



**AUDIT OF PROPERTY MANAGEMENT**

**2006 Report**

**Chapter 8**





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## **EXECUTIVE SUMMARY**

### ***Introduction***

The Audit of Property Management was included as part of the 2006 Audit Plan first presented to City Council in December 2004.

### **Real Property Asset Management (RPAM)**

Included under the heading “Real Property Assets” are vacant lands, buildings, sites, streetscapes, parks, public malls, and monuments. A current summary of these assets is as follows: 3,790 properties, including 798 major buildings comprising over 11,000,000 square feet of space with an estimated replacement value of more than \$2 billion. As of September 2006, RPAM had an annual net budget of approximately \$95 million (with a gross budget of \$121 million) and 731 FTEs.

### ***Audit Objectives***

The objectives of the comprehensive Audit of Property Management were to provide City Council with an opinion regarding:

- the appropriateness of management practices in place to ensure compliance with all legislation, laws and regulations by the property management function;
- the appropriateness of the financial management framework (i.e. fee structure for venture properties, budget development and monitoring, contract management and overtime management); and
- whether or not the property management framework is adequate to allow the property management function to assess the economy, efficiency and effectiveness of its current operations.

### ***Audit scope***

Our audit was limited to the adequacy of the framework and the practices in place at the City of Ottawa to meet the above-mentioned objectives. Sites visits were conducted at the Nepean Sportsplex, the Champagne Bath pool and the OC Transpo maintenance facility on St. Laurent Boulevard as a sample to determine the adequacy of on-site property management activities. The Department of Public Works and Services facility on Maple Grove Drive was also examined to identify any property management issues arising from the recent fire event at this site.

### ***Strengths***

There are two areas where we believe that the Real Property Asset Management (RPAM) Branch has exhibited particular strengths in ensuring adequate property management services.

First, RPAM has a comprehensive building inventory system and condition assessment process. RPAM prepares various building condition reports for the major City facilities on a rotating basis and is making progress to complete condition audits for the entire building portfolio using a mix of in-house and external resources.

These condition estimates and detailed audits adequately project the life cycle renewal and repair/maintenance requirements for a facility and establish the short, mid and long-term financial implications of the condition assessment.

Second, the RPAM Branch provides a very comprehensive and well-defined framework for the property management function of the City.

RPAM addresses the requirement for long and short-term operational and strategic planning through participation in a formalized planning cycle involving the preparation of four major planning documents:

- Strategic Accommodation Plan;
- RPAM Branch and Divisional Work Plans;
- Long Range Financial Plan (LRFP) Budget Submission; and
- Annual Corporate Operating and Capital Budget - Annual Plan and Quarterly Reporting.

The long-term planning process is integrated with the City's strategic plan and with the other City programs through participation in the:

- Integrated planning framework;
- City Corporate Plan; and,
- Corporate Services Plan identifying RPAM responsibilities for specific program services definition and delivery.

RPAM, through their participation in the Ontario Municipal Benchmarking Initiative, their own internal planning and performance evaluation activities (notably the Asset Rationalization Process, Alternate Service Delivery Study, and their on-going development of a Green Building Policy) have demonstrated both their relative expertise and leadership in the field of municipal property management services delivery.

## ***Findings***

Our review noted four areas of concern for the City:

### **1. Adequacy of funding levels for capital renewal/repair and maintenance**

Our major observation is that the capital budget development process, although taking into consideration the comments of the decision makers, often results in a financial allocation being provided to RPAM for its projects (life cycle, repair, maintenance)

based on the availability of funds versus funds needed. The Long-Term Strategic Asset Plan identifies capital expenditures for life cycle renewal and repairs on an industry standards basis. However, the number of items that need to be postponed as a result of the review to attain the target budget figure provided by Finance is significant. Under-capitalization of assets requires the annual deferment of necessary life cycle renewal and repair activities for the physical plant. This deferment could result in interruption or loss of program services and higher maintenance costs.

The following table summarizes the extent of the current and projected shortfall within the capital life cycle renewal programs for general buildings, heritage facilities, libraries and transit facilities (excludes Police assets and utilities infrastructure), using data from August of 2005.

Life Cycle Renewal Forecast (in millions of dollars)			
Year	Requirements Projected	Funding from LRF <sup>1</sup>	Variance
2004	25.9	5.5 <sup>1</sup>	20.4
2005	39.1	12.8 <sup>1</sup>	26.3
2006	19.5	9.5 <sup>1</sup>	10.
2007	24.9	16.1 <sup>2</sup>	8.8
2008	23.7	14.5 <sup>2</sup>	9.2
Totals	133.1	58.5	75

<sup>1</sup> Actual budget figures for referenced programs.

<sup>2</sup> Figures from updated LRF<sup>2</sup>, these target projections do not traditionally get reflected in annual approved capital budgets.

As reflected above, the issue of under-funding of life cycle renewal represents a growing issue for the City. Furthermore, current life cycle projections for Parks and Sites forecast an additional shortfall of more than \$10 million over the next three years.

We recommend these funding challenges and their long-term implications be clearly articulated during the 2007 budget process.

## **2. Absence of a fully articulated long-term vision for Lansdowne Park**

The lack of a long-term plan and vision for Lansdowne Park means the City may not be able to maximize the use of the park as a financial investment or cultural facility.

In order to provide clearer direction on the use of Lansdowne Park and in order that future usage of the park be done in conjunction with the citizens' expectations, we recommend that a long-term plan and vision be developed by City Council.

### **3. State of Service Level Agreement documents**

Maintenance standards have in the past been developed and agreed to with program stakeholders through the preparation of detailed Service Level Agreements (SLA).

Clearly, delineated performance standards need to be developed, tailored to specific program types based on what is required and what is sustainable. While RPAM has identified the development of a pilot “Lease” Client Service Agreement as part of the new model of client chargeback to replace the SLA’s, there still exists a requirement at the moment to provide individual SLA’s with the major program portfolios.

The absence of updated, detailed SLA’s, in general, restricts the ability of RPAM to establish a cohesive cost of ownership model, a primary objective of total asset management, on a program-by-program basis.

We recommend that the City identify the resources necessary to renew and/or create SLA’s for all major program and facility type clients.

### **4. Compliance to health and safety provisions of the Ontario Building Code**

The building condition report (Type II) audit includes, in part, an audit of the life safety systems to examine the building for code compliance with respect to provisions for fire and life safety in general, and specifically those related to fire fighting access routes, adequate water supply and distance to hydrants. Our review of several building condition reports, however, indicates that provisions for fire fighting (Section 3.2.5 of the OBC) have not formed part of the Building Condition review.

The Branch should develop a plan to complete and update the building condition assessments for all major facilities. As part of this plan, the Branch should identify for City Council all facilities requiring a review to confirm compliance with the fire fighting provisions of the Ontario Building Code and the funding required to complete these assessments on a priority basis.

#### **Recommendation 1**

**That the Branch establish guidelines governing the negotiation of fees and charges based on a volume and type of business by defining scales of fees to be charged to their various clients.**

#### **Management Response**

Management agrees with this recommendation.

There is already in place a published schedule of fees and charges, for the use of Lansdowne Park facilities. This includes a sliding scale for potential rental discounts when other revenue streams are taken into account, which is applied in a consistent,

transparent and equitable manner. Commercial activities, such as entertainment events, require that a degree of flexibility be exercised by management in order to attract business in an extremely competitive environment. In 2007, management will review the largely market-driven fees and charges schedule and associated application guidelines to ensure that they are in line with good business practices.

### **Recommendation 2**

**That the Branch develop, for City Council approval, a long-term plan and vision for Lansdowne Park in order that future usage of the park be done in conjunction with the citizens' expectations.**

#### **Management Response**

Management agrees with this recommendation.

Studies completed prior to amalgamation recommended long-range plans for Lansdowne Park that did not come to fruition. In 2002, Lansdowne undertook a full operations review and since amalgamation the Lansdowne Park operating budget has gone from a \$1.2M deficit to a \$250K deficit. However, the annual revenue stream does fluctuate from year to year. The lack of vision and long-term planning has impeded the development of long-term, sustainable business strategies for the site in the face of increasing competition in the event industry.

Lansdowne Park initiated an Economic Impact Study that is currently out for RFP. The results of that study, lead by the Economic Development Division, Planning, Transit and the Environment, are due at the end of the first quarter 2007.

Over the years Lansdowne has successfully supported a variety of activities and events ranging from professional and amateur sporting activities, entertainment events, social activities and expositions, including the annual Exhibition. However, a long-term vision along with a strategic plan for implementation is required to identify and secure the necessary resources to ensure a long-term viable and sustainable site. A long-term plan and vision for Lansdowne Park will be in front of City Council for approval in Q4 2007.

### **Recommendation 3**

**That the Branch renew or create service level agreements for all major program and facility type clients.**

#### **Management Response**

Management agrees with this recommendation.

The Service Level Agreements (SLA) drafted and approved in 2001/2002 were dramatically impacted by the UPR exercise in response to the 2004 operating budget process. Since that time, clients and service providers have been focusing on specific

issues needing immediate attention. In 2006 a program was initiated that involves all COE Branches and their clients that will address SLAs on a more comprehensive basis. This program is being managed from the office of the Chief Corporate Services Officer.

#### **Recommendation 4**

**That the Branch, as part of its 2007 budget submission, clearly articulate the need for adequate funding for life cycle renewal/repair and maintenance and the implications of reduced funding on the long-term condition of City facilities.**

#### **Management Response**

Management agrees with this recommendation.

Although a report entitled, “Comprehensive Asset Management Strategy for Buildings and Parks” was tabled at City Council in 2004, which raised and quantified the level of deferred life cycle renewal and proffered several approaches to address the concern, further communication is warranted. The manner in which RPAM will inform City Council of inadequate funding for life cycle renewal and the consequences of the shortfall will be coordinated with the budget process.

#### **Recommendation 5**

**That the Branch present the draft Life Cycle Renewal Policy document, based on the principles presented to City Council in 2004 and finalized in 2006, to City Council in the second quarter of 2007 for review and approval.**

#### **Management Response**

Management agrees with this recommendation.

The draft policy was reviewed by the Management Advisory Committee and will require Executive Management Committee (EMC) review and approval prior to its tabling at a City Council meeting. This is anticipated to be complete by the end of Q1, 2007.

#### **Recommendation 6**

**That the Branch develop a plan to complete and update the building condition assessments for all major facilities.**

#### **Management Response**

Management agrees with this recommendation.

RPAM has audited over 5 million square feet of building area since amalgamation. The City building inventory measures approximately 11 million square feet. RPAM will define the costs associated with undertaking Type II building condition audits on the remaining building portfolio that has not undergone this type of assessment.

The condition audits are funded from the life cycle capital program and, as such, the requisite timeframe to complete these assessments is dependent on the level of capital funding afforded to the Branch. A master schedule will be developed to reflect the funding allotment. Timelines, that will be included in the plan for completion of building condition assessments, will be dependent on funding.

### **Recommendation 7**

**That the Branch review all facilities without access to City water service to confirm compliance with Section 3.2.4 (Fire Alarm & Detection) and Section 3.2.5 (Fire Fighting Provisions) of the Ontario Building Code.**

#### **Management Response**

Management agrees with this recommendation.

Management will ensure that the compliance reviews will provide the level of detail necessary to identify the non-compliance issues, the scope of remedial actions required for compliance and the resourcing required to implement the retrofit work. The results of these reviews will be shared and coordinated with the Fire Services Branch, Community and Protective Services. The review of all facilities will be completed in time for the 2008 budget process.

### **Recommendation 8**

**That the Branch ensure that all building condition assessments include a compliance review of Sections 3.2.4 (Fire Alarm & Detection) and 3.2.5 (Fire Fighting Provisions) of the Ontario Building Code.**

#### **Management Response**

Management agrees with this recommendation.

The existing protocol and content of the Branch's condition auditing process are focused, in part, on identifying non-compliant, deficient or otherwise absent building assemblies or components which are required for safe and proper building operation. The inclusion of specific code review requirements within the building condition audit is a logical next step. This recommendation will be implemented in Q2, 2007.

### **Recommendation 9**

**That the City provide the funding required to conduct the reviews, and any corrective measures identified as a result, referred to in Recommendations 7 and 8.**

#### **Management Response**

Management agrees with this recommendation.

Capital funding to implement corrective measures associated with compliance retrofit work will be identified separately from the life cycle renewal program with

funding need to be identified and recommended to City Council in the 2008 capital budget.

**Recommendation 10**

**That the Branch review priorities for the completion of threat risk assessments for all City facilities and establish a timeframe for completion.**

**Management Response**

Management agrees with this recommendation.

Corporate Security has visited all City facilities and continues to conduct threat and risk analysis as resources permit, based upon the level of incidents and threat level inherent in the location and operation of the facility. Formal analysis will continue in this vein on an ongoing basis, as threat and risk analysis needs to be regularly revisited in order to remain current. Threat and risk analysis priority will be given to facilities where the risk level is identified as elevated by the Corporate Security Division. Implementation of this recommendation will be ongoing and dependent on funding.

**Recommendation 11**

**That the Branch re-confirm the timeframe for the completion of the Integrated Security Management System (ISMS) implementation and monitor this implementation to ensure its completion.**

**Management Response:**

Management agrees with this recommendation.

The schedule for the completion of the base ISMS in 2009 is still the timeframe within which Corporate Security is working. However, this time frame is dependent upon funding availability, changes to facility usage and the addition of new facilities, etc. Corporate Security has ongoing project monitoring in place to ensure that the timeframe is respected and that all projects are completed on schedule as funding allows.

