KPMG

Infrastructure Asset Management

GFOA Western Canada

2017 Annual Conference

September 13, 2017

Background

The whole-life management of infrastructure assets is a growing priority for all of us. Canada's municipalities are challenged to balance current and future requirements, while living within their means.

- Aging Infrastructure
- Shifting Priorities
- Limited Resources
- Changing Environments

Background

Many municipalities are revisiting their approach to infrastructure asset management to better understand, plan for, and address similar challenges and opportunities.

Target limited resources

- Link assets and investments to the services they support
- Quantify and evaluate LOS, risk and value-for-money
- Plan-for and prioritize needs and opportunities

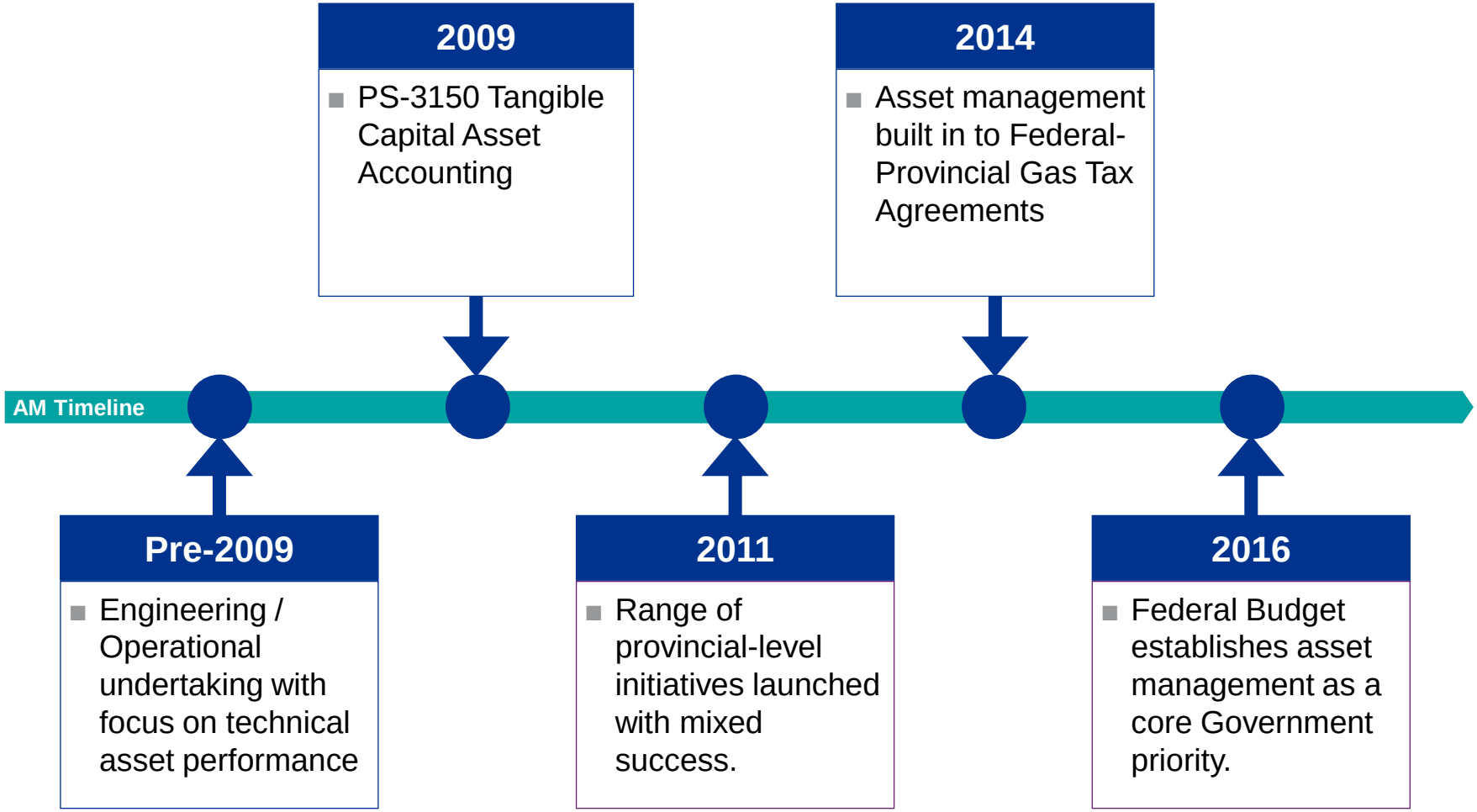
Adapt to changing realities

- Accommodate growth without compromising existing assets
- Incorporate social considerations into plans and decisions
- Improve resiliency and adaptability to internal and external change

