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**REPORT ON
SHARED SERVICES & REGIONAL ORGANIZATION**

FOR THE

**HIGHWAY 45 REGIONAL DEVELOPMENT
CORRIDOR**

September 13, 2004

Highway 45 Regional Development Corridor Shared Services & Regional Organization

Introduction

The Highway 45 Regional Development Corridor was formed by the County of Two Hills, Village of Willingdon, Village of Myrnam, Village of Derwent, and the Town of Two Hills to “work together to help improve the economic well being of the region.”

The goals of this group are to:

- Strengthen their relationships in areas of mutual concern such as Disaster Planning, Waste Management, Senior Housing, and Fire Protection.
- Explore shared services.
- Search for better ways to function as partners in the region in an open and efficient manner.
- Find ways to promote economic development and stimulate growth in the region.

As a result of a grant from Municipal Affairs under the Municipal Sponsorship Program, the group initiated two studies. The purpose of one study is to explore all opportunities for Regional Economic Development. The purpose of this study, on the other hand, is to:

- Explore opportunities for the delivery of services and activities to encourage a regional approach where efficiencies may be achievable.
- Explore the decision-making and project management options of the participating municipalities as a group.

The required outcomes of the study are:

- An analysis of all possible areas of sharing services, the economic benefits, and a plan on how to regionally coordinate the delivery of these services to the benefit of all the communities involved.
- A recommended organizational structure that has a clearly defined means to make decisions and manage shared services on a regional basis.

Methodology & Approach

We believe that any study of this nature should be a participative process. Without the participation of all concerned, there is far less assurance of accuracy and objectivity, less

opportunity for all parties to take responsibility for their own issues, and less opportunity for any “buy in” into the study’s conclusions and recommendations.

In conducting this study we have individually interviewed and held discussions with the following:

- Olivia Walcheske, Administrator, Village of Willingdon
- Evelyn Straty, Administrator, Village of Myrnam
- Cindy Fedechko, Administrator, Village of Derwent
- Marcia Twerdochlib, Administrator, Town of Two Hills
- Gary Popowich, Administrator, County of Two Hills
- Sheila Kitz, Director of Finance, County of Two Hills
- The Council of the Village of Willingdon
- The Council of the Village of Myrnam
- The Council of the Village of Derwent
- The Council of the Town of Two Hills
- The Council of the County of Two Hills

We have attended two Joint Municipalities Meetings, June 1 and August 31, 2004, as well as the public meeting held on June 21, 2004 in Willingdon to discuss the Dissolution Study prepared by Municipal Affairs.

We have also held ongoing discussions with the Highway 45 Regional Development Corridor Steering Committee:

- Patrick Gordeyko, County of Two Hills
- Peter Karbashewski, Village of Willingdon
- Peter Popowich, Town of Two Hills
- Gaytha Heighes, Village of Myrnam
- Darlene Lalonde, Village of Derwent
- Sheila Kitz, County of Two Hills

We would like to take this opportunity to thank everyone for their input and assistance and for openly sharing their views with us. The responsibility for the findings and recommendations in this report, however, rests solely with us.

The approach that we have taken in this study reflects our approach to shared services in general. We are committed to the concept of shared services if there is a tangible benefit to all the parties involved. We believe that shared services must be cost effective and maintain desired levels of service. If this cannot be shown as an outcome, then we do not advocate sharing services.

We do not believe in increased bureaucracy and increased levels of governance and/or management to oversee shared service projects. We believe that this is self defeating as it seriously detracts from and/or eliminates the desired cost effectiveness and increased efficiency that is desired in the first place.

We believe in the “best practices” that are commonly found today in successful organizations in the private sector: the least management hierarchy possible with the least bureaucracy and full cooperation and collaboration between all parts of the organization. The same principles should apply equally to the public sector.

