



## Asset Management Newsletter

ELEVENTH EDITION – SUMMER 2014 ISSUE



### Feature Article: Earthquakes and Linear Assets

*By Thomas Barnes CEO & General Counsel  
Municipal Insurance Association of B.C.*

Earthquake preparedness is a topical matter these days. The subject has been brought into focus by a recent report of the Office of the Auditor General of B.C. In general, the report noted that little progress had been made since the delivery of a previous report in 1997. It concluded that catastrophic earthquake planning has not been made a priority by the provincial government. The provincial agency charged with this responsibility “cannot demonstrate that it is adequately prepared to manage the effects of a catastrophic earthquake”. This is very sobering news for many local government decision-makers, particularly elected officials, who have been proceeding under the assumption that in the event the “big one” hits, the Province will step in.

Indeed, the report identified critical areas that have not been addressed by local governments.

Some local authorities confess to having inadequate emergency response plans. There is much work to be done to integrate and coordinate ministry and municipal plans. The necessary modelling work needed to identify detailed hazard risk and vulnerability has not been done. The present earthquake response plan does not identify vulnerable geographic locations, facilities and infrastructure. This deficiency goes to the heart of asset management planning, which must include risk identification, evaluation and assessment.



In terms of risk assessment, the status quo presents three certainties:

- There is a 12% chance of a catastrophic earthquake affecting B.C. in the next 50 years.
- The resulting devastation will involve local government linear assets.
- Since very few of those assets will be covered by insurance, local governments will be relying on the provincial and federal governments to finance the repair and recovery of impacted infrastructure.

This leads to three conclusions:

- The status quo is not acceptable.
- A risk pool such as the MIABC can provide effective solutions to some of the pressing problems inherent in the status quo.
- This can be accomplished in a measured way at a relatively modest cost.

## Articles in this Edition:

- Feature Article: Earthquakes and Linear Assets
- Infrastructure Canada Explains Funding
- Kelowna's Asset Management Journey
- City of Grand Forks Partners with Industry
- Successful CNAM 2014
- CNAM 2015 heads for Vancouver
- More Community NAMS training
- AM BC Update from NWT
- Renewed Federal Gas Tax Agreement: Part 1
- Upcoming Events
- Tips and Tactics: Big Everyday Decisions

*(Feature Article continued from page 1)*

### **The Status Quo is Not Acceptable**

The Auditor General has pointed out both risk assessment and emergency planning deficiencies. An effective planning process has to be founded upon an understanding of the range of circumstances that may arise. Those are only revealed through the risk identification and assessment process. In the absence of these two fundamentals, the coordination, integration, and communication issues identified in the report cannot be fully addressed.



The scope of the Auditor General's report did not include an evaluation of the cumulative financial impact of the response to a catastrophic earthquake. It is probably the case that emergency funds, mobilized response teams, and volunteers will manage to cope with the immediate aftermath of a disaster. However, those resources will be depleted in fairly short order.

Recovery and reconstruction work will require months, even years to complete.

The status quo calls for this to be financed by senior governments which would take time. It would also mean that local governments would be competing with other public sector priorities for resources – financial, logistic, material, and equipment. This inevitably leads to what has been identified as the “post-disaster liquidity gap”. Emergency funds are quickly depleted and long-term relief funding takes time to deploy.

In the meantime, cash-strapped local governments are unable to attend to repair and recovery of infrastructure critical to their ongoing operation. This phenomena will be magnified in B.C. by the lack of insurance for public sector assets. Although there is little insurance coverage for municipal linear assets, schools and hospitals have even less. They too will be competing for the assistance of senior government programs.

### **A Risk Pool Such as the MIABC Can Provide Effective Solutions**

Risk pools such as the Municipal Insurance Association of B.C. have been providing essential insurance solutions to public entities for decades. The MIABC itself has been operating in B.C. for over 25 years. Governmental risk pools are well established institutions, created by the members they serve and are entrusted with financing of their members critical risks.

There are roughly 100,000 government entities in North

America, about 85% of whom get some form of insurance coverage from a risk pool. Each year \$13 - \$15 billion in premium is paid to them.

A prudently funded pool would be able to address the risk assessment and planning deficiencies identified by the Auditor General. It would also be capable of addressing the liquidity gap by paying proceeds directly to affected local governments soon after the catastrophe strikes.

Naturally, the amount of the proceeds will increase as the pool builds its capacity. Capacity is a combination of capital and reinsurance. The pool would have to methodically build capital over time, and augment it with reinsurance.

A pool provides an extremely effective vehicle for creating capacity because it is so efficient for building capital. In the commercial insurance world the premium is collected and, absent a loss, it becomes part of the insurer's earnings. The insurer's earnings are dealt with as it sees fit. They may be retained to create additional capacity by building capital, returned to shareholders by way of dividends, or used to "manage capital" by buying back shares. The latter two options are the most common in the current environment because there is an excess of capacity in the insurance market.

