

Core Service Review

SITUATION ANALYSIS



March 28th, 2023

Relentless Focus Amidst Change

“The Main Thing is to Keep the Main Thing the Main Thing”

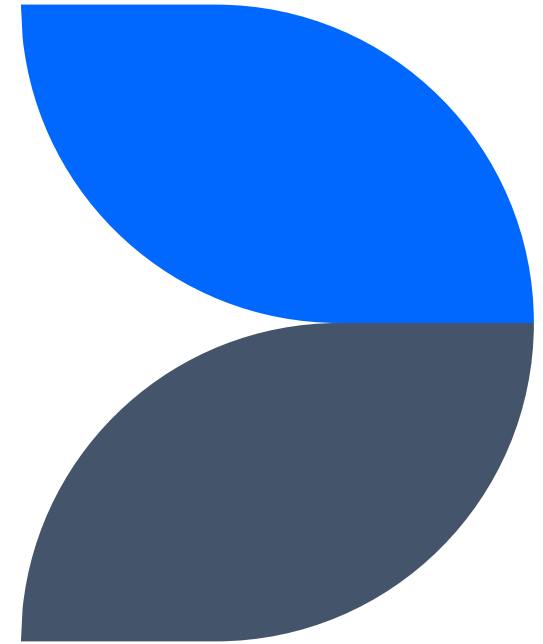
Management Guru
Stephen Covey

“If you’re currently trying to execute five, ten, or even twenty important goals, the truth is that your team can’t focus. This lack of focus magnifies the intensity of the whirlwind, dilutes your efforts, and makes success almost impossible.”

4 Disciplines of Execution

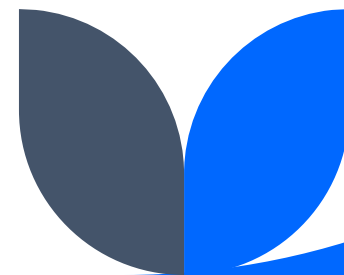


Strengths to Build On



Brock 2020 Modernization Review

- Created a Services Inventory organized by Department
- Re-configured Brock org structure around *Form Follows Function* principle
- Review well on way to being fully implemented (mature Brock)
- Revitalized/stabilized CAO + leadership team with clear mandates



2023 Core Service Review

- Recognizes that portfolio of Services (and their components) needs to be critically reviewed
- Staff developing Key Performance Indicators (KPIs) to measure service delivery performance/value for money
- CSR will guide Council re. the go-forward mix of existing and potential new services
- Critical tool to support staff's ability to execute Council's strategic priorities (Wildly Important Goals)



Strong Financial Balance Sheet and Reserves

10. Accumulated surplus

Accumulated surplus consists of individual fund surplus, reserves and reserve funds and amounts invested in tangible capital assets as follows:

	2021 \$	2020 \$
Invested in tangible capital assets	62,853,685	62,091,197
Other	3,079,314	1,636,519
Internal Borrowing	(842,000)	(932,000)
Employee future benefits	(354,400)	(403,200)
Total surplus	64,736,599	62,392,516
Reserves		
Acquisition of tangible capital assets	791,771	878,459
Municipal projects	58,320	47,491
Future elections	70,000	40,000
Rate stabilizations	259,033	431,210
Working capital	500,000	500,000
Sub-total reserves	1,679,124	1,897,160
Reserve funds set aside for specific purposes by Council for Reserve funds		
Insurance purposes	232,534	210,472
Post employment	220,074	218,102
Acquisition of tangible capital assets	7,138,147	7,043,891
Road construction	3,196,564	3,768,206
Sub-total reserve funds	10,787,319	11,240,671
Total accumulated surplus	77,203,042	75,530,347

