

SUMMARY OF CITY OF HAMILTON CEMETERIES BUSINESS PLAN STRATEGY & LAND NEEDS ASSESSMENT, LEES & ASSOCIATES

The Lees report is structured around the following areas:

- A. Market & Demand Analysis
- B. Land Needs Assessment
- C. Business Plan Strategy
- D. Implementation

A. Market & Demand Analysis

The market and demand analysis identifies future burial needs and has two components being the regional cemetery sites profile (the state of cemeteries in Hamilton) and the demand analysis (demographics, trends and market).

A.1 Cemetery Sites Profile

In the 67 City cemeteries there are 497.5 acres of which 301.7 is developed for current use. Twenty (20) of the cemeteries have substantial activity in terms of lot sales and interments. These are, by community:

Ancaster – Jerseyville, Garner’s Corners

Dundas – Grove

Flamborough – Flamborough, Mount Zion, Garden Lane, Union

Glanbrook – Glanbrook, North Glanford, St. Paul’s Anglican

Hamilton – Woodland, Mount Hamilton, Eastlawn, Trinity Church, Hamilton

Stoney Creek – Mountview Gardens, Felker, St. George’s Anglican, Tweedside, Winona

A.2 Demand Analysis

Lees utilized the 2006 and 2011 Census for demographic information. The following are the demographic highlights:

- The population of Hamilton grew by .6% per year from 2006 to 2011, while the number of resident deaths grew by 4.9% per year
- Recent growth has predominantly been in Glanbrook, Ancaster and Stoney Creek
- Dundas has the largest proportion of seniors, so the death rate is highest
- Median age in Hamilton is 40.9 years, in Ontario 40.4 years
- Seniors represent the largest growing sector across the City
- Average lifespan is 80 years, Baby Boomers will reach this mark starting in 2026, extending to 2044

APPENDIX A REPORT PW15075

- 20% of the population was born outside of Canada; is predominantly Caucasian from Europe (Italy, Poland, Portugal); with minor populations from Africa, China, Latin America, Arab states and the Philippines
- 68% of the population reported being Christian (34% Catholic, 33% other Christian), 4% reported Muslim, 4% reported other (Judaism, Buddhism, Hinduism, Sikh, other), 25% do not have a religious affiliation
- From 2006 to 2012, 60% of the dispositions (cremation or casket burial) were cremations
- The cremation rate reduces the number of customers needing to visit cemeteries as cremated remains may be kept by the family or scattered elsewhere

In addition to the demographic information, the historic trend in cemetery utilization is a key component to market demand. Cemetery utilization relates to historic and future disposition (cremation or casket burial options), market projections and capture rates. The highlights are as follows:

- From 2006 to 2012, cremation increased from about 53% to 61% of burials, and this is expected to continue to increase to 73% over the next 25 years
- Cremation is considered to be environmentally friendly, less expensive and portable
- The portability of cremated remains is a down-side for cemeteries as people opt to keep family remains or scatter them elsewhere, and therefore they have no need to visit a cemetery or acquire cemetery services
- All deaths in Hamilton constitute the potential market
- The population growth rate is expected to be 1.24% per year, with growth in Glanbrook to be the highest and the lowest in Dundas
- Market capture is affected by family historic choices, customer satisfaction, marketing, price, distribution, competition and the range of interment services and products offered
- Capture rates in a low to medium range in the competitive environment in all local (public, private, religious) cemeteries is 80 to 90% for casket interment, and 10 to 20% for cremation interment
- There were 22,924 resident deaths in Hamilton from 2008 to 2012
- From 2006 to 2012 there were 30,604 deaths in Hamilton, 12,805 casket burials and 17,799 cremations; the average per year was 4372 deaths in Hamilton of which 1829 were casket burials and 2543 were cremations
- From 2008 to 2012 the City's municipal cemeteries captured 6312, or 27% of the total deaths in Hamilton, meaning that 73% of the deaths in Hamilton are not buried in City cemeteries
- Improving the capture rate is contingent on more aggressively marketing pre-needs, which increases revenues to offset the tax subsidy
- From 2009 to 2012, at-need to pre-need sales ratios were 1:0.6 for grave sales, 1:2.62 for niche sales and 1:0.65 for interments sales; the overall ratio was 1:0.7, but it is noted that there was significant spike in pre-need sales in early 2010 with the impending introduction of HST on July 1st that year

- While municipal cemeteries typically average 1:0.5 total pre-need sales ratios, private cemeteries generate up to 1:1.5 in pre-need sales
- From 2009 to 2012, 5% of the grave sites and 8.5% of the niche sales were non-resident, suggesting that revenues and average sales value could be increased by marketing to non-residents
- Hamilton’s unique cemetery features are: high proportion of columbaria niche pre-need sales; pre-purchased openings and closings; and the low number of non-resident interments
- Over the next 25 years; the death rate is expected to increase from 8.5 to 9.09 per 1000 population, higher in Dundas, Glanbrook and Hamilton; there will be 141,000 deaths of which Hamilton will capture 35,750 interments, comprised of 13,950 in-ground burials (39%) and 21,800 cremated remains (61%); pre-need sales will account for 22,400 casket plots, 32,600 cremation plots and 2700 niches
- With increases in cremations and options not to inter cremated remains, the need for marketing and a broader ranges of services and products will be needed to continue to increase revenues

B. Lands Needs Assessment

The land needs assessment considers the City’s current inventory of plots/niches and capacity of developing currently vacant lands to address future needs for 25 to 50 years, based on different capture scenarios and options for consideration.

B.1 Inventory and Rate of Interment

Table 1 shows the average interments per year from 2008 to 2012, by community.

Table 1: Average Interments Per Year, 2008 – 2012, by Community

Community	Casket Interments	Cremated Ground Interments	Cremated Niche Interments	Total
Ancaster	7	6	-	13
Dundas	36	51	7	94
Flamborough	39	31	-	70
Glanbrook	12	14	-	26
Hamilton	528	391	24	943
Stoney Creek	68	45	8	121
Total	690	538	39	1267

The rate of use of cemetery space is based on historic trends and projections from the Demand Analysis and on the provisions of the City’s Cemetery By-law No. 12-151. The Lees report presents two scenarios for future capture, being the status quo and a higher market capture.

