

FINANCE, ADMINISTRATION AND AUDIT COMMITTEE – MARCH 4, 2019

COMMUNICATIONS

Distributed March 4, 2019

Item

C1. Memorandum from the Director of Internal Audit dated March 1, 2019.

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Distributed March 4, 2019 (at the meeting)

C2. Presentation material titled "*Legal Services Audit*".

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C3. Presentation material titled "*Corporate Asset Management Policy*".

2

C4. Presentation material titled "*Digital Billboard Plan*".

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memorandum

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COMMUNICATION
 FAA - MAR 4/19
 ITEM - 1

DATE: March 1, 2019

TO: Honourable Mayor Bevilacqua and Members of Council

FROM: Kevin Shapiro, Director of Internal Audit

RE: **ITEM 1, OF THE MARCH 4, 2019 FINANCE, ADMINISTRATION AND AUDIT COMMITTEE**

Purpose

To provide additional information as it relates to audit observation #2, located on page 12 of the agenda.

Additional Information:

Since the time the audit report was published on the agenda, it was brought to our attention that a separate business unit was created in 2014 to capture external legal counsel expenditures related to OMB hearings, now LPAT hearings. The following information was provided to Internal Audit by the Financial Planning & Development Finance department comparing budget to actual spend for these expenditures:

Account	Budget	Actual	Variance	Year
LPAT Hearings	\$1,180,000	\$1,457,518	(\$277,518)	2014
LPAT Hearings	\$1,080,000	\$917,687	\$162,313	2015
LPAT Hearings	\$960,000	\$729,965	\$230,035	2016
LPAT Hearings	\$900,000	\$859,719	\$40,281	2017
LPAT Hearings	\$400,000	\$777,719	(\$377,719)	2018
Total	\$4,520,000	\$4,742,608	(\$222,608)	Total

Based on this new information, external legal counsel expenditures can be restated as follows:

Account	Budget	Actual	Variance	Year
LPAT Hearings and Professional Services	\$1,035,719 (\$135,719+\$900,000)	\$1,293,898 (\$434,179+\$859,719)	(\$258,179)	2017
LPAT Hearings and Professional Services	\$605,719 (\$205,719+\$400,000)	\$1,242,241 (\$464,522+\$777,719)	(\$636,522)	2018
Total	\$1,641,438	\$2,536,139	(\$894,701)	Total

The revised information provides further support for the audit recommendations outlined on agenda page 13.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read 'K. Shapiro'.

Kevin Shapiro CIA CFE CRMA
Director, Internal Audit

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FAA - MAR 4/19
ITEM - 1

Legal Services Audit

FA&A Committee – Monday March 04, 2019



Today's Presentation

- Audit Objective, Scope and Methodology
- Audit Conclusion
- Audit Observations
- Management Action Plans
- Next Steps
- Questions



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Audit Objective

- To evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with the administration and use of legal services.



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Audit Scope & Methodology

- Review of strategic goals, objectives, policies and procedures and management oversight
- Use of technology
- Staff interviews
- The scope of the audit covered department activities for the period of January 2017 to December 2018.

Not in Scope: → Real Estate Department



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Audit Conclusion

- Improvements are required to ensure risks related to the execution of Legal Services activities are efficiently and effectively mitigated, while better supporting the City's strategic plan and corporate initiatives.



Issues and Observations

The following opportunities were identified:

1. Reevaluating the strategic vision, mission, roles and responsibilities, and organizational placement of the department to better align with and to advance corporate objectives.
2. Determining the optimal level of resources, staff complement and composition of the Legal Services department.



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Issues and Observations

3. Acquiring the appropriate tools and resources to improve department planning, business processes and service delivery.
4. Establishing Key Performance Indicators (KPIs) to measure department performance.



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Management Action Plans

- A competency-based recruitment process for the City Solicitor is currently underway.
- Corporate Services is actively supporting the Office of the City Solicitor by ensuring business continuity. We are currently recruiting for key vacant legal positions.
- The previous City Solicitor had retained a consultant to review workflows and workloads for the department. Management will refresh the consultant's report to current state and integrate the audit observations. Our focus is to have ready to implement recommendations for the new City Solicitor.



Next Steps

- Action plans have been developed.
- Implementation is underway.
- Internal Audit will follow up and report on the status of these action plans.



Questions?



