



Township of Muskoka Lakes: Inter-Tier Strategy Workshop

Facilitation Workbook

August 31, 2021

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Workshop Agenda

Agenda Item	Description	Time Allocation
1. Welcome and Introduction	StrategyCorp team introductions	5 min
2. Purpose of the Workshop and Review of TML's Goal(s) for the Inter-Tier Strategy Project	StrategyCorp to explain the purpose and approach to the workshop and present its understanding of TML's goals for the project	10 min
3. Foundational Presentation	StrategyCorp to provide Council with a foundational presentation on the legislative, policy, service delivery and fiscal context influencing TML's relationship with the District of Muskoka	60 minutes (with Council Q&A)
4. Workshop Discussion	StrategyCorp to facilitate a discussion with Council on its outstanding questions on the context governing TML's relationship with the District and potential issues/areas of priority for a District-level service delivery review	40 min
5. Summary and Next Steps		10 min

Purpose of the Workshop

Purpose of the Workshop

- The purpose of this workshop is to **provide TML Council with a foundational briefing, and facilitate a discussion, on the legislative, policy, service delivery and fiscal context** influencing TML's relationship with the District of Muskoka
- Members of TML Council are encouraged to **ask questions of the StrategyCorp team** on this context and begin to **surface areas that may be explored in a service delivery review** completed by the District of Muskoka
 - Do not hesitate to ask questions – there is a lot of nuance in inter-municipal relationships
- The **output of this workshop will be used** by the StrategyCorp team **to undertake further research on TML's relationship with the District of Muskoka and design and facilitate a second workshop to discuss and prioritize issues/areas** for further exploration through a District of Muskoka service delivery review exercise

StrategyCorp Team with You Today



Chris Loreto
*Engagement
Principal*



John Matheson
*Engagement
Principal*



Michael Fenn
*Senior
Advisor*



Chloe Allen
*Engagement
Analyst*



Chris Andreou
*Engagement
Analyst*

We are excited to work with you!

Review of TML Goal for the Inter-Tier Strategy Project

Context

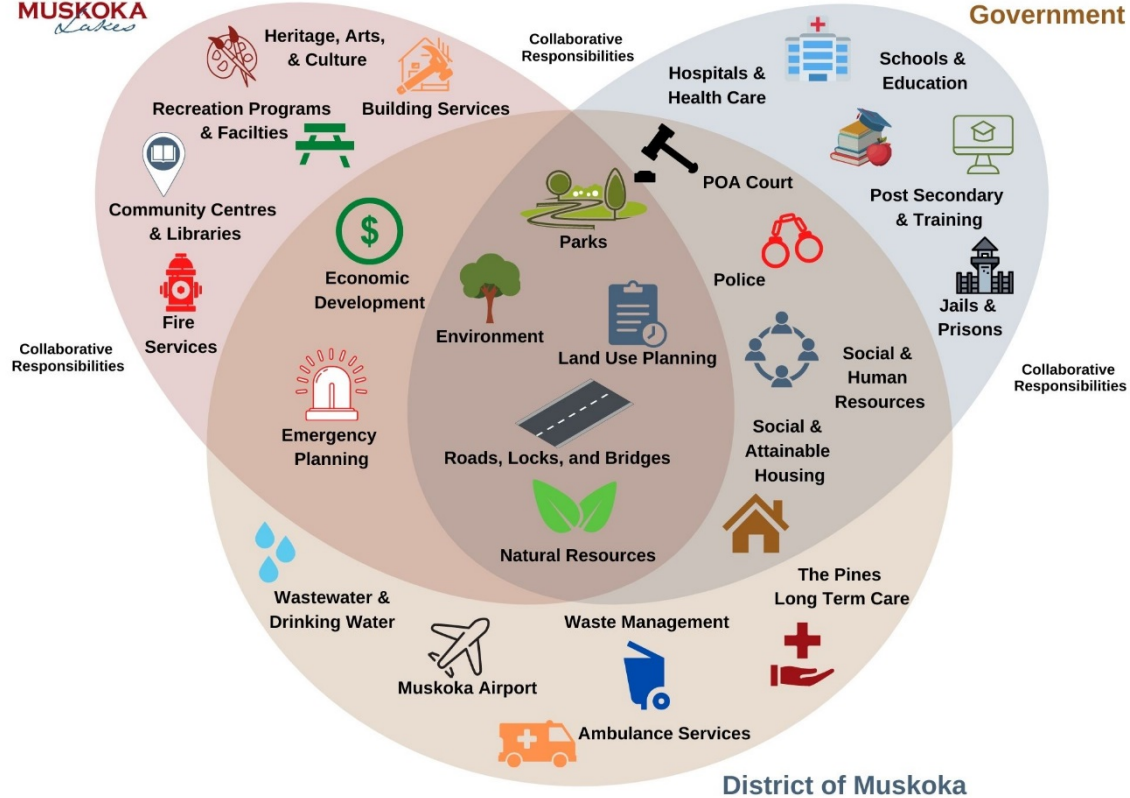
- During the development of the Township's new Strategic Plan, Council included the goal of "Strengthening Key Relationships" in that document
- One of the objectives under this goal is to, "Identify specific measures that, if achieved, will improve the Township's governance, fiscal, and programmatic relationship with the District"
- The Township of Muskoka Lakes ("TML") has retained StrategyCorp to provide guidance on a strategic approach to their relationship with the District of Muskoka ("The District")
- The **goal is to help Muskoka Lakes achieve a greater level of equity with its service delivery partners**, and help the Township understand the opportunities that exist when efficient and effective shared service delivery is achieved
- The **output from this project** will be to identify **governance, fiscal, and programmatic issues/areas** to be recommended from TML to the District for a **District-level service delivery review**