Scenario 1 – Status Quo

Part 1 – Existing Developed Inventory

Casket Lots can be used for cremated remains but urn gardens will be preferred. An urn garden is a landscaped area for the burial of cremated remains in a cemetery. While some urn gardens are simply small plots, others are much more elaborate, and cremated remains can be incorporated into the landscape, such as in a large rock, in a bench or in other landscape elements. There is insufficient urn garden space and it will result in the unnecessary use of casket lots if new urn gardens are not created. Only Flamborough has adequate capacity for cremated remains for 25 years. Other communities have 0 to 6 years of capacity, with Ancaster and Glanbrook not having any niches offered.

Part 2 – Capacity of Undeveloped Cemetery Land

When fully developed, all communities would have in excess of 50 years capacity, except for Stoney Creek with 44 years capacity and Dundas with only 15 years suggesting that additional lands should be sought in Dundas.

Scenario 2 – Higher Market Capture

This scenario assumes a 3% increase in the City's share of the market. The same communities would continue to have at least 50 years of capacity, while Stoney Creek's capacity would be reduced to 40 years and Dundas's capacity would be further reduced to 12 years. Flamborough, Glanbrook and Stoney Creek would continue to have adequate capacity for 25 years, while Ancaster would have 20 years, Dundas would have 12 years and Hamilton would have 10 years.

At fully developed capacity only Dundas would fall short of 25 years capacity, so increasing the market capture would only impact Dundas.

Other Options for Consideration

Dundas

Grove Cemetery, the only active cemetery in Dundas, has only 12 to 15 years of capacity, and only about 0.7 acres of net developable land, which is further constrained by abutting residential development. As such additional land will be required if Dundas residents are to be accommodated in their own community in the longer term.

Based on current demand at least one acre of land will be required in Dundas to meet the 25-year requirement for traditional burial lots. In addition, there is a need for an additional 160 cremated remains sites which could be accommodated in Grove Cemetery near the Scott Urn Garden.

It should be noted that if demand should increase due to marketing strategies or should the City consider longer term needs, the land and sites requirements would also increase.

It is suggested that the site search commence soon in Dundas as the approval and development process can be quite lengthy, in excess of 10 years. Lees identifies a possibility of severing a lot and locating a cemetery on passive open space owned by the Hamilton Conservation Authority or the Royal Botanical Gardens.

Other Site and Interment Options

Lees has suggested a number of other options to enhance the attractiveness of the City's cemeteries including:

- Infilling in existing areas, particularly for cremated remains interment; identified through ground penetrating radar (GPR) although the reliability of GPR is uncertain;
- Expansion opportunities, e.g. Jerseyville or Mount Zion Cemeteries could be expanded onto adjoining lands (subject to land acquisition and approvals processes);
- Practical improvements such as turning areas, e.g. Jerseyville, Garner's Corners;
- Integration of cemeteries with broader open space and trails network, culture and heritage systems, e.g. Book-Parkin, Binkley Hollow;
- As cremation becomes more popular and cremated remains are not interred, an urban memorial opportunity, accessible by public transit could be considered;
- Additional columbaria niches – small spaces are available, e.g. Jerseyville, Garner's Corners, Mount Zion and Grove;
- Scattering gardens;
- Green burial – meadow wooded areas, no markers, there is a Green Burial Council;
- Creative memorialization in form of benches and trees;
- Mausolea, generally targeting specific markets, e.g. ethnic, such as the Italian community;
- There is no need in the area for crematorium or visitation/reception centre; and
- Improvements to the customer service area to create privacy would enhance the customer experience, proper customer service area is a requirement under the Funeral, Burial and Cremation Services Act, Lees suggests that customer service space be located at Mount Hamilton Cemetery.

Lees' Recommendations about Land Needs

1. Maintain the opportunity for Hamiltonians to be buried in their individual communities;
2. Retain all of the existing land inventory, even at sites like Mount Hamilton that are underperforming at present, since these provide a buffer against future demand;

3. Develop unused space at current cemeteries into new inventory, so that all communities can expect to meet the projected demand during the next 40 to 50 years;
4. Prioritize developing the existing unused cemetery land in the communities of Hamilton, Ancaster and Glanbrook because these communities are expected to run out of developed cemetery inventory within the next 30 years, and
 - Although no new land is required until 2020 for Dundas (considering an approvals and development process of 10 years or more), best practices suggest the initial stages of acquisition should commence immediately, and
 - Land acquisition schemes should be based on an update to this study commencing in 2029, or earlier and update this land needs assessment in no less than 10 year intervals;
5. Review and revise the City cemetery by-law to permit interment of four cremated remains plus two traditional burials per full-sized grave, to achieve the full total potential land capacity;
6. Create Cemetery Master Plans for Mount Hamilton, Eastlawn, Mountview Gardens and Glanbrook Cemetery that block out parcels for specific interment forms within a 10 year projected horizon. Master plans details should then be integrated in future sales plans;
7. Consider a model in which the inactive cemeteries that have no future capacity are managed as cultural parks, with maintenance performed by staff other than that of the Cemeteries Section;
8. Plan to assess and integrate each open space and park, as master plan and neighbourhood plans are developed or revised, and the cemeteries within those study areas leverage experiential, active movement and habitat opportunities;
9. The City's urban forest strategy should include an inventory of the trees within the cemeteries, planting and replanting plans to enhance forest canopy, habitat, arboricultural and seasonal interest at each site;
10. City cultural and recreational programming should incorporate the community narratives writ in stone across the cemetery system, through direct programming, volunteer inducement and through partnerships with the bereavement sector;
11. Add an urban memorial park where it would be accessible by public transit;
12. Additional columbaria installations to cemeteries in each community should be prioritized;
13. Develop a scattering garden at one site in each community to help meet the rising demand for the interment of cremated remains;
14. Open up green burial areas starting at Mount Hamilton;
15. Introduce new creative forms of memorialization, beyond memorial benches and trees. This could a memorial wall (where names and dedication are posted to remember loved ones), grave planting packages (a choice of flowers and patterns, e.g. spelling out a name) and engraved memorial boulders in naturalized green burial areas;
16. Renovate the workspaces of administration and staff to create a private area for service and sales at Mount Hamilton cemetery;

17. Working with an Industry Roundtable consider whether public/private partnerships should be explored;
18. Pending outcome of the Industry Roundtable discussions a detailed business case analysis should be undertaken followed by an Expression of Interest, leading to an RFP for a partnership with the private sector.

