



113th Annual Conference

May 19-22, 2019 • Los Angeles, California

CANADIAN UPDATE

May 20, 2019

Los Angeles, California

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City of Colwood

Sustainable Infrastructure Replacement Plan

Asset Management Mistakes

Common mistakes for small local governments:

1. Overcomplicate it
2. Delay it
3. Communicate it poorly

Conventional AM Approach

1. Quantify every inch of inventory
2. Implement \$1M software
3. Hire 30 consultants
4. Develop complex procedures
5. Forget to hire asset management resources
6. Build 50 GIS layers
7. Ask for money and completely stall everything

New AM Approach

1. Tell yourself its ok to not be perfect
2. Tell yourself that any AM program is better than nothing
3. Take your TCA, master plans, maintenance plans and estimate useful lives, replacement cost
4. Determine annual funding to reserve
5. Determine current annual funding
6. Plan to phase-up contributions

Anxiety Attack Time

“but Chris what if your assumptions are wrong”

“but Chris I think you’re being too pessimistic”

“but Chris I think you’re being too optimistic”

SIRP Objectives

1. Forecast long-term spending
2. Avoid volatile taxation (predictable, stable funding)
3. Avoid debt servicing costs
4. Reinvest investment returns into community
5. Promote intergenerational funding equity

Scope

- Existing capital only
 - Strategies for funding growth in policy
- Assess all currently owned assets:
 - Quantify total value and quantity
 - Assess condition
 - Estimate replacement years and values
- NOT a spending plan

Limitations and Assumptions

- Gas tax funding perpetuity
- Infrastructure grants ineligible for refurbishment
- 50-year timeframe
- Inflation, investment returns, debt interest
- Natural Asset valuation

What is Sustainable Funding?

- Current Capital Services maintained for all generations
- Capital Services are replaced as they age
- Tax increases are predicable, stable, gradual
- No debt financing

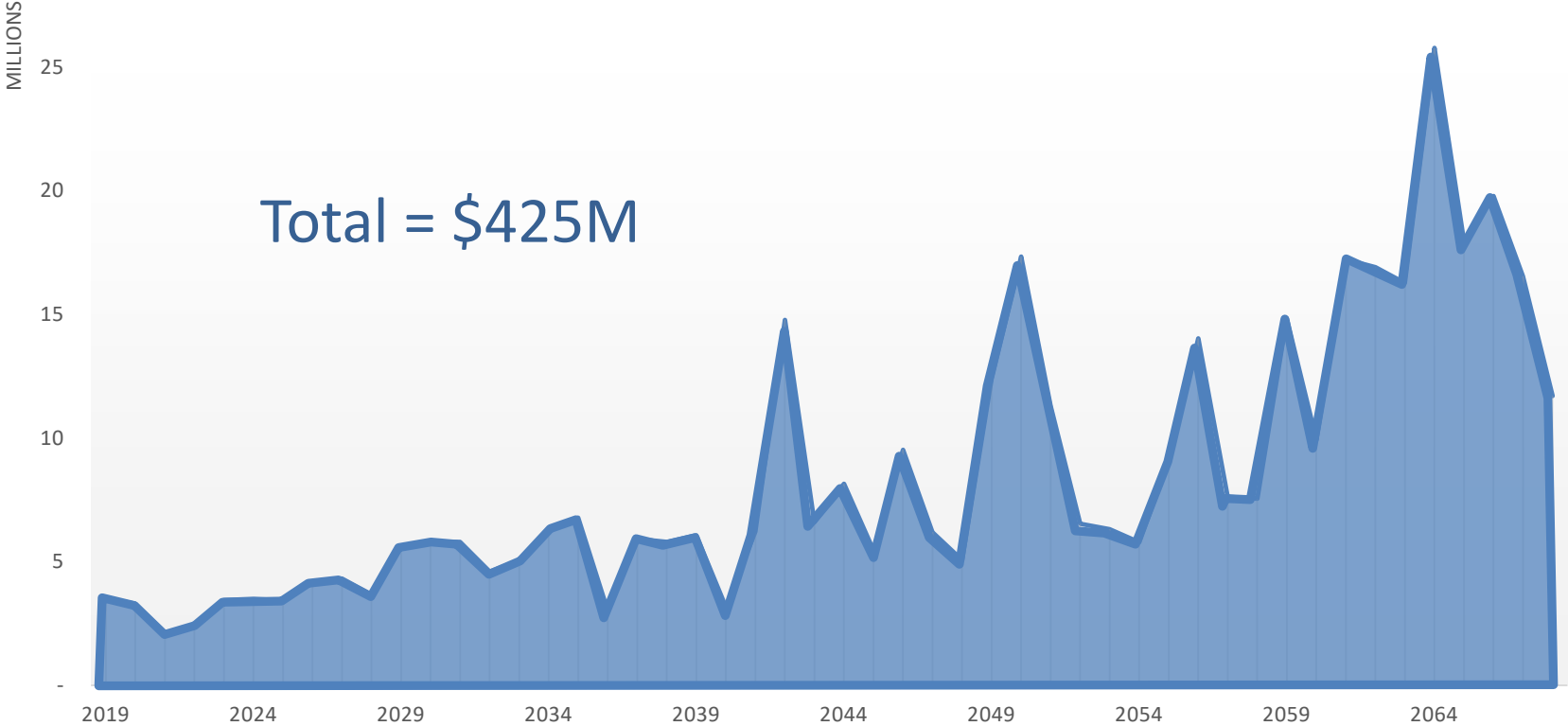
Asset Inventory

Asset	Quantity	Replacement Value
Natural	Varies	Undefined
Roads	91 km	\$122.4M
Land	92 ha	\$53.4M ¹
Park Structures/Trails	n/a	\$3.7M
Sewer	49 km	\$68.9M
Drainage	39 km	\$85.1M
Vehicles/Equipment	272 units	\$8.7M
Building	50k + sqr ft	\$31.0M
Total		\$373.2M

