Good Governance and Management of Growing Municipalities

May 22, 2016 | 2:40pm – 3:30pm | 1 CPE
Good Governance in the Public Sector

May 22, 2016 | 2:40pm

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Public Sector Governance: Analyzing the Environment

What are the main challenges for good governance in public sector organizations?

– Sovereign debt crisis
– Shortage of funding / rationalization
– Short-termism
– Internationalization, technology, complexity
– Corruption
Analyzing the Environment

• **What can a governance framework accomplish?**
  – Establish a benchmark for good governance
  – Serve as a reference point for those developing or reviewing national codes
  – Help public sector organizations continually improve governance systems
  – Where no code/guidance exists, provide:
    • A shared understanding of what constitutes good governance
    • A powerful stimulus for positive action
Good Governance in the Public Sector: An International Framework
Public Sector Governance: Framework Layout

Framework:
- Foreword by Mervyn King, Chair, IIRC, and King Report, South Africa
- Definitions
- Principles-based to maximize relevance, applicability
- Sub-principles and supporting guidance to provide explanation

Supplement:
- Examples
  - Provide practical experience and aid understanding
- Evaluation questions to consider
- Further reading
The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times.

Good governance tied to:
- Achieving intended outcomes
- Acting in the public interest at all times
Public Sector Governance: Achieving Intended Outcomes While Acting in the Public Interest at all Times

Achieving the Intended Outcomes While Acting in the Public Interest at all Times

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B. Ensuring openness and comprehensive stakeholder engagement

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

D. Determining the interventions necessary to optimize the achievement of the intended outcomes

E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it

F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
Principle A

Acting in the public interest requires:

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Principle B

**Acting in the public interest requires:**

Ensuring openness and comprehensive stakeholder engagement
Principle C

*Acting in the public interest requires:*

Defining outcomes in terms of sustainable economic, social, and environmental benefits
Principle D

Acting in the public interest requires:

Determining the interventions necessary to optimize the achievement of the intended outcomes
Principle E

Achieving good governance in the public sector requires:

Developing an entity’s capacity including the capability of it’s leadership and the individuals within it
Principle F

Achieving good governance in the public sector requires:

Managing risks and performance through robust internal control and strong public financial management
Achieving good governance in the public sector requires:

Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

Principle G
Public Sector Governance: Explicit Attention to Managing Risk

“Proper risk assessment assists public sector entities in making informed decisions about the level of risk they are prepared to take, and implementing the necessary controls, in pursuit of the entities’ objectives.”
Effective risk management better enables public sector entities to achieve their objectives, while operating effectively, efficiently, ethically, and legally.
“Governing bodies should ensure that entities have effective risk management arrangements in place.”
Public Sector Governance: Explicit Attention to Internal Control

“Internal control supports a public sector entity in achieving its objectives by managing its risks while complying with rules, regulations, and organizational policies.”
“Public sector entities should also consider the need to remain agile, avoid over-control, and not become overly bureaucratic.”
Public Sector Governance: Explicit Attention to Internal Control

“Internal control supports a public sector entity in achieving its objectives by managing its risks while complying with rules, regulations, and organizational policies.”
Toronto Public Service By-Law
TPS By-law: Background

• In June 2014, City Council unanimously adopted a Toronto Public Service By-law, which is now Chapter 192, Public Service of the Toronto Municipal Code.

• The TPS By-law is in force as of December 31, 2015.

• The TPS By-law is important foundation legislation that strengthens the separation between the administration and political components of Toronto’s government and advances Toronto’s public service as professional, impartial and ethical.

• Toronto is the first Canadian city to enact a by-law consistent with provincial and federal public service legislation.

• The TPS By-law applies to the both the Toronto Public Service (City public service employees) and applicable Agency employees.
TPS By-law: Key Components

- Public Service Values
- Roles, Responsibilities and Authorities of City Officials to Manage their Employees
- Human Resource Policy Requirements
- Provisions for Conflict of Interest and Confidentiality, Political Activity and Disclosure of Wrongdoing and Reprisal Protection
- Ethics Executives
Public Service Values

- Act with integrity
- Apply judgement and discretion
- Serve the public well
- Serve Council and/or their Board well
- Serve the public service well
- Uphold Toronto’s motto – Diversity Our Strength
- Maintain political neutrality
- Use City property, services and resources responsibly
Roles, Responsibilities and Authorities to Manage Employees

- Role, responsibilities and authorities of City Manager, City Clerk and City Solicitor already set out in Toronto Municipal Code, Chapter 169, City Officials.