Enhance transparency and defensibility

- Communicate the business case behind spending decisions
- Justify new or increased investment based on ROI
- Demonstrate responsibility, stewardship and due diligence

Background


AM Timeline
Pre-2009
Engineering / Operational undertaking with focus on technical asset performance
2009
PS-3150 Tangible Capital Asset Accounting
2011
Range of provincial-level initiatives launched with mixed success.
2014
Asset management built in to Federal-Provincial Gas Tax Agreements
2016
Federal Budget establishes asset management as a core Government priority.

Background

The push for better municipal asset management is being driven and supported at many levels…

- Federal
- Provincial
- Industry
- Grass Roots

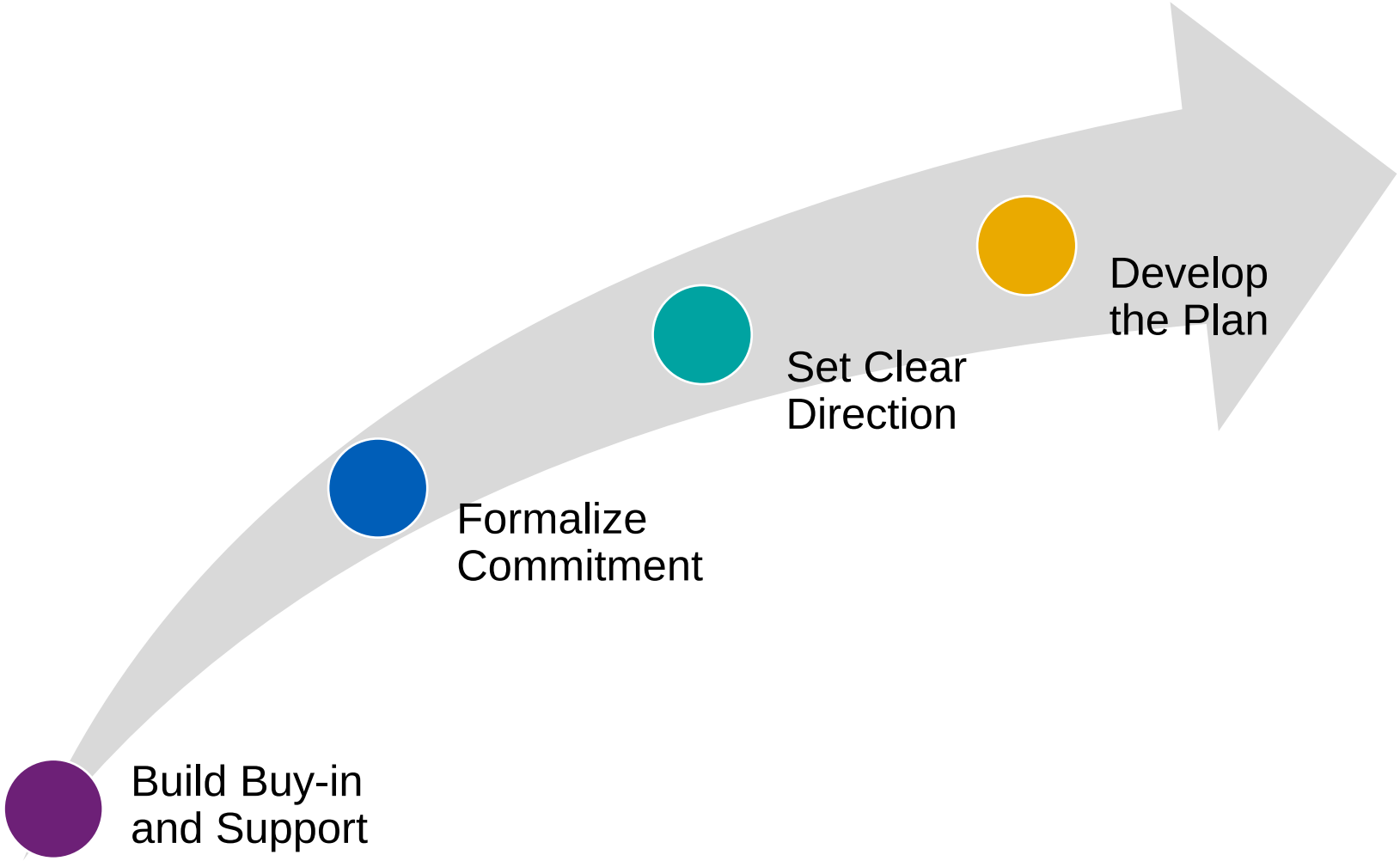
Background

Asset management involves balancing infrastructure system costs, opportunities and risks against the desired performance of assets, to achieve business goals and objectives and create organizational value.

Infrastructure value is created and sustained by managing the trade-offs between service, risk and cost over an asset's lifecycle. Understanding these factors, and their contributors, help us to...

