



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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	October 7, 2021
SUBJECT/REPORT NO:	Audit and Accountability Fund Intake 3: Expression of Interest (FCS21084) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	John Savoia (905) 546-2424 Ext. 7298
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the General Manager, Finance and Corporate Services, be authorized and directed to submit expressions of interest 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 3 by October 28, 2021;
- (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;
- (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 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.

On August 16, 2021, the Ontario Minister of Municipal Affairs and Housing announced a third intake under the AAF to support Ontario’s large municipalities so they can benefit from further provincial funding to conduct service delivery and administrative expenditure reviews, with the goal of finding efficiencies while protecting and modernizing front-line services.

To be eligible, the proposed review project will:

1. Review municipal service delivery expenditures to find efficiencies. The review project could take a few 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. Begin field work no earlier than August 16, 2021 with a final report completed and posted publicly on the municipal website by October 17, 2022. The report will provide analysis, findings and actionable recommendations.

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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.

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

The Province expects to advise municipalities of the outcomes of their applications in January 2022. Given that projects must be completed by October 15, 2022, staff have included the recommendation seeking authority to sole source third party consultants to ensure timelines can be met.

Staff is considering potential opportunities that would require the engagement of independent third-party consultants to identify savings and efficiencies in municipal service delivery. The Senior Leadership Team will review staff proposals for alignment to the terms and conditions associated with the AAF and direct staff to submit an Expression of Interest(s), where suitable, for full funding consideration under AAF. Expression of Interest(s) to the AAF Intake 3 must be submitted by October 28, 2021. It should be noted that a resolution of Council is not a requirement for the program.

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 that staff would be dedicated 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 funding was intended to allow municipalities to act 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 to 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. On February 26, 2021, the City was advised that the Province would provide funding of up to \$400 K towards the Hamilton Accessible Transportation Services (ATS) Eligibility Audit. The AAF funding would cover the cost of an independent third-party reviewer that must deliver a final report with specific and actionable recommendations for cost-savings and efficiencies by October 15, 2021. The ATS Eligibility Audit findings will be presented to the Audit, Finance and Administration Committee in early October 2021.

On August 16, 2021, the Province announced a third intake under the AAF to support Ontario's large municipalities so they can benefit from further provincial funding to conduct service delivery and administrative expenditure reviews, with the goal of finding efficiencies while protecting and modernizing front-line services.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

N/A

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

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

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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, 2022. Municipal applicants will be required to publicly post the independent third-party report that outlines the analysis, findings and actionable recommendations by October 15, 2022.

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. The Province expects to advise municipalities of the outcomes of their applications in January 2022. If the application is approved, a proposed transfer payment agreement with the Province will be sent to confirm the funding amount and set out the terms, including reporting requirements and a payment schedule. Municipalities can expect to receive an initial payment following execution of a transfer payment agreement. Given that projects must be completed by October 15, 2022 staff have included the recommendation seeking authority to sole source third party consultants to ensure timelines can be met.

Program Timeline

October 28, 2021 – Deadline to submit Expression of Interest(s) and any supporting documentation through the provincial Transfer Payment Ontario (TPON).

January 2022 – Municipalities will be advised if their application is approved. If it is approved, the municipality will have to enter into a transfer payment agreement for project funding and will receive an initial payment once the agreement is executed.

October 17, 2022 – Post the third-party reviewer’s final report online and submit the final report. The final report will include: a hyperlink to the publicly posted third-party reviewer’s report; the amount paid to the third-party reviewer and a copy of the invoice; a statement of the total amount of expenditures reviewed and the total amount identified as potential savings; and a 250-word abstract of the project and its findings.

Staff is considering potential opportunities that would require the engagement of independent third-party consultants to conduct identify savings and efficiencies in municipal service delivery. The Senior Leadership Team will review staff proposals for alignment to the terms and conditions associated with the AAF and direct staff to submit an Expression of Interest(s) where suitable for full funding consideration under AAF. Expression of Interest(s) to the AAF Intake 3 must be submitted by October 28, 2021. It should be noted that a resolution of Council is not a requirement for the program.

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. The Province expects to advise municipalities of the outcomes of their applications in January 2022.

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