

O.Reg.588/17: AMP in Municipal Infrastructure

January 17, 2018



Centre
Wellington



Agenda

1. Overview of O. Reg. 588/17 - MOI
2. Ontario's AM Evolution and Policy - KPMG
3. Impact of O. Reg. 588/17 on Municipalities – Centre Wellington
4. Select Asset Management Resources - MFOA
5. Q&A

Overview of Municipal Asset Management Planning Regulation (O. Reg. 588/17)

Overview

In December 2017, the province passed an asset management planning regulation under the Infrastructure for Jobs and Prosperity Act, 2015.

This presentation provides an overview of:

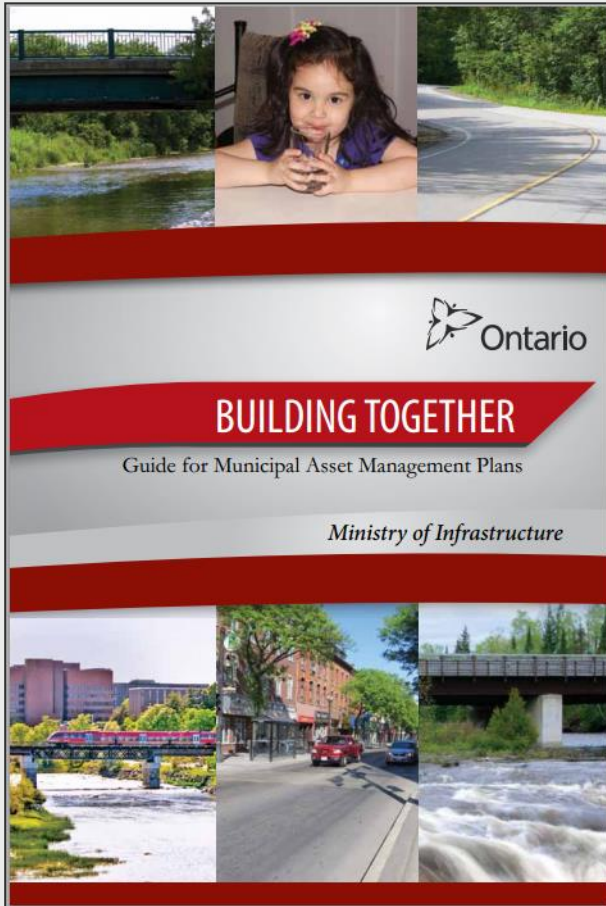
- municipal asset management planning in Ontario;
- development of the regulation, including incorporation of municipal feedback;
- regulatory requirements; and
- next steps/capacity building

Context



- Many municipalities are facing challenges to fund their infrastructure at levels that ensure its sustainability:
 - Ageing assets
 - Increased renewal needs and pressures from changing climate
 - There is a need to do things differently and collaborate to address the “infrastructure gap”

What is Asset Management Planning?



Progress on Asset Management

- Ontario's municipal infrastructure strategy has focused on strengthening asset management planning since 2012.
- The end goal is for municipalities, the province, and the federal government to leverage asset management planning to optimize infrastructure investment decisions.



Why Regulate?

- Though progress has been made, significant differences exist between the completeness, detail, methodology and assumptions used to develop current plans.
- Good asset management planning is more important than ever, given significant infrastructure pressures and new challenges resulting from a changing climate.
- Ontario Community Infrastructure Fund is tripling to \$300 million per year by 2018/19 and focusing more on formula based funding. In addition, federal government has made a renewed commitment to new infrastructure spending.
 - Evidence-based planning is critical to ensuring these funds support the right investments at the right time.

Consultations with Municipal Sector

February - May 2016

Formed a group of technical experts from the municipal sector to help draft regional consultation material.

AMO MOU Table

June 2016

July - August 2016

Online and regional consultations held throughout Ontario – 330+ people from 220 municipalities/other organizations attended.

Online summary report posted to Ontario.ca on feedback received during summer 2016 consultations.

December 2016

May - July 2017

Revised regulatory proposal posted to Ontario Environmental/Regulatory Registries for comment; webinars held on proposal.

AMO MOU Table

September 2017

December 2017

Regulation is approved, incorporating critical feedback from two years of consultations with sector.

Key Changes Based on Feedback

- After consulting with municipalities over two years, key changes to the regulation resulting from this feedback include:
 - Extending the phase-in period of the regulation from 4 years to 6 years;
 - Removing the requirement to have a licensed engineer sign off on plans; and
 - Adapting part of the regulation to include different requirements for small versus large municipalities.

Regulation Overview

Strategic Asset Management Policy (by July 1, 2019)

Requires municipalities to outline commitments to best practices and continuous improvement

Asset Management Plan: Phase 2 (by July 1, 2023)

Builds out the Phase 1 plan to include **all assets**

Additional Information

- Municipalities under 25,000 not required to discuss detailed risk analysis or growth.
- Plans would be updated every 5 years; annual progress update given to council.

