



Asset Management: The Strategic Basics



This initiative is offered through the Municipal Asset Management Program, which is delivered by the Federation of Canadian Municipalities and funded by the Government of Canada.

fcm.ca/assetmanagementprogram



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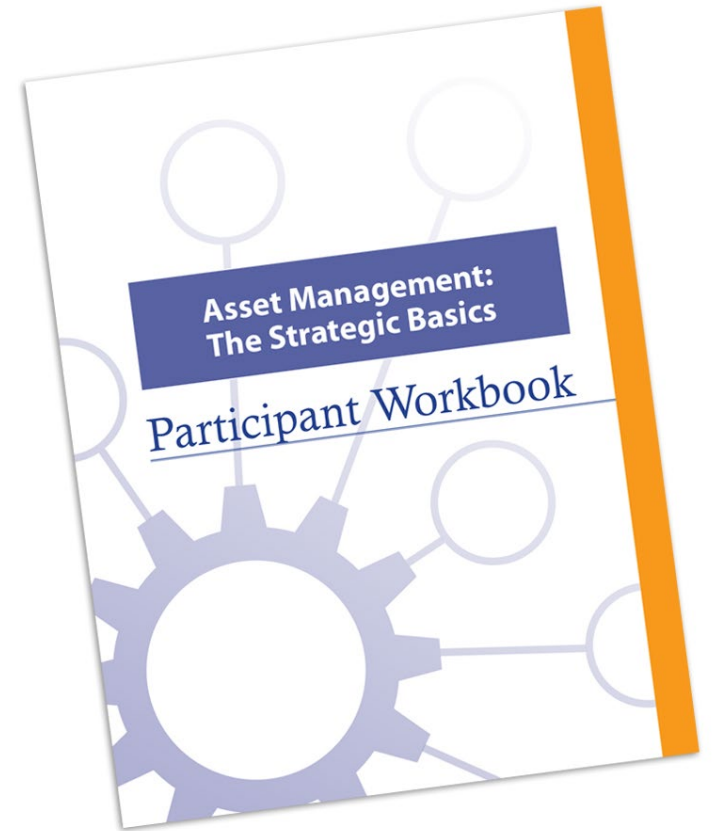
Asset Management for Elected Officials



Welcome!

Why we're here:

- Introduction to asset management for elected officials
- Tools to help you in your work
- Strategies for municipalities with limited resources



FCM's Municipal Asset Management Program

- Funding for asset management activities
 - Assessments
 - Plans, policies, and strategies
 - Data collection and reporting
 - Training and organizational development
 - Knowledge Transfer
- Funds up to 80% of eligible costs to a maximum of \$50,000



Asset Management for Elected Officials



Your Facilitators



 Asset Management for Elected Officials



Using the Workbook



SCHEDULE

Module 1—Define Asset Management

<i>Time</i>	<i>Topic</i>
8:30 – 8:45	Introductory Remarks
8:45 – 9:15	➤ Define Asset Management
9:15 – 10:15	➤ Articulate the Benefits of Asset Management
<i>10:15 – 10:30</i>	<i>Refreshment Break</i>
10:30 – 11:15	➤ Recognize Trade-Offs in Asset Management Decision-Making
11:15 – 12:00	➤ Describe the Asset Management Process
<i>12:00 – 1:00</i>	<i>Lunch</i>



SCHEDULE

Module 2—Fulfill the Role of the Elected Official

<i>Time</i>	<i>Topic</i>
1 :00– 1:30	➤ Identify the Role of Elected Official and Other Stakeholders
1:30 – 2:15	➤ Use an Asset Management Mindset
2:15 – 2:30	<i>Refreshment Break</i>
2:30 – 3:00	➤ Articulate the Role of an Elected Official in Providing Leadership on Asset Management
3:00 – 3:45	➤ Effectively Use Data and Information
3:35 – 4:15	➤ Understand and Follow the Asset Management Process
4:15 – 4:30	Concluding Remarks and Course Evaluation



Module 1

Define Asset Management



 Asset Management for Elected Officials



What Does Asset Management Mean to You?



 Asset Management for Elected Officials



What is Asset Management?

“The process of **making decisions** about the use and care of infrastructure to deliver services in a way that considers current and future needs, manages risks and opportunities and makes the best use of resources”

Source: Munis 101 (Elected Officials Education Program)



Some Vocabulary...



Assets | Also known as a tangible capital asset, a physical component of a system that enables a service, or services, to be provided.

Asset management system | A set of processes and procedures that support asset management. Components may include a plan, policy, and/or strategy.



