

Memorandum

TO: Committee of the Whole

FROM: Erin Mahoney, Commissioner of Environmental Services

DATE: September 8, 2016

RE: **Response to Environmental Bill of Rights (EBR) Posting No. 012-8153 : Municipal Asset Management Planning Regulation**

This memo provides a summary of staff comments submitted to the Ministry of Economic Development, Employment and Infrastructure (the Ministry) in accordance with the Environmental Registry deadline of August 18, 2016 for EBR Posting No. 012-8153 (see Attachment 1).

As a direct result of the duration of the posting, there was insufficient time to bring this item forward to Council for approval prior to the August submission date. Staff requested that the Ministry consider any additional comments received from Council in September.

Province seeking consultation on Discussion Paper – Potential Municipal Asset Management Planning Regulation

On May 1, 2016, the Province proclaimed the *Infrastructure for Jobs and Prosperity Act, 2015*, which includes the authority to regulate asset management planning of identified public bodies including municipalities.

On July 19, 2016, the Ministry issued the discussion paper “Potential Municipal Asset Management Planning Regulation” seeking input on a future regulation to advance municipal asset management planning and help optimize infrastructure investments across Ontario. The Ministry held municipal consultation sessions in July 2016 to present the discussion paper, which Regional staff attended.

Region is currently implementing strategic asset management planning

Through Council's leadership, the Region has already committed to ensuring infrastructure and services are sustainable through the approval of a Corporate Asset Management Policy in 2013 and receiving bi-annually reports on the Region's Corporate State of Infrastructure beginning in 2013.

Implementation of the Corporate Asset Management Policy is identified in the 2015 to 2019 Corporate Strategic Plan and will be achieved through development of service-specific asset management plans currently in progress.

Recommended the Province follow Council leadership in adopting asset management policies and developing asset management plans

In response to the Province's "Potential Municipal Asset Management Regulation" discussion paper, staff proposed recommendations for regulation design, which align with York Region's Corporate Asset Management Policy and found in Attachment 1. Key recommendations are summarized below:

1. Asset management policies and plans should align with various municipal plans such as Official Plans, strategic and financial plans.
2. All prescribed requirements should directly improve or ensure satisfactory levels of service to the public and long-term sustainability of assets.
3. Asset management policies, plans and levels of service should be approved by municipal Councils and not Provincially prescribed.
4. The Municipal Asset Management Planning Regulation should clarify and align asset management requirements across Provincial legislation such as the *Development Charges Act, 1997* and the financial plan required under the Municipal Drinking Water Licensing Program.

Discussion Paper reveals some details of proposed regulatory landscape for Asset Management Planning

The discussion paper identifies two specific tools to achieve improved infrastructure planning and investment across Ontario, including:

1. Asset Management Policy
2. Asset Management Plans

The full impact of the regulation, including whether the Region's current asset management policy and plans require updating, will be determined when the regulation is finalized by the Province. Staff requested that the Province provide an opportunity for York Region to comment on the draft regulation once it is developed. A draft Municipal Asset Management Planning Regulation is anticipated in fall 2016.

Staff supported asset management planning regulation in principle as a positive step forward for long-term infrastructure sustainability in Ontario

York Region staff expressed support for the Province taking steps to establish regulation to make municipal asset management planning more consistent across municipal organizations. Staff will continue to monitor developments as the regulation moves forward and will report back to Council as required.

Erin Mahoney, M. Eng.
Commissioner, Environmental Services

Attachment

#6893678



Environmental Services

August 18, 2016

Maureen Johnson
Manager
Ministry of Economic Development, Employment and Infrastructure
Infrastructure Policy Division
Inter-Governmental Policy Branch
900 Bay Street, Floor 5, Mowat Block
Toronto Ontario, M7A 1C2

Dear Ms. Johnson:

Re: York Region Comments on Discussion Paper – Proposal for Municipal Asset Management Planning Regulation – EBR Number 012-8153

York Region staff thank the Ministry of Economic Development, Employment and Infrastructure (Ministry) for the opportunity to comment on the Proposal for Municipal Asset Management Planning Regulation. Municipalities such as York Region can be strong partners to assist the Province in meeting the goals outlined in the discussion paper. We request the Province consider York Region's comments when moving forward with the regulation and any proposed guidance documents.

York Region Council endorsed comments will be submitted following Council meeting on September 22

Due to the length and timing of the consultation period, York Region Council endorsement was not possible prior to submission. This response will be considered by Committee of the Whole at their meeting on September 8, 2016 and Regional Council on September 22, 2016. Any input provided by Regional Council will be communicated to the Ministry in late September. It is requested that the Ministry consider any supplementary comments from Regional Council as a part of this submission.

York Region staff support development of a Municipal Asset Management Planning Regulation

York Region staff strongly support the Province moving to develop a Municipal Asset Management Planning Regulation. A consistent, streamlined standard for the content of Asset Management Plans will foster a culture of innovative asset management and resilient infrastructure-supported services, supporting a prosperous economy across the province.

