



MUNICIPAL

StrategyCorp 2017 CAO Report

*A candid look at the issues on the
minds of Ontario CAOs*

Creating conditions for success™

This and previous CAO reports are available on the StrategyCorp website at www.strategycorp.com.

The opinions expressed in this report are those of the respondents and do not necessarily reflect the views of StrategyCorp.

For further information, contact:

Communications & Municipal Affairs

StrategyCorp Toronto
145 King Street East, 2nd Floor
Toronto, Ontario M5C 2Y7
416.864.7112

StrategyCorp Ottawa
100 rue Queen Street, Suite 550,
Ottawa, Ontario K1P 1J9
613.231.4113

matheson@strategycorp.com

© StrategyCorp Inc. 2017

*This study is dedicated to all those
who have served in the role, whether
they were known as CAO, City Manager,
County Administrator, or Town Manager,
with thanks for their public service.*

StrategyCorp wishes to acknowledge the
anonymous* participation by this year's interviewees,
without whom this Report would not have been
possible.

AUTHORS



John Matheson



Ron Shaw



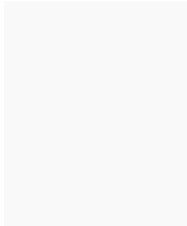
Ian Smith



Michael Fenn



Shirley Hoy



Erik De Lorenzi

For the purpose of this document the term CAO refers to Chief Administrative Officer, County Administrator, City Manager and Town Manager.

EXECUTIVE SUMMARY

In the spring of 2017, StrategyCorp interviewed the Chief Administrative Officers of 26 upper, single and lower-tier municipal governments in Ontario. This report combines their opinions with commentary by StrategyCorp's Municipal Practice Group.

This year, our focus was on small and medium-sized municipalities. It builds on our 2016 report, which focused on CAOs of larger municipalities.

Interviewees were taken through questions set out on page 9, but were encouraged to share whatever was on their mind in a frank, open-ended interview format. We promised to respect their individual confidentiality, and to faithfully record their thoughts.

Through our questions, we further explore the role of the CAO and the state of Ontario municipalities, from the perspective of twenty-five respected practitioners.

Once again we were impressed by both the breadth and depth of their insights.

As an administrative leader, the CAO must lead in solving the problems of the community. This year we heard about the following concerns.

- Financial sustainability: "Something has to give,"
- Uncertainty in Canada-US relations: "What will it mean to our local economy?"
- Decreased civility in public discourse: "There's a Councillor who wants to be like Trump."

- Managing Public Engagement: "Keeping up with changing public expectations."
- Providing for those most in need: "We have the same problems as larger communities, just fewer resources."
- Environment and Climate Change: "Hundred year storms seem to be happening every year."
- Anticipating disruptive innovations: "What will the roll out of Artificial Intelligence do to employment in our community?"

In addition to the challenges of the community, there are the challenges that are specific to being the head of the municipal administration. This year, we heard about the same sorts of tasks, but through the distinctive lens of smaller organizations

- The challenge of being a CAO in a small to medium sized municipal government: Adding to the "job-jar" without new resources.
- Building the senior management team: "Key to the job."
- Getting the Right Planning Horizon: Keeping the "urgent" from crowding out the "important."
- Performance Management: An appetite for more...
- The lynchpin between council and staff: "How to be Council's representative to staff and staff's voice to Council."
- Leadership Matters: "For the CAO, credibility is everything."

Digital Documents & Service Delivery

In 2016, Ontario created its first Minister Responsible for Digital Government. In this year's report, we added a new question to determine the interest and activity level of participants in exploring opportunities for digital transformation of service delivery. We found a high degree of interest and optimism but limited resources and expertise to move forward. Respondents focused on the need for shared delivery models to reduce barriers to adoption.



INTRODUCTION

The 2017 CAO Report

Guiding municipalities through their various strategic and operational challenges is the Chief Administrative Officer (the CAO, or variously called city manager, county administrator, town manager, city administrator), a position that too few recognize for its essential contribution to good governance.

Our 2016 Survey focused on the CAOs of Ontario's larger municipalities. This year, we have focused on small and medium-sized municipalities to develop a more comprehensive understanding of the divide between large and small municipalities, the challenges they face, and the solutions they have proposed.

CAOs are most noticeably the general manager of the corporation and chief policy advisor to city council; they also serve critical roles in enabling municipalities to achieve their broader economic, environmental and social development goals.

The Municipal Act provides limited clarity regarding the role of the CAO, setting out that staff is responsible, in addition to their statutorily defined responsibilities, to "carry out other duties required under this or any act and other duties assigned by the municipality."

Put differently, the statutory definition of the CAO's role provides an inadequate definition as to what the CAO actually does.

Similar to last year, we created a process where informed, probing questions could be asked and candid, reflective responses could be heard and understood by knowledgeable and experienced interviewers, and then interpreted back to CAOs facing the challenges of today and preparing for the challenges of the future.

Taken as a whole, the Survey strikes notes of both optimism and concern.

On the optimistic side, as before, these interviews assemble a picture of professionals who are passionate about the capacity of government to do good, and the role that they play in it.

On the concerning side, CAOs are still telling us that there is a gap between what the public expects local government to deliver, and what it is prepared to pay for. As one participant said, "Something has to give."

They are also telling us that populist forms of politics are stressing our open, inclusive Council model, which in its structure and procedures, is not built to withstand a politics of pure opposition.

Despite its importance, the CAO position is not well understood by the general public and has few champions. Indeed, some muse about getting rid of the CAO position. Yet in our view, the lynchpin role and leadership that the CAO must deliver is more important than ever, if we still value a system that can effectively pair a democratically elected council with a professional public service.

In our view, the position of CAO still needs to be better understood, and more properly defined in our system, and would again urge Ontario to add this to its agenda, in its on-going deliberations over the *Municipal Act*.

WHAT WE ASKED:

StrategyCorp undertook confidential interviews of CAOs from small and medium sized Ontario municipalities, asking the following 13 questions:

1. How do you see the economy changing over the next 3-5 years and how could this potentially affect your municipality?
2. Are there particular social, technological, environmental, and/or political trends that you believe could have a significant impact on your municipality over the next 3-5 years?
3. What are the key external threats and/or challenges that you feel your municipality will need to consider and potentially address over the next 3-5 years?
4. What has your municipality done particularly well that you think could be informative to other leaders in the ongoing management of their organizations (e.g. service or program innovations)?
5. How is your municipality preparing for the expected gaps in human resources and leadership given factors such as the aging work force?
6. What are the top three issues “keeping you up at night” that your municipality will need to address over the next 3-5 years?
7. Are there specific opportunities or key priorities you are focusing on over the next 3-5 years to improve the performance of your municipality?
8. What approach is used by your municipality to engage its key internal and external stakeholders?
9. How do you monitor and assess the ongoing performance of your municipality?
10. How effective is your/staff’s ongoing working relationship with your mayor and council? Are there aspects that could be improved?
11. How do you manage your relationship with other municipalities in your area and with the Province?
12. Does your municipality have a strategy for exploring greater use of digital documents or digital service delivery?
13. Do you have any other comments that you would like to add or questions in light of the above?

