



Asset Management Newsletter

FOURTH EDITION – WINTER 2011 ISSUE



Feature Article:

Infrastructure Canada Launches Consultation Program

The Government of Canada recently launched the formal engagement process that will bring together the Government of Canada, provinces, territories, the Federation of Canadian Municipalities and others to develop a new long-term plan for public infrastructure beyond the expiry of the Building Canada Plan in 2014.

The process will take place in three phases over the next year. First, the Government of Canada will work together with its partners to take stock of recent accomplishments and their impacts, and examine the results of the significant investments that have been made by all orders of government. The second phase includes working with our partners and leading experts to collaborate on research and analysis that will inform and guide the long-term infrastructure plan.

This important work will lay the foundation for the third phase where a series of in-depth discussions with partners will confirm the plan's principles and priorities. The result: an effective, sustainable, long-term infrastructure plan for Canadians with a view to jobs and growth.

As the Government of Canada develops this new plan, it will continue to deliver significant infrastructure investments through the \$33-billion Building Canada Plan. It has already tabled legislation to make the \$2 billion Gas Tax Fund permanent, providing stable and

predictable funding for municipalities to help support their local infrastructure priorities.



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Infrastructure Canada Launches Consultation Program

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Between 2005 and 2010, the Gas Tax Fund delivered \$4.8 billion to the provinces and territories, resulting in over 10,000 projects across the country. In British Columbia, the Union of BC Municipalities administers the Gas Tax Fund in collaboration with Canada and the province. To date, over \$1 billion has flowed from the federal government to the Province of British Columbia, translating into over 880 projects supporting local infrastructure needs, and contributing to the local economy.

One of the defining features of the Gas Tax Fund is its predictability. The federal government provides set allocated amounts to provinces and territories based on municipal populations, and flows the dollars before work on projects begins. Municipalities have the added financial flexibility to pool, bank and borrow against the funding allocations for their infrastructure needs. These features -- coupled with local decision making -- has enabled municipalities to better plan, hire workers, build and manage their core public infrastructure.

The **District of Saanich** integrated allocated Gas Tax Funds into their capital planning process for the replacement of aging infrastructure. With greater flexibility to determine the start-up for projects, Saanich was able to take advantage of market conditions, leverage additional funding and save funding over multiple years to take on larger scale projects. To date, Saanich has completed two of the largest fully funded projects through the Gas Tax program: the \$3.2 million Royal Oak Transit Exchange and the \$3.1 million Tattersall Road Upgrade.



In addition to capital investments in public infrastructure, the GTF also provides access to funding to build planning capacity through a variety of activities including the development of Integrated Community Sustainability Plans, regional growth strategies, and water and waste management plans. Despite being one of the smallest investment categories, over \$51 million has been invested nationally to support this important aspect of infrastructure funding.

The **Regional District of Okanagan Similkameen (RDOS)** used Gas Tax funding to complete a region-wide Solid Waste Management Plan. During the course of the project, the RDOS determined that it currently diverts 51 percent of its waste and that organics, recyclables from commercial and multi-family units, and construction waste constitute the largest waste types entering landfills. The final report recommended a number of initiatives: the development of a food waste to compost collection program for homes and businesses; the creation of business and multi-family recycling programs; and the development of recycling centres for construction waste. By implementing these proposals, it is projected that waste diversion will increase to over 70 percent within the next five years.

These are just a couple of examples of the many ways in which GTF supports better decision making and planning through long-term, predictable funding for communities across the country, which also contributes to job creation and economic well-being. Through strong partnerships with provinces, territories, municipalities and other stakeholders, the Government of Canada is committed to the continued success of the GTF -- and its other infrastructure programs -- so that all Canadians may enjoy the benefits of world class, modern public infrastructure.

More details are available through Infrastructure



Canada's website: www.infrastructure.gc.ca.

Case Study:

South East Kelowna Improvement District (SEKID)

Doing more with less: Streamlined Asset Management using Microsoft Excel

*By Darlene McKnight,
Secretary Treasurer*

The South East Kelowna Irrigation District (SEKID) is one of five public water utilities serving the City of Kelowna. The service area of SEKID encompasses almost 9,000 acres of land and accounts for over 20% of the area of the City of Kelowna. Like many regions in the Okanagan Valley, SEKID has a rich and varied association with agricultural activities, the roots of which pre-date the Kettle Valley Railway at the turn of the last century.

