

<b>TO:</b>	<b>CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JANUARY 23, 2018</b>
<b>FROM:</b>	<b>ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT</b>	<b>CORPORATE ASSET MANAGEMENT PLAN 2017 REVIEW</b>

<b>RECOMMENDATION</b>
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That on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer and on the advice of the Manager III, Corporate Asset Management, this report with respect to Corporate Asset Management Plan 2017 Review **BE RECEIVED** for information.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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- 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
- January 10, 2017 Report to Corporate Services Committee – Corporate Asset Management Plan 2016 Review

<b>BACKGROUND</b>
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In 2014, the City of London released its first Corporate Asset Management Plan describing current asset management practices and plans to secure the service of reliable sustainable infrastructure into the future. The Plan is consistent with current federal and provincial program requirements. It is reviewed on an annual basis with full updates now planned on a four year cycle to align with the City’s multi-year budget cycle. The next full Asset Management Plan update will be provided early in 2019 to help inform the 2020-2023 budget discussions. The Plan is intended to comply with federal and provincial funding eligibility requirements, the New Building Canada Plan, and conditions of the Federal Gas Tax Fund agreements.

Council’s 2015-2019 Strategic Plan for the City of London identifies ‘Building a Sustainable City’ and ‘Leading in Public Service’ as strategic areas of focus. These areas include ‘Robust Infrastructure’ and ‘Proactive Financial Management’ as strategic priorities. Respectively these strategies include addressing and managing the City’s infrastructure gap and making sure the City’s finances are well planned to keep costs as low as possible and look to limit the burden on current and future rate payers. The City of London provides nearly 100 services that Londoners rely on each year. Many, if not all, of those services require assets that are included in the Corporate Asset Management Plan to enable service delivery.

In 2016, under *Bill 6, Infrastructure for Jobs and Prosperity Act, 2015* the provincial government initiated consultations regarding the implementation of an Asset Management regulation for Ontario. The regulation was released on December 27, 2017 and is in force as of January 1, 2018. New requirements that will necessitate changes to the City’s annual updates regarding the Corporate Asset Management Plan are not mandatory until July 1, 2024.

The focus of the *Corporate Asset Management Plan 2014* is sustainable infrastructure and was intended to address the concerns raised in London's *State of Infrastructure Report 2013* regarding both asset condition and the infrastructure funding gap (Figure 1).