*Source: Notes to
Township of Brock 2021
Financial Statements



Slow but Steady Growth

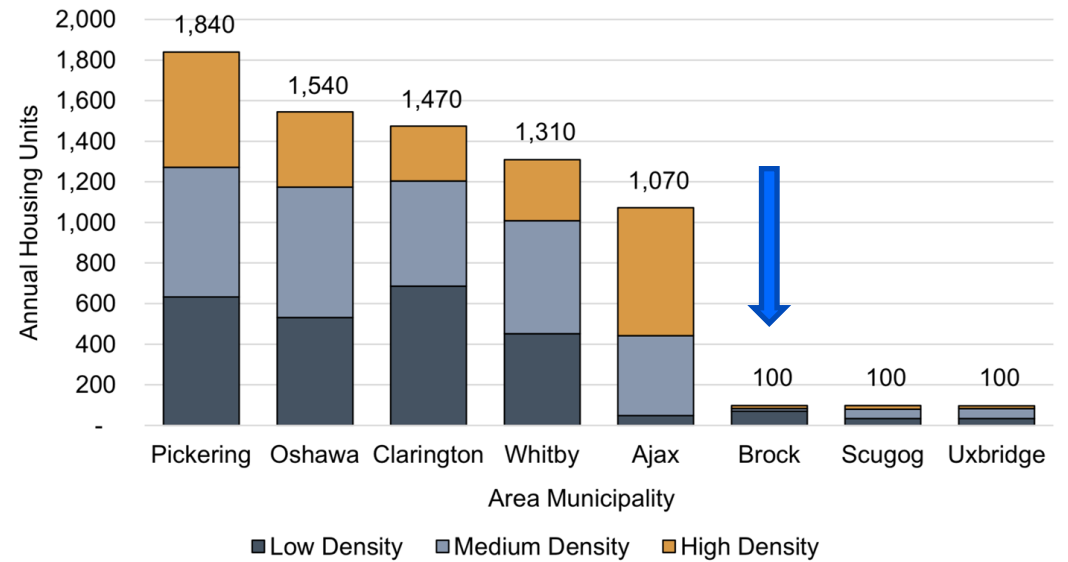
Figure 2-1
Durham Region
Population Forecast by Area Municipality, 2021 to 2051

Period	Area Municipality								Durham Region
	Town of Ajax	Township of Brock	Municipality of Clarington	City of Oshawa	City of Pickering	Township of Scugog	Township of Uxbridge	Town of Whitby	
2021	131,500	13,000	105,300	182,000	102,900	22,400	22,400	143,700	723,200
2051	199,100	20,900	221,000	298,500	256,400	29,300	29,800	244,900	1,299,900
2021 to 2051	67,600	7,900	115,700	116,500	153,500	6,900	7,400	101,200	576,700
2021	18%	2%	15%	25%	14%	3%	3%	20%	100%
2051	15%	2%	17%	23%	20%	2%	2%	19%	100%
2021 to 2051	12%	1%	20%	20%	27%	1%	1%	18%	100%

Note: Figures may not add precisely due to rounding. 2021 population with the population undercount is estimated at 4% by Watson & Associates Economists Ltd., 2022.



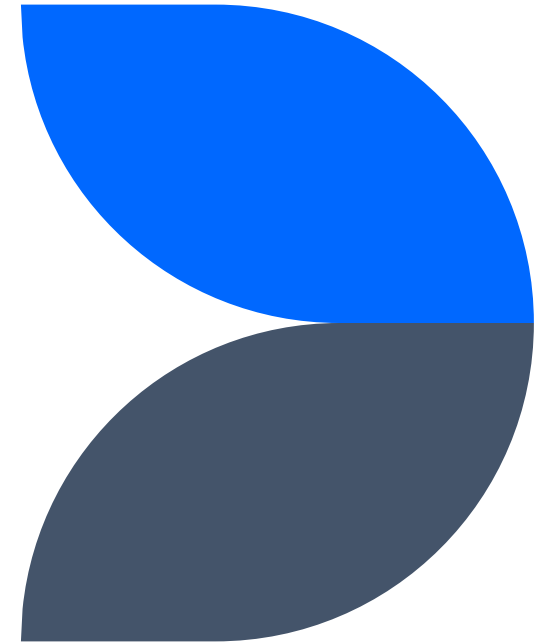
Figure 2-4
Durham Region
Annual Housing Unit Growth by Area Municipality and Structure Type, 2021 to 2051





Council Perspectives Re. Strategic Priorities

What We Have Heard (so far)



Common Purpose = Common Goals

- Brock delivers the essential ‘core’ services that its citizens expect.
- Council is aware though that there is a desire from some residents for enhanced “discretionary” services, such as off-leash dog parks and more robust recreational programs and community events.
- Staff is dedicated, supports Council, and works well as a team.
- Communication and public engagement opportunities could be improved.



Common Purpose = Common Goals

- Council recognizes that there is a challenge in not having achieved “One Brock”. Providing the same facilities/programs/services (i.e., arenas, libraries, day camps, etc.) in each of the 3 settlement areas is expensive.
- Opportunity for Brock to significantly grow its taxable assessment base is limited due to municipal servicing constraints in all of settlement areas.
- Council supports more proactive by-law enforcement to address ongoing infractions and reduce citizen complaints.



