



ASSET MANAGEMENT BC POSITION STATEMENT: Long-Term Financial Planning

LONG-TERM FINANCIAL PLANNING POSITION STATEMENT

Long-Term Financial Planning (LTFP) is an essential governance practice that guides effective decision-making, supports sustainable service delivery, and facilitates intergenerational equity.

Background

Communities manage billions of dollars in public assets that provide essential services. Yet many face significant challenges in maintaining those assets without a clear long-term financial plan. LTFP links asset management with financial decision-making by predicting full lifecycle costs of infrastructure — including operations, maintenance, renewals, and replacements — and aligns them with available funding and risk.

Asset Management Plan (AMPs)¹ are foundational to LTFP by providing crucial insights into the lifecycle costs of an organization's assets, helping to align financial resources with asset management needs. This alignment ensures sustainable service delivery by identifying gaps between long-term costs and available funding, allowing for proactive adjustments in service levels or revenue generation strategies. Many communities focus on short-term budgets, which fail to account for the lifecycle costs of long-lived assets like roads, water systems, and public buildings. LTFP empowers Boards and Councils to make decisions that are in the long-term best interests of the community and they can more clearly understand requirements and options to achieve and maintain a state of sustainable funding, forecast costs, and distribute infrastructure expense fairly across generations.

Carrying out the duty of stewardship of public assets should include conducting the financial planning to support adequate capital maintenance and replacement. LTFP provides decision-makers with comprehensive financial insights, allowing them to plan and prioritize infrastructure projects based on long-term needs and available resources. With more accurate forecasts and data-driven analysis, communities can allocate funds more effectively, ensuring critical infrastructure projects are addressed before they become urgent. Elected decision-makers serve a limited term and having a reliable LTFP ensures continuity and that all members, existing and new, are aware of the financial condition and direction of the organization.

This paper articulates a set of principles describing Long-Term Financial Planning (LTFP) as a concept that focuses on desired outcomes rather than prescribing specific methodologies, which allows organizations to develop and implement an approach that they can adapt to their unique local conditions.

¹*Asset Management for Sustainable Service Delivery – A BC Framework*, Asset Management BC, 2019, pp. 38-39
<https://www.assetmanagementbc.ca/wp-content/uploads/Asset-Management-for-Sustainable-Service-Delivery-A-BC-Framework-.pdf>



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Principles for Long-Term Financial Planning

A well structured and complete set of Asset Management Plans (AMPs) integrates AMPs for all core services and include the necessary asset information for developing a Long-Term Financial Plan.

Collect complete data on inventory, condition, and replacement values

Asset Registry

An Asset Registry, also referred to as an Asset Inventory, is the record of information about your infrastructure assets. It should be an itemized list of all the assets and it must have some basic facts about each of those assets (attribute data). As a very minimum these basic facts should include:

- What type of asset is it?
- Where is it located?
- What size or model is it?
- What is it made of?
- How old is it?

Asset Condition

The condition of an asset component is a measure of its physical state compared to a new component. Tracking the change in condition of an asset over time will:

- Provide an indicator for rate of deterioration
- Identify what type of remedial treatment is appropriate
- Help determine the best timing for a remedial treatment
- Support more accurate estimates for remaining useful life
- Indicate the most likely year that the asset will fail.

This information can be used to better predict optimal intervention treatments and future budget requirements to get the best service life out of your assets.

Where no measurements or condition indicators exist, often, the approximate age and type of material of the asset can be used as an estimate of probable condition.

Condition assessments help reinforce findings related to asset consumption.

Asset Consumption

Many assets have physical lives that exceed several decades. This often leads to local governments not adequately preparing funding for long term replacement costs. Asset consumption demonstrates how close an asset is to its replacement date and is calculated by dividing an asset's age by its useful life.



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Replacement Value

Infrastructure replacement costing information will be required to prepare reasonable spending forecasts and annual funding targets. A complete asset inventory should include current replacement values and quantities of assets by asset class.

Establish levels of service

Balancing costs and funding strategies is an iterative and ongoing process that begins with ensuring that the levels of service provided can be financially sustained. A LTFP can demonstrate the sustainability of maintaining existing levels of service. A plan should include life cycle costs of the services that the organization delivers, or intends to deliver, and should include the assets involved in delivering the service, labour to deliver the service, and any other cost related to beginning, maintaining, or decommissioning the assets and the service. LTFP helps avoid service disruptions caused by unplanned infrastructure failures, leading to higher reliability, improved levels of service, and higher public satisfaction.

At a minimum, communities should meet statutory, regulatory, and contractual requirements in their Levels of Service.

Understand risk, including risks induced by climate change

By identifying and assessing risks associated with assets and incorporating risk assessment into financial planning, AMPs advise the LTFP on developing mitigation strategies and building flexibility to respond to sudden changes like economic downturns or emergencies, reducing potential financial, operational, and reputational impacts.

