

Chatham-Kent Asset Management Policy

Asset Management Policy

POLICY STATEMENT AND PURPOSE

Chatham-Kent is committed to providing service to residents in a fiscally responsible manner that supports a healthy and vibrant community. The Municipality will adopt a sustainable approach to asset management, ensuring that the asset base is not increased without considering the impact on the ability of the Municipality to fund future maintenance and rehabilitation.

The purpose of this policy is to establish consistent standards and guidelines for management of the Municipality's assets, applying sound technical, social and economic principles that consider present and future needs of users and the service expected from the assets. This means leveraging the lowest total lifecycle costs of ownership with regard to the service levels that best meet the needs of the community, while being cognizant of the risk of failure that is acceptable if any consideration is considered with the levels of service.

2.0 OBJECTIVES OF ASSET MANAGEMENT

The primary objectives for asset management are to meet all legislative requirements and align with all other policies and plans of the Municipality.

Adherence to Statutory Requirements and Strategic Alignment

It shall be the Municipality's practice to ensure that all statutory requirements are being met and the policy aligns to the strategic objectives of the Municipality.

The Strategic Asset Management Policy must meet the Provincial expectations of Provincial regulation O. Reg 588/17 Asset Management Planning for Municipal Infrastructure.

There are a number of requirements from this regulation with specific timetables associated with the requirements.

July 1, 2019 - All municipalities are required to prepare and publish a strategic asset management policy

July 1, 2021 – All municipalities are required to develop enhanced asset management plans covering core infrastructure assets

July 1, 2023 – All municipalities are required to expand enhanced asset management plans to cover all infrastructure assets

July 1, 2024 – Expand asset management plans to provide further details for all infrastructure assets

This policy is to meet the first requirement of July 1, 2019. Significant work has been completed with the Asset Management Plan 2017 that will aid in completion of the additional requirements. Upon completion of all steps, there will be an update required every 5 years thereafter, to ensure

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that all condition data, levels of service, risk of failure, annual requirements for lifecycle and annual funding are all updated to ensure maximum asset management.

There are 12 requirements of this regulation that are grouped into the following 3 categories of Statement, Process and Commitment.

1. Strategic Alignment – The Asset Management Plan 2017 works in harmony with the CKPlan 2035, which highlights Council’s strategic objectives of Economic Prosperity, Healthy and Safe Community, People and Culture and Environmental Sustainability.

The AMP is also supported by various corporate policies: Debt Policy, Reserve Management and the Budget Policy.

2. Budgeting – Council approved the Asset Management Plan 2017, which was provided to the Province. It includes a financing plan that included an increase of 1% of taxes each year for 20 years, along with taking expired debt payments and applying them as an increase to fund the annual requirements of the AMP. It also includes annual inflation being applied to fund the requirements.
3. Continuous Improvement – Administration continue to improve both the integrity of the data, by doing condition assessment of all asset categories and also improve the assets included in the inventory, to ensure adequate financing and asset management is being applied to all significant assets held by the Municipality.
4. Guiding Principles
 - a) Many of the asset categories have long-term master plans in place, which assist in determining the priority of lifecycle maintenance on those assets. One section of the asset management plan is dedicated to funding the annual requirements and has a 20-year financing plan, to achieve adequate funding for the annual lifecycle requirements on the various asset categories.
 - b) The planning and financing are coordinated in the Asset Management Plan, where there is a balance of affordability, while also annually increasing the funding for the required annual lifecycle maintenance to achieve the required level of funding for maintaining the assets at the desired service levels, while also mitigating the risks of failure. The balance between years and saving for specific projects is accomplished through using Lifecycle Reserves.
 - c) Priorities of the infrastructure work is completed in each category’s master plans, significant work has been done on updating the plans with current condition assessment data and continues to be updated with new Lifecycle data.
 - d) Infrastructure planning and investment is focused on the continued provision of core public services, such as roads, bridges, water, wastewater and social housing.
 - e) Infrastructure planning and investment is prioritized to promote economic competitiveness, productivity, job creation and training opportunities.

