



cutting through complexity

The Corporation of the City of Vernon

Core Services Review

Draft Final Report

April 4, 2013

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Disclaimer

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The information contained herein has been compiled for the City of Vernon Core Services Review. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

This report may not be relied upon by any person or entity other than Client, and KPMG hereby expressly disclaims any and all responsibility or liability to any person or entity other than Client in connection with their use of this report.

1. Executive Summary

This chapter provides a summary overview of the Core Services Review for the Corporation of the City of Vernon (the City). It includes information on background, understanding this report, project approach, opportunities for consideration by Council and next steps.

Background

In October 2012, the City contracted KPMG LLP (KPMG) through a competitive bid process to review the City’s operations and service delivery to identify cost-saving opportunities and areas for potential improvements.

The City is the oldest incorporated city in the Okanagan Valley – it was incorporated on December 31, 1892. The population expanded over time as people were attracted to the City’s economic and cultural diversity and easy access to key business hubs in BC, Alberta, and USA. Now with a population of more than 38,000 people, the City is a commercial centre of North Okanagan and serves as a year-round tourist destination for people in BC and Alberta.

As described in the City’s Request for Proposal ADM-12-76 2012 Core Services Review issued on July 27, 2012,

“The Corporation of the City of Vernon has experienced significant changes in recent years with respect to range of services and programs, service delivery models, regional partnerships and responsibilities, staffing, assumption of downloaded responsibilities and boundary extensions over the past 19 years. While contemporary responsive municipal corporations must evolve within the changing business environment, rapid and at times quite dramatic shifts tend to create an unstable environment in which it is difficult to implement sound, consistent processes that focus on core customer services. Further, it is difficult to build a relatively stable, efficient learning organization, recruit and retain skilled personnel and establish sound management practices. Reasonable stability and clear focus are the foundation blocks to a high performance, cost effective business model.

Modern, forward thinking municipalities and the residents, rate-payers and businesses they serve, are tending to pursue long-term sustainable practices. For the community this means a focus on economic diversity leading to resiliency and value added employment opportunities, thoughtful development leading to minimizing the environmental footprint and protection of key natural attributes; and the assurance of a responsible, caring social fabric that embraces cultural values and ties the community together.

For the municipal corporation this requires a clear vision determined by Council and responsive to community expectations. The business of the corporation must be well defined and limited. A sound multi-year financial plan based on establishing a stable, predictable tax environment that does not unduly burden future generations will give rate-payers and investors a needed level of surety. The corporation must be appropriately resourced and structured to deliver expected services and programs in an efficient, creative and customer centric approach. Periodic Core Service Reviews are a necessary and positive means to check, confirm and reorient (as necessary) the range of services to be delivered, as well as the means of delivery. Core Service Reviews are one method to: ensure what is delivered is of the highest value to the community, shed lower values services, apply best modern practices to cost effective delivery, and direct valuable, limited resources to the delivery of community valued programs and services.”

Understanding this Report

Scope

KPMG LLP (KPMG) was contracted to review the City's operations and service delivery to identify cost saving opportunities and areas for potential improvements.

Purpose of this Report

The purpose of this report is to summarize the work completed, the findings, and the opportunities for change identified for consideration by City Council. This document in its entirety including Appendices 1 and 2 constitutes the final deliverable prepared for City Council as described in the KPMG contract dated October 4, 2012.

Procedures

KPMG's procedures consisted solely of inquiry, observation, comparison, and analysis of City-provided information and publicly available data from other jurisdictions. We relied on information provided by the City and project participants. The resulting suggested opportunities for change considered in the preparation of this document were provided from a number of sources that include interviews with City Councillors, a workshop with City Senior Management held on January 29, 2013, a public workshop held on January 29, 2013, emails received by KPMG from the community, and analysis conducted by KPMG. The information contained in this document does not constitute an audit of the City's services and underlying sub-services, presented data, organization and governance structure, or user fees. Accordingly, KPMG does not express an opinion on such matters.

The opportunities for Council's consideration outlined in this report have been prepared for the purposes of the Core Services Review to subsequently inform decision making by Council. No one should act on such information without considering the need for additional analysis. Council is responsible for decisions:

- To implement any opportunities for change as outlined below and for considering their impact
- To determine how to use the savings realized, whether for reduced taxes and fees, or to implement any improved services or increased spending, or to reinvest into other activities.

Implementation of opportunities for change will require the City to plan and test any changes to help make certain that the City will realize any intended outcome. Final benefits realized from implementing any changes will be based on future events and Council decisions and will vary from the estimates included in this document. These variances may be material.

Project Approach

The Core Services Review process undertaken by KPMG was developed in collaboration with the City, and agreed to by City Council. The project was conducted in four phases between October 2012 and March 2013 with the following key work steps.

Phase 1 – Project Initiation

- Kick-off meeting with the Chief Administrative Officer (CAO), the City Project Team, and KPMG on October 10, 2012.
- Agreement on stakeholder engagement strategy.
- Selection of jurisdiction comparators.

Phase 2 – Information Gathering

- Development of a service profile data collection template.
- Completion of 26 service profile summaries by the City.
- Organization of 26 service profile summaries into five Service Profile Summary documents.
- Completion of jurisdictional comparison.
- Development of an opportunity log.

Phase 3 – Evaluation of Opportunities

- Preliminary evaluation, based on agreed criteria, of a total of xx suggested opportunities for change.
- Facilitation of consultation workshops with the Council, Senior Management Team, and Community.
- Further analysis of opportunities based on the feedback collected at the workshops.

Phase 4 – Final Report

- Development of draft final report and presentation of opportunities for Council’s consideration to the Committee of the Whole of City Council on April 22, 2013.
- Delivery of final report to City Council on **April XX, 2012**.

Opportunities for Council’s Consideration

Themed Opportunities

During the Core Service Review a total of 113 suggested opportunities for change were provided through a number of sources including Council, Senior Management Team, the Community, and KPMG analysis.

The list of 113 suggested opportunities was evaluated based on criteria agreed with Council during Phase 1, and used to inform the consultative process in December 2012 and January 2013 during which feedback on this preliminary evaluation of the suggested opportunities was received via Council, staff and community workshops. Through this process, groups of opportunities emerged.

In total, 28 opportunities for Council’s consideration were grouped and are presented in themed chapters in this report. The opportunities are summarized by theme in the table below. Eight opportunities for Council’s consideration relating to labour relations or other employee relations, as described in section 90(1)(c) of the Community Charter, are provided in a separate confidential document.

| 5. Asset Management Plan | | |
|--|---|---|
| Ref | Title | Opportunity for Council’s Consideration |
| Sustainable Infrastructure Investment Plan | | |
| 5.1.1 | Infrastructure requirements | Develop a thorough understanding of infrastructure requirements, funding options and ensure stakeholder agreement on the figures. Include asset age, condition, service levels and risk/priority in a long-term model. |
| 5.1.2 | Proactive infrastructure maintenance and rehabilitation | Consider moving towards proactive infrastructure maintenance and rehabilitation, prioritizing consistently and transparently across asset groups and implementing life cycle costing and risk management to inform decision making. |

| | | |
|-------|------------------------------|---|
| 5.1.3 | Asset inventory | Consider reviewing the current asset inventory including identifying potential redundant assets and identifying potential assets for sale. |
| 5.1.4 | Asset investment and funding | Identify the increased investment in asset rehabilitation and replacement that will be required, and the options available to increase funding in this area. |
| 5.1.5 | Long term financial planning | Identify the long term financial impacts of planning decisions and ensure they are considered in the planning process. |
| 5.2 | Asset Management Network | Consider becoming a member of the Canadian Network of Asset Managers (CNAM), an organization founded by municipalities, or a similar organization to gain access to leading practices and exchange practices with peer organizations. |

6. Water

| Ref | Title | Opportunity for Council's Consideration |
|-----|---|--|
| 6.1 | Cost allocation between urban and rural water systems | Request that Greater Vernon Water base its cost allocation between urban and rural water systems rather than domestic and irrigation, and that rates be adjusted accordingly. |
| 6.2 | Evaluation of options for water treatment | Request that the evaluation of options for improved treatment of Greater Vernon Water be based on separate allocation of costs to urban and rural systems, and include options that do not provide treated water to rural customers when it cannot be achieved on an economic basis. |
| 6.3 | Separate water system for Vernon | In the event opportunities 1 and 2 are unsuccessful, consider establishing a separate urban or Vernon water supply system. |
| 6.4 | Return of surplus recovered water to the surface water system | Consider ending the practice of spreading recovered water on lands where it is not required for irrigation, and return surplus recovered water to the surface water system. This will involve discussion/negotiation with the Province of BC on current restrictions. |
| 6.5 | Irrigation alternatives | Consider other options for the irrigation of golf courses and other dependent recovered water users to determine if the spray irrigation program can be eliminated or substantially reduced economically by converting users to the water supply or other water sources. |

7. Transit

| Ref | Title | Opportunity for Council's Consideration |
|-----|--------------------------------|---|
| 7.1 | handyDART registration process | Tighten the application review process for handyDART registrants. Require proper documentation for all current registrants who have not already provided it as registrations are renewed, or within a three year period. |
| 7.2 | Conventional transit policy | <p>Establish a policy direction that conventional transit service is intended to provide service for residents without access to vehicles and in circumstances where reductions in greenhouse gases will be achieved that warrant the net costs involved. Given the level of provincial support of conventional transit, it should be possible to do this with much less City tax support. That would suggest changes in service such as:</p> <ul style="list-style-type: none"> • Increase the zone fare increment for the 90 Okanagan Connector to \$2 (e.g. increase the total fare from \$2 to \$4). The U-Pass could be accepted for the base fare, but the \$2 incremental zone fare would need to be paid for each trip • Reduce the level of conventional transit service, retaining just select routes |

| | | |
|-----|---|--|
| | | <p>that could be expected to recover at least 50% of their costs from fare revenues (likely one or two routes in downtown area as well as the 90)</p> <ul style="list-style-type: none"> Consider expanding the Taxi Saver program (subject to acceptance for provincial subsidy) to low income individuals without access to cars to provide an alternative approach to public transit for those not adequately served by the reduced fixed route structure. |
| 7.3 | Areas of focus for Transportation Demand Management | Recognize that planning decisions related to the location and density of development will have the strongest impact on the potential for viable transit services in the long term. In the shorter term, the City's Transportation Demand Management activities should focus on bicycling and walking options. |

8. Emergency Response Staffing and Fire Dispatch

| Ref | Title | Opportunity for Council's Consideration |
|-----|---|---|
| 8.1 | Predator Ridge fire hall | Consider modest options for the Predator Ridge fire hall, such as integrating with other existing buildings and keeping it to a one bay facility. |
| 8.2 | Volunteer recruitment and deployment strategy | <p>Develop a new volunteer recruitment and deployment strategy consistent with the concepts of:</p> <ul style="list-style-type: none"> Recruitment focused on employees and residents in the Okanagan Landing and Predator Ridge areas and among the health care community. Include appropriate employers in the recruitment process Recognize more than one type of volunteer, based on their training (medical, fire response, truck operator, combinations of skills) Provide volunteers (and participating career fire fighters for off duty times) with appropriate equipment to allow direct report to the site of incidents for as wide a range of incidents as possible (including particularly defibrillators) Equip fire trucks at the satellite fire halls to support volunteers reporting directly to the site of a call Establish a system to allow volunteers to identify when or whether they are available and to allow the dispatch to know where the volunteers are when available for deployment. |
| 8.3 | Vernon Fire Department dispatch | Continue the Vernon Fire Department dispatch operation for a two year period to determine if it can develop the more sophisticated volunteer deployment approaches, and the customer base that will improve economy. |
| 8.4 | First responder role | Review the first responder situation with the BC Ambulance Service to align with the changing role of volunteer fire fighters. |

10. Permissive Tax Exemptions & Grants

| Ref | Title | Opportunity for Council's Consideration |
|------|--|---|
| 10.1 | Reduction of permissive tax exemptions | Reduce permissive tax exemptions. At over 2% of tax revenue the annual value of exemptions provided by Vernon is larger than many other municipalities. Many cities provide 1% or less. |
| 10.2 | Heritage Grant Program | Review the heritage grant program for its alignment with Council's priorities and consider the amount of funding to be provided through the program in future years. |
| 10.3 | O'Keefe Ranch | Reduce City funding of O'Keefe Ranch to \$10,000 per year to align with the lease between the City and the O'Keefe Ranch & Interior Heritage Society. |

| 11. Governance | | |
|----------------|--------------------------------------|--|
| Ref | Title | Opportunity for Council's Consideration |
| 11.1 | Governance options | <ul style="list-style-type: none"> Promote an amalgamation of the GVA into a single municipality, or Seek to have the Regional District of North Okanagan (RDNO), acting for GV Water and Greater Vernon Parks Recreation & Culture take on full responsibility for the services and transfer the related staff to the RDNO, or Seek to end the RDNO role in Recreation and Parks and have the City of Vernon operate the Recreation and Parks program independently, and initiate an independent City of Vernon water utility. |
| 11.2 | Review of Select Committees | Conduct a review of the Select Committees; for each Committee consider purpose and effectiveness, duplication of effort among the Committees, and requirements for staff support and associated expenses |
| 12. Arenas | | |
| Ref | Title | Opportunity for Council's Consideration |
| 12.1 | Ice rental rates | Increase ice rental rates to reduce the deficit and encourage some users to find other facilities. Part of the increased revenue from minor rate increases can be allocated to provide support for low income participants. |
| 12.2 | Civic Arena | Keep the Civic Arena open until the spring of 2014 if safety and an adequate service level can be guaranteed at reasonable cost. |
| 12.3 | Collaboration with other communities | Work with neighbouring communities to accommodate as many users as possible in Vernon or neighbouring rinks, using the next year to transition as many users as possible. |
| 12.4 | Wesbild Centre | Continue work to investigate opportunities to expand the Wesbild Centre and develop a concept for the expansion. |
| 12.5 | Construction of new facility | Do not proceed with construction of a new facility until demand grows – likely as a result on an increase in child and youth aged population. |

Other Opportunities

In addition to the 28 themed opportunities for Council's consideration presented in chapters 5 to 12 of this report, 41 other opportunities for Council's consideration are provided in chapter 13. These other opportunities are presented in priority order based on potential timing of impact for the City – Short Term, Staff to Implement, Medium to Long Term, Investigate Further, and Suggest to RDNO.