Findings

1. The following services are already shared and/or regional in one manner or another:
 - Ambulance services are provided by Prairie Emergency Medical Services except for Derwent which is serviced by Vermilion. These services will be assumed by the East Central Health Authority effective April 1, 2005.
 - Fire services are regional to all extent and purpose although not on a formal basis. The County owns most of the fire equipment that is located in each of the urban municipalities and there are agreements in place with all of them regarding mutual aid across municipal boundaries. There are no savings to be had in this area and there is already informal regional coordination of all services. The arrangement is of mutual benefit to all parties.
 - Waste Management services are regionally administered by the Regional Waste Commission and cost shared by all the municipalities. Garbage collection is not regional as the Town and Villages do their own collection and hauling to the transfer sites or directly to the landfill.
 - The Airport is shared by the County and the Town and administered by the Two Hills Town & County Airport Commission.
 - Library services are provided to all except Willingdon and Derwent by Northern Lights Library System.
 - Economic Development is regional through the Highway 45 Regional Development Corridor.
 - Seniors' Lodges in Willingdon, the Town of Two Hills, and Myrnam are overseen by the Eagle Hill Foundation Board. The operations have been contracted out to a private management company, Connecting Care, in Edmonton. The Town of Two Hills manages Eventide Homes and the Village of Derwent manages Northern Lights Manor.
 - Both the Town and the County contribute to the costs of F.C.S.S. The Villages do not contribute.
 - Police services are contracted to the R.C.M.P. out of Two Hills and Andrew, except for Derwent which is serviced out of Vermilion.

- The County contributes to the recreational facilities of the Town and throughout the County by application. Recreational facilities throughout the region are primarily operated and funded by the Agricultural Societies and other organizations.

In addition, the five municipalities involved hold Joint Municipalities Meetings approximately every three months. For the most part, there is a good acceptance of shared services and the benefits involved.

2. There are some areas where greater cost effectiveness and/or efficiency could be had:
 - Garbage is currently hauled under private contract from the Transfer Sites to the Landfill and from various County locations to the Landfill at a cost of \$72,546 per annum. In addition the Town pays approximately \$40,000 for garbage collection which is taken directly to the Landfill. The Villages also have their own garbage collection which is trucked to the Transfer Sites. The cost for the three Villages is approximately \$20,000. With the cost of a new garbage truck at approximately \$200,000, it would be more cost effective for the Landfill to purchase their own garbage truck and provide services to all the municipalities. Cost recovery would be over a relatively short period of time.
 - Seniors housing would be more efficiently planned if they were all managed by one body. Given the current demographics and the aging population, there is an ever increasing need for either Home Care or Assisted Living accommodations that must be planned for, staffed, and managed.
3. What is primarily left to share, however, are the two main and largest service areas of Public Works and Administration. This is where there are major cost savings and benefits to be had for all the municipalities and it makes the most sense, therefore, to share these services. First let us outline what types of services are included under these headings. Public Works would include such areas as rural roads, urban streets, engineering and technical services, maintenance of equipment and buildings, water and sewer, etc. Administration would include such areas as accounting, purchasing, assessment, planning and development, by-law enforcement, legal services, etc.

The situation in the Two Hills region is typical of many across the Province. The Town and County offices are approximately one block apart from each other; yet they both have a full Public Works department and a full Administration department both providing the same basic services. This duplication represents an incredible waste of both time and resources; it is not cost effective and it is inefficient.

The full sharing of staff expertise, systems and equipment would make far more sense. Why shouldn't the County graders leave their blades down and clear the Town streets of snow. Why shouldn't the County have complete access to the expertise in water quality of the Town staff? Why shouldn't the Town and the County utilize the same financial system? Why shouldn't they use the same planning and development staff and the same assessor? Why shouldn't they reap the benefits of greater bulk purchasing power? There is not one single

valid reason that we know of or that was given to us in our interviews for maintaining separate services.

The same rationale applies even more so to the Villages. They lack the required expertise in many areas and in some cases cannot even afford the new technology such as SuperNet because they can't afford the hook up to the services that the Province is providing. Standards are increasing every day as well as the demands of new technology; one only has to look at the whole area of water quality to see that. This will place even more demands in terms of staff and their expertise on those that cannot afford the cost.

