Connect the Dots: Financial Accountability, Infrastructure Sustainability & Service Delivery

“Money – it should be about how to get the most value out of every dollar spent. Too often, thinking stops after the capital investment is made. Yet everyone needs to be thinking in terms of life-cycle costs, including future recapitalization of the investment.”

Glen Brown
Province of BC
Financial Accountability, Infrastructure Sustainability, Service Delivery:

Connecting the Dots with an Asset Management Approach

Glen Brown, Executive Director
Local Government Infrastructure and Finance Division
Ministry of Community and Rural Development

September 8, 2010
Principle #1 – It’s all about service

• Infrastructure [assets] only exist to provide a service to the public
Principle #2 – Once you have decided to offer the service – define its quality

• “Levels of Service” (LoS) means different things to different people – beware of LoS creep!
Regulatory Framework

Principle #3 – With Levels of Service come Operations and Maintenance requirements over the life-cycle of the asset
Distribution of life-cycle costs for a typical building (Source: British Columbia Homeowner Protection Office)
Principle #4 – Do the right thing, to the right asset, at the right time
### Cost Type vs Total Cost

<table>
<thead>
<tr>
<th>Cost Type</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance Costs</td>
<td>$100,000</td>
</tr>
<tr>
<td>Low Maintenance Levels</td>
<td>X 4 (of repairs)</td>
</tr>
<tr>
<td>Borrowing</td>
<td>X 2 or X 3</td>
</tr>
<tr>
<td>Failure</td>
<td>X 2 or more</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Up to 16 X</strong></td>
</tr>
</tbody>
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#### Asset Condition and Rehabilitation Timing

- **Excellent**
  - 40% drop in quality
  - $1 for renovation here
- **Good**
  - 40% drop in quality
  - $4 - $5 for replacement here
- **Fair**
- **Poor**
- **Very Poor**
- **Failed**

- **Time**
- 12% of Life

*Image of a damaged vehicle with the date 30/12/2009.*
Principle #5 – **ALL** Infrastructure Activities are Inter-dependent
What is Asset Management?

- Integrated approach involving planning, engineering and finance to effectively manage existing and new municipal infrastructure in a sustainable manner to maximize benefits, reduce risk and provide satisfactory levels of service to the community user in an environmentally and ecologically responsible manner. (National Asset Management Working Group)
Why Asset management

• Helps in avoiding problems and potential crises;
• Provides better and consistent levels of service to the public, at less cost;
• Reduces risk to the community;
• Improves evaluation of return on investment;
Why Asset management

• Leads to more effective communication with ratepayers, elected officials, financial rating organizations, and regulatory agencies:
  – allows for more accurate financial planning;
  – leads to more efficient data management; and
  – results in positive institutional change.
The 7 questions of Asset Management

1. What do you have and where is it? (Inventory)
2. What is it worth? (Costs/replacement rates)
3. What is its condition and expected remaining service life? (Condition and capacity analysis)
4. What is the level of service expectation, and what needs to be done? (Capital and operating plans)
5. When do you need to do it? (Capital and operating plans)
6. How much will it cost and what is the acceptable level of risk(s)? (Short- and long-term financial plan)
7. How do you ensure long-term affordability/sustainability? (Short- and long-term financial plan)
British Columbia’s Local Government Asset Management Working Group provides leadership and support for the management of community infrastructure. The group is comprised of associations and communities, brought together to recognize and integrate the political, administrative, technical, operational, financial and planning aspects of asset management. Our purpose:

- To consider all matters respecting the broadest interpretation of asset management strategies, tools and results for the betterment of our communities.
- Define specific projects and develop a strategy to seek funding and deliver the projects.
- Suggest specific programs, tools or consideration on other matters that will assist our communities respecting asset management.
- Dissemination of information to the greater community.
- To support the development of a local government asset management strategy for the province.

What’s New

Currently Asset Management BC activities are focusing on developing a toolkit for local governments. Activities include pilot projects, a local government asset management self-assessment tool, and an asset management roadmap.

Coming in mid-September 2010:
- Release of the State of Asset Management in BC report
- First edition of the BC Asset Management Newsletter
- Publication of Case Studies
- Release of Local Government Asset Management Policy Guide

Regional Asset Management Workshops- Videocasts, March 2010
- Videocast presentations from these workshops are available for viewing or download here.

Upcoming Events:
- UBCH 2010 Convention, September 27 - October 1, 2010. Whistler BC

http://www.bcassetmanagement.ca/
Thank You

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