

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 21, 2012

Item 1, Report No. 2, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on February 21, 2012.

1 THE TRANSFER OF CASHIERING SERVICES TO THE CITY

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Financial Services, dated February 13, 2012:

Recommendation

The Commissioner of Finance/City Treasurer and the Director of Financial Services recommends:

That the operation and administration of the cashiering services currently provided by PowerStream Inc. under the Joint Services Agreement, which includes two full time equivalents (2 FTE's) be transferred to the City of Vaughan.

Economic Impact

The impact of transferring the cashiering function to the City based on the same staffing level is estimated to save approximately \$45,000 annually. These savings will be partially reflected in the 2012 operating budget and fully reflected in the 2013 operating budget. The details of the financial and other considerations on the transfer of the cashiering operation are detailed below.

Communications Plan

Council direction will be communicated to PowerStream Inc. and City departments as applicable.

Purpose

To recommend the transfer of the cashiering services located at City Hall from PowerStream Inc. (provided under the Joint Services Agreement) to the City. The provision of this service is to be placed under the Finance Department within the Financial Services area.

Background - Analysis and Options

The cashiering service located on the main floor of the City Hall is currently administered by PowerStream Inc. through a Joint Services Agreement (JSA) with the City. Staff from both the City and PowerStream have recently reviewed and updated the JSA agreement in terms of the services provided and the related costs.

City staff undertook a further review of the cashiers' service area due to the size of the operation and the fact that there are plans to introduce a new "Point of Sale" automated system in the near future. The cashier's area services residents, businesses, City departments for a wide range of City services by receiving, processing payments via cash, cheque, credit cards and debit card. These services mentioned above include payments for property tax bills, water bills, recreation program services, licensing, various permits, etc. and hydro utility payments.

Under the Joint Services Agreement, PowerStream currently provides three services to the City: 1) Payroll services; 2) Water/wastewater billing/collection services; 3) Cashiering services (City Hall location only). Payroll and water/wastewater billing/collection services are significant operations for both entities. For these two operational activities a joint service arrangement provides economies of scale and synergies that produce cost efficiencies to both organizations through shared support services.

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However, the cashiering service is a much smaller operation by comparison and therefore does not offer the same economies of scale or operational efficiencies as does the payroll or water/wastewater billing/collection operations noted above. After reviewing the cashier's area from a service and cost perspective it was determined that bringing this service back to the City would not only provide cost savings but would also provide additional flexibility in terms of future technology, service provision and administration.

Future Technology Solution

As mentioned above there are plans in the near future to provide a "Point of Sale" technology solution that will integrate the cashiering and payment management system across the Municipality. This technology will service all of the City's departments and will include the cashiering areas at the City Hall, the Joint Operation Centre and Animal Control Centre. This technology will streamline the financial payment processes, integrate with the City's J.D. Edwards system, provide up-to-date revenue information and provide a more efficient, effective cashiering service to the City's customers.

Financial Impact

The cashiering service as provided by PowerStream has a staffing complement of two full time equivalents and a provision for back-up. Over a three year period the draft JSA cost of this service totals \$765,000. The cost components of the Powerstream charge include direct salary costs (2.5FTEs), benefits, overheads, operating costs, HST and return on investment.

The City's net cost using a similar approach with the same staffing levels would be approximately \$630,000 over a three year period. The City's net costs based on a similar methodology include direct salaries, benefits, overhead, operating costs, one time costs and HST. In addition there will be revenue earned from PowerStream as a result of handling hydro payments. The accumulative three year reduction in total costs results in a net savings of \$135,000 or approximately \$45,000 annually.

Based on the above savings, future technology and the increase in service and administrative flexibility it is recommended that the City assume the cashiering services commencing in the 3rd quarter of 2012. This would allow sufficient time to transition the cashiering service back to the City.

Relationship to Vaughan Vision 2020

Demonstrate Excellence in Service Delivery and Ensure Financial Sustainability.

Regional Implications

Not applicable

Conclusion

It is recommended that the City assume the cashiering function from PowerStream commencing in the third quarter of 2012. The cashiering service as provided under the JSA does not provide significant economies of scale or support synergies due to the smaller size of the operation; therefore it is recommended that this service be transferred back to the City. The transfer would also generate annual savings of approximately \$45,000.

Attachments

Not applicable

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Report prepared by

Barry Jackson, CGA
Director of Financial Services
Ext. 8272

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Item 2, Report No. 2, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on February 21, 2012.

2 JOINT SERVICES AGREEMENT – CITY OF VAUGHAN AND POWERSTREAM INC.

The Finance and Administration Committee recommends:

- 1) **That the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Financial Services, dated February 13, 2012, be approved; and**
- 2) **That C1, submitted by the Commissioner of Finance/City Treasurer, dated February 6, 2012, be received.**

Recommendation

The Commissioner of Finance/City Treasurer and the Director of Financial Services in consultation with the Director of Legal Services recommend:

- 1) That the Joint Services Agreement be approved for a five year term; and
- 2) That, in the event that Council approves the transfer of cashiering services back to the City, as recommended in the companion item “The Transfer of Cashiering Services to the City” on today’s agenda the Joint Services Agreement as outlined in this item be amended to reflect this change; and
- 3) That a By-law be enacted authorizing the Mayor and City Clerk to execute the necessary Joint Services Agreement.