1: BC Assessment Assessed value; land does not depreciate and does not have replacement value

Spending Forecast

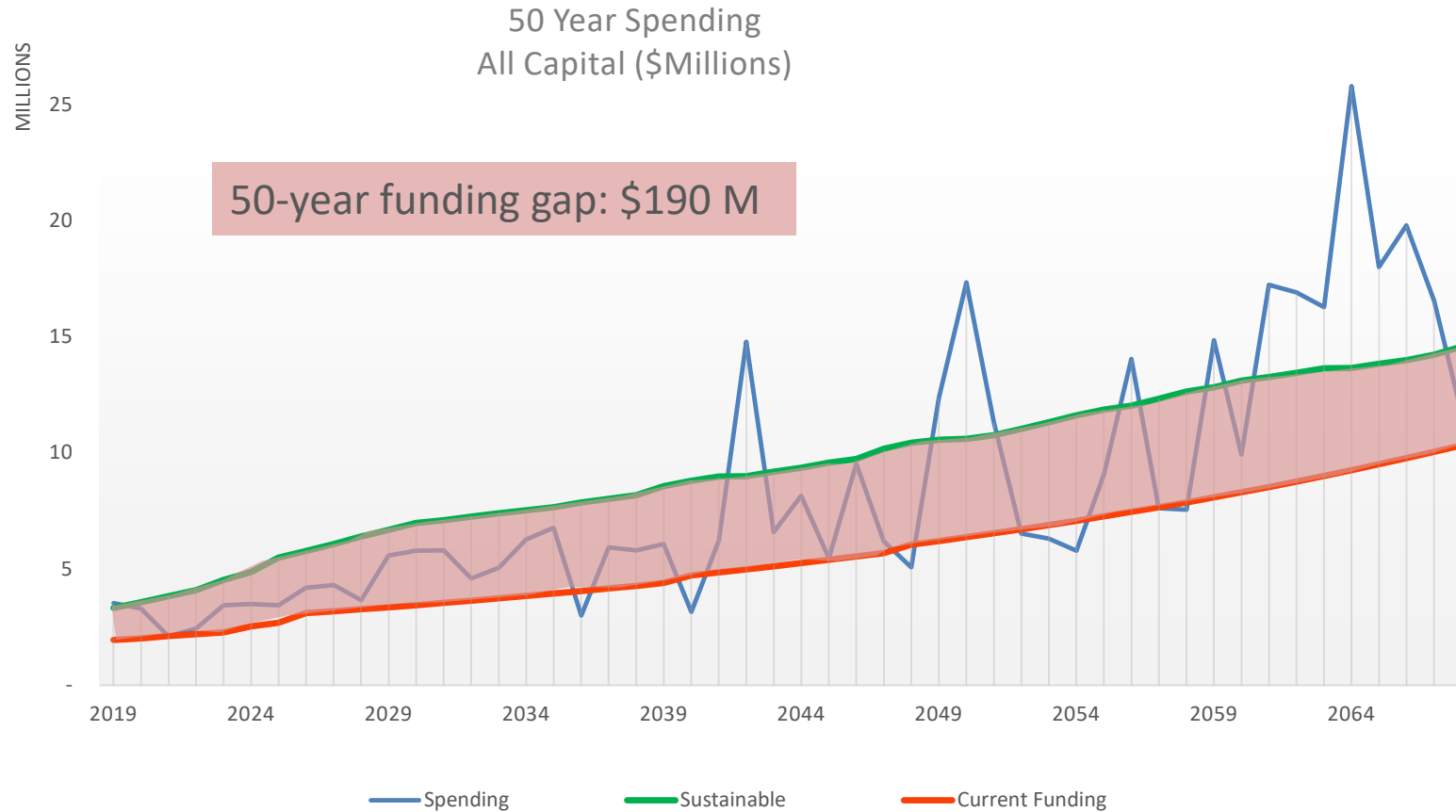
50 Year Spending
All Capital (\$Millions)



