



REGIONAL MUNICIPALITY OF WATERLOO ADMINISTRATION AND FINANCE COMMITTEE AGENDA

Tuesday, September 6, 2011
Immediately following Planning and Works Committee
(Time is Approximate - 10:00 a.m.)
Regional Council Chamber
150 Frederick Street, Kitchener, Ontario

1. DECLARATIONS OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT

2. DELEGATIONS

3. REPORTS – Corporate Resources

- a) [CR-FM-11-018](#), WRPS North Division – Request for Additional Consulting Fees 1
- b) [CR-FM-11-019](#), Pre-Budget Approval for 2012 Vehicle Procurement 3

4. REPORT OF THE AUDIT COMMITTEE

- a) [Minutes of the Audit Committee – August 25, 2011](#) 8

5. INFORMATION/CORRESPONDENCE

6. OTHER BUSINESS

- a) [Council Enquiries and Requests for Information](#) 13

7. NEXT MEETING – September 27, 2011

8. MOTION TO GO INTO CLOSED SESSION

THAT a closed meeting of the Planning & Works and Administration & Finance Committees be held on Tuesday, September 6, 2011 immediately following the Administration and Finance Committee meeting in the Waterloo County Room in accordance with Section 239 of the Municipal Act, 2001, for the purposes of considering the following subject matters:

- a) proposed or pending litigation and receiving of legal advice and opinion that is subject to solicitor-client privilege related to a matter before an administrative tribunal
- b) proposed or pending acquisition of land in the City of Kitchener
- c) labour relations and receiving of advice subject to solicitor-client privilege

9. ADJOURN

**REGION OF WATERLOO****CORPORATE RESOURCES
Facilities Management and Fleet Services**

TO: Chair Tom Galloway and Members of the Administration and Finance Committee

DATE: September 6, 2011 **FILE CODE:** A19-01

SUBJECT: WRPS NORTH DIVISION – REQUEST FOR ADDITIONAL CONSULTING FEES

RECOMMENDATION:

THAT the Regional Municipality of Waterloo approve an increase in consulting fees to an upset limit of \$230,000, to a total of \$950,000 plus applicable taxes to Rebanks Pepper Littlewood Architects Inc. (RPLA) for design and construction administration of the WRPS North Division construction project due to design scope increases as detailed in report CR-FM-11-018.

SUMMARY: Nil

REPORT:

In April 2010, Council approved entering into an Agreement with Rebanks Pepper Littlewood Architects Inc. to provide standard architectural and engineering services for the design and construction administration of the WRPS North Division Consultant Selection as per the terms of the Expression of Interest document EOI-2010-02, for a lump sum fee of \$720,000 plus applicable taxes (Report F10-030). Over the course of the design phase of the project, the scope of work for RPLA has increased for a number of reasons as listed below. An increase to these consulting fees to an upset limit of \$230,000 is requested (for a total consulting fee of \$950,000, approximately 6% of the construction cost). The reasons for this increase have been reviewed by Facilities Management staff and are considered reasonable and appropriate for the additional consulting work performed during the design and to be performed during contract administration. These additional consulting fees have been accounted for and can be accommodated within the budget; therefore no change is required to the overall project budget. Since these costs have been accommodated in the current budget as presented to Police Services Board (PSB) in report CR-FM-11-003, further PSB approval for the change is not required.

The consulting scope increases for this project include: design changes required as a result of an error in the initial site area calculations provided to the Consultant which required changes to the site plan; additional work required prior to letting the construction tender as a result of Council and staff requests involving the development of various parking options; additional coordination required with adjacent property owners to resolve issues associated with the above items; and, increased scope and complexity of design (architectural, mechanical, electrical, structural, civil) associated with the inclusion of a parking deck to accommodate all parking on site as required by the project, but not detailed in the request for consulting services. The parking options have been discussed in detail and reviewed by PSB and Council throughout the design of the project. As outlined in report CR-FM-11-003, the project team was directed by members of PSB and Council to provide two designs; i) the facility with a parking deck and ii) the facility without a parking deck. For operational reasons and because including the parking

deck was within the project budget, PSB and Council approved the associated costs inclusive of the parking deck as described in report F-11-046.

