



cutting through complexity

ASSET MANAGEMENT – What Now?

Vicki Leakey-September 10, 2014



- ❖ Among our clients, we are witnessing more and more municipalities (and by extension elected officials) that are facing increasing pressures from a financial perspective
- ❖ These pressures are translating into growing public concerns over affordability, accompanied by a higher degree of public scrutiny over municipal finances, budget processes and taxation levels
- ❖ This public scrutiny has a great impact on the future decisions of new council after the fall election
- ❖ It is critical to ensure strong open communication with council concerning the necessity of refining and integrating asset management plans into the day to day operations and ensuring capital work has been identified in the long term capital plan
- ❖ This presentation is intended to provide a perspective on the areas of asset management plans where further refinement may be in order to meet the provincial criteria in the next round and will require a work plan to ensure there is a process and methodology for updating the data

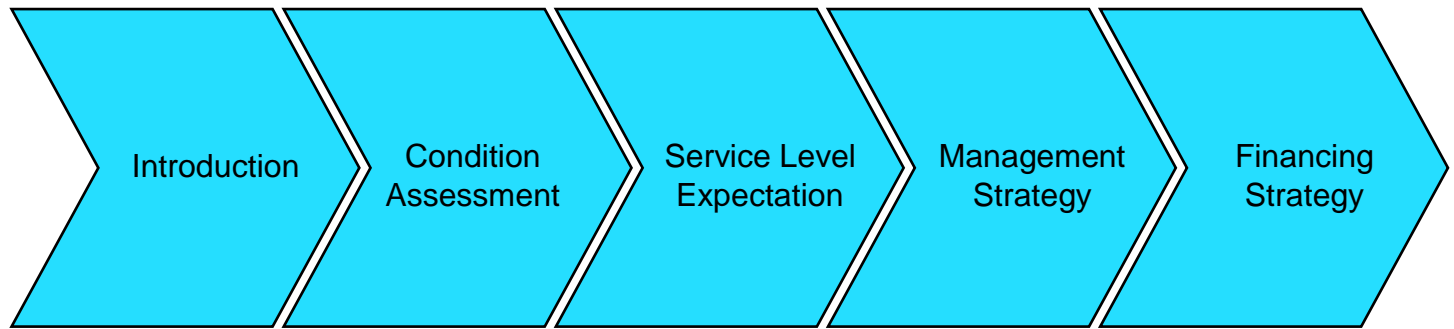
What is Asset Management?

Asset management is an integrated, lifecycle approach to effective stewardship of infrastructure assets to maximize benefits, manage risk and provide satisfactory levels of service to the public in a sustainable and environmentally responsible manner.

The overall asset management process takes an organization's objectives, determines how these rely on infrastructure, and then develops a plan to provide the supporting infrastructure services at the lowest lifecycle cost. Lifecycle costing looks at the total cost of an asset over its entire useful life, from construction to disposal, including operating costs.

Asset management is essential to the development of a common, systematic understanding of what needs are most important and how they can be addressed.

Ministry of Infrastructure



Asset Management - Condition Assessment

- ❖ RFP's for roads or bridge studies, water and wastewater rate studies - identify the need for the specific schedules that will assist in updating your data to be used in the asset management plan
- ❖ Assess any negative impact from environmental occurrences or unusual traffic loads on your asset management plan projections
- ❖ Ensure condition assessments are reviewed periodically to allow the data used in asset management to be current
- ❖ When determining priority capital projects, Council need to understand the method used that prioritizes capital projects by risk of failure, condition, age and level of service it provides

Asset Management - Service Level Expectation

- ❖ Department managers responsible for roads, bridges, water, wastewater and storm sewers should further develop a list of their key performance indicators
- ❖ Compare actual findings with these expected performance indicators and periodically report to Council
- ❖ All new growth considerations need to be included in the asset management plan update
- ❖ Council need to understand what the current service levels are and the costs involved with maintaining to the current service level, ie-roads costs may be higher if maintained at a service level over provincial standards

