FEDERATION OF CANADIAN MUNICIPALITIES | FÉDÉRATION CANADIENNE DES MUNICIPALITÉS



Asset Management:
A planning approach whose time has come

06/11/2015

TODAY'S Presentation

- Introduction to FCM
- What is the problem that asset management is trying to solve – the national context context. Why do it?
- What solution does asset management planning offer?
- What are the opportunities and benefits for local governments and our communities?

FCM was founded in 1901 as the federal voice of municipalities

Almost 2,000 member municipalities
90% of Canada's population



78% of FCM members have pop. under 5,000

49% have pop under 1,000

The Problem:
The Infrastructure Deficit in



2012 Canadian Infrastructure Report Card: **> $120B deficit**

2013 Chamber of Commerce: could be up to **$570B deficit**

2015 Canadian Infrastructure report card:

- New evidence to support need for long-term infrastructure plan
- Cities and communities cannot keep up with evolving infrastructure demands
- Will shed light on asset management practices across Canada

PLUS, add to that the costs and risks of **climate change**



Before 1996: 3 natural disasters with damages more than $500M

Since 1996: average of 1 disaster with damages more than $500M almost every year


THE 1980s



Dr. Penny Burns, Economist, Asset Strategist

In 1984, she first coined the term **asset management** to refer to the **physical infrastructure** assets managed by local governments, including:

Roads	Bridges
Water	Wastewater
Buildings	Fleet
Recreational facilities	Equipment
Natural assets	Public safety assets

What is Asset Management?

A business process that will help decision makers ensure they are building <u>the right infrastructure</u>



<u>at the right time</u>



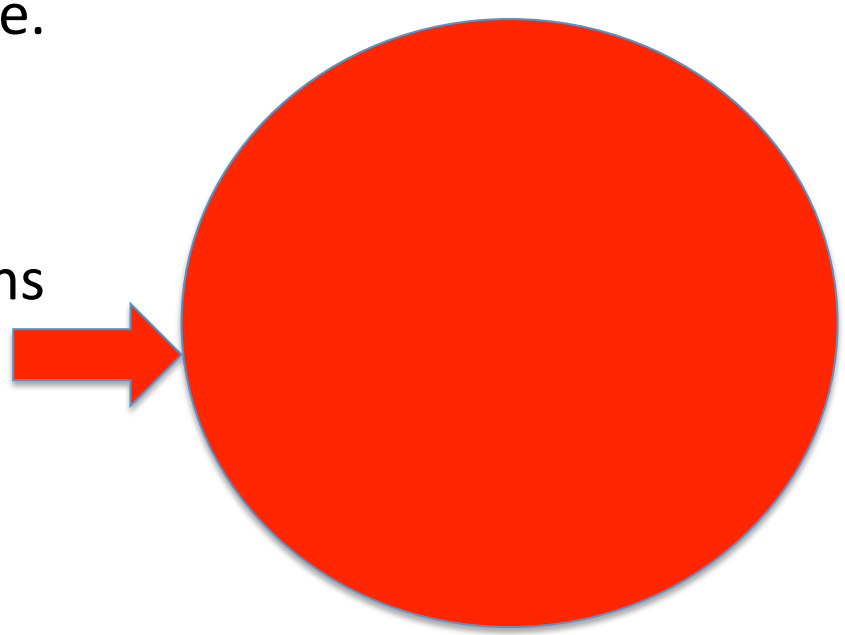
<u>for the right cost</u>



Meanwhile in Newfoundland and Labrador

December 31, 2013: ~ $4.8 billion in tangible capital assets, of which $1.9 billion, or 39%, had been amortized over the assets' useful life.

374 applications **$200 M in requests**



136 applications **$20.9M approved**

Asset management poll

A. What on earth is PSAB 3150 and what is asset management?

B. I thought the PSAB 3150 financial reporting requirements were the same thing as doing asset management planning.

C. I know there is more to asset management planning than PSAB 3150, but I'm not really sure what we need to do.

D. I know what is required to develop an asset management plan, and my community has started doing it or has one already.

