

TO:	CHAIR AND MEMBERS FINANCE AND ADMINISTRATION COMMITTEE MEETING ON SEPTEMBER 28, 2011
FROM:	TOM JOHNSON MANAGING DIRECTOR - CORPORATE ASSETS MARTIN HAYWARD CITY TREASURER, CHIEF FINANCIAL OFFICER JOHN BRAAM DIRECTOR OF WATER AND CITY ENGINEER JOSEPH EDWARD CHIEF TECHNOLOGY OFFICER
SUBJECT:	REQUEST FOR PROPOSALS FOR CONSULTANT SUPPORT - CORPORATE ASSET MANAGEMENT

RECOMMENDATION

That, on the recommendation of the Managing Director - Corporate Assets, City Treasurer, Chief Financial Officer, the Director of Water and City Engineer, and the Chief Technology Officer, the following actions regarding Corporate Asset Management **BE TAKEN**:

- a) That this status report and attached Draft *Scope of Work* (Appendix A) for Corporate Asset Management implementation and the systemization of Tangible Capital Assets reporting processes **BE RECEIVED** for information.
- b) That an initial 2011 capital budget of \$150,000 **BE ESTABLISHED** from the Operating Budget Contingency Reserve to undertake a Request For Proposal (RFP) to engage a consultant to initiate the first two Units of the Corporate Asset Management program. The funding for the remaining units will be requested through the Business Plan and 2012 Capital Budget process as required.

Noting that, Corporate Asset Management is an integrated set of processes to minimize the lifecycle costs of owning, operating and maintaining assets, at an acceptable level of risk while continuing to deliver established levels of service.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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- 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.

BACKGROUND

The City of London owns, manages and operates an estimated \$12 billion in assets (replacement value). This includes millions of dollars worth of roads, sewers, water pipes, parks, buildings, land, vehicles, equipment and much more. These assets are relied upon every single day by all Londoners. Our assets are critical to the health of the community and to the success of London's economy.

The Corporation is responsible for the stewardship of these assets. Civic Administration must ensure that these assets are managed in the most effective and efficient way possible throughout the entire lifecycle of each individual asset. The implementation of Corporate Asset Management (CAM) will enhance the ability to coordinate current software upgrades in individual service areas.

Upper tier levels of government have also recognized the importance of maintaining the integrity of municipal infrastructure. The Federal government has mandated Public Sector Accounting Board (PSAB) standards, including the reporting of Tangible Capital Assets (PS 3150) on an annual basis. The Provincial government has legislated the Safe Drinking Water Act and Bill

175, Sustainable Water & Sewage Systems Act, which requires asset management for full cost reporting and applications for funding for water and sewer infrastructure, other service areas are expected to follow. The absence of a Corporate Asset Management system has made meeting legislative requirements particularly in the area of reporting for PSAB a challenge. Data must be manually gathered from individual service areas, a labour intensive process that cannot be sustained in the long term without additional staff, resources, and/or investment in an enhanced asset management system. To support improved management of our assets, Civic Administration has recently established a Corporate Asset Management office with staff retained in May, 2011.

Because of the vast diversity in the processes used and types of assets owned by the Corporation, the development of Corporate Asset Management will require a great degree of expertise in many areas of engineering, finance, information technology and process management. Much of this expertise is available in-house; however, there are some highly specialized areas of knowledge and expertise which are more efficiently contracted out to a team of external experts for a limited period of time. An Expression of Interest process was undertaken and three consultants, Aecom, CH2MHill and GHD, reflected the best qualifications out of nineteen submissions. These three firms will participate in the upcoming request for proposal (RFP) process.

This report provides an overview of the next steps for Corporate Asset Management in the City of London.

Corporate Asset Management

The corporate inventory of assets created through the PSAB process is a foundational element of Corporate Asset Management.

Corporate Asset Management is an integrated set of processes to minimize the lifecycle costs of owning, operating and maintaining assets, at an acceptable level of risk while continuing to deliver established levels of service.

The term 'asset management' refers to the decision making framework that applies to the entire lifecycle of an asset including planning, budgeting, creation, operation, reinvestment, and ultimate sale or decommissioning of an asset.

Asset Management is all about making the right decision, at the right time, for the right amount.

Corporate Asset Management enables decision making based on City-wide knowledge working towards integrated, fair and balanced ways to manage our assets. The corporate program is expected to answer the following questions

What do we own?

