AFN
Operations and Maintenance
Policy Reform
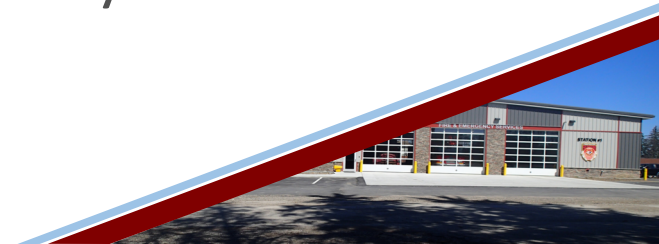
Introduction

Good morning!

Topics

- AFN/ISC O&M Policy Reform
- What is Asset Management?
- Asset Management Planning Pilot Results

- Engagement Results
- Revised Draft O&M Policy
- Comments on Revised Draft O&M Policy

AFN/ISC O&M Policy Reform

AFN issued Resolution 80/2017 mandating the AFN to work jointly with ISC on reforming the current O&M policy.

Resolution 80/2019 mandated work to continue on O&M policy reform and acknowledged the transfer of programs previous funded under Health Canada to ISC, that are to be included in the reform now.
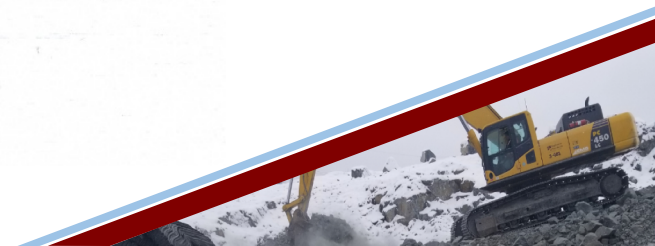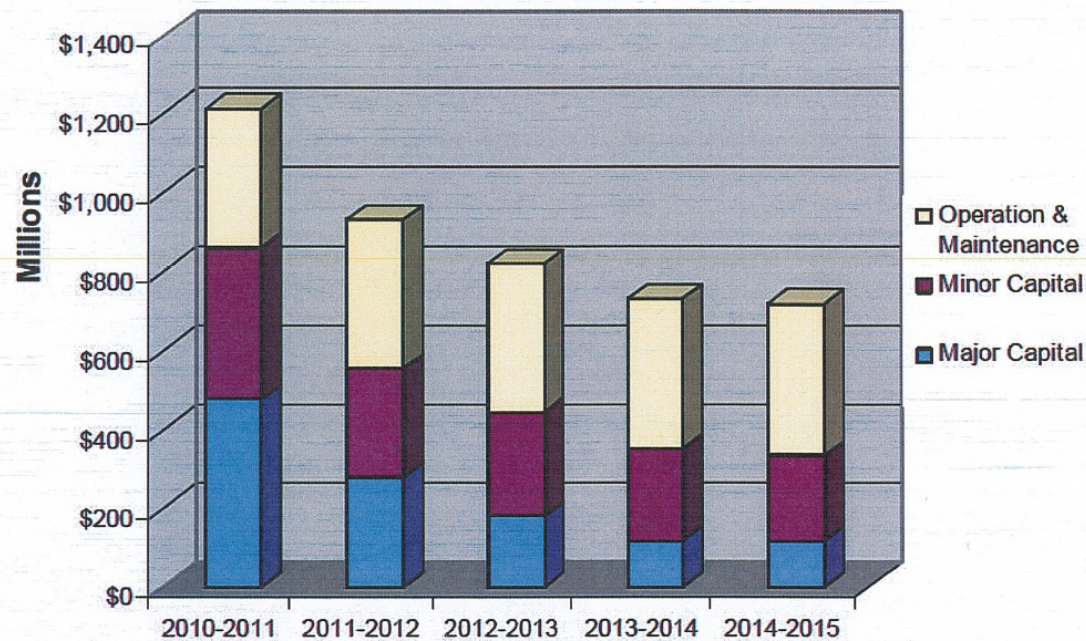
- O&M Expert's Meeting, March 2018
- Asset Management Pilots
- Nationwide Engagement
- Revised O&M Policy
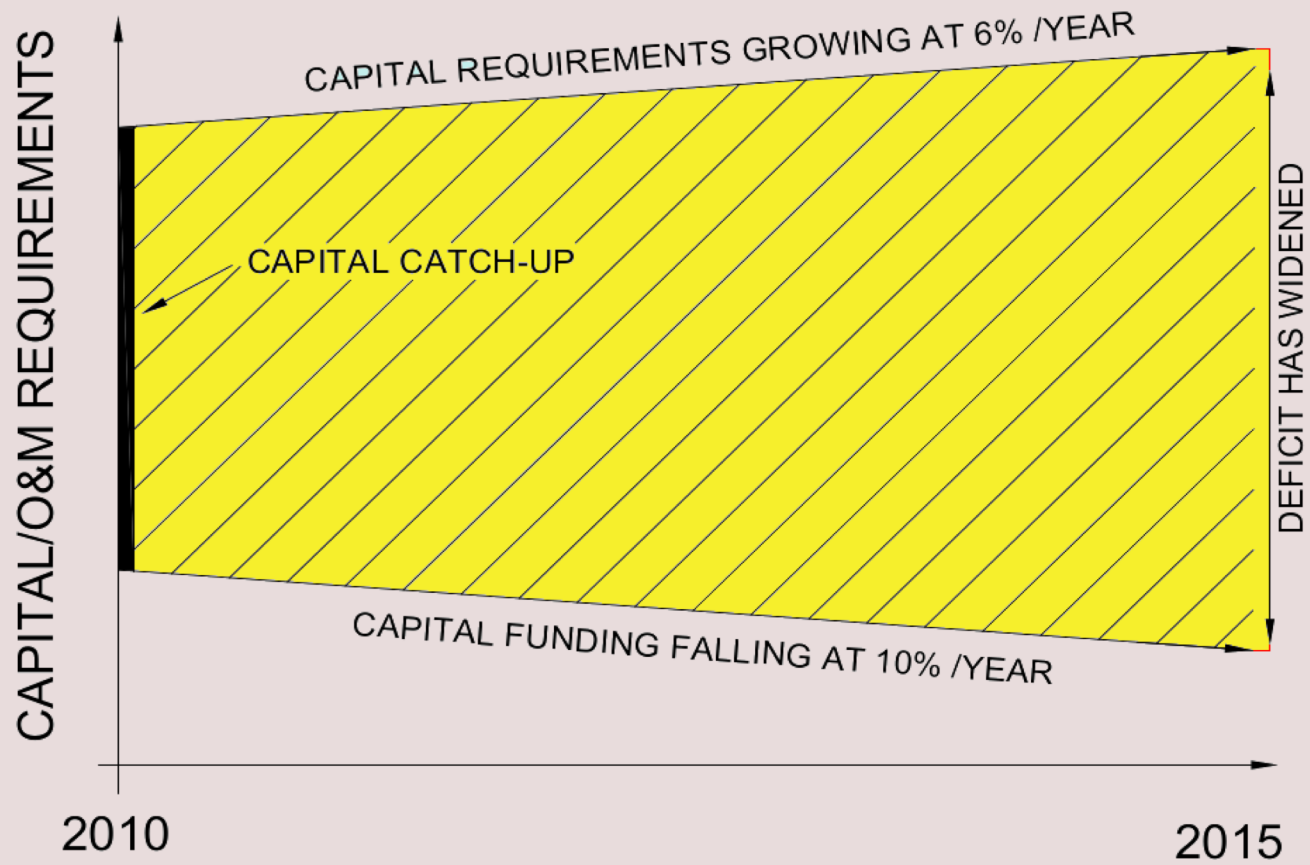- Housing and Infrastructure Forum

