



Audit, Finance and Administration Committee

BUDGET MINUTES

Friday, March 4, 2011

9:30 a.m.

Council Chambers

City Hall

71 Main Street West

Hamilton, Ontario

Present: Councillors B. Clark (Chair), B. Johnson (Vice Chair)
B. Morelli, M. Pearson, R. Powers

Also Present: C. Murray, City Manager
R. Rossini, General Manager, Finance & Corporate Services
T. Tollis, Treasurer
M. Zegarac, Director, Financial Planning & Policy
H. Tomasik, Executive Director, H.R. & Organizational Development
S. Paparella, Legislative Assistant, Office of the City Clerk

THE FOLLOWING ITEMS WERE REPORTED TO THE GENERAL ISSUES COMMITTEE FOR CONSIDERATION:

1. 2011 Tax Supported Operating Budget – Other Programs (FCS11023(d)) (Item 7.3)

(Powers/Pearson)

That Report FCS11023(d), respecting the 2011 Tax Supported Operating Budget for Other Programs, as amended, be referred to the General Issues Committee for consideration.

CARRIED

2. 2011 Budget Requests – Volunteer Advisory Committees (FCS11016) (City Wide) (Item 8.1)

(Pearson/Powers)

(a) That the 2011 Volunteer Advisory Committee base budget submissions be approved as follows:

- (i) Advisory Committee on Immigrants & Refugees in the amount of \$3,500;
- (ii) Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) Advisory Committee in the amount of \$3,890;

- (iii) Hamilton Aboriginal Advisory Committee in the amount of \$3,500;
 - (iv) Hamilton Mundialization Committee in the amount of \$5,890;
 - (v) Hamilton Status of Women Committee in the amount of \$3,500;
 - (vi) Committee Against Racism in the amount of \$3,890;
- (b) That, in addition to the base funding request for the Hamilton Status of Women Committee, one-time funding in the amount of \$5,000 be approved from the Volunteer Committee Reserve (Account No. 58300-112212).

CARRIED

**3. Information Services Contract Savings and Incentives (FCS11024) (City Wide)
(Item 8.2)**

(Powers/Pearson)

- (a) That annualized savings from the printer and cell phone contracts of \$94,000 and \$77,700 respectively, be incorporated into the 2011 Operating Budget to reduce the levy requirement by a total of \$171,700;
- (b) That the annual contract incentive payments and bill credits be deposited into the IS Capital Reserve (account 108023) and then the amounts indicated in recommendation (b) above be funded from this Reserve;
- (c) That future projected savings, over and above the amounts set out in Recommendations (a) and (b) above be split equally between the IS Capital Reserve and reduction of the tax levy;
- (d) That staff commit to providing Council with annual performance reporting to communicate the status of savings generated from management of IS contracts.
- (e) That recommendation from Report FCS11024 (originally sub-section (b)), as shown below, be referred to the General Issues Committee for consideration:
 - (i) That additional savings of \$218,000 in respect of the 5 year average annual contract incentive payments and bill credits be used to reduce the 2011 levy by \$131,000 and fund 1.0 FTE for a contract analyst (at a cost of \$87,000) to ensure further savings materialize.

CARRIED

FOR THE INFORMATION OF COMMITTEE:

(a) CHANGES TO THE AGENDA (Item 1)

The Committee Clerk advised of the following changes to the agenda:

- (i) Added as Item 3.1 – February 17, 2011 Budget Minutes of the Audit, Finance & Administration Committee
- (ii) An amended handout for the Corporate Financials Budget Presentation has been provided, which is dated March 4, 2011
- (iii) Added as Item 12.1, respecting a Potential Budget Impact

(Pearson/Johnson)

That the agenda for the March 4, 2011 meeting of the Audit, Finance & Administration Committee be approved, as amended.

CARRIED

(b) DECLARATIONS OF INTEREST (Item 2)

There were no declarations of interest.

