



County of Lambton

Municipal Modernization Fund Projects Report

- Digitization
- Financial, Facilities and Court Services Implementation
- Social Services Implementation

Final Report

January 31, 2023



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KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

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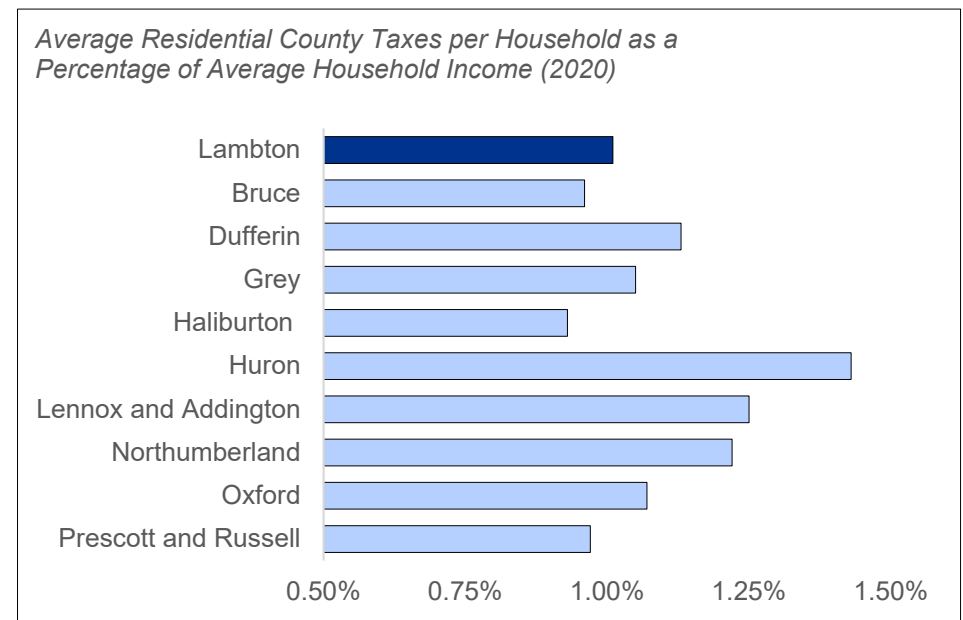
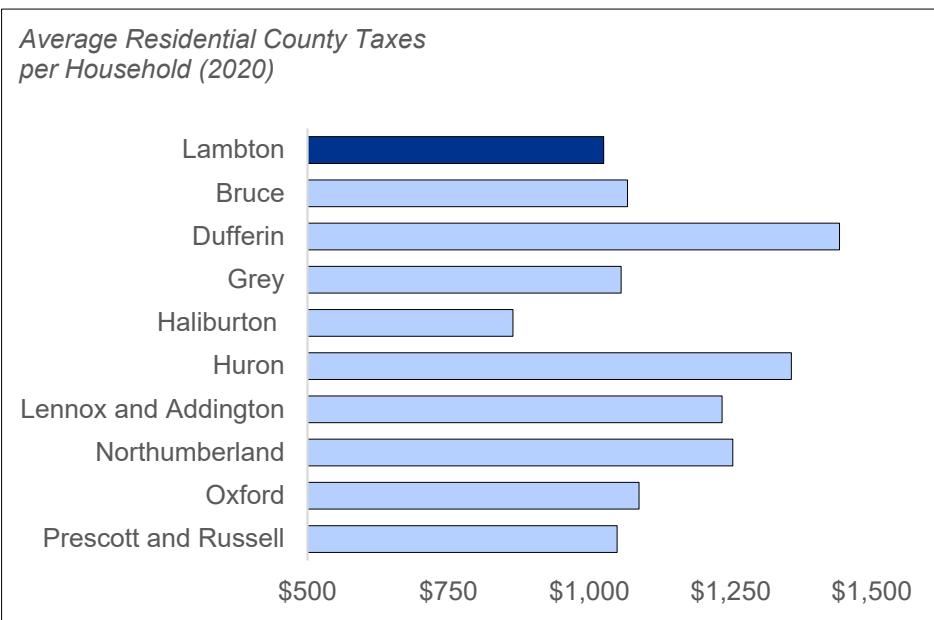
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Introduction

A. Introduction to the Report

The County of Lambton (the “County”) is an upper-tier municipality located in Southwestern Ontario that provides a range of municipal services to residents, businesses, community organizations, local municipalities and other clients. With a total population of just under 130,000 residents, the County is the third-largest of Ontario’s 23 counties in terms of population, with 60,000 households located within its 3,000 km² geographic area. During 2022, the County is budgeted to spend \$246.9 million on the delivery of municipal services, with more than 1,300 full and part-time staff employed by the County.

In order to fund its operating and capital requirements, the County relies on a variety of revenue sources, with 34% of its total revenues (\$84.9 million) forecasted to be generated through municipal taxes in 2022. Overall, the County has a relatively low level of residential taxation, with average residential taxes per household and residential taxes as a percentage of household income at the low end of the range for selected Ontario counties¹.



¹ Calculated based on data published in the 2020 Financial Information Returns and 2021 Census of Population. For the purposes of our analysis, we have excluded counties where single tier municipalities are located within their geographic boundaries as the published average household income data included income levels for the single tier municipalities.

Introduction

Notwithstanding the relatively low level of its taxation levy in comparison to other counties, the County has undertaken a number of initiatives in recent years intended to enhance its overall operating effectiveness and efficiency, leading to cost reductions and other benefits to the County and its ratepayers. Specifically, the County has been successful in securing funding through the Province's Municipal Modernization Program (the "Program") in support of these initiatives.

B. About the Municipal Modernization Program

Established in 2019, the Program provides funding to small and rural municipalities to support the identification and realization of efficiencies through the modernization of service delivery². Projects funded under the Program can either involve:

- Reviews of municipal services in order to identify opportunities for operating efficiencies and resultant cost savings through strategies such as streamlining of approval processes, enhanced service integration, increased use of digitization and/or shared service arrangements; or
- Projects involving the implementation of opportunities for efficiencies and cost savings.

As a condition of the Program, funding is only provided for projects that do not involve a reduction in front line services, among other conditions.

To date, the County has been successful in receiving funding through the Program for nine projects (see next page), three of which are the subject of this report:

- A review of opportunities for increased digitization of the County's processes, including records retention;
- The implementation of opportunities for operating efficiencies identified through an earlier review of the County's Social Services Division; and
- The implementation of opportunities for operating efficiencies identified through an earlier review of the County's Finance, Facilities and Court Services Division ("FFCS").

² We understand that 405 Ontario municipalities are eligible for funding under the Program, with municipalities required to submit expressions of interest for individual projects. We further understand that the remaining municipalities (large and urban) are eligible to receive funding for similar projects under the Province's Audit and Accountability Fund.

Introduction

Division	Departments Involved	Type of Project	Status
Social Services	<ul style="list-style-type: none"> • Ontario Works • Homelessness Prevention and Children’s Services • Housing 	Review	Complete (2020)
Finance, Facilities and Court Services	<ul style="list-style-type: none"> • Financial Administration • Divisional Support Services • Court Services • Procurement and Project Management 	Review	Complete (2022)
Corporate Services Finance, Facilities and Court Services	<ul style="list-style-type: none"> • Human Resources • Payroll 	Review	Complete (2022)
Infrastructure and Development Services	<ul style="list-style-type: none"> • Building Services 	Implementation	In progress
Corporate Services Finance, Facilities and Court Services	<ul style="list-style-type: none"> • Human Resources • Payroll 	Implementation	In progress
Cultural Services	<ul style="list-style-type: none"> • Libraries 	Review	In progress
Corporate Services	<ul style="list-style-type: none"> • Information Technology 	Review	Complete pending Council approval of this report
Finance, Facilities and Court Services	<ul style="list-style-type: none"> • Financial Administration • Divisional Support Services • Court Services • Procurement and Project Management 	Implementation	
Social Services	<ul style="list-style-type: none"> • Ontario Works • Homelessness Prevention and Children’s Services • Housing 	Implementation	

Introduction

C. Structure of the Report

As a condition of Program funding, the County is required to provide final reports that summarize either (1) recommendations for cost savings and efficiencies for review projects; or (2) forecasted annual savings and other efficiency and effectiveness outcomes for implementation projects. This document represents the final report for the Digitization Review, Social Services Implementation and Financial Services Implementation projects. The use of a consolidated approach to report is intended to:

- Provide County Council, residents and other stakeholders with a consolidated view of the benefits of the County's efficiency initiatives;
- Reflect the inter-relation between the three parties, with digitization supporting operating efficiencies within the Social Services and Finance, Facilities and Court Services Divisions;
- Streamline and standardize the reporting requirements associated with the Project.

In addition to this introductory chapter, the report includes individual chapters summarizing the outcomes of each project:

- Chapter I – Digitization Review
- Chapter II – Finance, Facilities and Court Services Implementation
- Chapter III – Social Services Implementation

Anticipated Benefits and Business Case

D. Anticipated Benefits

The anticipated benefits resulting from the County’s efficiency efforts can be in the form of financial benefits, capacity benefits or other benefits:

- **Financial benefits** represent incremental cost savings to the County through reductions in supplies, materials and other operating costs. In addition to these savings, reductions in staffing costs have been identified within the Social Services Division through attrition.
- **Capacity benefits** result from workload reductions achieved through efficiency gains, allowing the County’s personnel to redirect their efforts towards other higher value activities. Given that these efficiency gains result in the redirection of staff resources, as opposed to reductions in the overall level of workload, capacity benefits are not expected to result in direct cost savings.
- **Other benefits** include non-quantifiable benefits resulting from changes to the County’s processes, such as environmental benefits resulting from the reduced use and transportation of paper documents, improved customer service and enhanced compliance with legislation and regulation.

Based on the results of our analysis, we have calculated the estimated financial and capacity benefits arising from the three projects included in the scope of this report to be in the order of \$1.3 million, as summarized below, with additional other benefits identified as well.

	Digitization Review	Social Services Implementation	Finance, Facilities and Court Services Implementation	Total
Estimated annual benefits:				
• Financial benefits (gross)	\$30,000	\$220,000	\$5,000	\$255,000
• Capacity benefits	\$450,000	\$195,000	\$400,000	\$1,045,000
Total annual benefits (quantifiable)	\$480,000	\$415,000	\$405,000	\$1,300,000

As noted above, the majority of the savings are in the form of capacity benefits, representing the value of “freed-up” time for County staff that allows them to undertake higher value activities. Given the nature of the capacity benefits, we do not expect that these will result in a reduction in the County’s staffing complement.

Please note that the estimated savings for Social Services reflect the amount of cost savings, which may result in a corresponding reduction in Ministry funding.

Anticipated Benefits and Business Case

E. Anticipated Costs

In order to achieve the suggested courses of action and implementation activities, the County will be required to make a significant investment in its supporting information technology environment, through:

- The acquisition of a new ERP solution, which will modernize its financial management and reporting processes. We suggest that this represents the main priority for the County as its existing system is considered insufficient to meet its needs in terms of financial management and processing. Our review of the County’s finance processes have identified a number of functional limitations with respect to the current financial reporting system which both increase the level of staff resources required for financial processes and challenge the County’s efforts to undertake effective financial management by limiting the availability of relevant financial information.
- The expansion of its existing use of the Microsoft 365 productivity suite (“M365”), which will achieve the recommended end state for the digitization of document management and automated work processes.

In addition to these investments, we recommend that the County consider an increase in the level of its information technology resources (through either the use of third party firms and/or contract employees) to support the scope of the implementation activities, as well as additional costs intended to facilitate more immediate improvements to its processes.

The experience of other municipalities that have undertaken similar projects demonstrates that a multi-year implementation period will be required (see next page), with the implementation of the ERP solution requiring 18 to 24 months and up to three years required for the digitization initiative. As such, the County’s investment is expected to be spread over a period of up to five years, as summarized below:

	2023	2024	2025	2026	2027	Total
ERP implementation		\$1,000,000	\$500,000			\$1,500,000
M365 implementation			\$300,000	\$300,000	\$400,000	\$1,000,000
Expanded information technology capacity	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$750,000
Other initiatives	\$200,000	\$50,000				\$250,000
Total	\$350,000	\$1,200,000	\$950,000	\$450,000	\$550,000	\$3,500,000

In the past, the County has been successful in obtaining funding through the Municipal Modernization Program for the implementation of technology solutions (HRIS and scheduling system, e-permitting solution) and we recommend that the County consider prioritizing the above-noted projects for future grant applications.

Anticipated Benefits and Business Case

	2023				2024				2025				2026				2027			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ERP Solution Activities																				
• Finalize needs assessment		■																		
• Request for qualifications			■																	
• Request for proposal				■																
• Vendor demonstrations				■	■															
• Selection				■	■	■														
• Implementation							■	■	■	■	■	■								
M365 Expansion																				
• Request for proposal						■	■													
• Selection								■												
• M365 implementation									■	■	■	■	■	■	■	■	■	■	■	■
Other Initiatives																				
• Expansion of IT resources			■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
• IT strategic plan development			■	■	■	■	■													
• FFCS process changes		■	■	■	■	■														
• Social Services process changes		■	■	■	■	■	■													

Acknowledgements

We would like to acknowledge the assistance and cooperation provided by staff of the County that participated in the various projects. These projects required a substantial contribution of time and effort on the part of participating employees. In addition, County personnel have demonstrated a strong willingness to accept change as a means of realizing operating efficiencies and providing enhanced value-for-money for the County's taxpayers and other stakeholders. We would be remiss if we did not express our appreciation for the cooperation and support afforded to us by County personnel.

Funding for our report was made available through the Province of Ontario's Municipal Modernization Program.



County of Lambton
Municipal Modernization Fund Projects Report

Chapter I Digitization Review



Overview of the Project

A. Terms of Reference

The use of information technology, both within the municipal sector and society in general, continues to evolve, providing opportunities for increased operating efficiencies through the adoption of new technologies and systems. At the same time, the level of risk associated with the management and storage of digital data and information continue to grow due to heightened cybersecurity threats, increased sensitivities over privacy breaches and new and expanded legislation and regulation concerning privacy and accessibility.

In addition external factors influencing the use of technology by municipalities, the previous reviews undertaken by the County have identified a general reliance on paper-based documentation as opposed to electronic formats, with a corresponding prevalence of manual work processes, both of which require a higher level of staff time and other resources. Accordingly, the County has undertaken a review of potential opportunities for enhanced digitization from two perspectives:

- A corporate-wide perspective that would involve a consistent approach to and system for document management within the County; and
- The digitization of work elements undertaken by individual departments that have not been involved in previous reviews, leading to operating efficiencies, improved customer service, enhanced risk management and other benefits.

This report summarizes the results of the review, including suggested implementation activities and expected benefits.

B. Scope of Work

In order to achieve the intended objectives of the review, our workplan included the following elements:

1. A survey of County employees to assess their perspectives on the current state of digitization and potential opportunities for enhancement.
2. A series of working sessions were held with County staff to review the results of the digitization survey and discuss potential opportunities for increased use of digitization, including specific considerations that would be required to be addressed.
3. A survey of Ontario municipalities intended to assess their state of digitization.
4. The development of process maps that provide, in flowchart form, an overview of (i) the individual worksteps performed by County personnel in the delivery of the services selected for review; (ii) the sequential ordering of the worksteps; and (iii) decision points included in the process. The process maps also identified opportunities for potential operating efficiencies and enhancements to customer service and risk management through digitization. A total of **19** processes were included in the process mapping work phase.
5. A formal business case was developed that quantified the expected benefits and costs associated with strategies identified through the review.
6. A framework for implementation activities was developed to assist the County with furthering digitization at both the corporate and departmental level.

Current State of Digitization

A. Governance

The responsibility for supporting the County's strategic and operational information technology needs rests with the Information Technology Department ("IT Department") within the County's Corporate Services Division. With a budgeted staffing complement of 15.5 full-time equivalent employees (FTE's), ITS provides a range of service and support to functional departments within the County, including but not limited to:

- GIS development and support
- Communications services (telephone systems, mobile devices, email)
- Customer software development
- Web development and support
- Computer software and hardware support and training
- Help desk support
- Network communications and data security/disaster recovery
- Software systems analysis and project management

In addition to managing the County's operating requirements, the IT Department also leads the implementation of capital projects for the County as a whole as well as department-specific initiatives.

While the County currently does not have a formal strategic plan to guide overall strategy for its information technology, we understand that comparable planning is undertaken as part of the County's budget process, as well as informally during the year. However, we further understand that the completion of a formal information technology strategic plan (including an information technology governance framework that defines how information technology projects are prioritized, monitored and evaluated), has been identified as a priority in recent years.

B. Infrastructure

The County maintains and operates over 40 different software systems in support of its service delivery, with additional software programs used by County employees but hosted by the Provincial or Federal governments (e.g. the Provincial SAMS system which is used to administer Ontario Works). In recent years, the County has moved away from on-premise servers to a private cloud provider located in Toronto, with on-premise servers being repurposed to store back-ups that can be used in the event of a disaster recovery situation. The use of a private cloud provider allows the County to (1) avoid capital costs associated with replacing servers and other components reaching end of service life; (2) achieve economies of scale by collaborating with other customers; and (3) achieve a degree of risk transfer by relying on a third party for information technology services; and (4) benefit from formalized cybersecurity and privacy protocols. In addition, the County's contractual arrangements with its private cloud provider are supportive of its ongoing efforts to increase digitization as they allow for an increase in the scale of its data requirements at minimal costs to the County.

A summary of the County's software systems is included as Appendix A.

Current State of Digitization

C. Staff Perspectives

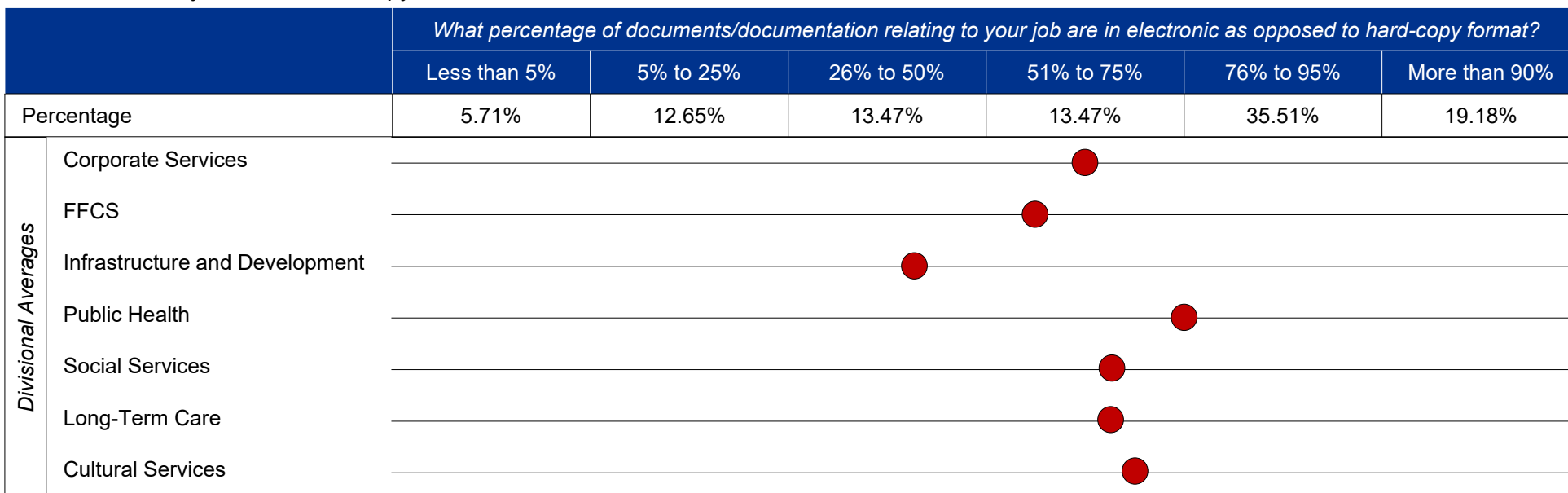
As part of the review, a survey of personnel was undertaken that solicited input from County staff concerning the current state of digitization in the County, specifically:

- The extent to which they rely on hard-copy documentation as opposed to digital formats;
- How well the County’s processes and systems support service delivery; and
- The degree to which they believe increased digitization would enhance operating efficiencies and customer service.

Overall, a total of 243 staff members responded to the survey, with the largest number of responses originating from staff in the Public Health (59), Cultural Services (50), Social Services (47) and Long-Term Care (41) Divisions, which is reflective of the distribution of the County’s staff.

Hard-copy vs. electronic documentation

The results of the survey indicate a relatively low degree of usage of digital documents at the County as a whole, with only 55% of survey respondents indicating that 75% or more of their documents are in electronic as opposed to hard-copy formats. As noted below, one out of three employees indicated that they relied on hard-copy formats for at least half of their documents.



Current State of Digitization

Digitization as a support for service delivery

For the most part, survey respondents view the County's current level of digitization as making a limited contribution towards customer service, productivity, operating efficiencies and cost savings, with one-third of respondents indicating that they somewhat or strongly disagreed with the view that the current level of digitization provides this level of support for service delivery. While the responses were somewhat more favourable for interactions between departments, a quarter of respondents still viewed the level of digitization to be lacking.

	<i>To what extent to you agree or disagree with the following statements?</i>				
	Strongly Agree	Somewhat Agree	Total Agree	Somewhat Disagree	Strongly Disagree
The County's current level of digitization meets the needs of my department's clients (internal and/or external)	15.92%	48.98%	64.90%	27.76%	7.35%
The County's current level of digitization contributes towards workplace productivity and efficiencies	16.33%	46.94%	63.27%	26.94%	9.80%
The County's current level of digitization contributes towards reduced costs	14.69%	44.08%	58.77%	28.57%	12.65%
My department currently has the resources (IT, staffing etc.) needed to effectively maintain documentation in a digital format	16.73%	46.53%	63.26%	25.71%	11.02%
Other County departments are able to interact with my department through the use of digital documents as opposed to hard copies	24.90%	46.53%	71.43%	17.96%	10.61%
My department is able to interact with other departments through the use of digital documents as opposed to hard copies	25.71%	48.98%	74.69%	17.14%	8.16%
My ability to work remotely is supported by the current level of document digitization within my department.	24.08%	38.78%	62.86%	17.14%	20.00%

Current State of Digitization

Perceived benefits of enhanced digitization

Consistent with the overall results of the survey, the majority of respondents (80%) believed that enhanced digitization would result in operating improvements for the County, with 60% of respondents indicating the potential for operating efficiencies and 20% indicating the potential for customer service improvements. Where respondents indicated that no meaningful improvements could be achieved, we note that 75% were from the County's Public Health, Cultural Services or Long-Term Care Divisions, which represented the divisions with the highest existing reliance of digital documentation.

<i>Do you believe that the County would realize improvements by increased digitization of documents and workflows?</i>						
No meaningful improvements	Operating Efficiencies			Customer Service Improvements		
	Some Improvement	Significant Improvement	Total	Some Improvement	Significant Improvement	Total
19.59%	27.36%	32.65%	60.01%	12.24%	8.16%	20.40%

D. Municipal Comparisons

In addition to surveying County personnel for their perspectives on the current state of digitization, the review also included a survey of other Ontario municipalities intended to gauge their current state of digitization, as well as the types of systems used for selected municipal services.

In comparison to the responses from County employees, other municipalities generally viewed the current state of digitization as having a greater contribution towards service delivery, with higher responses received from other municipalities on all survey questions (see next page).

Current State of Digitization

In addition to surveying County personnel for their perspectives on the current state of digitization, the review also included a survey of other Ontario municipalities intended to gauge their current state of digitization, as well as the types of systems used for selected municipal services.

In comparison to the responses from County employees, other municipalities generally viewed the current state of digitization as having a greater contribution towards service delivery, with higher responses received from other municipalities on all survey questions.

	<i>To what extent to you agree or disagree with the following statements?</i>						
	Strongly Agree	Somewhat Agree	Total Agree	Somewhat Disagree	Strongly Disagree	Lambton Total Agree	Difference
My municipality's current level of digitization meets the needs of my department's clients (internal and/or external)	9.09%	63.64%	72.73%	27.27%	0.00%	64.90%	-7.83%
My municipality's current level of digitization contributes towards workplace productivity and efficiencies	27.27%	45.45%	72.72%	27.27%	0.00%	63.27%	-9.45%
My municipality's current level of digitization contributes towards reduced costs	9.09%	54.55%	63.64%	27.27%	9.09%	58.77%	-4.87%
My municipality currently has the resources (IT, staffing etc.) needed to effectively maintain documentation in a digital format	0.00%	72.73%	72.73%	18.18%	9.09%	63.26%	-9.47%
My municipality's departments are able to interact through the use of digital documents as opposed to hard copies	27.27%	63.64%	90.91%	0.00%	9.09%	73.06%	-17.85%
The current state of digitization within my municipality would support ongoing working from home arrangements for staff	27.27%	63.64%	90.91%	0.00%	9.09%	62.86%	-28.05%

Current State of Digitization

Similarly, the other municipalities included in the survey indicated a higher expectation of potential benefits from the increased digitization of document processes and workflows, including:

- Time savings resulting from instant access to electronic documents
- The elimination of manual and duplicative processes as a result of the digitization of workflows
- Enhanced customer service by providing more municipal services through online channels
- Improved planning and analysis

	<i>Do you believe that the County would realize improvements by increased digitization of documents and workflows?</i>						
	No meaningful improvements	Operating Efficiencies			Customer Service Improvements		
		Some Improvement	Significant Improvement	Total	Some Improvement	Significant Improvement	Total
Other municipalities	0.00%	27.27%	45.45%	72.72%	0.00%	27.27%	27.27%
County	19.59%	27.36%	32.65%	60.01%	12.24%	8.16%	20.40%
Difference				-12.71%			-6.87%

Current State of Digitization

E. Evaluation of Service Delivery Processes

Included in the scope of work for the review was the facilitation of working sessions with County staff leading to the development of process maps. Based on Lean methodologies, the process maps provide a step-by-step overview of the County's processes for service delivery, allowing for the identification of work elements that involve the use of hard-copy documentation, manual work efforts (e.g. manual vs. electronic signatures) and so-called work arounds that involve staff performing additional procedures due to system limitations, user preference, training gaps and adherence to past practices. The review involved the development of 21 process maps for County Divisions that have not been included in previous reviews funded through the Program.

Long-Term Care	Cultural Services	Infrastructure and Development	Corporate Services
<ul style="list-style-type: none"> Elder move-in Rate reduction Trust fund transactions Elder discharge Incident reporting 	<ul style="list-style-type: none"> Memberships Donations Work order management Fleet maintenance Health and safety inspections 	<ul style="list-style-type: none"> Permitting Fleet maintenance Time capture (personnel) Time capture (equipment) Pipeline agreements Winter operations activities 	<ul style="list-style-type: none"> Contract administration Corporate records MFIPPA requests

The results of the process map development have identified over 30 opportunities for enhancements to the County's processes for service delivery, the majority of which but not all can be addressed through increased digitization). Identified inefficiencies and other areas for improvement include:

- The use of electronic as opposed to hard-copy formats for documentation;
- The use of electronic signatures and stamps for approval processes, as opposed to manual signatures;
- The elimination of duplicate processes, including the retention of multiple copies of the same document; and
- The elimination of work elements with little to no value.

We note that these findings are consistent with the results of other reviews conducted by the County through the Program, as well as the experience of other municipalities that have undertaken similar reviews.

The process maps, identified areas for improvement and suggested courses of action have been provided to the County under separate cover.

Implementation Framework

The results of the current state assessment, as well as the findings from the other projects undertaken through the Program, arguably support the contention that the County’s digitization environment is not aligned with the County’s requirements:

- Process mapping of County services has identified a high degree of reliance on manual processes and hard-copy documentation, as well as the requirement for staff to undertake manual workarounds to compensate for functional limitations in the County’s systems
- County staff have identified low usage of digital documents and processes, with digitization providing limited contributions towards service delivery
- In comparison to other municipalities, the County appears to have a lower level of digitization, including both the use of electronic documents and the automation of work processes
- A number of the County’s systems are approaching end of service life and will require eventual replacement

In light of these findings, we have developed potential courses of action that can be considered by the County to address the identified areas of inefficiency and which are intended to contribute towards enhanced value-for-money and other benefits and which are divided into three main categories:

1. Enhance the strategic and governance frameworks for information technology through the adoption of an information technology strategic plan and governance framework.
2. As a short-term measure, implement process changes at the departmental level that create immediate operating efficiencies and other benefits through increased digitization, process streamlining and other strategies.
3. Implement a corporate-wide adoption of additional functionalities within the County’s existing Microsoft 365 system (“M365”), including digital records retention and automated workflows. Specifically, the County may wish to utilize the following applications under M365:

Collaboration	Document Storage	Records Retention and Retrieval	Automated Workflows	Application Development	Business Intelligence
Teams	Sharepoint	Purview	Power Automate	Power Apps	Power BI

The expanded use of M365, as opposed to the procurement of new systems for the identified applications, reflects the existing investment made by the County in M365, which reduces the cost competitiveness of selecting other applications.

An implementation framework for the suggested courses of action is provided on the following page.

Implementation Framework

Priority	Implementation Activities	Estimated Incremental Cost ('000's)		Timeframe
		Annual	One-time	
General	<ol style="list-style-type: none"> Increase capacity within IT Department by use of third party consultants/contract staff in each of 2023 and 2024 to provide additional resources for digitization initiatives and new system implementation. These resources would be used to advance the opportunities identified through the digitization review, as well as those identified in the Social Services and FFCS implementation projects (e.g. ERP implementation, transitional digital processes pending implementation of the full M365 functionality). Submit funding applications to the Program for ongoing implementation activities, as well as other funding sources as identified. 	\$150	–	2023
		\$150	–	2024
		\$150	–	2025
		\$150	–	2026
		\$150	–	2027
Strategic Plan and Governance Framework	<ol style="list-style-type: none"> Through a request for proposal process, retain third-party advisors to develop a formal information technology strategic plan and governance framework. 	–	\$100	2023
Process Changes	<ol style="list-style-type: none"> Establish working groups comprised of departmental representatives, as well as representatives from other County functions as considered appropriate (e.g. FFCS, IT Department), mandated to implement process change Review and prioritize identified opportunities for improvements Develop suggested future state models that incorporate operational improvements based on the findings of the review Validate the proposed future state models on a pilot project basis, with refinement of the process changes as considered necessary Evaluate and report on results 	–	\$75	2023
Corporate-wide adoption of expanded M365 functionality	<ol style="list-style-type: none"> Establish a project steering committee for overall project oversight, with an identified IT Department resource dedicated to as project manager 	–	\$300	2025
	<ol style="list-style-type: none"> Through a request for proposal process, select third-party advisors to coordinate implementation activities 	–	\$300	2026
	<ol style="list-style-type: none"> Implement expanded M365 functionality, including conversion of existing data, automation of workflow and staff training 	\$300	\$400	2027
Total			\$1,175	

Estimated Benefits

Enhancing the current state of the County's digitization environment is expected to result in three types of benefits:

- **Financial benefits**, representing incremental cost savings to the County.
- **Capacity benefits** resulting from workload reductions achieved through efficiency gains, allowing the County's personnel to redirect their efforts towards other higher value activities. Given that these efficiency gains result in the redirection of staff resources, as opposed to reductions in the County's staffing complement, capacity benefits are not expected to result in direct cost savings.
- **Other benefits** including non-quantifiable benefits resulting from changes to the County's processes, such as environmental benefits resulting from the reduced use and transportation of paper documents, improved customer service and enhanced compliance with legislation and regulation.

A. Financial Benefits

Over the last five years, the County has incurred an average of \$460,000 in expenses relating to the use of hardcopy documentation, including paper, postage, courier and photocopying costs³, comprised of both (i) hardcopy documentation produced for customer purposes (e.g. photocopying at County libraries); and (ii) documentation used for internal administrative purposes (e.g. logbooks maintained in connection with winter maintenance activities), which could be transitioned to electronic formats as part of the County's digitization initiative.

<i>(in thousands)</i>	Actual				Budget 2022	Five Year Average
	2018	2019	2020	2021		
Paper supplies	\$291	\$306	\$278	\$240	\$143	\$252
Postage and courier	\$194	\$204	\$185	\$160	\$95	\$168
Photocopier charges	\$44	\$44	\$34	\$30	\$49	\$40
Total	\$529	\$554	\$497	\$430	\$287	\$460

Given the focus of the County's digitization initiative on internal processes, it is not expected to result in significant cost savings for that portion of the County's expenses are that incurred in relation to customer deliverables, which we have estimated account for approximately two-thirds of the County's total budgeted costs for 2022 (\$135,000). For the remaining portion of costs (\$77,000), representing those expenses incurred in connection with the County's internal administrative processes, we have forecasted a potential savings of approximately \$30,000 per year.

³ For the purpose of our analysis, we have excluded costs incurred by FFCS, Social Services and Building Services as these divisions are subject to separate initiatives focused on efficiencies that would result in similar cost savings.

Estimated Benefits

B. Capacity Benefits

The most significant benefits expected from the County's digitization process are expected to be in the form capacity gains for staff through the use of electronic documentation and the automation of work processes. Some examples of these gains include:

- Reduced time for document retrieval in response to requests under the Municipal Freedom of Information and Protection of Personal Privacy Act as a result of being able to search documents electronically for key words, as opposed to requiring staff to retrieve and review hardcopy documentation in response to the request.
- Consolidating the recording of winter maintenance activities into a single step, replacing the current process that requires staff to record their activities in timesheets, daily logbooks, duty status sheets and winter operations records.
- Eliminating the requirement for Cultural Services to manually prepare and retain four copies of charitable donation receipts and associated documentation packages comprised of receipts, payments received and MS Excel spreadsheets.

The extent of capacity gains from digitization will vary significantly by department depending on the nature of the activities performed. For example, while County personnel involved in winter roads maintenance will see some benefits from digitization as a result of the streamlining of administrative processes associated with activity recording, this is not expected to represent a significant savings as the majority of their time is involved in direct service delivery (e.g. winter roads maintenance). However, personnel undertaking a higher degree of work benefiting from electronic documents and automated work processes (e.g. legal services/clerks, human resources) are expected to realize more operating efficiencies through digitization.

Based on the analysis of the County's workforce and the assumption of relatively small capacity gains by employees, we have estimated the total capacity benefits resulting from the full implementation of the proposed digitization initiative to be in the order of \$450,000 per year.

Please note that this amount represents the quantum of staff time that is "freed up" as a result of digitization, allowing staff to perform other higher-value tasks. While staff reductions and associated savings may be achievable once the full implementation of M365 capabilities is completed, we do not believe that any staff reductions will be achievable in the short-term (i.e. until full digitization has been achieved) and as such, have not quantified cost reductions from a staffing perspective.

Estimated Benefits

C. Other Benefits

While the category of other benefits is difficult to quantify in financial terms, the potential impact of the digitization initiative on the County from the perspective of minimizing reputational risk, avoiding financial costs and/or ensuring regulatory and legislative compliance can be significant. Specifically, the digitization initiative is expected to achieve the following additional benefits.

Digitization Initiative Element	Expected Benefit
Implementation of MS Purview records retention system	<ul style="list-style-type: none"> Minimize the risk of the inadvertent release or loss of sensitive private information by establishing a standard protocol for document retention on a County-wide basis (including restrictions on and monitoring of access to files), which ensures compliance with the provisions of the Municipal Freedom of Information and Protection of Privacy Act. Ensuring compliance with the County's records retention policy by establishing a single document retention system and avoiding instances where County staff retain hardcopy documentation beyond the prescribed retention period. Assisting the County in meeting the timeframes required under the Municipal Freedom of Information and Protection of Privacy Act by facilitating document searches and retrieval. Contributing towards the County's business continuity and disaster recovery planning by ensuring the availability of digital formats of documents in the event of a fire, flood or other incidents that would otherwise result in the damage to or destruction of physical records.
Implementation of Power Automate	<ul style="list-style-type: none"> Minimizing the risk of errors and variations in the performance of specific work elements by automating work processes. Enhancing the County's ability to manage staff transition by standardizing and automating work flows.
Implementation of Sharepoint	<ul style="list-style-type: none"> Reduced environmental footprint by eliminating the need for hardcopy documentation Improved ability to establish an open government environment for County residents and other stakeholders



County of Lambton
Municipal Modernization Fund Projects Report

Chapter II Finance Implementation



Overview of the Project

On January 4, 2022, County Council received the final report on the review of the FFCS Division, which identified a number of factors that constrained the operating efficiency of the County's financial processes:

- Insufficient resources within IT Department to ensure the full functionality of systems is available and that system limitations are addressed in a timely manner.
- Insufficient investment to update systems to required capabilities and performance that reflects the most current needs of FFCS.
- Insufficient investment and focus on training with respect to system functionality and report writing.
- A policy environment that limits operating efficiencies by either establishing thresholds that are too stringent or by having gaps as a result of a lack of key policies.
- Preventable errors from functional departments that require staff time by FFCS personnel to resolve.
- The absence of a risk-based approach to internal controls in favour of a control environment where low value items are subject to a relatively high level of internal controls.

In response to these findings, the review also suggested priority areas of focus of FFCS:

- Revisions to the County's policy environment, including the revisions to its procurement policy and the development of new policies relating to financial management
- Modifying standard operating procedures in order to enhance operating efficiencies through a streamlining of administrative processes and the digitization of documentation and workflows
- Undertaking a review of information technology systems and functionality used to support FFCS

In response to the review findings, the County has undertaken a variety of implementation activities intended to achieve the potential operating efficiencies identified. Funded through the Program, these activities have realized benefits to the County in the immediate short-term, with the potential for ongoing efficiencies into the future. This report provides a summary of the implementation activities and associated benefits.

Implementation Activities and Outcomes

Policy Development

The first phase of the FFSC implementation project involved the updating of the County’s procurement policy and the development of new policies relating to key financial decision-making processes. In addition to addressing the inefficiencies resulting from the County’s policy environment, the new policies also identify other inefficiencies identified through the process mapping undertaken as part of the initial review.

Policy	Type	Description
Procurement	Revision of existing policy	<ul style="list-style-type: none"> Increases thresholds for procurement approvals to a level consistent with best practices for municipalities and other public-sector organizations Differentiates the role of Council and Management with respect to procurement activities Incorporates wording that reflects best practices for municipal procurement (e.g. dispute resolution)
Budget Processes	New policy	<ul style="list-style-type: none"> Establishes timeframes for budget preparation Provides guidance on budget processes, including disclosure Establishes the ability for the County to use multi-year budgeting
Capital Financing	New policy	<ul style="list-style-type: none"> Establishes the process for capital forecasting and budgeting Provides guidance on the use of debt for capital financing Provides guidance on the treatment of capital surpluses and deficits
Debt Management	New policy	<ul style="list-style-type: none"> Defines permitted use of debt financing Defines characteristics of County debt (currency, fixed vs. variable rates, term) Establishes the County’s debt servicing limit
Investments	New policy	<ul style="list-style-type: none"> Provides guidance on the County’s investment activities, including acceptable investments, reporting and approval requirements
Reserves and Reserve Funds	New policy	<ul style="list-style-type: none"> Provides guidance on the process for reserve and reserve fund management Establishes minimum and maximum targets for reserve and reserve fund balances Establishes the process for the disposition of year-end surpluses or deficits
User Fees	New policy	<ul style="list-style-type: none"> Provides guidance on the process for budgeting user fees Establishes the ability to undertake cost of service analysis in connection with setting user fees Provides guidance on affordability considerations relating to user fees

Copies of these policies, which were adopted by County Council in June 2022.

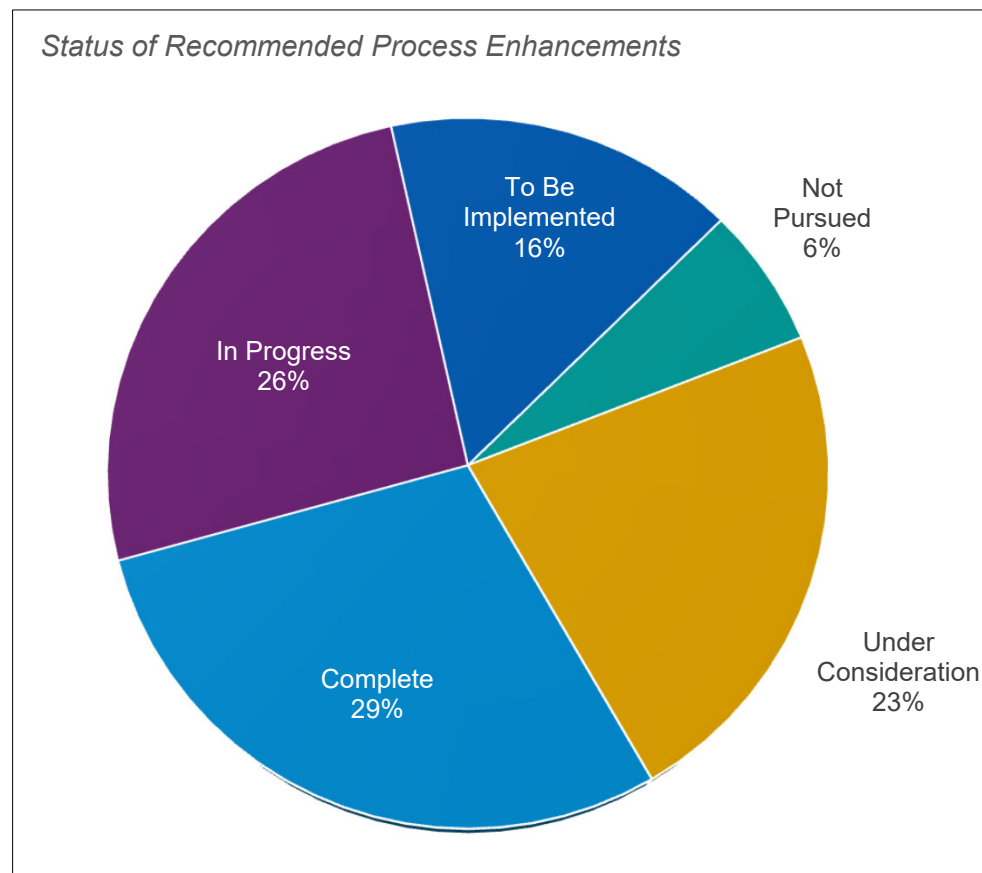
Implementation Activities and Outcomes

Process Enhancements

The second phase of the FFSC implementation project involved the implementation of changes to financial processes that reflect the opportunities identified during the initial review, which involved the following work elements:

- Initial meetings were held with FFCS personnel to discuss the findings from the initial review and identify (1) opportunities that have already been implemented; (2) opportunities to be deferred or otherwise not pursued; and (3) opportunities for future implementation. A summary of the opportunities identified during the course of the review is included on the following pages.
- Where revisions to processes were identified for implementation, working sessions were facilitated with County staff to confirm a future state for the process (i.e. modification of the existing processes to enhance efficiencies), with the suggested future states validated on a trial basis to ensure the feasibility of the proposed changes.
- Based on the trials of the future state processes, formal process maps were developed outlining the suggested processes and workflows. As noted in Chapter I (Digitization Review), it is recommended that the County consider adopting additional functionality within its M365 platform, including the use of *Sharepoint* for document storage and *Power Automate* for the digitization of process workflow, both of which will impact the processes undertaken by FFCS. As such, the future state workflows developed in connection with the FFCS implementation project should be considered transitional in nature pending the full implementation of the County's digitization initiative, which is expected to require two to three years to complete.

