



cutting through complexity

**Corporation of the
Town of Torbay**

Service Delivery Review Interim Report

October 6, 2013





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The Town of Torbay (the “Town”) is one of Newfoundland and Labrador’s fastest growing municipalities. Located adjacent to the City of St. John’s, the Town’s population has grown 18% from 2006 to 2011. The growth of the community has placed financial and service delivery pressures on the Town as it confronts increased demands for more municipal services and higher service levels. Additionally, 97% of the assessment base for the Town is residential which means that residential property owners are almost entirely responsible for the cost of municipal services.

Over the past decade, Torbay has experienced increases in its municipal levy that has concerned Council. Last year, Council attempted to maintain taxation increases at an affordable level (2.7%), nonetheless, the average annual increase from 2010 to 2014 was 11.3%.

In order to assist the Town with the identification of potential opportunities for cost reductions and incremental revenues, KPMG was retained to undertake a service delivery review that involved an evaluation of the Township’s operations, personnel and financial performance with the view of identifying options for maintaining adequate service levels while allowing for long-term sustainable budgets to be met.

The interim report is an assessment of the current state of the Town, which includes a review of:

- Municipal services and service levels;
- Staffing levels;
- The financial performance and position of the Town, with particular emphasis on identifying the sources and uses of funds and historical trends in expenditures and revenues;
- The preparation of financial projections under a status quo (“do nothing”) scenario that reflects the continuation of existing trends, intended to provide an indication as to the case for cost reductions; and,
- Jurisdictional Review analyzing municipal services, service levels and delivery models for five comparable municipalities (Portugal Cove-St. Philips, Gander, Stephenville, Central Frontenac and Arnprior).

The findings of our interim report level sets our collective understanding of the Town and its operations and serves as the foundation for the next phase of the service delivery review project. The project’s fourth phase (see pg. 6) involves the identification of potential opportunities for municipal levy reductions, which could potentially be achieved through (i) outright service eliminations; (ii) service level reductions; (iii) changes to the method of delivering services (e.g. outsourcing, process efficiencies, changes to Council structure); (iv) staffing and compensation changes; and/or (v) shifting funding for services from the municipal levy to user fees or other non-taxation sources of revenue.



**Corporation of the Town of
Torbay Service Delivery
Review**

**Chapter I
Study Overview**

The terms of reference for our engagement were established in the Town's letter of engagement document dated August 14, 2014. As outlined in the letter of engagement, the objectives of the service delivery review include:

- a. To recommend and develop an approach for the Town to carry out productive reviews of its services over the long term;
- b. To ensure that all opportunities for efficiency, effectiveness and cost savings are explored; and,
- c. To identify if the Town is providing the right services for the right reason and in the right way.

The terms of reference for the service delivery review considered the following components:

Component	Section of Report
1. An environmental scan that summarizes the major factors affecting the Township's cost structure and staffing levels	Chapter II
2. A jurisdictional review that compares Torbay against five similar Newfoundland and Ontario municipalities;	Chapter III
3. The development of service profiles to identify the Town's service level standards and practices;	Chapter IV
7. A financial model to project the financial pressures over the next five years.	Chapter V
4. The results of a Council survey to understand Council's position on taxation and service delivery;	Chapter VI
5. The results of Staff survey to uncover opportunities that could lead to a more efficient and responsive organization;	Chapter VII
6. The results of a Citizen survey to uncover opportunities that could lead to a more efficient and responsive organization;	Chapter VIII

Project Drivers - *Why are we doing this, what problem do we want to solve?*

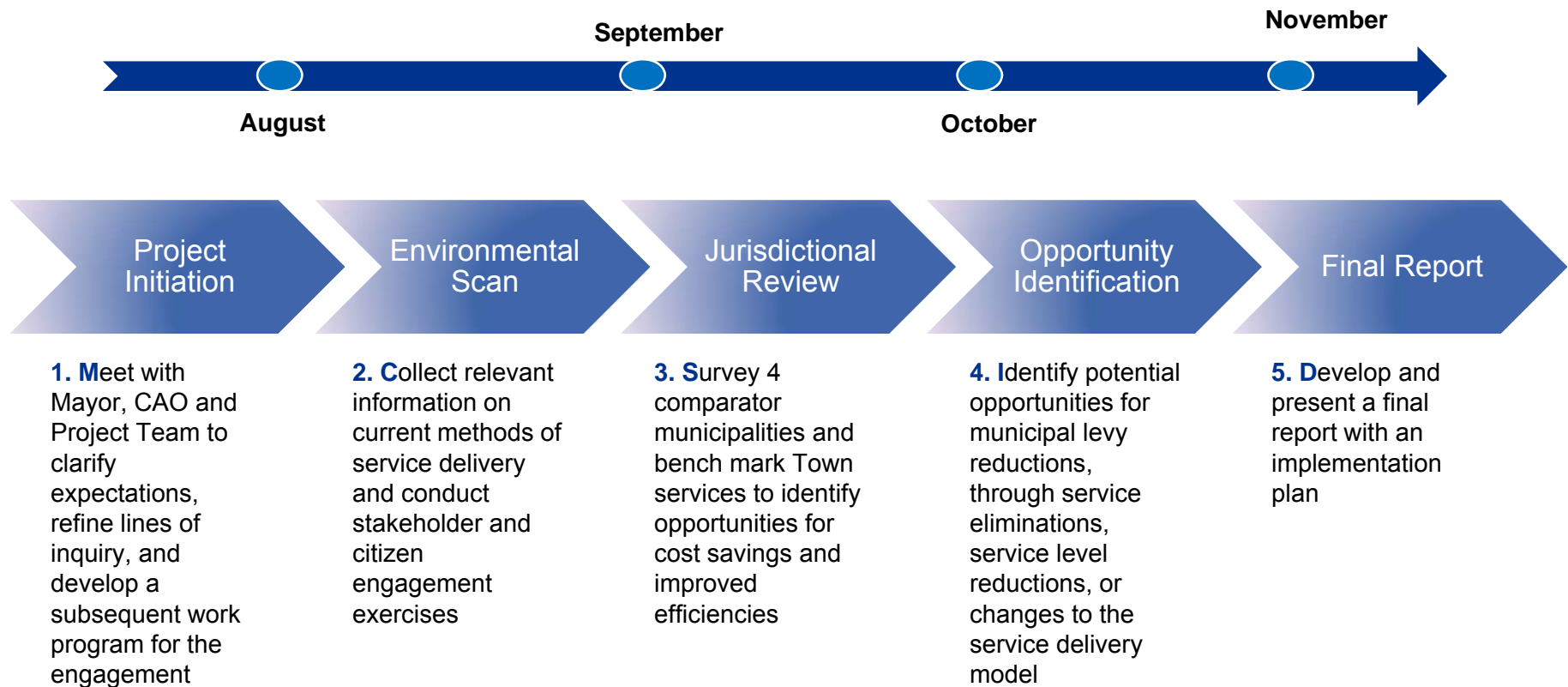
- As with all municipal and other levels of government, the Town is facing fiscal challenges and carrying out service reviews is one of the strategies to help ensure all opportunities for efficiency, effectiveness and cost savings are explored.
- Council wishes to operate the Town in an efficient and effective manner within available resources while maintaining quality and sustainable service delivery.
- The Town is facing economic pressure brought about by population growth. As a result Council wants to explore new methods of service delivery.

Project Principles – *What is Important to Us?*

- The Service Review is a continuous improvement effort that requires the support and active participation of all Department staff in order to improve the service delivery to our citizens; it is not an *audit* nor a *staff reduction exercise*;
- The project is meant to be a comprehensive, continuous and long term strategy to best meet the needs of the community and determine if the municipality is providing the right services, for the right reasons and in the right way.
- The framework and approach will be based on leading practice from municipal or other levels of government experience.

Project Timing

- The project commences August 11, 2014, and will complete when the final report is submitted to the Town of Torbay on or before November 28, 2014.



The development of the service delivery review involved the following major work steps:

1. Environmental scan

a. Surveys

At the beginning of the service delivery review, a confidential Council survey was conducted and submitted to KPMG to determine Council's position with respect to taxation levels, municipal services (specifically whether services could be eliminated, reduced, maintained or enhanced), alternative means of delivering services and staffing reductions. In addition, a separate survey was conducted of staff and citizens to understand their perspective on municipal service levels and alternative methods of municipal service delivery.

b. Financial Analysis

Historical financial information for the Town, including audited financial statements, internal financial statements, Financial Information Returns and annual budgets were summarized and reviewed to identify factors influencing operating costs, non-taxation revenues and municipal levies.

Meetings were held with representatives of the Town's management group to review the Town's financial performance and staffing trends.

An initial meeting was held with the Town's Treasurer to review the Town's financial performance and identify anticipated changes in non-taxation revenues and operating costs, as well as the Town's capital forecast.

Initial financial projections were prepared that indicated the potential changes to the municipal levy based on possible future changes to the Town's financial environment but excluding the implementation of potential opportunities identified during the course of the management study.

Additional financial projections were prepared that considered the potential implementation of opportunities identified through the service delivery review and the associated impact on the municipal tax levy.

c. Staffing Levels

Historical information relating to staffing levels was summarized and reviewed to identify staffing levels by department and the nature of year-over-year staffing changes.

Information concerning Council structure and compensation for the comparator communities was obtained and compared to the Town's Council structure and compensation arrangements in order to identify potential opportunities for Council's consideration.

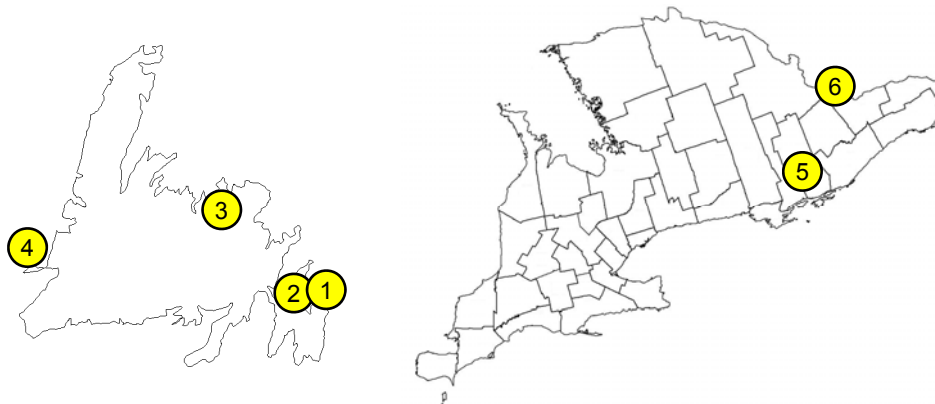
2. Jurisdictional Review (continued)

Discussions were held with Town management concerning appropriate municipal comparators, based on the following considerations:

- Population
- Households
- Geography
- Distribution of services between the province, neighbouring municipalities and the Town
- Role as a municipality adjacent to a large urban centre

Based on these considerations, the following communities were selected as municipal comparators

Information concerning municipal services, operating costs, staffing levels, management compensation, organizational structures and other aspects of the comparator municipalities was obtained through interviews with the comparator municipalities and analysis of available documentation (including information provided by the municipalities, information obtained through the municipalities' websites and other information such as Financial Information Returns, financial statements and budgets).



Community	Population ¹	Households ¹	Size (KM ²)
1. Torbay	7,397	2,662	35
2. Portugal Cove - St. Philips	7,366	2,824	57
3. Gander	11,054	4,751	104
4. Stephenville	6,719	3,016	36
5. Central Frontenac	4,046	3,943	110
6. Arnprior	8,114	3,767	13
Comparator Average	7,460	3,660	64

¹ Statistics Canada census profiles (2011)

3. Service Profiles

- An initial working session was held with the Town's management group to identify:
 - Services provided
 - The rationale for the delivery of the service (mandated, expected, discretionary)
 - The service delivery model (internal resources, volunteers, contracted out, shared service)
 - The targeted service level
 - Position on the Core Continuum

Additional information and documentation relating to the Town's services and service levels, including previous studies, analyses and reports to Council, were reviewed.



**Corporation of the Town of
Torbay service delivery review**

**Chapter II
Environmental
Scan**



Environmental Scan Overview of the Town's Financial Performance

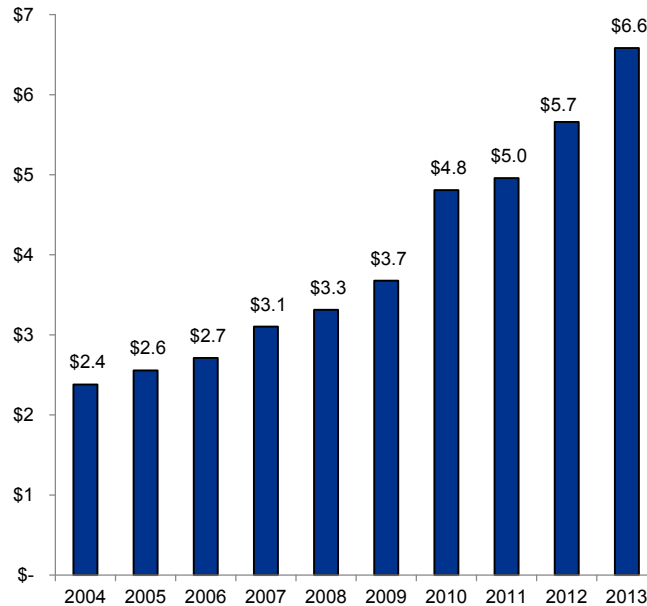
The total municipal levy includes the levy for property tax, water & sewer services, business and utility taxes.

The Town's 2014 budget reflects a total municipal levy of \$ 5.7 million which, when combined with \$2.0 million in other revenues, will fund a total of \$7.7 million in expenditures; operating costs (\$7.4 million) and capital costs (\$0.3 million).

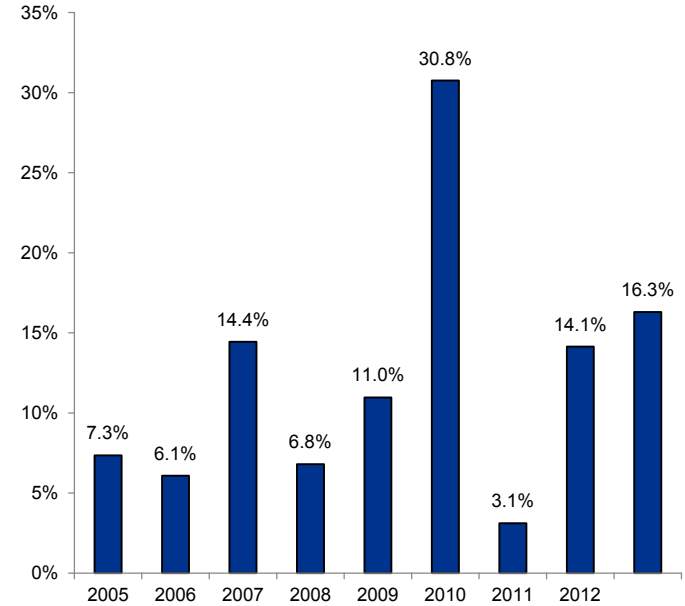
Over the period of 2004 – 2013, the Town's municipal levy has increased by an average of \$436,000 or 11.2% per year. In comparison, the Newfoundland Consumer Price Index increased on average 1.9% annually since 2004.

It is important to note, however, that the annual increases in the Town's municipal levy have fluctuated significantly from year to year, with several large annual increases experienced during 2007 (14.4%), 2010 (30.8%), 2012 (14.1%) and 2013 (16.3%) and a significant decrease in 2011 (3.1%). The leading practice for tax policy is levy increases that are steady and predictable over a five to ten year period – a policy that the Town has not yet been able to achieve.

Total municipal levy – 2004 to 2013 (millions of dollars)²



Annual change in municipal levy – 2003 to 2013²



² Source – Municipal Financial Information Returns (Schedule 10), Town of Torbay 2013 Budget and internal financial information provided by management.



Environmental Scan Overview of the Township's Financial Performance

General Administration captures various pools different smaller cost centres that are administrative in nature across the organization.

For the most part, the increase in the Townships municipal levy since 2010 (\$1.5 million) appears to be the result of increased operating costs, which have increased from \$5.0 million in 2010 to \$7.4 million in 2014, mitigated by an increase in other revenue of \$0.87 million.

Comparison of municipal operating costs, other revenues and taxation funding – 2010 to 2014

(in thousands)	2010 (Budget)			2014 (Budget)			Change in net levy
	Operating Costs ¹	Other Revenues ²	Net Levy	Operating Costs ¹	Other Revenues ²	Net levy	
Council	125	0	-125	147	0	-147	-23
General Administration	1819	329	-1490	916	990	74	1564
Assesment Service	98	0	-98	101	0	-101	-13
Common Services	95	0	-95	154	0	-154	-59
Fire	286	15	-271	346	46	-300	-29
Animal Control	3.5	6.0	2.5	66	8	-56	-59
Vehicle & Fleet maintenance	138	0	-138	183	0	-183	-50
Road & Other trans services	408	0	-408	1323	278	-1045	-637
Water	113	344	231	312	400	88	-143
Waste collection & disposal	428	0	-428	567	0	-567	-139
Planning & Zoning	30	193	163	362	123	-239	-402
Community & Regional Improvement	42	0	-42	114	0	-114	-72
Tourism & Marketing	50	0	-50	181	0	-181	-131
Recreation Admin	232	70	-162	606	0	-606	-444
Recreation Facilities	121	0	-121	235	101	-134	-13
Recreation Programming & Other services	82	0	-82	376	0	-376	-294
Debt	968	189	-779	1432	68	-1364	-585
Municipal levy	\$5,038	\$1,145	(\$3,893)	\$7,422	\$2,016	(\$5,405)	(\$1,529)

1 Based on the Town's 2010 & 2014 Provincial Budget Submissions

2 Represents non-taxation revenue sources generated by the specific department (e.g. user fees, permit fees, rental revenue, Provincial grants).

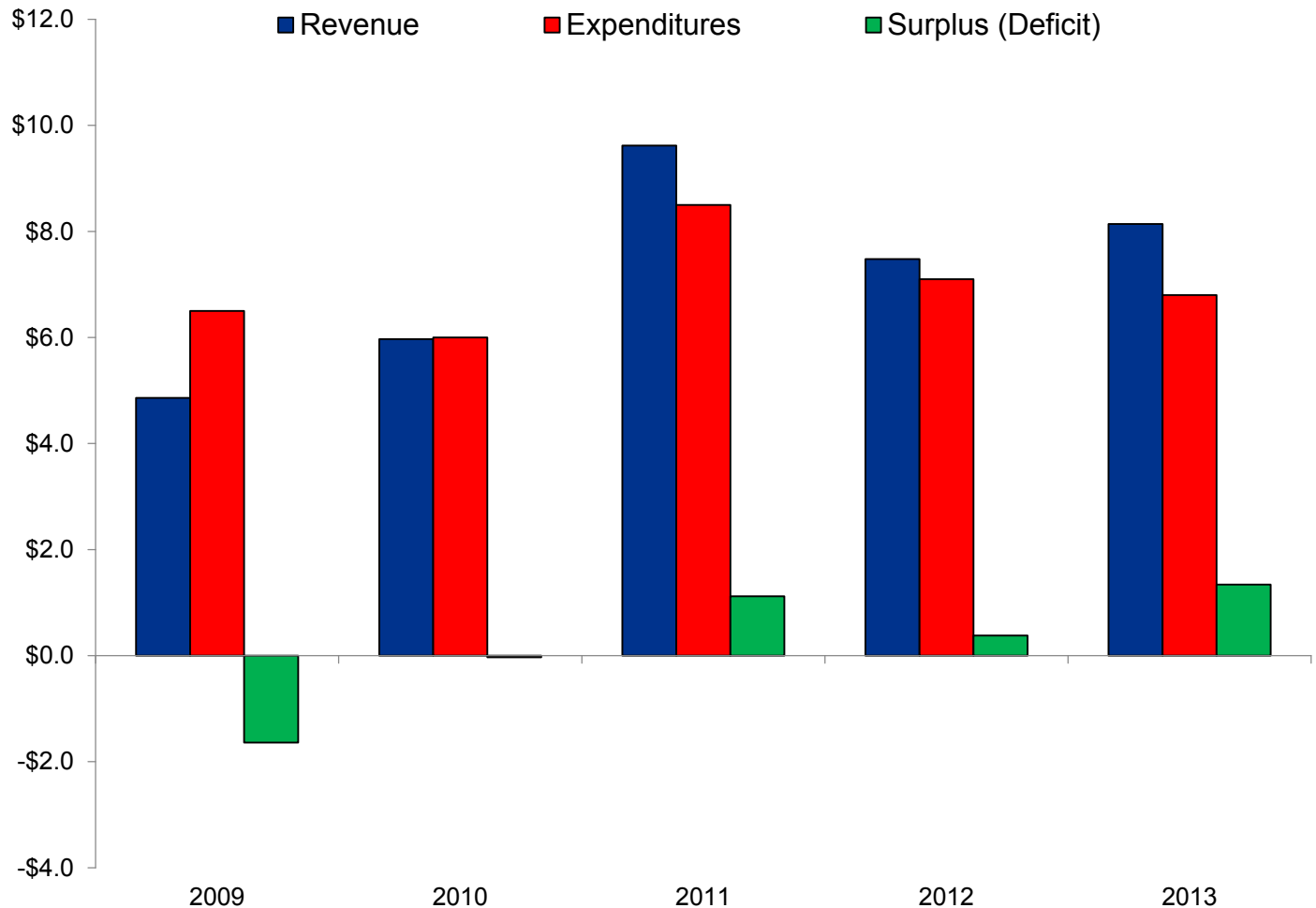


Environmental Scan Reported Operating Results (In Millions)

Municipalities in Canada are not allowed to budget for a deficit in their operational budgets. Nonetheless, if their budgets are analyzed before transfers from reserve or debt financing, then we can understand if the municipality is financing budget deficits through the use of reserves or debt financing.

