

2019

CSD 10-2019
ASSET MANAGEMENT GOVERNANCE MODEL

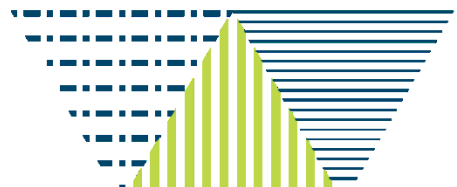
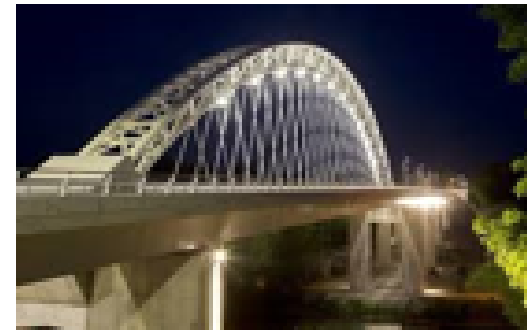
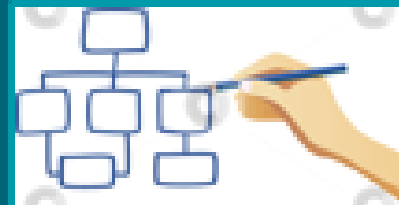
JANUARY 9, 2019

Asset Management Governance Model

Region of Niagara



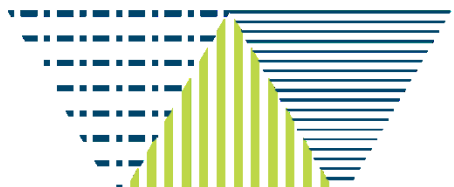
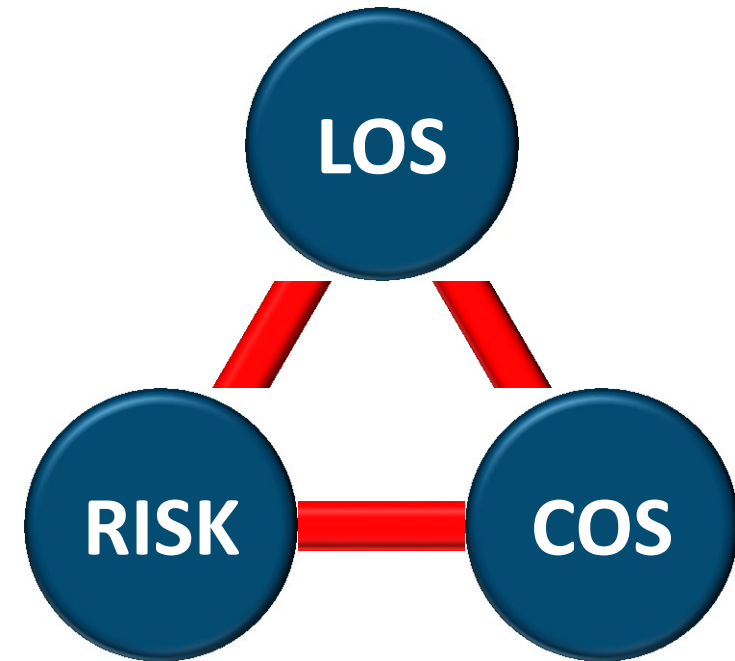
January 09, 2019



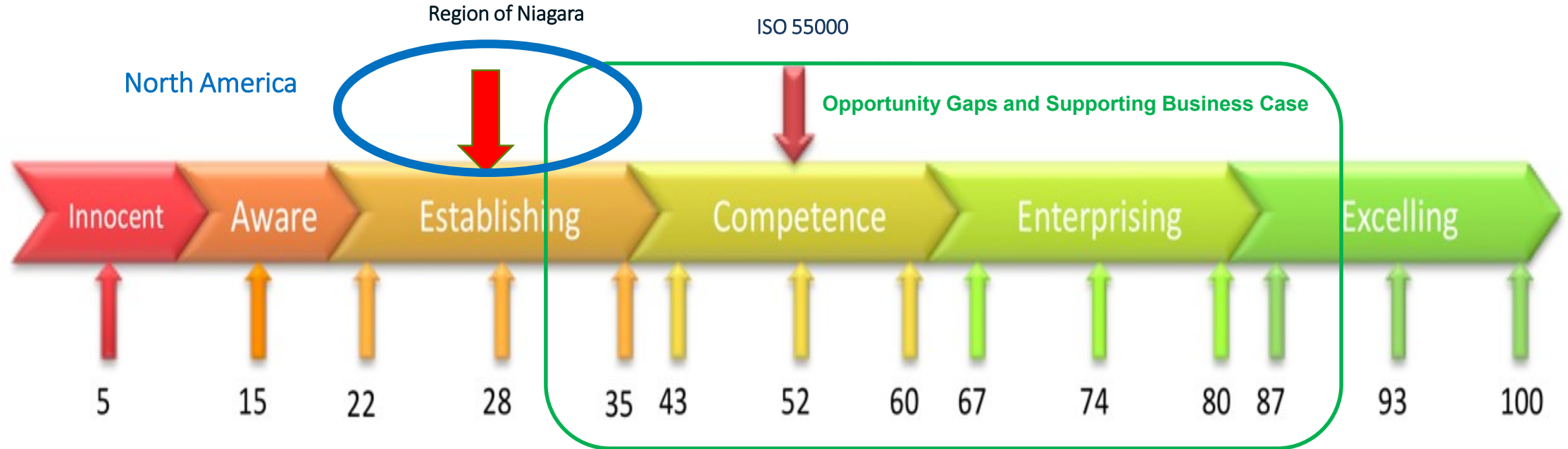
Why Asset Management?

