

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JANUARY 10, 2017
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT	CORPORATE ASSET MANAGEMENT PLAN 2016 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, this report with respect to Corporate Asset Management Plan 2016 Review **BE RECEIVED** for information.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

- 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
- December 1, 2015, Report to Corporate Services Committee – Corporate Asset Management Plan 2015 Review

BACKGROUND

In 2014 the City of London released its first Corporate Asset Management Plan (AMP) describing current asset management practises and plans to secure the service of reliable sustainable infrastructure into the future. The Plan is consistent with current regulatory requirements. The AMP is reviewed on an annual basis with full update now planned on a four year cycle to align with and adhere to the City's multi-year budget and 10 year capital plan. The next full AMP update will be provided in 2019 to help inform discussions surrounding the 2020-2023 budget. The AMP is intended to comply with federal and provincial funding eligibility requirements, the New Building Canada Plan, and the Federal Gas Tax Fund agreements. In 2016, under the *Infrastructure for Jobs and Prosperity Act, 2015* the Provincial government initiated consultations surrounding the implementation of specific Asset Management regulation in Ontario. This new regulation, Bill 6, is in active development and the City has provided feedback on the prototype. The province plans to post the draft regulation on the registry for further comment in the coming months. Implementation of the proposed regulation may occur in 2017.

The focus of the 2014 AMP is sustainable infrastructure and was intended to address the concerns raised in London's *State of Infrastructure Report (SOIR) 2013* regarding both asset condition and the infrastructure funding gap (Figure 1). A full update of the AMP and SOIR is planned for the end of 2018.

Figure 1 - State of Infrastructure Report 2013 Key Findings


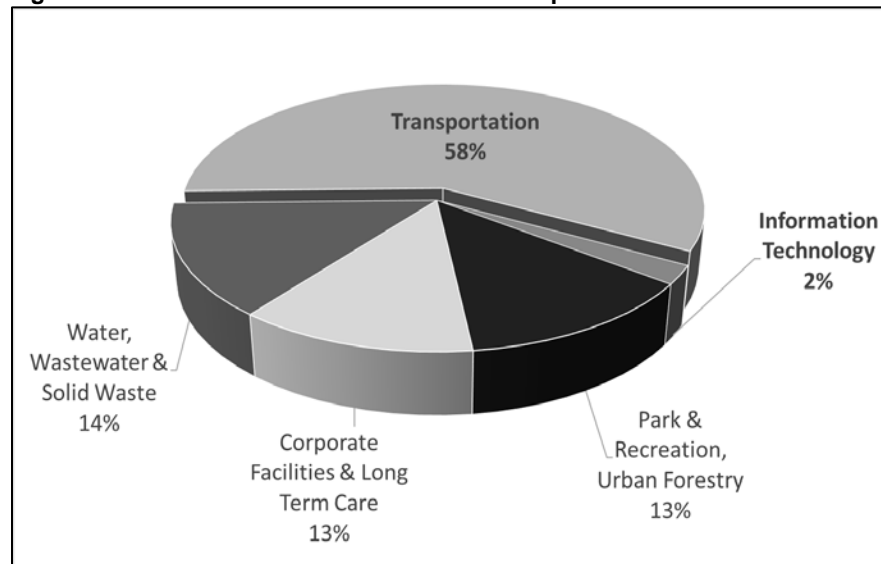
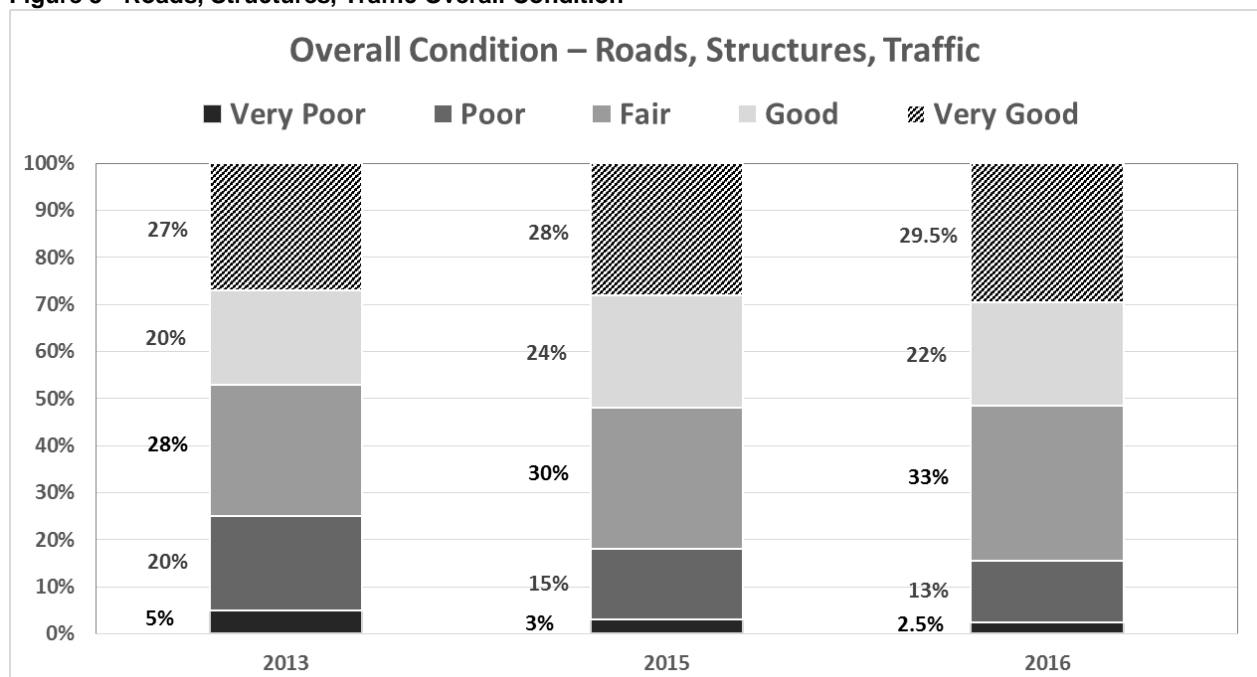
City of London Infrastructure Summary			
2013 Replacement Value	2013 Condition	2013 Infrastructure Gap	2013 Infrastructure Gap In 10 Years
\$ 10.9 Billion		\$ 52.1 Million	\$ 466.1 Million

