



City of Greater Sudbury

# Municipal Asset Management Plan

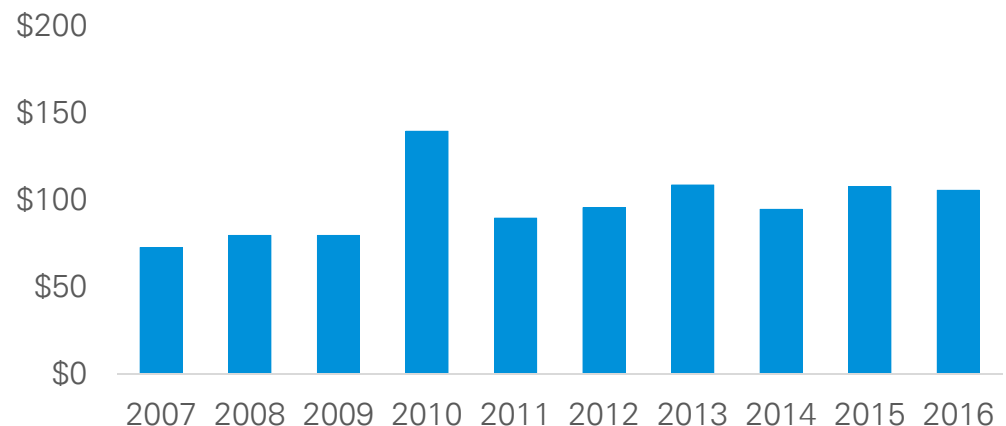
Presentation to City Council  
December 13<sup>th</sup>, 2016



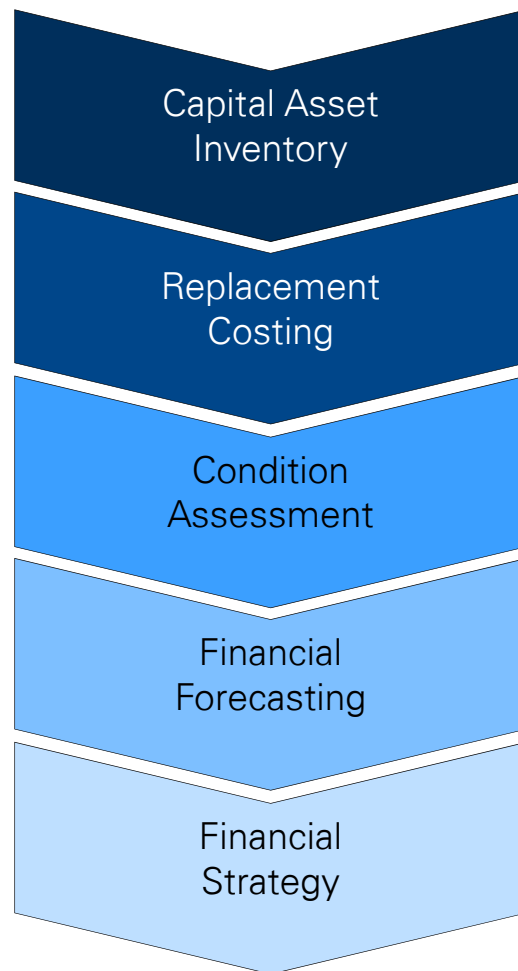
# Why Asset Management Planning Matters

- Both the Federal and Provincial governments have established asset management plans a requirement for infrastructure funding
- The importance of asset management planning extends beyond regulatory requirements
  - Significant components of infrastructure are at or approaching the end of their useful lives
  - Public interest in asset conditions and investment in growth infrastructure is high
  - Public concerns over affordability continue to be voiced
  - The interest in and acceptance of non-traditional financing approaches is increasing
- At the same time, the City's funding for capital projects is limited
  - Recurring capital funding (taxes and user fees) represented 58% of total capital funding in 2016
  - Cost pressures associated with operating costs and new infrastructure may compromise capital funding for infrastructure renewal

*Capital Budget (in millions)*



# Developing the City's Asset Management Plan



- Based on tangible capital assets at December 31, 2015
- Covers roads, water, wastewater, stormwater management, facilities, fleet and landfill
- The City maintains replacement values for all assets, which formed the basis for the asset management plan
- Roads – pavement condition index
- Bridges – engineering inspections
- Other assets – percentage of remaining useful lives
- Immediate investment requirements (assets past the end of their estimated useful lives)
- Ten year investment requirements identified
- Financing gap
- Capital financing levy
- Long-term debt
- Investment rationalization

