



District of Hudson's Hope - Asset Management Strategy



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INTENT AND SCOPE

INTENT

The intent of this Asset Management (AM) Strategy is to develop strategic objectives for the District of Hudson's Hope which guide asset management decision-making. These asset management strategic objectives will be determined by utilizing the overall strategic objectives of the municipality, relevant community states, and key principles from the AM Policy. The initiatives will lay out the path forward for asset management of the medium to long term. Figure 1 represents the relationship, i.e. "line of sight", between a community vision, mission, and values to the operational activities outlined in the Asset Management Plan(s). The "line of sight" refers to the idea that through the implementation of the Asset Management Policy, Strategy, and Plan an approver or stakeholder can see how each action item relates to the mission and values of a community. Understanding the relationship between the needs of the community and the purpose/deliverables of asset management documents is critical for organizational integration and community and council buy-in.

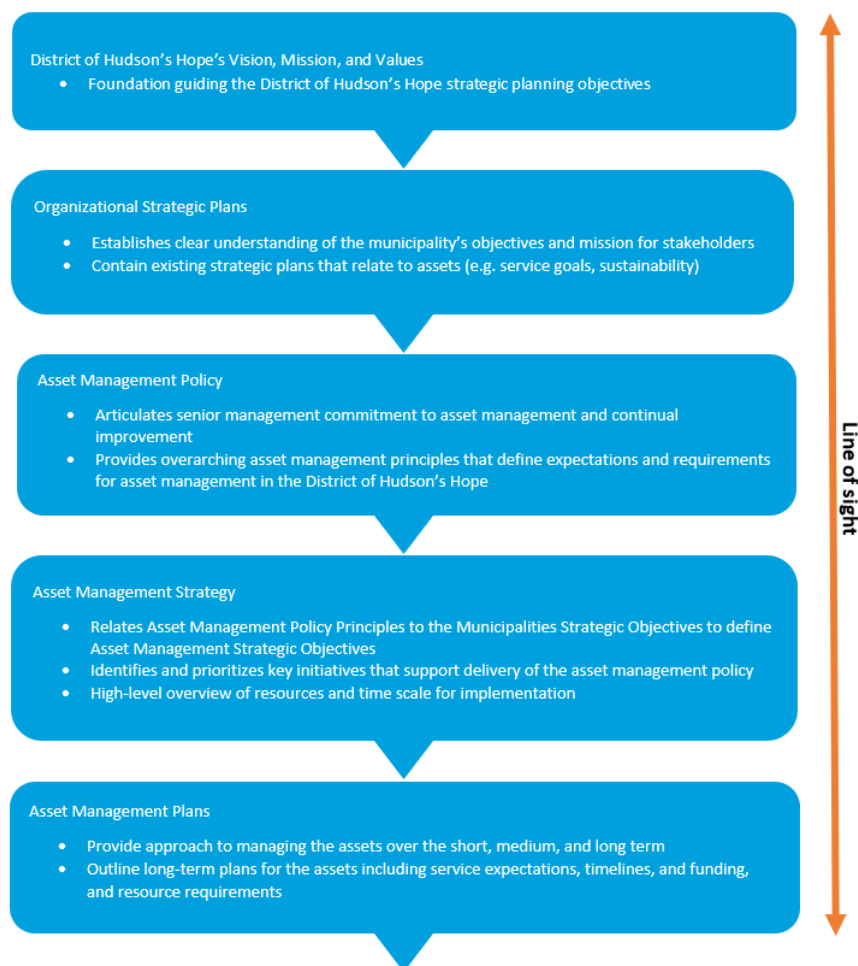


Figure 1 Asset Management Line of Sight, based on FCM recommendations (Federation of Canadian Municipalities, 2018)



The **Asset Management Policy** provides overarching principles that will be used to guide decision-making processes to deliver services to the community. It signifies Council and senior management's commitment to the development and continuous improvement of asset management practices. Through the principles laid out in the policy, the framework for funding and financing asset acquisitions, operations, maintenance, renewal, and disposal can be implemented through the Asset Management Strategy and Asset Management Plan(s).

