



The Corporation of the Town of Milton

Report To:	Council
From:	Glen Cowan, Chief Financial Officer/Treasurer
Date:	June 24, 2019
Report No:	CORS-040-19
Subject:	Audit and Accountability Fund (AAF)
Recommendation:	THAT Town of Milton Council selects Option 3 as outlined in report CORS-040-19, to continue with the Town's current service delivery review process without the use of the AAF program

EXECUTIVE SUMMARY

- The Province of Ontario has announced funding through the Audit and Accountability Fund (AAF) for large municipalities to identify opportunities for efficiencies, based on a specific scope of work.
- The Town of Milton shares the Province's interest in ensuring efficient use of taxpayer funds and finding efficiencies in municipal operations. This is demonstrated by the fact that programs representing 70% of the Town's annual expenses are already being examined through service delivery review or master planning processes in 2019.
- The scope of the AAF does not include programs where revenue generation or front line service levels can be reviewed and evaluated, and it requires a shorter timeframe than the Town's existing service delivery review project. As such, the AAF program will not align fully with the next phases of the Town's service review strategy outlined in ES-003-19.
- Consideration is outlined in CORS-040-19 to utilizing the AAF program in several alternate forms, however for the reasons outlined further herein it is recommended that the Town continue to pursue efficiency and accountability through the remainder of the previously planned service delivery review program.

REPORT

Background

Audit and Accountability Fund (AAF)

On May 29, 2019, the Town received details from the Ministry of Municipal Affairs and Housing (MMAH) pertaining to the Audit and Accountability Fund (AAF). Through this



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program the Province is offering large municipalities funding to undertake service delivery and administrative expenditure reviews with the goal of finding efficiencies while protecting front-line services. Characteristics of the AAF include:

- The review project could take a number of forms including, a line-by-line review of the municipality's entire budget, a review of service delivery and modernization opportunities, or a review of administrative processes to reduce costs
- Must result in a publicly-available final report by the independent third-party reviewer that provides specific and actionable recommendations for cost savings and improved efficiencies
- The program will not cover review projects where the object of the review project is to identify opportunities for revenue generation or reductions in front line services
- It is expected that most review projects will be less than \$250,000 and only third-party service provider fees will be eligible for reimbursement
- Total funding available amounts to \$7.35 million

As a letter of intention to apply was required no later than June 14th, Town staff have already contacted the MMAH in an effort to ensure the opportunity remained available for Milton Council. A formal application needs to be submitted no later than June 30, 2019, after which the MMAH will approve applications during the summer months. A final report is required no later than November 30, 2019.

The AAF forms part of the Provincial Government's strategy in identifying four cents of every dollar in savings to transform critical shared public services, ensure sustainability and manage the Province's financial pressures. Attached as a reference for Council is a letter from the Premier of Ontario with respect to the program (Appendix A), as well as the program guidelines (Appendix B).

Provincial Funding for Milton

The Province is an important partner of the Town of Milton in delivering programs and services to the public.

The 2019 operating budget includes approximately \$1.2 million in grant funding from the Province. 83% of that amount is in the form of Provincial Gas Tax (PGT) funding that is used to support the Town's transit program, with the balance being related to seniors programming, libraries, after school programs, and art council funding. The Province previously announced the cancellation of planned increases to the PGT program that would have seen the municipal share of PGT rise from 2 cents per litre to 4 cents per litre by 2021/22. Those planned increases would have seen an extra



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\$968,000 in annual funding allocated to Milton (with potentially further increases once continued growth in ridership and population are considered).

In addition to the above funding, the Town has also been receiving funding from the Province through the Ontario Community Infrastructure Fund, with as much as \$3.0 million allocated to the Town in 2019. As a result of the Town's growth in population (in accordance with Provincial planning targets), Milton will no longer be eligible for funding from OCIF in 2020.

Milton residents also benefit from a number of Provincially-supported municipal services that are delivered by the Regional level of government, such as health and social services, emergency medical services, affordable housing, long-term care, etc.

Service Delivery and Efficiency Reviews in Milton

The Town of Milton shares in the Provincial Governments interest in ensuring efficient and accountable use of taxpayer funding. Prior to the announcement of the AAF program, the Town of Milton had already initiated a number of initiatives for 2019 where the project outcomes align with the Province's focus on service review and efficiency:

1. Through CORS-040-18 the Town retained Dillon Consulting to undertake a Fire Services Master Plan.
2. Through CORS-056-18 the Town awarded a Transit Master Plan update to WSP Consulting. As noted above, 83% of funding received annually from the Province is used towards Transit.
3. Through ES-003-19 a scope of work was established and Blackline Consulting was subsequently selected for a service delivery review of the Community Services Department and Engineering - Operations Division.