Did You Know?



- 60% of Canada's core public infrastructure is owned and maintained by municipal governments.
- One-third of municipal infrastructure is in fair, poor, or very poor condition.
- Canadian Infrastructure Report Card found that "All communities, particularly smaller municipalities, would benefit from increased asset management capacity."



Asset Management Focuses On

- The purpose of your organization and how assets support community goals
- Value, purpose, and long-term outcomes of assets
- Managing risks and understanding the context of risks
- Holistic approaches to budgeting
- Collaboration across municipal service areas and with service partners

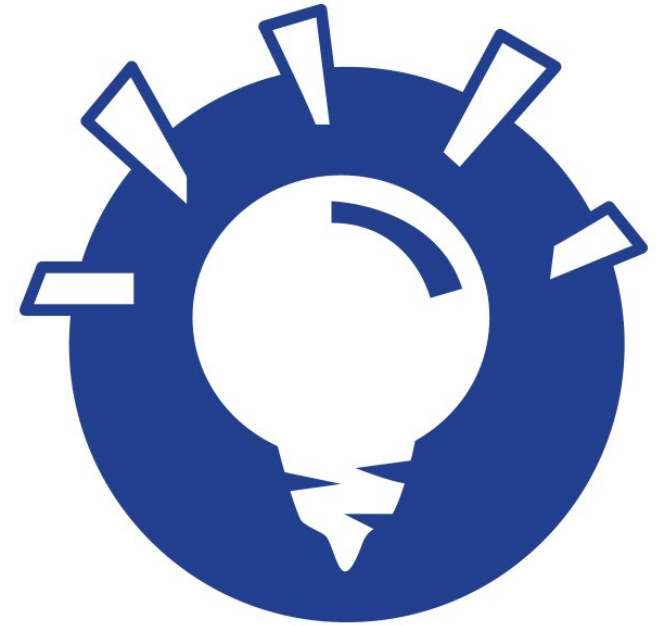


Asset Management and Other Levels of Government

- Asset management is a priority for provincial and federal governments
- Gas Tax Agreements promote asset management
- FCM's new Municipal Asset Management Program is a five-year, \$50 million program designed to help Canadian municipalities make informed infrastructure decisions based on sound asset management practices

Activity

See page 5 in Workbook



Benefits of Asset Management

Align the organization with things that matter most.

- Service delivery, from the lens of people receiving the service
- Alignment with other municipal plans

Benefits of Asset Management

Defensibly prioritize projects and allocate resources.

- Understand what infrastructure needs to be replaced, when, and how much it will cost
- Systematic approach to resources
- Evidence-based decisions

Benefits of Asset Management

Systematically manage risks to service delivery.

- Understand risks to sustainable service delivery
- Identify funding needs and prioritization



Strategic risk | Risk of change that could impede your ability to achieve an overarching strategic goal

Asset risk | Risk of an asset failing to perform as needed

Sustainable service delivery | Delivering municipal services in a socially, economically, and environmentally responsible way



Benefits of Asset Management

Demonstrate accountability to community.

- Be able to articulate *why* decisions are being made

Benefits of Asset Management

Position your community to take advantage of federal or provincial government incentives or meet requirements.

- Asset management is increasingly being required to access grants
- Alberta's approach to the Gas Tax Agreement includes asset management practices