A risk pool has two distinct advantages when it comes to building capacity. First, and most obviously, in the case of the catastrophe pool its very purpose is to create the capacity to deal with a major earthquake. It does not labour under any "capital management" constraints. Its members are not expecting a return on their investment. Consequently, the underwriting income does not get returned by way of dividends or otherwise. It stays in the pool, enhancing its capacity to retain risk in subsequent years. The second advantage enjoyed by a risk pool is that a reciprocal of government entities is not subject to taxation. This means that the entire profit can be retained to build capital. Moreover, investment income is also tax-exempt – permitting investment income to compound in a tax-free environment. For these reasons members of a risk pool enjoy extensive coverage at a stable price.

#### ***An Effective Pooled Program Can be established at a Relatively Modest Cost***

All three levels of government will face enormous financial risks in the event B.C. is impacted by a catastrophic earthquake. The Insurance Bureau of Canada estimates that the total damages could reach \$75 billion. We don't know how much of this represents damage inflicted upon municipal linear assets, but even a small proportion would be a considerable amount. Even if the damage to municipal infrastructure is only 5% of the total, that means there is a \$3.75 billion recovery to be financed.

A prudently funded risk pool supported by a quality reinsurance program could build the capacity to inject 10% of this amount into the post-disaster liquidity gap within a reasonable period of time.



We are fortunate that the present profile of this topic is not the result of B.C. having been devastated by the long-feared major earthquake. It has come to the fore as the result of an audit which has identified what we have to do. Taking concrete steps to do what must be done is well within our means and capabilities.

*Photos are of Christchurch Earthquake damage 2010/2011 courtesy of Opus International Consultants.*

## **Infrastructure Canada Explains Funding**

*Infrastructure Canada*

### ***Building Canada Plan***

The \$53-billion New Building Canada Plan builds on the Government of Canada's unprecedented investments in infrastructure. In 2007, our Government announced \$33 billion in stable, flexible and predictable funding across the country. This was the first long-term infrastructure plan, and helped set the stage for our newest 10-year infrastructure plan.

Stable funding for infrastructure is crucial for community planning, development, and sustainability. The New Building Canada Plan allows our municipalities, provinces, and territories to rely on long-term funding that will support their plans for infrastructure projects over the years to come.

The New Building Canada Plan is made up of several components:

- The \$32-billion Community Improvement Fund, which consists of the incremental Goods and Services Tax Rebate for Municipalities and the indexed and renewed federal Gas Tax Fund;

- The \$14-billion New Building Canada Fund, which consists of:
  - The \$4-billion National Infrastructure Component, which will support projects of national significance; and
  - The \$10-billion Provincial-Territorial Infrastructure Component, which will support projects of national, regional and local significance.
- Of this amount, \$1 billion is dedicated to projects in communities with a population of fewer than 100,000 residents.
- An additional \$1.25 billion in funding for the Public-Private Partnerships Canada Fund, administered by PPP Canada; and
- \$6 billion in funding that continues to flow across the country this year and beyond under existing infrastructure programs.



### ***National Infrastructure Component***

The National Infrastructure Component will provide funding to projects across the country on the basis of merit. Proposals are submitted directly to Infrastructure Canada and must support one or more of the following federal objectives:

- Generate positive economic activity;
- Reduce potential economic disruptions or foregone economic activity;
- Generate productivity gains for the Canadian economy; or,
- Provide benefits that extend beyond the provinces or territories where the project would be located.

### ***Provincial-Territorial Infrastructure Component***

The Provincial-Territorial Infrastructure Component is an allocation-based program that recognizes and

supports the role that provinces, territories, and municipalities play in helping to build Canada's public infrastructure.

Two funds make up this component. First, the \$9-billion Provincial-Territorial Infrastructure Component – National and Regional Projects will support medium- to large-scale infrastructure projects across 14 categories of investment that will encourage job creation and economic growth. Second, the \$1-billion Provincial-Territorial Infrastructure Component – Small Communities Fund will support projects that deliver on local needs in smaller communities, in the same 14 categories of investment.

To date, the Government of Canada has already announced its support for the Edmonton Light Rail Transit project under the New Building Canada Fund – Provincial Territorial Infrastructure Component, and we look forward to more announcements in the coming months.

### ***Gas Tax Fund***

In the meantime, the renewed and indexed federal Gas Tax Fund continues to provide support to Canada's municipalities through predictable funding and now 11 new eligible funding categories, including disaster mitigation, recreation, tourism, and culture. As you may already be aware, British Columbia signed its new agreement for the renewed Fund on May 22, 2014.

Since its inception, the federal Gas Tax Fund has offered a flexible approach to infrastructure financing, allowing municipalities to choose and plan their own infrastructure priorities. With over \$13 billion in funding already invested to support local infrastructure across the country, the federal Gas Tax Fund continues to be a key element of the Government of Canada's suite of infrastructure programs.