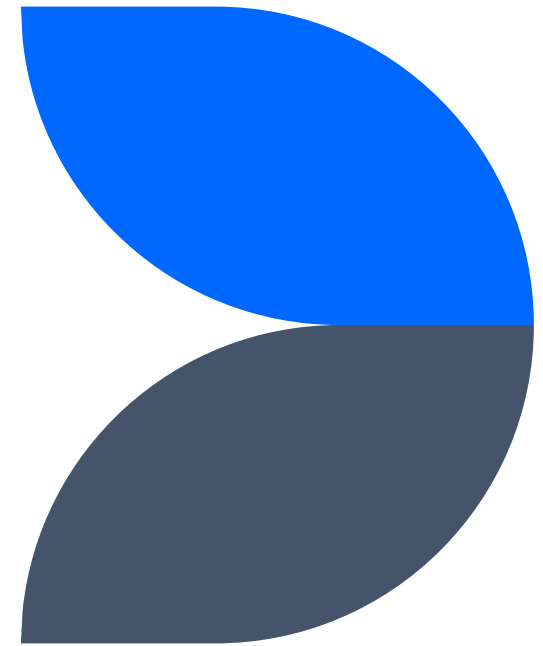
Common Purpose = Common Goals

- Council is open to the concept of shared service delivery with other North Durham municipalities to reduce fixed costs.
- Council is aware that much of Brock's facilities and infrastructure is aged and in need of rehabilitation or replacement.
- Council indicated that they feel that Brock is not yet achieving its "best self". Steps need to be taken to modernize operations and reduce costs in order to become more affordable/sustainable.