Asset Management in Other Provinces

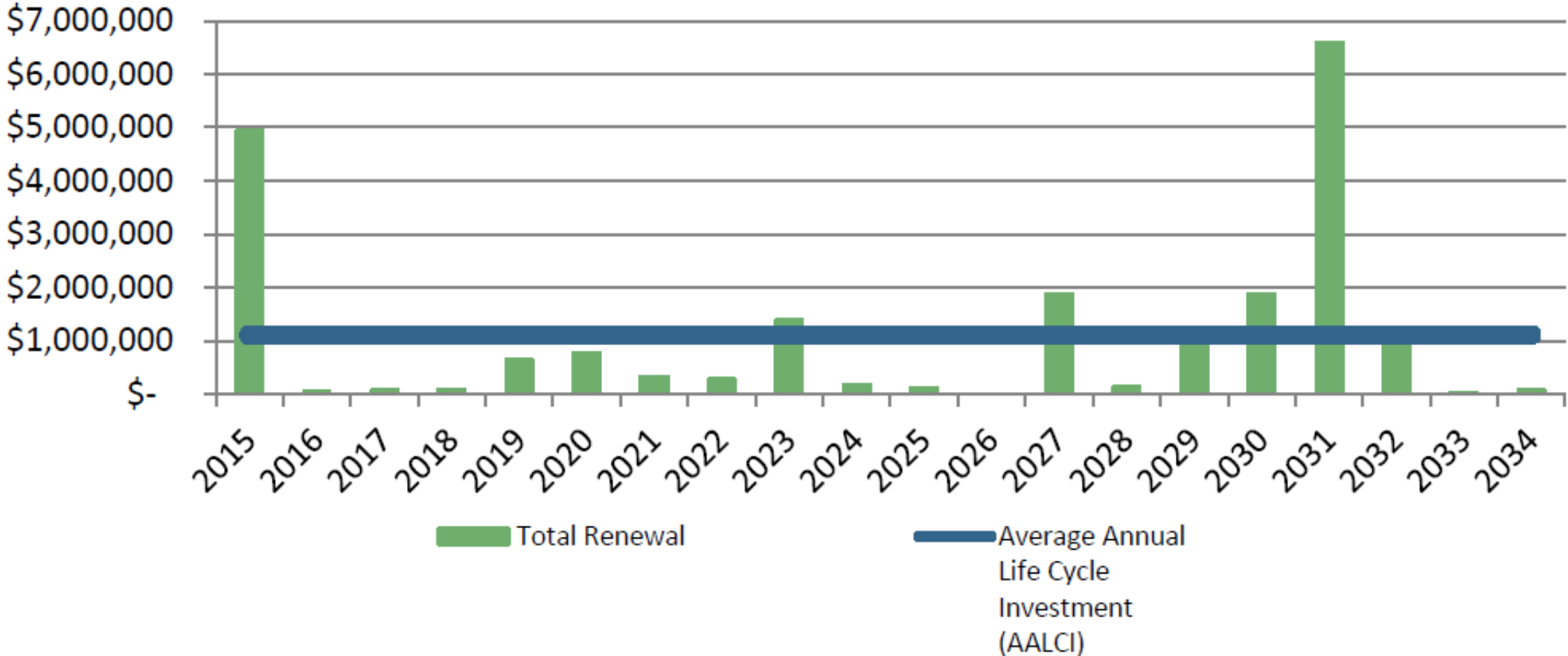
- Provinces and territories have committed to make progress on asset management through Gas Tax Agreements with Canada
 - BC – Progress on outcomes defined in the BC Asset Management Framework
 - Ontario – Asset management plans required for provincial funding

Activity

See page 8 in Workbook



20 Year Renewal Investment Versus Average Annual Life Cycle Investment (AALCI)



Reflection



 Asset Management for Elected Officials



Trade-Offs and Asset Management

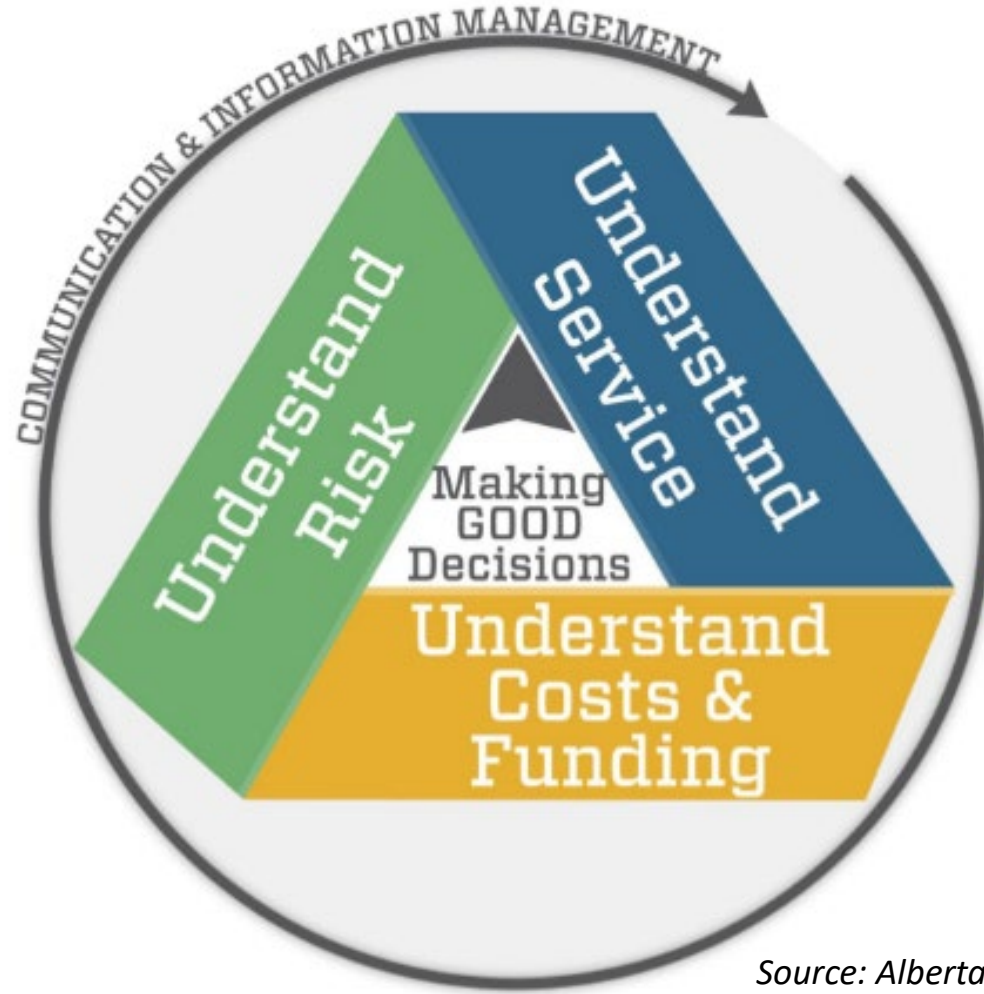
- Council makes decisions and sets direction
- Decision-making means recognizing and thinking about trade-offs between service, risk, and cost
- Staff help prepare information about trade-offs to inform council's decisions

