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

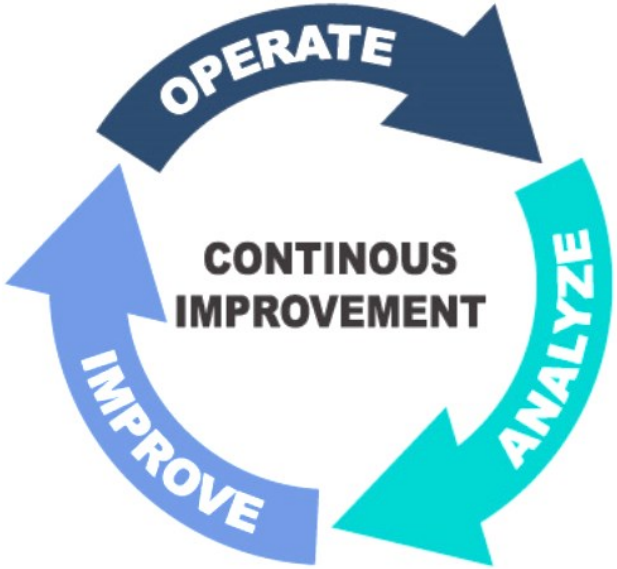
City of Coquitlam Strategic Goal

- 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

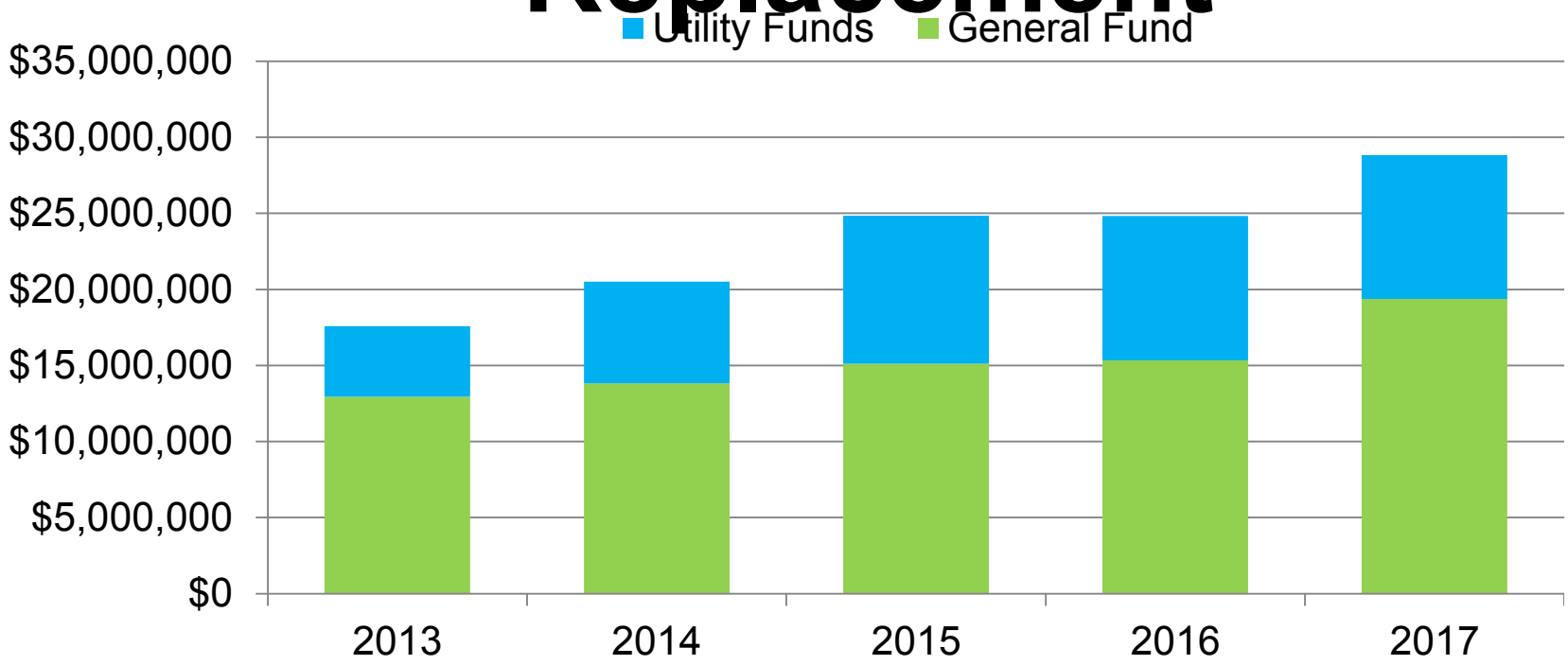
- 2009 accounting regulation
- Identified assets
- Recorded at historical cost