Economic Impact

The economic impact of the annual Joint Services costs for services received by the City and services provided by the City are shown in the charts below.

Communications Plan

Council direction will be communicated to PowerStream and all City departments impacted by this agreement.

Purpose

The purpose of this report is to seek Council approval for the renewal of the Joint Services Agreement between PowerStream Inc. and the City of Vaughan for the term of five years 2011 to 2015.

Background - Analysis and Options

In 1993 the City of Vaughan and the Vaughan Hydro-Electric Commission entered into a Joint Services Agreement (JSA) for the purpose of leveraging functional expertise, generating synergies through the sharing of support services and the benefits of economies of scale. As a result both organizations have attained financial benefits from this partnership that would not exist otherwise. This shared services arrangement continues today with PowerStream Inc.

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The agreement with PowerStream must comply with the Ontario Energy Board's Affiliate Relationship Code. Therefore the pricing and costing methodology is based on the guidelines set out in the Affiliate Relationship Code. One intended purpose of the Code is to minimize cross subsidization and enhance the development of open competitive market pricing. This is accomplished by establishing pricing guidelines at either fair market value or if not available pricing at cost plus the utilities rate of return.

The draft Joint Services Agreement outlines the service responsibilities for each party and the related service fee attached to each of those services. The agreement contains terms and conditions relating to service costs, standards of service, service amendments, term extensions, termination requirements, service cost amendments, dispute resolution and limits of liability, etc. The current three year Joint Services Agreement expired on December 31st, 2010. The following report provides the details of the updated draft joint services agreement and the associated costs for each service.

Joint Services Agreement – Review and Update

The City of Vaughan and PowerStream staff have worked closely together to review and update the various components of the Joint Services agreement. The review included updating the services provided by each party, volume components and costing methodologies. More specifically in terms of the costing the staff review included looking at the cost drivers, service activities, overhead calculations, growth and inflation factors.

The service areas provided by the entities are as follows:

Services - Provided to the City

- Payroll Services
- Cashiering Services
- Water Meter Reading, Billing, Collection and Customer Services

Services - Provided to PowerStream

- Outside Storage Space - JOC
- JDE License Mtce & Network Link
- Cashier's Civic Centre Space

Options - Three Year or Five Year Term

The initial joint service discussions were based on a two year term starting in 2011. During the final discussion stage of the review process PowerStream put forward an offer to the City that included two optional terms with a pricing incentive.

The optional terms presented were a three year term (2011 to 2013) and a five term (2011 to 2015). PowerStream offered these optional terms so as to maintain continuity in their revenue streams over a longer period.

The subsequent offer to extend the term of the agreement also included a reduction in the 2011 pricing for water/wastewater billing and collection services. Secondly the offer included an annual fixed rate fee increase in the three year option for the years 2012 and 2013 for all services. For the five year term the same fixed rate increase applies however for the final two years are conditional based on growth. Details of the service costs and recoveries over both optional terms are provided below.

Service Costs and Recoveries

Services Costs – PowerStream Services Provided to the City

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Payroll

Costs for payroll services increased by \$62,000 from 2010 to 2011 to reflect additional staffing and management costs allocated to the City's payroll, resulting from additional employees, as well as salary increases for PowerStream staff allocated to the City's payroll.

Cashiering

Costs for the provision of cashiering services increased marginally from 2010 to 2011 (\$2,000) due to increases in PowerStream staffing, courier and armored truck pick up costs allocated to providing this service offset by decreases in allocated PowerStream IT costs.

Water/wastewater Services

The reduction in costs in the original negotiated price referred to above for water/wastewater services for 2011 totals \$165,000. The savings is the difference in the initial pricing of \$1,312,000 and the subsequent offer of \$1,147,000 for the longer term.

Both optional terms as indicated above include a fixed annual 3% increase for all PowerStream services for the years 2012 and 2013, rather than an increase based on growth in the number of accounts/customers/employees and related inflation increases. In the five year term the remaining two years of the services agreement contains a conditional provision that the flat fee increase maybe revisited if growth in the City's water/wastewater customer base exceeds 7%. This will not likely occur as growth in the customer base is forecasted to be in the neighborhood of 2.0%.

For the base year 2011 each service provided by PowerStream was reviewed. This review included looking at each cost component within each business unit for the services provided. The components included staffing related costs, IT related costs, contractor costs, administration and overhead calculations, volume related cost drivers and inflation.

The PowerStream proposed pricing model for the remaining years 2012 to 2015 uses a fixed annual rate increase as opposed to a pricing model based on updating growth or activity volumes and inflation each year. From a City perspective a 3% fixed rate increase is a preferred pricing methodology. This approach reduces the impact of both growth and inflation over the term. This is especially true for water/wastewater where the customer base is expected to increase by at least 2.0% each year and inflation is estimated in the neighborhood of 2.5%. For example, a 3% fixed rate increase during a period when the number of accounts is expected to grow results in an effective "per account" increase of only one half percent (0.5%).

- 2011 - \$14.74 cost per account
- 2012 - \$14.82 cost per account
- 2013 - \$14.89 cost per account

This approach also provides a fixed known cost each year for budget purposes.

