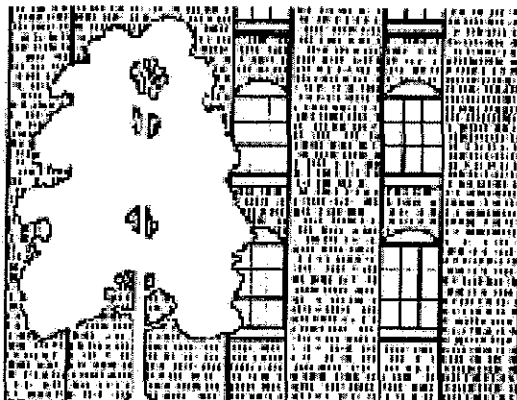# Good Governance
for the Future

Niagara Heads of Council

Niagara Region Governance Review
— Final Report —
April, 2000

The Berkeley Consulting Group

April 10, 2000

Ms. Beth Dennahower
Project Director
The Corporation of the Town of Fort Erie
Municipal Centre
1 Municipal Centre Drive
Fort Erie, Ontario
L2A 2S6

Dear Ms. Dennahower:

We at the Berkeley Consulting Group are pleased to submit our final report, "Good Governance for the Future", to the Niagara Heads of Council.

This report recommends a governance structure that can support good governance for the future in Niagara.

Our conclusion is that a single tier, Three or Four-City model is the most appropriate longer-term governance model for Niagara. We have outlined a 'gameplan for constructive action' that we believe will support Niagara Councils in making the incremental changes necessary to achieve this result.

Although the pressure for immediate restructuring may not be as compelling, we believe that a commitment to incremental change towards an agreed vision of reform is needed to move the governance debate from talk to action. The issue of what governance structure makes sense is important. But just as important is how the municipalities should proceed towards reform.

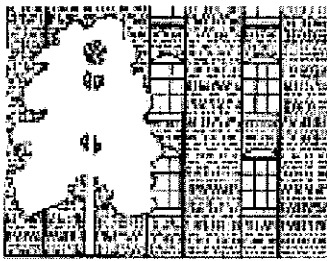We appreciated the advice and feedback of the Heads of Council and the citizens of Niagara in this governance review. We thank you for your support and your participation. We trust that our analysis and conclusions will assist you in shaping a governance structure that meets the requirements for good governance in Niagara for the future.

Yours very truly,

Jim M. Mackay
Managing Partner

JMM:sm

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Executive Summary

In November 1999, the Heads of the Municipal Councils within Niagara Region (twelve Mayors and the Regional Chair) commissioned the Berkeley Consulting Group to develop and evaluate optional governance structures for municipal administration and to make recommendations about governance structure.

This review was prompted by the Province's policy direction to restructure municipalities. Recognizing that Niagara was next in line for restructuring, the Heads of Council took the lead in addressing governance reform to avoid the possibility of a provincially imposed solution.

Municipal Restructuring is Driven by the Expectation of Lower Taxes

Restructuring is driven by a hope for lower taxes. One of the key Provincial Principles guiding municipal restructuring calls for "lowering taxes by reducing overall municipal spending". The evidence, however, that taxes fall after restructuring is not compelling. Dr. Andrew Sancton, Berkeley's expert advisor, has studied the record of amalgamations and found that estimates of savings were grossly inflated. And even when savings are achieved, they do not necessarily translate into lower taxes. Our study concludes that there are opportunities for savings in Niagara, but we also caution that there are major risks to achieving these savings.

Restructuring Should be About Good Governance for the Future

Restructuring discussions should be focused on ensuring good governance for the future. Governance reform is not about fixing the status quo or finding savings. It is about establishing a governance structure that will make strategic decisions about how an area evolves and develops over the long term. We believe that good governance for the future requires a governance structure that meets the following criteria:

- Clear and cost-effective system of political accountability where the taxpayers have clear access to decision-makers and it is clear who is accountable for what.
- Sufficient geographic scope of influence, appropriate responsibilities and adequate population and fiscal size to make decisions that affect long term sustainability.
- Lowers the cost of government by providing cost-efficient service delivery and services that are seen by the taxpayers to be worth the taxes or fees.
- The short-term impacts of governance change also need to be considered. It is important that transition impacts are seen overall to be fair and constructive.
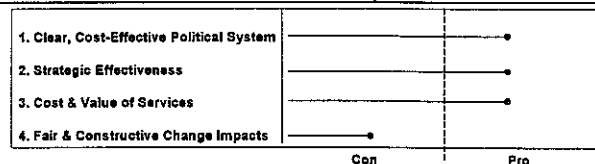
Our Process Created Many Options

The Berkeley consultants intentionally created an 'open process' in which we communicated our preliminary conclusions and 'leanings' about governance options as the process evolved. Options Papers were released twice during the process, on January 11th and February 8th. In Options Paper #1 we presented a spectrum of options with three key 'models' — one city, multiple single-tier cities and a modified two-tier system. Interestingly, the spectrum has remained the same, but the number of options never narrowed. In fact, consultation with municipal councils, the public and organizations led to many more.

A Single Tier, Three or Four-City Option is the Most Favourable

Given the potential permutations and combinations of Multi-City options, we developed three options that cover the spectrum — simply as 'Illustrative Models': a Multi-City Two-Tier Structure, A Multi-City Single-Tier and One City Single-Tier. We evaluated these options using the criteria we consider essential in a structure that is designed to provide good governance for the future.

We conclude that a single tier with Three (or four) Cities is the most favourable option. Our assessment is depicted below. Comparative assessment of other options is found in the final report (pages 30-32).

	Rating	
Criteria #1 — Clear, Cost-Effective Political System		
• **Clear roles and responsibilities**	+	+
• **CMSM creates some ambiguities in accountabilities**		
• **Medium access and sense of distance**	-	
• **Communities of interest to a degree**		
• **Most cost-effective political representation**	+	+
Criteria #2 — Strategic Effectiveness		
• **Sustainable through its pooled size with some questions about Western Niagara's ability to assume services**		+
• **Fits growth strategy and quality of life goals with greater match**	+	+
Criteria #3 — Cost & Value of Services		
• **Potential savings slightly behind UniCity (15% less than UniCity Option)**	+	+
• **Risks may reduce savings but still should be positive**	-	
• **Some costs may level up through harmonization**		
• **Services may be harmonized and less suitable to local preferences**		
Criteria #4 — Fair & Constructive Change Impacts		
• **Reasonably high swings in tax increases**	-	
• **Transition risks and possibly costs would be medium**	-	
• **Moderate confusion working through process of service changes and harmonization**	-	

	Con	Pro
1. Clear, Cost-Effective Political System		●
2. Strategic Effectiveness		●
3. Cost & Value of Services		●
4. Fair & Constructive Change Impacts	●	

Berkeley's Preference is for a Specific Three-City Model

Our preference is for a specific Three-City model, with one city delivering health and social services to the others. For the sake of discussion we refer to the cities as West Niagara, Canal City and Niagara River. The specific boundaries we have selected recognize the canal as a major factor in dividing patterns of interaction and services. The cities promote north to south development from a planning and fiscal point of view. We also try to balance the size and strength of the two large urban cities.
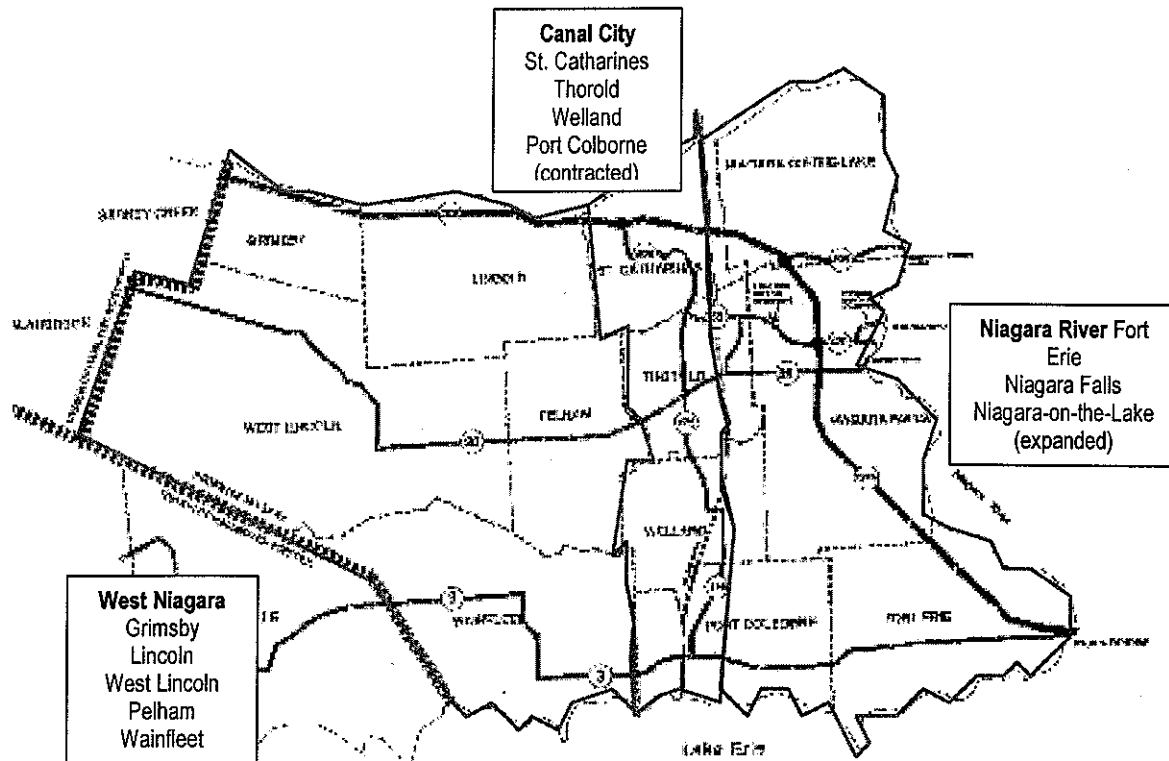
There is no Region, but the Canal City will act as the Consolidated Municipal Services Manager (public health and social services) for all three cities. The Old Town Niagara-on-the-Lake will be designated as a heritage area with legislated requirements and protections. A Joint Planning Board of the three municipalities will be established to cooperate on cost and revenue pooling, major infrastructure planning and related projects. The three will establish and own a region-wide services corporation to manage water and sewer treatment through the transition. A Police Services Board continues through the transition. All other service responsibility is assigned to each of the three single tier cities.

But Other Three or Four-City Single-Tier Options are Acceptable

Our preferred option is not a 'take it or leave it' option. Any reasonable Three (or four) City single-tier option would also make sense. An approach that is close to the preferred option that meets its fundamental intent and has its basic ingredients would also be acceptable.

The Niagara Councils should decide what specific form of a Three (or four) City single tier structure should be adopted, taking into consideration Berkeley's preference, but focusing on meeting the basic ingredients.

Incremental Change Rather Than 'Big-Bang' Change is Recommended

The conventional approach to decision-making and change is — study, recommend, decide and change everything at once. This is the 'big-bang' approach. Big change is hard to do well. It creates problems that can erode the benefits of reform. We propose an incremental approach. The key to making an incremental approach work is that there is some agreement to the endpoint or vision — in this case, an agreement that the Niagara Councils are working towards a single tier Three (or four) City governance structure.

From Talk to Constructive Action

Without provincial pressure to restructure immediately, there is no compelling urgency to make decisions that will move Niagara closer to the vision of three or four single-tier cities. We are concerned that the talk about changes to governance will continue, without constructive action. To support incremental change towards an agreed vision, we propose a gameplan for constructive action. This gameplan calls on the municipalities to establish inter-municipal reform groups to plan the specifics of ultimate governance reform, and proposes beginning, incremental action steps that move them towards the ultimate single-tier structure.