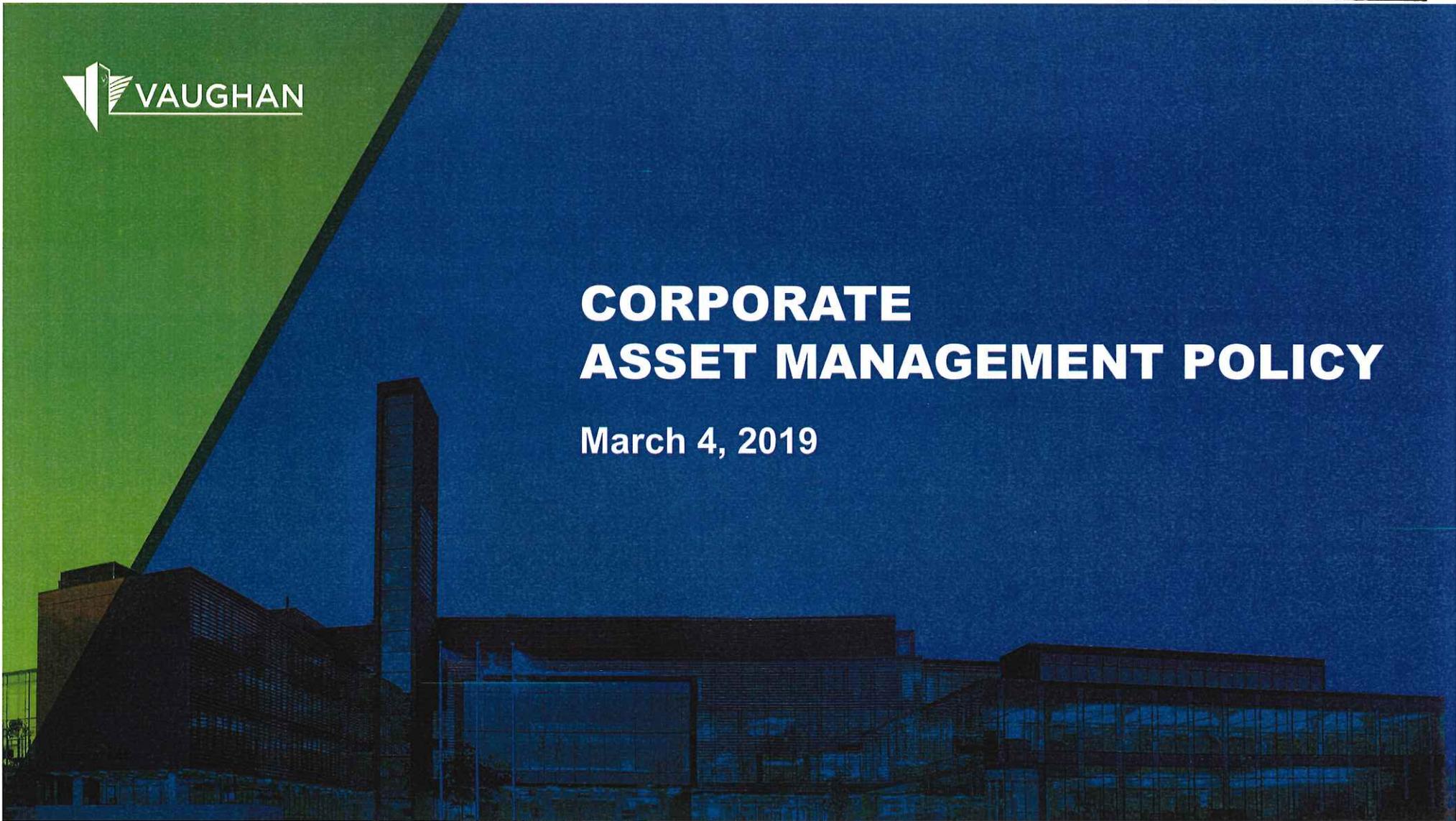
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CORPORATE ASSET MANAGEMENT POLICY

March 4, 2019



Why An Asset Management Policy?

Vaughan's community development will add **95,000 people** and **48,000 jobs** by 2031



The City's plan to **invest \$720.5 M** over the next 10 years in development-related capital programs and an **additional \$2.1 B** in capital for City-wide engineering services and development-related infrastructure



65% of the City's infrastructure is estimated to be in fair condition



O.Reg 588 requires municipalities to have an asset management policy complete by **July 1, 2019**



Increased reinvestment rates will stop the deterioration and save money in the long-term



All communities benefit from increased attention to infrastructure needs

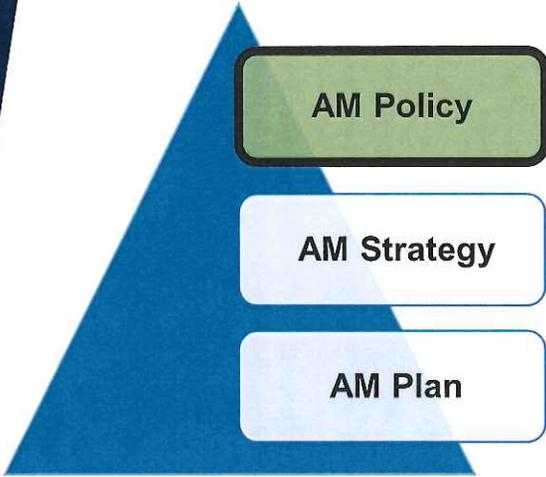
The City owns and manages over **\$4 B** of community infrastructure



Deteriorating infrastructure increases the risk of service disruption



Corporate Asset Management



AM Policy

- Principles, requirements and responsibilities
- Linked to organizational strategic objectives
- Outcome: alignment