Figure 2 - SOIR 2013 - 10 Year Infrastructure Gap Breakdown



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. Condition has improved over time while the rate of growth of the gap has slowed acknowledging that the gap still continues to increase but at a slower pace.

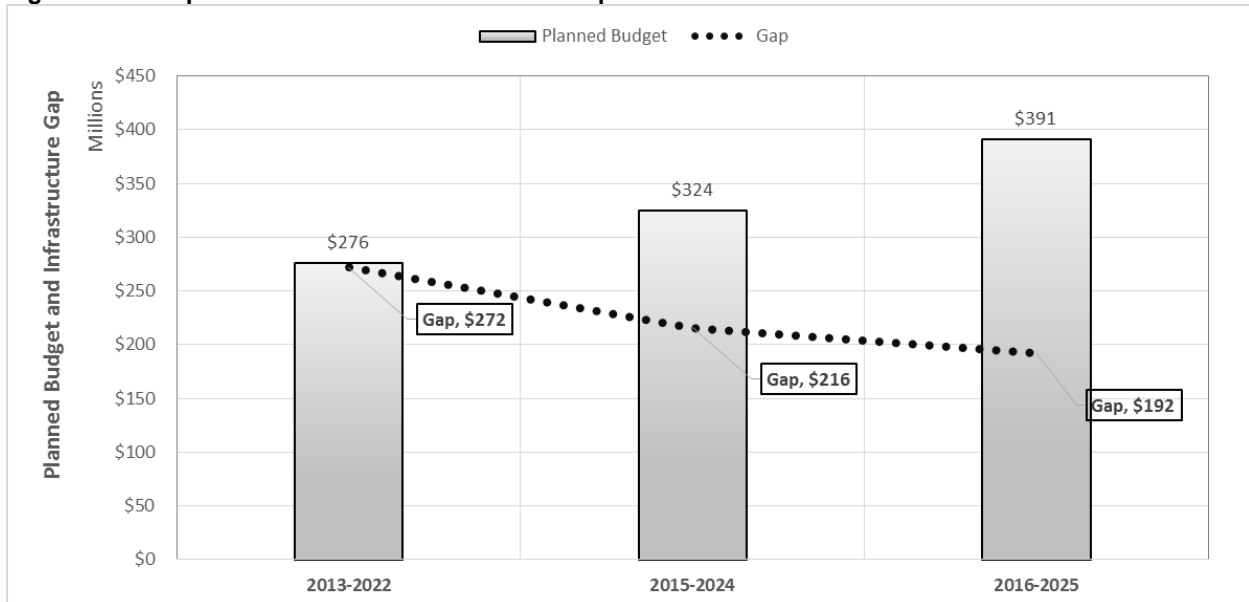
Figure 3 - Roads, Structures, Traffic Overall Condition