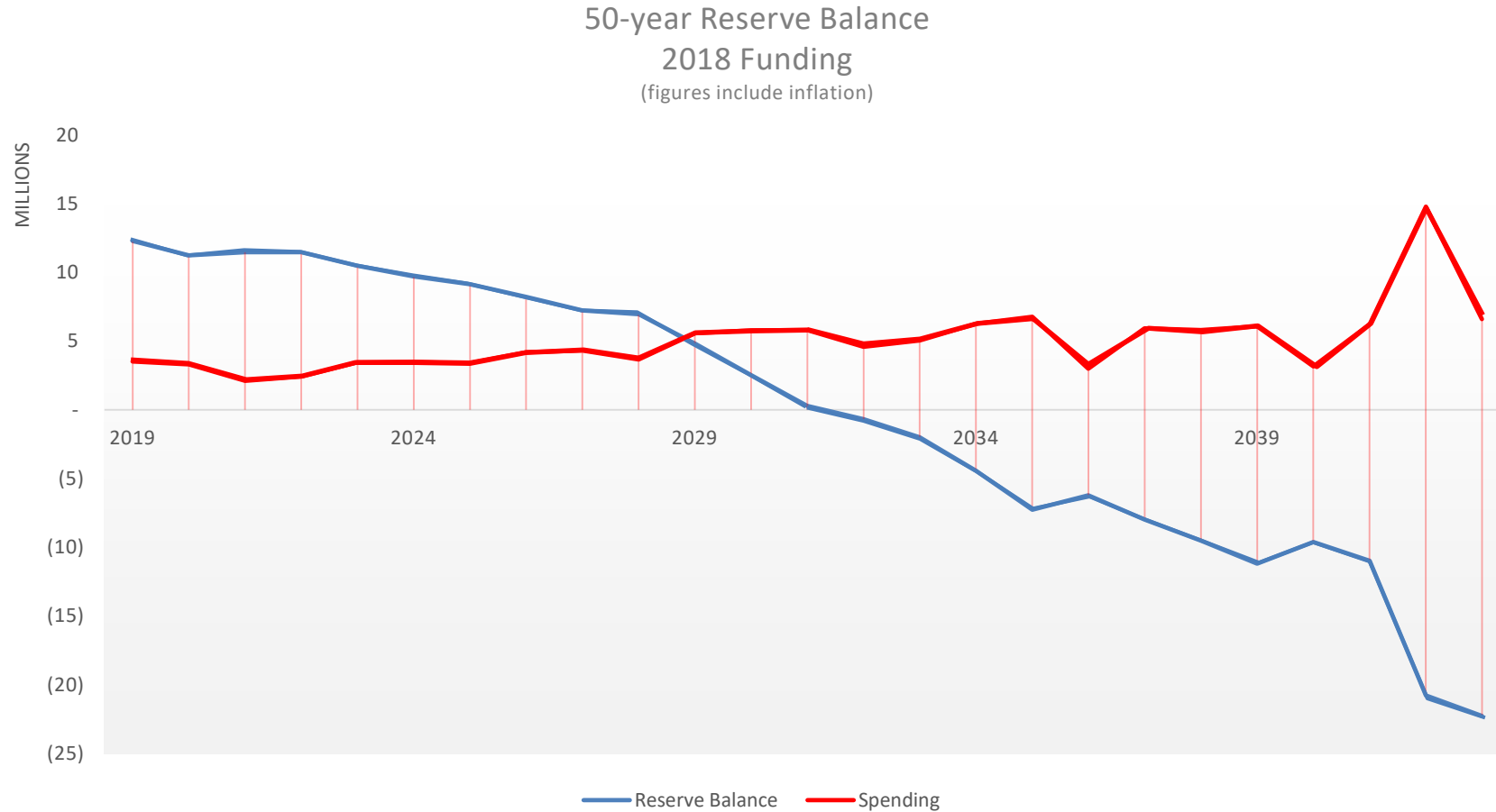
Opportunity

- Young infrastructure
- Scope of existing capital services limited
- New 2019 funding opportunities: \$900k
- Relatively good funding starting point 1.9M

