

<b>TO:</b>	<b>CHAIR AND MEMBERS FINANCE &amp; ADMINISTRATIVE SERVICES COMMITTEE MEETING ON MONDAY, JANUARY 16, 2012</b>
<b>FROM:</b>	<b>TOM JOHNSON MANAGING DIRECTOR – CORPORATE ASSETS</b>
<b>SUBJECT</b>	<b>RFP 11-37 CORPORATE ASSET MANAGEMENT PROCESS</b>

<b>RECOMMENDATION</b>
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That on the recommendation of the Managing Director of Corporate Assets, on the advice of the Division Manager, Corporate Asset Management, that the following actions **BE TAKEN** with respect to the Corporate Assets Management Process:

1. The Request for Proposal submission by CH2M HILL Canada Limited, 255 Consumers Road, Suite 300, Toronto, ON, M2J 5B6 hereby **BE ACCEPTED**;
2. That the funding for units 1, 2 and 3 of this project at their contract price for an accelerated process of \$170,863 **BE APPROVED** as set out in the Source of Financing Report attached hereto as Appendix "A";
3. Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this purchase;
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; and
5. That the funding for Units 4 to 7 of this project **BE DEFERRED** to the budget process.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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- September 28, 2011, Report to F&AS Committee- Request For Proposals For Consultant Support -Corporate Asset Management
- 2012 Business Plan and Cases
- Several past reports refer indirectly to Corporate Asset Management through discussion of Tangible Capital Assets (TCA) and service area asset management programs.

<b>BACKGROUND</b>
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**Purchasing Process**

The City of London has recognized the need for the implementation of a Corporate Asset Management program to help the City manage its assets worth an estimated \$12 billion replacement value while, at the same time, achieve compliance with ever increasing legislative requirements for asset management such as PSAB 3150. The needs of the Corporate Asset Management project are divided into two areas of expertise; first through the services of an asset management consultant then through the provision of a system. In July, 2011, an Expression of Interest process was initiated for the asset management consultant resulting in the selection of three candidates; Aecom, CH2MHill and GHD, reflecting the best qualifications out of nineteen submissions, all leading experts in the field of asset management.

In late September, Council resolved to fund up to \$150,000 to initiate the business plan. The RFP for the asset management consultant component was released in October.

The three firms each submitted their full responses for the consulting service. The submissions were reviewed by a panel of seven City representatives from Finance, Engineering, Facilities and Corporate Asset Management Divisions. CH2MHill was selected as the successful candidate through a process rating both quality and cost criteria.

Although CH2MHill is expected to provide services for all seven units of the plan, the amount requested in this report addresses only the first units which deal with the current state analysis, asset management strategies and the asset hierarchy/registry. Although the September resolution approved funding for \$150,000 for Units 1 and 2, the submitted cost estimate revealed that Unit 3 could be completed at only a marginal increase of \$170,863. There is some merit in compressing the timeframe by expanding the September resolution to cover Unit 3. Work could be undertaken in all three areas immediately.

This initial funding is intended to get the project started while the Business Plan and Budget process move forward for 2012. On November 17, 2011, Corporate Asset Management went to the Services Review Committee with the Business Plan and cases for completing the project and purchasing the software necessary to support the program. The Services Review Committee requested staff assess accelerating the program. An addendum was immediately issued on the RFP requesting a second estimate reflecting the accelerated process. Each candidate delivered both the proposed estimate and the accelerated estimate on a business unit basis as requested.

## **Background**

The previously approved 2011 capital funding of \$150,000 and the approval of this report will enable the completion of first 3 work Units with the following deliverables.

### **Units 1, 2 and 3**

Governance Model, Current State Analysis, CAM Development Strategies and Corporate Asset Hierarchy and Registry. Target Completion Date: August 2012.

Expanding the funding from \$150,000 to \$170,863 would enable Unit 3, Asset Hierarchy and Registry to be completed as well and in an accelerated timeframe.

The remaining funding will be requested through the business plan, cases and 2012 capital budget process and will be used deliver units 4 through 7 and potentially the above unit 3:

**Unit 4:** Preliminary CAM Plan and State of the Infrastructure Report. Target Completion Date: December 2012.

**Unit 5:** Evaluate and make recommendations about software solutions to support the integration of information across all departments. An RFP for the software integration system will come before Council in 2012 for review once firm estimates on cost can be established (Unit 5). CH2MHill is not a software provider hence this work is done as a separate business case. However CH2MHill will provide recommendations in support of software selection. Target Completion Date: December 2012.

**Unit 6:** Startup and trials on two (or five if accelerated) service areas pending direction on accelerating the project. The accelerated program would be intended to implement corporate asset management for solid waste, roads, sanitary, storm and water, the key areas of interest expressed by the Services Review Committee). Target Completion Date: August 2013.

