Sustainable Asset & Infrastructure Funding

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History of Infrastructure Movement

- Early 1980’s - America in ruins
- 1984 - FCM Study on Infrastructure
- Development of Municipal Lifecycle Programs
- Late 1980’s to early 1990’s – Federal/Provincial/Municipal Cost Sharing Programs
- Late 1990’s to late 2007 – Infraguide
- Post Infraguide
  - Conservative Years, Liberal Years
  - Federal/Provincial Relations
Successes

- Public Awareness
- Federal/Provincial/Local Government Involvement
- Cross-Jurisdictional Participation
Observations/Changes from 1980’s vision

• **Original Vision**
  – Consistent Federal/Provincial/Municipal funding model
  – Focused on replacing existing infrastructure

• **Current Reality**
  – Inconsistent programs with significant funding targeted to new infrastructure
Current Coquitlam Focus

• We own the infrastructure
• Develop programs that are flexible
• Take advantage of any senior government funding but operate without it
What do we need going forward?

Senior Management

- **Champions**
  - Senior management to provide incentive and momentum
  - Middle management to develop details

- **Credibility**
  - Trust from City Council
  - Support of various organizations

- **Courage**
  - Lack of risk taking
What do we need going forward?

Staff

• Credibility within the organization
• Consistent advice to Council
• Reasonable solutions that are achievable and balanced
Sustainable Service Delivery

- Services provided to the community are heavily reliant on the city’s asset infrastructure
- Resulting in a need to manage & maintain the city’s assets
- Sound asset management practices support sustainable service delivery
City of Coquitlam Strategic Goal

- Endorsed by Council
- Supported by significant investment of approximately $29M contributed annually towards replacement for assets worth $3B (1%)
History of Asset Management in Coquitlam

Step 1: PSAB 3150 Tangible Capital Assets

- 2009 accounting regulation
- Identified assets
- Recorded at historical cost

Step 2: Enhanced further by:

- Council investment in asset replacement
- Investment in systems (e.g. VFA for buildings)
- Replacement cost estimates
- Obtain physical condition assessments
- Enhanced decision making capability around timing and cost of asset replacements
Investment in Asset Replacement

<table>
<thead>
<tr>
<th>Year</th>
<th>Utility Funds</th>
<th>General Fund</th>
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</thead>
<tbody>
<tr>
<td>2013</td>
<td>$5,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>2014</td>
<td>$10,000,000</td>
<td>$15,000,000</td>
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<tr>
<td>2015</td>
<td>$15,000,000</td>
<td>$20,000,000</td>
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<tr>
<td>2016</td>
<td>$20,000,000</td>
<td>$25,000,000</td>
</tr>
<tr>
<td>2017</td>
<td>$25,000,000</td>
<td>$30,000,000</td>
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</tbody>
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Utility Funds: $105,000,000
General Fund: $230,000,000
Total: $335,000,000
Funding - Consistent Methodology

- Applied consistent methodology across all asset categories:
  - 20 year timeframe (general fund assets)
  - 40 year timeframe (utility fund assets)
  - Current replacement values in today’s dollars
  - Existing assets only (exclude new or growth related assets)
  - Assumes “Like for like” replacement
Assessment Methodology

Determine Need - Existing Funding = Gap
Determine Need

**STEP 1** Inventory Details
- Select asset categories and subcategories
- Inventory assets and estimate missing data

**STEP 2** Life Cycles & Costs
- Set standardized useful lives
- Set unit replacement costs

**STEP 3** Needs & Backlog
- Calculate remaining useful life
- Calculate replacement value and backlog

**STEP 4** Apply Condition Assessments
- Apply condition assessments where available
- Revise remaining useful lives

**STEP 5** Determine AATI*
- Calculate total replacement value for 20/40 years per asset category
- Calculate average annual investment required

*Annual Average Target Investment (Optimum Funding)

Does not consider **functional assessment** and **demand assessment** (for all asset categories)
## Condition Assessment

### Considered

#### Physical
- Refers to the physical condition of the asset
- An asset may be at the end of its theoretical useful life but in good physical condition

#### Demand
- Refers to capacity
- If demand for use is oversubscribed, the asset is in poor demand condition even though it may be in good physical condition

#### Functional
- Related to customer expectations
- An asset designed for a service that is no longer in demand can be considered to be in poor functional condition

### Considered for Facilities only

## Comprehensive Approach
Existing Funding

- Annual available funding dedicated to asset replacement versus new assets/expansion
- Includes annual:
  - general revenue allocation (property taxes)
  - contributions to reserves which fund future asset replacement
  - externally secured funding
- The goal is to set aside funding annually at a steady rate through the operating budget but utilize the required funding as needed each year through the capital budget
Asset Replacement General Fund

Gap

Existing Funding $19.4M

AATI $22.2M

Total Replacement Value $1.5B

Total 20 Year Replacement Costs $445M

Gap $2.8M
Facility Components

AATI
$4.3M

Existing Funding
$4.2M
Parks Infrastructure

- AATI: $3.5M
- Existing Funding: $1.3M
- Gap: $2.2M
Transportation

AATI
$9.3M

Existing Funding
$7.8M

Gap
$1.5M
Vehicles and Equipment

- AATI: $5.1M
- Existing Funding: $4.6M
- Gap: $0.5M
Asset Replacement Utility Funds
40 years

Total Replacement Value $1.5B
$477M

Total 40 Year Replacement Costs

Need
AATI
Existing Funding

Gap $2.5M
Existing Funding $9.4M
AATI $11.9M
Funding Considerations

The better our asset information gets, the narrower the difference between AATI and Recommended Actual Funding Levels
Next Steps

- Implement Asset Management Optimization Software
- Maintain & Update Condition Assessments
- Annual review with Council led by Finance
- Ongoing Funding Decisions
Questions