

Better Municipal Business Practices: **Municipal Approaches to Managing Change**

This is one of four approaches in the AMM Reference Series, which is the second step in the AMM's *Tools for Change* Program. For information on the first step, AMM's Municipal Health Checklist, or about the other approaches in the Reference Series, see www.amm.mb.ca

Municipalities can manage change by adopting better business practices. By reviewing what they do, and how they do it, municipalities can determine if they can improve services and/or save money by making changes.

Adopting better business practices simply means:

- knowing what you spend your money on, why you are spending it on that activity, and how much you are spending on that activity;
- determining if you want to improve, maintain or reduce the level or quality of the activity; and
- considering what you can do better or differently in doing the activity, and determining if implementing those changes will save money or improve service without increasing costs.

Better business practices balance efficiency and effectiveness; it's not just doing things cheaper, it's doing things *better* so that costs are reduced, capacity is increased, and/or service is improved.

Better business practices is not simply a one time review, instead it is a commitment to a way of doing things, both as part of every day management and as part of an overall strategy - it is about continuous improvement. Ongoing daily monitoring by staff and regular periodic reporting to council is essential.

Better business practices can be applied to any municipal activity, ranging from routine business management practices such as how staff is scheduled to more substantial processes, like whether a service should be delivered "in house" or should be contracted out.

Better municipal business practices can mean providing equal or superior services at lower cost.

Better municipal business practices balance efficiency and effectiveness.

Better Municipal Business Practices: Managing Municipal Change

Better business practices means setting reasonable goals and objectives, developing ongoing monitoring and regular reporting to ensure best practices are implemented and continue to be implemented, and using benchmarking and performance standards to accurately determine your situation and to measure progress.

Better municipal business practices can be applied to a wide range of areas, from municipal administration (i.e. staff scheduling and municipal office hours) to the way that services are delivered (i.e. by the municipality, on contract, or through a combination of the two). Examples include:

- ***Developing clear and well documented financial management policies and practices, including:***
 - Cashflow management, including using direct deposit for provincial grants;
 - Active management of accounts receivable, especially in collecting outstanding taxes; and
 - Review of existing contracts to see if there is an opportunity to renegotiate for more favourable terms (service providers may be willing to reduce contracted prices in exchange for an extension of the term of the contract; others may be willing to reduce contract obligations to meet unanticipated reductions in need).

- ***Developing clear and well documented procurement policies, including:***
 - A requirement for tendering all contracts for over a certain value or for longer than a certain term;
 - Taking advantage of bulk purchasing to reduce unit costs (such as AMM's Municipalities Trading Company of Manitoba Ltd.); and
 - Mandatory analysis of the benefits and disadvantages associated with leasing versus purchasing equipment, land or technology.

Active financial management is a key component of good business practices.

An effective procurement policy can help minimize costs for your municipality.

Better Municipal Business Practices: Managing Municipal Change

- ***Developing human resource strategies, including:***

- Relevant training opportunities to ensure adequately trained personnel who can provide quality service and avoid costly errors or omissions;
- Flexible deployment of staff, and considering if specific services would be better delivered “in house” or through contracting out; and
- Offering incentive programs to municipal employees who propose money saving ideas that council adopts.

Human resource management is critical to better municipal business practices.

- ***Determining the most efficient and effective way to deliver services, including:***

- Considering whether services should be delivered by the municipality, by a private contractor, by the volunteer sector, or through a partnership of two or more of these groups;
- Determining what the appropriate/necessary service level is (may involve a comparison with similar services in other municipalities); and
- Selecting an appropriate funding method for each service. Should the service in question be tax-supported or “user pay”?

Are services being delivered as efficiently and effectively as possible?

- ***In addition to looking at administrative and service delivery issues, there may be other ways your municipality could further enhance its business practices and its overall situation, such as:***

- Reducing overhead costs;
- Generating revenue by selling any available but currently unused capacity to deliver services; or
- Reducing other costs by changing behavior (for example, reducing the amount of landfill space required by reducing the amount of garbage generated through the establishment of user fees for garbage collection).

Consider other opportunities where better municipal business practices can enhance overall efficiency and/or effectiveness.

Better Municipal Business Practices: Managing Municipal Change

What can indicate that implementing changes to your municipality's business practices is an appropriate option?

Looking for opportunities to improve your municipal business practices, from everyday financial management policies to more complex decisions about how key services such as road maintenance are delivered, is part of ensuring ratepayers receive maximum value for their tax dollar.