Asset Management Plan: Phase 1 (by July 1, 2021)

For **core assets**:

- **Inventory of assets**
- **Current levels of service** measured by standard metrics
- **Costs to maintain levels of service**

Asset Management Plan: Phase 3 (by July 1, 2024)

Builds on Phase 1 and 2 by adding:

- **Proposed levels of service**
- **Lifecycle management and Financial strategy**

Strategic Asset Management Policy

- All municipalities are required to develop and adopt a strategic asset management policy by July 1, 2019. The policy must include:

Which municipal goals, plans, and policies the AMP will support.

Process for how AMP affects development of the municipal budget

Principles that guide the AMP

Process for alignment with land-use planning framework

Commitment to consider climate change mitigation & adaptation

Municipality's approach to continuous improvement

Identification of executive lead and how council will be involved

Commitment to provide opportunities to engage with the public

Levels of Service Approach

- The regulation requires a description of levels of service for core infrastructure assets, including:
 - Community (customer) level – images and/or descriptions of what the end-user experiences
 - Technical level – using metrics that describe what the organization provides

Example: Bridges

Service attribute	Community levels of service	Technical levels of service
Scope	<ul style="list-style-type: none">• Description of the traffic that is supported by municipal bridges (e.g., heavy transport vehicles, motor vehicles, emergency vehicles, pedestrians, cyclists).	<ul style="list-style-type: none">• % of bridges in the municipality with loading or dimensional restrictions

Capacity Building

- To assist municipalities with the implementation of the regulation, the province is providing up to \$25 million to deliver tools and supports over the next five years.
- It is expected that this funding will support a range of initiatives, including:
 - communities of practice
 - targeted coaching
 - funding to help small communities meet the specific requirements of the regulation.
- We also encourage municipalities to continue to leverage the great work already being done in the sector.

Next Steps

Spring 2018

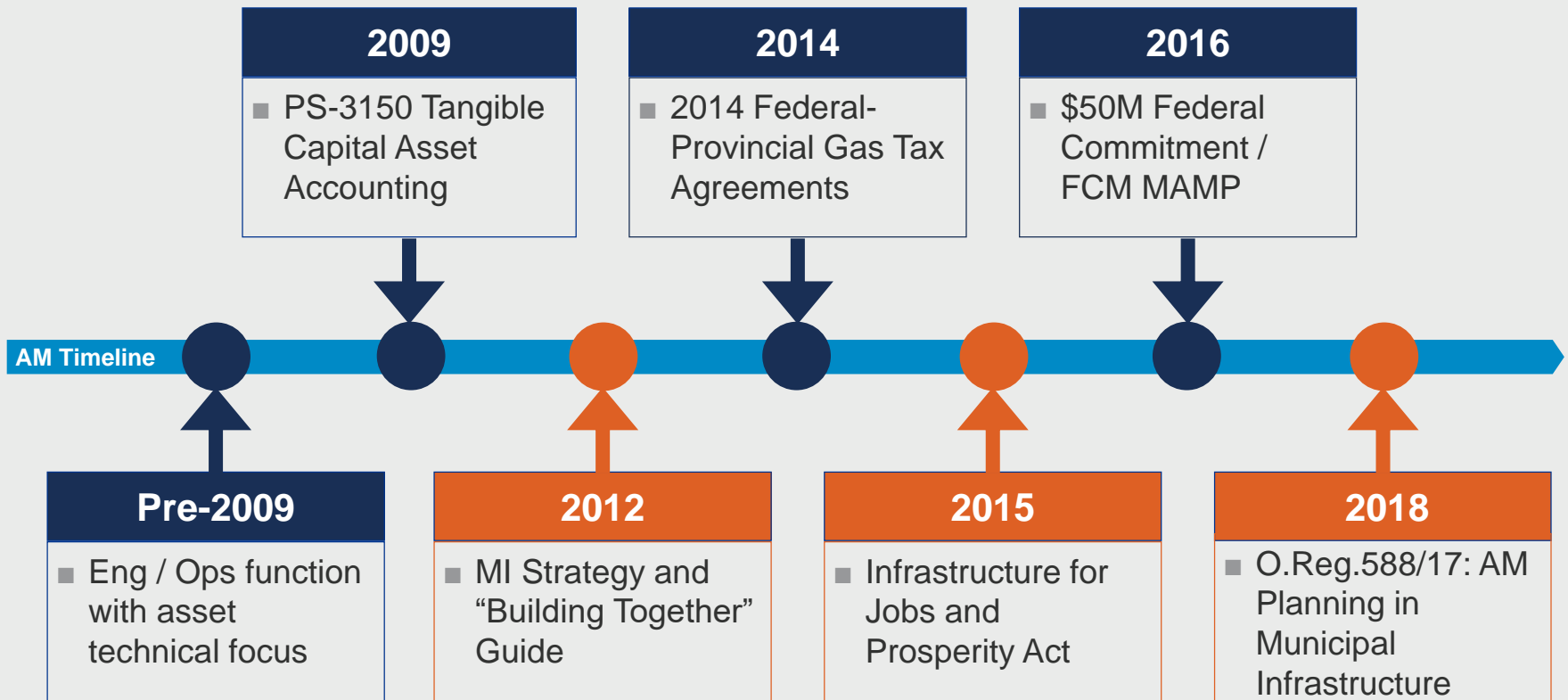
- Announce initiatives supported by the \$25 million in tools and supports funding, including timelines and rollout.