E. I'm hungry, when is lunch?



Asset management is a system and a strategy

- Establishing **policy objectives**
- Setting up the right **internal governance**
- **Collecting information**
- Understanding **the cost and performance of the services you deliver**
- Developing a **risk profile** for your assets
- Building a **financial plan**

Why asset management?

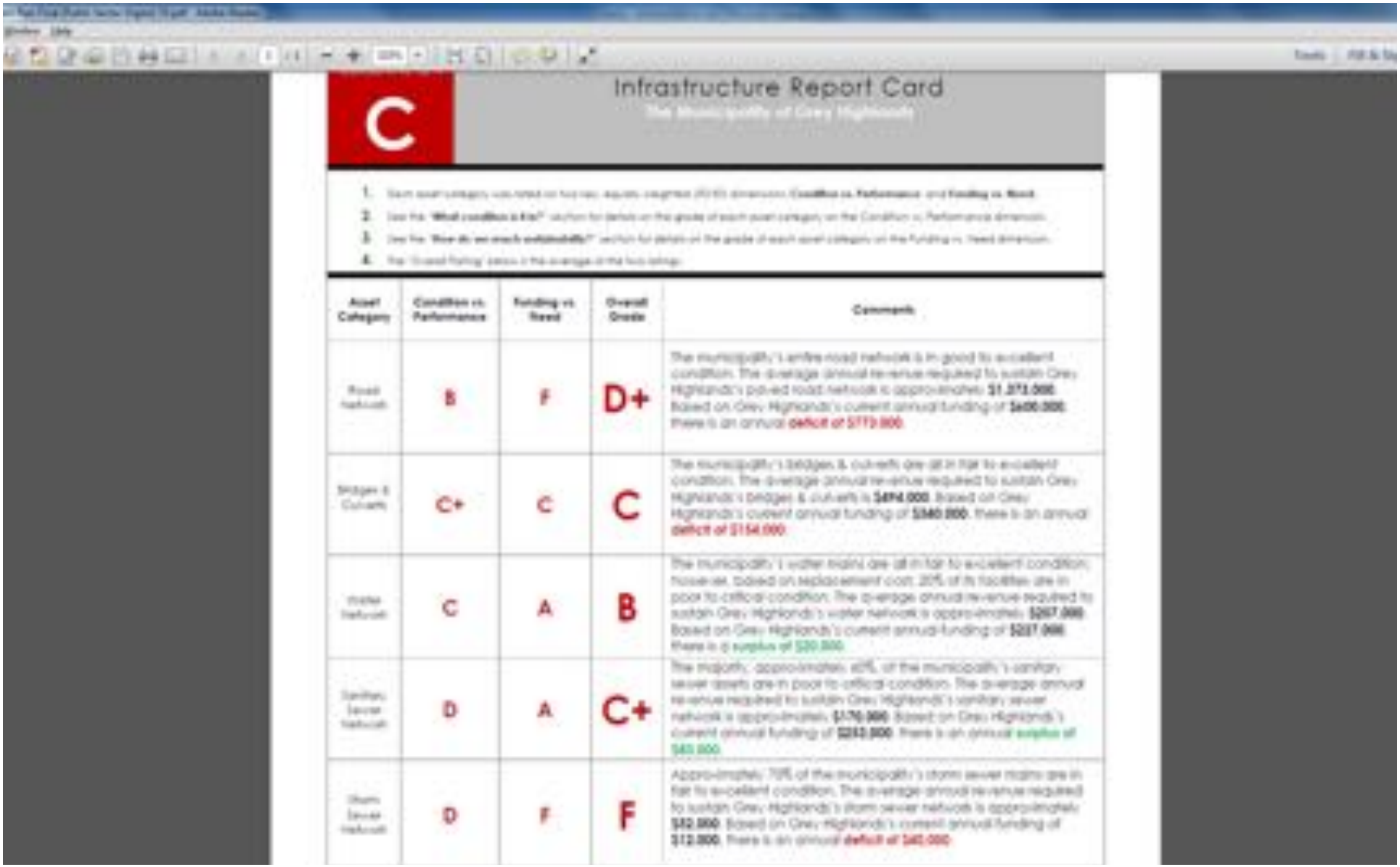


"To leave a legacy of good policy"

- *Christina Benty, former mayor of Golden, BC*

"To ensure that Golden's infrastructure is provided in a manner that respects socio-cultural, environmental and economic sustainability."

