



TO: GENERAL COMMITTEE

SUBJECT: MUNICIPAL SERVICES MANAGEMENT AGREEMENT

WARD: ALL

PREPARED BY AND KEY CONTACT: C. MILLAR, TREASURER/DIRECTOR OF FINANCE, EXT 5130
D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES, EXT 4421

SUBMITTED BY: D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

GENERAL MANAGER APPROVAL: D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

CHIEF ADMINISTRATIVE OFFICER APPROVAL: M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That the Mayor and City Clerk be authorized to execute a Municipal Services Management Agreement between the City of Barrie, City of Orillia and the County Simcoe for a period ending December 31, 2022 based on the terms and conditions generally outlined in Appendix "A" to Staff Report CCS001-17.

PURPOSE & BACKGROUND

Report Overview

2. The purpose of this Staff Report is to provide authorization a new Municipal Services Management Agreement between Barrie, Orillia and the County of Simcoe related to the delivery of Long Term Care facilities, Paramedic Services and various social assistance programs including Ontario Works, Children and Community Services and Social Housing Services.

Background

3. In 2013, the City of Barrie, City of Orillia and County of Simcoe entered into the most recent five year Municipal Services Agreement related to the management, governance, performance, cost sharing and reporting associated with services delivered by the County of Simcoe related to Long Term Care facilities, Paramedic Services, and various social assistance programs (Ontario Works, Children and Community Services and Social Housing Services).
4. The County of Simcoe is responsible for managing the delivery of the services, is accountable to the Province of Ontario and local taxpayers for the management of these services, administering funding arrangements with the Province and/or Federal Government and administering the cost sharing arrangements. Orillia and Barrie share in the total cost of each service delivered to the municipalities within the County and the separated cities.

5. In accordance with the terms of agreement, cost sharing for the services (both operating and capital) is determined on the following basis:

Service	Cost Sharing Basis
Paramedic Services	100% Weighted Taxable Assessment
Long Term Care	Blended - 65% caseload, 35% Weighted Taxable Assessment
Ontario Works	100% caseload
Children's Services – fee subsidy, Ontario Works Child Care, Child Care Admin, Early Learning Child Care Admin, Child Care Allocated Admin	100% caseload
Children's Services – broader child care (Includes: All Special Needs Resourcing, Wage Subsidy, Resource Centres)	100% Weighted Taxable Assessment
Community Services – Ontario Child Benefit Reinvestment, Emergency Shelters, Domiciliary Hostels, Community Programs Admin., Emergency Social Services Admin.	100% Weighted Taxable Assessment
Social Housing (Simcoe County Housing Corporation)	100% Weighted Taxable Assessment
Social Housing (Non-Profit)	100% Weighted Taxable Assessment

6. Under the terms of the current agreement, a portion of corporate support costs related to the County's corporate support service areas (Chief Administrative Officer, Communications, Customer Service, Information Technology, Human Resources, Finance, Purchasing, Fleet and Property) are distributed based on percentages and allocation methods set out in the agreement.
7. The County's budget request to the City of Barrie is prepared based on the Municipal Services Management Agreement.
8. In addition to the representation provided to Barrie and Orillia as part of Committee of the Whole, the agreement established a Staff Liaison Committee with representatives from the County, Barrie and Orillia. The Committee meets a minimum of three times per year to review financial and performance reporting. During Staff Liaison Committee meetings, the representatives of the three parties review financial and performance reporting produced by the County incorporating both financial and non-financial performance metrics.
9. The current agreement expires on December 31, 2017. Under the terms of the agreement, if it is not renewed after December 31, 2017 but the County continues to act as the service delivery agent for the services, the cost sharing arrangements and payment obligations established under the agreement continue until a new agreement is in force and effect.