In the case of Torbay, in 2009 the Town had a deficit that was financed from reserves/debt. This was reversed in the years 2010, 2011, 2012 and 2013.

Over the short term this is acceptable, but prolonged use of reserves or debt will place a municipality in a financially exposed position.

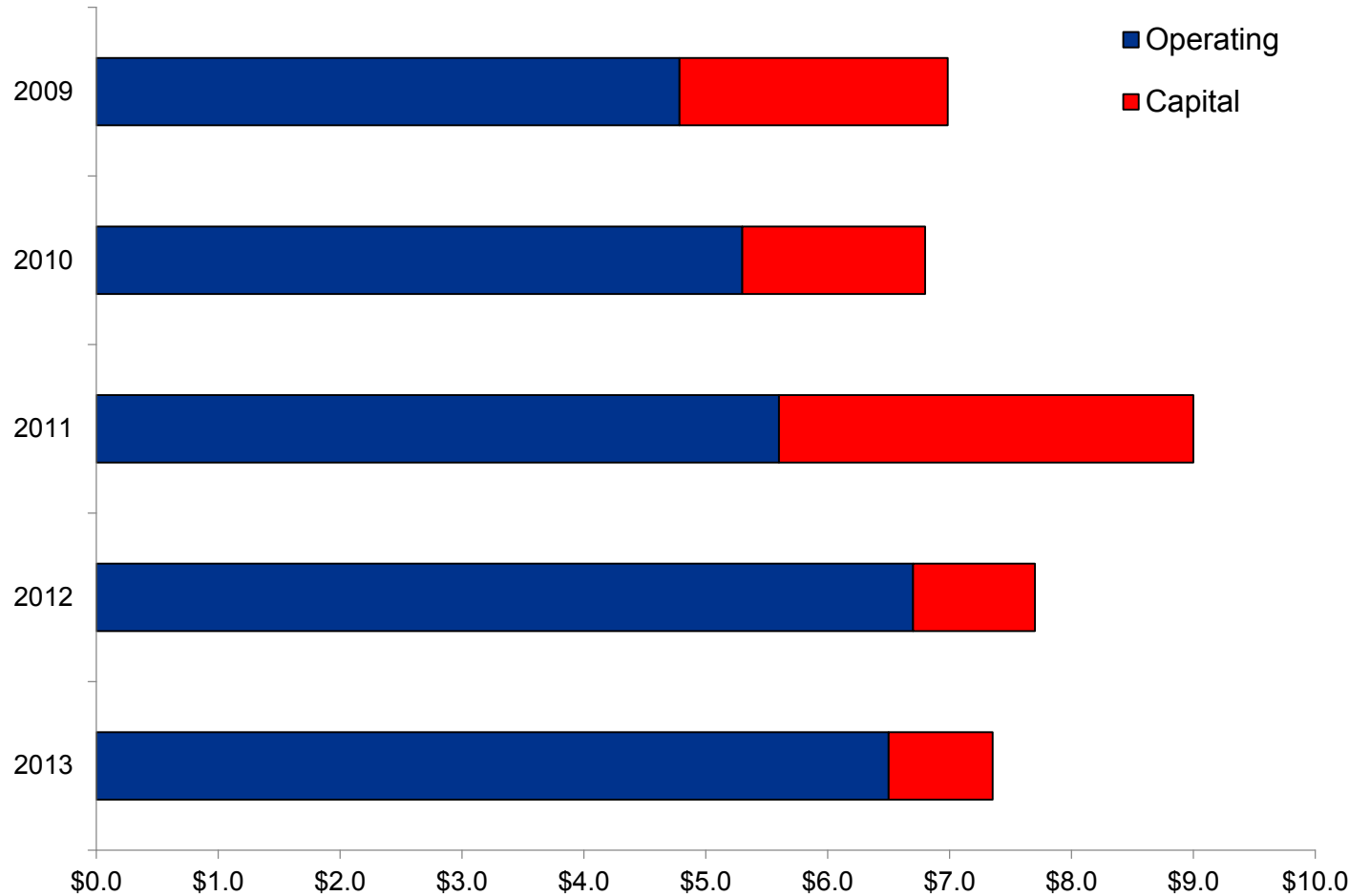




Environmental Scan *Operating and Capital Expenditures (In Millions)*

Similar to many municipalities across Newfoundland and Canada, capital expenditures increased sharply from 2009 – 2011 as a result of stimulus funding.

The Federal Government offered significant grant programs under the Stimulus Fund to bring the national economy out of the 2008 recession.





Environmental Scan Personnel Costs

General Administration includes payroll costs for Administration and Finance.

In terms of expenditures by type, personnel-related costs account for almost 32% of the Township's operating costs, with the majority of these costs represented by salary (77% of total payroll costs) and employee benefits (23% of total payroll costs). Since 2009, personnel costs have increased from \$1.9 million to a budgeted amount of \$2.4 million for 2013.

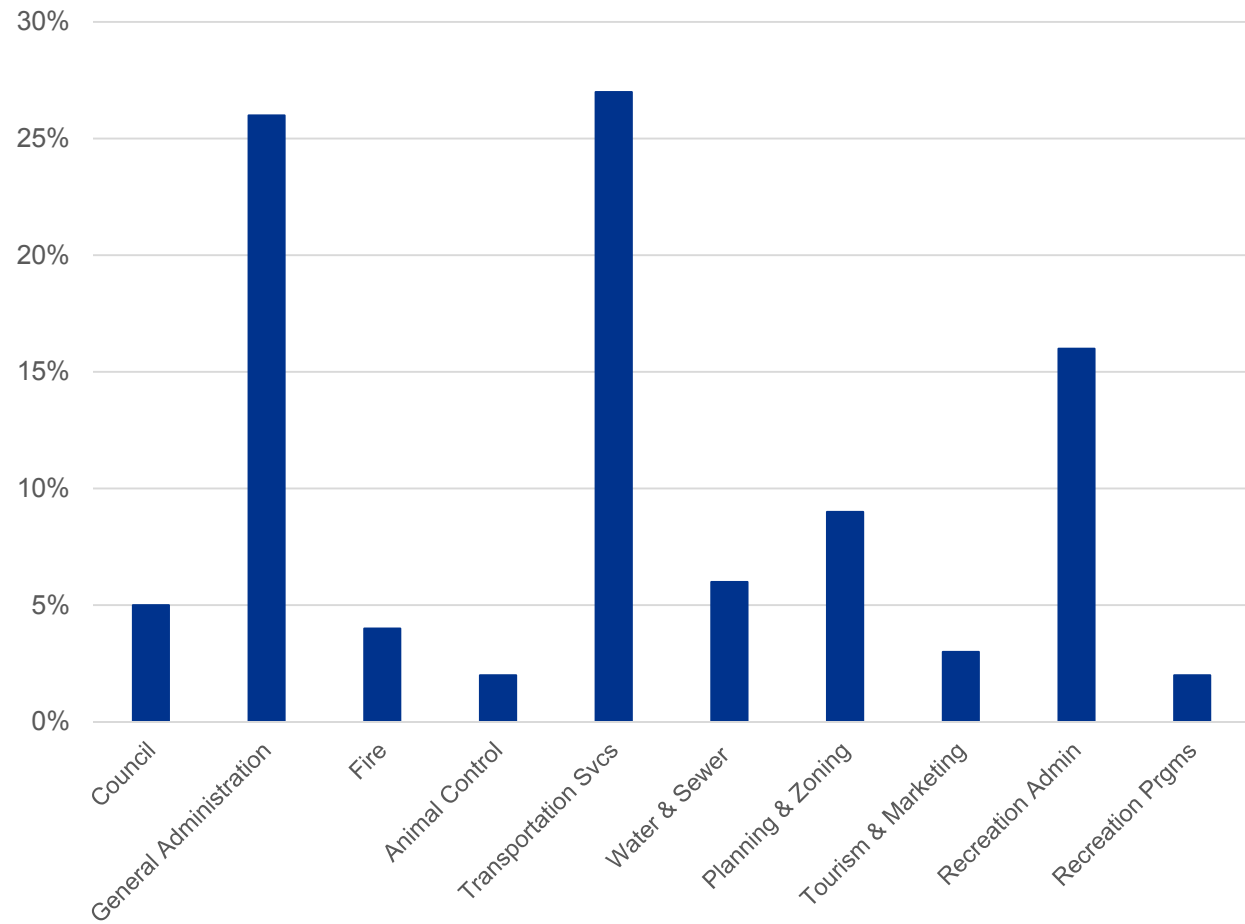
Budgeted operating costs by type (2014)¹

PAYROLL COSTS 2014				
(in thousands)	Compensation			
	Wages	Overtime	Benefits	Total
Council	\$ 122		\$ 3	\$ 125
General Administration	\$ 512	\$ 1	\$ 109	\$ 622
Fire	\$ 95			\$ 95
Animal Control	\$ 42	\$ 5	\$ 10	\$ 57
Road & Other Transportation Svcs	\$ 494	\$ 45	\$ 117	\$ 656
Water & Sewer	\$ 99	\$ 17	\$ 24	\$ 140
Planning & Zoning	\$ 170	\$ 1	\$ 40	\$ 211
Tourism & Marketing	\$ 60		\$ 14	\$ 74
Recreation Admin	\$ 287	\$ 20	\$ 67	\$ 374
Recreation Programming & Other services	\$ 45		\$ 10	\$ 55
Total	\$ 1,926	\$ 89	\$ 394	\$ 2,409
Percentage of total	80%	4%	16%	100%

¹ Based on the Town's 2014 approved operating budget, includes compensation paid to part-time employees, students and volunteer firefighters.

Environmental Scan Department Payroll Costs as a Percentage of Total Payroll

The three largest service areas for the Town are Administration, Roads and Recreation which account for approximately 71% of the Town's payroll.

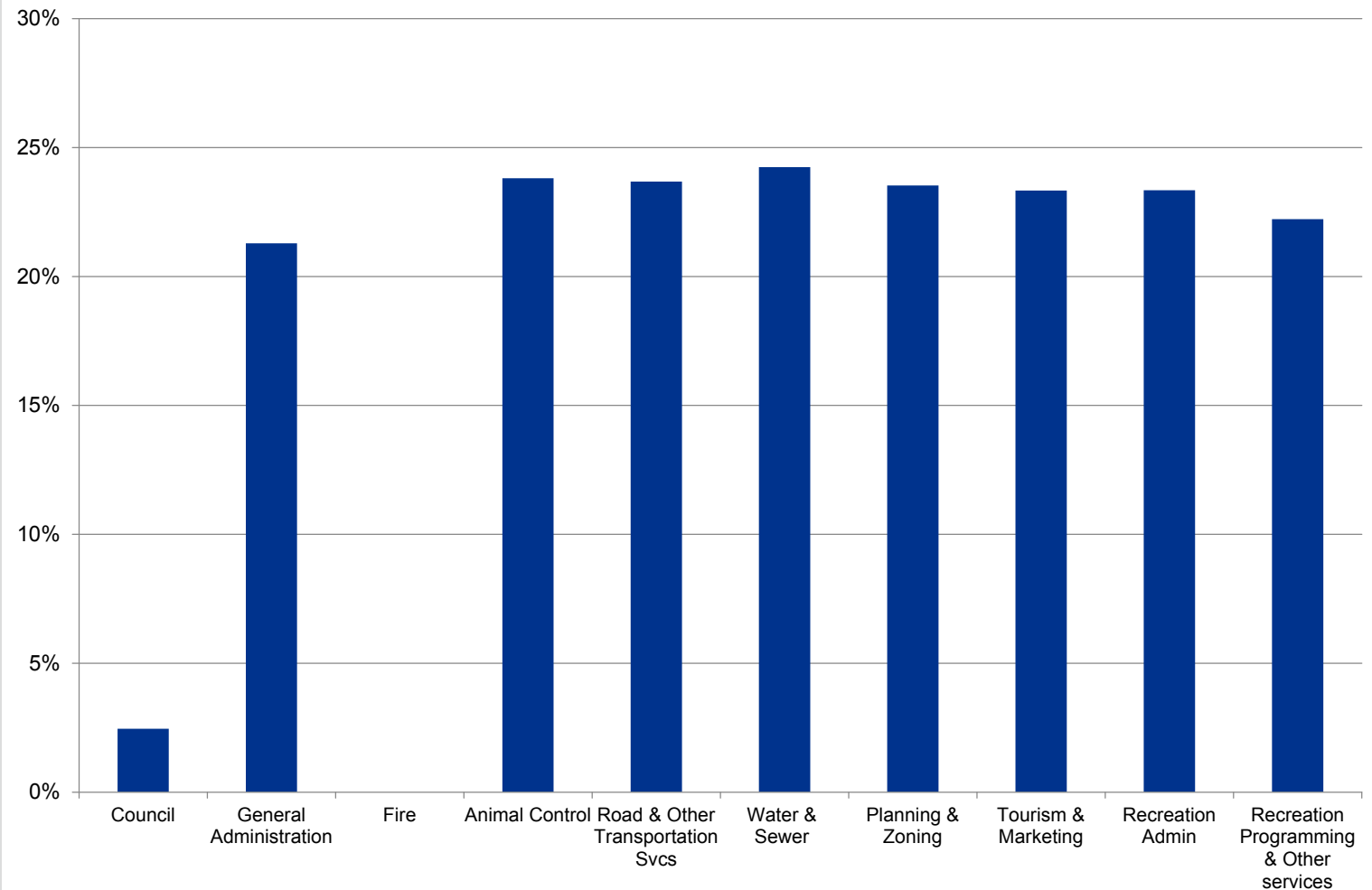




Environmental Scan Benefits as a Percentage of Compensation (2014 Budget)¹

Benefits are an increasingly expensive element of a municipality's compensation plan. A standard benchmark is to expect benefits to be 20% of the municipality's payroll.

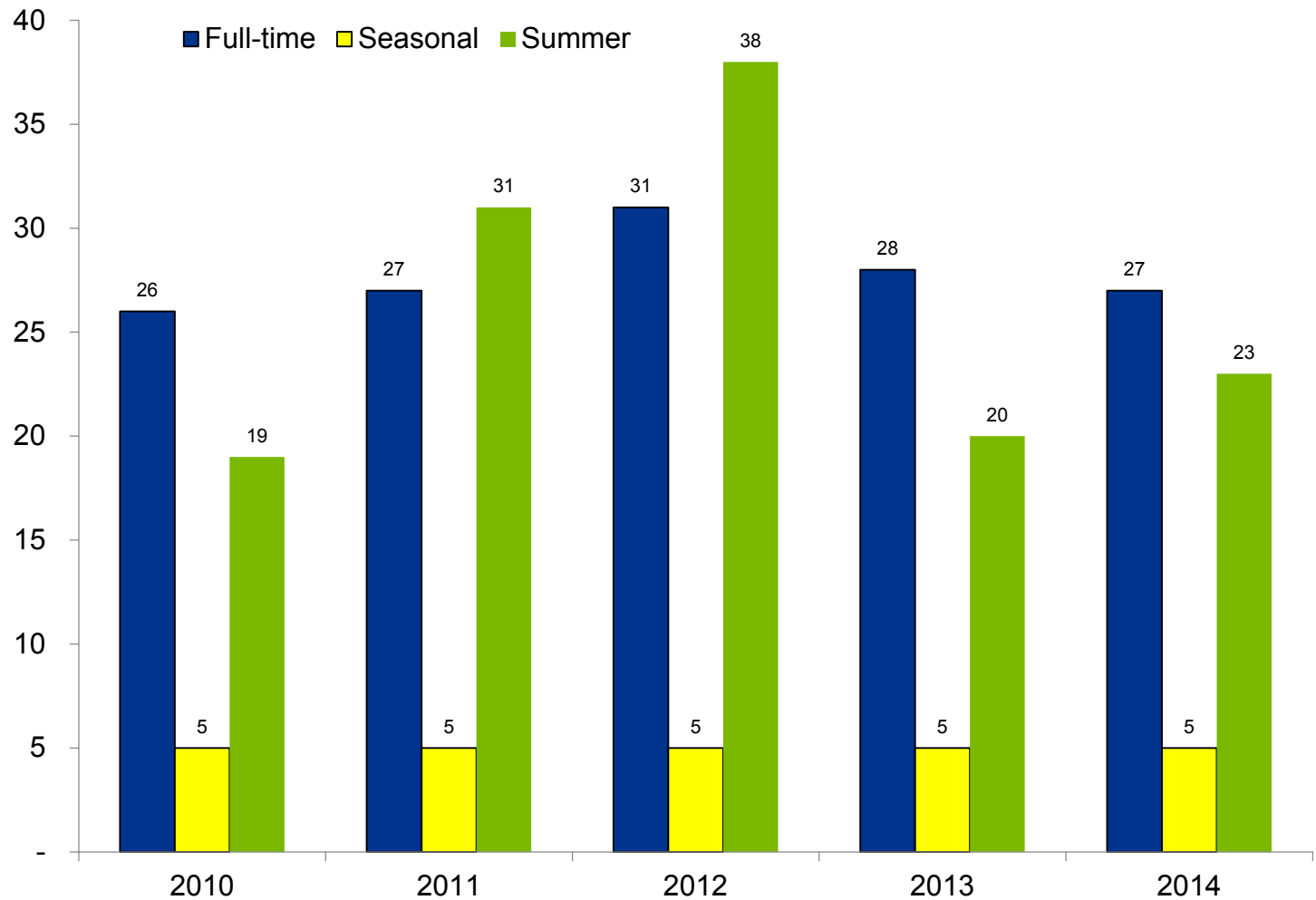
In the case of Torbay, benefits as a percentage of total compensation is 16%; a lower percentage compared to the experience of other Canadian municipalities.



¹ KPMG analysis based on 2014 budgeted expenditures. Considers all compensation paid to Town employees, firefighters and elected officials.

Environmental Scan Five Year Trend in Staffing Levels¹

The Town's staffing complement has experienced little change since 2010. There have been fluctuations in the level of summer staffing, but full-time and seasonal staffing numbers have remained constant.



