

Tangible Capital Assets

TCAs –What are they?

- ▶ Accounting Standard PSAB 3150 outlines the requirements that a municipality has relating to long-term capital investments
- ▶ A TCA is a non-financial asset that meets the following criteria
 - ▶ Used on a continuous basis
 - ▶ Useful life of more than a year
 - ▶ Not intended for resale
 - ▶ Town is clearly in control of the asset
- ▶ Expenses that are deemed capital are capitalized on the Statement of Financial Position and amortized over the useful life whereas operating costs are expensed annually through the Statement of Operations

TCAs for the Town

- ▶ The Town owns roughly \$175M in assets which includes roads, water/wastewater pipes, vehicles, facilities, and land
- ▶ These assets are owned to deliver the services to the residents, businesses and visitors to the Town

TCA Policy

The Town has a policy for two reasons:

1) Guidelines for staff for what expenses to include in the capital budget versus the operating budget as well as the useful life for assets

- ▶ Any board or corporation owned by the Town that is included in the Town's consolidated Financial Statements must follow this policy, this includes the Cemetery Trust Funds, Attainable Housing Corporation and the Blue Mountains Public Library

2) Give information to the users of the financial statements

TCA Thresholds

- ▶ One major change to the policy is the dollar threshold increases for expenses to be considered capital

Tangible Capital Asset	Threshold
Land	All Land purchases are capitalized
Land Improvements	\$5,000 (increased from \$2,500)
Buildings	\$5,000 (increased from \$2,500)
Vehicles, Machinery and Equipment	\$5,000 (increased from \$2,500)
Pooled Tangible Capital Assets	\$5,000 (increased from \$2,500)
Linear (Water, Wastewater, Roads)	\$10,000 (increased from \$5,000)

Asset Management Policy

Acts and Regulations

- ▶ Infrastructure for Jobs and Prosperity Act
- ▶ Ontario Regulation 588/17 Asset Management Planning for Municipal Infrastructure
 - ▶ New regulation that was approved in 2017 that mandate all municipalities to complete and update asset management plans.

Timeline

- ▶ O.Reg 588/17 has an implementation process to ease municipalities in to these new requirements
 - ▶ July 1, 2019 - strategic asset management policy (why we are here today);
 - ▶ July 1, 2021 - asset management plan for core infrastructure (linear) using current levels of service;
 - ▶ July 1, 2023 - asset management plan for all assets using current levels of service; and
 - ▶ July 1, 2025 - asset management plan for all assets using proposed levels of service.

13 Principles

- ▶ The Act outlined 13 principles that the Town should consider when making long-term investments in capital assets
 - ▶ These principles use the words *should* rather than *shall*

Asset Management and the Budget

- ▶ Section 3. (1) 2. of O.Reg 588/17 requires that the Town outline the process under which the Asset Management Plan will be used to develop the annual budgets and any long-term financial plans.
 - ▶ AMP will be the foundation for the capital budget as it outlines which assets are in the greatest need of replacement
 - ▶ Track operating costs to allow staff to build a better operating budget

Asset Management and the County

- ▶ Section 3. (1) 9. of O.Reg 588/17 states that the Town is committed to coordinating planning for asset management where there is joint ownership of assets with the County and neighbouring municipalities.
 - ▶ The Town has joint ownership of a bus for Transit with the Town of Collingwood
 - ▶ Coordination to replace assets with the County (Price's Subdivision Drainage)

Asset Management and Climate Change

- ▶ Section 3. (1) 5. of O.Reg 588/17 requires that the Town will consider the following during asset management planning:
 - ▶ Actions to address the vulnerability that may be caused by climate change to municipal infrastructure assets;
 - ▶ Anticipated cost of these vulnerabilities;
 - ▶ Adaption opportunities to manage these vulnerabilities;
 - ▶ Mitigation approaches to climate change; and
 - ▶ Disaster planning and contingency funding.