AFN/ISC O&M Policy Reform

Graph 1: National Breakdown by Funding Type

2010-2011 to 2014-2015 Planned Funding by Major, Minor Capital and O&M
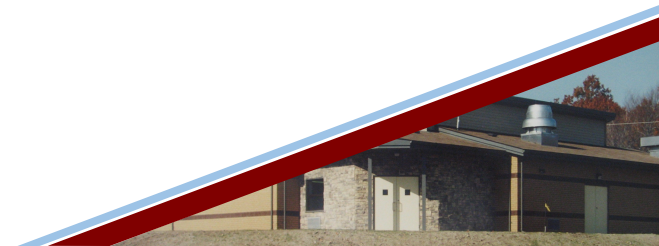(All Regions)

CAPITAL AND O&M FUNDING SUMMARY

What is Asset Management?

Asset Management is the "Coordinated activities of an organization to realize value from assets."

Important concepts are:

- Line of Sight
- Levels of Service
- AM Strategy
- Risks

- Contingency Planning
- Whole Lifecycle Costing
- Asset Management Planning
- Maintenance Concepts

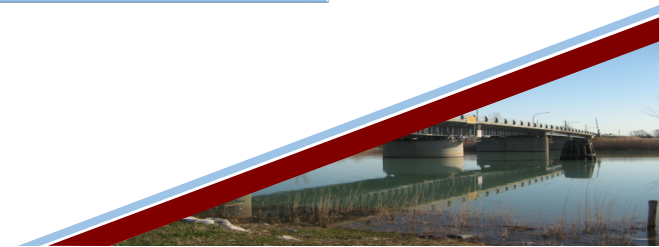# Why we need Asset Management

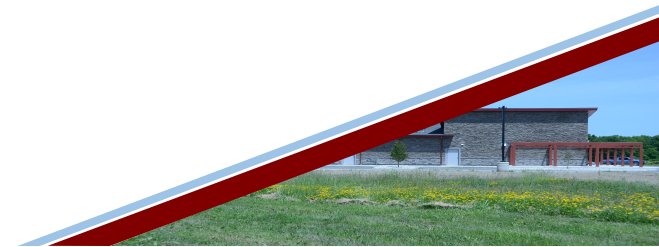Modern

Holistic

Transparent

Cost Savings
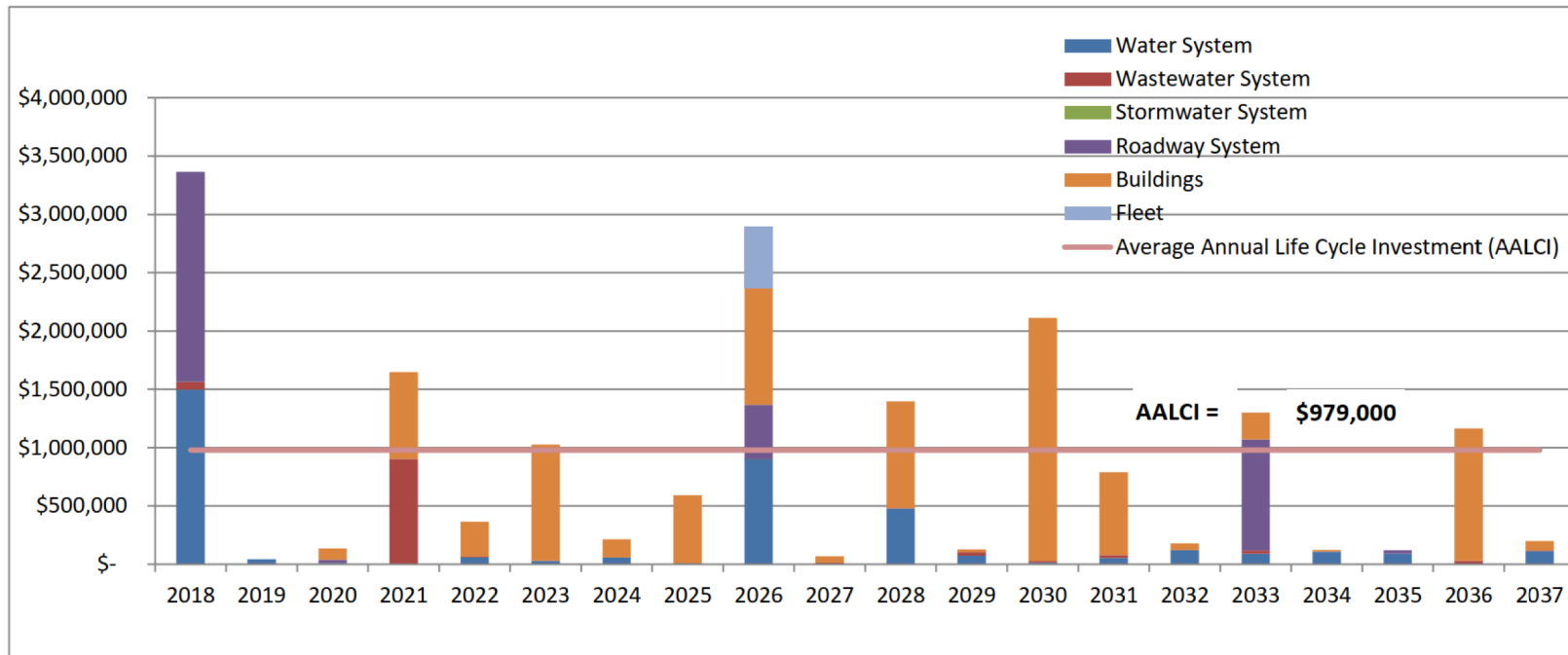
Better Asset Information
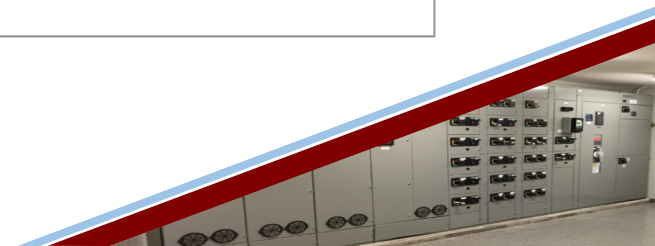
Industry Accepted

Balancing Organizational Needs

Annualizing Capital Costs

Annualized Capital Costs Example

AMP Pilot Results

AFN commissioned each region to complete two asset management planning pilots.