Following are the costs to the City based on a 3% incremental increase over the three or five year term of the agreement:

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	2011	2012	Three Year 2013	2014	Five Year 2015
<u>Services – Provided to the City</u>					
Payroll	\$334,929	\$344,977	\$355,326	\$365,986	\$376,966
Cashier	\$242,890	\$250,176	\$257,682	\$265,412	\$273,374
Water / Wastewater Services	\$1,147,000	\$1,181,410	\$1,216,850	\$1,253,360	\$1,290,960

Services - Provided to PowerStream

As a result of the longer term requested by PowerStream, the City has also provided costs for a three year and five year term. Both the Building and Facilities and the Information Technology Management departments have provided costs for their services.

Following are the cost recoveries from PowerStream over the three year and five year term:

	2011	2012	Three Year 2013	2014	Five Year 2015
<u>Services – Provided to PowerStream</u>					
Facilities - JOC Outdoor Rent	\$123,000	\$126,000	\$129,000	\$132,000	\$135,000
Facilities - Civic Centre Cashier Office	\$10,149	\$10,454	\$10,758	\$11,062	\$11,367
Information Technology - JDE License Maintenance and Network Link	\$39,650	\$40,839	\$42,065	\$43,326	\$44,626

Recommendation – Option - Five Year Term

The five year term is being recommended. The longer term provides more certainty for costs and budgeting purposes and continues to leverage functional expertise, synergies generated through the sharing of support services and the benefits of economies of scale, particularly for the larger payroll and water/wastewater services.

Relationship to Vaughan Vision 2020

The topic covered in this report is directly related to Service and Management Excellence goals; specifically as it relates to enhancing productivity and cost effectiveness. It is also related to the process to allocate and approve the resources necessary to continue operations. The process is consistent with the priorities set by Council in the Vaughan Vision 2020 document.

Regional Implications

Not Applicable

Conclusion

The Shared Services Agreement between PowerStream Inc. and the City of Vaughan is reflective of services currently required and offers a continued opportunity for both organizations to benefit from leveraging functional expertise and synergies through the sharing of support services. The agreement complies with the transfer pricing and standards of conduct set out in the Ontario Energy Board's Affiliate Relationship Code.

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Staff from both organizations have reviewed and updated the agreement in terms of services provided, cost methodologies, activity volumes and cost drivers of each business unit. It is therefore recommended that a five year joint services agreement be entered into with PowerStream.

Attachments

Not Applicable

Report prepared by:

Barry Jackson, CGA, ext 8272
Director of Financial Services

Carey Greenidge, CMA, ext 8486
Finance Manager, Water & WasteWater

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Item 3, Report No. 2, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on February 21, 2012.

3 **INTERNAL AUDIT ANNUAL REPORT FOR 2011**

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the City Auditor, dated February 13, 2012:

Recommendation

The City Auditor presents the Internal Audit Annual Report to Council for information purposes and receipt.

Contribution to Sustainability

Not applicable.

Economic Impact

There is no economic impact.

Communications Plan

The agenda containing this report is available in the office of the City Clerk and on the City's website.

Purpose

The purpose is to provide Council with information of the activities of the Internal Audit department for 2011 and planned objectives for 2012.

Background - Analysis and Options

The annual internal audit report summarizes for 2011, (1) Audit philosophy (2) the activities (audit and non-audit) undertaken by the internal Audit department, (3) the audits completed with reports brought to Council, (4) audits completed but the reports are being finalized, (5) audits currently on-going (6) audit objectives for 2012 (7) professional development and (8) benefits of the audit function. The benefits result in audit recommendations and corrective actions which are often not quantifiable or measurable but improves (a)internal control, (b)risk management, (c)corporate governance, (d)management of public funds and (e)economy, effectiveness and efficiency in operations.

The report is provided as an attachment.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

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Conclusion

The annual report is presented to Council for information and receipt purposes. The report summarizes the audit activities for 2011, the objectives for 2012 and the benefits of Internal Audit.

Attachments

Internal Audit Annual Report for 2011

Report prepared by:

Michael Tupchong
City Auditor

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

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Item 4, Report No. 2, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on February 21, 2012.

4 WATER & WASTEWATER OPERATING REPORT ENDING OCTOBER 31, 2011

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer and the Director of Financial Services, dated February 13, 2012:

Recommendation

The Commissioner of Finance & City Treasurer and the Director of Financial Services recommends:

That the Water and Wastewater Operating Report ending October 2011 be received.

Economic Impact

Not applicable

Communications Plan

Not applicable

Purpose

To report the year-to-date actual operating results for water and wastewater operations for the period ending October 31, 2011.

Background - Analysis and Options

Following are the financial operating results and analysis for both the water and wastewater operations from January 2011 to October 2011. The variance analysis includes both a comparison to the calendarized operating budget to actual and budgeted water volumes.

The water/wastewater system in York Region operates as a two-tier system. The Region of York is responsible for the supply of water and treatment of wastewater through Regionally owned infrastructure to the York Region lower tier municipalities. The lower tier municipalities are responsible for the water and wastewater distribution systems within the local municipality. The revenues that are generated annually by the City of Vaughan from the operations of the water and wastewater utilities fund primarily costs associated with the purchase of water supply and wastewater treatment from the Region of York, as well as the City's administration, financing costs, operational and infrastructure maintenance costs and the reserves. The water/wastewater rates are designed to provide for a financially sustainable infrastructure system for the future and for the delivery of reliable clean water and wastewater services to the City's residents and businesses.

