



The Townships of Waterloo Region Joint Service Review

Final Report Council Presentation

Township of Wellesley, February 23, 2021

Project Overview

Project Objectives – *How will we define success?*

As municipal budget challenges grow year after year, municipalities are facing a host of unavoidable pressures that are increasing the cost of service delivery. In 2019, to ease the transition, the Province of Ontario released a series of grant programs for municipalities to fund a review of their operations.

We understand that the Townships of Waterloo Region (“the Townships”) share the Province’s objective of greater efficiency and effectiveness. Accordingly, the Townships have identified increased collaboration in the delivery of municipal services as a key priority and have retained KPMG to assist in identifying opportunities for shared service delivery and improved efficiency and effectiveness.



KPMG was engaged by the Townships of Waterloo Region (North Dumfries, Wellesley, Wilmot and Woolwich) to undertake a joint service delivery review (the “Project” or “Service Review”) in a phased approach. For Phase 1 of the Service Review, the Townships are focusing on five service areas – Fire, Emergency Management, Corporate Communications, Information Technology, and Library. For Library services, the Townships are responsible for providing the facilities in which the services are delivered; and the Region of Waterloo is responsible for delivery of library services and programs.

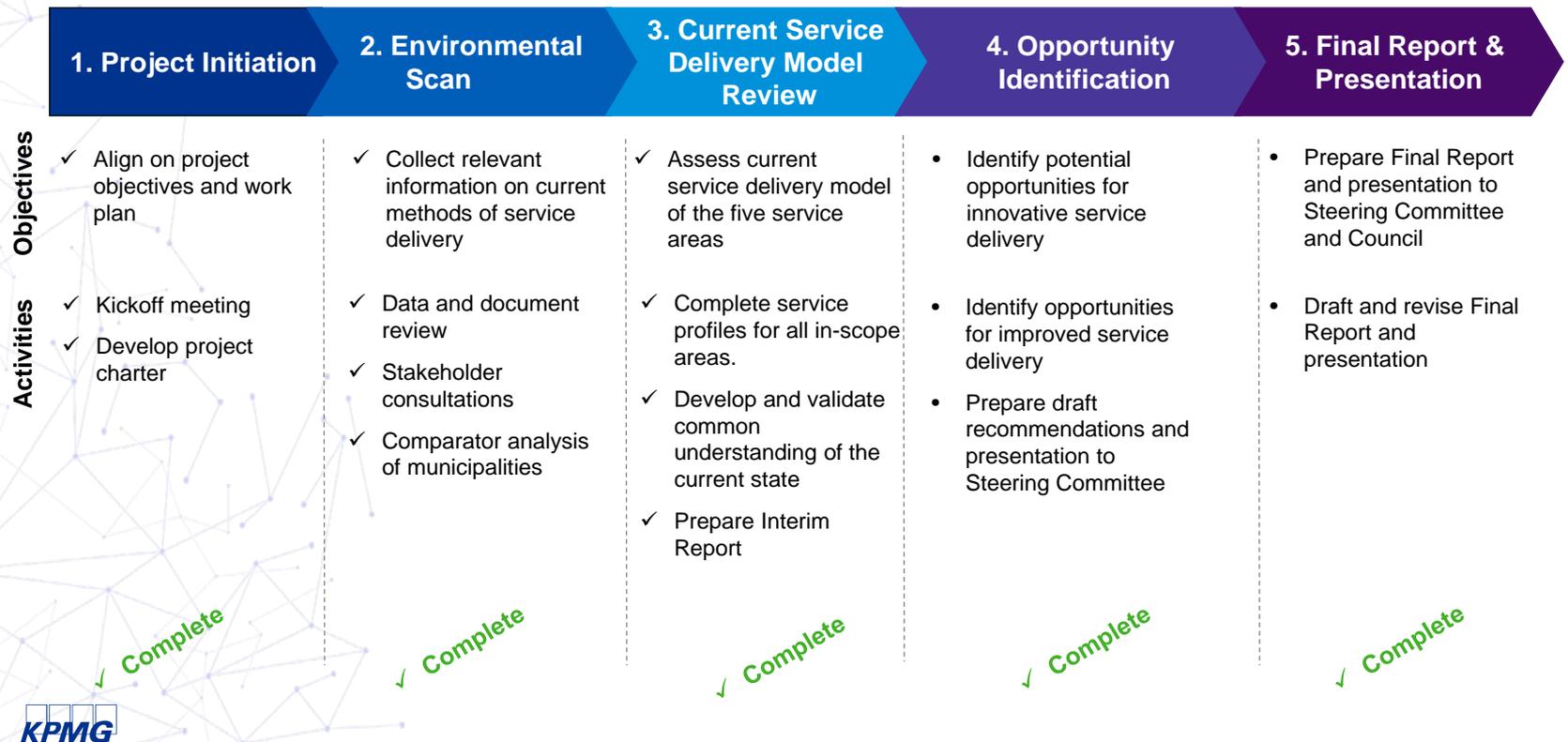
Specific project objectives included the following:

- **Facilitate Review** – Conduct a comprehensive review to understand the current service delivery models through documentation review and stakeholder consultation. As part of this, consider the current service delivery approaches, cost and impact the services have on the Townships, including high level benchmarking with comparator municipalities.
- **Identify Opportunities** – Identify and explore opportunities for sustainable shared approaches to service delivery and establishing and/or amending service levels.
- **Recommendations** – Evaluate and categorize opportunities to develop recommendations for Phase 2 priorities. Provide strategic guidance to leadership on implementation and prioritization of new, innovative and/or leading service delivery models that improve upon organizational efficiency while balancing stakeholder expectations. In addition, advise on the risks associated with each proposed change/option to inform management of the key factors and risks which should be considered during the decision making process.

Scope of Work

A service delivery analysis provides a high-level assessment of the potential options and benefits available to the Townships for jointly delivering selected services to local communities. An iterative approach to conducting the analysis was prepared with important input sought from each Township at key milestones. The approach draws on the experiences of other municipalities in jointly delivering services to local communities and outlines a roadmap for implementing potential shared service mechanisms for the five identified services.

The table below outlines the iterative approach to building the service delivery analysis. The project team composed of the four Chief Administrative Officers (supported by their respective management teams) were consulted regularly to confirm project scope as well as better understand each Township's operating model, local challenges and related priorities and strategies as well as past experiences with delivering shared services in the region. These insights were important to documenting the lessons from previous shared service initiatives and local perceptions of what opportunities may exist for shared services in the future.



Defining Shared Services

Despite the potential benefits that arise from shared service arrangements, municipalities can sometimes be reluctant to identify and pursue these opportunities. While geography will play a major role in dictating the extent to which municipalities are candidates for shared service arrangements, it can also be used as a default for ruling out any form of service sharing. Similarly, concerns over the impact on existing service levels are often cited as reasons not to pursue shared service arrangements, despite the potential to actually enhance the quality of service provided to residents.

Sharing delivery of similar services across neighbouring local townships can reduce cost, enhance efficiency and improve quality. It requires, however, careful consideration of both the structure and governance to ensure the partnership achieves the level of cooperation required to implement an effective shared services model.

Shared services' are typically where two or more local municipalities jointly provide:

- **External citizen-facing services** – services that municipalities provide to the local community, such as, fire protection, public transportation, recreation and library services;
- **Back office functions** – functions that support external services, such as information technology, finance, legal, payroll, and human resources; or,
- **Procurement** – purchase of goods and services.

Shared services may also include one or more municipalities partnering with other organizations outside of local government for the delivery of specific services. This is typically referred to as outsourcing.

Many municipalities explore the possibilities of shared services with the goal of reducing costs, increasing service quality and providing better community outcomes. In addition to cost savings, there are other financial and non-financial benefits associated with shared services, including:

- Increased efficiency through the reorganization and sharing of assets;
- Improved service delivery and consistency across regions;
- Economies of scale
- Reduced duplication of processes;
- Improved quality of service through a larger and more skilled resource pool; and,
- Support of local economies by sustaining local employment.