(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 3)

(Powers/Pearson)

That the Minutes of the February 17, 2010 Audit, Finance & Administration Committee budget meeting be approved, as presented.

CARRIED

(d) Tabled Items from February 17, 2011 Audit, Finance & Administration Committee Agenda

(Johnson/Pearson)

That the agenda items from the February 17, 2011 Audit, Finance & Administration Committee meeting be lifted from the table for consideration.

CARRIED

(e) 2011 Tax Supported Operating Budget – City Manager (FCS11023(b)) (City Wide) (Item 7.1)

(i) Legal Services Division

Peter Barkwell, City Solicitor, provided a brief presentation respecting the Legal Services Division's 2011 proposed Operating budget.

- The presentation outlined the Legal Services Division's organizational chart and the 2011 Net Operating Budget by Section, which currently shows a net levy impact of 2.4%.
- The major cost drivers were employee related costs at \$66,003; and, indirect recoveries at (\$13,079).

(Pearson/Morelli)

That the presentation, respecting the Legal Services Division's 2011 proposed Operating budget, be received.

CARRIED

(ii) Audit Services Division

Ann Pekaruk, Internal Auditor, provided a PowerPoint presentation respecting the 2011 proposed budget for the Audit Services Division. Ms. Pekaruk's comments included, but were not limited to, the following:

- Audit Services is a small Division; with a staff complement that has been the same for at least 10 years.
- An Operational Review of the Audit Services Division was conducted in 2006. That review identified a staffing gap of 2 FTEs. Over the years, staff has tried to increase the complement by adding the two recommended FTEs, but the recommendation has been cut each year during the budget process.
- The 2011 proposed budget has an increase of \$3,700 (under 1%), which is mostly employee related.

(Johnson/Pearson)

That the presentation, respecting the Internal Audit Division's 2011 proposed Operating budget, be received.

CARRIED

(Pearson/Powers)

That, for procedural purposes, the recommendation in Report FCS11023(b), respecting the 2011 Tax Supported Operating Budget for City Manager's Office, be amended by deleting the word "considered" and replacing it with the word "approved", to read as follows:

That the 2011 net operating levy for the City Manager, of \$8,914,398, be *approved*.

CARRIED

(Johnson/Pearson)

That Report FCS11023(b), respecting the 2011 Tax Supported Operating Budget for City Manager's Office, as amended, be tabled to the March 24, 2011 Budget Deliberations meeting of the Audit, Finance & Administration Committee.

CARRIED

(f) 2011 Tax Supported Operating Budget – Corporate Services (FCS11023(c)) (City Wide) (Item 7.2)

Rob Rossini, General Manager of Finance and Corporate Services Department, provided a presentation respecting the 2011 Tax Supported Operating Budget for the Corporate Services Department. Mr. Rossini's comments included, but were not limited to, the following:

(i) Overall Corporate Services:

- The net levy impact for the proposed 2011 Corporate Services proposed Operating budget is currently (0.3 %).
- Trying to move toward electronic commerce.
- \$180,000 paid invoices by A/P.
- Purchasing – standardization.
- Values of purchase orders increasing.
- 2010 – Corporate Services Department came in at 0.8% impact on the legislative budget last year – haven't added a lot of resources over past 10 years.
- Trying to get as close to 0% net levy impact as possible.
- Tax arrears are a challenge in Hamilton.
- Obsolescence of large industrial properties affect tax base.
- Working toward making more business transactions available on the City's web site.
- Customer service – AODA legislation and regulations will be a challenge.
- Risk management is an issue – changed insurers, trying to manage City's exposure.
- 2010 did a thorough Purchasing review – have brought in new model and specialist to support departments.
- There were approximately 55 recommendations in the Purchasing review report, which included reviewing and updating the purchasing policy.
- There were additional resources required in 2010; the municipal election, post election debrief, and surveys were sent out to all election candidates and members of the public.
- Infrastructure – very detailed capital budget process – not enough money to meet the annual funding gap for construction. Prioritizing projects and funds to meeting the work plan.
- There are additional work and pressures in POA, and additional resources are not being added.
- Significant cost drivers – salaries, wages, human services – OMERS costs increased by \$195,000 and an increase to government/employer benefits is \$88,900, as well as additional costs for software and heat.
- Savings – 1 FTE reduction in the contact centre, increase in tax certificate fees, decreasing contractual services in Treasury Services, and a decrease in IP Telephony costs. As well, two contracts were completed last year.
- Built in savings for cell phone and printer contracts of \$94,000 and \$77,700.