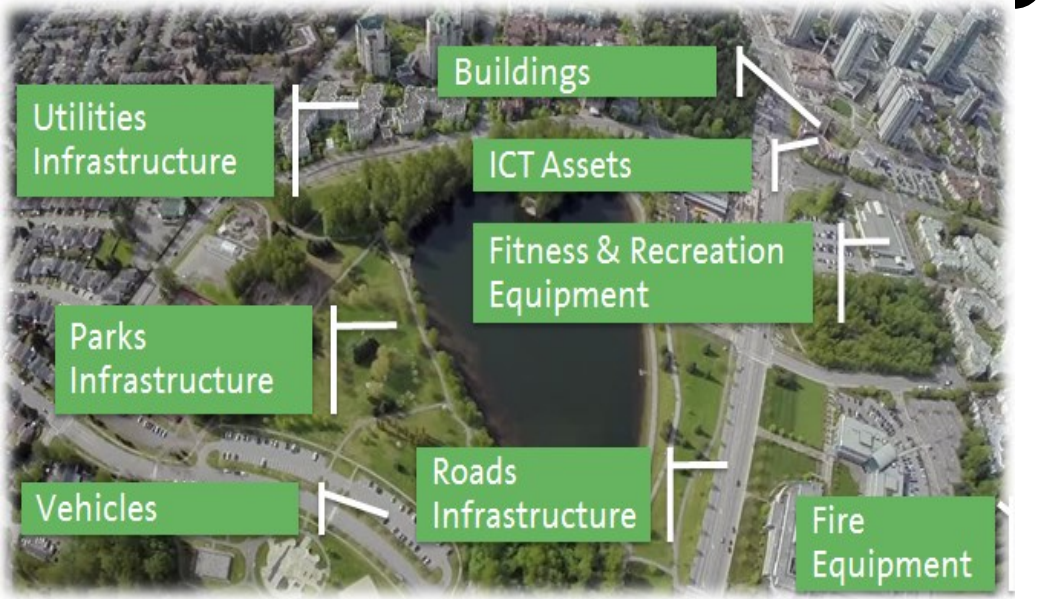
Step 2: Enhanced further by:

- 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



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

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

Considered for Facilities only

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

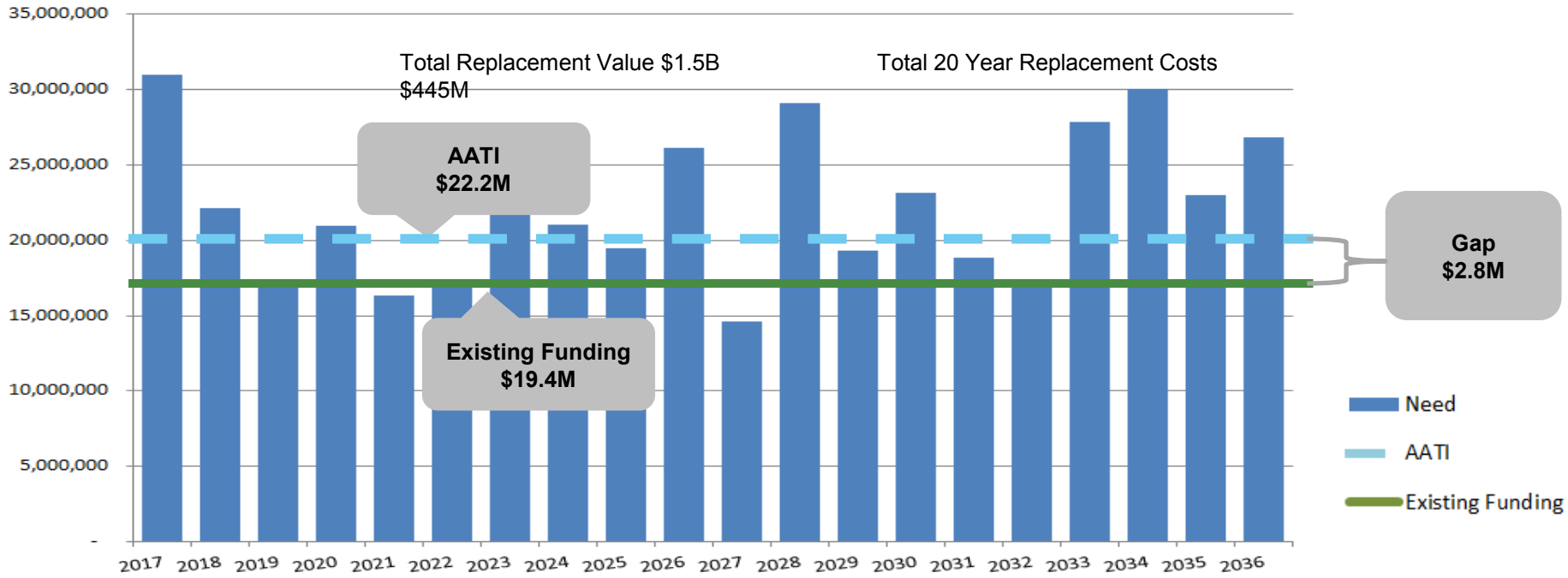
- Related to customer expectations
- An asset designed for a service that is no longer in demand can be considered to be in poor functional condition