Long-Term Financial Planning and Asset Management practices help communities prepare for and mitigate the impacts of climate change on infrastructure. By planning for infrastructure that is resilient to climate impacts, communities can reduce long-term risks and costs. This foresight enables communities to direct investments toward infrastructure solutions that adapt to changing environmental conditions, protecting both assets and communities from future climate-related disruptions and liability.

Key Strategies

Adopt a Long-Term View

A well structured and complete set of Asset Management Plans forecasts lifecycle spending by asset over a maximum useful life.

Forecast to reflect the lifespan of major assets and at least one renewal cycle

Consistent with international best practices, the AMBC Framework recommends a long-term financial plan be at least 10 years in length. However, AMBC recommends raising the standard for best practices wherein a longer view be implemented when analyzing the financial impacts of asset management. A LTFP should estimate full infrastructure lifecycle costs of the organization for 20 – 100 years, or a time frame that



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includes at least one renewal of all the infrastructure assets, and also includes Operations and Maintenance (O&M) and ongoing renewals costs, and compares lifecycle funding using current funding levels. The technological advancements, climate change considerations, economical conditions, and future population growth trends could also influence the planning horizon.

Establish Sustainable Annual Funding

Spread costs fairly across generations by funding assets as they are consumed, incorporating intergenerational equity.

Establish sustainable annual funding

Sustainable annual funding is the choice to fund infrastructure replacement over the lifetime of assets. In practice, this approach imposes infrastructure costs to ratepayers as infrastructure is used, spreading out the cost of infrastructure across its full age, rather than compressing costs at the end of an asset's useful life. It also reduces the adverse impact of needing to fund large expenditures in the event of an unexpected failure as the asset nears end-of-life.

Determine funding levels

Establishing sustainable annual funding would require meeting the following objectives:

1. An accurate inventory that includes regularly updated replacement values² and quantities of assets by asset class.
2. Funding infrastructure at a sustainable target where funding meets or exceeds the Average Annual Asset Consumption (AAAC)³, identified as the Estimated Annual Replacement Value Amortization in the LGDE reporting.
3. Optionally, and for higher value asset classes, the Consumption Percentage and Consumption Value by asset class could be reported. It is an estimate, on average, of how far the asset is through its useful life.
4. Ongoing infrastructure replacement funding sources, or capital maintenance funding sources, should meet the following conditions:
 - Funding sources must be ongoing, not one-time funding typical of some grants
 - Funding sources must be dedicated to existing capital, not new capital
 - For funding sources that can be both replacement or new (such as BCSF-CS) the local government can estimate how much is allocated to replacement

² Updated replacement values often rely on inflation indices like CPI or procurement contracts, or preferably, a Municipal Price Index (MPI). Every five years a more comprehensive review of values should be undertaken for major asset categories.

³ See Appendix B - Definitions



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5. To evaluate whether sustainable annual funding levels are being met, a comparison should be made of ongoing funding (#4) vs AAAC (#2)
6. As a guideline for lifecycle spending forecasts by asset, lifecycle spending is simply forecasted spending over the maximum useful life. 50 or 100 years are useful time periods.

Identify Funding Sources

Review/assess an effective revenue balance across taxation, fees, reserves, debt, and grants.

Review taxation levels and fees

Through LTFP, communities can stabilize sources of revenue (such as tax rates, utility fees, user fees, and investment returns, etc.), by ensuring that the necessary funds are collected gradually over time. This avoids sudden rate increases, reduces the need for debt, and provides a more predictable financial environment. The plan ensures that financial commitments are matched with available resources, promoting fiscal health in both the short and long term.

Establish reserves and maximize investment returns

LTFP allows communities to build up reserves for future infrastructure projects. These reserves can be invested over time, with the goal of earning returns that help offset inflation and keep the value of the funds in line with rising costs. A predictable funding approach helps mitigate what can be reactive tax or user fee funding increases by allowing reserves to accumulate and attract investment returns. Intergenerational funding equity can also be supported if reserve contributions are made as assets are consumed. The aim is to ensure that the dollar set aside today will still have equivalent value (or more) when it is used for projects in the future, preserving the intended purchasing power for infrastructure work.

Use debt wisely

Debt can be either a useful tool for a local government, or a burden and significant risk. In general terms, the correct amount of debt is subjective and context specific. Use of debt is best when it is strategic and augments progress toward steady state replacement of existing assets.

By proactively saving and planning for future infrastructure needs, communities can reduce their reliance on debt financing, which typically incur interest costs. Over time, interest can add to a significant portion of overall costs. Proactive saving and planning help reduce the total cost of infrastructure projects over their lifespan and avoids putting an unequitable financial burden on future generations. There is considerable legislation regulating borrowing for local governments and maximum debt amortization permitted for local governments in BC is 30 years. This reduces intergenerational funding equity since the payback is over a compressed period rather than over the useful life of major infrastructure, which can exceed 50 years.