- Five regions (Ontario, Quebec, Alberta, B.C. and Yukon) have completed their pilots
- Saskatchewan recently begun
- Total of 12 pilot communities
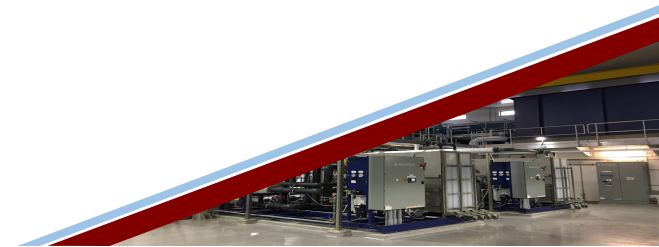
AMP Pilot Results

The AMP Pilots provided insight into the state of infrastructure within the participating First Nations.

The lessons learned were:

- First Nations typically do not account for O&M activities on an asset by asset basis
- The data indicates funding shortfalls for O&M is chronic
- All pilots indicated there is a sizable backlog of required capital renewals/replacements

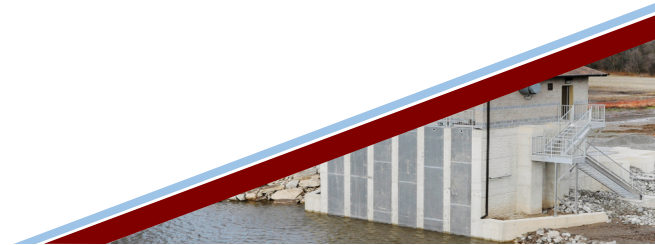# Alberta AMP Pilot Summary

- The Alberta Pilot was completed by the consultant WSP, on behalf of the First Nations Technical Services Advisory Group (TSAG)

- Louis Bull Tribe was the First Nation

- ISC funds 21% of required O&M

- Louis Bull Tribe requires an increase of almost 500% in O&M funding to achieve fully funded O&M activities

Ontario AMP Pilot Summary

The three Ontario pilots have been completed by the consultant Stantec, on behalf of the Ontario First Nations Technical Services Corporation (OFNTSC).

The three First Nations are:

1. Moose Cree First Nation

2. Kasabonika Lake First Nation

3. Curve Lake First Nation

Ontario used the Alberta Toolkit Spreadsheet as the template upon which the AMPs were based.

Ontario AMP Pilot Summary

Results of the Moose Cree First Nation Pilot

- ISC funds 28% of required O&M

- Moose Cree First Nation requires an increase of almost 400% in O&M funding to achieve fully funded O&M activities
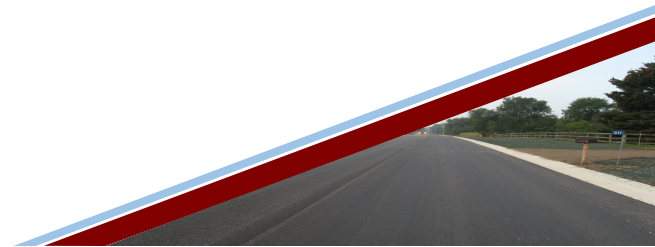
Ontario AMP Pilot Summary

Results of the Curve Lake First Nation Pilot

- ISC funds 22% of required O&M

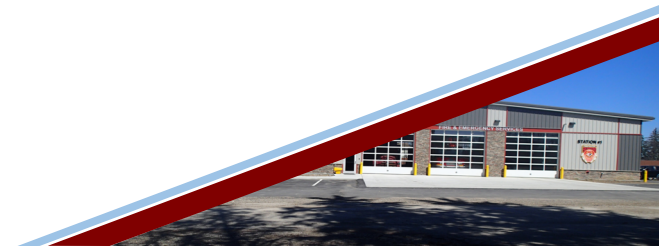- Curve Lake First Nation requires an increase of almost 500% in O&M funding to achieve fully funded O&M activities

Ontario AMP Pilot Summary

Results of the Kasabonika Lake First Nation Pilot

- ISC funds 60% of required O&M

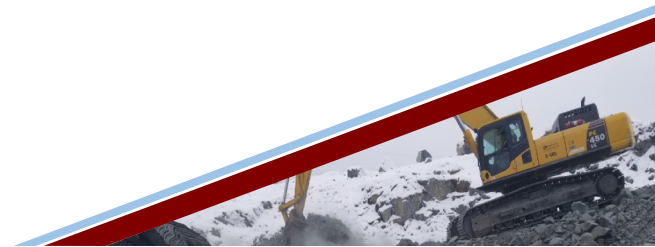- Kasabonika Lake First Nation requires an increase of almost 200% in O&M funding to achieve fully funded O&M activities

Quebec AMP Pilot Summary

- The Quebec Pilot was completed by the consultant Marie-Élaine Desbiens, on behalf of the AFN Quebec Labrador
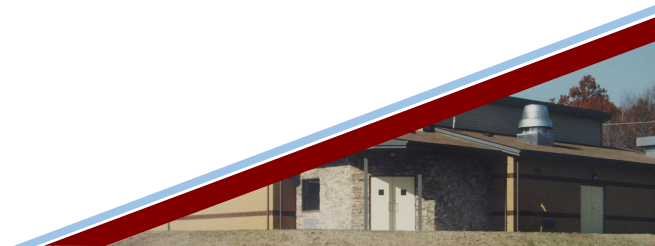
- Kebaowek First Nation was the focus of the pilot

- ISC funds 32.8% of required O&M

- Kebaowek First Nation requires a 300% increase in O&M funding to achieve fully funded O&M activities

Yukon AMP Pilot Summary

The two Yukon pilots have been completed by the consultant McIntosh Perry, on behalf of the Strategy Corporation and the AFN Yukon.