**Recommendation 12**

**That the Branch finalize and bring forward for City Council approval draft policies regarding security.**

**Management Response:**

Management agrees with this recommendation.

Corporate Security has finalized the draft policies and is able to bring them forward for the appropriate approvals. It is not expected that all draft policies will require City Council approval; many may be able to be approved and adopted by Senior

Management. Corporate Security will bring forward draft policies, along with the Divisional Standards for ISMS projects, for Director's approval and actioning to the appropriate approval authority in 2007.

### ***Conclusion***

Based on our review, we believe that RPAM has appropriate management practices in place to ensure compliance with all legislation, laws and regulations affecting the property management function; an appropriate financial management framework to address fee structure for venture properties, budget development and monitoring, as well as contract management and overtime management. The current framework is more than adequate to allow the property management function to assess the economy, efficiency and effectiveness of its current operations.

Our review did note four areas of concern. Due to limited funding, the City tends to reduce or defer the life cycle program budget year over year. The lack of a long-term plan and vision for Lansdowne Park means the City may not be able to maximize the use of the park as a financial investment or cultural facility. High-level service level agreements with clients have not been refreshed or renewed to take into account the realities of the 2004 Universal Program Review. Finally, a strategy is required to ensure that the building condition assessments for all major facilities are complete and up to date.

### ***Acknowledgement***

We wish to express our appreciation for the cooperation and assistance afforded the audit team by Management.

## **SOMMAIRE**

### ***Introduction***

La vérification de la gestion des biens immobiliers a été incluse dans le Plan de vérification 2006 qui a été présenté au Conseil pour la première fois en décembre 2004.

### ***Direction de la gestion des biens immobiliers (DGBI)***

Sont inclus sous « Biens immobiliers » les terrains vacants, les immeubles, les emplacements, les paysages de rue, les parcs, les centres commerciaux et les monuments. Un sommaire de ces biens se lit comme suit : 3 790 biens, dont 798 immeubles importants comptant pour une superficie de plus de 11 000 000 pieds carrés et ayant une valeur de remplacement évaluée à plus de deux milliards de dollars. En date de septembre 2006, la DGBI disposait d'un budget net annuel d'environ 95 millions de dollars (avec un budget brut de 121 millions de dollars) et de 731 équivalents temps plein (ETP).

### ***Objectifs de la vérification***

La vérification intégrée de la gestion des biens immobiliers avait pour objectifs de fournir au Conseil une opinion sur :

- la pertinence des pratiques de gestion en place pour assurer le respect de l'ensemble des lois et règlements par la fonction de gestion des biens immobiliers;
- la pertinence du cadre de gestion financière (c'est-à-dire la tarification pour les biens à risque, l'établissement et le contrôle des budgets, la gestion des contrats et la gestion des heures supplémentaires);
- la capacité du cadre de gestion des biens immobiliers à permettre à la fonction de gestion des biens immobiliers d'évaluer le rendement économique, l'efficacité et l'efficacité de ses activités actuelles.

### ***Étendue de la vérification***

Notre vérification s'est limitée au caractère adéquat du cadre et des pratiques en place à la Ville d'Ottawa pour atteindre les objectifs susmentionnés. À titre d'échantillon, des visites ont été effectuées au Sportsplex de Nepean, à la piscine du Bain Champagne et à l'installation d'entretien d'OC Transpo située sur le boulevard Saint-Laurent pour établir la pertinence des activités de gestion des biens immobiliers entreprises sur place. Les installations de Service et Travaux publics du chemin Maple Grove a également été examinée pour relever les problèmes de gestion des biens immobiliers découlant du récent incendie survenu à cet endroit.

## **Points forts**

Au chapitre de la prestation de services de gestion des biens immobiliers, il y a deux domaines en particulier dans lesquels nous croyons que la DGBI a affiché des points forts.

D'une part, la DGBI a en place un système exhaustif de répertoire des immeubles et un processus d'évaluation de l'état des immeubles. Elle prépare divers rapports sur l'état des immeubles pour les installations importantes de la Ville, par alternance, et achève actuellement la préparation de vérifications de l'état de l'ensemble du portefeuille d'immeubles à l'aide de ressources internes et externes.

Ces estimations de l'état des immeubles et vérifications détaillées permettent de prévoir adéquatement les exigences en matière de renouvellement du cycle de vie et d'entretien pour une installation et de déterminer les répercussions financières à court, à moyen et à long terme de l'évaluation de l'état des immeubles.

D'autre part, la DGBI fournit un cadre très détaillé et bien défini de la fonction de gestion des biens immobiliers de la Ville.

La DGBI répond au besoin en matière de planification opérationnelle et stratégique à long et à court terme en participant à un cycle de planification officiel qui comprend la préparation de quatre documents de planification importants :

- plan intégré de gestion des locaux;
- plans de travail de la DGBI et des divisions;
- proposition budgétaire dans le cadre du Plan financier à long terme (PFLT);
- budget de fonctionnement et d'immobilisations annuel – plan annuel et rapports trimestriels.

Le processus de planification à long terme est intégré au plan stratégique de la Ville et aux autres programmes municipaux à la faveur d'une participation à l'élaboration :

- du cadre de planification intégré;
- du Plan directeur municipal;
- du Plan des Services généraux énonçant les responsabilités de la DGBI en ce qui concerne la définition et la prestation de services de programme précis.

La DGBI, par l'intermédiaire de sa participation à l'Initiative d'analyse comparative des services municipaux de l'Ontario, de ses propres initiatives internes de planification et d'évaluation du rendement (notamment le processus de rationalisation des actifs, l'étude sur la prestation d'autres formes de prestation de services et le développement continu de la Politique sur les bâtiments écologiques) a démontré une expertise et un

leadership au chapitre de la prestation de services de gestion des biens immobiliers municipaux.

## **Constatations**

Notre examen a mis en lumière quatre préoccupations de la Ville :

### **1. Niveaux suffisants de financement pour le renouvellement, la réparation et l'entretien des immobilisations**

Notre principale observation est que le processus d'établissement du budget d'immobilisations, bien qu'il prenne en compte les commentaires de décideurs, se traduit souvent par une affectation financière à la DGBI pour ses projets (cycle de vie, réparation et entretien) d'après la disponibilité des fonds par opposition aux fonds nécessaires. Le plan des actifs stratégiques à long terme met en évidence les dépenses d'immobilisations pour le renouvellement du cycle de vie et les réparations en fonction des normes de l'industrie. Cependant, le nombre d'éléments à reporter à la suite de l'examen pour atteindre le chiffre budgétaire visé fourni par les Services financiers est élevé. Une sous-capitalisation des actifs nécessite le report annuel des activités nécessaires de renouvellement du cycle de vie et de réparation pour l'installation physique. Ce report pourrait donner lieu à une interruption ou une perte de services de programme et à des coûts d'entretien accrus.

Le tableau ci-après résume l'ampleur du manque à gagner actuel et prévu dans le cadre des programmes de renouvellement du cycle de vie des immobilisations pour les immeubles généraux, les installations du patrimoine, les bibliothèques et le réseau des transports en commun (cela exclut les actifs du Service de police et les infrastructures publiques), en utilisant des données datant d'août 2005.

<b>Prévisions : renouvellement du cycle de vie (en millions de dollars)</b>			
<b>Année</b>	<b>Besoins prévus</b>	<b>Financement tiré du PFLT</b>	<b>Écart</b>
2004	25,9	5,5 <sup>1</sup>	20,4
2005	39,1	12,8 <sup>1</sup>	26,3
2006	19,5	9,5 <sup>1</sup>	10,0
2007	24,9	16,1 <sup>2</sup>	8,8
2008	23,7	14,5 <sup>2</sup>	9,2
<b>Totaux</b>	<b>133,1</b>	<b>58,4</b>	<b>74,7</b>

1 Chiffres budgétaires réels pour les programmes cités.

2 Chiffres tirés du PFLT 2 mis à jour; ces prévisions visées ne sont pas habituellement indiquées dans les budgets d'immobilisations approuvés annuels.

Tel qu'il a été mentionné, la question du sous-financement du renouvellement du cycle de vie représente un problème croissant pour la Ville. De plus, les prévisions actuelles liées au cycle de vie pour les parcs et les emplacements laissent entrevoir un manque à gagner supplémentaire de plus de 10 millions de dollars au cours des trois prochaines années.

Nous recommandons que ces difficultés de financement et leurs répercussions à long terme soient clairement mises en évidence durant le processus budgétaire de 2007.

**2. Absence d'une vision à long terme clairement définie pour le parc Lansdowne**  
L'absence d'un plan et d'une vision à long terme pour le parc Lansdowne signifie que la Ville ne sera peut-être pas en mesure d'en optimiser l'utilisation à titre d'investissement financier ou d'installation culturelle.

Afin de fournir une orientation plus claire sur l'utilisation du parc Lansdowne et afin que l'utilisation future du parc soit conforme aux attentes des citoyens, nous recommandons que le Conseil municipal élabore un plan et une vision à long terme.

**3. Le point sur les documents relatifs aux accords sur les niveaux de service (ANS)**

Dans le passé, des normes d'entretien ont été élaborées et convenues avec les intervenants de programme par l'intermédiaire de la préparation d'accords sur les niveaux de service (ANS) détaillés.

De toute évidence, il faut établir des normes de rendement délimitées adaptées à des types précis de programmes en fonction de ce qui est requis et de ce qui est durable. Si la DGBI a indiqué que, dans le cadre du nouveau modèle d'imputation des frais aux clients, une entente pilote sur les services à la clientèle en matière de location remplacera les ANS, la nécessité de fournir des ANS individuels pour les portefeuilles de programmes importants existe toujours.

En général, l'absence d'ANS détaillés limite la capacité de la DGBI d'établir un modèle de frais d'accession à la propriété cohérent, qui constitue un des objectifs principaux de la gestion totale des actifs d'un programme à l'autre.

Nous recommandons que la Ville détermine les ressources nécessaires pour renouveler les ANS ou en créer d'autres pour tous les clients importants associés à des programmes et à des installations.

#### **4. Respect des dispositions en matière de santé et de sécurité du *Code du bâtiment* de l'Ontario**

La vérification du Rapport sur l'état des immeubles (REI) (type II) comprend, en partie, une vérification des systèmes de sécurité des personnes pour vérifier si un immeuble est conforme aux dispositions liées à la lutte contre les incendies et à la sécurité en général et aux dispositions liées aux routes d'accès en cas d'incendie, à l'approvisionnement en eau et à la distance par rapport aux prises d'incendie en particulier. Cependant, notre examen de plusieurs REI indique que les dispositions liées à la lutte contre les incendies (article 3.2.5 du *Code du bâtiment* de l'Ontario) n'ont pas fait partie de l'examen de l'état des immeubles.

La DGBI doit élaborer un plan pour achever et mettre à jour les évaluations de l'état des immeubles pour toutes les installations importantes. Dans le cadre de ce plan, la DGBI doit indiquer au Conseil toutes les installations nécessitant un examen pour confirmer leur conformité aux dispositions liées à la lutte contre les incendies du *Code du bâtiment* de l'Ontario, ainsi que le financement nécessaire pour réaliser ces évaluations en priorité.

#### **Recommandation 1**

**Que la DGBI établisse des lignes directrices régissant les négociations des tarifs et des frais en fonction d'un volume et d'un type d'activités en définissant des barèmes de frais à imputer à ses divers clients.**

#### **Réponse de la direction**

La direction accepte cette recommandation.

Il existe déjà un barème publié des tarifs et des frais pour l'utilisation des installations du parc Lansdowne. Cela comprend un barème mobile pour les rabais de location potentiels lorsque d'autres sources de revenus sont prises en compte. Ce barème est appliqué de manière cohérente, transparente et équitable. Les activités commerciales, telles que les événements de divertissement, nécessitent que la direction fasse preuve d'une certaine souplesse pour attirer des investissements dans un contexte très concurrentiel. En 2007, la direction examinera le barème des tarifs et des frais largement axé sur le marché et les lignes directrices d'application connexes pour s'assurer de leur conformité par rapport aux bonnes pratiques commerciales.

#### **Recommandation 2**

**Que la DGBI élabore, pour approbation par le Conseil, un plan et une vision à long terme pour le parc Lansdowne afin que l'utilisation future du parc soit conforme aux attentes des citoyens.**

### **Réponse de la direction**

La direction accepte cette recommandation.

Des études réalisées avant la fusion recommandaient des plans à long terme pour le parc Lansdowne qui ne se sont pas concrétisés. En 2002, la société Lansdowne a entrepris un examen complet des activités, et, depuis la fusion, le budget de fonctionnement du parc Lansdowne est passé d'un déficit de 1,2 million de dollars à un déficit de 250 000 \$. Cependant, la source de revenus annuels fluctue d'une année à l'autre. Le manque de vision et de planification à long terme a entravé l'élaboration de stratégies d'affaires durables et à long terme pour l'emplacement en présence d'une concurrence croissante dans l'industrie des événements.

La société Lansdowne a amorcé une étude sur les retombées économiques qui est rendue au stade de la demande de propositions. Les résultats de cette étude, dirigée par la Division du développement économique, Urbanisme, Transport en commun et Environnement, sont attendus pour la fin du premier trimestre de 2007.

Au fil des ans, la société Lansdowne a soutenu efficacement toutes sortes d'activités et d'événements : activités sportives professionnelles et amateurs, événements de divertissement, activités sociales et expositions, y compris l'Exposition annuelle. Cependant, il faut établir une vision à long terme et un plan de mise en œuvre stratégique afin de déterminer et d'obtenir les ressources nécessaires pour assurer un emplacement viable et durable à long terme. On soumettra à l'approbation du Conseil un plan et une vision à long terme pour le parc Lansdowne au quatrième trimestre de 2007.