As noted on the following pages, the FFCS has advanced a number of the recommendations identified through the initial review, with the majority of recommendations either completed (29%) or in progress (26%).



Implementation Activities and Outcomes

Process Enhancements

Procurement		
Initial Review Findings	Suggested Course of Action	Status
<p>The County currently maintains different systems for the issuance of purchase orders, with the choice of Maximo and iCity determined by the number of available licenses. The absence of consistency in systems limits the ability of the County to manage procurement as a single process, requiring certain work arounds (e.g. Excel spreadsheets for tracking contracts) and hindering overall oversight.</p>	<p>The County may wish to consider the adoption of a single system for procurement or alternatively, increased measures for integration of data that would facilitate operating efficiencies and enhanced oversight.</p>	<p>To Be Implemented – The consolidation of purchase order systems is expected to be addressed through the implementation of a new ERP solution.</p>
<p>The County’s procurement policy requires competitive procurements (invitational) for all procurements in excess of \$5,000, with open competitive procurements required for all purchases in excess of \$15,000. Based on a review of comparable municipalities, we note that these thresholds are low and result in an increased level of work required for low value procurements in comparison to other municipalities.</p>	<p>The County may wish to revise its procurement policy to increase the threshold for competitive procurements to a level that is comparable to that adopted by other municipalities (e.g. \$15,000 for invitational procurements, \$50,000 for open procurements). In revising the thresholds for competitive procurements, the County should also consider increasing the authority levels for procurements.</p>	<p>Complete – The County has adopted a new procurement policy that includes increased thresholds, reducing the frequency of competitive procurements and associated requirements for staff time.</p>

Implementation Activities and Outcomes

Process Enhancements

Procurement (continued)		
Initial Review Findings	Suggested Course of Action	Status
<p>The County does not currently undertake detailed analysis of its procurements and as such, has limited capabilities to undertake cost savings strategies through vendor rationalization and product standardization. In the absence of these strategies, the County may not be realizing the lowest cost possible for the purchases of goods and services. In addition, the absence of consolidation (products and services) likely increases the number of procurement transactions and the associate time required for processing.</p>	<p>The County may wish to consider undertaking data analytics on its spending in order to identify potential opportunities for vendor rationalization and product standardization.</p>	<p>Complete – An analysis of pricing differentials indicates minimal savings are available through product standardization.</p>
<p>Aspects of the County’s procurement function, including both documentation and approval, involve hard copy as opposed to electronic formats, resulting in inherent inefficiencies and added costs.</p>	<p>The County may wish to consider adopting an electronic data management process that would involve digitize all documentation relating to procurement, thereby avoiding the need for the printing, retention, movement and retrieval of paper documentation. At the same time, the County may wish to investigate the potential for electronic approvals for procurement processes (e.g. email or automated approvals) as a means of reducing the extent of personnel involvement in procurement approvals.</p>	<p>In Progress – Procurement has implemented electronic communications, digital document storage and electronic signatures for contracts, eliminating almost all printing and courier use.</p>

Implementation Activities and Outcomes

Process Enhancements

Procurement (continued)		
Initial Review Findings	Suggested Course of Action	Status
The County currently maintains inventory processes for administrative supplies (e.g. pens) that have relatively low dollar values. Accordingly, there is disconnect between the relatively low value of inventory under management and the higher value of staff time involved in inventory processes.	The County may wish to consider inventorying administrative supplies, with purchases expensed upon receipt as opposed to processed as inventory.	Complete – Procurement has eliminated the tracking of administrative supplies inventories, eliminating the need for requisitions and journal entries.
We understand that the County has a relatively low use of vendor of record arrangements for suppliers and as such, is required to undertake procurement processes for goods or services that were previously procured. In the absence of vendor of record arrangements, the County is required to essentially repeat its procurements, resulting in a duplication of work effort and increased time and cost for routine procurements.	The County may wish to consider establishing vendor of record arrangements for routine/repeat procurements that would allow it to streamline procurements by awarding contracts to prequalified suppliers.	Complete – Procurement has entered into vendor of record arrangements for architectural and engineering services and will continue to explore new opportunities for similar arrangements under the new procurement policy.

Implementation Activities and Outcomes

Process Enhancements

Capital and Facility Management		
Initial Review Findings	Suggested Course of Action	Status
The County currently does not have a formal system for facilities maintenance but rather relies on the experience of its staff and ad hoc processes. For example, the County does not have a formal work order process for preventative maintenance activities and does not have an established service level standard for response to requests for service.	The County may wish to consider adopting a more formalized structure for its facilities maintenance function that balances the resources required for administration with the anticipated benefit that considers the limited number of facilities under management. Specifically, the County may wish to focus on aspects that enhance risk management and the ability to avoid preventable costs, such as the use of work orders for preventative maintenance activities and the preparation of a preventative maintenance schedule.	To Be Implemented – The implementation of a work order management system is identified in the suggested implementation framework.
Aspects of the County’s facility’s maintenance function involve paper based documentation and manual processes (e.g. signing hard copy documents), which increases the administrative requirements.	The County may wish to consider the adoption of a digital document management process for facilities maintenance that relies on electronic as opposed to hard copy document.	Under Consideration – The use of paper based documentation is expected to be addressed through the implementation of the work order management system (above) or the County’s corporate document management system.
While the County maintains multi-year forecasts for capital projects, it has not adopted multi-year budgets. As such, staff are required to develop capital budgets on an annual basis, which requires more time and staff resources than would be required if a multi-year budget approach was adopted.	The County may wish to consider the adoption of a multi-year budget process. While this would continue to require Council approval of the budget on an annual basis, the use of a multi-year budget is expected to reduce the amount of staff time required for budget preparation while at the same time providing longer-term budget allocations for capital projects.	Complete – The County’s newly adopted budget policy provides for the use of multi-year budgeting at the direction of Council.

Implementation Activities and Outcomes

Process Enhancements

Capital and Facility Management (continued)		
Initial Review Findings	Suggested Course of Action	Status
<p>While the County's procurement function is responsible for the management of capital projects, there is an eventual hand-off of responsibilities to the functional department responsible for the management of the facility post-construction. At the present time, the County does not have formalized knowledge transfer or monitoring processes that would allow for the identification of repairs that could be covered under warranty. As such, the County may pay for expenses that would otherwise be the responsibility of the contractor.</p>	<p>The County may wish to establish a formal process for knowledge transfer upon the hand-over of responsibility that ensures the functional department assuming responsibility is aware of potential warranty provisions, service level commitments and other items that may be recoverable from and/or the responsibility of the contractor. In addition, the County may wish to consider the establishment of a formal warranty register that tracks warranty commitments, which would be referred to prior to the commencement of any repairs on newly constructed facilities.</p>	<p>Under Consideration – The implementation of the work order management system and the County's corporate document management system are expected to enhance information sharing and the tracking of documents relating to capital projects.</p>

Implementation Activities and Outcomes

Process Enhancements

Accounts Payable and Payment Processing		
Initial Review Findings	Suggested Course of Action	Status
Many of the County's processes require manual checking and reconciliations which take up significant staff time while adding limited value to the related processes.	The County should digitize their processes and take advantage of capabilities within their systems to automatically sum electronic invoices/automatically check invoice numbers of electronic invoices against the invoice list to eliminate the requirement to manually reconcile these balances.	<p>In Progress – A revised workflow for accounts payable and payment processing has been developed that incorporates:</p> <ul style="list-style-type: none"> • The use of PDF documents as opposed to hard copies • The use of server folders in order to move invoices between County staff for processing and review • The use of electronic signatures and other digital approvals
Many of the County's processes involve movement and storage of physical documents. This represents an inefficiency as the process consumes time and resources.	The County should consider the use of electronic files to replace many of the paper-based systems. Electronic documents can be emailed or uploaded to a central server to eliminate the need for physical movement of documents. If the County uploads documents to a central server, it is prudent to ensure that appropriate access restrictions are in place.	Implementation of the revised workflows is pending IT Department modifications to the County's servers, the acquisition of additional licenses for Adobe Pro and the delivery of training to County personnel involved in accounts payable and payment processing.
The Manager of Divisional Support Services audits 100% of cheques and EFTs.	The County should consider taking a risk-based approach and sample rather than auditing 100% of the cheques and EFTs.	To Be Implemented – The revised workflow for accounts payable and payment processing eliminates this process as all payments are reviewed and approved by other County personnel prior to review by the Manager of Divisional Support Services.

Implementation Activities and Outcomes

Process Enhancements

Accounts Payable and Payment Processing (continued)		
Initial Review Findings	Suggested Course of Action	Status
The County communicates credit card policies via memo to cardholders. The absence of a documented policy that is readily available to all employees on an as needed basis (i.e. posted on the County's intranet) may lead to confusion with respect to what is considered an allowable expense.	The County should ensure that the formal expense reimbursement policy is saved on a central server so that it can be accessed by staff on an as needed basis.	In Progress – The policy will be posted to the County's server in connection with changes to the accounts payable and payment processes.
A judgmental process is used to review and/or verify the validity of new vendors. This creates an opportunity for staff to purchase goods or services from related parties or false vendors.	The County should document a formal process whereby new vendor set-up requires specific verification procedures, including proof of operation and reviews of potential conflicts of interest. This will help to ensure that consistent procedures are being performed amongst all AP staff when setting up new vendors.	Not Pursued – Given the review and approval of invoices conducted as part of the County's accounts payable and payment processes, risks associated with new vendor set-up are considered to be minimal.
Data processing must recode the client code in a 2 nd Vadim screen once the vendor code is set up in the 1 st Vadim screen. This represents an inefficiency as this recoding consumes staff time.	The County should review the Vadim functionality to determine if it is possible to set the 2 nd Vadim screen to pull the client code from the 1 st screen such that the vendor code and client code automatically match to remove the necessity to recode.	To Be Implemented – The process for establishing new vendors is expected to be addressed through the implementation of a new ERP solution.

Implementation Activities and Outcomes

Process Enhancements

Provincial Offences Act		
Initial Review Findings	Suggested Course of Action	Status
<p>The County's POA processes involve a number of instances where staff are required to refer to the offence notice for necessary information. In addition, the County's filing process involves the movement of offence notices between different types of files/storage areas based on timing or status of the notices.</p> <p>The reliance on the original offence notices and the nature of the County's filing system requires staff to invest time in the filing, retrieval and movement of the offence notices. This results in an inherent inefficiency while also potentially resulting the inadvertent loss or damage to the original offence notices.</p>	<p>The County may wish to consider adopting an electronic data management process that would involve the scanning of offence notices. Following scanning, POA personnel would refer to the electronic format of the offence notices, thereby eliminating the need to retrieve the notices throughout the POA process. After scanning, the original copy of the offence notice would be stored for future reference in connection with prosecutions and other matters that require the original paper copy of the offence notice as evidence.</p>	<p>In Progress – A revised workflow for POA processing has been developed that incorporates:</p> <ul style="list-style-type: none"> • The scanning of offence notices into PDF formats as opposed to hard copies • The use of server folders in order to file offence notices by status • The use of electronic signatures and other digital approvals <p>Implementation of the revised workflows is pending IT Department modifications to the County's servers, the acquisition of additional licenses for Adobe Pro and the purchase of additional scanners.</p>
<p>The County's current processes do not allow for telephone payments of Provincial offences, which represents a potential service limitation for clients, particularly those that do not reside in the County.</p>	<p>The County may wish to consider establishing an option for clients to pay Provincial offences by telephone (i.e. credit card payments).</p>	<p>Not Pursued – Given alternative options for payment, the implementation of telephone payments is not considered to be necessary.</p>

Implementation Activities and Outcomes

Process Enhancements

Provincial Offenses Act (continued)		
Initial Review Findings	Suggested Course of Action	Status
While cheque payments for Provincial offences are deposited electronically (online), County personnel are still required to attend at the financial institution to deposit cash payments. We understand that these individuals typically make the deposits on their own after business hours, which could represent a health and safety risk in the event of an attempted robbery.	The County may wish to consider the use of a contracted security firm for the transit and depositing of cash payments.	Under Consideration – The County will consider the implementation of this recommendation.

Implementation Activities and Outcomes

Process Enhancements

Month-End Close Procedures		
Initial Review Findings	Suggested Course of Action	Status
<p>Many of the County's processes involve movement and storage of physical documents. This represents an inefficiency as the process consumes time and resources.</p>	<p>The County should consider the use of electronic files to replace many of the paper-based systems. Electronic documents can be emailed or uploaded to a central server to eliminate the need for physical movement of documents. If the County uploads documents to a central server, it is prudent to ensure that appropriate access restrictions are in place.</p>	<p>In Progress – A revised workflow for journal entry processing has been developed that incorporates:</p> <ul style="list-style-type: none"> • The use of PDF documents as opposed to hard copies • The use of server folders in order to move journal entries between County staff for processing and review • The use of electronic signatures and other digital approvals • The establishment of a threshold for journal entry processing, eliminating the need for staff to process low value journal entries <p>Implementation of the revised workflows is pending IT Department modifications to the County's servers and the acquisition of additional licenses for Adobe Pro.</p>
<p>The Invoice Status Report in iCity has not been functional, causing delays for the data processing personnel.</p>	<p>The County has indicated that they have undertaken an internal review to identify the issue and determined it is an underlying issue in the system. The County should direct IT resources towards the timely resolution of the underlying issue to mitigate delays caused in running this report in future months.</p>	<p>Complete – The County's IT Department has activated this functionality.</p>

Implementation Activities and Outcomes

Process Enhancements

Month-End Close Procedures (continued)		
Initial Review Findings	Suggested Course of Action	Status
<p>DP must individually log into each of 24 department codes, review for open items, and print the cash receipt GL subsystem posting report and deposit report. While this represents an inefficiency as the process consumes time and resources, we understand that the current system requires individual passwords for each department, negating the ability to consolidate departments.</p>	<p>In order to limit the requirement for DP to separately log into individual departments, the County may wish to consider:</p> <ul style="list-style-type: none"> • Reviewing the requirement for 24 individual departments and examining the potential for making departments that are not required inactive. • Investigating the potential for so-called super-user access for DP that would allow access to multiple departments. To the extent that this is not available through the current iCity system, the County may wish to consider incorporating this functionality into future ERP solutions. 	<p>In Progress – FFCS has established a staff working group that is consolidating the number of department codes in use.</p>

Implementation Activities and Outcomes

Process Enhancements

Financial Reporting		
Initial Review Findings	Suggested Course of Action	Status
The County's year-end accrual process involves calculating salary accruals on an individual by individual basis. While this provides a very detailed accrual for salaries, it results in a considerable level of work on the part of County personnel. It is our understanding that this process consumes approximately two weeks of effort on the part of one employee.	The County may consider setting an internal materiality to determine the appropriate level of desired precision for calculating the payroll accrual. Consideration could be given to adopting a standard payroll rate per employee per day (using actual recent payroll costs) which would reduce the level of work associated with calculating the year-end accrual.	Completed – FFCS has revised its approach to calculating the year-end accrual.
Year-end financial statements are prepared in Word and Excel. This represents a potential inefficiency since changes to financial statement caption balances, notes and page breaks need to be carried through and adjusted manually. This process consumes time and may result in errors or inconsistencies being undetected.	The County should consider using a financial reporting software (i.e. Caseware) to assist in the preparation of year-end financial statements.	Under Consideration – FFCS will be purchasing Caseware for financial reporting, with a staff member to be assigned to link Caseware to the County's chart of accounts. The formatting of the Caseware file will be based on FIR categories, thereby facilitating the completion of the annual FIR submission.
A report is generated in FMW to assist with completion of the County's Financial Information Return (FIR). Manual adjustments are required to align amounts per FMW to the FIR's standardized reporting requirements.	The County may wish to revise the mapping of accounts in FMW to provide for a better alignment to the Financial Information Return. For example, it is our understanding that principal payments are currently mapped as an expense in the relevant FMW report. A manual adjustment is required to reverse the expense and reduce the liability.	

Implementation Activities and Outcomes

Process Enhancements

Financial Reporting (continued)		
Initial Review Findings	Suggested Course of Action	Status
The FIR is submitted to the Ministry before any review is performed. Controls are more effective when they are preventative vs. detective. Submitting the FIR prior to being reviewed might result in inappropriate information being submitted to the Ministry.	The County should consider having the external auditors perform their review of the FIR prior to submitting it to the Ministry to ensure appropriate information is being submitted.	Under Consideration – The County will consider the implementation of this recommendation as part of its external audit planning.
Algorithms for reports generated through FMW have not been updated in some time. There is a risk that inappropriate information is being used for reporting purposes if the underlying data in FMW is not correct or appropriate.	The County may wish to assign IT resources to gain an understanding of the report writing function in FMW.	Under Consideration – The County will consider the implementation of this recommendation in light of the existing demands on IT Department for other projects.
We understand that inconsistencies exist with respect to reports generated from iCity, FMW and Crystal. In certain circumstances, it is not clear which system, if any, is generating correct information. This represents a risk to the County since reliance may be placed on information that is incorrect.	The County should ensure that staff have sufficient training and knowledge of internal systems. Report algorithms should be reviewed on an as needed basis to ensure that report outputs are current and/or appropriate.	
Considerable manual manipulation of FMW reports is required before staff are able to utilize the data.	There is a real barrier in not getting useful reports from the FMW system to comply with Ministry reporting requirements. There is a heavy reliance on the use of Excel worksheets as workarounds. There is opportunity to obtain better training on FMW to understand and customize reports to align with data required for reporting purposes.	In Progress – The Caseware financial reporting software will be configured to align with Ministry reporting requirements. While the ultimate configuration will be finalized as part of a new ERP solution, the County can use Caseware as a transitional solution.

Implementation Activities and Outcomes

Process Enhancements

Financial Reporting (continued)		
Initial Review Findings	Suggested Course of Action	Status
Minimal training on FMW suggests a potential knowledge gap, limiting staff to known FMW functionalities when other useful functionalities may be available to assist staff with their tasks.	The County may wish to assign resources to training staff on additional functionalities of FMW.	To Be Implemented – FFCS will consult with other municipal users of FMW to enhance their understanding of the system and its functionality.
The preparation of the County’s budget for staffing costs (wages and benefits) involves a high level of detail, with staff benefits determined on an employee-by-employee basis that reflects their actual benefits enrollment package. While this level of detail provides a high degree of accuracy, it also requires a significant amount of staff time to complete. Based on our understanding of budget processes adopted by other municipalities and the quantum of the County’s overall budget, we suggest that the level of detail provided by this analysis is more than what is required and may not justify the level of staff time invested in the process.	The County may wish to consider streamlining its budget process by utilizing a general rate for employee benefits (applied to all employees) as opposed to the specific determination of individual benefit costs.	Under Consideration – FFCS is assessing changes to its budget preparation process for 2024.
The County’s budget process involves the printing of budget documents for review and approval by staff and Council which requires an investment in staff time and incremental costs for the printing and delivery of budget documents.	The County may wish to consider adopting an electronic document format for its budget process that eliminates the use of printed documents.	In Progress – FFCS is reviewing its use of printed copies of budget packages with the view of reducing printing.

Implementation Activities and Outcomes

Process Enhancements

Financial Reporting (continued)		
Initial Review Findings	Suggested Course of Action	Status
The Municipal Act permits municipalities to adopt multi-year budget processes which, while requiring annual approvals, has the potential to streamline the budget process and reduce the amount of staff time required for budget preparation and analysis.	We understand that Council's approval of the County's budget is relatively streamlined and does not involve a significant degree of consultation and revision on the part of staff. Given this environment, the County may wish to consider the adoption of a multi-year budget process that allows for further streamlining of budget preparation.	Complete – The County's newly adopted budget policy provides for the use of multi-year budgeting at the direction of Council.
The County's processes currently involve Finance Coordinators and Department Managers reviewing variances of \$1,000 or greater, which represents a relatively small threshold for review given the overall size of the County's budget.	In order to ensure an appropriate balance between the value derived from the budget review and the associated resource requirements, the County may wish to establish a higher threshold for variance reporting that considers not only the dollar value of the variance but also the variance as a percentage of budget (e.g. variances in excess of \$10,000 and 3%).	Complete – FFCS has adopted a higher threshold for variance reporting.

Implementation Activities and Outcomes

Information Technology Requirements

The initial review of FFCS identified a number of instances where the County's existing financial systems lacked the functionality required by FFCS, leading to operating inefficiencies as a result of staff being required to perform manual work arounds. Similar to the County's human resources and payroll systems, the results of the review indicated that the County likely requires a new enterprise resource planning system ("ERP System"), which would provide the County with a single integrated financial management system that meets the functional requirement of FFCS.

A. Needs Assessment

The implementation of a new ERP System is intended to enhance the management of the County's performance and financial decision-making processes by providing relevant financial and other information on a timely basis, while at the same time supporting the standardization, automation and innovation of business processes. While contingent upon the results of the County's competitive procurement process, it is anticipated that the ERP system will encompass at a minimum the following core functions, while at the same time linking to other systems maintained by the County (e.g. HRIS, payroll and scheduling, building permits):

- General ledger
- Expenses, accounts payable and payments
- Revenues, accounts receivable and receipts
- Tangible capital assets
- Procurement and inventory management
- Financial reporting
- Customized report writing and analysis
- Budgeting
- Reserve and reserve fund management
- Debt management

Implementation Activities and Outcomes

Information Technology Requirements

In support of these core functions, we have provided under separate cover suggested functionalities for a new ERP system that could be considered by the County in selecting a preferred solution, which reflect both best practices for municipalities as well as address current limitations in the County's existing systems. These functionalities are classified into five broad categories:

- Operational excellence (e.g. automated processes, range of features, ease of integration with existing County systems)
- Security (e.g. fraud prevention, cybersecurity protections, protection of privacy of information)
- Customer experience (e.g. online channels, ability to process multiple payment formats)
- Employee experience (e.g. self-service options, ease and intuitiveness of user interface)
- Other (e.g. compliance with legislation and regulation, capacity for expansion)

B. Potential Solutions

In connection with the municipal survey conducted as part of the digital review, respondents were requested to indicate which software system they used for financial reporting, the results of which are summarized on the following page. Based on the results, we note that:

- All of the municipalities with revenues less than \$200 million use Microsoft Dynamics GP;
- None of the municipalities with revenues greater than \$300 million use Microsoft Dynamics GP, instead using larger ERP systems; and
- For municipalities with revenues between \$200 million and \$300 million (which are comparable to the County and highlighted in yellow on the following page), the ERP systems in use are evenly divided between Microsoft Dynamics GP and larger ERP systems.

Based on the results of this analysis, there does not appear to be a preferred ERP system that would preclude the use of a competitive procurement process by the County. As such, we suggest that the selection of a new ERP system would require a competitive procurement process that includes vendor demonstrations of their solutions.

Implementation Activities and Outcomes

Information Technology Requirements

Municipality	Category	Population	Total Revenues	ERP System
Greater Sudbury	Single-tier	166,004	\$693.2 million	PeopleSoft
Kingston	Single-tier	132,485	\$621.4 million	Microsoft Dynamics AX
Simcoe	Upper-tier	350,222	\$540.7 million	SAP
Guelph	Single-tier	143,740	\$524.2 million	JD Edwards
Peterborough (City)	Single-tier	83,651	\$375.9 million	SAP
Wellington	Upper-tier	97,286	\$262.6 million	Oracle JD Edwards
Oxford	Upper-tier	121,781	\$229.2 million	Microsoft Dynamics GP
Norfolk	Upper-tier	67,490	\$228.8 million	Microsoft Dynamics GP
Cambridge	Lower-tier	138,479	\$217.7 million	SAP
Haldimand	Upper-tier	49,216	\$155.6 million	Microsoft Dynamics GP
Brant	Single-tier	39,474	\$127.9 million	Microsoft Dynamics GP
Lanark	Upper-tier	66,506	\$100.6 million	Microsoft Dynamics GP
Lennox and Addington	Upper-tier	45,182	\$83.3 million	Microsoft Dynamics GP

Suggested Next Steps

As noted earlier in the report, during the 10 month period following the review of FFCS, a quarter of opportunities have been implemented, with the implementation of an additional third of the opportunities in progress. The participation of FFCS personnel in the development of future state processes for selected procedures has provided a foundation for further continuous improvement efforts, which are contingent upon the County's ability to acquire necessary infrastructure (most notably software) and dedicate staffing resources (both from FFCS and the IT Department) for full implementation.

In order to fully realize the operating efficiencies identified through the review and implementation projects, we have outlined suggested implementation strategies below.

Priority	Implementation Strategy	Link to Digitization Initiative
Secure necessary staff resources	<ul style="list-style-type: none"> Establish working groups for the implementation of remaining initiatives, comprised of: <ul style="list-style-type: none"> Manager, Divisional Support Services Manager, Financial Administration Services FFCS staff involved in the process (e.g. journal entry processing) IT Department personnel 	<ul style="list-style-type: none"> The proposed addition of additional IT capacity in 2023 is intended to support FFCS implementation activities, specifically with respect to the transition to electronic document formats and the use of server folders for document management (as opposed to hardcopy files).
Secure necessary infrastructure	<ul style="list-style-type: none"> Acquire necessary software programs to support operating efficiencies: <ul style="list-style-type: none"> Adobe Acrobat Pro (provides the ability to use electronic stamps and signatures) Caseware (provides the ability to automatically generate interim and year-end financial statements, FIR groupings and specialized reporting based on flat file uploads from the County's financial reporting system) Facilities management system (provides the ability to automate work orders and enhance the effectiveness of the County's facilities maintenance function) 	<ul style="list-style-type: none"> A facilities management system was identified as a requirement for Cultural Services as part of the digitization review.
Secure a new ERP solution	<ul style="list-style-type: none"> Finalize procurement for a replacement ERP in order to address functional limitations of the County's current systems. 	<p>The proposed addition of additional IT capacity in 2024 is intended to support the implementation of, and ongoing support for, a new ERP system</p>

A recommended timeframe for the implementation strategy and associated budget requirements are included on the following pages.

Implementation Framework

Priority	Implementation Activities	Estimated Incremental Cost ('000's)		Timeframe
		Annual	One-time	
FFCS Implementation Activities	1. Acquisition of Caseware (financial reporting software)	\$5	\$25	2023
	2. Acquisition of Adobe Acrobat Pro (digital document software)			
	3. Acquisition of facilities management system	\$5	\$50	2024
	4. Acquisition of scanners and other peripherals			
ERP Solution	5. Establish a project steering committee for overall project oversight, with an identified IT Department resource dedicated to as project manager	–	–	2022
	6. Through a request for proposal process, select an ERP solution and implementation support	–	\$1,000	2024
	7. Implement the preferred ERP solution, including conversion of existing data, automation of workflow and staff training	\$200	\$500	2025
Total		\$210	\$1,575	

Estimated Benefits

Enhancing the current state of the County’s digitization environment is expected to result in three types of benefits:

- **Financial benefits**, representing incremental cost savings to the County.
- **Capacity benefits** resulting from workload reductions achieved through efficiency gains, allowing the County’s personnel to redirect their efforts towards other higher value activities. Given that these efficiency gains result in the redirection of staff resources, as opposed to reductions in the overall level of workload, capacity benefits are not expected to result in direct cost savings.
- **Other benefits** including non-quantifiable benefits resulting from changes to the County’s processes, such as environmental benefits resulting from the reduced use and transportation of paper documents, improved customer service and enhanced compliance with legislation and regulation.

To a certain extent, these benefits have already been realized given that a quarter of the opportunities for operational efficiencies have already been implemented by FFCS. For example, changes to the County’s procurement policy has increased the threshold for invitational procurements (which required the County to obtain three quotes) from \$5,000 to \$15,000, bringing the County in-line with thresholds for other procurements. Based on the County’s historical procurements, this change in policy reduced the time for procurements by approximately 246 hours per year, representing 0.1 FTEs and translating into an estimated capacity gain of approximately \$10,000 per year. Additional savings realized to date include:

Efficiency	Estimated Annual Capacity Benefit	
	Hours	Monetary Value
<ul style="list-style-type: none"> • The County has discontinued the tracking of inventories for office supplies, eliminating the need to process requisitions and journal entries for small value transactions 	50	\$3,000
<ul style="list-style-type: none"> • The County has implemented vendor of record arrangements for architectural and engineering services, reducing the need for competitive procurements for these services 	70	\$7,000

As additional improvements are implemented, the quantum of benefits realized is expected to increase and we have summarized below the anticipated benefits following full implementation of the identified opportunities.

Estimated Benefits

A. Financial Benefits

A significant focus of the FFCS implementation is on the elimination of hardcopy documentation for financial processes, resulting in a reduction in operating costs for office supplies (e.g. paper, binders, folders), photocopying costs and postage and courier charges. Based on the level of expenditures currently incurred by FFCS and the expected outcomes of the identified efficiencies, we have estimated the potential savings for the County to be in the order of \$5,000 per year.

B. Capacity Benefits

The results of the initial review and subsequent implementation project have identified the potential for significant capacity gains for FFCS through process changes involving digitization, the elimination of duplicative or low value work processes and other efficiency measures. As noted below, the estimated capacity gains for selected processes where implementation is either complete or in progress range up to 20% of the current time incurred by County staff in the performance of the processes, with the highest efficiency gains resulting from digitization of FFCS processes.

Processes	Operational Improvement	Estimated Annual Capacity Benefit		
		Hours	Monetary Value	Percentage Gain
Procurement	• The County has discontinued the use of inventories for office supplies, eliminating the need to process requisitions and journal entries for small value transactions	60	\$3,000	3%
	• The County has implemented vendor of record arrangements for architectural and engineering services, reducing the need for competitive procurements	150	\$8,000	7%
Court Services	• Digitization of offense notices, eliminating the need for staff to manually sort, file and retrieve offense notices during processing	140	\$7,000	3%
Financial Services (includes Financial Administration and Divisional Support Services)	• Implementation of minimum threshold for journal entry processing for non-critical accounts	35	\$2,000	7%
	• Streamlining of Manager review processes for disbursements (cheques and EFTs)	12	\$1,000	<1%
	• Digitization of journal entry processes	120	\$7,000	20%
	• Digitization of accounts payable and payment processing functions	1,200	\$50,000	15%
	• Use of Caseware for financial statement preparation	20	\$1,000	<1%
Total for operating improvements implemented or in progress		1,737	\$79,000	

Estimated Benefits

The quantification of the monetary value of the capacity benefits considers the time spent by all County personnel on the performance of the process, which will include:

- Staff from all County divisions that initiate transactions and coordinate with FFCS on processing
- Management personnel in County divisions that review and approve documentation forwarded to FFCS
- Staff withing FFCS that process the relevant transactions
- Management personnel within FFCS that perform review and approval functions

Given the involvement of multiple staff in the identified processes – including staff where their involvement in the process represents a small percentage of their capacity (e.g. management personnel that approve invoices prior to processing by FFCS) – the capacity benefits cannot necessarily translate into opportunities for staff reduction as it may not be possible to realize sufficient time savings in a single position to support the discontinuance of the position.

In addition to the estimated capacity benefits achieved from process improvements either completed or in progress, the recommended implementation of a new ERP solution is expected to provide additional capacity benefits (and potential cost reductions) through additional automation and standardization of work processes, improved data collection and analysis and enhanced customer relations management. Based on a similar level of capacity benefits as demonstrated through projects where implementation is either completed or in progress (representing an average capacity benefit of 20%), we have estimated the potential capacity benefits from an ERP solution to FFCS to be in the order \$400,000 annually.

Estimated Benefits

C. Other Benefits

On an annual basis, FFCS processes just under 2,000 journal entries and almost 20,000 invoices. Under the current requirement for hardcopy documents, this represents approximately 70,000 sheets of paper annually, with additional hardcopy documentation requirements associated with various records produced and maintained by the County as part of its financial processes (e.g. cheque and EFT registers, copies of accounts payable batch reports). The digitization of FFCS' processes is expected to result in a significant reduction in paper usage, with associated environment benefits.



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Chapter III Social Services Implementation



Overview of the Project

In the fall of 2020, the County undertook a review of its Social Services Division (“Social Services”), which is responsible for the delivery of programs mandated to the County as a result of its designation as a Service Manager by the Province of Ontario, including:

- Social assistance, including financial assistance and employment support services (Ontario Works);
- Children’s services;
- Homelessness services; and
- Housing services.

The overall objective of the 2020 review was to determine potential changes that could be adopted by Social Services with respect to its processes in order to achieve operating efficiencies, enhance effectiveness and position Social Services to best delivery social services within the current funding envelope. As a result of the review, a number of opportunities for process improvements were identified, which focused primarily on:

- Undertaking further digitization of documentation and processes
- Modifying standard operating procedures in order to enhance operating efficiencies through a reduction in administrative processes
- Increasing the extent of inter-functional collaboration in order to gain economies of scale and efficiencies.

In 2022, the County was successful in securing funding under the Program to support the implementation of opportunities identified through the initial review. Specifically, the implementation of identified opportunities involved two key work elements:

- The implementation of changes to internal processes for Social Services; and
- The evaluation of potential changes to Social Services’ organizational structure.

This chapter provides a summary of the implementation activities and associated benefits associated with the Social Services implementation activities.

Process Changes

The implementation of changes to Social Services' processes for service delivery involved the following work elements:

1. The process maps and opportunities for improvement identified through the initial review were updated to reflect changes to Social Services' processes, including:
 - Changes introduced by the Province as part of the Social Assistance Recovery and Renewal Plan, which in certain instances addressed inefficiencies identified during the initial review undertaken by the County and also added new processes (e.g. reloadable payment cards, social assistance digital application intake) which were not present during the initial review; and
 - Changes introduced by the County as a result of the initial review.
2. Once an updated understanding of Social Services' processes was obtained, opportunities for operating efficiencies and effectiveness enhancements were evaluated and prioritized, with four areas of focus identified for further implementation efforts:
 - Client services
 - Consents
 - Community outreach
 - Continuous improvement

For each area of focus, action plans were developed that identified detailed implementation activities and expected outcomes, with the County currently in the process of executing these action plans.

A summary of each area of focus is provided on the following page.

Process Changes

	Client Services	Consent	Community Outreach	Continuous Improvement
Scope	<ul style="list-style-type: none"> Identify ways to enhance client service across departments Act as a sounding board for other working groups initiatives and assist / advise in the development of implementation plans for service integration initiatives and changes to service delivery that will impact clients 	<ul style="list-style-type: none"> Review local policy related to consents and create strategies to increase utilization of the consent for client benefit Identify how best to track, store, and share information regarding the consent among departments Develop a training program for staff implementation 	<ul style="list-style-type: none"> Review existing connections in the community and explore options to expand community connections and points of access for social services within the community 	<ul style="list-style-type: none"> Lead the implementation of process improvement initiatives identified by KPMG in 2020. Be champions for lean continuous improvement Create a progressive implementation plan for improvements that build on each other while prioritizing service integration and administrative efficiency items identified as Quick Wins
Work undertaken to date	<ul style="list-style-type: none"> Identified top six client barriers to focus on: <ul style="list-style-type: none"> Administrative barriers Internal Communication Lobby Services In-Office Appointments Daily Worker Availability Remote Work <i>(Transportation was noted as a 7th barrier but not prioritized at this time)</i> 	<ul style="list-style-type: none"> Process mapped interdepartmental consent process for all departments Developing new client centered consent with revised language to support client outcomes and readability Brainstorming ways to leverage inter-departmental consent to further client outcomes 	<ul style="list-style-type: none"> Creation of proposed professional development and internal collaboration workshop for all division staff Creation of master community resource tool for entire division 	<ul style="list-style-type: none"> Review of mail and banking processes and identification of improvements for management review and approval Lean Awareness Training provided to Division staff Developed improvement implementation plan from 2020 review

Process Changes

	Client Services	Consent	Community Outreach	Continuous Improvement
Upcoming work efforts	<ol style="list-style-type: none"> 1. Management approval of detailed action plan 2. Prioritization of action plan elements in a facilitated session with the working group. Ideas will be prioritized based on effort to implementation and benefit of change. 3. Execution on specific action plan items. 	<ol style="list-style-type: none"> 1. Working group to complete revised draft interdepartmental consent for management review and approval. 2. Consultation with legal to obtain support of new consent. 	<ol style="list-style-type: none"> 1. Delivery of community outreach training, including overview of program areas by supervisors/managers and breakout group sessions to review case scenarios and discuss outreach strategies for clients <ul style="list-style-type: none"> • What are the key issues we can identify from what we have been told? • What services internally would best suit this client? • Who will we make the warm transfer / referral to so supports and services can start to be put into place for this person? 	<ol style="list-style-type: none"> 1. Completion of and execution on formal implementation plan for opportunities identified in initial review based on the following categories: <ul style="list-style-type: none"> • Completed • Quick Wins • Local Policy Change / More Investigation Required. • Not Applicable 2. Linkage of the Division's processes to other continuous improvement initiatives being undertaken by the County <ul style="list-style-type: none"> • Digitization • Financial services • Payroll and human resources 3. Development of future state process maps and pilot implementation for six processes involving hardcopy documentation, manual data entry and other identified inefficiencies.

Organizational Changes

Concurrent with implementation activities relating to process changes, Social Services also undertook an evaluation of its current organizational structure, staffing allocations and lines of reporting, the purpose of which was to:

- Assist Social Services in navigating anticipated Provincial changes to social assistance, most notably the anticipated uploading of employment support services; and
- Identify organizational design changes that would increase integrated service delivery across Social Services.

The evaluation of Social Services' organizational structure involved the following work elements:

- Initial discussions were held with Social Services staff to discuss the evolving environment for social services, including ongoing impacts of the pandemic, the proposed uploading of employment support services by the Province and the implementation of the Canada-wide Early Learning and Child Care Agreement (i.e. \$10 per day child care)
- Case studies were developed that outlined organizational structures adopted by other service managers in Ontario, the intention of which was to identify organizational structures that could be considered by the County that reflected different approaches to and degrees of integration. A total of ten service managers were included in the jurisdictional analysis
 - Oxford County
 - City of London
 - City of Kingston
 - Region of Waterloo
 - County of Dufferin
 - City of Kawartha Lakes
 - City of Peterborough
 - District of Parry Sound
 - Bruce County
 - District of Muskoka
- A working session was held with Social Services management to review the results of the jurisdictional review, confirm the potential changes to the Division's operating environment and discuss potential changes to Social Services' organizational structure, with a particular focus on:
 - Client intake
 - Reception and back office support
 - Circles Program
 - Integration of Ontario Works and Children's Services for clients receiving supports from both programs
 - Housing and homelessness community support workers and supervisors
 - ODSP support case worker

Organizational Changes

- Following the initial working session, additional analysis and refinement of potential organizational structure changes was undertaken, with a second working session held with Social Services management to further discuss the potential changes which included an evaluation of the relative merits of different options against the current organizational structure. A summary of options considered by the Division is included below.

Function	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Client Intake	Not Integrated					
Reception and Back Office Support	Integrated Function for All Services					
Circles	Moves to OW	Stays in HPCS	Moves to OW	Moves to OW	Moves to OW	Moves to OW
Child Care Fee Subsidy*	Integrated with OW Casework					
Homelessness Prevention (HPCS) CSWs	Moves to OW	Stays in HPCS	Stays in HPCS	Stays in HPCS	Stays in HPCS	Stays in HPCS
Housing CSWs	Stays in Housing with addition of new MH/Addictions CSW	Stays in Housing	Stays in Housing	Moves to HPCS	Stays in Housing	Stays in Housing
Ontario Works Homelessness CSWs	Stays in OW	Moves to HPCS	Moves to HPCS	Moves to HPCS	Stays in OW	Moves to HPCS
Ontario Works Homelessness S/V	Stays in OW	Moves to HPCS	Moves to HPCS	Moves to HPCS	Stays in OW	Moves to HPCS
Homelessness Prevention and Social Planning S/V (HPCS)	Stays in HPCS	Changed to Program Supervisor w/i HPCS	Changed to Program Supervisor w/i HPCS	Stays in HPCS	Stays in HPCS	Stays in HPCS
ODSP Support Caseworker	Stays in OW	Stays in OW	Moves to HPCS	Stays in OW	Stays in OW	Stays in OW

Organizational Changes

- In evaluating potential options, Social Services considered the relatively small size of its staffing resources, which precludes the potential for significant economies of scale through organizational redesign, as well as changes already adopted by Social Services since the initial review. For example, while the integration of back office support services was viewed as having the potential for operating efficiencies, it was ultimately not recommended as:
 - The Division has already adopted an integrated front desk/reception function;
 - The Division's staffing for back office support functions is relatively limited, with minimal staffing redundancies identified; and
 - In certain instances, back office support staff are partially involved in service delivery and as such, the elimination of these positions would adversely impact client service.

As a result of its evaluation of organizational structure options, Social Services will be implementing the following changes over the next two to three years:

- Moving the Circles program into Ontario Works (from HPCS);
- Where clients common to children's services and Ontario Works, assigning responsibility for casework to Ontario Works; and
- Moving the ODSP Support Caseworker to HPCS.

While other options were considered, the results of the evaluation did not support any changes to the following functions within Social Services:

- Housing CSW (remain within Housing Services)
- Ontario Works Homelessness CSW and S/V (remain within Ontario Works)
- Homelessness Prevention and Social Planning S/V (remain within HPCS)
- Homelessness CSW (remain within HPCS)

The Integrated CSW team will continue to undertake continuous reviews and evaluations of changes to the organizational structure of Social Services.

Estimated Benefits

A. Financial Benefits

While Social Services has not made major adjustments to its organizational structure – specifically changes to the alignment of services and responsibilities – as part of the implementation process, it has made some adjustments to its staffing levels in connection with the overall evaluation of its services and associated resource requirements, with additional changes planned for the upcoming fiscal years. Specifically, Social Services has reduced its budgeted staffing costs by \$132,000 to date as a result of staffing changes (2022 and 2023), with an additional \$131,000 in potential savings identified for 2024.

While additional savings from staffing changes may be forthcoming in 2024 and subsequent years, we have not attempted to quantify these given the potential for Provincial changes to the delivery of social services.

It is important to note that the cost savings achieved with respect to Social Services may not necessarily result in an absolute reduction of the levy requirement associated with Social Services due to:

- The nature of funding for Social Services, with cost reductions in certain programs resulting in corresponding reductions in Provincial funding; and
- Offsetting cost pressures, particularly given that funding for Ontario Works administration costs has been frozen since 2018, requiring the County to fund inflationary and other cost increases through the levy.

B. Capacity Benefits

The initial review of Social Services' processes identified a total of 195 opportunities for potential operational efficiencies, of which 70 (36%) have been implemented to date. These opportunities involve a variety of strategies, including increased use of digitization (electronic document formats, electronic approvals, use of servers and email for document sharing and retention as opposed to the physical movement and storage of documents), the elimination of low value and duplicative work efforts and other changes. From a monetary perspective, we have estimated the value of these capacity benefits to be in the order of \$195,000 annually, reflecting an estimated capacity gain of five hours per opportunity on average.

