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SHARED SERVICE ARRANGEMENTS:

DETERMINANTS OF SUCCESS

A Study of Economic Development and Recreation and Culture
Shared Service Arrangements Among Municipalities
of the Alberta Capital Region

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Executive Summary

Shared service arrangements create opportunities for local governments to provide improved services, reduce costs, or, in many cases, both. Such arrangements also often enable local governments to better see and act on regional challenges and opportunities through shared decision making and service delivery structures. The remarkable advantage of shared services is that they allow local governments to retain the best of both worlds: continued independence and self-determination on the local matters combined concomitantly with cost and co-ordination advantages on the issues that transcend municipal boundaries.

The Alberta Capital Region Alliance and the University of Alberta conducted a study of shared service provision in the Capital Region in 2002 and 2003. Its purpose was to identify the extent and nature of certain shared services in the region and to discover factors that determine the success of shared service arrangements. Two functional areas of municipal service were the focus of the research: economic development; and recreation and culture.

As a preliminary step to empirical research, researchers reviewed the existing literature, both academic and *grey literature*, to see what could be learned about the determinants of shared service arrangement success. Very little literature was found that identifies such determinants within an inter-municipal setting, although the wider literature addressing co-operation and collaboration does provide useful insight and guidance. The empirical research focuses on the prevalence and types of recreation and culture, and economic development shared services agreements in the Alberta Capital Region. Empirical research also evaluates the success of those arrangements and the factors that contribute to their success.

The empirical research of this study is novel given the paucity of formal inquiry into municipal shared service production. Beyond this, the research should be useful in stimulating an informed discussion on the nature of shared service arrangements in the Alberta Capital Region and on ways that the information gathered might be used to improve shared services.

Major Findings

There are numerous recreational and economic development shared service arrangements in the Alberta Capital Region. The number of agreements speaks to the resourcefulness of municipal governments in their efforts to meet citizen needs through the creation of a web of services that stretches across municipal boundaries. Those who administer the arrangements overwhelmingly judge them successful. The arrangements meet or surpass expectations in meeting goals, providing value for money and being fairly constructed and operated. Citizens are reportedly happy with the arrangements as well.

Most recreation and culture arrangements are forged between rural and small urban municipalities and tend to be “principal-agent” contracts involving

the provision of services through facilities located in urban centres but serving both the urban and the neighbouring rural residents. Nonetheless, there are several multi-municipal arrangements, and several of these are true collaborations involving shared investments and risks. Multi-municipal collaborations tend to be associated with financially ambitious and larger-scale recreation and culture shared service arrangements. Economic development shared service arrangements are predominantly multi-party compacts. These draw larger authorities into the mix while diminishing the participation of the smallest authorities. Thus, the functional focus of shared service arrangements has some bearing on which authorities participate and on the character of the shared service arrangement.

The largest municipalities are selectively involved in shared service arrangements in the functional areas studied. Edmonton, representing 71 percent of the region's population, participates in only one recreation and culture shared service arrangement. The same is the case with Strathcona County. St. Albert participates in none. These larger authorities, however, do participate more actively in economic development collaborations. Edmonton is involved in no sub-regional or bilateral arrangement in the areas researched. The larger jurisdictions probably see themselves as benefiting from regional development efforts (more so than the smaller municipalities) while the smaller communities find greater advantages from sharing recreational facilities (advantages which the large communities are large enough to internalise).

Capital region-wide shared service arrangements are fairly rare. In the recreation area only the River Valley Alliance qualifies as pan-regional. Project Germany, Metro Edmonton Economic Development Team (MEEDT) and (arguably) ACRA are pan-regional economic development collaborations. By contrast, there are numerous sub-regional arrangements in both the recreation and culture and economic development areas. Sub-regional collaborative initiatives can be complex and are often unique in character. This pattern suggests that a variety of approaches exist and that some might serve as models for sub-regional efforts elsewhere in the region. Although the domains of the sub-regions to the west and south are generally defined within county boundaries, the situation is more complex in the north and east. However, even in the west and south, there are shared service arrangements that span the nominal sub-region boundaries.

Formally constituted agreements greatly outnumber informal arrangements. Many shared service arrangements appear to be recently established, and they appear to be robust insofar as almost all have been renewed. Few agreements are nullified or let lapse.

Municipal motivations for participating in shared service arrangements are overwhelmingly utilitarian. Municipalities predominantly enter arrangements to economise or to introduce new services that they would not otherwise feel able to provide through the sole use of their resources. These gains are achieved through realising economies of scale (lower costs through facilities capable of larger outputs) and, perhaps, economies of scope (economies achieved by providing a greater range of services).

Other motivations also foster collaboration. Collaborations exist to address policy issues that transcend municipal boundaries. For example, ACRA and the River Valley Alliance exist largely as policy forums to address region-wide policy opportunities and problems. Participation in MEEDT appears to be similarly motivated although operational co-ordination issues are on the agenda. Municipalities also enter agreements with the hope that small successes will lead to further and larger collaborations.

Municipalities that engage in shared service arrangements in one service area may not do so in another. This undoubtedly owes to the utilitarian nature of shared service arrangements. However, it also points to the fact that there are disincentives, as well as incentives, that bear on decisions to share services. In many instances, municipal officials and citizens will find no advantages to inter-municipal shared service production or to collaborative policy making. Concerns over blurred lines of accountability or over the apportionment of equity shares accompany almost any truly collaborative venture. These concerns can discourage municipal willingness to participate in shared service arrangements. Collaborations also require considerable investment of administrative and other organisational resources. Much of this investment must be made at the outset when the prospects of success are often not clear; therefore, collaboration frequently involves risk-taking that may be at a level that is judged by some municipalities to exceed prudent political practice. Beyond all this, municipalities may be prepared to shoulder inefficiencies and higher costs to retain control of their services and policy options. It is a question of preferences and priorities.

Although the significant majority of the shared service arrangements appear to be working well, some experience challenges. The root difficulties are well rehearsed in the academic literature. Collaborative arrangements reduce “free rider” problems but free rider problems can remain even when shared service arrangements are operating. The difficulty in the Capital Region is usually associated with not being able to develop an expansive enough “catchment” to capture free riders or to establish an entirely equitable financial share arrangement. Accounting and accountability problems are also evidenced but these are apparently not greatly problematic.

The research identified a number of factors that are associated with successful shared service arrangements. Statistical analysis reveals a close association among respondent-ascribed success, and:

- concretely defined goals,
- positive value for money returns, and
- partner perceptions partner perceptions of fairness of agreement terms.
- Success is also significantly associated in bivariate analysis with:
- the writing of formal agreements,
- close integration of partners,
- partners possessing an adequate measure of control (and an equitable balance of control being held by each partner),
- matching output and evaluation criteria, and
- services provided directly to citizens.

“Downstream location” of a service on the so-called “value chain” of production is significantly associated with reported success. That is, arrangements that involve the direct provision of services to citizens are rated more successful than those that supply back-office services or focus on policy setting.

Although not empirically measured, trust and high mutual regard appear to be important requisites and adhesives for collaborative arrangements. Participants also must be willing to shoulder some risk and make reasonable accommodations toward partners. Recreation and culture and economic development collaborations appear to exhibit few differences in terms of the factors that promote success.

A partial rehearsal of the most significant findings of the literature review offers the following key observations concerning the propensity of organisations to enter collaborative arrangements.

- Organisations normally do not enter collaborative arrangements (such as shared service agreements) unless they calculate significant direct or collateral gains.
- Organisations lacking resources to achieve objectives or to maintain their way of doing things are the most predisposed to collaborating or partnering with other organisations.
- Organisations with sufficient wealth and capacity to produce and deliver products and services using their own resources tend not to collaborate or partner with other organisations.

Unfortunately, the lack of sufficient data prevented direct empirical testing of these findings within the Capital Region. All the same, there is sufficient empirical and informal evidence available to deduce that these findings apply broadly to the Capital Region.

The literature also reveals that different types of arrangements suit varying circumstances; no single arrangement fits all circumstances. For example, multiparty initiatives involving extensive investment in fixed capital should be pursued as joint ventures. Activities that do not require extensive investment in new capital can be done as simple principal-agent relationships when outputs are easily observed and measured. Where outputs are difficult to measure more purely collaborative designs become important in which there is a sharing of risk and higher integration among partners.

Finally, economies of scale are not universal. For some activities, economies of scale can be realised by providing the service on a larger scale however, for others such gains are not possible.

Recommendations

Twenty-seven recommendations are offered in the report. Most of these are discussed within a framework defined by the commonly accepted sequential steps of rational public policy making. However, there are also recommendations concerning future research opportunities. The recommendations are not exclusive to ACRA; they are framed to be generally applicable so that this

research may be of use in other regions. Recommendations provided below as a straightforward list. Discussion of the recommendations is found in Recommendations section at the conclusion of the report.

Recommendation 1: Appreciating shared service opportunities

Municipal policy makers should routinely examine policy opportunities and problems through an inter-municipal lens at the earliest stages of the policy setting process.

Recommendation 1a: Information and data

Information and data on shared service arrangements, collaborations, and regional co-operation should be generated and placed before Capital Region decision makers on a regular basis.

Recommendation 2: Shared service policy options

Municipal policy makers should routinely consider the merits of shared service arrangements when generating policy options for addressing inter-municipal opportunities and problems.

Recommendation 3: Full spectrum consideration

When generating initial policy options, policy makers should contemplate the full range of prospective shared service approaches with reference to the relative advantages revealed in the research findings.

Recommendation 4: Desirability of comparative research

Policy generation should include comparative research on policy solutions to similar opportunities or problems generated by ACRA and other municipalities.

Recommendation 4a: Resources to consult

In addition to resources that might be developed pursuant to Recommendation 1a, comparative research should tap information available at ACRA, Menet, MuniMall, and ICURR's Muniscope.

Recommendation 5: Matching options and benefits

Option evaluation should consider how well alternatives serve organisationally-specific goals and objectives, and also consider how well the alternatives serve the list of general purported benefits of shared service arrangements found in sub-section 2.1.

Recommendation 6: Assaying organisational capacities

Option evaluation should consider the municipality's organisational capacity to support each proposed option and the relative requirements and costs associated with each.

Recommendation 7: Assaying potential partner capacities

Option evaluation should closely consider the resources and competencies that prospective partners are able to bring to an arrangement. Part of this analysis

should include an assessment of the unique and complementary contributions that a partner can make to an arrangement.

Recommendation 8: Political context assessment

A pragmatic assessment of the merits of options requires an assessment of the political merits and deficiencies (specific to each jurisdiction) of each option.

Recommendation 9: Assaying the interorganisational climate

A pragmatic assessment of the relative merits of shared service options requires an assessment of the interorganisational climate including the range of corporate and political factors that favour or discourage engagement.

Recommendation 10: Decision criteria

Consideration of the relative merits of options in terms of goal achievement, value for dollars, fairness, and risk should be incorporated into the decision.

Recommendation 11: Preference for formality

Shared service arrangements should be formally constituted in written form unless there are significant mitigating factors that recommend against this best practice.

Recommendation 12: Identifying the full extent of common purposes

Framers of shared service arrangements should strive to identify the full extent of common purposes shared among partners.

Recommendation 13: Shared service arrangement goals and objectives

The goals and objectives of a shared service arrangement should be clearly and prominently articulated in a formal agreement. These statements need not address all goals and objectives independently sought by the partners, but should address the common ground of utility calculations.

Recommendation 14: Domain consensus

Framers of shared service arrangements should strive to incorporate as many points of the domain consensus as possible within the original agreement.

Recommendation 15: Dispute resolution mechanism

A dispute resolution mechanism should be written into all shared service agreements.

Recommendation 16: Power balancing

Shared service arrangements must be constructed with equitable power balancing among the participants.

Recommendation 17: Integration

While ensuring that all parties participating in shared service arrangements possess a "voice" in the arrangement, architects of shared service arrangements

should be mindful of the inherently different measures of voice inherent in different types of shared service arrangements.

Recommendation 18: Congruence of service specification and evaluation criteria

Evaluation criteria should match the service produced or delivered.

Recommendation 19: Monitoring

An official with requisite knowledge of the intended goals and objectives should conduct regular and rigorous evaluations of shared service agreements.

Recommendation 20: Leadership

All parties involved in shared service arrangements should strive to appreciate the dynamic and contingent nature of leadership in such relationships and should accommodate and participate in the shared leadership challenge.

Recommendation 21: Evaluation

Partners should develop and conduct thorough evaluations of the performance of shared service arrangements so those evaluation findings can inform policy considerations involving agreement renewal and establishing new agreements.

Recommendation 21a: Citizen satisfaction surveying

Citizens should be surveyed as part of routine shared service delivery evaluation.

Recommendation 22: Training and development

Officials administering shared service arrangements should receive short-format training in the establishment and operation of these arrangements, and instruction in establishing and administering the broader range of co-operative and collaborative service production and delivery arrangements.

Recommendation 23: Further research

Additional research could be conducted into particulars of shared service and collaborative (and co-operative) arrangements in the Alberta Capital Region. These prospects and the potential utility of this research should be investigated through the ACRA-University of Alberta Partnership Council.

Recommendation 24: Meta-research challenges

Structural and process challenges attending university research into regional problems should be addressed to improve research effectiveness and efficiency.

1. Introduction

1.1 The Importance of Studying Shared Services

Over the past decade Canadian provincial governments have actively considered and adopted alternative approaches to deal with political, economic, and social challenges of growing metropolitan regions. East of the Manitoba border, provinces have heavily favoured structural consolidation approaches. The provinces have either forced amalgamations or created conditions in which municipalities found it in their best interests to amalgamate. In some instances, these provinces have also promoted two-tier local governance structures although the trend has been toward unitary structures. On the prairies, there has been considerable discussion of the proper structure of municipal government with focussed studies in Winnipeg and Saskatchewan, and a two-year long governance review of the Alberta Capital Region. The results of these policy discourses have been notably different from those to the east. If the eastern way has been to consolidate, the prairie way has been to rely on co-operation and collaboration as the premier strategies to address inter-municipal and regional issues.

The prairie government “wager” is that municipalities can meet the most important and pressing challenges and opportunities through co-operation and collaborative action among municipalities. In the bargain, the prairie proposition is that the collaborative approach is superior to consolidation (and regional government) approaches in that it honours local polities and avoids certain “big government” problems associated with regional and consolidated government. A list of the policy challenges includes achieving efficiencies and effectiveness in local government operations, and achieving fiscal equity among local governments and social equity within the regional population. Promoting “smart growth” is another key challenge as is enhancing regional competitiveness in the continental and world economy. Opportunities are many but turn on prospects of developing and realising regional communities of interest that promote a better life for the regional citizenry.

If there is a metropolitan region on the prairies that best serves as a test of the prairie wager favouring co-operation and collaboration, it most certainly is the Alberta Capital Region. Its population rivals the Calgary region as being the most heavily populated census metropolitan area (CMA) between Vancouver and Toronto, and Canada’s sixth largest CMA.¹ However, of greatest importance is the fact that the Alberta Capital Region is by far the largest and most polycentric region on the prairies. The Edmonton CMA far outstrips other prairie CMAs in the number of “municipal components” listed for the region. Although the city of Edmonton accounts for a healthy 71 percent of the Alberta Capital Region population, there are two relatively large municipalities on its borders:

¹ See Statistics Canada reports on 2001 census for CMA population counts and rankings:
<http://www12.statcan.ca/english/census01/products/standard/popdwel/Table-CMA.cfm>

Strathcona county (72,000) and the city of St. Albert (53,000).² Calgary, by comparison, accounts for 92 percent of the population in its region and has no similarly large municipality on its border. Winnipeg also weighs in with 92 percent of its regional population and the next largest unit of government in its region is the Springfield Rural Municipality with a population of 13,000. In summary, the Alberta Capital Region is the best place to examine the character and potential of co-operative and collaborative approaches to regional governance.

Service sharing is an approach that scholars and other commentators claim municipalities can usefully employ to address some of the most prominent inter-municipal challenges and opportunities of metropolitan regions. Proponents of such arrangements claim that service sharing can produce increased efficiencies and effectiveness in service delivery, foster certain economies in operation, and facilitate the production of new services. (Bish, 1999) Shared service arrangements appear to be of special relevance to polycentric regional municipal systems insofar as they present a way to address regional service delivery challenges and opportunities without resorting to formal restructuring reforms or, at least, the most radical of these. There are other advantages to these arrangements including those attributed in the academic literature to co-operation and collaborative arrangements among and between independent organisations. (See section 2 in the main report and Appendix C).

Knowledge of the number, types and dynamic characteristics of shared service arrangements in the Alberta Capital Region will be of considerable value given the special character of, and the “prairie wager” inherent in, the political organisation of the region. Such knowledge will provide insight into the current state of regional communication and collaboration. Similarly, understanding of the prevalence and character of shared service arrangements provides insight into the regional municipal leadership’s efforts to address metropolitan regional challenges through co-operative and collaborative strategies. Of particular interest will be knowledge of the extent that shared services arrangements are successful in addressing the challenges and opportunities of the region. Pervasive success speaks well, if not finally, to the utility of concerted approaches to regional and inter-municipal reform.

1.2 This Study

This study focuses on recreation and culture, and economic development shared services arrangements in the Alberta Capital Region. It examines the prevalence and distribution of shared service provision by municipal governments in the region. It closely examines the character of the arrangements, the factors that foster participation in these arrangements and what contributes to their success.

The Alberta Capital Region Alliance (ACRA) contracted the Western Centre for Economic Research at the University of Alberta to conduct the research. The ACRA-University of Alberta Partnership Council provided the research team

² Figures derived from 2001 census.

with timely advice, as did the ACRA Board and the Capital Region chief administrative officers' group. Alberta Municipal Affairs funded the study as part of a larger grant to ACRA.

Principal investigators for the project are Dr. Melville McMillan of the Department of Economics (U of A), and Dr. Edward LeSage of the Faculty of Extension (U of A). Neil Hepburn, Ph.D. student in the Department of Economics (U of A), served as the lead researcher. Mark Cormier provided research assistance over the summer of 2002.

The current research differs from the earlier ACRA-sponsored efforts to investigate shared service arrangements.³ Its focus is narrower, investigating only recreation and culture, and economic development shared services arrangements. This narrow focus has produced an accurate inventory of these arrangements. The current research also delves into motivational and performance factors which are, on the strength of the findings, significant.

1.2.1 Research phases

Research has been conducted in two phases. The first phase involved a review of the academic and *grey*⁴ literature to see what could be learned from other studies. The second phase involved original empirical research into selected aspects of shared services arrangements in the Capital Region. Two case studies and selected vignettes have also been produced. These studies are adjuncts to the empirical research.

The literature review sought insight into the following broad questions:

- What are the benefits and costs of collaboration?
- Why do governments enter collaborative arrangements?
- What are the determinants of satisfaction and success?

Findings derived from the literature review aided researchers in framing the empirical research of the second phase.

Empirical research investigating the character and dynamics of shared services arrangements in the Capital Region involved three distinct but related studies: an inventory study, an evaluation study, and case studies and vignettes. The inventory study addressed two broad questions:

- What types of economic development and recreation and cultural shared service arrangements exist in the Alberta Capital Region?
- What is the prevalence and distribution of these shared service arrangements?

To answer these questions, researchers have produced an inventory of all economic development and all recreation and culture shared service arrangements between two or more of the 22 ACRA membership municipalities in the region. The inventory survey instrument is found in Appendix A. Full tabular results of the inventory study are found in Appendix D located in Volume 2 of this report.

³ ACRA worked with Western Management Consultants in 1998 to construct a preliminary inventory of all shared service activities throughout the Capital Region. Data is available from Ken Woitt at ACRA.

⁴ *Grey literature* is unpublished information which has not been collected, catalogued, or listed in data bases or other finding aids, and is generally unorganised within a work group or organisation.

Evaluation research delved into the workings of the shared services arrangements comprising the inventory. Key questions queried factors promoting and discouraging service sharing, and factors that facilitated the continuation or cessation of arrangements. The survey instrument used for the evaluation research is found in Appendix B located at the back this volume of the report. Full tabular results of the evaluation study are located in Appendix E in Volume 2.

1.3 Definitions and Selected Methodological Considerations

1.3.1 Collaboration, Partnerships, Co-operation, Principal-Agent Relationships

Partnerships⁵ involve the sharing of responsibility and authority in the pursuit of shared or compatible objectives. Also shared within partnerships are jointly invested resources and liability or risk taking. (Rodal & Mulder, 1993; Hord, 1986 citing Hoyt, 1978). Partnerships defined in these terms differ from “co-operation,” which involves a mutual agreement in which the separate parties work toward some common or compatible objective. Co-operation does not involve joint investment, decision-making, implementation, evaluation, and responsibility.

Another relational concept used in this study is the “client-provider relationship” which is also formally referred to as the *principal-agent relationship* and periodically, within this report, as a *buyer-seller relationship*. In a principal-agent relationship, the “principal” (client) contracts provision of specific services to an “agent” (or provider).

Partnerships and principal-agent relationships are distinguished from one another in two important ways. First, the “principal” in a principal-agent arrangement putatively possesses far more control over the “agent” than would be the case with any two parties involved in a partnership.⁶ In the partnership, the parties jointly share control even if the control is not always equal. Second, in the principal-agent relationship, the agent shoulders the investment for the common enterprise while the principal finances the return on the agent’s investment.

For the purposes of this study, a “shared service” is defined as either a service, good, or policy that is produced and/or delivered through a principal-agent arrangement or a partnership by two or more municipalities.⁷ Shared

⁵ In this report we use the term “partnership” synonymously with the term “collaboration.” The term joint operating agreement is used synonymously with partnership and collaboration.

⁶ In fact, predominance of principals over agents is not by any means guaranteed. Where the agent holds a monopoly over the supply of a good or service, or where the principal dearly desires that which the agent can provide (outside of a monopoly situation), it is entirely possible for the agent to dictate terms, and possess considerable control over all aspects of the relationship.

⁷ Although partnerships are theoretically distinguished from co-operation, some forms of co-operation are partnerships for all practical purposes. Rodal and Mulder (1993) describe these as “consultative advisory partnerships”: partnerships that involve close working relationships between or among governments that result in joint agreement on solutions which strongly influence the separate decision-making of the co-operating governments. A variation on this arrangement involves co-ordinated policy making and administrative implementation.

services certainly can be more broadly defined; for example, we could have also focussed on public-private arrangements or public-private-NGO multi-authority collaborations. However, project budget limitations and, more importantly, the desire to conduct rigorous, focussed research placed limits on the scope of our definition. While researchers did collect and report data on arrangements between two or more municipalities that involve non-municipal partners or associates, this data has not been analysed in this report.

1.3.2 Recreation and Culture and Economic Development Foci

Our focus on recreation and culture, and economic development resulted from consultations conducted with municipal officials and our advisory group – the ACRA-University of Alberta Partnership Council. In so far as we determined at the onset that the functional scope of the survey should be sharply limited, we required service areas that promised to reveal inter-municipal collaboration but which were presumed to be different in character. The recreation and culture, and economic development activities met both criteria.

Specifically, recreation and culture involve a range of activities in which varying degrees of scale economies are likely to be evidenced. Much of what is produced by municipal recreation organisations is delivered directly to citizens. Many recreation services (and culture services) are consumed by identifiable persons or organisations. Much of what is consumed or used is also of discrete and identifiable character or can be administered in a way to be so.

By contrast, economic development services are normally not consumed by discrete and identifiable persons and organisations. That which is produced is often not easily defined in discrete measurement units. The individual citizen is usually not the immediate beneficiary of economic development activity and the efficacy of economic development activity is often difficult to measure. Consequently, perhaps, there is a strong potential for strategic behaviour by the partners in collaborative economic development activity. All parties have an incentive to see the level of economic activity in the entire region increase and thus, on one level, this is a co-operative, “positive-sum” game. However, there is an incentive to share in the benefit of regional economic development without contributing to the costs and there is also an incentive for each party to try to benefit more by attracting investment activity to its own region. Thus, although strategic behaviour of the sort described above is certainly possible in the case of recreation, the greater ability to measure results, restrict use, and allocate costs reduces the propensity for strategic behaviour in comparison to economic development.

In short, recreation and culture, and economic development activities appeared to be of different character, and the dimensions on which these distinctions occur were assumed to be significant – an expectation that was heightened following the literature review. Our advisors assured us that there were sufficient incidents of collaboration to focus research in these areas.

1.4 Organisation of the Report

The report is organised in seven sections including this introduction which comprises the first section. Section 2 contains a summary of the literature review. Findings of an earlier, companion literature review can be found in Appendix C.

Section 3 contains the most interesting findings of the inventory study and reveals the prevalence and general characteristics of shared services agreements in the two areas of focus across the region. A full tabular review of inventory study findings is found in Appendix D.

Section 4 reveals the principal findings of the evaluation study. The section focuses first on a descriptive overview of the responses to the evaluation survey. Subsequent analysis explores, with the aid of statistical tests, whether selected factors associated with successful collaboration identified in the literature review are significant in the region's shared services arrangements. Details and further information are provided in Appendix E.

Section 5 contains two case studies. The first case examines the TransAlta Tri-Leisure Centre agreement involving the city of Spruce Grove, the town of Stony Plain, and the county of Parkland. It has been selected for case treatment because it exemplifies an advanced and successful "stand alone" partnership. Case Study 2 features the Leduc-Nisku Economic Development Agency agreement and is included for its unique character in a couple of respects. First, the agency is a joint venture of the city of Leduc and the county of Leduc and thus represents a very high degree of integration. However, it also involves smaller municipalities through a series of fee-for-service arrangements.

Section 6 provides an account of lessons learned and "best practice" recommendations. Three subsections comprise this section. The first consolidates the principal findings of the study into recommendations that are discussed within a framework defined by the standard steps of a rational policy making synoptic. The second subsection tenders additional recommendations on training, development and research. The final subsection explores the importance of partnership and collaboration to building a strong capital region. This commentary goes beyond the strict focus of the research, tapping insights and knowledge gained by the research team over the duration of the project.

Section 7 completes the report by providing a bibliography of literature and sources consulted in the preparation of the review found in Section 2.

2. Literature Review and Selected Companion Observations

This section provides a selected review of the literature that concentrates on three main questions:

- What are the benefits and costs of partnerships?
- Why do organisations enter partnerships?
- What are the determinants of satisfaction and success?

Sources consulted when preparing the review include the general academic literature on inter-organisational relations, the more discerning public administration and public sector oriented research and reports on collaboration and partnerships, and the limited literature that exists on municipal collaboration and shared service production. We freely combine discussion of these literatures as they appear to be distinguished only in their foci.

A companion survey and discussion of selected elements of the literature that was prepared for a separate report (satisfying Phase 1 requirements of this study) is found in Appendix C. APA style references found in the following subsection are rendered complete in the bibliography found in Section 7.

2.1 What are the Benefits, Costs and Risks of Partnerships?

Partnerships hold many benefits to participating organisations but against the benefits are a number of costs and risks. Thus, rational decisions on whether to enter partnerships are ones involving calculations of the relative benefits and costs, and risks with reference to some objective or mix of objectives.

Benefits of partnerships include the following:

- new resource acquisition (Einbinder, Robertson, Garcia, Vuckovic & Patti, 2000) including increased expertise and knowledge resources, and increased information access (Rodal & Mulder, 1993);
- enhanced capacity to efficiently and efficiently use resources (Einbinder et al., 2000; Rodal & Mulder, 1993);
- enhanced capacity to solve problems, especially problems that expand beyond an authority's boundaries (Einbinder et al., 2000) which include indivisible system-wide problems (LeSage, 1988);
- enhanced capacity to engage activities that otherwise would not be possible (Einbinder et al., 2000);
- enhanced reliability and responsiveness in service delivery and other activities (Einbinder et al., 2000);
- enhanced organisational flexibility (Rodal & Mulder, 1993);
- sharing of financial risk (Rodal & Mulder, 1993) and other forms of risk, and consequential reduction of organisational vulnerability (LeSage, 1988);
- enhanced organisational visibility and improved credibility (Rodal & Mulder, 1993);
- enhanced capacity to respond to mandates imposed by external actors and agents (LeSage, 1988);

- reduction of competition through rationalising areas of dispute or competition (LeSage, 1988);
- promotion of common interest (LeSage, 1988).

Other benefits can be cited demonstrating, among other things, that there are potentially many benefits to collaboration and thus service sharing.

Some writers seek to sort through the welter of specific benefits (such as those in foregoing list) and get to the heart of why organisations join others to form partnerships. Benson (1975), for example, reduces the sought benefits down to a mere two:

- to ensure an adequate supply of money and authority;
- to protect “turf” and extend or defend the organisation’s way of doing things.