Comprehensive Approach

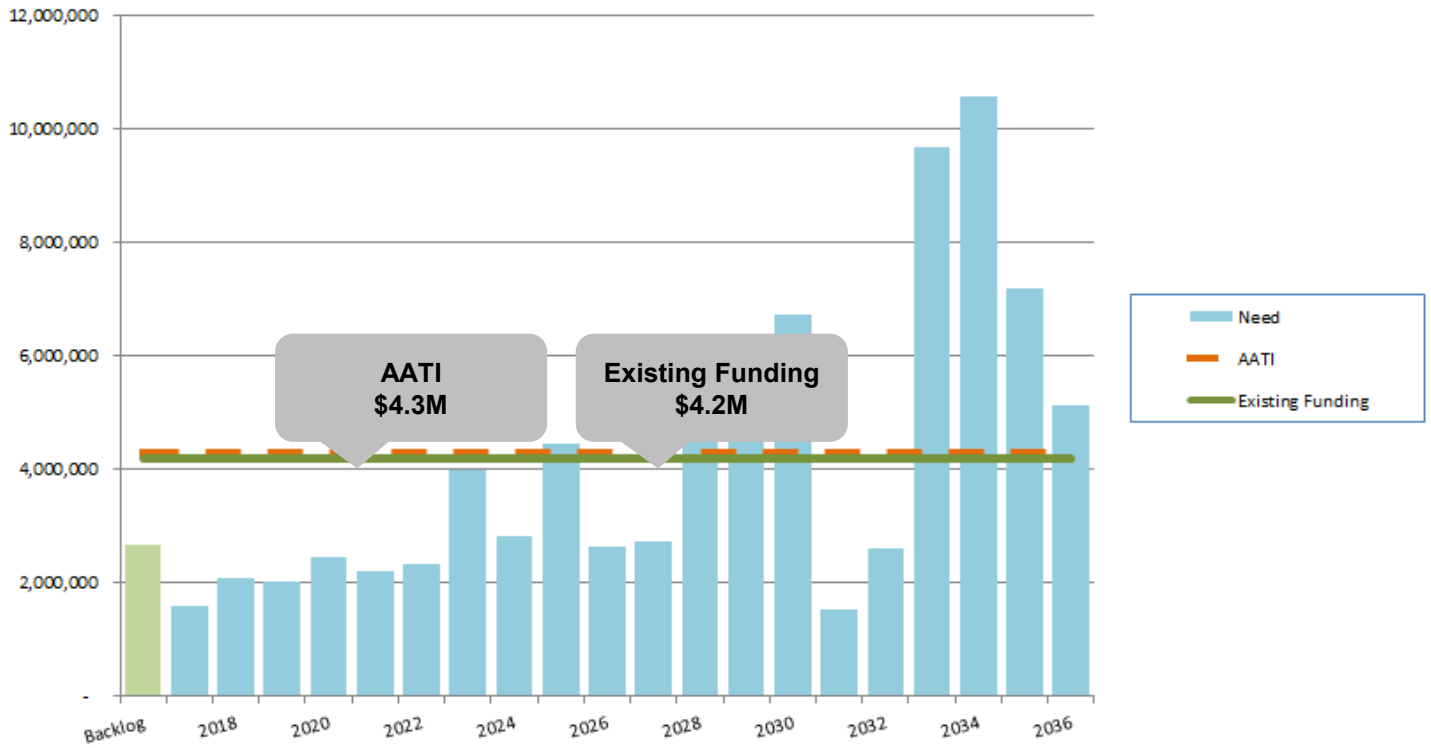
Existing Funding

- 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**