Consistent with the identified capacity benefits for other divisions, the potential for Social Services to reduce its staffing complement as a result of these capacity gains is limited by the fact that they represent incremental efficiencies spread across multiple staff within Social Services, including staff where their involvement in the process represents a small percentage of their overall job responsibilities and functions.

Estimated Benefits

C. Other Benefits

Through the implementation of the identified opportunities, Social Services expects the following additional non-quantifiable benefits through the review and implementation projects:

- Enhanced client service through the integration of service delivery and streamlined processes;
- Environmental benefits resulting from the reduction in the use of hard copy documentation; and
- Continued compliance with Provincial regulations and standards for the delivery of social services through the standardization of processes and service delivery.



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Appendix A County Software Systems



County Software Systems

Systems on County Servers or End User Devices

- | | |
|---|--|
| <ul style="list-style-type: none"> • Adobe, various versions, used by limited staff throughout the County. All have reader. • Autodesk, limited licenses used primarily by Infrastructure and Development • AutoCAD, limited licenses used primarily by I and D • Crystal Reports, Finance users and limited use throughout County accessing the ERP • Cisco Jabber (VoIP Client), Primarily LPH and Social Services for remote call centre • Liberty Court Recording, recording of POA proceedings • WinPak – Security Card Entry System at numerous county facilities • Nutrabase – LTC Food Prep and Menu System at all 3 homes • Zoom, on all conference room monitors, limited full licenses throughout county • MS Office 365 and local Office Products. On every device, every user will have access with E3 or E1 license. • SNAP SCHEDULE 365 – Staff Scheduling for libraries only, will be replaced by HCM • V-Smart (Infor) – Library Management System • Syndetics (Infor) • PC Booking (Convergent) – Public booking of library PCs, at 26 libraries • Donor Perfect – Gallery use for donation processing • ESRI GIS System, used by I and D, Public Health, Social Services for demographics • Intranet, internal app using WordPress • EIP (Employee Information Portal), internally programmed portal for employees | <ul style="list-style-type: none"> • Gallery Management System (TMS), used at JNAAG only • Basecamp (Libraries for collaboration) • Communico Program & Events Calendar & Room Booking for Libraries • Bibliotheca RFID Software for libraries • Room Booking Software (Event Management System) Corporate wide room booking • FMW (Budgeting software), used by all managers supervisors managing budgets • Hikvision LTC Security Camera System – Three LTC homes • iCity, iCity Online ERP, Central Square, used by all divisions for financial processing • Maximo (IBM/Cretech, Purchasing), limited licenses, all divisions but centralized usage • PowerPlan(RIVA Asset Management) used by Finance primarily, several lower tiers • Yardi Voyageur, Yardi Rent Café, Athena – Social Housing Management software • INFO:HR (HR System Strategies), used by all sups/managers, replace by new HCM • Njoyn recruitment, used by all sups/managers, replace by new HCM • DUDE Solutions LTC Maintenance System, used by a few users in all three LTC homes. • RPM/WPM Route Patrol Manager (Marmak), limited use by Roads department |
|---|--|

County Software Systems

Federal or Provincial Systems Used by the County	Cloud-Based SaaS Applications Used by the County
<ul style="list-style-type: none"> • SAMS – Social Assistance Management System, Public Health, Social Services • ICON – Provincial Offences • TPON – Transfer Payment Ontario, used by several divisions and finance for Provincial Funding processing • Penelope – Case Management for Social Services • ISCIS – Integrated Services for Children Information System, Children’s Services • IPHIS – Integrated Public Health Information System • OHISS – Oral Health Information Support System, public health dental system • FIR – Used by Finance to upload financial reports to the Province 	<ul style="list-style-type: none"> • Hedgehog/Hedgerow – Public Health Inspections • iMedic – EMS Patient Management System • Staff Schedule Care (SSC) – Long Term Care staff scheduling • Point Click Care – LTC Patient Care • LH Museum - Intuiface Matterport subscription – public engagement platform • County Website – eSolutions Group • Accushield LTC Covid Screening application • Meeting Manager – iCompass,, Council meeting management and streaming • Freshworks – IT Helpdesk • DocuSign – limited licenses in Legal Services and Purchasing



County of Lambton
Municipal Modernization Fund Projects Report

Appendix B Digitization Process Maps



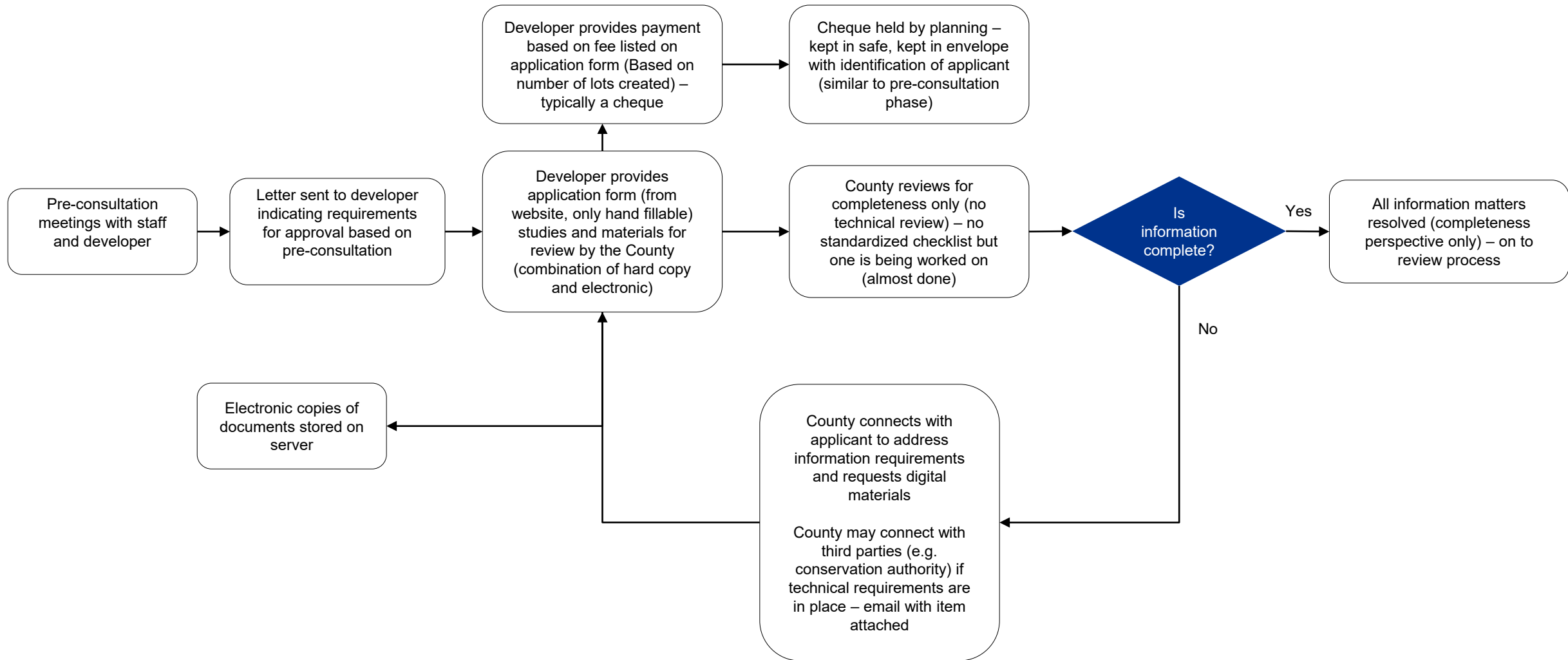


Lambton County

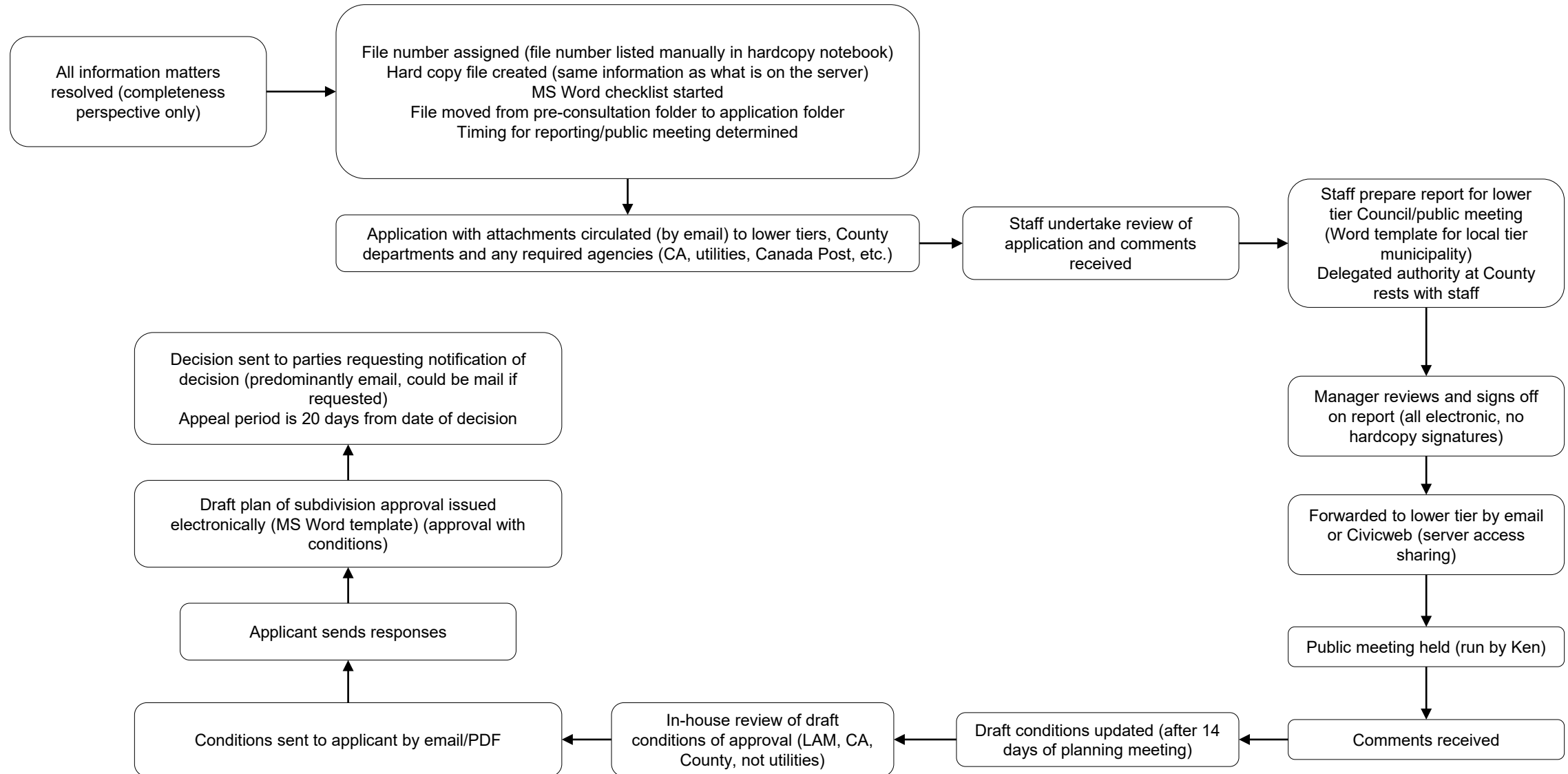
Planning Applications Process Maps



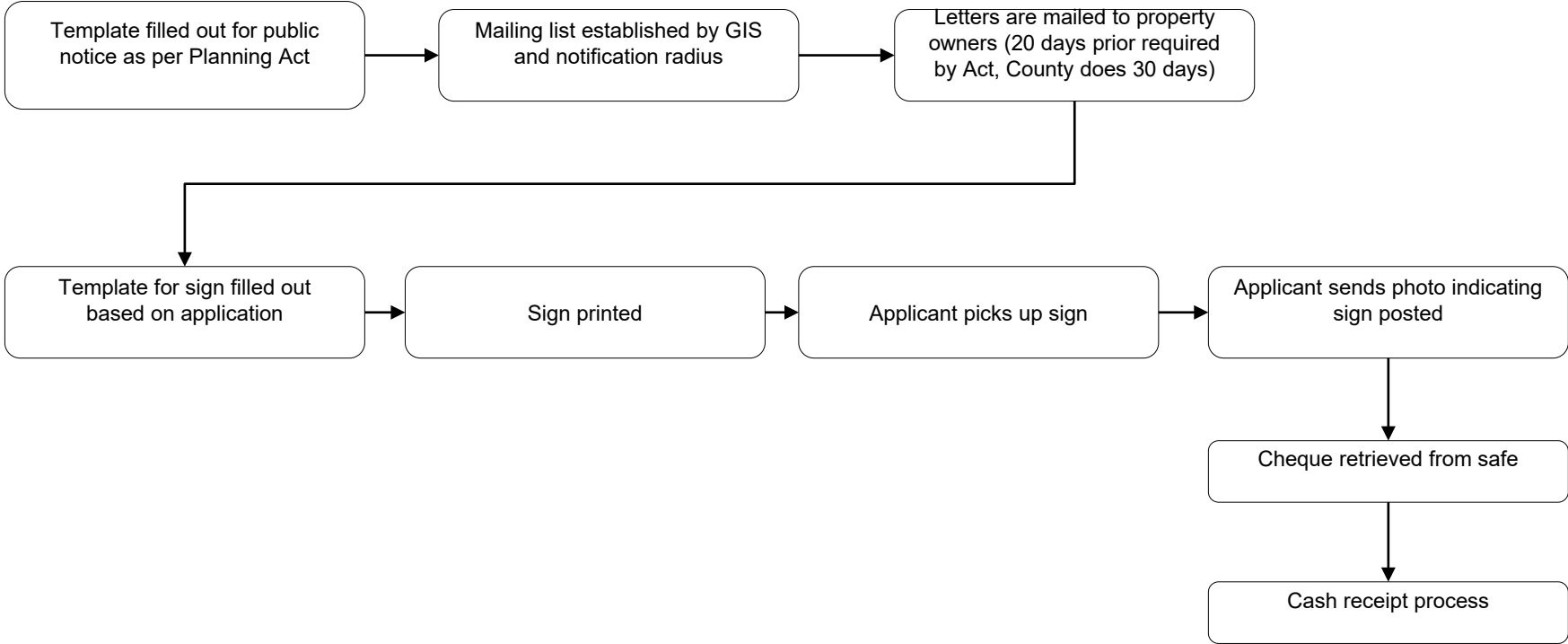
Subdivision Approvals (pre-approval)



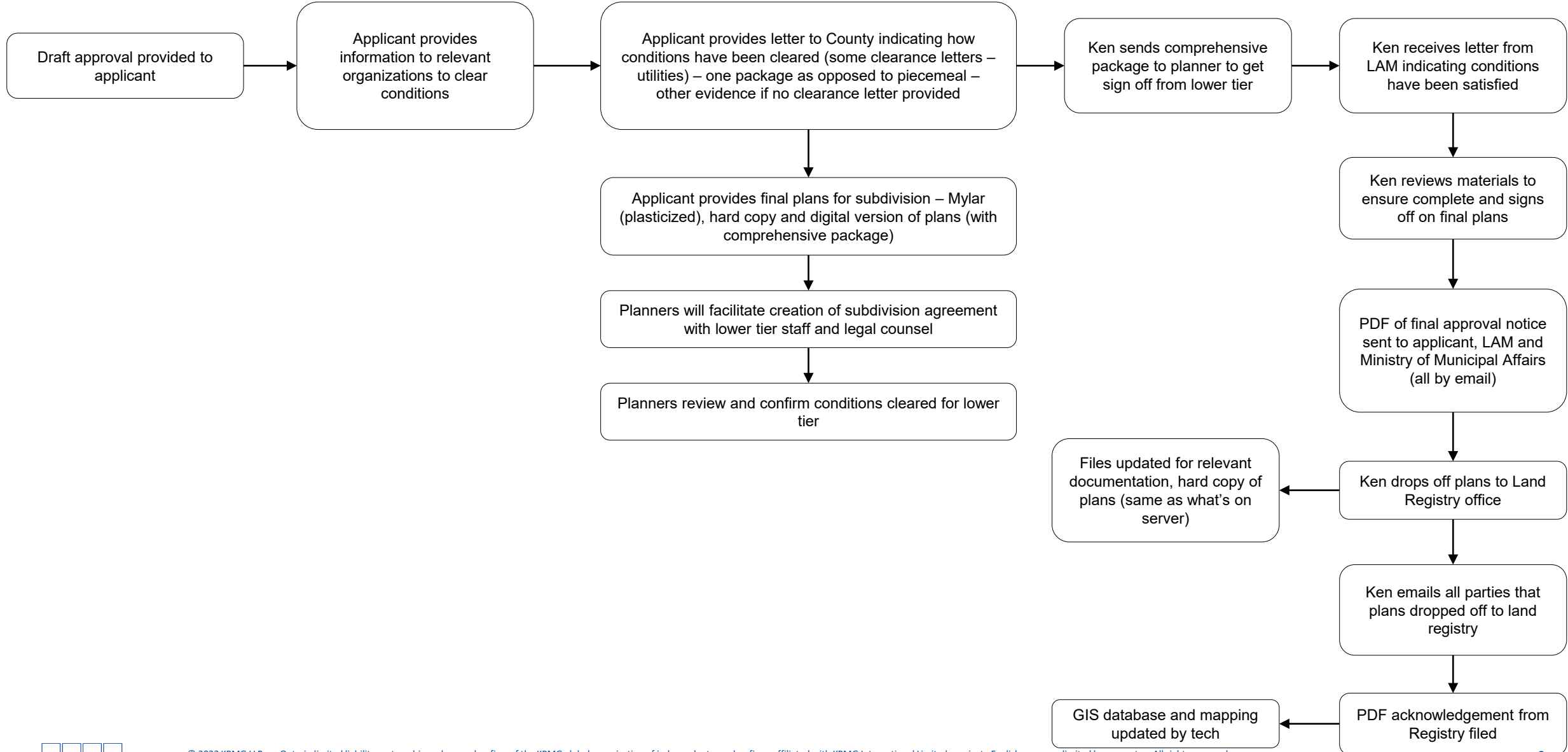
Subdivision Approvals (review process)



Subdivision Approvals (notification process)

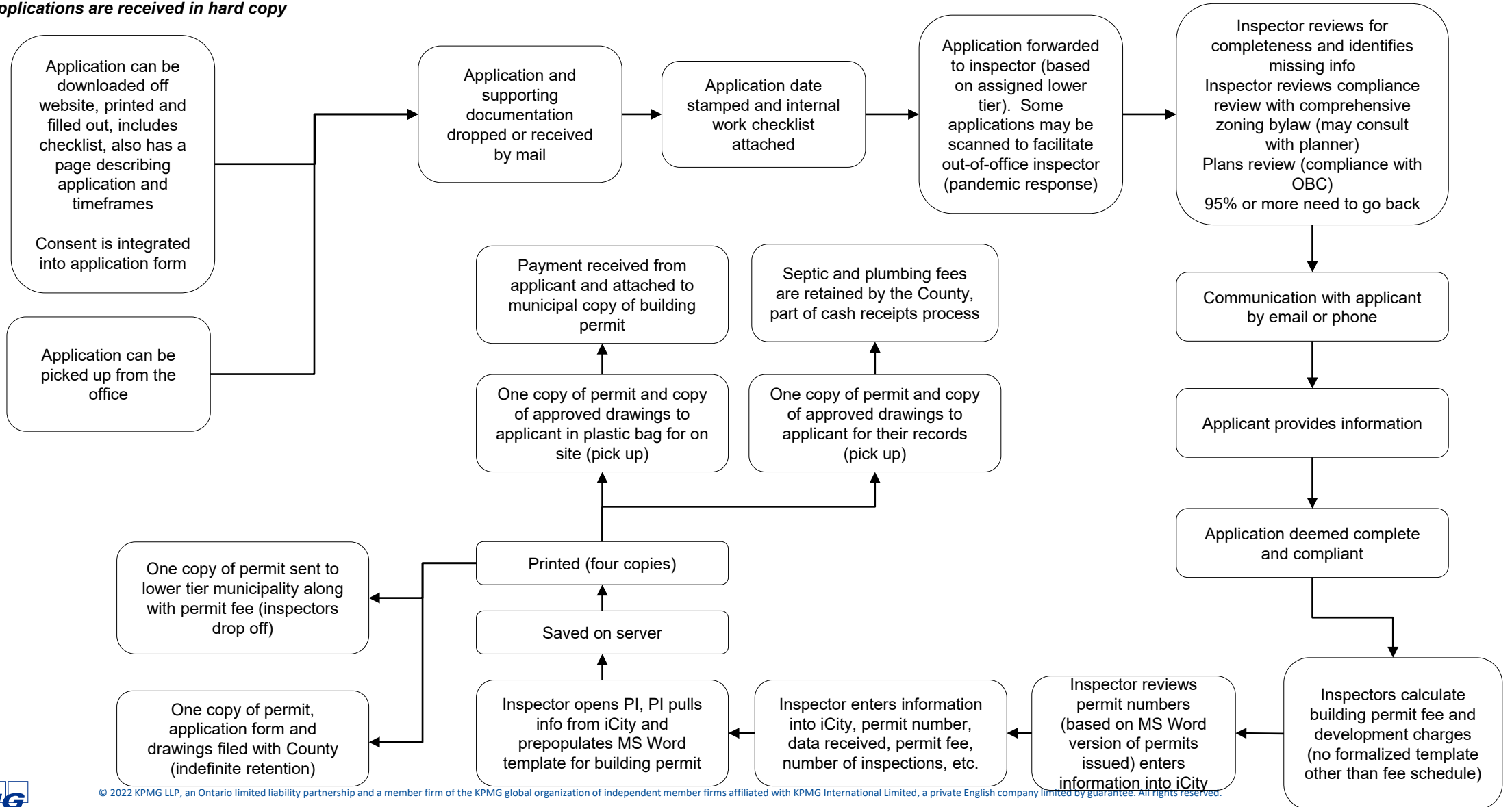


Subdivision Approvals (review process)

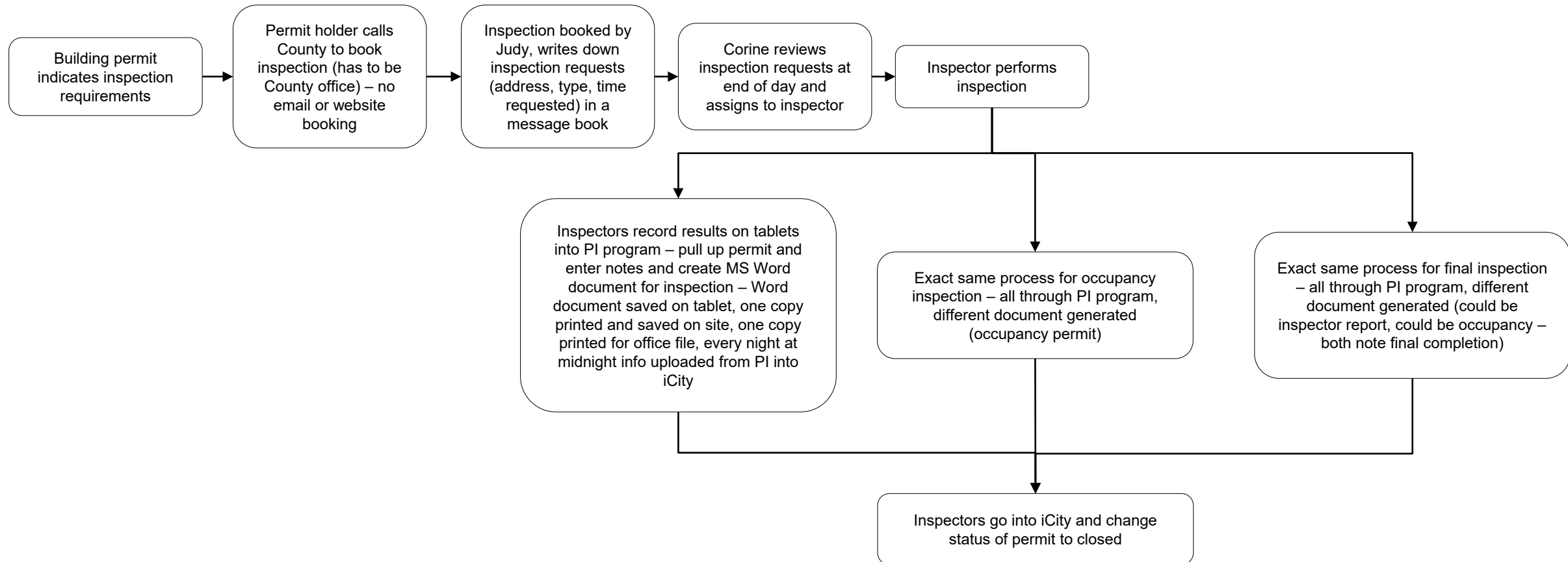


Building Permit Applications

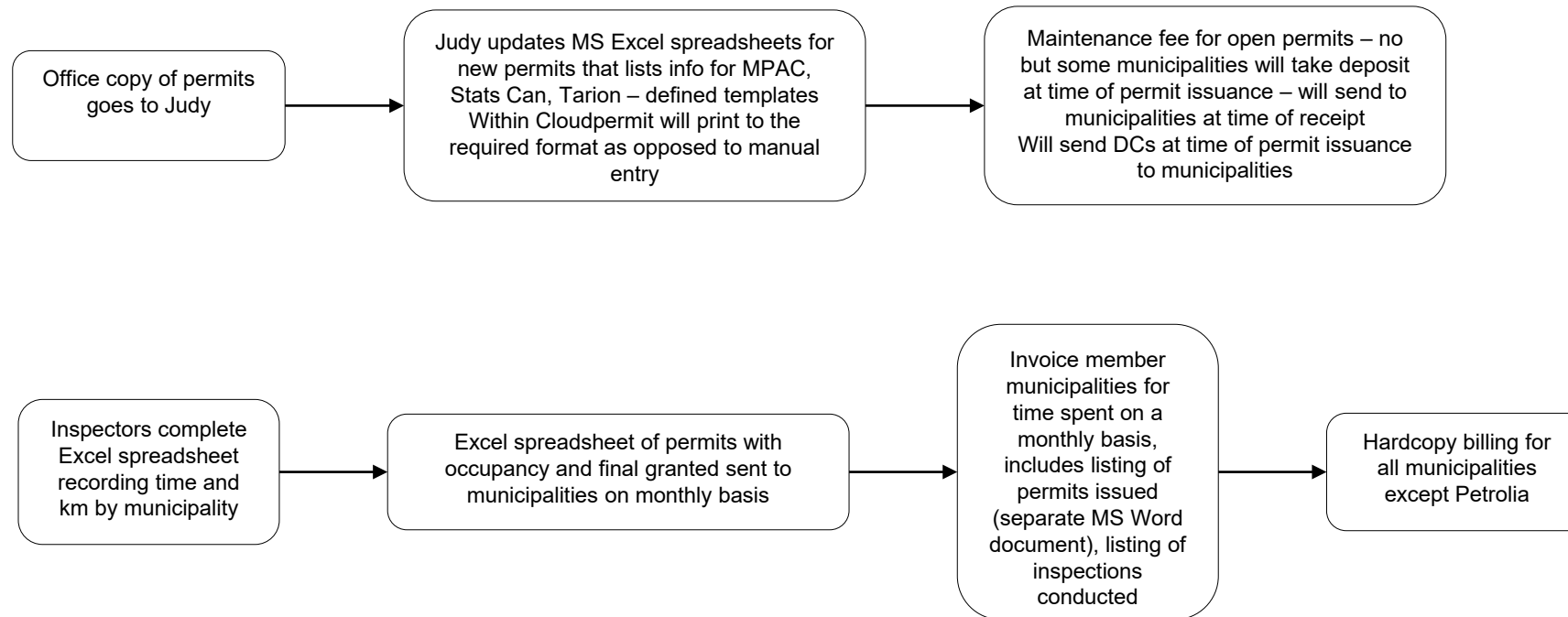
Applications are received in hard copy



Building Inspections



Reporting



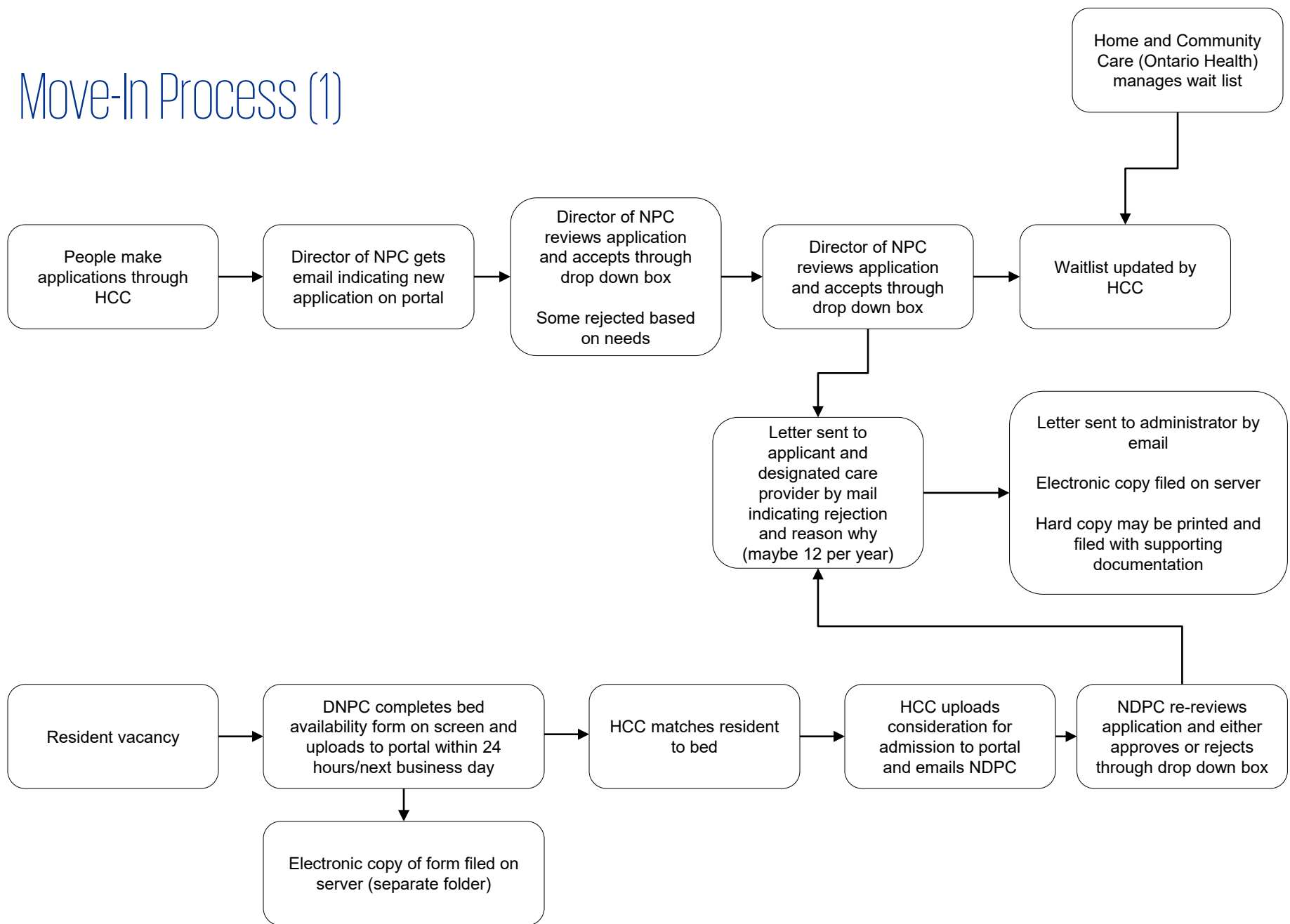


Lambton County

Long-Term Care Process Maps

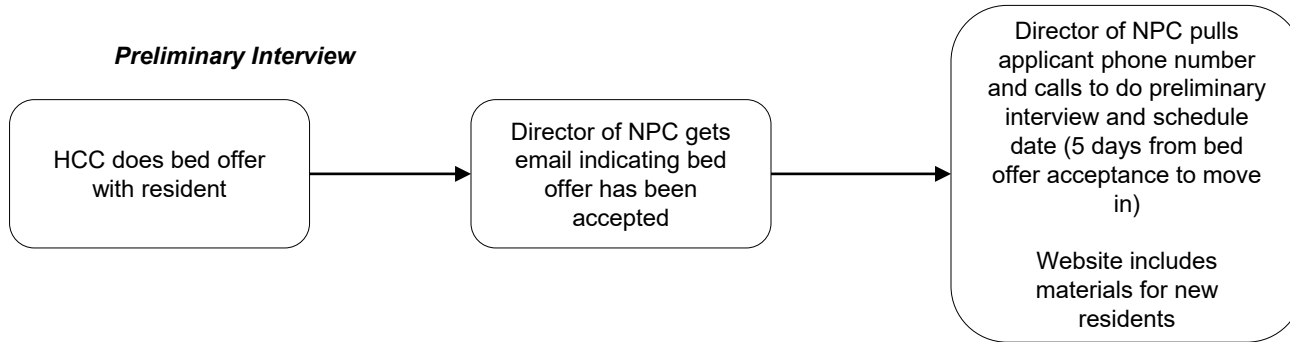


Move-In Process (1)

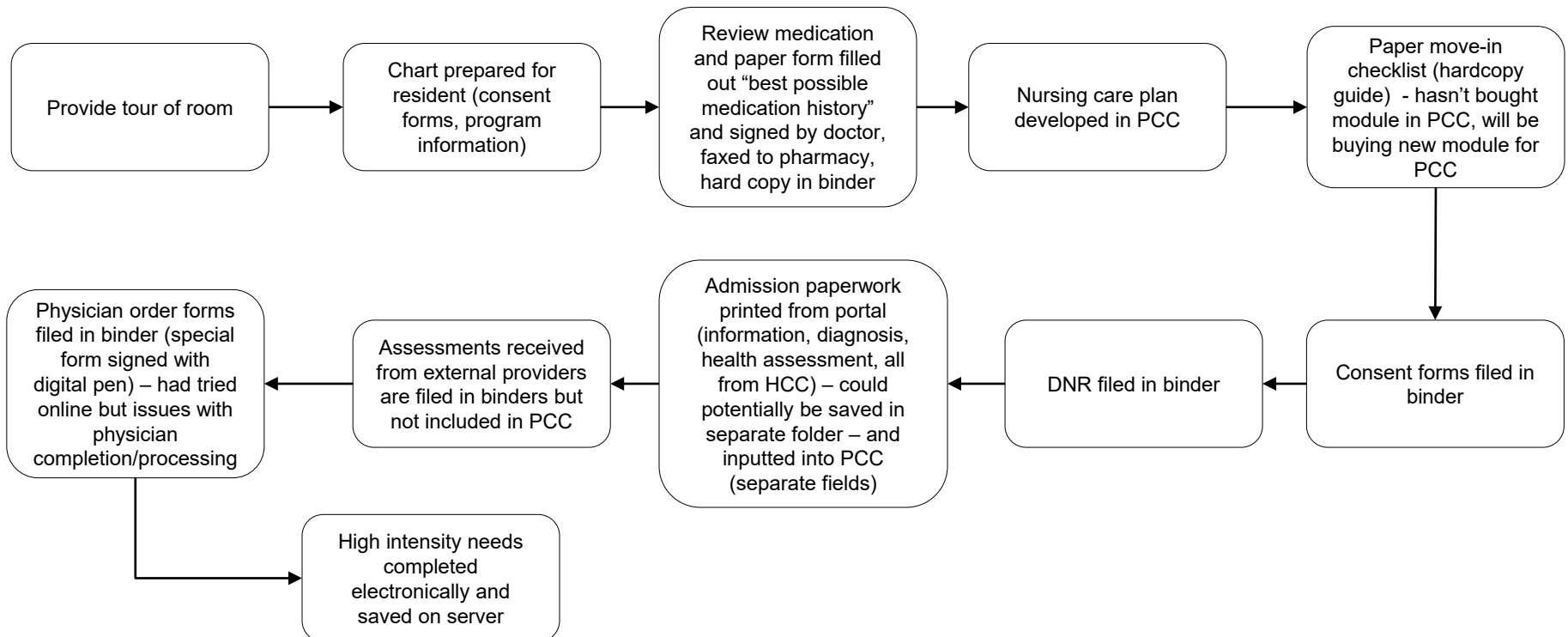


Move-In Process (2)

Preliminary Interview

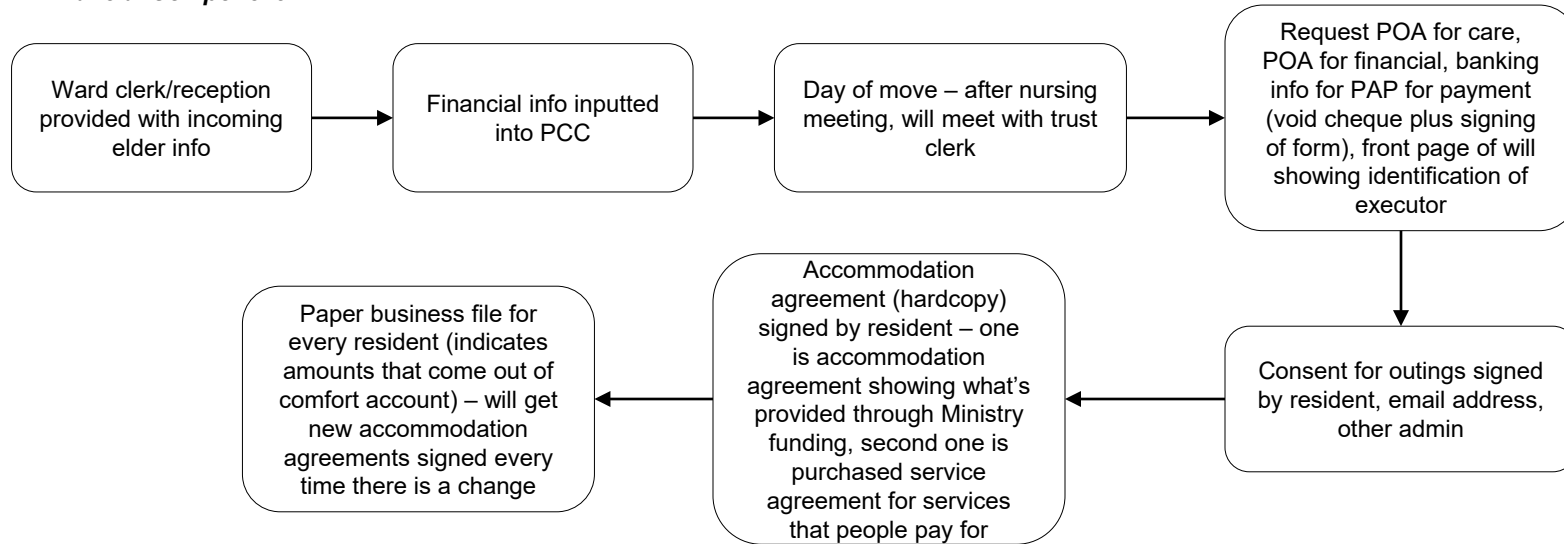


Nursing Care Component

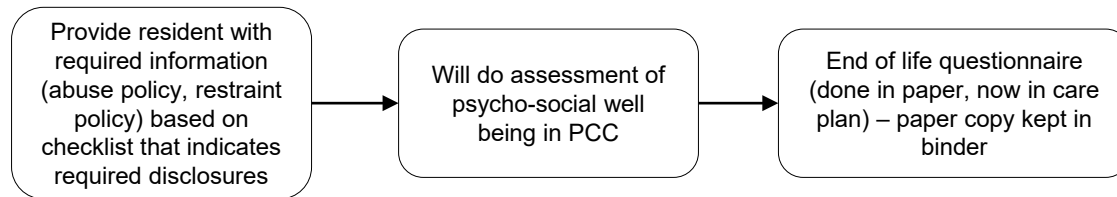


Move-In Process (3)

