



# Integrating Asset Management Into Long-Term Financial Planning



**Infrastructure Asset Management Alberta**

**Airdrie, AB**

—

October 10, 2018

# Introductions



**Ted Mulyk**

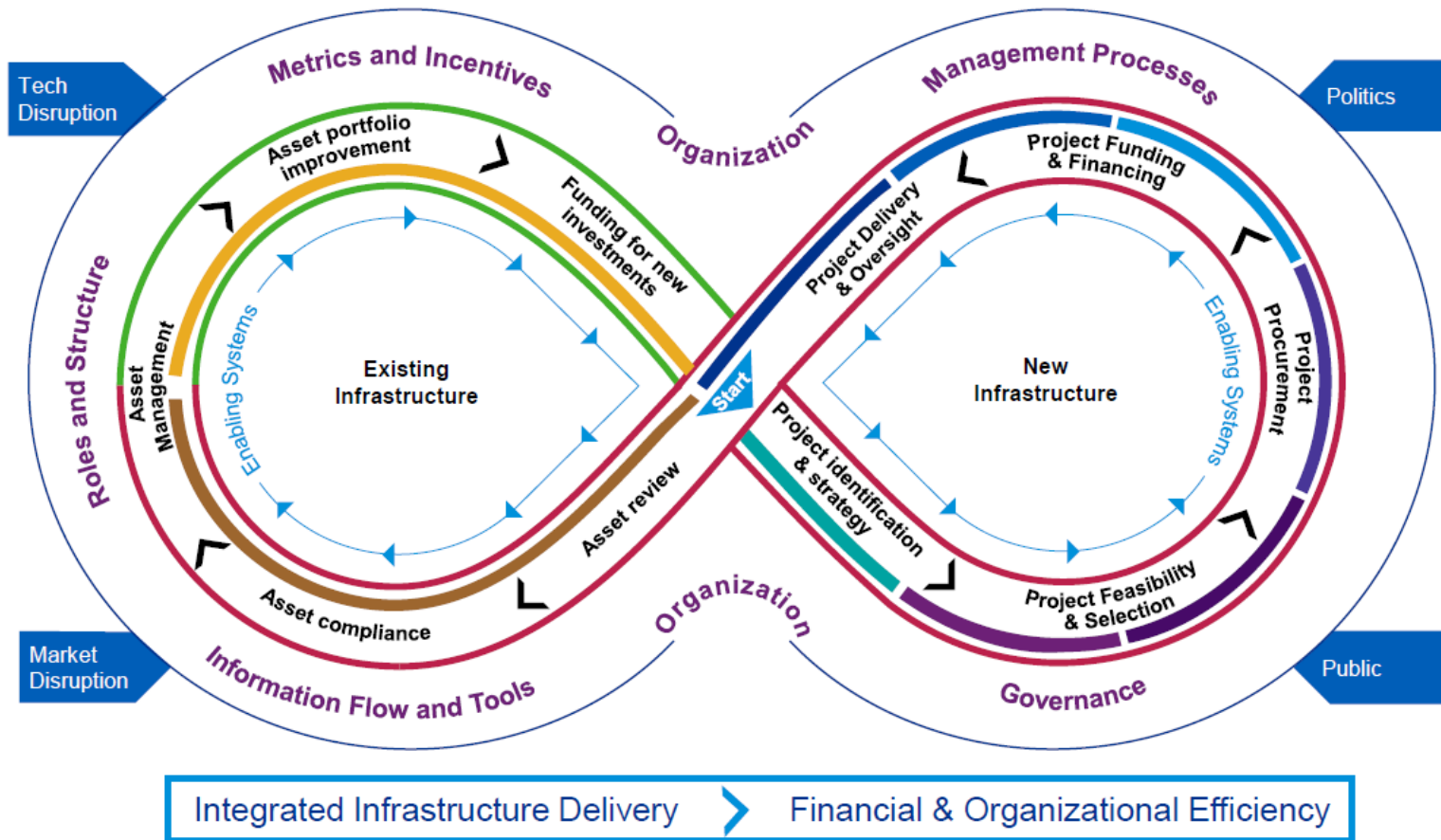
- Asset Management Analysis and Model/Tool Design
- Previously municipal engineer for small-mid size municipalities across Alberta and B.C.



