



Staff Report

Finance and IT Services

Report To: Special Meeting of Council
Meeting Date: May 24, 2017
Report Number: FAF.17.68
Subject: Asset Management Policy and Strategy
Prepared by: Sam Dinsmore, Deputy Treasurer/Manager of Accounting and Budgets

A. Recommendations

THAT Council receive Staff Report FAF.17.68, entitled "Asset Management Policy and Strategy";
AND THAT Council approve the Draft Asset Management Policy as attached;
AND THAT Council approve the Draft Asset Management Strategy as attached.

B. Overview

This report presents Council with a Draft Asset Management Policy and a Draft Asset Management Strategy for their consideration.

C. Background

Asset Management has become an integral practice for the Town, as well-managed public infrastructure is vital to the prosperity of a community. In 2014 the Town developed an Asset Management Plan for linear assets, and developed an Asset Management Plan for non-engineered Assets in 2016.

The next step for Town Staff is to adopt an Asset Management Plan that outlines Council's expectations regarding asset management as well as an Asset Management Strategy that outlines action items on how to achieve these standards.

D. Analysis

Asset Management Policy

The Draft Asset Management Policy (Attachment 1) outlines Council's expectations regarding the management of Town owned assets and is viewed as the overarching framework for the Town's assets.

Asset Management Strategy

The Draft Asset Management Strategy (Attachment 2) is Senior Management's guiding document to achieve the expectations that are set out in the Asset Management Policy. The

Strategy looks at developing action items to keep the Town's assets in good working condition that are sustainable while delivering the expected Levels of Service.

E. The Blue Mountains' Strategic Plan

Goal #4: Promote a Culture of Organizational and Operational Excellence

Objective #4: To be a Financially Responsible Organization

Goal #5: Ensure that our Infrastructure is Sustainable

Objective #1: Develop a Long-Term Asset Management Plan for the Maintenance, Renewal and Replacement of Existing Infrastructure

F. Environmental Impacts

N/A

G. Financial Impact

N/A

H. In consultation with

Asset Management Committee

Ruth Prince, Director of Finance and IT Services

Reg Russwurm, Director of Infrastructure and Public Works

I. Attached

1. Draft Asset Management Policy
2. Draft Asset Management Strategy

Respectfully Submitted,

Sam Dinsmore
Deputy Treasurer/Manager of Accounting and Budgets

Ruth Prince
Director of Finance and IT Services

For more information, please contact:
Sam Dinsmore
finance@thebluemountains.ca
519-599-3131 extension 274



Policy and Procedures

POL.COR.17.XX DRAFT Asset Management Policy

Policy Type: Corporate Policy (Approved by Council)
Date Approved: Month 00, 2017
Department: Finance and IT Services
Staff Report: FAF.17.XX
By-Law No.: N/A

Policy Statement

The Town of The Blue Mountains promotes the use of Asset Management principles and practices by:

- optimizing processes for the planning, acquisition, operation, maintenance, renewal and disposal of capital assets;
- supporting the provision of services at a level that balances public expectations with cost and business risk; and
- managing the fiscal impact of large growth infrastructure investments well into the long term.

Purpose

The Asset Management Policy will outline principles, roles and responsibilities for asset management practices that enable a coordinated, cost effective and organizationally sustainable approach for the Town of The Blue Mountains.

Application

This policy applies to all staff using or managing assets to provide public services for the citizens, or visitors of the Town.

Key Principles of Asset Management

The key principles of asset management are outlined as follows:

- i. demonstrate long-term consideration of decision making;

- ii. establish organizational accountability and responsibility for asset inventory, condition, use and performance;
- iii. consider environmental goals;
- iv. consider social and sustainability factors; and,
- v. minimize risks to users and risks associated with capital asset failure.

