

TO:	CHAIR AND MEMBERS FINANCE & ADMINISTRATIVE SERVICES COMMITTEE MEETING ON NOVEMBER 26, 2012
FROM:	MIKE TURNER DEPUTY CITY TREASURER
SUBJECT	CORPORATE ASSET MANAGEMENT PLAN AND STATE OF THE INFRASTRUCTURE REPORT

RECOMMENDATION

That on the recommendation of the Deputy City Treasurer, on the advice of the Division Manager, Corporate Asset Management, the following actions **BE TAKEN** with respect to the Corporate Assets Management Process:

1. That the funding for Unit 4, Corporate Asset Management Plan and State of Infrastructure Report, based on the accelerated contract price, \$112,208, HST excluded, (RFP 11-37) **BE APPROVED** as set out in the Source of Financing Report attached hereto as Appendix "A";
2. Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with the purchase of Unit 4; and
3. 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.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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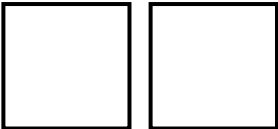
- January 16, 2012, Report to F&AS Committee- RFP 11-37 Corporate Asset Management Process.
- September 28, 2011, Report to F&AS Committee- Request For Proposals For Consultant Support -Corporate Asset Management.
- Business Plans.
- Several past reports refer indirectly to Corporate Asset Management through discussion of Tangible Capital Assets (TCA) and service area asset management programs.

BACKGROUND

Corporate Asset Management (CAM) is progressing via the previously approved 2011 capital funding of \$170,863 towards completion of the first three work Units of the program covering the Governance Model, Current State Analysis, CAM Development Strategies and Corporate Asset Hierarchy and Registry frameworks. Under the direction of Council, CAM adopted the accelerated implementation schedule with a goal implementation date of June 2015.

Although moving well and showing significant progress through Units 1, 2 and 3, the current progression of the CAM program has deviated from the original accelerated timeline for the remaining units. Along with a three month delay approving the hiring of the consultant, significant organizational changes have occurred reducing resources available for the development of the project. Furthermore the consultant recommended that Unit 5, software development, be deferred until later in the schedule in order to develop better knowledge about asset management in London before selecting an appropriate system. This delay fits well with other software advances underway at the City.

CAM is progressing well and is on target to complete the first three units in 2012. Unit 4 is now expected to be completed in the late spring of 2013, while Unit 5 will commence development over the latter half of 2013. One of the lessons learned in the development to date is that the



scope of London’s project encompassing fourteen service areas places London as a leading Corporate Asset Management community in eastern Canada. Although other municipalities, have adopted and completed various aspects of asset management, none are as comprehensive as the one planned for the City of London.

Accelerated versus Base

During review of the project before the Service Review Committee, staff was asked to accommodate an acceleration of the program. This resulted in changes to the project plan, the most significant of which was the increase to the pilot scope in Unit 6 to cover five service areas (Water, Wastewater, Stormwater, Roads and Solid Waste). This shortened the final completion date of the program by one year and resulted in an increase in consultant cost of \$850,000. The real advantage to acceleration was the change to the Unit 6 pilot scope which resulted in implementing CAM for an additional three service areas three years ahead of the base schedule. There is a potential cost saving if reduced back to the original base two area pilot trial. This would introduce a further delay but may be a more realistic expectation based on the feedback from peer municipalities on consideration of the scope of the work. This report recommends continuation of the accelerated program for Unit 4. However the true impact of the accelerated portion is still to come in Unit 6. There is a potential for a savings of \$820,000 if the project returned to the original base schedule for Unit 6 onward. This would also defer benefits realized by the implementation of Corporate Asset Management.

The funding for Unit 4 is requested at \$112,208, covering the Corporate Asset Management Plan and State of the Infrastructure Report. Units 5 through 7 covering software, pilot trials and full implementation will be considered for funding requests once the program is further along in its development.

Based on the CH2MHILL submission, the costs (taxes excluded) for base and accelerated schedules are described in Table 1, while the updated Schedule is shown in Table 2 below. The costs for the first four units do not vary significantly between base and accelerated estimates.

Table 1 CH2MHILL ESTIMATE (000's) - Nov 2011 RFP 11-37

Project Unit	Original Accelerated Schedule	Updated Accelerated Schedule	Accelerated
Unit 1 – Start Up		Jul-12	\$53.5
Unit 2 – Strategy Development		Nov-12	\$50.5
Unit 3 – Corporate Asset Hierarchy and Registry	Aug-12	Oct-12	\$67
Unit 4 - Develop Corporate Asset Management Plan and State of Infrastructure Report	Sep-12	May-13 ¹	\$112
Unit 5 - Startup Integrated Software System	Dec-12	Nov-13 ²	\$162
Unit 6 - CAM Startup (Implement 5 core service areas)	Aug-13	Apr-14 ³	\$1,162
Unit 7 - CAM Implementation	Jun-15	Aug-15	\$1,089
Total			\$2,696

- CH2MHILL work completed to date:
- Current Situation/AM Roadmap Report adopted by CAM Steering Committee Sept 2012
 - Undertook thirty four workshops; two project charter, eleven current/future state, eleven PSAB, one system review and nine asset registry & hierarchy
 - Moderated four CAM Steering Committee meetings
 - Reviewed and provided comments on the CAM project charter

- CH2MHILL ongoing work Unit 1 through 3:
- Governance Strategy including roles and responsibilities
 - Communication Strategy and plan
 - Operational strategies: Data Management, Risk, Level of Service, Lifecycle Management, Integration including TCA and PSAB
 - CAM policy/guideline

1 Scheduled to start March 2012, recommended to delay until service area AM competencies are further developed.
2 Scheduled to start March 2012, recommended to delay until service area AM competencies are further developed.
3 Estimated to start after completion of Unit 4.