Asset Management and Climate Change

- ▶ Creation of a Master Drainage Plan for the entire municipality will help staff have a better understanding of these implications
- ▶ Could also see additional information and requirements included in tenders to help mitigate these vulnerabilities

Asset Management and Water and Wastewater

- ▶ Section 3. (1) 6. of O.Reg 588/17 requires the Town to establish a process to ensure that asset management planning aligns with the Town's water financial plan as per the *Safe Drinking Water Act, 2002*, while a similar wastewater financial plan is not legislated, it is encouraged.
 - ▶ The Town updates the Water Financial Plan as required
 - ▶ Look at creating a similar plan for Wastewater

Asset Management and Land Use Planning

- ▶ Section 3. (1) 7. of O.Reg 588/17 requires the Town to align asset management planning with Ontario's land use planning framework, including relevant policy statements issued under subsection 3(1) of the Planning Act.
 - ▶ Align with three documents:
 - ▶ 1) Provincial Policy Statement
 - ▶ 2) Official Plan
 - ▶ 3) Development Charges Background Study

Asset Management and Tangible Capital Assets

- ▶ Section 3. (1) 8. of O.Reg 588/17 requires that the threshold used for asset management planning aligns with those used for Tangible Capital Assets or if they differ then an explanation as to why be included.
 - ▶ Staff are recommending a higher dollar threshold of \$15,000 to reduce the small assets that would be time consuming and over-whelming
 - ▶ Ignore Pooled Assets, as stand-alone items have a small dollar value

Components of an Asset Management Plan

- ▶ **Asset Registry**

- ▶ What assets do we own?
- ▶ What is the current replacement cost of these assets?
- ▶ What is the current condition of these assets?
- ▶ What year will these assets need to be replaced and at what cost?
 - ▶ We have this registry and it is constantly updated and maintained

- ▶ All assets owned by the Town are tracked through the Cityworks software

Components of an Asset Management Plan

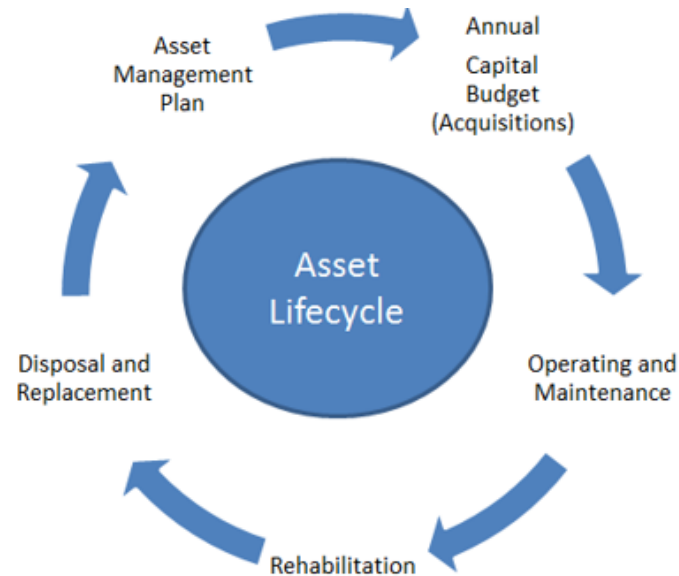
▶ **Preventative Maintenance**

- ▶ What regular maintenance (operating) needs to be done to ensure assets meet or exceed their useful life and keep their operating costs to a minimum
 - ▶ These include items such as oil changes for vehicles, spot repairs on roads, and annual service calls on HVAC systems
- ▶ Using Cityworks the Town can track (internal and external) costs for these maintenance activities and ensure they are being done
- ▶ Additional maintenance activities could be added