Long-term planning is important to ensuring that Canada has world-class sustainable infrastructure. Under the renewed federal Gas Tax Fund, provinces and territories are committing to taking concrete steps toward improving asset management within their jurisdictions. Our Government is committed to long-term planning for infrastructure and encourages all jurisdictions to undertake life-cycle cost assessments and develop asset management plans. Progress towards this asset management commitment will be reported on through the Gas Tax Fund outcomes reports in 2018 and 2023.

As well, the Gas Tax Fund's Capacity Building category can be used to fund municipal asset management plans and life-cycle-costing exercises.

The Government of Canada is committed to stable, predictable infrastructure funding to municipalities across the country. Existing programs will continue to provide funding to infrastructure projects across Canada. Over \$6 billion continues to flow from the original Building Canada Plan and other government infrastructure programs to support more than 2,500 infrastructure projects over the 2014 construction season.

This funding will ensure that upcoming construction seasons can be put to good use in delivering local infrastructure priorities.

For more information on the New Building Canada Plan, please visit the Infrastructure Canada Web page at [www.infrastructure.gc.ca](http://www.infrastructure.gc.ca).

## Kelowna's Asset Management Journey

*Joel Shaw, P.Eng., Capital Assets and Investment Manager  
Infrastructure Planning, City of Kelowna*

So where do you start when you need to develop a corporate asset management program? Kelowna faced this dilemma approximately three years ago when they started their corporate asset management journey. Prior to 2012, the City's asset management was being carried out within asset "silos" (i.e. Water, Wastewater, Transportation, Parks, Building, etc) with limited cross department integration. This presented a number of challenges and inefficiencies as departments vied for limited funding at budget time and the opportunity to bundle renewal projects was lost. The main goal of Kelowna's corporate asset management plan (AMP) is to look at the City's asset renewal needs from a holistic perspective so that resources can be allocated based on community priority and capital renewal projects are delivered efficiently.

Getting started developing your community's corporate AMP is not an easy endeavor because asset management means different things to different departments within municipal organizations. For Finance, asset management is all about tangible capital asset and financial reporting. For Civic Operations, asset management focuses on maintenance management. Information Services is concerned about

GIS and computer systems. Capital Planning focuses on risk management and efficient capital delivery. Trying to meet all these needs coupled with the enormous amount of data to support them can be overwhelming.

So where do you start? Kelowna used a "top down" approach and relied on asset management fundamentals to develop their first corporate AMP. The fundamentals came straight from InfraGuide and the AMBC Roadmap and involved answering the seven questions that form the framework of any asset management plan:

- What do you own and where is it?
- What is it worth?
- What is its condition and expected remaining service life?
- What is the level of service expectation and what needs to be done?
- When do you need to do it?
- How much will it cost?
- How will it be paid for?

The following sections provide detail on how Kelowna's asset management team answered the above questions and developed their corporate AMP.

### ***What do you own and where is it?***

Kelowna is a community of 120,000 that provides typical municipal services – water, wastewater, storm drainage, transportation, transit, solid waste, parks and buildings and facilities. There are in excess of 30 thousand assets that are currently tracked in a variety of systems and spreadsheets including: GIS, TCA reports, CMMS, and department managed spreadsheets. At the outset it was acknowledged that there were gaps in the existing asset inventory. Rather than embark on a lengthy and time consuming data collection exercise to fill all the data gaps the team decided to develop the AMP based on existing information. The rationale behind this decision was that the data was good enough to assemble a high level AMP and that going through the process would be an excellent exercise to learn and to identify gaps in existing data and business processes.

The team, with assistance from Mike Trickey and Urban Systems, identified all existing asset inventories and compiled this information into one centralized database using MS Excel. This wasn't the most elegant solution but we recognized that it was temporary and it

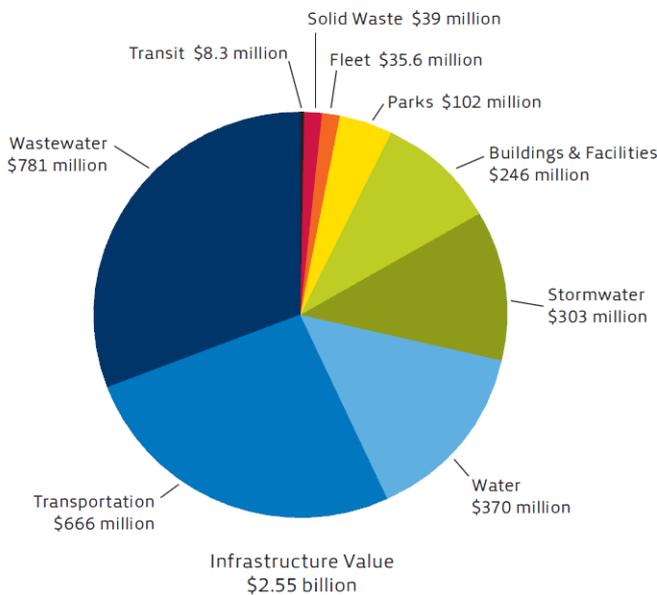
highlighted the need for a more robust data management system.

