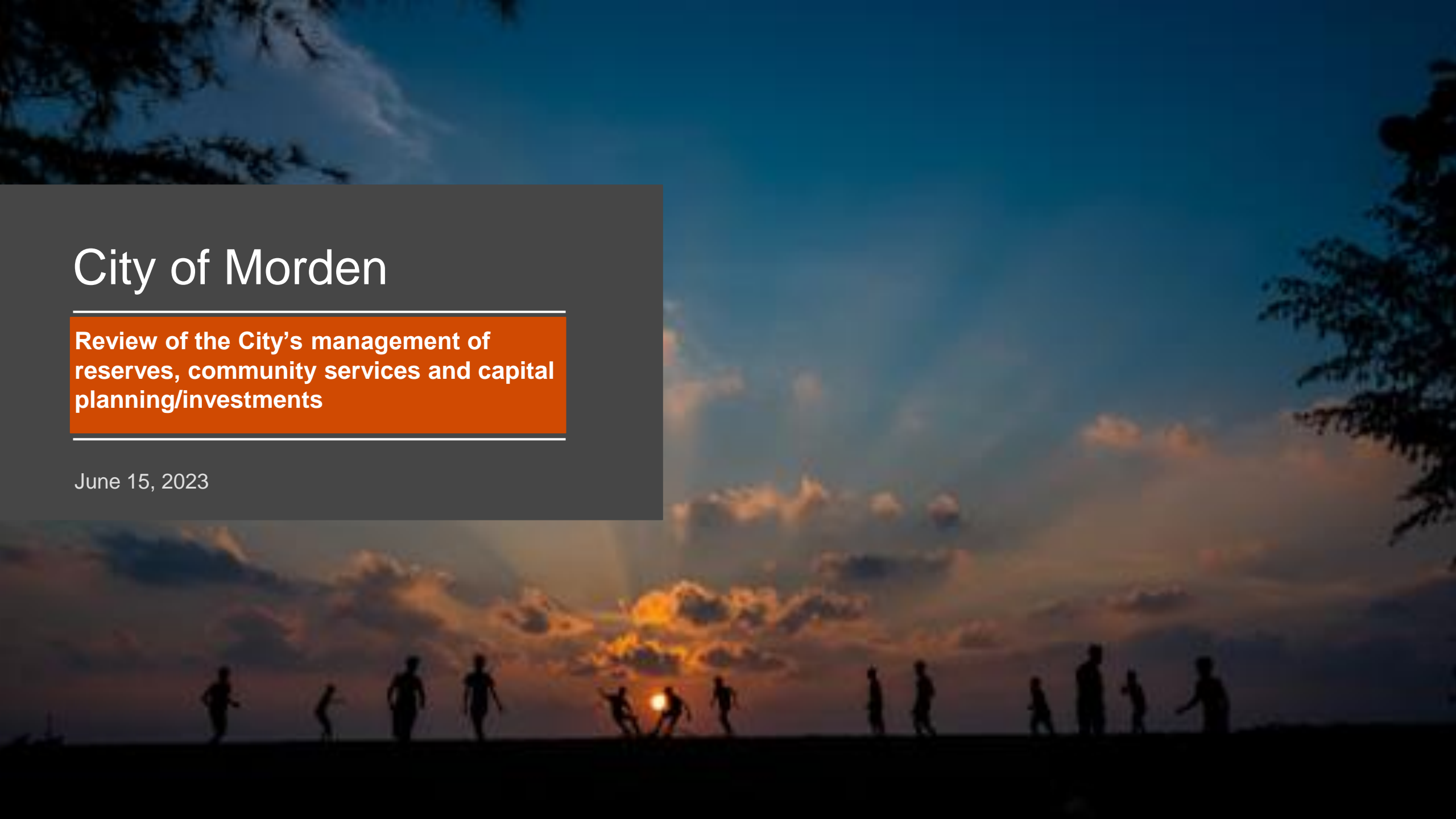


City of Morden

Review of the City's management of reserves, community services and capital planning/investments

June 15, 2023



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Executive summary

Overview and background

The City of Morden (the City) identified an opportunity to enhance its fiscal management processes to assist in financial decision making and support an effective allocation of funds and long-term sustainability of services. This review was conducted under the Municipal Service Delivery Improvement Program (MSDIP) and was approved by the Department of Municipal Relations of Manitoba (the Municipal Services).

Highlights: current state assessment

The current state assessment identified a number of areas for improvement, including the following:

- **Management of reserve funds** - The City does not have a reserve policy and there is no formal process for how the balance of reserve funds is established or replenished. There is no process for tracking and reporting reserves. Certain reserves currently don't have adequate funds.
- **Planning and budgeting for community services** - The City does not have a community services policy to define how it makes strategic service and fund allocation decisions in this area. There is a lack of processes to evaluate current community service offerings.
- **Planning and prioritization of capital projects** - The City does not have a formal process or method to prioritize its capital project and investment decisions. There is no formal asset lifecycle methodology in place. There is an opportunity to plan for capital asset replacements in the fire department.

Purpose, scope and approach

The objective and desired outcomes from the review include improvements in financial management of the City's services with respect to reserve funds; planning and budgeting for community services; infrastructure planning processes and prioritization of capital projects.

The review was carried through interviews with management and review of available documentation. This review was performed for advisory purposes only and did not include an audit of information provided. A further prioritization of key activities of this review happened during planning and was agreed with management. This review did not include interviews with external stakeholders and did not include benchmarking to other municipalities.

Opportunities for improvement

Opportunities were identified to establish a reserve fund policy and methodology and a reserve registry. There are opportunities to develop a formal community services strategy and methodology for requesting and prioritizing service offerings and a process to evaluate community services. There is an opportunity to develop a process to make capital project investment and prioritization decisions.

Management demonstrates its interest and commitment to making process improvements to ensure the City can continue to provide sustainable quality services to its constituents. Management was helpful during this review, and agreed with opportunities identified.

Considerations for moving forward

Considerations for the City's administration to move forward are identified and described in the report in respect of the following:

1. Finalization of its strategic plan and development of key performance indicators
2. Development of a performance risk management process
3. Policy, procedure and framework development
4. Reconfirmation of the City's strategic decisions given newly developed frameworks
5. Bringing it all together in the approved financial plan
6. Communication is key!