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- Corporate Asset Hierarchy
- Corporate Asset Registry, inventory Map, data criteria and index
- QA/QC data controls
- Advance the expertise, capacity and knowledge of City staff

Unit 4 will produce the corporate plan for the management of the City's \$12 billion worth of assets including defining what is meant by level of service, risk, life cycle management and cost analysis, including TCA from the City's perspective. The second important element of Unit 4 is the preliminary State of the Infrastructure Report (SOIR) expected in 2013. The SOIR will be the first published result of the program delivering a preliminary look at the City's assets and indicating what the infrastructure gap may be. The first report is based on existing data with its inherent gaps and weaknesses. This assessment will help to define the starting point or base line. The quality of the information can be expected to improve significantly as the program builds out and the asset data is systemized.

The development of the SOIR will provide a template for future ongoing monitoring of the City's assets. It will discuss the asset base by service area, speak to changes, improvements, costs, risks, trends, and provide compelling arguments for decision makers. Regular state of the infrastructure reporting will monitor asset value and infrastructure gap changes over time. The SOIR will support arguments for investing in the preservation of the asset base leading towards sustainable service delivery. Key elements of SOIR include:

1. Details of the Asset Inventory – What do we own?
2. Valuation of the Asset Base (Replacement Value) – What is it worth?
3. Condition/Performance of the Asset Base – What condition is it in?
4. Asset Life Expectancy – What is the remaining life?
5. Life Cycle Investment Profile – Where did we invest and how much?
6. Identification of the infrastructure gap – What is the Gap?
7. Overview/recommendations – How to move towards sustainable service delivery?

Unit 4 will result in the first Corporate Asset Management Plan which will expand on SOIR findings and provide an action plan for continuous improvement of the City's future asset management plans. The first version of the Corporate Asset Management Plan will include summary reports for each of the service areas, as well as recommendations and action plans laying the foundation for the future. Asset management plans are becoming a requirement for funding transfers and grants from upper tier governments to municipalities. An example of this is Bill 175 for Water funding applications.

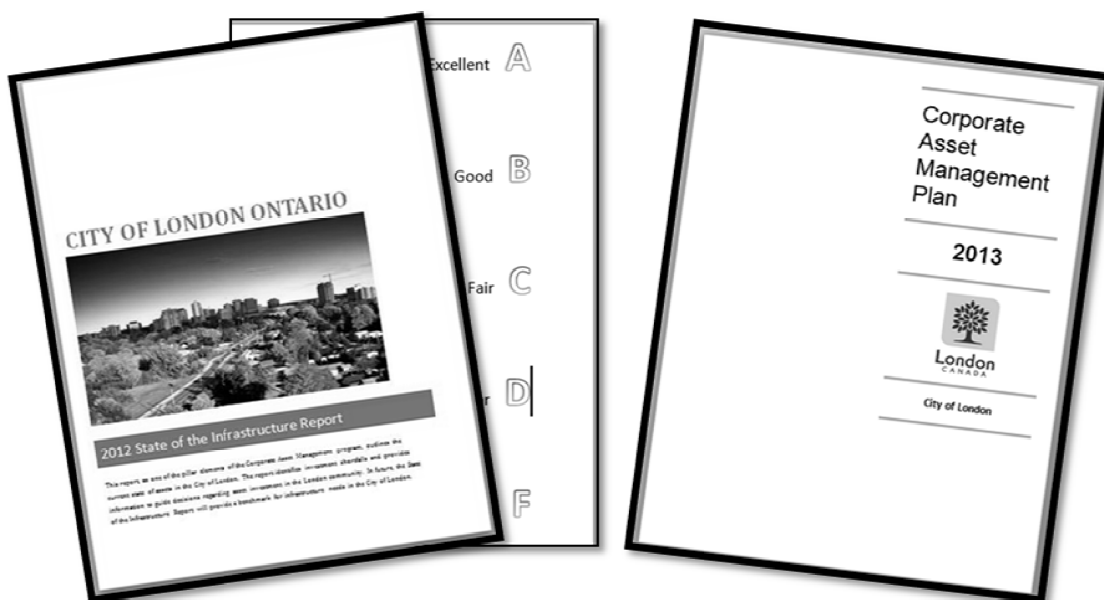


Figure 1: Sample State of the Infrastructure Report & Corporate Asset Management Plan

Ultimately, Corporate Asset Management will result in positive impacts on service delivery across the City. It is intended to support sustainability and continuous improvement, as well as effective and efficient management of the Corporation's assets. The program is essential for good government and is a critical component of two of Council's strategic priorities; Sustainable Infrastructure, and Strong Economy.

Acknowledgements

This report was prepared by Lois Burgess, Khaled Shahata and Jason Davies.

SUBMITTED BY:	RECOMMENDED BY:
LOIS BURGESS DIVISION MANAGER CORPORATE ASSET MANAGEMENT	MIKE TURNER DEPUTY CITY TREASURER

Attach

Copy to

Martin Hayward, City Treasurer, Chief Financial Officer