

Ministry of Infrastructure

Office of the Minister

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June 28, 2016

Dear Head of Council and Chief Administrative Officer/City Manager:

I am writing about an issue that is very important to the future of our communities — the long-term sustainability of infrastructure investments. In 2014, over \$9 billion was invested in municipal capital assets. But the way we plan to invest in these assets is just as important as the money that we spend to maintain and improve this infrastructure. That is why municipalities and the province have embraced asset management planning.

Collectively, we have made significant progress in being more strategic in targeting the funds we spend on infrastructure. In 2012, as part of the Municipal Infrastructure Strategy, we released *Building Together: Guide for Municipal Asset Management Plans*. At that time, just 38 percent of municipalities in Ontario had an asset management plan in place. Now, almost all municipalities have a plan.

The province recently announced the expansion of the Ontario Community Infrastructure Fund from \$100 million per year to up to \$300 million per year by 2018-19, \$200 million of which will be formula-based funding. As more infrastructure funding becomes available, asset management plans to prioritize investments will be critical.

The *Infrastructure for Jobs and Prosperity Act, 2015* was proclaimed on May 1, 2016. This important legislation makes infrastructure planning a foundational component of provincial and broader public sector practices. I would like to request your help in the development of a regulation on asset management planning for municipalities under this Act.

The government will be hosting in-person sessions across the province starting this July. The intent of the sessions is to engage in a constructive conversation about municipal asset management planning, to help inform potential regulation content. We also want to learn about the local practices municipalities have adopted across the province, discuss how communities are working to strengthen their plans and gather feedback on potential regulation content that we envision.

To help with this consultation, we have included a discussion paper to accompany this invitation. This discussion paper will also be available at www.ontario.ca. We welcome you to email your thoughts and comments on this discussion paper to municipalassetmanagement@ontario.ca and we invite you to provide this feedback regardless of whether or not you are able to attend an in-person session.

.../2

I would like to invite your municipality to put forward the names of up to two individuals who will represent your community at an in-person session this summer. These individuals should be familiar with your municipality's asset management plan. If you are interested in sending representative(s), please complete the form below and send it to the contact provided. Please send in your response by **Wednesday, July 6, 2016**.

Together we will work to ensure the long-term sustainability of the \$133 billion worth of municipal infrastructure assets in the province.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Chiarelli". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Bob Chiarelli
Minister

Enclosure

Asset Management Plan Regulation Consultations



Instructions: Please complete the form and send it to the appropriate contact listed on the next page.
Thank you.

Name of Municipality		
Will attend?	<input type="checkbox"/> No <input type="checkbox"/> Yes (please provide details below)	
Location of Session (Please select one – all sessions will run approximately 9:00am – 3:00pm)	<input type="checkbox"/> City of Quinte West – July 11 Battawa Community Centre 81 Plant St, Battawa <input type="checkbox"/> Town of Carleton Place – July 12 Carleton Place Arena, Small Hall 75 Neelin St, Carleton Place <input type="checkbox"/> City of Barrie – July 14 Ferndale Banquet Hall 24 Ferndale Industrial Dr, Barrie <input type="checkbox"/> City of Brampton – July 15 Peel Art Gallery, Museum and Archives, Historical Council Chambers 9 Wellington St E, Brampton <input type="checkbox"/> City of Thunder Bay – July 18 Valhalla Inn, Viking Room 1 Valhalla Inn Rd, Thunder Bay	<input type="checkbox"/> City of Dryden – July 19 Best Western, Centennial Room 349 Government St, Dryden <input type="checkbox"/> City of London – July 21 Best Western Lamplighter 591 Wellington Rd, London <input type="checkbox"/> City of Greater Sudbury – July 26 Lexington Hotel 50 Brady St, Sudbury <input type="checkbox"/> City of Timmins – July 27 McIntyre Arena 85 McIntyre Rd, Timmins

Participant 1	
Name	
Position Title	_____
Email	_____
Phone	_____
Role in asset management planning	
Notes: Please include any dietary and specific accessibility/ accommodation needs.	
Participant 2	
Name	
Position Title	_____
Email	_____
Phone	_____
Role in asset management planning	
Notes: Please include any dietary and specific accessibility/ accommodation needs.	

Instructions:

Please identify your preferred session location and send your form to the appropriate contact listed below.

