



Report to: General Committee

Meeting Date: December 5, 2023

SUBJECT: Corporate Asset Management Progress Update and Procurement of Professional Services
PREPARED BY: Denny Boskovski, Manager, Corporate Asset Management Sustainability & Asset Management, Extension 6190

RECOMMENDATION:

- 1) That the report and presentation titled “Corporate Asset Management Progress Update and Procurement of Professional Services” be received; and,
- 2) That staff be authorized to award a contract for the Corporate Asset Management Strategy & Governance Framework, in the amount of \$158,954.72 (inclusive of HST and 10% contingency) and the 2024 Asset Management Plan in the amount of \$238,546.81 (inclusive of HST and 10% contingency) to GM BluePlan Engineering Limited; and,
- 3) That the total award amount of \$397,501.53 (\$158,954.72 + \$238,546.81) be funded from Capital Project # 22090, 2022 Corporate Asset Management Plan and Capital Project # 23146, 2023 Corporate Asset Management Plan, with an available budget of \$415,200.00; and,
- 4) That the remaining budget in the amount of \$17,698.47 (\$415,200.00 - \$397,501.53) be retained in the project budget until completion; and,
- 5) That the tendering process be waived in accordance with Purchasing By-Law 2017-08, Part II, Section 7 Non Competitive Procurement, item 1 (h) which states “Where it is necessary or in the best interests of the City to acquire non-standard items or Consulting and Professional Services from a preferred supplier or from a supplier who has a proven track record with the City in terms of pricing, quality and service.”; and,
- 6) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

In 2015, the Province passed the Infrastructure for Jobs and Prosperity Act with Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure, filed under this act. The regulation sets out detailed requirements for municipalities to ensure the long-term sustainability of municipal infrastructure through the preparation of a Strategic Asset Management Policy and a comprehensive Asset Management Plan (AMP) and companion Financial Strategy, through four milestones, by July 1, 2025. **The City is currently compliant with Ontario Regulation 588/17.**

The purpose of this report is to provide Council with an update on the City's progress on Corporate Asset Management work and to obtain Council approval to retain a professional services consultant for two approved projects, which will support City compliance with future requirements under Ontario Regulation 588/17:

- Corporate Asset Management Strategy & Governance Framework
- 2024 Asset Management Plan and Financial Summary

The next regulatory milestone requires the City to develop an Asset Management Plan (AMP) and Financial Summary for all assets, assessed at current service levels, by July 1, 2024.

The Ministry of Infrastructure was consulted proactively by Staff with respect to the work plan and updated timeline for completion. Based upon Staff's current work plan, tabling of the AMP for Council's endorsement is expected by October 8, 2024. The Ministry has already granted an extension of the deadline for compliance in line with the work plan and Staff, therefore, do not anticipate any concerns from the Ministry in this regard.

In order to deliver the Corporate Asset Management Strategy and Governance Framework project and the 2024 Asset Management Plan project by October 8, 2024, staff recommend that the tendering process be waived in accordance with Purchasing By-Law 2017-8, Part II, Section 11 Non Competitive Procurement, item 1 (h), where it is necessary or in the best interest of the City to acquire professional services from a supplier who has a proven track record with the City in terms of pricing, quality and service.

GM BluePlan Engineering Limited has been contracted by the City for numerous projects since 2015 and most recently collaborated with staff on the 2021 Corporate Asset Management Program Review and Strategic Roadmap project. As a result, much of the initial framework has been developed and less time, money and resources will be needed to complete our proposed projects. Staff negotiated directly with GM BluePlan Engineering Limited to achieve the necessary deliverables, within the project budget. Through negotiations, a total savings of \$48,104.50, or 11%, for both the Corporate Asset Management Strategy and Governance Framework and 2024 Asset Management Plan projects will be realized.

PURPOSE:

The purpose of this report is to:

- Provide Council with an update on the City’s progress towards developing an asset management strategy, system and plan that comply with Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure and align with industry best practice; and,
- To retain a professional services consultant and give effect to the work plan outlined herein.