That is, organisations involve themselves in partnerships to seek benefits that permit them to exist, to perform those things they wish to perform or, in certain instances, must perform. Although Benson’s analysis can be challenged as being too restricted (especially since he does not admit that there may be collective motivations for partnering), it is likely that he covers a great deal of the benefits sought.

The conceptual language of economic theory provides another avenue to elegantly collapse and to better understand benefits that may result from partnering. Partnerships can result in *economies of scale* in which production efficiencies are optimised through increasing or decreasing the scale of production (O’Sullivan, 1993). In the municipal setting, partnerships permit municipalities to increase the scale of production which, when restricted by boundaries, can be inefficient (Bish, 1999; Stabler, 1996).

Economies of scope also can be realised. They involve efficiencies associated with increasing or decreasing the scope of marketing and distribution. In marketing, economies of scope are often realised through increasing the number of products promoted or through the use of more power media permitting more people to be reached for every dollar spent. Bringing together a variety of products or services also provides opportunities to realise economies of scope since offering a complete range of products gives the consumer greater and more finely defined choice. However, as with economies of scale, there are diminishing and absolute reductions of gains beyond certain thresholds (Katz & Rosen, 1994).

Exhibit 1: Benefits to Collaboration

Although the TransAlta Tri-Leisure Corporation is discussed in one of the case studies, we introduce it here to illustrate a couple of the key benefits. As stated above, partnerships can allow parties to share financial risk as well as extending capabilities and capacity beyond what each could individually do. The TransAlta Tri-Leisure Corporation achieves both of these benefits.

A project of this magnitude would not likely be pursued by any of the partners individually due to the financial cost and financial risk involved in such a large scale project. An investment of this scope would put each party in serious financial risk individually.

In addition to sharing financial risk, the scope and scale of this project allow the partner municipalities to offer a range of services that likely would not be feasible individually.

The conceptual language of public choice theory provides an additional avenue toward understanding the benefits of collaboration from a policy perspective. Collaboration permits municipalities to reduce the number of “free riders”. Normally, at issue is the free riders’ exemption from paying supporting taxes for services occasioned by living outside the boundary of the producing authority. Collaboration, such as that realised through creating a special services district, draws the free riders into taxation regime or resolves the free rider problem through some form of fiscal transfer arrangement.⁸

Although self-interest calculations are at the root of benefits sought through collaboration, these calculations are not always self-referenced – a point of criticism against Benson (1975). This point is important when contemplating municipal partnerships within a sub-region or regional context as well as more limited partnerships.

Many organisations participate in consortia or other collaborations in which immediate returns to the organisation are not scheduled or guaranteed. This behaviour reflects calculations made by collaborating organisations that system-wide benefits return specific benefits to the organisation in some form at some time. Faith in the venture and trust among the partners underpin such risk taking behaviour (Einbinder et al., 2000). At least some research supports this “reciprocity” notion, revealing that costs and benefits of exchange relationships tend to be equitable over the long run (Einbinder et al., 2000 citing Cohen and Bradford, 1989). Moreover, mutually shouldering the risk and acting in reciprocal, preferential and mutually supportive fashion apparently facilitates an equitable distribution of risk (Einbinder et al., 2000 citing Oliver, 1990).

There are, of course, costs to partnering and thus to shared service arrangements involving partnerships. Hord (1986) citing Fox and Faver (1984) aids us in understanding the cost by distinguishing *process costs* and *outcome costs*. Process costs include:

- time expended for negotiation and exchange,
- resources expended to forge the collaboration, and
- personal investments that we might assume to be psychological or physical.

Exhibit 2: Free-Riding

The issue of free-riding and attempts to minimise it are relative and a matter of degree. The city of St Albert and the city of Fort Saskatchewan both provide significant recreational services to residents of the surrounding rural areas. However, neither city attempts to control free-riding through differential fees. Although, for some programs Fort Saskatchewan does provide preferential registration to its own residents.

In discussions with representatives of both recreation departments, the feeling was that in terms of overall usage, non-resident users were a small proportion of users. Therefore, it was not seen as worth the effort to distinguish between the two groups of users. However, for smaller communities non-resident users do make up a substantial portion of total users and so attempts to control free-riding would likely be undertaken if not for cost-sharing agreements.

⁸ For an in-depth discussion of free-ridership problems, see *Public Finance in Canada* (2003) by Rosen, Dahlby, Boothe, and Smith. Or, consult *Public Finance, 7th Edition* by David Hyman.

Outcome costs include:

- delays,
- evaluation problems,
- inadequate or contentious allocation of credit and profile, and
- quality loss.

Schemerhorn (1975) provides a somewhat similar list including loss of decision-making autonomy, prospective unfavourable ramifications for organisational image (reputation) or identity, and costs requiring the direct expenditure of scarce organisational resources.

Various authors imply that the process costs are constants although this is not specifically stated in the literature reviewed. Entering partnerships involves investments of time and other resources to establish the arrangement. The fact that arrangements must be negotiated involves time that otherwise might not be expended if one's own organisation is involved. Additional investments of resources include those that must be put up to facilitate the arrangement. These may include investments in specialised structural arrangements that facilitate organisational communications and decision-making (LeSage, 1988).

Outcome costs may not be inherent in partnerships but collaborating or involving others is certain to make such costs more probable. For example, although individual municipalities may discipline themselves to establish productivity measures, the need to do so becomes more pressing in collaborative arrangements. Partnering organisations and the citizenry are naturally concerned over the quality of "the deal" and, perhaps most significantly, the equity of the arrangement. Thus, difficulties in measuring a municipal service, which might otherwise go unnoticed, are more likely to be hoisted into public view.

Quality loss is by no means certain. Indeed, municipal authorities often enter into partnerships with the express purpose of improving either the quality of a service or the range of services available to the public – in the latter case, achieving an increase in quality of service through adding choice. However, partnerships potentially can lead to quality loss since delivery is tied to the capabilities and competency of participating organisations. The same observations can be made concerning principal-agent relationships (Sonnenblum, Kirilin & Ries, 1977)

Especially important for public authorities is the potential cost of diminished accountability. (Rodal & Mulder, 1993; Kernaghan, 1993) Partners can become entangled in many ways. It is the prospect of such entanglement that often discourages collaboration in the public sector or, at least, encourages risk adverse collaborations.

2.2 Why Do Organisations Enter Partnerships? Dispositions, and Contributing Factors

Many forces condition the economic and political environment to make collaborations more likely. Among these are the establishment of a network society, the rising expectations of citizens for the provision of government services coupled with high value-for-money expectations, and the apparent

responsiveness of the private sector which has demonstrated the effectiveness of inter-organisational production chains (Teisman and Klijn, 2002). Further, environmental uncertainty triggers adaptation and a willingness to consider partnership arrangements (Borgatti, 2002).

Another significant factor is the mandating of local collaboration by senior governments or the manipulation of incentives by these governments to promote collaboration at the local level. Extensive downloading and reduction of inter-governmental (e.g., provincial-municipal) fiscal transfers are also factors that promote collaboration at the local level. All these factors press local authorities to seek increased efficiencies and to reduce inter-municipal policy dysfunctionalities through collaborative action (Bish, 1999).

2.2.1 Organisational Dispositions to Collaborate

Organisations, including most certainly municipalities, are not predisposed to partnering. According to Benson (1975), organisations do not partner unless there exist political-economic imperatives to do so. Schermerhorn (1975) observes that situations such as resource scarcity, performance distress or powerful extra-organisational force dispose organisations toward co-operation (and collaboration). Beckhard (1975) cited by Hord opines (1993) that collaboration does not occur unless three conditions are met:

- There must be real dissatisfaction with the status quo, a high enough level of dissatisfaction to mobilise energy toward some change.
- There must be in the organisational leaders' "heads" some picture of a desired state toward which it would be worth mobilising appropriate energy.
- There must be in the organisational leaders' head, a knowledge and picture of some *practical* first steps toward this desired state.

All this is to say that the natural state of organisational affairs is one in which collaboration is not gratuitously embraced.

Potential partners must consider the prospect that their opposites are worthy partners (Gray, 1985). Schaffer and Bryant (1983) provide a useful list of some of the considerations that enter the equation:

- the adequacy of the partner's resources;
- the organisational limitations that the partner possesses on transfer of resources and power;
- the skills and intellectual resources of the partner;
- the existing structures that will facilitate collaborative action;
- the "imagination" of the partner insofar as their willingness and enthusiasm for the collaboration. Hord, (1993) citing Shaeffer and Bryant (1983).

Another important requisite is *trust*. Trust in a partner promotes the willingness to collaborate since trust bridges the unknown or incalculable aspects of a partnership – of which, significantly, there are often many (Einbinder et al, 2000). In addition to trust, or perhaps as a condition of trust, there are requirements for respect and some measure of shared values. Shared values and norms affect the willingness of parties to enter partnerships (Alter and Hage, 1993). The existence of these characteristics is apparently facilitated by

homogeneity among participants, whether it be professional, ideological, ethnic, or geographical (Einbinder et al, 2000) citing Powell (1990).

Collaboration may be pursued as a means to demonstrate openness and build trust between authorities – a lost leader in marketing terms (Hesterly, Liebeskind and Zenger, 1990). Similarly, much like pushing weights, uneconomical sharing may be taken up to exercise and build systems and expertise that can be used for envisioned expanded collaborations (Williamson, 1996). Such arrangements are investments in capacity building, something that members of ACRA will recognise in the core rationale supporting existence of the Alliance.

2.2.2 Factors Influencing Collaboration Drawn from Municipal Research

A limited number of studies⁹ have used advanced empirical techniques to determine factors that correlate highly (positively or negatively) with participation in alternative service arrangements¹⁰. In communities where citizens want control over local services, or want especially high quality local services, there is less service sharing (Sonnenblum et al, 1977; Morgan & Hirlinger, 1991). Sonnenblum et al (1977) use average age of constituents as a proxy for desire for local control. They base this on the assumption that older voters are more politically active and more involved in civic matters. In their study of Los Angeles county municipalities, this factor was found influential. Morgan and Hirlinger (1991) use a more direct measure of the desire for local control – results from a survey conducted by the Advisory Commission on Intergovernmental Relations. They, too find that a desire for local control of local public services reduces the tendency for local governments to enter partnerships.

Although not explicitly examining this issue, results from Foster's 1997 study of municipal agreements in western New York State does provide support for local control as a factor. Municipal leaders were questioned about what they felt to be detractors for future involvement in collaborations. For villages, the most important factor was *political*. This was identified to include things like the prospect of turf wars, citizen concern over loss of control, and concern over perceived drops in service levels. *Political* factors were important for cities and towns as well, but not as important.

⁹ Sonnenblum et al (1977) use a statistical analysis on data from Los Angeles county. Morgan and Hirlinger (1991) use data similar to Sonnenblum et al with somewhat more refined statistical methods. Kathryn Foster (1997) examined Shared Service Arrangements in the western New York State region. Robert Bish (1997, 1998, 1999) has written extensively on inter-municipal co-operation in British Columbia. Stabler (1994) examined inter-municipal arrangements in Saskatchewan.

¹⁰ Many of the services studied by Sonnenblum et al, looked at contracted fee for service arrangements among local governments.

Morgan and Hirlinger (1991) find that increases in long term income (proxy by education levels) reduces the involvement in collaborative arrangements. Sonenblum et al (1977) find that increases in the commercial tax base (as indicated by retail sales)¹¹ tends to be associated with less shared service arrangements. The explanation for this is that communities with larger commercial tax bases are more able to support their own local public services. The other side of the coin of this same logic appears to apply to reliance on grant revenue. Municipalities that derive a larger share of their revenue from government grants are more likely to use shared services (Sonenblum et al, 1977). Interestingly, however, the Sonenblum et al and Morgan and Hirlinger studies found that, as the assessed property tax base per person rises, municipalities tend to be more inclined to use shared services.¹²

Another finding is that as labour costs increase service arrangements with other municipal organisations or providers decrease. While this may appear paradoxical – one would think that higher labour costs would drive councils to look for lower cost alternatives – Morgan and Hirlinger (1991) reason that councils that are more resolute in containing wage costs are more inclined to look to alternative service arrangements. Alternatively, it may be that labour costs are strongly correlated with the level of unionisation within the municipal labour force and that this unionisation makes it difficult to share services with other authorities, especially if their work forces are not unionised or the conditions of union-municipality agreements differ.

Finally, certain environmental factors such as the existence of a city manager and the presence or absence of senior (state) government barriers to shared services, are associated with the propensity to pursue partnerships (Morgan & Hirlinger, 1991). Imposed barriers largely do not exist under Alberta municipal legislation, which suggests that relatively speaking we would expect to see no “artificial” barriers to collaboration.

Exhibit 3: Alignment of Objectives

In some cases, partners clearly share the same objectives. The partners in economic development activities share the objective of drawing business into their region. Although once there, competition often exists among the partners to draw the business or activity into their own municipality. In other cases objectives can be clearly different yet still be aligned.

In many of the recreation cost-sharing agreements, the objective of the provider (generally towns) is to reduce the cost while maintaining services. Increasing the number of users for a given cost of operation reduces the cost per user. At the same time, however, the buyers of those services (generally counties) seek to improve service to their residents while minimising the increase in cost. In the absence of such agreements recreation services likely would not exist or would be minimal. In these cases, although one party seeks to reduce cost while the other seeks to improve service, the objectives are clearly complementary.

¹¹ Whether this variable applies to Capital Region municipalities is an open question since the U.S. authorities presumably collected a significant amount of commercial tax revenue from tithing retail sales. Nonetheless, the proposition that a wealthier commercial base reduces financial imperatives to share services seems logically correct.

2.2.3 The Dynamics of Collaboration

Theodore Liberti (2002) observes that collaboration occurs within larger networks of competition. Collaboration provides both opportunities and constraints for organisations, requiring continuous assessment by partners of the relative value of collaboration versus competition or, in the public realm, going it alone. Although strategists and researchers often treat inter-firm co-operation and competition as two distinct entities, organisational life is filled with countless examples of their entanglement. This point is significant if for no other reason than to remind the reader that the context of shared service arrangements is both complex and dynamic. Municipalities collaborating in one area may compete in another. Instead of being irrational, such behaviour is better regarded as highly rational since it likely reflects a precise level of calculation regarding the net benefits of a partnership relationship.

As a final point, we note that success or failure of partnerships can be determined in part by the policy and administrative actions of participants. However, and significantly, it is important to underscore that the factors that influence willingness to enter partnerships also affect willingness to remain in such arrangements. Partnerships, and most certainly shared services arrangements, are “temporary” creations that are fashioned to meet the mutual or mutually acceptable objectives of independent system actors. They are engaged under certain circumstances and if these circumstances change, the partnership is likely to be undone (LeSage, 1988).

2.3 What are the Determinants of Satisfaction and Success?

Success and satisfaction depend significantly on the ability of participants to properly structure and manage the partnership. Some aspects of this structuring and managing apply to all partnerships, while others are variable depending on a variety of contingent factors.

2.3.1 Constants Associated with Success and Satisfaction

Trust and respect, which are essential conditions to the establishment of a partnership, are also essential to the successful perpetuation of the partnership (LeSage, 1988). Maintenance of trust is significantly associated with open communications, frequency interactions, and fair dealing. Open communication promotes transparency, which is essential to sustaining trust and maintaining perceptions of goal congruity (Einbinder et al., 2000. p. 124). Simply communicating is often not enough. The language of communication must receive attention, as must the processes and structures through which communication occurs. The rules and norms of a partnership are an important part of the language of communication (Einbinder et al., 2000). Rules can be specified in agreements and reflected in structural arrangements. However, in the case of norms, they also must develop through interactions between and among the partners.

¹² It is possible that the apparent positive sign in the regression equations used by Sonenblum et al and by Morgan and Hirlinger is due to statistical issues.

On structuring, Williamson (1996) writes about the tendency for collaborative networks to be established without due regard to structuring the exchange relationship. Proper structuring requires attention to network governance elements and, in complex relationships, requires adaptations of governance structures and process. Special attention must be paid to facilitating co-ordination and to safeguarding exchanges. This theme is seconded by Teisman and Klijn (2002) who observe that collaborative arrangements are often introduced with little reflection on how to reorganise policy making processes and adjust existing institutional structures.

Frequent interaction transfers tacit knowledge and develops a higher level of comfort, especially when specialised processes or knowledge are involved. Frequent interactions also establish the conditions for relational and structural “embeddedness” – in effect, they provide the means by which participants get to know one another well (Williamson, 1996).

Equity, or the perception of equity among participants, is another condition that must be maintained if satisfaction and partnership perpetuation are to be sustained. Partners do not need to make equal investments or extract equal portions of benefits from the exchange relationship (Schmidt and Kochan, 1977). However, there must be a sustained belief among all participants that they are receiving their fair share in relation to their contribution. This may be a value-for-money proposition but not necessarily, insofar as organisations often enter partnerships with different objectives and different benefit-cost calculations. This equity equation can be framed in a variety of ways.

While asymmetrical contributory and power relationships are apparently common enough in partnerships, there are likely limits to the asymmetry (Schmidt and Kochan, 1977). What these might be is not recorded but Foster’s (1997) research reveals that smaller local authorities have strong concerns over maintaining their identity and voice in collaborations with larger authorities. This suggests that the limits of imbalance may be reached relatively quickly in collaborations involving municipal parties with significantly different reserves of resources and power.

Maintaining *domain consensus* is another constant although the consensus itself can be renegotiated (LeSage, 1988). Domain consensus involves the key elements of “the deal” itself. These elements include the role and scope of the participants in the exchange scheme, clients, services, rendered results and the like. In principal-agent arrangements much of this is codified in the agreements or contracts but, even in these, there remain areas open to interpretation. In other arrangements it may not be possible to codify many of the particulars but at the very least some precision in goal specification, participant contributions, evaluation and dispute resolution venues and processes should be defined to formally frame the domain consensus. Creating structures that facilitate discourse on domain consensus and the partnership is clearly important as noted above. Within these structures, as Einbinder et al. (2000) citing Coe (1988) observe, “...a collaborative effort is more likely to be successful when stakeholders are provided with the opportunity to participate in the decision making processes” (p. 26).

Partnerships must also be responsive to the changing environment and local (and partner) desires. This point is made at the conclusion of the last subsection but it bears repeating in this context since failure to be responsive is likely to place stress on the partnership and jeopardise its continuing success (Sonnenblum et al., 1977; Morgan & Hirlinger, 1991).

Finally, successful partnerships must receive leadership from one or more partners (Rodal & Mulder, 1993). Within the principal-agent arrangement, the leadership falls to the principal. Putatively, the leadership role in full partnerships falls to the “senior partner”, which often means the participant investing the most heavily. However, as Rodal and Mulder observe, “leadership is a very idiosyncratic quality” in which a range of factors affects who takes the lead and whose lead might be accepted (p. 38). These commentators suggest that the leadership challenge is better met if there is a measure of power balancing or where investments are of similar proportions. Suffice it to say that in instances where this is not possible the participants need to weigh the amount and type of leadership that is acceptable within the collaboration. Outside of tightly defined principal-agent relationships, it is likely that this important success factor will be defined over time by the norms of the partnership.

2.3.2 Variable Determinants

Mitchell and Shortell (2000) examined the determinants of successful collaboration in community health care. Key factors of success revealed in their research are the strategic alignment of the partners and the correct extent of integration between the parties.

Strategic alignment of the partners entails either the parties having similar reasons (and interests) for entering the arrangement or dissimilar but complementary reasons for collaboration. However, these two foundations of strategic alignment appear to have different implications for the range of satisfaction that can be derived from a partnership.

The greater the recognition of interdependence, the more likely it is that participants will perceive positive benefits from collaboration (Einbinder et al., 2000 referencing Gray, 1985). Clearly there is an objective basis to the degree of interdependence and this must be considered as a variable. Presumably, it is also possible to heighten awareness of interdependencies through leadership.

McFarlane (2001) points out that there are differences between services and co-ordinated policies and that these differences require different collaborative approaches. Earlier research by Van de Ven, Walker and Liston (1979) appears to support McFarlane. Van de Ven et al. (1976) describe three types of interagency relationships: resource transaction, planning and co-ordinating, and direct service. Dimensions on which they explore the relationship characteristics include dependence, awareness, consensus, and the formalisation of agreements. Resource transaction arrangements in which organisations supply a resource necessary for the production of services are usually highly impersonal and highly formalised while relatively low in consensus but high in dependence. An exchange of raw data for processed data might qualify as such a transaction agreement. By contrast, collaborative planning and activity co-ordination

requires higher consensus and awareness among partners but lower formalisation and dependence. Direct service collaborations are different yet again, involving moderate amounts of dependence, awareness, consensus, but within formalised agreements. Explanations for these differences are not so important as the findings that the objects of exchange or focus have a bearing on the character of the arrangement.

3. Inventory Results

The first step in the empirical analysis was to develop an inventory of (selected) shared service agreements. Recreation and culture activities (hereafter recreation) and economic development were the two service areas selected for investigation. The research team and its advisors felt that examination of these two areas would provide a good initial perspective on shared service agreements within the Alberta Capital Region and insights into the factors important for the success of those agreements. Furthermore, the two services contrast in that recreation is a service provided directly to citizens and in which citizens participate. Economic development is more a service to the community than to specific identifiable beneficiaries and it is a service for which inter-community spillovers may exist and create opportunities for strategic behaviour.

A survey of ACRA members was undertaken to gather information on shared services in those two areas. Copies of the agreements were collected with the survey. The data gathered in the survey are descriptive and a matter of public record. Full tabular results of the inventory survey are found in Appendix D.

The inventory survey was conducted in June and July of 2002 and gathered information on shared service arrangements in effect plus any that had ended in the previous two years. The information sought included the name of the agreement, all participants, whether the agreement was formal or informal, length and duration, purpose and services covered, service provider, funding, who had administrative and policy making responsibilities, and restrictions on use. From this information, a profile was created demonstrating the prevalence and types of shared services in the two service areas.

3.1 Initial Observations

The inventory survey asked about existing agreements and any that had ended within the previous two years. No terminated agreements were identified so the results relate only to existing agreements. However, one respondent indicated that they would not be continuing with a current agreement beyond its end-date.

Not all ACRA members responded to the survey. A number of reminders were sent out as well as appeals made at two ACRA board meetings. Although all members of ACRA were engaged in at least one shared service arrangement of some type in the recreation and the economic development areas, seven municipalities did not reply to the survey. This left 15 reporting out of 22 municipalities.

Table 1. Agreements by type and structure

| | Recreation | Economic Development | Totals |
|----------|------------|----------------------|--------|
| Formal | 26 | 5 | 31 |
| Informal | 3 | 4 | 7 |

| | | | |
|---------------|----|---|----|
| Totals | 29 | 9 | 38 |
|---------------|----|---|----|

Municipalities that did respond did not always report all the relevant shared service agreements. In only a few cases did all parties to an agreement report that agreement. In many instances, only one partner reported the existence of an agreement. This may reflect a problem of making only a single point inquiry but it also indicates that, for many municipalities, there is no standardised recording or centralised record of external agreements (or, perhaps, that not all the relevant persons were contacted in collecting the information). In this situation, it is clear that it is easy for important agreements to be overlooked. Nonetheless, it is believed that the preponderance of relevant shared service agreements have been identified.

Since the report of only one partner was required to effect listing of an arrangement, additional reports principally served to confirm its existence and to ratify the details. Admittedly, there is the prospect that all partners to a given agreement failed to identify an arrangement. We know of three instances in which this occurred: Project Germany, Metro Edmonton Economic Development Team (MEEDT), and ACRA itself. These cases may have been neglected in that they were regarded as common knowledge. Alternatively, respondents may have construed our purpose as being focused on relationships between two or among a few authorities. Precisely why this would be the case is not clear. While wary of adding our own data, it was decided to acknowledge these agreements in the inventory to ensure completeness. A prospect more likely than the failure of any party to mention a shared service arrangement is the tendering of differing perspectives on the details. This did occur and the research team sought to reduce the ensuing confusion through follow up queries.

Overall, the inventory found 38 inter-municipal shared service agreements involving over 100 signatories (excluding the 22 involved in ACRA itself). There are 9 agreements covering economic development and 29 covering recreation involving 38 and 70 signatories respectively. Clearly, on the strength of these numbers alone, shared service arrangements are important in the provision of economic development and recreation within the Capital Region.

In addition to those noted, a number of agreements between municipal governments and school boards were identified. Those, however, were outside the scope of this study and so were not included (beyond noting) in the inventory or in the subsequent evaluation.

3.2 Economic Development Agreements

The nine economic development agreements are listed in Appendix D with the municipalities participating in each (and selected other data). The economic development agreements listed by participating municipalities are also provided there. For completeness, the Alberta Capital Region Alliance is noted but it is not analysed further. Similarly, MEEDT and Project Germany that, respectively, involve eight and seven of the region's municipalities in informal arrangements to promote economic development are listed but not analysed. The remaining

agreements were both inventoried and analysed. Two of those agreements are more land use planning agreements than the promotion of local economic development activities. The two planning agreements are the Inter-municipal Development Plan between St Albert and Sturgeon county and the Inter-municipal Planning agreement between Stony Plain and Parkland county. These two agreements co-ordinate the management of newly developing lands on the urban fringes.

The other reported agreements – Alberta Heartland Industrial Association, Leduc-Nisku Economic Development Authority (which includes two, potentially separate, Economic Development Partnerships with the Leduc-Nisku EDA), Tri-Smart Alliance for Prosperity, and Tourism Familiarisation Tours – are directed towards promoting local economic development. That is, they are arrangements to market the participants' locality and to promote prosperity, the economic base (by strengthening and diversifying), and tourism. The first two of these are formal agreements while the latter two are informal arrangements. The Tri-Smart Alliance includes the Chambers of Commerce of Spruce Grove and of Stony Plain. The Leduc-Nisku EDA, although formally a joint venture of the city of Leduc and Leduc county, has representatives from the Leduc and District Chamber of Commerce as well as the Edmonton Airport Authority.

The 'local' nature of these agreements is reflected in the economic development maps. As seen from Figure 1, the Alberta Industrial Heartland Association caters to the region north and east of Edmonton, Leduc-Nisku EDA and the associated Economic Development Partnerships serve the southern area, and the Tri-Smart Alliance and the Tourism Familiarisation Tours is dedicated to the area west of Edmonton. Project Germany, MEEDT and ACRA span the region. Project Germany and MEEDT serve more specialised needs and objectives of most of the larger players in the ACRA region. ACRA, of course, is directed to meet broader but still economic development related needs of the metro region.

Not noted in Figure 1 are two informal, perhaps almost ad hoc, arrangements that exist in Parkland county. There, the county co-operates with its municipalities in joint trade shows and trade mission programs and in the development and distribution of joint marketing brochures. The partners participate variously depending upon the activity. Further information on these and the other reported arrangements are available in the inventory spreadsheet data file (Appendix E) and the summary of the responses in Appendix D.

Almost all of the reported economic development agreements were said to be new. However, those included St. Albert's and Sturgeon county's Inter-municipal Development Plan, which was recorded as having been renewed in 2002. The two agreements that were noted as being continuations of existing agreements were the Leduc-Nisku EDA and this partnership's Economic Development Plan with Devon. Five agreements were reported initiated between 1997 and 1999. Otherwise, there was relatively little information provided about the contract dates for start or end. Respondents may have been confused by the queries concerning whether the agreements were new or a continuation of an existing agreement (or of a modified agreement of which there

were none indicated). Dates of inauguration or renewal were often not supplied so these data must be interpreted with caution.

Most of the economic development agreements are considered joint operating agreements; that is, they are true partnerships. Joint operating agreements involve all parties in the operations and contrast with those in which the task is provided by one party to another on a contract basis. The Economic Development Partnerships, which the Leduc-Nisku EDA operates with Beaumont and with Devon (and several other towns in Leduc county), appear to fit the client-provider contract mode although they were not uniformly reported as contracts. The towns provide a lump sum for specified EDA services. Also, the co-operation within Parkland county in representation at trade shows and in trade missions appears to fit the principal-agent model and the same can be said for Parkland's preparation and distribution of marketing brochures.

