

Local Government Land Use and Asset Management Planning in BC:

Proposed Sustainable Service Improvements

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“Infrastructure challenges are more than a daily inconvenience; they pose real risks to the future prosperity of our communities, and to the entire country.”

- Finance Minister Jim Flaherty speaking to the Whitby Chamber of Commerce, March 9, 2006¹

Introduction

Land use planning in British Columbia may be significantly improved when integrated with asset management planning in local governments. The Canadian Institute of Planners (CIP) defines land use planning as the:

scientific, aesthetic, and orderly disposition of land, resources, facilities and services with a view to securing the physical, economic and social efficiency, health and well-being of urban and rural communities.²

Asset Management BC defines asset management as:

An integrated approach involving planning, finance, engineering and operations to effectively manage existing and new infrastructure to maximize benefits, reduce risks and provide satisfactory levels of service to community users in a socially, environmentally, and economically sustainable manner.³

Sustainable land use management or Smart Growth likely demands this integration and collaboration. CIP acknowledges the importance of infrastructure and asset management in its further description of land use planning:

Responsible planning has always been vital to the sustainability of safe, healthy, and secure urban environments. Canada's population is growing and, with more people migrating from rural to urban areas, the planning profession must increasingly deal with urbanization issues, such as:

- conversion of land from natural habitats to urban built areas,
- maintenance and use of natural resources and habitats,
- development of transportation related **infrastructure** [emphasis added],
- ensuring environmental protection.⁴

¹ Federation of Canadian Municipalities, “Municipal Infrastructure Projects: Key to Putting Canadians to Work”, (Ottawa: FCM, 2009), p.7, available at: http://www.fcm.ca/CMFiles/FCM%20Shovel%20Ready%20report_list%20En1NTR-1152009-8491.pdf

² The Canadian Institute of Planners, “Planning Is...”, available from <http://www.cip-icu.ca/web/la/en/pa/3FC2AFA9F72245C4B8D2E709990D58C3/template.asp> accessed on October 17, 2010.

³ Asset Management BC, “The State of Asset Management in British Columbia”, September 2010, p. v., available from http://www.civicinfo.bc.ca/Library/Asset_Management/Tools_and_Resources/The_State_of_Asset_Management_in_BC--LGAMWG--September_2010.pdf

⁴ The Canadian Institute of Planners, et al.

The Local Government Infrastructure Deficit

The local government infrastructure deficit is the difference between the cost of maintaining and upgrading existing, local government-owned assets and the amount of capital reserves required for the maintenance and replacement. Infrastructure assets have a defined service life, and across Canada, local government infrastructure is reaching the end of its service life and requires replacement⁵. As a local government's infrastructure assets deteriorate, meeting performance levels becomes more difficult, particularly given the shortage of capital funds for both maintenance and replacement. A municipal engineer in the City of Port Coquitlam estimated road maintenance funding to maintain roads to 16 of the normal 20-year life cycle.⁶ Municipalities, like Port Coquitlam, may make short-term financial and technical decisions in an effort to minimize this trend or ignore the deterioration. By not setting aside sufficient funds to operate, maintain and replace their assets, this deterioration will accelerate and ultimately result in asset failure. This will erode public confidence, threaten community values and goals and impact the community's economic development.⁷

Essentially, local governments across Canada (and many parts of the world) have not put away adequate funds to replace infrastructure when the life cycle of those assets is complete and replacement is due. As an example, the 89-year old Johnson Street bridge in Victoria requires replacement according to numerous engineering studies on the seismic vulnerability, and the structural, electrical and mechanical systems.⁸ No capital replacement fund was established in 1921 to put reserves away for replacing it in 2010. While capital reserve funds exist, the City has estimated a \$467 million infrastructure deficit for the municipality, which has a population of 80,000.⁹ A recent Facilities Inventory and Condition Assessment by the City of Victoria Engineering Department found the condition of 59% of City facilities are past their useful life. The replacement value of the total inventory is estimated at \$250 million.¹⁰ Short-term budgeting for projects within a 3-year term of elected office has led to a preference to fund operating budget proposals over capital budget reserves and immediate capital projects over replacement funding for the distant future.

The Federation of Canadian Municipalities (FCM) estimates a local government infrastructure deficit of \$123 billion increasing at \$5 billion per year. This cost has escalated over tenfold from \$12 billion in 1985 to \$60 billion in 2003 due to the accelerating combination of aging infrastructure and continuing deterioration. In addition, local governments receive only 8 cents on the tax dollar – the province gets 42 cents and the federal government gets 50 cents. Since local governments own 50% of community infrastructure, local governments are facing a fiscal crisis.¹¹ As noted by FCM, the severity and immediacy of that crisis depends upon the age of local government infrastructure and the capital replacement programs. The older the infrastructure and the less capital reserves or replacement funding, the greater and sooner the infrastructure crisis will occur. Infrastructure is the largest asset managed by most local governments.

