



cutting through complexity

Perth Area Municipalities Joint Service
Delivery Review

Appendix C Guide to Shared Service Arrangements for Ontario Municipalities





MUNICIPAL FINANCE
OFFICERS' ASSOCIATION
OF ONTARIO

Shared services in Ontario's local public sector:

Localizing accountability

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Executive summary

Service sharing is a common practice among local public sector organizations and municipalities in Ontario. Out of 400 municipalities surveyed by the Ministry of Municipal Affairs and Housing in 2012, 369 share services. Joint service provision is widespread because it reduces costs, improves services and, by pooling resources, builds municipal capacity to offer new services. Although small and large municipalities share for different reasons, shared service initiatives are often undertaken to respond to community challenges. Shared services may also be used to address new mandates or to take advantage of scale economies.

This guide provides practical advice about:

- How to govern shared services through different vehicles
- How to develop shared service agreements
- What to do before considering a shared service arrangement
- How to share costs
- How to overcome concerns about service sharing
- How to sustain agreements long-term

Shared services can be organized informally or formally and they can operate through different governance vehicles, including building on existing forums and requirements. Step-by-step best practices help municipalities take stock of their needs, identify opportunities, plan, implement and evaluate new shared service arrangements. Advice on overcoming concerns and sustaining agreements over the long term can streamline the implementation process and ensure the future success of cost savings initiatives.

Working with local organizations to reduce costs is particularly important for smaller municipalities looking to cope with lower levels of external funding. Long term, shared services can be an important ingredient in sustaining local services, which contributes to a municipality's overall financial sustainability. Localizing responsibility for funding and delivering services may also help re-orient accountability to local communities. For these reasons, it is worthwhile to invest time to ensure municipal shared service arrangements are operating as effectively and efficiently as possible. This guide is a means to that end.

About this guide

There are two purposes of this guide. First, it raises awareness about service sharing principles, practices, governance structures and agreements in the context of Ontario's local public sector. Second, it promotes the expansion of service sharing by compiling practical resources to help municipalities share services more effectively. By bringing together this series of tips and tools, we hope to spur the next generation of shared services in Ontario.

This guide is one part of the Municipal Finance Officers' Association of Ontario's (MFOA) work on shared services; the other part is case studies of shared services in Ontario, contained in "[Sharing municipal services in Ontario: Case studies and implications for Ontario municipalities.](#)" Whereas the guide offers practical information on how municipalities can develop more of their own arrangements, five case studies highlight the financial benefits of shared services in different contexts. Material from the case studies has been woven into the guide. MFOA undertook work on the guide and the case studies with the support of the Ministry of Municipal Affairs and Housing (MMAH).

To assess the extent of service sharing in Ontario, MMAH's Municipal Services Offices surveyed nearly all municipalities in 2012. The survey found that 369 of 400 municipalities share services and cost savings is one of the main benefits.

This guide was written for a municipal audience, however innovative shared services take advantage of resources and assets from inside and outside the municipal sector.

By leveraging resources from local organizations and increasing a municipality's capacity to serve its community, shared services improve the prospect of municipal autonomy. We have maintained the flexibility and decision making responsibilities accompanying that prospect in this guide.

Background information on service sharing

Service sharing occurs when two or more local public sector organizations come together to provide a service.¹ Shared services are a fruitful route to not only cost reduction, but sustaining and enhancing local services. Successful shared service arrangements depend on:

1. **Attitude:** Open-mindedness and empowerment, a 'do-it-yourself' mentality, culture shift and interest in local self-determination;
2. **Relationships:** Building enduring relationships with community leaders and local public sector organizations, aligning objectives, selecting vehicles through which to share services and developing mutually beneficial arrangements;

¹ Local public sector organizations include First Nations, utilities commissions, post-secondary schools, District Social Services Administration Boards, conservation authorities, hospitals and school boards.

3. **Services:** Parceling out goods, services, staff and functions to share, including the parts of these assets and resources to share;
4. **Analytics:** Instituting performance measures, qualifying benefits and quantifying savings, as well as evaluating arrangements to ensure continuous improvement.

As demonstrated by the five case studies, sharing services can result in significant annual savings.

- Sharing landfill capacity with the City of London saved the Municipality of Thames Centre \$51,000.
- Sharing a Chief Administrative Officer (CAO) and a Treasurer saved the townships of Carling and The Archipelago \$58,000.
- Participants in the Peel Public Sector Network save 25% of their telecommunications costs.
- Members of the Peterborough County Purchasing Group save 5%-15% of product and service costs.
- Sharing a library between the townships of Wollaston and Limerick Union is 26% cheaper than operating a stand-alone library.

Given that the Wollaston & Limerick Union Public Library arrangement has been operating for more than forty years, the cost savings potential of shared services is important to consider over the long term.

More background information on shared services can be found in Appendix B.

How to share services

Understanding the basic principles, the variety of vehicles and agreements that can govern shared services will guide practitioners as they search out new compacts. Three principles of service sharing must be satisfied for arrangements to be effective and long-lived:

1. **Common interest:** In cooperating with political bodies and diverse sectors, it is critical to ensure that the objectives of all parties are aligned, achievable and fulfilled.
2. **Mutual benefit:** All participants need to gain from the arrangement and they need to gain in proportion to their contribution. The perception that arrangements are fair is important.
3. **Cost effectiveness:** Managing the shared service relationship cannot take more time than the benefits of service sharing are worth. Arrangements should deliver value for money.

Although some service coordination and delivery vehicles are more familiar than others, municipalities should be mindful of the wide range of vehicles available to facilitate collaboration. Pick a vehicle through which to share services based on the following considerations: the degree of flexibility, formality and commitment sought, ease of entering, exiting and admitting new organizations, duration of sharing, cost of administration, number of

collaborators and the type and number of services provided. Certain vehicles can also be used to share revenue. The vehicles are not necessarily mutually exclusive and there are many variations within each vehicle. The table below itemizes specific vehicles, unfolding from roughly the more basic to more complex institutional forms.²

² The examples cited were discovered primarily through online research; the existence of a shared service delivery vehicle at one point in an organization's history may not reflect present service arrangements.