Endorsing the Vision of a Single-Tier Structure is Key

We believe it is essential that Councils decide soon whether they support the proposed single-tier approach or not. That agreement can be 'in principle', without making a commitment to defined boundaries. But the endpoint needs to be clear — a single-tier, Three (or four) City governance structure. If there is not adequate endorsement of the vision by a stipulated deadline, we recommend that the Heads of Council either request that the Province immediately appoint a Special Advisor or develop consistent referenda for use across the region in November, seeking the public's direct endorsement.

The Circumstances Have Changed, but Timing is Still Important

The Heads of Council originally launched this governance review in the shadow of impending provincial action. The circumstances have seemingly changed. The Heads of Council in Niagara have more time to consider the results of this review. Yet the time needs to be used wisely — an elongated process of talk without constructive action will be damaging to Niagara municipalities. We encourage the Heads of Council to move quickly to bring this process to some resolution.

Summary of Recommendations

We recommend four fundamental directions for governance reform.

Direction Recommendation #1 — Niagara municipalities should endorse a single-tier governance structure with three or four cities.

Direction Recommendation #2 — The Niagara Councils should decide what specific form of Three/Four-City single-tier structure should be adopted, considering Berkeley's preference, but focusing on the key ingredients.

Direction Recommendation #3 — The Heads of Council should endorse the seven elements of the gameplan for reform.
1. Each municipality endorse, in principle, the single tier structure.
2. Heads of Council continue to manage the overall process and timetable.
3. Individual municipalities decide which municipalities they want to work with.
4. Inter-municipal Reform Groups established to plan the specific of governance reform and action steps.
5. Create the future — Reform Groups propose in the political system action steps that create immediate benefits and move towards the single tier structure.
6. Make immediate practical changes that support the principles and direction of reform.
7. The Region begins to align it administration and services with the reformed structure.

Direction Recommendation #4 — If adequate endorsement is not forthcoming by a stipulated deadline, the Heads of Council should either request that the Province immediately appoint a Special Advisor or develop consistent referenda for use across the region in November seeking the public's direct endorsement.

Given this direction, we make the following specific recommendations for action.

Recommendation #1 — Reform the Electoral System as soon as possible. (Downsize local councils, have regional councillors sit on local councils.)

Recommendation #2 — Request the Province's expectations for restructuring — new timetable and directions.

Recommendation #3 — West Lincoln, Wainfleet and Pelham should continue Rural Alliance planning.

Recommendation #4 — Establish inter-municipal reform planning groups to plan and negotiate governance reform leading to an ultimate three or four city approach.

Recommendation #5 — The Region should begin to plan for reform of its structure and responsibility within the context of the reform proposals in this report.

I:
Review's Purpose & Process

In November 1999, the Heads of the Municipal Councils within Niagara region (twelve Mayors and the Regional Chair) commissioned the Berkeley Consulting Group to develop and evaluate optional governance structures for municipal administration and to make recommendations about governance structure.

Purpose of the Governance Review

The mandate provided was essentially the same as that provided by the Provincial Government to Special Advisors appointed to recommend an appropriate governance structure for the regions of Hamilton-Wentworth, Sudbury, Ottawa-Carleton and Haldimand-Norfolk. Berkeley was directed in the terms of reference to follow the provincial guidelines whose principles for restructuring are shown in the box on the right. The final report was to encompass the following: Municipal structure — number, boundaries, Council(s) — composition, size, method of election, etc., and additional issues related to transition and special powers.

Berkeley Hired to Develop an Independent 'Made-In-Niagara' Solution that Satisfies the Provincial Principles

Clearly, from the outset, there was an expectation that a 'Made-In-Niagara' solution may be more palatable than one eventually imposed by a Special Advisor, appointed by the Province. There were no specific 'Made-In-Niagara' principles established for the consultants to follow.

Instead, the consultants were asked to work with the Heads and seek input from the public as a means of uncovering a 'Made-In-Niagara' approach. While the consultants did that, the Heads of Council emphasized that they were seeking an independent judgement about the right fundamental governance structure. Moreover, the final answer needed to satisfy the provincial principles.

> **Province's Governance Principles**
>
> - Fewer municipal politicians while maintaining accessible, effective, accountable representation, taking into consideration population and community identity.
> - Lower taxes by reducing overall municipal spending, delivering high quality services at the lowest possible cost, preserving voluntarism, and promoting job creation, investment and economic growth.
> - Better, more efficient service delivery while maintaining taxpayer accessibility.
> - Less bureaucracy by simplifying and streamlining government, reducing barriers and red tape for business.
> - Clear lines of responsibility and better accountability at the local level by reducing duplication and overlap.

The Circumstances Changed, the Fundamental Mandate Did Not

Governance restructuring is about fundamental change. For such fundamental change to happen, typically there is a need for a 'burning platform' or a compelling reason to change. Another version of this is the following formula:

CHANGE = Pain with the Present x *Vision* x *Practical First Steps*

While there was some 'pain' with the current governance system, mainly between some local municipalities and the region, municipal reform was being addressed incrementally. This review happened because the Province 'lit the platform' (Ministry's Letter, August 25, 1999) and advised the municipalities that they were next in line for restructuring. Shortly after the review began, four special advisor reports were submitted. Those special advisor decisions, announced in November, fanned the flames.

Initially, our mandate was to develop a 'fundamental' new governance structure by February 2000 so that the 'Made-In-Niagara' solution could be enacted for the elections in November 2000.

So, at the beginning of this process, municipalities wanted our objective analysis and opinion about what governance structure made most sense for Niagara. This presumed the Province's intention to restructure municipalities. That seems no longer to be the situation.

Circumstances change. The Province appears to have reduced its passion to restructure the remaining municipalities, and certainly has decelerated the timetable. With no plans to delay the November 2000 municipal elections, the local municipalities' urgency to change governance has dissipated. The 'burning platform' is only smoldering.

Given that, the Heads of Councils wisely extended the timetable for the review. Clearly, there was not the same rush to develop a vision for the new governance structure. Yet, does the fundamental issue remain? Frankly, municipalities seem less interested in governance reform now that the short-term pressure is off.

Our mandate of devising a vision for governance reform remains. It is unlikely the Province will restructure four major regions plus Toronto and leave the rest as is. The municipal restructuring agenda will return and the platform will glow again. Therefore, we have assumed that a reformed governance model will be needed at some point over the next three years. What has changed is the timing and future process. Now the issue is not just what governance structure makes sense, but how should the municipalities proceed given no externally imposed timetable? Clearly, there is more time to study and debate our conclusions. We have turned our attention to how that time may be prudently used.

Process Featured Openness and Consultation

While the timetable changed given the new circumstances, the basic features of the process remained consistent.

- Options Papers were released twice during the process on January 11 and February 8.
- Six public consultations were held across the region with close to 1,300 attendees and 107 presenters.
- Numerous (~85) written submissions were received from organizations and members of the public. At the time of this report, the interactive website, hosted by Niagara Region, had 72 registered members with over 200 posted discussions/messages.
- Overall, we met with the 13 Heads of Council on four occasions for workshops on the governance issue.
- We received advice from the CAOs collectively at two additional meetings.

The consultants intentionally created an 'open' process:

- We communicated our preliminary conclusions and 'leanings' as the process evolved — creating some discomfort for our clients.
- Our views changed as we analyzed the information and heard people's ideas — that also created criticism.
- We received criticism frequently and responded to suggestions constructively.
- We tried to be available to the news media to help increase public awareness and interest in the governance issue.

There is more detail about the process in the *Appendix I: Process Highlights.*

Governance is a difficult and controversial issue. People naturally become defensive if they think their own municipality is going to be merged with another. While the Province's actions prompted this study and the 13 Heads of Council commissioned it, we have heard and sometimes been the target of the understandable frustration. Yet, while it took a little longer, we are pleased that we followed an open process to this conclusion.

II:
The Governance System in Niagara

Context for Restructuring in Niagara

Local government restructuring is not a new phenomenon. Necessity fueled it in the 1950's. The return of World War II veterans, initial waves of immigrants, and a baby boom placed unprecedented demands on municipalities for services and for serviced land all over Ontario. From 1950 to the present, we have witnessed structural, organizational and financial changes in urban and rural local government.

The Baldwin Act of 1849 in Ontario introduced a uniform system of local government blanketing Ontario. A two-tier system of county government extended over the settled parts of the province with the exception of cities and a few separated towns. For the most part, the system remained static until the 1950's.

This section opens with a brief overview of the 1950-2000 reform of local government. This sets the context for a specific look at local government reform in Niagara from the creation of the Regional Municipality of Niagara, January 1, 1970 to this report.

Local Government Restructuring in Ontario — 1950-2000

The 1953 Ontario Municipal Board report (Cumming Report) resulted in the creation of The Municipality of Metropolitan Toronto (Metro Toronto) which became operative on January 1, 1954. This was the first major structural change to local government since the Baldwin Act. The Metro Toronto model, in essence, was the 1849 county system grafted on to an urban setting.

Metro Toronto came into being because of a major services crisis in the area. The financial resources of the core city of Toronto were required to meet the needs of its surrounding suburbs in the then County of York. There was a desperate need for all major infrastructure in Toronto — from schools to public transportation, roads, sewer and water systems (mains and treatment facilities) — to accommodate the new families developing the then largely rural suburbs of Etobicoke, North York and Scarborough. Before and after World War I growth had been accommodated by a succession of annexations to the core city of Toronto; a practice halted in 1924.

By the 1960's, the next building block of municipal restructuring emerged. The Ontario Committee on Taxation, (Smith Report, 1967) in its landmark Volume II, Chapter 23, *Reconciling Structure with Finance,* spelled out principles or criteria to be followed in

creating a system of regional local governments. These were crystallized in two overarching "prime values" defined as:

- *access*: "...the most widespread participation possible on the part of virtually all individual citizens." (Smith. 1967. Vol.11. C, 24, p - 503) and

- *service*: "...not only the economical discharge of public functions, but the achievement of technical adequacy in due alignment with public needs and desires." (Ibid. s.27)

Intermittently for thirty years, Ontario has adjusted municipal governance. Niagara was one of the first of twelve regional governments created between 1969-1974, all put into place after independent review commissions.

As a consequence of the 1995 *Savings and Restructuring Act,* popularly known as Bill 26, the new Ontario Government called for consolidation of municipalities, which resulted in reducing the number of municipalities by 32% (from 814 to 554) between 1995 and 1999. A series of provincial initiatives such as: *Report of the GTA Task Force* (1996 Golden Report), *Who Does What* (1997, Crombie Panel), and the 1998 amalgamation of Toronto set the stage for a full-scale examination of regional government.

The autumn of 1999 saw three single-tier municipalities created from the previous two-tier regional governments in Hamilton, Ottawa and Sudbury; and two single-tier municipalities in the former region of Haldimand-Norfolk. These five new municipalities will come into being January 1, 2001. In each of the four cases the advice of the Special Advisor was taken with little modification.

Commissioners were appointed in two other counties of the province — Kent in western Ontario and Victoria in central Ontario. The difference between Advisors and Commissioners is that a Commissioner's recommendations are mandatory. In 1997, Chatham-Kent, a single tier municipality was created, combining all municipalities in the former county. As of March 2000, the Commissioner for Victoria County had not reported. In addition to these reviews, in 1996 the City of Kingston was expanded with the consolidation of two adjacent townships.

Four other upper-tier municipalities and their local municipalities were urged by the then Minister of Municipal Affairs and Housing on August 23, 1999 to begin a process of restructuring including the Regional Municipalities of Niagara, Waterloo, the Reconstructed County of Oxford and the District Municipality of Muskoka.

Local Government Restructuring in Niagara — 1970-2000

The August 1966 release of the *Niagara Region Local Government Review* (Mayo Report) resulted in the Regional Municipality of Niagara which became operative on January 1, 1970. In his report, Mayo cautioned against "total amalgamation" in Niagara:
"...we *set aside the proposal for a total amalgamation of all municipalities under one, and only one, regional governing body...*"

This solution is appropriate in some parts of the Province, for example, where one city dominates a small hinterland. But it is not appropriate in a large region like Niagara. which has several city 'nuclei'. (Mayo. 1966. p. 36. emphasis supplied.)