- Align assets and service outcomes with current and future objectives
- Manage the risks associated with meeting these requirements
- Optimize lifecycle investment and minimize total cost of ownership

Starting your asset management journey…



Build Buy-In and Support

Establishing a common understanding of stakeholder viewpoints is crucial in proactively building common vision and focus on asset management needs and priorities.

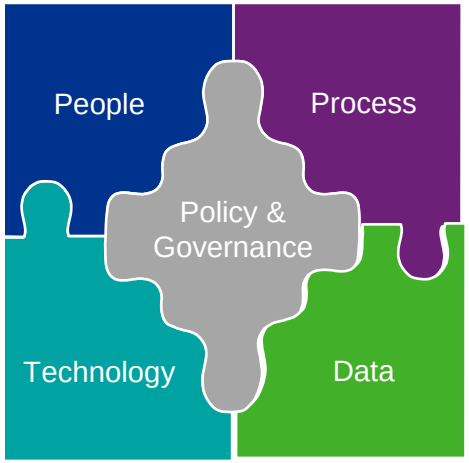
Stakeholder	Key Issues	Business Goals	Area of Influence	Expected benefit from asset management
Finance (Example)	▪ PS-3150 reporting requirements ▪ Financial stability	▪ Maintain compliance ▪ Fair valuation of assets ▪ Understand cash-flow requirements ▪ Stable financial plan	▪ Historic financial information ▪ Financial accounts ▪ Financial plan	▪ Stable long term financial plan ▪ Cost savings ▪ More readily available information
Council				
Leadership				
Engineering				
Operations				
Etc…				

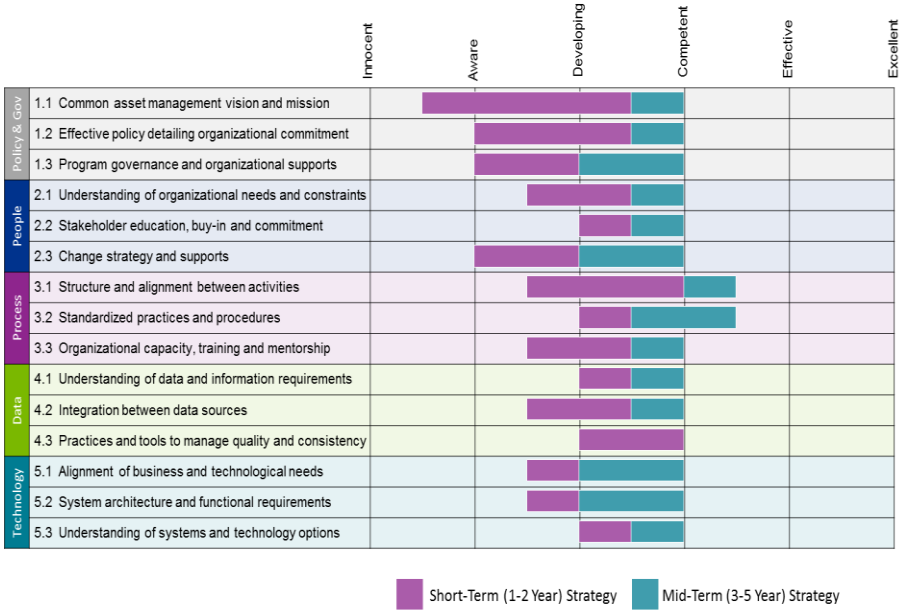
Formalize Commitment

An Asset Management Policy formalizes an organization's commitment to and provides a clear understanding of goals and objectives, roles and responsibilities.

