



Asset Management Newsletter

FIFTH EDITION – SPRING 2012 ISSUE



Feature Article: The Role of the CFO in Asset Management

By Andy Wardell

One of the biggest challenges we all face is finding common ground and an ability to communicate across the professional disciplines.

Helping each other understand stewardship responsibilities for the asset base builds organizational capacity, knowledge and breaks down the silos that exist in many organizations.

So what does this mean for Chief Financial Officers? CFOs are typically the leaders and champions for change and business process improvement. CFOs are also seen as the “trusted advisor” of Councils and City Managers. The demands CFOs know too well are much more than balanced budgets within an environment of fiscal restraint and a clean audit opinion. The mandate of stewardship over financial resources requires unique leadership abilities and being able to communicate the consequences of misalignment between levels of services, asset service risk and financial risk with a focus on building financial resilience into organizations.

How do you effectively plan long term financial resilience without a robust understanding of the asset base? Where in the asset life cycle are you? What does your annual report or financial plan

communicate to the public on state of asset stewardship and what you are doing regarding asset risk, physical condition, functionality or demand? What do you communicate on the financial consequences of deferred maintenance or replacement? Linkages between the long term financial plan and the strategic plan are generally well understood but what about the long term asset management plan? Does your organization have one?

CFOs are in a unique position to not only set the expectation but to champion the organizational need for a regularly updated long term asset management plan as an essential core piece of a well-built long term financial plan.

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MMCD Asset Management Data Register Provides Standards for Infrastructure Data

By Andrew Walther

British Columbia local governments are required to recognize infrastructure assets under PSAB 3150 (Public Sector Accounting Board) rules. For most local governments, this has been challenging because existing infrastructure records are often times incomplete, out of date and detached from current accounting procedures. In response to PSAB requirements, BC local governments have stepped up their efforts to consolidate and organize their infrastructure data. They are also actively engaging in infrastructure data collection projects to fill in the gaps in order to develop a representative record of infrastructure assets.

"The problem is the lack of an industry accepted standard for the way in which we store and work with infrastructure data" says Andrew Walther of APW Engineering Inc., a Professional Engineer working with MMCD to tackle the issue. "Local governments have been developing infrastructure records using a number of varying techniques and data formats, and for this reason it will be very difficult to aggregate and report on the current state of municipal infrastructure at Provincial and even National levels. Furthermore, there are too many other benefits associated with consistent standards to simply ignore the issue.

The two major objectives of the MMCD Asset Management Data Register Project (AMDR) are to:

- i) Develop a data structure, or schema, for the way in which infrastructure data is stored; and
- ii) Provide a functional tool based, on this schema, for recording and analyzing infrastructure assets.

The latter would be of use by many of the smaller local governments in the Province that lack access to sophisticated GIS and asset management systems, and are already using spreadsheets to manage their infrastructure data. The

municipalities that have established asset registers in their GIS and financial systems have two choices. They can either directly adopt the MMCD AMDR schema or at the very least, use data translation tools to move their infrastructure data to the MMCD AMDR format. Either way, a common standard will facilitate infrastructure data aggregation and reporting. The key component is the common schema for infrastructure data. "We feel that this two-pronged approach of the AMDR Project can therefore reach out and benefit all BC local governments, regardless of their size and level of involvement with asset management practices".

Some of the other benefits of the MMCD AMDR project are that it is easy to adopt, universal attributes are friendly to financial data for PSAB 3150, it is developed based on an "open source" approach to data format and capable of relating infrastructure granularity, age, description, performance and risk. Finally the AMDR will be free of charge to MMCD members. The development phase of the AMDR is nearing completion. We are flushing out the final details on the schema and expect to have development finished by late spring or early summer. The final phase of the project, which involves community support, will begin in the fall of this year.

Your Assets? – Drainage Infrastructure Screening Tool Saves Money!

By Kim Stephens

"A typical situation faced by local governments is this: an existing storm sewer system; some problem areas; limited funding available for system upgrades; and the need to provide flood protection while being fiscally responsible," states Kim Stephens, Executive Director, Partnership for Water Sustainability in British Columbia. "Many systems operate without serious problems for many years. Furthermore, the vast majority of the time, the



system capacity is only partially utilized for conveyance.”

