

June 20, 2019

To: Members
Priorities and Planning Committee

Re: Asset Management - Introduction and Progress Update

RECOMMENDATION

That this report be received and filed.

CONCLUSION

A requirement of the Federal Gas Tax Fund (GTF) agreement between the Government of Saskatchewan, the Government of Canada and the City of Regina (City) is to provide City Council a status update on the improvement and monitoring of the City's Asset Management Program by June 30, 2019. This report fulfils a requirement to maintain eligibility for the GTF.

The practice of asset management is a growing priority for the City. An asset management system provides beneficial decision-making tools that embeds level of service sustainability with affordability. This is a value-add, which supports the City's administrative effort for better decision making, by coordinating and improving its day-to-day processes, while planning for reliable customer service delivery and cost savings in the long-term.

BACKGROUND

At a high level, the practice or discipline of asset management is to translate an organization's objectives into asset-related decisions, plans and activities using a risk-based approach to support service delivery. The City's objectives are captured in the organization's overarching documents, including *Design Regina: The Official Community Plan Bylaw No. 2013-48* (OCP), the *2018-2020 Strategic Plan - Making Choices Today to Secure Tomorrow: Advancing the Official Community Plan* (Strategic Plan), as well as Master Plans and other documents.

The need to grow asset management maturity has been recognized as a priority by both the federal and provincial governments. It's becoming regular practice that infrastructure grants from other levels of government require readiness assessments or have targets that determine eligibility for future grant funding.

For example, FCM determines eligibility through a readiness assessment, with the understanding that projects should increase the municipality's capabilities in at least one of the five competencies, including policy and governance, people and leadership, data and information, planning and decision-making and contribution to asset management practice. GTF has set out several measures to assess municipalities progress in asset management and requires the City to report annually on progress.

DISCUSSION

History

Like all municipalities, the City has managed their assets since the first asset was acquired and/or created. The City does this through the lifecycle of every asset, including budgeting, planning, design, delivery, operations, maintenance and decommissioning. These assets provide services that support economic growth, transportation of goods, land development, community culture and health and safety. Like all asset-intensive organizations, the overall performance of municipalities depends on the performance of critical assets, such as water and wastewater treatment plants and pipe networks, roads and bridges and emergency response vehicles and facilities. These assets are spread across a wide geographic area, are subject to the physical elements and environmental stresses and require large capital expenditures to acquire and sustain.

Historically, municipalities across Canada have built infrastructure and acquired assets with insufficient consideration for depletion, depreciation and amortization. As a result, elected officials and citizens have not been provided a clear understanding of the cost implications of maintaining and renewing existing infrastructure. What communities are finding with a growing level of responsibilities, challenges to sources of new or expanded funding and the long-time practice of short-term decisions through the annual budget process about investment, is the maintenance and renewal of a municipality's assets are not sustainable if continuing to respond and react in this manner.

Value of Asset Management

Asset management is an integrated business approach that minimizes the lifecycle costs of owning, operating and maintaining assets at an acceptable level of risk, while continuously delivering established levels of service for present and future residents. Asset management provides communities with a better understanding of trade-offs by providing a structured way of tracking performance, cost and risks to meet service objectives in the most efficient and effective manner to achieve the organizational strategic plan.

Although managing assets is not new to the City, there is difference between managing assets and asset management:

Managing assets focusses on:	Asset management focusses on:
<ul style="list-style-type: none">• Lifecycle activities and asset care - availability, reliability, dependability and safety.• Asset location, condition, life extension and/or interventions.• Asset databases, System and Information Technology (IT) and performance.• People, skills and work management.• Budgets and key performance indicators (KPIs)/cost of maintenance and current performance.	<ul style="list-style-type: none">• The purpose of City assets and what assets are needed and why.• Value, purpose and long-term outcomes.• Risk and context.• Holistic approach to different funding streams. e.g. capital and operating.• Collaborative behaviors - breaking down silos.• How assets contribute to organizational value.

In 2015 an Asset Management Branch was established to facilitate the alignment of managing assets and asset management. The Asset Management Branch provides support for business units, facilitates communication and ensures consistency and integration across the organization. The goal is to provide holistic information to understand impacts of decision both in the short and long-term.

Since the establishment of the Asset Management Branch, work has begun to develop a corporate approach to asset management. Work includes but not limited to:

- Maturity assessment of asset management across the organization.
- Development of an Asset Management Governance Model, Policy, Framework and Strategy.
- Development of an asset management roadmap consisting of prioritized improvement initiatives to build maturity in asset management.

Specific projects include underway

- Asset Corporate Condition Index (ACCI), which determines the overall condition of assets to facilitate development of a Corporate State of the Infrastructure Report and a Corporate Asset Management Plan.
- Levels of Service (LOS) assessment of current LOS to better understand the cost of providing services that will contribute to the City's long-term financial viability
- Asset Management Plans (AMPs) are being develop in the City's ten asset service areas. An AMP tells a complete story about the City's assets, the purpose in supporting service delivery and how it continues to fulfill that purpose over the long-term. First generation asset management plans have been developed in water, wastewater, facility, roadway and bridge service areas. Parks & Open Space, Fleet, Solid Waste, Stormwater are planned for the near future. These service area AMPs will contribute the City's corporate AMP.

In addition to the ACCI project, a white paper was published and co-presented by the City and Consultant GHD at the Institute of Asset Management (IAM) conference in London, England. The ACCI looks at overall condition (OAC) to change the perspective from the traditional asset-centric view to a customer-focused approach to asset management. The OAC considers the asset condition from three perspectives: i) physical ii) functional and iii) demand condition. This approach helped to develop the options as described in *CR18-120 Residential Road Renewal Program Alternative Treatment Options*.

