



Finance Department Report

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Report To: General Government Committee
Date of Meeting: April 15, 2019
Report Number: FND-010-19 **Resolution:** GG-220-19
File Number: **By-law Number:**
Report Subject: Strategic Asset Management Policy

Recommendations:

1. That Report FND-010-19 be received; and
2. That the By-law attached to Report FND-010-19 be approved.

Report Overview

The Province of Ontario’s recently adopted asset management plan regulations sets out four milestones for compliance. The first milestone is the adoption of a Strategic Asset Management Policy, the attached draft policy ensures that the Municipality will be in compliance and following best practices with regards to its asset management planning processes.

1. Background

Legislative Requirements

- 1.1 Under [Ontario Regulation 588/17](#) (Asset Management Planning for Municipal Infrastructure), Council is required to approve a Strategic Asset Management Policy (“the Policy”) on or before July 1, 2019.
- 1.2 The Policy is required to be reviewed and, if necessary, updated at least every five years thereafter.
- 1.3 The adoption of the Policy is the first requirement in a staged process of compliance with O.Reg. 588/17.

Compliance Requirement	Date Required
Strategic Asset Management Policy	July 1, 2019
Phase 1 – Core Assets Current levels of service measured by standard metrics; Performance of each asset category, in accordance with performance measures (2 year history); For each asset category: summary of assets, replacement cost of the assets, average age of assets, condition of assets, description of approach to assessing condition; For each asset category: lifecycle activities to maintain current levels of service for 10 years Population and employment forecasts for the Municipality under the 2017 Growth Plan, for each of following 10 years the estimated costs related to lifecycle activities to maintain current service levels to accommodate growth under the plan.	July 1, 2021
Phase 2 – All Assets Phase 1 extended to all assets	July 1, 2023

Compliance Requirement	Date Required
<p>Phase 3 – All Assets</p> <p>The levels of service proposed for each of the 10 years following; Explanation of why the proposed levels of service are appropriate and how they will be achieved; Proposed performance of each asset category for 10 years determined in accordance with performance measurements; A lifecycle management and financial strategy that identifies the activities required to be undertaken, the annual costs over a 10 year period, annual funding available, how shortfalls will be addressed; Estimated capital expenditures and significant operating costs to achieve proposed service levels projected for growth.</p>	<p>July 1, 2024</p>
<p>Update Phase 3</p>	<p>Every 5 years</p>

1.4 The approval and adoption of the Strategic Asset Management Policy is the first step towards compliance with the new legislation.

2. Policy Requirements

Twelve Components Required By Regulation

- 2.1 The Municipality’s goals, policies and plans that are supported by the asset management plan;
- 2.2 The process by which the asset management plan is to be considered in the development of the budget and any long-range financial plans that take into account municipal infrastructure assets;
- 2.3 The Municipality’s approach to continuous improvement regarding asset management planning;
- 2.4 The principles to be followed in the asset management planning process.
- 2.5 The commitment to consider actions that might be required to address climate change impacts upon the Municipality’s infrastructure;
- 2.6 Alignment of the asset management plan with financial plans related to the municipality’s water and wastewater assets;

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- 2.7 Alignment of the asset management plan with the Province's land-use planning framework;
 - 2.8 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;
 - 2.9 The Municipality's commitment to coordinated planning on asset management for infrastructure that is jointly-owned (or inter-related) with other municipalities (e.g. the Region of Durham or Oshawa)
 - 2.10 Identification of the persons involved with the asset management planning process at the Municipality, including the executive lead (the CAO);
 - 2.11 Explanation of Council's involvement in asset management planning; and
 - 2.12 The Municipality's commitment to provide opportunities for residents and other interested parties to provide input into the asset management planning process.

