

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON OCTOBER 8, 2013
FROM:	MIKE TURNER DEPUTY CITY TREASURER
SUBJECT	CORPORATE ASSET MANAGEMENT SYSTEM ASSESSMENT AND PROGRAM PILOT TRIALS

RECOMMENDATION

That, on the recommendation of the Deputy City Treasurer, on the advice of the Division Manager, Corporate Asset Management, the following actions **BE TAKEN** with respect to the Corporate Asset Management Process:

1. That the funding for Units 5 and 6, Corporate Asset Management System Assessment and Program Pilot Trial, based on the contract price, \$552,479, HST excluded, (RFP 11-37) **BE APPROVED** as set out in the Source of Financing report attached hereto as Appendix "A"; and
2. That Civic Administration **BE DIRECTED** to proceed with two pilots in Unit 6; and
3. That Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with the purchase of Units 5 and 6; and
4. Approval hereby given **BE CONDITIONAL** upon the Corporation entering into a formal contract or having a purchase order, or contract record relating to the subject matter of this approval.

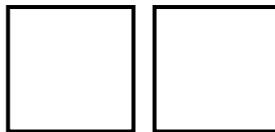
PREVIOUS REPORTS PERTINENT TO THIS MATTER
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- November 26, 2012, Report to F&AS Committee - RFP 11-37 Corporate Asset Management Plan and State of the Infrastructure Report. (Unit 4)
- January 16, 2012, Report to F&AS Committee - RFP 11-37 Corporate Asset Management Process. (Unit 1,2 and 3)
- September 28, 2011, Report to F&AS Committee - Request For Proposals For Consultant Support -Corporate Asset Management.

BACKGROUND

Corporate Asset Management (CAM) is progressing through the previously approved 2011 capital funding of \$170,863 and 2012 capital funding of \$112,208 towards completion of the first four work units of the program. The Governance Model, Current State Analysis and Administrative Policy are complete. The CAM Strategies have been accepted by the Steering Team. The Corporate Asset Hierarchy and Registry frameworks are 95% complete. The preliminary State of Infrastructure Report is complete pending acceptance by the Steering Team. The Corporate Asset Management Plan based on 2012 data is 15% complete. Both are expected to be complete by the end of 2013.

Formal requests for the project for the balance of Unit 7 are in a budget request for 2014 when the project will be spent between 2014 and 2016. The current units are expected to be finished earlier in November or December of 2013. Approval of the current recommendations will allow CAM to advance the software analysis and project pilot trials, potentially saving five months on the current schedule.



Why are we pushing the schedule for developing asset management?

As expected, senior levels of government are now requiring asset management plans to accompany infrastructure stimulus funding applications. This has resulted in the City of London committing to a completion schedule of December 2013 for the first City of London Corporate Asset Management Plan which will comply with the new Canada-Ontario Infrastructure Stimulus Fund Guidelines making use of the best available information. Future versions of the Corporate Asset Management Plan will benefit from the existence of a fully implemented CAM program. Fortunately, the work done to date places the City of London well ahead of many municipalities which have yet to embark on asset management programs. London is well positioned to meet future stimulus funding eligibility requirements.

Where has the scope changed?

When the project was initially presented to the Service Review Committee, Committee members expressed their support of the program asking that staff identify ways to accelerate the implementation of the program. This would require greater cost and effort, so the added information was incorporated into the RFP such that the bidders submitted two bids, one for the original scope and a second based on an accelerated program. Overall, the proposal by CH2MHILL was successful and included the two requested pricing options.

There was little difference for prices relating to the first five units of the program and the first four units progressed. The consultant recommended Unit 5: Software Assessment be deferred until the asset management needs were more clearly understood. It now allows the new stimulus funding requirements to be considered in the development of the system.

Unit 5: Software System is intended to have CH2MHILL recommend software programs/systems needed to complement the City of London’s existing systems and meet the basic needs of Corporate Asset Management. Unit 5 covers the work by CH2MHILL and does not pay for the software itself which would be through a separate provider which will be bid in 2014. The software/system is expected to perform both as a set of life cycle, risk and level of service modeling tools and an information gateway to share asset information across the City. Once the CH2MHILL recommendation is received, the City will be able to pursue this component.

Unit 6: Pilot Trials. The original Unit 6 proposal was planned to cover pilots on two service areas at a cost of \$415,000. The accelerated program expanded the pilots to cover five service areas at a cost of \$1,162,000. Given the work and understanding that has evolved to date, the City will be challenged to successfully undertake numerous pilot trials simultaneously. The timing for full implementation may be delayed between 10 and 12 months but with the cost savings and ability to fully commit to the two pilots, it is recommended that the original project covering two pilot areas and a total cost savings of \$852,000 be chosen.

Based on the CH2MHILL submission, the project costs (taxes excluded) for original and accelerated schedules are described in Table 1.

Table 1: CH2MHILL ESTIMATE (000’s) - Nov 2011 RFP 11-37

Project Unit	Original	Accelerated
Unit 1 – Start Up	\$53.5	\$53.5
Unit 2 – Strategy Development	\$50.5	\$50.5
Unit 3 – Corporate Asset Hierarchy and Registry	\$65	\$67
Unit 4 - Corporate Asset Management Plan and State of Infrastructure Report	\$109	\$112
Unit 5 – Software/System Assessment	\$137	\$162
Unit 6 - CAM Pilot Trials	\$415	\$1,162
Unit 7 - CAM Implementation	\$1,014	\$1,089
Total	\$1,844	\$2,696

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The realities of developing asset management programs are hitting home in communities across Canada. Within the Asset Management community, London is widely regarded and credited for taking on the challenge of addressing a large corporate scope compared to more modest, common approaches seen throughout Canada. To date, London's progress stands out in comparison to other municipalities whose asset management programs started earlier with smaller scopes. However, original project timelines have not been met; the consultant bid and incorporated timelines originated from a less than full understanding of the expectations London had for this project. This was exemplified by the length of time it took to draft the Corporate Asset Management strategies; a critical step in the CAM program's implementation. To their credit, the consultant has expended resources beyond the RFP at their cost to help deliver the program, illustrating their commitment to the work being generated by the City.

A robust program is advancing well and the advice of the consultant continues to be needed to guide progress.

Therefore, at this time we are recommending that Units 5 and 6 of the project be advanced under the original, less expensive scope and price using two service areas, and that we proceed to Unit 7 as quickly as possible based on what is learned during the pilots. It is our opinion that piloting five service areas would be beyond our capacity to efficiently deliver.

Ultimately, Corporate Asset Management will result in positive impacts on service delivery across the City. It is intended to support sustainability and continuous improvement, as well as effective and efficient management of the Corporation's assets. The program is essential for good government and is a critical component of two of Council's strategic priorities; Sustainable Infrastructure and Strong Economy. It is also a mandatory element under Federal and Provincial direction.

Project Funding

The funding for this project would come from the Efficiency, Effectiveness and Economy Reserve Fund as per the attached Source of Financing. The balance of the request for full implementation and software of \$1,373,640 will be part of the 2014 budget deliberations.

Acknowledgements

This report was prepared by Lois Burgess, Khaled Shahata and Jason Davies.

SUBMITTED BY:	RECOMMENDED BY:
LOIS BURGESS DIVISION MANAGER CORPORATE ASSET MANAGEMENT	MIKE TURNER DEPUTY CITY TREASURER

Attachment
c: M. Hayward