option considers reducing the City's Council to the minimum size, eliminating two Council positions and reducing Council costs in the process. However, in addition to being inconsistent with comparable communities (none of which have five member Councils), a reduction in Council size could adversely impact on the administration of the City (e.g. quorum, committee memberships) as well as the effectiveness of its political representation – with a reduced Council, the City may need to move towards a ward system to provide residents with sufficient access to elected officials. Given these considerations, this option has been classified as a yellow opportunity.

A summary of opportunities for Corporate Services has been provided on the following page.



## Opportunities for Cost Reductions Corporate Services

Category	Opportunity	Estimated Annual Cost Saving	Risks		Consistent With			
			Labour Relations	Other	Municipal Peers	Council Direction	Community	
							Ranking	Direction
	Transfer payment responsibility for long-term disability premiums to employees	\$100,000	Yes	No	No	n.a.	n.a.	n.a.
	Replace self-insurance of short-term disability coverage with external service provider.	tbd	No	No	Yes	n.a.	n.a.	n.a.
	Tender major corporate service contracts on a periodic basis.	tbd	No	No	Yes	n.a.	n.a.	n.a.
	Reduce council size from seven to five	\$25,000	No	No	No	n.a.	n.a.	n.a.

Four separate opportunities were identified for Protective Services:

1. **Reduce animal control levels while contracting out animal control.** The City currently provides a level of service for animal control that is considered to be higher than standard due to the fact that the City will respond to complaints involving both domestic and wild animals (the general standard is domestic animal response only). Accordingly, the opportunity exists to reduce service levels by eliminating wild animal response.

The issue of animal control has had broad public profile due to a proposal made by a local group concerning the outsourcing of animal control, which is a relatively common practice for municipalities. To the extent that the City wishes to outsource animal control, we strongly encourage it to use an open competitive process rather than a sole-source award. As the City's collective bargaining agreement precludes staff reductions as a result of contracting out, we do not believe that contracting out animal control will result in a cost reduction.

This option has been classified as blue opportunity as it would result in a level of service and delivery model that is generally consistent with other municipalities.

2. **Reducing the frequency of smoke detector inspections.** The City has completed an initial smoke detector inspection of all residences in the community, using volunteer firefighters to conduct the inspections. The City may wish to consider reducing the frequency of follow-up smoke detector inspections as a potential cost reduction opportunity. While reducing the amount of honoraria paid to volunteers, the Office of the Fire Marshal may challenge the City's ability to actually implement this course of action.

Given the completion of an initial inspection of all homes and the ability of the City to set the level of inspections (but not eliminate), this option has been considered to be a blue opportunity.

3. **Reduce the composition of the police services board.** The Province of Ontario mandates the size of police services boards, with the minimum number of members set at three individuals. Accordingly, the City could consider reducing the composition of the police services board to the minimum level. While consistent with the opportunity to reduce the size of City Council, this option shares the same risks and as such, has been classified as a yellow opportunity.
4. **Eliminate school cross guards.** School crossing guards represent a discretionary service that could be eliminated by Council. However, concerns over public safety result in this option being considered a red opportunity.

A summary of opportunities for Protective Services has been provided on the following page.



## Opportunities for Cost Reductions Protective Services

Category	Opportunity	Estimated Annual Cost Saving	Risks		Consistent With			
			Labour Relations	Other	Municipal Peers	Council Direction	Community	
							Ranking	Direction
	Reduce animal control service levels by eliminating wild animal response and contract out provision of service	\$nil	No	No	Yes	n.a.	63%	11%
	Reduce level of activity for smoke detector inspection program	\$3,000	No	Yes	Yes	n.a.	69%	7%
	Reduce composition of police services board from five to three	\$4,000	No	No	No	n.a.	n.a.	n.a.
	Eliminate/reduce crossing guards	\$38,000	No	Yes	n.a.	n.a.	77%	7%

Opportunities identified for Physical Services include the following:

1. **Eliminate fluoridation of the municipal water supply.** Fluoridation is a discretionary service, with some Ontario municipalities discontinuing the practice, citing the perception of the enhanced dental care services, concerns over the impact of excess fluoride consumption and the impact of fluoride on water infrastructure. Other communities, however, maintain fluoridation based on the view that it enhances dental care.