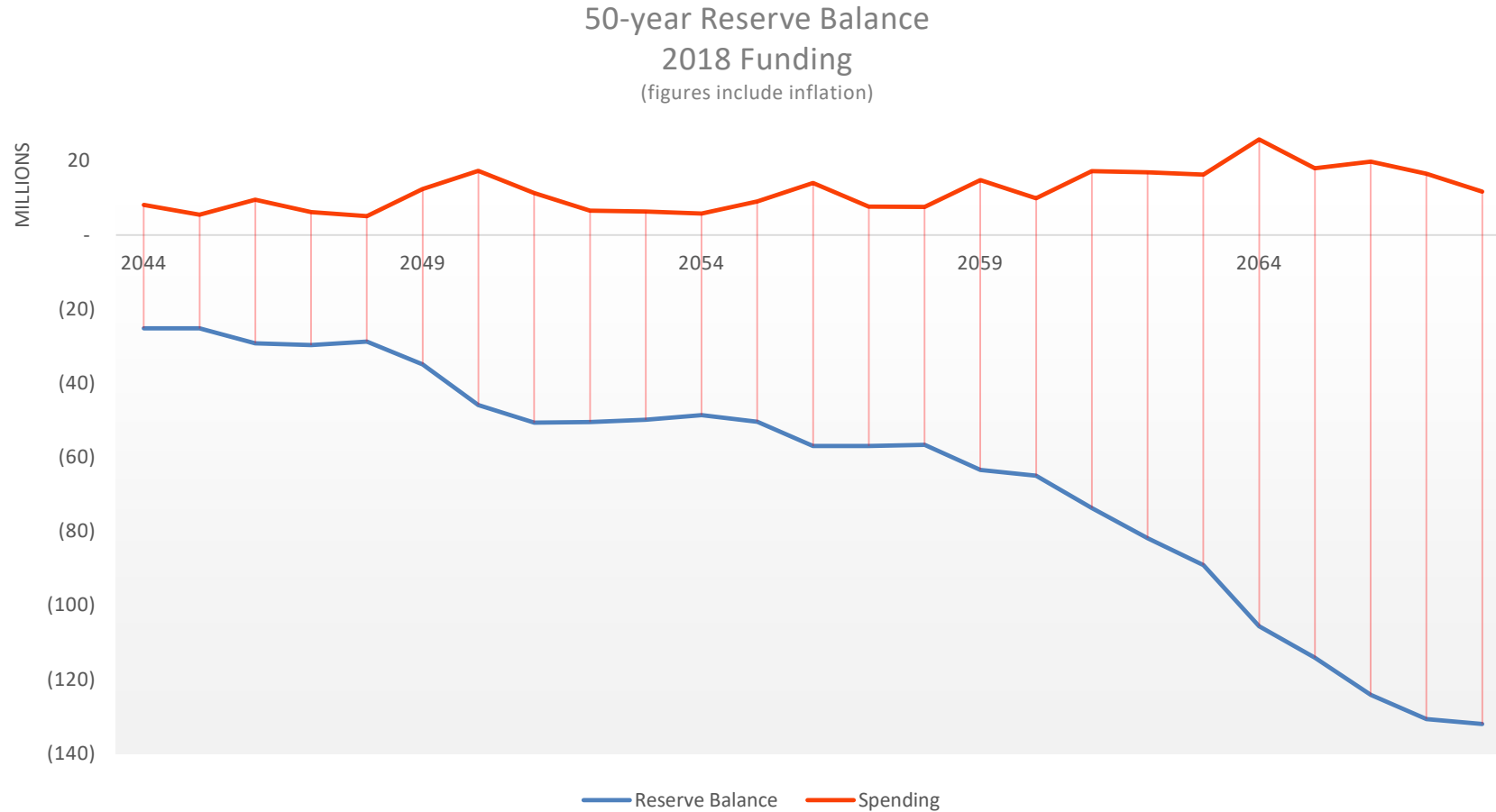
Sustainable Savings vs Current



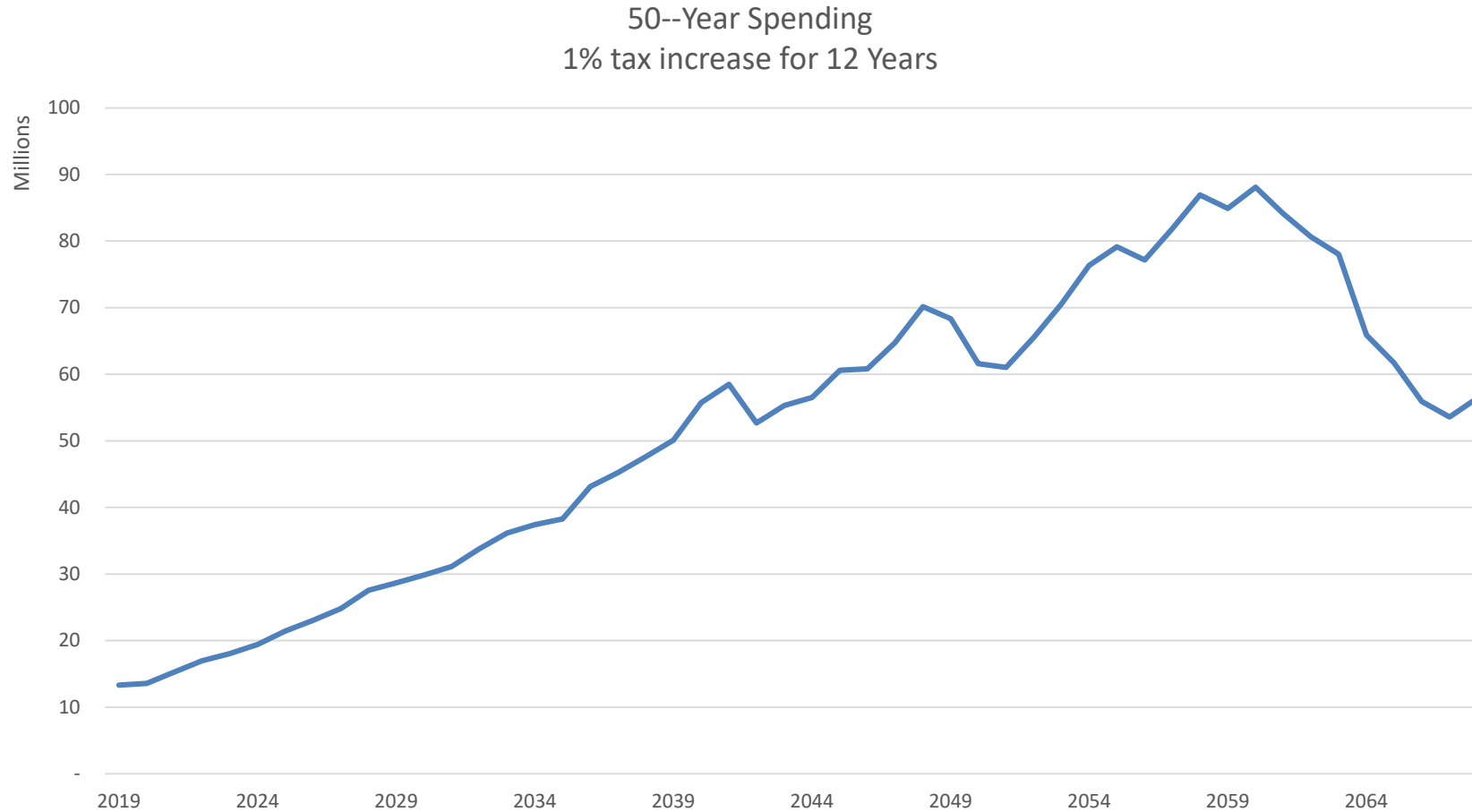
Reserve Balance – current funding



Reserve Balance – current funding



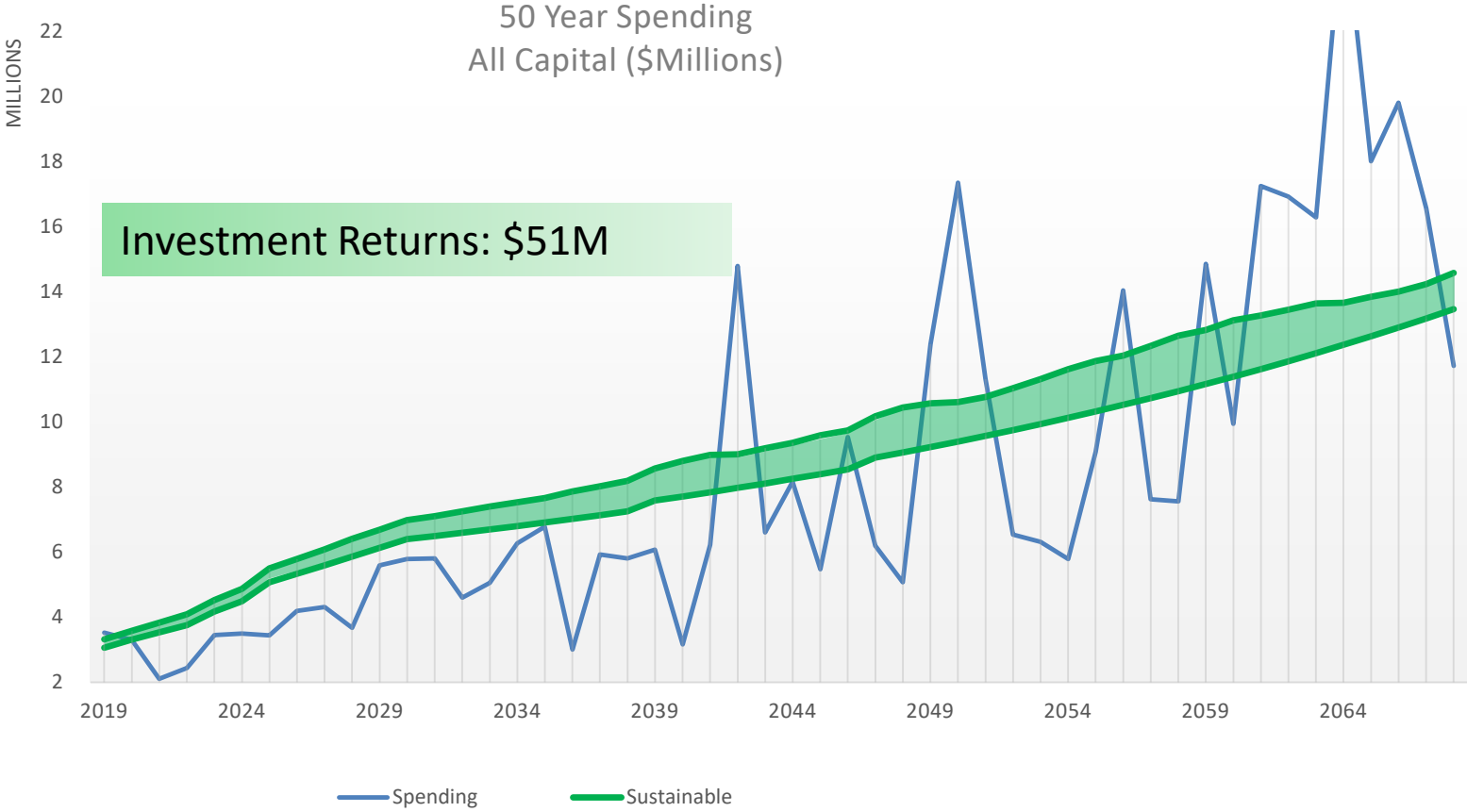
Reserve Balance – sustainable plan



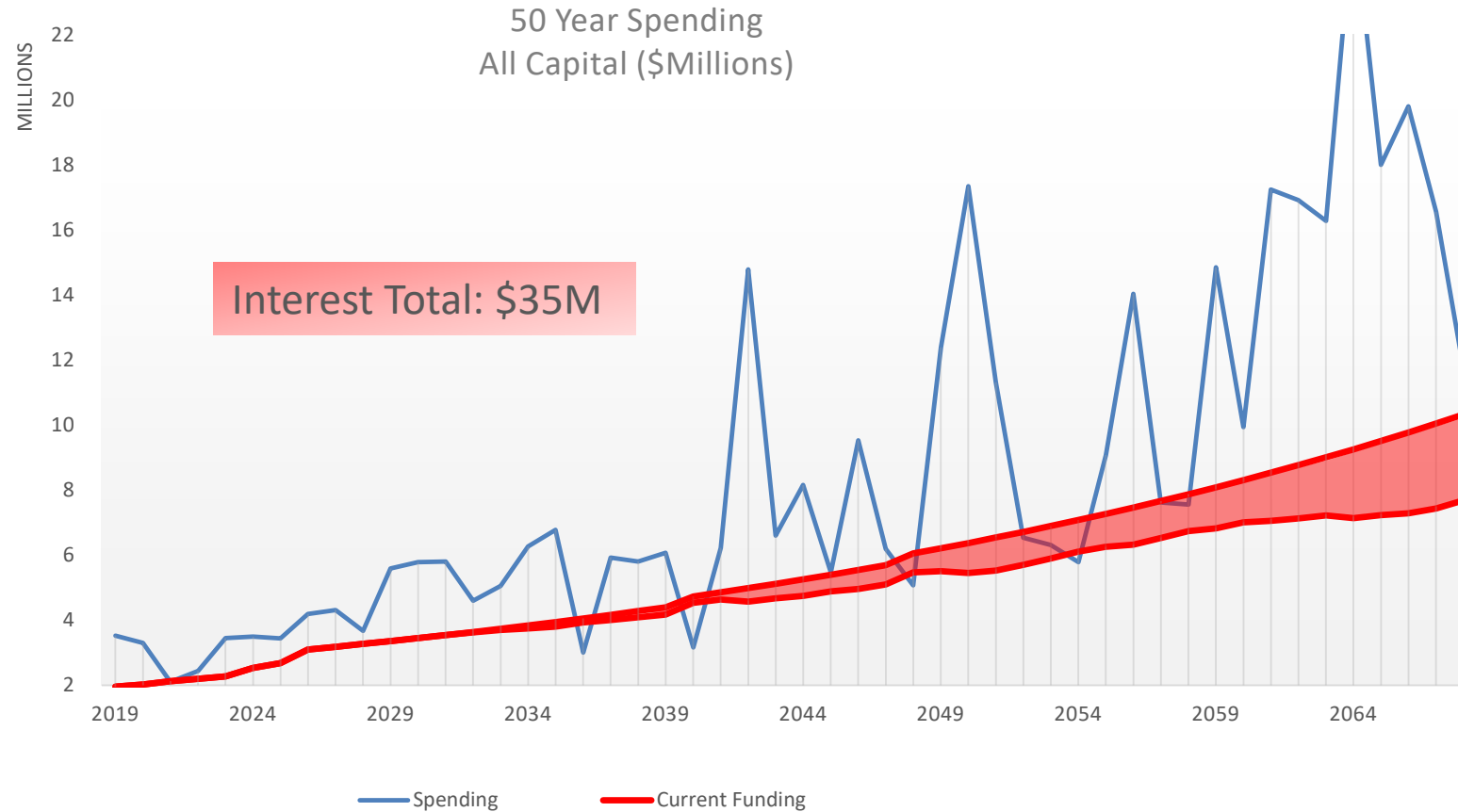
Interest payments vs earnings

- Entering a higher interest rate environment
 - Higher interest earning potential
 - Higher debt servicing costs
- Access to debt at exceptionally low rates via MFA
- Debt interest reduces community investment potential
- Investment returns increases community investment potential

Sustainable Funding ROI



Impact of Debt Financing



Case Study: Fire Truck

- Fire fleet replacement reserve established 2013
 - Has earned \$50k interest since inception
 - Will help avoid \$70k – 160k debt interest¹ when Pumper Truck 51 replaced in 2019
 - Total value added: $50k + (70 - 160k) = 120 - 210k$
-
- 1: Range includes 5 – 15 year amortization
 - 1: debt interest net of actuarial adjustments
 - 1: Discounted for Net Present Value discount rate range 3% - 5%

Policy Recommendations

1. New Construction taxation revenue
2. Contributed Assets
3. New Capital Services
4. Debt Servicing

1. New Construction Taxation