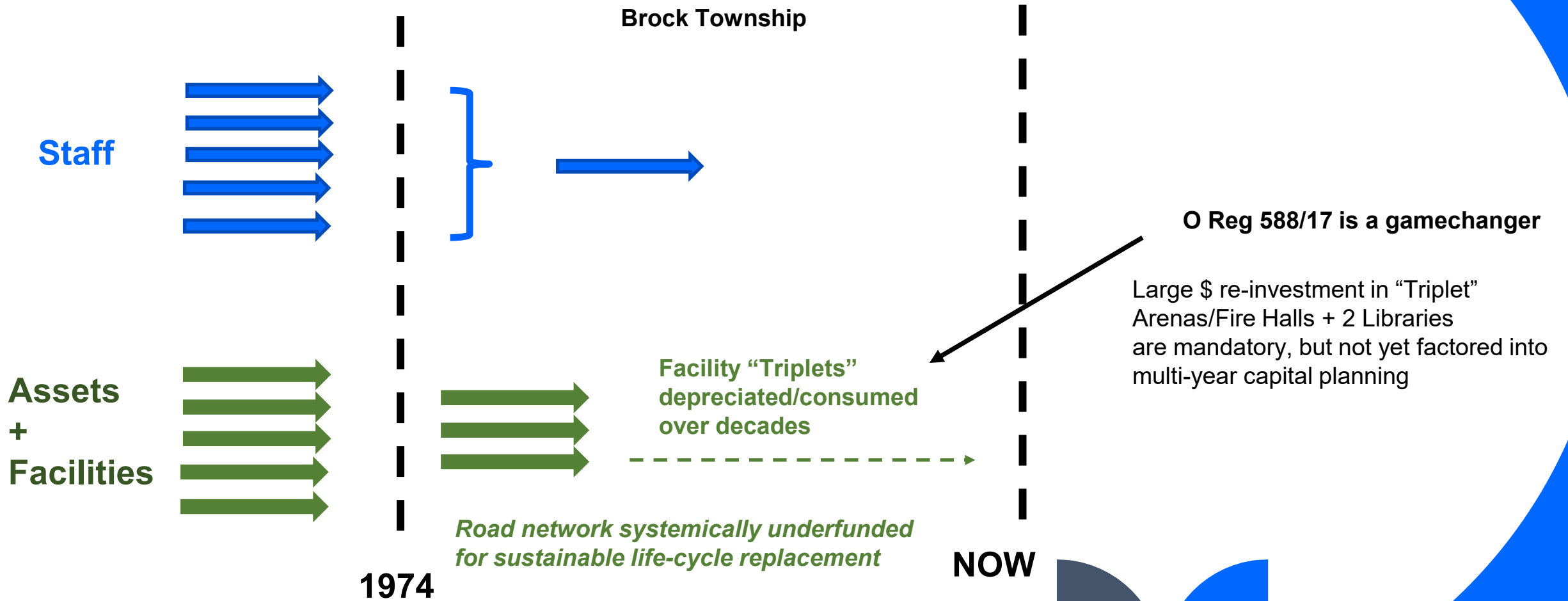


Amalgamation

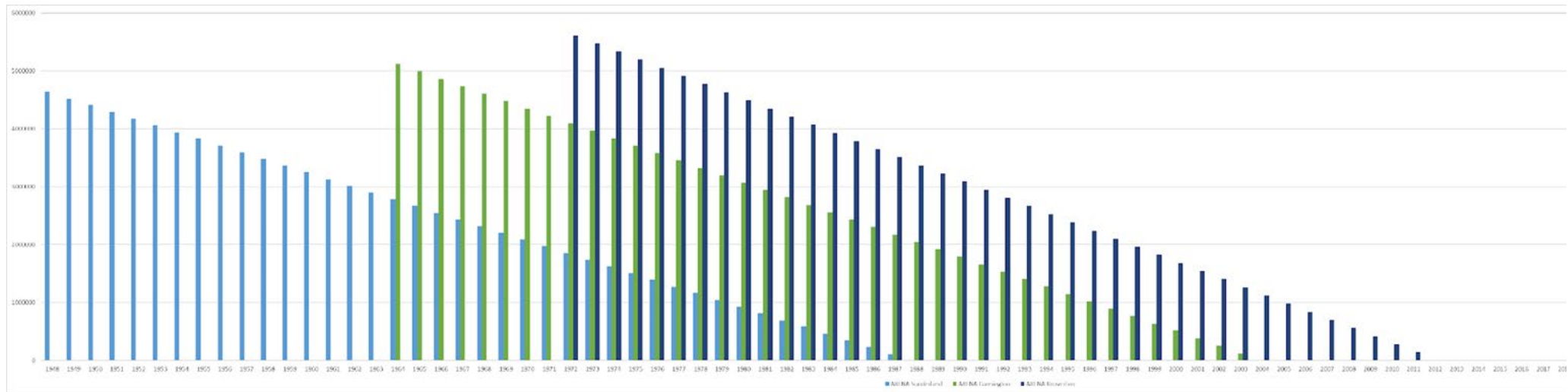
Unfinished Business in Brock



Amalgamation Realities



Asset Consumption – 3 Arenas



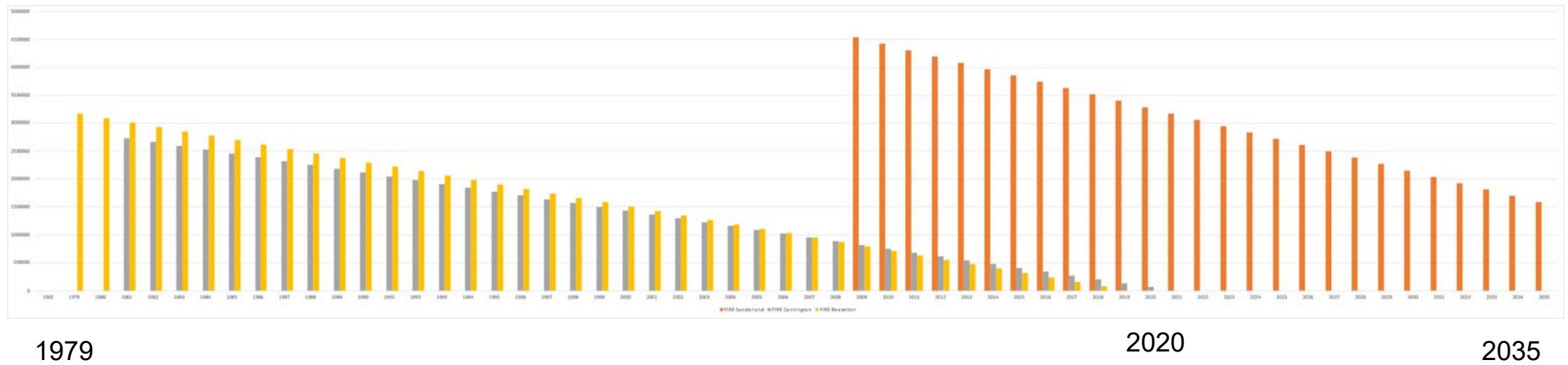
1948

2011

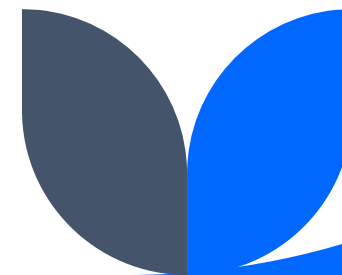
All 3 Arenas are operating beyond their standard asset lifecycles!