The services noted above account for approximately 70% of the Town's expenses (per 2018 financial information return). Results from these reviews are expected to be reported to Council as early as June 2019.

As indicated in ES-003-19, the Town is utilizing a multi-phase approach to service delivery review. Following the completion of the ongoing review by Blackline Consulting, further work will be undertaken for the remaining program areas. The scope of these reviews will continue to strike an appropriate balance between leveraging non tax-based revenue sources, revising service levels, raising property tax revenues, and proactively identifying and implementing process efficiencies.

The above examples are just a snapshot of initiatives being undertaken in 2019 alone. The Town regularly reviews how programs are delivered including through the introduction of new technologies (example - road maintenance optimization, e-bidding software, etc.), master plan exercises, lean reviews with our external auditors, asset



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management planning, and through the decision package process as part of the annual budget process.

Municipal Benchmarking

One of the potential starting points for identifying opportunities for improvement is through the use of benchmarking to comparator municipalities. Such comparisons are not perfect as the information available does not necessarily account for, or provide clarity with respect to, the nature of the variations between municipalities, nor value for money. Benchmarking can provide some high level findings, however, upon which further detailed analysis can be undertaken.

A number of reports that compare municipalities in the GTA have been completed recently. These comparisons generally leverage the Financial Information Return data that municipalities are required to submit annual to the MMAH and/or Census data. These reports include:

- “Comparing Municipal Finance in the Greater Toronto and Hamilton Area¹” - looked at spending and revenue changes between 2009 and 2016 for 26 municipalities in the GTAH. Findings specific to Milton include that Milton had:
 - the highest population growth rate during the period
 - the lowest spending per capita in 2016 (28% below the average)
 - the 16th most revenue (29% below average on property taxes but 271% higher on development charges)
- “How Much Room Does the City of Toronto Have for Increasing Residential Property Taxes?²” - looked at residential property taxes paid across the GTAH in 2016. Findings specific to Milton include that Milton had:
 - the lowest property tax paid of the 29 municipalities reviewed
 - the fourth lowest ratio of property taxes as a % of property value
 - the lowest ratio of property taxes to household income
- “BMA Management Consulting Inc. 2018 Municipal Study³” - provides local economic and demographic information, as well as a number of financial measures of approximately 120 municipalities across Ontario. The number of indicators measured is too lengthy to summarize here for a Milton-specific context, but does allow for trend analysis, comparison by geography (example - GTA) and by size of municipality.

¹ Source: Filipowicz and Emes, “Comparing Municipal Finance in the Greater Toronto and Hamilton Area”, <https://www.fraserinstitute.org/sites/default/files/comparing-municipal-finances-in-the-greater-toronto-and-hamilton-area.pdf>, accessed June 5, 2019

² Source: Clayton and Zaduban, “How Much Room Does the City of Toronto Have for Increasing Residential Property Taxes?”, https://www.ryerson.ca/content/dam/cur/pdfs/Residential_Property_Tax_Toronto.pdf, accessed June 5, 2019

³ Source: BMA Management Consulting Inc., “2018 Municipal Study”, <http://sirepub.halton.ca/cache/2/yve2go0sid4fkddzk0s1khj2/22904206052019025037935.PDF>, accessed June 5, 2019



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Discussion

Given the brief timelines prescribed for the AAF (from time of approval in summer to final report in November), as well as the exclusion of consideration of any changes to revenue generation or service levels, the Town will not have the opportunity to use the AAF program to support the next phase of service delivery review as was contemplated through ES-003-19. Given Town staff's existing work plan for the year, resources will be limited to support the review during the key months of September to November. As such, the following alternatives have been considered:

Option 1 - Use AAF funding to contract a consulting firm to leverage existing studies, reports and benchmarking data in order to identify cost saving opportunities for the Town.

This process would allow a consulting firm to utilize existing information as well as their own knowledge, expertise and research as it relates to municipal service delivery in order to provide Council with a list of opportunities. For any opportunities identified, the consulting firm would be required to outline the rationale, implementation plan, and any related implications (service levels, resources, costs/savings, etc.) Staff would support the supply of existing data and reports to the consultant, and provide feedback on the opportunities and related implications identified.