“Each time a planning committee or council make a land use decision without knowing if revenues will support infrastructure life cycle costs, it is gambling on its fiscal health” – InfraGuide, Infrastructure and Land Use Planning

- Use New Construction Taxation revenue to fund life-cycle costs of new related infrastructure

2. Contributed Assets

- Contributed/donated assets come with a perceived obligation to maintain and replace
- Council and Community should be consulted prior to inheriting new life-cycle costs

3. New Capital Services

- Council sets community service levels
- New Capital Services should only be approved if full life cycle costs have been considered

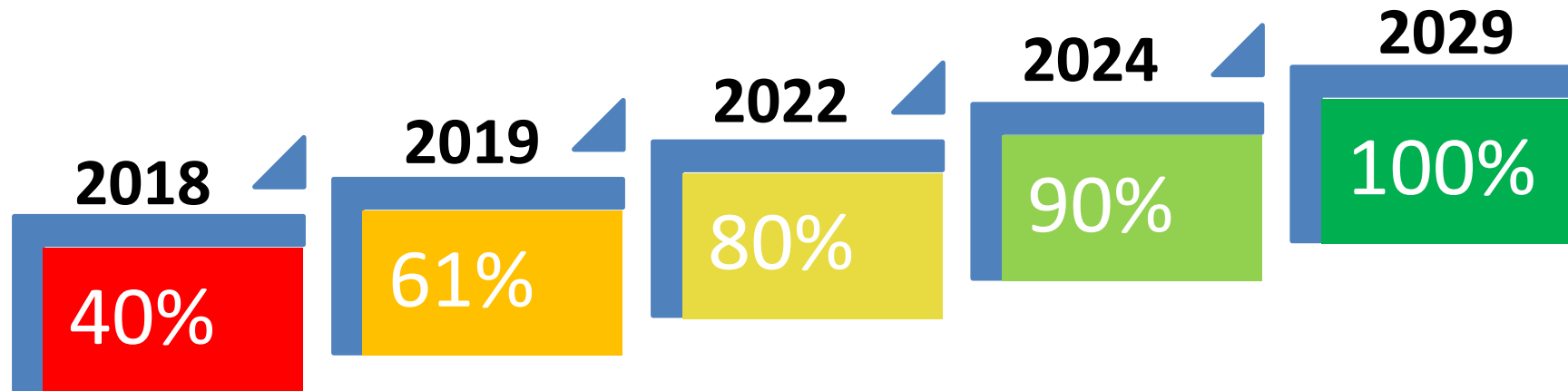
4. Debt Servicing

- As debt retires, tax funding for debt costs are no longer needed
- Use savings from debt retirement to work toward sustainable infrastructure replacement funding

Roadmap to Fiscal Sustainability

1. Implement new funding opportunities:
 1. Investment Revenue - \$300k
 2. Roads Core Capital Budget - \$200k
 3. Sewer Utility Capital Levy - \$200k
 4. Police Building Reserve – 200k
2. 1 % tax increase for 12 years
3. Adopt Polices 1-4

Sustainable Funding Progress



Municipal Finance Authority

- Created 1970
- Independent of Provincial Government (MFA Act)
- Mandate:
 - Investment Management
 - Capital Borrowing Program

MFA Capital Borrowing Program

- Exceptionally low borrowing costs
- Highest Credit Rating (Aaa, AAA, AAA)
 - Greater than chartered banks & US Government
- Debt issuance economies of scale
- Joint & several liability
- Taxation ability
- Actuarial Adjustments

CAPITAL PROJECTS DASHBOARD

2019 GFOA Annual Conference
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A Challenge becomes An Opportunity

- After some high profile audits and in support of Mayor Bowman's commitment to openness and transparency, funding was accessed through the City's Standing Policy Committee on Innovation to develop the Capital Projects Dashboard.
- Quote from Doug McNeil, Chief Administrative Officer:

"Over the past number of years, direct management of the City's capital projects has lacked the oversight to analyze consolidated complex financial and technical aspects of infrastructure projects that would result in significantly reduced delays and cost overruns; I am pleased to support Mayor Bowman and City Council and build on our commitment to identify issues early and be more accountable for the projects we are the stewards of on behalf of our citizens."