**What is it worth?**

Centralizing the data into Excel permitted calculations and lookup tables to be utilized for determining asset current replacement costs (CRC).

The Engineering News Record was used to escalate historic costs to present costs. Where no historic cost information existed, CRCs were assigned based on industry rates and best practice.

The CRCs of all assets were rolled up into nine defined asset groups (shown below) and the combined CRC of City assets was calculated at \$2.55 billion.



**What is its condition and expected remaining life?**

There were many gaps in the City’s asset condition data. The City has good systems for collecting condition data for pavement and wastewater mains but some of the other asset groups lack good condition data. Rather than embarking on an expensive condition assessment exercise the team decided to use expected remaining life as a simple metric for approximating asset condition. This was calculated simply from the asset age and an estimated service life assigned to each asset category.

The team established a rating scale and produced an asset age rating (shown above) which provides a high level assessment of asset condition. It is understood that asset age is not the only factor to consider for

replacement timing but it is a good way of highlighting those assets that need further condition assessment.

Asset Component	Expected Remaining Life	Age Rating
Transit	71%	Good
Solid Waste	84%	Good
Fleet	43%	Fair
Parks	56%	Fair
Buildings & Facilities	59%	Fair
Stormwater	76%	Good
Water	61%	Fair
Transportation	57%	Fair
Wastewater	70%	Good
<b>Total Infrastructure</b>	<b>64%</b>	<b>Fair</b>

**Rating Scale**



**What is the level of service expectation and what needs to be done?**

Understanding your community’s service level expectations is key to developing capital and asset management plans. The City did not have well established service level statements, so the team assumed the service levels provided today would be the same in the future. This simplifies the renewal strategy as it assumes assets will be replaced with the same once they reach the end of their service life. In reality, service levels change along with the technology and infrastructure to support them.

**When do we need to do it and how much will it cost?**

The City calculated theoretical replacement timing from the assets expected service life (ESL) and the install date. For example, if a water main was installed in 1960 and it has an ESL of 70 years then it should be replaced in 2030. The cost of the asset replacement was based on the CRC extended out to the replacement year. The actual replacement timing will be based on condition and performance but from a cash flow perspective the above is a good approximation.

The chart below shows the capital funding needs for Kelowna over the next 20-years along with the estimated infrastructure backlog. The funding profile is based on the existing data and there are a number of simplified assumptions used in its development but it provides a high level estimate of future cost pressures.

Further iterations of the AMP will improve data inputs and refine renewal treatment and timing based on condition and service levels.

### 20-Year Funding Needs

millions



#### How will we pay for it?

This is the multi-million dollar question. By starting with a top down approach Kelowna was able to put some numbers to the asset management challenges facing the community. This facilitated meaningful discussion with Council and provided justification for increasing funding levels towards asset renewal. The City’s short, mid and long-term capital plans now have significant investment planned for asset renewal and these expenditures would not have been defensible without the AMP.

#### Conclusion

Kelowna’s top down approach to developing a corporate AMP was a good way to quickly advance the City’s corporate asset management program. The AMP has provided excellent information for capital planning and has been a good tool to communicate asset management challenges to the community and Council.

By going through this process the team also gained considerable knowledge and understanding of the gaps and challenges that must be addressed to improve upon the AMP.

The team continues to use the AMBC Roadmap as a guide and is working on a number of projects to improve asset data inventories, define service levels, and develop business systems required to support asset management. In addition to AMBC, another great resource for asset management information is the Canadian Network of Asset Managers (cnam.ca).

Kelowna still has work to do, but the experience gained through development of their corporate AMP was invaluable and was a great way to start the asset management journey.

### City of Grand Forks Partners with Industry

*By Doug Allin, CAO, City of Grand Forks and Scott Shepherd, BA, ASCT, Urban Systems Ltd*

#### City of Grand Forks Partners with Industry to Raise Awareness of the Importance of Effective Maintenance Management Techniques in Asset Management Programming

Operations and public works staff play a significant role managing their own community’s assets. These assets provide important services such as drinking water, sanitation, transportation, and recreation.



A recent study on the State of Asset Management in BC indicated a need for more support regarding asset management, and how to leverage effective maintenance management techniques in asset management programming.

With the growing emphasis on the aging and deterioration of infrastructure, it is important for a community to find the affordable levels of service, performance, and risk in the management of its infrastructure assets. Proof that current infrastructure asset management programs are not working can be found in the growing amount of municipal infrastructure renewal work backlog or deficit. The



importance of maintenance in extending service lives of assets and deferring their inevitable replacement is paramount in the new environment in which communities need to provide high levels of service with less financial resources.