Pro's - this approach minimizes staff time given competing demands as well as the amount of resources that have been allocated recently for the same purpose for existing service delivery reviews and master plans

Con's - the potential for identifying new material opportunities through this approach is unlikely given the recent investment of time and funding in reviewing the Town's largest program areas

Option 2 - Use AAF funding to contract a consulting firm to initiate a portion of the scope of the next program-specific service delivery review

This process would allow for a consulting firm to begin the review of the program areas that are not currently subject to the on-going service delivery review or master plans. Potential areas therefore include Corporate Services, Executive Services (excluding Fire), Planning and Development, and Engineering (excluding Operations). As the AAF precludes the ability to look at revenue generation and service level changes, these elements of the work plan outlined in ES-003-19 would not be delivered.



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Pro's - contributes towards the progress of the ultimate goals outlined in ES-003-19

Con's - will not provide for the same holistic approach to service review as has been undertaken to date due to restrictive scope, condensed timelines and availability of staff resources due to competing demands

Option 3 - Continue with the Town's current service delivery review process without the use of the AAF program

Through this alternative the Town would not submit an application for funding from the AAF program and would instead continue with the service delivery review program previously approved by Council through ES-003-19. Following completion of the existing reviews of Community Services, Engineering - Operations, Fire and Transit, the Town would proceed to the remaining service areas using the same comprehensive framework for each program area.

Pro's - ensures that Council is provided fulsome reports that allow for informed decision making about the services provided by the Town and related funding levels

Con's - the Town would forego the opportunity to receive funding from the Province through the AAF program

Recommendation

Staff recommend Option 3 above. The Town is committed to pursuing the best value for taxpayers in Milton and supporting the Province's mandate of managing the provincial finances. This is demonstrated through the time and funding that Milton has already invested in service delivery and master plan reviews in 2019 for the programs and services that account for 70% of our annual expenses and almost the entirety of where the Province's annual transfers to the Town are spent.

These existing initiatives will also help the Town manage the loss of the previously planned increases in Provincial Gas Tax as well as the elimination of OCIF funding for the Town. With respect to municipal benchmark funding and expenditure levels, the Town also consistently ranks amongst the lowest in the GTA and Province.

The core service delivery review program will continue into 2020, including program areas that did not proceed in 2019. These reviews would continue to include a review of current service delivery, changes to service delivery methods and/or service levels, funding opportunities and recommend opportunities for service improvement or cost effectiveness. They will also be implemented at times that provide for fulsome engagement of stakeholders and staff.



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Financial Impact

4% of the annual transfers the Town currently expects to receive from the Province beyond 2019 equals approximately \$46,000. This figure excludes the OCIF funding as Milton will no longer receive any funding from that program beyond 2019.

In order to manage the impacts of both the cancelled PGT increases (\$968,000) and the OCIF funding decrease (from \$3.0 million in 2019 to \$0 beginning in 2020), the Town will need to find an alternate revenue source, amend service level, or find efficiencies in service delivery.

To date, the Town has approved a total budget of \$585,244 for the Transit Master Plan, Fire Master Plan and Service Delivery Review program as outlined in ES-003-19. Funding available to municipalities from the AAF program would be based on the work plan developed by the municipality, and is not expected to exceed \$250,000.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact:

Name: Glen Cowan x. 2151

Attachments

Appendix A: Letter from the Premier of Ontario
Appendix B: Audit and Accountability Fund Program Guidelines

CAO Approval
Andrew M. Siltala
Acting Chief Administrative Officer



Premier of Ontario
Premier ministre
de l'Ontario

Legislative Building
Queen's Park
Toronto, Ontario
M7A 1A1
Édifice de l'Assemblée législative
Queen's Park
Toronto (Ontario)
M7A 1A1

Dear Heads of Council:

Our government was elected to clean up Ontario's financial nightmare that was created by 15 years of mismanagement and irresponsible actions on the part of the Liberals. The \$15 billion annual deficit and \$347 billion long-term debt they left to our children and grandchildren is a direct threat to critical public services the people of Ontario rely on. The interest payments on our debt alone amount to \$1 billion a month, not one cent of which goes to hiring more front line-emergency workers, lowering taxes or paying down the debt.

Getting Ontario back on a path to balance is essential for protecting important government services, long-term prosperity, attracting investment and creating good-paying jobs.

And we also believe that every government needs to step up and do its part; there is only one taxpayer, and the job of finding savings while protecting core services rests with every elected official in Ontario.

Having spent time at the city level I also understand that, with municipal budgets already set for the 2019-20 fiscal year, our partners need to have flexibility to achieve those savings.

