

AMENDED STRATEGIC ASSET MANAGEMENT POLICY

Date Approved: June 5, 2019

Purpose: The purpose of this policy is to promote a corporate approach to the management of the Corporation's assets to support the delivery of services to the community. It guides staff in the management of corporate assets, including purchase decisions, and decisions about Asset Maintenance, Asset Renewal and Asset Replacement.

Scope: This policy applies to the creation, acquisition, operation, maintenance, rehabilitation and disposal of all of the Corporation's assets.

Objectives: The objective of this policy, together with the Asset Management Plan, is to effectively manage existing and new infrastructure to maximize benefits, reduce risk and provide safe and sustainable Levels of Service to the community.

Governing Principles and Expectations:

1. The Corporation will develop an Asset Management Plan which will cover all - categories of corporate assets and will meet all legislative requirements and reasonable regulatory standards.
2. The Asset Management Plan will align with key principles set out in Schedule "A" to this Policy, which align with Provincial legislation, including Section 3 of the *Infrastructure for Jobs and Prosperity Act, 2015* (S.O. 2015, c. 15) and Ontario's land-use planning framework. This will be achieved through consultation, as well as through lifecycle and financial sustainability analysis.
3. In creating the Asset Management Plan, the Corporation will rely on work already done and data already available through road, bridge and culvert inspections, tangible capital asset registries and budget forecasting.
4. Council and Staff will review the Asset Management Plan on an ongoing basis to check it against performance of the assets in accordance with the Corporation's goals and objectives.
5. The Corporation will continuously improve Asset Management systems and adopt appropriate Asset Management practices. This will be achieved through continuing education of staff and members of Council on best Asset Management practices, and ongoing review and monitoring of the Asset Management Plan. The Asset Management Plan will be considered a "living" document, to be updated continually based on best practices and current research and methodology.
6. The Asset Management Plan will establish Asset Renewal and Asset Replacement strategies through the use of full Lifecycle Cost principles.
7. The Asset Management Plan will include a financial plan to provide for the appropriate level of maintenance of assets to deliver approved Levels of Service and maximize the Useful Life of the assets.

8. The Asset Management Plan will include mechanisms for forecasting the required funding to maintain, replace, renew and/or decommission assets.
9. Council and Staff will consider and incorporate Asset Management into other decision-making by Council, where appropriate.
10. Climate change will be considered as part of the risk management approach embedded in Asset Management methods. This approach will balance the potential cost of vulnerabilities to climate change impact and other risks with the cost of reducing these vulnerabilities. The balance will be struck in the Levels of Service delivered through operations, Asset Maintenance schedules, disaster response plans, contingency funding and capital investments.
11. The Corporation is committed to coordinating Asset Management planning with neighbouring municipalities as it relates to shared assets, such as boundary roads.
12. This Policy applies to all assets whose role in service delivery requires deliberate management by the Corporation. The Corporation will use a service-based (qualitative) perspective when applying this Policy to municipal assets, rather than a monetary value (quantitative). 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. For this reason, the capitalization threshold developed for financial reporting will not be the guide in selecting assets covered by Asset Management planning processes.
13. The Corporation recognizes the importance of stakeholder engagement as an integral component of a comprehensive Asset Management approach. Accordingly, the Corporation will foster informed dialogue with municipal residents and other interested parties using the best available information and engage with them by creating opportunities to provide input into Asset Management.

Strategic Alignment:

The Corporation has developed and adopted the plans and policies listed below:

- The Corporation's Official Plan
- Policies and procedures governing creation and approval of the Corporation's annual budget.
- Reserve Fund Policies.
- User Fee Policies.
- the Tangible Capital Asset Policy
- the Emergency Management Plan
- the Multi-Year Accessibility Plan

The Corporation is working on the following plans, which will be adopted when completed:

- the Economic Development Strategic Plan.
- the Neebing Emergency Services Strategic Plan.
- the Corporate Strategic Plan.

The completed plans and policies, as well as those that are currently under development, were and are being designed to meet legislative requirements and work together to achieve the Corporation's service delivery goals. Spending requirements defined in the budgeting process and in long-term financial planning will reflect the objectives of these plans and policies.

Each of these plans and policies rely to some extent on the physical assets owned by the Corporation and the commitment of staff to ensure their strategic use. This includes the long-term maintenance, repair and replacement of existing assets along with the acquisition of new assets to meet the evolving needs of the Corporation. Therefore, Asset Management planning will not occur in isolation from other municipal goals, plans and policies.

