



Report: TES-19-01/

COR-19-05

Region of Waterloo

Transportation and Environmental Services

Corporate Services

Facilities Management & Fleet Services

To: Chair Tom Galloway and Members of the Planning and Works Committee

Date: June 18, 2019 **File Code:** F06-80

Subject: **Update to Corporate Asset Management Policy**

Recommendation:

That the Regional Municipality of Waterloo approve the Corporate Asset Management Policy, as set out in Appendix A to report TES-19-01/COR-19-05 dated June 18, 2019.

Summary:

Nil.

Report:

As part of the Corporate Asset Management (AM) Strategy, the Corporate Asset Management Policy was updated (Appendix A) to bring it in line with the requirements outlined in current legislation.

The initial Policy was approved by Council in February 2016 as outlined in report TES-WAS-16-01/COR-FFM-16-01. At the time, the Policy was created with the intent to provide staff with direction and guidance for decision making in the management of airport, transportation, transit, solid waste management systems, water and wastewater treatment and distribution systems, facilities and fleet assets with a total replacement value of approximately \$5.5 billion.

On December 27, 2017 the Ministry filed O. Reg. 588/17: Asset Management Planning for Municipal Infrastructure, which Region staff outlined in report COR-FFM-18-02/TES-18-01. This regulation provides requirements and timelines for the development of Strategic Asset

Management Policies. The regulation requires that all municipalities develop a strategic asset management policy by July 1, 2019 with a formal review at least every five years. Required contents of the policy include:

- Alignment with municipal objectives (i.e. strategic plan, official plan, master plans)
- Process on how the asset management plan would assist with budget development and long-term financial strategies
- Approach to continuous improvement and best practices associated with asset management planning
- Principles to guide asset management planning
- Commitment to consider asset management planning to address risks that may be caused by climate change
- Alignment with relevant policies under the Planning Act and municipal official plans
- Determination of capitalization thresholds for inclusion of assets in the asset management plan in conjunction with the tangible capital asset policy
- Identify asset management governance structure including Council involvement
- Provide opportunities for public to provide input into asset management planning

In light of the specific requirements within the proposed AM regulation, the Municipal Finance Officers' Association of Ontario (MFOA) has developed a Strategic Asset Management Policy toolkit and templates for use by the municipal sector. This toolkit approach was funded and endorsed by the Province; therefore, staff used this toolkit to guide the Region's approach. The toolkit identified 8 elements of an Asset Management Policy. These elements are categorized by Statements, Processes and Commitments. In addition to these elements the Province provided mandatory wording in the form of the first eleven Guiding Principles written in the Policy. All of these elements are included in the updated Policy as mandated by the Province. The definitions written in the Policy are derived from industry standard asset management guides and legislation such as the International Infrastructure Management Manual (IIMM), the Public Sector Accounting Board PS 3150, and the Ontario Municipal Asset Management Planning Regulation (O. Reg. 588/17).

Corporate Strategic Plan:

The implementation of best practice asset management principles, reinforced by a Corporate Asset Management Policy supports the Corporate Strategic Plan objective to plan for and provide the infrastructure and services necessary to create the foundation for economic success under Strategic Focus Area 1 – Thriving Economy. It specifically addresses strategic action 1.2.2 to continue to implement and improve an asset management plan to optimize the use and availability of existing and new infrastructure.

Financial Implications: Nil

Other Department Consultations/Concurrence:

Staff representatives from Divisions within Transportation and Environmental

Services, Corporate Services and Planning Development and Legislative Services Departments are involved in the Corporate Asset Management Program and have been consulted in the preparation of this report.