Asset Management Lens

Often the trade-offs in decisions won't be explicit. But all decisions related to service delivery should incorporate an asset management lens.

This means thinking about:

- What information is available?
- What information is needed?
- What trade-offs are being made?
- How do these trade-offs connect to the community's long-term goals and needs?



Source: Alberta Handbook and Toolkit



Service

Types of services

- Does our municipality need to provide this service? Why?

Benefits

- Who benefits from these services?
- Who many not benefit?

Service

Level of service

- What is the current level of service provided?
- What is the desired level of service and timeline for achieving it?
- What are the regulatory requirements (i.e., minimum level of service)?
- How do council and staff understand what level of service is needed or wanted by recipients?
- What is the appropriate level of service to deliver?



Service

Service demands

- How will service demands change over time?
- What are the ways that the municipality can influence the demand for a service?
- How do service demands vary in different areas of the municipality?

Community Engagement and Asset Management

What is it?

- Public education on infrastructure and services
- Public engagement to understand service needs and expectations, as well as willingness to pay
- Communication on decisions

Why is it important?

- Improves public awareness of costs and trade-offs of services
- Provides transparency
- Minimizes surprises to constituents



Risk

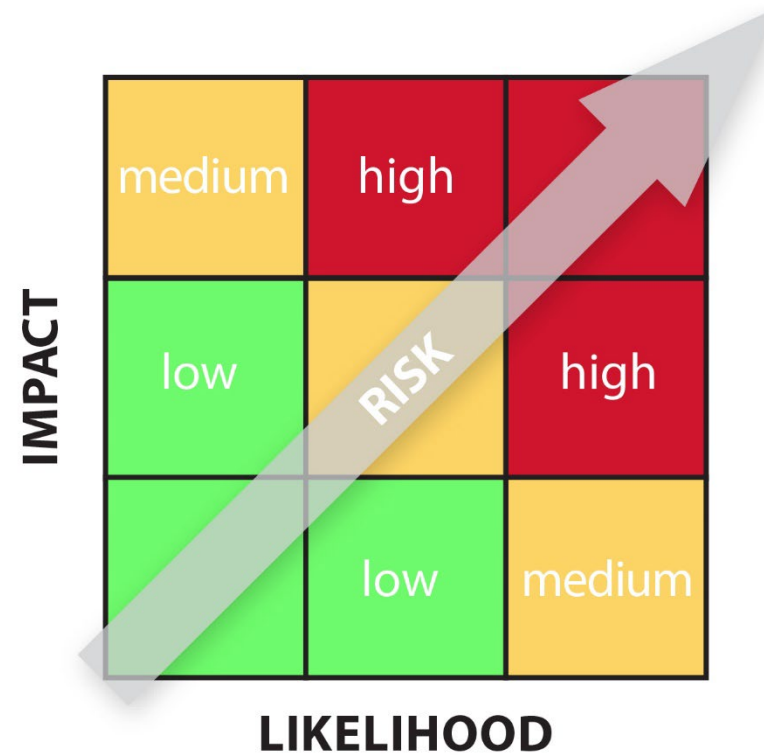
$$\text{RISK} = \text{IMPACT} \times \text{LIKELIHOOD}$$

(how severe will
the negative
consequences be?)