- For City Agencies, the By-law consolidates existing legislation, by-laws, frameworks, agreements and policies for managing human resources and:
  - Affirms authority of City Agencies to appoint, promote, demote, suspend and dismiss Agency employees;
  - Requires City Agencies to appoint an administrative head to provide organizational leadership to staff; and
  - Requires City Agencies to delegate management of human resources to the administrative head with limitations established by the board.
Human Resource Policy Requirements

• The TPS By-law includes minimum human resource policy requirements for the City and its agencies including in the areas of:

  • Absence from Work
  • Pay and Benefits
  • Hiring and Promotion
  • Health and Safety
  • Access, Equity and Human Rights
Conflict of Interest & Confidentiality

- Ensure that public servants' private interests are not in conflict with their public service duties and responsibilities.

- Members of the public service have a number of duties and obligations with respect to Conflict of Interest, including:
  - Conducting themselves with personal integrity, ethics, honesty
  - Avoiding placing themselves in situations where their private interests may be in conflict with, or be perceived to be in conflict with the interests of the City or Agency.
  - Seeking advice in relation to the application of the Conflict of Interest rules and reporting any conflict of interest or perceived conflict of interest to their immediate supervisor/manager or their Ethics Executive.
Conflict of Interest - Defined

- A situation in which a member of the public service has private interests that could compete with or be perceived to compete with their duties as an employee;

- A situation where an employee can use their position for private gain or expectation of private gain, non-monetary or otherwise; or

- A situation where the employee's position can be used to benefit an employee's family, friends or organization in which the employee or his/her family or friends have a financial interest.
Political Activity

- **Political Activity Provisions** balance the need to preserve the impartiality and neutrality of the public service with an employee's constitutional right to engage in political activity.

- Existing policies related Employee Participation in Municipal Campaigns and Employees Seeking Election to Political Office are replaced by the TPS By-law Political Activity Provisions with some important changes.

- An important change is that these provisions now recognize political activity for all elections (federal, provincial, municipal and school board) – the previous policy did not.
Political Activity - Defined

- Political activity refers to the following as it pertains to municipal, school board, provincial and federal elections and Toronto municipal referendum questions:
  - Supporting or opposing a political party and/or candidate before or during an election;
  - Seeking nomination or being a candidate in an election;
  - Seeking appointment to a municipal council or school board; or
  - Canvassing or campaigning on a Toronto municipal referendum question.
Political Activity - Obligations

- A member of the public service shall not:
  - Use City or Agency resources, including facilities, equipment or supplies while engaging in political activity.
  - Engage in political activity during working hours.
  - Engage in political activity while wearing City or Agency uniform.
  - Wear clothing or buttons that advertise any candidate, political party or referendum issue while at work or while wearing a City or Agency uniform.
  - Use his or her title or position within the City or Agency in a way that would lead a member of the public to infer that the City or Agency is endorsing a candidate, political party or a particular response to a referendum question.

- It is important that employees exercise caution when contemplating political activity, particularly during Toronto elections.
Political Activity – Considerations

- The By-law also places additional restrictions on political activity for staff in senior positions, and those who perform certain functions. The By-law recognizes that some staff have a higher duty to be politically neutral due to a number of factors, including visibility to the public and elected officials, and influence over policy and financial decision making.

- Although there are no formal restrictions for other staff, it may be advisable to not canvass or campaign in Wards where they are working.

- There may also be staff who work on highly visible policy projects who may wish to not canvass or campaign for any Toronto candidate in order to preserve the appearance of political neutrality.

- It is best to seek advice from supervisors/managers/Ethics Executives on how best to balance your rights to engage politically and your responsibilities as a public servant.
Disclosure of Wrongdoing and Reprisal Protection Provisions

• Consolidates current *Fraud Prevention* and *Whistle Blower Protection* policies into an overarching wrongdoing framework.

• Strengthens requirement for City employees to report wrongdoing and provides multiple channels for reporting including through the Fraud and Waste Hotline.

• Formalizes the AG’s authority to review, resolve and report out on allegations of wrongdoing.

• Strengthens reprisal protections for public servants.