¹ Source – Town of Torbay Human Resource records



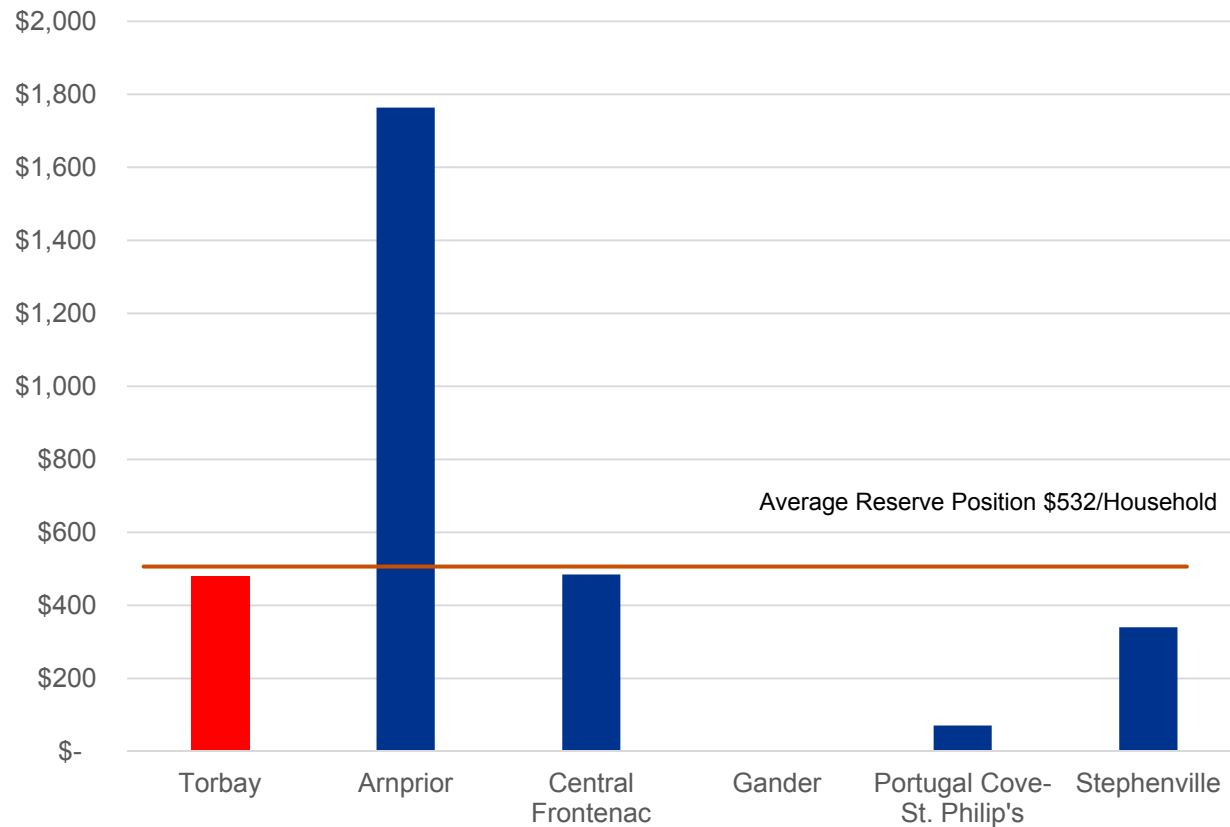
**Corporation of the Town of
Torbay service delivery review**

**Chapter III
Jurisdictional
Review**

Jurisdictional Review Reserves per Household (2013)

Torbay relative to its comparator municipalities has a respectable reserve per household position.

Reserves are important to municipalities because when linked to an asset management plan they serve as a source of funding for key municipal infrastructure such as roads and water/sewer systems.

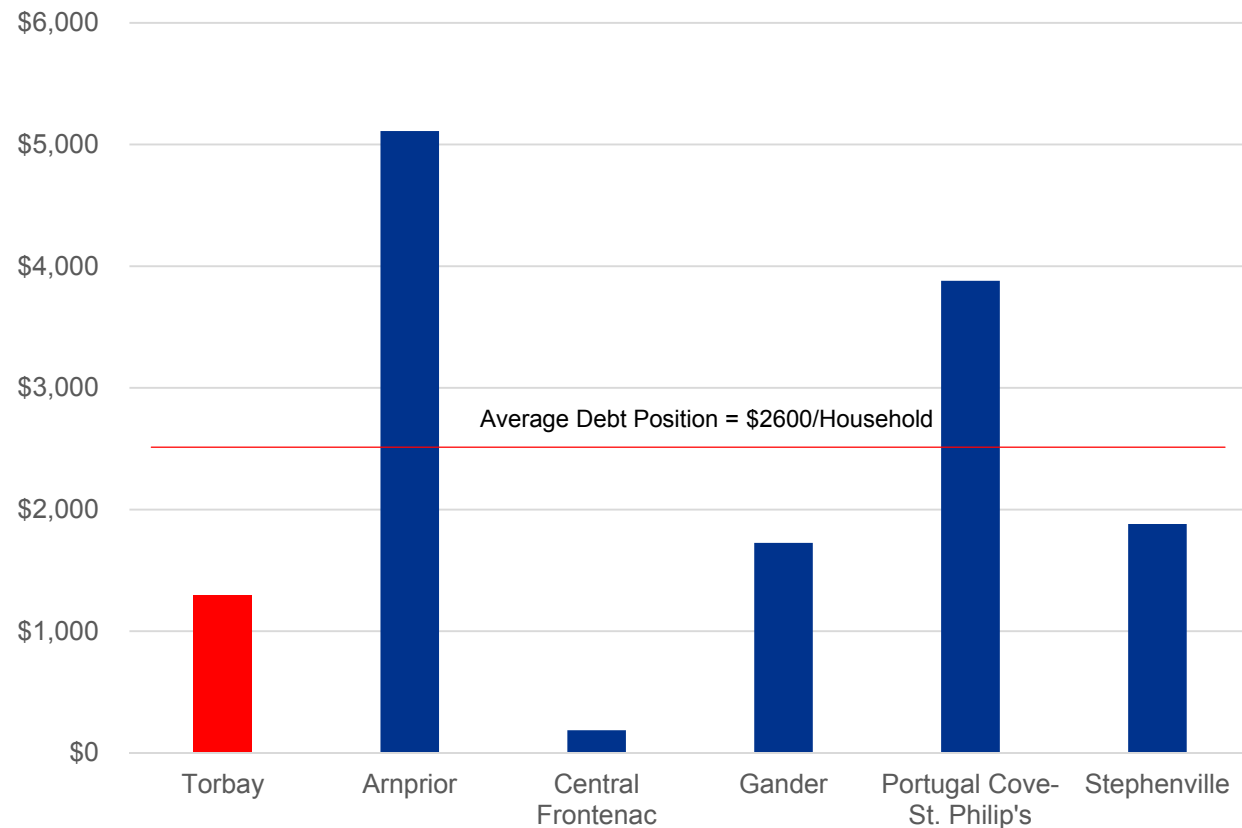




Jurisdictional Review Debt per Household (2013)

Torbay's debt per household position is lower relative to its peers. The average debt position of the comparator group is \$2600 per household compared to Torbay's debt position of \$1300 per household.

Debt is a valid form of capital financing but close attention should be paid to the municipalities debt to equity ratio and its repayment capacity relative to net own source revenues.





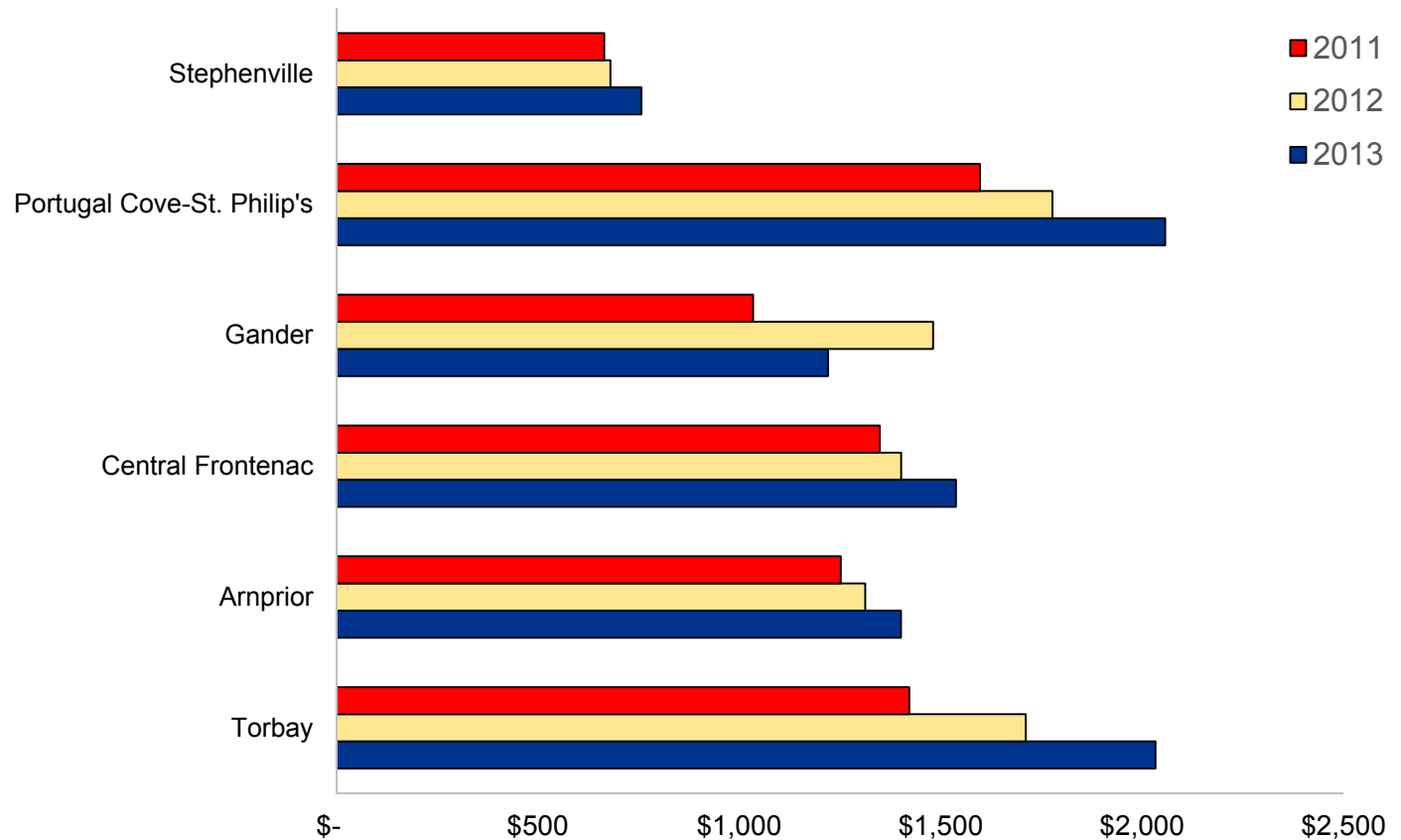
Jurisdictional Review Residential Taxes per Household (Average/Typical Property)

Torbay's and PCSP's 2013 residential taxes per household are above the comparator average of \$1,500 per household.

This reflects the largely residential nature of the Torbay's and PCSP's property assessment.

Gander has a larger non-residential class within their total property assessment to finance the cost municipal services.

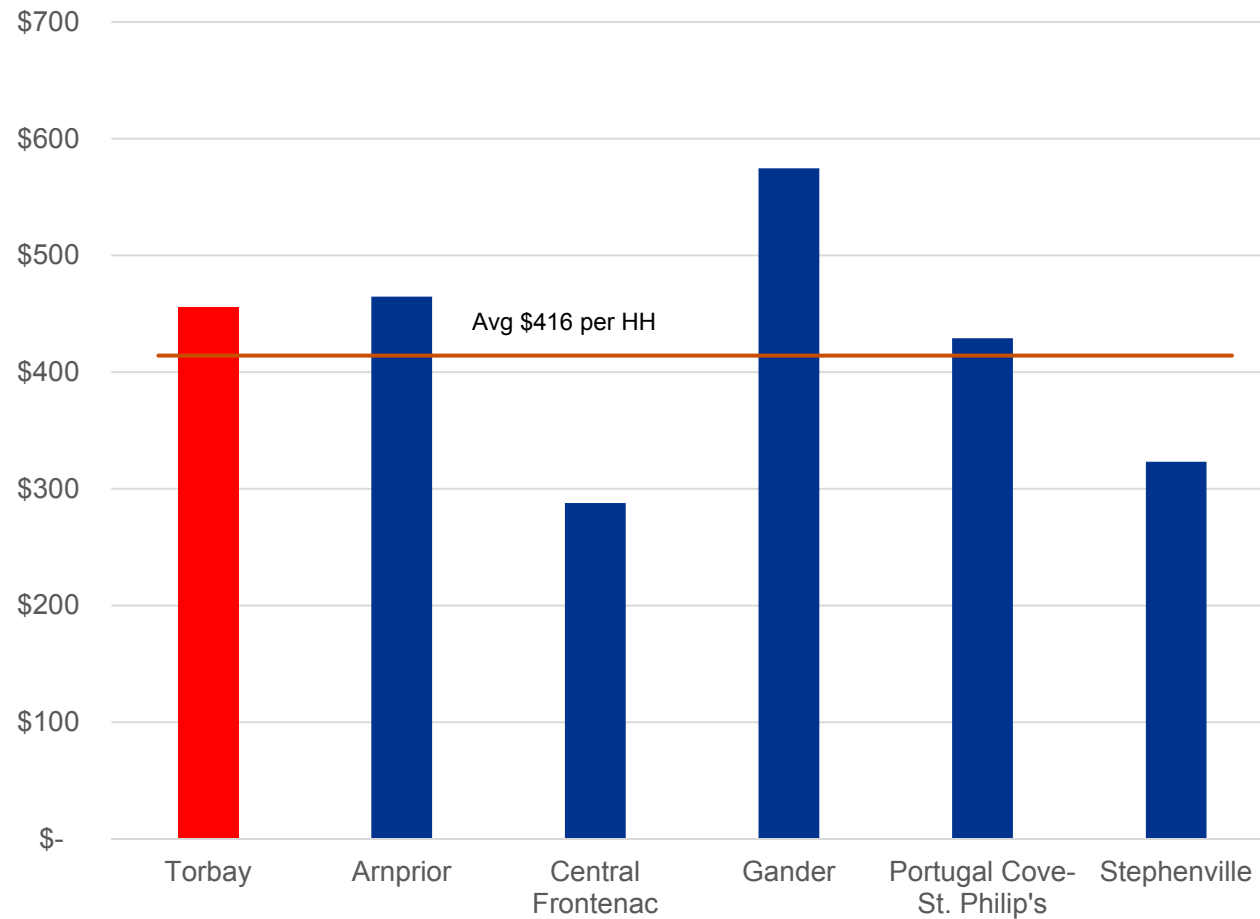
Stephenville applies a separate tax of \$1.3 million against its business sector significantly greater than either Torbay or PCSP (\$304M & \$120M respectively)



Jurisdictional Review 2013 General Government Costs per Household

The general government costs per household for Torbay are consistent with its municipal comparators and approximately equal to the average of \$416 per household.

General government costs are defined as the corporate and governance support costs associated with operating a municipality.





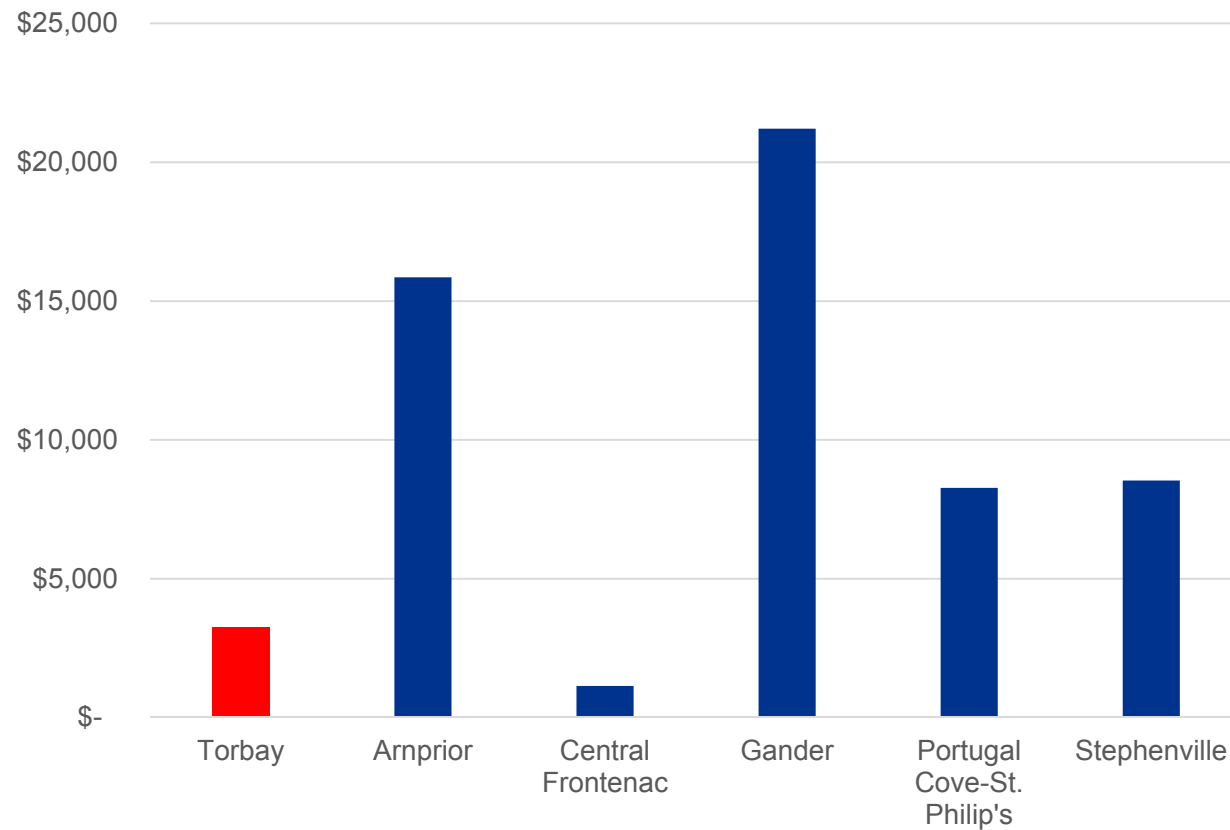
Jurisdictional Review 2013 Road Maintenance Costs per Lane Kilometre

Municipality	Lane KMs
Torbay	120
Arnprior	91
Central Frontenac	356
Gander	76
PCSP	77
Stephenville	200

A lane kilometer is calculated multiplying the total number of kilometers in the municipal road network by two.

Road maintenance costs includes the cost of ongoing maintenance, winter control and traffic services.

Torbay's low road maintenance costs per lane kilometer reflects the Town's minimal transportation budget.