(how probable is it that these
negative consequences will
happen?)



Risk



Types of Risk



Strategic risk | Risk of change that could impede your ability to achieve an overarching strategic goal

Asset risk | Risk of an asset failing to perform as needed

Risk Tolerance

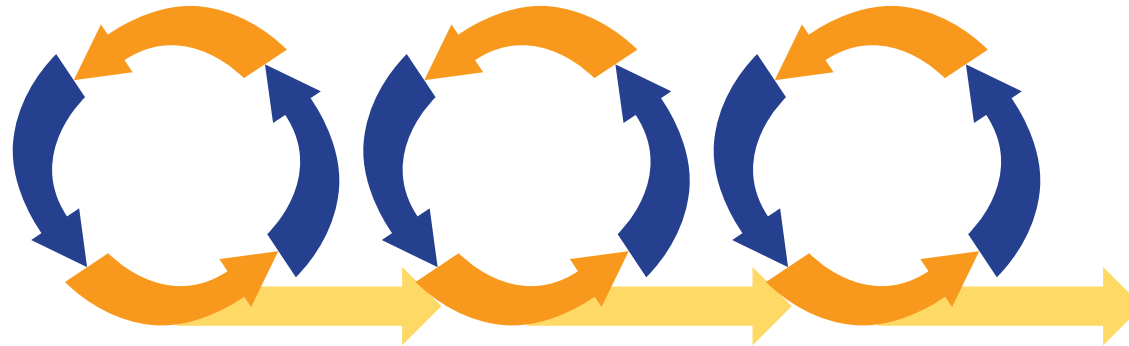
- Not all risks can be eliminated
- Some risks can only be mitigated
- Risk tolerance means the level of risk a municipality can reasonably handle

What is an example of a risk you might choose to tolerate?

What is an example of a risk you would want to mitigate?

Risk Management

- Identifying and assessing risks
- Identifying and evaluating actions to reduce risk
- Implementing appropriate actions
- **Risk management is an iterative process**



Costs and Funding

- Replacement costs
- Capital costs of new assets and timeline for these costs
- Operating and maintenance (O&M) costs
- Relationship between capital cost and O&M costs (full lifecycle cost)
- Past and projected trends in operating and maintenance costs over time
- Revenue sources for future capital and operational costs
- Opportunities to reduce costs through partnerships or other alternate service delivery mechanisms
- Intermunicipal partnerships



Activity

See page 16 in Workbook



Asset Management Process



Asset Management for Elected Officials



Asset Management Policy

- Connection between council's strategic guidance and staff's operational processes
- A standalone asset management policy, or a series of policies related to areas like finances, human resources, training, etc.



Asset Management Policy

- Outlines organization's commitment and mandated requirements for asset management
- Links to organization's strategic objectives
- Shaped by organization's values and priorities, and community objectives
- Outlines principles for decision-making about assets
- Outlines corporate approach to funding and financing



Asset Management Strategy

- A document that lays out the direction, framework, and approach for implementing the community's asset management policy
- Council can endorse the strategy to signal importance of asset management



Asset Management Strategy

- Outlines how asset management policies will be implemented
- Identifies objectives, goals, and approach to asset management practices
- Outlines relationship between other corporate initiatives and plans
- Primarily for staff use, with input from council
- May require some re-alignment of staff and financial resources



Asset Management Plan

- A detailed plan that outline how assets will be managed in one or more service areas
- Supports implementation of the asset management strategy
- May be one plan, or a separate plan for each service (e.g., transportation, facilities, etc.)
- Outlines how asset management practices will create, maintain, and renew infrastructure and other assets



Asset Management Plan

- Includes comprehensive information about assets, their condition, and how they are performing
- Identifies current levels of service and desired levels of service
- Identifies asset and strategic risks
- Defines capital and operational projects needed
- Defines current and projected costs and funding
- Provides a timeline for implementation
- Articulates the consequences of not following the plan



