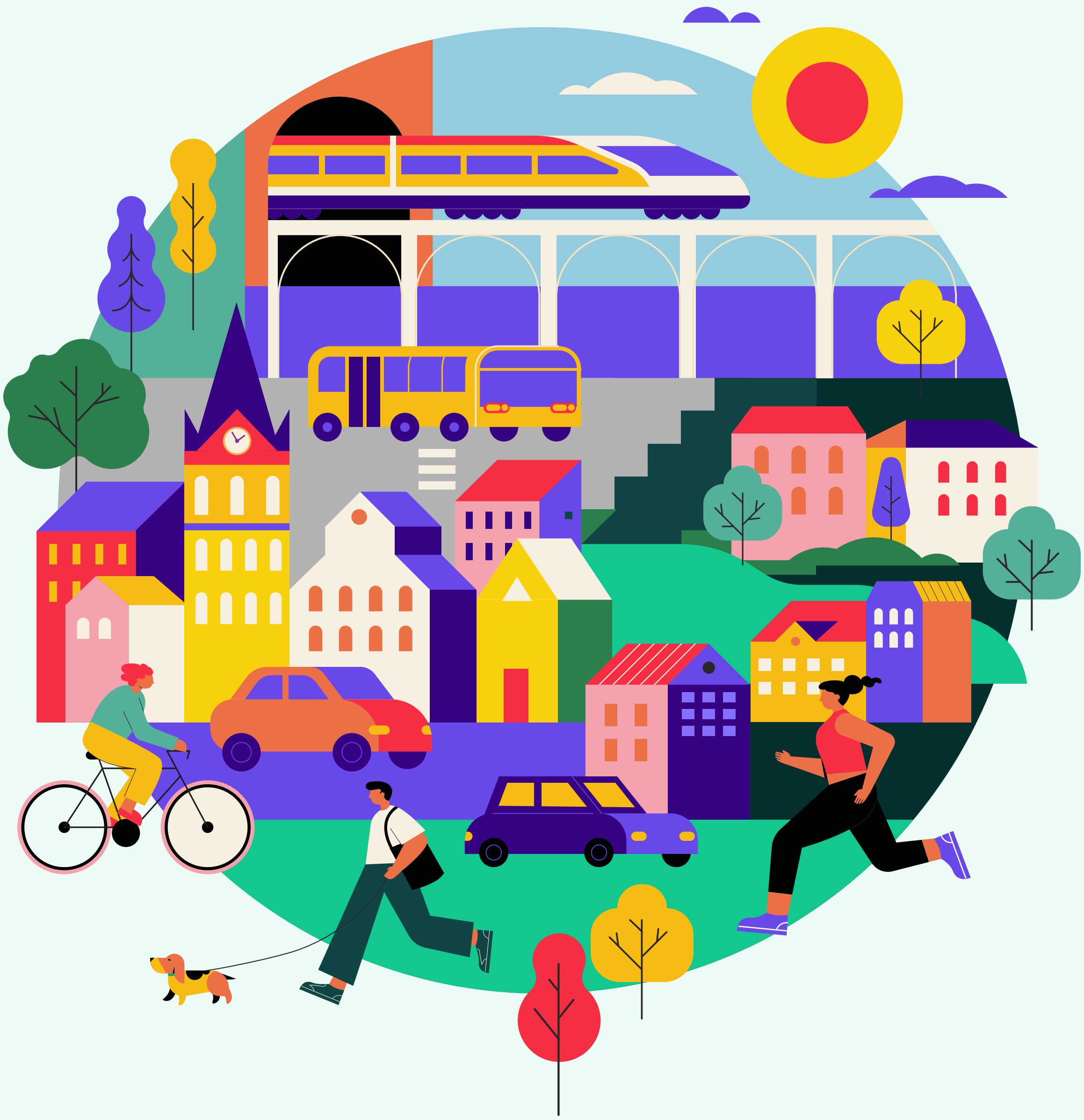
Asset Management Orientation for Members of Council – Executive Summary



Association of Municipalities Ontario

ASSET MANAGEMENT ONTARIO

Asset Management Orientation for Members of Council – Executive Summary

How to Read this Executive Summary

This Executive Summary is a companion to the Asset Management Orientation Handbook for Members of Council. The Executive Summary provides a high-level overview of key asset management concepts and topics, to help new and returning members of Council understand what asset management is and why it matters.