**Unit 7:** Full implementation and Continuous Improvement Strategy. Target Completion Date: March 2016. (Accelerated June 2015)

## Financial Impact

The project is proposed as seven units of activity in both a base and an accelerated schedule. Based on the CH2MHill submission, the costs for both schedules are described in Table 1 below. Taxes are excluded.

**Table 1 CH2MHill Estimated Cost (thousands) - November 29, 2011 RFP 11-37**

Project Unit	Base	Accelerated	Base	Accelerated
Unit 1 – Start Up	2012		\$53.5	\$53.5
Unit 2 – Strategy Development	2012		\$50.5	\$50.5
Unit 3 – Corporate Asset Hierarchy and Registry	Aug 2012	Aug 2012	\$65	\$67
Unit 4 - Develop Preliminary Corporate Asset Management Plan	Dec 2012	Sept 2012	\$109	\$112
Unit 5 - Startup Integrated Software System	Dec 2012	Dec 2012	\$137	\$162
Unit 6 - CAM Startup (2 Trial vs. 5 Implement core service areas)	Aug 2013	Aug 2013	\$415	\$1,162
Unit 7 - CAM Implementation	Mar 2016	Jun 2015	\$1,014	\$1,089
<b>Total</b>			<b>\$1,844</b>	<b>\$2,696</b>

The accelerated program of interest to the service review committee would be expected to provide corporate asset management for the core business areas of solid waste, roads, sanitary, storm and water by August 2013 from the unaccelerated date of March 2016. It also advances the full implementation from March 2016 to June 2015. This report recommends the accelerated Unit 3 costs be added to this source of funding as it does not substantially change the costs at this stage. Council will still be able to make a decision on the project via the 2012 budget process.

It must also be noted that the total cost came in at a higher value than expected but seems reasonable when compared to the submissions by the other candidates. The program is new for the City and accurate estimates will depend on assistance retained from experts in this area.

This report deals with the start up costs for the governance consultant and the first business case before the Service Review Committee noting that the second business case is for the software system. The computer system will be tendered separately after the current state analysis and strategic work has progressed enough to make effective software choices. This will occur in 2012.

**Table 2**

What we do now	How CAM can help
<ul style="list-style-type: none"> <li>Asset owners manage assets</li> </ul>	<ul style="list-style-type: none"> <li>CAM supports asset owners by providing knowledge, tools, data, reports</li> </ul>
<ul style="list-style-type: none"> <li>Various Assessment techniques (Condition, risk, priority, service levels)</li> </ul>	<ul style="list-style-type: none"> <li>Consistent application of asset management tools</li> </ul>
<ul style="list-style-type: none"> <li>Occasional lack of coordination of capital projects</li> </ul>	<ul style="list-style-type: none"> <li>Improved integration of projects</li> </ul>
<ul style="list-style-type: none"> <li>Discrete and limited database applications</li> </ul>	<ul style="list-style-type: none"> <li>Integrated technology systems across the corporation</li> </ul>
<ul style="list-style-type: none"> <li>Local communication and limited inter service area data access</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced Corporate communication</li> <li>Central data repositories</li> <li>Broad based access to data</li> </ul>
<ul style="list-style-type: none"> <li>Project discrete decision making</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate big picture decision making</li> </ul>

Ultimately, Corporate Asset Management is intended to support continuous improvement, effective and efficient management of the Corporation's billions of dollars of assets. This program is essential for 'Good Government' and is a critical component of two of Council's strategic priorities, *Infrastructure Renewal and Expansion*, and *Financial Stability*.

Civic administration is working cooperatively throughout the departments including PEESD, TSD, Finance and Asset Management. Progressing Units 1, 2 and 3 with their associated analysis and development will compliment and be aided by the efforts ongoing elsewhere towards enhancing the management of the City's assets including ongoing maintenance management projects and the major JDE upgrade currently underway. A Corporate Asset Management Network Team has been formed. This network team will be instrumental in providing advice and strategic direction for the project including major recommendations such as future software choices, after having the opportunity to review the results from the initial phases.

Retaining the services of CH2MHill, subject to Council approval will provide the needed expertise, objectivity and experience to support Civic Administration to quickly advance the City's objectives. The consultant's highly specialized expertise will support the Corporation to develop, implement and sustain these new practices.

**Acknowledgements**

This report was prepared by Lois Burgess and Khaled Shahata with the assistance of Terri Sue Wyatt.

<b>SUBMITTED BY:</b>	<b>RECOMMENDED BY:</b>
<b>LOIS BURGESS DIVISION MANAGER CORPORATE ASSET MANAGEMENT</b>	<b>TOM JOHNSON MANAGING DIRECTOR – CORPORATE ASSETS</b>

Attach.

Copy to

Martin Hayward, City Treasurer, Chief Financial Officer  
Mike Turner, Deputy City Treasurer