The City of Grand Forks has partnered with the Public Works Association of BC, Selkirk College, Urban Systems and Asset Management BC to develop a training program for operation staff which emphasizes the importance of effective maintenance management in extending the service lives of assets thus reducing the amount of annual capital investment required for replacement of existing infrastructure.

This program focuses on the maintenance of infrastructure through practical and classroom learning. The program provides an overview of asset management, how infrastructure plays a significant role in community resiliency, and the role on-going maintenance of infrastructure plays in a community's delivery of services through hands on training utilizing the City of Grand Forks equipment and infrastructure.

This course will allow participants to:

- Apply practical tools and utilize best practices to effectively maintain, report, and track infrastructure;
- Understand how to leverage information from your community to develop maintenance and asset management strategies to extend the life of assets;

- Learn how to complete maintenance management plans and condition assessments and why they are important;
- Development of a maintenance management process; and
- Earn CEU's towards professional development.

The course will be instructed by Urban Systems staff and is scheduled for September 23rd -25th 2014 in Grand Forks at Selkirk College's Campus. For more information, contact PWABC at 1-877-356-0699 or [www.pwabc.ca](http://www.pwabc.ca).

## Successful CNAM 2014

*Canadian Network of Asset Managers*

As a national leader for infrastructure asset management, The Canadian Network of Asset Managers, or CNAM is a recognized source of knowledge, promotes innovation and collaboration, and provides a common voice to facilitate action.

For over 8 years, CNAM has worked to promote the practice of asset management in Canada by equipping asset managers with knowledge on the latest best practices, promoting innovation in the industry, and leveraging partnerships with organizations within Canada and around the world to further enable our members to add value to their communities through their asset management practice.

This past May, the annual CNAM conference was held in the City of Toronto under the shadow of the magnificent CN Tower and Rogers Centre. Setting record-breaking attendance, the conference allowed delegates to hear what their fellow asset management practitioners are doing. With the theme of "Moving Plans to Action", the conference focused on challenging delegates to not just talk about the benefits of asset management, but also to implement asset management and allow the benefits to demonstrate themselves.

There was a dazzling array of great speakers at the conference, including AM BC's very own Andy Wardell and Wally Wells. The range of speakers from all across Canada was complimented by a presentation from asset managers in Egypt and Washington State.

For the first time, the conference featured a Student Poster Session, with entrants from across Canada showcasing fascinating research in asset management. It was evident that the upcoming generation of future asset management experts will continue to evolve the

profession and push the boundaries of the science, analytical, and information technology foundations of asset management.



CNAM members can access the presentations, as well as a vast array of asset management knowledge in CNAMpedia. This growing information warehouse collects documents, reports, archived articles and general information on asset management in a searchable format.

Check it out at [CNAM.ca](http://CNAM.ca).

## CNAM heads for Vancouver in 2015

The gears are turning towards the preparations of the next CNAM conference, to be held in the beautiful City of Vancouver in May 2015. With the theme of “Driving Informed Decisions” the next CNAM conference will focus on equipping practitioners from across Canada to drive smart asset management decisions and steer infrastructure investments to the best use, and for maximum benefit.

See you there!

	<h3 style="margin: 0;">ATTENTION BC COMMUNITIES AND ASSET MANAGEMENT SUPPLIERS</h3> <p style="margin: 10px 0;"><b>CNAM 2015 WILL BE HELD IN VANCOUVER, BC IN MAY</b></p> <p style="margin: 10px 0;"><b>Plan to Attend</b></p> <p style="margin: 10px 0;"><b>Have a Story to tell? Submit Your Presentation</b></p>
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## Asset Management update from Northwest Territory

Four communities from NWT participated in an asset management workshop on June 11, 2014 offered by Associated Engineering. The workshop was to understand & assess the current asset management status and develop the road map for the communities.

Senior Administrative Officers and town Foremen from the communities of Tulita, Deline, Hay River Reserve and Wekweeti participated.

Sudhir Jha (MACA), Manager; community infrastructure planning also shared the importance of asset management and provided information about the Canadian Network of Asset Managers (CNAM) organization, CNAMPedia and the B.C Asset Management organization.

Municipal and Community affairs has formed a working group to develop the road map of the asset management in NWT communities.

In February, Sudhir met with Nunavut Premier, Peter Taptuna for a formal discussion regarding challenges in asset management in northern communities.



*Premier Peter Taptuna and Sudhir Jha*

## More Community NAMS Training for Asset Management

*By Wally Wells, Executive Director of AM BC*

NAMS (National Asset Management System) is a training program developed in Australia specifically for municipal employees. Asset Management BC searched for a training program that focuses on municipal employees, is 'hands-on' and integrates the technical and financial disciplines.

About 30 BC communities have now attended and their feedback was that the process and program is of very high value. Some of the communities that have attended past workshops include the Cities of Vancouver, Kelowna, Burnaby, and Nanaimo. The District of North Vancouver, Powell River, Coquitlam, Central Saanich, and the Town of Golden also attended.