The two First Nations are:

1. Liard First Nation

2. White River First Nation
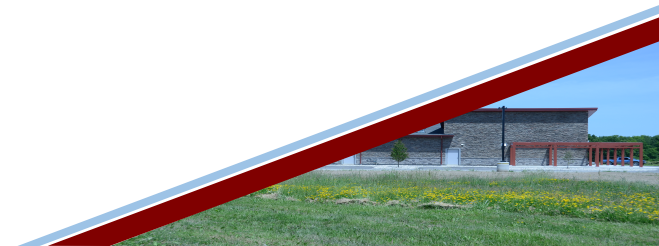
British Columbia AMP Pilot Summary

The three B.C. pilots have been completed by the consultant Urban Systems, on behalf of the First Nations Housing and Infrastructure Corporation (FNHIC).

The three First Nations are:

1. Kispiox First Nation

2. Glen Vowell First Nation

3. Gitanyow First Nation
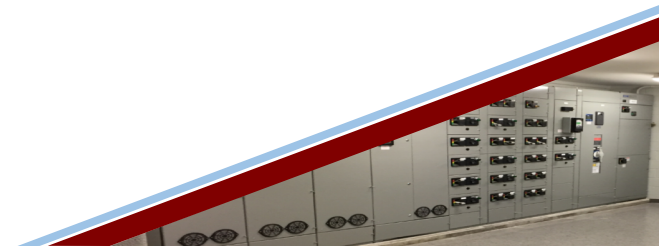
British Columbia AMP Pilot Summary

Results of the B.C. Pilots

- O&M for 4 First Nations
- The First Nations are block funded
- ISC funds 75% of the total required O&M
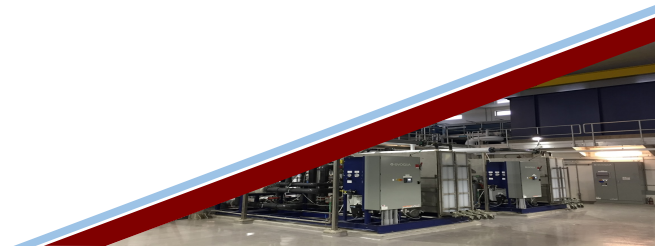
Engagement Results

There were 10 O&M engagement sessions, nationwide in 2019.

Toronto, ON
April

Whitehorse, YT
May

Thunder Bay, ON
May

Richmond, BC
May

Yellowknife, NT
May

Quebec, QC
June

Winnipeg, MB
June

Saskatoon, SK
June

Edmonton, AB
June

Moncton, NB
June
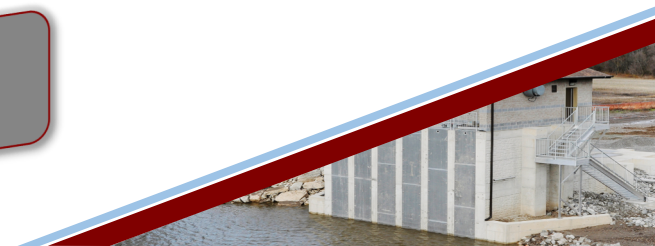
Engagement Results

- The engagement sessions were generally well attended

- There was consensus that an asset management approach to O&M is necessary and that the majority of participants fully endorse moving to asset management planning for First Nations

- The participants believe that AMPs can be implemented in their communities within five years, provided the necessary funds, training, and support are provided
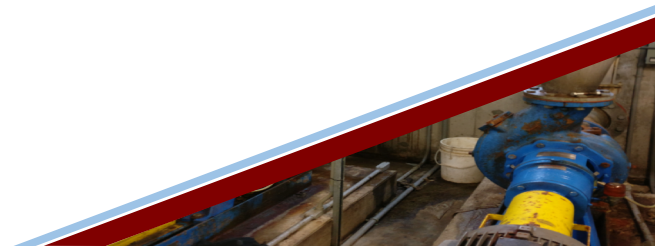
Revised Draft O&M Policy

AFN drafted an interim draft O&M policy for distribution during the nationwide engagement session.