Between 1970 and now, there were two subsequent provincially sponsored reviews of Niagara, each of which confirmed the need for a regional structure to provide area wide services. These were the *Archer Report, 1977* and the *Kitchen Report, 1989.*

The Current System of Government in Niagara

A Two-Tiered Governance Structure

There are thirteen municipalities in Niagara — an upper tier, The Regional Municipality of Niagara, and twelve local municipal governments. There are 130 elected officials.

Municipality	Population	Regional Representation	Local Representation
Cities			
Niagara Falls	75,498	Mayor + 3 Regional	Mayor + 12 Local
Port Colborne	18,182	Mayor + 1 Regional	Mayor + 8 Local
St. Catharines	130,926	Mayor + 6 Regional	Mayor + 12 Local
Thorold	17,846	Mayor + 1 Regional	Mayor + 8 Local
Welland	47,617	Mayor + 2 Regional	Mayor + 12 Local
Towns			
Fort Erie	26,717	Mayor + 1 Regional	Mayor + 8 Local
Grimsby	19,262	Mayor + 1 Regional	Mayor + 8 Local
Lincoln	18,175	Mayor + 1 Regional	Mayor + 8 Local
Niagara-on-the-Lake	12,580	Mayor + 1 Regional	Mayor + 8 Local
Pelham	14,157	Mayor	Mayor + 6 Local
Wainfleet	6,069	Mayor	Mayor + 4 Local
West Lincoln	11,238	Mayor	Mayor + 6 Local

The Council of the Regional Municipality is composed of thirty members — the Regional Chair, twelve local Mayors and seventeen directly elected Regional councillors. The Regional Chair is indirectly elected from the seventeen directly elected regional councillors.

The map following shows the 12 area municipalities. Along side, the population of the municipalities and the number of elected officials are shown. The Regional government

oversees the delivery of services such as social services, water and police across the whole region.

Region
Pop: 398,267
Elected Officials=30
 Mayors: 12
 Regional Councillors: 17
 Chair: 1

Grimsby
Pop: 19,262
Elected Officials=10
 Local: Mayor +8
 Regional: Mayor +1

Niagara-on-the-Lake
Pop: 12,580
Elected Officials=10
 Local: Mayor +8
 Regional: Mayor +1

St. Catharines
Pop: 130,926
Elected Officials=19
 Local: Mayor +12
 Regional: Mayor +6

Lincoln
Pop: 18,175
Elected Officials=10
 Local: Mayor +8
 Regional: Mayor +1

Niagara Falls
Pop: 75,498
Elected Officials=16
 Local: Mayor +12
 Regional: Mayor +3

West Lincoln
Pop: 11,238
Elected Officials=7
 Local: Mayor +6
 Regional: Mayor

Welland
Pop: 47,617
Elected Officials=15
 Local: Mayor +12
 Regional: Mayor +2

Wainfleet
Pop: 6,069
Elected Officials=5
 Local: Mayor +4
 Regional: Mayor

Pelham
Pop: 14,157
Elected Officials=7
 Local: Mayor +6
 Regional: Mayor

Thorold
Pop: 17,846
Elected Officials=10
 Local: Mayor +8
 Regional: Mayor +1

Port Colborne
Pop: 18,182
Elected Officials=10
 Local: Mayor +8
 Regional: Mayor +1

Fort Erie
Pop: 26,717
Elected Officials=10
 Local: Mayor +8
 Regional: Mayor +1

Population Source: 1999 Ontario Municipal Directory

Alignment of Services — Who Does What?

The chart following shows the alignment of services between the two tiers of government. It corresponds closely to the chart prepared by the former Regional CAO Michael Boggs in his recent report on governance.

Table 1: Summary of Alignment of Services — Regional & Local Level

Function	Region	Area Municipality	Shared	Note
Administration	X	X		
Police	X			Provided by the Niagara Regional Police Services (NRPS).
Fire		X		Includes Volunteers.
Ambulance	X			Effective January 1, 1998 for finances and January 1, 2000 for delivery.
Emergency Measures/Response	X	X	X	Many Agencies.
Ontario Works	X			
Employment Programs	X			
Seniors Services	X	X	X	
Public Health	X			
Libraries		X		

Function	Region	Area Municipality	Shared	Note
Parks, Recreation, Community Centres and Cemeteries	X	X	X	
Roads	X	X	X	
Public Transit		X		Transit systems operate in Fort Erie, Niagara Falls, St. Catharines, Thorold and Welland.
Street Lighting, Parking, Marina and Airport		X		Airport supported by Welland, Thorold, Port Colborne, Pelham, Niagara Falls.
Storm Sewers		X		Thorold, Wainfleet, West Lincoln, and Pelham do not have storm sewers.
Sewage Collection and Treatment	X	X	X	
Water Treatment and Distribution	X	X	X	
Solid Waste Collection and Disposal	X			
Municipal Hydro Electric		X		Provincial in some areas.
Economic and Tourism Development	X	X	X	
Licensing	X	X	X	
Tax Billing and Collection		X		
Planning	X	X	X	
Crossing Guards		X		
Animal Control		X		
Municipal and School Board Elections		X		
Social Housing	X	X	X	
Social and Family Services	X			
Vital Statistics		X		Registrar of Births, Deaths Issue Burial Permits Issue Marriage Licenses
Property Assessment	X			Delivered by Province-wide agency.
Building & Plumbing Inspection		X		

Financial Overview — Who Pays For What?

The chart following summarizes the general property tax required for local, regional and education purposes. Clearly, the region is a major recipient of property tax revenues (40%). However, it is interesting to note that the local and regional services account for somewhat less than two-thirds of the property tax total. Hence, any restructuring savings will have a diluted affect on lowering taxes. For example, a savings in lower tier and regional tax of 10% would lower overall property tax by less than 7%.

Table 2

General Property Tax (1998)		
	$ (000s)	%
Local Tax	119,724	25
Regional Tax	190,716	40
Education Tax	166,717	35
Total	477,157	100

Source: Financial Information Returns

A further dilution of the impact of restructuring savings on property taxes results from expenditures that are almost as beyond municipal control as education costs, e.g., such provincially mandated services as social services, health, social housing and ambulance services.

If net expenditure on these items ($101.3 million) is deducted from regional taxes in the above chart, we are left with regional taxes financing "controllable" expenditures of $89.4 million. A 10% reduction in this total plus a 10% reduction in local taxes would then lower overall property taxes by only 4.4%.

III:
Reasons Governance Structure is Important

What is Governance?

Governance Roles — Formulating Strategy and Setting Policy for Service Delivery and Funding

Regional and local councils are governing bodies. They do not plow snow, collect garbage or issue building permits. They govern. Governing is about deciding strategy, setting policies for services and determining how they are funded:

- **Developing Strategy** — Where do we want to be as a community and where should we invest our resources and energy? What growth should we seek and where should it be allowed?
- **Setting Service Delivery Policies** — Setting policies about what services the taxpayers should get, the level of those services, how they should be delivered and how they will be paid for.
- **Determining Fiscal Policy** — Deciding how to finance infrastructure and services and determining who pays for them and on what basis.

While Councils may get involved in the details of local government, their main role is to decide the big picture directions for sustainable growth and quality of life of the community.

Governance structure concerns what geographic area is being governed, the nature of the governing body and method of its selection, and recognizing provincial requirements, the scope of responsibilities it has.

The governance structure establishes a basis for making decisions over the long term. Changes in governance structure should not be taken lightly. The governance body has a pervasive impact on how an area evolves and develops. Its impacts are long term. The best governance structure needs to be capable of discharging its responsibilities for an extended period of time.

Elements of the Governance Structure

Governance structure involves a number of key elements described below.

Two-Tier versus One-Tier

The first element is the number of tiers of government. Our reading of the provincial principles and the decisions made using them suggest that single-tier structures are preferred. Presumably, a single-tier avoids duplication in administration and service delivery as well as clarifying accountability with the public.

Number of Municipalities and Their Boundaries

The number of municipalities must be looked at in light of whether there is a single or two-tier structure. Naturally, one wants each municipality to represent geographic areas that have some common interest. Historical patterns and physical features typically determine the boundaries but they do not necessarily create communities of adequate population or wealth. In a single-tier structure, economies of scale require that each single-tier municipality be of an adequate size. This means fewer cities. To avoid duplication with two tiers and confusion, one needs to have lower-tier consolidation.

Accountability/Representation System

Even with the number of tiers and municipalities determined, there are important choices about the nature of the governing body, the municipal council.

- The size and composition — One of the features the province wants to see in a reformed structure is fewer elected officials.
- The means of selecting — ward or at-large.
- Full-time or part-time expectations — signaled by compensation levels.

These features are issues for governing a municipality as well as a two-tiered municipal system — the composition of a regional council or services boards, where required, and how their members are chosen. The approach to selection, directly elected versus doubly elected versus locally appointed to represent local municipalities, turns partly on "what is the regional body's mandate".

Services Alignment and Delivery

In a one-tier structure, the one tier is responsible for everything unless it has been specifically assigned to another body. For example, police services may be assigned to a Police Services Board. Yet, even if each municipality is responsible for a service, it can still choose to have some other organization deliver it. It can deliver the service itself, negotiate an inter-municipal arrangement so that another municipality delivers it

under contract, establish a joint venture with other municipalities, contract to a private provider, or find some alternative service delivery arrangement (ASD).

There are some traditional criteria in a two-tier system for deciding where services should be aligned — spillovers, economies of scale, unified standards, redistribution and local preferences. Importantly, some economies can be accomplished without establishing a region-wide government.

Funding/Financing Arrangements

A governance structure is not complete without considering the funding and fiscal arrangements. "Who pays for what" is central to a governance structure discussion.

There are a number of methods to address financial problems created by a specific governance structure including:

- Area rating can release rural property owners from the burden of paying for urban services like transit and full-time fire.
- Taxpayers can also pay an area debt surcharge to pay off their old (pre-amalgamation) debts.
- There are options to phase-in tax changes that are created by changing the combination of local taxpayers.
- There are ways to pool costs over a broader basis while delivery is assigned locally.

Governance Purpose and Criteria

Four Criteria for Evaluating Governance Options

To judge a governance structure, one needs to look to its overall purposes. Our framework suggests three broad aims.

1. Clear and Cost-effective System of Political Accountability and Representation

A governance structure needs to provide the taxpayer with clear access to decision-makers and ensure that the decision-makers are accountable for their decisions. It needs to be understandable for taxpayers so they know who does what, or access is meaningless and accountability will be confused. Finally, the system needs to be cost-effective. Enough representation is enough. Too many elected officials and too many decision-making bodies makes the structure more costly and it does not necessarily improve accountability. It may even confuse it.

2. Scope and Size for Strategic Effectiveness and Sustainability

Governance is about formulating strategy and establishing policy and direction for growth and development. Hence, the entity needs the ability to plan and create growth, deliver and maintain local infrastructure/services. To do that, it needs the right geographic scope of influence, appropriate responsibilities and adequate population and fiscal size to do that realistically.

3. Cost and Value of Services for Taxpayers

The governance structure cannot guarantee that taxpayers will be happy. However, an appropriate governance structure can lower the cost of government by allowing for cost efficient service delivery. It can also promote the provision of valued services that are seen to be worth the taxes or fees paid. With a larger size, typically the costs can go down. With a broader scope of communities served, typically it is harder to have one set of services please everyone.

The three purposes above qualify as criteria. A fourth needs to be recognized to acknowledge the problems of reform and change.

4. Fair and Constructive Impacts of Change

The short-term impacts of change need to be considered. The specific impacts on each old municipality on taxes and services needs to be positive overall and not excessively unfair or damaging. This means, one needs to consider:

- Changes in average tax rates.
- The differential change in taxes among municipalities.
- Risks of excessive service and cost increases are contained.
- Potential service changes are acceptable.

Criteria and Indicators of Success

For each of these broad criteria areas, there are specific criteria to be considered. Table 3 outlines these. Those identified by the province (Provincial Principles) are noted with an asterisk (*).

