

Staff Report 2019-4

Meeting Date: Tuesday, January 15, 2019

Subject: Strategic Asset Management Policy

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RECOMMENDATION

That the Strategic Asset Management Policy as outlined in Schedule A of report 2019-4 be approved.

REPORT HIGHLIGHTS

- The Province of Ontario has mandated municipal asset management plans for all Ontario municipalities by 2024 under *Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure* (O. Reg. 588/17).
- To start the process, all municipalities in Ontario are required to have a Council-approved Strategic Asset Management Policy (the Policy) by July 1, 2019.
- The Policy outlines key principles, guidelines and requirements to effectively implement an organization-wide asset management (AM) system and assist the Town to better understand its infrastructure needs.
- The Policy also outlines the roles and responsibilities for Council and Staff related to asset management.
- The Provincial regulation also required that the Policy be reviewed and, if necessary, updated at least every five years.
- Following the approval of the Policy, staff will post the Policy on the Town's website and:
 - (i) Continue with the next steps in the development and adoption of different stages of a comprehensive asset management plan over the next five years, in compliance with O. Reg. 588/17; and
 - (ii) completely integrate the Strategic Asset Management Policy and the Asset Management Plan (AMP) into the organization's business and decision making processes.

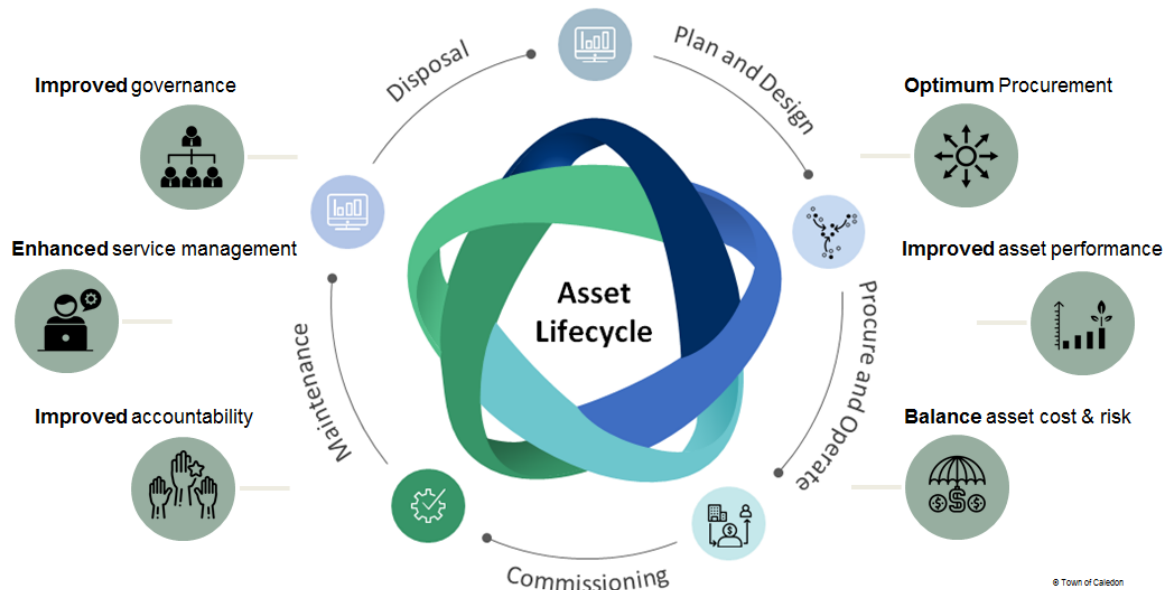
DISCUSSION

Introduction

The Town of Caledon is one of the fastest growing municipalities in the Region of Peel and is forecasted to reach 108,000 residents and 46,000 jobs by 2031. The need to deliver a diverse array of services increases with growing population and jobs, and a majority of these services are provided through tangible assets. The Strategic Asset Management Policy, as outlined in Schedule A, sets the foundation and framework for

Staff Report 2019-4

establishing an Asset Management (AM) system at Town of Caledon. An AM system enables an organization to sustainably deliver acceptable levels of service at minimal cost of asset ownership through effective asset planning and efficiently tackling infrastructure needs at different stages of asset lifecycle as shown in the figure below.