Roles and Responsibilities:

The role of the Executive Lead is to:

- Provide organization-wide leadership in Asset Management practices and concepts.
- Coordinate and track Asset Management program implementation and progress.

The role of the Asset Management Committee is to:

- Provide advice to Council regarding Asset Management decision and implementation strategies
- Monitor progress of ongoing Asset Management planning work and implementation efforts
- Participate in the annual review of the Asset Management Program.
- Review the Asset Management Plan, and provide input to Council for updates at least every five years.

The role of the Council is to:

- Approve by resolution the Asset Management Plan and its updates every five years.
- Conduct an annual review of the Asset Management Program progress on or before July 1st of every year, that includes:
 - Progress on ongoing implementation efforts
 - Consideration of the Asset Management Policy
 - Any factors affecting the ability of the Corporation to implement its Asset Management Plan.
 - Consultation with departmental staff,
 - A strategy to address these factors, including the adoption of appropriate practices.
- Support ongoing efforts to continuously improve and implement the Asset Management Plan.
- Approve this Policy, establishing the Corporation's expectations around the management of the Corporation's assets;

- Establish Levels of Service and set appropriate standards;
- Review recommendations of staff for amendments to the Asset Management Plan and make the appropriate decisions related to those recommendations; and
- Approve the annual budget and any long-term budget forecasts, including funding allocations to meet Levels of Service identified in the Asset Management Plan.

The role of the staff is to:

- Commit to achieving the goals and objectives of the Asset Management Plan;
- Work towards achieving the goals and objectives of the Asset Management Plan;
- Review the plan periodically, identify any issues, and make recommendations to Council on improvements and/or other necessary amendments to the Asset Management Plan for continuous improvement and to reflect current conditions and known variables;
- In consultation with the Asset Management Committee, present an updated Asset Management Plan to Council for approval at least every five years.
- Participate in the annual review of the Asset Management Program's progress and prepare reports for Council.
- Keep asset registries current by updating repair, maintenance and replacement data and periodically confirming mathematical calculations and cost forecasts against performance realities;
- Develop guidelines and practices consistent with the Asset Management Plan; and
- Document Levels of Service and assess asset performance.

Financial Planning and Budgeting:

The Asset Management Program will be an integral part of Council's annual consideration of the Corporation's capital budgets, operating budgets and long-term financial plans.

Departmental staff will reference the Asset Management Plan in order to forecast spending needs, determine progress, identify gaps and prioritize spending needs for the years to be budgeted. Departmental budgets will be reviewed with the Treasurer in preparation for the annual budget.

The Treasurer will be involved in Asset Management planning to facilitate the bridge between the financial strategy within the Asset Management Plan and the overall budgeting process.

Definitions:

- (a) "Asset Maintenance" means all actions necessary for retaining an asset as near as practicable to its original condition in order for it to achieve its expected useful life. Asset Maintenance may be "corrective" or "preventative".
- (b) "Asset Management" means a combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of services in the most cost-effective manner at an acceptable level of risk. It involves decision-making and actions through the Useful Life of the physical assets.

- (c) “Asset Management Committee” means a committee of persons appointed by the Council, comprised of the Executive Lead, the Working Roads Foreman, a member of Neebing Emergency Services, and at least two members of Council and the Mayor.
- (d) “Asset Management Plan” means the Corporation’s plan, regularly updated, to develop strategies and implement actions in order to achieve objectives and targets. It provides an understanding of:
- the extent of the Corporation’s asset inventory and replacement valuation;
 - the condition of each asset in the inventory;
 - the existing and desired service levels;
 - the financial commitments needed to operate, maintain, renew and replace assets;
 - the policies and programs required for sustainability; and
 - the public and business risks associated with asset failure.

The Asset Management Plan consists of asset inventories, condition assessments and Life Cycle Costs. It is developed for classes of assets, however, some Asset Management planning is generic for any class of asset.