To ensure that the Region is:

- Doing the **RIGHT WORK**
- On the **RIGHT ASSETS**
- At the **RIGHT TIME**
- At the **RIGHT COSTS**
- For the **RIGHT REASONS**



Asset Management Maturity (North America)



Implementation support

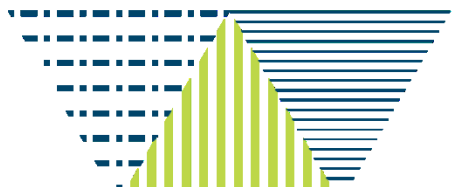
AM Governance Model

Program sustenance

Risks of Not Doing Good Asset Management

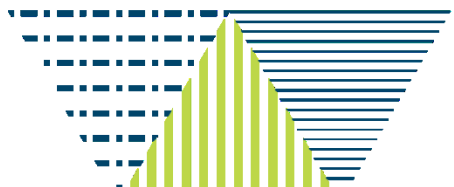
The province has approved a new municipal asset management planning regulation (O. Reg. 588/2017: Effective January 1, 2018)

- **July 1, 2019:** Finalized strategic AM Policy
- **July 1, 2021:** Approved AM Plan for core assets (roads, bridges, culverts, water, wastewater, stormwater mgmt) that discusses current LOS and COS
- **July 1, 2023:** As above, for all infrastructure assets
- **July 1, 2024:** Approved AM Plan for all infrastructure assets that also discusses proposed LOS, activities required to meet proposed LOS, and a strategy to fund the activities



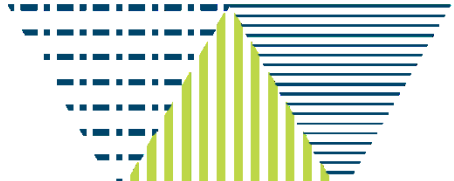
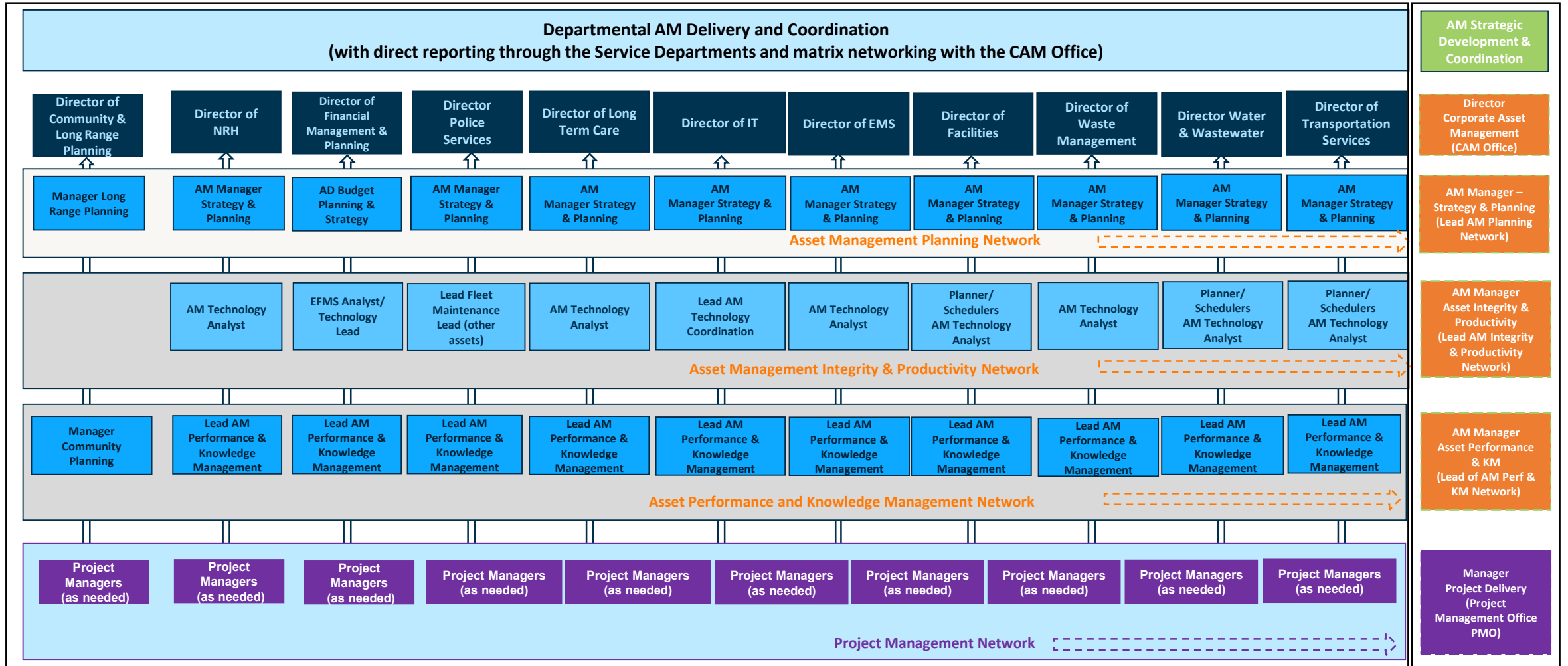
Risks of Not Doing Good Asset Management