Service sharing vehicles

Vehicle	Description	When and where to use it	Example
<p>Automatic aid agreements (mutual aid and mutual assistance agreements)</p>	<p>If a municipality's fire, police, rescue or emergency medical services department needs additional support, it can reach out to another municipality's emergency services department to provide temporary help.</p> <p>Some mutual aid agreements are free and some are based on a cost recovery model.</p> <p>Some mutual aid is mandatory for certain services, however municipalities can extend their agreements beyond regulatory requirements.</p>	<p>Mandatory for emergency relief in certain situations</p> <p>Can be used in the event of equipment breakdown, for contingencies or if services are needed on loan</p>	<p>The City of Ottawa has a Mutual and Automatic Aid Plan and Program for fire services with neighbouring municipalities.</p>

Vehicle	Description	When and where to use it	Example
<p>Joint hiring (shared staff and professional services contracts)</p>	<p>Municipalities can jointly contract individuals to provide services as a delegation of their powers and duties.</p> <p>All personnel from a department can also be shared, (for example Information Technology Department staff).</p> <p>The joint hire can perform the same duties for all employers or duties can be tailored as needed.</p> <p>Minor quasi-judicial or legislative powers may be delegated to individuals.</p> <p>The delegation of authority can be revoked in a number of ways and delegations can be subject to a range of other conditions.</p>	<p>Similar types of work required by multiple organizations</p> <p>Some level of support is necessary but insufficient to attract a part time/contract employee or sustain a full time employee</p> <p>Economical way to implement new provincial and federal directives</p> <p>In circumstances where two communities that want to share services are far away from each other</p>	<p>Municipalities frequently share Chief Building Inspectors and Bylaw Enforcement Officers.</p>

Vehicle	Description	When and where to use it	Example
<p>Intergovernmental service contracts (intergovernmental, interagency or inter-municipal contracts, agreements or billing, cross border billing, principal-agent relationships, etc.)</p>	<p>Intergovernmental contracts exist when one organization pays another for an extension of service.</p> <p>Agreements can specify an ongoing, defined level of service or services can be provided on an ‘as needed’ basis.</p> <p>Service providers may want to take advantage of economies of scale, while service recipients may want access to expertise.</p>	<p>Commonly used for protection, emergency, transport and environmental services</p> <p>Recipient Need to expand operations, which could involve new staff, goods, internal functions or services</p> <p>High costs of emplacing a new service or responding to increasing service demands</p> <p>Sporadic demand for service</p> <p>Combination of large area, small and rural population to service</p> <p>Service provider Generate a revenue stream or defray costs</p> <p>Excess capacity</p>	<p>The City of Greater Sudbury sells water to the Municipality of Markstay-Warren.</p> <p>The City of North Bay sells sewage treatment to the Nipissing First Nation.</p> <p>The City of Owen Sound and the City of Peterborough provide police services, including dispatching, to other municipalities.</p>

Vehicle	Description	When and where to use it	Example
<p>Purchasing consortia (group buying, purchasing cooperatives and collective tendering)</p>	<p>Several organizations can coordinate buying activities to enhance their bargaining power and negotiate lower prices with suppliers.</p> <p>Organizations can also setup cooperative auctions to sell surplus goods.</p>	<p>If many organizations require access to the same goods and services</p> <p>In situations where scale economies are possible</p> <p>Need access to purchasing expertise of larger organizations</p> <p>To manage complex contracts</p> <p>Looking to work with many diverse organizations</p>	<p>The Cooperative Purchasing Group of Waterloo Region, which includes various local public sector organizations, buys road salting services, automatic banking machines, cleaning supplies, etc.</p> <p>The Transit Inventory Management Services group operates in the regional municipalities of York and Waterloo, Town of Oakville and cities of Brampton, London, Burlington and Hamilton.</p> <p>The South Central Ontario Region is leading the development of municipal asset management plans, purchasing software and training on behalf of participating municipalities.</p> <p>The Cooperative Auction Site – Surplus Items sells hardware, software and office furniture from several local public organizations.</p>

Vehicle	Description	When and where to use it	Example
<p>Joint services committee (municipal liaison committee and joint efficiencies task force)</p>	<p>Committees can be developed to facilitate cooperation and coordination among organizations. They are generally non-binding discussion forums and they can be a precursor to more formal shared service arrangements.</p> <p>Committees act in an advisory capacity to review plans, provide advice and recommendations on service delivery strategies and monitor and report on issues.</p>	<p>Interest in coordination but not ready to commit to joint service delivery</p> <p>In situations with flexible timelines to institute shared services</p> <p>To collaborate with external organizations regarding social issues, protection, emergency, transport, environmental and technology services</p> <p>Committees can be struck to oversee collaboration in any service area</p>	<p>The towns of Grimsby, Niagara-on-the-lake and Pelham, Township of West Lincoln and City of Thorold created a Joint Municipal Accessibility Advisory Committee.</p> <p>The Township of Lanark Highlands and a wide range of other organizations came together to form the Joint Municipal Drug Strategy Steering Committee.</p>

Vehicle	Description	When and where to use it	Example
<p>Departmental consolidation (departmental merger)</p>	<p>Two or more organizations can consolidate departments that provide similar services.</p> <p>All participating departments can retain their corporate identity but they operate out of a communal space and make use of common goods (equipment) and services (reception, billing, etc.).</p>	<p>Administrative buildings are at capacity</p> <p>Departmental growth is forecast</p> <p>In anticipation of the departure of a key figure in the department</p> <p>A number of organizations operate within a relatively small geographic sphere and there are perceptions about duplication</p> <p>Formalizing internal operating procedures is necessary</p> <p>Increasing cost of equipment, operations or increasing training requirements</p> <p>Perform consistent service activities and provide consistent service levels in an area</p> <p>For departments that do field work or otherwise do not need to be located within the municipality's administrative headquarters</p> <p>Common for fire, police and emergency medical services</p>	<p>Consolidating protection service departments is common among United States municipalities.</p>

Vehicle	Description	When and where to use it	Example
Planning boards	While planning boards are formed by the Minister of MMAH, additional planning responsibilities can be delegated to planning boards under the <i>Planning Act</i> .	<p>Long-term focus or implications of service activities</p> <p>There is a community of interest</p> <p>Integrated planning desirable</p> <p>Access to planning expertise</p> <p>Need a technical forum for discussion</p>	Regional land use planning, official plan, zoning by-laws and administration, subdivisions and severance services can be provided through planning boards.