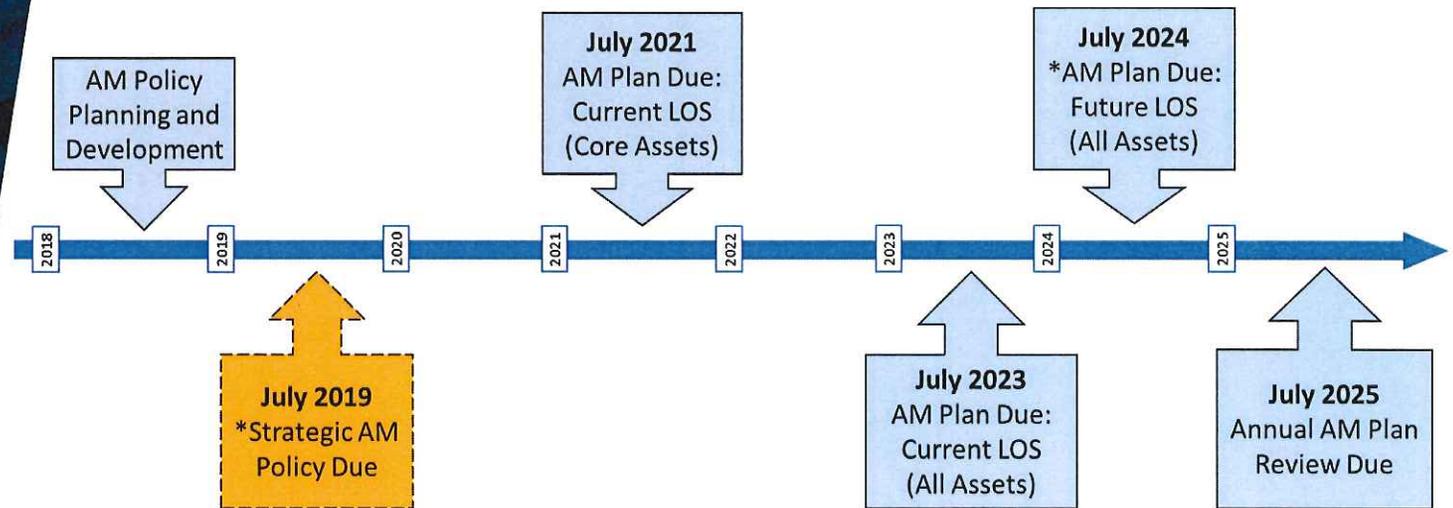
AM Strategy

- Action plans for improvement
- Audit and review processes
- Outcome: direction

AM Plan

- Asset and service descriptions
- Levels of service (LOS), life cycle activities, financial forecasts
- Outcome: coordination

Regulation Timelines



 CAM Efforts, Internal Resources

 O.Reg 588/17: Asset Management Planning for Municipal Infrastructure Requirement

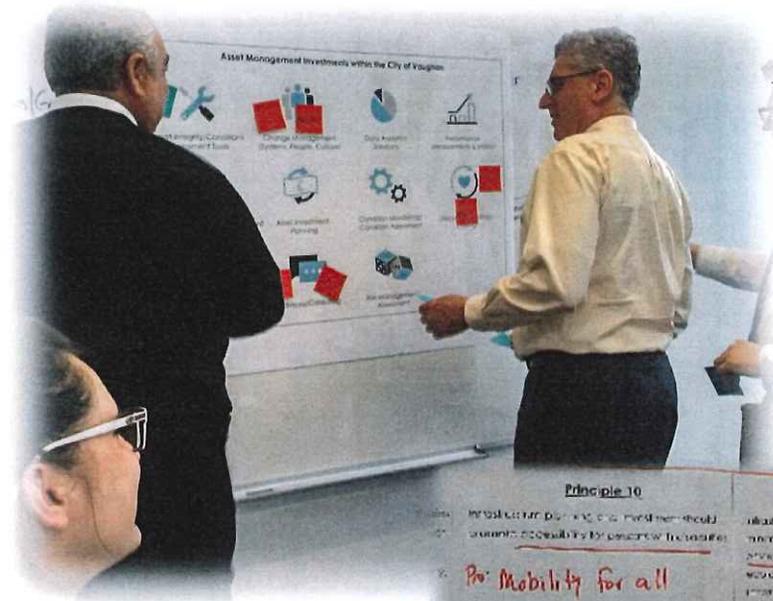
Core Assets = Water, Wastewater, Stormwater, Roads, Bridges, and Culverts