Asset Management Plan

The Asset Management Plan will consist of the following six components:

1. **Asset Registry** - maintains the Town's capital assets inventory including the asset's value and remaining life.
2. **Preventative Maintenance** – assists to schedule regular maintenance activities to ensure assets reach or exceed their service levels and life expectancy by reducing the risk of asset breakdowns or failure.
3. **Lifecycle Management** - guide an asset through its service life including planning, acquisition, operation, condition inspections, rehabilitation, disposal and replacement by utilizing industry best practices to encompass all stages of the asset lifecycle.
4. **Desired Level of Service** - identify the correct assets that the Town should own to meet the Council directed Level of Service for the citizens, visitors, and businesses of the Town.
5. **Financial Strategy** - prioritize maintenance and capital funding to ensure long-term financial sustainability for all assets.
6. **Risk Management** – using probability and consequence of failure as a criteria when prioritizing maintenance and capital works.

Asset Management Strategy

An Asset Management Strategy will be developed to describe the implementation steps to achieve the key principles of Asset Management outlined above and will consider industry best practices.

Definitions

Asset Management: is a process to guide the planning, acquisition, operation and maintenance, rehabilitation and disposal of assets. Its objective is to maximize asset service delivery potential, manage related risks and minimize costs of ownership while delivering acceptable levels of service to the public in a sustainable manner.

Capital Asset: are non-financial assets having physical substance that:

- i. are held for use by the Town 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;
- ii. have useful lives extending beyond a year and are intended to be used on a continuing basis; and,
- iii. are not intended for sale in the ordinary course of operations.

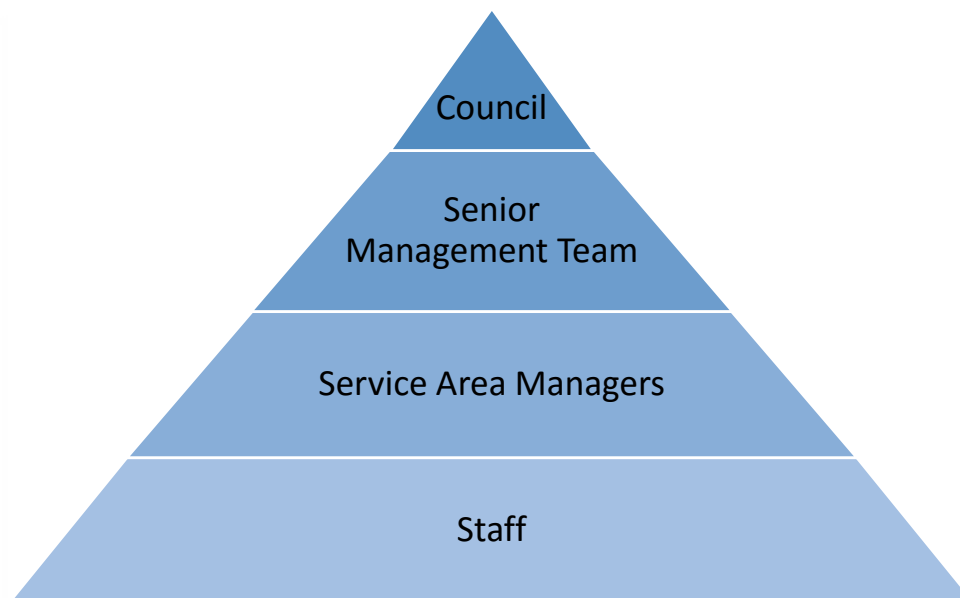
Capital Assets do not include such things as:

- i. inventories held for resale (including land);
- ii. capital grants;
- iii. intangible assets, except for software which is tangible for the purpose of capitalization;
- iv. feasibility studies, business cases, management reviews (post implementation) and;
- v. assets below the thresholds outlined in the Tangible Capital Asset Policy (FIS.10.13).

Life-cycle: the time interval that commences with the identification of the need for an asset and terminates with the disposal of the asset.