Water Operations

Year-to-date (YTD) actual water revenues for the period ending October 31, 2011 are unfavourable by \$195K. This is primarily due to lower than expected residential growth activity combined with lower average household consumption which continues to decline from prior years. This likely is a result of conservation efforts and seasonal factors. Although commercial growth activity is lower than budget, commercial water billings are favourable by \$500K as average consumption remains steady at 2010 levels.

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Unfavourable revenues are offset by \$481k favourable variance for water purchases, reflecting the lower consumption billed by the Region of York.

Unmetered water is slightly under budget at 14.6% for the ten months ending October 31, 2011 but just over the annual target of 13%. It is anticipated that the City will come in on budget for the year ended 2011.

The Gross Margin indicates the net funding available to the City after the Region of York has been paid for the water supply.

Other revenues consist primarily of installation and service fees and are unfavourable by \$277K, actual activity is based on demand. Water expenses are favourable by \$924K which consists of maintenance and installations, favourable by \$671K and general administration is favourable by \$255K. The favourable variances are largely the result of temporary vacancies and fewer customer service requests and emergency contracted works than anticipated.

The YTD water lifecycle contribution at \$4.1M is the net of actual water billings, less water purchases and City of Vaughan water operation expenses and reflects a net year to date favourable variance of \$1M. It is anticipated that there will be an additional favourable adjustment of \$1.0M favourable due to a York Region prior year adjustment which will be reflected in the year end actuals.



**City of Vaughan
Statement of Operations
Water Division
For the period ending October 31, 2011**

	2011 Budget	2011 YTD Budget	2011 YTD Actual	Variance Fav. / (Unfav.)
Water Revenues				
Residential Billings	25,073,925	21,040,380	20,290,877	(749,503)
Commercial Billings	15,496,335	13,008,145	13,521,040	512,895
Other	223,110	192,560	233,842	41,282
	\$40,793,370	\$34,241,085	\$34,045,759	(\$195,326)
Water Purchases				
Metered Water Purchases	24,945,810	21,295,830	20,813,848	481,982
Unmetered Water	3,727,085	3,699,275	3,549,379	149,896
	\$28,672,895	\$24,995,105	\$24,363,227	\$631,878
Gross Margin	\$12,120,475	\$9,245,980	\$9,682,532	\$436,552
Other Revenues	\$1,295,000	\$914,515	\$637,569	(\$276,946)
Expenses				
Maintenance and Installation	5,545,950	4,229,205	3,557,901	671,304
General Administration	3,146,075	2,307,165	2,052,409	254,756
Joint Service Costs	731,580	609,650	611,486	(1,836)
	\$9,423,605	\$7,146,020	\$6,221,796	\$924,224
Lifecycle Contribution	\$3,991,870	\$3,014,475	\$4,098,305	\$1,083,830

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Wastewater Operations

Wastewater bills are based on water consumption; therefore trending is very similar to water revenues. Wastewater YTD billings were unfavourable by \$98K for the period ending October 31, 2011. Residential billings were unfavourable by \$950K offset by favourable commercial billings totaling \$853K. Wastewater revenue is billed based on water consumption. The net unfavourable variance is offset by the \$286k favourable variance in payments to York Region, similar to the water operation year to date financial results.

Other revenues are unfavourable by \$144K offset by favourable expenses totalling \$1.5M. Maintenance and installation at \$586K and storm sewer maintenance at \$786K are lower than budget as a result of less than expected activity such as unplanned, emergency related repairs, timing of invoices and temporary staff vacancies.

The YTD wastewater lifecycle contribution at \$3.8M is the net of actual wastewater billings, less Region of York wastewater treatment charges and City of Vaughan wastewater operation expenses and reflects a net year to date favourable variance of \$1.5M. It is anticipated that there will be a charge of \$174K relating to a York Region prior year adjustment, which will be reflected in the year end actuals.



City of Vaughan
Statement of Operations
Wastewater Division
For the period ending October 31, 2011

	2011 Budget	2011 YTD Budget	2011 YTD Actual	Variance Fav. / (Unfav.)
Wastewater Revenues				
Residential Billings	26,352,520	22,095,620	21,145,161	(950,459)
Commercial Billings	16,290,180	13,664,160	14,516,775	852,615
	\$42,642,700	\$35,759,780	\$35,661,936	(\$97,844)
Wastewater Expense				
Regional Treatment Charges	\$31,673,225	\$27,477,260	\$27,190,901	\$286,359
Gross Margin	\$10,969,475	\$8,282,520	\$8,471,035	\$188,515
Other Revenues	\$668,200	\$220,630	\$76,655	(\$143,975)
Expenses				
Maintenance and Installation	3,645,560	2,904,375	2,317,886	586,489
General Administration	1,686,245	1,203,010	1,115,882	87,128
Storm Sewer Maintenance	2,104,605	1,711,510	925,318	786,192
Joint Service Costs	487,720	406,435	407,627	(1,192)
	\$7,924,130	\$6,225,330	\$4,766,713	\$1,458,617
Lifecycle Contribution	\$3,713,545	\$2,277,820	\$3,780,977	\$1,503,157

Relationship to Vaughan Vision 2020

Demonstrates Excellence in Service Delivery, Manages Corporate Assets and Ensures Financial Sustainability

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Regional Implications

No Implications

Conclusion

Based on the 10 month operating analysis ending October 31, 2011 unfavourable revenue variances are more than offset by favourable cost variances for both the water and wastewater operations, resulting in year-to-date lifecycle contribution from Water operations of \$4.1M and for Wastewater operations a lifecycle contribution of \$3.8M. It is currently projected that year end contributions to water and wastewater reserves will be higher than budgeted, subject to finalization of all year end adjustments.

