



# City of Richmond

## Report to Committee *Closed*

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**To:** General Purposes Committee  
**From:** George Duncan  
Chief Administrative Officer  
**Date:** March 2, 2017  
**File:** 01-0107-08-01/2017-  
Vol 01  
**Re:** **Update on Utilization of the One Administration / Five Businesses (1A5B)  
Program As a Means to Mitigate Additional Levels Operating Budget Costs**

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### Staff Recommendation

That the Report titled, Update on Utilization of the One Administration / Five Businesses (1A5B) Program as a Means to Mitigate Additional Level Operating Budget Costs, dated March 2, 2017 from the Chief Administrative Officer, be received for information, announced at the next Open Council meeting and placed on the City's website

George Duncan  
Chief Administrative Officer  
(604-276-4338)

## Staff Report

### Statutory Closed Meeting Criteria:

This report meets the following statutory closed meeting criteria:

90(1)(i) - the receipt of advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

### Recommendation on Disclosure

Report to be released for public disclosure.

### Origin

On January 26, 2015 Council endorsed the administration's Human Resources' deployment program which Staff refer to as the One Administration/Five Businesses Program (1A5B). 1A5B Program is a vehicle through which the administration is able to mitigate costs the City would otherwise incur in order to employ the resources needed to support the start-up and ongoing operation of new major programs, projects, and enterprises. Rather than incur additional level budget cost impacts to support City owned operations and major internal initiatives, select staff, based on relevant knowledge, skills, and ability, are requested to assume additional duties or to be assigned or, in some cases, seconded to temporary positions. The 1A5B concept has been utilized to various extents over a number of years to support assignments involving Richmond Library; Gateway Theatre; numerous internal City programs; the Olympic Business Office to plan the O Zone; and the start-ups of Richmond Olympic Oval Corporation (ROOC); Lulu Island Energy Company; and VROX Sport Simulation Ltd.

The Human Resources (HR) Department have just completed an HR utilization costing assessment project on the City's three owned, but not operated, enterprises. This costing information is helpful because understanding the costs that would otherwise be incurred if a solution such as the 1A5B Program were not available, will assist our understanding of the overall benefit and value of the program.

### Analysis

#### How are the Various Enterprises Managed?

ROOC is a subsidiary of the City of Richmond. VROX is a subsidiary of ROOC. The City of Richmond also owns Lulu Island Energy Company, as well as, other enterprises which operate arms-length from the City. In order to ensure a clear line of accountability and continuity in regard to the management of its various assets and associated business enterprises and in order to maintain consistency in their overall strategic direction, policies, and practices, the administration utilizes existing, well trained and consistent high performing internal resources.

Through 1A5B, select senior personnel from the City serve in key roles within the organizations owned by the City. The City’s external auditors, KPMG, have also been retained to serve as the official auditors of ROOC, VROX, and Lulu Island Energy Company (LIEC), thus ensuring consistency in standards, accounting practices, and oversight. Personnel who have professional credentials (lawyers, engineers, and accountants) and therefore must adhere to prescribed professional standards are also assigned to these tasks. Due to the fact that the officials who accept these special assignments with the City owned enterprises also hold key high profile positions with the parent company, the extent of their accountability is not limited to just how well they manage these secondary roles and duties. Failed performance or inappropriate conduct could place their primary job and reputations at risk. The 1A5B scenario significantly reduces operating costs. It also provides added protection for the City’s financial interests; better ensures continuity and consistency in regard to aligning management’s direction with Council Term Goals; and compels those called into service to recognize that they have a vested interest in the outcome and overall success of the enterprise. At the present time, the following duty assignments are in place:

Richmond Olympic Oval Corporation (ROOC) Board of Directors	<ul style="list-style-type: none"> <li>• Chief Administrative Officer</li> </ul>
Richmond Olympic Oval Corporation Corporate Officers and Senior Management	<ul style="list-style-type: none"> <li>• Chief Administrative Officer</li> <li>• General Manager, Finance &amp; Corporate Services</li> </ul>
Lulu Island Energy Company (LIEC) Board of Directors	<ul style="list-style-type: none"> <li>• Chief Administrative Officer</li> <li>• General Manager, Engineering &amp; Public Works</li> <li>• Director, Engineering</li> <li>• Director, Finance</li> <li>• Director, Administration &amp; Compliance</li> </ul>
VROX Sport Simulation Ltd Board of Directors	<ul style="list-style-type: none"> <li>• Chief Administrative Officer</li> <li>• General Manager, Engineering &amp; Public Works</li> <li>• Chief Operating Officer, ROOC</li> <li>• Director, Finance &amp; Corporate Services, ROOC</li> </ul>
VROX Sport Simulations Management	<ul style="list-style-type: none"> <li>• Director, Finance &amp; Corporate Services, ROOC</li> <li>• Controller ROOC</li> </ul>
Richmond Olympic Oval Corporation (ROOC) Management	<ul style="list-style-type: none"> <li>• Chief Administrative Officer</li> <li>• General Manager, Finance &amp; Corporate Services</li> </ul>
Lulu Island Energy Company (LIEC) Management	<ul style="list-style-type: none"> <li>• General Manager, Engineering &amp; Public Works</li> <li>• Director, Engineering</li> <li>• Director, Finance</li> <li>• Director, Administration &amp; Compliance</li> <li>• Senior Manager, Sustainability &amp; District Energy</li> </ul>

**Note:** The above noted staff appointments will change as the need for specific expertise, experience, or task fatigue dictates. These assignments will also be utilized for succession planning purposes.

The alternative to utilizing existing staff, which would entail hiring additional resources and/or retaining consultants and contractors, would be costly and prove to be a prohibitive factor when considering the pursuit of new opportunities. Costs avoided through utilization of 1A5B are reflected in the following charts:

**Essential and Other Roles - Cost Savings by Year**

SUMMARY OF ALL DATA	Total cost up to date	2016	2015	2014	2013	2012	2011	2010	2009	2008
District Energy Total	\$ 2,206,289	\$553,098	\$515,088	\$ 352,933	\$ 221,329	\$ 220,317	\$ 220,768	\$122,755	\$ -	\$ -
Oval Corporation Total	\$ 1,933,854	\$279,926	\$268,003	\$ 228,983	\$ 226,495	\$ 224,394	\$ 149,385	\$197,771	\$ 180,337	\$ 178,560
VROX Total	\$ 280,065	\$ 97,570	\$ 96,128	\$ 86,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

total: \$ 4,420,208 \$930,594 \$ 879,219 \$ 668,283 \$ 447,824 \$ 444,711 \$ 370,153 \$ 320,526 \$ 180,337 \$ 178,560

**Essential Roles only - Cost Savings by Year**

	Total cost up to date	2016	2015	2014	2013	2012	2011	2010	2009	2008
District Energy	\$ 2,156,289	\$543,098	\$505,088	\$342,933	\$211,329	\$210,317	\$220,768	\$122,755	\$ -	\$ -
Oval Corporation	\$ 1,366,530	\$139,453	\$138,639	\$137,574	\$136,658	\$135,884	\$135,248	\$184,178	\$180,337	\$178,560
VROX	\$ 280,065	\$ 97,570	\$ 96,128	\$ 86,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

total: \$ 3,802,883 \$780,122 \$739,854 \$566,873 \$347,987 \$346,201 \$356,016 \$306,933 \$180,337 \$178,560

**Other Roles - Cost Savings by Year**

	Total cost up to date	2016	2015	2014	2013	2012	2011	2010	2009	2008
District Energy	\$ 50,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -
Oval Corporation	\$ 567,325	\$140,472	\$129,365	\$ 91,410	\$ 89,837	\$ 88,510	\$ 14,137	\$ 13,594	\$ -	\$ -
VROX	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

total: \$ 617,325 \$150,472 \$139,365 \$101,410 \$ 99,837 \$ 98,510 \$ 14,137 \$ 13,594 \$ - \$ -

The chart reflects that from 2008 until 2016 the total costs avoided by utilizing the 1A5B Program are approximately \$4.42million or \$491,134 per year over nine (9) years. Costs presented in the charts also do not include costs that would have been incurred for recruitment, orientation or training. In addition to the cost savings noted above, there is a less tangible, however, nonetheless valuable benefit, that is derived from the professional development and personal growth of those Staff who participate in the program. Eventually, the benefits will include increased capacity of the City's succession plan and deeper HR bench strength that will be realized through the experience and knowledge they gain.