Shared Services Delivery Models

Embarking on shared service arrangements is a complex, and potentially costly, exercise and should not be viewed by municipalities as simply a means of avoiding other structural reform options and continuing with the status quo. There are a wide range of potential delivery mechanisms available for shared services for municipalities to consider:

- **Resource sharing** – contractual arrangements between local municipalities to share key resources (plant, equipment or personnel) to achieve efficiencies and lower costs. Typically one municipality employs resource and hires out to others on a “time and materials” basis.
- **Centralized services** – relocation of multiple delivery sites or services to one centre which then serves across multiple municipalities.
- **Joint venture** – establish stand-alone incorporated entity to share costs and risks of providing municipal services and infrastructure, e.g. public library board.
- **Outsourcing** – Key municipal services outsourced to organizations typically from the private sector or external public sector entities. In this case, participating municipalities do not always have the sufficient size or scale to effectively deliver the service in an economic manner.

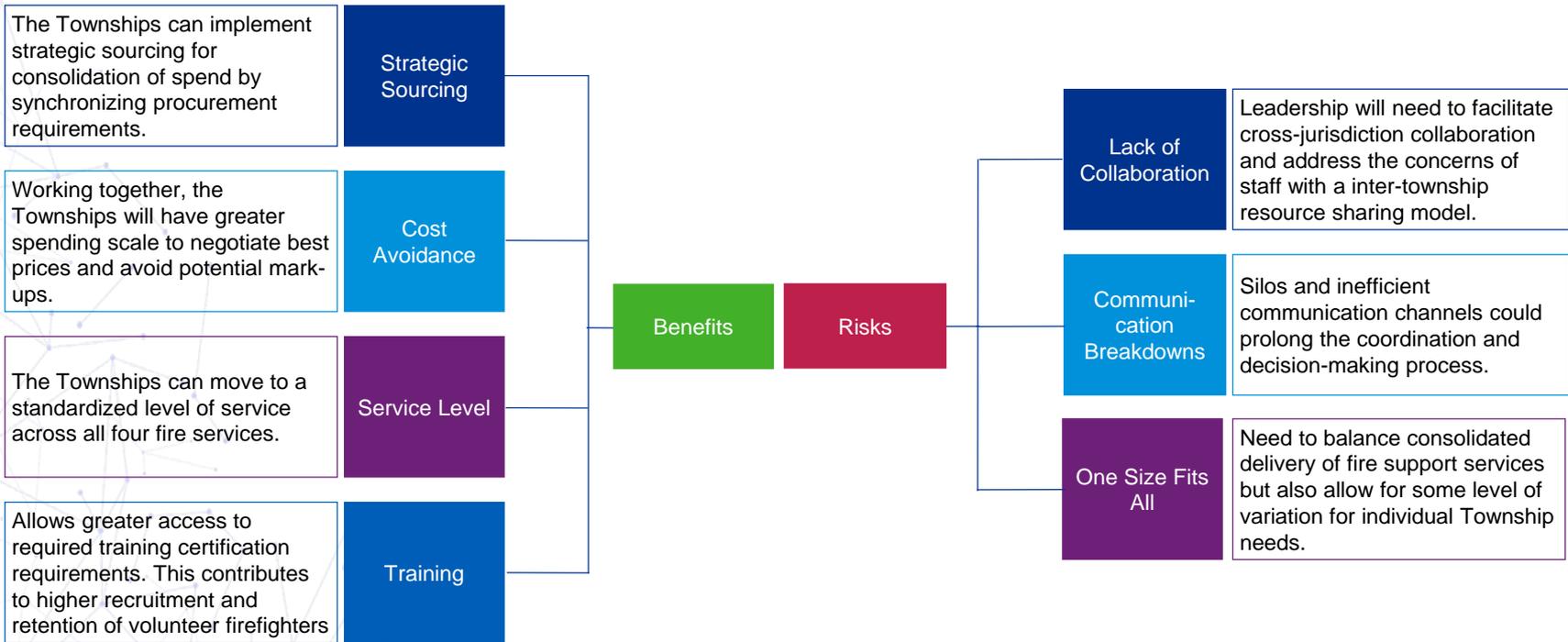
The adjacent table provides a comparative framework of the attributes of each of the shared service delivery mechanisms available to municipalities. This framework is applied to each of the five services areas in further detail in the following sections of this report.