### **Recommandation 3**

**Que la DGBI renouvelle les ANS ou en crée d'autres pour tous les clients importants associés à des programmes et des installations.**

#### **Réponse de la direction**

La direction accepte cette recommandation.

Les ANS préparés et approuvés en 2001-2002 ont été grandement touchés par l'Examen des programmes qui a fait suite au processus du budget de fonctionnement survenu en 2004. Depuis ce temps, les clients et les fournisseurs de services se concentrent sur des questions précises qui nécessitent une attention immédiate. En 2006, on a lancé un programme qui met à contribution toutes les directions du centre d'expertise et leurs clients et qui permettra d'étudier plus en profondeur les ANS. Ce programme est géré à partir du Bureau du chef des Services généraux.

### **Recommandation 4**

**Que la DGBI, dans le cadre de sa soumission budgétaire 2007, décrive clairement le besoin d'un financement suffisant pour le renouvellement du cycle de vie et la**

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**réparation et l'entretien, ainsi que les répercussions de la réduction du financement sur l'état à long terme des installations de la Ville.**

**Réponse de la direction**

La direction accepte cette recommandation.

Bien qu'un rapport intitulé « Stratégie générale pour la gestion des biens en ce qui concerne les immeubles et les parcs » ait été déposé au Conseil municipal en 2004, rapport qui soulevait et quantifiait le niveau de renouvellement reporté du cycle de vie et qui présentait plusieurs approches pour donner suite à la préoccupation à cet égard, d'autres communications sont nécessaires. La façon dont la DGBI informera le Conseil du financement insuffisant pour le renouvellement du cycle de vie et des conséquences du manque à gagner sera coordonnée simultanément avec le processus budgétaire.

**Recommandation 5**

**Que la DGBI soumette l'ébauche de la politique de renouvellement du cycle de vie, qui est basée sur les principes présentés au Conseil en 2004 et qui a été achevée en 2006, à l'examen et à l'approbation du Conseil dans le deuxième trimestre de 2007.**

**Réponse de la direction**

La direction accepte cette recommandation.

La politique préliminaire a été examinée par le Comité consultatif de gestion et nécessitera que le Comité de la haute direction l'examine et l'approuve avant son dépôt au cours d'une réunion du Conseil. Ce processus devrait prendre fin d'ici la fin du premier trimestre de 2007.

**Recommandation 6**

**Que la DGBI élabore un plan pour achever et mettre à jour les évaluations de l'état des immeubles pour toutes les installations importantes.**

**Réponse de la direction**

La direction accepte cette recommandation.

La DGBI a vérifié plus de cinq millions de pieds carrés de surface d'immeuble depuis la fusion. Le répertoire d'immeubles de la Ville compte environ 11 millions de pieds carrés. La DGBI définira les coûts associés à la réalisation d'évaluations de l'état des immeubles de type II pour le reste du portefeuille d'immeubles qui n'ont pas subi ce genre d'évaluation. Comme les évaluations de l'état des immeubles sont financées à partir du programme de gestion du cycle de vie des immobilisations, l'échéancier requis pour les réaliser dépend du niveau de financement des immobilisations accordé à la DGBI. Un calendrier principal sera établi d'après l'affectation de fonds.

Les échéanciers, qui seront inclus dans le plan de réalisation des évaluations de l'état des immeubles, seront fonction du financement.

### **Recommandation 7**

**Que la DGBI examine toutes les installations n'ayant pas d'accès au service d'eau de la Ville pour confirmer leur conformité à l'article 3.2.4 (alarme incendie et détection d'incendie) et à l'article 3.2.5 (dispositions liées à la lutte contre les incendies) du Code du bâtiment de l'Ontario.**

#### **Réponse de la direction**

La direction accepte cette recommandation.

La direction veillera à ce que les examens de la conformité fournissent le niveau de détails nécessaire pour déterminer les problèmes de non-conformité, la portée des mesures correctives requises pour assurer la conformité et les ressources essentielles à la mise en œuvre des travaux de réaménagement. Les résultats seront diffusés à la Direction du service des incendies, Services communautaires et de protection, et seront coordonnés en collaboration avec celle-ci. L'examen de toutes les installations sera terminé à temps pour le processus budgétaire 2008.

### **Recommandation 8**

**Que la DGBI veuille à ce que les évaluations de l'état des immeubles comprennent un examen de la conformité des articles 3.2.4 (alarme incendie et détection des incendies) et 3.2.5 (dispositions liées à la lutte contre les incendies) du Code du bâtiment de l'Ontario.**

#### **Réponse de la direction**

La direction accepte cette recommandation.

Le protocole et le contenu existants du processus de vérification de l'état des immeubles de la DGBI visent, en partie, à cerner les assemblages ou composants d'immeubles non conformes, déficients ou autrement absents qui sont nécessaires pour assurer un fonctionnement des immeubles sûr et adéquat. L'inclusion d'exigences précises liées à l'examen des codes dans la vérification de l'état des immeubles est une prochaine étape logique. Cette recommandation sera mise en œuvre au deuxième trimestre de 2007.

### **Recommandation 9**

**Que la Ville accorde le financement nécessaire pour réaliser les examens et prendre les mesures correctives connexes mentionnées aux recommandations 7 et 8.**

#### **Réponse de la direction**

La direction accepte cette recommandation.

Le financement des immobilisations pour mettre en œuvre les mesures correctives liées aux travaux de réaménagement effectués au titre de la conformité sera établi séparément du financement du programme de renouvellement du cycle de vie; le financement nécessaire sera déterminé puis recommandé au Conseil dans le budget des immobilisations 2008.

### **Recommandation 10**

**Que la DGBI examine les priorités pour la réalisation des évaluations des menaces et des risques pour toutes les installations de la Ville et établisse d'un échéancier d'exécution.**

#### **Réponse de la direction**

La direction accepte cette recommandation.

Des représentants de la Division de la sécurité municipale ont visité toutes les installations de la Ville et continuent à analyser les menaces et les risques selon la disponibilité des ressources, d'après le niveau d'incidents et le niveau de menace inhérent à l'emplacement d'une installation et au fonctionnement de celle-ci. Une analyse officielle se poursuivra dans cette veine de manière continue, étant donné qu'il faut réexaminer régulièrement l'analyse des menaces et des risques pour la maintenir à jour. La priorité liée à l'analyse des menaces et des risques sera accordée aux installations où le niveau de risques est considéré comme accru par la Division de la sécurité municipale. La mise en œuvre de cette recommandation sera continue et dépendra du financement.

### **Recommandation 11**

**Que la DGBI confirme de nouveau l'échéancier pour la mise en œuvre du système intégré de gestion de la sécurité (SIGS) et contrôle cette mise en œuvre pour en assurer l'achèvement.**

#### **Réponse de la direction**

La direction accepte cette recommandation.

Le calendrier de mise en place du SIGS prévue pour 2009 constitue toujours l'échéancier d'exécution de la Sécurité municipale. Cependant, ce délai d'exécution est fonction de la disponibilité des fonds, des changements apportés à l'utilisation des installations, de l'ajout de nouvelles installations, etc. La Division de la sécurité municipale a en place un mécanisme de contrôle continu des projets pour s'assurer que le délai d'exécution est respecté et que tous les projets sont réalisés à temps, dans les limites du financement.

## **Recommandation 12**

**Que la DGBI finalise puis soumette à l’approbation du Conseil les politiques préliminaires sur la sécurité.**

### **Réponse de la direction**

La direction accepte cette recommandation.

La Sécurité municipale a achevé l’ébauche des politiques et est en mesure de les soumettre à l’approbation des personnes compétentes. On ne s’attend pas à ce que toutes les politiques préliminaires doivent être approuvées par le Conseil; un grand nombre d’entre elles pourront peut-être être approuvées et adoptées par des cadres supérieurs. En 2007, la Division de la sécurité municipale soumettra les politiques préliminaires, ainsi que les normes des divisions pour les projets du SIGS, à l’approbation des directeurs et présentera celles-ci à l’autorité d’approbation compétente.

## ***Conclusion***

À la lumière de notre examen, nous estimons que la DGBI a en place des pratiques de gestion convenables pour assurer le respect de l’ensemble des lois et règlements influant sur la fonction de gestion des biens immobiliers et un cadre de gestion financière approprié pour déterminer la facturation pour les biens à risque, l’établissement et le contrôle des budgets ainsi que la gestion des contrats et des heures supplémentaires. Le cadre actuel est plus qu’adéquat pour permettre à la fonction de gestion des biens immobiliers d’évaluer le rendement économique, l’efficacité et l’efficacité de ses activités actuelles.

Notre examen a mis en évidence quatre préoccupations. En raison d’un financement limité, la Ville tend à réduire ou à reporter le budget du programme de cycle de vie d’une année à l’autre. L’absence d’un plan et d’une vision à long terme pour le parc Lansdowne signifie que la Ville ne sera peut-être pas en mesure d’en optimiser l’utilisation à titre d’investissement ou d’installation culturelle. Les ANS de haut niveau conclus avec les clients n’ont pas été renouvelés pour prendre en compte les réalités de l’Examen des programmes 2004. Enfin, il faut élaborer une stratégie pour s’assurer que les évaluations de l’état des immeubles pour toutes les installations importantes sont complètes et mises à jour.

## ***Remerciement***

Nous désirons remercier la direction pour la collaboration et l’aide apportées à l’équipe de vérification.

## 1 BACKGROUND

The Audit of Property Management was included as part of the 2006 Audit Plan first presented to City Council in December 2004.

The Real Property Asset Management Branch, (RPAM), is accountable for the “Corporate Landlord” function for the new City of Ottawa. This concept parallels the private sector in that it establishes ownership similar to private sector developers. As a result, RPAM holds all “real property”<sup>1</sup>, and provides turn-key property management and professional services to program occupants of the property required for their respective programs. This means that, with the exception of certain transportation and utility-related infrastructure, (i.e. roads, transitways, street lighting, water and sewer lines), all real property related to the programs of all City departments will be held and managed by RPAM.

As the Corporate Landlord, RPAM will act as the owner-investor focused on ensuring that the overall interests of the Corporation are protected. Therefore, on behalf of the Corporation of the City of Ottawa, Real Property Asset Management is responsible for:

- Acquisition and disposal of all real property assets;
- Design, construction, management, operation, maintenance, and renewal of all real property improvements including buildings and grounds, monuments, playgrounds, parks, and all other facilities and structures;
- Provision and management of Centres of Expertise in technical and professional services:
  - Real estate services including the real property inventory, leasing, and legal documents;
  - Environmental management;
  - Architectural, landscape architectural and engineering services;
  - Energy management and building automation;
  - Accommodation planning and interior design services;
  - Design and construction management services; and
  - Corporate security
- Operational and strategic planning for and rationalization of the real property portfolio;
- Provision of advisory services on all aspects of the City’s real property portfolio to senior City management and to City Council.

As of September 2006, RPAM had an annual net budget of approximately \$95 million (with a gross budget of \$121 million) and 731 FTEs.

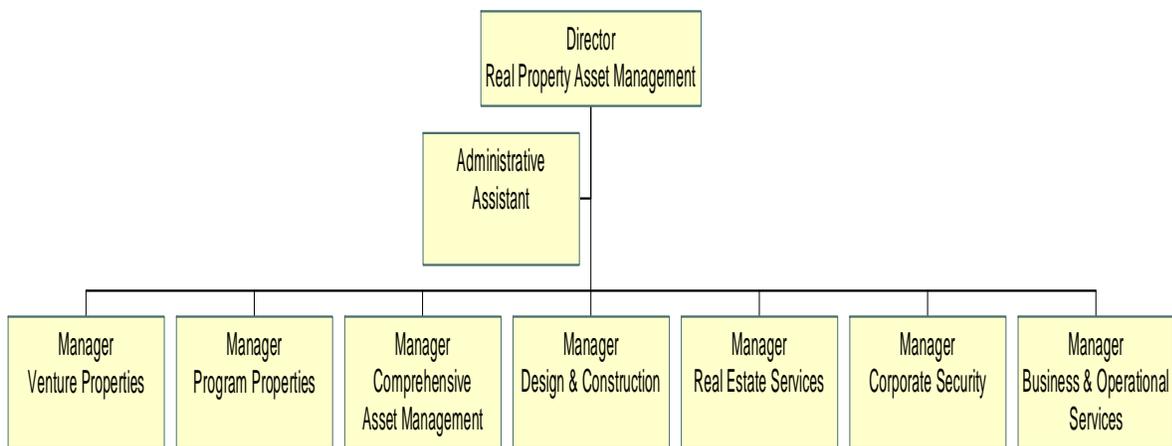
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<sup>1</sup> *Real Property Assets are defined as "land and/or buildings and all improvements thereon".*

A current summary of assets being managed by RPAM is as follows:

Asset	Measurement
Total properties (land)	3,790
Total area of land	67,744 acres
Total # of major buildings	798
Gross area of major buildings	11,622,389 square feet
Total replacement cost	\$2 billion (all improvements)

### **Organization Chart**



## **2 AUDIT OBJECTIVES, SCOPE AND APPROACH**

### ***2.1 Objective and scope***

The objectives of the comprehensive Audit of Property Management were to provide City Council with an opinion regarding:

- the appropriateness of management practices in place to ensure compliance with all legislation, laws and regulations by the property management function;
- the appropriateness of the financial management framework (i.e. fee structure for venture properties, budget development and monitoring, contract management and overtime management); and
- whether or not the property management framework is adequate to allow the property management function to assess the economy, efficiency and effectiveness of its current operations, within the areas of management listed below:
  - Long-term property planning
  - Life cycle renewal management practices

- Repair, maintenance and security of properties
- Reporting structures including points of contact and client response
- Staff management and utilization
- Benchmarking against other municipalities and industry best practices
- Opportunities for efficiencies
- Adequacy of performance measurement and reporting

Our audit was limited to the adequacy of the framework and the methodologies in place at the City of Ottawa for the above-mentioned objectives.

