



# Township of Johnson

**Service Delivery and Operational Review  
Final Report  
September 26, 2018**





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**Ms. Paula Spurway**  
**Treasurer – Acting Clerk/Chief Administrative Officer**  
**Township of Johnson**  
1 Johnson Drive  
Desbarats ON P0R 1E0

September 26, 2018

Dear Ms. Spurway,

**Service Delivery and Operational Review**

We are pleased to provide our report concerning KPMG’s review of the Township of Johnson (the “Township”). Our review was undertaken based on the terms of reference outlined in our engagement letter with the Township dated May 28, 2018.

The purpose of the review was to evaluate the services of the Township with the intention of identifying potential opportunities for efficiencies and contributing to long-term sustainability. As noted in our report, the results of our review have identified opportunities that could be considered by the Township in this regard.

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

A handwritten signature in black ink, appearing to read 'Chas Anselmo', written over a light grey rectangular background.

Chas Anselmo, Senior Manager  
705.669.2549 | [canselmo@kpmg.ca](mailto:canselmo@kpmg.ca)

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# Executive summary

The Township of Johnson – Service Delivery and Operational Review



# Executive Summary

## A. Background to the Review

KPMG LLP ('KPMG') was retained by the Township to undertake a service delivery and operational review, the intention of which was to:

- Properly describe and evaluate the Township's operating structure and service levels;
- Critique the Township's operating effectiveness and efficiencies based on credible benchmarks and best practices; and
- Present potential changes that will result in:
  - i. The maintenance of adequate service levels;
  - ii. Cost reductions;
  - iii. New non-taxation revenue sources; and
  - iv. Enhancements to the Township's long-term financial sustainability.

This report outlines the results of our analysis.

## B. Key Themes

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

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

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

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

Based on our analysis of the Township's services and the associated operating expenditures, the Township currently provides a complement of services that would appear to be consistent with its comparator group and do not appear to exceed service level standards. Where there appears to be a variance in service levels is associated with the operation of a community centre that has ice operations but only two comparators, Bruce Mines and Plummer Additional, do not provide this service. The remainder of the group provide this service.

# Executive Summary

## B. Key Themes

### Staffing levels appear to be consistent with the comparator group

Similar to the previous theme, the Township appears to have a municipal workforce that is consistent with the comparator group. Based on our analysis of the Township's current personnel profile, the average number of fulltime equivalent ('FTE') employees for the comparator group is 9.5 FTEs whereas the Township currently has 8.0 FTEs.

### Corporate systems may need to be developed to support municipal operations

With 47 suggested changes to key processes for the Township's consideration, the Township has the opportunity of updating its processes, policies and overall practices as a result of the review. However, it should be noted that the number of changes to the Township's processes does not suggest that the municipality has been mismanaged to date but instead, continued to operate as it did year after year – in our experience, this is common in both small and large organizations.

## C. Opportunities for Consideration

The results of the review provide the Township with eight (8) specific items for their consideration which identify operational change (financial and non-financial) and the potential for increases in non-taxation revenues. In addition to those opportunities, an additional 47 opportunities were identified for the consideration of the Township to improve upon the effectiveness and efficiency within its internal processes. The opportunities identified as part of the review are summarized below.

| Opportunity  |
|--|
| • Examine the frequency of Council meetings  |
| • The development of corporate systems including human resources related matters                               |
| • Frequency of tendering for municipal goods and services  |
| • The establishment of a capital levy to assist in the reinvestment in the Township's infrastructure           |
| • The establishment of financial processes and policies including the establishment of a formal budget process |

# Executive Summary

## C. Opportunities for Consideration

| Opportunity  |
|--|
| <ul style="list-style-type: none"><li>• Explore the potential for an expansion of shared services among neighbouring communities</li></ul> |
| <ul style="list-style-type: none"><li>• Implement a more formal approach to the Township's user fees</li></ul>                             |
| <ul style="list-style-type: none"><li>• Explore the potential rationalization of recreational services for the Township</li></ul>          |

With respect to the potential changes to internal processes, the following areas of the Township's operations were examined with a potential course of action included for any identified risks or inefficiencies:

- Time sheet submission
- Use of credit cards
- Application for grants
- Building permits
- End of day cash reconciliation
- Payroll processing
- Recording of transactions
- Arena and Community Centre rentals
- Property taxation – In person and online
- Purchasing
- Payments
- User fees
- Water and sewer – In person and online

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



# Study Methodology

The Township of Johnson – Service Delivery and Operational Review



# Study Overview

## Terms of Reference

The terms of reference for our engagement were established in KPMG's engagement letter dated May 28, 2018 and consistent with KPMG's proposal document dated May 1, 2018. Based on discussions with the Township, the objectives shared for the review were as follows:

- Properly describing and evaluating the Township's operating structure and service levels;
- Critiquing the Township's operating effectiveness and efficiencies based on credible benchmarks and best practices; and
- Identifying potential changes that will result in:
  - i. The maintenance of adequate service levels;
  - ii. Cost reductions;
  - iii. New non-taxation revenue sources; and
  - iv. Enhancements to the Township's long-term financial sustainability.

With respect to this engagement, KPMG's specific role includes:

- Assisting the Township with the establishment of a methodology for the review;
- In conjunction with the Township's staff, undertaking an analysis of services, internal processes, service and equipment levels and associated costs and funding; and
- Summarizing the results of our analysis and presenting potential opportunities to the Township.

# Study Overview

## Review Methodology

KPMG's proposal document dated May 1, 2018 described the approach to be used to provide the Township with a service delivery and operational review. The six phase approach for the review was as follows:

### *Project Initiation*

- An initial meeting was held with the Clerk/Chief Administrative Officer (the 'Clerk/CAO') to confirm the terms of the review including the objectives, deliverables, methodology and timeframes.

### *Environmental Scan*

The purpose of the second phase assessed the current and future state of the Township and its departments. To achieve this, the following took place:

- Information concerning the Township's operations, staffing and financial performance were reviewed and summarized in order to identify the types of services delivered, the associated level of resources (personnel and financial) and the method of funding.
- Individual meetings were held with municipal staff to discuss the nature of the services provided and the associated service levels, the rationale for the Township's involvement in the delivery of these services and the method of delivery. The staff interviewed included:
  - Clerk/CAO
  - Arena Manager
  - Public Works Operator
  - Treasurer
  - Recreation Co-ordinator
  - Administrative Assistants
  - Fire Chief
  - Roads Supervisor
- Additionally, KPMG held a separate set of meetings with the Township's Treasurer to discuss the internal processes of the municipality.
- All members of Council were interviewed to gain their perspective on the review, services provided by the Township and potential areas for focus.

# Study Overview

## Review Methodology

### Comparative Analysis

- Discussions were held with municipal representatives to determine appropriate municipal comparators that would be utilized during the course of the review. Municipal comparators were identified and selected based on the following considerations listed:
  - Single tier municipalities
  - Similar population and households
  - Similar services
  - Located in Northern Ontario
  - Typical comparators used by the Township of Johnson
  - Similar assessment base
- Based on those consideration listed above, the following municipalities were chosen for comparative purposes:

| Municipality       | Population <sup>1</sup> | Households <sup>1</sup> | Total Current Value Assessment <sup>2</sup> |
|--------------------|-------------------------|-------------------------|---|
| <b>Johnson</b>     | <b>751</b>              | <b>521</b>              | <b>\$78.8 million</b>                       |
| Bruce Mines        | 582                     | 299                     | \$40.5 million                              |
| Burk's Falls       | 981                     | 510                     | \$68.8 million                              |
| Gore Bay           | 867                     | 447                     | \$68.6 million                              |
| Laird              | 1,047                   | 527                     | \$112.9 million                             |
| Plummer Additional | 660                     | 515                     | \$81.8 million                              |
| Ryerson            | 648                     | 580                     | \$174.5 million                             |
| South River        | 1,114                   | 528                     | \$67.3 million                              |
| Thessalon          | 1,286                   | 624                     | \$79.7 million                              |

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

# Study Overview

## Review Methodology

### *Comparative Analysis*

- Information concerning municipal services, operating costs, staffing levels, and other aspects of the comparator municipalities was obtained through analysis of available documentation (including information provided by the municipalities' websites and other information such as Financial Information Returns and statistics from each comparator's 2016 Census Profile).

### *Opportunity Identification*

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

### *Process Mapping*

- During this stage of our work, an analysis of the current procedures and practices was performed. In conjunction with the Township's Treasurer staff, key processes were mapped out, analyzed and reviewed to ensure compliance. Those processes included:
  - Time sheet submission
  - Use of credit cards
  - Application for grants
  - Building permits
  - End of day cash reconciliation
  - Payroll processing
  - Recording of transactions
  - Arena and Community Centre rentals
  - Property taxation – In person and online
  - Purchasing
  - Payments
  - User fees
  - Water and sewer – In person and online

# Study Overview

## Review Methodology

### *Reporting*

- A draft report was provided to the Township staff on September 5<sup>th</sup>, 2018. The intent of the draft report review was to ensure the information captured within the document is accurate.
- Subsequent to the draft report review process, members of Council were interviewed individually via teleconference to discuss the report's findings and answer any questions pertaining to the review.
- Upon the completion of the Council consultations, the opportunities were then presented to Council along with potential strategies for implementation during an open meeting of Council on September 26, 2018.
- A final report was issued to the Township on September 26, 2018.

# 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 Township of Johnson. KPMG has not and will not perform management functions or make management decisions for the Township of Johnson.

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 Township of Johnson nor are we an insider or associate of the Township of Johnson 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 Township of Johnson and are acting objectively





# State of the Township

The Township of Johnson – Service Delivery and Operational Review

# State of The Township

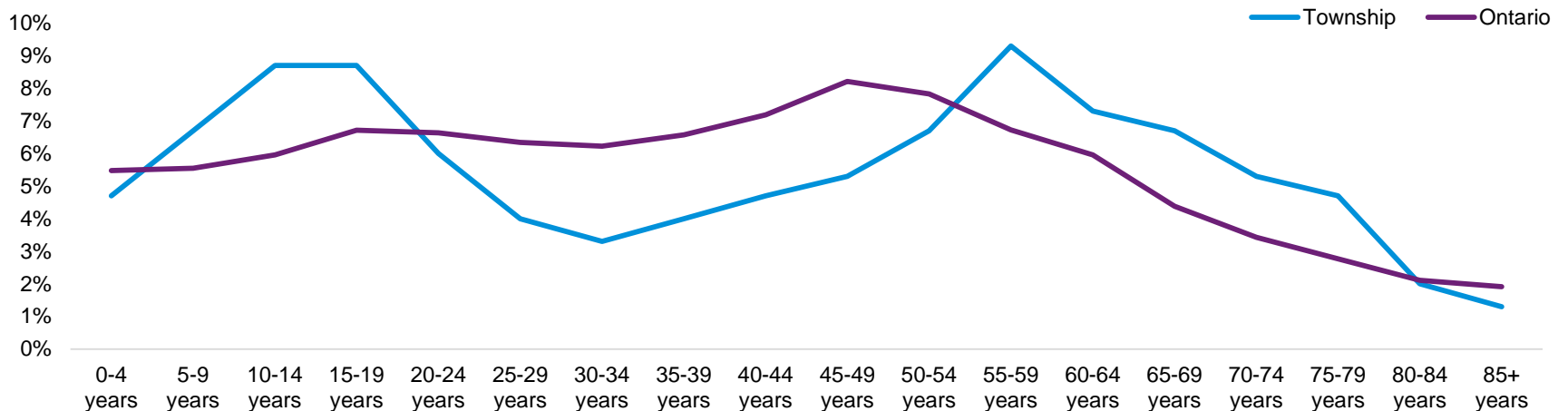
## Population and Demographics

Established in 1889, the Township of Johnson is located on the Trans Canada Highway approximately 57 kilometres east of the City of Sault Ste. Marie. Based on the information collected as part of the Township's 2016 Census Profile, the Township's population is 751 with 521 private dwellings. In between the two Census periods (2011 and 2016), the population remained almost unchanged and the Township has experienced a slight increase in its population (3%) over the past twenty years. The following chart illustrates changes in the Township's population between 1996 to 2016:

|                         | 1996 | 2001  | 2006  | 2011  | 2016  |
|-------------------------|------|-------|-------|-------|-------|
| Population <sup>1</sup> | 729  | 658   | 701   | 750   | 751   |
| Change                  | -    | -9.7% | +6.5% | +7.0% | +0.1% |

The demographics for the Township appear to be unlike many municipalities in Northern Ontario. Typically, municipalities in the North have fewer residents aged 19 years or younger with a higher number of residents aged 60 years or more. Based upon the analysis, 29% of the Township's residents are 19 years old or younger with 27% of the community aged 60 years or older.

### Township of Johnson and Province of Ontario Demographics (2016)<sup>1</sup>



# State of the Township

## Operating Expenditures

Over the past five years, the Township's total operating expenditures have increased by \$360,931 (\$1.74 million in 2012 vs. \$2.10 million in 2016), representing an average increase of nearly 7% per year. During the same five years, expenditures related to the purchasing of materials for municipal operations is on average 39% of total operating expenditures. Wages and benefits have accounted for approximately 30% of total operating expenditures over the past five years. Contracted services (policing services, building and bylaw enforcement, and water and wastewater services) increased by 27.4% on average but in 2014, the Township spent an additional \$361,000 on roads with the use of external service providers. In comparing each year with the exclusion of the one-time increase in 2014, the Township's contracted services increased on an average of 1.2% over the past five years. External transfers which consist of payments to the Algoma District Social Services Administrative Board and Algoma Health Unit have remained consistent over the past five years and these costs are largely out of the control of the Township. Costs relating to these transfers have increased by 0.6% annually for the years 2012 to 2016. Other expenditures such as interest payments on the Township's long term debt have increased by 44.5% but this is consistent with the increase in the Township's debt for the years 2015 and 2016.

|                              | 2012               | 2013               | 2014               | 2015               | 2016               | Average Annual Change |
|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|
| Wages and benefits           | \$508,683          | \$553,988          | \$620,934          | \$626,814          | \$676,079          | +7.4%                 |
| Interest on long term debt   | \$4,879            | \$8,504            | \$5,855            | \$11,356           | \$15,989           | +44.5%                |
| Materials                    | \$684,264          | \$857,351          | \$872,069          | \$597,149          | \$755,988          | +9.7%                 |
| Contracted services          | \$244,941          | \$203,336          | \$558,783          | \$222,647          | \$249,257          | +27.4%                |
| External transfers           | \$291,257          | \$289,583          | \$293,520          | \$294,837          | \$298,838          | +0.6%                 |
| Rents and financial expenses | \$4,169            | \$4,320            | \$2,929            | \$2,907            | \$2,973            | -6.8%                 |
| <b>Total expenses</b>        | <b>\$1,738,193</b> | <b>\$1,917,082</b> | <b>\$2,354,090</b> | <b>\$1,755,710</b> | <b>\$1,999,122</b> | <b>+6.8%</b>          |

Source: KPMG Analysis of Financial Information Returns

# State of the Township

## Capital Expenditures

For the years 2012 to 2016, the average annual investment into the Township's infrastructure has been approximately \$337,000. Upon examining the Township's capital expenditures for those years, the Township appears to have invested in its linear infrastructure (roads) for each of those years with an average of approximately \$223,000; the Township invested more for the years of 2014 (\$664,551) and 2015 (\$343,174). Beyond the Township's linear infrastructure, the Township appears to have invested in the remainder of its infrastructure on a year to year basis whereas no other function was consistently invested in.

*Capital Expenditures by Function (2012 to 2016)*



Source: KPMG Analysis of Financial Information Returns

# State of the Township

## Funding Sources

For the 2016 fiscal year, the Township generated a total of \$2.6 million to fund its operations. Local funding sources (defined as taxes and user fees) accounted for \$1.9 million in 2016, representing 74% of all revenue for the Township. Revenues related to property taxes have increased on an average of 3.8% over the five year period. User fees have increased by 8.4% over the same time period and user fees account for 14% of total revenues.

The Township received \$0.5 million or 19% of its revenue from the Province of Ontario through the Ontario Municipal Partnership Fund ('OMPF'). Whereas many municipalities have experienced a decrease in its annual allocation through the OMPF, the Township of Johnson has had an increase in its funding between 2015 and 2016. Upon further analysis, the Township's annual allocation continues to increase to over \$520,000 in 2018.

All revenue sources for the Township appear to have increased over the years 2012 to 2016.

|                                   | 2012               | 2013               | 2014               | 2015               | 2016               | Average Annual Change |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------|
| Property taxation                 | \$1,325,724        | \$1,386,420        | \$1,465,198        | \$1,443,810        | \$1,537,673        | +3.8%                 |
| Unconditional grants (OMPF)       | \$472,900          | \$472,900          | \$465,400          | \$463,000          | \$478,900          | +0.3%                 |
| Conditional grants                | \$77,803           | \$162,137          | \$371,846          | \$122,013          | \$55,613           | +29.0%                |
| Revenue from other municipalities | \$20,478           | \$909              | \$28,152           | \$20,453           | \$24,636           | +10.2%                |
| Licenses and permits              | -                  | \$360              | \$480              | \$560              | \$675              | +23.5%                |
| User fees and service charges     | \$263,722          | \$266,266          | \$299,105          | \$266,564          | \$349,215          | +8.4%                 |
| Fines and penalties               | \$28,640           | \$34,775           | \$38,909           | \$44,719           | \$41,041           | +10.0%                |
| Other revenue                     | \$25,795           | \$30,673           | \$25,683           | \$45,286           | \$67,227           | +31.9%                |
| <b>Total</b>                      | <b>\$2,215,062</b> | <b>\$2,354,440</b> | <b>\$2,694,773</b> | <b>\$2,406,405</b> | <b>\$2,554,980</b> | <b>4.1%</b>           |

Source: KPMG Analysis of Financial Information Returns

# State of the Township

## Taxation and Assessment

As noted earlier, municipal property taxes represent the largest single source of revenue for the Township, accounting for 60% of total revenues.

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

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

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



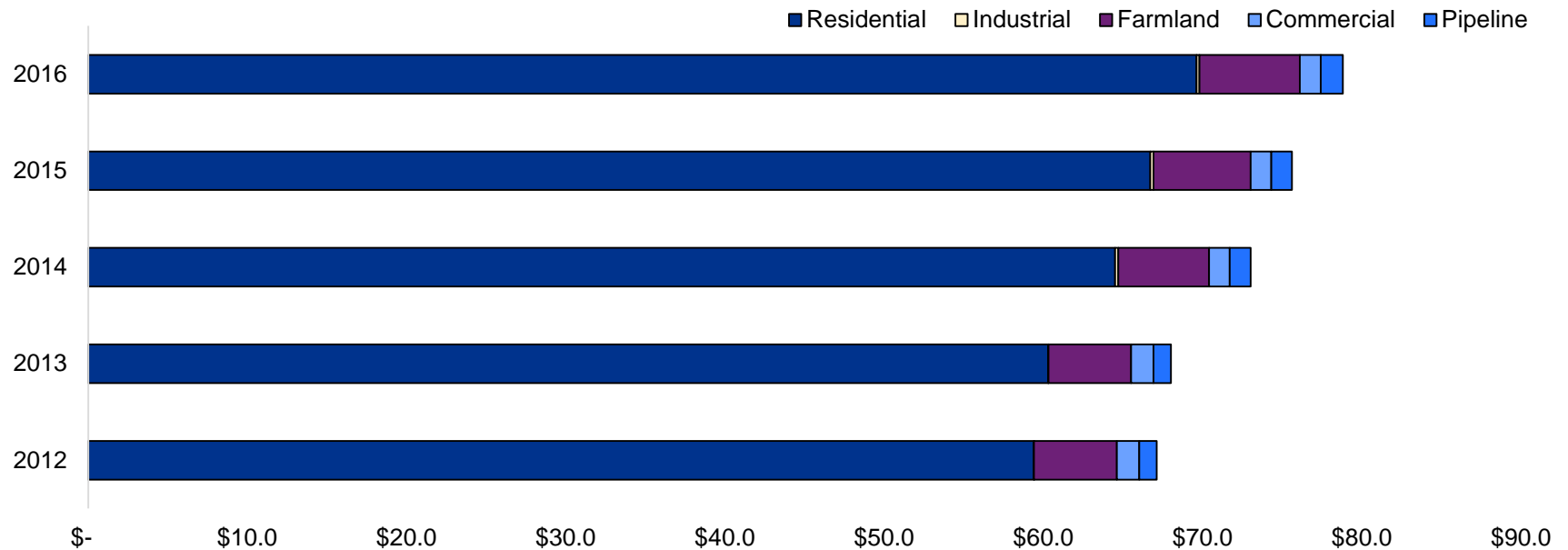
# State of the Township

## Taxation and Assessment

The total assessed value of taxable properties in the Township was nearly \$79 million, the majority of which (\$69.6 million or 88.3%) was residential properties. The Township has experienced an increase in its overall assessment for the five years listed below; assessment has increased by \$11.7 million or 15% for the years 2012 to 2016.

As noted above, residential properties comprise the majority of the Township's assessment and that has remained consistent for the reported years. The residential property tax class has ranged from 88.2% (2015) to 88.6% (2013) of the Township's total assessment and that is consistent for the other property tax classes with the exception of its farmland tax class. Farmland assessment has increased by \$1.1 million over the past years which is an increase of 18%.

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



Source: KPMG Analysis of Financial Information Returns

# State of the Township

## Taxation and Assessment

Among the comparator group selected for the purposes of this study, the current value assessment ('CVA') for a typical/median residential property varied across the group with the Township of Johnson having the lowest CVA for a typical residential property (\$77,500). From a seasonal perspective, the range between municipal compactors greatly varied but the Township's median residential CVA is consistent with its neighbouring municipalities.

*Median Current Value Assessment – Residential and Seasonal Properties (2017)*

| Median Current Value Assessment |                 |           |                 |           |
|---------------------------------|-----------------|-----------|-----------------|-----------|
|                                 | Residential     |           | Seasonal        |           |
|                                 | # of Properties | CVA       | # of Properties | CVA       |
| Johnson                         | 163             | \$77,500  | 220             | \$127,000 |
| Bruce Mines                     | 198             | \$78,000  | 10              | \$135,000 |
| Burk's Falls                    | 294             | \$140,000 | 3               | \$161,500 |
| Gore Bay                        | 271             | \$153,000 | 3               | \$122,000 |
| Laird                           | 250             | \$161,250 | 132             | \$134,000 |
| Plummer Additional              | 123             | \$79,000  | 211             | \$99,250  |
| Ryerson                         | 195             | \$171,000 | 270             | \$252,000 |
| South River                     | 380             | \$114,000 | 8               | \$168,000 |
| Thessalon                       | 426             | \$87,000  | 5               | \$177,500 |

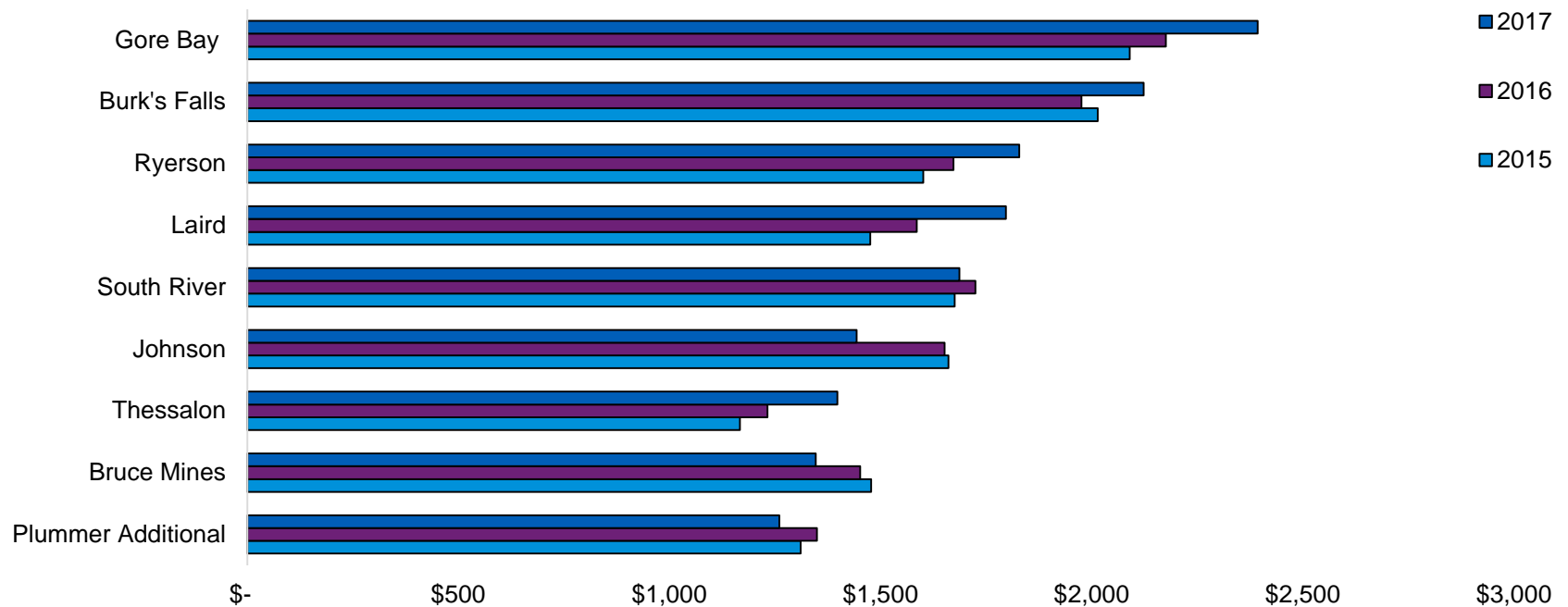
Source: KPMG Analysis of tax information

# State of the Township

## Taxation and Assessment

Among the comparator group selected for the purposes of this study, median residential property taxes per household in 2017 varied across the group with over \$1,100 separating the highest average residential taxes (\$2,400 in the Town of Gore Bay) to the lowest median residential taxes in the Township of Plummer Additional (\$1,300). The Township's median residential property taxes are the fourth lowest within the comparator group and second highest among its neighbouring municipalities.

