

Asset Management:

Focus on the Funding

Outline

- Colwood Sustainable Infrastructure Replacement Plan (SIRP)
- Asset management measures
- Development life cycle costing/CLIC Tool/
Campbell River case study

Asset Management Mistakes

Common mistakes for small local governments:

1. Overcomplicate it
2. Delay it
3. Communicate it poorly

Conventional AM Approach

1. Quantify every inch of inventory
2. Implement \$1M software
3. Hire 30 consultants
4. Develop complex procedures
5. Forget to hire asset management resources
6. Build 50 GIS layers
7. Ask for money and completely stall everything

New AM Approach

1. Tell yourself its ok to not be perfect
2. Tell yourself that any AM program is better than nothing
3. Take your TCA, master plans, maintenance plans and estimate useful lives, replacement cost
4. Determine annual funding to reserve
5. Determine current annual funding
6. Plan to phase-up contributions

Anxiety Attack Time

“but Chris what if your assumptions are wrong”

“but Chris I think you’re being too pessimistic”

“but Chris I think you’re being too optimistic”

SIRP Objectives

1. Forecast long-term spending
2. Avoid volatile taxation (predictable, stable funding)
3. Avoid debt servicing costs
4. Reinvest investment returns into community
5. Promote intergenerational funding equity

Scope

- Existing capital only
 - Strategies for funding growth in policy
- Assess all currently owned assets:
 - Quantify total value and quantity
 - Assess condition
 - Estimate replacement years and values
- NOT a spending plan

Limitations and Assumptions

- Gas tax funding perpetuity
- Infrastructure grants ineligible for refurbishment
- 50-year timeframe
- Inflation, investment returns, debt interest
- Natural Asset valuation

What is Sustainable Funding?

- Current Capital Services maintained for all generations
- Capital Services are replaced as they age
- Tax increases are predicable, stable, gradual
- No debt financing

