Long-Term Financial Planning

Asset Management

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Population 56,535
New Brunswick’s Capital City

General Annual Budget $106.3M
W&S Annual Budget $17.7M

Over $1 Billion Asset Value

First PSAB compliant municipality in New Brunswick
Long-term Financial Plan focus is Sustainability

- “spending the right money on the right things at the right time” within financial constraints

- “meeting existing service delivery without compromising ability to meet future needs”
Not Without Our Challenges

• Tax base growth slowing
• Provincial unconditional grant cut by 75%
• Municipal costs outpacing revenue – fiscal gap
• Public safety arbitrated settlements
2008 PSAB Tangible Capital Assets
→ Complete inventory of all assets
→ Valuation of assets

ASSET MANAGEMENT and LONG-TERM FINANCIAL PLANNING

→ 2009 Condition/Risk Assessment
→ 2009 Infrastructure Report Card
→ 2010 Long-term financial plan adopted
→ Capital prioritization & investment policy
→ Long term infrastructure reinvestment funding strategy

→ 2011 Preventative maintenance funding strategy
→ 2012 Lifecycle Cost Analysis on new major infrastructure
→ 2013 W&S LTFP adopted

A structured approach to “lifecycle” based prioritization investment plans.
Sustainability Journey-Questions Answered

PSAB Tangible Capital Assets
• What do you own?
• What is it worth?

Asset Management
• What is the condition/risk?
• What do you need to do to it?

Long-term Financial Plan and Funding Strategy
• When do you need to do it?
• How much will it cost?
• How do we sustain it in the future?

Annual Capital Budget
• How are capital dollars prioritized and allocated?
What Do You Own?

1. LAND IMPROVEMENTS
2. VEHICLES
3. BUILDINGS
4. MACHINERY & EQUIPMENT
5. LINEAR
A Few Facts:

1. The total replacement value of all assets owned by the City of Fredericton… $1.07 billion

Number of households in Fredericton .............. 24,382

Total infrastructure investment per household ......... $ 43,926
General Fund Infrastructure Value

Replacement Value - 2013
$870 million

- Buildings, $154,754,482
- Linear, $661,576,759
- Vehicles, $31,996,514
- Land Improvements, $18,491,690
- Machinery & Equipment, $3,097,710
Equates to a $30,000 investment per connection
What is Condition/Risk?

Replace Cost (millions)

Priority

1. $244 Million (23%)
2. $433 Million (40%)
3. $403 Million (37%)

POOR CONDITION + HIGH RISK

GOOD CONDITION + LOW RISK
Water and Sewer Infrastructure Report Card

- GOOD: 21%
- FAIR: 27%
- POOR: 52%
General Fund Infrastructure Deficit at January 1, 2013 - $59 Million

- Current replacement cost of assets that have exceeded their useful life

- Buildings, $7,330,728
- Linear, $42,692,352
- Machinery & Equipment, $491,352
- Vehicles, $7,003,694
- Land Improvements, $1,714,241
W&S Infrastructure Deficit - $130M

Equates to $7,500 per connection
How Do We Sustain it?

Long-term Financial Plan
- Funding Plan
- Policies
- Feeds into Annual Budget
General Fund

Capital Prioritization & Investment Policy:

• To provide adequate, sustainable, and stable reinvestment in existing infrastructure
• To address the infrastructure deficit

Funding Strategy:

• PAYG capital budget 5% annual increase plus inflation adjustment for 2010-2029
• PAYG capital budget
  • 75% infrastructure reinvestment
  • 10% new/extension to accommodate growth
  • 15% maintenance
General Fund Infrastructure Deficit

INFRASTRUCTURE DEFICIT

DEFCIT WITHOUT ADDITIONAL FUNDING

DEFCIT WITH ADDITIONAL 5% FUNDING
W&S Fund

Capital Prioritization & Investment Policy:

• To provide adequate, sustainable, and stable reinvestment in existing infrastructure
• To address the infrastructure deficit
• Equity, rate competitiveness, avoid rate shock
• Revenue rate structure aligned to fixed and variable costs

Funding Strategy:

• 5% annual revenue increase for next 20 years
• Commit next 10 years Gas Tax Funding to W&S projects
• PAYG capital budget – 90% existing; 10% new
These numbers include Federal Gas Tax Funding.
AFFORDABILITY
Ave. Household Daily Cost of Water

Average Fredericton residential household consumes 533 litres of water per day

This daily total equals the cost of 1 medium Tim Horton’s coffee
PROTECTING OUR INVESTMENT FOR FUTURE GENERATIONS

SAFE
QUALITY
SUSTAINABLE
EQUITABLE
RELIABLE
SECURE
How Do We Sustain it in the Future?