Review of Current Service Delivery Landscape



Service Responsibilities in Muskoka

Provincial
Government



Review of Legislative Context

Legislative Overview

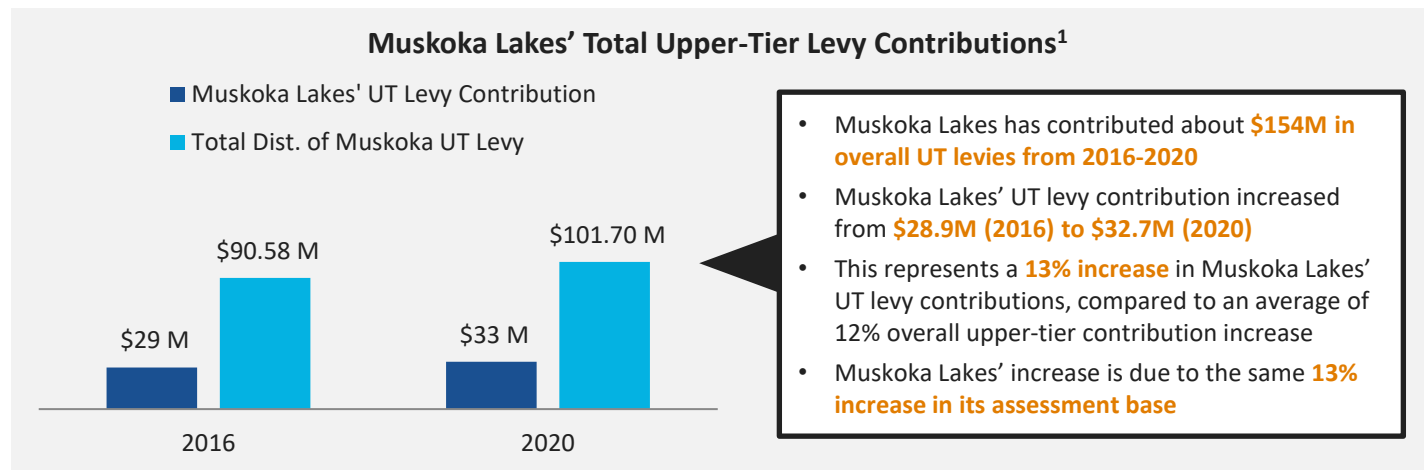
- The fiscal relationship between the Township and the District, most specifically with respect to how the District allocates the levy across its area municipalities, is governed by the Municipal Act
- The approach under the Municipal Act is to use “weighted assessment”. This means that lower-tier municipalities that account for a greater share of the overall assessment in an Upper Tier area will pay more of the Upper Tier levy
- Section 311 of the Municipal Act defines general upper-tier levy:
 - ***“general upper-tier levy” means the amount the upper-tier municipality decided to raise in its budget for the year under section 289 on all rateable property in the upper-tier municipality...The rates must be set so that, when they are levied on the applicable assessment rateable for upper-tier purposes, an amount equal to the general upper-tier levy or special upper-tier levy, as the case may be, is raised.”***
- The purpose of the approach under the Municipal Act is to add an element of “progressive” taxation to the property tax system, whereby municipalities with a greater assessed value contribute more to the operation of the District