*Percentages subject to rounding

Condition information has been updated for roads, structures and traffic. Updated condition information for sidewalk, parking and signage is not available yet and is based on the historic 2013 assessment. Ongoing financial planning continues to be needed to address future infrastructure needs.

Figure 4 - Transportation - 10 Year Infrastructure Gap Trend

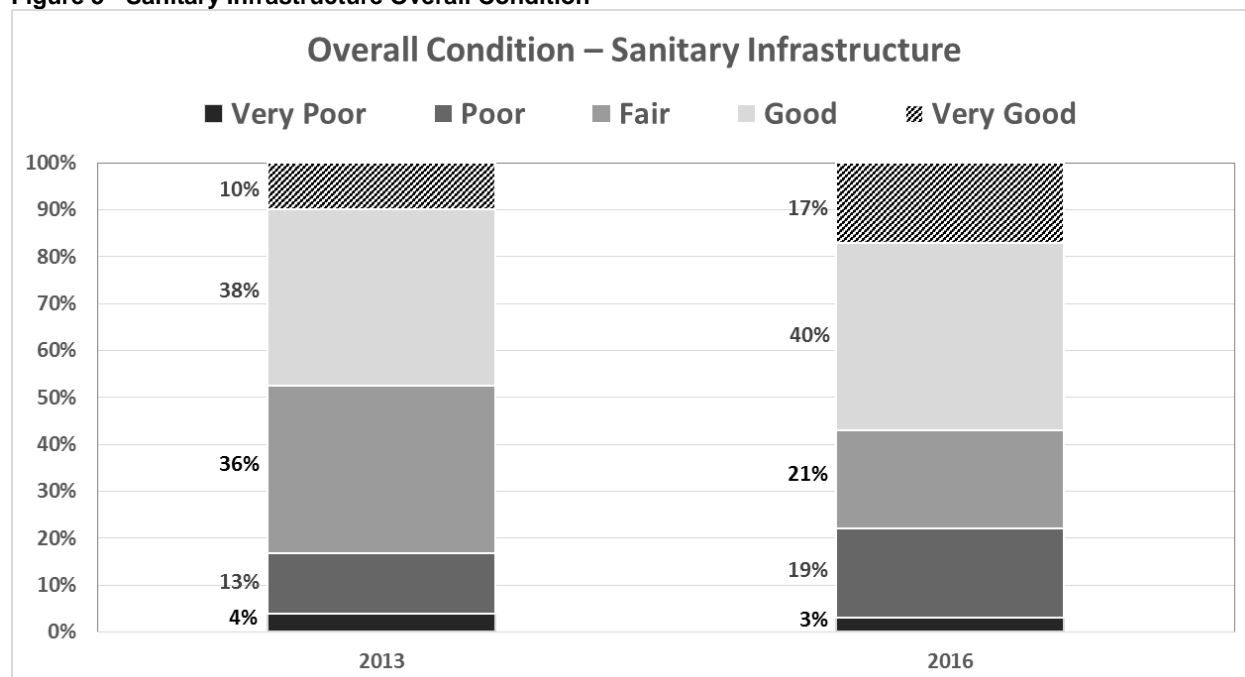


TRANSPORTATION INFRASTRUCTURE GAP					
	2015 - 2024 (000's)	2016 - 2025 (000's)	Change (000's)	Change (%)	Trend
Projected 10-Year Infrastructure Gap	\$215,618	\$191,514	\$24,103	11.2%	
Roads & Structures	\$189,043	\$176,041	\$13,001	6.9%	
Traffic	\$26,575	\$15,473	\$11,102	41.8%	
PLANNED INVESTMENT					
Projected 10 Year Budget	\$324,337	\$390,684	\$66,347*	20.5%	
Roads & Structures	\$264,362	\$320,607	\$56,245	21.3%	
Traffic	\$59,975	\$70,077	\$10,102	16.8%	

* The increased budgets from assessment growth and Strategic investment business cases approved in 2015 have resulted in a reduction of the Transportation infrastructure gap.

The City has also made progress towards addressing its 2013 projected Sanitary infrastructure gap following the 20 year financial plan to achieve sustainability. The gap is not expected to be eliminated within a ten year window but the growth of the gap has been slower each year as reflected in the table below. Strong reserve savings are a major factor in the control of the growth of the Sanitary infrastructure gap. It should be noted that there will be a significant increase in needs in 30 to 40 years when the pollution control plants reach a 100 year life. This significant need will need to be accounted for in upcoming financial and asset management plan updates as well as reserve fund planning. Through optimization / asset condition studies in progress and a commitment to increase investment over the 2016-2025 period, these efforts will continue to slow the growth of the Sanitary infrastructure gap. Managing the Sanitary infrastructure gap requires ongoing vigilance. Assistance in progress on managing the infrastructure gap is expected from the 10 year Clean Water and Wastewater Fund, which will significantly accelerate infrastructure spending. This is one of the reasons why the 20 Year Plan will be updated (as directed by Council in the 2017 Budget review).

Figure 5 - Sanitary Infrastructure Overall Condition



*Percentages subject to rounding

SANITARY INFRASTRUCTURE GAP					
	2013 - 2022 (000's)	2016 - 2025 (000's)	Change (000's)	Change (%)	Trend
Projected 10-Year Infrastructure Gap	\$21,802	\$13,586	\$8,216	37.7%	
PLANNED INVESTMENT					
Projected 10 Year Budget*	\$123,250	\$149,420	\$26,170	21.2%	