3. Clarington's Policy

- 3.1 The policy was created using information from the Municipal Finance Officers' Association of Ontario's Strategic Asset Management Policy Toolkit. This toolkit was funded in part by the Province of Ontario.
- 3.2 While the policy utilized the toolkit, it is very much a "Grown in Clarington" document which meets the needs of our community and our values as a Corporation.
- 3.3 Staff from Finance drafted the policy which was provided to an inter-departmental working group, the Asset Management Working Group, which had representatives from all departments. This group reviewed the policy and provided input into the final document.
- 3.4 A key theme throughout the policy is the relationship between asset management planning and other plans within the Municipality. The asset management plan must be consistent with the Development Charges Study, Strategic Plan, master plans, financial plans and capital budgets. It is not a stand-alone document and must inform and be informed by these other plans.

4. Concurrence

Not Applicable


5. Conclusion

It is respectfully recommended that this policy be approved by Council.

6. Strategic Plan Application

Not applicable.

Submitted by: 
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Reviewed by: 
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CAO

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Attachment:

Attachment 1 – Strategic Asset Management Policy

There are no interested parties to be notified of Council's decision.

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POLICY TYPE:	Financial
SUBSECTION:	
POLICY TITLE:	Strategic Asset Management Policy
POLICY #:	G15
POLICY APPROVED BY:	Council
EFFECTIVE DATE:	
REVISED:	
APPLICABLE TO:	All Employees

1. Purpose

The Municipality of Clarington is required by O.Reg. 588/17: Asset Management Planning for Municipal Infrastructure Regulation under the Infrastructure for Jobs and Prosperity Act, 2015 to publish a Strategic Asset Management Policy.

2. Scope

This policy applies to all assets owned by the Municipality of Clarington which are currently supporting provision of services.

Assets which have been declared surplus and are actively being marketed are not included in the scope of this policy.

3. Objectives

The Municipality of Clarington's decisions regarding assets will balance the use of limited resources with desired levels of service and they will be resilient to internal and external changes. Municipal government is the closest to its citizens and has the best opportunity to affect quality of life by delivering local programs and services. Strategic Asset Management as a budgetary tool and business model supports the ongoing stability of those services and helps address aforementioned challenges.

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4. Strategic Alignment

The Municipality of Clarington envisions building a sustainable, creative and caring community. This vision requires the alignment of many initiatives and it is crucial that all existing and planned asset decisions support the recommended levels of service and our long term vision for the community.

These levels of service will be determined by comparing and developing performance measures adopted during the preparation of the Asset Management Plan. The Municipality will reference the metrics required for departments to measure service levels and support recommendations with financial sustainability. The Asset Management Plan should be a foundational document when considering asset decisions, desired levels of service and current and future budgets.

Asset management planning cannot occur independent of other municipal plans and objectives. A holistic approach will be employed to develop a practical asset management plan that coordinates the responsibilities and ambitions of our community's municipal plans. Council and senior management will review this policy at least once per term and adopt an asset management planning approach that integrates:

- i. Municipal Budget
- ii. Corporate Strategic Plan
- iii. Official Plan and Secondary Plans
- iv. Development Charge Studies
- v. Climate Change Mitigation and Adaptation Plans
- vi. Master Plans

5. Guiding Principles

The Infrastructure for Jobs and Prosperity Act, 2015 sets out principles to guide asset management planning for municipalities in Ontario. The Municipality of Clarington shall incorporate the following principles for asset management priority setting, planning and investment:

- i. **Forward Looking:** The Municipality shall take a long-term view while considering demographic and economic trends in the Region of Durham.
- ii. **Budgeting and Planning:** The Municipality shall take into account any applicable budgets or fiscal plans, such as fiscal plans released under the Fiscal