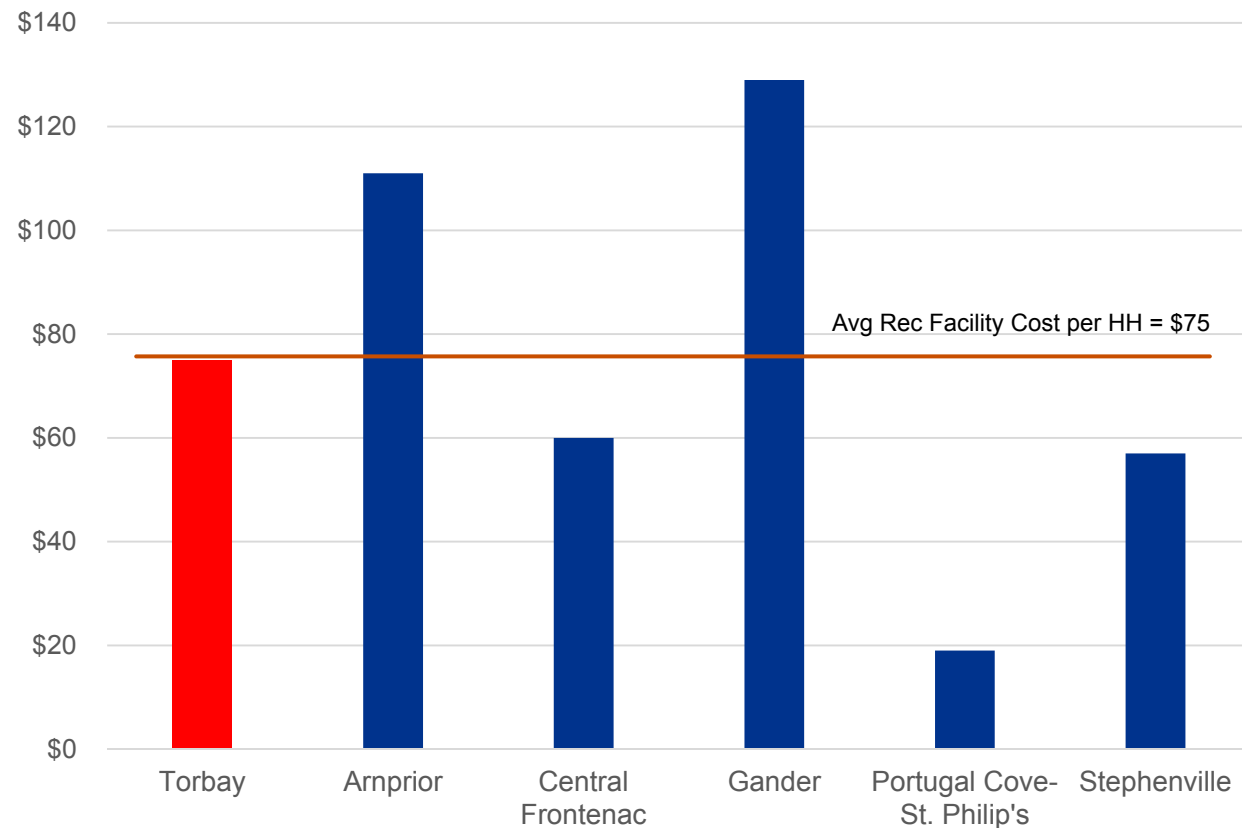


Jurisdictional Review 2013 Recreation Facilities per Household (Net of Related Revenues)

Torbay's recreation facility costs per household are equal to the average of its comparators.

Central Frontenac similar to Torbay contributes to independent Board who operate a regional arena.

PCSP has no arena or recreation complex.



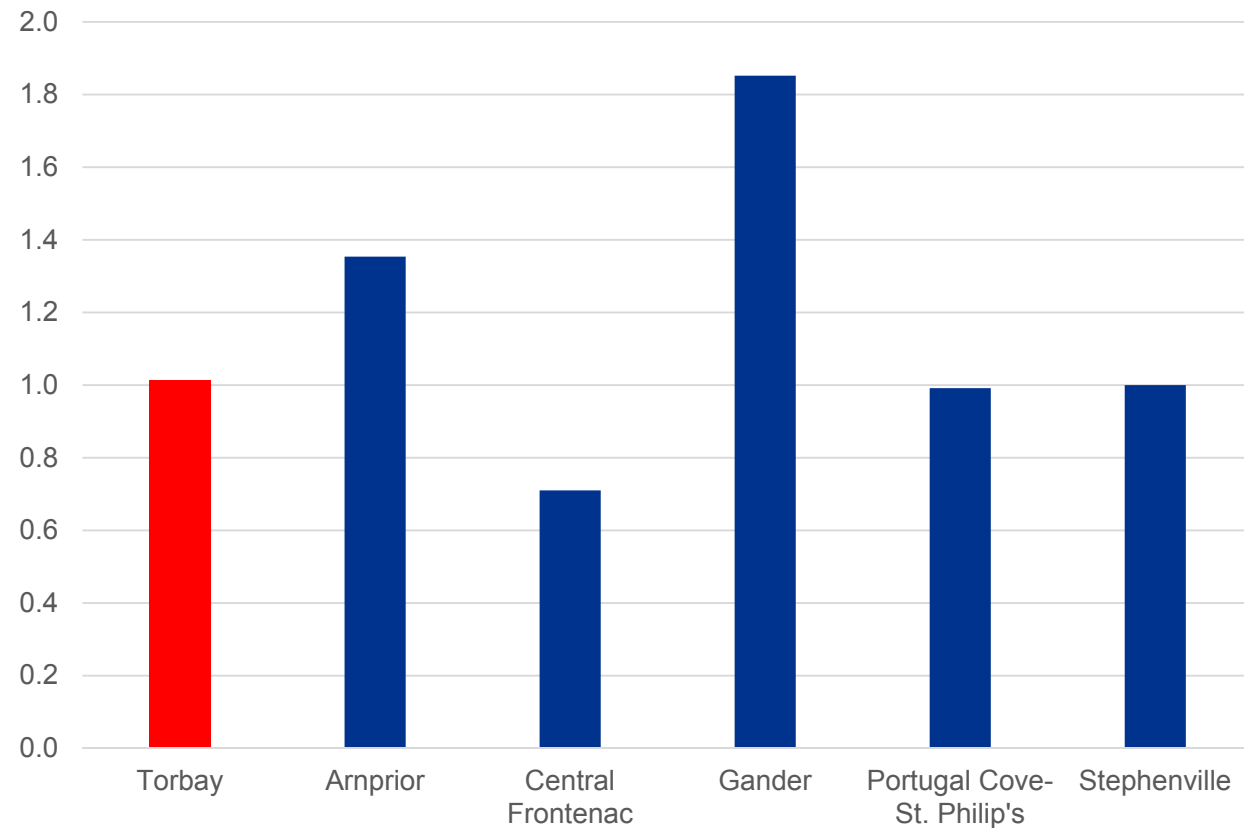
Jurisdictional Review Staffing Complement – Full-time Positions Per Hundred Households (2013)

The staffing complement for Torbay is consistent with its comparators.

Torbay, PCSP and Stephenville all have one full-time employee per hundred households.

Arnprior and Gander have a higher staff complement reflecting their slightly larger size as a community and organization.

Central Frontenac has the lowest full-time staffing complement of the comparator group.

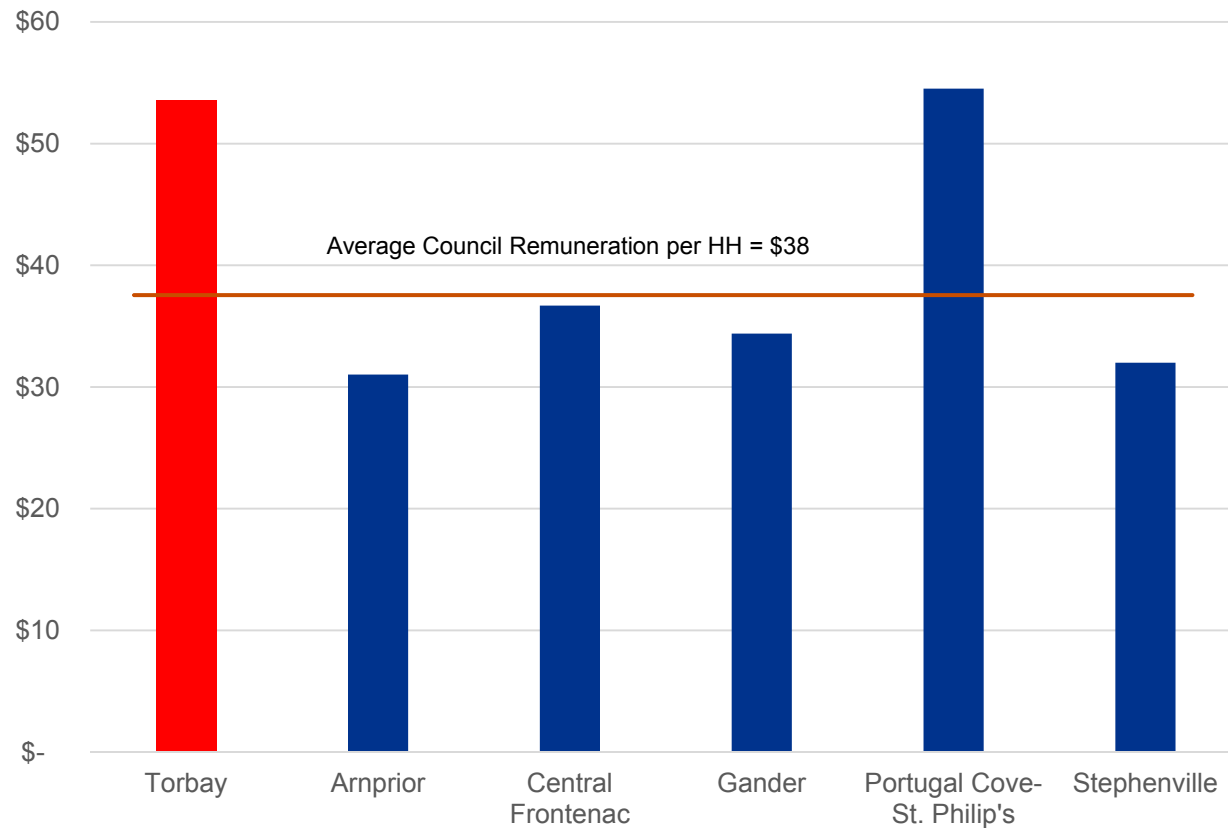




Jurisdictional Review Council Remuneration per Household

The Town has established a compensation plan for Council based upon a standard amount for each position on Council: Mayor, Deputy Mayor and Councillor. Council is not eligible for the full time benefit plan available to full time employees of the Town.

Other benefits, such as computer support, conference attendance and travel expenses are within the norm and consistent with their comparators municipalities in Newfoundland.



Jurisdictional Review Comparisons of Council Compositions

The Town of Torbay currently has a seven member Council comprised of the mayor (elected at large) and five councillors (elected at large). With the exception of Central Frontenac, all the comparators have a Deputy Mayor in addition to the Mayor and Councillors who is elected by Council. For the purposes of calculating Councillor representation per 1000 residents, households or 100 km², we have included the Deputy Mayor position.

Council composition for selected municipalities¹

	Torbay	Central Frontenac	Arnprior	Stephenville	Gander	PCSP	Average
Council size	7	9	7	7	7	7	
Deputy Mayor	1	0	1	1	1	1	
Number of Councillors	5	8	5	5	5	5	
Ward system	No	Yes	No	No	No	No	
Number of wards	n/a	4	n/a	n/a	n/a	n/a	
At-large councillors	5	0	5	5	5	5	
Councillors per ward (excluding at-large councillors)	n/a	2	n/a	n/a	n/a	n/a	
Residents per Councillor	1479	570	1623	1344	2211	1473	1450
Households per Councillor	532	501	753	603	950	565	651
Sq Kms per Councillor	7	128	3	7	21	11	30

The size of Torbay's Council is consistent with its comparators who all have seven elected members with the exception of Central Frontenac. We note that the ratio of elected officials to residents for Torbay is slightly less than the average and the ratio of elected officials to households is slightly greater than the average indicating a level of elected representation consistent with its comparators.

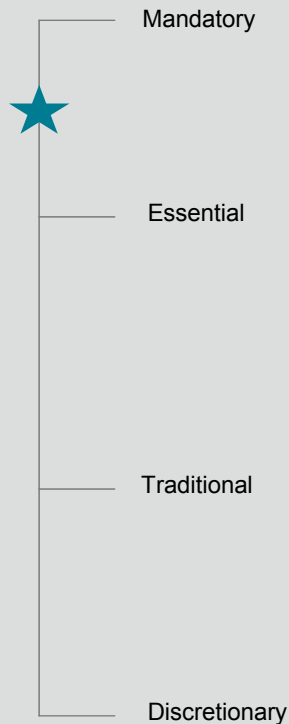
- Full council per thousand residents (one Mayor & 6 councillors) – 0.95 elected officials to 1000 residents compared to average of 1.1
- Full council per thousand households (one Mayor & 6 councillors) – 2.6 elected officials to 1000 households compared to average of 2.2



**Corporation of the Town of
Torbay service delivery review**

**Chapter IV
Service Profiles**

Core Continuum



Position of the service on Core Continuum

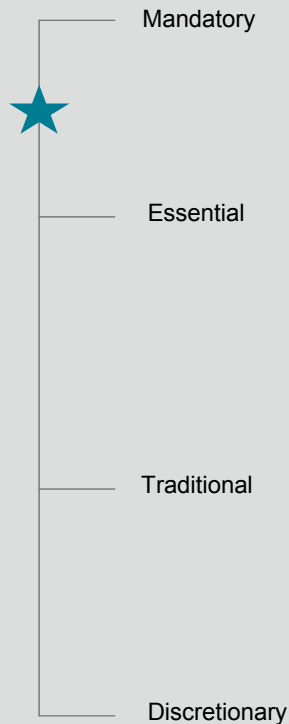
The service profiles are intended to provide a comparison of service levels, delivery methods, staffing levels and overall operating costs for the Town against the comparator municipalities (Towns of Gander, Portugal Cove-St. Philips, Stephenville, Central Frontenac, and Arnprior) and other service level benchmarks that may be relevant.

For the purposes of our report, the service level baselines are presented on a departmental basis (consistent with the Municipality's budget structure), with additional detail provided at the sub-departmental level where considered appropriate. For each service level baseline, the following information is presented:

<p style="text-align: center;">Services Provided</p> <p>A high-level listing of the types of services provided.</p>	<p style="text-align: center;">Delivery Model</p> <p>The method of delivery used by the Municipality in the provision of the service, which may include own resources, external service providers (both private sector and public sector), shared service arrangements with other organizations or volunteers.</p>
<p style="text-align: center;">Service Level Standard</p> <p>Information concerning minimum service levels and/or service levels provided by the comparator municipalities as well as an indication as to whether the Municipality's current service levels are consistent with, exceed or fall below the minimum/comparable service levels. Please note that for certain services, service level standards are not available.</p>	<p style="text-align: center;">Indicators</p> <p>A comparison of key financial and staffing indicators for the Municipality against the comparative municipalities. Where the Municipality's indicators are higher than the comparator municipalities, they could be indicative of (i) a higher level of service or (ii) the potential for efficiencies and other cost reductions.</p> <p>Except where noted, the indicators have been developed based on 2013 Municipal Financial Information Returns or 2013 Provincial Budget Submissions as this represents the last year for which data is available for the Municipality.</p>

<p style="text-align: center;">Position on the Core Continuum</p> <p>Overall assessment of where the service sits on the core continuum: mandatory (required under legislation), essential (not legislated but required to operate the municipality), traditional (municipalities typically provide this service, and discretionary (a service unique to the individual municipality).</p>

Core Continuum



Corporate Services position on the Core Continuum

Services Provided

- Chief Administrative Officer
- Legal
- Human resources
- Clerks (including licensing)
- Information Technology
- Health and safety
- Council support
- Elections
- Insurance Claims and Risk Management

Delivery Model

- The Municipality relies primarily on its own resources (mix of full-time and part-time personnel) for administrative services, with the following exceptions:
 - Employee benefits, Short and Long Term Insurance Benefits
 - Legal Services
 - Large project Information Technology support

Service Level Standard

- Service levels for specific administrative functions are established either by legislation (e.g. Municipalities Act, Municipal Elections Act, Occupational Health and Safety Act), or Municipal bylaws.
- Major aspects of the Municipality's administrative functions (e.g. Information Technology, Front Desk Reception) do not appear to have formally defined service level standards.

Indicators

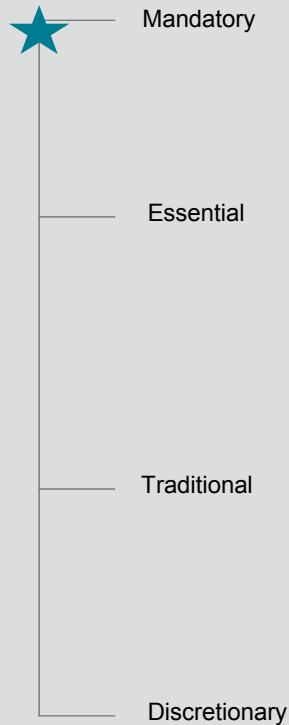
- General government costs per household at \$455 are slightly above the comparator average of \$416. ¹
- Nonetheless general government costs as a percentage of total municipal operating costs is approximately equal (16.9%) to the average of the comparator municipalities (16.0%).¹
- Salary and benefit costs as a percentage of operating costs is significantly below the comparative average (6.1% vs. 7.5%).

¹. 2013 Financial Information Return & Municipal Budget Submission

Position on the Core Continuum

Mandatory/Essential: There are specific legislative requirements for many of the corporate services (appointment of a Clerk, conduct of an election, health & safety) and the other corporate services are essential for the operation of the organization (information technology, human resources and Council support).

Core Continuum



Finance Services position on the Core Continuum

Services Provided
<p>Finance services are a mandatory internal facing service type.</p> <ul style="list-style-type: none"> • Revenue Collection and Accounting • Property Tax Billing and Collection • Procurement • Payroll • Financial Planning • Internal Control • Assessment • Financial Reporting

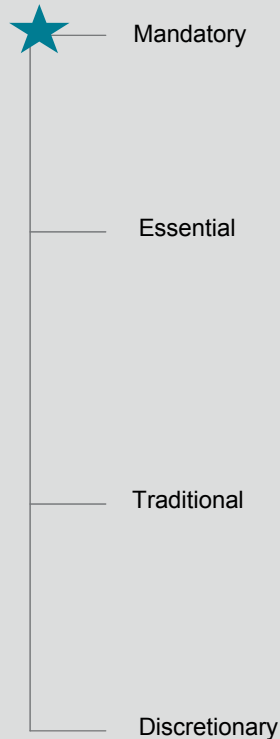
Delivery Model
<ul style="list-style-type: none"> • The Municipality relies primarily on its own resources (full-time personnel) for administrative services, with the following exceptions: <ul style="list-style-type: none"> • Real Property Assessment – administered by the Municipal Assessment Agency

Service Level Standard
<p>Service levels for specific administrative functions are established either by legislation (e.g. Municipalities Act, Assessment Act), Municipal bylaws (Procurement Bylaw), Municipal Finance Act, Government Purchasing Agency (Procurement Policy), Tender Act</p>

Indicators
<ul style="list-style-type: none"> • Torbay's debt to service ratio is 16% which is greater than the comparator average of 13%.¹ • The Town's debt per household is \$1,294 significantly less than the comparator average of \$2,726.¹ • Torbay has \$479 per household in reserves, slightly less than the comparator average of \$532. • The Ontario comparators have average reserves of \$1,124 per household.¹ <p>¹: 2013 Financial Information Return and Municipal Budget Submissions</p>

Position on the Core Continuum
<p>Mandatory: There is specific legislative requirements for financial services (property tax billing, internal control, financial reporting).</p>

Core Continuum



Services Provided
<ul style="list-style-type: none"> • Fire suppression – structural & internal content • Rescue - Auto extrication & Road traffic accident • Medical assistance • Fire prevention • Fire education & Training • Inspections (oxygen, building fire systems)

Delivery Model
<ul style="list-style-type: none"> • Fire services are delivered primarily through the Municipality's volunteer firefighters. • Volunteer firefighters are trained to the same professional provincial standard as full time fire fighters. • City of St. John's provides dispatch (911) services and back up services on a fee basis. • There are two fire stations with a complement of 40 (28 Torbay & 12 Flatrock) volunteer firefighters.

Service Level Standard
<ul style="list-style-type: none"> • Fire prevention and education is mandated under the Municipalities Act and Fire Protection Services Act. Two levels – fire or fire and medical, Torbay is Fire and Medical • Under the Municipalities Act, Council determines the level of service for fire suppression activities. • The current level of service includes internal fire suppression and auto extrication • Response to day time alarms is an issue for the department; tiered response for medical assist calls. • Fire responds to code 4 medical only (life threatening?) • The Town has no shared services agreements with neighbouring municipalities.