Table 3

Indicators of Success
Criteria #1 — Clear, Cost-Effective Political System
• Clarity of Accountability *   ➤ Limited duplication or overlap in services/functions. *   ➤ Elected officials and bodies responsible for governance (decision-making) roles.   ➤ Few special purpose bodies and size of budgets covered by such bodies.
• Adequate representation of all local communities. *
• Communities of Interest — Jurisdiction includes communities with some common interest and relevant boundaries.
• Cost-effective elected representation * — Number and Cost of Elected Officials.
Criteria #2 – Strategic Effectiveness
• Size for Sustainability   ➤ Assessment — weighted assessment relative to services load, growth and balance of residential to commercial/industrial.   ➤ Reserves — level of net reserves relative to future needs if known.
• Scope fits Growth Strategy and Quality of Life Goals*   ➤ Given growth strategy, scope provides tools to influence/facilitate strategy.   ➤ Integration of key functions/policy tools to affect broad quality of life from social wellbeing to economic, from preservation of heritage and environment to economic development.
Criteria #3 – Cost & Value of Services
• Cost level *   ➤ Estimated savings from restructuring.   ➤ Risks — range and probability of increased costs from wage and service harmonization and loss of volunteers.   ➤ Services aligned so that relevant economies of scale can be achieved.   ➤ Responsibilities not duplicated or overlapped.
• Value — Services delivered so that local preferences can be accommodated re what is valued and what can be afforded.
Criteria #4 – Fair & Constructive Change Impacts
• Fair Tax Impacts. *
• Projected tax changes with no savings.
• Projected tax changes with estimated savings.
• Transition Risks and Costs.
• Service Changes — identified risks of service changes.

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Issues About Impact of Changes in Governance Structure

There are a number of issues concerning the impact of changes in governance structure which have emerged. Some confusion exists about what governance change will affect. In this section, we will comment on the key issues that came to our attention.

Tax Impact of Governance Restructuring is Uncertain

One of the key Provincial Principles is "lowering taxes by reducing overall municipal spending..." Special Advisors have presented projections of how amalgamation and restructuring can produce sizable savings in the costs of municipal government.

The evidence that taxes fall after restructuring is not compelling. Our expert advisor, Dr. Andrew Sancton, (see *Appendix V: Research on Amalgamation Savings*) has studied the record of amalgamations and found the following:

- Estimates of savings were grossly inflated, usually about double those achieved.
- Transition costs were typically materially higher than projected levels.
- Complications reduced the level of savings and created general confusion in calculating savings.
- Savings that were achieved are often used up in service harmonization.
- Wage harmonization presents a major risk factor that can erode all savings and produce cost increases.

Even proponents of amalgamation such as Harry Kitchen admit that savings do not necessarily convert to less tax since it depends on what the new council decides to do. Moreover, he argues that where services level up, even inadvertently after a merger, this is a positive outcome.

In short, there is no guarantee that savings numbers estimated will come to pass. Secondly, even if the savings come to pass, they may not flow through as tax decreases. Finally, this suggests that cost savings alone should not be the reason for adopting a new governance structure. Longer-term strategic effectiveness and sustainability and clearer, simpler accountability are probably better reasons to rely on.

Local Identity and Voluntarism Are Not Necessarily Affected

There is an assumption that a change in municipal governance boundaries has the magical effect of destroying history, loyalty and memory for place. The fact is that all over Ontario and even in Niagara, communities continue to have pride in their own identity although they were long ago amalgamated with another jurisdiction that actually plows their roads. In short, local identity and municipal boundaries are not the same.

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Akin to this concern is the fear that change will occasion a loss of local volunteers and the spirit of volunteerism. There is no evidence that volunteerism is connected strongly to municipal jurisdictions or changes thereto. Strong local communities thrive because they are strong local communities with strong local community leaders.

Restructuring Will Not Automatically Bring City Services, Development and Tax Levels to Rural Areas

We have heard people in rural or small town communities predict dire impacts on their community of a municipal restructuring that places their area with that of a nearby city. Some think that unwelcome development will suddenly happen. Others see transit coming as if there is a requirement that services in one jurisdiction must be harmonized. Most fear an increase in taxes for services they do not get. The reality is that in communities that now include rural and urban areas, services differ and taxes vary to reflect that difference in services through having a surcharge (area rate) for areas with urban services.

The fact is there is a potential for changes in service with restructuring; however, much of the concerns are exaggerated.

Sharing Assets and Liabilities with Other Communities

People have a view of which communities have money and which don't. There is fear that mergers will foist old debts on new taxpayers and hand over assets paid for by one taxpayer group to other groups. To some extent, there is this possibility. After a change in governance boundaries, "them" becomes part of "we" and there is a new team. However, there are ways to negotiate and arbitrate these matters as part of an actual transition. Assets and liabilities can be addressed so that 'old taxpayers' continue to pay off their debt. Reserves and debts can be dealt with to be fair to all parties. That can be addressed as part of the business of amalgamating.

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IV:
Governance Options
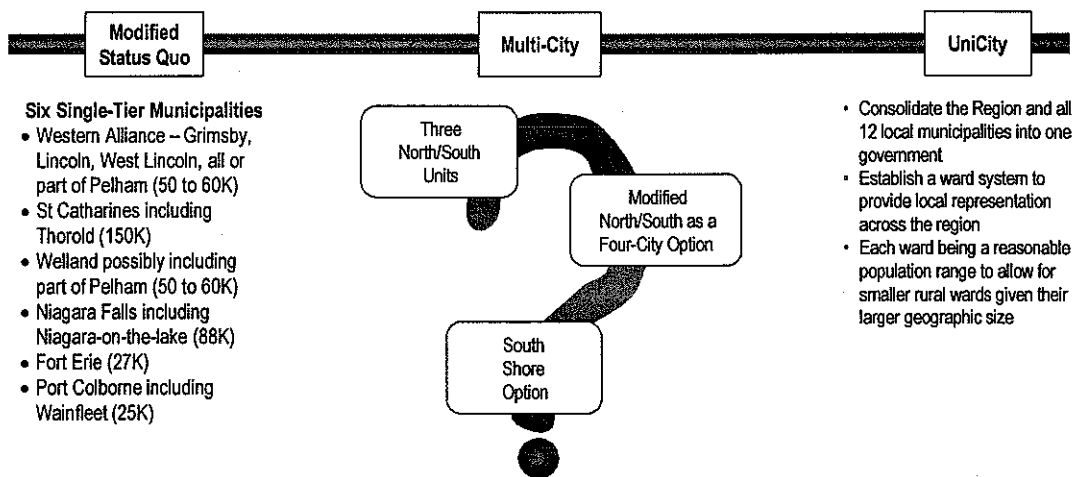
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The Spectrum of Options

Niagara is not a region with a natural dominant centre or centres from which one can design a few obvious and generally acceptable optional approaches to governance boundaries and structures. While all regions are unique, Niagara's population development is such that there are distinct but small communities relatively far from each other while other urban areas sit side by side. This produces a difficulty in finding simple ways to combine municipalities to create bigger, more effective municipal units without joining groups with a limited 'community of interest'.

In this section, we review the progress that has been made.

The Original Spectrum

It is interesting to reflect back to Options Paper #1, completed within a few weeks of starting this review.

The Original Spectrum (January 11, 2000)

| Modified Status Quo | Multi-City | UniCity |

Six Single-Tier Municipalities
- Western Alliance – Grimsby, Lincoln, West Lincoln, all or part of Pelham (50 to 60K)
- St Catharines including Thorold (150K)
- Welland possibly including part of Pelham (50 to 60K)
- Niagara Falls including Niagara-on-the-lake (88K)
- Fort Erie (27K)
- Port Colborne including Wainfleet (25K)

Three North/South Units

Modified North/South as a Four-City Option

South Shore Option

- Consolidate the Region and all 12 local municipalities into one government
- Establish a ward system to provide local representation across the region
- Each ward being a reasonable population range to allow for smaller rural wards given their larger geographic size

The Number of Options Has Not Narrowed

Interestingly, the spectrum has remained the same — three key 'models', one city, multiple single-tier cities or a modified two-tier system. However, the number of options has never narrowed. There are many different configurations of options and numerous permutations and combinations with slightly different boundaries and features.

We presented those outlined above in Options Paper #1. In Options Paper #2, we presented a revised Modified Status Quo with Seven Cities, a new three-city, single-tier model as well as the UniCity. While there was some support for the Seven City model, there was also significant concern that it did not go far enough. There was limited support for the specific three-city model we proposed.

At that time, a number of municipalities re-presented their views about options. Two variants of a four-city model were presented by Grimsby (and Lincoln) and Welland.

At a workshop in early March with the Heads, the consultants presented their new three-city, single-tier model, having decided that the seven-city model would continue the two-tier system. While there was interest, there was also much opposition to the three-city option, especially among those who supported the seven-city model where their town was protected.

The Modified Two-Tier Options

There are many variations of continuing with the two-tier structure. Some suggest more dramatic change while others argue to keep the current structure and allow change to happen gradually. Here is a summary of the two-tier options.

Improve with the Current Governance Structure

The idea of making no immediate change in structure at all emerged after the Province appeared to relax its timetable. It involved the following actions.

- Keep the existing Region with twelve municipalities.
- Allow the rural alliance to evolve, possibly leading to a reduction in two municipal units to ten.
- Reduce the number of elected representatives across all governments.
- Consider a change in election of regional councillors.
- Continue to find ways to reduce costs within each government — although there is a sense that there is little more to cut.
- Continue to look at rationalizing regional/local services where they overlap, for example, roads, and water.

Existing Local Municipalities in Niagara
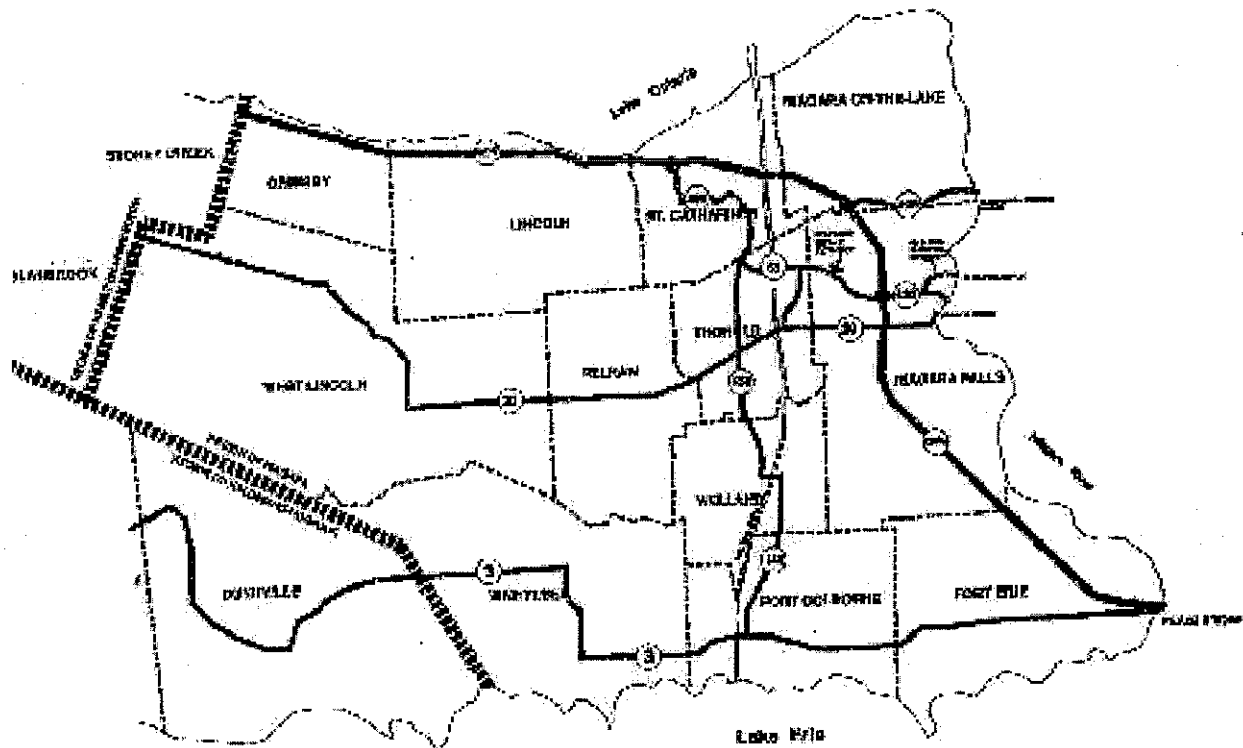
Seven-City with Modified Regional Government

This model proposes having seven local municipalities with an upper tier region. The seven area municipalities are as follows:

- St. Catharines and north Thorold (pop. 145,560).
- Welland, Pelham and south Thorold (pop. 64,986).
- Grimsby, Lincoln and West Lincoln — Northwestern Alliance (pop. 48,675).
- The Port Colborne/Wainfleet Alliance (pop. 24,251).
- Niagara-on-the-Lake (pop. 12,580).
- Niagara Falls (pop. 75,496).
- Fort Erie (pop. 26,717).