Review of Fiscal Context

Overview

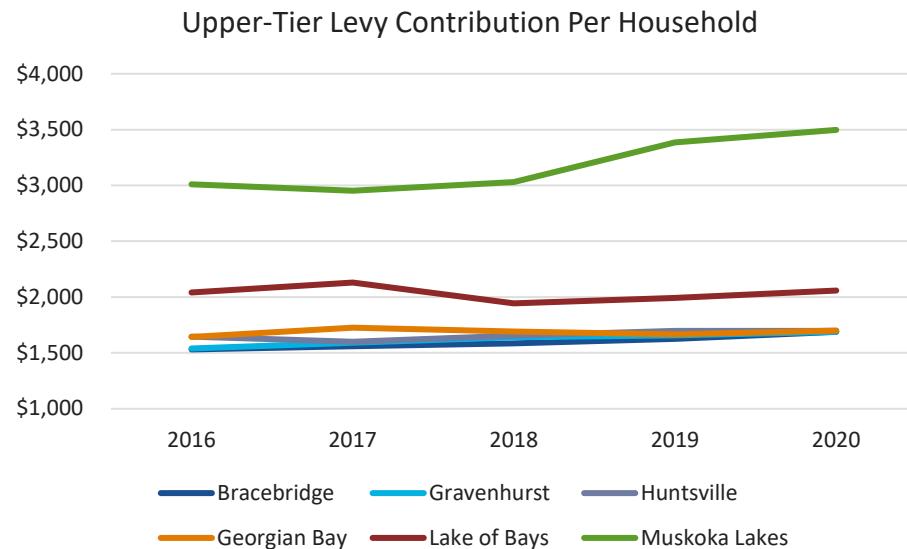
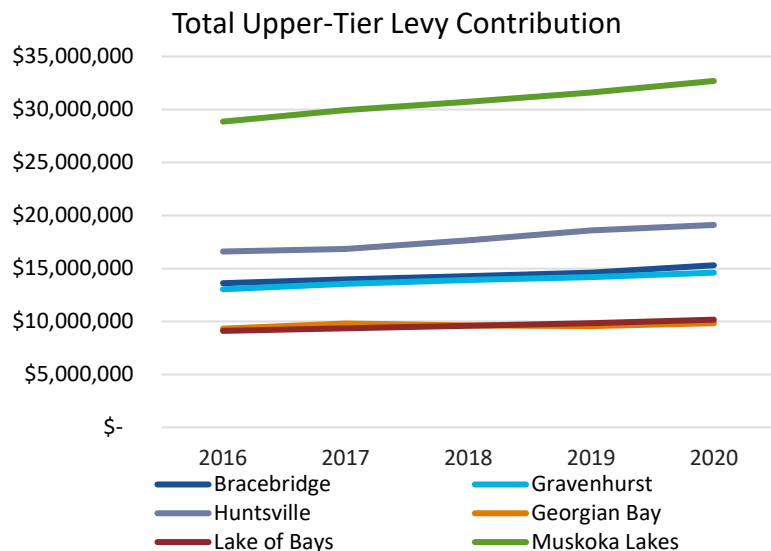
- The following slides provide a high-level overview of the fiscal context for the TML and District relationship with respect to assessment, contribution levy, and capital and operating spending