This option has been classified as blue opportunity for the purposes of the service delivery review, recognizing that community members and the Algoma Health Unit may support continuation of fluoridation.

2. **Discontinuing plowing of mine access roads.** Currently, the City provides winter maintenance for roads that serve former mine sites at the northern end of the municipality. Given the absence of residents and other parties on these roads, the City may wish to consider either (i) discontinuing the provision of winter roads maintenance; or (ii) establishing a user fee for the services provided.

Given the limited impact of this recommendation, it has been classified as a blue opportunity.

3. **Close four playgrounds.** The City undertook a strategic planning process with respect to its parks and recreation facilities which identified the potential opportunity to remove playground equipment from four playgrounds, effectively turning them into parks. This would provide the City with some savings in terms of capital replacement and maintenance, recognizing that grass cutting would still be required.

As the strategic plan identified a surplus of playgrounds, we have considered the potential impact on residents to be minimal and have classified this option as a blue opportunity.

4. **Eliminate municipal flower beds.** Maintenance of municipal flower beds is a discretionary service provided by the City and as such, could potentially be eliminated. Given that flower beds are part of the City's broader strategy towards community beautification, we have classified this option as a yellow opportunity.

5. **Eliminate maintenance of outdoor rinks.** As a discretionary service, the maintenance of outdoor rinks could potentially be discontinued or otherwise transferred to community volunteers. The associated impact on service levels and the inconsistency of this option with the results of the community survey have resulted in it being classified as a yellow opportunity.

**6. Transit service level reductions.** Through the service delivery review process, four potential opportunities were identified with respect to transit services:

- Eliminate transit service on Saturdays
- Eliminate event transit services (Friday and Saturday only)
- Eliminate transit services entirely
- Eliminate handi-transit services

Analysis of information reported by the *Canadian Association of Transit Authorities* indicates that operating metrics for the City's transit service compare favourably with similar sized municipalities:

- The City has the highest number of trips per capita of the 10 municipalities selected for comparison purposes
- The City's operating cost per trip is the lowest of the comparative municipalities
- The City's percentage of transit costs subsidized by municipal taxes is the second lowest of the comparative municipalities, indicating a higher than average reliance on user fees as opposed to taxation

While the City does compare favourably to other similar sized municipalities, opportunities were identified to reduce weekend and evening service as these were considered by the review teams to be above the minimum level of service required. As a discretionary service, transit and handi-transit could also be considered for complete discontinuation.

Transit services, while not utilized by all residents of the City, was ranked as very or somewhat important by 66% of City residents in the community survey, indicating the potential for significant service impacts. However, Council support for a reduction in service levels (43%) was also relatively strong. Accordingly, opportunities for transit that would reduce services without complete elimination were considered to be yellow opportunities, while the complete elimination of transit and handi-transit were considered to be red opportunities.

**7. Reduce the frequency of garbage collection.** The City currently provides weekly garbage collection to residents and could potentially achieve cost savings by adjusting the collection cycle to bi-weekly collection, which is present in other comparable municipalities. Garbage collection is provided through a third party contractor and the implementation of this strategy could require some form of renegotiation of the existing contract. In addition, the City would be required to determine whether bi-weekly garbage collection would be year-round or seasonal (winter months only), based on concerns that the accumulation of trash during summer months would result in odour issues as well as the attraction of bears.

Given these concerns, bi-weekly garbage collection on a year-round basis was considered to be a red opportunity, while seasonal bi-weekly collection was considered to be a yellow opportunity. These options were precluded from the blue category due to the impact on residents.

A summary of opportunities for Physical Services has been provided on the following page.



