



Town of The Blue Mountains Benchmarking

November 30, 2020



Background:

- The Town of The Blue Mountains (“TBM” or “ToBM” or the “Town”), was approved by the Province of Ontario for funding under the Municipal Modernization Program.
- KPMG was engaged by the Town to perform a Comparative Review of Municipal Services, the objective being to analyze financial information of the Town relative to its historical results and a selection of comparator municipalities for purposes of identification of service and/or fiscal improvements.



Project Objectives:

- Perform a financial comparison of the Town of The Blue Mountains, based on the Financial Information Return (“FIR”) for the years 2014 to 2019
- Perform a financial comparison of TBM and comparator entities: Collingwood, Midland, Lambton Shores, Saugeen Shores and Kincardine for revenues and expenses for the 2014 to 2019 period
- Analysis was performed on an inflation adjusted and per household basis where appropriate
- Prepare a summary of findings, for the purpose of further analysis to be performed

Note: FIR data may be classified differently across the municipalities examined, which should be considered when further analysis is performed

Certain adjustments were made using professional judgement with respect to non-recurring items.



Data utilized:

- 2014-2019 FIR data available for download from the Ministry of Municipal Housing and Affairs for the Town of The Blue Mountains and all comparators
- Inflation factor – CPI as obtained from Statistics Canada
- Other municipal benchmark reports
- Number of Households extracted from the respective FIRs by year



Significant findings:

Golf & Marina Operations:

- Opportunities for enhanced revenue generation and/or costs savings exist within the golf & marina operations.
- We understand that historically these activities have been operated on a cost recovery basis (i.e., revenues should equal or not be less than cost of operation), albeit the golf operations has not historically met this target
- The Town should consider an evaluation whether optional service offerings should be subsidized by way of the taxation levy, and if determined that these should be self sustaining operations, what options are available to the Town.
- The Town should consider developing a market based approach to setting user rates, which may have the effect of improving the operation's financial contribution
- The Town should consider amending or curtailing operations that don't generate sufficient revenues to cover its costs. This should be coupled with the Town's desire for certain service levels and what amount of contribution should be made to those activities.



Significant findings:

Waste Management Activities:

- The current waste management activities, including both collection and landfill operations are almost fully paid for by the tax levy.
- User fees and charges are significantly less than those charged by comparator municipalities and service levels appear very high. The current bag tag program generates some, but not significant revenues. It may, however, achieve other cost reduction measures.
- The Town should consider further rate and usage study at the landfill operations. This could include increased or restructured rate study that could improve the financial contribution of the operation and improve the service levels without significant impact to service offerings. This could include an assessment to be performed on non-charged visits, an ability to have a nominal fee that can reduce traffic/congestion while contributing to increased user-fee charges, and result in less taxation revenue levy requirement.
- The Town should consider the effectiveness, both financially and operationally of the bag tag program. Given the low dollar values, the program may not be worth the cost of operating it in the current manner and other initiatives could be identified to achieve the same operational objectives.
- The Town should consider its waste management collection process with its third party supplier at the next opportunity to identify cost saving measures. This could include changes to frequency of collection of some or all materials. We understand that this may be a longer term objective.



Significant findings:

Salary & Wages:

- Salaries and wages expenditures have increased over the period examined, which appears to be consistent across the comparator group
- The average compensation per employee has increased in excess of inflation, and is increasing on a per-household basis suggesting that development experienced in recent years has not resulted in efficiencies/economies of scale which may have been expected to have been realized.
- We understand that the main drivers of the increases to salaries and wages has been for:
 - To improve services levels within the Town
 - To replace external consulting projects with contract employees, thereby shifting the expense from Contracted Services to Salaries & Wages
- The Town should continue to identify areas of cost efficiency as noted above and ensure its salaries & wages costs remain in line with its service levels.



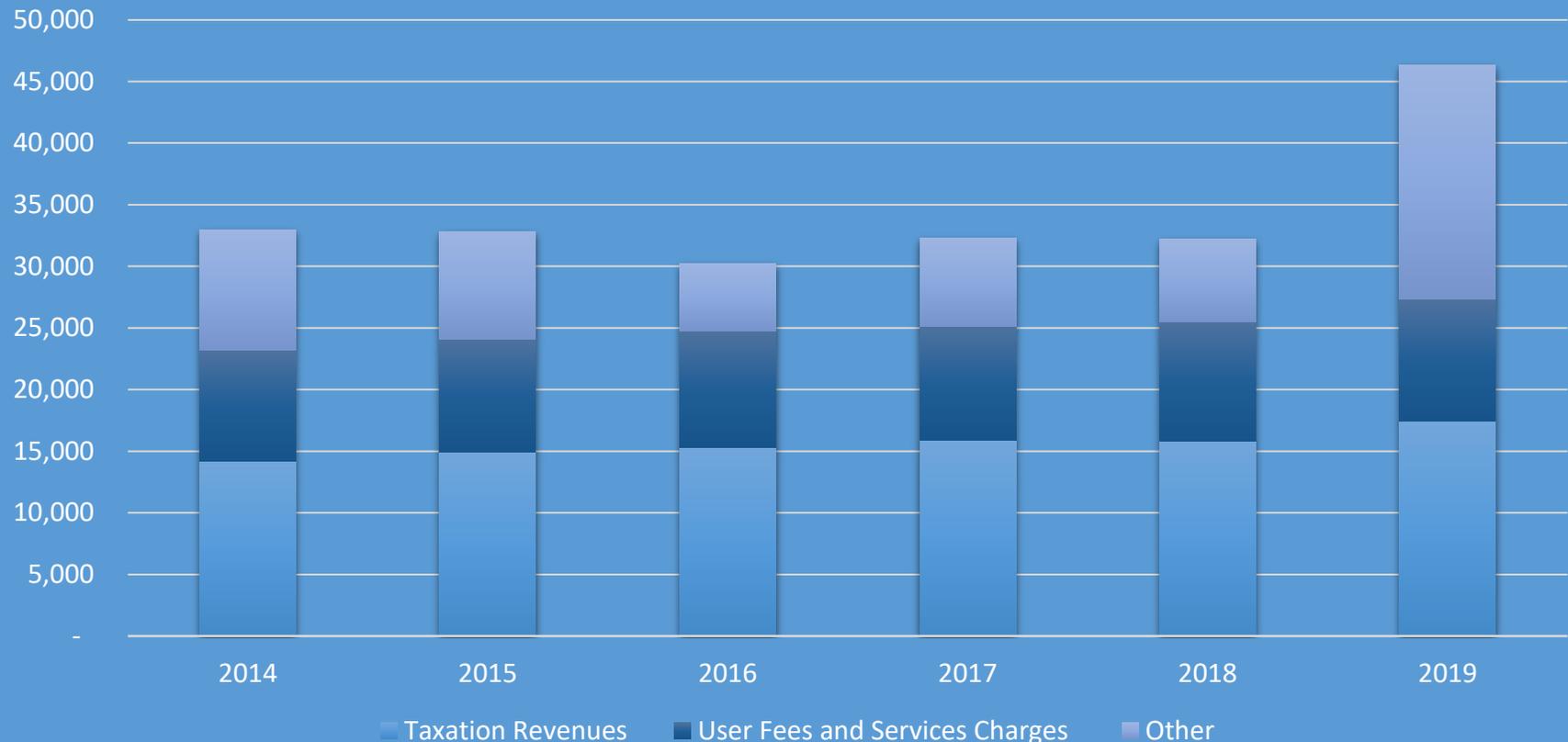
Revenues



TBM Total Revenues (Inflation adjusted)

- Total Revenues for TBM have increased since 2016
- Significant revenues derived from contributed assets in 2019 (\$11.65M) resulting in substantial non-cash revenue increase. This revenue source can be volatile.

Total Revenues In 000's of \$

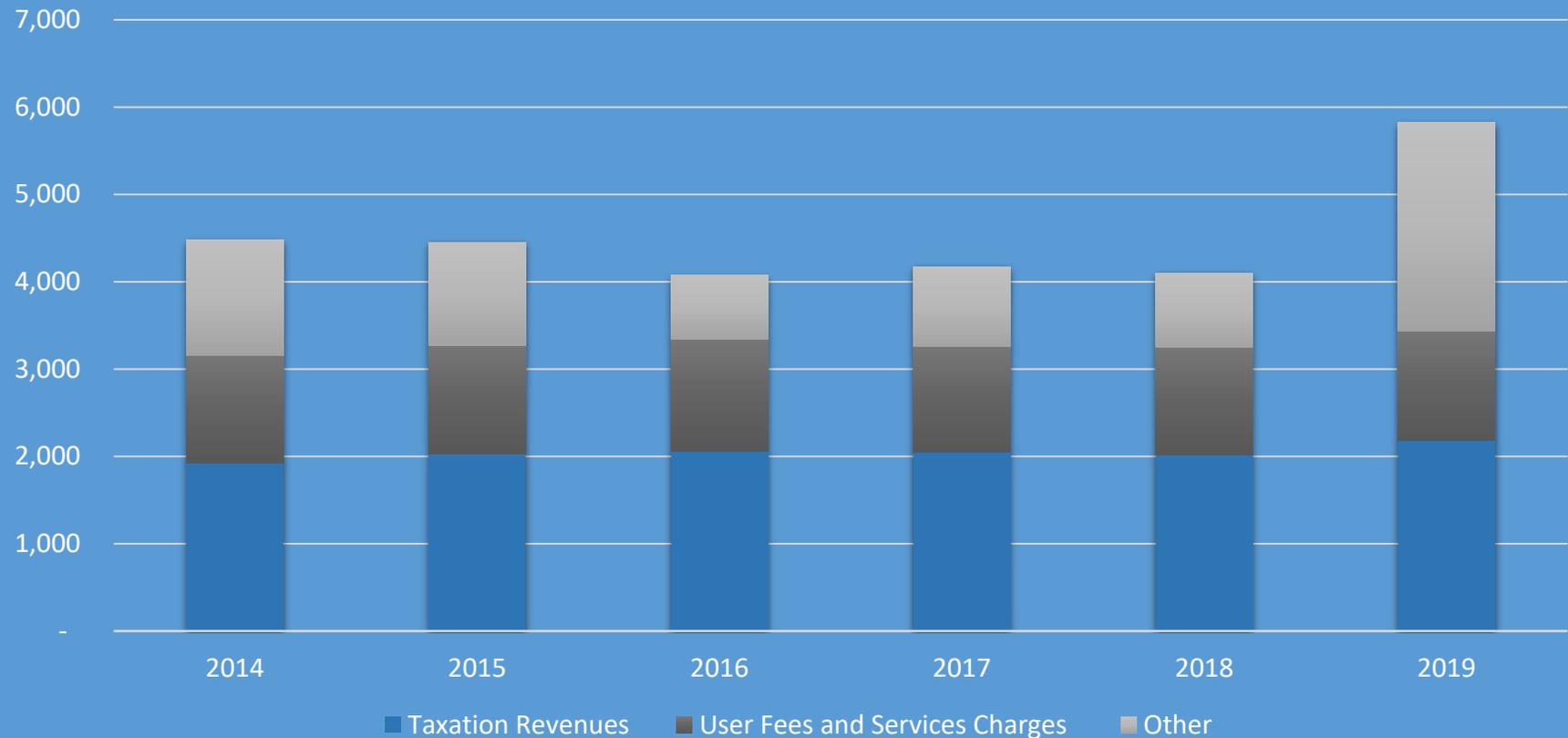




TBM Total Revenues/Household (Inflation adjusted)

- In 2019, contributed assets results in an increased figure, this approximated \$1,463/ Household.

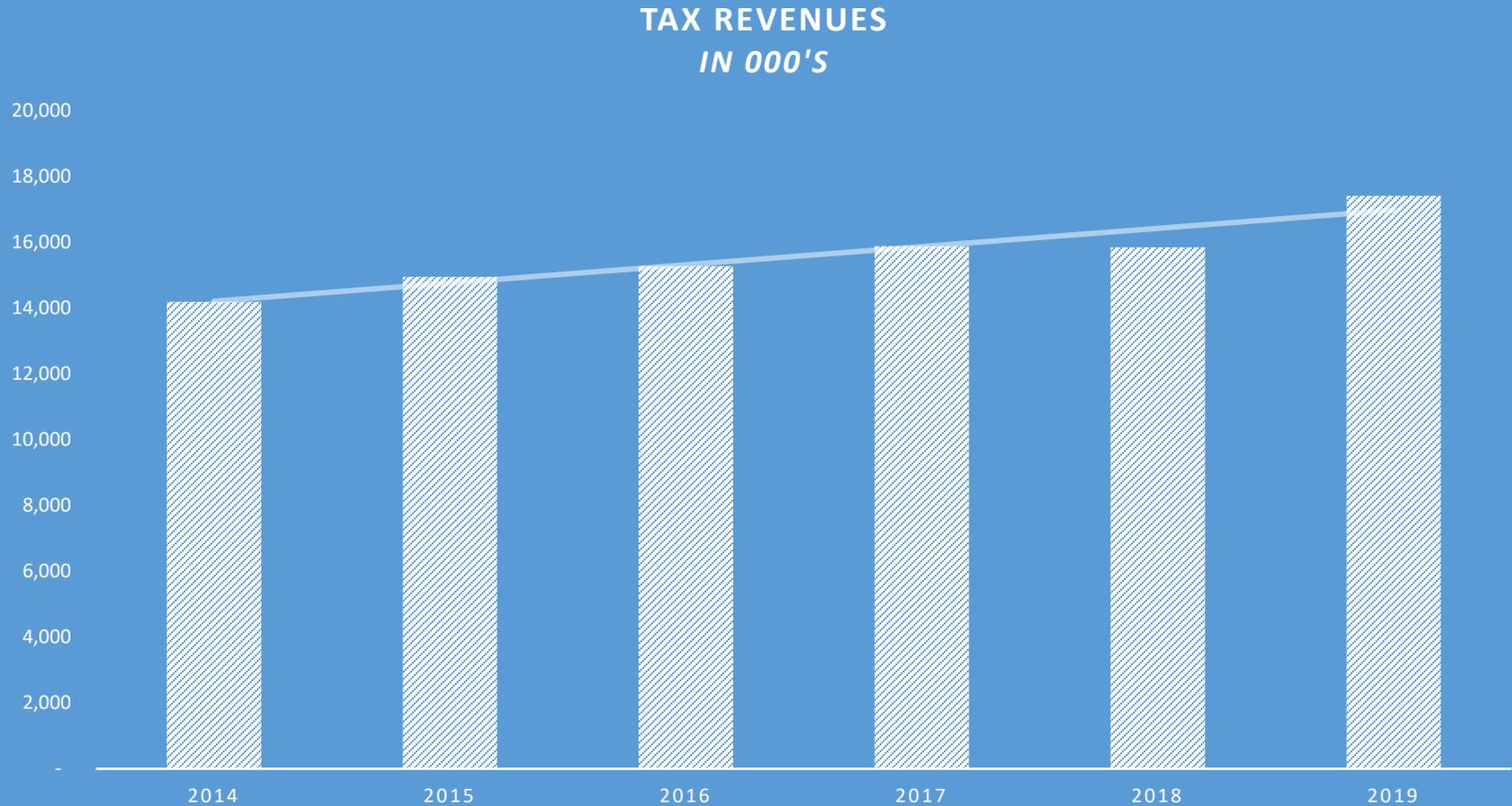
Revenue per Household \$





TBM Tax Revenues (Inflation adjusted)

- Tax Revenue in total for TBM has increased by 23% from 2014 to 2019, in part associated with development

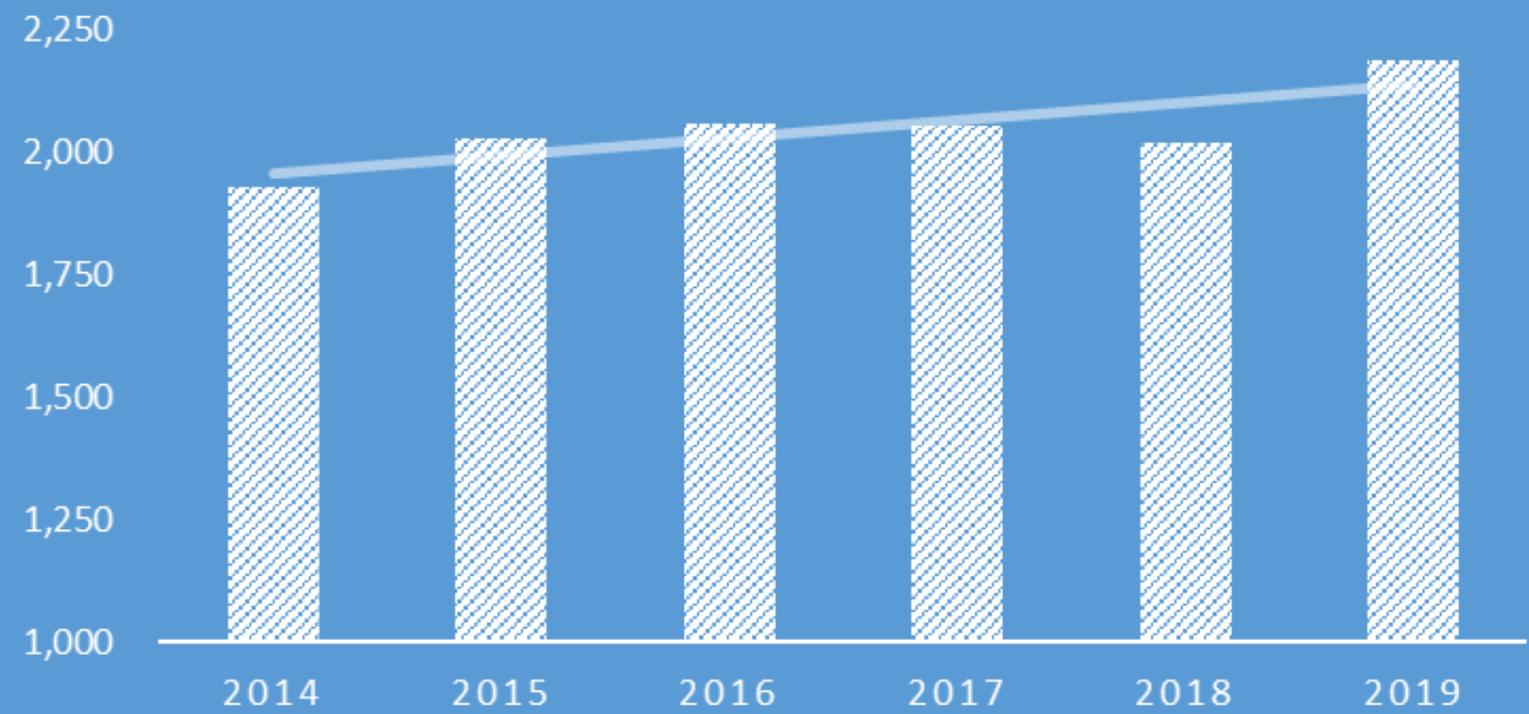




TBM Tax Revenues/Household (Inflation adjusted)

- Total taxation revenue on a per household basis has increased over the 2014-2019 period
- 2019 increase is primarily driven by increased commercial and other taxation

