

Municipality of Chatham-Kent

Administration

Information Report

To: Mayor and Members of Council

From: Michael Duben, Chief Administrative Officer
Cathy Hoffman, General Manager, Corporate Services
Bruce McAllister, General Manager, Development Services
Gord Quinton, General Manager, Finance, Budget, Information Technology & Transformation
Chief Case, Fire Chief, Fire & Emergency Services
Jodi Guilmette, General Manager, Health & Human Services
Edward Soldo, General Manager, Infrastructure & Engineering Services

Date: November 13, 2024

Subject: Response to Councillor Doyle Motion

This report is for the information of Council.

Background

At the October 7, 2024 Council meeting, the following motion was brought forward by Councillor Doyle and passed with a 12/4 vote.

“That Administration bring forward an information report during budget deliberations with options to achieve a 7.5% budgetary annual decrease realized collectively, from each of the following areas:

- *Chief Administrative Office (Michael Duben, CAO)*
- *Corporate Services (Cathy Hoffman, GM)*
- *Development Services (Bruce McAllister, GM)*
- *Finance, Budget, Information Technology and Transformation (Gord Quinton, GM)*
- *Fire and Emergency Services (Chief Case)*
- *Health and Human Services (Jodi Guilmette, GM)*
- *Infrastructure and Engineering Services (Edward Soldo, GM)*

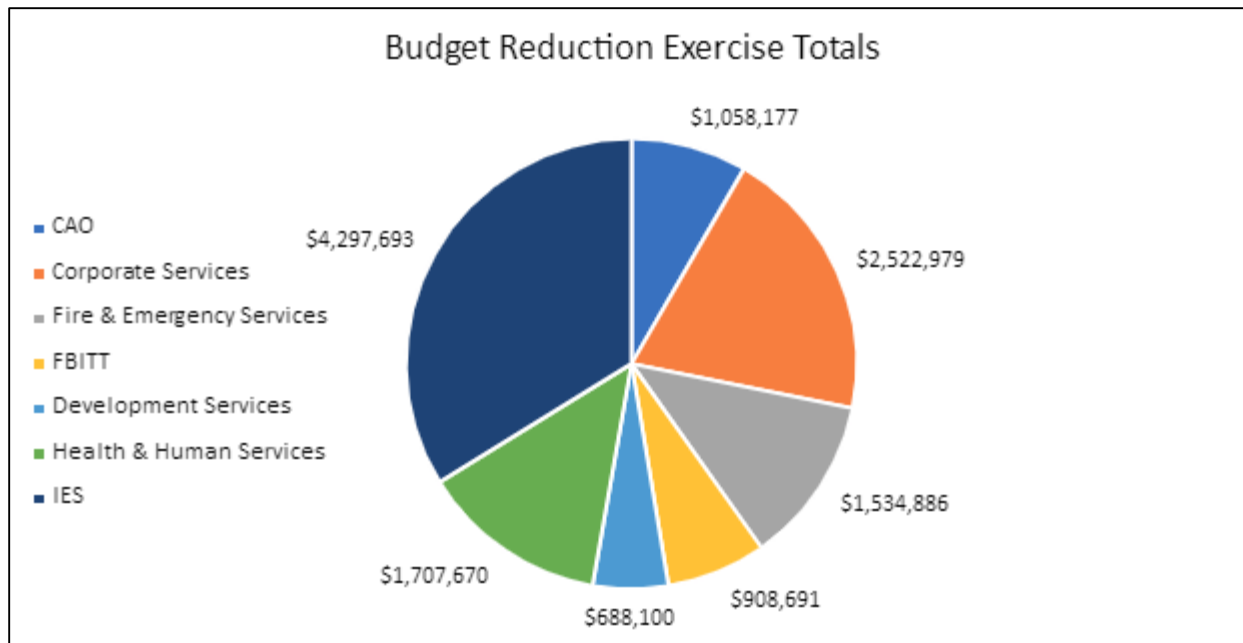
including any new reserve fund deposits. Excluding police services, EMS, Riverview Gardens, and any program or employee that is 100% funded by the Provincial or Federal Government. The reduction can be achieved with a maximum allowance of a 2.5% reduction from any specific front-line service to the public without closing any recreational services.”