Set Clear Direction

An asset management strategy sets clear direction by defining the actions through which the vision will be achieved. The actions are expressed in the form of business improvements which are staged based on urgency and return on investment.





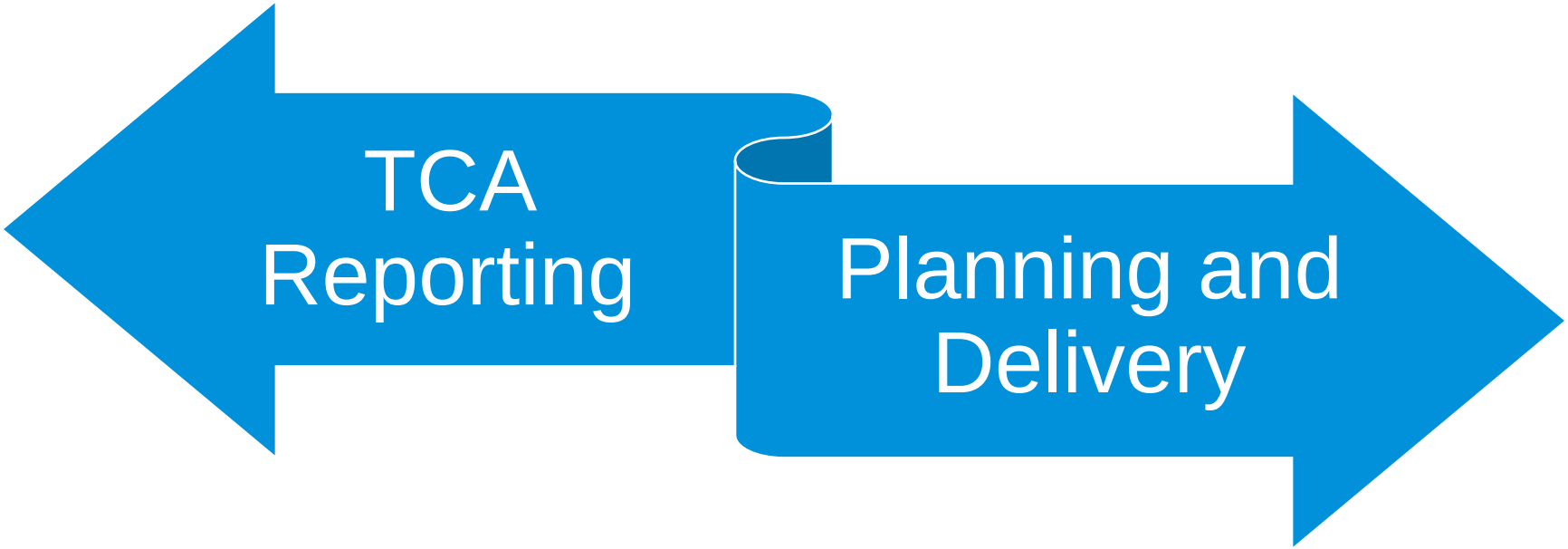
Develop the Plan

An Asset Management Plan (AMP) serves as the business plan, documenting an organization's approach and strategy for meeting defined business and service objectives through ongoing investment in operations, infrastructure and business change.

Business Goals and Objectives	Desired Levels of Service	State of Infrastructure	Management Strategy	Financial Strategy
■ Why are we here as an organization? ■ What is our vision and what do we want to achieve?	■ What services do we need to support these goals? ■ At what level do we need to provide them?	■ How does our infrastructure support service delivery? ■ Where are the gaps and opportunities?	■ What do we need to do to achieve this? ■ What capital and operating investment is needed?	■ What will this cost us and how will we pay? ■ What trade-offs are needed to make this sustainable?