Where is it?

What is it worth?

What is its condition and expected remaining service life?

What is the level of service expectation, and what needs to be done?

When do you need to do it?

How much will it cost?

What is the acceptable level of risk?

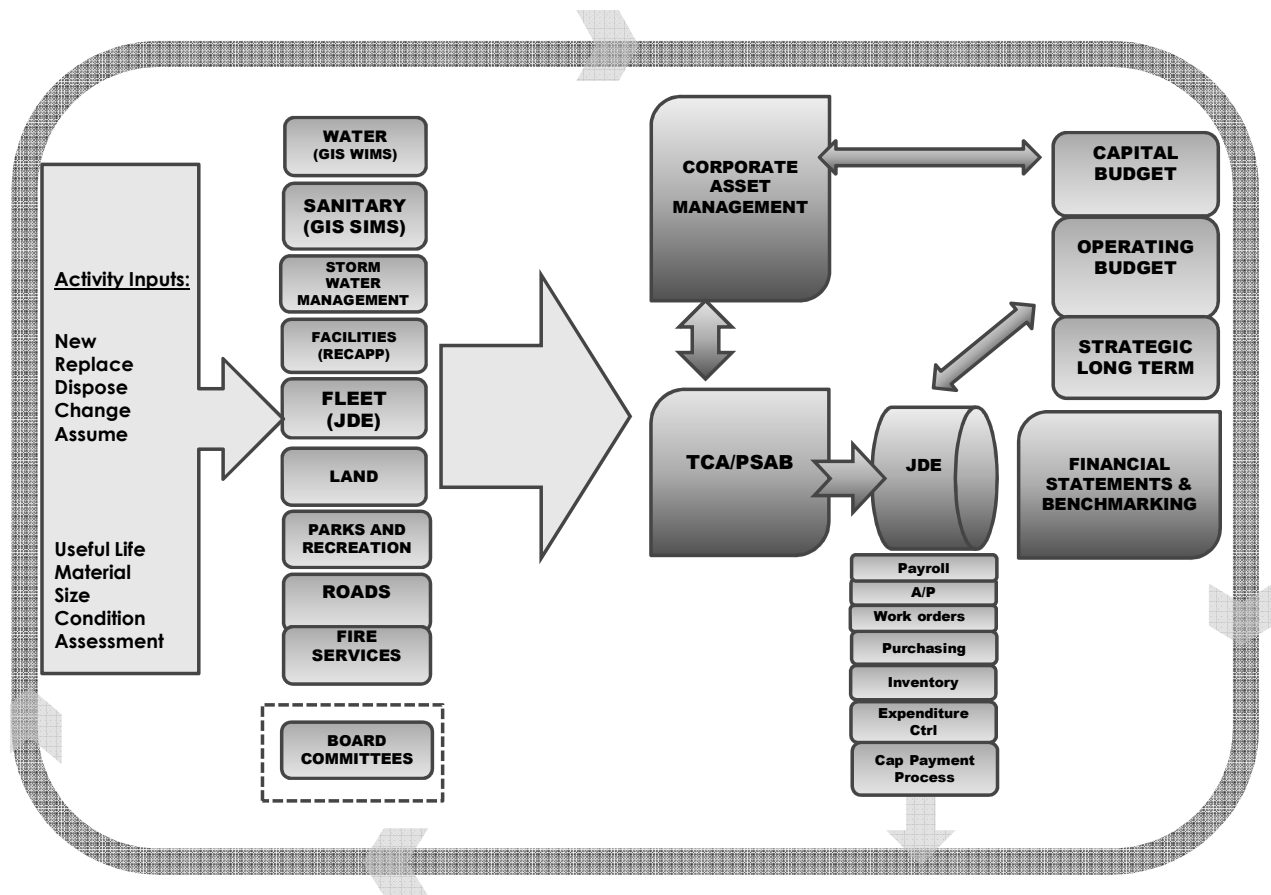
How do you ensure long-term affordability and sustainability?

Corporate Asset Management is a set of processes and systems that will support us in answering these questions and help determine the right choices for the future. Making the best choice as often as possible will result in savings. The fundamental question that needs to be addressed is whether we are investing the right amount to sustain our assets and meet service level expectations. This is done by integrating risk management, optimized decision making, financial planning, and performance management. CAM will help coordinate operational, capital and financial systems through enhancing communication and business processes at all levels of the Corporation. See *Figure 1*.