*Residential Property Taxes – Typical/Median Property (2015-2017)*



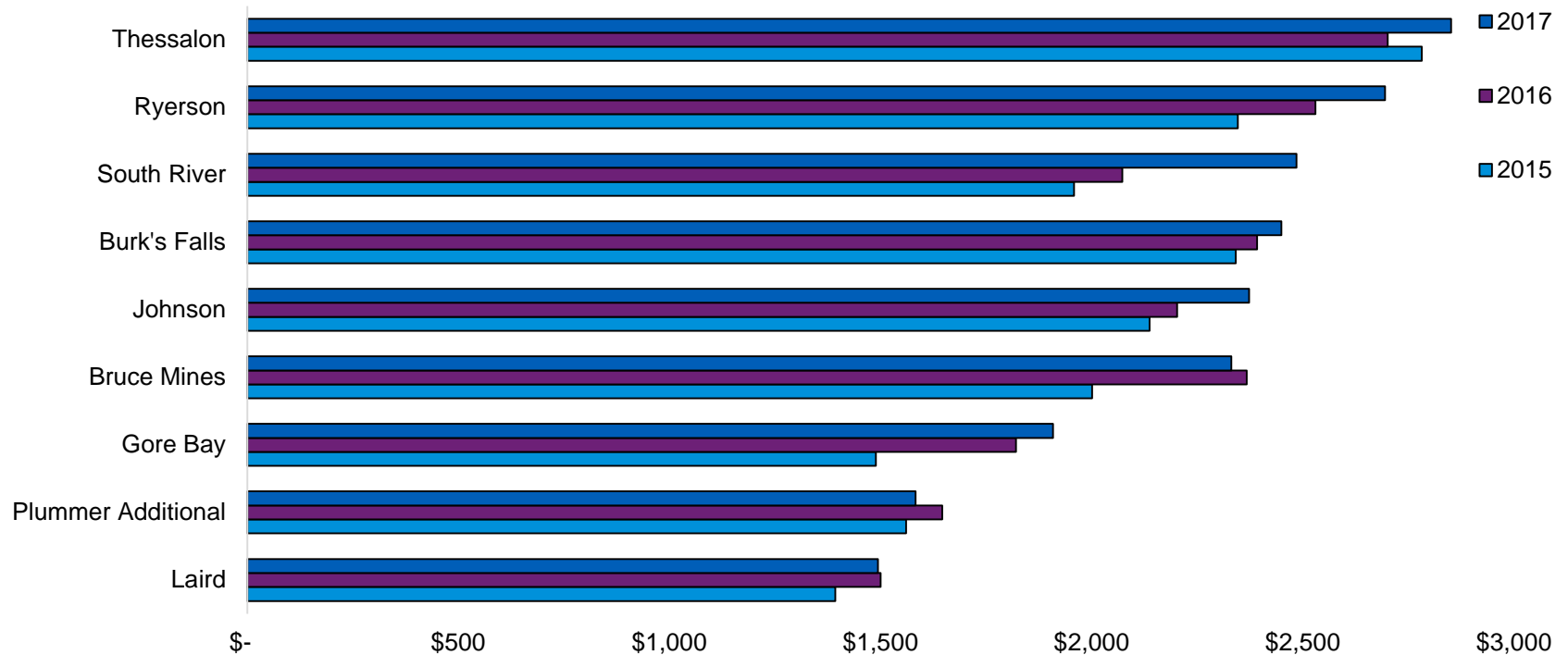
Source: KPMG Analysis of Financial Information Returns

# State of the Township

## Taxation and Assessment

Among the comparator group selected for the purposes of this study, median seasonal property taxes per household in 2017 varied across the group with over \$900 separating the highest typical seasonal taxes (\$2,850 in the Town of Thessalon) to the lowest median taxes in the Township of Laird (\$1,490). The Township's median seasonal property taxes are the median of the comparator group. The annual increases in property taxation appear to be a reflection of annual increases in the assessed value of seasonal properties.

*Seasonal Property Taxes – Typical/Median Property (2015-2017)*

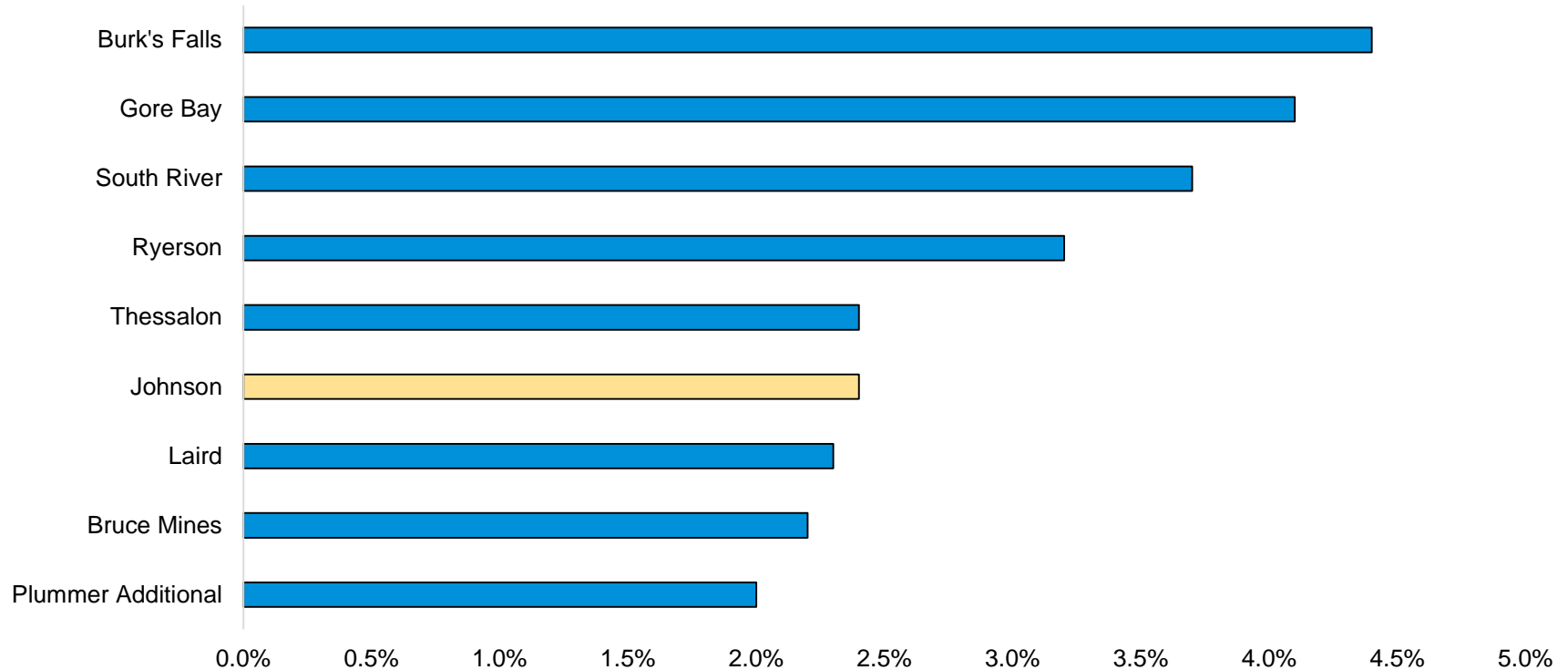


Source: KPMG Analysis of Financial Information Returns

# State of the Township

## Taxation and Assessment

The following financial indicator provides an indication of potential affordability concerns by calculating the percentage of total household income used to pay municipal property taxes. This indicator considers residential affordability only and does not address commercial or industrial affordability concerns. It is calculated on a median household basis and does not provide an indication of affordability concerns for low income or fixed income households. Based upon our analysis, property taxation within the Township accounts for approximately 2.4% of a household's total income and within the comparator group, the Township appears towards the low end and is consistent with the Township's neighbouring communities.



Source: KPMG Analysis of Financial Information Returns and Census Profiles

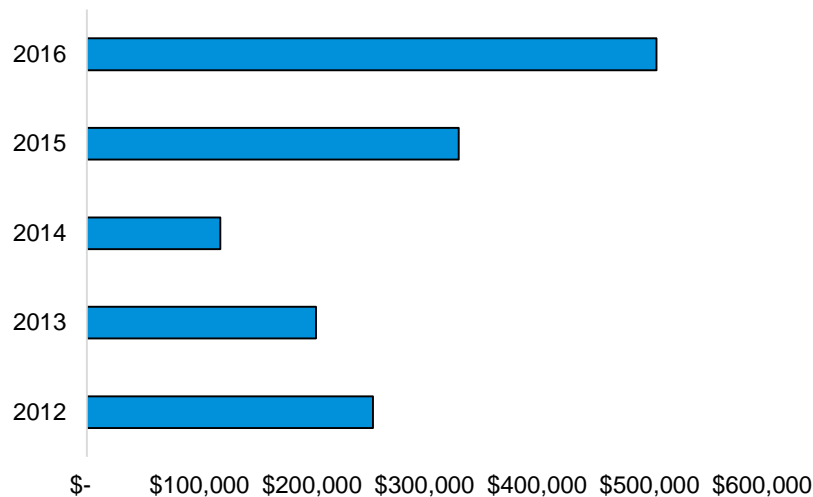
# State of the Township

## Long Term Debt

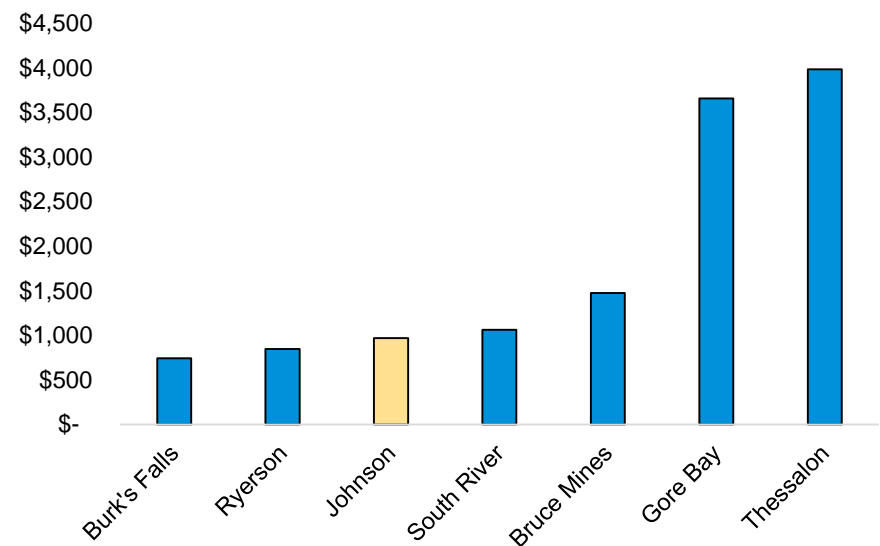
Long term debt levels for the Township have increased over the course of the five years noted below. Over those five years, the Township's use of debt appears to be consistent with municipal best practices where long term debt has been incurred for capital purposes. The majority of the Township's long term debt is associated with the Township's linear infrastructure which accounts for 85% of the Township's debt load in 2016. The remainder of the Township's debt is related to the Township's fire service but the total debt has decreased by an annual average of 18%.

Examining the Township's long term debt per household with a comparative lens, the Township's long term debt per household appears to be at the lower end of the comparative spectrum. However, each municipality's long term debt, both high and low, may be the result of investments to their respective infrastructure.

*Township's Long Term Debt Burden (2012 to 2016)*



*Long Term Debt per Household (2016)*



Source: KPMG Analysis of Financial Information Returns



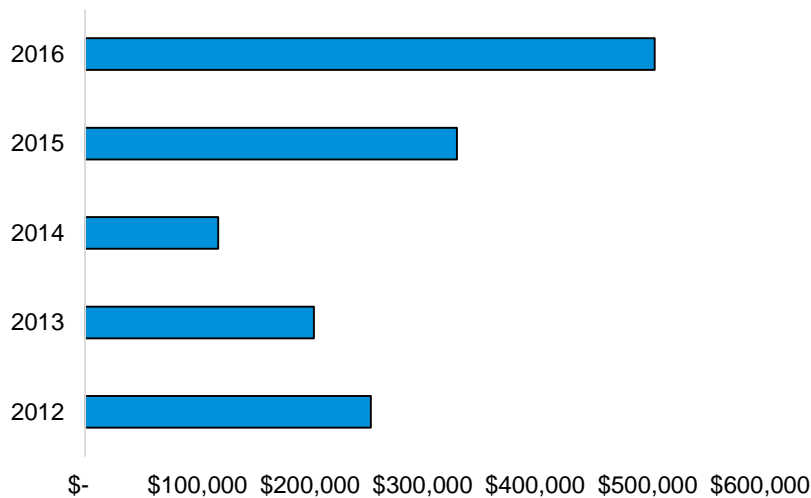
# State of the Township

## Reserves and Reserve Funds

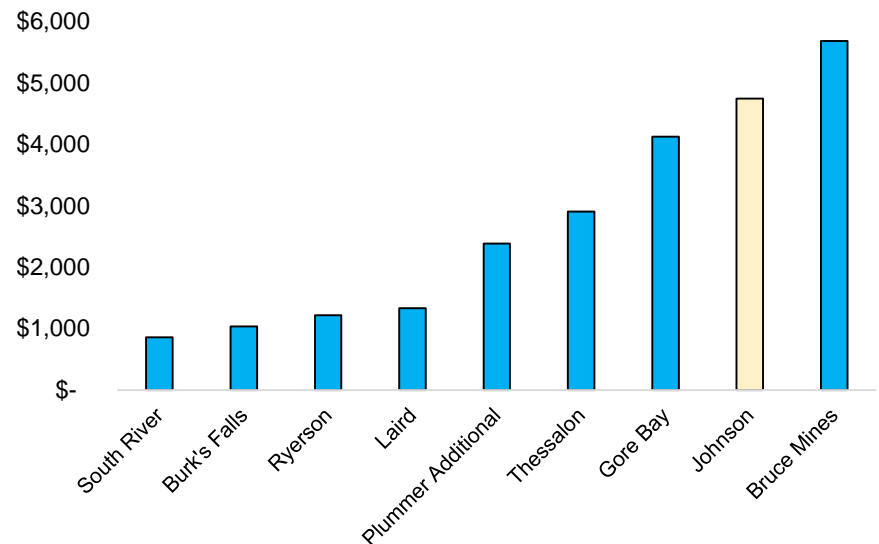
The development and investment in reserves and reserve funds is a key component to the long-term financial sustainability of a municipality. Over the past five years, the net result in the Township's reserves and reserve fund balances has been positive. The Township's reserves and reserve funds have increased with average annual growth of 17.2%. In 2012, the Township had \$1.4 million set aside for various purposes and at the end of 2016, the Municipality had \$2.5 million, representing an increase of 79% from 2012 to 2016.

As a municipal best practice, municipalities develop and adopt policy for its reserves and reserve funds with the purpose of establishing the framework and outlining the requirements for establishing reserve funds, authorizations required for use of reserve funds, and for reporting requirements to Council. Based on information shared with KPMG during the review, the Township does not have a formal policy pertaining to its reserves and reserve funds.

*Township's Reserves and Reserve Funds (2012 to 2016)*



*Reserves and Reserve Funds per Household (2016)*



Source: KPMG Analysis of Financial Information Returns



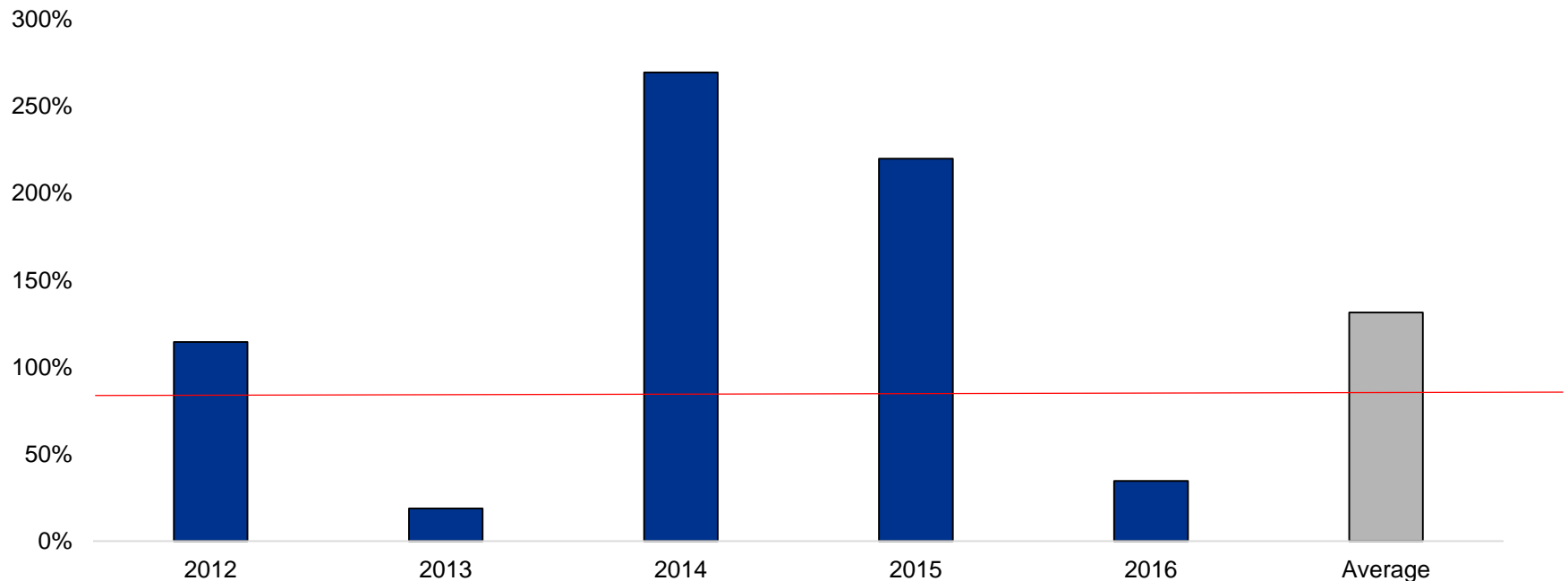
# State of the Township

## Municipal Infrastructure

### Asset Sustainability Ratio

The Ministry of Municipal Affairs established an asset sustainability ratio which is “an approximation of the extent to which a municipality is replacing, renewing or acquiring new assets as the existing infrastructure being managed by the municipality are reaching the end of their useful lives.” The Province sets a target ratio of 90% or greater and if a municipality is below the ratio, there may be concerns about the sufficiency of the municipality’s asset management and the potential future burden this may place upon residents. For the years of 2012 to 2016, the Township of Johnson exceeded the target ratio for three of the five years which would suggest the Township is managing its infrastructure but as with any other municipality, there always exists the need for more.

### Asset Sustainability for the Township of Johnson (2012 to 2016)



Source: KPMG Analysis of Multi-Year Financial Information Returns (2012 to 2016)

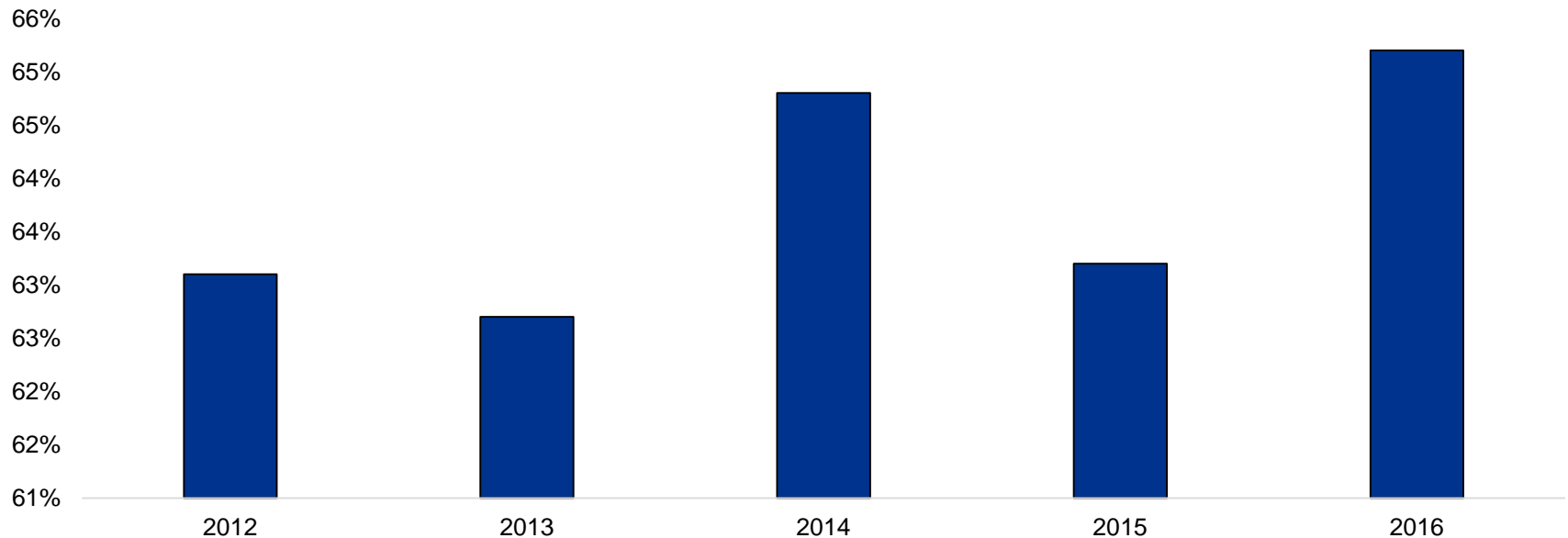
# State of the Township

## Municipal Infrastructure

### Asset Consumption Ratio

The previous page examined the sufficiency of asset maintenance, renewal and replacement and the Ministry of Municipal Affairs also established a ratio which measures the consumption of a municipality's physical assets in comparison to their cost. As part of this ratio, the Province established the following ranges: Less than 25% - relatively new infrastructure, 26% to 50% - moderately new infrastructure, 51% to 75% - moderately old infrastructure and 75% or greater – old infrastructure. Using the Ministry's ratio and the associated ranges, the Township has an infrastructure that may be considered as moderately old infrastructure and this appear to be consistent with the previous indicator whereas the Township is investing its infrastructure to address this.

*Asset Consumption for the Township of Johnson (2012 to 2016)*



Source: KPMG Analysis of Multi-Year Financial Information Returns (2012 to 2016)



# Departmental Analysis

The Township of Johnson – Service Delivery and Operational Review

# Departmental Analysis

## Corporate Services

### Overview

|                            |  |
|----------------------------|--|
| Associated Services        | <ul style="list-style-type: none"> <li>• Governance (Mayor and Council)</li> <li>• Clerk services including but not exclusive oversee all Council meetings, preparation of meeting minutes and agendas and all other legislative requirements associated with the position of Clerk</li> <li>• Financial administration including but not exclusive to budgeting, taxation, accounts receivable/payable, payroll and financial reporting</li> <li>• Customer service via front desk reception</li> </ul> |
| Mandate                    | <ul style="list-style-type: none"> <li>• Legislative requirement – various sections of the Municipal Act</li> </ul>  |
| Method of Service Delivery | <ul style="list-style-type: none"> <li>• Own resources</li> </ul>  |

### Financial Overview

| Operating Revenues            | 2012             | 2013             | 2014             | 2015             | 2016             |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| User Fees and Service Charges | \$185            | \$172            | -                | -                | -                |
| Ontario Conditional Grants    | -                | \$20,251         | -                | \$13,831         | \$21,824         |
| <b>Total</b>                  | <b>\$185</b>     | <b>\$20,423</b>  | <b>-</b>         | <b>\$13,831</b>  | <b>\$21,824</b>  |
| Operating Costs               | 2012             | 2013             | 2014             | 2015             | 2016             |
| Salaries and Benefits         | \$240,201        | \$258,999        | \$247,705        | \$283,835        | \$271,195        |
| Materials                     | \$97,923         | \$138,937        | \$133,135        | \$74,185         | \$103,866        |
| Contracted Services           | \$21,479         | \$21,242         | \$21,244         | \$20,917         | \$20,772         |
| Other                         | \$4,169          | \$4,320          | \$2,929          | \$2,907          | \$2,973          |
| <b>Total</b>                  | <b>\$363,772</b> | <b>\$423,498</b> | <b>\$405,013</b> | <b>\$381,844</b> | <b>\$398,806</b> |

# Departmental Analysis

## Corporate Services

### *Financial Overview*

The Township spent just under \$400,000 for its corporate services in 2016, representing an increase of 2.2% or slightly over \$16,000 from the previous year. Salaries and benefits represents the largest single expenditure item, amounting to 68% of total expenditures which is typically consistent with the provision of corporate services.

### *Comparative Analysis*

On the following page is the comparative analysis for corporate services for the Township and its municipal comparator group. The Township's corporate services net operating costs rank fourth among the other eight comparators and given this, it appears that the Township's corporate services operating costs are consistent with the comparator group.

As stated earlier in this section, salaries and benefits are typically the largest expenditure item for corporate services and the Township ranks as third highest when examining salary and benefits costs as a percentage of the total operating costs. However, salary costs range from 57.8% (Plummer Additional) to 71.4% (Thessalon) and the majority of the municipal comparators are above 60%.

Linked directly to salary costs, the number of fulltime equivalents for the Township is consistent with the comparator group.