C. Business Plan Strategy

In the business plan strategy, Lees considered the following to develop a high level system-wide analysis of Hamilton's cemetery system:

- Best practices
- A SWOT (strengths, weaknesses, opportunities and threats) analysis of the system
- Evaluation of products and services
- Financial performances
- Interment service margins
- Forecasted operating cash flows, and
- Long term care and maintenance

C.1 SWOT Analysis

In the SWOT analysis, Lees identifies the following related to Hamilton's cemetery system:

Strengths

- Successful management of pre-needs sales
- Established infrastructure, systems, staffing and outreach programs
- Infilling opportunities at some inactive cemeteries
- Significant supply of undeveloped lands
- City has overcome geographic and topographic challenges to maintenance

Weaknesses

- Continued reliance on tax levy to fund system
- Prices don't cover costs
- Inadequate Care & Maintenance funds, due to inherited sites
- Front office needs to be warmer, more private
- Prices are low compared with other private and municipal cemeteries
- There are limited options for cremated remains

Opportunities

- Increasing capacity for cremated remains
- Proactive pre-need sales marketing
- Value-added grave-side services to generate revenue
- Technology – remote access to information, improve records management
- City staff is motivated to enhance opportunities and services

Threats

- Low capture, City's ability to attract customers
- Area religious and private cemeteries have established reputations and loyal families
- Perception that there will not be inventory
- Suitable land for cemeteries is scarce
- Negativity to potential increased fees beyond cost of living
- Resistance to innovation

C.2 Products and Services

- The City's interment options are limited; enhanced products and services could include graveside services (canopies, chairs, flower stands, soil removal, walking pads, audio support/music), renting lowering devices, scattering gardens/memorial walls, community vessels, green burial, wreathes
- The trend is to spend less on funeral products and arrangements particularly with the shift to cremation; there are increased demands for a broader range of products and services, convenience in decisions

C.2 Competition from Religious and Private Cemeteries

- Catholic cemeteries offer a wide range of options, predominantly at five cemeteries including Holy Sepulchre (Burlington), Resurrection (Garner Rd.), Gate of Heaven (Burlington), Our Lady of the Angels (Mud St.) and St. Augustine (Dundas); although Holy Sepulchre has no inventory available, the other Catholic cemeteries offer available space, memorial trees, benches, headstones and a selection of markers
- There are also six Jewish sites at Temple Anshe Sholom (Limeridge Rd. East), United Hebrew Memorial (Ewen Rd.), Hess St. Shul (Upper James St.), Beth Jacob Stanley Sobel (Burlington), Beth Jacob (Burlington) and Adas Israel (Burlington and Upper James St.)
- The most prominent private cemeteries are Bayview Cemetery, Crematorium and Mausoleum (Burlington), White Chapel Memorial Gardens (Main St. West) and Chapel Hill Memorial Gardens (Chapel Hill Rd.); these offer a range of services and products; Bayview has multi-lingual staff and community events (Christmas tree decorating, summer concerts, a November memorial candle lighting memorial service); White Chapel has the only crematorium within the city limits
- Private and religious cemeteries prices are generally higher than municipal cemeteries across the country
- Lees findings indicate that the price of burial space (lots, niches, crypts) in Southern Ontario is consistently higher in private cemeteries than municipal cemeteries, while interment services (openings, closings) are comparably priced, concluding that Hamilton could increase prices for burial space without impacting on the demand.
- Lees also recognizes that tightening up Hamilton's definition of "resident" to require a time period might increase revenues by increasing the sale of burial

space from non-residents; currently Hamilton has no time period criteria while other Canadian municipalities require residency for periods of one, 5 or even 10 years

Lees' recommendations about Product and Services

19. Raise product and service prices to better align the City's rates with those currently offered in the Southern Ontario cemetery industry and improve the City's service cost coverage. Specific price increases are included in the Financial Scenarios in the following section;

20. Diversify offerings to meet growing market demands and mitigate market loss. Broaden the range of interment options available to families across a wide spectrum of price points;

21. Redefine "resident" as anyone who lives or pays taxes within the City limits, including Ancaster, Dundas, Flamborough, Hamilton, Waterdown, Binbrook, Glanbrook, Stoney Creek and Winona, for a minimum of 1 year.

C.3 Financial Plan

Revenues are recognized on accounts paid in full. Funds from purchases made over time are held in trust until products and services are fully paid.

Lees assessed the City's financial reports, policies, performance indicators, pattern of subsidies, cost and revenue trends and potential financial projections for future scenarios. Significant findings include:

- Limitations in the cemeteries records management system and associated financial practices may be resulting in the City's ability to accurately track costs with impacts on performance and the Care & Maintenance Fund (C&MF)
- The City should adopt the best practice of "Notes to Financial Statements" to enhance financial reporting and to expedite learning for new staff
- The average revenue from 2009 to 2013 was \$2.2 million per year, while expenses averaged \$4.1 million
- The average costs were 87% higher than revenues, while the average Southern Ontario costs were 22% higher than revenues

Although historically the increase in cremation interment has not had a significant impact on the levy subsidy, this started to change more recently in 2011 to 2013. This trend will continue and the levy subsidy will continue to increase.

A review of interment costs (opening and closing) reveals that 47 to 73% of cremation interment costs are recovered. Direct costs are based on estimated staff time, equipment expenses and indirect administrative costs of about 15% which does not recover the majority of overhead costs. In addition, travel time is not included. The price should exceed the cost to ensure cost recovery.

An average of \$525,000 annually goes to the Care & Maintenance Fund (C&MF).

Investment income allocated to the C&MF is withdrawn toward care and maintenance costs.

Historically the City has spent \$18,900 per year, or 1% of annual revenues on sales, marketing and promotions.