Comments

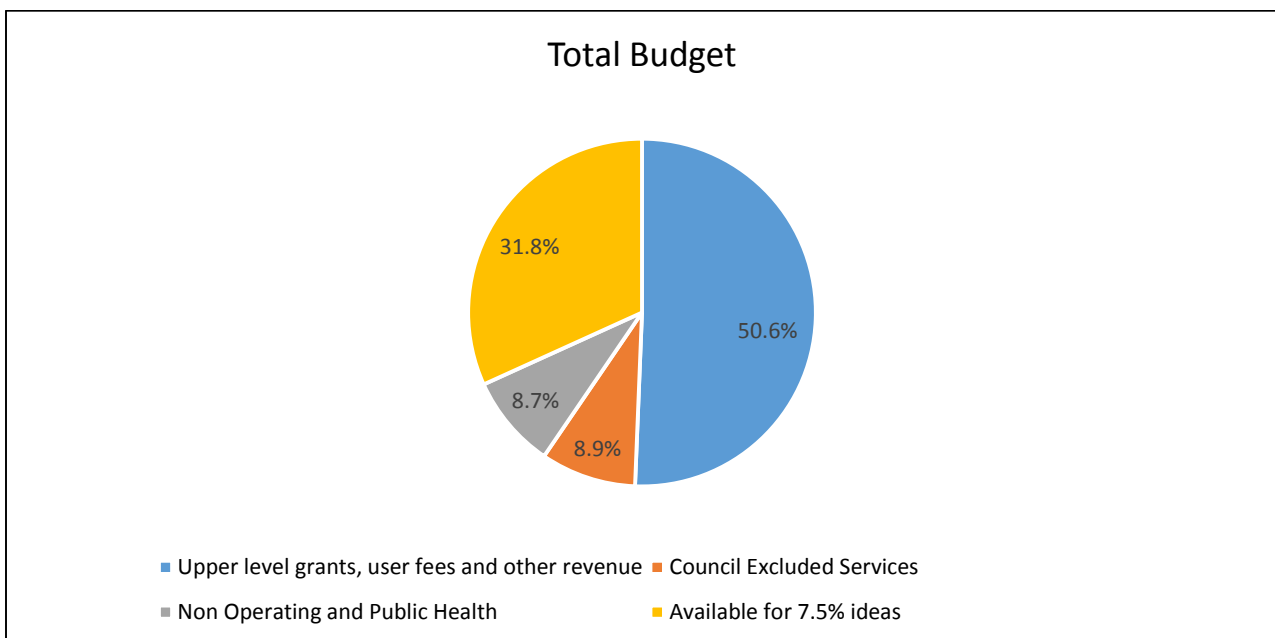
With Strong Mayor Powers in place, in June 2024, Mayor Canniff asked that Council consider an appropriate target for the year and provide where the required reductions to get to that target should be examined. As part of the annual budget process, the Executive Management Team (EMT) met to review the draft budget and, as a result, approximately \$5.5M in efficiencies, revenues and recommended service level reductions were realized by EMT. These items are included in the opening night presentation on tonight's agenda but are also attached to this report (Appendix B). In fact, in the entire Council Approved 2024–2027 Multi-Year Budget, EMT recommended and Council approved over \$36M of items that lowered the property tax increase, and now with the additional \$5.5M total over \$41M of reductions.

In response to Councillor Doyle's motion, Administration has prepared a list for Council's review (Appendix A), and it is important to note these items are not recommended by EMT. Many of the potential tax savings are not practical to be implemented for January 1, 2025, as many will require a complete analysis including community consultation and a detailed financial plan including severance, employment contract review, community partner involvement, purchasing contract or other related one-time costs that would need to be funded. The report includes a mix of efficiencies and service reductions. To define only a 2.5% service level reduction was very difficult to achieve. In most cases, the service itself is proposed to remain but may have to be provided at another location or at a reduced level.

In the original notice of motion, the cuts were to come from across the entire organization; however, when finally passed as amended on October 7th, significant portions of the budget were excluded from this exercise. The 7.5% of the entire budget represented approximately \$16M of reductions. Once the excluded areas are taken into account the 7.5% represented approximately \$12.7M of reductions. The total of all the items presented in Appendix A is \$12,718,000 meeting the requirement of the approved motions. A breakdown by General Manager (GM) is illustrated in the pie chart below.



For the Chatham-Kent Budget, approximately 50.6% of the funding comes from non-tax sources being upper-level funding, user fees and other revenues. There were 8.9% of operations that were excluded by Council. An additional 8.7% were in areas in non-operating departments not defined to a GM and to Public Health to which EMT itself excluded due to being a requisition board; therefore, the 7.5% reductions could only or applied to approximately 31.8% of the budget as indicated in the pie chart below.