Overview and background

I. Overview and background

Overview

The City of Morden (the City) is located in southern Manitoba, with approximately 10,006 residents. The City has seven elected Council members, headed by the Mayor and Deputy Mayor. The administration of the day-to-day operations of the City is the responsibility of the City Manager and Deputy City Manager, along with the various department heads including the Director of Finance, Director of Community Services, Director of Parks and Urban Forestry, Director of Operations, Director of Planning Engineering, Economic Development Officer, Director of IT and the Fire Chief.

The finance and administrative functions of the City are currently led by the Director of Finance, with information being provided by the department heads. Management is in the process of developing a strategic plan. The 2023 budget and financial plan has been approved.

Municipal service delivery improvement program

In 2021, the Municipal Services of Manitoba (Municipal Services) initiated the Municipal Service Delivery Improvement Program (MSDIP). It provides municipalities and planning districts with financial support to complete a value-for-money service delivery review of programs and services. The objective of these reviews is to help municipalities and planning districts improve service delivery without raising taxes or reducing front-line services.

During the year, the City was approved for a review of fiscal services/financial planning with the prioritization of key activities to be agreed between management and the consultant during the planning phase of work and within the agreed-upon budget. PricewaterhouseCoopers LLP was engaged by Municipal Services to assist with this review. This report represents the results of that review.

Background for the request for review

The City of Morden (the City) identified an opportunity to enhance its fiscal management processes to assist in financial decision making and support an effective allocation of funds and long-term sustainability of services. Management is cognizant of timely reporting and ensuring the City stays within budget. Management also wants to formalize certain policies and procedures to promote consistency in process and decision making. Financial statements are prepared on a monthly basis for better monitoring and reporting. Management requested the following from this review:

- **Reserves** - The City would like to maintain a sound and sustainable fiscal balance, and healthy reserve funds. However, the Municipal Act is silent about the reserve fund balances. Management is seeking advice and recommendations in management of reserve funds.
- **Community Services** - The City has eight departments and one of the more significant departments is Community Services. Certain community services generate income while others do not. Management is seeking advice and guidance in respect of how it balances user fees for services and taxes to ensure sustainability of needed services.
- **Planning for capital projects** - The City's wastewater structure has reached capacity and its water treatment plant is aging and requires refurbishment. Financing yearly capital expenditure has been a challenge. The City is cognizant of the capital project priorities. However, there are no written procedures in place for project prioritization. Management seeks advice and recommendations in respect of its infrastructure planning process and prioritization of its projects.

The prioritization of key activities was agreed with management and further defined in the purpose, scope and approach section of this report.





Purpose, scope and approach

II. Purpose, scope and approach

Purpose and objectives of the review

The objective and desired outcomes from the review include improvements in **financial management of its services with respect to reserve funds, planning and budgeting for community services and processes over infrastructure planning and capital planning and investments**. Management is seeking to enhance these fiscal management processes to assist them in making financial decisions for an effective allocation of funds and long-term sustainability of services for the City.

During discussion with management, it was agreed that this review would focus on the following:

- **Focus Area #1:** Management of reserve funds (Replacement Reserve and Recreation Reserve)
- **Focus Area #2:** Planning and budgeting for community services (Recreational Department)
- **Focus Area #3:** Planning and prioritization of capital projects

Although the review focused on these areas of priority, certain findings and recommendations would extend to other areas of financial management. This review gave consideration to economy (cost minimization), efficiency (output maximization) and effectiveness (full attainment of the intended results) using a Value for Money (VFM) approach. A further description of VFM considerations is included as **Appendix A**.

Scope and limitations

This report was developed in accordance with the Statement of Work (SOW) approved by management on February 21, 2023 and by the Municipal Services on March 21, 2023. The review was limited to the specific procedures described in the approach and was based primarily on information available at the time we prepared the report through discussions, interviews and documentation provided by management. This review did not include consultation with taxpayers or other beneficiaries of services provided by the City.

This review did not extend beyond the City's accountability/jurisdiction. Formal benchmarking with other jurisdictions was not conducted, although available information provided by management was considered. The performance of individual employees was not reviewed. There was no advice or opinions provided on the application of accounting principles.

PricewaterhouseCoopers LLP's (PwC) role was to assist in an advisory capacity only. Management is responsible for all management functions and decisions relating to this review, including evaluating the scope of the services and determining that it meets management needs. Management is responsible for using the results of this review, and for establishing and maintaining organizational processes and internal controls over its operations.

There was no opinion, attestation, or other form of assurance provided with respect to the review or the information upon which the review was based. The procedures performed under this review do not constitute an examination or a review in accordance with generally accepted auditing standards or attestation standards.

This report has been prepared solely for the use and benefit of and pursuant to a client relationship exclusively with Municipal Services. PwC disclaims any responsibility to others based on its use, and, accordingly, this information may not be relied upon by anyone other than Municipal Services.



II. Purpose, scope and approach (continued)

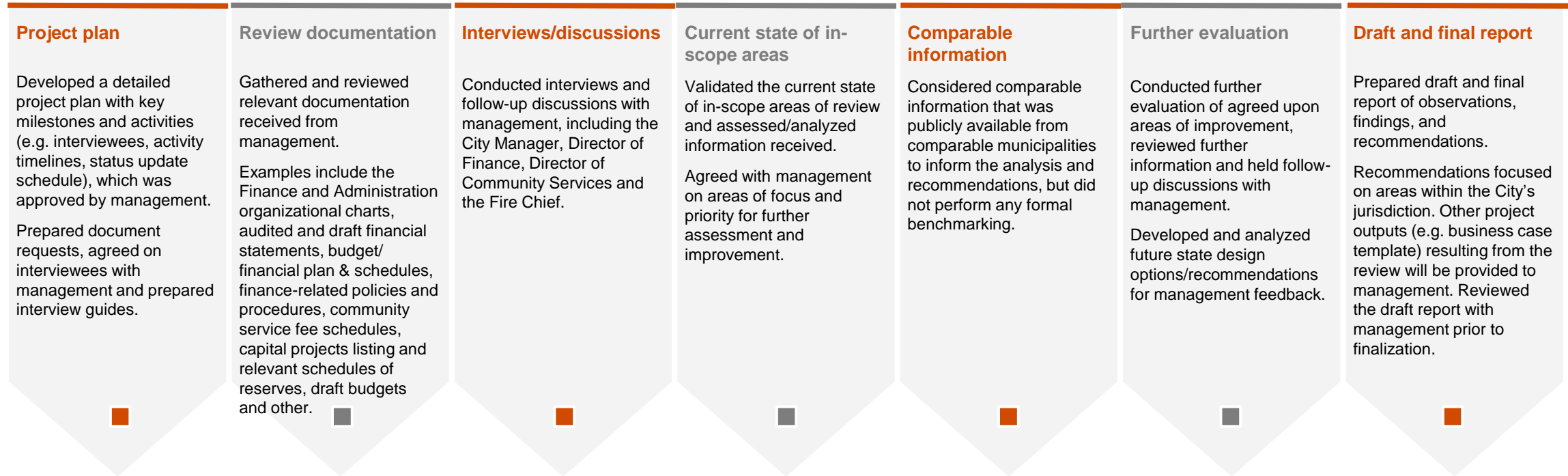
Methodology and approach

The review was carried out in the following three phases:



The focus on the review and report was to provide management with advice and recommendations for continuous improvement and to provide certain sample tools and templates that may assist in the implementation of recommendations. A high-level illustration of key activities within each phase of the review and more detail on the information gathering process is included as **Appendix A**.