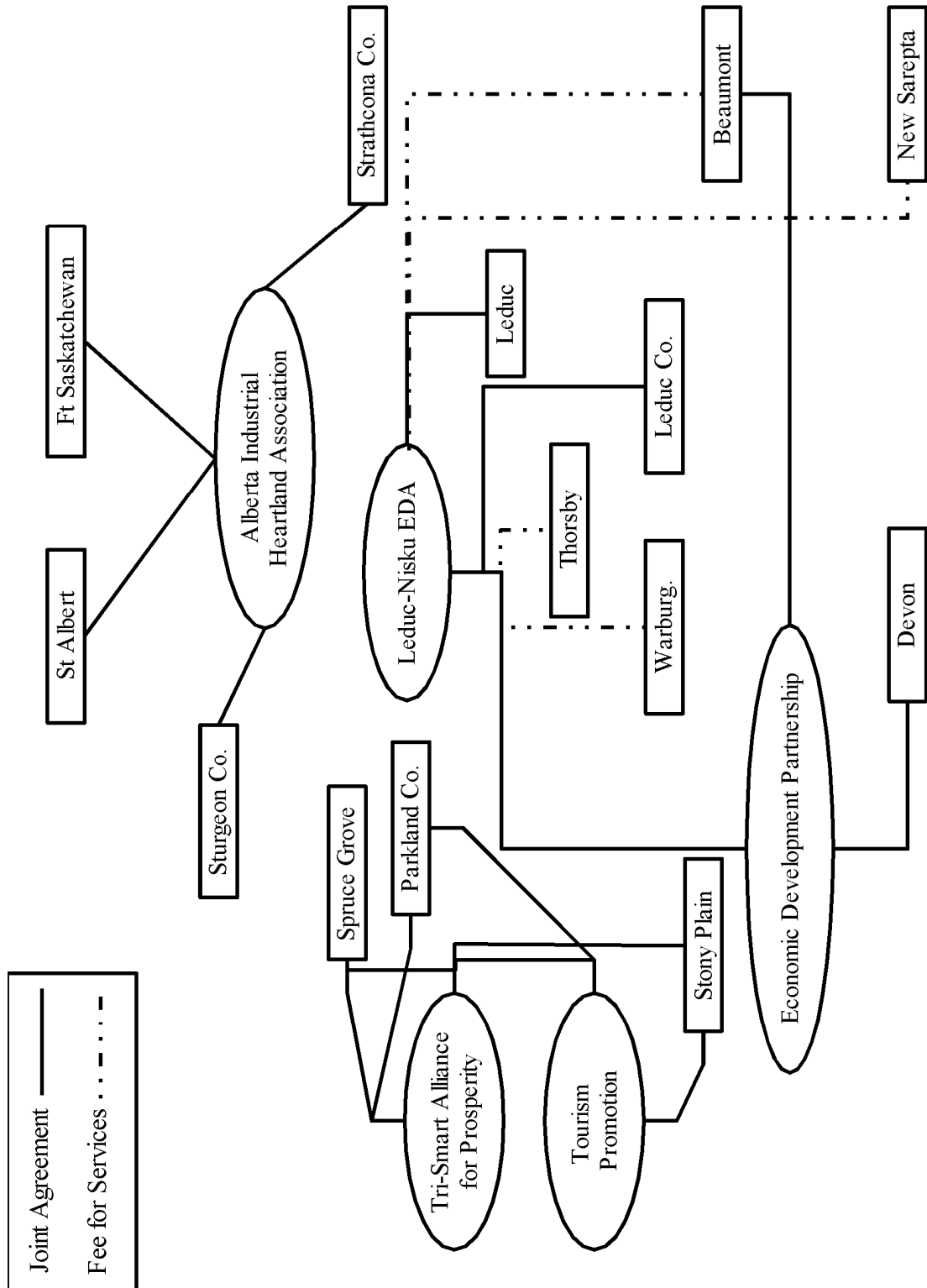
An executive director and hired staff administer the Leduc-Nisku EDA. Oversight of the LNEDA is the responsibility of a Board of Directors, comprised of representatives of Leduc county and the city of Leduc (as well as other groups in the community). More is said on the composition of the board in the Section 6 case study.

Responses to the funding question indicated that funding for joint operating agreements came from contributions by the partners. When services are contracted, the contracting municipality provides funding. No respondent reported any revenues from fees, special taxes, or provincial grants. However, all agreements permitted the economic development group to seek funding from other agencies except for that covered by the Parkland county and Stony Plain Inter-municipal Planning agreement (a land use planning agreement). Only the Alberta Industrial Heartland Association and the Leduc-Nisku EDA indicated a willingness to not restrict services to existing members of the agreement.

3.3 Recreational and Cultural Activity Agreements

There were 29 shared service agreements identified relating to the provision of recreational and cultural facilities and services. Among the services noted are arenas, pools, playing fields, libraries, and halls. These agreements involve about 70 signatories. A list of the agreements and the participating municipalities appears in Appendix D. Most of those agreements focused on recreation services. A number of the agreements mentioned library services as being included. Three agreements (in Parkland and Sturgeon Counties) were specifically for library services. In addition, Ft. Saskatchewan and Spruce Grove had joint use agreements (three, in total) with local school boards. The agreements with the school boards are not analysed here.

Figure 1: Sub-Regional Economic Development Agreements



The recreation agreements are almost always formal. Only three were designated as informal – the Inter-municipal Recreation Task Force Web Site, the River Valley Alliance, and the Parkland county-Stony Plain Library arrangement. The preponderance of recreation and cultural agreements are sub-regional as is evident when comparing Figure 2: Sub-Regional Recreation Agreements and Figure 3: Pan Regional Recreation Agreements. Also, essentially all of the agreements were designated as single purpose; that is, for recreation and culture activities. The single exception, designated as an omnibus agreement, was the Regional Recreation and Parks Agreement between Leduc county and a number of towns to plan and provide regional parks and recreation and leisure services in those communities and their surrounding districts. See Exhibit 4 for an illustration and further discussion.

The recreation cost-sharing agreements appear to have been promoted by the counties, which have established numerous bilateral agreements with urban municipalities within or proximate to their borders. Leduc county, Parkland county and Sturgeon county each have a number of agreements with urban centres within their boundaries (see Figure 2.) Leduc county has agreements with seven towns and the city of Leduc. Parkland county has agreements with four towns plus involvement with the Tri-Leisure Facility (the subject of a case study in Section 6). Parkland also has an agreement with Devon, a town in Leduc county but which borders Parkland county, and an agreement with Drayton Valley that is also just beyond Parkland's border. Sturgeon county has agreements with five towns. Interestingly, Sturgeon county has no agreement with St. Albert (or vice versa, naturally), the largest neighbouring urban centre (next to Edmonton) although a joint recreation centre similar to the Tri-Leisure Facility has been discussed. Strathcona county reports no recreation agreements with urban centres. Moreover, unlike Parkland county, there is no separate recreation agreement with proximate urban authorities, notably the city of Ft. Saskatchewan. Recreational services are encompassed within an interesting

Exhibit 4: Co-ordination vs. Service Provision

An interesting aspect of the relationship between the county of Leduc and the village of Thorsby is a parallel set of agreements for recreation services. They have struck two agreements: one is the Recreation Cost Sharing Agreement, which is structured in the same manner as all of the recreation cost-sharing agreements between Leduc county and its urban communities. The other agreement is for the operation of the Thorsby and District Recreation Board.

In most of the other recreation cost sharing agreements encountered, there was generally little formal input from the counties into the services provided by the towns. The Leduc county and Thorsby agreement contrasts with those by establishing a parks and recreation board that has community representation from each of the county areas around the village of Thorsby. The purpose of this board is to establish recreation policy and decide on recreational programs for the area. The task of delivering these services then falls to the village's recreation department.

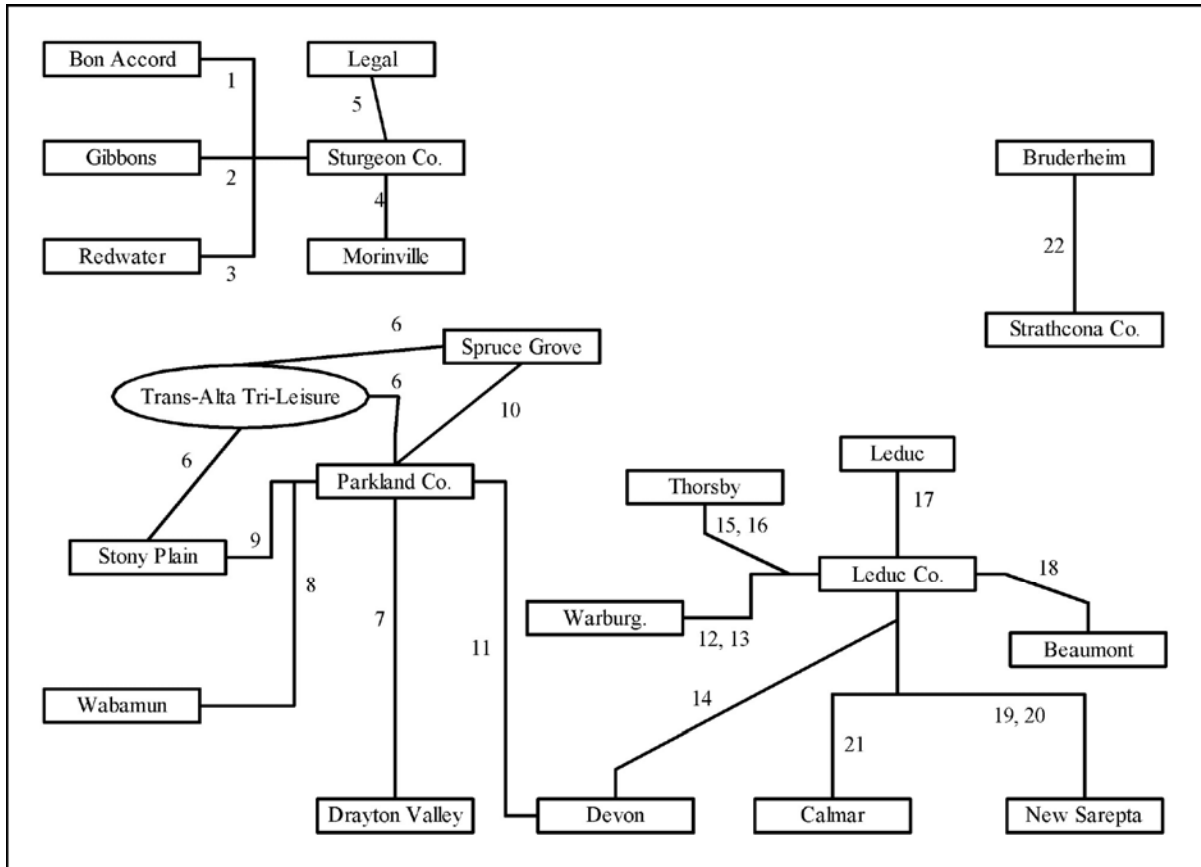
Although both agreements are highly structured and formal, they serve very different, but complementary purposes. The Recreation Cost Sharing Agreement deals with actual service provision while the Recreation Board agreement acts as a co-ordinating mechanism.

larger management services agreement between Strathcona county and town of Bruderheim which lies just beyond the county line. But that agreement does not make any provision for sharing services. It is, however, only a service management agreement (not a shared service arrangement) under which Strathcona county provides management services, including those for recreation, to Bruderheim.

The city of Edmonton sits relatively isolated in the centre of the other communities with no recreation or culture agreements (beyond the River Valley Alliance, which has only a co-ordinating role) with neighbouring municipalities despite their proximity. If there are few spillovers of recreation users between Edmonton and its neighbours, which may be the case, this situation may be quite rational. Further, while there may be spillovers, other factors may contribute to the absence of shared service agreements. Most notably, policy makers may not perceive the need to engage formal collaboration either because they don't think it worth the cost or, simply, because the municipality is wealthy enough to go it alone. The lack of agreements suggests that all or some combination of these may play a role. One suspects that the spillovers are relatively modest, joint service agreements could be costly to negotiate and administer relative to the benefits, and the city can meet its citizens' demands for recreation services acceptably well already.

These observations may also extend to Strathcona county and St. Albert, both of which are not involved in recreation and culture shared services agreements. Strathcona county is the second most populated municipality in the region and one of the wealthiest municipalities in the province. St. Albert is the third most populous municipality with a fully developed range of civic services and a strong professional civic service. While St. Albert has contemplated an arrangement with Sturgeon county, nothing has materialised. Indeed, residents of communities outside Edmonton may be expected to adhere closely to their smaller local communities for recreation services because they have often chosen those communities to avoid the city and to enjoy the benefits of the small community lifestyle. In addition, these communities provide many of the most popular recreational services at a level comparable to those available in Edmonton or anywhere else in the region.

Figure 2: Sub-Regional Recreation Agreements¹³



Legend for Sub-Regional Recreation Agreements

1. Bon Accord - Sturgeon county Recreation Cost Sharing Agreement
2. Gibbons - Sturgeon county Recreation Cost Sharing Agreement
3. Redwater - Sturgeon county Recreation Cost Sharing Agreement
4. Morinville - Sturgeon county Recreation Cost Sharing Agreement
5. Legal - Sturgeon county Recreation Cost Sharing Agreement
6. TransAlta Tri-Leisure Corporation
7. Drayton Valley - Parkland county Recreation Cost Sharing Agreement
8. Wabamun - Parkland county Recreation Cost Sharing Agreement
9. Stony Plain - Parkland county Recreation Cost Sharing Agreement
10. Spruce Grove - Parkland county Recreation Cost Sharing Agreement
11. Devon - Parkland county Recreation Cost Sharing Agreement
12. Warburg - Leduc county Recreation Cost Sharing Agreement
13. Warburg - Leduc county Regional Parks and Recreation Board
14. Devon - Leduc county Recreation Cost Sharing Agreement
15. Thorsby - Leduc county Recreation Cost Sharing Agreement
16. Thorsby - Leduc county Regional Parks and Recreation Board
17. city of Leduc - Leduc county Recreation Cost Sharing Agreement
18. Beaumont - Leduc county Recreation Cost Sharing Agreement
19. New Sarepta - Leduc county Recreation Cost Sharing Agreement
20. New Sarepta - Leduc county Regional Parks and Recreation Board
21. Calmar - Leduc county Recreation Cost Sharing Agreement
22. Bruderheim Management Services Agreement

¹³ Agreement descriptions can be found on the below.

The lack of agreements with Edmonton also suggests that it is in the smaller communities – and particularly between the smaller urban centres and their surrounding rural communities – where shared service arrangements for recreation services is most attractive. In those situations, both spillovers of users and cost savings available from economies of scale and scope in service provision are potentially large. A simple, but not atypical, example illustrates the incentives. Indoor ice arenas for skating and hockey are popular features of community recreation facilities even in smaller centres. If a small town or village of 2500 contemplated such a facility, the cost per person or taxpayer would be relatively large. In addition, the arena would be under-utilised. If, however, the urban centre can partner with the surrounding rural community, costs could be shared, utilisation increased and, perhaps due to greater utilisation, better services result. In the region's counties, it is common for the rural population to amount to 30 to 50 percent of the total population¹⁴. Expanding service to and cost sharing among an additional 1075 to 2500 persons substantially reduces costs to the urban community – to 70 percent if the group expands to 3575 from 2500 and to 50 percent if the group doubles – and provides otherwise unavailable services or more convenient services to the rural residents. Clearly, for many small communities and their rural neighbours, service sharing has a variety of attractions.

Again, it may appear unusual that Ft. Saskatchewan, a relatively small city, and St. Albert, although larger, both of which could be expected to experience some spillover usage of their facilities have no recreation shared service agreements with their neighbouring counties. On the other hand, to continue the arena example, St. Albert, with a population of about 50,000, has four indoor ice surfaces and Ft. Saskatchewan, with 14,000 persons, has two. For this particular recreational service, and likely for a number of others, the advantages of shared service arrangements are distinctly more modest. Meanwhile, Spruce Grove (15,000) and Stony Plain (9,000), two neighbouring communities, found it advantageous to unite with Parkland county to build an outstanding leisure centre.

Most of the recreation agreements were reported to be new. The ratio of new to renewed existing agreements was almost 2:1 (17:9). However, a number of the reported new agreements go back to 1995. Of the 15 agreements for which an initial date was reported, eight were initiated during the 1990-95 period. Starting, renewal and termination dates were frequently not reported. What information is available on renewal and termination dates suggests that it is not uncommon for the agreements to be ongoing unless a decision is made otherwise. There was no indication here that, during the past two years at least, that any recreation agreements had been terminated.

Responsibility for setting operating policy for recreation shared service agreements usually rests with a citizen board. The board may have elected and/or appointed persons. This arrangement dominates in Leduc county and Parkland county agreements and most other agreements. Boards comprised of

¹⁴ Based on census figures (2001 Census)

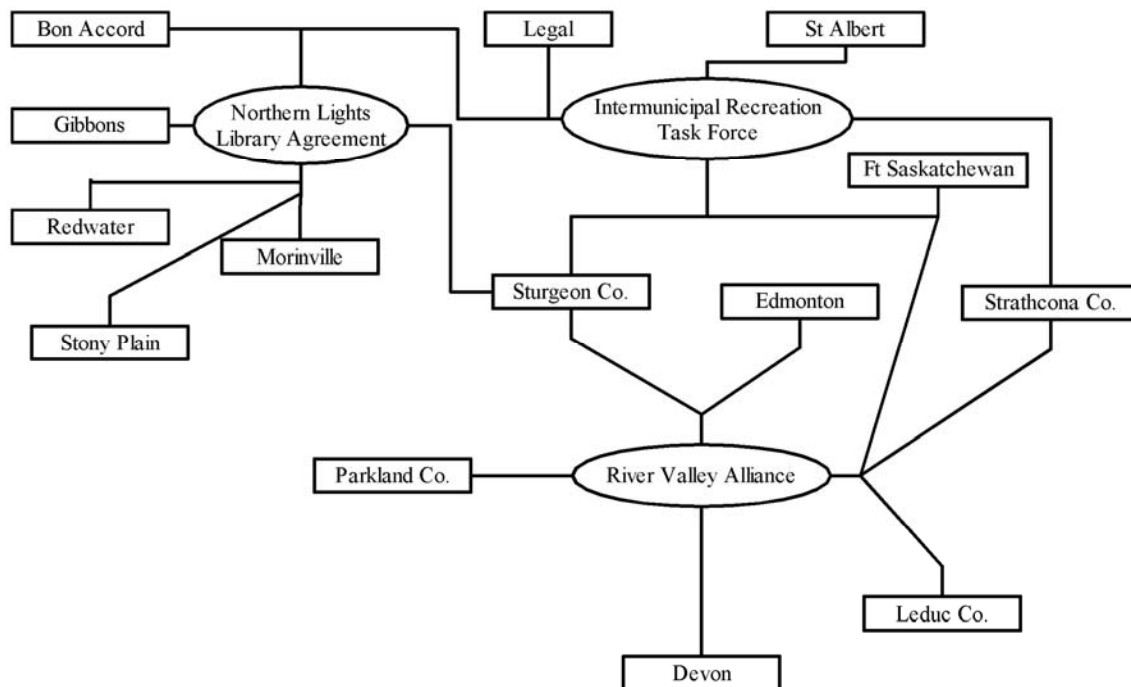
delegates of the partners (in some cases employees of the partners and occasionally citizen participants on the boards) were responsible for operating policy in the case of the recreation web site. In Sturgeon county, the county's voice in operating policy rests with an administrator.

In most cases, the partnership can apply for outside funding. In only three instances did the responses consistently indicate that outside funding could not be sought by the partnership group. However, there seems to be some confusion or disagreement on this point because in responses covering seven of the agreements the partners failed to provide consistent responses; that is, at least one said yes, external funding could be sought, while at least one said no. Very likely this situation arose because the question of seeking outside funds had not arisen.

Did the agreements restrict recreational services to residents of the member municipalities?; Generally, no. The typical recreation shared service agreement did not restrict services. However, the three library agreements were reported as restricting services to members' residents. The municipal agreements for sharing facilities with school boards also reported restricting services.

It is often possible to charge differential fees to users even if non-residents are not excluded. For most recreation services, differential fees are not applied. Responses from Parkland and Sturgeon Counties reported no differential fees. We suspect the same is true for the shared service agreements in Leduc county. The responses there, however, were not consistent. The county reported differential fees while its partners reported no differential. We suspect that the county interpreted the question as referring to the contributions by the partners that do differ according to relative populations in the recreation area. Also, but elsewhere, there was some disparity in the responses about the use of differential fees for library services and the fees charged in the Tri-Leisure Facility. Edmonton's new arena strategy proposes restricting contracts for use of its ice surfaces to groups having at least 75 percent Edmonton residents.

Figure 3: Pan Regional Recreation Agreements



The nature of the general recreation agreements and their funding differ in interesting ways across the counties. In Sturgeon county, the agreements allow county residents access to town facilities and town residents equal access to county facilities. Leduc county defines recreation areas surrounding the urban communities in the county. The operating costs of recreational facilities in the urban communities are shared according to the urban-county population split in each recreational area. Across the county, the rural (i.e., county) to urban population ratio is approximately 30:70. A board (jointly representing the county and urban residents) is responsible for recreation services within each recreation area. Parkland county also has agreements with the urban communities (including two just beyond its borders). The county's contributions towards the operating costs of recreation facilities are based, however, on usage by county residents. Counts of users' residence are made one week per month upon which the county's share is calculated. The administrative burden and inconvenience of the counts is a contentious point with the operators. One community suggested that in its case the county share was 20 percent. In Parkland county, the rural-urban split is approximately 50:50 but the rural population is widely dispersed.

Parkland county, Spruce Grove and Stony Plain have co-operated in the development of the TransAlta Tri-Leisure Centre. Cost sharing for municipal contributions to that facility is stipulated in the partnership agreement to be 42 percent Spruce Grove, 24.5 percent Stony Plain and 33.5 percent Parkland

county. The sharing between the two urban communities seems to correspond to their relative populations. The rural-urban balance among the three appears to give half weight to the county population relative to the urban population. The costs of the facility is reported as being covered 72 percent by user fees, 26.5 percent by contributions from the partners, and 1.5 percent from donations.

While 70 percent is often mentioned as the share of recreation revenues coming from user fees, the one other observation (of the few observations on this distribution) indicates that user fees contributed 38 percent, taxes/special levies 22 percent, contributions from partners 39 percent, and other sources one percent.

There is only a little information on library funding. In the Parkland county - Spruce Grove case, the responses indicated that the facility costs are fully covered by Spruce Grove but that 35 percent of the operating costs are covered by the county. In the Sturgeon county - Northern Lights case, we only know that 60 percent of the costs are covered by contribution from partners and 40 percent by taxes or special levies. The River Valley Alliance and the Recreation Web Site are 100 percent financed by partner contributions.

3.4 Concluding Observations

During the inventory phase 38 agreements were reported – 29 in the recreation and culture area and nine in the economic development area. Not all ACRA members reported in this phase. However, due to the structure of the survey we are confident that all agreements have been reported. In only a few cases did all ACRA members that were signatories to an agreement each report it in their inventory survey.

The majority of recreation agreements were of a cost sharing nature between a county and an urban centre within the county. Thus, many of these agreements were very local in nature. The economic development agreements tended to be more encompassing within a sub-region, involving towns of varying size in the same agreement. The vast majority of the recreation agreements were formal whereas proportionately more of the economic development agreements were reported as being informal. Nonetheless, the majority of economic development agreements are also formal.

We noted quite a varied structure in the nature of the recreation cost sharing agreements across the three counties involved. The Leduc county and Parkland county agreements all stipulate that the counties are to pay a share of the operating deficits for each of the respective recreation programs. The Parkland county agreements base this share on actual *head counts* of users at the affected facilities. Leduc's are based simply on census data showing the number of users in a catchment area that are county residents. Sturgeon county's agreements simply state a lump sum fee to be paid each year.

Edmonton, St. Albert, and Fort Saskatchewan do not report any sort of recreation cost sharing agreements with neighbouring counties. This, along with other patterns, suggests that smaller centres and their surrounding counties have much more to gain from co-operating in recreation ventures.

4. Evaluation Survey

4.1 Methodology and Introduction to the Analysis

Having inventoried the shared service agreements, the next stage was to evaluate those agreements. An evaluation instrument was prepared that was used to survey a representative of each partner of each agreement to obtain the range of perspectives on performance, features and the service environment. The questions in the evaluation survey pursued information about a number of factors that the literature and other sources suggested might be influential in determining performance. In particular, the survey examined:

- motivations for establishing shared service agreements;
- selected agreement characteristics;
- partners' influence on or voice in the operations and decision making;
- how municipalities managed, maintained accountability, and monitored the agreement;
- performance indicators and measurement;
- evaluation (according to various performance criteria);
- overall satisfaction;
- future vitality/renewal; and,
- strengths, weaknesses and areas for improvement as ascribed by the respondents.

The evaluation survey instrument comprises Appendix B; full tabular results of the inventory survey are contained in Appendix D.

The data gathered in the survey are analysed from two perspectives. Initially, the responses to the survey are reviewed, largely question by question. The responses afford a number of interesting insights and suggestions and may also, as a snapshot of their programs, be of special interest to representatives of the municipalities. In the second section, the determinants of success and failure of shared service arrangements are explored.

A note of caution is necessary. Perhaps due to the timing of the evaluation survey, the response was disappointing. Despite continued efforts over an extended period, the response rate did not improve much and ended up at 46 percent. At the end of the initial survey period, no evaluations were received from any participant for two of the seven economic development agreements and for three of the 27 recreation agreements that we attempted to study. In addition, for 17 agreements, responses were obtained from only one of the partners. Because of the small numbers and the often narrow (i.e., a single municipality's) perspective, these evaluation data and their interpretation must be viewed with caution. In addition, although the respondents are informed, the opinions are those of one person for each municipality for each agreement.

4.2 Review of the Responses

This discussion follows the topics noted above and reviews the responses to the survey questions related to that subject. Only the main observations are included. More detail can be found in the tables displaying the full responses to each question. Those tables are found in Appendix E.

4.2.1 Motivation

Local officials were asked the main motivation for entering each shared service agreement (Question 5). Almost half of the 44 respondents indicated that the agreement created an opportunity to provide a new service; that is, one that did not previously exist. This reason was particularly important in the case of economic development, with six of ten citing that reason. These respondents sought to increase municipal effectiveness. The opportunity to reduce cost while maintaining services was the reason given by ten and the opportunity to reduce costs while improving services was given by seven. In these instances municipalities clearly sought efficiency gains. Eight, almost one-fifth, replied that the shared service agreement was the alternative to ending the service because of budget concerns. (This response was, however, dominated by one municipality.) Here economies were sought. Thus, cost reductions in some form appear to have been the primary motivation for *just over* half the respondents while extending services seems to have been the major motivation for the (*almost*) other half. These findings support economic explanations of motivation.

Non-economic motivations, such as building collaborative networks for strategic reasons or establishing arrangements in the light of senior government incentives or requirements, were not directly cited as motivations. Perhaps this is because respondents were not asked explicitly about them. Yet, there is reason to believe provincial government incentives or policy requirements promoted, at least initially, a number of recreation and culture shared service arrangements. As noted below, under the discussion of weaknesses in area shared service agreements, some respondents stated they felt pressure to participate under threat of loss of provincial grants.

4.2.2 Selected Agreement Characteristics

Formality

Agreements may be formal or informal. Of the 29 recreation agreements, 26 are formal arrangements. In contrast, five of the nine economic development agreements are formal. This result is in accordance with findings by Van de Ven et al (1979). Specifically, service delivery agreements tend to be formal while planning and co-ordination agreements tend to be informal.

Value Chain Placement

The nature of the service may affect the agreements made, their management, and their evaluation. Recreation and economic development are quite different services. Many citizens directly experience recreation services

and put a high value on them. Economic development is less obvious to citizens and harder for them to evaluate. Differences in citizen awareness and priorities cause different services to have different places in, what some call, their “value chain”.¹⁵ To get a grasp on where in the value chain a service might be located, the evaluation questionnaire included a question (Question 2) asking whether the service was directly used by citizens, used in the provision of municipal services, or was a “back-office” function. Payroll services illustrate a back-office function in that citizens are typically unaware of it or of how it is accomplished although it is essential to the proper functioning of the local government. Among the responses relating to recreation agreements, three-quarters (25 of 34 responses) related to services that are directly used by citizens. Cost sharing agreements and the TransAlta Tri-Leisure Centre are examples. Five covered services used in provision of recreation and four were of the back-office type. The Thorsby-Leduc county Recreation and Parks Board is an example of this type. In the case of economic development, seven of 10 responses indicated the agreement covered a service used in the provision of service, two reported back-office functions, and only one was for direct citizen use.

