

**Unionville Business Improvement Area
Executive Summary – Financial Update
March 19, 2011**

Distribution to:

**Mayor Frank Scarpitti
Town of Markham Council
Markham Regional Council
Commissioner, Corporate Services
Treasurer
Town Clerk
Town Solicitor**

On February 23, 2011, a general meeting of the membership of the Unionville Business Improvement Area (UBIA) was held. The purpose of this meeting was to update the membership of the UBIA on the financial condition of the organization together with certain matters determined as a result of a review conducted subsequent to the establishment of a new UBIA Board of Management on January 19, 2011. A copy of the report together with a draft Statement of Operations for the year ended December 31, 2010 prepared and delivered to the membership is attached as Appendix A & B to this Executive Summary for your review.

Key issues arising from the review follow.

Key Issues

- Accumulated Deficit (Debt to Town of Markham) as at December 31, 2010 amounts to in excess of \$90,000.
- Material guaranteed price contract in excess of \$200,000 for bus transportation services with Urban Inc. entered into without approval by both Board and membership.
- Urban contract not shared with Board, membership and Town despite requests.
- Funding not in place to cover the guaranteed cost of this material contract in advance of entering into the contract.
- Budget earlier approved by membership and subsequently by Council in May, 2010 did not include or disclose the Urban Inc. contract despite the fact that it had been entered into in March 2010.
- Gross misrepresentation by Greg McCormick to Town staff for over 5 months (August, 2010 – February, 2011) regarding grant funding secured to cover the deficiency that had been generated by disbursements to Urban Inc.
- No grant funding applications to cover the costs of the bus project in 2010 were ever submitted.
- Lack of governance controls within UBIA.
- Communication lacking regarding financial status (deficit/overspending) between Town staff and Council.

- Greg McCormick and Tracey McKinnon's complete lack of cooperation regarding response to requests and transfer of information subsequent to January 19, 2010.
- Subsequent to February 23, 2011 report, an investigation of Heritage Unionville operations, an incorporated not for profit organization operated by McCormick and McKinnon as a form of service provider to the UBIA, has been conducted regarding amounts billed by the UBIA to the UBIA membership that have been diverted directly to a separate Heritage Unionville bank account. To date, we have been unable to obtain any cooperation regarding accountability of Heritage Unionville's activities regarding the above despite our demands for information. We have recently engaged legal representation to consider our next steps. We would welcome the Town's participation in this investigation.

Summary

The present UBIA has been left with a deficit of approximately \$90,000. Our request of Council and Staff is to retire the deficit over a 6 year period at the rate of \$15,000 per year. With the support of Council and Staff, the current Board is confident its new strategic direction, a direction with fundamental principles of transparency, partnership, inclusiveness and fiscal responsibility, will result in an exemplary, successful UBIA. Councillor Hamilton and Bill Dawson have met with Town Finance staff to address current deficiencies in procedures regarding UBIA financial matters. Staff will be bringing forth suggested improvements to protocol in dealing with BIA's to prevent any recurrence of the aforementioned issues.

We will be sharing our plans and further update with our membership on Wednesday, March 30. We welcome the opportunity of coming before General Committee to discuss the contents of this Executive Summary and the attached Report.

Rob Kadlovski
Don Hamilton

Eddie Mariani
Jim Jones

Tony Lamanna
Joe Virgilio

Dave Conway
Bill Dawson

UBIA Board of Management and Transition Team

**Unionville Business Improvement Area Members Meeting
Transition Team Financial Update
February 23, 2011**

Thanks, Rob. Good evening. And thank you for taking the time to be with us tonight for what we consider an extremely important information session.

It was just 35 days or 5 weeks ago this evening that your UBIA membership elected a new Board of Directors namely Rob Kadlovski, Eddie Mariani, Tony Lamanna and Dave Conway. That new Board established a Transition team of the Board together with Elizabeth Plashkes, Joe Virgilio and myself to effect an orderly transition from the outgoing executive and to commence work on strategic planning and governance proposals to be brought before the membership. The Board and its transition team have undertaken to seek input, guidance and support from all members of the UBIA and the Town of Markham in carrying out this transition process.