# Departmental Analysis

## Corporate Services

### Comparative Analysis

|  | Johnson      | Bruce Mines           | Burk's Falls | Gore Bay     | Laird        |
|--|--------------|-----------------------|--------------|--------------|--------------|
| Operating Costs                          | \$398,806    | \$333,756             | \$431,219    | \$429,721    | \$334,674    |
| User Fees and Service Charges            | -            | \$15,126              | \$1,667      | \$81,926     | \$877        |
| Number of households                     | 521          | 299                   | 510          | 447          | 527          |
| <b>Net Operating Cost per Household</b>  | <b>\$765</b> | <b>\$1,066</b>        | <b>\$842</b> | <b>\$778</b> | <b>\$633</b> |
| Fulltime Equivalentents                  | 3.5          | 3.0                   | 4.0          | 4.0          | 7.0          |
| Salary Costs                             | \$271,195    | 205,727               | \$283,077    | \$255,868    | \$204,353    |
| Salary Costs as a % of Operating Costs   | 68.0%        | 61.6%                 | 65.6%        | 59.5%        | 61.1%        |
|  |              | Plummer<br>Additional | Ryerson      | South River  | Thessalon    |
| Operating Costs                          |              | \$365,189             | \$440,305    | \$427,142    | \$407,631    |
| User Fees and Service Charges            |              | \$5,417               | \$1,646      | \$3,039      | \$15,759     |
| Number of households                     |              | 515                   | 580          | 528          | 624          |
| <b>Net Operating Costs per Household</b> |              | <b>\$699</b>          | <b>\$756</b> | <b>\$803</b> | <b>\$628</b> |
| Fulltime Equivalentents                  |              | 5.0                   | 3.5          | 4.0          | 4.5          |
| Salary Costs                             |              | \$211,144             | \$303,648    | \$277,260    | \$291,128    |
| Salary Costs as a % of Operating Costs   |              | 57.8%                 | 69.0%        | 64.9%        | 71.4%        |

Source: KPMG Analysis of Financial Information Returns

# Departmental Analysis

## Protective Services

### Overview

|                            |   |
|----------------------------|---|
| Associated Services        | <ul style="list-style-type: none"> <li>• Police services</li> <li>• Fire services</li> <li>• Building and by-law enforcement</li> </ul>   |
| Mandate                    | <ul style="list-style-type: none"> <li>• Legislative requirement</li> </ul>   |
| Method of Service Delivery | <ul style="list-style-type: none"> <li>• Police – Contracted out – Ontario Provincial Police</li> <li>• Fire – Own resources (Volunteer fire department)</li> <li>• Building and by-law enforcement – Contracted out</li> </ul> |

### Financial Overview

| Fire – Operating Revenues     | 2012            | 2013            | 2014            | 2015            | 2016            |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| User Fees and Service Charges | \$4,636         | \$898           | \$886           | \$1,290         | \$1,360         |
| Ontario Conditional Grants    | \$2,068         | \$11,590        | \$2,710         | \$10,118        | \$14,150        |
| <b>Total</b>                  | <b>\$6,704</b>  | <b>\$12,488</b> | <b>\$3,596</b>  | <b>\$11,408</b> | <b>\$15,510</b> |
| Fire – Operating Costs        | 2012            | 2013            | 2014            | 2015            | 2016            |
| Salaries and Benefits         | \$16,776        | \$17,013        | \$16,961        | \$19,347        | \$20,357        |
| Materials                     | \$48,793        | \$51,495        | \$50,102        | \$53,247        | \$43,501        |
| Contracted Services           | -               | \$3,032         | -               | -               | -               |
| Other                         | -               | \$4,934         | \$2,512         | \$3,614         | \$2,879         |
| <b>Total</b>                  | <b>\$65,569</b> | <b>\$76,474</b> | <b>\$39,575</b> | <b>\$76,208</b> | <b>\$66,737</b> |

Source: KPMG Analysis of Financial Information Returns



# Departmental Analysis

## Protective Services

### Financial Overview

| Police – Operating Revenues   | 2012            | 2013             | 2014             | 2015             | 2016             |
|-------------------------------|-----------------|------------------|------------------|------------------|------------------|
| User Fees and Service Charges | -               | -                | \$426            | \$11,802         | \$6,644          |
| <b>Total</b>                  | <b>-</b>        | <b>-</b>         | <b>\$426</b>     | <b>\$11,802</b>  | <b>\$6,644</b>   |
| Police – Operating Costs      | 2012            | 2013             | 2014             | 2015             | 2016             |
| Contracted Services           | \$93,440        | \$112,962        | \$103,259        | \$121,571        | \$153,493        |
| <b>Total</b>                  | <b>\$93,440</b> | <b>\$112,962</b> | <b>\$103,259</b> | <b>\$121,571</b> | <b>\$153,493</b> |

| Building/By-law – Operating Revenues | 2012            | 2013            | 2014            | 2015            | 2016            |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| User Fees and Service Charges        | \$5,313         | \$16,170        | \$7,440         | \$8,135         | \$8,286         |
| <b>Total</b>                         | <b>\$5,313</b>  | <b>\$16,170</b> | <b>\$7,440</b>  | <b>\$8,135</b>  | <b>\$8,286</b>  |
| Building/By-law – Operating Costs    | 2012            | 2013            | 2014            | 2015            | 2016            |
| Contracted Services                  | \$36,554        | \$3,056         | \$23,481        | \$33,497        | \$84,124        |
| <b>Total</b>                         | <b>\$36,554</b> | <b>\$3,056</b>  | <b>\$23,481</b> | <b>\$33,497</b> | <b>\$84,124</b> |

Source: KPMG Analysis of Financial Information Returns

For the five year period used for the review, certain aspects of the Township's protective services have increased in operating costs on an annual basis and that is mainly within policing services which has increased by an average of 13% per year and building/by-law enforcement services which is also a result of increased activity associated with service delivery. The operating costs of the fire have been somewhat consistent over the five year period.

# Departmental Analysis

## Protective Services

### Comparative Analysis

| Fire Services                            | Johnson      | Bruce Mines           | Burk's Falls | Gore Bay     | Laird        |
|--|--------------|-----------------------|--------------|--------------|--------------|
| Operating Costs                          | \$66,737     | \$55,223              | \$93,987     | \$54,889     | \$59,155     |
| User Fees and Service Charges            | \$1,360      | \$49,247              | \$5,595      | \$39,629     | -            |
| Number of households                     | 521          | 299                   | 510          | 447          | 527          |
| <b>Net Operating Cost per Household</b>  | <b>\$125</b> | <b>\$20</b>           | <b>\$173</b> | <b>\$34</b>  | <b>\$112</b> |
| Salary Costs                             | \$20,357     | \$21,457              | \$61,106     | \$17,500     | -            |
| Salary Costs as a % of Operating Costs   | 30.5%        | 38.9%                 | 65.0%        | 31.9%        | -            |
|  |              | Plummer<br>Additional | Ryerson      | South River  | Thessalon    |
| Operating Costs                          |              | \$38,292              | \$90,853     | \$132,569    | \$53,773     |
| User Fees and Service Charges            |              | \$1,984               | \$5,595      | \$15,162     | -            |
| Number of households                     |              | 515                   | 580          | 528          | 624          |
| <b>Net Operating Costs per Household</b> |              | <b>\$71</b>           | <b>\$147</b> | <b>\$222</b> | <b>\$86</b>  |
| Salary Costs                             |              | -                     | \$61,097     | \$68,625     | \$12,533     |
| Salary Costs as a % of Operating Costs   |              | -                     | 67.2%        | 51.5%        | 23.3%        |

Source: KPMG Analysis of Financial Information Returns

# Departmental Analysis

## Protective Services

### Comparative Analysis

| Police Services               | Johnson   | Bruce Mines           | Burk's Falls | Gore Bay    | Laird     |
|-------------------------------|-----------|-----------------------|--------------|-------------|-----------|
| Police Service Delivery Model | OPP       | OPP                   | OPP          | OPP         | OPP       |
| Operating Costs               | \$153,493 | \$127,465             | \$250,160    | \$220,114   | \$171,638 |
| Number of households          | 521       | 299                   | 510          | 447         | 527       |
| Operating Cost per Household  | \$295     | \$426                 | \$491        | \$492       | \$326     |
|                               |           | Plummer<br>Additional | Ryerson      | South River | Thessalon |
| Police Service Delivery Model |           | OPP                   | OPP          | OPP         | OPP       |
| Operating Costs               |           | \$118,367             | \$112,968    | \$216,995   | \$272,573 |
| Number of households          |           | 515                   | 580          | 528         | 624       |
| Operating Costs per Household |           | \$230                 | \$195        | \$411       | \$437     |

Source: KPMG Analysis of Financial Information Returns

# Departmental Analysis

## Protective Services

### Comparative Analysis

| Building/By-law Services          | Johnson  | Bruce Mines           | Burk's Falls | Gore Bay    | Laird     |
|-----------------------------------|----------|-----------------------|--------------|-------------|-----------|
| Operating Costs                   | \$84,124 | \$6,712               | \$66,845     | \$5,157     | \$17,203  |
| User Fees and Service Charges     | \$8,286  | -                     | -            | -           | -         |
| Number of households              | 521      | 299                   | 510          | 447         | 527       |
| Net Operating Cost per Household  | \$146    | \$22                  | \$130        | \$12        | \$33      |
| Cost Recovery                     | 9.8%     | -                     | -            | -           | -         |
|                                   |          | Plummer<br>Additional | Ryerson      | South River | Thessalon |
| Operating Costs                   |          | \$16,025              | \$33,194     | \$42,405    | \$24,375  |
| User Fees and Service Charges     |          | \$7,937               | \$2,492      | -           | -         |
| Number of households              |          | 515                   | 580          | 528         | 624       |
| Net Operating Costs per Household |          | \$16                  | \$53         | \$80        | \$39      |
| Cost Recovery                     |          | 49.5%                 | 7.5%         | -           | -         |

Source: KPMG Analysis of Financial Information Returns

Comparative analysis for protective services may not provide for commentary about the services themselves because the nature of these services is typically based upon the annual circumstances for each municipality. If a municipality experiences a higher volume of calls for service for any of the protective services, operating costs will be higher for that year.

# Departmental Analysis

## Transportation Services

### Overview

|                            |  |
|----------------------------|--|
| Associated Services        | <ul style="list-style-type: none"> <li>• Summer road maintenance</li> <li>• Winter road maintenance</li> <li>• Equipment and facility maintenance</li> <li>• Bridge and culvert maintenance</li> </ul> |
| Mandate                    | <ul style="list-style-type: none"> <li>• Legislative requirement through Municipal Act regulations</li> </ul>  |
| Method of Service Delivery | <ul style="list-style-type: none"> <li>• Blend of own resources and use of third party contractors (culvert replacement and other road maintenance activities)</li> </ul>                              |

### Financial Overview

| Transportation Services – Operating Costs | 2012             | 2013             | 2014             | 2015             | 2016             |
|---|------------------|------------------|------------------|------------------|------------------|
| Salaries and Benefits                     | \$177,001        | \$190,846        | \$242,544        | \$208,910        | \$188,208        |
| Materials                                 | \$253,545        | \$321,006        | \$340,246        | \$303,541        | \$260,770        |
| Contracted Services                       | -                | -                | \$360,783        | -                | -                |
| Other                                     | \$4,879          | \$3,570          | \$3,343          | \$7,742          | \$13,110         |
| <b>Total</b>                              | <b>\$435,425</b> | <b>\$515,422</b> | <b>\$946,916</b> | <b>\$520,193</b> | <b>\$462,088</b> |

Source: KPMG Analysis of Financial Information Returns

The Township spent \$462,000 for transportation services including summer and winter road maintenance and bridge and culvert maintenance. This represents a decrease of 11% from the previous year. The Township experienced decreases in both wages and benefits as well as materials needed for service delivery. Those two cost centres comprise almost the entire annual spend for transportation services.

# Departmental Analysis

## Transportation Services

### Comparative Analysis

|  | Johnson   | Bruce Mines           | Burk's Falls | Gore Bay    | Laird     |
|--|-----------|-----------------------|--------------|-------------|-----------|
| Operating Costs                        | \$462,088 | \$157,395             | \$239,216    | \$251,185   | \$489,762 |
| Number of households                   | 521       | 299                   | 510          | 447         | 527       |
| Operating Cost per Household           | \$887     | \$526                 | \$469        | \$562       | \$929     |
| Fulltime Equivalentents                | 3.0       | 1.0                   | 3.0          | 4.0         | 2.5       |
| Salary Costs                           | \$188,206 | \$55,290              | \$38,141     | \$137,142   | \$158,611 |
| Salary Costs as a % of Operating Costs | 40.7%     | 35.1%                 | 15.9%        | 54.6%       | 32.4%     |
|  |           | Plummer<br>Additional | Ryerson      | South River | Thessalon |
| Operating Costs                        |           | \$688,252             | \$611,784    | \$290,101   | \$359,780 |
| Number of households                   |           | 515                   | 580          | 528         | 624       |
| Operating Costs per Household          |           | \$1,336               | \$1,055      | \$549       | \$576     |
| Fulltime Equivalentents                |           | 5.0                   | 4.5          | 5.0         | 4.5       |
| Salary Costs                           |           | \$234,733             | \$323,534    | \$178,484   | \$136,330 |
| Salary Costs as a % of Operating Costs |           | 34.1%                 | 52.9%        | 61.5%       | 37.9%     |

Source: KPMG Analysis of Financial Information Returns

# Departmental Analysis

## Transportation Services

### *Comparative Analysis*

Based on upon our analysis of transportation services, the Township's operating costs appear to trend towards the high end of the spectrum of the comparator group but the personnel associated with the delivery of transportation services rank as the third lowest among the municipal comparators.

# Departmental Analysis

## Environmental Services

### Overview

|                            |  |
|----------------------------|--|
| Associated Services        | <ul style="list-style-type: none"> <li>Water treatment</li> <li>Wastewater treatment and disposal</li> <li>Landfill operations and waste diversion</li> </ul>  |
| Mandate                    | <ul style="list-style-type: none"> <li>Legislative requirements under the Safe Drinking Water Act where municipalities choose to provide drinking water and the Ontario Water Resources Act</li> </ul> |
| Method of Service Delivery | <ul style="list-style-type: none"> <li>Contracted out – Sault Ste. Marie PUC</li> </ul>  |

### Financial Overview

| Water – Operating Revenues    | 2012             | 2013             | 2014             | 2015             | 2016             |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| User Fees and Service Charges | \$95,883         | \$101,477        | \$121,380        | \$113,758        | \$144,446        |
| Conditional Grant             | \$17,130         | -                | -                | -                | -                |
| <b>Total</b>                  | <b>\$113,013</b> | <b>\$101,477</b> | <b>\$121,380</b> | <b>\$113,758</b> | <b>\$144,446</b> |
| Water – Operating Costs       | 2012             | 2013             | 2014             | 2015             | 2016             |
| Wages and Salaries            | \$3,252          | \$4,919          | \$1,971          | \$4,907          | \$10,945         |
| Materials                     | \$6,596          | \$18,075         | \$36,993         | \$35,660         | \$55,050         |
| Contracted Services           | \$48,092         | \$46,270         | \$48,454         | \$50,622         | \$51,030         |
| <b>Total</b>                  | <b>\$57,940</b>  | <b>\$69,624</b>  | <b>\$87,418</b>  | <b>\$91,189</b>  | <b>\$117,025</b> |
| <b>Cost Recovery</b>          | <b>195%</b>      | <b>146%</b>      | <b>139%</b>      | <b>125%</b>      | <b>123%</b>      |

Source: KPMG Analysis of Financial Information Returns



# Departmental Analysis

## Environmental Services

### Financial Overview

| Wastewater – Operating Revenues | 2012            | 2013            | 2014            | 2015            | 2016            |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| User Fees and Service Charges   | \$30,996        | \$33,377        | \$33,289        | \$33,407        | \$33,235        |
| <b>Total</b>                    | <b>\$30,996</b> | <b>\$33,377</b> | <b>\$33,289</b> | <b>\$33,407</b> | <b>\$33,235</b> |
| Wastewater – Operating Costs    | 2012            | 2013            | 2014            | 2015            | 2016            |
| Wages and Salaries              | \$1,681         | \$1,407         | \$633           | \$2,254         | \$1,932         |
| Materials                       | \$18,909        | \$50,098        | \$10,702        | \$20,041        | \$17,215        |
| Contracted Services             | \$20,563        | \$19,830        | \$19,929        | \$26,492        | \$21,576        |
| <b>Total</b>                    | <b>\$41,153</b> | <b>\$74,335</b> | <b>\$31,624</b> | <b>\$48,787</b> | <b>\$40,723</b> |
| <b>Cost Recovery</b>            | <b>75%</b>      | <b>45%</b>      | <b>105%</b>     | <b>68%</b>      | <b>82%</b>      |

Source: KPMG Analysis of Financial Information Returns

For the five years used for the analysis, the Township appears to have achieved full cost recovery for its water operations for all five years. However, the rate of recovery appears to be decreasing annually. With respect to the Township's wastewater operations, the Township's rate of recovery has varied over the five years and achieved full cost recovery in 2014. When water and wastewater operations are combined, the Township has achieved full cost recovery for each of the five years. Based on information shared by the Township, a capital levy for water and wastewater services has been adopted and applied to the system's users to assist in the future capital needs.

# Departmental Analysis

## Financial Overview

| Solid Waste Management – Operating Revenues | 2012            | 2013            | 2014            | 2015            | 2016            |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| User Fees and Service Charges               | \$18,640        | \$625           | \$18,657        | \$17,269        | \$21,428        |
| Conditional Grant                           | \$3,275         | \$4,564         | \$1,761         | \$1,233         | -               |
| <b>Total</b>                                | <b>\$21,915</b> | <b>\$5,189</b>  | <b>\$20,418</b> | <b>\$18,502</b> | <b>\$21,428</b> |
| Solid Waste Management – Operating Costs    | 2012            | 2013            | 2014            | 2015            | 2016            |
| Wages and Salaries                          | \$586           | \$183           | \$185           | \$851           | \$1,803         |
| Materials                                   | \$80,314        | \$66,833        | \$71,566        | \$77,403        | \$54,189        |
| <b>Total</b>                                | <b>\$80,900</b> | <b>\$67,016</b> | <b>\$71,751</b> | <b>\$78,254</b> | <b>\$55,992</b> |
| <b>Cost Recovery</b>                        | <b>27%</b>      | <b>8%</b>       | <b>28%</b>      | <b>24%</b>      | <b>38%</b>      |

Source: KPMG Analysis of Financial Information Returns

For the five years used for the analysis, the Township appears to have a consistent rate of recovery for its solid waste management services achieving on average 25%. The operating costs associated with solid waste management services are almost exclusively related to the materials necessary in delivering the service.

# Departmental Analysis

## Environmental Services

### Comparative Analysis

| Water and Wastewater Services | Johnson   | Bruce Mines | Burk's Falls | Gore Bay  | South River | Thessalon |
|-------------------------------|-----------|-------------|--------------|-----------|-------------|-----------|
| Operating Costs               | \$157,748 | \$278,286   | \$452,192    | \$429,218 | \$289,244   | \$476,166 |
| User Fees and Service Charges | \$177,681 | \$293,441   | \$514,795    | \$444,951 | \$293,378   | \$535,174 |
| Cost Recovery                 | 112.6%    | 105.4%      | 113.8%       | 103.7%    | 101.4%      | 112.4%    |

Source: KPMG Analysis of Financial Information Returns

The Township's cost recovery appears to be consistent with the municipal comparators who provide both water and wastewater services to their respective residents. The Township's has the second highest rate of recovery for its water and wastewater services.

# Departmental Analysis

## Environmental Services

### Comparative Analysis

| Solid Waste Management                   | Johnson     | Bruce Mines           | Burk's Falls | Gore Bay     | Laird       |
|--|-------------|-----------------------|--------------|--------------|-------------|
| Operating Costs                          | \$55,992    | \$70,909              | \$205,406    | \$115,170    | \$34,462    |
| User Fees and Service Charges            | \$21,428    | \$23,173              | \$6,245      | -            | \$12,792    |
| Number of households                     | 521         | 299                   | 510          | 447          | 527         |
| <b>Net Operating Cost per Household</b>  | <b>\$66</b> | <b>\$160</b>          | <b>\$391</b> | <b>\$258</b> | <b>\$41</b> |
| Cost Recovery                            | 38.3%       | 32.7%                 | 3.0%         | 0.0%         | 37.1%       |
|  |             | Plummer<br>Additional | Ryerson      | South River  | Thessalon   |
| Operating Costs                          |             | \$95,548              | \$103,636    | \$93,179     | \$157,889   |
| User Fees and Service Charges            |             | \$10,420              | \$6,630      | -            | \$47,302    |
| Number of households                     |             | 515                   | 580          | 528          | 624         |
| <b>Net Operating Costs per Household</b> |             | <b>\$165</b>          | <b>\$167</b> | <b>\$176</b> |             |
| Cost Recovery                            |             | 10.9%                 | 6.4%         | 0.0%         | 30.0%       |

Source: KPMG Analysis of Financial Information Returns

Based on upon our analysis of solid waste management services, the Township's operating costs per household are the second lowest among the comparator group and the Township had the highest rate of cost recovery in comparison the other selected municipalities and consistent with its neighbouring communities.

# Departmental Analysis

## Recreational and Cultural Services

### Overview

|                            |  |
|----------------------------|--|
| Associated Services        | <ul style="list-style-type: none"> <li>• Operation of the Johnson Township Community Centre</li> <li>• Recreational Programming</li> </ul> |
| Mandate                    | <ul style="list-style-type: none"> <li>• Discretionary service – no legislated requirement to provide these services</li> </ul>            |
| Method of Service Delivery | <ul style="list-style-type: none"> <li>• Own resources</li> </ul>  |

### Financial Overview

| Recreational Facilities – Operating Revenues | 2012             | 2013             | 2014             | 2015             | 2016             |
|--|------------------|------------------|------------------|------------------|------------------|
| User Fees and Service Charges                | \$47,641         | \$45,706         | \$58,666         | \$35,923         | \$81,729         |
| Conditional Grants                           | -                | \$2,301          | -                | -                | -                |
| <b>Total</b>                                 | <b>\$47,641</b>  | <b>\$48,007</b>  | <b>\$58,666</b>  | <b>\$35,923</b>  | <b>\$81,729</b>  |
| Recreational Facilities – Operating Revenues | 2012             | 2013             | 2014             | 2015             | 2016             |
| Wages and Salaries                           | \$29,450         | \$39,423         | \$32,069         | \$36,260         | \$51,557         |
| Materials                                    | \$115,322        | \$142,985        | \$144,171        | \$97,645         | \$145,159        |
| <b>Total</b>                                 | <b>\$144,722</b> | <b>\$182,408</b> | <b>\$176,240</b> | <b>\$133,905</b> | <b>\$196,716</b> |
| Cost Recovery                                | 32.9%            | 26.3%            | 33.3%            | 26.8%            | 41.5%            |

Source: KPMG Analysis of Financial Information Returns

# Departmental Analysis

## Recreational and Cultural Services

### Financial Overview

| Recreational Programming – Operating Revenues | 2012            | 2013            | 2014             | 2015            | 2016            |
|---|-----------------|-----------------|------------------|-----------------|-----------------|
| User Fees and Service Charges                 | \$69,645        | \$51,045        | \$67,494         | \$54,948        | \$72,585        |
| Conditional Grants                            | -               | -               | \$2,886          | \$2,875         | \$2,234         |
| <b>Total</b>                                  | <b>\$69,645</b> | <b>\$51,045</b> | <b>\$70,380</b>  | <b>\$57,823</b> | <b>\$74,819</b> |
| Recreational Programming – Operating Revenues | 2012            | 2013            | 2014             | 2015            | 2016            |
| Wages and Salaries                            | \$31,358        | \$32,590        | \$69,651         | \$44,278        | \$37,727        |
| Materials                                     | \$45,233        | \$24,548        | \$43,319         | \$41,408        | \$48,068        |
| <b>Total</b>                                  | <b>\$76,591</b> | <b>\$57,138</b> | <b>\$112,970</b> | <b>\$85,686</b> | <b>\$85,795</b> |
| <b>Cost Recovery</b>                          | <b>90.9%</b>    | <b>89.3%</b>    | <b>62.3%</b>     | <b>67.5%</b>    | <b>87.2%</b>    |

Source: KPMG Analysis of Financial Information Returns

The Township spent approximately \$283,000 in the delivery of its two main recreational services, the operation of its community centre and the delivery of recreational programming. This represents an increase of 29% from the previous year but this appears to be the result of expenditures for materials at the JTCC expenditures being 29% lower than the average over the same time period. Materials for the delivery of the two services is the larger of the two expenditure categories (74% for recreational facilities and 56% for recreational programming) with salaries and benefits being the second (26% for recreational facilities and 44% for programming). In both cases, the Township utilizes part-time and contract employees in the delivery of these services.

Based on our experience, municipalities typically attempt to achieving 25% cost recovery for its recreational facilities and for the five years used for the analysis, the Township appear to exceed this best practice in each year with almost 42% cost recovery in 2016. In many cases, municipalities may operate recreational programming at either full cost recovery or close to it. While the Township does not appear to be achieving full cost recovery, the Township averages 79% over the five years and slightly over 87% in 2016.

# Departmental Analysis

## Recreational and Cultural Services

### Comparative Analysis

| Recreational Facilities           | Johnson   | Bruce Mines           | Burk's Falls | Gore Bay    | Laird     |
|-----------------------------------|-----------|-----------------------|--------------|-------------|-----------|
| Operating Costs                   | \$196,716 | \$76,270              | \$75,894     | \$415,754   | -         |
| User Fees and Service Charges     | \$81,729  | \$57,884              | \$26,149     | \$578,727   | -         |
| Number of households              | 521       | 299                   | 510          | 447         | 527       |
| Net Operating Cost per Household  | \$221     | \$61                  | \$98         | (\$365)     | -         |
| Cost Recovery                     | 41.5%     | 75.9%                 | 34.5%        | 139.2%      | -         |
|                                   |           | Plummer<br>Additional | Ryerson      | South River | Thessalon |
| Operating Costs                   |           | \$27,691              | \$75,894     | \$276,051   | \$249,252 |
| User Fees and Service Charges     |           | \$175                 | \$26,149     | \$131,356   | \$93,930  |
| Number of households              |           | 515                   | 580          | 528         | 624       |
| Net Operating Costs per Household |           | \$53                  | \$86         | \$274       | \$249     |
| Cost Recovery                     |           | 0.6%                  | 34.5%        | 47.7%       | 37.7%     |

Source: KPMG Analysis of Financial Information Returns

# Departmental Analysis

## Recreational and Cultural Services

### Comparative Analysis

| Recreational Programming          | Johnson  | Bruce Mines           | Burk's Falls | Gore Bay    | Laird     |
|-----------------------------------|----------|-----------------------|--------------|-------------|-----------|
| Operating Costs                   | \$85,795 | \$61,452              | \$19,379     | \$46,943    | \$76,093  |
| User Fees and Service Charges     | \$72,585 | -                     | \$5,193      | \$10,525    | \$8,514   |
| Number of households              | 521      | 299                   | 510          | 447         | 527       |
| Net Operating Cost per Household  | \$25     | \$206                 | \$28         | \$81        | \$128     |
| Cost Recovery                     | 84.6%    | 0.0%                  | 26.8%        | 22.4%       | 11.2%     |
|                                   |          | Plummer<br>Additional | Ryerson      | South River | Thessalon |
| Operating Costs                   |          | \$14,923              | \$3,493      | \$17,950    | \$97,165  |
| User Fees and Service Charges     |          | \$8,237               | -            | \$18,257    | \$22,216  |
| Number of households              |          | 515                   | 580          | 528         | 624       |
| Net Operating Costs per Household |          | \$13                  | \$6          | (\$1)       | \$120     |
| Cost Recovery                     |          | 55.2%                 | 0.0%         | 103.8%      | 22.8%     |

Source: KPMG Analysis of Financial Information Returns



# Departmental Analysis

## Recreational and Cultural Services

### *Comparative Analysis*

The net operating cost per household for the operation of the Township's recreational facilities is the third highest among the comparator group but the Township's cost recovery trends towards the upper end of the spectrum. Overall, the Township's operating costs and cost recovery for its recreational facilities appear to be consistent within the comparator group.

