



**CITY OF VAUGHAN
SPECIAL COUNCIL MINUTES
MAY 27, 2004**

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CITY OF VAUGHAN

SPECIAL COUNCIL MEETING

THURSDAY, MAY 27, 2004

MINUTES

Mayor Michael Di Biase declared that a Special Council meeting be convened in the Hydro Boardroom at the Joint Operations Centre, in Vaughan, Ontario, at 3:50 p.m. for which notice had not been given, for the purpose of discussing matters with respect to the hydro merger.

The following members were present:

Mayor Michael Di Biase, Chair
Regional Councillor Mario F. Ferri
Regional Councillor Linda D. Jackson
Councillor Tony Carella
Councillor Bernie Di Vona
Councillor Peter Meffe
Councillor Sandra Yeung Racco

MOVED by Regional Councillor Jackson
seconded by Councillor Carella

That Section 3.13 of Procedural By-law 400-2002 be waived to permit the meeting to be held in the Hydro Boardroom.

CARRIED

MOVED by Councillor Meffe
seconded by Councillor Di Vona

That Section 4.2 of Procedural By-law 400-2002 be waived with respect to 48 hours written notice for a Special meeting of Council.

CARRIED

184. CONFIRMATION OF AGENDA

MOVED by Councillor Yeung Racco
seconded by Councillor Carella

THAT the agenda be confirmed.

CARRIED

185. DISCLOSURE OF INTEREST

There was no disclosure of interest by any member.

186. BRANDING

MOVED by Regional Councillor Ferri
seconded by Regional Councillor Jackson

That the presentation of the VP Corporate Services & Secretary, be received; and

That the branding and descriptor design presented by the VP Corporate Services & Secretary, be approved.

CARRIED

187. AUDITOR SELECTION PROCESS

MOVED by Regional Councillor Jackson
seconded by Councillor Carella

- 1) That should Markham approve engaging Deloitte & Touche LLP (D&T) as auditor for Amalco, that the Mayor and the President of Amalco be authorized to approve the appointment on behalf of Council;
- 2) That in the event Markham does not approve Deloitte & Touche LLP (D&T) as auditor for Amalco, that this matter return to Council for consideration;
- 3) That Deloitte & Touche LLP (D&T) be retained *for the May 31, 2004 Audit** ~~to audit the 2003 financial statements~~ for Hydro Vaughan Distribution Inc., subject to the service being cost effective; and
- 4) That the following report of the Project Synergy Steering Committee, the President, and the Chief Financial Officer of Amalco Hydro Distribution Inc., dated May 27, 2004, be received.

CARRIED

Recommendation

The Project Synergy Steering Committee, the President and the Chief Financial Officer of Amalco Hydro Distribution Inc. are seeking approval to have Amalco Management engage Deloitte & Touche LLP (D&T) as auditor for the new company. Based on the submission received from D&T, it is expected that the average annual cost of the audit, including taxes and normal out of pocket expenses will be approximately \$60,000 - \$80,000. The proposed terms would be a 5-year agreement, with an estimated total cost of \$300,000 - \$350,000 and a provision for an annual review clause.

Purpose

The following note provides feedback to the City of Vaughan on the process management have undertaken to engage an auditor for the new company.

Current Status of Selection of Firm

As required by the Letter of Intent signed by the Town of Markham and City of Vaughan, a Request for Proposal ("RFP") was submitted to the "Big 4" auditing firms, D&T, Ernst & Young (E&Y), KPMG and PwC. A proposal was received from each of the firms except for PwC who advised that they did not have sufficient expertise in the industry to submit a proposal. The three remaining firms were D&T, E&Y and KPMG. On May 25, 2004 each of the three proponents that submitted a proposal attended before the selection committee to present their proposal and to answer any questions. Attendees at the presentations were Brian Bentz, Dennis Nolan, John Glicksman, Chris Cartwright, Robert Lyew and Michael Psocka. Each firm gave a presentation to management and was evaluated and scored based on the following criteria:

- Firm's past experience and reference on comparable engagements of utilities and/or analogous organizations,
- Personnel to be assigned to the proposed engagements,

* Administrative correction of December 21, 2004.