⁵ Mirza, Saeed, "Danger Ahead: The Coming Collapse of Canada's Municipal Infrastructure", Federation of Canadian Municipalities, November 2007, p. 2, available at: <http://www.fcm.ca/CMFiles/mdeficit1OPT-792008-3425.pdf>

⁶ McLean, John, P.Eng., City of Port Coquitlam, personal communication, 2007.

⁷ The Local Government Asset Management Working Group of British Columbia, Asset Management Policy Sub-committee, "A Guide to Developing a Municipal Asset Management Policy, available at: http://www.civicinfo.bc.ca/Library/Asset_Management/Tools_and_Resources/Guide_to_Developing_a_Municipal_Asset_Management_Policy_DRAFT--LGAMWG--October_2009.pdf

⁸ The City of Victoria, "Johnson Street Bridge Replacement Project", available at: <http://www.johnsonstreetbridge.com/>

⁹ McAllister, David. "Aging Infrastructure - Review and Assessment - "Challenges and Opportunities"" presentation to the City of Victoria Environment and Infrastructure Standing Committee on May 20, 2010.

¹⁰ City of Victoria Engineering Department, "Facilities Inventory and Condition Assessment", circa July 2010.

¹¹ Mirza, Saeed, et. al, p.2.

The deficit is believed by many experienced local government practitioners to be significantly underestimated as it was published in 2007 – two years before the new Public Service Accounting Board (PSAB) standards for local governments came into effect on January 1, 2009. The new standards, called PSAB 3150, require local governments to report Tangible Capital Assets in a new format on their financial balance sheets and amortize them on their income statements.¹² This means local governments must know and report on the value of their infrastructure assets and the depreciated value. As many local governments did not have a full accounting of their assets prior to PSAB 3150, a full accounting and assessment likely means much higher asset values and a higher deficit.

An Integrated Approach

If the necessity, goal, and best practice of asset management is an integrated approach involving planning, finance, engineering and operations effectively managing existing and new infrastructure, then how should this occur? How do local governments ensure the full service life is reached and have mechanisms to enable their replacement? And why are planners the least knowledgeable of the local government professionals about asset management when land use planning is the key determinant for infrastructure demand and servicing?

Local government land use planning in British Columbia is usually administered through planning and development services departments by qualified land use planners. Infrastructure planning, including transportation networks, water distribution networks, sewage collection systems, information technology systems, vehicle and equipment fleets, parks, and civic facilities, is usually administered through engineering and public works departments by qualified engineers. Financial planning and reporting is usually administered through finance departments by qualified accountants. Adequate integration of these functions is not common.

The legislative requirements for integration of land use planning and asset management, including financial management, are already mandated. The *Local Government Act* (LGA) and the *Community Charter* are the main statutes governing local government authority and operations in BC. A summary of the relevant sections is provided below to provide an overview of the authority and integration of land use and asset management.

Section 875(1) of LGA states an official community plan (OCP) is a statement of objectives and policies to guide decisions on planning and land use management, within the area covered by the plan, respecting the purposes of local government. Professional practice commonly uses a time horizon of 20-30 years. An OCP, under section 877 must include the following:

- (1) statements and map designations for the area covered by the plan respecting the following:
 - (a) the approximate location, amount, type and density of residential development required to meet anticipated housing needs over a period of at least 5 years;
 - (b) the approximate location, amount and type of present and proposed commercial, industrial, institutional, agricultural, recreational and public utility land uses; ...
 - (e) the approximate location and phasing of any major road, sewer and water systems;
 - (f) the approximate location and type of present and proposed public facilities, including schools, parks and waste treatment and disposal sites; ...

¹² Ontario Ministry of Municipal Affairs, "What is PS 3150 - Tangible Capital Assets", available at: <http://www.mah.gov.on.ca/page6677.aspx>

While Section 884 states an OCP does not commit or authorize a municipality to proceed with any project is specified in the plan, the next subsection requires all subsequent bylaws enacted or works undertaken by a municipality be consistent with the relevant plan. OCPs commonly contain a large number of projects, so expecting all to be enacted within the timeline is ambitious, but all subsequent bylaws enacted by the municipality must then be consistent with those ambitions.