The cost savings involved in Public Works would be in the reduction of some staff, and primarily in the efficiencies to be gained through more efficient utilization of equipment and manpower, increased purchasing power, and other economies of scale.

The cost savings in Administration would be in the reduction of staff and also in the more effective utilization of systems and technology for all areas.

4. Aside from the actual sharing of services, one of the biggest areas for potential savings and better efficiency is in the existing governance/management structure. Aside from five separate councils, there are also numerous Boards, Committees, Commissions and other bodies which are either mandated by legislation or have been established because of shared and/or regional services. Many, if not most of these Committees, etc., could be eliminated or the duplication of some eliminated, if there were only one governance structure. We will come back to this point and the cost savings involved in our recommendations.
5. The population statistics highlight the high cost of governance and administration in the region:
 - Village of Derwent 111
 - Village of Willingdon 287
 - Village of Myrnam 322
 - Town of Two Hills 1,091
 - County of Two Hills 2,614

The current total population for the entire region, therefore, is approximately 4,425 according to the Official Population List, Alberta Municipal Affairs, 2003.

This represents a decrease of approximately 2% in total population since the last census figures.

19 councillors represent this population of 4,425; that's one councillor for every 233 people! For comparison, the Bonnyville region (County, Towns & Villages) has a total population of approximately 26,012 represented by 22 councillors, or one for every 1,182 people; that's five times as many people per councillor. The St. Paul region has a population of approximately 12,797 with 19 councillors, or one for every 673 people; that's close to three times as many.

The same type of comparison can be made regarding the administrative overhead involved per region. The Two Hills region has five administrators, or one per 885 people. The Bonnyville region has four, or one per 6,503. The St. Paul region has three, or one per 4,265.

6. The total cost of all Councils and all Administrators for the entire region is \$362,146 according to 2003 financial statements. If we add on such costs as the time spent by clerical staff in preparing minutes and agendas, etc., and the costs of meetings and meals, etc., then the costs probably exceed \$400,000.
7. The three Villages of Willingdon, Myrnam and Derwent are all experiencing, to one degree or another, the same problems of economic viability that challenge virtually all villages throughout the Province. The Village of Derwent with a population of 111 has only one third the required population of 300 under the Municipal Government Act that is required to become a village. If we look at the cost of governance and administration for this one village the comparisons are enormous; that's one administrator per 111 people and one councillor per 37 people. The Village of Derwent underwent a Dissolution Study by Municipal Affairs in late 2001 and rejected dissolution in a vote held on November 14, 2001. At that time it was shown that residential taxes would have been reduced by 66% if the Village had voted in favor of dissolution! The Dissolution Study pointed out that the Village's sewer system required upgrading, and had for some time, and that there were other infrastructure problems that required attention. These problems still remain.

The Village of Willingdon has also recently undergone a Dissolution Study which also resulted in a No vote on June 29, 2004. Willingdon is in much better shape than Derwent, yet the Dissolution Study pointed out that there would be a 52% reduction in residential taxes if the Village dissolved. The Village certainly understands that their position is tenuous.

The Village of Myrnam is in the best shape of the three villages, yet they are also in no position to easily cope with any unexpected expenditure. Their taxes would also presumably drop around 50% if they chose to dissolve.

8. We provide this overview of the three Villages to illustrate the point that the maintenance of their own governance and administrative structures is not in the best financial interest of the taxpayers. There is a substantial cost involved. The benefits, on the other hand, are primarily those of retaining some measure of independence, sense of community, and autonomy.

We do not argue with the desire to maintain one's own autonomy; this is only human and very understandable. There are other costs involved besides taxes, however, which it is important for the taxpayers to be aware of and to consider:

- How do you attract new residents and new businesses when your tax rates are so high? This is not balanced off by such lower property costs in the first place.
- What do you say to new residents who come from well serviced areas and expect the same levels of service?

