



OAKVILLE

REPORT

Council

Meeting Date: June 17, 2024

FROM: Asset Management Department

DATE: June 4, 2024

SUBJECT: **2024 Corporate Asset Management Plan – Part B for Non Core Assets**

LOCATION: Town-wide

WARD: Town-wide

RECOMMENDATION:

That the 2024 Corporate Asset Management Plan – Part B for Non-Core assets as included in Appendix A be approved.

KEY FACTS:

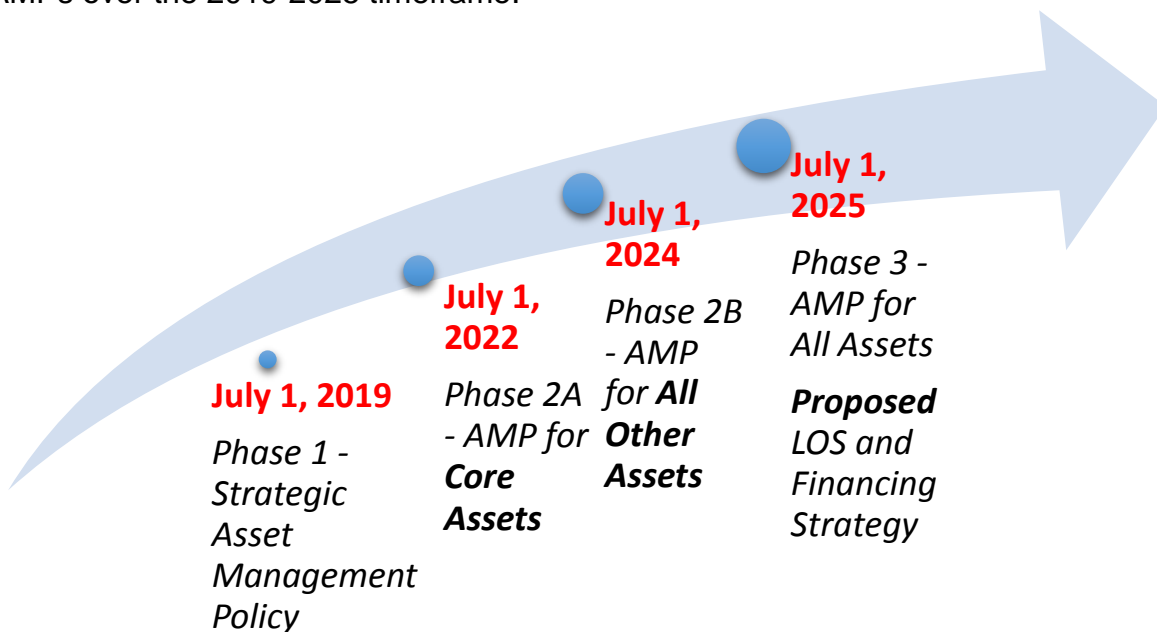
The following are key points for consideration with respect to this report:

- O. Reg. 588/17 identifies numerous key deliverables in a phased approach that municipalities must meet and include in future Asset Management Plan's (AMP) over the 2019-2025 timeframe.
- Asset management helps us put rigour and structure around the decision-making process by providing key information to manage our assets in a way that balances service levels, risk and costs in a long-term sustainable manner.
- In June 2022 the Corporate Asset Management Plan – Part A including information on Road and Stormwater Network assets owned by the town was approved by Council in accordance with the regulation.
- This report outlines the 2024 Corporate Asset Management Plan – Part B including information on the \$1.2 billion in Facilities, Parks, Fleet, Equipment and Information Technology assets owned by the town in accordance with the regulation.
- The Corporate Asset Management Plans include key information that will help guide future planning decisions to help balance cost, risk and levels of service.
- Requirements to meet the deadline for Phase 3 of the regulation for Proposed Customer Level of Service for all infrastructure are underway with plans to present to Council in the spring of 2025.

BACKGROUND:

The Town of Oakville’s (“town”) infrastructure and network of assets are the backbone of our community. They support a range of municipal services that enable the quality of life experienced by residents, businesses, and other stakeholders. The town’s Corporate Asset Management Program is designed to enable management of infrastructure assets in a way that connects Council strategies and community objectives to day-to-day asset management investment decisions.

The Province of Ontario enacted Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure (O. Reg. 588/17) in December 2017, which outlines guidelines and expectations for the application of asset management principles for municipalities. Most municipal infrastructure assets are intended to last for decades or beyond and as such it is imperative that the lifecycle costing, performance, risks and impacts of asset ownership are considered. O. Reg. 588/17 identifies numerous key deliverables in a phase approach that municipalities must meet and include in future AMPs over the 2019-2025 timeframe.