Figure 1 - State of Infrastructure Report 2013 Key Findings


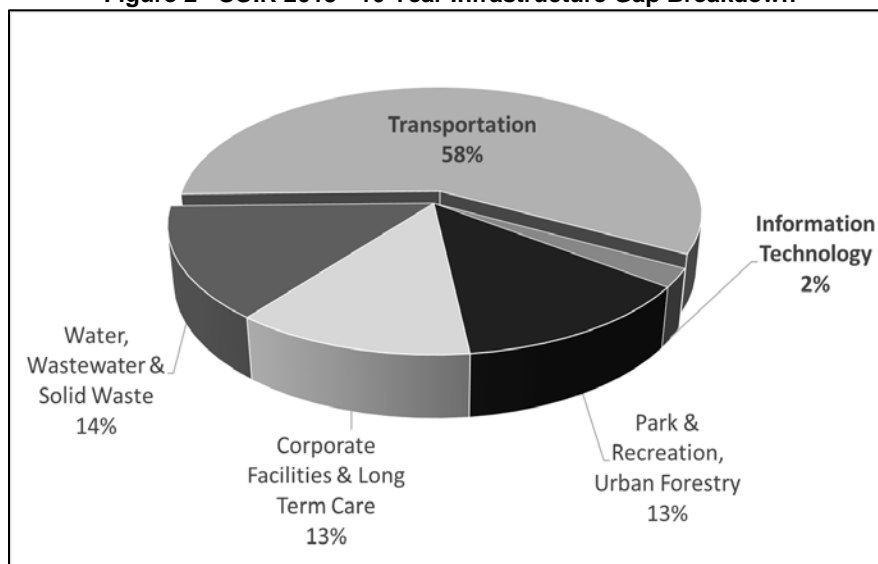
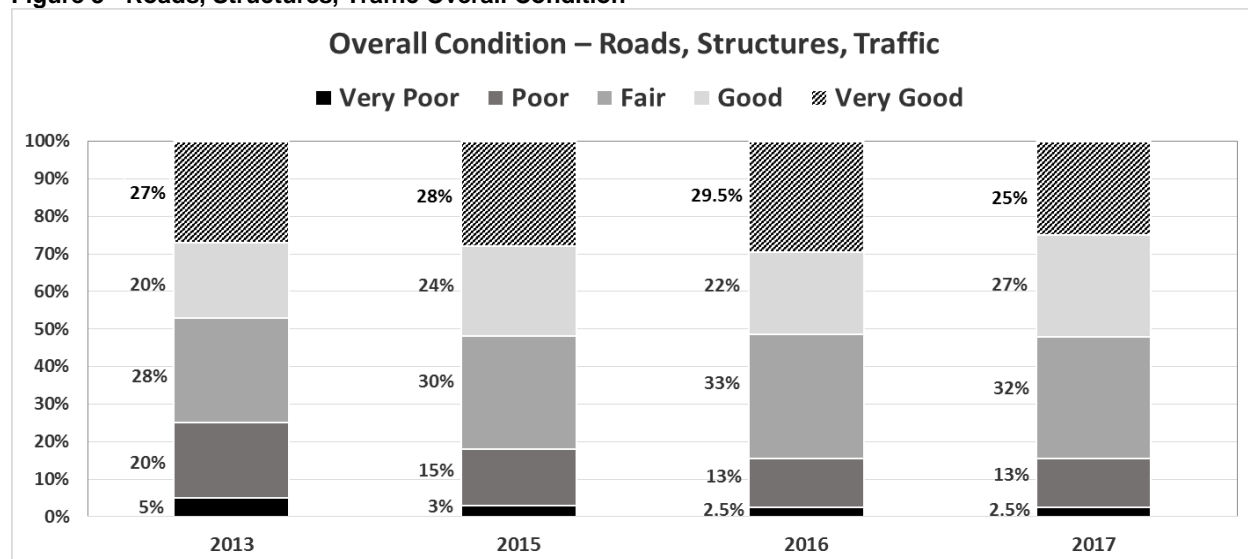
City of London Infrastructure Summary			
2013 Replacement Value	2013 Condition	2013 Infrastructure Gap	2013 Infrastructure Gap In 10 Years
\$ 10.9 Billion		\$ 52.1 Million	\$ 466.1 Million

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 Asset Management Plan 2014* has focused on reducing the City's infrastructure gap. In particular, addressing the needs of our Transportation infrastructure which, at the time, accounted for 58% of the City's 10-year projected infrastructure gap. Supported by the asset management plan, the City has made progress towards addressing the Transportation infrastructure gap through increased investment in this area. To date, the efforts have had positive impacts (Figure 3) as 52% of our Transportation infrastructure now rates in a condition of good or better; versus 47% in 2013. While condition has improved over time, acknowledging a slowing of the growth of the infrastructure gap, investment needs of the infrastructure persist.

