



# Committee Report

**To:** Deputy Mayor Gervais, Chair  
Operations Committee

**From:** LeeAnn McIntyre  
Treasurer/Deputy-Clerk

**Date:** June 18, 2019

**Re:** **Strategic Asset Management Policy**

## **Recommendation:**

Staff recommends Committee adopt the Strategic Asset management Policy.

## **Background:**

Ontario Regulation 588/17, under the Infrastructure for Jobs and Prosperity Act, 2015 requires Ontario municipalities to develop a strategic asset management policy (SAMP) by July 1, 2019 as well as a new asset management plan (AMP) for core infrastructure assets by July 1, 2021. The AMP must be extended to include all other assets by July 1, 2023. For July 1, 2024 a financial strategy for all Municipal infrastructure assets using the proposed Levels of Service, Performance and Lifecycle Activities must be in place. Both the federal and provincial governments require municipalities to develop asset management plans and have linked this requirement to many funding streams.

The regulation requires the following to be included in the SAMP:

- Identify municipal goals, policies and plans that will be supported by the AMP ie: the strategic plan
- How the AMP is to be considered in the development of the budget or long-term financial plans
- Identify practices and continuous improvement procedures regarding asset management planning
- Establish key principles to be followed
- Determine the municipality's commitment to consider actions that may be required to deal with vulnerabilities that may be the result of climate change including, anticipated costs, opportunities for change, mitigation approaches, disaster planning and contingency funding
- Plan to ensure the AMP is aligned with financial plans related to the municipality's wastewater and water assets including any prepared under the Safe Drinking Water Act, 2002

### **CITY OF PEMBROKE**

1 Pembroke Street  
East  
Pembroke, Ontario  
K8A 3J5  
Tel. 613-735-6821

### **Chief Administrative Officer & Human Resources**

Extension 1330  
Fax: 613-735-3660

#### **Finance**

Extension 1320  
Fax: 613-735-3660

#### **Fire**

Extension 1201  
Fax: 613-732-7673

### **OPP Administration** 613-732-3332

### **Economic Development Culture, & Tourism**

Extension 1303  
Fax: 613-735-3660

#### **Operations**

Extension 1409  
Fax: 613-732-1421

### **Planning, Building & By-Law Enforcement**

Extension 1304  
Fax: 613-735-3660

#### **Purchasing**

Extension 1409  
Fax: 613-732-1421

### **Parks & Recreation**

Extension 1501  
Fax: 613-635-7709

#### **general email:**

[pembroke@pembroke.](mailto:pembroke@pembroke.)



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**general email:**

[pembroke@pembroke.](mailto:pembroke@pembroke.)

- Plan to ensure the AMP is aligned with the municipality's official plan and Ontario's land-use planning framework, including the Planning Act
- Explain the capitalization thresholds and how they compare with the Tangible Capital Asset Policy
- A commitment to coordinate planning for infrastructure assets that are connected or shared with neighbouring municipalities or jointly-owned municipal bodies
- Identify persons responsible for asset management planning including the executive lead
- Explain Council's involvement in asset management planning
- A commitment to provide opportunities for residents and other interested parties to provide input into the asset management planning process
- The policy must be reviewed and updated if necessary every five years at a minimum.

The policy provides the framework to assist staff in preparing an asset management plan and integrating all other plans, policies and pertinent legislation with it. It requires Council to think beyond the current term and consider the effects of climate change and the needs of the municipality now and into the future. The policy also defines the role of staff, Council and the public in the capital infrastructure planning process.

**Financial Implication:**

The outcome of the AMP will determine the financial impact of this legislation however, Council will have input into determining levels of service and other factors that will ultimately affect the finances of the City.

Respectfully submitted,

LeeAnn McIntyre  
Treasurer/Deputy-Clerk

Terry Lapierre  
Chief Administrative Officer/Clerk

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**POLICY STATEMENT:**

The City of Pembroke shall adopt and apply recognized asset management practices in support of service delivery to its customers.

**1.0 Purpose**

The purpose of this strategic asset management policy is to provide leadership in and commitment to the development and implementation of the City of Pembroke’s asset management program. It is intended to guide the consistent use of asset management across the organization, to facilitate logical and evidence-based decision making for the management of municipal infrastructure assets and to support the delivery of sustainable community services today and into the future.