Vehicle	Description	When and where to use it	Example
<p>Joint municipal services board (JMSB)</p>	<p>Municipalities can delegate the control and management of public utilities, waste management, transportation systems, culture, parks, recreation, heritage and parking services to a JMSB.</p> <p>A JSMB can be created by an agreement between two or more municipalities and the passage of corresponding delegation of authority bylaws. Boards do not have powers other than those transferred by municipalities.</p> <p>Different municipalities can give control and management functions of different services to the same JMSB. They can also give control and management functions of different parts of the same service to the same JMSB.</p> <p>JMSBs are not separate legal entities from participating municipalities.</p>	<p>Interest in leveraging many resources and assets</p> <p>There is an interest in shared services but the services provided by two municipalities are different</p> <p>Can emerge in the wake of unsuccessful private sector tenders</p> <p>Formalize commitment to shared services</p>	<p>Public utilities, board of park management, parking commissions, transit commissions and joint police forces are all JMSBs.</p> <p>The Severn Sound Environmental Association provides a range of environmental services to nine area municipalities through a JMSB.</p> <p>The Earlton-Timiskaming Regional Airport is governed by representatives of the municipal, business, aviation and health sectors through a JMSB.</p>

Vehicle	Description	When and where to use it	Example
<p>Service agency (special purpose authority, cooperative, non-profit organizations, associations, etc.)</p>	<p>Service agencies can be created to deliver one service across a region.</p> <p>Multi-purpose service agencies can grow out of single purpose bodies.</p>	<p>To achieve scale economies</p> <p>For services with high capital costs</p> <p>Maintain compliance in highly regulated service environments</p> <p>Interest in attracting and retaining specialized labour</p> <p>Used for housing, recycling and economic development services</p>	<p>The Bluewater Recycling Association provides a range of services to more than twenty municipalities.</p>
<p>Partnership</p>	<p>Two or more organizations can come together to provide a service/function for joint benefit at joint cost.</p> <p>The contributions of all parties do not have to be equal.</p>	<p>Participating organizations have an interest in shared control and cooperation</p> <p>Neither party can afford to operate and maintain service independently</p> <p>Can apply in almost any service context</p>	<p>The townships of Scugog and Uxbridge partner to deliver animal control services and facilities.</p>

Vehicle	Description	When and where to use it	Example
<p>Municipal services corporation (MSC)</p>	<p>Municipalities can create MSCs to delegate their powers or duties to a corporation with respect to oversight and service programming.</p> <p>Municipalities and local public sector organizations can establish corporations together.</p> <p>Municipalities can define the purpose, powers and whether or not the MSC will remain 100% publically owned. For water, wastewater and youth recreation services, the MSC must be 100% municipally owned.</p> <p>Municipalities cannot delegate quasi-judicial or legislative powers to MSCs.</p> <p>If the municipality chooses to be the sole shareholder, it can appoint the Board, including municipal politicians and staff, and set policy.</p> <p>MSCs can be setup as separate legal entities, retaining liabilities within the corporation.</p>	<p>To facilitate timely decision making</p> <p>In cases where it is desirable to have technical experts make decisions</p> <p>Private meetings are beneficial</p> <p>There is a business case to provide service through a corporation</p> <p>Used for transport, recreation, water and wastewater, asset management, economic development services, etc.</p>	<p>The Lake Simcoe Regional Airport is a MSC cost shared between the City of Barrie (80%) and the Township of Oro-Medonte (20%).</p> <p>More detailed information about establishing corporations can be found in Ontario Regulation 599/06 – Municipal Service Corporations.</p>

Service sharing agreements

Shares service arrangements can be enacted through verbal agreements, Mutual Understandings (MU), Memorandums of Understanding (MOU), approval by bylaw and written contracts. Agreements are not mutually exclusive, however some shared service vehicles can only be created through written legal agreements.

Choose the type of agreement based on the following criteria:

- Level of accountability and transparency sought for the shared service arrangement
- Ability to manage the performance of a shared service
- Part of a service that will be shared
- Consequences of service failure

Planning and coordination arrangements are often managed informally, whereas service provision arrangements are more formal, especially where the consequences of service failure are high. Formal agreements can work well because they presuppose planning, mutual understanding of roles and responsibilities and some degree of commitment.

Sample service sharing agreements

Regardless of the organizations and services referenced in the sample agreements below, they can be used as templates to guide a wide range of shared services between a wide range of organizations in Ontario. The sequencing of the agreements is from least to most complex. The agreements should be read in the context of Ontario's *Municipal Act, 2001*, and municipalities should consult their solicitor about the type of agreement they adopt. Sample agreements from Ontario municipalities can be found in the 'Resources' section of this guide.

[Municipal/Local Service District fire protection mutual aid agreement](#) - Newfoundland

This is a three page 'fill in the blank' template for shared services based on the fee for service variant of mutual aid agreements, intergovernmental contracts for the extension of fire services and partnership model of shared services.

Contents: purpose, amending and termination procedures, service activities, compensation, basis for the fee, equipment storage and service territory.

[North Valley Inter-municipal Organization: Community Action Plan](#) - Saskatchewan

Nine municipalities came together to build capacity for regional cooperation in terms of planning and economic development, infrastructure, equipment and human resources, housing and health care services. The Inter-municipal Organization performs similar function as a joint services committee, partnership, planning board and purchasing group.

Contents: goals, territory encompassed, vision, mission and value statements, an inventory of regional assets, challenges, opportunities, projects and participants.

[Bylaw to establish an intermunicipal services scheme and intermunicipal services agreement](#) – British Columbia

This binding agreement details an intermunicipal services scheme for the provision of affordable housing, climate action, regulatory harmonization, sustainable development and transit services through a vehicle similar to a JMSB in four local governments.

Contents: management bodies and their composition, delegation of authority, provisions for withdrawal from the agreement, purpose, supplementary agreements, (an MOU and a services agreement) amending and notice procedures.

Memorandum of agreement - Alberta

This agreement specifies the intent to expand membership of the Hinton Regional Waste Management Authority such that three municipalities will share the ownership, management and liability of the solid waste management Authority.

Contents: purpose, operations, delegation of powers and duties, management committee composition, membership fees, hauling rights, transitional arrangements, division of costs, voting and meeting protocols, decision making procedures, financial obligations, insurance, dispute resolution and dissolution. This binding agreement could enact a partnership or a JMSB.

Scaling shared services

The vehicles and agreements chosen by Ontario municipalities vary across the province because of the different rationales for shared services and resource levels of collaborators. Similarly, the lead-in and specific opportunities to share services may differ in small and large municipalities. The following information can help administrators share services in different contexts.

