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**To:** Mayor and Council - Town of Shelburne

**Submitted by:** RAMP Up Consulting

**Date:** 23 June 2010

**Subject:** Governance / Organizational Study Recommendations

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### Origin

In February 2010, the Council of the Town of Shelburne issued an RFP for a Governance / Organizational Study to: "evaluate the Town's governance structure, and to evaluate the ability of the Town to maintain and/or improve services in an efficient, effective and appropriate manner". The project was awarded to Ramp Up Consulting.

This report is submitted as part of the Town of Shelburne Governance / Organizational Study. As required in the Terms of Reference<sup>1</sup>, this report presents the Consultant's recommendation for realizing a strong, viable local government for the residents of the Town.

### Recommendations

1. That the Town of Shelburne aggressively pursue strategies to increase population and attract businesses and not undertake any governance changes at this time, and further;
2. That the Town of Shelburne accept the five key elements of the Preliminary Implementation Plan provided.

### Background

The Town of Shelburne is at a cross roads and must chose a path as it confronts challenges common to many towns in Nova Scotia: decreasing population, shifting demographics, upward cost pressures, increasing regulatory requirements and deteriorating municipal infrastructure.

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<sup>1</sup> Town of Shelburne. Request for Proposals / Terms of Reference Town of Shelburne Governance / Organizational Study. February 18, 2010.

Town Council took action to better understand and address these challenges by commissioning a Governance / Organizational Study. The study is jointly funded by the Town and Service Nova Scotia and Municipal Relations. The goal of the study is to identify the most appropriate governance / organizational structure for the Town of Shelburne to:

- i. Ensure long-term sustainability,
- ii. Implement the ICSP Vision (Integrated Community Sustainability Plan),
- iii. Provide municipal services to residents in the most efficient, effective and appropriate manner possible.

The project is made up of two distinct yet related components: operations and governance. An Operational Review was undertaken to establish 'as is' conditions. The Operational Review considered issues such as organizational structure and accountabilities, financial condition and service delivery. The Operational Review provided a starting point and context for addressing the question of governance. The governance review analyzed the impacts of maintaining the status quo and amalgamation with the Municipality of the District of Shelburne (MDS) – the two options required to be assessed as part of the study. The analysis included an examination of potential tax burden, service delivery costs and levels under each option.

At the same time public communication and consultation was undertaken in order to:

- Build awareness of issues and opportunities facing the Town of Shelburne,
- Give the public the opportunity to voice their opinions and hear opinions of others,
- Provide Council with public input on the analysis and alternatives to assist them in making decisions regarding the future of the Town.

Two community newsletters distributed to all town mailboxes (residential and business) and a project blog (<http://townofshelburne.blogspot.com/>) were the tools used to create awareness. Council members also made a point of talking to residents and businesses to share information about the project and to make residents aware of the opportunities for public involvement. The avenues for public input were the blog, a project postal address, a project email address, distribution of contact information for the Mayor and Councillors, a public workshop and a public drop in. There was also an interview with the local newspaper, the Coast Guard, following the public meeting.

Although there were many opportunities for people to participate, the public workshop was the avenue that garnered the most interest and input. The main theme which emerged from the workshop was that people are concerned about the ability to maintain services and manage costs and that economic development is critically important regardless of the governance

structure. In addition, some residents were concerned over the possibility of amalgamation being seen as the *only* option.

The Consultants reviewed, analyzed and considered the results of the Operational Review, analysis of alternatives and public input to develop the recommendation contained in this report.

## Discussion

The most significant risks to the Town of Shelburne's long term sustainability are that:

- The **steadily decreasing population** (16.5% decrease between 1991 and 2006) will continue to decline and assessment values will follow over time;
- The **relatively high commercial tax rate** in the Town of Shelburne<sup>2</sup> (more than twice the commercial rate in the neighbouring municipality) will discourage new businesses from locating in the Town and existing businesses to consider relocating outside the Town.

Currently the Town has no resources dedicated to either economic development or planning, both of which are central to addressing these risks.

There were two options identified by the Project Advisory Committee to be reviewed to determine which to pursue further in the short-term:

1. Remain a town and pursue strategies to increase population and attract business,
2. Voluntarily amalgamate with a nearby municipality(s).

Both of these options contain a variety of sub-options (for example expanding joint or shared services, forming a Village or Community Committee etc.).

Voluntarily amalgamating with the Municipality of the District of Shelburne (MDS) offers the more straightforward route to addressing the key risks to long term sustainability for the Town of Shelburne:

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<sup>2</sup> Compared to the benchmark towns used in the Operational Review, the commercial tax rate of the Town of Shelburne is in the mid-range. The commercial tax rate in the towns of Lockeport and Clark's Harbour are significantly higher than the Town of Shelburne (\$3.81 versus \$5.28 and \$5.14 for 2009/10). It is interesting to note that the former town of Liverpool's commercial tax rate (including an area rate of \$1.00) was \$3.96 for the same time period.