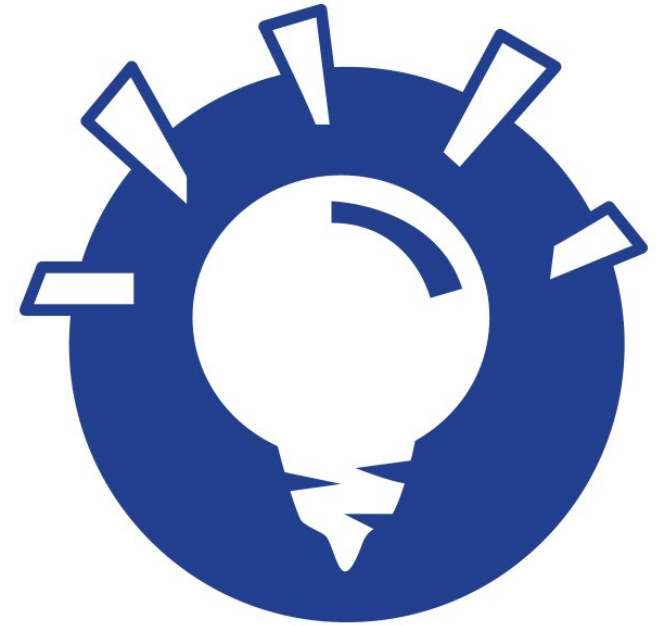
Measuring and Monitoring AM

- Staff will use indicators and measures to monitor the implementation of asset management
- From time to time, council may ask for reports on key indicators



Activity

See page 22 in Workbook



Module 2

Fulfill the Role of the Elected Official in Asset Management



Asset Management for Elected Officials



Role of Stakeholders

Asset management requires participation of a range of internal and external stakeholders:

- Council
- CAO
- Staff
- Community
Constituents
- Partners
- Consultants
- Senior
Government



Council

- Champions asset management in the community
- Provides leadership through setting direction and relevant policies
- Acts as a steward of community services
- Supports building community resilience
- Considers asset management information and mindset in day-to-day decision-making



CAO

- Employee of, and accountable to, council
- Works with administration to implement council direction
- Directs and supports staff in developing appropriate asset management processes and systems



Staff

- Develops and implements asset management practices
- May be involved throughout the asset management process, including
 - background research
 - data collection and management
 - community engagement
 - risk analysis
 - level of service reviews
 - capital planning
 - monitoring of practices
- Accountable to the CAO, not council



Community Constituents

- Receive services
- Pay rates and taxes
- Are the “why” of service delivery
- Asset management helps elected officials by providing the information they need to demonstrate accountability to their constituents
- Elected officials are often the first point of contact when constituents are unhappy



Partners

- May help a municipality to deliver a service
- An Intermunicipal Collaboration Framework may identify opportunities and strategies for partnership among municipalities
- Important to identify who in the partnership will be responsible for asset management of joint assets



Consultants

- May be hired to provide specialized asset management services or for other aspects of service delivery where asset management may be relevant (e.g. establishing utility rates, etc.)



Federal and Provincial Governments

- Provide incentives for municipalities to develop asset management processes
- May require communities receiving grants to demonstrate their need for the investment by describing their asset management practices



Activity

See page 25 in Workbook



Asset Management Mindset

As council, fulfilling your role in asset management requires using an asset management mindset:

- Focus on service delivery
- Consider long-term implications and commitments resulting from decisions
- Work across disciplines and integrate the necessary perspectives (planning, engineering, public works, and finance)
- Start where you are and continually improve
- Consider both short-term and long-term needs



Asset Management Mindset

How would you apply an asset management mindset during the budgeting process?



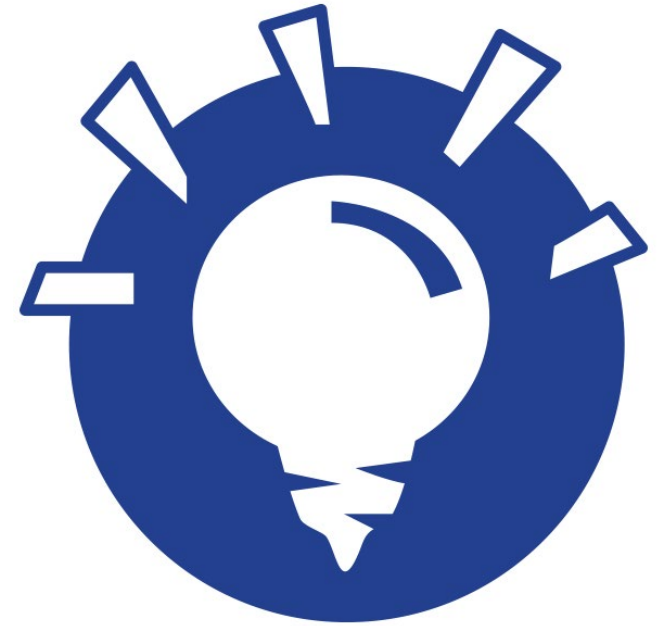
Asset Management Mindset and Budgeting

- How do the priority projects in the budget contribute to service delivery?
- What about the projects that are unfunded and not included in the budget – what impacts do those have on levels of service or on risk?
- What are the long-term operations and maintenance costs of the identified capital projects?
- What precedents are being set that may establish expectations in the future?
- How do the prioritized projects help to reduce the risk that our municipality is facing?