Without exception, leading municipalities in Canada who have effectively implemented Corporate Asset Management were supported by external experts to obtain the objective and highly specialized expertise. Consultants in this specific field have supported municipalities to establish an optimal governance model and implement tools and programs for Corporate Asset

Management and Tangible Capital Assets reaching across all municipal departments. Although other municipalities are further ahead in the world of Corporate Asset Management, London can use their experiences and expertise to implement a very effective and efficient program to help manage our assets.

Figure 1: CAM Communication & Business Processes



Tangible Capital Assets

In 2006 the Canadian Public Sector Accounting Board (PSAB) approved PS 3150 which required municipalities to report Tangible Capital Assets (TCA) on their statement of financial position effective January 1, 2009.

As previously reported to Council over the past six years, Civic Administration has taken steps to comply with this requirement and has reported asset value on the 2009 and 2010 audited financial statements.

Although the requirement has been met, the PSAB project has been under-resourced and remains an unduly onerous process managed largely through thousands of manual transactions on spreadsheets and quite vulnerable to error. The process remains localized within Finance and has not been integrated into the operating departments who maintain the assets. Therefore, the data is not able to be kept current or coordinated between operating areas, and the data is of little functionality to the operating departments.

Many other Municipalities across Canada have implemented corporate processes and systems to support the systemization of tangible capital asset reporting. This means that the information is kept current and used by the departments and reported out to Finance, rather than Finance manually collecting, updating and reporting the data. The next major milestone for London will be to follow suit and implement a corporate level, integrated Tangible Capital Assets system that not only provides the required information but enables management of the City's assets at a corporate level.

Engagement of a Consultant

It is the intent of Civic Administration to engage a consultant to support the Corporations advancement of both the Tangible Capital Assets and Corporate Asset Management projects. The scope and deliverables for this project are divided into seven Units defined in the attached Draft Scope of Work (Appendix A). The consultant will provide Administration with the following services:

1. This initial 2011 capital funding of \$150,000 will enable the completion of this first phase.

This phase will develop a complete asset management governance strategy including tactical methods for implementation of the strategy. The objective of this phase is to clearly define the roles and responsibilities of the Corporate Asset Management office and the other stakeholders. (Units 1 and 2 of Figure 2).¹

Deliverables: Governance Model, Current State Analysis, and CAM Development Strategies. Target Completion Date: August 2012.

The remaining funding requested through the business plan and 2012 capital budget process will be used to:

2. Develop a Corporate Asset Management Plan and Framework for a State of Infrastructure Report that will report on asset condition, levels of service, risk, funding, infrastructure gaps, etc. (Units 3 and 4 of Figure 2).

Deliverables: Corporate Asset Hierarchy and Registry, Preliminary CAM Plan and State of the Infrastructure Report. Target Completion Date: December 2012.

3. Evaluate and make recommendations about software solutions to support the integration of information across all departments. This corporate platform relies on the local maintenance and asset management systems specialized to the service areas. The objective of this work is ultimately to implement a series of technology and process solutions which ensure that data about all assets is current, accurate, and complete and able to be reported and monitored at a departmental or corporate level with minimal manual intervention. An RFP for the software integration system will come before Council in early 2012 for review once firm estimates on cost can be established (refer to Unit 5 of Figure 2).

Deliverables: CAM Integrated Software System acquisition and implementation framework. Target Completion Date: December 2012.

4. Use the knowledge accumulated from previous phases, to conduct a pilot study of a minimum of two service areas covering the following topics (refer to Unit 6 of Figure 2):
 - a) Levels of Service
 - b) Inventory and Condition Assessment
 - c) Risk Modeling
 - d) Economics, including PSAB/TCA reporting, budget development and review
 - e) Lifecycle Management integrated across the Corporation.

Deliverables: CAM Pilot procedures and recommendations. Target Completion Date: August 2013.

5. Parallel the work completed in the pilot study (Unit 6), to expand the program to the remaining service areas. Upon full implementation a procedure for continuous improvement will be adopted (refer to Unit 7 of Figure 2).

Deliverables: CAM Implementation and Continuous Improvement Strategy. Target Completion Date: March 2016.