Consistent with legislation, TML's overall upper tier contributions to the District increased by 13% in 2020 (vs. 2016), driven by a similar rise in assessments



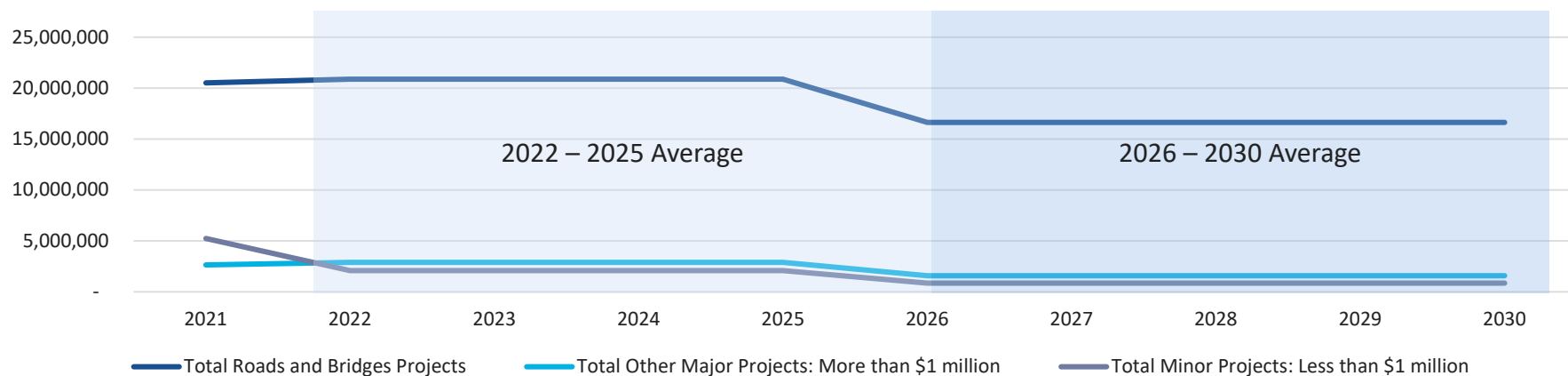
Key stats	2016	2020
District of Muskoka		
Total UT levy received	\$90.6M	\$101.7M (+\$11.1M)
\$ contributed by Muskoka Lakes	\$28.9M	\$32.7M (+\$3.8M)
% contributed by Muskoka Lakes	32%	32% (0%)
Muskoka Lakes		
Total Muskoka Lakes assessment base	\$9.0B	\$10.2B (+13%)

Upper-tier levy contributions have been consistent across the lower-tier municipalities over 5 years, but per HH increase was greatest for Muskoka Lakes