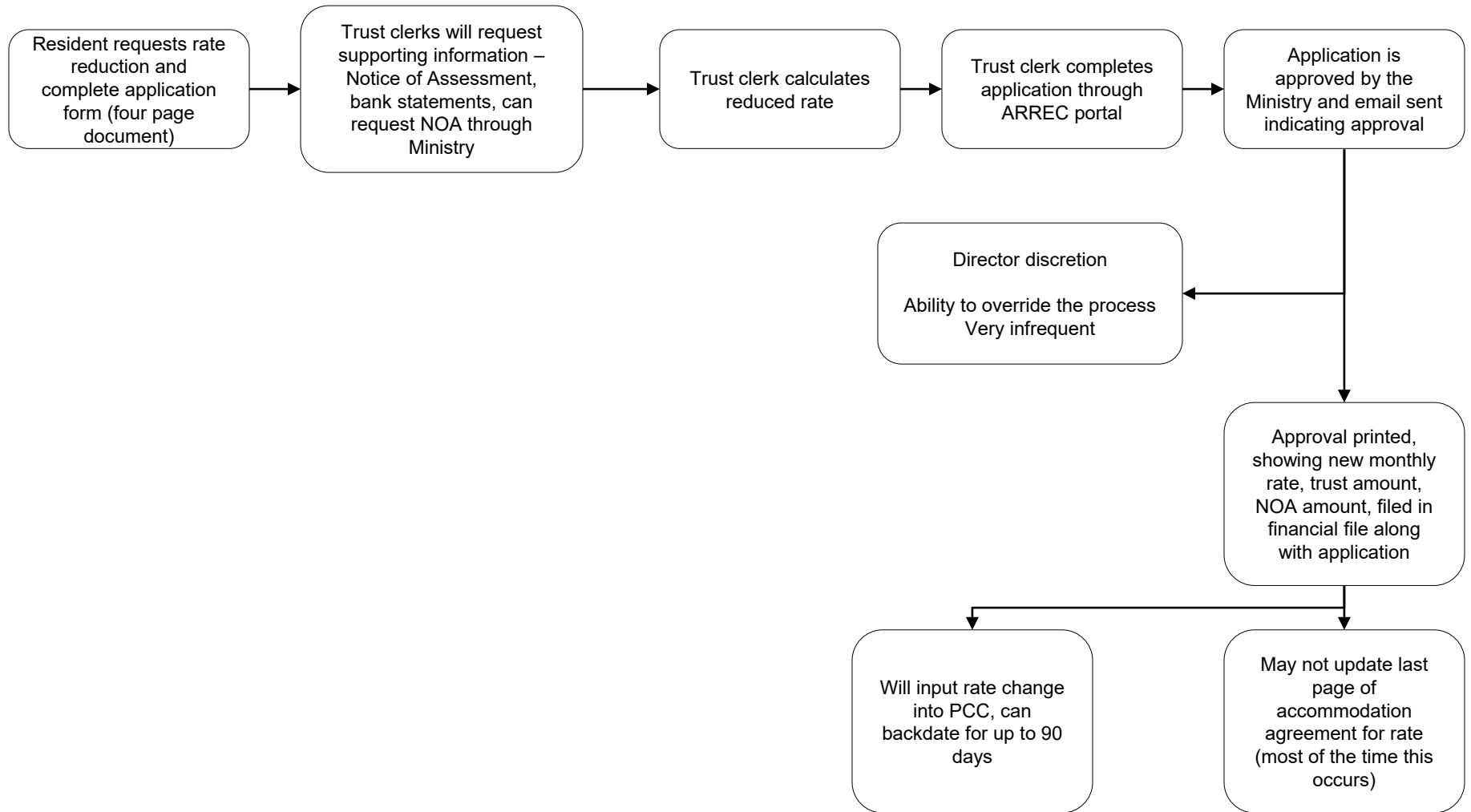
Financial Component



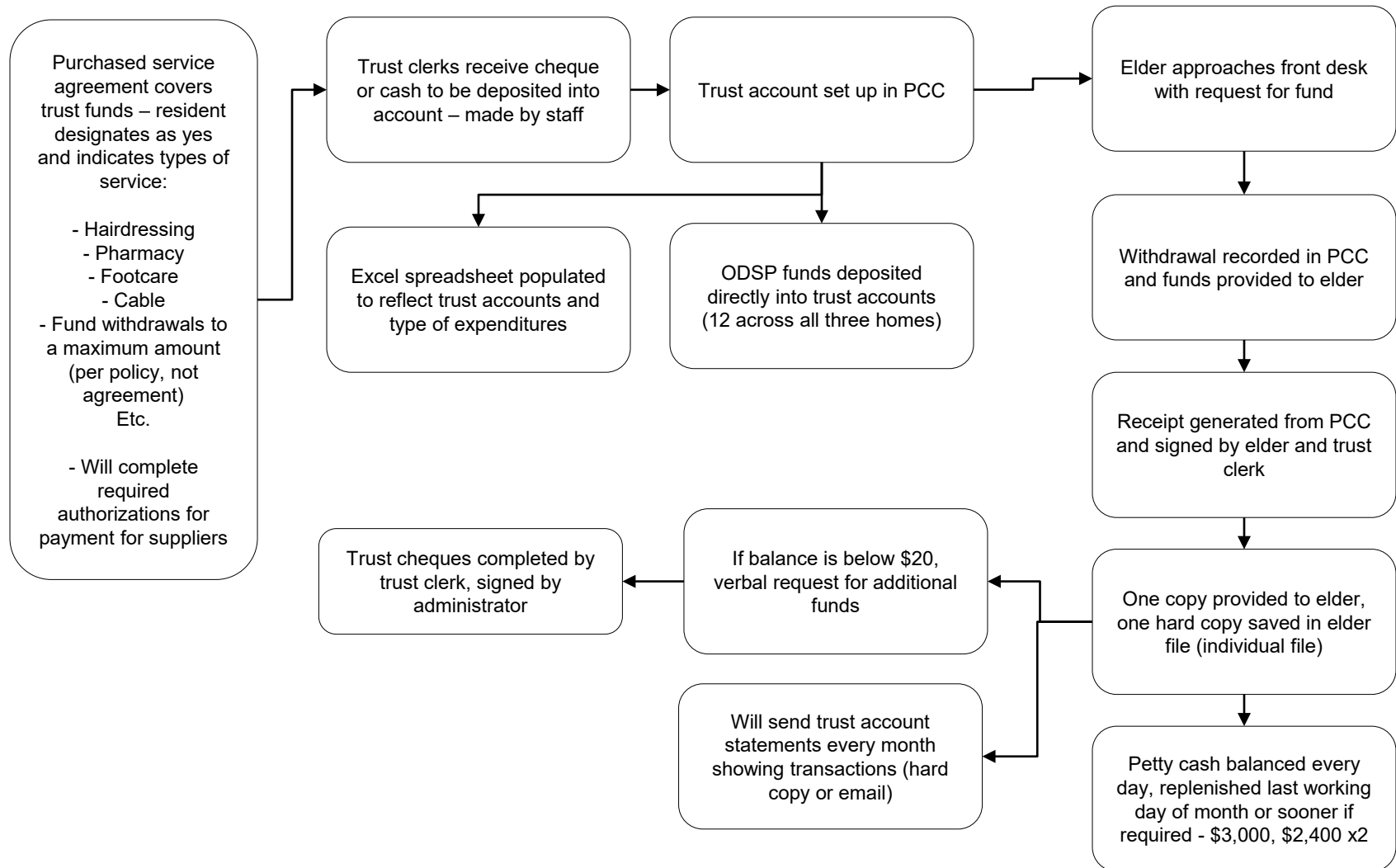
Orientation Component (social component)



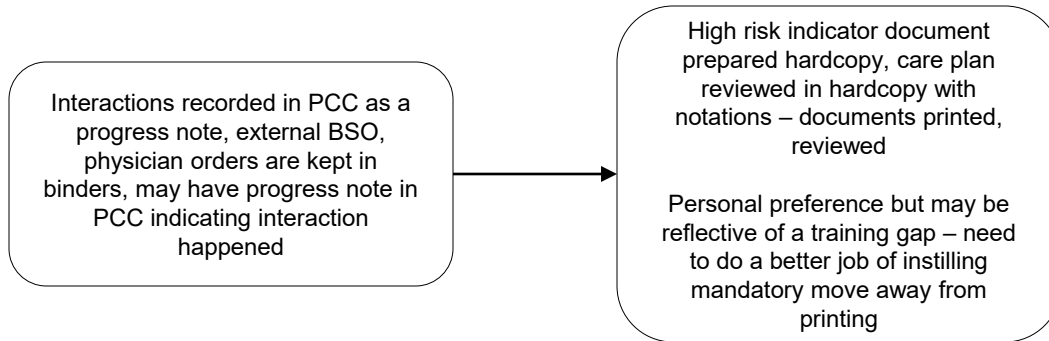
Move-In Process - Rate Reduction



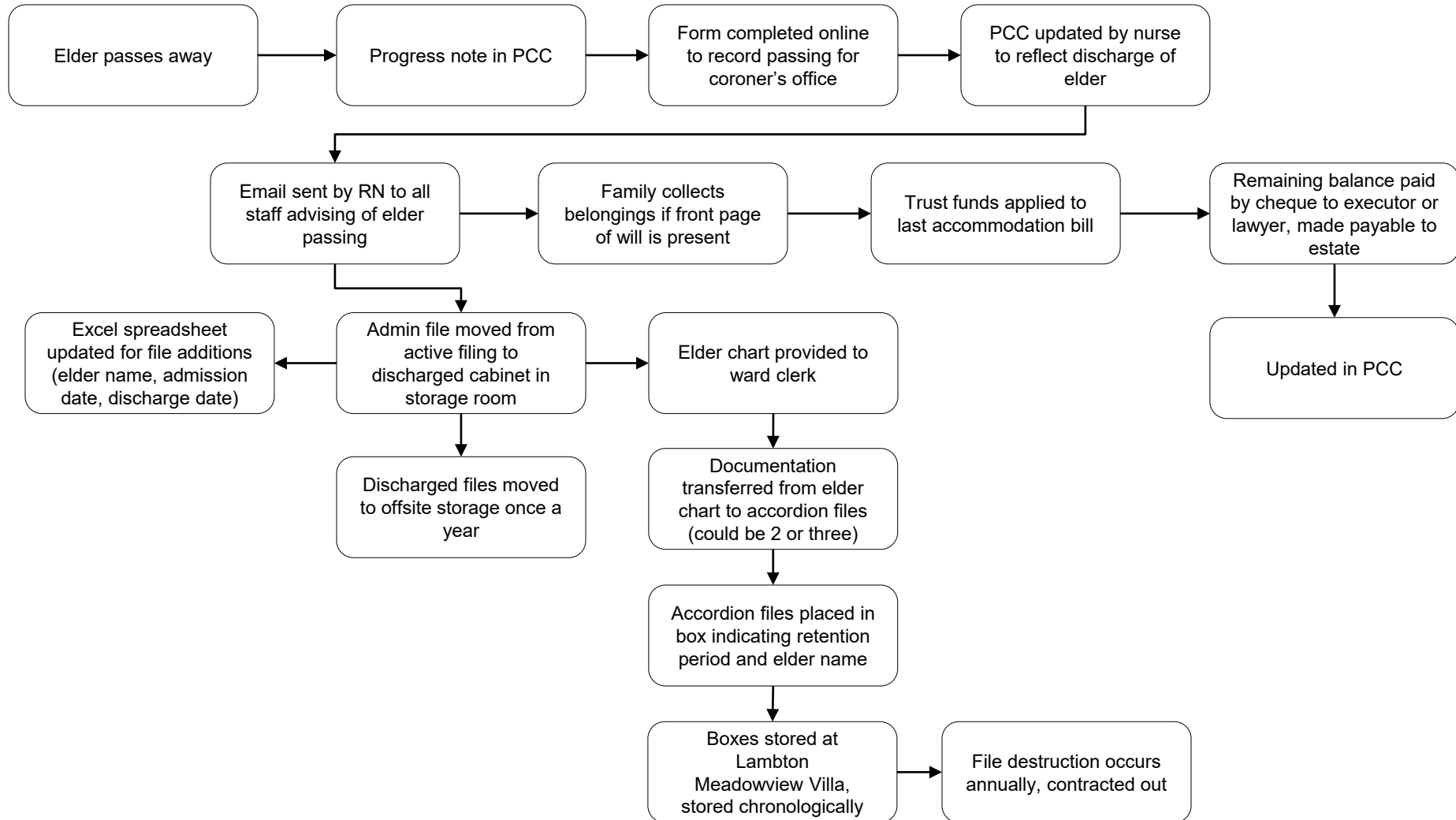
Trust Funds (75% have trust funds)



Elder Interactions



Elder Discharge

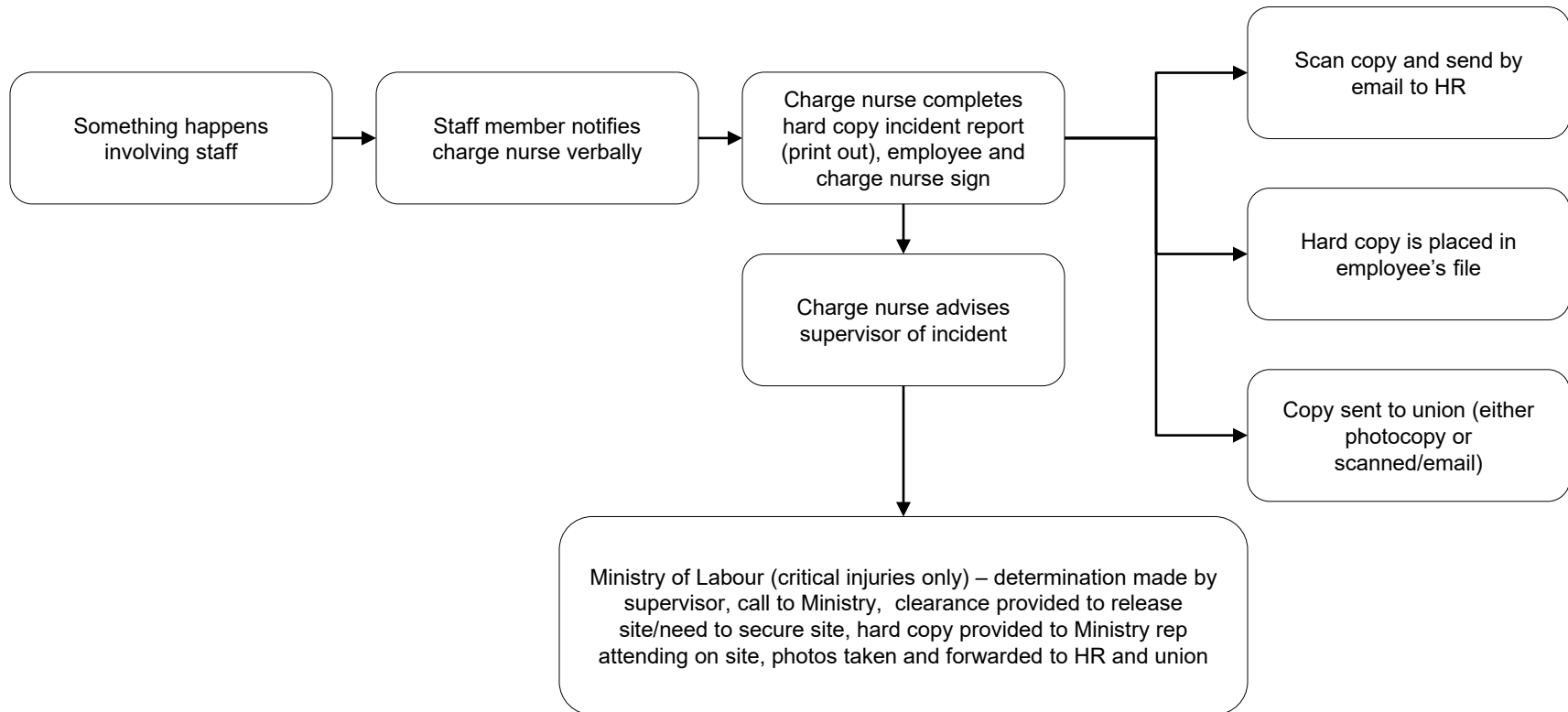


Staff Incidents (1)

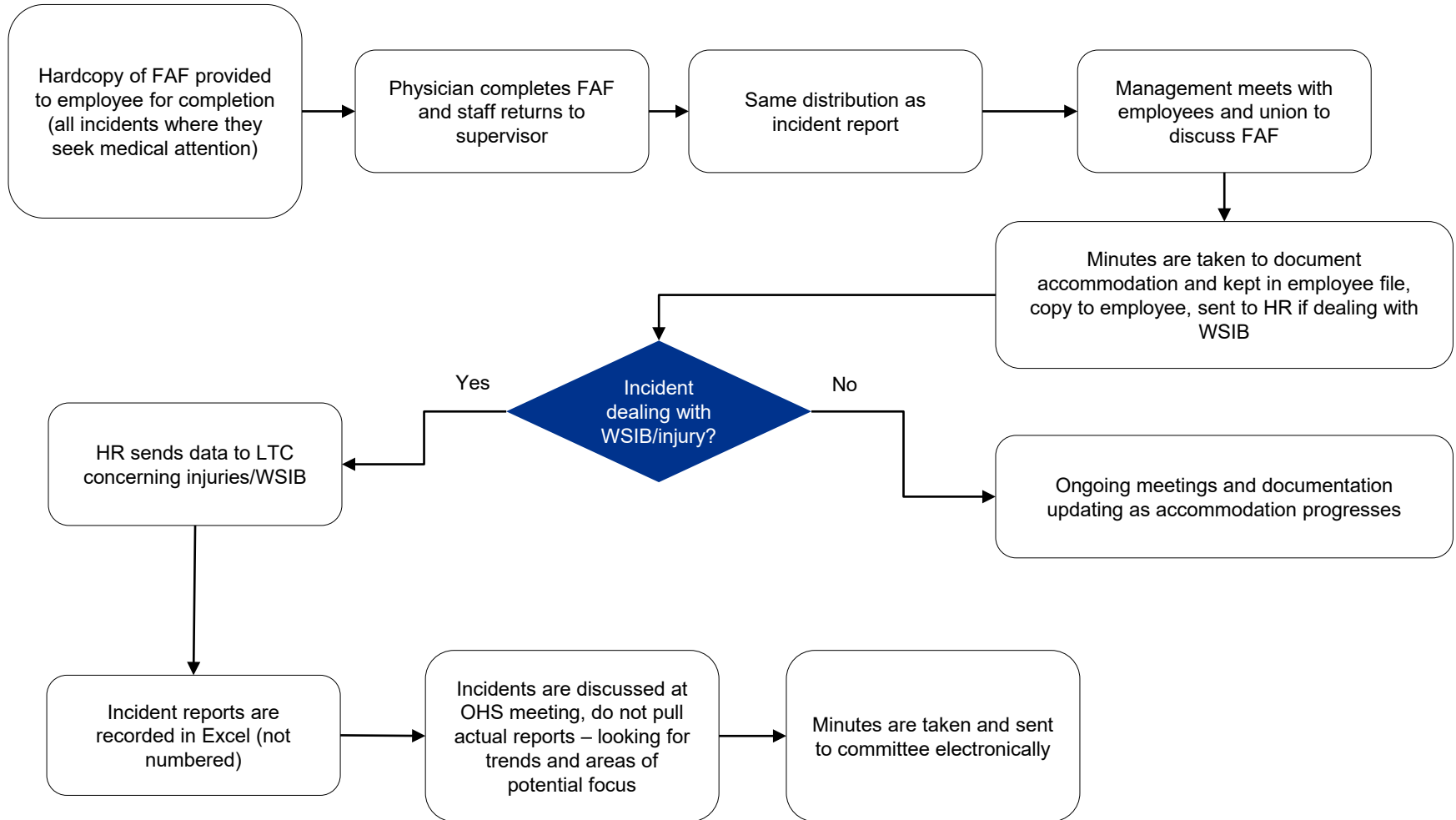
Point-click-care – ability to have a lot of the hard copy documents into document storage section with electronic signatures. County will be purchasing module.

Incident reporting – one type for staff, one type for elders

Staff incident report – injury, possibility or actual injury, stolen items, well north of 100 per year, near misses (KPMG to discuss with HR about how their process for WSIB)



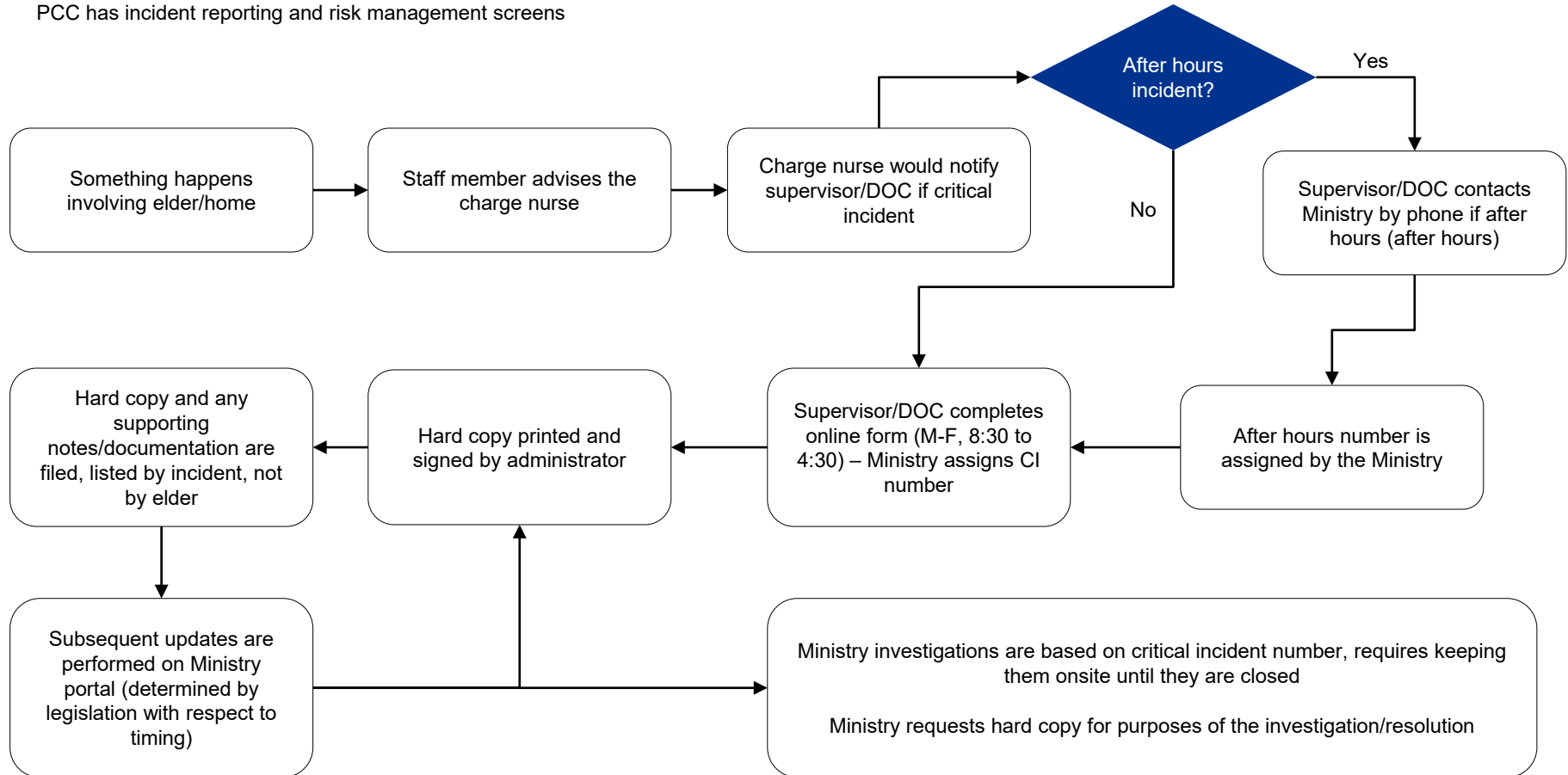
Staff Incidents (2)



Elder Incidents

Elder incident report – critical incident as defined by legislation (could be injury, loss of essential service, allegation of abuse, outbreak) – 30 to 40 per year per home

PCC has incident reporting and risk management screens



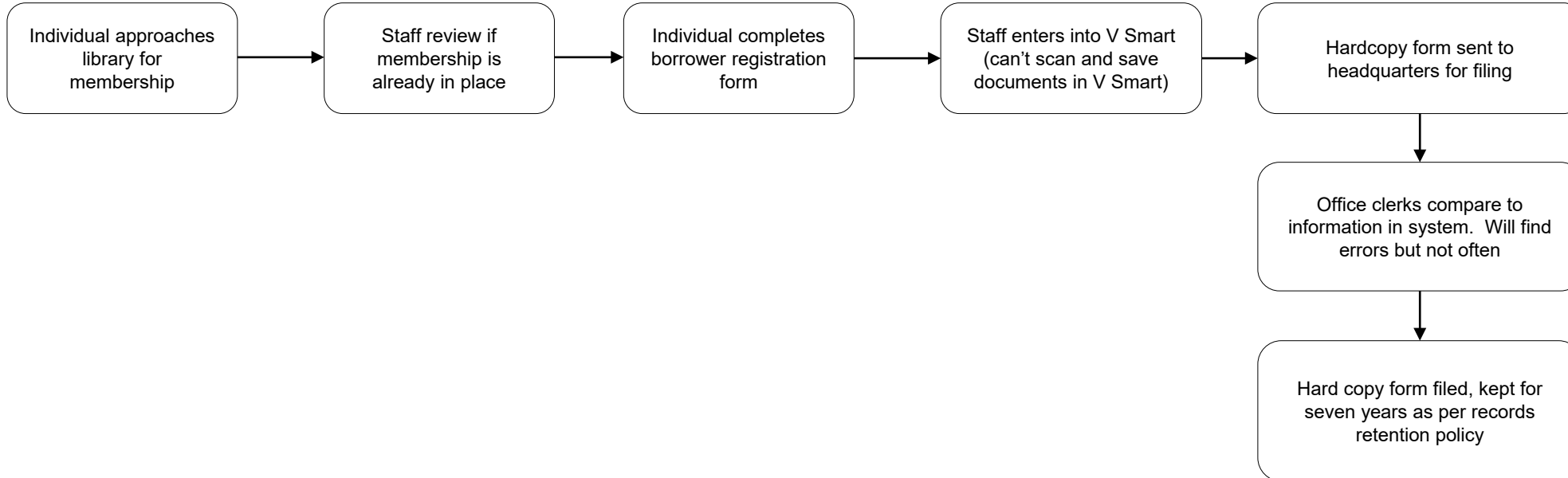


Lambton County

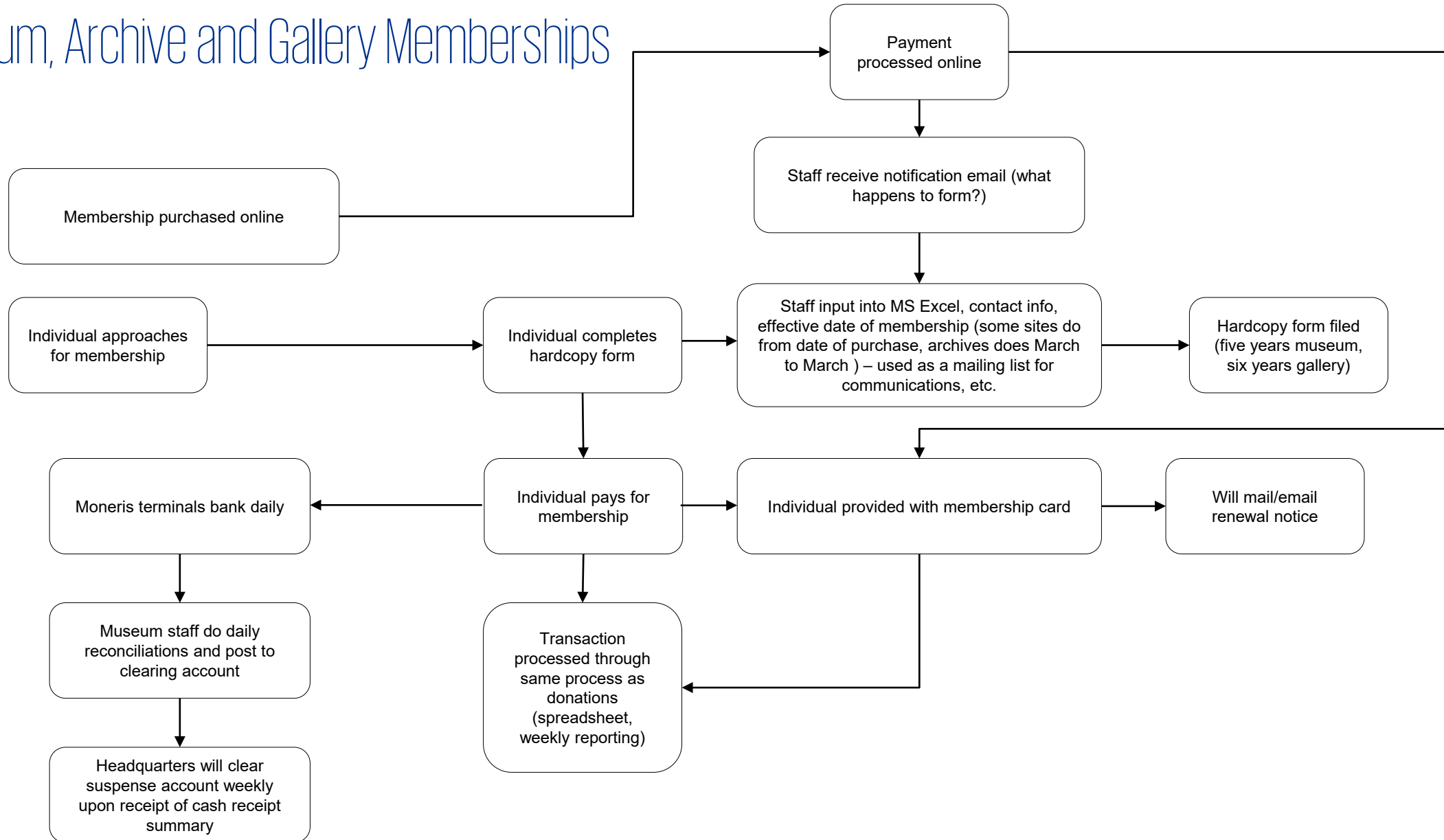
Cultural Services Process Maps



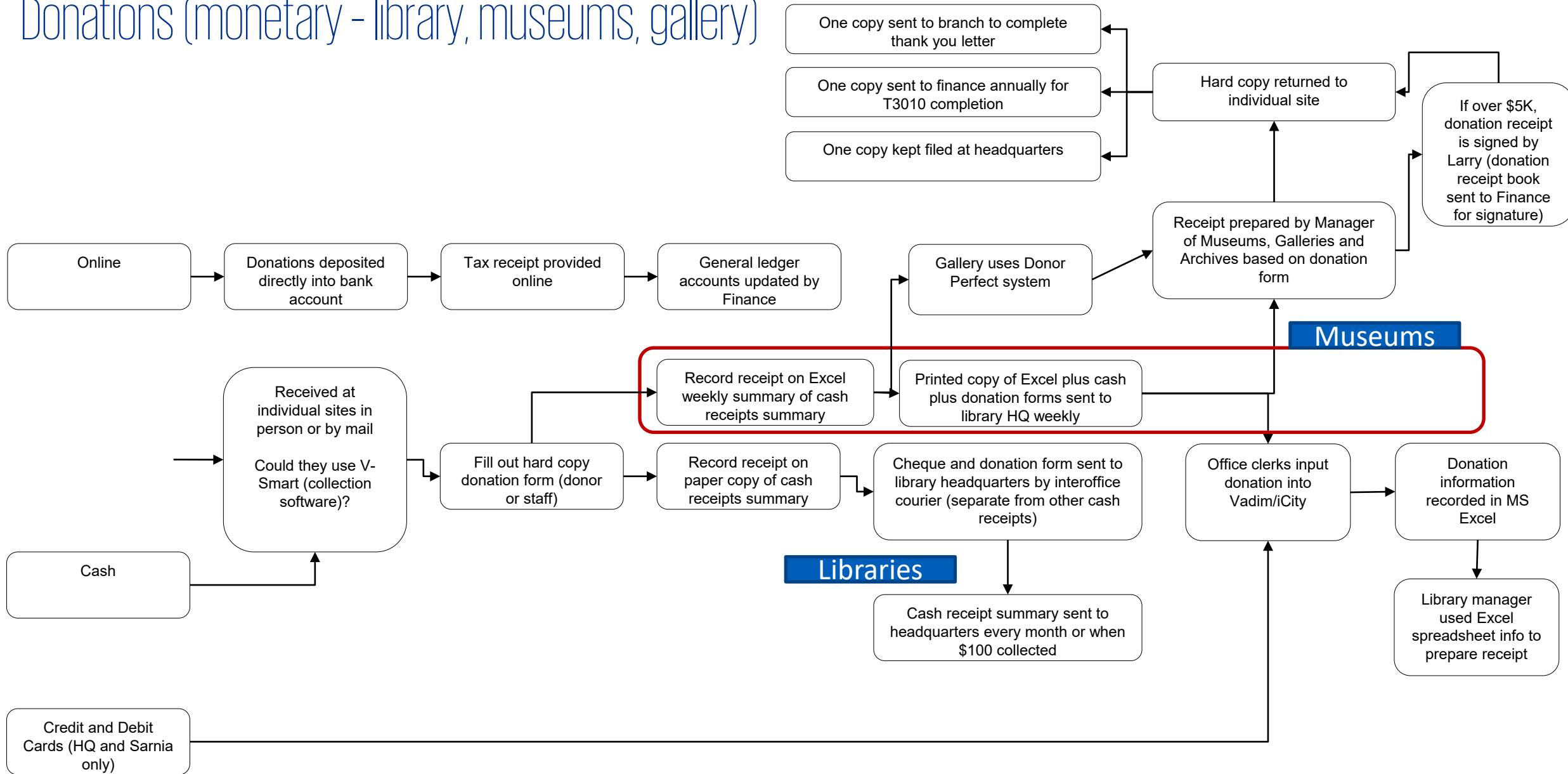
Library Memberships



Museum, Archive and Gallery Memberships

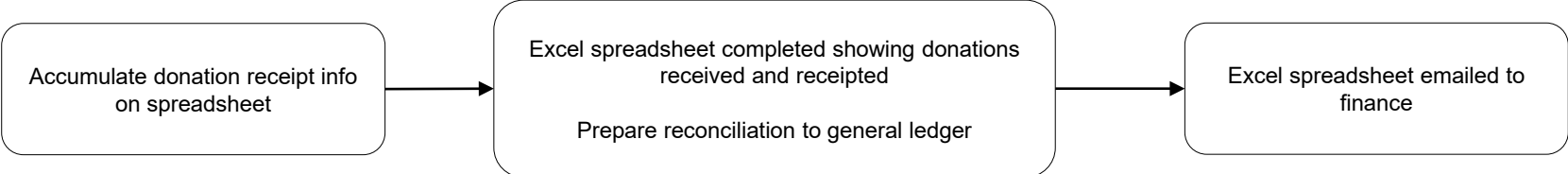


Donations (monetary - library, museums, gallery)

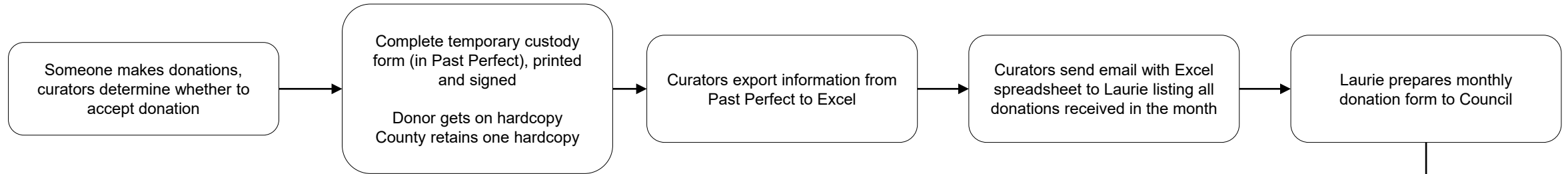


Donations (reporting)

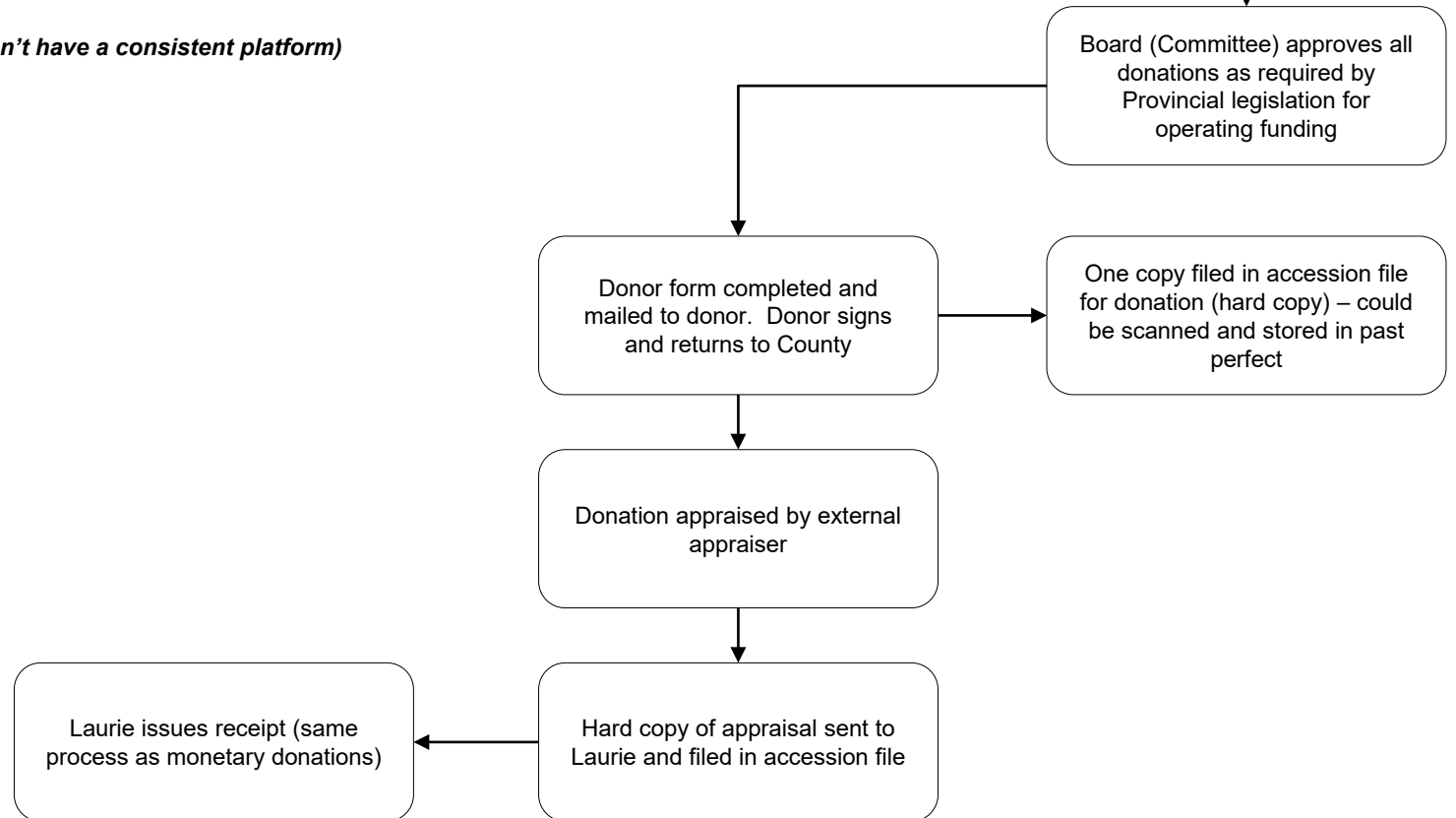
Libraries report donations quarterly to Council (as directed by Council) based on iCity reporting



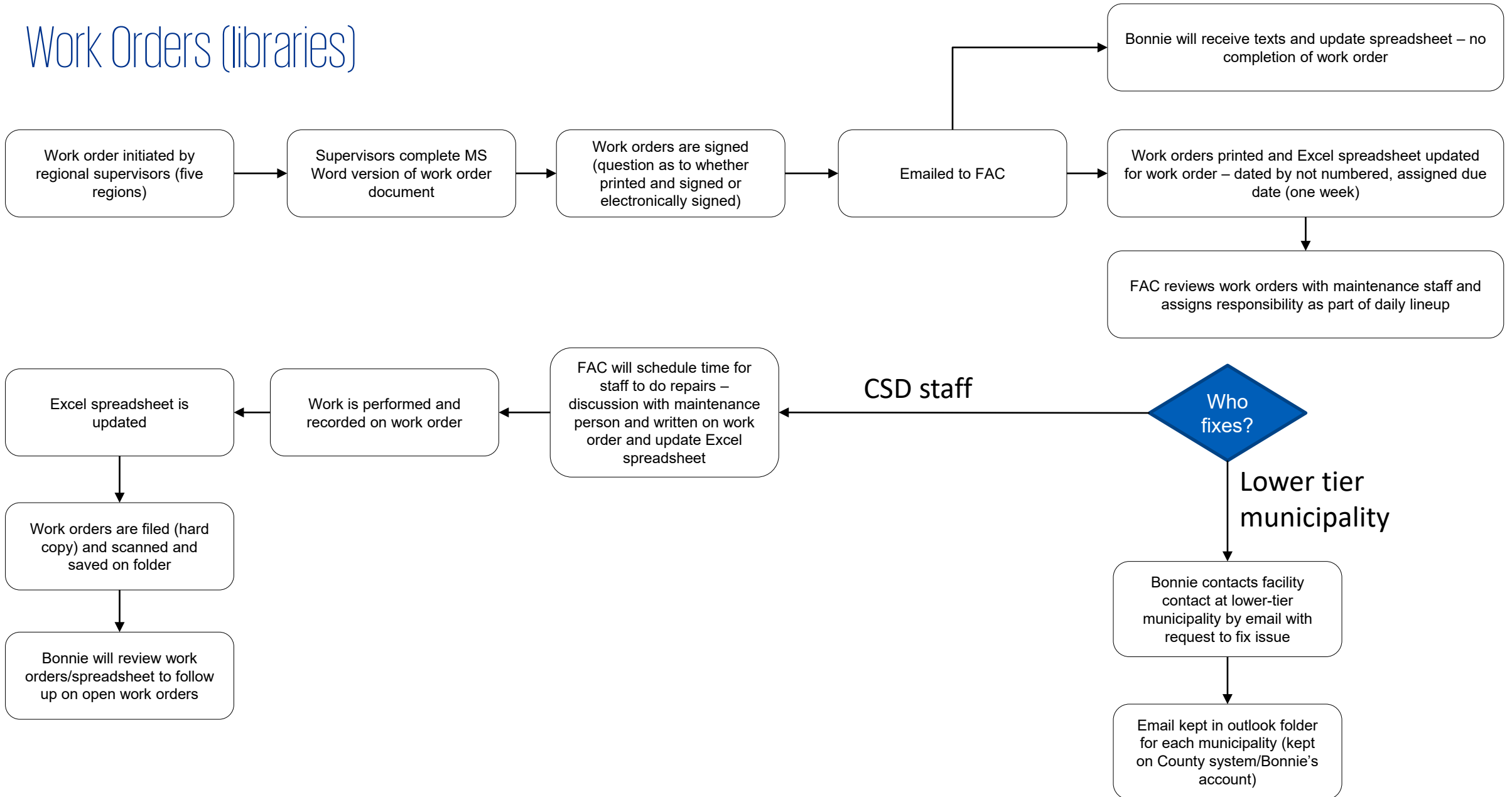
Donations (art and artifacts)



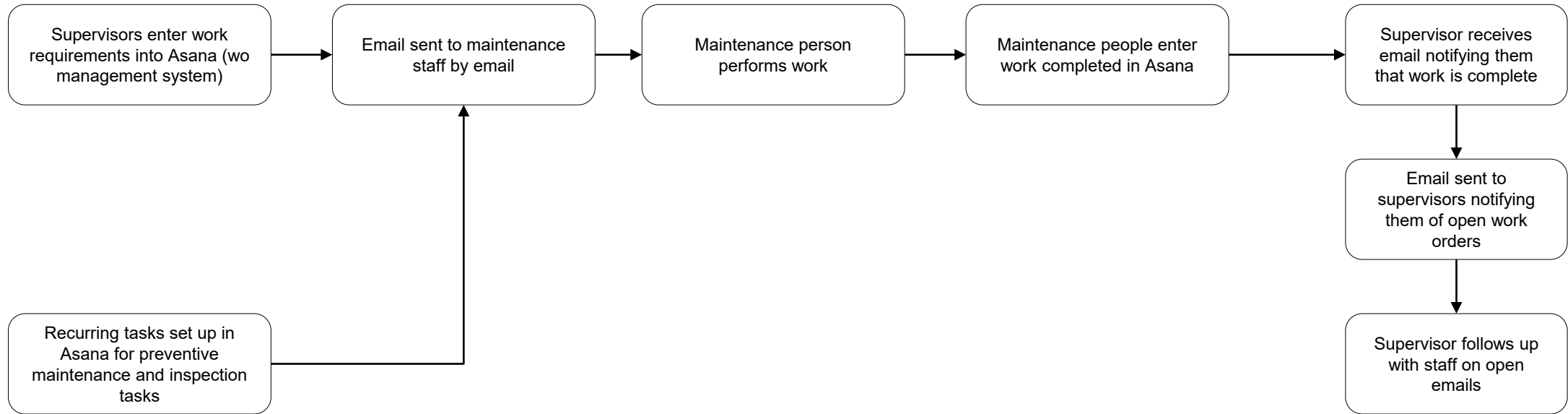
Gallery uses different collections management system than museums (don't have a consistent platform)