Council's responsibilities for Decision Making

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Next Steps

Council should read this report in its entirety including appendices and consider the opportunities contained herein. Council is responsible for directing City staff to conduct further research and analysis and for decision making on opportunities for change. Consideration should be given to dedication of City resources to project managing the process of considering and implementing opportunities for change arising from the Core Services Review.

2. Background

In October 2012, the Corporation of the City of Vernon contracted KPMG LLP through a competitive bid process to review the City's operations and service delivery to identify cost-saving opportunities and areas for potential improvements.

The City is the oldest incorporated city in the Okanagan Valley – it was incorporated on December 31, 1892. The population expanded over time as people were attracted to the City's economic and cultural diversity and easy access to key business hubs in BC, Alberta, and USA. Now with a population of more than 38,000 people, the City is a commercial centre of North Okanagan and serves as a year-round tourist destination for people in BC and Alberta.

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3. Understanding this Report

This chapter provides information on the scope of the Core Services Review for the City, the purpose of this report, procedures, and Council’s responsibilities for decision making.

Scope

KPMG was contracted to review the City’s operations and service delivery to identify cost saving opportunities and areas for potential improvements.

Purpose of this Report

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4. Project Approach

This chapter describes the project phases and the key work products developed in each phase. It includes summary analysis of the total of 113 suggested opportunities received from City Council, City senior management, the community, and KPMG analysis.

Project Phases

The Core Services Review process undertaken by KPMG was developed in collaboration with the City, and agreed to by City Council. The project was conducted in four phases between October 2012 and March 2013. The four phases are shown below.

| Phases | Oct | Nov | Dec 2012 | Jan 2013 | Feb | Mar |
|---------------------------------|-----|-----|----------|----------|-----|-----|
| 1 – Project Initiation | | | | | | |
| 2 – Information Gathering | | | | | | |
| 3 – Evaluation of Opportunities | | | | | | |
| 4 – Final Report | | | | | | |

Key Work Products

The key work products completed during each of the four phases are described below.

Phase 1 – Project Initiation

An initiation meeting was held with Chief Administrative Officer (CAO), the City Project Team, and KPMG on October 10, 2012 to confirm the project objectives and governance, discuss the stakeholder engagement strategy, and identify a list of comparable jurisdictions to be used during the project.

Stakeholder Engagement Strategy

It was agreed with the City Project Team (Senior Committee) that the stakeholder engagement strategy would include the following activities:

- One-on-one interviews with Councillors
- Facilitating two workshops with the Senior Management Team to discuss services/opportunities (November 2012) and evaluate opportunities (January 2013)
- Collaborating with City management and staff on collecting data and completing service profiles
- Facilitating a public workshop on opportunities for improvement
- Inviting stakeholder groups to the public workshop
- Establishing a project email address.

Jurisdictional Comparison

City Council agreed on five municipalities to be used for jurisdictional comparison during the project based on population size and geography:

- City of Campbell River
- City of Kelowna
- District of Mission
- City of Penticton
- City of Port Moody.

Phase 2 – Information Gathering

Service Profiles

A service profile data collection template was developed by KPMG and provided to the City to collect performance and financial information on City services. KPMG also supplied examples of a service hierarchy and data items to be captured by the City.

Using the example provided by KPMG, the City developed 26 service profile summaries which were subsequently organized by KPMG into five Service Profile Summary Documents. The Service Profile Summaries were posted on the City website on January 16, 2013.

Jurisdictional Comparison

KPMG conducted research using publicly available information on the five municipalities identified as comparators to the City agreed by City Council. This information was used to identify similarities and differences between costs and services provided by the City and other jurisdictions, as well as to review staffing. At times, this information was imperfect in terms of the comparability of the municipalities given the way individual municipalities record and report information. The information from the five municipalities should not be considered conclusive. A template was also developed to collect staffing and other information from the comparators.

Opportunity Log

An opportunity log was populated using information collected from City Council, City Senior Management Team, and the community by email. The suggested opportunities for change contained in the log were categorized by type of change:

- Change Service Level
- Change Structure and Staffing
- Service Change
- Increase Revenue
- Insource/Outsource
- Re-engineer
- Investment

To inform the consultative process to be conducted through the consultation workshops in Phase Three, the suggested opportunities were evaluated against the assessment criteria approved by City Council. Based on this preliminary evaluation, each suggested opportunity was also assigned to a priority category. The preliminary evaluation was conducted based on information provided by the City and comparable jurisdictions.

Phase 3 – Evaluation of Opportunities

Suggested Opportunities by Program and Priority Category

During the first two phases of the Core Services Review, a total of 113 suggested opportunities for change were collated by KPMG, shown in Appendix 2. To inform the consultative process to be conducted in Phase Three, the suggested opportunities were evaluated against the assessment criteria approved by City Council. Based on this preliminary evaluation, each suggested opportunity was also assigned to one of seven implementation priority categories.

| Rank | Status | Description |
|------|---------------------|--|
| A | Approved | Council has approved as part of the Budget process |
| 1 | Strategic | Opportunities for larger potential cost savings or revenue generation and related smaller items have been incorporated in the themed chapter discussions in chapters 5 through 12. |
| 2 | Short Term | Consider for 2014 budget or earlier, relatively low client impact, lower barriers to implementation, potential cost savings or revenue generation |
| 3 | Staff to Implement | Short term, staff directed to implement by Council, relatively low client impact, lower barriers to implementation, minimal budget implication, may already be in progress |
| 4 | Medium to Long Term | Could take more than a year to realize first benefits, acceptable client/customer impact, may have higher barriers to implementation |
| 5 | Investigate Further | Uncertain whether to proceed based on current data given client/ customer impact, barriers to implementation, and/or benefits to be realized |
| 6 | Suggest to RDNO | Area of RDNO jurisdiction, but action could reduce costs passed on to City taxpayers |
| 7 | Not Worth Pursuing | Unacceptable client/customer impact, uncertainty over the benefits to be realized |

The preliminary evaluation was conducted based on information provided by the City and comparable jurisdictions. Many of the suggested opportunities were classed as “Investigate Further”, pending input from Council, City senior management, and the community.

The number of suggested opportunities used to inform the consultative process grouped by program and priority category is shown in the following table.

| Program of Service | A. Approved | 1. Strategic | 2. Short Term | 3. Staff to Implement | 4. Medium to Long Term | 5. Investigate Further | 6. Suggest to RDNO | 7. Not Worth Pursuing | Total |
|--|-------------|--------------|---------------|-----------------------|------------------------|------------------------|--------------------|-----------------------|------------|
| Transportation and Infrastructure | 1 | 15 | 5 | 3 | 2 | 3 | - | 3 | 32 |
| Emergency, Enforcement, and Community Safety | 9 | 10 | 1 | 2 | 2 | 2 | - | 2 | 28 |
| Planning and Development | 5 | 4 | 1 | 1 | 1 | 2 | - | 3 | 17 |
| Parks, Recreation, and Culture | 1 | 8 | 1 | 2 | 2 | - | 2 | - | 16 |
| Governance and Support Services | 9 | 10 | 1 | 2 | 1 | 4 | 1 | 1 | 20 |
| Total | 16 | 47 | 9 | 10 | 8 | 11 | 3 | 9 | 113 |

Consultation Workshops

To gather ideas and comments on the preliminary evaluation of the suggested opportunities for change, during the week beginning January 28, 2013, KPMG facilitated three separate workshop discussions with City Council, with the City Senior Management Team, and with the community.

Workshops were held as follows:

- Committee of the Whole of City Council workshop (January 28, 2013)
- City management workshop (January 29, 2013)
- Community workshop (January 29, 2013)

Opportunity Log

The opportunity log of suggested opportunities was refined further after the consultation workshops based on the criteria agreed by Council and input received during the consultation workshops, and used as one of the inputs to the final report.

Phase 4 – Final Report

Final Report

Analysis and assessment of suggested opportunities for change was completed. A draft final report containing opportunities for Council’s consideration was presented to the Committee of the Whole of City Council on April 22, 2013. This final report was delivered to City Council on April XX, 2013.

5. Infrastructure and Asset Management

This chapter examines practices relating to infrastructure and asset management in the City.

Context

Like most cities, the City owns and maintains a diverse set of assets, including roads, facilities and lighting. Currently, the City is experiencing a shortfall in funding compared to projected capital expenditure requirements. However, some initiatives have been started to address this situation.

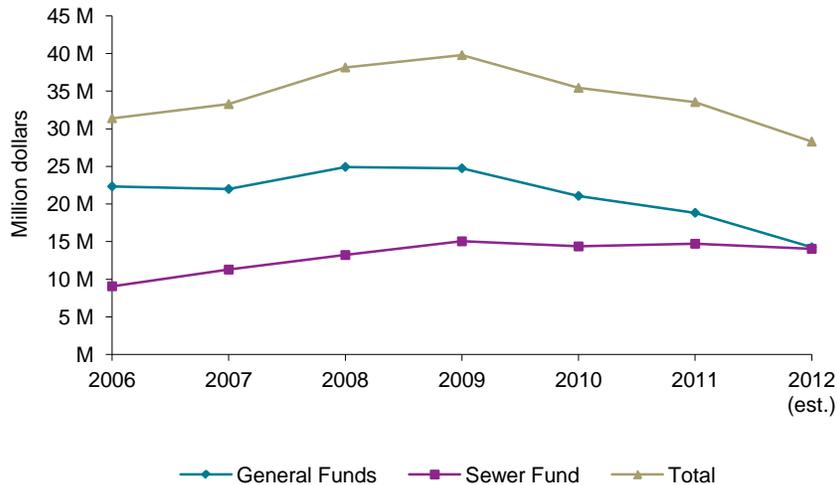
Funding

In 2009 the City commissioned independent engineers to build the Complete Infrastructure Long Term Financial Plan (CILTFP). This plan indicated an annual infrastructure funding requirement of \$10.8 million for linear infrastructure, which was later updated by the City engineering staff (City memorandum file 1700-50). The table below shows the annual needs as identified by the CILTFP, and as updated by staff analysis in comparison to the actual spending in 2012 by the City on infrastructure improvement.

| \$ million | CILTFP | | Staff Update | | 2012 Actual |
|---------------------------------|---------------|-------------|--------------|------------|-------------|
| | 15 Year Needs | Annual | Lifecycle | Growth | |
| Buildings | 32.7 | 2.2 | 2.2 | | 0 |
| Linear Assets | | | | | |
| Sanitary | 26.7 | 1.8 | 1.8 | 0.9 | 1.5 |
| Storm | 23.5 | 1.6 | 1 | 0.6 | 0.5 |
| Spray Irrigation | 0.0 | 0.0 | | | 0 |
| Roads | 85.7 | 5.7 | 3.9 | 2.0 | 3.8 |
| Overlay | 34.7 | 2.3 | 3.4 | | 0.5 |
| Total City Cost | 194.9 | 13.0 | 12.3 | 3.5 | 6.3 |
| | | | | | |
| Subdivisions (Developer funded) | 47.1 | 3.1 | - | 3.5 | 0.5 |
| Total Required | 239.4 | 16.0 | 12.3 | 7.0 | 6.8 |

The total of general reserve funds available at the end of fiscal year 2011 was \$18.8 million, with \$14.7 million in sewer reserve funds. The funds have decreased by \$3.1 million (9.8%) over the period 2006-2012 although infrastructure investment was below the annual required estimate. The chart below shows, at the current expenditure level that reserves are being drawn down – particularly general reserves used to fund roads and buildings.

Reserves and deferred revenue



In 2012, the City commissioned independent consultants to assist in the development of the Sustainable Infrastructure Investment Plan (SIIP), aimed at creating a more detailed asset management plan and developing a financial model to determine the infrastructure funding requirements for future years, assessing currently available funding and identifying measures to close the gap. The City reports that the SIIP is in progress and expected to be completed in 2013.

