



Advancing Municipal Asset Management: A Coalition of the Willing
2018 Asset Management Ontario (AMONTario) Annual Conference

20-21 November 2018

Rick Charlebois, CAO/Treasurer, Town of Petrolia



Waste Water Treatment Plant Upgrade – February 2016

AM Coalition of the Willing

- Five municipalities partnered to leverage each other's learnings and experience in an asset management community of practice.
- **Participating municipalities:**
 - **Brooke-Alvinston** (2,411 population) – focus on education, AM policy and strategy development, multi-year capital project development and AM system advancement. Brooke-Alvinston had a huge improvement as they had not done much before due to lack of capacity. Approved FCM grant.
 - **Petrolia** (5,742 population) – focused on long-term financial planning using an Excel spreadsheet developed in-house. Our long-term financial plan is updated regularly, integrated with our annual budget process, and used for debt, grant and reserve strategic planning. It also facilitates priority setting and includes both operating and capital plans. Approved FCM grant.

AM Coalition of the Willing

- **Participating municipalities:**

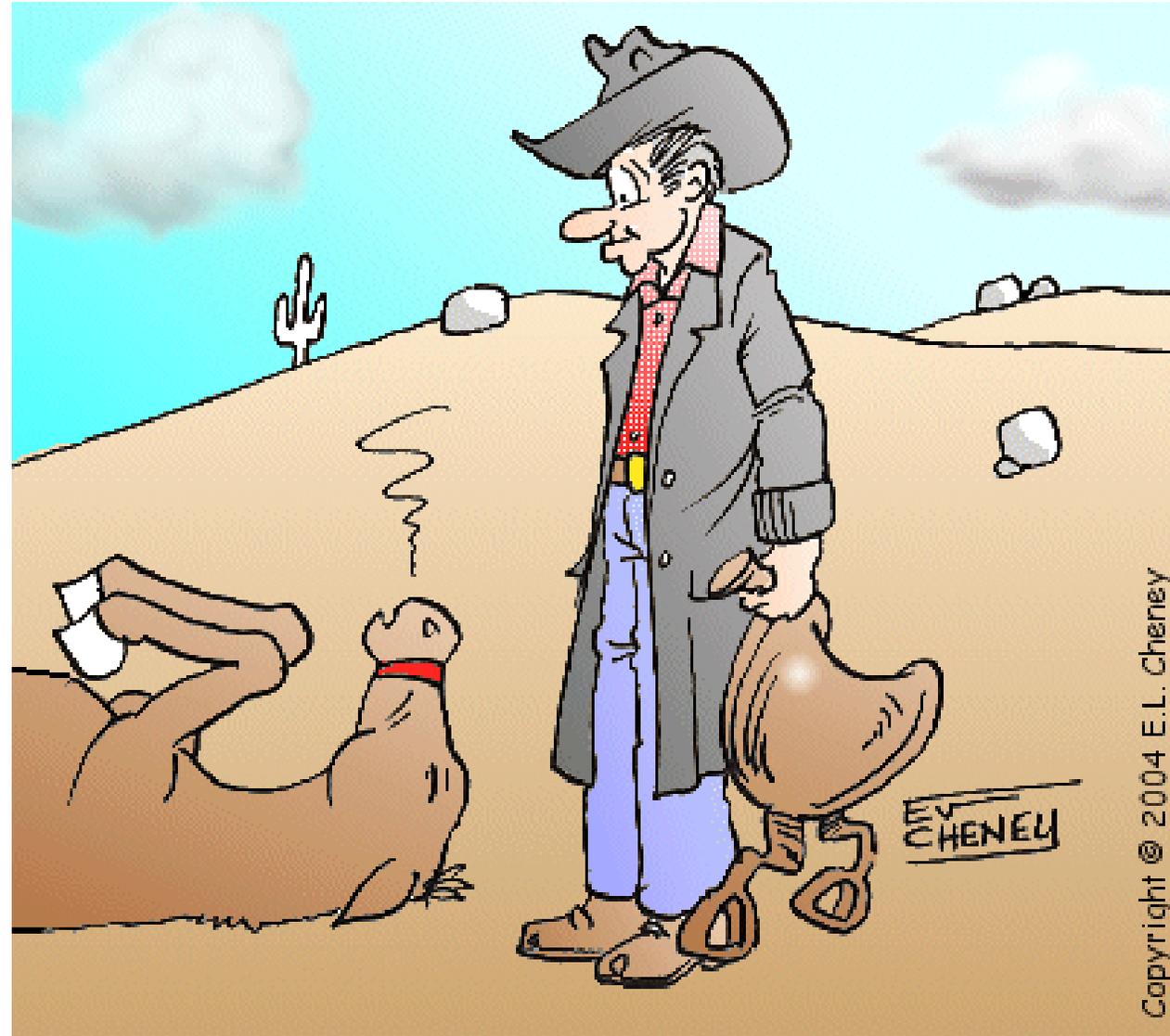
- **Strathroy-Caradoc** (20,867 population) – focused on levels of service. LOS is a difficult area to **develop some simple, practical and enduring solutions**. Approved FCM grant.
- **Warwick** (3,692 population) – focused on developing a Strategic AM Policy, a regulatory requirement. Warwick was also able to initiate work on Levels of Service and long term financial planning. Approved FCM grant.
- **Southwest Middlesex** (5,860 population) – focused on education and developing better planning. At early stages of AM development. Recently approved for FCM grant.
- Tried to reach out to a one or two municipalities from another province, but not able to arrange
- Some municipalities concerned with a change in Council due to election, that they will have to re-start Council education