If you would like to learn more, the Handbook provides more detailed content about each topic, as well as case studies, and links to additional resources. You can access the Handbook here.

Overview

1. Why Asset Management Matters
2. Principles of Asset Management
3. Key Elements of Asset Management
4. Roles and Responsibilities of Key Stakeholders
5. An Overview of the Ontario Regulatory Context

WHY IS ASSET MANAGEMENT IMPORTANT TO COUNCIL?

Asset management provides the information needed for Council to make confident decisions about asset investments, service levels, risks, and long-term financial sustainability. A solid understanding of asset management fundamentals will support Council members as they navigate these decisions by relying on an evidence based, data-driven decision-making framework for identifying and addressing asset investment priorities.

At its core, asset management is about sustainable service delivery—providing services today in a way that ensures they can continue to be delivered in the future without placing undue financial, operational, social, or environmental burdens on future generations. Municipalities of all sizes across Canada are struggling to maintain and advance asset management programs, data and funding due to capacity constraints.

Asset management practices as outlined in this Handbook help Council balance community expectations with limited resources, understand the long-term impacts of decisions, and prioritize investments where they are needed most. They also support transparency, accountability, and more defensible decision-making.

This Executive Summary was prepared by AMO in collaboration with Asset Management Ontario (AMONTario). AMO is an administrator of the community stream of the Building Community Strong Fund (BCSF-CS). The Community Stream provides permanent and predictable federal government funding for infrastructure and capacity building to support asset management.

1

WHY ASSET MANAGEMENT MATTERS

Municipal infrastructure assets, such as roads, bridges, water systems, parks, and recreation facilities, are the foundation of the services residents rely on every day. Municipal Council is responsible for deciding what services are provided, their scope, and funding priorities. As a member of Council, your decisions ensure services remain safe, reliable, and affordable, both today and in the future. To make these decisions with confidence, there are a few key things that members of Council need to know:

- What assets do you own or operate?
- What services are residents expecting?
- What is the current state of the infrastructure (and can it provide these services)?
- What are the costs associated with maintaining the assets and providing these services, (and can we afford it)?

Good asset management practices provide the information needed to make these decisions with confidence.

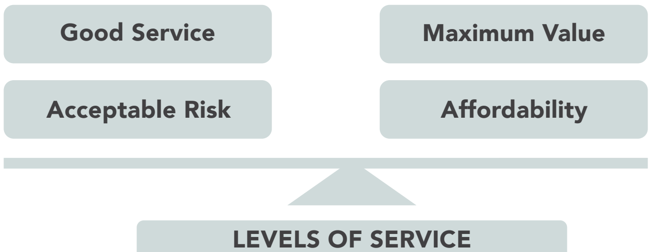


Figure 1: Sustainable service delivery means balancing the specific levels of service that an organization wants to deliver with risks and costs.

Recommended Actions for members of Council:

1) Familiarize yourself with your municipality's key asset management related documents, including:

- Strategic asset management policy (to learn more, see **section 5**)
- Asset management plan(s)
- Other relevant local plans and documents (such as the Strategic Plan, Annual Budget, Official Plan, and Master Plans)

2) Use asset management information to support informed decisions that balance service levels, costs, and risks over the long term.

3) Ask questions to ensure that staff are incorporating asset management recommendations into budgeting and long-term financial planning:

- What is the condition of an asset?
- Are there any risks associated with deferring a project?
- Are our investment levels in line with the Asset Management Plan?

In Ontario, asset management planning is required under O. Reg. 588/17 and is also tied to eligibility for key infrastructure funding programs. Asset Management Plans must be Council approved and made publicly available. Council must also receive an annual report on asset management planning progress. However, asset management is more than a regulatory requirement—it is a practical decision-making tool that helps Council protect infrastructure, manage risks, and support sustainable service delivery for current and future generations.