Asset Management Practices

The City has implemented a policy on asset management that allocates responsibilities to departments, defines roles and outlines the general principles to be adhered to. Master plans for each type of infrastructure are in place to support this, which provide the City with a foundation to further develop asset management practices.

Observations and Analysis

Funding

The current spending levels are approximately half of the amount estimated by the City required to maintain current city assets in a stable and usable condition – indicating that asset deterioration is occurring over time, and the City is building an “infrastructure deficit” (unmet rehabilitation and replacement needs) at the rate of approximately \$6 million per year. In addition, the City is not building the new infrastructure required to facilitate growth near the rate described in the CILTFP or staff analysis. This may be less serious as the growth rate has declined; however, it could become more of a problem if the market improves.

The nature of development that occurs in a community has a substantial impact on the long term capital requirements to maintain infrastructure. While it may seem relatively inexpensive to allow dispersed low density subdivisions to develop as the initial infrastructure costs will be borne by the developer (the Subdivisions Developer funded amounts in the table above), that infrastructure will have to be maintained by the City and the costs of lifecycle capital improvements will fall on the City at various points in the future. As a result low density development can result in relatively high infrastructure costs relative to tax revenues. New development is expected to pay development charges towards the infrastructure the City must provide to

service the lands developed, including roads, water, and sewer but in the past the City has allowed some of these funds to be applied to the development of roads within subdivisions, leaving the City to bear the off-site costs elsewhere.

These policies have been changed in recent years with the current emphasis on development within the existing urban areas and intensifying the use of existing assets rather than continuing to build more. This is an important direction if the infrastructure deficit is to be contained in the future.

The process used to develop the previous estimates of infrastructure requirements could also be improved. It seems that the application of a current value factor is absent in these documents. This may imply that the time value of money would not have been taken into account, thereby assuming no inflation or interest charges over the period of the analysis. In the CILTFP the funding requirement for underground linear infrastructure such as sewers was calculated based on the total replacement value prorated over the estimated average life span of the asset. Although such a calculation may be acceptable over the full lifecycle, the age of the current infrastructure was not taken into account for the calculation over the next 15 years. To the extent a historic “investment boom” period is present (a period of rapid growth in assets which would predict a large number of asset rehabilitation or re-placement will be required at a certain future time), such a bulge will become due for replacement during a relatively short timeframe. The SIIP should consider these factors.

Asset Prioritization

Further development is needed in the capital prioritization process, building on the simple framework that currently exists. The current framework prioritizes according to the importance of the assets, but is mainly reactive, i.e. infrastructure is repaired once it has failed. The current maturity level does not allow for comparison and prioritization across different asset groups, nor does it support proactive allocation to prevent failures. This is not effective in efficiently allocating funding across asset groups and prioritizing for cheaper rehabilitation rather than failure. This issue should also be considered in the SIIP.

Leading Practices

A number of international standards have been published and are actively promoted by Canadian organizations. Accepted practices in the municipal sphere have been built based on these standards and are showcased by a number of cities across Canada. Overall, infrastructure asset management includes decision making, risk management, organizational capabilities and consistent asset information.

The City has implemented a high level policy, taking an important first step towards full asset management practices. Beyond that, there was no evidence to show comprehensive asset management practices currently being deployed at the City.

Opportunities for Council’s Consideration

5.1 As part of developing the SIIP:

- 5.1.1 Develop a thorough understanding of infrastructure requirements, funding options and ensure stakeholder agreement on the figures. Include asset age, condition, service levels and risk/priority in a long-term model.
- 5.1.2 Consider moving towards proactive infrastructure maintenance and rehabilitation, prioritizing consistently and transparently across asset groups and implementing life cycle costing and risk management to inform decision making.

- 5.1.3 Consider reviewing the current asset inventory including identifying potential redundant assets and identifying potential assets for sale.
- 5.1.4 Identify the increased investment in asset rehabilitation and replacement that will be required, and the options available to increase funding in this area.
- 5.1.5 Identify the long-term financial impacts of planning decisions and ensure they are considered in the planning process.
- 5.2 Consider becoming a member of the Canadian Network of Asset Managers (CNAM), an organization founded by municipalities, or a similar organization to gain access to leading practices and exchange practices with peer organizations.

Implementation

The initial step, which the City has committed to, is to establish a solid long-term framework to identify infrastructure funding requirements, taking into account asset condition, age and expected future needs. This should be accomplished as part of the SIIP process currently underway. Once created, the City should look to use the framework as a basis to develop the capability for scenario planning and financial analysis as components of a long term financial planning process for the City.

6. Water and Sewer Systems

This chapter examines the delivery of water and sewage systems in the City.

Context

The City has a relatively unique water and sewer system which has evolved based on the history of the region, the relatively dry climactic conditions and the municipal governance structures in place.

Water

The Regional District of North Okanagan - Greater Vernon Water (GVW) supplies and delivers water to customers in the City, the District of Coldstream, and Electoral Areas "B" and "C". GVW also supplies and delivers water to customers in Electoral Area "D", and bulk water to the Township of Spallumcheen. GVW's primary goal is to ensure the economical supply and distribution of a sufficient quantity and quality of water in the interests of both agricultural and non-agricultural users in the Greater Vernon Community. (source: Regional District of North Okanagan - <http://www.rdno.ca/index.php/services/engineering/water/greater-vernon-water>)

While the City sits on some large lakes, the fresh supply of water from precipitation is less than demand, and the taking of water from waterways is strictly regulated. The earliest water systems developed before the City, and were focused on irrigation of farmland in the Greater Vernon Area (GVA). As the City grew, its water supply system was integrated with the GVA irrigation system. This allowed access to more distant water supplies making use of the delivery lines to service the agricultural land en route, and provided the economies of one water system rather than two, but it also took the water system in a different policy direction. It was decided that it would be cheaper to treat all water in the system at the source, rather than treat the water for domestic consumption as it entered the urban areas. This also had the advantage of delivering treated water to all farms on the irrigation system, eliminating the need for individual wells on the farms. The agricultural users take the bulk of the water, but all in a relatively short period over the summer months.

Sewer

The City operates its own sewer system, unlike the water system. It is relatively unusual in that the sewer system does not return any treated effluent (recovered water) to the surface water systems (except in the event of unusually high flows). Instead the recovered water is used to irrigate three golf courses, limited agricultural uses and some land purchased for the purpose of receiving the effluent. This approach was developed out of concern for the environment, particularly the impact of depositing the recovered water into a surface water system, such as Okanagan Lake, and recognizing that some of these uses would require fresh irrigation water if not supplied with recovered water.

Observations and Analysis

Water

The allocation of costs between agricultural and domestic water users has become an issue. Related to this issue is the question of the governance approach to dealing with the system and the appropriate balance of influence of agricultural and urban users.

In many communities urban water systems generally do not provide treated water to rural or agricultural residents; they are expected to use wells. In the City, farm houses are included as domestic water users, as the irrigation water system was extended to their farms. The cost of servicing rural domestic users is included in the costs charged to all domestic water users. The “incremental” costs of the irrigation system are charged to irrigation users, with the costs calculated on the assumption that the service to farm houses is part of the domestic system, not the irrigation system.

The GVA water system has decided that all domestic users have the right to sufficient volume to support fire service – generally a 6-inch water main. As such, this is the minimum size service built into new subdivisions in order to support fire hydrants and give adequate on site supply to fight fires. Most communities do not have fire hydrants for individual rural houses as local fire departments have tanker trucks and bring water to a fire. Thus, the entire cost of providing a 6-inch pipe to a farm (which can be used for fire service, irrigation and domestic use) that is perhaps used largely for irrigation and perhaps less for domestic use is charged to the domestic system, and shared by all domestic water users.

The result as shown below is that, while comparator jurisdictions use a variety of billing approaches (fixed rate, variable rate, fixed plus variable), City domestic water users pay higher water rates than residents in the comparator jurisdictions.

2013 Domestic Water Service Costs

(information compiled from municipal websites and bylaw documents)

| | Greater Vernon (fixed plus variable) | Campbell River (fixed) | District of Mission (fixed or variable) | Port Moody (fixed or variable) | Kelowna (fixed plus variable) | Penticton (choice) |
|---|--|---------------------------|--|-----------------------------------|---|--|
| Population | 58,585 | 30,383 | 34,505 | 27,512 | 108,859 | 33,318 |
| Fixed Charge (Annual) | \$313 ¹ | \$228 ³ | \$465 | \$356 ⁴ | \$111 ⁵ | \$365 ⁷ OR \$217 (plus variable) ⁶ |
| Variable Based on Consumption | \$0.98/cu. m for Tier C ² ; \$1.20/cu. m for Tier D; \$1.74/cu. m for Tier E | - | \$1.19/cu. m (if metered) | \$0.80/cu. m | \$.33 for first 30 cu. m \$.43 for 30- 80 cu. m \$.66 for 80- 125 cu. m \$1.31 for > 125 cu. m | \$.043/ cu. m (\$1.53/100 cu. ft) |
| Household cost (100 cu. m consumption) | \$332 | \$228 | \$119 | \$80 | \$144 | \$222 |
| Household cost (200 cu. m consumption) | \$439 | \$228 | \$238 | \$160 | \$185 | \$226 |
| Household cost (300 cu. m consumption) | \$598 | \$228 | \$357 | \$240 | \$228 | \$230 |

¹Water Base Fee (single and multi-family)

²Tier C – 21-40 cu. m; Tier D – 41-80 cu. m; Tier E – over 80 cu. m – the payment is in addition to Water Base Fee

³Single family home properties in Campbell River pay a flat fee; multi-family and commercial properties are metered

⁴Users have a choice of a flat rate fee or meter

⁵Base Rate in addition to meter fee

⁶Minimum fee based on the meter size or the minimum monthly charge based on the size of service

⁷1/2 inch, 5/8 inch and 3/4 inch - \$29.00/month, 1 inch - \$60.00/month

There are some rights the City held to withdraw water from Kalamalka Lake and other smaller surface water sources, but the City reports the Government of BC has not allowed the City to create its own, independent water utility. As a result of the current arrangement, the City believes city residents and businesses are subsidizing the agricultural use of water by about \$3 million per year. As noted below, the cost of irrigation water is lower in GVA than it is elsewhere as a result of this subsidy. While there is concern for the health of agriculture, it does exist in these nearby locations with higher rates.

There are other locations in the Okanagan that have both domestic and irrigation water systems.

Other Locations with Irrigation Water Systems

(information compiled from municipal websites and bylaw documents)

| | Greater Vernon | Osoyoos | Kaleen Water District | Oliver ¹ | Lake Country |
|--|---|-------------------|---------------------------------------|---------------------|--|
| Population | 58, 585 | 5,210 | 1,200 | 8,478 ² | 11,708 |
| Approach (residential/agricultural) | Combined | Combined | Combined | Combined | Combined |
| Irrigation Charge (per acre per annum) | \$64.24 (agricultural) | \$147.56 | \$150.80 | - | \$83.00 |
| Domestic Charges | \$312.48 plus meter (see table 2013 Domestic Water Service Costs) | \$244.00 per unit | \$367.15 per unit based on ¼ acre lot | \$249.00 per unit | \$506.00 per year plus \$0.44 per cubic metre over 130 cubic metres consumed |

¹ Although the rural and municipal water systems do run somewhat independently, their costs and expenses are pooled in a single fund

² Includes Town of Oliver (4,478 people) and the surrounding rural area (4,000 people)

Kelowna also supplies irrigation water at a charge of \$110 per acre and Penticton charges \$133 per acre. Thus, the GVA charge for irrigation is substantially less than those in other jurisdictions, and the domestic water rates are much higher.

These issues will likely take on even more importance as the GVA deals with the requirement for upgraded water treatment and considers a range of options that each may have substantial capital costs. The options include upgrading water treatment over the entire system and distributing water treatment in various smaller plants, including potentially at the household level in rural areas. The approach to evaluating these options will have substantial impact on the outcome. For example, the standard expectation in many communities is that each rural household will be responsible for their own water treatment, either finding a clean well, or treating whatever water they can find locally. This is actually one of the reasons urban areas have formed – to gain the benefits of a safe water supply at reasonable cost. Because many rural properties are receiving water now as a

result of the irrigation program, the temptation is to consider the cost of treating water for these “domestic” users as part of the costs of treating water for all domestic users, and share those costs among all domestic users. This expectation that urban water users will subsidize rural residential water supply will have a substantial influence on the option evaluation and could result in much more expensive water supply system. The decisions made in this current process will influence the costs of water supply in Vernon for decades to come.

Sewer

The decision to use all recovered water for spray irrigation is unusual and reflects local attitudes. All other major sewer systems on Lake Okanagan return fully treated recovered water to the lake, in fact most cities in Canada return their treated water to the surface water systems. Generally the concern is whether the level of treatment is sufficient, but in Vernon this does not appear to be a concern – the City indicates the treatment meets or exceeds provincial standards. It is a particular anomaly in an area where the water supply is limited. The golf courses would likely use water from the water system for irrigation if not supplied with recovered water, but much of the recovered water is spread on low value lands bought for the purpose and not requiring irrigation. If these waters were returned to the surface water system it would increase the supply of water available for use in the greater community, whether for domestic or agricultural purposes.