Lees recommendations on Financial Performance and Policies are:

22. Annually assess the cemetery service rates offered by regional competitors (municipal, private and religious) to ensure a reasonable price alignment within the cemetery industry;
23. The City financial software should be configured with a more detailed chart of accounts for the cemetery system with new accounts and account groups, to enable the detailed tracking and reporting of inventory, expenses and revenues by:
 - Cemetery
 - Resident and Non-resident
 - Rights holder information
 - Interment disposition type (casket versus cremation)
 - Location of graves
 - Function (e.g. cemetery site maintenance, interment type)
 - Address of the deceased;
24. Generate maintenance and other cost tracking reports by cemetery, season (winter versus summer) and community. This can be accomplished by assigning costs with account codes or user-defined fields in the City's software. These unique identifiers enable software to generate statements that report site-specific (e.g. Woodland), task-specific (e.g. care and maintenance) activity. These reports will enhance the accuracy of performance measurement and future analyses;
25. Prepare basic financial notes as part of an internal procedures document, which could then be customized and attached to future financial reports. This document should describe the City cemetery system financial policies, position and accounting methodologies;
26. Revisit and refine the cost of sales tracking reports ("Hansen Records") used by City staff. Precisely identify the service delivery cost (labour, travel, material and equipment) for every offering.

C.4 Financial Scenarios

The financial scenarios analysis is based on a number of assumptions including:

- The demographic projections from the Needs Analysis
- Market capture will not change without enhanced communication and marketing programs
- Annual price and revenue increases are forecasted at the historical rate of 2%

- Annual cost increases reflect recent CPI index of 2%
- There is adequate inventory for burial and cremation needs
- The return on the C&MF will be 5%
- Investment income will no longer be applied to current maintenance costs
- Investment income will be reported annually, and will remain within the C&MF, with interest compounded
- The practice of developing land on an as needed basis will continue
- The forecasts do not include costs for land development, facilities and products.

A number of financial scenarios were evaluated including:

1. Maintain Status Quo
2. One Time Price Increases, Aligning to Benchmarks
3. One Time Price Increases + Best Case Market Share Growth
4. One Time Price Increases + Conservative Market Share Growth
5. Gradual Price Increases, Aligning to Benchmarks
6. Gradual Price Increases + Best Case Market Share Growth
7. Gradual Price Increases + Conservative Market Share Growth

1. Status Quo

- Sales will continue to increase due to aging baby boom but not enough for cemeteries to become self-funding in the foreseeable future;
- Average annual tax subsidy for the next 10 years will be \$2.7 million;
- There will be a migration to private and religious cemeteries;
- A lack of funding will prevent upgrades and optimization.

2. One Time Price Increases, Aligning to Benchmarks

- Prices increases will vary depending on the product or service (from 5 to 200%)
- Break even 2032
- Average annual tax subsidy for 10 years is \$1.95 million.
- Improves cost recovery, mitigates inflation, reduces tax levy and enables C&MF growth

3. One Time Price Increases + Best Case Market Share Growth

- Price increases the same as Scenario 2.
- Most aggressive marketing – budget 3% of gross revenues in 2016, 2% of gross revenues annually after that
- Projected revenue increase 10% per year
- Break even 2022
- Average annual tax subsidy is \$1.2 million for 5 years, then surplus of \$1.9 million for the following 5 years

- Improves cost recovery, mitigates inflation, further reduces tax levy and enables better C&MF growth
4. One Time Price Increases + Conservative Market Share Growth
- Price increases the same as Scenarios 2. and 3.
 - Aggressive marketing - budget 3% of gross revenues in 2016, 2% of gross revenues annually after that
 - Projected revenue increase 5% per year
 - Break even 2024
 - Average annual tax subsidy is \$1.65 million for 5 years, then \$280,000 for the following 5 years
 - Improves cost recovery, mitigates inflation, reduces tax levy and enables C&MF growth
5. Gradual Price Increases, Aligning to Benchmarks
- Consistent gradual annual price increases for 10 years for both land and products and services (from 5 to 30%)
 - Break even 2024
 - Gradually improve cost recovery, move toward a sustainable system and enable C&MF growth
6. Gradual Price Increases + Best Case Market Share Growth
- Consistent gradual annual price increases for 10 years for both land and products and services (from 5 to 30%)
 - Projected revenue increase of 10%
 - C&MF income forecast based on interest being compounded
 - C&MF would reach a balance of \$1.5 billion in 50 years with interest income of \$75 million per year, with the system becoming sustainable in 2031
 - If C&MF interest not permitted to be compounded, the balance would be \$599 million in 50 years with interest income of \$30 million per year, and a sustainable system would be reached in 2036
7. Gradual Price Increases + Conservative Market Share Growth
- Consistent gradual annual price increases for 10 years for both land and products and services (from 5 to 30%)
 - C&MF income forecast based on interest being compounded
 - C&MF would reach a balance of \$1.1 billion in 50 years with interest income of \$52 million per year, becoming sustainable in 2034
 - If C&MF interest not permitted to be compounded, the balance would be \$400 million in 50 years with interest income of \$20 million per year, with sustainability in 2042

Lees concludes that price increases alone will not make the cemeteries system sustainable and recommends:

27. Adopt financial Scenario 4 to guide future financial planning decisions for the cemetery. This would enable the City to:

- Achieve cost recovery over a shorter period than 2 of the other scenarios, while maintaining reasonable price increases;
- Align Hamilton's service prices with neighbouring municipalities by 2016;
- Move the City towards a more reasonable cost recovery on interment services;
- Provide the City with 1 year to communicate the upcoming increases to the community;
- Achieve long-term financial sustainability within 9 years; and
- Enable the C&MF projected interest to effectively meet full maintenance costs with support from operating revenues within 24-38 years (see the C&MF chapter later in this report, discussing annual contributions and fund management);

28. Monitor the progress of revenues and community response to ensure the proposed marketing plan and financial strategy are evolving as expected and the impact of these changes on the City's community relationship is measured.

C.5 Care and Maintenance Fund (C&MF) Scenarios

A portion of the cemetery sales is contributed to the C&MF. The principal is invested and the investment income is used for maintenance. The legislation requires that the principal cannot be used for maintenance. Most Canadian provinces have similar legislation. Maintenance is required to continue in perpetuity. The City's C&MF is inadequate, and annual maintenance costs are subsidized from the tax levy and the C&MF interest, although the City currently meets its mandated contribution to the C&MF. When a cemetery is fully developed, the incentive to maintain it is reduced.