* Required every 5 years

LOS = Levels of Service

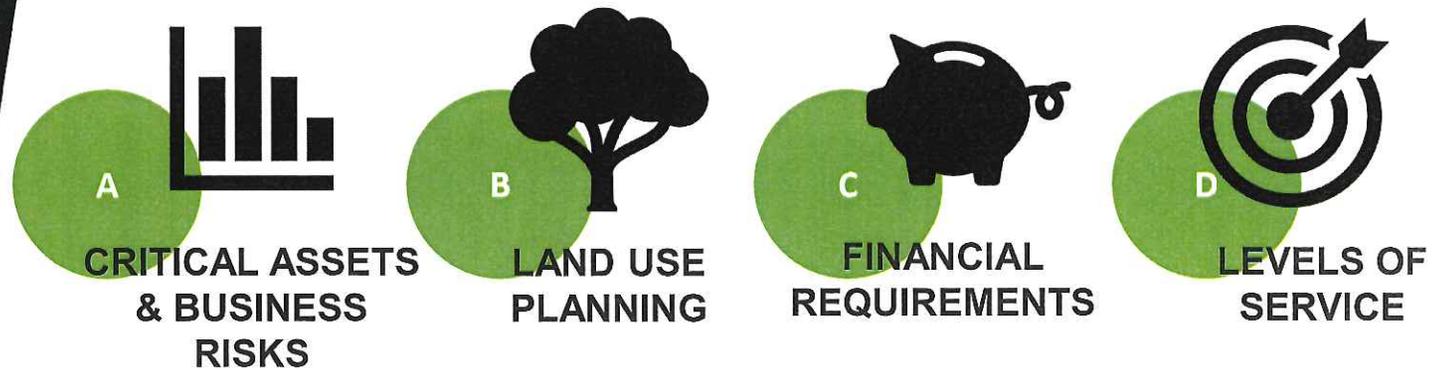


How We Got Here



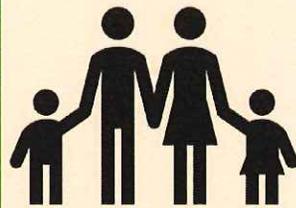
Principle 10	Principle 11	Principle 12	Principle 13
<p>Investment planning and maintenance should be done in a way that ensures the long-term viability of the asset.</p> <p>Pro: Mobility for all</p> <p>Good</p> <p>City to tie principles</p> <p>Con: Cost</p> <p>- timely to re/infilt</p> <p>- defined in ACDA, align with it</p>	<p>Infrastructure planning and investment should be done in a way that ensures the long-term viability of the asset.</p> <p>Pro: Environmental protection</p> <p>- foster practical sol^s</p> <p>- combat long term effects of climate change</p> <p>Con: Cost / ROI</p> <p>- climate change resiliency is nice, some not mandatory/standards</p>	<p>Infrastructure planning and investment should be done in a way that ensures the long-term viability of the asset.</p> <p>Con: Historical performance has been an issue</p> <p>City to define what climate that this applies to (urban/suburban/rural)</p> <p>Pro: No more aggregate pits</p> <p>- industry specifications need to be developed to support this</p>	<p>Infrastructure planning and investment should be done in a way that ensures the long-term viability of the asset.</p> <p>Pro: great principle but how do we demonstrate this</p>

Focused Sub-Policies



PROCEDURES & COMMUNICATION
(10 Step AM Planning Process)

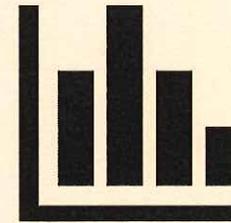
Policy Principles



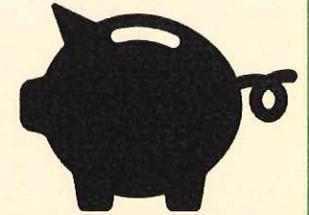
**Citizen
Focused**



**Service
Focused**



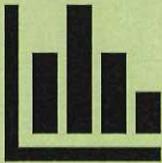
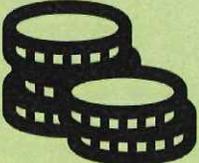
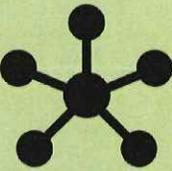
Risk-based



**Value-based
Affordable**



Where Are We Going?

 <p>Working Together</p>	 <p>Lifecycle Planning</p>	 <p>Service Delivery Needs</p>	 <p>Sustainable Funding Model</p>
 <p>Environmental Sustainability</p>	 <p>Information Management</p>	 <p>Integrated Decision System</p>	 <p>Compliance</p>