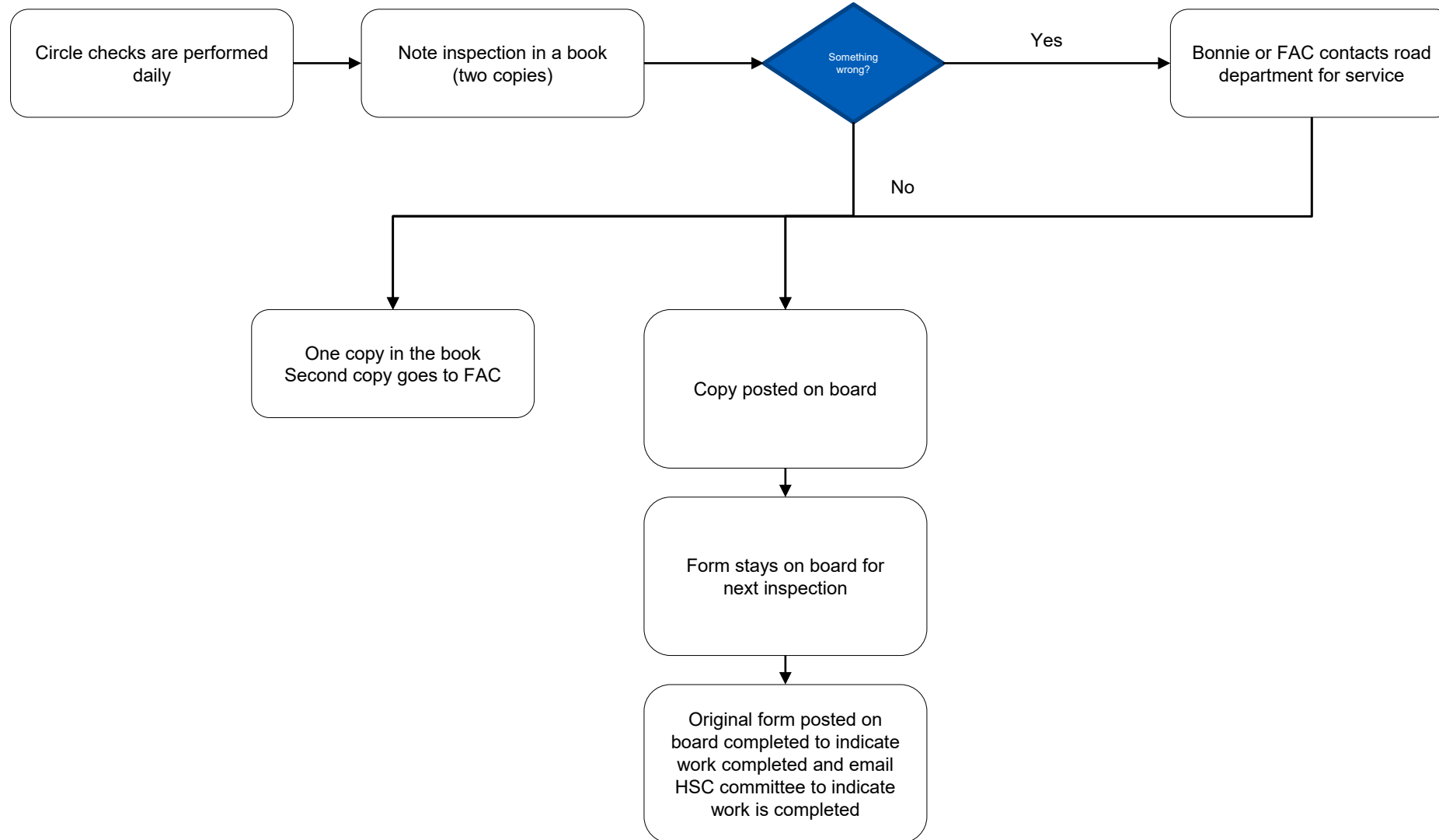
Work Orders (libraries)



Work Orders (museums, gallery and archives)



Fleet (three cargo vans, tractor (big john deere))





Lambton County

Public Works Process Maps

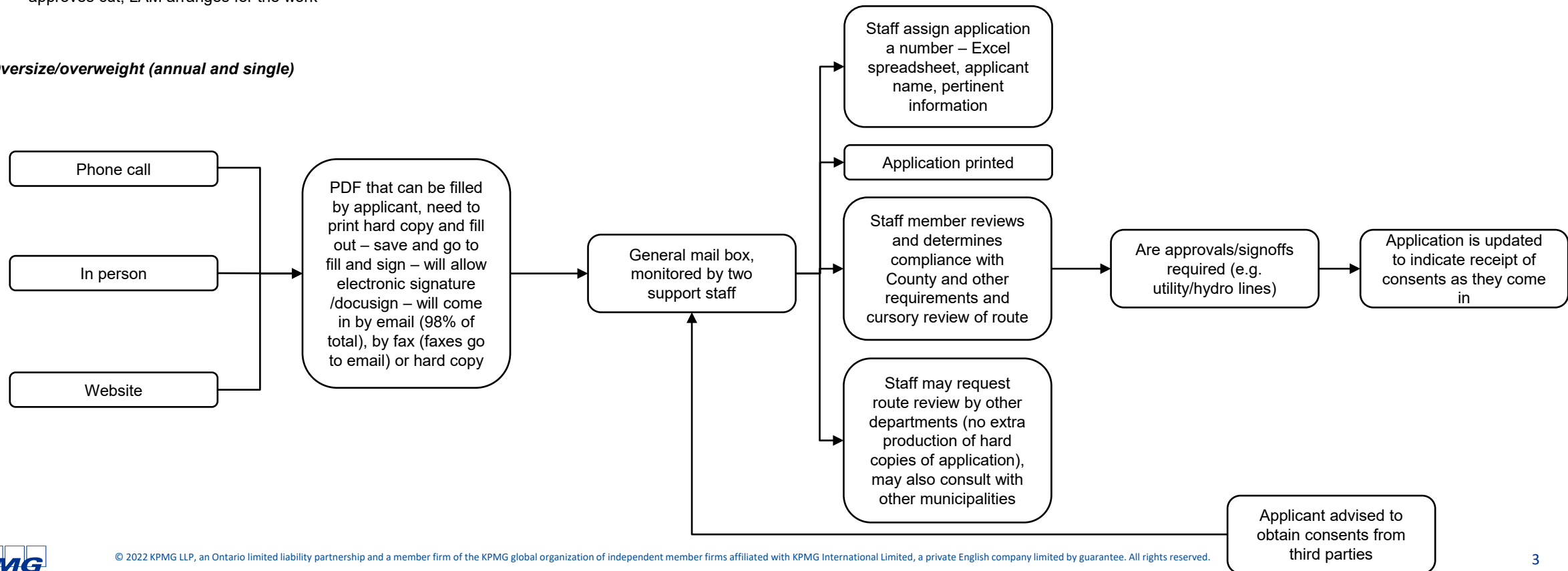


Permitting

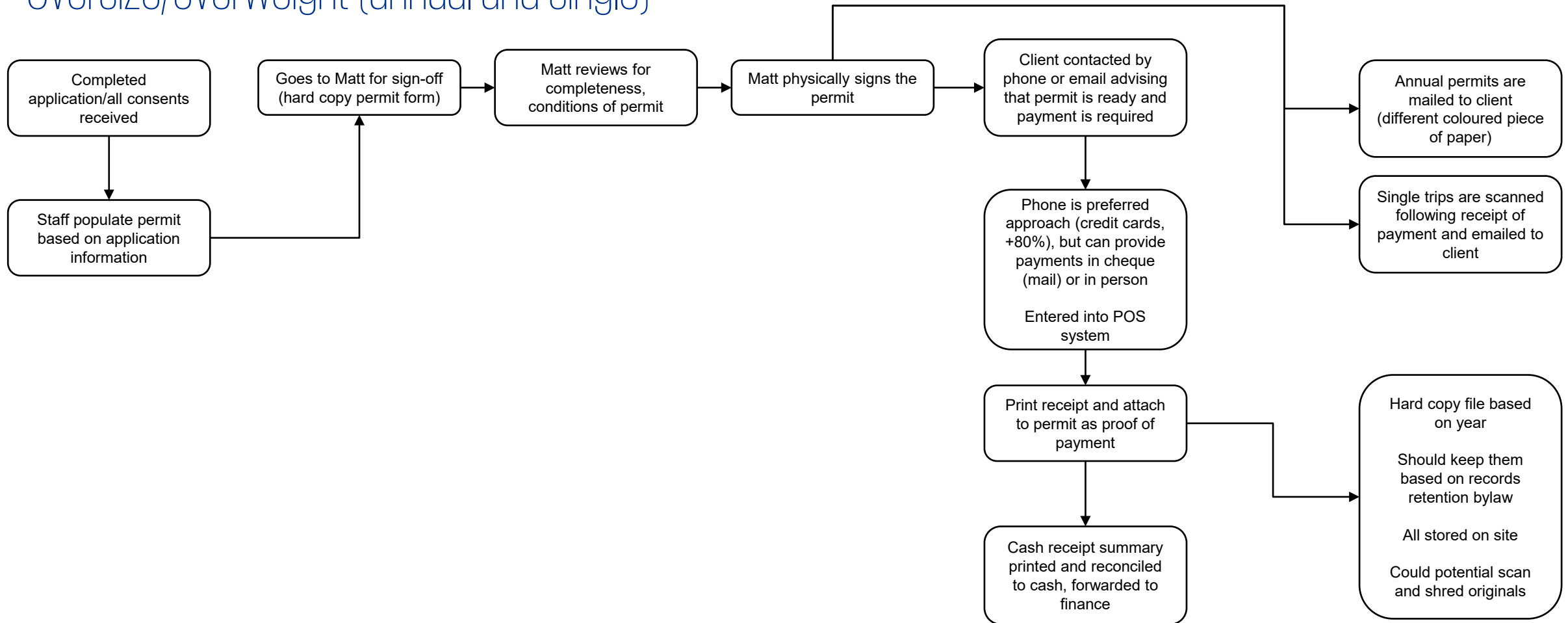
Types of permits

- oversize/overweight permits (single) - +50 in 2022
- Oversize/overweight permits (annual) - +100 in 2022
- Potential efficiency to integrate permitting for all levels of government
- OGRA – Municipal 511 is looking to digitize permitting process/one window approach – currently in Beta stage, trials of system, process will eliminate a lot of the phone calls, emails, paper chases for sign-offs, working with other counties
- Other permits include entrance permits/driveway permits (1266 cumulative/multi-year) – 25 in 2021
- Sign permits (temporary nature has clause in the bylaw e.g. election signs, limited to certain size)
- Municipal consents/road cuts – no permit process for these, count on the LAMS for permitting process – hand off between County and LAM – County approves cut, LAM arranges for the work

Oversize/overweight (annual and single)



Oversize/overweight (annual and single)

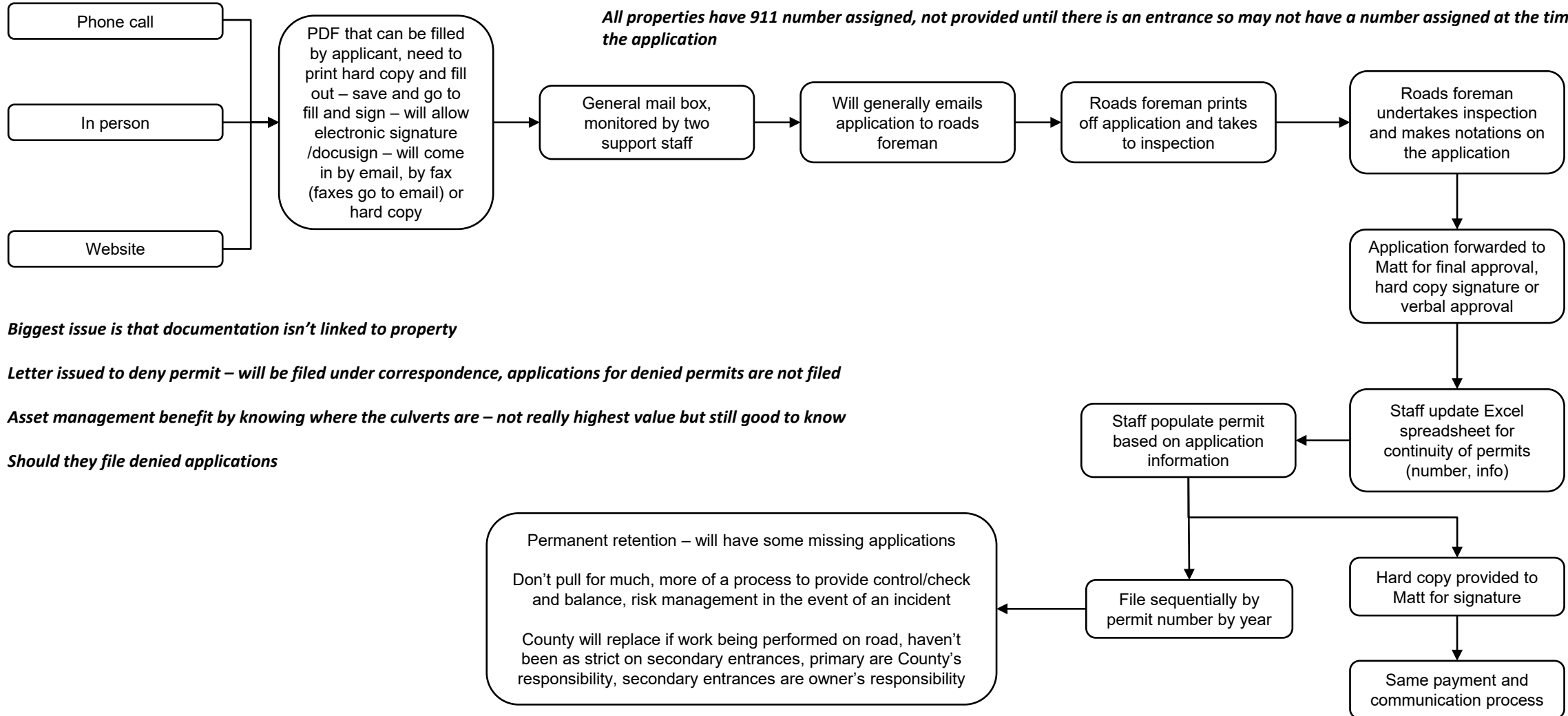


Entrance Permits

Application form doesn't contain all of the required information, should be adjusted to better meet County's information needs, including linkage to GIS

Address tied to permit may not be the actual property address, may be home of applicant if permit relates to other property

All properties have 911 number assigned, not provided until there is an entrance so may not have a number assigned at the time of the application



Biggest issue is that documentation isn't linked to property

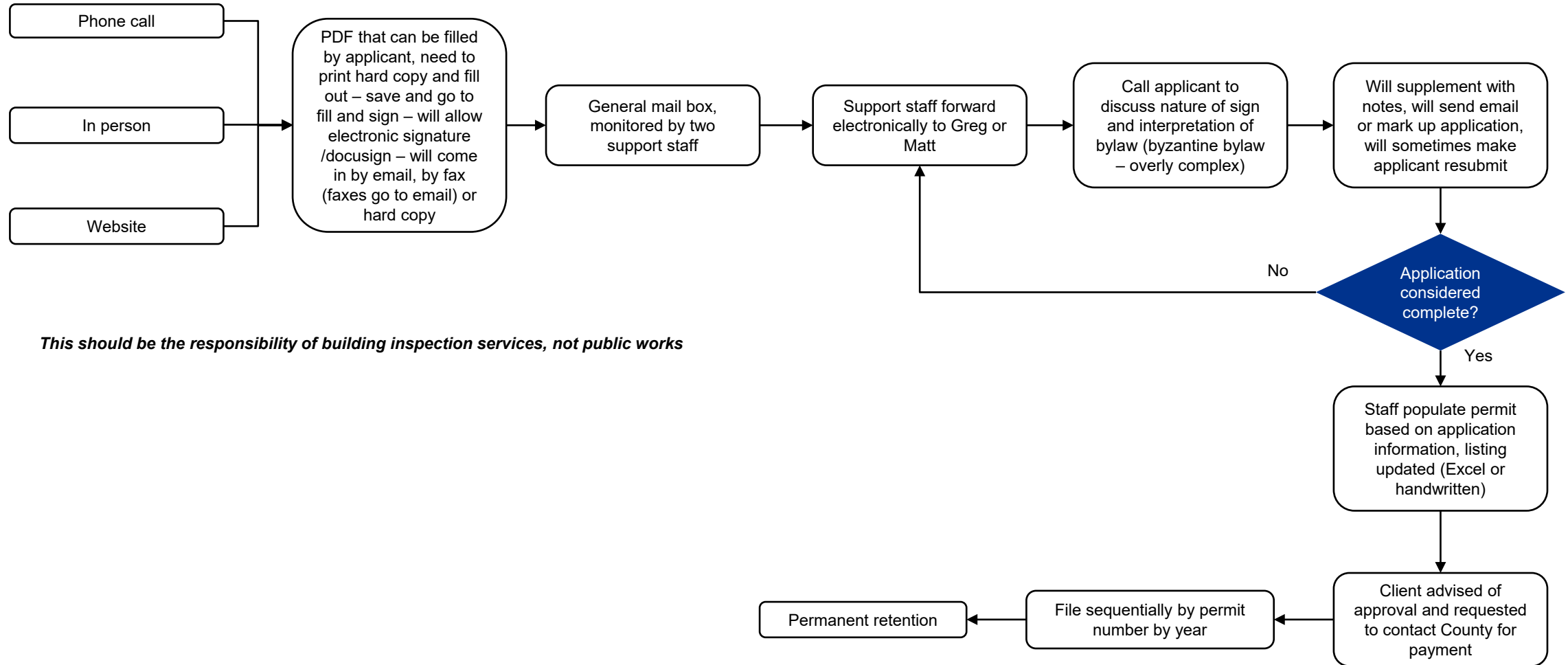
Letter issued to deny permit - will be filed under correspondence, applications for denied permits are not filed

Asset management benefit by knowing where the culverts are - not really highest value but still good to know

Should they file denied applications

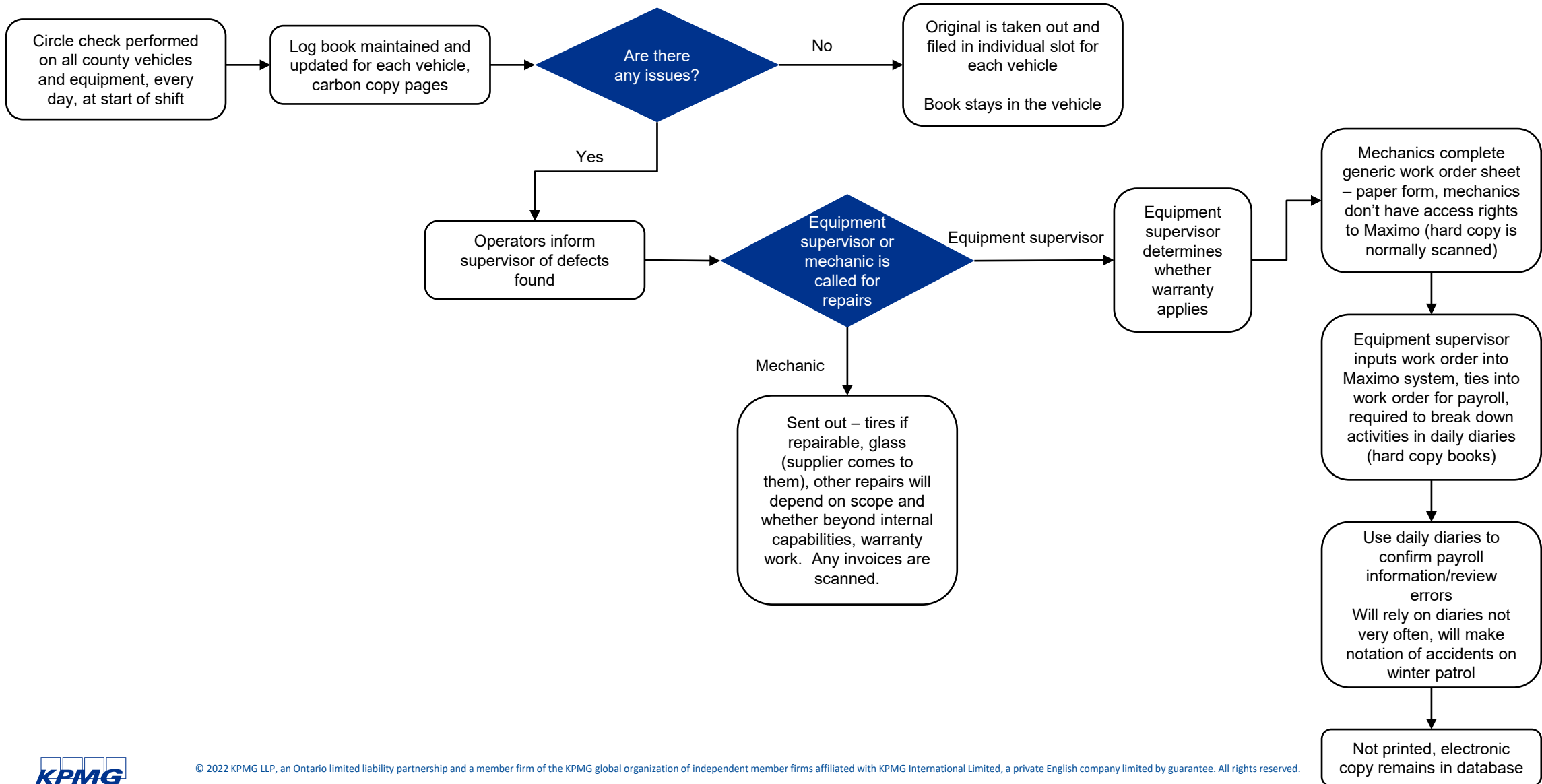
Sign Permits

- **Billboard sign (\$1,000 initial plus \$100 every year) – what is the purpose of the annual fee? No one is collecting the \$100 fee.**
- **Other signs (\$100 initial, no annual upkeep)**



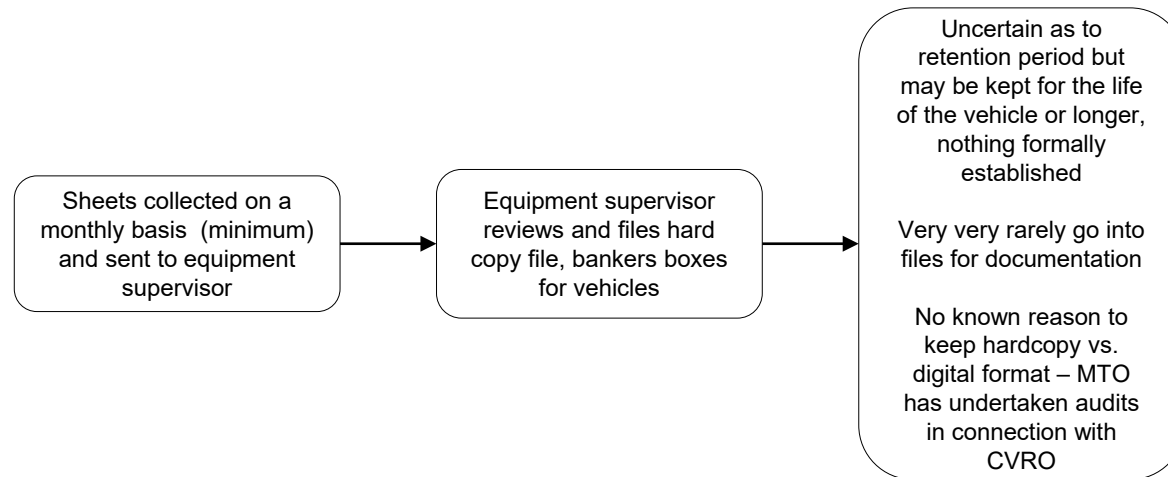
This should be the responsibility of building inspection services, not public works

Fleet

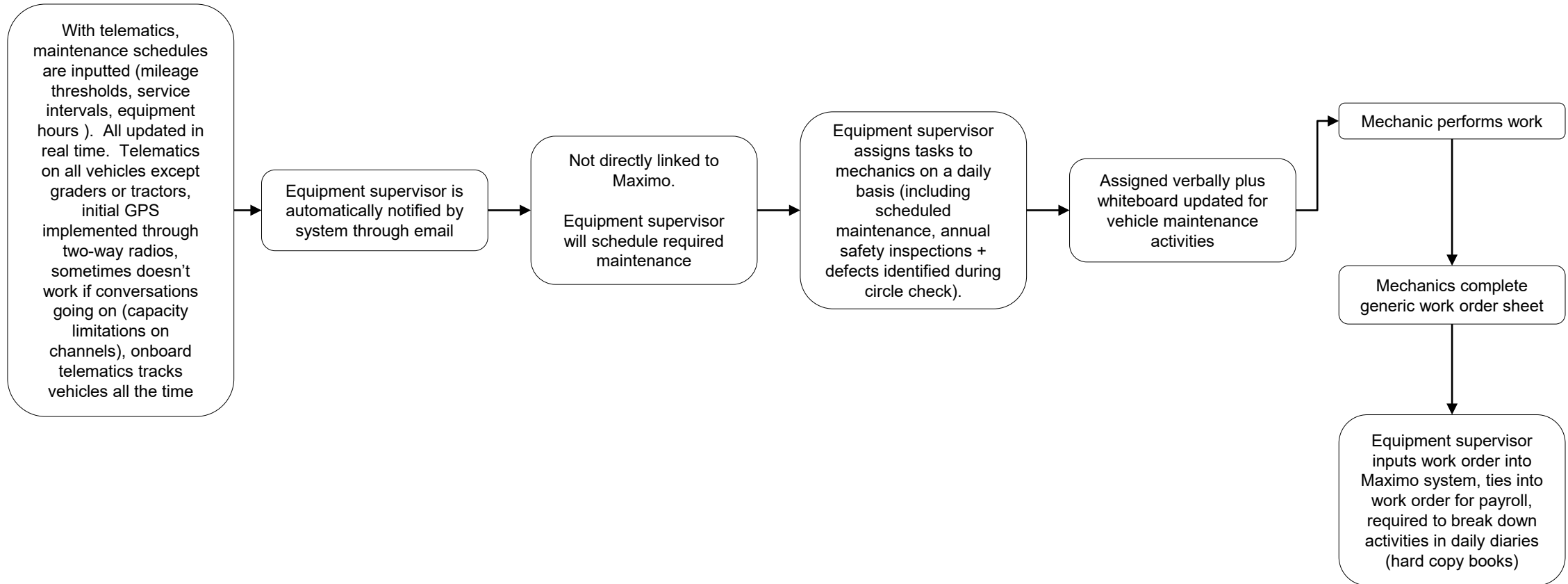


Fleet (2)

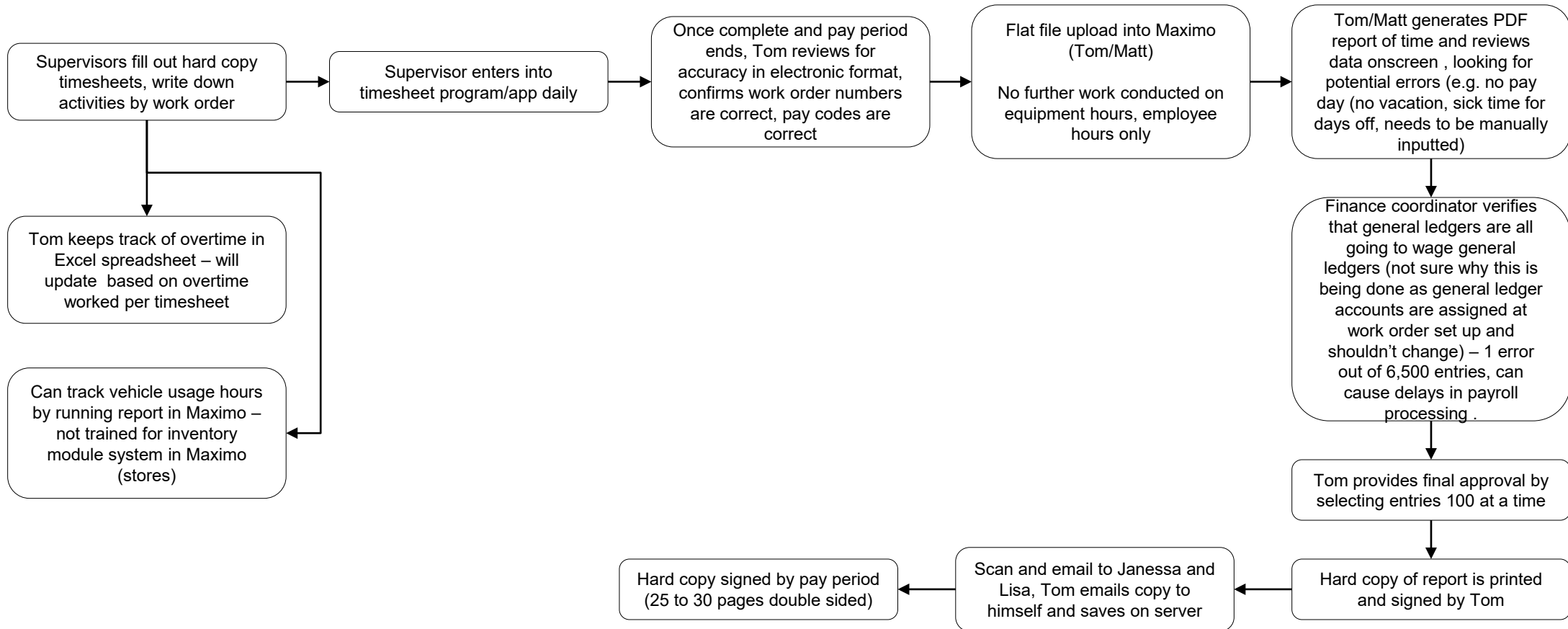
Looking to move to automated systems – challenges of having on personal devices vs. county owned devices, could look at dedicated workstations or incorporating into hours of work tracking



Fleet (3)

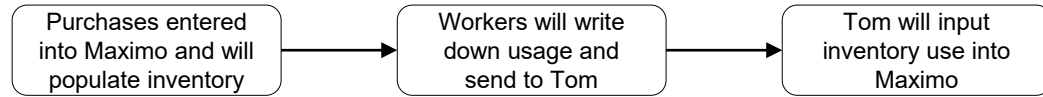


Time Capture - Hours Worked and Equipment Hours

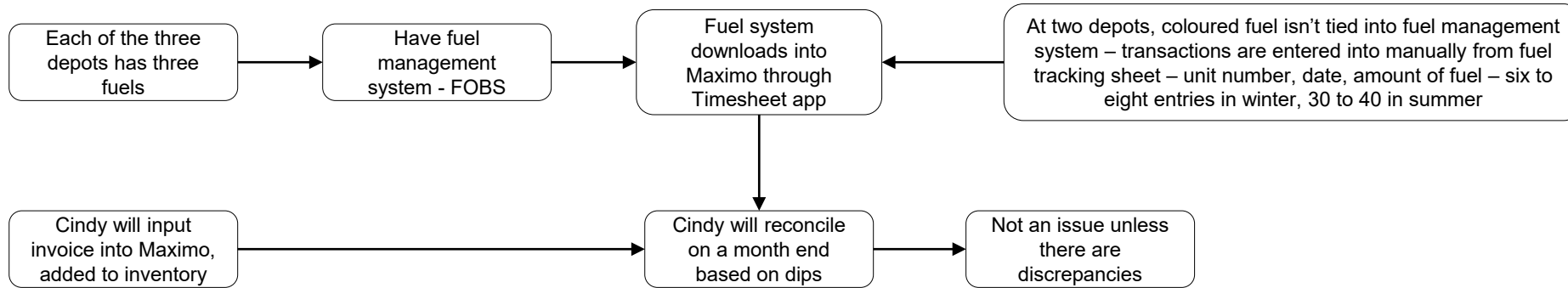


Stores

Inventory – doesn't have small parts, mostly culverts



Fuel



Intention is to have coloured diesel tied into fuel management system - challenge is finding resources to assist with transition (drafting RFP), would need to replace underground tanks with above-ground storage (\$150K estimated cost contingent upon environment remediation requirements)

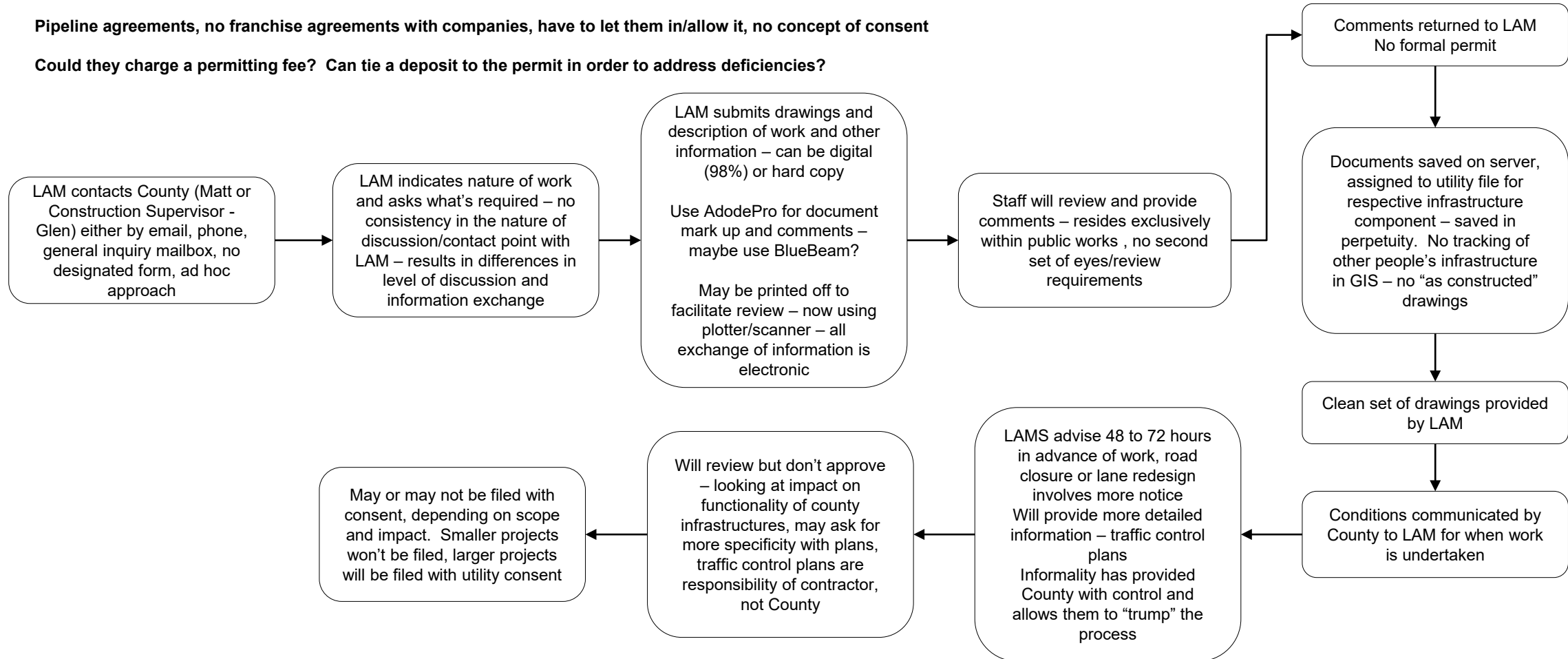
Municipal Consents/Other Permitting

Location of installation for utilities – gas, hydro, telecom

Local municipal infrastructure – water, sewer (infrastructure installed along County right of way) – installed, operated and maintained without any county involvement, work or intervention

Pipeline agreements, no franchise agreements with companies, have to let them in/allow it, no concept of consent

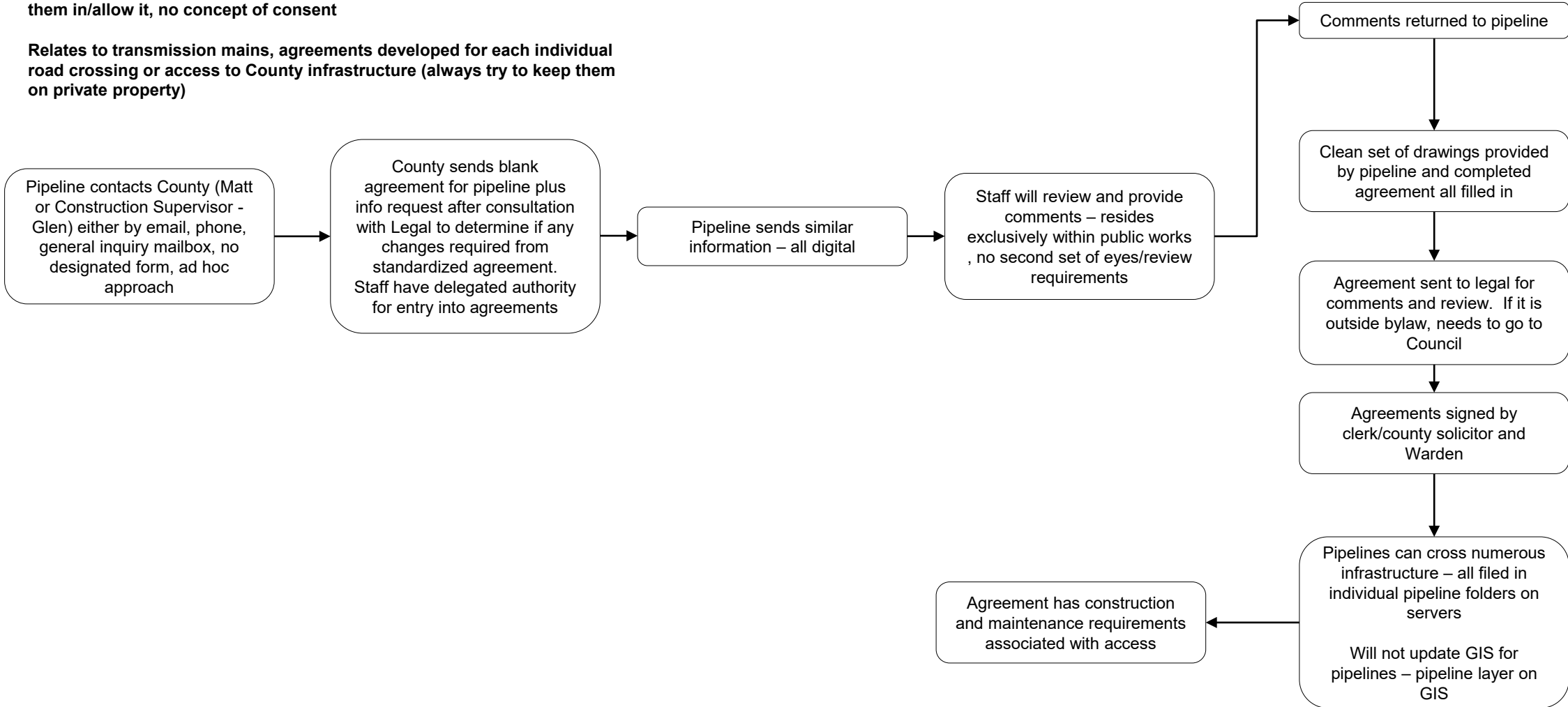
Could they charge a permitting fee? Can tie a deposit to the permit in order to address deficiencies?



