

July 7, 2017

PROPOSED ASSET MANAGEMENT PLANNING REGULATION UNDER THE *INFRASTRUCTURE FOR JOBS AND PROSPERITY ACT*

Municipal Support for Asset Management:

The Association of Municipalities of Ontario (AMO) and the municipal governments we represent strongly support asset management planning to support council's decision making. In the past few years, AMO has worked with municipal staff associations to improve asset management planning and increase understanding of its role in the sector. Municipal governments understand that to serve our residents and make the best decisions, we need the best data we can get in the most affordable manner.

History:

The *Infrastructure for Jobs and Prosperity Act, 2015* asset management authority was first proposed to apply only to provincial infrastructure planning, requiring the government to use municipal asset management plans to set provincial priorities when formulating its infrastructure plan.

When the Bill was re-introduced after the 2014 election, the government moved an amendment to the Bill which would regulate the 'form and content' of municipal asset management plans.

Until this point, the government had required municipal governments to have an asset management plan in place to be able to receive provincial funding for local infrastructure projects. The provincial government supported local asset management planning through a guide and funding for smaller municipalities to have the capacity do this planning - \$12+ million.

As a result of this support, almost all Ontario municipal governments have an asset management plan in place. This means that provincial guidance and support, as well as requiring a plan to receive funding, has greatly improved asset management planning amongst municipal governments in a short period of time.

AMO understands from the Province that there is considerable variance amongst the plans and methodologies used. The Association also understands that moving to standardization can help to create conformity and comparability amongst municipal asset management plans to help in provincial priority setting. However, AMO has

concerns that the currently proposed regulation is too prescriptive, unaffordable and too difficult for municipal governments to comply with in the prescribed timeframe.

Starting Over and Costs to Support Planning:

The current regulatory proposal will increase asset management criteria, standardize those criteria across the consulting industry and municipal governments and require municipalities to take into account a holistic view of managing assets on an aggressive timeframe.

It is unlikely that many current municipal government asset management plans will meet the criteria set out in the proposed regulation – resulting in the majority of members having to substantially start over. This cost will be difficult to justify to our taxpayers and residents. With the addition of service levels, operational criteria such as energy costs, climate mitigation information and growth planning for municipalities 25,000 population and above, AMO anticipates that all Ontario municipal governments will need to adjust and add to their plans in a significant way to achieve conformance.

This means that additional costs for adding staff, staff training, consultants (including engineers) and data management/IT systems is likely to result. AMO has heard from several members that they believe the regulation will require the addition of at least one staff member. Even where those resources may be shared amongst municipal governments, this is likely to add at least \$100,000 in salaries, benefits and pension costs to municipal payrolls for each additional person: a significant expansion of staff when the number of municipalities are taken into account. This pressure will be first and foremost in the minds of municipal councils and senior management as they assess the regulation.

Related to this pressure are the highly ambitious timelines included in the phases of the regulations. AMO believes that these timelines are too aggressive and will put additional pressure on municipal governments and their staff to meet compliance. These timeframes, if they can be met, will result in additional and significant cost pressures for municipal staff capacity to be secured.

Other concerning requirements in the proposed regulation include:

- The expansion of asset management plans to energy, non-infrastructure and climate mitigation (greenhouse gas reduction) costs and activities, which take the focused management of physical assets and the services they provide into an additional function that unnecessarily duplicates Official and Strategic Plans, energy regulation requirements, and other municipal government initiatives;
- The financing plan requirements may duplicate the municipal budgeting process and forecast needs;
- The requirement for service level analysis and lifecycle costing models for every asset owned and operated by a municipal government will greatly expand the

criteria and required expertise to meet them, adding major costs as outlined above;

- overlap and competing requirements with other legislation; and
- 'Approval' by a licensed engineer before 'presentation' to council adds unnecessary costs to municipal governments that may not have an engineer on staff, assumes that one engineer may be willing to sign off on every part of the plan even if it is beyond their expertise, and distorts the appropriate role of the elected municipal council and their senior management.

Provincial Support:

Finally, a major concern for AMO and municipal governments and organizations will be the types of support contemplated in the regulation. Whilst offering templates and webinars will be helpful to the sector to increase the knowledge of and reduce the burden to staff, these will do nothing to alleviate the main problem: most Ontario municipalities do not have staff with the required skill set and capacity and this will represent a major cost to acquire it. That expense will be on-going.

Moreover, the consulting industry may also be challenged to make up the shortfall in that capacity.

The vast majority of Ontario municipalities have fewer than 10,000 residents and almost 200 of Ontario's 444 local governments have fewer than 5,000. For these and others direct financial support and capacity to re-do plans is a must. While federal support for asset management planning by municipalities has recently been announced, it is impossible that this national program will fund the majority of Ontario municipal needs created by this proposed regulation.

Potential Benefits:

The regulation may also have some benefits to the sector, if municipal governments are able to meet the required criteria given increased financial, capacity and time resources.

Service level analyses and better condition data, if it can be collected affordably, will lead to better decision making by councils and a better understanding by residents and businesses of priorities. However, this will also inevitably lead to very difficult debates amongst local taxpayers that could have implications for all orders of government.

Better data should also lead over time to fewer application-based infrastructure funding programs offered by federal and provincial governments. If the point of asset management is to take a long-term view to priority setting for investments, then more formula-based programs that allow municipal governments to count on stable funding should result. AMO notes that formula-based funding forms a smaller part of both federal and provincial funding for infrastructure for municipal governments right now

and for the foreseeable future. It makes no sense to require an enhanced asset management planning process without appropriate adjustments to federal and provincial funding mechanisms.

Finally, the inclusion of electricity costs, non-infrastructure solutions and greenhouse gas emissions could provide a more holistic view of the physical assets our residents rely on to make their daily lives better. However, this level of analysis may be overwhelming for many municipal governments in the near-term as they re-start their asset management planning regimes as a result of the regulation.

Summary:

The proposed regulation will greatly increase criteria and requirements on municipal organizations to carry out planning. Some municipal governments will need to find additional resources to do these plans – internally or through consultants – and increased skills will be needed to complete them. The regulations may create significant data and reporting requirements for local governments.

To achieve the desired outcomes the provincial and municipal governments are seeking in asset management planning, there are two options. The proposed regulation must be scaled down dramatically with increased implementation timelines or the Province must commit to significantly funding the immediate and on-going municipal resource and capacity needs that will be required to comply. To do neither would ensure that the benefits of a well-considered and constructed asset management planning regime will not be achievable for both municipal governments and the Province.