# Infrastructure Investment Requirement vs. Infrastructure Deficit

- The asset management plan quantifies the City's capital investment requirements based on when an asset reaches the end of its useful life
- Traditionally, the City's approach to asset reinvestment has been to prioritize based on available funding, with assets held in use beyond the end of their useful lives
  - In doing so, the City accepts a lower service standard and increased operating and maintenance costs
- The asset management plan avoids the use of the term infrastructure deficit as this implies that the investments must be made

# A Historical Perspective on Capital Expenditures and Financing

- Over the last ten years, the City's investment in capital assets has been focused primarily on transportation and environmental services (roads, water and wastewater)

(in thousands of dollars)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
General Government	5,174	5,233	4,098	258	2,752	1,886	1,442	4,366	1,297	882	23,458
Protections to Persons and Property	4,583	2,608	4,769	4,649	3,575	1,781	3,234	10,035	5,727	2,281	43,242
Transportation	34,682	28,489	41,210	48,728	55,076	35,152	35,031	43,066	48,908	35,446	409,718
Environment	17,330	25,494	26,120	60,832	22,824	24,840	20,848	40,168	67,943	31,822	338,221
Health Services	5,058	2,337	2,743	1,505	2,549	1,022	1,410	1,488	1,246	1,969	21,327
Social and Family Services	1,592	490	4,442	1,831	4,046	2,619	479	698	767	234	17,198
Social Housing	2,394	2,930	2,578	3,206	2,552	1,510	1,272	1,993	1,647	2,315	22,397
Recreation and Cultural Services	3,297	2,397	6,194	5,804	12,742	20,356	8,975	4,265	5,845	5,965	75,840
Planning and Development	964	1,244	785	779	1,833	1,487	1,557	593	418	134	9,794
<b>Total</b>	<b>75,074</b>	<b>71,222</b>	<b>92,939</b>	<b>127,592</b>	<b>107,949</b>	<b>90,653</b>	<b>74,248</b>	<b>106,672</b>	<b>133,798</b>	<b>81,048</b>	<b>961,195</b>

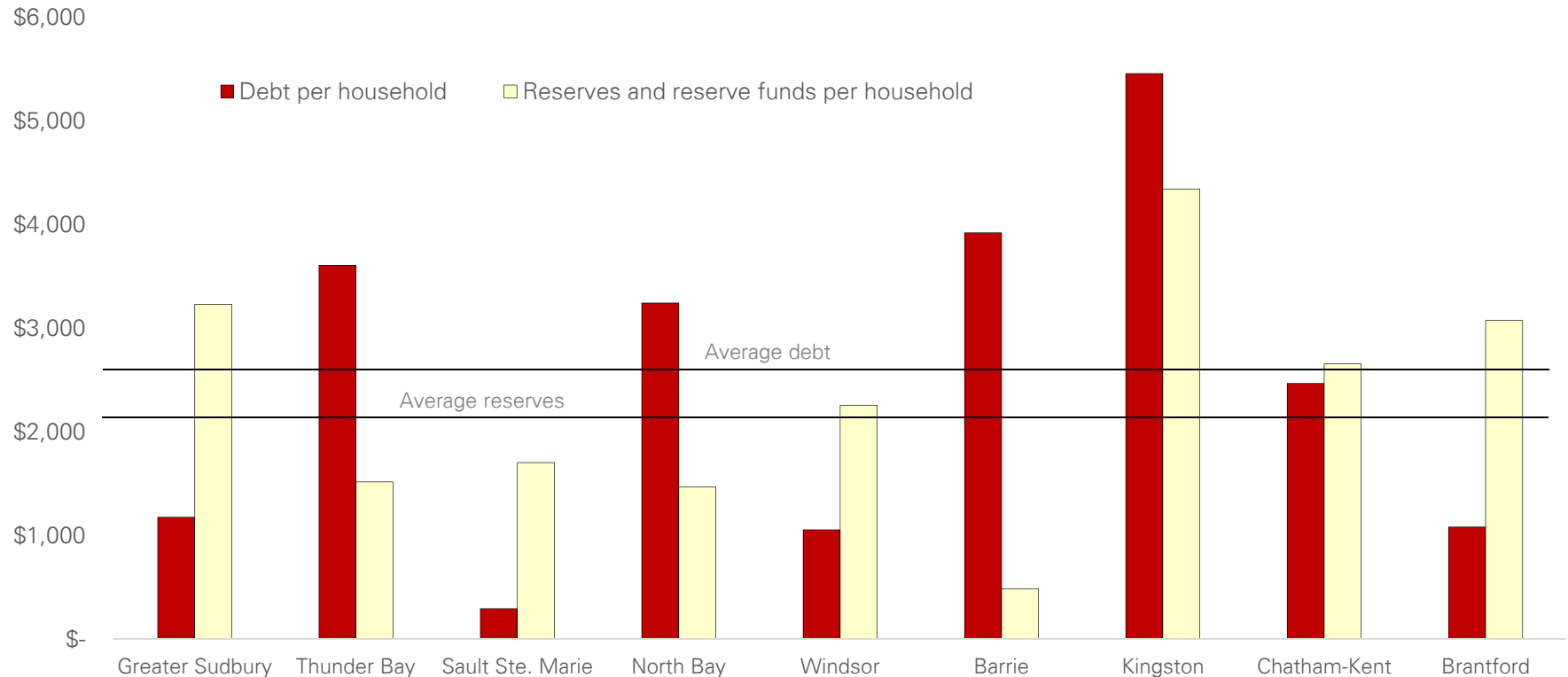
Source – Annual Financial Information Returns