Annual Capital Budget

• Integrated capital plan based on:
  – LTFP policies
  – infrastructure reinvestment funding strategy
  – Infrastructure deficit replacement list
    • Focus - highest risk/worst condition assets replaced first

• Provided structure

• No more ‘squeaky wheel’, departmental lobbying.

• Collaborative approach

• Capital budget decisions based on need; less political
Why Successful?

- Vision. Knew LTFP/AM critical to financial sustainability
- Initial buy-in from CAO
- Initial buy-in from Public Works/W&$S department
- Consistent methodology across departments
- Departments guided through each step
- Project plan & strict deadlines

- Council, public and staff communication and education
  - from 3rd party expert
  - from City staff
- Promoted benefits and importance
- Kept message simple
- Staff saw benefit at budget time

- Keep in front of Council and public
Benefits

• Keeps City attractive to residents and investors
• Protects taxpayers investment into the future
• Efficient use of taxpayer’s dollars
  • More cost effective to maintain good infrastructure
    – Costs 7 times more to rebuild a road than to resurface
• Seeing Results: Cost saving measure long-term
  • Realizing R&M operational cost savings
• Helps manage expectations of citizens, Council and staff
• Capital Investment Plan ready
  • Prioritized
  • Know most critical needs (based on condition and risk)
Council

• Trusts capital budget brought forward

• Living within LTFP parameters
  – Considering long-term impact of today’s decisions

• Council legacy: Sustainability
  – Plan today: Not burden children and grandchildren

• May 2012 municipal election and today
  – fiscal discipline, accountable, good financial stewards

• Seeing results.

• Positive feedback from citizens.
Quotes from Mayor, CAO and Director of Engineering

Through my role with FCM, I get to meet with colleagues from all over Canada and I know that municipal infrastructure management is a huge issue for everyone. I am very pleased that we have taken steps in this City to properly manage our infrastructure assets.

—BRAD WOODSIDE, Mayor

Council, and the public, have very high expectations about how we manage the City's finances. With our Comprehensive Asset Management Program, I know that we are taking the best decisions for meeting current expectations and for ensuring our long term sustainability.

—CHRIS MACPHERSON, Chief Administrative Officer

Our asset management initiative has probably been the most significant thing I have seen in my 30 years of working with municipal infrastructure. In the past, I had thought that asset management was something for only the engineers. Now, I realize that it works best when every department plays a role.

—MURRAY JAMER, Director of Engineering & Operations/Assistant CAO
Smart. Sustainable. By Design.
City of Fredericton’s PSAB TCA Steps

- Assigned a project manager and a Finance staff person
- Interviewed each department
- Surveyed each department on its asset information
  - Identified sources of data, how they currently collect the data (if any)
- Determine gaps
- Obtain accurate list of City’s capital assets
- Determine value of the assets
- How best to track assets consistently in future i.e. what/how does department track asset data operationally now and for what purpose?
- Bridge financial requirements with operational requirements for data collected
- Determine amortization of assets
  - Rate of use (life cycles)
- Worked closely with departments step by step, educated and promoted the benefits of PSAB and LTFP.
- Achieved biggest player buy-in first- Public Works and W&S
2009 Capital Budget changes

• Why the change?
  – PSAB asset reporting requires TCAs be identified, tracked and amortized (know what we have, the value and useful life)
  – First step towards Asset Management

• Benefits
  – Know the TCAs the City owns
  – Now have a complete list of TCAs and asset values each department owns; now must continue to update through improved budgeting and expenditure tracking process
  – Improved capital budgeting
    • Clear definition of what falls under “capital” i.e. TCA
    • Assists with capital prioritization because
      – Now know assets you own, are responsible for and will eventually know condition and lifecycle i.e. what needs replaced when
      – Better organized and aid in capital planning
How it all ties together

- Capital Budget (Banner)
  \[\rightarrow\]
- Actual Expenditures (Banner)
  \[\rightarrow\]
- Dept TCAsset detail \[\rightarrow\] TCAsset Database
  \[\rightarrow\]
- Financial Statements and leverage the information for Asset Management