



Hamilton

INFORMATION REPORT

TO:	Chair and Members General Issues Committee
COMMITTEE DATE:	September 17, 2018
SUBJECT/REPORT NO:	Asset Management and Regulations Update (PW18085) (City Wide)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

Council Direction:

Not Applicable.

Information:

In June 2015, Bill 6, Infrastructure for Jobs and Prosperity Act (“Act”), was enacted by the Provincial Government. One of the objectives of this legislation is to have municipalities complete a long-term infrastructure plan and ensure that this plan is updated on a regular basis. The approval of Bill 6 was the result of significant effort by many individuals and groups in the province of Ontario on infrastructure asset management over many years.

The Provincial Government’s Building Together: Guide for Municipal Asset Management Plans, released in June 2011, established a framework to guide future infrastructure investments to meet the Province’s Municipal Infrastructure Investment Initiative. Expanding on work completed for the State of the Infrastructure Reports and asset management principles, staff presented and Council approved the Public Works Asset Management Plan (Report PW14035) for roads, bridges, water, wastewater and stormwater assets in April 2014.

Working together representatives from the provincial government, municipalities, related associations and industry experts developed the Act and related proposed infrastructure asset management regulations. City staff were part of the working group and provided input to the documents. At the General Issues Committee meeting on October 20, 2017, staff provided committee members with an update on Bill 6 and the proposed regulations.

The Provincial Government released their long-term infrastructure plan in November 2017. Building Better Lives: Ontario's Long-Term Infrastructure Plan (“LTIP”) 2017

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details the plan for investment in infrastructure and the requirements for asset management plans for Provincial assets to meet the requirements of the Act. This LTIP included reference to the proposed regulations for municipal assets.

On December 27, 2017, the Ministry of Infrastructure filed Ontario Regulation 588/17 - Asset Management Planning for Municipal Infrastructure under the Act. Regulation 588/17 went into force on January 1, 2018 and applies to all infrastructure assets directly owned by a municipality or consolidated on the municipality's financial statements. The Regulation is attached as Appendix "A" to Report PW18xxx.

Under the regulation, all Ontario municipalities are required to meet staged requirements around the management of their infrastructure assets. The following is a summary of the stages, timelines and requirements;

- A. Strategic Asset Management Policy (by July 1, 2019)
 - Requires municipalities to outline commitments to best practices and continuous improvement
- B. Asset Management Plan: Phase 1 (by July 1, 2021)
 - For core assets:
 - Inventory of assets
 - Current levels of service measured by standard metrics
 - Costs to maintain levels of service
- C. Asset Management Plan: Phase 2 (by July 1, 2023)
 - Would build out the Phase 1 plan to include all municipal assets
- D. Asset Management Plan: Phase 3 (by July 1, 2024)
 - Proposed levels of service
 - Lifecycle management strategy
 - Financial strategy

❖ Strategic Asset Management Policy

By July 1, 2019 all municipalities in Ontario will be required to develop and adopt a corporate wide Strategic Asset Management Policy. This Policy will need to establish executive and council's involvement as well as link to the City's financial and other strategic plans. The policy will need to be approved by Council and will apply to all city assets.

The policy will articulate the principles by which the organization intends to apply asset management to achieve its organizational objectives. Its intent is to set out the organization's commitments and expectations for decisions, activities and behaviour concerning asset management. Authorized by top management the policy will demonstrate commitment to asset management.

The Policy must address twelve components:

- (1) The municipality's goals, policies, and plans that are supported by the asset management plan;
- (2) The process by which the asset management plan is to be considered in the development of the budget or long-range financial plan;
- (3) The municipality's approach to continuous improvement and adoption of appropriate practices regarding asset management planning.
- (4) The principles to be followed in the municipality's asset management planning process. These principles must uphold the points outlined in section 3 of the Infrastructure for Jobs and Prosperity Act;
- (5) The municipality's commitment to consider, as part of its asset management planning,
 - i. the actions that may be required to address the vulnerabilities that may be caused by climate change to the municipality's infrastructure assets, in respect of such matters as,
 - a. operations, such as increased maintenance schedules,
 - b. levels of service, and
 - c. lifecycle management,
 - ii. the anticipated costs that could arise from the vulnerabilities described in subparagraph i,
 - iii. adaptation opportunities that may be undertaken to manage the vulnerabilities described in subparagraph i,
 - iv. mitigation approaches to climate change, such as greenhouse gas emission reduction goals and targets, and
 - v. disaster planning and contingency funding.
- (6) Alignment of the asset management plan with financial plans related to the municipality's water and wastewater assets;
- (7) Alignment of the asset management plan with the Province's land-use planning framework, including the County's and municipality's official plans;
- (8) Explanation of the capitalization thresholds used to determine which assets are to be included in the asset management plan and how the thresholds compare to those in the municipality's tangible capital asset policy;
- (9) The municipality's commitment to coordinating planning on asset management for infrastructure that is jointly-owned (or inter-related) with other municipalities (e.g., County or neighbouring municipalities);

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- (10) Identification of the persons involved with the asset management planning process at the municipality, including the executive lead;
- (11) Explanation of Council's involvement in asset management planning; and
- (12) The municipality's commitment to provide opportunities for residents and other interested parties to provide input into the asset management planning process

❖ **Phased Compliance Requirements**

Phase 1 of compliance requires that by July 1, 2021 each municipality must prepare an asset management plan for all core Infrastructure consisting of roads, bridges, culverts and any assets used in the collection, conveyance, distribution, treatment or disposal of wastewater, water and storm water.

Phase 2 of compliance will require the asset management plan be completed for the remaining municipal infrastructure by July 1, 2023.

Elements of the plan must contain the following;

- a. Plain language explanation of the current levels of service (LOS) provided by each category of infrastructure asset.
- b. State of the Infrastructure Inventory.
- c. Estimated annual lifecycle cost to sustain current Levels of Service - capital expenditures as well as any significant operating and energy costs, for the ten years following the year that the current levels of service are established.

The final phase 3 of compliance must be completed by July 1, 2024;

- a. A plain language explanation of the future levels of service (LOS) being provided by each category of infrastructure asset.
- b. Lifecycle management strategy to maintain the proposed levels of service and manage risk.
- c. Lifecycle activities would be based on options examined by the municipality to reduce the overall lifecycle costs, including through green infrastructure and non-infrastructure solutions such as demand management and conservation measures.
- d. Financial strategy - An Asset Management Plan (AMP) would include a financial strategy that contains items relating to expenditures, revenues and reserves for each year for the ten year period aligned with the proposed levels of service section of the asset management plan.

❖ Regulatory Overview

The Province has articulated that asset management planning is incredibly important to government and that smart infrastructure investment requires sound evidence based analysis and financial planning that ensures investment decisions.

The Province also recognizes that Ontario municipalities have made excellent progress in developing asset management plans to support long-term, stable infrastructure funding. Therefore, it is the intent of the Province, through this regulation to instil a culture of asset management through multi-disciplinary collaboration.

The new asset management regulation will require that municipalities dedicate significantly more time and resources to asset management. The regulation's multi-disciplinary requirements touch upon all departments and boards with explicit connections to assets managed by public works (roads, bridges, culverts, water, wastewater, stormwater, transit, fleet, facilities, waste management, parks, cemeteries, etc.), museums, housing, homes for the aged, child care, fire, paramedics, police, library, information technology and finance. Asset management planning for many of the City's assets is well on its way. However, it is the intent of staff to continue this work so as to comply with the various phases of this regulation. In this regard an Asset Management Working Group has been established with representation from the various Departments of the City. This Group will report to the City's Senior Leadership Team and will be tasked with compliance with this regulation.

The first outcome from this Working Group will be the development of the City's Strategic Asset Management Policy. It's anticipated that staff will seek Council endorsement of this policy in the first quarter of 2019 in order to comply with the regulatory prescribed timelines.

Appendices and Schedules Attached

Appendix A: Ontario Regulation 588/17