2018 - ongoing

- Work with municipal sector organizations like MFOA to help municipalities implement the regulation.
- Participate in webinars and conferences and provide ongoing feedback opportunities for municipalities.

Ontario's AM Evolution and Policy

Ontario's AM Evolution



Ontario's AM Evolution

Introduction of the Province's Municipal Infrastructure Strategy in 2012 has created focus around asset management planning, and its role in supporting sustainable service delivery.

Tangible progress has been made...

Over 95% of Ontario Municipalities now have a formal Asset Management Plan meeting the prescribed format

- Asset Management Awareness
- State of Local Infrastructure
- Desired Levels of Service
- Lifecycle Management Strategy
- Infrastructure Financing Strategy

But...

Many impacts were never achieved...

Primary focus of preparation often on meeting requirement, as opposed to improving business practice

- Limited buy-in for process or result
- Over reliance on outside help
- Variability in rigour and approach
- Lack of capacity to adopt and utilize
- "Check the box" philosophy

Many opportunities for improvement!

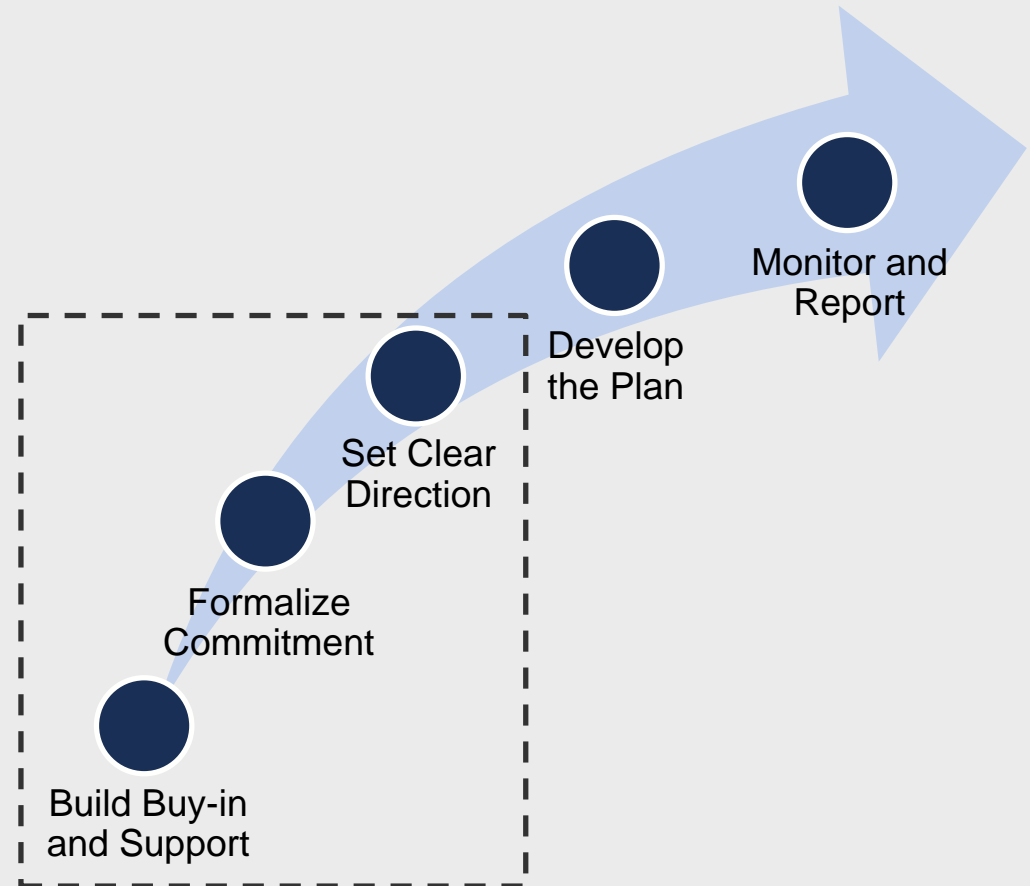
Ontario's AM Evolution

The new AM regulation is intended to help municipalities better understand and position themselves to address infrastructure investment needs and priorities, while enabling collaborative problem solving between municipalities, with the Province and with other stakeholders.

- Establishing strategic asset management policy to cement organizational commitment and integrate with planning and budgeting
- Building capacity and supports to enable the transition of plans in to actions
- Expanding the definition and use of Levels of Service as drivers for investment and a basis for decisions
- Strengthening lifecycle management analysis to support integrated information-driven plans and budgets
- Monitoring and reporting progress through formal updates to Council and the Province

What is a Strategic AM Policy?

A Strategic AM Policy formalizes an organization's commitment to asset management, aligns its AM actions with strategic goals and objectives, and provides direction to guide council, management and staff in carrying out its business strategies, plans and activities.



What is a Strategic AM Policy?

