# Policy

**Name:** Strategic Asset Management Policy

**Policy Number:** FI-016-2023

**Administrative Approval Date:** September 14, 2023

**Council Approval Date:** October 16, 2023

**Supersedes:** FI-016-2019

**Most Recent Amendment Date:** September 14, 2023

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1. **Background:** Ontario Regulation 588/17 (O. Reg. 588/17) under the *Infrastructure for Jobs and Prosperity Act, 2015*, came into effect on January 1, 2018, and requires Ontario municipalities to prepare a strategic asset management policy and an asset management plan for all municipal infrastructure assets that demonstrates municipalities' commitment to:

    - Align asset management with their strategic goals;
    - Establish sustainable target service levels to balance building new infrastructure with maintaining existing infrastructure in a fiscally responsible manner;
    - Leverage opportunities for mitigating climate change and building infrastructure resiliency to minimize service disruptions during extreme weather events;
    - Integrate asset management with budgeting; and
    - Engage community and other levels of government when identifying and addressing local infrastructure investment priorities.

    The District Municipality of Muskoka (District) developed its first asset management policy in June 2019. This policy is meant to provide strategic direction to staff and specify roles and responsibilities across the District, which are critical to the successful development and effective implementation of the District's asset management plan. A review and update of the policy and the asset management plan is recommended with every term of Council as making continuous progress in asset management requires not only executive buy-in but a corporate mechanism to withstand change in Council and staff turnover.

    Updating the asset management policy will further support the consistent, coordinated, and collaborative approach to asset management across District departments and ensure compliance with all regulatory requirements.

**2. Definitions:** Unless otherwise noted, the definitions provided in this document align with those outlined in O. Reg. 588/17, Asset Management Planning for Municipal Infrastructure, under the *Infrastructure for Jobs and Prosperity Act, 2015* and the international standards for asset management.

**2.1 Asset Management (AM)** – the coordinated activity of an organization to realize value from assets. It considers all asset types, and includes all activities involved in the asset's lifecycle from planning and acquisition/creation; to operational and maintenance activities, rehabilitation, and renewal; to replacement or disposal and any remaining liabilities. It is a structured approach to managing assets that involves balancing costs, risks and service levels in alignment with community expectations and regulatory requirements. The seven principles of asset management are value, alignment, integration, leadership, adaptability, sustainability and governance.

**2.2 Asset Management Plan (AMP)** – documented information that specifies the activities, resources, and timescales required for an individual asset, or a grouping of assets, to achieve the organization's asset management objectives. Under O. Reg. 588/17, asset management plans are required to include the current service levels and key performance indicators for each asset class; their replacement cost, average age, condition, and condition assessment protocols; lifecycle activities required to maintain current levels of service; discussion of population and economic forecasts; and documentation of processes to make inventory- and condition-related background information available to the public.

**2.3 Asset Management Governance** – mechanism that provides assurance through organizational oversight that assets consistently realize over the long-term. The District has established a corporate asset management governance structure that defines roles and responsibilities of Council and staff from various departments and service areas involved in developing and implementing its asset management program.

**2.4 Capitalization Threshold** – the value of a municipal infrastructure asset at or above which the District will capitalize the value of the asset / addition to the asset and below which the District will expense the value of the asset / addition to the asset based on the capitalization thresholds developed by the District for financial reporting under Finance Policy FI-002-2007. The perspectives taken to define what an asset is in financial reporting and in asset management planning differ. O. Reg. 588/17 requires that the District must clarify in this policy the differentiation it will make between each perspective.

**2.5 Green Infrastructure Asset** – an infrastructure asset consisting of natural or human-made elements that provide ecological and hydrological functions and processes and includes natural heritage features and

systems, parklands, stormwater management systems, street trees, urban forests, natural channels, permeable surfaces, and green roofs.

**2.6** **Service Levels** – key performance indicators and qualitative statements that reflect social, political, environmental and economic outcomes that the District delivers. They include, but are not necessarily limited to, safety, customer satisfaction, quality, quantity, capacity, reliability, responsiveness, environment, climate change mitigation and adaptation, and financial sustainability.

**2.7** **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.

**2.8** **Municipal Infrastructure Asset** – an infrastructure asset, including a green infrastructure asset, directly owned by the District, or included on the consolidated financial statements of the District.

**3.** **Policy Statement:** The District will implement an asset management program to proactively manage its assets for identifying and addressing infrastructure investment needs based on sustainable service levels the District can provide to the community in a cost-effective manner.