ANALYSIS

10. Staff from the County, Orillia and Barrie have met to review options for potential enhancements to the Municipal Services Management Agreement. A review of municipal cost sharing arrangements of other municipalities in Ontario was provided by County staff to representatives of Barrie and Orillia for comparison purposes, based on information compiled in conjunction with the City of Brantford.
11. There are four main areas of the agreement – governance and reporting, distribution of administration costs, apportionment of total operating costs and apportionment of capital costs. The staff representatives felt that the current agreement generally works well for all three parties although there have been concerns related to the costs associated with the County's capital program. The County has also completed some changes that necessitate changes to distribution model for administration costs.

Governance and Reporting

12. The governance and reporting portion of the agreement addresses the manner in which the agreement is managed and the reporting required by the County to Orillia and Barrie. Members of Barrie and Orillia City Council would continue to have representation as part of the County's Committee of the Whole to make recommendations related to policy matters, operational issues and the budget related to the delivery of the services covered by the Agreement.
13. The Staff Liaison Committee with representatives from the County, Barrie and Orillia would continue to meet a minimum of three times per year to review financial and non-financial performance metrics.
14. As this portion of the agreement is working well for all three parties, changes are not recommended.

Distribution of Administration Costs

15. The distribution of administration costs portion of the agreement allocates the County's corporate overhead costs amongst the three parties to ensure that the total cost of providing the services is reflected. Cost are adjusted annually to reflect changes in activity levels.
16. As the County of Simcoe has altered its organizational structure since the current agreement was executed, the distribution of administration costs requires amendments. Previously, administrative costs associated with the Warden and Council and Legal Services were not separated and were carried within in each of the service areas.
17. In the proposed agreement, the following internal administrative departments would be distributed:
 - a) CAO/Clerk
 - b) Warden and Council
 - c) Communication
 - d) Customer Service
 - e) Information Technology (IT)
 - f) Human Resources (HR)
 - g) Finance
 - h) Purchasing, Fleet and Property
 - i) Legal Services
18. The recommended distribution table with the updated allocation of the overhead expenses is identified in Appendix "A" to Staff Report CCS001-17.

Apportionment of Total Operating Costs

19. For each service covered by the agreement, operating costs are apportioned between the partners based on either weighted taxable assessment (WTA), a usage metric or a combination of the two methods. WTA is adjusted annually for changes in assessed values. A usage metric such as caseload will fluctuate dependent on the changes in use of the service between each municipal partner.
20. Comparing the current agreement with other municipalities, it appears the method of apportionment of operating costs used for each service is in line with what the majority of municipalities are using. While the method of apportionment may not appear perfect for each individual service, changes to one particular service's apportionment can cause significant impacts on each partner. Overall, the current apportionment represents an allocation that is deemed to be fair for all three parties. As such, changes to the apportionment of total operating costs are not recommended.

Apportionment of Capital Costs

21. The capital requirement is made up of tangible capital assets that the County requires to provide the services to its partner municipalities. The current agreement states that the net capital costs are to be allocated based on the same methodology as net operating costs. Both Barrie and Orillia Councils had expressed concern with the allocation of capital costs based on the timing of the actual costs as it had resulted in swings from year to year for capital contributions. The City of Barrie created a County of Simcoe capital reserve to help offset these swings, however, it was anticipated that the County's capital plan would have a significant impact on Barrie's business planning.
22. Based on the concerns expressed by Orillia and Barrie, County of Simcoe Council provided direction to its staff to investigate opportunities to smooth the capital contribution.
23. The County has proposed and staff recommend that the method associated with allocating capital costs be altered to one in which standard capital requirements for asset management would continue to be apportioned on the current basis (as per operating costs).
24. However, the costs associated with significant assets such as major facility construction projects would be allocated based on a straight line depreciation over 10 years plus assigned carrying costs. Funding received from Provincial and Federal sources would be deducted from the total costs of the asset and the net amount would be amortized.
25. The carrying cost would be assigned in the form of an interest charge against uncharged major facility construction project costs based on Infrastructure Ontario 10 year rates. The rate will be adjusted at the beginning of each quarter.