Municipality of Grey, Highlands, ON



C

Infrastructure Report Card

The Municipality of Grey Highlands

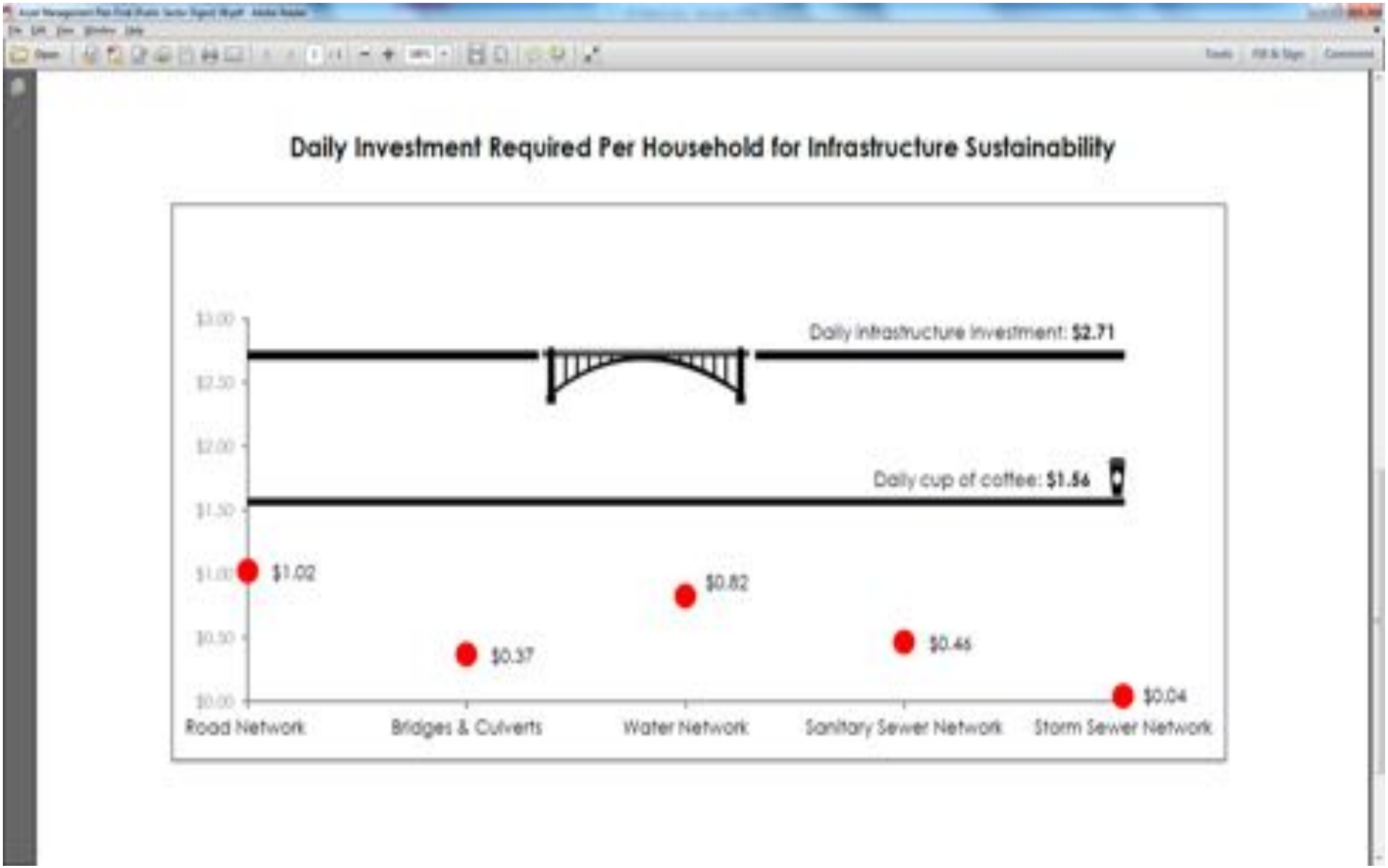
1. Each asset category was rated on two key aspects weighted 50/50 dimensions: **Condition vs. Performance** and **Funding vs. Need**.
2. See the "**What condition is it in?**" section for details on the grade of each asset category on the Condition vs. Performance dimension.
3. See the "**How do we reach sustainability?**" section for details on the grade of each asset category on the Funding vs. Need dimension.
4. The "Overall Rating" below is the average of the two ratings.