CORPORATE STRATEGIC PLAN:

The construction of the WRPS North Division Facility will support Focus Area 5 of the Corporate Strategic Plan - Infrastructure: Provide high quality infrastructure and asset management to meet current needs and future growth.

The project also supports Focus Area 1- Environmental Sustainability: Protect and Enhance the Environment, as the facility will be designed and constructed to meet the LEED® Canada Silver standard for environmental conservation and energy efficiency per Regional Council Policy.

FINANCIAL IMPLICATIONS:

The approved 2011 WRPS Capital Program includes \$15,395,000 (2011-2012) for this project to be funded by Regional Development Charges, debentures and proceeds from the sale of the existing North Division estimated at \$3,200,000. An additional \$340,000 from the Facilities Management Capital Program for a photovoltaic project and \$175,000, from the Finance Capital Program for purchase of fuel tanks, both funded from debentures, brings the total available budget to \$15,910,000 for this project. Of this amount, approximately \$410,000 has been spent in 2011 for consulting costs while construction and other project costs are estimated to be \$15,262,106 as noted in the construction tender report F-11-046. The remaining funds of \$237,894 are available to cover the required increase in consulting fees.

OTHER DEPARTMENT CONSULTATIONS/CONCURRENCE:

Staff from Waterloo Regional Police Services have been consulted in the preparation of this Report.

ATTACHMENTS: Nil

PREPARED BY: *J. Leeson*, Sr. Project Manager, Facilities Management & Fleet Services

APPROVED BY: *G. Sosnoski*, Commissioner, Corporate Resources



REGION OF WATERLOO

CORPORATE RESOURCES Facilities Management and Fleet Services

TO: Chair Tom Galloway and Members of the Administration and Finance Committee

DATE: September 6, 2011

FILE CODE: V05-20(A)

SUBJECT: PRE-BUDGET APPROVAL FOR 2012 VEHICLE PROCUREMENT

RECOMMENDATION:

THAT the Regional Municipality of Waterloo approve the pre-budget expenditure not to exceed \$2,526,000 for the purchase of 24 vehicles and equipment to replace those listed in Appendix A of report CR-FM-11-019 dated September 6, 2011, which were scheduled for replacement in 2012 in the Ten Year Capital Plans of various departments, to be funded from the appropriate vehicle/equipment reserve funds.

SUMMARY: Nil

REPORT:

In September 2003, Regional Council approved a vehicle procurement cycle which called for the tender of vehicles in the fall of the preceding year with delivery for most vehicles occurring during the January - May time frame of the year of procurement. Specialized vehicles with longer delivery times will be delivered throughout the year. This change was approved to ensure that vehicles are delivered in a timely manner to meet operational requirements in the year they are due for replacement, reduce tender costs and enable vehicle deliveries and conversions to be scheduled to fit the availability of limited staff resources. If this report is approved, replacements for the vehicles listed in Appendix A will be procured in October/November/December 2011 and delivered in 2012 at which time funds will be expended.

The 2012 capital budget forecast identified the need to potentially replace 60 vehicles in 2012 valued at \$6,822,000. The capital plan is based on an average useful service life determined through the use of life cycle models established in collaboration with the operating department and fleet services. The procurement cycle for 2012 was initiated in March 2011 and as part of the process, Regional staff completed a detailed evaluation of the vehicles, including mechanical and body condition inspections, operating cost and operational requirements, utilization and a green fleet analysis. The evaluation provided the information to determine if any of the vehicles should be replaced and or if they could be deferred or deleted from the fleet establishment. As a result of this review, staff determined that 36 vehicles could be deferred for one or more years for a total deferred expenditure of \$4,296,000. The vehicles deferred are shown in Appendix B.

As a result of this evaluation, the original 2012 vehicle procurement plan for 60 vehicles has been reduced to 24 vehicles at a budgeted cost of \$2,526,000. The list of the 24 vehicles to be replaced in 2012 is shown in Appendix A. All of these vehicles are being replaced due to high kilometers, heavy off road usage, higher than normal operating and maintenance requirements in the previous

year, or higher than normal fuel consumption.

