



Item No. 10.1.9
Halifax Regional Council
June 19, 2012

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

Original signed by 

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

DATE: May 2, 2012

SUBJECT: Budget Increase – Project No. CID00631 - Enterprise Asset Management (EAM) Program

ORIGIN

- Completion of ICT Project No. ICT0888 - Enterprise Asset Management Roadmap
- The Capital Steering Committee has formally endorsed the request to be funded from available monies in Cappool, pending Council approval.

RECOMMENDATION

It is recommended that Halifax Regional Council approve an increase of \$700,000 to Project No. CID00631 – Enterprise Asset Management Program, with funding from surplus Operating Pay as You Go Funding (Cappool), as outlined in the Budget Implications section of this report.

BACKGROUND

In 2007, the Federal Government mandated that all municipalities needed to be compliant with Public Sector Accounting Board (PSAB) regulations relating to recording and depreciating assets in order to receive federal funding for infrastructure. The regulations required municipalities to develop an asset registry and record and depreciate the historical costs of municipal assets. The PSAB Compliance project was completed for the beginning of the fiscal year 2009/2010 and it identified what assets we own as well as their acquisition costs.

HRM was then positioned to build on the asset registry and develop an asset management program.

The Federation of Canadian Municipalities has identified the declining condition of infrastructure as a significant challenge facing Canadian municipalities. In recent years, Regional Council has recognized the importance of maintaining assets in a state of good repair and asset condition has been adopted as a measure of HRM's fiscal health. The 2012/2013 Project Budget emphasizes maintaining assets in a state of good repair and acknowledges that an effective asset management program is required so that informed decisions can be made regarding maintenance, renewal, and replacement of assets within available budgets.

DISCUSSION

Managing Assests with Limited Funds

HRM has approximately \$5 billion of assets under management, which doesn't include the approximately \$2 billion of assets managed by Halifax Water. Over time all of these assets require some capital investment.

In October 2011, the Information Communications and Technology (ICT) Planning Team in concert with the Infrastructure Office and IMP Solutions (service provider) initiated development of an "Enterprise Asset Management (EAM) Roadmap". "*Enterprise*" means corporate-wide, and "*Roadmap*" means work plan. In other words, the *Roadmap* lays out the work plan to develop the corporate asset management program.

Maintaining assets in a state of repair that is consistent with the level of service expected by the public, requires a balanced approach: a balance between timely infrastructure investments on good assets and timely infrastructure investments on poor assets. If too much is spent on assets that are in the worst condition, assets that are in better condition would deteriorate until they become more costly to upgrade.

The approach described in the preceding paragraph requires decisions to be made that are well informed by business intelligence relating to asset condition and service levels. This requires a level of sophistication similar to that used in the Pavement Management System. This intelligence must then be fully integrated across all classes of assets to develop and implement the corporate strategy to maintain, renew, and replace assets throughout their useful life.

When fully developed, the asset management program will predict the impact of varying funding levels and allow staff and Council to make better informed “trade-off” decisions between classes of assets.

Developing the Roadmap

The EAM project team engaged key staff of HRM and Halifax Water to define the vision for an asset management program; and recommend a sequence of projects (activities), estimated costs, and dependencies to develop and implement an enterprise asset management program and enabling technology solution(s).

Workshops were held with managers and other key staff to determine the current state of asset management in HRM. The assessment focused on how assets are managed, the processes and management structure related to asset management within HRM. The current state assessment dealt with asset management functions only; it was not intended to be a complete assessment of the quality of operations, management of programs and/or service delivery across HRM administration. The findings, in general, showed that HRM does **not** have well developed strategies, processes, people resources and enabling technologies in the management of public assets.

Following the current state assessment, a visioning workshop was held with members of the senior management team. They identified the need for a set of structured management systems across the organization with a measurable degree of competency, to manage the whole asset life cycle and achieve improved return on assets. These management systems would be supported by a formal EAM Program that provides guidance and direction for all asset management activities. Such an asset management strategy requires a significant change in culture, business processes and technology tools.

