



REGIONAL DISTRICT of Fraser-Fort George

Asset Management Strategy



(Image courtesy of Asset Management BC)

Prepared by the Regional District of Fraser-Fort George

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Introduction

Local governments build and acquire assets with an eye to ensuring best value and minimizing financial impacts on ratepayers. In the past, financial planning exercises for capital projects were focused on the initial construction/acquisition costs and other financial planning considerations such as costing long-term maintenance, renewal or replacement was rarely factored into the initial project planning. And if there was any thought to these types of long-term cost pressures it was thought that these issues would be suitably managed at a future time. These past practices have had cost consequences regarding the ability to undertake long-term maintenance and renewal of assets. As the majority of infrastructure starts to reach the end of its design life governments are now faced with limited financial resources to renew or extend the life or replace these important community assets.

The issue of sustainable asset management was first raised by the Federal government in 1985 and over the past 30 years there has been varying efforts by senior governments to encourage local governments to change their past practices and consider implementing sustainable financial systems for long-term asset management. Early efforts were focused on education to raise awareness and to motivate voluntary compliance. In 2008 the Public-Sector Accounting Board introduced PS 3150 Tangible Capital Assets which placed a requirement for local governments to report on capital asset inventory, condition and depreciation in their annual financial statements. It was anticipated that this information would be helpful for elected officials and the public to understand the state of assets and be supportive of the implementation of sustainable asset management financial strategies. In 2014 an additional incentive was introduced with the renewal of the Federal Gas Tax Community Works Agreement. With the latest iteration of the Gas Tax Community Works Fund the Federal and Provincial Government are requiring local governments to undertake sustainable asset management practices. Eligibility for continued Community Works funding allocations requires BC local governments to move along an asset management planning continuum. Senior governments have also indicated that future infrastructure grant programs will require implementation of asset management practices as an eligibility requirement for grant submissions.

At this time, the Regional District does not have a formalized nor standardized asset management program and in order to meet our obligation to continue receiving Gas Tax Community Works Funds and be eligible for future infrastructure grants a formal program is required. The Regional District does have a strong foundation to work from in that there are a variety of data sets and documentation regarding the variety of assets under the care of the Regional District as well as several plans supporting programs such as solid waste, regional parks, cultural services and corporate climate change. Regional District assets include linear infrastructure such as community water and sewage systems, trails, roads and parking lots and non-linear assets include a variety of buildings, solid waste infrastructure and rolling stock such as fire trucks and light duty vehicles. The 2016 Audit Financial Statements recognize the historical investment value of our current asset stock at over \$54,000,000. The replacement value of our asset stock is unknown.

The Regional District's first step in implementing an Asset Management Program is the approval of an implementation strategy. This strategy will provide the framework for the Regional District to move forward in the development of a program that embraces best practices in asset management to support sustainable service delivery.

A. Asset Management Defined

Asset Management includes processes, approaches and plans that support integrated lifecycle approaches to effective stewardship of infrastructure in order to maximize benefits and manage risk.

Asset management activities include:

- Creating and maintaining an inventory of assets
- Reviewing and monitoring the condition of assets
- Determining level of service
- Risk assessment
- Cost analysis
- Priority setting
- Long-term financial planning.

The Regional District defines its asset management efforts as follows:

1. Regional District Asset Management Strategy

A high-level strategy towards development and implementation of asset management practices within the Regional District.

2. Regional District Asset Management Policy

The Board's vision and directive for adopting and incorporating asset management as a core business practice.

3. Regional District Asset Management Program

An overarching, long-term, living plan that provides for a common approach and support for the development of Service specific Asset Management Plans. The Program will define the common approaches for implementation, assessment and planning practices as well as defining corporate reporting structures so the Board is able to evaluate and monitor program progression.

4. Service Asset Management Plan

A plan particular to a Service which details information such as asset condition, risk analysis, Level of Service, life-cycle cost analysis, priority setting and financial planning that supports the sustainable operation and maintenance of assets.

B. Objectives

The objectives of the Regional District's Asset Management Program are:

- Sustainable service delivery
- Recognition of true life cycle value an asset
- Provision of reliable financial information for evaluating and determining sustainable levels of service
- Predictable infrastructure investment
- Responsible debt management
- Responsive to the negative impacts related to climate change
- Efficient and effective maintenance investment that allows for reasonable efforts to expand the life of an asset
- Sustainable reserve investment and spending
- Practices and procedures that complement and support business practices that are incremental and scalable to Services under review
- Implementation is consistent with the Strategic Priorities and financial/resource capabilities of the Regional District.

C. Process

The process of Asset Management will be dynamic in nature which will allow for flexibility in adjusting practices as knowledge and experience is obtained. The process will need to be incremental in nature and scalable to accommodate a range of needs from Services with low value, low risk assets to those Services with more complex, high value, high risk assets.

The current process approach can be summarized in the following three categories.

- 1) Implement
 - a. Develop and maintain a centralized inventory of assets
 - b. Undertake condition assessments
 - c. Train staff and elected officials
 - d. Regularly report out on progress of implementation.
- 2) Assess
 - a. Determine resource requirements for implementation of Asset Management Policy
 - b. Assess the condition and current value of an asset
 - i. Prioritize facility condition assessment based on Prioritization Matrix
 - ii. Forecast residual life of an asset and renewal investments
 - c. Evaluate tools for supporting and documenting asset management
 - d. Evaluate implementation of asset management with an eye to continuous improvement
 - e. Under take Levels of Service Assessment to inform asset operation and maintenance strategies.

