

**Report from** Financial Management Services, Director

**Date of Report:** April 10, 2019

**Date of Meeting:** May 22, 2019

**Report Number:** FMS-B016-2019

**File:** 10.57.1

**Subject:** Strategic Asset Management Policy

## Recommendation

That the Strategic Asset Management Policy, attached as Appendix 2, be approved; and

That once approved by City Council, the Strategic Asset Management Policy be made available to the public via the City's website.

## Summary

The Strategic Asset Management Policy (Policy) included as Appendix 2 is being presented for Council's approval and subsequent publishing, to meet the first legislated requirement within [Provincial Regulation 588/17: Asset Management Planning for Municipal Infrastructure Regulation \(O.Reg588/17\)](#) (linked here; copies available upon request). The Policy sets out processes for alignment between asset management, corporate strategy and planning and budgeting. It also codifies guiding principles, and accountabilities for asset management. The adoption of this Policy confirms a framework for Corporate Asset Management that supports a more comprehensive and coordinated approach to sustainable Asset Management and related service delivery.

## Background

The City's stewardship of varied and complex assets with an estimated replacement value of \$4.6 billion directly impacts the quality of life enjoyed in St Catharines. These assets including water, wastewater, drainage systems, transportation networks, buildings, recreational facilities and green spaces, which require ongoing management.

Corporate Asset Management (CAM) is the coordinated activities across the Corporation to optimize value from its assets over all stages of the assets' life cycle. The asset life cycle includes planning, acquisition, operation and maintenance and retirement. Asset optimization requires balancing costs, risk and opportunities and the level of service provided to customers.

Within the context of municipalities being the steward of the majority of public infrastructure in Canada, coupled with significant infrastructure deficits, the Province has passed legislation requiring more emphasis on CAM in Municipal government. O. Reg. 588/17 is a progression of the Municipal Infrastructure Strategy launched in

2012 and the Infrastructure for Jobs and Prosperity Act of 2015. It expands asset management requirements beyond the preparation of Asset Management Plans (AMP), which the City provided in 2013 to comply with earlier legislation. As outlined in Appendix 1, O.Reg. 588/17 has numerous requirements that span the next six years.

The Asset Management Working Group (AMWG), comprising key City staff from a variety of disciplines, was formed in 2018, and has been tasked with complying with the new regulations and furthering CAM. Other municipalities have also been developing their own Policies to meet the legislated deadline, so content and approaches have been shared. Provincially-funded resources, including the Municipal Finance Officers' Association of Ontario Strategic Asset Management Policy Toolkit, were also utilized in the drafting of the City's Policy. Senior management was also engaged throughout the process so the City could develop a Policy that fits the City of St. Catharines.

## Report

The Policy addresses alignment of CAM with other corporate strategies, outlines guiding principles to inform Asset Management (AM) decisions, highlights the relationship between CAM and financial plans, and identifies the key roles and responsibilities for CAM.

The Policy applies to all operational areas under the authority of St. Catharines City Council. This includes all the City's operational departments, St Catharines Public Library Board, FirstOntario Performing Arts Centre (PAC) and St. Catharines Transit Commission. Niagara Airport Commission and St. Catharines Hydro Inc. are excluded from the scope of the Policy, as these entities operate within different legal, governance and business environments from the City.

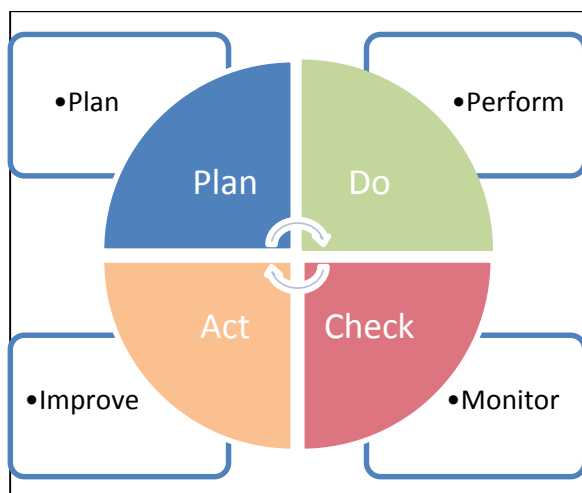
CAM and AMPs focus on assets with the highest contributions to the provision of services to the community, or significant impacts in the event of asset failure.

