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**Subject:** Asset Management Policy

**Report to:** Corporate Services Committee

**Report date:** Wednesday, April 17, 2019

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## **Recommendations**

That the Asset Management Policy, Appendix 2 to Report CSD 20-2019, **BE APPROVED.**

## **Key Facts**

- The purpose of this report is to obtain Council's approval of the strategic Asset Management (AM) Policy which, upon approval, will be published on the Region's website.
- The Region's capital asset portfolio replacement value is in excess of \$7.4 billion.
- In 2017, the Ontario government released a new regulation under the Infrastructure for Jobs and Prosperity Act, 2015 – Ontario Regulation 588/17, Asset Management Planning for Municipal Infrastructure (O. Reg. 588/17) which outlines deadlines for achieving strategic AM practices.
- Under O. Reg. 588/17 the Region is required to create, approve and publish a strategic AM Policy by July 1, 2019.
- In addition to O. Reg. 588/17 Federal and Provincial governments require updated comprehensive AM plans for Federal Gas Tax funding, future application based funding and Development Charges.
- The AM Policy, which forms the basis for AM at the Region, will be implemented along with procedures and will be enforced by the corporate Asset Management Office (AMO).

## **Financial Considerations**

There are no immediate financial implications related to the approval of the AM Policy. The adoption of the AM Policy will establish the framework for performing AM activities consistently across the Region, leading to more effective and comprehensive financial planning for the sustainment of existing assets and the creation of new ones.

As articulated in CSD 10-2019, Asset Management Governance Model, the implementation of a corporate AMO is expected to result in savings related to capital asset budgeting, on-going maintenance costs and utilities savings. These savings will be a result of the Region being able to make corporate wide risk and condition based prioritization decisions to ensure that the projects that are approved deliver the best return for the Region. It will implement processes and procedures across the Region

that will better identify other lifecycle activities that may be undertaken and the ideal timing for them to sustain the level of service (LOS) of the asset and prolong the useful life at the most effective cost for the Region. The AMO will also help the Region better coordinate efforts across divisions and with local municipalities to ensure interconnected projects are completed concurrently, therefore reducing scenarios where assets are replaced before the end of their useful life.

## **Analysis**

The Region has embarked on a multi-year phased AM Program to develop and implement leading AM principles and practices. O. Reg. 588/17, was released in December 2016 and came into effect on January 1, 2017. Per O. Reg. 588/17, several legislative requirements are to be included in the AM Policy, including commitments to consider climate change risks to infrastructure assets and mitigation approaches to address these vulnerabilities, to provide opportunities for municipal residents and other interested parties to provide input into AM planning, and to coordinate planning for AM with other local municipalities where infrastructure assets connect or are interrelated.

The requirements and timelines the Region needs to accomplish per O/ Reg. 588/17 include the following:

- July 2019: Strategic AM Policy approved and published
- July 2021: Core infrastructure AMP and current LOS
- July 2023: Comprehensive AMP and current LOS
- July 2024: Alignment of the Comprehensive AMP to the proposed LOS and financing strategy to achieve the proposed LOS
- Continuous updates to these every 5-years.

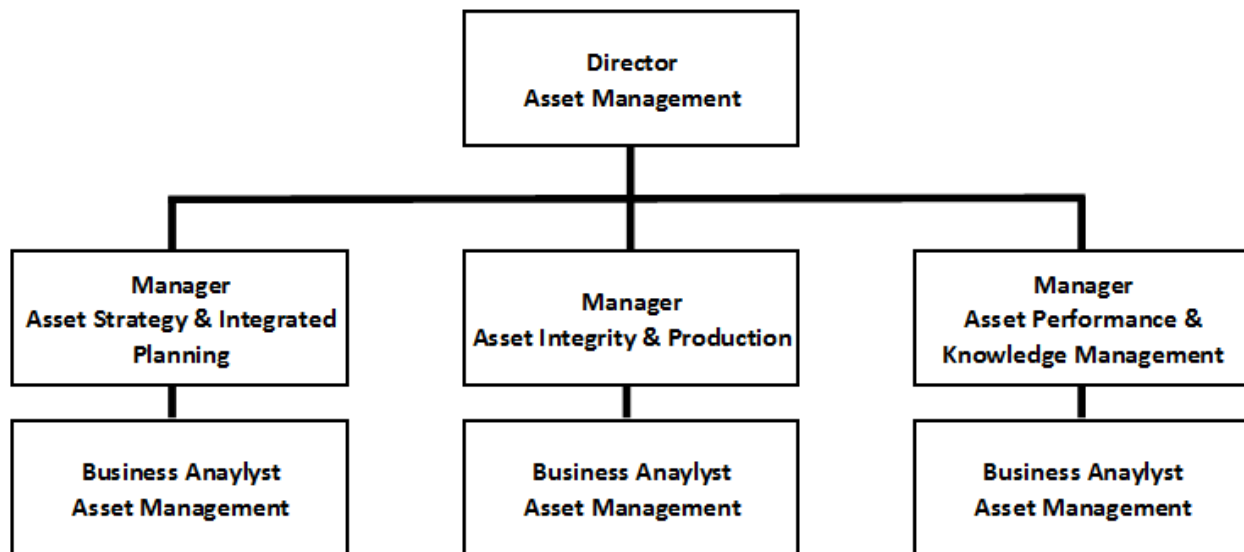
AM is a systematic process to guide planning, acquisition, operation, maintenance, rehabilitation, replacement and disposal of assets and is considered to be a fundamental element in an asset-intensive organization's operations, as the efficient allocation and management of resources are crucial to maximize performance and fulfil strategic goals.