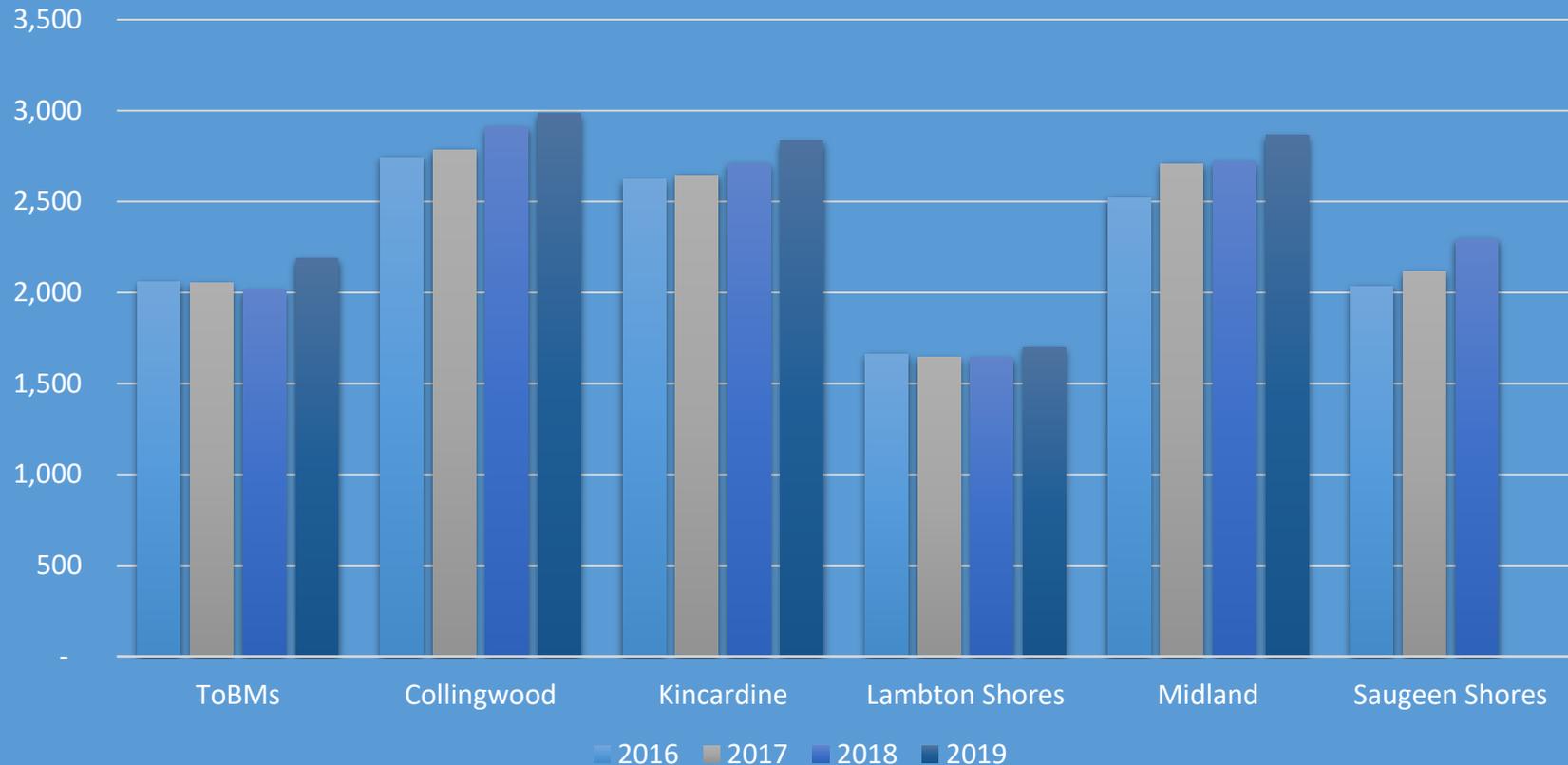
TAX REVENUES PER HOUSEHOLD *IN \$'S*





Comparative Total Taxation Revenues/Household (Inflation adjusted)

Total Taxation Revenues per Household In \$'s



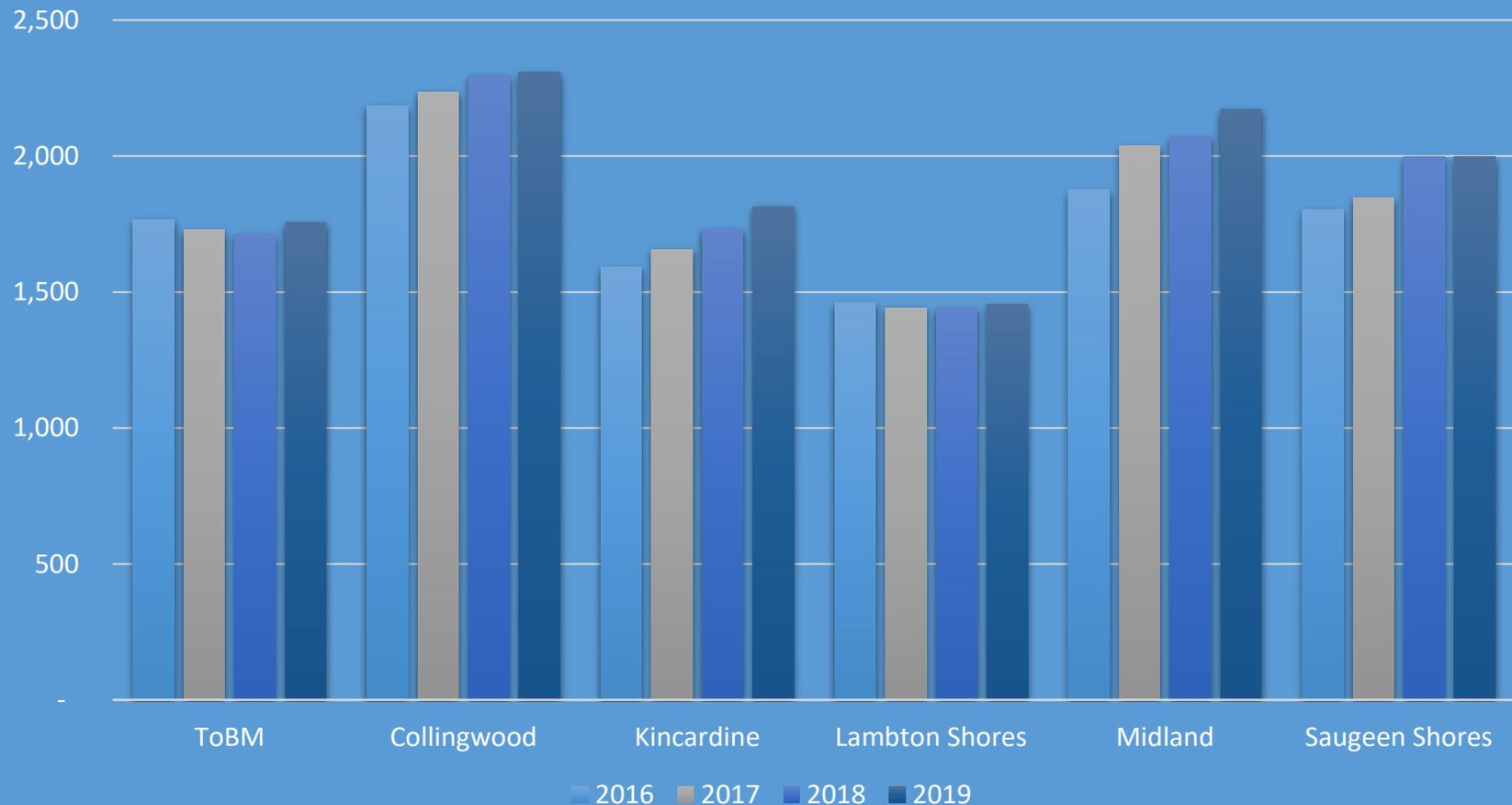
- Many other municipalities have increasing total tax revenues per household
- TBM is relatively stable in its taxation per household in relation to the comparator group
- The Town has a lower taxation amount per household than all comparators with the exception of Lambton Shores, however it should be noted that Lambton Shores does not operate a landfill
- The Town has lower tax per household than Collingwood and Midland which don't provide solid waste services

• Note that this represents all taxation revenue divided by # of households



Comparative Residential Tax Revenues/Household (Inflation adjusted)

Residential Tax Revenue/Household



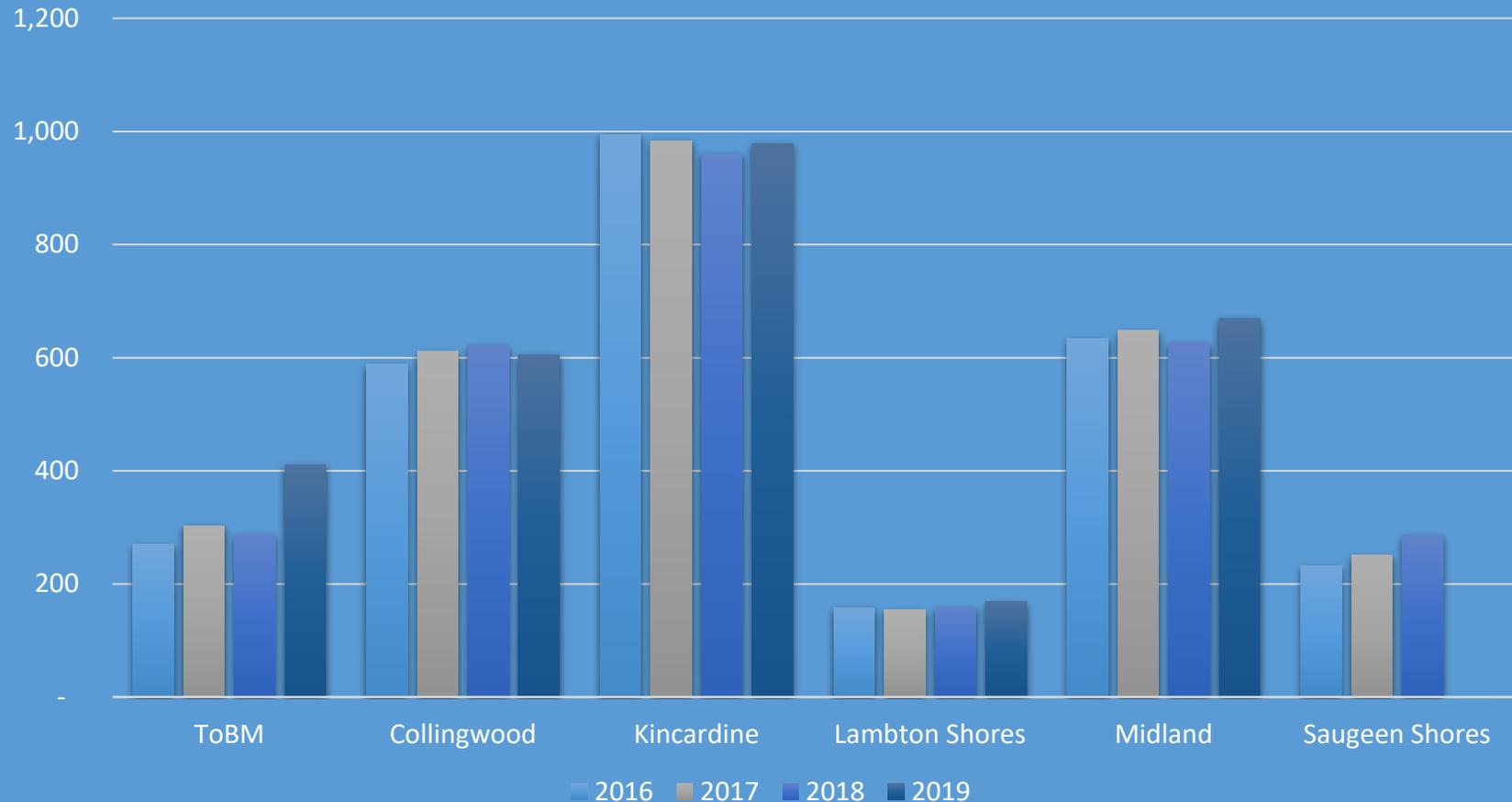
- Residential Tax Revenues/household are only higher than Lambton Shores (which does not offer landfill services).
- TBM's residential taxation revenue per household has exhibited stability, and marginal decline since 2016. As a general statement, the residential tax revenue generated per household has increased less than inflation.



Comparative Commercial and Other Tax Revenues/Household (Inflation adjusted)

- Commercial Tax Revenues/household were stable in the 2016 – 2018 period, but grew in 2019 due to increased commercial assessment base

Commercial and Other Tax Revenue/Household

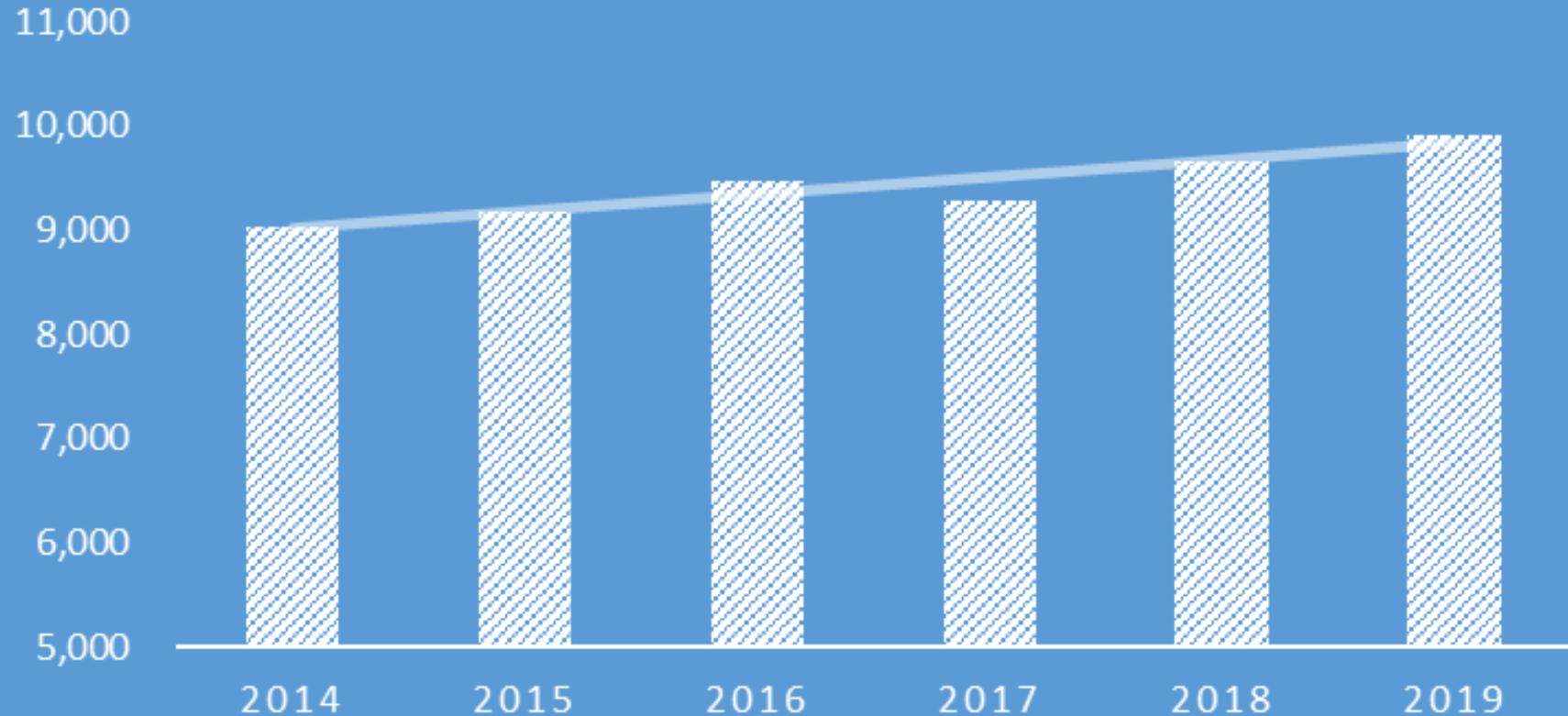




TBM User Fees Revenue (Inflation adjusted)

- User Fee and Service Charge Revenues have increased by 10% from 2014 to 2019, associated with development within the Town (more houses in 2019 compared to 2014)

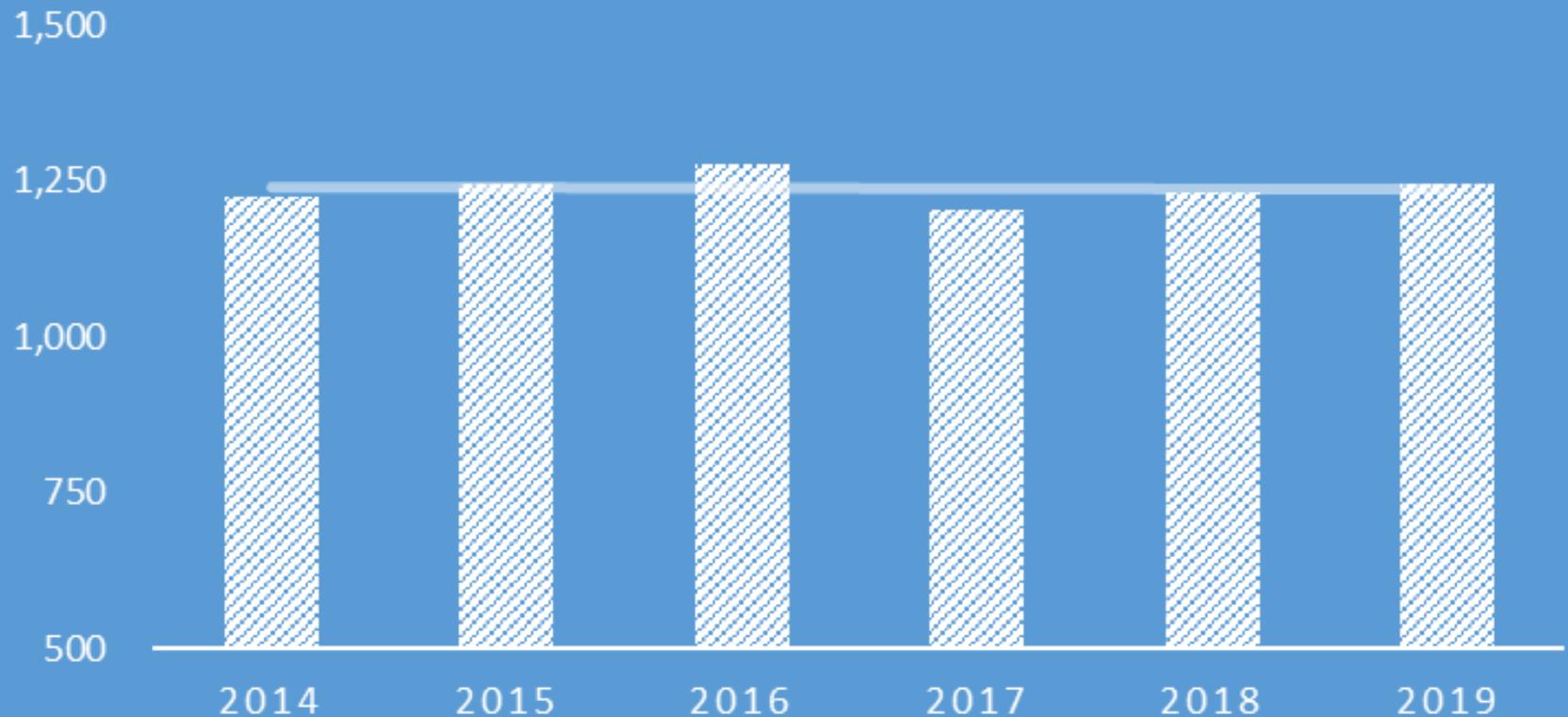
USER FEE REVENUES *IN 000'S*





TBM User Fees/Household (Inflation adjusted)

