



**Subject:** Strategic Asset Management Policy

**Service Area:** Engineering and Planning

**Source:** Ontario Regulation 588/17, filed under the *Infrastructure for Jobs and Prosperity Act, 2015*

**Date:** 2019 06 03

---

## 1. Background

The City of Sault Ste. Marie (City) provides a range of services to the public. The provision of these services requires the ownership and responsible management of physical assets. It is imperative that the City has a plan to manage these assets in order to meet desired service levels, manage risks, and to provide long-term financial sustainability.

To support its commitment to asset management planning, the City has prepared this Strategic Asset Management Policy which details the policies and principles that together form a framework for the City's asset management process. This framework is intended to enable the City to make consistent and sound decisions, plan for future needs, and build public confidence in municipal infrastructure.

This Strategic Asset Management Policy complies with Ontario Regulation 588/17 filed under the *Infrastructure for Jobs and Prosperity Act, 2015*.

## 2. Terms and Definitions

For the purpose of this document, the following definitions apply and reflect industry accepted practices, including ISO 55000 – International Standard for Asset Management.

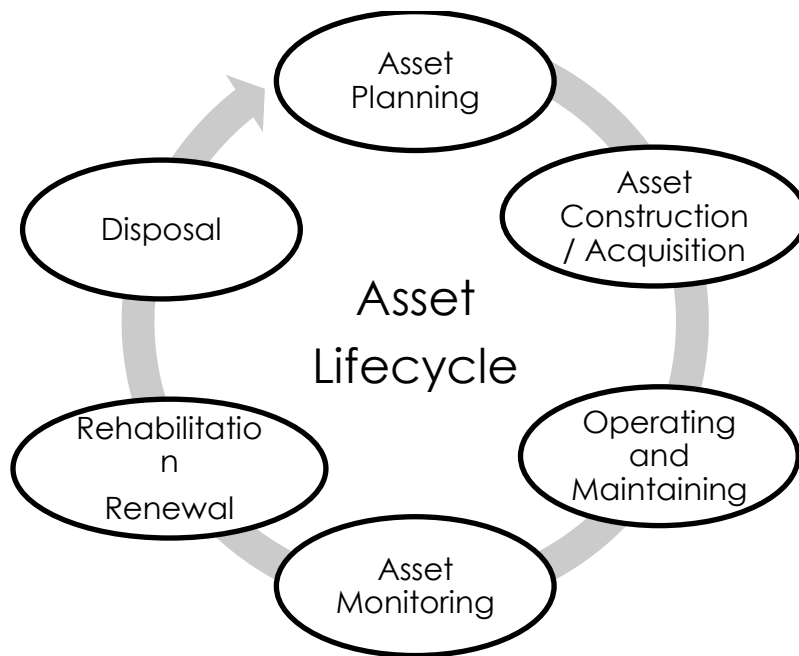
**Asset:** An item, thing or entity that has potential or actual value to an organization.

**Asset Management:** coordinated activity of an organization to realize value from assets.

**Asset Management Plan:** documented information that specifies how the City will achieve the goals articulated in this Strategic Asset Management Policy. At a minimum, the Asset Management Plan needs to comply with the requirements of O. Reg. 588/17.

**Lifecycle:** Stages involved in the management of an asset.

**Level of Service:** Parameters or a combination of parameters, which reflect social, political, environmental and economic outcomes that the organization delivers.



### 3. Scope

The Strategic Asset Management Policy applies to all physical assets that enable the City to provide services and require management and long-term planning by the City. These may include natural assets such as drainage channels and aquifers. Generally, the City's asset management planning will include any asset under the City's ownership, regardless of the operating entity. The City will coordinate asset management planning with other organizations and levels of government when their assets connect or are interrelated with the City's assets (e.g., provincial highways crossing municipal roads).

Drinking water infrastructure in the City of Sault Ste. Marie is administered by the Public Utilities Commission of the City of Sault Ste. Marie. Decisions relating to Drinking Water asset operations, renewal, management, financing etc., are governed by the Commission Board.

The determination of scope of costs to be included as 'assets' within the City's asset management process will be consistent with the City's Tangible Capital Assets Policy. The service focus of the City's asset management planning may from time to time require consideration of items that don't meet the minimum capitalization thresholds set out in the Tangible Capital Assets Policy, if these are deemed to be material to the asset management strategy.