## **2.2 Audit Approach**

### **2.2.1 Detailed Audit Plan**

We performed an examination of property management activities and processes through the review of documentation and by conducting interviews with key employees. This examination phase helped us establish specific audit criteria and prepare a detailed Audit Plan.

The detailed Audit Plan indicated and proposed a limited number of property management files to review in order to obtain a good understanding of the framework and its practical particularities. It also included site visits to the Champagne Bath pool on King Edward, the Nepean Sportsplex and the Ottawa Transit facilities on St. Laurent Blvd. These visits were intended to observe the current levels of housekeeping and review on-site documentation and processes in support of repair and maintenance activities. This included plans, work orders and reports. The Department of Public Works and Services facility on Maple Grove Drive was also examined to identify any property management issues arising from the recent fire event at this site.

### **2.2.2 Audit of Property Management**

All our audit steps involved the review of documentation (i.e. policies, procedure manuals, documented practices, laws, regulations, etc.), interviews with key employees and a review of some files to assess the appropriateness of our understanding. The following provides more details about our approach for each objective:

- A. Compliance:** Through our understanding of the Management Control Framework, we confirmed whether the City has management practices that ensure compliance with all legislation, laws and regulations.

## **B. Financial Management:**

Fee Structure within Venture Properties: We performed a review of the fee structure methodology for venture properties and assessed the adequacy of the process to determine the fee structure for venture properties.

Budget development and monitoring: Our management control framework review included specific budget development and monitoring concerns to ensure that the budget process involved multiple financial decision makers at various levels of management, that the budget development was done with sufficient rigour for the budget to be a valid financial performance indicator, that it is monitored regularly, that variances with budget are appropriately followed up, and that the level of review performed by the various management levels is appropriate to detect a material financial concern. Through our review, we assessed the adequacy of the budget development methodology and budget monitoring framework.

Contract management: We verified that a contract management control framework is in place and evaluated whether or not it addresses key concerns such as competitiveness, independent evaluation of proposals and transparency.

Overtime management: We reviewed the adequacy of the methodology in place to manage the overtime incurred.

**C. Performance:** Our review assessed the adequacy of the framework and methodology used by the City of Ottawa for:

- Long-term property planning,
- Life cycle renewal management practices,
- Standards, policies and procedures related to repair, maintenance and security of properties, and
- Performance measurement and reporting

## **2.3 Strengths**

There are two areas of asset management where we found Real Property Asset Management Branch (RPAM) to have particular strengths:

### **2.3.1 Framework for the Property Management function of the City**

The RPAM Branch provides a very comprehensive and well-defined framework for the property management function of the City.

RPAM addresses the requirement for long and short-term operational and strategic planning through participation in a formalized planning cycle involving the preparation of four major planning documents:

- Strategic Accommodation Plan – Annual Long-term Plan Submission;
- RPAM Branch and Divisional Work Plans – Annual Plan and Quarterly Reporting;
- Long Range Financial Planning Budget Submission – Annual Plan and Quarterly Reporting; and
- Annual corporate operating and capital budget – Annual Plan and Quarterly Reporting.

The long-term planning process is integrated with the City's strategic plan and with the other City programs through:

- Participation within the integrated planning framework involving the preparation of the LRFP, multi-year operating and capital budgets, Branch narratives and departmental strategic frameworks.
- Participation in preparation of the City Corporate Plan identifying RPAM's responsibility for implementation of specific agenda components.
- Participation in the Corporate Services plan identifying RPAM's responsibilities for specific program services definition and delivery.
- Participation with other City programs in identifying specific asset strategies related to the program (Strategic Assessment Reviews) and funding levels (Portfolio funding limits)

The Comprehensive Asset Management (CAM) Prioritization Tool, Strategic Assessment Reviews and Asset Rationalization reports are cornerstones of the RPAM comprehensive asset management process. The preparation of Asset Assessment reports and Building Condition Assessments as components of this process contribute to ensuring that each major building is analyzed for the best possible longevity and most effective use.

### **2.3.2 Building inventory system and condition assessment process**

RPAM has a comprehensive building, parks and sites inventory system and condition assessment process. It is the objective of CAM to prepare Type II and Type III building condition reports for the major City facilities on a rotating basis. Also, as required to respond to program change management and corporate directives, the performance of Building Condition Audits are initiated on a prioritized basis.

At this time, 50-60% of the building asset base has already undergone a condition audit. In fact, for the larger portfolio of Parks and Sites, close to 100% of the assets have been audited.

Building condition reports provide the basis for estimating required life cycle renewal (planned replacement) activities for the short, mid and long-term periods. A Type II audit is normally provided through outsourced professional services and represents a major engineered evaluation of the building which in reality provides a more detailed and accurate documentation of facility conditions. Type III is a general technical review primarily performed by RPAM staff.

For those facilities, which have not been audited in detail, RPAM develops asset costs based on historic cost files, by building type. This is considered to be an acceptable method of determining asset condition and estimated repair costs.

These condition estimates and detailed audits adequately project the life cycle renewal and major repair and maintenance requirements for a facility and establish the financial implications of the condition assessment.

These condition assessments are input into the City of Ottawa Asset Management System (COAMS), the resident inventory and database for the development of individually costed Facility Condition Indices, which are an industry standard for assessing building condition. The COAMS database has over 25,000 separate entries to record life cycle renewal work in buildings, parks and sites and is considered to be a leading edge application.

The building condition assessments identifying facility conditions, including costed life cycle/repair/maintenance events, permit the identification of individual or collective programs of work to address priorities.

## **3 OBSERVATIONS AND RECOMMENDATIONS**

### **3.1 Compliance**

The following audit criterion was used:

RPAM has practices in place to ensure compliance with legislation, laws and regulations.

The major legislative and regulatory requirements relate to health and safety and building codes. RPAM monitors change through their affiliation with various professional associations and participation in associated conferences and on-going

professional development. Each Division (Program Properties and Venture Properties being the largest) performs an annual review of the changes in legislation to incorporate these requirements into their budget and plan of action. This review is performed quarterly and also involves Comprehensive Asset Management.

Other legislative requirements are monitored by RPAM as part of their planning cycle and are included in their work plans as priority items.

As for procurement legislation, all the requirements are managed by the Supply Management group which supports RPAM for its contracting needs.

Additionally, Legal Services provides clients with notification of impending changes to Legislation as they become aware of them. Upcoming changes to the Municipal Act are a good example of this. RPAM then provides notification and/or instructions to operational staff as required.

Furthermore, other Branches within the City provide specific information to RPAM as it becomes an issue. For example, Employee Services, Occupational Health and Safety, will provide information on changes to legislation and or regulations that require RPAM action.

When capital items are being considered for inclusion in the final construction program, if there is a life and safety component they are given a full 100 rating which guarantees inclusion in the current program. Furthermore, when there are specific capital related actions required, RPAM also has access to funds within the Operational Response Program to ensure compliance with changes to laws and or regulations.

Still, under circumstances of short notice, the lack of funding can cause delays in meeting target dates for compliance issues. In the recent change to requirements related to confined spaces, the City received notification on or about mid-August, with implementation targeted for later in 2006. However, given the City's budgetary cycle, RPAM can only submit this as a funding pressure for 2007.

## **3.2 Financial Management**

### **3.2.1 Fee Structure within Venture Properties**

The following audit criteria were used:

- A. There is a Fee Structure Management Framework for Venture Properties.
- B. A proper analysis of the options and their financial implications is made before agreeing on a specific fee structure for a venture property.

- C. There are practices in place to monitor and measure performance of Venture Properties' results and the appropriateness of the fee structure.

The following observations and issues were noted by audit criteria:

- A. *There is a Fee Structure Management Framework for Venture Properties.*

Met criteria with certain exceptions. There is a management framework in place to direct the City employees in managing the venture properties.

For Lansdowne Park, a document was adopted by the former Regional Municipality of Ottawa-Carleton Council in 2000 to provide general guidelines on how the park should be managed. This document stated that one of the intentions was that operations should be done in a "business like manner designed to maximize the long-term physical and financial viability of the park". In addition to this document, a fees and charges schedule that covers most of the revenue generating activities of the park is presented and approved by City Council every year. In the case of larger agreements over \$250,000 i.e. Ottawa 67's Hockey Club, CFL, Central Canada Exhibition and the Coliseum Inc. the agreements are presented to City Council as required by the delegation of authority By-law No.2001-12 article 17.

For the Markets, By-law No.191-95 provides the necessary guidance for their management. The By-law is very detailed and includes a schedule that is reviewed every year and approved by City Council, with the fee structure to be used for all standard contracts. The other rental agreements entered into at the By-ward market are made at market value with an independent appraisal for support.

Through our review, we have identified two concerns. The first one is that the Venture Properties' group at RPAM has the ability to negotiate a fees and charges chart (Lansdowne Park) that falls below the delegation of authority requirement. In addition, there are very few guidelines other than the overall objective which is to generate a profit. Our second concern, which was also identified by RPAM in a previous document, is the lack of a clearly defined long-term plan and vision for Lansdowne Park.

- B. *A proper analysis of the options and their financial implications is made before agreeing on a specific fee structure for a venture property.*

Met. Through our interviews and a review of three files, we found that an appropriate analysis of the market, options and implications is made and

documented before agreeing on a specific fee structure. A fair market analysis is performed internally or obtained through external resources before determining the fee structure on larger deals. Our review of files demonstrated that RPAM was following the policies and guidelines in managing the venture properties.

- C. *There are practices in place to monitor and measure performance of Venture Properties' results and the appropriateness of the fee structure.*

Met. The key performance monitoring being performed relates to financial performance. Financial results are a major concern for the managers at RPAM and these are reviewed on a consistent basis in sufficient detail (Monthly and by properties and facility).

The fee structures are reviewed regularly upon the renewal of larger contracts, and through an annual review of the overall performances (financial, but also based on the general comments and degree of satisfaction indications made by the stakeholders). The fee and charges chart is reviewed annually and approved by City Council.

### **Cause**

The first observation of concern is that RPAM can negotiate fees at a discount rate from what is stated for fee and charges on the chart for special events (i.e. longer term lease) and there are no guidelines to follow other than "breaking even and not creating a deficit". This is a result of the City's intention to allow Lansdowne Park to operate in a "business-like manner".

The second observation relates to the lack of a long-term plan and vision for Lansdowne Park which has been a concern for RPAM for a number of years. Although RPAM has tried to elevate this as an issue to City Council, to date the City has not yet undertaken such a task. RPAM did undertake an operational review in 2001 and is currently undertaking an economic impact study to provide the basis for a future visioning exercise.

### **Impact/Risk**

This negotiation of the fee and charges chart could potentially result in deals that are below fair market value. The risk of such flexibility is that some customers could potentially get preferential treatment or the appearance of preferential treatment.

The lack of a long-term plan and vision for Lansdowne Park means the City may not be able to maximize the use of the Park as a financial investment or cultural facility.

### **Recommendation 1**

**That the Branch establish guidelines governing the negotiation of fees and charges based on a volume and type of business by defining scales of fees to be charged to their various clients.**

#### **Management Response**

Management agrees with this recommendation.

There is already in place a published schedule of fees and charges, for the use of Lansdowne Park facilities. This includes a sliding scale for potential rental discounts when other revenue streams are taken into account, which is applied in a consistent, transparent and equitable manner. Commercial activities, such as entertainment events, require that a degree of flexibility be exercised by management in order to attract business in an extremely competitive environment. In 2007, management will review the largely market-driven fees and charges schedule and associated application guidelines to ensure that they are inline with good business practices.

### **Recommendation 2**

**That the Branch develop, for City Council approval, a long-term plan and vision for Lansdowne Park in order that future usage of the park be done in conjunction with the citizens' expectations.**

#### **Management Response**

Management agrees with this recommendation.

Studies completed prior to amalgamation recommended long-range plans for Lansdowne Park that did not come to fruition. In 2002, Lansdowne undertook a full operations review and since amalgamation the Lansdowne Park operating budget has gone from a \$1.2M deficit to a \$250K deficit. However, the annual revenue stream does fluctuate from year to year. The lack of vision and Long-term planning has impeded the development of long-term, sustainable business strategies for the site in the face of increasing competition in the event industry.

Lansdowne Park initiated an Economic Impact Study that is currently out for RFP. The results of that study, lead by the Economic Development Division, Planning, Transit and the Environment, are due at the end of the first quarter 2007.

Over the years Lansdowne has successfully supported a variety of activities and events ranging from professional and amateur sporting activities, entertainment events, social activities and expositions, including the annual Exhibition. However, a long-term vision along with a strategic plan for implementation is required to identify and secure the necessary resources to ensure a long-term viable and sustainable site. A long-term plan and vision for Lansdowne Park will be in front of City Council for approval in the Q4 2007.

### 3.2.2 Budget development and monitoring

The following audit criteria were used:

- A. There is a budget development and monitoring framework.
- B. The budget is prepared with sufficient involvement of the decision makers regarding the expenses incurred (operation & capital).
- C. The financial results are reviewed regularly by the decision makers, in sufficient detail so that a material error or mismanagement practice would be noticed.
- D. There is proper follow-up being done on the observations noticed when reviewing the financial result in comparison to the Budget.

