

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF NOVEMBER 17, 2015

Item 2, Report No. 12, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on November 17, 2015.

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**PROCUREMENT OF CITY OWNED VEHICLES
FOR BUILDING STANDARDS INSPECTIONS**

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Deputy City Manager, Planning & Growth Management, the Director of Building Standards and the Director of Financial Planning and Development Finance, dated November 2, 2015:

Recommendation

The Deputy City Manager, Planning & Growth Management, the Director of Building Standards and the Director of Financial Planning and Development Finance in consultation with the Chief Financial Officer & City Treasurer and Deputy City Manager of Public Works recommend:

1. THAT Council direct staff to move forward with the procurement of 24 City Owned Vehicles (including 8 replacements) over a 3-year period, for Building Standards inspection staff;
2. THAT a capital project, in the amount of \$227,836, funded by the Building Continuity Reserve Fund, be created as a budget amendment to the 2015 Capital Budget for the purchase of 8 vehicles;
3. THAT existing recognized capital projects for the replacement of vehicles in the 2018 and 2020 financial plan be replaced with a capital project for the purchase of an additional 16 vehicles over the next 2 years, and be funded by the Building Continuity Reserve Fund, as part of the DRAFT 2016 Budget and 2017-19 and beyond Financial Plan; and
4. THAT inclusion of this matter on a Public Committee or Council agenda with respect to amending the capital budget be endorsed as meeting the requirements for sufficient notice pursuant to Section 2(1) (c) of By-Law 394-2002 as amended.

Contribution to Sustainability

Staff will move forward with replacing the current 8 vehicles, some of which are 12 years old, with more fuel efficient and eco-friendly vehicles. This move to more efficient vehicles will assist to reduce the carbon footprint, reduce the consumption of fossil fuels, and minimize the impact on the environment. This initiative will also have a positive impact on financial sustainability as outlined in the body of the report.

Economic Impact

All costs associated with the procurement of vehicles will be funded from the Building Standards Continuity Reserve as per the Building Code Act (which allows the funding of Ontario Building Code related activities and expenses through building permit fees). There will be no negative impact on taxation as a result of this procurement. The purchase plan will be implemented over 3 years with an estimated total capital cost of \$683,508 as illustrated below:

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<u>Capital Costs (estimate \$)</u>	2015	2016	2017	Total
Vehicle Purchase	198,000	198,000	198,000	594,000
Outfit	20,000	20,000	20,000	60,000
GPS	3,200	3,200	3,200	9,600
3% Administrative Fees	6,636	6,636	6,636	19,908
Total Capital Costs	227,836	227,836	227,836	683,508
Existing Vehicles being replaced	4	4		8
Additional vehicles	4	4	8	16
Total Vehicles Purchased	8	8	8	24

By moving forward with this initiative, the currently recognized capital projects (\$197,700 in 2018 and 2020) for the replacement of the existing vehicles, would be eliminated and replaced with the proposed new capital projects, that are fully funded by the Building Continuity Reserve Fund.

Once fully implemented, the annual operating savings are anticipated to be \$58,608 as shown in the following table and explained in the notes following the table (2015 values are prorated for partial year impact):

<u>Net Operating Cost/(Savings)</u>	2015	2016	2017	2018
Maintenance	(954)	(7,630)	(3,630)	(3,630)
Licensing	755	858	1,722	1,722
Insurance	450	3,600	7,200	7,200
Fuel	(225)	(1,700)	5,400	5,400
Mileage	(10,475)	(83,700)	(83,700)	(83,700)
GPS monitoring fee	800	9,600	14,400	14,400
Net Operating Cost/(Savings)	(9,649)	(78,972)	(58,608)	(58,608)

Notes:

Maintenance - The Fleet Department estimated that the annual maintenance cost of a new AWD hatchback is \$500. The annual budget of an existing vehicle is approximately \$1,954. Even with 24 city owned vehicles by 2017 versus the 8 owned currently there is overall savings in expected maintenance costs. The following table provides a breakdown of the costs:

Insurance	The estimate is provided by OMEX and is based on a 'light' vehicle in reference to vehicle maximum gross weight of 3,500kg, and deemed to be a passenger vehicle. It is approximately \$450 per vehicle.
Licensing	\$108/vehicle
Fuel	The historical average annual mileage per vehicle is approximately 8,900 km. The consumption rate for the new vehicle is 9.1L/100k @ \$1.10/L. This leads to the future fuel consumption of \$891 for the new vehicle, whereas the annual budget of an existing vehicle is \$2,000.
Mileage reimbursement	The 2015 budget is \$83,700 which would be eliminated as Building Standards inspection staff would no longer be using their personal vehicles.
GPS monitoring fee	It is estimated the monthly fee to be \$50 per vehicle.