Strategies for long term planning include:

- Appropriate contributions from sales to the C&MF, more than the minimum requirement;
- Effective investment of interest target of 2 to 5%, most sustainable cemeteries allow interest to compound within the C&MF;
- Tracking maintenance costs by site and projecting costs into the future, tracking non-maintenance costs (openings/closings) as these will no longer be incurred when a cemetery is full and relies only on the C&MF for maintenance.

Maintenance costs reported to the Province were used to project future costs as the current records management system does not separate regular on-going maintenance costs from non-maintenance costs.

**APPENDIX A
REPORT PW15075**

Although the City currently uses the interest on the C&MF fund to offset operating costs and avoid increased load on the tax base, rather than investing the interest, this will not benefit the City in the long term as maintenance will continue to be required when sites are full and inactive.

The C&MF analysis is based on a number of assumptions including:

- The City reports C&MF interest as revenue in the year it is earned and withdraws it to offset maintenance costs;
- The City does not draw on the principal C&MF;
- The contribution proportions or the investment policies will not change through the forecasting period;
- All scenarios have two potential outcomes – one based on withdrawing the interest, one based on letting the interest compound;
- Investment income will continue at a rate of about 5% per year;
- The cemetery system will remain active for 50 years;
- Operating costs will reach \$11.8 million after 50 years, of which \$8.2 million will be maintenance, assuming the system remains active;
- Maintenance costs for an inactive system would be about half or \$4.1 million.

Table 2 summarizes the C&MF scenarios, which are layered onto the Financial Scenarios from the previous section.

Table 2: C&MF Scenarios

Scenario	C&MF Balance in 50 Years	Annual Interest Income	Years before C&MF fully funds Maintenance	Break Even Year
1. Status Quo (compounded interest)	\$328M	\$16M	32	2047
1. Status Quo (interest not compounded)	\$71M	\$3.5M	More than 50 years	Not reached
2. One Time Price Increases, Align with Benchmarks (compounded interest)	\$570M	\$28M	25	2040
2. One Time Price Increases, Align with Benchmarks (interest not compounded)	\$191M	\$9.6M	44	2059
3. One Time Price Increases, Best Case Market Share Growth (compounded interest)	\$1.1B	\$55M	18	2033
3. One Time Price Increases, Best Cast Market Share Growth (interest not compounded)	\$428M	\$21M	28	2043
4. One Time Price Increases, Conservative Market Share Growth (compounded interest)	\$787M	\$39M	22	2037
4. One Time Price Increases, Conservative Market Share Growth (interest not compounded)	\$288M	\$14M	35	2050

Once the C&MF fully funds maintenance, the interest could be applied to maintenance costs or a development fund for new cemetery infrastructure.

At the current rate, the C&MF will continue to be underfunded in 50 years, if the interest is not compounded. With the exception of the Status Quo, the City could expect full cost recovery within 50 years if interest is allowed to compound. If the interest is not compounded the gap between the C&MF and the maintenance costs will continue.

The City does not currently track maintenance costs separate from non-maintenance costs (openings/closings) and does not track maintenance costs by cemetery. Improving the tracking would provide a more accurate measure of the costs.

Inflation and rising maintenance costs will continue to erode the ability of the C&MF to cover maintenance costs; however some actions can be taken to improve future cash flow and care and maintenance forecasting.

Lees recommendations on the C&MF are:

29. Adopt C&MF Scenario 4. This strategy includes consistent price increases greater than the cost of living, increasing marketing investment and compounding C&MF interest until annual investment income exceeds the forecast cemetery system maintenance costs;
30. Leverage compound interest. Retain investment income within the C&MF:
 - This strategy enables the Hamilton Cemetery System to attain maximum investment growth, with greater amounts of interest income being generated over time – than if the fund had been drawn upon for other purposes;
 - The City may choose to partially withdraw C&MF interest for the purpose of using it to maintain its inactive cemeteries – provided it can clearly identify what those costs are. Financial reports available for review have not been able to provide the site maintenance costs per cemetery. The City needs to accurately determine costs related to maintaining its inactive cemeteries. Understanding this is important to determining a reasonable amount to withdrawal from the interest, while still leaving a large proportion of the investment's return to compound in the fund to ensure long term coverage for the system as a whole;
31. After the City reaches its C&MF end balance goal in 2037 or thereabouts, all interest should be withdrawn and applied to current maintenance costs and reallocated to a capital development fund;
32. Improve the expense tracking of cemetery site maintenance costs, to enhance the precision of the future C&MF analysis;
33. Regularly (at least every 5 years) and consistently revisit the City cemeteries financial position as it approaches break even. It is important to examine the accuracy of the Financial Plan and C&MF analysis in order to course-correct the care fund management in response to changing market conditions.

C.6 Operations and Governance

This section of the Lees report deals with Customer Service (administration and planning, inside operations and outside operations) and Governance.

The key issues around administration and planning are the depth and experience, resource sufficiency and the strength of the team. Although there is significant experience in the management area, day to day operations and reporting take priority over strategic goals. Resource issues relate to financial constraints and a lack of training. The Superintendent of Cemeteries is optimally located at an operational centre (Woodland Cemetery) but separate from the inside customer service staff, a consideration if a customer service centre is conceived. The City is somewhat exposed when the Superintendent is away as there is no backup system. The trend is to have a second in command who understands goals and has thorough knowledge of the Superintendent's roles and responsibilities.

Site planning and business planning are undertaken by other divisions/sections of the organization or by outside consultants. Best practices in design and optimizing space will be critical as the land capacity is used.

Lees' recommendations for administration and planning are:

34. Increase the robustness of the Administration services through the creation of an Assistant Superintendent position and/or by including Administrative roles and acting roles within those positions that report directly to the Superintendent;
35. Alternatively, consider changing the role and title of Superintendent to Manager level, keeping the Superintendent position to support the Manager;
36. Adjust the annual operating budget to include additional ongoing training, such as customer service, conflict resolution and bereavement counselling for the Administration team;
37. Locate the Superintendent to a new office that includes all the inside staff; and
38. Utilize the resources of other municipal departments for the City's cemetery needs.

The inside operations are critical to customer service and will be more prominent when a more sustainable model is in place. The inside staff processes sales, keeps records, deals with customers, procures products and services, handles funds and prepares reports.