USER FEE REVENUES PER HOUSEHOLD IN \$'S

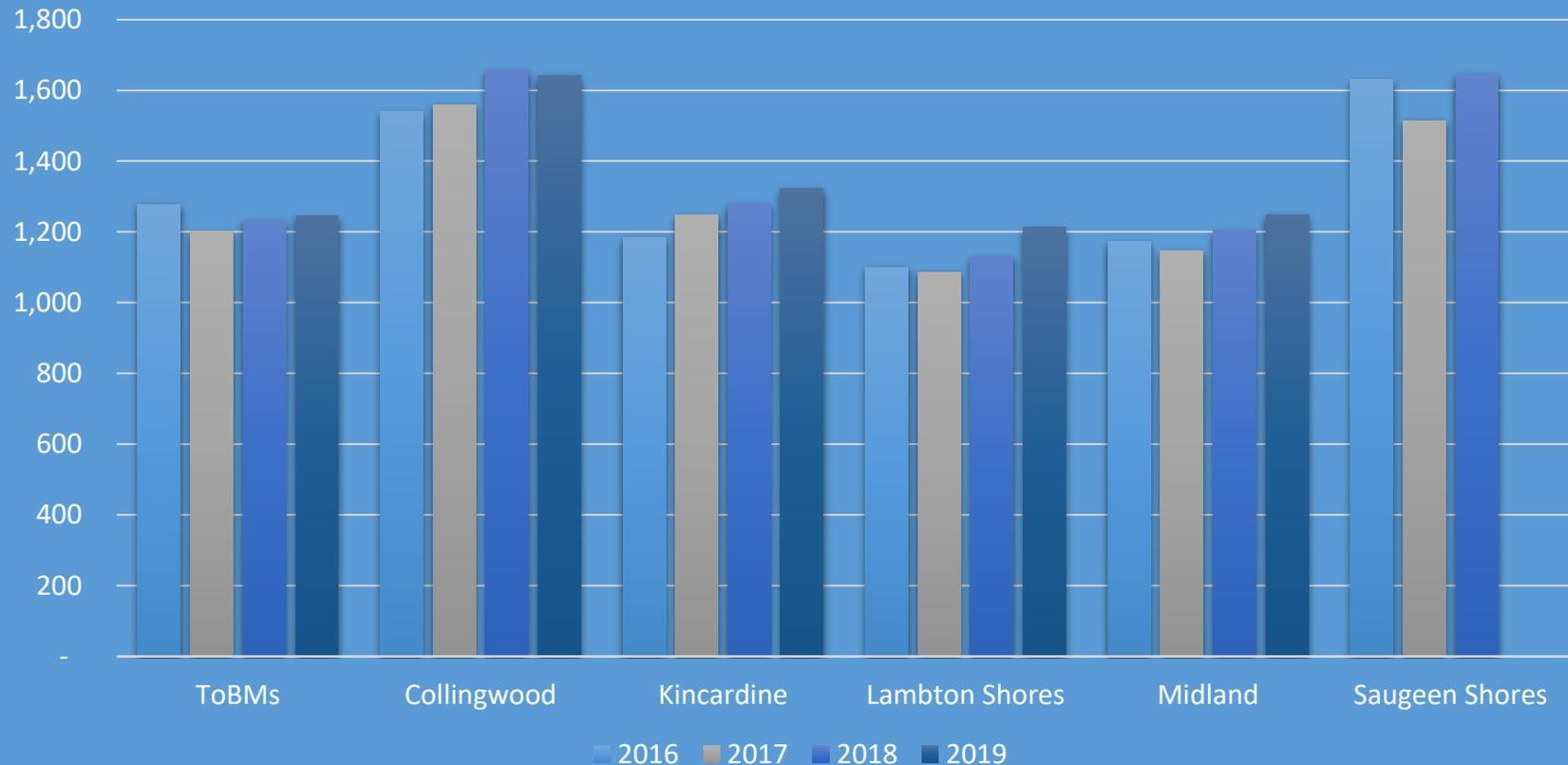


- User Fee revenues have declined slightly since 2016 on a per household basis, but have largely remained stable, despite the development



Comparative User Fee Revenues/Household (Inflation adjusted)

User Fees & Service Charges per Household In \$'s



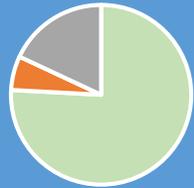
- Most other comparator municipalities have increasing user fees and service charges per household
- Collingwood, Midland & Lambton Shores would have higher revenue if solid waste/landfills were their responsibility



2019 Comparative User Fee Revenues by Type/Household (Inflation adjusted)

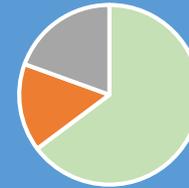
Collingwood and Midland not shown given they don't have solid waste, Saugeen 2018 data presented as 2019 FIR not available

TOBMs



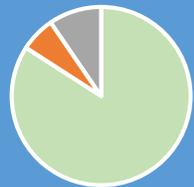
- Water & Waste water
- Solid Waste
- Recreation

Kincardine



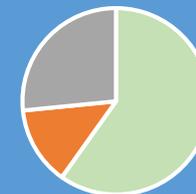
- Water & Waste water
- Solid Waste
- Recreation

Lambton Shores



- Water & Waste water
- Solid Waste
- Recreation

Saugeen Shores



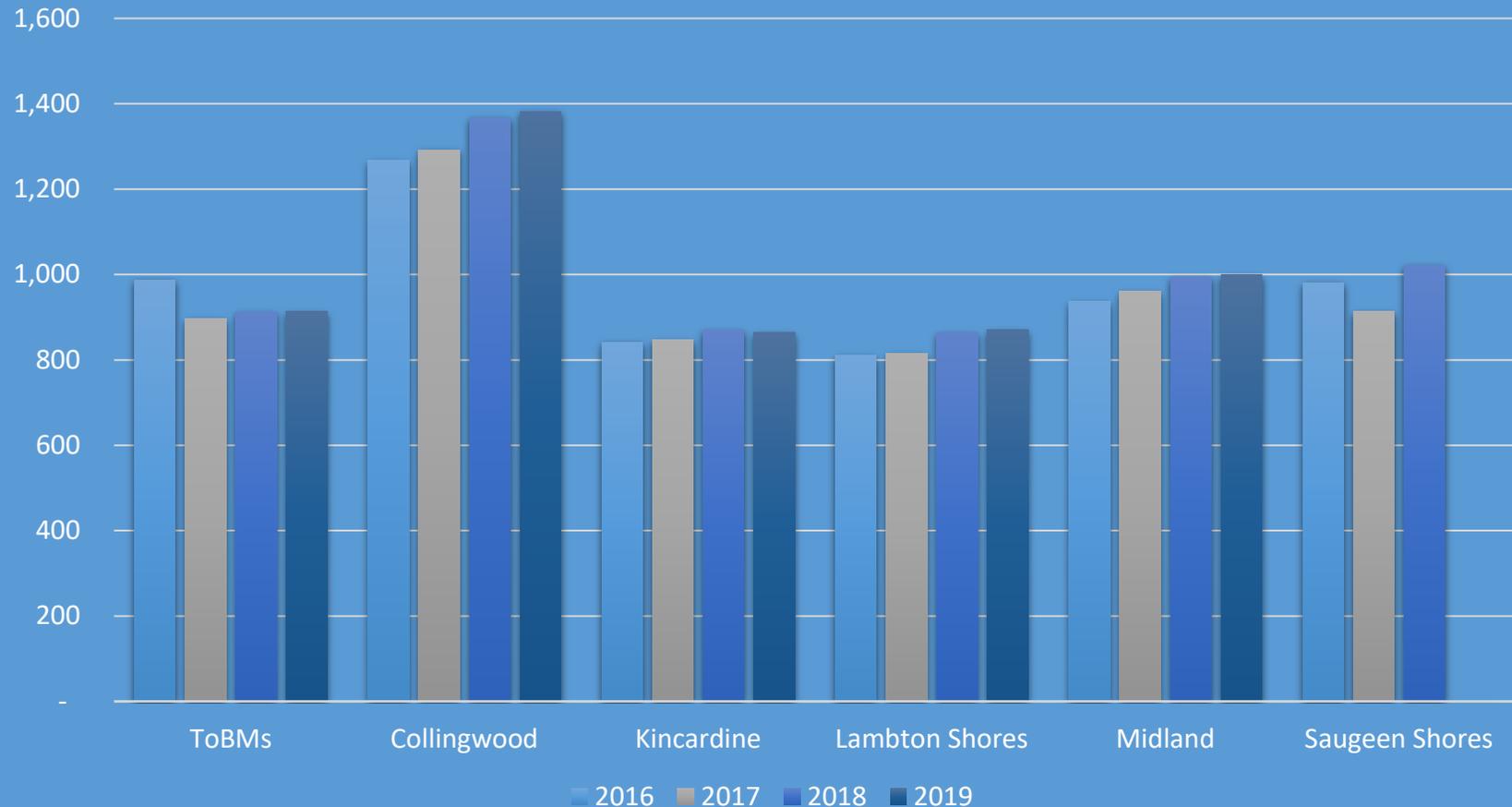
- Water & Waste water
- Solid Waste
- Recreation



Comparative Water & Wastewater/Household (Inflation adjusted)

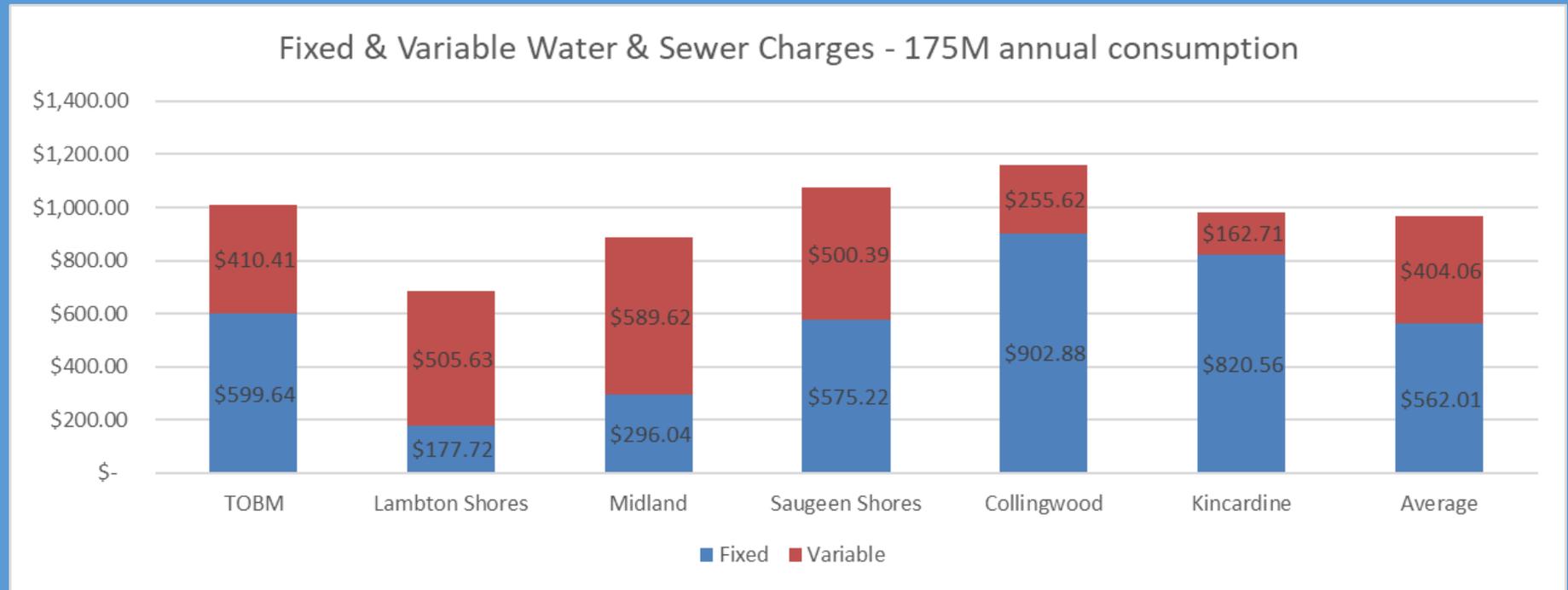
- Water and Wastewater revenues have remained consistent over the 2017-2019 period, and have decreased since 2016. Most comparators are exhibiting increased rates over the period examined

Water & Wastewater User Fee Revenues/Household





Water & Wastewater Rates



- TBM has slightly higher water/sewer rates than the average of the comparator group based on 175M annual usage.
- TBM's variable and fixed rates are marginally higher than the average of the comparator group.
- It can be noted that there is vastly different approaches to pricing structure (i.e. the composition of fixed versus variable fees).
- Fixed charges represent approximately 59% of a monthly bill in TBM.
- In an ideal scenario the fixed portion of the charges would cover costs determined to be fixed, while variable charges would cover costs variable in nature. The Town appears to be consistent with the average rates from a fixed and variable structure stance. Review of costing analysis would either support the Town's rate methodology or identify if a shift in fixed versus variable costing would be appropriate.

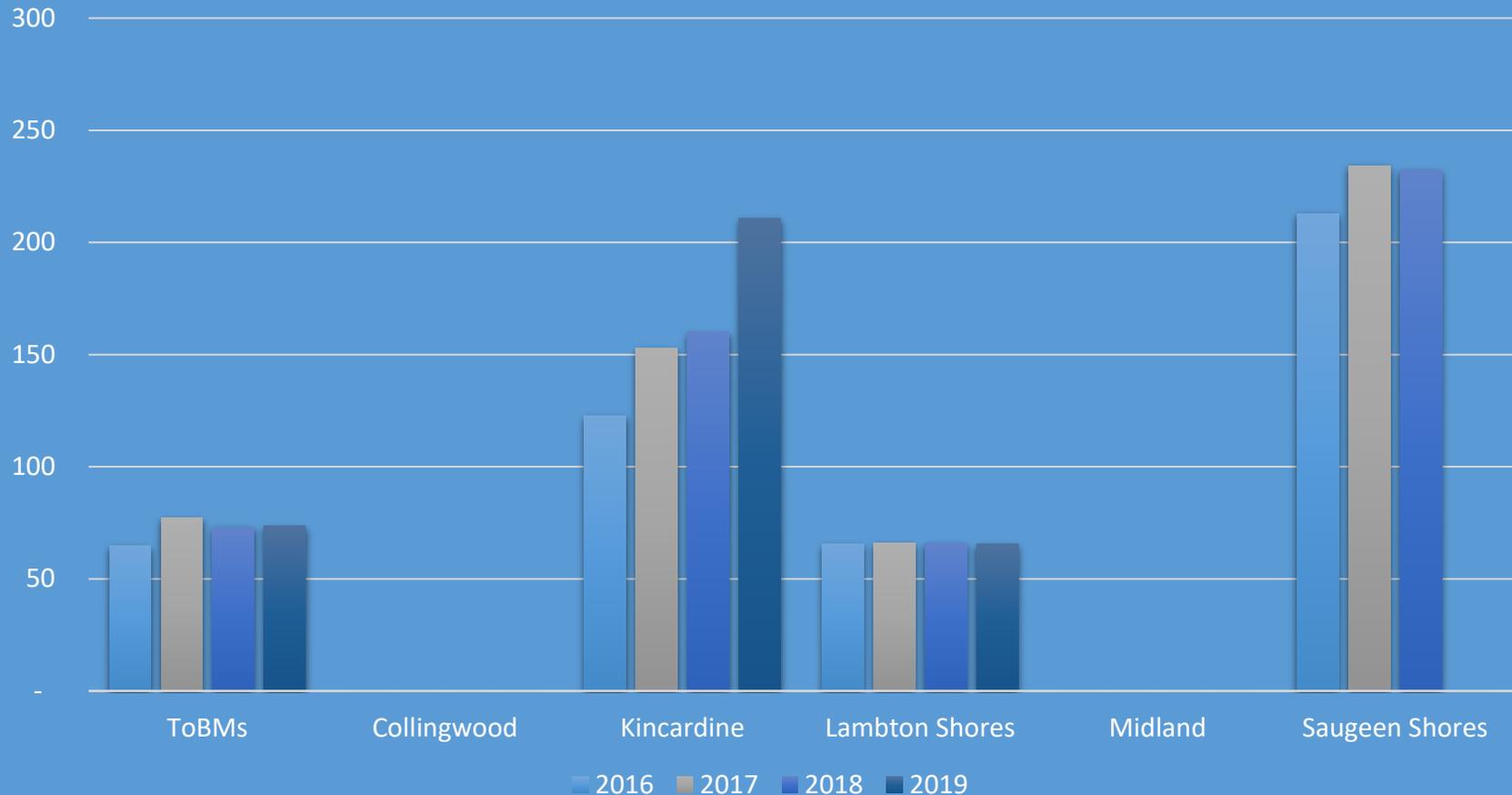


- TBM has low Solid Waste user charges suggesting that operations have been funded to a greater degree on taxation as opposed to a “user pay system”.
- Increased rates for garbage bag tags, elimination of free garbage bags, and increased solid waste landfill fees would align the Town more closely with comparator group.
- TBM’s lower landfill user charges suggests that individuals/entities using the landfill are subsidized by tax payers.
- We understand that in 2020 landfill rates have been increased.



