



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning, Administration and Policy Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	June 19, 2019
<b>SUBJECT/REPORT NO:</b>	Audit and Accountability Fund - Expression of Interest (FCS19059) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	John Savoia (905) 546-2424 Ext. 7298 Tom Hewitson (905) 546-2424 Ext. 4159
<b>SUBMITTED BY:</b>	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATIONS**

- (a) That the Audit and Accountability Fund Expression of Interest (EOI) attached as Appendix “A” to Report FCS19059 be approved and submitted to the Minister of Municipal Affairs and Housing by June 30, 2019 for the intention of conducting an expenditure review of the City’s use of consultants and contractors to find efficiencies.
- (b) That Council direct staff to single source a third-party consultant to complete this review should the City be successful in obtaining funds from the Ministry of Municipal Affairs and Housing.

**EXECUTIVE SUMMARY**

Council, at its June 12, 2019 meeting, directed staff to provide options for potential application to the Audit and Accountability Fund (Fund), that fall within the criteria of the program guidelines, with an associated cost of up to \$250,000.

The Province announced on May 21, 2019 the creation of the \$7.35 M Fund for large urban municipalities and school boards in Ontario “to help municipalities become more efficient and modernize service delivery while protecting front line jobs.” The Fund is a conditional grant program available to 39 large urban municipalities and 10 school boards across the province.

**SUBJECT: Audit and Accountability Fund - Expression of Interest (FCS19059) (City Wide) - Page 2 of 4**

---

To be eligible for this funding, the Province expects a review of municipal expenditures to find efficiencies. The Province has outlined three forms a review project could take including:

- A line-by-line review of the municipality's entire budget;
- A review of service delivery and modernization opportunities;
- A review of administrative processes to reduce costs.

Given the parameters / options of the program, staff is recommending that the City explore an Expression of Interest under "a review of service delivery and modernization opportunities" stream specifically, a third-party review of the City's use of external consultants and contractors. The Review will examine feasible and innovative service delivery options where external consultants and contractors are utilized extensively. The Review will focus on the overall service performance in relation to approved service standards. If approved for the one-time funding, the outcome of the Review will be to identify sustainable long-term service delivery efficiencies and associated cost savings.

The reporting requirement of this Fund is extremely short with a final report by the third-party to be posted publicly by November 30, 2019 and therefore, the City would need to single source a third-party consultant to complete this work to meet the provincial timelines.

**Alternatives for Consideration – N/A**

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** Should the City receive funding from the Fund, the proposed third-party review will not require City funding. The outcome of the Review will be to identify sustainable long-term service delivery efficiencies and associated cost savings.

**Staffing:** The Review will be conducted by a third-party consultant with the assistance of City staff, where required. It is not expected to dedicate staff for this purpose.

**Legal:** None anticipated.

**HISTORICAL BACKGROUND**

On May 21, 2019, the Premier announced the creation of the Audit and Accountability Fund (Fund) for the 39 large urban municipalities and 10 school boards in Ontario. The City received a follow up letter on May 29 from Laurie LeBlanc, Deputy Minister in Municipal Affairs and Housing with the program eligibility and requirements for next steps.

**SUBJECT: Audit and Accountability Fund - Expression of Interest (FCS19059) (City Wide) - Page 3 of 4**

---

The Fund is a conditional grant program under which large urban municipalities can apply to undertake expenditure reviews with the goal of finding efficiencies. For a municipality to be eligible for funding under the Fund, the proposed review project must:

1. Review municipal expenditures to find efficiencies. The review project could take a number of forms including:
  - A line-by-line review of the municipality's entire budget;
  - A review of service delivery and modernization opportunities;
  - A review of administrative processes to reduce costs.
2. Result in a final report by the independent third-party reviewer that provides specific and actionable recommendations for cost savings and improved efficiencies.
3. Be completed by November 30, 2019. Municipal applicants will be required to post publicly the independent third-party report that outlines the analysis, findings and actionable recommendations by November 30, 2019.

It is expected that most review projects will be less than \$250,000. However, projects will be reviewed on a case-by-case basis and funding amounts may depend on the available appropriation. Only third-party service provider fees will be eligible. Municipal administrative costs, such as staff time, are not eligible. The Fund will not cover review projects where:

- The object of the review project is to identify opportunities for revenue generation or reductions in front line services.
- The review does not result in a formal report prepared by a third party.
- The object of the review extends beyond municipal accountability.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

City of Hamilton's Procurement Policy By-law, Section 4.11 – Policy for Negotiations (Single Source) Policy 11 provides for the recommending of a single source vendor for the supply of a particular Goods and/or Service because it is more cost effective or beneficial for the City.

## **RELEVANT CONSULTATION**

N/A

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)**

Expressions of Interest to the Fund must be submitted by June 30, 2019. They will be reviewed and approved by the Ministry of Municipal Affairs and Housing as they are received. City staff have reviewed the three review options to access this provincial fund.

City staff already complete a line-by-line review of the operational budget on an annual basis as part of the budget development process. This review includes a detailed analysis of all expenditure lines. This annual review has enabled the City to hold the line on a variety of discretionary costs which has resulted in operational budget increases at or below inflation over the last number of years while introducing service improvements such as transit expansion.

As such, staff are recommending that the City apply for the “review of service delivery and modernization opportunities” stream specifically a third-party review of the City’s use of external consultants and contractors.

The Review will examine feasible and innovative service delivery options where external consultants and contractors are utilized extensively. The Review will focus on the overall service performance in relation to approved service standards. If approved for the one-time funding, the outcome of the Review will be to identify sustainable long-term service delivery efficiencies and associated cost savings.

The reporting requirement of this Fund is extremely short with a final report by the third-party to be posted publicly by November 30, 2019 and therefore, the City would need to single source a third-party consultant to complete this work to meet the provincial timelines.

## **ALTERNATIVES FOR CONSIDERATION**

N/A

## **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

### **Our People and Performance**

Hamiltonians have a high level of trust and confidence in their City government.

## **APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report FCS19059 – Audit and Accountability Fund Expression of Interest

JS/TH/dt