

Local Government Data Entry Reporting Update

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Background

- LGDE reporting was updated effective fiscal 2019
- **Asset Management for Sustainable Service Delivery** integral to supporting local government infrastructure renewal
- **LGDE structure** shifts us into the realm of asset replacement values and amortization
- 2021 LGDE Reporting “It is still **early days** in the development of replacement values for BC local governments”

LGDE Help – Replacement Values

(building awareness)

“The objective of reporting is not just an annual compliance exercise for Finance staff but one of measuring progress toward long term financial sustainability.”

LGDE Help – Replacement Values (building awareness)

- Current Reporting Elements for each major asset category
 - Replacement Values
 - RV amortization,
 - Asset Management Plans in Place – yes, no, in progress
 - Asset additions

LGDE Help – Replacement Values (building awareness)

- Future Reporting Elements for each major asset category
 - Assets (\$\$ for Renewals, Upgrade/Expand & New)
 - Expected life,
 - Average age,
 - Measures of asset condition (physical, demand/capacity & functionality)
Very Good, **Good**, **Fair**, **Poor** or **Very Poor**
 - Risk Registers in Place - yes, no or in progress

Data Quality – 2021 LGDE

- 54 out of 162 municipal governments reported Replacement Values and Amortization
- 33 dataset deemed reasonable (61%)
- 3 municipalities appear to be sustainable based on the data
- Takeaway...
 - “It is still **early days** in the development of replacement values for BC local governments”

Replacement Value Reasonability Testing

- Values appear accurate and complete in relation to historical costs
- Amortization rates as a percentage of asset values comparable to other local governments
- Amortization rates on replacement values are close to historical cost amortization rates
- Asset management plans are in place or are “in progress”.

Replacement Amortization at % of Replacement Values of Assets

<u>Asset Category</u>	Average	Median
Buildings	2.6%	2.5%
Fleet	8.0%	8.3%
Parks and Recreation	3.6%	3.8%
Water System	1.7%	1.6%
Sewer System	1.7%	1.6%
Drainage System	1.4%	1.3%
Transportation System	2.0%	2.0%
Other Engineering Systems	2.6%	2.5%
Other Tangible Capital Assets	6.1%	5.4%

Replacement Value Challenges – 2019 to 2021 LGDE

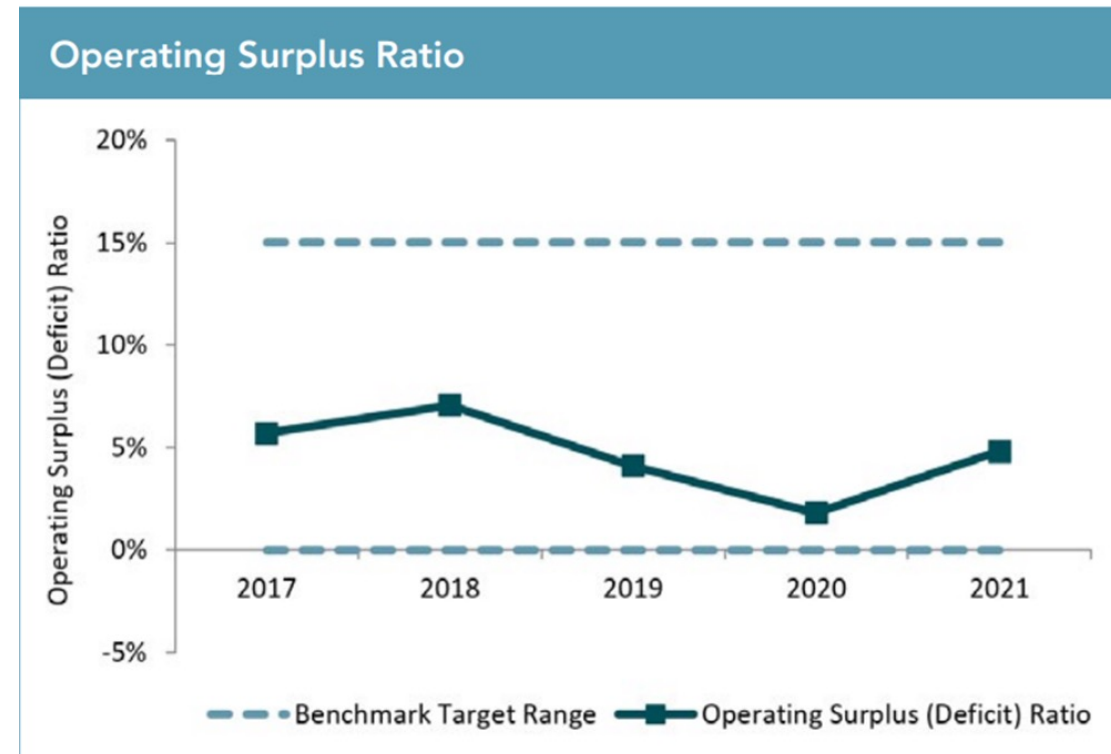
- Same or **lower** than Historical Costs
- Amortization not complete / missing
- Amortization **overstated**
- Obvious data entry **errors** (eg: amortization >50% of replacement values)