**4.** **Objectives and Goals:** This policy will provide a mechanism for adopting a consistent and coordinated approach to asset management and will support Council decision-making in alignment with strategic priorities of the District and any federal and provincial regulatory requirements.

The District will implement continuous improvement protocols and adopt best practices in asset management to:

**4.1** Develop and maintain complete and accurate financial, risk and performance data on all District Infrastructure assets;

**4.2** Adopt corporate asset condition rating and performance rating criteria, and conduct risk assessments to document potential consequences of service failures for cross-departmental ranking of local infrastructure asset priorities;

**4.3** Manage current and future asset lifecycle activities while leveraging opportunities to apply climate change mitigation, resiliency, and adaptation lens in a fiscally responsible manner;

**4.4** Identify existing service levels and set sustainable target service levels while balancing costs, risks, community expectations and regulatory requirements; and

**4.5** Integrate asset management with multi-year budgeting and long-term financial planning.

**5.** **Scope**: This policy applies to all District staff directly or indirectly involved in the acquisition, operation, maintenance, rehabilitation, replacement and decommissioning and/or retirement of infrastructure assets that are either owned, leased or managed by the District to provide sustainable services to our community in a safe, reliable and cost-effective manner.

The policy also applies to staff involved in community engagement to gather feedback, determine service expectations, and communicate changes in established service levels. Successful adoption of this policy will foster an enabling environment to promote and facilitate the integration of asset management with other municipal documents such as:

- 2023-2026 Strategic Plan and Corporate Action Plan;
- Official Plan and Master Plans;
- Water and Wastewater Financial Plans;
- Development Charge Background Study;
- Annual Operating and Capital Budgets;
- New Leaf Climate Action Plan, Corporate Green House Gas (GHG) Mitigation Plan, Regional Climate Change Adaptation Plan, Energy Conservation and Demand Management Plan, Integrated Watershed Management Study; and
- Any other planning documents and studies developed to support strategic priorities of the District.

**6.** **Alignment with the District's Strategic Direction:** This policy promotes sustainable service delivery and aligns with the District's strategic objectives of service alignment, service excellence, future thinking, and commitment to mitigate climate change and its potential service-related impacts on the District's infrastructure assets. It shall be reviewed for continuous alignment with strategic objectives through every term of Council.

**7.** **Guiding Principles:** The District shall consider the following guiding principles based on section 3 of the *Infrastructure for Jobs and Prosperity Act, 2015* and the ISO 55000 standards for asset management:

**7.1** **Strategic Alignment:** Asset management at the District shall be aligned with its strategic plan, official plan, master plans, climate action plans, and other planning documents as applicable.

**7.2** **Regulatory Driven**: Asset management at the District shall ensure compliance with all regulatory and statutory requirements as well as industry standards when applicable.

**7.3** **Whole Lifecycle Costing**: Asset management at the District shall consider the long-term financial implications of managing assets from acquisition to their disposal and plan to fund asset whole lifecycle costs when making new infrastructure investments.

**7.4** **Forward Looking:** Asset management at the District shall take a long-term view, and decision-makers should take into account the needs of citizens by being mindful of, among other things, demographic, economic and climate change trends.

**7.5** **Budgeting and Planning:** Asset management at the District shall take into account any applicable budgets or fiscal plans, such as fiscal plans released under the Fiscal Transparency and Accountability Act, 2004, and the budgets adopted under Part VII of the Municipal Act, 2001.

**7.6** **Projects Prioritization:** Asset management at the District shall identify infrastructure priorities in asset management plans which will drive investment decisions.

**7.7** **Holistic Approach:** Asset management at the District shall ensure that infrastructure investment decisions are based on the continued provision of core public services, such as health care and education.

**7.8** **Local Economic Development:** Asset management at the District shall promote economic competitiveness, productivity, job creation and training opportunities.

**7.9** **Health and Safety:** Asset management at the District shall ensure that the health and safety of workers involved in the construction and maintenance of infrastructure assets is protected.

**7.10** **Innovation:** Asset management at the District shall foster innovation by creating opportunities to make use of innovative technologies, services and practices particularly utilizing technology, techniques and practices developed in Ontario

**7.11** **Evidence Based Decision-Making:** Asset management at the District shall 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.

**7.12** **Transparency:** Asset management at the District shall be on the basis of information that is either publicly available or is made available to the public and can be shared between the District and broader public sector entities.