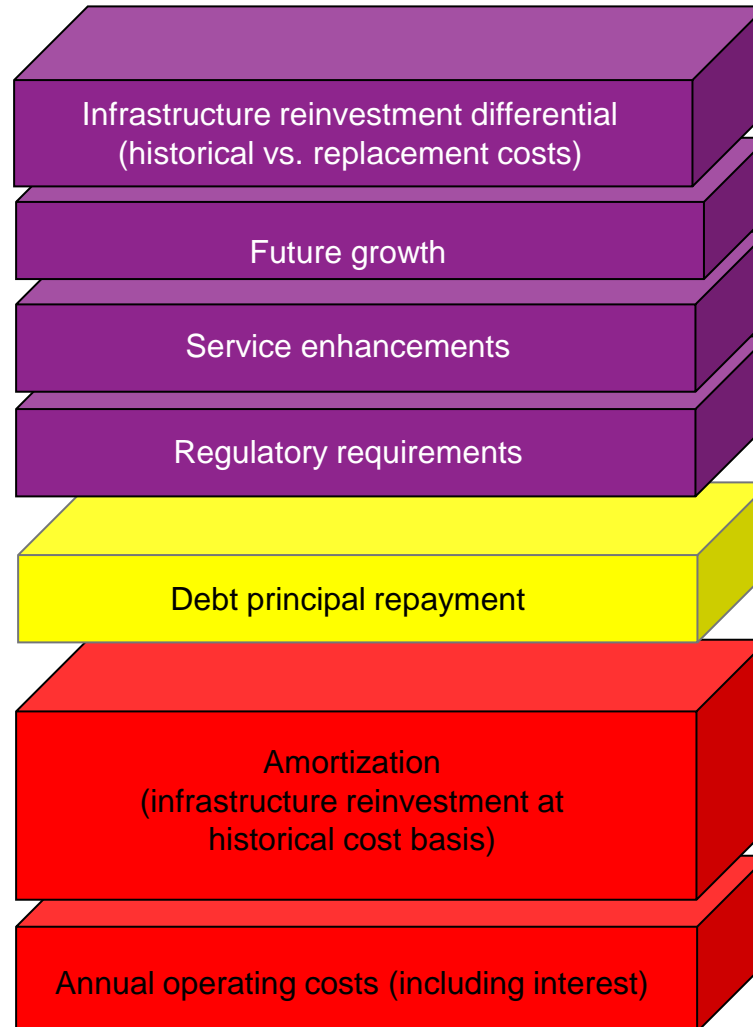
Asset Management - Management Strategy

- ❖ This is not a finance department task alone as the service level expectation and management strategy definitely require the input from public works managers for roads/bridges/water and wastewater services
- ❖ Provide a documented strategy of the lifecycle management activities to operate, maintain, renew, develop and dispose of assets
- ❖ Investigate options to extend the useful life of an asset at a reduced cost
- ❖ Find a software solution that will assist in capturing data for life cycle costing of your assets and maintaining asset management data (common software packages include Citywide, Municipal DataWorks, to name a couple)
- ❖ If resources are limited consider creating a shared arrangement with neighbouring municipalities to provide staffing resources with the specific skill level to update and maintain data in the software

- ❖ Council could consider implementing a capital levy
- ❖ To maintain sustainability, there could be consideration for a finance policy approved by council with guiding principles defining when and how to use debt, setting cash flow projections for debt retirement and include an acceptable limit on debt payments as a % of revenue
- ❖ Council could consider a reserve/reserve fund financial policy as well that will provide principles on when and how to manage reserves to help smooth taxation levels and determine acceptable targets regarding contribution levels and minimum required balances
- ❖ The data incorporated as priority projects over a 10 or 20 year time period in the AMP should mirror those cost projections in the annual operating/capital budget

Elements of an Asset Management Plan

Costing-Where are the missing gaps in your Asset Management Plan?



Asset Management Planning Summary

1. Develop a workplan among finance and public works managers on how to ensure critical weaknesses that may be identified in the first AMP submission are corrected for the next submission, likely to be requested within the next 5 years
2. Look at the data that you currently have and assess where there is further need to update/revise that data ie. are road/bridge condition updates required
3. Analyze what your policy or service level for infrastructure have been to date and compare with the provincial standards to see where standards are not being met or too high, if too high determine at what cost and if there may be a future savings
4. Look for opportunities of operating cost savings to move the same municipal dollar to assist with asset management
5. Monitor the funding shortfall identified in the AMP and work with council to see where progress is being made
6. Council needs to be informed on a regular basis as to how this process identifies what projects are targeted for completion and at what cost to the ratepayer ie. higher taxes, new user fees, new debt etc

Available Tools for your Assistance

MFOA Website: Tools and Templates

- Asset Management Honour Roll illustrating best practices
- AMP excel template to forecast asset management costs and revenues
- Asset Management Checklist and various MFOA Tip sheets
- MFOA Infrastructure Funding Report Card template
- Demystify the Municipal Infrastructure Deficit
- Revenue and cost recovery tools
- Survey results: 'Quantifying and funding the municipal infrastructure deficit'

Ministry of Economic Development, Employment & Infrastructure

- Communication Tipsheet
- Self-Assessment Checklist
- Asset Inventory Tipsheet
- Risk Management Primer
- Lifecycle Costing Primer
- Partnerships Tipsheet
- Sample reports

Questions and discussion!

**Thank you for your attendance
today.**



cutting through complexity

KPMG CONFIDENTIAL

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2014 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

All rights reserved.

The KPMG name, logo and “cutting through complexity” are registered trademarks or trademarks of KPMG International.