- How can you cope with not being able to apply for some government grants because you can't afford your portion of the costs? You cannot expect others that are more fortunate and financially viable such as the County to pick up all the costs. The same applies to the ability to pay the requisition for services provided in any area. Again, you cannot expect that the County will automatically cover the costs; nor should they be expected to.
 - How do you reconcile that one Village representative on the Eagle Hills Foundation Board earns more in meeting fees than the Board's entire requisition for funding to that Village?
 - How do you reconcile paying the Village administration less than the going rate and not even being able to afford a benefit plan which is available to administrators in larger municipalities? The staff are willing because they are residents of the community and loyal to that community, but that does not make it fair to pay so much less.
 - How can you possibly hope to attract any viable economic development unless taxes are lowered and unless sound infrastructure is provided?
9. The Town of Two Hills, although not in the same degree of financial difficulty as the Villages, is still not in good condition. One need only drive through the community to note the poor condition of many roads and properties as well as the significant vacancy rate. The Town is in desperate need of new business; yet how do they attract new business with poor infrastructure and high taxes. Town taxes are approximately double those of the County. How can the Town substantiate a separate Public Works and a separate Administration from the County when they are only one block apart from each other? How can they substantiate a separate administration for only 1,091 people? How can they substantiate the need for five councillors, or one per only 363 people?
10. Where does the County stand in all this? On the one hand they are in healthy and stable financial condition; yet they also recognize the need for economic development and increased business to the region as a whole. What needs to be better understood, from our perspective, is that the County cannot continue to consider it's own position in isolation from that of the Town and the three Villages. The difficult economic situation of the Town and Villages has a marked effect on the ability of the region as a whole to attract new business and residents and to retain those that are already there. One cannot talk about economic development for the County alone.
11. All the communities, both urban and rural, are completely intertwined and interdependent. This is a point that is frequently forgotten or overlooked especially by the rural residents. Rural residents shop in the Town and Villages, they utilize services that are available there, they eat there, they socialize there, they utilize recreational facilities there, they use the same infrastructure there, and some of them retire there. One cannot separate the interests of one from the interests of the others.

Community lines are blurred. Ask a County resident where they live and they will usually mention the name of the Village or Town that they live close to. The battle lines, however, have long been drawn throughout the Province between rural and urban communities. Recreational facilities and services are a good example. The urban centres complain that the surrounding rural residents use their recreational facilities and services and do not pay their fair share. The rural municipalities respond in kind, of course, by saying that the urban residents travel the rural roads and access all the rural campgrounds, parks, lakes, hunting, fishing, skiing and other outdoor recreation without paying their fair share of supporting the required infrastructure. Again our point is that the communities and their services are completely interdependent.

Whenever the question of the dissolution of a village is raised, the County is very quick to respond that they will not be responsible for the additional costs of the urban infrastructure, i.e. water and sewer systems and paved roads. Yet they think nothing of the urban residents sharing in the costs of the rural infrastructure; one must remember that approximately 80% of the County budget is spent on roads. This is the type of traditional thinking that still prevails.

12. A major issue for the entire region is that of “critical mass”. As we have already pointed out the Village of Derwent is far below the required population of 300. Willingdon and Myrnam barely meet that criteria. The Town barely meets the requirement of 1,000. The region as a whole only has 4,425. The Towns of St. Paul and Vermilion both have greater populations with approximately 5,061 and 4,435 respectively. The Towns of Bonnyville and Vegreville have 5,709 and 5,376 respectively. Beaver County alone has 5,644, the County of St. Paul has 6,145, and Lamont County has 4,167. As we pointed out earlier, the entire Bonnyville region has close to six times the population of the Two Hills region while the St. Paul region has three times the population. These small figures translate into little economic and political leverage.

If the five municipalities involved do not act in unison and fully share in the most cost effective and efficient manner available to them, they are only exacerbating what is already a very weak position.

Alternative Options

1. Preserve the Status Quo: Do nothing and wait and see.

Doing nothing is, of course, an option; an option which other communities are, unfortunately, adopting. We say unfortunately, because this option is no different than sticking your head in the sand and hoping that things will improve. They won't. This is clear to see and well outlined in the Economic Development Report prepared by Toma & Bouma Management Consultants. Just read the regional weaknesses outlined in the SWOT analysis by Toma & Bouma. Sooner or later changes will have to be made so that the region is more cost effectively and efficiently governed and administered and so that economic development is easier to attract and retain.