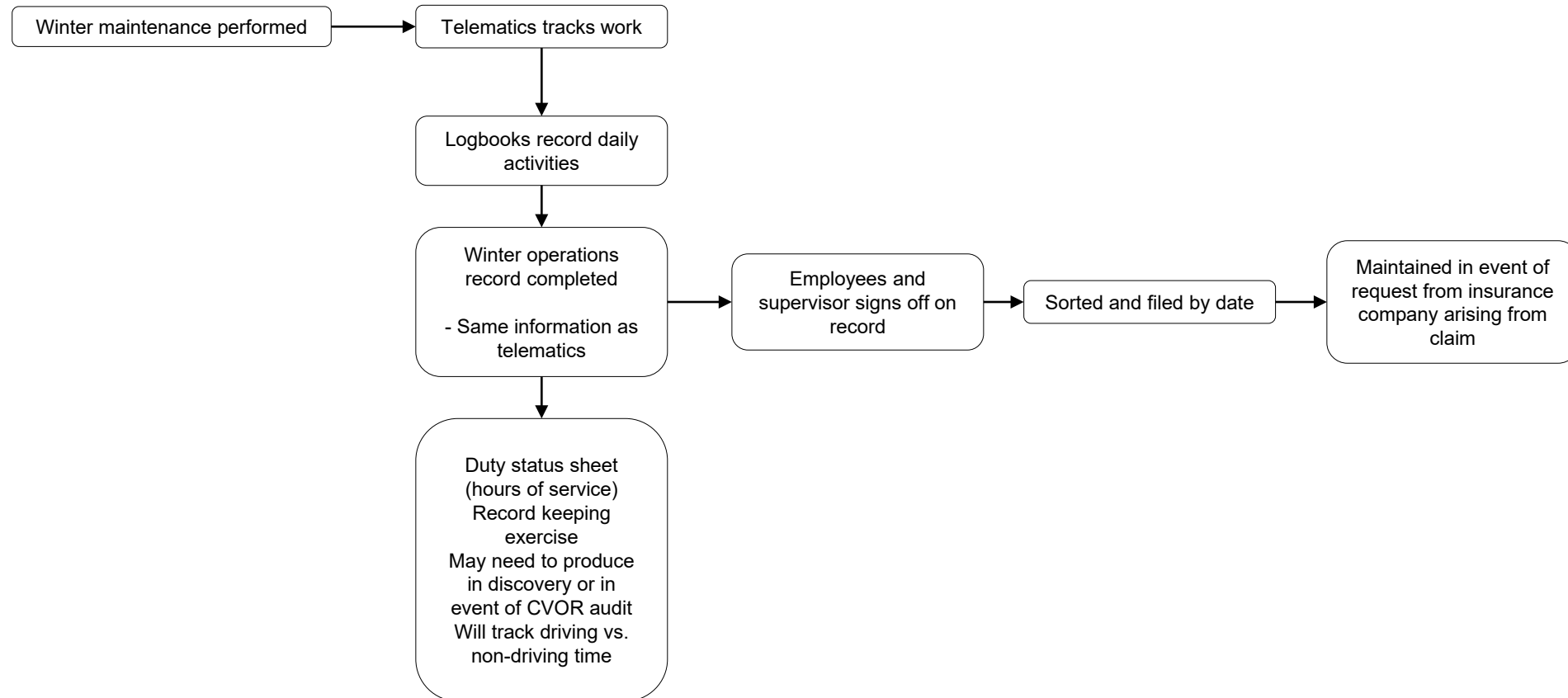
Pipeline Agreements/No franchise

Pipeline agreements, no franchise agreements with companies, have to let them in/allow it, no concept of consent

Relates to transmission mains, agreements developed for each individual road crossing or access to County infrastructure (always try to keep them on private property)



Winter Operations





Lambton County

Corporate Services Process Maps



Glossary of Terms

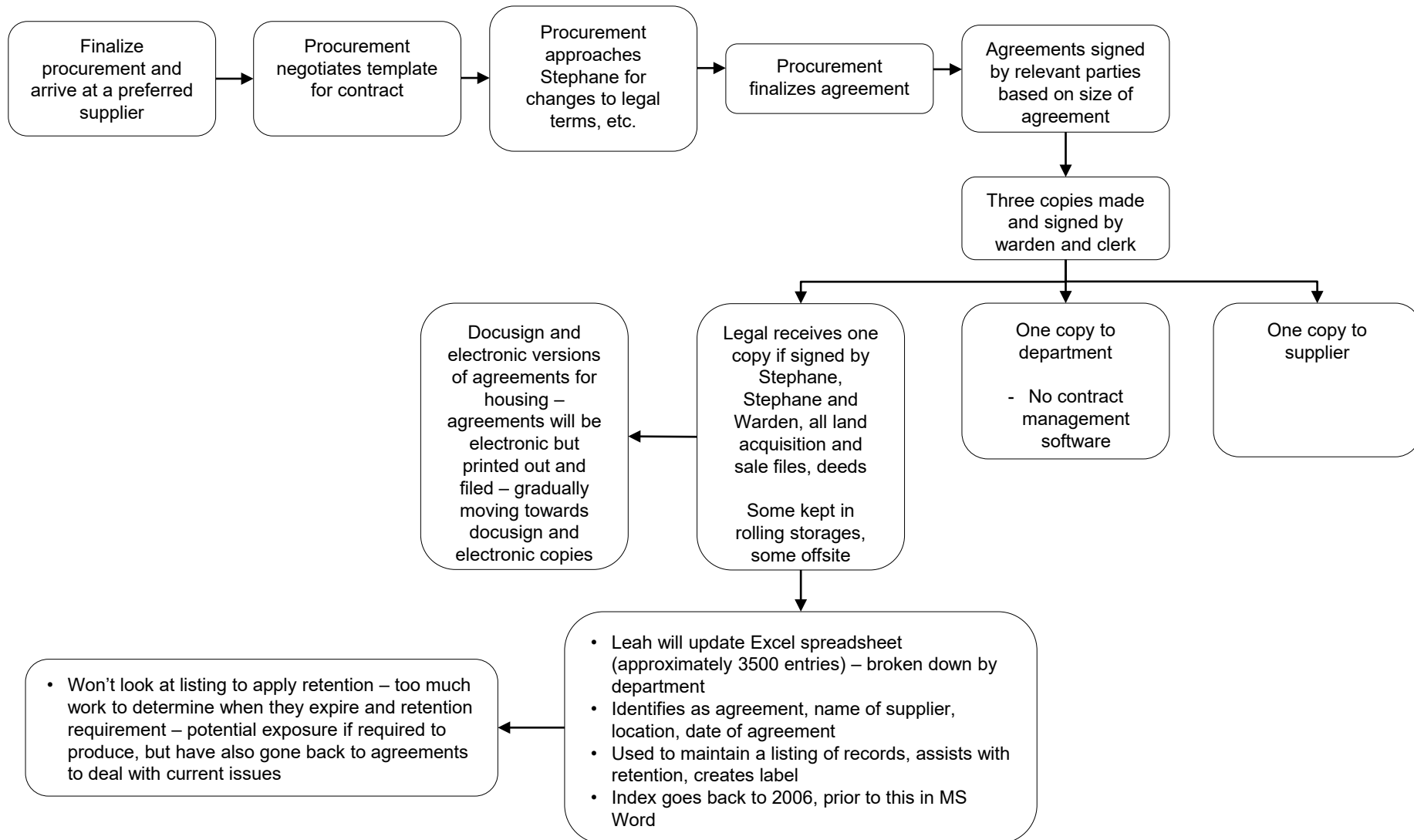
OMRMS

Ontario Municipal Records Management System

MFIPPA

Municipal Freedom of Information and Protection of Privacy Act

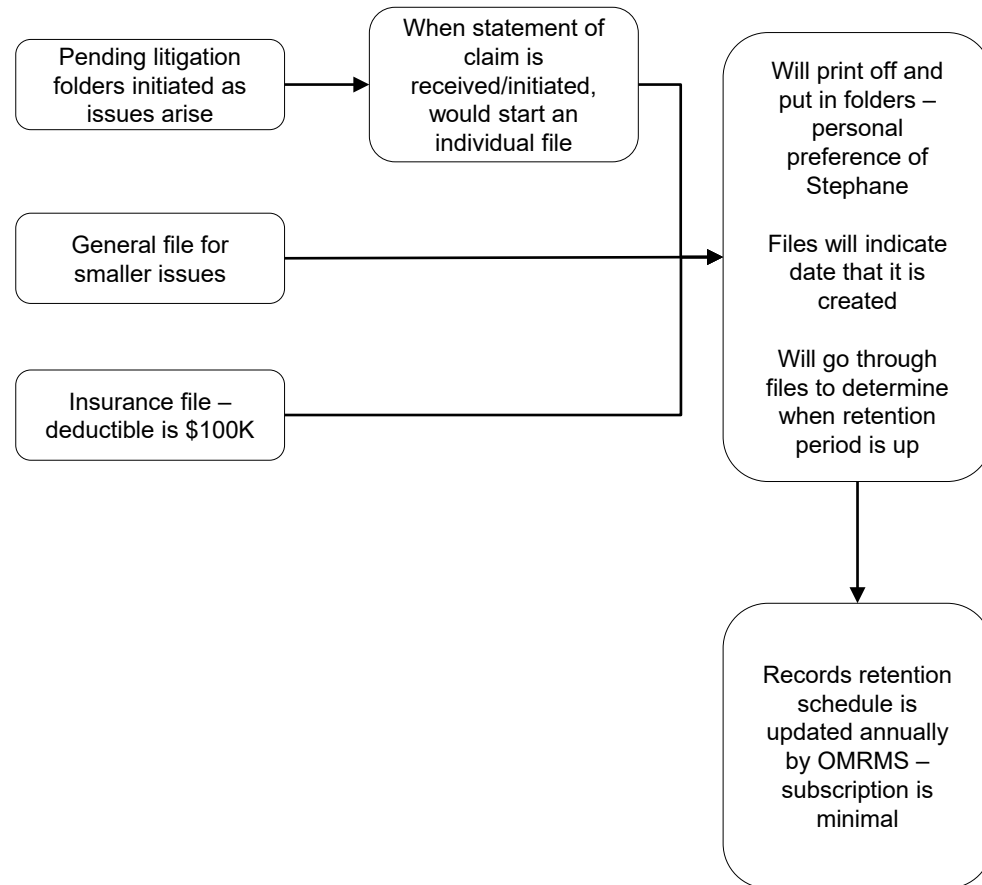
Contract Administration



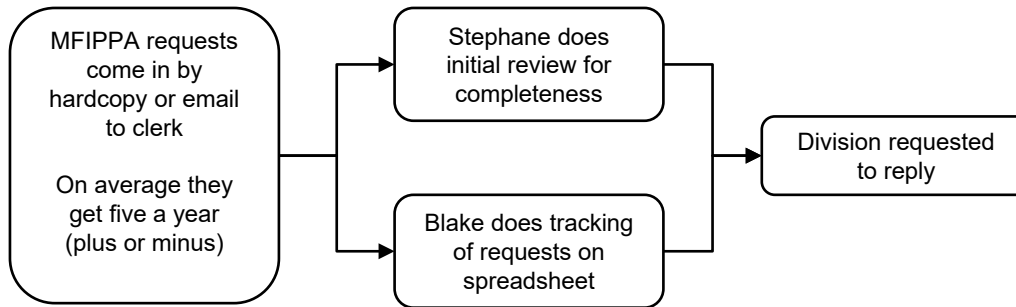
Corporate Records

Types of Corporate Records

- Council reports
- Litigation files – claims by and against
- Legal opinion files
- Information technology system issues
- HR issues
- Records management training records
- Certificates of destruction



MFIPPA





County of Lambton
Municipal Modernization Fund Projects Report

Appendix C Financial Policies



BACKGROUND

Section 289(1) of the Municipal Act requires all upper-tier municipalities to prepare and adopt a budget that includes estimates of funds required to meet the municipality's requirements for the year. Under the provisions of the Municipal Act, the County is required to approve a budget that ensures the County has sufficient funds to pay all debts falling due within the year, amounts required for sinking funds or retirement funds and amounts required for any board, commission or other body.

The purpose of this policy is to define the approach to be used by the County for the preparation of its annual budgets and County approvals.

DISCUSSION

This policy establishes a framework for the preparation of the County's operating and capital budgets that contributes towards the financial sustainability of the County by preparing budgets that reflect the following key principles:

1. Initiatives approved by Council are to be funded within the budget and planned accordingly.
2. The County's budget will provide sufficient resources to meet its legislative and contractual obligations.
3. Council approved services and service levels are sufficiently funded through budget allocations.
4. Budgets will be prepared with the view of maximizing cost efficiencies.
5. Funding sources for capital and operating projects will maximize non-taxation revenues to the greater extent possible, thereby minimizing impacts on property taxes.
6. Annual budgets will be consistent with Council's priorities, the County's strategic objectives and other County policies.
7. Annual budgets will comply with the requirements of the Municipal Act.

The Budget Preparation Policy is a component of the overall framework for the County's strategic financial decision-making process, which also includes the following policies:

- Capital financing policy
- Reserve and reserve fund policy
- Debt management policy
- User fee policy

DEFINITIONS

1. **Municipal Act.** Municipal Act, 2011, S.O. 2001 c. 25
2. **Operating Budget.** The annual Council approved plan of the County for expenditures, revenues, staffing levels and service levels for operations of the County taking place from January 1st to December 31st of each year.
3. **Capital Budget.** The annual Council approved plan of the County for expenditures and revenues to acquire, construct or rehabilitate capital assets. The capital

budget is distinguished from the annual operating budget which normally provides for the day to day expenditures of the municipality for items such as salaries, heat, hydro, maintenance etc.

4. **Annual Inflationary Increase.** The year-over-year change in the third quarter Non-Residential Building Construction Price Index as published by Statistics Canada.
5. **Treasurer.** The General Manager of Finance, Facilities and Court Services, representing the individual appointed by Council as the Municipal Treasurer under the Municipal Act, 2001, Section 286.

BUDGET PROCESSES

In addition to direction provided by other policies, the preparation of the County's operating and capital budgets will reflect the following approach.

A. Timelines for Budget Preparation and Approvals

The County's budget process will reflect the following targets for preparation and approval:

- | | |
|---|----------|
| • Commencement of budget preparation process | June |
| • First draft of Operating Budget submitted to Council for review | February |
| • First draft of Capital Budget submitted to Council for review | February |
| • Council approval of final Operating Budget and Capital Budget | March |

B. Personnel Costs

1. Additions to the permanent full-time staffing complement shall be disclosed as part of the annual budget process, unless previously authorized by way of Council resolution.
2. Increases in planned part-time employee hours or overtime hours shall be disclosed as part of the annual budget process, unless previously authorized by way of Council resolution or if offsetting savings and/or new funding sources are identified.
3. Authorized permanent full-time staff may be transferred between departments, if determined necessary by the Senior Management Team and approved by the Chief Administrative Officer. All planned transfers of full-time staff members shall be disclosed as part of the annual budget process.
4. Increases in rates of pay for County staff in excess of collective bargaining commitments or the County's approved non-union pay grid shall be disclosed as part of the annual budget process.
5. Increases in benefit costs resulting from changes in benefits coverage rate increases for existing coverage and/or mandatory changes in benefits coverage resulting from legislative requirements shall be disclosed as part of the annual budget process.

C. Non-Personnel Operating Costs

1. Changes to services and service levels shall be disclosed as part of the budget process, unless previously authorized by way of Council resolution.
2. Non-personnel operating costs are permitted to increase from the prior year's budget to reflect the Annual Inflationary Increase.
3. Increases in non-personnel operating costs are permitted where:
 - The increase is required as a result of changes in regulatory requirements
 - The increase is required to address identified health and safety matters
 - The increase results from an initiative previously authorized by Council resolution

Increases resulting from these changes will be disclosed as part of the annual budget process.

D. One-Time Operating Costs

1. One-time operating costs shall be funded from reserves, non-taxation funding sources or cost savings identified in other areas of the County. One-time operating costs funded through taxation shall be disclosed as part of the annual budget process.

E. One-Time Revenue Sources

1. Revenues that are not expected to be of an ongoing nature should normally be used to fund one-time operating or capital costs and not be used to fund ongoing expenditures. Where one-time revenue sources are identified that are not associated with one-time operating or capital costs, these funds should be transferred to the appropriate reserve.

F. Multi-Year Budgeting

1. As permitted under Section 291(1) of the Municipal Act, the County can elect to adopt a multi-year budget. The Municipal Act also prescribes the process for preparing and adopting a multi-year budget.
2. At the recommendation of the Treasurer, Council can approve a multi-year budgeting that covers a maximum four year period, commencing no earlier the second year of Council's term and ending no later than the first year of a new Council term.
3. The preparation of the multi-year budget will be consistent with the provisions contained elsewhere in this policy.
4. Commencing in the second year of the multi-year budget, and for each subsequent year, Council is required to review and readopt an operating and capital budget for that year. As part of the review process, Council will have the opportunity to make amendments to the multi-year to reflect financial impacts resulting from:
 - New or changed regulation.

- Changes in Council direction, including new direction from Council that has transpired after the approval of the multi-year budget or the revisions to Council direction originally considered in the multi-year budget.
 - Changes in economic conditions, including but not limited to changes in inflation rates, new funding sources, collective bargaining agreement settlements and changes in contractual arrangements.
5. Changes to future years' budgets should only be brought forward and approved once per year such that all changes are considered together.
 6. The Treasurer or designate is authorized to make adjustments that are considered to be immaterial in nature, including interdepartmental transfers that do not change the County's levy requisition.
 7. The Treasurer or designate is authorized to release budget funds prior to a new Multi-Year Budget or annual budget update approval, to a maximum of a pro-rated amount based on the previous fiscal year's approved budget.

BACKGROUND

Section 289(1) of the Municipal Act requires all upper-tier municipalities to prepare and adopt a budget that includes estimates of funds required to meet the municipality's requirements for the year, including requirements for capital expenditures.

The purpose of this policy is to define the approach to be used by the County for the financing of capital projects.

DISCUSSION

The purpose of this policy is to establish a framework for capital financing that standardizes the County's approach of financing for capital projects, which can include:

- Municipal taxation support
- Development charges
- User fees
- Reserve and reserve fund contributions
- Grants
- Debt financing

In determining the optimal approach to capital financing, the policy seeks to:

1. Provide a level of capital financing sufficient to maintain infrastructure at the levels required to support the delivery of services in line with Council's direction concerning service levels
2. Establish a long-term planning horizon for capital projects and associated financing so as to minimize the potential for unforeseen capital requirements that may result in affordability pressures for taxpayers
3. Maximizing the opportunities for capital grants by establishing an inventory of capital projects that can be advanced in response to grant opportunities
4. Contribute towards the long-term financial sustainability of the County by adopting the most efficient (i.e. lowest cost) source of financing, based on the nature of the capital project undertaken

The Capital Financing Policy is a component of the overall framework for the County's strategic financial decision-making process, which also includes the following policies:

- Budget preparation policy
- Reserve and reserve fund policy
- Debt management policy
- User fee policy

DEFINITIONS

1. **Municipal Act.** Municipal Act, 2011, S.O. 2001 c. 25
2. **Capital Project.** The acquisition, construction or development of non-financial assets having physical substance that:

- Are held for use in the production or supply of goods or services, for rental to others, in support of the County's administrative purposes or for the development, construction, maintenance or repair of other assets.
 - Have useful lives exceeding one year.
 - Are used on a continuing basis.
 - Are not held for sale in the ordinary course of operations (i.e. inventory)
3. **Complex Capital Project.** A capital project that is characterized by a degree of variability with respect to the final cost due to:
- Uncertainties at the time of development of the cost estimate (e.g. soil conditions).
 - Potential cost implications due to project delays.
 - Unforeseen escalations in project costs due to inflation and other supply-side issues.
 - The reliance on competitive procurement processes, which may result in higher than expected costs.

Complex Capital Projects are expected to involve Capital Projects that involve construction or development of assets over time, Capital Projects with high degree of complexity and/or higher value Capital Projects.

4. **Capital Budget.** The annual Council approved plan of the County for expenditures and revenues to acquire, construct or rehabilitate capital assets.
5. **Capital Forecast.** The projected expenditures for capital projects and associated revenues for a five year period, commencing with the year of the Capital Budget.
6. **Annual Inflationary Increase.** The year-over-year change in the third quarter Non-Residential Building Construction Price Index as published by Statistics Canada.
7. **Treasurer.** The General Manager of Finance, Facilities and Court Services, representing the individual appointed by Council as the Municipal Treasurer under the Municipal Act, 2001, Section 286.
8. **Growth Infrastructure.** A capital project that involves the construction or acquisition of new capital assets in response to the growth in demand for County services.
9. **Life Cycle Renewal.** A capital project for the rehabilitation, renewal or replacement of existing capital assets due to obsolescence and/or general deterioration of assets related to use or age.
10. **Service Improvement.** A capital project that involves the construction or acquisition of infrastructure in order to support an expanded service delivery level, the attainment of operational efficiencies, address health and safety concerns or comply with legislative or regulatory requirements.
11. **Capital Levy.** The amount of funding for capital projects included in the prior year's Capital Budget, excluding one-time funding sources such as grants, proceeds from

the issuance of debt and contributions from reserves and reserve funds. The amount of the prior year's Capital Levy will be adjusted for the Annual Inflationary Increase in order to arrive at the current year's Capital Levy.

- 12. Infrastructure Ontario Rate.** The published rate for a 10-year serial debenture published by Infrastructure Ontario. The Infrastructure Ontario Rate is used to calculate interest on Capital Projects funded through internal borrowings and is set based on the published rate at the date of approval of the Capital Budget.

CAPITAL FINANCING PROCESSES

In addition to direction provided by other policies, the County's process for capital financing will reflect the following approach.

A. Capital Forecast Preparation

1. As part of the development of the Capital Budget, the Treasurer will present Council with a Capital Forecast that represents a prioritized list of Capital Projects projected for a five year period. The Capital Forecast will categorize Capital Projects as either Growth Infrastructure, Life Cycle Renewal or Service Improvement.
2. The preparation of the Capital Forecast will consider:
 - All costs related to the Capital Project, including but not limited to the preparation of engineering designs and plans, required studies (e.g. environmental assessment), land acquisition and surveying costs, asset construction and acquisition, project management and contract administration, project insurance, external advisors and non-refundable portions of Harmonized Sales Tax).
 - Cost estimates for Capital Projects forecasted to take place in future periods will include an Annual Inflationary Increase.
 - Cost estimates for Complex Capital Projects will include an appropriate contingency provision that reflects the stage of the project (e.g. conceptual design, detailed design, contract awarded).
3. For the purposes of preparing the Capital Forecast, similar Capital Projects that are individually less than \$50,000 and collectively less than \$250,000 can be grouped into a single Capital Project.

B. Capital Budget Preparation

1. Expenditures for Capital Projects will be incorporated into the Capital Budget in line with the timeframes outlined in the Capital Forecast, contingent upon the availability of sufficient financing in the year of the forecasted expenditure.
2. Requests for approval of Capital Projects outside of the process of the Capital Budget shall be referred to the next budget cycle unless the request is initiated by Council or is in the opinion of the Senior Management Team an urgent matter that cannot be deferred.
3. Except as noted elsewhere in this policy, financing for Capital Projects will be incorporated into the Capital Budget in the following priority order:
 - Grants from senior levels of government.
 - Capital Levy
 - Proceeds from the disposition of capital assets and other one-time funding sources.
 - Transfers from reserves and reserve funds, as recommended by the Treasurer.
 - Taxation or user fees in excess of the Capital Levy.

4. To the extent that the amount of identified capital funding exceeds the budgeted capital expenditures, the difference is to be contributed to a reserve for capital expenditures.

C. Use of External Debt Financing

1. The use of external debt financing is only permitted for Growth Infrastructure and Service Improvements where all of the following criteria are met:
 - The economic useful life of the asset exceeds 15 years;
 - The cost associated with the deferral of the Capital Project is expected to exceed the cost of borrowing.
 - All other potential funding sources have been exhausted.
2. External debt financing is not to be used for Life Cycle Renewal except in exceptional cases where all of the following criteria are met:
 - The economic useful life of the asset exceeds 20 years.
 - The state of the existing asset is such that it cannot support the delivery of County services and no practical alternative exist.
 - All other potential funding sources have been exhausted.
3. As part of the Capital Budget approval process, the Treasurer will present a formal business case to Council for each Capital Project to be financed through external debt.
4. Where external debt is used as a source of financing for a Capital Project, the Capital Forecast shall include the debt servicing payments (interest and principal) as a Capital Project requiring financing over the life of the debt.

D. Use of Internal Debt Financing

1. From time-to-time, a Capital Project may require internal debt financing through an allocation of future Capital Levy amounts to the Capital Project.
2. Internal debt financing is only permitted where:
 - The period of the internal debt financing does not exceed five years.
 - The use of internal debt financing does not compromise the County's ability to fund other priority Capital Projects.
3. Capital Projects funded through internal debt financing will be charged a rate of interest equal to the Infrastructure Ontario Rate.

E. Capital Project Deficits

1. If a Capital Project incurs or is anticipated to incur a deficit, the department responsible for the Capital Project will be required to identify offsetting savings through:
 - Reallocations of surpluses in other Capital Projects undertaken by the Department;
 - Reductions in the scope of the Capital Project incurring the deficit;
 - Deferral of other budgeted Capital Projects to be undertaken by the department; and/or
 - Reductions in the scope of other budgeted Capital Projects to be undertaken by the Department.
2. Where the deficit (actual or anticipated) is less than 20% of the approved budget amount or \$100,000, the cost reductions are to be approved by the Treasurer and CAO. Deficits in excess of this threshold require Council approval.
3. Where the department responsible for the Capital Project is unable to identify sufficient offsetting settings, the funding strategy is to be approved by the Treasurer and CAO and, if more than \$100,000, by Council.

F. Capital Project Surpluses

4. If a Capital Project incurs or is anticipated to incur a surplus, the department responsible for the Capital Project is authorized to use up to \$50,000 of the surplus for:
 - Reallocations to another Capital Project(s) incurring a deficit;
 - Additions to contingency provisions for another Capital Project;
 - Advancing the timing of a Capital Project from a future period; and/or
 - Reductions in the scope of other budgeted Capital Projects to be undertaken by the Department.
5. Capital surpluses in excess of \$50,000 shall be transferred to the capital replacement reserve.

G. Capital Project Close-Outs

6. The Treasurer or designate may close out any Capital Projects that are greater than three years old, calculated from the budget year the Capital Project was initially approved by Council.
7. The Treasurer is authorized to determine an appropriate strategy for the disposition of any surpluses or deficits realized upon the close out of Capital Projects.

H. Multi-Year Budgeting

1. As permitted under Section 291(1) of the Municipal Act, the County can elect to adopt a multi-year budget. The Municipal Act also prescribes the process for preparing and adopting a multi-year budget.
2. To the extent that the County adopts a multi-year budget, the process outlined in this policy will be modified accordingly to correspond with the multi-year budget period.

BACKGROUND

Part XIII of the Municipal Act provides municipalities with the authority to issue debt. Provisions relating to the use of debt by municipalities are defined in the Municipal Act as well as the following regulations:

- Ontario Regulation 247/01 – Variable Interest Rate Debentures and Foreign Currency Borrowing
- Ontario Regulation 276/02 – Bank Loans
- Ontario Regulation 278/02 – Construction Financing
- Ontario Regulation 403/02 – Debt and Financial Obligation Limits
- Ontario Regulation 653/05 – Debt Related Financial Instruments and Financial Agreements

The purpose of this policy is to define the approach used by the County with respect to external debt financing. This policy is not applicable to:

- Internal debt financing involving the allocation of future capital funding to current year capital projects.
- Temporary borrowing for expenses as permitted under Section 407(1) of the Municipal Act.
- Letters of Credit, representing a binding document from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase (debt).
- Debt issued by the County in connection with a public-private partnership.

DISCUSSION

The purpose of this policy is to establish a framework for the use of debt financing by the County in a manner that is consistent with Provincial legislation and regulation and which contributes towards the long-term financial sustainability of the County.

In outlining the County's strategy with respect to debt management, the policy seeks to:

1. Ensure compliance with Provincial legislation and regulation.
2. Support capital investment through the prudent and efficient use of debt.
3. Maintain debt servicing costs at a level that is affordable and sustainable.
4. Protect the County from unexpected and adverse financial impacts associated with the use of debt.
5. Structure debt financing in a way that is fair and equitable to those who pay and those who benefit from the projects over time.
6. Provide transparency to Council, residents and stakeholders with respect to the County's debt obligations

The Debt Management Policy is a component of the overall framework for the County's strategic financial decision-making process, which also includes the following policies:

- Budget preparation policy
- Capital financing policy
- Reserve and reserve fund policy
- User fee policy

DEFINITIONS

1. **Municipal Act.** Municipal Act, 2011, S.O. 2001 c. 25
2. **Debt** –The County considers debt to consist of debentures, cash loans from financial institutions, capital leases, debenture financing approved through bylaw for which no debt has yet been issued, debenture financing approved through the capital budget for which no bylaw has yet been established, outstanding financial commitments, loan guarantees and any debt issue by, or on behalf of the County, including mortgages, debentures or demand loans. Debt does not include accounts payable or accrued liabilities.
3. **Debt and Financial Obligation Limit** – The maximum amount of annual Debt Servicing Costs that the County can undertake or guarantee without seeking the approval of the Ontario Land Tribunal. The Debt and Financial Obligation Limit is calculated pursuant to *Ontario Regulation 403/02 – Debt and Financial Obligation Limits*.
4. **Debt Servicing Costs.** Cash that is required to cover the repayment of interest and principal on a debt and other costs associated with issuing debt.
5. **Financial Guarantee** – An agreement whereby the County will take responsibility for the payment of debt in the event that the primary debtor fails to perform.
6. **Lease Financial Agreements** – A financial agreement, in accordance with *Ontario Regulation 653/05 – Debt Related Financial Instruments and Financial Agreements*, that a municipality may enter into for the purpose of obtaining long-term financing of a capital undertaking of the municipality.
7. **Long-term Debt** – Any Debt for which the repayment of any portion of the principal is due beyond one year.
8. **Material Impact** – Under *Ontario Regulation 653/05 – Debt Related Financial Instruments and Financial Agreements*, a Lease Financing Agreement has a material impact on a municipality if the costs or risks associated with the agreement significantly affect the municipality's Debt and Financial Obligation Limit, or would reasonably be expected to have a significant effect on that limit.
9. **Growth Infrastructure.** A capital project that involves the construction or acquisition of new capital assets in response to the growth in demand for County services.
10. **Life Cycle Renewal.** A capital project for the rehabilitation, renewal or replacement of existing capital assets due to obsolescence and/or general deterioration of assets

related to use or age.

11. **Service Improvement.** A capital project that involves the construction of acquisition of infrastructure in order to support an expanded service delivery level, the attainment of operational efficiencies, address health and safety concerns or comply with legislative or regulatory requirements.
12. **Capital Budget.** The annual Council approved plan of the County for expenditures and revenues to acquire, construct or rehabilitate capital assets. The capital budget is distinguished from the annual operating budget which normally provides for the day to day expenditures of the municipality for items such as salaries, heat, hydro, maintenance etc.
13. **Capital Project.** The acquisition, construction or development of non-financial assets having physical substance as defined in the County's Capital Financing Policy.

DEBT PROCESSES

In addition to direction provided by other policies, the County's process for Debt financing will reflect the following approach.

A. Permitted uses of debt financing

1. Consistent with the Capital Financing Policy, the use of Long-term Debt is only permitted for Growth Infrastructure and Service Improvements where all of the following criteria are met:
 - The economic useful life of the asset exceeds 15 years;
 - The cost associated with the deferral of the Capital Project is expected to exceed the cost of borrowing.
 - All other potential funding sources have been exhausted.
2. Long-term Debt is not to be used for Life Cycle Renewal except in exceptional cases where all of the following criteria are met:
 - The economic useful life of the asset exceeds 20 years.
 - The state of the existing asset is such that it cannot support the delivery of County services and no practical alternative exist.
 - All other potential funding sources have been exhausted.
3. Council approval is required for all Long-term Debt.
4. As part of the Capital Budget process, the Treasurer will provide Council with a report outlining the impact of proposed new Long-term Debt on the Debt and Financial Obligation Limit and confirming that the proposed issuance of Long-term Debt will not result in the County exceeding the Debt and Financial Obligation Limit.

B. Debt Characteristics

1. All Long-term Debt will be issued in Canadian dollars.

2. It will be the general practice to issue Long-term Debt where the interest rates will be fixed over its term. The County may issue Long-term Debt in which the interest rate will vary where, in the opinion of the Treasurer, it is in the County's best interest to allow the rate to float provided such Long-term Debt, in addition to any other Debt with variable rates, does not exceed fifteen percent (15%) of the total outstanding Debt of the Municipality in accordance with *Ontario Regulation 247/01 – Variable Interest Rate Debentures and Foreign Currency*.
3. The term of Long-term Debt will be determined by the Treasurer but will not exceed the lesser of:
 1. The economic useful life of the asset for which the Long-term Debt has been issued; or
 2. Twenty (20) years.

C. Debt Limits

1. The County's Debt and Financial Obligation Limit will be calculated in accordance with the provisions of *Ontario Regulation 403/02 – Debt and Financial Obligation Limits* and will not exceed 25% of Net Revenues or Own Purpose Revenues as defined in *Ontario Regulation 403/02 – Debt and Financial Obligation Limits*.

D. Other Provisions

1. The County will not issue Long-term Debt for Capital Projects until they are substantially complete, or a significant milestone is achieved.
2. Upon the repayment of Long-term Debt, the amounts previously committed to annual Debt Servicing Costs will not be removed from the County's Capital Budget but rather will be reallocated towards:
 - Debt Servicing Costs for new Long-term Debt issued by the County; and/or
 - Contributions to reserves for capital purposes.
3. A category of Lease Financing Agreements may be relied upon for non-material or operational leases where the agreements will not, in the opinion of the Treasurer as delegated by Council through this policy, result in a Material Impact for the County.
4. The awarding of any contract for Debt, unless otherwise authorized by Council, will follow the requirements set out in the County's procurement policy.
5. The County shall establish a reserve fund specifically for Debt Servicing Costs. To the extent that the County's actual Debt Servicing Costs differ from the budgeted Debt Servicing Costs, the difference will be transferred to/from the reserve fund and not used for any other purpose.
6. The Treasurer shall provide Council with the following information relating to Debt:
 - The status of issued and authorized Debt as well as Debt Servicing Costs;

- The projected level of Debt Servicing Costs over the ten years following the most recent budget period;
 - Notice of debt issuances;
 - Other information as may be requested by Council; and
 - Other information as required by legislation or regulation.
7. The provisions of this policy apply to Financial Guarantees, as considered relevant by the Treasurer.
 8. The use of sinking fund arrangements or interest rate exchange agreements (i.e. swaps) require Council approval.

BACKGROUND

The County currently maintains cash balances and other investments relating to its reserves and reserve funds, unexpended financing for capital projects and funds held for operating purposes. Under the provisions of the Municipal Act and Ontario Regulation 438/97 – Eligible Investments, Related Financial Agreements and Prudent Investments, the Province has established restrictions on the types of eligible investments that can be held by the County, as well as reporting and other requirements with respect to the County's investments.

The policy of the County is to invest public funds in a manner that will provide the best possible rate of return with maximum security while meeting the daily cash flow requirements of the County and conforming to all legislation governing the investment of public funds.

This policy includes all funds that are the responsibility of the County held within the operating fund, reserves and reserve funds, unexpended sources of financing, trust funds and other funds held by the County.

DISCUSSION

Section 418 of the *Municipal Act, 2001* as amended, shall govern all investment activities. Investments, unless limited further by Council, will be those deemed eligible under Ontario Regulation 438/97 or as authorized by subsequent provincial legislation.

The County's choice of investments as provided under Ontario Regulation 438/97 will be made to achieve the following objectives, in order of priority:

1. **Preservation of Principal:** Investments shall be undertaken in a manner that seeks to ensure the preservation of the investment principal in the overall portfolio. This is accomplished by investing in properly rated financial instruments as per the legislation, through selecting instrument issuers, diversifying the portfolio / instrument types, structuring maturity dates to meet ongoing cash flow requirements and investing in low to no risk investment areas.
2. **Maintenance of Liquidity:** The investment portfolio will remain sufficiently liquid to enable the Municipality to meet all operating and capital requirements which might be reasonably anticipated.
3. **Competitive Rate of Return:** The investment portfolio shall be designed to attain the maximum rate of return consistent with the objectives of security and liquidity of principal.

DEFINITIONS

1. **Municipal Act.** Municipal Act, 2011, S.O. 2001 c. 25
2. **Treasurer.** The General Manager of Finance, Facilities and Court Services, representing the individual appointed by Council as the Municipal Treasurer under the Municipal Act, 2001, Section 286.
3. **Diversification.** Diversification is a process of investing assets among a range of security types by sector/category, maturity and quality rating.

4. **Liquidity.** Liquidity reflects a measure of an investments convertibility to cash.
5. **Market Value.** The market value of an investment is determined based on its published trading price, where available. This policy does not contemplate investments that do not have a published trading price and as such, precludes investments that require specialized valuation approaches.
6. **Maturity.** The maturity of an investment represents the date to which the issue must retire an investment (e.g. bond, guaranteed investment certificate) and pay the face value to the investment holder.
7. **Schedule I Banks.** Schedule I banks are domestic banks that are authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation.
8. **Schedule II Banks.** Schedule II banks are foreign bank subsidiaries that are authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. Foreign bank subsidiaries are controlled by eligible foreign institutions.
9. **Trust Funds.** Trust funds represent financial assets held by the County on behalf of third parties, including but not limited to funds held on account of long-term care residents.
10. **Committed Funds.** Committed funds are comprised of funds held by the County that are restricted for specific purposes based on funding agreements or legislation and include, but are not limited to, (i) amounts classified as obligatory reserve funds under the County's Reserve and Reserve Fund policy; (ii) reserve funds as defined under the County's Reserve and Reserve Fund policy; (iii) unexpended capital funding received from the Government of Canada or Province of Ontario; (iv) unexpended conditional grants for operating purposes received from the Government of Canada or Province of Ontario; and (v) proceeds from the issuance of debt that have been received but not yet spent.
11. **Joint Municipal Investment Pool.** A joint municipal investment pool is a professionally managed group of investment funds composed of pooled investments that meet the eligibility criteria defined by O.Reg 438/97.

STANDARDS OF CARE

Investments shall be made with judgment and care, under prevailing circumstances. All necessary action will be taken to ensure maximum performance on a portfolio basis, subject to the prescribed risk parameters dictated by this policy.

SAFEKEEPING AND CUSTODY

All securities shall be held for safekeeping by the vendor financial institution. All securities shall be held in the name of the County.

INTERNAL CONTROLS

The Treasurer (or designate) shall develop and maintain all necessary operating procedures for effective control and management of the investment function and reasonable assurance that the County's investments are properly managed and adequately protected.

AUTHORIZED INVESTMENTS

The County may invest in certain securities as set out by Ontario Regulation 438/97 to the Municipal Act, as amended from time to time. In keeping with the primary objective of this policy, namely the preservation of principal, permissible investments have been restricted to those of high quality and reasonable liquidity.

DIVERSIFICATION

The County shall diversify its investments to the best of its ability based on type of funds invested and the cash flow needs of those funds. Diversification can be by type of investment, number of institutions invested in and length of maturity.

INVESTMENT LIMITATIONS

The portfolio aims for both Diversification and low risk investments to ensure preservation of principal. Emphasis is placed on securities offered by or unconditionally guaranteed by the Government of Canada, a province of Canada or Schedule I Banks. The maximum portfolio share that the County may invest within each investment category is as follows:

Investment Type	Trust Funds	Committed Funds	Other Funds
Risk Tolerance	No	Very Low	Low
Liquidity Requirement	Immediate	Short term	Medium to Long Term
Guaranteed investment certificates, bankers acceptances and other guaranteed investments	100%	100%	100%
Government of Canada and its Crown Agencies	–	100%	100%
Provincial Governments and their Crown Agencies	–	100%	100%
Schedule I Banks	–	50%	100%
Schedule II Banks	–	–	10%
Municipalities and Local Boards	–	100%	100%
Universities, Colleges, School Boards, Hospitals	–	100%	100%
Joint Municipal Investment Pools	–	50%	100%

MATURITIES

To the extent possible, the County shall attempt to match its investments with anticipated cash flow requirements and expected use of the funds. Unless matched to a specific cash flow, the County will not directly invest in securities maturing more than:

- a) For Trust Funds – One (1) year from the date of settlement (purchase date)
- b) For Committed Funds – Two (2) years from the date of settlement (purchase date)
- c) For Other Funds – Ten (10) years from the date of settlement (purchase date)

PERFORMANCE STANDARDS

The investment portfolio will be managed in accordance with the parameters within this policy. Accordingly, the investment portfolio will be designed to obtain, at a minimum, market rates of return taking into consideration the County's investment risk tolerance, constraints and cash flow needs.

REPORTING

The Treasurer shall provide an annual investment report to Council which includes, at a minimum, the requirements set forth in O. Reg. 438/97. Under the current regulations the investment report shall contain the following:

1. a statement about the performance or the portfolio of investments of the County during the period covered by the report;
2. a description of the estimated proportion of the total investments of a County that are invested in its own long-term and short-term securities to the total investments of the municipality and a description of the change, if any, in that estimated proportion since the previous year's report;
3. a statement by the Treasurer as to whether or not, in their opinion, all investments are consistent with the investment policies and goals adopted by the County;
4. a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security;
5. such other information that the Council may require or that in the opinion of the Treasurer, should be included;
6. a statement by the Treasurer as to whether any of the investments fall below the standard required for that investment during the period covered by the report; and
7. the details of the proposed use of funds realized in the disposition of an investment for which the County sold as a result of a decline in rating below the standard required by O.Reg. 438/97.

In addition to the annual report, the Treasurer shall report to Council any investment that is made that is not, in their opinion, consistent with the investment policy adopted by the County within thirty days after becoming aware of it.

RESPONSIBILITIES

The Treasurer shall have overall responsibility for the prudent investment of the County's investment portfolio. The Treasurer shall have the authority to implement the investment program and establish procedures consistent with this policy. Such procedures shall include the explicit delegation of the authority needed to complete investment transactions; however, the

Treasurer shall remain responsible for ensuring that the investments are compliant with regulations and this policy. No person may engage in an investment transaction except as provided under the terms of this policy.

The Treasurer shall be authorized to enter into arrangements with banks, investment dealers/managers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities in a manner that conforms to the Municipal Act, 2001 and the County's investment policy.

Investment transactions shall be authorized by two of the individuals listed below, one of whom must be Treasurer or Deputy Treasurer.

1. Treasurer
2. Manager of Divisional Support Services
3. Manager of Financial Administration Services
4. Chief Administrative Officer
5. General Manager Corporate Services

BACKGROUND

Section 290(4) of the Municipal Act provides municipalities with the authority to establish reserves as considered necessary, with Section 290(2) requiring municipal budgets to consider the amount of transfers to and from reserves.

The purpose of this policy is to define the approach to be used by the County for the establishment and management of reserves and reserve funds.

DISCUSSION

The goals and objectives of the Reserve and Reserve Fund Policy include,

1. To reduce the risks to the taxpayer of significant budget impacts arising from uncontrollable events and activities.
2. To provide a source of one-time or short term financing without permanently impacting the County's requisition. For example, capital projects or major capital equipment requirements, which are not included in approved budgets and cannot be reasonably funded by delaying a lower priority capital project can be financed through transfers from reserves.
3. To ensure adequate cash flows and liquidity so as to meet the County's debt servicing requirements.
4. To provide a sustainable source of funding for capital reinvestment requirements.

Reserve policies are intended to contribute towards a long term perspective to financial planning. The performance targets identified within this policy are to achieve long term financial stability as well as support to the attainment of the County's broader strategic objectives, recognizing that a number of years may be required for the County to achieve these targets.

The Reserve and Reserve Fund policy is a component of the overall framework for the County's strategic financial decision-making process, which also includes the following policies:

- Budget preparation policy
- Capital financing policy
- Debt management policy

DEFINITIONS

1. **Municipal Act.** Municipal Act, 2011, S.O. 2001 c. 25
2. **Reserve.** A reserve is a discretionary appropriation from net revenue, after provision has been made for all known expenditures. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of a reserve fund. Investment income earned on municipal assets is not allocated to reserves.

3. **Reserve Fund.** A reserve fund that is funded from the revenue fund is normally established in the estimates by-law with a complementary by-law or resolution outlining its operational elements. A reserve fund that is funded from other sources is normally established in a specific by-law or resolution that also outlines its operational elements. A reserve fund differs from a reserve in that reserve fund assets are segregated and restricted to meet the purpose of the reserve fund. Investment income earned on the segregated reserve fund assets is added to the balance of the reserve fund and is not available for general municipal purposes. There are two types of reserve funds, obligatory reserve funds and discretionary reserve funds.
4. **Obligatory Reserve Fund.** An Obligatory Reserve Fund is created whenever a statute requires revenue received for special purposes to be segregated from the general revenues of the municipality. Obligatory Reserve Funds are to be used solely for the purpose prescribed for them by statute.
5. **Operating Budget.** The annual Council approved plan of the County for expenditures, revenues, staffing levels and service levels for operations of the County taking place from January 1st to December 31st of each year.
6. **Capital Budget.** The annual Council approved plan of the County for expenditures and revenues to acquire, construct or rehabilitate capital assets. The capital budget is distinguished from the annual operating budget which normally provides for the day to day expenditures of the municipality for items such as salaries, heat, hydro, maintenance etc.
7. **Annual Inflationary Increase.** The year-over-year change in the third quarter Non-Residential Building Construction Price Index as published by Statistics Canada.
8. **Treasurer.** The General Manager of Finance, Facilities and Court Services, representing the individual appointed by Council as the Municipal Treasurer under the Municipal Act, 2001, Section 286.
9. **Debt Repayment Reserve Fund.** A reserve fund established to provide the County with a source of cash flows for debt servicing requirements in the event of unforeseen expenditures or loss of revenues.
10. **Tax Rate Stabilization Reserve.** A reserve established to provide the County with a source of funds to offset significant unforeseen expenditure increases or revenue losses that would otherwise be financed through taxation. The Tax Rate Stabilization Reserve Fund is not intended to offset tax increases caused by inflation or other expected events but rather should be used in instances of financial urgency.
11. **Capital Investment Reserve:** A reserve established to provide a source of funding for investments in Growth Infrastructure, Life Cycle Renewal and Service Improvements.
12. **Operating Reserve:** A reserve established to provide a source of funding for non-recurring operating costs, including but not limited to one-time initiatives or unforeseen and uncontrollable cost increases. Operating reserves are not intended to provide recurring funding for operating costs.