- (e) “Asset Management Program” is the implementation of the Asset Management Plan.
- (f) “Asset Renewal” means a restoring of an asset’s service potential. It is required to lengthen the original life expectancy of an asset.
- (g) “Asset Replacement” means the complete replacement of an asset that has reached the end of its useful life to enable the Corporation to provide a similar or alternate level of service.
- (h) “Corporation” means The Corporation of the Municipality of Neebing.
- (i) “Cost-Benefit Analysis” means an examination of a cost (such as a Life Cycle Cost or an acquisition cost) in comparison to the benefit received from the expenditure. Depending on circumstances, a Cost-Benefit Analysis may mean that a choice is made to lease an asset rather than to purchase an asset.
- (j) “Council” means the elected council of the Corporation.
- (k) “Executive Lead” means the Treasurer of the Corporation.
- (l) “Level of Service” means the quality, quantity, functionality and reliability of the Corporation’s assets.
- (m) “Life Cycle Cost” means the total cost of an asset throughout its useful life. It includes planning, design, construction, acquisition, operation, maintenance, rehabilitation/renewal, and disposal costs.
- (n) “Policy” means this Strategic Asset Management Policy, as amended from time to time.

- (o) "Staff" when used in this policy refers to employees or volunteers who make use of the Corporation's assets in the delivery of service and/or are charged with Asset Maintenance responsibilities.
- (p) "Useful Life" means the period of time over which an asset is expected to be used by the Corporation.

Asset Groups:

The Corporation's physical assets which will benefit from the Asset Management Plan fall into one of the following classes:

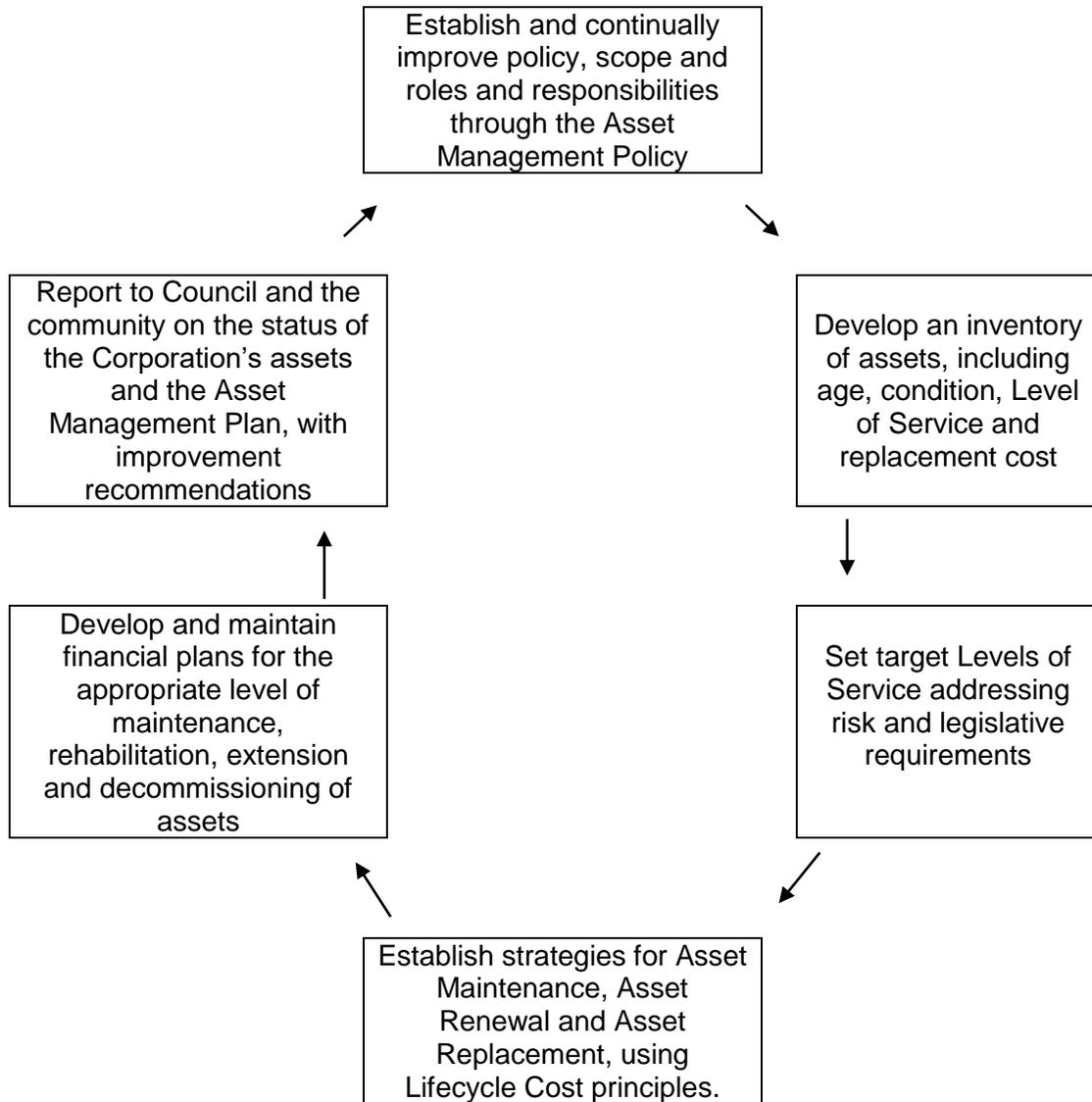
- A. Buildings (including: the municipal garage, the municipal office, fire halls, Blake Community Hall) and Structures (including: playground and park equipment, outdoor ice rinks, gazebos, trails and boat ramps, but excluding bridges) and the associated property on which they stand, and their associated components, such as:
- Roofs,
 - Windows,
 - External cladding,
 - Interior finishings,
 - HVAC systems,
 - Plumbing systems,
 - Electrical systems,
 - Furnishings and fixtures,
 - Landscaping, and
 - Surface treatment (i.e. parking lots, ice skating surfaces, playground surface treatments, etc.).
- B. Equipment (including: backhoes, graders, excavators, loaders, trailers, etc.)
- C. Heavy Vehicles (including: dump trucks, fire tankers, fire trucks, ambulances)
- D. Light Vehicles (including: cars and pick-up trucks)
- E. Property (including: property without improvement or with some structures, which is not programmed and is either surplus to municipal needs or being held for future use or development)
- F. Road Network, including:
- the travelled portion of the road,
 - the shoulders of the road,
 - the boulevards and ditches,
 - municipal signs,
 - any culverts,
 - any bridges,
 - any streetlights,
 - and any landscaping associated with the road.