Background - SEKID's Challenge - Doing more with less!

SEKID is a class 4 system that owns and operates an extensive water transmission and distribution network. This network consists of a range of types and sizes of pipework up to 1050mm in diameter, and spanning 115 km through 31 different pressure zones. This network serves about 2,100 domestic connections and 530 small and large irrigation connections. SEKID is not a municipality, although it serves a population that is larger than those of BC's 90 smallest municipalities and manages it with a staff of eight employees. We have limited ability to achieve economies of scale because we are serving a low density area: a large agricultural area which is 80% of our service area with a small domestic base. We therefore need affordable, simple, practical and easy-to-use solutions to meet our challenges.

Like all local government in the province, in 2009 we were faced with the need to enhance our accounting standards to conform to the new PSAB-3150 requirements. At the time, the need for an asset management program was becoming more and more apparent as some of our infrastructure is beginning to reach end of life. We have a lot of AC pipe that was installed in the 1970s and in some areas, we have found that the AC has already deteriorated and exceeds its useful life. This has led us to consider the long term financing implications of renewing SEKID's extensive system.

GIS - it is both desirable and out of reach

It could be that some of the most demanding and difficult elements of asset management are related to the linear assets: the water distribution system for example. For most municipalities this can include sewer and roads too. It takes some effort to develop an inventory of linear assets and to keep track of the changes to this inventory. As SEKID has such an extensive distribution network, we have experienced firsthand the challenges in managing linear assets.

Linear assets can be organized geographically and this is the kind of thing that GIS systems do very well. There are several GIS-based asset management systems available, however, they tend to be expensive and complex to setup and operate. At this point, smaller organizations become too small for GIS-based solutions to be practical and because of SEKID's circumstances; adoption of GIS system is not viable at this time.

Using Microsoft Excel to meet difficult challenges in an affordable way

To enhance our asset management process we contracted AquaVic Water Solutions Inc. AquaVic specializes in providing advanced Microsoft Excel-based tools for use by water purveyors. These tools are designed to support the management of utilities, and they include components for asset management, usage analysis and rates & charges analysis. There are several advantages enjoyed by SEKID in using Microsoft Excel to meet our Asset Management needs. The obvious ones are that Excel is affordable, easy to learn, easily customized, and self-maintainable. Third party software tends to be more expensive, more restrictive, requires special training and generally cannot be easily modified and customized without involving the software provider.

Development of an Easy Asset Manager

AquaVic and SEKID worked together to customize the Asset Manager tool to meet the needs of SEKID. The resulting Microsoft Excel-based solution we call Easy Asset Manager. SEKID enjoys three significant benefits from the use of this tool:

- 1. Easy management of asset inventory**, particularly pipe work. SEKID's linear assets are aggregated into about 210 groups. This contrasts with a GIS based solution which would be more complex and might comprise a thousand or more groups or segments. Excel

offers the ability to customize at will. Sometimes there is a reason to deviate from the current model, and because Excel is so commonly used special training is not required to make modifications. The many hours spent training and re-training on the use of software is therefore avoided.

2. Ongoing calculation of ACFAR - This is the Annual Contribution for Asset Renewal that gives you an idea of how much money needs to be put away for renewal replacement. The Easy Asset Manager tool maintains a 25 year and 100 year long term financial outlook incorporating inflation, return on investment for reserve funds and cost of borrowing.

3. Easy PSAB 3150 reporting - Each year gross & net book value and annual depreciation are automatically recalculated when the reference year is reset to the next year.

Conclusion

SEKID has gone from reactive management of assets to proactive management. Planning is an ongoing process as we learn more about the condition of our extensive system, we can easily and affordably update and maintain our asset replacement schedule. Working with AquaVic made the process less painful and we were able to meet the PSAB requirements on time. This approach took full advantage of our existing expertise with Microsoft Excel and we are able to meet the ongoing challenge of doing more with less!

Asset Management is alive and well in British Columbia!

