
TO: Committee of the Whole **MEETING:** March 12, 2019

FROM: Geoff Garbutt
General Manager of Strategic and
Community Development **FILE:** 1025-01 AM

SUBJECT: 2019 Asset Management Review and Implementation Report

RECOMMENDATIONS

That the Board receive the Regional District of Nanaimo 2019 Asset Management Review and Implementation Report.

SUMMARY

The Regional District of Nanaimo (RDN) 2019 Asset Management Review and Implementation Report (Attachment 1) is the culmination of three years of collaborative effort involving all departments responsible for management of all RDN-owned assets, excluding non-physical and natural assets.

The Asset Management Review and Implementation Report (the Review) is divided into three sections with Section 1 providing an overview of asset management in the RDN, Section 2 provides an overview of the current state of assets owned by the RDN in the form of comprehensive Asset Snapshots, and Section 3 outlines the implementation framework to further advance asset management practices at the RDN.

As outlined in Section 3 of the Review, the key immediate tasks necessary to move forward with implementation of the asset management framework and further strengthen and integrate asset management practices across the RDN are:

- Complete Comprehensive Replacement Cost Study funded through a grant from the Provincial Strategic Priorities
- Continue program coordination through the RDN Asset Management Working Group;
- Initiate a formal Condition Assessment Framework; and
- Further invest in staff training and development.

Regular updates and revisions are part of the continuous improvement process required to maintain the currency of the Review document and the Asset Snapshots will be updated on a regular basis to support service delivery and financial planning.

DISCUSSION

While this Asset Management Review is the first report of its kind undertaken by the RDN, the organization has responsibly and effectively managed assets since its creation in 1967. One of

the fundamental purposes of regional districts is to provide services best delivered on a collaborative basis, across jurisdictions, on large scale, and beyond the financial ability of individual municipalities or electoral areas. However, asset management within the RDN has historically fallen to individual departments or service areas, often operating in isolation, resulting in varying levels of maturity in asset management practices across the organization. An important part of the RDN Asset Management Program is to eliminate departmental isolation, and build a consistent organization-wide program.

In 2016, the Board adopted the RDN Asset Management Policy (the Policy) (Attachment 2) to establish an organization-wide approach to managing assets, reach the optimal service lives of assets, and fully enable asset renewal and replacement. The Asset Management Working Group (the Working Group) formed alongside the Policy. Together, the Policy and the Working Group form the RDN Asset Management Program (the Program).

Sequentially, in formal documentation of the Program activities to date, the purpose of the Review is to:

- Document current asset management practices across the full range of departments responsible for infrastructure in the RDN;
- Provide a high level overview of the state the infrastructure assets owned and managed by the RDN; and
- Outline an implementation framework to continue best practices in asset management.

Asset Management Program Goals

Beginning in late 2015, the RDN began the process of developing a more integrated, holistic approach to asset management. The three key goals for RDN's Asset Management Program are to:

- Manage assets in a consistent fashion across the RDN, allowing for greater stability in financial and capital planning;
- Guide decision-making regarding investment in assets, based on full lifecycle costs (maintenance and asset investment is based on informed decision-making); and
- Enhance inter-departmental and inter-jurisdictional collaboration on projects that involve asset management.

Fulfilling these goals will formalize the RDN's asset management practices across the organization, laying the foundation for more advanced asset management practices in all departments. The RDN's first corporate-wide Review will result in a more consistent, cohesive approach to defining, costing, and forecasting service delivery options for the RDN and ensure that infrastructure and service delivery decisions are being made with an understanding of long-term cost implications.

Current State of RDN Assets

In Section 2 of the Review, an overview of asset management practices is provided for each department responsible for the management of infrastructure assets.

The department reviews have been guided by the Asset Management British Columbia's (AMBC) Roadmap. The Roadmap is a tool developed by AMBC to guide organizations in the Province toward increasing maturity in asset management practices. As is shown below, the Roadmap is organized around six primary building blocks, which are further defined by modules that are required for basic level asset management. The six modules provide the framework for examine current asset management practices, as well as identifying gaps in current practices.



Following each departmental overview are Asset Snapshots for each service area dependent on infrastructure assets. These are essential, two-page summaries of the current-state-of-the-assets for each relevant department in the RDN.

The key information in each Snapshot includes level of service, current replacement costs, total replacement value, lifecycle period, average useful life of all assets in the service and average annual replacement costs for the service area. The snapshots also compare planned capital investment against average annual replacement cost over a five year period to illustrate whether annual capital expenditures align with lifecycle replacement costs. The Snapshots conclude with an assessment of asset condition based on age.