Also included are the road surface, the road substructure/base.

G. Technology and Communication (including: weather stations, software, hardware, radio equipment, telecommunications equipment)

H. Waste Management Assets (including: landfill sites and their structures, recycling equipment and material, etc.)

Asset Management Plan Implementation



Asset Management Policies for the Asset Management Plan

In creating, updating, reviewing and making recommendations regarding the Asset Management Plan, Staff shall follow the rules in this section of the policy.

1. **Overall Strategy:** The Asset Management Plan will endeavor to outline a set of planned actions that will enable the Corporation's assets to provide the Level of Service set by Council in a sustainable way, while managing risk, and minimizing Lifecycle Cost.

2. **Financial Strategy:** Financial strategies in the Asset Management Plan must take into account the following:
 - a) The Asset Management Plan may include funding strategies such as debt management for Asset acquisition, Asset Renewal, Asset Maintenance or Asset Replacement.
 - b) Impact on taxation must be held to a reasonable level.
 - c) Grants and other financial contributions outside of taxation shall be pursued and utilized wherever possible.

3. **Condition Assessments:** Condition assessments of the Corporation's assets will be made, reviewed and updated through one or a combination of factors, including:
 - an asset's age, compared to its Useful Life;
 - a visual inspection of the asset's condition by Staff; and/or
 - a professional detailed review of the asset's condition by a person with the relevant knowledge and experience.

4. **Lifecycle Costs:** The cost of the Corporation's assets shall include consideration of all of the following:
 - The cost to purchase, install and commission the asset (investment cost)
 - The cost to operate, maintain and monitor the asset throughout its Useful Life (operating costs); and
 - The cost to remove/decommission and dispose of the asset, realizing less any salvage value (disposal costs).

5. **Replacement Costs:** Replacement costs will be calculated based on intended designs and specifications for future needs and Levels of Service. For example, if it is Council's intention to replace a piece of equipment with a larger model, then the replacement cost calculations will be based on the larger model. When replacement costs will be estimated by multiplying a known purchase cost for a similar asset in a particular year by the cost of living index published annually by Statistics Canada, over the Useful Life of the asset. Replacement costs in the Asset Management Plan will be updated as different classes of assets are acquired during the forecast period in the Asset Management Plan. Every 5 years, the replacement costs noted in the Asset Management Plan will be checked against the current market values for similar assets, and re-established if necessary.

6. **Risk/Criticality Assessment:** Assets shall be assigned a condition number from 1 through 10, and a risk-of-failure number from 1 through 10 in accordance with the following:

Condition Number	Condition Summary	Probability that the Asset will Fail	Risk-of-failure Number
9-10	Very Good	Rare	9-10
7-8	Good	Unlikely	7-8
5-6	Average	Possible	5-6
3-4	Poor	Likely	3-4
1-2	Very Poor	Almost Certain	1-2

It is not always necessary to maintain every asset in top condition. If the risk that an asset will fail is low, and the consequences of failure are minimal, a less-than-perfect asset can perform to certain Levels of Service satisfactorily.

