Agenda – Executive Policy Committee – February 16, 2011

CAPITAL BUDGET REVIEW

Item No. 2 Asset Management Program

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 8, 2010, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service:

1. That the Winnipeg Public Service implement the Asset Management Initiative, as outlined in Appendix A to the report from the Winnipeg Public Service dated November 9, 2010, subject to resource requirements being included in budgets.

2. That the additional financial and human resource requirements, as outlined in Appendix B to the report from the Winnipeg Public Service dated November 9, 2010, be referred to the 2011 Capital and Operating Budget processes.

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On March 10, 2010, the Executive Policy Committee passed the following motion, namely:

WHEREAS on February 18, 2009, the City of Winnipeg Audit Department reported to City Council, though its report on Capital Project Management Audit, that "objective criteria be developed through consultation with Council and the Public Service to evaluate and prioritize capital projects to support a capital budget based on City wide priorities, sound asset management practices and projects where the greatest need and benefit is demonstrated";

AND WHEREAS on July 22, 2009, the City of Winnipeg Public Service reported to City Council that the City's existing and new strategic infrastructure deficits are estimated at a total of $7.4 billion over the next 10 years;

AND WHEREAS on January 20, 2010 the Federation of Canadian Municipalities released a poll which shows that 83% of Canadians believe that "the country's future prosperity will be at risk if we do not continue to improve and upgrade our infrastructure";

AND WHEREAS existing Asset Management (AM) programs worldwide focus on addressing infrastructure priorities by developing an asset inventory, evaluating asset conditions, and determining life cycle and cost replacement of assets;

AND WHEREAS other municipalities in North America have applied such Asset Management (AM) principles to assist decision-makers and citizens to plan for long-term investment and re-investment in infrastructure through capital budget processes;

AND WHEREAS Calgary's Corporate Asset Management Program includes a triple bottom line concept – assessing economic, social and environmental issues – in sectors including transportation, water and wastewater, and land use;

AND WHERAS over the last several years certain service areas within the City of Winnipeg have initiated asset management strategies, objectives and plans to support the provision of core services;

DECISION MAKING HISTORY (continued):

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

THEREFORE BE IT RESOLVED THAT the City of Winnipeg Public Service be directed to report back to the Executive Policy Committee in 180 days with a plan that includes:

(i) timelines and process for implementation of a City of Winnipeg asset management system that includes at minimum:

  (a) an asset inventory of all City of Winnipeg infrastructure;

  (b) a method for the ongoing evaluation of asset conditions; and

  (c) a method for the determination of life cycle and cost replacement of assets;

  (d) a flexible method for taking into account intergovernmental funding and other opportunities that may arise from time to time;

(ii) recommendations for incorporating a triple bottom line approach to all asset management decisions, in accordance with OurWinnipeg;

(iii) financial and human resource requirements; and

(iv) all other relevant considerations.

ADMINISTRATIVE REPORT

Title: **Asset Management Initiative**

Issue:

Critical Path: **Executive Policy Committee**

AUTHORIZATION

Author	Department Head	CFO	CAO
Georges Chartier	M. Ruta		M. Ruta Acting CAO

RECOMMENDATIONS

That the Public Service implement the Asset Management Initiative as outlined in Appendix A subject to resource requirements being included in budgets.

That the additional financial and human resource requirements as outline in Appendix B be referred to the 2011 capital and operating budget process.

REASON FOR THE REPORT

On March 10, 2010, the Executive Policy Committee directed the Public Service to report back with an Asset Management plan.

IMPLICATIONS OF THE RECOMMENDATIONS

The Asset Management Initiative will ensure departments are following leading practices in asset management. The benefits includes freeing up limited capital budget funds and shifting funds to highest priority areas based on life cycle costing, risk and triple bottom line approaches.