Procedures

The following chart outlines the governance model for Asset Management as well as the roles and responsibilities of each level of governance:



Council

Responsible for approving the Asset Management Policy and Strategy and other items related to the Asset Management Plan such as Levels of Service and acceptable risk. Through the annual operating and capital budgets Council will set the spending levels on capital assets.

Senior Management Team

Provide overall direction throughout the corporation to ensure that the asset management goals are achieved and that this plan aligns with other corporate plans.

Service Area Managers

Responsible for the assets that they are assigned including annual maintenance, reporting obligations, and capital purchases.

Staff

These employees consume the capital assets as they provide the services to the citizens, visitors and businesses.

Exclusions

None.

References and Related Policies

FIS.10.13 Tangible Capital Asset Accounting Guidelines

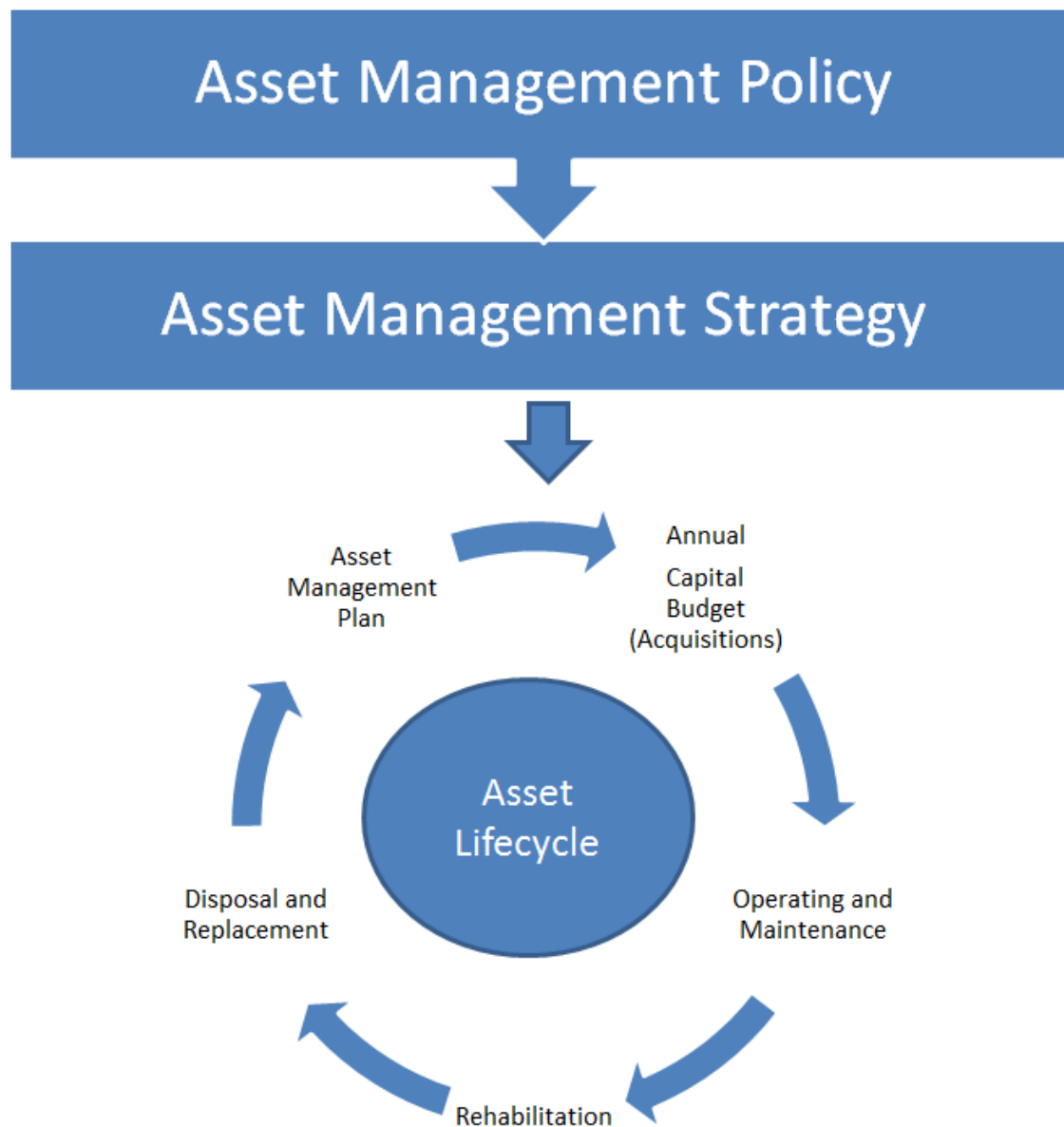
Consequences of Non-Compliance

Non-compliance with the Municipal Act, 2001 is subject to the remedies prescribed therein.

Review Cycle

This policy will be reviewed once per term of Council.

Appendix 1





Strategy

FAF.17.68
Attachment 2

DRAFT Asset Management Strategy Implementation Statement

Executive Summary

Asset Management is the process of managing all capital assets owned by the Town that are used to deliver the services that are expected by the community which includes citizens, business and visitors of the Town. To achieve this goal in an effective and efficient manner there must be guidance from the top of the organization down to the employees that use these assets on a daily basis.

The Asset Management Policy outlines Council expectations around the management of Town owned assets, whereas this strategy is Senior Management's guiding document to achieve these expectations. This strategy will look at developing action items to keep the Town's assets in good working condition that are sustainable while delivering the expected Levels of Service.

Introduction

The Town of The Blue Mountains (Town) is responsible for \$277 million in tangible capital assets¹. These assets have been acquired by the Town to deliver the services that are legislated by upper levels of government or are approved by Council. The list below outlines some of the many services that the Town currently offers:

- | | | |
|------------------|-------------------|--------------|
| ▪ Drinking Water | ▪ Storm Water | ▪ Fire |