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

Implementation of a Successful CAM program will:

- Manage assets on the principles of sustainability, continuous improvement and simplicity
- Provide comparable information for intelligent decision-making

¹ Further details on Unit scope and definition are available in Appendix A

- Enable the integration of corporate priorities
- Provide reliable data with the integrity to meet or surpass regulatory demands
- Quantify the outcome of decisions on triple bottom line (economical, environmental, and social)
- Reduce risk of environmental violations or service interruptions due to failed or poorly performing assets (Risk Management)
- Minimize life cycle cost and link capital budget needs to the business plan process
- Maximize the return on corporate investment, and spend tax dollars wisely
- Quantify the impact of work that doesn't get done (Infrastructure Gap)
- Reduce knowledge losses as the experienced workforce retires.
- Enhance and change the way we do business

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*².

The process consultant, finalized through the RFP and subject to approval of 2012 budget 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 in this area will support the Corporation to develop, implement and sustain new practices. This is a new way of doing business in the City of London.

Financial Plan

The development of Corporate Asset Management has been divided into sections as described in the attached Draft Scope of Work and summarized in Figure 2 below. The project is estimated to occur over a three to seven year period. Finance has identified a source of funding for \$150,000 to begin the first two Units of the project in 2011/2012 to support the appointment of consultants to cost out the full project. Further funding has been requested through the business plan and 2012 capital budget process.

This initial funding will enable the completion of Unit 1 and 2. These Units will provide the foundation for the successful implementation of the CAM program. The bulk of the work will be done in the first two years. The RFP process will provide actual estimates of the cost of the consulting work for the remaining Units. The consultants will price each Unit of the project separately, and the continuation of each subsequent phase will be subject to both Budget and Council approval as the project progresses. The City of London will maximize its internal resources to complete this project in a cost effective manner. Advancing the expertise, capacity and knowledge of current staff members will be specifically included as a deliverable of the consulting contract.

Figure 2: CAM Project Outline and Schedule

ID	Unit ID ³	Duration	2011	2012				2013				2014				2015				2016	
			Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1	CAM project	5 Years	[Gantt bar spanning from Q4 2011 to Q2 2016]																		
2	Unit 1 – Start Up	3 Months	[Gantt bar from Q4 2011 to Q1 2012]																		
3	Unit 2 – Strategy Development	6 Months	[Gantt bar from Q1 2012 to Q2 2012]																		
4	Unit 3 – Corporate Asset Hierarchy and Registry	3 Months	[Gantt bar from Q2 2012 to Q4 2012]																		
5	Unit 4 - Develop Preliminary CAM Plan	6 Months	[Gantt bar from Q3 2012 to Q2 2013]																		
6	Unit 5 - Integrated Software System	10 Months	[Gantt bar from Q4 2012 to Q4 2013]																		
7	Unit 6 - CAM Plan- Pilot Trial	8 Months	[Gantt bar from Q1 2013 to Q2 2014]																		
8	Unit 7 - CAM Implementation	36 Months	[Gantt bar from Q3 2013 to Q2 2016]																		

² Council Strategic Plan 2007 - 2010

³ Further details on Unit scope and definition are available in Appendix A

CONCLUSIONS

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*. Londoners rely every day on the effective performance of the City's assets to support the delivery of services. Assets are critical to the health of the community and to the success of London's economy.

Civic Administration is committed to ensuring that assets across the corporation are optimally managed, balancing service level expectations with cost efficiency and effectiveness. The support obtained through engaging external expertise will ensure that Council is receiving the maximum return for their investment in assets, spending tax dollars wisely while mitigating risk, meeting customer expectations for levels of service and will change the way we do business.

Thanks go out to Carmen Reis, Specialist II, and Khaled Shahata, Specialist II, Corporate Asset Management, Tom Coulter, Manager of Tangible Capital Assets, Alan Dunbar, Manager of Financial Planning and Policy, Rick Brown, Division Manager Finance/Planning and Environmental and Engineering Support, and John Bontje, Manager TSD for their assistance in preparing this report.

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Attachments (1)

- Copy to:
- Carmen Reis, Specialist II, Corporate Asset Management
 - Khaled Shahata, Specialist II, Corporate Asset Management
 - John Bontje, Manager TSD
 - Rick Brown, Division Manager Finance/Planning and Environmental and Engineering Support
 - Tom Coulter, Manager of Tangible Capital Assets
 - Alan Dunbar, Manager of Financial Planning and Policy
 - Mike Turner, Deputy City Treasurer