*By Andy Wardell,
GFOABC Representative and Vice Chair, Asset Management BC*

In 2011 Asset Management BC (AMBC) continued to leverage the work done with the four BC municipalities that tested the AMBC Roadmap. That work led to partnering with the Saskatchewan Urban Municipalities Association (SUMA) and together we brought Australia's National Asset Management Strategy (NAMS) to Canada.

NAMS was developed by Institute of Public Works Engineering Australia and is a scalable process that empowers municipalities, develops asset management plans and facilitates their integration with long term financial plans. It is a municipally driven approach to asset management planning and supports better long

term financial planning through a program of training and support using a suite of tools and templates. NAMS is also based on requirements outlined in the International Infrastructure Management Manual.

For the first time, four BC and four Saskatchewan municipalities have interdisciplinary teams trained in a single asset management planning process that includes elected officials, senior administrators, operations and finance professionals; each now has an asset management plan for one of their major asset groups. These asset plans are based on PSAB 3150 inventories augmented with replacement values. The plans provide a minimum of a ten year view of the financial plan requirements from an asset life cycle perspective, asset condition, risk management modelling and the ability to adjust these plans iteratively in the interests of balancing infrastructure and financial sustainability.

The key messages are:

- Sustainability of services must be a key objective. This involves stewardship, asset management and long term financial plans.
- The link between levels of service and price must be made.
- Infrastructure is the foundation of the economy of our communities and must be financially sustainable.
- PSAB 3150 inventories lay the foundation for asset management plans.
- Asset management plans feed the long term financial plan.
- Interdisciplinary teams and working together are key to success.

The results of this work were presented at an AMBC workshop in Kelowna on October 18th and at a SUMA workshop on October 19th and 20th. Each participating municipality continues to work on their asset management plans and in both BC and Saskatchewan we soon hope to have these available to share with other municipalities. Additional communities in Saskatchewan are receiving training at the end of November. It is expected additional training will be available to BC communities in May 2012.

The Saskatchewan Tangible Capital Asset website best profiles the work done to date:

- The Saskatchewan experience with NAMS - [NAMS 2011 Asset Management Pilot Project](#)
- The Australian story and NAMS as told by Chris Champion, CEO of the Institute of Public Works Engineering Australia – [Asset Management Drivers In Australia](#)

From the perspective of shared vision, the GFOABC and AMBC are working to bring robust asset management plans into long term financial planning. Concurrently the GFOABC has started a program on Long Term Financial Planning with the goal of charting the way to financial sustainability. By integrating strategic planning, asset management plans and budgeting in a simple manner, the long term financial plan can garner elected official and public support in building a financially healthy organization.

What Should I Expect from Asset Management BC?

Asset Management BC (AM BC) is a “community of practice for all of us engaged in or having an interest in effectively managing the maintenance, repair, upgrade and ultimately either replacement or decommissioning of our assets for our assets management. If you are reading this, then you belong to the community. **AM BC** is not another organization in itself. We are all part of the community and there are no fees and no sign-up for members.

Our primary objective is transfer and sharing information and knowledge. To date, we have achieved this with your input, by holding workshops, preparing policies (Asset Management draft policy) and studies, testing and providing various tools (AssetSmart, NAMS) The website www.assetmanagement.bc contains all information produced to date as well as provides an interactive ‘chat’ capability. Three editions of the AM BC Newsletter have been issued. This is your 4th edition. All editions are available on the AM BC website.

To help drive the progress of **Asset Management BC**, there is a working group that meet periodically. The Working Group partners are Associations with members and disciplines within our communities managing and financing our assets.

Our partners in **AM BC** include:

- BC Water and Waste Association
- Canadian Network for Asset Managers
- Centre for Infrastructure Management BCIT
- Government Financial Officers Association
- Aboriginal Affairs and Northern Development Canada, B.C. Region
- Local Government Management Association
- Master Municipal Construction Documents Association
- Municipal Engineers Division, Association of Professional Geologists and Engineers of BC
- Nisga’a Lisims Government (First Nations)
- Planning Institute of British Columbia
- Public Works Association of British Columbia
- Union of British Columbia Municipalities

Along with our Association partners, the Province of BC through the Ministry of Community, Sport and Cultural Development are represented and support the group. A number of municipal representatives are also part of the group representing all forms of local government in BC.