The Strategic AM Policy compliments and supports a municipality's Strategic Plan and other core documents to:

- Set and communicate organizational commitment to AM principles and philosophies
- Support formation of a culture that values asset management and makes it a priority
- Align and integrate asset management in to an organization's Strategic Planning process, as well as other key goals, policies and plans
- Define asset management responsibilities and accountabilities for council, management and staff
- Confirm how stakeholders will be engaged and their input included in the AM planning process
- Guide the asset management planning process, and embed AM thinking in to ongoing capital, operations and maintenance activities

Strategic AM Policy Toolkit

The MFOA is working with KPMG to develop a Strategic AM Policy Toolkit to support municipalities in developing this foundational document and implementing it within their organizations.

- Scalable policy templates meeting the requirements of the regulation
- Easy to understand guidance covering policy planning, preparation and implementation, from needs assessment and information gathering, to policy development and socialization, to roll-out and implementation
- Structured Case Studies highlighting the experience and lessons learned by a dozen Pilot Municipalities who have worked with and informed the toolkit development process

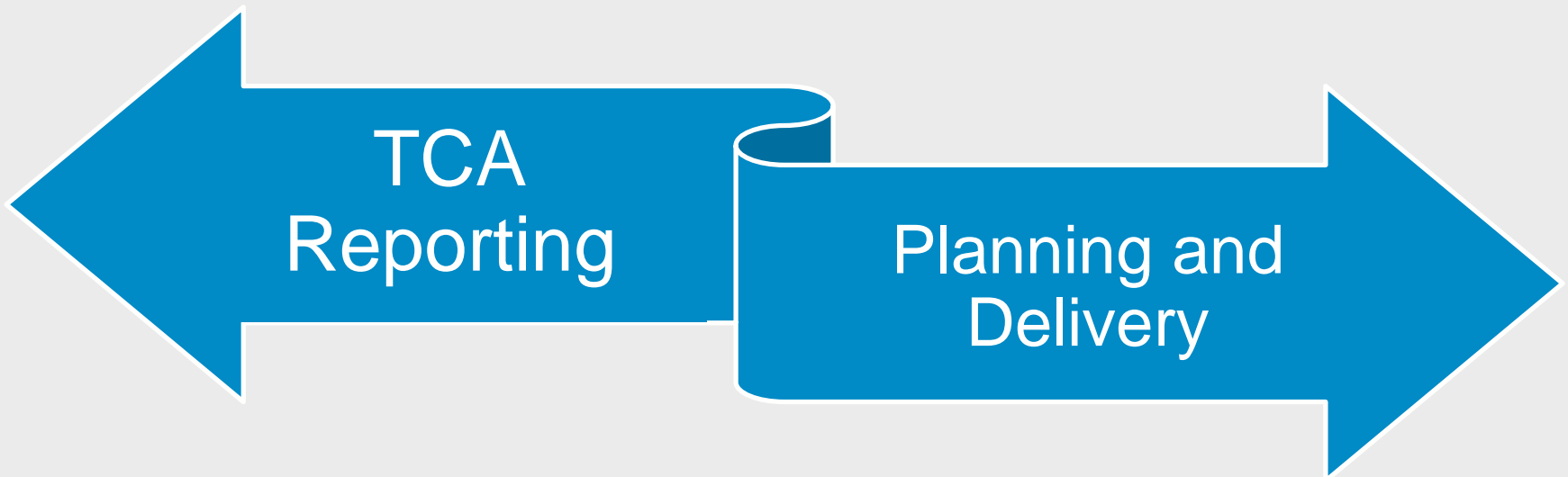
Key Considerations

Its about Community Outcomes. Infrastructure doesn't exist to be infrastructure. It exists to serve a purpose. When done effectively, asset management helps align infrastructure and associated capital and operating investments, with community goals and priorities to achieve front-line service outcomes.