The AM department is taking a leading role in preparing the Corporate Asset Management Plan (CAMP) and ensuring O.Reg 588/17 is met. The following reports have been presented and approved by Council to date:

1. Asset Management Policy approved May 2021
2. Asset Management Strategy approved May 2021.
3. Corporate Asset Management Plan – Part A for Road and Storm Network approved June 2022.
4. State of Infrastructure Report for all infrastructure assets September 2023.

COMMENT/OPTIONS:

The purpose of an Asset Management Plan is to provide a comprehensive document that will guide corporate decision-making in regards to asset life-cycle activities, while minimizing risk and maximizing service delivery in a financially sustainable manner. Asset management helps us put rigour and structure around the decision-making process and the information we use to make strategic decisions. It starts with knowing what we own, where it is, what it is worth, what condition the assets are in, and what services they provide. With this information, it allows staff to make informed decisions which lead to purposeful practices, rather than reactionary oversight of the services we provide. Without this information we are unlikely to be able to identify possible service disruptions and other risks in a timely manner.

O.Reg 588/17 Phase 2 – Asset Management Plan Requirements

Phase 2 of the Regulations requires that *“Every municipality shall prepare an asset management plan in respect of its core municipal infrastructure assets by July 1, 2022, and in respect of all of its other municipal infrastructure assets by July 1, 2024.*

Core infrastructure assets (assets) is defined in the Regulation as Water, Wastewater, Stormwater, Roads, Bridges and Culverts and “All Other” assets for the town include Facilities, Park Network, Licensed Fleet, Equipment and Information Technology. For the purposes of categorizing these assets for the town, they are referenced as “Non-Core” assets in this report.

The regulation outlines that municipal Asset Management plans must include:

- the inventory of assets
- the current replacement value, age, and physical condition of the assets
- the current levels of service being provided, current performance and technical measures to support
- existing lifecycle activities and costs
- risks associated with the asset
- 10 year capital and operating cost required to maintain current levels of service in order to accommodate growth

Oakville’s Corporate Asset Management Plan (CAMP)

The town’s Corporate Asset Management Plan (CAMP) is a strategic document that states how the \$4.4 Billion worth of infrastructure assets under the direct ownership and control of the town are to be managed over a period of time. It includes key information that will help guide future planning decisions such as age, condition, replacement value, life-cycle strategies, risk and current levels of service (LOS), both from a Customer Level (CLOS) and a Technical Level (TLOS), along with identified performance measures and funding required to implement these actions.

The 2022 Corporate Asset Management Plan – Part A was prepared and approved by Council in June 2022 and represents asset management plans for the Transportation Network Services and the Storm water Network Services. The total value of Core

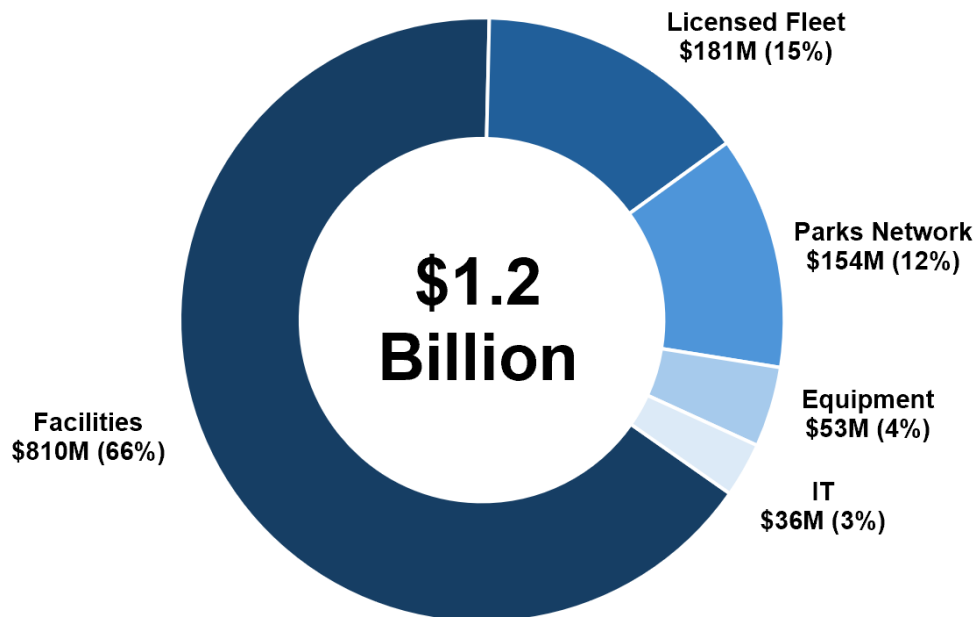
assets as of December 2023 is \$3.2 billion and represents 73% of the town's total asset portfolio.

