

REPORT

Council

Meeting Date: November 20, 2023

FROM: CAO's Office

DATE: November 14, 2023

SUBJECT: Governance Review Update

LOCATION: Town Hall

WARD: Town-wide

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RECOMMENDATION:

That the report entitled "Governance Review Update", dated November 14, 2023 from the Chief Administrative Officer be received.

KEY FACTS:

The following are key points for consideration with respect to this report:

- In November 2022, the Province of Ontario announced a review of regional governments, including Halton Region.
- Municipalities were anticipating that regional facilitators would be appointed in September, however, the new Minister of Municipal Affairs and Housing requested that the Standing Committee on Heritage, Infrastructure and Cultural Policy take on the regional governance review.
- Staff commenced a review of potential governance models for the Town of Oakville within a single-tier structure that included an analysis of governance for each town and regional service.
- The review was based on consideration of delivery models in other municipalities, guidance from town executive management, and evaluation against a set of guiding principles.
- The proposed model suggests that the town could assume some regional services, including stormwater, local distribution of water and wastewater, roads, forestry, planning and economic development; up to two joint service boards could be created for health and social services and emergency services; and up to three municipal corporations could be created for transit services, regional transmission of water and wastewater and solid waste management.

- This report is intended as a starting point for consideration on the issue of regional governance and how the town may choose to move forward.

BACKGROUND:

In November 2022, the Province of Ontario announced a review of regional governments, including Halton Region, to determine the best mix of roles and responsibilities between upper and lower-tier municipalities to deliver on the Province of Ontario's commitment to address the supply of housing.

On December 8, 2022, the Better Municipal Governance Act, 2022 received royal assent. This legislation permitted the Minister of Municipal Affairs and Housing to appoint the regional heads of council for Niagara, Peel and York regions to provide stability and continuity as the regions work with provincially-appointed facilitators to assess the best way to extend strong-mayor powers to existing two-tier municipalities.

In May 2023, the Province introduced the *Hazel McCallion Act* to begin the process of dissolving Peel Region and making the municipalities of Brampton, Mississauga and Caledon independent. The May announcement also noted that the province would be naming regional facilitators to review the relevance of upper-tier governments and the maturity of lower-tier municipalities to pursue dissolution.

The *Hazel McCallion Act* received royal assent on June 8, 2023 and although the legislation is specific to Peel Region, the preamble speaks to "the effective administration of local governance" and "importance of value for money and high-quality services delivered in an efficient manner for taxpayers". In July 2023, a five-member panel (the Transition Board) was formed and regulations were released that provided further detail on its mandate as part of the dissolution of Peel.

The movement on Peel's dissolution, the pending appointment of facilitators and the broader provincial direction to review overall local governance, beyond housing, were the catalyst for the town's senior leadership to begin a formal review on governance models. As part of this work, Ernst & Young (EY) Canada was retained at the end of August 2023 to facilitate a discussion and report reflecting future governance models for the town. EY was selected based on their previous experience dealing with similar matters. EY was previously commissioned by the Region of Peel in 2019 to conduct a governance analysis, including financial impacts. They are also currently engaged with the City of Vaughan to assess a single-tier model.

A working group was formed consisting of the Executive Leadership Team (ELT), Director of Finance, and Director of Asset Management, with support from the

Strategy, Policy and Communications department. This group informed the “Town of Oakville: Single Tier Governance Options Report” attached in Appendix A.

On August 22, 2023, the province announced that regional facilitators would be appointed by September 11, 2023. However, on September 13, 2023, the newly appointed Minister of Municipal Affairs and Housing, Paul Calandra, requested the Standing Committee on Heritage, Infrastructure and Cultural Policy to take on the work of assessing regional government structures in Durham, Halton, Niagara, Simcoe, Waterloo and York. In Mr. Calandra’s [letter](#) to the Chair of the Committee he asked “that the committee consider commencing a study to review and evaluate local governance structures and service delivery in these areas to ensure that they are providing effective and accountable government, particularly when it comes to getting more homes built.”

On October 23, 2023, Council passed a motion to request that staff prepare a report on best practices in municipal governance including finances and debt levels, potential service changes and service level changes and possible risks in consultation with our Regional Government and report back at the next Council meeting.

This report responds to Council’s request to inform them of the initial high-level work done to date on reviewing potential governance models for the Town of Oakville.