“Yet many engineering studies recommend plans for pipe replacement and upsizing that would cost tens of millions of dollars, money that local governments do not have; while providing no offsetting stream health benefits. Reliance on complex computer models may be having an unintended consequence. Pipe-by-pipe computer simulation of storm sewer capacities is very precise, yet may not accurately reflect reality, thereby resulting in unaffordable infrastructure plans. This is paralyzing municipal decision-making.”

“Why is this happening? Is an apt analogy that modellers are missing the forest for the trees? When implementable plans go on a shelf to gather dust, what has been accomplished? Is it time to hit the re-set button vis-à-vis the way we evaluate drainage infrastructure?”

“To shine the spotlight on solutions, the Water Balance Model Partnership has developed a web-based **Drainage Infrastructure Screening Tool**. City of Surrey and District of North Vancouver case study experience has proven out a screening methodology that saves time, effort and money. Now, local governments can focus on what is most important AND achieve more at less cost. They can quickly and inexpensively assess drainage system performance to pinpoint any problem areas. This will help them establish capital budget priorities for detailed analysis during the design process.”

“The guiding principle in looking at drainage infrastructure differently is to provide a uniform **Level-of-Service** for both drainage and flood prevention, one that is based on a uniform area discharge rate. This would provide an equal level of service or access to the drainage system for all properties within the watershed. Four questions provide a framework for screening and decision-making:

1. What is the existing level of drainage service within the community?

2. What will be the effect of climate change?
3. What will be the effect of redevelopment?
4. What will be the effect of climate change on redevelopment?”

“The Level-of-Service methodology is embedded in the Drainage Infrastructure Screening Tool. This provides the means to quickly and efficiently identify weak links in a drainage system; and then budget affordable solutions,” concludes Kim Stephens.

To learn more, visit www.waterbalance.ca

CONSULTATIONS ACROSS CANADA ARE STEPS TO BUILDING A PROSPEROUS FUTURE

INFRASTRUCTURE CANADA

Infrastructure investments are a key part of Canada’s Economic Action Plan, creating jobs, growth and long-term prosperity for Canadians. The seven-year, \$33-billion Building Canada Plan, introduced in Budget 2007, was Canada’s first-ever long-term infrastructure plan. This Plan will continue to deliver results for communities until 2014 and beyond.

Infrastructure Canada kicked off a series of roundtables with provinces, territories and stakeholders across the country with the goal of developing a new long-term



infrastructure plan that will sustain and improve Canada’s infrastructure network.

The new plan will build on past accomplishments. It will provide new opportunities for all levels of government to work together to improve public infrastructure in Canada. It will also identify

opportunities that encourage greater private sector involvement and public-private partnerships to generate better value for taxpayers, and ensure affordability and sustainability over the long term.

The new plan will focus on investments in Canada's infrastructure to ensure the future prosperity and economic well-being of Canadians.



(From Infrastructure Canada website:
www.infrastructure.gc.ca)

NAMS Training – What, Where and When

What is NAMS?

The NAMS (National Asset Management Strategy) of Australia training and templates provide a solid background for municipal staff to work with their asset management data and produce and update annual plans as they see fit. It is cost effective, engages municipal staffs and provides the learning experience we all need irrespective of where you are today in the process. Designed for large and small communities, the results achieved to date by the 29 communities in BC and Saskatchewan that have engage in the training is highly positive. It is essential to involve your personnel engaged in finance, technical and operations in order to get best value and a full understanding of the integration of the skills.

Refer to the Institute of Public Works Engineering

Australia home page, under “communities of practice”.

www.ipwea.org.au/assetmanagement/home/

Why is AM BC involved?

Asset Management BC's primary objective is knowledge transfer and the 'learning experience'. In searching for the best educational process to integrate the technical and financial aspects of asset management and providing training to municipal staff with tools on their desk, we focussed on the success of NAMS. Through the initial pilot project and subsequent training workshops, the response and value added to our communities is substantial. Asset Management BC, in working with IPWEA, facilitates the workshops in BC.

What has been done to date?

Our largest community in BC that undertook training is the City of Burnaby. Our smallest was the Town of Golden and the Village of Nakusp. Ten communities in BC and 19 communities in Saskatchewan have attended training sessions. Further training sessions are planned this year. Four more BC communities have now expressed interest in initial training or sending additional staff. The value of the training is recognized when communities immediately ask “when is the next session as we want to send more people”.

Quote from City of Nanaimo

The training was practical, hands on and well thought through. The trainers were engaging and we felt a connection. As asset managers, we all have common stories and it felt as though they were telling our stories through their experiences.