The Policy identifies how the AM will be aligned to the City's Strategic Plan and Development Plans. St. Catharine's ability to achieve and maintain its four pillars of sustainability is directly impacted by its CAM. For example:

- **Economic sustainability** is reliant upon the optimization of the capital infrastructure and the associated funding, particularly debt.
- **Social sustainability** is impacted by the provision of infrastructure that supports complete streets and neighborhoods.
- **Environmental sustainability** is supported through the protection of the natural environment and effective responses to climate change.
- **Cultural Sustainability** is encouraged by the provision and maintenance of infrastructure that supports the creative sector, and our heritage and history.

The guiding principles set out in the Policy provide a consistent approach to decision making for asset planning and investments, and also comply with O. Reg. 588/17.

**Figure 1 Continual Improvement Process**



Several of the Policy Guiding Principles speak directly to the specific concepts within the definition of CAM, those being customer focus, service-based, risk-based, evidence-based and value-based. The principle requiring the City to be forward looking and continually evolving is consistent with the long-term nature of many assets, combined with our ever-evolving society, technology and environment. The City's CAM will continue to mature through the Continual Improvement Process shown in Figure 1.

The Policy includes a section that addresses the integration between AMPs and budgets and financial plans. The most value is achieved from an AMP when it is reflected in the annual budget and infrastructure investment decisions. Referencing the continual improvement model above, an AMP is within the planning phase. Planned spending included in the budgets enables movement into performance phase (as shown above in Figure 1).

The success of CAM requires that key roles and responsibilities are fulfilled and these have been identified in the Policy. Council within its governance role, acting on behalf of the citizens, is responsible for setting the level of services delivered, which includes consideration of the cost of service provision and associated risks. Council is the final decision maker on all matters related to CAM, approving strategy, plans and budgets. The Chief Administrative Officer or their designate holds the role of Executive Lead for CAM and is responsible for maintaining compliance and providing direction that demonstrates commitment to the success of and continued improvement of CAM. Other senior staff are responsible for supporting the Executive Lead in fulfilling their role and the development of CAM, including the development of AMPs and other information necessary to inform Council decisions.

The Policy also addresses public engagement and climate change as required by O. Reg. 588/17. The City will provide opportunities for customers and stakeholders to provide input on asset management planning. The policy statements around climate change focus on both climate change mitigation and adaption, while considering the cost of implementing these strategies.

The Policy requires Council to complete an annual update on the status of AM at the City commencing no later than 2021. Staff will also provide a status report in mid-2020.

## **Financial Implications**

Based on recent reporting requirements, continued capital funding is expected to be contingent upon demonstrated growth in Asset Management practice including the development of Asset Management Plans. To date, both FCM grant and Federal Gas Tax funding require reporting on the state of Asset Management Systems and practices and its continuing development.

While the adoption of the Policy has no specific financial requirements, it will result in a clearer alignment between CAM and financial budgets and plans. It is expected that as Asset Management Plans are further implemented, significant ongoing funding will be required to close the annual infrastructure gap.

## **Relationship to Strategic Plan**

The adoption of the Policy will result in clearer linkages between CAM and the Strategic Plan. The recommendation specifically supports the following goals:

### **Economic Stability:**

Goal 2: Strive for the highest quality of life for all citizens

Action 2.4 - Optimize capital infrastructure through effective asset management and sustainable investment.

## **Conclusion**

The adoption of this policy will result in greater emphasis on CAM and clearer roles and responsibilities for CAM. Increasing the integration between planning for asset management and strategic and financial planning will support the achievement of the City's mission to provide quality municipal services to enhance social fabric, environmental sustainability, and cultural vitality, contributing to the economic prosperity in our community. In addition to meeting ongoing legislated requirements included in O. Reg. 588/17, the Policy provides overarching direction and guidance to the City to help ensure that it is doing the right work on the right assets at the right time.