The City reports that the current approach adds approximately \$1 million per year to the cost of sewage treatment in Vernon, and, as noted, reduces the volume of water available for other uses. While charges to the users of recovered water could be increased, they currently pay about 80% of the cost of treated water, and some have access to both treated and recovered water, so substantial fee increases would not be viable. The cost is simply the result of the need for more piping to distribute the recovered water (in some cases duplicating piping that distributed treated water) and the extra energy costs of distributing the recovered water. The spray irrigation program also ties up lands that might more appropriately be used for development, reducing the pressures for urban sprawl on the fringes of the City boundaries.

Cost of Sewage Treatment and Disposal

(information collected from municipalities and Local Government Statistics)

| | Vernon | Campbell River | District of Mission | Port Moody | Kelowna | Penticton |
|-------------------|-------------|----------------|---------------------|--------------------------|-------------|-------------|
| Population | 38,990 | 30,383 | 34,505 | 34,000 | 108,859 | 33,318 |
| Total Cost | \$2,115,000 | \$693,164 | \$533,411 | \$2,265,978 ¹ | \$2,468,276 | \$1,508,250 |
| Cost / Capita | \$54.25 | \$22.81 | \$15.46 | \$66.65 | \$22.67 | \$45.27 |
| Kms of Sewer | 444 | 484 | 287 | 228 | 946 | 252 |
| Cost/ Km of Sewer | \$4,764 | \$1,432 | \$1,859 | \$18,411 | \$2,609 | \$5,985 |

¹Metro Vancouver Greater Vancouver Sewer (GVS) & Drainage District (DD) levy amount which covers the sewage treatment and disposal for Port Moody

Opportunities for Council’s Consideration

6.1 Request that Greater Vernon Water base its cost allocation between urban and rural water systems rather than domestic and irrigation, and that rates be adjusted accordingly.

- 6.2 Request that the evaluation of options for improved treatment of Greater Vernon Water be based on separate allocation of costs to urban and rural systems, and include options that do not provide treated water to rural customers when it cannot be achieved on an economic basis.
- 6.3 In the event opportunities 6.1 and 6.2 are unsuccessful, consider establishing a separate urban or City of Vernon water supply system
- 6.4 End the practice of spreading recovered water on lands where it is not required for irrigation, and return surplus recovered water to the surface water system. This will involve discussion/negotiation with the Province of BC on current restrictions
- 6.5 Consider other options for the irrigation of golf courses and other dependent recovered water users to determine if the spray irrigation program can be eliminated or substantially reduced economically by converting users to the water supply or other water sources.

Implementation

The City representatives on the GVW system, with the support of City engineering staff will have to pursue the alternative approaches to costing the current and proposed water systems. If it becomes clear that approach will not change, the City engineering staff should develop a report to Council that clearly articulates and identifies the extent to which City domestic water users are subsidizing agricultural water uses, identifying the impact of the assumptions and evaluation approach on the findings (or if not concluded, likely findings) of the current studies, and identifying the opportunities and barriers to establishment of an urban, or City of Vernon water system as an alternative. Council would use this information to determine how to approach the barriers to implementation.

The initial step will require applications to the Government of BC to permit return of recovered water to the lake system, followed by a technical evaluation to determine whether the spray irrigation system can be eliminated, or whether it should continue to serve some users for which it is a cost efficient approach to providing service.

7. Transit Services

This chapter examines the delivery of transit services in the City – both conventional transit (buses) and custom transit (handyDART and Taxi Saver).

Context

Conventional Transit

Conventional transit service is provided by BC Transit under contract from the City, and from the Regional District. The City supports \$3.1 million in annual bus service total costs with a net cost to the City of \$1.2 million, or 39.2% of total costs. Passengers pay 22.5% of the cost of the service and the province contributes 37.9% of the costs. 0.4% of the costs are covered by other local governments. Some services, such as the North Okanagan Connector running from Vernon to The University of British Columbia Okanagan (UBCO) and the routes to Lumby and Salmon Arm are supported by RDNO.

Custom Transit

Two approaches to custom transit are provided – handyDART and Taxi Saver – for individuals with mobility limitations. Nine custom wheel chair accessible vehicles can be booked in advance, or users can purchase taxi vouchers at half price and order taxi service directly (the Taxi Saver program). The custom transit system is paid for in partnership by BC Transit, the City of Vernon, the District of Coldstream and Electoral Area B & C. The service costs approximately \$1.06 million per year, with 10.9% paid by user fees, 66.1% by the province, 9.0% paid by other local governments and 13.9% by the City.

Observations and Analysis

Conventional Transit

The table below, using data from the City-prepared Service Profile, shows that the Vernon Regional transit service is consistent with other similar sized communities in BC. On the key efficiency measure, passengers per service hour, it is significantly below the leading comparators, but also well ahead of the worst comparators.

| | Population | Total Revenue Hours of Service | Hours per Capita | Revenue Passengers | Passengers per Service Hour |
|--------------------------|------------|--------------------------------|------------------|--------------------|-----------------------------|
| Campbell River | 30,900 | 21,378 | 0.7 | 558,885 | 26.1 |
| Chilliwack | 53,100 | 21,414 | 0.4 | 491,358 | 22.9 |
| Comox Valley | 45,700 | 25,599 | 0.6 | 600,128 | 23.4 |
| Cowichan Valley | 38,500 | 23,226 | 0.6 | 318,506 | 13.7 |
| Cowichan Valley Commuter | - | 4,669 | n/a | 62,119 | 13.3 |
| Penticton | 29,200 | 22,842 | 0.8 | 413,257 | 18.1 |
| Vernon Regional | 37,600 | 23,110 | 0.6 | 405,271 | 17.5 |

Transit Performance by Route

Based on the 2011 data in the City-prepared Service Profile, the performance varies significantly by route, as shown in the table below.

| Route | Annual In-Service Hours | Annual Total Cost per Route | Annual Revenue per Route | Cost Recovery | Total Cost per Ride per Route |
|------------------------------|-------------------------|-----------------------------|--------------------------|---------------|-------------------------------|
| 1-Coldstream | 2,286 | \$254,490 | \$58,599 | 23% | \$7.17 |
| 2-Pleasant Valley | 3,600 | 400,798 | 95,598 | 24% | \$6.98 |
| 3-Alexis Park | 3,813 | 424,568 | 193,150 | 45% | \$3.60 |
| 4-East Hill | 2,046 | 227,755 | 43,732 | 19% | \$8.61 |
| 5-South Vernon | 3,355 | 373,525 | 90,746 | 24% | \$6.76 |
| 6-College | 3,591 | 399,868 | 53,234 | 13% | \$10.41 |
| 7-Okanagan Landing | 3,679 | 409,621 | 92,163 | 22% | \$7.30 |
| 14-Coldstream-East Hill | 142 | 15,755 | 1,404 | 9% | \$18.20 |
| 24-Pleasant Valley-East Hill | 167 | 18,538 | 2,861 | 15% | \$10.61 |
| 57-South Vernon- OK Landing | 167 | 18,538 | 2,608 | 14% | \$11.92 |
| 90-North OK Connector | 3,696 | 441,908 | 65,782 | 15% | \$8.92 |

There is only one route that costs less than \$4.00 per rider on average. Most are in the \$7-\$9 range and the Sunday services (14, 24, 57) are all over \$10 per rider. It costs approximately \$111 per hour to put a bus on the road according to the data in the Service Profile and it is difficult in a small community where density is relatively low, to get enough riders on a bus to make it an efficient use of resources.

The City's Official Community Plan aims to concentrate growth in the downtown area over the coming years, but it can take decades to achieve a substantial change in the character of a community. There is a desire to reduce the use of private cars in and around Vernon and the use of bus service is part of that effort. However, it should be noted that any roadway savings are well in the future. A ringroad diversion of the highway around Vernon will be required if the community continues to grow and there is no reduction in car use – but this need is seen as being 50 years out according to our discussions with the City. Whether car use can be reduced over that timeframe will be far more dependent upon the changes in the built form of the community over that period – how dense and concentrated the community becomes – than it will on how many people use public transit today. Efforts to expand the use of public transit in smaller cities is relatively recent, typically reflective of concerns about the environment and reducing greenhouse gases. It can be argued however that driving relatively empty buses will not address such concerns.

There are two categories of users that are most dependent upon transit service – students and low income individuals who cannot afford to operate a car. There are two services that are specifically directed to students, the route 6 to Okanagan College and route 90, the Okanagan Connector that serves UBCO. The route 6 has relatively poor performance, costing over \$10 per rider and only recovering 13% of its operating costs as fare revenue. The fare levels are quite low – the \$2 fare for service within Vernon is reasonable, but the zone fare concept, which only adds fifty cents to the fare for trips from Vernon to other communities like Kelowna provides no reflection of the costs involved. Additionally, the acceptance of the UPass at a cost of \$50 for a four month semester makes the actual average fare recovery per trip very low for UBCO students, the prime users. The route 90 has relatively good performance in terms of ridership, but because it travels so

far (it is essentially an inter-city service, not an urban transit service) and because the fares are so low, it only recovers 15% of costs even though the cost is under \$9 for a 40 km trip.

The routes with the highest cost recovery are the ones that stay within the urban area, with the number 3 recovering 45% of its costs from users, a reflection of relatively high usage for a route within the denser urban core.

Custom Transit

handyDART

The table below, using data from the City-prepared Service Profile, shows that the handyDART service in the City compared to other cities has a higher percent of the population registered as users than any other city except Prince George. This may in part reflect the community demographics, but it may also reflect the weakness of the registration process, which according to the Service Profile and our discussions with City staff does not involve an effective process to verify that the client meets the criteria. The City is currently participating in an initiative to review new applications more closely through the BC Transit Provincial Custom Transit Pilot Project.

| | Population | Users as Percentage | Service Hours per | | Ridership per | | Percentage by Taxi |
|-----------------------|----------------|---------------------|-------------------|--------------|---------------|-------------|--------------------|
| | | | Capita | User | Capita | User | |
| Tier 1 | 789,300 | 1.70% | 0.19 | 11.03 | 0.86 | 50.5 | 17% |
| Central Fraser Valley | 176,900 | 1.98% | 0.13 | 6.46 | 0.56 | 28.4 | 13% |
| Chilliwack | 78,700 | 2.03% | 0.11 | 5.25 | 0.63 | 31.2 | 31% |
| Kamloops | 86,800 | 2.88% | 0.30 | 10.37 | 1.22 | 42.4 | 15% |
| Kelowna Regional | 186,700 | 0.00% | 0.20 | n/a | 1.03 | n/a | 19% |
| Nanaimo Regional | 135,800 | 0.98% | 0.17 | 17.20 | 0.50 | 51.0 | 5% |
| Prince George | 74,000 | 3.92% | 0.24 | 6.11 | 1.25 | 31.9 | 22% |
| Vernon Regional | 50,400 | 3.12% | 0.26 | 8.37 | 1.38 | 44.4 | 14% |
| Tier 2 | 73,000 | 1.13% | 0.10 | 9.09 | 0.58 | 51.7 | 41% |
| Campbell River | 38,200 | 1.04% | 0.14 | 13.73 | 0.61 | 58.5 | 12% |
| Penticton | 34,800 | 1.22% | 0.06 | 4.76 | 0.55 | 45.2 | 76% |
| Tier 3 | 89,500 | 1.37% | 0.16 | 11.68 | 0.48 | 35.3 | 4% |
| Alberni-Clayoquot | 25,500 | 1.76% | 0.21 | 12.01 | 0.75 | 42.6 | 2% |
| Cranbrook | 20,000 | 2.20% | 0.18 | 8.24 | 0.41 | 18.5 | 11% |
| Kitimat | 10,100 | 0.99% | 0.00 | 0.00 | 0.58 | 58.7 | 0% |
| Kootenay Boundary | 20,700 | 0.53% | 0.17 | 31.86 | 0.25 | 47.7 | 5% |
| Prince Rupert | 13,200 | 0.95% | 0.13 | 14.17 | 0.36 | 38.3 | 8% |

The table also shows that the City provides a high level of service (hours of service and ridership) relative to the population, but much more modest levels per user. In other words, the high registration is leading to higher costs, but registered users are each receiving less service than they do elsewhere. We understand that this is leading to complaints that it is not easy to book service, leaving some registrants unable to book the service they require. Some participants in the Core Services Review public consultation process suggested

that no new registrants be accepted, but over time that could deny service to some very needy persons. The City also has a relatively low per cent of service provided by taxis using the Taxi Saver program.

There are two approaches that could be used to improve service for the most needy. Improving the registration process would help make certain only qualified applicants receive service. Allowing registrants who require wheelchairs a first opportunity to book the wheelchair accessible vehicles (likely by opening reservation lines to wheelchair applicants an hour earlier) would give them first access to the limited resource. Use of the Taxi Saver program should be encouraged and provides a fail safe alternative for non-wheelchair registrants who need to travel at a specific time.