**Katie Geoghegan**

- Asset Management Policy, Governance, and Strategy
- Previously Manager of Corporate Asset Management at the City of Regina

# KPMG's Global Infrastructure Advisory



# KPMG's Asset & Operations Practice



## **Asset Management Diagnostic / Assessment (ISO 55000: PAS55)**

Diagnostic engagement that allows for an overall scan of an organization's asset management landscape and results in identification of gaps and creation of a roadmap. KPMG's Asset Management Competency Center has developed various diagnostic tools and a maturity framework for asset management.



## **Asset Management Strategy, Operating Model and Organization**

Creation of a holistic asset management strategy (people, process, information and technology) to achieve business objectives including the appropriate asset management operating model with enabling asset management organization, governance mechanisms and roles and responsibilities.



## **Asset Investment Planning (Capital Planning and Investment Decision Support)**

Implementation of asset investment portfolio planning and investment optimization processes and tools to enhance transparency and defensibility in investment planning and decision making. Alignment of investment with service and business outcomes to provide a sound foundation for prioritization and rationalization. Use of business casing and performance measurement to demonstrate value-for-money throughout the investment cycle.



## **Asset Information Management (Governance, Quality, Asset Data Improvement Program)**

Asset data and information is critical to the asset management process. An understanding of what data, levels of quality, process controls and governance enable effective planning and execution of processes.



## **Asset Performance and Analytics (Levels of Service, Asset Health Index, Life Cycle Analysis, Predictive Forecasting)**

Utilizing our KPMG Asset Management expertise and Analytics capabilities we are able to interrogate asset performance and condition data to determine remaining life, probability of failure and develop strategies to develop a plan to maintain the appropriate level of asset health.



## **Enterprise Asset Management Technology Planning and Support**

Working closely with KPMG's Management Consulting and IT Advisory teams, KPMG's asset management team is able to support clients develop requirements, evaluate software technologies, create business cases and assist with the implementation of enterprise asset management systems.

# Our goals for today

**To explore practices and tools to link financial planning to asset management principles, and to provide some starting points so that you can:**



Understand the financial realities of your current and future position based on asset management



Make wiser investment decisions, aligned with your customers' and stakeholders' needs.

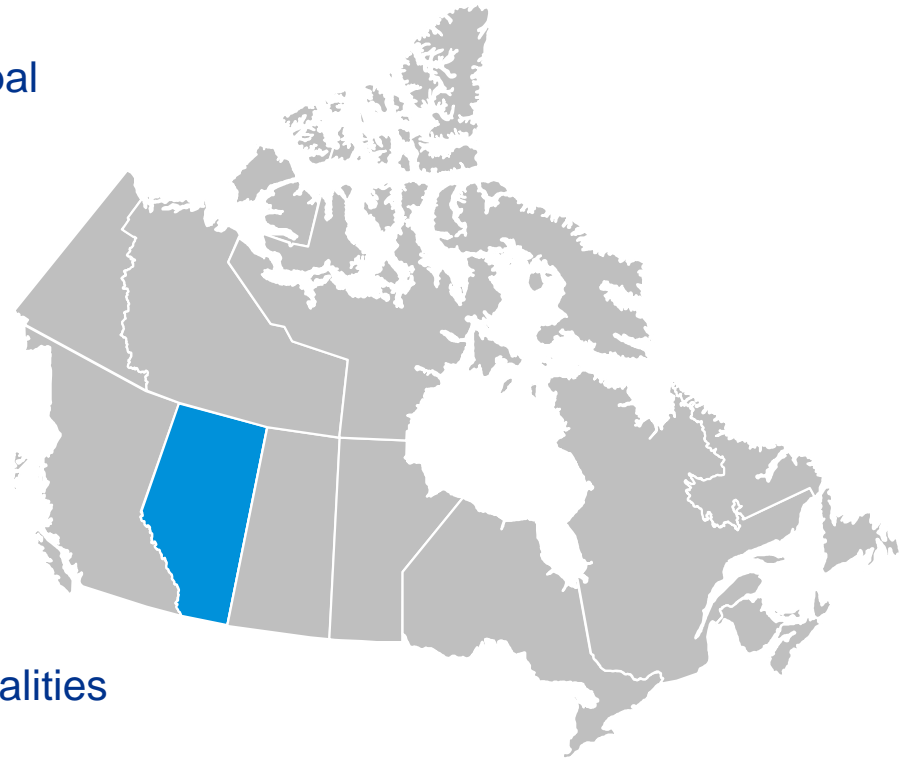
# The Alberta context

Some key outcomes of the recent Municipal Government Act Review:

- **Regional decision making and inter-municipal collaboration** in services and infrastructure delivery
- Corporate planning standards that require **adoption of long-term planning** (three-year operating, five-year capital) by end of 2019

Broader environmental considerations:

- Economic environment and financial realities
- Changing citizen expectations

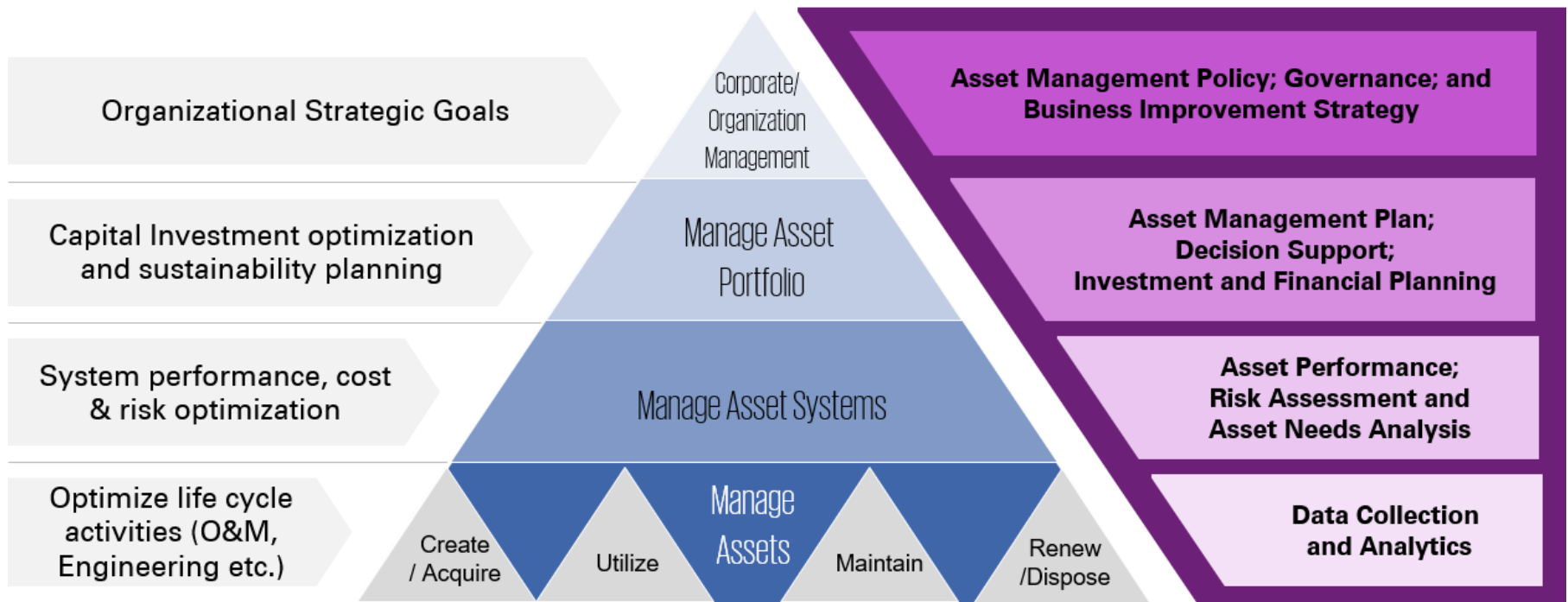


**Your staff and Council are working to change and improve the way your municipality plans, in order to respond to changing requirements.**

# The strategic context



# Cascading decision-making processes



**Connecting life cycle management activities to strategic goals, and vice versa**



# Discussion Today

We will split the financial planning discussion into two sections:

- 1) Council's Role in Decision Making
- 2) Administration's Role in Decision Making



## Accounting (i.e., TCA)

- Current and past looking
- Costs / values typically based on age (book value)
- Typically loosely-linked to organizational priorities

## Financial Planning

- Current and forward looking
- Costs / values based on a variety of factors (market value)
- Aligned to organizational priorities