For recreational programming, the Township's operating cost per household is the fourth lowest among the comparator group with the second highest level of cost recovery. Whereas the Township was consistent with the comparator group for the operation of recreational facilities, the Township's delivery of recreational programming appears to be achieving more than the comparator group.



# Key Themes

The Township of Johnson – Service Delivery and Operational Review

# Key Themes

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

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

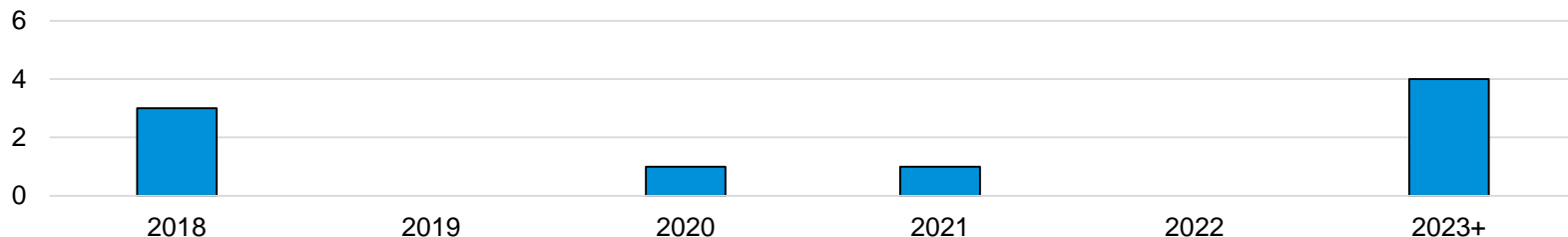
Based on our analysis of the Township's services and the associated operating expenditures, the Township currently provides a complement of services that would appear to be consistent with its comparator group and do not appear to exceed service level standards. Where there appears to be a variance in service levels is associated with the operation of a community centre that has ice operations but only two comparators, Bruce Mines and Plummer Additional, do not provide this service. The remainder of the group provide this service.

Beyond the one variance in service levels, the operating costs associated with municipal service delivery is consistent with the comparator group with limited discretionary services being provided by the Township. For the services identified and analysed as part of the review process, the Township is either the median or close to the median for the full complement of services provided by the Township. Given the current state of service levels and associated costs, this appears to limit the number of opportunities to reduce service levels.

## 2. Staffing levels appear to be consistent with the comparator group

Similar to the previous theme, the Township appears to have a municipal workforce that is consistent with the comparator group. Based on our analysis of the Township's current personnel profile and the comparative analysis, the average number of fulltime equivalent ('FTE') employees for the comparator group is 9.5 FTEs whereas the Township currently has 8.0 FTEs.

The challenge that the Township may be facing in the coming years is common across the municipal sector. The current demographics of the Township's municipal personnel trends closer to retirement opposed to those beginning or in the midst of the professional careers. The average age of the Township's workforce is 59 years old and therefore, the Township may want to begin to plan how the municipality will address this impending challenge. The chart below is an illustration of the Township's potential retirement profile:



# Key Themes

## **3. Corporate systems may need to be developed to support municipal operations**

With 47 suggested changes to key processes and other items for the Township's consideration, the Township has the opportunity of updating its processes, policies and overall practices as a result of the review. However, it should be noted that the number of changes to the Township's processes does not suggest that the municipality has been mismanaged to date but instead, continued to operate as it did year after year – in our experience, this is common in both small and large organizations.



# Opportunity Identification

The Township of Johnson – Service Delivery and Operational Review

# Opportunity Identification

This section of our report outlines the potential opportunities for the consideration of the Township and they generally fall into one of four categories:

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

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

# Frequency of Council Meetings

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

## Type of opportunity:

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

*Operational*

## Implementation timeframe:

*2018*

*2019*

*Subsequent years*

## A. Opportunity Overview

- x The *Municipal Act* sets out the legislative framework by which the municipalities of the province shall adhere to when conducting municipal meetings which includes what constitutes a meeting, where meetings shall be held and how participation and any subsequent voting takes place. Where the provincial legislation is silent on the subject of Council meetings pertains to the frequency of those meetings. Through its procedural by-law, a municipality has the authority to establish how many times Council will meet over the course of their four year term and given this, the frequency of Council meetings can vary from municipality to municipality.

The frequency of Council meetings may have an impact upon municipal operations. In circumstances where Council meets several times a month, the number of meetings may have an impact on staff resources because of the amount of time and effort directed in preparing for and ensuring Council has the information required for each and every meeting. On the other hand, municipalities who may meet monthly or potentially less than once a month may also experience issues with the effectiveness and efficiency in their decision making where matters may not be resolved at one meeting and absent of holding a special meeting of Council, may take upwards to four weeks to address.

The Township of Johnson's Council meets on a monthly basis and while the Township may schedule special Council meetings, mainly for annual budget purposes, the Township may wish to consider increasing the frequency of its Council meetings to potentially improve upon its decision making process.

Based on our analysis of the frequency of the comparator municipalities, the majority of the comparator municipalities meet at least twice a month to conduct their business with additional meetings typically scheduled for either planning or annual budget purposes.

## B. Financial Impact

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

## C. Implementation Timeframe

Any changes to the frequency of Council meetings requires a change to the Township's procedural by-law but could take place immediately. However, given the timing of the review, the Township may wish to identify this as a potential matter for the consideration of the incoming Council which will assume office in December 2018.

Additionally, the Township may wish to consult with the public to gain their perspective on Council meetings.

# Frequency of Council Meetings

## Potential financial impact

- Not applicable* x
- To be determined*
- Less than \$25,000*
- \$25,000 to \$50,000*
- \$50,000 to \$75,000*
- More than \$75,000*

## Type of opportunity:

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

## Approval category:

- Strategic* x
- Operational*

## Implementation timeframe:

- 2018* x
- 2019*
- Subsequent years*

## D. Suggested Approval Requirements

Any changes to the frequency of Council meetings will require an amendment to the Township's procedural by-law on the part of Council and as such, we would consider it to be a strategic-level opportunity.

## E. Other Considerations

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



# Corporate Systems Development

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

## Type of opportunity:

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

*Operational*

## Implementation timeframe:

*2018*

*2019*

*Subsequent years*

## A. Opportunity Overview

- x During the course of our review, we noted that the Township is currently lacking or inconsistently delivering upon corporate programs, policies and systems necessary to ensure the effective and efficient delivery of municipal services. Specifically, we note that the following are either lacking or in early stages:
- The Township does not appear to have a formal organizational chart which establishes the lines of communication but more importantly establishes the reporting relationships for the entire organization. While the Township may not be a large organization with multiple departments and managerial layers, an organizational chart still remains as an important illustration of the reporting relationships within the organization. The Township may wish to develop an organizational chart
  - The identification of future staffing needs with the initiation of succession planning within the organization.
  - Up-to-date job descriptions that reflect the current functions undertaken by municipal employees. In certain instances, the Township does not appear to have a job description for every position within the organization. The Township may wish to consider a review of all positions to ensure that job descriptions exist for each position and where job descriptions exist, ensure that they accurately reflect the roles and responsibilities for each;
  - Establish training policies to ensure training reflects the roles and responsibilities of staff and explore the potential of cross-training staff to better assist the Township in the delivery of all municipal services;
  - Establish an annual goal setting process for management that aligns with corporate and Council priorities. In order to establish a process such as this, the Township will need to develop what its priorities are for the present and future which typically rests with Council;
  - The goals and objectives identified above are then linked to formal and timely performance evaluations for the Township's employees. Based upon our understanding of the Township's operations, there does not appear to a formal performance management system. A performance management system is critical to the effective and efficient delivery of municipal services. The intent of a performance management system is to provide to effectively evaluate the performance of staff where an employee's performance is discussed in a meaningful way. Areas where employees excel and/or may require attention should be discussed with plans to address those areas which may need to be improved. While this may be viewed as an additional responsibility, it should not become time intensive but concurrently, be treated as an important annual exercise opposed to a "tick the box" activity. The Township may wish to develop a performance management system for its employees.
- x
- x
- x

# Corporate Systems Development

## Potential financial impact

*Not applicable*

x

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

## Type of opportunity:

*Service level reduction*

*Operating efficiency*

x

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

x

*Operational*

x

## Implementation timeframe:

*2018*

x

*2019*

*Subsequent years*

## B. Financial Impact

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

## C. Implementation Timeframe

The development and implementation of corporate systems could commence immediately, recognizing that the process may require one to two years to complete. One aspect of this opportunity (establishing Council goals and objectives) may be identified as an item for the next Council's consideration.

While the majority of work involved in the development and implementation of corporate systems could likely be undertaken internally, the Township may be required to retain external advisors for certain aspects of this opportunity to provide additional expertise.

## D. Suggested Approval Requirements

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

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

## E. Other Considerations

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

# Frequency of Tendering

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

## Type of opportunity:

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

*Operational*

## Implementation timeframe:

*2018*

*2019*

*Subsequent years*

## A. Opportunity Overview

- x The Township has a number of contracts for services and materials including professional services (legal, insurance, etc) and operational services (public works related works). During the course of the review, the information shared with KPMG indicates that the Township's procurement bylaw establishes a tendering process but it appears services may not be tendered as frequently as they could be. Increasing the frequency of tendering for services is a municipal best practice, allows the Township to test the market and ensure the municipality is receiving best value for purchased goods and services.

## B. Financial Impact

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

## C. Implementation Timeframe

- x The implementation of this opportunity is dependent on existing contracts with service providers. In the meantime, the Township may wish to commence this immediately by reviewing which services are subject to tender, when those contracts expire and the development of a policy framework to guide the Township on go forward basis.

## D. Suggested Approval Requirements

Given the nature of this opportunity in that it is similar to the development of the other corporate systems, it is considered to be operational in nature and as such, we suggest it can be implemented without Council approval.

## E. Other Considerations

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

# Establish a Capital Levy

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

## Type of opportunity:

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

*Operational*

## Implementation timeframe:

*2018*

*2019*

*Subsequent years*

## A. Opportunity Overview

Since 2013 when the Province of Ontario required the development and adoption of asset management plans for municipalities seeking capital funds and more recently, the passing of Ontario Regulation 588/17, Asset Management Planning for Municipal Infrastructure, the Province is building a legislative framework requiring municipalities to account for their infrastructure as well as viewing asset management with a more strategic lens.

Based upon the findings of the Township's asset management plan, the asset management plan identified the annual needs for both capital investment as well as for the maintenance of its assets up until 2023. The following chart is a summary of the identified capital and maintenance costs for the next five years:

|                           | 2019            | 2020             | 2021             | 2022             | 2023             |
|---------------------------|-----------------|------------------|------------------|------------------|------------------|
| Capital expenditures      | \$71,200        | \$381,600        | \$392,500        | \$138,000        | \$359,100        |
| Maintenance               | \$28,200        | \$34,000         | -                | \$12,500         | -                |
| <b>Total</b>              | <b>\$99,400</b> | <b>\$415,600</b> | <b>\$392,500</b> | <b>\$150,500</b> | <b>\$359,100</b> |
| Households                | 521             |                  |                  |                  |                  |
| <b>Per Household Cost</b> | <b>\$190.79</b> | <b>\$797.70</b>  | <b>\$753.36</b>  | <b>\$288.87</b>  | <b>\$689.25</b>  |

Many municipalities similar to the Township recognize their inability to unilaterally address their respective infrastructure financial needs but at the same, recognize that capital needs cannot be ignored. A potential financing strategy being used in the municipal sector is the adoption of a capital levy. The Township has recently adopted a capital levy for the financing of its water and wastewater capital which is borne by the users of the system but the Township may wish to consider the same for the remainder of its capital needs.

## B. Financial Impact

The introduction of a five year capital levy would see an additional increase of 2% on annual levy with the new revenue allocated to capital purposes (i.e. not for operations). The capital levy would add approximately \$30,000 per year to existing capital funding and nearly \$150,000 in the fifth year of the levy, which is significant in comparison to current spending.

# Establish a Capital Levy

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

## Type of opportunity:

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

*Operational*

## Implementation timeframe:

*2018*

*2019*

*Subsequent years*

## C. Implementation Timeframe

The implementation of this opportunity may commence immediately and could be implemented as part of the Township's 2019 budget process. To assist in the implementation of this opportunity, a sample policy statement is provided below:

*x The Township of Johnson shall increase the Municipal Levy by a minimum of 2% per year for each of the next five years (2019 to 2023 inclusive), with the 2% increase being added to the Capital Levy.*

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

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

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

## D. Suggested Approval Requirements

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

## E. Other Considerations

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

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

# The Development of Financial Processes and Policies

## Potential financial impact

*Not applicable*

x

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

## Type of opportunity:

*Service level reduction*

*Operating efficiency*

x

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

x

*Operational*

## Implementation timeframe:

*2018*

x

*2019*

*Subsequent years*

## A. Opportunity Overview

During the course of our review, we noted that the Township does not possess a number of processes and policies which are considered to best practice in the municipal sector and with the absence of process and policy, there can be delays/inefficiencies in its operations. Later on in the report, KPMG mapped out a number of internal processes with a lens of improving upon internal efficiency and effectiveness. In addition to those processes, these broader processes and policies were identified for the consideration of the Township and include:

### *The Budget Process*

At the time of the review, the Township was in the midst of passing its 2018 Budget. Information shared with KPMG as part of the second phase of the review appeared to show a trend where the Township does not adopt its annual budget in a timely fashion. The result of delays in this process is the Township appears to file financial information later in the year and in the past, has had grant funding (OMPF) withheld.

Given the current state of the Township's budget process, the Township may wish to implement a budget process and policy to provide timelines and guidance in the development of its annual budget. The potential objectives of a budget policy could be as follows:

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

A sample policy is provided in Appendix A for the Township's consideration.

# The Development of Financial Processes and Policies

## Potential financial impact

Not applicable

To be determined

Less than \$25,000

\$25,000 to \$50,000

\$50,000 to \$75,000

More than \$75,000

## Type of opportunity:

Service level reduction

Operating efficiency

Alternate delivery

Revenue generation

## Approval category:

Strategic

Operational

## Implementation timeframe:

2018

2019

Subsequent years

## A. Opportunity Overview

x *Reserve policies including the creation of stabilization reserves*

The development and investment in reserves and reserve funds is a key component to the long-term financial sustainability of a municipality. In order to guide the municipal use of reserves and reserve funds, municipalities may develop and adopt a reserve and reserve fund policy. The purpose of the policy is to establish the framework and outline requirements for establishing reserve funds, authorizations required for use of reserve funds, and for reporting requirements to Council.

Given the absence of a reserve policy, the Township may wish to implement a policy which is considered to be a municipal best practice. The potential objectives of a budget policy could be as follows:

- To reduce the risks to the taxpayer of significant budget impacts arising from uncontrollable events and activities;
- x • To provide a source of one-time or short term financing without permanently impacting the tax rates. For example, capital projects or major capital equipment requirements, which are not included in approved budgets and cannot be reasonably funded by delaying a lower priority capital project;
- To provide a source of funding for a onetime operating expenditure, including small capital, not in approved budget allocations;
- x • To ensure adequate cash flows and liquidity; and
- To maintain a level of reserves that would be comparable to other Ontario municipalities and as potentially defined as performance targets within the policy.

x A sample policy is provided in Appendix A for the Township's consideration.

# The Development of Financial Processes and Policies

|                                   |   |   |
|-----------------------------------|---|---|
| <b>Potential financial impact</b> |   | <b>A. Opportunity Overview</b>  |
| <i>Not applicable</i>             | x | <i>Debt policy</i>  |
| <i>To be determined</i>           |   | Establishment of a debt policy sets out the guiding principles for the approval, issuance and administration of any debt, which shall adhere to all statutory requirements.   |
| <i>Less than \$25,000</i>         |   | Debt policies may contain policy statement that will guide Council such as:   |
| <i>\$25,000 to \$50,000</i>       |   | <ul style="list-style-type: none"> <li>• Consideration will be given to the impact on future taxpayers</li> <li>• The term of long-term debt will not exceed the useful life of the particular asset; and</li> <li>• The issuance of long-term debt will not result in the Township exceeding its Debt and Financial Obligation Limit as set by the Province of Ontario.</li> </ul> |
| <i>\$50,000 to \$75,000</i>       |   |   |
| <i>More than \$75,000</i>         |   |   |
| <b>Type of opportunity:</b>       |   |   |
| <i>Service level reduction</i>    |   |   |
| <i>Operating efficiency</i>       | x | A sample policy is provided in Appendix A for the Township's consideration.   |
| <i>Alternate delivery</i>         |   | <b>B. Financial Impact</b>  |
| <i>Revenue generation</i>         |   | This opportunity is intended to increase the overall efficiency of the organization and as such, the potential cost savings cannot be reasonably determined.  |
| <b>Approval category:</b>         |   |   |
| <i>Strategic</i>                  | x | <b>C. Implementation Timeframe</b>  |
| <i>Operational</i>                |   | The Township may wish to commence the development and adoption of the policies identified. The cumulative intent of the policies is to streamline the financial administration of the Township and address operational inefficiencies by putting processes on 'auto pilot' where the policies guide the budget process and related financial matters.                               |
| <b>Implementation timeframe:</b>  |   |   |
| <i>2018</i>                       | x | From a timing perspective, the development and subsequent implementation could commence immediately. To assist in the development and implementation process, sample policies can be found in Appendix A of this report.  |
| <i>2019</i>                       |   |   |
| <i>Subsequent years</i>           |   |   |



# The Development of Financial Processes and Policies

## Potential financial impact

*Not applicable* x

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

## Type of opportunity:

*Service level reduction*

*Operating efficiency* x

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic* x

*Operational*

## Implementation timeframe:

*2018* x

*2019*

*Subsequent years*

## D. Suggested Approval Requirements

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

## E. Other Considerations

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

# Explore the Potential of the Expansion of Shared Services

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

## Type of opportunity:

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

*Operational*

## Implementation timeframe:

*2018*

*2019*

*Subsequent years*

## A. Opportunity Overview

Recently, the Ministry of Municipal Affairs conducted a survey of Ontario's 444 municipalities to determine the extent, nature and benefits of shared service arrangements involving municipalities and other public sector organizations. A total of 400 municipalities responded to the survey (a 90% response rate), with 92% of respondents indicating that they participated in some form of shared service arrangement, which most often involved the following municipal services:

- Roads maintenance (41% of respondents)
- Libraries (38% of respondents)
- Planning, building inspection and bylaw enforcement (37% of respondents)
- Waste management (35% of respondents)
- Economic development (32% of respondents)
- Purchasing (32% of respondents)
- Recreation facilities (30% of respondents)

At the time of this review, the Township of Johnson is participating in a number of formal and informal shared service arrangements with neighbouring communities. Based upon on information shared, the following shared service arrangements are in place:

### *Fire Services*

Currently, the Township has a shared service arrangement with the Municipality of Bruce Mines whereas when there is a fire-related incident, a call will go out to the two volunteer departments. The intent of the arrangement is to increase the potential for a full complement of fire personnel. Although the call will go out to the two departments, either side can cancel a response from their partner if the incident does not warrant a full complement.

# Explore the Potential of the Expansion of Shared Services

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

## Type of opportunity:

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

*Operational*

## Implementation timeframe:

*2018*

*2019*

*Subsequent years*

## A. Opportunity Overview

### *Recreation Services*

- x The Township provides recreational services on a quasi-regional basis whereas neighbouring communities use the Johnson Township Community Centre ('JTCC') as well as can access the various recreational programs that the Township offers. Based on information shared, the Township has agreements with two neighbouring communities, the Townships of Tarbutt and Tarbutt Additional and Plummer Additional, for the provision of recreational programming services.

### *Boundary Road Maintenance*

In addition to their partnerships for recreational services, the Township also has boundary road maintenance agreements in place with the Townships of Tarbutt and Tarbutt Additional and Plummer Additional.

### *Operation of the Landfill*

- x The Township has a shared service arrangement with the Township of Tarbutt and Tarbutt Additional in the operation of the Johnson and Tarbutt landfill site. Beyond the operation of the site, the Township provides winter maintenance to the site and the other municipality assumes summer maintenance responsibilities.

Beyond those listed above, there is the potential for the Township to explore expanding upon the types of services shared with neighbouring communities. From our perspective, we believe there are four reasons why the expansion of shared services may be of a benefit to the Township:

1. Shared service arrangements have proven successful elsewhere and are becoming municipal best practice;
2. Changes to Provincial funding are placing significant short-term financial pressures on the municipal levy;
3. The need to address needed infrastructure reinvestments will further challenge affordability for local ratepayers; and
4. Shared service arrangements have already made meaningful contributions to the area.

As a result of that and on the following page, the Township may wish to explore these potential areas:

# Explore the Potential of the Expansion of Shared Services

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

## Type of opportunity:

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

*Operational*

## Implementation timeframe:

*2018*

*2019*

*Subsequent years*

## A. Opportunity Overview

### *The Johnson Township Community Centre*

- x Based on anecdotal information provided during the course of the review, the JTCC serves more than the Township's residents and users of the facility may come from the surrounding region including neighbouring communities such as the Town of Bruce Mines, the Townships of Plummer Additional and Tarbutt and Tarbutt Additional and the City of Sault Ste. Marie. Of those fore-mentioned municipalities, the Township has only one agreement in place with the Township of Tarbutt and Tarbutt Additional where the Township is provided with an annual monetary contribution to assist in offsetting the operating costs at the JTCC.
- x Municipal recreational facilities, by their nature, do not operate at full cost recovery because in order to so, the associated user fees would potentially create significant financial barriers to the majority of users. As such, municipalities finance their operations through the municipal tax levy. For those who do not reside in the community and where there is not distinction between resident and non-resident user fees, a contribution is not provided via the levy. Therefore, those users receive the benefits of the facility without assuming an equitable share of the operating and capital costs.
- To potentially address this matter, the Township may wish to explore the potential of seeking similar arrangements with other neighbouring communities as to the one with the Township of Tarbutt and Tarbutt Additional. However, prior to engaging neighbouring communities, the Township may need to collect information concerning the residency of recreational facility users of the JTCC in order to assess the number of non-resident users and assist in demonstrating the value of the facility to those communities.
- Group purchasing of services and materials*
- x Approximately 32% of Ontario's municipalities participate in group purchasing and group procurement may include the collective purchasing of office supplies, materials, engineering services, insurance and legal services. At the present time, the Township does not participate in group purchasing with other neighbour municipalities or other public sector bodies (school boards, hospitals, etc.). Case study research performed by KPMG indicates municipalities may save between 5% to 20% when participating in group procurement. As such, the Township may wish to explore engaging with neighbouring communities to discuss the potential for group purchasing.

# Explore the Potential of the Expansion of Shared Services

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

## Type of opportunity:

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

*Operational*

## Implementation timeframe:

*2018*

*2019*

*Subsequent years*

## A. Opportunity Overview

### Sharing of Staff Resources

- x Sharing municipal staff is common practice in the municipal sector and it is commonly found where a group of municipalities may share personnel associated with the delivery of protective services (fire, building and by-law enforcement). In addition of the sharing of protective service staff, there are examples across the Province of Ontario where municipalities share other key positions within their organizations including with Chief Administrative Officers, Treasurers and other senior level positions.

Beyond those positions identified above, municipalities have explored the potential of increasing organizational capacity through shared service arrangements whereas the cost of hiring a specific skill set/profession would be financially difficult but when shared, allows for each municipality to access this expertise at a lower cost.

The Township may wish to explore engaging with neighbouring communities to discuss the potential for the sharing of municipal staff.

## B. Financial Impact

This opportunity is subject to what extent the Township has success in acquiring the necessary buy-in from neighbouring communities and as such, the potential cost savings cannot be reasonably determined.

## C. Implementation Timeframe

The Township could begin to explore the potential of this opportunity immediately with its subsequent implementation to follow but prior to this, the following may need to take place including:

- x
  - An internal review of available capacity to determine whether or not it is suitable to share services without compromising current service levels.
  - As noted earlier, the identification of non-resident users of the JTCC to assist in the potential development of a financial relationship with neighbouring communities.

Once those matters are addressed and if a shared service arrangement is to be pursued, other administrative items such as the development of a formal service level agreement and cost sharing mechanisms would be required.

# Explore the Potential of the Expansion of Shared Services

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

## Type of opportunity:

*Service level reduction*

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

*Operational*

## Implementation timeframe:

*2018*

*2019*

*Subsequent years*

## D. Suggested Approval Requirements

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

## E. Other Considerations

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

# User Fees

## Potential financial impact

- Not applicable* x
- To be determined*
- Less than \$25,000*
- \$25,000 to \$50,000*
- \$50,000 to \$75,000*
- More than \$75,000*

## Type of opportunity:

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

## Approval category:

- Strategic* x
- Operational*

## Implementation timeframe:

- 2018*
- 2019* x
- Subsequent years*

## A. Opportunity Overview

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

In terms of annual increases to user fees and based on our experience, municipalities typically adjust their fees in one of three ways:

1. User fees are not increased on annual basis and as a result, the subsidy provided through the municipal levy for the associated service increases;
2. The most common approach utilized by municipalities is an blanket increase in user fees by a percentage on an annual basis typically be linked to the increase in the consumer price index ('CPI'); or
3. The third approach is one where municipalities appear to shift away from the traditional approaches and establishing cost recovery targets for user fees.

The benefit with the third approach is that it may better address those elements (materials, hydro, etc.) related to providing a service which may not follow the inflationary curve associated with the CPI and as a result, there is greater potential of maintaining the level of municipal subsidy provided opposed to it increasing when only the rate of inflation is applied. In our experience, municipalities commonly use this approach for recreational and/or community focused services.

# User Fees

## Potential financial impact

- Not applicable* x
- To be determined*
- Less than \$25,000*
- \$25,000 to \$50,000*
- \$50,000 to \$75,000*
- More than \$75,000*

## Type of opportunity:

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

## Approval category:

- Strategic* x
- Operational*

## Implementation timeframe:

- 2018*
- 2019* x
- Subsequent years*

## B. Financial Impact and Timeframe

A new user fee structure could be implemented as part of the Township's review of its current user fee bylaw and implemented as part of the 2019 budget process. Based on the three scenarios presented and the current rate of cost recovery, the increases may need to be phased in over time to lessen the potential impact on the community. Beyond a phased in approach and dependent on Council's decision to pursue a cost recovery target higher than current levels, Council may wish to consult with the community and in particular, facility user groups regarding increasing user fees and the potential impact upon utilization.