Local governments exist to provide services (such as transportation systems, clean drinking water, flood protection, space for recreation, and more) to their communities, creating a foundation for economic growth and fostering a good quality of life. The goal is to deliver these services safely, reliably, and predictably, at a sustainable cost. Services are typically delivered to residents through and by municipal infrastructure **assets**, such as those represented by the icons below. To ensure that these assets can reliably provide the intended services, the assets need to be appropriately managed and kept in a **state of good repair**.

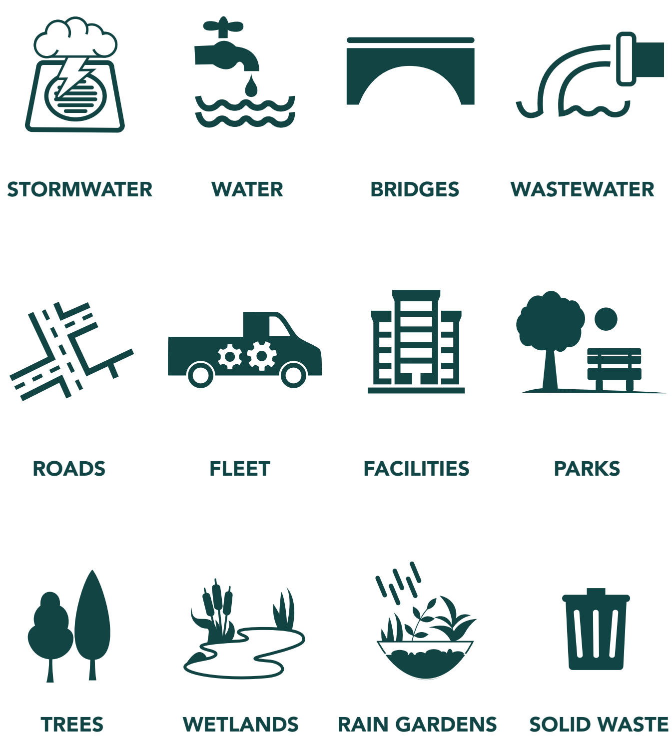


Figure 2: Common municipal infrastructure assets

KEY TERMS

Asset: "An asset is an item, thing or entity that has potential or actual value to an organisation." (ISO 55000)

Asset management: Asset management is the coordinated activity of an organization to realize value from their assets to achieve the organization's objectives (IAM). In a municipal context, asset value is linked to the ability to delivery services that meet community needs through sustainable service delivery.

Asset management plan (AMP): An asset management plan is a tool to communicate a municipality's current state and anticipated funding needs to the community and other levels of government. (AMO Asset Management Primer for Elected Officials)

Levels of service (LOS): A defined set of parameters for a particular type of assets (or service area) against which performance may be measured. Levels of service are divided into customer/community LOS and technical LOS.

Risk: Can be defined as physical risks (direct impact to infrastructure and assets), transition risks (changes based on low carbon economy), litigation and liability risks, reputation risks, and financial risks (rising costs of damages). Risk is assessed based on the likelihood of an event and the consequence of the event to create a risk matrix indicating high, medium, and low risks.

State of good repair: An asset is maintained in sufficient condition to deliver a service as intended.

State of infrastructure (or state of local infrastructure): A comprehensive evaluation of the assets that a municipality owns or operates, including inventory, condition, total replacement value, and age and remaining service life.

Sustainable service delivery: A process of providing services to the community in a way that fosters the economic, social, and environmental well-being, today and into the future. Sustainable service delivery is achieved by balancing asset lifecycle costs, asset performance (or expected levels of service), and risks.

For more terms and definitions, see the glossary at the end of this Handbook.

2

PRINCIPLES OF ASSET MANAGEMENT

Asset management is guided by five core principles (adapted from ISO 55000):

Value:

Assets provide value by enabling community services; this "value" goes beyond financial to encompass everything that is important to a municipality.

Alignment:

Asset management helps to create alignment within an organization, ensuring that strategic priorities and community goals are incorporated into all municipal plans and activities.

Leadership:

Strong leadership from Council sets the stage for strong asset management.

Assurance:

Asset management gives assurance that assets will fulfill their required purpose (from Canadian Network of Asset Managers, **AM101: What is Asset Management?**).