Activity

See page 26 in Workbook



Leadership in Asset Management

Council plays a critical role in setting the tone for what is important in a municipality.

Council's leadership is influential and can be very impactful in moving an organization along in developing and implementing asset management practices – ultimately stewarding the sustainability of the community.



Internal Leadership in Asset Management

- Supporting the development of a cross-functional team
- Bringing an asset management mindset to council meetings
- Asking questions of staff with an asset management mindset
- Supporting resources for developing and implementing asset management systems and training for staff
- Approving the asset management policies and strategy



External Leadership in Asset Management

- Participating in knowledge sharing initiatives, such as peer networks and conferences.
- Contributing to the development of a strong community of practice
- Contributing to the collective voice of municipalities when working with the provincial or federal governments.

Did You Know?

Infrastructure Asset Management Alberta (IAMA) is an Alberta-based community of practice, representing individuals and organizations who are interested in asset management, and providing opportunities to share knowledge, learn, and network.



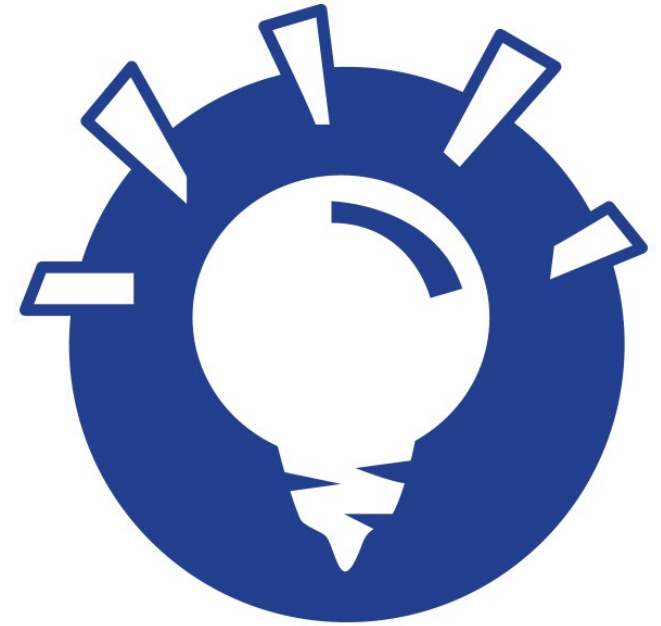
External Leadership in Asset Management

- Bringing an asset management mindset to engagement with constituents
- Communicating to constituents how asset management supports decision-making to the public



Activity

See page 28 in Workbook



Effectively Using Data and Information

- Some people think asset management is just about data
- Data is important but only one component of asset management



Role of Elected Officials in Data Management

- Elected officials support staff in collecting, maintaining, and using information in a way that contributes to better decisions
 - Encourage data-informed decisions
 - Financial resources
 - Human resources
 - Culture of good data management practices



Collecting Information

- What do we own, what are the attributes, and where is it?
- When was it installed or put into service?
- What did it cost?
- What would it cost to replace it?
- What condition is it in?
- How long will it last?



Collecting Information

- Information doesn't need to be perfectly accurate—it depends on what you need it for
- Start with anecdotal data or estimates if that's all you have (qualitative data is still data)
- Improve data over time



Consolidating and Organizing Information

- Data needs to be accessible when needed
- Some communities prefer specialized software
- But you can start small—basic GIS with an Excel inventory

Storing and Accessing Information

- Staff should know
 - What information is available
 - How accurate it is
 - What limitations there are to the information
- When information needs to be shared across departments, staff will need to communicate about what information is there and what their specific needs are



