



Staff Report for Committee of the Whole Meeting

Date of Meeting: July 3, 2018

Report Number: SREIS.18.009

Department: Environment and Infrastructure Services

Division: Corporate Asset Management and Environment Services

Subject: **Asset Management Policy, Strategy and Governance Structure**

Purpose:

To seek Council approval for funding to support the development of an Asset Management Policy, Strategy and Governance Structure.

Recommendation(s):

- a) That funding in the amount of \$125,000 be approved to support the development of an Asset Management Policy, Strategy and Governance Structure as outlined in staff report SREIS.18.009.
- b) That the Commissioner of Environment and Infrastructure be given delegated authority to execute any and all necessary documentation to effect the contract including any exercised optional term(s).

Contact Person:

Terry Ricketts, Director, Corporate Asset Management & Environmental Services, ext. 6504.

Danah Ashcroft, Project Manager, Corporate Asset Management, ext. 2460.

Report Approval:

Submitted by: Italo Brutto, Commissioner of Environment and Infrastructure Services

Approved by: Neil Garbe, Chief Administrative Officer

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), Town Solicitor (as required), Commissioner, and Chief Administrative Officer. Details of the reports approval are attached.

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Background:

Municipalities have a long history of practice with asset management. The operation and maintenance of local roads, parks, water and wastewater systems, and facilities such as community centres and arenas, has been a core responsibility of municipalities for decades. Components of asset management planning, in various forms, have been in place for many years. The Town has effectively managed assets since the early 1900s, with the oldest assets installed and maintained since 1905.

Approximately 10 years ago, the federal government introduced formal legislation to support asset management and to gain a better understanding of the national infrastructure deficit through the Tangible Capital Asset accounting standards. These standards required municipalities to collect basic information about their assets and depreciated them over their lifespan. Since that time, asset management has become a broad discipline of practice which considers the full lifecycle of activities performed on assets. This allows municipalities to make better decisions about how to fund and manage assets in the delivery of services to the community.

In July 2014, Richmond Hill signed a federal gas tax funding agreement that stipulated a requirement for municipalities to create a comprehensive Asset Management Plan. This requirement stems from a general recognition within the Province that a significant and growing gap exists between the condition of Ontario's infrastructure and public funding strategies required to maintain those assets in a state of good repair.

On that basis, the Town undertook to create an Asset Management Plan as per the requirements of Ontario's *Building Together: Guide for Municipal Asset Management Plans, 2012*, as required by the Province. The Plan was completed and adopted by Council in December 2016 (SRCAO.16.36) and made available to the Province accordingly.

In December 2017, the province released the *Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure* as a part of the *Infrastructure for Jobs and Prosperity Act*. Although Richmond Hill's Asset Management Plan provides a basis for future asset management planning, the requirements of O.Reg.588/17 require substantial changes to the plan, and significant work will be needed to bring the Town's practices and processes into compliance.

Specifically, the regulation requires that by:

- **July 1, 2019:** Municipalities must develop an Asset Management Policy. The Policy must contain 12 specific elements, such as processes by which asset management planning is to be considered in the development of the municipal budget, process to ensure asset management planning aligns with water and wastewater financial plans, and process to ensure asset management planning alignment with Ontario's land use planning framework. Although a number of these processes already exist as part of the Town's regular practices, there is a

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need to more clearly define and document these business processes and approaches in order to comply with the regulatory requirements.

- **July 1, 2021:** Municipalities must adhere to new requirements for asset management planning and reporting as it relates to core assets (water, wastewater, stormwater, roads, and bridges). This work will include defining levels of service differently than we do today, defining and reporting on the current performance of assets, assessing replacement cost and condition, analyzing the optimum balance of lifecycle activities to deliver levels of services at the lowest cost, and accounting for the cost of future growth as it relates to municipal assets.
- **July 1, 2023:** Municipalities must adhere to the new requirements described above for all assets (not only core assets) such as parks, parking lots, lighting networks, sidewalks/trails, large equipment, IT infrastructure, green infrastructure, pooled assets (e.g. library book inventory) and all other municipal assets that deliver Town services.
- **July 1, 2024:** Municipalities must define target levels of service as well as performance targets for the next 10 years, including a discussion of options and risks, whether the targets are achievable, and the municipality's ability to fund the proposed targets. The regulation also requires a lifecycle management strategy and financial strategy that identifies activities necessary to reach target levels of service at the lowest overall lifecycle cost for all asset classes.