AM Coalition of the Willing

- **Knowledge Sharing:** as part of this initiative, municipal participants assisted the other partner municipalities in implementing their focus area. For example, Petrolia assisted and will assist the other municipalities in implementing a long-term financial plan.
- **Community of Practice:** Held a workshop (18 October 2018) where we each presented our work and advice to the rest of our group.
- **Feedback:** All thought working as a group was very beneficial. Plan to stay connected going forward.
- **Resources:** MFOA has developed excellent templates for municipalities to use.

Stuff!

www.cartoonwebsite.com



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Bad planning is buying a new saddle
for an old horse!

Petrolia's Long Term Financial Planning (LTFP) Model

- Petrolia has 5,742 residents and we have close to \$300 million in assets at replacement costs (**Bonnie and Clyde**)
- Asset management is really about long term **service** management
- Councils cannot provide critical services to residents without this well maintained public infrastructure – e.g., residents just want their municipal governments to ensure that when residents turn on their kitchen taps, they get safe drinking water or that when they flush their toilettes, the wastewater is properly treated before being released into the environment
- Residents often do not understand the tremendous amount of infrastructure required to provide those critical and important services. They may not understand the complexities, the tremendous costs, the intensive coordination and management needed to maintain and replace this infrastructure.

Petrolia's Long Term Financial Planning (LTFP) Model

- It is our job as the municipal professionals (the CAOs, and the local managers of public works, finance, clerks, Fire Chiefs, and parks and recreation), with Council oversight and direction, to ensure our municipal infrastructure is properly managed and meets the needs of our residents.
- Early in 2014, Council approved Petrolia's first ten year Asset Management Plan which included water, sewer and roads. BUT did not include all Town assets, such as, Community Centre, Arena, vehicle fleet, etc.
- In 2014, our senior management meetings would discuss one major infrastructure priority at a time because we had no means to focus our management attention on all our priorities in a holistic and integrated manner
- We needed a multi-year plan that addressed our municipality's key infrastructure priorities