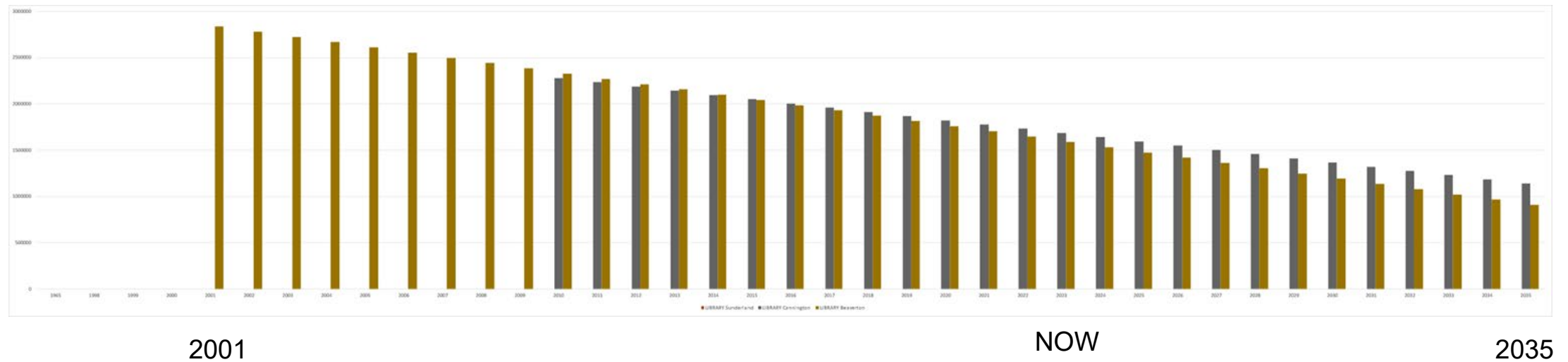
Asset Consumption – 3 Fire Stations



2 of 3 Fire Stations are operating beyond their standard asset management lifecycles!



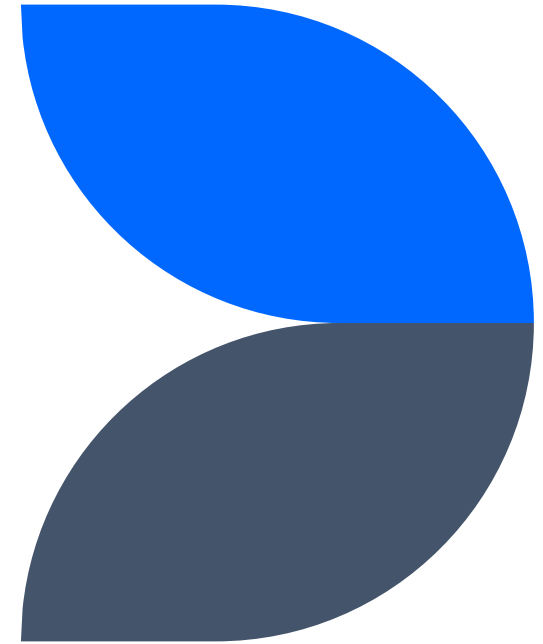
Amalgamation Asset Consumption – Libraries



2 Libraries still have a decade of viable asset lifecycle left to consume...but no allocated replacement \$ has yet been put aside in a Reserve



\$ Risk Exposure Facing Brock



Reg 588/17 = Total Gamechanger

State of Local Infrastructure					Desired Levels of Service			AM Strategy						Financing Strategy					
Asset Types	Asset Valuation	Age	Condition	Updates	DLS through Performance Measures	Actual Service Levels	Service Level Trends	Performance Relative to Targets	Non-infrastructure Solutions	Maintenance	Renewal/Rehab	Disposal	Expansion	Procurement	Risk Assessment	Expenditure Forecast	Revenue Forecast	Funding Shortfalls	Costing

PROVINCIAL DEADLINE: JULY 2025

Province is determined to compel municipal sector compliance via a mix of carrot and stick tactics