2. Share more services.

There is the option to share more services especially the fundamental services of public works and administration. This would undoubtedly save money as we have shown in both the short term and even more so in the long term. The question then arises as to how such shared services would be managed. With other shared services such as Waste Management, there is a Board or Commission or Committee, for example, that is established with representation from all parties concerned. This is what is advocated by the report from the AAMD&C and AUMA Rural/Urban Cost-Sharing Task Force entitled, “Cost-sharing for Success; A Pro-active Approach.” Under the heading of “Principles Guiding the Development of Service/Cost-Sharing Arrangements”, the Task Force recommends that “All parties to a service/cost-sharing agreement must have the opportunity to participate in a board or committee established to oversee operations.” This is a sound democratic practice which works, but only up to a certain point. To have such an additional body overseeing the operations of major ongoing services such as public works or administration would be a bureaucratic nightmare. From whom would the Public Works Superintendent or the Administrator take direction from? They have enough difficulty sometimes in taking direction from one council let alone five that are represented on a separate committee, for example. Besides that difficulty, how much of the cost savings would be eroded in per diem and meeting fees to the representative councillors involved?

The problem with sharing virtually all services is that it immediately raises the obvious question of why does one need five councils to administer all the services and would it not be a lot more efficient and cost effective to have only one council and thereby eliminate the need for so many Boards, Committees, Commissions and the like. The cost of such bodies and the time spent on them is where there is major cost savings and efficiencies to be had to the benefit of all taxpayers in the region. We know of one administrator in another municipality who says that he spends the majority of his time on seventeen (17) shared services committees. This is not effective management.

3. Regional Services Commissions

Another alternative to be considered is the establishment of a Regional Services Commission from which all the parties can purchase all of their services. But here again, on an even larger scale, is the issue of why is another layer of governance and management required. Such a structure is a waste of the taxpayer’s dollar and totally in contradiction with best business practice where management hierarchy is kept to a bare minimum. We respect that this is the public sector, but that does not validate the use of another management layer. Democracy is not better served by increased bureaucracy; quite the opposite. The establishment of a Regional Services Commission over all services would, in most cases, represent a simple avoidance of regional governance which we present below as the fourth alternative.

4. Regional Governance

By regional governance we mean one governing regional council over the entire region. The composition of such a council would be determined by the existing municipalities with each

of them having some representation on the new council. The electoral boundaries would have to be determined as well, but each existing municipality would be able to have direct representation.

The main problem with the current process of Dissolution is that the dissolving municipality loses their autonomy, loses their own governance, loses their own decision making, and is, in effect, taken over by the County. Their identity is lost as far as they are concerned. With a regional governance model they do not lose their autonomy, they do not lose their direct representation, and they are not taken over by the County as the County is also now part of a new regional governance structure along with all the other existing municipalities.

The benefits to the region and the five municipalities involved are:

- No costly duplication of services. No costly duplication of Boards and Committees, etc., and only one Council. There are far greater cost savings to be had for all concerned through this alternative than through any other. The economic advantages, as we have pointed out, are to the benefit of all five municipalities. If a new Regional Municipal Council had 11 members, for argument's sake, the cost savings in Council and Administration costs alone would be approximately \$200,000. In addition, there would be savings in support staff time, paperwork, and in the costs of so many Board/Committee/Commission meetings and meals. There would also be the savings in some staff as well as more effective use of systems and technology as we mentioned above. It is not possible to accurately quantify all the potential savings, but they are significant.
- No municipal boundaries which currently prevent, because of legal liability issues, the effective provision and sharing of services. The County's agricultural staff are currently prevented from spraying weeds in the Town or Villages as they are not licensed to do so.
- Far greater political and economic leverage: one stronger region, one stronger voice. The report on Economic Development by Toma & Bouma recommends as part of an annual implementation plan, "Developing a leadership and governance structure which can facilitate the economic development activity in the region for results." Their recommended economic strategy refers to the need to "build the regional spirit and interest."