To adhere to these requirements, and more importantly, to take full benefit from the practice of asset management, the Town must establish a foundation for asset management planning, including an **Asset Management Policy, Strategy and Governance Framework**, consistent with the Town's approach to other strategy programs and processes. These strategic documents will guide the development of future asset management plans and processes needed to deliver services and manage risk, as well as meeting the requirements of O.Reg.588/17. By building a strong foundation, the Town will ensure that asset management is integrated across all departments in a coordinated, efficient manner, and that our goals and decisions can be clearly communicated to citizens.

Project Overview

An asset management program touches almost all areas of an organization. The **Asset Management Policy** will demonstrate the Town's overall commitment to meeting the requirements of the new regulation, and to address our unique needs, challenges and expectations for asset management. The **Asset Management Strategy** will map the Town's approach to implementing and imbedding asset management as a core business practice. The **Governance Framework** will address the multi-discipline nature of asset management and provide clear roles and responsibilities for the implementation

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of the Town's Asset Management Strategy. Once this work is complete, the Town will be able to take action and invest resources in the right way, and at the right time, to strengthen and improve our current asset management program, practices and outcomes.

Asset Management Policy

The Asset Management Policy outlines the Town's policy direction, commitments to corporate asset management planning and key principles such as service delivery to citizens, triple bottom line sustainability, and a lifecycle approach to decision-making.

The Policy will:

- Identify the hierarchy of Town policies, plans and goals, such as those identified in the Town Strategic Plan, that call for corporate asset management planning
- Outline the principles to be followed in asset management planning, as well as the commitment to consider a broad scope of key influences on asset management planning
- Describe the processes by which asset management planning is to be considered in the development of financial plans, alignment with water/wastewater financial plans, alignment with Ontario's land-use planning framework, and alignment with asset management practices of upper tier municipal partners
- Identify the Town's approach to continual improvement of the asset management system
- Describe where responsibility lies for asset management practices, including the role of Municipal Council

The Policy is important because it establishes a foundation for the Town's asset management program, which ultimately improves decision making. Developing a Policy will also meet the requirements for an Asset Management Policy as outlined in O.Reg.588/17.

Asset Management Strategy

An Asset Management Strategy outlines an approach to achieve our organizational objectives through asset management practices. The Strategy will take into account our unique risks and opportunities, and recommend an approach for integrating asset management as a core business practice across all departments.

Outcomes of the Strategy will include:

- A plan for implementation of our Policy, including realistic timelines

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- Asset Management Objectives that align to corporate objectives, providing a line of sight that connects the Town's Strategic Plan to asset management plans/operational plans, and ultimately the delivery of services to the community.
- Guidelines for developing levels of service objectives, measures and targets in keeping with regulatory requirements
- A map that outlines the cross departmental nature of asset management within the Town of Richmond Hill, and a plan to maximize our efficiencies
- A plan to manage our risks and identify opportunities in the process of implementing an asset management system.

By implementing an Asset Management Strategy, the Town will imbed coordinated asset management planning in everyday practices and processes. Ultimately, the asset management system will improve our ability to make financial, environmental and service delivery decisions that support our overall goals and objectives. Developing a coordinated Strategy for asset management is one of the first steps needed to reach compliance with the new regulations.

Governance Framework

An Asset Management Governance Framework defines the accountabilities and responsibilities for various asset management practices across the organization, as well as the business process for asset management planning. In doing so, it will formalize asset management as a business approach for decision making and developing levels of service.