## Opportunities for Cost Reductions Physical Services

Category	Opportunity	Estimated Annual Cost Saving	Risks		Consistent With			
			Labour Relations	Other	Municipal Peers	Council Direction	Community	
							Ranking	Direction
	Eliminate fluoridation in municipal water supply	\$12,000	No	Yes	No	n.a.	n.a.	1%
	Discontinue plowing of mine access roads	\$5,000	No	No	n.a.	n.a.	n.a.	1%
	Close four playgrounds consistent with strategic plan	\$10,000	No	No	n.a.	n.a.	72%	5%
	Eliminate municipal flower beds	\$10,000	No	No	n.a.	n.a.	n.a.	n.a.
	Eliminate maintenance of outdoor rinks	\$2,000	No	No	n.a.	n.a.	52%	11%
	Eliminate transit service on Saturdays only	\$16,000	No	No	n.a.	43%	66%	19%
	Eliminate transit evening service (Thursday and Friday)	\$11,000	No	No	n.a.	43%	66%	19%
	Implement semi-monthly garbage pickup (winter months only)	\$38,000	No	No	Yes	n.a.	n.a.	n.a.
	Eliminate all transit service	\$172,000	No	No	Yes	0%	66%	19%
	Eliminate all handi-transit service	\$62,000	No	No	No	0%	66%	19%
	Implement semi-monthly garbage pickup (year round)	\$38,000	No	No	Yes	n.a.	n.a.	n.a.

Opportunities identified for Community Services include the following:

- 1. Repatriate the operation of the Elliot Lake Welcome Centre.** The Elliot Lake Welcome Centre is operated by the Chamber of Commerce under an agreement with the City. The City may wish to consider discontinuing the contract with the Chamber of Commerce and shift existing City personnel to the Welcome Centre. This option is not expected to have a significant impact on service levels as the operations of the Welcome Centre are not expected to be impacted. However, the potential exists for disruption to the Chamber's operations due to the loss of revenue associated with the contract.

This option has been classified as blue opportunity for the purposes of the service delivery review given the limited impact on service levels and the results of the Council survey, which indicated majority support for a change in service for the Welcome Centre.

- 2. Privatize Collins Hall.** The Collins Hall, while considered very important or somewhat important by two-thirds of respondents to the resident survey, does not represent a core municipal service. Accordingly, consideration could be given to privatizing the Collins Hall through a sale to a community group or private sector operator. In addition to reducing the City's contribution towards its operating costs, the privatization could also result in increased taxation revenues for the City.

This recommendation does not consider the closure of the Collins Hall but rather its continued operation by another party. As the facility is expected to continue operations, service level impacts are considered to be minimal, resulting in this option being considered to be a blue opportunity.

- 3. Relocate the City library from the Algo Mall to a municipal facility.** The City currently owns vacant building stock that could potentially be used to house its library, thereby eliminating the need to pay rent to a third party (recognizing that costs will be incurred with respect to renovating and operating the new facility). While this option is expected not to result in impacts on service levels, the loss of revenue for the Algo Mall has the potential to adversely impact on its assessed value (thereby reducing property taxation revenues for the City) and ongoing operations.

This recommendation does not consider reductions in library services but rather the location of the library. Accordingly, service level impacts are considered to be minimal, resulting in this option being considered to be a blue opportunity.

- 4. Eliminate or reduce support for health and social services.** The City provides a range of financial support to various community organizations, physicians and other parties for health and social services. While this type of support is common within the comparable municipalities, health and social services are typically the responsibility of other government agencies (including the Province of Ontario), providing the City with the potential opportunity reduce or eliminate its financial support.

In certain instances, the City's financial support is provided pursuant to contractual arrangements and as such, the City may need to either (i) attempt to renegotiate the contracts in question; (ii) exercise cancellation provisions (if any) within the contracts; or (iii) wait for the expiration of the contracts.

The elimination or reduction of this support has been considered to be a blue opportunity based the results of the Council survey (indicating majority support) and the fact that these services are not generally viewed as core municipal services.

- 5. Renegotiate responsibility for golf course insurance costs.** The City owned golf course is managed by Elliot Lake Retirement Living (ELRL) under the terms of an agreement that requires the City to pay for the cost of property insurance based on the fact that the City owns the assets. The terms of the agreement also require ELRL to pay for the cost of capital maintenance and reinvestment for the golf course, presumably through the surpluses generated (if any) by the golf course's operations.

As the City does not currently receive a dividend or any form of direct financial return from the golf course, it may wish to renegotiate the contract with ELRL to provide for the payment of insurance costs from the golf course's operations as opposed to the municipal levy. This strategy would be consistent with a user-pay approach as golf course users and not the general public would be responsible for the costs of the insurance.