WHAT WE LEARNED ABOUT THE ROLE OF THE CAO TODAY

As was the case last year, the CAOs we communicated with are handling their jobs well. They are confident about their work and present themselves as satisfied and fulfilled in their profession. Nevertheless, as with last year's participants, they identified two distinct categories of challenges.

THE CHALLENGES OF THE COMMUNITY

By **"challenges of the community,"** we refer to the set of issues faced by the municipality as a whole. As the adage goes, "the buck stops" at the CAO. As corporate leader, the CAO must lead in solving the problems of the community.

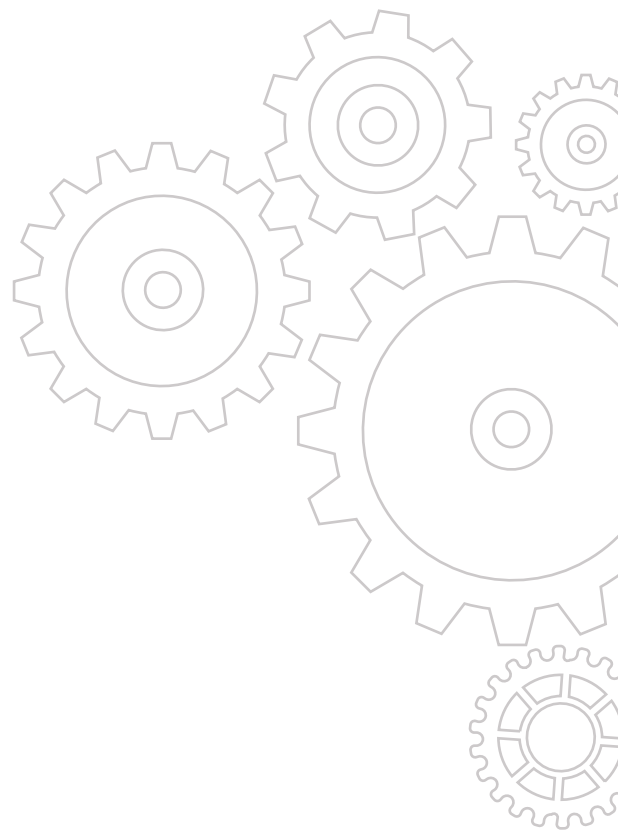
Not surprisingly, through the interviews we heard, many CAOs identify their toughest tasks as coming not from the job title and description, but from the condition of the municipality itself.

Some were frankly concerned about the future sustainability of their community. If success in the job is linked to success of the community - not just the efficiency of the administration, then for these participants, success is at the mercy of factors well outside their control.

THE CHALLENGES SPECIFIC TO THE JOB

By **"challenges of the job,"** we refer to the challenges that are specific to the head of the municipal administration. Managing and innovating in the face of change. HR issues, Council relations and addressing service delivery expectations in the face of ever-constrained budgets are all common themes.

Greater adoption of social media in rural communities has been met with mixed responses by governments, with some successfully identifying new mechanisms for engaging residents, others observing a "souring of the milk" in municipality-resident relations, and a majority observing that existing municipal resources are not sufficient to capture the extent of the benefits of these new platforms.



A hand is visible on the right side of the image, holding a piece of white chalk and drawing 'X' marks on a dark chalkboard. The chalkboard is covered with several 'X' marks and circles drawn in white chalk. There are also some pinkish-purple markings on the left side of the board.

CHALLENGES RELATING TO THE COMMUNITY

1. Financial sustainability
2. Uncertainty in Canada-US relations
3. The “New Populism” and decreased civility in public discourse
4. Managing public engagement
5. Providing for those most in need
6. Environment and climate change
7. Anticipating disruptive innovations

FINANCIAL SUSTAINABILITY

Not surprisingly, declining financial sustainability is the most critical issue facing Ontario's small to medium-sized municipalities. Pressure on capital and operating budgets remains a constant problem. Given the public expectation that municipalities maintain service levels and refrain from increasing taxes, CAOs all employ cost-saving and productivity-enhancing initiatives as one of the few strategies available to close this gap.

Respondents in larger municipalities refer to these challenges as a source of stress. In smaller communities, where resources are scarcer, some CAOs expressed a kind of "resignation" that their municipalities are simply unsustainable given the current distribution of revenues and responsibilities.

Respondents are open as to whether relief should come in the form of new revenue tools, more long-term financial assistance from senior governments or the political will to raise existing taxes, but they all agree on one thing: It is needed.

UNCERTAINTY IN CANADA-US RELATIONS

Participants understand that international disruption has the potential to hit hard at home. With the renegotiation of NAFTA and the potential expansion of “Buy America” provisions, Ontario’s municipalities – particularly those dependent upon manufacturing and/or Canada-US trade – are justifiably concerned about the local consequences of changes in US trade policy.

Roughly a third of CAOs mentioned the potential local effects of unexpected international disruptions – with many specifically mentioning the Trump administration as a cause of anxiety.

They understand that they will not be at the table, but they acutely understand that they may have to address the fallout of disruptive change.

THE “NEW POPULISM” & DECREASED CIVILITY IN PUBLIC DISCOURSE

“New Populism” may not have been invented in the U.S., but the demeanor and communications style of its leading global practitioner were referred to by many participants as having contributed to a change in the tone of local Councils, even in small town Ontario.

“There is one who wants to be like Trump,” is a comment we heard more than once.

We heard loud and clear that CAOs are seeing a change in the tone of their meetings. It shows up in the form of:

- elected members who style themselves as “Opposition Leader” rather than Council Member
- politically-active residents who refuse to accept the complexities of municipal management

CAOs and other municipal public officials serve in the public eye, and find themselves increasingly subject to personal attacks, without a practical way to defend themselves or their municipal administration.

The new style of confrontational dialogue has been exacerbated by social media. As one respondent put it, “This kind of debate is not really conducive to creating evidence-based decisions.”

Some CAOs are investing in their capacity to have the municipality engage proactively in communications to better get their message out, with a formal communications strategy.