The bare necessities of a shared service agreement

Over-complicating agreements can be a ‘nonstarter’ for cost savings measures. The following areas are considered the basics of a service sharing agreement:

- ✓ Who does what with/for whom
- ✓ Start time and duration
- ✓ Cost

Other fundamentals can include goals, contributions, evaluation criteria and dispute resolution mechanisms.

What drives and sustains shared services in small municipalities?

Drives	Sustains
<ul style="list-style-type: none">• Implications of lower levels of external funding on municipal operations• Compliance with provincial regulatory and reporting requirements and ability to respond to new externally driven mandates• Financial sustainability of independent service provision• Service affordability concerns and ratepayer group activity• Service relevance and stability	<ul style="list-style-type: none">• Decreasing costs without decreasing service levels• Opportunity to provide new services and enhance responsiveness to new and growing citizen demands, (e.g. services for children, youth and the elderly)• Building municipal capacity through access to new resources, (e.g. facilities, information and expertise)• Building recruitment capacity by pooling resources and building staff capacity through knowledge transfer, cross training and collaborative problem solving

What drives and sustains shared services in large municipalities?

Drives	Sustains
<ul style="list-style-type: none">• Integration of services within a region• Access to appropriate, cost effective land on which to locate certain services and access to other natural resources• Technological updates and solutions can require significant front end investment and a critical mass of users	<ul style="list-style-type: none">• Enhanced organizational flexibility, continuous improvement, value for money audits and ongoing evaluation of service delivery options• Realizing a long-term vision for the area• Developing a regional identity, brand and economy

Isolated communities can share internal functions, (e.g. information technology, human resource functions, tendering and procurement, permit administration and inspection) staff, information services, landfill and economic development services. In areas where distance shrinks the menu of potential collaborators, sharing assets and resources from organizations operating within the community may be promising.

Small communities should start small, focus on managing expectations and share information first. Joint services committees can be low maintenance vehicles to facilitate collaboration. Inter-governmental contracts enhance services while respecting the limited staff capacity of smaller

municipalities. Recreation and library services are commonly shared in smaller municipalities. Very small communities may also share senior administrators.

The Township of Carling (population 1,248) and the Township of The Archipelago (population 566) share a Treasurer and a CAO and the townships of Wollaston and Limerick Union share a library facility.

Larger municipalities tend to air on the side of formality in service agreements and dedicate resources to contract monitoring and maintenance. Shared services can be introduced internally, by consolidating various internal functions across departments, or through external collaboration. It may be logistically necessary to work with external organizations to provide recycling plants, landfills and watershed management services. The large scale of operations and broad impact of water, sewer, roads,

Interest in defraying the significant start-up and ongoing costs of high-speed internet drove several organizations to create the Peel Public Sector Network, which provides telecommunications services for municipalities, educational institutions and universities operating in Peel Region.

transport, waste management and economic development services make these other opportunities to share services with external organizations.

Launching shared service initiatives locally

Pre-requisites to service sharing

Look at the staff culture in your organization to determine whether an arrangement makes sense. Positive risk taking and experimentation are favorable climates for shared services.

Recognize that local organizations will become more interdependent in the future to provide holistic, integrated solutions to contemporary challenges and relevant services to changing communities. Mutual reliance and resourcefulness are critical for regional viability and longevity.

Collecting baseline cost information is important to justify and sustain shared services on cost savings grounds. Itemize all departments and units responsible for providing the service, equipment, materials and facilities that enable service delivery, direct and indirect operating, maintenance and capital costs, performance or output measures and user statistics. Estimate the cost of service provision over the next three to five years to understand whether or not the service meets your present and future needs.

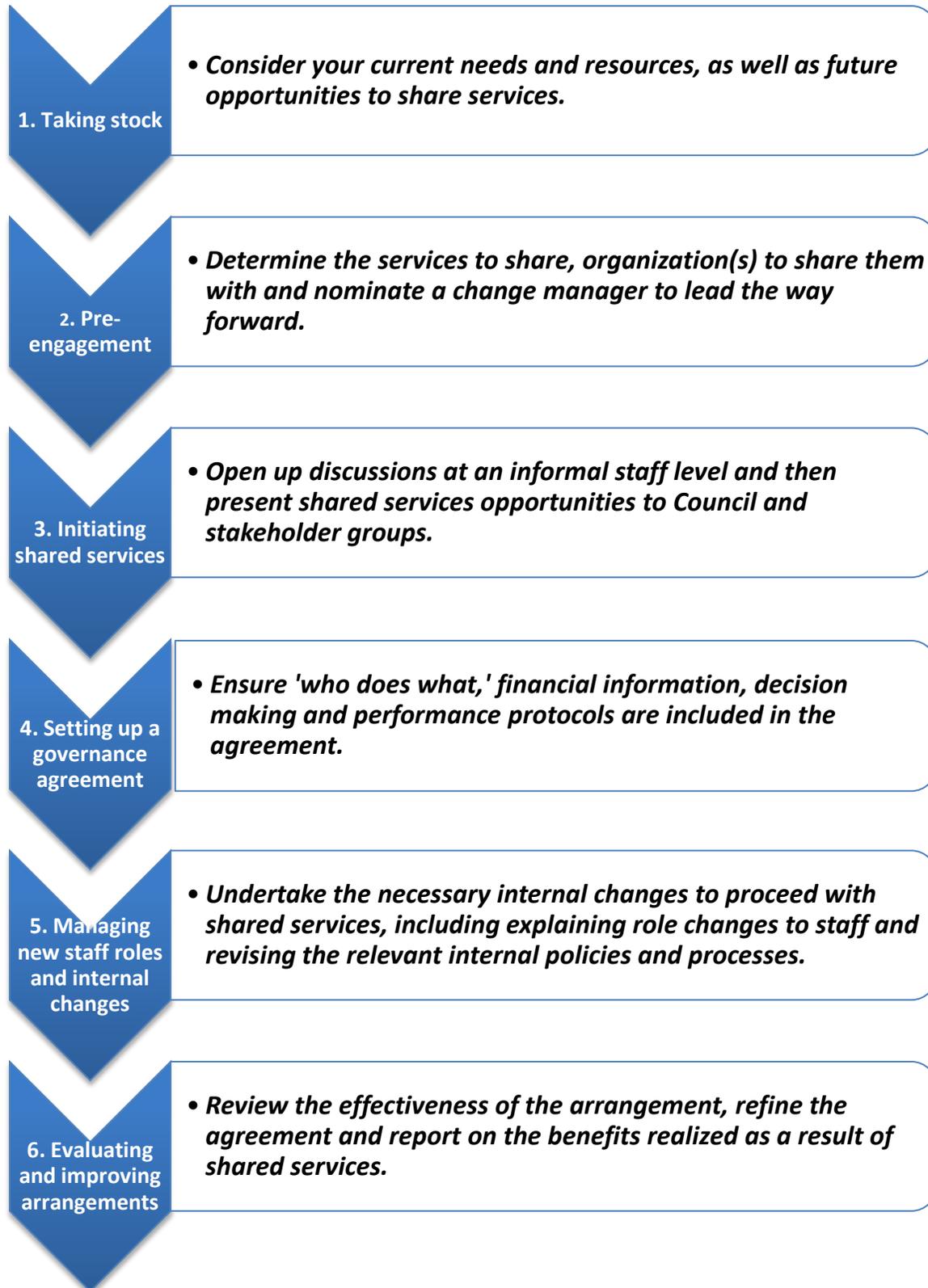
Best practices for developing a shared service arrangement