Voice, Integration and Flexibility

As suggested, when municipalities partner or contract for services, they want to have a (fair) *voice* or degree of influence in the decision making that leads to the outcomes that they experience. One would think that what is preferred is voice during the life of the contract, not just during contract negotiations. Joint operating agreements provided the highest sense of having an influence in decision making (over contract arrangements). Seventeen of 25, or 68 percent (Question 9) participating in such agreements felt that they had either a high degree of influence or some influence. Only three felt they had no control. The same 25 respondents felt that the other partners in the joint operating agreement also had some or high control (15 of 24); only one felt a partner had no control (Question 10). In the case of the principal-agent agreements (Questions 7 and 8), five of 11 respondents felt that they had only minimal control. However, the majority of the selling municipalities (five of eight), indicated that the buyers had either some or a high level of control. Note that respondents did not always distinguish between joint operating agreements and principal-agent contracts.

Integration is the extent to which parties are interdependent upon one another in the provision of a service. Integration ranges from minimal, such as with a straight two-party contract-for-service arrangement, to full, as with a joint operating agreement. By comparing details from the contracts and information from the inventory and evaluation surveys to a set of criteria established from the literature review, an extent of integration indicator was derived.¹⁶ The majority of the agreements, both for economic development (seven of 10) and

¹⁵ “Value chain” is a term coined by Michael Porter. The notion is that a group of similar organisations have similar processes involved the delivery of goods or services. The value chain concept refers to the sequence of activities in the process of delivering services. For local government, upstream activities are those that establish policy while downstream activities are those things that are directly enjoyed by citizens.

¹⁶ A detailed explanation of how the measure was constructed can be found in a technical note in 0.

recreation (27 of 34), fall into the moderate-low to moderate-high levels of integration.

Flexibility in arrangements may contribute to a sense of influence. Roughly two-thirds (23 of 34) of the respondents indicated that there was considerable latitude when asked about the latitude for making deals on an as needed basis (Question 1).

4.2.3 Accountability and Agreement Monitoring

How do the municipalities handle their agreements? When asked whether council takes an active and direct role in setting and overseeing operating policy for the shared service (Question 6), half of the 40 replying reported frequently or very frequently while almost half reported infrequently or never. Councils play a more active role in the case of recreation agreements than in economic development agreements.

A clear assignment of responsibility for monitoring has been identified as important for the success of agreements (e.g., Mitchell and Shortell, 2000). This responsibility is well covered among the agreement participants responding. Only three of 44 responses indicated that no one was specifically assigned the monitoring responsibility (Question 25). A range of officials is responsible for monitoring agreements. The list includes the chief administrative officer, other management staff and departmental or operating staff. (The manager/staff person dominated the “other” response.) Senior administrators are typically (eight of 10) responsible for economic development agreements but, in recreation, the responsibility is quite evenly distributed among the range of positions. No municipality reported having a dedicated compliance officer to monitor agreements. Shared service agreements may be too new in this area to have a position dedicated to monitoring compliance or it may be that the task is capably and efficiently done by a senior person working in and familiar with the area.

4.2.4 Performance Indicators and Measurement

Measuring performance of public services is often troublesome. Agreements often target either outputs or best practices, the latter being “input” measures. Pursuit of best practices is appealing when output is more difficult to measure. Economic development agreements tend to target best practices or both best practices and output (Question 11). Recreation agreements are split almost evenly between the two alternatives or specify both. It is reassuring that, when it comes to evaluation of output, the evaluation criteria match closely to the target criteria (Question 12).¹⁷

Various indicators of performance can be called upon. Change in utilisation of the service provided is a possibility. For those communities previously providing the service unilaterally prior to the agreement, eight of 21 reported increased use, 12 reported no change and one a decline (Question 21). In

¹⁷ It is not uncommon, when looking at project evaluations in both the public and private sectors, to see evaluation criteria and methods not matching the nature of the activity or the target objectives.

response to a “Has user satisfaction improved?” question, 12 of 21 felt that there was no change and nine felt that it had improved (Question 24). None reported satisfaction having declined. Only three municipalities reported actually having conducted a consumer satisfaction survey for the studied services (Question 22). Those surveys found satisfaction levels in the 70 to 90 percent range.

Municipalities were not overwhelmed by the difficulty of measuring outputs. When asked “Are outputs easily measured?” about 60 percent (27 of 44) indicated that it was very easy (five) or somewhat easy (Question 28). Only eight reported that it was very difficult. Somewhat surprisingly, the responses for economic development paralleled those for recreation. It was expected that the output of economic development would be considered more difficult to measure. About 80 percent (36 of 44) felt that measured outputs measured success accurately (10) or to some degree (26) with the remainder believing that they did so poorly (seven of 44) or not at all (one) (Question 29). The output of an inter-municipal web site was considered one of the more difficult service outputs to measure for lack of easily defined output criteria.

4.2.5 Free-riding and Disputes

As public choice theory suggests, one of the compelling reasons for establishing shared service arrangements is to manage *spillover* effects. For example, residents of rural communities may enjoy the recreational services supplied by their urban neighbours resulting in an uneven distribution of the costs relative to the benefits; that is, free riding. Similarly, economic development efforts by one community may often end up aiding neighbouring communities. These situations can result in the under-provision of such services and some irritation among neighbours. Even when shared service arrangements are in place, non-participating municipalities may cause some residual free riding and spillovers.

The survey asked whether free riding was a problem. Only one of the respondents reporting on economic development felt that there was a free-riding problem (Question 19). In the case of recreation, almost half (16 of 34) reported a free-riding problem caused by residents of non-participating municipalities (Question 16). Most municipalities (11 of 16 replying) chose not to attempt any action to correct the problem, and four felt that they could not act effectively. Only one claimed action to cut down on the problem. However, when asked about the use of differential pricing (e.g., charging residents of non-participating communities more), five of the 15 replies indicated the use of differential fees. One reason for inaction in dealing with spillovers may be that solutions can be costly (possibly both economically and politically). Representatives from the recreation departments of two communities pointed out that the number of non-resident users was relatively small and not worthwhile attempting to address.

Disagreements do arise when municipalities partner or collaborate. Fortunately, almost three-quarters (32 of the 34 cases) reported no disputes during the previous two years (Question 27). Two indicated frequent disputes. Only 11 of the 44 reported a formal dispute resolution mechanism and nine

indicated that there was no resolution mechanism (Question 26). In just over half of the agreements, the parties relied upon informal procedures.

4.2.6 Evaluations

Various questions provided evaluations of the shared service agreements. Among those are the questions that asked about the achievement of stated goals, value for money, and fair and equitable treatment (Questions 13, 14 and 15).

One pleasing result is that the region's shared service agreements matched expectations; 75 percent (33 of 44) respond so. That response prevailed for both recreation (27 of 34) and economic development (six of 10). Only four of the 44 were characterised as having exceeded expectations. Six were regarded as falling somewhat short of expectations. While the numbers are small, those represented a larger portion of the economic development agreements. Only one agreement was seen as having fallen far short of expectations – this view reported only by one party. Other members to that agreement reported that it met their expectations. In general, the disappointments on this count appear to be minor and few.

There was also strong agreement in both areas that the arrangements provided value for money. Overall, 70 percent answered yes to this question (31 of 44). Another eight, or almost one-fifth, replied with somewhat. Only four were neutral and only one replied with not at all. The recreation task force web site received rather diverse assessments on this criterion.

Table 2: Reported Overall Success (all agreements)

| | Frequency | Percent |
|--------------------------|-----------|---------|
| a) Very successful | 23 | 52.3 |
| b) Somewhat successful | 8 | 18.2 |
| c) Neutral | 12 | 27.3 |
| d) Somewhat unsuccessful | 0 | 0 |
| e) Very unsuccessful | 1 | 2.3 |

Table 3: Reported Overall Success (recreation only)

| | Frequency | Percent |
|--------------------------|-----------|---------|
| a) Very successful | 19 | 55.9 |
| b) Somewhat successful | 5 | 14.7 |
| c) Neutral | 9 | 26.5 |
| d) Somewhat unsuccessful | 0 | 0 |
| e) Very unsuccessful | 1 | 2.9 |

Table 4: Reported Overall Success (ED only)

| | Frequency | Percent |
|--------------------------|-----------|---------|
| a) Very successful | 4 | 40 |
| b) Somewhat successful | 3 | 30 |
| c) Neutral | 3 | 30 |
| d) Somewhat unsuccessful | 0 | 0 |
| e) Very unsuccessful | 0 | 0 |

Equitable treatment prevails. Those responding yes to the question about whether their municipality was treated fairly and equitably accounted for 35 of the 44 responding (80 percent). Seven in total, and a minor portion of those in both the economic development and recreation agreements, replied with somewhat fairly. Some dissatisfaction on this criterion is suggested for the Northern Lights Library System Agreement. No one answered with “no, the agreement favoured their municipality,” but one responded with “no, the agreement favoured others.”

The surveys also asked for an overall assessment of the agreement’s success (Question 31). Half considered the agreements very successful (23 of the 44 replying). For economic development agreements, the residual was split between somewhat successful and neutral. In the case of recreation, the remaining opinions were more diverse. Five of 27 replied with somewhat successful, another nine with neutral, and one with very unsuccessful. None replied with somewhat unsuccessful. See Table 2 through Table 4.

Thus, in the evidence, the survey indicates that the vast majority of shared service agreements are working well. Another test of satisfaction is whether the agreement is renewed. The prospects for renewal were addressed in Question 3. Only one respondent of 40 who answered replied that the agreement would not be renewed (a recreation agreement) and one felt that renewal was unlikely; 38 of 40, or 95 percent, expected renewal with 29 of the opinion that renewal was very likely.

4.2.7 Perceived Strengths, Weaknesses and Potential Improvements

Respondents were queried about the strengths and weakness that they saw in the agreements (Question 32). There were 20 responses representing 11 municipalities and covering 16 agreements. This summary may be somewhat arbitrary in classifying the various responses but we believe that it reflects the opinions related.

The most frequently mentioned strengths related to the agreements a) facilitating co-operation and joint action, b) enhancing services without increasing costs to users, and c) resulting in a fair sharing of costs. Also mentioned were that the agreements were providing good services and resulted in a more effective use of resources. The reported strengths are those we would expect to see in satisfactorily rated partnerships. This list reflects either what has been achieved (cost savings) or features that the literature suggests contributes directly to successful collaborations.

A number of weaknesses were also mentioned but those ranged more widely. Most commonly cited was the complaint that the cost allocation could be improved (including that free riding still existed). Other concerns included less than ideal co-ordination, weak financial control by own council, narrower scope of services than would prefer, a need for more resources, and perceived pressure to join under threat of loss of provincial grants.

A related question (Question 38) asked about what contributed to the success or failure of the agreement. There were somewhat fewer responses to this question than to Question 32. Two themes dominated responses concerning

success. One was the spirit of co-operation and willingness to work together that existed, and the other was the satisfaction resulting from quality services. One response relating to an economic development agreement also mentioned the importance of business participation, effective leadership and quality staff. A response relating to a library agreement noted “grassroots” involvement and its importance because municipal officials often tend to regard libraries as an education responsibility and not a municipal responsibility.

Question 39 asked about what might be done for improvement. The number of responses to this question was similar to those to Question 38. There were 17 responses representing 10 municipalities and covering 13 agreements. The opinions expressed were diverse. The dominating replies were, first, the need to continue to motivate and to promote co-operation, and, second, to encourage others to join the agreement. The latter arose from feelings that there exists potential for expanding and improving the service if there are more members (i.e., a sense that additional membership and contributions could enhance the service to all). There was also a sense that there were still some benefiting who were not sharing in the costs (i.e., free riding). Related to this were some concerns expressed about more appropriate pricing and cost sharing and of the need for better determining the actual users. Other factors mentioned were better communications among partners, simplified accounting, flexibility in changing circumstances, and additional (notably capital) funding. Several of the responses related to library agreements. Suggestions emerging from those responses include introducing a trial period enabling local library boards to try out agreements with the Northern Lights Library System, increased publicity and awareness, and expanded provincial support reflecting the educational nature of library services.

4.3 Measuring Success

The literature and our review of the survey responses suggested a number of attributes of successful agreements. In this section, these factors are explored further and an effort is made to formally test for potential relationships in this data. The features of agreements that are believed to relate to their success or failure largely structured the previous section. As already observed, each of those topics – motivation, selected characteristics of agreements, voice, accountability and monitoring, performance indicators and measurement, and potential problems and dispute resolution – was addressed by various questions in the survey. The responses to one or more of these questions (an informed selection) are related to measures of success to test for a potential (positive or negative) contribution to agreement success. Before reporting these results, success and its main components need elaboration. However, before this elaboration, a methodological note is in order.

4.3.1 Methodological Note

There are several ways of examining and testing for associations among variables. The small number of observations in the sample limited the choice of

methods and the strengths of the tests. Various regression models were attempted but that approach proved inconclusive. Hence, cross tabulations are resorted to here to report and visually indicate connections and then we make use of chi-squared tests of independence and Spearman's rank correlation coefficients for formal tests of association.

The results are illuminating. However, the drawback to this approach is that it only considers two factors in isolation and does not take into account (i.e., control for) the interaction and possible impacts of other factors that are or may be present. Furthermore, presence of a relationship does not prove causation although, if based on theory and experience, causality likely underlies the association. Despite these limitations, which demand some caution in the interpretation of the empirical analysis, the results are believed to demonstrate factors that are likely to be important (or relatively unimportant) in achieving successful shared service agreements.

4.3.2 Overall Success and Its Components

The dominant measure of the success of an agreement is taken to be the response to Question 31, "Overall, how successful has this agreement been?" Other indicators of success, or components of overall success, are the responses to Questions 13, 14 and 15. Those responses address achievement of stated goals, value for money, and fairness respectively

Table 5: Question 13 - Does the agreement achieve originally stated goals?

| | | a) Exceeded expectations | b) Matched expectations | c) Somewhat less than expectations | d) Far short of expectations |
|--|------------------------|--------------------------|-------------------------|------------------------------------|------------------------------|
| Question 31 - Overall, how successful has this agreement been? | a) Very successful | 4 | 19 | | |
| | b) Somewhat successful | | 5 | 3 | |
| | c) Neutral | | 9 | 3 | |
| | e) Very unsuccessful | | | | 1 |

Table 6: Question 14 - Does this service provide value for money to your constituents?

| | | a) Yes | b) Somewhat | c) Neutral | d) Not at all |
|--|------------------------|--------|-------------|------------|---------------|
| Question 31 - Overall, how successful has this agreement been? | a) Very successful | 22 | 1 | | |
| | b) Somewhat successful | 2 | 5 | 1 | |
| | c) Neutral | 7 | 2 | 3 | |
| | e) Very unsuccessful | | | | 1 |

Table 7: Question 15 - Is your municipality treated fairly and equitably in the agreement?

| | | a) Yes | b) Somewhat | c) No, the agreement is preferential towards us | d) No, the agreement is preferential toward our partner(s) |
|--|------------------------|--------|-------------|---|--|
| Question 31 - Overall, how successful has this agreement been? | a) Very successful | 21 | 1 | | 1 |
| | b) Somewhat successful | 6 | 2 | | |
| | c) Neutral | 8 | 4 | | |
| | e) Very unsuccessful | | | | 1 |

Table 8 (below) lists cross tabulations between the responses to each of the other measures of success and the responses to Question 31 (the measure of overall success). Visual inspection of the tables shows a strong connection between each of the other measures and the primary measure. Furthermore, each of the correlations is highly significant (at the 1 percent level). Table 8 shows simple correlations between each measure of success and all other measures of success. Here we see a positive and highly statistically significant correlation between each of the measures of success.

Table 8. Correlations between measures of success

| | | Question 13 | Question 14 | Question 15 | Question 31 |
|-------------|--------------------------------|----------------|----------------|----------------|-------------|
| Question 13 | Correlation Sig. (2-tailed) | 1 . | | | |
| Question 14 | Correlation Sig. (2-tailed) | .504 .000** | 1 . | | |
| Question 15 | Correlation Sig. (2-tailed) | .401 .007** | .541 .000** | 1 . | |
| Question 31 | Correlation Sig. (2-tailed) | .570 .000** | .599 .000** | .379 .011** | 1 . |

** Correlation is significant at the 0.01 (the one percent) level (2-tailed).

Based on the relationships between each of these measures of success, one can be confident in the validity of the four measures in evaluating the hypotheses in the following sections.

4.3 Agreement Attributes and Agreement Success

Having established the close associations among the various indicators of agreement success, the relationships between them and specific agreement attributes are explored. That is, the association of the selected attribute variable with each of the four success indicators – goal achievement, value for money, fairness, and overall success – are reported. The relationships are tested for all agreements together and for recreation agreements only. There are too few

economic development agreements to conduct reliable tests for them separately. The results are summarised in Table 10.

4.4.1 Motivation for the Agreement

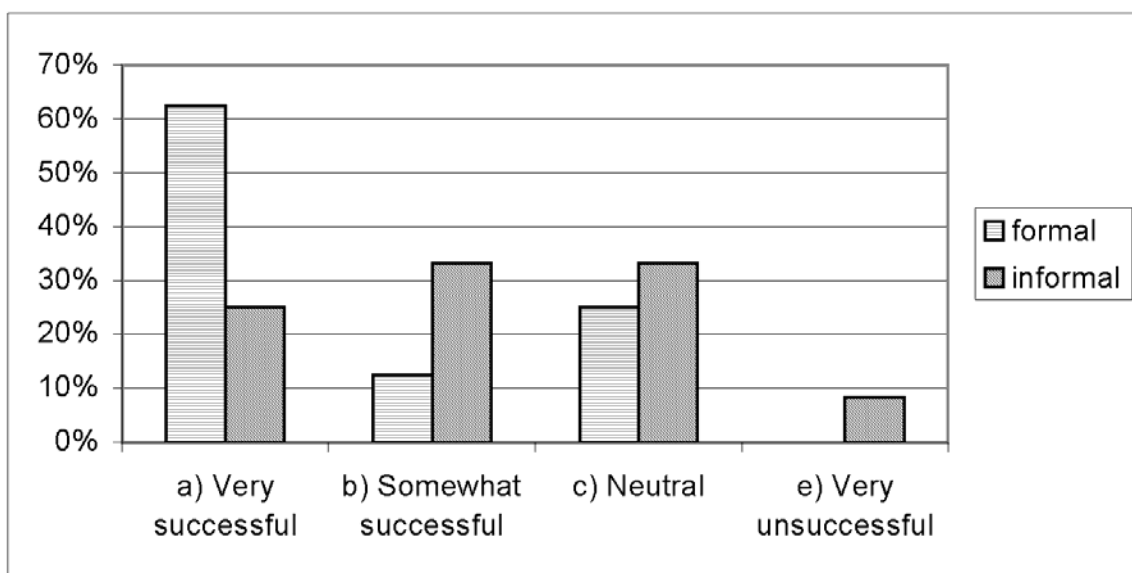
The literature suggests that, although collaborating organisations do not need to hold the same values or need the same reasons for entering shared service arrangements, success is nevertheless tied in some measure to strategic alignment. The data permit a limited test of the strategic alignment thesis. Our results show that the assessments of agreement success (in total and for recreation) are generally unrelated to the reported primary motivation for entering the agreement. The only exception is that there is a weak association between success in goal achievement and motivation. For the other indicators of success, there is no connection. Thus, success appears equally likely for agreements motivated by both service improvement and budget considerations.

4.4.2 Selected Characteristics

Formal vs. Informal

There are reasons to think that formal agreements would be more successful than informal agreements as well as reasons to think the reverse. When the relationship between formal versus informal agreements and the overall measure of success is examined, we see that there is clearly a difference. The chi-square test of independence is rejected at the 10% level of significance. Thus, we conclude that there is a difference in how these two categories of agreements function. Furthermore, it would appear that formal agreements perform much better. However, given the sample size, rigorous analysis is not possible. Instead, we present a graphical representation of the difference in Figure 4.

Figure 4: Measures of Success -- formal and informal agreements



One possible explanation for the apparent superior performance of formal agreements is that by their nature (as formal agreements) they require greater preparation and involve more commitment on the part of member municipalities. Consequently, people are more aware of the agreement and its activities. Further, on the evidence of elements contributing to the success of the agreements reviewed, it would seem that the formal agreements systematically address matters such as *voice*, equity shares, and dispute resolution provisions that contribute to partnership success.

Value Chain Position

Services that citizens experience and utilise directly and often (i.e., those that are more “downstream” in the municipal production process, such as recreation services and presumably roads) have a greater priority for them than those that are behind the scenes. The downstream services are of high priority to citizens and are more important in their value chain.

Does the position in the value chain matter to shared service success? Apparently so. For overall success and for each of goal achievement, value for money, and fairness, there was a strong relationship with the more downstream services higher in the citizen value chain (as revealed by the responses to Question 2). This relationship holds for both all agreements and for recreation agreements alone. Thus, those shared service agreements relating to services high in the value chain appear to be associated with success.

One must be cautious in the interpretation of this result. The observations cover recreation and economic development. Recreation agreements are predominately (25 of 34) those providing services directly to citizens. The 10 economic development agreements are predominately (nine of 10) upstream services. Ten is not a large sample but, when evaluated by municipal officials, economic development should also have a reasonable chance for achieving successful shared service arrangements. Nevertheless, it is reasonable to predict that direct-to-citizen services are a priority with local politicians and staff. In part, this relates to political weight but also, as here, recreational services in contrast to economic development may have more readily definable goals and observable outputs.

Table 9: Cross Tabulation for OWNCTRL and overall success

| | | OWNCTRL | | | | |
|--|------------------------|---------|------|----------|------|---------|
| | | Minimal | Some | Moderate | High | Extreme |
| Question 31 - Overall, how successful has this agreement been? | a) Very successful | 2 | 7 | 10 | 2 | 2 |
| | b) Somewhat successful | | 2 | 3 | 2 | 1 |
| | c) Neutral | 2 | | 8 | | 2 |
| | e) Very unsuccessful | 1 | | | | |

4.4.3 Voice in Decision Making

A strong theme in the literature reviewed in Section 2 is that *voice* in decision making and the ability to have some equitable measure of control within a partnership are key to partner satisfaction and to relationship success. Further, the literature suggests that integration among the partners in proper measure to the type of collaborative venture is important to realising success and satisfaction. Evaluation survey data permit an investigation of the relationship between perceptions of control (as a matter of voice) and success, and of integration and success.

Own Control

To measure the relationship between control (as voice) and success, a variable was created based upon responses to three questions in the evaluation survey. The OWNCTRL variable takes on discrete values ranging from 1 to 5. Agreements where the respondent's survey answers to questions relating to control indicated a feeling that their own municipality had very little control over an activity were rated a 1. Agreements where the respondent felt they had all of the control were rated a 5.

Table 10: Summary of results of hypothesis tests.

| Factor and Tested Relationship | Test | Sign & Significance | | | |
|---|------------------|---------------------|--------|--------|--------|
| | | Q 13 | Q 14 | Q 15 | Q 31 |
| | | Yes* | NS | NS | NS |
| Motivation: Does primary motivation (improving service or reducing cost) influence success? (question 5) | Chi-Square | Yes* | NS | NS | NS |
| Formality: Do formal and informal agreements have different prospects for success? (from inventory survey): | Chi-Square | yes* | yes** | yes** | yes** |
| Value Chain Location: Does proximity of the service to voters/taxpayers influence success? (question 2) | Rank Correlation | yes*** | yes*** | yes*** | yes*** |
| Own Control: As the amount of control held by the respondent municipality increases, does the perception of success increase? (questions 7 to 10) | Rank Correlation | yes* | yes** | yes** | yes*** |
| Integration: Does the extent of integration influence perceptions of success? | Rank Correlation | yes* | NS | NS | yes* |
| Integration Score: As the actual level of integration approaches ideal extent of integration, do perceptions of success increase? | Rank Correlation | yes** | yes** | yes* | yes*** |
| Monitoring: Does a clear assignment of responsibility for monitoring influence perceptions of success? (question 25) | Chi-Square | yes*** | yes*** | yes*** | yes*** |
| Matching Service Specification and evaluation criteria: Does a better correspondence between outputs specifications and evaluation criteria enhance success? (questions 11 and 12) | Rank Correlation | NS | NS | NS | yes*** |
| Outputs Measure Success: If measured outputs are seen to be a good indicator of success, is the prospect of success improved? (question 29) | Rank Correlation | yes** | yes*** | yes** | NS |
| Dispute Settlement Mechanism: Does a more structured dispute settlement mechanism improve the prospects for success? (question 26) | Rank Correlation | yes** | yes* | yes*** | yes** |

NS Not Significant
 *** Significant at the 5% level
 ** Significant at the 10% level
 * Significant at the 20% level

When measured against all the measures of success, this variable was significant when using one-tailed¹⁸ tests but its strongest level of significance was when it was compared to overall success. When the more demanding two-tailed tests were employed, OWNCTRL was significant only when looking at the overall measure of success. Visual inspection of the cross tabulation for this measure is revealing. (See Table 9.)

The relationship between own control and success appears to be non-linear in that there are numerous agreements with moderate control and relatively few at each end of the spectrum (two had minimal control and two had an extreme level of own control). Avoiding the extremes of control appears to contribute to agreement success.

This is an interesting result and there are a couple of ways of looking at it. First, if an agreement is specified too tightly, it is likely to limit flexibility and perhaps voice. Both flexibility and voice in some measure are important to the success of collaborations. If an agreement is tightly defined in favour of one party, it may be a sign of distrust in addition to effecting rigidity and absence of voice among the other party or parties. Presumably under such an arrangement the non-influential partner may become disgruntled. At the other end of the spectrum, too much flexibility and too little precision can provide considerable room for misunderstanding around key matters and may leave relations open to continual negotiation. If the parties have a moderate level of control, they are arguably more likely to be satisfied insofar as requirements for voice and flexibility are better accommodated.

Another way of looking at this question is to examine the difference in perceptions about own influence versus the other party's influence in fee for service arrangements versus partnerships or joint operating agreements. There is reason to expect that the perception of influence will differ under these two approaches to shared services. Borrowing from the literature, we anticipate that self-ascribed reports of own influence within true partnerships will be moderate and that the same will be true of attribution of partner influence. Conversely, we anticipate that influence will reside in the hands of one of the parties in buy-seller relationships. As such relationships are market-like transactions, the actual holder of influence in the relationship presumably will be determined by the nature of the market. Putatively, where choice exists, the buyer is likely to have influence. Where the supplier has a monopoly or the buyer possesses no choice, the advantage falls to the seller.

Table 11 reports on the differences in perceptions about one's own influence when providing services under a fee-for-service arrangement compared to views of one's own influence under joint operating agreements. Table 12 reports on perceptions of the other party's influence among fee for service buyers compared to partners in joint operating agreements.

¹⁸ In many cases, the literature review provided reasons to believe that a relationship, if one existed, would be either positive or negative. Thus we have opted for one-tail tests to test hypothesis in all but this case.

Table 11: Differences in views of own influence among fee for service providers and partnership members.

| | Fee for Services Provider | Joint Operating Agreement |
|---------------------------|----------------------------------|----------------------------------|
| a) High degree of control | 25.00% | 16.67% |
| b) Some control | 25.00% | 45.83% |
| c) Minimal control | 37.50% | 33.33% |
| d) No control | 12.50% | 4.17%Z |

Table 12: Differences in views of other party's influence among fee for service providers and partnership members.

| | Fee for Services Buyer | Joint Operating Agreement |
|---------------------------|-------------------------------|----------------------------------|
| a) High degree of control | 45.45% | 20.00% |
| b) Some control | 9.09% | 48.00% |
| c) Minimal control | 45.45% | 20.00% |
| d) No control | 0.00% | 12.00% |

Although the results displayed on Table 11 and Table 12 must be interpreted with caution, the perceptions of those involved in joint operating agreements appear to conform to our predictions. Nearly half the collaborators report that they possess "some control" in the relationship. Similarly, nearly half the collaborators report that the other party (or parties) to the agreements possess "some control." The predictions for buyer-seller relationships reveal perceptions of greater influence imbalance. Respondents are divided 50/50 as to whether providers possess a high or some control versus no or minimal control. No one reports that fee-for-service buyers have no influence. Of perhaps greater interest, results indicate that sizeable percentages of fee-for-service buyers (45.45%) either have a high degrees of control or minimal control (45.45%). We might deduce from these findings that different market contexts exist across the region, although we have not delved into this supposition.

Integration

Integration is considered in two ways. Initially, we look at integration as reported in the inventory survey. That measure, however, does not relate to what might be the appropriate degree of integration. Studies reviewed in the final subsection of the literature review (see 2.3.2) suggest that different levels of integration are associated with different types of services or matters (e.g., policy) that are the focus of a two- or multi-party arrangement. Hence, the second perspective involves a comparison of reported integration levels to an ideal, framed in the light of the literature findings, whereby some relationships are expected to be more highly integrated than others.