Non-Core Assets have a value of \$1.2 billion

Staff have been working on developing asset management plans for the Non-Core assets to meet the July 1, 2024 deadline of the regulation. The CAMP- Part B includes all information required by the regulation noted above for Facility, Parks Network, Licensed Fleet, Equipment and Information Technology assets. Appendix A provides the detailed information outlined by the legislation. Chapter 1 and 2 provides a summary of the guiding principles and framework of the AMPs and Chapters 3 through 7 provide details for each asset category.

The total value of Non-Core assets as of December 2023 is \$1.2 billion and represents 27% of the town's total asset portfolio. A summary of the value by asset category is provided in Figure 1-2 below. As illustrated, the largest portion of Non-Core assets is Facilities with \$810 million (66%).

Figure 0-2: Non-Core Asset Classes and Current Replacement Value (2023\$)



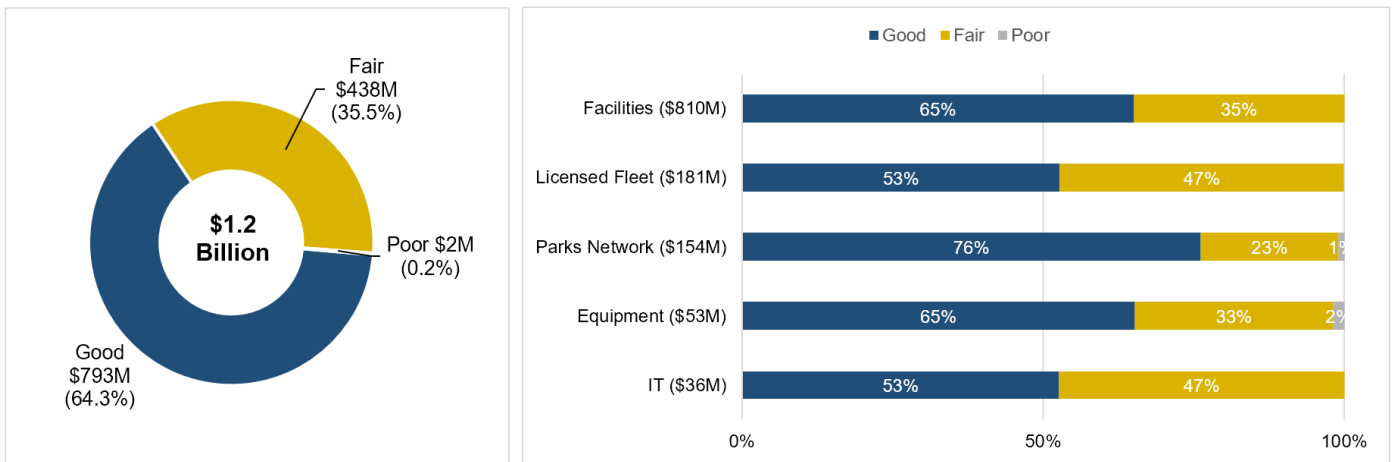
97% of Non-Core Assets are in Good or Fair Condition

Understanding the current condition of the assets is important for determining life cycle strategies and planning asset renewals. Assets in Good condition are generally new or are supported by robust maintenance schedules. Assets in Fair condition are midlife and still performing well but may need increased monitoring, maintenance or minor

repairs. Assets in Poor condition are typically reaching end of life and will be planned for replacement or disposal in the near term.

Based on information available at the time of the report, approximately 97% of the town's Non-Core assets are in good or fair condition. The table below shows the percentage of assets in good, fair and poor condition summarized by current replacement value. Overall, the large majority of assets fall into the Good or Fair category with less than 1% in Poor condition. The small portions of assets in Poor condition are primarily within the asset classes of Equipment and Parks Network. It should be noted that in the absence of physical condition information, the asset conditions have been estimated based on the age and remaining useful life of the asset.