The following best practices for developing shared service arrangements can help municipalities implement new arrangements and strengthen existing ones. General best practices focus on how to build the internal attitudes and external relationships needed for service sharing, while best practices for each of the six stages of service sharing offer more technical information about how to setup arrangements from start to review. The amount of detail provided in shared service agreements varies; the specific best practices are considerations for more complex arrangements.

General best practices

- Understand your municipality's objectives in sharing services and approach potential collaborators with an open mind.
- Plan a phased approach to rolling out shared services, starting with a narrowly defined pilot project and evaluating the results.
- Keep stakeholders informed throughout all stages of setting up arrangements.
- Use concise, basic language to explain service sharing and consistently use informal language, e.g. cooperation or collaboration rather than partnership, to describe the arrangement.
- Link service sharing to the municipality's policies and strategic directions.
- Ensure that all parties are fairly represented in decision making forums; reconcile all participants' need to have a voice with organizations' contributions.
- Accurately represent your organizations' capabilities and be forthcoming with all information and costs.
- Understand that roles and responsibilities within your organization will change and roles and responsibilities between participants can change.
- Manage public and political expectations about the pace of change, including the time horizon for setting up agreements, realizing cost savings and service gains.
- Build time to deal with administrative and logistical matters into each stage and build opportunities to tweak the arrangement into written agreements.
- Ensure all parties are prepared to devote time to their oversight role and include these time commitments in agreements.
- Minimize service disruption during transitions.

Figure 1: Summary of the six stages of organizing shared services



Six stages of organizing service sharing

1. Taking stock

- List all of the goods, services, staff and internal functions that are currently shared with other organizations. Evaluate existing arrangements, determine how they could be improved and approach the other organizations with your recommendations.
- Identify major challenges faced by your community.
- Talk to key staff about their plans for addressing challenges in the coming years. Ask them what other internal and external changes are anticipated.
- Consider what your organization needs to share to deal with an issue, (e.g. understaffing issues, new needs, and priorities, access to expertise or services that could be improved) or to improve service, (e.g. support with service activities that have been put off or have been eliminated).
- Consider what your organization can share in terms of staff expertise, particularly effective services or capacity, (e.g. extra staff capacity, facilities with sub-optimal usage rates and idle or new equipment).
- Consider activities that could be rationalized, programs that could be coordinated and future opportunities to share services.
- Develop your organizations' objectives for sharing services.

2. Pre-engagement

i. Research and planning

- Pursue the services that would be beneficial to share from a policy or financial standpoint.
- Look up examples of these service arrangements online and contact the steering organizations for more information.
- Anticipate the concerns of stakeholder groups inside and outside your organization and incorporate them into your conversations with potential collaborators and council.
- Consult employment contracts and collective agreements to clarify shared service opportunities.
- Demonstrate pressure for service efficiencies and improvements by highlighting citizen satisfaction surveys on existing services and service levels, as well as ratepayer groups' literature.
- Acquire strong senior management support by outlining local interest in service changes and other communities' approaches to improving service.

ii. Consider collaborators

- List the organizations that could join up, goods, services, staff and functions that you have in common and shared needs, issues and objectives.
- Consider which organizations have the resources or assets you need at present or in future.
- List the pros and cons of working with each organization, weigh your options and determine where the strongest prospects lie.

iii. Choose a champion

- Choose a staff champion capable of building trust and confidence among stakeholders and managing expectations.

- Task the champion with start-up and implementation of the service sharing arrangement.

3. Initiating shared services

i. Informal initiation

- Arrange an informal staff meeting to discuss opportunities and gauge interest.
- Provide the key contact with as much information as possible on the service considered in advance of the meeting, including pros and cons, costs, (e.g. equipment, assets, training, operations, repair, fuel and consumables), revenues and service levels.
- Open discussions by outlining shared characteristics between your service users, (e.g. employment base, history, social challenges, etc.), as well as the strengths, resources and needs of all potential participants.

ii. Formal initiation

- Demonstrate the economic, social and political advantages of service sharing arrangements to the public, media and politicians.
- Develop a clear understanding of the common ground, participants' needs, service aspirations and priorities. Use them to define the objectives of the arrangement.
- Educate decision makers on the rewards, risks and resource requirements of the arrangement. Provide revenue and cost allocations.
- Consult stakeholders, especially those perceived to 'lose' in a shared service arrangement, early and regularly to elicit their feedback.
- Participants need to settle on cost criteria and work out reasonable costs for each participant.
- Verify collaborators' ability to deliver on commitments.
- All parties should conduct an internal review, including cost-benefit and risk analyses, to ensure the arrangement works for them.
- Document the anticipated benefits and determine if all parties' objectives would be met if the arrangement proceeded.
- Develop timelines for securing buy-in and setting up a governance framework.
- Identify realistic short and long term goals.

4. Setting up a governance agreement

i. General

- If possible, enlist joint legal counsel to facilitate the governance stage and obtain their approval before signing an agreement.
- Once an agreement has been struck, have Council pass a bylaw in support of it.
- Integrate any financial commitments arising from shared services into the organization's budgets and other planning documents.

ii. Consultation

- Communicate your intention to proceed to stakeholders. Draft a joint press release and circulate it to active citizens groups, the local press, neighbouring authorities and local public sector organizations.
- Unveil the agreement to the media and choose a key contact.

iii. Roles and responsibilities

- Map out the problem, solution, need or opportunity clearly.