Beginning with the straightforward consideration, when reported levels of integration are compared to success measures, none are significant at the 10% level so really no association is found.

The second consideration involves comparing the actual level of integration with an ideal level, taking into account the potential for problems among

participants and the possible importance of those problems. Actual integration was scored from one (lowest) to five (highest) based upon an analysis of terms of the agreements in comparison to criteria taken from the literature (see the technical note at the end of this document). Two variables were created to reflect problem potential. One was based on an assessment of the potential for principal-agent problems (i.e., conflicts) existing in the agreement and the other was an assessment of the magnitude of the capital investment involved (a factor that could affect the importance of any disagreement). As the potential for principal-agent problems increases, the preferred level of integration increases. As well, as the extent of capital investment increases, a higher degree of integration is warranted.

This information was used to define an integration score reflecting the fit of actual integration with the manufactured ideal. This integration variable yielded more positive results. It was significantly related to overall success at the 5 percent level, to goal achievement and value for money at the 10 percent level and to fairness at the 20 percent level (Table 10). When only recreational agreements are examined, however, the results are much weaker (overall at 10 percent and for value for money at 20 percent). Given that integration is not easily measured and ideal integration even less so, perhaps it is not surprising that these variables have a mixed performance.

4.4.4 Accountability and Monitoring

The clear assignment of responsibility for monitoring agreements has been identified as important for agreement success (e.g., Mitchell and Shortell, 2000). Here, the responses to Question 25 about who, if anyone, is primarily responsible for monitoring provide insight to this relationship for the agreements in our sample. That someone is assigned the responsibility is important for success. Indeed, that someone has responsibility is strongly associated with all success indicators. This result holds for both all agreements and for recreation agreement. In the case of overall success, the response frequencies (found in Appendix E) clearly indicate that success is positively related to monitoring being the responsibility of senior administrators or the relevant director. This result is likely of particular significance to municipal administrations given its management implications.

4.4.5 Performance Indicators and Measurement

Successful monitoring and assessment of agreement performance depends upon having reliable indicators and using them appropriately. If shared service agreements specify one form of product (i.e., output targets versus best practices) but are judged by another, agreements are likely to be put at risk. To test this possibility, the responses to Questions 11 (whether the agreement stipulates output targets or best practices) and Question 12 (which the evaluation is based upon) were compared and a variable created that reflected the correspondence between what agreements agreed to produce and that upon which evaluation

was based.¹⁹ That variable showed a high degree of consistency between the two; that is, that appropriate evaluation yardsticks are being employed. In fact, the responses were so skewed and uniform that a test could not reveal any relationship with satisfaction. No mismatch of product and evaluation measures appears to exist among the agreements studied.

4.4.6 Potential Problems

Free-Rider Problems

Respondents were asked if they felt that there was a free-rider problem (non-residents and residents of non-aligned communities using their recreation facilities) and 16 of 34 responded “yes”. A follow-up question asked whether or not they had attempted to cut down on free riding. Unfortunately, this sub-sample was too small to allow any sort of empirical analysis of this issue.

Dispute Settlement Mechanisms

Differences of opinion may arise. Most often, these may be settled informally. However, sometimes that may not be the case. Does the existence of specified formal dispute settlement mechanisms help? The academic literature suggests that this will be the case as formal dispute resolution mechanisms promote communications among partners and parties, institutionalise voice, and increase integration insofar as they necessitate interaction. The responses to Question 26, which asks what mechanisms are in place to resolve differences, provides insight.

When compared to the success indicators, the tests reveal that the existence of more structured arrangements is positively related to successful shared service arrangements. These results are quite strong when all agreements are analysed and somewhat weaker when only recreational agreements are considered.

4.4.7 Differences between Recreation and Economic Development Agreements

The tests performed above looked at the full sample of all evaluations. However, it is conceivable that there are differences between recreation and economic development activities. Unfortunately, the sample of economic development activities evaluated is too small to allow for testing of that subgroup. However, when economic development activities are omitted from the sample, there are enough observations to examine the effects on recreation only. The results are shown in Table 13.

Were there a substantial difference in the test results when considering recreation only versus the full sample, one would be concerned that there are substantial differences between the two groups. However, as Table 13 shows, the impact of removing the economic development activities on the overall results is minimal. Only four individual tests lost significance when the

¹⁹ The index created is equal to 5 – absolute value (Q11 response - Q12 response). An index value of five indicates a close match or consistency between the two while a value of one indicates little correspondence. The calculated values were consistently high (4 or 5) indicating the use of appropriate yardsticks for evaluation.

economic development observations were omitted (i.e., only recreation was analysed). Therefore, one can be fairly confident that the results reported are robust for recreation agreements. That, however, is not surprising because recreation agreements dominated the data. The results might also hold for economic development agreements, and it is expected that they generally do, but, without adequate data with which to test those separately, judgement must be reserved.

4.4.8 TECHNICAL NOTE – Derivation of Integration Scores

Derivation of the integration scores requires some explanation since it is a key measure in our work and was derived from other qualitative factors. The first task was to determine, based on a set of criteria, what the ideal level of integration should be. Two main factors went into determining the ideal: potential for principal-agent problems and the extent of capital investment. The rationale behind both of these is based on standard literature and findings in the theory of the firm and industrial organisation.

Principal-agent problems occur when the agent (the party undertaking some activity on behalf of another) has objectives that are in opposition to, or competition with, the objectives of the principal (the party paying for the service to be provided). Agency problems are especially likely to occur when the principal is not able to directly observe the actions of the agent and so not be aware when the agent is not acting in accordance with the interests of the principal.

A solution to this problem lies in the structure of the relationship. Where agency problems are not common or likely, a simple contractual arrangement can often suffice. However, when there is high potential for agency problems, the solution lies in eliminating the agency relationship by becoming “partners” in the activity.

High capital investment often necessitates a high degree of integration. Where there is a low level of capital investment required, there is little scope for strategic behaviour by the party buying the services of the other. However, when significant investment is required, once the investment is made, the buyer has a strong position to act strategically at the expense of the provider. In such circumstances, the rational party (local government, firm, etc) should be reluctant to make substantial investments. The solution to this is to eliminate the potential for strategic behaviour by pursuing a joint venture, requiring both (all) parties to make an investment in the project.

To define the ideal level of integration, we looked at each agreement and the services provided under the agreement and assessed (subjectively) the potential for agency problems and assigned a rating from one to five, with one being the least potential and five being the most potential. Next, we looked at the level of capital investment required and again assigned a rating from one to five, no capital investment required received a score of one. Large capital investments received a score of five. Next, for each project we assigned the overall ideal score as being the maximum value from the agency problem category and the investment category.

To determine the actual extent of integration, we reviewed the terms of the agreements and assigned the rating accordingly. Agreements with very little integration received a score of one (many of the recreation cost sharing agreements involving Sturgeon county were in this category). Activities with a high degree of integration, such as the TransAlta Tri-Leisure Corporation, received a rating of five.

Finally, to determine the integration score, we found the absolute value of the difference between the ideal score and the actual score and subtracted this from five. A project with an ideal score exactly equal to its actual score would then receive an overall integration score of five. A project with the exact opposite level of integration from its ideal would receive an overall integration score of one.

Table 13: Effect of Removing ED Activities from Sample

| Tested Relationship | Change in Relationship | | | |
|---|--|---|---|---|
| | Q13 | Q14 | Q15 | Q31 |
| Motivation: Does primary motivation (improving service or reducing cost) influence success? (question 5) | No Change | No Change | No Change | No Change |
| Formality: Do formal and informal agreements have different prospects for success? (from inventory survey) | No longer significant | Significance of relationship reduced | No Change | No Change |
| Value Chain Location: Does proximity of the service to voters/taxpayers influence success? (question 2) | No Change | No Change | No Change | No Change |
| Own Control: As the amount of control held by the respondent municipality increases, does the perception of success increase? (questions 7 to 10) | Becomes not significant when ED removed | No Change | No Change | No Change |
| Integration: Does the extent of integration influence perceptions of success? | Now significant at the 10% level | No Change | No Change | Little change, significance of relationship increases |
| Integration: As the actual level of integration approaches ideal extent of integration, do perceptions of success increase? | Becomes not significant when ED removed | No Change | Becomes not significant when ED removed | No Change |
| Monitoring: Does a clear assignment of responsibility for monitoring influence perceptions of success? (question 25) | No Change | No Change | No Change | No Change |
| Matching Service Specification and Evaluation Criteria: Does a better correspondence between outputs specifications and evaluation criteria enhance success? (questions 11 and 12) | Strength of relation and significance reduced. | No Change | | |
| Outputs Measure Success: If measured outputs are seen as a good indicator of success, is the prospect of success improved? (question 29) | No Change | No Change | No Change | No Change |
| Dispute Settlement Mechanism: Does a more structured dispute settlement mechanism improve the prospects for success? (question 26) | No Change | Becomes not significant when ED removed | No Change | No Change |

5. Case Studies

The case studies are attempts to look at each of the factors that we have found to be important within the contexts of specific agreements. They follow a very simple format: each includes a brief description of the activity or joint venture, and followed by an examination of how the agreement deals with these key factors. We look at two cases: The TransAlta Tri-Leisure Centre and the Leduc-Nisku EDA.

5.1 The TransAlta Tri-Leisure Centre²⁰

The TransAlta Tri-Leisure Centre is a multi-use facility serving the municipalities of Stony Plain, Spruce Grove, and Parkland county. Built at a cost of \$28 million dollars, it represents an extensive investment in fixed assets. The facility provides users with a wide range of facilities including hockey and skating rinks, gymnasiums, swimming and wave pools, meeting space, as well as a number of other services.

5.1.1 Benefits

There are costs involved with an agreement of this magnitude – costs beyond the actual construction and operating costs that would be incurred in the absence of an agreement. The formation of this Part Nine company²¹ has created yet another governance unit – the corporation’s Board of Directors. As such there are certainly time and resource costs associated with this activity.

In addition to the costs of administering the Corporation, there are potential costs faced by each partner municipality. Day to day operations of the facility are the responsibility of the administration and staff of the TransAlta Tri-Leisure Corporation; operating policy is the responsibility of the Board of Directors. However, as partners in the corporation, each municipality is also responsible for losses incurred by the corporation. Thus, each municipal council is liable for potential costs without having direct control over the operations of the facility.

To mitigate this potential cost, the agreement between the partners stipulates that each year the facility’s budget must be reviewed by the chief administrative officer (CAO) of each partner municipality. In this way, the partners are able to exercise control, to some extent, over expenditures. Furthermore, each municipality has representation on the Board of Directors and that body can make changes in the corporation’s management.

Finally, one last potential cost is that service levels (and associated costs) are not what a member municipality desires. As noted in several of the other studies that we examined, fear of loss of control was a very real factor in some agreements – especially in New York State (Foster (1998)). By its nature, the Part

²⁰ For additional information on the TransAlta Tri-Leisure Complex, readers are directed to http://www.menet.ab.ca/bins/view_practice.asp?pid=62.

²¹ A Part Nine company allows municipal governments to enter into joint ventures to own and operate not-for-profit corporate entities.

Nine company has to represent the position taken by a majority of its shareholders. In the event that one of the partners has a dissenting view on service levels, that partner may have to accept service levels that are not exactly to its liking. There are long term solutions to address this (discussed under dispute resolution).

While there are costs involved with this agreement, there are also tremendous benefits. One of the great strengths of this project is its ability to capture economies of scale. If each partner municipality were to independently provide the services provided by this facility, considerable replication of resources would occur. Furthermore, it is not likely that any one of the partners would be able to provide all of the services provided by this facility if they acted individually. Thus, in one sense, this project has allowed the provision of services that would otherwise not have been possible.

Table 14: Costs to individual municipalities

| Municipality | Total Property Taxes and Grants in Place* | % Increase in Taxes needed |
|-----------------|---|----------------------------|
| Parkland county | 29,414,905 | 7.80% |
| Spruce Grove | 12,739,239 | 18.0% |
| Stony Plain | 6,525,094 | 35.2% |

*Source: *Municipal Finance Information System, 2001*

Table 15: Capital Cost per person in each municipality

| Municipality | Population* | Capital Cost per Person |
|--------------|-------------|-------------------------|
| Stony Plain | 9,590 | \$239.36 |
| Spruce Grove | 15,985 | \$143.60 |
| Parkland | 25,222 | \$91.01 |

*Source: *Municipal Finance Information System, 2001*

To see the importance of co-operation in making the construction of the TransAlta Tri-Leisure Centre viable, it is instructive to look at what it would take for each municipality to undertake such a venture alone. The total cost of the project was \$28 million. Assuming no other source of funds for the capital project and a discount rate of 6.5 percent, the annual amortised cost would be roughly \$2.3 million per year (for a 25-year period). Based on figures from the Alberta Municipal Affairs *Municipal Finance Information System*, it would take an increase in total tax rate for each partner ranging from 7.8 percent to 35.2 percent. That is, if Stony Plain were to undertake this venture alone, it would need to increase its property tax revenue by 35.2 percent just to cover the capital costs – plus any annual operating deficits that may occur.

Another way to look at the cost of this project is to look at the annualised capital cost on a per capita basis. Table 15 shows the annualised capital cost per person based on 2002 population statistics. However, it should be pointed out that due to the geographic size of Parkland county, it is likely that many of the

county's residents would not use the facility. Thus, the cost per user for Parkland county would likely be much higher than what is reported in the table.

Clearly, this project would not be viable for any one municipality to undertake on its own. However, when they join forces, the cost of the project becomes much more manageable. Thus, collaboration has made an otherwise infeasible project viable (and quite successful).

5.1.2 Each Partner's Motivation

The partners in this project did not all share the same objectives for entry – two reported that their motivation was to improve service without increasing cost and one viewed this as a new opportunity to provide services that did not previously exist. However, while they had different motives, the motives were clearly compatible. By constructing this facility, other ageing facilities in the area could be retired. Thus, two of the municipalities were able to offer a larger range of services, all in one place, at roughly the same cost as they would have faced without the facility. For the other municipality, this project allowed it to offer services to its citizens that it simply would not have been able to offer if it had acted alone. Thus, the objectives and motivations for this agreement, while not all the same, were certainly compatible with each other.

5.1.3 Integration, Formality, and Dispute Resolution

This agreement is one of the more formalised among the agreements encountered in this study in that the member municipalities have formed an entirely new corporate entity (a Part Nine company under Alberta's Company Act and authorized under section 14(1) of the *Municipal Government Act*) named the TransAlta Tri-Leisure Corporation. Like any other corporation, the partnership involves an exacting partnership agreement that stipulates rights and responsibilities among the various parties.

5.1.4 Value Chain

This activity is very much a *downstream* activity in that citizens directly interact with the output of the agreement (recreation services).

5.1.5 Output Specification, Measurement, and Monitoring

There are two aspects of performance to be evaluated in a project of this nature: service performance and financial performance. Outputs provided by this venture are reasonably easy to assess. The services provided are directly enjoyed by citizens and the quality of the services that the user experiences in the facility provide a good measure of output success. Furthermore, each partner needs to be concerned about the financial performance of the facility since they are each responsible for a share of any operating deficit, should one occur.

In terms of service performance, evaluation ought to be done by each partner on the basis of citizen satisfaction with the services provided by the facility. In the event that service is deemed to be inadequate by one or more of the partners (or their recreation directors), this can be expressed to the corporation's

management through its Board of Directors. In this way, each partner is able to voice its opinion about service levels.

The management of the corporation makes financial decisions and, as such, each member municipality does not have direct control of financial matters despite being ultimately liable. The operating policies and terms of the agreement between the partners clearly establish a means of evaluating this aspect of performance. Each year, the facility's budget is to be reviewed by the CAO of each member municipality. In this way, each municipality is able to exercise some degree of financial control and ensure accountability.

5.1.6 The Human Element

One of the things that became clear from interviews is that the importance of the human element cannot be overstated in this case. At several points during the negotiations leading up to the creation of this entity, roadblocks and difficulties arose that could easily have derailed the project. However, due to the commitment of the people involved, both at the political level and the administrative level, solutions were found.

5.1.7 Summary and Lessons Learned

The formal structure of the TransAlta Tri-Leisure Corporation is one of the keys to its success. The partnership agreement clearly stipulates the rights and responsibilities of each partner and the terms under which one of the partners may leave the partnership. Namely, it must give the other partners notice of its intent and give them first right of refusal in the purchase of the exiting partner's shares in the corporation. A clearly structured document like this partnership agreement means that all partners are well aware of the terrain ahead of them and, from a game-theory perspective, should reduce any tendency toward strategic behaviour.

The management and staff of the TransAlta Tri-Leisure Corporation handle day-to-day operations of the facility. This allows them to have specialised knowledge of the facility, its clientele, and the problems that they face. However, a Board of Directors, representing each of the partner municipalities, oversees service performance and adherence to the corporation's goals and objectives. In this way, each municipality is able to voice concerns if it feels that its citizens are not being well served by the facility.

Financial performance is overseen by the CAOs of each partner municipality. Each year the CAOs must review the Corporation's budget before it is accepted by the partners. In this way, although the partners do not take an active role in day-to-day operations but do remain responsible for a share of any operating deficit, they still have some control and have not written a blank cheque.

One problem that seems to have arisen with this project, as reported by one of the respondents, is that there seems to be a lack of co-ordination at times between what each of the municipalities' recreation departments are doing and what the Tri-Leisure Complex is doing. However, the respondent viewed this as a "growing pain" and simply something to be addressed in the future. Whether it is, in fact, simply a growing pain or something that is more endemic to the very

existence of the facility remains to be seen. We suspect that the tensions are “structural” and that as such they may not be easily remedied. The Centre is, after all, an organisation that now nominally competes with the recreation programs of the participating municipalities. It will be interesting to observe how successfully the management structure deals with this matter.

5.2 Leduc-Nisku EDA

The Leduc-Nisku Economic Development Agency (LNEDA) case illustrates some interesting possibilities in terms of the extent of integration. Formally, the agreement involves the city of Leduc and the county of Leduc as partners in the full sense of the term used in this report. However, it also involves a number of other towns through contractual principal-agent relationships.

An executive director who is accountable to a board of directors runs the LNEDA. Each partner is represented on the board of directors and, therefore, at the policy level, the agency appears to be reflective of the desires of each of the partners.

5.2.1 Formality

A formal partnership agreement between the city of Leduc and the county of Leduc exists and stipulates rights and responsibilities of each partner. In addition, the agreement defines the governance structure of the Authority – specifying the number of representatives from each municipal partner. The Board is comprised of a representative of both the city and county Councils, a member at large from the city, a member at large from the county, a representative of the Edmonton Airport Authority, a representative of the Leduc and District Chamber of Commerce, an appointee of the EDA Board, and the Board Chairman, selected by the Board.

The Board oversees operations and policy of the EDA and employs a staff of five, including an executive director. The EDA is responsible for a number of initiatives aimed at increasing business activity and economic development in the city of Leduc and Leduc county. In addition to directly representing the city and the county, the EDA also provides services to six other communities: the town of Beaumont, the town of Devon, the village of Millet, the village of New Sarepta, the village of Thorsby, and the village of Warburg. Services to these communities are provided strictly on a fee for service basis under clearly defined terms and for a set sum of money.

5.2.2 Value Chain

Economic development activities are fairly removed from the citizens. Activities of most such activities are typically targeted at people and organisations outside the community. This is true for business attraction activities as well as local product marketing activities (such as trade fairs). Due to this location in the value chain it is often hard to directly measure the immediate impact of an activity. The effects of a program are often not realised until some time after the activity was undertaken.

5.2.3 Integration

This agreement is unique in that it allows for differing levels of commitment and involvement. The city of Leduc and Leduc county are highly committed to the agreement and benefit substantially from its activities. The towns of Beaumont and Devon are less involved reflecting lesser degrees of interest. If these towns were required to commit to the same extent as the city and county of Leduc, it is conceivable that they would choose not to take part. By allowing varying degrees of involvement, they are able to benefit from the activity and providing a source of revenue to the EDA to offset its operating costs.

Furthermore, by having them involved as clients, there are some economies of scale to be gained. It is not hard to imagine that providing services to the client towns does not require much additional resource expenditure by the EDA. The fees paid by the clients offset the costs to the principal partners. In this sense, both the partners as well as the clients are able to benefit from their participation. The costs faced by each party are likely commensurate with the benefits received.

5.2.4 Output Specification, Measurement, and Monitoring

As discussed above, direct measurement of the output of economic development activity is difficult. Resources are expended today and benefits not realised until some point in the future – in some cases taking several years for the full effects to be seen. This has implications in terms of how outputs under the agreement are specified.

This agreement operates primarily on a best practices model. Each of the client communities pays a fee for specified activities. The activities specified can be thought of as best practices. If things are done as specified, this should lead to the desired outcome at some future date.

Thus, specification of outputs is appropriate for the service provided. Evaluation is also based primarily on best practices. (That is, has the service undertaken best practice activities?) This is important in that the results of economic development activities today won't likely be realised until some time into the future. Evaluation of the activities in any given current fiscal year must take into account the fact that gains may not be seen today.

5.2.5 Summary and Lessons Learned

The Leduc-Nisku EDA is an interesting and innovative approach to joint service provision. The city of Leduc and Leduc county are directly involved as partners in the venture. However, it also provides services on a fee-for-service basis to smaller municipalities. The flexibility afforded by this structure allows the LNEDA to provide substantial benefits to a group of communities at a cost that is affordable and practical for the client communities. Furthermore, by selling services to these communities, the LNEDA is able to reduce the cost to its principals (the city of Leduc and Leduc county).

Governance in the LNEDA is well suited to the constituent groups that it serves. Given the structure of the agreement and its principal partners, the Board is structured to represent their interests. The interests of client communities are safeguarded through the contracting process. There is

relatively little Board involvement by the city of Leduc and Leduc county – their involvement is limited to one seat on the Board each. The other Board members are drawn from citizens and other interested parties that have a clear stake in expanding economic activity in the LNEDA region.

Output specification and evaluation is well matched to the activities undertaken by the LNEDA. Economic development activities seldom produce immediate tangible results – often they initiate a process that leads to results down the road, beyond the current planning year. As such, attempts to measure performance by examining outcomes are impractical or, perhaps more correctly stated, impractical within limited measurement time frames. The service contracts with the smaller communities address this by specifying particular deliverables in what can be thought of as a best practices approach.

6. Conclusions and Recommendations

Following from our research, we make a number of recommendations rendered as advice and as contemplation on desirable action and dispositions. These recommendations are ordered in three parts. Part one provides advice on framing and operating shared service arrangements; the second part provides recommendations that address research, development and training relating to shared service arrangements in the Capital Region; the third part addresses the broader business of using shared service arrangements to foster a stronger Capital Region. Although the empirical foundations for the recommendations are drawn from this study of the Capital Region, the recommendations are thought to be more generally applicable to other Alberta regions.

6.1 Framing and Operating Shared Service Arrangements

Advice on framing and operating shared service arrangements is structured within the key stages of standard public policy decision-making models. The stages, described in language applicable to shared service arrangements are:

- opportunity/problem appreciation, recognition and definition
- solution/policy option generation
- solution/policy option evaluation
- choice structuring and policy setting
- arrangement setting
- arrangement operation
- arrangement evaluation/(re)assessment

The recommendations are selective but, taken as a whole, provide decision-makers with what we hope is a useful aid to contemplating the benefits, costs and risks of shared service arrangements, and the requirements for proper administration.

Re: Opportunity/problem appreciation, recognition and definition

Recommendation 1: Appreciating shared service opportunities

Municipal policy makers should routinely examine policy opportunities and problems through an inter-municipal lens at the earliest stages of the policy-setting process.

Recognising the existence of an opportunity or problem that might be addressed through some form of shared service arrangement requires an *appreciation* of the potentials of collaborative and cooperative action. In limited instances, provincial legislation provides a basis for such appreciation by forcing municipalities to consider inter-municipal implications of decisions. However, these instances are rare. Rarer yet would seem to be formal, municipally mandated processes in which councils or administrations examine policy opportunities and problems through an inter-municipal lens as a matter of routine policy development procedure. We therefore recommend that policy

makers routinely examine all policy problems and opportunities for inter-municipal implications. Making this effort does not preordain that decision-makers will define a policy opportunity or problem in inter-municipal terms. This can be addressed later in the policy making process. However, the practice does pre-build an inter-municipal *appreciation*, this being the purpose.

Recommendation 1a: Information and data

Information and data on shared service arrangements, collaborations, and regional co-operation should be generated and placed before Capital Region municipal decision makers on a regular basis.

Comments made by municipal officials following our sharing of the research findings from this study reveal an absence of information on shared service and other co-operative and collaborative practices in the Capital Region. The point made is that developing an appreciation is difficult when there is little information flow on inter-municipal arrangements; what is out of sight is out of mind. We therefore urge ACRA and the ACRA-University Partnership Council to consider ways in which the particulars of co-operation and collaboration in the Region can be highlighted. Among possible options would be to develop a more encompassing inventory of shared service and other inter-municipal activities that could be replicated on a periodic basis. In effect, this would involve producing a periodic “state of co-operation in the region” report. A more modest option would be to produce detailed case studies focusing on interesting and instructive shared service, co-operative and collaborative initiatives. These could be produced by university students under the supervision of a professor, or by municipalities and featured on the ACRA web site, Municipal Excellence Net or MuniMall.

Re: Solution/policy option generation

Recommendation 2: Shared service policy options

Municipal policy makers should routinely consider the merits of shared service arrangements when generating policy options for addressing inter-municipal opportunities and problems.

Inter-municipal shared service arrangements are a necessary consideration within a range of policy options that policymakers should contemplate in circumstances where the opportunity or problem is viewed as inter-municipal. Other options include formal and informal policy and program co-ordination, contracting directly with private, third sector parties or other orders of government, shared service production involving the non-municipal sectors, and devolution. Following on Recommendation 1, inter-municipal shared service options should also been given some thought even when a problem is not obviously inter-municipal as there may be inter-municipal dimensions.

Recommendation 3: Full spectrum consideration

When generating initial policy options, policy makers should contemplate the full range of prospective shared service approaches with reference to the relative advantages revealed in the research findings.

Shared service arrangements can be pursued through two broad approaches (principal-agent arrangements or joint ventures) or as a combination of these within a “mixed” or articulated approach. Evaluating the merits of different shared service approaches should be done in light of desired policy outcomes—a subsequent stage in the policy-making process. However, it is clear from our research and the literature that some approaches to shared service production and delivery are better than others depending on the circumstances:

- Principal-agent strategies are best suited to the production and delivery of services that do not involve heavy investments, for which there are determinate technologies that can produce consistent outcomes, and whose results can be measured with relative ease.
- Joint ventures (true collaborations) are especially suited to arrangements involving heavy investments, untested or indeterminate technologies and outcomes, and circumstances in which outcomes are difficult to measure.
- Mixed shared service models, such as the Leduc-Nisku Economic Development Authority, are of particular use when it is perceived that there are significant differences in the motivations and in the potential contributions and benefits among the parties involved in an arrangement. This approach represents a strategy for broadening inclusion in multiparty collaborations while structuring different arrangements within the collaboration to optimise returns to the initiators.

Other considerations also inform the initial generation of shared service options. Arrangements can be bilateral or multi-lateral; can involve the creation of new entities for production of the services or be produced through existing structures; can involve parties beyond the participating municipalities; and can combine shared service approaches. Bilateral or multi-lateral construction turns most obviously on the extent to which the scale of the opportunity or problem concerns two or more municipalities.

Recommendation 4: Desirability of comparative policy research

Policy generation should include comparative research on policy solutions to similar opportunities or problems generated by ACRA municipalities and others beyond the region.

Option generation should be a creative exercise that addresses the novel as well as the obvious. It should also involve comparative analysis including exploring existing policies and experiences of other Capital Region municipalities as well as the policies and experiences of municipalities outside the region. Option generation should also be accompanied by preliminary cost estimates that necessarily will be refined in following steps.

Recommendation 4a: Resources to consult

In addition to resources that might be developed following Recommendation 1a, comparative research should tap information available at ACRA, MEnet, MuniMall, and ICURR's Muniscope.

Beyond the particulars contained in this report, those generating policy options are encouraged to consult ACRA, Alberta Municipal Affairs' Municipal Excellence Network (MEnet), information sources listed on MuniMall, experts at the municipal associations and Alberta Municipal Affairs. Farther a field, the resources of the Intergovernmental Committee on Urban and Regional Research's Muniscope are recommended.