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- f) Infrastructure planning and investment is prioritized to ensure the protection of the health and safety of workers involved in the construction and maintenance of infrastructure assets.
- g) The Municipality has approved a research and development position that will foster innovation by creating opportunities to make use of innovative technologies, services and practices, particularly where doing so would utilize technology, techniques and practices developed in Ontario.
- h) The Municipality's infrastructure planning and investment is based upon the Asset Management Plan 2017 and future plan updates. The data is based upon condition assessment data as much as possible, with updates occurring regularly. This data is approved by Council, provided to the Province and resides on the municipal website.
- i) Chatham-Kent constantly monitors established plans or strategies in Ontario that are related to the infrastructure investment related to the Planning Act and for investments related to the water sustainability plans under the Water Opportunities Act, 2010.
- j) Infrastructure planning and investment will promote accessibility for persons with disabilities.
- k) Chatham-Kent has instituted new resources to ensure that all investments maintain ecological and biological diversity and that infrastructure design considers the effects of climate change.
- l) Infrastructure planning and investment will endeavour to make use of acceptable recycled aggregates.
- m) In Chatham-Kent, infrastructure is inextricably linked to the economic, social and environmental advancement of the community. The desire is to improve the assets in public spaces for uses by the community and infrastructure for economic drivers. Significant funds are spent locally each year, further driving the economy with local jobs and training opportunities throughout the community.

In addition, Chatham-Kent has the following overarching principles in their Asset Management Plan

- Holistic – Asset management must be cross-disciplinary, total value focused
- Systematic – Rigorously applied in a structured management system
- Systemic – Looking at assets in their systems context, again for net, total value
- Risk-based – Incorporating risk appropriately into all decision-making
- Optimal – Seeking the best compromise between conflicting objectives, such as costs versus performance versus risks etc.
- Sustainable – Plans must deliver optimal asset lifecycles, ongoing systems performance, environmental and other long-term consequences
- Integrated – At the heart of good asset management lies the need to be joined-up. The total jigsaw puzzle needs to work as a whole – and this is not just the sum of the parts

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5. Climate Change – In Chatham-Kent’s Long-Term Strategic Plan CKPlan 2035, one of the four strategic focuses is the Environment. In support of that area of focus, Chatham-Kent has completed changes in the Official Plan regarding climate change and has completed a Community Energy Plan (CEP) and a community-wide greenhouse gas inventory, emissions reduction targets or a strategy/plan to reduce emissions.

Chatham-Kent is currently engaged in a Lake Erie Shoreline Management Plan, participating as a partner in the “Adapting to the Future Storm and Ice Regime in the Great Lakes”. The study is related to climate change and the effects on infrastructure near the lake.

In 2019, Chatham-Kent hired two positions. One Environmental Scientist and one Environmental Planner. These positions will directly affect the asset management planning for impacts on the environment.

Specifically the roles will have responsibilities to:

- Manage and provide environmental advice, strategies and recommendations from a technical and implementation perspective with respect to long range policy planning initiatives and collaborate with internal departments and external agencies/stakeholders on projects with environmental implementation components, such as climate change mitigation and adaptation, energy planning, natural heritage planning, official plan reviews, source water protection, watershed and subwatershed studies, servicing and stormwater masterplans and environmental assessments.
 - Ensuring compliance with all applicable laws and regulatory agencies. They will also be engaged in the operational component of providing direction to Drainage, Engineering, Public Works, Fire and Emergency Services, Planning, Recreation and Parks for prevention, mitigation and cleanup. These positions will be the first point of contact in reporting and dealing with regulatory agencies, such as the Ministry of the Environment, Conservation and Parks during emergencies, thereby providing a consistent and compliant direction.
6. Budgeting – Chatham-Kent Public Utilities Commission (CK PUC) prepares water and wastewater financial plans as part of the five submission requirements for the purposes of obtaining a municipal drinking water licence as per the *Safe Drinking Water Act, 2002*. The financial plan requires an in-depth analysis of capital and operating needs, a review of current and future demand verses supply, and consideration of available funding sources. This detailed financial planning and forecasting in regards to CK PUC’s water and wastewater systems meets the reporting requirements for a financial plan as defined by *Ontario Regulation 453/07*. CK PUC prepares a water and wastewater financial plan that forecasts for a period on six (6) years.

CK PUC financial plan is prepared in order to achieve financial sustainability and undertake an assessment of the full cost of providing water and wastewater services.