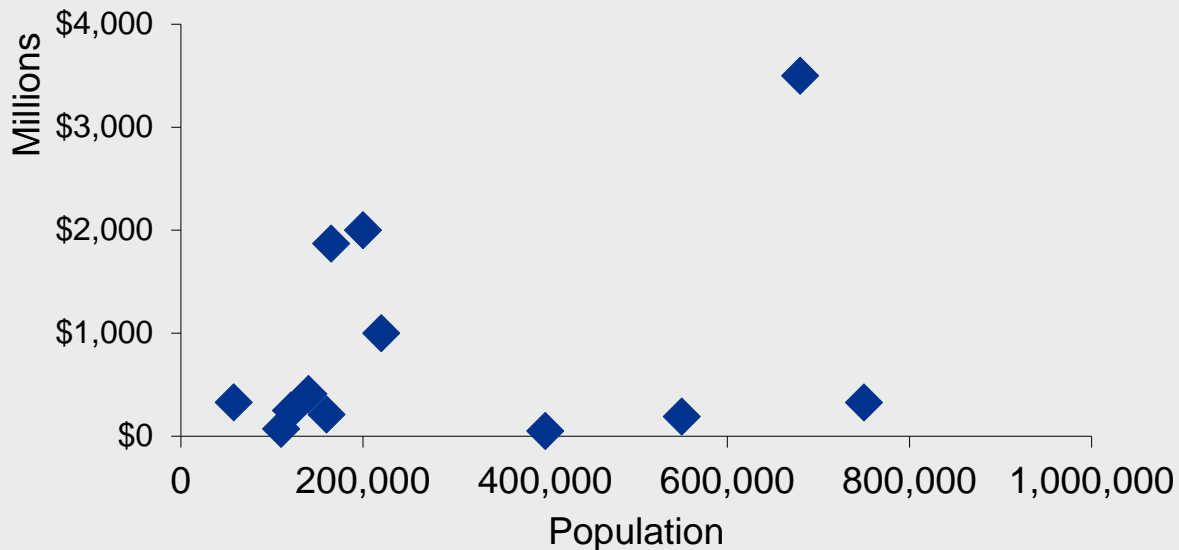
Key Considerations

Looking beyond PS-3150. Important to recognize that effective asset management requires that we move beyond minimum financial reporting requirements and consider how our assets relate to and support our long-term needs and objectives.



Key Considerations

Managing the Gap. While 'Infrastructure Gap' often receives a lot of attention, there is widespread variability in how this value is calculated and used. Common thinking is that any 'infrastructure gap' is bad, and that elimination should be our first priority... but is this really true?



Key Considerations

Engage. Engage. Engage.
Creating sustainable outcomes requires buy-in and support from the entire organization – from Council and Senior Leadership, to Finance and Engineering, to Operations and Planning.

- Identify stakeholders and dependencies up front
- Open communication of needs, priorities and perspectives
- Broad representation in planning and decision making
- Work collaboratively and flexibly to target and utilize people's time
- Employ proven facilitators to maximize input and contribution
- Track and communicate progress – nothing builds support like success!

Impact of O. Reg. 588/17 on Municipalities

Centre Wellington - Current

- Asset Management Plan (all assets)
 - Last updated November 2016 (external consultant)
 - [Township of Centre Wellington – 2016 AM Plan](#)
- Use of Asset Management Plan
 - Used when recommending funding levels during budget deliberations
 - Use of risk/criticality ratings (especially for bridges/culverts)

Centre Wellington – Investment in Assets

Tax Supported

Asset Type	Replacement Cost (2016\$)
Roads - Bases	390,022,129
Roads - Surfaces (Paved)	64,460,596
Bridges	57,402,986
Facilities	43,532,395
Culverts	17,219,600
Vehicles	12,027,000
Land Improvements	9,111,842
Equipment & Machinery	6,994,425
Pedestrian Bridges	1,487,892
Total Tangible Capital Assets (Tax Supported)	602,258,864