- Federal Gas Tax funding (~\$15M / year for Region)
- Development Charge funding (~\$50M / year for Region)
- Clean Water & Wastewater funding
- Future application-based government funding





The Preferred Solution



Business Case



Eligibility for Funding



Improved Capital Planning

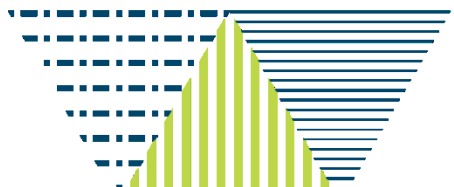


Optimized Maintenance Programming

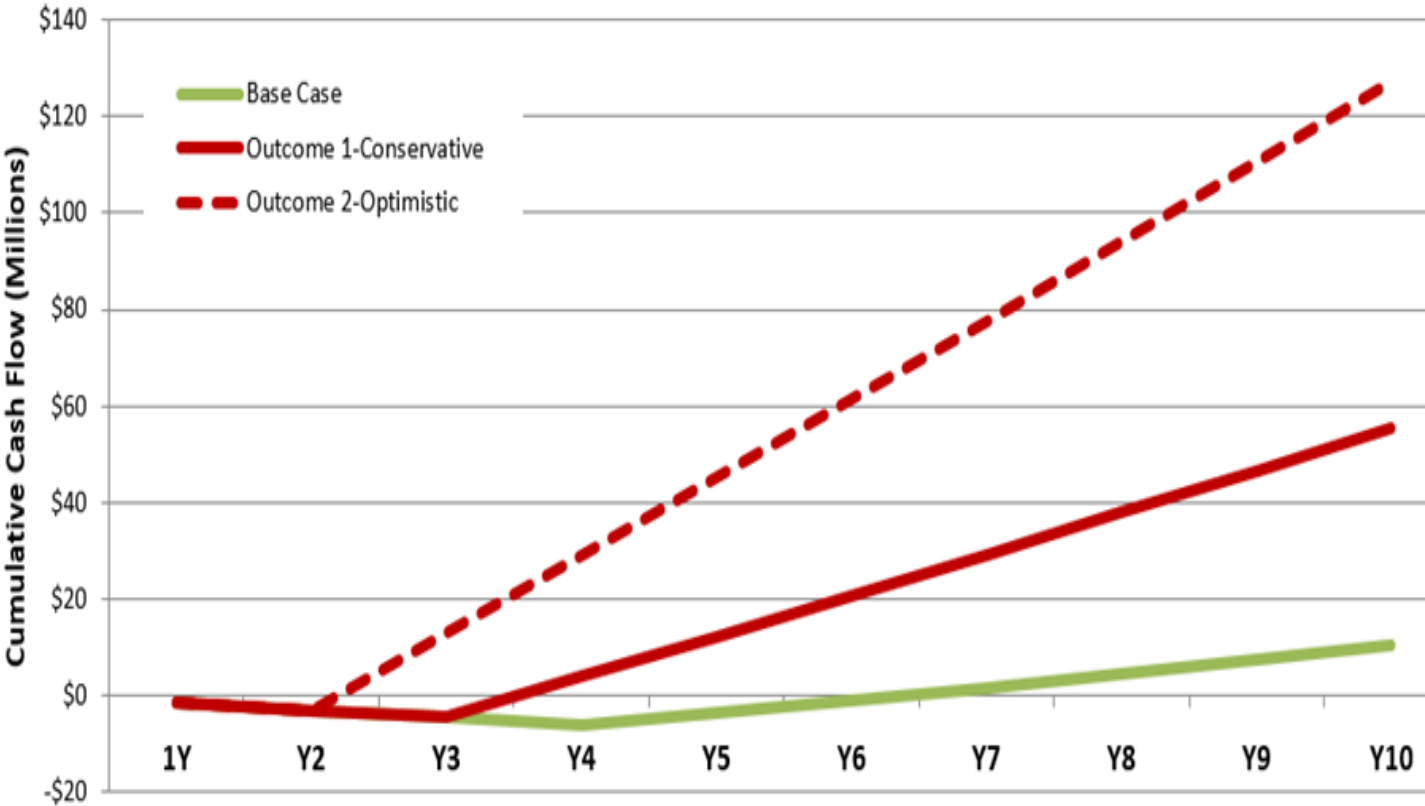


Utilities Savings

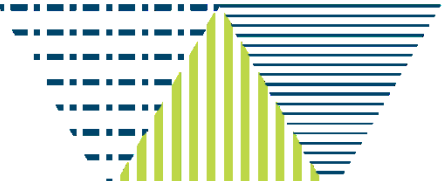
| Base Case | 1% reduction in federal Gas Tax funding (Year 3) | 1% reduction in annual CIP budget (Year 5) | 10% reduction in annual O&M budget (Year 5) | 2% reduction in annual utilities budget (Year 5) |
|----------------------------------|--|--|---|---|
| Outcome 1 Conservative | Fully eligible | 3% reduction in annual CIP budget (Year 3) | 25% reduction in annual O&M budget (Year 3) | 5% reduction in annual utilities budget (Year 3) |
| Outcome 2 Optimistic | Fully eligible | 5% reduction in annual CIP budget (Year 2) | 40% reduction in annual O&M budget (Year 2) | 10% reduction in annual utilities budget (Year 2) |



Tangible Benefits

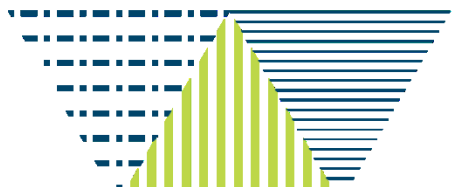


| Option | Description | NPV | IRR | PBP |
|----------------|---|---------|------|-------|
| Base Case | Current Decentralized AM Governance Model, Steering Team | \$6.6 M | 23% | 9 yrs |
| 1-Conservative | Recommended Hybrid AM Governance Model, 7 new FTEs in Corporate AM Office, Conservative Savings | \$41 M | 87% | 4 yrs |
| 2-Optimistic | Recommended Hybrid AM Governance Model, 7 new FTEs in Corporate AM Office, Optimistic Savings | \$98 M | 245% | 3 yrs |