	Resource Sharing	Centralized Services	Joint Venture	Outsourcing
Start Up Costs	Low	Low- Medium	Medium-High	Medium-High
Enduring nature of arrangement	Short-Term	Medium-Term	Medium-Long Term	Medium-Long Term
Savings Potential	Low-Medium	Medium-High	Medium-High	Medium-High
Time required for net benefits to accrue	Short-Term	Short-Medium Term	Medium-Term	Medium-Term
Scale of structural change (i.e. disruption)	Low	Medium	High	Very High
Exit Costs	Low	Medium	High	Low-Medium

Source: KPMG analysis

Proposed Model - Fire Service

KPMG proposes the Resource Sharing Model – The four Townships develop a joint services framework in procurement, firefighter training, and fire prevention/public education.



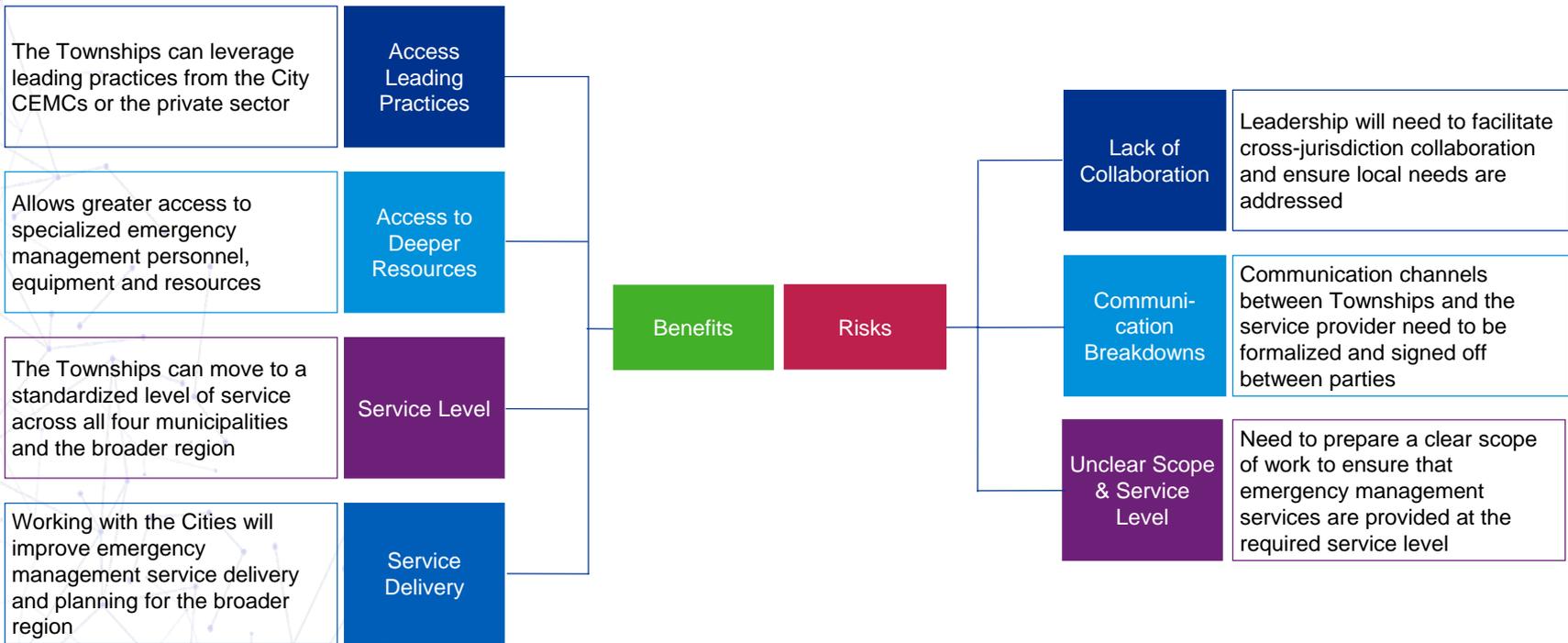
ESTIMATED SAVINGS SERVICE LEVEL IMPACT COMPARATOR ANALYSIS BARRIERS & RISK

\$550,000 - \$850,000
10 - 15%



Proposed Model - Emergency Management

KPMG proposes the Outsourcing Model – The Townships contract emergency management services to either the Regional Cities or the private sector.