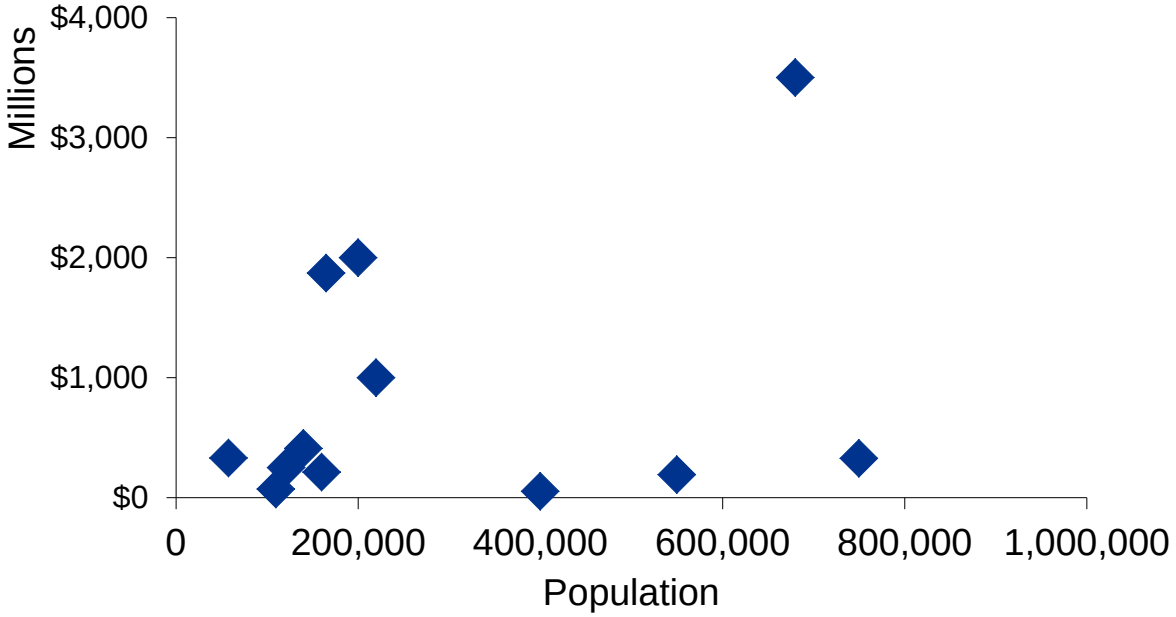
Key Considerations

Looking beyond PS-3150. Important to recognize that effective asset management requires that we move beyond minimum financial reporting requirements and consider how our assets relate to and support our long-term needs and objectives.