| ▪ Streetlights | ▪ Solid Waste | ▪ Fleet |
| ▪ Waste Water | ▪ Waste Diversion | ▪ Police |
| ▪ Trails | ▪ Transit | ▪ Facilities |
| ▪ Roads | ▪ Parks | ▪ Library |
| ▪ Sidewalks | ▪ Athletic Fields | ▪ Museum |

Assets have been acquired, maintained, and replaced to fulfill the Town's requirements to offer the services listed above. These assets ranging from a piece of fire rescue equipment that has a useful life of 5 years to water pipe in the ground that is useful for up to 100 years. With such a wide range in types of assets each classification requires different annual maintenance and investments to ensure that the Town gets the full potential from these capital purchases.

¹ 2015 Audited Financial Statements of the Town of The Blue Mountains.

As these assets continue to age and the Town continues to grow it is becoming even more important that the Town have long-term strategies to ensure that the rate payers are getting the best value for their dollars. A shift is taking place where importance isn't just given to the up-front purchase of an asset but also to the long-term resource implications of owning that asset. Having a comprehensive understanding of not only the up-front purchasing costs but also the life cycle costs of the Town's assets will be an important step to ensuring the Town's infrastructure is sustainable.

What is Asset Management?

Asset management is the effective and efficient management of the Town owned capital assets that are used for the delivery of services to the community. The decisions being made around the management of Town assets will be built on the foundation blocks of sustainability, risk management and life cycle costing.

The objectives that an Asset Management Plan will strive to achieve is to maximize the benefit received from each asset with the lowest cost to the rate payer, reducing the risk of the asset failure, and provide the service at the appropriate level. Having a detailed Asset Management Plan will allow Staff the ability to have the following information easily accessible:

1. A full asset inventory with historical and replacement costs
2. Conditions of each asset as well as useful and remaining life
3. Level of Service expectations with associated costs
4. Preventative Maintenance programs
5. Risk Levels and mitigation plans
6. Required investment levels for long term financial stability

For the Town to achieve these goals and create a system of sound asset management, the entire corporation will need to participate. Each department of the Town will need to contribute and work together to be successful.