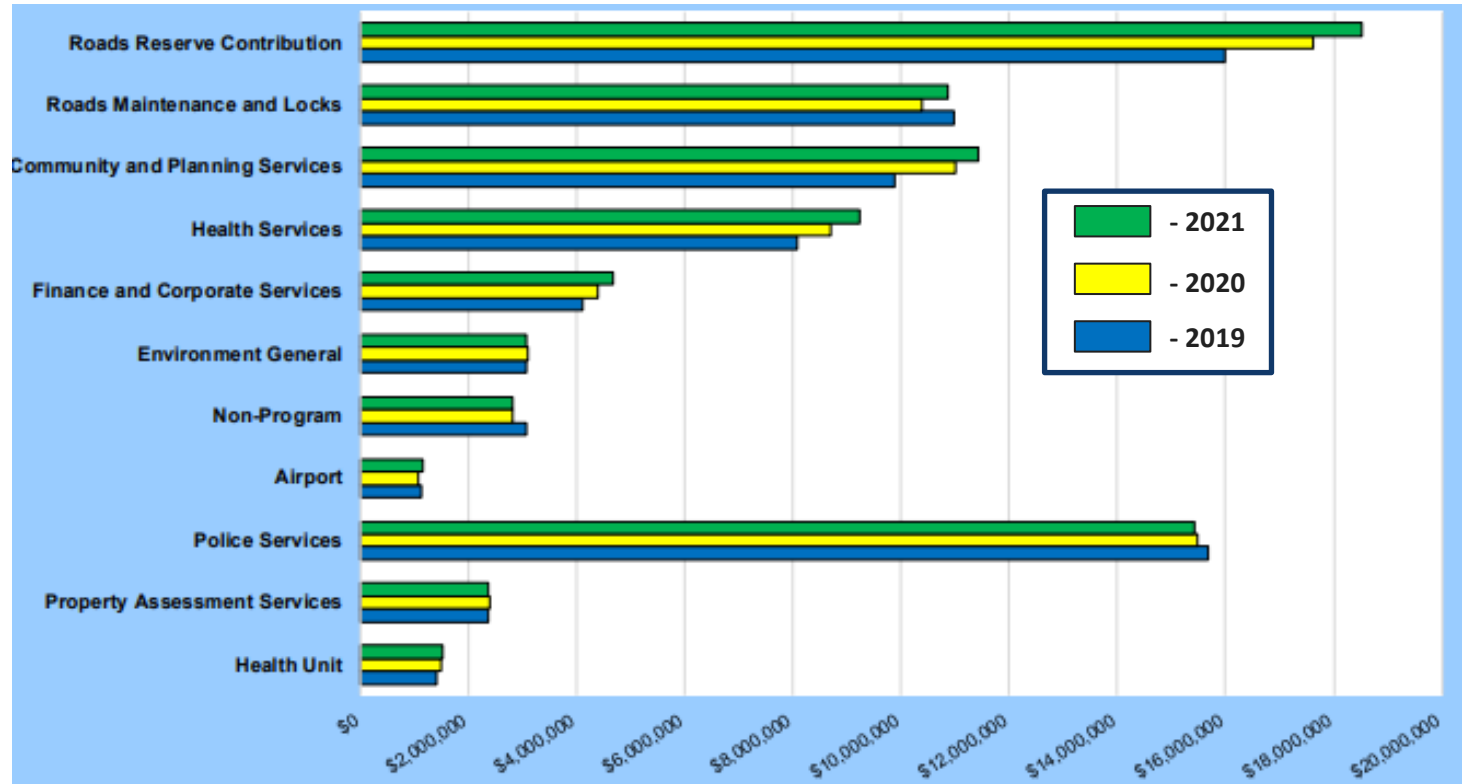
	Bracebridge	Gravenhurst	Huntsville	Georgian Bay	Lake of Bays	Muskoka Lakes
% of Total (Avg 5 Year)	15%	14%	19%	19%	19%	32%
5-Year Total Growth	13%	12%	15%	5%	11%	13%
5-Year HH Growth	10%	10%	3%	3%	1%	16%