Purpose

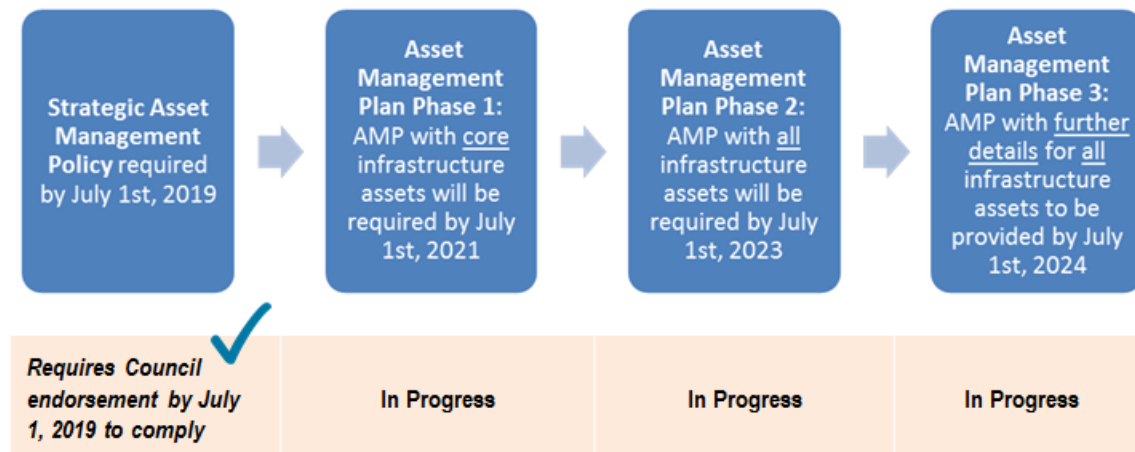
The purpose of the Policy is to communicate the Town's leadership, commitment and intentions with regards to AM to its managers, employees and stakeholders.

Scope

The Policy applies to all internal departments who oversee tangible assets and also to those who have a financial stake in them.

Regulatory Compliance

O. Reg. 588/17 sets out the requirements for AM planning to assist municipalities in making effective and informed investment decisions by understanding their infrastructure challenges and requirements. All municipalities across Ontario are required to comply with these regulations to be phased in the next five years to ensure continuous improvement and consistency in AM planning. Under O. Reg. 588/17, a Strategic Asset Management Policy is required to be adopted by each Ontario municipality by July 1, 2019. Ontario municipalities must also commit to developing and adopting best practices to effectively provide the required levels of services (LOS) to its residents. The O. Reg. 588/17 timeline for AM planning is as shown below.



Many municipalities across Ontario, as well as across Canada, have adopted AM policies to develop an AM system and to guide various processes and procedures involved to manage their assets optimally. Other municipalities within the Region of Peel and other neighbouring regions, cities and towns already have various initiatives underway in line with the requirements and principles issued by the Ministry of Infrastructure, to better serve their residents and provide a sustainable approach to informed decision-making to the organization.

Town staff developed the asset management goals and guiding principles of the Policy collectively and conducted workshops with the key stakeholders to review and refine the document. The Policy was then presented to management and the senior leadership team for approval. Following Council approval of the Policy:

- It will be posted on the Town of Caledon's website;
- Print copies will be made available at the Service Caledon counter for public review; and
- The Policy will be used to guide staff in completing the future phases of the Town's Asset Management Plan, in compliance with provincial legislation.

As part of the Phase 1 work, noted in the diagram above, that is required by July 1st, 2021, Town staff will engage with the public and Council on level of service expectations for the Town's various assets. This will inform and help further refine the assumptions, work program, and funding requirements of the asset management plan for all Town-owned assets that are relied upon by all stakeholders.

FINANCIAL IMPLICATIONS

There are no immediate financial implications related to this report. However, it is critical to continuously implement the Policy to create an effective and the right balance between the need to sustain existing infrastructure and the need to build new

Staff Report 2019-4

infrastructure. Incorporating an AM system at the Town of Caledon should lead to more effective and comprehensive financial planning.

COUNCIL WORK PLAN

Infrastructure – To increase overall condition of Town's assets for public use.