The Region would continue to provide defined services across the region and plan and make decisions requiring a broad regional perspective. However, regional councillors like the Mayors would sit on both the local and regional council.

Grimsby's (and Lincoln's) Quad-City Model with a Region

This model proposes four cities and a continued Region. The four cities are as follows:

- City One — Grimsby, Lincoln and West Lincoln.
- City Two — St. Catharines, Thorold plus the south portion of Niagara-on-the-Lake.
- City Three — Niagara Falls, "Old Town" Niagara-on-the-Lake and Fort Erie.
- City Four — Welland, Port Colborne, Wainfleet and Pelham.

Additional recommendations:
- Special Advisory Board for 'old Niagara-on-the-Lake'.
- Local Councillors on Region.
- Region manages social services, social housing, long-term care, health, and land ambulance.
- Hard services such as waste management, sewer and water revert to local cities.
- The model suggested that the eastern portion of Lincoln might be annexed to City Two. However, the town of Lincoln supported keeping Lincoln together as part of City One.

Welland's Four-City Model with a General Services Board

Welland's option consists of a different four-city model with a General Services Board. Hence, we have classified it as a two-tier system. In fact, it could be looked at as a single tier as well depending on one's view of services boards. There would be four cities with the following boundaries.

1. The eastern portion of Niagara-on-the-Lake, with a St. Catharines/Niagara-on-the-Lake interface between Virgil and the new Niagara College/White Oaks serviced area; Niagara Falls and Fort Erie (est. pop. — 114,200).
2. St. Catharines; north Thorold from the Holland Road area northward; north Pelham, north of the production of a boundary north Holland Road; eastern Lincoln from a new north/south boundary immediately west of Vineland (est. pop. — 155,800).
3. South Thorold; Welland; Port Colborne; Wainfleet; Pelham, exclusive of northern Pelham which would go to St. Catharines and a small (1/2 of a concession west of Victoria Avenue) portion of West Lincoln (est. pop. — 87,200).
4. Grimsby; the western portion of Lincoln and West Lincoln (est. pop. — 41,000).

- In this model, three strong urban centres, offering a full range of urban services, including recreational, health, educational, entertainment and other such services would be created. In addition, planned and emerging servicing/development areas are recognized.

- For the "Western Rural" municipality, common rural/agricultural issues would be dealt with locally while still providing for growth opportunities in the Grimsby, Smithville, and Beamsville urban concentrations. Additionally, most locally required day-to-day services could also be provided in these three smaller urban concentrations.
- A review of Police service delivery is suggested with two options being put forward for discussion.
- A General Purpose and Standards Board is recommended, with representation coming from locally elected Councilors from the four constituent municipalities. Single Purpose Boards are not recommended.
- Election to local Councils should be on a ward basis except for members who would sit on a "General Purpose and Standards Board". Members who would sit on both a local Council and General Purpose Board would be elected at large from the local municipality.

Single Tier Models

There are many variations in creating a single tier in terms of the number of cities. However essentially there are two models — a one-city approach or a three/four city approach in which the largest city is designated as the Consolidated Municipal Services Manager to deliver mandated social and health services.

A Three or Four City Model with a Consolidated Municipal Services Manager (CMSM) in one City Delivering Social/Health Services

The essential elements of this option include:

- Establish three or four relatively large, mostly self-sufficient cities.
- No Region but the largest City will act as a Consolidated Municipal Services Manager (public health and social services) for all three or four cities under an agreement for funding and service levels.
- Old Town Niagara-on-the-Lake will be designated as a heritage area with legislated requirements and protections including the appointment of a Special Board to approve planning and related decisions deemed to affect the heritage character of the Old Town.
- A Joint Planning Board of the municipalities will be established to cooperate on cost/revenue pooling, major infrastructure planning and related projects. The Board will have the powers and authorities provided by the Councils. There will be a very small secretariat.
- The cities will establish and own a region-wide services corporation to manage water and sewer treatment through the transition.
- Police Services Board to continue through the transition.
- Otherwise, responsibility for services is assigned to each of the three single tier cities.

Variations of the Three/Four City Model

There are a number of variations of the three or four city approach.

Berkeley's Canal Boundary for Three Cities

This three-city model has the following boundaries (these names are used simply for discussion):

- West Niagara — Grimsby, Lincoln, West Lincoln, Pelham, Wainfleet (pop. ~70,500).
- Canal City — St. Catharines, Thorold, Welland west of the Welland Canal and Port Colborne, excluding a portion of the eastern section (pop. ~200,000).
- Niagara River — Area east of the Welland Canal excluding portion of Port Colborne west of Miller Road and south of CNR at Forkes road. Essentially this covers an expanded Niagara-on-the-Lake, Niagara Falls, and Fort Erie (pop. ~130,000).

There can be additional adjustment to the boundaries by considering whether any of the following areas should be moved to the Canal City:

- Port Weller
- White Oaks area
- South Thorold urban area
- Jordan section of Lincoln
- Extending new boundary on east Port Colborne further east to include Gasline.

Berkeley's Three North/South Cities with Existing Borders

This three-city model would be similar to the previous one except it keeps the existing boundaries (these names are used simply for discussion):

- West Niagara — Grimsby, Lincoln, West Lincoln, Pelham, Wainfleet (pop. 68,901).
- Central Niagara — St Catharines, Thorold, Welland and Port Colborne (pop. 214,571).
- East Niagara— Niagara-on-the-Lake, Niagara Falls, and Fort Erie (pop. 114,795).

Four City Model — Welland's Proposed Boundaries

A four-city model could use the boundaries suggested by Welland. In this case, there would be a CMSM in Thorold/St. Catharines.

Four City Model — Grimsby's Proposed Boundaries

A four-city model could use the boundaries suggested by Grimsby. In this case, there would be a CMSM in Thorold/St. Catharines.

Four City Model with South Shore City

A four-city model could be created with the consolidated Central Niagara city being the CMSM.

- Erie — Port Colborne, Fort Erie, Wainfleet (pop. 50,968).
- Central Niagara — St. Catharines, Thorold, Welland (pop. 148,772).
- Niagara Falls — Niagara-on-the-Lake and Niagara Falls (pop. 88,078).
- Western Niagara — Grimsby, Lincoln, West Lincoln and Pelham (pop. 62,832).

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V:
The Fundamental Governance Choice

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In this chapter, we come squarely to the fundamental choice of governance structure. Leading in to that choice, we provide some observations about the 'Made-in-Niagara' solution based on what we saw and heard in Niagara along with some comments about how they fit with the emerging municipal reality.

Observations About What is 'Made-in-Niagara'

A Strong Attraction to the Status Quo

The primary view we heard from politicians, administrators and the public is that the Status Quo is fine when it comes to governance. In most people's view, improvements can be made while working within the current structure. As we finalize this report, a petition came in from Niagara-on-the-Lake with over 2,500 names on it telling us just that.

Leaders are Proud of Each Municipality's Accomplishments

Interestingly enough both elected officials and senior administrators express pride in their municipalities' accomplishments in terms of delivering quality services at low cost. That is true at the Region and in all twelve municipalities. Some pointed to average tax bills and others to the tax rate to show their town's superiority. Still others revealed their track record of self-sustained funding, improvements in administrative cost or quality of their programs. Others showed how they have cooperated or are cooperating with their neighbours to keep costs down. The arguments vary but the point is the same, municipal leaders are proud of their municipality. The record on the surface is impressive and leaders have much in which to take pride.

No wonder they resent any talk of consolidating with others. To the extent that implies poor past leadership or performance, it is an undeserved slight. And if that is what consolidation is about, they are clearly right.

The Love/Hate Relationship with the Region

One of the most striking realities of governance in Niagara is the seeming love/hate relationship with the Region. On the one hand, area municipalities would like more control over the local property tax base. On the other hand municipalities recognize that

a region-wide approach is necessary for the planning, funding and delivery of many services. Currently, about 60% of the (non-education) tax bite funds the region. While some municipalities would like to see that decline, many are too small to assume additional services without region-wide pooling or delivery.

This love/hate view further demonstrates that the region covers too broad an area, and is so diverse that there is no single 'community of interest'.

Niagara is not unique in this view. The same debate seems to be happening across regional government in Ontario especially where there are multiple cities. A recent survey conducted for The City of Vaughan in York Region (The Canadian Urban Institute and EPIC Consulting, March 2000) revealed the public's ambiguity about regions. They felt the area municipality gives better value and is easier to control. People were confused about who did what but felt there were too many levels of government.

Voluntary Progress on Regional/Local Streamlining Services May Have Run Its Course

Over the past decade, there have been a number of attempts at streamlining the responsibilities between the region and the local (area) level. Some changes have been accomplished:

- Assigned some local planning roles to the local level from the region.
- Centralized waste management at the region.
- Some transfer of regional roads to some area municipalities.

While the intent is laudatory and the effort has been significant, the progress of voluntary streamlining of services between tiers seems exhausted. The recent difficulties with the roads transfer demonstrates the problem. The recent consideration of centralizing all water puts a point on it. With twelve municipalities many of whom are under 30,000 population, there is uneven interest and ability to assume additional responsibilities. Without consolidation of area municipalities, streamlining will become a discussion of centralizing more, not transferring down to the local municipality.

The Realities about the Size of Local Governments

With the elimination of conditional and support grants and the downloading of major new responsibilities to the local municipal levels, there will be growing pressure for local municipalities to include larger pools of assessment. The recent provincial pressure to simplify accountability and reduce two tiers to one further underlines the need for local municipalities to become larger. But how large is large? If one puts aside a few services such as social services and water/sewage, the evidence suggests that about 100,000 people is adequate to provide a broad range of local services with full attainment of scale economies (see Appendix III of this report).

There Needs to be a New Larger Community of Interest That is not the Whole Region

Hence, one Niagara based on the experience of the Region is not a 'community of interest' acceptable across the geographic area. It is not the Made-In-Niagara solution. But if the status quo is not possible beyond the short run (which looks like three years), there needs to be a basis for forming a larger community of interest that creates municipalities of about 100,000 or more.

Focus on Dollars is Excessive and Potentially Misleading

The Provincial principles and related directions emphasize restructuring to save dollars. Our observation is that local political leaders are excessively emphasizing the estimates of savings. This is based on the false assumption that future cost and tax implications can be accurately estimated.

While everyone wants precise and detailed forecasts of the cost impacts of options, the fact is that the Area Treasurers have suggested to us that no forecast of tax reductions is to be believed. They are not alone. The fact is that many choices, some political, will alter the downstream cost and tax implications. Savings may be used to improve infrastructure or harmonize services. Research (Dr. Sancton) has shown that estimates of savings from consolidation are highly unreliable.

Niagara's Leaders Need to Face the Need to Consolidate with the Imperative of Creating a Structure to Make Sound Future 'Governance' Decisions

There has been little debate on the need for and the potential effect on the capability of government to make quality decisions. The debate is about boundaries and dollar estimates.