(ii) City Clerks Division:

- Saved \$170,000 in 2010 budget by flattening management levels.
- Major cost drivers are a reduction in POA fine revenues (\$86,362), cost allocations are up due to a \$114,000 increase in POA Red Light Camera revenues.
- Increase in OMERS rates and employer/government benefit are mitigated by staff paid at lower steps than budgeted.
- May be increasing the revenues for budget in POA.

(Pearson/Johnson)

That the presentation, respecting the City Clerks Division's 2011 proposed Operating budget, be received.

CARRIED

(iii) Customer Services, Access & Equity Division

- Reduction of 3 FTEs in the Municipal Service Centres and 0.5 from the Customer Contact Centre in 2010 budget; plus a reduction of 1 FTE from the Customer Contact Centre in 2011.
- Currently using a model of 2 staff per Service Centre with 3 FTE floaters moving from centre to centre.
- AODA implementation costs.
- Net levy impact is currently 0.3 %.

(Pearson/Johnson)

That the presentation, respecting the Customer Service, Access and Equity Division's 2011 proposed budget, be received.

CARRIED

(iv) Treasury Services Division

- 2011 proposed Operating budget at a 1.4% impact to the net levy.
- Purchasing and Risk Management are in leased space.
- Major cost drivers: employee related – OMERS and benefits,
- Reductions – consulting, materials, supplies, and IP telephony cost have decreased.
- There are two types of business in the Department – one is transactional, the other is administrative. Some managers are not just managing people (e.g. Finance & Policy), but are writing reports, etc – working managers.

(Pearson/Johnson)

That the presentation, respecting the Treasury Services Division's 2011 proposed Operating budget, be received.

CARRIED

(v) Financial Planning & Policy Division

- Moving this budget more and more to total cost recovery.
- Spending is almost entirely salaries and wages.
- Financials – Bank Fees, legal costs, bond, trading and custodial and credit rating charges
- Major cost drivers – OMERS rates and government/employer benefits.
- Cost of managing investment program is about 4 basis points – a very inexpensive way to manage the program (in house).
- Non union – 1.5% increase (subject to Council approval), COLA and to move another 25% through the Grid for the 50% percentile, is in the Corporate contingency. Union cost of living is also in the Corporate contingency.

(Johnson/Morelli)

That the presentation, respecting the Financial Planning & Policy Division's 2011 proposed Operating budget, be received.

CARRIED

(vi) Information Services

- 76.5 FTEs in total.
- Security for Credit Card transactions has changed – new regulations with respect to how information is stored.
- Major Cost Drivers: employee related costs, increase to software licence fees (PeopleSoft, MacAfee, Oracle, Barracuda, etc.)
- There has been an increase in temporary employment agency costs.
- OMBI did a detailed report that did some benchmarking in IS/IT area.
- Hamilton's IS staff complement is much lower compared to other municipalities.
- Staff to Device ratio is much higher in Hamilton compared to other municipalities.
- Kiosks and webcasting were up and running in 2010/early 2011.
- Staff was asked what Corporate plan was in place to monitor both the centralized and decentralized web sites and their maintenance. Staff advised that a refresh of 2002 IT Corporate Plan was in progress to provide a snapshot of the service delivery and who is doing what. Committee wanted to know if staff is looking to see why GIS, the web site and IT are not consolidated, and who is governing them.
- www.hamilton.ca – who has ownership? Architecture and system is IT and each department is responsible for the content. Ultimately, SMT owns and is responsible for the City's web site.