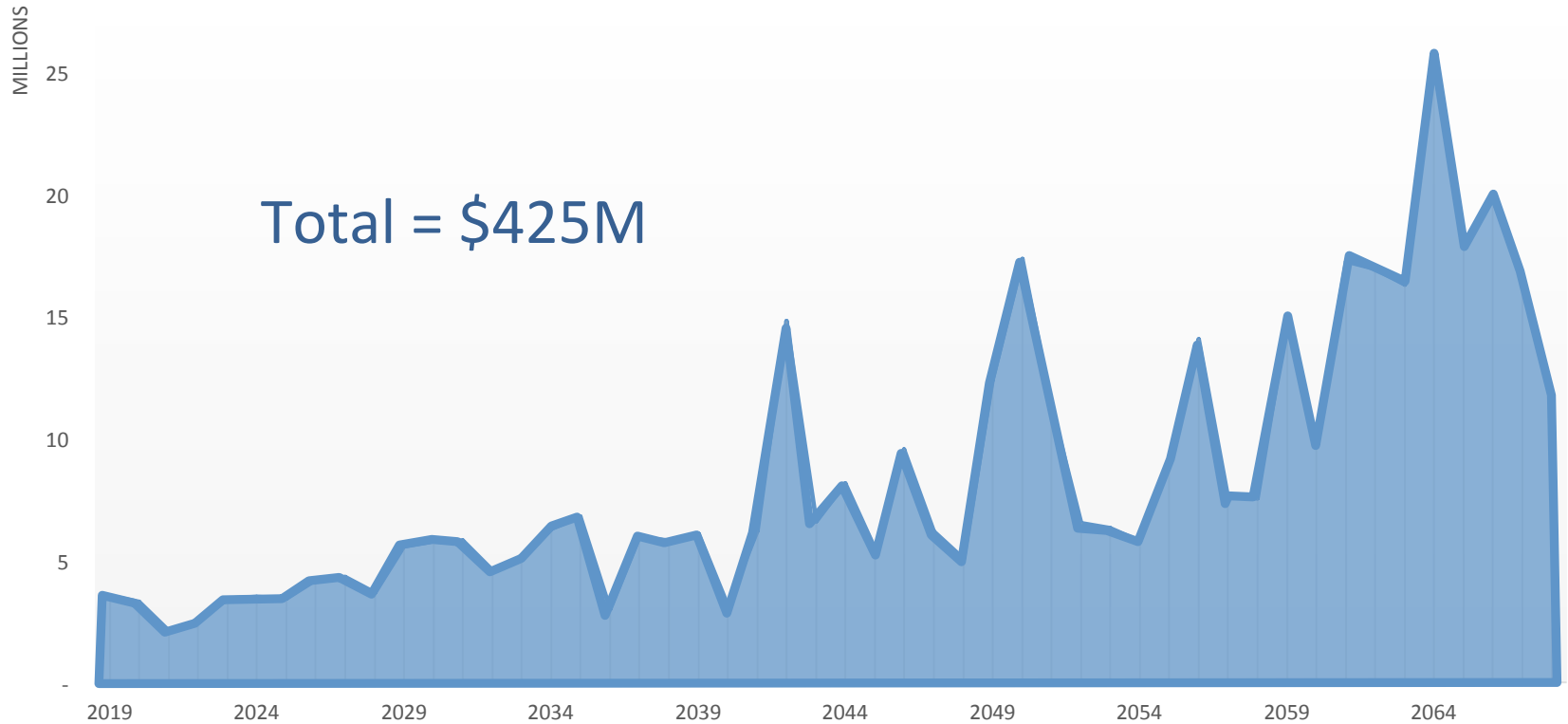
Asset Inventory

Asset	Quantity	Replacement Value
Natural	Varies	Undefined
Roads	91 km	\$122.4M
Land	92 ha	\$53.4M ¹
Park Structures/Trails	n/a	\$3.7M
Sewer	49 km	\$68.9M
Drainage	39 km	\$85.1M
Vehicles/Equipment	272 units	\$8.7M