Attachments

No attachments

Report prepared by:

Barry E. Jackson, CGA
Director of Financial Services
Ext. 8272

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Item 5, Report No. 2, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on February 21, 2012.

**5 INTERNAL AUDIT REPORT OF PATH SYSTEM GROUP/ZONE INFOSYS INC./
 BASSWOOD TECH INC.**

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the City Auditor, dated February 13, 2012:

Recommendation

The City Auditor recommends:

That the Internal Audit Report of Path System Group/Zone Infosys Inc./Basswood Tech Inc be approved.

Economic Impact

The recommendations of the auditor and the implementation of corrective actions in the audit report, will improve the effectiveness of risk management, control and governance processes of the department. Some impact will be economic and measurable in dollar terms, while others will provide intangible benefits which may not be measurable. Other benefits can include improvement in the stewardship of public funds and the achievement of value-for-money in operations. Internal Audit adds value to all areas of City activity audited.

Communications Plan

The agenda containing this report is available in the office of the City Clerk and on the City's website.

Purpose

To present to the Finance and Administration Committee, the Internal Audit Report of Path System Group/Zone Infosys Inc./Basswood Tech Inc.

Background - Analysis and Options

At a Special Council meeting of April 5, 2011, a resident presented documentation information on three organizations (Path System Group, Zone Infosystem Inc., Basswood Tech Inc). Questions were raised with respect to the method used by the Information Technology Management department to engage the 3 related companies and the question of insurance and security checks. The resident was concerned with the use of Field Purchase Orders (FPOs).

As a result of this, an audit was undertaken of the Information Technology Management department's procurement procedures, use of FPO's, engagement with the 3 subject vendors and related issues.

The internal audit report is provided as an attachment.

The Executive Summary in the report summarizes the audit observations and recommendations. The full report includes in more detail (1) the observations of the auditor, (2) the implications, (3) the auditor's recommendations, (4) operational management's corrective actions and (5) the auditor's response to the corrective actions.

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Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable.

Conclusion

The Internal Audit Report of Path System Group, Zone Infosystem Inc., Basswood Tech Inc. is presented to the Finance and Administration Committee for approval. The report includes the audit findings, recommendations and corrective actions. The report has been discussed and reviewed with the Director and Chief Information Officer of the Information Technology Management department audited.

The Director and Chief Information Officer is aware and is in agreement that the observations and recommendations in the Internal Audit Report is for continuous improvement.

When all corrective actions are implemented, (1) internal controls, corporate governance and risk management including stewardship of public funds and achievement of value-for-money in operations, will be improved, (2) the quality of performance in carrying out assigned responsibilities will be enhanced, (3) the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.

Attachments

Internal Audit Report of Path System Group, Zone Infosystem Inc., Basswood Tech Inc.

Report prepared by:

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

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Item 6, Report No. 2, of the Finance and Administration Committee, as amended, by the Council of the City of Vaughan on February 21, 2012, as follows:

By approving:

That the following recommendations contained in Communication C7, from the Commissioner of Finance & City Treasurer and the Commissioner of Legal and Administrative Services and City Solicitor, dated February 21, 2012, be approved subject to the following amendments:

That word "unchanged" be deleted from Clause b) so it reads as follows:

- b) "neither the Bidder nor any of its subcontractors and suppliers has been convicted of such a matter where the contravention remains".*

so as to read:

That the following be added to Policy No. 05.2.02 Tendering Policy Tender- Document VI Bid/Proposal Form as clause 17, a Declaration requirement by bidder, and clause 18 respectively:

THAT:

- a) each of the Bidder and its subcontractor and suppliers is not currently the subject of legal proceedings by the City of Vaughan in respect of Vaughan's Property Standards By-Law or Zoning By-laws in relation to its business operations.*
- b) neither the Bidder nor any of its subcontractors and suppliers has been convicted of such a matter where the contravention remains*
- c) neither the Bidder nor any of its subcontractors or suppliers is involved in litigation, judicial or arbitral proceedings or any legal claim against or by the City with respect to any other contract or business transaction*

THAT the Bidder agrees that if any statement contained in Clause # 17 is untrue or incorrect, the municipality shall be entitled at its sole discretion to reject this bid or, if such untruth or incorrectness comes to light after the bid is accepted, or after the contract has been entered into, to refuse to enter into any Contract, to treat the Contract as at an end and to pursue any other legal recourse the municipality deems appropriate.

**6 AMENDMENT TO STANDARD BID/PROPOSAL FORM –
BIDDER COMPLIANCE WITH CITY BY-LAWS**

The Finance and Administration Committee recommends that consideration of this matter be deferred to the Council meeting of February 21, 2012 for staff to provide a report with recommendations.

Recommendation

The Commissioner of Finance & City Treasurer, in consultation with the Director of Purchasing Services recommends:

That direction be provided with respect to amending the City's standard Bid/Proposal Form to require a declaration by bidders attesting to their compliance with City by-laws in respect of the operation of their business.