ATTACHMENTS

Schedule A – Strategic Asset Management Policy

Subject: Strategic Asset Management Policy

A. Policy Statement:

The Town of Caledon shall adopt a systematic and coordinated approach to asset management in delivering optimum levels of service to its residents and customers in a sustainable and cost-effective manner. This policy details key principles and guidelines to achieve financial sustainability and an effective long-term management of the Town's infrastructure assets in support of a healthy, rapidly growing and a prospering community.

B. Application:

This Policy applies to all internal departments who oversee tangible assets (owned in whole or in part, leased or managed) and also to those who have a financial stake in them.

C. Purpose:

The purpose of this policy is:

- To provide leadership in and commitment to the development and implementation of the Town's asset management program
- Intended to guide the consistent and coordinated use of **asset management** across the Town
- To facilitate logical and evidence-based decision-making for the management of **municipal infrastructure assets** and;
- To support the delivery of sustainable community services now and in the future.

This policy demonstrates an organization-wide commitment to the good stewardship of municipal infrastructure assets. By using sound asset management practices:

- The Town will ensure transparency and accountability by engaging its customers and staff into asset management planning
- The Town will work to ensure that all municipal infrastructure assets meet expected performance levels
- The Town will continue to provide desired service levels in the most efficient and effective manner
- Linking service outcomes to infrastructure investment decisions will assist the Town in focusing on service, rather than budget-driven asset management approaches

In summary,

- The Town will implement an organization-wide asset management program through all departments
- The program will promote lifecycle and risk management of all municipal infrastructure assets, with the goal of achieving the lowest total cost of ownership while meeting desired levels of service.

Corporate Policy

D. Guidelines

To guide the Town, the following policy statements have been developed:

1. The Town will implement continuous improvement protocols and adopt best practices regarding asset management planning, including:
 - i. Complete 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
2. The Town will develop and maintain an asset inventory of all municipal 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 cost of repair, rehabilitation or replacement.
3. The Town will develop an **asset management plan** (AMP) that incorporates all infrastructure categories and municipal infrastructure assets that are necessary to the provision of services. This may include assets that fall below their respective capitalization thresholds as outlined in the Town's Tangible Capital Asset Procedure. The scope of these assets will be determined, according to relevance, based on the professional judgment of Town senior staff. The AMP will be reviewed annually to address the Town's progress in implementing its asset management plan and updated at least every five years in accordance with O. Reg. 588/17 requirements, to promote, document and communicate continuous improvement of the asset management program.
4. The Town 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 achieving short-term operating and maintenance needs, in addition to long-term funding needs to replace and/or renew municipal infrastructure assets based on full lifecycle costing.
5. The Town 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.
6. The Town exemplifies its commitment for acting on climate change by participating in the Global Covenant of Mayors for Climate and Energy and the International Council for Local Environmental Initiatives (ICLEI) Framework Building Adaptive, Resilient Communities for climate change adaptation.

Corporate Policy

In this context, the Town will leverage new and existing opportunities for reducing greenhouse gas emissions (mitigation) and building resiliency to projected climate change impacts (adaptation) into corporate asset management practices. Applying climate change mitigation and adaptation lenses will be achieved by strategically embedding tactical, operational and reflexive considerations related to climate change into lifecycle management practices for corporate assets. This will reduce vulnerabilities and promote adaptation and resiliency to climate change impacts, incrementally over time. This includes, but is not limited to, incorporating climate change considerations into infrastructure design, risk assessments, anticipated operational costs, changing levels of service, disaster planning and related contingency funding.

7. The Town will align all 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 all municipal official plans.
8. The Town will coordinate planning for interrelated municipal infrastructure assets with separate ownership structures by pursuing collaborative opportunities with neighbouring municipalities and jointly-owned municipal bodies wherever viable and beneficial.
9. The Town will develop processes and provide opportunities for municipal residents and other interested parties to offer input into asset management planning wherever and whenever possible.