Petrolia's Long Term Financial Planning (LTFP) Model

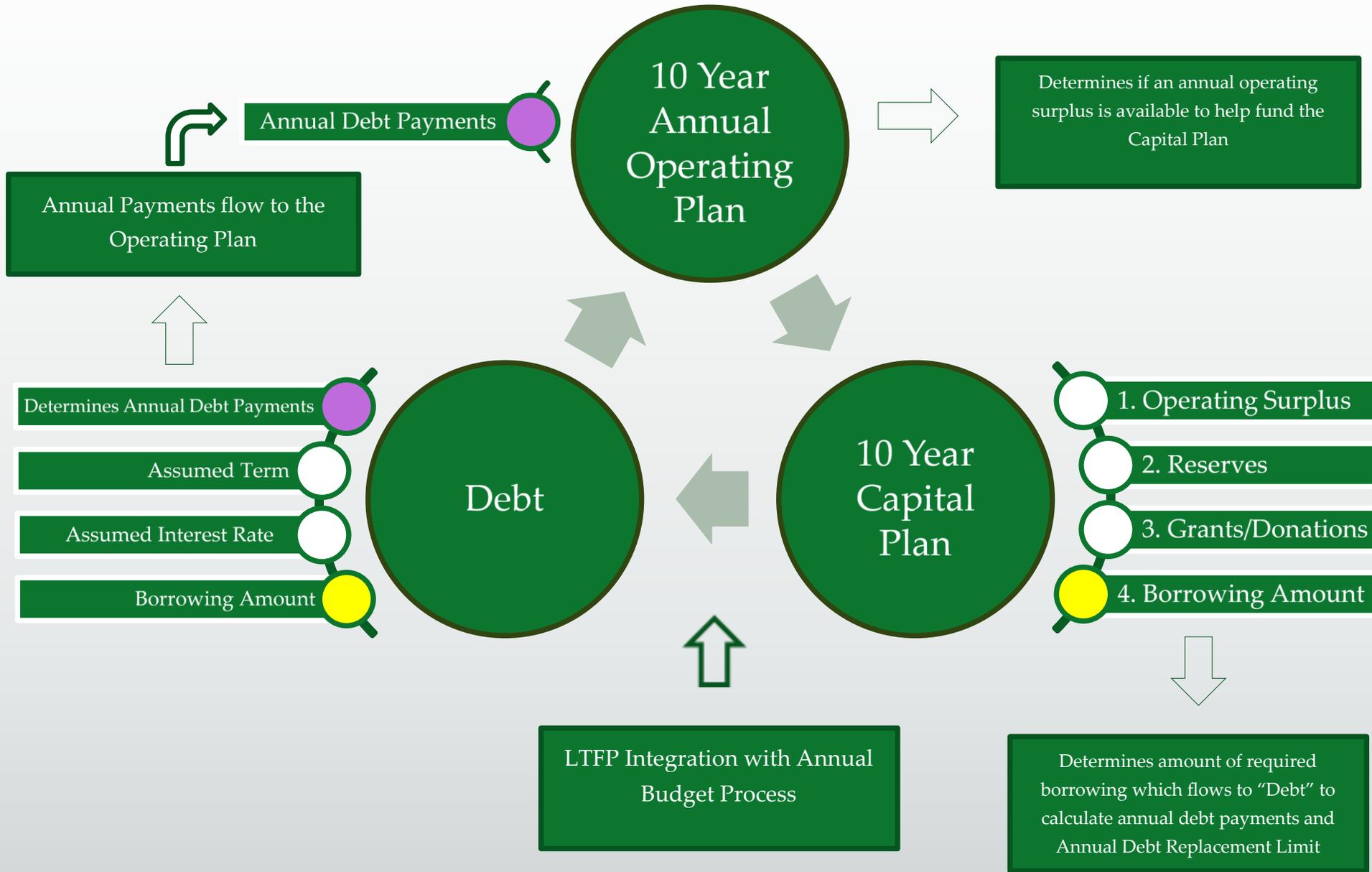
- I had experience with strategic financial planning in the federal government – led strategic financial planning group at National Defence – about \$10 billion annual budget, \$3 billion for capital, we used a 15-year planning horizon, used a model like the one we developed in Petrolia
- I had just started in 2013 at the municipal level and found a mentor with over 30 years municipal finance experience (he was treasurer at City of Sarnia for almost 15 years)
- With the combined experience of my mentor and me, we conceived, developed and implemented a strategic decision support tool evolved over about a 12 month period, and we are still enhancing as we drop/add a year to our 10 year planning horizon
- With our first long term financial planning model, we realized that our **first Asset Management Plan was a “wish list”, not affordable, not a practical, long term plan that could be implemented, like our \$25M WWTP**

