
To: Mayor and Council

From: Jeff Schmidt, Director of Finance

Date: June 20, 2018

Subject: Strategic Asset Management Policy

Report Highlights

- Provincial regulation (O.Reg. 588/17 - Asset Management Planning for Municipal Infrastructure) requires the Township to prepare and Council to approve a Strategic Asset Management Policy by July 1, 2019.
- Township received funding from the Federation of Canadian Municipalities (FCM) and has engaged the services of Public Sector Digest to assist in developing the Policy.
- A cross-departmental Asset Management Steering Committee has been formed and has met on a number of occasions to refine the Policy for Council's consideration.

Recommendation

That the report from the Director of Finance regarding the Strategic Asset Management Policy, dated June 20, 2018, be received; and

That Council approves the Strategic Asset Management Policy, attached as Appendix A.

Background

Under Ontario Regulation 588/17 (Asset Management Planning for Municipal Infrastructure), Council is required to approve a Strategic Asset Management Policy by July 1, 2019. Subsequently, the Strategic Asset Management Policy must be reviewed and, if necessary, updated at least every five years afterwards.

The Policy must address twelve components:

- (1) The municipality's goals, policies, and plans that are supported by the asset management plan;

- (2) The process by which the asset management plan is to be considered in the development of the budget or any long-range financial plans that take into account municipal infrastructure assets;
- (3) The municipality's approach to continuous improvement (e.g., adoption of effective practices) regarding asset management planning;
- (4) The principles to be followed in the municipality's asset management planning process. These principles must uphold the points outlined in section 3 of the *Infrastructure for Jobs and Prosperity Act*;
- (5) The municipality's commitment to consider actions that might be required to address climate change impacts upon its infrastructure;
- (6) Alignment of the asset management plan with financial plans related to the municipality's water and wastewater assets;
- (7) Alignment of the asset management plan with the Province's land-use planning framework;
- (8) Explanation of the capitalization thresholds used to determine which assets are to be included in the asset management plan and how the thresholds compare to those in the municipality's tangible capital asset policy;
- (9) The municipality's commitment to coordinating planning on asset management for infrastructure that is jointly-owned (or inter-related) with other municipalities (e.g., County or neighbouring municipalities);
- (10) Identification of the persons involved with the asset management planning process at the municipality, including the executive lead;
- (11) Explanation of Council's involvement in asset management planning; and
- (12) The municipality's commitment to provide opportunities for residents and other interested parties to provide input into the asset management planning process.

The Strategic Asset Management Policy (Appendix A) is the first requirement in a staged process for compliance with O.Reg. 588/17.

Iterations of the Policy were reviewed and edited by a cross-departmental Asset Management Steering Committee, which will use the Policy as a guiding framework for updating the Township's Asset Management Plan.

Budget Implications

The Township received support from the Federation of Canadian Municipalities in order to help prepare this Strategic Asset Management Policy. The Township used the funds to engage the services of Public Sector Digest Inc. (PSD), a consulting firm, to draft the Policy and provide related services.

The lifecycle management and replacement costs associated with managing the Township's infrastructure will be integrated into future annual Capital and Operating Budgets.

Pillars of Commitment

The above initiative primarily relates to the following Strategic Pillar of Commitment:

- *Infrastructure, Financial Management & Service Delivery*

Approvals

Submitted by: Jeff Schmidt CPA, CGA, BAS, Director of Finance

Budget Implications Reviewed by: Jeff Schmidt CPA, CGA, BAS, Director of Finance

Approved by: Robert Brindley, Chief Administrative Officer

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Applicable Municipal Policy or Legislation

Ontario Regulation 588/17

Background/Relevant Reports on the Subject

Report to Council: Asset Management Regulation (O. Reg. 588/17) – January 7, 2018

Appendix

A - Strategic Asset Management Policy

Appendix A: Strategic Asset Management Policy

A. Policy Statement

The Township of Springwater aims to uphold the following policy statements in managing its capital infrastructure:

1. The Township will implement a municipal-wide asset management program that will promote lifecycle and risk management of the Township's capital infrastructure assets. A primary goal will be to achieve the lowest total cost of ownership while meeting desired levels of service. Levels of service (LOS) refer to the outcomes or service attributes that the Township aims to deliver for its residents and can include both technical and qualitative components.
2. The Township will implement continuous improvement protocols and adopt best practices regarding asset management planning, including:
 - i. Comprehensive and Accurate Asset Data
 - ii. Condition Assessment Protocols
 - iii. Risk and Criticality Models
 - iv. Lifecycle Management
 - v. Financial Strategy Development
 - vi. Level of Service Framework
3. The Township will develop and maintain an asset inventory of all municipal capital infrastructure assets which includes unique ID; description; location information; value (both historical and replacement); performance characteristics and/or condition; estimated remaining life and estimated repair, rehabilitation or replacement date; and estimated repair, rehabilitation or replacement costs.
4. The Township will develop an Asset Management Plan that incorporates all infrastructure categories and municipal capital infrastructure assets as per the legislated requirements. The capitalization threshold guidelines in the Township's Tangible Capital Asset Policy will apply. The Asset Management Plan will address its core municipal capital infrastructure assets by July 1, 2021 and all other municipal capital infrastructure assets by July 1, 2023. The Asset Management Plan will be updated at least every five years thereafter in accordance with O. Reg. 588/17.
5. The Township will integrate asset management plans and practices with its long-term financial planning and budgeting strategies. This includes the development of financial plans that determine the level of funding required to achieve short-term operating and maintenance needs, in addition to long-term funding needs to

replace and/or renew municipal capital infrastructure assets based on full lifecycle costing.

6. The Township will identify appropriate funding for its capital infrastructure and for financing service delivery. This may include taxation or user fee revenues, grant programs, debt-financing, public-private partnerships (P3), alternative financing and procurement (AFP), or the shared provision of services.
7. The Township will develop meaningful performance metrics and reporting tools to transparently communicate and display the current state of asset management practice to Council and the community.
8. The Township will consider the risks and vulnerabilities of municipal capital infrastructure assets to climate change and the actions that may be required, including, but not limited to: anticipated costs that could arise from these impacts, adaptation opportunities, mitigation approaches, disaster planning, and contingency funding. Impacts may include matters relating to operations, levels of service and lifecycle management.
9. The Township will ensure that asset management planning is aligned with the following financial plans:
 - i. Financial reports related to the Township's water capital assets, including any financial plans prepared under the Safe Drinking Water Act, 2002; long-range capital plans developed as part of an Asset Management Plan; and annual Water Regulation and Rating By-laws.
 - ii. Financial reports related to the Township's wastewater capital assets, including long-range capital plans developed as part of an Asset Management Plan; and annual Wastewater Regulation and Rating By-laws.
 - iii. 2017 Water & Wastewater Rate Study and subsequent updates to this study.
 - iv. 2018 Development Charge Background Study and Bylaw and subsequent updates to this study and bylaw.
 - v. Current Long Range Financial Plan and subsequent updates.
10. The Township will align asset management planning with the Province of Ontario's land-use planning framework, including any relevant policy statements issued under section 3(1) of the *Planning Act*, shall conform with the provincial plans that are in effect on that date; and shall be consistent with municipal official plans.

11. The Township will coordinate planning for interrelated municipal capital infrastructure assets with separate ownership structures by pursuing collaborative opportunities with neighbouring municipalities and jointly-owned municipal bodies wherever viable and beneficial.
12. The Township will develop processes and provide opportunities for municipal residents and other interested parties to offer input into the Township's asset management planning, where appropriate.
13. The Township asset management plan will be developed and administered by the Asset Management Steering Committee.