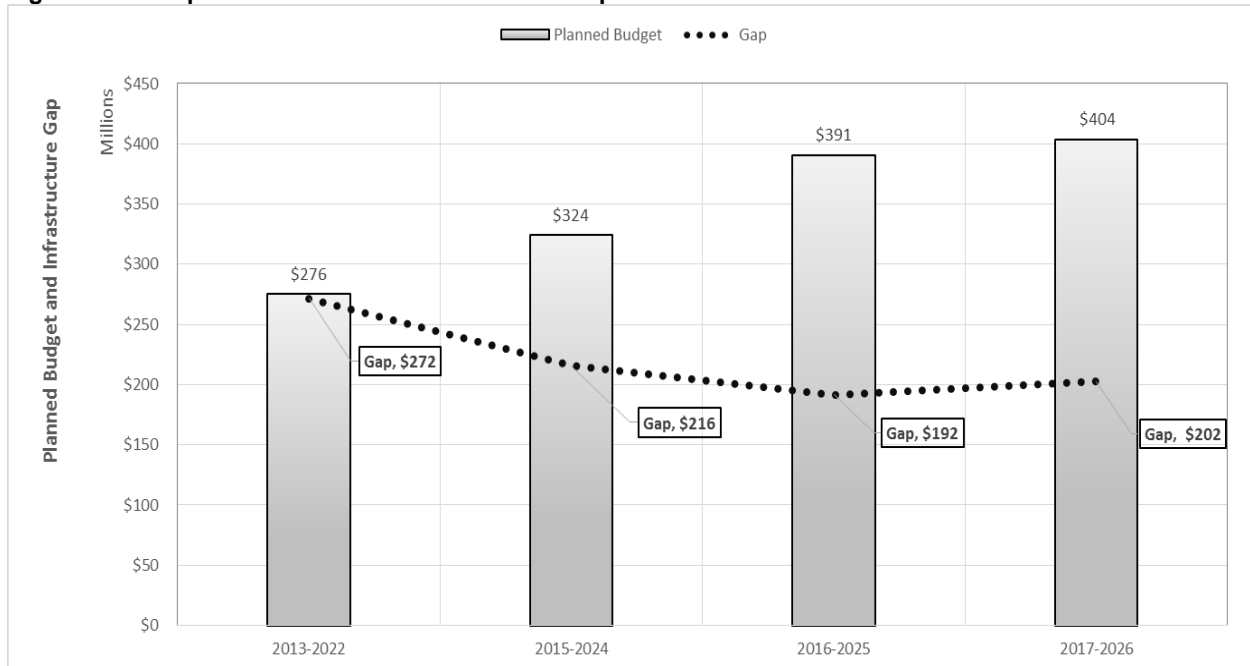
Figure 3 - Roads, Structures, Traffic Overall Condition



\*Percentages subject to rounding

Condition information has been updated for roads, structures, sidewalks, parking, signage, traffic signals and street light assets. Ongoing financial planning continues to be needed to address future infrastructure needs.

**Figure 4 - Transportation - 10 Year Infrastructure Gap Trend**



**Table 1 - Transportation - Infrastructure Gap and Planned Investment**

TRANSPORTATION INFRASTRUCTURE GAP					
	2016 - 2025 (000's)	2017-2026 (000's)	Change (000's)	Change (%)	Trend
<b>Projected 10-Year Infrastructure Gap</b>	<b>\$191,514</b>	<b>\$202,493</b>	<b>-\$10,980</b>	<b>-5.7%</b>	
Roads & Structures	\$176,041	\$189,654	-\$13,613	-7.7%	
Traffic	\$15,473	\$12,839	\$2,633	17.0%	
PLANNED INVESTMENT					
<b>Projected 10 Year Budget</b>	<b>\$390,684</b>	<b>\$403,895</b>	<b>\$13,211</b>	<b>3.4%</b>	
Roads & Structures	\$320,607	\$327,128	\$6,521	2.0%	
Traffic	\$70,077	\$76,766	\$6,689	9.6%	

This update shows that while planned investment in Transportation has increased in the 10-year 2017-2026 period; growth of the infrastructure investment needs outpaced the additional 3.4% investment forecasted over this same period. This results in a projected 5.7% increase in the projected 10-year Transportation infrastructure gap versus the 2016-2025 period. The projected increase in gap is attributable to condition and cost updates undertaken which most notably impacted bridge infrastructure.

While this 10-year forecast shows an increase in the projected gap, the more telling statistics of the City's strategic focus on addressing and managing the City's infrastructure gap are found by comparison to the baseline 10-year forecast included in the 2014 Asset Management Plan (Table 2).

**Table 2 - Transportation – Baseline Comparison**

Criteria	2013-2022 Baseline	2017-2026 Forecast	Change	Trend
Condition (% Good to Very Good)	47%	52%	+5%	
Lifecycle Budget	\$276M	\$404M	+46.5%	
Infrastructure Gap	\$272M	\$202M	-25.5%	

Table 2 illustrates the positive impact increased investment in the Transportation program has made on both the overall condition of the City's Transportation infrastructure as well as the 25.5% reduction in the 10-year forecasted infrastructure gap.