Figure 1-3: Overall Condition of the Non-Core Assets



Qualitative and Quantitative service levels help provide asset management alignment to the overall Corporate Vision

The regulation indicates that for each asset category, the municipality needs to provide the current levels of service, using both qualitative descriptions and technical metrics. The town has adopted the ISO55000 service level framework that includes a cohesive suite of level of service (LOS) measures to help demonstrate alignment from the corporate vision down to day-to-day asset management decision-making. Costs to maintain that LOS and can be used as the basis for assessing the benefits associated and enables the justification and/or prioritization of investments, considering the capability of a system now and into the future. This framework enables customers to assess the suitability, affordability, and equity of services offered in a format that is clear and easily understood.

LOS can be framed at the following three levels:

- **Corporate LOS** – answers the question ‘why we’re here’ and are typically high-level statements.

- **Customer LOS** – answers the question ‘what does the customer get’, are typically qualitative, in language that the customer understands.
- **Technical LOS** – answers the question ‘what we do’ and describes things about assets/activities that are measurable.

Oakville’s Service Level Profile focuses on quality, reliable and functional customer values.

Staff have developed a framework or “Service Level Profile” template to articulate the three different levels of service and illustrate the alignment from day-to-day asset management practices to the town’s Corporate Vision. It involves clearly identifying the customer expectation and the customer commitment then translating those goals into customer service values, customer service objectives and measurable outcomes.

Customer LOS – answers the question ‘what does the customer get’, and often refer to statements such as Safe, Quality, Reliable, Efficient, Accessible, Functional etc. When developing Service Profiles staff focused on 3 key customer values Quality, Reliable and Functional to use for both Part A and Part B CAMP to be consistent across each asset category.

- 1) **Quality** refers to condition of the asset and can be linked to capital renewal and replacement programs.
- 2) **Reliable** refers to minimizing breakdowns and service interruption and are linked to operating maintenance and inspection programs.
- 3) **Functional** is about the right asset to meet the service need and ensuring changes in demand/growth/climate are being considered and are linked to master plan projects, development charges study or climate action initiatives.

An example of LOS for an asset is to set a minimum target condition that an asset is to be maintained. At the town, we currently have a target to maintain the overall road pavement condition at a minimum Pavement Quality Index (PQI) of 70 and as such have determined an average spending of \$9.0 million over the next several years is required to maintain this level of service.

Service Level Profiles have been developed for all asset categories and illustrate the town’s current level of service. This framework and associated measures are useful for the town to measure the effectiveness of our asset management practices and to identify the costs and associated benefits of the services they provide.

Risk is an important component of managing asset service delivery.

Understanding risk is an important component of managing service delivery in a sustainable manner. While age or condition is a common indicator of likelihood of failure or need of replacement, an asset at the end of its useful life can continue to operate well beyond if well maintained. As a result, age or condition does not directly translate into

the need for a capital investment being urgent, the impact on the service delivery or the criticality should also be taken into consideration.

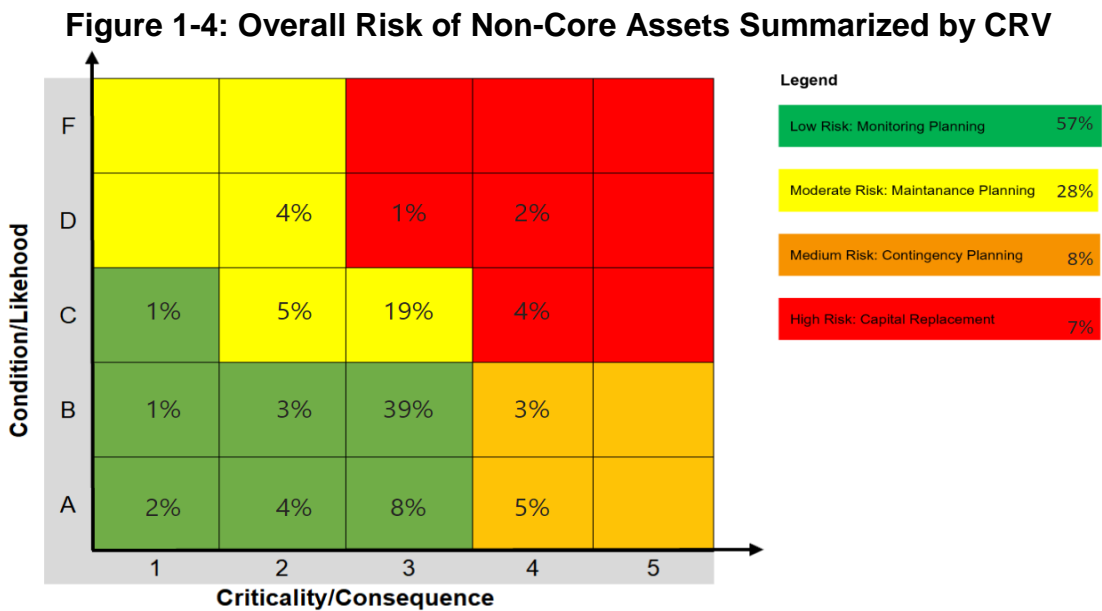
Risks can be assessed at both the asset-level (risk of any asset failing) and at the service-level (risk of not delivering the required service level). The risk assessment aims to pinpoint assets that play a more critical role in service delivery. For instance, the impact of a service disruption due to the closure of an individual trail differs significantly from the disruption caused by a road failure. Therefore, the town's approach to assessing risks involves evaluating both the Likelihood of Failure (LoF) and the Consequence of Failure (CoF). These factors are then amalgamated into an overall risk score, which guides the determination of risk levels and the identification of suitable risk mitigation actions.