## **Notification**

This policy will be provided on the City's website to satisfy the O. Reg. 588/17 requirement for publication of the policy. Notification should also be given to the St. Catharines Public Library Board, the St. Catharines Transit Commission and the FirstOntario Performing Arts Centre Board

### **Prepared and Submitted by:**

Anne Tourigny Financial Management Services, Corporate Asset Manager;

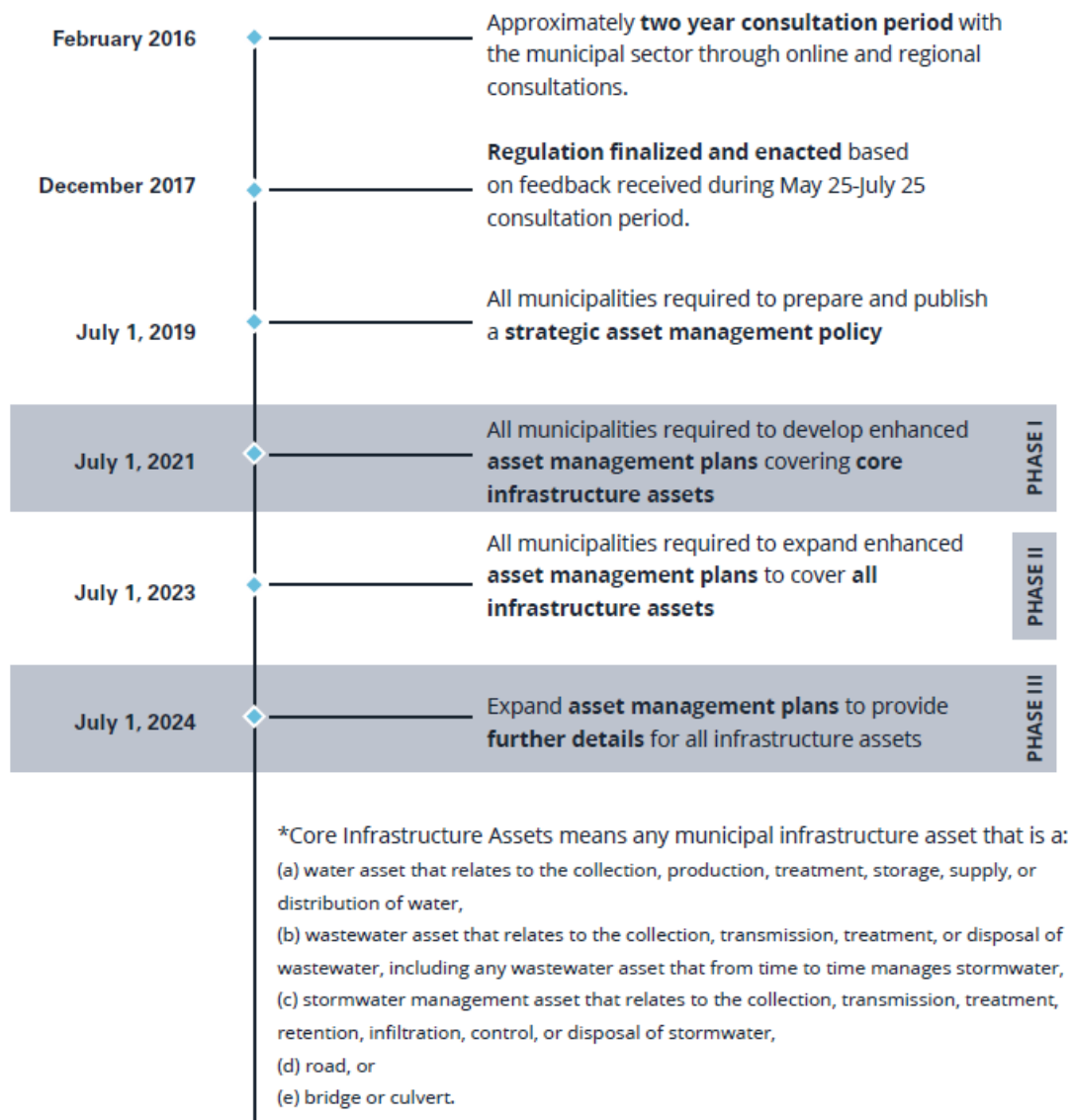
**Approved by:**

David Oakes, Deputy Chief Administrative Officer;  
Kristine Douglas, Director of Financial Management Services / City Treasurer;  
Anthony Martuccio, Acting Director of Transportation and Environmental Services;  
Phil Cristi, Director of Parks, Recreation and Culture Services;  
Maggie Riopelle, Acting Manager of Corporate Communications