Yet, a good governance structure is one that can steer the municipality through the future successfully. Being a cheaper government is not nearly as important as that. Structure follows strategy. The structure needs to support making plans and taking decisions about the emerging strategic issues — form follows function.

From our review, the following represent those strategic directions and issues.

- Moving development south from St. Catharines down the west side of the Welland Canal.
- Moving development south-west between Niagara Falls and Fort Erie.
- Supporting development on the mid-peninsula corridor in the southern areas of Welland and Fort Erie.
- Protecting the tender fruit land in the northern areas.

- Strengthening the various tourism businesses along the Niagara River.
- Using or better sharing gaming revenues.
- Maintaining affordable services in rural and small town parts of western Niagara.
- Maintaining volunteerism and affordable services elsewhere in non-urban areas.
- Improving infrastructure in older urban areas on a planned affordable basis.
- Maintaining pooled costs of social services potentially on a broader inter-regional basis.

The Fundamental Choice is One Tier or Two

There is so much furor about 'who joins who' that the fundamental choice is easily concealed. Niagara needs to decide whether it wants a one tier or two-tier governance structure. That is the fundamental choice; and the specifics of who joins whom to get there follows.

Three Broad Options Exist

Looking down the road, the status quo is unsustainable either politically or economically. The three broad options are as follows:

1. **Multi-City Two-Tier Structure** — With the continuation of a Region, there needs to be less consolidation of local municipalities. While some may argue for no consolidation, this is discarded as politically inadequate. Hence, five to ten cities might continue to operate at the lower tier.

2. **Multi-City Single Tier** — To establish a single tier, there needs to be cities of about 100,000 or more people and a balanced assessment with growth prospects. That suggests two, three or four cities in Niagara. Moreover, one city needs to deliver social and related services that need to be managed on a broader pooled basis in a Consolidated Municipal Services Manager (CMSM) arrangement.

3. **One City Single Tier** — A UniCity solves the debate essentially by consolidating the region with all the municipalities into one integrated administration.

Specific Illustrative Models for Evaluation Purposes

While we conclude there are three broad options, there are many permutations and combinations of the multi-city options — Options 1 and 2. It would be unfair to limit the ongoing debate to one variation of each option. Therefore, we have developed a specific version of each broad option to be the 'Illustrative Models' for evaluation purposes. The fact is that a six-city option will end up scoring about the same as a seven-city option. Hence, we are using the candidates to narrow the overall decision process but keep the possibility of further refining the options further in the ongoing debate.

The three options to be evaluated are as follows.

1. **UniCity** — Creation of one municipal government assuming the responsibilities of both tiers of local government.

2. **Seven-City Modified Two Tier** — Amalgamation of nine municipalities to form four new lower tier municipalities, continuing with three existing lower tier municipalities and the continuation of existing regional government with some modifications in governance and responsibilities.

   - St. Catharines and Thorold (north)
   - Welland, Pelham and Thorold (south)
   - Grimsby, Lincoln, West Lincoln
   - Port Colborne, Wainfleet
   - Niagara-on-the-Lake
   - Niagara Falls
   - Fort Erie

3. **Three Single Tier Cities** — Dissolution of the existing Region and amalgamation of the twelve municipalities to form three single tier municipal government units.

   - Grimsby, Lincoln, West Lincoln, Pelham, Wainfleet
   - St. Catharines, Thorold, Welland, Port Colborne
   - Fort Erie, Niagara Falls, Niagara-on-the-Lake

For purposes of this illustrative evaluation, we have assumed the boundaries remain. In our preferred model, we suggest altering them.

A detailed description of the three candidates is provided in *Appendix IV: Evaluation of Short List Options* with the estimates of savings.

Evaluation of Three Illustrative Model Options

The detailed evaluation of the three illustrative options is provided in Appendix IV of this report. A summary of the financial implications of the optional models is presented first followed by our evaluation using the criteria discussed earlier.

Potential Savings and Risks

The overall estimated annualized savings and risks are summarized in the table below.

Table 4

	UniCity	Seven Cities	Three City
Total Savings	$17,962,500	$5,689,000	$15,556,400
Less Risks	($12,975,000)	($2,000,000)	($3,119,000)
Net Savings	**$4,987,500**	**$3,689,000.0(**	**$12,437,400**

These gross savings before risk calculations are equivalent to about $40 per capita in the UniCity and Three City Option. Estimates of savings from a one city approach by Special Advisors range from $40 to $75 per capita. Chatham-Kent's post facto analysis claims to have saved about $60 per capita. Hence, these estimates are in a similar 'ballpark' as others. Interestingly, when the risks are considered, the per capita numbers fall to between $10 and $30.

Tax Implications

The tax changes associated with the amalgamations are presented without savings since there is some risk as to whether savings will be realized. We have also projected tax changes assuming that the full estimated savings are realized. Detailed tax shift analysis is included in Appendix IV: Evaluation of Short List Options. The estimates shown here reflect tax shifts for all property classes combined (i.e., residential/non-residential).
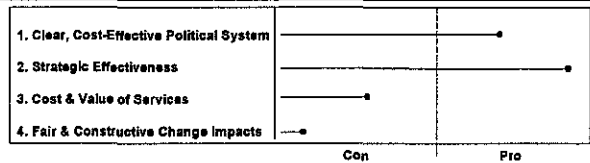
Table 5

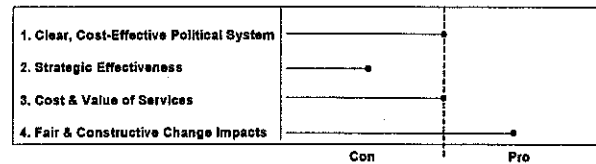|	UniCity		Three City Model		Seven-City Model	
	No Savings	With Savings	No Savings	With Savings	No Savings	With Savings
Fort Erie	1.14%	-2.59%	-1.68%	-4.64%	0.00%	-0.06%
Port Colborne	-5.31%	-8.88%	-1.84%	-4.82%	-1.98%	-4.40%
Wainfleet	3.47%	-0.44%	-2.58%	-7.34%	7.26%	4.62%
West Lincoln	-0.28%	-4.04%	-5.86%	-10.46%	-6.43%	-9.63%
Pelham	5.22%	1.25%	-1.15%	-5.98%	9.83%	8.04%
Welland	-6.94%	-10.45%	-3.58%	-6.51%	-2.82%	-4.40%
Thorold	1.01%	-2.80%	4.22%	1.05%	2.81%	1.63%
Niagara Falls	0.54%	-3.24%	-2.12%	-5.11%	0.00%	-0.08%
Niagara-on-the-Lake	16.26%	11.86%	12.94%	9.45%	0.00%	-0.02%
St Catharines	-2.83%	-6.49%	0.83%	-2.24%	-0.47%	-1.61%
Lincoln	4.84%	0.88%	-1.00%	-5.83%	-1.60%	-4.97%
Grimsby	12.25%	8.01%	5.38%	0.23%	4.70%	1.11%

Pros and Cons of the Options

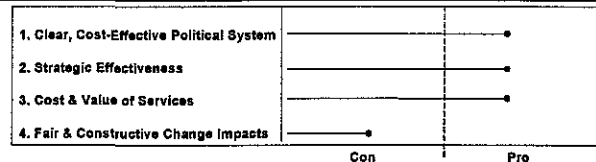The following pages show the ratings of each of the options against the criteria discussed previously in this report.

UniCity	Rating		
Criteria #1 — Clear, Cost-Effective Political System			
• Clear responsibilities and accountability	+	+	+
• Less access and at least perception of distant 'local' government	-		-
• Region is a diverse set of Communities			-
• More cost-effective than present but less than options			+
Criteria #2 — Strategic Effectiveness			
• Most sustainable through its pooled size.		+	+
• Scope fits Growth Strategy and Quality of Life Goals		+	+
Criteria #3 — Cost & Value of Services			
• Highest potential savings by a small percentage (15% more than Three-City)	+	+	+
• Risks may make savings negligible	-	-	-
• Costs may level up through harmonization			
• Services may be harmonized and less suitable to local preferences			-
Criteria #4 — Fair & Constructive Change Impacts			
• Creates greatest swings in tax increases		-	-
• Transition risks and possibly costs would be highest		-	-
• Some confusion working through process of service changes and harmonization		-	-

1. Clear, Cost-Effective Political System		———————————•
2. Strategic Effectiveness		————————————•
3. Cost & Value of Services	—————•	
4. Fair & Constructive Change Impacts	—•	
	Con	Pro

Seven City		Rating	
Criteria #1 — Clear, Cost-Effective Political System			
• Confusion in roles and responsibilities			−
• Strong local access		+	+
• Maintains communities of interest for the most		+	
• Least cost-effective			−
Criteria #2 — Strategic Effectiveness			
• Questions about sustainability and ability to assume regional services and fund future growth.			−
• Two levels makes it more difficult to implement strategic choices			−
Criteria #3 — Cost & Value of Services			
• Low potential savings			+
• Risks are moderate still — similar to three city			
• Costs may level up through harmonization			
• Services harmonization should not be a problem			
Criteria #4 — Fair & Constructive Change Impacts			
• Limited swings in tax increases			+
• Transition risks and costs are low			+
• Limited confusion working through process of service changes and harmonization			+

1. Clear, Cost-Effective Political System
2. Strategic Effectiveness
3. Cost & Value of Services
4. Fair & Constructive Change Impacts

Con   Pro

Three City	Rating	
Criteria #1 — Clear, Cost-Effective Political System		
• Clear roles and responsibilities	+	+
• CMSM creates some ambiguities in accountabilities		
• Medium access and sense of distance		-
• Communities of interest to a degree		
• Most cost-effective political representation	+	+
Criteria #2 — Strategic Effectiveness		
• Sustainable through its pooled size with some questions about Western Niagara's ability to assume services		+
• Fits growth strategy and quality of life goals with greater match	+	+
Criteria #3 — Cost & Value of Services		
• Potential savings slightly behind UniCity (15% less than UniCity Option)	+	+
• Risks may reduce savings but still should be positive		-
• Some costs may level up through harmonization		
• Services may be harmonized and less suitable to local preferences		
Criteria #4 — Fair & Constructive Change Impacts		
• Reasonably high swings in tax increases		-
• Transition risks and possibly costs would be medium		-
• Moderate confusion working through process of service changes and harmonization		-

	Con	Pro
1. Clear, Cost-Effective Political System		●
2. Strategic Effectiveness		●
3. Cost & Value of Services		●
4. Fair & Constructive Change Impacts	●	

Recommendation

Based on the assessment of illustrative models, we conclude that the Single Tier, Three City Model is most favourable in meeting the criteria.

> **Direction Conclusion #1** — Niagara municipalities should endorse a single tier governance structure with three or four cities.

VI:
Moving Toward a Single Tier

Issues in Moving Forward

Given agreement to move to a single-tier structure with multiple cities, there are two key issues:

- Selecting a specific single tier, three or four city, governance structure so that there is some degree of consensus or acceptance.
- Deciding how to develop and implement the reforms to a chosen single tier structure effectively in terms of cost and limited disruption to the public.

We will deal with the former here and the latter in the next chapter.

Our Preferred Governance Option

At the beginning of this process, municipalities wanted our objective analysis and opinion about what governance structure made most sense for Niagara. This presumed the province's intention to restructure municipalities immediately. That is no longer the situation. The platform is no longer burning.

While there is no compelling reason for immediate change, we believe there is a need to consider what fundamental governance restructuring may make sense in the long term or shorter term if the province returns to its intended restructuring plans. Given the situation, while we present our recommendation, we also suggest what modifications might also be appropriate in our opinion.

While we believe that there will be no voluntary consensus on adopting a fundamental restructuring immediately, we have been asked for our opinion. So, for what it's worth, we have concluded the following as the best long-term governance structure for Niagara.

Three-City Model with One City Delivering Health and Social Services (CMSM)

The three-city model is considered the best option.

