

2019

CSD 10-2019
ASSET MANAGEMENT GOVERNANCE MODEL

JANUARY 9, 2019

Asset Management Governance Model

Region of Niagara



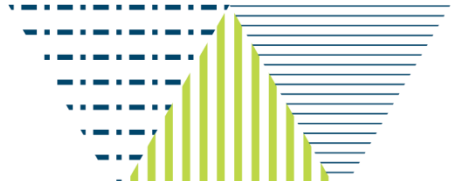
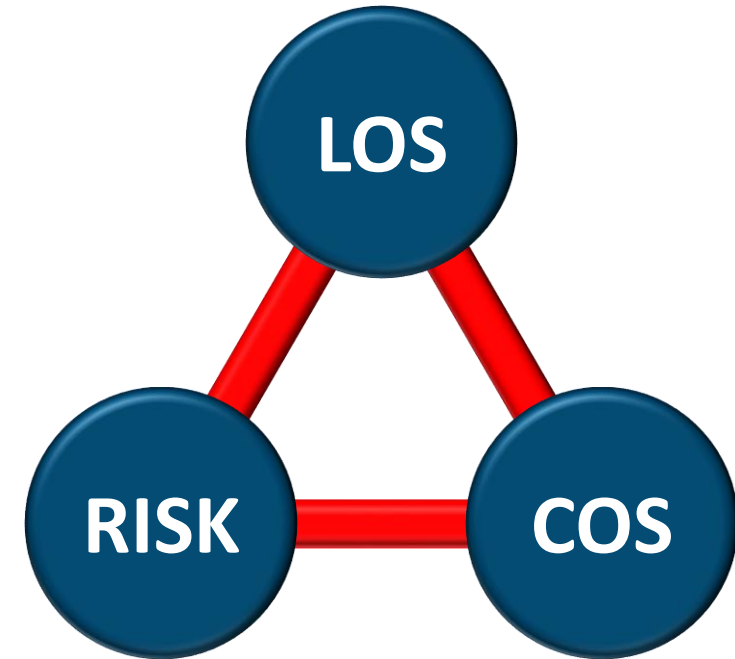
January 09, 2019



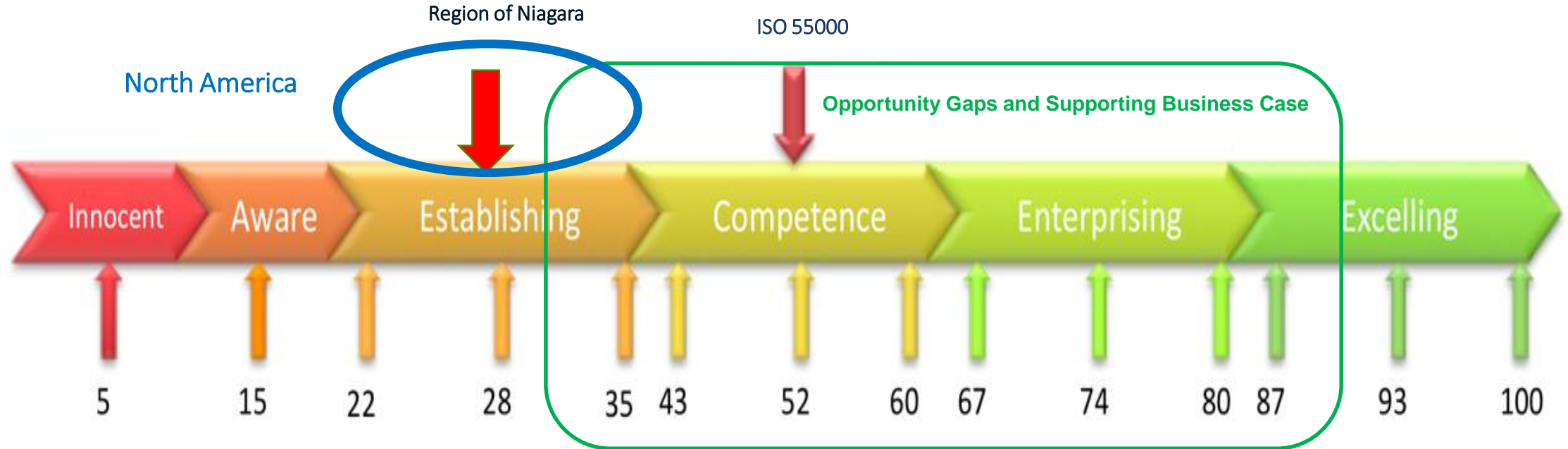
Why Asset Management?

