

ASSET MANAGEMENT

Date Issued: February 9, 2021 – R-31-21

Mandated by: Council

Current Revision: February 9, 2021

Cross Reference:

- Asset Management Procedure GOV-025-A
- Tangible Capital Assets Policy FIN-018-A
- Operating and Capital Budgets Policy FIN-024-C
- Service Level Policy GOV-020-C

Next Review: January 1, 2026

Responsibility: City Manager

1. PURPOSE

To ensure that the City implements Asset Management practices that enables a coordinated, cost effective and organizationally sustainable approach across the City to achieve Council's vision for the community, ensure long-term sustainability, and to demonstrate responsible fiscal stewardship of the City's resources.

This Policy applies to the Lifecycle management activities of physical Assets that are owned by the City, which may have a material impact on capital and operating budgets. This Policy is the bridge between the City's Strategic Plan and its overall Asset Management strategy.

2. POLICY

The City shall adopt Asset Management practices that are forward looking, operationally efficient, and are consistent with the expected Service Levels and such decisions shall be documented in Asset Management Plans for each Asset or class of Assets, as appropriate.

3. DEFINITIONS

- 3.1 *Acquire or Acquisition* – means the acquisition of an Asset by capital investment or through the contribution of an Asset by a developer, transfer from another government, or donation from a third party.
- 3.2 *Asset* – means a physical asset owned or otherwise controlled by the City, which may have a material impact on capital and operating budgets. Ordinarily an Asset would meet the definition of a Tangible Capital Asset as defined in the City's Tangible Capital Asset Policy.
- 3.3 *Asset Management* – means the process of making decisions about the use and care of Assets to deliver municipal services at approved Customer Service Levels in a way that considers

current and future needs, manages Risks and opportunities, and makes the best use of resources.

- 3.4 *City* – means the municipal corporation of the City of Fort Saskatchewan.
- 3.5 *Council* – means the municipal Council for the City.
- 3.6 *Critical Assets* – means Assets that have a high consequence of failure causing significant financial or non-financial loss, or loss or reduction of service as identified by Risk assessments. Examples of Critical Assets include:
- 3.6.1 aging or deteriorating Bridges with a high probability of collapse and loss of life; or
- 3.6.2 deteriorating water supply mains that may result in a prolonged loss of water service to an entire neighbourhood in the event of failure.
- 3.7 *Lifecycle* – means the whole life of an Asset beginning with the identification of the need for an Asset and ending with the disposal of the Asset.
- 3.8 *Long Term Financial Plan* – means a plan that documents the process of aligning financial capacity with long term service objectives.
- 3.9 *Maintain or Maintenance* – means regular operational activities to keep an Asset in its intended operational state. Maintenance activities are not capital investments.
- 3.10 *Renew or Renewal* – means the refurbishment or major maintenance of an Asset that represents a capital investment and substantially extends the life of an Asset.
- 3.11 *Replace or Replacement* – means the replacement of an Asset that represents a capital investment.
- 3.12 *Risk* – means the possibility that events will occur and affect the achievement of the City's objectives, and is usually assessed in terms of the likelihood, frequency, and severity of a risk event occurring.
- 3.13 *Service Level or Levels of Service* – mean Customer Service Levels and Technical Service Levels. These are supplemented by organizational measures.
- 3.13.1 *Customer Service Level* – means a measure of how the customer receives the service and whether value to the customer is provided and is typically set by Council. Customer Service Level measures used in Asset Management include quality, function, and capacity.
- 3.13.2 *Technical Service Level* – means operational or technical measures of performance required to support the Customer Service Levels, and is typically set by administration or by legislation. These technical measures relate to the allocation of resources to service activities to best achieve the desired customer outcomes and demonstrate effective performance. Technical Service Level measures are linked to the activities and annual budgets covering operations, Maintenance, Renewal, Upgrades, or new Assets.

- 3.14 *Upgrade* – means a capital investment that either increases the capacity or improves the efficiency of an Asset.

4. GUIDING PRINCIPLES

4.1 General

- 4.1.1 Decisions to Acquire new Assets or Upgrade existing Assets, including through the development or redevelopment of lands, will be based on an understanding that the Asset supports the long term goals of the community, and that the full Lifecycle cost of ownership has been considered and incorporated into community engagement regarding Customer Service Levels, as well as future operating and financial plans.
- 4.1.2 For each Asset, efficient Maintenance strategies will be implemented that considers sustaining the desired Service Levels and seeks to minimize Risk and the Lifecycle cost of ownership. Decisions to Renew or Replace an Asset will consider Risk (probability and consequences of Asset failure), Lifecycle cost and the impacts to Service Levels.
- 4.1.3 A Long Term Financial Plan will be maintained which considers the Renewal and Replacement of existing Assets and the impact to taxation and user fees. The timing for Asset Renewal or Replacement will balance Risk with cost and Service Levels. The Long Term Financial Plan will identify how Asset Renewals Replacements will be financed, whether be it through current revenues, reserve funds, or borrowing.
- 4.1.4 The utilization and function of all Assets will be considered periodically, at least whenever a Renewal, Replacement, or Upgrade is being considered, together with the cost of operating and maintaining. Assets will be disposed of where it is determined that community resources can be applied to other uses with greater benefit or where the Asset no longer meets the Customer Service Level objectives that it was intended to achieve.

4.2 Roles and Responsibilities:

4.2.1 Council shall:

- a) authorize Customer Services Levels through the adoption of various plans, including but not limited to the City's Strategic Plan and Municipal Development Plan; and
- b) allocate resources through the adoption of budgets necessary to deliver authorized Customer Service Levels.

4.2.2 Corporate Asset Management Steering Committee shall:

- a) be appointed by the City Manager and consist of a minimum of one representative from each department with Asset ownership as well as at least one representative from each of the City's Leadership Team, and Financial Services Departments;
- b) provide a forum for discussion of Asset Management strategies, integration, and best practices; and

- c) lead the development of corporate Asset Management tools and practices and oversee their application across the organization.
- d) at least annually, review the City's Asset Management program with Council, including progress in implementing the program, a summary of Asset Management plans, the current state of the City's Assets relative to desired Customer Service Levels, and future demand and Risk management plans.

4.2.3 Departmental Asset Management Owners shall:

- a) be responsible for the use and care of Assets to deliver municipal services at approved Customer Service Levels in a way that considers current and future needs, manages Risks and opportunities, and makes the best use of resources.
- b) develop and implement of Asset Management Plans that:
 - i. link the goals of Asset ownership to the City's strategic and corporate objectives, and to municipal service delivery;
 - ii. identify both current and desired Customer and Technical Service levels, and Asset Performance Assessment Criteria;
 - iii. estimate future demand, the impact demand will have on Assets, and plans for managing demand;
 - iv. indicate Lifecycle management plans, including operations, Maintenance, Renewal, Replacement, Acquisition, Upgrade, and disposal plans;
 - v. detail Risk management plans, including the identification of Critical Assets and Risk assessments;
 - vi. summarize financial costs, capital funding requirements and long term forecasts; and
 - vii. Indicate monitoring and reporting requirements; and
- c) Liaise with Financial Services on financial matters

4.2.4 Financial Services shall:

- a) provide financial direction to departments;
- b) compile operating and capital budgets, and develop Long Term Financial Plans; and
- c) Maintain the Inventory of Tangible Capital Assets and a centralized Asset Management database to ensure a link between financial and non-financial records;

5. AUTHORITY / RESPONSIBILITY TO IMPLEMENT

The City Manager is authorized to establish procedures for the implementation of this Policy which are consistent with the governing principles.