- This was a new policy (current ISC O&M policy was disregarded)
- The new policy was based on Asset Management Industry Standards
- The new policy was reviewed by ISC and an AFN technical working group
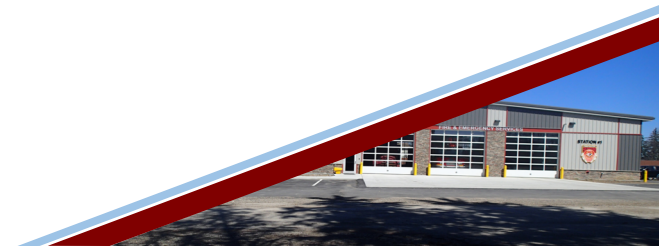
Revised Draft O&M Policy

Based on direction from the engagement sessions, the new O&M policy was revised to address:

- Identification of additional assets to be eligible for ISC O&M funding, including additional categories of electrical generation, waste disposal facilities, solid waste transfer facilities, pressure reducing valve chambers, etc

- If ISC does not provide sufficient funds for First Nations to follow accountability clauses in funding agreements ISC is to immediately provide emergency funds to resolve health and safety issues as a result of insufficient funding
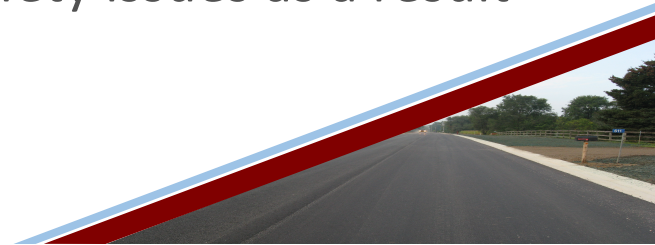
Revised Draft O&M Policy

- ISC is to request sufficient funds to cover all eligible capital and O&M expenditures

- First Nations can determine levels of service appropriate for their community

- ISC must provide funding to ensure that training requirements for Chief and Council, management staff, operators, etc. are met to implement AMP

- The new O&M policy was submitted to ISC on November 7th, 2019
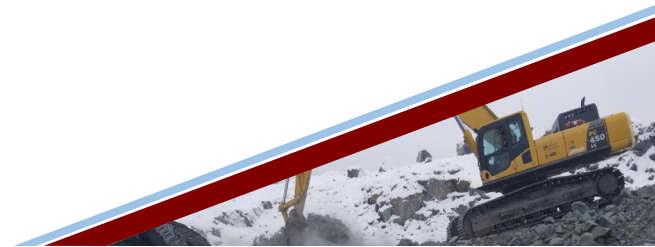
Revised Draft O&M Policy

The policy statements are:

1. ISC is to adopt Asset Management Planning for determining O&M funding requirements.
2. First Nations' Levels of Service are to meet or exceed provincial/federal Levels of Service, whichever is higher.
3. First Nations' members are to be given preference for employment in on-reserve O&M activities.
4. Requests to acquire, renew, or replace assets are to consider the long-term goals of the community, the risks, and the full lifecycle cost of ownership.
5. The AMP shall ensure compensation for First Nations staff are equivalent to comparable municipal positions.

Revised Draft O&M Policy

The policy statements are supported by five appendices that provide further clarification on the policy requirements.

The appendices are:

1. Asset Management Plan (AMP) Requirements
2. Schedule of Deployment
3. Extended Asset Condition Reporting System (E-ACRS)
4. Operations and Maintenance Funding
5. Asset Management (AM) Compliance Requirements
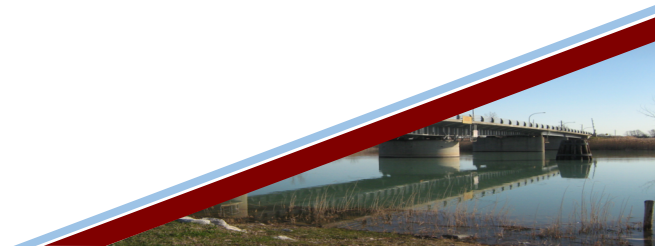
Revised Draft O&M Policy

- The AMP Requirements appendix outlines the specifics of what First Nations' are required to submit to ISC, and how ISC is to interact with the AMP.

- The Schedule of Deployment appendix describes the five year timeline for complete adoption of AMPs.
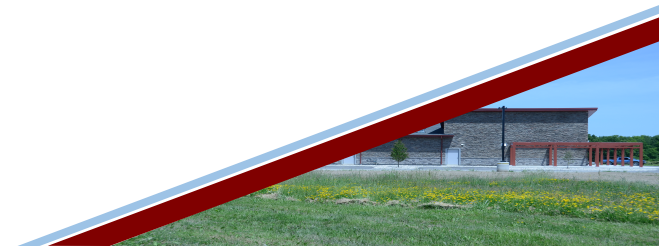
Revised Draft O&M Policy

- The Extended-ACRS appendix references the use of E-ACRS for increased accuracy in asset inspections and for the provision of a capital replacement forecast.