**Appendices:**

- Appendix 1 – Timeline for Provincial Regulation 588/17: Asset Management Planning for Municipal Infrastructure Regulation
- Appendix 2 – Strategic Asset Management Policy

## Timeline for Provincial Regulation 588/17: Asset Management Planning for Municipal Infrastructure Regulation



Source: *Strategic Asset Management Policy Toolkit* - Municipal Finance Officers Association (MFOA), 2018 page 11

**Subject:** Strategic Asset Management Policy

**Prepared by:** Financial Management Services

**Approved by:** Deputy CAO, David Oakes

**Issue Date:** April 10, 2019

**Policy #:** FMS-001-2019

**Review Date:** April 10, 2024

**Revision Date:**

## Policy:

This policy expresses the commitment of the City of St. Catharines to undertake Corporate Asset Management (CAM) in a manner which supports the City's mission to provide quality municipal services that enhance our social fabric, environmental sustainability, and cultural vitality; contributing to economic prosperity in our community.

## Purpose:

The purpose of the Strategic Asset Management Policy (Policy) is to:

1. Outline the requirement for alignment between the City's Strategic Plans and Corporate Asset Management;
2. Identify the goals of Corporate Asset Management;
3. Set out factors the City will use to prioritize planning and investing in Corporate Asset Management;
4. Highlight the requirement for the integration of Asset Management Plans into financial budgets and plans;
5. Identify the key roles and responsibilities for Corporate Asset Management;
6. Inform how other matters including, public engagement, climate change, communication, reporting and review will be considered within Corporate Asset Management.

## Scope:

The Strategic Asset Management Policy applies to all operational areas under the direct authority of St. Catharines City Council that contribute to service delivery using City-owned infrastructure or assets that require deliberate management. This includes the City's controlled authorities, boards, or commissions within St. Catharines' boundaries.

Assets covered by this policy include but are not limited to the transportation network, sewer and drainage networks, water distribution systems, buildings, facilities, vehicles/fleet, information technology, land and land improvements.

Corporate Asset Management focuses on current costs and replacement values and requires applying professional judgement when determining which assets to focus and report on. The factors considered include the assets' contribution to the provision of services to the community, the impact of asset failure and asset value. In contrast, reporting on these type of assets for financial reporting is based on dollar value thresholds and utilizes historical cost (in compliance with Public Sector Accounting Standards, Handbook section 3150 - Tangible Capital Assets).

## Definitions

**Asset** is a City owned physical item requiring deliberate management that has value to the City because it is used in the delivery of the goods and services to its customers and stakeholders. Assets include but are not limited to the transportation infrastructure, sewer and drainage networks, water distribution systems, buildings, facilities, vehicles / fleet, information technology, land and land improvements.

**Asset Life Cycle** are the stages involved in the management of the asset. The stages are planning, acquisition, operation and maintenance, and retirement. Each stage of the asset life cycle has identifiable costs.

**Asset Management Plan (AMP)** is the document that specifies for a defined set of Assets, the activities, resources, and timescales required to achieve the City's objectives for the specified assets, including levels of service and complies with O. Reg. 588/17. AMPs will also include Council approved updates to a Plan.

**Asset Management System** is a set of interrelated and interacting elements which includes policy, strategy, plans, processes, data, and software utilized to achieve CAM objectives.

**Corporate Asset Management (CAM)** is the City's coordinated activities across the Corporation employing the asset management system, to optimize the value from its assets, over the asset life cycle. The optimization of asset value requires balancing costs, risk, opportunities, and levels of service, considering all related assets rather than each asset in isolation.