Others are working to improve the decision-making support tools and materials that they provide to Council.

MANAGING PUBLIC ENGAGEMENT

In the 2016 Survey, we found that there was a significant interest in finding ways to effectively engage the public, beyond public meetings.

Traditional methods are still being used, but supplemented by digital formats. Digital tools for consultation offer special benefits in communities with a high proportion of seasonal residents or where traditional radio and newspaper coverage is waning/disappearing.

The need to manage public expectations was again called out by participants. A majority of interviewees described an increased expectation of residents that they are to be actively considered as key decision makers in the provision of services, and an even larger majority observed that residents expected improved service levels while paying existing or lower tax rates.

PROVIDING FOR THOSE MOST IN NEED

Participants expressed empathy for the challenges many of their citizens face on a day to day basis as they manage mental health issues, housing affordability challenges, and other social problems.

As one respondent put it, "We have all the problems of a big city, but fewer resources."

Some of these challenges fall directly within the ambit of provincial or municipal programs. While others do not fall squarely within traditional municipal service responsibility, as executives responsible for the level of government closest to the people, interviewees demonstrated that they were keenly aware of these challenges and examining ways the municipality could respond to citizen needs.

ENVIRONMENT & CLIMATE CHANGE

As executives responsible for the level of government closest to the people, climate change isn't an abstract or scientific concept. Already burdened aging infrastructure, CAOs face the realities of climate change every time there is an adverse weather event.

Respondents told us that extraordinary rainfall is a regular occurrence. "Hundred year storms seem to be happening every year," said one respondent.

Municipalities are creating response plans to address the increased frequency of severe weather events.

ANTICIPATING DISRUPTIVE INNOVATIONS

Robotics and artificial intelligence have been on the horizon of the workplace for many years. Respondents this year began to identify the disruption to work methods and work forces that such technological change will bring.

For communities to continue to thrive in this new era, municipal leaders will need to anticipate and plan for the tectonic changes it will bring.

This could potentially require a rethinking of hard and soft services, land use policy, employment, licensing, and taxation.



UNIQUE CHALLENGES FACING CAOs

1. The challenge of being a CAO in a small to medium sized municipal government
2. Building the senior management team
3. Getting the right planning horizon
4. Performance management
5. The lynchpin between council and staff
6. Leadership matters

THE CHALLENGE OF BEING A CAO IN A SMALL TO MEDIUM-SIZED MUNICIPAL GOVERNMENT

The focus of this survey permitted us to examine the unique perspectives of CAOs who serve in small and medium-sized communities.

With well over three hundred municipal governments fitting in this category, this is an important perspective that was not represented in our 2016 CAO Survey.

Respondents emphasized that small and medium-sized municipalities share most of the same challenges, and responsibilities, and obligations as their larger cousins. They tend to have fewer resources to deal with them, however. In particular, they lack some of the specialists who support CAOs in larger municipalities, in such areas as:

- communications, public relations, and public engagement
- project management

- long-term capital planning
- inter-governmental relations
- economic development
- innovation/continuous improvement

As a result, many of these challenges sit on the corner of the CAO's desk, adding to the catchall "job-jar" of "such other duties as may be required." (In our experience, this is a phrase that makes most CAOs smile.)

In our 2016 Survey, many respondents referred to the hiring of specialists in such areas as innovation that were helping them to make progress on addressing challenges. Unable to afford dedicated resources themselves, some participants this year said it was their hope to get additional specialist resources through shared arrangements with neighbouring municipalities.

BUILDING THE SENIOR MANAGEMENT TEAM

Last year, we identified the need to “build the right team,” as a key to being a successful CAO.

This year, we heard that this applies equally to being a CAO in a smaller to medium-sized municipality. It is harder to recruit and keep a team. If there is a gap in the team, it will be more keenly felt, with the CAO often having no choice but stepping in to fill staffing gaps, especially in smaller municipalities.

We were told that with municipalities competing amongst themselves for top talent, staff recruitment and retention is frequently being elevated to the CAO’s office.

The struggle to attract qualified team members is particularly acute in rural municipalities. Candidates need to have a fit with the rural lifestyle. Often, there has to be work not just for the candidate, but also for the spouse/partner. Some also identified a lack of suitable housing as a barrier. CAOs are increasingly taking a more active role in recruitment, and coming up with more creative solutions to get the team members they need.

On the retention side of the equation, the threat of “poaching” by neighbouring municipalities again loomed large in responses. Also noted was the reality that successful executives in smaller organizations often seek advancement in larger organizations.

To address this, CAOs focus on developing the culture that supports retention. Many linked the importance of Council-Staff relations to this challenge. One respondent observed, “It is no use my stressing to recruits how friendly and laid back our community is, if Council members constantly act out in a hostile or aggressive fashion in Council meetings.”

The linkages between work satisfaction and Council-Staff relations loom large in building the executive team. For many CAOs, poor Council-Staff relations are a key stressor in the never-ending struggle to recruit and retain quality staff.

As one respondent said, “If things don’t improve, how am I going to keep my senior team? They don’t have to put up with this.”

GETTING THE RIGHT PLANNING HORIZON

For this year's respondents, the need to get the right planning horizon is just as much a challenge as it is for larger municipalities.

Most of the significant challenges facing municipalities are long term in nature, and require long-term solutions.

Many respondents told us that looming infrastructure deficits on such big-ticket items as roads, bridges and water infrastructure have been quietly tolerated over the years. Through such tools as mandatory long term asset management plans, municipalities are bringing these long-term challenges into sharper focus.

Some pointed to the electoral cycle as a serious challenge. With "silly season" potentially affecting the year before an election, and transition challenges affecting the first year after the election, it means two out of every four years is potentially a "bad" year to focus in challenging or divisive subjects.

No matter what organization, there is always a risk that "the urgent" might crowd out "the important."

As the municipal HR adage goes, "No CAO has even been let go for having the wrong long-

term strategy, but poor service in garbage pick-up or winter control can get you fired next week."

While smaller municipalities may not face the glare of daily media outlets, they face a different form of accountability that is equally intense: gossip at the coffee shop. In smaller communities, there is "nowhere to hide" from apparent gaps in service delivery or good local planning. CAOs know this. Where there are constant distractions on day-to-day matters, long-term planning gets put on the "when we get around to it" list.

This underscores the importance of having the right team in place to manage operations, so that there is time for the CAO to focus on the strategic matters that are vital to the long-term success of the municipality.

However, the lack of alignment between the time horizons set out by council and staff to realize their various objectives – driven by the electoral calendar – creates significant barriers to the CAO's ability to implement long-term investments in the municipality that may not provide benefits for many years to come.

