

Following this are two case studies in “Operationalizing” Asset Management. These case studies are from two local governments, the City of Prince George and the City of Terrace, both of whom had staff actively participate in the Operationalizing Asset Management Workshop. The case studies reflect their experiences. Happy reading.

Profile in Courage: Oak Bay’s Sustainable Funding Plan for Infrastructure Replacement

By Kim Stephens, M.Eng., P.Eng, Executive Director Partnership for Water Sustainability in BC, in collaboration with the District of Oak Bay’s Daniel Horan, Director of Engineering & Public Works, and Christopher Paine, Director of Financial Services.

The District of Oak Bay is leading by example with its inter-departmental approach to embedding a life-cycle lens, along with a sustainable service delivery culture, into a local government finance vision. Moreover, the Oak Bay experience is a powerful illustration of how the overarching vision for [Living Water Smart, British Columbia’s Water Plan](#) is influencing behaviour and outcomes at the local scale.

Hence, the Partnership for Water Sustainability believes that the Oak Bay infrastructure story is an important one to showcase and celebrate. In a sentence, the Oak Bay story is a profile in courage. It is a downloadable document in the Partnership’s [Living Water Smart in British Columbia Series](#).

Christopher Paine and Daniel Horan bring a fresh approach, energy, and innovative thinking to the sustainable infrastructure mission. The story of their collaboration is inspirational. Their enthusiasm is contagious!

After reading and reflecting upon the consequential insights that Christopher Paine and Daniel Horan share in their “story behind the story”, our hope is that Councils and staffs with other local governments would recognize the opportunity to reach out and learn from the Oak Bay experience. The Oak Bay story is powerful for two interconnected reasons.

Local Government Finance Vision

First, it demonstrates what a local government can achieve when it chooses to be proactive. The Local Government Act is “enabling” legislation such that: a) the provincial government provides local governments with policy and legal tools; and b) it is up to local governments whether they choose to use those tools.



Oak Bay has chosen to tackle its infrastructure funding gap (liability), take an intergenerational perspective, and develop a **local government finance vision**. This demonstrates what the financial situation would be if the municipality increased funding, used debt, and caught up on replacing assets.

Secondly, the Oak Bay story illustrates how an idea seeded as a policy objective in Living Water Smart is playing out in practice as [Asset Management for Sustainable Service Delivery in Oak Bay](#).

Living Water Smart has 45 actions and targets, one of which states that: “Governments will develop new protocols for capital planning that will look at the life-cycle costs and benefits of buildings, goods and services.” This is the backdrop for the “story behind the Oak Bay story”.

Embed a Life-Cycle Lens, along with a Sustainable Service Delivery Culture

The “story behind the Oak Bay story” is compelling. Christopher Paine and Daniel Horan are forthright in sharing their experiences. Through a conversational interview process, they provide a window into consequential insights that have influenced their collaboration.

Through its [Sustainable Funding Plan](#), Oak Bay is demonstrating what a difference it makes when municipal staff have clear direction from Council to achieve two outcomes:

1. stem the incremental erosion of levels of service in the short-term; and

- translate an intergenerational perspective into a life-cycle plan of action for perpetual infrastructure renewal.

Inter-departmental collaboration has produced a Council-supported plan of action for perpetual renewal of infrastructure. Oak Bay's driver for action is the \$463 million **cumulative infrastructure funding gap** which includes an infrastructure gap of \$297 million for assets past their recommended useful lives. The two are different.

To do what is right and necessary, Oak Bay has embraced a life-cycle way of thinking about asset longevity and is transitioning to "asset management for sustainable service delivery".

Oak Bay's **Sustainable Funding Plan** for infrastructure renewal shows how the municipality could "bridge the funding gap" by 2076. Achieving the vision for **Sustainable Service Delivery** requires an intergenerational commitment.

It takes courage to embrace an intergenerational 'Finance Vision'

To do what is right and necessary to bridge the infrastructure funding gap for constructed assets requires an intergenerational commitment. It takes courage on the part of a Council or Regional Board members to look beyond the short-term, understand what sustainable funding entails over the long-term, and direct staff to get on with the job.

"Anybody who is going to hear or read about the Oak Bay story, the thing that they really must understand is the role of Council. There is a special type of courage that Council needs to have to say, "give us the naked truth". There is not a lot of political up-side to shining a light on infrastructure challenges," emphasizes Christopher Paine.

"Oak Bay Council did that, no holds barred. They wanted to know what the situation was. And so that clearly demonstrates a strong commitment to an asset management culture in Oak Bay which is growing day by day." "A couple of key policy decisions that were completely outside of Oak Bay's control contributed to

this culture," continues Daniel Horan. "The first related to a change in reporting requirements by the Public Sector Accounting Board. The second was the rollout of **Asset Management for Sustainable Service Delivery: A BC Framework** in 2015."