The review included **key activities** such as the following:



The review took place over a four month period commencing in March 2023. This report is the final report of summarized observations, findings and recommendation to the City and provided as information to the Minister of Municipal Relations.



Highlights: current state assessment

III. Highlights of the current state assessment

Focus area #1: Management of reserve funds

Overview

- Operating reserves represent funds identified for a specified purpose as approved by the Council. They are identified for planned future needs or as a cushion for unplanned events or expenditures. There are no specific operating reserve fund requirements identified in the City's Bylaws. They are not externally restricted from use. The Bylaws outline general and basic requirements for reserves, but do not guide when and how they are used.
- Reserves are established to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted ones. They are also used to cover the repair and maintenance of major capital items as needed in normal course.
- The City has established a General Reserve made up of operating funds and interest to be used to meet future needs. The balance of the General Reserve fund was approximately \$4.3 million as of December 31, 2022.
- Operating reserves have, over time, been established by the City in areas where expenditures are not fully funded by the Mil Rate or grant funding (e.g. replacement reserve, community development reserve, water and sewer reserve and capital reserve).
- Considering other comparable municipalities, there are few commonalities between them with respect to what reserves they have and what their value is. They are more specific to the needs of individual municipalities.

Observations and findings

- **The City does not have a reserve policy.** There is no approved definition or established goals for overall or individual reserves (e.g. reserves are not a savings account, but have specific purposes). There are no stated minimum requirements or expectations for reserves with regard to how funds should or should not be invested. Minimum balance of reserve funds (thresholds) must be developed for each reserve depending on its nature and started purpose.

- **There is a lack of procedures around the mechanics for funding and/or maintaining reserve fund balances.** There is no documentation in respect of minimum or target reserve fund balances and documentation is not available concerning plans to replenish reserve funds once depleted.
- **There is no formal process for how reserve funds should be tracked or reported.** There is no formal process to report on how reserves are or are not achieving their intended purpose or benefit.
- **Management advised that the replacement and recreational reserves are currently not sufficient to meet the ongoing needs of the City.** It is unclear what the right amount is for the reserves.

The replacement reserve

- For the replacement of machinery and equipment, budget machinery replacements are planned to come from the replacement reserve. In the past, the City hasn't had enough reserve funds for replacement costs and some went through the General Reserve fund. It was noted during interviews that replacements are behind in several departments.

The recreational reserve

- The most recent Bylaw for the recreational reserve is from 2008, and has the reserve under a different name, Community Development Reserve. The Bylaw states the reserve be used for industrial or commercial land purchased, infrastructure requirements and beautification/green space development in industrial zones. The reserve has been sitting idle for a number of years, only being updated for balancing purposes.
- Based on the 2023 Financial Plan, recreational projects are going to be funded by the General Reserve fund. The use of general funds requires a public hearing process. The recreational reserve balance as of December 31, 2022 was approximately \$80K. Per the 2023 Financial Plan, approximately \$260K will be pulled from the general fund for the Recreational Department.



III. Highlights of the current state assessment (cont'd)

Focus Area #2: Planning and budgeting for community services

Overview

- The Director of Finance sends a timeline, along with expectations for the budget, to the various department heads. The department heads prepare their respective budgets and these are reviewed and discussed with the City Manager and Director of Finance. The Director of Finance prepares the consolidated budget to send to the Council for approval.
- The Recreational Department is responsible for organizing and running the service offerings provided by the City. The department is led by the Director of Community Services, along with the Recreational Programmer. Staff in these positions are new. The recreational services budget includes expenditures for approved recreational activities, and programs and activities within parks and forestry, the Morden beach and campground and library.
- The City has a Bylaw on Fees and Charges that is updated annually in April. This includes ice rental, community hall, catering meals, outside spaces, sports fields, seasonal fees and beach/camping. The Bylaw does not include all of the services currently being offered by the City; for example, cooking classes, yoga, wellness courses, etc. As such, these fees may not be being reviewed annually, and there is less transparency for residents regarding the fees on these services.
- The objective for community services is to provide services that are desired, comparable to those of other communities, and affordable. The City does not aim for community services to generate revenue, but rather at least be cost-neutral.

Observations and findings

- **The City does not have a community services policy.** Not having an agreed upon and documented strategy makes it difficult to make overall service and funding allocation decisions. Approved community services should align with strategic priorities.
- **The City does not have a community services plan, or established processes in place.** Certain decisions regarding community services are made based on the Council's and management's priorities at the time, without a consistent way of long term planning or evaluation.

The Recreational Department

- **Limited documentation is available to describe roles and responsibilities and important processes within the Recreational Department.** There was limited documentation available to support new staff taking on roles in the department when others left. The City is maintaining the programs that were offered in the past.
- **There is no standardized process in place to rank new service opportunities.** Decisions on services are often made through discussions with management and with the Council. There is no formal process to decide on service fees for new services.
- **There are no standardized measures to assess performance of existing programs for continuous improvement.** The City utilizes PerfectMind to manage memberships to some programs. There is limited review of data that's available (e.g. sign-up statistics, waiting lists) from this system or otherwise. There is limited reporting to the Council on performance of service offerings.
- **There is no guidance available for how decision should be made in respect of cancelling or discontinuing services.** Management indicated that most of the recreational services being offered by the City have good demand and none of these services appear to be performing poorly. Financial information by program is not sufficient to fully understand whether programs are in fact cost-neutral or not. There is limited information on hand with respect to services and fees charged from similar municipalities.



