

The Provincial Government’s Review of Ontario Municipalities
A Seriously Flawed Process
A “We Love Oakville” Point of View

Executive Summary

Our Point of View paper describes what we believe are the fundamental flaws in the Regional Government Review announced on January 15, 2019. Our concerns and criticisms are directed at the process and not at the personal qualities and capabilities of the two special advisors, Michael Fenn and Ken Seiling.

This process has four fundamental and serious flaws.

1. Amalgamation Suspicions, Hidden Agendas, and a Lack of Trust

The mandate of the special advisors directs them to focus on several questions including “Are two-tier structures appropriate for all of these municipalities?”. If the special advisors conclude that the two-tier structure is inappropriate, they have two choices for their recommendations (1) amalgamation or (2) de-amalgamation. Yet government spokespeople continue to insist that this is not an exercise to amalgamate municipalities.

The government is not being transparent with the residents who will have to fund the costs of any structural change or amalgamation through either increased taxes or increased debt. The suspicion about the government’s intentions regarding amalgamation is destroying trust and damaging the credibility of the review process. A credible process needs to be open and transparent. At the opening bell, this review process has failed that test.

2. An Unrealistic Timetable to “Assess” our 2-tier Government Structure

The two special advisors spent no more than a few hours with the Halton Regional Chair and the Mayors of Oakville, Burlington, Milton, and Halton Hills to assess whether the two-tier government structure is appropriate and whether it is operating efficiently and effectively. Five separate meetings were scheduled on the same day, and each Head of Council had only thirty minutes with the two special advisors. No further meetings are planned to review these five governments that employ about 4,000 people and had a combined revenue of \$2 billion in 2017.

How can this process yield any meaningful assessments of the appropriateness of our regional structure, the operating effectiveness and efficiency of our regional and municipal governments, and their decision-making and governance practices?

3. No Time for a Credible Detailed “Analysis”

The mandate for the special advisors requires them to review municipal service delivery and to address whether there are opportunities to more efficiently allocate service

responsibilities, eliminate any duplication of activities, and identify areas for cost savings.

Developing meaningful answers to these issues requires a detailed inquiry, consultation, and analysis. Within the short timeframe set out by the Province, a credible analysis will be impossible.

4. Inadequate Consultation with the People Who will Bear the Costs

It is clear where the government places its priorities with respect to the people they want engaged, namely the regional chairs, mayors, municipal associations, upper tier councils but not second-tier councils.

The only opportunity that residents have to express their views is through an online survey. This is not a **meaningful** public consultation process over a critical issue where these stakeholders will bear the costs of any structural changes. The message is clear: their opinions are not considered to be important or relevant.

It is critical that residents have meaningful opportunities to convey their views, ideas, and concerns to the special advisors and the government decision-makers. Their voices must be heard.

Conclusion

The two advisors are very knowledgeable people with extensive public sector experience. Their meetings with the regional and local governments across the province may generate many good ideas on how to improve their governance, and decision-making and operating efficiency and effectiveness. A compilation of these ideas together with the insights of the advisors could be very valuable to governments across Ontario.

BUT the advisors do not have adequate time to perform the detailed inquiry, consultation, and analysis required to make meaningful recommendations concerning structural changes or amalgamations. Consequently, the Province should not make any decisions that would impose structural or other changes (i.e. amalgamations) on regional and municipal governments based on this review.

It is the taxpayers, and not the Province, who will pay for the costs of any rushed changes to our governing councils or regional amalgamations that are imposed by the Province. They will also bear the costs of bad decisions which research tells us is a high probability based on the past experiences of other municipal amalgamations.

Taxpayers must therefore have the ability to accept or reject any proposed structural changes to municipal governments in their region.

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Introduction

On January 15, 2019, the Ontario government announced that it is moving ahead with a Regional Government Review. The stated rationale was that the regional government model has been in place for almost 50 years, and the Province needs to ensure that regional and municipal governments are working efficiently and effectively. This review of 82 municipalities, to be completed by early this summer, will be conducted by special advisors, Michael Fenn and Ken Seiling.