Prior to 2009, municipalities were not required to capitalize TCA for financial reporting purposes, with capital expenditures shown as a period expense. Starting in 2009, municipalities were required to record and amortize TCA for financial reporting purposes, with work in progress used to report costs for projects under construction but not completed. As such, readers are cautioned that the reporting of TCA differs for periods prior and subsequent to 2009. Also, reported capital assets include consolidated entities such as the Greater Sudbury Housing Corporation.

# A Historical Perspective on Capital Expenditures and Financing

- In comparison to other municipalities, the City enjoys higher levels of reserves and reserve funds and lower levels of outstanding debt, recognizing that a significant portion of its reserves and reserve funds are committed to existing projects

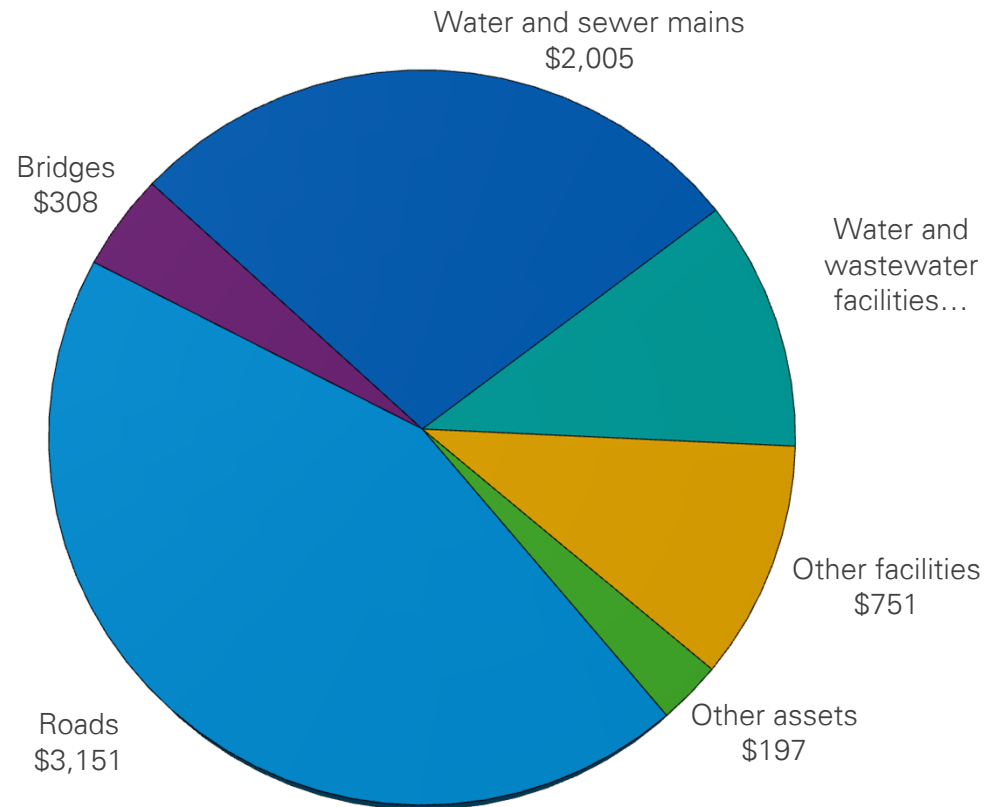
*Municipal Financial Position per Household*



## The Current State

- The scope of the City's estimated replacement value (\$7.2 billion) means that even a small percentage of the overall infrastructure requiring replacement translates into a significant investment requirement