Dryden & Thunder Bay sessions:

Northern Municipal Services Office (Thunder Bay)

Email: danica.edmonds@ontario.ca

Fax: 807-475-1196

Telephone: 807-475-1651 or 1-800-465-5027

Sudbury & Timmins sessions:

Northern Municipal Services Office (Sudbury)

Email: lynne.dallaire@ontario.ca

Fax: 705-564-6863

Telephone: 705-564-0120 or 1-800-461-1193

London session:

Western Municipal Services Office

Email: leanne.howe@ontario.ca

Fax: 519-873-4018

Telephone: 519-873-4020 or 1-800-265-4736

Carleton Place & Quinte West sessions:

Eastern Municipal Services Office

Email: sherry.porteous@ontario.ca

Fax: 613-548-6822

Telephone: 613-545-2100 or 1-800-267-9438

Barrie & Brampton sessions:

Central Municipal Services Office

Email: karrah.r.fogg@ontario.ca

Fax: 416-585-6882

Telephone: 416-585-6226 or 1-800-668-0230

Infrastructure for Jobs and Prosperity Act, 2015:
**Potential Municipal Asset Management Planning
Regulation**

Discussion Paper

A Message from the Minister

Asset management planning is incredibly important to our government. Making smart infrastructure investments requires sound analysis and financial planning that supports evidence-based prioritization – this is how we ensure we receive the best value for our investments. As a province, we recognize this, and we know that municipalities across Ontario do as well. Ontario municipalities have made excellent progress in developing asset management plans to date, and we will continue working together to implement long-term, stable infrastructure funding.

In 2012, the province launched the Municipal Infrastructure Strategy. As part of this initiative, municipalities have been required to use asset management planning to support applications for provincial funding. Since the launch of the strategy, municipalities have made incredible progress, and today, over 95% of Ontario municipalities have an asset management plan. We have seen first-hand how this planning has helped municipalities prioritize their investment needs, including important renewal requirements, and stretch their capital dollars. And they are continuing their important work to constantly improve.

There is a huge opportunity to build on this important work. While progress has been made, significant differences still exist among these plans, particularly in terms of comprehensiveness and completeness. While we recognize that not all asset management plans will look the same, we look forward to developing a consistent, streamlined standard for the content of these plans and to reflect the importance of using good data to inform this work moving forward.

We also recognize the many challenges Ontario's municipalities face, and our goal is to collectively approach these challenges head on. Ontario is making the largest investment in public infrastructure in provincial history -- about \$160 billion over 12 years. The province's *Infrastructure for Jobs and Prosperity Act, 2015*, which was proclaimed on May 1, 2016, helps guide these investments.

This milestone legislation demonstrates the province's commitment to long-term asset management planning. It requires the province to regularly develop and update long-term infrastructure plans. The legislation also provides us with an opportunity to help strengthen municipal asset management planning by way of regulation.

By developing a regulation under the Act, it is our intent to establish a standard format for municipal asset management plans that builds upon the important work undertaken to date. In order to achieve this critical objective, **we need your help**. The questions in this discussion paper are meant to help us establish a foundation for this proposed new regulation, and it is important that we gather your feedback.

This initiative presents an excellent opportunity to improve asset management planning across the province, and we look forward to what we can achieve, together. We also know that asset management planning helps optimize investments in infrastructure, and together we can improve the way investments are made, both provincially and locally.

Purpose of this discussion paper

On May 1st of this year, the province proclaimed the *Infrastructure for Jobs and Prosperity Act, 2015* (the Act), which includes an authority to regulate asset management planning of identified public bodies. This authority was included in the Act with the intention of providing a more structured framework for what asset management plans need to include, and strengthening the work already being undertaken.

This discussion paper is about gathering your input on this important proposed regulation, which would apply to municipal asset management planning. We want to ensure that we receive as much feedback from you as possible to help shape the proposed regulation that will, if approved, keep Ontario at the forefront of municipal asset management planning in Canada.

The province will continue to work together with municipalities and other partners to improve infrastructure planning and investment across Ontario. Collectively, we want to optimize our infrastructure investments and ensure maximum value is achieved for our public infrastructure dollars.

What is asset management?

Overview

At the very core of public sector asset management are two fundamental considerations: providing satisfactory levels of service to the public, and ensuring the sustainability of infrastructure assets over the long term.

Asset management planning is the process of making the best possible decisions to achieve these outcomes. Importantly, these decisions are made with consideration to the entire lifecycle of assets, including building, operating, maintaining, renewing, replacing and disposing of infrastructure assets.

Good asset management planning requires an understanding of both the current and desired state of infrastructure, and the service levels that infrastructure provides. This requires an awareness of the condition of the infrastructure, risks related to this infrastructure, and financial considerations related to asset management objectives.

