



# TOWNSHIP OF NORTH HURON

# REPORT

Item No.

**REPORT TO:** Reeve Vincent and Members of Council  
**PREPARED BY:** Sharon Chambers, CAO  
Donna White, Director of Finance  
David Sparling, Director of Fire and Emergency Services  
**DATE:** 15/02/2017  
**SUBJECT:** Emergency Services Training Centre – Operational Review  
**ATTACHMENTS:** KPMG - Operational and Financial Review

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## **RECOMMENDATION:**

THAT the Council of the Township of North Huron hereby accepts the staff report concerning the KPMG Operational and Financial Review for the Emergency Services Training Centre for information purposes.

## **EXECUTIVE SUMMARY**

In 2015, the Township of North Huron submitted a funding proposal to the Huron County Economic Development Board to obtain funding toward various initiatives at the Emergency Services Training Centre. After a review of the proposal, the Board responded that they were unable to support the funding request, due to the lack of adequate business planning for the facility. The Board recommended that the Township prepare a business plan before resubmitting the funding application. Chief Sparling presented a report to Council on March 9<sup>th</sup>, 2016 recommending that KPMG be contracted to provide business planning services for the ESTC.

As outlined in the KPMG report, the specific objectives included:

- Understanding the current operations of the ESTC to determine whether the ESTC is providing the desired level of service as efficiently and effectively as possible and to identify ways to enhance the efficiency and effectiveness of the ESTC's future operations
- Review the ESTC's budgets, historical business plan and financial performance, in order to comment on possible operational models for future performance
- Determine whether there are any programs or services the ESTC should no longer provide
- Pull together all of the work completed and develop a final report with comments for the future operation of the ESTC.

The report outlines an overall strategy which is composed of two major considerations:

- Determining the future of the ESTC as a training service provider with the following scenarios:
  - Focus on Existing and Maintainable Clients
  - Continue to Operate the ESTC on a Status Quo Basis
  - Hiring a General Manager to Pursue New Clients
- Determining a use for the building's excess space

In addition, the report recommends the establishment of an independent governance model in the form of a Board with various stakeholders as members.

## **DISCUSSION**

### **Comments of the Director Finance:**

The report provides Council and Staff with a summary of the operating and financial activities since the opening of the facility. This report will be used as a resource document to determine the future of Centre. I would recommend that a sub-committee be established to evaluate the options and key challenges outlined in the report once the Fire Chief position has been filled.

As outlined in the report, the Centre opened in 2011 and has operated at a deficit since that time and has incurred a cumulative operating deficit of \$301,400. The building was built on the basis that it would not be an added cost to the taxpayers and therefore, in allowing the Centre the opportunity to get established, the budget was compiled reflecting a “break-even” position with the exception of 2015 where the budget reflected a more realistic operating deficit of approximately \$98,000 which was raised through the tax levy. The actual deficit in 2015 was \$75,600 and therefore the cumulative deficit was reduced to \$214,793.00.

The bulk of the operating deficit is comprised of the building operating costs and the annual debt payments. The Township and the taxpayers remain responsible for these costs regardless of how the costs are distributed throughout the budget.

The building was built as an Emergency Training Centre and constructed to accommodate the potential future use of the Blyth Fire Station. The Fire Chief (J. Black) at that time established an operating allocation of building and debt expenses at a 55/45 split based on projected usage of the building with ESTC Centre responsible for 55% and the Fire Department responsible for 45% through the tax levy. The partners involved through agreements receiving fire services from North Huron do not pay towards the debt charges, but do pay towards the annual building operating costs (heat/hydro etc).

It was necessary to borrow \$1.2 million dollars to finance the project construction for a 20 year term at 3.71% which matures on April 16, 2032. The annual payment principle and interest payment is \$85,518.14 (ESTC @ 55% - \$47,034.98 and Fire Dept @ 45% - \$38,483.16)

One of the issues related to the operations of the ESTC is that variations in skill sets and pay ranges are required to manage and deliver the services.

### **Comments of the Director of Fire and Emergency Services:**

4 key takeaways from the KPMG report:

- 1) The ESTC cannot afford to pay, nor was there ever a business plan how the ESTC could pay, \$75,000-85,000 per year for the use of the building. The report recommends \$12,000 per year. When the ESTC cost for using the new building is adjusted, the ESTC is actually profitable. The question is, who picks up the difference.
- 2) The Director or Fire & Emergency Services cannot adequately serve as principal of the ESTC and Fire Chief.
- 3) Rather than report directly to council the ESTC should report to a board of directors.
- 4) The new ESTC building is larger than the Fire Department and ESTC require. Alternative uses for the vacant space should be sought.

In light of the selection process being underway for a new Director of Fire and Emergency Services and 2017 budget deliberations about to begin, items 1) and 2) should be addressed by council promptly.

Items 3 & 4 could be reviewed by a sub-committee if council so desires.

**Comments of the CAO:**

The KPMG Operational and Financial Review has provided a basic analysis of the current state of the ESTC, as well as outlining three proposed options for a future operating model for the ESTC.