By using sound asset management practices, the City will work to ensure that all municipal infrastructure assets meet expected performance levels and continue to provide desired service levels in the most efficient and effective manner. Linking service outcomes to infrastructure investment decisions will assist the City in focusing on service, rather than budget driven asset management approaches.

This policy demonstrates an organization-wide commitment to the good stewardship of municipal infrastructure assets, and to improved accountability and transparency to community through the adoption of best practices regarding asset management planning.

**2.0 Background**

The City is responsible for providing a range of essential services to the community, including safe and reliable transportation infrastructure, sanitary sewer, stormwater management, drinking water, facilities and parks to name a few. To deliver these services it owns and manages a diverse municipal infrastructure asset portfolio of roads, bridges, culverts, watermains, reservoirs, storm sewers, sanitary sewers, treatment plants, fleet, equipment, land and land improvements, facilities, parks and trails, etc. As the social, economic and environmental wellbeing of the community depends on the reliable performance of these municipal infrastructure assets, it is critical to implement a systematic approach to their management and provide long-term financial sustainability.

Asset management is such an approach and refers to the set of policies, practices and procedures that will allow the City to realize maximum value from its municipal infrastructure assets. This asset management approach will enable the City to make informed decisions regarding the planning, building, operation, maintaining, renewing, replacing and disposing of municipal infrastructure assets through a wide range of lifecycle activities. Furthermore, it is an organization-wide process that involves the

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coordination of activities across multiple departments and service areas such as, the Treasury, Operations, Parks and Recreation, Fire, and Planning, Building Inspection and By-Law Enforcement departments. As such, it is useful to adopt a structured and coordinated approach to outlining the activities, roles and responsibilities of the organizations actors, as well as the key principles that should guide all asset management decision-making.

A comprehensive and holistic asset management approach will support efficient and effective delivery of expected levels of service and ensure that due regard and process are applied to the long-term management and stewardship of all municipal infrastructure assets. In addition, it will align the City with provincial and national standards and regulations such as the Infrastructure for Jobs and Prosperity Act, 2015 and Ontario Regulation 588/17, enabling the municipality to take full advantage of available grant funding opportunities.

The approval of this policy is an important step towards integrating the municipality’s strategic mission, vision and goals with its asset management program, and ensuring that critical municipal infrastructure assets and vital services are maintained and provided to the community in a consistent, reliable and sustainable manner.

### 3.0 Definitions

Unless otherwise noted, the definitions provided in this document align with those outlined in Ontario Regulation 588/17 (O. Reg. 588/17), Asset Management Planning for municipal infrastructure, and the Infrastructure for Jobs and Prosperity Act, 2015.

1. **Asset management (AM)** – the coordinated activity of an organization to manage assets by controlling all activities involved in the asset’s life cycle from planning and acquisition/creation, to operational and maintenance activities, rehabilitation/renewal and replacement or disposal, while balancing costs, risks, opportunities and performance benefits to realize maximum value.
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.
3. **Capitalization threshold** – the value of a municipal infrastructure asset at or above which a municipality will capitalize the value of it and below which it will expense the value of it.
4. **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,

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

5. **Level of service** – parameters, or combination of parameters, which reflect social, political, environmental and economic outcomes that the organization delivers
6. **Lifecycle activities** – activities undertaken with respect to a municipal infrastructure asset over its service life, including constructing, maintaining, renewing, operating, decommissioning, and all engineering/design work associated with those activities.
7. **Municipal infrastructure asset** – an infrastructure asset, including a green infrastructure asset, directly owned by a municipality or included on the consolidated financial statements of a municipality, but does not include an infrastructure asset that is managed by a joint municipal water board.
8. **Service life** – the total period during which a municipal infrastructure asset is in use or is available to be used.
9. **Budget Committee** – shall be the CAO, Treasurer, Deputy-Treasurer and respective Manager.