PERFORMANCE MANAGEMENT

Local government thrives on public services and the stewardship of capital assets.

Performance measurement is essential to get the most out of the organization. If you cannot measure, you cannot manage. Neither can you demonstrate to the citizens nor Council that good value for money is being achieved by the administration.

Nevertheless, Ontario municipalities still have a long way to go in developing effective performance measurement tools.

Performance within the municipality must be informed by numbers, but ultimately requires resources to do the tracking and analysis, and judgment about qualitative matters which are harder to measure objectively.

Performance benchmarking across municipalities is even more complicated, because the closer you look at the numbers, the harder it is to find true “apples to apples” comparisons.

A majority of participants told us that they are doing what they can, and would like to do more, but that resources do not allow for a robust, timely program of performance measurement.

Many shared that their lack of definitive management metrics contributes to an inability to prove in a definitive way “are we doing a good job” when issues arise.

Some see improved ability to track and measure as a benefit of increased digital service delivery, and are making investments in improving their digital capacity.

On the inter-municipal benchmarking side, some are investing the effort to find municipalities that do share similar characteristics, and that are suitable for comparison purposes. Others are investing time to demonstrate the differences that make some neighbouring municipalities inappropriate as comparators, even though by their proximity they may seem relevant to a lay persons’ eye.

One thing is certain. There is still an appetite for more, better, and affordable tools that deliver relevant and timely insight into municipal performance. But it needs to be done without a major commitment of scarce resources and summarized using dashboards and metrics that everyone can easily understand and track.

THE LYNCHPIN BETWEEN COUNCIL & STAFF

As noted in our 2016 survey, the CAO serves as the “lynchpin” between council and staff.

Only slightly more than half of participants claimed that they had a positive relationship with their Council. The ability to manage council-staff relations is becoming an increasingly important skill for CAOs.

The CAO must be Council’s representative to staff and staff’s voice to Council.

As in larger municipalities the line is still perilous. *The Municipal Act* definition of the role of the CAO does not provide adequate protection or a realistic description of the role.

This is not defined in the legislation but it is well understood in practice. To be successful, CAOs have to manage both sides of the relationship. If the CAO leans too far to either side, the two-way flow of trust, information and influence can be eroded or broken.

Generally, participants described the behavioural problems that originated from staff as “annoyances,” that could be dealt with through the staff performance evaluation process.

More serious were behavioural problems that originated from Council. Several interviewees described having one or more councillor who did not “understand their role.” In some cases, this took the form of councillors who sought to dictate the workflows of particular departments. Others were described as defining their role as a kind of “Leader of the Opposition,” rather than part of the Council responsible for governing.

In such circumstances, the role of the CAO is critical, in liaising with Council, and especially with the head of Council, to correct these issues before they become a problem.

LEADERSHIP MATTERS

As in larger municipalities, participants stressed the importance of developing strong, trust-based relationships with their Council.

In smaller municipalities, the role that the CAO plays in filling gaps magnifies the importance of the position.

In such an environment, the credibility of the CAO is everything: As one participant put it: "The job begins and ends at credibility. You have to establish credibility and maintain it."

CAO leadership has the potential to clearly define roles and responsibilities, incent alignment, and support the building of bridges between councillors and staff.



QUESTIONS & ANSWERS

Q1. How do you see the economy changing over the next 3-5 years and how could this potentially affect your municipality?

The local impacts of global trends loom large over the role of Ontario's small and medium-sized communities. The expected fallout from unprecedented uncertainty in Canada-US relations, particularly with the impending renegotiation of NAFTA, was the most frequently cited change by these CAOs.

By nearly equal measure, there was concern regarding municipality's insufficient preparation for the industry and economy-wide changes that are likely to be brought upon by an acceleration of technological advancement.

Specifically, several CAOs pointed to a lack of a well-defined strategy outlining the response to the "future of work" and the associated decline in industries which historically provided strong and stable employment such as manufacturing, as a primary cause for concern.

Our interviewees were overwhelmingly concerned that housing affordability would continue to decrease in Ontario, placing increased burdens on the municipality's social services, which demand creative solutions to maintain access to housing within their communities.

WHAT WE HEARD

Threats/changes to the economy

"Now there's the Trump factor!"

"American protectionism will have a trickle-down effect on Ontario's municipalities."

"I'm concerned about US developments and potential changes to the balance of trade following the renegotiation of NAFTA."

"It's easy to have growth with the wind behind you; it's not so easy when you are in a headwind."

"There has been significant buy-in to the economy transforming to something more sustainable on a large scale; for example, recycling."

Comments on the changing workforce

"A skilled worker shortage will 'plague' the county in the coming years. We need more emphasis on providing job-relevant training in community colleges."

"Automation and the rise of disruptive technology will create significant challenges for our community. People still need salaries to contribute to the local economy."

Concerns about rural economic development

"It's hard to diversify the economy where we are... Social services caseloads have increased due to the decline in manufacturing and the consolidation of farms."

Q2. Are there particular social, technological, environmental, and/or political trends that you believe could have a significant impact on your municipality over the next 3-5 years?

While many of the trends identified by CAOs appeared to be specific to our interviewees' municipalities, it seems that many of the trends which have demanded responses from larger municipalities in recent decades have now spread beyond urban areas, requiring responses from municipal managers who have significantly fewer resources to adjust to them than larger municipalities.

WHAT WE HEARD

Social pressures: *Have's and Have Nots...*

"We have all the problems of a big city, but fewer resources."

Broader economic and demographic trends, including increasing income inequality, decreasing housing affordability, an aging population, and rising demands for mental health resources are more commonly demanding responses from municipalities.

"We are becoming more Americanized in terms of the polarity between the "haves" and the "have-nots."

"Increasingly, people are falling through the cracks. The rise in the number of poverty, homelessness, and mental health cases are creating significant budgetary pressures."

"Our community is becoming more diverse, with LGBTQ and minority representation comparable to some of the urban centres."

Technological: Taking advantage of change...and not being left behind

The rapid pace of technological advancements was viewed to be a double-edged sword, offering both the promise of productivity gains and the threat of disruption and isolation for those not posed to take advantage of change.

"By the time we get a new project built, it's obsolescent. We need a new way to procure, faster."

"Driverless vehicles will have a significant impact on transportation planning."

"We're grossly underserved with high speed broadband. We can't take advantage of new technologies if connectivity is poor."

Environmental stewardship and climate change

CAOs listed climate change among the key threats facing their municipality in the coming decades. In response to more severe weather events in their communities as well as heightened environmental consciousness of the provincial and federal governments, CAOs have begun developing climate action plans, integrating green technology in public facilities, and improving the sustainability of recycling and garbage disposal practices.