13. **Stabilization Reserve:** A reserve established for County operations that are subject to high degree of variability due to weather or other conditions and as such, have a greater potential to incurred deficits that operations that have a higher degree of consistency and stability. The purpose of a stabilization reserve is to provide the County with a source of funds to offset operating deficits through the accumulation of budgetary surpluses for these services. Under this policy, budgetary surpluses will be transferred to the stabilization reserve, with operating deficits funded through transfers from this reserve.
14. **Growth Infrastructure.** A capital project that involves the construction or acquisition of new capital assets in response to the growth in demand for County services.
15. **Life Cycle Renewal.** A capital project for the rehabilitation, renewal or replacement of existing capital assets due to obsolescence and/or general deterioration of assets related to use or age.
16. **Service Improvement.** A capital project that involves the construction of acquisition of infrastructure in order to support an expanded service delivery level, the attainment of operational efficiencies, address health and safety concerns or comply with legislative or regulatory requirements.

RESERVE AND RESERVE FUND PROCESSES

In addition to direction provided by other policies, the County's management of reserves and reserve funds will reflect the following approach.

A. Consistency with the Municipal Act

Notwithstanding the wording of this or any other policy, the County's management of reserves and reserve funds will be in accordance with the requirements of the Municipal Act, including:

- Section 11(2) authorizing upper-tier municipalities to pass by-laws respecting accountability, transparency and financial management;
- Section 290(2) the budget shall set out the estimated revenues and expenditures of reserves and reserve funds contained within a municipality's budget;
- Section 291 covering multi-year budget requirements of municipalities;
- Section 417(3) that money raised for a reserve fund shall be paid into a special account and shall be invested only in securities or classes of securities prescribed;
- Section 418(3) as allowed by the County, shall combine money held in any fund (including General, Capital and Reserves and Reserve Funds) for investment purposes; and
- Section 418(4) that earnings from combined investments shall be credited to each segregated fund in proportion to the amount invested in it.

B. Establishment of Reserve and Reserve Funds

1. As part of the County's annual process for its Operating Budget and Capital Budget, the County may establish
2. Obligatory

C. Non-Personnel Operating Costs

1. Changes to services and service levels shall be disclosed as part of the budget process, unless previously authorized by way of Council resolution.
2. Non-personnel operating costs are permitted to increase from the prior year's budget to reflect the Annual Inflationary Increase.
3. Increases in non-personnel operating costs are permitted where:
 - The increase is required as a result of changes in regulatory requirements
 - The increase is required to address identified health and safety matters
 - The increase results from an initiative previously authorized by Council resolution

Increases resulting from these changes will be disclosed as part of the annual budget process.

D. One-Time Operating Costs

1. One-time operating costs shall be funded from reserves, non-taxation funding sources or cost savings identified in other areas of the County. One-time operating costs funded through taxation shall be disclosed as part of the annual budget process.

E. One-Time Revenue Sources

1. Revenues that are not expected to be of an ongoing nature should normally be used to fund one-time operating or capital costs and not be used to fund ongoing expenditures. Where one-time revenue sources are identified that are not associated with one-time operating or capital costs, these funds should be transferred to the appropriate reserve.

F. Multi-Year Budgeting

1. As permitted under Section 291(1) of the Municipal Act, the County can elect to adopt a multi-year budget. The Municipal Act also prescribes the process for preparing and adopting a multi-year budget.
2. At the recommendation of the Treasurer, Council can approve a multi-year budgeting that covers a maximum four year period, commencing no earlier the second year of Council's term and ending no later than the first year of a new Council term.
3. The preparation of the multi-year budget will be consistent with the provisions contained elsewhere in this policy.
4. Commencing in the second year of the multi-year budget, and for each subsequent year, Council is required to review and readopt an operating and capital budget for that year. As part of the review process, Council will have the opportunity to make amendments to the multi-year to reflect financial impacts resulting from:
 - New or changed regulation.
 - Changes in Council direction, including new direction from Council that has transpired after the approval of the multi-year budget or the revisions to Council direction originally considered in the multi-year budget.
 - Changes in economic conditions, including but not limited to changes in inflation rates, new funding sources, collective bargaining agreement settlements and changes in contractual arrangements.
5. Changes to future years' budgets should only be brought forward and approved once per year such that all changes are considered together.
6. The Treasurer or designate is authorized to make adjustments that are considered to be immaterial in nature, including interdepartmental transfers that do not change the County's levy requisition.
7. The Treasurer or designate is authorized to release budget funds prior to a new Multi-Year Budget or annual budget update approval, to a maximum of a pro-rated amount based on the previous fiscal year's approved budget.

BACKGROUND

Pursuant to Part XII of the Municipal Act, the County is permitted to “*impose fees or charges on persons*

- (a) for services or activities provided or done by or on behalf of it;*
- (b) for costs payable by it for services or activities provided or done by or on behalf of any other municipality or any local board; and*
- (c) for the use of its property including property under its control.”*

There are a number of factors that are typically considered by any municipality when determining the extent to which a municipal service is funded through user fees as opposed to property taxation. Services that are typically used by only a specific portion of the community, as opposed to the population as a whole, are more likely to be funded through user fees. Similarly, services such as water and wastewater are often viewed as quasi-business utility, with a common approach being to fund most if not all capital and operating costs through user fees. Additionally, services that are seen as being above and beyond the standard level of service contemplated by the municipality may be funded through user fees (i.e. property taxes fund to a certain standard, with services above this funded through user fees).

Balancing these considerations is the concept that user fees need to be affordable. Given that the majority of services provided by the County are essential and provide a significant public policy benefit, user fees need to be designed such that they do not constrain access to services by pricing them beyond the affordability of users.

DISCUSSION

This policy establishes a framework for the determination of user fees for inclusion in the County's operating and capital budgets preparing budgets that reflect the following key principles:

1. User fees shall be based on the actual cost of providing the service and shall not include a premium or return to the County.
2. In determining the County's user fees, the full cost of delivering services, including direct costs, corporate support services and the cost of supporting infrastructure, shall be considered.
3. The determination of user fees should reflect the annual impacts of inflation on the County's cost of service delivery
4. The County's user fees will consider potential concerns associated with affordability constraints for specific user groups.

DEFINITIONS

1. **Municipal Act.** Municipal Act, 2011, S.O. 2001 c. 25
2. **Annual Inflationary Increase.** The year-over-year change in the third quarter Non-Residential Building Construction Price Index as published by Statistics Canada.

3. **Multi-Year Budget.** A budget that covers a multi-year period prepared in accordance with the County's Budget Preparation Policy.
4. **Treasurer.** The General Manager of Finance, Facilities and Court Services, representing the individual appointed by Council as the Municipal Treasurer under the Municipal Act, 2001, Section 286.
5. **Senior Management Team.** The Senior Management Team is comprised of the County's Chief Administrative Officer and Divisional General Managers.

GENERAL PRINCIPLES

1. In order to enhance the efficiency of the County's budget processes, the County may establish a multi-year bylaw for user fees that prescribes user fees for a period that is:
 - a. Consistent with the timeframe for a Multi-Year Budget, if adopted pursuant to the County's Budget Preparation Policy
 - b. Three years in duration
2. As part of the annual budget process, user fees are permitted to increase from the prior year's amount to reflect the Annual Inflationary Increase.
3. Increases to user fees in excess of the Annual Inflationary Increase are permitted in instances where:
 - a. Increases in operating costs occur above the rate of the Annual Inflationary Increase
 - b. Changes in regulatory requirements increase the cost of service delivery
 - c. Changes in service levels increase the cost of service delivery
 - d. Increases in user fees intended to align the County's rate structure with rate structures adopted by other municipalities
 - e. Decreases in activity level, which would require the County to increase user fees to provide a consistent level of funding for the service

COST OF SERVICE ANALYSIS

1. At the discretion of the Senior Management Team or as directed by Council, the County may undertake a cost of service analysis that quantifies the total cost of delivering a municipal service, including:
 - a. The direct cost of service delivery, including wages, benefits, materials, supplies and third party services.
 - b. Corporate support costs, including but not limited to human resources, finance, information technology, legal, facilities management and corporate secretariat services. In determining the cost of corporate support services, the cost of service study may consider an allocation based on an appropriate basis (e.g. number of staff, size of budget).
 - c. Capital costs associated with planned investments in technology or other assets necessary to support the delivery of the service. In determining an allocation of capital costs, the cost of service study could consider an allocation based on an annualized level of capital investment.
 - d. Debt servicing costs incurred in connection with the service.
 - e. Contributions to reserves and reserve funds.

2. As part of the cost of service study, the County shall also undertake a review of historical usage of the service and anticipated future demand for the service. The analysis and forecasting of usage
3. Upon completion of the cost of service study, the Treasurer may recommend a user fee structure that recovers a maximum of 100% of the cost of service delivery through user fees.

AFFORDABILITY CONSIDERATIONS

1. Upon the recommendation of the Senior Management Team or as directed by Council, the County may introduce specific initiatives to address affordability concerns with respect to user fees, including but not limited to:
 - a. Increasing user fees at a rate less than the Annual Inflationary Increase
 - b. Introducing user fee exemptions for designated user groups
 - c. Establishing rebates for designated user groups
2. Initiatives intended to address affordability concerns shall be approved by Council as part of the County's annual budget process.
3. Requests for approval of affordability measures outside of annual budget process shall be referred to the next budget cycle unless the request is initiated by Council or is, in the opinion of the Senior Management Team, an urgent matter that cannot be deferred.



County of Lambton
Municipal Modernization Fund Projects Report

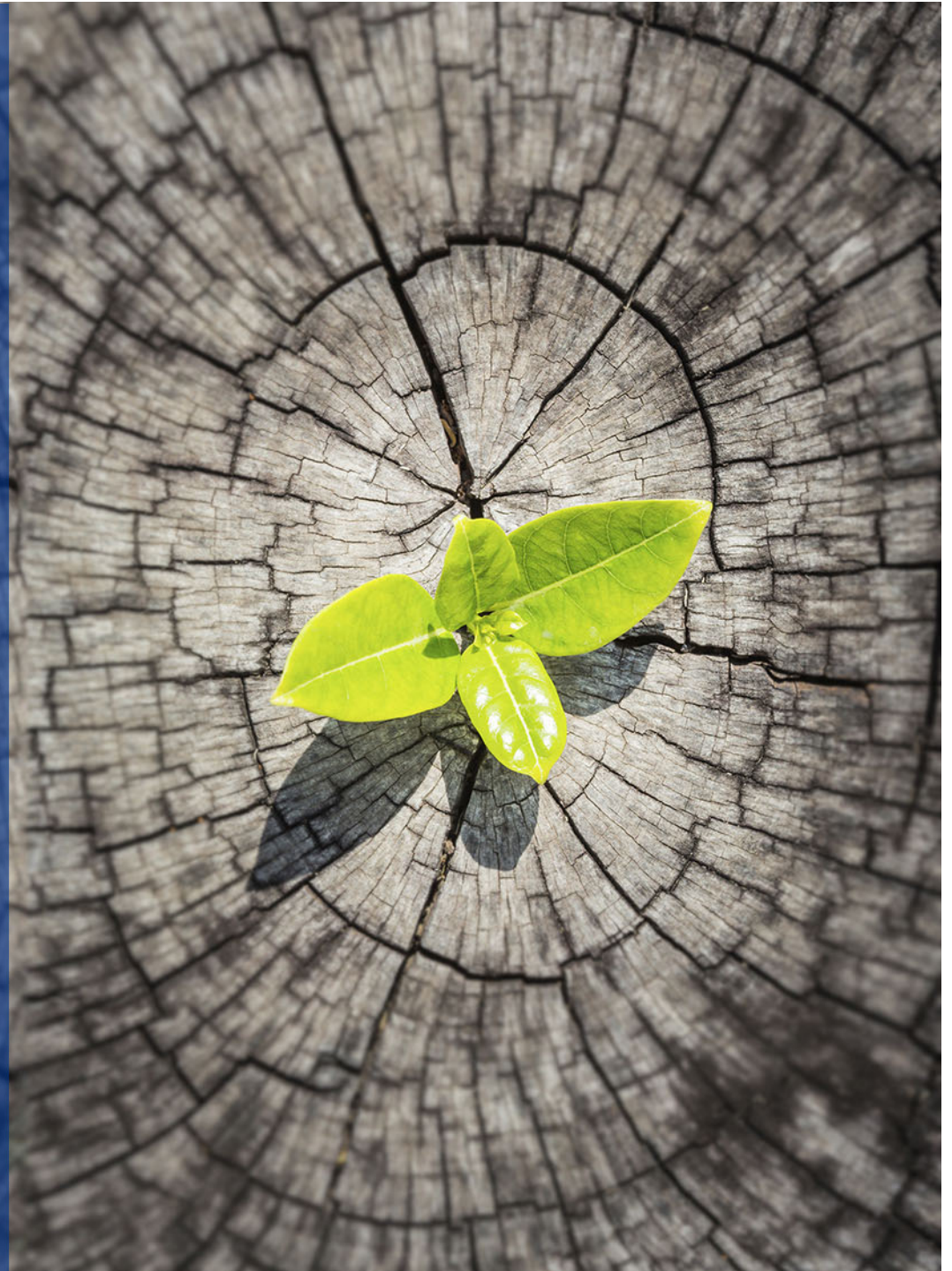
Appendix D Finance Future State Process Maps





County of Lambton
Accounts Payable and Payment
Processing

Implementation Action Plan



Review Findings

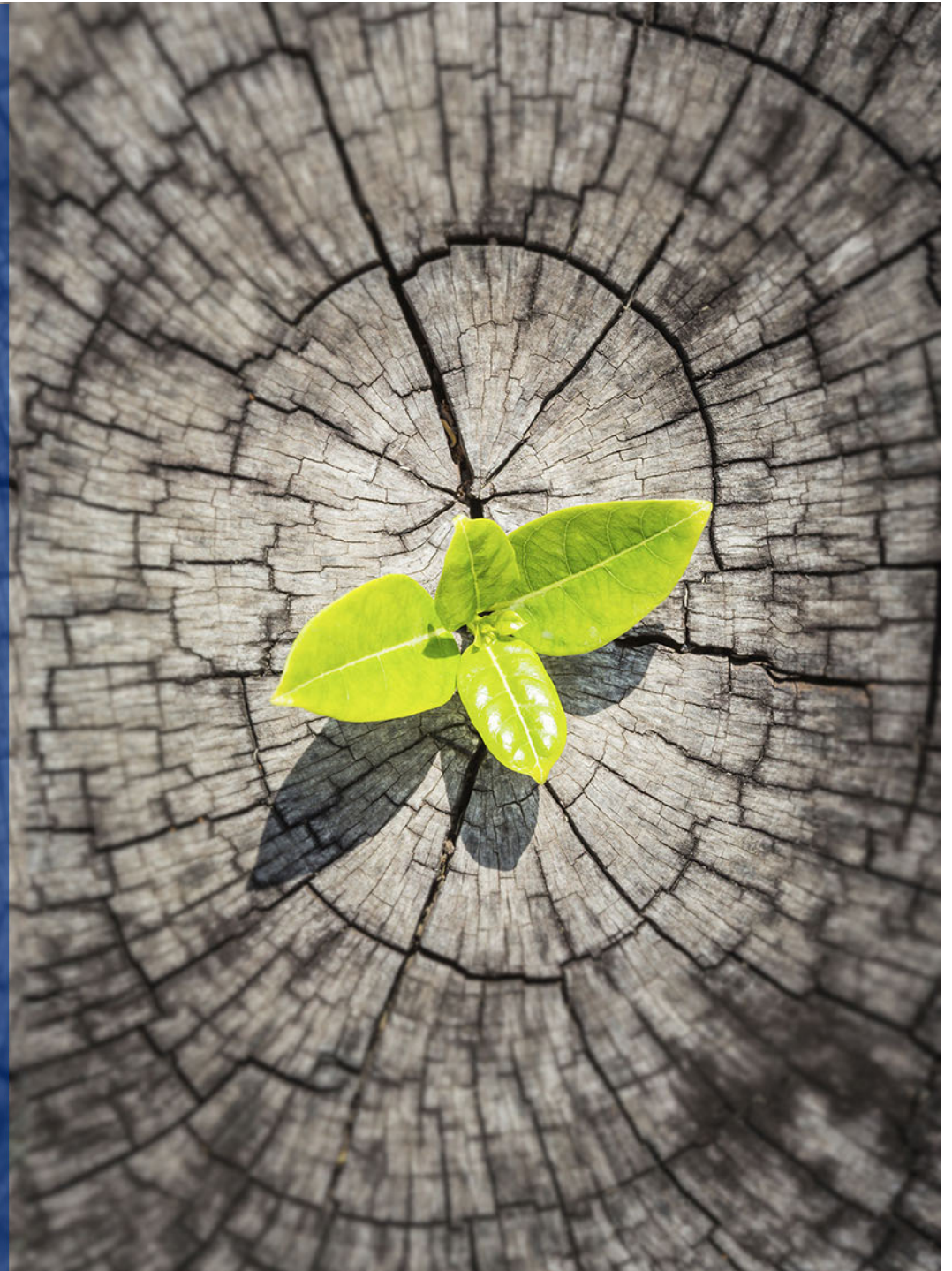
Finding	Suggested Course of Action	Current Status	Implementation Recommendation
<p>The County's accounts payable processes are heavily reliant on hard copy documentation and manual work processes, with an increased level of work required to prepare, approve and retrieve journal entries. Given the decentralized nature of the accounts payable process, this also requires the physical movement of hard copy documents from various locations within the County.</p>	<p>The County may wish to consider digitizing its processes for accounts payable processing, including (1) using electronic document formats as opposed to hard copy; and (2) using electronic approvals as opposed to manual work processes.</p>	<p>Not commenced</p>	<p>While the County is currently proceeding with a digitization initiative that will result in the automation of work processes, implementation of this project is not expected in 2023. As an interim measure, we have suggested that the County consider the use of server folders to facilitate the digitization of its processes for accounts payable processing. A suggested workflow for a digitized accounts payable process is included with our report.</p>
<p>The County's accounts payable process includes some work steps that have limited value (e.g. writing down of cheque numbers for each cheque run), are duplicative in nature (e.g. multiple approval of invoices selected for payment) or result in a higher level of service than required (e.g. frequency of cheque runs).</p>	<p>In order to maximize the use of County resources, consideration should be given to eliminating low value work efforts.</p>	<p>Not commenced</p>	<p>The suggested process maps incorporate changes to the existing work steps that eliminate low value work efforts.</p>



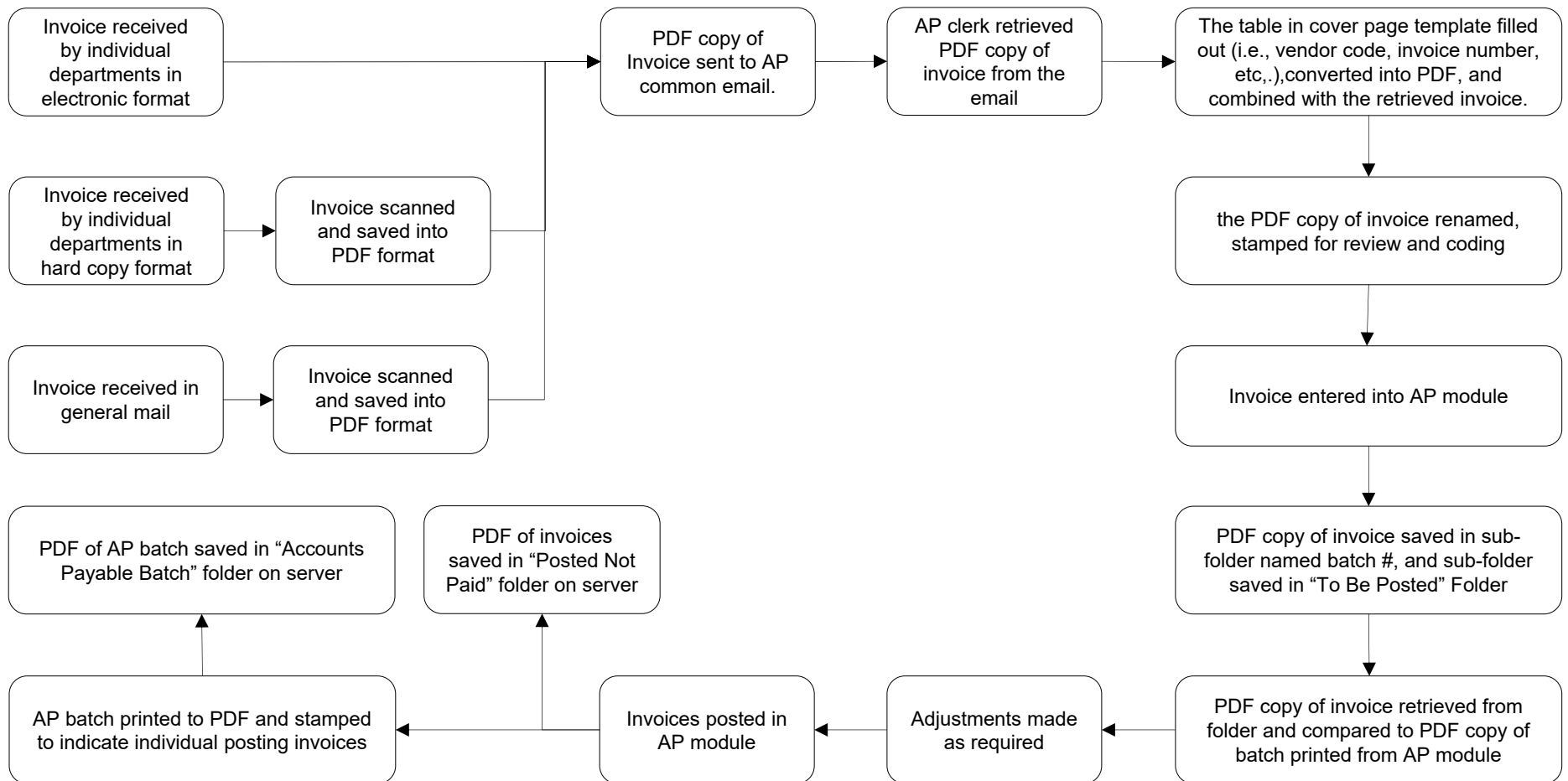
County of Lambton
Accounts Payable and Payment
Processing

Future State Process Maps

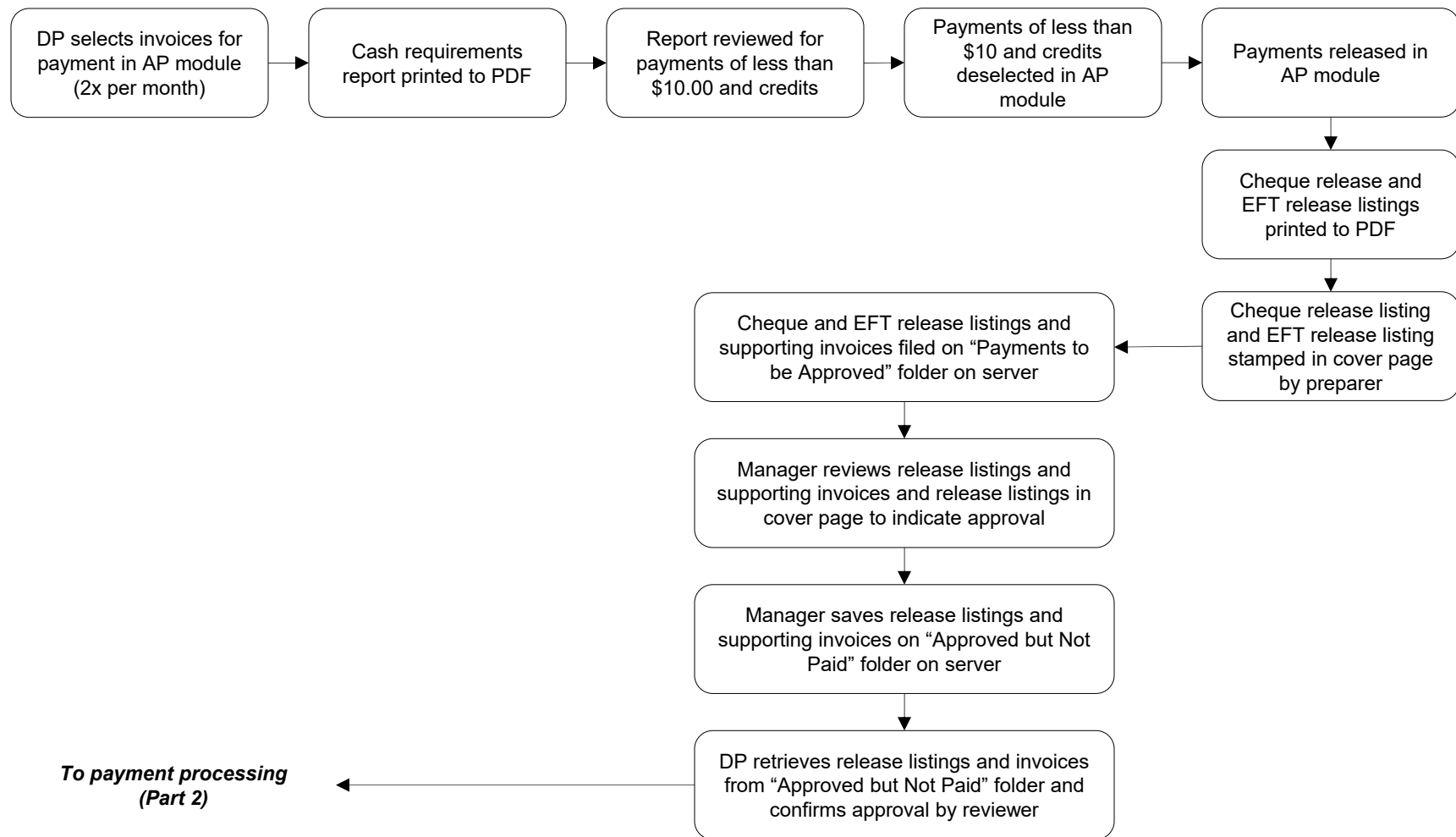
October 25, 2022



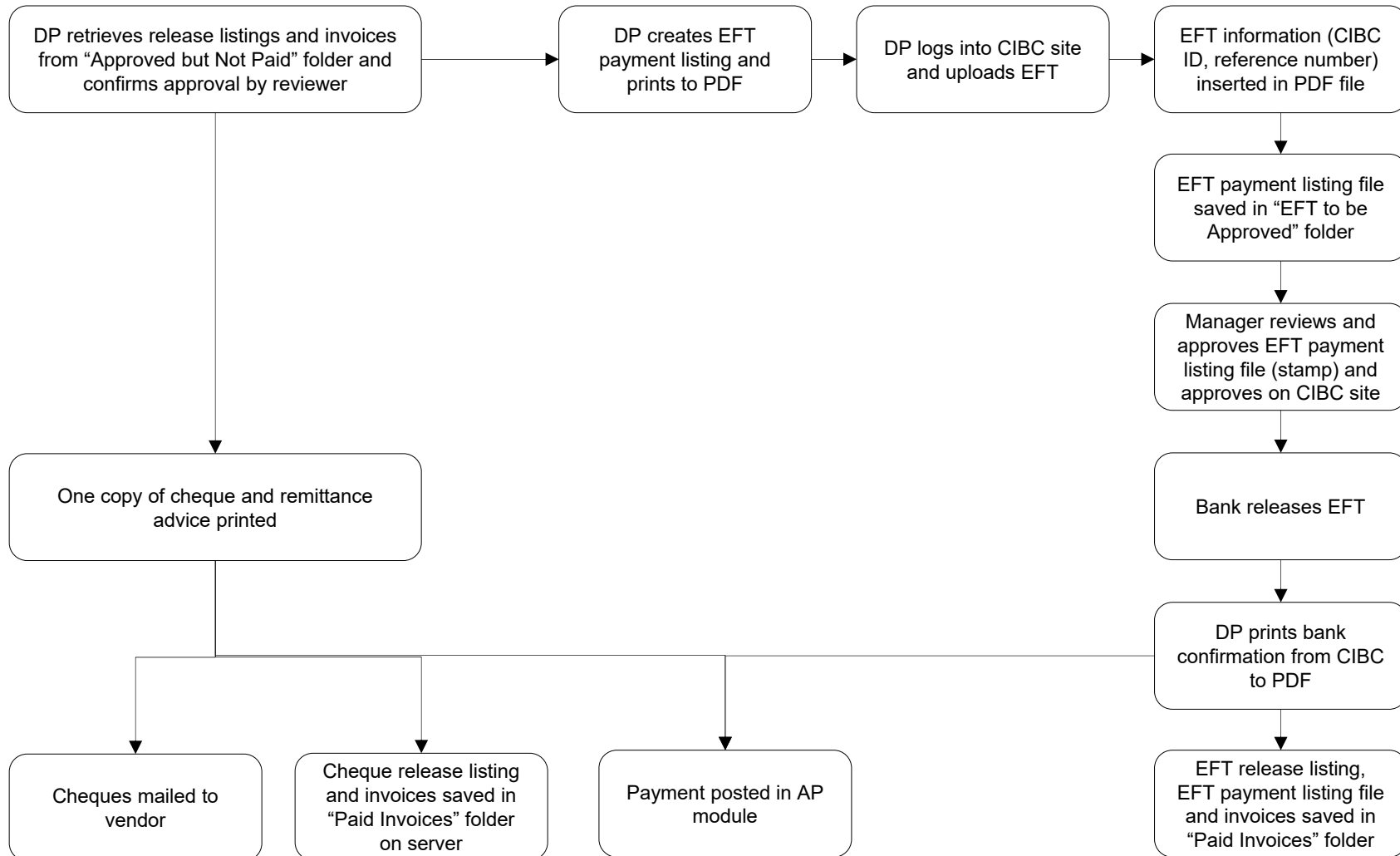
Accounts Payable Processing



Payment Processing (Part 1)



Payment Processing (Part 2)



Accounts Payable Retention Process

	To Be Posted Folder	Posted Not Paid Folder	Accounts Payable Batch Folder	Payments to be Approved Folder	Approved but not Paid Folder	EFT to be Approved Folder	Paid Invoices Folder
Contents	<ul style="list-style-type: none"> Sub-folders named batch # Invoices named vendor code and invoice numbers, and entered into AP but not posted 	<ul style="list-style-type: none"> Invoices posted into AP but not paid 	<ul style="list-style-type: none"> Accounts payable batch reports 	<ul style="list-style-type: none"> Invoices selected for payment 	<ul style="list-style-type: none"> Invoices approved for payment 	<ul style="list-style-type: none"> Invoices approved for payment by EFT 	<ul style="list-style-type: none"> Sub-folders named alphabet. Paid invoices (cheque and EFT) EFT reports Cheque reports
Approvals	<ul style="list-style-type: none"> PDF stamp indicating approval by Department Clerk and manager and date of stamp 	<ul style="list-style-type: none"> PDF stamp indicating approval by Data processing and date of stamp 	<ul style="list-style-type: none"> PDF stamp indicating approval by Data processing and date of stamp 	<ul style="list-style-type: none"> PDF stamp indicating approval by Data processing and date of stamp 	<ul style="list-style-type: none"> PDF stamp indicating approval by Manager and date of stamp 	<ul style="list-style-type: none"> PDF stamp indicating approval by Data processing and date of stamp 	<ul style="list-style-type: none"> PDF stamp by Manager and date of stamp
Individual moving files into the folder	<ul style="list-style-type: none"> Department clerks 	<ul style="list-style-type: none"> Data processing 	<ul style="list-style-type: none"> Data processing 	<ul style="list-style-type: none"> Data processing 	<ul style="list-style-type: none"> Manager 	<ul style="list-style-type: none"> Data processing 	<ul style="list-style-type: none"> Data processing



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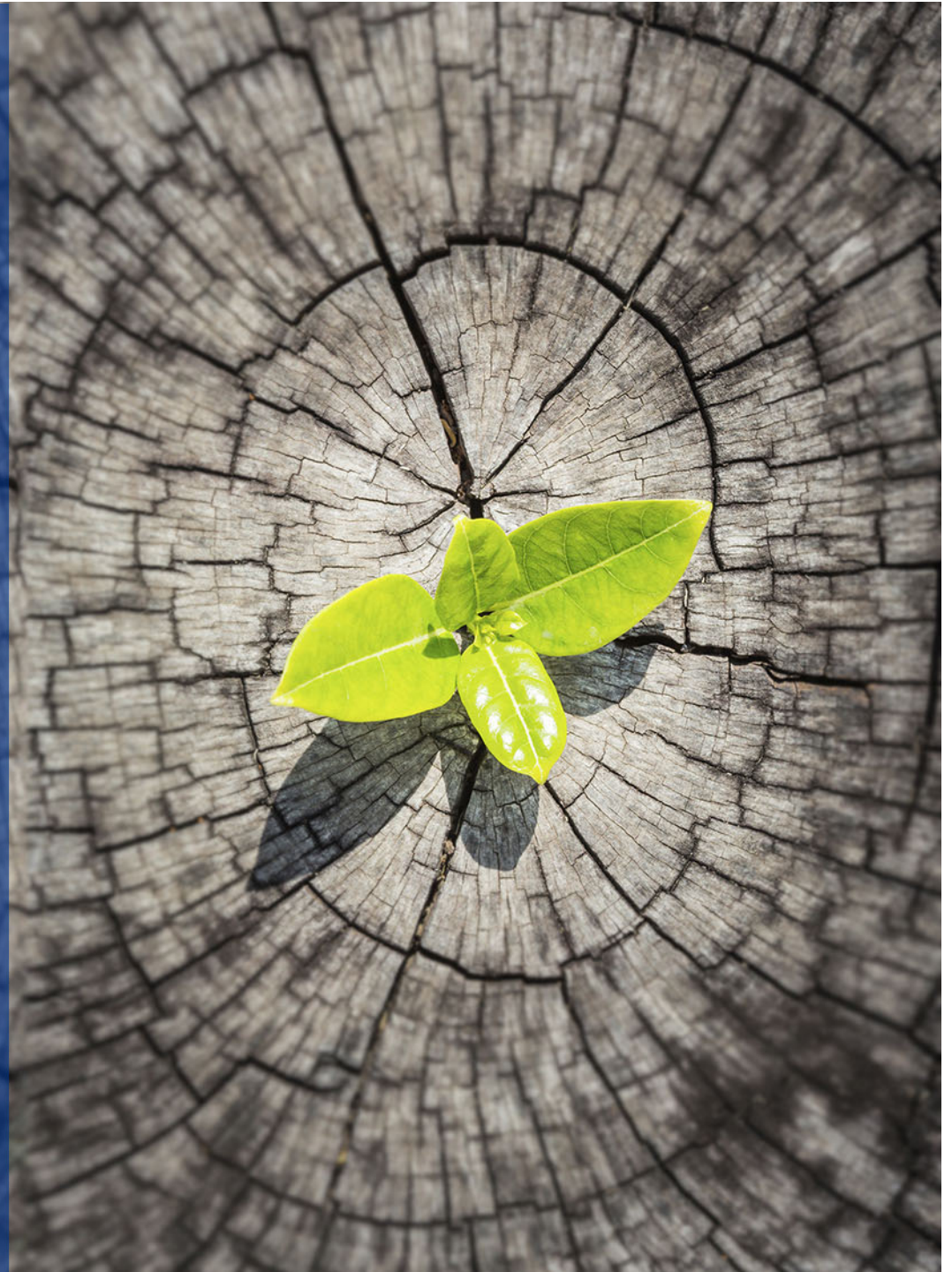
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County of Lambton
POA Administrative Processes

Implementation Action Plan



Original Review Findings

Finding	Suggested Course of Action	Current Status	Implementation Recommendation
<p>The County's POA processes involve a number of instances where staff are required to refer to the offence notice for necessary information. In addition, the County's filing process involves the movement of offence notices between different types of files/storage areas based on timing or status of the notices. The reliance on the original offence notices and the nature of the County's filing system requires staff to invest time in the filing, retrieval and movement of the offence notices, which in some cases requiring staff to move to another room to retrieve the document. This results in an inherent inefficiency while also potentially resulting the inadvertent loss or damage to the original offence notices.</p>	<p>The County may wish to consider adopting an electronic data management process that would involve the scanning of offence notices. Following scanning, POA personnel would refer to the electronic format of the offence notices, thereby eliminating the need to retrieve the notices throughout the POA process. After scanning, the original copy of the offence notice would be stored for future reference in connection with prosecutions and other matters that require the original paper copy of the offence notice as evidence.</p>	<p>Not commenced</p>	<p>While the County is currently proceeding with a digitization initiative that will result in the automation of work processes, implementation of this project is not expected in 2023. As an interim measure, we have suggested that the County consider the use of server folders to facilitate the digitization of POA processes. A suggested workflow for a digitized POA process is included with our report.</p>
<p>The County's current processes do not allow for telephone payments of Provincial offences, which represents a potential service limitation for clients, particularly those that do not reside in the County.</p>	<p>The County may wish to consider establishing an option for clients to pay Provincial offences by telephone (i.e. credit card payments).</p>	<p>Not commenced</p>	<p>Based on discussions with County representatives, we understand that the option to pay Provincial offenses online is available through a third party provider and that the demand for telephone payments is limited. As such, we have not suggested further work in relation to this opportunity.</p>

Original Review Findings

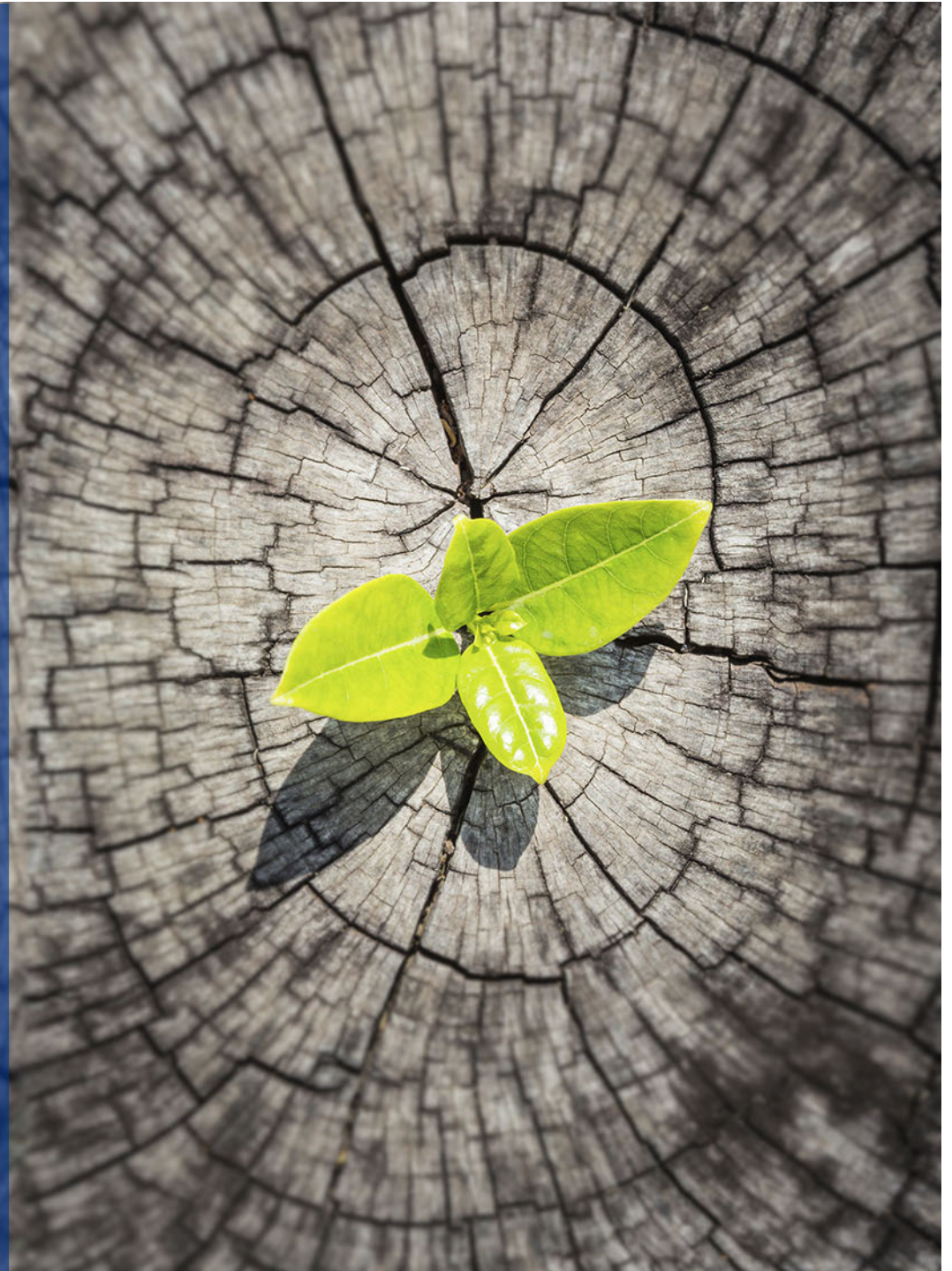
Finding	Suggested Course of Action	Current Status	Implementation Recommendation
<p>While cheque payments for Provincial offences are deposited electronically (online), County personnel are still required to attend at the financial institution to deposit cash payments. We understand that these individuals typically make the deposits on their own after business hours, which could represent a health and safety risk in the event of an attempted robbery.</p>	<p>The County may wish to consider the use of a contracted security firm for the transit and depositing of cash payments.</p>	<p>Not commenced</p>	<p>We continue to recommend that the County utilize a third party security firm for the transport of bank deposits.</p>
<p>The County currently accumulates information relating to payments received from the ICON system onto an Excel spreadsheet, which is then reconciled to deposit information reported in the County's financial accounting system. Given that the ICON system uploads data relating to payments received into the County's financial accounting system, the value of this reconciliation process is limited as it involves the reconciliation of ICON data listed in the Excel spreadsheet to the same ICON data uploaded to the County's financial accounting system.</p>	<p>The County may wish to consider the discontinuance of this reconciliation given its limited value.</p>	<p>Not commenced</p>	<p>The attached process maps reflect the elimination of this reconciliation.</p>