Convergence

One opportunity identified was to limit handyDART to bringing passengers to the regular transit routes. As all the regular buses are kneeling and have ramps, users could be expected to transfer to the regular buses if they are brought to a bus stop – and this approach would overcome their challenges in getting to the bus stop. This would not be a solution for all users, as some have challenges standing and waiting and/or do not have the strength or energy to handle multi-stage travel. Further, it would only be useful for long trips as the load/unload process could consume a significant part of the total travel time, and any trip that required transfer from handyDART to bus and back to handyDART at the other end would cost more to provide that way.

However, there is another approach that could combine the two services. If the bus service was clearly targeted at those without cars (given City parking rates and bus frequency it really isn't much of a competitive choice for car owners for any trip except the run to UBCO), the level of service provided could be reduced and the Taxi Saver concept extended to low income residents. Bus service could then be limited to services that could recover half the operating costs (a couple of routes in the core area) along with the route 90 for students. Taxis would provide the remaining service more efficiently and the Taxi Saver program would provide accessibility for low income residents.

Opportunities for Council's Consideration

- 7.1 Tighten the application review process for handyDART registrants. Require proper documentation for all current registrants who have not already provided it as registrations are renewed, or within a three year period.
- 7.2 Establish a policy direction that conventional transit service is intended to provide service for residents without access to vehicles and in circumstances where reductions in greenhouse gases will be achieved (taking into account actual bus loading levels and emissions) that warrant the net costs involved. Given the level of provincial support of conventional transit, it should be possible to do this with much less City tax support. That would suggest changes in service such as:
 - Increase the zone fare increment for the 90 Okanagan Connector to \$2 (e.g. increase the total fare from \$2 to \$4). The U-Pass could be accepted for the base fare, but the \$2 incremental zone fare would need to be paid for each trip.
 - Reduce the level of conventional transit service, retaining just select routes that could be expected to recover at least 50% of their costs from fare revenues (likely one or two routes in downtown area as well as the 90).
 - Consider expanding the Taxi Saver program (subject to acceptance for provincial subsidy) to low income individuals without access to cars to provide an alternative approach to public transit for those not adequately served by the reduced fixed route structure.

7.3 Recognize that planning decisions related to the location and density of development will have the strongest impact on the potential for viable transit services in the long term. In the shorter term, the City's Transportation Demand Management activities should focus on bicycling and walking options.

Implementation

There is currently a review of the handyDART eligibility and registration process underway through the BC Transit Provincial Custom Transit Pilot Project in which the City is participating as a "pilot community". The directions approved by Council under opportunity 7.1 above should be provided to that process for development of a detailed implementation process.

A detailed examination of the transit changes will be required to estimate the financial impact of expanding Taxi Saver access and the development of a process and criteria for the expanded program. This process could be combined with the handyDART application process review noted above.

There will also need to be a review of the bus routes in detail to identify the highest level of service that can be provided with a higher cost recovery criteria (such as 40%). This could be undertaken by City planning and engineering resources in concert with BC Transit.

8. Emergency Response Staffing and Fire Dispatch

This chapter examines opportunities related to emergency response staffing and fire dispatch within the delivery of fire and rescue services in the City.

Context

Emergency Response Staffing

The City has a composite fire force. There are four shifts of seven career (full-time) firefighters to ensure that there will always be five on-duty firefighters, one to handle the dispatch and four to respond to a call (in addition to the Chief, Deputy Chiefs and fire inspection staff). There are also “volunteer” firefighters (actually part-time firefighters who are paid per call) who assist by responding to active fires or other major incidents, and some of whom stay at the station and help fill in when there are fewer than 5 career firefighters available for a shift due to vacation, illness or other absence.

The City has two fire halls. The career firefighters operate from the main fire hall in downtown Vernon at 3401 30 St. An Okanagan Landing fire hall was operated by an independent group of volunteer firefighters under contract to the City, but as of January 31, 2013 this arrangement was not renewed by the City. There is also a proposal to construct a new fire hall at Predator Ridge. If constructed, this would provide the City with three fire halls, two of which service relatively small communities, and some choices on how to provide fire and rescue services.

Fire Dispatch

The Vernon Fire Department (VFD) staffs a dispatch operation 24/7/365. It handles approximately 5,400 calls per year (average of 15 per day) at a cost of approximately \$500,000 per year. This volume includes calls it takes for other City departments after regular service hours.

Observations and Analysis

Emergency Response Staffing

The table below, based on information provided by VFD, shows the total calls for service to the Fire Department in 2012. It is clear the areas covered by the Okanagan Landing fire hall and by the proposed Predator Ridge fire hall are very small compared to the calls served by the main fire hall.

| Zone | Number of Calls | Percentage |
|-------------------------------------|-----------------|------------|
| Okanagan Landing (Zone 2) | 272 | 5% |
| Predator Ridge (Zone 3) | 53 | 1% |
| Rest of Vernon | 2,645 | 49% |
| Not Emergency - Dispatch for others | 2,425 | 45% |
| Total | 5,395 | 100% |

However, it does take about 9 minutes at the speed limit to get from the main fire hall to the Okanagan Landing fire hall and about 20 minutes to get to Predator Ridge (per Google maps) – both beyond the target timeframes for emergency response, whether for a fire or serious medical emergency. Hence, the desire to provide response from the Okanagan Landing fire hall and to have a local response based at Predator Ridge.

Providing fully manned stations 24/7/365 at the two satellite locations (Okanagan Landing and Predator Ridge) would essentially triple the budget of the VFD, while improving response times to very few incidents as can be seen by the incident frequency.

The department recently lost volunteer firefighting resources based at the Okanagan Landing station with the non renewal of a contract, but the concept of volunteer firefighters is used by many medium sized cities to reduce costs, especially when serving small or low density communities. The challenge is that volunteers are not consistently available, and not consistently available in the same location (they go to work, go on vacation, see a movie, etc.). It is also getting more difficult to recruit and retain volunteers as part of a fire department, as the training requirements have increased, and the departments have made the role less integral to their operations and their emergency responses.

The time required for a volunteer response is part of the issue. For example a fully manned fire hall will generally have a truck with four firefighters leaving the hall within one minute of the station receiving the alarm call. For a volunteer hall, the volunteers may leave their work, home or other location within a minute, but may then travel to the fire hall to prepare and dispatch with the truck. The time taken to leave the fire hall can vary greatly depending upon where the volunteers are at the time of the alarm. The result in Vernon has sometimes been that the main hall fire truck can arrive at an incident near the volunteer hall more quickly than the volunteers.

It is also important to realize that fire fighters are more likely to be responding to a medical call than they are to be responding to a fire. Medical calls require a different set of skills than fire calls, and require different equipment – and do not require a large truck that needs to be retrieved before attending a call.

| Call type | Number | Percentage |
|-------------------------------------|--------|------------|
| Medical | 2,178 | 40% |
| Fire | 466 | 9% |
| Other emergency | 326 | 6% |
| Not Emergency - Dispatch for others | 2,425 | 45% |
| | 5,395 | 100% |

The information in the table above for 2012, provided by the VFD, suggests that the VFD could look to improve its response to emergency incidents at modest cost, both within the Okanagan Landing and Predator Ridge areas, and in the City itself, by establishing a new approach to the role of the volunteer. To date, volunteers have been involved in responding with the career firefighters if volunteers were in the fire hall when the call came, being called out for large fires (off-duty fire fighters likely called first), and working on community events promoting fire prevention. The Okanagan Landing volunteers did respond to fire calls in their area, although they were called less and less as the trucks from the main station also responded, and sometimes arrived first.

The new role of the volunteer could employ volunteers whenever they are the most appropriate responders to the particular call received. It should also allow for volunteers to have specializations – particularly medical and/or fire (but not necessarily fire), and it should operate with real time information concerning the location

and availability of volunteers (and perhaps off-duty career firefighters if they choose). The approach could also involve directing response by volunteers directly to the scene, rather than to a fire hall first. It would likely require some refinement of the response protocols coordinating BC Ambulance Service (BCAS) and VFD response to promote the mixed use of volunteer – and career – resources without unnecessary responses by the VFD, particularly in areas with primarily volunteer coverage. The last criteria could be selective recruitment. For example, recruiting from the staff who regularly work at Predator Ridge, along with any potential recruitment among residents, will be crucial to providing a volunteer emergency response on the ridge. Gaining the participation of employers, who do have a vested interest in the success of the program, will be a key element of recruiting. Recruiting among health care workers could also be key to building an inexpensive response capability for medical calls, which could be very valuable in all parts of the City.

One advantage of retaining a VFD dispatch operation would be the ability to develop a more sophisticated approach to dispatching response to calls received. Volunteers (and participating off-duty fire fighters) would carry GPS identifiers allowing dispatch to know where they are – whenever they are available to take calls (the GPS identifier could be turned off when not accepting calls). The dispatch would also know the training of all volunteers, and when needed, could identify the right resource to respond for various activities. All qualified volunteers would carry a basic medical kit, including defibrillator with them, allowing direct response to the scene of medical calls, remembering the purpose of the response is to manage the case until an ambulance arrives. For fire dispatch in Okanagan Landing and Predator Ridge, the closest qualified volunteer(s) to the fire hall could be dispatched with the truck and other volunteers could join them at the scene. Dispatch from the main fire hall would continue as back up whenever the nature of the call – and the availability of resources suggested it was warranted.

At Predator Ridge it should be noted that all buildings, with the exception of the clubhouse, are equipped with sprinklers, and the number of actual fire calls is very modest (10 -15 per year including false alarms). The requirements, in terms of fire vehicles, could be modest and should be co-ordinated with the local sources of volunteers to deploy them.

It could also be possible to split the existing crew at the main fire hall and have two firefighters at Okanagan Landing to deploy the fire truck and meet the volunteers on site of a call. While this could have little or no cost in the short run, it could set a precedent for the Predator Ridge fire hall and lead to suggestions to staff the main hall – and later the satellite halls – up to the usual complement of at least four fire fighters, continuing the budgetary pressure for years to come. It would also take half of the available career forces off to respond to about 10% of the calls for service, not a worthwhile use of available resources.

Fire Dispatch

It is becoming increasingly rare for fire departments the size of Vernon to have their own dedicated dispatch system. It is an expensive undertaking that benefits from economies of scale (e.g. dispatching more events / departments). Further, the need to staff with only one dispatcher at a time (given the scale and cost of the operation) provides a limited capacity to deal with significant emergency conditions. There would likely be saving of \$200,000 to \$300,000 per year if the fire department was to purchase dispatch services from another fire department, even considering the cost of alarm monitoring and dispatch for other city departments.

However, the fire department has been looking for other fire departments interested in purchasing dispatch services and reports that it has some potential customers it may attract in the near term. While these

revenues may not be certain or produce as large a savings, the operation of an independent dispatch does provide more flexibility to introduce new concepts of operation as discussed above.

Opportunities for Council's Consideration

8.1 Consider modest options for the Predator Ridge fire hall, such as integrating with other existing buildings and keeping it to a one bay facility.

8.2 Develop a new volunteer recruitment and deployment strategy consistent with the concepts of:

- Recruitment focused on employees and residents in the Okanagan Landing and Predator Ridge areas and among the health care community. Include appropriate employers in the recruitment process.
- Recognize more than one type of volunteer, based on their training (medical, fire response, truck operator, combinations of skills).
- Provide volunteers (and participating career fire fighters for off duty times) with appropriate equipment to allow direct report to the site of incidents for as wide a range of incidents as possible (including particularly defibrillators).
- Equip fire trucks at the satellite fire halls to support volunteers reporting directly to the site of a call.
- Establish a system to allow volunteers to identify when or whether they are available and to allow the dispatch to know where the volunteers are when available for deployment.

8.3 Continue the Vernon Fire Department dispatch operation for a two year period to determine if it can develop the more sophisticated volunteer deployment approaches, and the customer base that will improve economy.

8.4 Review the first responder situation with the BC Ambulance Service to align with the changing role of volunteer fire fighters.

Implementation

The VFD should be responsible to implement the approach, which could put it among the leaders in emergency response in Canada. They will require the support of Council and may require some specialized resources to assist, particularly in the development of the technological solution for GPS and dispatch coordination.

9. Organization and Staffing

This chapter provides context to the City’s organizational structure and staffing. Opportunities for Council’s consideration related to the City’s labour relations or other employee relations, as described in section 90(1)(c) of the Community Charter, are provided in a separate confidential document.