III. Highlights of the current state assessment (cont'd)

Focus Area #3: Planning and prioritization of capital projects

Overview

- Department heads are responsible for preparing their respective budgets, which are consolidated by the Finance Director and provided to the Council for approval. Budgets are typically completed by March each year.
- Capital projects are funded by reserves, the Mil Rate, gas tax and grants for certain larger projects. Departments are responsible for sourcing their own grants for their respective capital projects.
- Capital plans are in place for Water and Water Treatment, which represents the most significant capital plan for the City. The City hired an external consultant to advise on the Wastewater capital project's funding source and structure.
- There are also capital plans in place for Engineering, Transportation, Fire Services, Parks and Urban Forestry, Police Services, and Information Technology. Management indicated that equipment and replacements are falling behind in various departments

Observations and findings

- **There is no formalized process in place for the prioritization capital projects.** Departments prioritize their own capital asks with a top three non-negotiable, which are typically approved by the Council. The City does not have a formal process with respect to the request or prioritization of its capital projects. There is no standard documentation on the rationale for its capital project decisions (e.g. rationale/needs documentation, costs, grant details/restrictions, investment/project risks).
- **The City does not have a formal asset lifecycle management methodology in place.** There is no documentation on how the City plans, acquires, uses, maintains and disposes of important assets.
- **There is an opportunity to plan for capital asset replacements in the Fire Department.** There is an element of predictability for replacement/purchase of Fire Department equipment, allowing for better planning and capital budgeting. The department has a good understanding of its recruitment and replacement/rotation timelines. A budget spreadsheet is also maintained to track progress of certain assets in the Fire Services department.



IV Opportunities for improvement

IV. Opportunities for improvement

Focus Area #1: Management of reserve funds

1. Reserve Fund Considerations

What kind of reserves should we have?

There is a lack of processes in place over determining what reserves should be maintained for the City. Reserve objectives and purposes are identified in individual Bylaws. Each reserve is different and objective.

Reserves may be used in the context of future outlays for capital or liabilities. Other areas of consideration are to ensure continuity of services, plan for emergencies, economic downturns and/or other unforeseen events. It is essential to clearly define the intended use for each reserve and/or fund balance that your entity establishes.

When considering which types of reserves should be established, it's important to define the problem or potential problem that could trigger a concern. The objective of reserves is often to minimize the potential impact of changes and provide financial stability to the funds. Some of the most common reserves include: Contingency Reserves, Rainy Day Funds, Emergency Reserves, Current and Future Capital Needs Reserve.

Some examples of other reserves we noted from other cities are:

- Debt Reserve - sometimes used when significant levels of debt and related interest and principal payments and liquidity concerns exist.
- Snow Clearing Reserve - sometimes used to offset budget over expenditures as a result of weather variations.
- Fire Department Reserve - sometimes used to offset one-time unforeseen Fire Department operating expenditures such as damaged equipment/gear.
- Police Services Reserve - sometimes used to offset one-time unforeseen Police Services operating expenditures such as damaged gear.

How much should we have in our reserves?

There is a lack of processes in place over reserves and reserve fund balances. There is no procedure around the determination of the minimum/targeted (or maximum) balance requirements. Each reserve is different and a strategy for determining its balance should be identified for each separately.

Some considerations:

- Predictability of revenues and expenses and restrictions on use of funds, if any
- Future plans and cash flow needs over a period of time
- Results of scenario planning (e.g. impact of changes in interest rates)
- Future needs of the City with anticipated growth

On the right, we note a few examples of methods used by other municipalities, but the City needs to define its own method for each based on the unique purpose and objective of the respective reserve.

Examples

Maintenance/Replacement Reserve

- 5% of five-year average of historical vehicle and equipment purchases
- 20% of five-year vehicle and equipment capital forecast
- 5% of current replacement value
- Amount determined by asset lifecycle management schedule

Recreational Reserve

- 10% of recreational and cultural services budget
- 5% of prior year recreational and culture services operating expenses

IV. Opportunities for improvement (cont'd)

Focus Area #1: Management of reserve funds

2. Reserve Fund Policy

A lack of documented reserve fund policy and procedures manual was identified as an improvement priority during the current state analysis. A well-documented reserve fund policy and procedures manual will provide a framework of accountability, purpose and planning, and consistency in how they are used and replenished and reported upon.

Policy essentials - The intent of the policy is to describe and document the purpose, goals and mechanics for maintaining and using reserve funds. The reserve policy should at a minimum address the purpose of using reserves, definitions of the type of reserves and intended use, assigned authorizations and important procedures such as how to calculate target amounts, and how to use and replenish funds.

It's important to make sure that the Council and the finance team and managers all have a clear understanding of how the various funds can be used and how their usage is to be tracked and reported.



Sample Reserve Policy Template

Purpose

Outlines the purpose of the Reserve Fund policy for the City of Morden, such as the following:

- *Stability of City, including both current and long-term service delivery and growth*
- *Internal source of funds for sudden increases in expenses, unbudgeted expenses, anticipated loss in funding*
- *Plan for non-recurring expenses to build long-term capacity*
- *Not meant to replace permanent loss of funds or ongoing budget gap*

State that Board resolution clearly outlines the purpose of the funds. For example, we are going to set aside X amount of funds to purchase a new building in ten years.

Definitions and Goals

Provides the definition of reserve funds, such as being designated funds set aside by action of the Council. Identifies the need to establish goals and/or minimum targets for reserve fund balances (e.g. number of months of costs) and how often and/or when the target minimum will be calculated (e.g. after the approved annual budget).

Accounting for Reserves

Defines where the reserve funds will be recorded in the financial records and how funds will be maintained (e.g. in a segregated bank account, investment fund, commingled with general cash). Defines how fund transactions are reported (e.g. monthly).

Funding of Reserves

Outlines how reserves will be funded (e.g. from surplus unrestricted operating funds, specific sources of revenue such as special grants). State intention to be used and replenished within a reasonable short period of time.

Use of Reserves

Defines requirements for the use of reserve funds, such as identification of appropriate use of the funds (consistent with the purpose of the reserve), authority to use the reserve funds (e.g. Senior Management, the Council, specific committee) and responsibilities for reporting and monitoring, including what gets reported to the Council and frequency of reporting.

Relationship to Other Policies

Defines applicable policies that must be maintained, which may contain certain provisions that affect the reserves. Applicable policies may include the Finance Policy, Budget Policy and/or Investment Policy. It may refer to a Contingency or Disaster Preparedness Plan.

Review of Policy

State the period, at a minimum, that the policy needs to be reviewed (e.g. every two years or when there is a significant change).