2019 Asset Management Plan*

HIGHLIGHTS

Replacement value of all infrastructure
Roads

\$335.3 Million
\$212.0 Million

Assets in Good / V. Good
Assets in Fair
Assets in Poor / V. Poor

\$163.0 Million
\$ 95.3 Million
\$ 77.0 Million

Asset Type	Replacement Cost (2019)	Useful Life (Years)	Remaining Useful Life (Weighted Average)	Condition (Weighted Average)	
Buildings	\$58,704,781	10/15/20/25/30/40/50/60/100	43	Fair	2.9
Vehicles & Machinery	\$8,541,460	10/15	2	Fair	2.5
Land Improvements	\$6,834,401	10/15/20/30	1	Poor	2.4
Stormwater Infrastructure	\$3,560,009	75	57	Good	4.3
Equipment & Furnishings	\$2,300,609	5/7/8/10/15/30	Overdue	Fair	2.9
Sidewalks & Pathways	\$448,806	25/30	16	Fair	3.5
Bridges & Culverts	\$42,851,690	60	9	Fair	3.5
Roads	\$212,020,000	40	22	Good	3.6
Total	\$335,261,758		23	Fair	3.4

Recommended Strategy	Required Capital Contribution
Close Funding Gap by 2038	\$248,000 / yr
Close Funding Gap by 2048	\$159,900 / yr
Close Funding Gap by 2058	\$118,000 / yr

*HEMSON CONSULTING LTD
– June 2019 Report



Unfunded Liability: Protecting Road Network \$ Value/Integrity

PAVED ROADS

269 Lane km X \$200 K per Lane km = \$ 107,600,000

20-year annual replacement
(5%) requirement = \$ 5,380,000

2023 Capital Budget – (Roads) = \$ 1,768,000

2023 Capital Reserve contribution = \$ 428,300

Annual SHORTFALL (deferred taxes) = **\$ 3,183,700**

This is an unfunded liability!



Unfunded Liability: Replacing 2 Arenas

ARENA	SQ FT	\$ / SQ FT*	REPLACEMENT COST
Cannington	13,125	390	\$ 5,118,750
Beaverton	14,400	390	\$ 5,616,000

*2023 Altus Capital Cost: GTA
\$345-435 / sq ft

40-year replacement cost: \$10.7M = Annual Contribution of \$267,000

This is an unfunded liability!



Unfunded Liability: Replacing 3 Fire Stations

FIRE STATION	SQ FT	\$ / SQ FT*	REPLACEMENT COST
Sunderland	7,287	623	\$ 4,536,000
Cannington	4,390	623	\$ 2,733,000
Beaverton	5,094	623	\$ 3,171,000

*2023 Altus Capital Cost: GTA
\$510-735 / sq ft

40-year replacement cost: \$10,440,000 = Annual Contribution of \$261,000

This is an unfunded liability!



Unfunded Liability: Replacing 2 Libraries (1 leased)

LIBRARY	SQ FT	\$ / SQ FT*	REPLACEMENT COST
Cannington	3,480	655	\$ 2,279,400
Beaverton	4,334	655	\$ 2,838,770

*2023 Altus Capital Cost: GTA
\$460-850 / sq ft

50-year replacement cost: \$5,118,170 = Annual Contribution: \$204,725

This is an unfunded liability!



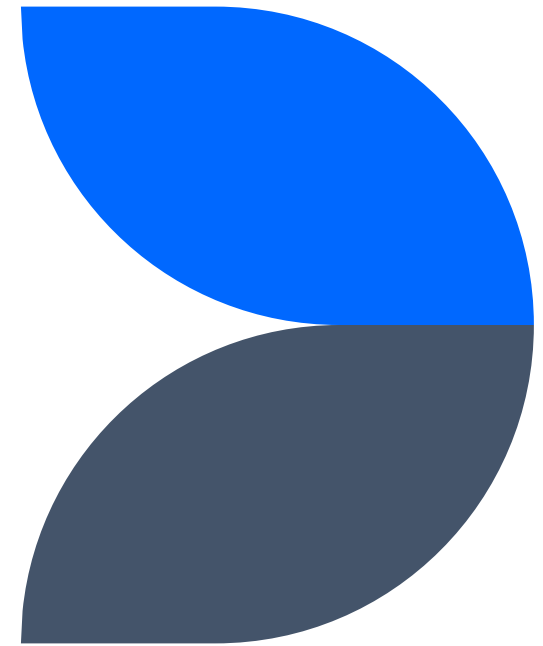
Summary

- Brock's *Asset Management* Day of Reckoning is close (O Reg 588/17 deadline is mid-2025)
 - Brock is at an unavoidable cross-roads:
 1. Continue historic pattern of operating “triplet” core facilities
 - Where is \$25M coming from for this model to continue?
- OR.....
2. Finish the 1974 amalgamation by finally integrating facilities & reducing impending/unavoidable unfunded \$ liability