## C. Suggested Approval Requirements

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

## D. Other Considerations

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

The potential does exist for negative reception to this opportunity by residents, leading to reduced utilization of the municipal services and a net decrease in revenues.



# Explore the Potential Rationalization of Recreational Services

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

x

## Type of opportunity:

*Service level reduction*

x

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

x

*Operational*

## Implementation timeframe:

*2018*

*2019*

x

*Subsequent years*

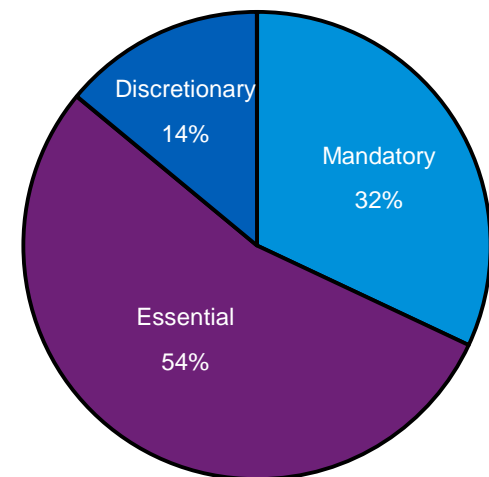
## A. Opportunity Overview

Municipalities provide a wide range of services. Those services may be categorized as:

- **Mandatory** – These services are those that the municipality is obligated to provide through various pieces of legislation. Mandatory services includes annual financial contributions to the Algoma Health Unit, Algoma District Social Services Board, and the provision of protective services (police, fire, etc);
- **Essential** – Essential services are services that are typically delivered by municipalities and if a municipality decides to provide a service, there is legislation and regulations associated with the service. Examples of essential services include infrastructure services such as roads and environmental services (water and wastewater services); and
- **Discretionary** – The final category of services are those by which there is no requirement under provincial legislation to offer a service and therefore, it is a full discretion of the municipality to offer a discretionary service or not. Discretionary services are typically recreational and/or cultural in nature but may also include economic development activities as well.

The chart to the right is a graphic representation of the Township's operating expenditures as defined by the three categories listed above.

Based upon our analysis, approximately 86% of the Township's operating expenditures fall into the mandatory and essential service categories. This can be expressed in different terms whereas for every dollar the Township spends, 14 cents is discretionary and the Township has the ability to change this level of spending.



# Explore the Potential Rationalization of Recreational Services

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

x

## Type of opportunity:

*Service level reduction*

x

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

x

*Operational*

## Implementation timeframe:

*2018*

*2019*

x

*Subsequent years*

## A. Opportunity Overview

As one moves along the spectrum of services from mandatory to discretionary, a municipality's ability to affect change corresponds. Concurrently, any changes to a discretionary service level, more specifically, a service level reduction, may have a greater impact on the community.

Based on our understanding of the Township's operations, the Township of Johnson appears to offer to recreational services in two ways – first, it owns and operates the JTCC and second, through the provision of recreational programming services. Both of these services are not exclusively used by the Township's residents but accessed by the residents of neighbouring communities.

The following charts provide an illustration of the cost recovery for the two services and net per household costs for the Township:

### Operation of the JTCC (2012 to 2016)

| Operation of JTCC      | 2012      | 2013      | 2014      | 2015      | 2016      |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| Operating Expenditures | \$144,862 | \$182,408 | \$176,240 | \$133,905 | \$196,716 |
| Revenues               | \$47,641  | \$48,007  | \$58,666  | \$35,923  | \$81,729  |
| Net Cost               | \$97,221  | \$134,401 | \$117,574 | \$97,982  | \$114,987 |
| Net Cost per Household | \$186.50  | \$257.97  | \$225.67  | \$188.07  | \$220.70  |
| Cost Recovery          | 33%       | 25%       | 33%       | 27%       | 42%       |

# Explore the Potential Rationalization of Recreational Services

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

x

## Type of opportunity:

*Service level reduction*

x

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

x

*Operational*

## Implementation timeframe:

*2018*

*2019*

x

*Subsequent years*

## A. Opportunity Overview

### Recreational Programming (2012 to 2016)

| Recreational Programming | 2012     | 2013     | 2014      | 2015     | 2016     |
|--------------------------|----------|----------|-----------|----------|----------|
| Operating Expenditures   | \$76,771 | \$57,138 | \$112,910 | \$85,686 | \$85,795 |
| Revenues                 | \$69,465 | \$51,045 | \$70,380  | \$57,823 | \$74,819 |
| Net Cost                 | \$7,306  | \$6,093  | \$42,530  | \$27,863 | \$10,976 |
| Net Cost per Household   | \$14.02  | \$11.69  | \$81.63   | \$53.48  | \$21.07  |
| Cost Recovery            | 90%      | 89%      | 62%       | 67%      | 87%      |

Based on our experience, municipalities typically recover between 20% to 25% of its operating costs of a recreational facility (arena) through user fees and other revenue. The Township has either met the upper end of the range or exceeded that over the five years noted above. Additionally, the Township's cost recovery is consistent with the municipal comparators who operate recreational facilities where the average was 39% cost recovery for 2016.

When examining recreational programming services, the level of cost recovery can vary. In some cases, municipalities will offer recreational programming with the expectation that it is a service that will not recover its costs but instead, provide service to the community. In other cases, there are municipalities that provide recreational programming with an expectation that the program will operate on a full cost recovery basis or they may not be offered the following year. For the years above, the Township has approached full cost recovery for three of the five years. In comparison to the review's comparator municipalities, only the Village of South River recovers more than the Township. South River recovered 104% of its operating costs through user fees but the Township is significantly higher than the comparator average of 30%.

# Explore the Potential Rationalization of Recreational Services

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

x

## Type of opportunity:

*Service level reduction*

x

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

x

*Operational*

## Implementation timeframe:

*2018*

*2019*

x

*Subsequent years*

## A. Opportunity Overview

Returning to the nature of these two services, the Township has complete discretion to determine whether or not these services need to be offered to its residents. However, in our experience, municipalities provide some level of recreational service to its residents but the Township may consider what is the appropriate level of recreational services for the Township.

Prior to deciding upon a plan of action, the Township may wish to consider the following:

- Seek out opportunities to increase the utilization of the JTCC. Within this, the Township may wish to develop an actionable plan to increase usage of the facility beyond the Township's boundaries.
- Ensure that all recreational programs operate on a full cost recovery basis and in the event, one or more recreation program does not achieve this target, those programs are then potentially discontinued for the following year. This could be achieved through an increase in user fees to ensure the target is achieved on an annual basis.
  - Note: While there exists the potential to achieve full cost recovery for recreational programming, this may not be applicable to the operation of the JTCC. Any attempt to achieve full cost recovery at the JTCC may create barriers to access for many facility users and thus, have the potential to increase the municipal subsidy.
- As identified earlier in the report, explore the potential of entering into some form of shared services arrangement with neighbouring communities to further increase the overall level of cost recovery of the JTCC as well as recreational programming.

## B. Financial Impact

This opportunity is subject to what extent the Township has success in increasing revenues related to the provision of recreational services and in the event, it does not achieve its intended targets, the financial impact will correspond. If the Township were to proceed with discontinuing all activity, the Township could potentially realize cost savings of \$126,000 in net operational costs. There may associated capital savings but it must be noted that the JTCC has recently undergone significant capital upgrades in recent years.

# Explore the Potential Rationalization of Recreational Services

## Potential financial impact

*Not applicable*

*To be determined*

*Less than \$25,000*

*\$25,000 to \$50,000*

*\$50,000 to \$75,000*

*More than \$75,000*

x

## Type of opportunity:

*Service level reduction*

x

*Operating efficiency*

*Alternate delivery*

*Revenue generation*

## Approval category:

*Strategic*

x

*Operational*

## Implementation timeframe:

*2018*

*2019*

x

*Subsequent years*

## C. Implementation Timeframe

The Township could begin to explore the potential of this opportunity immediately with its subsequent implementation to follow but prior to this, the following may need to take place including:

- Consideration to implement as part of the following year's budget to allow for public consultations as to what recreational services should look like; and
- Given the timing of the review, provide user groups with notice and allow them to alter their own delivery of service

## D. Suggested Approval Requirements

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

## E. Other Considerations

This opportunity is not expected to pose significant risks from a labour relations, regulatory and public safety perspective. The potential does exist for negative reception to this opportunity by residents as this would represent a significant service level reduction and as such, the impact on the community is immeasurable. As noted above, the Township may wish to consider extensive community engagement prior to making any decisions to gain a better understanding as to what the impacts would be on its residents.



# Additional Opportunities – Process Mapping

The Township of Johnson – Service Delivery and Operational Review

# Additional Opportunities – Process Mapping

In addition to the identification of potential opportunities in the previous chapter, KPMG also conducted value stream process mapping of the Township's internal processes. The intent of this exercise was to identify potential courses of action for the Township to consider to reduce risk and increase the overall effectiveness and efficiency of the Township.

The processes identified, mapped and provided with potential courses of action include:

- Time sheet submission
- Use of credit cards
- Application for grants
- Building permits
- End of day cash reconciliation
- Payroll processing
- Recording of transactions
- Arena and Community Centre rentals
- Property taxation – In person and online
- Purchasing
- Payments
- User fees
- Water and sewer – In person and online

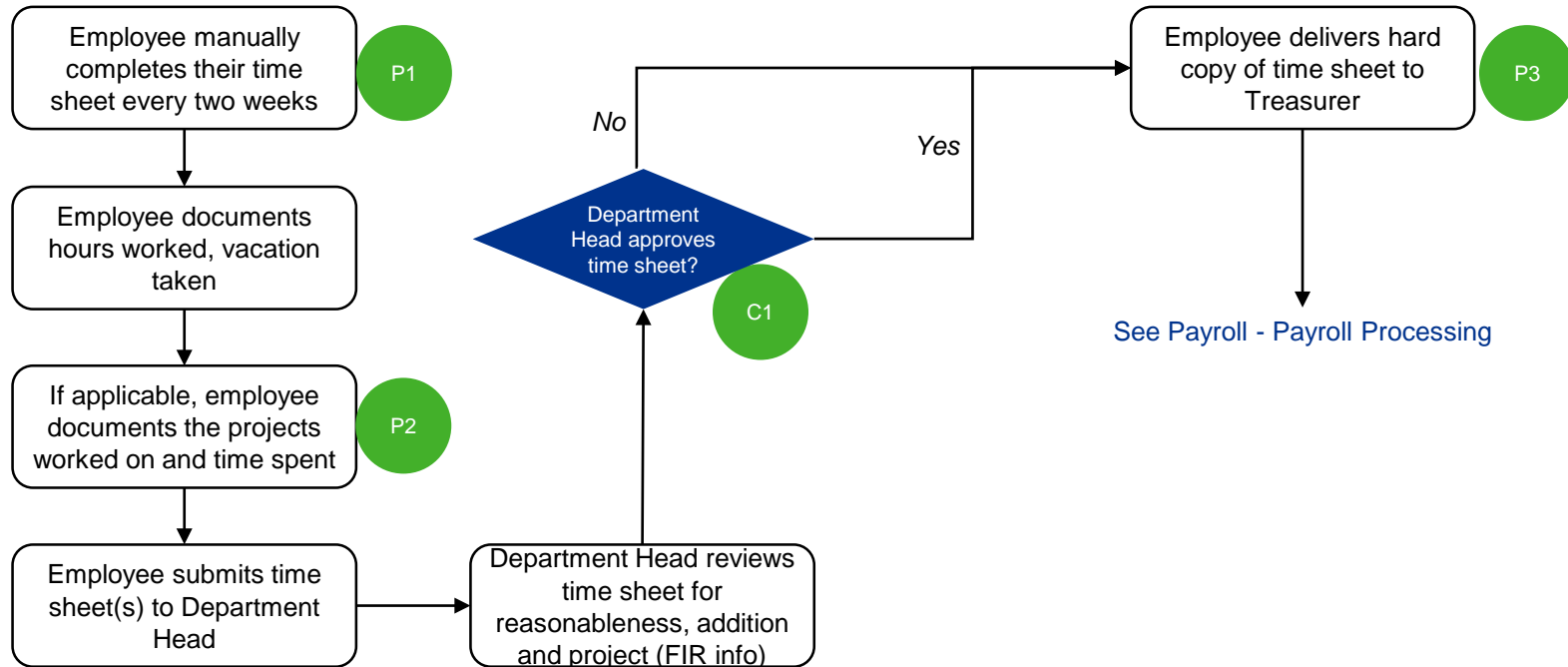
The following is our understanding of the current state of each process and our analysis as to how the Township could potentially address any identified risks and inefficiencies.



# Payroll



# Payroll: Time Sheet Submission

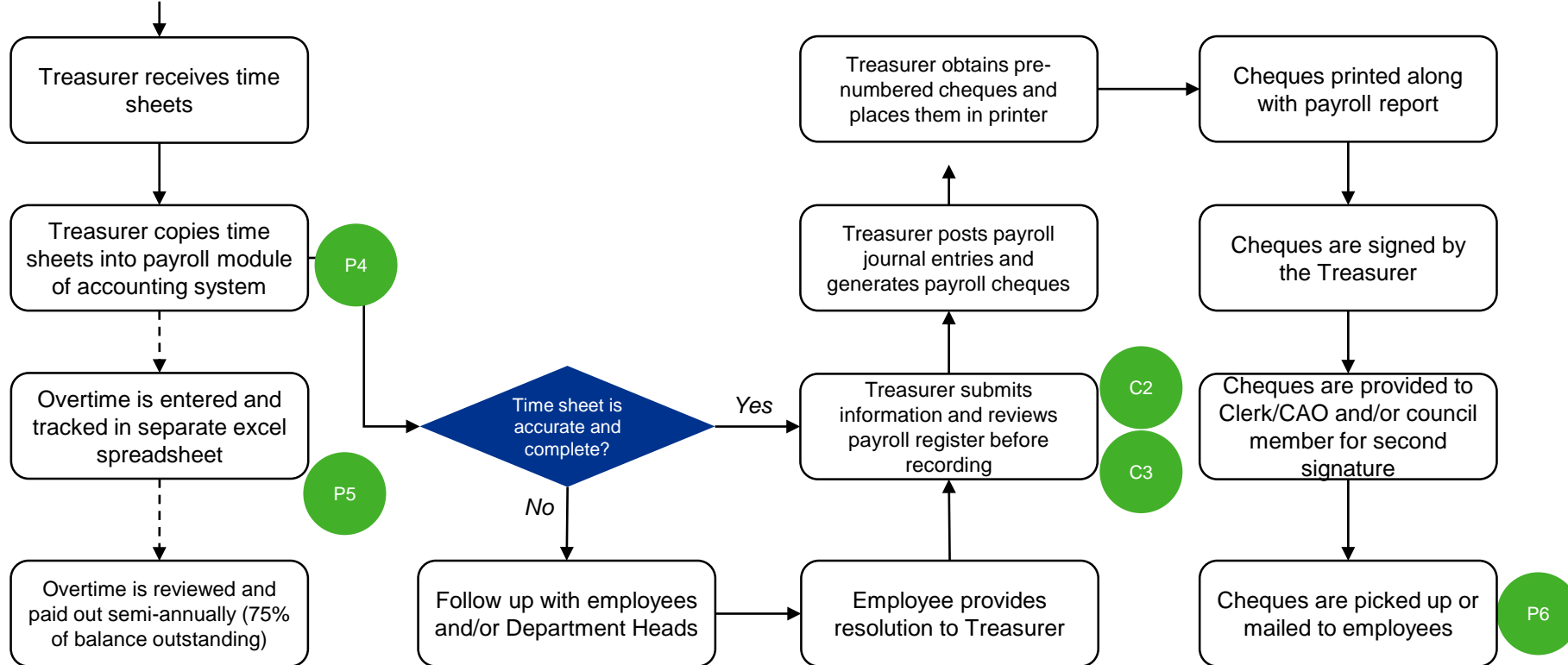


# Potential Process Improvements - Payroll

| Risk | Process                           | Description of Risk and/or Inefficiency   | Potential Course of Action   |
|------|-----------------------------------|---|--|
| C1   | Payroll:<br>Time Sheet Submission | <b>Risk:</b> Time sheets are submitted to Treasurer without approval for processing. The risk is the potential for employees being paid for hours not worked.   | Only process timesheets that contain Department Head approvals.  |
| P1   | Payroll:<br>Payroll Processing    | <b>Inefficiency:</b> Timesheets are prepared manually which can result in timesheets being inaccurate (e.g. all hours not adding to 70 hours every pay period) or incomplete (e.g. description of the tasks and projects completed not being recorded). | Have staff complete timesheets electronically, restricting submission until all errors or discrepancies have been addressed.   |
| P2   | Payroll:<br>Payroll Processing    | <b>Inefficiency:</b> Staff, specifically in the Public Works division, are not always aware that a separate project code has been created in the payroll module.  | Distribute a listing of open project codes to staff every month, specifically in the Public Works division.  |
| P3   | Payroll:<br>Payroll Processing    | <b>Inefficiency:</b> Employees need to bring hard copies of their timesheets to the Township office. The time taken to deliver the timesheets can be spent on other value added activities.   | Set up a shared folder on the Township's network that restricts access to only the Department Heads. At the end of the pay period, the Department Head can scan and save the time sheets in the shared folder. This will also indicate their review and approval. The Treasurer can then retrieve the time sheets from this folder and save them electronically. |

# Payroll: Payroll Processing

From: Payroll: Time Sheet Submission



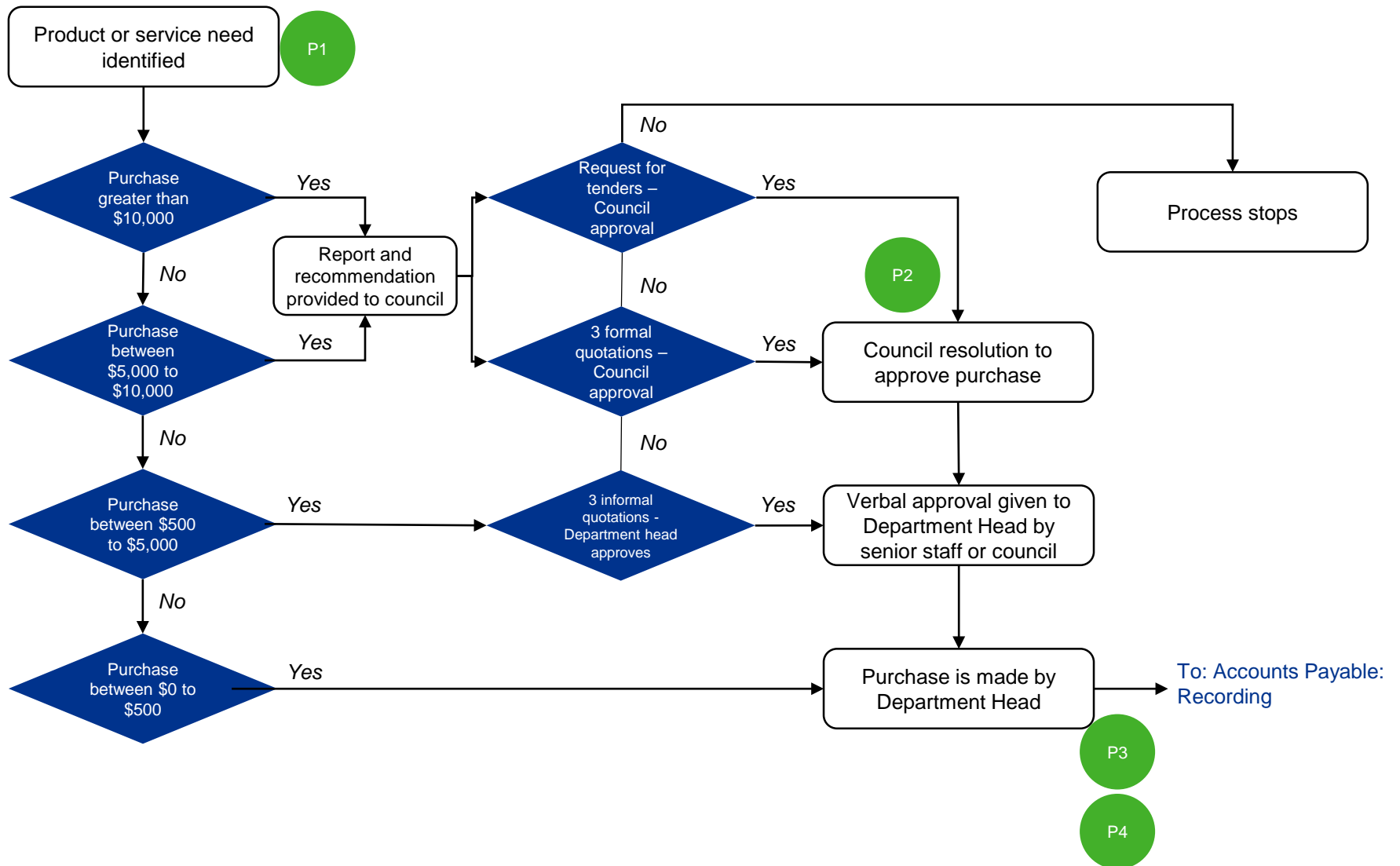
# Potential Process Improvements - Payroll

| Risk | Process                        | Description of Risk and/or Inefficiency  | Potential Course of Action  |
|------|--------------------------------|--|---|
| P4   | Payroll:<br>Payroll Processing | <b>Inefficiency:</b> Duplication of data entry of employee time sheet submission into payroll module sheet.  | Have employees complete timesheets electronically, submitting those to the Department Head for approval. Department Heads send time sheets to Treasurer indicating that they have been approved.  |
| C2   | Payroll:<br>Payroll Processing | <b>Risk:</b> Treasurer is the only staff member involved in the payroll process. If there are errors in the payroll entry, they may not be identified until a second individual reviews the payment (cheque preparation).  | Have the payroll module prepared by another member of the finance team and provided to the Treasurer for review and approve before the cheques are prepared for the pay period.   |
| C5   | Payroll:<br>Payroll Processing | <b>Risk:</b> When there is a change in wage rate for an employee, there is no independent review of the changes to ensure that the approved changes have been accurately entered into the payroll system. Without independent verification, there is a risk that changes could be entered incorrectly.         | Whenever employee pay rate information is changed, a Senior staff member independent from the payroll function should verify a sample of employees' payroll records to ensure that changes have been entered correctly.   |
| P5   | Payroll:<br>Payroll Processing | <b>Inefficiency:</b> Overtime, time off, time in lieu, etc. is currently tracked in an excel spreadsheet outside of the payroll module. This results in redundancy of information input and increases the risk that this time is not capture and tracked accurately.   | Discuss with the accounting system provider how to implement and track overtime within the payroll module. Requests should be made for updates to the system that will allow for more accurate tracking of this time.   |
| P6   | Payroll:<br>Payroll Processing | <b>Inefficiency:</b> The Township does not offer direct deposit of payroll cheques to employee bank accounts. Currently the Township physically distributes payroll cheques on a bi-weekly basis. The cost and time savings associated with the implementation of a direct deposit program can be significant. | Consider implementing an integrated payroll system (E.g. Ceridian, ADP, etc.), automating the time tracking required for the payroll process. This will reduce the inefficiency from duplicating information in the current process and simplify the year end reporting processes and requirements, including T4 preparation. |



# Accounts Payable

# Accounts Payable: Purchasing



# Potential Process Improvements - Accounts Payable

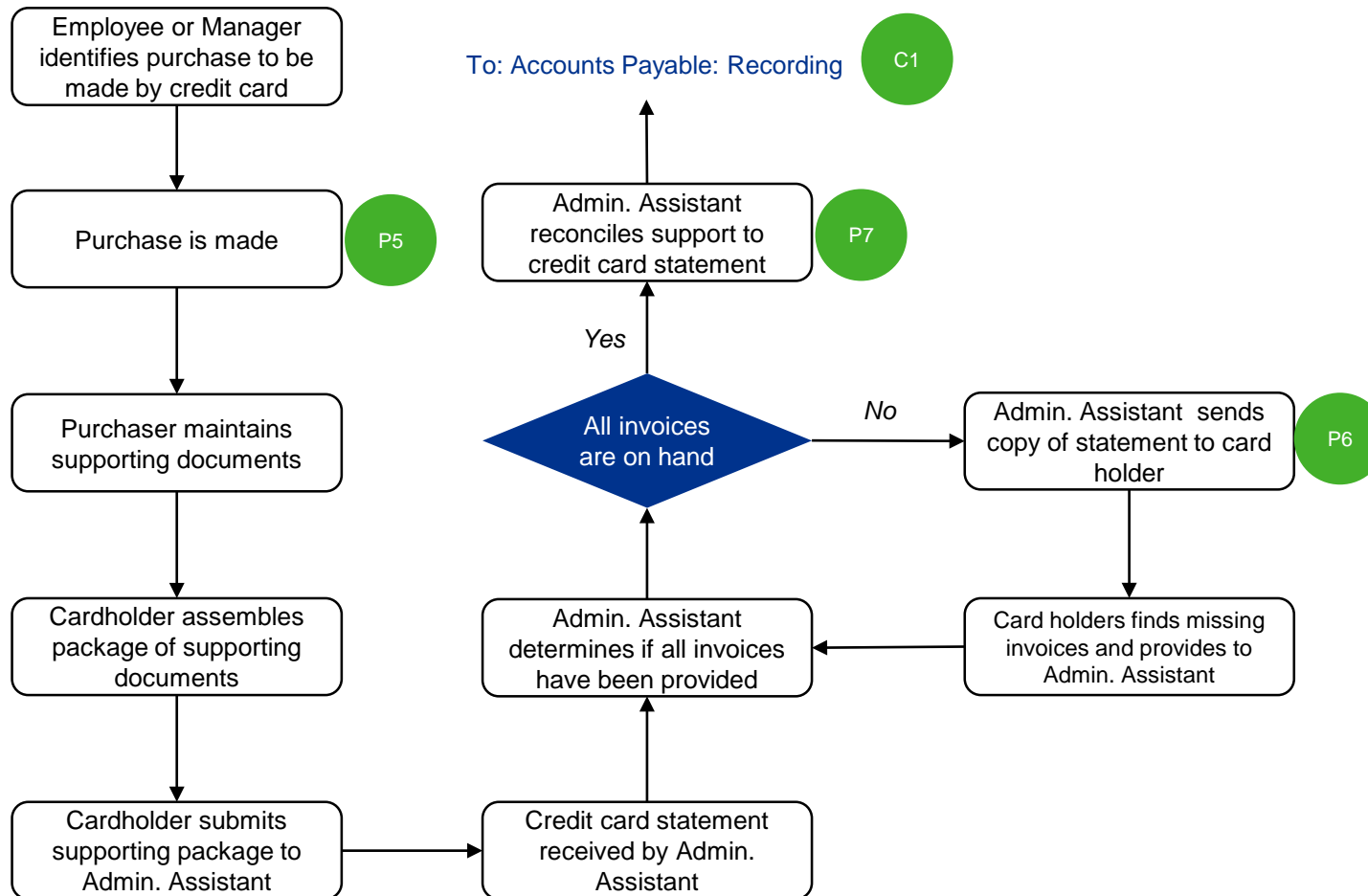
| Risk | Process                         | Description of Risk and/or Inefficiency  | Potential Course of Action   |
|------|---------------------------------|--|--|
| P1   | Accounts Payable:<br>Purchasing | <b>Inefficiency:</b> Currently, the Township does not have preferred or approved vendors for recurring product purchases or services. There is a risk that the Township is not receiving optimal value when purchasing products or services from vendors.  | Establishing preferred vendors for recurring products purchases or services on a scheduled basis can simplify the purchasing process and provide increased value. Tendering product purchases and/or recurring services for an agreed time frame can result in cost savings.   |
| P2   | Accounts Payable:<br>Purchasing | <b>Risk:</b> Currently, the procurement policy does not appear to be consistently adhered to. The potential exists for purchases to occur without the required quotations documented. There is a risk that the Township is not receiving optimal value when purchasing products or services from vendors.                          | Centralizing the purchase process with the finance department and requiring department heads to submit formal purchase requisitions and purchase orders for purchases greater than \$500. This would ensure that quotes are submitted to the approver before they are authorized to make the purchase.   |
| P3   | Accounts Payable:<br>Purchasing | <b>Risk:</b> Currently, purchases are made by Department heads on an ad hoc basis. This results in the finance department sometimes being unaware of purchases made until after an invoice has been received. There is a risk that the Township is making unnecessary purchases in addition to potential duplication of purchases. | Require that all purchases be made with the finance department. Require Department heads to submit a purchase requisition form detailing the item that is required to be purchased as well as the selected vendor based on the existing procurement policy. Finance staff will prepare a purchase order that is provided to the vendor and filed with the purchase requisition.<br>When the invoice is received by the Department Head or the finance department, it is matched with the purchase requisition and purchase order before proceeding to the accounts payable: recording process. |