"It was game-changing when the provincial government said that local governments will need asset management plans in place to apply for grants. Oak Bay Council and staff saw the writing on the wall. They could already see evidence of the level-of-service challenge around older infrastructure. So, they took the first steps to ensure Oak Bay would qualify for infrastructure grant programs."

"Those steps, combined with savvy Councillors and senior staff knowing what Oak Bay needed to do, influenced Council's strategic priorities process as well as updating of the Official Community Plan (OCP). Through these processes, Council communicated the message that we want to do these things because we want the community to be sustainable. Residents bought in."

Why communities must focus on 'Service Levels'

District of Oak Bay experience is helpful in gaining perspective on what is involved in building trust and facilitating a process that results in everyone pointing in the right direction strategically. A unique aspect for Oak Bay is that the engineering and finance departments are so much in lockstep on a unified vision for sustainable service delivery.

"Communities that have not embedded sustainable service delivery concepts into their funding structure are playing major catchup. And this is at a cost to the community of foregone investment revenues and debt servicing costs," states Christopher Paine.

"In the first phases of a community's development, it feels like you have free infrastructure. When someone moves into a new neighbourhood which has all these wonderful capital services, it feels free because the maintenance costs on those services are so much less than they are at the end of their life-cycles."



“We must provide life-cycle information to Council and the community – as to how far we are through the life cycles of assets; what is the cost of replacement; whether we are saving, or not, for that future expense – so that policy makers can provide direction and vision.”

“A slow incremental erosion of our capital service levels happens when staff cannot demonstrate the impact in the long-term in a financial way. That is why forward looking long-term financial statements are so important to good decisions. Council is in control. They can choose to accept a slow erosion of service levels and increased risk, or not. But they cannot make that judgement in the absence of information.”

In Closing

“If a community is happy with what it has today, static funding is not going to sustain that. The levels of service are going to decline over time. Unless we increase funding, the negative impacts of system failures are going to be felt by residents,” concludes Daniel Horan.

“Think about it from a business perspective. Discussion of the service municipalities provide really comes down to whether our customers, our residents, are happy.”

“Council and community are always asking questions about why the utility rates are what they are, or why the rates are increasing, what does that get you and so on. Answering these questions comes down to educating them about levels of service and their willingness to invest in sustaining a desired level of service.”

Case Study: The City of Terrace

Our Asset Management Journey and My Journey within that process.

*Khalie Genereaux, CPA, CMA,
Deputy Director of Finance, City of Terrace*

The City of Terrace is known as the hub city of Northwest British Columbia, it has an estimated population of 12,700 in 2020. The cities, and villages that surround it include Kitimat, Prince Rupert, the Nisga’a Valley, and Kitwanga. Each of these are within a 200-kilometer radius of the city. Terrace also often attracts residents of the Hazelton, Smithers and Telkwa because we are approximately 200 to 300 kms away from each of these places. Each place named has a smaller population; therefore, less amenities, shopping, and services to choose from. This puts additional pressure on the City’s assets and reinforces the need for municipalities, such as ours, to put increased focus on Asset Management planning.

Terrace is among a large group of municipalities that need to develop an asset management plan for the future. With our estimated infrastructure replacement costs of over \$283 million and an average remaining useful life of only 40%, now more than ever, the City needs to look at how to best meet the needs of the future so that we are not leaving a large deficit for generations to come.

My Asset Management journey with the City of Terrace started two years ago, when I was hired on as the Deputy Director of Finance. During my time here, I have discovered that the City has numerous qualified staff that make asset management decisions all the time and, through time, have built their knowledge and skills to make informed decisions on the City’s assets. They do it without even realizing they are doing it; it is imbedded into their train of thought and daily procedures. But what happens with these staff leave due to other opportunities, retirement, etc.? The knowledge leaves with them. This is a major dilemma that the City of Terrace is currently in and has opened our eyes to having good practices in place to ensure that our assets remain in good working order for generations to come and is not fully dependent on the current staff that manage them.

Where are we on the journey?

Our asset management journey in the last two years has been data collection and cleanup in order to check the boxes on grant applications or other governmental requirements. And how could it be any different? Small municipalities, such as Terrace, have limited resources to be able to take on something like Asset Management wholeheartedly and with focus. For most of us it is a corner of the desk project that we get to when we have time. We are now trying to change that, bit by bit. Although our level of human capital has not changed, our lens of how to view Asset Management has. The more we learn within the process and the results, it is no longer a matter of getting to it when we have time, but rather making the time to do it. Put simply, **we cannot afford NOT to make this a priority.**

