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**TO:** GENERAL COMMITTEE

**SUBJECT:** STRATEGIC ASSET MANAGEMENT POLICY

**WARD:** ALL

**PREPARED BY AND  
KEY CONTACT:** K. OAKLEY, P. ENG.  
MANAGER OF PLANNING & ASSET MANAGEMENT,  
EXTENSION #4451

**SUBMITTED BY:** B. ARANIYASUNDARAN, P. ENG., PMP, DIRECTOR OF ENGINEERING

**GENERAL MANAGER  
APPROVAL:** A. BOURRIE, RPP  
GENERAL MANAGER OF INFRASTRUCTURE & GROWTH  
MANAGEMENT (ACTING)

**CHIEF ADMINISTRATIVE  
OFFICER APPROVAL:** M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

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#### **RECOMMENDED MOTION**

1. That the Strategic Asset Management Policy attached as Appendix "A" to Staff Report ENG007-19, be approved.
2. That the Director of Engineering or delegate be authorized to make minor updates to the Strategic Asset Management Policy in order to remain compliant with other City Policies and legislative changes.

#### **PURPOSE & BACKGROUND**

3. The Province of Ontario's *Infrastructure for Jobs and Prosperity Act, 2015 (IIPA)* was enacted with the purpose of "establish[ing] mechanisms to encourage principled, evidence-based and strategic long-term infrastructure planning that supports job creation and training opportunities, economic growth and protection of the environment, and incorporate design excellence into infrastructure planning". The IIPA applies to the province but also to the broader public sector, including municipalities.
4. The first regulation made under the IIPA was *Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure*. O. Reg 588/17 came into effect in January 2018 and prescribes the following milestones for Ontario municipalities:
  - a. Strategic Asset Management Policy: Ontario municipalities are required to prepare and adopt a Strategic Asset Management Policy by July 1, 2019;
  - b. AMP Phase 1: Ontario municipalities must have an asset management plan (AMP) for all core municipal infrastructure assets by July 1, 2021. The Phase 1 AMPs must include inventory of assets, current level of service measured by standard metrics and total costs to maintain current level of service. Core municipal infrastructure includes water, wastewater, stormwater, road, bridge and culvert assets;
  - c. AMP Phase 2: All other municipal infrastructure assets must be included in AMPs prepared in accordance with Phase 1 requirements by July 1, 2023;

- d. AMP Phase 3: In addition, by July 1, 2024 AMPs must include proposed future levels of service including a forecast of the proposed performance of each asset category, lifecycle management and financial strategy for a ten year period.
5. There are a number of review, update and reporting requirements associated with the provincial regulation and the policy. Once it is in place, municipalities are required to review and if necessary update their Strategic Asset Management Policy at least every five (5) years.
6. The purpose of this report is to seek Council endorsement of a Strategic Asset Management Policy for the City of Barrie, in part, to comply with the July 1, 2019 milestone set out in O. Reg. 588/17.

## **ANALYSIS**

7. The ultimate goal of asset management is to ensure the City's financial sustainability by making informed investment decisions that deliver City services at the desired level while minimizing costs and maintaining an acceptable level of risk.
8. The purpose of an asset management policy is to formalize the City's direction, functions, practices and responsibilities associated with the management of all capital assets used to support delivery of the City's services. This includes outlining the roles and responsibilities for various City staff and members of Council.
9. The City of Barrie (Barrie) has been implementing various formal asset management initiatives since 2008, including development of an Asset Management Strategy and the first set of asset management plans in 2010. While the City has previously developed a Corporate Asset Management Policy, Council endorsement wasn't sought, and that policy is not compliant with the prescriptive requirements of the new provincial regulation. In general the City's initial efforts towards asset management in 2010, and those undertaken since, have aligned with leading practice. O. Reg. 588/17 is also modelled on best practices for asset management, and the City is well positioned to comply with the various regulatory requirements.
10. Section 3. (1) of O. Reg. 588/17 prescribes the content of the required Strategic Asset Management Policy. In response, the Municipal Finance Officers Association (MFOA) developed a policy preparation toolkit for municipalities. The City's proposed policy, attached as Appendix A, was prepared using this toolkit and as such, the policy aligns with the requirements of O. Reg. 588/17, which refers back to specific sections of the IJPA. Preparation of the policy included senior staff from across the corporation, in particular the members of the City's Asset Management Steering Committee.
11. The MFOA toolkit groups the specific policy requirements of the regulation into eight elements which make up the core content of the City's proposed policy:
  - a. Guiding principles;
  - b. Strategic alignment;
  - c. Capital thresholds;
  - d. Budgeting;
  - e. Community planning;
  - f. Climate change;
  - g. Stakeholder engagement; and
  - h. Governance.