Tangible Benefits

| Benefit | Description |
|---------------------------|---|
| Eligibility for Funding | <ul style="list-style-type: none">• Producing AM Plans per O. Reg. 588/17 to enable other agency funding• e.g. Federal Gas Tax fund |
| Improved Capital Planning | <ul style="list-style-type: none">• Savings from more cost effective lifecycle management:<ul style="list-style-type: none">• doing the right projects, at the right times• through a formal options development and analysis process based on risk to meeting levels of service• Better coordination of efforts with local municipalities and stakeholders |
| Optimized O&M Planning | <ul style="list-style-type: none">• Savings in maintenance labor (internal and external) and materials• Operations savings through better coordination between maintenance and engineering in optimal system performance |
| Utilities Savings | <ul style="list-style-type: none">• Potential savings in energy costs through more reliable, energy efficient and better operated assets |



Intangible Benefits

- Delivers best value for customers and stakeholders
 - Understand LOS and risks to not meeting LOS
 - Optimize investment decisions (lowest cost of asset ownership)
 - Accountability for decisions
- Better alignment between AM activities, corporate objectives and customer service outcomes
- Increased efficiency and effectiveness by shifting focus from dept (functional) objectives to corporate (service) objectives
- Systems approach drives discipline and consistency
- Supports continual improvement

