

Municipal Restructuring: An Approach 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 joining with one or more other municipalities to create one new municipality.

By restructuring, municipalities can reduce the costs of municipal operations, but perhaps more importantly, restructuring can mean a new focus, with new energy to address common issues and to develop viable plans for the future. In addition to increased efficiency, the new municipality may be more competitive and generate new investment and development in the area.

Restructuring can build on existing mutual relationships to achieve even greater benefits. For example, the economies of scale achieved by service sharing can be maintained, but without the need for specific agreements and repetitive renegotiation.

Municipalities might reach a joint decision to restructure when they:

- determine they face similar challenges and they have a common vision for the future, that could be better achieved by working as one;
- recognize they have a high level of interdependence, and want to formalize the integration of their operations; or
- lack the separate financial, administrative or political capacity to continue to provide residents with the services and governance they demand at a cost they are willing or able to pay.

Formally joining with another municipality can build on existing strengths to meet future challenges.

Common goals and common challenges may mean common municipal government makes good sense.

Restructuring: Managing Municipal Change

Initiating a restructuring discussion can raise public concerns, typically about:

- loss of community identity;
- loss of existing services;
- increased taxes;
- reduction or loss of political representation;
- changes to how the municipality operates;
- requirement to pay for unwanted services; or
- unfair allocation of existing municipal debt.

Sometimes municipal employees may be concerned about elimination of their jobs.

The Municipal Act provides both a flexible framework and a variety of legislative means to address the above concerns. Options include:

- addressing political representation by wards;
- addressing desires for multiple service levels by creating local improvement areas, special service areas, or even a Local Urban District to deliver and charge for higher levels of service only where desired;
- addressing service issues related to geography by using multiple service centres, such as more than one recycling depot; and
- allocating existing debt to the area of the (former) municipality that incurred it, with only future debt to be allocated over the new joint area.

Addressing concerns about loss of community identity often requires focusing on things that various groups have in common, rather than on differences. A separate municipality is not required to give a community an identity. In fact, many well-known and thriving Manitoba communities are not separate municipalities at all. In some cases, there may be a need to develop an appreciation that merger may be required to maintain the community as a viable entity, and that “formal” identity can be addressed in other ways, such as through a joint or a new name.

Concerns about assuming other’s debt, changes in services, and effective representation can all be solved.

You can choose from the flexible options offered by The Municipal Act; local improvement areas, special service areas, LUDs, and wards can all be used.

Community identity need not always be about separate councils.

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What can indicate restructuring is an appropriate option?

Restructuring may be an option to consider when your answers to AMM's Municipal Health Checklist indicate:

- Your population and assessment base are both in decline. (Consider your municipality's score on Checklist Indicators A: Population and B: Tax Base.)

Ongoing decline, without foreseeable growth, may mean a municipality is reaching a point at which it can no longer access the economies of scale that other, larger municipalities can take advantage of to deliver affordable services and attract new development. Merger may enable several smaller, declining municipalities to pool their resources, and be better positioned to serve residents and access new opportunities.

- Your municipality and another municipality already have a high degree of interdependence. (Consider your municipality's score on Checklist Indicator D: Opportunities to Work Together.)

In cases where two or more municipalities are already involved on numerous fronts (possibly including shared/overlapping staff, service sharing or revenue sharing), merger could lead to a unified approach that allows joint goals to be more effectively achieved and/or could simplify existing arrangements.

Restructuring is also deserving of consideration when:

- Community viability is an issue; i.e. municipal decline is impacting financial, administrative and/or political capacity of the municipality. (Consider your municipality's overall score on the Municipal Health Checklist.)

If your Checklist score is below zero and you are not presently working on changes to enhance municipal viability, restructuring may be an approach to consider, as it enables many viability issues to be addressed simultaneously.

*Use AMM's
Municipal Health
Checklist to evaluate
when to use
restructuring:*

*Is sustaining
current levels of
service, at
affordable levels,
possible?*

*Is future growth
realistic?*

*Do you already
have a high degree
of interdependence
with another
municipality?*

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Some examples of recent municipal restructuring in Manitoba are:

RM of Shellmouth and RM of Boulton:

- The Rural Municipalities of Shellmouth and Boulton, which already had many interrelationships including a shared CAO and municipal office, amalgamated in January 1999 to form a single new rural municipality, the Rural Municipality of Shellmouth-Boulton. The new municipality has simpler administration and service delivery processes and is better suited to take advantage of economies of scale. The identity of each of the former municipalities was recognized through the creation of a joint name.