Green Fleet Initiatives Update:

As part of the strategy to green the fleet, opportunities to reduce fuel consumption will be investigated before procurement to purchase more fuel efficient vehicles (i.e. gas/electric hybrid, clean diesel technology, or right sizing for more fuel efficient vehicles as appropriate).

Fleet Services' life cycle costing determines the environmental and economic benefits of using vehicles which consume less fuel to meet the same functional requirements. This program has resulted in the replacement of four wheel drive, eight cylinder pickup trucks with two wheel drive, six cylinder pickups. In some cases has replaced eight cylinder commercial vans, with four cylinder station wagons. Each vehicle replacement has included a review of payload with substitution of steel components with lighter weight aluminum. This has resulted in greater standardization and reduction in fuel consumed.

In 2010 rural emergency response vehicles were replaced with clean diesel vehicles which resulted in a 45% reduction in fuel consumed. This profound improvement combined with the successes experienced by the commercial van program, resulted in the 2011 procurement of two ambulances based on the Sprinter V6 chassis. A vehicle which has been successfully used in Europe for years, The Region of Waterloo is among the first municipalities in Ontario to include this fuel efficient model in its fleet.

In 2011 the Region investigated and exercised the option to rebuild an existing landfill compactor vs buying new. As a result of this initiative, it became possible to direct a portion of the savings to upgrade electronic systems which increased the operational efficiency of the equipment. The rebuild together with GPS upgrade cost 39% less than the budgeted capital of \$790,000.

CORPORATE STRATEGIC PLAN:

This procurement will enable Regional programs to continue to provide the current level of service to citizens and will result in reduced air pollution from Regional operations. These results meet the goals and objectives of Focus Areas #1 and #6 in the Corporate Strategic Focus, namely "Environmental Sustainability: Protect and enhance the environment", and "Service Excellence: Foster a culture of citizen/customer service that is responsive to community needs".

FINANCIAL IMPLICATIONS:

Funding for the purchase of replacement vehicles will be provided from existing vehicle and equipment reserves set up for this purpose or other specific capital funds approved as part of the budget process. The revised capital plans for vehicle and equipment for 2012 which includes the deferral of 36 vehicles at a cost of \$4,296,000 will be included in the 2013 budget. Procurement documents for the 24 new vehicles will be processed as set out in the purchasing by-law.

OTHER DEPARTMENT CONSULTATIONS/CONCURRENCE:

Finance and the Regional programs affected have reviewed this report and their comments included as appropriate.

ATTACHMENTS

Appendix A –2011 Vehicle Procurement Plan

Appendix B –2011 Vehicle Deferrals

PREPARED BY: *Rick Ellig*, Manager, Fleet Services

APPROVED BY: *Gary Sosnoski*, Commissioner, Corporate Resources

APPENDIX A

SUMMARY – 2012 VEHICLE PROCUREMENT PLAN
(Budget values in \$000s)

	Budget	Eq#
Waste Management		
Car	\$27	3174
Hydro mulcher	\$90	3871
Pickup, class 1, 2wd	\$24	3129
Sub total:	\$141	
Water - Operations & Maintenance		
Van mini cargo	\$35	4152
Van mini cargo	\$35	4153
Van	\$55	4154
Van	\$55	4151
Sub total:	\$180	
Water – Lab		
Van	\$35	8182
Sub total:	\$35	
Transportation – Roads, Signs, Signals		
Sign truck class 6	\$140	2234
Van mini	\$55	2149
Pickup class 3, four door	\$35	1170
U-body plow and wing truck	\$290	1254
U-body plow and wing truck	\$290	1253
Sweeper	\$290	1212
Sub total:	\$1,100	
Airport		
Pull type runway sweeper	\$350	226
Snow blower	\$180	122
Pickup	\$45	25
Sub total:	\$575	
EMS		
Ambulance	\$130	5075
Ambulance	\$130	5076
Sub total:	\$260	
Facilities		
Van	35	5149
Van	35	5148
Van	60	5161
Scissor lift	45	5864
Zoom boom	60	5866
Sub total:	\$235	
=====		
Total:	24	\$2,526

APPENDIX B

SUMMARY – 2012 VEHICLE DEFERRALS
(Budget values in \$000s)