The following observations and issues were noted by audit criteria:

- A. *There is a budget development and monitoring framework.*

The Financial Services Branch oversees the framework around the budget preparation and monitoring. The Financial Planning Division is responsible for the coordination of budget preparation. In order to ensure appropriate design and monitoring of the budget, Financial Services has put in place a Financial Services Unit (FSU) responsible for supporting the City services in its financial accountability. RPAM has a FSU. We are satisfied that the financial involvement in the budget development and monitoring process, through the use of the FSU, ensures that the process is rigorous and provides an adequate oversight over the financial management of RPAM.

As part of our review, we noted and confirmed that the FSU in RPAM has established its own analysis and reporting tools, including monthly reports specifically to monitor the status of operating budget, capital budget (works in progress), overtime, human resources gapping (vacancies), and overall trending by cost centre.

- B. *The budget is prepared with sufficient involvement of the decision makers regarding the expenses incurred (operation & capital).*

#### Operating Budget:

The budget process starts in the spring of the previous year. For the operational budget development, Financial Services requests the identification of any budget pressures (e.g. rising gas cost) the various groups at RPAM are expecting to face in the next year. RPAM has to determine the financial implications of these pressures. Once the RPAM Managers determine their necessary budget increases, they review them with their FSU. Prior to the review, the FSU would have reviewed the group's financial statements in order to identify items at risk

and budget pressures as well. At the meeting with the managers, the FSU would review their analysis and challenge those areas that seemed excessive or underestimated. As part of our assignment, we reviewed the agendas and minutes of meetings that showed where there were discussions over the issues brought up from various groups with the FSU. The FSU role is also to ensure that the proposed increases are in line with City Council's guidelines issued by the Financial Planning Division. Once the FSU and the managers are satisfied with the budget, they present it to the Director of RPAM in order to get his comments and approval. During the presentation, the Director will also challenge some of the proposed items and financial implications. After that, the budget is presented to the Chief Corporate Services Officer. He will also challenge the budget, request or negotiate changes, before approving it and presenting it to the Financial Planning Division, and then to the Executive Management Committee.

Through our review of budget preparation materials, meeting minutes and agendas in the Program Properties and Venture Properties groups, we are satisfied that the groups' managers discuss the budget pressure with their staff at least bi-weekly until the budget is presented to the Director of RPAM. Therefore, there is sufficient involvement by the decision makers.

#### Capital Budget:

The capital budget is established through a different process. The starting point of the capital budget for life cycle renewal resides in its COAMS System. In COAMS, all the properties of the City are matched with the life cycle (capital) work that needs current attention and those that will need to be done over the next 10-25 years. The City has performed many condition audits and assessments to obtain this information at a high level of detail. The system can integrate the increase of material and labour costs over time to take into account inflation or special circumstances. This system is further described in section 3.3.1 Long-term Planning. This information is being incorporated in the Long Range Financial Plan (LRFP). Therefore, the LRFP includes all work that needs to be performed without consideration to the availability of funding.

On an annual basis, the life cycle group performs a more detailed review of the activities that will be performed in the next year (annual capital budget). The Manager and his team first reviews all the activities currently in COAMS and 1) delays or cancels some activities, if possible, and 2) tries to combine some work with the operating maintenance budget to reduce costs. At this point, the Manager, CAM has obtained from Finance a rough figure about the availability of funds for its activities in the next year.

Once the group has performed the review, they would invite users of the properties involved to a meeting. During that meeting, a list of all the items in COAMS would be presented, including their financial implications, and as a group, they will decide on the priorities of the items in order to present a budget that is close to the figure obtained from Financial Services. Some items (i.e. security and legislative requirements) are not negotiable and would have been already selected for implementation.

Based on our review of the COAMS reports used for the LRFP and budget and based on our interviews, we are satisfied that there is sufficient involvement by the key stakeholders in the capital budget development and that the process is rigorous.

Our major observation is that the capital budget development process for life cycle renewal, even after taking into consideration the comments of the decision makers, often results in a financial allocation being provided to RPAM for its projects (life cycle) based on the availability of funds rather than upon the building's review. The number of items that need to be postponed as a result of the review to meet the financial figure provided by Financial Services is significant. The impact of these decisions on the long-term condition of City buildings, parks and sites is discussed in further detail later in this report under Long-term Capital Planning and Life Cycle Management Practices.

- C. *The financial results are reviewed regularly by the decision makers, in sufficient detail so that a material error or mismanagement practice would be noticed.*

#### Operating & Capital

We reviewed the budget monitoring practices performed for the Program and Venture Properties groups and for the Capital Asset Management life cycle renewal and repair activities. The managers in the Program and Venture Properties groups review their financial results monthly with all their district managers as well as with each of the district managers individually. The Manager, Comprehensive Asset Management budgets with the portfolio managers. The FSU reviews the financial results by properties, by group and by project (capital) every month. The FSU and the managers meet monthly to review and discuss the results. The FSU requests explanations and challenges the managers whenever the information indicates a risk that the budget could be exceeded. The monthly results are also discussed with the Director of RPAM before being discussed with the Chief of Corporate Services.

The objective communicated to the managers is to attain a zero deficit result at the end of the year. The level of review being performed based on our

discussions and review of the processes in the three major groups is sufficiently detailed that a material mistake or error would be found through the review.

In 2005, RPAM had \$84,727,000 of net expenses compared to a budget of \$84,768,000. They finished the year with a surplus of \$41,000.

*D. There is proper follow-up being done on the observations noticed when reviewing the financial result in comparison to the budget.*

The FSU ensures that all financial observations are addressed and concerns are followed up regularly.

### **Cause**

The Financial Management Framework for RPAM is well defined and the FSU ensures appropriate financial accountability and management.

Our observation is that the City, due to its limited sources of revenue, either reduces or defers what are deemed to be necessary expenses. Capital expenses are considered longer term therefore the Life Cycle Renewal Program budget is reduced significantly year over year.

### **Impact/Risk**

We are satisfied with the level of review and financial oversight in RPAM.

A constant under-funding of the Life Cycle Renewal Program will eventually result in deteriorating properties that will generate higher maintenance and replacement expenses.

### **Recommendations**

*Our recommendations for this matter are included with our more detailed discussion of the long-term funding for City facilities under Life Cycle Management Practices.*

### **3.2.3 Contract Management**

The following audit criteria were used:

- A. There is an appropriate contract management framework.
- B. There are practices in place to monitor and measure performance of contractors.
- C. There are practices in place to use the appropriate form of contracting (type of contract and clauses included in the contract).

- D. Contracts are let in a manner that is open, fair and transparent (clear scope of work and evaluation criteria, and due consideration of costs).

The following observations and issues were noted by audit criteria:

- A. *There is an appropriate contract management framework.*

Met. There are City guidelines on how contracting should be done. The guidelines include the Procurement Policy, delegation of authority as well as a formal procedure for hiring and monitoring project managers developed and applied by the Comprehensive Asset Management Division. These guidelines take into account the Procurement By-law requirements.

In order to ensure proper guidance in contracting, all contracts above \$10,000 are done through the Supply Management Division in the form of a competitive contracting process, or sole sourcing if the contract is below \$50,000 and properly justified. RPAM always prepares the technical requirements. When competitive, the City enters into Standing Offers and contracts.

- B. *There are practices in place to monitor and measure performance of contractors.*

Met. There are specific review procedures in place before the payment is issued to a supplier i.e. confirmation that the services have been rendered through a formal technical review. Also, whenever a project manager is involved, there are regular review visits and an acknowledgment of costs, all being documented and signed by the responsible individuals. Through our review of files, we have seen adequate monitoring documentation demonstrating the existence of these procedures. The level of review is appropriate to the level of contracting, i.e. high-risk and high-value contracts have more controls. This issue is discussed again under Life Cycle Management Practices.

- C. *There are practices in place to use the appropriate form of contracting (type of contract and clauses included in the contract).*

Met. The dollar threshold and type of contract determines the form of contracting. Most contracts are handled by the Supply Management group who follows the procurement guidelines. We have reviewed three files and found that the appropriate form of contracting was used (competitive). Most of RPAM's maintenance contracts are done through Standing Offers. Currently there are dozens of Standing Offers in place for a wide range of goods and services with an annual value of many millions of dollars. While these Standing Offers are not all exclusive to RPAM, they are major users.

- D. *Contracts are let in a manner that is open, fair and transparent (clear scope of work and evaluation criteria, and due consideration of costs).*

Met. Through our review of three files, one for housekeeping, one to establish a Standing Offer for HVAC maintenance and one for major roof repairs, we found that these contracts were let in an open, fair and transparent manner, with a detailed scope of work and a clear selection criteria, as well as a proper evaluation of the proposal. All contractors were selected because of the high emphasis on the price component. This was confirmed by our review of the process.

In addition, RPAM (Venture Properties and Program Properties) perform a business and competitive assessment analysis to review work programs in order to identify opportunities for work bundling to achieve economies of scale and/or tendering strategies in the performance of work.

This business analysis examines work flow and resources to determine the most appropriate procurement process (in-house trades or contracting out). There are processes in place to determine when and why the City uses Standing Offers versus, for example, in-house plumbers, etc. Jobs are considered by scope and whether it is best to use; material and labour, labour only and/or have just one component of a job done by SOA to achieve best value for the City. This issue is discussed again under Life Cycle Management Practices.

Once the decision has been made, RPAM has an exhaustive list of Standing Offers for a wide range of goods and services to draw upon. When calling up trades, unlike Standing Offers for professional services, there are a limited number of specific suppliers by trade.

In addition to the oversight role of Supply management, the FSU ensures that adequate funding is available before contracts are issued and funds are committed. Supply Management has confirmed that RPAM continues to be a knowledgeable client who respects the processes and procedures established for contracting.

There are the expected checks and balances within the system to ensure that goods are purchased for the intended use.

### **3.2.4 Overtime Management**

Since the OAG conducted an audit of overtime incurred by the City in 2005, work on overtime was limited to confirming whether or not the process had changed from the previous audit period.

The following observations and issues were noted by audit criteria:

Through our interviews and a review of documentation, we found that the process has not changed, except for the additional effort being made to address the concerns mentioned in the OAG report issued in the spring of 2006.

RPAM reviews overtime expenditures monthly by division and by Branch. Managers in each of the divisions review the overtime by properties. All overtime requires approval as per the previous audit recommendations. We reviewed the monthly reports and confirmed with the FSU that overtime was discussed and reviewed monthly.

As was the case in 2004, RPAM managed within its overtime envelope for 2005 spending 86%, \$1,309,000 of their \$1,521,000 budget.

### **3.3 Performance**

#### **3.3.1 Long-term Property Planning**

The following audit criteria were used:

- A. The Real Property Asset Management Directorate (RPAM) has a formalized planning cycle that includes short and long-term planning.
- B. The long-term planning process is integrated with the City's strategic plan and with the other City programs.
- C. There are practices to ensure that each major building is analyzed for the best future and most effective use.
- D. There is an emergency and contingency plan for business continuity.

The following observations and issues were noted by audit criteria:

The RPAM Branch provides a very comprehensive and well-defined framework for the property management function of the City.

The RPAM framework, and its component parts, exhibit best practices in the field and through its business operations section by continuing to evaluate, refine and improve on practices and processes.

RPAM, through their participation in the Ontario Municipal Benchmarking Initiative, their own internal planning and performance evaluation activities (notably the Asset Rationalization Process, Alternate Service Delivery Study, and their on-going

development of a Green Building Policy) have demonstrated both their relative expertise and leadership in the field of Municipal property management services delivery.

*A. The Real Property Asset Management Directorate (RPAM) has a formalized planning cycle that includes short and long-term planning*

RPAM addresses the requirement for long and short-term operational and strategic planning through participation in a formalized planning cycle involving the preparation of a four major planning documents.

- Strategic Accommodation Plan – Annual Long-term Plan Submission
- RPAM Branch and Divisional Work plans – Annual Plan and Quarterly Reporting
- LRFP Budget Submission – Annual Plan and Quarterly Reporting
- Annual Corporate Operating and Capital Budget – Annual Plan and Quarterly Reporting

*B. The long-term planning process is integrated with the City's strategic plan and with the other City programs.*

The long-term planning process is integrated with the City's strategic plan and with the other city programs through:

- Participation in the integrated planning framework involving the preparation of the LRFP, multi-year operating and capital budgets, branch narratives and departmental strategic frameworks.
- Participation in preparation of the City Corporate Plan identifying RPAM responsibilities for implementation of specific agenda components.
- Participation in the Corporate Services plan identifying RPAM responsibilities for specific program services definition and delivery.
- Participation with other City programs in identifying specific asset strategies related to the program (strategic assessment reviews) and funding levels (portfolio funding limits).

The strategic assessment reviews observed were project-specific initiatives. Wider ranging asset analysis for life cycle renewal (Strategy for Parks and Sites) were also provided for review. A strategic assessment review of the overall client profile current and future demand analysis, and a resulting strategic asset proposal on a portfolio-wide basis is a cornerstone of the long-term planning and asset rationalization process.

These program portfolio-specific strategic asset plans represent a holistic approach to the development of an interface between service delivery strategies and asset strategies. We understand that these are being examined under the recently initiated divergence analysis process and are defined in further detail through the Real Property Asset Rationalization process.