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

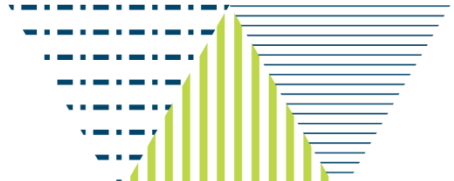
AM Governance Model

Program sustenance

Risks of Not Doing Good Asset Management

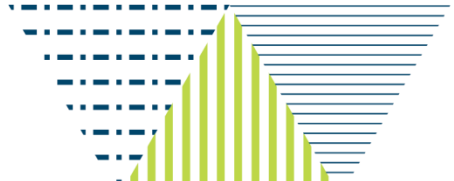
The province has approved a new municipal asset management planning regulation (O. Reg. 588/2017: Effective January 1, 2018)

- **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

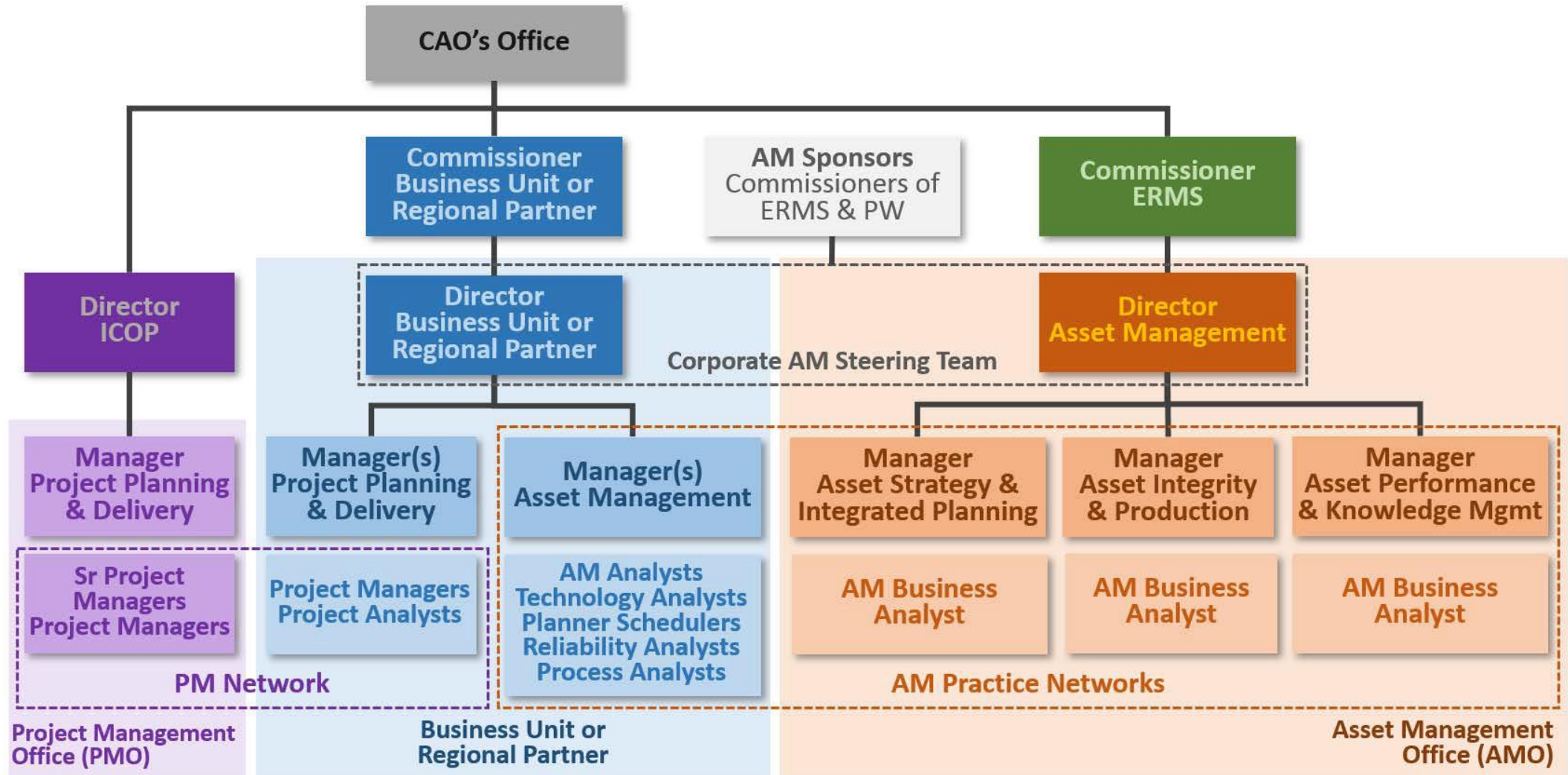


Risks of Not Doing Good Asset Management

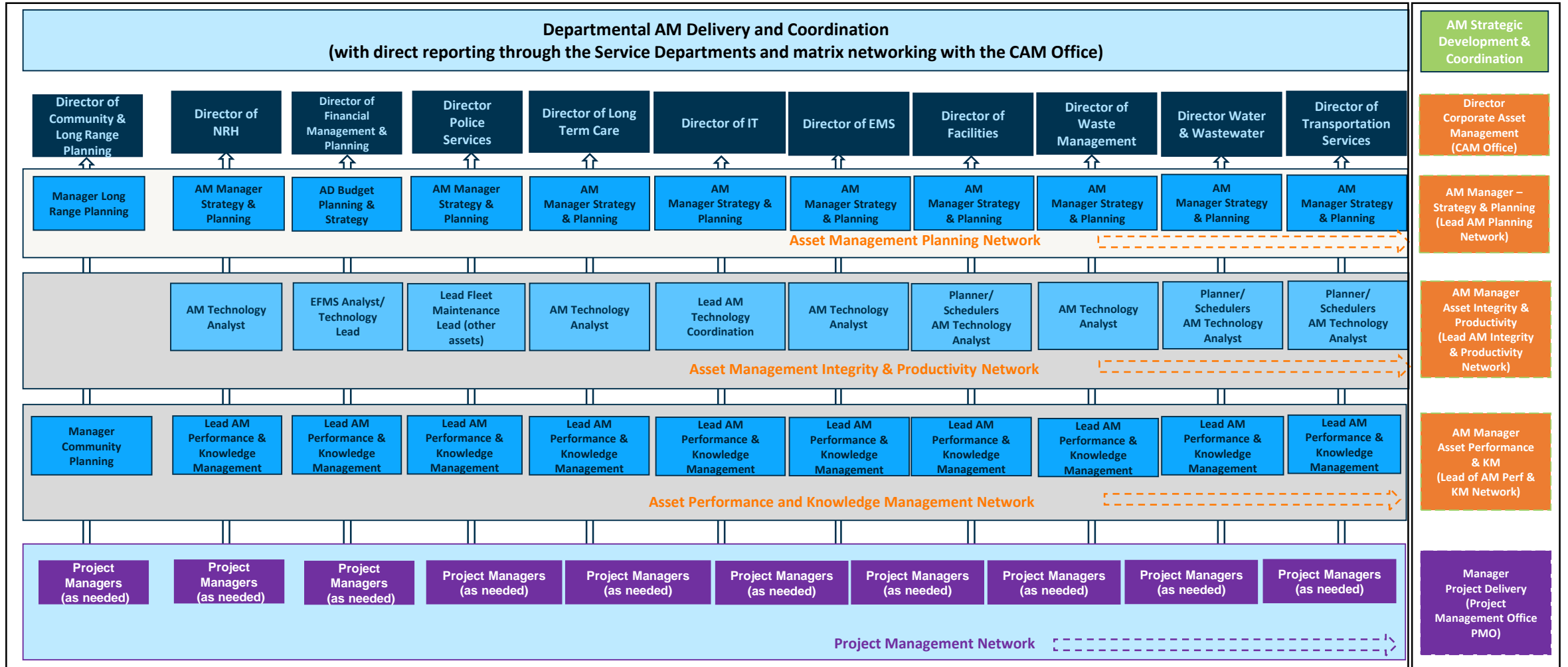
- Federal Gas Tax funding (~\$15M / year for Region)
- Development Charge funding (~\$50M / year for Region)
- Clean Water & Wastewater funding
- Future application-based government funding