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7. Community Planning – Chatham-Kent’s Asset Management Plan takes into consideration our Official Plan, which is in alignment with the Planning Act, which would encompass any Provincial Plans that the Municipality would be required to be compliant with. Both the Official Plan and the Asset Management Plan will undergo regular updates, to ensure compliancy, updated information and updated planning.
8. Capitalization Thresholds – Synchronization between the Asset Management Policy and the Tangible Capital Asset Policy is critical to success of both and important to ensure that accounting for assets is aligned with the Asset Management Policy.

The Tangible Capital Asset Policy (TCA) provides detailed guidelines for the accounting and recording of all tangible capital assets in the financial records and financial statements of the Municipality of Chatham-Kent.

Guidelines are provided to ensure:

- All TCA’s are recorded appropriately and accurately
- Accountability is maintained for government-owned TCA
- Efficient and effective use of assets
- Appropriate information is gathered and maintained to prepare financial statements and to satisfy audit requirements
- Information is available for future needs planning and support measuring the cost of programs and services
- Consistent accounting of TCA’s across the organization

The TCA Policy includes guidelines on Capitalization, which includes information on the cost elements to be included, the initial value of existing assets, the useful life expectancy of assets, capitalization thresholds and information on repair and maintenance expenditures. There is also information on Additions and Betterments, Disposals and Write-Downs, Amortization and Work in Progress.

Capitalization thresholds relate to the minimum dollar amount that will determine which tangible capital assets will be capitalized and amortized and which will be treated as a current year maintenance expense.

The size of the threshold is determined by the type of asset and the complexity involved in managing subsequent additions or deletions. The cost of acquiring and maintaining the information and the need for accurate presentation of information for decision-making is also considered when determining the minimum threshold levels.

All tangible capital assets that do not meet the capitalization threshold parameters will be expensed in the year of acquisition and charged against the operating budget of the unit acquiring the asset.

Tangible capital assets that are pooled assets must meet the threshold criteria as a single group asset to be considered for capitalization and amortization.

The TCA Policy provides significant asset breakdown within all of the major asset categories. The major categories are as follows:

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Land and Land Improvements
Buildings and Building Renovations
Machinery and Equipment
Other
Vehicles
Infrastructure

Categories are broken down by between 3 and 32 different assets within each major category. Each asset is broken down by its useful life, whether it is a single, pooled or component asset and what the minimum dollar amount for new replacement or betterment is for accounting for the items as a TCA. This aligns with the asset values, lifecycle costs and estimated budget needed on an annual basis in the Asset Management Plan.

The vast majority of thresholds are \$15,000, with the replacement values having a threshold higher than the betterments on certain assets. The long-term plan would be to move all assets that are made up of various components, to become a list of smaller assets that make up the components of the previous single asset.

9. Stakeholder Engagement – Chatham-Kent is a single tier Municipality so does not need to coordinate with an upper tier. The Municipality does work with neighbouring communities on assets that may be part of connecting roads or bridges. Chatham-Kent has completed boundary agreements with neighbouring municipalities, so that each road or bridge has been identified to be maintained, repaired and liability by one of the municipalities linked by the assets and these costs and liabilities will be approximately equal between the two municipalities. No invoicing will occur except under extenuating circumstances. New construction costs would be split by the municipalities.
10. Governance – The General Manager of Infrastructure and Engineering Services and the General Manager of Finance, Budget and Information Technology Services hold joint responsibility for the Asset Management Plan and Policy. They jointly completed the 2017 Asset Management Plan, with financing plans and presented the plan to Chatham-Kent Municipal Council, who endorsed the plan. This plan was sent to the Province of Ontario for information and compliance purposes.

Future updates to the Asset Management Plan adhering to Provincial regulation O. Reg 588/17 Asset Management Planning for Municipal Infrastructure will be completed by the two General Managers jointly and will be presented to Municipal Council.

11. Governance – Chatham-Kent Municipal Council has two significant roles in Asset Management for the Municipality.
 - a) The review and approval of Asset Management Plans – Administration will periodically complete updates of the Asset Management Plan for all municipal assets, complete with Condition Data, Financial Data, Infrastructure Report Cards, detailing the state of local infrastructure, the levels of service for the assets, risk of failure and all pertinent asset management strategies and financing strategies. Council will review the data and approve the plan for action.