While the long-term asset plan integration with the City's strategic plan, and specifically the LRFP, is well demonstrated, a major concern we have is that the life cycle renewal capital funding needs have been historically under-capitalized, raising a continuing risk of facility rust-out and non-performance. This issue is discussed again under Life Cycle Management Practices.

- C. *There are practices to ensure that each major building is analyzed for the best future and most effective use.*

The CAM Prioritization Tool, Strategic Assessment Reviews and Asset Rationalization Reports are cornerstones of the RPAM comprehensive asset management process. The preparation of asset assessment reports and building condition assessments as components of this process contribute to ensuring that each major building is analyzed for the best future and most effective use.

For specific portfolios for example, the CAM Life Cycle Renewal and Proposed Strategy for Parks and Sites, existing documentation illustrates and confirms a comprehensive and rigorous approach to establishing the appropriate program and asset fit.

For other facilities, such as general office accommodation settings, once the program fit with a specific asset is confirmed, there is a second stage accommodation standards and space optimization study that further supports asset rationalization.

- D. *There is an emergency and contingency plan for business continuity.*

The development of a City-wide business continuity plan is an integral part of the 2006 corporate work plan.

The City provided two documents delineating business continuity and emergency planning:

- Corporate Services - Departmental Emergency Plan January 2006
- City of Ottawa - Emergency Plan Version 1.0 December 2004

In their 2005 RPAM business plan, RPAM has identified an Emergency Planning Project to evaluate and develop an emergency response protocol, vulnerable buildings emergency information system, and a facility assignment matrix as part of the corporate emergency plan.

RPAM has a dedicated project manager who is coordinating RPAM's emergency planning efforts and plans are well underway.

A Vulnerable Buildings & Structures Project has been endorsed by RPAM Branch Management Team, the Office of Emergency Management and the Emergency Steering Committee. Two of the three vulnerability assessment tools have been developed, the third assessment tool is expected to be developed by early November 2006, and by end of December, 80% of the clients will have identified their critical "facility related" services and four facilities will have been piloted. During 2007-2008 all critical facilities will be assessed using these assessment tools (approximately 200 facilities).

The current Branch emergency plan is being updated to reflect the emergency requirements from the departmental and corporate emergency plans. The Branch emergency plan will be drafted by Nov 2006.

As regards business continuity, 2006 requirements to review the business continuity framework and provide feedback has been completed. The 2007 plan to start developing business continuity plans, has already started through the Vulnerable Buildings & Structures Project

## **Conclusion**

The overall conclusion on our review of the long-term planning framework is that the systems and processes in place and/or the planning systems identified in the business plan for future development provide for the efficient and effective delineation of real property asset requirements, services and management.

## **Cause**

The Long-term Strategic Asset Plan identifies capital expenditures for life cycle renewal and repairs on an industry standards basis.

The life cycle renewal/maintenance timeframes represent manufacturers or industry standards and best practices developed within RPAM over time. The Comprehensive Asset Management Division has prepared four critical documents related to funding levels on building life and maintenance costs:

- Comprehensive Integrated Operational and Performance Measurement plan for RPAM, Feb. 2005;
- Draft policy on Life Cycle Renewal;
- Update on Life Cycle renewal Forecast, and Impact on the LRFP, Oct 2005; and,
- Life Cycle Renewal Profile and Proposed Strategy for Parks, Feb. 2006.

All of these documents highlight the need to address impending rust-out through the provision of adequate resource levels for life cycle renewal. While there was a Comprehensive Asset Management Strategy for Buildings and Parks submitted to City Council in August of 2004, which outlined the high level funding requirements, accumulated deferred renewal costs and the principles for developing a life cycle renewal policy, it did not address the specific impacts of rust-out and the details of the problem have not yet been fully presented to City Council. As a result, City Council's approvals result in an annual capital financial plan for asset management that does not provide sufficient capital to adequately maintain the asset base. This issue is discussed in more detail in Life Cycle Management Practices.

### **Impact/Risk**

Under-capitalization of assets requires the annual deferment of necessary life cycle renewal and repair activities for the physical plant. The deferment could result in interruption or loss of program services as well as an increase of costs to operate the facility.

### **Recommendations**

*Our recommendations for this matter are included with our more detailed discussion of the long-term funding for City facilities under Life Cycle Management Practices.*

### **3.3.2 Life Cycle Management Practices**

The following audit criteria were used:

- A. RPAM has a practice to ensure each building owned by the City is inventoried and its condition is assessed appropriately (building condition audit or other procedure).
- B. There is a method to establish accurate financial implications of the condition assessment.
- C. There is a practice in place to ensure that the most effective and economical approach is used when performing any work on a property.

- D. RPAM has a practice to ensure that performance standards are developed in consultation with program managers and other stakeholders, based on a risk assessment.
- E. RPAM has a method to determine asset maintenance priorities, taking into consideration the strategic plan and the performance standards.
- F. There is an appropriate monitoring system to ensure that scheduled and purchased maintenance are carried out in accordance with standards and expectations.
- G. There is an appropriate system that provides management with accurate and timely data on the maintenance activities planned and performed.

The following observations and issues were noted by audit criteria:

- A. *RPAM has a practice to ensure each building owned by the City is inventoried and its condition is assessed appropriately (building condition audit or other procedure); and*
- B. *There is a method to establish accurate financial implications of the condition assessment.*

RPAM has a comprehensive building inventory system and condition assessment process. We have observed two levels of intervention in determining on-going life cycle repair and maintenance activities: (1) Legislative compliance reviews and (2) Building condition reports. Legislative reviews are performed annually or at the time that legislation is changed and would include fire and life safety reviews in compliance with the Fire Code. It is the objective of CAM to prepare Type II and Type III building condition reports for the major City facilities on a rotating basis. Also, as required, to respond to program change management and corporate directives, the performance of building condition audits are prioritized based upon the age of the asset (indicating large life cycle renewal requirements), state of repair (indicating historic deferral of repair/maintenance activities) or assets being considered for disposal or sale.

We understand that at this time 50-60% of the building asset base has undergone a condition audit and for the larger portfolio of Parks and Sites, close to 100% of the assets have been audited. Funding for the condition audits comes directly from capital budget and has limited the number of audits which can be completed.

The building condition reports provide a graduated degree of estimating confidence depending on the type of audit. Type II audits are normally provided through outsourced professional consulting services and represent a non-intrusive evaluation of the building, providing a reasonably detailed and comprehensive documentation of facility conditions. Type III is a general

technical review primarily performed by RPAM staff. Further observations regarding building condition assessments are contained in the following section describing the site visits conducted as part of the audit.

For those facilities which have not been audited in detail, RPAM develops asset costs based on historical cost files by building type which are deemed as an acceptable method of determining asset condition and estimated repair costs.

These condition estimates and detailed audits adequately project the life cycle renewal and major repair/maintenance requirements for a facility and establish the financial implications of the condition assessment. These condition assessments are input into the City of Ottawa Asset Management System (COAMS) as the resident inventory and database for the development of individually costed facility condition indices.

RPAM utilizes a planning parameter of seeking to fund life cycle renewal on the basis of 1.5% of 80% of replacement value of a facility. This figure represents a fairly conservative value given that several industry benchmarks call for a 2 to 4 % budget for capitalized maintenance. The specific benchmarking standard that was selected was the current life cycle repair and maintenance targets for a large scale Federal department, Correctional Services Canada, which occupies a wide-ranging building portfolio comprising administrative, workshop, recreational, garage and community type facilities.

In addition, we spoke with representatives from three municipalities: Edmonton, Mississauga and Halifax. All three have systems similar to COAMS to project life cycle repair and maintenance costs based on replacement cost. Of the three, two had, as a general principle, their funding based on approximately 60-70% of identified needs. In this regard, the Edmonton City website provides a great deal of background information. Halifax was in the enviable position of receiving virtually full funding as a result of adequate reserves.

There is also a body of work which suggests that deferred maintenance has a significant downstream impact on inflated operating and maintenance costs. Furthermore, there has been a great deal of discussion lately in the media about the impact of all levels of government deferring capital expenditures for renewal, repair and maintenance for infrastructure and capital assets. The City is not immune to this practice.

The following table summarizes the extent of the current and projected shortfall within the capital life cycle renewal programs for general buildings, heritage

facilities, libraries and transit facilities (excludes Police and Utilities), using data from August of 2005 (note that 2007-08 figures are from updated LRFP 2).

<b>Life Cycle Renewal Forecast (in millions of dollars)</b>			
<b>Year</b>	<b>Requirements Projected</b>	<b>Funding from LRFP</b>	<b>Variance</b>
2004	25.9	5.5 <sup>1</sup>	20.4
2005	39.1	12.8 <sup>1</sup>	26.3
2006	19.5	9.5 <sup>1</sup>	10.
2007	24.9	16.1 <sup>2</sup>	8.8
2008	23.7	14.5 <sup>2</sup>	9.2
<b>Totals</b>	<b>133.1</b>	<b>58.5</b>	<b>75</b>

1 Actual budget figures for referenced programs.

2 Figures from updated LRFP 2, these target projections do not traditionally get reflected in annual approved capital budgets.

As reflected above, the issue of under funding of life cycle renewal represents a growing issue for the City. Furthermore, current life cycle projections for Parks and Sites forecast an additional shortfall of approximately \$10 million over the next three years and \$100 million over eight years.

The shortfall in funding has had a significant impact on the City's ability to replace deteriorated building components including; arena ice pads, roofs and numerous other critical building systems. The table below provides some examples of specific items that have been deferred in recent years due to limited funding:

<b>2007 Major Projects Deferred From Previous Years</b>				
<b>Facility</b>	<b>Description</b>	<b>Budget</b>	<b>Recommended</b>	<b>Yrs Deferred</b>
Alexander CC	Replace Rooftop HVAC	90,000	2004	3
Brewer Pool	Replace Dehumidifier #1	150,000	2004	3
Manotick Arena	Refrigeration Plant	150,000	2004	3
MacQuarrie Complex	Change Room Ventilation	60,000	2003	4
Sandy Hill Arena	Slab & Ice Plant	1,200,000	2004	3
South Garage - St. Laurent	Replace Roof Area 10 & 18	300,000	2005	2

C. *There is a practice in place to ensure that the most effective and economical approach is used when performing any work on a property.*

As discussed earlier, the building condition assessments that identify facility condition and costed life cycle/repair/maintenance events permit the identification of individual or collective program of works to address work priorities. RPAM (Venture Properties and Program Properties) performs a

business and competitive assessment analysis to review these work programs in order to identify opportunities for work bundling to achieve economies of scale and/or tendering strategies in the performance of work.

This business analysis examines tendering strategies, work flow and resources to determine the most appropriate procurement process (in-house trades or contracting out). For complex repair and maintenance, or life cycle renewal projects, detailed specifications and standards are prepared to direct the work to be done. These projects are monitored through RPAM project managers and/or contract professional consultants who provide written monthly progress reports. Accurate and timely data on the maintenance activities that are planned and performed is provided through an individual event and project reporting and analysis utilizing the SAP module.

The RPAM Branch has undertaken, at the direction of City Council, a Branch-wide Alternative Service Delivery (ASD) review that was submitted to City Council in late 2005. In addition, on an ongoing basis, RPAM conducts business assessments on a case-by-case basis, to determine the best approach (i.e. internal vs. external resources). These assessments incorporate a “balanced score card” approach and the results of those assessments are implemented.

The Branch-wide ASD review determined that the most appropriate application of ASD options is focus on P3 initiatives for new asset provision and management services, where deemed to be in the best interests of the Corporation.

- D. *RPAM has a practice to ensure that performance standards are developed in consultation with program managers and other stakeholders, based on a risk assessment.*

Performance standards have three dimensions related to facilities:

- Life cycle system performance (useful life of a system)
- Repair standards (repair or replace evaluations)
- Maintenance standards (level of services to maintain and support program operations)

For the first two dimensions, performance standards are developed based on industry standards and assessed within the context of the building condition audits and rationalized (risk assessed) on a facility-by-facility basis within the COAMS documentation process. These performance standards are developed with program managers through the preparation of asset rationalization assessments prepared by CAM staff.

The third dimension, maintenance standards, has in the past been developed and agreed to by program stakeholders through the preparation of detailed service level agreements. The renewal and refreshing of these service level agreements has been identified as a priority by the managers within Venture Properties and Program Properties.

Clearly delineated performance standards tailored to specific program types, based on what is required and what is sustainable, needs to be developed. While RPAM has identified the development of a pilot “Lease” client service agreement as part of the new model of client chargeback replacing service level agreements, there still exists a requirement at the moment to keep individual service level agreements with the major program portfolios.

- E. *RPAM has a method to determine asset maintenance priorities, taking in consideration the strategic plan and the performance standards.*

Asset life cycles, repairs and maintenance priorities are currently established through the capital asset rationalization process. Individual facility repair/maintenance/ life cycle requirements and funding identifications are outcomes of this process.

Even though the capital asset rationalization process is responsive to the City’s strategic plan for service delivery, identifies priorities and capital funding requirements, the current City budget historically under-funds the capital funding required for life cycle repair activities.

- F. *There is an appropriate monitoring system to ensure that scheduled and purchased maintenance are carried out in accordance with standards and expectations; and*
- G. *There is an appropriate system that provides management with accurate and timely data on the maintenance activities planned and performed.*

Scheduled and purchased maintenance is procured and implemented either through in-house services and/or contract services.

Quality assurance of maintenance activities is achieved through City facility supervisors and/or contract project managers’ work audits. These projects are monitored through RPAM project managers and/or contract professional consultants who provide written monthly progress reports.