"We've developed a reserve to finance responses

to drastic weather events.”

“Residents are demanding more sustainable recycling and waste management practices.”

- *We have expanded our recycling operations.*
- *We have invested in active transportation and “green” infrastructure, including the expansion of bike lanes.*

Political: The New Populism

An expansion of Canada-US differences on key policy areas (i.e. international trade, environmental protection, immigration, supply management in agriculture) looms large on the minds of the CAOs. While policy differences with our most important trading partner have expanded, interviewees noted that rural Ontario appears to be importing a number of trends that been documented in the US, including the rise of a “new populism” and a general decrease in the civility of municipality-resident interactions.

“The Trump phenomenon is not unique to America. We are expecting to see more candidates running to satisfy personal ambitions and not to advance the interests of the community.”

“Increasingly, the “wrong” kind of candidates are stepping forward.”

“Social media is fundamentally reshaping the public’s expectations. Demands for better services have multiplied and conversations can no longer take place in anonymity.”

Q3. What are the key external threats and/or challenges that you feel your municipality will need to consider and potentially address over the next 3-5 years?

In looking ahead, CAOs expressed significant concern regarding their municipality's lack of financial sustainability – largely contributed to by insufficient provincial funding and increasing infrastructure needs – and a simultaneous increase in the public's expectations for service levels, the rise in "fake news," and the expansion of existing concerns with Canada-US relations, cybersecurity, and climate change.

WHAT WE HEARD

Infrastructure: Inadequate funding/ concerns about funding reductions

"The infrastructure deficit is getting worse and council won't raise taxes."

"You can only patch up bridges for so long. Eventually, it has to be on senior governments to provide funding."

"Council acknowledges financing challenges, but the election cycles of councillors who have to be re-elected every four years prevents any action."

"Now that we have a long term asset management plan, it confirms what we already knew: we are not sustainable with the current levels of funding."

Declining public discourse: fake news

"Fake news is a reality. Public discourse has decreased in quality. Time honoured traditions and principles in journalism have disappeared

as people create facts that suit their preferred narratives."

"Social media has invited citizens to become journalists and has blurred the line between fact and opinion."

Cybersecurity

"Increased use of technology has exposed us to cybersecurity threats."

Q4. What has your municipality done particularly well that you think could be informative to other leaders in the ongoing management of their organizations?

Interviewees were hard at work over the past year, striving to improve the performance of their municipalities through a combination of internal and external reforms. Particular points of pride for select interviewees included their efforts to develop results-focused cultures, to increase employee engagement and staff satisfaction, and the measures taken to improve the quality and efficiency of service delivery. Most striking, however, was the number of municipalities that had hired consultants to perform strategy and operational reviews and then documented success following the implementation of the associated recommendations.

WHAT WE HEARD

Initiatives to improve workplace culture

"Our staff survey showed that over 90% of employees love their job!"

"We have significant opportunities for secondments."

"Our competitive advantage comes from our focus on implementation."

Community identity

"We've done a very good job of retaining a sense of identity as we've grown."

Performance measurement

"We will be introducing a balanced scorecard for use in performance assessment."

Strategy, operational and organizational reviews

"Even after it was completed, the organizational review guided us in where we needed to further investigate."

"We recently made Continuous Improvement a core activity."

"Our service delivery review, which has been very successful and transparent, has led to significant operational improvements and improved staff accountability."

Inter-municipal cooperation

"We have significantly reduced costs through consolidating operations across municipalities without sacrificing service quality."

"Our county and member municipalities did a joint strategic plan which aligned priorities across neighbouring municipalities."

Economic development

"We work well across the municipality in support of our economic development strategy."

"Our community improvement plan was a valuable guide for our municipality."

Sustainability

"Council is 100% committed to renewables and we're implementing plans to make sure that this is engrained within our operations."

Access to broadband

"We're working hard to improve technological connectivity."

Q5. How is your municipality preparing for the expected gaps in human resources and leadership given factors such as the aging work force?

As it is well known, the wave of municipal retirement is already upon the sector. The adequacy of preparations varies by municipality. While a majority of interviewees identified already significant and continually expanding HR gaps as significant threats to their municipality's operations, only a small minority appear to have made considerable progress towards eliminating these gaps.

While many of their methods have not yet proved successful, some of the approaches implemented which appear likely to reduce this gap include increased efforts to recruit entry-level employees with the potential to serve as the municipality's future administrative leaders, investments in secondment opportunities and employee engagement initiatives, development of succession plans, and initiatives to increase staff retention.

WHAT WE HEARD

Challenges

"One of our biggest problems is attraction. We don't have sufficient housing for new hires."

"We have strong and capable deputy directors that could easily take the reins."

"We do not have a formal succession plan."

"The municipality's flat structure is a challenge to succession planning."

Staff development and retention

"Secondments and mentorship platforms have proven highly effective."

"We recently introduced healthcare spending accounts for contract workers, which has already resulted in increases in retention."

"We're exploring options to expand training and development opportunities for front line and middle management that will help us effectively compete for senior positions."

Recruitment

"Our biggest challenge is attracting them to come here, though we get some pretty good folks who are looking for the type of lifestyle that our community offers."

"We expect that the pool of qualified candidates will grow smaller over the coming years."

"Summer students have become an integral part of our talent development program."

Q6. "What are the top three issues keeping you up at night?"

Note: The total adds up to greater than 100% as the format allowed the respondent to mention up to three subject areas..

Mentions	Issues	Representative Comment
80%*	Funding & taxes / operating costs	"Property tax is a 19th century tax base to deal with 21st century problems. We need new revenues." "With a small population, small tax base, and many costly needs, we need to change the way we do things." "It is one thing to build it; it's another to [be able to afford] to operate it."
50%	Funding & maintenance of infrastructure / deficits & consequences	"Infrastructure being downloaded." "Decline in provincial transfers." "Asset management plans highlight the need to invest in infrastructure; now we need the funding..." "Some municipalities will be unsustainable over the next 10 years." "Our 10 year plan is scary."
50%	Council role, direction & conduct	"Increasingly Council candidates only represent a specific constituency or group." "Most Councils don't understand asset management and how it flows into sustainability." "Council plans change on a whim in the face of any negative comment." "Council doesn't understand the role of Council and staff."
>30%	Planning for uncertainty & disruption	"The "unknown" – policy changes by senior governments, and the Trump Administration." "Cannabis legalization," and "opioids."
>30%	Succession planning	"Recruiting good staff, and convincing Council of the advantages of becoming an employer of choice." "Some existing staff are doing double duty and it's not sustainable."

