



FINANCE, FACILITIES AND COURT SERVICES DIVISION

REPORT TO:	WARDEN AND LAMBTON COUNTY COUNCIL
DEPARTMENT:	FINANCE, FACILITIES AND COURT SERVICES DIVISION
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REVIEWED BY:	Ronald G. Van Horne, Chief Administrative Officer
MEETING DATE:	November 3, 2021
SUBJECT:	Asset Management Policy

BACKGROUND

The purpose of this report is to provide County Council with an overview of the new municipal infrastructure asset management legislative regime in Ontario, an update on the County of Lambton's Asset Management Plan initiatives, and the recommended new Strategic Asset Management Policy.

The Province of Ontario established Ontario Regulation 588/17 primarily to ensure local municipalities that own important and necessary tangible capital assets are safeguarded in a prudent financial manner to ensure effective program service delivery.

The Ontario regulation outlines that a municipality must adopt an "asset management policy" as a way of demonstrating that assets such as roads, bridges, long-term care facilities, affordable housing projects, and buildings are protected and safeguarded by the municipality.

An asset management policy serves as a guiding practice to ensure sound stewardship of public assets and meet its customer service commitments in the most effective and efficient manner. In addition, an asset management policy provides a coordinated approach to align asset management planning with the County's financial plans, budget process and other relevant Acts, policies, frameworks, and plans.

DISCUSSION

Outlined in **Schedule A** is the recommended County of Lambton Strategic Asset Management Policy. It serves as a decision making framework in the management of the County of Lambton's tangible capital assets.

The County of Lambton is currently updating its 10 Year Asset Management Plan for the 2022 to 2031 period with the assistance of Dillon Consultants to ensure best practices are incorporated in the plan. The previous 10 Year Plan (2012 to 2021) was initially based on an annual Capital Plan of \$18.0 M in 2012 and included Council's commitment to Amortization Reserve funding of \$5.5 M by 2021.

Administration plans on providing County Council with an updated "Capital Needs Forecast" report prior to the 2022 budget deliberations. The Capital Needs Forecast report will provide preliminary forecasts and information on the key investments that are anticipated over the next 10 year period. This will help to ensure the County's important capital assets such as roads, bridges, long-term care facilities, affordable housing units, technology, and facilities are maintained, rehabilitated and renewed in the most cost effective manner.

A key component of the County of Lambton Strategic Asset Management Policy is the continuous updating and monitoring of the capital (core and non-core) asset management plan which highlights the importance of integrating asset management plans within the annual County budget.

The policy clearly also outlines the importance of climate change in asset management decision-making. This includes the following:

- a. Identifying the vulnerabilities of the County's existing and proposed infrastructure assets caused by climate change, and subsequent potential costs;
- b. Considering the means to address those vulnerabilities, related to operations, levels of service and lifecycle activities;
- c. Considering adaptation opportunities that may be undertaken to manage the vulnerabilities;
- d. Considering mitigation approaches to limit the magnitude or rate of long-term climate change (such as greenhouse gas emission reduction objectives); and
- e. Considering disaster planning and contingency funding.

The purpose of the recommended policy is to affirm the County's approach to infrastructure asset management through clearly defined commitments and principles for decision making (prescribed by legislation), and to align and integrate asset management into strategic planning processes.

FINANCIAL IMPLICATIONS

There are no financial impacts associated with the proposed recommendation. When established and adhered to, the policy guides decision-makers in making sound and consistent municipal infrastructure decisions. The recommended policy does not bind

the County to specific expenditures on necessary assets/services - those are dynamic decisions - but instead sets a framework for consistent decision-making and planning, applicable to all those with authority to make asset management decisions.

CONSULTATIONS

The Chief Administrative Officer, General Managers, and Divisional Support Services staff were consulted in the preparation of this report.

STRATEGIC PLAN

Meets the objective of accountability to ratepayers for the appropriate stewardship of their tax dollars.

CONCLUSION

Not applicable.

RECOMMENDATION

That County Council adopt the County of Lambton Strategic Asset Management Policy attached as Schedule A.

Schedule A

County of Lambton Strategic Asset Management Policy

Policy Statement and Purpose

The purpose of this policy is to establish a coordinated approach and guidelines for the management of the County of Lambton's assets. The policy provides direction to guide Council, management and staff in applying social, economic, and environmentally responsible principles that consider the present and future needs of the users, and the service levels expected from the assets.