ENVIRONMENTAL MATTERS

26. There are no environmental matters related to the recommendation.

ALTERNATIVES

27. The following alternatives are available for consideration by General Committee:

Alternative #1 General Committee could alter the proposed recommendations by maintaining the existing agreement terms capital costs.

This alternative is not recommended as capital would be allocated to the municipal partners based on the timing of the actual costs potentially resulting in large swings from year to year.

Alternative #2 General Committee could alter the proposed recommendation by utilizing a ten year forecast averaging for capital costs.

Although this alternative is available, this methodology would allocated costs to the municipal partners based on a rolling ten year average cost of capital forecast net of provincial/federal funding. There are a number of complications with this method including: the need for adjustments annually to reflect the actual costs incurred, changes in forecasts especially related to Provincial or Federal funding could still result in swings from year to year and tracking of funding for each project could become complicated.

Alternative #3 General Committee could alter other proposed terms within the agreement related to governance and reporting, allocation of overhead/administration costs or allocation of total operating expenses

The proposed terms are deemed to be fair and reasonable for Barrie as a partner in this three-way agreement. Based on the discussions held at the Staff Liaison Committee level and County Council's consideration of a report on the Agreement, further alterations to the terms would require each of the partners to evaluate any changes and obtain consensus from their respective Council.

FINANCIAL

28. The County's budget is prepared based on the Municipal Services Management Agreement. The allocation of costs to the City of Barrie and City of Orillia will be based on the drivers described in Appendix A, which are consistent with the current agreement.

29. The benefit of the proposed agreement to the City of Barrie is the smoothing of major facility capital costs over a 10 year period. This approach will limit the need to increase capital contributions to the City's County Capital reserve.

LINKAGE TO 2014-2018 STRATEGIC PLAN

30. The recommendation(s) included in this Staff Report support the following goals identified in the 2014-2018 Strategic Plan:

Responsible Spending

31. The proposed agreement terms would represent an agreement that is fair and reasonable for Barrie and its partners. The method proposed by the County to address smoothing capital contributions is beneficial to Barrie taxpayers.

Apportionment of Total Operating Costs:

The current apportionment of total operating costs is recommended to be continued. The apportionment is on the following basis:

Service	Cost Sharing Basis
Paramedic Services	100% weighted taxable assessment
Long Term Care	Blended - 65% caseload, 35% weighted taxable assessment
Ontario Works	100% caseload
Children's Services – fee subsidy, Ontario Works Child Care, Child Care Admin, Early Learning Child Care Admin, Child Care Allocated Admin	100% caseload
Children's Services – broader child care (Includes: All Special Needs Resourcing, Wage Subsidy, Resource Centres)	100% weighted taxable assessment
Community Services – Ontario Child Benefit Reinvestment, Emergency Shelters, Domiciliary Hostels, Community Programs Admin., Emergency Social Services Admin.	100% Weighted Taxable Assessment
Social Housing (Simcoe County Housing Corporation)	100% Weighted Taxable Assessment
Social Housing (Non-Profit)	100% Weighted Taxable Assessment

Apportionment of Capital Costs

The apportionment of capital costs is proposed to be on the following basis:

- Asset management capital requirements would be funded using the operating cost allocation methodology
- Significant assets such as major facility construction projects would be funded on the basis of the cost of depreciation over the life of the asset plus interest assigned to each asset to compensate for carrying costs
- The significant assets would be depreciated on a timeline as determined by the County's Tangible Capital Asset Policy
- Funding received from Provincial and federal sources would be deducted from the total costs of the asset and the net amount would be amortized.
- Annually MFC project costs will be totaled and then amortized and charged over 10 years
- The carrying cost would be assigned in the form of an interest charge against uncharged major facility construction project costs based on Infrastructure Ontario 10 year rates.
- The rate will be adjusted at the beginning of each quarter