Waste Management

Loader	\$260
Loader	\$340
Loader	\$372
Loader	\$362
Water truck	\$200
Giant vacuum	\$40
Skid steer	\$35
Compressor	\$18
Automatic tarper	\$110
Pump	\$28
Sub-total:	\$1,765

Water - Operations & Maintenance

Class 5 chemical truck – hypo chlorite	\$100
Class 5 chemical truck – fl – hypo chlorite	\$100
Class 3 utility	\$80
Pickup 4wd	\$35
Pickup 4wd	\$35
Sub-total:	\$350

Transportation – Roads, Signs, Signals

Dump truck class 4	\$60
Dump truck class 4	\$60
Loader, backhoe	\$120
Aerial truck - Versa Lift	\$205
Pickup class 1	\$28
Dump truck class 5	\$80
Pickup class 2, 4door - zone painter	\$33
Dump truck class 4	\$60
Trailer	\$10
Class 5 aerial truck	\$185
Sub-total:	\$841

Water - Lab

Van	\$35
SUV	\$35
Sub-total:	\$175

Airport

Tandem fire truck	\$1,000
Mower	\$20
Bush Hog	\$15
Sub-total:	\$1,035

EMS

Van class 3	\$30
Sub-total:	\$30

Facilities

Van, class 2	\$60
Pickup, 4wd	\$40
Sub-total:	\$100

Total Deferred: 36 \$4,296



REGIONAL MUNICIPALITY OF WATERLOO AUDIT COMMITTEE MINUTES

Thursday, August 25, 2011
4:05 p.m.
Room 218
150 Frederick Street
Kitchener, Ontario

Present were: Chair T. Galloway, K. Seiling, S. Strickland, *J. Wideman and C. Zehr

DECLARATIONS OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT

None declared.

PRESENTATION

- a) Presentation by Deloitte and Touche - Outline of 2010 audit results and management letter

Peter Barr, Partner, Assurance and Advisory, introduced Heather Urie, Senior Manager of Assurance and Advisory, and Jennifer Gruber, Assistant Manager of Assurance and Advisory.

P. Barr and H. Urie provided an overview of the audit report, including:

- Scope of audit activities;
- Audit findings;
- 2010 audit conclusion;
- Financial statement presentation amendments;
- Results of work on areas of audit focus;
- Approval of financial statements and signing of management letter to occur on same day as date of statements;
- Independence of the auditor; and
- Matters to be communicated to the Audit Committee.

The report is attached to the original minutes.

P. Barr and H. Urie provided additional detail to the Committee on various aspects of the audit report, including:

- Random purchases greater than \$100,000 were selected for examination;
- Reserve funds were examined for proper process in transaction;
- Effects of Ontario Works reorganization upon noted bank reconciliation;
- Light rail transit decision will have no impact on 2010 financial statements;

The Committee requested greater detail be included with respect to the Ontario Works reconciliation.

b) Presentation - Region of Waterloo Financial Report 2010

Calvin Barrett, Director, Financial Services/Development Finance, provided an overview of the draft 2010 financial report, noting that the attached memo to the financial report assists in translating what is done on a tax basis to what is done on an accounting basis. He observed that the provincial government has not yet fully reconciled the *Municipal Act* with accounting practice as it applies to financial statements. The province will review these issues again in 2012.

The Committee clarified with C. Barrett that the Region obtains opinions from actuaries annually regarding the present value of future costs for various Regional obligations.

The Committee observed that the format of the financial report and the use of accounting terminology could make the report confusing to the casual reader, and asked what steps could be taken to make the report more easily understandable. Mike Murray, Chief Administrative Officer, responded that staff does not routinely assign much profile to the financial report owing to the those factors. C. Barrett added that the report is available to the public through the Region's website and copies are printed for the public by request.

C. Barrett noted that the Region's financial statements used to be published in the local newspaper, but that presently an announcement of the statements' preparation is made through the Region's website. It was clarified that the financial statements are not circulated to residents through Regional publications; M. Murray explained that currently information is included in the Region News, such as figures categorizing the use of tax dollars.

