



Finance Department Report

If this information is required in an alternate accessible format, please contact the Accessibility Coordinator at 905-623-3379 ext. 2131.

Report To: General Government Committee

Date of Meeting: June 17, 2019

Report Number: FND-021-19 **Resolution:** GG-412-19

File Number: **By-law Number:**

Report Subject: **Audit and Accountability Fund**

Recommendations:

1. That Report FND-021-19 be received;
2. That the Mayor and Clerk be authorized to enter into any funding agreements with the Province of Ontario to facilitate the transfer of funds from the Province of Ontario; and
3. That the CAO be authorized, if necessary given the compressed timelines of the project, to enter into a sole sourcing arrangement with a third party service provider capable of completing the work.

Report Overview

The Province of Ontario has provided funding to large urban municipalities to conduct line by line reviews to find 4% cost savings. This funding is application based and must be completed with a final report being publicly available by November 30, 2019. Staff have identified one project which may be eligible and feasible under this program.

1. Background

Audit and Accountability Fund – Funding Announcement

- 1.1 On May 21, 2019, the Province of Ontario announced that they would be providing \$7.35 million for large urban municipalities and district school boards interested in conducting line-by-line reviews to identify potential savings, while maintaining vital front-line services, through the Audit and Accountability Fund. (Province of Ontario News Release May 21, 2019)
- 1.2 Earlier in 2019, the Province of Ontario had announced funding to small and rural municipalities in Ontario to improve efficiencies. This funding was not tied to specific projects but rather provided for the use of the municipality to invest in infrastructure or process reviews to improve the efficiency of service delivery. The Municipality of Clarington did not receive any funding under this program.
- 1.3 On May 22, 2019, the Municipality received a letter from the Honourable Steve Clark, Minister of Municipal Affairs and Housing regarding the announcement and indicating that the funding would be application based.
- 1.4 The Municipality received the guidelines for the program on May 29, 2019, indicating that if the Municipality of Clarington was interested in applying to the program that we should contact the Municipal Services Office to confirm intent by June 14, 2019 and that an Expression of Interest form and supporting documents be submitted by June 30, 2019.

Eligible Projects

- 1.5 To be eligible, a proposed review project must:
 1. Review municipal service delivery expenditures to find efficiencies. This could include:
 - a line-by-line review of the 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 improved efficiencies.
 3. Be completed by November 30, 2019. The Municipality would also be required to post the document publicly by November 30, 2019.

- 1.6 The program will not cover costs for projects to identify opportunities for revenue generation or reductions in front line services. The review must be completed by an independent third party resulting in a formal report.
- 1.7 The expectation from the Province is that municipalities will find 4% savings. Based on the 2019 Municipal Tax Levy, this would result in a required savings of approximately \$2.4 million. Further, there can be no front-line service cuts in reaching these savings.

2. Potential Projects

Overview

- 2.1 Staff met to discuss possible options for this funding. A major concern expressed by staff is the November 30, 2019 deadline. This limits the ability to conduct a corporate wide service delivery review, similar to what was conducted by Whitby recently, as the allotted time to complete the project would be less than six months.
- 2.2 A further concern is the ability to find \$2.4 million in savings without cutting any services. While it is possible that savings could be obtained, the quantum (particularly if a smaller scoped review was conducted) may be difficult to attain. A service delivery review is to evaluate the value, process and opportunities for improvement. While cost savings are always sought, it is not a guaranteed outcome.

Organizational Structure Review

- 2.3 A number of years ago, Council included in the annual budget funds to the CAO for the completion of smaller service delivery reviews. To date these have included Animal Services (2017) and Tourism (2018) and a review of forestry services is proposed for 2019. These smaller service delivery reviews, on top of the annual process of reviewing the budget, in part meet the expectation that the Province has on municipalities continuously ensuring efficient service delivery.
- 2.4 Staff feel that the leading candidate for a project under this funding would be a review of our senior administrative structure. The last time an organizational review occurred was in 2000, resulting in the current structure. Since that time the Municipality has grown from 69,834 (2001 Census) to over 95,000 today.
- 2.5 In 2017, Report [CAO-007-17](#) was provided to Committee outlining research in organizational structure reviews in other municipalities. At that time no further action was taken. The availability of this funding would allow the Municipality to conduct a review of the organization keeping in mind pending retirements, changes in service delivery, and best practices in the industry.

Smaller Service Delivery Reviews

- 2.6 There are several service delivery reviews already planned and budgeted for in 2019. The Forestry Services review will be undertaken shortly provided that Council approves the RFP for that review has recently closed. Operations staff are also conducting a

review on winter control internally per direction from Council during the 2019 budget deliberations. Both of these projects would not be able to meet the savings requirements that are requested by the Province and therefore are not strong candidates.

Sole Sourcing Provider

- 2.7 The funding requires the use of an independent third party consultant / service provider in order to be eligible for the program.
- 2.8 Given that costs need to be available by June 30 to include in the expression of interest, approval will be received in the summer and the work needs to be completed and a final report publicly available by November 30, 2019. The ability to follow regular open procurement processes are severely hindered.
- 2.9 It is recommended that in order to proceed, if Council so chooses, that Staff be allowed to sole source the consultant in order to expedite the project being undertaken. This is not ideal and not regular business; however an open process may not allow the project to be completed within this timeframe since we will not know if we have funding until July or August of this year.
- 2.10 It is estimated that project will be excess of \$100,000. The Province would be paying 100% of the project, if we are successful in our application.

3. Concurrence

This report has been reviewed by the Manager of Internal Audit who concurs with the recommendations.

4. Conclusion

It is respectfully recommended that Staff be directed to undertake the Organizational Structure Review, pending Province of Ontario funding, utilizing a sole source procurement in order to meet the deadlines of the Audit and Accountability Fund funding.

5. Strategic Plan Application

Not applicable.

Submitted by: 
Trevor Pinn, B.Com, CPA, CA,
Director of Finance/Treasurer

Reviewed by: 
Andrew C. Allison, B. Comm, LL.B
CAO

Staff Contact: Catherine Carr, Manager of Internal Audit, 905-623-3379 ext.2606 or
ccarr@clarington.net

There are no interested parties to be notified of Council's decision.