*Our trainers Allen Mapstone and Nicole Allen at Cathedral Forest*

Two workshops were held this spring. The Vancouver Island workshop, held in Parksville, included additional City of Nanaimo staff, Parksville, Qualicum Beach, Tofino, and the District of Cowichan Valley. A second workshop was held in Richmond which included Fernie, Revelstoke, Strathcona Regional

District, City of Whitehorse, Bowen Island, Mission, Gibsons, Sunshine Coast Regional District, New Westminster and additional staff from Golden and North Vancouver.

More than 90 communities in BC, Alberta and Saskatchewan have now had NAMS training. Asset Management BC expects to organize another training session for the fall of 2014. If you are interested in information and registration, please contact us soon.

For more details contact Wally Wells, Executive Director of Asset Management BC at 250-741-9887 or e-mail [info@assetmanagementbc.ca](mailto:info@assetmanagementbc.ca)

## The Renewed Federal Gas Tax Agreement, Part One

*By Paul Taylor, Brant Felker and Glen Brown  
Union of BC Municipalities*

On May 22, 2014, it was announced that the Administrative Agreement on the Federal Gas Tax Fund in British Columbia (Renewed Gas Tax Agreement or GTA) has been signed between Canada, British Columbia and UBCM, and takes effect as of April 1, 2014. The GTA provides the administrative framework for the delivery of federal Gas Tax funding to British Columbia local governments and other recipients over the next ten years.

The renewed Federal Gas Tax Agreement is the result of several years of advocacy and negotiations by the Union of BC Municipalities along with the Federation of Canadian Municipalities. Now that the program has been announced, it is time to take stock of the gains for local government in the new agreement.

Feedback from BC local governments during the federal government's consultations on the Long-term Infrastructure Plan in 2012 was united on two points with regard to the Gas Tax Fund:

- the need for broader scope among the types of projects the funds may be used for; and
- the addition of an index to help the value of the program keep pace with inflation.

UBCM and FCM advocated these positions throughout the consultation process. The 2013 federal budget that announced the funding set aside for the renewed Gas Tax program also included the announcement of broader categories and 2% annual index that will be delivered in increments of \$100 million.

Over the past year, UBCM staff worked with federal and provincial colleagues on the design of the new program based on a negotiating mandate informed by member consultations and approved by UBCM's Executive.

"Leading into our negotiations with Canada and BC, we reached out to the membership to gather feedback on the first nine years of the program," said President Rhona Martin. "What we heard is that there was a desire to see the program streamlined, and more room provided for local decision making. You can see those elements in the reduction of the number of pooled funding programs, the increased portion of funding delivered through allocations, and the strengthened

role for Metro Vancouver with regard to transit funding. I am very appreciative of the constructive approach taken by Canada and BC through the negotiations. Together, I think we have made a good program even better."

The Gas Tax Agreement in British Columbia is delivered through three program streams: Community Works Fund; and two pooled program streams - Strategic Priorities Fund; and Greater Vancouver Regional Fund.

**The Community Works Fund**



The renewed Gas Tax Fund will see the continuation of the Community Works Fund (CWF), which provides long-term, predictable allocated funding to local governments. The CWF has now been expanded to all local governments in the province with the inclusion of the Greater Vancouver Regional District and member municipalities.

The CWF program allows for the flexibility of local government choice on which eligible projects to invest funding towards. The success of this program is illustrated by the nearly 2,000 local infrastructure and capacity building projects undertaken by local governments across British Columbia since 2005 that have drawn upon CWF funding. The renewed agreement will deliver \$519.3 million over the first five years of the agreement.

**Key Elements of the Renewed CWF**

Unspent CWF from First Agreement can transition to new program - Under the new CWF Agreements - which have been sent to each local government in May - any unspent funds under the First Gas Tax Agreement would transition to the new Agreement. This means that these funds can be spent on the expanded investment categories (after April 1, 2014).

Continuing of the funding floor model for CWF allocation - The allocation for CWF is based on a per-capita allocation as well as a funding floor. The funding floor - set at \$50,000 per local government - will ensure a reasonable base allocation of funds to each local government to help address infrastructure and capacity building needs. This base will also increase as the Gas Tax Fund is indexed - beginning in the third year of the renewed program delivery.

The per-capita allocation is based on the most current Canada Census population numbers (2011) for

municipalities and regional districts, and is adjusted annually due to new incorporations or boundary adjustments.

**Pooled Funding Programs**

The renewed Gas Tax Agreement will consist of two pooled funding programs that will see large-scale, regional capital and capacity building investments throughout BC.