County of Lambton
POA Administrative Processes

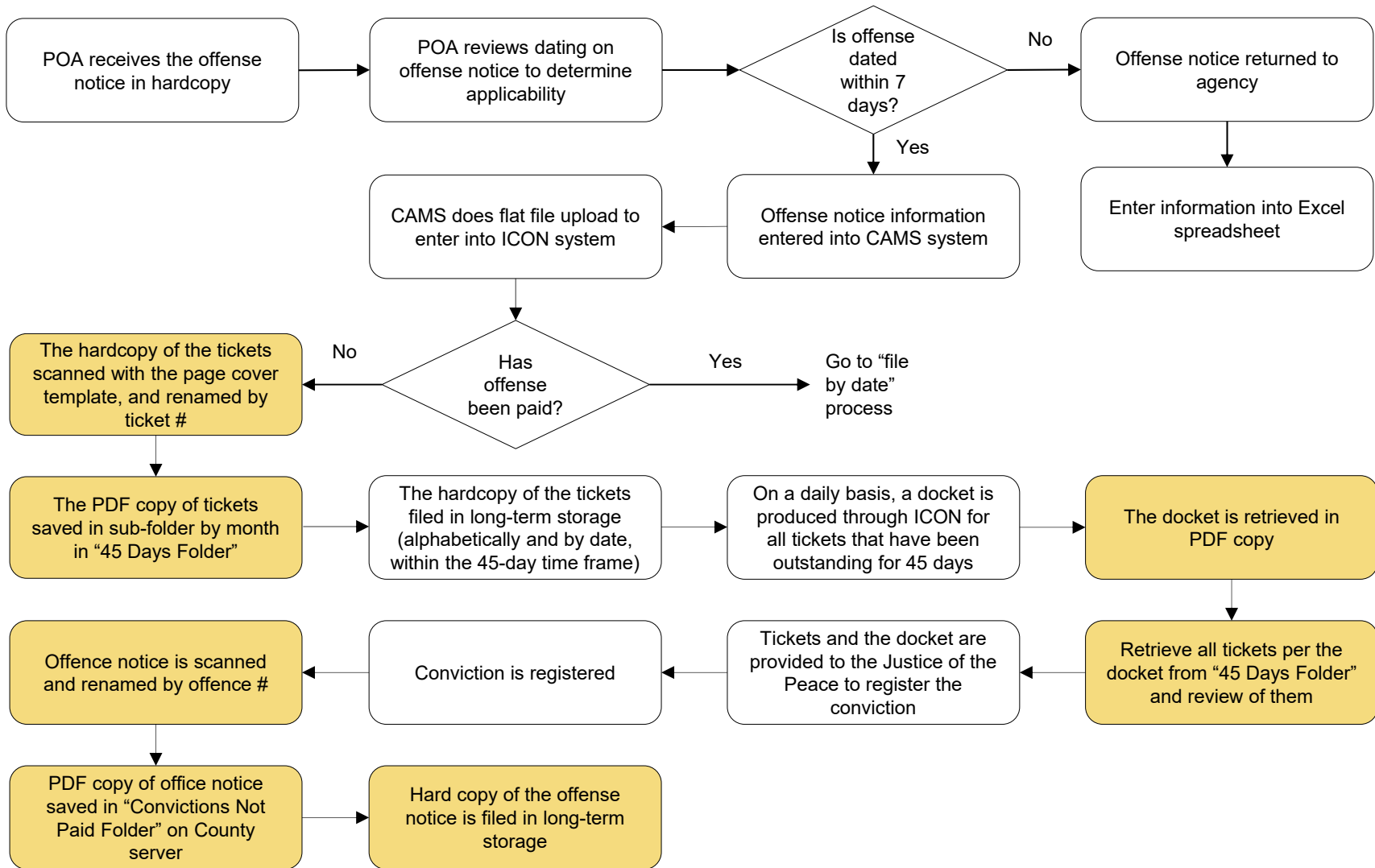
Future State Process Maps

October 25, 2022

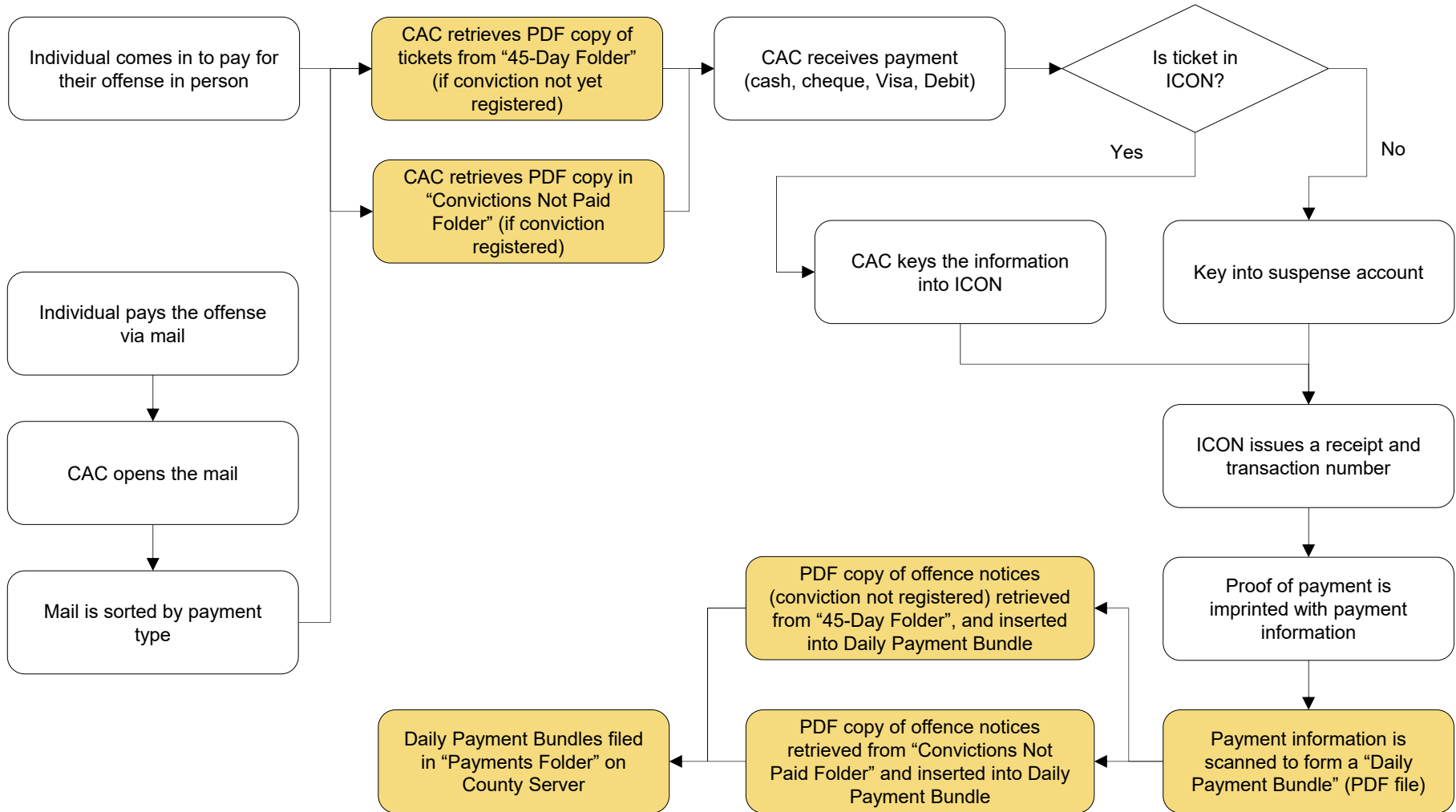


Provincial Offense Initiation

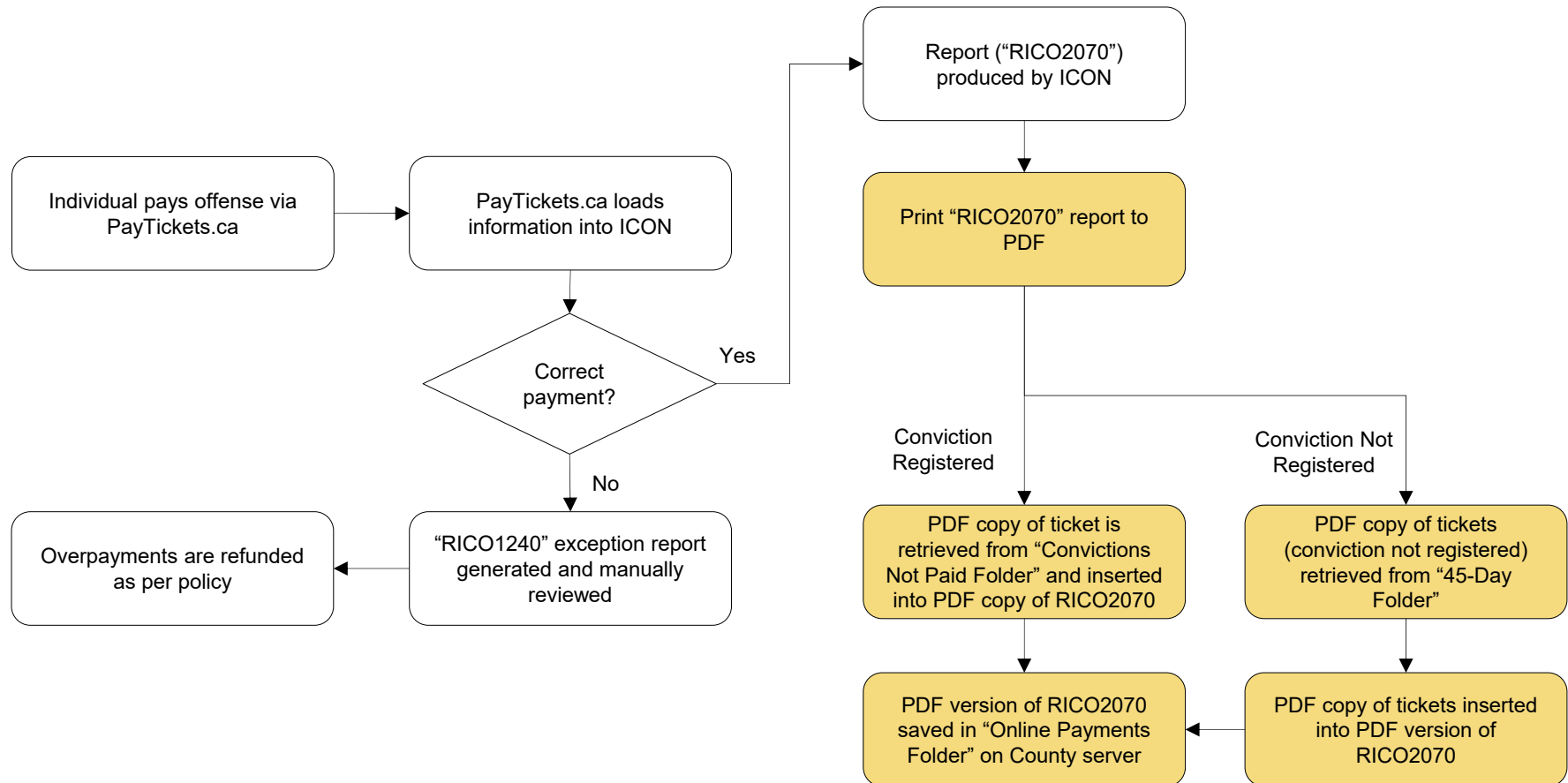
Revised Process



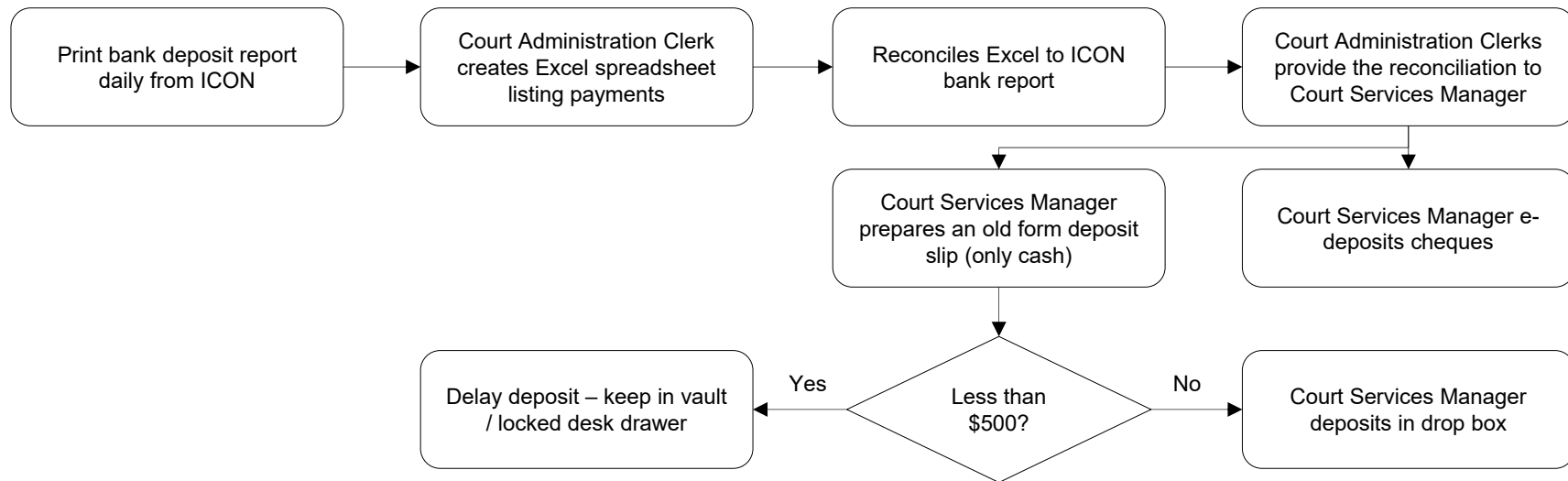
Payment Processing (In Person and By Mail)



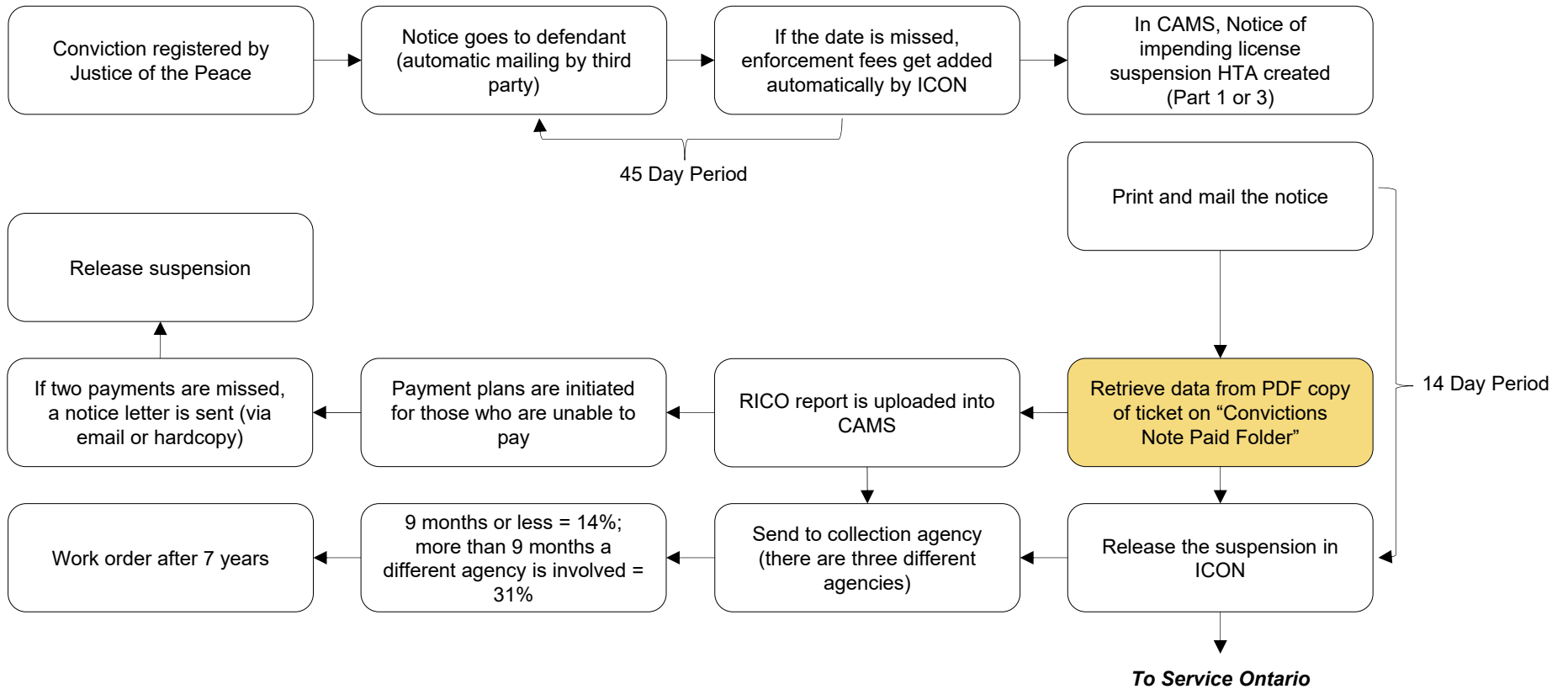
Payment Processing (Online)



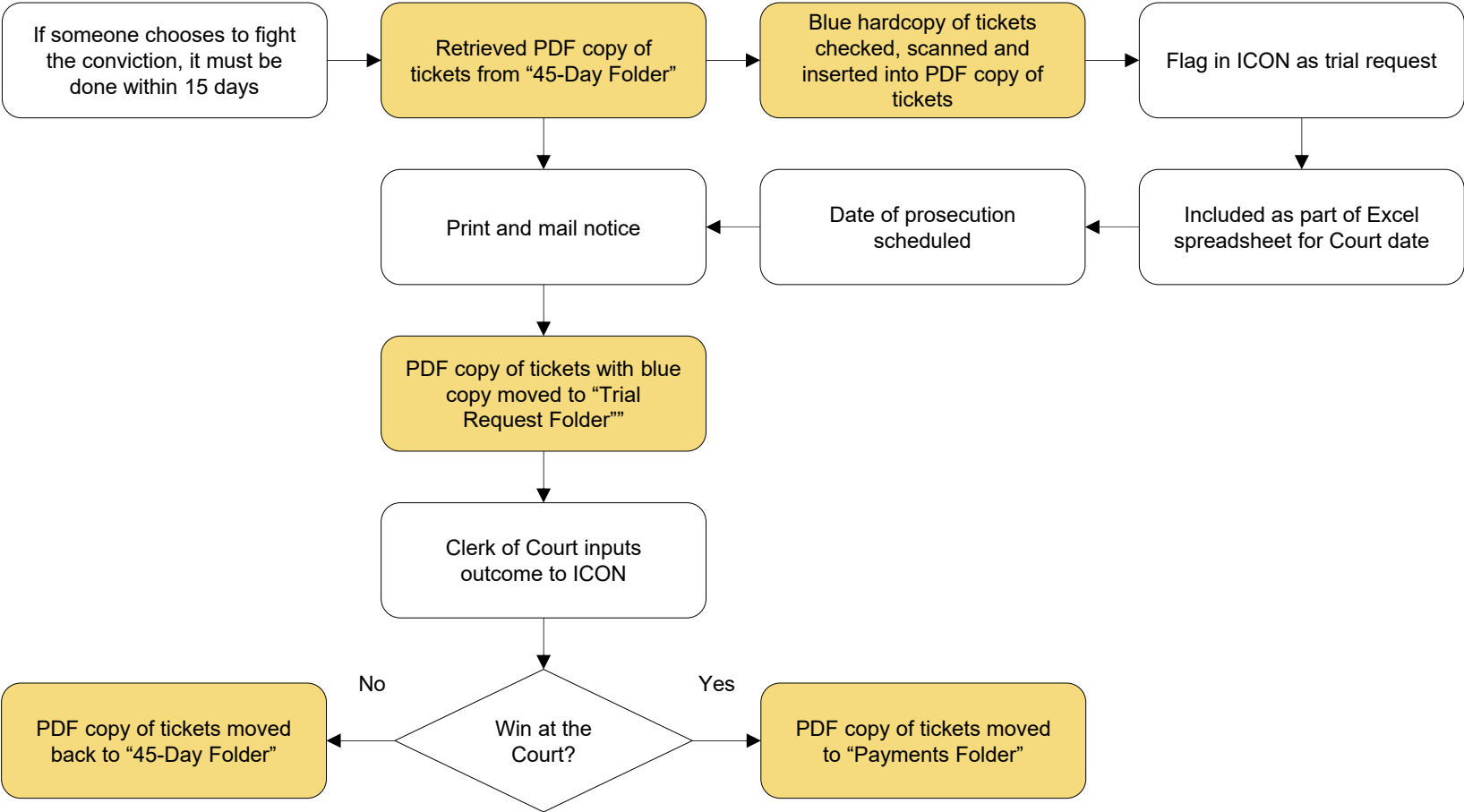
Deposits



Tickets Registered for Conviction



Tickets Registered for Conviction (Continued)

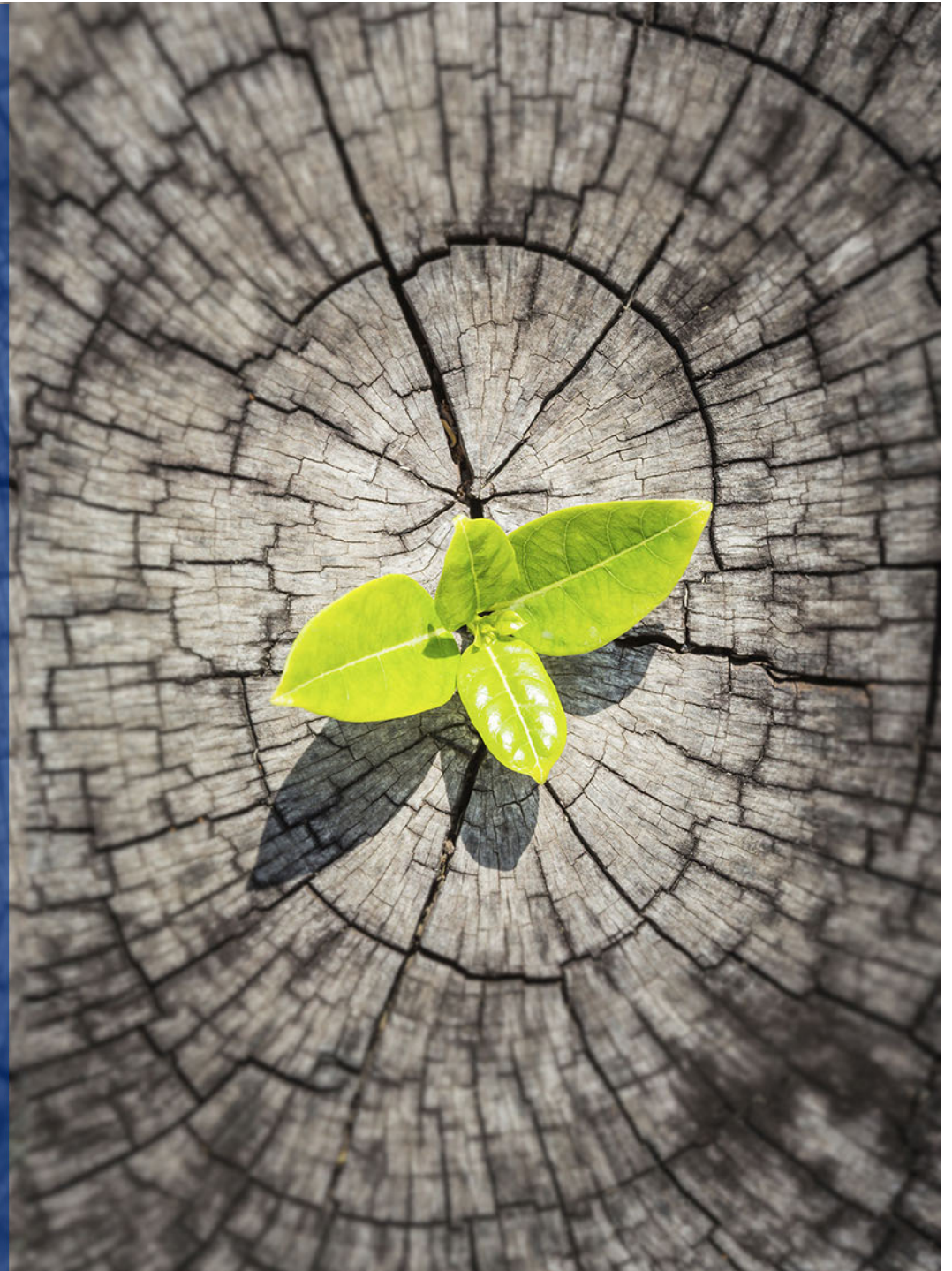




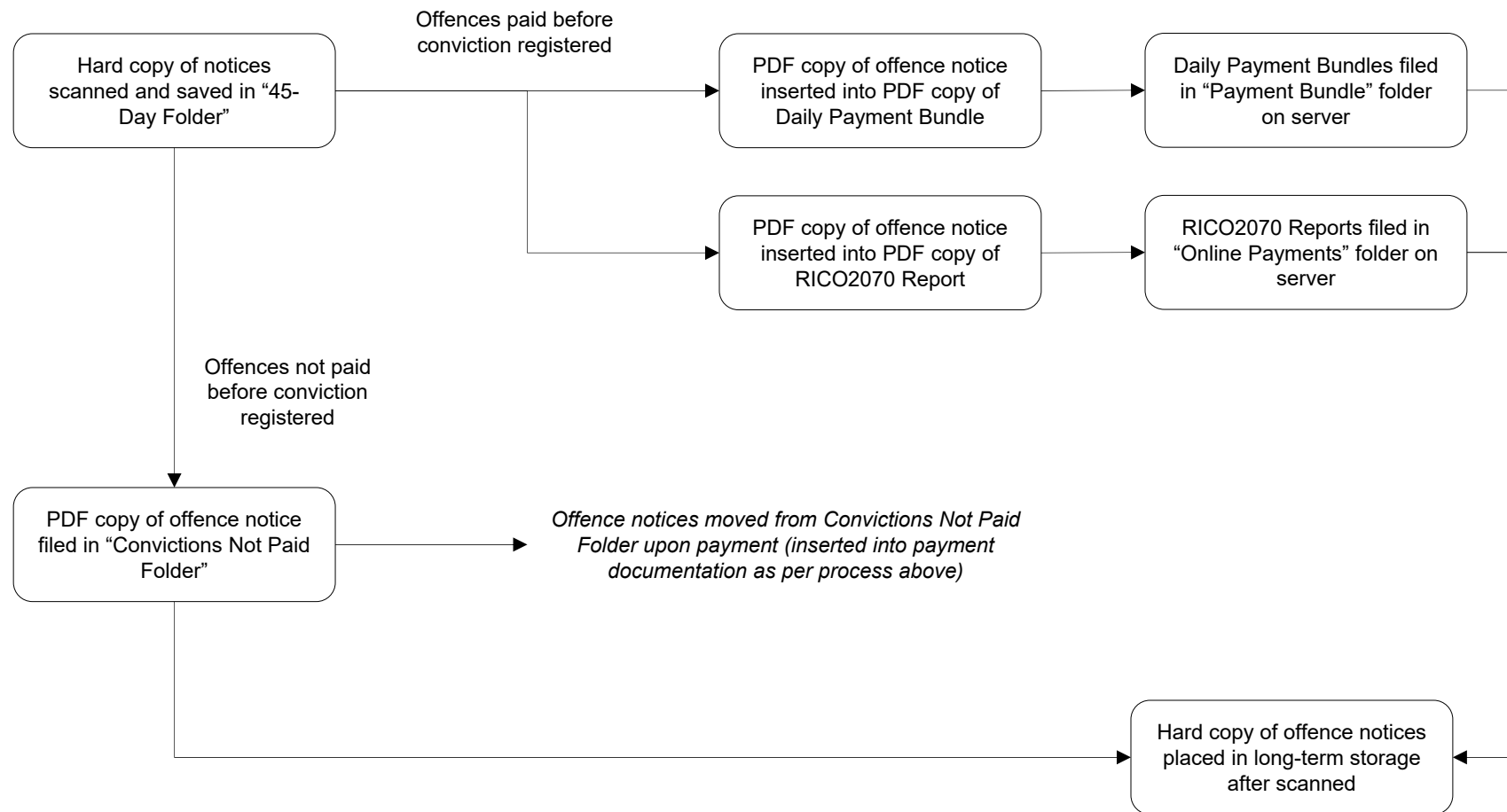
County of Lambton
POA Administrative Processes

Document Retention Structure

October 25, 2022



Offence Notice Retention Process





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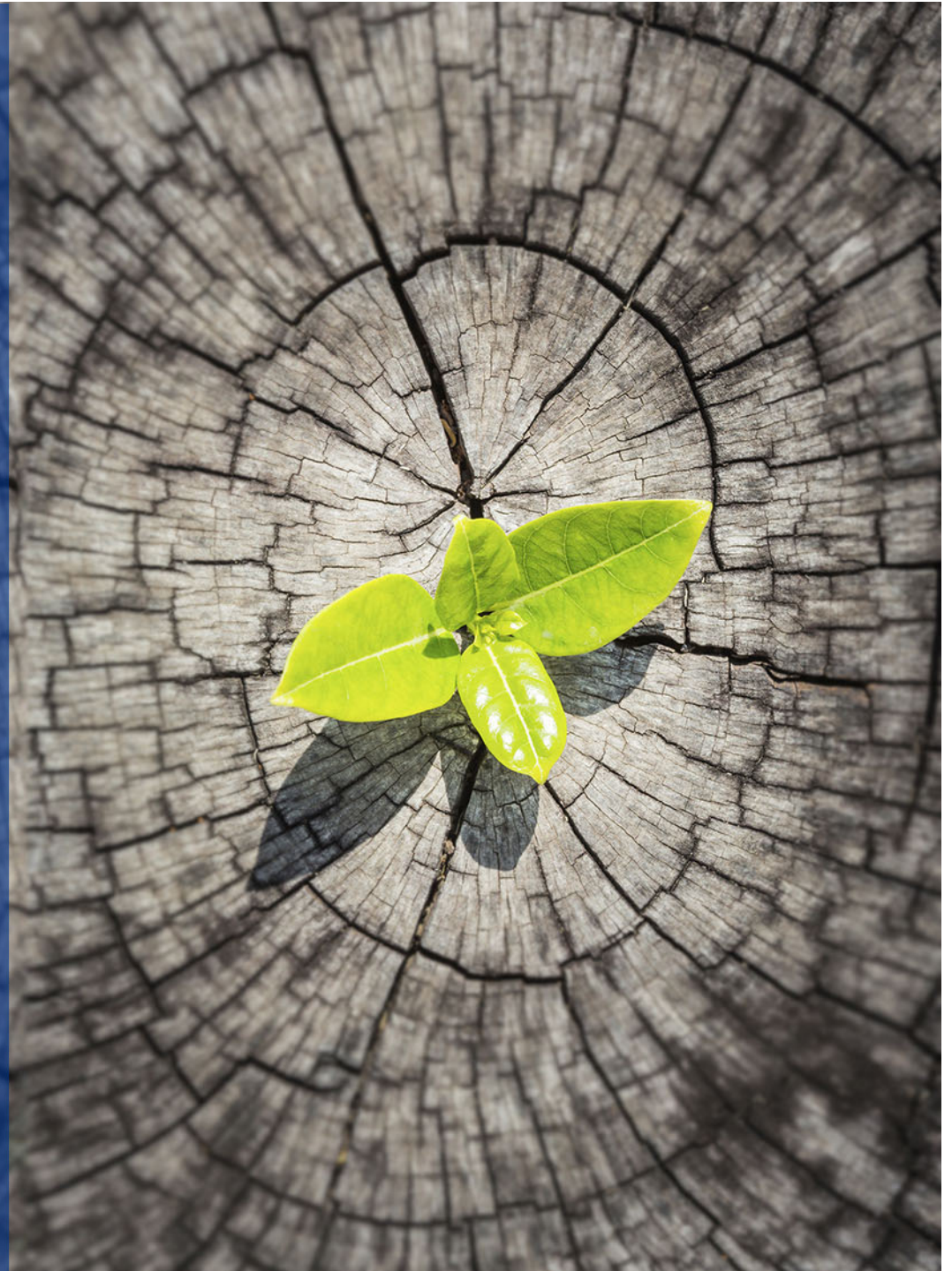
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County of Lambton
Journal Entry Processing

Implementation Action Plan



Review Findings

Finding	Suggested Course of Action	Current Status	Implementation Recommendation
<p>The County's journal entry processes are heavily reliant on hard copy documentation and manual work processes, with an increased level of work required to prepare, approve and retrieve journal entries.</p>	<p>The County may wish to consider digitizing its processes for journal entry, including (1) using electronic document formats as opposed to hard copy; and (2) using electronic approvals as opposed to manual work processes.</p>	<p>Not commenced</p>	<p>While the County is currently proceeding with a digitization initiative that will result in the automation of work processes, implementation of this project is not expected in 2023. As an interim measure, we have suggested that the County consider the use of server folders to facilitate the digitization of its processes for the preparation, approval and retrieval of journal entries. A suggested workflow for a digitized journal entry process is included with our report.</p>
<p>The County currently does not have an established threshold for journal entries. As such, staff are required to utilize existing processes for relatively low journal entries. As noted on the following page, approximately 75% of the County's journal entries amount for 3% of the value of journal entries posted, with 16% of the County's journal entries having a value of \$100 or less.</p>	<p>The County may wish to consider establishing a minimum threshold for journal entries, whereby the frequency of posting reconciling items for certain accounts (i.e. accounts not involving the County's bank accounts) are deferred until the amount of the required journal entries reaches the threshold. To the extent that the required reconciling journal entries falls below this threshold, the County may wish to consider not posting the required journal entries as part of its year-end reconciliation processes.</p>	<p>Not commenced</p>	<p>The suggested process maps incorporate a minimum threshold for journal entries that can potentially be considered by the County in connection with this recommended course of action.</p>

Journal Entry Analysis

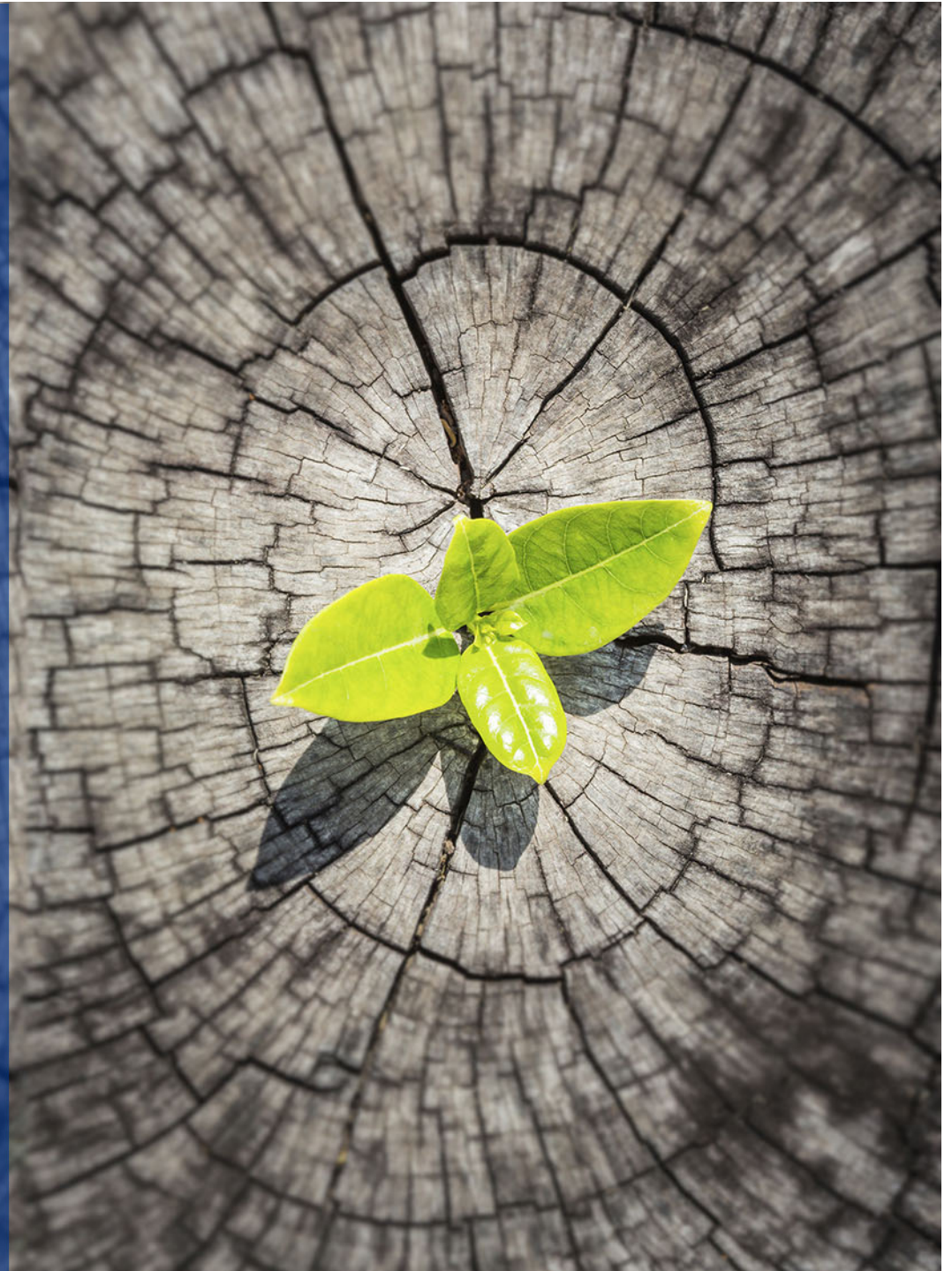
Dollar Value of Journal Entries	Number of Journal Entries	Percentage of Total Journal Entries	Value of Journal Entries	Percentage of Total Value
Less than \$10.00	57	2.9%	\$207.67	0.00%
\$10.00 to \$99.99	256	13.1%	\$10,392.18	0.00%
\$100.00 to \$999.99	301	15.4%	137,443.76	0.02%
\$1,000.00 to \$4,999.99	320	16.4%	\$708,659.80	0.12%
\$5,000.00 to \$9,999.99	140	7.2%	\$996,792.89	0.17%
\$10,000.00 to \$49,999.99	278	14.2%	\$7,407,477.24	1.24%
\$50,000.00 to \$99,999.99	119	6.1%	\$8,471,677.53	1.42%
\$100,000.00 to \$499,999.99	258	13.2%	\$64,998,215.55	10.92%
\$500,000.00 to \$999,999.99	71	3.6%	\$43,722,024.79	7.35%
Greater than \$1,000,000	152	7.8%	\$468,678,267.29	78.75%
Total	1,952	100.0%	\$595,131,158.70	100.00%



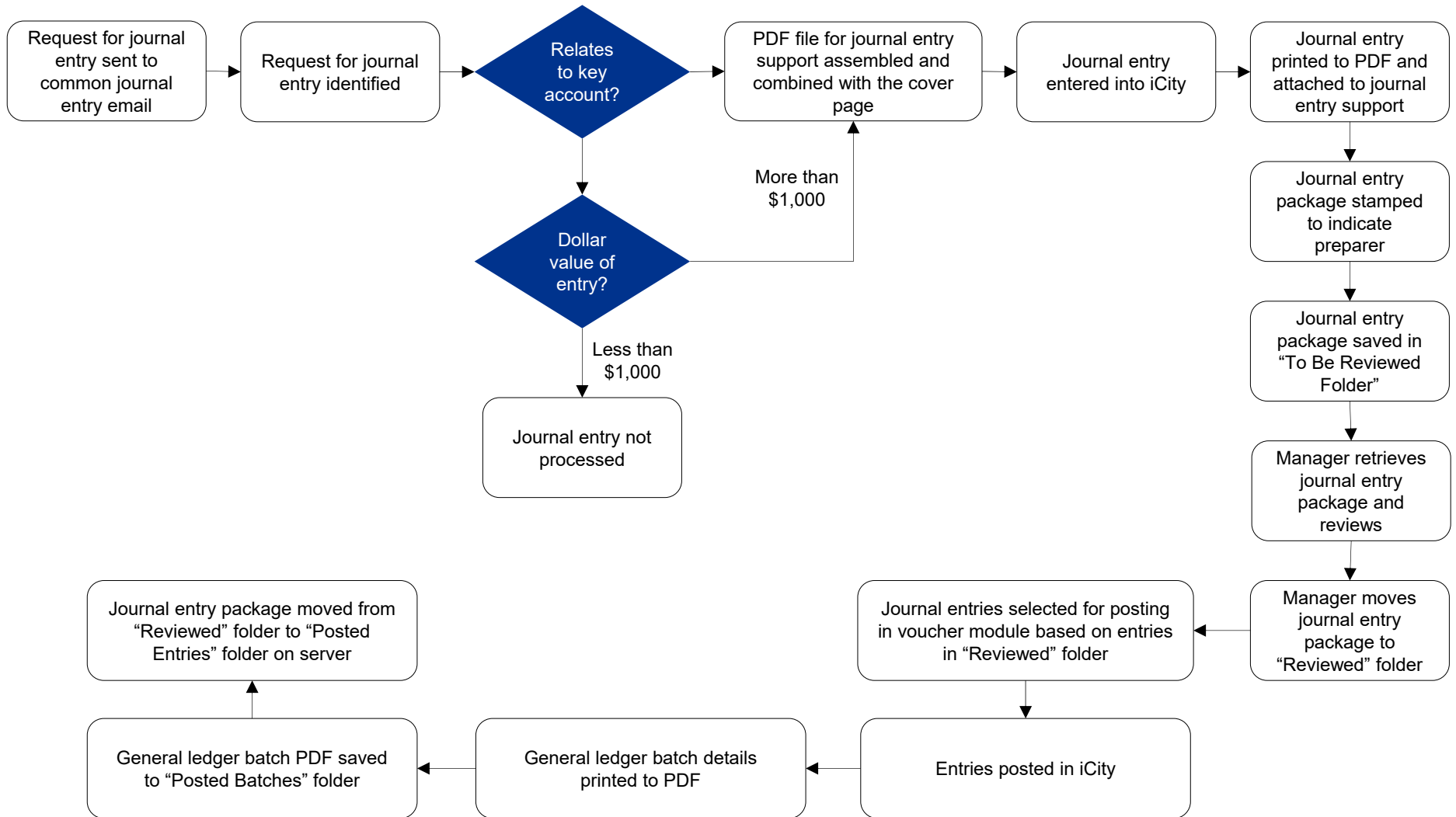
County of Lambton
Journal Entry Processing

Future State Process Maps

October 25, 2022



Journal Entry Processing



Journal Entry Retention Process

	To Be Reviewed Folder	Reviewed Folder	Posted Batches Folder	Posted Entries Folder
Contents	<ul style="list-style-type: none"> Journal entry packages (journal entry and supporting documentation) prepared by not reviewed or posted 	<ul style="list-style-type: none"> Journal entry packages reviewed by management and ready for posting 	<ul style="list-style-type: none"> Journal entry batch listings of posted journal entries 	<ul style="list-style-type: none"> Sub-folders named number of month and year Journal entry packages reviewed and posted
Approvals	<ul style="list-style-type: none"> PDF stamp indicating preparer and date of stamp 	<ul style="list-style-type: none"> PDF stamp indicated reviewer 	<ul style="list-style-type: none"> PDF stamp indicating individual posting entry 	<ul style="list-style-type: none"> PDF stamp indicating individual posting entry
Individual moving files into the folder	<ul style="list-style-type: none"> Individual preparing entry 	<ul style="list-style-type: none"> Individual reviewing entry 	<ul style="list-style-type: none"> Individual posting entry 	<ul style="list-style-type: none"> Individual posting entry



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