North Durham Peer Pressure

Or *“Keeping Up With the Jones”*



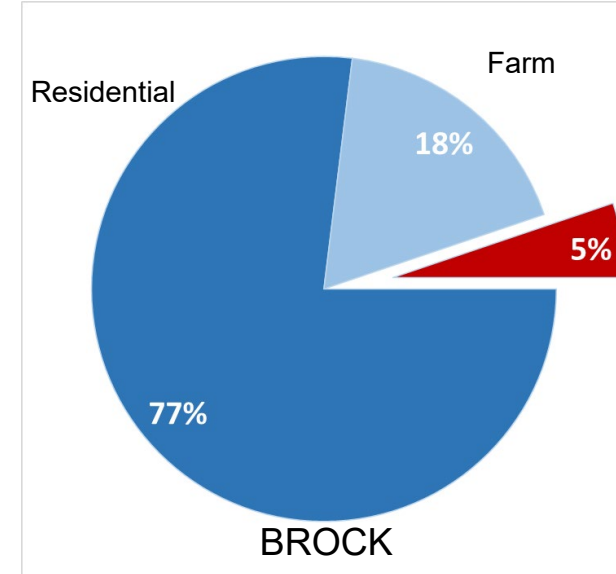
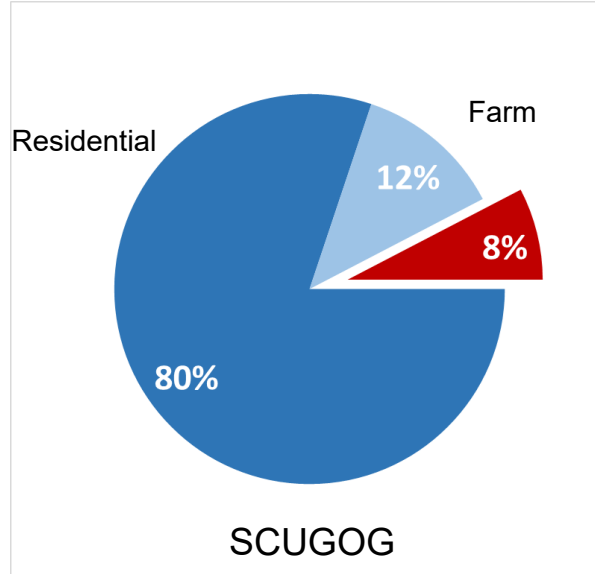
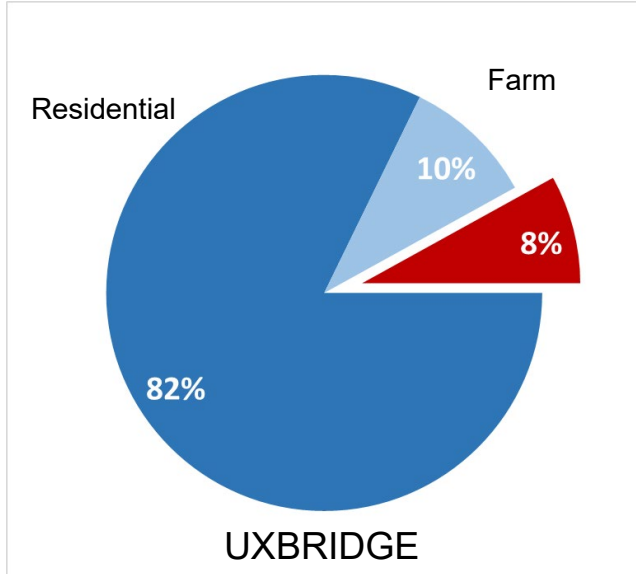
Brock / Scugog / Uxbridge

FACILITIES & ASSETS PORTFOLIO

FACILITY	UXBRIDGE	SCUGOG	BROCK
Libraries	1	1	3
Fire Stations	1	2	3
Arenas	1	2	3
INFRASTRUCTURE	UXBRIDGE	SCUGOG	BROCK
Paved lane km	530	450	269
Percentage Good/V. Good	48%	65%	62%*
Paved lane km / 100 supporting households (taxpaying units)	6.5	5.0	5.1
Bridges/Culverts (sq m)	3,174	2,174	6,410