Following receipt of the draft report, the CAO, Director of Finance and Director of Fire and Emergency Services met to discuss the recommendations within the report and to determine next steps. It was acknowledged that, although the report does not provide a detailed business plan as requested by the Huron County Economic Development Board, it is not possible to develop a detailed business plan until Council chooses which operating model they wish to pursue. Likewise, it would not be possible for Council to determine which operating model is viable, without additional analysis of each of the proposed options. That being said, this is the first document that Council has received to summarize the challenges that the ESTC faces with respect to long term sustainability, and as such, it is a valuable jumping off point for future discussions around the future operating model for the ESTC. Before presenting the report to Council, it was determined that some additional investigation would be undertaken in the hope that staff could formulate a recommendation which could be presented in conjunction with the KPMG report to assist council in their decision toward a preferred option.

A key point outlined in the report relates to the allocation of 55% of building costs to the ESTC. The ESTC programming accumulated a deficit of approximately \$88,000 from 2012 to 2015, where the building itself has incurred a deficit of approximately \$222,000 over the same period. The report also notes that the ESTC programs do not actually require 55% of the building space in order to operate. In order to determine whether ESTC programming is viable, it is recommended that the 55% allocation be reassessed to “right size” the building costs to only that which is required to run the program. The Township would then be required to find alternate ways to fill the space, preferably with a revenue source that could offset the annual deficit. This scenario exists regardless of the operating model chosen.

Following is a summary of activities undertaken by the CAO since the initial staff review of the document;

- Arranged a meeting with the Huron County Director of Economic Development Ron Gaudet and Huron County Economic Development Officer Andrew Kemp, Director of Finance and Director of Fire and Emergency Services to review the report and discuss County requirements for re-submission to the Economic Development Board. Both encouraged staff to continue to investigate the options within the report, and confirmed that the KPMG report should not be submitted to the Economic Development Board for a funding request until a more detailed business plan is prepared.

- Held discussions with the Director of Recreation and Facilities concerning possible integration of the facility with the new online registration and payment software, and possible support from that department for same.
- Spoke to Office of the Fire Marshall regarding current challenges facing ESTC and to obtain feedback. Concurred with report findings with respect to market saturation for training centres.
- Pursued an opportunity for rental of classroom space, with a potential use of two days per week, with follow up delegated to the Economic Development Officer.
- Met with Public Works Director concerning possible relation of Public Works Operations to the space, allowing for the redevelopment of the properties housing the existing public works facilities and former Fire Hall within Blyth.
- Met with new Acting Director of Economic Development Andrew Kemp regarding former public works/fire hall facilities in Blyth and possibility for obtaining funding as brownfield redevelopment opportunity. Followed up with Planning Department and NH EDO.
- In discussion with another Huron County municipality to partner on a program that has a training component, and may require classroom space.
- Currently considering administration and technical/software support for the facility as part of an administration review, following the abandonment of the administration portion of the shared services project.
- Will pursue potential to host PSHSA training courses for Health and Safety as part of County-wide Health and Safety review, if that project proceeds.

In light of the resignation of the Director of Fire and Emergency Services, it is recommended that a decision on the future operating model for the ESTC be withheld until that position has been filled. In discussion with Phil Eagleson, Saugeen Shores Fire Chief hired to assist with recruitment, the ESTC may be desirable for potential Fire Chief candidates with a strong training background. I concur with the recommendation of the Director of Finance that a committee be struck to investigate the potential opportunities listed in the KPMG report and proposed operating models, with the goal of providing an informed recommendation to Council. The new Director of Fire and Emergency Services will be a key member of this committee.

As Council is aware, the decision pertaining to the future of the ESTC will not be an easy one. Chief Black and Chief Sparling, members of FDNH and the community of Blyth, and Council on behalf of the Township have all invested significant effort toward making the ESTC a success. The ESTC is an asset to the community of Blyth and North Huron, as it does bring many people to Blyth each year. Unfortunately, there is a considerable list of key challenges that must be overcome to achieve financial sustainability. As the KPMG report illustrates, staff has invested countless hours pursuing opportunities that have not come to fruition for reasons that are beyond our control. Council will have to weigh the limited growth and revenue potential associated with the more conservative scenarios (Scenarios 1 & 2) against the potential risk to increase the annual deficit that could result from moving toward a more aggressive growth model. (Scenario 3)

### **FINANCIAL IMPACT**

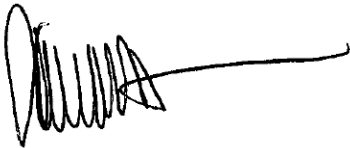
The 2017 Draft budget includes a projected deficit of \$42,296.00 along with the proposed purchase of a generator at \$35,000.00 for a total of \$77,296.00. A Council decision is required to address the accumulated deficit of \$214,793.00 which will increase by the 2016 projected deficit of \$65,000.00.

### **FUTURE CONSIDERATIONS**

It is recommended that a Sub-Committee be formed to evaluate and further investigate the options outlined in the KPMG report once the Fire Chief position has been filled.

### **RELATIONSHIP TO STRATEGIC PLAN**

GOAL # 4 - Our administration is fiscally responsible and strives for operational excellence.



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David Sparling, Director of Fire and  
Emergency Services



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Donna White, Director of Finance



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Sharon Chambers, CAO