With national and international connections and contacts, **AM BC** attempts to bring you information of value from other countries. We have a very strong working relationship with Australia who is a world leader in asset management. Nationally we engage CNAM (Canadian Network for Asset Managers) Participation with CNAM gives us a direct link to the Institute for Asset Management in the United Kingdom.

Asset Management BC has been discussing as an example: ‘How do we integrate financial and technical issues into a workable plan?’, ‘How do I use my PSAB 3150 data and move it to fair value?’, ‘How do we communicate the message to our political leaders and ultimately to our tax payers?’ among other questions.

AM BC is committed to working with our partners to use the collective expertise to progress asset management with our communities. What other questions do you have that AM BC might address? What are your issues? Where do you need help or information? Your input would be very helpful. Send your thoughts to info@assetmanagementbc.ca.

We are always looking for case studies both for our newsletter and to post on the AM BC. Have you a case study you would like to share. Would you share your asset management programs and plans and support documents? We would like to continue to build the library of reference material for your use.

Upcoming Events

February 1-3, 2012, Kelowna

Local Government Management Association

CEO Forum

Refer to: www.lgma.ca

February 27 - March 2nd, 2012, BCIT downtown campus, Vancouver

Public Works Association of BC

Infra 1120 – training course

Refer to: www.pwabc.cpwa.net

April 16 - 20, 2012 BCIT downtown campus, Vancouver

Public Works Association of BC

Infra 1130 – training course

Refer to: www.pwabc.cpwa.net

April 21 -25, 2012– Penticton

BC Water and Waste Association

Annual General Meeting and conference

Refer to: www.bcwwa.org

May 6 - 10, 2012 – Montreal

Canadian Networks for Asset Managers (CNAM)

Annual Workshop and Trade Show

Refer to: www.cnam.ca

May 30 - June 1, 2012 – Kelowna

Government Financial Officers Association of BC

Annual Workshop and Trade Show

Refer to: www.gfoabc.ca

Interested in NAMS for AM?

We expect, in BC, to undertake another round of NAMS training for asset management for municipalities in April or May 2012. The training session is 3 days and includes the purchase of rights to the NAMS templates, training and follow-up. Want a testimonial? Call **David Love** at the **Town of Golden** (250-344-2271). Further information, call Wally Wells **AM BC** at 250-741-9887

AM BC A Big Thanks

Stan Westby, CA, Chief Administrative Officer of the City of Powell River has been the Chair of **Asset Management BC** since its inception. Unfortunately for us, Stan has advised that municipal priorities will not permit him to continue to provide the leadership he has achieved for the past three years and has resigned as chair from **AM BC** and the Working Group. Stan has significant national and international experience in finance, local government and as a municipal CAO. Stan was a member of the National Asset Management Working Group that prepared and published a national strategy for asset management. All this background and experience was made available through Stan to establish **Asset Management BC** as a Community of Practice and network for our Province. Our model, which evolved from the national working group, is being considered for a Province wide network in Saskatchewan and Alberta. Thank you, Stan from all of us for excellent work and leadership.

Andy Wardell, Manager of Financial Services, for the District of North Vancouver, who has been one of two vice chairs, becomes **acting chair**. Andy represents the Government Financial Officers Association on the working group and, in the interim, will help move our Community of Practice forward. Andy will now up the group determine our future directions to best serve our communities. Your input is needed. Please refer to the article in this newsletter "What should I expect from **Asset Management BC**?"

Another departure is our other vice chair, **Gordon Brown**, Manager of Operations, District of West Kelowna. Gordon is retiring come February 2012 and returning from West Kelowna to his long-time home in Campbell River on Vancouver Island. Gord has represented the Public Works Association of BC and has provide excellent technical operational advice to merge with e financial aspects of asset management. Thank you Gordon for your knowledge and leadership in helping lead the progression of the asset management programs in BC.

Issued by:



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Asset Management: Tips and Tactics

By Bernadette O'Connor

The implementation of asset management practice initiates an important transition in mindset for most organizations. The thinking of decision-makers starts moving from mostly reacting to events and asset condition, to a focus on services being delivered and wanting confidence that they can keep delivering these into the future.

Decision-makers begin to realize that typically it is the service and not the asset that is important to the user. However the assets and how they are managed become very important in regard to cost to provide the services.