The County of Lambton is committed to providing superior service to its residents in a fiscally responsible manner that supports and grows a healthy and exciting community. The County will adopt a sustainable approach to asset management by leveraging the lowest total lifecycle costs of ownership while meeting desired service levels that best meet the needs of the community.

POLICY

Definitions

In this policy the following definitions are used:

Asset Management Plan (AMP) – Means a strategic document that states how a group of assets are 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.

Level of Service – The parameters which reflect social, political, environmental and economic outcomes that the organization delivers. Parameters can include but are not necessarily limited to, safety, customer satisfaction, quality, quantity, capacity, reliability, responsiveness, environmental acceptability, cost and availability.

Lifecycle Activities – Activities undertaken with respect to a municipal infrastructure asset over its service life, including constructing, maintaining, renewing, operating and decommissioning and all engineering and design work associated with those activities.

Lifecycle Costs – The total cost of ownership over the life of an asset. This may include but is not limited to capital costs, operating costs, maintenance costs, renewal costs, replacement costs, environmental costs and user delay.

Sustainable – Meeting the needs of today without compromising the needs of future generations. It is about maintaining or improving the standard of living by protecting human health, conserving the environment, using resources efficiently and advancing

long-term economic competitiveness. It requires the integration of environmental, economic and socio-cultural priorities into policies and programs with actions at all levels.

Tangible Capital Asset – Non-financial assets having physical substance that are acquired, constructed or developed, including land, land improvements, roads, buildings, vehicles, equipment, and other capital assets acquired by capital lease or through donation.

Objectives

The primary objectives for asset management are to meet all legislative requirements and align with all other policies and plans of the County.

It shall be the County of Lambton's practice to ensure that all statutory requirements are being met and that the policy aligns to the strategic objectives of the County. The Strategic Asset Management Policy must meet the requirements set out in *O. Reg. 588/17 Asset Management Planning for Municipal Infrastructure*. The following sets out the County of Lambton's Strategic Asset Management Policy:

- 1. Strategic Alignment** – The Asset Management Plan (AMP) works in harmony with the County of Lambton's objectives of higher standards for a healthy, safe, and environmentally sustainable community. The Strategic Asset Management Policy shall support corporate strategic objectives outlined in our Official Plan, Strategic Plan, TCA Policy, and Procurement Policy.
- 2. Budgeting** – Asset Management planning shall identify and prioritize asset spending needs and provide input for Capital and Operating Budgets, long-term financial planning in the budget process.
- 3. Continuous Improvement** – Administration continues to improve both the integrity of the data, by doing condition assessment of asset categories and also improve the assets included in the inventory, to ensure adequate financing and asset management is being applied. The County of Lambton shall continue to improve and adopt appropriate asset management planning practices within their service areas based on corporate guiding strategies, supporting frameworks and procedures, and ensuring compliance with the corporate Strategic Asset Management Policy.
- 4. Guiding Principles** - The overarching principles of customer focused, service focused, risk-based, and value based affordability will help the County of Lambton plan and finance its asset management practices. There is a balance of affordability, while also annually increasing the funding for the required

annual lifecycle maintenance to achieve the required level of funding for maintaining the assets at the desired service levels, while also balancing and mitigating the risks of failure.

Infrastructure planning and investment is focused on the continued provision of core public services, such as roads, bridges, social housing, long-term care, and public health and is prioritized to ensure the protection of the health and safety of workers involved in the construction and maintenance of infrastructure assets.

The County will endeavour to incorporate the following principles as prescribed in the Provincial Regulation:

- **Forward looking** - take a long-term view while considering demographic and economic trends in the region.
- **Budgeting and planning** - take into account any applicable budgets or fiscal plans, including those released through legislation.
- **Prioritizing** - identify infrastructure priorities which will drive investment decisions.
- **Economic development** - promote economic competitiveness, productivity, job creation, and training opportunities.
- **Transparency** - be evidence-based and transparent. Make decisions about 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 government and public sector entities.
- **Consistency** - ensure the continued provision of core public services within the County's jurisdiction/scope of services.
- **Environmentally conscious** - minimize the impact of infrastructure on the environment by:
 1. Respecting and helping maintain ecological and biological diversity;
 2. Augmenting resilience to the effects of climate change; and
 3. Endeavouring to make use of acceptable recycled aggregates.
- **Health and safety** - ensure that the health and safety of workers involved in the construction and maintenance of infrastructure assets is protected.
- **Community focused** - 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:

1. Local job creation and training opportunities;
 2. Improvement of public space within the community; and
 3. Promoting accessibility for persons with disabilities.
- **Innovation** - 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** - be mindful and consider 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.
- 5. Climate Change** – Climate change will be considered as part of the County's risk management approach embedded in local asset management planning methods. This approach is intended to balance the potential costs, organizational capacity, and other risks related to climate change impacts.

