



# 16 MULTI-YEAR BUDGET FOR THE 19 CITY OF LONDON 2016 • 2019

INVESTING IN OUR FUTURE



## 2016 – 2019 CITY OF LONDON STRATEGIC MULTI-YEAR BUDGET

### ADDITIONAL INVESTMENTS BUSINESS CASE # 12

<b>STRATEGIC AREA OF FOCUS:</b>	LEADING IN PUBLIC SERVICE
<b>SUB-PRIORITY:</b>	EXCELLENT SERVICE DELIVERY
<b>STRATEGY:</b>	DELIVER GREAT CUSTOMER EXPERIENCES TO RESIDENTS, BUSINESSES, AND VISITORS: <ul style="list-style-type: none"><li>• INNOVATIVE SERVICE MODELS</li><li>• IMPROVED ACCESS THROUGH WEB, PHONE, AND IN PERSON</li><li>• INNOVATIVE TECHNOLOGY</li></ul>
<b>INITIATIVE:</b>	COMPUTERIZED MAINTENANCE MANAGEMENT SYSTEM
<b>INITIATIVE LEAD(S):</b>	JOHN BRAAM, MARTIN HAYWARD
<b>SERVICE(S):</b>	TRANSPORTATION, FLEET, INFORMATION TECHNOLOGY, ASSET MANAGEMENT
<b>TOTAL 2016 – 2019 INVESTMENT REQUESTED (\$000'S):</b>	<b>\$2,100</b>
<b>TOTAL 2016 – 2019 NET BUDGET REQUESTED (\$000'S):</b>	<b>\$2,100</b>

## WHAT IS INCLUDED IN THE BASE BUDGET?

BASE BUDGET (\$000'S):	2015	2016-2019 TOTAL
<b>Civic Service Areas:</b>		
<b>Operating</b> <sup>(1)</sup>	<b>77</b>	<b>308</b>
<b>Full-Time Equivalents</b> <sup>(1)</sup>	<b>1</b>	<b>1</b>
<b>Capital</b>		
ASSET MAINTENANCE MANAGEMENT SYSTEM <sup>(1)</sup>	200	200
<b>Total Capital</b>	<b>200</b>	<b>200</b>

(1) Base budget for CMMS relates to Water and Wastewater & Treatment Budgets. Currently there is no dedicated budget for Property Tax Programs.

### Base Budget Summary:

A Computerized Maintenance Management System (CMMS) initiative has long been considered by cross sections of working groups across a number of the Corporation's service areas, primarily within its Operating Divisions. In 2013, Water and Wastewater & Treatment Services began identifying and allocating budgets towards the research and development of the initiative in order to move forward with a CMMS which would also support the City's Corporate Asset Management program. Based on analysis to date, it is anticipated that this initiative could see up to a 37.5% return on investment over a 10 year period. This translates into \$220,000 in net savings/ cost avoidance annually (capital deferrals, productivity enhancement, overtime savings) once fully implemented. Council has already directed a contract to be negotiated for a CMMS for Water, Wastewater and Forestry Operations. This business case is to complete the requirements for these, and extend the implementation project into Transportation and Parks Operations.

BASE BUDGET METRICS	2015	2016	2017	2018	2019
Reduction in Overtime costs – operational areas	0%	0%	0%	0%	0%
Average expected capital asset life extension	0%	0%	0%	0%	0%
Reduction in customer complaint resolution response	0%	0%	0%	0%	0%

## WHAT INVESTMENT IS REQUIRED FROM PROPERTY TAX?

TAX LEVY IMPACT (\$000'S):	2016	2017	2018	2019	2016-2019 TOTAL	2020-2025
Net Requested Tax Levy (Cumulative)	100	600	700	700	2,100	3,900
<b>Net Incremental Tax Levy</b>	<b>100</b>	<b>500</b>	<b>100</b>	<b>0</b>		
<b>Annual Tax Levy Impact</b>	<b>0.02%</b>	<b>0.09%</b>	<b>0.02%</b>	<b>0.0%</b>		