This paper describes what we believe are the fundamental flaws in this process. Our concerns and criticisms are directed at the process and not at the personal qualities and capabilities of the two special advisors. They are two very experienced municipal executives who will do their very best in this role. In our view, however, the design of this review as laid out by the Province has stacked the deck against them.

Flaw Number 1 - Amalgamation Suspicions, Hidden Agendas and a Lack of Trust

The overarching mandate of the special advisors is to make recommendations to the Province on opportunities to improve regional governance and service delivery. Recommendations from the advisors will focus on two sets of questions: (1) opportunities to improve regional governance and decision making and (2) municipal service delivery.

With respect to regional governance and decision making, the Honourable Steve Clark, Minister of Municipal Affairs and Housing, has asked the special advisors to address the following specific questions:

1. Is the decision-making (mechanisms and priorities) of upper and lower-tier municipalities efficiently aligned?
- 2. Does the existing model support the capacity of the municipalities to make decisions efficiently?**
- 3. Are two-tier structures appropriate for all of these municipalities?**
4. Does the distribution of councillors represent the residents well?
5. Do the ways that regional councillors/heads of council get elected/appointed to serve on regional council help to align lower and upper-tier priorities?

While the word "amalgamation" does not appear in the overarching mandate or in the Province's news release, questions #2 and #3 (above) make it clear that the advisors are to make recommendations on "amalgamation" or "de-amalgamation" if they conclude that the two-tier structure is inappropriate for the municipalities in the region.

This inclusion of amalgamation in the mandate was both validated and amplified in the **January 30, 2019 letter to the Halton Regional Chair and the Mayors of Oakville, Burlington, Milton, and Halton Hills (see item #1 that we have highlighted in Appendix A)** to respond to three questions, the first of which was:

What reforms would you recommend to promote better representation and decision-making? For example, do you favour any structural changes (e.g. moving to a single-tier municipality or amalgamating existing municipalities)?

Although it is clear that amalgamation is within the scope of the review and the first question strongly suggests that it is a priority issue, you have to dig for this information. As reported by the CBC in an interview with the Minister Clark the day after the announcement, the high level talking point was "Municipal affairs minister says amalgamations are not the key focus of the review."¹

Some go further and are suspicious that the decisions on structural changes and amalgamations have already been made. The possibility of a **forced amalgamation** is a real and serious risk, since the Province has the legal power to amalgamate municipalities without consultation and their approval AND has done this before (see Appendix B).

Amalgamation is the proverbial elephant in the room. This is the "not so hidden agenda." The threat of imposing an amalgamation on municipalities raises the ghost of the Harris government's forced amalgamations in the 90s and more recently the Ford government's blunt force slashing of the size of Toronto City Council.

The public, the advisors, and the Province need to understand the past experience of amalgamations in Ontario which are not mentioned in the mandate or supporting materials. Consider the following excerpt from two studies of amalgamations in Ontario:

- Fraser Institute Report²
We find significant increases in property taxes, compensation for municipal employees, and long-term debt in both amalgamated and unamalgamated communities, suggesting **there was no tangible, financial benefit from amalgamation**. In fact, many of the claims put forward by those favouring consolidation failed to materialize. **In most of our cases, the per-household**

¹ CBC Listen Metro Morning. (January 16, 2019). Ontario's Minister of Municipal Affairs on why there's a review of some regional governments

² Milijan, L. and Spicer, Z. (May 2015). Municipal amalgamation in Ontario (Fraser Institute Report).

municipal tax burden increased. We also find that spending on certain services and remuneration also increased significantly.

- Institute on Municipal Finance and Governance Report³
Amalgamation in Toronto has resulted in the creation of a city that manages to be both too small and too big. Moreover, it does not appear that amalgamation has resulted in any significant cost savings.