- IS office are located on the 6th floor of public Library, and the Library does not charge the City rent.
- Contractual items are for Ricoh printers, previous Cannon printers, communication cables, services and computers (charged back), maintenance agreements, cell phones, off-site security and off-site contractual obligations.
- An additional 0.5 FTE is required is to maintain GPS system, which has already been installed in all City vehicles. The FTE is required to maintain the physical hardware, and collect data that is on the network. The GPS system can go down at anytime and, as it is attached to server and wireless network, an in house person is required to assist the end users.
- Original budget (for GPS) did not look at sustaining the system. Hardware is under warranty; however, during the use of network is where the problems arise and there is no-one in place to sustain the system. The vendor supports the in-vehicle system, but City staff is required to support the in-house systems.
- The 0.5 FTE will also ensure the wireless network, patient care at lodges, etc. are sustainable going forward. Wireless applications are being used in business, land ambulances, Parking and By-law for parking tickets, etc. The City continues to add applications, but there isn't an FTE allocated to sustaining the wireless network down the road.

(Pearson/Morelli)

That the presentation, respecting the Information Services Division's 2011 proposed Operating budget, be received.

CARRIED

(vii) Legislative

- The Legislative budget is comprised of the budgets for the Mayor, Councillors and support staff, ward budgets and the common cost budget. These budgets have essentially remained the same.

(Powers/Morelli)

That the presentation, respecting the Legislative 2011 proposed Operating budget, be received.

CARRIED

(Pearson/Powers)

That, for procedural purposes, the recommendation in Report FCS11023(c), respecting the 2011 Tax Supported Operating Budget for the Corporate Services

Department, be amended by deleting the words “considered” and replacing it with the words “approved”, to read as follows:

- (a) That the 2011 net operating levy for Corporate Services, of \$18,870,924, be *approved*;
- (b) That the 2011 Requested Program Enhancements pertaining to Corporate Services as per Appendix Three to Report FCS11023(c) be *approved*.

CARRIED

(Powers/Johnson)

That Report FCS11023(c), respecting the 2011 Tax Supported Operating Budget for the Corporate Services Department, as amended, be tabled to the March 24, 2011 Budget Deliberations meeting of the Audit, Finance & Administration Committee.

CARRIED

(g) 2011 Tax Supported Operating Budget – Other Programs (FCS11023(d)) (Item 7.3)

Mike Zegarac, Director of Financial Planning and Policy, provided a presentation respecting the 2011 Tax Supported Operating Budget – Other Programs. Mr. Zegarac’s comments included, but were not limited to, the following:

- This category covers areas that do not fall within a specific operating department, and includes non-program expenses and revenues that such as: Corporate contingencies, gapping, Ontario Municipal Provincial Funding and special grant revenue, property tax related revenues and provisions, Horizon Utilities Corporation dividend and Provincial Offices Act, investment revenues.

(Pearson/Powers)

That, for procedural purposes, the recommendation in Report FCS11023(d), respecting the 2011 Tax Supported Operating Budget for Other Programs, be amended by deleting the words “considered” and replacing it with the words “approved”, to read as follows:

- (a) That the 2011 net operating levy for the Legislative of \$3,408,542 be *approved*;
- (b) That the 2011 net operating levy for the Corporate Financials of \$9,437,195 be *approved*;
- (c) That the 2011 net operating levy for the Non-Program Revenues of (\$37,879,250) be *approved*;
- (d) That the 2011 Capital Financing Charges of \$83,686,000 be *approved*.

CARRIED

**(h) Information Services Contract Savings and Incentives (FCS11024) (City Wide)
(Item 8.2)**

(Powers/Pearson):

- (a) That sub-sections (a), (c), (d) and (e) of Report FCS11021, respecting Information Services Contract Savings and Incentives be approved.
- (b) That sub-section (b) of Report FCS11021, respecting Information Services Contract Savings and Incentives be referred to the General Issues Committee for consideration.