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b) The second area of involvement for Municipal Council is during the annual budget process. Administration will present an overview of infrastructure and include the annual approved amount of increased financing of the Asset Management Plan, detailing the annual requirements for lifecycle maintenance for the asset classes, the recommended increase in funding, categories that have the largest deficit to the requirements and the impacts the deficit may have. Council has the opportunity to amend the recommendations during the budget process and recommend funding to specific categories

12. Stakeholder Engagement – Annually within our budget process, we have a survey available for the residents of the Municipality to complete, where they can provide their thoughts on levels of service on our municipal infrastructure. Also during our budget process, we have 5 budget open houses in various wards of the Municipality. During these open houses, we provide a presentation, that includes an overview of the asset management plan and the plans current status, including annual requirements and annual funding levels, and which asset categories have deficits. These sessions have an opportunity for questions or comments during the meetings. All comments and questions are noted and presented to Council for feedback.

These opportunities provide Municipal Council and administration with significant feedback on our levels of services for our assets and provides Council with information to take to the budget process and determine if there needs to be any additional funds, or amendments to the plan, based upon the feedback from the residents within the community.

During our long-term strategic planning for CKPlan 2035, Council and administration had a significant amount of opportunities for the citizens to provide input into the long-term plans for Chatham-Kent. This includes many segments of the plan that are related to service levels and the direction that the citizens want the community to go. Infrastructure is a major component of this, both ensuring that existing assets are maintained, but also for any new growth related assets that the community desires.

REPORTING REQUIREMENTS

The Municipality will be responsible for the following reports:

Annual Audited Financial Statements

Each year the Municipality completes is audited Financial Statements, which include a statement of financial position, financial activities and changes in fund balances. There is both summary and detailed information about our tangible capital assets in the financial statements. The Net book value of our assets and a detailed schedule to the statements, providing information on the original costs, annual amount of acquisition, disposals and amortization, by major asset category.

Statutory and Periodic Updates of the Asset Management Plan

The Municipality will complete updates of the Asset Management Plan to meet compliance with current Ontario legislation. This includes the following date and updates.

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July 1, 2021 – All municipalities are required to develop enhanced asset management plans covering core infrastructure assets

July 1, 2023 – All municipalities are required to expand enhanced asset management plans to cover all infrastructure assets

July 1, 2024 – Expand asset management plans to provide further details for all infrastructure assets.

Additionally the Municipality will update asset management plans every 5 years, including the lifecycle financing plans for Council to review and approve and then the plan is provided to the Province.

Annual Budget

A major component of the budget is the review of our infrastructure and our Asset Management Plan. Each year administration presents an update of our Lifecycle requirements for our assets; at what level we are funding our requirements and recommendations in the budget to follow the financing plan within the Asset Management Plan.

During the budget, Council also gives consideration to asset categories that have the largest deficits and determine whether additional funding should be allocated to these categories.

GLOSSARY OF TERMS

Asset:	Item, thing or entity that has potential or actual value to an organization. Value can be tangible or intangible, financial or non-financial and includes consideration of risks and liabilities.
Asset Management:	Coordinate activity of an organization to realize value from assets. Realization of value will normally involve an appropriate balancing of costs, performance and risks, opportunities and performance benefits.
Asset Management Plan:	Documented information that specifies the activities, resources and timelines required for an individual asset or grouping of assets, to achieve the organization's asset management objectives.
Levels of Service:	Parameters or a combination of parameters, which reflect social, political, environmental and economic outcomes that an organization delivers from their assets.

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Example – Transportation (Roads) – level of service is indicated by different road pavement conditions according to pavement condition index

Lifecycle:	Phases involved in the management of an asset.
Lifecycle Data:	Includes cost, performance and risk data collected and managed through business processes required to help make well informed, evidence-based decisions in all phases of an asset's life cycle.
Lifecycle Reserves:	Lifecycle reserves are established whenever municipal council, local board and other entity wishes to earmark revenues to finance lifecycle maintenance for municipal assets. This ensures that the funds are available as required to ensure the optimal maintenance on the assets at the appropriate time, to reduce costs by having available funds without requiring debt financing, maximizing the life of the assets.
Municipality:	Refers to the Municipality of Chatham-Kent, its Boards and Subsidiaries.
Tangible Capital Asset:	Per the Municipality's Tangible Capital Asset (TCA) Policy, TCA's are non-financial assets, having physical substance that are acquired, constructed or developed, including land, land improvements, roads, bridges, buildings, vehicles, equipment, water mains, sewer mains and capital assets acquired by capital lease or through donation.