Funding Opportunities

A catalyst for the development of asset management in Saskatchewan is GTF Agreement signed between the Government of Saskatchewan and the Government of Canada. It provides predictable long-term funding for municipalities. The City signed the Municipal Gas Tax Fund Agreement (MGTF), committing the City to make progress in developing and implementing an AM program. The GTF established asset management targets that municipalities are required to meet to remain eligible for funding. Appendix A highlights the requirements in place to meet the funding requirements for the GTF.

The Federation of Canadian Municipalities (FCM) Municipal Asset Management Program (MAMP) is also a funding source for asset management initiatives and training. In the 2019 federal budget, a renewal of the existing program provided an additional \$60 million over the next five years for municipalities to increase their capacity in asset management to make the most of new infrastructure investments.

In order to be eligible for FCM funding or training resources, there is a requirement to make progress on asset management, which is assessed through a readiness assessment. MAMP supported activities range from collecting data and analyzing asset management needs, developing policies and training staff. One of the competencies measured in the readiness assessment is people and leadership and setting up cross-functional groups with clear accountability and ensuring adequate resourcing and commitment from senior management and elected officials to advance asset management. A workshop is being organized for the fall for City Council, Senior Administration and Asset Managers to increase readiness in people and leadership at the City.

Next Steps

Designing a robust asset management program will continue to be a focus for Administration to improve the information available to support the sustainable delivery of services and long-term financial viability. The Asset Management roadmap provides administrative guidance on initiatives to be undertaken to further develop the City's Asset Management Program. These initiatives include, but are not limited to:

- Education opportunities for all areas of the organization including senior leadership within City Council and Administration.
- An overall sustainable approach to service delivery by developing long-term plans that evaluate and address financing needs of defined service levels, over the lifecycle of City assets and infrastructure.
- Providing members of City Council focused education on asset management, which will lead to a request to approve the Asset Management Policy for the City.
- Providing City Council with a City-Wide State of the Infrastructure Report, which includes asset specific report cards to communicate sustainability and provide a high-level holistic view on the condition of City-owned assets.
- Completing a City-Wide Asset Management Plan that aligns with the future Long-Range Financial Plan in support of achieving what is set out in the Master Plans, both completed or under development.
- Developing and maturing specific AMPs that clearly articulate levels of service, the cost of delivering the service (both operating and capital) and the associated risks.

RECOMMENDATION IMPLICATIONS

Financial Implications

Long-term financial viability and service sustainability is a key challenge facing the City due to numerous contributing factors, including external influences, increased demand for services beyond those traditionally provided, aging infrastructure and constraints on revenue growth. While some of these challenges are not unique to Regina, they will continue to require strong

financial management, decision making, and understanding community priorities to achieve long-term financial viability, service level sustainability and achievement of the long-term objectives of the OCP.

For the organization, asset management is a building block for long-term financial sustainability. As such, it is critical that the tools and plans created by Financial Services and the Asset Management Branch are complementary and cohesive.

Future GTF obligations require the City to have asset management plans in place and it is anticipated that other future capital grant funding opportunities will hinge upon municipalities having asset management plans in place, so it is paramount to continue with the initiatives identified in the Asset Management Roadmap.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

The OCP directly calls out the following actions on asset management:

- Section B - Financial Policies
 - Goal #2 - Sustainable Services and Amenities
 - 1.3: Optimize the use of existing services/amenities:
 - 1.3.1 Establish an asset management framework and program;
- Section D4 - Infrastructure
 - Goal #2 - Asset Management and Service Levels
 - 6.3: Prepare and implement an asset management strategy for infrastructure to:
 - 6.3.1 Guide City planning and operations;
 - 6.3.2 Establish a service framework and levels of service for existing and new assets; and
 - 6.3.3 Focus resources for managing and investing in infrastructure.
 - 6.4 Adopt a continuous improvement framework to address the current infrastructure gap and ensure that future requirements for infrastructure are aligned with the priorities, goals and policies of this Plan.
 - 6.5 Determine requirements to upgrade and finance existing infrastructure to service new development at defined service levels.

The Strategic Plan includes five targeted outcomes, which highlights making choices today to secure tomorrow. To achieve these outcomes, asset management supports the following plan objectives identified:

- Community Perspective
 - Objective 2: Improve Service Financial Sustainability - Ensure the community has services today and in the future that meet everyone's needs at a price they can afford.

- Objective 3: Increase Understanding of the Cost of Services - Provide information about the cost of services and engage the community in making level of service choices.
- Objective 4: Improve our Use of Resources - Practice prudent fiscal management of existing resources by ensuring that financial and human capital are used efficiently. Ensure services have cost recovery levels that are consistent with the benefits model.
- Objective 5: Increase Understanding of Service Costs and Revenues Relative to Levels of Service - Develop a stronger understanding of the unit cost of each service and the impact of level of service changes on revenues and expenses.
- Objective 7: Improve Decision-Making - Make data-driven decisions based on commonly understood priorities.
- Objective 8: Improve Integrated Planning - Collaborate and plan at the departmental, service and project level while considering others' plans.
- Objective 10: Enhance Employee Performance - Develop employees through training that supports their ability to deliver service to the community.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

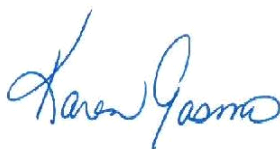
COMMUNICATIONS

None with respect to this report.

DELEGATED AUTHORITY

None with respect to this report.

Respectfully submitted,



Karen Gasmu, Director
Sustainable Infrastructure

Respectfully submitted,



Diana Hawryluk, Executive Director
City Planning & Community Development