Outcomes of the Governance Framework will include:

- A business process for asset management that will extend across departments to create an efficient and consistent model for decision making related to service delivery
- An outline of cross-departmental roles, accountabilities and responsibilities with respect to asset management policy and strategy implementation
- High-level resource projections necessary to implement the asset management policy and strategy

Defining a Governance Framework will support staff's ability to embed asset management practices across all departments and reach our organizational objectives for financial planning, sustainability and service levels. By establishing cross-departmental consistency in asset management approaches, investments can be prioritized across different asset classes in consideration of risk and desired service levels.

General Approach, Milestones and Timelines

To develop the Policy, Strategy and Governance framework, the Town will collect information from stakeholders across all departments and divisions. The process will involve a combination of workshops to gather information about the context of the Town

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along with small group and one-on-one interviews to gain a deeper understanding of our current strengths and weaknesses with respect to asset management.

The project will be delivered with the assistance of outside resources, bid through a competitive procurement process in summer of 2018. The project will be initiated in the fall of 2018 under the direction of an Asset Management Steering Committee having representatives from all departments. Project completion is targeted for late spring 2019 in order to meet the legislated deadline.

Financial/Staffing/Other Implications:

A budget of \$125,000 (inclusive of HST) is required to develop an Asset Management Policy, Strategy and Governance Framework. This work lays the foundation for the Town's asset management system, and positions the Town to reach compliance with Ontario's the new asset management regulation. In addition, by undertaking this project, the Town will address Actions 1 and 2 as set out in the Implementation chapter of the Town's Asset Management Plan as adopted by Council in December 2016 (SRCAO.16.36).

Funding for this project will be drawn from two sources:

- \$45,900 remains in the capital account established to develop the Town's first Asset Management Plan (now complete) under account 902 2017 636 01 4190. These funds will be redirected to a new account established for the purpose of developing an Asset Management Policy, Strategy and Governance Structure.
- The balance of funds required for the project (\$ 79,100) will be drawn from the Gas Tax reserve.

Relationship to the Strategic Plan:

Progressing the Town's Asset Management Program aligns with the Strategic Plan Goal Four: Wise Management of Resources. Asset management allows the Town to make the right investments at the right time to maintain or improve our services while managing our risks.

Conclusion:

Asset management as a practice has been evolving for decades. Over the last 10 years, formal requirements for asset management have become more complex and municipal access to funding sources is now linked to providing evidence of asset management planning.

In 2017, the Province of Ontario released new regulations for asset management under the *Infrastructure for Jobs and Prosperity Act (2015)*. These regulations require municipalities to have an Asset Management Policy approved by July 1, 2019, and further require updated asset management plans of increasing sophistication by 2021 and 2023 respectively. By 2024, municipalities must define a lifecycle management

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strategy and financial strategy that identifies activities necessary to reach target levels of service at the lowest overall lifecycle cost for all asset classes.

To meet these requirements, and more importantly, to take full benefit from the practice of asset management, the Town must establish a foundation for asset management planning including an Asset Management Policy, Strategy and Governance Framework. These strategic documents will guide the development of future asset management plans and processes needed to deliver services and manage risk, as well as meeting the requirements of O.Reg.588/17.

By building a strong foundation with the pillars of a policy, strategy and governance framework, the Town will ensure that asset management is integrated across all departments in a coordinated, efficient manner, and that investments are made at the right time, and in the right way, to provide sustainable services to the community.

Report Approval Details

Document Title:	SREIS.18.009 Asset Management Policy, Strategy, and Governance Structure.docx
Attachments:	
Final Approval Date:	Jun 21, 2018

This report and all of its attachments were approved and signed as outlined below:

Terry Ricketts - Jun 14, 2018 - 3:16 PM

Italo Brutto - Jun 14, 2018 - 5:24 PM

David Dexter - Jun 15, 2018 - 7:48 AM

Neil Garbe - Jun 21, 2018 - 2:56 PM