Attachments:

Appendix A – Regional Municipality of Waterloo Asset Management Policy

Prepared By: **Charles Allen**, Manager, Planning and Performance Management
Tim Walton, Manager, Asset Management & Strategic Initiatives

Approved By: **Craig Dyer**, Commissioner, Corporate Services/Chief Financial Officer
Thomas Schmidt, Commissioner, Transportation and Environmental Services

 Region of Waterloo Corporate Policy	Section #	Policy #	
	Approval Date:	Revision Date:	
Title:	CORPORATE ASSET MANAGEMENT POLICY		
Responsibility:	Corporate Asset Management Steering Committee	Approval Level:	Council
Applies to:	Staff Managing Tangible Capital Assets		

Policy Statement:

The Region will formalize practices and responsibilities associated with the management of tangible capital assets, communicate relevant policies and programs to internal and external stakeholders and review this Policy regularly to ensure that it continues to be appropriate for the Region’s asset management program.

Definitions:

Tangible Capital Assets (TCAs) – are non-financial assets having physical substance that:

- a) are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- b) have useful economic lives extending beyond one year;
- c) are used on a continuing basis; and
- d) are not for resale in the ordinary course of operations.

Asset Management – The systematic and coordinated activities and practices of an organization to optimally and sustainably deliver on its objectives through the cost-effective lifecycle management of assets.

Asset Management Practices – The processes and techniques (people, data, and systems) that an organization undertakes to plan, implement, and measure effective asset management. Examples of processes include demand forecasting, developing and monitoring levels of service, operational and renewal planning, and risk management. Techniques include the use of software and other data management methods to record, maintain, and analyse information for asset investment decision-making.

Asset Management Planning Progress Review – Annual review required before July 1 of every year (per Ontario Regulation 588/17) that includes progress on ongoing efforts to implement the Strategic Asset Management Plan, factors affecting the ability of the Region to implement its Strategic Asset Management Plan, and a strategy to address these factors including the adoption of appropriate practices.

Strategic Asset Management Plan – Defines Senior Management’s commitment and approach to achieving this Policy. It establishes best asset management practices and identifies recommended actions to be undertaken to improve or enhance the asset management capability and achieve strategic objectives. It will summarize the characteristics, condition, and risk exposure of assets. It will outline activities for each asset type with input from all Regional functional areas with recommended financing strategies to provide a defined level of service in the most cost effective way.

Master Plan – A long range plan which integrates tangible capital asset requirements for existing and future needs as defined by levels of service.

Operating Principles:

This Corporate Asset Management (AM) Policy provides direction and guidance for decision making in the management of assets for the following service areas: airport, transportation, transit, solid waste management, water and wastewater treatment and distribution, facilities, and fleet.

1. Vision

Regional staff and stakeholders will work together to continuously improve infrastructure services with comprehensive asset management practices that ensure that the right work is done at the right time, for the right reasons and at the right price to maximize the effectiveness of investment in tangible capital assets.



2. Goals

The objectives of the Asset Management Policy are to:

- Formalize, standardize, and align the Region’s functions, practices and responsibilities associated with the management of the tangible capital assets used to support the delivery of services;
- Communicate to stakeholders the management principles, a common purpose and approach endorsed by the Region, gaining their support and trust; and
- Outline key responsibilities and review processes for asset management

3. Strategic Alignment

The corporate asset management vision requires alignment with federal and provincial legislation, and the Region’s strategic goals, policies and plans at any given time. To achieve this vision, the Region will integrate asset management planning with other municipal processes and documents, such as:

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|----------------------|--|
| • The Strategic Plan | • Official Plan |
| • Financial Plans | • Climate Change Adaptation & Mitigation Plans |
| • Master Plans | • Corporate Energy Plan |
| • Business Plans | |

These plans each have their own review and approval cycle. The Strategic Asset Management Plan will be based on the current version of each of these.

4. Guiding Principles

In its asset management planning, the Region will strike a balance between its organizational capacity, financial and stakeholder support, local needs, risks and vulnerabilities. The following key principles will guide the Region in making its asset management decisions. Some of the principles reference services provided by external agencies but must be considered in asset management planning.

Forward looking: The Region shall take a long-term view while considering demographic and economic trends in the region.

Budgeting and planning: The Region shall take into account any applicable budgets or fiscal plans, such as fiscal plans released under the following:

- Fiscal Transparency and Accountability Act, 2004;
- Budgets adopted under Part VII of the Municipal Act, 2001; and
- Safe Drinking Water Act, 2002

Prioritizing: The Region shall clearly identify infrastructure priorities which will drive investment decisions.