### 3.3.2.1 Daily Operations

Daily repair and maintenance work is prioritized through the service desk standards, which are detailed in generic service level agreements and include prescribed turn-around times.

Work is assigned and monitored by local facility supervisors, taking into consideration the availability of local staff, resources from the central “pool” of specialists or the utilization of Standing Offer resources. There is a predetermined process and rationale for the selection of the most cost effective means. All work is monitored by local facility supervisors, who create a work order as a result of receiving notification. Upon completion of work, the supervisor authorizes the appropriate invoice.

The RPAM Service Desk was created to provide a centralized reporting system to record and track service requests for City facilities. It operates from Monday to Friday 7:30 to 4:00 PM and receives requests for service on behalf of the Venture Properties Divisions and Program Properties Division. After hours, an on-call employee receives calls and advises the 24-hour call centre.

If there is an emergency situation, the facility supervisor will be contacted immediately by phone to ensure that action is being taken. There are published standards for response times given the nature of the problem.

These processes appear to be an efficient and effective means to address unforeseen maintenance requests as they occur on a daily basis. The Service Desk creates notification files in SAP (for tracking purposes), closes completed work orders in SAP and files completed documents by site. Monthly reports track staff utilization and calls by cause and by facility in order to effectively identify types of services and efficiently assign resources.

When a call is made to the Service Desk, it is logged and tracked through to completion. While there are no formal processes for client feedback, facility supervisors are co-located with their clients and resolve issues as they arise.

Housekeeping has always been an issue in the operation of community-oriented facilities. In January 2005, a report on the impact of 30% reduction in housekeeping standards was submitted to Corporate Services and Economic Development Committee and City Council. The report highlighted the growing number of complaints related to the necessary reductions to service levels to meet the cost reduction targets.

Interviews have been conducted with a variety of clients. It is important to note that some believed that the housekeeping standards were much higher for P3 sites than for

City managed and staffed facilities. P3s are the subject of a separate 2006 audit undertaken by the Auditor General.

### **3.3.2.2 Site Visits**

The detailed Audit Plan included site visits to the Champagne Bath pool on King Edward, the Nepean Sportsplex and the Ottawa Transit facilities on St. Laurent Blvd. These visits were intended to observe the current level of housekeeping and review on-site documentation and processes in support of repair and maintenance activities. This included plans, work orders and reports. The Public Works and Services facility on Maple Grove Drive was also examined to identify any property management issues related to the recent fire event at this site.

#### ***OTTAWA TRANSIT – ST. LAURENT BLVD.***

The Program Manager, Service Planning stated that Transit Services are a City priority. The Transit Services operational budget has increased approximately 20% over the last five years, however the RPAM budgets related to maintenance and housekeeping services to support the expanded facilities have not. Further, the RPAM budget cuts in 2004 have adversely affected RPAM service delivery. Accordingly, the repair, maintenance and housekeeping services have been affected, resulting in longer waiting times to clean up and perform repairs to transit facilities.

RPAM is responsible for the operation, repair and maintenance of the administration building and transit operations (Fleet garages, Para-transpo, transit stations, bus shelters and bus flags). RPAM and the Transit Services Branch work closely to develop, document and implement performance standards for the design and maintenance of transit facilities.

Specific characteristics of this service relationship are that there is an internal control and monitoring system specific to RPAM and Transit Services for the planning and implementation of repair and maintenance activities. The City call centre is not used for this Branch. Transit Services utilizes a separate customer service line to record complaints and identify and direct corrective actions related to services and facilities.

Whenever the event results in an actual expenditure, as opposed to a straight forward clean-up, a work order is produced and tracked in the same system as the 3-1-1 Service Desk. These activities are recorded and monitored through the City's financial system 75% of the maintenance work is performed in-house and housekeeping is provided in-house through the Transit staff.

The preventive maintenance and work order program is based on a high level service agreement, past practice, and as defined in the union collective agreement. Life and

safety issues take precedence over routine repair and maintenance, and this has a significant impact on costs. The major issue with respect to life cycle renewal/repair and maintenance activities concerns the limitation of annual funding and the impact on roof repairs on the garages, and the repair and maintenance of stairs and elevators within the transit stations.

Overall, although there is a clearly defined maintenance program for this facility, budget limitations have impacted the repair, maintenance and housekeeping services provided to transit facilities.

### *CHAMPAGNE POOL*

The facility is operated and maintained by City RPAM staff. Annual service contracts, utilizing Standing Offers, are in place for elevator, fire alarm and fire extinguisher repair and maintenance. The on-site RPAM Facility Supervisor performs the remainder of the day-to-day maintenance and operations activities. The full-time plant operator monitors the facility operations, provides daily systems servicing and responds to any unplanned repair and maintenance activities.

The preventive maintenance and work order program consists of four major components:

- a) Preventive maintenance (yearly and quarterly and monthly);
- b) Corrective Action (Unplanned events from Call Centre notifications);
- c) Standing Orders (Service level activities); and,
- d) Capital Repair and Life Cycle Program (Asset management activities)

The operations of the pool facility are regulated through the Province of Ontario Health Protection and Promotion Act - RRO 1990 Regulation 565 - Public Pools. The requirements of this Act as they pertain to facility operations are attended to through Standing Offers.

With respect to daily operations, for the period ending 31 August 2006, twenty (20) notifications have been filed and actioned through the Call Centre. During this same period sixteen (16) Corrective Action, forty-four (44) Preventive Maintenance and two (2) Capital Repair events have been completed.

A visual walk through of the facility confirmed that the pool facility is operational and well maintained. The only visible note is the evidence of concrete cracking in the exterior basement foundation wall corridor surrounding the pool. Overall our assessment revealed that the facility is well managed with a clearly defined preventive maintenance program.

### *NEPEAN SPORTSPLEX*

The facility is operated and maintained by City RPAM staff. Annual service contracts, utilizing Standing Offers, are in place for elevator, fire alarm and fire extinguisher repair and maintenance. The remainder of the day-to-day maintenance and operations activities are performed by the on-site RPAM Superintendent and Lead Hands. The full-time RPAM staff monitor the facility operations, provides daily systems servicing, and responds to any unplanned repair and maintenance activities.

The preventive maintenance and work order program consists of four major components:

- a) Preventive Maintenance (yearly and quarterly and monthly);
- b) Corrective Action (Unplanned events from Call Centre notifications);
- c) Standing Orders (Service level activities); and,
- d) Capital Repair and Life Cycle Program (Asset management activities)

The operations of the pool facility are regulated through the Province of Ontario Health Protection and Promotion Act - RRO 1990 Regulation 565 - Public Pools. The requirements of this Act as they pertain to facility operations are attended to through Standing Orders.

The Preventive Maintenance Program identifies a total of 399 specific activities ranging in frequency from every month to once every five years.

The corrective action process for unplanned maintenance or customer service complaints related to the facility are initiated through a 29999 call number representing a building service request line specific to the facility. The RPAM Service Desk creates the notification which is sent to the Facility Supervisor. The Supervisor determines if the work will be charged to an existing standing order or if a new work order is required. Once determined, the Supervisor is responsible for recording, establishing a priority listing, initiating action and monitoring the corrective work. Approximately 568 notification events have been recorded for the first nine months of this year.

The Parks and Recreation Portfolio Manager, Nepean Sportsplex, is very pleased with the level of service provided by RPAM. There had been (under the previous client Manager) a good deal of dissatisfaction with the general standard of cleanliness, but that has now been resolved through replacing contract cleaners with City employees.

The performance standards for repair and maintenance activities and roles and responsibilities have previously been defined through the development of annual asset rationalization reports and the development of service level agreements. From these

reports and agreements, the facility-specific repair and maintenance work plans are defined annually through the preparation of a preventive maintenance plan. These plans are prepared through a consultation between Capital Asset Management Division Planners, Program Properties and the Parks and Recreation Program and Portfolio Managers.

This process identifies program and facility priorities for capital expenditures, identifies program cycles affecting capital works, as well as identifies program facility retrofits funded through the Parks and Recreation capital budgets.

The implementation of the annual repair and maintenance activities is monitored quarterly at the management level and bi-weekly between the Portfolio Manager - Nepean Sportsplex and the RPAM Superintendent, Facilities, Nepean Sportsplex.

The program staff that were interviewed had a good understanding of the issues around services provided by RPAM and those provided by Surface Operations of Public Works and Services. They were aware that if it was “inside the drip line” it was up to RPAM to respond and if it was “outside the drip line” it was Surface Operations. There were some anecdotal situations described where better co-ordination between RPAM and Surface Operations could be developed. This issue would best be dealt with through the redevelopment of service level agreements as discussed elsewhere.

As with the Champagne Pool, our assessment revealed that overall the facility is well managed with a clearly defined preventive maintenance program, and corrective action process.

### **Cause**

A specific work plan to prepare and update program-specific and facility-specific service level agreements has not been identified.

The approved annual financial plan for life cycle renewal does not provide sufficient capital to adequately repair and maintain facilities.

### **Impact/Risk**

The absence of program-specific service level agreements could lead to an uneven provision of maintenance services within and across programs.

The absence of service level agreements in general restrict the ability of RPAM to establish a cohesive cost of ownership model which is a primary objective of total asset management, on a program-by-program basis.

Under-capitalization of assets requires the annual deferment of necessary life cycle renewal and repair activities for the physical plant. This deferment could result in interruption or loss of program services.

### **Recommendation 3**

**That the Branch renew or create service level agreements for all major program and facility type clients.**

#### **Management Response**

Management agrees with this recommendation.

The Service Level Agreements (SLA) drafted and approved in 2001/2002 were dramatically impacted by the UPR exercise in response to the 2004 operating budget process. Since that time, clients and service providers have been focusing on specific issues needing immediate attention. In 2006 a program was initiated that involves all COE Branches and their clients that will address SLAs on a more comprehensive basis. This program is being managed from the office of the CCSO.

### **Recommendation 4**

**That the Branch, as part of its 2007 budget submission, clearly articulate the need for adequate funding for life cycle renewal and repair and maintenance and the implications of reduced funding on the long-term condition of City facilities.**

#### **Management Response**

Management agrees with this recommendation.

Although a report entitled, "Comprehensive Asset Management Strategy for Buildings and Parks" was tabled at City Council in 2004, which raised and quantified the level of deferred life cycle renewal and proffered several approaches to address the concern, further communication is warranted. The manner in which RPAM will inform City Council of inadequate funding for life cycle renewal and the consequences of the shortfall will be coordinated with the budget process.

### **Recommendation 5**

**That the Branch present the draft Life Cycle Renewal Policy document, based on the principles presented to City Council in 2004 and finalized in 2006, to City Council in the second quarter of 2007 for review and approval.**

#### **Management Response**

Management agrees with this recommendation.

The draft policy was reviewed by the Management Advisory Committee and will require Executive Management Committee (EMC) review and approval prior to its

tabling at a City Council meeting. This is anticipated to be complete by the end of Q1, 2007.

### **Recommendation 6**

**That the Branch develop a plan to complete and update the building condition assessments for all major facilities.**

#### **Management Response**

Management agrees with this recommendation.

RPAM has audited over 5 million square feet of building area since amalgamation. The City building inventory measures approximately 11 million square feet. RPAM will define the costs associated with undertaking Type II building condition audits on the remaining building portfolio that has not undergone this type of assessment. The condition audits are funded from the life cycle capital program and, as such, the requisite timeframe to complete these assessments is dependent on the level of capital funding afforded to the Branch. A master schedule will be developed to reflect the funding allotment. Timelines, that will be included in the plan for completion of Building Condition Assessments, will be dependent on funding.

#### ***MAPLE GROVE***

In addition to the site visits described above, the Department of Public Works and Services facility on Maple Grove Drive, referred to as the Maple Grove Works Complex Depot, was also examined in order to assess the adequacy of the life cycle/repair and maintenance services for this facility, particularly with respect to the recent fire at 1635 Maple Grove, (former Kanata ward yard building), one of the two buildings located at this site.

The building addressed as 1635 Maple Grove was constructed by the former City of Kanata in 1992 and subject at that time to the 1990 Ontario Building Code (OBC). At that time, the building would have had to comply with Section 3.2.5.6 of the 1990 OBC requiring that the building have adequate water supply and that hydrants be located within 90m horizontally of any portion of a building perimeter required to face a street. Since there is no municipal water service to this facility, compliance with the hydrant provisions of the 1990 OBC was not possible. The OBC requirement therefore is that an adequate alternative water supply be available (typically in these cases, via an on-site reservoir).

No water reservoir was constructed at the time 1635 Maple Grove was built, however, an onsite water reservoir is located to the front of the adjacent former RMOC building, which was constructed a year earlier in 1991. At the time of the construction of the former Kanata facility, it was agreed that the adjacent reservoir would be shared for fire

fighting purposes subject to a hydrant being installed as soon as municipal water became available. During the recent fire event at this facility, the adjacent reservoir was accessed.

The RPAM Comprehensive Asset Management planners prioritize the performance of building condition audits based on age and relative visual condition. This building, constructed in 1992, was considered new and in serviceable condition. There is therefore no current or historic building condition report for the facility. The regular inspection of the critical internal fire and life safety components of the building were being addressed on an annual and periodic basis. However, our examination of the documentation on file for this facility indicates that this review did not examine or evaluate provisions for fire fighting as stated in Section 3.2.5 of the OBC.

The broader building condition report (Type II) audit includes, in part, an audit of the life safety systems to examine the building for code compliance with respect to provisions for fire and life safety in general and specifically those related to fire fighting access routes, adequate water supply and distance to hydrants. Our review of several building condition reports, however, indicates that provisions for fire fighting (Section 3.2.5 of the OBC) have not formed part of the building condition review.