- 3) Plan
 - a. Prepare
 - i. Asset Management Policy
 - ii. Asset Management Program
 - iii. Service Specific Asset Management Plans
 - b. Determine a system for maintaining asset management information
 - c. Develop financial strategies to implement Asset Management Plans
 - d. Prepare Asset Investment Plans particular to a Service
 - e. Determine how asset management fits into existing annual financial planning reporting.

D. Policy Considerations

1. Service specific Asset Management Plans will be prepared for each service where the value of assets within a Service exceed the minimum threshold in the Regional District's Tangible Capital Asset Accounting and Budgeting Policy. The current threshold is \$25,000.
2. Annual Budget Plans for each Service will include information regarding the Service's Asset Management Plan with a purpose to inform budget planning and discussions and remind the Board and Staff of asset management commitments.
3. All new capital construction projects, including new builds and renewals/refurbishment, that require architectural and engineering design services, will include a requirement for the development of an asset management plan for the new works as an output of the project.
4. All new operations/repair projects, including new builds, additions and renewals/refurbishment, that require adding onto, replacement or upgrading of existing infrastructure and do not require architectural and engineering design services, will include a requirement for the supplier/contractor to provide asset management information that will be included into a Service's Asset Management Plan.

E. Financial Considerations

Funding support for asset management practices and program development and supporting work such as facility condition assessments and service asset management plans will be at the pleasure of the Board through annual budget deliberations and/or through resolutions of the Board. The Board will retain the flexibility to finalize expenditure and revenue commitments based on the circumstances of the day.

1. Asset Management Implementation

A number of grant initiatives are available for asset management planning work. Internally, the Regional District can use Community Works Gas Tax Funds. Externally, the Regional District can access funds through UBCM and FCM. Where grant funding is not available costs of the implementation tasks will be attributed to the Service that holds the asset of interest.

The Regional District will focus on and leverage using grant funding for projects such as:

- Condition assessments
- Asset management plan development
- Procurement of tools such as software or retaining developers for asset management support software
- Training Programs

2. Asset Renewal / Refurbishment Investment

Any capital outlay for asset renewal / refurbishment will be supported by the respective services budget which will be reviewed and approved by the Regional District Board. Grant funding will be sourced as potential revenue sources.

3. Asset Operation and Maintenance

Operation and maintenance costs will continue to be supported through the Service the asset is attributed to.

Regional District of Fraser-Fort George Asset Management Strategy

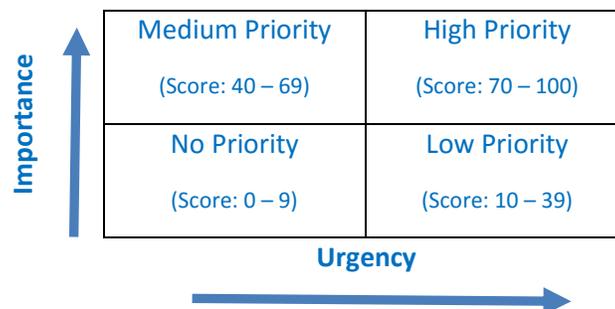
F. Workplan Development and Prioritization

Implementation of the Asset Management Program will be a progressive and continuous process that accounts for resource constraints such as budget, staffing resources and operational workplan obligations. It will be necessary to evaluate assets and their respective Services and prioritize order of work in preparing Service specific Asset Management Plans.

A number of weighting factors will be used to assist with prioritize asset management efforts. Rating factors will include age, quality of information, consequence of failure, current rate of reactive repair work and reserve fund allocations available to a Service. Scoring of factors will be based on the scale in the following Table and prioritization will assigned based on the total scoring as defined in the Prioritization Matrix.

\ Scoring Scale	0	5	10
Factors			
<i>Age</i>	New		End of Expected Design Life or Unknown
<i>Condition Data</i>	Complete		No Information
<i>Consequence of Failure</i>	None		Shutdown/Closure
<i>Frequency of Reactive Repairs</i>	Low		High
<i>Reserve Funds Available for Repair & Renewal</i>	Sufficient		No Funds

Prioritization Matrix



G. Responsibilities

Board

- Approving the Asset Management Strategy
- Providing a vision and direction for asset management through Policy adoption
- Considering and approving Financial Plans and expenditures supporting asset management
- Communicating with citizens about the importance of sustainable asset management practices.

CAO

- Oversight in the implementation of the Asset Management Policy and supporting program and practices
- Advising the Board regarding the progress and effectiveness of the Asset Management Program
- Coordinating best practices across all business units including developing resourcing plans
- Assisting Service Managers in adopting and prioritizing asset management efforts within their current portfolio workplans

CFO

- Coordinating financial data
- Assisting Service Managers in the preparation of sustainable financial strategies to support a Service's Asset Management Plan
- Maintaining and making readily available the financial information pertaining to a Service's Asset Management Plan
- Investment of reserve funds

Service Managers

- Participating in Asset Management training
- Participating in the preparation of Service Asset Management Plans
- Managing and maintaining assets at defined services levels in accordance with Asset Management Plan and Budget allocations
- Ensuring that future projects incorporate asset management best practices
- Assisting staff with incorporating asset management best practices in work routines

Corporate Asset Management Program Management Team

Implementation and oversight of the Asset Management Program will be under the care of the Administrator. To support the implementation of the program there will be a Team of Regional District Administrative staff that will be tasked with the development and progressive implementation of asset management practices. Members of the Team will be appointed by the Administrator and will include representation from Community Services, Corporate Services, Development Services, Environmental Services and Financial Services and any future business unit that has responsibility for the care of assets.

The core activities of this Team will include:

- Coordinate planning of asset management activities and determine resources and efficiencies for implementation
- Promote uniform practices across the organization
- Information sharing in best practices
- Pooling of expertise from the variety of business units
- Championing the asset management process
- Reviewing and reporting out on the progress of the implementation of Asset Management practices