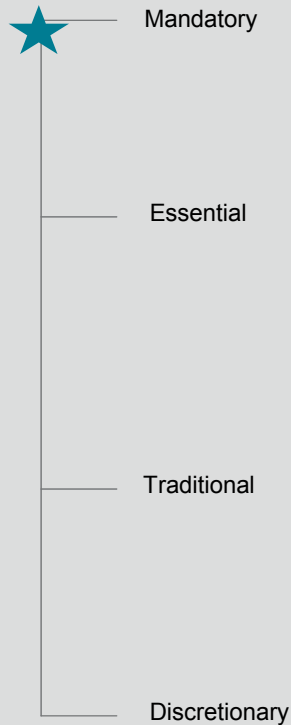
Indicators
<ul style="list-style-type: none"> • On a per household basis, the Municipality's fire costs (\$131/HH) are significantly lower than the average of its comparators (\$ 169/HH).¹ • The Municipality's salaries and benefits for fire services as a percentage of the department's operating costs is below the comparator average (27% vs. 54%).²

1. 2013 Financial Information Return & Municipal Budget Submission
2. Comparators for this indicator excludes Gander which was unable to provide the necessary data for the interim report.

Fire Services position on the Core Continuum

Position on the Core Continuum
<p>Mandatory: The Municipalities Act requires that a municipality have a fire service. The level of service and method of delivery is Council's decision.</p>

Core Continuum



Road Services position on the Core Continuum

Services Provided
<ul style="list-style-type: none"> • Winter roads maintenance (snowplowing, salting, sanding, snow removal, snow blowing) • Summer roads maintenance (ditching, roadside grass mowing, pot hole patching, guide rail replacement) • Sweeping & line painting, crack sealing, • Culvert replacement • One Depot • Fleet maintenance

Service Level Standard
<ul style="list-style-type: none"> • The Town of Torbay is responsible for the maintenance of public road rights-of-way within the geographical boundaries of the Town of Torbay with exception of the provincially owned and operated roads (Marine Drive, Torbay Rd, Bauline Line, Indian Meal Line, Pine Lin and its associated interchanges). • For the purpose of sanding/salting, snow plowing and snow removal operations, the entire Town's street network is divided into four areas. Within these four areas there are two priority classifications. • Unpaved streets and parking lots will be considered to be Priority # 2 unless they provide the only access to the property. • Priority # 1 Sanding / Salting Plowing Roads (all paved roads and Fire Hall) • Priority # 2 Sanding / Salting Plowing Roads (all gravel roads and parking lots)

Delivery Model
<ul style="list-style-type: none"> • The Municipality relies primarily on its own resources (mix of full-time and seasonal part-time personnel) for roads maintenance • Seasonal part time employees operate municipal equipment for winter control • Fleet maintenance is outsourced to the private sector under service agreements

Indicators
<ul style="list-style-type: none"> • The Municipality operates 120 lane kilometres of local low speed/ low traffic roads • The Municipality's operating cost per lane kilometre of road is \$3,228 significantly lower than the comparator average of \$11,619/lane km.¹ • The cost of winter control is \$175,000 or \$66 per HH compared to the average of \$540,759 or \$142 per HH for the comparator group.¹

¹ 2013 Financial Information Return & Municipal Budget Submission

Position on the Core Continuum
<p>Mandatory: The Town has a requirement under the Act to maintain the road network to an appropriate standard of care for the classification of road.</p>



Mandatory

Essential

Traditional

Discretionary

Services Provided

- Water disinfection and distribution
- Wastewater collection – outflow line
- Infrastructure maintenance
- Service locates
- Fire hydrant maintenance
- Special programs (mineral sampling quarterly different than weekly testing currently performed at 4 sites)

Delivery Model

- The Municipality relies primarily on its own resources (full-time personnel) for water and wastewater services, with limited use of outside contractors for specific functions (line flushing, line locates, video inspections when needed)

Service Level Standard

- Water and wastewaters services are delivered pursuant to a number of Provincial acts, most specifically, the Water Resources Act and the Environmental Control Water and Sewer Regulations.
- The Municipality does not fluoridate its water.
- The Municipality's water and wastewater systems operate at 100% full cost recovery

Indicators

- The Town's water treatment and distribution costs are 46% of the average of the comparator municipalities that treat & distribute water. ¹
- The Town's water system is 100% funded through the water and sewage tax.

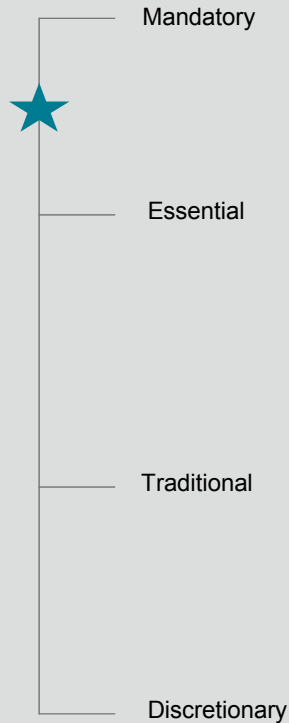
¹ 2013 Financial Information Return & Municipal Budget Submission

Position on the Core Continuum

Mandatory: The supply and delivery of water and wastewater services is tightly regulated under Provincial legislation (Water Resources Act and associated regulations)

Corporate Services position on the Core Continuum

Core Continuum



Waste Management Services position on the Core Continuum

Services Provided
<ul style="list-style-type: none"> • One active landfill site - Robin Hood Bay facility • Weekly curbside collection • Biweekly Recycling (Diversion) collection program • Hazardous Materials program • Regular bulk garbage collection events.

Service Level Standard
<ul style="list-style-type: none"> • The implementation of the Province's Waste Management Strategy requires all communities to upgrade their waste management systems. • EWM integrates waste management services on the Avalon Peninsula allowing 163 communities to close 42 landfills and focus diversion efforts on a single regional integrated waste facility located in St. John's. • The objective of EWM is to support the goals of the Provincial Waste Management Strategy at a reasonable cost while maximizing public accessibility and maintaining open and consistent communications with residents, businesses and municipal stakeholders of the Eastern Region.

Delivery Model
<ul style="list-style-type: none"> • Solid Waste collection is outsourced to a private contractor. • The Eastern Waste Management Committee (EWM) was established to oversee the modernization of a solid waste management system for the Greater Avalon region including both residential and commercial users. • The City of St. John's operates the Robin Hood Bay facility for the benefit of the region.

Indicators
<ul style="list-style-type: none"> • The Town's solid waste & diversion costs per household (\$212) is 157% of the comparator average.¹ • The Town has the highest cost per household for waste management services
<p>¹ 2013 Financial Information Return & Municipal Budget Submission</p>

Position on the Core Continuum
<p>Mandatory: The Town is required to follow the requirements of the Province's Waste Management Strategy. The Town's participation in the Eastern Waste Management Committee is an optional decision.</p>



Service Level Baselines Planning and Development

Core Continuum



Mandatory

Essential

Traditional

Discretionary

Planning Services position on the Core Continuum

Services Provided

- Planning (variances, zoning amendments, official plan amendments, site plans, permits, compliance letters, building plan reviews, sub division agreements and reviews,)
- The Town does not provide building inspection services

Delivery Model

- The Town relies primarily on its own resources (full-time personnel) for planning & development services except planning, legal and engineering related to large scale developments.

Service Level Standard

- Service levels for planning and development services are established either by legislation (e.g. Municipalities Act, Urban and Rural Planning Act), or Municipal bylaws (Municipal Plan) and development regulations.
- Inspection services for construction and utilities is self regulated and based upon industry licensing.

Indicators

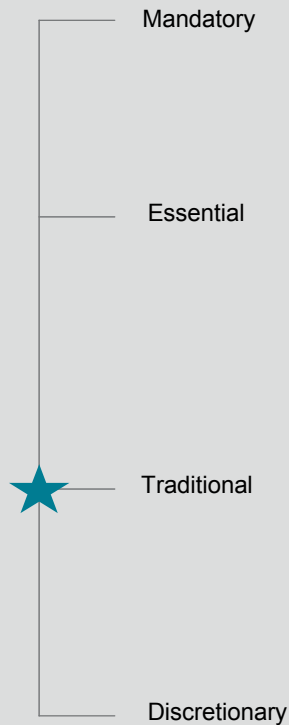
- The cost per household for planning and building services (\$138) is higher than the comparator average of \$75. ¹
- The cost of planning and development services for Torbay and Portugal Cove-St. Philips is approximately the same (\$366,000 vs. \$352,000 respectfully) reflecting the development pressure of their geographic location adjacent to St. John's.

¹ 2013 Financial Information Return & Municipal Budget Submission

Position on the Core Continuum

Mandatory: Planning services are required under the Municipalities Act and the Urban and Rural Planning Act.

Core Continuum



Economic Development Services position on the Core Continuum

Services Provided
<ul style="list-style-type: none"> Promotional events Development of marketing literature and software

Delivery Model
<ul style="list-style-type: none"> The Town relies primarily on its own resources for economic development initiatives. The Town occasionally retains external consultants to assist with tourism and marketing initiatives.

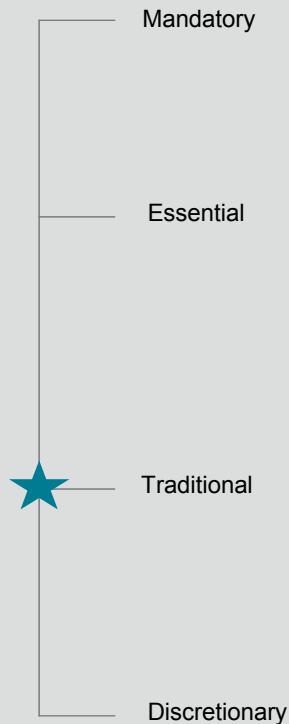
Service Level Standard
<ul style="list-style-type: none"> There are no defined service level standards for economic development services.

Indicators
<ul style="list-style-type: none"> Torbay's tourism and marketing spend is \$116 per household significantly more than the comparator average (\$30 per household).¹ Torbay invests approximately \$300,000 in economic development initiatives compared to the comparator average of \$100,000.

¹ 2013 Financial Information Return & Municipal Budget Submission

Position on the Core Continuum
<p>Traditional: There are no statutory requirements for a municipality to provide economic development services or regulate how they are provided. Economic development is however identified as a leading practice for municipalities that wish to grow their assessment base and diversify their local economy.</p>

Core Continuum



★ **Parks and Recreation Services position on the Core Continuum**

Services Provided
<ul style="list-style-type: none"> • Care and maintenance of outdoor recreation facilities, including soccer fields, ball diamonds, skateboard park and playgrounds • Rental of recreation facilities, Kinsmen Community Centre • Promotion of healthy living • Summer Day Camp Program • Recreation programming • Beautification, trails maintenance • Wellness Center

Service Level Standard
<ul style="list-style-type: none"> • For the most part, parks and recreation services are discretionary in nature and as such, formal service level standards do not exist. • Sport fields are maintained to a higher standard than a passive park. • Individual sports groups/associations determine the service level standard for facilities and sports fields

Delivery Model
<ul style="list-style-type: none"> • Community services are provided primarily through municipal resources (full and part-time employees, including students). In certain instances, services may be contracted out or involve community groups (e.g. special events). • Trails development is contracted to Grand Concourse • Arena services are provided through a regional consortium of municipalities and operated by an independent board.

Indicators
<ul style="list-style-type: none"> • The Municipality's recreation facility net operating costs per household is equal to the average of comparator municipalities (\$75/HH).¹ • The Town has the smallest recovery rate (1.8%) on recreation costs among the comparator group (42%) • The Town's total recreation spend (\$458/HH) is significantly greater than the comparator group average of \$280. <p>¹ 2013 Financial Information Return & Municipal Budget Submission</p>

Position on the Core Continuum
<p>Traditional: Parks and recreation services are discretionary in nature; there are no statutory requirements for the municipality to provide these services. It is traditional, however, for municipalities to deliver some type of recreation service and maintain public parks. Parks and recreation services are seen to be necessary for building a strong community.</p>



Corporation of the Town of
Torbay service delivery review

Chapter V
**Preliminary
Financial
Projections**



Financial Projections Five Year Model

CORPORATION OF THE TOWN OF TORBAY

APPENDIX B

**Schedule of Projected Financial Results and Municipal Taxation
Assuming No Strategies for Cost Reductions or Incremental Non-Taxation Revenue
For the Years Ending December 31**

	Budget 2014	----- 2015	2016	----- Projected 2017	2018	2019
A. Operations						
(1) Wages and benefits	2,318,000	2,411,000	2,507,000	2,607,000	2,711,000	2,819,000
(2) Other operating costs	5,104,000	5,257,000	5,415,000	5,577,000	5,744,000	5,916,000
(3) Life Cycle Reserve Contribution						
TOTAL OPERATING COSTS	7,422,000	7,668,000	7,922,000	8,184,000	8,455,000	8,735,000
Non-taxation revenues						
Municipal Operating Grant	223,000	223,000	223,000	223,000	223,000	223,000
Gas Tax	268,000	268,000	268,000	268,000	268,000	268,000
Provincial Portion of Debt Chgs	68,000	68,000	68,000	68,000	68,000	68,000
Sale of Water & Sewer	400,000	408,000	416,000	424,000	432,000	441,000
Sales of Goods & Services	1,056,000	1,072,000	1,088,000	1,104,000	1,121,000	1,138,000
Total projected non-taxation revenues (current fund basis)	2,015,000	2,039,000	2,063,000	2,087,000	2,112,000	2,138,000
MUNICIPAL LEVY FOR OPERATIONS	5,407,000	5,629,000	5,859,000	6,097,000	6,343,000	6,597,000
B. Municipal Capital						
Projected capital expenditures	316,000	325,000	335,000	345,000	355,000	366,000
Municipal levy for capital	316,000	325,000	335,000	345,000	355,000	366,000
Total projected municipal levy	5,723,000	5,954,000	6,194,000	6,442,000	6,698,000	6,963,000
PERCENTAGE INCREASE IN MUNICIPAL LEVY		4.0%	4.0%	4.0%	4.0%	4.0%
AVERAGE RESIDENTIAL TAX PER HOUSEHOLD	2,150.00	2,240.00	2,330.00	2,420.00	2,520.00	2,620.00

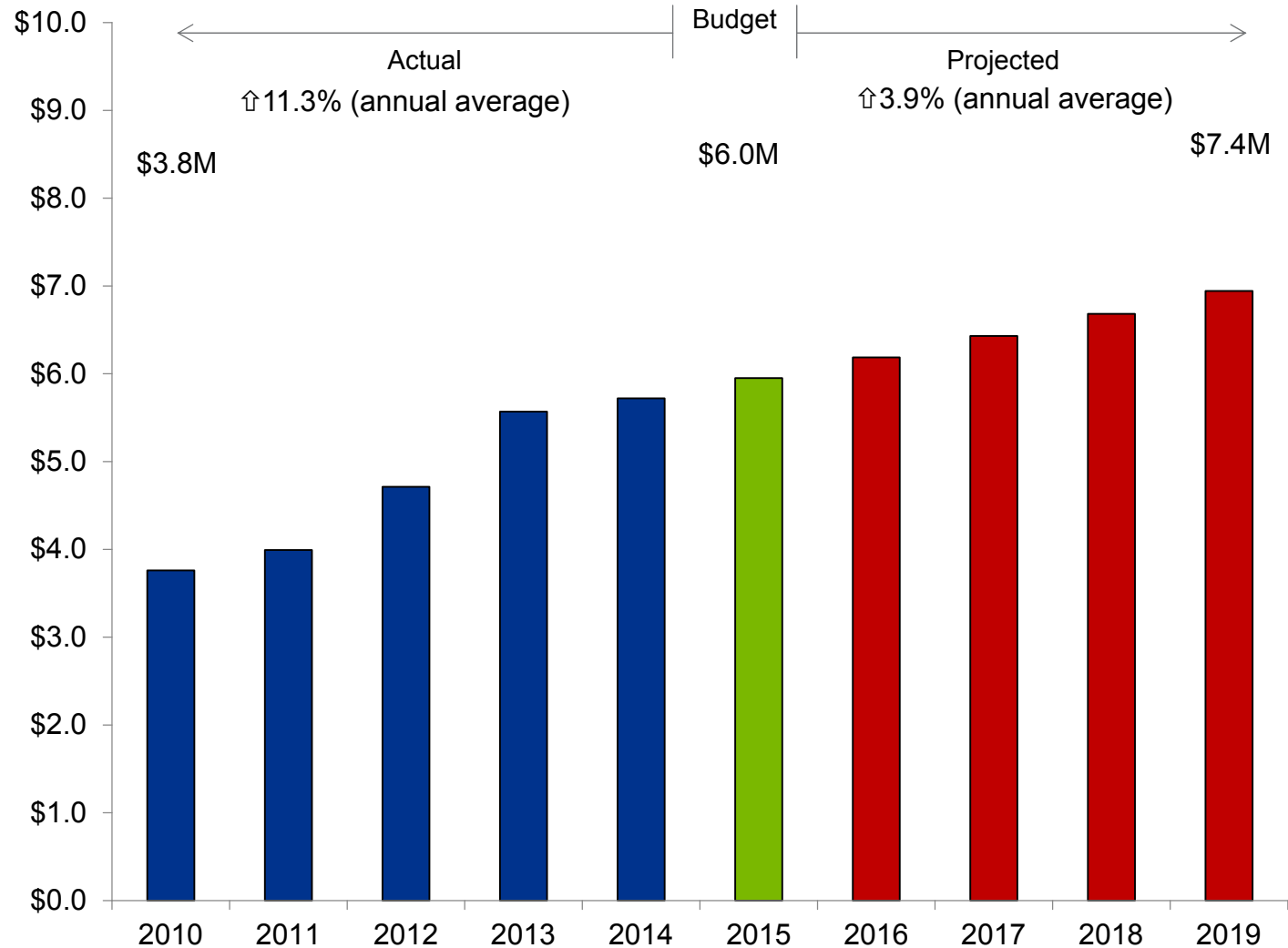
2662 number of households



Financial Projections Historical and Projected Operating & Capital Costs¹

Since 2010, the Town's operating costs have increased from \$3.8 million to \$6.2 million. Over the next five years, the City can expect increases of approximately 4.6% per year, assuming no changes to operations or funding.

The Town's historic pattern of fluctuating operating costs is inconsistent with the leading practice of stable and predictable increases.



¹ KPMG analysis of the Town's 2014 budget and projections prepared in connection with the Service Delivery Review. Considers operating costs and capital costs only (i.e. includes capital expenditures & reserve transactions), with amounts adjusted to reflect pre-TCA accounting standards (i.e. excludes amortization of TCA).

Financial Projections

Council Direction With Respect to Cost Reductions

We have developed a taxation model to illustrate the quantum change required in the 2015 budget to achieve the following taxation policy. We also compare these reductions to the effect of a two percent increase in the 2014 levy.

- 2% taxation increase
- 0% taxation increase
- 2% taxation decrease

Based on these targets for the 2015 budget and considering potential adjustments to the 2014 budget for inflation, changes in non-taxation revenues and other items, we have estimated that the amount of cost savings and/or incremental non-taxation revenue that are required for 2015 is in the range of \$114,000 to \$342,000. This level of cost savings/incremental non-taxation revenue assumes that contributions to reserves and debt servicing costs are consistent with the prior year (i.e. frozen) and that no enhancements in Town services are introduced.

Summary of required cost reductions and incremental non-taxation revenue required to achieve a 2% change in taxation

(in thousands)	2% Taxation Increase	0% Taxation Increase	2% Taxation Decrease
Total municipal levy (2014)	\$5,723	\$5,723	\$5,723
Targeted change in municipal levy (\$)	\$114	–	(\$114)
Targeted municipal levy for 2015	\$5,837	\$5,723	\$5,609
Projected 2015 municipal levy before cost reduction strategies ¹	\$5,951	\$5,951	\$5,951
Required level of cost reductions and non-taxation revenue	\$114	\$228	\$342
As a percentage of projected 2015 operating costs	2.0%	4.1%	6.1%

¹ Based on 2014 municipal levy adjusted for estimated inflationary increases to 2015.