EMT and staff took almost a year to form the 2024–2027 Multi-Year Budget to address the financial requirements for Council’s Strategic Directions. Council provides the direction and makes regular Council night decisions that set the level of service.

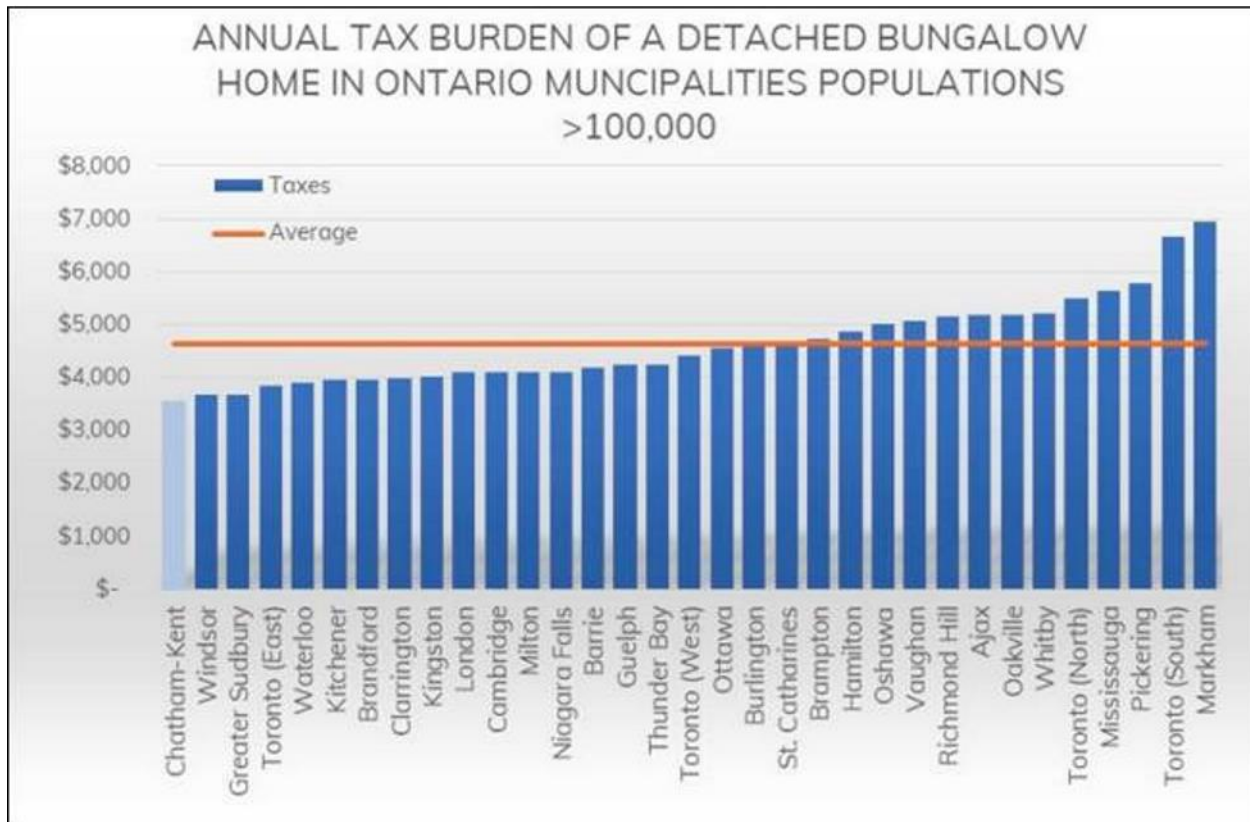
Administration's task is to efficiently deliver the services and to ensure the budget reflects the funding required.

Budgets, therefore, are driven by Council. Council sets the service level, not Administration. When putting forward motions, Council should ensure alignment to its Strategic Direction. If Council wishes to change its Strategic Directions, then a motion should be passed to remove the direction, and then staff can adjust the budget accordingly.

Having a motion passed that simply requires reductions to every department, with selected exclusions, does not take into consideration Council's own strategic directions. It concerns the community when cuts for service appear in an information report with no detailed context, evaluation, or community consultation, and it creates concern amongst front line staff as they question if their service is on a cut list; it reduces productivity and morale of staff and negatively impacts the community.