Economic development

"Globalization has contributed to the increased the inequality between high income and low income neighbourhoods."

Growth, land use planning, housing

"The Province leaves us unable to contribute to increased land supply and offers no practical assistance to meeting growth targets."

"Achieving the economic changes required to be a thriving municipality while balancing rural and urban needs."

Managing changing expectations

"Can the organization change fast enough to respond to political and financial expectations?"

Gaps in services to people (health, social services, etc.)

"Meeting changing demographic needs for services."

"Saying 'no' when we'd really love to say 'yes.'"

"Social housing: We can't maintain it, let alone build new..."

Managing relationships with senior governments

"Senior government application- based funding skews local priorities; it isn't sustainable."

Customer relations

"Investing time in customer relations and reminding staff that is the business we're in."

Strategic priority setting

"Making sure we are not chasing too many things."

Climate change adaptation / mitigation

"Flooding is more common and high on Council's radar."

Labour relations

"Labour relations, good working relationship with public sector unions."

Cybersecurity

"We don't have adequate plans in place."

>25%

>20%

~10%

Q7. Are there specific opportunities or key priorities that you are focusing on over the next 3-5 years to improve the performance of your municipality?

Participants most commonly flag initiatives to increase staff performance – largely through the introduction of performance metrics and efforts to improve workplace culture and thus, to decrease staff turnover – as well as the expansion of the municipality's IT infrastructure, particularly in the adoption of digital documentation and records systems.

In looking beyond their municipality's existing infrastructure, interviewees frequently stressed the importance of either introducing or expanding an economic development portfolio and evaluating the potential for cost reduction and efficiency gains that service delivery consolidation – that is, partnering with neighbouring municipalities to offer services currently provided by multiple municipalities – may offer. Similarly, the digitization of service delivery presents opportunities for driving cost efficiencies in addition to developing platforms that are aligned with the preferred mediums of younger residents.

WHAT WE HEARD

Setting the right strategy for the community

"We need to focus on strategic planning and develop a well-crafted vision for our assets."

"Strategic priority setting for capital projects will help focus both council and the community on priorities in the next few years. We can't look at projects the same way as in the past."

"Dealing with the transportation issue – personal mobility and freight – is critical. If we don't address the intercounty busing issue in Ontario over the next 5-10 years, it won't exist!"

Staff performance

"Our structure is very hierarchical and it needs to be changed. I need to be able to support our staff from the bottom-up."

Digital documents and service delivery

"We need a digital transformation of our offices to meet the ever-changing service level expectations of our citizens."

"Moving to a web-based infrastructure is an ongoing process. More projects are underway and we need to continue pushing them forward if we're going to have any chance of capturing the benefits of technological advancements."

Economic development

"Our largest priority is increasing economic growth. Our second priority is managing that growth in an effective and sustainable way"

"We are not branding ourselves to potential tourists and businesses. We need to do better at that."

"We need to carve out a niche for our community."

"We're not doing a good job of promoting our cultural attractions."

Inter-municipal service consolidation

"There's an ongoing conversation about consolidating our services with our neighbours."

"I don't know how we'd brand and manage a consolidated service offering. Who leads the consolidated organization?"

"Consolidation and rationalization of services is on the table."

"We need to work with our neighbours more, but petty jealousies often get in the way."

Q8. What approach is used by your municipality to engage its key internal and external stakeholders?

Telling the Municipal Story: Every municipality needs to communicate, both externally, and internally, about its programs, projects, proposals and achievements.

Reaching the Public: With respect to external stakeholders, many interviewees reported that they have recently supplemented their traditional communication tools (e.g. deputations at committees, Town Hall meetings, newsletters, and advertising) with new web-based platforms (e.g. deploying Twitter accounts, live-streaming of council meetings, etc.)

Managing Issues: The mass adoption of social media and mobile devices is creating new challenges and opportunities for municipalities to consider when communicating and engaging with residents and stakeholders.

Sharing information internally: Several respondents noted that their biggest communications challenges are internal, and stem from a lack of communication across the municipality's departments. It is of interest to note that this challenge of "silos" among departments seems to be a common challenge, no matter how big the organization.

To address both internal and external communications challenges, a majority of participants have developed formal communication plans.

WHAT WE HEARD

Internal communications:

Informal communications

"Grabbing coffee with staff enables the CAO to stay connected and identify issues before they flare up."

CAO leadership on communications

"The CAO takes on a large internal communications role."

The importance of measuring engagement

"We did an employee engagement survey which indicated a lack of communications and engagement between departments. As a response, we've created quarterly staff-wide meetings."

Clear benefits

"Improving staff communications improves employee morale and improving employee moral improves customer service. They're all connected!"

External communications:

Rising demand

"We are in an era of more consultations."

The need for tools and resources

"It's all about communications and ensuring we have a consistent brand and message. We are doing more on social media. We now have a corporate group focusing on this."

"Better public engagement should not mean more time or dollars."

The power of social media to achieve municipal goals

"Putting surveys out on Facebook have proven tremendously successful. It's so much easier and more effective than getting participation than the expensive and time-consuming strategies that we've previously used (i.e. calling using phone directories)."

"Digital is great! There still won't be a lot of folks at budget meetings, but it may prove to be a good way of engaging seasonal residents."

Creating communications plans

"Our full-time communications advisor has led the development of an internal communications plan."

"We have a plan, but it's not comprehensive."

"Our communications plan is being developed as part of our larger, strategic review by a consultant."

Limitations on digital tools

"We have a significant elderly population, we can't default to technology for everything."

Q9. How do you monitor and assess the ongoing performance of your municipality?

There are two sides to performance measurement.

- Measuring how your own municipality is performing
- Measuring how your municipality compares against other local governments

Everyone does some performance measurement, but less than half of our interviewees claimed to have a formal approach to performance measurement.

“Formal” means different things to different people.

Based on what we heard, it seems that performance measurement in smaller municipalities is an on-going project.

Those that formally assess performance typically do so with a set of metrics specific to the municipality.

Province-wide metrics, including MPMP and OMBI, were used by a small group of our interviewees’ municipalities.

The biggest barrier to cross-municipal performance benchmarking is the challenge of finding relevant comparators.

WHAT WE HEARD

Those that said they had “formal” performance measurement systems

“We provide a bi-annual report to council outlining performance across all service areas. Previously did quarterly but found it to be excessive.”

“We have KPIs in multiple areas. We’re currently evaluating a method of creating scorecards that would measure our performance against the strategic priorities set out in our multi-year plans and budgets.”