**Level of Service** is a defined service standard for a particular activity or service delivered by the City. Service levels can relate to (but are not limited to) quality, quantity, capacity, cost, reliability, availability, responsiveness, safety, customer satisfaction, and environmental acceptability.

**O. Reg. 588/17** is the Ontario Regulation 588/17 Asset Management Planning for Municipal Infrastructure, made under the Infrastructure for Jobs and Prosperity Act, 2015.



# Policy Statements

## A. Strategic Alignment

### **1. Corporate Asset Management shall be aligned with and support Corporate strategy**

The City's overarching strategy is laid out in the following documents:

- The St. Catharines Strategic Plan and the four pillars of sustainability.
- The City's Garden City Plan and other future Council approved development plans which in turn reflects the direction provided by the Comprehensive Regional Growth Plans issued by the Province and Niagara Region, which provide the prescribed population growth and related development strategies/mandates.

### **2. The City will create alignment between Corporate strategic plans and Asset Management Planning**

- All future master plans, will consider direction provided in the policy, incorporate the applicable portions of AMPs, and identify the level of consistency between plans.
- Likewise, AMPs will reference Council approved strategic plans and identify the level of consistency between the plans.

## B. Goals

The objective of the policy is to provide a framework for:

1. Implementing Corporate wide, a consistent approach to CAM, which balances costs, risk, opportunities, and level of service
2. Integrating CAM and AMPs within strategic plans and budgets
3. Providing guidance to staff responsible for CAM and AMPs
4. Supporting transparency and accountability to customers and stakeholders and providing for community input through public engagement
5. Addressing climate change within CAM

This policy meets all the requirements outlined in O. Reg. 588/17.

## C. Principles

The City will adopt the following guiding principles in managing its assets:

- 1. Customer Focused:** The City will apply CAM including defined levels of service to promote confidence of customers in how the City assets are managed, core services are provided and community wellbeing is fostered for all.

2. **Forward looking:** The City will consider current and long-term needs when making decisions and provisions to better enable its assets to meet future demands, including changing demographics and populations, customer expectations, legislative requirements, technology, and environmental factors (climate change).
3. **Service based:** The City will take a holistic approach to CAM both in assessing levels of service, prioritizing capital spending, and maintaining assets. When assessing levels of service provided by its assets, the City will take into account all related assets rather than each asset in isolation.
4. **Evidence based:** The City's CAM will be based on relevant and reliable information that will form the basis of transparent decision making aimed at reducing asset life cycle costs.
5. **Risk based:** The City will take a risk-based approach to prioritizing projects for the acquisition and renewal of assets. Risk will be considered in relation to the likelihood of the asset failing and the impact of asset failure. Asset failures that may impact health and safety shall be ranked as the highest priority for investment.
6. **Value based and affordable:** The City will deliver the greatest value from its investment in assets respecting available funding and its customers' ability to pay.
7. **Continually evolving:** CAM and asset management systems will continue to evolve and improve through ongoing evaluation of best practices, innovation, and consideration of future directions, regulations and requirements.
8. **Cooperation and Coordination with other governmental plans and strategies:** The City will consider strategies, policies and plans of other governmental entities established under an act or otherwise, to promote integration and provide efficient and effective service delivery for all of our customers and stakeholders.

#### **D. Integration between Asset Management Plans and Financial Plans and Budgets**

1. The City will integrate the results of its AMPs into its capital and operating budgets, financial planning, and specific capital investment decisions. The budgets will consider forecast spending needs, identified risks, opportunities, levels of service, and provide commentary on how the proposed budgets impacts current AMPs and progress to date.
2. AMPs will be completed by multi-disciplinary teams, including representation from Transportation and Environmental Services, Financial Management Services and other appropriate departments to support the validation of

assumptions, costs, revenues, and financial strategies included within the plan. AMPs will reference and align to community development plans, as outlined by the provincial, regional and municipal development plans.

3. Financial plans, budgets and AMPs for the City's water and wastewater assets will also be aligned in a manner that is consistent with items 1 and 2 above.