Economic development: The Region shall promote economic competitiveness, productivity, job creation, and training opportunities.

Transparency: The Region shall be evidence-based and transparent. Additionally, subject to any prohibitions under an Act or otherwise by law on the collection, use, or disclosure of information, the Region shall:

- Collect and use current and accurate asset information that is available to all that need it,
- Make decisions with respect to infrastructure based on information that is publicly available or made available to the public, and
- Share information with implications on infrastructure and investment decisions with the Government and broader public sector entities.

Reliability: The Region shall ensure the continued provision of core public services, including those provided by broader public sector entities, such as health care and education.

Environmentally conscious: The Region shall minimize the impact of infrastructure on the environment by:

- Respecting and helping maintain ecological and biological diversity;
- Augmenting resilience to the effects of climate change; and
- Endeavouring to make use of acceptable recycled aggregates.

Health and safety: The Region shall ensure that the health and safety of workers involved in the construction and maintenance of infrastructure assets is protected.

Community focused: The Region shall 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;
- Promoting accessibility for persons with disabilities; and
- Providing documented and accepted levels of service through citizen and stakeholder engagement described in Section 9.

Innovation and Continuous Improvement: The Region shall continuously improve its Asset Management Practices through a comprehensive knowledge management approach. The Region shall create opportunities to make use of innovative technologies, services, and practices, particularly where doing so would utilize technology, techniques, and practices developed in Ontario.

Integration: The Region shall where relevant and appropriate, be mindful and consider the principles and content of non-binding provincial or municipal plans and strategies established under an Act or otherwise, in planning and making decisions surrounding the infrastructure that supports them.

Risk-based: The Region will monitor and address risk associated with asset failure by focusing resources, expenditures, and priorities based upon risk assessments and the corresponding cost/benefit. Lifecycle costing and risk analysis processes will be consistently applied when evaluating competing asset investment needs across asset types. This approach will facilitate prioritization and optimization of capital investment in the Region's assets.

Value-based and affordable: The Region will choose practices, interventions and operations that minimize costs of asset ownership and service delivery, while satisfying agreed levels of service. Decisions will be based on balancing service levels, risks, and costs to ensure assets are sustainable and appropriate for use.

5. Capital Thresholds

Assets whose role in service delivery requires deliberate management by the Region, for example those that pose substantial risk to the Region, will be included in the Strategic Asset Management Plan. The service-focus intent of this Policy differentiates its requirements for identifying assets from the capitalization thresholds, which are developed for the purposes of financial reporting. For this reason, the capitalization threshold developed for financial reporting will not necessarily be the guide in selecting the assets covered by asset management planning processes.

6. Budgeting

Asset management planning will encompass sound financial analysis that will be completed by a multi-disciplinary team comprised of representative(s) from finance and the service areas, and documented in the financial strategy section of the Strategic Asset Management Plan. The financial analysis used for the

Strategic Asset Management Plan will align with existing financial plans. The alignment will stem from a multi-disciplinary team, common analytical methods followed, and common data sources used. The Region will integrate findings from the Strategic Asset Management Plan into its long-term financial planning and budgeting processes.

The following elements of the Strategic Asset Management Plan will be referenced by the service area in the preparation of their budget submission:

- Forecasted spending needs identified in the plan;
- Prioritization of spending needs;
- All potential revenues and costs (operating, maintenance, renewal, and decommissioning) associated with forthcoming tangible capital asset decisions including new assets; and
- New revenue tools and alternative funding strategies where possible.

Comprehensive financial planning strategies and processes will be applied across all asset types to ensure long-term affordability. Funding and service delivery opportunities to achieve cost savings will be explored where appropriate. The Budget Committee will review the submission prepared by each service area to approve the Region's annual budget.

7. Community Planning

Community planning for development and/or redevelopment, that may require new assets or existing asset enhancements, will be done in consultation with asset managers, and will give consideration to operational and financial asset impacts based on lifecycle analysis and financial sustainability principles.