- The Operations and Maintenance Funding appendix details the assets eligible for ISC funding and the disbursement methodology of O&M funding.
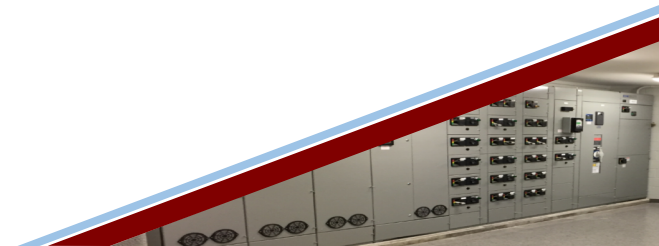
Revised Draft O&M Policy

- Asset Management Compliance Requirements detail what is required by ISC and First Nations receiving funds from ISC to maintain compliance with the new policy.

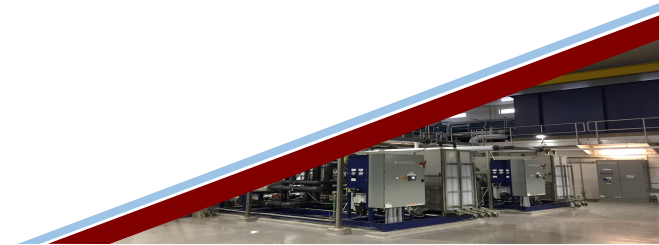- Within the compliance appendix are two sections, Maintenance Management Plans and Capacity Development.

- The Capacity Development section outlines that ISC is to ensure that First Nations and Technical Organizations are provided funding, training, and support to ensure First Nation communities are provided services at industry accepted levels.

ISC Regional Comments on O&M Policy

- Degree to which the new policy includes capital. Asset Management should be a holistic approach to infrastructure, and although the policy has elements of capital, there appears to be more of a focus on O&M.

- There is no mention of Net Funding Requirement (e.g. 80% water, 20% community buildings, etc.), if the intent is to fund at 100%, this would require a significant increase in funding, that doesn't exist at this time
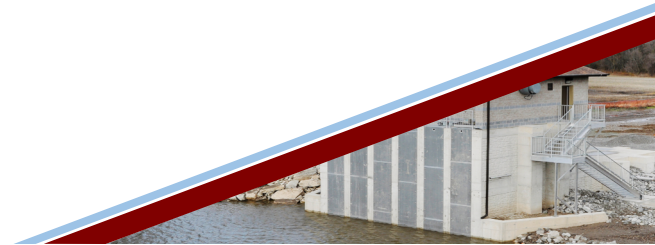
ISC Regional Comments on O&M Policy

The policy moves away from formula based funding approach to funding based on asset management plans. This creates several challenges:

- First, the department would not likely be able to afford all the plans, particularly if capital is included.

- Second, it would require a rigorous review of the asset management plans by ISC to ensure they are within industry standards, levels of service are consistent with those funded by the department, etc.

- This approach is not consistent with the idea of ISC being less involved in First Nation affairs and doesn't align with the concept of grants and reduced reporting.
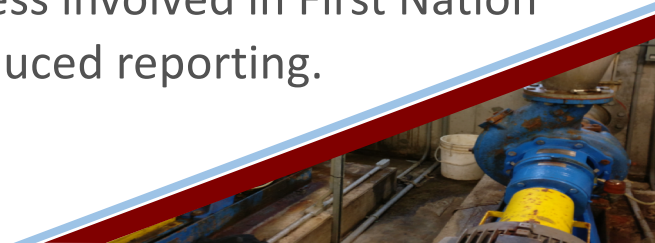
ISC Regional Comments on O&M Policy

- The policy outlines roles and responsibilities for ISC, both Nationally and Regionally, however there are few roles and responsibilities for First Nations

- We'd like to better understand compliance requirements

- Regions have raised concerns about the ability of all First Nations to implement this policy in the timeframe detailed in the policy, it would likely require greater capacity building
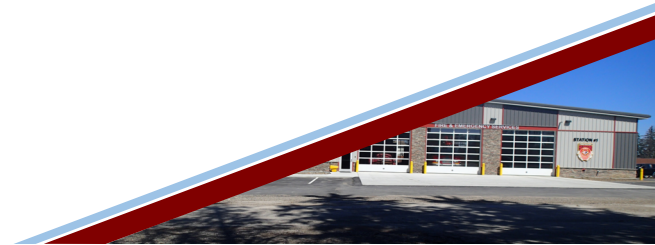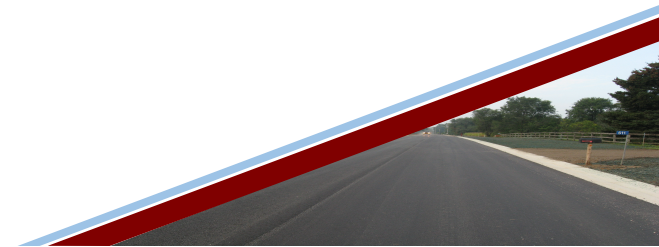
ISC Core O&M Funding Increase

ISC announced an increase to their O&M budget on Sept. 6, 2019.

