

**REPORT TO THE GOVERNANCE AND FINANCE COMMITTEE
MEETING OF WEDNESDAY, MARCH 6, 2019**

SUBJECT **Corporate Asset Management Policy and Strategy**

ISSUE

To present the draft Corporate Asset Management Policy and Strategy and recommend Board endorsement and direction to implement the action plan outlined in the strategy.

BACKGROUND

New assets are procured with a focus on safety, security, and sustainability while current assets are maintained with a similar focus but also to extend useful life. Assets and their systems differ in terms of their complexity, their operational and performance parameters and requirements, and their levels of management. In order to maximize the lifetime of assets, which can be measured in years or decades, assets need to be conserved, protected, maintained, modernized, or upgraded depending on their level of service requirements. This requires different timed intervention strategies accomplished through asset management.

Asset Management is an emerging discipline at the regional and municipal government level. As a result, the CRD is broadening its scope of responsibility by expanding Asset Management practices at both the technical and corporate strategic level.

In 2015, the CRD Board set a priority to develop and implement both a policy and a strategic framework for asset management, to continue in proactively managing assets to meet the needs of the community today and into the future. In response to this priority, the CRD have made improvements in processes relating to capital planning, project management, and impact reporting in regards to the economy. Additionally, the CRD hosted an asset management provincial seminar that hosted a variety of organizations across the province which consisted of provincial ministries, colleges, non-profit housing societies, professional associations, local government, BC Ferries, and BC Housing. Through this seminar, connections were made with the 13 local municipalities and established a local asset management community of practice to share local knowledge and build on each other's successes on asset management maturity.

To formalize our commitment, a Draft Corporate Asset Management Policy and Strategy has also been developed to provide the pathway to sustainable service delivery. The policy outlines key asset management objectives, principles, and governance, while the strategy sets out the improvement action plan to achieve the objectives of the policy to meet the Board's directives. This will ensure that we will be resilient to the challenges we face and be sustainable in delivering the services to the community today and into the future.

The purpose of the policy is to promote sustainable service-delivery through the following objectives:

- Link Asset Management to the CRD's vision, values, and priorities;

- Establish a consistent, methodical, and integrated approach to Asset Management which incorporates a level of flexibility to recognize the differences between departments, services provided, and resources;
- Minimize life-cycle costs while maintaining approved service levels and managing risk within approved boundaries;
- Commit to providing the appropriate workforce and resource funding;
- Balance the level of service, customers' expectations, and regulatory requirements with affordability, available resources, risk, climate action, socio-cultural, and environmental impacts;
- Improve asset and service resiliency through monitoring and adapting to meet current needs, foreseeable medium-term needs, and long-term future needs where practical and appropriate;
- Establish a system of education, continuous improvement, reporting, performance measures, and innovation within the organization; and
- Demonstrate responsible governance in asset and service delivery decisions by requiring:
 - A lifecycle approach when estimating asset investment options;
 - Consideration of long-and-short term decision impacts;
 - Evidence-based decision-making with transparent and consistent decision processes; and
 - Role and responsibility accountability.

To achieve these objectives, the strategy sets out targets and an improvement action plan while linking them with the asset management principles. The priority actions we had set in the short term are:

- Establishing a Policy, Strategy, and Asset Management Steering Committee;
- Developing an Asset Management Program Manual;
- Conducting an Asset Management Maturity Assessment;
- Developing Sustainable Service Delivery Plans for each Service.

The development of this policy and strategy was guided by accepted industry practices and standards including:

- Asset Management BC: AM Roadmap and Guide;
- BC Capital Asset Management Framework;
- A BC Framework for Sustainable Service delivery;
- International Standards Organization (ISO) 55001;
- FCM: Municipal Asset Management Program Resources (Tools and Guides);
- International Infrastructure Asset Management Manual (IIMM).

The Corporate Asset Management Policy and Strategy can be found in Appendices A & B for further information on our progress to-date.

ALTERNATIVES

Alternative 1

That the Governance and Finance Committee recommend to the Capital Regional District Board: That the Corporate Asset Management Policy and Strategy be adopted and staff be directed to implement the strategy.

Alternative 2

That the Corporate Asset Management Policy and Strategy be referred back to staff for specific revisions and additional information, as identified by the Governance and Finance Committee.