The **Asset Management Strategy** builds off the Asset Management Policy and the communities' strategic goals and objectives to identify strategies to improve asset management practices and achieve overarching asset management objectives. It provides an overview of the current decision-making processes, assets, and funding sources for a municipality.

This document will provide strategic objectives and relevant initiatives to achieve the overarching objectives of the municipality and is guided by the Asset Management Policy principles.

SCOPE

The District of Hudson's Hope manages a variety of assets for the delivery of services to its ratepayers. Infrastructure assets require acquisition, maintenance, renewal, and disposal over their life cycles. This Asset Management Strategy applies to all assets owned by the municipality. Including assets that are owned by the municipality and managed or co-managed by others.

DEFINITIONS

Asset: a physical component of a system that has value, enables services to be provided, and has an economic life of greater than 12 months.

Asset Management: the process of making decisions about the use and care of assets to deliver services in a way that considers current and future needs, manages risks and opportunities, and makes the best use of resources.

Asset Replacement Forecast: an overview of all assets with their attributes, replacement costs, and timing of the replacement based on their theoretical useful life.

GIS: Geographic Information System designed to capture, store, manipulate, analyze, manage, and present all types of spatial data.

Level of Service: the defined standard for the provision of a particular service. The levels are defined with consideration of quality, quantity, reliability, responsiveness, environmental acceptability, regulatory requirements, and life-cycle costs.

Life-cycle cost: the cost of designing, building, operating, maintaining, and disposing of an asset to deliver the defined level of service.

Long-term Capital Plan: a multi-year plan that identifies the capital infrastructure projects and their cost to address the current and future service objectives.

Long-term Financial Plan: a plan that documents the process of aligning financial capacity with long-term service objectives.



Long-term Operation Plan: a multi-year plan that identifies the cost of operating and maintaining assets to address the current and future service objectives.

Maintenance Management: an administrative, financial, and technical framework for assessing and planning maintenance operations on a scheduled basis.

Risk: events or occurrences that negatively impact the ability to deliver the defined levels of service.

DECISION-MAKING APPROACH

CURRENT APPROACH

The District of Hudson's Hope is in the early stages of applying asset management practices to transition from a reactive to a pro-active approach. The District would like to establish new processes to carry out maintenance and other services in a more sustainable and efficient manner. There is currently no formal system of organizing maintenance records as they are in a mix of paper and electronic copies, WebMap will be produced for the District to track assets and records in the future. Levels of service are not yet established for infrastructure assets and the community does not have high expectations. Although some assets are in poor condition there are ongoing projects such as upgrading the sanitary sewer system. The District has started a planning document (District of Hudson's Hope Strategic Objectives, 2019-2022) and will be revisiting it in the future. The District currently has asset management as a priority moving forward with strategic direction from the council to develop a realistic strategy.

TARGET APPROACH

The District of Hudson's Hope targeted approach to asset management decision making will incorporate the following principles:

- Integrate appropriate business units, functions, and departments for multi-disciplinary input and buy-in
- Transparency and accountability with defined levels of service and asset service performance
- Consider changing demographics and economic climates by incorporating strategic risks assessments
- Triple bottom line approach of socio-cultural, environmental, and economic - outcomes
- Consider long-term financial sustainability through understanding full life-cycle costs

The District of Hudson's Hope will use the AM Strategy and AM Plan(s) to prioritize asset maintenance/renewal strategies, understand full life-cycle costs, and more accurately forecast asset renewals over the long term. Incorporating the asset management decision-making process into financial planning will enable Hudson's Hope to more accurately predict financial requirements over the long-term. Capital plans and budgeting processes will utilize the AM Plan(s) to ensure long-term financial stability and service delivery to stakeholders.

DISTRICT OF HUDSON'S HOPE – STRATEGIC ALIGNMENT

This document was developed utilizing the District of Hudson's Hope 2018 Strategic Plan (District of Hudson's Hope Strategic Objectives, 2019-2022), District of Hudson's Hope Asset Management Policy, and recommendations from the Federation of Canadian Municipalities (Federation of Canadian Municipalities, 2018).