Petrolia's Long Term Financial Planning (LTFP) Model

- We re-prioritized our capital program, projects were taken out, projects were moved to the right, projects were added, projects were better coordinated, eg, road construction with water and sewer work
- Our timing was perfect as the Feds and the Province started announcing new major infrastructure grants, and **we were ready**
- **KISS** principle as we have limited staff capacity and time, like most municipalities
- Management team updated the capital plan (many times) and added other Town capital requirements, such as, our profession theatre operations and community services
- One of the several holes in our AMP was our vehicle fleet, we now have 10 year vehicle replacement plan

Petrolia's Long Term Financial Planning (LTFP) Model

- The **model covers**:
 - Town Operations and Capital
 - Water Operations and Capital
 - Sewer Operations and Capital
 - Total Long Term Debt for all activities (including debt repayment limit calculations)
- **Model Integrated** – model integrates revenues, expenses including any current and planned loan payments, capital expenditure plans, reserves, annual surpluses/deficits, annual debt repayment limits, total debt outstanding, etc
- **Model Interactive** – many of the model's built-in assumptions can be adjusted with the impact known immediately: e.g., tax rate; OMPF funding change; inflation rate for expenses; etc
- 10 Year Strategic Financial Plan is updated as part of our annual budget process and becomes starting point for the following year's annual budget process
- Model is also very useful for major “make or buy” analysis, eg, LAWSS



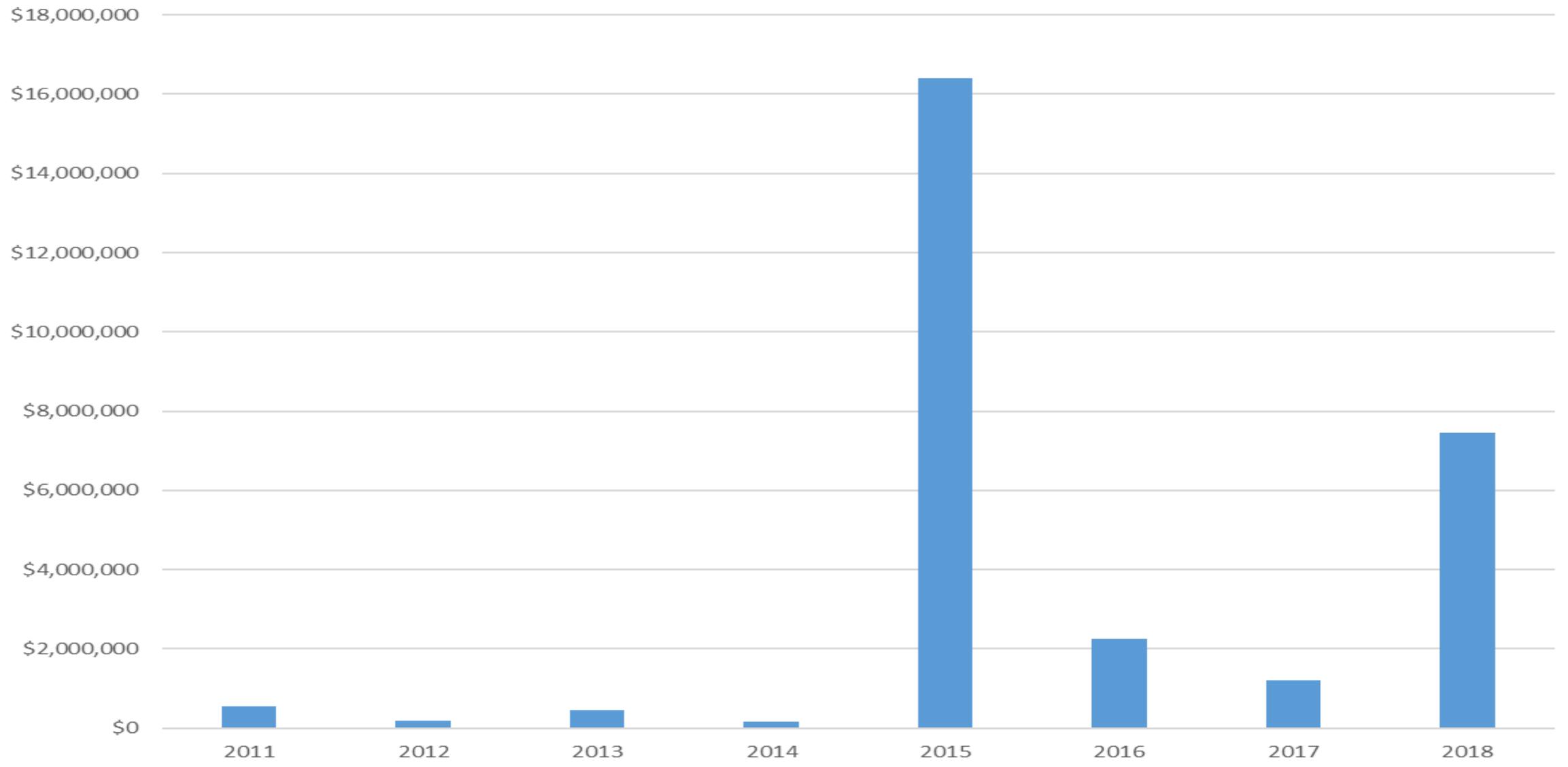
Transfer to Working Capital Reserve Petrolia