**7.13** **Interdependency:** Asset management at the District shall determine asset lifecycle activities in terms of its role and value within the context of the greater system, as opposed to examining individual assets in isolation.

**7.14** **Coordination:** Asset management at the District shall consider opportunities for coordination and alignment with area municipalities and other infrastructure owning agencies such as municipal bodies and regulated utilities for any interrelated and connected infrastructure assets.

**7.14** **Integration:** 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 District, as the case may be, asset management at the District shall consider those plans and strategies and the infrastructure assets that support them, to the extent that they are relevant.

**7.15** **Stakeholder Engagement:** Asset management at the District shall engage residents and external stakeholders to gather feedback on current and future service levels.

**7.16** **Accessibility:** Asset management at the District shall promote accessibility for persons with disabilities.

**7.17** **Preserving Natural Environment:** Asset management at the District shall improve environmental health while minimizing the impact of infrastructure on the environment, should respect and help maintain ecological and biological diversity, and should be designed to be resilient to the effects of climate change**,** and endeavor to make use of acceptable recycled aggregates.

**7.18** **Community Focus:** Asset management at the District shall promote community benefits, being the supplementary social, environmental 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 job creation and training opportunities, improvement of public space within the community, and any specific benefits identified by the community.

**8.** **Capitalization Thresholds:** The thresholds in District's Tangible Capital Assets (TCA) policy F1-002-2007; or in simple terms the "monetary value of assets", is not the basis for shortlisting District infrastructure assets that need to be actively monitored, managed, and included in the asset management plan. Unlike in financial reporting, asset management determines the role and importance of infrastructure assets and their components by applying a service delivery lens. It is important to note that assets excluded from financial statements based on capitalization thresholds can still be critical to the safe and reliable delivery of infrastructure services. They therefore need to be actively managed and included in the asset management plan.

Inclusion of all infrastructure assets, their sub-assets and components will also help staff document lifecycle costs of all assets and determine the total true cost of delivering infrastructure related services to our community.

**9. Corporate Asset Management Governance Structure:** The development and continuous improvement of the District's asset management program requires defined staff roles and responsibilities to facilitate collaboration and coordination across the District. The following passages outline various roles and responsibilities:

**9.1 District Council** is responsible for:

- Approving the asset management policy, asset management plan and setting goals for the asset management program;
- Fostering an asset management culture and maintaining adequate organizational capacity to support the asset management program;
- Approving target service levels and capital investment priorities by taking into consideration recommendations in the asset management plan;
- Conducting an annual review of progress of asset management and its implementation with every budget cycle; and
- Prioritizing effective stewardship of assets in adoption and ongoing review of policy and budgets.

**9.2 Executive Co-Leads** (Commissioner of Finance and Corporate Services and the Commissioner of Engineering and Public Works) are the sponsors and champions of the District's asset management program and are responsible for making recommendations to District Council regarding allocation of resources required for continuous progress in asset management and its successful implementation in all departments and service areas.

**9.3** The **Corporate Asset Management Steering Committee** consists of the Executive Co-Leads and other Commissioners and Directors or delegates from all departments and service areas at the District. The steering committee is responsible for:

- Providing corporate oversight and direction to ensure the asset management program's alignment with the District's strategic priorities and regulatory requirements;
- Endorsing the corporate asset management roadmap, asset management policy, and asset management plan along with corporate asset management strategies and frameworks to ensure a consistent and standardized approach to asset management at the District;

- Reviewing progress in implementation of the corporate asset management roadmap to identify challenges and propose potential solutions; and
- Reviewing sustainability of current service levels across the District.

**9.4** The **Corporate Asset Management Administration Team** at the District serves as a liaison between the Asset Management Steering Committee and the Asset Management Working Group, and is responsible for:

- Developing and implementing the corporate asset management roadmap in collaboration with the Asset Management Working Group;
- Developing and updating policies, strategies, frameworks, and the corporate asset management plan while providing updates and seeking endorsements from the Asset Management Steering Committee;
- Engaging and coordinating with technical leads from all departments and service areas to document existing processes and business needs, leverage available technology tools, identify and address data gaps, identify current service levels, conduct risk assessments and develop financial strategies while taking into consideration asset whole lifecycle costing, applying climate change mitigation and adaptation lens, and make incremental progress in adopting international best practices in asset management at the District;
- Participate in corporate, departmental, and divisional forums to report and provide updates on asset management activities; and
- Advancing opportunities to improve coordination of efforts between cross-functional teams within the District, and between the District and other levels of government to establish the District as a leader in asset management.