The Province is not being transparent with the citizens who will have to fund the costs of any structural change or amalgamation through either increased taxes or increased debt. The suspicions around its intentions regarding amalgamation is destroying trust and damaging the credibility of the review process. A credible process needs to be open and transparent. At the opening bell, this review process has failed that test.

We, therefore, recommend in the strongest possible terms that **taxpayers must have the ability to accept or reject any proposed structural changes to municipal governments.**

This can be accomplished by various approaches such as:

1. A vote by the citizens in the region in which amalgamation is proposed or
2. A "triple majority" approval by first and second-tier municipal governments (i.e. an amalgamation will require the majority of the affected second-tier municipal councils with the majority of the affected population and the approval of the Regional Council).

Flaw Number 2 - An Unrealistic Timetable to "Assess" our 2-tier Government Structure

The Province stated that the first step for the advisors was to develop a detailed consultation plan for the review and submit it to the Ministry for approval on or before January 31, 2019.

So how is this review operating in practice? On February 4, 2019, the two special advisors had separate meetings, originally scheduled for half-an-hour each, with the Halton Regional Chair and the four mayors to obtain input and responses to their three questions.

Following these meetings, the Chair and the Mayors had a debriefing meeting from which the Mayor of Burlington reported, "It was evident that each municipality shared similar messages:

³ Slack, E. and Bird, R. (2013). Merging municipalities: Is bigger better? (Institute on Municipal Finance and Governance Munk School of Global Affairs, University of Toronto paper)

- Not interested in a City of Halton;
- Not interested in eliminating Halton Region; and
- Support and willingness to look at where changes could occur in municipal service delivery and to make government more efficient and affordable — something we already do on an ongoing and regular basis. We will simply continue that work."

Subsequently, they sent a joint letter to the special advisors summarizing their common view.

According to the Mayor of Burlington, "**We are not scheduled to meet again, nor will there be broad public consultation**, however, the special advisers welcome written submissions — any questions can also be emailed to regionalgovreview@ontario.ca."

In other words, the two special advisors spent no more than a few hours to assess whether the two-tier government structure is appropriate and whether it is operating efficiently and effectively. The Heads of Council from Halton were each given thirty minutes with the special advisors to discuss the review. No further meetings are planned to review five governments that employ about 4,000 people and had a combined revenue of \$2 billion in 2017.

Trying to conduct a meaningful review of just the Region of Halton would be very difficult to complete within a six month timeframe. Trying to review and assess 77 other municipalities, many of which (e.g., Mississauga/Peel, York) are much larger and more complex than Halton Region, raises serious questions with respect to the credibility of this process and the recommendations that are put forward.

Flaw Number 3 - No Time for a Credible Detailed "Analysis"

The second set of questions in the mandate for the special advisors relate to municipal service delivery.

1. Is there opportunity for more efficient allocation of various service responsibilities?
2. Is there duplication of activities?
3. Are there opportunities for cost savings?
4. Are there barriers to making effective and responsive infrastructure and service delivery decisions?

The superficial and correct answer to all these questions is "yes". How could anyone answer "no"? However, formulating meaningful answers to these questions requires a detailed inquiry, consultation, and analysis that the timetable does not allow.

Assessing the efficiencies and effectiveness of the Oakville Transit system is a good example. In fiscal 2017, the transit system reported operating expenses of \$35 million, revenue of only \$8.4 million, and a subsidy from the Town of \$23.9 million. From a private sector perspective, the assessment of performance is reasonably clear. The transit system looks horribly inefficient and ineffective, BUT developing a meaningful assessment is not so simple.

One must first understand and evaluate the strategic rationale for the transit system and the criteria to determine whether the Town's subsidy of \$23.9 million represents value for money spent. Second, assessing whether the transit system is operating efficiently and what can be done to enhance ridership, deliver the coverage people want, and optimize the cost structure is also very complex. Finally, whether there is a duplication of activities and whether the Region should consider, or even afford, a transit system that operates across the Region adds another level of complexity. This important issue requires a thorough analysis of past performance, strategic choices, alternatives and debate that cannot possibly be addressed as part of a one hour meeting.