This includes the following:

- a. Identifying the vulnerabilities of the County of Lambton's existing and proposed infrastructure assets caused by climate change, and subsequent potential costs;
 - b. Considering the means to address those vulnerabilities, related to operations, levels of service and lifecycle activities;
 - c. Considering adaptation opportunities that may be undertaken to manage the vulnerabilities;
 - d. Considering mitigation approaches to limit the magnitude or rate of long-term climate change (such as greenhouse gas emission reduction objectives); and
 - e. Considering disaster planning and contingency funding.
- 6. Community Planning** – The County of Lambton's Asset Management Plan will undergo regular updates, to ensure compliance, and update information to ensure the best information is used for planning, lifecycle analysis and financial sustainability decisions. The development of the asset management plans will require an understanding and consideration of the current and future asset needs to ensure that sustainable community planning occurs.

7. **Capitalization Thresholds** – The Asset Management Plan will incorporate all the County of Lambton’s Tangible Capital Assets. The capitalization threshold guidelines as included in County's Tangible Capital Asset Plan will apply, it being noted that capital thresholds will be reviewed annually to ensure best business and industry practices are applied.

8. **Stakeholder Engagement** – The County of Lambton is an upper tier municipality and will incorporate asset management planning efforts with lower tier municipalities. The County of Lambton recognizes the importance of stakeholder engagement as an integral component of the comprehensive asset management approach. The County of Lambton will foster informed dialogue with parties including but not limited to residents, businesses, neighbouring municipal bodies, provincial agencies, and regulated utilities partners to provide the best available information for the AMP.

9. **Governance:** Outlined below are the roles and responsibilities of the key stakeholders in the implementation of the County of Lambton's Asset Management Plan.

Internal Stakeholders	Roles and Responsibilities
County Council	<ul style="list-style-type: none"> ▪ Responsible for approving the Asset Management Policy, Asset Management Plan, and approving budgetary decisions. ▪ Overall authority for policy approvals, and budgetary decisions as defined in the Municipal Act. ▪ Council has the authority to make asset management decisions related to investment, design, construction, acquisition, operation, maintenance, renewal, replacement and decommissioning of infrastructure assets.
Chief Administrative Officer	<ul style="list-style-type: none"> ▪ Overall executive lead responsible for establishing and endorsing the Asset Management Policy and the Asset Management Plan. Authority to execute or delegate the duties defined above, and the authority to make asset management decisions related to investment, design, construction, acquisition, operation, maintenance, renewal, replacement and decommissioning of infrastructure assets.
Senior Leadership Team (General Managers)	<ul style="list-style-type: none"> ▪ Responsible for ensuring the Asset Management Policy is relevant, suitable, adequate, reviewed and updated as required. ▪ Responsible for communicating land-use or master plans, forecasts, policies and other planning or financial commitments related to municipal infrastructure asset.

	<ul style="list-style-type: none"> ▪ Responsible for coordinating with the General Managers to align asset management planning with budgets, forecasts, policies and other planning or financial commitments. ▪ Authority to carry out these responsibilities.
Asset Management Steering Committee	<ul style="list-style-type: none"> ▪ Responsible for Asset Management planning as represented by Division leads from all services areas and meeting a minimum of 4 times/year. ▪ Endorse AM Plans for approval. ▪ Set and execute annual asset management objectives. ▪ Maintain compliance with appropriate legislation. ▪ Report annually on AM planning and progress. ▪ Ensure the asset management program is regularly evaluated for continuous improvement.
Finance	<ul style="list-style-type: none"> ▪ Responsible for assessing available funding to support Financial Strategies and AMPs and aligning to the budgeting process.
External Consultation	<ul style="list-style-type: none"> ▪ Stakeholder involvement is a commitment in this Policy, and an important factor of a successful and relevant AMP. It is imperative that opportunities to provide input are consistently offered to residents and interested parties.