*Budget numbers adjusted to remove estimated Stormwater portion of capital projects. Therefore, the above will not match exactly capital budgets as presented in approved Council budget documents.

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 implementation planned for early 2017.
- 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 second review report with a full update scheduled for 2019.
- The frequency of future updates was increased to every four years to coincide with the City's budget cycle. It is understood that this increase may initially be difficult to achieve until the full CAM program is implemented.

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 and Sanitary assets is indicative of this commitment and has resulted in a positive outcomes.

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.

- Increased base funding for both Transportation and Wastewater have had positive impacts on the projected infrastructure gaps in each service area. Despite the substantial progress, infrastructure gaps in both service areas still exist.
- During the 2016 four year budget process City Council approved Strategic Investment Business Case #7 - State of Infrastructure Report 2013. Recognizing the importance of this issue Council approved an additional \$750,000 in 2016 in excess of the original request of \$6 million. This approval resulted in the establishment of the infrastructure gap reserve which will allow the City to prudently commence saving while the Corporate Asset Management program continues its evolution toward risk-based decision making and a standardized approach to prioritizing capital projects.

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

- Full updates of the infrastructure gap will be provided via the AMP every four years with the next update due in 2019 prior to setting the 2020-2023 budget. The AMP provides a useful tool during budget deliberations.

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. It is important that progress continue to be made and flexibility exercised as the City progresses towards effective standardized asset management practices using 'state of the art' technologies. This will result in the Council having enhanced information on which to base strong effective decisions.

Acknowledgements

This report was prepared by Lois Burgess, Khaled Shahata and Jason Davies. This report and recommendation has been supported by the Transportation Planning and Design and Wastewater Engineering and Operations service areas.

SUBMITTED BY:	REVIEWED AND CONCURRED BY:
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RECOMMENDED BY:	
MARTIN HAYWARD, MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	