Re: Solution/policy option evaluation

Recommendation 5: Matching options and benefits

Option evaluation should consider how well alternatives serve organisationally-specific goals and objectives, and also consider how well the alternatives serve the list of general purported benefits of shared service arrangements found in sub-section 2.1.

If the purpose of the option generation step is to generate a number of policy options, then the purpose of this step is to evaluate the options to establish their relative merits. There are a couple of aspects to this consideration. The first concerns the match of the shared service options with the goals and objectives that the options presumably serve. Each municipality will possess certain very specific goals and objectives that the policy will serve and each option should be considered in the light of these. Second, there are also a number of generic or functional goals and objectives that shared service arrangements serve which we have listed under sub-section 2.1 as benefits. Among these are providing new or improved service economically, reducing costs of existing services, reducing "spillovers" (i.e., reining in free riders), creating new synergies, affecting tactical or strategic positioning to better establish strong collaborations in the future and so forth. Architects of the shared service policy should examine the proposed options to determine how well each option serves these.

Policy options should also be evaluated on their practicability, which includes assessment of organisation and inter-organisational capacity, internal and external politics, and compatibility of partners.

Recommendation 6: Assaying organisational capacities

Option evaluation should consider the municipality's organisational capacity to support each proposed option and the relative requirements and costs associated with each.

Important corporate capacity considerations such as organisational fiscal capacity, limitations of labour agreements, the strength of staffing complements in matters of experience and availability are among the criteria that should be used to consider the relative merits of shared service or other policy options. Similarly, the adequacy and appropriateness of extant organisational structural

and process designs as they relate to prospective options are important considerations. By way of example on the last point, a common problem reported in the literature about principal-agent relationships (i.e., contracting out) is that organisations often do not possess adequate processes and expertise to monitor and evaluate value-for-money results or to ensure that projects are on time and on budget. Thus, a proposed contracting arrangement in which the municipality contracts another municipality to provide services may only be possible if organisational capacity exists to effectively monitor contracts or such capacity is established.

Recommendation 7: Assaying potential partner capacities

Option evaluation should closely consider the resources and competencies that prospective partners are able to bring to an arrangement. Part of this analysis should include an assessment of the unique and complementary contributions that a partner can make to an arrangement.

The organisational capacity of prospective partners (or principal or agent) is also a matter to be considered in light of information available. There are two thresholds to consider. The first concerns the simple matter of the sufficiency of resources that a prospective partner will bring to the arrangement. Dimensions of analysis include the same as those explored for one's own authority. A second consideration involves assaying the complementary and unique resources that a prospective partner would bring to the shared service arrangement. Shared service arrangements appear to work best when the partners bring different pieces to the resource and capacity puzzle.

Recommendation 8: Political context assessment

A pragmatic assessment of the merits of options requires an assessment of the political merits and deficiencies (specific to each jurisdiction) of each option.

A number of political considerations will necessarily inform the evaluation of the options. Certain conditions discussed in the literature review influence the character of the local political climate and either promote or discourage service sharing. For example, fiscally strained local authorities are more likely to engage in shared service ventures. Conversely, municipalities possessing fiscal strength do not readily engage others in shared service arrangements. Authorities with higher educated and relatively wealthy populations are less likely to enter collaborative arrangements with neighbouring authorities – presumably because they possess sufficient wealth to go it alone, but also perhaps because their population has selected to live within the municipality's boundaries to separate themselves from other jurisdictions. Municipalities with highly unionised work forces tend not to readily enter shared service arrangements.

Our analysis of Alberta Capital Region municipalities reveals that collaboration is predictable under some of these circumstances but not others. However, these predictions vary according to the type of function (recreation and culture versus economic development) under investigation. Suffice it to say that there needs to be a political context assessment and within this an awareness that certain factors will influence propensities to share services.

Recommendation 9: Assaying the interorganisational climate

A pragmatic assessment of the relative merits of shared service options requires an assessment of the interorganisational climate including the range of corporate and political factors that favour or discourage engagement.

Another basis for evaluation concerns assessing options in the context of the inter-municipal climate. Factors that influence the evaluating municipality's propensity to collaborate also operate in the jurisdictions that are potential partners. That is, consideration should be given to their capacities, salience of existing organisational strategic goals and objectives and local political circumstances. These things will become evident through discussions that must occur at some inter-municipal level during the period when policy options are being generated.

A significant finding of this study concerns the effect of motivation on agreement formation and success. The literature suggests that partners with divergent motivations are willing to enter into arrangements. Research findings of this project reveal that congruence in primary motivation (improving service or reducing cost) has no significant effect on ascribed success and no effect on value for money or the perceived fairness of an arrangement; there is only a very weak correlation between motivation and goal achievement. Our findings do not vitiate observations in the literature since we investigated quite similar motivations.

Beyond this, there are the important matters of mutual regard, trust, and past experience doing things in concert. Ambitious shared service proposals should be significantly discounted in cases where one or more of these factors are absent.

Re: Choice structuring and policy setting

Recommendation 10: Decision criteria

Consideration of the relative merits of options in terms of goal achievement, value for dollars, fairness, and risk should be incorporated into the decision.

Selection of an option flows from judging which of the developed options is best likely to serve the declared goal and objectives that pertain to the policy opportunity or problem. The evaluations rendered in the previous step will provide assays of the merits and demerits for each option. It is the decision-makers' challenge to judge the relative importance of an option's merits. Among the other relevant considerations identified in this research are:

- *goal achievement*, the extent to which the objectives or each option are expected to be achieved
- *value for dollars*, rewards or benefits relative to costs especially calculated on how much must be invested through the proposed option to achieve the goal
- *fairness*, in term of the rewards, costs and influence; first as a calculation for one's own organisation and second as a calculation of the distribution of equity within the arrangement.
- *risk*, which is an assessment of the probability of the arrangement working and of the magnitude of successes and failures.

Consideration of the administrative, financial, and political attributes of each proposed option also should be factored into the risk equation.

It is important to underscore that the selection of an option or an approach likely does not involve approval of a detailed arrangement. The specifics of a shared service arrangement are normally negotiated and formalised in the subsequent arrangement setting step.

Re: Arrangement setting

Recommendation 11: Preference for formality

Shared service arrangements should be formally constituted in written form unless there are significant mitigating factors that recommend against this best practice.

A decision to proceed with a specific shared service option will require detailed work to establish an arrangement. The arrangement may be formal or informal, although research findings of this study reveal that written formal arrangements are most tightly correlated with ascribed success and other success factors (e.g., goal definition, value for money and fairness). Some authorities choose not to define arrangements within formal agreements – although some form of memorandum of understanding or written communication provides a foundation for the arrangement. Political sensitivities of various sorts often dictate preference for an informal arrangement. Likewise, where there is a desire for flexibility and the stakes are not high, an informal arrangement may be appropriate if not best suited.

Recommendation 12: Identifying the full extent of common purposes

Framers of shared service arrangements should strive to identify the full extent of common purposes shared among partners.

The literature reveals that the greater the commonality of purpose among partners, the greater the perception of interdependence. Furthermore, the greater the recognition of interdependence, the more likely it is that participants will perceive positive benefits from collaboration. Insofar as the extent of common purposes may not be evident, it is important that agreement architects strive to identify the full range of common purposes shared among partners. Much of this work likely will have been done in the preceding step but here the instruction is to attempt to exhaust the possibilities within practicable limits of time, resources and energy.

Recommendation 13: Shared service arrangement goals and objectives

The goals and objectives of a shared service arrangement should be clearly and prominently articulated in a formal agreement. These statements need not address all goals and objectives independently sought by the partners, but should address the common ground of utility calculations.

Although it is desirable that the goals and objectives of the shared service arrangement be clearly and prominently articulated in the formal agreement, the extent to which they are will be a matter for negotiation between or among the

principals. The formal goal and objectives of an arrangement must address the essence of the *common ground* that exists between the partners. In this, it is entirely possible that only some of the goals and objectives that guide a municipality's decision to participate in an arrangement will be articulated within the formal agreement.

Recommendation 14: Domain consensus

Framers of shared service arrangements should strive to incorporate as many points of the domain consensus as possible within the original agreement.

The *domain* of a shared service arrangement is nothing more than the sum of the points of the agreement. These points necessarily touch upon the role and scope of the participation in the exchange scheme, clients, services, results and the like. Achieving *domain consensus* involves reaching arrangement on these crucial points of the agreement. It should be added that achieving full domain consensus is often not possible. This is perhaps especially so in joint ventures in which the parties are entering into new areas of service production or delivery. Partners should, consequently, develop agreement structures and processes that allow for downstream formalising of unresolved or undefined points into the agreement.

Recommendation 15: Dispute resolution mechanism

A dispute resolution mechanism should be written into all shared service agreements.

Structures such as dispute resolution mechanisms, assessable forums for governance discussions, and periodic evaluations of the state of the arrangement provide means by which unresolved domain consensus or emergent forces affecting the domain consensus can be addressed. The current research reveals that existence of dispute resolution mechanisms is moderately associated with ascribed success and strongly associated with perceptions of the partnership arrangement fairness. Shared service arrangements and other collaborative initiatives that do not achieve fairness demonstrate a higher propensity for trouble or failure.

Recommendation 16: Power balancing

Shared service arrangements should be constructed with equitable power balancing among the participants.

Our research reveals that success is more readily associated with *some* or *moderate* levels of balanced control. This finding can be interpreted in various ways but, under any interpretation, it is important that there be an equitable distribution of power within a partnership. An equitable distribution need not be an equal distribution; what is required is that participants possess a sufficient measure of voice and effect in the arrangement.

Recommendation 17: Integration

While ensuring that all parties participating in shared service arrangements possess a voice in the arrangement, architects of shared service arrangements

should be mindful of the inherently different measures of voice inherent in different types of shared service arrangements.

Integration is the extent to which parties interact or exert influence upon the provision of the service during the term of the agreement. It is essential that in shared service arrangements all partners are provided “voice” or means to interact or influence relationship decisions. However, integration levels will ideally differ between principal-agent and joint venture arrangements, with the former being necessarily less integrated and the latter more so. Our research reveals that adherence to this differential ideal is associated with shared service arrangement success.

Recommendation 18: Congruence of service specification and evaluation criteria

Evaluation criteria should match the service produced or delivered.

Ensuring evaluation of agreement outputs is an important element to arrangement setting. However, different types of shared service arrangements necessarily will be measured using different evaluation criteria. Our research reveals that there is a high correlation between success and selecting the proper evaluation criteria for arrangement performance. As a rule, output measures should be used in situations where the outputs can be reasonably accurately measured by a mutually agreed upon yardstick. Best practice measures should be used in case, where the outputs cannot be measured in this way, and normally focus on the quality of the processes that are employed.

Our results suggest that local politicians take greater interest in services that appear “downstream” on the value chain continuum (i.e., services that are consumed directly by the citizenry). The implications of this finding are not immediately clear save, perhaps, that the architects of shared service agreements should note that downstream services will be under special scrutiny by local councils, and this because the quality of the services will be most apparent to the consuming citizenry.

Re: Arrangement operation

Recommendation 19: Monitoring

An official with requisite knowledge of the intended goals and objectives should conduct regular and rigorous evaluations of shared service agreements.

The literature and our research reveal that diligent monitoring of shared service agreements is an important requisite for successful agreement administration. Our research also reveals that monitoring by senior officials is tied to perceptions of arrangement success: agreements that were monitored by lower level officials were rated as being less successful by respondents than those monitored by senior officials. No municipality indicated that a full-time compliance officer monitors shared service arrangements. We believe that where the number of shared services and other collaborative agreements becomes such that a full-time monitor is justified, a compliance officer should be hired. This official would monitor the state of the agreements for compliance and, in the

process develop expertise in the processes and structures most suitable to administering successful shared service arrangements.

Recommendation 20: Leadership

All parties involved in shared service arrangements should strive to appreciate the dynamic and contingent nature of leadership in such relationships and should accommodate and participate in the shared leadership challenge.

The literature clearly points to the need for strong and situational leadership in collaborative arrangements. While we note in the literature review that the leadership role falls to the seller in buyer-seller relationships, it remains that even in these circumstances the responsibility is shared. Buyers bring considerable expertise and that expertise and knowledge of situational particulars is augmented over time. Thus, when a problem arises or circumstances change it will often be the buyer that devises a serviceable solution; they can exercise contingent leadership in the relationship.

In joint venture initiatives the leadership will be distributed, although not necessarily evenly. Leadership in these arrangements is contingent; under different circumstances, different partners can legitimately come to the fore to lead the partnership. What is essential, then, is to recognise both the importance of constructive leadership and its contingent character in shared service arrangements.

Re: Arrangement evaluation/(re)assessment

Recommendation 21: Evaluation

Partners should develop and conduct thorough evaluations of the performance of shared service arrangements so those evaluation findings can inform policy considerations involving agreement renewal and establishing new agreements.

The literature emphasises the requirement to systematically evaluate collaborations and this, coupled with the findings of the current research that there appears to be little systematic evaluation of shared service arrangements, underscores the importance of this recommendation.

Recommendation 21a: Citizen satisfaction surveying

Citizens should be surveyed as part of routine shared service delivery evaluation.

Few Capital Region municipalities report conducting customer satisfaction surveys to determine citizen and user regard for services produced through shared service arrangements. Although we encourage municipalities to routinely survey the public to determine consumer satisfaction, doing so for shared service arrangements is especially important given the bald character of the utility calculations that support these ventures.

6.2 Training, development and further research

Our research findings and reflections on the foregoing recommendations provide the bases for a few additional and disparate recommendations on topics that are not easily accommodated in the previous subsection.

Recommendation 22: Training and development

Officials administering shared service arrangements should receive short-format training in the establishment and operation of these arrangements, and instruction in establishing and administering the broader range of co-operative and collaborative service production and delivery arrangements.

It is clear that there is much to developing and administering shared service arrangements. The same is true for other types of co-operative and collaborative initiatives. Although a number of the basic knowledge elements are developed in programs such as the University of Alberta's Local Government Certificate program, the National Advanced Certificate in Local Authority Administration, and the Muniversity program, it remains that a comprehensive short format offering is not available. Further, since many officials responsible for developing and administering shared service arrangements will not have been exposed to these programs, the requirements for a short-format offering makes considerable sense.

Expertise exists at the University of Alberta to organise a short-format course of instruction that could be offered on a yearly basis to policy-makers and administrators involved in shared service program development and delivery. Among the curricular elements that should be included in a short-format course are the following:

- the potentials of collaborative and interorganisational contractual action
- contractual, co-operative and collaborative service production options – introduction to a continuum
- the law of shared service arrangements and contracts
- practical applications of coalition theory
- practical applications of interorganisational theory
- introduction to benefit-cost analysis
- contingent leadership principles applied within collaborative arrangements
- citizen satisfaction surveying
- municipal service evaluation
- resources for collaboration

Recommendation 23: Further research

Additional research could be conducted into particulars of shared service and collaborative (and co-operative) arrangements in the Alberta Capital Region. These prospects and the potential utility of this research should be investigated through the ACRA-University of Alberta Partnership Council.

It is clear from the literature review, from our own research, and from players in the region that there is much more to know about shared service delivery and other forms of municipal co-operative and collaborative activity. The current research was conceived as an effort to examine a slice of activity in the Capital Region. We elected to investigate more narrowly and more deeply than previous studies conducted in the region. In large part, this strategy was selected to facilitate a high level of research rigour. However, we must extrapolate our findings beyond the specifics of this research and it is clear that in some cases extrapolation of our findings provides little guidance to the present and evolving character of shared service and other collaborative (and co-operative) production arrangements in the region. We therefore invite ACRA municipalities, through the ACRA-University Partnership Council, to explore areas in which further shared service and collaborative production arrangement research is needed or is thought to be useful.

Among research that we believe should be seriously considered for future funding are the following:

- Deeper investigation of the particulars of exemplar arrangements that may be used as models (i.e., in-depth case studies of arrangements in the Capital Region and in other metro regions);
- Deeper investigation into “success” factors using alternative measures to validate success and success variables;
- Deeper investigation of “motivation” factors to determine those that promote and discourage shared service and collaborative activity;
- Modelling of selected potential arrangements using the pre-decision steps and recommendations provided in the previous subsection;
- Exploration of other areas of shared service production in the Capital Region using the research design of this study in the search for other models of shared service agreements and for a better definition of the determinants of success; and,
- Development of a comprehensive inventory of shared service arrangements in the Capital Region as part of a state of the region collaboration and co-operation report.

Recommendation 24: Meta-research challenges

Structural and process challenges attending university research into regional problems should be addressed to improve research effectiveness and efficiency.

Meta-research concerns the structuring and processes associated with research. This project revealed challenges relating to the conduct of regional-oriented research in the Capital Region that, if remedied, could increase the efficiency of the research effort and the quality of results. Among these challenges were the following:

- Survey work coincided with summer holiday time, and later budget preparation time, which limited the number of municipal responses. The problem appears to be that the university’s normal research production cycle does not mesh with the municipal administration calendar. University researchers must better understand timing considerations so that requests for

research participation do not conflict with heavy commitments or vacation months on municipal calendars.

- Some municipalities appeared to be unaware that the research was being conducted despite support at the political level through the ACRA Board, contacts with CEOs through the ACRA Board and direct communications with CAOs. It is clear that a different regime is required to communicate the fact and importance of ACRA-U of A research.
- One municipality was of the view that access and privacy considerations prohibited sharing of information on shared service contracts drafted between municipalities. There is a need to clarify legal and legislated prohibitions to conducting municipal and regional research.

6.3 Shared service arrangements and a strong Alberta Capital Region

It is clear from this research and from that conducted earlier by ACRA that there are a great number of shared service arrangements and other collaborative inter-municipal initiatives in the Capital Region. Our research reveals that the shared service arrangements in the recreation and culture and the economic development areas are successful by several related measures. Additional research into success using other measures would be useful to further validate our findings, since these are largely based on self-reported success. Additional research would also deepen our understanding of the arrangements and dynamics associated with them. Where the research is focussed on other functional areas, we may learn more about the ways in which Capital Region municipalities collaborate and whether these collaborations are as successful as those of the two areas that we studied.

However, researching what exists may not be as important as examining what might be done in the region by way of co-operation, shared service production and delivery, and other forms of collaboration. Our research demonstrates the extent, success and potential for co-operation and collaboration within the region and that these should be more firmly embraced by the region's municipal leadership. Co-operation and collaboration are the key political and administrative "technologies" at elected municipal leaderships' disposal to build and bind the Capital Region community.

Admittedly, it is easier to prescribe the medicine of greater co-operation and collaboration than to swallow it. We acknowledge that the challenges confronting ACRA municipalities wishing to act on this advice are somewhat daunting. There is little by way of provincial legislation relating to municipal governance that truly aids municipalities to engage one another, although Alberta legislation does provide for flexible structures through which inter-municipal collaboration can occur. Municipal co-operation and collaboration usually occurs within tightly defined utility calculations in the absence of legislated or fiscally inspired "regard" for one another. Municipalities usually co-operate and collaborate only when it is clearly in their interest to do so. Often this interest not only needs to be clear but, also, more or less defined within the near- or intermediate-term; that is, longer-term (for fruition), ambitious and

higher risk engagements are often difficult to justify even if there are prospects for significant benefits. This utility calculation includes an important political calculation; municipal politicians cannot be too far ahead of their publics when engaging other authorities. Our literature review reveals that even when local politicians are willing to engage one another, the public may be opposed. However, we do not need to look beyond the region to find evidence of municipal councils' enthusiasm for collaborative projects being reined in by voters.

The question at hand, then, concerns actions and strategies that can make co-operation and collaboration less risky, more future-regarding and ambitious, and more common. We believe the following prescriptions can help. First, municipal leaders should actively embrace our first two recommendations if only to bring co-operative and collaborative options onto the desktop of policy discourse. While this activity will not directly reduce risks, it will help demonstrate to municipal leaders and civic administrations the prospects and practicable promise of collaboration and the pursuit of shared service arrangements. Although this prescription applies to all municipalities, it applies most directly to the political leadership and administrations of the region's largest municipalities that do not appear to readily embrace collaboration – at least, that is, in the recreation and culture areas.

Second, municipal leaders should seek one or two clearly acknowledged "stretch" objectives that require them to collaborate or otherwise share services. Stretch objectives require municipal officials to not pick the lowest hanging fruit but to pick higher where the risks more pronounced but where the outcomes are especially promising. The Capital Region Governance Review *Final Report* contains a list of functional areas that clearly involve political and administrative stretching. ACRA has begun to address some of these recommendations (e.g., Regional Geographic Information System). Through addressing one or a very limited number of additional stretch objectives not included in ACRA priorities, the region's municipalities will gain a sharper perspective on the art of realising regional possibilities. If the challenge is widely embraced, the level of political risk is certain to be lowered.

Third, one thing that appears to be clear is that effective collaborations require power sharing and power balancing. Within this is a requirement for the largest municipalities to accept equity shares of power and influence that are less than represented in strict calculations of population, fiscal strength or other common measures. This is admittedly a tough sell at home but the political reality is that regardless of how much power is shared, the largest municipalities will have an effective voice since their participation is required for the success of any true regional effort. This factor alone should make for an easier sell. The quid pro quo for power sharing and balancing is acknowledgement of the natural leadership position of the mayor of the largest municipality, and the natural companion and allied leadership roles of the largest municipalities in the Capital Region's four or five sub-regions. The challenge for these officers is to collectively assume the mantle of regional leadership; the challenge for the officers of the region's smaller municipalities is to accept the leadership of these

officials while maintaining voice and playing valuable “contingent” leadership roles.

Fourth, regional co-operation requires provincial government attention and, in certain functional areas, there is a role for the federal government. Perhaps the most promising way to reduce some of the risk of the proposed stretch objectives is to engage the provincial government as a collaborative partner across a host of regional priorities requiring service sharing and joint action. As long-time observers of municipal-provincial relations, we are not naïve about the difficulties of developing long-term and mutually supportive relations among orders of government. However, we are encouraged by developments that we see in countries such as Australia where state governments have entered special arrangements with municipalities that reflect local and regional priorities. Narrowing the focus and concretely defining the deliverables appears to strip away many higher order jurisdictional concerns. Something of a similar character is found in the Vancouver Downtown Eastside Initiative involving municipal, provincial and federal agencies among other participants.²² In effect, this strategy is simply an expansion of shared service strategy that is in considerable evidence at the municipal level.

Fifth, we observe that strengthening the Capital Region requires the construction of a regional community. Inter-municipal co-operation, service sharing and collaboration are part of the equation but by no means anything near the whole of it. Relevant voices of this community extend beyond those of municipalities. The municipal leadership (which is, after all, elected by the public) is most clearly positioned to lead others in the creation of a regional consciousness and community. Yet, the leaders of other major institutions in the region and important cohorts from the civil society also have much to offer. They should be engaged in the regional dialogue and in regional community building.

ACRA is most certainly the best forum in which to foster an expanded regional dialogue and can a powerful venue in which a stronger regional community can be built. To achieve its potential ACRA will need to expand its vision, membership and activities. For, example, San Diego’s vital association of governments (SANDAG) includes advisory members on its board from the United States Department of Defence, several state and independent regional agencies, and Mexican state government of Baja California. Full membership is extended to 18 municipal and county governments. ACRA, like SANDAG, is a council of governments (COG) organisation, and we believe that ACRA can learn much from SANDAG and other major U.S. councils of governments.

As a final point, it is clear to us that, in the wake of the Capital Region Governance Review, the Government of Alberta’s policy preferences (and those of a great number of the Capital Region’s municipalities) favour what might be best described as a municipally polycentric metropolitan region. This provincial preference is somewhat unusual in Canada, where provincial governments have aggressively amalgamated municipalities within many metropolitan and urban regions or framed regional governance within two-tier structures. While, true,

²² See http://www.wd.gc.ca/mediacentre/accesswest/2002_03/bc_e.asp.

the population of the consolidated city of Toronto does not dominate the Toronto CMA as Edmonton's population dominates the Capital Region CMA, it remains that our region is one of the most decentralised in the country.

The point is that, practicably, in the near to intermediate terms (we do not speculate on the long term), regional and inter-municipal solutions should be pursued assuming polycentricity will remain the complexion of the region. This is neither an impossible nor, necessarily, an undesirable state of existence. However, we hold these beliefs with a caveat: the political, economic and civic society leadership of the region must refine and develop institutions and venues that link the regional community and its governments. Our modest investigation of shared service arrangements was taken up precisely in the light of this larger consideration. What we were looking for was evidence that municipalities in the Capital Region possess the readiness, willingness and capacity to collaborate and engage one another where this is practicable. In the absence of formally constituted, overarching regional structures such as a second tier local government or a general purpose regional service body (e.g., a GVRD), the logical mechanisms for knitting together the region are voluntary collaborations and shared service arrangements. These are the key integrating governance technologies of a polycentric region, and the extent of their presence reveals much about the integration and potential integration of the region.

We are cheered to discover many shared service arrangements in the Capital Region. We know that beyond the scope of our research there are other arrangements and that some of these are even more impressive than the exemplars of our survey. However, we also observe that most arrangements are simple and not especially imaginative, and, more to the point, that there exists considerably greater potential for municipalities to share services and collaborate. Collaboration that is more ambitious and more complicated by way of governance and administration does not materialise from thin air. Our research and the literature reveals that successful collaborations must be built and that the basic blocks of this construction are cemented by trust, respect, mutuality and equity to mention a few of the key characteristics. Effective leadership in the region requires not only the identification of good ideas and rational priorities but also the careful and sensitive building of relationships and stronger regional institutions. This requires looking beyond immediate interests (although always keeping one's municipal interests firmly in mind). It involves sharing control and investing in regional initiatives even if some of these investments do not immediately benefit one's own authority. It also involves realistically understanding what types of returns might be expected and what type of regional community one wishes to see evolve – a vision that must be defined collectively and in tandem with the wider leadership of the regional community. All of this presents large political and administrative orders but, truly, practicable alternatives are not evident under the circumstances.

7.0 References

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Appendix A: Inventory Survey Instrument

Inventory Survey

INSTRUCTIONS

This survey is part of ongoing research by the Alberta Capital Region Alliance (ACRA). In this phase of the project, information is being gathered about shared service arrangements in **Recreation & Culture** and in **Economic Development**.

To minimise time requirements, please make copies of all the relevant shared service agreements that involve recreation & culture and Economic Development. Also, please make copies of this form and fill out the one survey form for each agreement. The principal researchers, Neil Hepburn and Mark Cormier, can be reached at (780) 492-5323 or nhepburn@ualberta.ca if you have any questions.

- Make copies available of all formal shared service agreements that are **current or expired less than two years ago**.
 - Relevant agreements include omnibus agreements and agreements between municipalities that contract together with or share service production with a non-municipal entity (such as a for-profit or not-for-profit organisation)
-

Agreement Identification

Municipality _____ Working name of shared service _____

Legal Name of shared service _____

- Formal Agreement Informal Agreement
- New Agreement Continuation of Previous Agreement Modification of Existing Agreement
- Omnibus Agreement Single-purpose agreement

If an omnibus agreement, are there separate schedules for each component of the agreement? Yes No

If an omnibus agreement, how many services are covered by the agreement? _____

Date initiated: ___/___/___ Date most recently renewed: ___/___/___ Termination date: ___/___/___

Copy of agreement attached Yes No

Council motion authorising agreement _____ Date of motion: ___/___/___

Partners _____

Agreement Description

1) What is the service or activity?

2) Is this service part of a larger agreement that covers other services?