Working Capital Reserve represents funds that are set aside for Capital Projects. The Municipal Budget includes a projected amount to be transferred over at the end of each year, in addition to any operating surplus.

Explain structural deficit: annual expenses higher than revenues



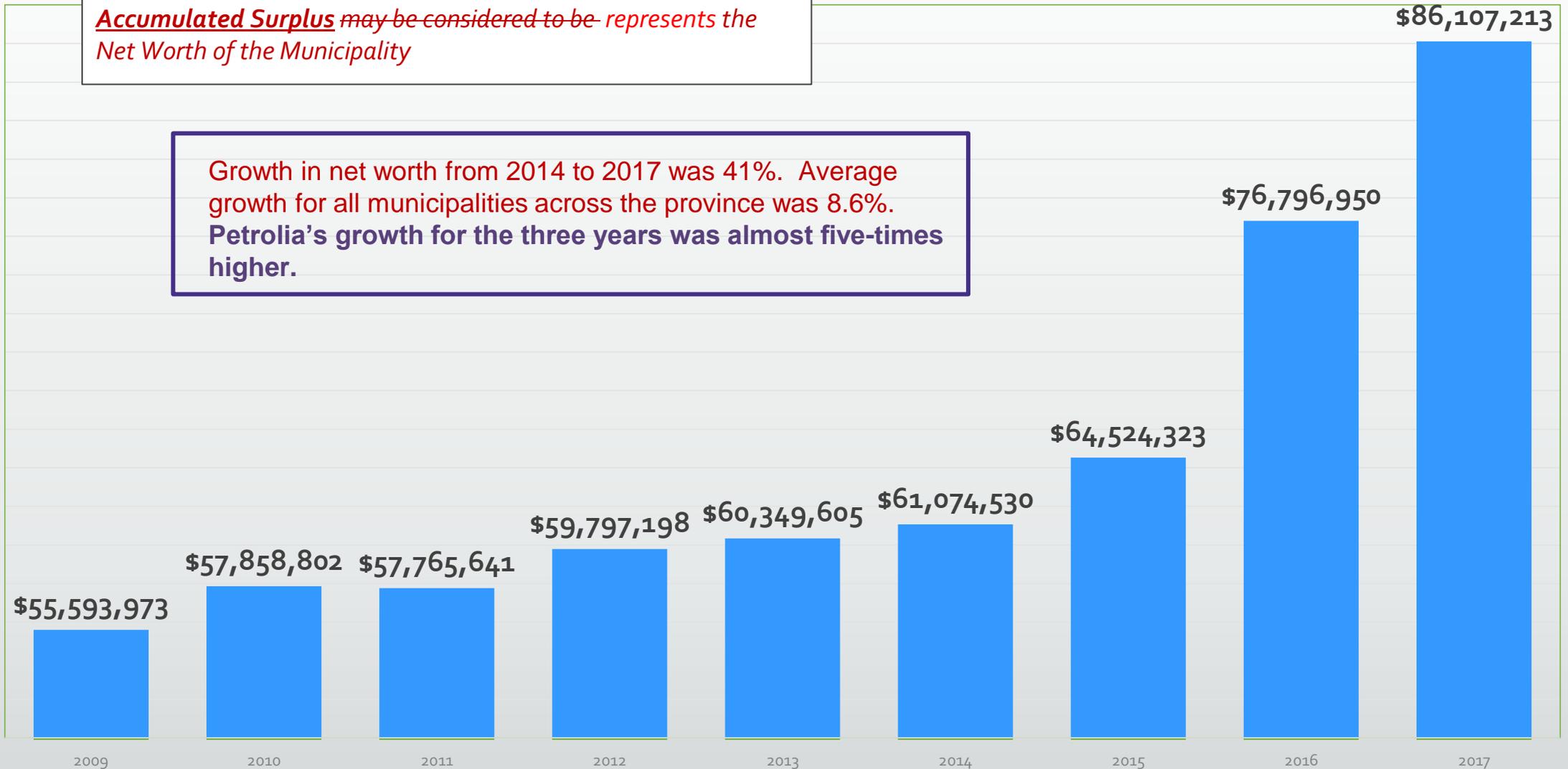
Town of Petrolia
Capital Grant Approvals from 2011 to 2018
as of 28 Aug 18



Accumulated Surplus / Deficit Petrolia

Accumulated Surplus may be considered to be represents the Net Worth of the Municipality

Growth in net worth from 2014 to 2017 was 41%. Average growth for all municipalities across the province was 8.6%. Petrolia's growth for the three years was almost five-times higher.



Petrolia's Long Term Financial Planning (LTFP) Model

- Another measure of success is the percentage of “very poor” assets to total assets.
 - **2016 was 39%**
 - **2019 will be about 20%**
- Reasons for our success:
 - Council quickly understood the importance of AM – it is where the money and services are!
 - In 2015, Council approved a 5% capital sustainability levy and at same time directed a 5% reduction in operating budgets without reducing services **(not easy things to do)**
 - Developed and implemented a simple, customized long term financial plan that is updated annually and integrated with our annual budgeting process
 - Moved from a ‘noun’ AM Plan to ‘verb’ AM Planning
 - Respect and trust between Council and staff, e.g., Clean Water Wastewater Fund (CWWF) grant