This option has been classified as blue opportunity for the purposes of the service delivery review as it is not expected to impact service levels.

- 6. Discontinue or eliminate funding for economic development.** Within the community, economic development is undertaken by a number of parties, including ELNOS, ELRL and the Chamber of Commerce, as well as the activities of a number of volunteers and community members. Additionally, economic development within municipalities typically involves both the mayor and CAO.

Given the number of different parties contributing towards economic development and advancement, the City may wish to consider reducing or eliminating its financial contribution to economic development, relying instead on other parties as well as elected officials and the CAO to lead these activities. As other organizations within the community are already involved in economic development, we have considered this to be a blue opportunity as economic development activities are expected to continue regardless of the City's involvement.

- 7. Reduce operating hours for recreation and culture facilities.** While the City has reduced operating hours for municipal facilities in the past as a cost savings measure, the discretionary nature of these services allows for further reductions to the operations of the library, Pearson Centre, arena and pool. Reductions in operating hours for municipal facilities have been considered to be yellow opportunities given the impact on service levels and the results of the community survey, which demonstrated that the majority of residents view these services as very important or somewhat important.

Theoretically, the City does have the ability to close certain facilities for the purposes of realizing cost reductions. Outright elimination of recreational and cultural activities have been classified as red opportunities due to the significant impact on service levels and are not recommended by KPMG.

A summary of opportunities for Community Services has been provided on the following page.



## Opportunities for Cost Reductions Community Services

Category	Opportunity	Estimated Annual Cost Saving	Risks		Consistent With			
			Labour Relations	Other	Municipal Peers	Council Direction	Community	
							Ranking	Direction
	Assume responsibility for operation of Elliot Lake Welcome	\$97,000	No	Yes	Yes	57%	61%	12%
	Privatize Collins Hall	\$50,000	No	No	Yes	29%	66%	6%
	Relocate the library from mall to community building	\$129,000	No	Yes	Yes	71%	73%	7%
	Eliminate subsidy to ELNOS medical clinic	\$36,000	No	No	No	71%	72%	16%
	Eliminate subsidy to Locum travel	\$11,000	No	No	No	71%	72%	16%
	Eliminate subsidy to Family Health Team for telephone service	\$10,000	No	No	No	71%	72%	16%
	Eliminate subsidy to Elliot Lake Retirement Living for physician recruitment	\$100,000	No	No	No	71%	n.a.	16%
	Eliminate subsidy for physician recruitment (PAIRO)	\$10,000	No	No	No	71%	n.a.	16%
	Eliminate subsidy for physician incentives	\$81,000	No	Yes	No	71%	n.a.	16%
	Eliminate subsidy to Elliot Lake Retirement Living for golf course insurance	\$14,000	No	No	No	17%	53%	16%
	Eliminate subsidy to Huron Lodge	\$54,000	No	No	Yes	14%	72%	17%
	Discontinue funding for economic development activities	\$117,000	No	No	No	12%	n.a.	8%



## Opportunities for Cost Reductions Community Services

Category	Opportunity	Estimated Annual Cost Saving	Risks		Consistent With			
			Labour Relations	Other	Municipal Peers	Council Direction	Community	
							Ranking	Direction
	Reduce library operating hours (25% reduction)	\$50,000	Yes	No	n.a.	71%	73%	7%
	Reduce Pearson Centre operating hours (50% reduction)	\$85,000	Yes	No	n.a.	33%	55%	14%
	Reduce arena and pool operating hours (25% reduction)	\$125,000	Yes	No	n.a.	36%	74%	5%
	Closure of the Centennial Arena	\$90,000	Yes		No	0%	71%	5%
	Closure of the municipal pool	\$245,000	Yes		No	0%	77%	4%
	Closure of the Pearson Centre	\$65,000	Yes		No	0%	55%	14%

A blue trapezoidal graphic with a gradient from dark blue on the left to a lighter blue on the right. The text is positioned on the left side of the graphic.