- Identify service level and cost expectations and define participant roles, activities and contributions.
 - List major activities, micro-tasks and other critical success factors. List deadlines and milestones.
 - Make sure new arrangements have proper staff support.
- iv. Cost sharing and budget**
- Identify the basis for sharing services or the formula for sharing costs.
 - Clarify the treatment of risks and liabilities, (e.g. existing debt if relevant to the service sharing arrangement). Deal with insurance matters up front.
 - Summarize maintenance, acquisition, control and ownership protocols for equipment and infrastructure.
 - Sever operating and capital costs in the budget.
 - Include costs for each party, contingencies and inflation in the budget. The total cost of the shared service arrangement should be clear in the legal agreement.
- v. Decision making**
- Name the decision making structures, the role of decision making bodies and explain how their performance will be managed.
 - Determine who is involved in decision making and how decisions are made.
 - Clarify individual roles and responsibilities and clarify reporting relationships between individuals and groups.
 - Include appropriate dispute resolution mechanisms in the agreement.
 - Summarize contingency plans for managing unforeseen or crisis situations.
- vi. Performance management**
- Include metrics to evaluate the process, impact and effectiveness of shared services. Report on indicators of service quality, timeliness, responsiveness, cost, staff capability improvements and innovation.
 - Build in feedback mechanisms for both municipal staff and service users.
 - Clarify data sources and data collection responsibilities. Ensure all parties have access to data and user statistics.
 - Spell out project and evaluation timelines. Input continuation and termination provisions into the agreement.
 - Document internal and external reporting mechanisms.
- 5. Managing new staff roles and internal changes**
- Be mindful of collective bargaining agreements and the impact of shared services on employment contracts.
 - Understand and address the impact of shared services on staff, municipal assets and resources.
 - Explain operational changes to staff, especially how their roles will change, and offer training on new responsibilities.
 - Enlist staff expertise to help guide new policies and determine appropriate service levels.
 - Revise the necessary bylaws, policies, processes and structures to make sure they are consistent with the arrangement.
 - Maintain a connection to technical staff and ensure they receive adequate support in their new roles.

6. Evaluating and improving arrangements

- Monitor the arrangement closely to ensure that it is accomplishing its intended purpose. This includes tracking the actual costs of service sharing.
- Determine whether or not to renew the agreement before it expires.
- Before evaluating the arrangement, think about what has changed in the local context or service delivery environment since the inception of shared services and how changes influenced the arrangement.
- Review the performance metrics, service enhancements and contributions of other organizations. Compare expected financial results to actual results.
- Determine participants' satisfaction with the service, contributions from other organizations and financial performance of the arrangement.
- Report on the benefits realized as a result of collaboration.
- Determine how to improve future agreements and update performance metrics accordingly.
- If necessary, adjust each participant's contribution to reflect the actual costs of shared services based on cost drivers and cost data.
- Assess and standardize business processes.
- Consider inviting new parties into the arrangement or expanding the services provided jointly.

How to share costs

Methods of sharing costs differ significantly from arrangement to arrangement depending on the service, vehicle and non-monetary contributions of each participant. A few principles for allocating costs are equity, ease of calculation, availability of information, ease of administration and transparency. See the 'Resources' section for cost sharing guidelines.

Organizations can allocate the cost of a shared service equally between participants or based on standard criteria, including population, service availability, usage rates from different areas and weighted assessment. Most shared services use some combination of these criteria to share costs, however other, case-specific cost drivers are also used. For example, a rate per tonne of waste collected or disposed in a landfill or a rate per litre of water provided or sewage treated.

Cost sharing based on population works in situations where all municipalities have similar populations. Costs can also be shared according to weighted assessment to recognize differences among participants' ability to pay. Contribution caps can be applied where population and weighted assessment differ greatly from one municipality to another.

Various fees and charges can be used alongside other methods of apportioning costs. An annual base charge may be used to cover capital costs and fees for service or flat fees may be used to cover operating costs.

Overcoming challenges

Challenges to service sharing arrangements can be categorized as political, financial, administrative, economic and psychological. Recognizing where concerns come from is an

important part of managing them constructively. Loss of control over services and increased administrative workload are the most common challenges. Other objections and issues, as well as management strategies, are explored below.

Common objections to service sharing

Objection or issue	Suggested response
Senior staff understanding	<ul style="list-style-type: none"> • Phrase shared service initiatives in terms of strengthening management, service delivery and internal functions. • Collaboration rationalizes resources in support of core municipal objectives, strategic priorities and aligns with a continual improvement ethos. If service sharing involves new hires or access to new resources, it can be used as a succession strategy. • Although service sharing is a familiar vehicle for alternative service delivery, there are unrealized opportunities to save municipal costs and staff time. • Include the CAO or senior-most staff person in the evaluation process for shared services.
Loss of control over services	<ul style="list-style-type: none"> • Think of shared services as having their own identities, which although created by collaborators, are distinct from those of collaborator organizations. • Flexibility and dispute resolution processes are built into agreements in order to make adjustments as needed. • Recall why the organization is considering or has entered into a shared service arrangement and the anticipated benefits.
Past attempts have not launched	<ul style="list-style-type: none"> • Derailed attempts to share services are opportunities to understand the issues that could threaten future arrangements. • Political and staff turnover in all organizations diminishes the likelihood that the same dynamics of one attempt to share services will be present in others. Attrition can also create opportunities to share staff, as it did in the townships of Carling and The Archipelago, which now share several senior administrators. • There are new and increasing pressures to reduce costs that can enhance perseverance and the present commitment to service sharing.
Accountability concerns	<ul style="list-style-type: none"> • When services are provided in-house, there can be less of a need to document processes, workflow and issues year over year. Providing service in a new way and with other parties requires a clear understanding of roles and responsibilities. Documenting critical activities and performance metrics, as well as encouraging open dialogue about ‘who does what’ increases accountability. Formalizing some of these processes helps ensure that expected returns are realized. • Re-orient the focus away from who provides service to the service level and quality experienced by citizens.
Staff buy-in	<ul style="list-style-type: none"> • Shared services is about public needs – by sharing service delivery functions, local organizations can