BACKGROUND:**Provincial legislation has been enacted requiring all municipalities to implement asset management planning**

In 2015, the Province passed the Infrastructure for Jobs and Prosperity Act with Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure, filed under this act. The regulation sets out detailed requirements for municipalities to ensure the long-term sustainability of municipal infrastructure through the preparation of a Strategic Asset Management Policy and a comprehensive Asset Management Plan (AMP) and companion Financial Strategy, through 4 milestones, by July 1, 2025.

The regulatory milestones and ongoing requirements are:

Milestone Date	Milestone Requirement	Staff Comments	Status/ Target Date
July 1, 2019	1. Strategic Asset Management Policy	City policy that outlines “What we intend to do” in the practice of asset management	Complete
July 1, 2022	2. 2021 Asset Management Plan and Financial Summary	For core assets assessed at current service levels	Complete
July 1, 2024	3. 2024 Asset Management Plan and Financial Summary	For core and non-core assets assessed at current service levels	Recalibrated to October 8, 2024
July 1, 2025	4. 2025 Asset Management Plan and Financial Strategy	For core and non-core assets assessed at “proposed or appropriate” service levels	June 2025
2026+	5. Council shall conduct an annual review of its asset management progress	Annual progress review can be integrated with the budget process	Annually

Milestone Date	Milestone Requirement	Staff Comments	Status/ Target Date
	6. Review and update the policy, seek Council's endorsement	At minimum, every 5 years	2030
	7. Review and update the Asset Management Plan and Financial Strategy, seek Council's endorsement	At minimum, every 5 years	2030

Staff note that compliance with the Regulation is required to sustain the continued support and use of the Canada Community Building Fund (CCBF, formerly Federal Gas Tax) as a regular funding source, and to maintain eligibility for grant funding through current and future grant fund programs offered by provincial and federal levels of government. As noted earlier, the City is currently compliant with Ontario Regulation 588/17.

The City has continued to make progress on the Asset Management Plan and the following work has been completed to date:

- 2016 Corporate Asset Management Plan
- 2019 Asset Management Audit by MNP LLC
- Regulation Milestone 1 - 2019 Asset Management Policy
- Asset Management Steering Committee - Staff level internal governance
- 2021 Corporate Asset Management Program Review and Strategic Roadmap
- Regulation Milestone 2 - 2021 Corporate Asset Management Plan

Current work underway includes:

- 2021 Enterprise Asset Management (EAM) Lucity System Implementation – Phase 2 and 3
- 2022 Natural Assets Inventory and Evaluation

OPTIONS/ DISCUSSION:

Asset Management refers to the coordinated activity of an organization to realize value from assets by balancing costs, risks, opportunities and performance benefits, in a sustainable manner. It considers all asset types and includes all activities involved in an asset's life cycle including planning, acquisition and the impacts of growth, operations, maintenance, renewal and disposal of any remaining liabilities. The practice of asset management ensures that:

- The value proposition that assets support, from their initial acquisition, through to their renewal or replacement, stays in the forefront as customer and stakeholder needs change over time; and,

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- Organizational objectives translate into holistic and informed technical and financial decisions, and ensure that we are doing what we “say” is important; and,
 - Leadership and Council stays informed of the:
 - Asset Management system’s maturity, capability and capacity to provide good services; and,
 - Asset performance (condition, function and capacity) based upon current service levels; and,
 - Assurance is provided that assets fulfill their required purpose by ensuring that processes link asset purpose and performance to strategic objectives, and verifies that the City gets what it set out to achieve.

Asset management plans play an important role in municipal planning, informing the amount and timing of funding to repair and replace assets to ensure they are in a state of good repair and support desired service levels. The City uses information from asset management plans, such as condition assessments, as an input into infrastructure plans, project budgets and financial strategies, including updates to Life Cycle Reserve and the Waterworks Stabilization/ Capital Reserve studies.

Markham is projected to grow in population (people) and employment (jobs) to 608,500 and 301,700 respectively by 2051. Demands for services from customers and stakeholders alike will also evolve and continue to compete for limited resources throughout this journey of growth and intensification.