Quote from Town of Golden

While continuing to comply with PSAB 3150, NAMS has provided our small community with many additional asset management tools. It has helped us to, for example, develop actual replacement costs, adjust life cycles based upon local circumstances and add risk considerations and projected operational costs into the mix.

Most importantly, NAMS helps us to differentiate between renewal costs necessary to maintain an asset's existing service levels versus costs of discretionary improvements or additions not necessary to maintain existing service levels.

Quote from the City of Burnaby

NAMS training helped make asset management real and understandable. In-class exercises were logical, attainable, and applicable. Burnaby is considering sending more people to a potential future NAMS workshop. The material was the best part. We will use most of it. It was simple and immediate. We loved the word document. The software was easy to use and the outputs were exactly what we needed.

Quote from Central Saanich

The two instructors were great instructors for keeping it interesting for 3 days of asset management. Training was very helpful and the policy templates will be particularly useful. Our data was not that bad after all but there is room for some updating.

What does it cost?

The cost is the registration fee, which varies by size of community from \$2500 to \$6000 per community. You may send any number of people. Our communities' to date have sent between 2 and 9 staff. Your additional cost is the cost of the workshop for three days. AM BC arranges the workshop location and logistics at a minimum cost to you on a break even basis.

Your Opportunity?

A training session in BC is being arranged for November 2012. At this point we have two communities in the Okanagan and two communities on the lower mainland. To make the training program cost effective for you, a minimum of 4 communities is ideal. We have been asked to have a workshop on Vancouver Island but need four communities to participate.

Who do I call?

Contact Asset Management BC, by email to

info@assetmanagementbc.ca or call Wally Wells at 250-741-9887

What's in a word?

A Message from Wally Wells

Tell the average citizen you work with 'infrastructure and asset management' and they have no idea what you are talking about yet they pay for it. Do we talk to people in words they understand? That was part of the discussion at a recent workshop I attended at the Canadian Network for Asset Managers (CNAM) conference in Montreal. It made me think hard about how we tell people there is an infrastructure problem, growing daily, in our communities. Are we really putting in in terms that the end user and taxpayer understand?

The first part of the workshop focused on why our local governments even exist. The simple all-encompassing statement that evolved was local government exists "**to provide the best quality of life for the residents as is reasonable**". What a good basis for a mission statement! This statement focuses on our residents instead of the municipal corporation and encompasses everything we do allowing financial constraints to be reflected in the word '**reasonable**.'

The next discussion focussed on how we communicate the message of our failing infrastructure. Traditionally we talk about old infrastructure, broken water mains, deteriorating roads, aging buildings etc. The outcome of the workshop again moved us to consider creating the message focussed on our residents' needs and desires instead of physical assets.

So the story would go something like this:

We live in our community where we can work, play and use all the resources of the trails, parks, rinks pools, community centre, theatre, museums and more. These are the things we like to do. Our community, through your tax dollars provides us the means to do these things including a

transportation system (transit and road,) and clean water and environmental management. We must recognize that without the buildings, roads, etc. along with the staff to run the programs we would not be to do all these things.

We need to know that my City has invested say \$500 million in these assets to support my life style. To maintain and replace these assets, my city should be spending at least 2% of that value per year or \$10.0 million if we want these assets renewed on average every 50 years. So if we don't invest in our "infrastructure", we will not be able to maintain our lifestyle. Am I prepared to pay more for all of this? If not, then I must understand I will be making do with less over time.

If we look at what our community is spending to meet this need, in almost every case we are annually investing far less in our assets. So the life style we introduced to our residents cannot be maintained unless we increase maintenance and renewal. After all our complex work on 'asset management' we need to learn to communicate it to our citizens in a manner they understand. Our choice of words is **EVERYTHING!**

A Big Thank You...

Asset Management BC (AM BC) is a 'community of practice' for those participating in or having an interest in asset management. There is no membership, just a network of people and organizations with a common interest. To focus the activities of **AM BC**, a working group composed of local governments, the Province, First Nations and professional associations meets periodically. As **AM BC** is now in its third year, there are changes occurring periodically within the group.

Stan Westby, CAO of Powell River, original chair of **AM BC** announced in November, that he was stepping down to focus on municipal work. Stan has provided strong leadership in the initial years of **AM BC**. We all thank him for his dedicated work and helping us share information across our communities and outside BC. Stan recently

announced his new position as the CAO, of the City of Whitehorse, Yukon. We are sure Stan will carry the asset management message to Whitehorse and the Yukon. Congratulations Stan on your new appointment.