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- Transparency and Accountability Act, 2004 and Budgets adopted under Part VII of the *Municipal Act, 2001*.
- iii. **Prioritizing:** The Municipality shall clearly identify infrastructure priorities which will drive investment decisions.
 - iv. **Economic Development:** The Municipality shall promote economic competitiveness, productivity, job creation and training opportunities.
 - v. **Transparency:** The Municipality shall be evidence-based and transparent. Additionally, subject to any prohibition under an Act or otherwise by law on the collection, use, or disclosure of information, the Municipality shall:
 - a. Make decisions with respect to infrastructure based on information that is publicly available or made available to the public, and
 - b. Share information with implications on infrastructure and investment decisions with the Government and broader public sector entities.
 - vi. **Consistency:** The Municipality shall ensure the continued provision of core public services.
 - vii. **Environmental Conscious:** The Municipality shall minimize the impact of infrastructure on the environment by respecting and helping maintain ecological and biological diversity, by augmenting resilience to effects of climate change and by endeavoring to make use of acceptable recycled aggregates where feasible.
 - viii. **Health and Safety:** The Municipality shall ensure that the health and safety of workers involved in the construction and maintenance of infrastructure assets is protected.
 - ix. **Innovation:** The Municipality 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.
 - x. **Integration:** The Municipality 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.
 - xi. **Community Focused:** The Municipality 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 spaces within the community, and promoting accessibility for persons with disabilities.
 - xii. **Customer Focused:** The Municipality will have clearly defined levels of service and apply asset management practices to maintain the confidence of customers in how municipal assets are managed.

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- xiii. **Service Focused:** The Municipality will consider all the assets in a service context and take into account their interrelationships as opposed to optimizing individual assets in isolation.
 - xiv. **Risk Based:** The Municipality will manage the asset risk associated with attaining the recommended levels of service by focusing resources, expenditures, and priorities based upon risk assessments and the corresponding cost/benefit, recognizing that public safety is the priority.
 - xv. **Value-based Affordable:** The Municipality will choose practices, interventions and operations that aim at reducing the lifecycle cost of asset ownership, while satisfying recommended levels of service. Decisions are based on balancing service levels, risks, and costs.
 - xvi. **Sustainable Development:** The Municipality shall ensure that the future development of Clarington is pursued in a manner that ensures that current needs can be met without compromising the ability of future generations to meet their own needs.

6. Capitalization Thresholds

The Asset Management Policy applies to all municipal assets actively managed in their service delivery. Assets may also be subject to the capitalization thresholds set out in the Capitalization Policy and recorded in the Municipality's financial statements. The service provided by an individual or pooled asset will be the determining factor for inclusion in the asset management plan; this may also result in the asset not being recorded as an asset for financial reporting purposes.

7. Governance and Continuous Improvement

The Municipality requires the commitment of key stakeholders for the organization to ensure that the policy creates appropriate practices in asset management planning that can be implemented, reviewed and adapted.

Council are the stewards of all municipal assets and are responsible for their oversight on behalf of citizens. By resolution Council will approve an asset management plan and its updates every five years as well as support the ongoing efforts to continuously improve and implement this plan. Council commits to an annual review, prior to July 1st, of progress regarding implementation, obstacles, consultation with department heads and strategies to address impediments. The strategic asset management policy will also be reviewed by staff annually to ensure consistency with other municipal strategic documents.

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The CAO is ultimately responsible for asset management planning for the Municipality and will maintain compliance with the regulation. This role will be directly supported by the Treasurer who will be responsible for the strategic financial management of the asset management plan. Department Heads will support their services areas and update long and short term asset requirements in coordination with the annual budget process.

Continuous improvement is the hallmark of asset management and the Municipality will employ a framework that will strategically focus on efficiencies and effectiveness. The CAO will endorse and Council shall approve by resolution the asset management plan and annual update reports on the following schedule:

- i. Asset Management Plan: Phase 1 (Core Assets) to be issued on or before July 1st 2021
- ii. Asset Management Plan: Phase 2 (All Assets) to be issued on or before July 1st 2023
- iii. Asset Management Plan: Phase 3 (Levels of Service) to be issued on or before July 1st 2024
- iv. Asset Management Plan: Annual Reviews to be issued on or before July 1st 2025
- v. Subsequent asset management plans to be issued on a five year cycle commencing July 1st 2029

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8. Budgeting

The asset management plans and the progress made will be considered annually in the creation of the Municipality's capital budgets, operating budgets, and long-term financial plans. Plans will also be referenced by the service area's department head in their preparation of their budget submission to assist in identifying all potential revenues and costs including operating, maintenance, replacement, and decommission. Prospective earnings and expenses associated with future infrastructure and asset decisions will be evaluated on the validity and need of each new capital asset, including the impact on future operating costs and will incorporate new revenue tools and alternative funding strategies where possible.