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Use grants wisely

Some local governments benefit from stable, dedicated grants from senior governments for capital expenditures and often grants are used to construct or acquire new infrastructure. Local governments should not rely on singular or “one-off” grant funding to balance the yearly budget.

In British Columbia, all local governments are recipients of the Community Works Fund (BCSF-CS), which provides stable, predictable, and dedicated funding for local infrastructure. Municipalities in Metro Vancouver directly receive a small portion of the CWF, the bulk of the funding goes to the Metro Vancouver Regional Fund that provides funding for regional transportation investments within the Metro Vancouver Regional District and its member municipalities.

Communicate the Plan

Ensure Transparency and Effective Communication within the organization, with elected officials, and with the community

By linking long-term financial planning to measurable outcomes, organizations can demonstrate the value delivered to the community and build trust and confidence in how resources are managed. Communication connects financial planning with the services people rely on, showing how funding decisions support sustainable service delivery over time.

Use a communication plan to ensure transparency and consistency within the organization and with the public. Start from the inside out—work with staff and elected officials to develop shared understanding and clear key messages in plain language so they can communicate them confidently and consistently. The plan should identify the most effective ways to reach different audiences through internal updates, public reports, community engagement, and digital and media channels that make information accessible and relatable.

Communicate early and often to keep the community informed and engaged. Post the long-term financial plan and progress updates on your organization’s website to demonstrate accountability and build long-term trust. Celebrate milestones to reinforce confidence that resources are managed responsibly and that the organization is working toward sustainable service delivery.

Policy and Procedural Recommendations

To strengthen accountability and ensure long-term financial planning becomes a standard practice, councils, boards, and senior staff should review, adopt, and adjust policies and procedures that strengthen the alignment of Asset Management Plans and Long-Term Financial Plan.



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Establish a Long-Term Financial Policy

Set clear expectations for forecasting horizons, integration with Asset Management Plans, and regular updates.

Define Annual Funding Level Reporting

Require budgets and financial plans to integrate AMPs so finances are built upon lifecycle costs, inventory valuation, levels of service, and contributions to reserves.

Review Taxation Levels and Fees

When determining tax or user fee increases, consider how infrastructure supports public interest versus private consumption. In general terms, public interest services are funded via property taxes and private consumption is funded by user fees. When determining tax or utility fee increase options, the following steps are recommended:

1. Determine what infrastructure supports public interest versus private consumption.
2. For assets and services funded by fees (such as a water utility), determine funding requirements via asset management plans and the LTFP.
3. For assets and services funded by property taxes, determine funding requirements via asset management plans and the LTFP.
4. In both cases the difference between actual and sustainable funding are funding gaps that would be addressed using the most appropriate funding source.

Review Procurement Policies

Align procurement policies so that they account for lifecycle costing and incorporate risk management principles.

Adopt Reserve and Debt Policies

Align reserves and borrowing practices with lifecycle costs and principles of intergenerational fairness. Consider bylaws that dedicate funds in certain reserves to infrastructure.

Mandate Risk Integration

Ensure risk assessments (financial, service delivery, climate) are a formal part of financial planning and reporting.



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Additional Resources

- **AMBC Framework and Roadmaps:** Step-by-step guidance on linking asset management and financial planning.
<https://www.assetmanagementbc.ca/framework/>
- **Asset Management BC Roadmap guide:** Information on creating an Asset Inventory
https://www.assetmanagementbc.ca/wp-content/uploads/Guide_for_using_the_Roadmap20-AMBC-Sept_23_2011.pdf
- **Training Modules:** Online and in-person sessions on developing and applying LTFPs
Long-Term Financial Planning:
<https://www.assetmanagementbc.ca/training/training-long-term-financial-planning/>
Leveraging Asset Data:
<https://www.assetmanagementbc.ca/training/leveraging-your-asset-data/>
- **Communicating Asset Management**
<https://www.assetmanagementbc.ca/communicatingam/>
- **Community Works Fund Information in BC:** Provincial requirements and opportunities for stable infrastructure funding
<https://www.ubcm.ca/ccbf-cwf>
- **Resources for Local Government Borrowing in BC:** Municipal Finance Authority of BC
<https://mfa.bc.ca/resources/processes-templates>
- **CivicInfo BC Grants Database**
<https://www.civicinfo.bc.ca/grants>
- **Municipal LGDE Help Manual:** Ministry of Housing and Municipal Affairs
https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/finance/municipal_lgde_help_manual.pdf
- **Capital Asset Management Risk:** Province of BC
<https://www2.gov.bc.ca/gov/content/governments/policies-for-government/capital-asset-management-framework-guidelines/risk-management#3.3>