Progress:

Asset management is a journey of continuous improvement and incremental progress.

Understanding these principles will help you to better understand the benefits of asset management and how it can be used to support defensible decision-making.

Recommended Actions for members of Council:

1) Understand these asset management principles and champion asset management in your municipality by:

- Increasing your asset management understanding and awareness through review of existing Plans and Policies
- Investing in asset management (build internal capacity)
- Supporting asset management training or professional development

2) Support alignment by promoting integration between asset management planning, budget processes, and long-term financial planning.

3) Request regular asset management progress updates (required annually). For examples, see **section 5**.

4) Ensure asset management is used for effective decision-making rather than simply a compliance document.

3

KEY ELEMENTS OF ASSET MANAGEMENT

Asset management is built on key elements that work together to support sustainable service delivery. In order to provide the needed direction and support, it is helpful for Council to understand the following elements of asset management:

- **People and governance:** Who is involved and what governance structure best aligns to your current business practices?
- **Asset inventory and data management:** Asset inventory and data management: What assets are we responsible for and what condition are they in? How is our asset data collected, where is it stored, and who is responsible for maintaining this data?
- **Levels of service definition:** What service outcomes are expected by the community?
- **Risk management:** What impacts asset performance and what happens if assets fail or performance declines? How can we mitigate the risk of asset failure?
- **Lifecycle planning and financial strategy:** How do decisions today affect our assets and services over time? What funding is needed over time?

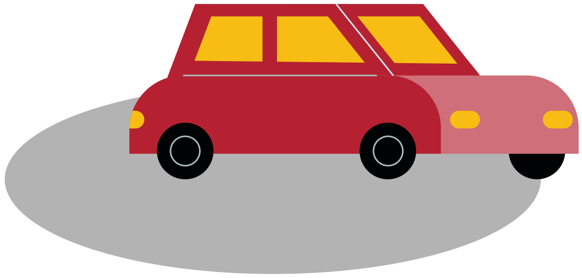
Together, these elements provide a comprehensive picture of the **state of local infrastructure**, giving members of Council the information needed to make informed, evidence-based decisions about service delivery, investment, and long-term sustainability.

Recommended Actions for members of Council:

1) Ask for regular (annual) updates on the state of infrastructure (these updates can be included in the annual progress report required by O. Reg. 588/17; for more information, see **section 5**) .

2) Proactively set and communicate levels of service by:

- Understanding current levels of service targets and how these were set
- Talking to residents about levels of service expectations (and trade-offs) when necessary
- Using levels of service data and analysis to make decisions



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ROLES AND RESPONSIBILITIES OF KEY STAKEHOLDERS

Local Council, staff, and residents each play a distinct role in supporting effective service delivery and decision-making. Key stakeholders play the following roles:

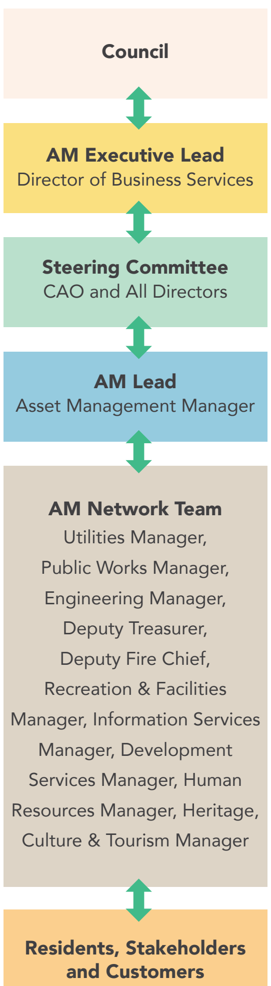


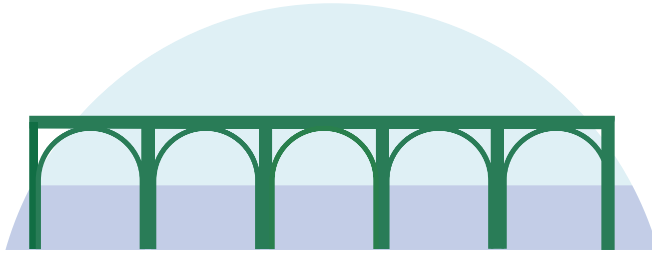
Figure 3: Key asset management stakeholders (adapted from "Asset Management Primer for Elected Officials" by the Association of Municipalities of Ontario)