CARRIED

(i) Staff Direction

(i) Claims Costs

Staff was asked about the "Claims Costs" showing on slide 5 of the presentation as 6,905 (under the 2011 draft budget heading). The General Manager of Finance & Corporate Services noted that their may be an updated budget number, as this number may have been used before the year end numbers were available. Staff will check the numbers and advise Committee.

(ii) Policies and Protocols

(Johnson/Morelli)

That staff be directed prepare policies and protocols respecting restructuring, changing position titles, promotions within Divisions, transferring budgets between Divisions, and an assessment of whether or not some of the changes that have been made can be reversed, and report back to the General Issues Committee.

CARRIED

(iii) Employee Related Costs

That staff be directed to review the employee related costs; including COLA, merit increases (going through the steps in the pay grid), percentile adjustments, job evaluations, and determine methods/systems that would allow the City to fairly compensate staff, while slowing the annual increases; and, compare those findings with the practices of other municipalities, and report back to the General Issues Committee.

Staff was directed to determine, apart from COLA, what both the maximum and medium increases would be, as employees make their way through their pay range, the 50th percentile, job evaluations and merit increases, and report back to the General Issues Committee.

(iv) Financial Assistant Positions

(Morelli/Powers)

That staff be directed to review the Financial Assistant (FA) positions and prepare a thorough report that outlines the trends, pre-2001 and post 2011, to include their qualifications, job responsibilities, where they are placed within operating departments, and report back to the Audit, Finance & Administration Committee.

CARRIED

(v) Audit Services Division – 2 FTE Vacancies

(Pearson/Johnson)

(a) That staff be directed to identify savings, or alternate staff members, to fill the two (2) vacant FTE positions in the Audit Services Division, and report back to the Audit, Finance & Administration Committee.

(b) That the matter, respecting the two (2) vacant FTE positions in the Audit Services Division, be added to the Audit, Finance & Administration Committee's outstanding business list.

CARRIED

(vi) Legal Service Division - Indirect Recoveries

Staff was directed to provide more specific and detailed information, respecting the indirect recoveries, of \$13,079, to the March 24, 2011 Audit, Finance & Administration Committee's budget meeting.

(vii) Redevelopment of the City's Web Site

Staff was directed to review the City's existing web site and prepare a report respecting the total redevelopment of the web site, and report back to the Audit, Finance & Administration Committee.

(viii) Inventory of Transactions that Citizens Could Carryout at Service Kiosks

Councillor Whitehead asked staff to forward to his attention, a copy of the inventory that illustrates what transactions citizens could potentially carryout at service kiosks.

(j) PRIVATE & CONFIDENTIAL

(Pearson/Powers)

That the Audit, Finance & Administration Committee move into Closed Session at 2:40 p.m. to discuss Item 12.1 - a Potential Budget Impact; and, Item 12.2 – Off Site Back

up Storage, pursuant to Section 8.1, Sub-sections (a) and (b) of the City's Procedural By-law 03-301, and Section 239, Sub-sections (a) and (b) of the Ontario Municipal Act, 2001, as amended, as the subject matters pertain to the security of the property of the municipality or local board; and, personal matters about an identifiable individual, including municipal or local board employees.

CARRIED

The Audit, Finance & Administration Committee reconvened in Open Session at 3:12 p.m., and reported the following:

(i) Potential Budget Impact (Item 12.1)

Staff was provided with direction in Closed Session.

(ii) Off Site Back up Storage (Item 12.2)

Staff was provided with direction in Closed Session.

(k) AJOURNMENT (Item 13)

(Powers/Pearson)

There being no further business, the Audit, Finance and Administration Committee adjourned at 3:15 p.m.

CARRIED

Respectfully submitted,

Councillor Brad Clark, Chair
Audit, Finance and Administration Committee

Stephanie Paparella
Legislative Assistant
March 4, 2011