**In keeping with the Greater Vancouver Regional District request, the Greater Vancouver Regional Fund (GVRF), will pool a portion of the per-capita allocation of GVRD and its member municipalities for investments in regional transportation projects proposed by TransLink. Under the renewed Gas Tax Agreement, the GVRD Board will choose which TransLink projects to be funded through the GVRF. The new fund will deliver approximately \$652.4 million over the first 5 years of the agreement.**

The **Strategic Priorities Fund (SPF)** provides an opportunity for local governments and other eligible recipients outside of the Greater Vancouver Regional District to access pooled, application-based funding. The SPF will provide funding for eligible projects that are larger in scale or regional in impact or innovative. It is expected that information will be made available later in 2014 on the first round of SPF applications. The new fund (the SPF) will deliver approximately \$145.2 million in funding over the first five years of the renewed agreement.

The SPF program will replace the 2005-2014 General Strategic Priorities Fund and the Innovations Fund, which funded 181 infrastructure and capacity building projects across BC.

Another program that will not continue under the renewed Gas Tax Agreement is the Regionally Significant Projects Fund (RSPF). Under the renewed Gas Tax Agreement, local governments within regions that were eligible for the RSPF program will now receive a per capita direct allocation of these funds through the Community Works Fund.

**The renewed Gas Tax Agreement and Asset Management**

It is clear that asset management has been identified as a priority by all parties. As stated Annex B, section 7 of the Gas Tax Agreement;

*The Parties agree that strengthening Local Government capacity to undertake Asset Management is integral to*

building strong cities, communities and regions, and agree to support Asset Management practices in all Local Government jurisdictions during the term of the Agreement. Schedule F (Asset Management) provides more details on the approach agreed upon by the Parties.

#### SCHEDULE F – Asset Management

The Parties agree that the approach to integrated community sustainability planning under the First Agreement was effective in increasing the capacity of the diverse range of Local Governments in British Columbia to enhance their community's sustainability.

Building on that success, the Parties wish to maintain the program's support for building Local Government capacity to take an integrated, long-term approach to plan, build and maintain strong sustainable communities, while providing a particular focus on strengthening Asset Management within those communities.

Asset Management is a key underpinning of community sustainability because it can inform a range of investment, servicing and community planning decisions, which support maximizing Local Government investment in services and related infrastructure.

Local Governments in British Columbia exhibit varying degrees of capacity to undertake Asset Management activities and integrate Asset Management into their operational and policy decision-making frameworks. Consequently, an approach that recognizes these varying capacities will be most effective in supporting the full range of Local Governments as they work to begin or strengthen their Asset Management activities.

Given this, the partnership committee will develop an Asset Management framework to guide Local Governments in meeting their Asset Management commitment under this Agreement. The framework will support all Local Governments to build and strengthen Asset Management over the term of the Agreement while recognizing the varying capacities of Local Governments and the range of ongoing Asset Management activities.

At this time, the Partnership Committee is developing the Asset Management Framework and is anticipating that it will be approved and made available to local governments in early fall.

Stay tuned for the second component of this article, *The Renewed Federal Gas Tax Agreement, Part Two*,

scheduled for the 2014 Fall Edition of the AMBC Newsletter that will provide additional details on the Asset Management Framework. For any further questions on the Renewed Gas Tax Agreement, please contact Program staff by e-mail at [gastax@ubcm.ca](mailto:gastax@ubcm.ca) or by phone at 250-356-5134.



## Information Now Available

**Asset Management BC** has initiated a series of information sheets. More will follow as new subject areas are explored. The 5 sheets currently available can be downloaded at [www.assetmanagementbc.ca](http://www.assetmanagementbc.ca) and are:

- What is Asset Management?
- Asset Condition Types
- Asset Management NAMS Training
- The Sustainable Foundation
- Who is Asset Management BC?

What help are you looking for? Give us your needs and we will research it and produce an information sheet for all.

## Upcoming Events

### Public Works Association of BC

August 17-20, 2014

### International APWA /CPWA Congress

Toronto Convention Centre

[www.apwa.net/Congress](http://www.apwa.net/Congress)

### Public Works Association of BC

September 15 – 17, 2014

### 82nd Annual Technical Conference

Kamloops, BC

[www.pwabc.ca](http://www.pwabc.ca)

### BC Water & Waste Association

September 23 - 25, 2014

Asset & Maintenance Management Processes

Grand Forks, BC (Selkirk College)

[www.bcwwa.org](http://www.bcwwa.org)

**Union of British Columbia Municipalities**

September 22 -26, 2014

**Annual Convention**

Whistler Conference Centre

[www.ubcm.ca](http://www.ubcm.ca)

**Local Government Management Association**

October 1-3 2014

**Administrative Professionals Conference**

Radisson Hotel Vancouver, Richmond

[www.lgma.ca](http://www.lgma.ca)

**Canadian Network of Asset Managers**

May, 2015

**8<sup>th</sup> Annual Workshop**

Vancouver BC

[www.cnam.ca](http://www.cnam.ca)

**Tips and Tactics: Big Everyday Decisions**

*By Bernadette O'Connor, AM Specialist Canada,  
Opus International*

The third category of asset management practice listed in the AMBC Roadmap, after knowing what assets you have and what they are worth, is to “Understand Decision-making”.

