

Finance
Section Asset Management
Policy: Strategic Asset Management Policy
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1. POLICY

Asset Management Vision

The Municipality's Asset Management vision is to proactively manage municipal assets in an evidence-based and risk-informed manner to best support the Municipality's objectives and the services delivered to the community, including:

- Meeting Council-approved levels of service in the most efficient and effective manner through lifecycle management;
- Prioritizing the need for existing and future assets to effectively deliver services, considering growth and changing conditions; and
- Maintaining prudent long-term financial planning and sustainable funding strategies.

Scope

This policy applies to all municipal infrastructure assets used to deliver services to the community, including (but not limited to) roads, bridges and culverts, sidewalks, streetlights, water and wastewater systems, stormwater and drainage assets, municipal facilities, parks and recreation assets, fleet and equipment, and associated land and appurtenances.

Assets that are not owned by the Municipality, or that the Municipality does not have responsibility to operate and maintain, are excluded from this policy unless otherwise directed by Council or set out in an agreement.

Alignment and Integration

The Municipality will maintain asset management practices and asset management plans that are consistent with applicable Ontario requirements, including Ontario Regulation 588/17 (Asset Management Planning for Municipal Infrastructure), as amended from time to time.

The Municipality will apply recognized asset management principles and best practices including lifecycle management, risk-based decision-making, and continual improvement to support transparent, repeatable, and evidence-based decisions.

This policy supports, and is supported by, the Municipality's Strategic Plan and other corporate plans and processes, including financial planning and budgeting, long-range forecasting, growth and land use planning, risk management, emergency management, climate change adaptation and resiliency initiatives, and accessibility planning.

Policy Objectives

The objectives of the policy are to:

- Provide a framework for implementing asset management to enable a consistent and strategic approach at all levels of the organization,
- Provide guidance to staff responsible for asset management and to support consistent application of asset management methods;
- Provide transparency and demonstrate to stakeholders the basis for decision-making processes that integrate strategic plans, budgets, levels of service, risk, and lifecycle considerations; and
- Commit the Municipality to support the implementation of asset management methods that are appropriate to the organization and aligned with Council's priority objectives.

2. DEFINITIONS

Asset: Capital assets that are included in both General Capital and Infrastructure Asset classes. General capital assets include but are not limited to Parks, Recreation facilities, Fire, Police, and General Government. Infrastructure assets are composed of linear assets and their associated specific components, generally constructed or arranged in a continuous and connected network. Infrastructure assets include but are not limited to: Transportation Infrastructure and Environmental Infrastructure.

Asset Management: A coordinated set of activities to realize optimal value from the organization's tangible capital assets throughout its lifecycle.

Asset Management Plan (AMP): Document that details how groups of assets are to be managed over their lifespan. The plan describes the characteristics and conditions of infrastructure assets, the levels of service expected from them, planned operational and maintenance actions to help assets provide the expected level of service, and financing strategies to try to implement the planned actions. This document also addresses the impacts and maintenance risks associated with owning the asset.

Level of Service (LoS): Defined service for a particular activity or service area against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental acceptability and cost.

Lifecycle: The various phases of an asset's life that are identified as; planning and construction, operations, maintenance and disposal. Each phase has its own opportunities, risks, impacts and costs.

Tangible Capital Assets (TCA): Non-financial assets having physical substance that is acquired, constructed or developed and:

- a) Are held in use in the production or supply of goods and services
- b) Have useful economic lives extending beyond one year
- c) Are used on a continuing basis in the Municipality's operations
- d) Are not held for re-sale in the ordinary course of operations

This includes tangible capital assets that are donated, contributed, debt financed, grant financed, leased and work in progress.

3. RESPONSIBILITIES

Council is entrusted with the responsibility of overseeing, on behalf of citizens, a large range of services provided through a diverse portfolio of assets. Council, having stewardship responsibility and responsibility for adopting the annual Operating and Capital budget, is the final decision maker on policy and strategic matters related to asset management in the Municipality. Council, Municipal Staff and Local Boards are committed to the success of asset management planning.

The Municipality has established two internal Committees to plan and coordinate Asset Management:

The Asset Management Steering Committee: The executive lead is ultimately responsible for asset management planning across the Municipality and maintaining compliance with the current regulation.

The Asset Management Team: Responsible for asset management planning activities that fall within their service area and in support of other service areas.

Terms of reference have been established for both the Asset Management Steering Committee and the Asset Management Team. The document also establishes which Municipal Staff are members of each group. This document also details the specific responsibilities for each group as related to asset management.

4. GENERAL

Asset Management Principles

The policy ensures that Municipal staff follow a consistent and regulatory compliant approach to making decisions regarding infrastructure planning and investment. The decision-making approach shall be in line with the following principles, as set out in the Infrastructure for Jobs and Prosperity Act, 2015:

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

Budgeting and planning: The Municipality shall take into account any applicable budgets or fiscal plans, such as fiscal plans released under the Budgets adopted under Part VII of the Municipal Act, 2001.

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

Economic Development: The Municipality shall promote economic competitiveness, productivity, job creation and training opportunities.

Transparency: The Municipality 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 Municipality shall:

- 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 other levels of government and broader public sector entities.

Consistency: The Municipality shall ensure the continued provision of core public services, such as clean drinking water and roads maintenance.

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

1. Respecting and helping maintain ecological and biological diversity,
2. Strengthening resilience to the effects of climate change,
3. Endeavouring to make use of acceptable recycled products, and
4. Incorporating green infrastructure, where appropriate.

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.