• City Agencies are required to adopt and implement disclosure of wrongdoing and reprisal protection policies.
Wrongdoing and Reprisal - Defined

<table>
<thead>
<tr>
<th>Wrongdoing</th>
<th>Reprisal</th>
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<tr>
<td>Serious actions that are contrary to the public interest including but not</td>
<td>Any measure taken or threatened as a direct result of disclosing or being</td>
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<tr>
<td>limited to</td>
<td>suspected of disclosing an allegation of wrongdoing, initiating or co-</td>
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<tr>
<td>• Fraud</td>
<td>operating in an investigation into an alleged wrongdoing.</td>
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<tr>
<td>• Theft of City Assets</td>
<td>Including, but not limited to:</td>
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<td>• Waste: mismanagement of City resources or assets in a wilful, intentional</td>
<td>• Disciplinary measures;</td>
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<td>or negligent manger that contravenes a City policy or direction by Council</td>
<td>• Demotion of the employee;</td>
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<td>• Breach of Public Trust</td>
<td>• Suspension of the employee;</td>
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<td>• Termination of the employee;</td>
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<td>• Intimidation or harassment of the employee;</td>
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<td>• Any punitive measure that adversely affects the employment or working</td>
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<td>conditions of the employee; and</td>
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<td></td>
<td>• Directing or counselling someone to commit a reprisal.</td>
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Wrongdoing and Reprisal: Employee Responsibilities

- Be observant of possible wrongdoing.
- Report suspected wrongdoing through one of the available channels:
  - Report to your supervisor or manager.
  - Report to another supervisor, manager, Director or Division Head.
  - Report to the Auditor General's Office (including anonymous reporting via the Auditor General's Wrongdoing hotline).
The TPS By-law designates all Division Heads (and above) as Ethics Executives.

Ethics Executives are responsible to:

- Promote ethical conduct and decision-making;
- Ensure staff are familiar with the ethical provisions included in the TPS By-law and provide guidance on their application;
- Provide advice and guidance to staff on situations involving conflict of interest, political activity and other ethical matters; and
- Provide an additional channel for employees beyond their supervisor/manager on ethical matters.
## Designated Ethics Executives

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<tr>
<th>Position</th>
<th>Ethics Executive</th>
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<tr>
<td>City employee</td>
<td>Division Heads</td>
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<tr>
<td>Division Heads</td>
<td>Relevant reporting authority (DCM, City Manager, Chief Corporate Officer)</td>
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<tr>
<td>Deputy City Managers and DCM/CFO</td>
<td>City Manager</td>
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<tr>
<td>City Solicitor and City Clerk</td>
<td>City Manager and/or Integrity Commissioner</td>
</tr>
<tr>
<td>City Manager</td>
<td>City Solicitor and/or Integrity Commissioner</td>
</tr>
<tr>
<td>Agency Employees</td>
<td>Agency Head and other senior position(s) designated by the Agency Head</td>
</tr>
<tr>
<td>Agency Head</td>
<td>City Manager, Integrity Commissioner and/or Board Chair</td>
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Resources

• TPS By-law website: www.toronto.ca/tpsbylaw

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Fiscal Impacts & Management of a Growing Municipality: City of Leduc, Alberta

May 22, 2016 | 2:40pm | CPE

Craig Binning, Partner, Hemson Consulting Ltd.
Irene Sasyiniuk, CLGM, General Manager, Corporate Services, City of Leduc
1. Long-Term Financial Sustainability Plan Overview
2. Leduc Overview & Background
3. Analysis and Findings
4. Key Policy Recommendations
5. Involving Council and Senior Administration
6. Ongoing Use of LTFSP by the City
7. Concluding Thoughts & Comments
Long-Term Financial Sustainability Plan Overview
Long-Term Financial Sustainability Plans (LTFSPs):

- Present a **framework and tools** that can be used to guide Council and Administration in sound financial decision making and sustainability planning.

- **Identify current and future resource requirements** necessary to achieve the municipality’s strategic goals

- **Living documents and policies** that can be reviewed and updated regularly, based on significant financial changes, economic challenges, and/or revisions to acts or standards
**Financial sustainability** is when planned service and infrastructure levels can be met without resorting to unplanned increases in rates or disruptive cuts to services.

Financial sustainability is achieved when the following conditions are met:

1. **Predictable and stable tax and utility rate increases in current and future years**
2. **Council’s highest priority programs are maintained**
3. **The right generation pays the costs**
How can a LTFSP ensure financial sustainability?

- **Identify and quantify impact of influencing factors:**
  - Macro economic environment
  - Demographics – Growth rates, population profile etc.
  - Assessment

- **Identify potential funding gaps** to inform the development of financial strategies and actions

- Provide **opportunities to manage costs and cash flow considerations** over a longer term horizon

- Support deliberations by Council to prioritize financing and resource allocation decisions and service level preferences
LTSFP Deliverables

Long Term Financial Sustainability Plan
- Written document
- Released to public

Fiscal Impact Model
- Excel based
- Internal use
City of Leduc LTFSP Overview & Background
City of Leduc

- Population Growth from 2006 to 2015: 72%
- More than $2.1 Billion in building permits over last 10 years.
- 96% of citizens that have ranked Leduc as having high quality of life