Finance will be involved in asset management planning to facilitate and bridge between the financial strategies developed in the asset management plan, the budget submissions of each service area, the budgeting process as a whole and the Municipality's strategic documents.



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9. Community Planning

Best practice in asset management planning is ensuring alignment with the Municipality's Official Plan. Partnering these documents will determine how the community is projected to change and inform asset management decisions regarding levels of service, location and affordability in development and redevelopment areas. Clarington's Official Plan recognizes three key principles that provide direction in community planning; sustainable development, healthy communities and growth management.

Sustainable Development

Development in Clarington will be pursued in a manner that ensures current needs are met without compromising the ability of future generations to meet their needs. The Asset Management Plan will incorporate considerations regarding climate change and sustainable resource management in an effort to mitigate and adapt to our dynamic environment, protect the integrity and vitality of natural systems and processes, and support the transition to a clean energy economy.

Healthy Communities

Healthy communities will nurture the well-being of residents and endeavor to provide the highest quality of life. The Asset Management Plan will pursue excellence in urban design, public safety, economic vitality, diversity, accessibility and active lifestyles through the integration of land uses and the development of complete communities.

Growth Management

Growth management recognizes the importance of sustainable development and healthy communities and applies those principles to the land development process. The Asset Management Plan will forecast municipal expansion of assets for urban growth and encourage balanced growth and compact urban form to align with municipal financial resources. Growth management will extend assets in an orderly, cost-effective manner through an understanding of current and future needs.

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10. Climate Change

Municipalities play an essential role in developing climate change solutions locally and are often on the front lines of responding to climate change impacts. The Municipality has made great strides to protect the environment and develop sustainable communities addressing the complexity and realities of climate change with coordinated, cross-corporate action. A key element in advancing these efforts is the integration of climate change considerations into asset management planning.

The Municipality commits to the development of local actions that will support the reduction of greenhouse gas emissions and the adaptation of buildings and infrastructure to be more resilient to the adverse impacts of climate change. In applying a climate change lens to asset management planning, integrating the levels of service and adhering to maintenance schedules the Municipality's disaster response plans and contingency funding will be enhanced, while addressing the capital infrastructure deficit. Efforts will be made to reduce the life cycle costs of new builds, with more importance being placed on methods to improve the energy efficiency and reduce the carbon footprint of our existing assets. The asset management plan will incorporate this sustainable approach to climate change mitigation and strengthening resilience.

Understanding the potential risks that the Municipality could face in a changing climate is an important component of the Municipality's risk management approach and asset management planning. Balancing the potential cost of vulnerabilities, changing environmental conditions and asset planning will contribute to mitigating climate change risks and associated costs.

11. Risk Management

The Municipality will work to develop risk management tools and frameworks that assist with key asset management risk decisions. Instruments that will enable the Municipality to evaluate risks and priorities consistently across the entire asset portfolio by establishing context, assess & control, apply treatments, monitor results and review assets and the potential risks.

Climate change research and analysis will concentrate on land usage, clean and renewable energy, active transportation, energy use and building retrofits. This approach will balance life cycle costing as we adapt to climate change impacts on new and existing assets. Efforts will be made to reduce life cycle costs of new builds and

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more importance will be placed on methods to improve the energy efficiency of our existing assets.

12. Stakeholder Engagement

Creating the opportunity for residents, businesses, institutions and our neighbours to engage the Municipality in asset management decisions and the municipal services they need is invaluable. Stakeholders can help align corporate strategies with operations through insights for asset management coordination and planning when platforms are made readily available. The Municipality will foster informed dialogue with these parties and engage with them by:

- i. Providing information on our website for stakeholders served by the municipality on appropriate asset management planning;
- ii. Coordinating asset management planning with other departments and strategic documents;
- iii. Striving to develop a social media presence dedicated to updating stakeholders on upcoming asset management developments.
- iv. Holding, when appropriate, public meetings to receive concerns, questions and comments from stakeholders on specific asset management planning decisions.