IMPLICATIONS

STRATEGIC PRIORITIES IMPLICATION

The CRD provides many services across the region that include a variety of strategic goals and objectives, and are directly and indirectly related to asset management. One of the key principles of asset management is being transparent and as a result, there will be clearer communication on how asset management activities are linked and contribute to achieving strategic goals and objectives within the organization. The Asset Management (AM) Policy and Strategy will unify our efforts and play a key role in achieving the strategic goals and objectives in a manner that is affordable, culturally beneficial, socially and environmentally responsible.

GOVERNANCE IMPLICATION

The AM Policy and Strategy will improve the governance for Asset Management within the organization. It defines the accountabilities and responsibilities at different levels. As a result, it will provide clear cross-departmental roles and responsibilities to create an efficient and consistent model which enables informed decision-making on asset investments that balances risks and costs, and will be sustainable in the delivery of the agreed-upon level of service.

DECISION-MAKING IMPLICATION

Decision-makers at all levels of the organization are constantly challenged to:

- Find a balance between costs, risks, and benefits;
- Meet the current needs of the community, while also trying to position the CRD to best meet future needs;
- Consider climate change, growth forecasts, environmental management, socio-economic issues, affordability, and changing risk as infrastructure assets age;
- Maintain compliance with current and changing legislative requirements and industry standards.

Asset Management business practices will provide evidence-based data for informed decision-making, and analysis of that data will build understanding of the many complex relationships between inputs, variables, options, and consequences which need to be considered. Having a consistent, systematic, standardized method of collecting, storing and analyzing information about our assets will help our organization know which assets are in critical need of replacement, how much we should put into our capital reserve for future replacement, and ultimately show our region we are good stewards of the services and assets they rely on every day.

Figure 1 shows common criteria for informed decision-making.



Figure 1: Common criteria for informed decision-making

Asset Management data and analysis will support the CRD decision-makers to more easily navigate complex issues, and to understand the truly important matters which will guide them to make well-informed, transparent, and balanced decisions.

LEVEL OF SERVICE IMPLICATION

Our community relies on the services the CRD provides. Level of service is defined in the strategy through service attributes such as quality, quantity, and reliability, and written from a perspective of how the community receives this service. The core output of implementing asset management ensures the sustainability of our service delivery through having established sustainable service delivery plans which analyse the key elements of managing assets such as demand, cost, risks, asset condition, and capacity, to ensure we meet the needs of the community today and into the future.

LONG-TERM SUSTAINABILITY IMPLICATIONS

- Implementation of the AM Policy and Strategy will build organizational resilience towards the practice of asset management. It does so through adopting a continuous improvement 'Plan, Do, Check, Adjust' process (based on the Deming Cycle). This four-step process will be used to generate on-going iterative improvement, and facilitate responsible adaptation to change in the AM program, supporting the improvement of our information and processes over time.
- Asset Management is a whole-life management practice of our infrastructure from planning through construction, to operation and maintenance, and then through disposal or replacement at the end of life. With the implementation of the AM Policy and Strategy, our mindset of asset management as a continuously adapted business process will support informed decision-making on an on-going basis within a long-term environment of change.

- Asset management will build collaboration cross-departmentally and build robust teams which get all the right information to make well informed decisions. Asset Management is a complex practice; a team effort is needed to scale the practice relevant to the complexity of the services and related assets, in order to provide the best value of time and effort. As our assets and services mature over time, our teams and asset management practices will also mature to provide for a more robust and complex analysis, greater accuracy in financial forecasts and assessments of options, costs, and risks that can be reported to support decision-makers. In addition, collaborating with other local governments to share knowledge and tools, and developing relationships with provincial and federal governments is key to sustaining and evolving the practice of asset management.
- Measuring performance is critical to understanding what progress is being made and whether the goals and targets that have been set are delivering the intended outcomes. Performance measurement drives improvement and provides critical guidance for decision-making. Key performance indicators will be established to ensure we are meeting our objectives, targets, activities, and procedures as well as identifying improvements on how we deliver our services and improve our asset management practices.

Figure 2 shows the Performance Measurement Framework the CRD will use to measure and report performance towards asset management.