**Corporation of the Town of
Torbay Service Delivery
Review**

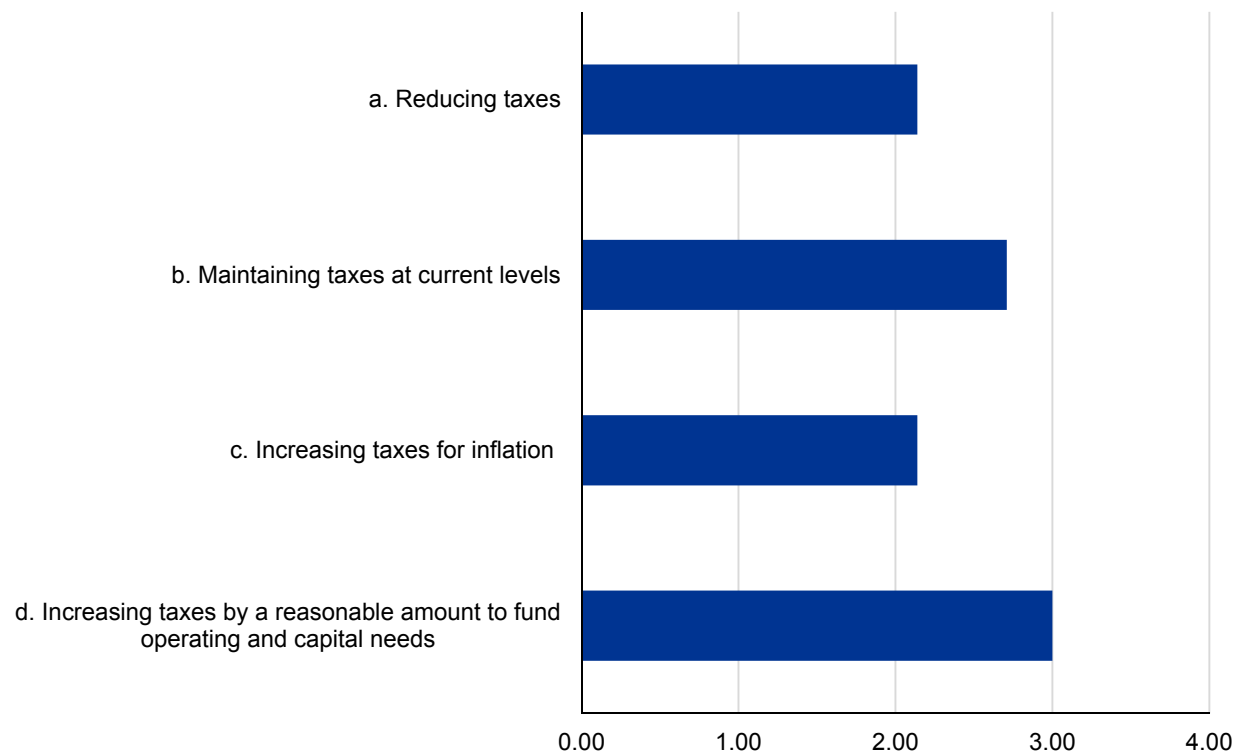
**Chapter VI
Council Survey
Results**



Survey Results

Survey Results – Council

Question 1 – Often times, priorities will conflict. From Council’s perspective, please rank the following tax priorities in order of preference (1 – being highest and 4 – being lowest)



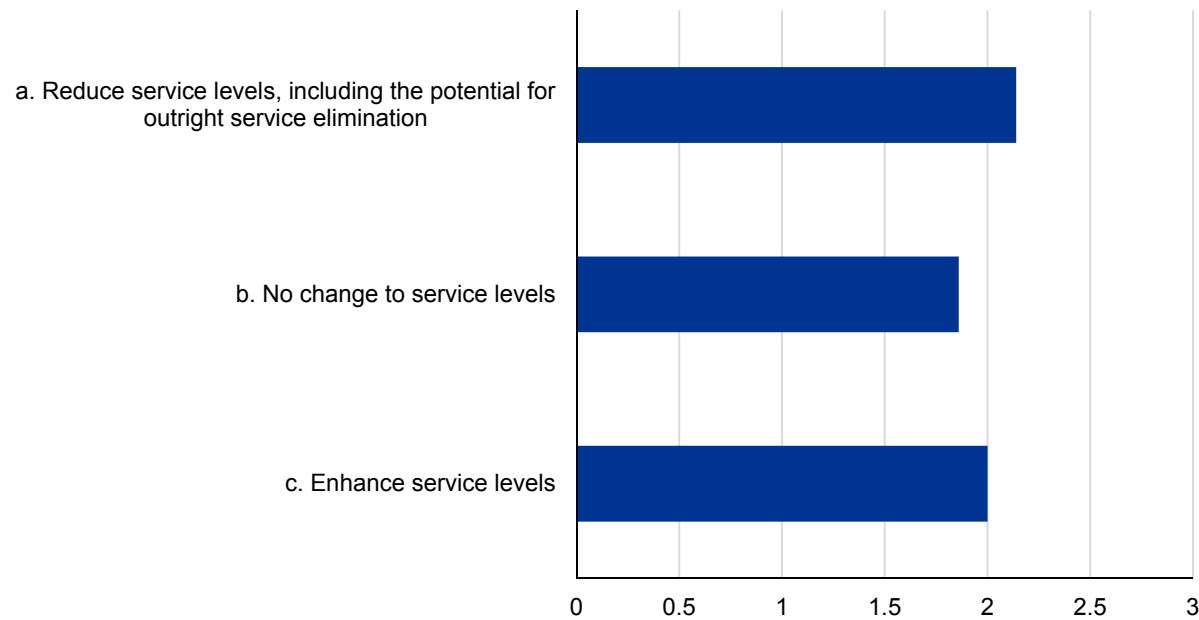
Options	Average Ranking
Reducing taxes	2.14
Maintain taxes at current levels	2.71
Increasing taxes for inflation	2.14
Increasing taxes by a reasonable amount to fund operating & capital needs	3.00



Survey Results

Survey Results – Council

Question 2 – Municipal services can typically be grouped into two categories – “must haves” and “nice to haves,” the difference being the legislative requirement to deliver the service in question. From Council’s perspective, please identify your preference of the “nice to haves” based on the following choices (1 – being best and 3 being lowest)



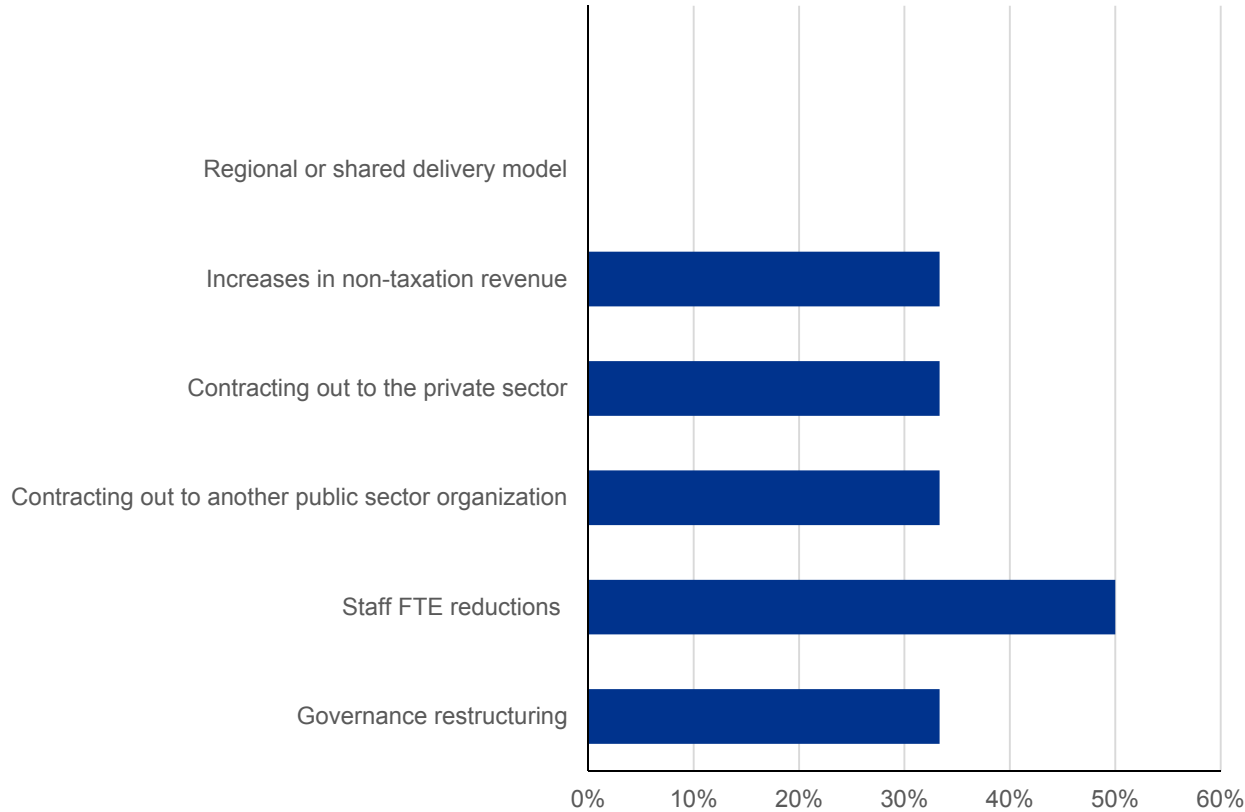
Option	Average Ranking
Reducing service levels	2.14
No change to service levels	1.86
Enhance service levels	2.00



Survey Results

Survey Results – Council

Question 3 – Various strategies are available to municipalities in order to reduce operating costs. From Council’s perspective, please identify which strategies are acceptable.



Options	Response Percent
Regional or shared delivery model	0%
Increases in non-taxation revenue	33.33%
Contracting out to the private sector	33.33%
Contracting out to another public sector organization	33.33%
Staff FTE reductions	50%
Governance restructuring	33.33%



**Corporation of the Town of
Torbay Service Delivery
Review**

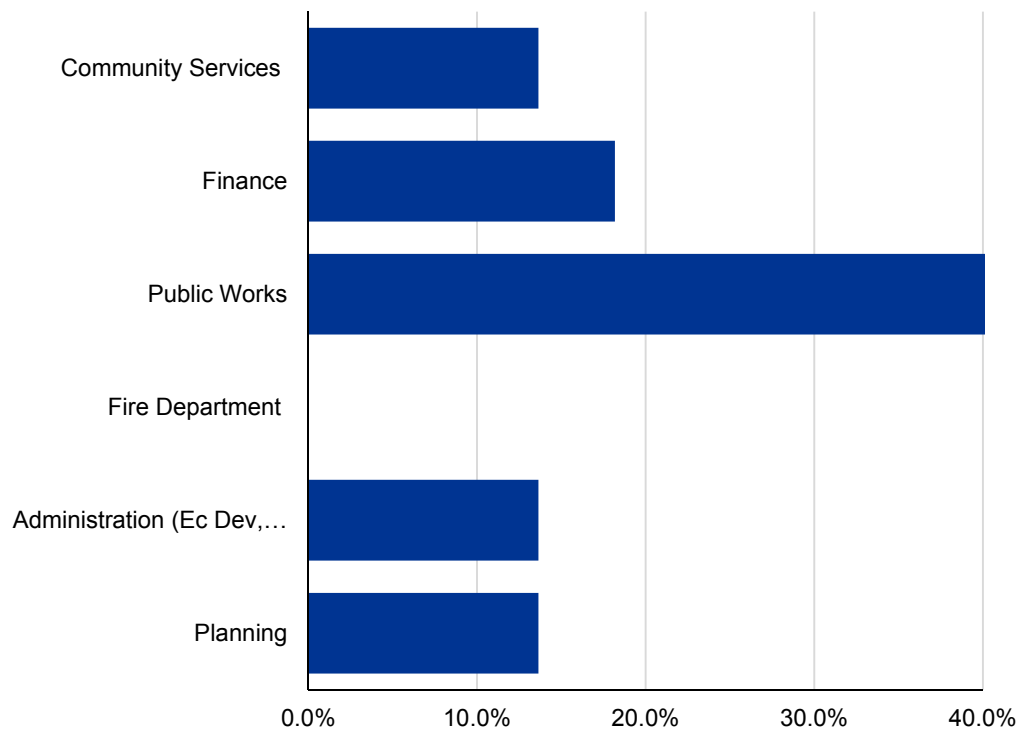
**Chapter VII
Staff Survey
Results**



Survey Results

Survey Results – Staff

Question #1: Please identify your department.



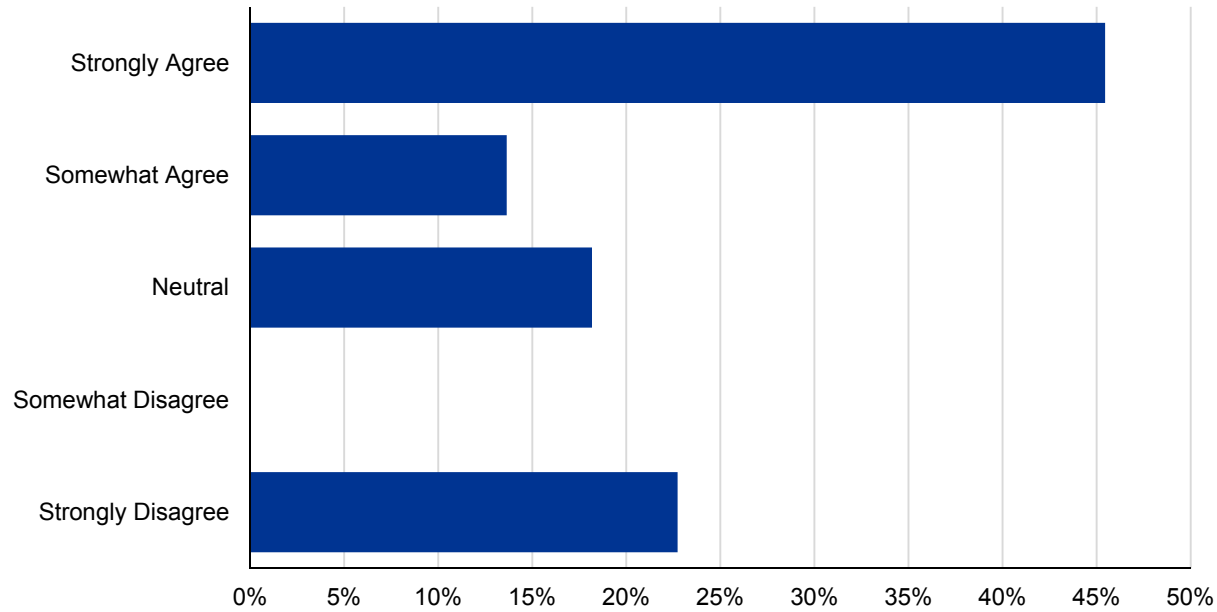
Option	Response Count
Community Svcs	3
Finance	4
Public Works	9
Fire Department	0
Administration	3
Planning	3
Total Respondents	22



Survey Results

Survey Results – Staff

Question #2: There are opportunities within my department and/or organization to improve its operating efficiency and/or effectiveness.



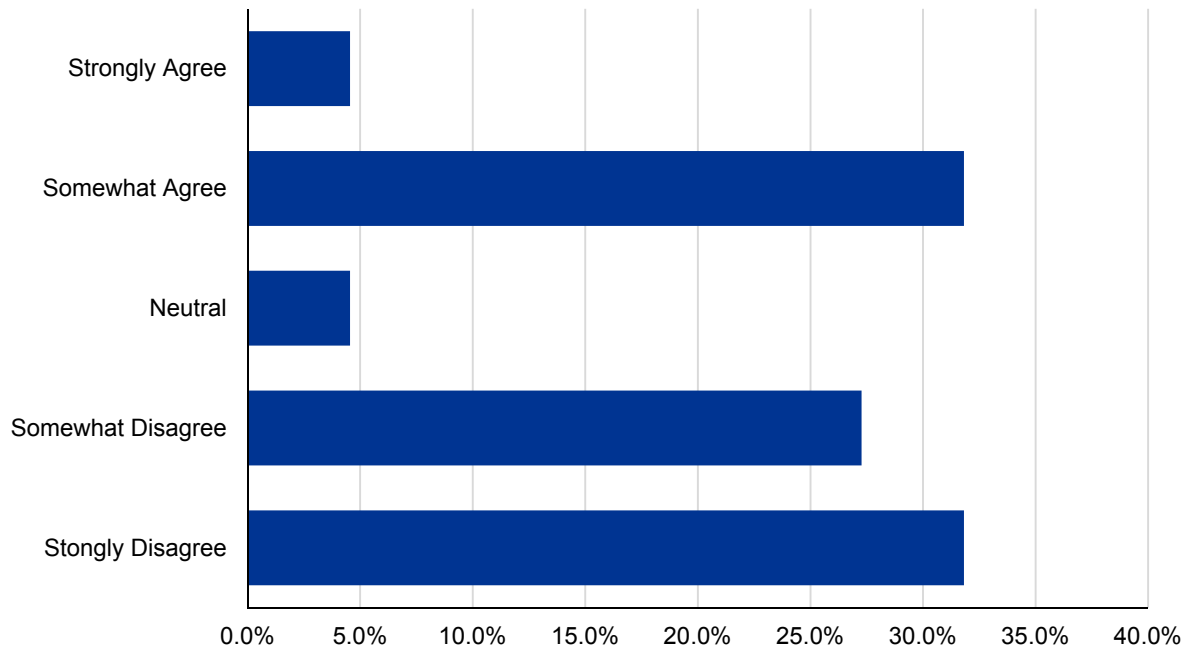
Option	Response Count
Strongly Agree	10
Somewhat Agree	3
Neutral	4
Somewhat Disagree	0
Strongly Disagree	5
Total Respondents	22



Survey Results

Survey Results – Staff

Question #3: The efficiency and/or effectiveness of my department and/or municipality could be increased if its services were delivered as a shared service in partnership with non-profit agencies, other government agencies or the Province.



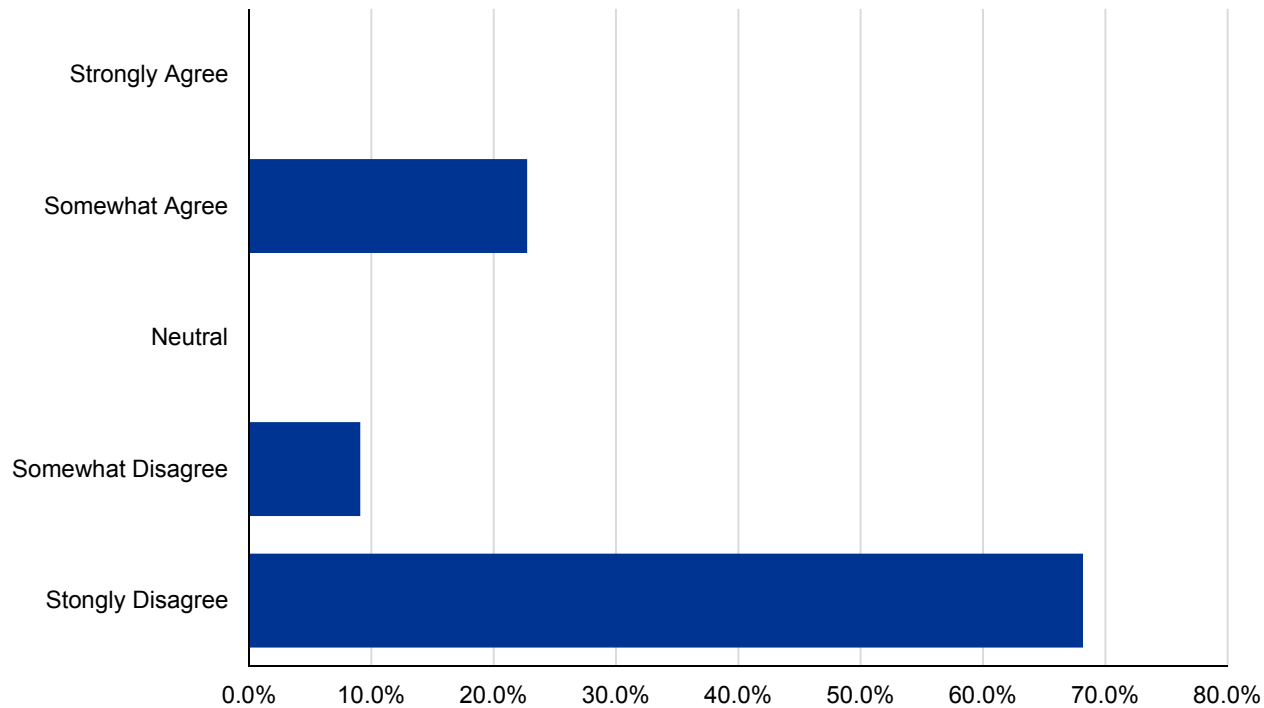
Option	Response Count
Strongly Agree	1
Somewhat Agree	7
Neutral	1
Somewhat Disagree	6
Strongly Disagree	7
Total Respondents	22



Survey Results

Survey Results – Staff

Question #4: The efficiency and/or effectiveness of my department and/or organization could be increased if its services were contracted out to a private sector operator.