Promoting Transparency

2017 Rank	Change in rank from 2016	Municipality	Overall		Readiness		Implementation		Impact	
			Score	%	Score	%	Score	%	Score	%
1	↔	Edmonton	147.72	98%	25	100%	98.33	98%	24.39	98%
2	↔	Toronto	135.08	90%	21.88	88%	91.25	91%	21.95	88%
3	7↑	Winnipeg	110.25	74%	16.41	66%	75.56	76%	18.29	73%
4	↔	Calgary	109.02	73%	21.09	84%	69.03	69%	18.90	76%
5	↔	Surrey	107.72	72%	14.84	59%	76.11	76%	16.77	67%
6	6↑	New Westminster	106.33	71%	21.09	84%	66.94	67%	18.29	73%
7	4↓	Montréal	105.46	70%	19.53	78%	64.58	65%	21.34	85%
8	10↑	Brampton	92.52	62%	17.97	72%	60.83	61%	13.72	55%
9	5↑	Niagara Region	91.10	61%	18.75	75%	53.75	54%	18.60	74%
10	2↓	Ottawa	90.35	60%	9.38	38%	68.47	68%	12.50	50%
11	5↓	Strathcona County	87.78	59%	19.53	78%	56.67	57%	11.59	46%
12	5↓	Vancouver	80.89	54%	7.03	28%	61.67	62%	12.20	49%
13	16↑	Brandon	75.02	50%	10.94	44%	49.44	49%	14.63	59%
14	22↑	York Region	74.11	49%	16.41	66%	40.56	41%	10.06	40%
15	-	Kamloops	73.73	49%	3.91	16%	60.14	60%	16.77	67%
16	1↓	Mississauga	72.42	48%	19.53	78%	39.17	39%	13.72	55%
17	6↓	Oakville	72.37	48%	14.06	56%	44.58	45%	13.72	55%
18	30↑	Burlington	71.00	47%	17.19	69%	42.22	42%	11.59	46%
19	-	Greater Sudbury	70.77	47%	17.19	69%	42.92	43%	10.67	43%
20	37↑	Welland	69.51	46%	6.25	25%	53.19	53%	10.06	40%
		National Average	54.16	43%	10.73	43%	34.03	34%	9.40	38%

Strengthening Accountability and Transparency

- Council's investment in asset management
 - Appointment of Chief Asset and Project Management Officer
 - Asset Management Administrative Standard
 - Investment Planning Manual
 - Project Management Manual
 - City and Departmental Asset Management Plans
 - Major Capital Project Steering Committees
 - Business Case Support for Capital Budget "Asks"
 - Public Reporting
 - Major Capital Projects
 - State of the Infrastructure Report
 - Unfunded Capital Projects
 - Open Data – Capital Expenditures Monthly Report
 - Capital Projects Dashboard and Open Budget

Key Deliverables

- The Capital Projects Dashboard project successfully implemented two key deliverables:
 - Capital Projects Dashboard
 - Open Budget Portal
- On their release, Mayor Bowman stated

"These new tools make the City of Winnipeg amongst the civic leaders in Canada by making it easier for residents to access information on budget and capital projects in an open, accountable, and user-friendly way."

Data Set

City of Winnipeg Open Data Catalogue Videos

Winnipeg

Unsaved View Save As... Revert

Based on Capital Expenditures
The Capital Expenditures open data provides information concerning the Public Service's delivery of approved capital projects and programs, thereby enhancing accountability to the public. Reporting on the pro

Manage More Views Filter Visualize Export Discuss Embed About

	Report Date	Tax Supported/Utilities	Department	Project Description	Adopted Budget	Actual Costs to Rep	Available Balance	% Spent
1	02/28/2017	Tax Supported (including Transit)	Corporate Support Services	Print Asset Renewal	167,000	11,015.99	155,984.01	6.6
2	02/28/2017	Tax Supported (including Transit)	Public Works	Maryland-Ellice/Portage	700,000	580,529.03	117,195.97	83.2
3	02/28/2017	Tax Supported (including Transit)	Winnipeg Police Service/Fire Paramedic	Radio Upgrade - Districts 3&4	490,000	0	490,000	0
4	02/28/2017	Utilities	Waterworks Utility	Saskatchewan Water Main	4,830,000	0	4,830,000	0
5	02/28/2017	Tax Supported (including Transit)	Local Improvements	2016 Local Improvements	3,000,000	7,587.27	2,992,412.73	0.25
6	02/28/2017	Tax Supported (including Transit)	City Clerks	Innovation Capital Fund	1,000,000	0	1,000,000	0
7	02/28/2017	Tax Supported (including Transit)	Transit	Transit Buses	16,767,000	1,286,146.21	15,480,853.79	7.67
8	02/28/2017	Utilities	Waterworks Utility	SL Aqued/Falcon Rvr Brid MRP	9,000,000	1,879,697.28	7,120,302.72	20.89
9	02/28/2017	Utilities	Waterworks Utility	2015 Watermain Renewal Progr P	17,000,000	16,285,049.07	714,950.93	95.79
10	02/28/2017	Tax Supported (including Transit)	Public Works	SMIR-Pavement Initiatives	0	0	326,208	0
11	02/28/2017	Tax Supported (including Transit)	Public Works	Regional Pks Investmt Strategy	100,000	0	100,000	0
12	02/28/2017	Tax Supported (including Transit)	Local Improvements	Perfanick Dr-BLVD-17.5ft North	35,500	0	35,500	0

A Collaborative Approach

- Executive sponsorship from the Chief Financial Officer and the Chief Asset and Project Management Officer.
- A Working Committee was formed with representatives from
 - all 17 Departments and Special Operating Agencies
 - multiple disciplines including Finance, Asset Management, Project Management, Information Technology, and Operations.