IV. Opportunities for improvement (cont'd)

Focus Area #1: Management of reserve funds

3. Registry of Reserve Funds

As identified in previous sections, it's important to document key aspects of each reserve fund. One way of doing this is to maintain a Reserve Registry. This registry can be used to list all current active reserve accounts and their purpose, description including allowable expenditures, responsible branch, and whether the reserve fund is interest-bearing and has a minimum balance requirement. This is important information to maintain in this format or another, even if only a few reserves are established. See below for a sample layout of a Reserve Registry.

Sample Reserve Registry

Reserve name	Reserve type	Responsible department	Reserve balance	Interest bearing fund	Optimal balance/balance requirement	Authority [Council approval date]	Policy document reference	Reserve Description/Purpose
<i>Fire Services Capital</i>	<i>Specific Purpose</i>	<i>Fire Department</i>	<i>\$\$\$</i>	<i>Yes</i>	<i>5% of average five-year average of historical vehicle and equipment purchases</i>	<i>MM/DD/YYYY</i>	<i>City Reserve Policy #</i>	<i>To fund initiatives that support Fire Department infrastructure, life cycle or expansions.</i>
<i>Police Capital</i>	<i>Specific Purpose</i>	<i>Police Department</i>	<i>\$\$\$</i>	<i>Yes</i>	<i>20% of five-year capital forecast</i>	<i>MM/DD/YYYY</i>	<i>City Reserve Policy #</i>	<i>To fund initiatives that support Police infrastructure, life cycle or expansions.</i>

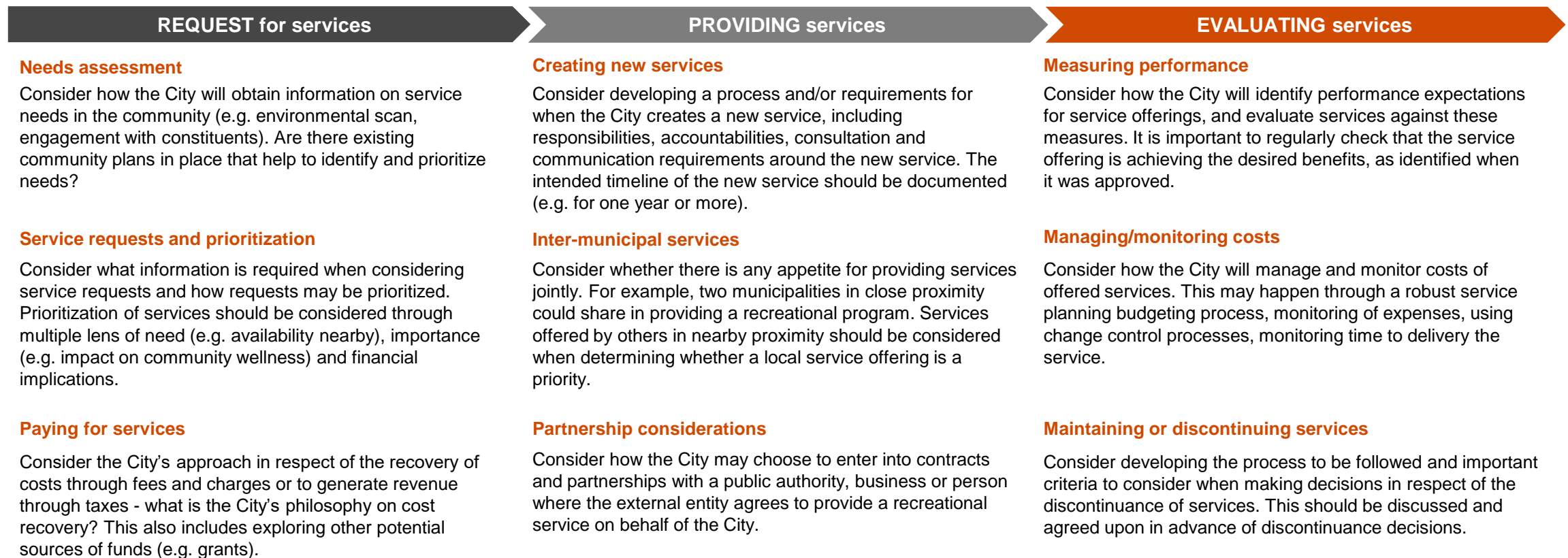


IV. Opportunities for improvement (cont'd)

Focus Area #2: Planning and budgeting for community services

1. Community Services Strategy

A city may choose whether to offer a particular service in the community, based on their particular local circumstances. Finalization of the strategic plan will provide direction to management on key priorities. Developing a community services methodology and strategy document would help to formalize community service planning and decision making processes and support prioritization of service offerings consistent with the City's overall strategy. Areas to consider as part of that documentation include the following:



IV. Opportunities for improvement (cont'd)

Focus Area #2: Planning and budgeting for community services

2. Service requests and prioritization

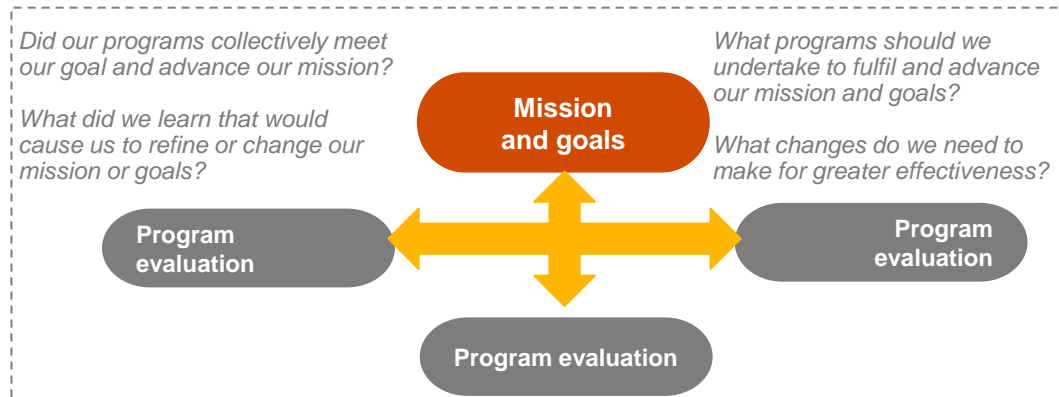
Lack of documented process for how the City makes decisions with respect to its service offerings. **It will be important to finalize the strategic plan and then align service offerings with the stated mission and goals set forth by the City.**

There can be competing demands with respect to services, so it's important to formalize information needs for new service considerations and have a process to prioritize services over others that may be lower in priority.