85% of Non-Core Assets are in low to moderate risk

The overall risk rating of an asset is based on a matrix that combines the continuum of LoF (Condition) and CoF (Criticality). The Matrix is able to assess impact on service by:

- Identifying critical assets with the highest consequences
- Considers the likelihood of failure (condition) with the consequences to determine most urgent needs
- Links asset management activities to service levels
- Draw upon institutional knowledge and experience

Figure 1-4 below depicts the current matrix results for Non-Core assets based on current condition (Dec 2023) and Criticality Scores determined for each asset sub-category. Of the total \$1.2 Billion value of non-core assets 85% of assets fall into the low and moderate risk categories. Only 6% are classified as High Risk and would be earmarked for Capital Replacement in the near future and 8% fall into the Medium Risk category and would be planned for contingency measures.



As indicated in the matrix, assets in good condition and low criticality would be ranked at the bottom of the scale therefore have a low risk/priority; alternatively, assets in poor condition and high criticality would be ranked at the top of the scale therefore has a high risk/priority. Note that as the asset ages and the condition begin to deteriorate, the priority ranking of the individual asset would increase.

The average annual expenditure investment in Non-Core assets over the 10 Year Forecast is \$242 Million.

This CAMP – Part B presents a 10-year forecast of operating and capital needs based on the 2024-2026 operating budget and 2024-2033 capital forecast and relevant lines of business and capital projects categorized into the three (3) selected Customer Values Quality, Reliable, and Functional. This forecast presents an estimate of the costs associated with maintaining the various life cycle needs for the town's assets at their current level of service.

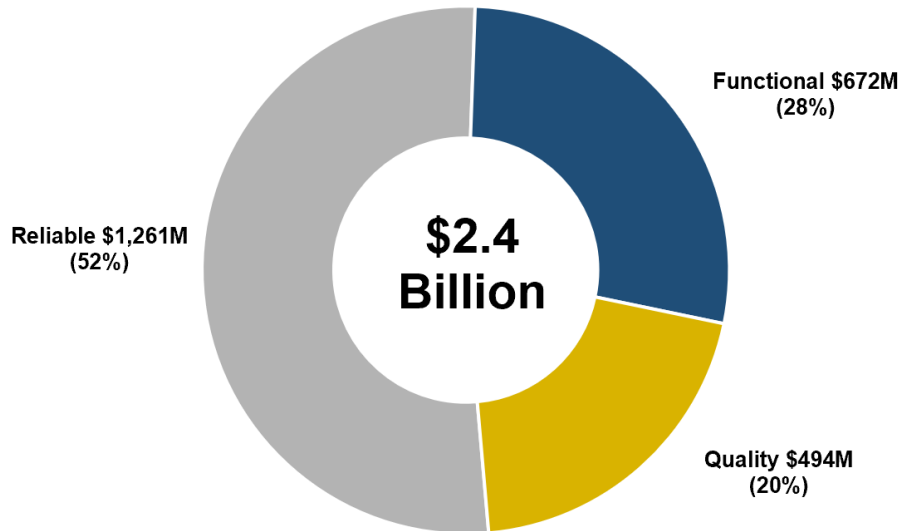
Reliable – Includes regularly scheduled inspections, preventative maintenance, and minor repairs are planned for in the town's work order management system and are funded from the town's operating budget.