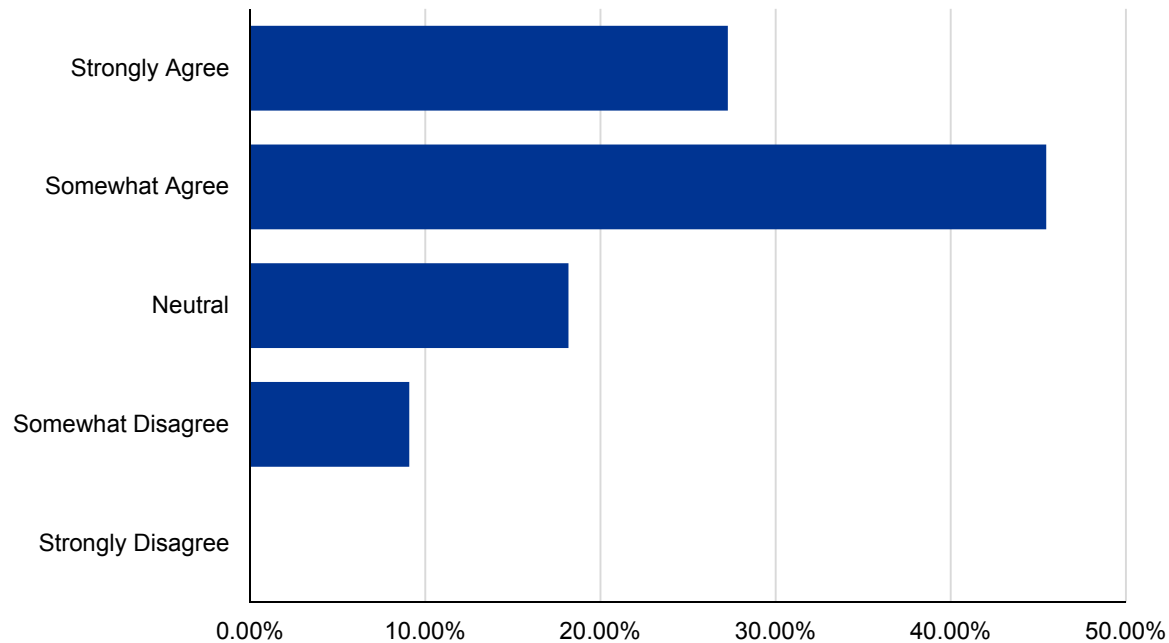
Option	Response Count
Strongly Agree	0
Somewhat Agree	5
Neutral	0
Somewhat Disagree	2
Strongly Disagree	15
Total Respondents	22



Survey Results

Survey Results – Staff

Question #5: The efficiency and/or effectiveness of my department and/or municipality could be increased if its services were solely delivered by the Town of Torbay.



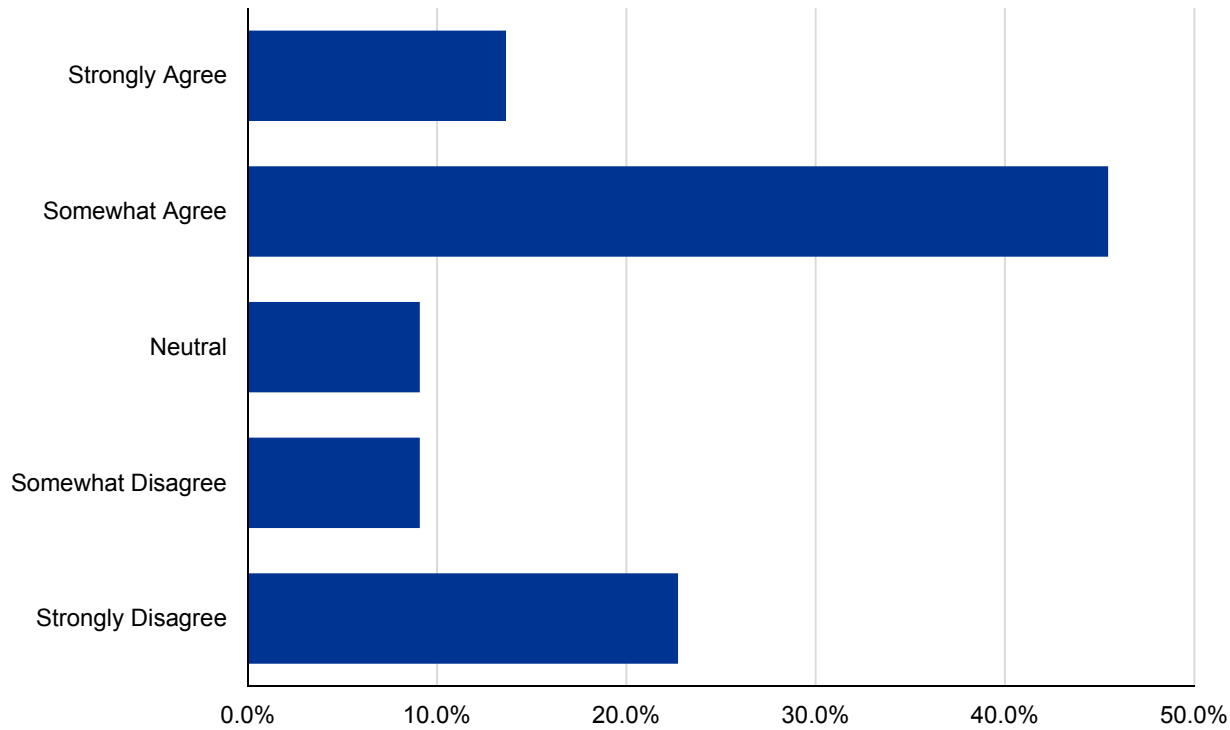
Option	Response Count
Strongly Agree	6
Somewhat Agree	10
Neutral	4
Somewhat Disagree	2
Strongly Disagree	0
Total Respondents	22



Survey Results

Survey Results – Staff

Question #6: There are opportunities within my department and/or organization to reduce costs.



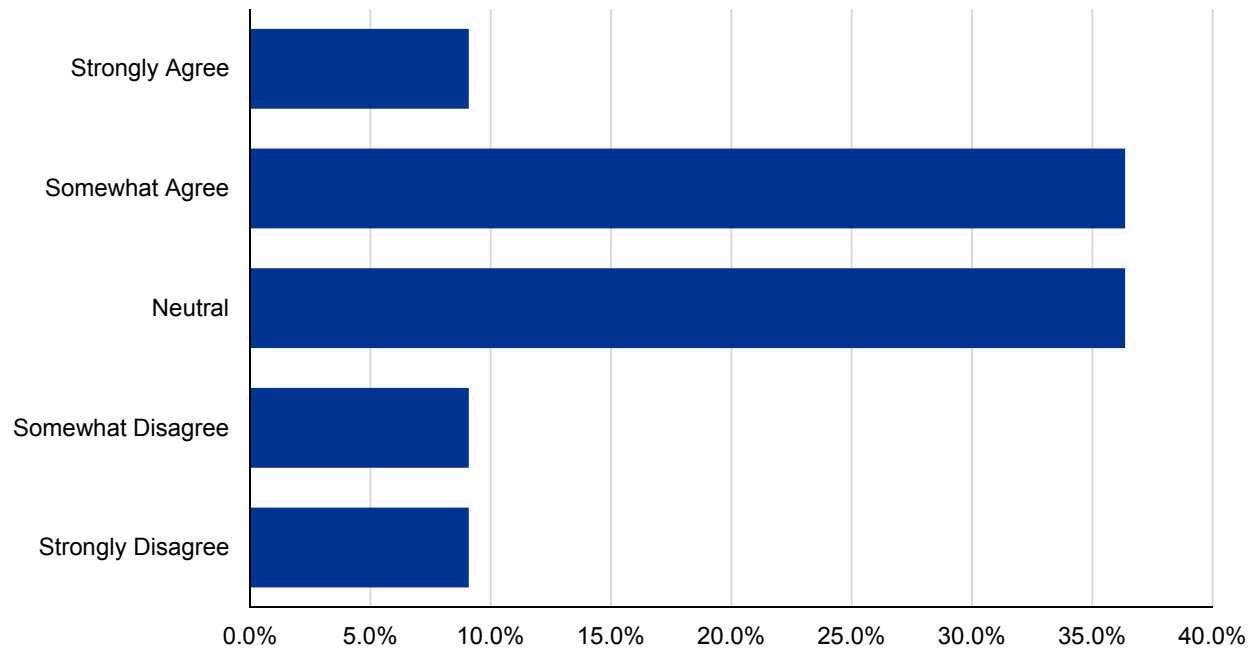
Option	Response Count
Strongly Agree	3
Somewhat Agree	10
Neutral	2
Somewhat Disagree	2
Strongly Disagree	5
Total Respondents	22



Survey Results

Survey Results – Staff

Question #7: There are opportunities within my department and/or organization to increase revenue from non-taxation sources.



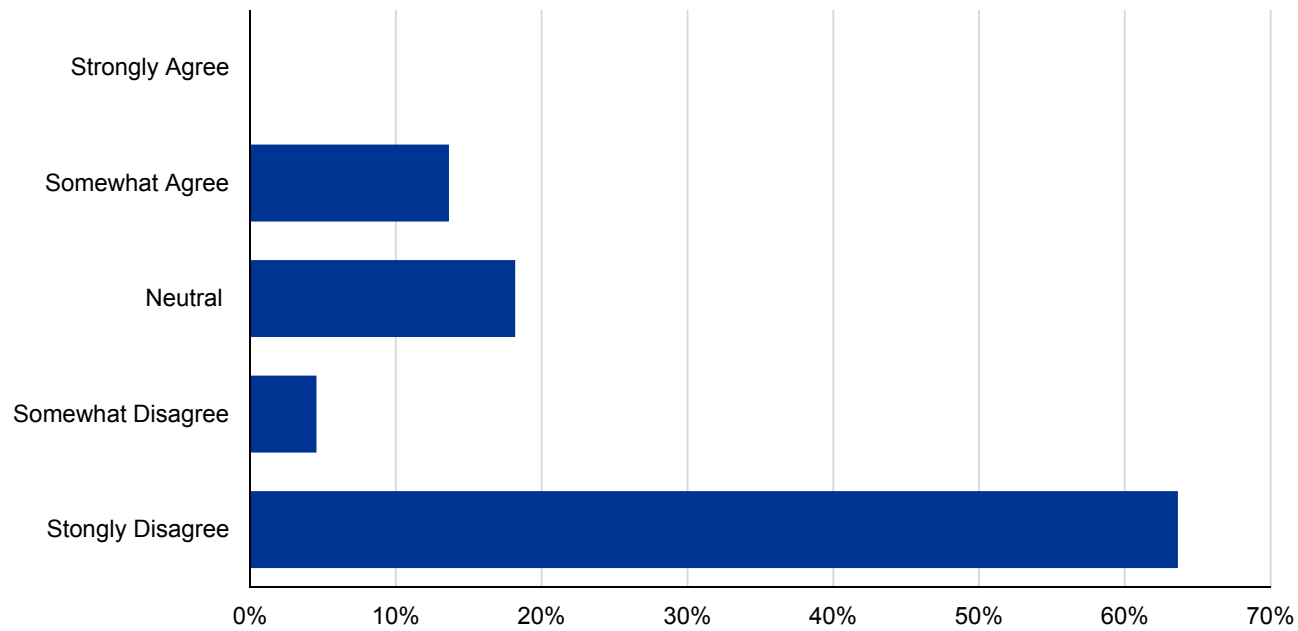
Option	Response Count
Strongly Agree	2
Somewhat Agree	8
Neutral	8
Somewhat Disagree	2
Strongly Disagree	2
Total Respondents	22



Survey Results

Survey Results – Staff

Question #8: There are opportunities within my department and/or organization to reduce the service level with minimal impact on the community.



Option	Response Count
Strongly Agree	0
Somewhat Agree	3
Neutral	4
Somewhat Disagree	1
Strongly Disagree	14
Total Respondents	22



**Corporation of the Town of
Torbay Service Delivery
Review**

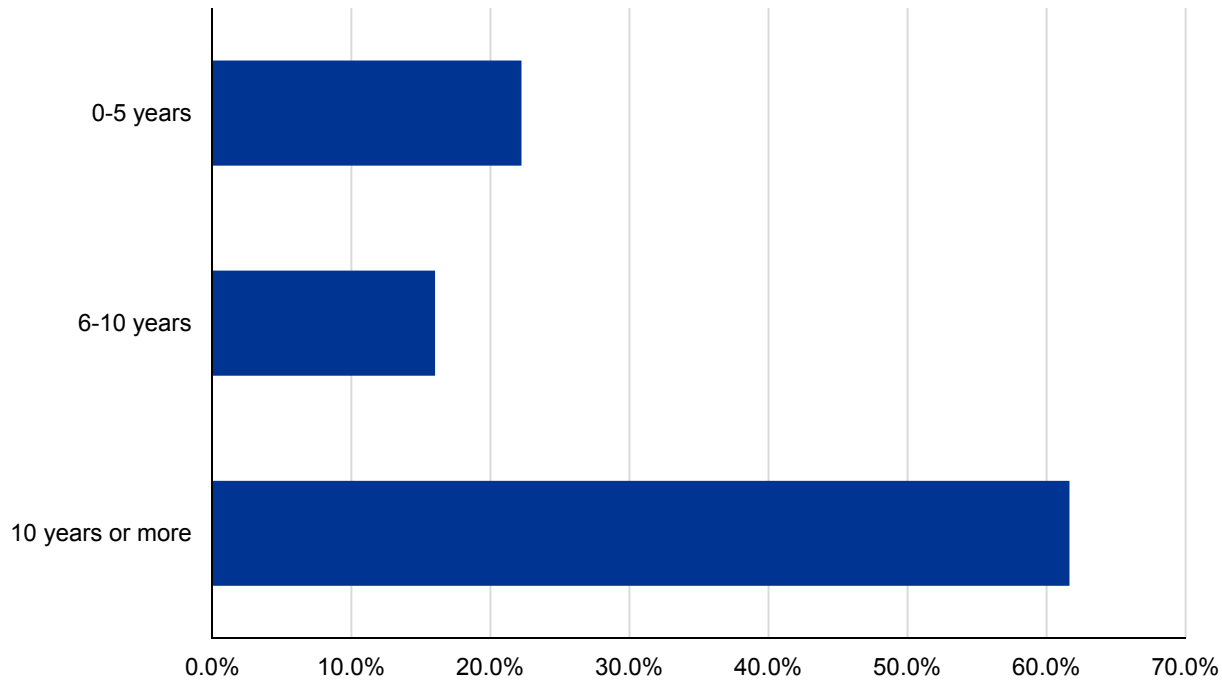
**Chapter VIII
Citizen Survey
Results**



Survey Results

Survey Results – Residents

Question #1: Please identify the length of time you have been a resident of Torbay.



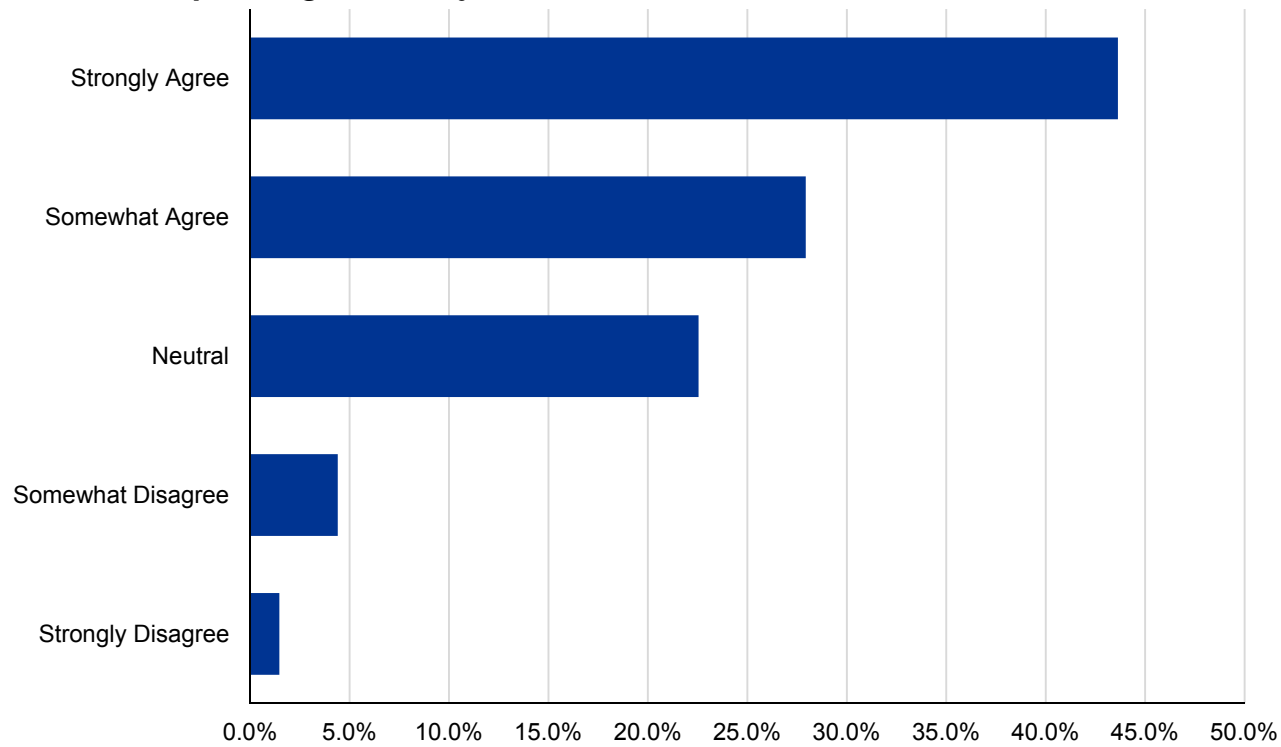
Option	Response Count
0-5 years	46
6-10 years	33
10 years or more	127
Total Respondents	206



Survey Results

Survey Results – Residents

Question #2: There are opportunities within the Town to improve its operating efficiency and/or effectiveness.