Building	50k + sqr ft	\$31.0M
Total		\$373.2M

1: BC Assessment Assessed value; land does not depreciate and does not have replacement value

Spending Forecast

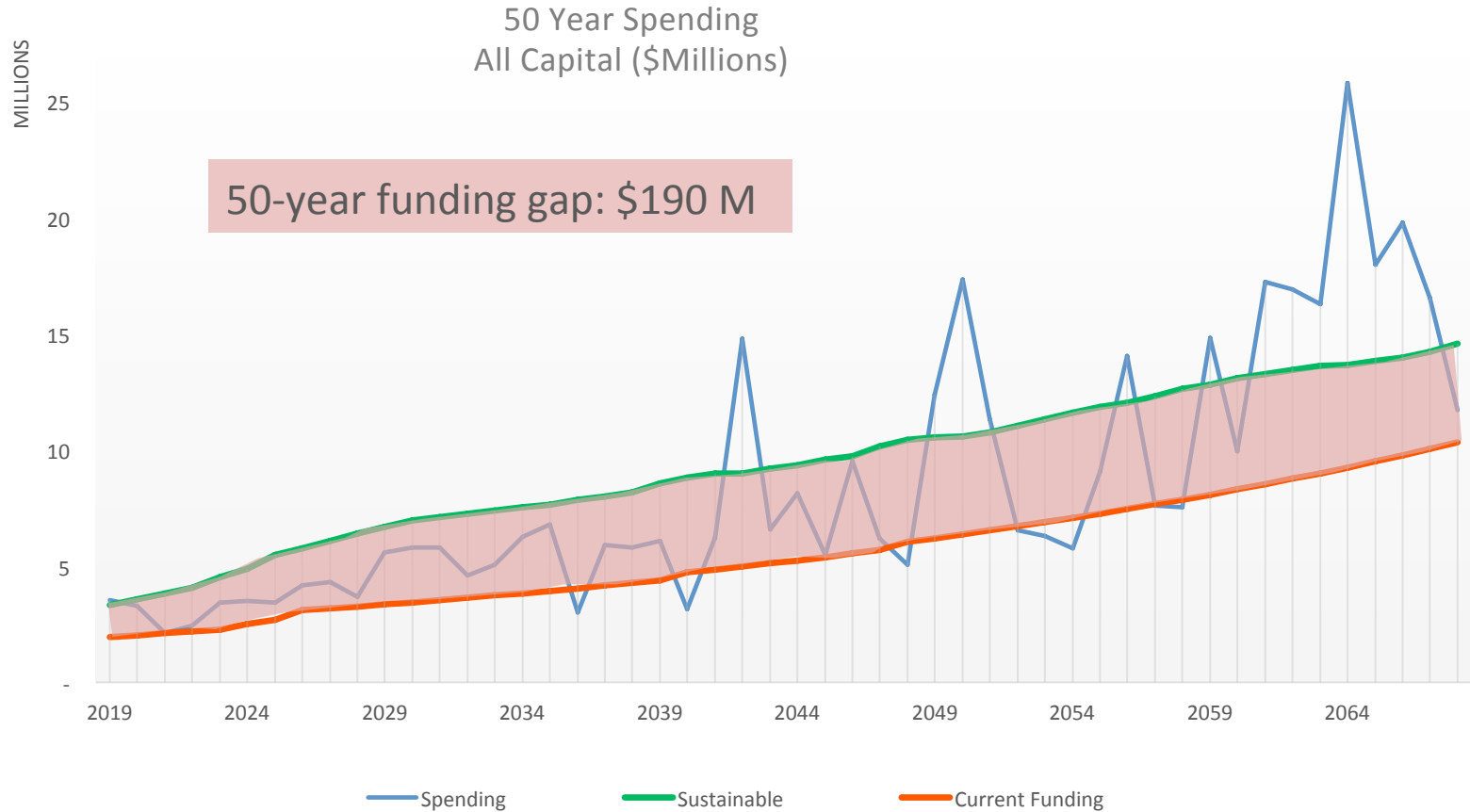
50 Year Spending
All Capital (\$Millions)



