

Municipality of Lakeshore – Report to Council

Finance

Financial Planning & Analysis



To: Mayor & Members of Council
From: Justin Rousseau, Corporate Leader Chief Financial Officer
Date: May 29, 2023
Subject: Asset Management Strategy

Recommendation

Approve the Asset Management Strategy for the Municipality of Lakeshore presented at the June 27, 2023 Council meeting; and Administration develop an action plan and funding strategy in the development of future budgets for the implementation of the Asset Management Strategy.

Background

In December 2017, the Province passed an Asset Management Planning regulation under the Infrastructure for Jobs and Prosperity Act, 2015. Ontario Municipalities are now subject to Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure. Under the Regulation, every Municipality is required to prepare a comprehensive strategic asset management policy, a plan to maintain core municipal infrastructure, a level of service proposal, and a publicly accessible Asset Management Plan (AMP) which is required to be updated every fifth year going forward with data obtained within the preceding two years.

The following are the key dates to this Regulation:

- January 1, 2018: Effective date of Regulation.
- July 1, 2019: Date for Municipalities to have a finalized strategic Asset Management Policy.
- July 1, 2021 (*now 2022): Date for Municipalities to have an approved AMP for core assets (roads, bridges and culverts, water, wastewater and stormwater management) that discusses current levels of service and the cost of maintaining those services.
- **July 1, 2023(*now 2024)**: Date for Municipalities to have an approved AMP for all municipal infrastructure assets that discusses current levels of service and the cost of maintaining those services.
- **July 1, 2024(*now 2025)**: Date for Municipalities to have an approved AMP for all municipal infrastructure assets that builds upon the requirements set out in 2023.

This includes a discussion of proposed levels of service, what activities will be required to meet proposed levels of service, and a strategy to fund the activities.

*Due to the pandemic and the state of many Municipal resources in the province, the deadlines were extended a year.

On July 12, 2022, the Municipality of Lakeshore passed By-Law 66-2022 enacting an Asset Management Policy thus satisfying the July 1, 2019, requirement.

On September 27, 2022, the following resolution was passed by Lakeshore Council:

Approve the Municipality of Lakeshore Asset Management Plan 2022;

Direct the Corporate Leader-Chief Financial Officer to submit the Municipality of Lakeshore Asset Management Plan 2022 to the Ontario Ministry of Infrastructure;

Direct that the Municipality of Lakeshore Asset Management Plan 2022 be made available on the Municipal website;

Direct that the financial strategies outlined in Municipality of Lakeshore Asset Management Plan 2022 Report presented at the September 27, 2022 Council meeting be adopted and implemented in future budgets and fiscal planning and policy documents.

The Municipality of Lakeshore AMP 2022 stratifies the July 1, 2022, requirement.

The Ontario Regulation 588/17 Requirements and Reporting Deadlines are included below:

	2019	2022	2024	2025
Asset Management Policy	●		●	
Asset Management Plans		●	●	●
State of infrastructure for core assets		●		
State of infrastructure for all assets			●	●
Current levels of service for core assets		●		
Current levels of service for all assets			●	
Proposed levels of service for all assets				●
Lifecycle costs associated with current levels of service		●	●	
Lifecycle costs associated with proposed levels of service				●
Growth impacts		●	●	●
Financial strategy				●

After the approval of the AMP, Lakeshore move into Phase 2 of the project to help reach a more mature asset management state. The first step in this was to conduct a current state assessment and Asset Management Strategy.

In 2022 the Municipality of Lakeshore was able to secure \$50,000 in funding from the Federation of Canadian Municipalities' (FCM) who offered an eight-year, \$50 million Municipal Asset Management Program (MAMP) through the funding from Infrastructure Canada (INFC) to support Canadian Municipalities and communities in building their Asset Management (AM) practice. This funding will help Lakeshore continue to improve our data and business process around Asset Management and has provided a funding source for this work to be completed within budget.

Comments

Attached to the report in Appendix A is the Asset Management Strategy for the Municipality of Lakeshore. The current state assessment was established by survey results from both Council and Administration as well as detailed meetings with departments which play a key role in the process of Asset Management.

This asset management strategy provides a practical framework for the Municipality of Lakeshore to establish and maintain an efficient asset management program. It makes recommendations to improve the Municipality's asset management program, introducing actionable items along with suitable timeframes. The following recommendations enhance an asset management culture which is reinforced by sound processes and practices.

The strategy identifies seven priority initiatives with 29 recommended tasks, distributed over four years. These recommendations are based on the Municipality's current state assessment. This assessment establishes the Municipality's current asset management maturity levels on seven core elements of asset management; identified gaps in asset management practices, procedures, and business processes; and, discovered critical information gaps in the Municipality's infrastructure datasets.

The seven core elements of asset management are: Organization and People; Strategy and Planning; Asset Data; Asset Management Decision Making (Project Prioritization); Risk Management; Levels of Service; and Financial Management. The elements, or core competencies, are consistent across leading asset management associations and industry groups, including the Institute of Asset Management (IAM), the Global Forum on Maintenance and Asset Management (GFMAM), and the International Infrastructure Management Manual (IIMM).

The Municipality of Lakeshore's overall asset management maturity was assessed as 'Intermediate', suggesting that the Municipality is in the learning and implementing stage of asset management. Its performance varied somewhat across all seven elements and did not surpass an intermediate maturity rating. The lowest score was measured in risk, and the highest was asset management decision-making.

