



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

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	December 9, 2020
SUBJECT/REPORT NO:	Audit and Accountability Fund Intake 2: Expression of Interest (FCS20106) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	John Savoia (905) 546-2424 Ext. 7298
SUBMITTED BY:	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the General Manager, Finance and Corporate Services, be authorized and directed to submit expression of interests associated with third-party reviews of municipal services to identify potential savings and efficiencies in accordance with the terms and conditions associated with the Audit and Accountability Fund Intake 2 by December 18, 2020;
- (b) That the third-party reviews only be undertaken should the City be successful in obtaining funds from the Ministry of Municipal Affairs and Housing;
- (c) That Council direct staff to single source third-party consultants to complete reviews should the City be successful in obtaining funds from the Ministry of Municipal Affairs and Housing;
- (d) That the Mayor and City Clerk be authorized to execute a transfer payment agreement between the City of Hamilton and Her Majesty the Queen in right of Ontario as represented by the Minister of Municipal Affairs and Housing for the transfer of funds from the Audit and Accountability Fund, together with all necessary or advisable associated documents, in a form satisfactory to the City Solicitor and with content acceptable to the General Manager, Finance and Corporate Services;

- (e) That where required to give effect and authorize the signing of a transfer payment agreement between the City of Hamilton and Her Majesty the Queen in right of Ontario as represented by the Minister of Municipal Affairs and Housing for the Province of Ontario for the transfer of funds from the Audit and Accountability Fund, one or more By-law(s) be prepared in the form satisfactory to the City Solicitor for consideration by Council; and,
- (f) That a certified copy of the approved by-law authorizing the signing of the transfer payment agreement be forwarded to the Ministry of Municipal Affairs and Housing upon Council approval.

EXECUTIVE SUMMARY

The Province announced, on May 21, 2019, the creation of the \$7.35 M Audit and Accountability Fund (AAF) for large urban municipalities and school boards in Ontario “to help municipalities become more efficient and modernize service delivery while protecting front line jobs.” On August 8, 2019, the City was notified that it was approved funding of up to \$250 K towards the Review of Use of External Contractors and Consultants (refer to Report FCS19059(a)). The Review findings were received by the Audit, Finance and Administration Committee on December 5, 2019 (refer to Report FCS19059(b)).

On October 25, 2019, the Province announced that it was extending the AAF for 39 large urban municipalities by giving them access to up to \$6 M annually through 2022-23. The funding was intended to allow municipalities to take action in time for the 2021 municipal budget cycle and help municipalities increase effectiveness and reduce costs by supporting line-by-line reviews, audits and other service reviews. However, the pandemic delayed the announcement of a second intake of the AAF.

The Province announced on November 17, 2020 the second intake of AAF that will allow large municipalities to benefit from further provincial funding to conduct service delivery and administrative expenditure reviews, with the goal of finding efficiencies while protecting and modernizing critical front-line services.

The AAF Intake 2 is intended to support municipalities with the opportunity to undertake independent third-party reviews with the goal of finding service delivery efficiencies while protecting front-line services and ensuring that municipalities are ready to adapt to the new normal post pandemic.

To be eligible, the proposed review project will:

1. Review municipal service delivery expenditures to find efficiencies. The review project could take a number of forms including:

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- 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 efficiencies. The municipality will be required to submit a final report that includes a statement of the total amount of expenditures reviewed and the total amount identified as potential savings.
 3. Be completed by October 15, 2021. Municipal applicants will be required to publicly post the independent third-party report that outlines the analysis, findings and actionable recommendations by October 15, 2021.

Project proposals are to be reviewed on a case-by-case basis. Only third-party service provider fees will be eligible. Municipal administrative costs, such as staff time, are not eligible.

The program 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.

Proposal submissions may be related to any area of municipal service delivery with the Province encouraging municipalities to submit proposals that support the following priorities:

- Digital modernization
- Service integration
- Streamlined development approvals

Expressions of Interest will be reviewed and approved by the Ministry of Municipal Affairs and Housing. Confirmation through an executed transfer payment agreement that sets out the reporting requirements and payment schedule will be required following approval.

AAF Intake 2 Timeline



Staff is considering potential opportunities that would require the engagement of independent third-party consultants to conduct reviews to identify savings and efficiencies in municipal service delivery. The General Manager, Finance and Corporate Services, will review staff proposals for alignment to the terms and conditions associated with the AAF and submit an Expression of Interest(s), where suitable, for full funding consideration under AAF. Expression of Interest(s) to the AAF Intake 2 must be submitted by December 18, 2020.

Alternatives for Consideration – N/A

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Should the City receive funding from the AAF, the proposed third-party review(s) will not require City funding. The outcome of AAF funded reviews will be to identify sustainable long-term service delivery efficiencies and associated cost savings.

Staffing: Reviews 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: It is anticipated that the City will be required to enter into a transfer payment agreement with the Government of Ontario to receive AAF grants and further may need to enter into other ancillary agreements or pass by-laws to receive funding.

HISTORICAL BACKGROUND

On May 21, 2019, the Premier announced the creation of the Audit and Accountability Fund (AAF) for the 39 large urban municipalities and 10 school boards in Ontario. On August 8, 2019, the City was notified that it was approved funding of up to \$250 K towards the Review of Use of External Contractors and Consultants (refer to Report FCS19059(a)). The Review findings were received by the Audit, Finance and Administration Committee on December 5, 2019 (refer to Report FCS19059(b)).

On October 25, 2019, the Province announced that it was extending the AAF for 39 large urban municipalities, by giving them access to up to \$6 M annually through 2022-23. The Province announced on November 17, 2020 the second intake of AAF that will allow large municipalities to benefit from further provincial funding to conduct service delivery and administrative expenditure reviews, with the goal of finding efficiencies while protecting and modernizing critical front-line services.

The AAF Intake 2 is intended to support municipalities with the opportunity to undertake independent third-party reviews with the goal of finding service delivery efficiencies while protecting front-line services and ensuring that municipalities are ready to adapt to the new normal post pandemic.

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The AAF is a conditional grant program under which large urban municipalities can apply to undertake expenditure reviews with the goal of finding efficiencies. Expression of Interest(s) to the AAF Intake 2 must be submitted by December 18, 2020.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

N/A

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

To be eligible under AAF Intake 2, a proposed review project will:

1. Review municipal service delivery 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 efficiencies. The municipality will be required to submit a final report that includes a statement of the total amount of expenditures reviewed and the total amount identified as potential savings.
3. Be completed by October 15, 2021. Municipal applicants will be required to publicly post the independent third-party report that outlines the analysis, findings and actionable recommendations by October 15, 2021.

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Proposal submissions may be related to any area of municipal service delivery with the Province encouraging municipalities to submit proposals that support the following priorities:

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Staff is considering potential opportunities that would require the engagement of independent third-party consultants to conduct reviews to identify savings and efficiencies in municipal service delivery. The General Manager, Finance and Corporate Services, will review staff proposals for alignment to the terms and conditions associated with the AAF and submit an Expression of Interest(s) where suitable for full funding consideration under AAF.

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

N/A

JS/dt