Staff has outlined key recommendations below. Detailed comments and rationale for each recommendation can be found in the attached table (Appendix 1).

York Region staff propose nine key recommendations for the Ministry to consider when moving forward with regulations

York Region staff recommend that the Ministry consider the following comments and recommendations when developing the asset management regulation under the *Infrastructure for Jobs and Prosperity Act, 2015* to help develop an effective and implementable regulation. York Region's comments are preliminary and York Region requests the opportunity to comment on the draft regulation once it is developed.

1. All regulatory requirements should be tested against the two 'fundamental considerations' core to public sector asset management, identified in the Province's discussion paper:
 - Does this requirement improve or ensure a satisfactory level of service is provided to the public (or customer)?
 - Does this requirement improve or ensure the sustainability of municipal assets over the long term?
2. The regulation should set out a clear prioritization process and criteria (e.g. importance to achieving the Provincial growth plan, ability to benefit more than one municipality, contribution to economic sustainability) that the Province will follow in determining its investment in infrastructure projects identified in a municipality's asset management plan.
3. The regulation should specify requirements with respect to the content, scope and timing of asset management plans required under the *Development Charges Act, 1997*. The Province should also specify how the regulation will interact with the requirement for a financial plan under the Municipal Drinking Water Licensing Program Financial Plan.
4. Transitional time will be required for municipalities to align with the new regulatory approach. Sufficient (minimum one calendar year) phase-in time should be provided in the regulation.
5. The Province's asset management plans as prescribed in the Act should also provide enough detail in terms of timing and specific projects so as to enable effective coordination with complementary municipal asset management plans.

6. Asset management plans should be Council-approved and consider all infrastructure that supports service delivery, including shared or third-party owned assets as well as infrastructure of municipally-owned subsidiary corporations.
7. Asset management policies should include an asset management framework that aligns business drivers and outcomes across various municipal plans (e.g. Official Plans, strategic plans) to inform strategic, technical and operational levels of service.
8. Lifecycle planning should consider the full remaining life of all assets (not limited to 10 year timeframe) and inform financial plans.
9. The level of service indicators listed in the prototype regulations are operational in nature and specific level of service indicators and targets should be decided by Council in their applicable asset management plans rather than prescribed by regulation.

Staff would like to thank the Ministry for considering York Region's comments and for engaging municipalities on the proposed Municipal Asset Management Regulation.

York Region is committed to ensuring its infrastructure and services are sustainable over the long term. York Regional Council's leadership on sustainable asset management has been demonstrated through various Council decisions including approving an Asset Management Policy in 2013 and receiving bi-annual reports on the Region's Corporate State of Infrastructure.

Staff look forward to an opportunity for continued consultation as the Province moves forward in 2017. If you have any questions regarding this response, please contact Curtis Ching, Manager, Corporate Asset Management at Curtis.Ching@york.ca or 1-877-464-9675 ext 75002.

Sincerely,



Erin Mahoney, M.Eng
Commissioner, Environmental Services
Regional Municipality of York

Attachment

#6892826

York Region Comments
Consultation on Proposal for Municipal Asset Management Planning Regulation
EBR Number 012-8153

General

Recommendation	Rationale
<p>1. All regulatory requirements should be tested against the two 'fundamental considerations' core to public sector asset management, identified in the Province's discussion paper.</p>	<ul style="list-style-type: none"> • The two considerations identified by the Province directly reflect the business drivers and sustainability of municipal services: <ul style="list-style-type: none"> ○ Level of service provided to the public ○ Long-term sustainability of assets • Regulated indicators or requirements that are not meaningful strain limited municipal resources. • The regulation should ensure that municipalities complete an appropriate depth of asset management so as to be meaningful based on the nature or type of infrastructure system and planned level of service.
<p>2. The regulation should set out a clear prioritization process and criteria that the Province will follow in determining its investment in infrastructure projects identified in a municipality's asset management plan.</p>	<ul style="list-style-type: none"> • The discussion paper indicates that the Infrastructure for <i>Jobs and Prosperity Act, 2015</i> will help guide provincial investments of about \$160 billion over 12 years. • It is unclear how regulated asset management planning activities will prioritize investments across different asset types and municipalities or if this will result in funding only those municipalities with the largest infrastructure gap. • Investment prioritization should consider criteria including: <ul style="list-style-type: none"> ○ Importance to sustainably achieve the Provincial growth plan objectives ○ Ability to benefit more than one municipality ○ Complexity and project cost ○ Contribution to economic growth and sustainability ○ Expected investment time horizon ○ Ability to deliver infrastructure investment ○ Climate change mitigation ○ Track record in investing asset management spending