Assets: \$843 million
Population: 30,000
Assets value per capita: \$28,100

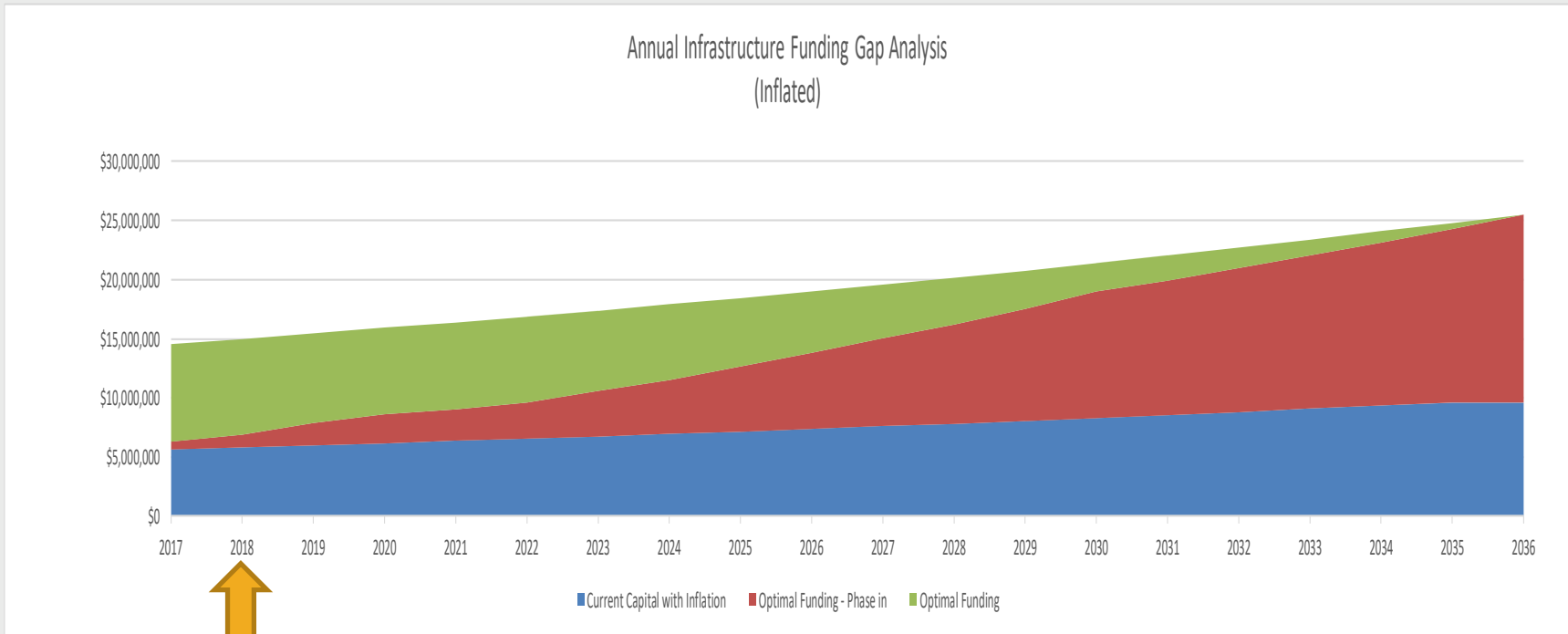
Water

Asset Type	Replacement Cost (2016\$)
Water Infrastructure	85,664,263
Facilities	27,571,239
Vehicles	660,000
Equipment & Machinery	172,200
Total Tangible Capital Assets (Water)	114,067,702

Wastewater

Asset Type	Replacement Cost (2016\$)
Sewer Infrastructure	64,757,294
Facilities	61,300,988
Vehicles	660,000
Equipment & Machinery	287,150
Total Tangible Capital Assets (Wastewater)	127,005,432

Tax Supported Funding Gap



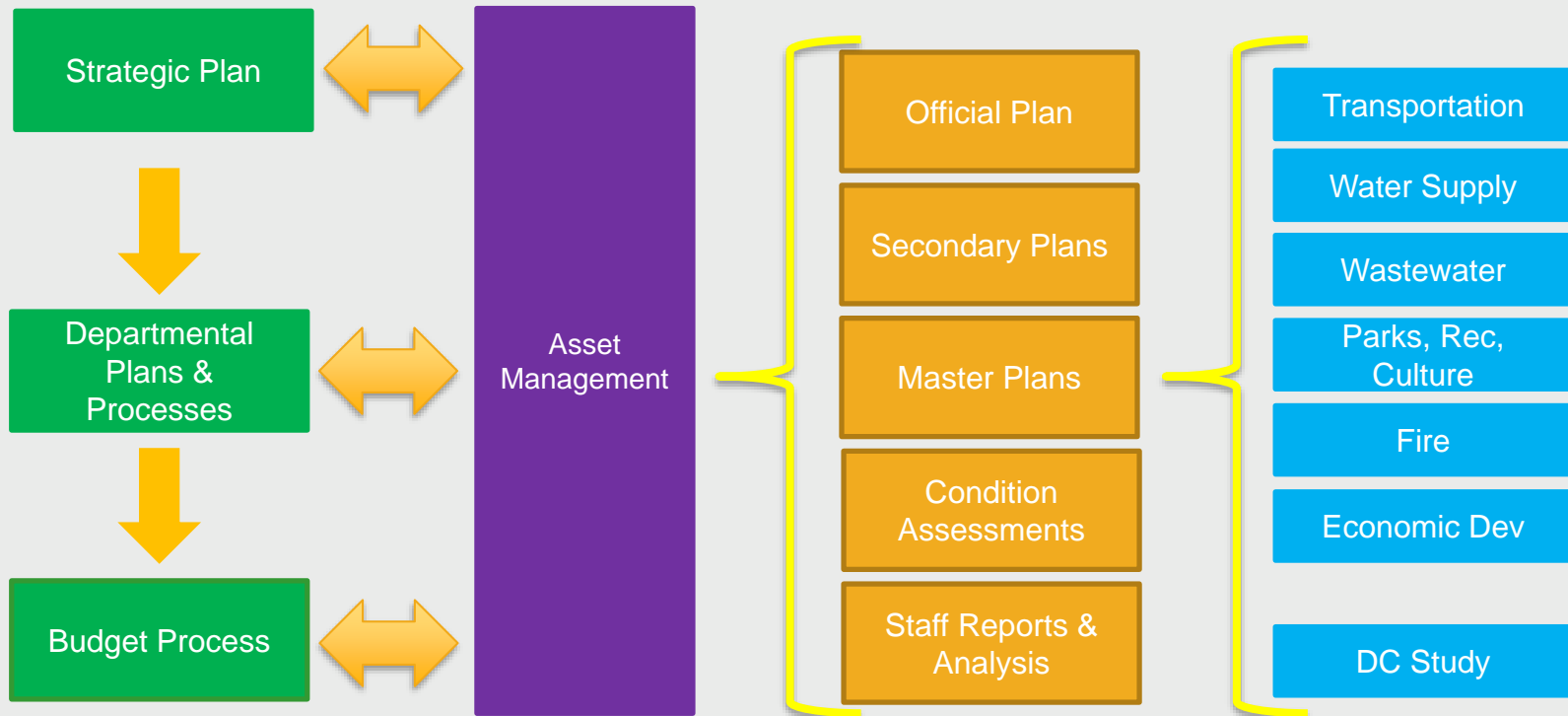
2018 Optimal:
2018 Budget:
2014 Budget:

\$15 million
\$ 7 million (Transfer to Reserves, Dedicated Capital Levy, Gas Tax, OCIF, etc.)
\$4.7 million