The Preferred Solution



The Preferred Solution



Business Case



Eligibility for Funding



Improved Capital Planning

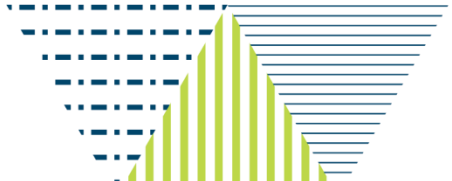


Optimized Maintenance Programming

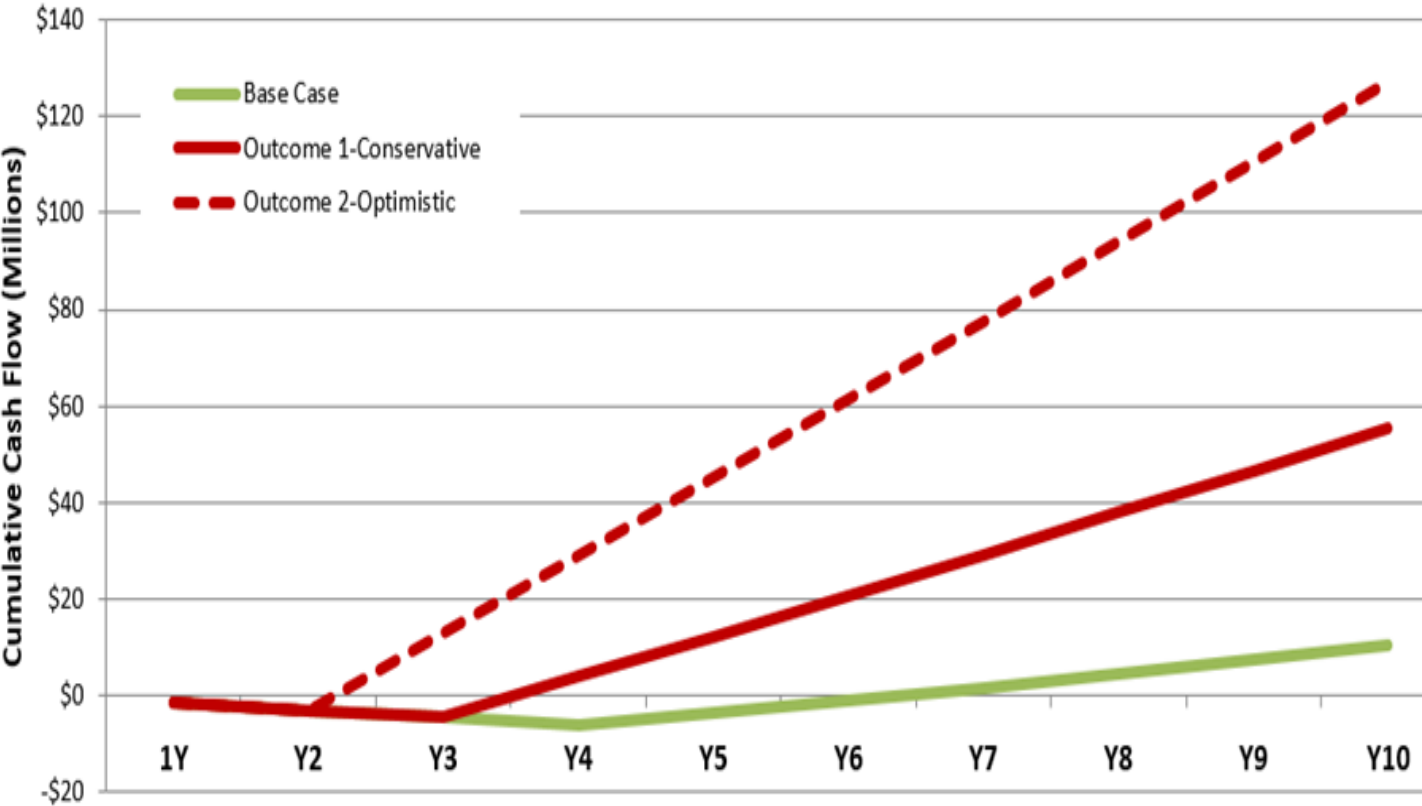


Utilities Savings

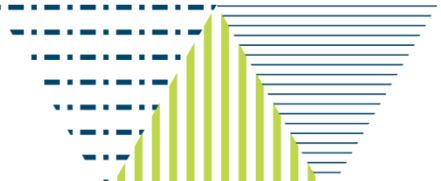
Base Case	1% reduction in federal Gas Tax funding (Year 3)	1% reduction in annual CIP budget (Year 5)	10% reduction in annual O&M budget (Year 5)	2% reduction in annual utilities budget (Year 5)
Outcome 1 Conservative	Fully eligible	3% reduction in annual CIP budget (Year 3)	25% reduction in annual O&M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

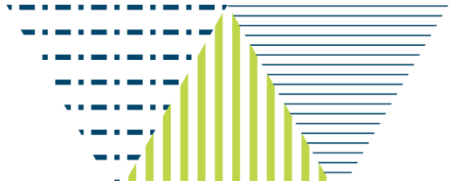


Option	Description	NPV	IRR	PBP
Base Case	Current Decentralized AM Governance Model, Steering Team	\$6.6 M	23%	9 yrs
1-Conservative	Recommended Hybrid AM Governance Model, 7 new FTEs in Corporate AM Office, Conservative Savings	\$41 M	87%	4 yrs
2-Optimistic	Recommended Hybrid AM Governance Model, 7 new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