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12. The City's guiding principles propose that asset management practices will include alignment with fundamentals of the International Standard ISO 55000 Asset Management series, as well as being service focused, value based and affordable, and risk based.
  13. The policy describes how asset management practices and processes will consider budgeting, community planning, climate change and engagement.
  14. Governance is a key section of the policy. Policy statements outline the commitments of Council, senior staff and various departments to implementing asset management initiatives and also the reporting and monitoring that is required for regulatory compliance.
  15. While the City has been engaged in asset management activities for the better part of a decade, not all processes are documented or consistently carried out. The policy will help guide staff to ensure alignment with best practices and consistent application, but only if processes are documented and communicated. Implementation of various policy components will be governed by resource availability. Alternatively, additional resources will be required to implement more quickly.
  16. Subsequent compliance milestones associated with O. Reg. 588/17, related to the completion of asset management plans. The Asset Management Steering Committee, is guiding the work to comply with these requirements. Asset management plans for stormwater and wastewater assets are planned for 2019-2020.

### **ENVIRONMENTAL MATTERS**

17. The proposed policy speaks to climate change in terms of resiliency, adaptation and mitigation. It explicitly notes that climate change and community resiliency shall be considered as part of the City's risk management strategy related to asset management planning, and that as part of its asset management planning, the City will consider mitigation approaches to climate change. The policy requires the City to make informed decisions regarding infrastructure, including potential environmental impacts.

### **ALTERNATIVES**

18. There is one alternative available for consideration by General Committee:

#### **Alternative #1**

General Committee could make changes to the proposed policy, prior to endorsing it.

Although this alternative is available, it is not recommended. The proposed policy is aligned with the requirements of O. Reg. 588/17 and the Infrastructure For Jobs And Prosperity Act, 2015. Failing to comply with the regulation and the IJPA would directly affect the City's ability to secure federal and provincial grants used to help fund capital projects. Furthermore, by adopting the proposed policy, Council will be committing to a more effective, innovative and sustainable approach to managing assets City-wide.

### **FINANCIAL**

19. The regulatory requirements associated with the Strategic Asset Management Policy are closely tied to financial planning and reporting obligations. Moving forward it will be important that long range financial planning exercises, annual business plans and financial policy updates are coordinated with the requirements of the Strategic Asset Management Policy and other Asset Management initiatives such as asset management plans.

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20. Most federal and provincial grant programs, including the Federal Gas Tax Funding already require that municipalities have asset management plans in place, to be eligible to receive grant funding. It is anticipated that future provincial grants in Ontario will be subject to compliance with O. Reg. 588/17 and therefore it is critical that the City move forward with a Strategic Asset Management Policy as part of that compliance.