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.

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

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 improvement of public spaces within the community, and promoting equity, diversity, and inclusion through the consideration of the 10 guiding questions outlined within the Municipality's EDI Policy.

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.

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.

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.

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.

Sustainable Development: The Municipality shall ensure that the future development of the Municipality of Port Hope 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.

Strategic Alignment

Our corporate mission '*To be responsive to the changing needs of Port Hope using solution-orientated approaches*' requires alignment of the many initiatives underway in our Municipality at any time to be achieved. This alignment is necessary to properly consider whether the level of service provided by the existing and planned assets is consistent and supports the Municipality's mission.

Asset management planning, therefore, will not occur in isolation from other municipal goals, plans and policies, such as the Strategic Plan, Water/Wastewater Utility Rate Study, Development Charges Study, as well as any Municipal Master Plans. Rather, an integrated approach will be followed to successfully develop practical asset management plans that align with the overarching accountabilities and aspirations of the Municipality.

Going forward, all master plans will identify any potential financial implications and will include estimates of the capital and operating expenses, which can be used to identify the impacts to the asset management plan.

Continuous Improvement

Council's annual asset management reviews are an integral step of the Municipality's approach for continually improving its methods and adopting appropriate practices. The annual review will include:

- Progress to ongoing efforts to implement the asset management plan, including an update on the trajectory of the infrastructure funding shortfall;
- Consideration for improvements to the *Strategic Asset Management Policy*;
- Any factors affecting the ability of the Municipality to implement its asset management plan, and strategy to address these factors including the adoption of appropriate practices.

External Stakeholder Engagement

The ultimate goal of the Municipality is to efficiently provide its various stakeholders with the municipal services they need within the bounds of regulatory requirements, the built environment, and the natural environment. In order to achieve this goal, it is necessary that

the Municipality understand the needs of current stakeholders, consider the needs of future generations, and incorporate these perspectives into asset management plans. The Municipality recognizes them as an integral part of the asset management approach.

Accordingly, the Municipality will:

- Provide opportunities for residents and other stakeholders served by the Municipality to provide input in asset management planning, through asset management surveys as well as the biannual budget survey; and
- Coordinate asset management planning with other infrastructure asset owning agencies such as neighbouring municipalities, or local boards.
- Ensuring that the Asset Management Plan and *Strategic Asset Management Policy* are made publicly available.

Levels of Service

The Municipality's asset management goals and objectives are primarily defined in terms of levels of service provided to Municipal constituents and stakeholders. The Municipality will establish and document realistic, financially sustainable level of service targets for its assets. The Municipality will ensure that the level of service targets are achieved through development of effective asset management practices, long-term financial plans, and lifecycle management practices that are intended to maximize asset service life.

Budgeting

The Municipality will integrate findings from the financial strategy of the asset management plan into its long-term financial planning and budgeting processes. Sound financial analysis practices will be encompassed in the asset management plan, as it is expected that departments will align their budgets with the forecasted expenditures and recommendations within the plan. The financial strategy included for each service area in the asset management plan will be completed by a multidisciplinary team that will include representation from finance and the service area. O.Reg 588/17 states that asset management financial planning be updated every 5 years and included within AMP updates. Annual reviews of the AMP financial plan will be completed during the annual budget process to ensure accuracy and relevancy.

The asset management plan will be referenced by the service area staff in the preparation of their budget submission to help them:

- Identify all potential revenues and costs (including operating, maintenance, replacement, and decommission) associated with forthcoming infrastructure asset decisions;
- Evaluate the validity and need of each asset, including considering the impact on future operating costs; and

The department level budget submissions prepared by each service area, and prioritized in consultation with the Asset Management Team, will be brought forward for Council's review as part of the staff-proposed budget.

Finance Staff will be involved in asset management planning to facilitate the bridge between:

- The financial strategy developed in the asset management plan;

- The budget submissions of each service area; and
- The overall budgeting process.

Scope of Application

Capitalization Threshold is defined as the value above which assets are capitalized and reported in the financial statements. Capitalization thresholds are defined within the Municipality's capital asset policies. The *Strategic Asset Management Policy* applies to all assets whose role in service delivery requires deliberate management as well as contracts and agreements with other parties related to municipal infrastructure. 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. This may include more assets than what is included for financial reporting purposes.

Climate Change

Climate change will be considered as part of the Municipality's risk management approach embedded in local asset management planning methods. This approach will balance the potential cost of vulnerabilities to climate change impacts and other risks with the cost of reducing these vulnerabilities. The balance will be struck in the levels of service delivered through operations, maintenance schedules, disaster response plans, contingency funding, and capital investments. The asset management plan will review the hazards and risks created by climate change for its impact on an asset's lifecycle and provide recommendations for the monitoring, review and actions required. The Municipality's contribution to climate change through greenhouse gas emissions will be mitigated in accordance with the 17 strategies outlined within the Municipality's Community Climate Action Plan and financial capacity.

Land Use Planning

Asset management planning will be aligned with the Municipality's Official Plan and Zoning By-law. The asset management plans will reflect how the community is projected to change and the related asset impacts. The Municipality will achieve this with the following:

- Those responsible for managing services impacted by development or redevelopment will:
 - Be consulted while the Official Plan and Zoning By-law is being prepared;
 - Provide input to the analysis of future servicing costs; and
 - Provide written comment about the financial viability of development as it pertains to the service they manage.

Methods, assumptions, and data used in the selection of development or redevelopment initiatives documented in the Official Plan and Zoning By-law will be available in support of the production of asset management plans.