- **Council:** Council provides strategic direction, oversight and approvals. This oversight includes approving asset management policies and plans, setting service levels, and making decisions about infrastructure investments and funding. Council plays a critical role in balancing community expectations with financial constraints.
- **Staff:** Leadership staff (such as a CAO or City Manager) are responsible for ensuring that asset management is implemented across the organization and aligned with strategic priorities. This role includes integrating asset management into corporate planning, decision-making processes, and municipal operations. Municipal staff translate policy into action. They develop and implement asset management plans, manage data, assess asset condition, and provide technical analysis and recommendations to Council.
- **Residents:** Residents influence asset management through their expectations, feedback, and willingness to pay for services. Public engagement helps define acceptable levels of service and informs priorities.

Clear roles and strong collaboration ensure effective governance and accountability in asset management planning.

Recommended Actions for members of Council:

1) Understand the important role that Council plays in asset management and support a culture of asset management by:
    - Making asset management a strategic priority;
    - Establishing a clear governance structure;
    - Ensuring that asset management is adequately resourced;
    - Promoting alignment between asset management planning, financial planning, and budgeting; and
    - Considering asset management information in all decision-making.



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AN OVERVIEW OF THE ONTARIO REGULATORY CONTEXT

Ontario municipalities are required to comply with a provincial asset management regulation (Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure) that includes policies, plans, and regular reporting, with Council playing a central oversight role.

Ontario's asset management requirements have been developed gradually through a series of milestones, culminating in the current requirements:

Recommended Actions for members of Council:

1) Review and understand your municipality's key asset management related documents, including:

- Strategic asset management policy
- Asset management plan(s)
- Other relevant local plans and documents (such as the Strategic Plan, Annual Budget, Official Plan, and Master Plans)

2) Familiarize yourself with your municipality's state of compliance with the regulatory requirements as well as progress towards asset management goals and recommendations.

1997

Under the Development Charges Act, DC-eligible capital costs are limited to the 10-year historical average service level, ensuring consistent service levels from both new and existing development.

2002

Following the Walkerton Inquiry, O.Reg. 453/07, the Safe Drinking Water Act, 2002 requires municipal drinking water systems to include a financial plan for full cost recovery.

2009

The Public Sector Accounting Board (PSAB) of Canadian Institute of Chartered Accountants updates PSAB 3150, a standard requiring municipalities to track and report the infrastructure assets (Tangible Capital Assets) they own.

2012

The Ministry of Infrastructure published **Building Together: Guide for Municipal Asset Management Plans** to begin to promote standardization and consistency in municipal asset management.

2015

Ontario Regulation 428/15 issued, requiring Development Charges Background Studies to include an Asset Management Plan for DC funded infrastructure.

2017

Ontario Minister of Infrastructure passes O.Reg.588/17 under the Infrastructure for Jobs and Prosperity Act, 2015 with phased asset management requirements for municipalities, as shown in the following milestones (the timelines were amended by O. Reg. 193/21).

2019

Municipalities are required to develop a Strategic Asset Management Policy by July 1.

2022

Municipalities are required to develop an Asset Management Plan that includes all core infrastructure assets at current levels of service by July 1.

2024

Municipalities are required to develop an Asset Management Plan that includes all infrastructure assets (core and non-core) at current levels of service by July 1.

2025

Municipalities are required to develop an Asset Management Plan that includes all infrastructure assets, including current and proposed (or target) levels of service, lifecycle activities & costs, and a lifecycle management and financial strategy by July 1.

2026

Municipal Councils must conduct an annual review of asset management progress by July 1, including progress implementing asset management plans, any barriers to progress, and strategies to overcome these barriers.

Figure 4: Road to asset management regulation (adapted from "**Asset Management Primer for Elected Officials**" by the Association of Municipalities of Ontario)