DISTRICT OF HUDSON'S HOPE STRATEGIC PLAN

At the end of 2018, the District of Hudson's Hope laid out Strategic Objectives for 2019 to 2022 (District of Hudson's Hope Strategic Objectives, 2019-2022). The document determines initiatives to be completed by the council over their term in office considering budget and resources. Hudson's Hope's strategic objectives support the importance of developing standardized and robust asset management processes. These objectives, in the order listed in the document, as follows:

1. Provide quality infrastructure services in a sustainable manner.
2. Provide quality recreational and cultural opportunities in an affordable manner.
3. Encourage economic growth and development in the area.

These objectives are directly supported through asset management initiatives. This requires developing and maintaining infrastructure within the District, effectively communicating with stakeholders, and engaging in effective long-term planning. Asset management accomplishes these tasks through developing infrastructure asset registers, understanding asset conditions, full life cycle costs, strategic risks, and defined levels of service.

ASSET MANAGEMENT POLICY PRINCIPLES

The District of Hudson's Hope AM Policy outlines over-arching principles for asset management and defines the roles and responsibilities for implementation. These principles are broken down into five categories, which are listed below.

SERVICE DELIVERY TO CUSTOMERS AND INFORMATION MANAGEMENT

- a) The District of Hudson's Hope shall define levels of service to meet the needs of the community and relevant regulatory requirements. These levels of service shall take into consideration the quality of life, minimizing long-term costs, and balancing risks and opportunities.
- b) Hudson's Hope shall deliver defined levels of service to its stakeholders by managing infrastructure assets efficiently and effectively.
- c) The District of Hudson's Hope shall be transparent with the defined levels of service and service performances of their infrastructure assets and through this will be accountable to the community.
- d) The District shall ensure levels of service are compliant with community needs and councils' strategic objectives and relevant regulatory requirements. The municipality shall also monitor and periodically review the defined levels of service.
- e) District of Hudson's Hope shall comply with all relevant legislative, statutory, and regulatory requirements.
- f) The District shall develop and maintain asset inventories for all infrastructure assets

SUSTAINABILITY AND ENVIRONMENTAL ADAPTABILITY

- a) Hudson's Hope shall develop business cases that consider the risks and long-term costs in delivering defined levels of service for infrastructure investments.
- b) District of Hudson's Hope infrastructure investments shall consider current and future service needs by incorporating strategic risk into the asset management decision making process.
- c) Decision making shall incorporate a triple bottom line approach, considering the socio-cultural, environmental, and economic outcomes.



- d) The District of Hudson's Hope shall consider potential climate change effects, and how the increased frequency and intensity of climatic events may directly affect the delivery of appropriate levels of service. The Municipality shall, where appropriate, adopt a proactive approach to reduce the potential impacts of climate change.

HOLISTIC AND INTEGRATED DECISION MAKING

- a) The District of Hudson's Hope shall use the asset management decision-making process to build strong working relationships and receive maximum value from infrastructure investments by coordinating business units, departments, and municipal functions effectively.
 - i) These departments and functions include planning, engineering, operations and maintenance, finance, and other strategic and long-term community planning and budgetary functions.

FISCAL RESPONSIBILITY

- a) The District of Hudson's Hope will consider investment needs, funding requirements, and revenue projections to develop and maintain a long-term financial plan which will be focused on long-term financial sustainability.
- b) The District's infrastructure investment shall promote social and inter-generational equity and consider the financial impact on current and future generations.
- c) The District of Hudson's Hope shall implement processes to ensure investment needs are addressed efficiently and effectively.
- d) The decision to build, renew and/or replace an asset shall balance risks and meeting the defined levels of service while minimizing the long-term cost of asset ownership.
- e) The District of Hudson's Hope shall implement efficient maintenance strategies that are designed to sustain defined levels of service and mitigate asset risk while maximizing asset value.
- f) The District of Hudson's Hope shall comply with all the regulatory and statutory financial tracking and reporting requirements.