Asset Category	Condition vs. Performance	Funding vs. Need	Overall Grade	Comments
Road Network	B	F	D+	The municipality's entire road network is in good to excellent condition. The average annual revenue required to sustain Grey Highlands's paved road network is approximately **$1,373,000**. Based on Grey Highlands's current annual funding of **$600,000**, there is an annual **deficit of $773,000**.
Bridges & Culverts	C+	C	C	The municipality's bridges & culverts are all in fair to excellent condition. The average annual revenue required to sustain Grey Highlands's bridges & culverts is **$894,000**. Based on Grey Highlands's current annual funding of **$360,000**, there is an annual **deficit of $154,000**.
Water Network	C	A	B	The municipality's water mains are all in fair to excellent condition; however, based on replacement cost, 20% of its facilities are in poor to critical condition. The average annual revenue required to sustain Grey Highlands's water network is approximately **$257,000**. Based on Grey Highlands's current annual funding of **$237,000**, there is a **surplus of $20,000**.
Sanitary Sewer Network	D	A	C+	The majority, approximately 60%, of the municipality's sanitary sewer assets are in poor to critical condition. The average annual revenue required to sustain Grey Highlands's sanitary sewer network is approximately **$170,000**. Based on Grey Highlands's current annual funding of **$253,000**, there is an annual **surplus of $83,000**.
Storm Sewer Network	D	F	F	Approximately 70% of the municipality's storm sewer mains are in fair to excellent condition. The average annual revenue required to sustain Grey Highlands's storm sewer network is approximately **$52,000**. Based on Grey Highlands's current annual funding of **$12,000**, there is an annual **deficit of $40,000**.

Municipality of Grey Highlands, ON



Municipality of Grey Highlands, ON



Success Stories: Communicating to stakeholders

Edmonton, AB - Neighbourhood renewal program

$2 billion shortfall in renewal needs and required investment

Council had clear rationale & support for a 1.5% *infrastructure levy* has created predictable resources for neighbourhood renewal



Barriers and challenges in implementing asset management

- Limited in-house capacity – technical or administrative
- Data availability
- Limited access to suitable consultant and contractor services
- Information management and loss of corporate memory



- Limited fiscal capacity and in many cases declining fiscal capacity

Resources

- Training and capacity building orgs, e.g. NAMS
- **Hubs** for sharing best practices and lessons: provincial/ territorial working groups
- Canadian Network of Asset Managers
- Asset Management BC
- Municipal Finance Officers Association
- Ontario Good Roads Association
- FCM and PTAs
- And many more…there is a lot going on across the country



"The NAMS pilot was a wonderful learning experience"

-- Darren Elder, CAO of RM of Wilton, SK

"NAMS model provides a common language that allows effective future communication between administration, elected officials as well as provincial government departments"

Opportunities for municipal decision makers

- Create an asset management culture
  - **Champions** within the municipality
  - Structures and incentives
- Build skills and capacity
- Engage the community

In closing

- **Asset management is here to stay** and wide adoption is critical for Canada and our communities
- **Now** is the time to start, or continue. **It is a process, not an end in itself.**
- **Capacity Building** is needed to increase uptake of asset management as a process
- **Collaboration** between all governments is needed

Most importantly…it is the foundation for better decisions and better outcomes for our communities

https://www.youtube.com/watch?v=iR_BJKAo0dA

Questions?