In order to work on strategic planning for the future, we needed to get a better handle on the current circumstances, in particular the current financial status of your UBIA. You may recall that 35 days ago at that meeting where your new Board was elected, 2011 UBIA Tax Levy was tabled for approval prior to the election of your new Board. At that time the membership had not been provided a financial status of its organization with which it could make an informed decision on a proposed Levy or evaluate the financial performance of the organization. The membership agreed to defer the issue of establishing the 2011 Levy until after the new Board was elected and had had an opportunity to review the financial affairs of the organization. Tonight you will be provided with that financial status. It is the fiduciary responsibility of your Board and its Transition Team to provide this to you. We expect that you will have many questions and certain reactions. We will be able to respond to many of the questions we anticipate from you and we will be providing you with some proposed solutions to the circumstances that have been left behind for us to deal with. This new organization is committed to nothing less than complete transparency in all affairs relating to your UBIA.

We want to assure you that in determining the current financial status of your UBIA, The Town of Markham's Mayor Frank Scarpitti, Commissioner of Corporate Services Andy Taylor, Treasurer Joel Lustig, the financial office, the clerk's office and the legal office all have been very cooperative and accommodating in assisting us with this determination of the financial status of your UBIA. We have put our report together with the Town as the partner an effective UBIA will have.

Unfortunately, we have not experienced a satisfactory level of cooperation from certain of the former UBIA Executives.

Tonight we have one Exhibit we are sharing with you. This Exhibit is in Draft as the final financial status will not be established until a few substantive items are finalized which I will speak to. Ultimately the financial statements of the UBIA will be audited by the Town's auditors, KPMG, and presented to the membership.

During the Year Ended December 31, 2010, your UBIA is currently projected to have generated an annual operating deficit of \$99,167. In other words, \$99,167 was spent or committed to in excess of the financial resources it had available to it during that year. The accumulated deficit is projected at \$91,283 as a result of a surplus of \$7,884 carried forward from 2009.

This projected financial status includes certain provisions and settlement proposals included in the following discussion.

How can this happen is a reasonable reaction.

The normal process for a BIA is to prepare an annual budget that projects its financial plan for the year. That annual budget is required under Municipal law to be presented at a full membership meeting. It is also required, under Municipal Law, that the annual budget be approved by the General Committee of Council. It is that budget that is used as a basis to establish the annual Special BIA Tax Levy that is generally approved by the membership at a General Meeting of the Membership and, once approved, is administered by the Town. A budget, as set out in the right hand column of this Exhibit, was presented to the membership at its January, 2010 General Meeting at which both it and the annual Levy were approved. This budget was subsequently submitted to the Town's Financial Planning department for submission to the General Committee of Council and was approved on May 17, 2010. This budget projected a NIL accumulated surplus or deficit at December 31, 2010. The actual is projected to be a \$91,283 accumulated deficit.

The most material transaction entered into during 2010 was that of a contract with Urban Inc. for the provision of a complimentary bus shuttle service from downtown Toronto to Main Street Unionville. Together with the provision of the shuttle service, the contract included marketing and promotional initiatives geared towards attracting traffic to Unionville as well as a full bus wrap clearly identifying and marketing/promoting Unionville as a destination. The contract that was entered into included a fixed guaranteed minimum fee under the terms of the contract for \$200,000. In addition, a further \$4,950 of services for Double Decker Buses were contracted. The total contract that was entered into was for a minimum guaranteed amount of \$204,950 excluding taxes. An amount that singularly exceeded the annual UBIA tax levy. How was this significant commitment to have been funded?

On March 11, 2010 an Executive Meeting of the UBIA was held. At that meeting, the minutes note that a Unionville Tourism Pilot Project was discussed and that following that discussion two Motions were carried. The first Motion read...."That the Unionville BIA move forward to negotiate a service to provide a tourism shuttle between Downtown Toronto and Unionville for 2010 including a marketing and advertising program". The second Motion

read...."That the UBIA expend \$50,000 plus tax on an initial advertising purchase for the shuttle service, from the advertising budget".