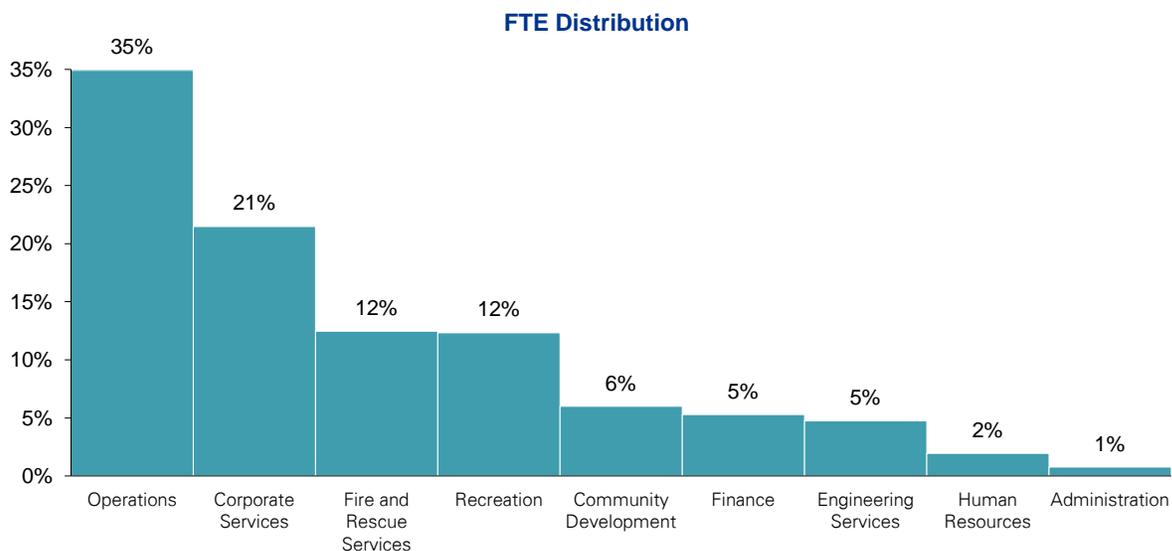
Context

In 2011 the City paid for the equivalent of 320 FTE (full time equivalent) positions. The 2012 organization chart shows that there are eight divisions reporting to the Chief Administrative Officer (CAO) and indicates that between 2011 and 2012 the City implemented a structural change that resulted in inclusion of the departments in Protective Services in the Corporate Services Division.

Recreation services are provided by City staff and costs are recovered from RDNO. The costs for water services delivered by the City are shared by the five participant jurisdictions in Greater Vernon Water (see Chapter 6).

The City calculates and reports in its Annual Report, the actual number of hours worked by all employees which includes full time, part time and temporary staff as well as overtime. The 2011 Annual Report shows that in the five years from 2007 to 2011 the City had an overall FTE (including overtime hours) increase of 33%. In 2011 the City paid for 15,385 hours in overtime, 37% of which were allocated to Fire and Rescue division, 12% to Water, 11% to Utilities, and 10% to Public Works departments.

During 2011, 59% of FTE were allocated to the provision of core municipal services in three areas (Operations, Fire and Rescue Services, and Recreation) as shown in the graphic below. This allocation shows that the City dedicates a majority of its resources to areas that provide front line services to citizens. The 21% total for staff in Corporate Services seems high for overhead functions, and is influenced by the inclusion of Bylaw and Civilian Police staff (not overhead functions) in this division.



10. Permissive Tax Exemptions and Grants

This chapter considers the City's support of community based organizations through the provision of permissive tax exemptions and grants.

Context

Permissive Tax Exemptions

"The City of Vernon recognizes the significant value of volunteers and volunteer groups and agencies to the social, spiritual, cultural, educational and physical well-being of the community, and deems it appropriate that they be assisted through reductions in property taxation." (City of Vernon, Tax Exemptions – Permissive, Policy).

The City of Vernon supports qualifying organizations within the community by providing tax exemptions that are permitted under the provisions of the Community Charter. While not obligated, the City may tax-exempt properties owned by places of public worship, non-profit organizations and tenants of publicly owned property. Tax exemption applications are sorted into three categories – Social service facilities, Cultural and educational facilities, Recreational facilities. Tax exemptions are for one year and the must be reapplied-for annually. In 2013, based on information in the City-prepared Service Profile, the estimated value of City taxes forgone is \$600,350.

Grants

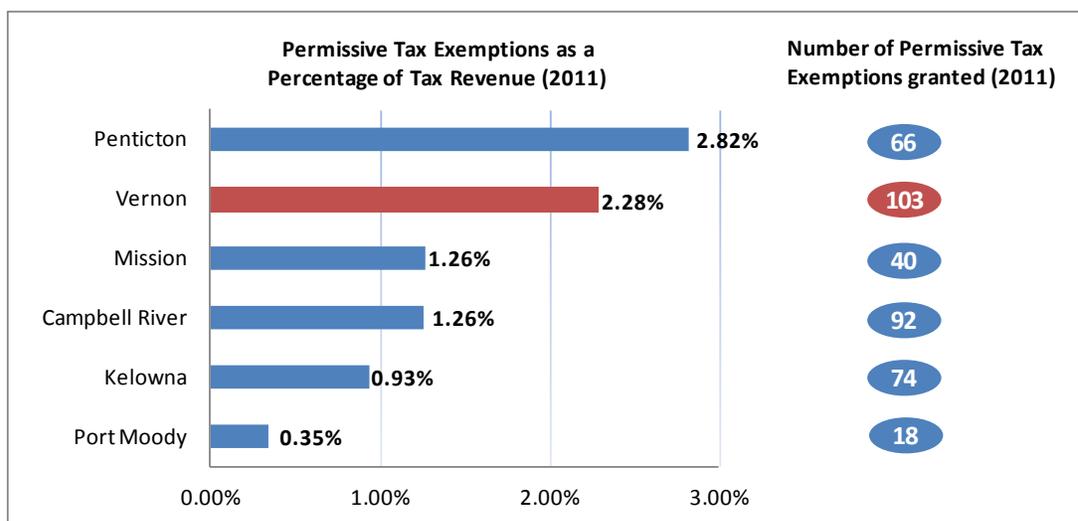
In addition, the City supports community based non-profit organizations or registered societies by providing grants where the organization is providing a service which is not provided by any other group or organization within the City or which is provided in another municipality and is used by residents.

The awarding of grants is solely within Council's discretion and is governed by the City's Discretionary Grants Policy. To be eligible for grant funding from the City, an organization must not have already received a grant in the current fiscal year. Organizations may only submit one grant application per fiscal year. Unspent funds in one fiscal year are automatically rolled over to the following year. Organizations receiving \$25,000 in a single year or \$50,000 over a five year period must submit, at their expense, audited financial statements to the City for each year were such conditions apply.

Observations and Analysis

Permissive Tax Exemptions

Amongst the five comparable jurisdictions, the City of Vernon issued the greatest number of permissive tax exemptions in 2011 (based on information provided in the jurisdictions' annual reports) and had the second highest value of exemptions, as a percentage of tax revenue, after Penticton. These results are illustrated in the graphic below.



It should be noted that the City's 2013 budget included a 10% reduction in permissive tax exemptions.

Grants

Total grant payments provided by the City in 2012 were \$282,000. Based on data collected from the five comparable jurisdictions the City had the second lowest value of grants provided in 2012 after Port Moody and the lowest grant value per capita (subject to the point regarding Port Moody noted below).

| Grants awarded in 2012 | Vernon | Mission | Penticton | Campbell River | Kelowna | Port Moody |
|-------------------------|-----------|-----------|-----------|----------------|-------------|------------|
| Total value | \$282,132 | \$401,500 | \$642,000 | \$782,079 | \$2,648,650 | \$273,680 |
| Grants value per capita | \$7.32 | \$10.74 | \$19.40 | \$24.61 | \$21.74 | \$7.93 |

Port Moody's reported figures include two instances of the City providing a Fee for Service. One is for the Art Centre (a City owned building with Art programs run by a separate society) in the amount of \$188,700 – the other is a Fee for Service to a Museum in the amount of \$77,700. Removing these from the figures presented above would show Port Moody providing two grants in 2012 for a total value of \$7,280. Port Moody reports that Council discontinued provision of community grants in 2013.

It should be noted that for the City's 2013 Budget Council approved a reduction in Heritage grants of \$5,000 on a \$60,000 program and Council reduced the discretionary grants budget by \$42,000 from a program budget of \$100,000 to bring the 2013 total grant award value in line with 2012 grants actually awarded of \$54,000.

O'Keefe Ranch

Founded in 1867, O'Keefe Ranch is located on Highway 97N in the Spallumcheen Valley, 12km from the City of Vernon. It was once one of the largest cattle ranches in BC and is now set up as a tourist attraction consisting of historic buildings, museum, restaurant and other activities for visitors.

The ranch is a designated BC Heritage Site, operated by the O'Keefe Ranch & Interior Heritage Society ("Society") under a thirty year lease between the City and the Society signed in 1997. Under the terms of the lease, amongst other things the City is committed to establishing a reserve fund of \$10,000 for future capital works requested by the Society during each year of the lease, and paying for property insurance.

City records show that from 1997 to 2012 inclusive, the City has provided a total of \$1,883,000 in financial assistance to the Society. Of this amount, \$93,000 was in the form of operating assistance and other funding (for example insurance payments), and \$1,790,000 was provided in the form of grant funding. Relating these payments to the lease requirement for the City to provide \$10,000 per year for capital projects, the City has provided an additional \$1,640,000 in funding to the Society since the inception of the lease.

The City's 2013-2107 financial plan recommends eliminating payments and subsidies to O'Keefe Ranch however the Council Task Force (July 9, 2012) noted that any further reductions in funding will result in cancellations to ranch tours and further maintenance cutbacks. With the ranch actually located outside the City and the heritage and economic development impacts clearly regional rather than related to the City itself, some process participants suggested the City support of the ranch should be terminated.

Opportunities for Council's Consideration

- 10.1 Reduce permissive tax exemptions. At over 2% of tax revenue the annual value of exemptions provided by the City is larger than many other municipalities. Many cities provide 1% or less.
- 10.2 Review the heritage grant program for its alignment with Council's priorities and consider the amount of funding to be provided through the program in future years.
- 10.3 Reduce City funding for O'Keefe Ranch to \$10,000 per year to align with the terms of the lease between the City and the O'Keefe Ranch & Interior Heritage Society.

Implementation

To effect a reduction in permissive tax exemptions the City could consider two approaches - Establishing tighter criteria to reduce the range of organizations that qualify for permissive tax exemptions, or setting a permissive tax exemption budget at Council (which could decline over a number of years to around 1% of tax revenue) for the advisory committee to allocate among applicants based on their contribution to the community.

If the City were to eliminate additional funding for the ranch (ie reduce funding to the stipulated amount of \$10,000 per year per the lease) it needs to be prepared to accept the potential consequences of reduced services provided at the property and potential issues with decreased maintenance on the property.

Legal advice for the City should be sought to inform Council of any legal considerations before embarking on such a strategy.

11. Governance

This chapter examines options to improve governance in Vernon.

Context

Multiple Entities

The City of Vernon is part of a complex web of local government institutions. The City is part of the Regional District of North Okanagan (RDNO), which provides some local government services such as solid waste management for the entire regional district, generally north and east of Vernon. The majority of the RDNO is rural, but the urban area extends into Coldstream and “Greater Vernon Parks Recreation & Culture” is responsible for all parks and recreation facilities in Vernon, Coldstream and RDNO Electoral Districts “B” and “C”. A General Manager, Parks Planner and Community Development Coordinator oversees the operation of Greater Vernon parks and recreation services, but the majority of these services are actually delivered by City of Vernon staff under contract to the RDNO.

Adding to the complexity is Greater Vernon Water (GVW) which is responsible for the delivery of water services in an area that includes the same Greater Vernon area, although it also sells bulk water to other parts of the RDNO. GVW as an entity within the RDNO relies on the RDNO engineering staff, but like Parks Recreation & Culture, purchases most of its operations from the City of Vernon which employs the bulk of the staff involved.

City Council

City Council operates on a Committee of the Whole system, meaning there is only one Council committee that considers all items in detail, making a final recommendation to Council itself. However, the City also has 17 different advisory committees, generally made up of one or two members of Council and a number of residents of the city concerned with the topics in the committee mandate.

