## COMMUNICATIONS

**Distributed March 4, 2019**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
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<tbody>
<tr>
<td>C1</td>
<td>Memorandum from the Director of Internal Audit dated March 1, 2019.</td>
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</tbody>
</table>

**Distributed March 4, 2019 (at the meeting)**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
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<tbody>
<tr>
<td>C2</td>
<td>Presentation material titled “Legal Services Audit”.</td>
</tr>
<tr>
<td>C3</td>
<td>Presentation material titled “Corporate Asset Management Policy”.</td>
</tr>
<tr>
<td>C4</td>
<td>Presentation material titled “Digital Billboard Plan”.</td>
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</tbody>
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Please note there may be further Communications.
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:

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

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

<table>
<thead>
<tr>
<th>Account</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>LPAT Hearings and Professional Services</td>
<td>($135,719+$900,000)</td>
<td>($434,179+$859,719)</td>
<td>($258,179)</td>
<td>2017</td>
</tr>
<tr>
<td>LPAT Hearings and Professional Services</td>
<td>($205,719+$400,000)</td>
<td>($464,522+$777,719)</td>
<td>($636,522)</td>
<td>2018</td>
</tr>
<tr>
<td>Total</td>
<td>$1,641,438</td>
<td>$2,536,139</td>
<td>($894,701)</td>
<td>Total</td>
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</table>
The revised information provides further support for the audit recommendations outlined on agenda page 13.

Respectfully submitted,

Kevin Shapiro CIA CFE CRMA
Director, Internal Audit
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
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.
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
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.
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.
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?
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.

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

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.

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.

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

Deteriorating infrastructure increases the risk of service disruption.

All communities benefit from increased attention to infrastructure needs.
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

- **2018**: AM Policy Planning and Development
- **2019**: July 2019 *Strategic AM Policy Due*
- **2020**: 2018
- **2021**: July 2021 AM Plan Due: Current LOS (Core Assets)
- **2023**: July 2023 AM Plan Due: Current LOS (All Assets)
- **2024**: July 2024 *AM Plan Due: Future LOS (All Assets)*
- **2025**: July 2025 Annual AM Plan Review Due

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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
Policy Statement
Focused Sub-Policies

A  CRITICAL ASSETS & BUSINESS RISKS
B  LAND USE PLANNING
C  FINANCIAL REQUIREMENTS
D  LEVELS OF SERVICE

PROCEDURES & COMMUNICATION
(10 Step AM Planning Process)
Policy Principles

- Citizen Focused
- Service Focused
- Risk-based
- Value-based Affordable
Where Are We Going?

- Working Together
- Lifecycle Planning
- Service Delivery Needs
- Sustainable Funding Model
- Environmental Sustainability
- Information Management
- Integrated Decision System
- Compliance
Questions?

T H A N K Y O U
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

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)
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 to proceed to RFP at this time

Future Years – Opportunity Driven
• Other locations will be considered on demand
• Presented to Council for approval
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