Modernization and integration of the City’s asset management governance, systems and processes, aims to develop sustainable service levels and practices that balance costs, residual risks, and acceptable performance results. Asset management is a centre of excellence that directly informs financial planning, annual business planning, budget allocation and expected performance. The benefits of a modern and integrated asset management system and practice is a powerful enabler and is expected to:

- Support holistic and informed asset investment decisions
- Support financial and asset performance
- Enhance risk management within a common framework
- Improve services and outputs
- Demonstrate sustainability, climate change and community social responsibility
- Demonstrate regulatory and industry compliance
- Enhance the City’s reputation
- Improve organizational sustainability
- Improve efficiency and effectiveness of resources, data and information

Staff have a plan to meet the City’s regulatory requirements and to develop and implement industry best practices

With an established policy and staff level Asset Management Steering Committee (AMSC) in place, the City is positioned well to build upon previously completed work to deliver the remaining two regulatory milestones and expand upon our asset management capabilities to deliver good service.

Four projects have been developed with this in mind and are described as follows:

No.	Project	Scope	Milestone Date
1	Asset Management Policy	<p>In house Review and update the current policy as appropriate</p>	
2	Corporate Asset Management Strategy & Governance Framework	<p>Consultant support services required Approved Capital Project 23146 - Corporate Asset Management Plan</p> <p>Develop an integrated asset management strategy and system requirements, update our governance framework, define organizational roles and responsibilities, people resource needs, and update our asset management roadmap</p>	
3	2024 Asset Management Plan and Financial Summary	<p>For core and non-core assets assessed at current service levels</p> <p>Consultant support services required Approved Capital Project 22090 - Corporate Asset Management Plan</p> <p>Update to the 2021 Asset Management Plan, integrate the Corporate Asset Management Strategy & Governance Framework results; evolve asset portfolio planning capabilities that include growth projections and address the Auditor General’s comments including:</p> <ul style="list-style-type: none"> • Outcome-based levels of service; and, • Performance management framework; and, • Risk management framework. 	<p>July 1, 2024 Note 1: recalibrated timeline</p>

No.	Project	Scope	Milestone Date
4	2025 Asset Management Plan and Financial Strategy	<p>For core and non-core assets assessed at “proposed or appropriate” service levels</p> <p>Consultant support services required Proposed 2024 capital budget item</p> <p>Update the 2024 Asset Management Plan Further refinement of scope anticipated by Q2 2024</p>	July 1, 2025

Note 1 The proposed 2024 Asset Management Plan is anticipated to be tabled with Council on October 8, 2024

The next regulatory milestone due by July 1, 2024, requires the City to develop an Asset Management Plan (AMP) that accounts for all City assets, assessed at current service levels.

Based upon our current work plan, we expect a draft AMP to be completed by August 2024. Council’s approval of the plan is expected by October 8, 2024. The Ministry of Infrastructure was consulted on the updated work plan and timeline and has granted an extension to Fall 2024 for submission of the Council approved document. The recalibrated timeline for this work was necessitated by the temporary assignment of the CAM Manager to deliver another priority capital project, the resource gap created by the subsequent departure of the Manager, and recruitment for the vacant position.

This progress update report and the proposed projects are scoped to address observations made by the Auditor General as part of the Asset Management Audit, by including the development of outcome-based levels of service, a performance management framework and a risk management framework within the scope of the 2024 Asset Management Plan project.

Procurement of professional consulting services is required now to complete the necessary projects and obtain Council’s endorsement of the plan by October 8, 2024

All municipalities in Ontario are required by Ontario Regulation 588/17 to deliver asset management plans in 2024 and 2025. Most municipalities will be securing professional services to support their work. Asset management is a specialized service and there are a limited number of firms available to provide this service.

In order to deliver the Corporate Asset Management Strategy and Governance Framework project and the 2024 Asset Management Plan project by October 8, 2024, staff recommend that the tendering process be waived in accordance with Purchasing By-Law 2017-8, Part II, Section 11 Non Competitive Procurement, item 1 (h), where it is necessary or in the best interest of the City to acquire professional services from a

supplier who has a proven track record with the City in terms of pricing, quality and service. The Asset Management Policy project and the 2025 Asset Management Plan and Financial Strategy project are not considered for procurement as part of this report.

