

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON DECEMBER 1, 2015
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT	CORPORATE ASSET MANAGEMENT PLAN 2015 REVIEW

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 report **BE RECEIVED** for information:

- a) Corporate Asset Management Plan 2015 Review.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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- 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.
- August 26, 2014, Report to Corporate Services Committee - Corporate Asset Management Plan 2014.
- Budget 2015, Appendix F, Additional Investments Business Case #1 - Infrastructure Gap

BACKGROUND

In 2014 the City of London released its first Corporate Asset Management Plan (AMP) in anticipation of upcoming provincial and federal requirements. The AMP describes current asset management practises and recommends the approach to secure the services of reliable sustainable infrastructure into the future. This includes planning for funding needs. The AMP is a perpetual living plan that is monitored routinely with full updates occurring every five years. This is the first review of the progress of the AMP. As anticipated, federal and provincial funding eligibility requirements were put into effect and can now impact the ability of a municipality to obtain transfer funding. London has completed the requirement to have a corporate asset management plan. Most recently in 2014, as part of the New Building Canada Plan, Federal Gas Tax Fund agreements were renewed with each province and contain asset management requirements.

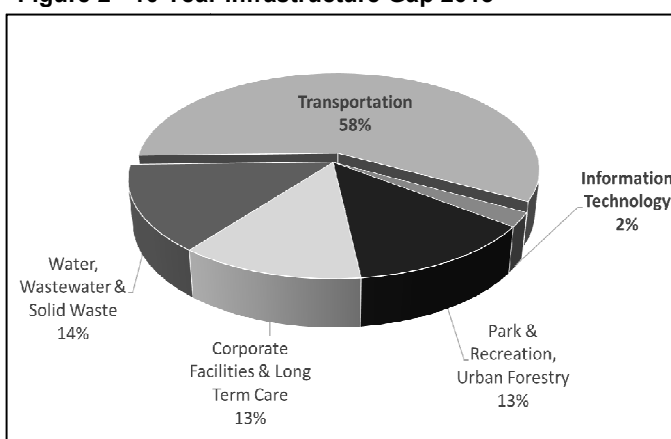
The focus of the 2014 plan is sustainable infrastructure. The AMP was intended to address the concerns raised in the London's *State of Infrastructure Report (SOIR) 2013* regarding both asset condition and the infrastructure funding gap summarized as follows.

Figure 1 - State of Infrastructure Report 2013 Key Findings

City of London Infrastructure Summary			
2013 Replacement Value	2013 Condition	2013 Infrastructure Gap	2013 Infrastructure Gap In 10 Years
\$ 10.9 Billion		\$ 52.1 Million	\$ 466.1 Million



Much of the discussion since the release of the *State of Infrastructure Report 2013* and the *Corporate AMP 2014* has focused on reducing the City's infrastructure gap; in particular, addressing the needs of our Transportation infrastructure which accounted for 58% of the City's 10 year projected infrastructure gap. Supported by the AMP, the City has made progress towards addressing the Transportation infrastructure gap through increased investment in this area. The efforts have had positive impacts as shown below.

Figure 2 - 10 Year Infrastructure Gap 2013



Overall CONDITION – Roads, Structures, Traffic		
Grade	2013	2015
Very Good	27%	28%
Good	20%	24%
Fair	28%	30%
Poor	20%	15%
Very Poor	5%	3%



Updated condition information for structures, sidewalk and traffic is not available yet. Ongoing financial planning continues to be needed to address future infrastructure needs.

TRANSPORTATION INFRASTRUCTURE GAP					
	2013 - 2022 (000's)	2015 - 2024 (000's)	Change (000's)	Change (%)	Trend
Projected 10-Year Infrastructure Gap	\$271,639	\$215,618	\$56,021	20.6%	
Roads & Structures	\$236,165	\$189,043	\$47,122	19.9%	
Traffic	\$35,474	\$26,575	\$8,899	25.1%	
PLANNED INVESTMENT					
Projected 10 Year Budget	\$275,540	\$324,337	\$48,797	17.7%	
Roads & Structures	\$224,204	\$264,362	\$40,158	17.9%	
Traffic	\$51,336	\$59,975	\$8,639	16.8%	

The City has also made significant progress towards addressing its infrastructure gap in Information Technology Services. Managing the IT gap has resulted in a currently stable position. However it is the nature of the IT business that there will be both planned and unplanned technology changes and evolutions within a ten year planning period. Through a commitment to increase investment over the 2015-2024 period the City will address the known needs of its current Information Technology infrastructure. The impact of these efforts is shown in the charts below. Managing the IT gap requires ongoing vigilance.