In 2021, an independent third-party consultant, KPMG, was engaged by Council to perform a [Core Services Base Budget Efficiency Review](#) of Chatham-Kent operations. As part of this review, KPMG conducted 26 interviews with the Municipality's elected officials, executive and senior management teams, led five focus groups with front-line managers, and held six community meetings. Other activities included, but were not limited to, review of municipal documentation, analysis of the municipality's financial and staffing structure and benchmarking against comparator municipalities. In its conclusion, KPMG noted they "...observed the Municipality of Chatham-Kent to be an overall lean and efficient single-tier municipal organization..."

The [2023 BMA Study](#) indicated that residential taxes in Chatham-Kent are "Low" in comparison to other Ontario municipalities. In fact, in a closer look of all the municipalities with over 100,000 population in Ontario, Chatham-Kent has the lowest average residential taxes in Ontario. The analysis is demonstrated in the image below. With the knowledge that all Ontario municipalities are facing similar asset management and social issue costs resulting in 2025 tax increases in the 5 to 15% range, Chatham-Kent taxes will remain much lower than average.



Suggestions are often put forward that municipalities should act more business-like. Governments exist to deliver services the private sector cannot provide for a profit. Certain services provided by municipal governments are required to be delivered by provincial legislation. As illustrated in many of the items in Appendix A, providing many of our services more efficiently may require centralizing them into one operation, eliminating services which are not productive, and reducing services which only benefit a limited number of people at significant expenses.

While suggestions have been put forward that additional property tax savings could be realized if staffing levels were decreased, the table below provides an overview of the net new positions over the last ten years that are tax funded. Excluding Riverview Gardens (RVG), Police Services and Cabins, there have been 10.72 property tax funded jobs that Council approved between 2018 and 2027 through the budget processes. As Chatham-Kent experiences population growth and as the delivery of municipal services becomes increasingly more complex, there will be a continued need for increased staffing levels to maintain current service levels.

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	10 Year Total
Police Total FTE	-1	-	0.45	-	4	-	16	16	6	5	46.45
Police Tax Funded FTE	-1	-	0.45	-	4	-	14.2	13.43	4.74	3.3	39.12
RVG Total FTE	1	1.3	-	-	29.51	28.98	34.56	-	-	-	95.35
RVG Tax Funded FTE	1	-	-	-	-	1.36	-	-	-	-	2.36
Proposed Cabin Total FTE	-	-	-	-	-	-	-	14	-	-	14
Proposed Cabin Tax Funded	-	-	-	-	-	-	-	14	-	-	14
Municipal Total FTE (Excluding Police, RVG & Cabin)	18.47	4.63	8.07	-5.5	4.78	12.55	-2.28	24.48	-0.79	1	65.41
Municipal Tax Funded FTE	0.17	0.85	4.02	-1.25	2.5	0.25	1.63	1.55	-	1	10.72
Tax Impact	-0.04%	0.04%	0.28%	-0.05%	0.24%	-	0.09%	0.13%	0.01%	0.05%	0.07%

EMT always makes their best recommendations to Council with a view of delivering upon Council Strategic Directions. At times, recommendations are put forward to increase service levels and, at other times, recommendations are put forward to decrease service levels. Extensive study through service reviews, master plan recommendations, community consultation and review of best practices informs the recommendations that are put forward. It should be noted that the list attached in Appendix A has not involved any of these practices.

The KPMG Study supports that Chatham-Kent is one of the most efficiently run municipalities in Ontario given our geography.

Council Term Priorities

This report supports the following Council Term Priorities:

			
Deliver Excellent Service	Promote Safety & Well-Being	Grow Our Community	Ensure Environmental Sustainability

There are many ways in which the options presented impact Council’s Strategic Direction, and these impacts are outlined within Appendix A.

Consultation

The Executive Management Team met several times to review ways in which to deliver on Council's request.

Communication

Communication is proposed to be through the inclusion of this report on the Budget Committee opening night agenda and minutes.

Diversity, Equity, Inclusion and Justice (DEIJ)

This information report does not have implications related to diversity, equity, inclusion, or justice; however, should Council choose to implement any of the items within Appendix A, there is certainly the potential to impact some of our racialized and marginalized residents.

Financial Implications

The potential tax reduction and impact to other funding can be found within Appendix A, but full financial implications will not be known without more detailed analysis. A motion regarding any specific item will need to come from Council at the November 26th budget deliberations meeting to request detailed analysis and exact budget impact and timing.

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Attachments: Appendix A: Budget Reduction Exercise
Appendix B: EMT Realized Efficiencies, Revenues & Recommendations