Why is understanding decision-making so important?

Well there are a number of reasons, which I will discuss further in this article, but the main point is centered around the fact that;

*“Our future is determined by our decisions”*

There is a difference between “knowing” how decisions are made and being able to “verify” how decisions are made.

We have to fully understand how decisions are made so we can be confident the decision processes are:

- Consistent;
- Reliable / Robust;
- Aligned with Goals; and
- Mitigate Risk.

Some organizations may be advanced with documented and controlled decision processes, but for others this may not be a priority. The following questions are designed to prompt you to think about whether there is room for improvement in your decision processes.

***Decision Questionnaire***

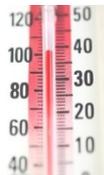
1. How do you communicate what things have been considered in making your decision?
  - Have you ever been challenged to explain how you came to a decision?
  - Should you have been?
2. How do you advise a new staff member about a decision process?
3. Will two different people follow the same process to make the same kind of decision?
  - How much subjectivity is in the decision process?
  - Is this ok for some decisions and not for others?
4. Will two different people use the same source of data or consider the same things?
  - What do we know about the input data?
  - Was more than one option considered and how is this communicated?
5. Do the people we report our decisions to understand the quality (or the margin of error) in the data we used in our assessment?
  - Do they need to know?
  - Do we know?
  - Would it make a difference?
6. How transparent and robust is the decision process?
  - Is there anything you could be challenged on if people knew how the decision was made?
  - Is the decision easily defended with fact?
7. How well does your decision process align with and support corporate goals?
  - Are the links to corporate goals known?
  - Can you demonstrate that the process considers them?
  - Do the people involved in the decision process understand the corporate connection (the bigger picture of what the decision needs to achieve and support)?
8. Is your decision process driven by an asset focus; a service focus; or a combination of these?
  - Which is the appropriate focus, given the big picture context?
  - Are there things not considered that should be considered?

Not all decisions need to be documented and have controlled processes. Consider how much the decision impacts today's service and operations, as well as future consequences.

Poor decision-making can occur even with the best of intentions, if the information it's based on is incomplete or inaccurate, or the decision process is not robust. This is compounded by the fact that often we aren't looking at the long term picture. We are considering the decision only in the 'here-and-now' and have no view of how our decision may positively or negatively impact our future.

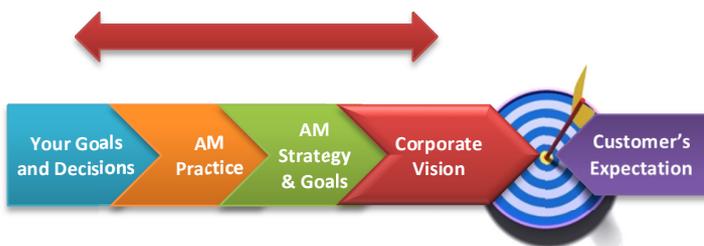
Focus first on a review of your most important and influential decisions.

- High Financial Impact
- High Risk/Liability
- High Impact on Service
  - Current
  - Future
- High Impact on Asset Lifespan
- High Impact on Whole-of-life Cost for Asset



Review your current decision process, data being used, options considered, people consulted or actively involved, and method of weighting or prioritizing. Is there anything that should be improved?

**Pursuit of Alignment**



One of the key focus areas of Asset Management is to;

- Provide better information to decision-makers
- Implement better ways to make decisions
- Ensure actions are aligned to goals

Getting your whole business into alignment is an iterative, multi-directional process. It takes time and sometimes a culture change to get all departments working cohesively towards the same outcomes.

One very good place to begin is reviewing decision processes in the context of corporate vision and customer expectations (level of service).

Remember this;

***The thinking process is your most valuable contribution to the organization and to the positive or negative impact that infrastructure will have on your community.***

We do not live in a perfect world so all decisions require some element of trade-off. However, having well understood decision processes helps us to responsibly manage those trade-offs for the best overall outcome.

**Asset Management: Questions and Answers**

*Responses provided by Editorial Panel*

**Note to Readers:** You are invited to email questions or comments to Asset Management BC or to the editor – see final page - and you can note in your email whether you wish your comment or question to be published.

Raising questions and making comment are strongly encouraged as this newsletter is provided for the greater good of all types of Local Governments managing infrastructure and for the advancement of Asset Management within the Province.

**Editor: Bernadette O'Connor**

 **OPUS**

**Opus International Consultants**  
Victoria, British Columbia  
Ph. 250 952 5640  
Email: [bernadette.oconnor@opusinternational.ca](mailto:bernadette.oconnor@opusinternational.ca)

Issued by: **Asset Management BC**



[www.assetmanagementbc.ca](http://www.assetmanagementbc.ca)  
E- mail: [info@assetmanagementbc.ca](mailto:info@assetmanagementbc.ca)