Petrolia's Long Term Financial Planning (LTFP) Model

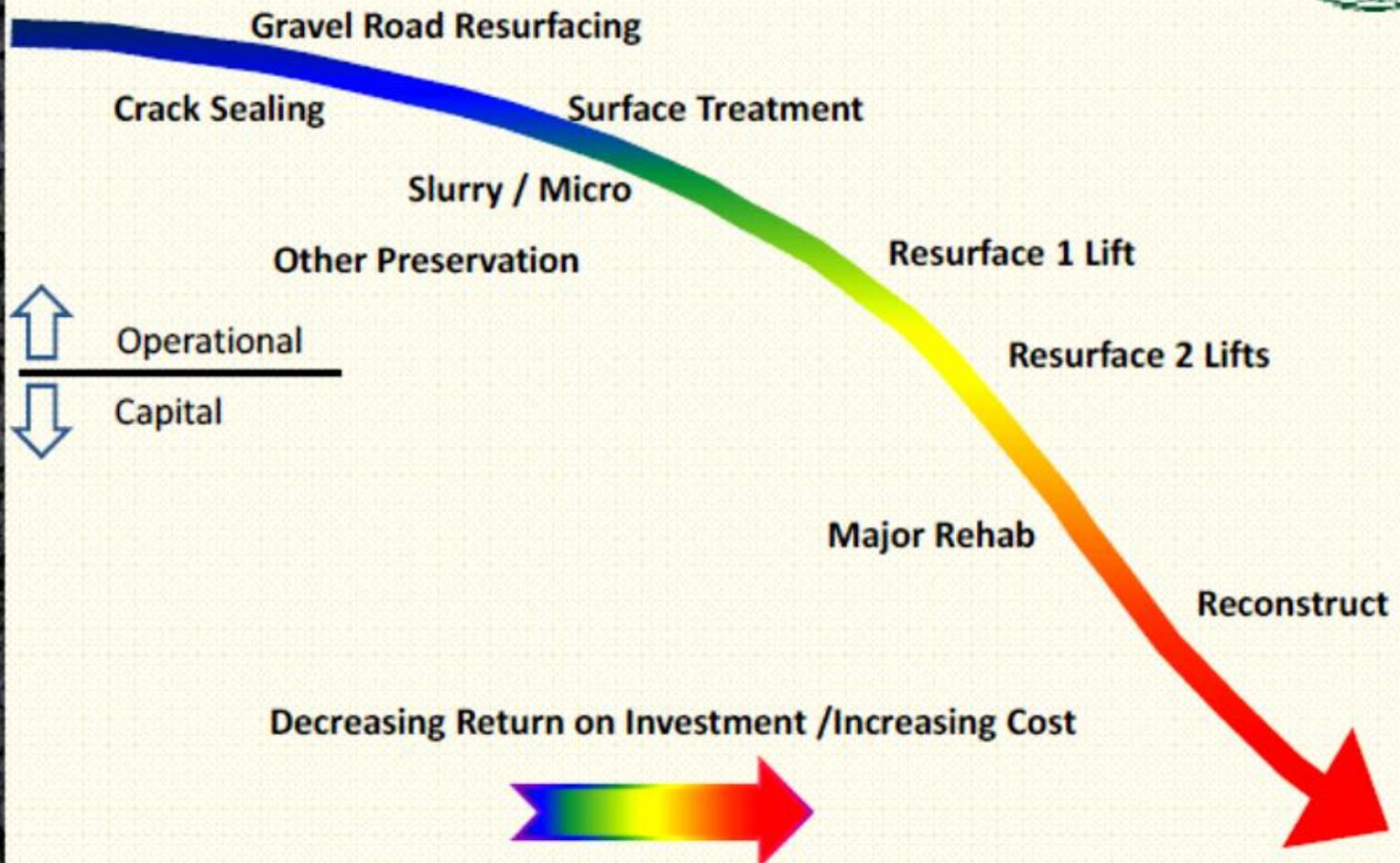
- Petrolia developed a basic guide and Excel model with our FCM AM grant
- Provided to AMONTario for sharing
- It is difficult for municipalities, especially small municipalities with fewer resources, to implement change such as setting up a LTFP.
- Hopefully, this will help you get to where you want to go.
- For those of you who do implement a LTFP, Petrolia would be glad to exchange ideas or just talk.