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Communications Plan

Advertisements will be placed in the local paper following the preparation of an RFP for the procurement of the vehicles, as per corporate policies and processes.

Purpose

To replace eight existing (older) vehicles, acquire 16 new vehicles, and create a consistent and sustainable service delivery model for the Building Standards Department in order to:

1. Ensure Fleet is capable of supporting new technological equipment geared at improving service delivery in a more sustainable way, such as digital field inspection devices providing real time inspection results and access to permit documents, as per recommendations contained in the Information Technology Strategy; and
2. Address concerns regarding mileage claims and insurance risk as raised in the Internal Audit Report presented to the Finance Administration and Audit Committee on May 26, 2014 (Item 2, Report No. 7) and subsequently adopted without amendment by the Council of the City of Vaughan on June 24, 2014. Excerpt is attached (Attachment 1).

Background - Analysis and Options

On May 26, 2014 the Finance Administration and Audit Committee (FAA) approved the recommendations contained in a report from Internal Audit entitled: "Employee Business Expenses". Item 3 of the report identified opportunities to improve oversight and control over mileage. One of the opportunities was within the Building Standards Department where fourteen of the twenty-two inspection staff utilize their own personal vehicles to carry out field inspection duties. The report noted that there were times when tracking of the order of inspection sites visited had not been done in a manner that would permit verification of the recorded mileage. The report noted insurance risk associated with the use of personal vehicles for city business particularly due to the nature of work (e.g., on active construction sites). The Internal Audit report recommended that staff investigate the feasibility of providing City vehicles for all field inspection staff, similar to many municipalities in the GTA.

Staff from various departments including Finance and Purchasing worked closely to review the potential costs impact to the Building Standards Department. Recognizing that the department currently has eight staff members utilizing City vehicles that are between nine and thirteen years in age, whereas common industry standard is a seven-year life cycle, staff decided to look at options to provide twenty-four vehicles being sixteen new and eight replacements over a period of three years.

In determining this course of action, staff gave consideration to preparing for the implementation of mobile devices for inspections in any new vehicles. In addition to mobile devices, the new vehicles will support GPS tracking devices that will be used to monitor use, protect City assets, and ensure the safety of field employees conducting City business (refer to the corporate 'Working Alone' Policy H&S 4.4).

The procurement of City vehicles for staff will also eliminate administrative time spent on tracking, recording and auditing of employees utilizing personal vehicles, which will save considerable staff time during the day (as per Building Standards Department Policy BSD15-001), thereby increasing operational efficiencies. Also, the procurement of City owned vehicles ensures insurance risks to the City are minimized so as to address the audit recommendations.

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Relationship to Vaughan Vision 2020/Strategic Plan

Service Excellence – Promote Community Safety, Health, & Wellness

Organizational Excellence – Ensure Financial Sustainability & Manage Corporate Assets

This measure contributes to the objective of organizational excellence, as this initiative is seen by staff as a positive step towards minimizing corporate and personal risk and liability that could result from staff being under-insured, or not having the proper type of insurance, utilizing their own personal vehicles while conducting City business. Excellence in service delivery will be achieved through professional, consistent, and visible presence of City representatives in the field.

The vehicles will support our sustainability objectives by being more fuel efficient. The vehicles will be affixed with an eco-friendly Vaughan specific vehicle identification decal. During onsite inspections, the decal vehicles will identify staff and promote environmental sustainability while demonstrating excellence in service delivery and managing of corporate assets.

Regional Implications

Not applicable.

Conclusion

Staff have completed a feasibility review to determine how the recommendations contained in The Finance Administration & Audit Committee “Employee Business Expense Audit” report can be best implemented. Staff recommend moving forward with the procurement of 24 vehicles over a 3-year period. This initiative, fully funded from Building Standard permit fees through the Building Standards Continuity Reserve, has several benefits for the Corporation including:

1. Addressing operational, financial and reputational risks to the City.
2. Increasing transparency, visibility and accountability in service delivery.
3. Preparing the City for future technological opportunities for onboard mobile devices and Bluetooth capabilities.
4. Increasing efficiencies and operational effectiveness.
5. Promoting environmental and financial sustainability.
6. Meeting requirements of the corporate Working Alone Policy “H&S 4.4”.

Attachments

1. Internal Audit Report, Finance, Administration and Audit Committee dated May 26, 2014

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(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.)