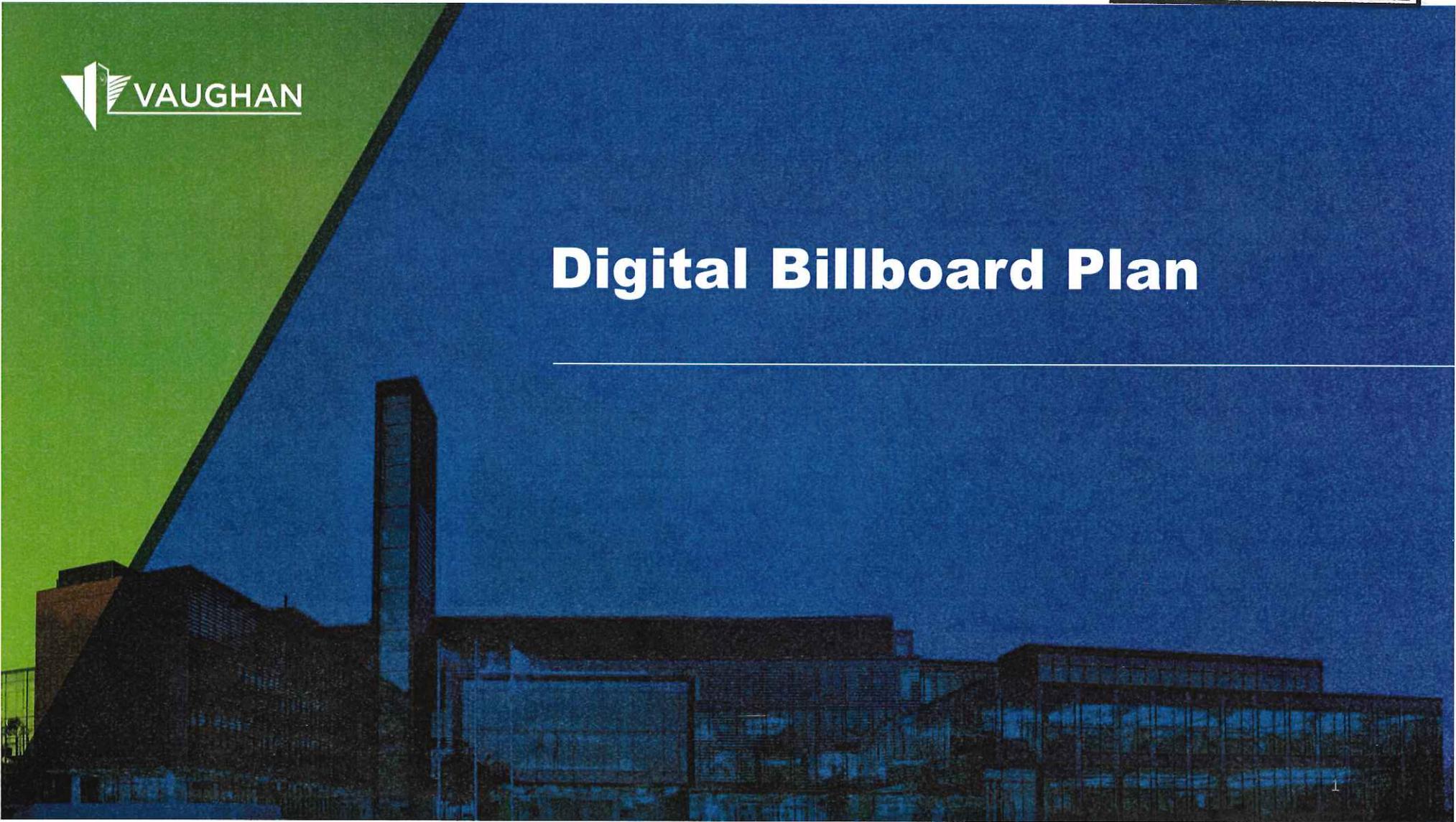
Questions?



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Digital Billboard Plan





Background and Context

- May 2018 Committee Meeting
- Steps taken after May 2018 Meeting:
 - Due diligence - re-assessed site selection criteria
 - Identified seven (7) good opportunity sites across the City
 - Consulted with Mayor and Members of Council
- Developed Multi-Year Digital Billboard Plan



Why are we doing this?

- New communication vehicle and asset, at no cost
- Expand communication messages to public, at no cost
- New source of revenue for the City
- Revenues can be used to Maintain or Enhance City service levels, and infrastructure investments



What's out there?



Vaughan



Ottawa



Mississauga/Oakville



Milton

What did we hear?

- Overall, a strong sense of support for the proposal
- Important initiative to generate non-taxation based revenue for the maintenance and expansion of City services
- City is urbanizing and intensifying at a rapid rate. City should drive new innovative opportunities (private sector is already doing so)
- Using digital billboards as a communication vehicle is a community benefit
- Due diligence must be taken to mitigate community impact, including complying with City's sign by-law and industry standards as it relates to content, illumination, size and distance
- Openness and transparency with community and ratepayers associations
- Reviewing content of ads – support for a policy approach