**9.5** The **Corporate Asset Management Working Group** consists of technical leads or delegates from all service areas and divisions involved in the acquisition, operation, maintenance, rehabilitation, replacement and decommissioning and/or retirement of infrastructure assets that are either owned, leased, or managed by the District. The working group is responsible for:

- Providing support and direction for asset management practices within their department;
- Collecting, storing, and maintaining asset data inventory on costs, risks, and existing service levels by leveraging corporate technology solutions to ensure adoption of a coordinated and consistent approach towards asset management at the District; and
- Proactively collaborating with the Asset Management Administration Team to operationalize asset management activities and adopt asset

management policy, corporate asset management strategies and frameworks to assist in the development of the asset management plan.

**10.** **Budgeting:** The District will integrate findings from the asset management plan into its long-term financial planning and annual budgeting processes. Sound financial analysis will be encompassed in asset management for the asset management plan to be a sought-after guide to employees in budgeting and financial planning.

**10.1** The financial strategy for each service area will be completed in consultation with the Director of Budgets, Procurement and Risk Management, Director of Finance, and Director of Tax Policy and Long-Term Financial Planning and presented to the Asset Management Steering Committee.

**10.2** Findings of the asset management plan will be referenced by the technical leads in every service area in the preparation of their budget submission to help them:

- Identify all potential revenues and costs (including operating, maintenance, replacement, and decommission) associated with forthcoming infrastructure asset decisions;
- Evaluate the validity and need of each significant new capital asset, including considering the impact on future operating costs; and
- Incorporate new revenue tools and alternative funding strategies where possible.

**10.3** The department level budget submission prepared by each service area will be reviewed by the Budget Division in the preparation of the District's annual and/or multi-year budget to ensure linkage to the asset management plan.

**10.4** The financial analysis used for the water and wastewater asset management plans will align with existing financial plans related to water and wastewater assets and the capacity allocation strategy. The analysis completed in each document will reference the most up-to-date information from the same datasets, will be based on common methods, and will improve upon one another.

**11.** **Land Use Planning**: Asset management planning will be aligned with the guiding principles, objectives, and policy directions in the Muskoka Official Plan. The asset management plans will reflect how the District is projected to grow the related asset impacts. The Muskoka Official Plan will continue to include policies to coordinate asset management and land use planning decisions to ensure that public benefits are maximized, risk is managed, and satisfactory levels of service to the public are provided in a sustainable and fiscally responsible manner.

In order to achieve this, those responsible for managing services impacted by development or redevelopment will:

- Be consulted while the Muskoka Official Plan is being implemented and periodically reviewed;
- Provide input to the analysis of future servicing costs; and
- Provide written comment about the financial viability of development as it pertains to the service they manage.

Methods, assumptions, and data used to inform development or redevelopment decisions guided by the Muskoka Official Plan will be available in support of the production of asset management plans.

12. **Climate Change**: Climate change mitigation, adaptation and resiliency will be considered as part of the District's risk management approach embedded in asset management. This approach will balance the potential cost of vulnerabilities to climate change impacts and other risks with the cost of reducing these vulnerabilities. This could result in changes to the level of service delivered through operations, maintenance schedules, disaster response plans, contingency funding, and capital investments. The District's contribution to climate change through greenhouse gas emissions will be mitigated in accordance with its local reduction targets, financial capacity, and stakeholder support to strive to meet the District's committed greenhouse gas reduction targets of 50% by 2030 and net-zero by 2050 (2018 baseline).

13. **Stakeholder Engagement**: The ultimate goal of the District is to efficiently provide its various stakeholders with the municipal services they need within the bounds of regulatory requirements, the built environment, and the natural environment, being cognizant of levy impacts and fiscal responsibility. In order to achieve this goal, it is necessary that the District understand the needs of current stakeholders, consider the needs of future generations, and incorporate these perspectives into asset management plans. Accordingly, the District will foster informed dialogue with these parties using the best available information and engage with them by:

    - Providing opportunities for residents and other stakeholders served by the District to provide input in asset management planning; and
    - Coordinating asset management planning with other infrastructure asset owning agencies such as municipal bodies and regulated utilities.

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**Related Policies/Procedures:** Tangible Assets FI-002-2007

**Reference:**

- Strategic Priorities, 2023, O. Reg. 588/17, December 27, 2017
- Infrastructure for Jobs and Prosperity Act, 2015
- ISO 55000 International Standards for Asset Management