Economic Impact

Not applicable

Communications Plan

Not applicable

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Purpose

To obtain direction from Council with respect to a potential amendment to the City's standard Bid/Proposal Form to add a declaration by the bidder attesting to their compliance with City by-laws in respect of the operation of their business.

Background - Analysis and Options

During debate on an agenda item at the Council meeting of December 13, 2011, an issue arose regarding vendors who were not in compliance with certain City by-laws, bidding on and being awarded City of Vaughan contracts. As a result, staff have researched this issue with other Ontario municipalities and have found two examples.

Example 1

The following clauses are included in the bid documents of a GTA municipality that asks for confirmation by signature from bidders that they are in compliance with municipal by-laws in respect of the operation of their business. The relevant clauses in the bid document are as follows:

THAT:

- a) *each of the Bidder and its subcontractor and suppliers is in compliance with all municipal laws and regulations as they pertain to the municipality in respect of the operation of its business.*
- b) *neither the Bidder nor any of its subcontractors or suppliers is:*
 - (i) *involved in judicial or arbitral proceedings against the municipality;*
 - (ii) *involved in a claim against or by the municipality with respect to any other contract, proposal, submission or business transaction;*
 - (iii) *convicted of a statutory offence relating to the municipality which has not been cured; or*
 - (iv) *related to or controlled by another person or entity to whom/which paragraph (i), (ii) or (iii) immediately above applies; or*
 - (v) *related to or controlled by another person or entity that is not in compliance with paragraph 5(a) above.*

THAT *the Bidder agrees that if any statement contained in Clauses # 17 is untrue or incorrect, the municipality shall be entitled at its sole discretion to reject this bid or, if such untruth or incorrectness comes to light after the bid is accepted, to terminate or refuse to enter into, as applicable, any Contract and to pursue any other legal recourse the municipality deems appropriate and at such untruth or incorrectness shall be a default under the Contract.*

THAT *if this bid is accepted, for the duration of any Contract:*

- a) *the Bidder shall continue to comply with all municipal laws and regulations as they pertain to the municipality in respect of the operation of the Bidder's business and shall ensure that its subcontractors and suppliers also remain in compliance in respect of the performance of any Contract; and*
- a) *the Bidder shall comply with all federal and provincial laws and regulations, as well as any applicable municipal bylaws and policies in respect of the performance of any Contract.*

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Example 2

Another Ontario municipality includes a clause that states a bid may be rejected if the bidder is not in compliance with any of the Corporation's policies or regulatory by-laws including the Property Standards By-Law.

Incorporation of similar clauses into the City's bid documents would reflect the importance of the City's vendors being good corporate citizens, and protects the municipality from having to award a contract to a business that is in court proceedings with the City. If, however Council's objective is to incorporate clauses similar to some or all of the examples noted above, there are a number of associated issues to consider.

Issues to Consider:

- The incorporation of similar clauses into the City's bid document would impact primarily bidders located within the City of Vaughan municipal boundaries. Bidders located outside of the City's municipal boundaries would not be subject to compliance with many of the City's by-laws.
- The clauses noted above may be too open ended insofar as the by-laws to which the bidder must be in compliance with. Non-acceptance or disqualification of bids due to non-compliance with some City by-laws may not be in the best interests of the City, e.g. the Parking By-law. Non-compliance with other by-laws, such as the Licensing By-law, Property Standards By-law, and Zoning By-law may be considered to be more significant non-compliance issues for bidders seeking to do business with the City.
- Example 1 includes subcontractors and suppliers in the bidder's compliance declaration. This is a broader application of the declaration than Example 2.
- There may be a situation where a bidder (and potentially subcontractor and supplier) is non-compliant with City by-laws after a contract is awarded. This eventuality is covered in Example 1. The practical implications of enforcing this eventuality will require consultation

The objective of ensuring that bidders are compliant with City by-laws through a declaration on the City's standard bid document will need to be balanced against the practical and staff resource aspects of administering and enforcing the clauses. If it is Council's objective to require a declaration of bidder compliance with City by-laws, staff will report back, in consultation with Purchasing, Legal and Enforcement, with a additional information, and wordings to amend the City's standard bid documents to include a bidder compliance declaration.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council.

Regional Implications

No Implications

Conclusion

In the event that Council determines that the City's bid documents be amended to include a bidder attestation of compliance with City By-laws, staff will report back to Council in March 2012 with specific wordings, subject to Council's discussion, clarification of which City by-laws are relevant to the proposed declaration, and to what extent, if any, staff will deal with post-award non-compliance occurrences. It will be important that whatever Council directs be enforceable from a practical perspective.

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Attachments

None

Report prepared by:

Barbara Cribbett
Commissioner of Finance/City Treasurer
Ext. 8475

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Item 7, Report No. 2, of the Finance and Administration Committee, which was adopted without amendment by the Special Council meeting of February 13, 2012.



7

**MEMBER'S RESOLUTION
CITY OF VAUGHAN WATERCOURSE IDENTIFICATION SIGNAGE-
DON AND HUMBER WATERSHED**

This matter was considered and adopted at the Special Council meeting of February 13, 2012, under Minute No. 21.

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Item 8, Report No. 2, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on February 21, 2012.