Expenditures on capital projects are expected to decline over the next decade

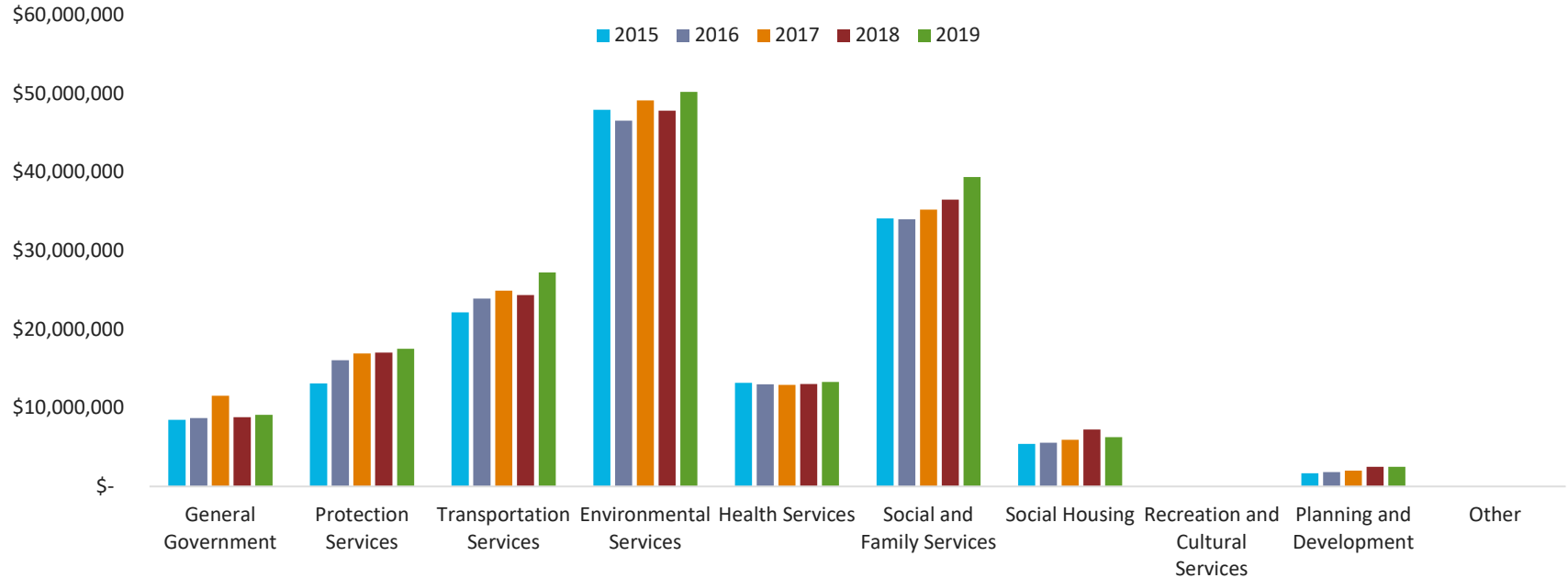


	2021	2022-2025 Total	2026-2030 Total	10-Year Total	10-Year Annual % Change
Total Capital Expenditures	\$28,399,935	\$103,435,740	\$95,401,940	\$227,237,615	(32%)

The District's net levy (revenue from property tax) largely goes to police services, roads reserve and maintenance, community and planning services, and health services...



...with fee revenue and provincial transfers making environmental services and social and family services the largest overall spends



5-Year % Growth	7.4%	33.5%	23.0%	4.7%	1.0%	15.4%	15.5%	0	49.9%	-
5-Year Avg % of Total	6.0%	10.4%	15.8%	31.1%	8.4%	23.1%	3.9%	-	1.4%	-

Review of Illustrative Strategic Options

Overview

- This section sets out nine (9) strategic options available to the TML with respect to its relationship with the District of Muskoka
- These options are not mutually exclusive, and the TML may pursue end up pursuing a number of the options in its efforts to encourage the District Council to commission a District-level service delivery review and for pursuing opportunities coming out of that review
- These options are for discussion purposes at this stage of the project

Political Options

	Meant to Solve	Explanation
1. Build alliances with other similarly situated area municipalities within the District	Achieve a political critical mass to get a better result within the existing arrangement	<ul style="list-style-type: none">• Each of the options presented on previous pages would involve seeking voluntary agreements to improve fairness at the District. A pre-condition to success would be building stronger bridges with lower-tier colleagues and District officials• At a minimum, under this option, the Township would increase its engagement with District officials, including having District officials present District budgets to Township Council to provide an opportunity to ask questions related to the Township-District fiscal and service relationship
2. Increase provincial upload	Support AMO	<ul style="list-style-type: none">• This is contingent on provincial action and is generally out of the Township's direct ability to influence, but it can support AMO's province wide initiatives in this regard• Provincial policy change has already yielded positive relief twice (2 cents on gas tax/PMFSDR), and may again