B. Purpose

The purpose of this policy is to provide leadership in and commitment to the development and implementation of the Township's asset management program. It is intended to guide the consistent use of asset management across the organization, to facilitate logical and evidence-based decision-making for the management of municipal capital infrastructure assets and to support the delivery of sustainable community services now and in the future.

By using sound asset management practices, the Township aspires to ensure that municipal capital infrastructure assets meet expected performance levels and provide desired service levels in an efficient and effective manner.

This policy demonstrates a commitment to the stewardship of municipal capital infrastructure assets and to improved accountability and transparency.

C. Scope

This policy applies to all departments involved in planning, maintaining, or operating the Township's capital infrastructure assets.

The Township is responsible for providing a range of services to the community, including but not limited to: transportation networks and infrastructure; stormwater management; potable water; wastewater collection and treatment; fire & emergency services; and recreation opportunities. To deliver these services, the Township owns and manages a diverse capital infrastructure asset portfolio of roads, bridges, culverts, parks, watermains, reservoirs, wells, sanitary and storm sewers, water and wastewater treatment plants, trails, libraries facilities (administrative and recreational), and equipment.

Asset management refers to the set of policies, practices and procedures that enable the Township to realize maximum value from its capital infrastructure assets. The Township is responsible for operating and maintaining machinery, equipment, and other

capital assets to support the delivery of services to residents. The Township recognizes the importance of implementing an effective approach to the management of its capital infrastructure assets in order to maximize asset lifecycles cost-effectively and deliver appropriate levels of service for residents.

The Township's asset management plan will align with provincial legislation, such as the *Infrastructure for Jobs and Prosperity Act* and the *Planning Act* and its regulations.

The approval of this policy is an important step towards integrating the Township's strategic mission, vision and goals with its asset management program and ensuring that critical municipal capital infrastructure assets and vital services are maintained and provided to the community in a reliable, sustainable manner.

Alignment with the Township's Strategic Direction

This policy aligns with the Township of Springwater's Council's *2016-2018 Strategic Plan – Our Springwater, Our Future*, which integrates concepts around community development, smart growth management, the stewardship of capital infrastructure, financial management, service delivery, and governance.

This policy will be reviewed for continued alignment if subsequent Council-approved strategic plans are adopted.

Annual reports will ensure that Council and the community are apprised of progress in implementing the asset management program in advancing the Township of Springwater's strategic objectives.

D. Definitions

Unless otherwise noted, the definitions provided in this document are consistent with those outlined in Ontario Regulation 588/17 (O. Reg. 588/17), Asset Management Planning for Municipal Infrastructure, under the *Infrastructure for Jobs and Prosperity Act, 2015*.

1. **Asset Management (AM)** – the coordinated activity of an organization to realize value from assets. It considers all capital asset types, and includes all activities involved in the asset's life cycle from planning and acquisition/creation; to operational and maintenance activities, rehabilitation, and renewal; to replacement or disposal and any remaining liabilities. Asset management is holistic and normally involves balancing costs, risks, opportunities and performance benefits to achieve the total lowest lifecycle cost for each asset.
2. **Asset Management Plan (AMP)** – Documented information that specifies the activities, resources, and timescales required for an individual asset, or a grouping of assets, to achieve the organization's asset management objectives.

Under O. Reg. 588/17, by 2023 AMPs for core municipal infrastructure assets will be required to include: the current levels of service being provided; the current performance of each asset category; a summary of assets in each asset category, their replacement cost, average age, condition information, and condition assessment protocols; lifecycle activities required to maintain current levels of service; discussion of population and economic forecasts; and documentation of processes to make inventory- and condition-related background information available to the public.