Updating and Improving Information

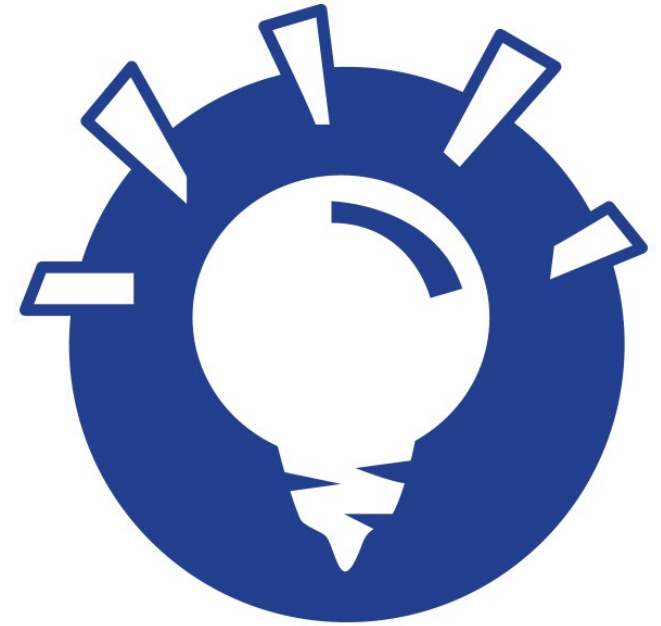
- Information will need to be updated as circumstances change
- Regular updates mean that staff have the data they need, when they need it
- Council supports staff by providing the resources they need through budgeting

Data management is an iterative process—start where you are and improve over time.



Activity

See page 30 in Workbook



Asset Management Process

Why is using a standardized decision-making process important?



Community 1

- Informal approach to budgeting and capital planning
- Plan is never written down
- Priority projects are based on
 - Knowledge of assets and needs that held in the mind of the Public Works Manager
 - Council priorities based on community feedback



Community 2

- A standardized process is used to develop the capital plan and budget
 - Asset management data is reviewed to identify high-risk assets and asset coming to the end of their useful life
 - Community plans are reviewed to identify projects that would achieve the community vision and goals
 - A business case is developed for each potential project
 - Business cases are prioritized according to risk, benefit, and available funding



Community 2

- Projects that will be funded are written down in the plan and budget
- Projects that are not funded are included in next year's review



What are the benefits of the approach Community 2 takes?



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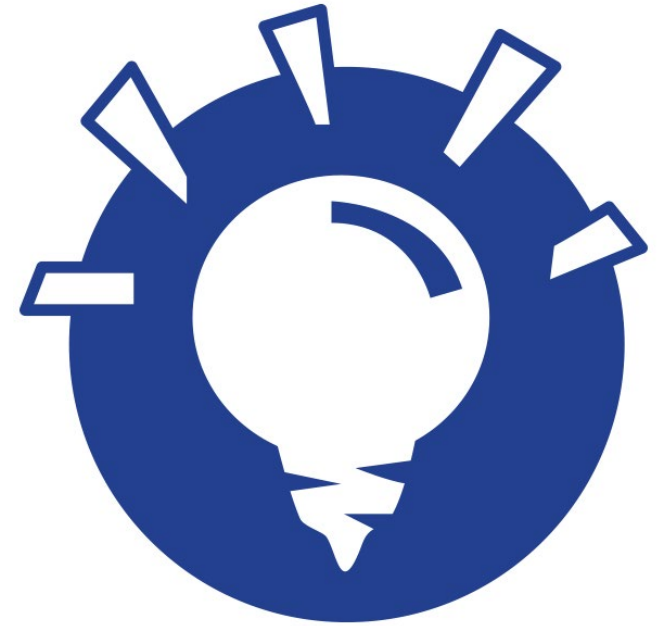
Standardized Decision-Making Processes

- Long-term capital planning and financial planning
- Short- and medium-term capital and operational budgeting that considers needs and assessment of risk
- Making changes to capital and operational budgets



Activity

See page 33 in Workbook



You've Made It!



 Asset Management for Elected Officials



Asset Management Mindset Checklist

- Do we have the information we need to make a decision?
- Have trade-offs between cost, risk, and service been considered?
- Are we focusing on service delivery?
- What are the long-term implications?
- Have all the relevant disciplines been properly engaged in this decision (e.g., planning, engineering, public works, finance, etc.)?
- Are we thinking about both short- and long-term needs?



Continuing to Learn: Half-day Specialized Courses

- Risk: How Asset Management Can Help
- Boring Until It's Broken: Engaging the Public in Infrastructure and Asset Management
- “I Want a Five-Star Experience for a Two-Star Price”: Setting and Communicating Levels of Service
- Weathering the Storm: Asset Management and Climate Change
- It's Got Teeth but Doesn't Bite: Developing and Implementing an Effective Asset Management Policy



Asset Management for Elected Officials



Questions?



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Evaluation Form



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