#### 4. Asset Management Goals and Objectives

The City's asset management goals and objectives are primarily defined in terms of levels of service provided to City constituents and stakeholders. The City will establish and document realistic, financially viable level of service targets that align with stakeholder expectations and regulatory requirements, and will ensure that these targets are kept up-to-date. The City will ensure that the level of service targets are consistently achieved through development of effective asset management practices.

In addition to the primary goal of meeting service level objectives, the City will develop asset management plans that meet the following goals:

- To provide a planning and management tool that allows for better decision-making regarding resource allocation.
- To provide an asset management process that is effective, achievable and efficient.
- Achieve cost savings by identifying efficiencies and deficiencies early on and then take appropriate action to rehabilitate or renew the assets.
- To plan for and provide stable long-term funding to replace and/or renew and/or decommission assets.
- Provide guidance for infrastructure investment decisions.
- To consider and incorporate asset management in the City's other corporate plans including the Official Plan and the Strategic Plan.
- To consider environmental and social impacts.
- To demonstrate that a full range of available financing and revenue generation tools have been explored as a condition of future provincial funding for infrastructure projects.
- Demonstrate that projects seeking provincial infrastructure funding were reviewed and included in the asset management plan.

The City's asset management plan and its implementation will be evaluated based on the City's ability to meet these goals and objectives.

#### 5. Principles

The City commits to following the principles set out in this section when making asset management decisions.

These principles are designed to encompass those contained in section 3 of the *Infrastructure for Jobs and Prosperity Act, 2015*.

**Service delivery** – service levels and performance targets will be established and form the basis for strategic asset management decision making. The City will manage risks associated with the defined service levels and performance targets by prioritizing asset management activities in an equitable manner based on risk assessments and cost/benefit



analysis. The City will ensure that infrastructure planning and investment is focused on promoting community benefits by ensuring alignment with the City's Corporate Strategic Plan and other strategic documents, as identified in section 6 of this policy. Furthermore, the City will ensure that infrastructure planning and investment reflects the community's unique needs and circumstances, and promotes accessibility for persons with disabilities.

**Long-term sustainability** – As part of its commitment to long-term sustainability, the City will consider potential vulnerabilities that may be caused by climate change. These vulnerabilities will be considered in developing asset management strategies that outline the actions and associated costs that may be required to manage potential risks. The City will review asset design standards, asset lifecycles, asset maintenance requirements, and level of service targets to determine if changes are needed in response to climate change. The City will consider mitigation strategies, disaster planning, and contingency funding as part of its asset management planning. The City will seek to minimize the environmental impacts of infrastructure and will endeavour to make use of acceptable recycled aggregates where appropriate.

**Holistic approach** – The City will take a holistic approach to asset management that takes into consideration all aspects and stages of the asset lifecycle and the inter-relationships between them. Within this approach, the City will consider not only capital costs, but also significant capital planning costs, operating and maintenance costs, and service performance impacts. The City will approach asset management from a multi-disciplinary perspective, recognizing that there needs to be deliberate collaboration between various areas of the organization, as opposed to optimizing individual assets in isolation.

**Fiscal responsibility** – The City will use an evidence-based, data driven approach to decision making that balances service levels, risks, and costs, in order to maximize value from assets and services. To improve affordability, the City will strive to reduce the lifecycle cost of asset ownership while satisfying the specified level of service targets. The City will ensure that the asset management financing strategy is based on long-term asset lifecycle needs to help mitigate unexpected tax or user fee fluctuations. The City will consider affordability, indebtedness, and availability of external funding when determining an appropriate level of funding for asset management. Asset management planning will include consideration of capital funding as well as operation and maintenance funding to enable assets to operate optimally.

**Innovation and continual improvement** – The City views continuous improvement as an essential element of successful asset management. As required by the *Infrastructure for Jobs and Prosperity Act, 2015*, the City will review its asset management progress annually, and will present the findings of these reviews to Council on or before July 1 in each year. The annual review will address the City's progress in implementing its asset management plan, factors impeding the City's ability to implement its asset management



plan, and strategies to address these impeding factors. The annual review will be coordinated by the CAO in consultation with the Asset Management Working Group, as identified in section 7 of this policy. The City will continue to monitor industry best practices and innovation opportunities, and periodically update its asset management process. As part of this commitment to continual improvement, the City will support staff professional development initiatives in this area.

**Public engagement** – the City will provide opportunities for residents and other interested parties to provide input to asset management planning. The City will ensure that any principles, standards, and guidelines that inform asset management planning and decision making are well-documented and effectively communicated through public engagement.