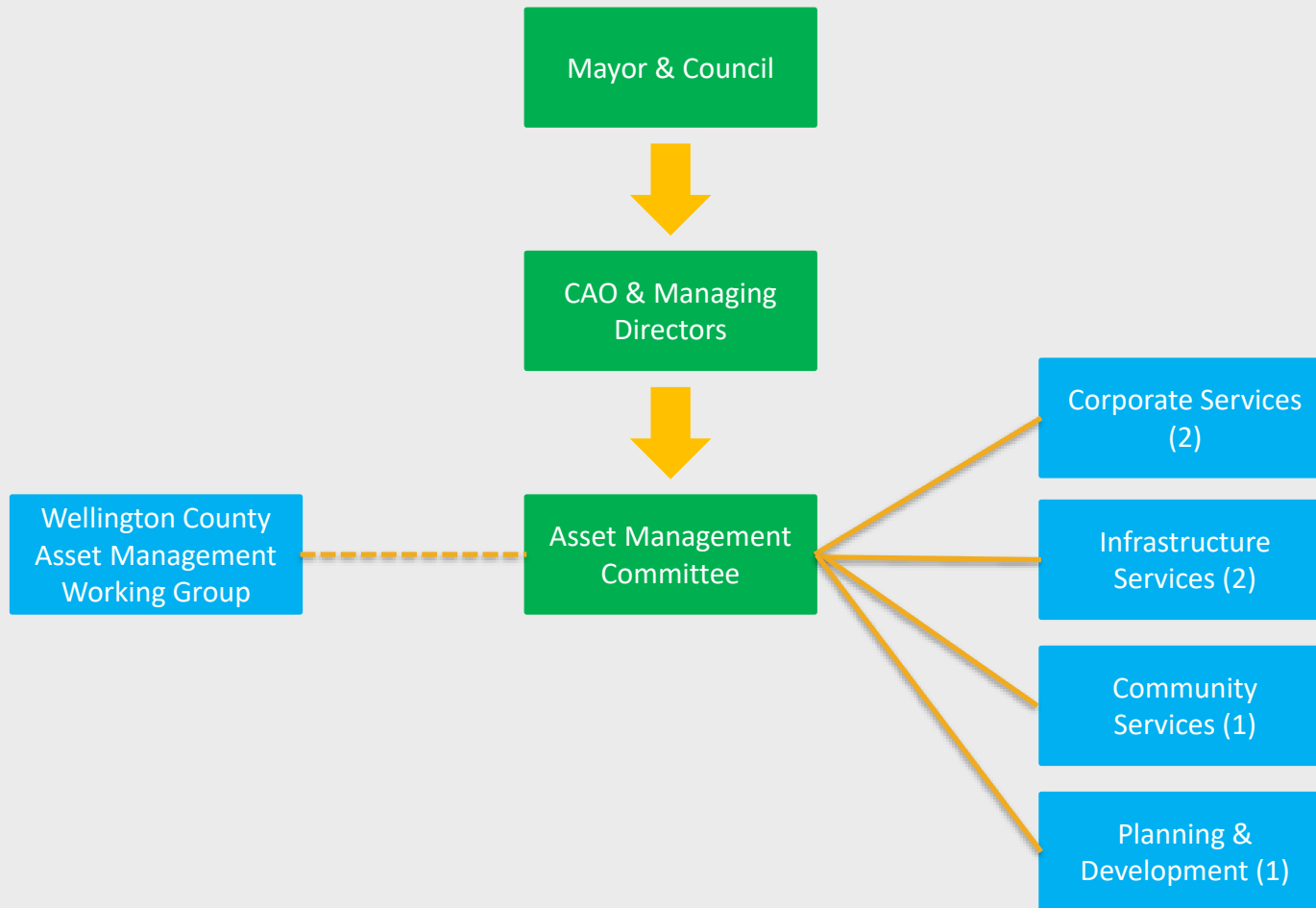
Bridge Risk/Criticality

Structure ID	Type	Status	Road	Year Constructed	Replacement Structure	Estimated Replacment Cost ¹	Estimated Rehab Cost ²	Rank	Score ³
10-P	Bridge	Closed	Fourth Line East	1935	Bridge	\$ 1,100,000		1	92.63
23-P	Culvert	Open	Eighth Line West	1950	Culvert	\$ 320,000		2	86.64
24-WG	Bridge	Load Limit	First Line	1922	Bridge	\$ 1,905,000		3	85.30
24-P	Bridge	Closed	Third Line West	1930	Bridge	\$ 1,700,000		4	84.23
31-WG	Bridge	Open	Second Line	1962	Bridge	\$ -	\$ 2,000,000	5	80.48
2-F	Bridge	Open	St. David St	1969	Bridge	\$ -	\$ 3,145,000	6	79.55
32-P	Bridge	Closed	Noah Road	1926	Bridge	\$ 1,065,000		7	79.24
33-P	Bridge	Closed	Noah Road	1922	Bridge	\$ 1,110,000		8	79.24
30-WG	Bridge	Closed	Sideroad 15	1942	Bridge	\$ 2,005,000		9	78.57
28-P	Bridge	Closed	Sideroad 11	1925	Bridge	\$ 1,125,000		10	77.62
22-P	Bridge	Open	Eighth Line West	1960	Bridge	\$ -	\$ 220,000	11	77.53
4-WG	Bridge	Load Limit	Fifth Line	1923	Culvert	\$ 415,000		12	77.24
13-N	Culvert	Open	Second Line	1970	Culvert	\$ -	\$ 65,000	13	77.04
4-E	Bridge	Open	Fifth Line	1957	Bridge	\$ -	\$ 580,000	14	77.01
30-P	Bridge	Closed	Sideroad 5	1929	Culvert	\$ 480,000		15	76.71
16-WG	Bridge	Load Limit	Fifth Line	1910	Bridge	\$ 1,410,000		16	76.55
5-E	Bridge	Closed	Fourth Line	1923	Bridge	\$ 1,245,000		17	75.49
3-N	Bridge	Load Limit	Beatty Line North	1942	Bridge	\$ 2,025,000		18	74.90
1-P	Bridge	Closed	Sideroad 5	1925	Bridge	\$ 1,155,000		19	74.37
3-WG	Bridge	Open	Fourth Line	1978	Bridge	\$ -	\$ 390,000	20	73.44
5-P	Bridge	Closed	Weisenberg Road	1920	Bridge	\$ 635,000		21	73.14
3-E	Bridge	Load Limit	Sixth Line	1919	Bridge	\$ 1,315,000		22	72.06
29-WG	Bridge	Open	Sideroad 15	1928	Bridge	\$ 1,800,000		23	70.90
14-P	Bridge	Open	Sideroad 4	1936	Bridge		\$ 105,000	24	70.71
7-E	Bridge	Load Limit	Third Line	1920	Bridge	\$ 865,000		25	70.59

Budget & Asset Management Overview