The AAMD&C/AUMA Task Force report says that, "Common community goals and cooperative efforts will enhance the opportunity to attract economic growth and improve economic development in the area." It goes on to say that, "The development of cooperative initiatives and agreements allows municipalities to speak with one voice to government, thus achieving strength in unity and providing greater opportunity to influence other orders of government."

The AUMA report entitled, "Sustaining Prosperity Together", says that, "Alberta's municipalities are experiencing 'triple jeopardy'. They have limited access to flexible revenue sources – and are facing a growing infrastructure deficit, coupled with pressures

to sustain ongoing economic growth.” Smaller municipalities, both urban and rural, cannot overcome this “triple jeopardy” on their own.

- Far greater ability to attract and obtain required funding and to allocate resources where needed. As it stands now, the five municipalities are all individually chipping away at limited funding in a “nickle and diming” type of approach. They would be far better served in speaking with one voice.
- Far greater control over one’s own future. It is better to fully cooperate on a regional basis now than to have some regional plan forced upon you later. The County is far better off with some form of regional governance now, than being forced later to assume the responsibility for Villages that are forced to dissolve at some point because they are totally financially not viable. The County’s future is also, as we have pointed out above, totally intertwined with that of the Town’s. It is to the County’s advantage to ensure that the Town of Two Hills is a vibrant and prosperous community.
- Improved ability to plan and coordinate facilities and services such as recreation and senior’s housing.
- Ability to attract, pay for and retain qualified staff to keep abreast of new technology such as GIS, GPS and SuperNet and requirements of increased standards regarding water and waste, for example.

Recommendations

We recommend Regional Governance as the only really cost effective and efficient alternative for all the five municipalities. If the understanding is there that it is beneficial financially to everyone to share all services, especially the two main ones of Public Works and Administration, then it begs the question of why retain all the various Boards and Committees and five separate councils. Establishing more such bodies or one large Regional Services Commission only detracts from the cost effectiveness, efficiency and enhanced service that can be gained from fully sharing all services. All the advantages of Regional Governance have already been fully outlined above.

If the public will is there, then Regional Governance will benefit the entire region.

Implementation Strategy

As was evident in the Meeting that was held to discuss the Dissolution Study for the Village of Willingdon, there is a large amount of mistrust and misinformation, and a lack of objective facts regarding municipal services, how they can be better shared, the cost of such services, and what can be done to obtain greater cost effectiveness while maintaining desired levels of service. The process that was used, although legally correct and well managed, does not invite full public participation and full prior negotiations between the two parties, the County and the Village.

Many questions are left unanswered. We recall one village resident asking where she would be able to pay her utility bills. There was no answer available. There is frequent mention of the probable need for additional, but unspecified levies, to pay for any unexpected infrastructure repairs, for example. The Village residents would be faced with such a bill anyway, regardless of dissolution. The general public reaction, naturally, is that the County is taking over and that they are being asked to buy a “pig in a poke”, even though there is a substantial reduction in taxes.

Our point is that the first step in implementing the recommendations of this report should be to ensure that there is full dissemination of this report to all the residents of all five municipalities.

We suggest that the MLA for the region be advised of the report and asked to participate in this process.

Discussions should also begin immediately between all the municipalities involved together with their Administrators. These discussions should be facilitated by an objective third party. The purpose of such discussions would be to discuss this report, to determine what the potential issues are, and to see whether or not they can be resolved.

If there is agreement in principle, public “Town Hall” meetings should then be held in each municipality with the public able to ask questions of both the County Council and the Town or Village Council. The Town Hall meetings should be held in a workshop format and facilitated by a third party so that all taxpayers have equal opportunity to ask questions and to be heard.

If there is agreement in principle and general public support to proceed with the recommendations of this report, the municipalities should then approach the Minister of Municipal Affairs to discuss the formation of a new Regional Municipality.

It must be understood by all that this is not a quick process and will take some time. If it is to succeed, it cannot be rushed.