The gaps between the current state and the desired state were analysed and a roadmap was developed. Seven projects were identified by the EAM project team and are briefly described below. A Gantt chart showing timing and estimated costs is included in Appendix 1.

ID	Project Name	Description
P1	EAM Program Office	Establish program office (processes, procedures, strategy frameworks and governance); Coordination point for all EAM work; project management, change management, asset management (AM) expertise, AM training and mentoring
P2	Foundational AM	AM 101 training (what, why, how); Decision matrix; Initial Glance Forecast Graph; pilot to help develop templates for processes
P3	Asset Registry Project	Data governance; data model; data management; complete gathering foundational data
P4	Operational EAM Project	Define, design and implement processes, data management and technology to support operational level asset management
P5	Strategic EAM Project	Better align EAM activities with the municipality's strategic objectives; Improve capacity planning, maintenance planning, service delivery, and project delivery
P6	Financial Models Project	Reserve funding model; Depreciation based model; Improve budget, AM planning, and financial reporting processes
P7	Sustainable EAM Project	Continuous improvement

Implementing the Roadmap

Conclusion of the EAM Roadmap exercise did not align with the budget planning process. An estimate for the 2012/13 Project Budget was submitted in advance of knowing what projects would be included in the roadmap and when they would be scheduled.

Based on the estimate describe above, Council has approved \$3.25 million in project spending over 4 years for the asset management program. The roadmap is now complete as shown in Attachment 1 and the projects, their cost estimates and timing are better understood. The EAM project team is recommending that between \$3.9 million and \$5.2 million may be needed. These amounts are preliminary and intended to be upper end costs for budget purposes, but are in line with what other municipalities have experienced.

The subject of this report is an additional \$700,000 requested for the 2012/13 fiscal year to carry out work identified on the roadmap. If approved, the balance of program costs will be refined and included in next year's project budget submission.

Program costs generally consist of short term assignments for a dedicated Program Manager, subject matter experts, business analysts, IT professionals, and purchasing software licenses.

BUDGET IMPLICATIONS

The EAM Roadmap is a multi-year project and the \$700,000 currently being requested will address 2012/13 planned implementations. Future budget requirements will be incorporated in the next Project Budget and submitted for Council's approval at that time. Budget availability has been confirmed by Finance.

Operating Pay as You Go Surplus (Cappool)

Available Balance as of March 31, 2012	\$ 3,865,319
Less: Funding for 2012/13 Project Budget	(\$2,967,000)
Less: Funding for Sandy Lake Oversizing Project	(\$ 148,000)
Less: Transfer to EAM Project	<u>(\$ 700,000)</u>
Remaining Balance	\$ 50,319

Project No. CID00631 – Enterprise Asset Management

Available Balance	\$ 774,556.28
Add: Transfer from Cappool	<u>\$ 700,000.00</u>
Remaining Balance	\$1,474,556.28

Work planned for 2012/13 includes enhancements to asset management capabilities such as implementing a new Fleet maintenance management system and acquiring an asset management system for road, sidewalks and other right-of-way infrastructure (\$1,014,000), general program management (\$263,000), asset management training (\$60,000), and improving the asset registry data set (\$252,000).

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation. If approved, this report will increase the approved net and gross Project Budget for fiscal year 2012/13 by \$700,000.

COMMUNITY ENGAGEMENT

None required.

ALTERNATIVES

Council could choose not to approve a budget increase at this time. The Enterprise Asset Management Program would continue and the projects outlined in the roadmap would be implemented at a slower pace to match available funding. This is not recommended as there are efficiencies to be achieved in advancing the projects on the roadmap in parallel.

ATTACHMENTS

Attachment 1 – EAM Program Roadmap

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Attachment 1

EAM Program Road Map				
2012/13	2013/14	2014/15	2015/16	2016/17
P1 – Establish Program				
P2	P2 – Foundational EAM			
	P3 – Asset Registry			
	P4 – Operational EAM			
	P5 – Strategic EAM		P7 – Sustainable EAM	
	P6 – Financial Models Project			
FLEET	(project underway)			
Cost				
\$1.6M - \$1.9M	\$1.8M - \$2.5M	\$500K - \$800K		