Comparative Solid Waste User Fees/Household (Inflation adjusted)

Solid Waste User Fees/Household

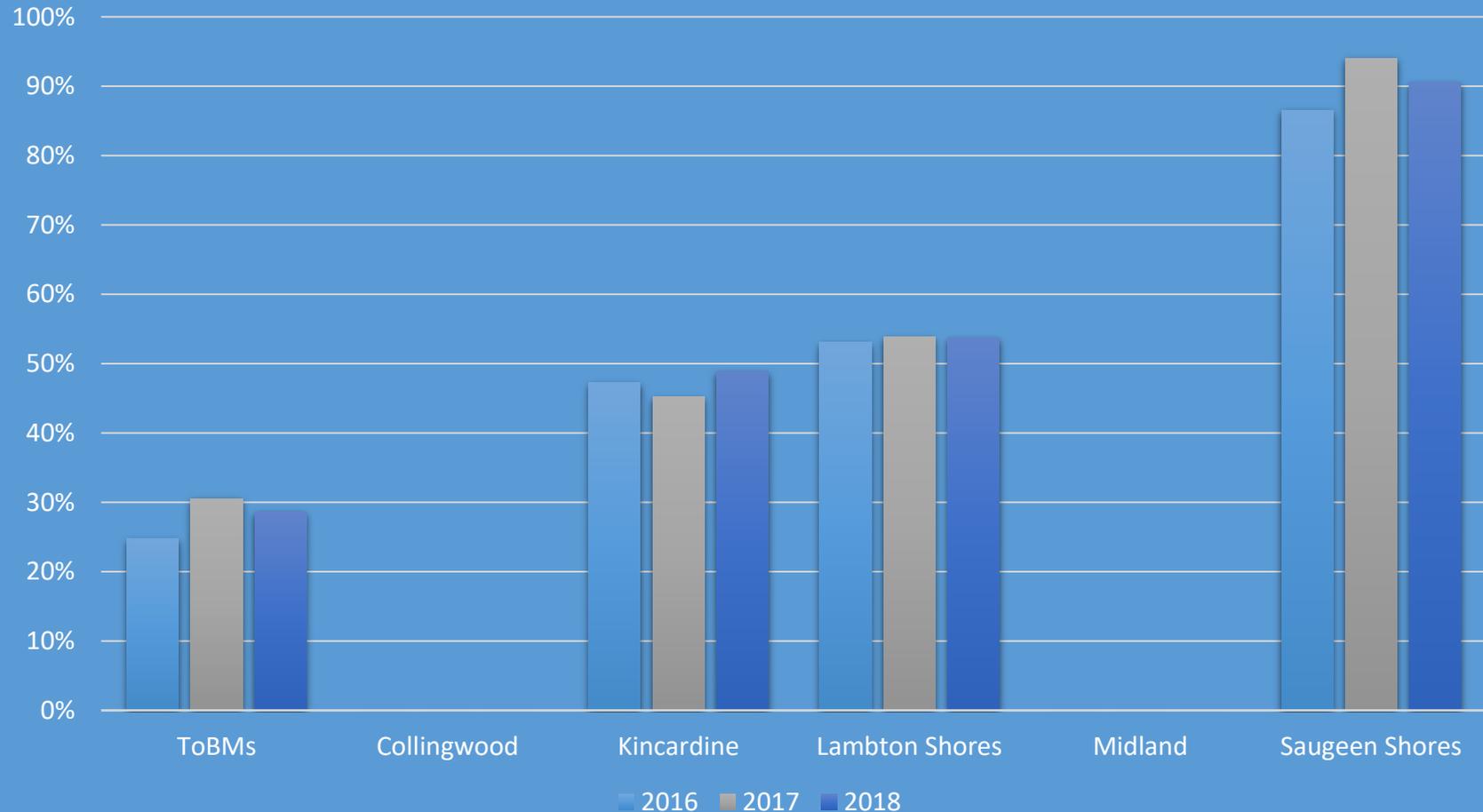




- TOBM has a significant post closure expense in 2019 which percentage would drop to 9% in 2019
- TOBM averaging 28% of total solid waste costs/household recovered from user fee revenue
- Suggests the town recovers a greater portion of solid waste costs through the tax levy than comparators
- Comparative information limited to 2016 – 2018 for Saugeen Shores as 2019 is currently not available



Solid Waste User Charges as a percentage of costs (Inflation adjusted)

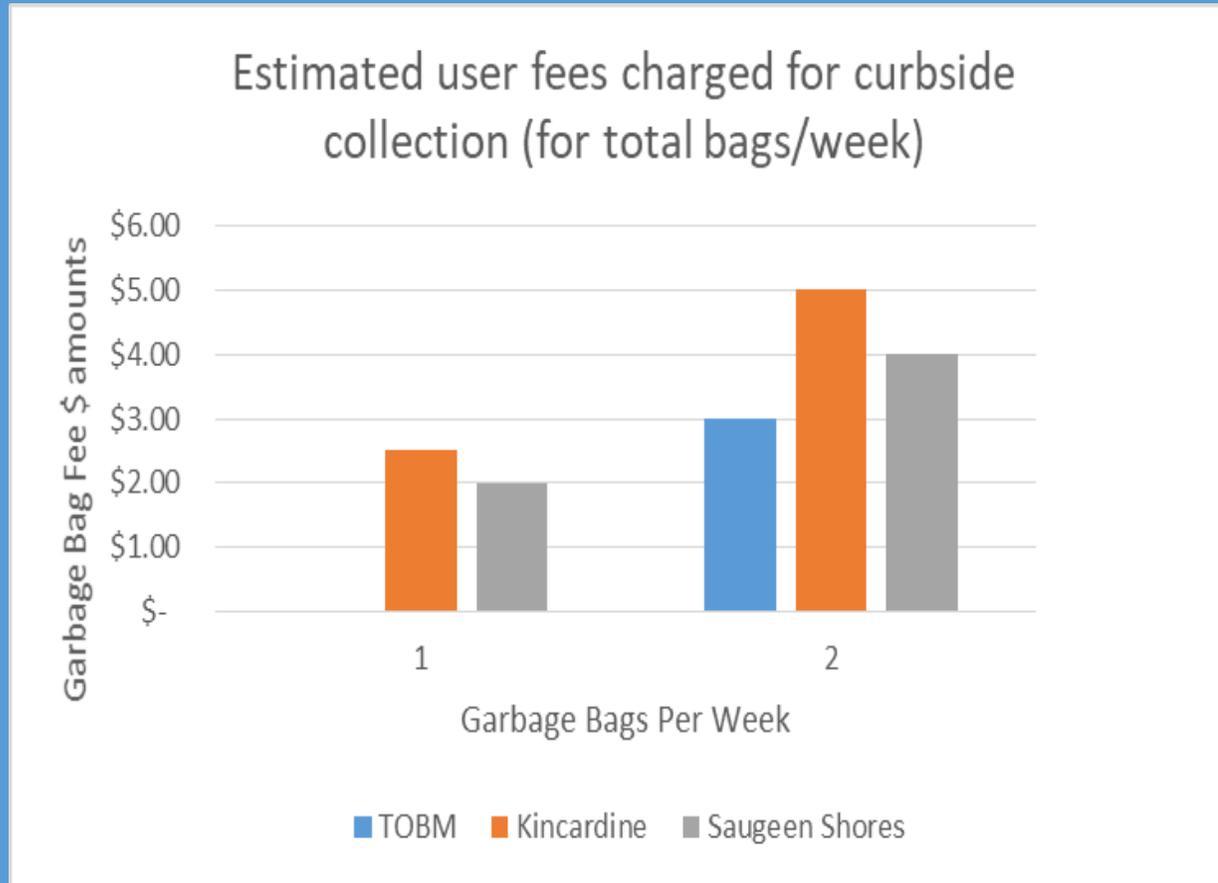




- The Town has lower solid waste user charges than the comparator group, however we understand that the Town is increasing its rates, specifically on certain materials with a focus of increasing user charges associated with construction & building materials.
- For example TBM has the lowest minimum solid waste visit charge across the comparator group. An analysis of the # of minimum charges would be necessary to understand the magnitude of an increased rate for this category.
- A heavily tax funded operation would benefit full time residents in comparison to part-time seasonal residents. There are likely differing views based on residency classification, but evidence shows that solid waste is primarily tax levy funded.
- The Town offers a single garbage bag allowance (that is free and does not require a garbage bag tag). This reduces the user charges that are collected on an annual basis. There are opportunities that would allow for increased user charges, either by increasing the bag tag fee, or eliminating the free single bag allowance. Increases to the user charges/fees could allow for an offsetting reduction to taxation rates, and more directly align the users of the solid waste services with the funding required.
- The effectiveness of the bag tag program should be evaluated. The program generates an insignificant amount of revenue (approximately \$13K in 2018). TBM would need to understand the cost (in both dollars and other benefits) of the program and if the program is achieving its goals.
- There is a significant volume of traffic for non-charge visits, per internal TBM data; approximately 110,850 visits per year. Consideration as to whether certain non-charge categories should attract a fee. A fee (even nominal) may reduce the situations where individuals may be entering the facility multiple times within a short period of time. No charge access may be presenting an opportunity for garbage disposal and avoidance of the minimum entrance fee.



User Charges for Garbage Collection (bags for a week)

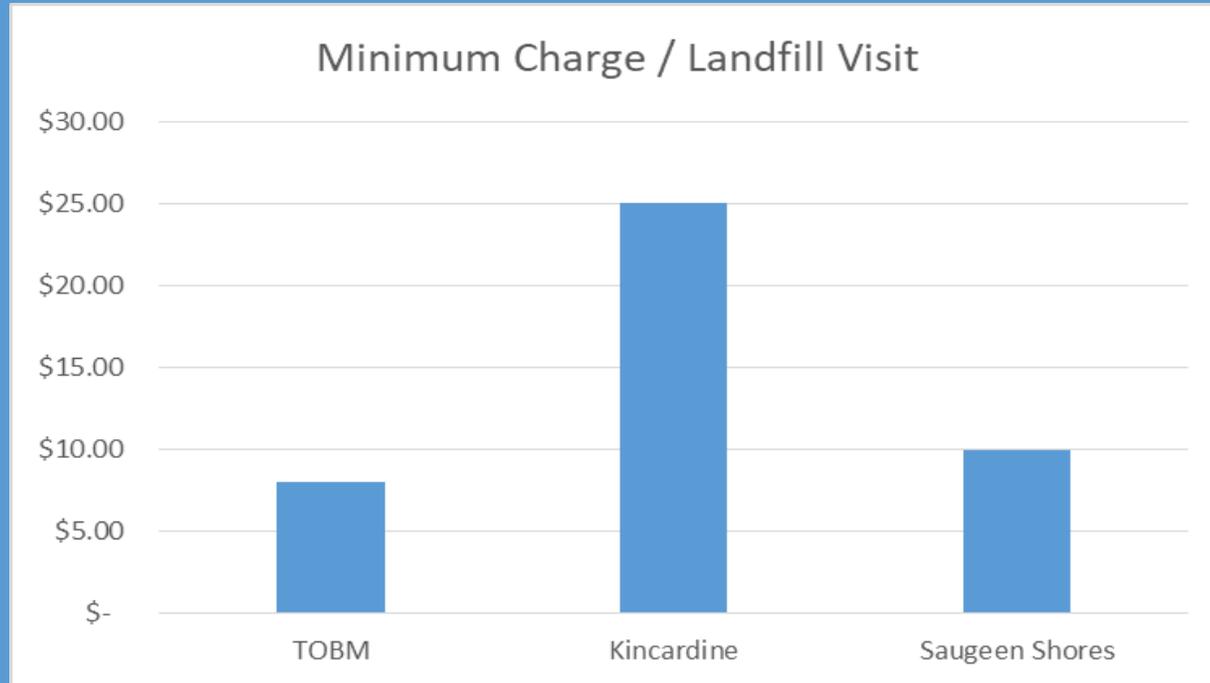


- TBM does not charge any bag tag fees if resident places 1 bag of garbage per week.
- With bag disposals ranging from between 1-2 bags, residents would be consistently charged less than Kincardine or Saugeen Shores.
- Lambton Shores charges an annual fee for the use of specific sizes of garbage bins, which is a differing methodology.
- TBM collected less than \$13K in garbage bag tag revenue in fiscal 2018. With 7,849 houses that is approximately \$1.60/house annually. Lambton Shores for example, would have a minimum charge of \$60/year for the smallest size garbage bin size available for use.
- TBM to consider whether garbage collection should be based on utilization as opposed to funded primarily through taxation. The Fiscal 2020 budget forecasted that Garbage Collection would be funded 94% by taxation.

- Based on current bag tag pricing information available on municipal websites



- TBM offers weekly garbage collection with no-charge 1st garbage bag collection, while the comparator municipalities all have some form of user charge that is required to be paid for curbside collection regardless of volume.
- TBM may consider that relative to the comparator group, the Town is providing garbage collection for low user charge rates, and funding more heavily through the taxation levy.
- Bag tag revenue at TBM is nominal (<\$13K in F2018, <\$40K in F2019).
- Consider either increased rate per Bag Tag, or a requirement for all garbage to be bag tagged.
- Taxation rates could be reduced if there was an increase in user charges, designed to recover payments for properties utilizing garbage collection services. Alternatively, cost savings may be attainable if collection is done on a bi-weekly basis as in certain other municipalities.

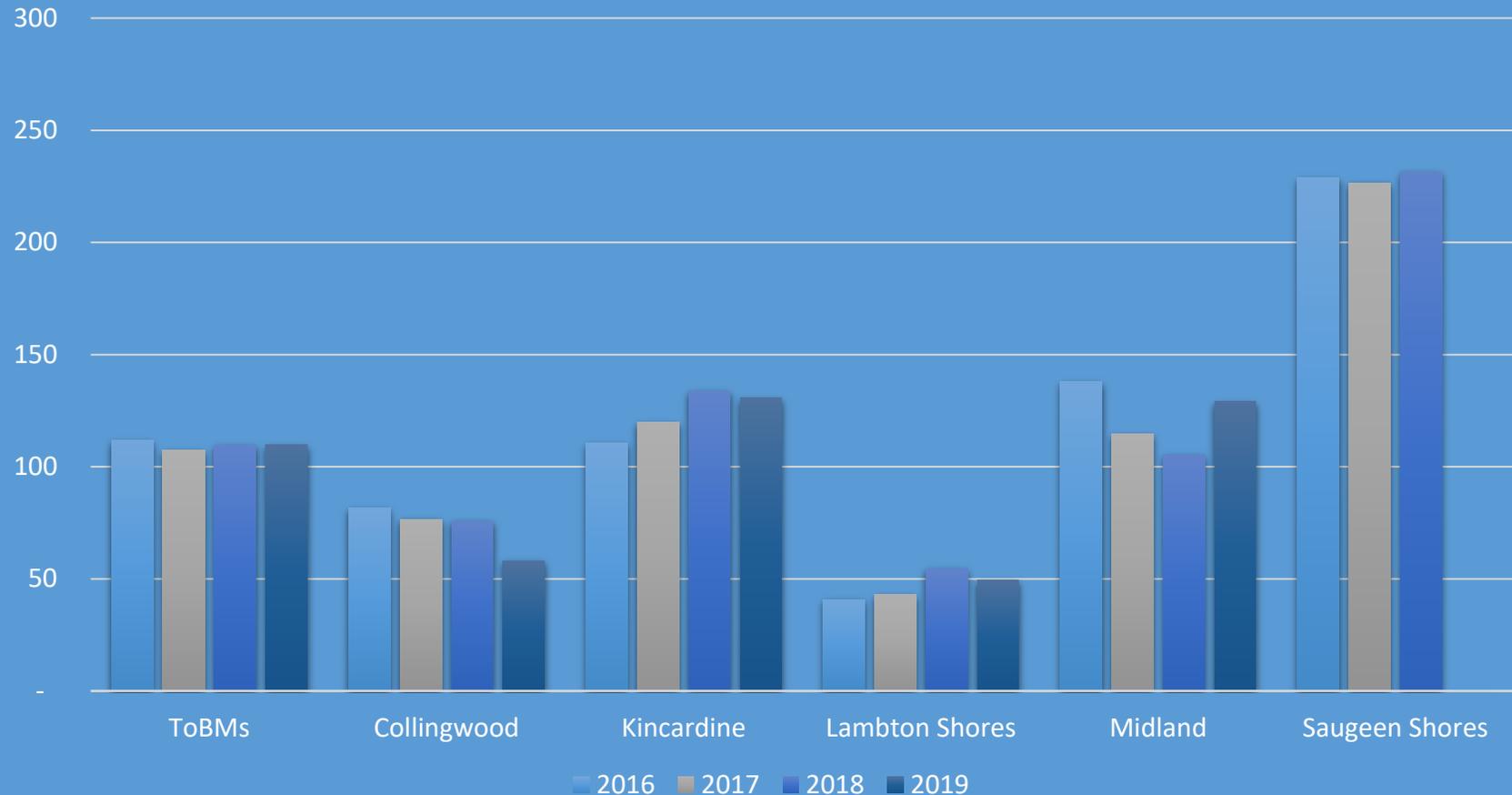


- To assess what the impact of an increase in the minimum landfill visit fee would have on user charges, and therefore theoretically a taxation reduction.
 - If \$15-\$20 was charged instead of current the \$8.00; $\$12.00 \times 15,000$ visits would approximate \$180K of revenue, spread amongst 7,500 homes could approximate \$24 tax savings per household
- The Town currently has the lowest minimum charge for a site visit to the landfill. It is approximately 20% lower than Saugeen Shores, and represents approximately 1/3 the Kincardine minimum rate. Should the Town wish to consider recovering increased user fee charges, consideration could be given to the minimum charge currently being used as it appears to be low. This could allow for increased user charges, resulting in decreased taxation levy requirements.



Comparative Recreation & Cultural Service User Fees/Household (Inflation adjusted)

Recreation & Cultural Service User Fees/Household



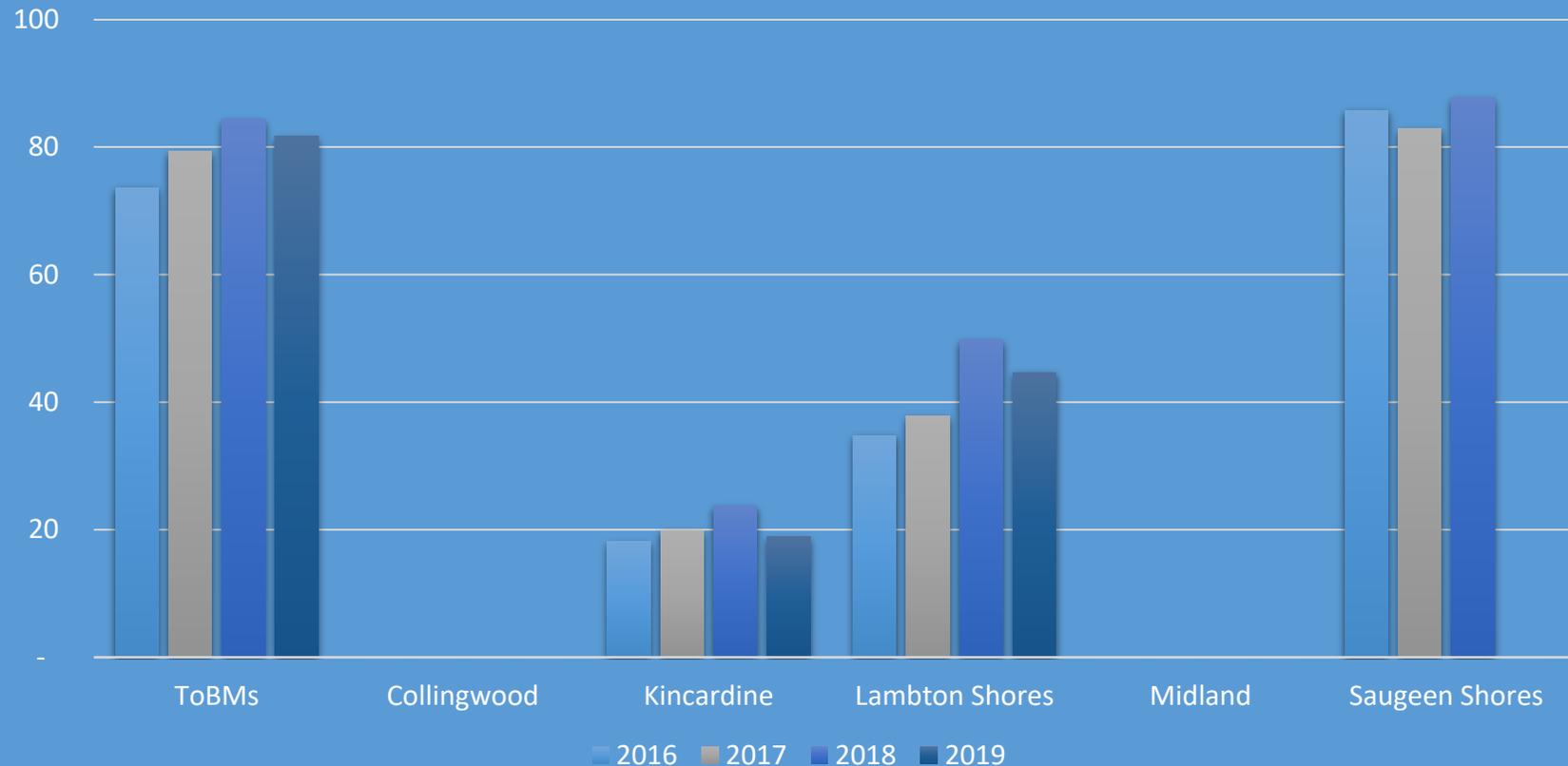
- TBM average in Recreation & Cultural Service user charges per household vs comparator group
- TBM has stable recreation user charges/household
- KPMG notes there is variation in service offerings (pools, rinks etc.)