**8 SKATEBOARD PARK LOCATIONS FOR WORTH PARK, THORNHILL – WARD 5
AND NAPA VALLEY PARK, WOODBRIDGE – WARD 2**

The Finance and Administration Committee recommends:

- 1) That funding for skateboard parks be considered during the 2013 budget deliberations; and**
- 2) That the following report of the Commissioner of Community Services, dated February 13, 2012, be received.**

Recommendation

The Commissioner of Community Services, in consultation with the Commissioner of Finance recommends:

1. That this report be received for information.

Contribution to Sustainability

This report is consistent with the priorities previously set by Council in the Green Directions Vaughan, Community Sustainability Environmental Master Park Plan:

Goal 2, Objective 2.2: To develop Vaughan as a City with maximum green space and an urban form that supports our expected population growth.

Economic Impact

The Napa Valley skate park requested by the deputant Mr. Korben Lirette was originally submitted for 2011, to be funded through taxation. Through the project prioritization process, and due to constrained taxation funding and competing priorities, the project has been deferred to the 2014 and beyond Capital Project listing. A taxation funded capital project for a skateboard park in the Concord Thornhill Regional Park (in combination with Basketball Courts) is deferred to the 2014 and beyond Capital Project listing. A capital project for a skate park in Worth Park has not been submitted to date.

The demand for taxation funding is significant every year, as this funding source is constrained by its impact on the tax rate. The significant projects expected to be approved for 2012 taxation funding are the Civic Centre Resource Library (\$1.3M), Concord Regional Park Artificial Turf Soccer Field (\$1M), Fire Station 7-3 relocate (\$1.1M), various Information Technology replacements (\$1M) etc. Additional taxation to fund skateboard parks in 2012 would impact 2.95% tax increase proposed in the 2012 Operating Budget.

Communications Plan

N/A

Purpose

The purpose of this report is to respond to resolutions of the Finance and Administration Committee regarding the provision of skateboard parks.

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Background - Analysis and Options

The Finance and Administration Committee of January 16, 2012 passed the following resolution:

1. That the deputation of Mr. Korben Lirette with respect to a proposed skateboard park be received; and,
2. That staff review the feasibility of funding the proposed skateboard park in 2012 and report back at the next opportunity.

In addition, the Finance and Administration Committee of January 28, 2011 passed the following recommendation as a result of a deputation:

1. That staff report on funding options, including public/private partnership options, to try and get a skateboard park in Thornhill.

The “Active Together” Master Plan notes that skateboarding, while once considered a short term trend, has demonstrated sustained longevity and appears to have become a mainstream pursuit among children, youth, and to a lesser extent, young adults. Additionally, the master plan states that skateboard parks have become a popular facility in communities and have largely generated positive responses if designed and located appropriately. Most large communities are moving toward a skate park provision strategy that involves a small number of larger City-serving facilities (eg. 20,000 sq. ft. or greater) combined with a series of smaller community / neighbourhood level parks (eg. 12,000 – 15,000 sq. ft.). The “Active Together” Master Plan contains the following action plans:

- a) *The City identify funding opportunities to expand its supply of larger skateboard park facilities from 1 at present to 5 or more by build-out, with a focus on developing most new facilities within the next five to ten years. Existing demand justifies the provision of smaller skateboard parks in Thornhill, Maple, Woodbridge, Woodbridge East, and Carville, while the Long Term Residential Growth Area would be a good future location for a larger skate park;*
- b) *The introduction of smaller-scale skate zones into neighbourhood-level parks is encouraged to facilitate the casual use of the park by those who are seeking basic skateboarding elements;*
- c) *Local youth and skateboarding/biking representatives should be consulted in the design of any new skateboard/bike parks developed by the City;*
- d) *It would be preferable for new skateboard parks to be constructed in the more urbanized areas of Vaughan, assuming appropriate space can be secured within park sites. As recommended in the “Active Together” Master Plan, the City may also consider decommissioning surplus park facilities (ball diamonds, tennis courts, basketball courts, etc...) in favour of replacing them with skateboard parks.*

Since approval of the “Active Together” Master Plan, Parks Development has implemented five (5) neighbourhood level skateboard zones in the City of Vaughan in the following locations:

- Ward 4:
 - Freedom Trail Park
 - Jack Pine Park
 - Twelve Oaks Park
 - Carrville Mill Park

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- Ward 3:
 - Hillside Park

In addition to these built neighbourhood level skateboard zones, in the Parks Development work plan, there is another skateboard zone to be constructed in Village Green Park (Ward 3 – approved 2010), which is anticipated to be completed in 2013. Also, the development of two skateboard zones in existing neighbourhood parks have been previously proposed for Ward 2 at Napa Valley Park and Sonoma Heights Community Park and both are currently listed on the “2014 and beyond Capital Project Listing” due to funding constraints.

The current strategy for the implementation of skateboard facilities in parks is to include these facilities in park designs when building new parks and using Development Funds. In areas such as Woodbridge and Thornhill that have limited opportunities for new park construction projects since these areas are close to build out. The strategy in place for dealing with these areas within the City is retrofitting of the park when the current facility has reached its life cycle, and is no longer required because of less demands or trends have changed in the community. An existing facility can be replaced where there are appropriate spatial and servicing requirements that can accommodate a skateboard facility. This retrofit and repurposing of existing park facilities with a skateboard facility is funded from tax dollars.