# Potential Process Improvements - Accounts Payable

| Risk | Process                      | Description of Risk and/or Inefficiency   | Potential Course of Action  |
|------|------------------------------|---|---|
| P4   | Accounts Payable: Purchasing | <p><b>Inefficiency and Risk:</b> The Township does most of its ordering over the telephone, but in many cases it appear that the Township does not document the order with a written purchase order. Additionally, several employees are responsible for authorizing the purchases and receiving the goods, in effect, authorization, receipt, and custody.</p> | <p>The Township may wish to consider implementing a centralized purchase order and receipt system to improve internal accounting controls over purchasing of inventory and supplies. The purchase order system would include the following controls:</p> <ul style="list-style-type: none"> <li>• Purchase orders should be numbered sequentially, required for all purchases of inventory and supplies, controlled numerically, and bear the appropriate documented approval from the appropriate responsible person.</li> <li>• Personnel requesting and approving purchase orders should be independent of the individuals in the receiving area, to allow for a proper segregation of duties.</li> <li>• The receiving reports should be matched with the purchase order by the Admin. Assistant and this comparison documented on the receiving report. Any differences should be reviewed on a timely basis.</li> <li>• Vendor invoices received should be matched with the attached purchase order and receiving report and the procedure documented on the invoice to determine that the invoice reflects the merchandise ordered and received.</li> <li>• A centralized purchasing function should be used to allow the Township to take advantage of volume discounts through group purchasing of large quantities. It would also ensure purchases are made only when inventory levels have declined to the appropriate reorder quantity and reduce the amount of cash invested in excess inventories.</li> </ul> |



# Accounts Payable: Use of Credit Cards



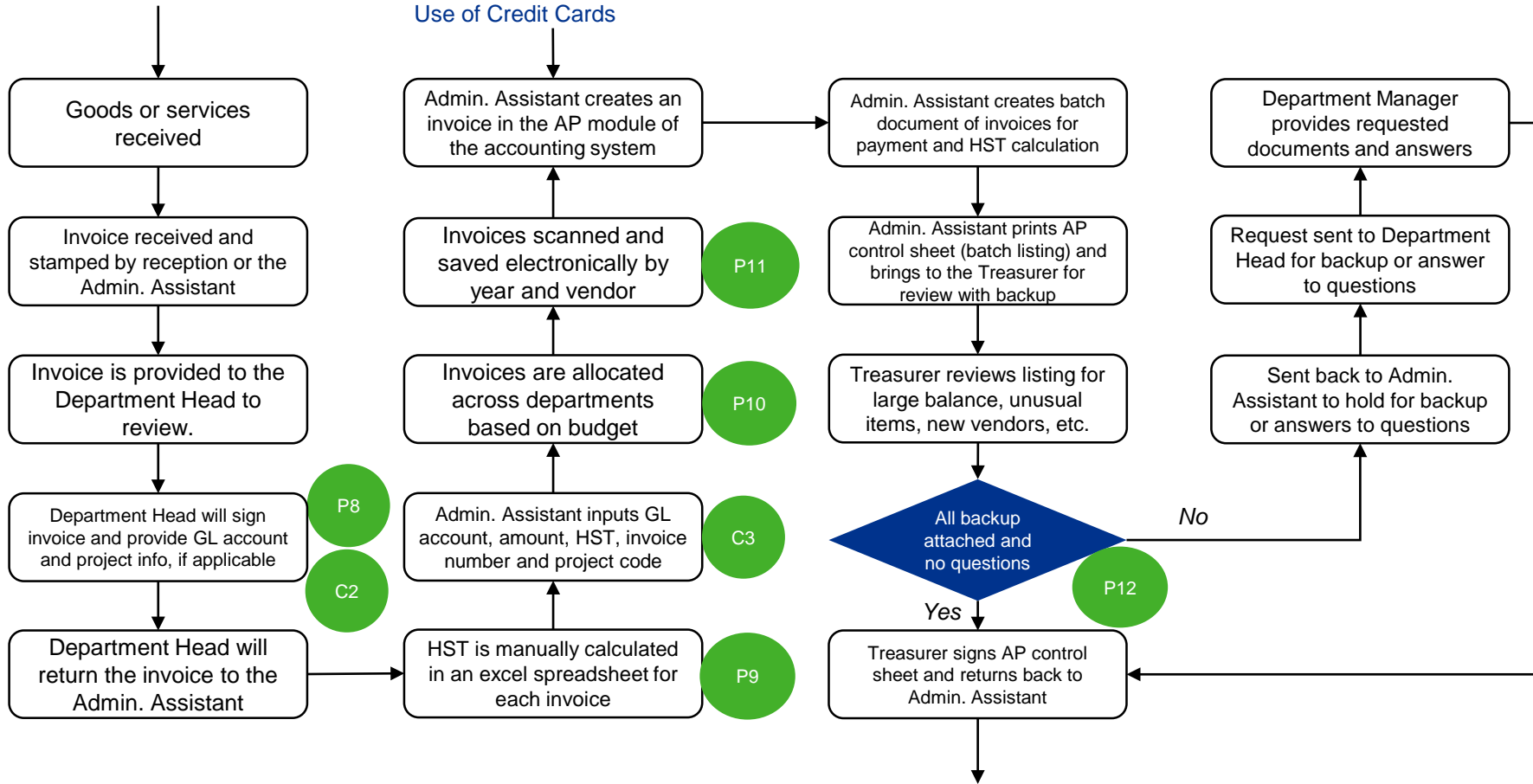
# Potential Process Improvements - Accounts Payable

| Risk | Process                               | Description of Risk and/or Inefficiency   | Potential Course of Action   |
|------|---------------------------------------|---|--|
| P5   | Accounts Payable: Use of Credit Cards | <b>Risk:</b> No formal policy exists as to what type of purchases can be made by credit cards. Depending on the amount of the authorization limit, the opportunity exists to bypass the authorization limits described in Accounts Payable: Purchasing process.   | Establish what purchases are authorized to be made by credit card (hotel, travel costs etc.)   |
| P6   | Accounts Payable: Use of Credit Cards | <b>Inefficiency:</b> The Admin. Assistant reconciles the Visa statements with the invoices provided by the card holders. If the Admin. Assistant is missing an invoice or unsure where to code the expense, a request is made to the card holder for additional information.  | Having the card holder reconcile the Visa statement in an excel template and submitted to the Admin. Assistant with the supporting documentation may ensure all expenses are recorded to the correct accounts and a description of the business reason for the expense is provided.              |
| P7   | Accounts Payable: Use of Credit Cards | <b>Inefficiency:</b> Visa statements are received by the Admin. Assistant. Card holders do not have the complete listing of all expenses on the credit card and will sometimes not provide all the backup, in error. This results in the Admin. Assistant having to provide a copy of the statement to the card holder to reconcile and provide support for (rework). | Have the admin assistant send a copy (electronic) of the visa statement directly to the card holder when received. The card holder will then have a complete list of items that back up is required for.   |
| C1   | Accounts Payable: Use of Credit Cards | <b>Risk:</b> Credit card statements are not approved before being processed. This can result in unapproved purchases being prepared, and potentially processed if not identified.   | All credit card statements should be reconciled with the supporting documentation by the card holder. This reconciliation should then be provided to a staff member senior to the card holder for review and approval. This may ensure that only authorized payments are prepared and processed. |

# Accounts Payable: Recording

From: Accounts Payable: Purchasing

From: Accounts Payable:  
Use of Credit Cards



To: Accounts Payable: Payment

# Potential Process Improvements - Accounts Payable

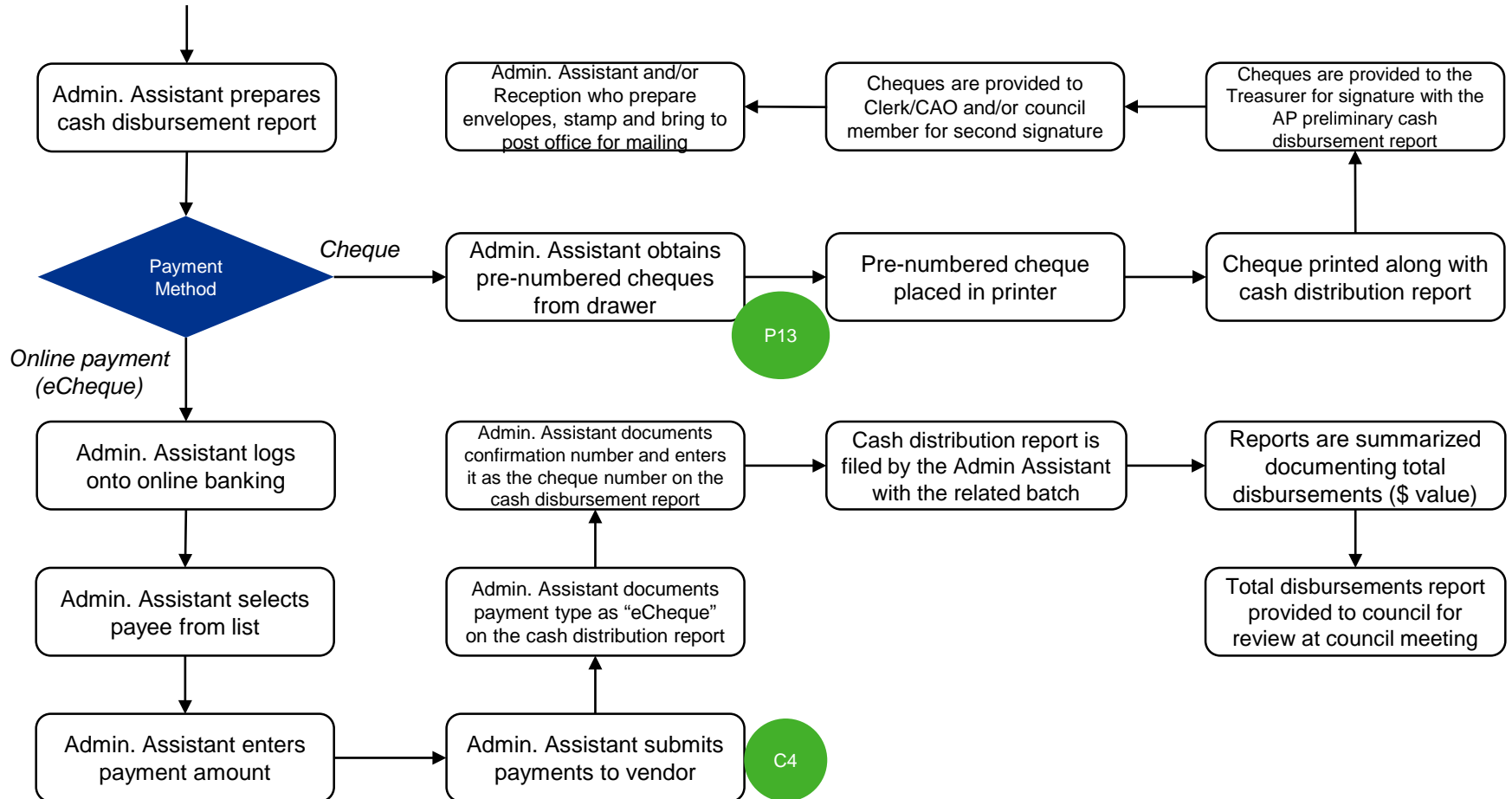
| Risk | Process                     | Description of Risk and/or Inefficiency   | Potential Course of Action  |
|------|-----------------------------|---|---|
| P8   | Accounts Payable: Recording | <b>Inefficiency:</b> Coding process appears to be inconsistent. Sometimes transaction coding is done by Staff, Department Head or the Admin. Assistant often leading finance staff to confirm proper coding with the individual that initiated the transaction.   | Admin. Assistant needs to ensure that Department Heads have access to code listing; and Department Heads to supply invoices to Admin. Assistant with proper expense coding.   |
| C2   | Accounts Payable: Recording | <b>Risk:</b> Occasionally the Admin. Assistant has to code based on their best judgment, increasing the risk the transaction will be recorded to the incorrect program or the Treasurer having to request that a transaction be subsequently update.  | See potential course of action in P8.   |
| P9   | Accounts Payable: Recording | <b>Inefficiency:</b> The refundable portion of HST is calculated manually outside of the accounting system in an excel template. This is a recurring manual process that should be automated in the accounting system to reduce the risk of error and improve efficiency.   | Work with the accounting system provider to have the system automatically calculate the refundable portion of HST on all invoices.  |
| C3   | Accounts Payable: Recording | <b>Risk:</b> Anyone with access to the accounting system can add or update the vendor list. Additionally, the vendor list has not been reviewed or updated in numerous years. This presents a risk that the payment information for a vendor could be edited and result in payment not being directed to correct account (misappropriation of funds). | Restrict the ability to update the vendor list to only appropriate staff (i.e. Treasurer).<br>Periodically perform a formal review of the vendor list to ensure the information in the listing is accurate and appropriate.<br>Remove vendors who have not been used in the last 24 months. |

# Potential Process Improvements - Accounts Payable

| Risk | Process                     | Description of Risk and/or Inefficiency   | Potential Course of Action  |
|------|-----------------------------|---|---|
| P10  | Accounts Payable: Recording | <b>Inefficiency:</b> Expenses that relate to multiple departments are allocated based on the budget. This process is completed for each transaction as it is entered into the accounting system based on the approved budget allocation. This results in a large number of accounts being used for each entry and additional time required to allocate each invoice individually. | Establish a clearing accounts where expenses that are required to be allocated across various department are initially recorded. At the end of every quarter, record one entry to clear the account to zero, reallocating the balance to the various departments based on the allocation described in the approved budget.  |
| P11  | Accounts Payable: Recording | <b>Inefficiency:</b> Invoices are currently scanned to be saved electronically as well as organize stored in hardcopy. This results in a duplication of information, source documentation and efforts.  | Invoices should be scanned and saved by date and vendor only. A naming convention should be developed that will allow for an efficient electronic search (e.g. vendor, amount, batch number, payment date, cheque number, etc.)<br>Electronic invoices can also be submitted to a shared folder location with access restricted to only the Department Heads. The Admin. Assistant can retrieve the documents from this location every week to prepare the payment batch. |
| P12  | Accounts Payable: Recording | <b>Inefficiency:</b> Balances are entered into the AP module without the appropriate backup resulting in the Treasurer having to follow up with Department Heads (rework). The most frequent causes of this are purchases made that appear to not follow the procurement process (i.e. requirements for quotes) or purchases made that the finance department are not aware of.   | Centralize the purchase process and implement the use of purchase requisitions and purchases orders noted in P4. This may ensure that the finance function is aware of all purchases that are made and will reduce the number of items that require further clarification and rework at this step.  |

# Accounts Payable: Payment

From: Accounts Payable: Recording



# Potential Process Improvements - Accounts Payable

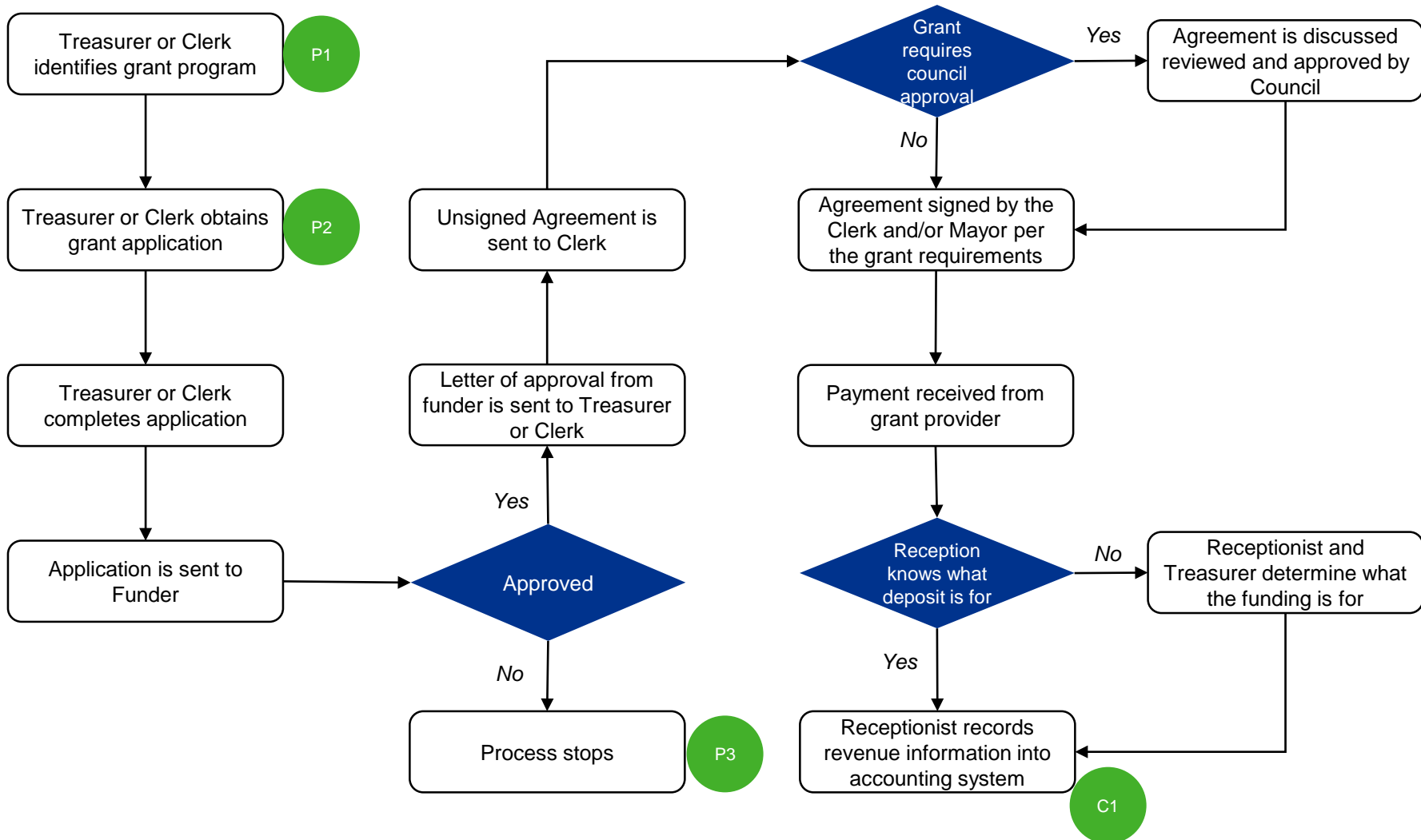
| Risk | Process                   | Description of Risk and/or Inefficiency   | Potential Course of Action  |
|------|---------------------------|---|---|
| P11  | Accounts Payable: Payment | <b>Inefficiency:</b> The majority of transactions are paid by cheque. This results in additional efforts and time required to process a payment.  | <p>Consider the use of Electronic Fund Transfers (EFTs) with integration into the accounting system. The potential process is as follows:</p> <ul style="list-style-type: none"> <li>• Admin. Assistant runs EFT process in accounting system</li> <li>• Admin. Assistant prints EFT batch report and attaches invoices which are provided to the Treasurer for review</li> <li>• Admin. Assistant uploads EFT file to the bank (payment does not process at this time)</li> <li>• Treasurer receives notification that an EFT has been updated. Treasurer reviews the EFT with the provided supporting documentation and approves the EFT payment.</li> <li>• EFT confirmation is provided to the Admin. Assistant to save and file with the payment batch information.</li> </ul> |
| C3   | Accounts Payable: Payment | <b>Risk:</b> Electronic payments are made by the Admin. Assistant before it is reviewed and approved by the Treasurer. Additionally, the support provided to the Treasurer only includes the confirmation number. The Treasurer is not able to ensure that the correct amount and/or the correct vendor was paid. | Electronic payments are not completed until the Treasurer has reviewed and approved the expected transaction.   |



# Billings and Collections



# Billings and Collections: Grants



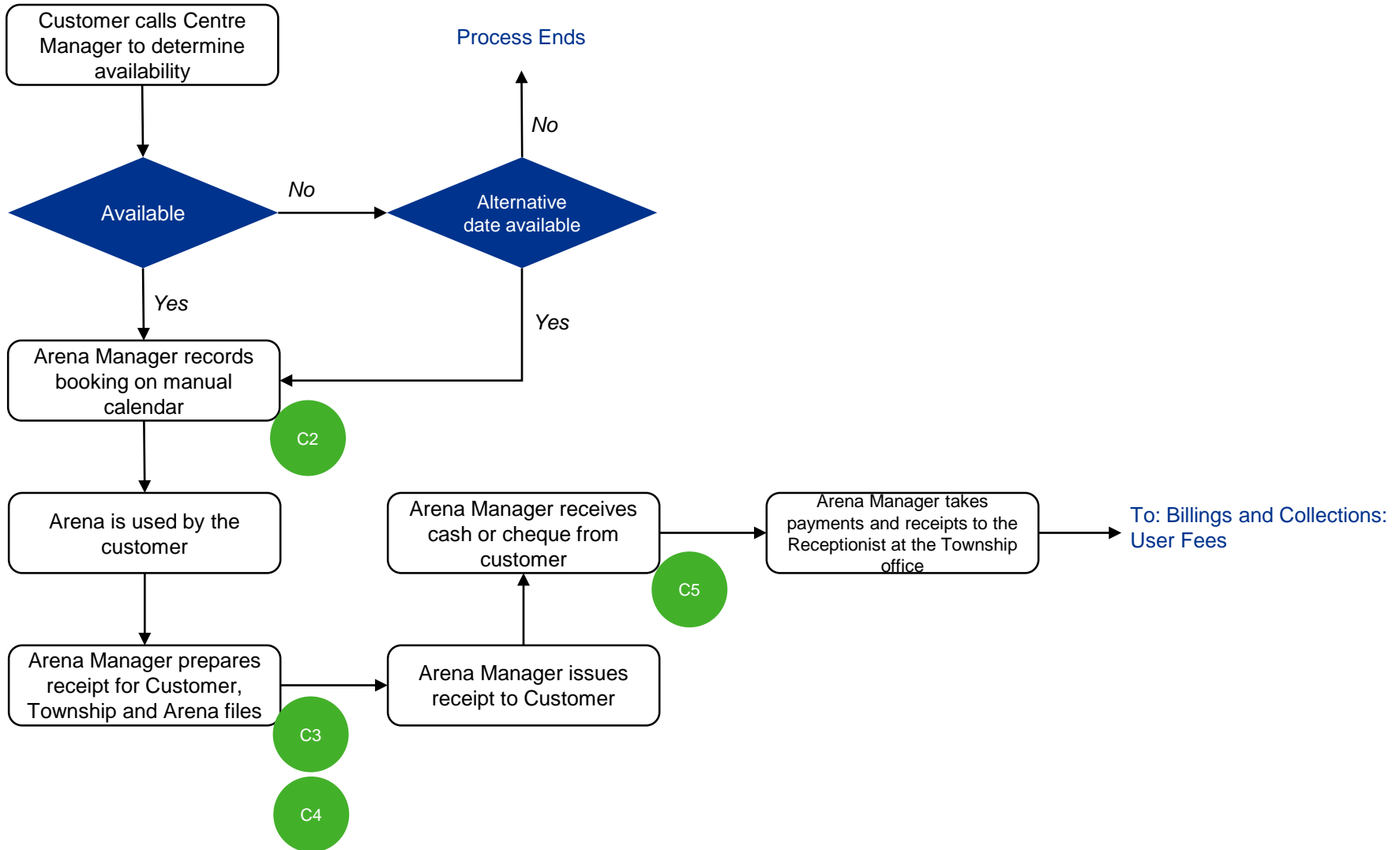
# Potential Process Improvements - Billings and Collections

| Risk | Process                          | Description of Risk and/or Inefficiency  | Potential Course of Action   |
|------|----------------------------------|--|--|
| P1   | Billings and Collections: Grants | <b>Inefficiency:</b> Currently there is no formal guidance given from Council to establish grant priorities. As a result, the Treasurer or CAO-Clerk may be focusing efforts on initiatives that may not be a priority of the Township.  | Establish the following procedure: <ul style="list-style-type: none"> <li>• Prior to the budgeting process, Council set specific categories for grant funding</li> <li>• Assign category to Department Head or Treasurer, making them accountable for identifying and applying for grant funding.</li> </ul>   |
| P2   | Billings and Collections: Grants | <b>Inefficiency:</b> Grant applications are typically spearhead by the Finance department. Often times, the application will require information specific to a project or program. Considerable time is spent coordinating with the Department Heads to gather the required information. | Department Heads should prepare the grant applications since they typically have the knowledge and expertise related to specific projects. This will reduce the amount of time spent coordinating between the Finance Department at the Department Head.<br>The Township may implement the following process steps: <ul style="list-style-type: none"> <li>• Have Department Heads prepare the initial grant application and then submit to the Treasurer for review and submission</li> <li>• Department Heads maintain an inventory list of submitted grant applications, the status of the application and whether funding was approved;</li> <li>• Treasurer reviews the agreement, notifying the Admin. Assistant of grant receivable details; and</li> <li>• Admin. Assistant records the accounts receivable in the accounting system.</li> </ul> |
| P3   | Billings and Collections: Grants | <b>Risk:</b> Currently there appears to be no process assessing why a grant application failed, increasing the risk the Township may not be maximizing its grant revenue in the future.  | The Township may implement the following process step: <ul style="list-style-type: none"> <li>• Treasurer follows up with the funding agency identifying why the Township was not approved for the grant.</li> </ul>   |