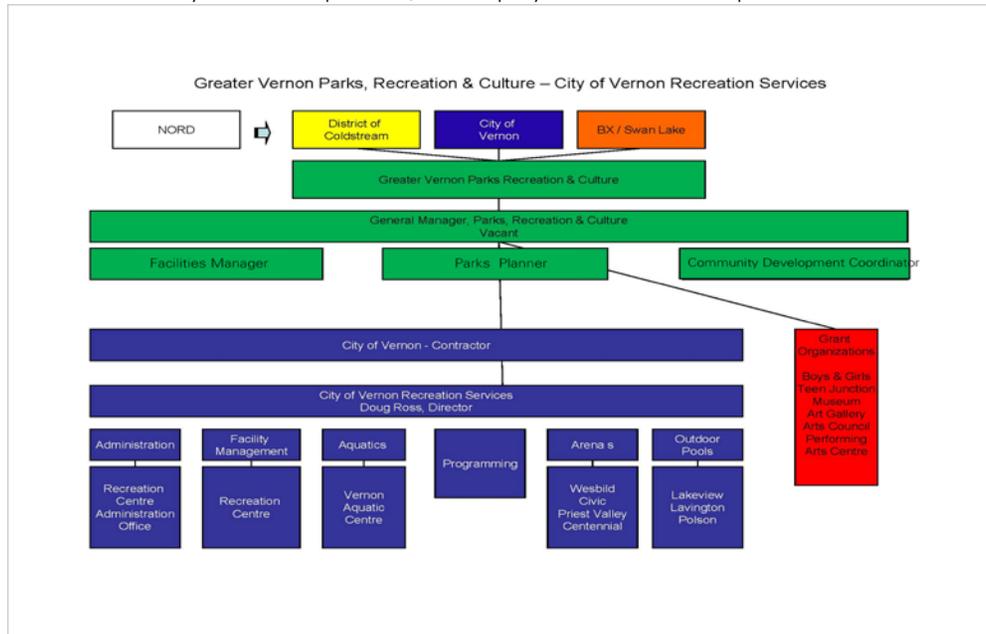
Observations and Analysis

Multiple Entities

The different roles for each of the local government organizations reflect the history of the region and attempt to reflect the various interests in local government services, but they do not provide for efficient service delivery. As an example, recreation services are a Greater Vernon service. This makes sense as residents from the whole urban area use the services, and there would be no advantage to duplicating the facilities located in Vernon for the other residents, in Coldstream for example. The Greater Vernon approach allows all the residents who benefit from the parks and recreation services to contribute to those services and benefit from them. However, the service delivery arrangements are very convoluted as shown in the illustration on the following page.

Recreation and Parks services are governed by a special agency made up of the four areas (Vernon, Coldstream, “B” and “C”). The senior management are RDNO employees providing direction to service delivery and support to the governance (the green areas on the chart). The RDNO has a contract with the City

of Vernon to deliver the parks and recreation services. The senior City staff person delivering recreation services must be responsive to the RDNO direction, but also must report to the City of Vernon senior management and follow City of Vernon policies, for employment as an example.



What the chart doesn't accurately show is that the programming staff are actually RDNO staff, so there is a City employee overseeing both City and RDNO employees while taking direction from both the City and the RDNO and applying two sets of policies. Interestingly, the City staff use the RDNO accounting system to manage and monitor their operations, even though the payroll and accounts payable are handled by the City central services and the information is available immediately on the City system but may not be reflected in the RDNO system for some period of time, reportedly an increasing period of time as the RDNO has constrained its staffing. Adding to this complexity is the work City staff do on parks maintenance, also part of the Greater Vernon Parks, Recreation and Culture regime.

Recognizing the complexity, recent discussions, including the signing of a memorandum of understanding for the establishment of a sub-regional parks service between Vernon, Coldstream, Electoral Area B, and Electoral Area C, have moved towards reducing the RDNO role and having each municipality (e.g. Vernon and Coldstream) exercise more control over their own parks. This may have the reverse of the desired effect, moving from two organizations (RDNO and Vernon) with parks and recreation staffing and expertise, to at least three, with Coldstream adding some capacity.

There are very similar issues with respect to the water system. RDNO staff manage and direct the system under guidance of the Greater Vernon Water committee – but City staff delivery most of the operations and both organizations have engineering staff with conflicting visions for the future of the system. Many cities have water and sewer systems linked organizationally. In Vernon there is some relationship as City resources conduct much of the work on both, but the management is distinct and the two services are governed by different organizations. Both organizations also have roles in planning, and take different perspectives on many issues.

The result is duplication of skills effort and resources at the senior management level, complication of operations, and even misalignment of priorities and policies between the entities.

There are three alternative approaches that could result in clear policy alignment and reduced operating costs.

- Amalgamation of the City, the District of Coldstream, and electoral areas B and C to create a new municipality with exclusive responsibility for all of these service areas would be the most effective approach, allowing reduction of senior management positions, alignment of operations and consistent policy direction.

OR

- Assign full responsibility for each service exclusively to one government agency and have it deliver the services as appropriate. Given the reliance of the entire Greater Vernon Area on most of the services involved, this would suggest transferring responsibilities and staff from the City to the RDNO. For example, all staff involved in delivering Recreation and Parks services would be transferred to the RDNO and the City would get out of the business. The same approach could be taken with respect to the water system and planning responsibilities. It may require revision of the governance process to help make certain governance is more closely related to the distribution of population to help ensure City residents have adequate influence.

OR

- Given that the City already pays for the vast majority of “Greater Vernon” recreation and parks costs (generally over 80%), have the City take exclusive responsibility for recreation and parks and give up the opportunity to recover costs from residents outside the City. This would remove some duplication of effort, but could lead to “non-resident” charges, the related collection costs and potentially duplicated facilities/programs as the other areas introduced their own.

City Council

The extensive advisory committee structure offers the opportunity to involve many citizens in the policy development process. The City Council Committee Structure is comprised of Standing Committees (3), Statutory Committee (1), and Select Committees (10)

| Mayor and Council | | |
|---|---|--|
| Standing Committees | Statutory Committees | Select Committees |
| <ul style="list-style-type: none"> • Advisory Planning Committee • Audit Committee • Finance Committee | <ul style="list-style-type: none"> • Board of Variance | <ul style="list-style-type: none"> • Accessibility Advisory Committee • Affordable Housing Committee • Biosolids Advisory Committee • Economic Development Advisory Committee • Environmental Advisory Committee • Heritage Advisory Committee • Parking Advisory Committee • Sister Cities Committee • Tourism Advisory Committee • Transportation Demand Management Committee • Athletic Commission |

The City's Corporate Policy¹ provides the following descriptions of the Council Committees:

- *Statutory* Committees are boards, commissions, or committees established pursuant to a specific enabling statute.
- *Standing* Committees are established for matters the Mayor considers would be better dealt with by Committee. At least half of the members of a Standing Committee must be members of Council.
- *Select* Committees are established to consider or inquire into any matter and to report its findings and opinion to the Council. At least one member of a select Committee must be a Council member.

Some of the Committees require significant support from City staff which may include preparing materials, attending meetings and taking minutes. From January 1 to October 31 2012, a total of 511 hours or 33% of the City Clerk's time was dedicated to supporting Select Committees and additional time was used to support Statutory and Standing Committees. In addition, various levels of City employees – from clerical to director - attended committee meetings as staff liaisons. During this time period, 155 hours of additional staff time was spent supporting Select Committees. There is also the time of Councillors to attend the meetings and the per meeting pay of Councillors.

There are times when the responsibility for particular issues is not clear – where committees have overlapping mandates, leading to some matters being considered by more than one committee, leading to differing perspectives, conclusions and recommendations. The committees have also made recommendations directly to Council without the benefit of staff analysis and comment. This can leave Council making decisions without a proper understanding of the implications or potential unintended consequences.

A review of Committee processes showed that in 2012 instead of meeting monthly (as described in the terms of reference) some Committees met infrequently, examples include Parking Committee (one meeting), Environmental Advisory Committee (3 meetings), Athletic Commission (three meetings), Economic Development (four meetings). This outcome indicates that there may be an opportunity to review the Terms of Reference for these committees to make sure that they continue to be relevant in the governance structure. Committees that met regularly, such as Tourism, appear to address operational matters that may more appropriately be within the purview of City Administration – for example, reviewing quotes for event signage, and discussing the new visitor's guide.

Opportunities for Council's Consideration

- 11.1 Council consider which approach it wishes to pursue with respect to the larger governance issue. The options are listed in order of priority – with the first having the highest potential to improve efficiency and reduce costs – but also listed in reverse order of the difficulty to implement.
- Promote an amalgamation of the GVA into a single municipality, or
 - Seek to have the RDNO, acting for GV Water and Greater Vernon Parks Recreation & Culture take on full responsibility for the services and transfer the related staff to the RDNO, or
 - Seek to end the RDNO role in Recreation and Parks and have the City of Vernon operate the Recreation and Parks program independently, and initiate an independent City of Vernon water utility.

¹ http://www.vernon.ca/council/Council_Committee_Structure_Policy.pdf

11.2 Consider revising the approach to advisory committees by:

- Maintaining the committees that have a legislative mandate.
- Focusing on task forces – committees established with a specific mandate and a defined timeframe to accomplish it.
- Consolidating the remaining committees into two or three permanent advisory committees in areas where continuing policy development is required.

Implementation

The steps required to resolve the larger governance issue will depend upon the approach selected by Council. A task force could be appointed to review and possibly design a new advisory committee structure, with implementation planned following the next municipal election. The review will need to involve consultation with committee members, the City's community, and staff liaison to these committees using a combination of approaches including focus groups, surveys, dedicated email inbox, and individual interviews. Terms of reference for each of the Committees should be examined to determine the relevance of the Committee to the Council priorities. Once the information is collected and analyzed, the range of recommendations for reforming Select Committees may include: revision of the terms of reference, discontinuation, combining Committees, and change in membership composition.

12. Arenas

This chapter examines recreational ice arenas in the City.

Context

The City has four artificial ice surfaces. Although they are operated by the RDNO, the majority of costs are borne by the City. The Centennial Outdoor Rink and the Priest Valley Arena are located at the Recreation Complex, the Wesbild Centre is a major 3,000 seat arena and home to the Vernon Vipers Junior Hockey Team. The Civic Arena was built in 1937 and is now 75 years old, showing signs of structural problems and not expected to be available for long without major repairs, or replacement by a new arena.

As a group, the four arenas recover approximately 59% of their operating costs from user fees, with the Civic Arena lowest of the indoor facilities, at 53%, largely because of the subsidy of arena rental rates for minor (child and youth) use of the arenas. The use of arenas has been declining in recent years, with minor usage declining from 5,300 hours per year in 2008 to 4,600 in 2012, largely as a result of the decline in the child and youth population. Both hockey and figure skating have declined. Adult use has remained fairly stable.

Observations and Analysis

A variety of approaches to changing the cost of arenas to the City were considered. An increase in ice rental rates would reduce the annual deficit. The rates are lower than some cities reported in the Service Profile – but higher than others. There is a substantial subsidy to minor use of areas – but concern that an increase in rental rates, particularly adult rental rates, could lead some adult groups to use facilities in nearby communities, particularly the Armstrong Spallumcheen Sports Centre Ice Skating Rink in Armstrong.

Current thinking is that the Civic Arena could be closed and an additional ice surface added to the Wesbild Centre. Multi-pad arenas are widely considered more efficient to operate due to shared staffing and equipment and may provide opportunities for additional revenue from a potentially more attractive facility for events such as tournaments, conventions and trade shows; however, the City does not control the land adjacent to the Westbild Centre where a new ice pad could be added.

During the Core Services Review there was also concern expressed that some City users are already going to facilities outside the City as they are newer, nicer, no more expensive and offer more convenient hours. The challenge being raised - should the City not get on with building a new facility to bring these people back.

However with arena use already declining based on the decrease in minor aged populations, the question arises as to whether it makes sense to replace the Civic Arena with a new facility that could be underused and leave arenas in neighbouring communities also under-used. With current population trends, ice time demands may continue to decline for some years before the youth and child aged population starts to grow again. However if the Civic Arena were closed without a replacement today, the City would not be able to accommodate all current users in the remaining two indoor rinks.

Given the state of deterioration of the Civic Arena and the barriers to expanding the Wesbild Centre (including the time required to plan and build a major project), there will almost certainly be a gap between the closure of the Civic Arena and the construction of a new facility. An effective approach combining a number of

opportunities could reduce the annual costs of arena services and postpone the cost of a major new capital facility.

Opportunities for Council's Consideration

- 12.1 Increase ice rental rates to reduce the deficit and encourage some users to find other facilities. Part of the increased revenues from minor rate increases could be allocated to provide support for low income participants.
- 12.2 Keep the Civic Arena open until the spring of 2014 if safety and an adequate service level can be guaranteed at reasonable cost.
- 12.3 Work with neighbouring communities to accommodate as many users as possible in the City or neighbouring rinks, using the next year to transition as many users as possible.
- 12.4 Continue work to investigate opportunities to expand the Wesbild Centre and develop a concept for the expansion.
- 12.5 Do not proceed with construction of the new facility until demand grows – likely as a result of an increase in child and youth aged population.

Implementation

If arena ice rental rates are to be increased, the new rates should be implemented in September 2013, which will require a timely decision as users will be planning next year's activities soon. A second increase could be planned for September 2014 when there will be fewer facilities available to help facilitate the transition.

As City staff work with users to plan ice allocations for 2013, they should discuss the challenge of operating without the Civic Arena in 2014 and begin moving users to the other facilities where capacity exists. One goal should be to minimize the hours at the Civic Arena, for example phasing out weekday use when other facilities can accommodate all users.

While it is easy to view other facilities as rivals or competitors for limited users, staff should work with the other nearby facilities to move users or programs where it is viable, recognizing that the City's facilities will be very well used once the Civic Arena closes, and that the overall goal is to meet people's recreation needs.

13. Other Opportunities

This chapter presents opportunities for Council’s consideration grouped in the categories of – Short Term, Staff to Implement, Medium to Long Term, Investigate Further, and Suggest to RDNO.