After listening to the concerns of our partners and following the advice of my Minister of Municipal Affairs and Housing, Steve Clark, our government has made the decision to maintain the in-year cost sharing adjustments for land ambulance, public health and child care services.

Minister Clark has advised us to take this approach on the understanding that, as partners, Ontario's municipalities will use the additional time to work with the Government of Ontario to transform critical shared public services and find the efficiencies that will ensure their sustainability.

Our commitment to provide \$7.35 million, through the Audit and Accountability Fund, to help large municipalities find four cents on every dollar will support these efforts. And the \$200 million we have committed to small and rural municipalities to modernize services will also play an important part in meeting these objectives.

Our government was elected to protect public services for future generations, and a big part of that is by balancing the budget in a responsible way – that was our commitment. It is reassuring for me to hear that municipalities understand the fiscal challenges we face, but more importantly they understand that we face these challenges together. I look forward to working collaboratively with you to find savings, strengthen front-line services and protect what matters most to the people of Ontario. Sincerely,

The Hon. Doug Ford
Premier of Ontario

Audit and Accountability Fund

Program Guidelines

WHAT YOU NEED TO KNOW

Ontario is making an investment to help municipalities become more efficient and modernize service delivery while protecting front line jobs.

Large urban municipalities that were not eligible for the *Municipal Modernization Payment Initiative* can apply to the *Audit and Accountability Fund* for funding to undertake expenditure reviews with the goal of finding service delivery efficiencies.

Eligible municipalities can apply individually or collectively, with other eligible municipalities, to undertake independent third-party reviews similar to the *Managing Transformation A Modernization Action Plan for Ontario* line-by-line review of Ontario Government expenditures.

ELIGIBILITY CRITERIA

To be eligible, the proposed review project will:

1. Review municipal service delivery expenditures to find efficiencies. The review project could take a number of forms including:
 - a line-by-line review of the municipality's entire budget;
 - a review of service delivery and modernization opportunities;
 - a review of administrative processes to reduce costs.
2. Result in a final report by the independent third-party reviewer that provides specific and actionable recommendations for cost savings and improved efficiencies.
3. Be completed by November 30, 2019. Municipal applicants will be required to post publicly the independent third-party report that outlines the analysis, findings and actionable recommendations by **November 30, 2019**.

It is expected that most review projects will be less than \$250,000, however projects will be reviewed on a case-by-case basis and funding amounts may depend on the available appropriation. Only third-party service provider fees will be eligible. Municipal administrative costs, such as staff time, are not eligible.

The program will not cover review projects where:

- The object of the review project is to identify opportunities for revenue generation or reductions in front line services.
- The review does not result in a formal report prepared by a third party.

- The object of the review extends beyond municipal accountability.

HOW TO APPLY

- If you're thinking of applying to the program, please contact your Municipal Services Office to discuss your planned review project, and confirm your intention to apply by **June 14, 2019**.
- Complete the *Audit and Accountability Fund: Expression of Interest* form.
- Ensure that the final form has been attested to by the appropriate municipal staff.
- Attach an outline of your project costs and timelines. Draft procurement documents, project charters, workplans, or other similar documents detailing your proposed review project are examples that would be sufficient to meet this requirement.
- If the municipal council passed a resolution in support of the project, attach a copy and submit along with your form and other documents. (Note: a resolution of council is not a requirement for the program.)
- E-mail the Expression of Interest to Municipal.Programs@Ontario.ca by **June 30, 2019**, or earlier if possible.

HOW IT WORKS

- Expressions of Interest will be reviewed and approved by the Ministry of Municipal Affairs and Housing as they are received.
- Confirmation through an executed transfer payment agreement that sets out reporting requirements and a payment schedule will be needed to complete the process.

PROGRAM TIMELINE



Municipalities can direct program questions to Municipal.Programs@Ontario.ca or contact their regional Municipal Services Office for further information. See below for a list of Municipal Services Offices.

MUNICIPAL SERVICES OFFICES CONTACT INFORMATION

Central Region – Toronto

Tel: 416-585-6226 or
1-800-668-0230

Eastern Region – Kingston

Tel: 613-545-2100 or
1-800-267-9438

Northern Region – Thunder Bay

Tel: 807-475-1651 or
1-800-465-5027

Western Region – London

Tel: 519-873-4020 or
1-800-265-4736

Northern Region - Sudbury

Tel: 705-564-0120 or
1-800-461-1193 ^{3 of 3}