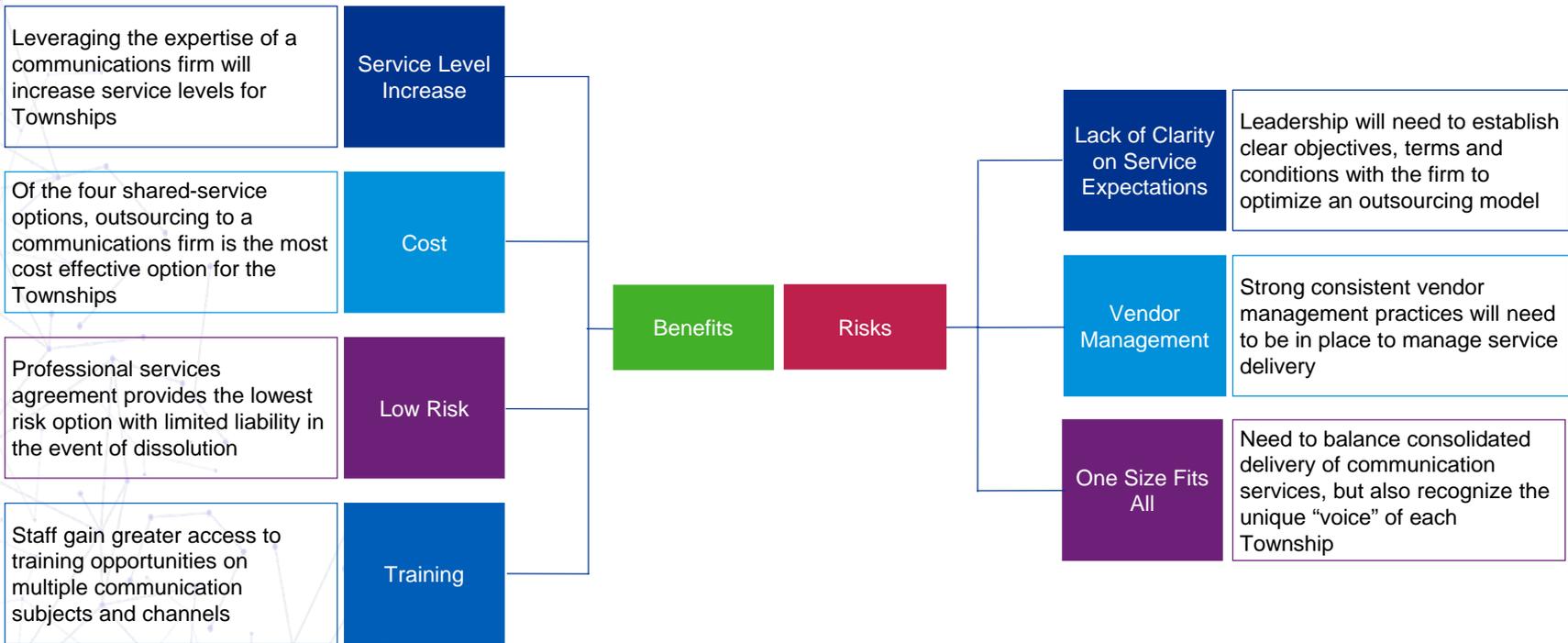
ESTIMATED COST SERVICE LEVEL IMPACT COMPARATOR ANALYSIS BARRIERS & RISK

\$125,000 gross



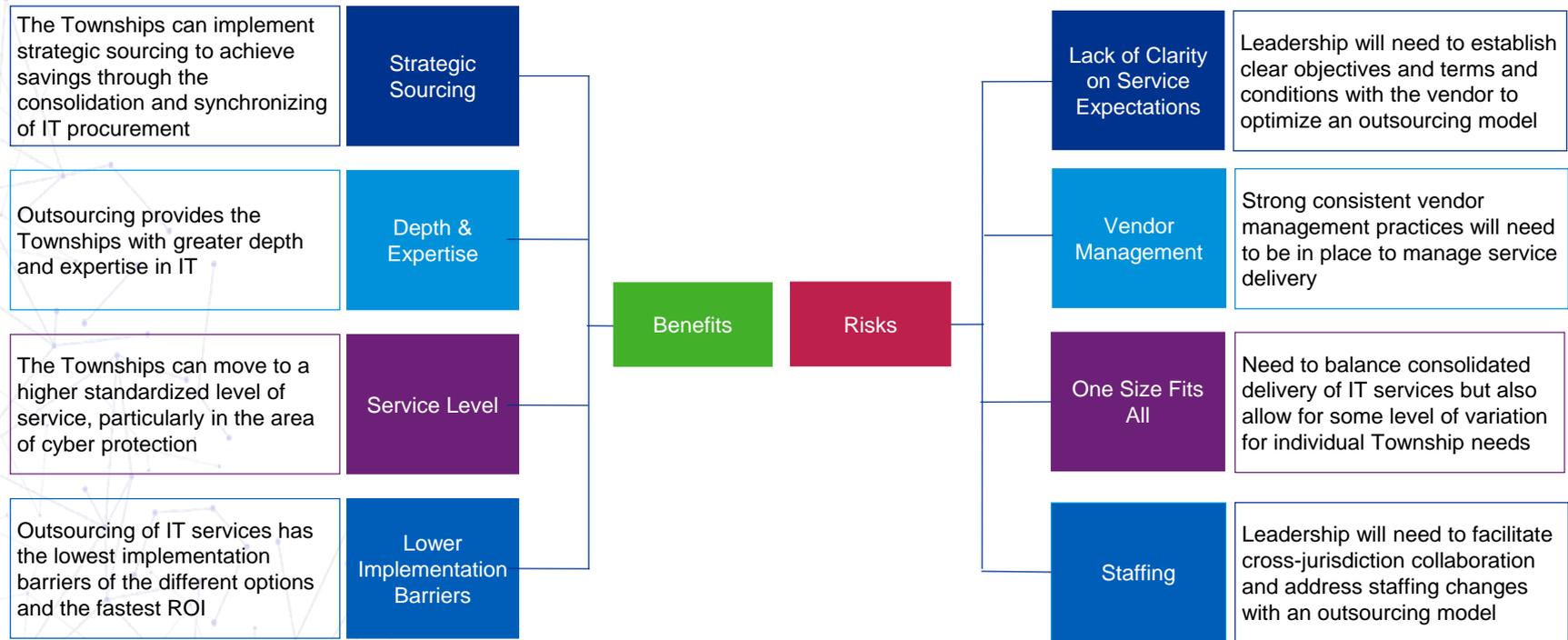
Proposed Model - Corporate Communications

KPMG proposes the Outsourcing Model – The Townships contract communication services to a professional service provider to provide either base-line communication services or support existing communication staff on “hot-button” issues.



Proposed Model - Information Technology

KPMG proposes a Modified Outsourcing Model – North Dumfries and Wellesley Townships jointly contract IT services to a professional service provider by leveraging North Dumfries’ experience with their outsourced business model. Given the size and growth projections, Wilmot and Woolwich Townships continue with the current in-house service delivery model but also identify IT services that require greater support and can be contracted out.