Additional annual funding increase is for water and wastewater systems only:

- $82.1 Million for 2020/21
- $164.2 Million for 2021/22
- $174.4 Million for 2022/23
- $184.9 Million for 2023/24
- $184.9 Million ongoing past 2024

Technical Group Comments on O&M Policy

- If you have a proper asset management plan in place, it eliminates the need for the ACRS. It would forecast required O&M as well as a replacement reserve fund, which is a requirement of prudent asset management.

- Again, every asset will be different. A template solution will not work concerning AMPs. Do we need ISC headquarters getting involved with the development of the AMPs, especially when they lack any expertise in this area?
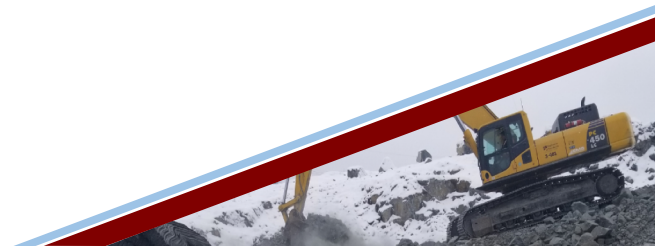
Technical Group Comments on O&M Policy

- There are a significant capacity and education component of asset management. It may be beneficial to structure this as a regional hub while building capacity at the community level, like the current operator hubs for water treatment plant operations. Then focus on education and building capacity at the community level

- Inspections need to be carried out with consistency
  - Similar level of professional status
  - Consistency of inspectors between and within First Nations

Technical Group Comments on O&M Policy

- Why are life-cycles based on only 25 years? Infrastructure can last longer than 25 years if proper investment and maintenance occurs

- There is little mention of how ISC is to assist First Nations in the transfer of care and control of water systems. Where is the responsibility to teach and educate

- A First Nation should always create an asset management list of ALL assets, no matter how they are funded
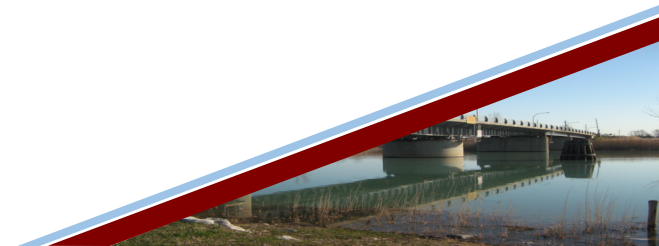
Technical Group Comments on O&M Policy

- Is the intent of the document to be a "**funding**" policy for ISC that evaluates First Nations infrastructure needs or is it a "**planning**" policy that helps First Nations manage community assets?

*The document is difficult to differentiate between ISC and FN's objectives. Is it possible that (2) documents need to be considered? a) **ISC "Asset Management Directive"** as the overarching directive that supports ISC's Asset Management Program (AMP) and ensures that First Nations asset management meets agreed to objectives and, b) **FN "Asset Management Policy"** with objectives that FN's adopt effective and efficient short-medium-long term asset management & financial management planning.*
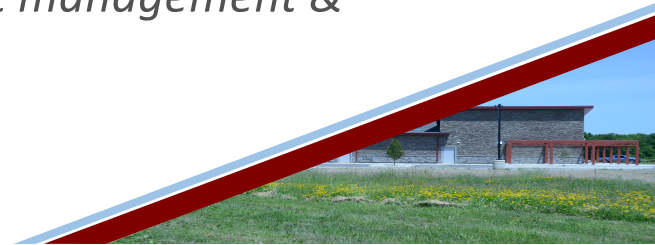
Next Steps

The next steps for the implementation of AMP as the basis for O&M policy reform are:

1. Assist ISC with their requirements to revise the current O&M policy.

2. Leverage existing databases and processes.

3. Develop a coherent training strategy to implement AMP.

4. Develop budgets to address current O&M and capital shortfalls.

5. Develop budgets to implement AMP training requirements.

6. Financial capacity development must be incorporated into training plans. Financial accounting capacity is key to the successful implementation of an AMP.

Next Steps

Examples of existing databases and processes:

- Asset Registry – ISC's Asset Condition Reporting System (ACRS) should be expanded nationwide to Extended-ACRS so that more accurately costed condition assessments are available and capital forecasts are provided

- O&M budgets – Maintenance Management Systems have already been prepared for many First Nation Assets

- Databases such as RS Means should be used to determine what real O&M budgets should be

- Financial Audits – ISC already requires financial audits. Have First Nation bookkeeping organized along individual assets