Lastly, asset management planning is about prioritization. A good asset management plan reflects an awareness of the choices that must be made in terms of planning and investment. A comprehensive asset management plan is one that incorporates all of the aforementioned considerations, and will result in optimized decision-making.

Reflecting all of these considerations in an asset management plan is the critical task to creating an excellent asset management program. This is the goal that we strive to achieve for all municipalities in Ontario, and this discussion paper is meant to help establish a regulation to achieve this goal.

Municipal Asset Management Planning in Ontario

Since the introduction of the Municipal Infrastructure Strategy in 2012, the province has required municipalities requesting infrastructure funding to show how projects fit within their comprehensive asset management plans.

To help municipalities prepare asset management plans, the province provided the Building Together: Guide for Municipal Asset Management Plans (the “Guide”), an online asset management toolkit and over \$12 million in funding in 2012 and 2013 to help smaller municipalities develop their plans.

Today more than 95 percent of Ontario municipalities have made the vital investment of developing an asset management plan, compared to less than 40 percent prior to 2012. This is a significant achievement.

There are gains to be made by bringing more consistency and standardization to asset management plans. There is much work to do to ensure that municipal asset management planning advances across Ontario. While we continue to build on the progress that has been made, we want to ensure improvements in the comprehensiveness, completeness, accuracy and rigour of plans are made.

What does good municipal asset management planning look like?

Preliminary input from experts

To help prepare this discussion paper, the province drew upon the advice of individuals with experience and expertise in municipal asset management. The purpose was to gather feedback to help inform a preliminary approach to the proposed regulation.

The experts we consulted brought a range of perspectives to the table, from engineering, to accounting, to municipal planning and administration. The experts were drawn from regions across the province and included municipal staff and representatives from municipal associations.

The preliminary feedback yielded a wide range of views on the proposed regulation, asset management, and raised important questions for further consideration. We have taken this feedback into consideration, and the common themes from these discussions have helped develop this discussion paper.

A Vision for Desired Outcomes

The first question to ask in designing this regulation is: “What are we trying to achieve?” The importance of improved asset management cannot be overstated. Good asset management will help optimize infrastructure investments throughout the province.

But the long-term prospects for universal asset management planning go even further. We envision a number of outcomes that could be achieved over the long-term from this proposed regulation:

- **sustainability:** good asset management planning would achieve sustainable assets over the long-term. As municipalities implement comprehensive asset management plans, investments would be made on the basis of their ability to sustain assets over their entire lifecycle
- **ensuring evidence-based decisions:** a good asset management plan considers all factors when prioritizing investments – desired service levels, condition and risks, financial implications and long-term sustainability. This type of decision-making would help determine the essential, priority and non-essential investments (“must-do,” “should-do” and “nice-to-do” investments), and could be strengthened by consistent, high-quality data
- **comprehensive planning across the province:** complete and comprehensive asset management across Ontario would help foster collaboration and information-sharing among municipalities. Universal asset management planning would promote a collaborative atmosphere, where everyone would strive for the best possible results for their municipality
- **creating an asset management culture:** a culture of asset management planning is one that has support for the importance of asset management at all levels of the municipality – council, staff and the public. Ongoing support would improve the planning process and the implementation of asset management plans

How do we get there?

Fundamental Considerations

Regulating municipal asset management planning would help us establish a roadmap to achieve these desired outcomes, but we also recognize that there are many considerations to take into account at the outset of this initiative. Here are some of the fundamental considerations the regulation would have to reflect:

- **significant differences between municipalities:** Ontario's municipalities are diverse. A small municipality in rural or northern Ontario faces different challenges compared to a large municipality in the Greater Toronto and Hamilton Area. It is important to acknowledge that the regulation should work for everyone, and that timing considerations should be built in to accommodate the different challenges municipalities face
- **integrated asset management planning:** municipal asset management planning is not a stand-alone process. It must be integrated with other municipal financial and planning processes and important provincial initiatives. The regulation should reflect the importance of asset management as an integrated process, including consideration of existing municipal obligations such as Financial Information Returns and federal gas tax funding requirements
- **an asset management plan is a “living document”:** asset management is an evolving process. Actions are based on plans that are updated on a regular basis. The regulation should promote continuous improvement, the importance of implementing plans over time and updating based on new and better information

Highlights of Potential Regulation

Building on the vision for desired outcomes and bearing in mind the fundamental considerations, we propose that the regulation would include the following. Much of this builds on the Guide, and focuses on how we could promote ongoing improvement and continuous commitment to asset management planning.

Strategic Asset Management Policy

Asset management plans tend to focus on the maintenance and management of assets to achieve service levels and sustainability. However, other important considerations could help promote integrated asset management planning, a culture of asset management planning, and non-infrastructure considerations.