Objection or issue	Suggested response
	<p>streamline and strengthen internal processes, increasing the service levels provided to ratepayers.</p> <ul style="list-style-type: none"> • Draw on local examples of dissatisfaction with the status quo and resource scarcity, (e.g. limited external funding and staff capacity, significant infrastructure renewal needs, service affordability issues, need for technical expertise, etc.). • Call an informal meeting between participating organizations so that staff understand that they face shared challenges and that shared services are part of the solution. • Focus on the purpose and objectives of service sharing, as well as the long-term outcomes. • Incorporate shared services work into staff job descriptions and performance evaluations.
Labour relations issues	<ul style="list-style-type: none"> • Bring up shared service opportunities as early as possible with union representatives and include shared service prospects in the collective agreement negotiation process. • Consult unions regularly to understand the issues and common ground. • Re-deployed staff can perform the same duties they performed previously over a broader territory or staff can be reassigned to new roles within the organization • Training can be provided on reassignments or where service sharing roles require new skills.
Time to organize shared services	<ul style="list-style-type: none"> • List existing shared service arrangements in the municipality and high profile examples of sharing in other municipalities. • Emphasize that the shared services model is not new and many time-tested arrangements become nearly self-managing. • Setup time depends on the participants, services and vehicles chosen. It can be minimized by revisiting these drivers. • Consider what the organization has to gain from sharing; the time invested needs to be seen in proportion to the benefits.
Cost allocation issues	<ul style="list-style-type: none"> • Settle on the principles for cost allocation and then begin allocation discussions. • Present research about how other organizations sharing the same services allocate costs. Consider contacting them to understand their justification. • Demonstrate flexibility by developing more than one potential cost allocation. • Consider involving an external party to facilitate cost allocation discussions. For example, a finance officer from another municipality. • If the arrangement costs an organization more than it was planned to per the shared service agreement, review the changes contributing to cost overruns, show how much the actual costs outpace the expected costs and adjust each organizations' contribution as needed.

Objection or issue	Suggested response
'Free-riders'	<ul style="list-style-type: none"> • To cover a wider catchment area and encourage complete participation in the arrangement, advertise savings in regional media and continue to approach non-participants with the business case for collaboration. • In some cases, non-resident user fee rates can be introduced to align the groups that benefit from services with the groups that pay for them.
Perceived or actual service quality loss	<ul style="list-style-type: none"> • Include cost and output measures in the baseline service provision scenario. • When tracking performance, use the same data sources that were used to develop the baseline costing as well as new data sources. • Ensure all participants have the support and capacity needed to deliver on their commitment to the arrangement. • Include recourse measures for unsatisfactory service performance. • Track the service level and cost of service closely over the life of the agreement. Advertise wins based on empirical evidence.
Evaluation challenges	<ul style="list-style-type: none"> • Key performance indicators should be built into service sharing agreements to facilitate evaluation. • Establish responsibility for data collection between and within organizations. • Maintain open lines of communication and address evaluation challenges as early as possible. • Look at service sharing as a work in progress; understand that it is participants' responsibility to refine the model so that it suits their needs.
Impact on institutional longevity or community identity	<ul style="list-style-type: none"> • Every community already gives and takes service from multiple governments, institutions and community groups. Shared services build on these realities. • Establishing wider linkages can consolidate community identity. • Insofar as shared services increases municipal problem solving capacity and responsiveness to local needs, it strengthens local governance authority.

Advice on how to sustain agreements long-term

- ✓ Link shared services and service efficiency to municipal plans, vision statements, political priorities and future directions.
 - ✓ Enter agreements with a political understanding that lasting changes and major savings may take a few years to materialize. Although savings can be realized immediately, the perpetual nature of some of the costs that are avoided or reduced through shared services calls for a longer term time horizon to analyze results.
 - ✓ Quantify the efficiency gains in financial and service terms. How much has been saved, how have service levels improved and what are the indirect benefits? Qualify other gains anecdotally. A municipality may start sharing to reduce costs, but realize other benefits after project implementation.
- Product standardization is an outcome of group buying through the Peterborough Purchasing Group, which has saved participating municipalities training costs.
- ✓ Incorporate service sharing arrangements into council orientation sessions.
 - ✓ Focus on why service sharing has been implemented rather than how it works.
 - ✓ Build strong, mutually respectful and mutually beneficial working relationships with staff from other organizations and try to contain issues internally.
 - ✓ Regular performance evaluations of shared employees are critical.
 - ✓ Infuse predictability and adaptability into the arrangement.
 - ✓ Where possible, build on existing agreements or use them to guide new agreements.
 - ✓ Track costs in terms of inputs and drivers and adjust participants' contributions as needed.
 - ✓ Be on the lookout for new opportunities.

Other tips

- Broach new shared service arrangements as early as possible in the council term.
- If possible, start the discussion after strategic planning, municipal viability or sustainability studies have finished.
- A strengths, weaknesses, opportunities and threats analysis, needs assessment or feasibility study can help staff evaluate shared service opportunities.
- Hold a signing ceremony after the agreement has been negotiated.
- Investing time into a communications strategy may be worthwhile.
- Citizen satisfaction surveys can be powerful demonstrations of service improvements.

Concluding observations

The desire to build local capacity and the need to search out cost reduction strategies are natural evolutions of Ontario municipalities' expanding role in public service provision and decreasing financial reliance on other orders of government. Sharing services presents many opportunities to save costs, build capacity and improve the services provided through municipalities and local public sector organizations. As such, shared services are extensive in Ontario.

The challenge is to broaden the range of shared activities, participants, vehicles used and quantify the savings. Longer term, the hope of making accountability for the funding and delivery of public services a local matter is to put the sustainability of local authorities in local hands.

Resources

[Agreement library](#) – AUMA.

[Costing municipal services: Workbook and case study](#) – Massachusetts Department of Revenue, 2005.

[Cost sharing for success: A pro-active approach](#) – AAMDC and AUMA Rural/Urban Cost-Sharing Task Force, 2004.

[District and intermunicipal planning: Example cost distributions](#) – Government of Saskatchewan, 2012.

[Equitable economics: Inter-municipal financial partnerships: Discussion paper](#) – AAMDC, 2007.

[Guide to municipal cooperation: Succeeding in regional partnerships](#) - Municipal Capacity Development Program, 2010.

[Identifying community assets and resources](#) - Municipal Capacity Development Program, 2011.