# Potential Process Improvements – Billings and Collections

| Risk | Process                             | Description of Risk and/or Inefficiency   | Potential Course of Action  |
|------|-------------------------------------|---|---|
| C1   | Billings and Collections:<br>Grants | <b>Risk:</b> Revenue and the related receivable for grant funding is not recorded until the funds are received. There is a result at the end of a period, revenue related to that period is not recorded. Additionally, since the receivable balance is not recorded, there is an increased risk that funds owed to the Township are not collected. | Grants should be recorded as accounts receivable when approved and/or earned. This receivable should then be cleared when the cash is received. This will allow the Treasurer to follow up on any outstanding balances and also provide more accurate information for cash forecasting and budgeting. |

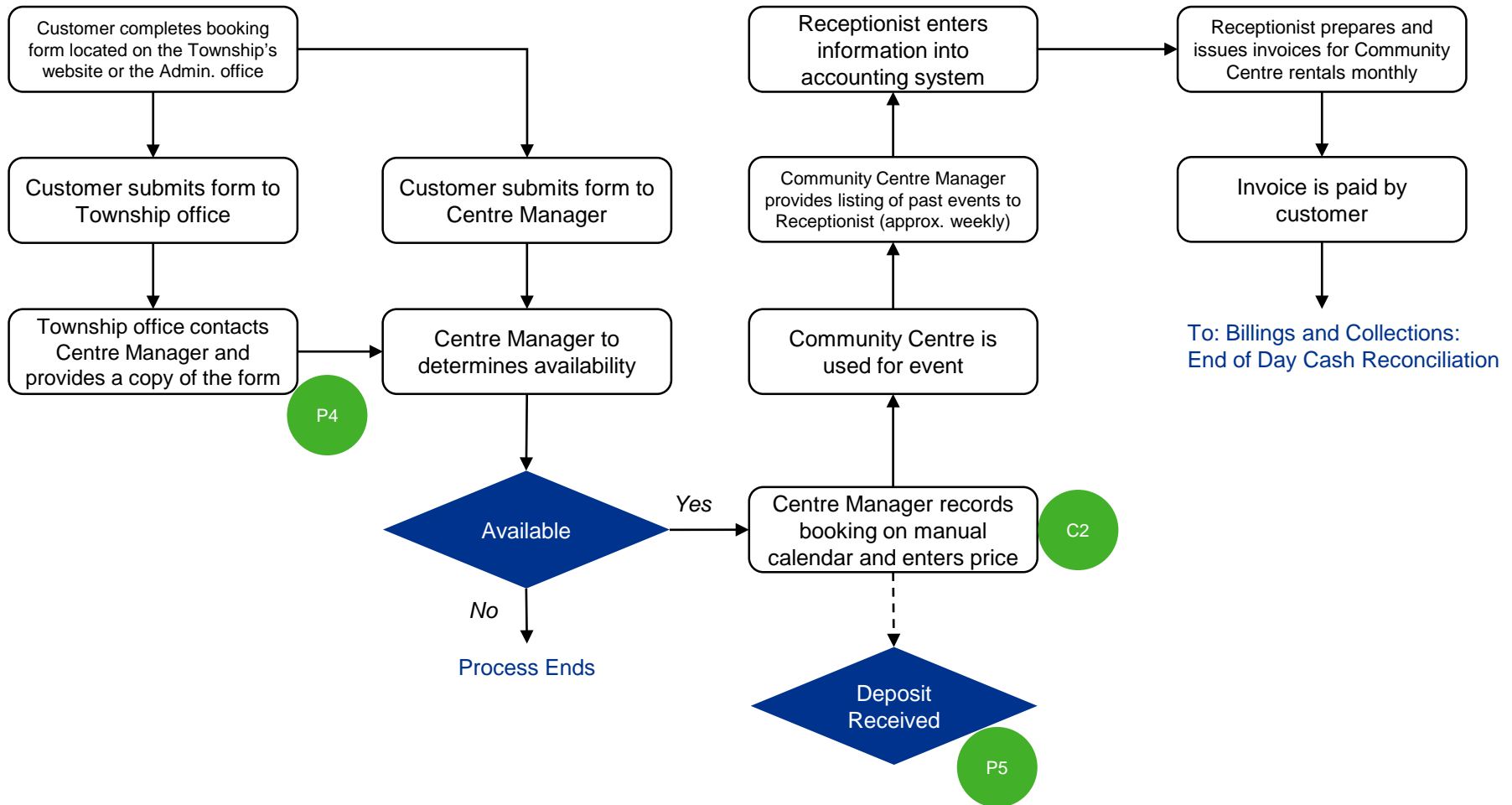
# Billings and Collections: Arena Ice Rentals



# Potential Process Improvements - Billings and Collections

| Risk | Process  | Description of Risk and/or Inefficiency   | Potential Course of Action  |
|------|--|---|---|
| C2   | Billings and Collections:<br>Arena Ice Rentals | <b>Risk:</b> Bookings tracked on manual scheduling board maintained by the Arena Manager. The finance department cannot record outstanding accounts receivable and monitor collections for this billing stream.<br>Since the Finance department cannot monitor the collection status of the rental, there is an increased financial risk that a receivable becomes uncollectable. | Create procedure that requires: <ul style="list-style-type: none"> <li>The Arena Manager to submit a list of bookings made during the week or month to the Admin. Assistant; and</li> <li>The Admin. Assistant to reconcile payments made to bookings, following up on any unpaid balances in accordance with the Township's collection process.</li> </ul> |
| C3   | Billings and Collections:<br>Arena Ice Rentals | <b>Risk:</b> The receipts issued by the Arena Manager are done manually and outside the accounting system (Receipt book with three carbon copies – one for the arena, one for the Administration office and one for the customer). The Township is not able to ensure all ice rentals were invoiced.  | Provide the Arena Manager with a computer than is connected to the accounting system. Have all invoices prepared in the accounting system, printed, and provided to the renter. This may ensure that all invoiced ice rentals are tracked appropriately and that all funds owed to the Township are recorded.   |
| C4   | Billings and Collections:<br>Arena Ice Rentals | <b>Risk:</b> The manual receipt books are not reviewed or reconciled by anyone other than the Arena Manager. Receipts issued but not submitted to the Township would go undetected.   | Receipt books should be held and issued by the Township. The starting and ending number of the receipt book should be noted. As receipts are received by the Township office, they should be tracked to ensure all receipts have been remitted. Once the book is complete, the arena manager should provide by to the Township office to review.            |
| C5   | Billings and Collections:<br>Arena Ice Rentals | <b>Risk:</b> The Arena Manager tracks arena bookings outside of the accounting system and receives payments, including cash. There is a risk that the arena is rented by a customer, paid for with cash and not provided to the Receptionist for deposit to the Township's bank account.  | Separate the responsibilities of taking arena bookings and collecting payment. All arena bookings should be recorded into the accounting system at the time of booking. Payments should only be received at the Township office and only be payable by cheque. Cash should not be an accepted form of payment for the arena.                                |

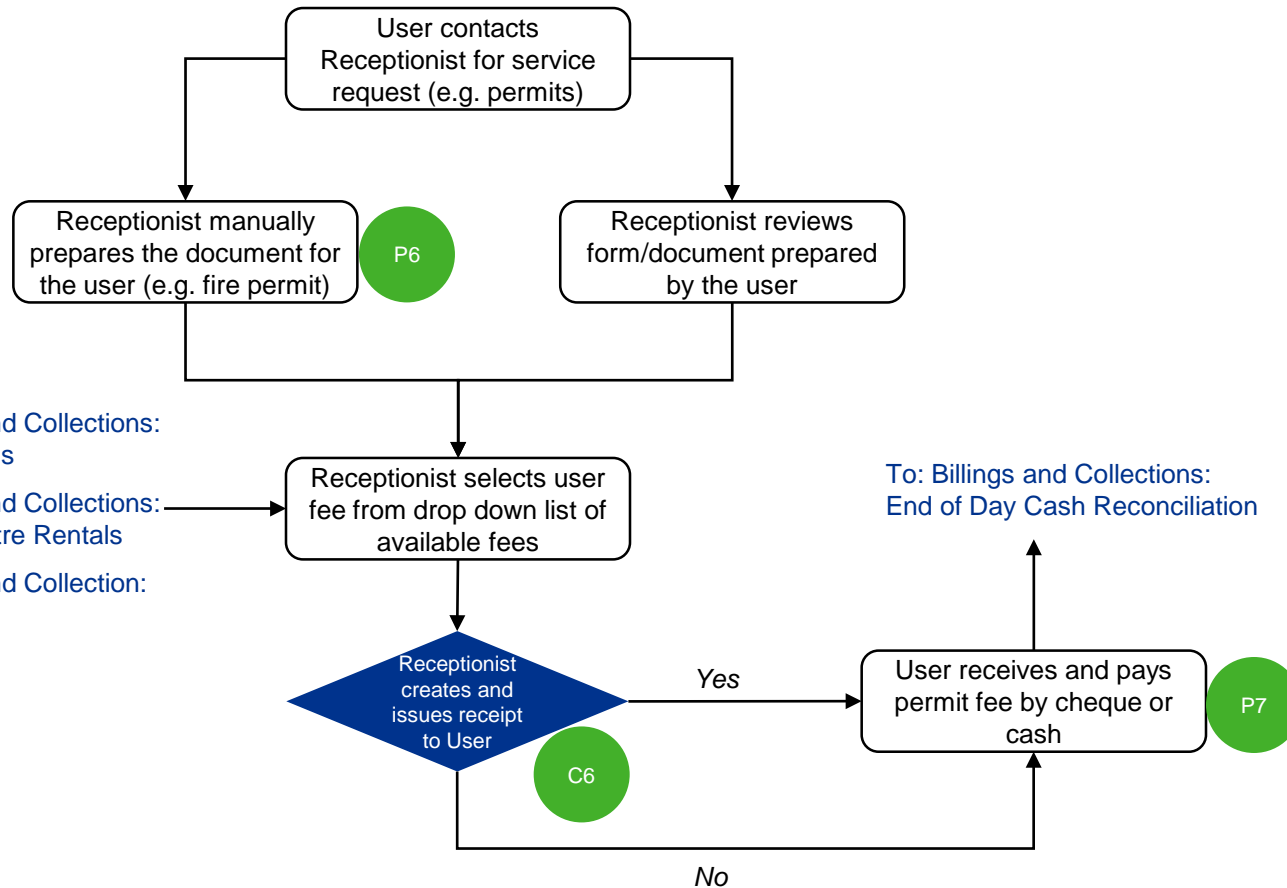
# Billings and Collections: Community Centre Rentals



# Potential Process Improvements - Billings and Collections

| Risk | Process  | Description of Risk and/or Inefficiency   | Potential Course of Action  |
|------|--|---|---|
| P4   | Billings and Collections: Community Centre Rentals | <b>Inefficiency:</b> Rentals are tracked on a manual calendar kept at the Community Centre. Since the Township office does not have live access to this calendar, staff are unable to book the Centre without the Community Centre Manager. This results in a delay in bookings and additional time for communication and coordination with the Community Centre Manager. | Have a shared calendar that can be accessed online. All bookings should be recorded in this online, live calendar. This will allow staff at the Township office to accept bookings and also assist with reconciling revenue collected with the use of the Centre.   |
| P5   | Billings and Collections: Community Centre Rentals | <b>Risk:</b> No formal policy and procedure exists with respect to the collection of customer deposits before renting the Community Centre, increasing the risk that deposits are not collected before an event is hosted at the centre.  | Create procedure that: <ul style="list-style-type: none"> <li>• Specifies how much of the deposit is to be paid</li> <li>• The deposit be paid at reception (Township office); and</li> <li>• Reception sends receipt to Admin. Assistant to record the transaction.</li> </ul> Consideration should also be given to increasing the security deposit. The current value of \$75 is not sufficient to cover cost if significant damage were to occur at the facility. |

# Billings and Collections: User Fees



From: Billings and Collections:  
Arena Ice Rentals

From: Billings and Collections:  
Community Centre Rentals

From: Billings and Collection:  
Building Permits

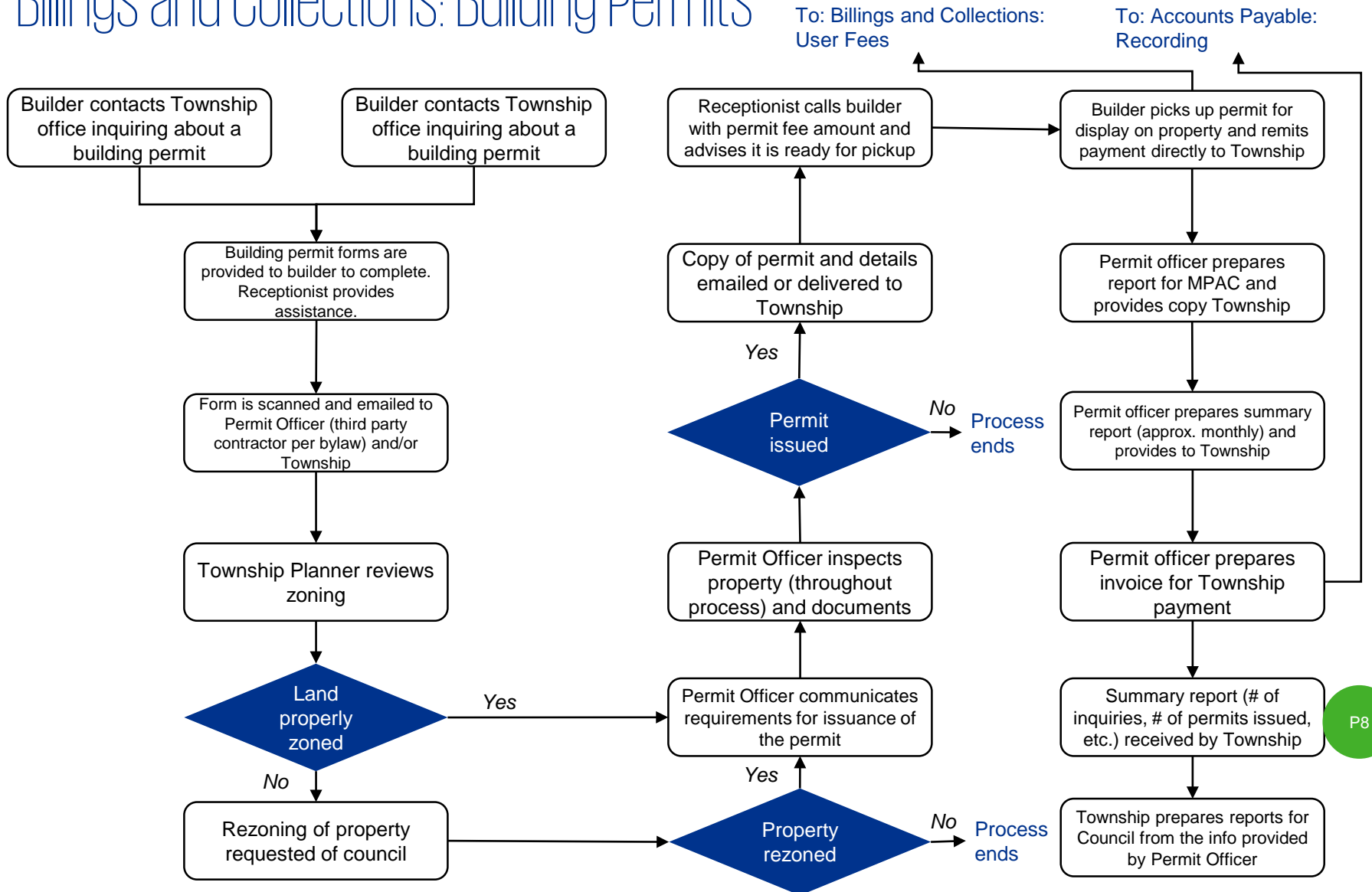
To: Billings and Collections:  
End of Day Cash Reconciliation



# Potential Process Improvements - Billings and Collections

| Risk | Process                                | Description of Risk and/or Inefficiency  | Potential Course of Action  |
|------|--|--|---|
| P6   | Billings and Collections:<br>User Fees | <b>Inefficiency:</b> A number of user fees require the completion of a standardized form (e.g. fire permit, registrations, etc.). These forms are completed manually and provided to the user which can sometimes takes considerable time.   | Develop standard electronic templates (e.g. word, fillable PDFs, etc.) that the Receptionist can complete and provide to the user. In addition, frequently requested forms should be made available on the Township's website for the user to complete before attending the Township office, reducing the amount of time spent by the Receptionist on this process. |
| C6   | Billings and Collections:<br>User Fees | <b>Risk:</b> A receipt is not always created and issued if a user does not request a receipt. There is a risk that a permit (e.g. fire permit) is manually completed, issued to the user and fee collected but never entered into the accounting system, providing the opportunity to misappropriation of funds. | Ensure a receipt is issued for all user fees. Create signage at the reception desk that informs users to ask for and receive a receipt for all purchases.<br><br>In the longer term, do not accept cash payments. All payments for user fees should be paid by cheque or debit/credit.  |
| P7   | Billings and Collections:<br>User Fees | <b>Inefficiency:</b> Currently, all user fees need to be paid in person at the Township officer by cash or cheque. Due to the time required to attend the Township office, users may opt to not pay the required fees if the penalty for not doing so is minor.  | In the longer term, allow user fees to be paid and accepted online through the Township's website. This can be integrated with the online forms noted above. Easier access to methods of payment will encourage users to pay the required fees.   |

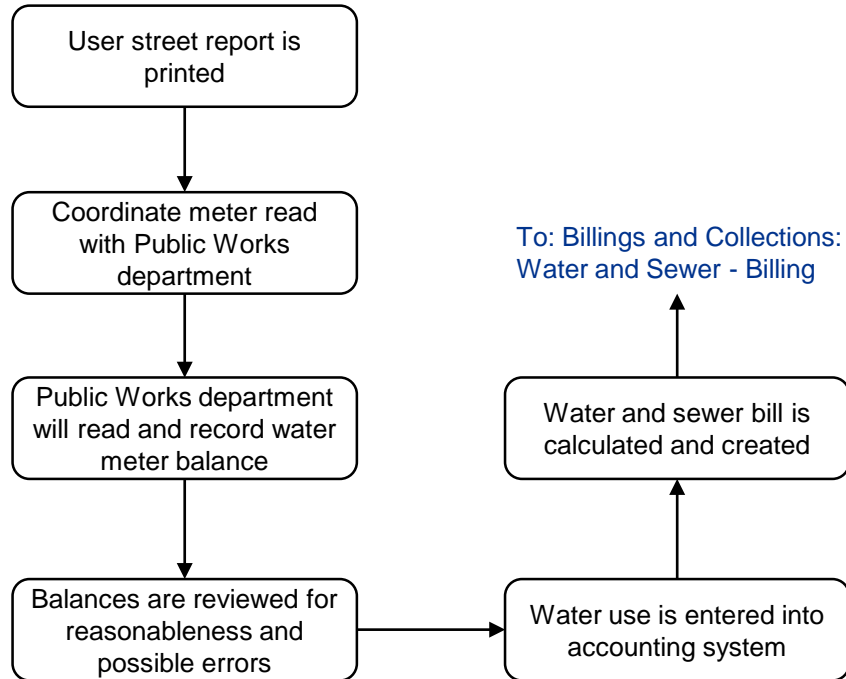
# Billings and Collections: Building Permits



# Potential Process Improvements - Billings and Collections

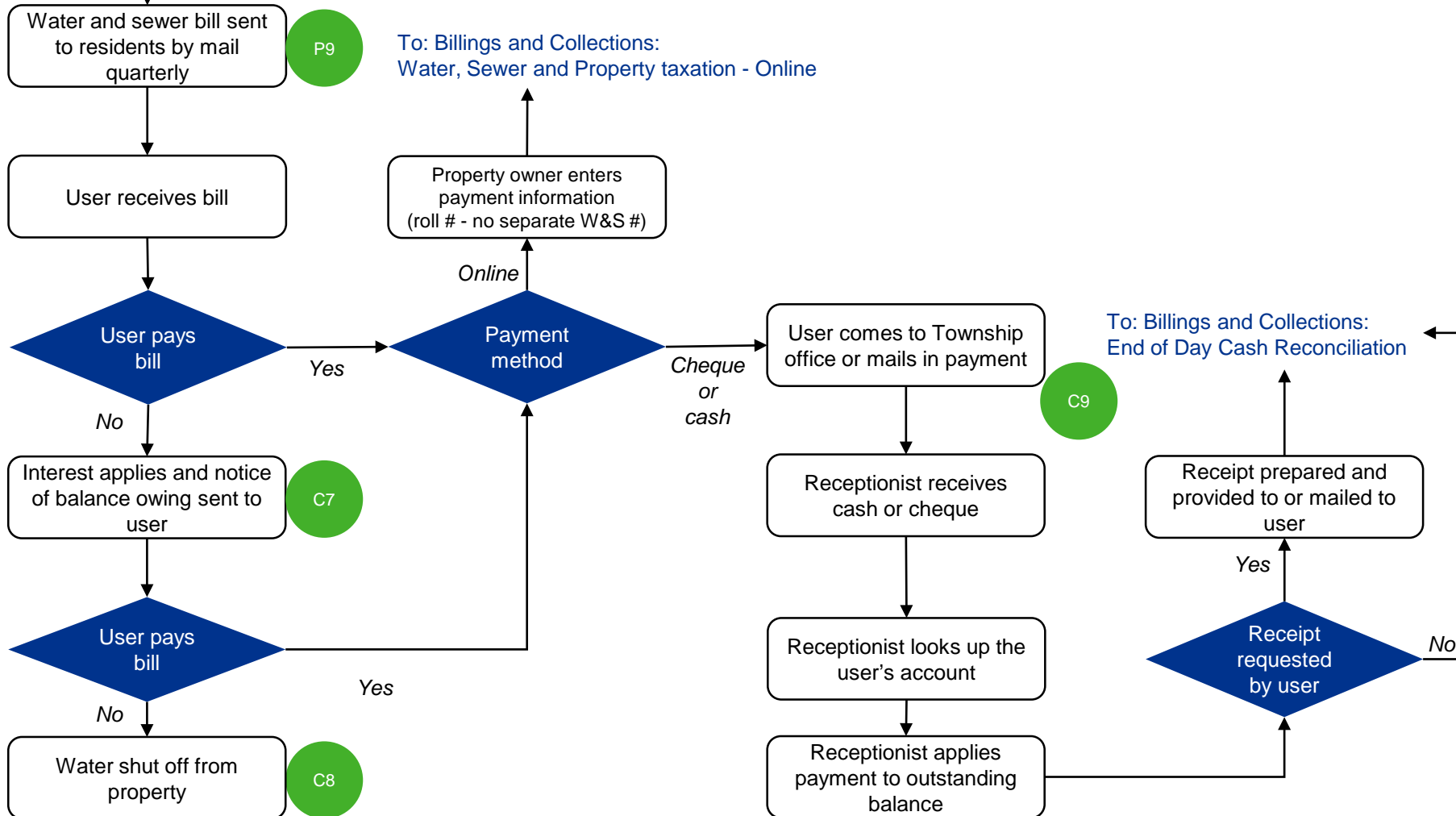
| Risk | Process                                       | Description of Risk and/or Inefficiency  | Potential Course of Action   |
|------|---|--|--|
| P8   | Billings and Collections:<br>Building Permits | <b>Inefficiency:</b> Real time information is not available to the Township regarding building permits. Information is only received in batches from the outsourced contractor at irregular intervals. Staff at the Township are not able to provide up-to-date information to council as a result of the current system in place. | Work with the contractor to setup a shared secured collaboration workspace (website). The contractor should upload real time information of inquiries and status of permits issued and outstanding. Information should include the type of permit requested, the purpose of the permit, the address of the property and the name of the individual who requested this information. |