## 6. Strategic Alignment & Integration

The City's asset management plan will be aligned with the Corporate Strategic Plan, the City's Official Plan, relevant master plans, and all other strategy and policy documents that have asset management implications.

Following updates or material changes to any of the City's strategic documents, the City will consider potential impacts on the Strategic Asset Management Policy and the Asset Management Plan to ensure continued alignment.

In addition to ensuring alignment between the City's general asset management practices and the City's various strategic documents, the City will ensure that its asset management plans are considered when developing annual budgets and long-term financial plans. The asset management plans, and progress made with respect to their implementation, will be reviewed annually during the budget process. When preparing budget submissions, service area personnel will refer to the Asset Management Plan to help them:

1. Identify all potential revenues and expenses (including operating, maintaining, replacing and decommissioning) associated with forthcoming infrastructure decisions;
2. Evaluate the validity and need of each significant new capital asset, including considering the impact on future operating costs; and
3. Incorporate new revenue tools.

The department level submissions prepared by each service area will be evaluated by the Senior Management Team in accordance with the capital budget prioritization process. The financial services personnel will be involved in asset management planning to facilitate the bridge between:

- The financial strategy developed in the asset management plan;
- The budget submissions from each service area; and
- The overall budget process they ultimately oversee.



In accordance with past practice, and consistent with both Ontario Regulation 588/17 as well as the best interest of ratepayers and constituents, the City and the Public Utilities Commission will, to the extent that is practical, have mutual consideration for the coordination of projects and programs within each other's respective asset management plans. To achieve this alignment, the Public Utilities Commission should have ongoing representation in the City's Asset Management Working Group.

## 7. Roles & Responsibilities

Stakeholder Group	Responsibilities
Council	<ul style="list-style-type: none"><li>• Approve the Strategic Asset Management Policy and Asset Management Plan (as updated at least every 5 years)</li><li>• Receive annual reporting on the status and performance of the City's Asset Management Plan</li><li>• Review and approve funding associated with Asset Management through the annual budget process</li><li>• Provide opportunities for the public to provide input into asset management planning – as identified in the Public Engagement principle under section 5 of this policy</li><li>• Provide resources for implementation of the Strategic Asset Management Policy and Asset Management Plan.</li></ul>
CAO	<ul style="list-style-type: none"><li>• Maintain compliance with the asset management policy and provincial asset management regulations</li><li>• Coordinate annual asset management review and reporting in consultation with the Asset Management Working Group to include:<ul style="list-style-type: none"><li>• Progress in implementing the asset management plan;</li><li>• Factors affecting the ability of the City to implement its asset management plan;</li><li>• Consultation with department leads; and</li><li>• Strategies to address these factors, including the adoption of appropriate practices.</li></ul></li><li>• Periodic review of the Strategic Asset Management Policy and Asset Management Plan at least every 5 years</li></ul>



<b>Stakeholder Group</b>	<b>Responsibilities</b>
Asset Management Working Group (comprising representatives from all City departments)	<ul style="list-style-type: none"><li>• Define levels of service measures and metrics</li><li>• Suggest levels of service targets</li><li>• Incorporate lifecycle costing and levels of service considerations when evaluating competing asset investment needs and developing asset management strategies</li><li>• Review the Strategic Asset Management Policy and update the Asset Management Plan, at least every 5 years</li></ul>
Residents, Constituents and Stakeholders	<ul style="list-style-type: none"><li>• Provide input to the City through participation in City public engagement initiatives and the annual budget process</li></ul>
Public Utilities Commission of the City of Sault Ste. Marie	<ul style="list-style-type: none"><li>• In respect of Drinking Water assets, prepare a Strategic Asset Management Policy and an Asset Management Plan in accordance with the Ontario Regulation 588/17</li><li>• Maintain ongoing representation and actively participate in the City's Asset Management Working Group to ensure that the Commission's Asset Management Plan aligns with the City's plans</li></ul>
PUC Distribution Inc. (Electricity distribution) and PUC Services Inc. (Streetlights)	<ul style="list-style-type: none"><li>• Provide input into the City's asset management planning</li></ul>

## 8. Review Period

This policy will be reviewed by the CAO, in consultation with the City's Asset Management Working Group, at least every five years (as required by Ontario Regulation 588/17), and following any changes in regulatory requirements.