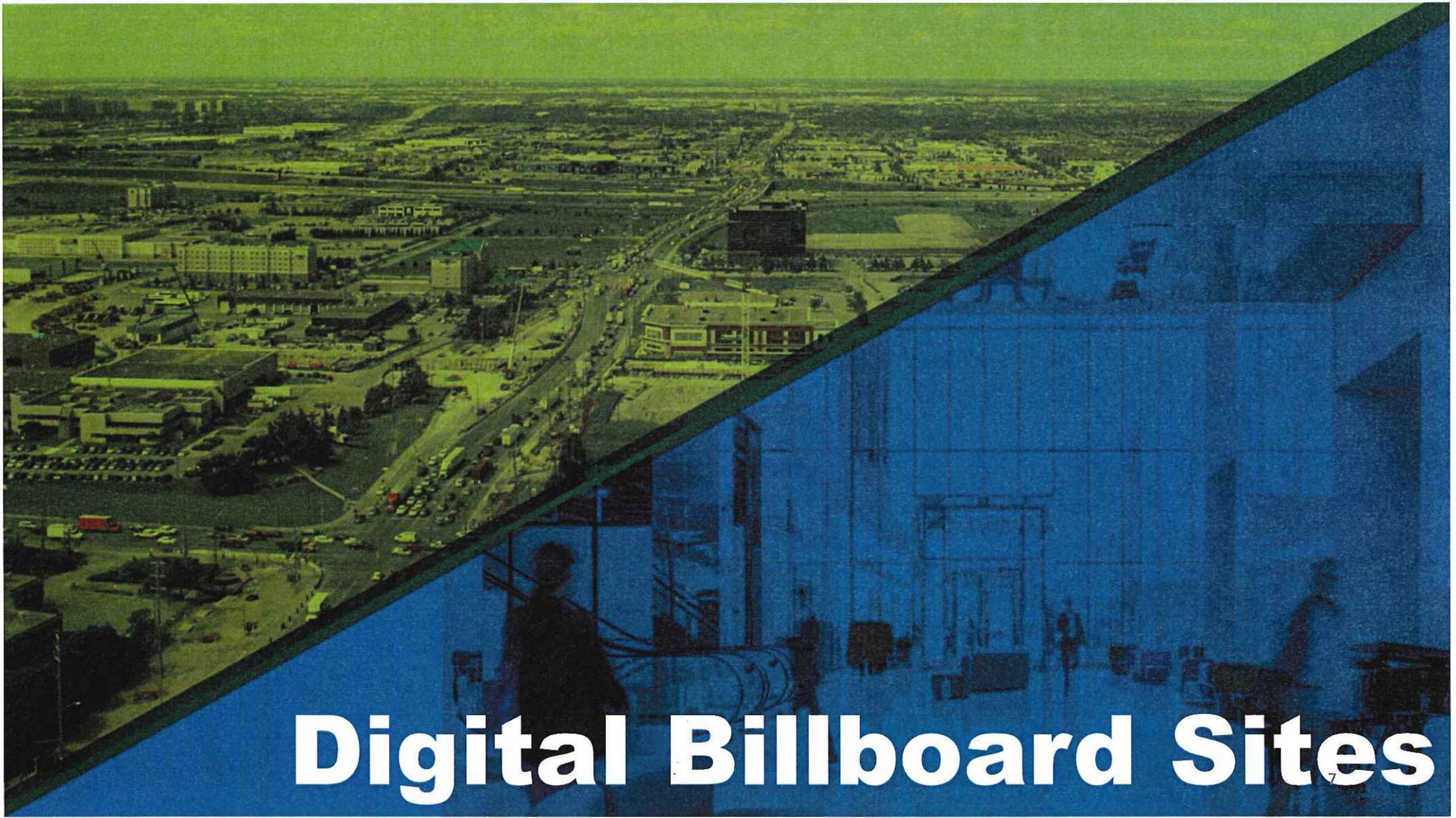
Business Model: Who does what?

City

- Owner of Land; Lease to 3rd Party Long-term
- Manage RFP Process, and Land-Lease Agreements
- Approval body - permits
- Receive share of revenue. Greater of: base fee or % of total earnings on ad sales
- Access to free ad spots for City messages

Out-of-Home Advertising Company

- All costs – design, build, finance, maintain and operate each digital billboard, including: risk, project management, permits, and management of ad sales
- Based on industry standards, the length of the lease is anticipated at 15 years to justify pay-back on capital (renewal options at the City's discretion)



Digital Billboard Sites

A Multi-Year Plan

Year One – Sites Recommended for Market

- Three (3) City-owned site locations
- Proceed to market competition (RFP)
- Award procurement contract to winning respondent/bidder(s)
- Negotiate and execute land-lease agreements
- Construction and operation (est. 2020)