Discovery Phase - Process

- The Capital Projects Dashboard's Discovery Phase included the following reviews:
 - Best Practices
 - City of Winnipeg Asset Management & Project Management Guides
 - Government Finance Officers Association
 - Project Management Institute
 - Municipal Capital Dashboard Websites

Discovery Phase – Best Practices

- Provide a comparison of actual results to project plan, including:
 - Percent of project completed
 - Percent of project budget expended
 - Progress on key project milestones
 - Contract status information
 - Revenue and expenditure activity
 - Cash flow
 - Funding commitments
 - Available appropriation
 - Comparison of results in relation to established performance measures
- Highlight significant changes to project scope or costs.

Discovery Phase – Other Municipalities

- There have been a number of Open Budget applications published publicly by Socrata:
 - City of Edmonton
 - <http://budget.edmonton.ca/#!/year/default>
 - City of Seattle
 - <http://openbudget.seattle.gov/#!/year/default>
 - City of Bellevue
 - <http://budget.bellevuewa.gov/#!/year/default>
 - Town of Barnstable
 - <http://budget.townofbarnstable.us/#!/year/default>
 - City of Baton Rouge, Parish of East Baton Rouge
 - <http://budget.brla.gov/#!/year/default>

Discovery Phase – Survey

- Conducted departmental meetings to demonstrate the applications and receive feedback
- Compiled results of Metric Survey
 - Approximately 70 respondents
 - Response Rate of almost 70%
 - Demographics:
 - 51% were Asset/Project Managers
 - 12% were Senior Management
 - 28% were Finance
- Identification of data fit/gap
 - Review of existing Capital Financial Reporting System data in PeopleSoft
 - Review of Socrata Data schema
 - Review of both departmental and corporate capital reporting business processes

Business Processes and Systems - Existing

- Existing department reporting of non-financial information is minimal.
- Process labour intensive & is manually completed through departmental internally shared spreadsheets.
- Project reviews vary across Departments:

▪ PW	Bi-Weekly	Streets Maintenance
▪ W&W	Semi-Annually	All
▪ PP&D	Annually	All
- Forecasted spending for cash flows are only reported annually & manually submitted by departments and imported into PeopleSoft.

Business Processes and Systems

- Business processes and systems were re-engineered and enhanced to meet the new business requirements as not all the information was being collected or reported.
- Metrics needed to be defined and quantified, business processes and systems developed to collect the information, and reporting parameters set.

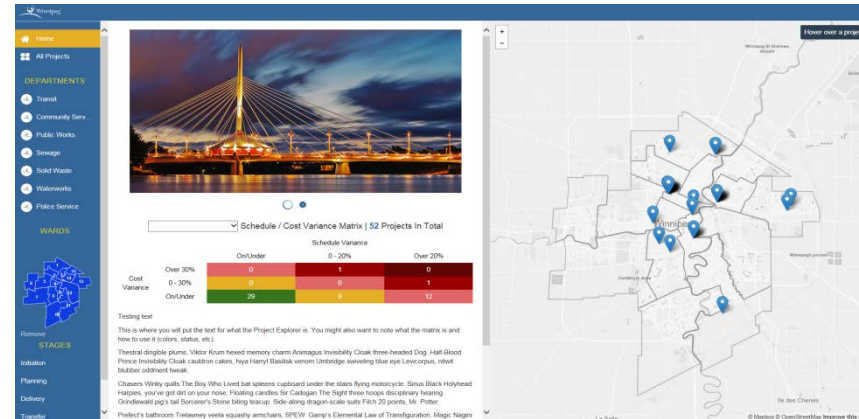
Business Processes and Systems - Sustainment

- FINANCIAL INFORMATION
 - Updated directly from Open Budget using Open Data that has been populated directly from PeopleSoft.
- NON-FINANCIAL INFORMATION:
 - Information is gathered quarterly from departments in a standardized format for upload.

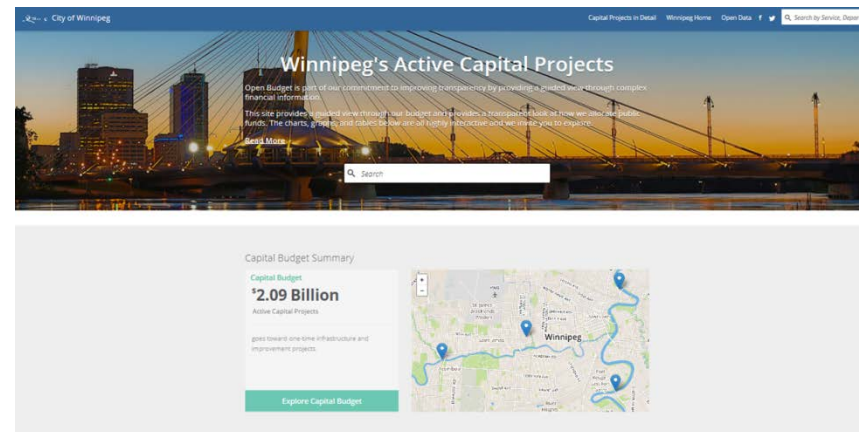
Demonstration

- Working with Socrata on build and release two applications:

- Capital Projects Dashboard



- Open Budget



Questions?