The continued implementation of leading practices in asset management will also address several Audit recommendations from the following reports:

2005 Public Works Asset Management (Phase 1 Roadway)
2006 Public Works Asset Management (Facilities)
2007 Capital Assets Review
2009 Capital Project Management Audit

HISTORY

Asset Management practices are evolving in the City of Winnipeg. Over the last several years, some departments have enhanced their asset management programs such as in Roads & Bridges, Water & Waste and Municipal Buildings where formal asset management programs were established. Currently however, some service areas are just starting to follow a regimented asset management approach.

In January 2009, the Secretary of Strategic Infrastructure Renewal requested an updated estimate for the existing and new strategic infrastructure deficit.

On July 22, Council received 3 reports from the Public Service on the status of the City's Infrastructure Deficit.

In September 2009, the Public Services issued a request for proposal (RFP) for "Consultant Services to Recommend an Organization-Wide Corporate Asset Management Process and System". The work was awarded to CH2M Hill Canada Ltd.

Work began on Phase 1 of Corporate Asset Management in November of 2009. In Phase 1, CH2M Hill reviewed the current asset management practices in three large infrastructure areas of the City: Municipal Buildings (PP&D), Roads & Bridges (Public Works), and Water and Waste. In working with City staff CH2M Hill reviewed where the City would want to be in short term (less than 2 years), medium term (2 to 5 years) and long term (beyond 5 years) with respect to asset management. This review also included an "education" component which outlined leading practices in multi sector asset management. In March 2010, CH2M Hill submitted a Phase 1 Asset Management Report along with a 2 year, short term, asset management work plan.

In June 2010, work began on Phase 2, implementation of the 2 year asset management work plan. Phase 2 is expected to be completed by April 2012 and comprises 13 sub-projects or tasks which cover three broad areas:

1. have the departments not included in Phase I, go through the education and review process (CAMRA workshops).
2. have the first three departments continue developing leading practices in asset management by reviewing their level of service, risk management, multi-criteria prioritization of capital projects and business case evaluation.

3. set up corporate standards / leading practices and processes for asset management including: framework, policy, strategy; business process mapping and procedures; business case evaluation framework; risk management framework; capital project multi criteria prioritization; capital project management and system review; and Public Sector Accounting Board (PSAB) sustainment review.

Components and timeline of the Asset Management Initiative are outlined in Appendix A.

The goal of the Asset Management Initiative is to set up corporate standards / leading practices and processes for asset management with service areas' buy in to ensure an effective and efficient asset management program. The benefits includes freeing up limited capital budget funds and shifting funds to highest priority areas based on life cycle costing and triple bottom line approaches. In addition, the multi criteria prioritization approach will ensure a list of unfunded prioritized projects be available for new intergovernmental funding and other opportunities. Regular reporting of the State of the Infrastructure will be able to be produced itemizing asset conditions by service areas.

The incremental financial and human resource unfunded requirements are itemized in the Financial Impact Statement as well as in Appendix B.

FINANCIAL IMPACT

Financial Impact Statement **Date:** November 8, 2010

Project Name: **First Year of Program** **2011**

Asset Management Initiative

	2011	2012	2013	2014	2015
Capital					
Capital Expenditures Required	$ 692,000	$ 849,000	$ 305,000	$ 305,000	$ -
Less: Existing Budgeted Costs	692,000	849,000	305,000	305,000	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	$ -	$ -	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs:					
Debt & Finance Charges (I/P Payments)	$ -	$ 142,575	$ 327,288	$ 401,757	$ 476,226
Operational Costs	$ 205,000	$ 490,000	$ 709,000	$ 795,000	$ 810,900
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 205,000	$ 632,575	$ 1,036,288	$ 1,196,757	$ 1,287,126
Less: Existing Budget Amounts	205,000	632,575	1,036,288	1,196,757	1,287,126
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

1. This project is funded through the Departments' capital and operating budgets. **All amounts have been included in the 2011 Budget Submission. Note, however, that the 2011 Budget is still being reviewed and not yet adopted.**

2. Annual Debt & Finance Charges (I/P Payments) are calculated at 6.50% interest per annum over 5 years (interest rate as stated on Corporate Finance 2011-2013 Budget Preparation website for Cost of Capital). Debt & Finance charges beyond 2015 total $1,033,284 (2016-2019).