- Decreasing population – MDS is also facing a population decline at a rate similar to the Town of Shelburne<sup>3</sup>. MDS also has little or no economic development or planning resources dedicated to addressing the issue. Amalgamation would support development of a coordinated, strategic approach and allow sharing/leveraging of resources.
- Commercial taxes – Under an amalgamation scenario the commercial tax rate is projected to decrease by 30-50%. Although amalgamation would support a coordinated, strategic approach to commercial taxation, it is the lower cost responsibilities in a rural municipality that would result in lower commercial taxes.

Voluntary amalgamation would also decrease the likelihood of competition between municipalities for residents and businesses.

RAMP Up Consulting recommends against pursuing amalgamation at this time because:

1. Relationships with surrounding municipalities are still developing and are not yet at the level required to undertake the type of coordinated effort that a voluntary amalgamation effort would entail.
2. The Town of Shelburne organization is not ready – there are a number of organizational issues identified in the Operational Review that should be addressed before amalgamation could be undertaken.
3. Many residents of Shelburne are not ready or convinced – they have many questions and there is not a clear consensus that amalgamation is the best approach. There are some residents who are strongly for or against pursuing amalgamation and a large number who are undecided.
4. Shelburne has the strengths and resources that would allow it to succeed on its own as a Town:
  - Unique, heritage community,
  - Sound financial situation,

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<sup>3</sup> Based on population projections prepared by Stantec, the population of MDS is forecast to decrease by 25.7% between 2006 and 2026 (7,345 to 5,845). The Town of Shelburne's population is projected to decrease by 28.9% for the same time period, decreasing from 1,875 in 2006 to 1,455 in 2026.

- Ability to devote additional resources to economic development and planning (internal re-alignment of resources and borrowing capacity),
- Positive energy toward taking action within community.

Below is a Preliminary Implementation Plan to achieve the recommendation put forward by the Consultant. It is meant to provide Council with an overview and understanding of the type of activities and level of effort that will be needed to realize long term sustainability. If Council accepts the recommendation, much more detailed implementation planning would be required (and facilitated by the Consultant).

### Preliminary Implementation Plan

1. *Move to a CAO system to support a shift of Council focus from operations to long term sustainability*
  - 1.1. While moving to a CAO structure will eliminate standing committees, there are also additional Committees of Council that should be examined.
  - 1.2. Create a Town of Shelburne Sustainability Task Force with representation from Council and the Community. Provide the Task Force with a Terms of Reference that defines mandate, roles and responsibilities and timelines.
  - 1.3. Address Human Resource issues (training, development, performance planning etc.) to ensure the Town has the skills required to support long term sustainability.
2. *Develop and implement a Town of Shelburne Sustainability Strategy focused on the priority risks (population and commercial tax base) that identifies goals, specific deliverables, timelines, resources, targets and accountabilities*
  - 2.1. Engage a top quality, world class firm specializing in local economic development of heritage communities to develop a plan to attract residents and businesses to the Town of Shelburne.
  - 2.2. Include neighboring municipalities and the Province and Federal governments to assist in implementing the plan (include them in plan development and governance if possible).
  - 2.3. Engage the community in defining its vision for economic development, building on the ICSP vision. Bearing in mind that there appears to be a split in the Town between those that are open to all comers (i.e. Wal-Mart, Tim Horton's, etc.) and those who want to leverage the affordable quality of life location into a 'new

economy' Mecca. This is a potentially contentious issue that must be examined and resolved by the community.

- 2.4. Evaluate tax structure options and other actions to reduce the commercial tax rate in the Town, such as:
    - 2.4.1. Assess user based charges to ensure the appropriate balance exists between the costs of Town services borne by visitors, seasonal residents and full-time residents,
    - 2.4.2. Create a joint Town / MDS business recruitment task force and develop a tax sharing strategy for designated areas of the town and MDS (existing and new business),
    - 2.4.3. Reduce the commercial tax rate multiplier by one or more of the following: i) increasing residential rate; ii) using any new user based revenues to lower the commercial rate multiplier; iii) targeting all or a portion of the revenues generated by new commercial assessment to reducing the commercial rate.
  - 2.5. Re-allocate existing Town resources to provide support for economic development and planning needs:
    - 2.5.1. Move Parks & Fields staff and equipment to Public Works,
    - 2.5.2. Maintain grants and financial support to community groups and organizations including Community Use Co-ordinator
    - 2.5.3. Reassign remaining recreation resources to economic development and planning (evaluate impact in two years).
  - 2.6. Set a timeframe within the mandate of the current Council to formally evaluate progress (conducted by an external party) and decide whether to continue on the current course or pursue other options (could include a plebiscite on amalgamation).
3. *Address issues and opportunities identified in Operational Review to increase service delivery effectiveness and efficiency*
    - 3.1. Consolidate Parks and Fields and Public Works service delivery.
    - 3.2. Decrease number of Councillors<sup>4</sup> and Committees of Council.
    - 3.3. Enhance technology to support service delivery.