**LINKAGE TO 2018-2022 STRATEGIC PLAN**

21. The recommendation(s) included in this Staff Report support the following goals identified in the 2018-2022 Strategic Plan:
- ☒ Growing Our Economy
  - ☒ Fostering a Safe and Healthy City
  - ☒ Building Strong Neighbourhoods
  - ☒ Offering Innovation and Citizen Driven Services
  - ☒ Improving the Ability to Get Around Barrie
22. Endorsement of a Strategic Asset Management Strategy is linked to all 5 goals in Council's Strategic Plan. Focusing on financial sustainability and provision of reliable service levels will support economic growth. A foundation of asset management planning is to balance desired service levels with acceptable risk and affordability; working towards this balance will ensure that the services desired by citizens are prioritized. A focus on maintaining existing and building new critical infrastructure as the City grows, will lead to strong neighborhoods. Using a risk based approach to asset management planning will ensure provision of safe drinking water, sanitation and flood mitigation projects, such that health and safety are paramount.

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## APPENDIX "A"

### STRATEGIC ASSET MANAGEMENT POLICY

Policy Category/Section: F06-Assets

Approval Date and Motion:

Effective Date: June 4, 2019

Last review date:

#### 1. Policy Statement:

The City's vision for asset management planning is to effectively manage the City's capital assets to ensure community sustainability and a high quality of life. The ultimate goal of asset management is to ensure the City's financial sustainability by making informed investment decisions that deliver City services at the desired level while minimizing costs and maintaining an acceptable level of risk.

#### 2. Purpose/Application:

The purpose of an asset management policy is to formalize the City's direction, functions, practices and responsibilities associated with the management of all capital assets used to support delivery of the City's services.

This includes:

- Outlining the organizational context including the importance of employing asset management principles to the management of assets to support the City's vision and goals.
- Establishing the broad framework for undertaking asset management in a structured and coordinated way across the City to deliver services.
- Communicating and ensuring a common understanding of key responsibilities and review processes for asset management.

#### 3. Definition(s):

**Capital Assets:** Assets that are held for use in the production or supply of goods and services, rental, for administrative purposes or development, construction, maintenance or repair of other capital assets; have useful economic lives extending beyond an accounting period; are to be used on a continuing basis; and are not for sale in the ordinary course of operations.

**Asset Management Plan:** A strategic document that states how a group of assets is to be managed over a period of time. The plan describes the characteristics and condition of infrastructure assets, the levels of service expected from them, planned actions to ensure the assets are providing the expected level of service, and financing strategies to implement the planned actions.

#### 4. Specific Policy Requirements:

##### 4.1 Guiding Principles

Asset management practices will be aligned with the International Standard ISO 55000 Asset Management series and incorporate the principles of balancing risk, cost and performance. The availability and sources of funding affect the level of asset performance that can be achieved and the risks associated with service provision.

ISO 55000 outlines four asset management fundamentals:

- Value: Assets exist to provide value to the organization and its stakeholders;
- Alignment: Asset management translates the organizational objectives into technical and financial decisions, plans and activities;
- Leadership: Leadership and workplace culture are determinants of realization of value; and

- Assurance: Asset management gives assurance that assets will fulfill their required purpose.

The following principles will guide the City as it aims to achieve its asset management vision:

Service Focused: Plan and manage the performance of assets to consistently meet service levels agreed between Council, customers and other stakeholders.

- Provide continuous core public services, including those provided by broader public sector entities, such as health care and education;
- Take a long-term view while considering demographic and economic trends in the region;
- Make evidence based and transparent investment decisions, and, subject to any restrictions or prohibitions under an Act or otherwise by law on the collection, use or disclosure of information;
  - Make investment decisions respecting infrastructure on the basis of information that is either publicly available or is made available to the public, and
  - Share information with implications for infrastructure planning between other levels of government and broader public sector entities, and factor this information into investment decisions respecting infrastructure.
- Consider, where relevant and appropriate, 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; and
- 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 (Ontario) job creation and training opportunities (including for apprentices, within the meaning of section 9 of the Infrastructure for Jobs and Prosperity Act, 2015), improvement of public space within the community, and promoting accessibility for persons with disabilities.

Value Based and Affordable: Identify the best combination of investments that deliver the greatest value while respecting funding, resource, and timing constraints including customers' willingness and ability to pay.

