

January 11, 2016

**DEVELOPMENT AND INFRASTRUCTURE SERVICES,
COMMISSIONER REPORT 2016-01**

TO: Members of Council
SUBJECT: Asset Management Policy & Strategy
ORIGIN: Asset Management Committee

RECOMMENDATIONS

THAT Development and Infrastructure Services Commissioner Report – 2016-01 dated January 4, 2016 regarding Asset Management be received and the following recommendation be adopted:

- 1. THAT Council adopt Corporate Policy CAO. 4-01 “Asset Management” attached as Appendix A;**

PURPOSE

The purpose of this report is to recommend approval of the Corporate Asset Management Policy which will govern the practice of asset management within the Town. This report also provides the basics of the asset management principles as well as a framework for asset management practices to enable a coordinated, cost effective and organizationally sustainable approach towards asset management for the Town of Newmarket. This report also recommends the Town retain a consultant to assist staff with developing an Asset Management Strategy and implementation plan for the Town.

BACKGROUND

To assist Municipalities in developing their asset management plans, in 2012 the Provincial Ministry of Infrastructure released “Building Together: Guide to Municipal Asset Management Plans”. This guide provided a structure for standardization and consistency in municipal asset management. The Province also required Municipalities to have an Asset Management Plan (AMP) in place by the end of 2014 to be eligible for Provincial grants. The Town met this requirement as reported in Joint Development and Infrastructure Services Commission, Corporate Services Commission and Office of the CAO Information Report 2014-10. Our current Asset Management Plan can be found on the Town's website at <http://www.town.newmarket.on.ca/recreationplaybook/resource/assetmanagementplan2014.pdf>

Many municipalities, including the cities of Calgary and Ottawa, have instituted asset management policies to guide the way they manage assets. Other local and regional municipalities including York Region also have various asset management initiatives underway. To continue to support asset management within the Town, a cross-corporate staff Committee was established in Q2 2015. With the Commissioner of Development & Infrastructure Services providing Strategic Leadership Team sponsorship, this Committee is working to improve and implement an Asset Management Strategy that aligns with Council's Strategic Priorities of Ensuring Effective and Efficient Services. This policy also aligns with the Community Vision of being Well Beyond the Ordinary and our Corporate Mission of Making Newmarket even better by being well-equipped & managed, and well-planned & connected.

COMMITTEE MANDATE

The Asset Management Committee was formed to undertake the following:

- Develop an Asset Management Strategy (AMS) that provides a framework for the long term maintenance of the Town's municipal assets. This would consist of:
 - an Asset Management Policy
 - an Asset Management Program that reflects an appropriate organizational structure
 - a work plan to implement the Asset Management Strategy
 - a functional map of the Town's Asset Management System
- Update the Town's Asset Management Plan (AMP) with respect to:
 - current state of infrastructure assets
 - expected levels of service
 - planned actions to achieve expected levels of service
 - financing strategies to implement planned actions
 - all municipal assets being included
- Develop a performance measurement system to evaluate and document the Asset Management Program
- Collaborate and coordinate communication, education and information needs of Council, the community and employees
- Position the Town to maximize opportunities for alternative funding
- Support a corporate culture of continuous improvement of asset management best practices

In support of this mandate and to help establish priorities for the group, a self-assessment was performed to identify the Town's asset management maturity level as well as priority focus areas. While the results indicate that the Town is in the early stages with regards to asset management, the largest gap in the self-assessment was found to be in understanding and defining our asset management requirements. To close this gap, the Committee agreed to focus on three areas: AM Policy and Strategy, Asset Data Register and Asset Condition Assessment. This report focuses on the Policy and Strategy components.

POLICY

Staff has prepared a Policy (see Attachment 1) to guide the organization as it continues to develop in the area of asset management. The policy is intended to provide clear direction for staff and defines the key principles for sound asset management being:

1. Customer Focused
2. Forward looking
3. Service Focused
4. Risk-based
5. Value-Based / Affordable
6. Holistic
7. Systematic
8. Innovative

The objectives of the Asset Management Policy are to:

1. Deliver services at approved levels;
2. Improve decision-making accountability and transparency;
3. Better demonstrate the long term consideration of decisions;
4. Improve customer service;
5. Reduce life cycle costs while maintaining acceptable levels of service; and
6. Link infrastructure investment decisions to service outcomes.

Sustainability plays a prominent role in the AM Policy by:

- Connecting Economic, Environmental, social and cultural elements
- Applying the right intervention, to the right asset, at the right time and
- Ensuring that an expanded asset base has adequate maintenance and rehabilitation funding

STRATEGY

A complete asset management strategy typically answers three questions:

1. What is our current situation?
2. Where do we want to be?
3. How will we get there?

A strategy could include an assessment of our current situation by performing a review of the condition of our assets, their utilization, operating and maintenance costs, and user satisfaction with services being provided. A review of current procedures, systems and training could also be provided to aid with the implementation of the strategy.