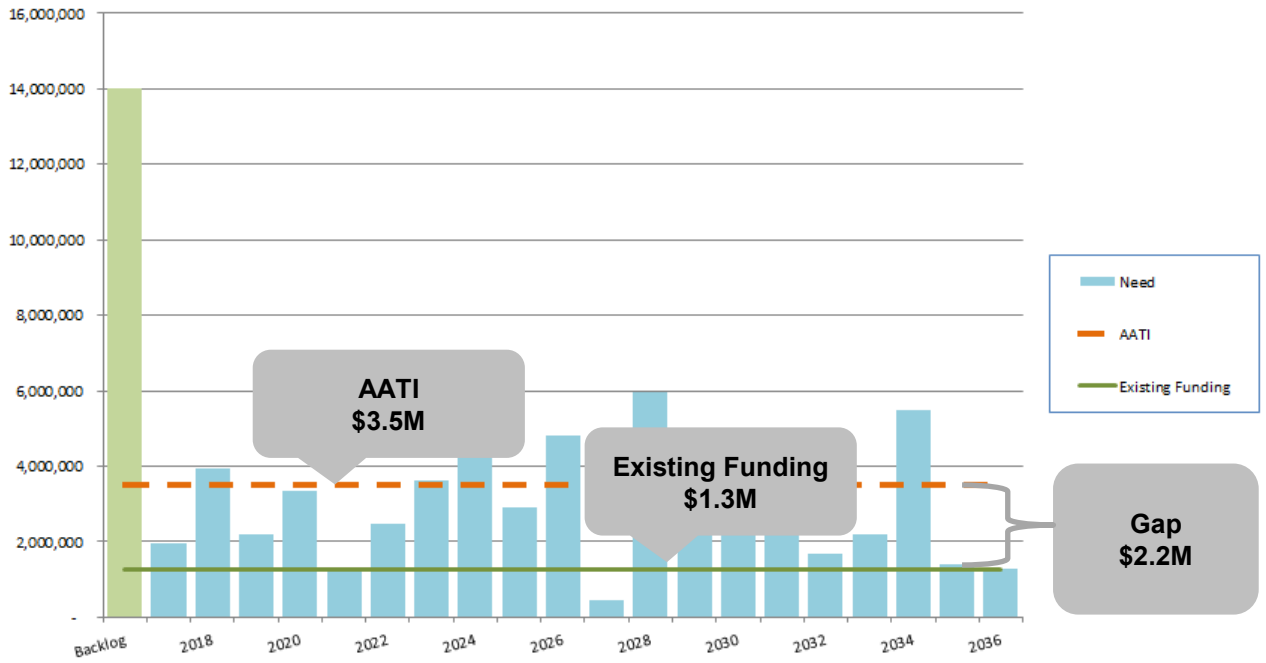
Asset Replacement General Fund Gap



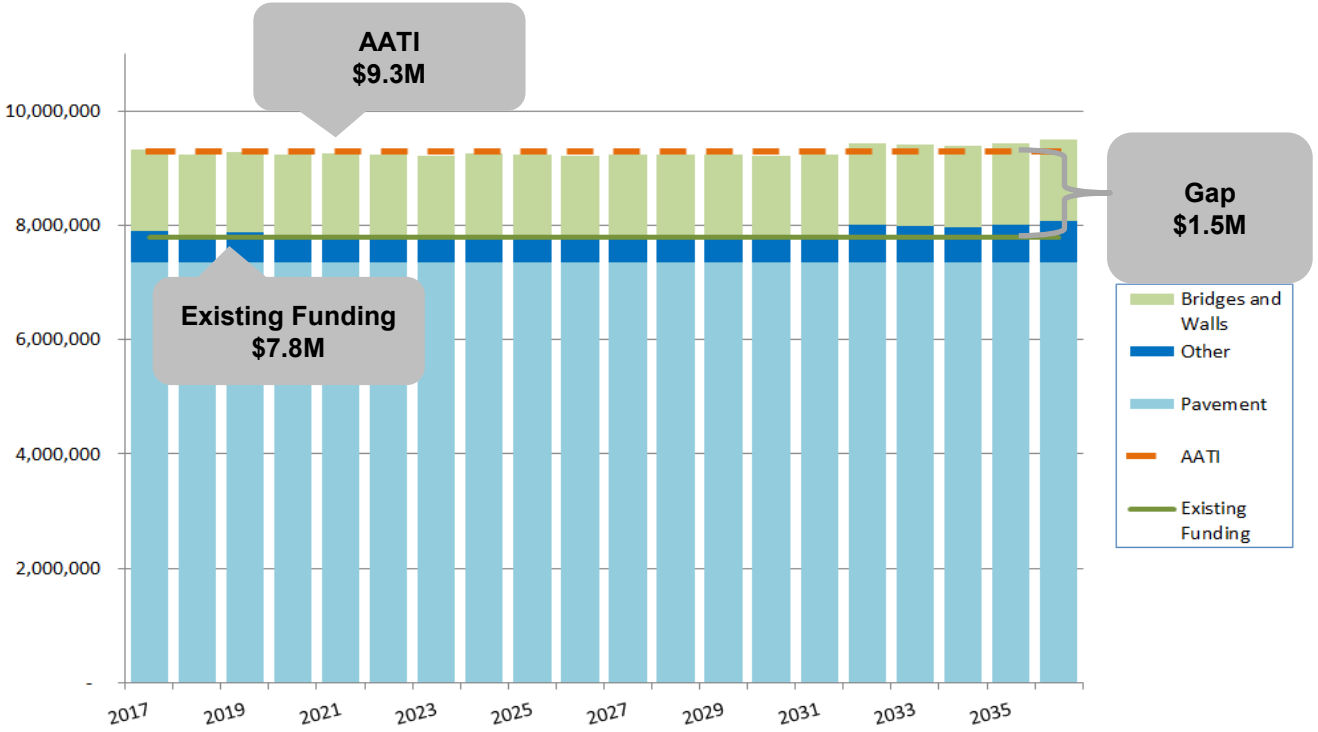