The consequences of an asset's failure shall be assigned a number from 1 through 5 as follows:

Consequence	Cost	Social/Health	Environmental	Service Delivery
1	Insignificant	No impact	No impact	No interruptions
2	Small/minor	Minor impact	Short-term impact	Minor interruptions
3	Considerable	Moderate impact	Medium-term impact	Moderate interruptions
4	Substantial	Major impact	Long term impact – fixable	Major interruptions
5	Significant	Significant impact	Long term impact - permanent	Significant interruptions

Consequences of failure may vary based on the nature of the asset or even the time of year. Whether or not a replacement (temporary or permanent) for the failed asset can be obtained for use (whether for a short- or longer-term) at a reasonable cost is also a consideration.

The Risk/Criticality Assessment is based on the following matrix:

Probability of Failure	Consequence of Failure				
	Insignificant	Minor	Moderate	Major	Catastrophic
Rare	LOW	LOW	MEDIUM	MEDIUM	HIGH
Unlikely	LOW	MEDIUM	MEDIUM	MEDIUM	HIGH
Possible	LOW	MEDIUM	MEDIUM	HIGH	CRITICAL
Likely	MEDIUM	MEDIUM	HIGH	HIGH	CRITICAL
Almost Certain	MEDIUM	HIGH	HIGH	CRITICAL	CRITICAL

The Asset Management Plan will address High and Critical circumstances, and will plan for Medium circumstances.

7. **Levels of Service:** Council will establish Levels of Service, taking into consideration factors such as (among others):
- ❖ Affordability
 - ❖ Performance targets and timeframes
 - ❖ External trends and community wishes or (reasonable) expectations
 - ❖ Technological advances and/or efficiency improvements

Staff will, in creating and updating the Asset Management Plan, incorporate the Levels of Service set by Council.

SCHEDULE A

KEY PRINCIPLES TO BE FOLLOWED FROM THE INFRASTRUCTURE FOR JOBS AND PROSPERITY ACT, 2015

The Municipality shall consider the following key principles as outlined in section 3 of the Infrastructure for Jobs and Prosperity Act, 2015 when making decisions regarding asset management:

1. Infrastructure planning and investment should take a long-term view, and decision-makers should consider the needs of citizens by being mindful of, among other things, demographic and economic trends.
2. Infrastructure planning and investment should consider any applicable budgets or fiscal plans.
3. Infrastructure priorities should be clearly identified in order to better inform investment decisions respecting infrastructure.
4. Infrastructure planning and investment should ensure the continued provision of core public services, such as health care and education.
5. Infrastructure planning and investment should promote economic competitiveness, productivity, job creation and training opportunities.
6. Infrastructure planning and investment should ensure that the health and safety of workers involved in the construction and maintenance of infrastructure assets is protected.
7. Infrastructure planning and investment should foster innovation by creating opportunities to make use of innovative technologies, services and practices, particularly where doing so would utilize technology, techniques and practices developed in Ontario.
8. Infrastructure planning and investment should be evidence based and transparent, and, subject to any restrictions or prohibitions under an Act or otherwise by law on the collection, use or disclosure of information,
 - I. investment decisions regarding infrastructure should be made on the basis of information that is either publicly available or is made available to the public, and
 - II. information with implications for infrastructure planning should be shared between the Municipality and broader public sector entities, and should factor into investment decisions respecting infrastructure.
9. Where provincial or municipal plans or strategies have been established in Ontario, under an Act or otherwise, but do not bind or apply to the Municipality, as the case may be, the Municipality should nevertheless be mindful of those plans and strategies and make investment decisions regarding infrastructure that support them, to the extent that they are relevant.

10. Infrastructure planning and investment should support accessibility for persons with disabilities.
11. Infrastructure planning and investment should minimize the impact of infrastructure on the environment, respect ecological and biological diversity, and support resilience to climate change.
12. Infrastructure planning and investment should endeavour to use acceptable recycled aggregates.
13. Infrastructure planning and investment should promote community well-being, such as local job creation and training opportunities, improvement of public spaces, or other relevant benefits identified by the Municipality and community.
14. Any other principles that may be prescribed for the Government or the broader public sector entity, as the case may be.