Alignment with other Corporate Documents

Corporate Strategic Plan

In 2015 Town Council approved the Corporate Strategic Plan which has an important asset management component. In the Corporate Strategic Plan, Goal #5 was identified as "Ensuring that our Infrastructure is Sustainable". This over-arching goal was then broken down into four objectives all of which can be tied directly back to this Asset Management Implementation Strategy as well as the Asset Management Plan.

1. "Develop a long-term asset management plan for all existing infrastructure owned by the Town." This objective will tie to the preventative maintenance schedules, renewal and replacement schedules as well as to the long-term financial plans.

2. “Avoid unexpected failures and associated costs and liabilities.” The risk management strategies that will form a piece of the asset management plan will address these issues and aid in the decision making process by including the risk levels.
3. “Implement Best Practices.” Applying best practices both through documentation and in the field will ensure that the Town is receiving the full benefit of all assets owned and operated for the delivery of services.
4. “Ensure Infrastructure is available to meet development demands.” Although the main purpose of an asset management plan is to focus on what the Town currently owns, it is also in the Town’s best interest to have an understanding of what future assets the Town will need to acquire and then maintain as the Town continues to grow.

Leisure Activity Plan

In 2015 and 2016 Community Services’ staff completed the Leisure Activity Plan for all properties for which they are responsible for (parks, trails, athletic fields, and facilities). The Leisure Activity Plan breaks down each property and outlines annual maintenance costs, as well as current and potential future amenities with the estimated timeline for these future investments. The Leisure Activity Plan will be used as the foundation for the Asset Management Plan for the Community Services Department:

- 1) Setting Levels of Service
- 2) Asset Inventory by property
- 3) Growth opportunities

This document outlines the current level of service being received by the community for both the up-keep of all the properties as well as what amenities are offered at each location. Having a good understanding around the levels of service and the costs associated with these levels gives Council a good understanding of cost impacts if they chose to change the level of service being offered. For example, having more playground equipment or more trails, or looking at decreasing how often the grass is cut at local parks.

The information and expectations that come out of the Leisure Activity Plan will be populated into the asset management software and give a great starting point for the Community Services Department.

Other Corporate Documents

The Asset Management Plan will pull and feed almost every document that the Town relies on to operate. Two have been outlined above in detail but others such as annual operating and capital budgets will use the information calculated through the Asset Management Plan as they are being compiled by staff and then approved by Council. Operating Budgets will be built on the Level of Service for each area and the Capital Budget will be built on what assets are required to supply these services to the community.

Level of Service Review

Not all departments have done formal Level of Service Reviews like Community Services. An early target to undertake a Level of Service Review is the Infrastructure and Public Works Department, which is the umbrella for Solid Waste, Drinking Water, Wastewater Treatment and Road and Drainage Services. Most of these areas have legislative minimum standards, however, the Town still needs to go through the process of outlining the services that should be provided to the community, to what level these services should be provided, and what assets the Town requires to deliver the services.

The Town needs to gather sufficient information to articulate the current Level of Service offered and then engage the public in a discussion of the future Level of Service that the community wishes to have and more importantly is willing to fund. As the Levels of Service are established and updated, the Asset Management System software will be updated to keep the Asset Management Plan up to date and relevant.

A Systematic Approach

Having good policies and procedures will give staff the guidelines necessary to approach asset management in a consistent manner, corporate wide, regardless of the assets they are responsible for. This will aid the Town in achieving its basic purpose of delivering the services at the appropriate level.

How will the Town achieve this?

- Include all departments in the corporate wide plan.
- Define roles and responsibilities for all employees that use or are responsible for an asset.
- Continually improve the tools supplied to staff, whether it be updated best practices, latest data on an asset or up to date strategies and plans.
- Continuous education offered to all employees responsible for the use, maintenance, and replacement of Town owned assets.