# Billings and Collections: Water and Sewer - Meter Reading



# Billings and Collections: Water and Sewer - Billing

From: Billings and Collections: Water and Sewer – Meter Reading



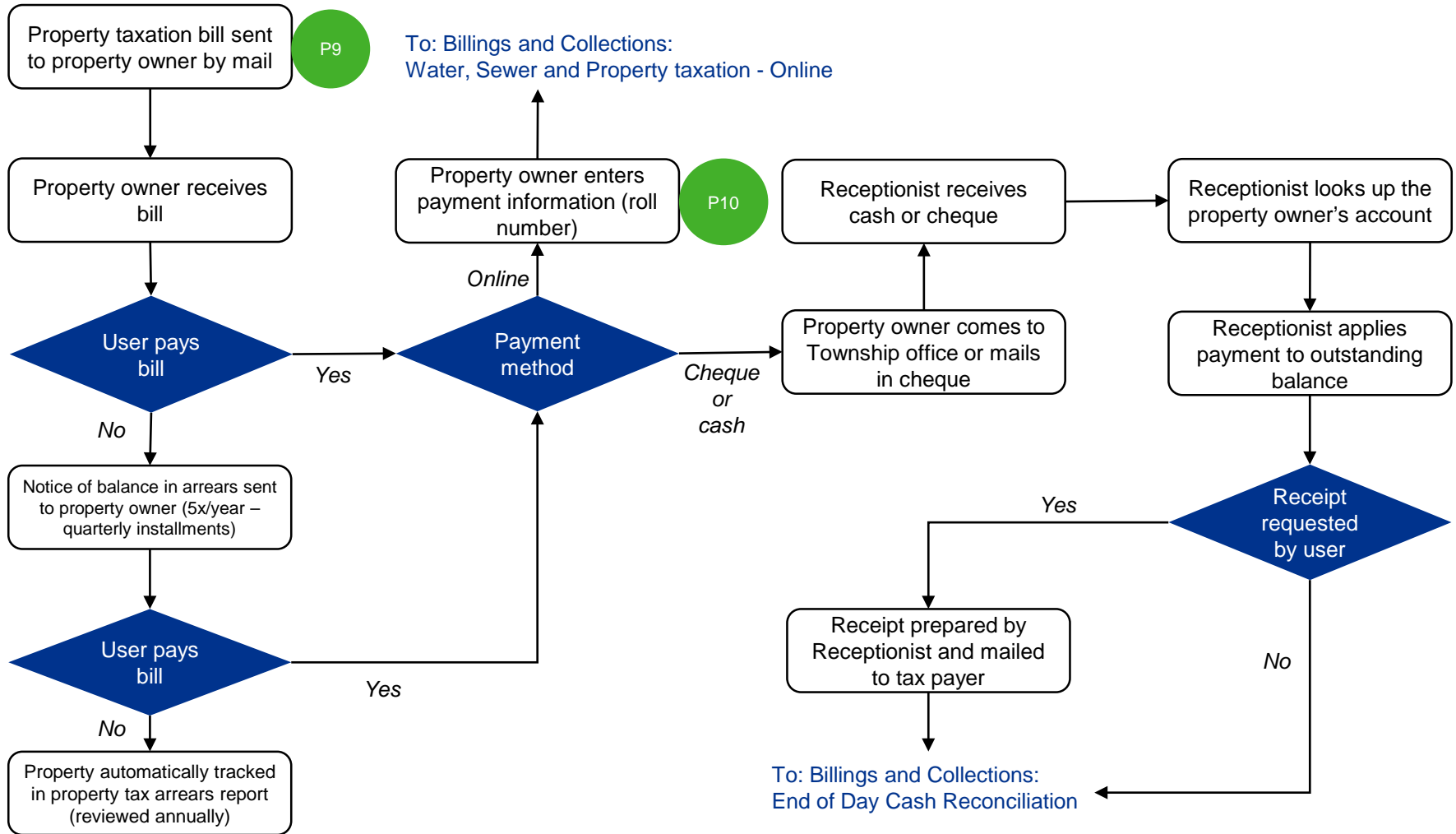
# Potential Process Improvements - Billings and Collections

| Risk | Process                                      | Description of Risk and/or Inefficiency  | Potential Course of Action  |
|------|--|--|---|
| P9   | Billings and Collections:<br>Water and Sewer | <b>Inefficiency:</b> All water and sewer bills are currently manually prepared and sent by mail. This results in additional time and postage costs incurred by the Township  | Allow users to receive bills electronically through email or "epost" through Canada Post. System generated emails can be produced that will send user's their bills electronically reducing costs associated with post and the time required to prepare and mail the bills.   |
| C7   | Billings and Collections:<br>Water and Sewer | <b>Risk:</b> No formal policy exists to follow up on collection increasing the risk of uncollected accounts. Currently, the Water and Sewer committee determine the collection method/strategy for each user in arrears. This can lead to inconsistent methods used for collection and expose the Township to potential legal and reputational risks. Additionally, staff are required to contact the committee to determine the plan for outstanding balances, reducing efficiency. | The Township may wish to implement the following process step: <ul style="list-style-type: none"> <li>Develop a formal policy that is followed for Water and sewer arrears, similar to property taxation (e.g. notice of pass due amounts sent after 30 days, development of a payment plan after 60 days, water shutoff after 90 days).</li> <li>The policy should be approved by council and made public to inform all users and residents of the process and policy in place.</li> </ul> Development and adherence to a formal policy will allow staff to address operational matters in a more efficient and time sensitive manner without the assistance of the committee. |
| C8   | Billings and Collections:<br>Water and Sewer | <b>Risk:</b> Certain water shut off valves are not operational. This limits the Township's ability to take measures to collect water and sewer fees and increase the risk that water is being distributed that the Township may never collect payment for.   | In the short term, an analysis should be performed to identify the operational status of each of the Township's water shutoff valves. Consideration should then be given to repairing non-operational valves to determine if the investment in the repair should then be performed as a method to collecting unpaid water and sewer fees. In the long term, all water shut off valves should be repaired and operational.   |

# Potential Process Improvements – Billings and Collections

| Risk | Process                                      | Description of Risk and/or Inefficiency  | Potential Course of Action  |
|------|--|--|---|
| C9   | Billings and Collections:<br>Water and Sewer | <b>Risk:</b> Currently, the Receptionist opens the Township's mail and applies payments received from customers to accounts receivable balances. The segregation of duties related to the origination and authorization, receipt of consideration, and recording of transactions is a key aspect of effective internal accounting control. | Someone independent of recording the transactions should be assigned to open the mail and record its contents before being forwarded to the Receptionist for posting.<br>The individual responsible for opening the mail should not have the ability to record transactions into the accounting system. |

# Billings and Collections: Property Taxation



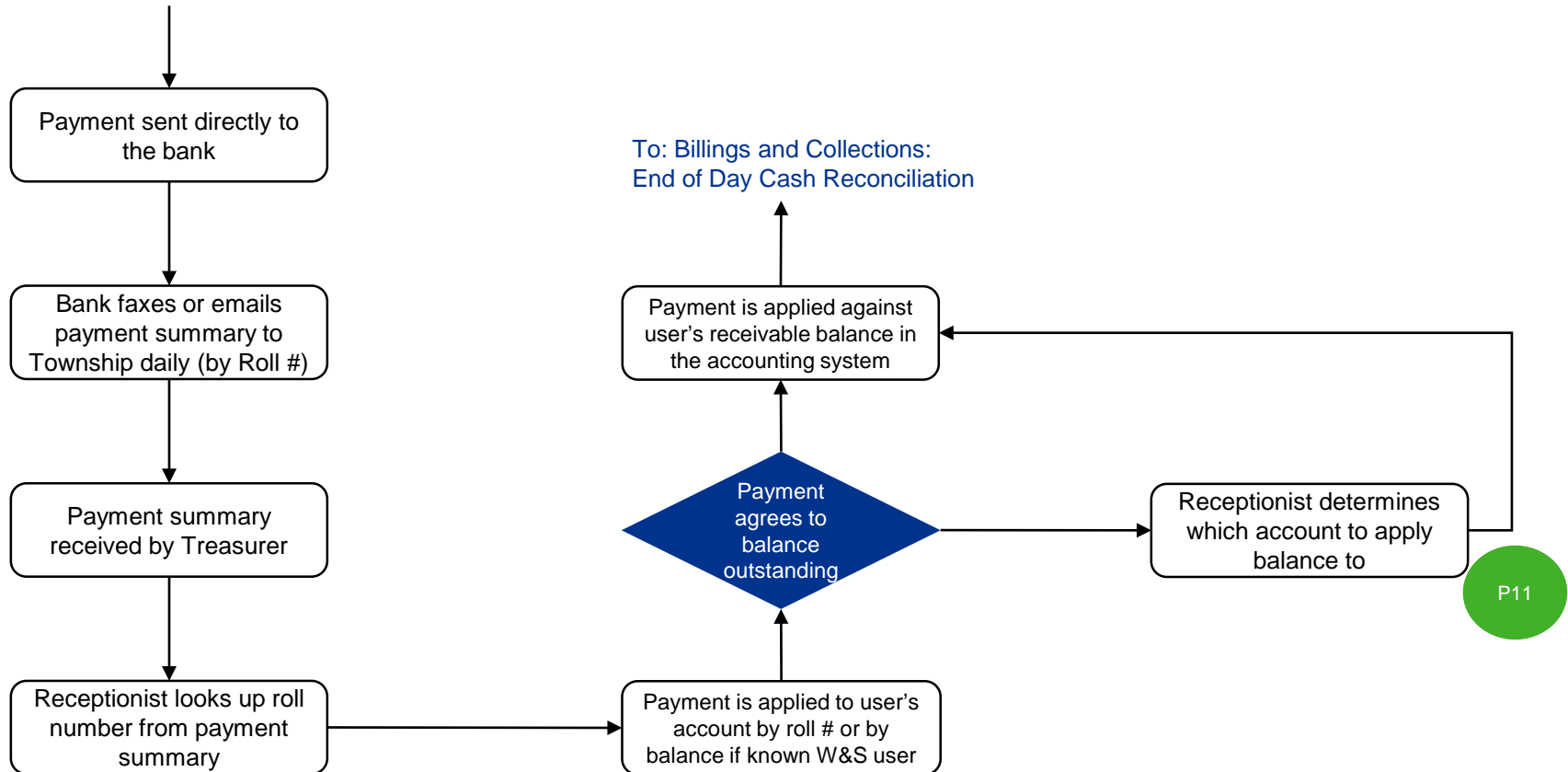


# Potential Process Improvements – Property Taxation

| Risk | Process                                  | Description of Risk and/or Inefficiency   | Potential Course of Action  |
|------|--|---|---|
| P10  | Billings and Collections: Property Taxes | <p><b>Inefficiency:</b> Property tax owners pay their bills by either cash/cheque or online. This requires the property owner to initiate the transaction, increasing the risk that payments are not made as quickly as possible.</p> | <p>Setup with the bank and allow property owners to pay their property taxes through a pre-authorize tax payment plan. Two options should be provided:</p> <ul style="list-style-type: none"> <li>• Ten Month Automatic Bank Withdrawals – payments are withdrawn from your bank account on the 5th of each month (January to October).</li> <li>• Due Date Tax Payment Plan – payments are withdrawn from your bank account on due dates.</li> </ul> <p>This was result in a decrease in the cash collection cycle, improve cash flow and help to reduce the balance in arrears.</p> |

# Billings and Collections: Water, Sewer and Property Taxation - Online

From: Billings and Collections: Water and Sewage  
From: Billings and Collection: Property Taxation



# Potential Process Improvements - Property Taxation

| Risk | Process  | Description of Risk and/or Inefficiency   | Potential Course of Action   |
|------|--|---|--|
| P11  | Billings and Collections:<br>Water, Sewer and Property Taxation – Online | <b>Inefficiency:</b> There is no way to identify if payments are for property taxation and/or water and sewer. The Admin. Assistant and Treasurer have to determine what a payment is for if it does not agree to a resident or user's outstanding balance. Since the property taxation module and water module are separated, additional time is spent switching between the two models to apply the payment. There is also a risk that payment is applied to the incorrect balance. | Adjust identification numbers that users input into their online banking to make it easier to identify the balance that is being paid. For example, a suffix of "PT" can be added to the roll number identify property tax payments and "WS" for water and sewer payments. This will assist the Admin. Assistant and Treasurer in identifying which balance to apply the payment to. |

# Billings and Collections: End of Day Cash Reconciliation

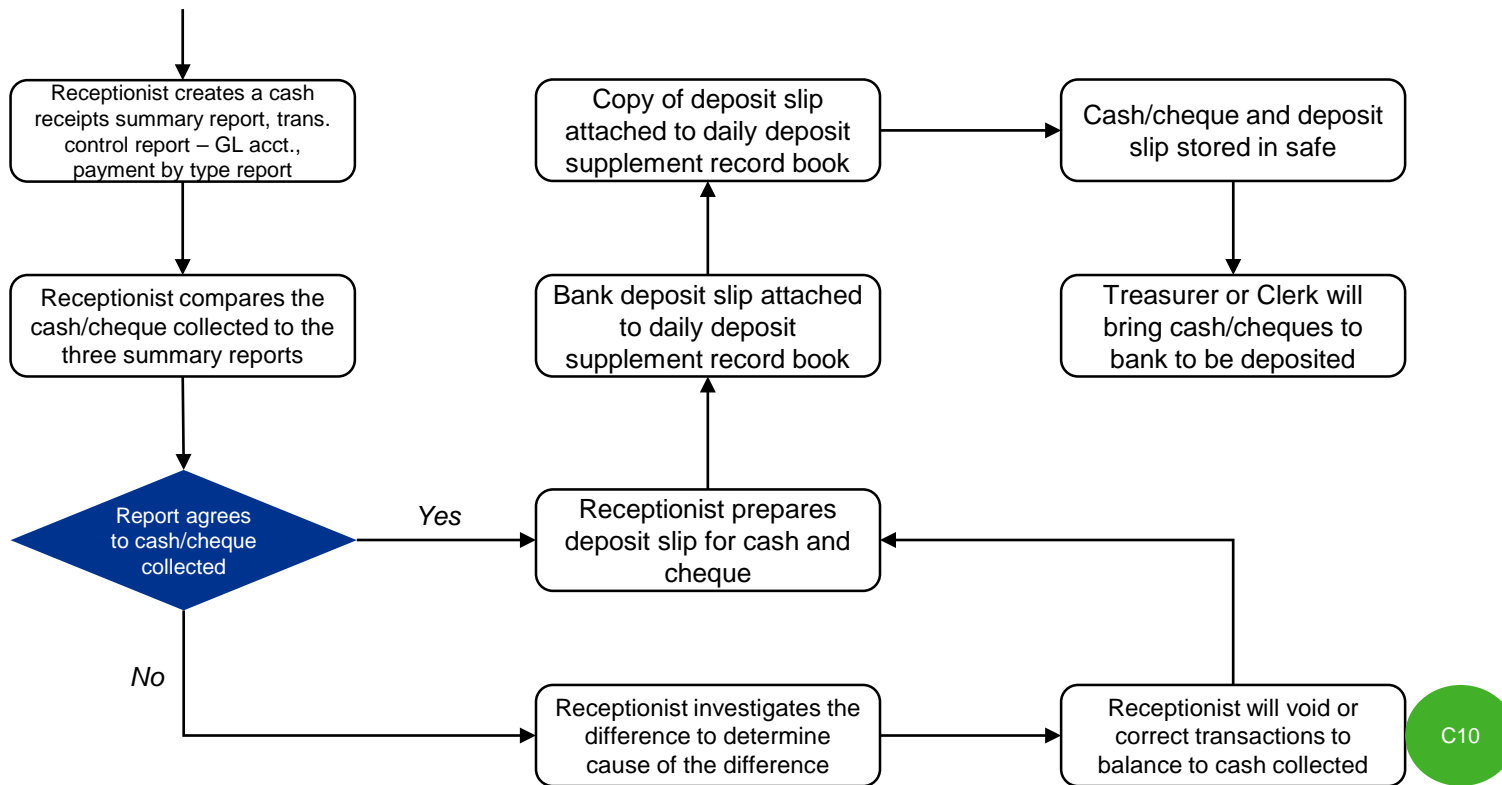
From: Billings and Collections: Arena Ice Rentals

From: Billings and Collections: Community Centre Rentals

From: Billings and Collections: User Fees

From: Billings and Collections: Water and Sewer- Billing

From: Billings and Collections: Property Taxation



# Potential Process Improvements - Billings and Collections

| Risk | Process   | Description of Risk and/or Inefficiency   | Potential Course of Action  |
|------|---|---|---|
| C10  | Billings and Collections:<br>End of Day Cash Reconciliation | <p><b>Risk:</b> An element of effective internal controls is the proper segregation of duties. The basic premise of segregating duties is to prevent situations where an employee has the ability to perpetrate an error or irregularity and to conceal it as well. Proper segregation of duties provides for a system of checks and balances such that the functions by one employee are subject to review through the performance of the interrelated functions of another employee. In the course of our examination, we noted several situations involving conflicting duties, such as:</p> <ul style="list-style-type: none"> <li>• The individuals responsible for maintaining the accounts receivable records also are responsible for handling, processing and recording of cash receipts and preparing bank deposit slips.</li> <li>• The accounting management individual who is actively involved in all accounting operations including monthly bank reconciliations has the ability to issue checks.</li> <li>• Accounting personnel initiate transactions and also perform related data entry on the computer.</li> </ul> <p>Each of the above situations could result in an intentional or unintentional error or irregularity going undetected.</p> | <p>While the size of the Township's accounting staff prohibits complete adherence to this concept, the following practices could be implemented to improve existing internal control without impairing efficiency:</p> <ol style="list-style-type: none"> <li>1. Mail should be opened by employee not responsible for accounting records. Cash receipts could be recorded and the deposit prepared by this person.</li> <li>2. Management should review supporting documents for normal recurring disbursements (not usually reviewed) on a spot-check basis. Non-routine testing would aid in ensuring compliance with Township policy for all disbursements.</li> <li>3. Journal entries should be approved by an employee other than the one who prepared the entry.</li> </ol> |



# Considerations for Implementation

# Considerations for Implementation

As the Township moves forward with the implementation of opportunities identified through the review, the Township may wish to consider the following framework:

## 1. Timing for Implementation

The review has taken place in the midst of the municipal election cycle and as a result, the Township may wish to give some consideration as to its approach with respect to implementation. For those opportunities identified as operational, the Township could begin to strategize implementation upon adoption of the report because Township staff will be tasked with implementation and Council would need to be simply kept informed as to progress. Where Council has been identified as the potential appropriate decision maker for strategic opportunities, the Township may wish to potentially commence exploring these but ultimately, defer the decision to the incoming Council in December 2018.

## 2. Establishment of Council Committee for Project Sponsorship

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

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

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

# Considerations for Implementation

## **3. Develop Implementation Plans**

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

Upon completion of the implementation plans, the plans would be presented to the Council committee for their review and approval. Upon approval, staff would then execute the plans, revising the approach as circumstances warrant.



# Considerations for Implementation

## Suggested Implementation Tool

|             |  |
|-------------|--|
| Opportunity | Explore the potential of sharing services with neighbouring municipalities |
|-------------|--|

| Implementation strategy  | Timeframe | Responsibility | One-time Cost | Annual Cost |
|--|-----------|----------------|---------------|-------------|
| <ul style="list-style-type: none"> <li>Identify all potential municipalities who may represent realistic partners for sharing the service</li> </ul>   |           |                |               |             |
| <ul style="list-style-type: none"> <li>Establish communication with those potential partners to discuss their interest in sharing the service</li> </ul>   |           |                |               |             |
| <ul style="list-style-type: none"> <li>In conjunction with partners willing to explore this, partners establish the terms of reference for the shared service</li> </ul>                           |           |                |               |             |
| <ul style="list-style-type: none"> <li>Partners determine the desired service level, timeframe considerations and how costs will be allocated on the basis set out within the agreement</li> </ul> |           |                |               |             |
| <ul style="list-style-type: none"> <li>Council decides on the matter</li> </ul>  |           |                |               |             |
| <ul style="list-style-type: none"> <li>Dependent on the partners involved, Council signs agreement and thus initiating the shared service agreement</li> </ul>                                     |           |                |               |             |

| Considerations                  |      | Response  |
|---------------------------------|------|---|
| Staff reductions                | None |   |
| Collective bargaining agreement | None |   |
| Community relations             | None |   |
| Service levels                  | Yes  | Ensure that the potential agreement language reflects the desired level of service for all partners |
| Contractual obligations         | None |   |

# Considerations for Implementation

## 4. Monitor and report on outcomes

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

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

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

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



# Appendix A - Sample Policies

# Budget Policy

## **POLICY**

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

## **OBJECTIVES**

To establish the processes of the annual budget

To encourage long-range planning in operating expenditures

To achieve approval of the annual budget prior to February 28th of the following year (unless an election year in which years the budget shall be approved by March)

To encourage effective planning, analysis and allocation of the Township's limited financial resources

## **IMPLEMENTATION**

1. That the Treasurer prepare a report, no later than October 31st of each year, to provide Council a report outlining an overview of the projected budget challenges
2. That Council, no later than December 31st of each year, provide direction to staff regarding any changes in levels of service required for the following year and that this information be taken into account in the determination of the budget targets.
3. That the Treasurer, working in conjunction with other staff, develop and present a preliminary budget not later than January 31st that includes:
  - The calculated amount of capital levy as determined by the capital financing policy.
  - An adjustment to operating cost expenditures (excluding levies from outside boards and agencies) not to be lower than the published year-over-year Consumer Price Index for the month of October
  - An adjustment to levies from outside boards and agencies that reflects the anticipated change in levy amounts.
4. Personnel additions will only be considered if it is substantiated that additional staffing will result in increased revenue or enhanced operating efficiencies
5. To the extent feasible, personnel cost reductions will be achieved through attrition.

# Budget Policy

## **IMPLEMENTATION**

6. Alternative means of service delivery will be evaluated to ensure that quality services are provided to our citizens at the most competitive and economical cost.
7. Operating variances will be monitored on a monthly basis by managers with reports to Council as of June 30th, September 30th and December 31st each year.
8. Capital projects, including approved change orders and other anticipated cost increases, will be reported to Council as of June 30th and December 31st.

# Reserve and Reserve Fund Policy

## **PURPOSE**

The purpose of the Reserve and Reserve Fund Policy is to establish the framework and outline requirements for establishing reserve funds, authorizations required for use of reserve funds, and for reporting requirements to Council.

A reserve policy is a critical component of a municipality's long term financial plan. There are a number of legislated Obligatory Reserve Funds governed by various legislations. Section 417 of the Municipal Act, 2001 governs Discretionary Reserve Funds.

## **GOALS AND OBJECTIVES**

The goals and objectives of the Reserve and Reserve Fund Policy include:

- To reduce the risks to the taxpayer of significant budget impacts arising from uncontrollable events and activities;
- To provide a source of one-time or short term financing without permanently impacting the tax rates. For example, capital projects or major capital equipment requirements, which are not included in approved budgets and cannot be reasonably funded by delaying a lower priority capital project;
- To provide a source of funding for a onetime operating expenditure, including small capital, not in approved budget allocations;
- To ensure adequate cash flows and liquidity; and
- To maintain a level of reserves that would be comparable to other Ontario municipalities and as defined in the below performance targets.

## **PERFORMANCE TARGETS**

Reserve policies are intended to provide long term perspective to financial planning. The performance targets identified within this policy are to achieve long term financial stability as well as support to the attainment of the Township's broader strategic objectives, recognizing that a number of years may be required for the Township to achieve these targets.

# Reserve and Reserve Fund Policy

## IMPLEMENTATION AND REPORTING

1. The implementation of this policy shall be considered a long-term goal of the Township.
2. The Treasurer shall provide an annual report to Council as to the Township's reserves and reserve funds.
3. Council must approve any new reserve fund by resolution. Alternatively a new reserve fund may be established with the approval of the Operating Budget by specific reference within the budget detail.
4. Transfers to or from a reserve or reserve fund must be approved by Council. Approval may be granted by specific resolution, by policy approval by Council or by specifically approved budget allocations.

## Sample Stabilization Reserve Structure

| Reserve                          | Description and purpose   | Automatic Transfer | Funded | Available for Capital | Limit      |
|----------------------------------|---|--------------------|--------|-----------------------|------------|
| Working fund reserve             | <ul style="list-style-type: none"> <li>• Funding of unforeseen expenditures or loss of revenues</li> <li>• Not restricted for a specific purpose or funding but rather represents a general contingency</li> </ul>  | No                 | No     | Yes                   | None       |
| Tax stabilization reserve        | <ul style="list-style-type: none"> <li>• Funding for significant losses of taxation revenue</li> <li>• Criteria should be major assessment appeal or loss of significant taxpayer</li> <li>• Not to be used for assessment changes from MPAC appeal cycles</li> </ul> | No                 | No     | No                    | 5% of levy |
| Water stabilization reserve      | <ul style="list-style-type: none"> <li>• Retains surpluses in order to fund deficits</li> </ul>   | Yes                | No     | Yes                   | No         |
| Wastewater stabilization reserve | <ul style="list-style-type: none"> <li>• Retains surpluses in order to fund deficits</li> </ul>   | Yes                | No     | Yes                   | No         |
| Roads stabilization reserve      | <ul style="list-style-type: none"> <li>• Retains surpluses in order to fund deficits</li> </ul>   | Yes                | No     | Yes                   | No         |

# Debt Policy

## PURPOSE

The goal of the municipality's debt policy shall be to set out the guiding principles for the approval, issuance and administration of any municipal debt, which shall adhere to all statutory requirements.

## GLOSSARY

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

**Debt and Financial Obligation Limit** – The maximum amount of annual debt servicing costs that a municipality can undertake or guarantee without seeking the approval of the Ontario Municipal Board. The Debt and Financial Obligation Limit is calculated pursuant to Ontario Regulation 403/02 – Debt and Financial Obligation Limits.

**Lease Financial Agreements** – A financial agreement, in accordance with Ontario Regulation 653/05 – Debt Related Financial Instruments and Financial Agreements, that a municipality may enter into for the purpose of obtaining long-term financing of a capital undertaking of the municipality.

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

**Material Impact** – Under Ontario Regulation 653/05 – Debt Related Financial Instruments and Financial Agreements, a Lease Financing Agreement has a material impact on a municipality if the costs or risks associated with the agreement significantly affect the municipality's Debt and Financial Obligation Limit, or would reasonably be expected to have a significant effect on that limit.



# Debt Policy

## POLICY STATEMENTS

The municipality shall only enter into Long-term Debt, including Lease Financing Agreements, where the following conditions are met:

1. The Long-term Debt will be managed in a manner consistent with other long-term planning, financial and management objectives.
  - a. Consideration will be given to the impact on future taxpayers.
  - b. Long-term Debt will be managed in a manner to limit financial risk exposure.
  - c. The timing, type and term of Long-term Debt will be determined with a view of minimizing long-term cost to the extent possible.
  - d. The term of Long-term Debt will not exceed the useful life of the particular asset.
  - e. The issuance of Long-term Debt will not result in the municipality exceeding its Debt and Financial Obligation Limit.
  - f. A category of Lease Financing Agreements may be relied upon for non-material or operational leases where the agreements will not, in the opinion of the Treasurer as delegated by Council through this policy, result in a Material Impact for the municipality.
2. All Debt shall be issued in Canadian dollars.
3. It shall be the general practice to issue Debt where the interest rates will be fixed over its term. The municipality may issue Debt in which the interest rate will vary where, in the opinion of the Treasurer, it is in the municipality's best interest to allow the rate to float provided such Debt, in addition to any other Debt, does not exceed fifteen percent (15%) of the total outstanding Debt of the municipality in accordance with *Ontario Regulation 276/02 – Bank Loans*.
4. Upon the repayment of Long-term Debt, the amounts previously committed to annual debt servicing shall not be removed from the municipality's budget but rather will be reallocated towards:
  - a. Debt servicing costs for new Debt issued by the municipality; and/or
  - b. Contributions to reserves for capital purposes.
5. The awarding of any contract under this Policy, unless otherwise authorized by Council, shall follow the requirements as set out in the municipality's procurement policy.
6. Council, in conjunction with staff, shall review the municipality's outstanding Debt in conjunction with the annual budget process.



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