#### 4.0 Alignment with the City’s Strategic Direction

Effective management of infrastructure assets requires the alignment of the many initiatives underway at any given time. This will necessitate an integrated approach that aligns with the City’s goals defined in the Strategic Plan and requires congruency with the City’s financial plans, master plans, Official Plan, Development Charges Study, Emergency Response Plan, and Fire Master Plan.

#### 5.0 Scope

The Strategic Asset Management Policy applies to all physical assets that enable the City to provide services. These may include roads, sidewalks, pathways, bridges, watermains, sanitary and storm sewers, pumping stations, reservoirs, treatment plants, fleet, IT systems, buildings, parks, and lands used for operational purposes.

#### 6.0 Policy Statements

The following policy statements have been developed to guide the City:

1. The City will implement an enterprise-wide asset management program covering all departments. The program will promote lifecycle and risk management of all municipal infrastructure assets, with the goal of achieving the lowest total costs while meeting established levels of service.

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2. The City will develop financial plans that determine the level of funding required to achieve short-term operating and maintenance needs, in addition to long-term funding needs to replace and/or renew municipal infrastructure assets based on lifecycle costing.
3. The City will integrate the AMP into its long-term financial planning and budgeting processes. The AMP will be referenced by senior staff in the preparation of their budget submissions to help them:
  - i. Identify potential revenues and costs associated with forthcoming infrastructure asset decisions
  - ii. Incorporate new revenue streams and alternative funding opportunities where possible
  - iii. Evaluate the validity and need of each new capital asset and consider the impact on future operating costs

The departmental budget submission will be reviewed and evaluated by the budget committee in preparation of the City's annual budget.

The AMP progress will be considered annually in the creation of the City's capital and operating budgets and long-term financial plans. The AMP will be referenced by senior staff in order to:

- i. Look up forecasted spending needs identified in the plan
- ii. Verify progress made on the plan and identify potential gaps
- iii. Prioritize spending needs, across the identified gaps

The Treasurer and/or the Deputy-Treasurer will be involved in asset management planning to facilitate the bridge between:

- i. The financial strategy developed in the AMP
- ii. The budget submissions for each department
- iii. The overall budgeting process

4. The City will implement continuous improvement protocols and adopt best practices regarding asset management planning, including:
  - i. Complete and Accurate Asset Data
  - ii. Condition Assessment Protocols
  - iii. Risk Management
  - iv. Lifecycle Management
  - v. Financial Strategy Development
  - vi. Level of Service Framework

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5. The City will develop and maintain an asset inventory of all municipal infrastructure assets. These may include a unique ID, description, location information, historical and replacement value, performance characteristics and/or condition, estimated remaining life and estimated repair, rehabilitation or replacement date; and estimated repair, rehabilitation or replacement costs.
  - i. Asset hierarchies created to develop the original asset inventory will continue to be used to consolidate data for multiple initiatives, e.g., PSAB Financial Reporting, Financial Information Return Reporting, Budget Reporting, and Asset Management, as per Section 3.2 1a of the 2009 PSAB 3150 Compliance Report.
  
6. The Strategic Asset Management Policy applies to all assets whose role in service delivery requires deliberate management by the City. The service-focus intent of this policy differentiates its requirements from the capitalization thresholds which were developed for the purposes of financial reporting. Therefore, the capitalization threshold developed for the financial reporting (PSAB) will not be the guide in selecting the assets to include in the AMP. Capitalization thresholds for the AMP will be based on Council-endorsed principles and professional judgement of senior staff.
  
7. The City will develop and maintain an asset management plan (AMP) that incorporates all municipal infrastructure categories and municipal infrastructure assets that are necessary to the provision of services. This may include assets that fall below their respective capitalization thresholds as outlined in the City's Tangible Capital Asset Policy. The AMP will be reviewed and updated at least every five years and the City's progress of the plan will be reviewed annually to measure, promote, document and communicate continuous improvement of the AMP.
  
8. The City will explore innovative funding and service delivery opportunities, including but not limited to grant programs, public-private partnerships (P3), alternative financing and procurement (AFP) approaches, and shared provision of services as appropriate.
  
9. The City will develop meaningful performance metrics and reporting tools to transparently communicate and display the current state of asset management practice to Council and the community.
  