Facility Components



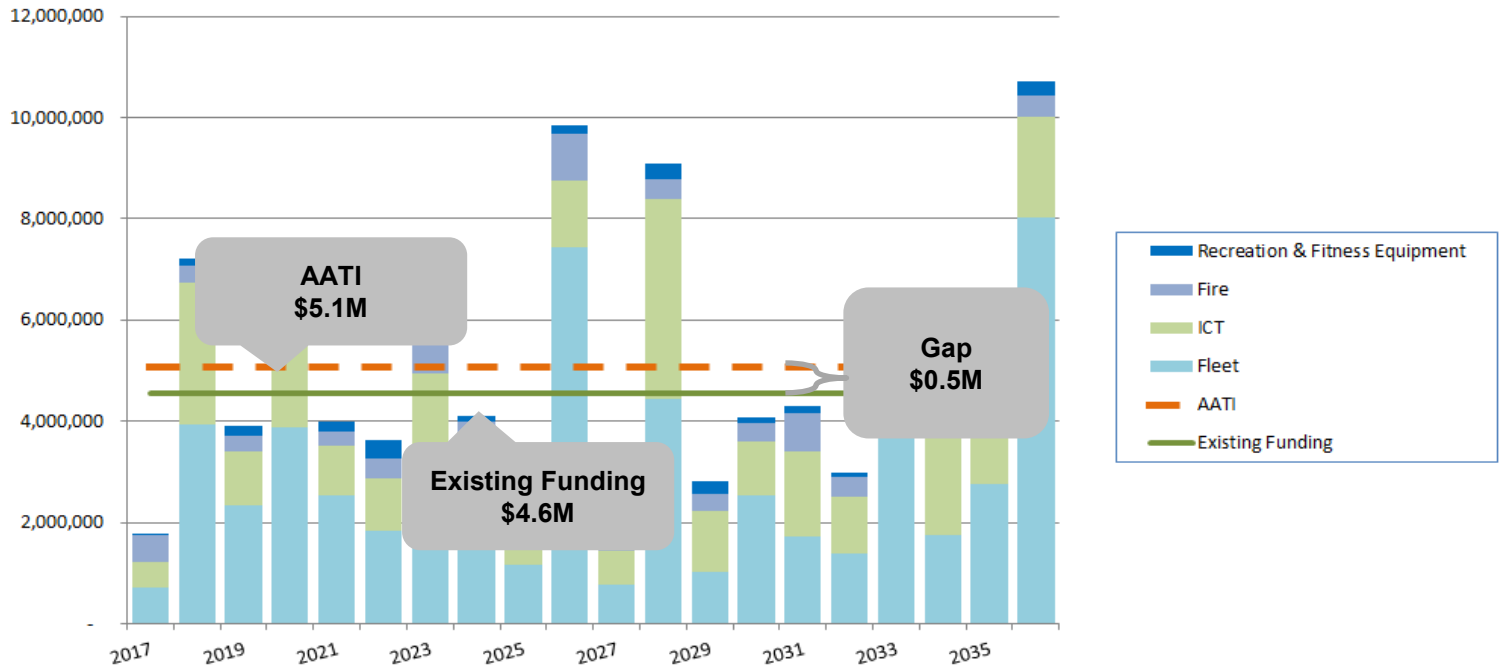
Parks Infrastructure



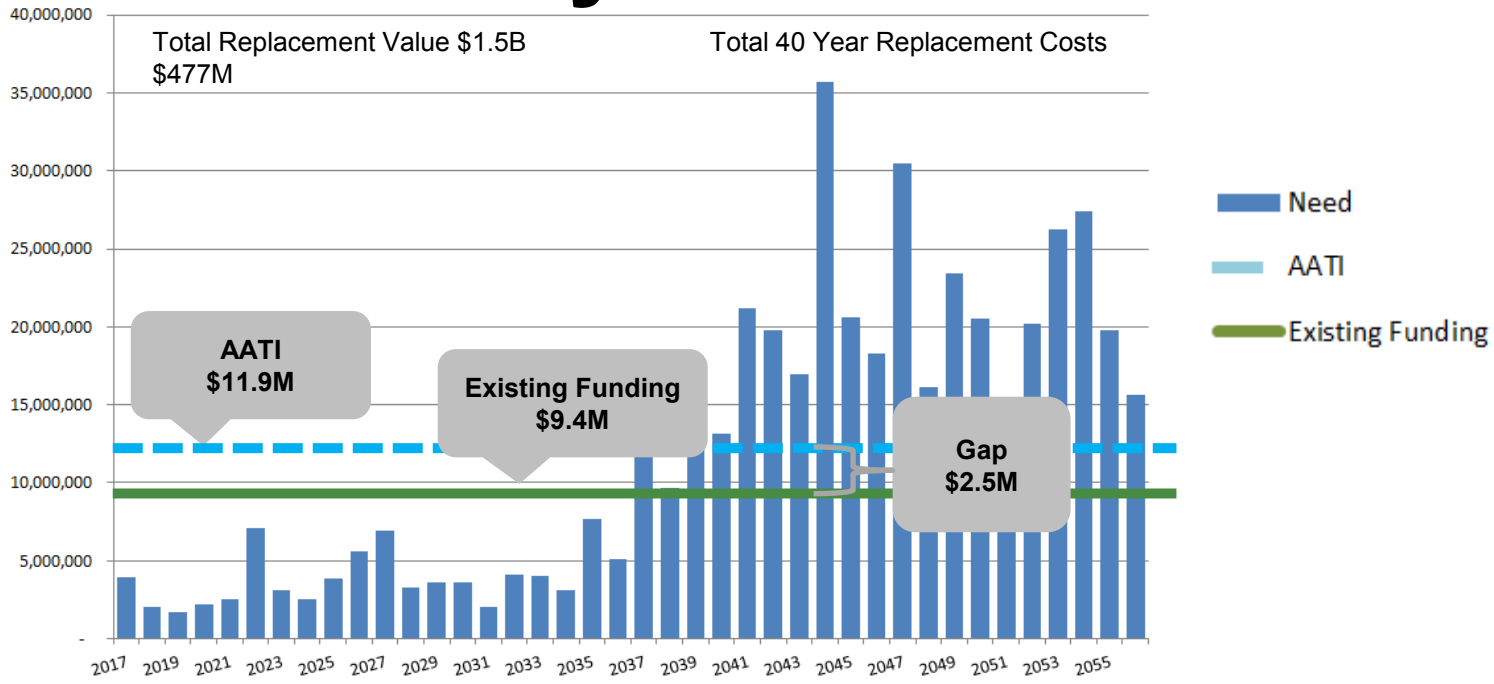