- Take into account any applicable fiscal plans or budgets, such as those released under the Fiscal Transparency and Accountability Act, 2004 or adopted under Part VII of the Municipal Act, 2001;
- Create opportunities to make use of innovative technologies, services and practices, particularly where doing so would utilize technology, techniques, and practices developed in Ontario; and
- Promote economic competitiveness, productivity, job creation, and training opportunities.

Risk Based: Use a formal risk framework to make better informed asset management decisions considering the risks to the City's objectives, while understanding the likely outcomes and results of the actions, based on the following:

- Identify infrastructure priorities which will drive the City's investment decisions;
- Minimize the impact of infrastructure on the environment by respecting and helping to maintain ecological and biological diversity, augmenting resilience to the effects of climate change, and endeavouring to make use of acceptable recycled aggregates; and
- Protect the health and safety of workers involved in the construction and maintenance of the City's infrastructure assets.





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#### **4.2 Strategic Alignment**

The City's vision of asset management planning requires alignment of many strategic goals, policies and plans at any given time. To achieve its vision, the City will integrate asset management planning with other municipal processes and documents including Council's strategic priorities, financial policies, land use policies and by-laws, and master plans.

#### **4.3 Capital Thresholds**

The City's Tangible Capital Asset (TCA) Policy and related thresholds will be utilized in determining which assets are to be included in the asset management plans. Any divergence from the TCA policy will be disclosed and explained within the related asset management plans.

#### **4.4 Budgeting**

The City's Financial Policies Framework will require asset management plans to be integrated into the preparation of annual business plans and budgets, and long range financial plans. This will include utilizing the financial strategy section of the asset management plans to prioritize both short term and long term investment needs in closing infrastructure gaps.

By utilizing a cross-functional team that includes finance, asset management planning and concerned service areas, it is the intention that all asset management plans will align with all financial plans through the use of common data sources and analytical methods to the best extent possible. Relevant financial plans include but are not limited to:

- Financial plans related to water capital assets as required under the Safe Drinking Water Act, 2002;
- Financial plans related to other service areas such as wastewater, transit, and parking;
- Development Charge Background Study and By-law and any subsequent updates; and
- City-wide long range financial plan and subsequent updates.

#### **4.5 Community Planning**

The combination of good planning principles, lifecycle analysis and financial sustainability principles will be the driver in the design and selection of community development or redevelopment that requires new assets, or enhancement of existing assets, to take place. Parties involved in the development of the asset management plans will reference the direction established in the Official Plan as well as the methods, assumptions, and data used in its development. The aim of cross-referencing these plans is to ensure that development and redevelopment occur within the City's means through the understanding and consideration of current and future asset and operational needs.

#### **4.6 Climate Change**

Climate change and community resiliency shall be considered as part of the City's risk management strategy related to asset management planning. This strategy will balance the potential cost of vulnerabilities to climate change impacts and other risks against the costs of reducing these vulnerabilities. The balance will be struck in the levels of service delivered through operations, maintenance schedules, emergency plans, contingency funding and capital investments. As part of its asset management planning, the City will consider mitigation approaches to climate change.

#### **4.7 Stakeholder Engagement**

The City strives to efficiently provide its various stakeholders with the municipal services they require within the bounds of regulatory requirements, the built environment, the natural environment and the social context of the City. To achieve this goal, the City will seek to understand the needs of current stakeholders and consider the needs of future generations, and incorporate these perspectives into asset management plans. The City recognizes the various stakeholders as an integral part of the asset management approach. Accordingly, the City will:

- Ensure appropriate information is available to stakeholders and facilitate an understanding of the key information;
- Provide opportunities for residents and other stakeholders served by the City to provide input in asset management planning; and
- Promote the coordination of asset management planning with other infrastructure asset owning agencies such as municipal bodies and regulated utilities.