Service Delivery Options

	Meant to Solve	Explanation
3. Service Migration from District to Lower Tier	Improve arrangement by ML “paying own way,” and not collectively with other area municipalities	<ul style="list-style-type: none">• Service migration from upper-tier to lower-tier in exchange for a lower District rate (as a result of removal of a District-wide service)• However, there are risks to the Township in assuming this responsibility and further study would be required before a final decision could be made
4. Increase use of user pay and other Property Tax alternatives	Reduce portion of District budget funded through levy	<ul style="list-style-type: none">• While increasing use of fee-based funding could theoretically reduce costs paid by households to the District, it would take further analysis to find the “right ones”
5. Reduce service levels	Reduce District budget to reduce service levels	<ul style="list-style-type: none">• This approach may not be politically popular; there are oftentimes already concerns with respect to the adequacy of existing service levels

Contribution Funding Options

	Meant to Solve	Explanation
6. Cost Compensation Grants to assist area municipalities that have extraordinary burdens	Mitigate against different burdens faced by municipalities (e.g., some municipalities have a greater share of roads, bridges, etc. than their neighbours)	<ul style="list-style-type: none">• In other Ontario upper-tiers, there are examples where the upper-tier implemented a grant system where grants are given to the lower-tier municipality equal to the cost that the upper-tiers would have incurred, had it assumed responsibility for a specific local roads• The decision to implement such a policy has been used by upper-tiers as a mechanism to alleviate distributional affects which were either politically unfair, or financially unsustainable.• It has also been used to avoid pressure to “upload” local roads or similar services, or where local municipalities are experiencing a disproportionate share of “regional” road costs• An example of this is the so-called “County Gas Tax” mechanism that was created in the United Counties of Prescott Russell

Structural Options

	Meant to Solve	Explanation
7. Dissolve District; go to single-tier	Eliminate a level of government	<ul style="list-style-type: none"> Province has backed away from any municipal restructurings Pursuing this option would require a Triple Majority and the act of disentangling the Township from the District structure would likely be complex and expensive This is inconsistent with TML's strategic plan and stated goal
8. Reduce Scope of District	Reduce service scope to only those services mandated by provincial legislation	<ul style="list-style-type: none"> Weak upper-tier structure similar to Frontenac County Scope would be limited to service manager responsibilities, public health, and Long Term Care, library board, etc.
9. Change Basis on Which District Levy is Assessed	Improve fairness of how costs are divided	<ul style="list-style-type: none"> Current formula is mandated by Municipal Act; other potential options include moving to Equalized Assessment, Per Capital Contribution or Per Household Contribution (i.e., \$X levied against each resident or each household) Politically, changing the basis for funding the District would require a change to the Municipal Act which is highly unlikely

What is the Triple Majority?



Applies to two-tier municipal government, particularly with respect to voluntary restructurings. Proposals require the support of:

- **The upper-tier**
- **A majority of lower-tier councils**
- **Councils of any separated municipality included in the proposal must also consent**

Discussion Questions

Discussion Questions

1. What questions do you have with respect to the legislative context that governs the TML's relationship with the District of Muskoka?
2. Understanding, at a high-level, how the District is funded, and where it spends its money, what areas of governance, funding, and/or service delivery might you want to see prioritized for a District-level service delivery review?
3. Understanding, at a high-level, the strategic options available to TML vis a vis its relationship with the District of Muskoka, what options are to be prioritized?



Toronto

145 King Street East, 2nd Floor
Toronto, ON M5C 2Y7
416-864-7112

Ottawa

100 rue Queen Street, Suite 850
Ottawa, ON K1P 1J9
613-231-2630

strategycorp.com