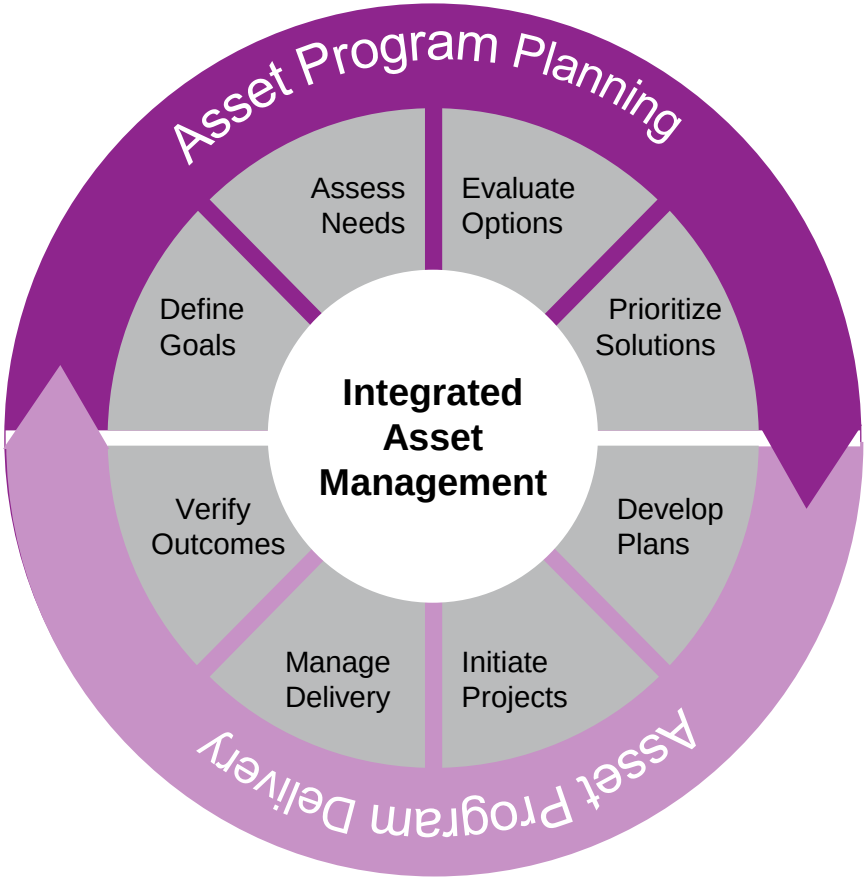
Key Considerations

Managing the Gap. While 'Infrastructure Gap' us often quoted, there is widespread variability in how this value is calculated and used. Common thinking is that any 'infrastructure gap' is bad, and that elimination should be our first priority… but is this really true?



Key Considerations

Looking beyond the plan. Much of the focus on asset management has concentrated on planning – evaluating needs and setting priorities. While good planning is important, successful execution must also be a priority if we are to realize value from these plans and investments.



Barriers to Success

Losing focus on the Business

Infrastructure doesn't exist to be infrastructure. It exists to serve a purpose. When done effectively, asset management helps us align our infrastructure, and associated capital and operating investments with our business goals and priorities.

- Understanding relationships between our business priorities, our service requirements, and our physical infrastructure assets helps us understand the dependencies of improvement on business outcome
- Will also help in identifying relationships between stakeholders and establishing plans to overcome silos, and communicate and manage needed change.

Isolating Improvement

Sound Policy and Governance, People, Process, Data and Technology are organizational enablers needed to successfully introduce and support effective asset management over the long term.

- To be effective, an AMP must consider the interrelationships between all of these factors, and how they will work together to support business need.
- Integrated strategy needed to ensure that needed supports get introduced along with improvements to practices and tools.

Barriers to Success

Trying to control everything

Pushing asset management from the top is difficult and often results in conflict and animosity between corporate and business unit teams. Eventually this results in business units “doing their own thing” after the initial push has subsided.

- Balance corporate control with business unit autonomy – AMP must introduce overall guidance and support, while respecting that some flexibility is needed for OCs to function effectively
- Change strategies should be tailored to each operating company, demonstrating and aligning structure around common needs and priorities, while respecting OC mandates and intricacies

Limiting engagement

Stakeholder engagement is critical to achieving buy-in and support for AM corporately and across operating groups.

- Identify stakeholders and dependencies early on
- Keep engagement and change management at the forefront of all work activities
- Work collaboratively and flexibly to effectively target and utilize people’s time
- Employ proven facilitation techniques to maximize input and contribution
- Track and communicate progress – nothing builds support like success.

Available tools and resources

Over the past decade significant advancements have been made in the field of asset management across Canada, and much information aimed at supporting this process introduced.

Asset Management BC (AMBC) www.assetmanagementbc.ca
Infrastructure Asset Management Alberta (IAMA) www.assetmanagementab.ca
Saskatchewan Municipal Asset Management (SMAM) www.assetmanagementsk.ca
Municipal Finance Officers' Association of Ontario (MFOA) www.mfoa.on.ca
Canadian Network of Asset Managers www.cnam.ca
Federation of Canadian Municipalities (FCM) www.fcm.ca
Institute for Asset Management www.theiam.org
Institute of Public Works Engineers of Australasia www.ipwea.com
International Standards Organization ISO 55000:2014 www.iso.org

Available tools and resources

The **Federation of Canadian Munic**ipalities, in partnership with Infrastructure Canada has introduced the Municipal Asset Management Program (MAMP), aimed at building municipal capacity in managing infrastructure assets.

Training and Support

The FCM has awarded $3.5 M to sector 'implementing partners' to develop and deliver introductory asset management training and supports to municipal governments across Canada. Programs will start with fall and focus on educating Council and building baseline proficiencies within participating organizations.

Apply for Funding

The FCM is distributing $50,000 capacity building grants to help municipalities get started in advancing asset management. An Asset Management Readiness Self-Assessment has been developed to support municipalities in defining preliminary needs and priorities. The application period is open.

- Subscribe to the email updates: fcm.ca/fcmgreen
- Visit FCM's websites:
  - fcm.ca/assetmanagementfunding
  - fcm.ca/climatefunding
- Contact an FCM Program Officer at: programs@fcm.ca or 1-877-997-9926

Thank You

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