Comparative Golf Course & Marina User Fee Revenues/Household (Inflation adjusted)

- Golf & Marina user fee revenues/household are rising in TBM, and are relatively high versus comparators
- While Collingwood & Midland have a marina, their respective FIR documents do not allow for data to be extracted, thus no data is presented

Golf Course & Marina User Fees/Household





Expenses

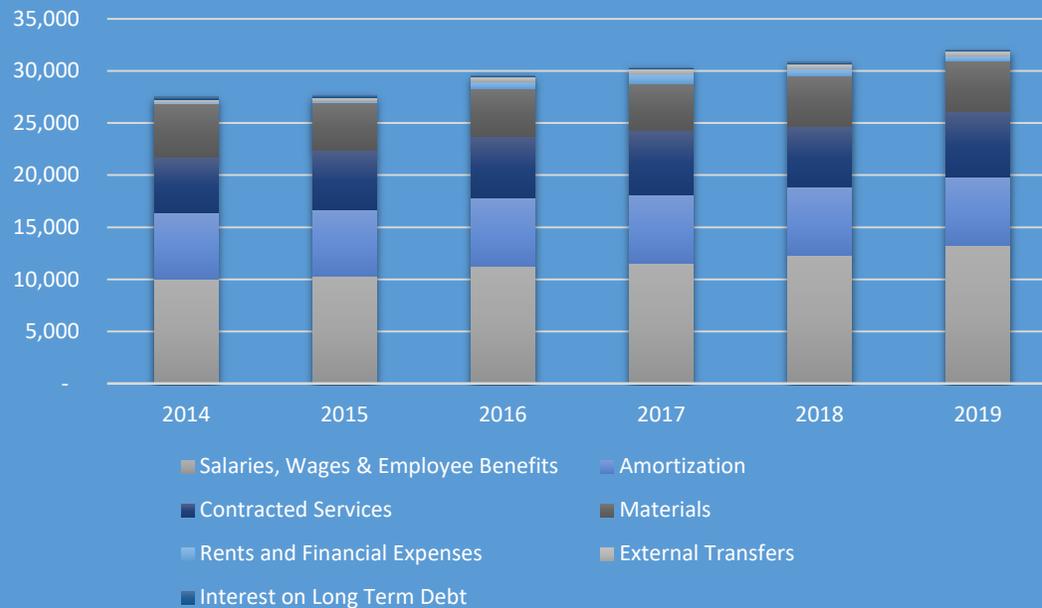


TBM Total Expenses (Inflation adjusted)

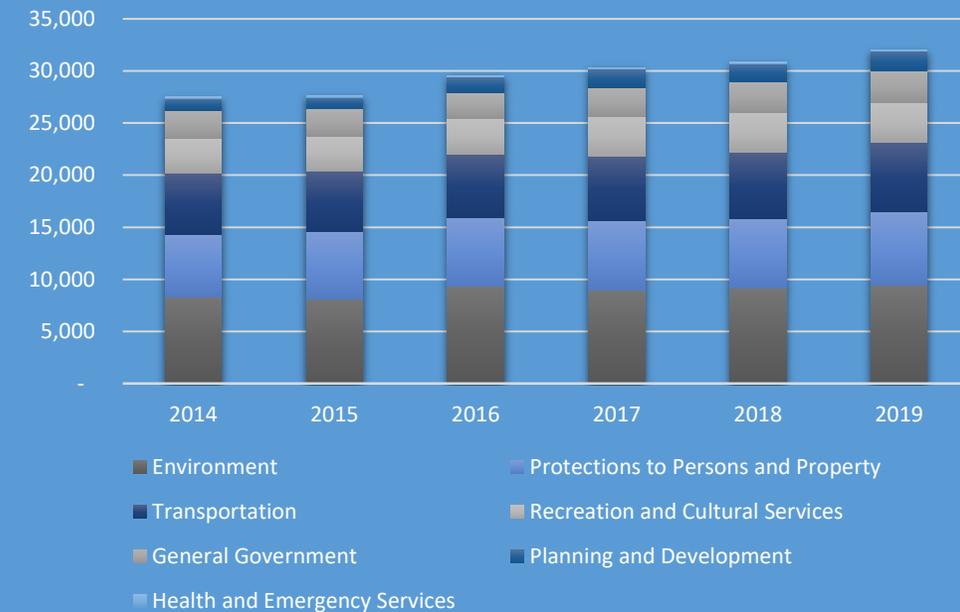
- Total Expenses for the Town has increased by 16% over inflation from 2014 to 2019

- 2019 Solid Waste Post Closure expense (a future cash outflow) has been intentionally excluded

Total Expenses by Category
thousands of \$



Total Expenses by Function
thousands of \$

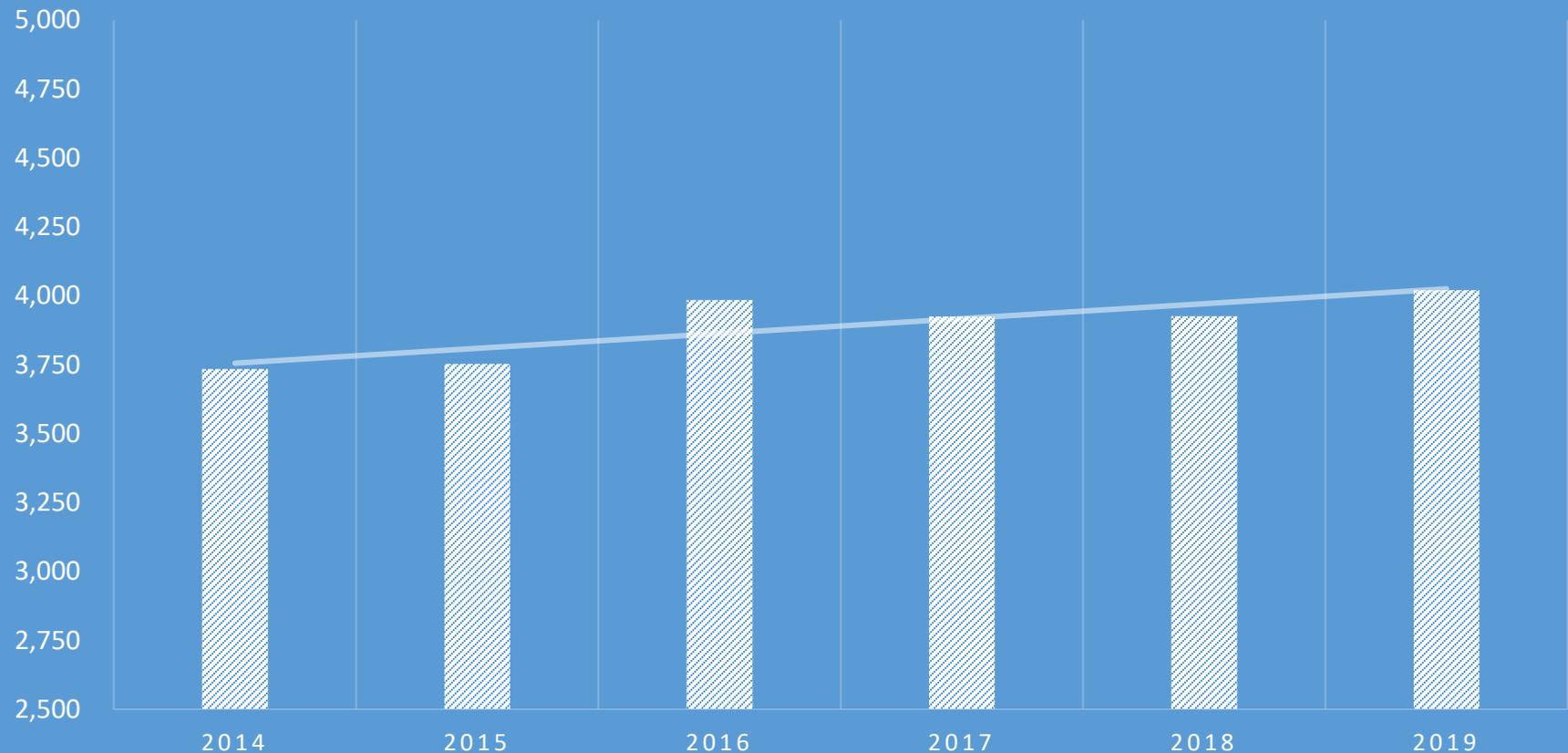




TBM Total Expenses/Household (Inflation adjusted)

- Total Expenses per household had exhibited a decline from 2016-2019, but in general have grown above inflation over the period

EXPENSES PER HOUSEHOLD IN \$'S

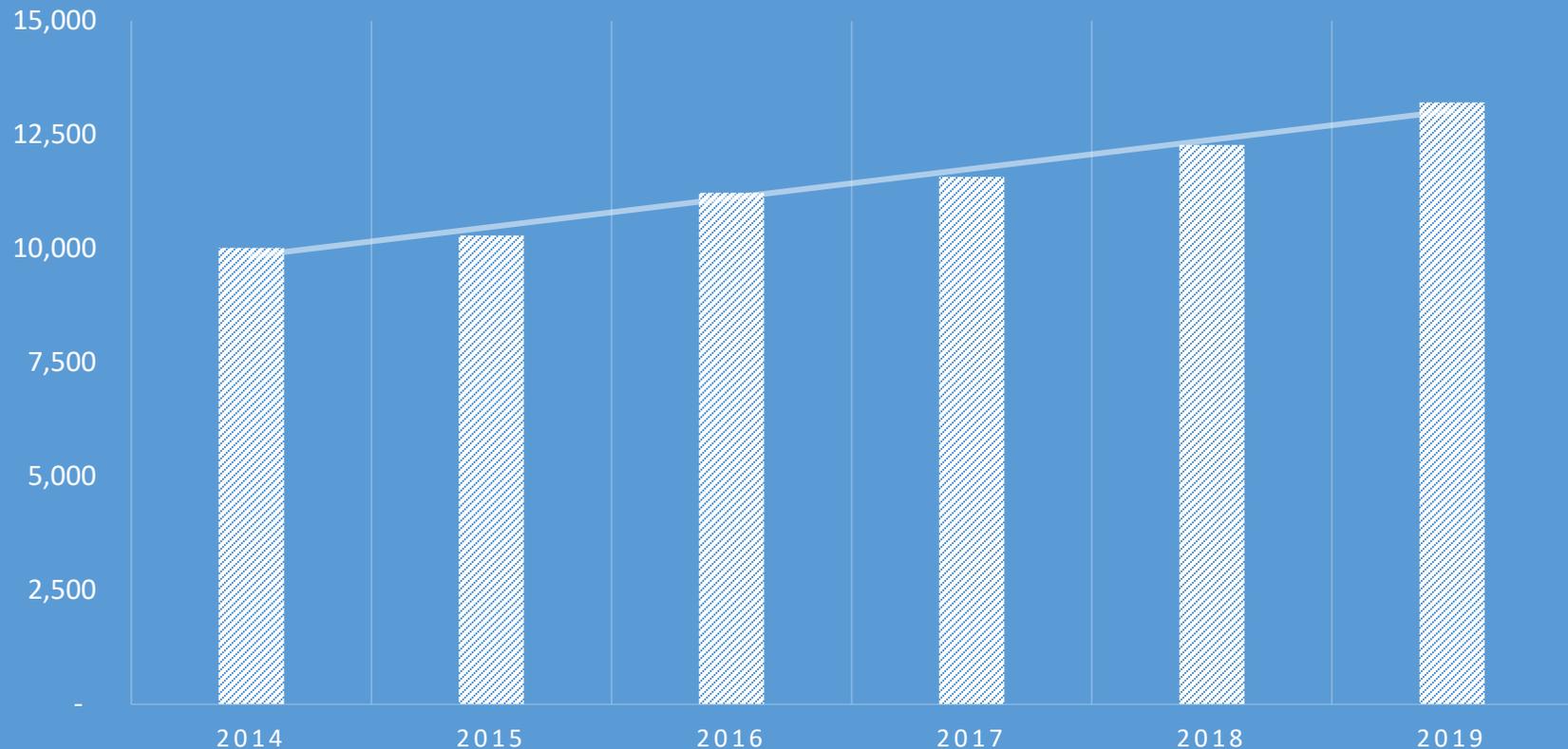




TBM Salaries, Wages & Benefits Expense (Inflation adjusted)

- Salaries, Wages and Benefits Expense have steadily increased by 32% above inflation from 2014 to 2019
- We understand that over the period, there has been an increase in headcount, of which a significant portion pertains to the hiring of Town contract employees as opposed to the use of external consultant services (i.e., Transportation Master Plan)

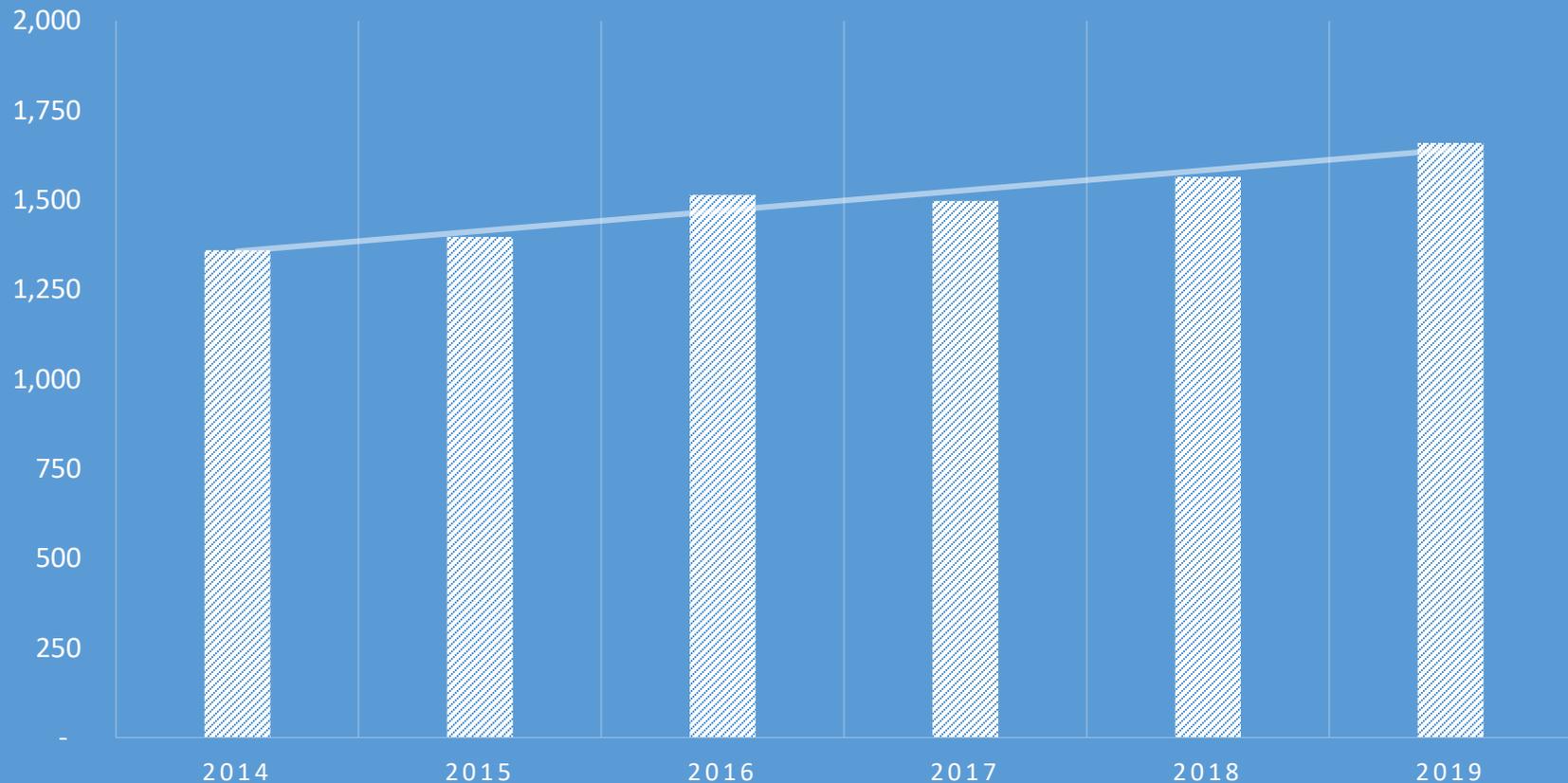
SALARIES, WAGES & BENEFITS IN 000'S





TBM Salaries, Wages & Benefits Expense/Household (Inflation adjusted)

SALARIES, WAGES & BENEFITS PER HOUSEHOLD IN \$'S



- Salaries, Wages and Benefits Expense per household averages approximately \$1,500/household over the 6-year period
- Increase of 22% above inflation from 2014 to 2019

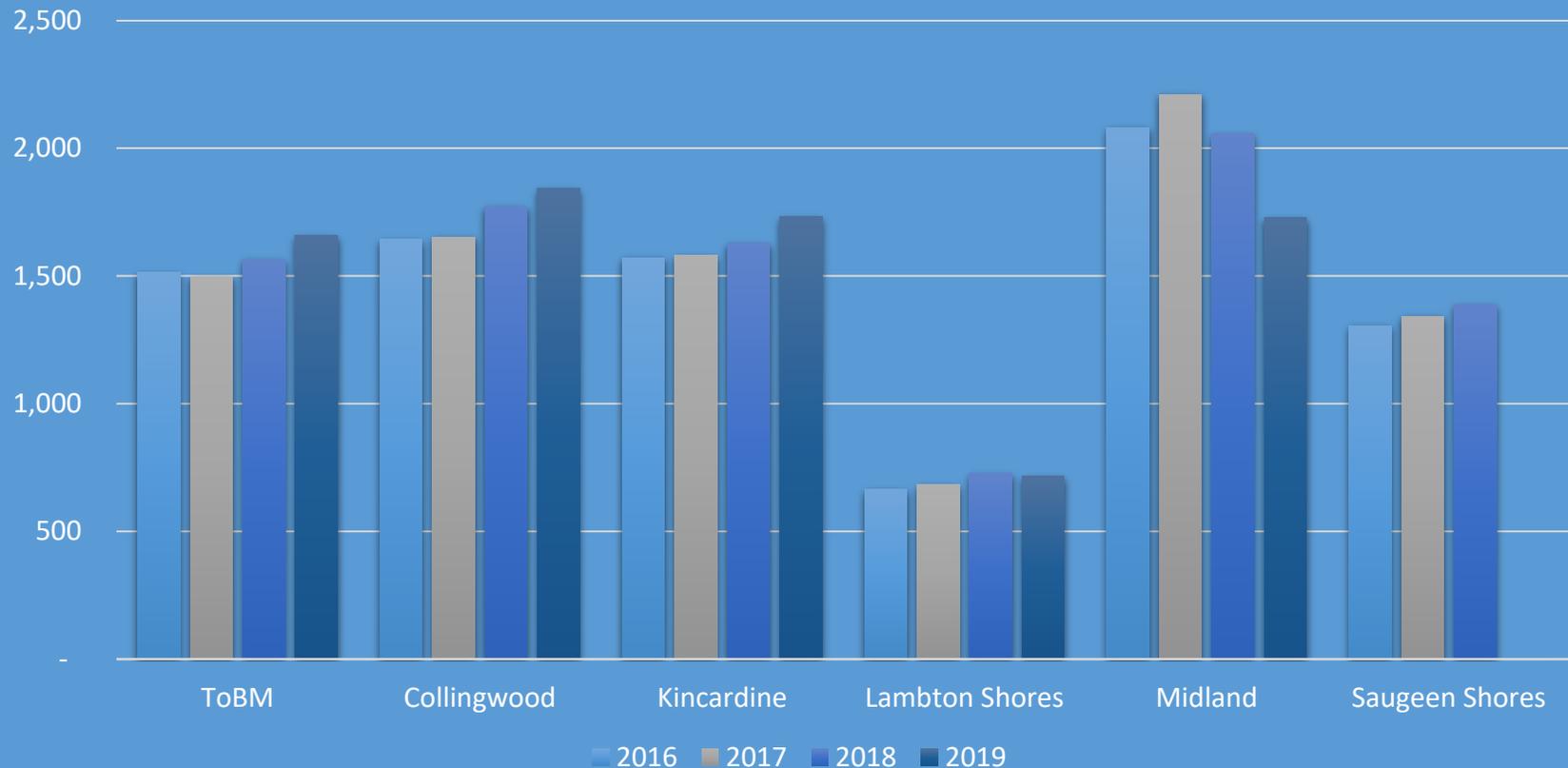


- The Town needs to assess the salaries and wage costs that are increasing on a per household basis
- As the Town grows by way of development, a trend that may have been expected would be a decrease in salary and wages on a per-household basis if economies of scale allowed for decreased costs on a per household basis. The trend noted however is opposite. We understand from discussions with management this would be in part due to increasing headcount for certain positions which may have otherwise been contracted out.
- It is noted that the Town's 3 year trend of increasing salary & benefits costs is consistent with the other municipal comparators but contributing to the increased expenditures by household.