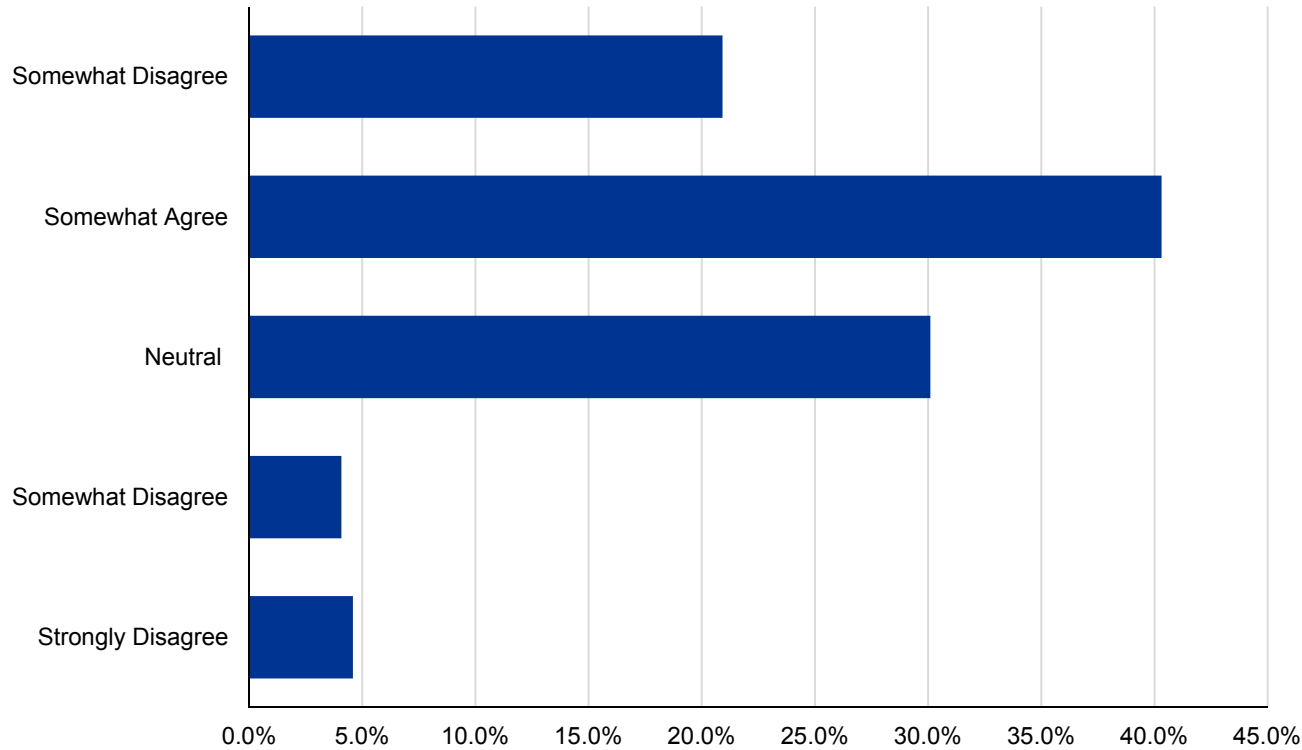
Option	Response Count
Strongly Agree	89
Somewhat Agree	57
Neutral	46
Somewhat Disagree	9
Strongly Disagree	3
Total Respondents	204



Survey Results

Survey Results – Residents

Question #3: The efficiency and/or effectiveness of the Town could be increased if its services were delivered as a shared service in partnership with non-profit agencies, other government agencies or the Province.



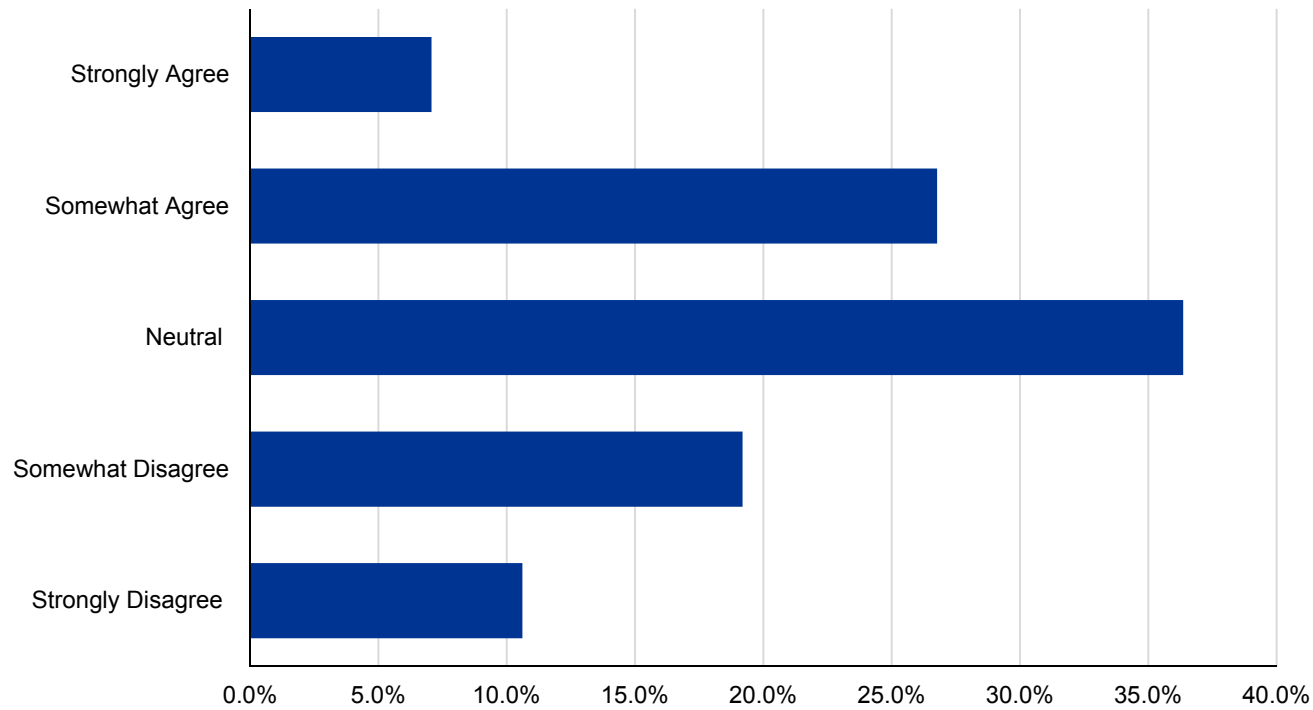
Option	Response Count
Strongly Agree	41
Somewhat Agree	79
Neutral	59
Somewhat Disagree	8
Strongly Disagree	9
Total Respondents	196



Survey Results

Survey Results – Residents

Question #4: The efficiency and/or effectiveness of the Town could be increased if its services were contracted out to a private sector operator.



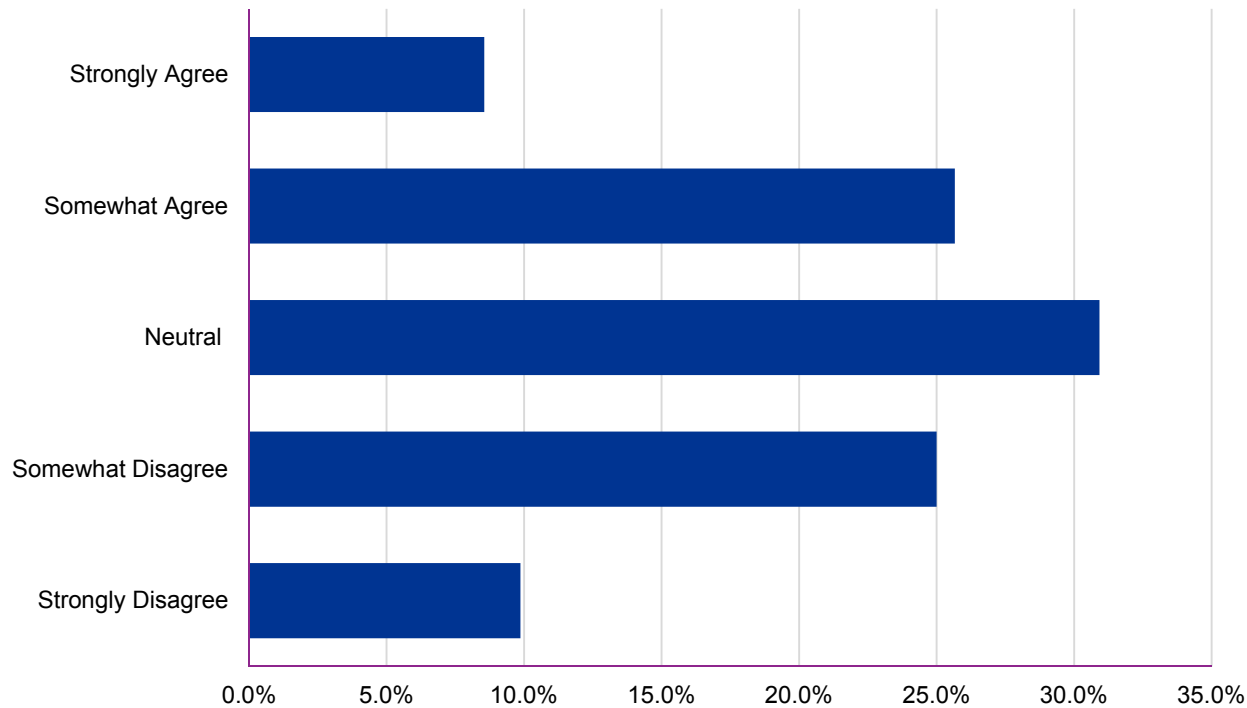
Option	Response Count
Strongly Agree	14
Somewhat Agree	53
Neutral	72
Somewhat Disagree	38
Strongly Disagree	21
Total Respondents	198



Survey Results

Survey Results – Residents

Question #5: The efficiency and/or effectiveness of the municipality could be increased if its services were solely delivered by the Town of Torbay.



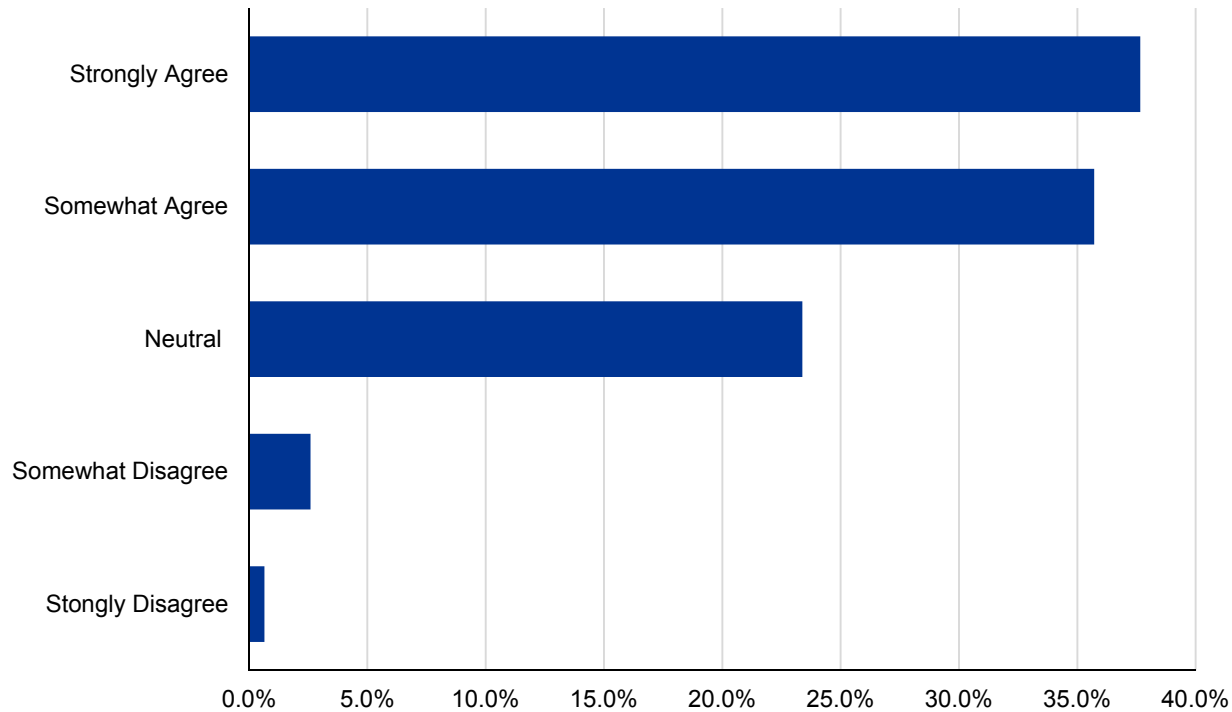
Option	Response Count
Strongly Agree	13
Somewhat Agree	39
Neutral	47
Somewhat Disagree	38
Strongly Disagree	15
Total Respondents	152



Survey Results

Survey Results – Residents

Question #6: There are opportunities within the Town to reduce costs.



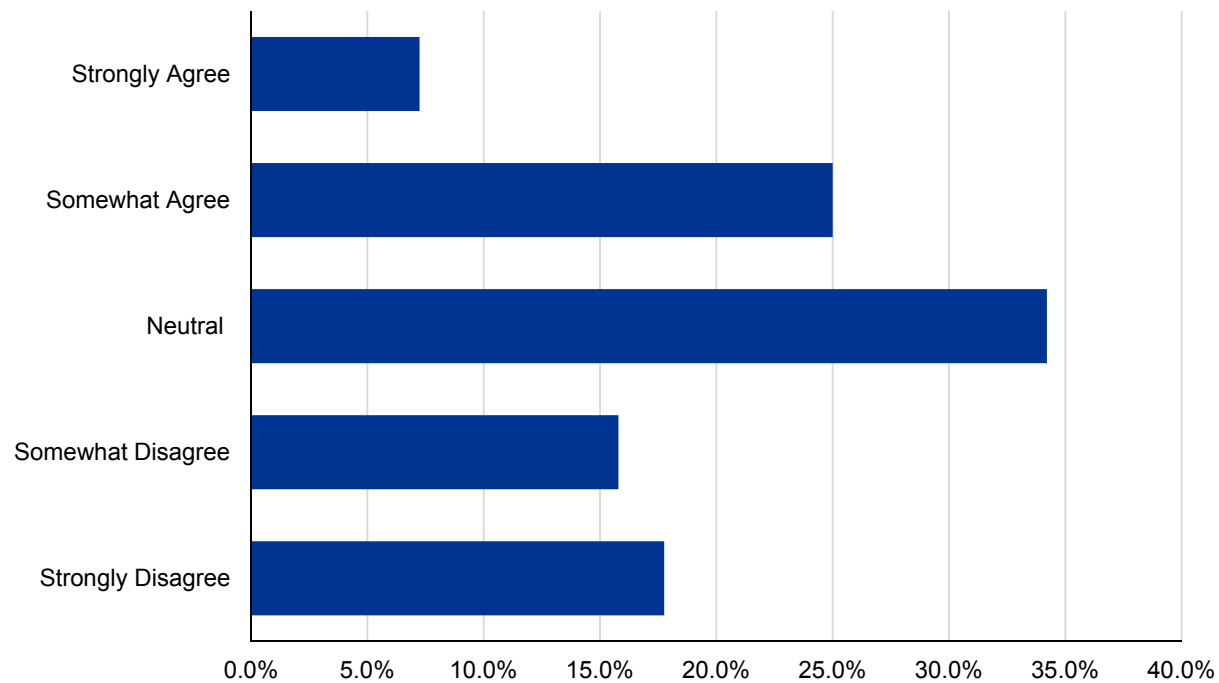
Option	Response Count
Strongly Agree	58
Somewhat Agree	55
Neutral	36
Somewhat Disagree	4
Strongly Disagree	1
Total Respondents	154



Survey Results

Survey Results – Residents

Question #7: There are opportunities within the Town to increase revenue from non-taxation sources, such as user fees.



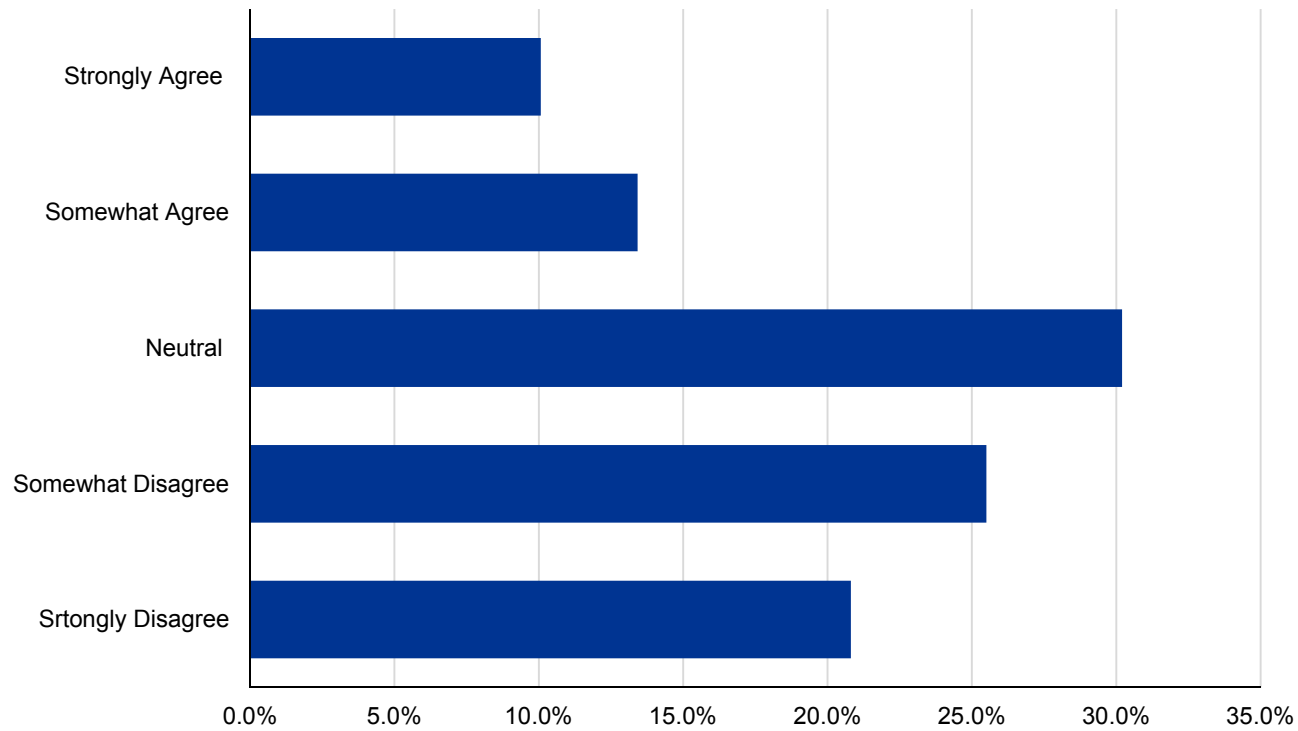
Option	Response Count
Strongly Agree	11
Somewhat Agree	38
Neutral	52
Somewhat Disagree	24
Strongly Disagree	27
Total Respondents	152




Survey Results

Survey Results – Residents

Question #8: There are opportunities within the Town to reduce the service level with minimal impact on the community.



Option	Response Count
Strongly Agree	15
Somewhat Agree	20
Neutral	45
Somewhat Disagree	38
Strongly Disagree	31
Total Respondents	149



**Corporation of the Town of
Torbay service delivery review**

**Chapter IX
Concluding
Comments**



Town of Torbay Service Delivery Review

Concluding Comments

In today's municipal environment, councillors are faced with the competing objectives of attempting to minimize taxation increases while ensuring sufficient funds are available to maintain, support existing operations and finance residents' demands for enhanced services. The experience of the Town of Torbay, which combines Council's intention to reduce costs through a process of meaningful community involvement is a leading practice and benchmark for other municipalities to follow.

The next phase of the project will involve the identification of potential opportunities for municipal levy reductions, which could potentially be achieved through (i) outright service eliminations; (ii) service level reductions; (iii) changes to the method of delivering services (e.g. outsourcing, process efficiencies, changes to Council structure); (iv) staffing and compensation changes; and/or (v) shifting funding for services from the municipal levy to user fees or other non-taxation sources of revenue.

KPMG would like to express our appreciation to members of Council, management and staff of the Town of Torbay, community members and other individuals who assisted with and participated in the service delivery review to date.



Study Overview

Restrictions

This report is based on information and documentation that was made available to KPMG at the date of this report. KPMG has not audited nor otherwise attempted to independently verify the information provided unless otherwise indicated. Should additional information be provided to KPMG after the issuance of this report, KPMG reserves the right (but will be under no obligation) to review this information and adjust its comments accordingly.

Pursuant to the terms of our engagement, it is understood and agreed that all decisions in connection with the implementation of advice and recommendations as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the Town of Torbay. KPMG has not and will not perform management functions or make management decisions for the Town of Torbay.

This report includes or makes reference to future oriented financial information. Readers are cautioned that since these financial projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material.

Comments in this report are not intended, nor should they be interpreted, to be legal advice or opinion.

KPMG has no present or contemplated interest in the Town of Torbay nor are we an insider or associate of the Town of Torbay or its management team. We acknowledge that one of our employees is a member of counsel. Our fees for this engagement are not contingent upon our findings or any other event. Accordingly, we believe we are independent of the Town of Torbay and are acting objectively.



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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