## **E. Roles and Responsibilities**

Effective ongoing CAM requires a commitment by key City personnel. The personnel in identified roles are Council, Chief Administrative Officer, Asset Management Working Group, Corporate Asset Manager, and Departmental Directors, who each undertake different activities and assume key responsibilities. The related roles and responsibilities are outlined below.

**Council** is entrusted with the responsibility of acting on behalf of the citizens to set the level of services delivered, considered in conjunction with the cost of service provision and associated risks. Having a stewardship responsibility for a diverse portfolio of assets, Council is the final decision maker on all matters related to CAM at the City, approving strategy, plans and budgets.

As required by O. Reg. 588/17, Council shall fulfil specific responsibilities as listed below:

- Approval of the City's Strategic Asset Management Policy;
- Approval of the City's AMPs and subsequent to initial AMP approval, AMP updates at least every five years;
- Subsequent to initial AMPs approval, complete an annual review on or before July 1 of each year. The annual reviews will address the City's progress in implementing AMPs, factors impeding AMPs implementation, and strategies to address impediments. The review will be completed in consultation with key administration as determined by the CAO;
- Providing support for ongoing improvement and implementation of AMPs in a manner that demonstrates a commitment to its success.

**The Chief Administrative Officer (CAO)** or their designate holds the role of Executive Lead for CAM and is responsible for:

- maintaining compliance with related policy, regulations, legislation, including endorsement of AMPs;
- providing direction that demonstrates commitment to the success of and continued improvement of CAM, AMPs and Asset Management Systems.

**Asset Management Working Group (AMWG)** consists of key management from multiple departments (see Appendix 1) is responsible for:

- supporting the Executive Lead in fulfilling their role;
- providing corporate collaboration to guide CAM, AMPs, Asset Management Systems;
- championing continuous improvement within their respective service areas and the City.

**The Corporate Asset Manager** is responsible for:

- supporting the AMWG in their roles and responsibilities and supports the development of the City's Asset Management System;
- coordinating with departments to establish corporate work plans and priorities to meet legislated requirements and respond to Council's direction.

**Departmental Directors** are responsible for:

- overseeing asset management activities that fall within their service area;
- contributing in a manner that supports a multi-disciplinary approach to CAM and promotes its ongoing success;
- liaising with members of the AMWG to ensure they are supporting CAM and that departmental planning is aligned to AMPs.

While the actual position titles listed above may vary over time and between organizations, equivalent positions will hold the same level of responsibility for asset management.

## **F. Other Matters**

### **1. Engagement**

For the City to cost effectively provide the appropriate level of service to its customers and stakeholders, it needs to consider both current and future needs and incorporate these perspectives into its AMPs. Accordingly, the City will provide opportunities for the customers and stakeholders to provide input on asset management planning.

### **2. Climate Change**

The City will consider the impacts of climate change upon its assets, particularly how climate change may impact the operation of assets, levels of service, asset life cycle management, and the associated costs related to these areas. The City will balance the risks and vulnerabilities to climate change with the cost of reducing these vulnerabilities. The climate adaption strategies responding to these vulnerabilities will include disaster planning, emergency response plans, and financial contingency planning.

The City's CAM will consider the impacts on greenhouse gas emissions in conjunction with financial capacity and stakeholder support.

The City's AMPs will incorporate a sustainable approach to climate change mitigation and adaption considering the cost of implementing these strategies.

## **APPENDIX 1**

### **Core Working Group Members**

The core working group will consist of the following eight representatives:

Director Transportation and Environmental Services and City Engineer (TES)

Director of Financial Management Services and City Treasurer (FMS)

Director of Parks, Recreation and Culture Services (PRCS)

Manager of Engineering and Construction (TES)

Senior Manager Facilities and Energy (TES)

Manager of Accounting and Payroll (FMS)

Manager of Corporate Communications (Office of CAO)

Corporate Asset Manager (FMS)

### **Additional Members (Contributing as requested)**

Director of Planning and Building Services (PBS)

Director of Fire and Emergency Services and Fire Chief (FEMS)

Director of Municipal Works (MW)

Senior Manager of Information Technology, (CSS)

Human Resources Consultant, Accessibility, (CSS)

Manager, Geomatics (TES)

Senior Operations Manager (Fleet) (TES)