Comparative Salaries, Wages & Benefits Expense/Household (Inflation adjusted)

Salaries, Wages & Benefits Expense/Household In \$'s

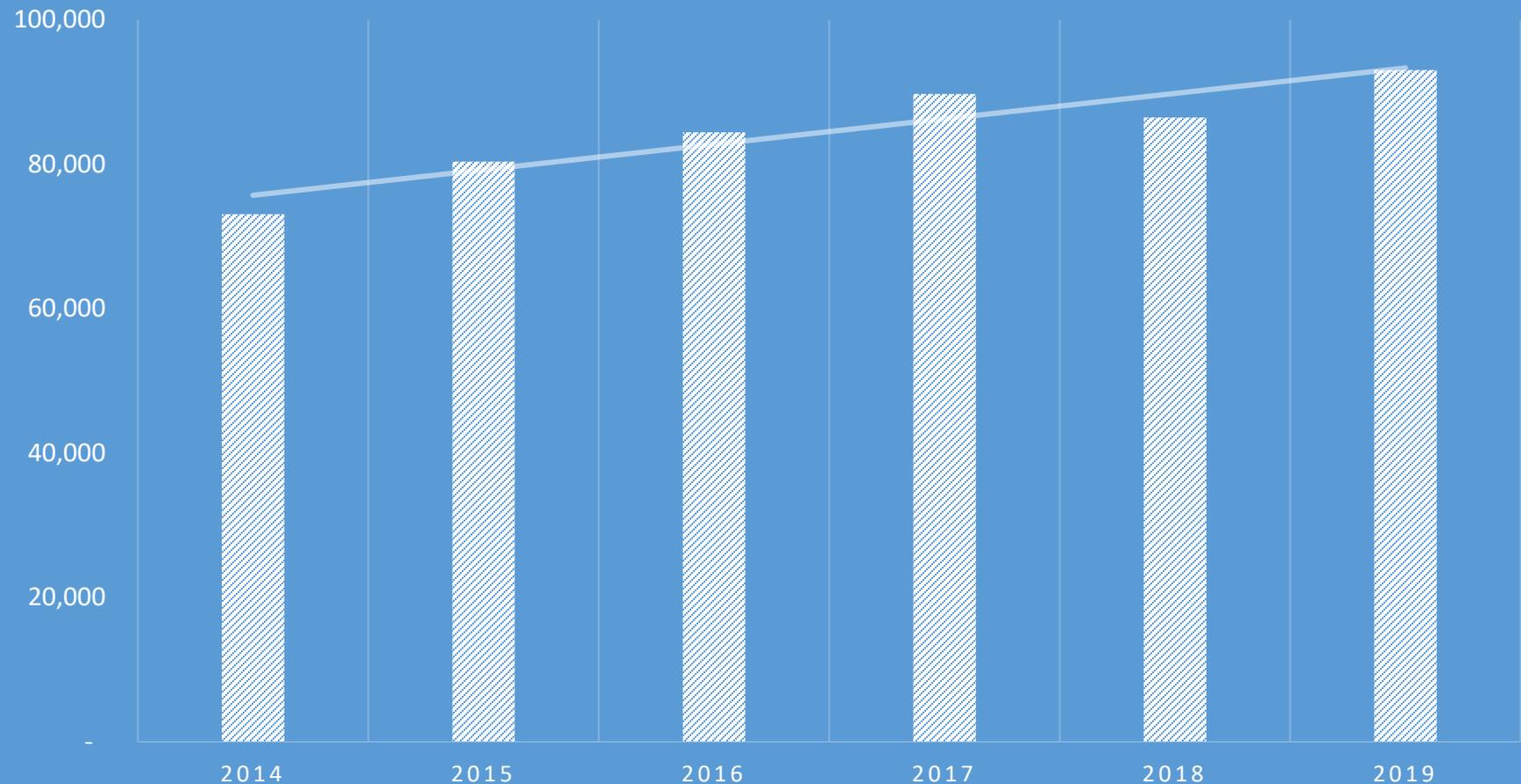


- TBM has relatively stable salaries, wages and benefits expense/household versus the comparators
- Most comparators are increasing in this metric



TBM Salaries, Wages & Benefits Expense/Employee (Inflation adjusted)

SALARIES, WAGES & BENEFITS PER EMPLOYEE



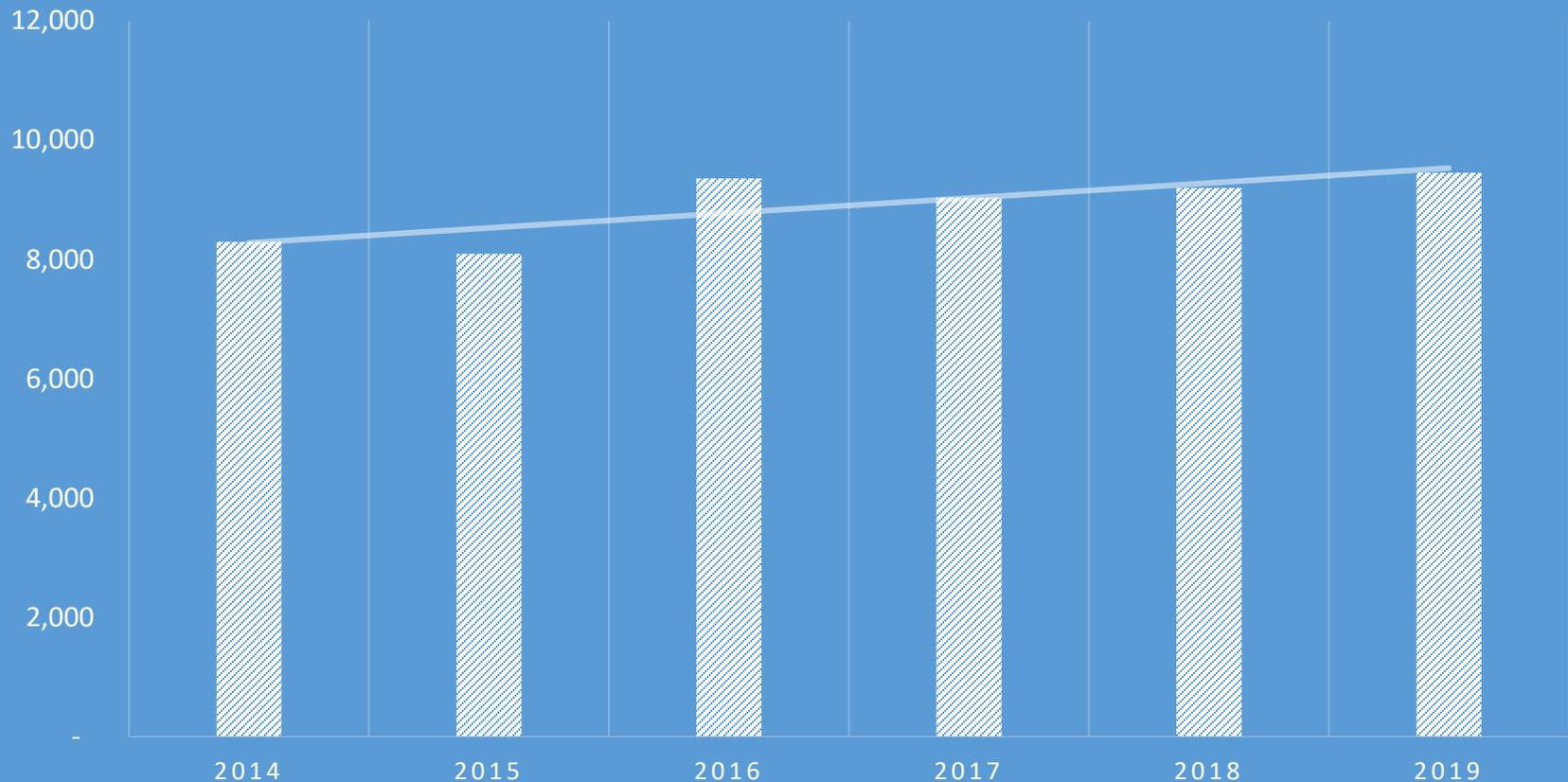
- Salaries, Wages and Benefits Expense per employee has increased by 16% over the 6-year period, from average of \$72,000 in 2014 to \$93,000 in 2019



TBM Environmental Expense (Inflation adjusted)

- Environmental expense has increased by 14% above inflation from 2014 to 2019
- The majority of this expense can be split into water & wastewater and solid waste
- Environmental expense for 2019 excludes post-closure non-cash/budget expense of \$4.4M

ENVIRONMENTAL EXPENSES IN 000'S

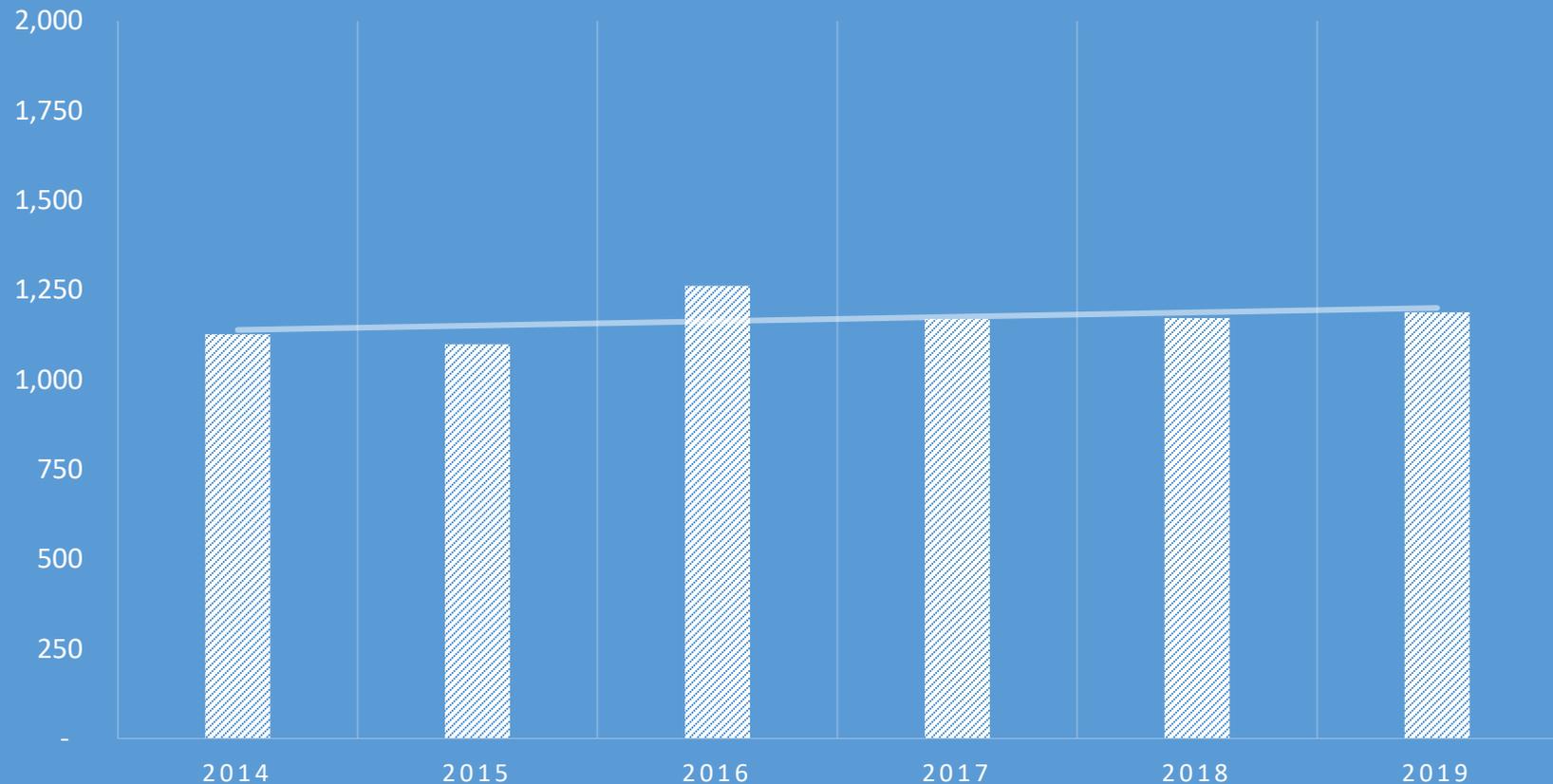




TBM Environment Expense/Household (Inflation adjusted)

- Environment Expense per household averages approximately \$1,169/household over the 6-year period, but increasing
- Environmental expense for 2019 excludes post-closure non-cash/budget expense of \$4.4M

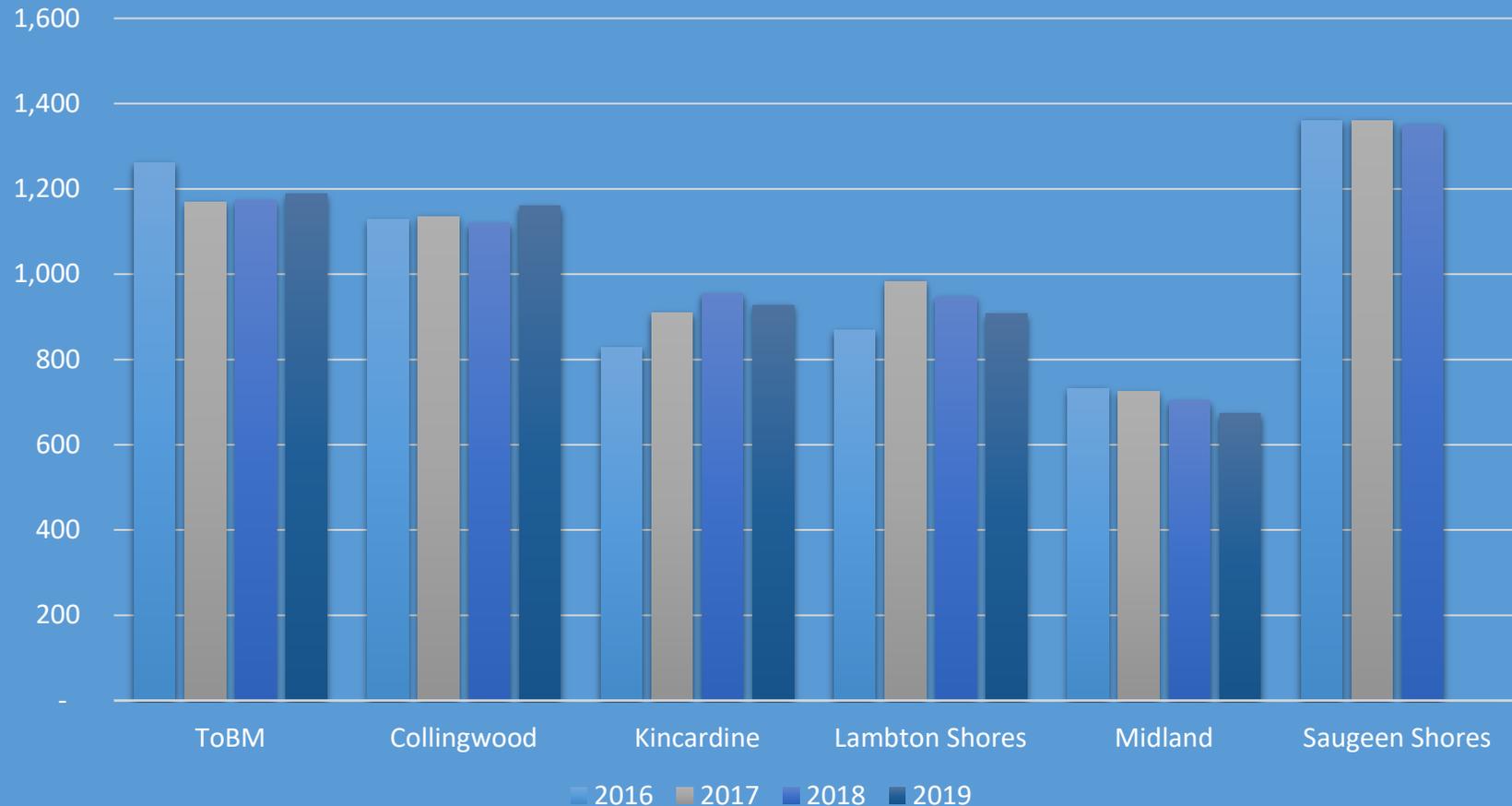
ENVIRONMENTAL EXPENSES PER HOUSEHOLD IN \$'S





Comparative Environment Expense/Household (Inflation adjusted)