- a) Yes
b) No

Inventory Survey

- 3) What is the nature of the agreement?
- a) Joint operating agreement
 - b) Contracted service with another municipality as a provider
 - c) Contracted service with another municipality (or municipalities) as the buyer(s)
 - d) Contracted, in conjunction with one or more local governments, to a for-profit or not-for-profit agency
- 4) If this agreement is a joint operating agreement, approximately what percentage of funding comes from the following sources
- Fees _____
- Taxes and/or special levies _____
- Contributions from collaborating partners _____
- Provincial grants _____
- Other (please specify) _____
- 5) Who has the principal administrative responsibility for managing the service?
- a) Hired manager/director
 - b) Committee of partner delegates
 - c) Delegate or employee of one partner
- 6) If this is a joint operating agreement, to whom has your Council delegated responsibility for setting operating policy?
- a) Citizen board (elected or appointed)
 - b) Board made up of delegates of partner groups
 - c) Other (specify)
- 7) If service is run as a joint operating agreement, can the entity apply for funding to outside agencies directly?
- 8) Is use of service restricted to residents of member municipalities?
- a) Yes
 - b) No
- 9) If the answer to question 7 is "No", are differential charges used?
- a) Yes
 - b) No

Appendix B: Evaluation Survey Instrument

Evaluation Survey

Municipality _____

Legal Name of shared service _____

Agreement Description

- 1) If this joint service is part of a larger agreement, is this service or activity explicitly identified in the larger agreement. If it is not explicitly defined in the larger agreement, do you have latitude to make deals on an "as needed" basis?
 - a) Listed in larger agreement
 - b) Not listed in larger agreement, considerable latitude to make deals
 - c) Not listed in larger agreement, very little latitude to make deals
- 2) Is this a(n) (circle all that apply)
 - a) Final service that is enjoyed directly by citizens?
 - b) Activity used in the provision of services by your municipality?
 - c) Back-office function
- 3) If this project has an end-date, is it likely to be renewed?
 - a) Very likely
 - b) Likely
 - c) Unlikely
 - d) Will not be renewed
- 4) If this project was terminated or ended without renewal, why was it terminated or not renewed?
 - a) No longer relevant (such as a special event or one-time activity)
 - b) Became feasible to provide without an outside partner
 - c) Did not perform well
 - d) Other (please specify)
- 5) What was the main motivation for entering into this agreement?
 - a) New opportunity to provide service, that did not previously exist, to constituents
 - b) Opportunity to reduce cost while maintaining service levels
 - c) Opportunity to improve service at the same or lower cost
 - d) Necessary to avoid ending service due to budget issues

Operations and Finance

- 6) If this is a joint operating agreement, does your Council take an active and direct role in setting or overseeing operating policy for the service?
 - a) Very Frequently
 - b) Frequently
 - c) Infrequently
 - d) Never

Evaluation Survey

- 7) If contract for service where your municipality is buying the services of another, how much control does your local government have on the design and operation the service?
- a) High degree of control
 - b) Some control
 - c) Minimal control
 - d) No control
- 8) If your municipality is the provider of the service to other municipality under contract, how much control do the other contracting parties over the design and operation of the service?
- a) High degree of control
 - b) Some control
 - c) Minimal control
 - d) No control
- 9) If this service or activity is a joint operating agreement, how much influence does your local government have on the design and operation of the service?
- a) High degree of control
 - b) Some control
 - c) Minimal control
 - d) No control
- 10) If this service or activity is a joint operating agreement, how much influence do the other partners in the agreement have on the design and operation of the service?
- a) High degree of control
 - b) Some control
 - c) Minimal control
 - d) No control

Performance

- 11) Does the agreement stipulate output targets or does it outline best practice procedures?
- a) Output based
 - b) Primarily output based
 - c) Primarily best practices based
 - d) Entirely best practices based
 - e) Both
- 12) In evaluating program performance, is evaluation based on output or adherence to specified procedures?
- a) Output based
 - b) Primarily output based
 - c) Primarily best practices based
 - d) Entirely best practices based
 - e) Both

Evaluation Survey

- 13) Does the agreement achieve originally stated goals?
- a) Exceeded expectations
 - b) Matched expectations
 - c) Somewhat less than expectations
 - d) Far short of expectations
- 14) Does this service provide value for money to your constituents?
- a) Yes
 - b) Somewhat
 - c) Neutral
 - d) Not at all
- 15) Is your municipality treated fairly and equitably in the agreement?
- a) Yes
 - b) Somewhat
 - c) No, the agreement is preferential toward us
 - d) No, the agreement is preferential toward our partner(s)

Answer the next three questions for recreation projects:

- 16) Is there a free-rider problem where residents of municipalities not involved in the agreement enjoy the benefits provided under the agreement?
- a) Yes
 - b) No
- 17) If there is a free-rider problem, have you tried to cut down on free-riding?
- a) Yes
 - b) No, unable to do so
 - c) No, choose not to do so
- 18) If you answered 'No' to the previous question, do you use differential pricing?
- a) Yes
 - b) No
- 19) For Economic Development Projects: Is there a free-rider problem where municipalities not part of the agreement are able to enjoy the benefits provided under the agreement?
- a) Yes
 - b) No
- 20) If this is a recreation and culture project, what percentage of the target audience in your municipality uses the service provided under the agreement once per month or more?
- a) 0 - 20%
 - b) 20% - 40%
 - c) 40% - 60%
 - d) 60% - 80%
 - e) 80% - 100%

Evaluation Survey

- 21) If this service was provided exclusively by your municipality prior to the agreement, has the level of utilisation changed?
- a) Increased
 - b) Remained the same
 - c) Decreased
- 22) Has your municipality conducted citizen satisfaction surveys for this service?
- 23) If yes, what percent were very satisfied or satisfied with the service?
- 24) If the service provided under this agreement was provided exclusively by your municipality prior to the agreement, has end-user satisfaction with the service improved?
- a) Improved
 - b) Unchanged
 - c) Worse

Accountability

- 25) Who in your municipality is primarily responsible for monitoring compliance with the terms of the agreement?
- a) Dedicated compliance officer
 - b) Relevant director
 - c) Senior administrator
 - d) Other (please specify)
 - e) None specified
- 26) What mechanisms are in place to resolve differences or disputes
- a) No mechanisms
 - b) Informal Mechanisms
 - c) Formal Mechanisms
- 27) In the past two years, how frequently have disputes had to be resolved under the agreement?
- a) Very frequently
 - b) Frequently
 - c) Infrequently
 - d) Never
- 28) Are the outputs easily measured?
- a) Very easy
 - b) Somewhat easy
 - c) Somewhat difficult
 - d) Very difficult

Evaluation Survey

29) Do the measured outputs accurately measure success?

- a) Yes
- b) Somewhat
- c) Poorly
- d) Not at all

30) If you answered "not really" or "not at all" to question 29, what would result in more accurate measurement?

31) Overall, how successful has this agreement been?

- a) Very successful
- b) Somewhat successful
- c) Neutral
- d) Somewhat unsuccessful
- e) Very unsuccessful

32) What have been the strengths and weaknesses of this agreement?

a)

Environmental Scan

33) What is your position in the municipality?

- a) Senior administrator
- b) Mid-level manager
- c) Department manager
- d) Other

34) How long have you been in your current position?

- a) 0 to 2 years
- b) 3 to 4 years
- c) 5 to 6 years
- d) More than 6 years

35) How long have you worked in local government administration?

- a) 0 to 2 years
- b) 3 to 4 years
- c) 5 to 6 years
- d) More than 6 years

Evaluation Survey

- 36) Prior to working in local government administration, did you have managerial experience in the private sector?
a) Yes
b) No

- 37) If you have a private sector background, how long did you work in a mid-level or higher position?
a) 0 to 2 years
b) 3 to 4 years
c) 5 to 6 years
d) More than 6 years

Future Directions

- 38) What do you think has contributed to the success/failure of this program or activity?

- 39) What do you think needs to be done to improve this service or activity?

- 40) Would you be willing to take part in a more in-depth case study examining this shared service agreement?
a) Yes
b) No

Thank you for taking the time to complete this survey. Your input is vital in helping us investigate what factors lead to successful shared service arrangements and what factors create problems. All survey documentation will be destroyed once the study is completed.

Appendix C: Initial Literature Review

Introduction

One would think, judging by the interest in shared service agreements, that the literature on shared services would be rich – it is not. Although a few studies examine why municipalities enter into shared service arrangements, relatively little research examines what makes a shared service agreement succeed or fail. Our scope is therefore larger than we originally expected. Studies detailing shared service agreement incidences, studies that analyzed the role of economies of scale, and studies that are tangential to our work – community health partnership studies, interorganizational studies, fiscal federalism – support our analysis. The role of this literature is crucial: it develops a fact base that provides comparison with other shared service metro areas and helps ACRA formulate its own key success factors.

Existing Literature

Other Partnership Agreements and Shared Services Studies

The *Buffalo Study*, conducted by the Institute for Local Governance and Regional Growth at SUNY-Buffalo, inventories collaborative service agreements across the entire spectrum of local government services. The study highlights the following:

- 60% of agreements are service contracts
- 12% are equipment agreements
- 78% are formal agreements
- mutual aid agreements are predominately informal
- villages and towns prefer informal agreements
- 31% are funded by fees
- 28% are funded by contributions from collaborating parties
- 21% are funded by taxes
- 53% were more interested in exploring other agreements in the future
- no one was less interested in exploring other agreements in the future
- 40% view legal issues as the biggest obstacle
- 30% view political issues as the biggest obstacle

Sonenblum *et al* (1977) examine contracted service delivery in Los Angeles County. Most of the agreements in place in their study involve contracting for services with another unit of local government – generally Los Angeles County. They focus on what factors affect a local government's propensity to enter into contracted service arrangements. They develop an econometric model of contracted service provision agreement formation. The dependent variable is the logarithm of the percentage of the total municipal budget that is spent on contracted services. They find that retail sales (as an indicator of the commercial tax base), education, age, and assessed property value per capita seem to be significant factors in whether or not a city enters into a contracting arrangement to provide services. Age, education, and retail sales all have negative impacts on the propensity to enter into contracting

arrangements. Assessed property value has a positive impact on the propensity to contract services.

Morgan and Hirlinger (1991) conduct a study similar to Sonenblum *et al* except that the dependent variables in the two regressions are the percentage of services in each community that are provided by contract with another local government and the percentage of services that are provided jointly. The presence of a city manager drives up incidences of shared services as it is strongly significant ($p < 0.01$). As Morgan and Hirlinger point out, this finding supports earlier views that city managers are an important source of policy innovation (Morgan and Hirlinger 1991, p138). However, they also find that older residents may be more politically aware and active, thereby more concerned with local control and service accountability, driving down incidences. Likewise, the presence of legal statutes preventing contracting is negative and highly significant ($p < 0.01$). This should not be surprising; in fact, what would be surprising is if it was found to not be significant. Thus, this finding seems to provide a basis for supporting *Natural Person Powers* in the 1994 revision to the Municipal Government Act in Alberta.

Bish provides examples of successful shared service arrangements: Lakewood County in Los Angeles and garbage collection in Canada. In the former (1983), Bish – like his colleague Warren (1966) – charts the history of Lakewood county and illustrate how an entire municipality can comfortably exist while arranging the provision of all its services by contracting out to private enterprises and by entering into shared service partnerships. Whereas in the latter case, Bish focuses primarily on contracting arrangements, which include municipalities that contract to other municipalities, and municipalities who jointly retain the services of a private contractor. Both papers, although dated, provide rough empirical support to the claim that shared service arrangements can be effective tools of service provision. More recently, Bish wrote tangentially on shared service provision in the Capital Region District in British Columbia (1999 & 2000). These papers, rather than limiting themselves to discussing one type of shared service arrangement – the contracting out arrangement – focus on many different types of arrangements. He identifies 266 separable local government services and surveys the 12 municipalities in the CRD to see if they were providing these through a joint provision mechanism. Bish notes that each municipality faces incentives to keep costs down as they compete for residents. This creates incentives for each municipality to attempt to upload responsibility for some services onto the CRD. If a municipality can upload a service onto the CRD that only its citizens use (or only a few citizens from other municipalities), it is able to unfairly spread the cost among a large number taxpayers within the region but outside its own jurisdiction. Thus, the CRD has a coordinating role similar to an upper tier of government. To what extent then do regional governments like the CRD have in facilitating agreements between municipal governments? It is quite possible that they end up acting as a deal broker between various municipalities in the region. In the Alberta Capital Region there is no region-wide government to act in that capacity; individual municipalities have to seek out possible collaborations on their own.

Economies of Scale Issues

Much of what is written supports the notion that providing most municipal services on a larger scale is unlikely to lead to significant efficiency gains (Bish, 1999). First, many services provided by local governments are labour intensive and involve face-to-face encounters with end-users. Second, larger municipalities spend far more per capita than smaller municipalities, lending support to the existence of diseconomies of scale in municipal service provision (Bish, 1999).

However, Bish fails to examine the range and quality of municipal services, in addition to their per capita costs. For example, perhaps larger municipalities do spend more per capita than their smaller counterparts, but they may also be providing a higher level of service under a broader range of services. Vojnovic (2000) argues that the wide range in municipal expenditures per capita between small and large communities in Quebec and Ontario is due to the increased mix of services provided in larger centres. (Provision of public transit is certainly an example of additional services provided by larger municipalities.)

Stabler (1996) examines several instances of shared service provision in Saskatchewan. In his study, Stabler outlines several sources ranging from production issues, to transport and storage (real economies of scale), and to lowered costs of finance and lower prices for purchased inputs (pecuniary economies scale). For real economies of scale, the relevant production relationship issues range from specialisation and skills, to technical issues such as high initial costs (set up costs and sunk costs), and to specialised assets.

Lessons from the Fiscal Federalism Literature

There has been substantial debate in economics and political science about the proper design of government – centralised or decentralised. Although much of this debate has focused on the role of a national government and its powers versus the powers held by lower levels of government, much can be applied to shared service arrangements among local governments. Oates (1972) discusses the two extreme forms of government: centralised and decentralised. Although he looks at this issue from the perspective of governing a nation, we can draw useful parallels to the task of structuring service provision by local governments.

Many of the arguments in this part of the literature actually draw heavily from the public choice literature. However, there are economic arguments that are sufficiently specialised that they warrant their own discussion. For reasons outlined in Oates (1972) we will not address the distributive or stabilisation functions of government; instead, focusing on the allocative function. This function of government involves decisions about spending taxation that directly affect resource allocation.

The central thrust of the decentralisation/fiscal federalism literature as presented by Oates can be summed up in two concepts: subsidiarity and fiscal equivalence. Although these two concepts are relatively recent by comparison to Oates' work, they do provide nice, concise ways to express the results of Oates' work.

Subsidiarity, although not a new concept (Merriam-Webster puts the origin of the word as 1936), has only recently become a common concept in intergovernmental relations (since the signing of the Amsterdam Treaty under the EU). In essence, it

implies that functions should be allocated to local (or subsidiary) governments if they cannot be better served by a dominant central government.

Fiscal equivalence implies that taxes and spending decisions should be made by those affected by them. Achieving fiscal equivalence can be made easier if subsidiarity exists. Imagine a world in which every local government activity is paid for by its own levy, perhaps in the form of a property tax. If subsidiarity exists, then decisions about the provision of some service will be made by a local government representing the people affected by the decision. Provision levels will be determined with regard to the tax cost faced by residents. In this sense, fiscal equivalence is achieved. Of course in the real world few local services are paid for with special levies; instead, the burden often falls to the general property tax. If fiscal equivalence exists, then changes in spending will be reflected by changes in the local property tax and again those affected by the service – the voters – will adjust their demands accordingly.

In essence what we have just discussed is the implication of work by Oates (1972) and Musgrave (1959). The argument that Oates puts forth is that insofar as some local public good or service does not have impacts beyond the municipal boundary, authority ought to lie with the local government. Musgrave does admit the possibility that economies of scale may exist. In that case, authority moves up to the next level of government until economies of scale are exhausted.

How does the above discussion relate to the case at hand, inter-municipal service provision? The answer is simple. As argued by Bish (1999) and Stabler (1996), economies of scale are likely to occur at relative small scales due to the labour intensive nature of many public services. However, due to differences in the characteristics of many local public goods, the size at which minimum efficient scale is achieved is likely to vary across services. Furthermore, as Bish (1999) states “. . . the activities which make up the production of local government services are extremely diverse and that a local government, regardless of its size, is never the right size to undertake efficient production of all of its services in its own organisation.” Inter-municipal agreements allow the scope and scale of any one project to be varied to fit the characteristics of the service. Each municipality chooses to take part in the appropriate agreement in accordance with the wishes of its residents. Assuming costs are properly allocated among the parties in the agreement, fiscal equivalence is achieved.

Local Government Structure

We acknowledge that there is a wider debate in this area but we do not enter it. The purpose of this study is to investigate factors of success in inter-municipal agreements. Our reason for visiting the topic of local government structure is to understand some of the motives for inter-municipal arrangements.

Much has also been written on the debate over structures of local government. The case for fragmented local governments, as opposed to unified or amalgamated local governments, has been well discussed by a number of authors. The two most notable sources on shared service provision are work by Robert Bish (1999, 2000, 2001), and a series of materials published by the Government of Saskatchewan as part of its review of service provision by local government.

Others, like Lightbody and the Greater Toronto Area Taskforce, argue for forms of more centralised local governments. Although the GTA Taskforce supports the notion of two-tiered municipal government, it argues for the relative concentration of power with the regional tier, especially in the six Mayor executive that would grow out of the top regional tier. The debate about the centralisation of local government revolves around fiscal equivalence: what size of government is most receptive to local needs while most efficient in the provision of services satisfying those needs?

A number of other authors, most notably McFarlane (2001) suggest that there is little support for two-tier local governments. The implication seems to be that the upper tier still tries to be a one-size-fits-all provider in terms of the common services that it provides. Due to differences in existence and size of scale economies across a wide range of public services, it is unlikely that an upper tier of a two-tier local government system would be able to function efficiently. In addition, problems of conflict over jurisdiction can arise between a lower tier and an upper tier. Given the acceptance of the notion of fragmented local government by many authors and the fact that those same authors also reject a two tier system, it seems that this implies a need for shared service provision.

In the Capital Region District (CRD) of British Columbia, each municipality faces incentives to keep costs down due to competition for residents (sort of a Tiebout migration story). Bish (1999) argues that this creates incentives for each municipality to attempt to upload responsibility for some services onto the CRD. If a municipality can upload a service onto the CRD that only its citizens use (or only a few citizens from other municipalities), it is able to unfairly spread the cost among a large number taxpayers within the region but outside its own jurisdiction.

This introduces an important point: the co-ordinating role of an upper tier government. In British Columbia, the regional governments have legal standing and have responsibility for providing some goods or services. To what extent do regional governments, such as the CRD or the GVRD, have in facilitating agreements between municipal governments? It is quite possible that they end up acting as a deal broker between various municipalities in the region. In the Alberta Capital Region (ACR), there is no region-wide government to act in that capacity. As a result, individual municipalities have to seek out possible collaborations on their own.

Lessons from Organisational Theory

Organisational theory attempts to understand what makes partnership relationships work. Teisman and Klijn (2002), for example, examine the politics of partnerships. They argue that despite the proposal and exploration of new governance schemes, municipal governments still have to comply with their existing procedures, which often hinder the development of fair and open partnerships. The building of the Rotterdam harbour serves as an example. Municipal governments, they argue, are especially not prepared to adjust governance arrangements. As a result, partners set policy on the basis of self-referential organisational decisions rather than on the basis of joint inter-organisational decisions. Co-operative arrangements like shared service agreements therefore may often be introduced with little reflection on how to reorganise policy making processes and adjust existing institutional structures.

Unfortunately, this raises more questions than it answers. How can we expect governments to move beyond their traditional procedures based on hierarchy and the primacy of politics? Can governments combine hierarchy with partnerships? How do local governments fit into the emerging “network society”? And should they?

There are, however, a number of forces compelling governments to enter into partnerships. Teisman and Klijn envision the following forces:

- the establishment of a “network society”
- the rising expectations of citizens
- a more responsive private sector with numerous inter-organisational production chains

Governments, aware of these forces, may try but may be unable to move beyond their own procedures and principles of control, trying to fit partnerships into the mould of traditional policy making procedures. This just does not work.

Governments, according to the “network society” literature, therefore either accept the complexity that partnerships entail or opt out for traditional contracting-out schemes.

But why should municipalities partner up in first place? Why not just contract out? Borgatti (2002) and others provide a transactions cost framework explaining why network governance emerges and thrives, why it is effective, and why it is a solid option for municipalities. Borgatti integrates transaction costs analysis and social network theory: governance forms become “mechanism[s] for exchange” (Hesterly, Liebeskind & Zenger, 1990). Three exchange conditions – uncertainty, asset specificity, and frequency – determine which governance form is most efficient. First, environmental uncertainty triggers adaptation and a willingness to consider new partnership arrangements. Second, asset specific (or customised) exchanges involving unique equipment, processes, or knowledge developed by participants, intensifies co-ordination between parties. Customisation combined with uncertainty, however, requires safeguarding, *i.e.*, reducing behavioural uncertainty on the part of participants. Third, frequency transfers tacit knowledge, builds trusts, and develops a higher level of comfort, especially when specialised processes or knowledge are involved. Frequent interactions establish the conditions for relational and structural embeddedness; frequent interactions provide cost efficiency in using specialised governance structures (Williamson, 1996). For a network governance form to emerge and thrive, it must, however, address problems of adapting, co-ordinating, and safeguarding exchanges more efficiently than other governance forms.

Borgatti’s work helps us identify the specific forms of uncertainty and asset specificity, as well as task complexity and notions of frequency, that give rise to network governance. These four conditions necessary for network governance to emerge and thrive are demand uncertainty with stable supply, customised exchanges high in human asset specificity, complex tasks integrating diverse specialists, and frequent exchanges among parties comprising the network.

Altogether, demand uncertainty, complexity, specific human talent requirements, and frequent interactions, suggest the need for strong partnership agreements. Such a sophisticated mix of conditions demands a high level of comfort

and trust amongst the municipal participants. For example, a task as complex as building the Industrial Heartland, demands frequent participation by local governments, the talents of many different participants in local government and management, despite uncertainty about the outcome. Over time, complex and frequent interactions such as the Heartland build networks – so much so that these networks become embedded in the way local governments act.

Network theory at the organisational level frequently assumes that networks are primarily co-operative, with actors linked through direct ties that take the form of alliances, licensing agreements, etc. This is implicit in Teisman and Klijn as well as in Borgatti's analyses. In reality, however, these co-operative networks almost invariably operate within larger networks of competition (Theodore Liberti, 2002). Collaboration provides both opportunities and constraints for organisations, requiring the continuous assessment of the relative value of between-firm co-operation versus all-out competition. Although strategists and researchers often treat inter-firm co-operation and competition as two distinct entities, organisational life is filled with countless examples of their entanglement. We expect to find many examples of this when we tackle partnership economic development arrangements. The difficulty lies, not with our inability to recognise this paradox but, rather, with the lack of an organising mechanism to aid in its conceptualisation. Unfortunately, the organisational literature does not adequately deal with this. We will deal with this in the case studies.

Services vs. Co-ordinated Policies

McFarlane (2001) points out that there are differences between services and co-ordinated policies may require differences in suggested solutions. For lack of a better term, services are things that are enjoyed or consumed directly by the citizens of a local government. This would include things like parks and recreation services. In these areas there is a simple production function relationship. Furthermore, the objectives and incentives are such that there is little scope for strategic behaviour, other than perhaps not revealing true preferences so as to participate in a joint venture at a lower share of the total cost. The implication of this is that different solutions are required for different situations depending on the nature of the service provided.

In the area of co-ordinated policies and actions, such as economic development, there is not such a clear connection between activity and outcome. Just how important this is depends on what we include in our definition of the activity. When talking about economic development one can talk only about booster club activities or one could extend the discussion to include policies that affect the business environment. If one restricts the definition of economic development to be the Greater Edmonton Area Booster Club, strategic behaviour may be limited to a free-rider problem.

While free-riding is a potential problem in any public good, it is less likely in hard service areas since if one municipality does not contribute and take part, its citizens can be excluded from enjoying the service. However, in terms of initiatives to draw new business to the greater Edmonton area, there is a greater opportunity for free-riding.

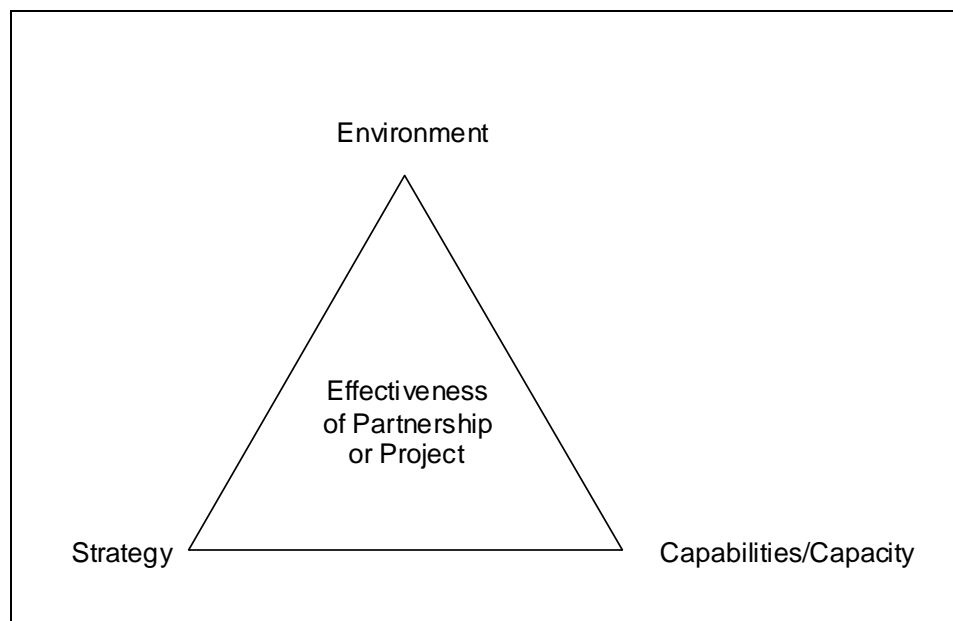
Related to this is the issue of co-ordinated policies. The Valley Bay Inter-Regional Partnership in San Francisco and the San Joaquin regions of California were formed to look at development in the entire region (NARC 2001). This partnership involved looking at the location of various types of development activity including business/industry location, transportation planning, and residential development. This type of activity has a much large scope for strategic behaviour and conflict.

Shared Service Agreements in Community Health Partnerships

Mitchell and Shortell's Model

Mitchell and Shortell, in their analysis of successful community health partnerships, suggest that the performance of a community health partnership depends on the interaction between three elements: Environment, strategy, and capacity. The appropriate proportions build effective and sustainable partnerships. These three factors are the pillars of success.

Figure 1: Pillars of Success for Community Health Partnerships

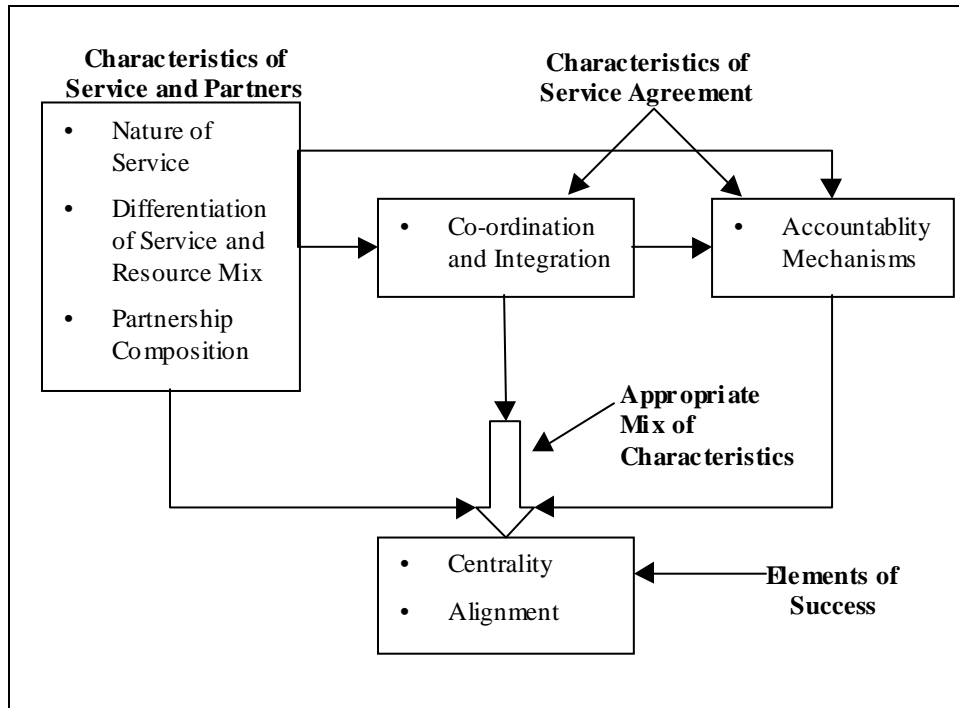


Source: Mitchell and Shortell (2000)

Characteristics of the service and the diversity of the partners largely shape the co-ordination/integration mechanism needed. The type of co-ordination mechanism used has implications for the accountability framework. However, the nature of the service and the diversity of the partners also place requirements on the accountability framework. The co-ordination/integration mechanism, the accountability framework, and the characteristics of the partnership (nature of the service and the partners) combine to determine the success of the arrangement. If the combinations are not appropriate, the arrangement will be less successful. The result is that the nature of the partners, the nature of the service to be delivered, and the

nature of the environment drive how the agreement should be put together. Proper management, accountability in the service, and an authority to whom one can bring concerns is driven by getting the right mix.