Opportunity

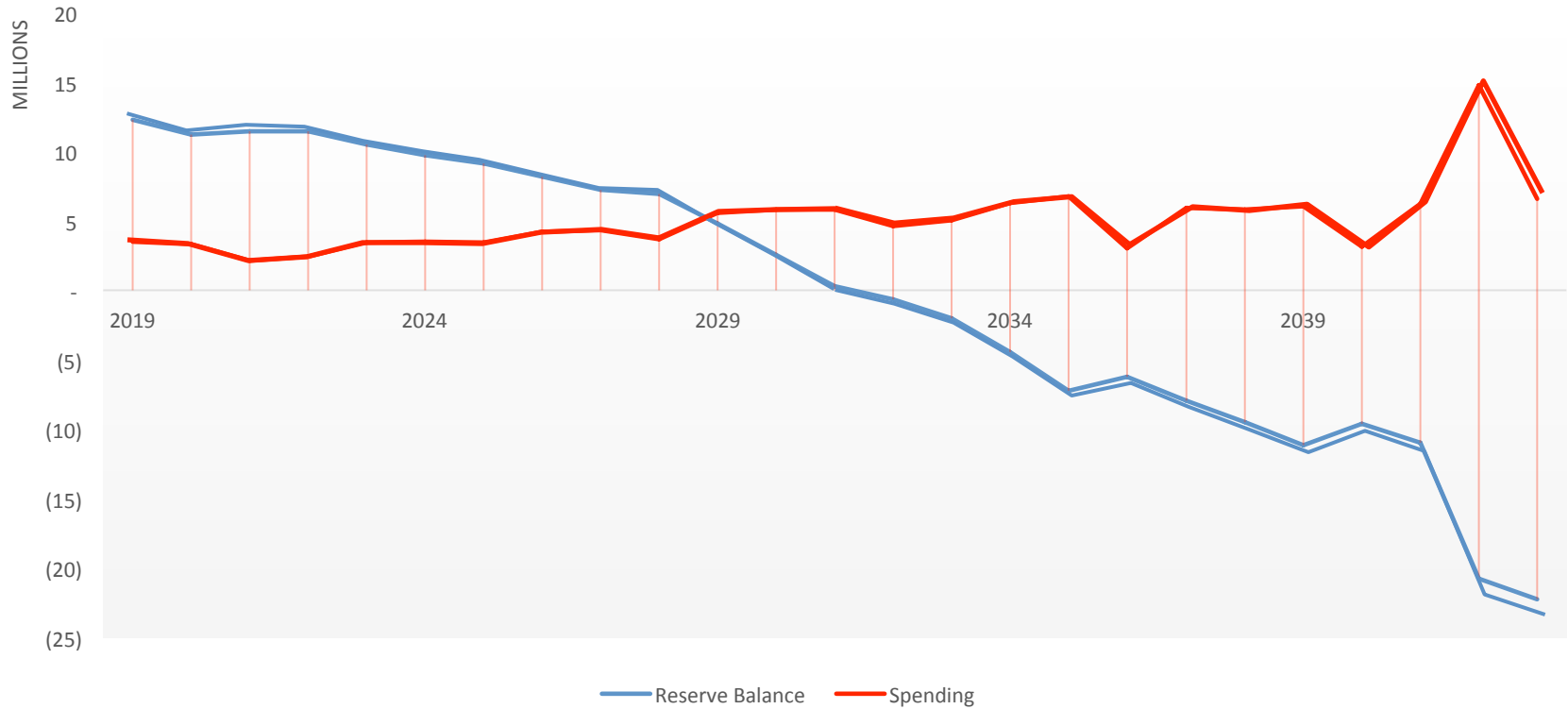
- Young infrastructure
- Scope of existing capital services limited
- New 2019 funding opportunities: \$900k
- Relatively good funding starting point 1.9M