Environment Expense/Household



- TBM has a relatively high environment expense/household versus the comparators

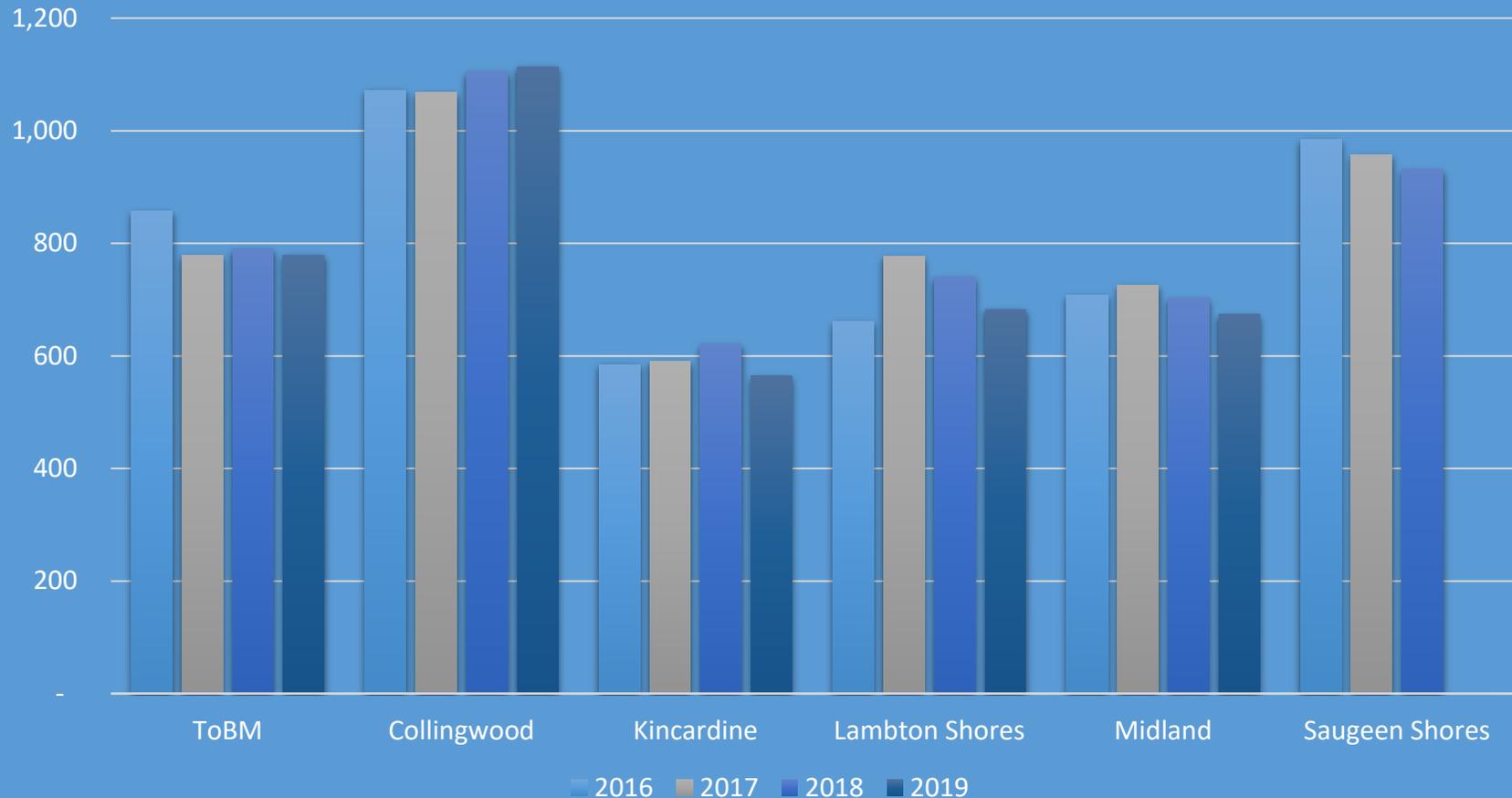
- Note that Collingwood and Midland do not have solid waste disposal or waste diversion costs



Comparative Water & Wastewater Expense/Household (Inflation adjusted)

- TBM's Water & Wastewater expenditures per household are marginally higher than the median of the group
- Geographic complexities with elevation climbs can impact delivery costs

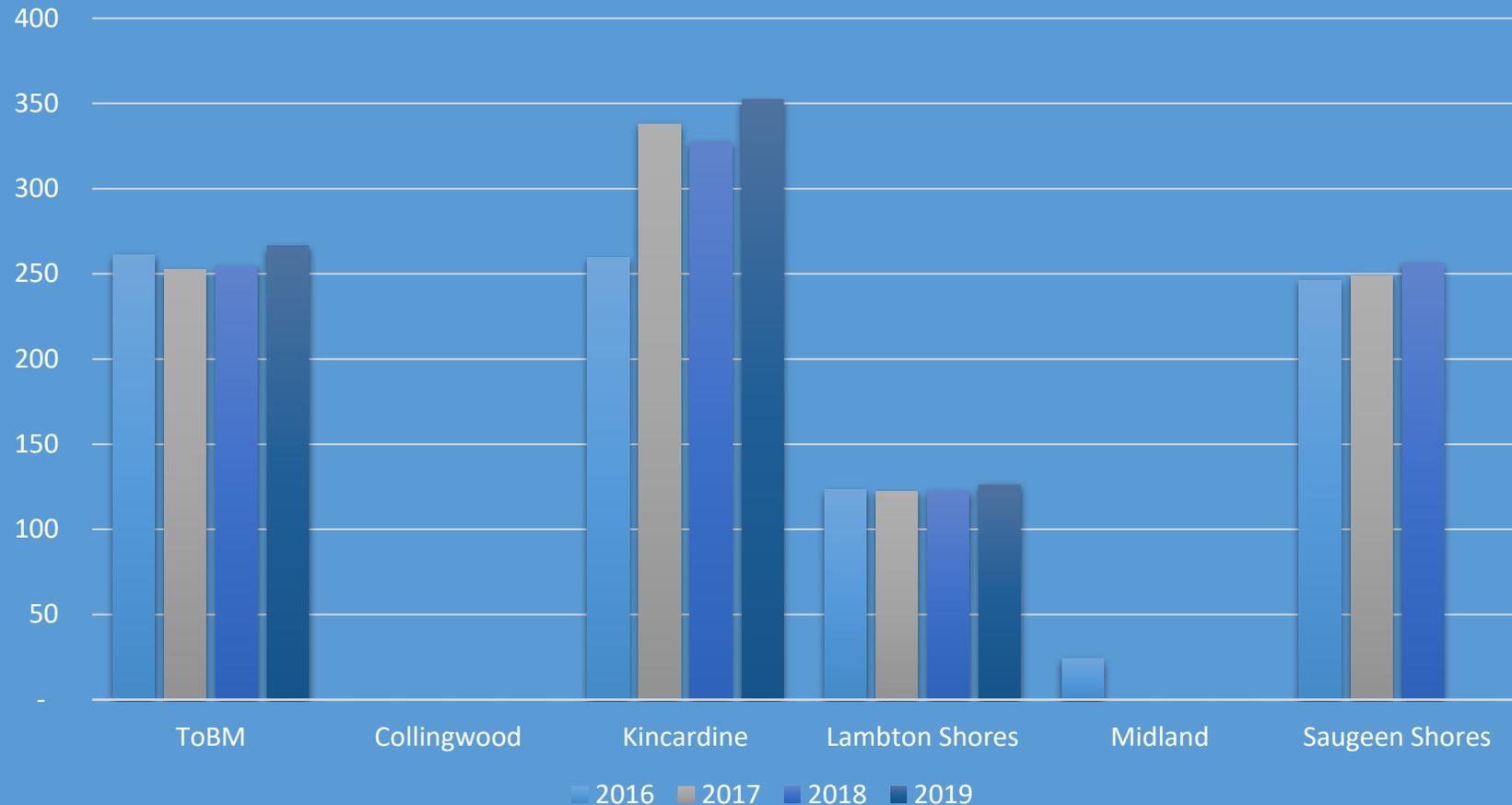
Water & Wastewater Expense/Household





Comparative Solid Waste Expense/Household (Inflation adjusted)

Solid Waste Expense/Household



- Solid Waste expense per household is stable in TBM, similar to Saugeen Shores
- Lambton Shores does not operate a landfill; would show higher expenses otherwise



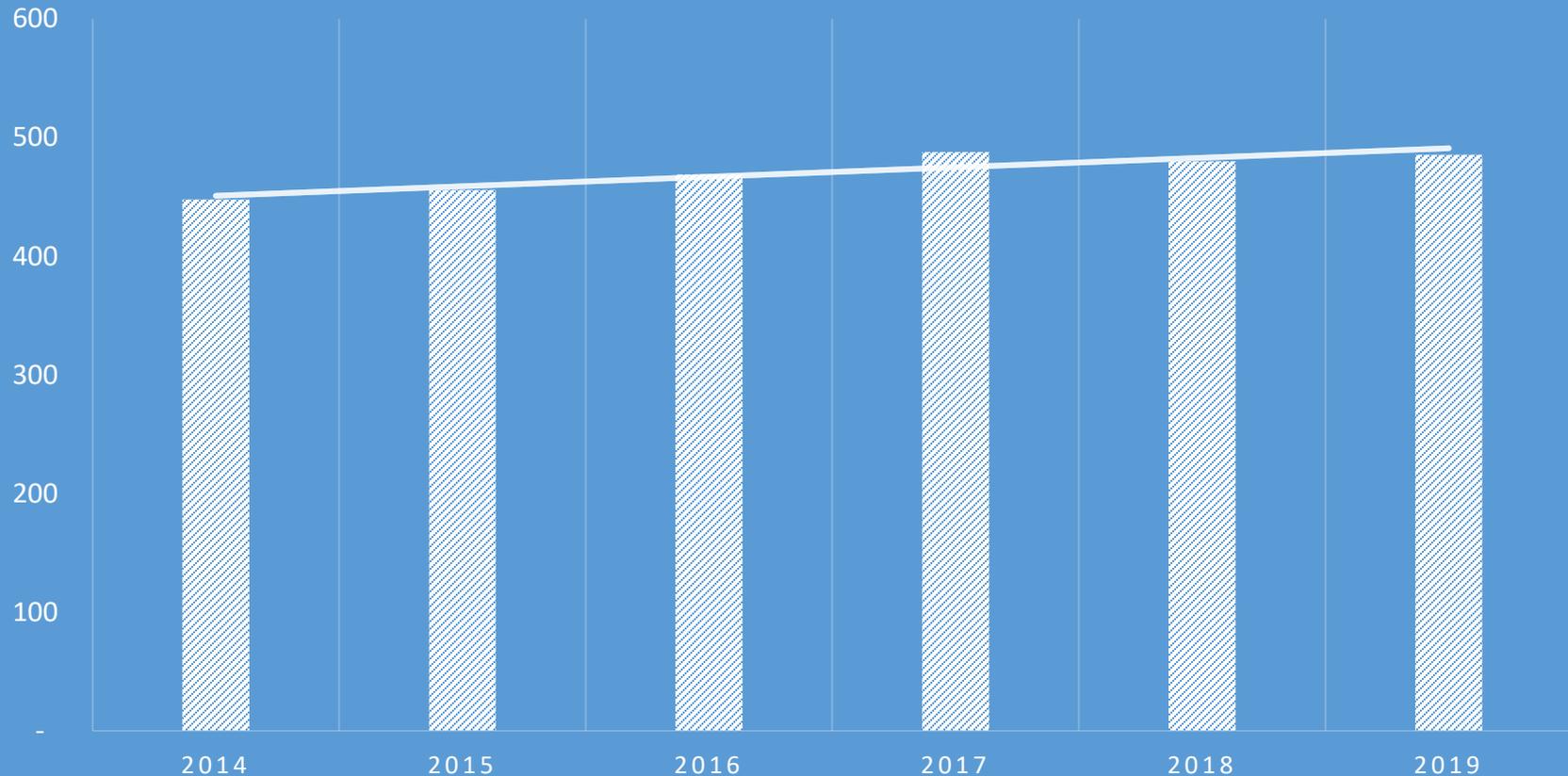
- Curbside garbage collection and landfill operations are primarily tax funded, as previously outlined.
- The current service level for garbage collection offered results in a calculated average expenditure of approximately \$266/household. There may be longer term opportunities to amend the current service level to bi-weekly or other modified collection, which may result in cost reductions. Certain municipalities have moved to a bi-weekly collection schedule to allow for cost savings within the municipality, which in turn may allow for taxation savings for residents.
- An analysis to support whether a move to bi-weekly collection could result in efficiencies should be performed, if bi-weekly collection would be deemed to be an appropriate service level.



TBM Recreation & Cultural Expense/Household (Inflation adjusted)

- Recreation & Cultural Service expense averages approximately \$470/household over the 6-year period, but is relatively stable, increasing only slightly above inflation

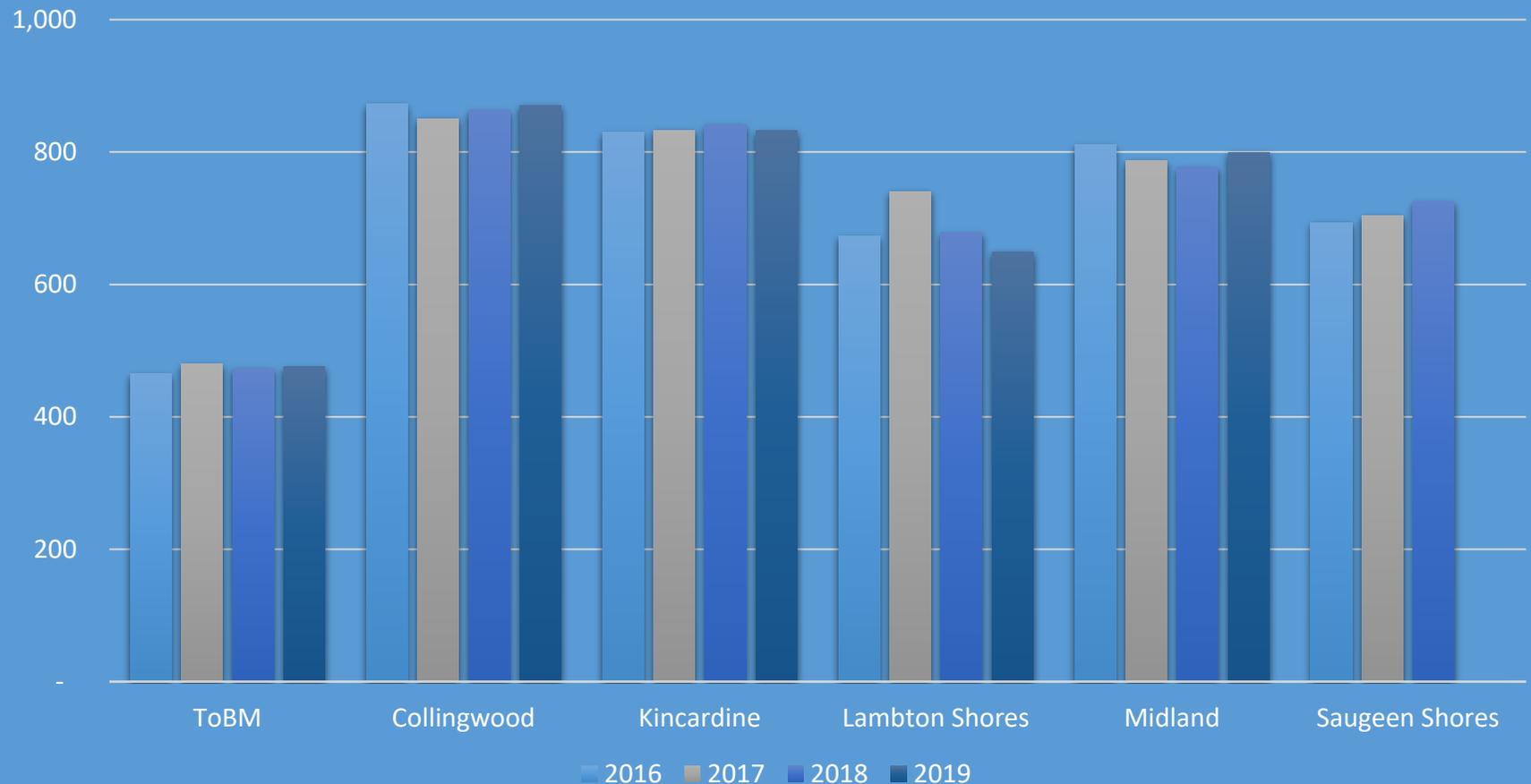
RECREATION & CULTURAL SERVICE EXPENSES PER HOUSEHOLD





Comparative Recreation & Cultural Services Expense/Household (Inflation adjusted)

Recreation & Cultural Services Expense/Household



- TBM spends significantly less (almost ½ in some cases) per household on Recreation & Cultural Service expenses
- Many of the comparators offer swimming pool facilities, or more ice rinks

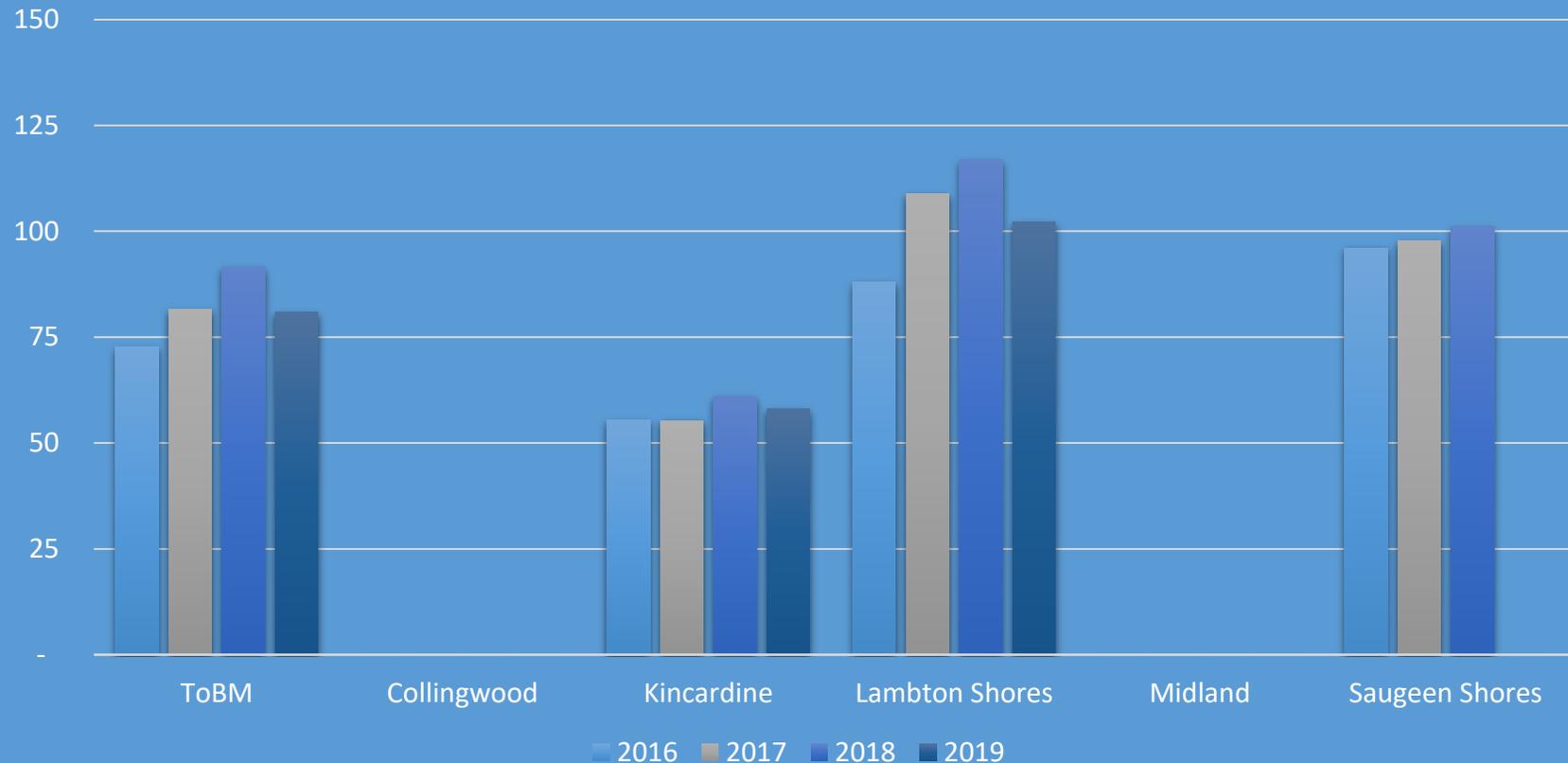


- Golf & Marina expenses/household are rising in TBM, but are relatively consistent with comparators
- Approximately 1/5 of total recreation & cultural expenses pertain to Marina/Golf
- Collingwood & Midland did not report in any amount in this FIR caption