### **Water and Wastewater Asset Management Program Update**

Late in 2017, the City hired external expertise to analyze the replacement values of water and wastewater linear assets. The resultant replacement values have significantly increased from the 2013 estimate due to the improved accuracy of unit cost assumptions and increases in construction and labour cost. Administration is currently reviewing the existing 20-year plans for water and wastewater assets. An update of the water and wastewater plans is scheduled for late 2018 to align with the next full update of the Corporate Asset Management Plan.

In 2017, the water division also embarked on an inventory analysis for water facilities to enhance the data accuracy and reliability. The wastewater division has also commenced development of detailed asset risk models to help identify infrastructure investment needs. Additionally, both the water and wastewater divisions have started the implementation of a new Computerized Maintenance Management system (CMMS) to support operational planning which will also produce benefits for the Corporate Asset Management program. The corporate asset management division is working with the CMMS implementation team to ensure alignment with the requirements of the new asset management regulation in Ontario.

### **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. Since the last AMP Review in January 2017 the Corporate Asset Management program has procured and began implementation of the Assetic software solution with Go-Live planned for early-mid 2018 for Transportation and Parks & Recreation assets.
- The most extensive work involved in the development of the program is in *Unit 6 – Pilot Trials* with the Transportation and Parks & Recreation programs. The work is well underway with development of condition, inventory and level of service modules nearing completion. Next modules of the pilot trials include risk management followed by life cycle management. This will complete the development of the procedural frameworks needed to support and inform 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 method 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. However, the fit is strong with the new 2015 - 2019 Strategic Plan, particularly supporting the areas of 'Building a Sustainable City' and 'Leading in Public Service'. The City's Asset Management Plan is a reflection of best practices currently in place and under development to support proactive management of the Corporation's infrastructure.

**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 nearing completion for Transportation and Parks & Recreation as part of Unit 6 of the Corporate Asset Management Project Pilot Trials.
- With respect to Ontario Regulation 588/17 levels of service for Transportation will be reviewed during the creation of the next asset management plan to ensure adherence to the requirements of the regulation. Levels of service for Parks and Recreation fall under the

regulation’s “all other assets” category and will not require the same review. Measure for ‘other assets’ by regulatory definition are at the discretion of the municipality.

**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 third review report with a full update scheduled for early 2019.
- The frequency of future updates was increased to every four years to coincide with the City’s multi-year budget cycle.

**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 outcomes.
- Since 2012 the City has increased its capital levy (pay-as-you-go) financing from 47% to 67% as shown in Table 3 below.

**Table 3 - Capital Budget – Property Tax, Water, and Wastewater Rate Supported Sources of Financing**

(\$ million’s)	2012 Approved Budget	2018 Approved Budget
Capital Levy (Pay-as-you-go)	47%	67%
Debenture	16%	3%
Reserve Fund	37%	30%
Other	0%	0%
<b>Total Property Tax, Water, and Wastewater Supported</b>	<b>100%</b>	<b>100%</b>

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

- Currently, the City is reviewing the existing 20 year plans for water and wastewater assets. An update of the water and wastewater plans is scheduled for late 2018 to align with the upcoming asset management plan full update.

**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 Transportation has had positive impacts on its projected infrastructure gap. Despite the substantial progress an infrastructure gap in the transportation service area still exists.
- 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.
- Council also approved policies that would allocate one time funds to the infrastructure gap reserve fund (Surplus Policy and Assessment Growth Policy). These approvals resulted in the establishment of the Capital Infrastructure Gap reserve fund which allows 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. To date this reserve fund has a balance of \$2.753 million.

**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 early 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. Updates to the City's next Corporate Asset Management Plan will align with the new Ontario regulation by the required deadlines. 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 Council having enhanced information on which to base strong effective decisions.

**Acknowledgements**

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