The regulation could contain a requirement for a strategic asset management policy to support the process of developing asset management plans. This policy would be aligned with many of the elements proposed in the “introduction” section of the Guide.

Similar to the “introduction” section of the Guide, a municipality's strategic asset management policy would specify how asset management plans would align with other municipal plans, including any long-term financial plans and budgets. The policy would specify how asset management plans would be developed with consideration to the infrastructure planning principles contained in the *Infrastructure for Jobs and Prosperity Act, 2015*. It would also require

municipalities to outline the role of council and the public during the development of asset management plans, and it would specify how often the municipality would update or renew their asset management plans.

A strategic asset management policy would help to develop all future asset management plans, and would include considerations aimed at improving asset management planning over time. This policy would be a separate document from the municipality's asset management plan.

Infrastructure Asset Inventory

Apart from the strategic asset management policy, we also envision requirements that would set out the content of asset management plans.

As in the Guide, the regulation could contain a requirement for asset management plans to contain an inventory of municipal infrastructure assets. This section would include a requirement to set out for each asset; the type and quantity or extent, the replacement cost valuation, the age distribution and the condition (based on industry-accepted engineering practices).

Proposed Levels of Service

Since the launch of the Municipal Infrastructure Strategy, the province has worked toward establishing a better understanding of service levels. While improvements have been made in this area, levels of service are still the least well-developed area of municipal asset management plans. As part of the proposed regulation, the province would look to strengthen this area across municipalities.

One proposal to provide a tangible way to measure service levels is to establish a common set of service level indicators. These indicators would help municipalities determine the current service levels provided by their assets, and allow them to set targeted goals for the service levels they want to achieve. This would also provide a greater level of consistency and comparability among municipalities. While this would be a slight departure from the approach contained in the Guide, we believe providing a concrete way to measure service levels could help improve outcomes.

Lifecycle Management Strategy

This section would be a renaming of the "asset management strategy" section of the Guide. Similar to the "asset management strategy" in the Guide, this section of the regulation would require municipalities to discuss proposed infrastructure activities aimed at achieving their proposed levels of service.

However, as a departure from the Guide, this section could also require municipalities to discuss the options they have considered as part of their asset

management plan. Good asset management planning requires a complete understanding of the range of choices available to municipalities. Reflecting this within an asset management plan would provide assurance that the chosen set of activities would optimize investments.

The options analysis would take a number of important considerations into account. These include the entire lifecycle and associated costs related to the assets; risks, including the risk of asset failure, risks to service level provision and risks of increased future financial burden; the financial viability of the options considered; and opportunities to fund required lifecycle activities not yet undertaken.

Financial Strategy

As in the Guide, the final component of the regulation envisioned by the province is a financial strategy. With financial considerations proposed to be built into the lifecycle management strategy, municipalities should be able to decide upon a financially viable set of proposed infrastructure activities. The financial strategy would create a plan to fund the chosen activities under the lifecycle management strategy.

Similar to the Guide, this section of the regulation would require a financial strategy to include consideration of expenditure forecasts, previous expenditures for comparison purposes, revenue forecasts broken down by revenue source, and any alternative funding considerations as appropriate.

How can you help?

Please send us your feedback on this discussion paper. To help develop your response, here are some questions to consider:

- How could the regulation best support the long-term sustainability of municipal assets and services?
- What role could the regulation play in promoting an ongoing commitment to asset management planning and continuous improvement?
- How could asset management plans best be integrated with other planning, policies and processes, including budgets in particular?
- What could the regulation do to support knowledge sharing and collaboration among municipalities?
- How can the regulation best improve plan and data standardization, while recognizing differences in municipal size, structure and services provided?

Appendix: Experts Consulted

Scott Butler, Ontario Good Roads Association

Dan Cowin, Municipal Finance Officers' Association

Darla Campbell, Ontario Coalition for Sustainable Infrastructure

David Zurawel, Consulting Engineers of Ontario

Salman Zafar, Association of Municipalities of Ontario

Craig Reid, Association of Municipalities of Ontario

Sam Sidawi, City of Hamilton

Alain Gonthier, City of Ottawa

Chris Wray, Municipality of Wawa

Fred Jahn, District of Muskoka

Annette Kopec, City of Toronto

Ian Roger, Guelph-Eramosa Township

Reg Russwurm, Town of the Blue Mountains

Peggy Van Mierlo-West, Town of Kingsville

David Metcalfe, City of Toronto

Wendi Mannerow, City of Greater Sudbury

Laurie Kennard, Township of Georgian Bay