10. The City will consider the risks and vulnerabilities of municipal infrastructure assets to climate change and the actions that may be required including, but not limited to, anticipated costs that could arise from these impacts, adaptation

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opportunities, mitigation approaches, disaster planning and contingency funding. Impacts may include matters relating to operations, levels of service and lifecycle management.

11. The City will align financial plans with the established asset management plan and other applicable legislation.
  - i. Any financial plans prepared under the Safe Drinking Water Act, 2002, such as a water rate review that considers capital and operating infrastructure needs through a lifecycle costing approach analysis of financing options, and reserve fund position.
  
12. The City will align all asset management planning with the Province of Ontario’s land-use planning framework, including any relevant policy statements issued under section 3(1) of the Planning Act; shall conform with the provincial plans that are in effect on that date; and shall be consistent with all municipal official plans.
  
13. The City will coordinate planning for interrelated municipal infrastructure assets with separate ownership structures by pursuing collaborative opportunities with neighbouring municipalities and jointly-owned municipal bodies wherever viable and beneficial.
  
14. The City will develop processes and provide opportunities for municipal residents and other interested parties to offer input into asset management planning.
  
15. The City shall post the current strategic asset management policy and asset management plan on the City’s website, and shall provide a copy of the policy and plan to any person that requests it.

## 5.0 Key Principles

The guiding principles of the strategic asset management policy are outlined in the following list:

### Customer Focused

The City will establish levels of service and performance targets to form the basis for strategic decision making and to maintain the confidence of customers in how City assets are managed.



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**Service Focused**

The City will consider all the assets in a service context and take into account their interrelationships as opposed to optimizing individual assets in isolation.

**Risk-based**

The City 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.

**Forward Looking**

As part of the commitment to long-term sustainability, the City will make the appropriate decisions and provisions to better enable its assets to handle potential vulnerabilities, including changing demographics, customer expectations, legislative requirements, technological and environmental factors.

**Value-based/Affordable**

The City will utilize practices, interventions and operations that aim at balancing the lifecycle cost of asset ownership, agreed levels of service, risks, and aims at maximizing value from assets and services.

**Holistic**

The City will take a holistic approach that looks at the “big picture” and considers the combined impact of managing all aspects and stages of the asset life cycle.

**7.0 Roles and Responsibilities**

The development and continuous support of the City’s asset management program requires a wide range of duties and responsibilities. The following passages outline the persons responsible for these tasks:

**1. Council**

- i. Approve the strategic asset management policy and direction of the asset management program through its approval of the City’s asset management plan by Resolution
- ii. Conduct an annual review of the City’s progress in implementing the asset management plan, identify any factors impeding implementation and develop a strategy to address these factors; on or before July 1 in each year, starting the year after the asset management plan is complete
- iii. Maintain adequate organizational capacity to support the core practices of the asset management program

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- iv. Prioritize effective stewardship of assets in adoption and ongoing review of policy and asset management plan
- v. Approve capital and operating budgets delivered by staff
- vi. Approve levels of service

**2. Executive Lead**

- i. The Manager of Operations or designate will act as the executive lead
- ii. Endorse each asset management plan and updates to the asset management plan

**3. Leadership Team**

- i. Development of policy and policy/plan updates
- ii. Provide corporate oversight to goals and directions and ensure the asset management program aligns with the City’s strategic plan
- iii. Ensure that adequate resources are available to implement and maintain core asset management practices
- iv. Define levels of service and make recommendations to Council
- v. Report on asset management program progress and results
- vi. Provide organization-wide leadership in asset management practices and concepts
- vii. Maintain adequate organizational capacity to support the core practices of the asset management program
- viii. Prioritize effective stewardship of assets in adoption and ongoing review of policy and asset management plan
- ix. Manage budgets based on lifecycle activities and financial management strategies

**4. Departmental Staff**

- i. Utilize the new business processes and technology tools developed as part of the asset management program
- ii. Participate in implementation task teams to carry-out asset management activities
- iii. Implement and maintain defined capital asset levels of service
- iv. Track, analyze and report on asset management program progress and results

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**5. Public**

- i. Engage and voice level of service expectations and concerns to Council and staff through public engagement opportunities
- ii. Engage in discussions about strategic priorities and target levels of service long-term