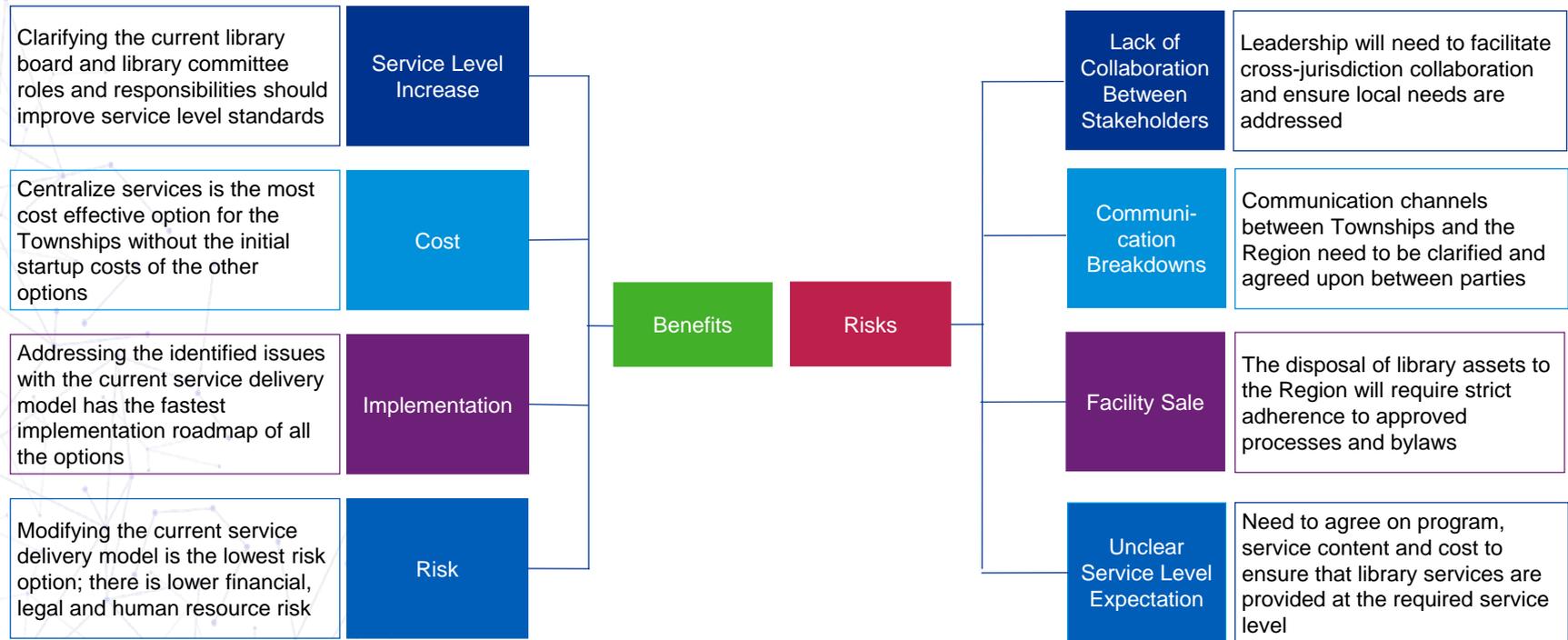
ESTIMATED COSTS SERVICE LEVEL IMPACT COMPARATOR ANALYSIS BARRIERS & RISK

\$50,000 - \$100,000 outsourced services per Township



Proposed Model - Library

KPMG proposes the modification of the status quo through a centralized services model similar to the Wellington County model. A stand alone Regional Library Board would be established for the Townships of Waterloo Region with a library CEO reporting directly to the Board. The Board would be composed of elected officials and public appointees from the Townships. The Townships' library assets would be sold to the Region.



ESTIMATED COSTS SERVICE LEVEL IMPACT COMPARATOR ANALYSIS BARRIERS & RISK

The capital cost of facility maintenance is removed from the Townships' budget ~ \$100K



Thank you



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