Recommendation	Rationale
<p>3. The regulation should specify requirements with respect to the content, scope and timing of asset management plans required under the <i>Development Charges Act, 1997</i>. The Province should also specify how the regulation will interact with the requirement for a financial plan under the Municipal Drinking Water Licensing Program Financial Plan.</p>	<ul style="list-style-type: none"> • Municipalities are currently required to complete and file plans (e.g. Municipal Drinking Water Licensing Program Financial Plan), which have components that would be included in asset management plans. • <i>Development Charges Act, 1997</i> provides a specific example of duplicate or conflicting methodologies. Under the recently amended <i>Development Charges Act, 1997</i>, municipalities are required to demonstrate that development charge funded assets are financially sustainable. It is recommended that the Province consult with municipalities on how financial sustainability is consistently demonstrated to help ensure the Municipal Asset Management Planning Regulation is aligned with current best practices.
<p>4. Transitional time will be required for municipalities to align with the new regulatory approach. Sufficient (minimum 1 calendar year) phase-in time should be provided in the regulation.</p>	<ul style="list-style-type: none"> • An Asset Management Policy can help provide clarity in developing asset management plans and how they relate to the specific needs of each municipality and related stakeholders. • Development of Asset Management Plans should be informed by asset management policies. • Asset management policies may be further developed and incorporated into Municipal Asset Management Plans • Sufficient time will be necessary to develop well-informed Asset Management Plans subsequent to completing a Policy. A minimum of one calendar year from the effective date of the Regulation will be required to develop the policy and plan as well as obtain Council approval. • The <i>Infrastructure for Jobs and Prosperity Act, 2015</i> requires provincial infrastructure such as highways and energy assets to have asset management plans. Municipal compliance deadlines should allow sufficient time for municipalities to leverage leading practices used by the province and detailed in these plans.

Recommendation	Rationale
5. The Province's asset management plans should provide enough detail in terms of timing and specific projects so as to enable effective coordination with complementary municipal asset management plans.	<ul style="list-style-type: none"> • Detailed asset management plans for provincial infrastructure will enable municipalities to plan and use infrastructure more efficiently, maintain more livable communities, and support economic prosperity across Ontario. • This approach will help ensure anticipated economic growth, particularly in the fastest growing municipalities in the Greater Golden Horseshoe is achieved in a financial sustainable and efficient manner.

Asset Management Plan

Recommendation	Rationale
6. Asset management plans should be Council-approved and consider all infrastructure that supports service delivery, including shared or third-party owned assets as well as infrastructure of municipally-owned subsidiary corporations.	<ul style="list-style-type: none"> • An Asset Management Plan should include, as core infrastructure, all physical assets which have a material impact on a municipality's budget, including large asset value groups, such as ambulances or buses. • There are cases where municipal services are supported by infrastructure that is not owned by the municipality, such as in water supply agreements where water is treated and provided by a neighbouring municipality. In other cases, individual infrastructure assets service multiple municipalities, such as the Duffin Creek Plant. In these cases, services depend on both internal and external assets.
7. Asset management policies should include an asset management framework that aligns business drivers and outcomes across various municipal plans to inform strategic, technical and operational levels of service.	<ul style="list-style-type: none"> • Municipalities strategically plan for the future and have a number of plans that impact infrastructure management. Requiring alignment between these plans will help ensure impacts are appropriately incorporated into asset management plans and implemented through financial plans and capital projects. • The asset management policies should include an asset management framework that shows appropriate alignment across plans such as: <ul style="list-style-type: none"> ○ Corporate Strategic Plans ○ Official Plans ○ Asset Management Plans ○ Infrastructure Master Plans ○ Long-Term Financial Plans ○ Annual Budgets and Capital Plans

Recommendation	Rationale
<p>8. Lifecycle planning should consider the full remaining life of all assets (not limited to 10 year timeframe) and inform financial plans.</p>	<ul style="list-style-type: none"> • Replacement of an asset typically represents the most significant portion of lifecycle costs. • Limiting lifecycle planning to 10 years can consistently understate an asset’s financial needs by over 60% and is too short-term to be meaningful. • New assets acquired during the planning horizon may impact overall financial needs and should be included in the analysis. • Although condition assessment technologies are available for short-term assessments (up to 10 years), there are limited evidence-based technologies for long-term planning (full lifecycle) and flexibility will be required to ensure appropriate evidence-based assumptions and decision making in the lifecycle management strategy. • Coinciding infrastructure rehabilitation needs may result in cash-flow and project delivery constraints. • State of existing infrastructure criteria should including Condition, Capacity and Reliability measures.
<p>9. The level of service indicators listed in the prototype regulations are operational in nature and specific level of service indicators and targets should be decided by Council in their applicable asset management plans rather than prescribed by regulation.</p>	<ul style="list-style-type: none"> • Levels of service indicators listed in the prototype regulation are very operational in nature. Indicators have a greater likelihood of being effective if identified by practitioners directly involved in delivery of specific services. • Performance measures for services provided to residents and businesses are specific to each municipality and developed through Municipal Strategic Plans approved by municipal Councils. • Technical and operational level of service indicators are specific to the design of an infrastructure system and operational strategy. Consequently, these indicators should be identified in Asset Management Plans and decided by individual Councils rather than Provincially prescribed. • Level of service benchmarks that are currently in use by municipalities for reporting purposes (e.g. Municipal Benchmarking Network Canada) could be referred to as generic minimum benchmarks for measuring outcomes but may not be equally applicable to all municipalities.