Sustainable Savings vs Current

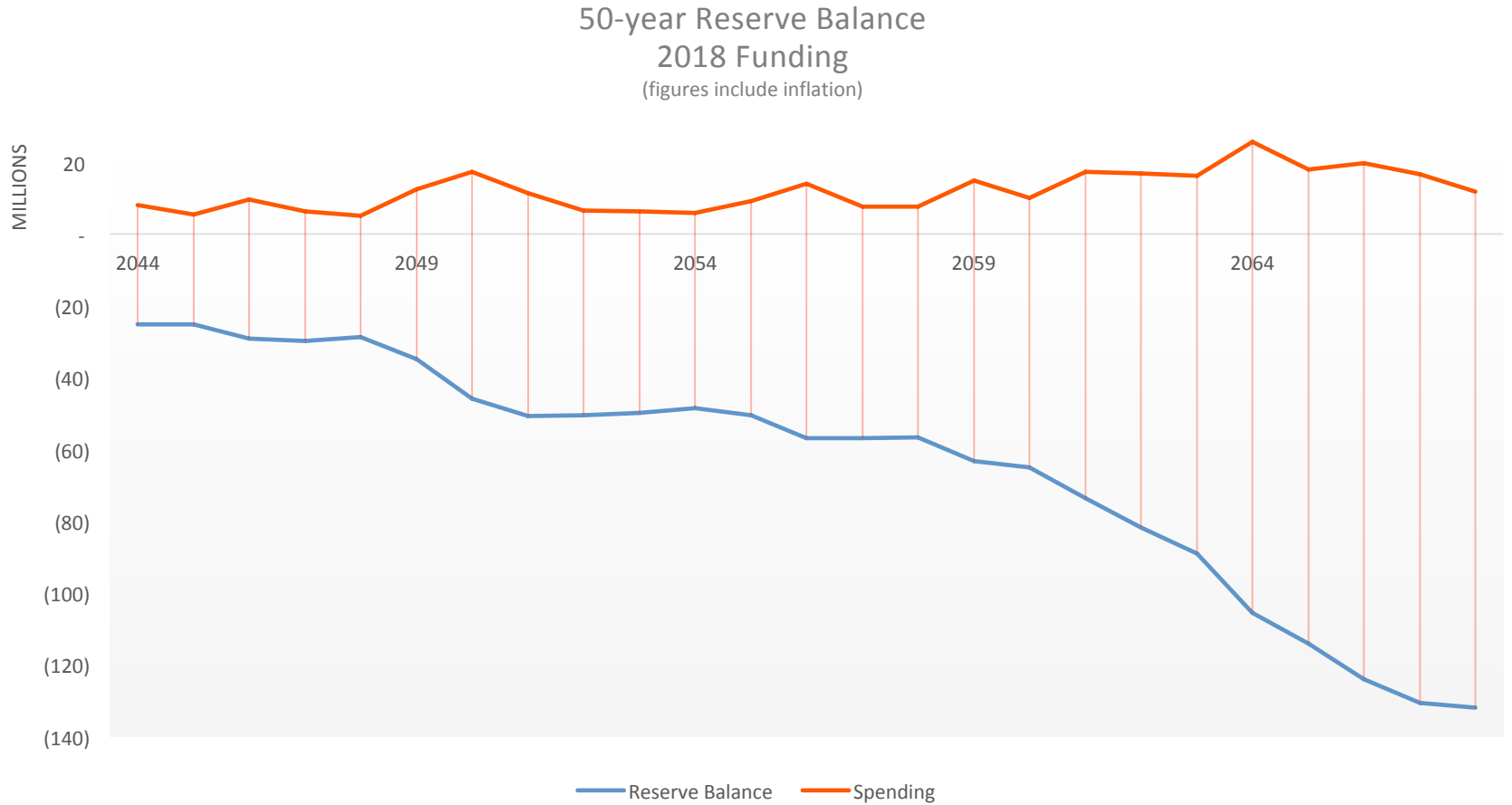


Reserve Balance – current funding

50-year Reserve Balance
2018 Funding
(figures include inflation)