Defined Levels of Service

At its core the Town exists to deliver various services to the community. Service levels are a description of what end-users get from assets. These services include but are not limited to solid waste management, water and wastewater services, transportation services, and parks.

A best practice approach to Level of Service definitions is to put the community at the centre of all decisions made regarding the Level of Service being offered.

Levels of Service can be measured at four levels:

1. **Community:** The public defines the community's expectations for both service delivery and willingness to fund.
2. **Strategic:** Council and Senior Management Team give general directions to staff who are responsible for the delivery of the service.
3. **Tactical:** Service Area Managers implement the direction of Senior Management including compiling annual operating and capital budgets as well as long-term planning.
4. **Operational:** Frontline Staff consume the assets as they deliver the services to the community.

The Level of Service metrics should be:

- i. **Understandable:** Metrics will be defined in terms that Council and the public can understand.
- ii. **End-user Focused:** Metrics will be relevant and reflect what residents / users care about.
- iii. **Adjustable:** Metrics will be defined in a way that allows the Town to increase or decrease them.
- iv. **Measurable:** The Town will be able to track and report on service levels.
- v. **Comparable:** The Town will be able to compare its service levels over time and with other municipalities where appropriate.
- vi. **Integrated:** User-level metrics should be clearly linked to technical Level of Service metrics.

A series of questions are to be answered to enable the Town to articulate the Level of Service to be provided for various services.

1. What Services are to be provided?
 - "Must Do's", "Should Do's" and "Nice To Do's"
2. What is the desired Level of Service?
 - Key Performance Indicators
3. What assets are needed to provide the desired Level of Service?
 - Equipment, Infrastructure, Facilities
4. What tasks have to be done to manage the assets?
 - Operations and maintenance, Rehabilitation, Reconstruction, Replacement
5. What is the Financing Model?
 - To be sustainable, if not re-consider the Service Provision and the Level of Service

How will the Town achieve this?

- Stating the current Levels of Service offered by the various Town Divisions where practical through the annual Budget.
- Undertake divisional Service Delivery Review as directed by Council to determine the future Level of Service to be offered by through public engagement and Council workshops.
- Consider Level of Service with respect to capacity, quality and reliability measures.
- Ensuring that all decisions made around the Town's assets are tied back to the Levels of Service.

Risk Management

Once the Levels of Service have been defined, the next step is to build risk management plans around these Levels of Service. Using both the probability and consequences of failure will allow a hierarchy to be created of the assets based on their importance to delivering the service based on the defined levels of service. An example of this would be a large trunk watermain would be given a higher priority than a smaller watermain that only feeds one street.

How will the Town achieve this?

- Build frameworks using best practice risk management practices into asset decision making.
- Use a probability and consequence of failure approach which will allow the Town to become more preventative rather than reactive.
- Build risk management into the annual operating budgets and long-term capital budgets to ensure risk is mitigated to an appropriate level.

Life Cycle Planning

The Town owns a variety of assets that range from a five year life span up to 100 years and therefore any decision made around an asset could have decade's long impact. Life cycle planning will force the Town to not just look at the initial acquisition of these assets but to all decisions made throughout the full life of the asset. These decisions will have an impact on the operating budget through preventative maintenance programs and the cost to operate the assets as well as on the capital budget when the Town looks at renewing or rehabilitating the asset rather than a full replacement.

How will the Town achieve this?

- By forecasting the affordability and importance of the asset over the entire expected life rather than looking at one specific time frame for the asset (such as acquisition).

- Create a business plan for large scale growth projects that will have significant life cycle costs that will be the responsibility of the Town.
- Creating detailed life cycle cost templates for each asset category that can be used as assets are purchased.
- Develop Engineering Standards for core infrastructure that outlines public service and life cycle expectations when new assets are provided by developers and the Town.