“I recently introduced a balanced scorecard to evaluate performance across each department.”

“We have monthly financial reporting.”

Those without performance metrics:

“We don’t typically go back and monitor successes and areas for improvement.”

“We’d like to become more proactive in identifying where we can get better.”

Barriers

“We don’t have the resources to measure everything...”

“How do you implement an effective performance management system when there are multiple ways of defining what is “good” or “efficient”?”

“We previously used OMBI, but I found that it provided limited value so I took us out.”

“I’ve looked at comparing us against the performance of similar municipalities. Found it difficult to wade through the differences between single and lower-tier municipalities.”

What it would take to do more...

“More needs to be done to enable easy reporting of progress using software that can take goals from a strategic plan and create goals for individual employees.”

Q10. How effective is your/staff's ongoing working relationship with your Mayor and Council? Are there aspects that could be improved?

Strong, trust-based relationships are the foundation for effective engagement between council and staff.

In acting as the lynchpin between elected and appointed officials – who often have different priorities, timelines, and considerations, it is essential that the CAO is able to build and maintain effective relationships with council.

Where trust is lacking, everything becomes more difficult.

A slim majority of interviewees described their relationship with council as being positive. There was near unanimity in recognizing that the relationship needs to be frequently tended to, and that having positive relations today is a poor predictor of what relations would be like following the next municipal election.

WHAT WE HEARD

Describing the relationship

"While the [council-staff] relationship is effective, improvements are required from time-to-time. Staff are responsive and work hard. Council tends to respect directors and recognize them as the technical experts. Directors should be more forthcoming to council with their professional opinions."

"Managing the council-staff relationship is like being on "Dancing with the Stars," every day is a different dance number and you always have to come prepared."

"It's like a marriage, you work through the bad days and continue to engage."

"My first audience has always been council. Council members can be the municipality's best

salespeople or its worst."

Importance of training staff to "speak truth to power."

"Senior staff have learned to push back against council, when necessary. Our concern is that younger staff will not be able to speak truth to power."

The cost of poor relationships

"If things don't improve, how am I going to keep my senior team? They don't have to put up with this."

Relationships among Council just as important

"Council-staff relations can prove difficult, though relationships among councillors are critical and are often neglected."

"On the advisability of meeting individually with councillors."

"I do it regularly"

"Councillors can be very suspicious of one another, making it problematic to meet with them individually, even if it's for a good reason."

Need to enforce roles

"I tell the Mayor when he's cooking in my kitchen. He will let me know when something is an "important" issue for Council."

Q11. How do you manage your relationship with other municipalities in your area and with the Province?

Most interviewees report strong relationships with neighbouring municipalities. It has been said that being CAO is a lonely job. Unsurprisingly, interviewees report that they enjoy managing relationships with neighbours, in part of the opportunity they provide for honest discussion of the challenges facing municipalities.

Only a small minority of CAOs described their relations with the Province as being positive. In their efforts to develop relationships with Provincial stakeholders, CAOs typically focus their advocacy on Economic Development, Municipal Affairs, and Housing advisors in addition to their local MPPs.

"There is usually a Provincial representative at our quarterly meetings."

"The Mayor works hard to maintain productive relationships with the Province. Keeping the attention of the Province is difficult."

"We're [regional CAOs] trying to create unity on a vision for a couple of key issues that will go up to Province."

"We haven't built as much of a relationship with senior staff as we should have. It's my role; however, I'm not sure what this would look like. I'm concerned that if I added staff to this area that council might become more involved."

WHAT WE HEARD

Inter-municipal relations:

"There is a bi-monthly meeting of the regional CAOs."

"I try to attend all of the large conferences (e.g. AMO, CAMA, ROMA)."

"We have a respectful dialogue and strong communication channels with the other municipalities."

Relations with Ontario

"The Province's responsive willingness to engage municipal stakeholders varies by Ministry and office."

Q12. Does your municipality have a strategy for exploring greater use of digital documents or digital service delivery?

While ~70% of interviewees noted that their municipality does not have a digital strategy, a majority of CAOs are attempting to integrate further use of digital service delivery. What we typically heard was recognition of the importance of expanding the municipality's digital infrastructure without a full appreciation of the potential offered by digital service delivery.

Many interviewees acknowledged the ability to eliminate a paper trail with digital work flows, but very few appeared to have been exposed to the opportunities to integrate digital documents in core functions for residents, including the engagement of residents, reviews of by-laws, and reviewing land use documentation.

WHAT WE HEARD

An overwhelming majority want to consider digital service delivery.

"Trying to get into the 21st Century."

"It would be a really big advantage."

"Would be a great advantage to go paperless."

"This is where the future is."

What's been done

"We have a dedicated project manager overseeing the implementation of our digital platforms."

"There's no formal strategy but we have good staff leading the integration of digital."

"So far, we're doing this incrementally. We need to develop a formal strategy."

Perceived Benefits:

Better customer service

"More on-line applications as much as possible."

"Open Data so people can self-serve."

"It is what younger customers expect..." Just because of their savvy."

Better processes & efficiency

"Greater use of technology to improve staff productivity, growing out of a reluctance by Council to increase staffing levels."

Less storage space for documents

"We are digitizing more documents all the time and need to find storage."

Better support for Council

"We are going more digital with regard to a digital directory for Council so they can access." key documents in advance of the public."

Barriers to implementing digital:

Cost and resources

"There is always the question of cost..."

"We have one information officer—probably need 3....so we still have hard copies..."

Start and stop...

"Went to paperless agendas and iPads. Now we are back to paper...We will re-launch soon"

Psychological barriers (internal)

"Moving to paperless records would be a big psychological barrier. We always keep original papers. Their days are numbered but they are not ready to go that way yet."

"Biggest barrier is internal self-applied barrier."

"Some staff have a harder time to start working in the cloud. It does have the power to move our world but it takes a leap of faith to move in that direction."

"We have an aging council..."

Psychological barriers (customer)

"I think we have to be careful that we don't get so wrapped up that we don't think of the human side of things."

"There is still a significant digital divide and low income folks."

"We are here to serve the public... Nice to say that people [...] have to move to electronic and preauthorized payment...but many folks just not there."

Transparency

"We don't live transparency yet."

Security

[We still have] "Concern over security."

Where to start?

"Too many opportunities"

"Challenge is that some want it all digitized. We only digitize documents only for the right reasons."

High speed access

"Our challenge is that half of the community doesn't have high speed internet so our interface with the community could be jeopardized if we went to digital only."

Know-how

"We don't have a strategy."

"We had growing pains and are going with another supplier."

Strategies that are helping:

Leadership

"It won't happen without it."