CONTINUOUS IMPROVEMENT

- a) District of Hudson's Hope shall monitor and periodically re-assess the asset management processes and measure their applicability and effectiveness in achieving the municipality's strategic objectives. Throughout this review, changes shall be made where applicable.
- b) District of Hudson's Hope shall seek continuous improvement of the asset management processes with a focus on incorporating innovative tools, techniques, and solutions to promote the long-term efficiency and effectiveness in service delivery and asset management decision making.
- c) The District of Hudson's Hope shall assess the asset management competencies required to implement the asset management processes and provide the necessary education, training, and support to relevant staff members.

ASSET MANAGEMENT OBJECTIVES AND PERFORMANCE TARGETS

This section intends to outline the Asset Management Strategic Objectives for the District of Hudson's Hope. Strategic Objectives were developed using recommendations from the Federation of Canadian Municipalities (Federation of Canadian Municipalities, 2018), District of Hudson's Hope AM Policy, and District of Hudson's Hope's 2018 Strategic Plan.



Asset management initiatives shall be measured periodically using performance targets. These performance targets may include:

- Ability to predict realistic projections of costs beyond the current 10-year capital plan
- The degree to which information from the asset management plan is incorporated into District of Hudson's Hope's long-term financial planning process
- Many levels of service infractions per annum, broken down by service type (road network, water network, etc.)
- Effectiveness and applicability of strategic objectives in meeting community values/needs
- Achieving an asset renewal funding ratio of 1.0

Performance targets will be added and/or adjusted in subsequent iterations of this AM Strategy.

KEY ASSET MANAGEMENT IMPROVEMENT INITIATIVES

Key asset management improvement initiatives are described below, separated into the relevant asset management strategic objective. These initiatives are undertaken to improve asset management decision making systems and processes in the District of Hudson's Hope.



OPERATIONAL EFFICIENCY:

- Develop Operation and Maintenance (O&M) Management Procedures for all services based on the determined levels of service
 - Option: Refer to “Getting Started – Toolkit User Guide” (Municipal Affairs Alberta, 2015)
- Track, monitor, and document O&M activities
 - Develop a system to track, monitor, and document activities

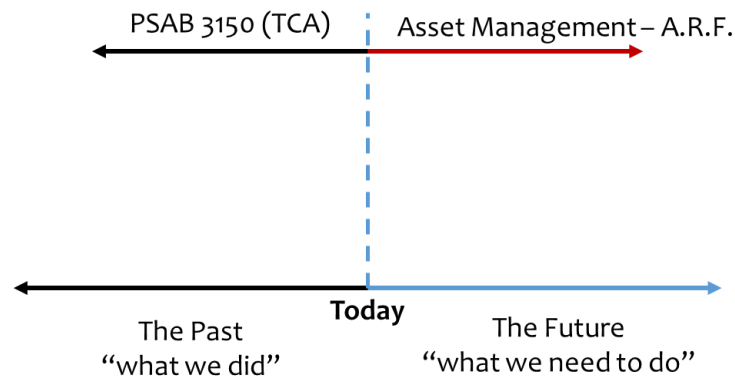
SUSTAINABLE SERVICE DELIVERY AND INFORMATION MANAGEMENT:

- Determine Levels of Service for all services
 - Define and document Levels of Service
 - Consider current needs and trends in service delivery to prepare for future
 - Option: Refer to “Getting Started – Toolkit User Guide” (Municipal Affairs Alberta, 2015) and the Federal Municipalities of Canada (FCM) “Asset Management Readiness Scale”
 - Review and update annually
 - Engage the community periodically to understand service needs

LONG-TERM FINANCIAL PLANNING:

- Prepare Asset Replacement Forecast (A.R.F.)
 - Based on age, condition, current replacement value and year installed or renewed
 - Option: Refer to “Getting Started – Toolkit User Guide” (Municipal Affairs Alberta, 2015)
- Meet PSAB 3150 requirements for depreciating assets. The District of Hudson's Hope will have the following categories, thresholds, and estimated useful life.
 - Tangible Capital Assets will be depreciated over their estimated useful life using the straight-line method
- Prepare a Long-term Financial Plan based on Levels of Service, Risk, and A.R.F.
 - 5-year capital plan
 - 3-year operation plan
 - Update annually
- Prepare the annual budget based on the Long-term Financial Plan
 - Assess service needs based on determining levels of service
 - Determine required operational and capital needs based on the service needs
 - Document trade-offs between risks, service, and long-term costs for each decision
- **Notes:**