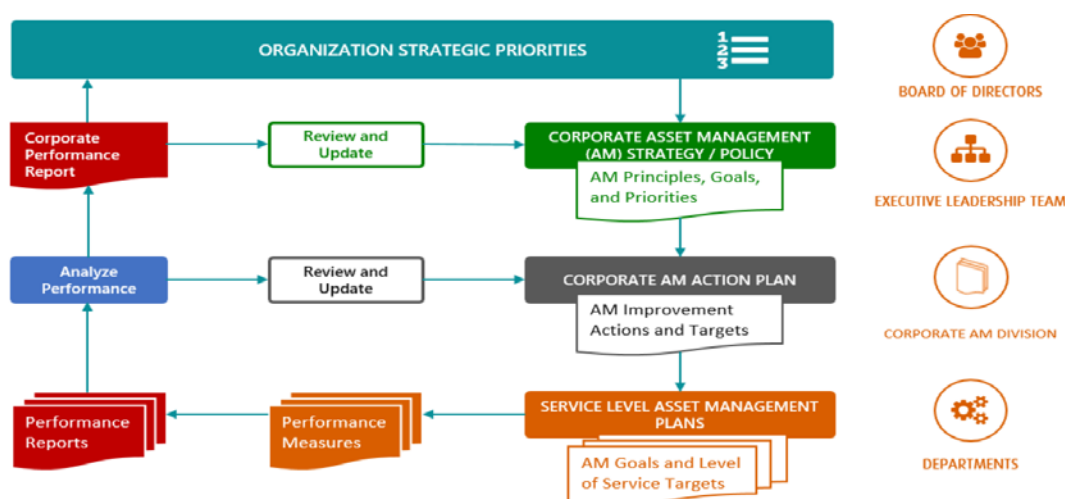


Figure 2: Performance Measurement Framework

- Our region is becoming increasingly more diverse, dynamic, and exposed to disruptive and unpredictable events (i.e. climate change and natural disasters). To be resilient, the provision of assets which are adaptable to change is of paramount importance. A risk register will be implemented and maintained, and risk analyses will be completed on all assets from an asset, service delivery, and organizational risk perspective, and outputs will be used to make evidence-based decisions in the procurement of new assets and in the replacement of existing assets. Having robust risk management processes and well-defined levels of service will enable the capital region to become more resilient.

- Asset management will provide a methodology to articulate and understand workforce requirements to ensure the service is delivered at the defined and agreed-upon level to the community.
- The Corporate Climate Action Strategy demonstrates leadership within operations and the management of CRD-owned assets to reduce greenhouse gas emissions and adapt to climate change, and asset management builds upon this commitment through integration of climate mitigation and adaptation into our sustainable service delivery plans.

FINANCIAL IMPLICATIONS

- As a steward of the tax-payer dollars, services and assets, we aim to make decisions that minimize life cycle costs and maximize the value of our investment by understanding the life cycle cost of an asset that includes the cost of capital, operations, and maintenance costs. With a sound asset management program, we will have a detailed understanding of the costs over the life of an asset which includes capital, operations and maintenance, which will help in calculating the level of funding into capital and operational reserves for long-term financial sustainability. This will provide visibility of the timing and cost of asset replacements.
- Implementation of this policy and strategy is organization wide and will have an impact on existing organizational resources. Determining resource need will be determined through conducting the asset management maturity assessment. An outcome of this assessment will indicate whether the service-delivery team's utilization is balanced, under or over utilized. If a resource gap is identified, it will be addressed through the annual service and budget planning. This ensures that we are appropriately resourced to deliver the level of service to the community.

COMMUNITY IMPLICATIONS

- Public confidence will increase in the organization's stewardship towards the sustainability of our service delivery through having established sustainable service delivery plans. Sustainable service delivery plans will increase our transparency towards the health of our service delivery by stating our asset registry, condition profile, risks, financial profile, and life-cycle strategies. Asset management integrates business practices to manage our assets cost-effectively and to help us make forward-looking decisions to ensure we meet the current and future demands of our community. Ensuring that we have a robust asset inventory, thorough knowledge of our capacity and future demands, established risk, procurement and project management processes, will greatly assist in our goal for long term sustainability.
- Asset management is a process that will provide visibility to opportunities and challenges that our services are facing today and in the future. As it relates to decisions towards asset (re)investments, the processes of asset management will provide the relevant information in making those decisions such as how it impacts the level of service, the consequences associated with the options provided and risks. This will ensure that the decision-maker is well informed in making the decision in order to meet community needs.

CONCLUSION

The Corporate Asset Management Policy and Strategy presents a pathway to CRD's sustainable service delivery including a clear set of objectives, principles, and an action plan to achieve sustainable service delivery.

RECOMMENDATION(S)

That the Governance and Finance Committee recommend to the Capital Regional District Board:
That the Corporate Asset Management Policy and Strategy be adopted and staff be directed to implement the strategy.

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Attachments

Appendix A: Corporate Asset Management Policy

Appendix B: Corporate Asset Management Strategy