Funding Strategies

Having varying funding strategies based on Levels of Service for both the acquisitions and life cycle costs of the assets will aid the Town in creating a long-term financial plan. These strategies will allow decisions to be made around the Level of Service and services offered using sound data. Another strategy will look at the investment needed to sustainably fund Town assets.

How will the Town achieve this?

The Town will achieve this by constantly reviewing the following:

- The Town's options for alternatives funding sources, including grant opportunities.
- Work flow for the services being delivered to ensure they are being done so in the most effective and efficient way.
- Services offered to ensure that the Town is delivering the right service, at the right time, for the right price.
- Available investment options to ensure the Town is getting the best available returns.

Asset Reporting

Staff will provide good reporting on the assets they are responsible for in order to make informed recommendations to Council so they can make informed decisions.

How will the Town achieve this?

- Annual State of the Infrastructure Reports for Council and the public's benefit.
- Detailed reports for all assets so that informed operating and capital budgets can be compiled.

Asset Registry

Having a detailed, up to date registry of all assets owned by the Town will be the foundation block for the asset management plan and therefore the decisions that are made using the information.

How will the Town achieve this?

- Initial collection of asset data includes meeting with all managers responsible for assets and cataloguing all assets owned by the Town and their current state.
- Consulting third party experts to collect condition data on hard to assess assets such as water and wastewater pipes.
- Annually review the information that was gathered throughout the year to ensure that all assets have been captured and are being tracked.
- Develop and maintain procedures to keep the data up to date and useful for the employees using the information for decision making.

Timeline

2016 Accomplishments

- Purchased Asset Management Software.
- Identified gaps in the data and prioritized the collection of the missing information.
- An external consultant created a 2016 Asset Management Plan that meet both the Federal Gas Tax criteria as well as other Federal and Provincial grant applications.
- Council approval of the Asset Management Plan.
- Through the 2017 Budgeting Process, outlined the current Levels of Service that each division is providing for selected services.

2017 Goals

- Council approval of Asset Management Policy and Strategy.
- Training of key staff as in-house experts of the Asset Management Software.
- Populate the software with readily available information from service area managers, and other plans and studies such as the Roads Needs Study and Leisure Activity Plan.
- Identify gaps in the data and prioritize the collection of the missing information.
- Continued collection of data and updating the software.
- Adapt Town's asset management process to adapt to the introduction of the proposed provincial asset management regulation under the *Infrastructure for Jobs and Prosperity Act*.

- Initiate the consideration of various Levels of Service in consultation with Council. This step could be a multi-year process involving third party consultants as well as public consultation (i.e. Public Information Centres and Public Meetings).
- Begin the process of building Life Cycle cost models for the different asset classes such as vehicles and facilities. This will be a multi-year task as the Town owns many different types of assets and each one will require a specialized life cycle.
- Prepare and present to Council a State of the Infrastructure Report that will be created in-house. This report will be used to complete the 2018 operating and capital budget (this will become an annual practice).

2018 Goals

- Begin the process of identifying and procuring modules offered by the Asset Management Software such as Fleet Management and Work Orders add-ons. The implementation of these additional features will be multi-year as procedures will need to be created, Staff trained, and IT infrastructure purchased.
- Continue gathering inventory and conditional data to close the information gap in order to keep the software data up to date and relevant.
- Work with third party consultants to collect enhanced condition data.
- Begin the process of building Risk Management scenarios to aid in the decision making process.

On-going Goals

- Maintain the integrity of the data being used by the Asset Management Software.
- Undertake reporting as required by the Province of Ontario under its asset management regulation.
- Present annual State of the Infrastructure Reports to Council to keep them up to date on the state of the Town's assets as well as those areas needing improvement and where improvement has occurred.
- Compile annual Asset Management Plans in-house to be submitted with grant applications as applicable.
- Regularly review and update policies and procedures around Asset Management.
- Consider the inclusion of add-on modules to the asset management software that will improve the Town's service delivery and decision making abilities.