Components of an Asset Management Plan

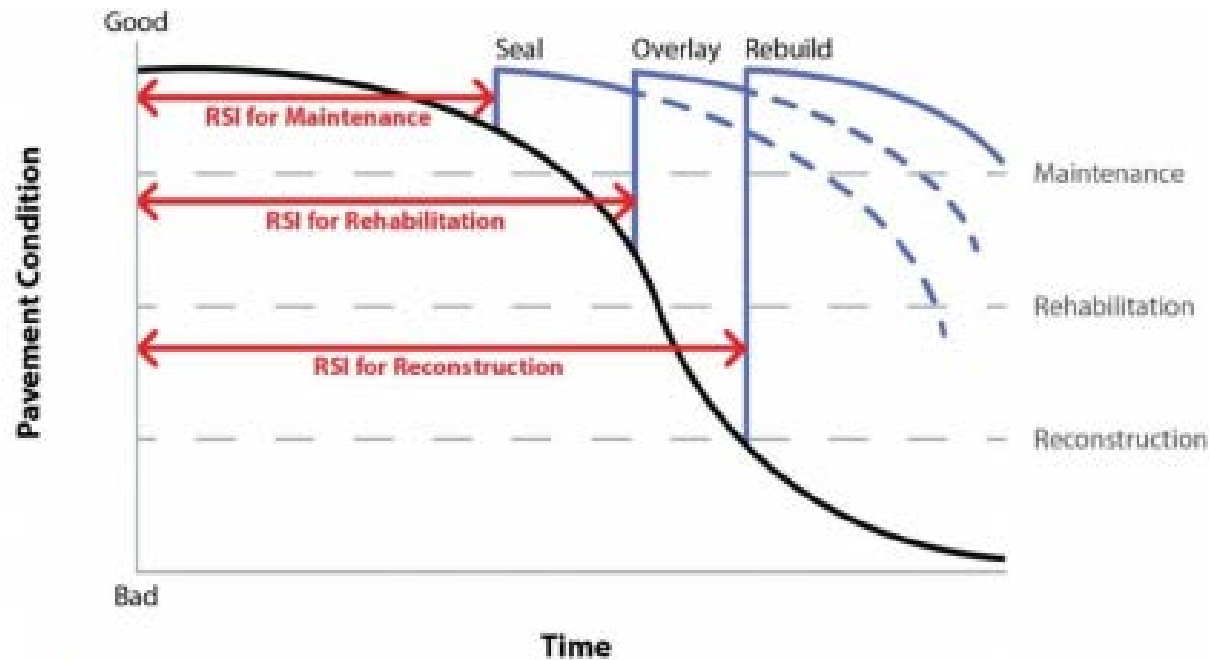
▶ Lifecycle Management

- ▶ The costs associated with ownership of an asset from planning, to initial purchase, rehabilitation, disposal and finally replacement
- ▶ Work to achieve the most effective and efficient use at all stages of the asset's life



Components of an Asset Management Plan

- ▶ **Degradation or Deterioration Curves**
 - ▶ Combine the preventative maintenance with lifecycle management



RSI = remaining service interval

Components of an Asset Management Plan

▶ **Level of Service**

- ▶ First - what level are our assets currently being maintained at?
 - ▶ Vehicles get an oil change every 5000 kms versus the Town needs to own more vehicles to have roads plowed in 10 hours rather than 15 hours
- ▶ Second - (2024 plan) what level do we want to maintain our assets at?
 - ▶ Vehicles can wait till 7500 kms to have an oil change

Components of an Asset Management Plan

▶ **Financial Strategy**

- ▶ How is the Town going to fund the lifecycle costs of all assets?
 - ▶ What is the funding mix? Current user (transfer to reserve fund) or future user (long-term debt)
- ▶ What other funding options are at the Town's disposal?

Components of an Asset Management Plan

▶ Risk Management

- ▶ Using not just the probability of failure but also the consequence of failure
 - ▶ An emergency vehicle is replaced at 80% of life whereas a park's vehicle can go until failure
- ▶ As the regulation is currently written this will never be a requirement for the Town (only required for populations of 25,000 and above); however, staff will be working towards including this as it is an important aspect

Next Steps

- ▶ Data Collecting
 - ▶ Continue to review data and ensure accuracy
 - ▶ Condition ratings
 - ▶ Year 2 of the CCTVing project (Wastewater and Storm)
 - ▶ Implementing findings from Facility Condition Assessments
 - ▶ Bridge Assessments
- ▶ Implementing Cityworks
 - ▶ Continue rolling out the software to all departments and asset classes
 - ▶ Currently tracking costs of vehicle and facility maintenance

Next Steps and the 2020 Budget

- ▶ Use the Vehicle Replacement report to identify the vehicles that will require replacement over the next 5 years and forecast the cost
- ▶ Use the Facility Condition Index report to complete the forecast of operating and capital requirements at the Town's 41 facilities as per the Condition Assessments
- ▶ Ensure sufficient budget is available under Equipment and Vehicle Related Costs as well as Premise and Site
- ▶ Continue with condition rating data collection
 - ▶ Year 3 of the CCTVing
 - ▶ Facility Condition update (2021 or 2022)
 - ▶ Roads Needs Study

Cityworks

- ▶ An introduction to the Town's asset management software