Sustainability – Operating Surplus Ratio

The **most important measure of local financial sustainability** to sustain services and infrastructure

Objective: When major recurring revenues exceed recurring operating expenses this ratio indicates if there is reasonable flexibility to fund the renewal of aging infrastructure. Target range 0% to 15%

How: LDGE reporting is designed to **isolate major recurring revenue sources** from non-recurring revenue sources and include Replacement Value amortization in the operating surplus



Sustainability – Asset Sustainability Ratio

Start date TBD

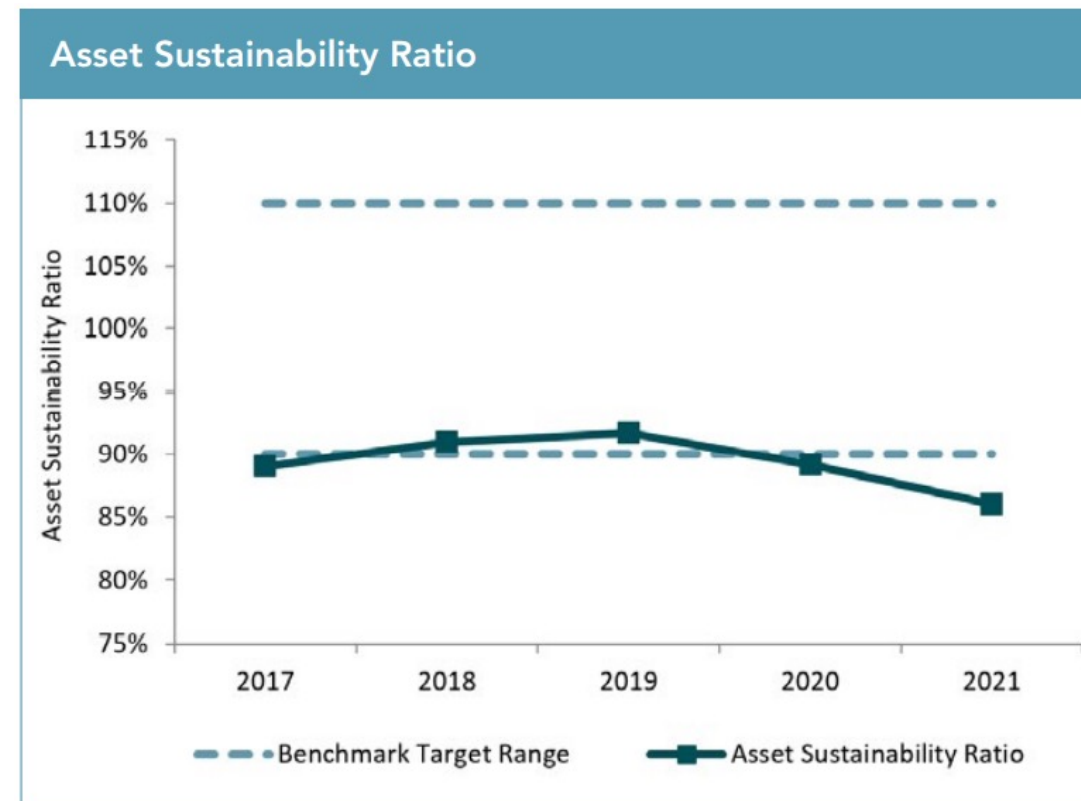
*The **second important measure** of financial sustainability*

Objective: Measures progress on renewal of assets

How: Annual capital expenditures **on renewal assets additions** as reported in audited financial statements compared to **what asset management plans evidence should be renewed**

Benchmark range: 90% to 110% of all AMPs

This ratio takes time to build and is measured & reported on a 5 year moving average



Moving Forward

- Local Governments requested to conduct **data quality** when filing replacement values/ amortization
- **Province will** conduct data quality reviewed and reach out to local governments
- Outcomes from Asset Management Plans will become a requirement of infrastructure grant funding starting in 2024.

Questions