Council has advanced AM at the Region through approval of the following:

- CBPCOTW-C 2-2017 – Asset Management Project – Asset Management Roadmap and Information Technology Strategy;
- CSD 21-2017 – Asset Management Plan – 2016 AM plan;
- CSD 10-2019 Asset Management Governance Model – Council endorsed the creation of a corporate AMO with the structure outlined in Figure 1;
- CSD 20-2019 – Asset Management Policy

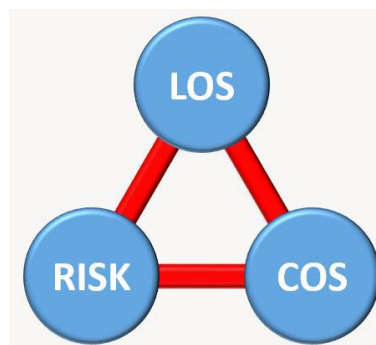
Looking forward, in the second quarter of 2020 Council will receive the annual update on the status of AM at the Region and progress made during the year. This update is in-line with this policies requirement that Council annually approves the review of AM progress before July 1 every year.

**Figure 1: Corporate Asset Management Office Proposed Structure**



The AMO will provide leadership in the use of consistent AM policies, procedures and practices across the Region's departments, boards and commissions, and will result in the most effective use of Regional resources while ensuring capital decisions are based on effective management of infrastructure risks, and balance the lowest cost of service (COS) while providing the desired levels of service (LOS), as per Image 1. The AMO will also ensure that all departments, boards and commissions adhere to the established policies, procedures and practices to ensure AM is consistent across the organization.

**Image 1: Relationship between LOS, COS and Risk**



The Region is the custodian of capital assets with an estimated \$7.4 billion replacement value, which are required to deliver services to the residents of Niagara. The AM Policy establishes the foundation and framework for AM at the Region to help ensure that the Region is doing the right work, on the right assets, at the right time, for the right costs and the right reasons.

Staff developed the AM policy by conducting workshops with cross departmental and ABC representation, in collaboration with external expertise, to ensure all regulatory requirements were addressed while being conscious of Regional impacts. The resulting policy was provided to the AM Steering Team for final review prior to recommendation to this committee. The policy address the requirements of O. Reg. 588/17 with the inclusion of the following:

- Considering the AM plans in the development of the budget and any long-range financial plans that take into account municipal infrastructure assets;
- Identifying the executive lead who is responsible for AM at the Region;
- Recognizing the impact on service delivery by considering input from residents and business, local municipalities and other Regional departments and ABCs;
- Alignment of AM planning with climate change implications and considering mitigation approaches to climate change, such as green house gas reduction goals and targets; and
- Commitment to align AM planning with financial plans such as those prepared under the Safe Drinking Water Act 2002 and those developed to support wastewater assets.

## **Alternatives Reviewed**

This policy was written as the Region's response to the requirements established by the Province of Ontario under O. Reg 588/17, while also including industry leading practice recommendations. The Region is required to be compliant with O. Reg. 588/17 by publishing of a strategic AM Policy before July 1, 2019.

## **Relationship to Council Strategic Priorities**

The Comprehensive AM Plan was identified as a priority of the previous Council that directly supports Organizational Excellence, as well as supporting the Infrastructure and Taxation priorities.

## Other Pertinent Reports

<a href="#">CPBCOTW-C 2-2017</a>	Asset Management Project
<a href="#">CSD 21-2017</a>	Asset Management Plan
<a href="#">CSD 51-2018</a>	Asset Management Governance
<a href="#">CSD 10-2019</a>	Asset Management Governance Model

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