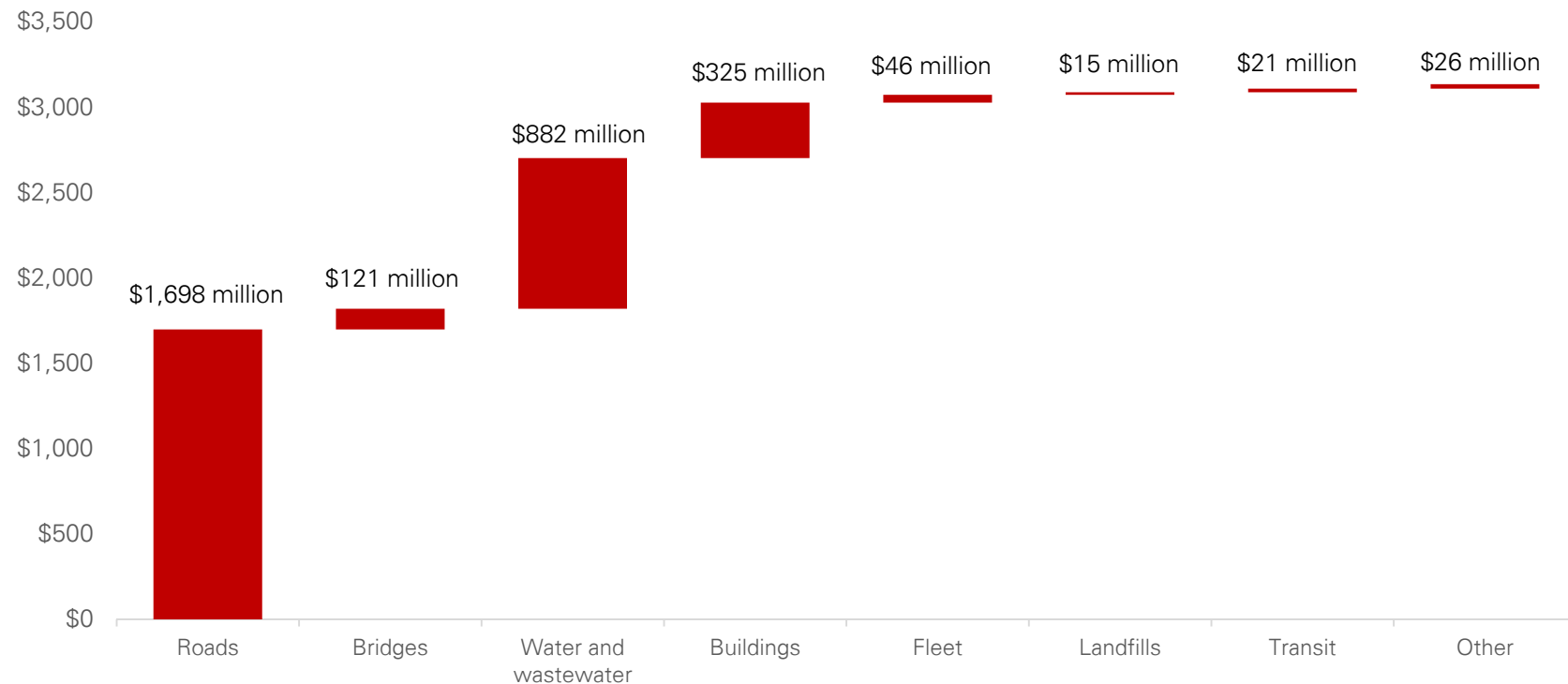
Estimated Replacement Value by Type of Asset (in Millions)



# Funding Requirements and Potential Strategies

- Infrastructure with an estimated replacement value of \$1.9 billion is in use beyond the end of their useful lives, with an additional \$1.2 billion of infrastructure reaching end of useful life within the next 10 years

*Immediate Infrastructure Requirement Over the Next Ten Years (in millions)*





## Key Findings

- The City's total infrastructure investment requirement over the next ten years to be in the order of \$3.14 billion
- We do not believe that the City can fully address its infrastructure funding shortfall
- In light of the above, we suggest that the City consider a hybrid approach to capital planning which could include:
  - Establishing service levels that consider employment of assets beyond the end of their useful lives
  - A multi-year program of affordable tax increases (e.g. 2%) that would be restricted to capital (special capital levy)
  - The increased use of debt for the financing of major capital projects
  - The realignment of the City's capital envelopes to ensure appropriate balancing
  - A focus on asset rationalization
  - Service rationalizations



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