To continue implementing asset management within the organization, staff will issue an RFP for consulting services to work with the Committee to develop an Asset Management Strategy for the Town by the end of Q1. This will continue to build the Town's processes, tools and resources for

the long term. The full requirements of the RFP are still being developed however, in line with the committee mandate; the RFP will request recommendations to address an appropriate organizational structure for the Town as well as a work plan to implement the Asset Management Strategy which will include: implementation costs associated with initial and ongoing resource requirements for such items as capital, staffing and training costs, performing further asset condition assessments, potential system acquisition and/or undertaking other work that is vital to the AM Strategy.

Staff anticipates reporting back to Council with the budget requirements, consultant selection and work plan for the consulting assignment phase of the project by the end of Q2. At the end of Phase 1 of the project staff will report to Council on the next steps for implementation and operationalization of the Strategy, likely towards year end.

CONCLUSION

Asset management ensures the Town's assets receive appropriate investment and attention. The Corporate Asset Management Policy establishes a framework for a consistent and coordinated approach to the Town's asset management practices. The proposed Corporate Asset Management Policy has been developed based on best practice asset management principles and practices. Council's approval of the policy will enhance the Town's asset management practices ensuring long-term sustainability and fiscal stewardship for the Town's existing and future base.

In keeping with best practices, staff is asking Council to approve the attached policy that reflects Council and organizational strategic goals, while providing a consistent, logical framework for identifying the Town's AM requirements and necessary actions.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

The Corporate Asset Management Policy is a key initiative and action identified in the Town's 2014 to 2018 Strategic Plan objectives to develop an asset management strategy.

CONSULTATION

The Asset Management Committee is comprised of senior staff from Engineering, Public Works, Information Technology, Finance and Strategic Initiatives. As these areas manage the majority of the Town's assets they are providing their expertise and taking the lead in helping to form the Town's Asset Management practices.

The attached Corporate Asset Management Policy has also been reviewed by the Operational Leadership Team and the Strategic Leadership Team.

Procurement Services has been consulted to provide guidance on the potential prices of the consulting assignment as identified within this report.

HUMAN RESOURCE CONSIDERATIONS

Staffing levels are not immediately impacted by the recommendations in this report; however, as part of the RFP, staff will be asking the Consultant to provide recommendations regarding ongoing resource requirements to identify the appropriate level of staffing resources required to continue this project. It is anticipated that this information will be provided to Council as part of the outcome from the Consultant assignment and that any additional resource requirements will come forward as part of the budget process.

FINANCIAL / BUDGET IMPACT

Operating Budget (Current and Future)

Pending the completion of an Asset Management Strategy a further report will be provided to Council identifying the potential operating budget impacts of the implementation of the strategy.

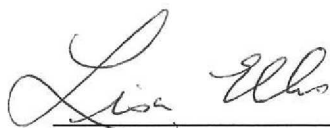
Capital Budget

As part of the 2015 Capital Budget, Council approved the use the Ontario Community Infrastructure Fund Formula Based funding of \$317,700 towards improving asset management planning within the Town. It is the intention of staff to use these some of these funds to develop the strategy and implementation plan. Based on the requirements identified within this report Procurement Services projects the preliminary prices of consulting for this project may range from \$100,000 to \$150,000. As previously indicated staff will provide an update to Council on the outcome of the RFP at which time the budget requirements will be known.

Based on the Province's information it is anticipated that this funding will continue until 2016. For the 2016 Budget, staff recommends these funds continue to be dedicated towards the Asset Management Program, within the parameters set out by the Province.

CONTACT

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CORPORATE POLICY

Sub Topic: Asset Management

Policy No.CAO.4-01

Topic: Corporate Asset
Management Policy

Employees Covered:

Section: Office of the CAO

Council Adoption Date:

Effective Date: February 8, 2016

Policy Statement & Strategic Plan Linkages

This Corporate Asset Management (AM) Policy applies to assets of the Town, such as roads, sidewalks, bridges, watermains, sewers, stormwater ponds, pumping stations, fleet, IT systems, buildings, parks, art and trees.

The Town of Newmarket is committed to good governance through fiscal responsibility and financial sustainability in striving to meet the program and service needs of the community and its customers, including residents, local businesses and visitors. Town of Newmarket will adopt and apply recognized AM practices in support of delivering services to its residents and customers.

This policy aligns with the Town's Strategic Plan directions in being Well-equipped & managed and Well-planned and connected by implementing policy that reflects sound and accountable governance and is the foundation of the Town's Key Strategic Asset Management Documents outlined in Appendix A.

The Corporate Asset Management Framework (Appendix B) encompasses all aspects of the management of each asset through its lifecycle in that it:

- Integrates the strategic objectives of the Town, with key business systems, legislation, and regulations;
- Creates a framework that establishes the mechanism for a clear line of sight between our AM program and Corporate objectives and strategies; and
- Commits to providing approved levels of service for present and future customers and communities, in the most effective and efficient way, through

the planning, design, construction, acquisition, operation and maintenance, renewal, and disposal of assets.