Many asset management decisions could benefit greatly from a clear understanding of the relationship between the quality of the service provided and the cost to the community or individual users. However, too often we see organizations set aside the task of defining levels of service. This is not because they don't think it's important. Most recognize it is very important. It is more commonly set aside because people are unsure how to start or they think it will be complex and require a lot of resource to do.

There are however a few steps that can and should be taken as soon as possible to establish some sense of service delivery and related costs.

1. Review Costs

Review cost codes and add codes to account separately for operational costs from maintenance costs and asset replacement costs from new asset costs.

2. Define Service

Define what the user of each service gets for their money. Initially this need only be a descriptive statement of key points of interest to potential customers – 'a sales pitch' or 'statement of value', but one that is as factual as you can be.

3. Measure Performance

Consider the definition from above regarding the service that users can expect, and identify what can be measured to prove the level of service being delivered.

Information on the following costs will support good decisions for managing assets and services.

- New asset – new construction, value is needed for TCA reporting.
- Operation – running costs, power, cleaning, servicing, inspections, consumables, staff time.
- Maintenance – physical repair to maintain operation, but not including replacement. Tracking maintenance costs will indicate if the overall asset condition is being maintained, improved or deteriorating.
- Replacement – replacement of asset with equal asset or modern equivalent.
- Disposal – cost related to disposal of an asset.

Generally for all asset management practices,

**it is important to *start*,
and thereafter to *progress*.**

It can be a challenge to identify where best to start, but starting anywhere usually proves to be better than waiting. Many times I have heard the lament from new Asset Managers, that they wished they had started the process sooner. In regard to levels of service, starting with the end outcome – the 'statement of value' for the customers is recommended. This provides the primary context for deciding anything to do with the assets or the service. It is a top-down approach.

Some organizations have used a bottom-up approach, defining services by detailed technical level of service statements. Both approaches have value and ultimately both customer and technical statements will be required to manage delivery of the services. However, starting with the customer statement first and then developing the technical detail has some advantage.

Start with Customer Value	Start with Technical Detail
Single statement can be defined quickly	Requires more time and is usually more complex
Is readily understood by non-technical people	May not be understood easily by others
Focus is on the purpose and goals for the service. Technical detail is fitted to the required outcomes	Focus is on technical detail and this may or may not be a good fit for required outcomes
Focus on purpose tends to encourage innovation	Focus on pre-set detail tends to stifle innovation



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News from Canadian Network of Asset Managers - CNAM Chair's Message - Steve Wyton

Once again, with the year end quickly approaching, my thoughts turn to reflecting upon a very busy and successful 2011 for CNAM. As we discussed at the Annual General Meeting in Burnaby this past May, 2011 has been characterized by the CNAM Board creating focus on those service offerings that add value to our existing members and continue to grow our organization. Here's an update.

In 2011, the CNAM Board approved the association's first five-year strategic plan. The plan was largely based upon key initiatives that our members wanted:

- developing a discussion forum for municipal asset managers to share information and ideas;
- establishing a subcommittee to further develop Tangible Capital Asset practices; and
- establishing regional partnerships with training and discussion topics that suit the regions' needs.

Looking ahead into 2012, I ask that each of our members consider getting involved with our association as part of your 2012 professional or personal objectives. Our membership has identified the association's priorities into the next few years and we need your help to take action. www.cnam.ca

CNAM 2012 Workshop in Montreal - a MUST Event.

Mark your calendar to register for the 6th annual Canadian Network of Asset Managers Workshop. Asset managers from across Canada will meet May 6-9, 2012 in Montréal, Québec — the city that is consistently rated as one of the world's most liveable cities. Registration opens January 15, 2012 at www.cnam.ca Look for Asset Management BC with the Town of Golden to be there to talk about the BC NAMS pilot project.

CNAM Tereo Asset Management Awards

Is your organization successfully developing and implementing asset management approaches to effect business improvement? If so, the Canadian Network of Asset Managers encourages members to submit an entry into the first annual CNAM Tereo Asset Management Awards. Why Tereo? Terotechnology – from the Greek word 'tereo', meaning to guard, to care for, to watch over – is a multidisciplinary approach to obtaining maximum economic benefit from physical assets. Award submissions deadline January 31, 2012 at www.cnam.ca

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