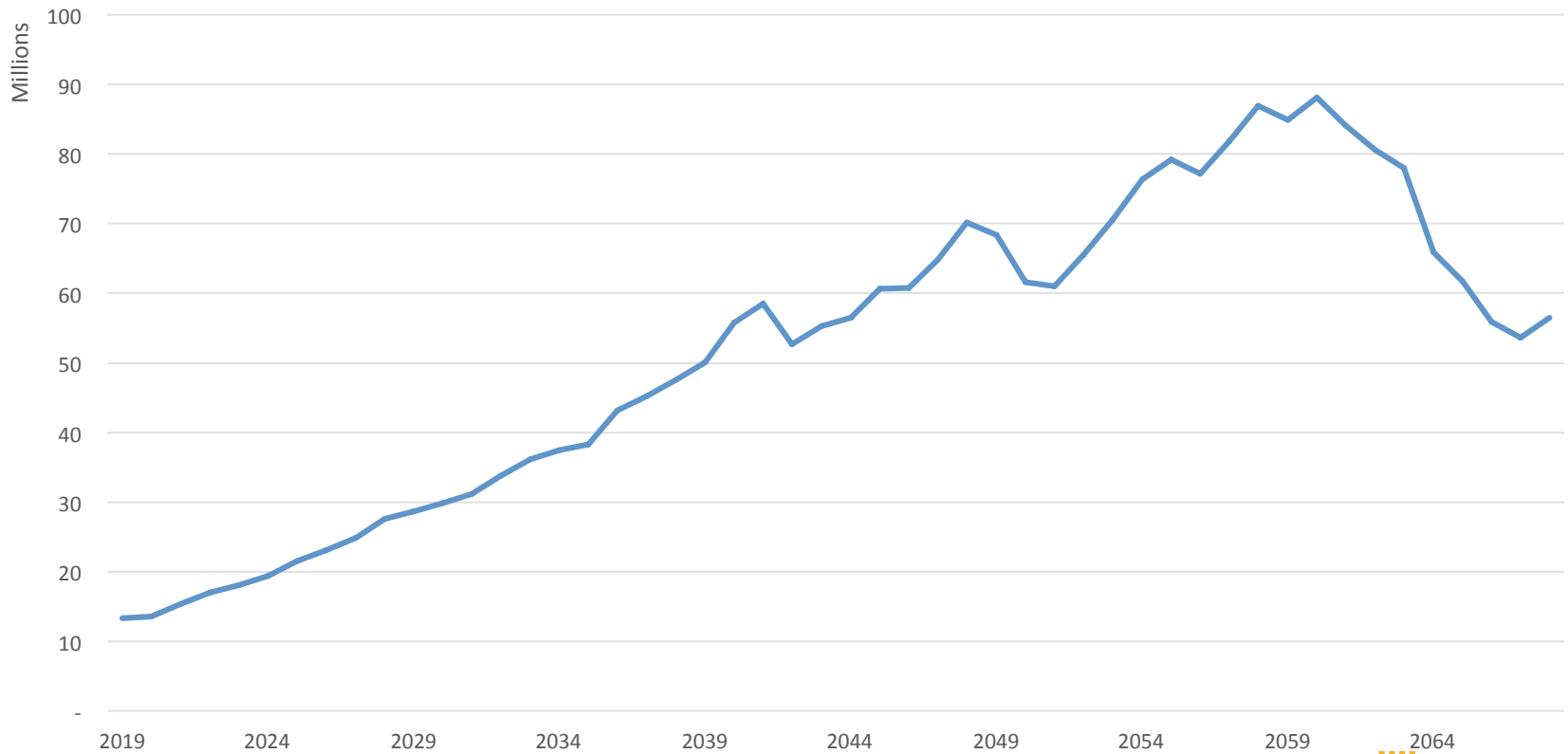


Reserve Balance – current funding



Reserve Balance – sustainable plan

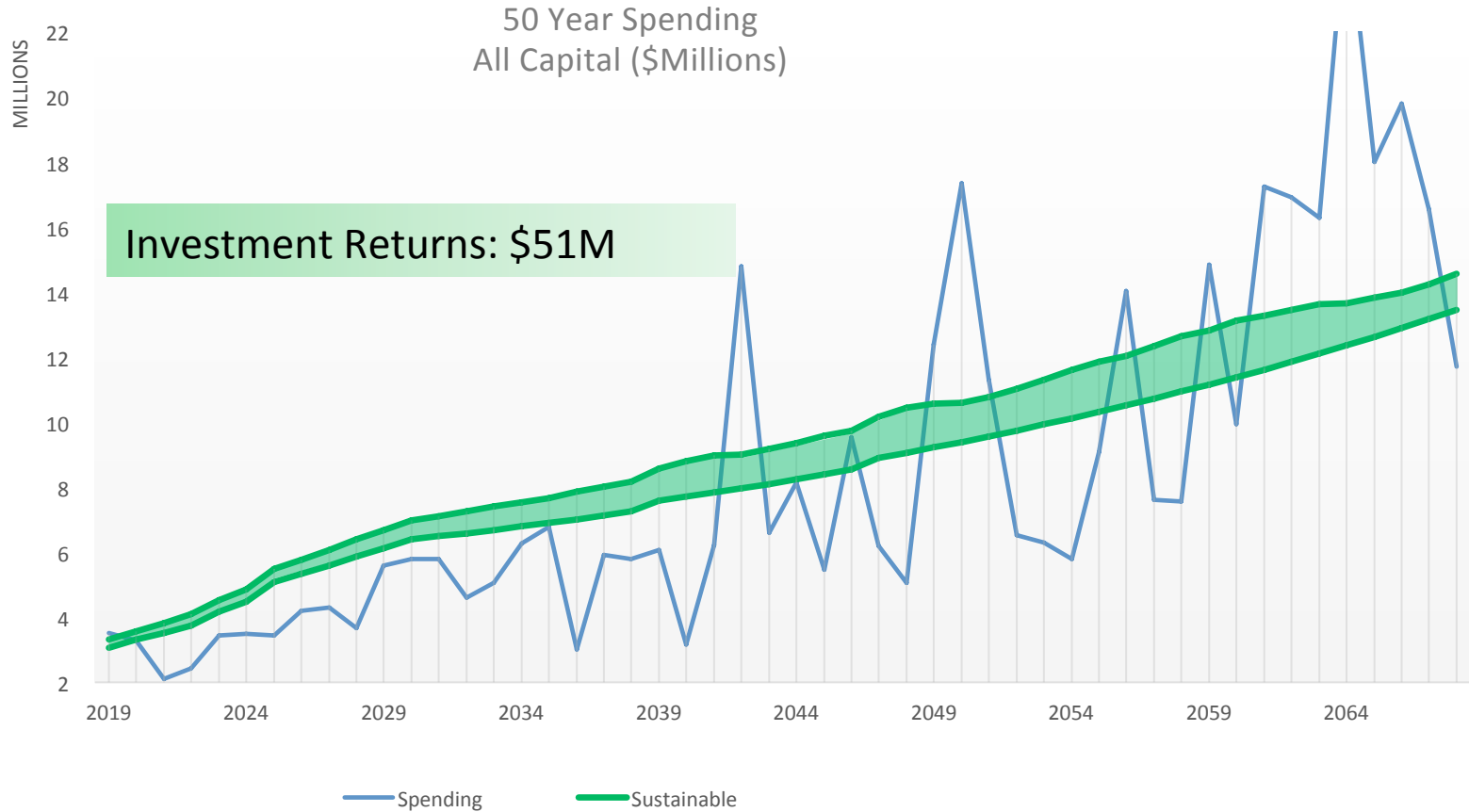
50--Year Spending
1% tax increase for 12 Years