#### **4.8 Governance**

The policy requires the commitment and active participation of the following key stakeholders within the City's organizational structure:

##### Council

- Approves, by resolution, the asset management policy, and its updates, as necessary, at least every five years;
- Approves, by resolution, the asset management plan and its updates at least every five years;
- Approves, by resolution, the annual reviews of asset management planning improvement progress on or before July 1 of every year; and
- Supports the ongoing efforts to continuously improve and implement the asset management plans.

##### Chief Administrative Officer and Executive Management Team

- Maintains compliance with the asset management policy and provincial asset management regulation.

##### Executive Lead – General Manager of Infrastructure and Growth Management

- Endorses the asset management policy, and its updates, as necessary, at least every five years;
- Endorses the asset management plan and its updates at least every five years;
- Endorses the annual reviews of asset management planning improvement progress before July 1 of every year;
- Oversees the implementation of activities, strategies, initiatives within the mandate of the Asset Management Steering Committee; and
- Coordinates and prepares status updates to the Executive Management Team.

##### Asset Management Steering Committee (AMSC)

- Facilitates integration and alignment with other corporate initiatives (e.g. Development Charges By-law, Official Plan, Water Financial Report);
- Ensures the City achieves regulatory compliance;
- Provides overall guidance and direction for corporate-wide asset management continuous improvement;
- Ensures that adequate resources are available for asset management;
- Leads, champions and monitors communication and change for asset management continuous improvement; and
- Reviews, revises and provides recommendations to the Executive Management Team on the Asset Management Policy, and asset management plan.

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Planning and Asset Management Branch

- Establishes and leads the Asset Management Steering Committee and champions commitment to lifecycle asset management throughout the City including developing and implementing asset management communication and training plans;
- Establishes and leads the City's Asset Management Centre of Excellence and facilitates the adoption of asset management best practices throughout the City;
- Oversees the compiling and recording of asset information to the various asset registers by department leads;
- Reviews and updates the Asset Management Policy, as necessary, at least every five years based on input from department leads;
- Prepares the asset management plan and its updates at least every five years based on input from department leads;
- Conducts annual reviews of asset management planning improvement progress before July 1 of each year that includes progress on ongoing efforts to implement the asset management plans, consideration of the asset management policy, any factors affecting the ability of the City to implement its asset management plans, consultation with department leads and a strategy to address these factors including the adoption of appropriate practices; and
- Provides opportunities for residents and other stakeholders served by the City to provide input in asset management planning.

Finance Department

- Plans for, acquires, implements and maintains accounting procedures and systems relating to financial activities and information to support asset management including the recording, storing and retrieval of current and historical expenditures against assets;
- Develops and recommends Long Term Funding Plans for the City; and
- Prepares the Annual Business Plan and Budget.

Department Leads

- Communicate with staff within their service areas about the asset management system to increase awareness of their role in asset management decision-making, including the value of the activities they are undertaking and the asset information they are providing;
- Continuously improve and adopt appropriate asset management planning practices within their service areas based on corporate guiding strategies and supporting frameworks;
- Coordinate asset management planning with other infrastructure asset owning agencies such as municipal bodies and regulated utilities;
- Provide input to the asset management plan and its updates at least every five years;
- Provide input to and review draft operating and capital programs and budgets for the annual budget; and
- Implement operational plans such as maintenance programs, capital works programs, and asset management improvements in accordance with the approved asset management plan.

**5. Responsibilities:**

Members of Council and officers and employees of the Corporation are required to adhere to this Policy and its governing provisions.

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**6. Rationale and Legislative Authority**

O. Reg. 588/17 requires a municipality to prepare its first strategic asset management policy by July 1, 2019 and to review, and, if necessary, update it at least every five years.

**7. Related Policies, Legislation and By-laws**

- Ontario regulation 588/17 made under the Infrastructure for Jobs and Prosperity Act, 2015
- Development Charges Act, 1997, S.O. 1997, c. 27
- Tangible Capital Asset Policy
- City of Barrie Financial Policies Framework

**8. Department Contact**

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