Better municipal business practices are an especially appropriate option when your responses to AMM's *Municipal Health Checklist* indicate:

- Your municipality's population and assessment base are in decline, and municipal property taxes have been significantly increasing. (Consider your municipality's score on Indicator A: Population Stability and Indicator B: Tax Base Stability.) Changes in population and assessment are indicators of your ability to meet current municipal priorities. If your population and assessment base are declining, the cost to each resident of meeting these priorities are likely increasing as there are fewer people to pay for services.
- Your municipality's ability to fund its operations is becoming (or is beginning to become) more difficult and options for funding are becoming limited. (Consider your municipality's score on Checklist Indicator B: Tax Base Stability and Indicator C: Financial Strength.) Changes in the average general municipal property tax per homeowner and the amount of revenue spent on general government relates to your municipality's ability to deliver services at a cost that is affordable for ratepayers.

Timing is an important consideration when implementing or changing municipal business practices. An ideal time for implementation is when a smooth transition to a new practice can be made, such as when:

- Staff retirements are occurring;
- Leases or other contracts are ending;
- Union contracts are being negotiated;
- Equipment needs replacement; or
- New services are being considered.

Use AMM's Municipal Health Checklist to evaluate when better business practices may be beneficial.

- ***How stable is your municipal population and assessment?***
- ***Are your municipality's costs or property taxes increasing?***

Better Municipal Business Practices: Managing Municipal Change

How to begin:

Consider the major services and programs your municipality provides, and the importance of the service or program to your municipality. Municipalities must deliver some services and programs; others are optional:

- Is the activity required to meet obligations under *The Municipal Act* and other legislation, or any other legal obligations?
- If the activity is not legally required, is it considered essential by your council and/or ratepayers?
- If the activity is not essential, is it considered highly desirable?
- Is there any service that you may decide not to provide?

Look at the costs of the activity/service: the “efficiency test”:

Consider whether the cost of the service represents good value for ratepayers. Specifically:

- Can you determine how much is spent on a service in total and on a unit basis?
- What is the cost of the service as a percentage of the municipal budget? Does this make sense in terms of your municipality’s priorities?
- Can you identify the various cost components of a service? Does each component make sense in terms of its percentage of the overall cost?
- Can you compare costs over time, and with other similar municipalities (“bench marking for performance measurement”)? Are your costs increasing over time or higher than other municipalities’ costs for similar services?

Municipal services should reflect a municipality’s vision.

Understanding your costs will help to determine whether municipal priorities are being achieved as efficiently as possible.

Better Municipal Business Practices: Managing Municipal Change

Look at how the activity/service is delivered: the “effectiveness test”:

Is the activity/service something that ratepayers or the municipality as a whole need and want? Specifically:

- Do the current service delivery level and standard of service meet the municipality’s needs and expectations?
- Is the need likely to increase or decrease over time?
- Should the service level be changed?
 - Should the service be more or less frequent?
 - Can a lower standard still meet needs?
 - Is there any legal or other risk attached to lowering service levels?
- Are the type and level of services consistent with other similar municipalities?
- Are there other ways to deliver the service?

Are municipal services and activities effective; are they meeting the needs and expectations of ratepayers?

Look for ways to improve operations to meet your priorities:

- As part of annual budgeting or strategic planning, consider optimum timing. Time reviews so you can implement changes with the least possible negative impacts. By planning ahead, you are enhancing your municipality’s capability to cope with changes.

Making changes at optimum times requires planning ahead.

Talk to other municipalities that are similar in size, deliver similar services or have similar assessment bases, or that you think have developed successful solutions:

- Sharing information with other municipalities presents an opportunity to learn about creative approaches to municipal challenges.
- By discussing issues with other municipalities, you may also build relationships and gain understanding about other regional and province-wide challenges and innovations.

Better Municipal Business Practices: Managing Municipal Change

A Preliminary Checklist:

✓ **Some things you may want to consider during review/implementation of new municipal business practices:**

- ◆ Does the activity/service reflect the municipality's vision?
- ◆ Is it considered essential by council and/or ratepayers?

Efficiency:

- ◆ How much does it cost to deliver the activity/service?
- ◆ Does the percentage of the municipal budget represented by the cost reflect its importance?
- ◆ Has the cost changed over the last several years?
- ◆ Is the cost comparable to similar activities/services in other similar municipalities?
- ◆ What options are available to improve efficiency?

Can the efficiency of municipal business practices be enhanced through better business practices?

Effectiveness:

- ◆ Are the needs and expectations of ratepayers being met?
- ◆ Is the service level appropriate/comparable to other municipalities?
- ◆ What options are available to improve effectiveness?

Can the effectiveness of municipal business practices be increased through better business practices?

Timing:

- ◆ Is there an ideal time for adjusting or changing municipal business practices?
- ◆ Is monitoring/review and performance measurement in place?

For more information on better municipal business practices and other *Municipal Approaches to Managing Change* see the Association of Manitoba Municipalities' website, at www.amm.mb.ca.