The key issues in this area are records management and digital conversion, mapping, customer service, privacy and training.

The records date back to the late 1870s, and have been assembled from the former municipalities making up the City. There is redundancy and a lack of security. The existing records management system is cumbersome, not accessible and is not fully populated or synchronized with mapping.

The cemeteries office staff entertains an average of about 700 calls per year that do not relate to cemetery sales or services. These calls relate to family history, finding grave sites or general cemetery information.

The customer service office space is small and does not accommodate privacy well, posing a barrier to improving services. It also does not meet the standards of the new legislation.

The Lees report speaks to municipalities working with private sector service providers associated with the industry to diversify the City's service offerings, to engage expertise in running a profitable operation, to leverage capital funding and to share costs and revenues. Hamilton has contemplated partnerships in the past, and although no actions have been taken, this option should not be precluded in the future.

Lees' recommendations related to inside operations are:

39. Continue to implement a records management software program that digitizes all Rights Holder certificates, interment documentation, contracts, deeds, interment orders, work orders, etc. along with synchronized geo-referenced maps;
40. Enhance the physical settings in which customers make their interment and memorialization choices;
41. Create a culture of customer service, including clear objectives for all cemetery staff within a new governance model;
42. Create a sales resource that is responsible for identifying customer needs, inducing demand and more closely matching needs with the available (or to be developed) services and products;
43. Create opportunities for customers to be served on line and over at least a 6 day, if not 7 day, service window that is able to also serve families until 8pm;
44. Expand the variety of offerings (particularly with respect to cremation interments) offered to the community by examining potential partnerships to diversify product and service offerings with the private industry. This provides the City with the opportunity to share the cost required to offer and market these additional products and services;
45. Facilitate a Roundtable with the bereavement sector to discuss the opportunities for formal public/private partnerships and pending those outcomes undertake an analysis of the City's return on investment (ROI) inherent in those relationships and facilities.

Field operations includes opening and closing of graves and associated services, refuse collection, arboriculture, maintenance and infrastructure repair and equipment procurement and maintenance. These services are delivered by a combination of cemeteries staff, contractors and other City divisions/section (Forestry and Horticulture, Parks, Fleet Services)

Cemetery maintenance is a critical factor in marketing and attracting sales and the ensuing revenues. The level of maintenance in Hamilton cemeteries is similar to other municipal cemeteries in Ontario, which generally consists of regular mowing, and overall tidiness and care. There could be improvements in trimming around headstones and edges and headstone and monument maintenance. Efficiencies could be achieved through better scheduling and standard operating procedures.

Opening and closing practices could be improved with the addition of finishing touches such as chairs, tents, standing and walking areas, flowers and plants. Staff is occasionally asked to help with the procession and have even been asked to serve as pallbearers.

The governance model for cemeteries needs to meet or exceed the customer expectations around convenience, on their terms and time availability.

Lees recommendations around outside operations are:

46. Improve monument maintenance and repair;
47. Train Cemetery Supervisors in the QC/QA program delivery;
48. Attire field workers in recognizable uniforms;
49. Train and equip designated field workers in grave finding and grave selling;
50. Incorporate remote access records systems to better serve customers in the field;
51. As the need to optimize remaining space becomes more important, ensure that site planning and landscape design meets or exceeds industry standards;
52. Enhance customer access to grave ornaments and flowers (e.g.: Create neat and clearly defined pick up areas for ornaments removed from graves);
53. Increase availability of staff by fine tuning inside and outside customer service schedules;
54. Provide on-site and digital way finding, and grave finding systems.

The Lees study addresses the way that cemetery services are delivered or governed. In Hamilton this is through the Parks & Cemeteries section of the Environmental Services Division in the Public Works Department. Many area municipal cemeteries are managed in a similar way with in-house staff, although there are benefits and challenges to municipal operations. Benefits include community confidence, operational efficiencies with other internal operations, preservation of heritage and history, a community place of memorialization and revenue generation. There can also be challenges around lack of support (cemeteries are not the primary reason that municipalities exist; organization limits the ability to be nimble; no clear mandate means vague performance expectations; not operating like a business impacts efficiencies, revenue planning and delivery, and marketing; and cemeteries have to compete for capital budget priorities.

Other operational approaches include not-for-profit, for-profit, religious and First Nations organizations. Options for the City are limited by expectations of pre-need contracts,

the current state of the C&MF and the legislative responsibility of the City. Realistically alternatives to the current operation model would be a stand-alone not-for-profit organization or an autonomous Board or Agency. These options may offer independence and flexibility in the way the business is operated (financial performance, private sector marketing and partnering). However there are challenges to making such a change including time, capital requirements, customer confusion, staff and union interests, legal issues (land ownership, liabilities, pre-need contracts).

Around the time of amalgamation, the Cemeteries Committee (Task Force) put the option of a Board forward to the Transition Board, similar to Libraries, however this was not implemented. There are board-managed cemeteries in Guelph and Victoria, B.C.

Lees recommendations around governance include.

55. Create a more autonomous reporting structure within the City departmental framework and pending the efficiencies and effectiveness of that change consider moving cemeteries operations to a Board governance model with autonomy, policy direction, and funding where it could effectively work towards a more self-sustainable enterprise;
56. Migrate cemetery operations towards a self-funded enterprise, using a suite of business and physical plans and strategies – including but not limited to those included within this report.

C.7 Marketing Plan

In the marketing plan, Lees addresses a SWOT analysis of the City's current strategies, benchmarking with other Ontario municipalities, additional opportunities, a proactive pre-needs sales program and alliances with other funeral service providers.

The City's current marketing program is weak however the marketing strategy proposed can be implemented quickly and without a large investment. The marketing initiatives proposed can create a more positive image for Hamilton cemeteries to be what people think of when contemplating a final resting place.

SWOT

The SWOT analysis of current marketing practices indicates:

Strengths

- Website ranks well in Google for a generic search;
- "Stories in the Stones" tours generate media interest;
- Cultural and historical heritage engages community.

Weaknesses

- Lack of consistent marketing plan;
- Lack of customer relationship management program for follow-up;
- Web information is a subdirectory without its own presence, doesn't promote services or include prices, doesn't show in Google results for terms "cemetery plots for sale in Hamilton On", there is no information on specific cemeteries, it is not mobile friendly and it lacks photos and multi-media options;
- No social media;
- No use of Google AdWords.

