The “Golden Experience”
(From TCA to Asset Management)

Presented by:
Her Worship, Mayor Christina Benty
David G. Allen, Former Town of Golden CAO
David W. Love, Manager of Strategic Initiatives (AM Project Lead)
Mayor Christina Benty:
- Introduction
- Funding Asset Management

David Allen:
- Golden’s History with PSAB 3150 Process
- TCA compliance Outcomes
- Origin of Asset Management in Golden
- What is NAMS?

David W. Love:
- Impact of NAMS
- Practicing TCA and NAMS concurrently
- From Asset Register to Asset Management Projects

All:
- Questions and Discussion
Our Purpose for Practicing Asset Management:

To identify and achieve a balance between the costs to provide, maintain, renew and, if necessary, eliminate community-owned capital assets and our community members’ willingness to pay.

Our near-term Objective for Practicing Asset Management:

To, by the end of 2013, demonstrate more advanced practice than other communities to maximize the earliest possible infrastructure granting opportunities from the New Building Canada Fund.
A Long Time Ago in a Small Town Far, Far Away…

1. 2007: former CAO and CFO attended TCA Workshop (intro to PSAB 3150);

2. 2008: formed Town Staff TCA Working Group;

3. Early-2009: no valid IT solution existed – decided to develop one in-house;

4. Mid-2009: in-house IT program ready for use;

5. Late-2009: elevated Working Group to status of “Inter-Department Project”;

6. Early-2010: satisfied PSAB 3150 and Municipal Auditor on-time; and

7. Present-day: continue to meet all TCA financial statement, audit and public reporting requirements.
## Present-day Results from PSAB 3150 Approach (2012)

<table>
<thead>
<tr>
<th>Principal Asset Classes (Costliest)</th>
<th>TCA Historical Cost</th>
<th>*TCA Accumulated Amortization</th>
<th>TCA Net Book Value (2012)</th>
<th>Annual Amortization by Class (2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>10.0M</td>
<td>4.6M</td>
<td>5.4M</td>
<td>221K</td>
</tr>
<tr>
<td>Sewer</td>
<td>14.6M</td>
<td>5.6M</td>
<td>9.0M</td>
<td>359K</td>
</tr>
<tr>
<td>Roads</td>
<td>52.3M</td>
<td>24.1M</td>
<td>28.2M</td>
<td>1,170K</td>
</tr>
<tr>
<td>Total W/S/R</td>
<td>$76.9M</td>
<td><strong>$34.3M</strong></td>
<td>$42.6M</td>
<td>***1.75M</td>
</tr>
<tr>
<td>% of All TCAs</td>
<td>75.3%</td>
<td>84.7%</td>
<td>69.0%</td>
<td>72.9%</td>
</tr>
</tbody>
</table>

- *Commonly thought of as the “Municipal Infrastructure Deficit”
- **W/S/R Accumulated Amortization** alone are ~6 X all annual revenue from taxes and fees
- ***Meeting W/S/R Annual Amortization** would consume ~1/3 of all annual revenue from taxes and fees
January 2011: Town joined Asset Management BC;

June 2011: Town hosted 3-day National Asset Management Strategy (NAMS) workshop for four BC communities (BC Gov $60K grant);

Fall 2011: Inter-Department AM Project team began transition from TCA-alone approach to combined TCA/Asset Management;

September 2012: Council adopted a comprehensive, corporate-wide Asset Management Policy; and

February 2013: Council dedicated a 2% property tax increase entirely to Capital Asset Renewal and a further 2% of revenue from property tax to Capital Asset Condition Assessment.
What is NAMS?

1. Developed by the Institute of Public Works Engineering Australia (IPWEA) from the British Publicly Available Specification (PAS) 55 in the early 1990s;

2. Designed by the public sector, for the public sector to lengthen asset life;

3. Identifies levels of service desired by the public at costs they are willing to pay;

4. Identifies current condition and current replacement cost of existing assets;

5. Identifies necessary operating and maintenance costs;

6. Identifies renewal cost to maintain existing service levels versus upgrade or ‘new’ costs that expand service levels; and

7. Is a policy and long-term planning tool rather than a means for accounting only.
### “Infrastructure Deficit” vs. “Current Replacement Cost”

<table>
<thead>
<tr>
<th>Principal Asset Classes (Costliest)</th>
<th>2012 TCA Accumulated Amortization</th>
<th>2012 NAMS Current Replacement Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>4.6M</td>
<td>26.2M</td>
</tr>
<tr>
<td>Sewer</td>
<td>5.6M</td>
<td>28.2M</td>
</tr>
<tr>
<td>Roads</td>
<td>24.1M</td>
<td>76.6M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$34.3M</strong></td>
<td><strong>$131M</strong></td>
</tr>
</tbody>
</table>

**THIS VERY SCARY DIFFERENTIAL IS NOT THE WHOLE STORY!**

TCA/PSAB 3150 DO NOT allow for:

- Change in the value of the dollar – historical versus now;
- Large relative changes in labour and material costs;
- Affects of local environment on asset lifecycles;
- Actual asset condition versus projected linear depreciation;
- Distinction between “renewals” versus “upgrades” versus “new”;
- Differing actual service levels versus TCA depreciation schedules;
- On-going maintenance affects (good and poor) on service life; or
- Impact of new technology on current replacement cost.
“Concurrent Satisfaction” of TCA + NAMS = Success

Comprehensive Asset Register (Excel-based)

TCA
- Historical Cost, Linear Amortization, Net Book Value, Audit and Public Reporting

NAMS
- Realistic Life-cycles, Current Replacement Costs, Risk and Organization-wide Planning

Financial Statements
(Satisfies PSAB 3150)

Renewal Plan
(10+ year horizon)

Maintenance Plan
(5 year horizon)

Asset Condition Assessment Plan
(1 to 2 year horizon)

Capital/Operating Reserves Plan
(reviewed annually)
From Asset Register to Asset Renewal Projects: This...

Water Conditions

Waterline Quality Condition

1 - Excellent
2
3
4
5 - Poor
From Asset Register to Asset Renewal Projects: Plus This...

Road Conditions

Road Quality Condition

1 - Excellent
2
3
4
5 - Poor
From Asset Register to Asset Renewal Projects: Equals This...

All asset conditions combined

Total Asset Condition
1 - Excellent
2
3
4
5
6
7
8
9
10
11
12
13 - Poor
From Asset Register to Asset Renewal Projects: And This...
# Four Components of Asset Management Funding

## 1. Capital Renewal: Long-Term Borrowing to Leverage Granting
- Large scale Capital Renewal Projects – addresses Accumulated Amortization
- Temporal Fiscal Equivalence
- Does not consume financial capacity needed for maintenance – Annual Amortization

## 2. Capital Maintenance: Gas Tax, Fees and Taxation
- Small/medium planned non-emergent Projects – addresses Annual Amortization
- Fiscal Equivalence – dedicated 2% of Taxation + Gas Tax
- Council Risk Policy – prior years’ surplus to fund Capital Maintenance

## 3. Condition Assessments: Cash
- Identify/refine large scale renewal Projects (pre-engineering)
- Identify/refine Capital Maintenance Projects – additional 2% from Taxation

## 4. Reserves: Cash
- Assorted stat & non-stat Reserves for emergent asset failures
- Mitigation of Risk – prevents snap borrowing that upsets Long Term Capital Renewal
Questions/Discussion?

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