AM BC had two Vice Chairs, **Andy Wardell** of the District of North Vancouver and **Gord Brown** of the District of West Kelowna. **Gord Brown** announced his retirement from the municipally and the public works community effective the end of February and has returned to his roots in Campbell River.

At the April meeting of **AM BC** Working Group, **David Allen**, CAO, Town of Golden and **Andy Wardell**, Manager of Finance, District of North Vancouver were elected co-chairs. We welcome the knowledge and strength of both in driving the future of **AM BC** as a network. Both the Town of Golden and the District of North Vancouver are leaders in municipal asset management, they bring significant local experience to guide the network.

AM BC welcomed a new representative for PWABC, **Sid Smith**, who previously represented the District of Lake Country, and is now working in his new role as a consultant with Associated Engineering in Kelowna. **Jenni Chancey**, Infrastructure Engineer with the District of Squamish, was also welcomed to her first meeting. **David Main** of AECOM representing the Infrastructure Committee of BC Water and Waste Association has advised that **John Wening**, Urban Systems Ltd. has assumed the committee chair and will be the representative to **AM BC**. Thank you David for your energy and insight over the past few years.

Barry Davis has stepped down as a Director of CNAM for BC replaced by **Frank Blues** of the City of Prince George. Barry will stay on the Working Group representing the City of Burnaby. Frank Blues, already on the Working Group expands his role to include representing CNAM.

Asset Management: Tips and Tactics

By Bernadette O'Connor

At first glance many Municipal Officers would say that TCA financial reporting and asset management have completely different focus and therefore it is appropriate that they operate independently within the organization.

This is true for the first part in that financial reporting records how much was spent and what it was spent on. Asset management by contrast is primarily concerned with affecting a better future.



Recording what happened



Looking to the future

However it usually does not take long before Officers involved in asset management realize that financial reporting and asset management are integrally linked.

Both historical costs and the information obtained from asset management are needed to support credible long term financial planning. And without long term financial planning, improvements in asset management will not be realized, debt levels may increase and service levels may not be sustainable.

TCA reporting provides building blocks for asset management and asset management provides further building blocks for long term financial planning.



All these processes contribute to finding a sustainable balance of services provided, quality of service and cost to operate, maintain, renew and develop both now and into the future.

One of the most important steps the organization must take to establish a robust link between financial reporting and asset management is to establish 'one source of truth' in regard to information. Asset data is 'corporate knowledge' and details should be held in one central dataset, appropriately managed and controlled to ensure every department has access to the information relevant to their needs.

Remember also that many of the principals of asset management apply to non-asset-based services as well. For example:

- Level of service / cost of service balancing
- Data Management
- Defined process for decision-making
- Transparency and justification for budgets
- Performance monitoring
- Sustainability monitoring
- Long term financial planning

Organizations should therefore aim to institute standard asset management practices across all departments to provide a consistent platform for robust long term financial planning.

Upcoming Events

September 12 - 14, 2012, West Kelowna

Local Government Management Association

Thompson Okanagan Chapter meeting

Refer to: www.lgma.ca

September 17 - 20, 2012, Penticton

Public Works Association of BC

80th Annual Conference and Trade Show.

Refer to: www.pwabc.cpwa.net

September 19 - 21, 2012, Sooke

Local Government Management Association

Vancouver Island Chapter meeting

Refer to: www.lgma.ca

September 24 - 28, 2012 Victoria

Union of British Columbia Municipalities

Annual Conference and Trade show

Refer to: www.ubcm.ca



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Asset Management: Questions and Answers

Responses provided by Editorial Panel

Note to Readers: You are invited to email questions or comments to Asset Management BC or to the editor – see final page - and you can note in your email whether you wish your comment or question to be published.

Raising questions and making comment are strongly encouraged as this newsletter is provided for the greater good of all types of Local Governments and Agencies managing infrastructure and for the advancement of Asset Management within the Province.

It is usual that the answer to one person's question will be of use to many. Therefore publication of these will not only be helpful but can also generate productive discussion on a topic and sharing of different perspectives that may otherwise have not been identified.

Coming in Future Editions:

- Asset Management BC Strategic Plan
- First Nation approach to Asset Management
- More Tips and Tactics
- Case Studies

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