Opportunities

- Development of a stand-alone, cohesive website;
- Creation of a proactive pre-need program;
- Creation of social media accounts;
- Marketing historic sites, particularly those with cremation interment capacity;
- Marketing mausolea to ethnic groups;
- Leveraging ethical perception as a trusted service provider;
- Use interactive Google maps;
- Use social media in combination with walking tours.

Threats

- Competition from private and religious cemeteries with broad marketing strategies;
- Other private and religious cemeteries use Google AdWords;
- Lack of on-line reviews of the cemeteries system.

Benchmarking

Lees undertook a benchmarking survey to compare Hamilton with other municipalities related to website, references through associated industry professionals, brochure distribution, email contact and print media. The survey shows that a variety of marketing tools engages the community and provides a good base for effective marketing. More specifically the top five marketing tools are website, reference through associated industry professionals, email contact, brochure distribution at cemetery facilities and print media. These are followed by signage, brochure distribution in the community, community events, radio advertising and direct mail.

The on-line marketing focus should be on enhancing the website and use of Google AdWords. A general search shows that "cemeteries hamilton on" results in the City ranking the first and second listings, only to be preceded by a paid ad, known as Google AdWords, by Arbor Memorial (Chapel Hill, White Chapel).

In a search of “cemetery plots for sale in hamilton on”, which includes a “buying” keyword, a variety of unrelated sales options are listed.

A prominent presence on the website and use of advertising such as Google AdWord would enhance community awareness of the City’s cemeteries.

Websites are a foundational marketing tool in the strongly competitive cemeteries market. A comparison of cemetery websites indicates that Hamilton does not include information (photos, prices, pre-needs information, maps and directions, staff, contact forms or Google AdWords). The Catholic cemeteries include prices on their websites. Private and Catholic cemeteries include pre-need information and contact forms. Maps for these other cemeteries are not generally included but directions are. Only Arbor Memorial uses Google AdWords.

Professional photos of high quality are expected on a website, and they should be relevant (cemetery landscapes, people and funeral processions).

Published prices eliminate the perception that cemeteries have something to hide.

Interactive, mobile and PDF maps can increase the customer experience and improve staff efficiencies.

Contact forms can facilitate information exchange and improve staff efficiencies.

Website improvements can be enhanced by social media which can be easily implemented with assistance from professional marketing and promotion consultants.

In summary, on-line marketing can be improved by:

- Website enhancements (stand-alone website, mobile applications, downloadable PDFs and information forms;
- Reserve domain name “hamiltoncemeteries.ca”;
- Optimization of search engine strategies – internal redirects from existing website – backlinks from pages listed on Wikipedia;
- Initiation of website design competition
- Leverage oDesk.com as a website contractor, an on-line job market place for free-lance contractors to bid for project; selection based on 5 point rating, experience, testimonials, portfolio and agreed fee; funds are held in escrow until milestones are reached or project is complete;
- Leverage Elance.com to find content writers
- On-line advertising for Google AdWords (two-step remarketing program – attract visitors then display banner on other websites they visit, they then visit the banner ad and would be tagged again with more direct information); Facebook advertising; classified ads on Kijiji or Craigslist; on-line reputation management (local business listings, reviews)

Current marketing activities for Hamilton Cemeteries consist of outreach programs, print materials, and radio advertising/promotion.

Outreach programs cannot be relied upon to compete with the proactive marketing programs of other cemeteries.

The City's print material is outdated and could be improved by:

- Changes to the tri-fold brochure (enhanced descriptions and information, pre-planning benefits, contact information, full colour with photos, larger format, maps);
- Inclusion of website information and pre-planning benefits on "Stories in the Stones" promotion;
- Professional layout and photos for Woodlawn brochure;
- Pre-planned benefits and services print ad.

Radio ads are an important part of a marketing strategy and should be refreshed to reference the website and to target communities.

Hamilton cemeteries also have some unique characteristics that can enhance marketing strategies including:

- The City is unique in the number of geographic locations of cemeteries, offering options in addition to accommodating residents in their own communities;
- The City has an opportunity to customize messages to target market segments, e.g. non-Catholic, non-religious and ethnic sectors;
- A number of cemeteries providing cultural and historical significance and interest provide an opportunity for a cultural and artistic interpretation program.

Lees recommendations on the marketing strategy include:

57. The cemetery website must be separate from the City's main website and go into great detail as to what is offered, including and updated price list, by-laws and new programs;
58. Implement a Google AdWords program (as described earlier) to bring the website front and centre in the Hamilton cemetery market;
59. Create social media accounts for Facebook, Twitter, LinkedIn, YouTube, Foursquare, Pinterest and Instagram;
60. Use the social media listed to target demographic groups, as well as provide a quick marketing tool for upcoming events and video promotions;
61. Create a campaign for maximum effect with minimal effort by creating 2 to 5 posts about the cemeteries (i.e. events and its "residents" and sharing photos) on a weekly basis;
62. Continue the "Stories in the Stones" program and walking tours, but maximize the effect and exposure with social media promotions;

63. Incorporate the message that the City's cemeteries cover a large geographical area, showcasing service offerings in each "community";
64. Incorporate the message that many City cemeteries have cultural and heritage significance. Develop programs for cultural and artistic interpretation that take advantage of this asset;
65. Conduct a marketing workshop with assistance from a professional experienced in marketing municipal cemeteries or possibly a round table of municipal cemetery key opinion leaders to define a core message and develop a coordinated marketing action plan and 3 year budget;
66. Create a full-colour, professional multipage brochure or presentation folder showcasing all interment and cremation options available and convey the features of the cemeteries and the benefits of choosing a Hamilton Municipal Cemetery;
67. Distribute the new print material to families for phone, walk-in or mail-in inquiries. Convert it into PDF format to be downloaded from the new website;
68. Consider more professional layouts for printed materials. If this cannot be done within the auspices of the City, there are a number of on-line services that use crowd sourcing to get professional layouts created at very reasonable costs.