Short Term Plan – Organizational Structure & Resources



Short Term Plan – “Strategic Asset Management Policies”

- Resources:
 - Current Township Processes
 - Township AM Committee
 - County AM Committee
 - Tools & Examples (MFOA, IIMM, ISO 55000, etc.)
 - Other municipalities (Canada, Australia, etc.)
- Goals & Objectives:
 - What is the long term approach to AM at the Township?
 - Meet regulation requirements
- Deadline:
 - July 1, 2019 (bring forward to new Council in first half of 2019)

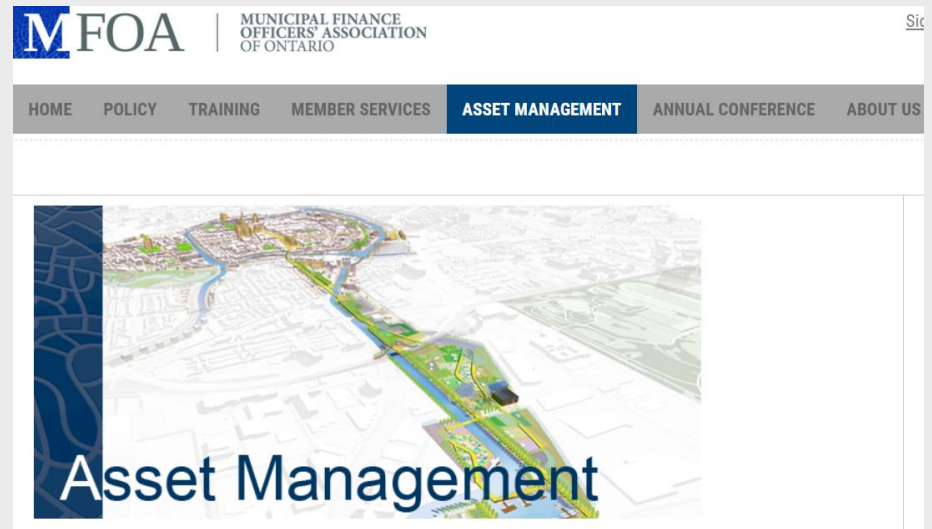
Long-Term Plan

- Asset Management Plan
 - Inventory
 - Levels of Service
 - Lifecycle Activities
 - Growth Impact
 - Financing Strategy
 - How to integrate into ongoing Township policies, procedures and processes.
- Systems Perspective
 - Great Plains
 - WorkTech
 - GIS
 - Other?

Select MFOA Asset Management Resources

Existing resources

- Asset Management Tip Sheets
 - Communicating to council
 - O. Reg. 284/09 'Budget Matters – Expenses' requirements
 - Asset management integration tips
- Infrastructure report card primer



Resources in development

- **AM Policies Toolkit**
 - Early Spring 2018
- **Asset management self-assessment tool**
 - Version 2.0
 - Early March 2018
- **AM maturity framework and guide**
 - Early March 2018
- **AM resources website**
 - Partnering with AMOntario
 - Summer 2018
- **Communities of Practice Guide and Case Studies**
 - Guide: February 2018
 - Case studies: Early Spring 2018

Training Resources

- **Existing Training:** MFOA developed an Asset Management Roadmap back in 2014 – many of the webinars can still be found in our OnDemand section on our webinar
- **Training in Development:** MFOA is currently updating and enhancing the Asset Management Roadmap to reflect the new Regulation and to compliment the new Asset Management Framework and Guide

Questions?

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