3. **Asset Management Steering Committee** – the Township has developed a steering committee to assist in developing and administering the asset management plan. The Asset Management Steering Committee is comprised of the following positions: Director of Public Works; Director of Recreation, Parks and Properties; Director of Planning & Bylaw Services; Director of Finance; and Manager of Financial Reporting & Budgets/Deputy Treasurer. The Directors may delegate other staff to participate as appropriate.
4. **Capitalization threshold** – the value of a municipal capital infrastructure asset at or above which a Township will capitalize the asset's value and below which it will expense the asset's value.
5. **Green infrastructure asset** – an infrastructure asset consisting of natural or human-made elements that provide ecological and hydrological functions and processes and includes natural heritage features and systems, parklands, stormwater management systems, trees, urban forests, natural channels, permeable surfaces and green roofs.
6. **Level of service** – parameters, or combination of parameters, which reflect social, political, environmental and economic outcomes that the organization delivers. Parameters can include, but are not necessarily limited to, safety, customer satisfaction, quality, quantity, capacity, reliability, responsiveness, environmental acceptability, cost, and availability.
7. **Lifecycle activities** – activities undertaken with respect to a municipal infrastructure asset over its service life, including constructing, maintaining, renewing, operating and decommissioning, and all engineering and design work associated with those activities.
8. **Municipal infrastructure asset** – an infrastructure asset, including a green infrastructure asset, directly owned by a Municipality or included on the consolidated financial statements of a Municipality, but does not include an infrastructure asset that is managed by a joint municipal water board.

E. General

This Policy shall be administered by the Township's Asset Management Steering Committee, with assistance from all departments.

This Policy shall be referred to as the 'Strategic Asset Management Policy'.

This Policy shall come into force and effect on the day of passage.

This Policy shall be reviewed and, if necessary, updated at least every five years following July 1, 2019.

F. Authority

The authority for the Strategic Asset Management Policy shall be by the endorsement of the Township of Springwater's Chief Administrative Officer and by the approval of the Township of Springwater Council.

ATTACHMENT A
KEY PRINCIPLES TO BE FOLLOWED IN ASSET MANAGEMENT PLANNING

The Municipality shall consider the following key principles as outlined in section 3 of the *Infrastructure for Jobs and Prosperity Act, 2015* when making decisions regarding asset management:

1. Infrastructure planning and investment should take a long-term view, and decision-makers should consider the needs of citizens by being mindful of, among other things, demographic and economic trends.
2. Infrastructure planning and investment should consider any applicable budgets or fiscal plans.
3. Infrastructure priorities should be clearly identified in order to better inform investment decisions respecting infrastructure.
4. Infrastructure planning and investment should ensure the continued provision of core public services, such as health care and education.
5. Infrastructure planning and investment should promote economic competitiveness, productivity, job creation and training opportunities.
6. Infrastructure planning and investment should ensure that the health and safety of workers involved in the construction and maintenance of infrastructure assets is protected.
7. Infrastructure planning and investment should foster innovation by creating opportunities to make use of innovative technologies, services and practices, particularly where doing so would utilize technology, techniques and practices developed in Ontario.
8. Infrastructure planning and investment should be evidence based and transparent, and, subject to any restrictions or prohibitions under an Act or otherwise by law on the collection, use or disclosure of information,
 - i. investment decisions regarding infrastructure should be made on the basis of information that is either publicly available or is made available to the public, and
 - ii. information with implications for infrastructure planning should be shared between the Municipality and broader public sector entities, and should factor into investment decisions respecting infrastructure.

9. Where provincial or municipal plans or strategies have been established in Ontario, under an Act or otherwise, but do not bind or apply to the Municipality, as the case may be, the Municipality should nevertheless be mindful of those plans and strategies and make investment decisions regarding infrastructure that support them, to the extent that they are relevant.
10. Infrastructure planning and investment should support accessibility for persons with disabilities.
11. Infrastructure planning and investment should minimize the impact of infrastructure on the environment, respect ecological and biological diversity, and support resilience to climate change.
12. Infrastructure planning and investment should endeavour to use acceptable recycled aggregates.
13. Infrastructure planning and investment should promote community well-being, such as local job creation and training opportunities, improvement of public spaces, or other relevant benefits identified by the Township and community.