Parties involved in the development of the Strategic Asset Management Plan will reference the direction established in the Official Plan and Master Plans, as well as the methods, assumptions, and data used in their development. The aim of cross-referencing these plans is to ensure that development and redevelopment occur within the Region's means through an understanding and consideration of current and future asset needs.

8. Climate Change

The Region commits to embedding climate change considerations in asset management planning, and to the development of tailored actions that make the best use of its resources to mitigate and adapt to climate change. Where practical, programs will strive to go beyond minimum legislative solutions to help ensure assets are increasingly resilient to changing social, climate, environmental and economic conditions, and to mitigate future climate impacts such as greenhouse gas emissions reduction. Bolstering resilience to climate change in the Region may involve modifying the scope of current operations, anticipating possible costs to support contingency funds, leveraging alternative funding mechanisms, integrating the emergency management perspective to planning, and revising levels of service.

9. Citizen and Stakeholder Engagement

The Region provides its citizens and stakeholders with the municipal services they need within the bounds of regulatory requirements, the built environment, and the natural environment. To achieve this goal, the Region will seek to

understand the needs of current citizens and stakeholders and consider the needs of future generations, and incorporate these perspectives into the Strategic Asset Management Plan. The Region recognizes the various citizens and stakeholders as an integral part of the asset management approach.

Accordingly, the Region will:

- Provide access and opportunities for citizens and stakeholders to contribute provide input in asset management planning through strategic planning, master planning and environmental assessment processes;
- Ensure individuals and groups are treated fairly and respectfully during any engagement process and;
- Coordinate asset management planning with other infrastructure asset owning agencies such as local municipalities and regulated utilities.

Responsibilities:

An Asset Management Governance Structure has been established to lead the development of AM tools and practices and to oversee their application across the organization. The following details the responsibilities of the key stakeholders within the Region:

Council

- Approves, by resolution, the Asset Management Policy and its updates as necessary every four years;
- Approves, by resolution, the Strategic Asset Management Plan and its updates every four years;
- Approves, by resolution, the Asset Management Planning Progress Review on or before July 1 of every year; and
- Supports ongoing efforts to continuously improve and implement the Strategic Asset Management Plan.

Corporate Leadership Team and Asset Management Steering Committee

- Provides executive level oversight regarding the strategic and change elements of Asset Management;
- Endorses the Asset Management Policy and Strategic Asset Management Plan updates every four years;
- Endorses the Asset Management Planning Progress Review before July 1 of every year;
- Maintains compliance with the Asset Management Policy and provincial asset management regulation; and
- Supports ongoing efforts to continuously improve and implement the Strategic Asset Management Plan.
- Supports citizen and stakeholder engagement
- Is committed to transparency and accountability in decision making

Department Asset Management Leads

- Chair Asset Management Working Group meetings on a rotation schedule;
- Attend the Steering Committee meetings to present information for approval and bring direction back to the Working Group;

- Ensure that Steering Committee is engaged appropriately for key decision points; and
- Ensure timely resolution of issues and escalate to the Asset Management Steering Committee as necessary.
- Is committed to all the operating principles within the Corporate Asset Management policy.

Asset Management Working Group

- Reports to the Department Asset Management Leads;
- Communicates with stakeholders about the asset management system to increase awareness of their role in asset management decision-making including the value of the activities they are undertaking and the asset information they are providing;
- Identifies and develops asset management knowledge, skills and training programs, aligned with corporate competency frameworks;
- Identifies and develops citizen engagement knowledge, skills and training programs, to ensure there is access and opportunity for the citizens and stakeholders to contribute to decision making;
- Is committed to a transparent and accountable decision making process;
- Reviews and updates the Asset Management Policy every four years based on input from department leads;
- Prepares the Strategic Asset Management Plan and its updates every four years based on input from service areas. Conducts the AM Planning Progress Review; and
- Creates necessary guiding strategies and supporting frameworks at the corporate level to continuously improve and adopt appropriate asset management planning and management practices.