In a recent McKinsey survey⁴ of efficiency initiatives and cost cutting programs in governments across the world, the authors highlight the risks of initiating such efforts without proper detailed planning.

The problem is that most of these cost-reduction efforts fail. Of all the cost-driven transformation programs by governments covered in our survey, only 19 percent were "very or completely successful" in meeting their goals, by the respondents' assessment.

There are three broad steps to an effective efficiency improvement initiative.

1. **Identify high probability opportunities** - The first step is to identify those opportunities where significant efficiencies, cost savings and/or amalgamation synergies are probable, not just possible and not just personal biases or speculative possibilities.
2. **Prove that high probability opportunities can be realized** - The next step is to conduct an assessment or "due diligence" activities and prepare a well thought out business case to determine whether the identified opportunities can actually be realized, how they support the Town's strategy, what resources (people, budgets, technologies etc.) will be required, and whether the benefits will exceed the costs (financial, human and social).

⁴ Christofferson, S.A., McNish, R.S., and Sias, D.L. (May 2004). Where mergers go wrong (McKinsey Quarterly).

3. **Execute a realization plan** - The final step is to design and execute plans, restructurings, amalgamations etc., to realize the identified opportunities and turn them into cash.

The two advisors are very knowledgeable people with extensive public sector experience. Their meetings with the regional and local governments across the province may generate many good ideas on how to improve their governance, and decision-making and operating efficiency and effectiveness. A compilation of these ideas together with the insights of the advisors could be very valuable to governments across Ontario.

This is a STEP 1 activity. The two advisors and their support team do not have the time to even consider or start work on STEP 2. Consequently the Province should not make any decisions that would impose structural or other changes (i.e. amalgamations) on regions and their municipalities based only on a STEP 1 analysis.

Flaw Number 4 - Inadequate Consultation with the People Who will Bear the Costs

The Mayor of Burlington warned that there will be no broad public consultation. The consultation process as set forth in the Mandate for the special advisors states that their consultation will include, but is not limited to:

1. Initial interviews with all upper and lower-tier heads of council in early 2019 to elicit their views on an individual basis and to prepare for group consultations in spring 2019
2. Consultations with all nine upper-tier councils as well as the Mayors and Regional Chairs of Ontario (MARCO)
3. Engaging key municipal associations such as the Association of Municipalities of Ontario (AMO), the Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO), etc.
4. A provincially-hosted online consultation targeted to residents and businesses within the regions and Simcoe County
5. Accessing background information and expertise as needed to inform the review by meeting with municipal staff and appointed/elected officials, or by reviewing research, reports, and other materials
6. Other consultation methods deemed appropriate to solicit additional input from other stakeholders, communities and/or organizations

It is clear where the government places its priorities with respect to the people they want engaged, namely the regional chairs, mayors, municipal associations, upper tier councils but not second-tier councils.

The only opportunity that residents have to express their views is through an online survey. This is not a **meaningful** public consultation process over such an important issue where they will bear the costs of any structural changes.

It is critical that residents have meaningful opportunities to convey their views, ideas, and concerns to the special advisors and the government decision-makers. Their voices must be heard.

Conclusion

The special advisors and the Province's decision makers need to understand our deep apprehensions and the sincerity of our concerns. We fully support the positions set forth in the February 13 letter to Minister Clark from the Regional Chair and the four Mayors in Halton Region. The operating efficiency and effectiveness of our two-tier government can and must be continually improved, but structural change or amalgamation is not needed or required.