A successful marketing plan must be supported by dedicated sales staff. Existing staff is over-extended so they do not have the capacity to undertake this work. Other successful cemetery operations have pre-need sales staff, generally on contract, paid on a base salary plus commission, with health benefits, a pension and on-going training. A base salary may range from \$40,000 to \$60,000, with a threshold capacity of \$100,000, after which additional staffing should be considered. Commissions may range from 8 to 16% based on the pre-need inventory being sold. At-need sales are often not commissionable, although the pre-needs sales staff may sell at-need products and services. A number of common operating procedures and requirements would need to be included in any agreement with a dedicated sales representative.

Current cemetery practices rely on walk-in or call-in business and not attracting new families or retaining families from previous sales. The City needs a tracking system and Customer Relationship Management (CRM) should be part of the pre-need strategy.

On pre-needs sales, Lees recommends that the City:

69. Hire a sales representative on a contracted salary plus commission basis;
70. Ensure sales agents retained are experienced and pursue ongoing professional development in death industry legislation, tax benefits and current trends. Knowledge of pre-purchase tax incentives should be communicated to potential client families;
71. Direct mail to promote pre-need and post-need sales;
72. Incorporate the Lead Generation, Capture Nurture component of the Pre-need Representative's activities;
73. Follow up with all current and past (12-24 month) inquiries plus approach previous at-need families from the past 12 months;

74. Attend Seniors Expos and Home Shows to establish an active presence in the community.

Strategic alliances with the bereavement sector can improve the cemeteries visibility and enable bundling of services. A recent change in legislation facilitates this type of partnership as a mutually beneficial marketing strategy. Strategic alliances with local funeral homes would provide mutual benefits, improve the customer experience and forge longer term business relationships.

Lees recommends that the City:

75. Initiate discussions with the full spectrum of non-profit, private and religious cemeteries to test their appetite for partnerships and potentially consider future RFPs for joint marketing and sales of City cemetery services and products;
76. Carefully assess all new cemetery services and products to avoid competing against those entities that might otherwise be collaborators;
77. Consistently update the City's cemetery pricing to avoid drastic undercutting;
78. Acknowledge partners working with the City on the City's enhanced web presence.

D. Implementation

Lees also provided an implementation plan for the key strategies and priority recommendations. The window of opportunity to move the City toward a self-funded cemetery system is short. A timeline and relevant costs as well as funding options is provided for key priorities. It is also recognized that business case analyses will be required for some initiatives to consider the market, market capture, potential revenues and capital and operating costs.

A 3-Year Action Plan is proposed to show commitment and to reinforce confidence with the public and the funeral home industry.

Work and associated costs relate to planning and development of infrastructure. As no new land is required for the next 40 years, except for Dundas, the capital cost of land acquisition makes development costs relatively efficient.

Table 3 contains the 3-Year Action Plan for implementation. Where the cost is "nil" it is expected that the cost will have no material effect or that financial resources already exist, although there may be some need for changes to organization or allocation. The City should continue to meet capital needs through the tax levy until the operating revenue exceeds the operating cost for two consecutive years.

Table 3: 3-Year Action Plan for Implementation

Strategy	Recommendation	Priority (Year)	Capital Cost	Operating Cost
Provide Operating Autonomy and Enhance Agility	Create more autonomy within the municipal structure and pending those outcomes consider a Cemetery Board	1	Nil	Nil
	Move the contract administration of maintenance work for inactive cemeteries/cultural landscapes to the Parks Department	1	Nil	Transfer costs and budget from cemeteries to parks
Improve Marketing and Revenue	Launch one time price increases to align cemetery prices with the projected Southern Ontario rates expected in 2016	1 either 2 or 2-3	Nil	Nil
	Allocate a marketing budget equalling of 3% of the estimated gross revenues in 2016 and 2% thereafter	1	Nil	\$77,000
	Create and disseminate a targeted marketing and communication strategy "Hamilton Cemeteries - A New Era"	1	Nil	Nil
	Create a dedicated sales resource (assign or hire staff, offer them salary and commissions) with a focus on pre-need and post-need services and products	1	Nil	\$35,000/year salary + commission
	Create a cemetery website, separate from the City's main website	1	\$10,000	\$2,500
	Plan and design a new customer service centre at Mount Hamilton	2	\$1.5 M (offset by revenues from the Gatehouse)	\$15,000 addition to existing costs
Enhance Customer Service Options	Introduce new cremated remains interment options at Woodland (a cremation garden design is underway) and identify others at the remaining 10 active cemeteries	1	\$300,000	Costs vary depending on the interment option installed
	Begin converting the Gatehouse at the Hamilton Cemetery to indoor glass front columbaria, using the resulting funds to build a new administration centre at Mount Hamilton. Part of this process will entail a detailed business case analysis. <i>Net Revenue Expected: \$2.5 million</i>	2	\$2.125M net profit	\$10,000/year
Improve Efficiency	Procure, populate, train and implement an enhanced records management and mapping system software and mobile app delivery mechanism (partially underway)	1 Not before records transfer complete	\$125,000	\$2500/year
	Publish records and maps via phone apps	2 Not before records transfer complete	\$15,000	\$1,000

**APPENDIX A
REPORT PW15075**

Strategy	Recommendation	Priority (Year)	Capital Cost	Operating Cost
Improve Effectiveness	Initiate a Quality Control/Quality Assurance system. Train Cemetery Supervisors in the QC/QA program delivery	1	Nil	Nil
	Prepare comprehensive site master plans for Woodland, Hamilton, Mountview Gardens, Glanbrook and Mount Hamilton (partially underway)	1 & 2 1-5 years	\$35,000 for each site	Nil
Acquire Future Lands/Manage Current Lands	Develop infill plans at all active cemeteries	1 1-2	\$20,000 \$50,000 for all	Nil
	Develop infill plans at all inactive cemeteries	2 3	\$20,000 \$50,000 for all	Nil
	Identify lands suitable for an urban memorial park, which are optimally accessible by transit	3	TBD	TBD

Funding options include tax subsidies, partnerships and community donations and fundraising. This may involve community partner donations for infrastructure. In Canada, the Royal Canadian Legion, the IODE, service clubs (Elk Club, Lions Club), religious and ethnic groups are common donors.

Of the remaining recommendations, some may be underway or should be considered in future Cemeteries work plans.