

Committee of the Whole (2) Report

DATE: Tuesday, December 08, 2020

WARD(S): ALL

**TITLE: SHARED SERVICES AGREEMENT – CITY OF VAUGHAN AND
ALECTRA UTILITIES CORPORATION**

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services and Chief Financial Officer

ACTION: DECISION

Purpose

The City of Vaughan is part of a recently formed working group, including the cities of Hamilton, Guelph and Markham, who are working together to negotiate a Services Agreement with Alectra Utilities Corporation (Alectra). In order to facilitate the negotiation process, the City of Vaughan requires an extension to the current Shared Services Agreement which expires on December 31, 2020.

The purpose of this report is to seek Council approval for an extension of the current Shared Services Agreement between Alectra and the City of Vaughan, to December 31st, 2021, while a new agreement is negotiated. A new agreement will be brought back to Council in 2021.

Report Highlights

- The City of Vaughan is part of a recently formed working group including the cities of Hamilton, Guelph and Markham.
- The newly formed working group are currently working together to negotiate a Services Agreement with Alectra.
- The current Shared Services Agreement with Alectra expires on December 31, 2020.
- An extension of the current agreement is required to December 31st, 2021, while a new agreement is negotiated.
- The Shared Services Agreement between Alectra and the City of Vaughan is reflective of services currently required and offers a continued opportunity for City of Vaughan to benefit from leveraging Alectra's functional expertise. The agreement complies with the transfer pricing and standards of conduct set out in the Ontario Energy Board's Affiliate Relationship Code.

Recommendation

1. That a By-law be enacted to authorize the Mayor and City Clerk to execute an amendment to extend the Shared Services Agreement between the City of Vaughan and Alectra in a form satisfactory to the Deputy City Manager Corporate Services, City treasurer and Chief Financial Officer and the Deputy City Manager, Administrative Services & City Solicitor

Background

In 1993 the City of Vaughan and the Vaughan Hydro-Electric Commission entered into a Shared Services Agreement 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 Alectra Utilities Corporation.

The City of Vaughan is part of a recently formed working group, including the cities of Hamilton, Guelph and Markham, who are working together to negotiate a Services Agreement with Alectra.

Previous Reports/Authority

[REDACTED]

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[REDACTED]

[REDACTED]

Analysis and Options

The agreement is for Water Meter Reading, Billing, Collection and Customer Services provided by Alectra to the City of Vaughan.

The agreement with Alectra must comply with the Ontario Energy Board's Affiliate Relationship Code. Therefore, the pricing and costing methodology will be 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 utility's rate of return.

In order to facilitate the contract negotiation process of the working group, the City of Vaughan requires an amendment to extend the current Shared Services Agreement which expires on December 31st, 2020, to December 31, 2021. The financial impact will be limited to a flat fee increase of 3%.

Financial Impact

The recoveries and costs associated with the shared services agreement were estimated and taken into consideration during the 2021 Operating budget process. The financial impact will be limited to a flat fee increase of 3%.

The Shared Services Agreement between the City of Vaughan and Alectra provides cost effective services to both organizations.

Broader Regional Impacts/Considerations

N/A

Conclusion

The Shared Services Agreement between Alectra and the City of Vaughan is reflective of services currently required and offers a continued opportunity for City of Vaughan to benefit from leveraging Alectra's functional expertise. Further, both organizations benefit from 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.

For more information, please contact: Dean Ferraro, Director of City Financial Services/Deputy Treasurer Ext. 8272

Attachments

N/A

Prepared by

Dean Ferraro,
Director of City Financial Services/Deputy Treasurer

Approved by



Michael Coroneos
Deputy City Manager,
Chief Financial Officer &
Treasurer

Reviewed by



Jim Harnum, City Manager