Organizations in the learning and implementation stages benefit from improving their asset management knowledge, and from actively assessing and building their capacity and culture. At this stage, it is typical to find many gaps across each of the seven core elements of asset management, particularly datasets and business processes. For Lakeshore, these gaps, constraints, and challenges include:

- There is no asset management coordinator or governance structure defined;
- The corporate Strategic Plan requires revision;
- Staff have moderately low confidence in asset datasets;
- The Municipality uses a short-term planning horizon;
- Risk models are basic to intermediate and are not consulted for decision making;
- Levels of service analysis is limited to regulatory reporting only; and
- There is minimal cross-departmental collaboration to develop budgets.

The priority initiatives we have proposed to address these gaps are designed to be cumulative; as a result, some recommendations are sequential, and require completion of preceding tasks. These tasks are scheduled in **Appendix 1 of the Asset Management Strategy**.

In Year 1, the focus is on enabling the Municipality to complete an effective Asset Management Plan that meets 2024 O. Reg. 588/17 compliance. The first year involves significant resource capacity expansion and training along with notable data and asset management strategy improvements.

In Year 2, the focus is on enabling the Municipality to complete an updated Asset Management Plan that meets 2025 O. Reg. 588/17 compliance. The first goal to enhance the Municipality's understanding of growth and demand drivers along with the associated costs. The second goal is to develop proposed levels of service and identify the associated costs with meeting the desired levels of service.

In Year 3, the recommendations are focused on expanding governance strategies. The Municipality will be seeking to adopt new communication tools and new policies and strategies that will facilitate the maintenance and advancement of the asset management program.

In Year 4 the final improvements involve making the most use of the advancements made in the previous three years. The recommendations support enhanced financial planning and advanced project prioritization.

The current state assessment identified 32 gaps across the seven core elements of asset management. The strategy is designed to close these gaps over time. There are several recurring themes throughout the strategy, including a sharp focus on documentation, standardization, and integration.

Some benefits of implementing the strategy will be realized immediately, including higher staff confidence in datasets, clarity on roles and responsibilities, and greater cohesiveness across the organization. Other benefits, such as improved capital planning, cost savings, better risk management, and more seamless alignment of infrastructure services with community expectations, will become more evident gradually.

The strategy outlines seven priority initiatives with 29 recommended tasks distributed over four years. The initiatives are designed to be cumulative; as a result, some recommendations require the completion of preceding task and initiatives. A 4-year schedule to undertake the recommendations has been drafted and is as follows:

Others Consulted

Jordan Gonda, Public Sector Digest Citywide Inc.

Financial Impacts

Recommendations that require additional funding based on the Asset Management Strategy will be brought back for Council Consideration in future budgets.

Currently, the Lakeshore Asset Management Plan 2022 calls for the following:

- implementing a 3.4% annual tax increase over a 5-year phase-in period and allocating the full increase in revenue toward tax-funded asset categories into future budgets for Council consideration;
- implementing a 1.2% rate increase for water over a 5-year phase-in period, and a 2.3% increase for wastewater, over a 10-year phase-in period as well as tie the assumptions into the water and wastewater rates studies and future budget consideration;
- continued allocation of OCIF and CCBF funding as previously done in the past; and
- using risk frameworks and staff judgement to prioritize projects, particularly to aid in the elimination of existing infrastructure backlogs.

Attachments

Priority Initiatives	Task	Description	2023		2024				2025				2026				2027	
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Resource Capacity and Training	1.1	Consider retaining an asset management coordinator to coordinate information and maintain and develop the asset management program.																
	1.2	Educate and train key personnel and Council on broader asset management best practices including database management and the optimal use of Citywide Asset Manager.																
	1.3	Define an asset management governance structure, including roles and responsibilities at each level.																
	1.4	Coordinate regularly scheduled meetings on asset management for staff, providing updates to ensure consistent approaches to asset management																

		practices across departments.	■															
	1.5	Ensure software functionality meet service area needs and is compatible with existing systems. Engage in information sharing about available tools and software training for all departments.		■														
Improve Data & AM Strategies	2.1	Ensure any remaining key data gaps are closed for assets.		■	■													
	2.2	Comprehensive update of replacement costs for all asset classes, incorporating industry standard costing references and local market pricing which are updated periodically.		■	■													
	2.3	Review and refine risk models with staff input once data maturity has improved.				■												
	2.4	Audit existing technical				■												

		defined service goals and incorporate into the Asset Management Plan.																	
	5.6	Update the corporate Strategic Plan to be relevant for the next five years.																	
Improve Financial Planning	6.1	Identify cross-department initiatives during the budgeting process, and collectively determine funding requirements.																	
	6.2	Examine long-term financial sustainability of the current funding strategies related to annual budgets, reserves, and debt.																	
	6.3	Examine at least two funding scenarios, exploring varying tax rate increases, rates, debt and reserve usage, and project deferrals.																	

Advance Project Prioritization	7.1	Develop business case templates, clearly indicating whole life costs, risks, and levels of service impacts of capital projects.																
	7.2	Structure an annual, formalized capital prioritization process. Document the risks of deferring projects when capital budgets are limited, using input from staff.																
	7.3	Utilize information as it becomes available for project prioritization.																

Report Approval Details

Document Title:	Asset Management Strategy.docx
Attachments:	- AM Strategy - Lakeshore - Final.docx
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This report and all of its attachments were approved and signed as outlined below:

Prepared by Justin Rousseau

Approved by Truper McBride