Partnerships and shared expertise

"Local initiatives like EORN and SWIFT, and EORN's e-government tool kit."

"We work with the County, they share expertise, purchasing..."

Attitude

"Need to be a lot more nimble in resource allocation in order to effect change."

Having a Vision and a strategy to get there

"We're doing this incrementally. We need to develop a formal strategy."



STRATEGYCORP

ABOUT US



STRATEGYCORP'S MUNICIPAL SERVICES PRACTICE GROUP

We are dedicated to providing senior level experience to solving the problems of Ontario's municipal sector.

Our team includes political and public servant experience with over 100 years of experience in Ontario municipal sector management and intergovernmental affairs.

Our services include:

- Operational and Organizational Reviews
- Strategic Communications and Issues Management
- Political Risk Management and Crisis Communication
- Provincial-Municipal Intergovernmental Affairs
- Policy Development
- Strategic Planning
- Local Economic Development and BIAs
- Ward Boundary Reviews

OUR MUNICIPAL SERVICES PRACTICE GROUP

John Matheson | **Principal**



John has been a principal at StrategyCorp since 1998 and is Chair of StrategyCorp's Municipal Services Practice Group. John has managed successful projects relating to:

- Municipal Governance, Service Delivery, Operational and Ward Boundary reviews.
- Strategic Planning and Visioning for Councils and Senior Management Groups
- Inter-municipal planning and dispute resolution
- Planning approvals and infrastructure funding for municipal capital projects
- Issues management and crisis communications

Prior to joining StrategyCorp, John served as Chief of Staff to Ontario's Minister of Municipal Affairs and Housing. John was called to the Bar of Ontario in 1993. He teaches Municipal Government and Provincial-Municipal relations topics through the AMCTO and UOIT.

He is Chair of the Board of Directors of The Power Plant Gallery of Contemporary Art, and has served on a variety of other Boards, including the Association of Corporate Counsel (Ontario) and Harbourfront Centre.

Chris Loreto | **Principal**



Chris is StrategyCorp's Management Consulting Practice Leader and is focused on providing clients with advice on public policy development, public-private partnerships (P3s), alternative service delivery (ASD), strategic and business planning, strategic procurement, capital projects development and delivery, and stakeholder engagement. Chris has more than 15 years of experience working in both the public and private sectors at the executive level. Prior to joining Strategy Corp., Chris was a Vice President with the financial advisory practice of one of Canada's largest professional services firms. Chris spent nine years with the Ontario government in increasingly more responsible positions.

Ian Smith | **Vice President**



Ian specializes in conducting strategic, organizational, and governance reviews, and in leading large-scale change initiatives, for private and public sector organizations in various industries. Over his 30 years in consulting, Ian has worked with several private and public sector organizations, ranging in size from 100 to 10,000 employees and \$25 million in revenues or costs to several billion. His clients have included municipal and provincial governments; various municipal, provincial and Federal agencies; not for profit organizations; and several private sector organizations in a variety of industries.

Jocelyn Deeks | **Director & Group Head**



Jocelyn Deeks is an experienced professional urban and regional planner and brings over 12 years of experience to StrategyCorp's Municipal Affairs team. Jocelyn has served in both the public and private sectors and has expertise in land use planning, policy development, issues management and stakeholder engagement. Prior to joining StrategyCorp, Jocelyn worked for the City of Toronto facilitating major industrial and commercial investments in the City and working across multiple City divisions on planning policy, transportation and employment services projects. She has extensive experience leading the development approvals process, planning studies, and community consultation.

Michael Fenn | **Senior Advisor**



Over the course of an extensive career in public service, Michael Fenn has been an Ontario Deputy Minister under three Premiers, municipal chief administrator in Hamilton and Burlington, and the founding CEO of both Toronto/Hamilton region transportation authority Metrolinx and regional health authority Mississauga Halton LHIN (serving over a million residents).

As Senior Advisor with StrategyCorp, Michael works with clients in the public sector, especially in municipal government and healthcare. He is also Board Director with both the C\$85+ billion OMERS AC pension fund and the Toronto Board of Education's realty arm, the Toronto Lands Corporation. He is a certified board director, having attained the C.Dir. designation in 2014. He writes extensively on infrastructure issues.

Shirley Hoy | **Senior Advisor**



Shirley Hoy's public service career has spanned more than 30 years. She started her career in municipal public service in 1980 with the former Metro Toronto government, Department of Community Services, in the Policy and Planning division. In the late 1980s, within Metro, she assumed various positions including General Manager of Administrative/Corporate Secretary at Exhibition Place, and Executive Director in the Metro Chairman's Office. From 1991 to the end of 1995, Shirley worked in the Ontario Government as Assistant Deputy Minister in three ministries: the Ontario Women's Directorate, the Ministry of Community & Social Services, and the Ministry of Housing. Within the Ministry of Housing, she held the joint position of ADM of Operation and CEO of the Ontario Housing Corporation.

Ron Shaw | **Senior Advisor**



Ron Shaw specializes in municipal affairs, with over 35 years of experience and insight into municipal administration and public policy in Ontario. Ron has over 30 years of experience serving as a CAO for municipalities in Ontario. Prior to becoming a Senior Advisor at StrategyCorp, Ron served as the City of Stratford's CAO for 22 years. Ron is a past president of CAMA, OMAA and AMCTO. He received the Prestige Award from AMCTO in 2004 and an honorary lifetime membership in CAMA in 2016. He is an alumni of the Governor General's Canadian Leadership Conference in 2000 and served on its National Executive in 2012. He also served as both the CAO and Treasurer for the Town of Kincardine for 12 years.



STRATEGYCORP CREATES CONDITIONS FOR SUCCESS

StrategyCorp is the company leaders call when they have a major challenge to overcome, or opportunity to capitalize upon.

We specialize in providing strategic advisory services to private and public sector clients operating in complex, highly regulated and highly scrutinized contexts – including public affairs and advocacy, strategic communications, and business consulting services.

Our Municipal Affairs Practice Group is the Canadian leader in helping local governments achieve their operational and policy goals, while building institutional capacity. StrategyCorp's reputation in the municipal world is for finding solutions that get results and that are implemented.

Our team's wealth of rural and urban municipal sector, and provincial government experience has made us a trusted advisor to municipalities across Canada.

Over the past twenty years, we have been involved in some of Canada's most critical business issues and highly charged public policy matters. Our clients have included large and small municipal governments, Fortune 500 businesses, and many of Canada's top global companies.



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

Ottawa Office
100 rue Queen Street Suite 550
Ottawa, ON K1P 1J9
613-231-2630

strategycorp.com