In addition to the 28 themed opportunities for Council’s consideration presented in chapters 5 to 12 in this report, a further 41 other opportunities for Council’s consideration are provided in this chapter. The opportunities in this chapter have been grouped based on potential timing of impact for the City, complexity of implementation and certainty of value – as Short Term, Staff to Implement, Medium to Long Term, Investigate Further, and Suggest to RDNO.

Additional opportunities suggested during the Core Services Review are included in Appendix 3 as “Approved” if Council has approved the action as part of the 2013 budget process or as “Not Worth Pursuing” if the assessment suggests there could be an unacceptable impact on current and/or future clients and/or there could be uncertainty over any potential benefits to be realized by the City if the opportunities were implemented.

Short Term – Opportunities for Council’s Consideration

The 9 opportunities for Council’s consideration summarized in the table below could have a short-term impact (cost savings or revenue generation) on the City if implemented. They could be considered by Council for the 2014 budget or earlier as they could have relatively low client impact and may involve lower barriers to implement. Council should consider if further analysis is required and direct staff accordingly.

| Ref | Suggested Opportunity Description | Program | Service | Comments | Opp ID |
|------|---|--|---------------------------|---|--------|
| 13.1 | Sell RDNO "Out of Area Fire Protection Service" as requested | Emergency, Enforcement, and Community Safety | Fire-Rescue | Budget proposal (requested twice by RDNO) \$34,000 annually (@1.30 rate). | 133 |
| 13.2 | Advisory committee recommendations need staff/finance review before they are considered by Council | Governance and Support Services | Administration | Committees and Councillors find it expedient to process recommendations quickly, but can have high risk if full implications not identified. | 64 |
| 13.3 | Adopt budget proposals to reduce arena costs | Parks, Recreation, and Culture | Recreation Services | Budget proposals to reduce clerical staffing, advertising, training, tools purchases and use more efficient lighting. | 155 |
| 13.4 | Carbon tax, carbon neutrality - use \$267K of Carbon Tax Reserve Funds for local projects | Planning and Development | Planning | Liability requires clarification, and projects should have a positive Return on Investment. | 45 |
| 13.5 | Reduce Summer Sweeping | Transportation and Infrastructure | Roads | | 122 |
| 13.6 | Double the crack sealing program to cover 20% of roads per year | Transportation and Infrastructure | Roads | Important preventative maintenance to extend the life of the asphalt surface and protect the road bed. | new |
| 13.7 | Eliminate roadside spring chipping - Require drop off for items that don't fit clear bags | Transportation and Infrastructure | Solid Waste and Recycling | Roadside chipping is a very high service level. Allowing bundles of twigs to be included with leaf pick-up should be sufficient. | 84 |
| 13.8 | Move to garbage collection every two weeks | Transportation and Infrastructure | Solid Waste and Recycling | Many residents recycle most of their garbage. Could initiate in the fall when odours less of an issue. Could be combined with opportunity to drop off organics for residents with concerns. | 83 |
| 13.9 | Capital Infrastructure Levy - Split the capital infrastructure portion of the tax levy onto a separate line on the tax notice. Overall increase in fees and charges but creates room in tax levy and matches fee for service. | Transportation and Infrastructure | | Some municipalities have used this as an approach to help generate understanding of the need for increased investment. | 162 |

Staff to Implement – Opportunities for Council’s Consideration

The 10 opportunities for Council’s consideration summarized in the table below could have a minimal financial impact (cost savings or revenue generation) on the City and could be implemented with relative ease by City staff. If implemented, these opportunities could have a relatively low impact on current and/or future clients and may have low barriers to implement. Since most of these opportunities could have a minimal impact on the 2014 budget but offer opportunities for improvement at the City, Council should consider whether it can direct staff to proceed with implementation of these items, or whether further analysis is required and direct staff to implement these opportunities accordingly.

| Ref | Suggested Opportunity Description | Program | Service | Comments | Opp ID |
|-------|---|--|----------------------|--|--------|
| 13.10 | Seek reduction in hydrant charges to Fire Department - | Emergency, Enforcement, and Community Safety | Fire-Rescue | Rate went from \$135 to \$205 and service level decreased. Kelowna pays \$59. Requires discussion with GVW. Transfers from property tax to water rate. | 41 |
| 13.11 | Review emergency response protocols to reduce the number of times response exceeds requirements | Emergency, Enforcement, and Community Safety | Fire-Rescue | May be difficult to achieve with different responders part of different governments, and with multiple dispatch entities, but worth reviewing every few years. | - |
| 13.12 | Expand and promote on-line services to reduce the number of transactions handled manually | Governance and Support Services | Corporate Services | Implement as cost:benefit ratio warrants. | 86 |
| 13.13 | Develop a formal performance measurement system with identified key metrics for each relevant department and publish results in the Annual Report | Governance and Support Services | Finance | Many services are measured today. Identifying a consistent set of KPIs and providing regular reporting would help Council and public assess City performance. | - |
| 13.14 | Outsource concession operations at Wesbild Centre | Parks, Recreation, and Culture | Recreation Services | Could reduce costs and maintain service level. Concessionaire could be a community group. | 78 |
| 13.15 | Continue Job Evaluation process in Recreation | Parks, Recreation, and Culture | Recreation Services | Resulting in some cost reductions - partially completed. | 152 |
| 13.16 | Increase advertiser involvement with tourism promotion | Planning and Development | Economic Development | Soliciting more advertiser support can reduce costs, but shift to newer media can make ad/partnership involvement more difficult. | 47 |
| 13.17 | Continue to build hangars at airport on a self-sustaining basis | Transportation and Infrastructure | Airport | Recent legislative changes impacted the development, but business case believed still valid. | 33 |

| Ref | Suggested Opportunity Description | Program | Service | Comments | Opp ID |
|-------|---|-----------------------------------|-------------|---|--------|
| 13.18 | Require contractors building City infrastructure to either provide as built drawings signed by an engineer without disclaimers - or pay for a City staff member to supervise construction on-site throughout construction | Transportation and Infrastructure | Engineering | Engineers have started inserting disclaimers, meaning the City cannot rely on the quality of the assets built. May have significant cost impact in future if assets are poorly built. | 89 |
| 13.19 | Conduct inspection after road cuts | Transportation and Infrastructure | Roads | Require deficiencies to be corrected to improve life of roads. | 67 |

Medium to Long Term – Opportunities for Council’s Consideration

The 8 opportunities for Council’s consideration summarized in the table below could have a financial impact (cost savings or revenue generation) on the City’s budget but will require more than a year to achieve the benefits. These opportunities could have a relatively acceptable impact on current and/or future clients and may involve higher barriers to implement. Council should consider directing relevant City staff to begin actions to address barriers and report back to Council periodically. As projects will take more than one year to accomplish if work to address the barriers begins now, deferring decisions to begin work may further defer implementation and achievement of potential benefits.

| Ref | Suggested Opportunity Description | Program | Service | Comments | Opp ID |
|-------|---|--|-------------------------------|--|--------|
| 13.20 | Increase parking fines (\$5 if paid within 14 days) up to at least \$15 - like Kelowna | Emergency, Enforcement, and Community Safety | Bylaw and Parking Enforcement | Council approved increase from \$5 to \$10. Further increases in subsequent years would increase revenues and improve compliance with City bylaws. It currently costs more to issue and collect than the fine value. | 56 |
| 13.21 | Use Pay & Display machines at off-street lots | Emergency, Enforcement, and Community Safety | Bylaw and Parking Enforcement | Accepts payment by credit card, reduces operating costs, particularly when large number of spaces served. | 58 |
| 13.22 | Consolidate corporate facilities and leave rental facilities | Governance and Support Services | Facilities | Could be examined further. | 71 |
| 13.23 | Offer registration services for recreation programs on-line | Parks, Recreation, and Culture | Recreation Services | Improved level of service, but 10% convenience fee charged by CLASS does not make it attractive. | 74 |
| 13.24 | Implement an "Adopt a Tree" program giving residents the option to pay for the planting and maintenance of a tree on a City right-of-way. | Parks, Recreation, and Culture | Trees | Requires a pilot project to establish the costs and test the level of interest. | new |
| 13.25 | Consolidate the North, South and mobile Visitor Information Centres with a single location, ideally downtown. | Planning and Development | Economic Development | Could save \$60,000 per year although likely to be some capital cost. Appropriate site would need to be identified - in the meantime one of the sites (likely North) could be closed relying on the other site. | 108 |
| 13.26 | Increase road cut fees particularly on "good" roads to reflect loss of value that results | Transportation and Infrastructure | Roads | Similar initiatives underway in other cities. Would encourage better joint planning. | 19 |
| 13.27 | Create a Storm Water Utility with charges to benefiting properties - Increase fees to cover full costs of asset management and renewal | Transportation and Infrastructure | Water and Sewer | Ties funding to properties receiving benefits, removes from property tax, consistent with user pay principals. | 69 |

Investigate Further – Opportunities for Council’s Consideration

For the 11 opportunities for Council’s consideration summarized in the table below, it is uncertain whether these opportunities should be implemented because of uncertainty surrounding the magnitude, likelihood and timing of any financial impact (cost savings or revenue generation) to the City. In addition, there is uncertainty as to the potential impact of these opportunities on current and/or future clients, barriers to implementation, and/or potential benefits to be realized. Council should direct City staff to further examine the viability and feasibility of these opportunities and report back to Council.

| Ref | Suggested Opportunity Description | Program | Service | Comments | Opp ID |
|-------|--|--|-------------------------------|--|--------|
| 13.28 | Outsource bylaw enforcement staffing | Emergency, Enforcement, and Community Safety | Bylaw and Parking Enforcement | Integration of wide range of tasks within Bylaw services would make outsourcing more difficult. Commissionaires as contracting agent getting more expensive. Contract services may not be as flexible in terms of the range of duties and hours. | 22 |
| 13.29 | Rent Fire Station 2 (OK Landing) on a shared use basis to BC Ambulance Service | Emergency, Enforcement, and Community Safety | Fire-Rescue | Presented as budget proposal. | 135 |
| 13.30 | Build a central electronic filing system | Governance and Support Services | Corporate Services | Requires cost: benefit review. | 62 |
| 13.31 | Wrap up Hesperia development plans and sell land on the public market | Governance and Support Services | Facilities | Original plans for City led development not proving feasible. | 18 |
| 13.32 | Integrate work order system, service request system and payroll | Governance and Support Services | Finance | Benefits clear, but implementation cost unknown at this time | 70 |
| 13.33 | Reduce scope/cost of annual report | Governance and Support Services | Finance | Current document is very informative. | 87 |
| 13.34 | Contract economic development and/or tourism to Chamber of Commerce | Planning and Development | Economic Development | Chamber was involved in tourism program in the past. Not clear if currently interested or what implications would be. | 13 |
| 13.35 | Develop a service culture in Planning | Planning and Development | Planning | Planning seems to have made substantial progress in improving response times, however public report differing experiences. | 28 |
| 13.36 | Eliminate irrigation and reduce mowing frequency on City maintained boulevards and linear trails | Transportation and Infrastructure | Roads | Consistent with water conservation and tax management objectives. Some boulevards will lose the grass altogether. Conscious transfer to gravel or other finish may be required to maintain aesthetics. | 82 |

| Ref | Suggested Opportunity Description | Program | Service | Comments | Opp ID |
|-------|---|-----------------------------------|---------|---|--------|
| 13.37 | Snow clearing Utility - Overall increase in fees and charges but creates room in tax levy and matches fee for service | Transportation and Infrastructure | Roads | Could be difficult to allocate costs appropriately. Costs on major street benefit all, not just local residents, while on residential street, benefits are almost entirely local. | 160 |
| 13.38 | Conduct Pilot Project to test "beet Juice" as a road de-icing agent, as used by Merritt | Transportation and Infrastructure | Roads | Requires more information to determine if pilot project worthwhile. | new |

Suggest to RDNO – Opportunities for Council’s Consideration

The three opportunities for Council’s consideration summarized in the table below relate to areas of where RDNO has jurisdiction but where implementation could result in reduced costs being passed on to City taxpayers. Council should consider if further analysis is required and initiate a dialogue with RDNO to raise awareness of the opportunities.

| Ref | Suggested Opportunity Description | Program | Service | Comments | Opp ID |
|-------|---|---------------------------------|---------------------|--|--------|
| 13.39 | Stop supporting Caetani Property | Governance and Support Services | Finance | Project has not received City support since 2010 - RDNO provides support. However funding requests are anticipated. The core services review consultation process did not identify widespread support for public funding of this property. | 21 |
| 13.40 | Seek RD permission for designated staff to use Facebook and other social media to promote recreational programs | Parks, Recreation, and Culture | Recreation Services | Modern marketing uses social media extensively. Can be limited to specific staff to limit time spent. | 80 |
| 13.41 | Increasing the ‘loonie swim’ to a ‘twonie swim’ will generate an additional \$8,000. | Parks, Recreation, and Culture | Recreation Services | Still inexpensive, but some concern that some client participation will be discouraged. | 151 |

Appendix 1 Service Profiles

To be included in final report.

Appendix 2 Suggested Opportunities to Inform the Consultative Process

To be included in final report.

Appendix 3 Suggested Opportunities

To be included in final report.



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