Transportation



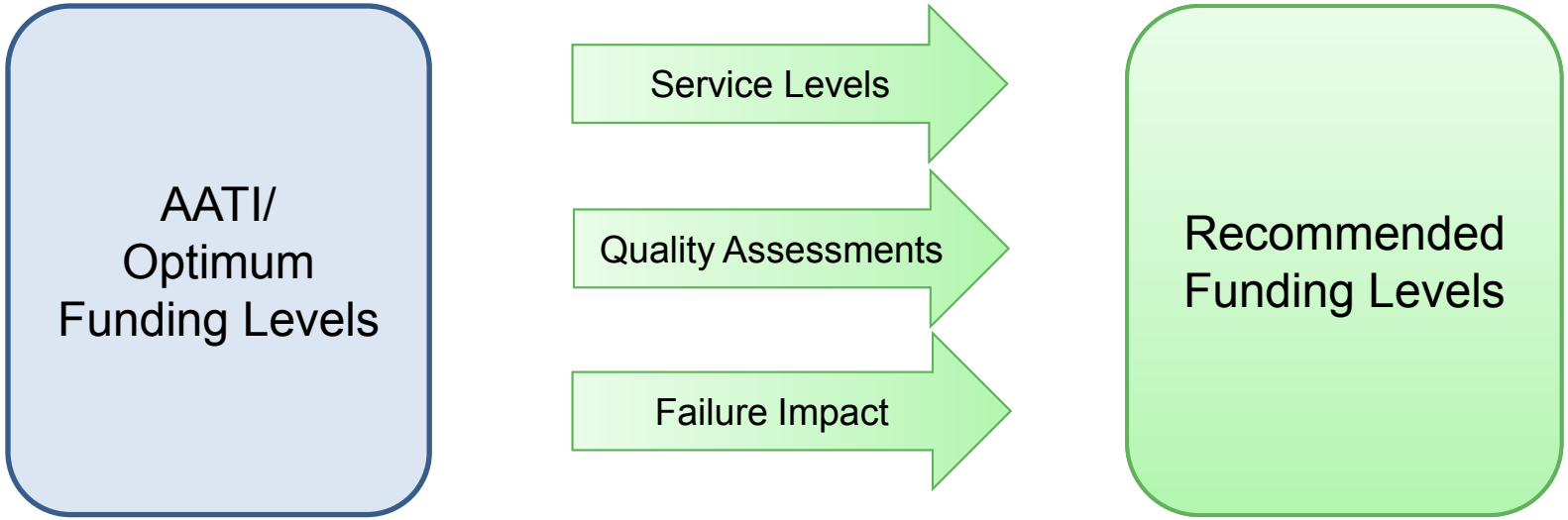
Vehicles and Equipment



Asset Replacement Utility Funds 40 years



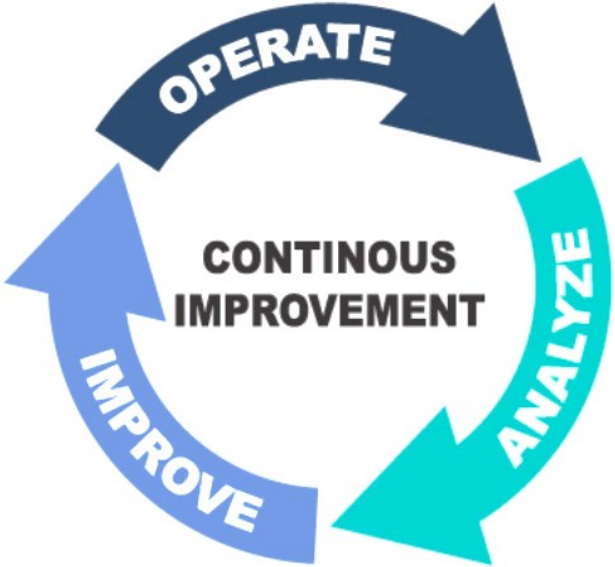
Funding Considerations



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