A \$50,000 payment was made on March 17, 2010 to Urban Inc. On March 31, 2010, the contract for \$204,950 (\$50,000 of which was covered by the March 17 payment) with Urban Inc. was entered into between Urban Inc. and the UBIA.

These minutes and motions from March 11 record the intent to negotiate a service and the approval of a payment for advertising services.

There appear to be no minutes of any meeting subsequent to that of the March 11 meeting referred to above, that reflect an approval of the Urban Inc. contract by the Board or its Membership. In fact, there appears to be no reference to any financial amount relating to this contract with Urban Inc. or even to Urban Inc. in the minutes of any meeting of the Board or its membership. This material contract was entered into in March, 2010. The budget presented to its membership in January, 2010 was the same budget that was presented and approved by Council in May, 2010. That budget did not include the expenditure impact of this contract nor any planned sources of funding that would cover the costs associated with this material contract. Other than, perhaps, the \$50,000 allocated to "advertising budget" which presumably was included in the budgeted "Discretionary Expenditures". Fiduciary responsibility would suggest that a commitment of this magnitude ought to have been at a minimum addressed with the membership regarding planned funding of the costs to be incurred on a guaranteed minimum contract. Further, a material change of this magnitude ought to have been reflected in the budget presented to Council in May. The Urban Inc contract had already been entered into at the time Council both discussed the UBIA budget for 2010 and approved it. The Town's finance department, who provide a budget monitoring, bookkeeping and treasury function for the UBIA, provided correspondence requesting a copy of the contract and the total cost of the contract. The Town was not provided a copy despite their requests and were told that the "Agreement" with Urban Inc. was an "Ad Buy".

The Exhibit presented sets out that during 2010, \$151,381 was paid to Urban Inc. under the caption Bus – Paid. The contract entered into required payments aggregating \$204,950. Upon learning of the outstanding arrears on a binding contract, the new UBIA leadership has had a number of discussions with the principals of Urban Inc. However, on Wednesday of last week we received a letter from their legal Counsel demanding payment of all outstanding amounts, \$65,000, citing breach of contract. We have pursued a settlement agreed amount regarding the matter and this afternoon reached an agreement to settle all outstanding amounts together with a full and final release for a payment amount of \$27,500. We have included this settlement amount under the caption Bus – Settlement Proposal.

Regarding the matter of sources of funding to cover the cost of this contract, there is correspondence to suggest that it was the intention of the prior Board to apply for provincial, federal or other grants to cover some large part of the cost of this contract. On September 30, 2010, the Town's finance staff began to seek explanations for what by then was a mounting deficit. The response to the Town's requests was that "sponsorship dollars

"were coming in to cover so that a small surplus would result at the end of the year". Included in those "sponsorship dollars" was an amount of \$51,300 from the Government of Canada re advertising & promotion to be received in December, 2010. We could only assume, at first, that this was coming from some form of Grant application. In early December, the Town finance staff again followed up on the status of receipt of this \$51,300 amount and were provided with the response....."waiting for receipt anytime December or early January". On January 25, 2011, the Town was provided with communication that a Government of Canada grant in the amount of \$58,800 was now expected in February, 2011. On February 1, 2011, the finance staff met with the former Chair of the UBIA. At this time, the Town was informed that that no application for a grant from the Government of Canada had been submitted and that no funds would be forthcoming. This chain of events demonstrate that the facts regarding this funding amount were misrepresented from September, 2010 through to February, 2011.

On February 1, 2011 the Town was also informed that a grant for \$76,000 had been submitted in late January, 2011 to the Ontario Ministry of Tourism, for a 2011 program and then withdrawn. It was subsequently discovered that the application was withdrawn because funding from that program was closed until April, 2011 at the earliest.