Comparative Golf Course & Marina Expenses/Household (Inflation adjusted)

Golf Course & Marina Expenses/Household





Net Expenses/Revenues



Net Revenue/Expense Calculations:

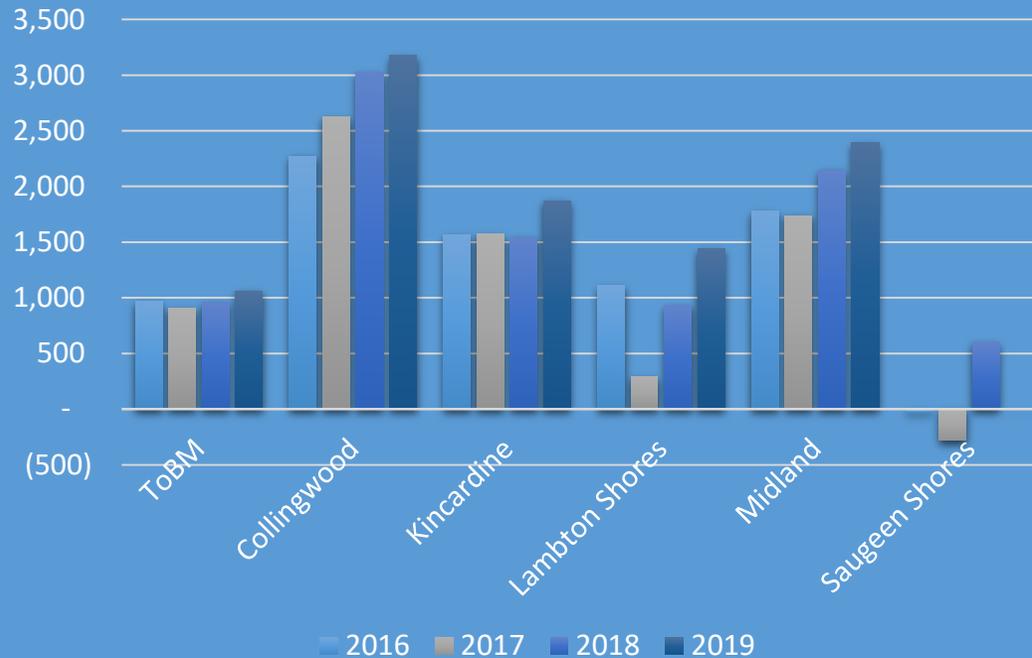
- KPMG calculated net revenues/expenses as:
 - Total User Fee Revenue for each category investigated, less
 - Total Expenses for the category
- The resulting net revenues (expenses) are the surplus (shortfall) that are:
 - Saved for future capital infrastructure expansion or maintenance needs (Net Revenues)
 - Funded by other sources of revenue, such as taxation or grants (Net Expenses)



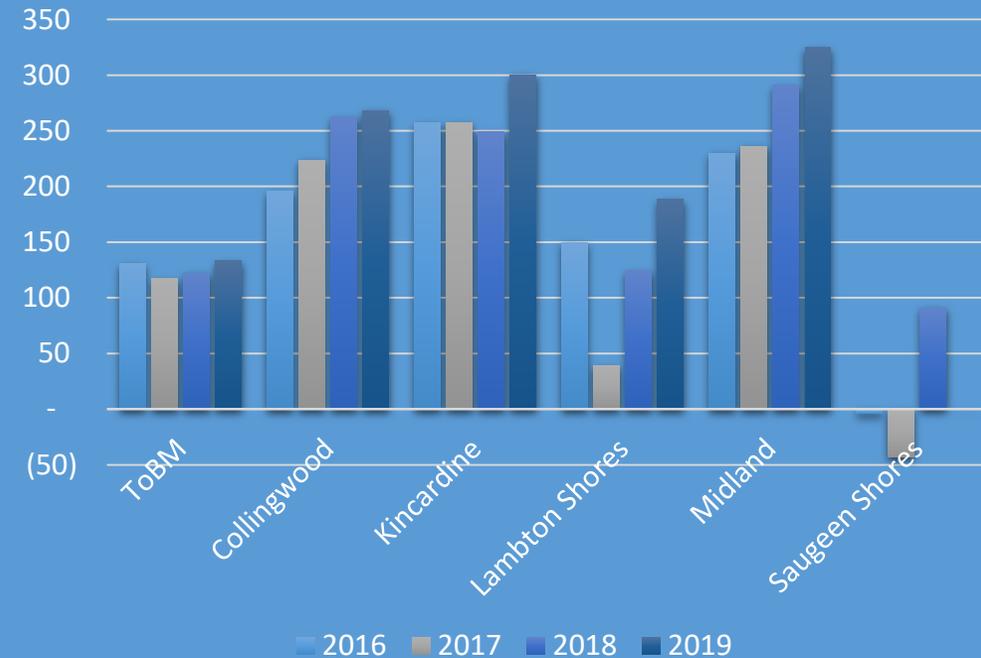
Water & Wastewater Net Revenues (Inflation adjusted)

- TBM is consistently generating a surplus of approx. \$1M, or \$125 per household

Water & Wastewater Net Revenues In 000's



Water & Wastewater Net Revenues/Household

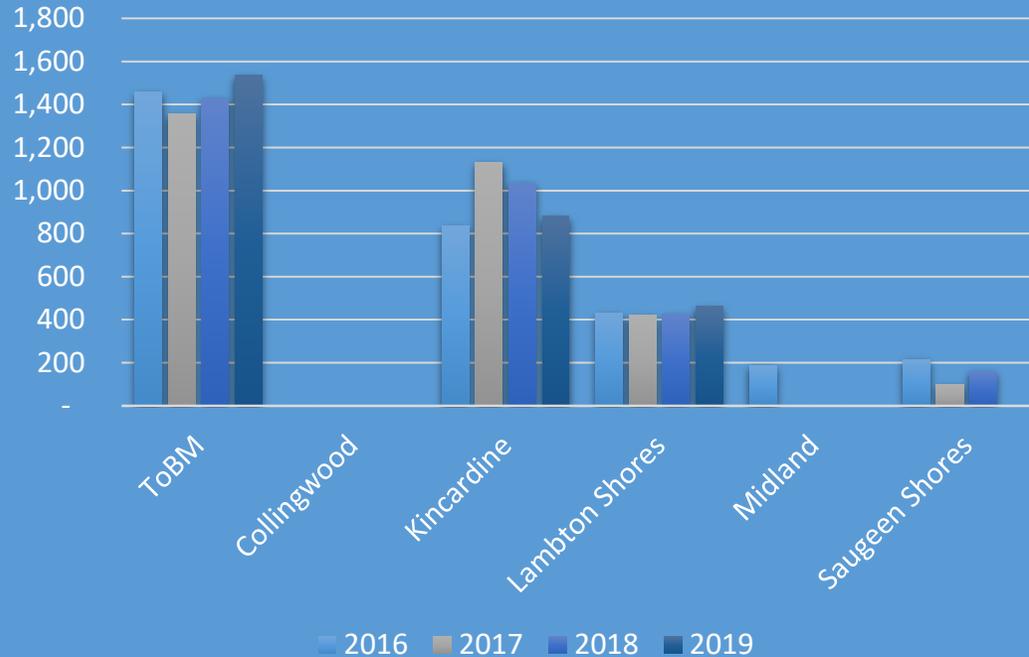




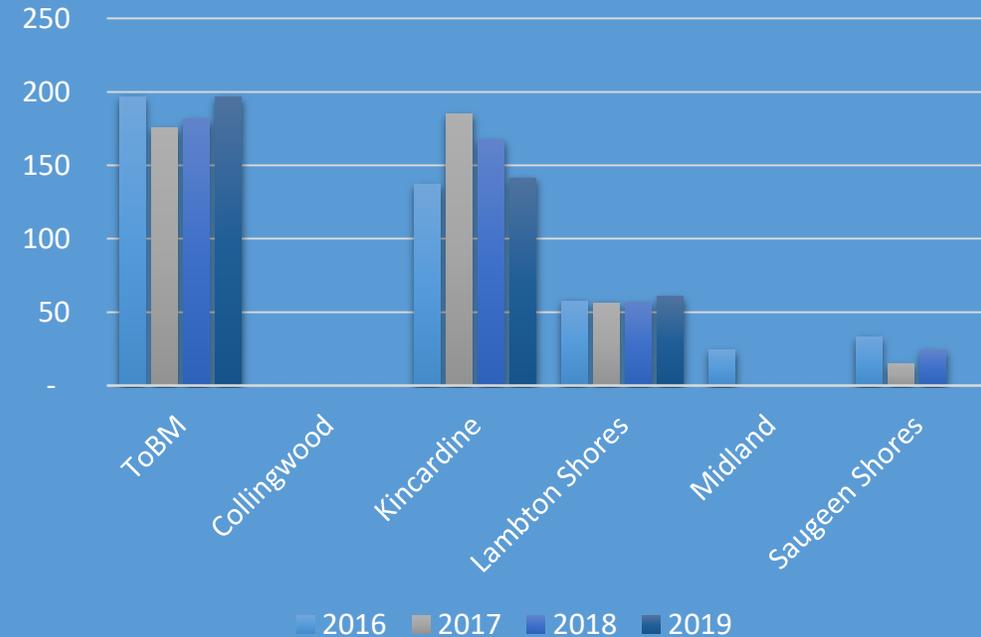
Solid Waste Net Expenses (Inflation adjusted)

- Of the comparators with solid waste responsibility, TBM has relatively high net expenses averaging approx. \$1.4M from 2016 to 2019

Solid Waste Net Expenses In 000's



Solid Waste Net Expenses/Household

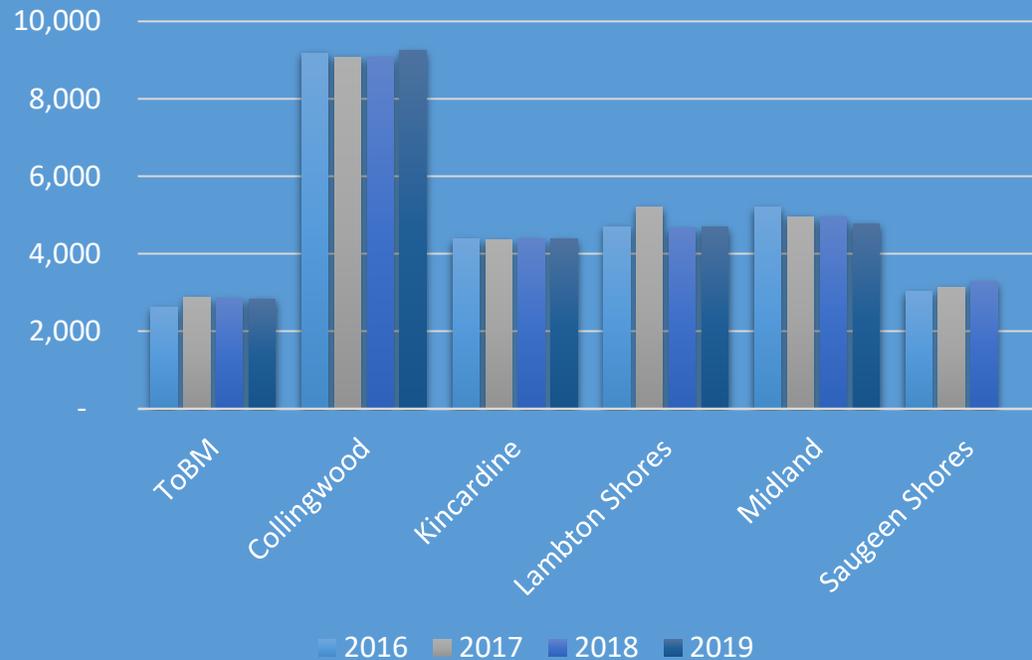




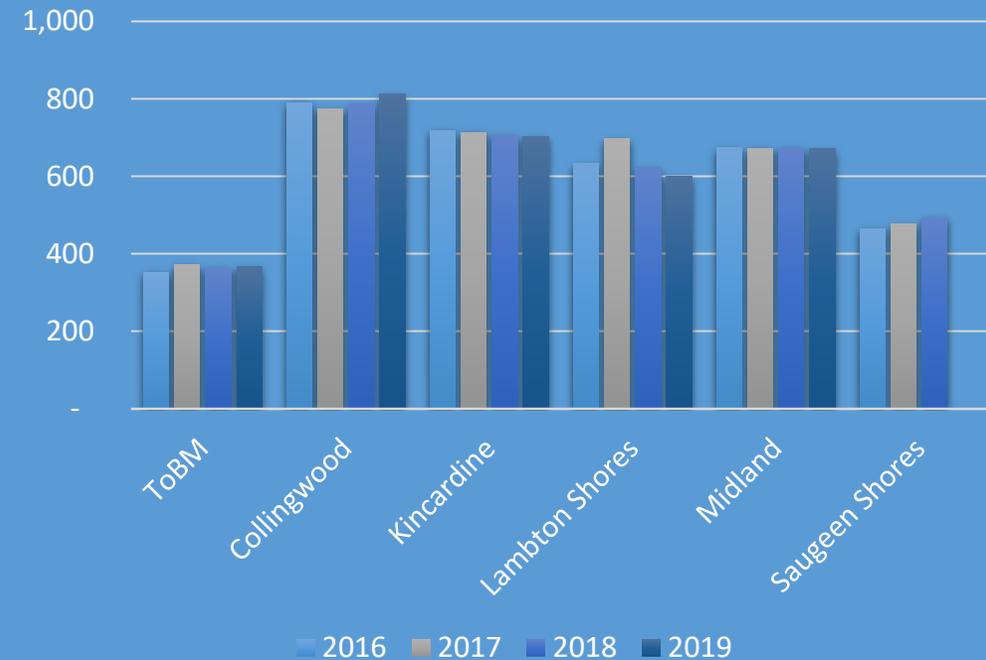
Recreation & Cultural Services Net Expenses (Inflation adjusted)

- Although TBM earns similar revenues for recreation & cultural services as comparators, considerably less is spent in this category for TBM both overall and on a per household basis

Recreation & Cultural Service Net Expenses In 000's



Recreation & Cultural Service Net Expenses/Household

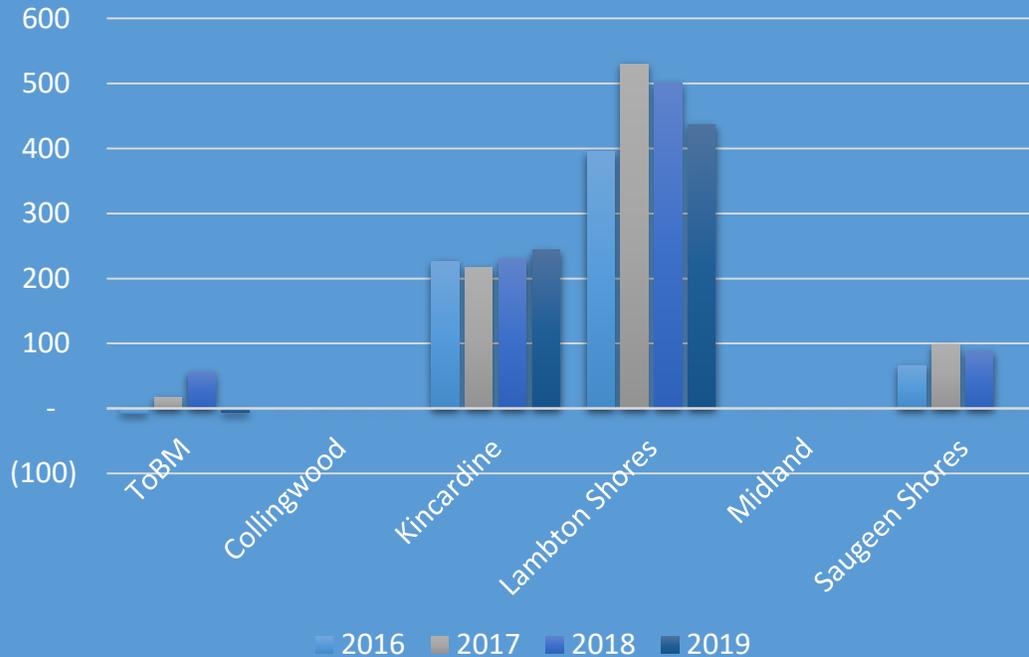




Golf Course & Marina Net Expenses (Inflation adjusted)

- TBM recovers its Golf & Marina expenses to a greater degree than comparator group
- Although TBM net expenses are under \$10/ household, there is opportunity to bring this to net revenues by assessing rates charged
- Collingwood & Midland did not report this data in FIR

Golf Course & Marina Net Expenses In 000's



Golf Course & Marina Net Expenses/Household





- The Town's Golf & Marina operations are marginally subsidized by the taxation levy.
- Increased user fee rates for these “user based services”, may allow for taxation reductions, all other variables considered constant if there is a view that current rates are below that of other market offerings.
- An opportunity cost basis should be utilized to model appropriate fees/user charges
 - For example, if the land is worth \$1M, and a risk free rate of return is 1.5% on a long-term basis, should these be contributing a surplus of $\$1M \times 0.015 = \$15,000$ annually, with the thought being that this is an optional service offering for which an alternative would be to sell the land/facility and use the proceeds in an alternative fashion.
 - Is there an ability to lease the Marina facility or the golf facility to a 3rd party operator for an annual amount which would allow the Town to generate positive returns?
- We understand that there is typically a waiting list to obtain seasonal boat slips at the Town Marina. This may suggest that current rates are lower than market rates. An ability to secure increased rates would result in the ability to reduce the taxation levy.
- The Town should evaluate alternative arrangements that would contribute a net contribution to the Town, as opposed to a net expenditure given the nature of these offerings.