The Committee questioned the \$73 million figure listed as "Other" under the Region's revenues, and C. Barrett indicated that figure is mostly comprised of transit revenues. The Committee generally agreed that the size of the figure merits greater detail in the financial statements. H. Urie stated that Note 20 to the financial statements provides greater detail on that item, though the financial statements do not reference the note. The Committee asked that staff provide greater detail in the financial statements on this item, to specifically including transit and other items.

*J. Wideman left the meeting at 4:43 p.m.

The Committee observed that the financial statements imply the Region's prudent use of debt.

MOTION TO GO INTO CLOSED SESSION

MOVED by S. Strickland
SECONDED by C. Zehr

That a closed meeting of Audit Committee be held on August 25, 2011 during open session of Audit Committee in Room 218 at 150 Frederick Street in accordance with Section 239 of the Municipal Act, 2001, for the purposes of considering the following subject matters:

- a) the security of the property of the municipality
- b) personal matters about an identifiable individual, including municipal employees

CARRIED

MOTION TO RECONVENE INTO OPEN SESSION

MOVED by C. Zehr
SECONDED by S. Strickland

THAT the meeting reconvene into Open Session.

CARRIED

MOVED by C. Zehr
SECONDED by S. Strickland

THAT the Regional Municipality of Waterloo receive the 2010 Consolidated Financial Statements prepared by Deloitte and Touche LLP.

CARRIED

REPORTS – Chief Administrative Officer

a) CA-11-005, Facilities – Maintenance and Operations – Program Review 2010-2011

M. Murray provided introductory comments on the internal audit process, emphasizing that the process examines programs to see if they are efficient, effective, and how risks are being managed. He related that staff looks for all potential improvements for each facet, and that the facilities review was particularly challenging due to staff transitions which occurred in-process.

David A. Young, Manager, Internal Audit, noted the report's 15 recommendations and five key themes, with many recommendations addressed to the entire division despite the specificity of the audit.

*J. Wideman re-entered the meeting at 4:54 p.m.

Gary Sosnoski, Commissioner, Corporate Resources, commented that it was quickly apparent that the recommendations following the program review would be expanded to the divisional level, and that Facilities Management is not as efficient or effective as it needs to be despite good work of staff. The Region has outgrown the existing decentralized model of maintenance, and that a culture change within Facilities Management will be required to make the improvements recommended from the audit process. The recommendations will maximize the life of buildings and building components, mitigate sudden failures, help to manage costs and make improvements in measuring performance. A number of drivers of satisfaction are also to be addressed, such as improving timeliness and closing the communication loop with clients regarding the status of facility requests.

Ellen McGaghey, Director, Facilities, explained that the plan going forward would focus on five key business areas, and provided details as to the steps to be taken as well as the involvement of staff from various areas to implement the report recommendations. She expects that 2-3 years will be required to bring about full implementation of the recommendations.

The Committee inquired as to financial implications of the report's recommendations, and M. Murray noted some short term costs in 2012 which can be accommodated within existing budgets. He observed that systems will be in place by 2012 to track costs, and once operating,

will allow for estimates of expected cost savings and full lifecycles of buildings. G. Sosnoski addressed the consultant's cost estimate of \$975,000 noted in the report, and explained that those estimates incorporate a different approach than what staff are proposing. Staff aims to avoid new costs, and would prefer to redirect existing funding approval to keep the implementation cost neutral. G. Sosnoski observed that the FTE approved in the most recent budget for asset management was held back until the results of the audit came forward.

The Committee asked why the Archibus system was removed, and G. Sosnoski replied that the system was underutilized; the system will be fully implemented following the program review. E. McGaghey indicated that no new software licensing would be required for systems in place, but that additional licensing may be required for asset management activities.

The Committee asked whether assessment of lifecycle costs for buildings will become a part of the design process for new construction. E. McGaghey responded that a full-fledged asset management program would include those considerations in the design phase of buildings, and G. Sosnoski noted that while the lowest bid from contractors do not necessarily yield the lowest lifecycle costs, the Region is getting better at building those considerations into the design specifications to provide the best long-term value. The Committee emphasized that lifecycle cost considerations are made from initial design through to construction completion.