### INITIATIVE DELIVERABLES

The proposed Computerized Maintenance Management System (CMMS) initiative will become the nucleus of the City's day-to-day operations, enabling staff to deliver a strategic, timely, effective, efficient, and economical service to its valued customers. Further, a CMMS will have the capability of providing critical information to support the Corporate Asset Management program. Effectively managing the City's ever growing, complex infrastructure and meeting the associated legislative requirements and becoming eligible for future infrastructure funding programs are the primary drivers behind this project. The adoption of this technology will bring the City of London up to par with most of the City's surrounding municipalities in the application of this technology. While it is difficult to accurately quantify the financial impact at this time, there is every indication and confidence that a savings will be realized through efficiencies gained. Operational studies undertaken for the City of London independently of this project suggest approximately 5% annual operating cost savings once fully implemented.

Long term benefits include, but are not limited to:

- Decreases in capital asset replacement (properly maintained assets have a greater life cycle).
- Asset reliability increases (assets that are properly maintained work when needed and require less emergency repairs).
- Total cost of asset ownership decreases (preventative maintenance is less expensive long term over that of "do nothing" and deal with emergency repairs).
- Optimizing the use of operating and maintenance staff (slower growth in staff complement).

Examples of these benefits include:

Tracking and analyzing maintenance activities will allow work planners to modify routines for optimal performance of both the services and the staff undertaking the work.

Planning activities from a geographic base will reduce the travel time of work crews, allowing more work to be completed with less downtime.

Central databases communicating with Financial, Equipment and Payroll systems will significantly reduce time wasting and manual administrative tasks.

Staff efficiencies gained allow for more maintenance of infrastructure, which in turn is less prone to failure (emergency repairs) and extends the life (reducing future capital replacement/rehabilitation). The investment proposed would provide for the necessary resources (software licensing, maintenance, staffing) to maintain, operate, provide troubleshooting support, and to co-ordinate the CMMS system with end users on an on-going basis. Efficiencies and cost savings/avoidance has not been netted against the budget request however it is anticipated that the average return on investment is as high as 39%.

<b>CUMULATIVE OPERATING BUDGET (\$000'S):</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2016-2019 TOTAL</b>	<b>2020-2025</b>
Expenditure	100	600	700	700	<b>2,100</b>	3,900
<b>Source of Funding:</b>						
Grants						
User Fees						
Savings from Existing Budget						
Other						
Net Tax Levy	100	600	700	700	<b>2,100</b>	3,900
Additional Full-time Equivalents	1	4	0	0	<b>5</b>	0

<b>METRICS</b> (CUMULATIVE CHANGES)	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Reduction in Overtime costs – operational areas	0%	0%	2.5%	5%
Average expected capital asset life extension	0%	0%	0%	0.5%
Reduction in customer complaint resolution response	0%	0%	5%	10%

Note: Operational studies undertaken independently of this project suggest approximately 5% annual operating cost savings once fully implemented.

## WHAT ARE THE RISKS OF NOT PROCEEDING?

By not implementing a CMMS, the City of London risks falling behind the best practices in municipal asset management.

### Some other specific risks include:

- 1 Increased annual labour, equipment, materials and associated energy costs to meet the maintenance and repair of infrastructure.
- 2 Decreasing asset reliability and condition rating at present trends, or maintaining these at a higher labour cost.
- 3 Having to meet increasing regulatory demands for more detailed reporting, auditing and tracking compliance requirements, using present manual methods.
- 4 Reduced ability and opportunity to achieve efficiencies and identify and realize cost containment opportunities.

## OTHER INFORMATION TO REFER TO

Report to the Civic Works Committee, June 17, 2013 (Agenda Item #3):

<http://sire.london.ca/mtgviewer.aspx?meetid=511&doctype=agenda&itemid=20454>