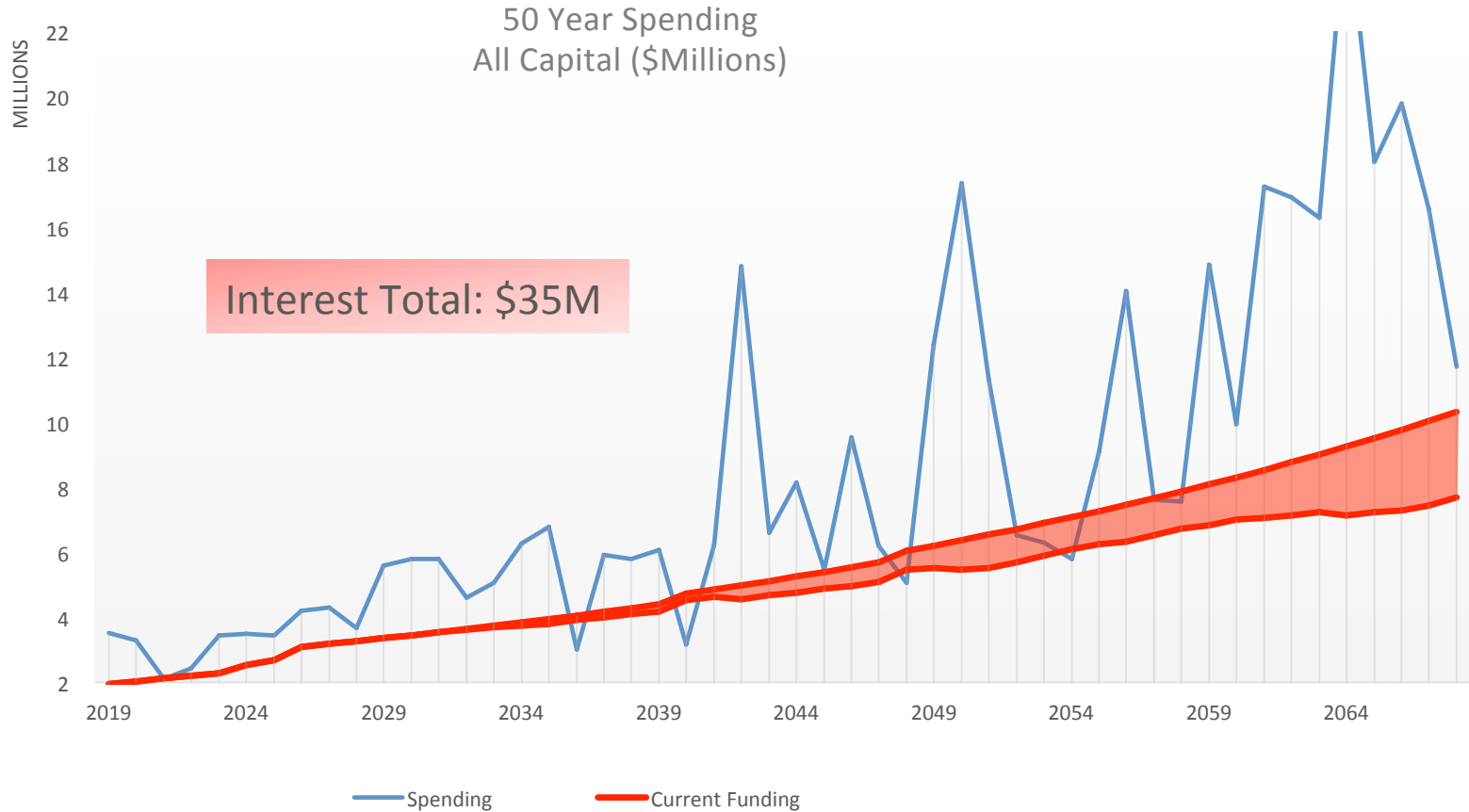
Interest payments vs earnings

- Entering a higher interest rate environment
 - Higher interest earning potential
 - Higher debt servicing costs
- Access to debt at exceptionally low rates via MFA
- Debt interest reduces community investment potential
- Investment returns increases community investment potential

Sustainable Funding ROI



Impact of Debt Financing



Case Study: Fire Truck

- Fire fleet replacement reserve established 2013
 - Has earned \$50k interest since inception
 - Will help avoid \$70k – 160k debt interest¹ when Pumper Truck 51 replaced in 2019
- Total value added: $50k + (70 - 160k) = 120 - 210k$