Taxable Assessment Shares



Residential Tax Rates

0.29%

UXBRIDGE

0.33%

SCUGOG

0.46%

BROCK

Red Piece = Commercial/Industrial with higher effective tax rates



Financial Health Indicators

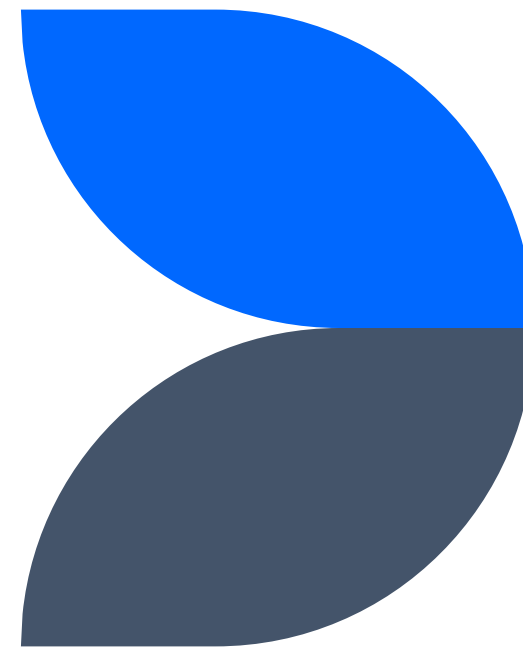
Municipal Debt

Debt Indicator	UXBRIDGE	SCUGOG	BROCK
Debt (as of 2021)	\$11,053k	\$1,548k	\$0
Debt Charges	\$1,064k	\$179k	\$0
Debt Repayment Limit	\$3,407k	\$4,690k	\$2,873k



MOVING FORWARD

Proposed CSR Approach



Core Service Review Principles

Doing the Right Things



- Re-align “Who Does What” in 2-Tier Municipalities
- Shed Non-Core / Low Value Services
- Re-prioritize Service Levels

Doing Things Right

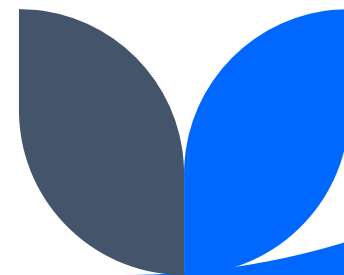


- Process Mapping and LEAN Streamlining
- Adopt Peer Municipality Best Practices
- Form Follows Function: Align Municipal Organizational Design/Decision Making with Efficient/Effective Service Delivery



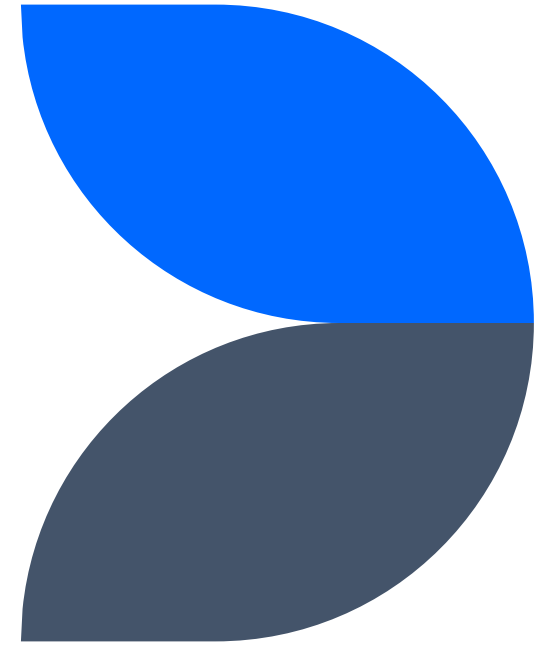
Doing the Right Things...

- *One Brock* served by one set of core facilities where appropriate...
 - ✓ *Completing the Unfinished Business of Amalgamation*
- Proactively addressing the Reality of Unfunded Capital Liabilities
 - ✓ *Meeting O Reg 588/17 Asset Management Obligations*
- Freeing up fiscal capacity to subsequently address Council's evolving "Wildly Important Goals"
 - ✓ *Fixing existing service delivery/facilities before adding new services/programs*



NEXT STEPS

Core Services Review



Core Service Review...

1. Key Performance Indicators and Service Levels
 - Completed by staff
 - Target setting with Council Input
2. Triaging services informed by fiscal constraints
 - Capital Commitments vs Operations Commitments
3. Council Branding Session
4. Strategic Priority Setting



Thank you

Questions/Comments