Service request requirements

Service requests should include information such as the following:

- Describe the service in general and specific terms
- Define the boundaries of the local service area
- Provide an estimate of the costs of the service
- Indicate the proposed methods of cost recovery for the service
- Indicate what portion of the costs will be recovered by a general municipal property tax, if applicable
- Include any other information that the Council may require



Sample Criteria for prioritization of service offerings

#	Service offering	Impact assessment			
		Impact on # of participants	Operating budget impact	Strategic alignment	Overall Rating
1	Service offering A	Medium	Low	Low	Low
2	Service offering B	High	Low	High	High

Sample: Service offering impact rating

Service offering impact rating		
Low	Medium	High
<ul style="list-style-type: none"> • Indirectly linked to the City's Strategic Plan • Increase City operating costs >\$5,000 • Increase City operating costs >\$5,000 	<ul style="list-style-type: none"> • Moderate impact, partially addresses community service deficiency • Moderate impact on operating costs (\$1 - \$5,000) • Indirectly linked to the City's Strategic Plan 	<ul style="list-style-type: none"> • Significant impact, addresses a current community service deficiency • Significant impact, addresses a current community service deficiency • Directly aligned with the City's Strategic Plan

IV. Opportunities for improvement (cont'd)

Focus Area #2: Planning and budgeting for community services

3. Evaluating community service offerings

What should be evaluated?

Evaluation can answer many important questions about the City's programs and services. It's important that the Council and management agree about the purpose of evaluation and the information that should be gathered and reported.

For example, evaluation results should provide information such as:

- a program or service's use of resources and its efficiency in delivery
- whether the program or service is performing as planned and reaching those it is intended to serve
- the degree to which the program or service is meeting the needs of those served and whether the results advance the City's mission
- the results being achieved (including unexpected ones) and the reasons behind them
- whether and how to continue, strengthen or end the program or service if applicable

More specifically, we recommend management look for opportunities to better use the functionality of the PerfectMind application. There may be ways to use the system to capture data such as class attendance for various service offerings, expenses incurred on offerings, leads on new members, details on members lost and financial performance of various offerings to ensure they are breaking even.

Balancing user fees

Management has indicated that services are to be cost neutral. There is a need for cost management to ensure fees are set at an appropriate level in order to achieve this objective. Fees should be set to break even at the minimum sign-up level and criteria should be established for decisions where services may not be cost neutral.

Sample Components of program/service assessment

Inputs or Resources	Activities	Outputs	Outcomes	Impacts
<i>The financial, human, organizational or community resources put into a program (e.g. staff, expenses, supplies, technology, facilities)</i>	<i>The events, processes, tools or actions taken in the everyday work within a program (e.g. training sessions, support groups; educational outreach)</i>	<i>The immediate and direct results of changes in knowledge, skills, behaviour, attitudes or conditions (e.g. number of sessions held, participants served)</i>	<i>The results of the outputs described as changes in knowledge, skills, behaviour, attitudes or conditions (e.g., increase in residents who can swim, increased confidence in coping or life skills) can be short, medium- or long-term</i>	<i>The long-term consequences of achieving the outcomes; how people, organizations, communities or systems are changed (e.g. improved health status)</i>

IV. Opportunities for improvement (cont'd)

Focus area #3: Planning and prioritization of capital projects

1. Capital project investment decisions

Capital projects typically involve large-scale projects on the higher end of expenditures compared to those requiring fewer resources. A definition of capital projects (e.g. certain dollar amount, development over one year, external funding/specific grant) should be determined, followed by how the City will go about prioritizing them.

For example, **key capital project considerations** may include:

- Is there an immediate need for the asset?
- What is the asset's expected useful life?
- What is the current availability of funds relative to the project's size?
- Are there multiple projects that need to be completed simultaneously?
- Is inflation expected to increase?
- Is the borrowing rate expected to increase?

The "business case" and prioritization

Consider developing a formal business case template for competition on each capital project investment request. Information from the business case can then be used to prioritize investments, giving consideration to factors such as: Strategic Alignment; Operating Budget Impact; Consolidation of Services; Risk Assessment; Financing; Cost/Benefit (Payback); Service levels; Community and Economic Impact; Sustainability; Plan Integration; Customer Service Improvement and Time Frame.

Asset lifecycle management approach

Asset lifecycle management may be used to determine each stage of the project through its lifecycle in order to maximize efficiency and generate a greater return on investment. This is often characterized (documented) in phases:

Planning: this helps to establish the need for the asset/project - a business case can be completed for this stage.

- **Procurement:** this stage involves ensuring the asset/project costs are within the budget identified in planning - several vendors/suppliers should be considered and the best value for money should be accepted.
- **Operational:** this phase is all about monitoring the asset/project for any performance issues - maintenance strategies are utilized, including minimizing emergency costs and prolonging the assets life.
- **Disposal:** this stage is about ensuring appropriate disposal and obtaining any remaining value from the asset.

The benefit is a process to manage and track capital assets and greater visibility into current and future needs.

Sample of capital project business case template

Purpose

Outlines the purpose of a business case to highlight the value of the capital project and make an informed decision on whether to go forward with the project or not. Briefly notes the steps that are to be performed and described later in the template and identifies general stakeholders for business cases..

Summary

Provides summary details on the entirety of the completed business case, should be completed after the other sections.

Business Need

Where the problem/opportunity is identified. Consequences of inaction and any impacts of going forward with the project are documented.

Organizational Objectives

Identifies any goals/objectives that will be addressed by the project.

Business Context

Provides details on the project and the various areas/departments that will be affected.

Stakeholders

Outlines all of the stakeholders that will be affected by the project.

Benefits, Metrics and Outcomes

Highlights the expected benefits and outcomes of the project along with their assumptions and expected realization dates.

Capabilities

Outlines the City's resources, people processes and technology. Determines what resources are needed and not available.

Cost Identification

Identifies the various costs throughout the lifecycle of the project.

Cost-Benefit Analysis

Calculations are performed to determine if the project provides monetary value and how much.

Risk Identification and Readiness

Identifies any risks that may arise as a result of approving the project and assesses the City's ability to complete the project, including identifying any capacity constraints.

