

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON AUGUST 26, 2014
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT	CORPORATE ASSET MANAGEMENT PLAN 2014

RECOMMENDATION

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 following actions **BE TAKEN**:

- a) The Corporate Asset Management Plan 2014 **BE APPROVED**; and
- b) As part of the upcoming budget development, a dedicated property tax levy **BE CONSIDERED** in order to fund reserves used exclusively to address the infrastructure funding gap.

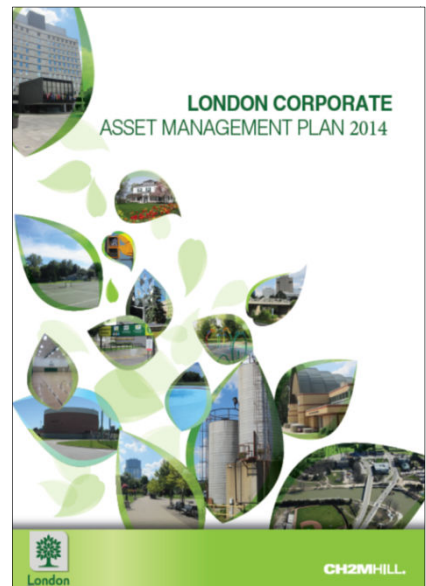
PREVIOUS REPORTS PERTINENT TO THIS MATTER

- 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;
- December 10, 2013 Report to Corporate Services Committee - State of the Infrastructure Report 2013.

BACKGROUND

This Corporate Asset Management Plan 2014 (the Plan) is a strategic document that states how London's \$10.9 billion worth of assets are to be managed over the next ten years and beyond. It is the City's first plan developed in accordance with the Provincial "*Building Together: Guide for Municipal Asset Management Plans.*" The Plan sets out how London's infrastructure will be managed to ensure that it is capable of providing the levels of service needed to support Council's key Strategic Results, focusing on levels of service, risk, lifecycle asset management planning and long-term financing.

The Plan is a companion document to the State of Infrastructure Report 2013 received by Council in January 2014. The Plan focuses on what is needed to achieve established levels of service (LOS), plan lifecycle asset management, identify long-term asset investment needs and cope with the growing infrastructure gap. The Plan is also intended to satisfy a new Provincial prerequisite for transfer funding. Finally, the Plan is an important element of the developing Corporate Asset Management (CAM) program which is intended to optimize and standardize asset management practices in London.





The Plan encompasses four main areas of interest:

- State of Infrastructure
- Level of Service
- Asset Management Strategies
- Funding Strategies.

State of Infrastructure: Summarizes the results of the State of Infrastructure Report 2013 showing that the City does well at managing its infrastructure and keeping it generally in 'Fair to Good' condition. However, the report also highlighted a growing infrastructure gap that is a significant concern and must be addressed.

Level of Service: Discusses current City practices with respect to level of service parameters and provides some preliminary level of service targets and trends. Key level of service concerns are as follows:

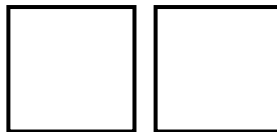
1. Current level of service information is plentiful but lacks organization and may not adequately represent strategic key results. The City needs to develop a formal level of service registry including a Council established set of targets to help guide asset management practices;
2. Budget constraints are viewed as the most significant factor moving forward with respect to placing service delivery at risk of not meeting desired service levels.

Asset Management Strategies: Describes current asset management practices across the City and outlines the intentions to implement standardized asset management practices (risk, level of service, life cycle management) as part of the Corporate Asset Management Program. In conformance with Provincial guidance, the Plan placed top priority on the asset management strategy for Roads and Structures, Water, and Wastewater (Sanitary and Storm) but also covered other direct Service Areas such as Parks, Fire and Facilities, albeit in lesser detail. The Plan excludes Social Housing, despite being a Provincial priority, because this service's assets are owned by the London & Middlesex Housing Corporation and hence not under the direct control of the City. We have communicated this to the Province. Other Boards, Commissions and Agencies are excluded from this first version of the Plan based on the same rationale. Eventually, the standardized asset management practices will be shared with the City's Boards and Agencies in the hopes of standardizing asset management practices for all the City's interests.

Funding Strategies: Addresses the existing funding practises surrounding asset management in London. The section concludes with an options analysis for addressing the growing infrastructure gap. The Plan recommends that property tax increases be considered to fund a reserve used to address the growth of the infrastructure funding gap. The City of London is committed to pay-as-you go financing for lifecycle investment needs and will continue with its strategy to use debt financing for growth and service improvement initiatives. The options analysis presented is consistent with this approach, therefore requiring the City to obtain funds to address the infrastructure gap from property tax or utility rate revenues and/or other levels of government. The options analysis described in this section of the Plan should be taken into consideration during upcoming budget deliberations in London. Several municipalities have adopted this approach in Ontario in order to deal with their infrastructure funding gaps, e.g. Mississauga, Kingston, Thunder Bay.

Plan's Recommendations: We have highlighted some of the specific recommendations that are in the Asset Management Plan that will help implement our Corporate Asset Management Program and address the infrastructure gap:

1. Continue to implement the Corporate Asset Management Program in order to standardize quality asset management practices across the corporation that focus on service delivery through the consideration of levels of service, risk management and life cycle management of the City's assets. This includes correcting information weaknesses, acquiring the tools needed to enable asset management and improving the quality of asset information in order to facilitate decision-making;
2. Continue to merge the new asset management program with the existing practices in order to take maximum advantage of the history of effective past practices in the City of London;
3. Continue to align the Plan with the Corporate Strategic Results/Goals;



4. Review the existing levels of service and develop a level of service registry to help define the needs of the asset base;
5. Review the results of the Corporate Asset Management Plan annually and fully update the Plan every five years to ensure its continuing suitability, adequacy, and effectiveness;
6. Continue to foster pay-as-you-go practices including the use of reserves and reserve funds to prepare for future needs;
7. Rely on existing 20 year plans and their updates as a means to manage infrastructure gaps in the water and wastewater services;
8. Start building a reserve fund to be used exclusively for addressing the infrastructure gap. Plan for the new funding needs as part of the 2015 property tax rate setting process and update the amount annually thereafter. Plan to initially eliminate the gap by 2022, a term matching the current understanding of the State of the Infrastructure Report 2013. As the CAM program evolves, the accuracy of required rate increases will improve. However a delay in building a reserve fund will only aggravate the gap, placing the City's infrastructure at risk and resulting in negative impacts on service delivery;
9. Continue to monitor the changing gap with the objective of meeting the needs for service delivery;
10. In the long term, extend the corporate asset management practices to the Boards & Agencies of the City as appropriate.

Ultimately, the Corporate Asset Management Plan will support sustainability as well as effective and efficient management of the Corporation's assets. The Corporate Asset Management Plan 2014 is intended to guide future asset management planning and fulfill transfer funding requirements.

Acknowledgements

This Corporate Asset Management Plan would not have been possible without the significant efforts of every Service Area cited in the Plan. This report was prepared by Lois Burgess, Khaled Shahata and Jason Davies.

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