A good process cannot guarantee a good outcome, but a flawed process is very likely to generate a bad outcome. The Regional Government Review is a seriously flawed process with its hidden agendas and impossible timetable that prevent any meaningful analysis or consultation. A compilation of useful ideas arising from these interviews across the province in how municipalities can continue to improve their operations will be very beneficial. But, basing any forced structural changes or amalgamations on this flawed process will be an unacceptable level of risk for taxpayers.

It is the taxpayers, and not the Province, who will pay for the costs of any imposed structural changes to our governing councils or regional amalgamations. They will also bear the costs of bad decisions which research tells us is a high probability based on past experiences of other municipal amalgamations.

Limiting taxpayers' input to an online survey is unacceptable. Meaningful public consultation on such a critical issue is required, AND taxpayers must have the ability to accept or reject any proposed structural changes to municipal governments in their region.

APPENDIX A

E-mail from the Ministry of Municipal Affairs to Halton heads of council
(January 30, 2019)

Mayor Rob Burton

From: Regional Government Review (MMA) <regionalgovreview@ontario.ca>
Sent: January 30, 2019 3:54 PM
To: gary.carr@halton.ca
Cc: marianne.meedward@burlington.ca; mayor@haltonhills.ca; executiveservices@milton.ca; Mayor Rob Burton; jane.maccaskill@halton.ca
Subject: RE: Regional Government Review: Interviews with Halton Heads of Council February 4
Attachments: Agenda- RGR meetings with HoCs.docx

Dear Chair Carr,

Thank you for agreeing to meet with us, and for organizing the meetings with your lower-tier mayor colleagues. As our time together is limited, we would like to hear those things that you think it is most important for us to hear.

We have attached an agenda for our meeting as a general guide for our conversations. In addition, we would like to pose three fundamental questions for you:

1. What reforms would you recommend to promote better representation and decision-making? For example, do you favour any structural changes (e.g., moving to single-tier municipality or amalgamating existing municipalities)? If the two-tiered structure continues, do you think that the number of representatives on the upper-tier municipality should be reduced in number, or should they be elected or appointed differently?

2. What reforms would you recommend to improve the quality and/or to reduce the cost and overlap of lower-tier and upper-tier municipal services? For example, should there be greater rationalization and more specific assignments of responsibility in such functional areas as: land-use planning; water, wastewater and storm water; public transit; health, housing and social services (public health, long-term care, hospital capital fundraising, social housing); etc.? Are there municipal special purpose bodies that should be considered as part of our review (e.g., conservation authorities, police service boards, library boards, health units (where separated), etc.)?

3. This is the first comprehensive review of regional government in many years. The pace of evolution of municipal institutions is different from region to region, and is influenced by a variety of factors and innovations. In that context, Where do you see your upper-tier and lower-tier municipality ten years from now?

Finally, some Heads of Council have asked if they can be accompanied at their meeting by municipal staff. If you or your lower-tier colleagues would like to include one staff member in the interview, such as a CAO, you are welcome to do so, however it is not required, and we would ask that anyone else attending be staff and limited to one person.

Thank you again for making time to meet with us,

Ken Seiling and Michael Fenn, Special Advisors, Regional Government Review

APPENDIX B

The Kent-Chatham Amalgamation Experience⁵

"Although these 21 municipalities had been considering restructuring proposals for close to a year after the passage of Bill 26, they had been unable to reach agreement."

"When provincial commissioner Peter Meyboom was appointed on February 6, 1997, he held five days of meetings in Chatham and Kent and gave each municipality one hour to provide recommendations."

"At the end of this series of meetings, Meyboom presented a draft report to local councils providing them with two options: a streamlined two-tier county system or a "unicity" model, which called for the complete amalgamation of all lower-tier municipalities and the dissolution of the county government."

Of the 22 municipalities who received the report, 21 rejected total amalgamation."

"Despite the affected municipalities' clear choice, Meyboom selected complete amalgamation for Chatham-Kent."

⁵ Milijan, L. and Spicer, Z. (May 2015). Municipal amalgamation in Ontario (Fraser Institute Report), p. 5