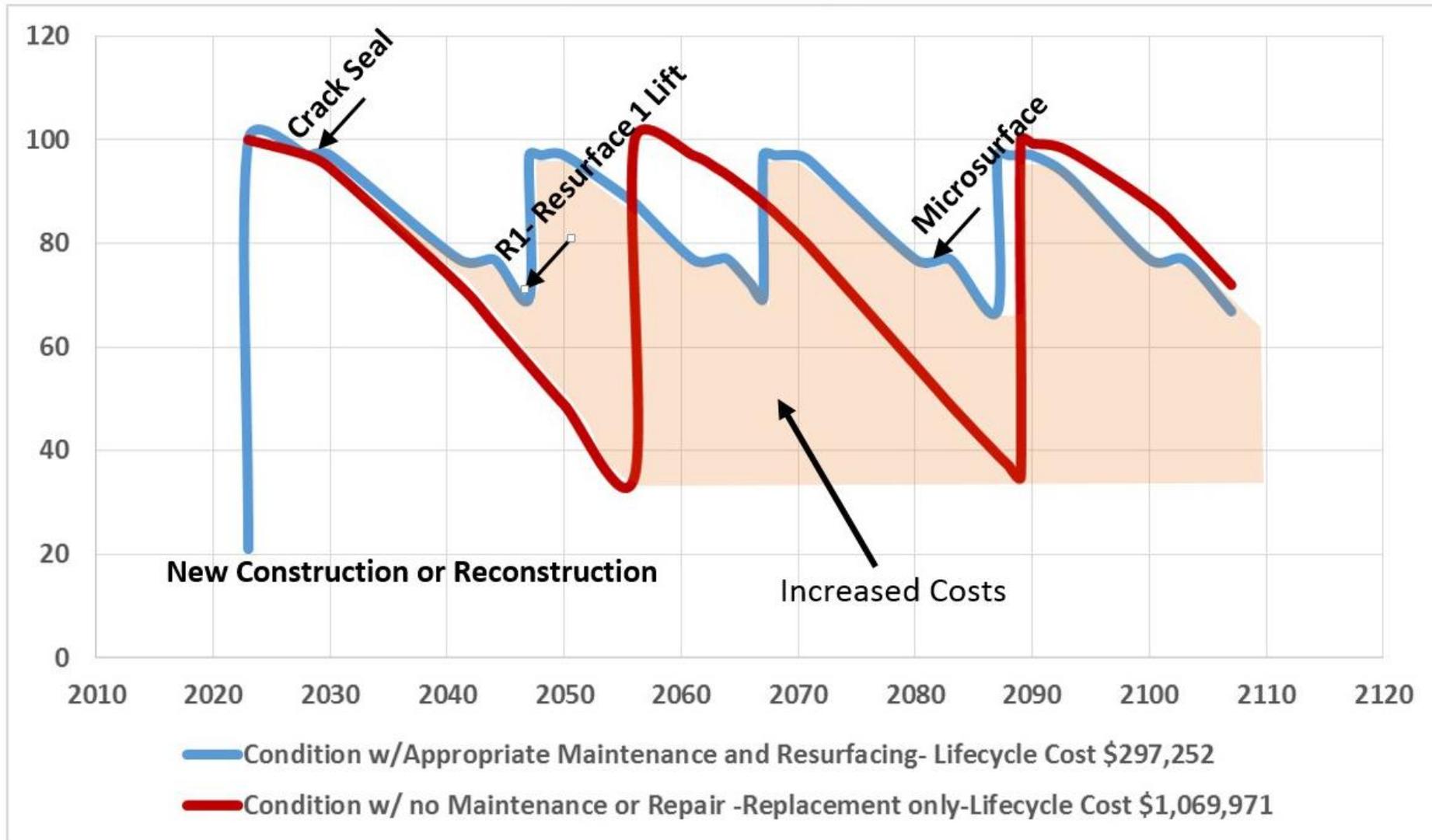
Enough with all the strategic planning. Get out there and kill something!



Asset Management Strategy



Total Road Construction Versus Road Maintenance Strategy



**Note: The orange shaded area illustrates increased lifecycle costs between the two strategies*