GM BluePlan Engineering Limited has been contracted by the City for numerous projects since 2015 and most recently collaborated with staff on the 2021 Corporate Asset Management Program Review and Strategic Roadmap project. As a result, much of the initial framework has been developed and less time, money and resources will be needed to complete our proposed projects.

Furthermore, GM BluePlan Engineering Limited has a long track record and extensive experience with public sector asset management planning. They have successfully completed over 300 significant asset management projects for clients across Canada including Richmond Hill, York Region, Hamilton, London, Durham Region and many more. They are currently contracted for the City of Toronto's asset management plan and propose to utilize the same team for Markham's asset management projects.

Staff reviewed the following options:

1. Issue a competitive bid to market - Not Recommended
 - Staff initially explored tendering this project but determined that there is limited time and number of asset management consulting firms able to deliver these projects by October 8, 2024; and,
 - By tendering this project and prolonging delivery dates, the City risks continued eligibility to receive CCBF funding, leverage new grant fund opportunities, and being non-compliant with Ontario Regulation 588/17.
2. Directly negotiate with GM BluePlan Engineering Limited - **Recommended**
 - Staff negotiated directly with GM BluePlan Engineering Limited with the aim to receive our desired outcomes and to come within budget.
 - The initial cost for only the Corporate Asset Management Strategy and Governance Framework project (including contingency and HST impact) was \$191,753.04 and through negotiations, staff reduced the cost by \$32,798.32 (\$191,753.04-\$158,954.72), or by 17% to \$158,954.72.
 - The initial cost for only the 2024 Asset Management Plan project (including 10% contingency and HST impact) was \$253,852.98 and through negotiations, staff reduced the cost by \$15,306.17 (\$253,852.98-\$238,546.81), or by 6% to \$238,546.81.
 - As a result, if both projects are awarded, a total savings of \$48,104.50 (\$191,753.04+\$253,852.98-\$397,501.53), or 11%, for both the Corporate Asset Management Strategy and Governance Framework and 2024 Asset Management Plan projects will be realized.

In conclusion, staff recommend sole source awarding these projects due to GM BluePlan's competitive price, past performance, and familiarity with our existing data, asset portfolios, plans, and processes.

FINANCIAL CONSIDERATIONS

Council has previously approved two capital budgets for the projects proposed to be contracted in this report. The following is an analysis of project costs and budget availability:

Item	Description	Available Funding and Project Costs
Budget	22090 - Corporate Asset Management Plan	\$ 274,300.00
	<u>23146 - Corporate Asset Management Plan</u>	<u>\$ 140,900.00</u>
	Total Budget Available	\$ 415,200.00
Project Costs	CAM Strategy and Governance Framework	\$ 144,504.29
	Contingency (10%)	<u>\$ 14,450.43</u>
	2024 Asset Management Plan	\$ 216,860.74
	<u>Contingency (10%)</u>	<u>\$ 21,686.07</u>
	Total Project Costs	\$ 397,501.53
Budget Remaining		\$ 17,698.47

The cost for both projects including 10% contingency, are within the available budget. The remaining budget of \$17,698.47 will be returned back to its original funding source upon completion of both projects.

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Asset Management is a broad practice that covers the majority of services that a municipality provides. All of the City’s strategic priorities are an input to developing and implementing asset management policy, objectives, strategies, plans, systems and processes.

Building Markham’s Future Together:

- Goal 1 – Exceptional Services by Exceptional People
- Goal 2 – Engaged, Diverse, Thriving and Vibrant City
- Goal 3 – Safe, Sustainable and Complete Community
- Goal 4 – Stewardship of Money and Resources

BUSINESS UNITS CONSULTED AND AFFECTED:

This report was developed under the supervision of the City's Asset Management Steering Committee and in consultation with Financial Services.

RECOMMENDED BY:

Graham Seaman
Director, Sustainability & Asset Management
and Asset Management Steering Committee Chair

Joseph Silva
Treasurer

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

Corporate Asset Management Progress Update and Procurement of Professional Services Presentation