PSAB 3150 uses the historical cost of the asset and depreciates it over its useful life. The Asset Replacement Forecast uses the current replacement value of the asset and projects the year for replacing it based on the installed year and its useful life. It gives an overall picture of the current value of the municipality's infrastructure. Or in other words, how much would it cost Hudson's Hope in today's dollars to replace the municipality's entire infrastructure asset network. The following graphic is a visual depiction of the difference between PSAB 3150 and the A.R.F:



- The A.R.F can help with understanding where the highest value assets are and the associated age of the asset. This combined with an understanding of the District's service needs and risks can guide decisions in infrastructure investment.

TRANSPARENT DECISION-MAKING:

- Develop Communication Plan
 - Consider all stakeholders and multiple tools to share the information with.
 - Include the cost of implementing the Communication Plan in your annual budget
 - Consider an ongoing campaign of Educating, Engaging, and Communicating with the public. An educated public could provide better input and feedback for operations and decisions.
- Include operational, financial, and risk updates as part of the regular reporting to Council and Community (as opposed to only reporting when there is an issue):
 - Communicate the trade-offs between levels of service, risk, and costs with your community

KNOWLEDGE SHARING AND CAPACITY BUILDING:

- Form an Interdisciplinary Asset Management team
 - Strive for representation from all departments
- Prepare and maintain an Asset Inventory
 - Incorporate GIS into asset planning
 - Maintain and update GIS according to your Data and Information Management Plan
- Prepare Data and Information Management Plan
 - Refer to "Getting Started – Toolkit User Guide" (Municipal Affairs Alberta, 2015) and FCM – Asset Management Readiness Scale (Federation of Canadian Municipalities, 2018)
 - Comply with financial reporting and documentation requirements of PSAB
- Cohort learning and regional collaboration
 - Stay connected with asset management organizations such as Infrastructure Asset Management Alberta (IAMA), Rural Municipalities of Alberta (RMA), Canadian Network of Asset Managers (CNAM), and Federation of Canadian Municipalities (FCM)
 - Share knowledge with other local governments
- Succession Planning
 - Consider this in your strategic risk mitigation
 - Provide asset management training for staff



CLIMATE CHANGE CONSIDERATIONS AND RISK MANAGEMENT:

- Prepare Risk Management and Mitigation Plan for all services
 - Consider climate change adaptation and mitigation in your risk management plan
 - Consider Asset Risks and Strategic Risks
 - Engage Council and the community to determine the acceptable level of risk tolerance
 - Review and update annually



ASSET MANAGEMENT ROLES AND RESPONSIBILITIES

The AM Policy for Hudson's Hope outlined the relevant roles and responsibilities for the Chief Administration Office (CAO), Council, Asset Management Steering Committee, Department Managers, and Finance Lead. The CAO is tasked with setting a high-level vision (with Council's objectives in perspective) and ensure that all relevant roles are achieving set deadlines. Due to Hudson's Hope's smaller population and staff, some members may play multiple roles within the governance structure. Knowing this, it is important to set realistic deadlines and expectations for staff. For more information on the roles and responsibilities for the key asset, management personnel refers to the District of Hudson's Hope's approved Asset Management Policy.

HOW TO MONITOR AND IMPROVE ASSET MANAGEMENT

Asset management is a continuous process and as such the strategic objectives, initiatives, and performance targets will have to be re-visited as priorities within the municipality change. To continuously improve it is necessary for the municipality to review the Asset Management Strategy and adjust where appropriate. The Asset Management Strategy and its outcomes will be evaluated by the council every 3 years. Evaluations will review performance indicators to assess the effectiveness of the Asset Management Strategy. If required, a roadmap will be developed to prioritize and resource short-term, mid-term, and long-term asset management initiatives. Revisions to this document will be made and tracked by the council.



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