E. Roles and Responsibilities:

The development and continuous support of the Town's asset management program requires a wide range of duties and responsibilities. The following table outline the persons responsible for these tasks:

Table A: Roles & Responsibilities

Individual/Group	Roles & Responsibilities
Council	<ol style="list-style-type: none">i. Approve the asset management policy and direction of the asset management programii. Maintain adequate organizational capacity to support the core practices of the asset management programiii. Prioritize effective stewardship of assets in adoption and ongoing review of policy and budgetsiv. Establish and monitor levels of service
Treasurer, Finance	<ol style="list-style-type: none">i. Manage policy and policy updatesii. Provide organization-wide leadership in asset management practices and conceptsiii. Provide departmental staff coordination

Corporate Policy

	<ul style="list-style-type: none"> iv. Monitor levels of service v. Coordinate and track asset management program implementation and progress
Senior Management Team	<ul style="list-style-type: none"> i. Development of policy and policy updates ii. Provide corporate oversight to goals and directions and ensure the asset management program aligns with the Town's strategic plan iii. Ensure that adequate resources are available to implement and maintain core asset management practices iv. Provide departmental staff coordination v. Develop and monitor levels of service and make recommendations to Council vi. Track, analyze and report on asset management program progress and results
Corporate Management Team and Departmental Staff	<ul style="list-style-type: none"> i. Utilize the new business processes and technology tools developed as part of the asset management program ii. Participate in implementation task teams to carry-out asset management activities iii. Implement and maintain levels of service iv. Provide support and direction for asset management practices within their department v. Track and analyze asset management program progress and results

F. Definitions:

Unless otherwise noted, the definitions provided in this document align 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 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 (ISO 55000).
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 (ISO 55000). 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

Corporate Policy

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. **Capitalization threshold** – the value of a municipal infrastructure asset at or above which a Town will capitalize the value of it and below which it will expense the value of it.
4. **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, street trees, urban forests, natural channels, permeable surfaces and green roofs.
5. **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 (ISO 55000).
6. **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.
7. **Municipal infrastructure asset** – an infrastructure asset, including a green infrastructure asset, directly owned by a Town or included on the consolidated financial statements of a Town, but does not include an infrastructure asset that is managed by a joint municipal water board.

G. Background:

The Town is responsible for providing a range of essential services to the community, including transportation networks; community facilities; and stormwater management. To deliver these services, it owns and manages a diverse municipal infrastructure asset portfolio of roads, bridges, culverts, facilities, vehicles and machinery. As the social, economic, and environmental well-being of the community depends on the reliable performance of these municipal infrastructure assets it is critical to implement a systemic, sustainable approach to their management.

Asset management allows organizations to make informed decisions regarding optimal **lifecycle activities** required to achieve a desired **level of service**. As an organization-wide process, it is useful to adopt a structured and coordinated approach to outlining the activities,

Corporate Policy

roles and responsibilities required of organizational actors, as well as the key principles that should guide all asset management decision-making.

The approval of this policy is an important step towards integrating the Town's strategic direction (see Section I) with its asset management program, and ensuring that critical municipal infrastructure assets and vital services are maintained and provided to the community in a reliable and sustainable manner.

H. Key Principles

The Town shall consider the following principles when making decisions regarding asset management:

(Source: Section 3 of the *Infrastructure for Jobs and Prosperity Act, 2015*)

1. Infrastructure planning and investment should take a long-term view, and decision makers should take into account the needs of citizens by being mindful of, among other things, demographic and economic trends.
2. Infrastructure planning and investment should take into account 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.
5. 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 respecting 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 Town and broader public sector entities, and should factor into investment decisions respecting infrastructure.
6. Infrastructure planning and investment should promote community benefits, being the supplementary social and economic benefits arising from an infrastructure project that are intended to improve the well-being of a community affected by the project, such as local job creation and training opportunities, improvement of public space within the community, and any specific benefits identified by the community.
7. Infrastructure planning and investment should ensure that the health and safety of workers involved in the construction and maintenance of infrastructure assets is protected.

Corporate Policy

8. Infrastructure planning and investment should minimize the impact of infrastructure on the environment and respect and help maintain ecological and biological diversity, and infrastructure should be designed to be resilient to the effects of climate change.
9. Infrastructure planning and investment should promote accessibility for persons with disabilities.
10. 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.
11. Infrastructure planning and investment should promote economic competitiveness, productivity, job creation and training opportunities.
12. Infrastructure planning and investment should endeavour to make use of acceptable recycled aggregates.
13. 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 Town, as the case may be, the Town should nevertheless be mindful of those plans and strategies and make investment decisions respecting infrastructure that support them, to the extent that they are relevant.

I. Alignment with the Town's Strategic Direction:

The Town of Caledon's budget will align with this policy. As this policy is updated, it shall be revised to align with emerging and evolving strategies and actions.