Staff have reviewed the feasibility of a skateboard facility at Napa Valley Park. Currently, there are no skateboard parks located south of Rutherford Road and west of Weston Road in the City of Vaughan and the areas have been identified as being deficient of skateboard park facilities.

Parks Development staff have reviewed Napa Valley Park and have found that there is spatial capacity to allow for the addition of a neighbourhood level skateboard zone (3,230.sq. ft to 6,460 sq. ft.) within the park. The proposed location for this skateboard zone is a relatively flat grassed area; it is highly visible, and separated from other park facilities. This proposed location complies with CPTED (Crime Prevention Through Environmental Design) principles. The cost associated with the design and construction of a neighbourhood level skateboard zone in Napa Valley Park is estimated to be \$135,000.

However, as mentioned above, Sonoma Heights Community Park has been identified as another potential location. Staff is recommending that this is the preferred location for a skateboard facility. It is located within the deficient area, and as it is a district park has multiple potential locations for a skate zone that are highly visible, with easy access including parking and walkway connections in accordance with the “Active Together” Master Plan. In addition this location is centrally located for both Ward 2 and residents of Kleinburg in Ward 1. The cost associated with the design and construction of a skateboard zone in Sonoma Heights Community Park is estimated to be \$148,500.

In addition, staff has reviewed the feasibility of constructing a skateboard facility at Worth Park (Ward 5) and have found that this location is not suitable to accommodate a neighbourhood level skateboard zone. The only area that is spatially large enough to accommodate a skateboard zone (2,690 - 3,230 sq. ft.) it is not highly visible. This area has no existing site servicing and had been noted to have potentially poor local drainage.

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Since there are no skateboard facility or zones located in Thornhill, Ward 5 and no new parks planned for the immediate future, staff would recommended the development of a skateboard facilities in the Concord Thornhill Regional Park in Ward 5, which is located immediately north of the Worth Park site. The City has been working on securing funding through fundraising and public private sponsorship for several years for this location with little success. This project is currently under the capital funding line for 2012 and was originally requested in 2006 for funding approval. The Concord Thornhill Regional Park site is deemed to be a suitable location for a skateboard park area that would satisfy the conditions noted above and address the deficiency identified in this area for a skateboard facility. This Regional Park is connected to the neighbourhood with pedestrian access and also has parking. Once the final footprint is finalized for the proposed artificial turf facility at Concord Thornhill Regional Park, the skateboard project and budget for this location will be revisited and brought forward for discussions during the 2013 budget deliberations.

In addition, staff have reviewed the feasibility of introducing a neighbourhood level skateboard zone in the Glen Shields Park site in Ward 5, which is located within the southern portion of Thornhill. As per the recommendation noted in the “Active Together” Master Plan, the existing outdoor ice rink at Glen Shields Activity Centre and wading pool were recommended for decommissioning and it was suggested that a possible replacement would be a skate zone. The cost associated with the design and construction of a neighbourhood level skate zone in the Glen Shields Park site is estimated to be \$130,000.00. The construction of the skate zone facility consolidated with the proposed demolition and re-development of the Glen Shields Park – Playground Replacement and Safety Surfacing works would allow for additional costs saving. The demolition was approved in 2011, the playground replacement was originally requested in the 2011 budget and is currently listed on the “2014 and beyond Capital Project Listing”.

Currently the funding source for new Skateboard facilities projects within existing park sites is taxation. Unfortunately, a number of skateboard facility projects were deferred to future budget deliberations due to the prioritization of many projects competing for this very limited taxation funding source. In an effort to find alternative funding sources, the City had previously worked on a fundraising campaign. This campaign included a sponsorship match, were for every dollar raised through sponsorships, the City would match these contributions with a maximum limit. This process was unsuccessful and yielded no sponsorship contributions.

Relationship to Vaughan Vision 2020 / Strategic Plan

In consideration of the strategic priorities related to Vaughan Vision 2020, the project will provide:

- **STRATEGIC GOAL:**
Service Excellence - Providing service excellence to citizens.
- **STRATEGIC OBJECTIVES:**
Pursue Excellence in Service Delivery;
Enhance and Ensure Community Safety, Health and Wellness; and,
To deliver high quality services and to promote health and wellness through design and program.

This report is consistent with the priorities previously set by Council.

Regional Implications

N/A

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Conclusion

The purpose of this report is to respond to resolutions of the Finance and Administration Committee regarding the provision of skateboard parks within Thornhill – Ward 5 and Woodbridge – Ward 2.

Attachments

N/A

Report prepared by:

Martin Tavares, Construction Coordinator, Ext. 8882

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Item 9, Report No. 2, of the Finance and Administration Committee, which was adopted without amendment by the Special Council meeting of February 13, 2012.



9 BRIDGE REPLACEMENT AT UPLANDS GOLF AND SKI CENTRE – WARD 5

This matter was considered and adopted at the Special Council meeting of February 13, 2012, under Minute No. 22.

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Item 10, Report No. 2, of the Finance and Administration Committee, which was adopted without amendment by the Special Council meeting of February 13, 2012.

**10 ADDITIONAL INFORMATION – COMMITTEE MEMBER’S INFORMATION REQUESTS
REGARDING ADDITIONAL RESOURCE REQUESTS (ARRS)**

This matter was considered and adopted at the Special Council meeting of February 13, 2012, under Minute No. 23.