Three cities with the following boundaries (*these names are used simply for discussion*):
- West Niagara — Grimsby, Lincoln, West Lincoln, Pelham, Wainfleet.
- Canal City — St Catharines, Thorold, Welland west of the Welland Canal and Port Colborne, excluding a portion of the eastern section.
- Niagara River — Area east of the Welland Canal excluding portion of Port Colborne west of Miller Road and south of CNR at Forkes road. Essentially this covers an expanded Niagara-on-the-Lake, Niagara Falls, and Fort Erie.

Additional elements of the structure include:

- No Region but Canal City will act as a Consolidated Municipal Services Manager (public health and social services) for all three cities under an agreement for funding and service levels.
- Old Town Niagara-on-the-Lake will be designated as a heritage area with legislated requirements and protections including the appointment of a Special Board to approve planning and related decisions deemed to affect the heritage character of the old town.
- A Joint Planning Board of the three municipalities will be established to cooperate on pooling, major infrastructure planning and related projects. The Board will have the powers and authorities provided by the Councils. There will be a very small secretariat.
- The three cities will establish and own a region-wide services corporation to manage water and sewer treatment through the transition.
- Police Services Board is to continue as transition mechanism.
- Otherwise, responsibility for services is assigned to each of the three single tier cities.

Rationale

Strategically, there are dramatically different longer-term development and economic growth strategies and service policy interests across the Niagara Region. We believe this option supports the pursuit of the key strategic issues cited on pages 26-27.

The specific boundaries we have selected recognize the canal as a major factor in dividing patterns of interaction and services. Services such as water pipes that cross that boundary do not present a major impediment. Importantly, we are also trying to balance the relative size and strength of the two large urban cities. The move to the canal shifts about 15K population to the east Niagara River City.

While these boundaries are proposed, we recognize the possibility of having slightly different boundaries. The particular boundary issues concern whether a number of areas of West Niagara or Niagara River ought to be included in the 'Canal' City. These areas are:

- Port Weller
- White Oaks area
- Thorold South urban area
- Extending new boundary on east Port Colborne further east to include Gasline.

We do not recommend any shifts from the West Niagara municipality since we want to maintain its population and assessment base. In fact, there may be consideration of Port Colborne joining it to bring it close to the 100,000 level. To us, these strategic thrusts suggest the development of three broader communities of future interest:

- Niagara River — investing in various aspects of tourism and support to tourism in local services and infrastructure, as well as development in the south to protect the north.
- Canal City — development south while addressing the urban infrastructure issues.
- West Niagara — maintain an affordable service system and delivery approach, meeting the needs of local residents through controlled growth.

This also suggests that a consolidation of municipalities provides benefits:
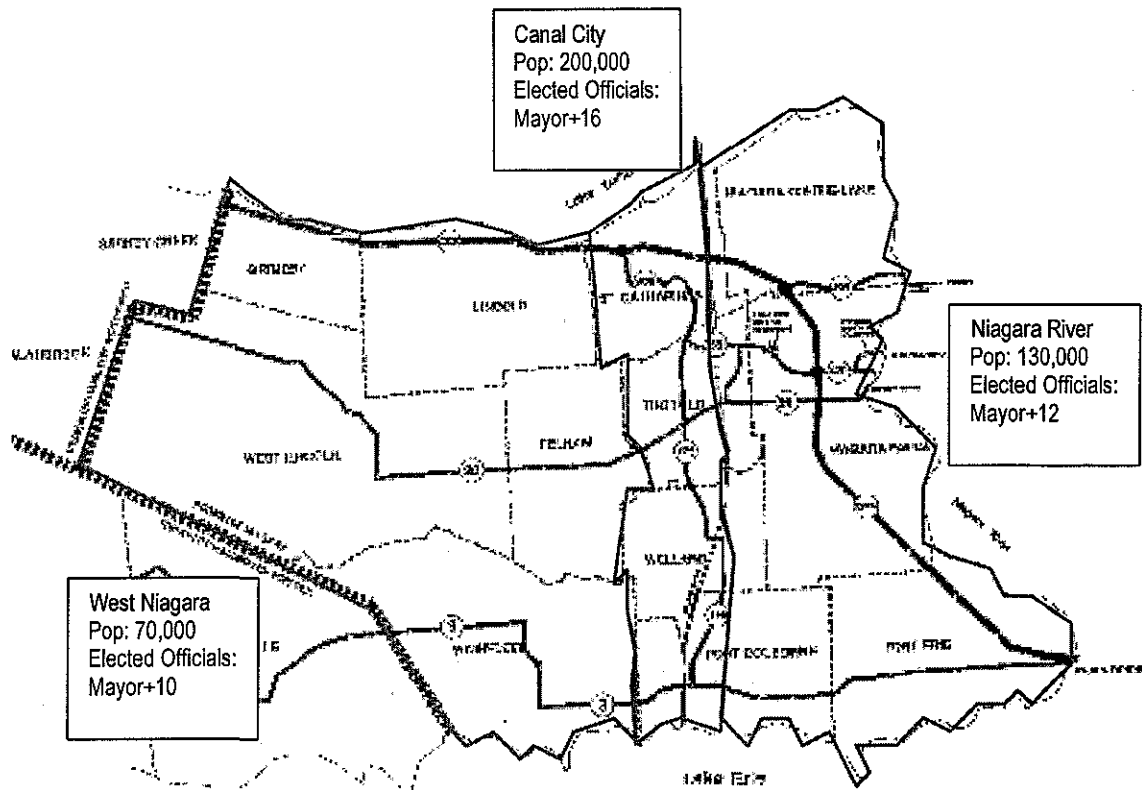
- Segregates interests into more self-contained units.
- Creates larger units that eventually can assume the transfer of hard services such as roads, waste management and possibly water.
- Builds a stronger managerial organization to support decision-making.

While this creates two relatively large and financially strong cities, Niagara River City (population 130K) and Canal City (pop. 200K), West Niagara is smaller (about 70K) and less capable or possibly interested in managing broader services.

Therefore, we propose having the Canal City provide those services to the two others as a Consolidated Municipal Services Manager.

Is this acceptable to the province? This model suggests treating Niagara in the same way as Haldimand-Norfolk — dividing it into distinct cities with social services pooled in a CMSM. Each city is larger than either of the two created there.

Canal City
Pop: 200,000
Elected Officials:
Mayor+16

Niagara River
Pop: 130,000
Elected Officials:
Mayor+12

West Niagara
Pop: 70,000
Elected Officials:
Mayor+10

Governance Structure

- Councils:
  - ➢ Niagara River — Mayor plus 12 Councillors (each representing about 11 K).
  - ➢ Canal City — Mayor plus 16 Councillors (each representing about 12 K).
  - ➢ West Niagara — Mayor plus 10 Councillors (each representing about 7 K).
- Either individual or multi-seat wards to be used with boundaries crossing old municipal lines where possible.
- Representatives by population ratios are different in the cities, reflecting the rural nature of West Niagara.

Service Alignment

- Each municipality would have responsibility for all services but will delegate the management of these services where designated. Each will have the right to repatriate those services at a future time.
- Water & Sewer treatment managed by a Services Corporation established by the three cities to be self-funding for transition period. A study is needed to consider establishing a full service and self-financing water and sewer corporation or utility in each city or one in Niagara River and one in Canal City to serve both Canal City and West Niagara.
- In transition, inter-municipal arrangements and contracts will continue.

- Region transfers to Canal City, responsibility to deliver social services, children's services, social housing, land ambulance and public health as a CMSM. Funding will be pooled in the transition until contracts are agreed.
- Homes for Aged transferred but continued management by the region as a transition.
- A Police Services Board will be established to oversee regional services funded on a pooled basis. The Board will have one elected representative from each City.
- A review should be conducted of the police services during the three years following the change to assess:
  - ➤ The option of having three city forces, or two with West Niagara contracting with the OPP.
  - ➤ Or two forces, one for Canal City/West Niagara and one for Niagara River.
  - ➤ Or area rating services for police from a centralized force across all three municipalities.

Financial Arrangements

- Area rating within each city to ensure local rural areas do not pay for services not received.
- Debt and reserves commonly shared — no area rating or provisions for separate treatment.
- Phasing-in tax changes to reduce abrupt increases in tax rates based on changing boundaries, for example, Niagara-on-the-Lake and Grimsby.

Selecting Niagara's Preferred Model

Recognizing the basic decision to move toward a three or four city single-tier governance model, there are still many equivalent specific governance structures. There are many specific adjustments that will not change the value of the model. For example, small boundary changes will not change the basic approach. As long as the CMSM approach to integrated social services continues, changes in how remaining region-wide services (police, water treatment) are handled in the short term will not change the basic structure. Adjustments to the numbers of councillors will not change the model.

While we know the Heads of Council will not view our preferred governance model as a take it or leave it option, the public needs to recognize this too. An approach close to the preferred that meets its fundamental intent and has its basic ingredients would also score well on an independent evaluation, certainly ahead of the UniCity option.

The basic ingredients such an option needs are as follows:

- Fewer elected officials.
- One tier.
- Only three or four cities.

- Cities close to the 100,000 population.
- One city oversees a CMSM for social services.
- Few special purpose bodies managing region-wide services.
- Promotes north to south development from a planning and fiscal point of view.

Within these parameters, the following options to our preferred model could make sense:

- Port Colborne could join the western municipality leaving the Canal City as St. Catharines, Thorold and Welland.
- The proposed Canal City could be split into a North City and a South City using a variety of possible boundaries.
- Boundary changes could be made concerning the parts east of the Welland Canal as noted in the preferred model.

An Erie City could be formed from the south shore communities of Fort Erie, Port Colborne and Wainfleet. While this could make sense, we are less inclined to endorse it for a number of reasons: it creates a system where three of the cities are now under 100,000 population. For longer-term purposes, it does not create a large assessment pool to support the financing of infrastructure needed in the south to support development along the mid-peninsula corridor.

The point is that there are still many optional governance structures that meet the fundamental intent to move to a single tier with three or four strong cities.

> **Direction Recommendation #2** — The Niagara Councils should decide what specific form of three/four city single tier structure should be adopted, considering Berkeley's preference, but focusing on meeting the key ingredients.

VII
From Talk to Constructive Action

The Process of Decision-making and Change

There is a conventional approach to decision-making and change — study, recommend. decide, and change everything at once. This is the dramatic 'big-bang' theory of change. This is essentially what the province has done to date — appoint a Special Advisor, decide and legislate massive, fast change (e.g., Haldimand-Norfolk, Hamilton, Ottawa and Sudbury).

Big Change Creates Big Problems

Admittedly, that approach is taken in many private sector settings. Sometimes it works although there is a growing body of evidence that it does not even work there. Certainly, there is an emerging body of evidence that this approach creates havoc, confusion and possibly higher costs in the public and specifically the municipal sector. Dr. Andrew Sancton's recent book *Merger Mania* makes that point. And the point is not simply about whether money is saved with mergers, it concerns the success of the reform process. Big change is hard to do well. It creates problems and can sometimes erode the potential benefits of saving money and delivering services cost-effectively.

Heads of Council Looking for a Better Way

By launching this process, the Heads of Council (the twelve Mayors and the Regional Chair) wanted to find a better way. Implicitly, we believe the Made-in-Niagara solution is not just about what governance structure is chosen but about how it is decided and implemented.

Recognizing the underlying intent, we would like to propose a different approach to reforming the governance structure. It recognizes an established body of knowledge about new ways of thinking about change management.

- Seek agreement on the vision of what you are trying to create and take some practical first steps.
- The key leaders voluntarily work together with potential partners to develop the details of the vision and take immediate action on some practical initiatives.
- Incremental change begins before the final formal decisions are made. Some learning happens along the way to increase people's comfort and trust that the decision is right.

In short, there is a move from talk to constructive action.

Supporting the Idea of Incremental Change Towards an Agreed Reform Vision

We believe this will be understandable and easy for the Heads to accept. After all, some have been doing it — Wainfleet, West Lincoln and Pelham have been developing the Rural Alliance along these lines. Much of the work between the Region and the local municipalities concerning services alignment has been close to these principles.

There is a local group promoting the theme, Free to Choose Option. That is a principle consistent with this thinking. However, that principle needs a little elaboration — while being free to choose, you can't stick your head in the sand and avoid reality.