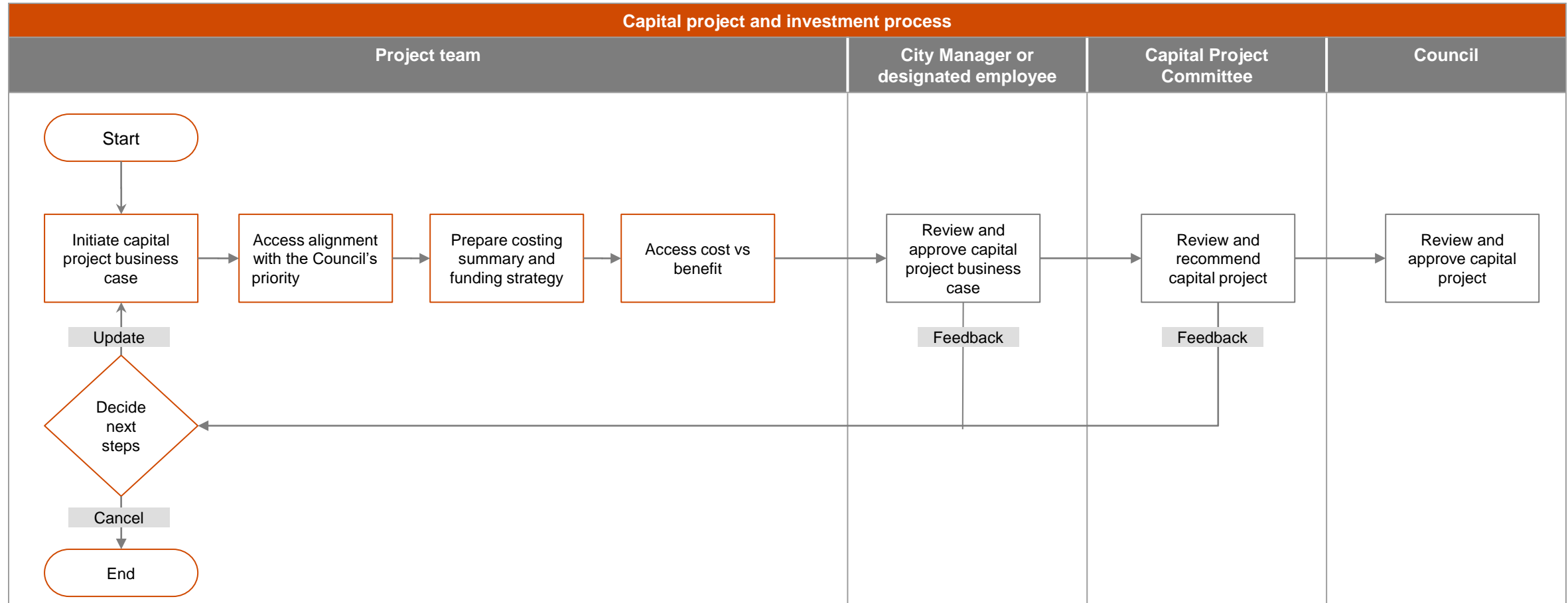
Selection and Solution

Provides details on the approved project and why it was chosen. Outlines the next steps and plan to move forward with the project.

IV. Opportunities for improvement (cont'd)

Focus Area #3: Planning and prioritization of capital projects

A typical process for the development of the business case is outlined in the below flowchart:





Considerations
for moving
forward

V. Consideration for moving forward

1

Finalization of the City's strategic plan and development of key performance indicators - Finalization of the strategic plan will provide important information on the City's strategy and key priorities. This should include key performance measures on how the City will measure success against of those strategies.

2

Development of a performance risk management process - A performance risk management framework identifies, assesses and evaluations risks to the City meeting its strategic priorities. It can help management plan to mitigate risks of things not going as planned and impact planning decisions such as the need for contingency or other reserves.

3

Policy, procedure and framework development - Documentation of the City's philosophy, roles and responsibilities, minimum requirements and procedures will ensure alignment and consistency in how things should happen, such as how to establish reserve funds, make decisions on community service offerings and plan for capital projects. Setting frameworks for prioritization will help guide future decision making.

4

Reconfirm the City's strategy decisions given newly developed frameworks - Giving consideration to updated policy and procedures, determine how the revised strategies in areas such as using reserves, deciding on community services and prioritizing capital plans may affect management plans and decide on needed actions and timelines, as changes will take time.

5

Bringing it all together in the approved financial plan - Align any changes with the annual financial budget and multi-year financial plan.

6

Communication is Key! It is important for management to work in close collaboration and communication with the Council. This will involve good communication and reporting of management progress against agreed-upon plans.

Potential impact

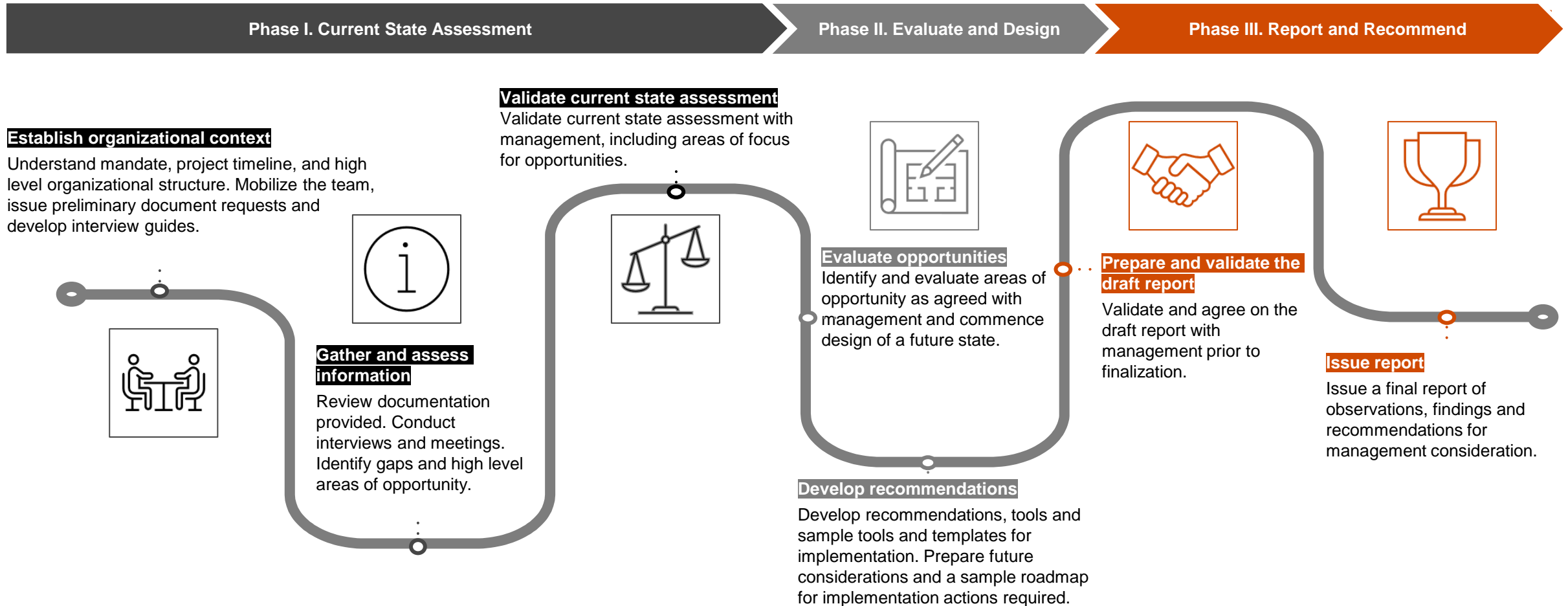
- **Clarity in the purpose and uses for reserve funds** (effectiveness, efficiency, economy)
- **Maintain consistent standards for managing reserve funds** (effectiveness)
- **Provide sole source of information for reserve funds** (effectiveness, efficiency)
- **Utilize reserve funds for their intended purpose** (effectiveness, efficiency, economy)
- **Ensure sufficient capital for funding requirements** (economy)
- **Stabilize for fluctuations in capital requirements** (economy)
- **Ensure community services being offered are in alignment with the City's strategy and objectives** (effectiveness)
- **Identify service offerings that are not making an impact or breaking even on costs** (effectiveness, efficiency, economy)
- **Ensure capital projects that best align with the City's strategy and objectives are approved** (effectiveness)