GLOBAL GATEWAY

CANAMEX TRADE CORRIDOR

HEMSON
Leduc is Experiencing High Rates of Growth

City of Leduc
Forecast Population, Household and Employment Growth

Population growth of close to 5% until 2021
Residential development will continue to be strong
Strong employment growth

Source: Municipal Census and Statistics Canada
Leduc’s Fiscal Position

**Strengths**
- Location
- Household income
- Well managed debt
- Affordable capital program
- Strong off-site levies

**Opportunities**
- Strong regional growth
- Relatively young infrastructure
- Sufficient and well located vacant lands
- Opportunities for further regional collaboration

**Weaknesses**
- Service level pressure
- Macroeconomic cycles
- Municipal services beyond control of City
- Pressure on non-residential
- Long-term asset management needs

**Threats**
- Strong competition from other municipalities
- Fiscal pressures at all levels of government
- Provincial delay of key infrastructure
- Labor contracts
- Potential changes to cost sharing agreements
- Edmonton Annexation
Fiscal Indicators

- Performance measures
- Municipal Price Index
- Reserve fund adequacy
- Tax levy gaps and mill rate impact
- Debt capacity
- Residential / non-residential assessment split
## City of Leduc’s Key Financial Objectives

| Financial Viability         | • Sustainable service levels  
<table>
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<th>• Multi-Year approach</th>
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| Financial Management        | • Maintain and enhance fiscal  
|                            | position                       |
|                             | • Target 60-40 Residential /  
|                             | Non-Residential assessment split |
| Financial Flexibility       | • Respond to economic challenges and opportunities  
|                             | • Utilization of long-term debt and debt capacity |
City of Leduc LTFSP Analysis & Findings
Key Findings:
Mill Rate Forecast

The City is in a position to fund its current identified operating and capital obligations with manageable tax revenue increases.

- Mill rate increase averages 3.3% over 20-year period
- Spike in 2021-23 is result of planned new twin pad arena
- Should consider potential future risks:
  1. Reduction in grants
  2. Possible low non-residential growth
  3. Long-term asset replacement
Key Findings: Assessment Mix

While Leduc benefits from a relatively strong residential : non-residential assessment ratio, attracting further non-residential growth may be a challenge.

- Non-residential assessment share may decline due to continued rapid residential growth
- Need to continue to attract development while retaining existing business
- City should strive to attract industrial development
Key Findings: Debt Forecast

The City has the debt capacity available to address most unforeseen needs.

- Some debt will be funded from off-site levy revenues
- Debt is an important tool in long-range financial planning for municipalities
Key Findings: Asset Management Forecast

Expenditures are generally lower than calculated needs.

- Tax supported services: expenditures on capital are slightly less than calculated contribution needs
- Utility services: expenditures are notable lower than calculated needs due to “young” age of assets
- May be increased funding needs moving forward
Key Policy Recommendations
Achieving Financial Sustainability: Target Non-Residential Growth

- Encourage development of all types of non-residential land uses
  - Focus on attracting industrial activities
  - Ensure an adequate supply of well-located and serviced lands designated for a wide variety of industrial uses
- Ensure future **boundary expansions** consider future assessment ratios
Achieving Financial Sustainability: Capital Infrastructure Funding

- Continue to set off-site levies annually to maximize revenue source
- Maximize “local service” recoveries through development agreements
- Recognize that debt can be an efficient and effective funding tool of infrastructure needs
Achieving Financial Sustainability: Reserves & Asset Management

• Review and enhance existing reserve fund policies
  • Base on realistic and sustainable assumptions
  • Quantify full life cycle costs of major assets and establish policies and practices to effectively manage infrastructure

• Move toward a condition-based asset management system to establish achievable and efficient future asset management reserve fund contribution levels
Involving Council and Senior Administration
Organizational goal of ensuring the fiscal sustainability of the City

Laying the Groundwork for the LTFSP

Master Plans
Budgets
Strategic Plans
Current vs. Future

Council  Executive  Directors  Staff
Involvement in the LTFSP Process
Ongoing Use of LTFSP by the City of Leduc
Completed Initiatives

1. Long Term Investment Policy
2. Revenue Registry
3. Self-Imposed Ceilings
4. Economic Development Officer

Strategic Mill Rate Setting
Concluding Thoughts & Comments
Closing Thoughts

The key value of undertaking a LTFSP:

- Ties together various financial reports and policies into one comprehensive plan
- Identification of strengths, weaknesses and opportunities over a long-term horizon
- Allows for the ability to test the financial impact of key Council and Administration decisions