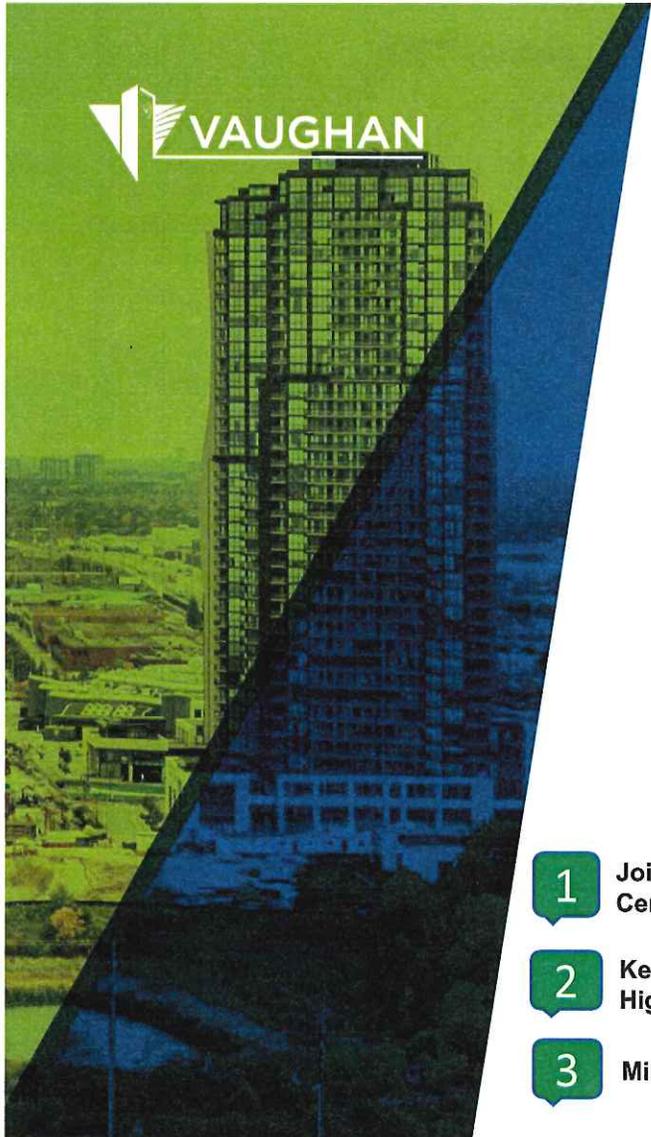
Year Two – Sites for Public Consultation

- Four (4) additional site locations identified
- Public consultation at neighbourhood level
- Report findings to Council, subject to approval
- Will not proceed to RFP at this time

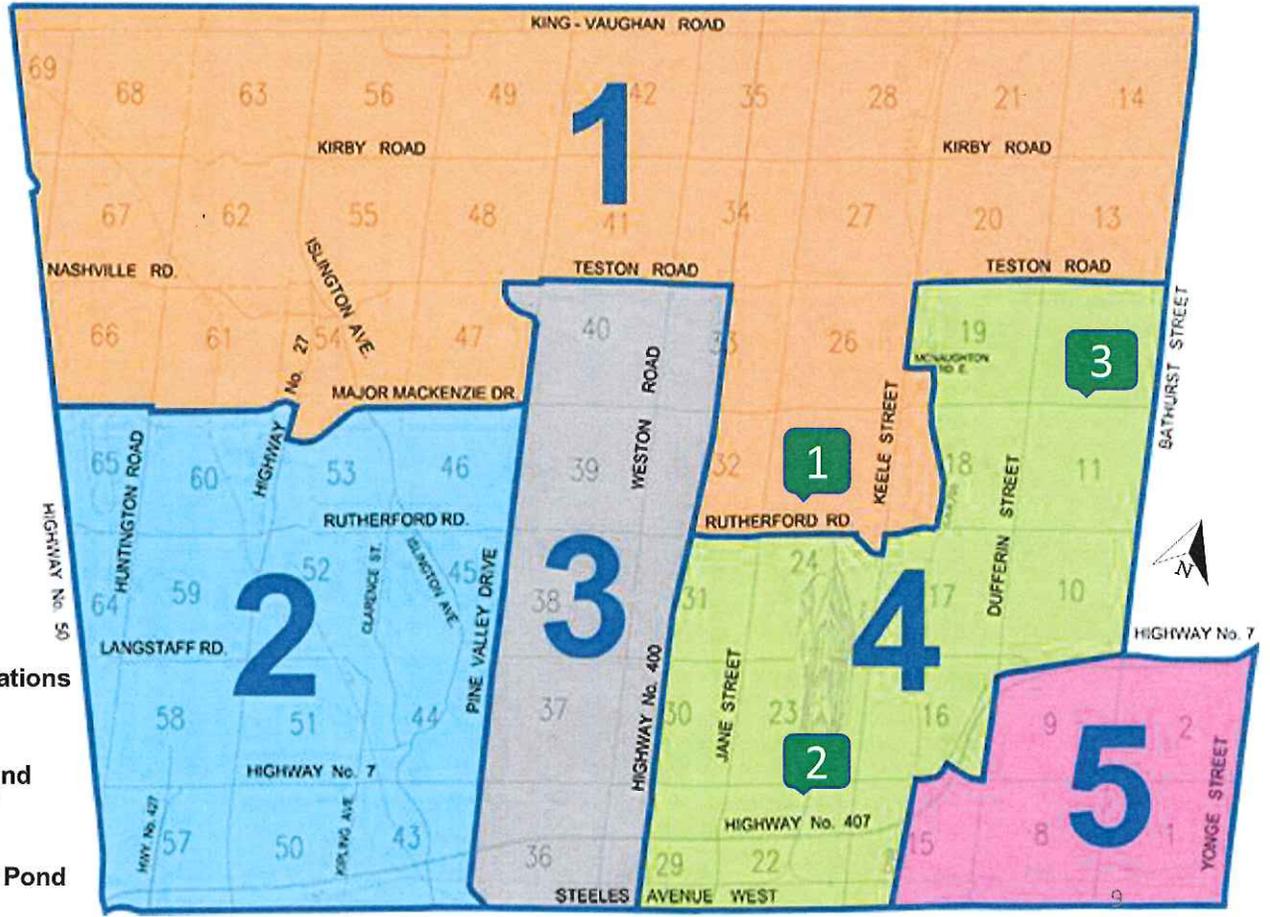
Future Years – Opportunity Driven

- Other locations will be considered on demand
- Presented to Council for approval