Quality – Includes long-term renewal and replacement needs are primarily identified in the 10 Year capital forecast as part of the Infrastructure Renewal Forecast. These renewal and replacement programs are primarily determined by assessing condition or age of the asset.

Functional – includes Growth and Service Enhancement needs identified in the 10 Year capital forecast and are driven by the needs identified in the Development Charges Study, Master Plan studies or other service related studies. They can also be driven by legislative changes such as AODA or through policy to meet specific Council objectives such as Climate Action.

Based on the current forecast, the total expenditure for the Non-Core assets will amount to \$2.4 Billion over the 10-year period, with allocations of \$494 Million for the customer service value of Quality, \$1.3 Billion for Reliable, and \$672 Million for Functional. On an annual basis, the average expenditure investment is \$242 Million.

Figure 1-5: Overall Lifecycle Expenditure Forecast by Customer Value for Non-Core Assets



Conclusion and Next Steps

Overall, the town’s \$1.2 billion of Non-Core assets are in good condition and present very low risk to disruption in service delivery. This can be attributed to the robust operating and capital renewal/replacement asset management programs that departments managing these have in place, as well as the level of funding that that has been invested in these programs. Maintaining our assets in a State of Good repair has been a long-standing commitment by staff, management and Council and is a key strategic objective.

In the coming months, work will begin on Phase 3 of the regulation, which will be to assess the information gathered as part of development of the CAMPs and compare current service level and performance across all asset categories and determine if adjustments should be made. The intent of Phase 3 is to determine “proposed” levels of service, the amount of funding required to support those levels and to develop a financing strategy on how to meet those targets over time. This is where analysis on the long-term investment required to sustain those levels of service needs to be balanced against the risk, other funding needs, impact to reserves/reserve funds and the impact to taxpayers to determine what is financially sustainable. Currently, the regulation has set a target date for Phase 3 to be endorsed by Council by July 1, 2025.

The town is also currently participating in program called the *Natural Asset Management Roadmap Program* for municipalities in Ontario offered in partnership with

Intact Public Entities and the Natural Assets Initiative. The program provides direction, support and guidance to local governments in developing high-level plans to account for nature in their asset management strategies. A cross functional team of staff have been participating in a series of workshops to develop a roadmap that identifies actions to be taken over the short to medium term to integrate natural asset management into our AMPs.

Asset Management plans are intended to be a living document to be used on an on-going basis to help monitor asset performance and inform key infrastructure management decisions. As such, the regulation requires that municipalities review and update its asset management policy, strategy and plans every five years.

The Asset Management department provides an updated State of Infrastructure report to Council every two years which outlines key information to help the organization understand the overall age and condition of the different assets and inform the level of investment required in future budgets. In addition, a reporting mechanism to monitor and analyze trends related to the measures identified in this CAMP will be developed to be able to assess current asset performance against service level targets over time.

CONSIDERATIONS:

(A) PUBLIC

This report provides information to the public regarding Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure and information on the town's Corporate Asset Management plans for Non-Core assets in relation to the regulation guidelines.

(B) FINANCIAL

The 2024 Corporate Asset Management Plan – Part B sets out the governing principles and objectives to how the \$1.2 billion in Non-Core assets are being managed, based on existing life cycle practices, current levels of service and existing funding levels. These documents help guide corporate decision-making in regards to the construction, operation, maintenance, rehabilitation, replacement, capacity expansion, and disposal of the town's assets while minimizing risk and costs and maximizing service delivery.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

All departments that rely on asset performance to deliver town services have participated in Asset Management working groups to help inform the preparation and development of various aspects of the Corporate Asset Management Plan – Part B.

(D) CORPORATE STRATEGIC GOALS

This report addresses the corporate strategic goal(s) to:

- Accountable Government - Creating a comprehensive corporate asset management plan helps to guide decision-making with regards to asset

SUBJECT: 2024 Corporate Asset Management Plan – Part B for Non Core Assets

lifecycle needs of the town's assets while minimizing risk and costs to the taxpayers and optimizing service delivery.

- Livability – Effective management of the town's infrastructure leads to effective and predictable delivery of services and minimizes disruption.

(E) CLIMATE CHANGE/ACTION

O.Reg. 588/17 legislation includes climate change requirements that must be considered as part of the Asset Management Policy and planning. The town's Asset Management Policy, Strategy and Corporate Asset Management Plan all outline the town's commitment to consider the actions that may be required to address the vulnerabilities caused by climate change to the municipality's infrastructure assets.

APPENDICES:

Appendix A – Corporate Asset Management Plan – Part B

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Submitted by:
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