Appendix A

Appendix A - Summarized approach to the review

Key activities by phase of the review

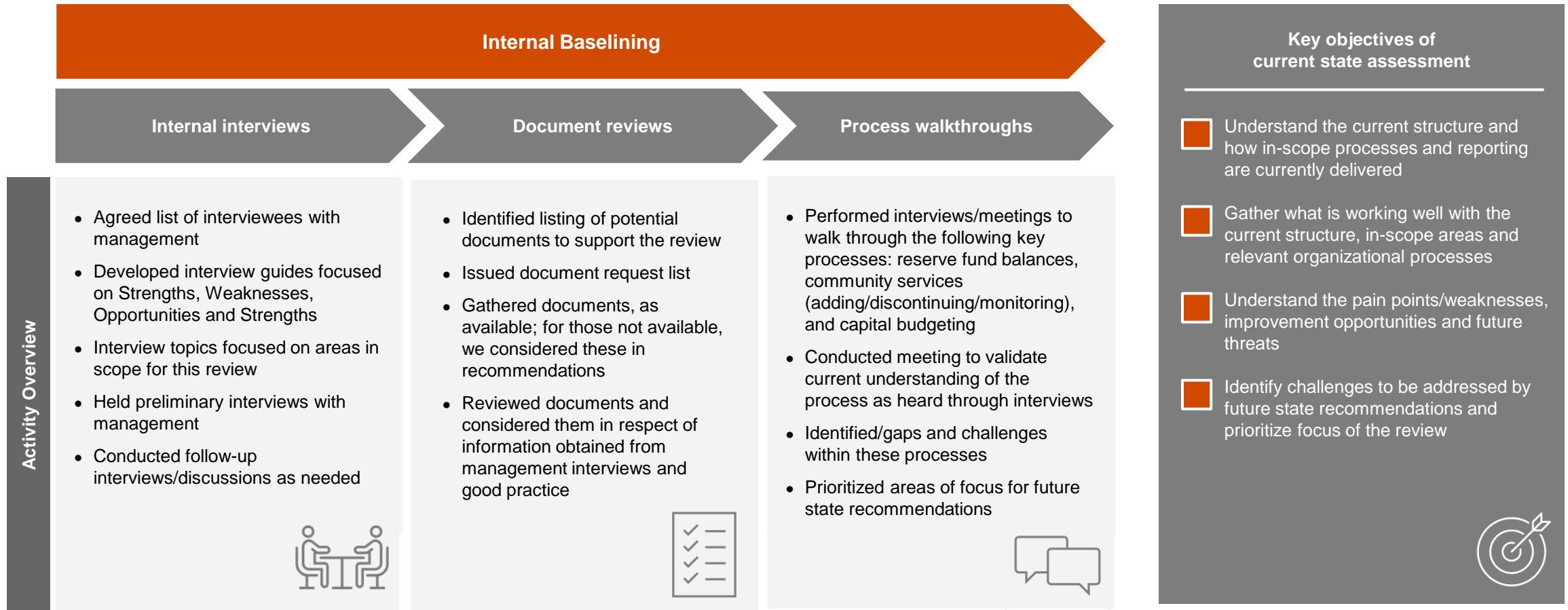


**Ongoing communications with the City of Morden
Regular status updates to the Department of Municipal Relations**

Appendix A - Summarized approach to the review (cont'd)

Information gathering process

The current state analysis consisted of the key activities below to develop results and findings, which helped form future state recommendations.



Appendix A - Summarized approach to the review (cont'd)

Value for Money (VFM) considerations

The development and analysis of benefits of each of the conceptual operating frameworks and potential options for the future were prepared based on the VFM standards of measure - **effectiveness, efficiency, and economy**.

The standard for defining and measuring VFM include the following:	
Economy	Economy refers to the minimization of costs while acquiring the resources. Consideration is given as to whether resources have been procured in the right amount, at the right place, at the right time, at the right cost and of right kind.
Efficiency	Efficiency refers to relationships of inputs and outputs against predetermined standards or criteria. For example, we may compare the measure to internal historical and/or external benchmarks, as available.
Effectiveness	Effectiveness refers to the adequacy of current operations in meeting the measurable objectives or outcomes of the public program. Effectiveness could also include compliance considerations (i.e. how effective are operations in meeting relevant Acts, regulations and/or policies and procedures).



The summary of opportunities for improvement presented in this section is a result of the review and analysis of current policies and processes, financial information, and other relevant documentation from management. The analysis is meant to provide management with options to improve their management of reserve funds, community service offerings and capital projects. Management has reviewed the operating framework, options and related analysis and provided a summarized assessment based on the following evaluation criteria:

- **Effectiveness:** Impact to people (constituents and employees)
- **Efficiency:** Impact to services and processes
- **Economy (Cost):** Cost savings or cost neutrality and sustainability