Year One



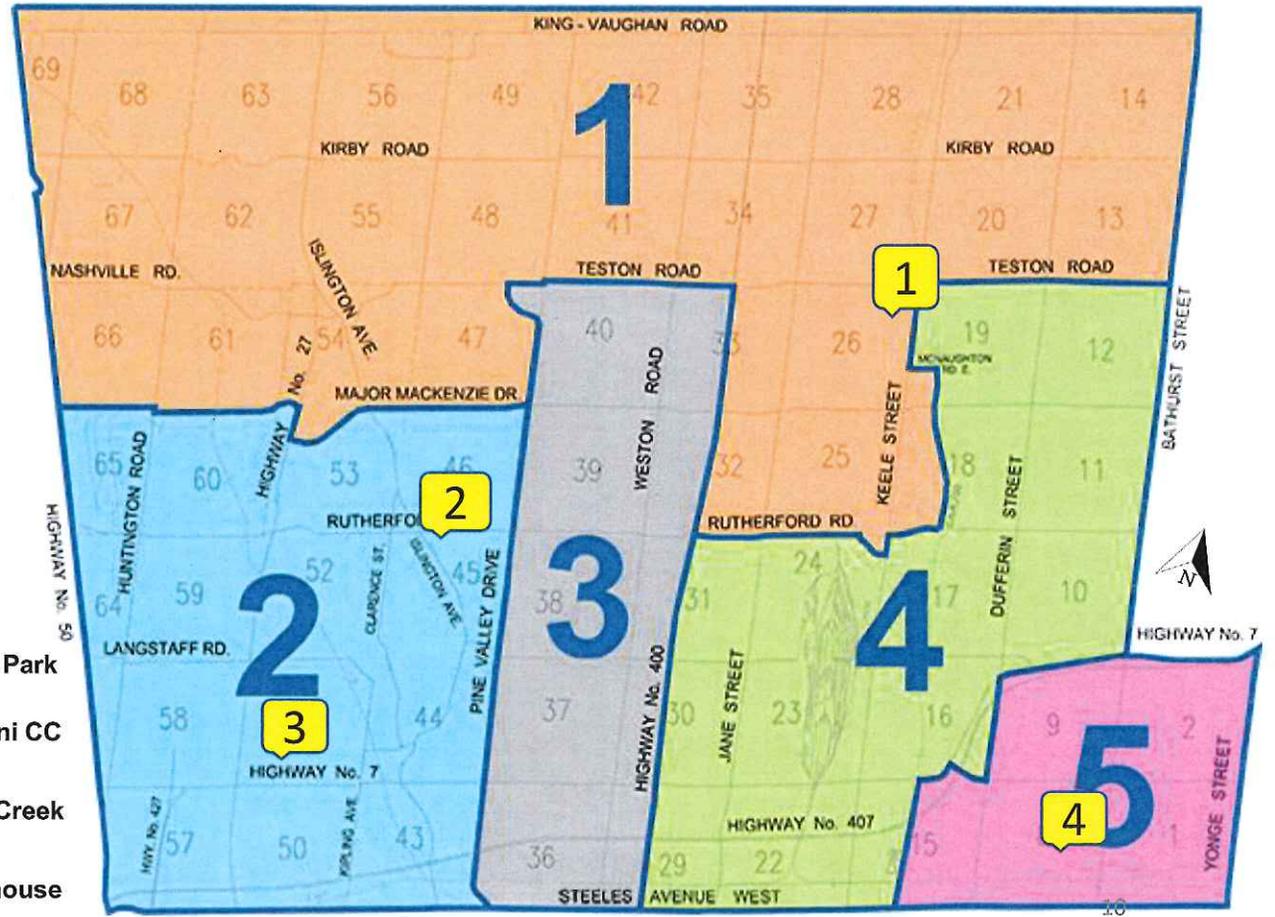
- 1** Joint Operations Centre
- 2** Keele St. and Highway 7
- 3** Mill Street Pond



Year Two



- 1** Maple Reservoir Park
- 2** Al Palladini CC
- 3** Rainbow Creek
- 4** City Playhouse Theatre



Next Steps

- Council approval of staff recommendations (March 4, 2019)
- Staff will proceed to RFP process for Year One Sites
- Third party retained and billboards installed (est. 2020)
- Community consultations take place prior to Year Two locations are approved by Council (future staff report)
- Staff will bring forward additional sites on an individual basis in the future based on further review of site list
- Staff will be directed to prepare a Corporate Advertising Policy to present to policy review committee