The Committee asked the merits of consolidating maintenance suppliers and forming maintenance agreements with a small number of suppliers. E. McGaghey responded that no such analysis has occurred but could come as the audit recommendations proceed. She asserted that business systems will be realigned immediately, and that the Region could examine such actions by the end of 2012. G. Sosnoski noted the significant culture changes coming from the audit, and cited the importance of building understanding and acceptance for the coming changes.

The Committee questioned whether lifecycle cost considerations arose when the Region implemented Tangible Capital Asset Accounting. G. Sosnoski responded in the affirmative, stating that staff have to date done their best with the existing systems, and the ability to examine all buildings comprehensively is new. He added that several organizations exist to bring about the proposed improvements, which will result in a made-in-Region solution.

The Committee asked how the responsibility for the report's recommendations would be allocated, suggesting that Facilities Management staff could ultimately be the drivers of the proposed changes. M. Murray responded that the Region is moving toward Facilities Management being responsible for all buildings except water and wastewater facilities, where Facilities Management would be responsible only for the building envelope. G. Sosnoski suggested that program areas may recognize the benefit of Facilities Management as a centralized 'landlord'.

The Committee observed that some organizations contract out facilities maintenance, and asked if this has been considered by the Region. G. Sosnoski responded that the option had been examined in the past, and that staff sees more value in retaining internal resources, though as the recommendations are implemented the option may again be reviewed. M. Murray noted that the Region presently has a mix of staff and contractors for facilities maintenance, with staffing for a base level of work and hiring beyond that level as needed; the Region's facilities management is comparable to OMBI municipalities and large building contractors.

The Committee affirmed the proposed changes and cultural shift, and suggested that firm rules would be needed to assist implementation. The Committee also suggested that the relationship

between Facilities Management and program areas would be more collaborative than the landlord/tenant metaphor might suggest.

The Committee asked how staff will track the exact savings from the proposed actions, and E. McGaghey responded that the first action is to implement systems to monitor the present costs, and then to undertake new initiatives when the savings can be accurately projected out. G. Sosnoski observed that Facilities Management staff does not necessarily know what is contained within other budgets beyond their control, and that the operative action is to begin tracking and measuring of costs. M. Murray indicated that the follow-up for all program reviews involves periodic reporting back to Council, where measured savings can be reported back.

The Committee thanked all staff involved in the review, noting the high quality of the analysis and the benefit to the organization.

MOVED by J. Wideman
SECONDED by S. Strickland

THAT the Audit Committee endorse in principle the findings of the Facilities – Maintenance and Operations – Program Review 2010-2011 (Report CA-11-005) recognizing that implementation will be subject to annual budget approval.

CARRIED

OTHER BUSINESS

- a) Council Enquiries and Requests for Information Tracking Sheet was received for information.

NEXT MEETING – to be announced

ADJOURN

MOVED by S. Strickland
SECONDED by J. Wideman

THAT the meeting adjourn at 5:46 p.m.

CARRIED

COMMITTEE CHAIR, *T. Galloway*

COMMITTEE CLERK, *M. Grivicic*

COUNCIL ENQUIRIES AND REQUESTS FOR INFORMATION

ADMINISTRATION AND FINANCE COMMITTEE

Meeting date	Requestor	Request	Assigned Department	Anticipated Response Date
04-Mar-08	P&W	Best Value Bidding	Finance/Purchasing	Fall 2011
09-Dec-09	Budget Committee	Comparison of reserves, expenditures and debt-per-capita between Region and comparator municipalities	Finance	Fall 2011
26-Jan-10	Committee	Report on a policy related to development charge grants, exemptions and deferral requests, to include past history/practice, implications, and options.	Finance	Fall 2011
08-Jun-10	A&F	Review current funding for the tax increment grant program, with full range of funding options.	Finance	Fall 2011
23-Nov-10	A&F	Assess the application of the prequalification guidelines (both generals and sub contractors) and report back to A & F after one years experience	Finance	Nov-2011
23-Feb-11	Budget Committee	GRCA levy and properties not receiving water/wastewater service	Finance	Fall 2011
23-Mar-11	Budget Committee	Review of reserve funds	Finance	Fall 2011
23-Mar-11	Budget Committee	Review of and options for long-term user rate models, for 2012 Budget process	Finance	Fall 2011 / Budget 2012 process