Manitoba municipalities have already taken the opportunity to become stronger through merger.

RM of Brokenhead and the Village of Garson:

- The Rural Municipality of Brokenhead and the Village of Garson amalgamated in January 2003 to form a new larger municipality, expanding the existing Local Urban District. Through amalgamation, Garson, a small village that was experiencing sustainability issues, was able to ensure ongoing, high-quality service to its residents by joining with Brokenhead and forming a LUD. The new Rural Municipality of Brokenhead now has new economies of scale.

Creative solutions can be used to address local concerns about restructuring.

RM of Gimli and the Town of Gimli:

- The Rural Municipality of Gimli merged with the Town of Gimli in January 2003 to become a new, larger municipality, with a Local Urban District. The new municipality is able to present a unified approach on common issues, especially economic development and regional competitiveness. “Urban” service levels are maintained through the LUD structure.

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How to begin:

Critically evaluate your municipality's ability to continue on its own into the future:

- Try to imagine what your community will look like 5, 10 and 20 years into the future.

Will the quality of life be such that residents of all ages will want, and perhaps more importantly, be able to live and work in the municipality?

Consider potential partners:

- Do other municipalities in the vicinity have similar issues?
- Do you share a common vision with any other municipal council(s) on how to address challenges?
- Do you work well with another municipality on joint initiatives already?

Consider the potential that restructuring might offer to all for:

- Streamlining services;
- Increasing/maintaining service levels;
- Cost savings;
- Tax rate reductions; and/or
- Improving the strength or competitiveness to attract new development.

Consider possible solutions to potential problems:

- Impacts for municipal employees: are retirements foreseeable? Is retraining/reassignment feasible?
- Preservation of community identity: are alternatives possible?
- Ensuring adequate political representation: would wards work to ensure all residents are represented?

Initiate discussions with other municipalities:

- At this stage, informal discussions to gauge interest may be best, so that if there is interest both councils can work towards a joint presentation to residents on the benefits of restructuring so that no single council is seen to be "owning" the process.

Can you realistically envision your community continuing successfully on its own?

Can you realistically envision your neighbours, on whom you may depend, continuing successfully on their own?

Do you think you could achieve more success together than you would separately?

Respect for each other is critical, and early consultation with municipal stakeholders is advisable.

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Involve and inform the public:

- Together with the other council, develop a plan to involve and inform the public.

Open houses work well as they allow clear and accurate information to be made available and unfounded rumors put to rest early. Be clear that the proposal is preliminary, so that the public can participate in the planning. Considerable debate should be expected, and encouraged. Preliminary facts and analysis should be made widely available.

Early public involvement, communication, and consultation is essential.

Identify “champions”:

- Take advantage of resources in the community – if there are enthusiastic individuals in the community that strongly support change, engage them to speak at open houses or information sessions. Leaders of Chambers of Commerce or Board members of major local corporations can act as “champions” who can lend valuable support to Councils while they consult citizens about restructuring.

“Champions” can lend valuable support to Councils.

The formal legislative requirements:

- Once you believe you have the requisite level of public support, file a proposal with The Municipal Board.

The Municipal Act sets out the process for filing a proposal in detail. Contact Manitoba Intergovernmental Affairs at (204) 945-2572 for further information on the requirements.

The Municipal Act sets out the formal requirements in a step by step process.

The Municipal Board will consider the proposal, and may require public hearings, and will then make a recommendation to the Province respecting the merger. Typically where the municipalities agree, and there is public support, mergers are approved.

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A Preliminary Checklist:

- ✓ **Some things to consider while exploring the potential for merger or developing an agreement to restructure:**
 - ◆ *What are the major issues affecting your municipality?*
 - ◆ *What will be the impacts of remaining with the status quo?*
 - ◆ *Are there potential partners amongst neighbouring municipalities? For example, are there:*
 - *Municipalities facing similar challenges?*
 - *Municipal councils that share a similar vision of how to address these challenges?*
 - *Municipalities with whom your municipality is already working on joint initiatives?*
 - ◆ *What improvements/gains could be realized through restructuring?*
 - ◆ *What roadblocks might you encounter in developing a restructuring plan? How could you deal with these roadblocks?*
 - ◆ *How will you initiate discussions with other municipalities?*
 - ◆ *What points might be of common interest?*
 - ◆ *Will the discussion be formal or informal?*
 - ◆ *How will you involve and inform the public and key stakeholder groups?*

Early public involvement, communication, and consultation is essential.

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