[Inter-municipal agreements](#) - Municipal Capacity Development Program, 2013.

[Municipal needs assessment survey](#) - Municipal Capacity Development Program, 2011.

[Ontario guide to developing fire protection agreements](#) – Ministry of Community Safety & Correctional Services, 2013.

[Opportunity knows no boundary: Reviewing the delivery of municipal services in Grey County: A collaborative approach](#) – Grey County, 2012.

Sample agreements from Ontario municipalities:

- [A municipality supplying fire protection services to various organizations \(residents associations\)](#)
- [Water supply agreement between two municipalities](#)
- [An information geomatics services agreement between a municipality and other municipalities](#)
- [Professional services contract for plans review and inspection services between two municipalities](#)
- [Two access to landfill site agreements between a municipality and First Nations](#)
- [Fire department administration service agreement between two municipalities](#)

[Sample Memorandum of Understanding](#) - Municipal Capacity Development Program, 2013.

[Shared service agreements](#) – New Jersey State League of Municipalities, 2013.

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Appendix A - Sample municipal bylaws

- [By-law to execute fire protection agreements a municipality and a range of lessees](#)
- [By-law to execute a water supply agreement between two municipalities](#)
- [By-law to execute a water purchase agreement between two municipalities](#)
- [By-law to execute information geomatics services between one municipality and multiple collaborator municipalities](#)
- [By-law to execute landfill site disposal services between a municipality and a range of lessees](#)

Appendix B – Additional background information on shared services

Why share?

Issues related to the economy, environment, health and crime transcend municipal boundaries and call for cross-sector solutions. By sharing certain assets and resources, organizations can lower their costs through economies of scale and economies of scope. Tapping into new revenue streams that require a critical mass of users or inputs can also add value.

Service sharing can be undertaken for non-financial objectives and produce non-financial benefits, including service enhancements and expansion, service integration across a region, access to better quality equipment and skilled labour, increasing the sustainability and viability of a region, building local capacity, trust, relationships and regional identities.

Shared services are often undertaken to realize an organization’s strategic objectives, including efficient service delivery, managing non-resident use of services, building trust with constituents and increasing municipal visibility with stakeholders. Service sharing helps municipalities manage lower levels of external funding and cope with ratepayer pressure to minimize costs while addressing residents’ interest in new or improved services. Increasing problem solving capacity and sharing risk are practical strategies for dealing with instability in the economy, financial uncertainty within an organization and regulatory uncertainty in the public sector.

Avoiding health and safety risks associated with shorter days during the winter months was one reason the Municipality of Thames Centre started to share landfill services with the City of London.

Organizations with an aging asset base may be positioned to initiate shared services because they know replacement dates are near, replacement costs are high and, in some cases, renewal is unaffordable for a municipality. Replacement activities can be coordinated to save on capital, operating and maintenance expenses.

The key factors driving interest in service sharing include general cost escalation, organization of ratepayer groups, resident demands for new and improved services, non-resident use of service, new mandates, increasing cost of compliance, multiplication of regulatory controls, declining intergovernmental aid, declining volunteer support, and pressure to contract services out to the private sector or privatize functions.

What can be shared?

Several sections of the *Municipal Act, 2001*, concern shared services. Subsection 20(1) states that “A municipality may enter into an agreement with one or more municipalities or local bodies... or a combination of both to jointly provide, for their joint benefit, any matter which all of them have the power to provide within their own boundaries.” Providing services outside municipal boundaries requires the consent of the outside jurisdiction, whether it is a municipality, a local body in unorganized territories or, if none exists, local residents.

Different parts of a service can be shared, including planning, administration, delivery, labour, evaluation, accounting, payroll, billing, audit, tendering and cost. A service can also be shared in parts of a community, but not the whole community. For example, isolated communities may want to share services close to the municipal border.

Certain services are easier to share than others, including ones with clear output measures, simple outputs, low impact of service disruption, scale economies, high up-front costs, significant infrastructure or equipment costs and low transaction costs. (Transaction costs can include background research, administration, negotiation, monitoring and enforcement costs).

It may be more difficult to share services that play a role in resident loyalty or pride, services for which there are different needs between user groups (complex outputs) and services involving technical or specialized skills that are hard for staff to learn.

In general, what and how an organization shares depends on its objectives. For example, local organizations could setup a regional association for records management to reduce the cost of complying with records retention regulations. According to MMAH's Shared Services Survey, the most commonly shared services in Ontario are emergency services, roads maintenance, libraries, planning, building inspection and bylaw enforcement and waste management. The least commonly shared services are legal, finance, facilities management, website and clerk or administration-related responsibilities.

The diversity of Ontario's local public sector rules out prescriptive advice about what services to share. Here are some tips to support these local decisions.

- Arrangements should focus on building confidence: stake out policy objectives before financial ones.
- Information sharing helps build relationships: share new kinds of information in an ongoing way and with new organizations.
- Internal policy updates can present opportunities to harmonize the local regulatory environment.
- Consider the challenges - social, economic and demographic – that public sector bodies in your area face. Solutions to these challenges can be shared.
- Services that are standardized and relatively apolitical can be safe starters.
- Pick services and organize arrangements that preserve or enhance existing service levels.

With whom to share?

- Which local public sector organizations operate within your municipality? With which municipalities does your community share borders?
- With which local organizations does your municipality share values and objectives, maintain a trusting relationship, share information or enjoy a history of cooperation?
- Consider the contribution that each organization could make, the quantity and quality of their resources and assets and their financial condition.

Stakeholder-specific benefits of shared services

Ratepayers, elected officials and public sector staff have different perspectives on shared services. Some of the potential benefits of shared services for these groups follow.

Ratepayers

- Access to new, enhanced or streamlined services
- Smaller bills to pay
- Trust in public officials and administration

Elected officials

- Demonstration of value for money and strong stewardship of the public purse
- Ability to pass on savings or to use the tax room to fulfill campaign priorities
- Streamline the business environment for regional enterprises
- Build a local political network that can be used for lobbying purposes
- Achieve locally determined priorities and re-orient accountability to local people and organizations

Staff

- Enhance credibility with politicians and the public and challenge perceptions of bureaucratic inefficiency
- Reduce the time spent on provincial reporting
- Promote fairness in the costs of delivering service to non-residents
- Encourage active management of service and staff performance
- Build capacity, maintain service relevance and responsiveness to public demands