Overall CONDITION – IT Infrastructure, End User Devices and Application		
Grade	2013	2015
Very Good	0%	30%
Good	51%	51%
Fair	36%	14%
Poor	0%	0%
Very Poor	13%	4%

Although the progress in this area is strong, new systems and evolving systems are a constant challenge in the information technology business.

IT S INFRASTRUCTURE GAP					
	2013 - 2022 (000's)	2015 - 2024 (000's)	Change (000's)	Change (%)	Trend
Projected 10-Year Infrastructure Gap	\$10,867	\$0	\$10,867	100%	
PLANNED INVESTMENT					
Projected 10 Year Budget	\$12,750	\$26,829	\$14,079	110.4%	

REVIEW OF Corporate Asset Management Plan 2014 RECOMMENDATIONS

The Corporate Asset Management Plan 2014 contained ten recommendations resolved by Council in order to strongly support the development of standardized asset management practices in the City of London. The progress and status of these recommendations is described below.

Recommendation 1: Continue to aggressively pursue the Corporate Asset Management Program in order to standardize quality asset management practices across the corporation. 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.

- The Corporate Asset Management program has completed four of its seven units.
- Unit 5 involves the procurement of an asset management software system. Procurement of the system is in its final stages, with purchase and implementation planned for 2016.
- The most extensive work involved in the development of the program is in *Unit 6 – Pilot Trials* with the Transportation and Parks & Recreation service areas. The work is well underway with development of condition, inventory and level of service practises nearing completion. Next on the agenda is risk management followed by life cycle management. This will complete the development of the procedural frameworks needed to support standardized asset management practises across the City.

Recommendation 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.

- This practice continues to form the basis of the approach while exercising flexibility to achieve effective results.

Recommendation 3: Continue to align the Plan with the Corporate Strategic Results/Goals.

- The Corporate AMP was originally drafted to conform to the City of London Strategic Plan 2011 – 2014. The fit is strong with the new 2015 - 2019 Strategic Plan, particularly supporting the areas of Building a Sustainable City, Leading in Public Service and Strengthening Our Community.

Recommendation 4: Review the existing levels of service and develop a level of service registry to help define the needs of the asset base.

- Development of levels of service is well underway for Transportation and Parks & Recreation as part of Unit 6 of the Corporate Asset Management Project Pilot Trials. A

framework has been developed and is in the process of being refined and populated.

Recommendation 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.

- The status of the recommendations has been reviewed and are being reported in this first review report with a full update scheduled for 2019.

Recommendation 6: Continue to foster pay-as-you-go practices including the use of reserves and reserve funds to prepare for future needs.

- The City remains committed to pay-as-you go financing for lifecycle renewal activities. The prudent increase in investment in Transportation assets is indicative of this commitment and has resulted in a positive outcome.

Recommendation 7: Rely on existing 20 year plans and their updates as a means to manage infrastructure gaps in the water, and wastewater services.

- 20 year plans for water and wastewater continue to be effective for this purpose.

Recommendation 8: Start building a reserve fund to be used exclusively for addressing the infrastructure gap. Plan for the new funding need 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.

- During the 2015 budget process the City increased base funding for both Transportation and Information Technology that had positive impacts on the projected infrastructure gaps in each service area. Despite the substantial progress, an infrastructure gap in Transportation still exists. In the proposed 2016-19 budget City Administration will again introduce a request for additional funding to establish a dedicated infrastructure gap reserve fund for Council's consideration per this recommendation. Establishing this fund will allow the City to prudently commence saving while the Corporate Asset Management program continues its evolution toward risk-based decision making a standardized approach to prioritizing capital projects. This fund will be used to help control the growing infrastructure gap across all of the City's services.

Recommendation 9: Continue to monitor the changing gap with the objective of meeting the needs for service delivery.

- Full updates continue to be planned on a five year cycle with the next update due in 2019.

Recommendation 10: In the long term, extend the corporate asset management practices to the Boards & Agencies of the City as appropriate.

- Boards and Agencies of the City will be offered the opportunity to benefit from the City's Asset Management program in the future once the core City service areas are implemented.

CONCLUSION

The City of London Asset Management Plan continues to meet provincial and federal needs while enabling the City to move towards best practices in asset management. The Plan is broadly supported by staff and Council. It is important that progress be made and flexibility continues to be exercised as the City progresses towards effective standardized asset management practices. Along with an abundance of hard work, the City must be prepared to rely on modern technology and systems that were not available in the past. It is critical that the City take advantage of modern technologies in order to be effective in its asset management practices. Over the coming year, it is expected that asset management system projects will be brought before Council for approval. As these systems are implemented and practices evolve, Council will have enhanced information on which to base strong effective decisions.

Acknowledgements

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SUBMITTED BY:	REVIEWED AND CONCURRED BY:
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