The Exhibit references that certain amounts, in aggregate \$4,830, from grants that were successfully obtained for expenditures relating to specific events, namely the Celtic Festival 2010 and Little Oktoberfest 2010, have not been included in the determination of the Accumulated Deficit. Grants successfully obtained are generally funded in advance of the events they are meant to fund with a holdback, usually 10%, provided on the basis of acceptance of the submission of a Final report that outlines that the event has met the requirements of the grant. The final reports for the two grants that were obtained for events that were held in July and October, 2010 were not submitted until January, 2011. After a number of unsuccessful attempts to obtain these final reports, we have recently obtained them directly from the funding organizations. Having reviewed these reports, we are concerned with certain of their financial content and are in dialogue with the administering agencies. We are hopeful that we will obtain these final holdback amounts but have conservatively chosen not to reflect them as accrued receipts in the projection in our Exhibit. In the event that these amounts are released to the UBIA, the accumulated deficit will be reduced accordingly.

In due course, we will be proposing that the membership consider the employment of an independent full time Business Manager to manage the operations of your UBIA. It has been suggested that the UBIA can't afford paid staff. Some of you may have asked - where will we find someone else who would do all of this for free? In the interest of full disclosure, and in order to illustrate that the organization is already paying for staff services, we offer the following information. In 2010, in addition to Office Expenses amounting to \$14,495, an aggregate amount of \$42,405 was expended on what we have categorized as Contracted Services to 4 service providers, namely GMTM, an organization called Heritage Unionville, Kevin Houlihan and James Keena. A review of invoices relating to these aggregate payments indicates that these parties were engaged by the UBIA to provide advertising, promotion, marketing, event coordination, tourism partnership, grant application and other

management, consulting and administrative services. All of which could be part of the job description of a full time Business Manager. Similar amounts were expended to these parties in 2009. We suspect that much of the same would be determined should be look further back.

Finally, a few words about our discussions with the Mayor and Town senior officials regarding our projected financial status. They are fully apprised of our projected deficit in excess of \$90,000. While the circumstances are unpleasant, they are committed to working in partnership with our new UBIA to help us achieve a strong, transparent, cooperative, collaborative organization that is dedicated to achieving much more. The Town has agreed, **subject to the approval of Council**, that the \$90,000 deficiency can be repaid over 6 years at an annual rate of \$15,000, an amount that equates to approximately 7.5% of the current annual Levy. In addition, the Mayor personally has committed that he will assist us with additional event funding of up to \$6,000 per year over each of the next 4 years through special sponsorship programming through his foundation. What this means is that the Transition Team is confident, subject to your continuing support, that we can start to put together a strategic plan and a program for 2011 with a Levy unchanged that will not only deliver what has been but much, much more and I will leave it to Rob to speak to that.

This report together with the Exhibit will be made available to you in a Members Section of our website soon. In the meantime it will be circulated to you by email.

Thank You.

Questions.

DRAFT

Appendix B

Unionville Business Improvement Area Statement of Operations and Change in Accumulated Surplus (Deficit) Year ended December 31, 2010

	Actual	Membership and Council Approved Budget
Revenue		
Members Tax Levy - Net of Rebates for Unoccupied Space	\$196,425	\$194,500
Sponsorship Funding	31,604	23,500
Celebrate Ontario Grant (Oktoberfest) - Excludes Potential Final Receipt of \$3,500 Based on Final Report Submitted	31,500	
Ministry of Tourism Grant (Celtic Festival) - Excludes Potential Final Receipt of \$1,330 Based on Final Report Submitted	11,970	
Celebrate Markham Grant (Old Tyme Christmas)	6,500	6,500
	277,999	224,500
Expenses		
Discretionary Expenditures		127,559
Event Promotions		77,000
Street Beautification		15,000
Office Expenses (Includes Professional & Audit Fees)		12,825
Bus - Paid	151,381	
Bus - Settlement Proposal	27,500	
Entertainment	60,081	
Advertising, Marketing and Promotion	70,304	
Contracted Services	42,405	
Office Expenses	14,495	
Contribution to Unionville Festival Committee	6,000	
Accrual for Additional 2010 Expenses	5,000	
	377,166	232,384
Deficit for the year	(99,167)	(7,884)
Accumulated surplus, beginning of year	7,884	7,884
Accumulated surplus (deficit), end of year	\$ (91,283)	\$0