COMMENT/OPTIONS:

Addressing future needs

The current review of regional governance presents an opportunity for the town to reflect on where we are as a municipality and where we want to be as we continue to grow. The regional structures were created 50 years ago to deal with rapid urbanization. They were also intended to be flexible so that municipalities could revert back to a single-tier structure when the time was right.

The regional governance review supports the province’s vision to build more housing. A single-tiered structure would allow the town to expedite planning application approvals and determine and plan for the infrastructure requirements to achieve its objectives. The single-tier structure would allow the town to make autonomous decisions about its future. The challenges of competing for limited resources at the region would also be resolved along with the imbalance related to the town’s investment in regional infrastructure and the direct benefit to Oakville residents.

Staff commenced a review of potential governance models for the Town of Oakville within a single-tier structure that included an analysis of potential governance for each town and regional service. Within each service an optimal governance model

was developed. The review was based on consideration of delivery models in other municipalities, guidance on suggested models from consultations with town executive management, and evaluation against a set of guiding principles.

This work provides a context to determine what a fair deal for municipalities might look like and could help deconstruct the funding formula to make it more equitable amongst impacted municipalities. This can be done by restructuring service delivery and untangling how services are funded. Services directly funded by Oakville residents through property taxes would remain under the town's responsibility, services legislated and funded by the province could be governed under separate boards (e.g., health and social services) and services funded by user fees could be operated by a utility or similar entity.

The Single-Tier Governance Options Report ("the report") provides a high-level overview of possible models. It does not provide a recommendation, solutions, financial impact analysis or details of operational impact. At this stage, formulation of a more detailed assessment would be highly hypothetical, based on many assumptions and would not accurately reflect impacts.

The report assumes that Halton Region is dissolved and all funding, including tax levies and development charges, would follow existing expenditures based on governance decisions and operating models for each service.

Guiding principles

The following guiding principles were established to support discussions on different models:

- operational efficiency: services are delivered efficiently while minimizing red tape and bureaucracy to simplify processes and streamline service delivery.
- financial sustainability: decisions are made to enable and foster the long-term financial sustainability of the town.
- service excellence: services are delivered consistently, achieve defined outcomes, and meet resident expectations without disruptions to improve the customer experience.
- town independence: processes are streamlined to empower Oakville to preserve its identity and heritage while retaining control over planning, costs, and decision-making.
- meet housing targets: decisions are made to prioritize housing development targets while ensuring sustainable growth for the community.

Services were assessed for service requirements, legislation and regulation, and funding models to arrive at a model of best fit. Each service was also assessed against the identified principles and how each proposed model may or may not work.

Operations that support the delivery of services referred to as “enabling operations” were not evaluated, but the extent of their delivery and by whom would need to be determined in a future state structure.

Delivery models

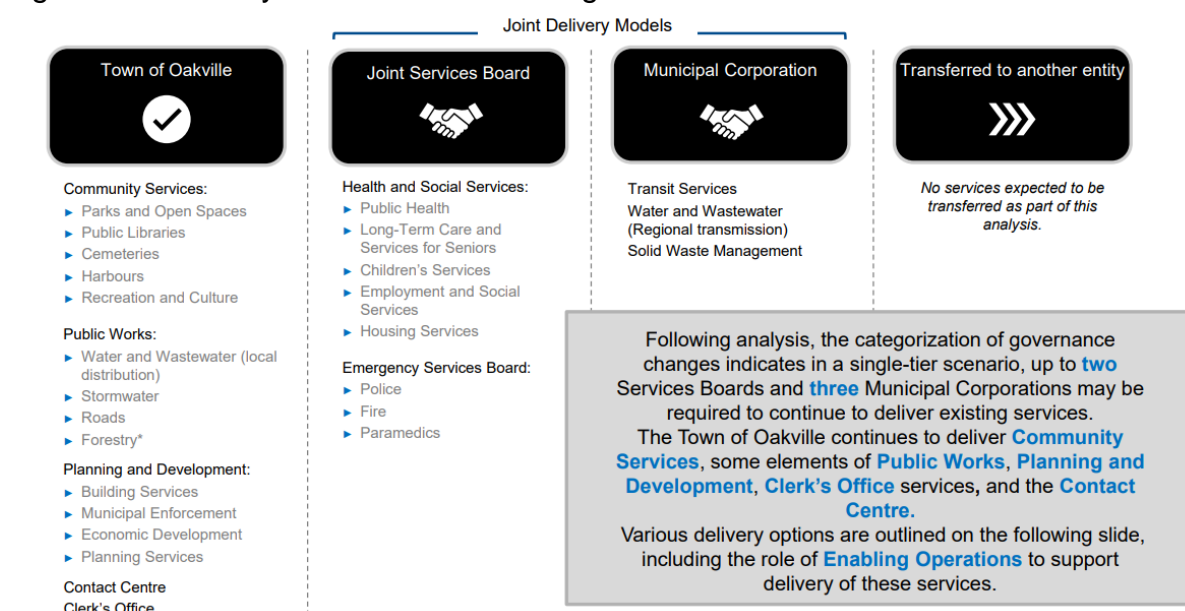
A Joint Delivery model is considered for some services that could be in the form of a Joint Services Board or a Municipal Corporation. They are explained as follows:

- a Joint Services Board between all four local municipalities where governance and service levels are agreed upon and each municipality contributes towards their share of services delivered. In this model, Halton assets (and debt) ownership would transfer to the municipalities but be operated/managed by the board.
- a Municipal Corporation operating as a utility company, owned by one or more municipalities, and generating rate-based revenues. Municipal Corporations maintain separate finances from a municipality, and municipalities do not have direct control over their day-to-day operations. Business decisions (such as investment for growth) are usually driven by market forces, including demand, competition, internal capabilities, regulation, pricing, etc.

A model that would transfer a service to be delivered by “other entities” was considered but was not determined to be a satisfactory model for any of the identified services. Shifting to other entities without an existing commitment was not considered feasible and would not truly address a governance model.

The report provides a Summary of Governance Changes, shown in Figure 1.

Figure 1: Summary of Governance Changes



A single-tier structure would allow the town to retain control over several services responsible for expediting housing development approvals and community services that the public relies on. This model assumes the town would absorb some regional services within our existing structure including stormwater, local distribution of water and wastewater, roads, forestry, planning and economic development. Under this model, the Oakville Public Library would continue to be funded by the town.

Where the town does not have expertise in delivering certain services that are currently provided by the region, or where broader geographic coverage makes sense, up to two joint service boards could be established, one for health and social services and one for emergency services. Emergency services would include police, fire and paramedics and provide a regional service that could better align emergency responses. The town would provide proportional funding and sit on each board with decision-making influence.

Up to three municipal corporations could be formed and function like a utility for transit services, regional transmission of water and wastewater and solid waste management. These corporations would function as separate entities distinct from the Town of Oakville and the town would not have decision making authority.

There is also the potential that some services could extend beyond regional boundaries for services that impact communities in a larger geography within the province (e.g., transit services or public health).

Next steps

This report was an initial attempt for ELT to understand what a possible future state single-tier structure might look like for Oakville. This work provides a different perspective on current structures and the different models available. It provides some understanding of how municipal corporations and boards may be used and gives a broader context for where the town may want to be in the future. While the report does not provide financial impacts, this work can be done in the future. However, the full cooperation and transparency of all impacted organizations is required to accurately assess the financial opportunities and impacts.

The report presents a starting point for discussion on the issue and how Oakville may choose to move forward. A fulsome and proper assessment for the best local governance models within Halton Region, will require all governing parties at the table for open discussion, exchange of information, establishment of scope and parameters, and complete transparency. The report prepares Oakville for that discussion and opens the opportunity to consider how regional governance could evolve.

CONSIDERATIONS:

(A) PUBLIC

It should be the priority of all governments and administration involved in the governance review that service to residents not be impacted regardless of the model chosen. Efficiencies and service delivery should be considered in decisions moving forward.

(B) FINANCIAL

There are no financial impacts at this point in the governance review. However, the future model may have implications for the town's finances depending on the model adopted.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

Each Commissioner, the Director of Finance and the Director of Assessment Management were consulted in the development of the Single-Tier Governance Options Report. The future model may include additional responsibilities and services within existing departments.

(D) COUNCIL STRATEGIC PRIORITIES

This report addresses Council's strategic priority of Accountable Government, although all other priorities will be considered as the governance review continues as it relates to Growth Management, Community Belonging and Environmental Sustainability.

(E) CLIMATE CHANGE/ACTION

Climate Change and Action will be an important factor as the governance review is considered and should continue to be a priority regardless of the governance model adopted.

APPENDICES:

Appendix A - Single-Tier Governance Options Report

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Submitted by:

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