Section 882 states a municipality must consider an OCP in conjunction with its financial plan and any waste management plan following first reading of the OCP bylaw. Section 98 of the *Community Charter* requires local governments to prepare an annual report prior to June 30th of each year, including:

- the audited annual financial statements for the previous year;
- a report respecting local government services and operations for the previous year;
- a progress report respecting the previous year in relation to the objectives and measures established for that year
- a statement of local government objectives, and the measures that will be used to determine progress respecting those objectives, for the current and next year

With Section 165 requiring an annual financial plan with a minimum 5-year financial budget forecast, local governments now must incorporate strategic planning, performance management and corporate reporting into financial management. Both the annual report and financial plan require consideration by Council in an advertised public meeting open to submissions and questions from the public.

So, why is this not commonly happening? In 2009, Asset Management BC interviewed 39 local governments asking these questions and identified the need in asset management to:

- have strong collaboration and a holistic approach
- integrate local government departments or functional areas
- enhance the long-term planning process
- re-assign staff responsibilities to develop and implement an asset management program
- incorporate asset management into existing job descriptions and responsibilities.¹³

From the survey, most local government staff does not believe their local government can maintain affordability of services for their taxpayers while also adequately financing asset renewal. Many local governments recognize that reserves for asset renewal need to be increased and long-term financial plans must be prepared; however, few communities prepare financial plans beyond the required five-year time frame or plan explicitly for asset management.¹⁴ Further, community support will be needed at all stages to maintain asset management as a priority over the long-term instead of the current short-term to immediate response to demands. This requires further public education programs aimed at increasing awareness of the true cost of providing a service.¹⁵

¹³ Asset Management BC, et. al.

¹⁴ Ibid., p. 25.

¹⁵ Ibid., p. 27.

The City of Victoria is attempting to address these concerns by preparing the following plans:

- Victoria Sustainability Framework – has three goals to:
 1. Define a strategic vision of sustainability, including goals and priorities, to guide the City’s corporate and community activities towards long term sustainability being achieved through a Sustainability Action Plan;
 2. Provide tools to integrate a commitment to sustainability into City operations, policy and program initiatives being achieved through a Triple Bottom Line Tool Box; and,
 3. Create mechanisms for tracking progress towards sustainability goals being achieved through a Triple Bottom Line Score Card.
- Asset Management Plan – an interdepartmental working group and steering committee are working with a consultant to develop an asset management plan by 2012. The plan will undertake an analysis of current assets, life cycle, level of service and options for financing.
- Official Community Plan - create a vision and detailed plan to ensure that Victoria’s growth and change over the next 30 years is sustainable. The plan will set direction for the city’s growth, urban form, transportation, housing, services and infrastructure.
- Climate Action Plan – assess the City’s corporate carbon footprint towards carbon neutrality in 2012 as required by the Climate Action Charter, and develop a community resiliency plan to address energy use and greenhouse gas emissions through transportation, buildings and waste management.

Conclusion

To address issues of sustainability, planning needs to be carried out not only over large areas of space, but also over very long periods of time... Land use planning is a key local government function, which includes long-range land use policy, growth management, capital budgeting and regulatory or “implementation” planning. It generally involves zoning of appropriate types and forms of land uses, as well as infrastructure and open space planning directed at the efficient utilization of land in order to provide benefits to the broader population, the economy and the environment.¹⁶

The following risks only add to the demand on infrastructure and other local government services:

- Dominant Baby Boomer cohort approaching retirement – retirees will outnumber workers within the next 5 years for the first time in Canadian history
- Declining work force, particularly in professions and skilled trades – the recent recession has mitigated this change, but the shortage is already apparent in several fields
- Climate change – this will result in climate events of increased severity, shorter return periods and rising sea levels
- Increasing population diversity – ethnic diversity will continue to increase
- Increasing health care costs – an aging population with increasing technological costs

¹⁶ Alberta Urban Municipal Association, “Sustainable Land Use Planning: Analysis and Recommendations”, November 30, 2007, p. 3, available at: http://www.ealt.ca/media/uploads/Sustainable_land_use_planning_AUMA.pdf

- Continued downloading from Provincial and Federal governments – one solution to their budget deficits!

The accelerating pace of change in our communities will continue, requiring local governments to become much more nimble, collaborative and integrated with a long-term focus. Each local government may determine where to start based on its particular circumstances, whether that be an asset management policy or plan, corporate strategic plan or long-term financial plan but the longer these plans are delayed, the more drastic the following measures will be in order to survive financially:

- Lowering of service levels
- Reduction or elimination of some assets
- Challenging risk acceptance limits
- More partnerships, particularly with private capital investment
- More user pay charges

The change is here, and it is accelerating. Local governments have an opportunity to adapt and mitigate these changes and improve resiliency of our communities within existing legislative authority and current best practices.