Figure 2: Getting the Right Mix



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Appendix D: Tabular Summaries of Agreements

Recreation & Culture Activities

| Agreement Name | Municipalities | Formal |
|--|---|----------|
| Beaumont – Leduc County Recreation Cost Sharing Agreement | Town of Beaumont Leduc County | Formal |
| Bon Accord-Sturgeon Rec Cost Sharing Agreement | Sturgeon County Town of Bon Accord | Formal |
| Calmar-Leduc County Cost Share Agreement | Town of Calmar Leduc County | Formal |
| City of Leduc-Leduc County Rec Cost Sharing Agmt | City of Leduc Leduc County | Formal |
| Devon Parkland Cost sharing agreement | Parkland County Town of Devon | Formal |
| Devon-Leduc County Rec Cost Sharing Agreement | Leduc County Town of Devon | Formal |
| Drayton Valley – Parkland County Recreation Cost Sharing Agreement | Drayton Valley Parkland County | Formal |
| Gibbons-Sturgeon Rec Cost Sharing Agreement | Sturgeon County Town of Gibbons | Formal |
| Intermunicipal Recreation Task Force - Web Site | City of Fort Saskatchewan City of St. Albert Strathcona County Sturgeon County Town of Bon Accord Town of Gibbons Town of Legal Town of Morinville Town of Redwater | Informal |
| Legal-Sturgeon Rec Cost Sharing Agreement | Sturgeon County Town of Legal | Formal |
| Management Services Agreement | Strathcona County Town of Bruderheim | Formal |
| Morinville-Sturgeon Rec Cost Sharing Agreement | Sturgeon County Town of Morinville | Formal |
| New Sarepta-Leduc County Rec Cost Sharing Agmt | Village of New Sarepta Leduc County | Formal |
| New Sarepta and District Regional Recreation & Pks Board | Leduc County Village of New Sarepta | Formal |
| Northern Lights Library System Agreement | Northern Lights Library System Sturgeon County Town of Bon Accord Town of Gibbons Town of Morinville Town of Redwater Several others not in ACRA | Formal |

| Agreement Name | Municipalities | Formal |
|--|---|---------------|
| Parkland-Stony Plain Library | Parkland County Town of Stony Plain | Formal |
| Redwater-Sturgeon Rec Cost Sharing Agreement | Sturgeon County Town of Redwater | Formal |
| River Valley Alliance | City of Edmonton City of Fort Saskatchewan Leduc County Parkland County Strathcona County Sturgeon County Town of Devon | Formal |
| Spruce Grove-Parkland Rec Cost Sharing Agreement | City of Spruce Grove Parkland County | Formal |
| Stony Plain-Parkland Rec Cost Sharing Agreement | Parkland County Town of Stony Plain | Formal |
| Stony Plain-Parkland Library Agreement | Parkland County Town of Stony Plain | Formal |
| Thorsby and District Regional Recreation & Parks Board | Leduc County Village of Thorsby | Formal |
| Thorsby-Leduc County Rec Cost Sharing Agreement | Leduc County Village of Thorsby | Formal |
| TransAlta Tri-Leisure Facility | City of Spruce Grove Parkland County Town of Stony Plain | Formal |
| Wabamun-Parkland Recreation Cost Sharing Agreement | Parkland County Village of Wabamun | Formal |
| Warburg and District Regional Recreation & Parks Board | Village of Warburg Leduc County | Formal |
| Warburg-Leduc County Rec Cost Sharing Agreement | Village of Warburg Leduc County | Formal |

Note: The City of Fort Saskatchewan, the City of St Albert, and the City of Spruce Grove each have agreements with school districts within their jurisdiction covering joint use and planning of recreation facilities and access provisions. These are not reported in the table here since the school boards are ACRA members.

| Municipality | Agreement/Activity | Type |
|--|--|-------------|
| City of Edmonton | River Valley Alliance | Formal |
| City of Ft Saskatchewan | Intermunicipal Recreation Task Force - Web Site | Informal |
| | River Valley Alliance | Formal |
| City of Leduc | City of Leduc-Leduc County Rec Cost Sharing Agmt | Formal |
| City of Spruce Grove | Spruce Grove-Parkland Rec Cost Sharing Agreement | Formal |
| | TransAlta Tri-Leisure Facility | Formal |
| City of St. Albert | Intermunicipal Recreation Task Force - Web Site | Informal |
| Drayton Valley | Drayton Valley – Parkland County Recreation Cost Sharing Agreement | Formal |
| Leduc County | Beaumont – Leduc County Recreation Cost Sharing Agreement | Formal |
| | Calmar-Leduc County Cost Share Agreement | Formal |
| | City of Leduc-Leduc County Rec Cost Sharing Agmt | Formal |
| | Devon-Leduc County Rec Cost Sharing Agreement | Formal |
| | New Sarepta and District Regional Recreation & Pks Board | Formal |
| | New Sarepta-Leduc County Rec Cost Sharing Agmt | Formal |
| | River Valley Alliance | Formal |
| | Thorsby and District Regional Recreation & Parks Board | Formal |
| | Thorsby-Leduc County Rec Cost Sharing Agreement | Formal |
| | Warburg and District Regional Recreation & Parks Board | Formal |
| Warburg-Leduc County Rec Cost Sharing Agreement | Formal | |
| Parkland County | Devon Parkland Cost sharing agreement | Formal |
| | Drayton Valley – Parkland County Recreation Cost Sharing Agreement | Formal |
| | Parkland-Stony Plain Library | Formal |
| | River Valley Alliance | Formal |
| | Spruce Grove-Parkland Rec Cost Sharing Agreement | Formal |
| | Stony Plain-Parkland Library Agreement | Formal |
| | Stony Plain-Parkland Rec Cost Sharing Agreement | Formal |
| | TransAlta Tri-Leisure Facility | Formal |
| Wabamun-Parkland Recreation Cost Sharing Agreement | Formal | |
| Strathcona County | Intermunicipal Recreation Task Force - Web Site | Informal |
| | Management Services Agreement | Formal |
| | River Valley Alliance | Formal |
| Sturgeon County | Bon Accord-Sturgeon Rec Cost Sharing Agreement | Formal |
| | Gibbons-Sturgeon Rec Cost Sharing Agreement | Formal |
| | Intermunicipal Recreation Task Force - Web Site | Informal |
| | Legal-Sturgeon Rec Cost Sharing Agreement | Formal |
| | Morinville-Sturgeon Rec Cost Sharing Agreement | Formal |
| | Northern Lights Library System Agreement | Formal |
| | Redwater-Sturgeon Rec Cost Sharing Agreement | Formal |
| River Valley Alliance | Formal | |
| Town of Beaumont | Beaumont – Leduc County Recreation Cost Sharing Agreement | Formal |
| Town of Bon Accord | Bon Accord-Sturgeon Rec Cost Sharing Agreement | Formal |
| | Intermunicipal Recreation Task Force - Web Site | Informal |
| | Northern Lights Library System Agreement | Formal |

| Municipality | Agreement/Activity | Type |
|------------------------|--|-------------|
| Town of Bruderheim | Management Services Agreement | Formal |
| Town of Calmar | Calmar-Leduc County Cost Share Agreement | Formal |
| Town of Devon | Devon Parkland Cost sharing agreement | Formal |
| | Devon-Leduc County Rec Cost Sharing Agreement | Formal |
| | River Valley Alliance | Formal |
| Town of Gibbons | Gibbons-Sturgeon Rec Cost Sharing Agreement | Formal |
| | Intermunicipal Recreation Task Force - Web Site | Informal |
| | Northern Lights Library System Agreement | Formal |
| Town of Legal | Intermunicipal Recreation Task Force - Web Site | Informal |
| | Legal-Sturgeon Rec Cost Sharing Agreement | Formal |
| Town of Morinville | Intermunicipal Recreation Task Force - Web Site | Informal |
| | Morinville-Sturgeon Rec Cost Sharing Agreement | Formal |
| | Northern Lights Library System Agreement | Formal |
| Town of Redwater | Intermunicipal Recreation Task Force - Web Site | Informal |
| | Northern Lights Library System Agreement | Formal |
| | Redwater-Sturgeon Rec Cost Sharing Agreement | Formal |
| Town of Stony Plain | Parkland-Stony Plain Library | Formal |
| | Stony Plain-Parkland Rec Cost Sharing Agreement | Formal |
| | TransAlta Tri-Leisure Facility | Formal |
| | Stony Plain-Parkland Library Agreement | Formal |
| Village of New Sarepta | New Sarepta and District Regional Recreation & Pks Board | Formal |
| | New Sarepta-Leduc County Rec Cost Sharing Agmt | Formal |
| Village of Thorsby | Thorsby and District Regional Recreation & Parks Board | Formal |
| | Thorsby-Leduc County Rec Cost Sharing Agreement | Formal |
| Village of Wabamun | Wabamun-Parkland Recreation Cost Sharing Agreement | Formal |
| Village of Warburg | Warburg and District Regional Recreation & Parks Board | Formal |
| | Warburg-Leduc County Rec Cost Sharing Agreement | Formal |

Economic Development Activities

| Agreement Name | Municipalities | Formal |
|--|---|----------|
| Alberta Capital Region Alliance | All members of ACRA | Formal |
| Alberta Industrial Heartland Association | Sturgeon County City of Fort Saskatchewan Strathcona County County of Lamont | Formal |
| Economic Development Partnership | Leduc Nisku Economic Development Authority Town of Beaumont Town of Devon Leduc County City of Leduc | Formal |
| Intermunicipal Development Plan | Sturgeon County City of St. Albert | Formal |
| Intermunicipal Planning | Town of Stony Plain Parkland County | Formal |
| Metro Edmonton Economic Development Team | Beaumont Bon Accord Calmar Devon Economic Development Edmonton Fort Saskatchewan Gibbons Leduc/Nisku EDA Legal Sturgeon County Morinville Parkland County Redwater Spruce Grove St. Albert Stony Plain Strathcona County | Informal |
| Project Germany | City of Edmonton (EDE) ACRA Numerous external partners | Informal |
| Tourism Familiarization Tours | Parkland County City of Spruce Grove Town of Stony Plain | Informal |
| Tri-Smart Alliance for Prosperity | City of Spruce Grove Town of Stony Plain Parkland County | Informal |

| Municipality/Agency | Activity | Type |
|----------------------------|--|-------------|
| ACRA | Project Germany | Informal |
| Beaumont | Metro Edmonton Economic Development Team | Informal |
| | ACRA | Formal |
| Bon Accord | Metro Edmonton Economic Development Team | Informal |
| | ACRA | Formal |
| Calmar | Metro Edmonton Economic Development Team | Informal |
| City of Edmonton | ACRA | Formal |
| City of Edmonton (EDE) | Project Germany | Informal |
| | Metro Edmonton Economic Development Team | Informal |
| City of Fort Saskatchewan | Alberta Industrial Heartland Association | Formal |
| | ACRA | Formal |
| City of Leduc | Economic Development Partnership | Formal |
| | ACRA | Formal |
| City of Spruce Grove | Tourism Familiarization Tours | Informal |
| | Metro Edmonton Economic Development Team | Informal |
| | Tri-Smart Alliance for Prosperity | Informal |
| | ACRA | Formal |
| City of St. Albert | Intermunicipal Development Plan | Formal |
| | Metro Edmonton Economic Development Team | Informal |
| | ACRA | Formal |
| Devon | Metro Edmonton Economic Development Team | Informal |
| | ACRA | Informal |
| Fort Saskatchewan | Metro Edmonton Economic Development Team | Informal |
| | ACRA | Formal |
| Gibbons | Metro Edmonton Economic Development Team | Informal |
| | ACRA | Formal |
| City of Leduc | Leduc-Nisku EDA | Formal |
| | ACRA | Formal |
| County of Leduc | Leduc-Nisku EDA | Formal |
| | ACRA | Formal |
| Leduc/Nisku EDA | Economic Development Partnership | Formal |
| | Metro Edmonton Economic Development Team | Informal |
| Legal | Metro Edmonton Economic Development Team | Informal |
| | ACRA | Formal |
| Morinville | Metro Edmonton Economic Development Team | Informal |
| | ACRA | Formal |

| Municipality/Agency | Activity | Type |
|----------------------------|--|-------------|
| Parkland County | Intermunicipal Planning | Formal |
| | Metro Edmonton Economic Development Team | Informal |
| | Tourism Familiarization Tours | Informal |
| | Tri-Smart Alliance for Prosperity | Informal |
| | ACRA | Formal |
| Redwater | Metro Edmonton Economic Development Team | Informal |
| | ACRA | Formal |
| Stony Plain | Metro Edmonton Economic Development Team | Informal |
| | ACRA | Formal |
| Strathcona County | Alberta Industrial Heartland Association | Formal |
| | Metro Edmonton Economic Development Team | Informal |
| | ACRA | Formal |
| Sturgeon County | Alberta Industrial Heartland Association | Formal |
| | Intermunicipal Development Plan | Formal |
| | Metro Edmonton Economic Development Team | Informal |
| | ACRA | Formal |
| Town of Beaumont | Economic Development Partnership | Formal |
| | ACRA | Formal |
| Town of Devon | Economic Development Partnership | Formal |
| | ACRA | Formal |
| Town of Stony Plain | Intermunicipal Planning | Formal |
| | Tourism Familiarization Tours | Informal |
| | Tri-Smart Alliance for Prosperity | Informal |
| | ACRA | Formal |

Appendix E: Frequency Tables from Evaluation Surveys

Recreation or Education

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------------|-----------|---------|---------------|--------------------|
| Recreation | 34 | 77.3 | 77.3 | 77.3 |
| Economic Development | 10 | 22.7 | 22.7 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Formal or Informal

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------|-----------|---------|---------------|--------------------|
| formal | 32 | 72.7 | 72.7 | 72.7 |
| informal | 12 | 27.3 | 27.3 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Extent of Integration

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------------------------------|-----------|---------|---------------|--------------------|
| Minimal extent of integration | 4 | 9.1 | 9.1 | 9.1 |
| Lesser extent of integration | 7 | 15.9 | 15.9 | 25.0 |
| Moderate level of integration | 11 | 25.0 | 25.0 | 50.0 |
| Moderate-High level of integration | 16 | 36.4 | 36.4 | 86.4 |
| High level of integration | 6 | 13.6 | 13.6 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

IDEALINT

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|---------|---------------|--------------------|
| 1 | 14 | 31.8 | 31.8 | 31.8 |
| 2 | 10 | 22.7 | 22.7 | 54.5 |
| 3 | 2 | 4.5 | 4.5 | 59.1 |
| 4 | 7 | 15.9 | 15.9 | 75.0 |
| 5 | 11 | 25.0 | 25.0 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

INTSCORE

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|---------|---------------|--------------------|
| 2 | 4 | 9.1 | 9.1 | 9.1 |
| 3 | 5 | 11.4 | 11.4 | 20.5 |
| 4 | 20 | 45.5 | 45.5 | 65.9 |
| 5 | 15 | 34.1 | 34.1 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 1 If this joint service is part of a larger agreement, is this service or activity explicitly identified in the larger agreement. If it is not explicitly defined in the larger agreement, do you have latitude to make deals on an "as needed" basis?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--|-----------|---------|---------------|--------------------|
| a) Listed in larger agreement | 8 | 18.2 | 18.2 | 18.2 |
| b) Not listed in larger agreement, considerable latitude to | 11 | 25.0 | 25.0 | 43.2 |
| c) Not listed in larger agreement, very little latitude to m | 23 | 52.3 | 52.3 | 95.5 |
| N/A | 2 | 4.5 | 4.5 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 2 Is this a(n) (circle all that apply)

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--|-----------|---------|---------------|--------------------|
| a) Final service that is enjoyed directly by citizens? | 26 | 59.1 | 59.1 | 59.1 |
| b) Activity used in the provision of services by your municipi | 12 | 27.3 | 27.3 | 86.4 |
| c) Back-office function | 6 | 13.6 | 13.6 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 3 If this project has an end-date, is it likely to be renewed?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------------------|-----------|---------|---------------|--------------------|
| a) Very likely | 29 | 65.9 | 65.9 | 65.9 |
| b) Likely | 9 | 20.5 | 20.5 | 86.4 |
| c) Unlikely | 1 | 2.3 | 2.3 | 88.6 |
| d) Will not be renewed | 1 | 2.3 | 2.3 | 90.9 |
| N/A | 4 | 9.1 | 9.1 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 4 If this project was terminated or ended without renewal, why was it terminated or not renewed?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--|-----------|---------|---------------|--------------------|
| a) No longer relevant (such as a special event or one-time activity) | | | | |
| b) Became feasible to provide without an outside partner | | | | |
| c) Did not perform well | 1 | 2.3 | 2.3 | 2.3 |
| d) Other (please specify) | 2 | 4.5 | 4.5 | 6.8 |
| N/A | 41 | 93.2 | 93.2 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 5 What was the main motivation for entering into this agreement?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--|-----------|---------|---------------|--------------------|
| a) New opportunity to provide service, that did not previous | 20 | 45.5 | 45.5 | 45.5 |
| b) Opportunity to reduce cost while maintaining service levels | 10 | 22.7 | 22.7 | 68.2 |
| c) Opportunity to improve service at the same or lower cost | 6 | 13.6 | 13.6 | 81.8 |
| d) Necessary to avoid ending service due to budget issues | 8 | 18.2 | 18.2 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

OWNCTRL

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|---------|---------------|--------------------|
| 1.00 | 5 | 11.4 | 11.4 | 11.4 |
| 2.00 | 9 | 20.5 | 20.5 | 31.8 |
| 3.00 | 15 | 34.1 | 34.1 | 65.9 |
| 4.00 | 4 | 9.1 | 9.1 | 75.0 |
| 5.00 | 11 | 25.0 | 25.0 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 6 If this is a joint operating agreement, does your Council take an active and direct role in setting or overseeing operating policy for the service?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------------|-----------|---------|---------------|--------------------|
| a) Very Frequently | 5 | 11.4 | 11.4 | 11.4 |
| b) Frequently | 15 | 34.1 | 34.1 | 45.5 |
| c) Infrequently | 13 | 29.5 | 29.5 | 75.0 |
| d) Never | 7 | 15.9 | 15.9 | 90.9 |
| N/A | 4 | 9.1 | 9.1 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 7 If contract for service where your municipality is buying the services of another, how much control does your local government have on the design and operation the service?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------------------|-----------|---------|---------------|--------------------|
| a) High degree of control | 5 | 11.4 | 11.4 | 11.4 |
| b) Some control | 1 | 2.3 | 2.3 | 13.6 |
| c) Minimal control | 5 | 11.4 | 11.4 | 25.0 |
| N/A | 33 | 75.0 | 75.0 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 8 If your municipality is the provider of the service to other municipality under contract, how much control do the other contracting parties over the design and operation of the service?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------------------|-----------|---------|---------------|--------------------|
| a) High degree of control | 2 | 4.5 | 4.5 | 4.5 |
| b) Some control | 2 | 4.5 | 4.5 | 9.1 |
| c) Minimal control | 3 | 6.8 | 6.8 | 15.9 |
| d) No control | 1 | 2.3 | 2.3 | 18.2 |
| N/A | 36 | 81.8 | 81.8 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 9 If this service or activity is a joint operating agreement, how much influence does your local government have on the design and operation of the service?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------------------|-----------|---------|---------------|--------------------|
| a) High degree of control | 5 | 11.4 | 11.4 | 11.4 |
| b) Some control | 12 | 27.3 | 27.3 | 38.6 |
| c) Minimal control | 5 | 11.4 | 11.4 | 50.0 |
| d) No control | 3 | 6.8 | 6.8 | 56.8 |
| N/A | 19 | 43.2 | 43.2 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 10 If this service or activity is a joint operating agreement, how much influence do the other partners in the agreement have on the design and operation of the service?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------------------|-----------|---------|---------------|--------------------|
| a) High degree of control | 4 | 9.1 | 9.1 | 9.1 |
| b) Some control | 11 | 25.0 | 25.0 | 34.1 |
| c) Minimal control | 8 | 18.2 | 18.2 | 52.3 |
| d) No control | 1 | 2.3 | 2.3 | 54.5 |
| N/A | 20 | 45.5 | 45.5 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 11 Does the agreement stipulate output targets or does it outline best practice procedures?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------------------------------|-----------|---------|---------------|--------------------|
| a) Output based | 4 | 9.1 | 9.1 | 9.1 |
| b) Primarily output based | 10 | 22.7 | 22.7 | 31.8 |
| c) Primarily best practices based | 12 | 27.3 | 27.3 | 59.1 |
| d) Entirely best practices based | 3 | 6.8 | 6.8 | 65.9 |
| e) Both | 15 | 34.1 | 34.1 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 12 In evaluating program performance, is evaluation based on output or adherence to specified procedures?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------------------------------|-----------|---------|---------------|--------------------|
| a) Output based | 9 | 20.5 | 20.5 | 20.5 |
| b) Primarily output based | 10 | 22.7 | 22.7 | 43.2 |
| c) Primarily best practices based | 7 | 15.9 | 15.9 | 59.1 |
| d) Entirely best practices based | 1 | 2.3 | 2.3 | 61.4 |
| e) Both | 17 | 38.6 | 38.6 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 13 Does the agreement achieve originally stated goals?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------------------------------|-----------|---------|---------------|--------------------|
| a) Exceeded expectations | 4 | 9.1 | 9.1 | 9.1 |
| b) Matched expectations | 33 | 75.0 | 75.0 | 84.1 |
| c) Somewhat less than expectations | 6 | 13.6 | 13.6 | 97.7 |
| d) Far short of expectations | 1 | 2.3 | 2.3 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 14 Does this service provide value for money to your constituents?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------|-----------|---------|---------------|--------------------|
| a) Yes | 31 | 70.5 | 70.5 | 70.5 |
| b) Somewhat | 8 | 18.2 | 18.2 | 88.6 |
| c) Neutral | 4 | 9.1 | 9.1 | 97.7 |
| d) Not at all | 1 | 2.3 | 2.3 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 15 Is your municipality treated fairly and equitably in the agreement?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--|-----------|---------|---------------|--------------------|
| a) Yes | 35 | 79.5 | 79.5 | 79.5 |
| b) Somewhat | 7 | 15.9 | 15.9 | 95.5 |
| c) No, the agreement is preferential toward us | 0 | 0 | 0 | 0 |
| d) No, the agreement is preferential toward our partner(s) | 2 | 4.5 | 4.5 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 16 Is there a free-rider problem where residents of municipalities not involved in the agreement enjoy the benefits provided under the agreement?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------|-----------|---------|---------------|--------------------|
| a) Yes | 16 | 36.4 | 36.4 | 36.4 |
| b) No | 18 | 40.9 | 40.9 | 77.3 |
| N/A | 10 | 22.7 | 22.7 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 17 If there is a free-rider problem, have you tried to cut down on free-riding?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------------------|-----------|---------|---------------|--------------------|
| a) Yes | 3 | 6.8 | 6.8 | 6.8 |
| b) No, unable to do so | 4 | 9.1 | 9.1 | 15.9 |
| c) No, choose not to do so | 15 | 34.1 | 34.1 | 50.0 |
| N/A | 22 | 50.0 | 50.0 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 18 If you answered 'No' to the previous question, do you use differential pricing?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------|-----------|---------|---------------|--------------------|
| a) Yes | 7 | 15.9 | 15.9 | 15.9 |
| b) No | 19 | 43.2 | 43.2 | 59.1 |
| N/A | 18 | 40.9 | 40.9 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 19 For Economic Development Projects: Is there a free-rider problem where municipalities not part of the agreement are able to enjoy the benefits provided under the agreement?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------|-----------|---------|---------------|--------------------|
| a) Yes | 1 | 2.3 | 2.3 | 2.3 |
| b) No | 9 | 20.5 | 20.5 | 22.7 |
| N/A | 34 | 77.3 | 77.3 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 20 If this is a recreation and culture project, what percentage of the target audience in your municipality uses the service provided under the agreement once per month or more?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------|-----------|---------|---------------|--------------------|
| 0 | 11 | 25.0 | 25.0 | 25.0 |
| a) 0 - 20% | 8 | 18.2 | 18.2 | 43.2 |
| b) 20% - 40% | 4 | 9.1 | 9.1 | 52.3 |
| c) 40% - 60% | 4 | 9.1 | 9.1 | 61.4 |
| d) 60% - 80% | 1 | 2.3 | 2.3 | 63.6 |
| e) 80% - 100% | 3 | 6.8 | 6.8 | 70.5 |
| N/A | 13 | 29.5 | 29.5 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 21 If this service was provided exclusively by your municipality prior to the agreement, has the level of utilisation

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------------|-----------|---------|---------------|--------------------|
| a) Increased | 8 | 18.2 | 18.2 | 18.2 |
| b) Remained the same | 12 | 27.3 | 27.3 | 45.5 |
| c) Decreased | 1 | 2.3 | 2.3 | 47.7 |
| N/A | 23 | 52.3 | 52.3 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 22 Has your municipality conducted citizen satisfaction surveys for this service?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------|-----------|---------|---------------|--------------------|
| a) Yes | 3 | 6.8 | 6.8 | 6.8 |
| b) No | 41 | 93.2 | 93.2 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 23 If yes, what percent were very satisfied or satisfied with the service?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|---------|---------------|--------------------|
| .00 | 41 | 93.2 | 93.2 | 93.2 |
| 70.00 | 2 | 4.5 | 4.5 | 97.7 |
| 90.00 | 1 | 2.3 | 2.3 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 24 If the service provided under this agreement was provided exclusively by your municipality prior to the agreement, has end-user satisfaction with the service improved?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|-----------|---------|---------------|--------------------|
| a) Improved | 9 | 20.5 | 20.5 | 20.5 |
| b) Unchanged | 12 | 27.3 | 27.3 | 47.7 |
| N/A | 23 | 52.3 | 52.3 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 25 Who in your municipality is primarily responsible for monitoring compliance with the terms of the agreement?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------------------------|-----------|---------|---------------|--------------------|
| a) Dedicated compliance officer | | | | |
| b) Relevant director | 11 | 25.0 | 25.0 | 25.0 |
| c) Senior administrator | 19 | 43.2 | 43.2 | 68.2 |
| d) Other | 11 | 25.0 | 25.0 | 93.2 |
| e) None specified | 3 | 6.8 | 6.8 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 26 What mechanisms are in place to resolve differences or disputes

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------------------|-----------|---------|---------------|--------------------|
| a) No mechanisms | 9 | 20.5 | 20.5 | 20.5 |
| b) Informal Mechanisms | 24 | 54.5 | 54.5 | 75.0 |
| c) Formal Mechanisms | 11 | 25.0 | 25.0 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 27 In the past two years, how frequently have disputes had to be resolved under the agreement?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------------|-----------|---------|---------------|--------------------|
| a) Very frequently | | | | |
| b) Frequently | 2 | 4.5 | 4.5 | 4.5 |
| c) Infrequently | 10 | 22.7 | 22.7 | 27.3 |
| d) Never | 32 | 72.7 | 72.7 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 28 Are the outputs easily measured?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------------------|-----------|---------|---------------|--------------------|
| No Response | 1 | 2.3 | 2.3 | 2.3 |
| a) Very easy | 5 | 11.4 | 11.4 | 13.6 |
| b) Somewhat easy | 22 | 50.0 | 50.0 | 63.6 |
| c) Somewhat difficult | 8 | 18.2 | 18.2 | 81.8 |
| d) Very difficult | 8 | 18.2 | 18.2 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 29 Do the measured outputs accurately measure success?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------|-----------|---------|---------------|--------------------|
| a) Yes | 10 | 22.7 | 22.7 | 22.7 |
| b) Somewhat | 26 | 59.1 | 59.1 | 81.8 |
| c) Poorly | 7 | 15.9 | 15.9 | 97.7 |
| d) Not at all | 1 | 2.3 | 2.3 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |

Question 31 Overall, how successful has this agreement been?

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------------------|-----------|---------|---------------|--------------------|
| a) Very successful | 23 | 52.3 | 52.3 | 52.3 |
| b) Somewhat successful | 8 | 18.2 | 18.2 | 70.5 |
| c) Neutral | 12 | 27.3 | 27.3 | 97.7 |
| e) Very unsuccessful | 1 | 2.3 | 2.3 | 100.0 |
| Total | 44 | 100.0 | 100.0 | |