As recommended above, the Branch should develop a plan to complete and update the building condition assessments for all major facilities. As part of this plan, the Branch should review all facilities without access to municipal water service to confirm compliance with the fire protection provisions of the OBC.

The facility is operated and maintained by City RPAM staff. Preventive maintenance activities are identified and implemented through RPAM preventive work orders in place for the facility's specific fire and life safety components (fire alarm, emergency light packs, exit lights and fire extinguisher) inspection, repair and maintenance. The day-to-day maintenance and operations activities are coordinated by the RPAM Facilities Supervisor.

The preventive maintenance and work order program consisted of two major components:

- a) Preventive maintenance work orders (yearly/quarterly/monthly) and
- b) Corrective work orders (unplanned events/general maintenance and repairs)

At the time of the fire, 18 preventive work order and 33 corrective work order files were open and active.

The Fire Response report prepared by the Portfolio Manager indicates that the Ontario Fire Marshall is reviewing work order reports and interviewing contractors and staff

regarding the systems operation and maintenance activities with respect to the fire event.

### **Cause**

Notwithstanding the absence of a formal building condition report for the facility, a system for annual and periodic inspections for facility repair and maintenance was in place. The Ontario Fire Marshall will be reporting on the correlation if any between the fire event and preventive and corrective work order activities.

### **Impact/Risk**

Building condition reports (Type II) should provide a comprehensive outline of the facility condition and performance. A component part of the condition report would be a code analysis which would profile historic and current code compliance of the facility. This code compliance statement would identify the areas of non-compliance and further characterize these areas as requiring remedial action and/or acceptance as is.

This building condition report would provide the planning base necessary to identify mandatory code actions required and to evaluate the risk associated with acceptance of those items considered to be grandfathered under the original design and permit approval.

The provision of a fully funded capital asset portfolio program would provide the resources to address the performance of outstanding building condition reports. See Recommendation 6 above regarding the need to complete and update the condition assessments for all major facilities.

### **Recommendation 7**

**That the Branch review all facilities without access to City water service to confirm compliance with Section 3.2.4 (Fire Alarm & Detection) and Section 3.2.5 (Fire Fighting Provisions) of the Ontario Building Code.**

#### **Management Response**

Management agrees with this recommendation.

Management will ensure that the compliance reviews will provide the level of detail necessary to identify the non-compliance issues, the scope of remedial actions required for compliance and the resourcing required to implement the retrofit work. The results of these reviews will be shared and coordinated with the Fire Services Branch, Community and Protective Services. The review of all facilities will be completed in time for the 2008 budget process.

### **Recommendation 8**

**That the Branch ensure that all building condition assessments include a compliance review of Sections 3.2.4 (Fire Alarm & Detection) and 3.2.5 (Fire Fighting Provisions) of the Ontario Building Code.**

#### **Management Response**

Management agrees with this recommendation.

The existing protocol and content of the Branch's condition auditing process are focused, in part, on identifying non-compliant, deficient or otherwise absent building assemblies or components which are required for safe and proper building operation. The inclusion of specific code review requirements within the building condition audit is a logical next step. This recommendation will be implemented in Q2, 2007.

### **Recommendation 9**

**That the City provide the funding required to conduct the reviews, and any corrective measures identified as a result, referred to in Recommendations 7 and 8.**

#### **Management Response**

Management agrees with this recommendation.

Capital funding to implement corrective measures associated with compliance retrofit work will be identified separately from the life cycle renewal program with funding need to be identified and recommended to City Council in the 2008 capital budget.

### **3.3.3 Repair, maintenance and security of properties**

The following audit criteria were used:

- A. RPAM has a practice to ensure that each property is secured according to performance standards established with key stakeholders (primarily the users) and industry practice, based on a risk assessment.
- B. There is an appropriate monitoring system to ensure that the security systems are operating as intended.
- C. There is a method to determine security priorities, taking into consideration the strategic plan and performance standards.

The following observations and issues were noted by audit criteria:

- A. *RPAM has a practice to ensure that each property is secured according to performance standards established with key stakeholders (primarily the users) and industry practice, based on a risk assessment.*

The Corporate Security Division has an established practice through policies and standards to ensure the security of property. These policies exist in both draft and City Council approved status.

Specifically, the Corporate Security Division utilizes threat and risk analysis (TRA) to determine the security measures necessary to protect the building occupants and the assets, and to assist the program services accommodated in the facility.

Threat and risk analysis can be either a full and formal process, or an abbreviated memo format, depending upon the severity and complexity of the issue being evaluated. This approach ensures that resources are used most effectively. Where an abbreviated process is implemented, Corporate Security will evaluate whether a full threat and risk analysis is warranted, based upon information arising from the review.

There are two varieties of TRA's: a Class "A" which is an organized and detailed analysis of the threats and risks to the building occupants, the facility, the programming, and the services provided by the operators of the facility; and a Class "B" which is a required analysis as part of a new or renovation project undertaken by the Design and Construction Division, or which is an analysis required to accommodate the integration of existing security electronic systems into the City's Integrated Security Management System (ISMS).

For new capital projects, facility security performance standards are established with stakeholders on a project specific basis in accordance with overall corporate security requirements. These requirements are documented and implemented through the design and construction process. This process requires assigned resources from the Corporate Security Division to interact with Design and Construction on a continuing basis during the project delivery process.

For existing facilities, life cycle renewal and/or building security upgrades are established based on a threat risk assessment of the facility. The required physical security measures are then identified through consultation with the divisional member responsible for the portfolio.

The RPAM work plan identifies a project plan to complete implementation of the City-wide ISMS by 2009. RPAM needs to continue to monitor and report on the remaining ISMS implementation and to confirm if the proposed timeframe represents an acceptable risk.

The current budget planning within the Branch work plan identifies staged funding for city-wide implementation of the ISMS over the next three years, as well as addresses the implementation of the ISMS redundancy and development server. Corporate Security should continue to monitor the risks associated with the absence of a back-up system.

In addition to ensuring the physical security of the building asset base, approximately 40% of the security personnel resources are utilized for incident investigations and reporting. An investigative protocol is developed through consultation with a staff committee.

With respect to the dynamic and static security of the program operations and facilities, the preparation of threat risk assessments (TRAs) for all major program facilities is critical to ongoing program service delivery. In addition to the preparation of these TRAs, the planning and implementation of the requirements identified in these reports through the design and construction process is critical to the security of property and personnel.

Since 2001, approximately 40 facilities have a completed TRA. The preparation of TRAs for the remaining major facilities and the implementation of these findings through the design and construction process needs to be addressed.

- B. *There is an appropriate monitoring system to ensure that the security systems are operating as intended.*

The Security Division provides enhanced security for more than 305 City facilities through the use of the Integrated Security Management System (ISMS) and provides security assistance for more than 230 special events at City facilities.

The ISMS is monitored through a central monitoring station with clearly established incident reporting and response protocol procedures. The ISMS system does not have an emergency back-up capability. Currently, system software development requires interruption of the on-line operational system.

The ISMS used by the City of Ottawa is based on a proprietary system supplied through the Johnson Controls/CardKey Pegasys 2000 software along with the associated controllers. Out of the 978 City owned facilities, approximately 600 facilities are targeted to be monitored by the ISMS (subject to TRAs). Of the 305 facilities currently monitored, the ISMS provides an appropriate monitoring system to ensure that the security systems are operating as intended.

- C. *There is a method to determine security priorities, taking into consideration the strategic plan and performance standards.*

There are methods in place to determine security priorities. Security priorities with respect to the consideration of the strategic plan and performance standards are determined on a pro-active basis (planning process) and re-active basis (day-to-day operations).

Pro-active security strategies, planning and performance standards are defined through the development of the Corporate Security Policy, the performance of threat risk assessments and the development of facility security plans.

Individual facility security plans are considered strategically through their integration into the CAM asset rationalization process and/or new facility development. This process then identifies priorities for implementation of the required security measures through the design and construction process.

Re-active security strategies and the application of performance standards on a day-to-day basis are managed through the security operations centre in accordance with defined draft policies identified in the Corporate Security Strategic Plan.

### **Cause**

The current internal resource allocation (the majority of resources are directed to day-to-day operations) and funding for outsourcing restricts the quantity of threat risk assessments and facility security profiles which can be prepared on an annual basis. In addition, the current internal resource levels also restrict the assignment of dedicated security consultation resources to the design and construction implementation process.

The ISMS implementation is an on-going initiative that has been planned over a long-term basis to 2009 to respond to new facilities, retrofit old facilities and support evolving City operations. A redundancy and development system has been identified in the latter stages of the proposed program.

### **Impact/Risk**

The implementation of required security measures for facilities is prioritized by the division. Facilities that have not been assessed for threat and risk and subsequently not provided with the required capital security fit-up and/or ISMS system may be vulnerable to abuse and damage. The timely and effective planning and implementation of security measures for new and/or renovated facilities may be affected by the level of resources available.

The ISMS does not have a redundancy arrangement and does not have a development server. As identified in the ISMS Strategic Plan, the absence of a redundancy arrangement means that should the main server fail, some security programs will not work while other programs will work with only limited functionality (e.g. no audit trails).

The current limits of resource allocation requires that implementation of the Corporate Security Strategic Plan be realized on a prioritized basis.

The issues surrounding the need for a development server and improving delay times in resolving ISMS technical issues is noted in the Corporate Security Strategic Plan.

### **Recommendation 10**

**That the Branch review priorities for the completion of threat risk assessments for all City facilities and establish a timeframe for completion.**

#### **Management Response**

Management agrees with this recommendation.

Corporate Security has visited all City facilities and continues to conduct threat and risk analysis as resources permit, based upon the level of incidents and threat level inherent in the location and operation of the facility. Formal analysis will continue in this vein on an ongoing basis, as threat and risk analysis needs to be regularly revisited in order to remain current. Threat and risk analysis priority will be given to facilities where the risk level is identified as elevated by the Corporate Security Division. Implementation of this recommendation will be ongoing and dependent on funding.

### **Recommendation 11**

**That the Branch re-confirm the timeframe for the completion of the Integrated Security Management System (ISMS) implementation and monitor this implementation to ensure its completion.**

#### **Management Response:**

Management agrees with this recommendation.

The schedule for the completion of the base ISMS in 2009 is still the timeframe within which Corporate Security is working. However, this time frame is dependent upon funding availability, changes to facility usage and the addition of new facilities, etc. Corporate Security has ongoing project monitoring in place to ensure that the timeframe is respected and that all projects are completed on schedule as funding allows.

**Recommendation 12**

**That the Branch finalize and bring forward for City Council approval draft policies regarding security.**

**Management Response:**

Management agrees with this recommendation.

Corporate Security has finalized the draft policies and is able to bring them forward for the appropriate approvals. It is not expected that all draft policies will require City Council approval; many may be able to be approved and adopted by Senior Management. Corporate Security will bring forward draft policies, along with the divisional standards for ISMS projects, for Director's approval and actioning to the appropriate approval authority in 2007.

**General Management Response**

Management is generally in agreement with the recommendations contained in this audit.

The centralized Corporate Landlord model, adopted by the City of Ottawa at the time of amalgamation, combined with the applications of SAP as part of the integrated business solutions (IBS), have placed RPAM in the unique position of understanding the extent and condition of the City's real property assets and the full cost of ownership of maintaining those assets in support of City programs. This audit recognizes the sound business and management practices utilized by RPAM in implementing this centralized service delivery model.

One of the most pressing issues facing all asset managers, public and private, is the funding required to ensure that adequate life cycle renewal works are undertaken to sustain real property infrastructure. RPAM's condition audits and the Comprehensive Asset Management Strategy that addresses asset rationalization, life cycle renewal and preventive maintenance, ensures a coordinated response to the management of existing and new assets and reporting on the long-term implications.

The continued due diligence of the RPAM management team ensures that legislative compliance issues associated with code, regulations, etc., and the most pressing current issue of asset security, have been and will continue to be addressed.

Insights resulting from the audit process and results have been very helpful to the Branch management team in confirming and improving its approach to asset management.

**4 CONCLUSION**

Based on our review we believe that RPAM has:

1. Appropriate management practices in place to ensure compliance with all legislation, laws and regulations by the property management function;
2. An appropriate financial management framework (i.e. fee structure for venture properties, budget development and monitoring, contract management and overtime management); and
3. A property management framework that is more than adequate to allow the property management function to assess the economy, efficiency and effectiveness of its current operations.

We believe that the property management framework is a particular strength of the RPAM Branch.

Our review did note four areas of concern for the City:

- The City, due to resource limitations, has consistently reduced or deferred funding for the life cycle program budget year over year. Under-capitalization of assets requires the annual deferment of necessary life cycle renewal and repair activities for the physical plant. This deferment could result in interruption or loss of program services.
- The lack of a long-term plan and vision for Lansdowne Park means the City may not be able to maximize the use of the park as a financial investment or cultural facility.
- Maintenance standards have in the past been developed and agreed to with program stakeholders through the preparation of high-level service level agreements. These documents have not been refreshed or renewed to take into account the realities of the 2004 Universal Program Review. The absence of program-specific service level agreements could lead to an uneven provision of maintenance services within and across programs.
- The Branch should develop a plan to complete and update the building condition assessments for all major facilities. As part of this plan, the Branch should identify for City Council all facilities requiring a review to confirm compliance with the fire fighting provisions of the OBC and the funding required to complete these assessments on a priority basis.

## **5 ACKNOWLEDGEMENT**

We wish to express our appreciation for the cooperation and assistance afforded the audit team by Management.