3. The above costs include all applicable taxes and administrative charges.

4. Transit Department will use $200,000 of its retained earnings to fund capital expenditures in 2011 and 2012. These amounts, therefore, were not included in the calculation of Debt & Finance Charges.

(Original signed by R. Abeysekera)
Radhika Abeysekera
Manager of Finance - Campus Depts.
Corporate Finance Department

CONSULTATION

In preparing this report there was consultation with:

- Public Works (Roads and Parks)
- Transit
- Fire-Paramedics
- Water & Waste
- PP&D (Municipal Buildings)
- Parking Authority
- Corporate Support Services
- Corporate Finances
- Legal Services (as to legal issues)

SUBMITTED BY

Department Office of the CFO
Division
Prepared by: Georges Chartier
Date: November 9, 2010
File No.

Attachments


Appendix A - timeline.xls


Appendix B.xls

Appendix A

August 31, 2010

Asset Management Program Schedule	2010							2011												2012			
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Continue Asset Mgmt with Roads & Bridges, Water & Sewer and with Municipal Buildings																							
- Level of Service	X	X	X	X	X	X	X	X	X	X													
- Business Process Mapping and Procedure Master Plan						X	X	X	X														
- Business Case Evaluation						X	X	X															
- Risk Management Framework											X	X	X	X	X	X	X	X	X				
- Multi Criteria Prioritization Approach								X	X	X	X	X	X	X	X	X	X	X	X				
Begin Review of rest of City's Asset Mgmt																							
- Current Situation Analysis of remaining service areas	X	X	X	X	X	X																	
- Prepare Asset Mgmt Development Plan				X	X	X																	
- Begin next phase of their Asset Mgmt Program								X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Implement Corporate Wide Asst Mgmt Policy and Procedures.																							
- Corporate Asset Management Standards, Policy, Strategy and Direction		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X				
- Corporate oversight via Steering Committee and Network Committee.	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
- Review Project Management of Capital Projects					X	X																	
- Review PSAB Requirements and Impact for Asset Management		X	X	X	X																		
- Benefit Tracking and Reporting	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
- City Council Education and Info Seminar								X												X			

Appendix B

Estimated additional expenditures needed for Asset Management Program Nov 5, 2010

	2011	2012	2013	2014	2011	2012	2013	2014	
	Capital				Operating				
					mid-year				
Transit	$100,000	$300,000			$50,000	$102,000	$104,000	$108,000	for consultant, IT system, 1 FTE
Roads					$40,000	$82,000	$84,000	$86,000	for 1 FTE (research and standards position)
Traffic Signals	$50,000	$100,000	$50,000	$50,000					for consultant, IT system
Traffic Services	$25,000	$50,000	$25,000	$25,000					for consultant, IT system
Parks	$317,000	$299,000	$230,000	$230,000			$207,000	$281,000	for consultant, IT system, temp & perm staff
Fire-Paramedics					$50,000	$50,000			for consultant
Corporate Finance		$100,000			$65,000	$181,000	$237,000	$241,740	for corporate IT system, 2 FTE
Communication Branch	$100,000								for consultant, IT system
Corporate IT (CSSD)	$100,000					$75,000	$77,000	$78,000	for consultant, IT system, 1 FTE
Total	$692,000	$849,000	$305,000	$305,000	$205,000	$490,000	$709,000	$794,740	

Notes:

These new expenditures are preliminary estimates. More will be known as the departments work thru the asset management review with the consultant

All of the above new expenditures has been requested as part of the 2011 budget process

Other main Infrastructure areas (Water & Waste, Municipal Buildings, Parking Authority) have plans and previous forecasted funding