**Other  
Opportunities for  
Consideration**

In addition to the cost reduction opportunities identified through the service delivery review process, the potential exists for reductions to the municipal levy achieved through the generation of increased non-taxation revenue. Revenue generating opportunities identified include:

- 1. Establishing tipping fees for non-residential customers.** A common practice for municipalities is to require tipping fees for all non-residential users of landfills, with residential customers either subject to a tipping fee for waste above a certain amount or no tipping fees at all. Should the City proceed with this option, some form of standard calculation for determining non-residential tipping fees should be developed, which could include a per tonne basis (requiring a scale); a charge based on the type of vehicle or a charge based on the number of axles.
- 2. Increasing the level of enforcement for parking, property standards and bylaw enforcement.** We understand that the City's enforcement of these areas is typically responsive to complaints as opposed to pro-active and as such, the potential exists for increased revenue through more active enforcement. With the potential for outsourcing of animal control, additional resources within the City could be available to provide a higher level of enforcement, resulting in additional revenues.
- 3. Elimination of the Welcome Card.** The City's Welcome Card program is intended to reduce the cost of certain municipal services for low-income residents. However, these services are already subsidized through the municipal level as a means of ensuring affordability and as a result, the Welcome Card provides a 'subsidy on top of a subsidy'. In addition, concerns have been raised relating to the consistency of the administration of the program's eligibility requirements and the fact that a the cost of certain services covered by the Welcome Card are subsidized by other agencies.
- 4. Fee-for-service arrangement for Residential Development Commission.** The City currently provides administrative and financial support to the Residential Development Commission at no cost. Given the value inherent in these services, an administrative fee or some other form of cost recovery mechanism could be introduced by the City to recover the cost of services provided to the Commission.
- 5. Market rental rates.** The Pearson Centre currently provides office space to a variety of organizations and community groups. In certain cases, the rates charged appear to be significantly lower than market rates for commercial office space. While the City may wish to continue to provide reduced rents for community groups and not-for-profit organizations, it may also wish to consider increasing rental rates for government organizations or other parties that should not be eligible for rent subsidization.

The results of the survey of Council indicate majority support (71%) for the outsourcing of municipal functions to both the private and public sector. To a large extent, the City's operations already reflect contracting out, with landfill operations, garbage collection, transit and police services provided by third parties.

Additional opportunities for outsourcing could be considered by the City including the maintenance of water and wastewater treatment facilities, information technology support, administration of short-term sick leave and winter roads maintenance. We strongly suggest, however, that the City evaluate the benefits and risks associated with contracting out prior to actually outsourcing services. While contracting out provides the potential to reduce costs and increase flexibility to adjust service levels in the future, outsourcing should also consider potential risks, including:

- The inability to obtain a competitive price based on a limited pool of qualified bidders;
- The risk of cost escalations in future contract renewals if the City is unable to re-assume responsibility for the services;
- The potential for service levels to be below existing standards;
- The limitations imposed by the City's current collective bargaining agreement, which precludes staffing reductions from contracting out. Under the current provisions, the City is likely unable to achieve significant labour savings as municipal staff would need to be reassigned to other areas; and
- The risk that third party operators would not sufficiently maintain City assets under management, thereby resulting in an accelerated deterioration of municipal infrastructure.

In the event that the City chooses to consider contracting out, we suggest that it use a competitive bidding process (as opposed to sole sourcing) that evaluates proponents based on both financial and non-financial criteria, including but not limited to:

- Service level
- Approach to maintaining municipal infrastructure
- Financial stability and reputation of the proponents
- Overall cost in comparison to the cost of municipal delivery
- Contract terms, including the ability of the City to terminate for non-performance and the use of periodic performance management and remedies for non-compliance

While the primary focus of the service delivery review is to identify potential strategies to address the financial challenges of the City, the process has also identified areas where potential enhancements (i.e. additional financial investment) may be warranted. Potential enhancements include:

- Replenishing the City's reserve and reserve fund balances, which have been drawn down in recent years to fund the City's financial deficits
- Expanding public works activities, which were impacted by past efforts to reduce municipal operating costs. Crack sealing, curb and sidewalk maintenance and the maintenance of parks, playgrounds and cemeteries were cited by staff as areas that would particularly benefit from increased financial resources
- Enhanced employee training programs, which have been significantly reduced in response to the City's financial pressures



*cutting through complexity*

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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