

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JANUARY 7, 2014</b>
<b>FROM:</b>	<b>MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT</b>	<b>STATE OF THE INFRASTRUCTURE REPORT 2013</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer and on the advice of the Division Manager, Corporate Asset Management, the State of Infrastructure Report 2013, **BE RECEIVED** for information.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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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)
- October 7, 2013, Report to Civic Works Committee - Transportation Infrastructure Gap

<b>BACKGROUND</b>
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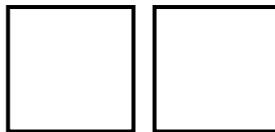
This State of Infrastructure Report (SOIR) is the first published result of the Corporate Asset Management program. It provides a preliminary look at the City's assets indicating what the infrastructure gap may be. The assessment helps define the starting point or base line for corporate asset management. The report answers the following questions:

- Details of the Asset Inventory - What do we own?
- Valuation of the Asset Base (Replacement Value) - What is it worth?
- Condition/Performance of the Asset Base - What Condition is it in?
- Investment Profile - What do we spend and what should we be spending?
- Problem Identification - What is the gap and how do we move towards sustainable service delivery?

The purpose of the report is to:

- Identify key needs and funding challenges over the next decade;
- Encourage long-term investment planning towards sustainable service delivery;
- Support debate on the quality and level of service requirements;
- Communicate to the public regarding our infrastructure.





This State of Infrastructure Report is also intended to be a template for future ongoing monitoring of the City’s assets. It discusses the asset base by Service Area and will evolve over time to speak to changes, improvements, costs, risks, trends, and provide compelling arguments for decision makers in the future. Regular state of the infrastructure reporting will monitor asset value and infrastructure gap changes over time. The Report will support arguments for investing in the preservation of the asset base leading towards sustainable service delivery. The information from the State of Infrastructure Report is already being referenced in other City reports. One of the first reports adopting corporate asset management information and formats was ‘The Transportation Infrastructure Gap’ report in October 2013.

The Ministry of Infrastructure has asked municipalities to develop an asset management plan in conjunction with transfer funding applications as of January 2013. The State of Infrastructure Report is one of the supporting elements of such a plan. The Corporate Asset Management plan is under development and designed to meet the Ministry of Infrastructure ‘Building Together: Guide for Municipal Asset Management Plans.’

The Corporate Asset Management Plan provides the base for developing the solution to the concerns that have been identified in the State of Infrastructure Report. The Plan is intended to follow this report detailing the solutions, levels of service and asset management and financial strategies while relying on this report for its foundation information. The Plan is expected to be available early in 2014 and is intended to satisfy Federal and Provincial funding requirements.

**Key Findings of the State of Infrastructure Report**

The results show that the City does a great job at managing its infrastructure and keeping it generally in ‘Fair to Good’ condition. Assets listed in Fair condition require attention, are showing general signs of deterioration with some elements exhibiting significant deficiencies. Good condition indicates that the infrastructure is adequate for now with some elements showing general signs of deterioration that require attention. The assets that are of immediate concern to the City are the 7% of assets listed in Very Poor condition. These are the assets that are at the end of their useful lives. They may still be functioning but at a questionable level of service and the City needs to be prepared to respond to failures or proactively address them before they fail.

The City owns infrastructure with an estimated replacement value of \$10.9 billion. Analysis concludes that the City has a current infrastructure gap of \$52.1 million, less than 0.5% of the \$10.9 billion asset base. This current percentage demonstrates great management skills on the part of the City and our Council. However the gap is still a significant amount and the growth of the infrastructure gap projected over the next ten years is a significant concern.

City of London Infrastructure Summary			
Replacement Value	Current Condition	Infrastructure Gap Current	Infrastructure Gap In 10 Years
<b>\$ 10.9 Billion</b>		<b>\$ 52.1 Million</b>	<b>\$ 466.1 Million</b>

The infrastructure gap represents the investment required to sustain existing assets directly owned by the City and does not include assets under the control of Boards and Agencies. The gap does not consider growth, inflation or service improvement needs. Rather it reflects the life cycle renewal needs planned in our current budgets. The results show that if current funding plans continue, the infrastructure funding shortfall will grow over the next decade. Growth of the gap is a concern and needs to be managed in order to prevent an untenable situation in the future. The City should also refrain from any actions that would accelerate the growth of the gap and exacerbate the concern.

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The report identifies that the largest gaps reside logically with the largest asset holders; Roads and Structures, Corporate Facilities, Parks, Water, Traffic and Wastewater (Sanitary). The City plans to address all of the gaps through developing and implementing the corporate asset management plan and program.

This State of Infrastructure report also identifies asset data information concerns particularly with respect to condition information. Management practices and levels of sophistication vary across the City. These reliability concerns are intended to be addressed as part of the corporate asset management program. 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 State of Infrastructure report is intended to engage the public and help us lobby upper tier governments for infrastructure funding.

Municipal infrastructure gaps are a significant concern across the entire country with some municipalities reporting gaps exceeding \$1 billion. Ontario's infrastructure system has an infrastructure gap estimated at more than \$100 billion. In December 2013, Windsor reported a current infrastructure gap of \$386 million (or 7% of the total value of Windsor assets). Windsor did not include as many services in their report as were assessed by London, including water. In general, London compares well with its peers.

This report is the first collective asset review for the City of London. It is a snapshot in time that clearly illustrates the challenges facing London when planning for sustainable service delivery. This document helps us to understand the Corporation of the City of London's current infrastructure portfolio, asset condition and infrastructure funding gap to aid efforts focused on proactively managing the infrastructure gap into the future.

The 2013 State of Infrastructure Report is a document that proudly displays the current status of infrastructure in our City and expresses the need for us to exercise diligent care in preserving our infrastructure assets and the quality of life they serve for the future.

**Acknowledgements**

This State of Infrastructure Report 2013 would not have been possible without the significant efforts of every Service Area cited in the Report. This report was prepared by Lois Burgess, Khaled Shahata and Jason Davies.

<b>SUBMITTED BY:</b>	<b>REVIEWED AND CONCURRED BY:</b>
<b>LOIS BURGESS DIVISION MANAGER CORPORATE ASSET MANAGEMENT</b>	<b>MIKE TURNER DEPUTY CITY TREASURER</b>
<b>RECOMMENDED BY:</b>	
<b>MARTIN HAYWARD, MANAGING DIRECTOR CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>	

Attach