The basis for our asset related decisions are:

- Anchored on the four pillars of sustainability – economic, environmental, social and cultural - that support the Town's long-term sustainability goals approved by Council
- Based on applying "the right intervention, on the right asset, at the right time" recognizing risk and the Town's fiscal constraints; and
- Founded on a sustainable approach to ensure that asset base increases or enhancements consider the impact on the ability of the Town to fund future maintenance and rehabilitation.

Purpose

The purpose of this policy is to detail the guiding principles to be applied to AM:

- **Customer Focused**
The Town will aim to have clearly defined Levels of Service and applying AM practices to maintain the confidence of customers in how Town assets are managed.
- **Forward looking**
The Town will make decisions and provisions that enable our assets to meet future challenges, including changing demographics and populations, customer expectations, legislative requirements, technological and environmental factors.
- **Service Focused**
The Town will consider all the assets in a service context and taking into account their interrelationships as opposed to optimizing individual assets in isolation.
- **Risk-based**
The Town will manage the asset risk associated with attaining the agreed levels of service by focusing resources, expenditures, and priorities based upon risk assessments and the corresponding cost/benefit recognizing that public safety is the priority.
- **Value-Based / Affordable**
The Town will choose practices, interventions and operations that aim at reducing the life cycle cost of asset ownership, while satisfying agreed levels of service. Decisions are based on balancing service levels, risks, and costs.

- **Holistic**
The Town will take a comprehensive approach that looks at the “big picture” and considers the combined impact of managing all aspects of the asset life cycle.
- **Systematic**
The Town will adopt a formal, consistent, repeatable approach to the management of its assets that will ensure services are provided in the most effective manner.
- **Innovative**
The Town will continually improve its AM approach, by driving innovation in the development of tools, practices, and solutions.

The use of these principles in applying AM will better position the Town to:

- Deliver services at approved levels of service;
- Improve decision-making accountability and transparency;
- Better demonstrate the long term consideration of short term decisions;
- Improve customer service;
- Reduce the life cycle costs while maintaining acceptable levels of service; and
- Link infrastructure investment decisions to service outcomes.

Definitions

AM is an integrated business approach involving planning, finance, engineering, maintenance and operations geared towards effectively managing existing and new infrastructure to maximize benefits, reduce risk and provide safe and reliable levels of service to community users. This is accomplished in a socially, culturally, environmentally and economically conscious manner. AM relies on four key organizational components integrating together to achieve the desired service outcomes: well-planned strategies, good physical assets, highly trained professionals with respect to practices and procedures, and integrated business processes. These components, supported by appropriate technologies, provide a robust foundation for efficient service delivery.

AM Program refers to the collective documents that encompass the AM Policy, AM Strategy and AM Plans.

AM Strategy is a document that articulates the practical implementation of Town’s goals as they pertain to AM.

AM Plan is a document that reports on how assets are being managed through their lifecycle in support of the services being delivered.

Responsibilities

In meeting the goals and objectives of this policy, the **Strategic Leadership Team** will:

- 1) Create and maintain an asset management governance structure that leads the development of asset management tools and practices across the organization;
- 2) Adopt a Asset Management Strategy;
- 3) Seek funding and service delivery opportunities to address infrastructure investment pressures;
- 4) Provide regular updates to Council on the state of the Town's assets and forecasted trends.

In meeting the goals and objectives of this policy, the **Operational Leadership Team** will:

- 1) Oversee the development of asset management tools and practices application across the organization;
- 2) Implement the Asset Management Strategy:
 - a) Establish, document and continually adhere to industry recognized asset management protocols;
 - b) Define levels of service that balance customer expectations with risk, affordability and timing constraints;
 - c) Adopt risk-based decision-making processes that consider the likelihood of asset failure and the consequence of a failure with regards to impacts on safety and levels of service;
 - d) Develop asset management knowledge and competencies aligned with recognized competency frameworks;
 - e) Entrench lifecycle costing when evaluating competing asset investment needs across Town assets; and
 - f) Monitor the performance of the assets and track the effectiveness of Asset Management practices with a view to continuous improvement.
- 3) Where practical, strive to go beyond minimum legislative solutions as an enabler to make Town assets more resilient to changing social, environmental and economic conditions.

Appendix A

Key Strategic Asset Management Documents

The following key strategic asset management documents form part of the Town's overall approach to asset management:

Corporate Asset Management Policy: This document establishes Council's expectations around the management of the Town's physical assets. (This document)

Asset Management Strategy: This document defines Senior Management's commitment and approach to achieving the Council approved policy. (Pending approval of the Asset Management Policy staff will be coming forward with a recommendation on the approach to be taken regarding a strategy)

Customer Levels of Service: This document defines the level to which assets are to be maintained to achieve defined levels of service. (To be developed and approved by Council)

Asset Management Plans: These documents show how assets are being managed through their lifecycle in support of the delivery of services. (To be approved at the Departmental Management level for all service areas. The plans will be updated annually and submitted to Council annually for information purposes.)

State of the Asset Report: This document provides information on the state of the Town's physical assets which can then be referenced when making infrastructure asset investment decisions as part of the annual budget planning processes. (To be refined and submitted to Council annually for information purposes)

Appendix B

Corporate Asset Management Framework