- Audit and professional advice approach,
- Tax and internal control review approach,
- Fees
- Presentation

Review and Assessment of Consulting Firms

Management ranked D&T as the strongest candidate, as they had the highest overall score. KPMG and E&Y received significantly lower scores particularly given the difference in the fees submitted by both parties as compared to D&T. The primary factors leading management to select D&T over the other firms are:

- The quality of the personnel they propose to assign to the engagements
- Their proposed approach to the tax and internal control review parts of their proposal
- The cost-effectiveness of their proposal
- Their proactive interest in proving to Amalco Hydro Distribution Inc. that they can not only provide a quality Audit service, but also provide value-added services from other parts of their firm

Technically, the staff of D&T came across as very strong. The audit fees submitted by the other two firms were considerably higher than that provided by D&T. We have had subsequent discussions with D&T. They have confirmed that they are comfortable with their fee proposal and will not be using their low fee as a basis for seeking additional funds for “unforeseen work” should they be the successful party. Even without the low fee, their bid would have received the highest marks. Furthermore, based on previous experience with D&T, the Finance staff at both Markham Hydro Distribution Inc. and Richmond Hill Hydro Inc. had no hesitation in providing a positive reference for D&T.

In all cases, 2004 will be a relatively complicated year for the audit to be completed since Amalco will be using three different Customer and Financial systems for at least the balance of the year. As such, this will require us to undertake additional work as part of the Audit, some of which we may conclude is more effectively completed by our new auditor.

Conclusion

The President and the Chief Financial Officer of Amalco Hydro Distribution Inc. asked the Project Synergy Steering Committee to accept the recommendation to engage Deloitte & Touche LLP as auditor for Amalco. They have concurred with Management’s recommendation and are also recommending their approval to the respective shareholders.

188. VAUGHAN AMALCO HOLDCO

MOVED by Councillor Meffe
seconded by Councillor Di Vona

IT IS HEREBY RESOLVED THAT Council approve the use of the name Amalco Hydro Distribution Inc. as the initial name of the merged entity.

CARRIED

SPECIAL COUNCIL MEETING MINUTES – MAY 27, 2004

MOVED Councillor Meffe
seconded by Regional Councillor Ferri

WHEREAS Hydro Vaughan Distribution Inc, (HVDI), has been directed to take the necessary steps to establish a holding company (Holdco), to be wholly owned by the City of Vaughan to hold and manage the City's equity investment in the merged hydro utility, "Amalco";

AND WHEREAS HVDI is proceeding to put into place Holdco;

AND WHEREAS it is anticipated that Holdco and Amalco would benefit from the President & CEO of Amalco attending all Board Meetings of Holdco, for the sole purpose of providing information to the Holdco Board with respect to energy sector industry developments to Amalco's operations, and financial status of Amalco.

THEREFORE IT IS RESOLVED THAT: The President & CEO of Amalco shall be invited at the pleasure of the Board, to attend Board Meetings of Holdco for the sole purpose outlined above, subject to the consent of the Town of Markham; and

FURTHER: That the City of Vaughan, or Holdco, as Shareholder of Amalco, consents to the President & CEO attending, for the purpose outlined above, any meeting of Markham Energy Corporation Inc.

CARRIED

189. CLOSING UPDATE

MOVED by Councillor Yeung Racco
seconded by Councillor Carella

That the verbal report of the VP Chief Financial Officer and the VP Corporate Services & Secretary, be received.

CARRIED

190. CONFIRMING BY-LAW

MOVED by Regional Councillor Jackson
seconded by Councillor Yeung Racco

THAT By-law Number 166-2004, being a by-law to confirm the proceedings of Council at its meeting on May 27, 2004, be read a First, Second and Third time and enacted.

CARRIED

191. ADJOURNMENT

MOVED by Regional Councillor Jackson
seconded by Councillor Yeung Racco

THAT the meeting adjourn at 4:45 p.m.

CARRIED

Michael Di Biase, Mayor

Rose Magnifico, Acting City Clerk