Of particular importance, the Review shows, for the first time, the total current replacement value for all RDN assets. As shown below, the current replacement value for all RDN assets totals almost \$382,000,000 (2017 dollars). These values will be updated later in 2019 through a Comprehensive Replacement Cost Study.

Service Area (or Department)	Total Asset Replacement Value (2017)
Southern Communities Wastewater Service Area	\$ 111,300,000
Northern Communities Wastewater Service Area	\$ 53,400,000
Nanoose Bay Peninsula Water Service Area	\$ 42,600,000
Oceanside Place Arena	\$ 25,000,000
Fairwinds Sewer/Nanoose Bay Pollution Control Centre	\$ 14,200,000
French Creek Sewer Service Area	\$ 13,500,000
Ravensong Aquatic Centre	\$ 12,000,000
Transportation Administration Building	\$ 11,500,000
Main Administration Building	\$ 9,700,000
Cedar Road Landfill	\$ 8,300,000
Duke Point Wastewater Service	\$ 7,500,000
District 69 Arena (Parksville Curling Club)	\$ 7,300,000
Nanoose Bay Fire Service Area	\$ 7,200,000
Church Road Transfer Centre	\$ 6,800,000
Englishman River Water Service Area	\$ 5,700,000
Errington Fire Service Area	\$ 5,000,000
French Creek Water Service Area	\$ 4,700,000
Dashwood Fire Service Area	\$ 4,700,000
San Pareil Water Service Area	\$ 4,400,000
Coombs Hilliers Fire Service Area	\$ 4,200,000
Bow Horn Bay Fire Service Area	\$ 3,600,000
Corporate Vehicle Fleet	\$ 2,300,000
Whiskey Creek Water Service Area	\$ 2,100,000
Streetlighting Service Areas	\$ 2,100,000
Extension Fire Service Area	\$ 2,100,000
Cassidy Waterloo Fire Service Area	\$ 2,000,000
Barclay Crescent Sewer Service Area	\$ 1,800,000
Information Technology Infrastructure	\$ 1,600,000
Cedar Sewer Service Area	\$ 1,200,000
Melrose Terrace Water Service Area	\$ 1,100,000
Decourcey Water Service Area	\$ 1,050,000
Surfside Water Service Area	\$ 688,000
Surfside Sewer Service Area	\$ 634,000
Emergency Planning Services	\$ 350,000
Wharves	\$ 325,000
Total	\$ 381,947,000

Next Steps for Asset Management

Section 3 of the Review is the Asset Management Implementation Framework, which is comprised of four components:

- Completion of a Comprehensive Replacement Cost Study;
- Initiation of a formal Condition Assessment Framework,
- Continued interdepartmental collaboration through the RDN Asset Management Working Group; and
- Organizational capacity building in asset management through training and development.

The primary activity planned for the coming year is to complete a Comprehensive Replacement Cost Study. This work will be undertaken through a \$150,000 grant from the Provincial Strategic Priorities Fund, and is intended to result in a regional replacement cost database informed by actual construction prices and accurate cost data into the future. This information will be added to the Asset Snapshots and be a critical tool in the development and implementation of the financial planning required to manage RDN assets in accordance with the Asset Management Policy and the Asset Management BC Roadmap.

ALTERNATIVES

1. That the Board receive the 2019 Asset Management Review and Implementation Report.
2. That the Board provide alternate direction to staff.

FINANCIAL IMPLICATIONS

The development of the 2019 Asset Management Review and implementation activities is accounted for in the 2019 Approved Budget for Strategic Initiatives. Activities related to implementation will be coordinated and rolled out with the support of the Asset Management Working group and operationalized through each department responsible for managing assets, as departmental capital and operational expenditures.

The larger financial implications will arise as the organization shifts capital planning based on full lifecycle costs, generally from five years to a minimum of 20 years. This will involve verifying and aligning targets for planned capital expenditures (including contributions to capital reserves) to average annual replacement cost based on up-to-date current replacement costs and service area lifecycle periods. Such an approach will be brought in incrementally over time to minimize the potential financial impact to residents, and include significant outreach and engagement to ensure residents are informed about the true costs of infrastructure ownership.

STRATEGIC PLAN IMPLICATIONS

Focus On Service And Organizational Excellence - We Will Fund Infrastructure In Support Of Our Core Services Employing An Asset Management Focus

The completion of the 2019 Asset Management Review and Implementation Report represents a major milestone for the RDN asset management program, and is a key tool for advancing the strategic priority to fund infrastructure employing an asset management focus.



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March 5, 2019

Reviewed by:

- G. Garbutt, General Manager, Strategic and Community Planning and Acting Chief Administrative Officer

Attachments:

1. 2019 Asset Management Review and Implementation Report
2. Policy A2-21 Asset Management Policy (April 2016)