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<sup>4</sup> Will require application to Utility Review Board (URB). If Council accepts this recommendation, the decision to decrease the number of Councillors should be considered at the time that progress is being reviewed in 2012 in advance of the next municipal election and if the Town decides at that time not to pursue amalgamation options.

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- 3.4. Develop and implement Human Resource policies and programs.
  - 3.5. Integrate support for diversity and inclusiveness into all aspects of town planning and operations.
  - 3.6. Address facilities deficiencies.
  4. *Build a strong working relationship with surrounding municipalities to lay the foundation for a joint decision on whether to pursue voluntary amalgamation, should the Town wish to explore this option in the future*
    - 4.1. Pursue additional opportunities for joint business planning, delivery of services and efficiencies, especially in the area of planning and economic development
    - 4.2. Examine the effectiveness of the Joint Services Board and improve if / where necessary.
    - 4.3. Engage MDS in joint reporting to residents
  5. *Monitor Progress of Town of Shelburne Sustainability Strategy and regularly report results to the community*
    - 5.1. With input from the community, develop a list of risk indicators to be reported on regularly (population, financial condition, tax rates, tax burden, assessment, service costs etc.) to assess progress in achieving sustainability.
    - 5.2. Monitor and report on progress in implementing Town of Shelburne Sustainability Strategy (i.e. planned versus actual activities and results).

### **Budget Implications**

With these recommendations the financial condition of the Town of Shelburne will be maintained and will not worsen over time. Financial condition indicators will need to be monitored to assess this. The budget implications of each of the five key implementation elements are as follows:

Implementation Item	Potential Savings?	Incremental Costs?	Existing Resources Available?	External or new resources required?	Bottom Line
1. Move to a CAO system	No	Yes	Yes	Maybe  Additional planning and analysis is required to determine if additional staff support would be required	Modest net cost
2. Develop and implement a Town of Shelburne Sustainability Strategy	Yes	Yes  Only significant cost increase related to Economic Development Strategy	Yes  Recommend Council approve a withdrawal from the Town Operating Reserve and/or use other available funds to fund 50% of Economic Development Strategy	Yes  Recommend the Town apply to the province to fund 50% of Economic Development Strategy	Net cost
3. Address issues and opportunities identified in Operational Review	Yes	Yes	Yes	No	Modest cost reduction
4. Build a strong working relationship with surrounding municipalities	Yes	No	Yes	No	Cost neutral
5. Monitor Progress of Town of Shelburne Sustainability Strategy	No	Yes	Yes	No	Cost neutral

**Alternatives**

There are alternatives to the Recommendation. As always, there are risks in all courses of action and risks in taking no action.

1. Take no action, continue with the status quo. This is not a sustainable alternative as the population is expected to continue its decline and the gap between the commercial tax burden in the Town versus the commercial tax burden in the surrounding municipality has the potential to erode commercial assessment and tax revenue.

2. Begin negotiations to voluntarily amalgamate with MDS and/or other neighbouring municipalities. There are a number of amalgamation options that have been discussed, including a straight amalgamation of the Town of Shelburne with the whole of the MDS and an alternative of splitting the MDS in half, with the Town of Lockeport and the eastern part MDS becoming one municipal unit, and the Town of Shelburne with the western part of MDS becoming another municipal unit.
3. Apply to Utility Review Board (URB) to amalgamate with neighbouring municipality(s). Rather than pursue a voluntary amalgamation and submit a joint application to the URB, the Town of Shelburne could unilaterally apply to amalgamate with the MDS and/or other neighbouring municipalities. The Consultants do not recommend this alternative because it is unlikely that the Province of Nova Scotia would support a unilateral push to amalgamate with the MDS if the municipality were not part of the application. This course of action could result in considerable cost to the Town to support the application and related analysis and result in no change.

### **Conclusion**

In many ways, the Town of Shelburne is an enviable position with a real window of opportunity to self-direct and self-define its future as a strong, viable Town where people will chose to live and do business. If Council accepts the Consultant's recommendation now is the time to take advantage of this window of opportunity with decisive action.