- 1: Range includes 5 – 15 year amortization
- 1: debt interest net of actuarial adjustments
- 1: Discounted for Net Present Value discount rate range 3% - 5%

Policy Recommendations

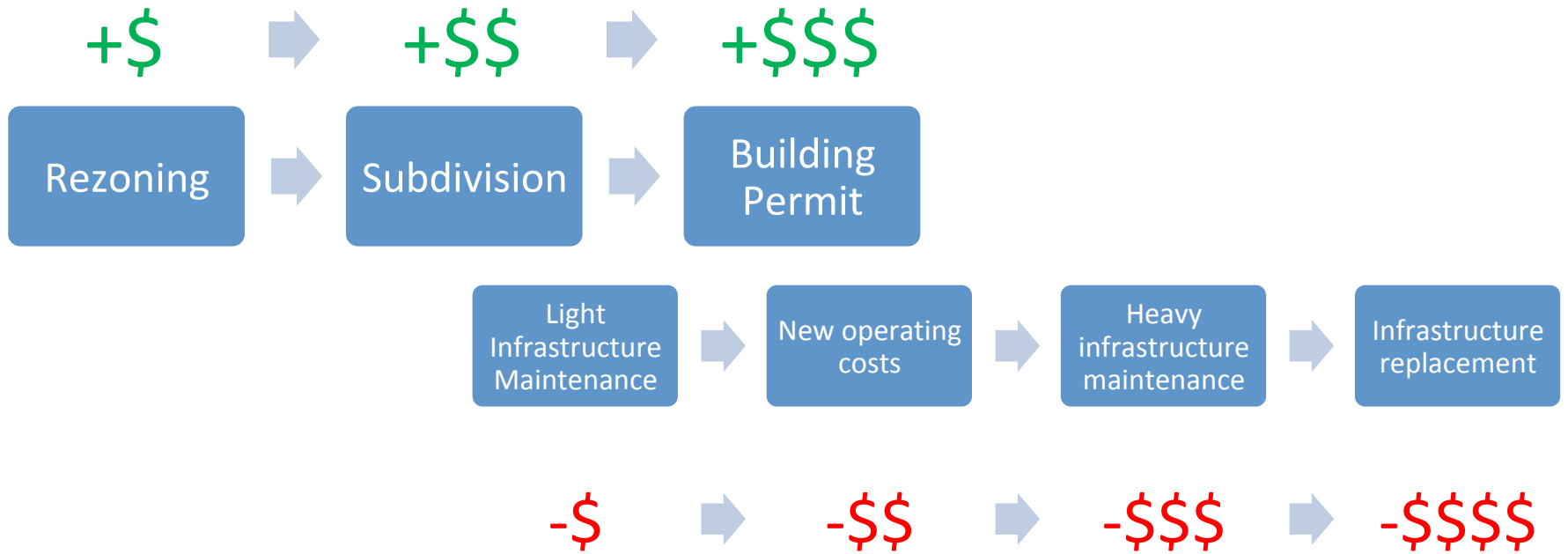
1. New Construction taxation revenue
2. Contributed Assets
3. New Capital Services
4. Debt Servicing

1. New Development Taxation

“Each time a planning committee or council make a land use decision without knowing if revenues will support infrastructure life cycle costs, it is gambling on its fiscal health” – InfraGuide, Infrastructure and Land Use Planning

- Use New Development Taxation revenue to fund life-cycle costs of new related infrastructure

1. New Development Taxation



2. Contributed Assets

- Contributed/donated assets come with a perceived obligation to maintain and replace
- Council and Community should be consulted prior to inheriting new life-cycle costs

3. New Capital Services

- Council sets community service levels
- New Capital Services should only be approved if full life cycle costs have been considered

4. Debt Servicing

- As debt retires, tax funding for debt costs are no longer needed
- Use savings from debt retirement to work toward sustainable infrastructure replacement funding

Roadmap to Fiscal Sustainability

1. Implement new funding opportunities:
 1. Investment Revenue - \$300k
 2. Roads Core Capital Budget - \$200k
 3. Sewer Utility Capital Levy - \$200k
 4. Police Building Reserve – 200k
2. 1 % tax increase for 12 years
3. Adopt Polices 1-4

Sustainable Funding Progress