External Complaint - Regarding the Utilization of City Employees to Perform Duties on Behalf of City Owned Enterprises

The City recently received correspondence (FOI request) which suggests that a senior manager from the City was in a conflict of interest due to having served in a temporary role performing duties for the Richmond Olympic Oval Corporation. Although confident that a conflict did not occur, Staff sought an expert external legal opinion. The legal opinion indicates that not only do these types of assignments not represent a conflict of interest; they provide a prudent means for the parent company to ensure the arms-length entity is operating in a manner that would meet the parent company's expectations and serve its best interests. The legal opinion indicates that this

positive perspective applies to both governance and management situations for which Staff serve on boards and/or in management functions, respectively. It is based on the objectives and best interests of the parent company being paramount that City and/or Oval senior management staff, who are familiar to Council and proven performers, are assigned to serve in specific roles with the subsidiary type businesses. This is preferred over hiring new resources who would not have a proven track record or established relationships within the parent organization. These assignments are accepted as being additional duties and responsibilities that will be delegated from time to time at the discretion of senior staff. In some instances, the selected Staff resource would not have the option to decline and most certainly do not create a conflict of interest if they accept. It should also be noted that in some instances Staff from the subsidiaries are assigned to perform work for the City.

Please note that although not a legal or accounting requirement, our practice has been to charge labour costs back to the enterprise which utilized, and therefore benefited from, the services. Therefore, some chargebacks between the City and ROOC may be reciprocal. Staff; however, plan to review the extent of this practice and the thresholds at which it is activated to determine if there is sufficient merit and benefit to continue. Please refer to some examples provided in the chart below:

Items	2016		2015		2014	
	City Charged to Oval	Oval Charged to City	City Charged to Oval	Oval Charged to City	City Charged to Oval	Oval Charged to City
<b>Salary Portion</b>						
HR - Compensation & Benefits Specialist	\$38,457	0	\$67,671	0	\$51,043	0
Museum Curator	\$16,052	0	0	0	0	0
Special Project Manager	\$71,716	0	\$137,946	0	\$134,050	0
Engineering Dept - Technical Advisor	\$24,504	0	0	0	0	0
CPMG & Sport Hosting (net)	0	\$119,562	0	\$120,473	0	\$87,996
GM / SMT	0	\$52,125	0	0	0	0
Director Finance & Corporate Administration	0	\$42,401	0	0	0	\$70,000
	0	0	0	\$48,475	0	0
<b>Subtotal</b>	<b>\$150,728</b>	<b>\$214,088</b>	<b>\$205,617</b>	<b>\$168,948</b>	<b>\$315,930</b>	<b>\$157,996</b>
<b>Management Fee / CAO</b>						
Oval management fee	\$73,250	0	\$66,880	0	\$64,870	0
<b>Subtotal</b>	<b>\$73,250</b>	<b>0</b>	<b>\$66,880</b>	<b>0</b>	<b>\$64,870</b>	<b>0</b>
<b>Management Fee</b>						

CFO Fee	\$20,000	0	\$22,000	0	\$22,000	0
Management Fee - Museum Support	0	0	\$12,000	0	\$12,000	0
Senior Management Support, Deputy CAO, GM Eng & PW	0	0	\$12,000	0	\$12,000	0
Subtotal	\$20,000	0	\$46,000	0	\$46,000	0
Total	\$243,978	\$214,088	\$318,497	\$168,948	\$426,800	\$157,996

Based on the issues that have come to our attention, Staff concluded that some people may have objections to the City establishing arms-length enterprises and utilizing City staff to serve in governance and/or management capacities. However, recognizing that the Provincial Government has been very deliberate in providing opportunities for Local Governments to establish arm's length governed and managed enterprises such as ROOC, it appears that any objections raised are a result of not understanding the purpose and benefits. As a result the City is taking steps to provide more background information on the City's enterprises, including references in the respective Annual Reports and on the City's and other relevant websites.

**Financial Impact**

N/A

**Conclusion**

The practice of establishing arms-length governed and/or managed enterprises and to periodically assign resources to perform duties on behalf of any directly or indirectly owned City organizations which has been in place in Richmond since the 1960s should continue as the cost savings and other benefits in general, are considerable.



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