The key to making this incremental approach work is that there is some agreement to the end point or vision — "we are agreed that we are creating a single tier three or four-city municipal structure". The region/local municipal process of considering changes to services has operated with two visions — one was that the region would remain and another was that it would not. Given such differences, frustration typically ensues. Given the situation, the amount of progress that was made is surprising.

Some might want voluntary incremental discussions of change without prior agreement to move to a single tier. This concerns us deeply. Without provincial pressure, there is no compelling urgency to make decisions. Consequently, the discussions will be all talk. The process will smolder on and create divisiveness among politicians and communities, maintain the cloud of uncertainty around these basic directions and thereby debilitate the decision-making process and demoralize managers and create staff uncertainty. None of these prospects will help taxpayers.

Further, we are concerned that some progress will be destroyed, for example, Rural Alliance plans. Ongoing planning will go off in conflicting directions without clarity in the role of the Region and leaving on the table the possibility of a UniCity being chosen.

In summary, without resolution from this process about the ultimate structure, a format for continued multi-municipal discussions may be developed under some umbrella group — the Heads/Chair or some other group. We believe such multi-party discussions about ultimate reform will be dysfunctional — increase management uncertainty, community animosity, divert time and attention from other matters without a positive outcome.

Given this situation, we believe the municipalities need to establish a process framework for constructive action to accomplish the end results.

The Gameplan for Constructive Action

We do not suggest that the Councils endorse our specific preferred structural model at this time. Instead, we propose that they endorse the following 'gameplan' for constructive action.

1. Each municipality, based on appropriate consultation, endorse in principle, the ultimate governance structure — a single tier structure.
2. The Heads of Council continue to function to manage the overall process and timetable, not to debate or decide the specific content of governance structure.
3. Individual municipalities decide within a short time frame which municipalities they want to work with to create constructive action toward a reformed governance structure.
4. Inter-municipal Reform Groups be established of interested municipalities to plan the specifics of ultimate governance reform and to propose immediate action initiatives supporting constructive change in the taxpayer benefit. Each would report back to their Councils.
5. Create the future — Each inter-municipal reform group would foster and propose beginning incremental, action steps that create immediate benefits and move towards the ultimate single tier structure.
6. Make practical changes in political system immediately that support the principles and direction of reform.
7. The Region begin active plans to align its administration and services with, and prepare for change to, the reformed structure.

> **Direction Recommendation #3** — Heads of Council should endorse the seven elements of the gameplan for reform.

Endorsing the Vision of a Single Tier Structure

We believe it is essential that the Councils endorse a vision of where they are heading in terms of governance structure. There is added time available for working through the governance structure since the province has backed off its apparent timetable of making change in 2000. This should not create three more years of confusion. This added time could be squandered and used in dysfunctional debates.

Therefore, Councils need to decide soon whether they support the proposed single tier approach or not. That agreement can be 'in principle' and not commit them to defined boundaries or arrangements. There will be much to be worked out. However, it clarifies the basic direction and ensures some issues are laid to rest.

An endorsement in principle should mean that each individual area municipality is committed to:

- Accepting a single tier, three or four city model as a governance model to develop for implementation within the next 3 to 6 years.
- If the Province directs more immediate reform at some time, starting with the single tier model as a basis for developing a collective response to the province.
- Working with chosen (to be decided) neighbouring municipalities to develop the specifics of a single tier model for their group and defining areas for collaboration among the municipalities for short term implementation.
- Resisting a one-city model so long as there are active discussions of establishing a single tier model.

An endorsement of the vision for Regional Council has the following implications:

- The Region acknowledges that it exists to manage region-wide services meeting the collective interests of the local municipalities/taxpayers.
- With the ultimate model being a multi-city and not a UniCity, the Region should be looking to streamline its administration and transfer its functions and services, not to centralize additional services.
- The Region needs to identify ways to continue symbolic and practical ways to demonstrate its support for transferring responsibilities to sustainable single tier cities.

Adequate, not Unanimous Level of Endorsement to Single Tier Needed

What if this first step, endorsement cannot be achieved fully. At what point does it fail? While unanimous consensus is sought, a lesser approval should be acceptable as a basis for proceeding. The level of acceptance needed for local municipalities should be consistent with the requirement for county restructuring — approval of a majority of the municipalities with at least a majority of the population. While based on this principle, approving a change would require a majority of Regional Council, we can see local municipalities continuing to work together if that did not happen.

If a few municipalities did not endorse the vision, they could withdraw from discussions. However, they can not remove their interests from being discussed. Not being at the table is not necessarily a way of avoiding the issue of governance structure. Being free to choose is not having the luxury of avoiding reality.

Without an Endorsement, Referenda or Special Advisor

We recognize that the Councils may choose, during this process to adjust the specific content of the vision that is being endorsed. That is fine. In that case, they will proceed with the gameplan with a revised version of the vision.

However, what if there is not adequate consensus to proceed?

In that case, there are two choices: request a Special Advisor or seek the public's advice through referenda. If Councils cannot endorse the basic direction, then constructive action will only happen if the public voices its choice about the vision for reform. In the meantime, governance discussions should be placed on hold.

The Heads, as the governors of the overall process, should seek advice from Councils on which course to take. If referenda are the choice, the Heads should encourage all municipalities to have consistent, region-wide referenda on the governance question in November 2000. This should put the question to the public — do you support a single-tier structure with more than one city for Niagara? The question or questions should be phrased to offer the choice of a one-city model or demonstrate it is ruled out and ask or demonstrate that there will be no separate regional level of government.

The question should not be posed so as to suggest massive and immediate change or to compare the vision to the structure staying as is. For example, it may be worded, "if we cannot keep our present local municipality, then..." The point is that the Heads as a group need to ensure that the referenda are used to elicit public views and endorsement, not to politic for no change.

> **Directional Recommendation #4** — If adequate endorsement is not forthcoming by a stipulated deadline, the Heads of Council should either request that the Province appoint a Special Advisor immediately or develop a consistent referenda for use across the region in November seeking the public's direct endorsement.

Specific Recommendations for Action

Given this gameplan, we recommend the following specific recommendations for action:

1. Reform Electoral System as Soon as Possible

➢ Reduce the number of elected officials on local government to 86 elected officials as per the chart below.

➢ Region Council of 28 + Chair, with Regional Councillors being doubly elected, that is, elected across the municipality at-large to serve on both local and regional councils. St. Catharines and Niagara Falls may decide to elect regional Councillors on a ward basis.

Municipality	Local and Region	Local	Total Council
Fort Erie	Mayor +1	5	7
Grimsby	Mayor +1	5	7
Lincoln	Mayor +1	5	7
Niagara Falls	Mayor +3	5	9
Niagara-on-the-Lake	Mayor	4	5
Pelham	Mayor	4	5
Port Colborne	Mayor +1	5	7
St. Catharines	Mayor +6	6	13
Thorold	Mayor +1	5	7
Wainfleet	Mayor	4	5
Welland	Mayor +2	6	9
West Lincoln	Mayor	4	5
Total	**28**	**58**	**86**

➢ This should be instituted for the November 2000 elections if feasible. If not, the Heads of Council should recommend to the Province a delay in elections until 2001 to allow for these changes to be made.

2. Request Provincial Expectations for Restructuring

Heads of Council should seek from the Province its new timetable and directions. In doing so, they should seek a view from the Province on the degree of restructuring that is expected in the next round of change.

3. West Lincoln, Wainfleet and Pelham Should Continue Their Rural Alliance Planning

The three municipalities have been working together to merge administrations and eventually governance structure. This planning should continue so long as the parties wish to continue the process. If one chooses to work with other municipalities, the remaining two should accelerate discussions with the other two possible partners to the north. In either event, the Rural Alliance members can

initiate parallel discussions with Grimsby/Lincoln about opportunities to work together.

4. Establish Inter-Municipal Reform Planning Groups

Municipalities should form three (or four) formal Inter-municipal Reform Planning Groups to plan and negotiate governance reform according to an ultimate three (or four) city approach:
➢ Western municipalities (five).
➢ Central municipalities — may decide to form two groups (North/South) but suggest starting as one.
➢ Niagara River municipalities.

Terms of Reference to address the following issues:
➢ Develop joint plans to assume accountability and, where relevant, delivery of regional services, for example, roads. This may lead to a shared approach to services and inter-municipal contracts.
➢ Identify areas for further sharing of administration, regional transfer of services and shared services in the short term — joint planning department serving all municipalities in the group, joint economic development corporation/initiatives, establishing a water or waste management services corporation to serve the entire group of municipalities.
➢ Discuss potential merger over time and define boundaries.
➢ Discuss boundary issues with other groups — consider referenda where community preference may be sought.
➢ Develop a joint position on governing continuing regional services including representation on Boards — police, social and related services.
➢ Respond to regional proposals re establishing a CMSM for social and health services and contracting/funding arrangements.

5. Region Begins Planning for Reform of Structure and Responsibility

The Region should act on the following recommendations that prepare it for the reform proposals.

a) Transfer ownership and accountability (funding/tax) for Homes for the Aged to lower tier with proviso that local municipalities contract with the current regional administration (and any successor non-profit corporation) for five years to manage those services.

b) Continue region-wide pooling of subsidy funding of Homes for the Aged on a declining basis for five years. The Region (or the proposed Joint Planning Board if created) work with the area municipalities to manage the change in pooling and consider an inter-municipal agreement for cost sharing of any continued subsidy based on use of the facilities.

c) Assess the establishment of a non-profit corporation for the management of long term care facilities and delivery of seniors services.

d) Develop a proposal by mid-2001 for maintaining social services and public health on an integrated basis managed from one city in a single tier governance arrangement (CMSM model) including proposed contracting and funding formulae.

e) Establish a plan to transfer all regional roads to the local level. Work with area municipalities to consider an inter-municipal agreement for subsidizing a portion of major roads that pass through smaller communities (e.g., Hwy 20) over a transitional period or until restructuring into larger municipalities occurs.

f) Rethink the terms of reference for considering consolidation of water/waste water and consider other options, which reflect these governance proposals.

g) Consider alternative approaches to waste management including the option of management by sub-regional groups following the proposed three/four city model for example, waste management corporation for each of the municipalities in Niagara.

h) Region should collaborate with each of the three or four Inter-municipal Reform Planning Groups when formed relative to changes in responsibility and transfers in services.

Timetable

This process needs to be brought to some resolution. To do that, we recommend the following timetable.

Milestones	Timing
1. Heads Establish Timetable — approve a process with milestones.	May 1, 2000
2. Municipal consultation and discussion — opportunity to get feedback on the proposal to set aside UniCity and adopt a plan to move towards a single tier with three or four cities.	May/June 2000
3. Each Municipality endorses or fails to endorse the gameplan and vision.	September 12, 2000
4. Heads decide how to proceed — depending on the decision, the Heads will make recommendations to the Councils for referenda, for establishing Inter-Municipal Reform Planning Groups or to the Province requesting a Special Advisor.	September 29, 2000

In Conclusion

While we have indicated a preference for a longer-term governance model, we propose an action approach to modify the status quo and launch inter-municipal initiatives based on some agreed basic principles.

At this time, we do not believe that the municipalities will reach a voluntary consensus to accept a fundamental change in governance structure and implement it. However, if a majority of the municipalities and the public agree that...

- A more dramatic consolidation of municipalities may be required in the future to meet the province's agenda and goals for streamlined municipal administration.
- A simplified accountability system is needed.
- A UniCity is not right for Niagara.
- The region should act less independently and be more connected to local councils.
- At this time, the continued talk about governance without action will create pressure for provincial intervention and be frustrating to the local taxpayers and create excessive uncertainty for staff.
- Positive incremental actions can help taxpayers, now.
- Incremental change may reduce the risks and costs of dramatic and revolutionary structural change that have occurred elsewhere.
- Some demonstration of change is needed now to symbolize that politicians are accepting of constructive reform...

Then, we think that there can be a relatively strong consensus to adopt the essence of the action gameplan proposed.