# Council Decision Making

# Council conversations



**What conversations are you having with your Council?**

# What decisions are your Council wrestling with?

Investment decisions are not always apples to apples:

- **Asset Type A** versus **Asset Type B**

Roads vs. Drainage

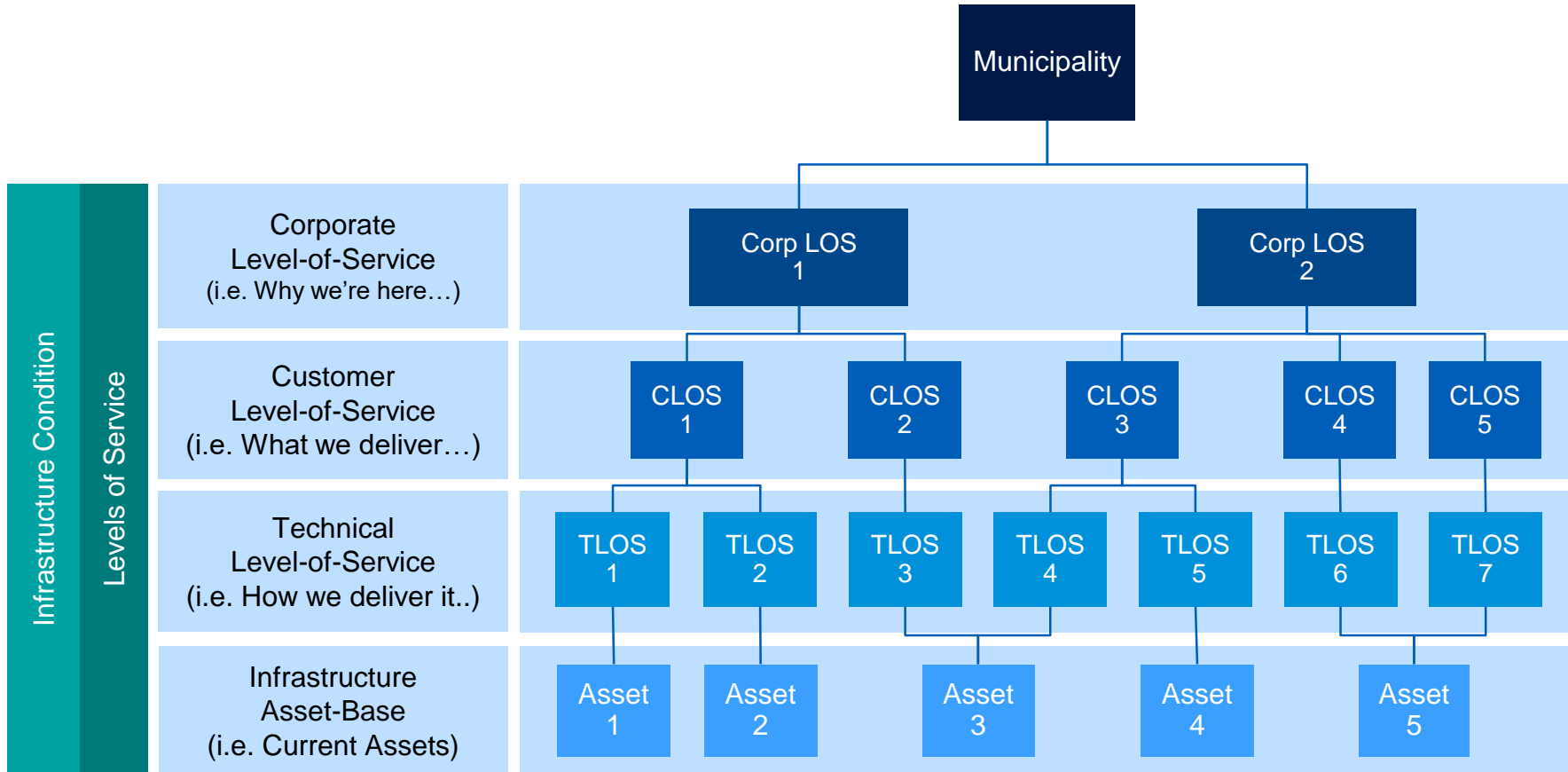
- **Asset** versus **Program**

Fixing a pothole vs. improving a swimming program

- **Asset** versus **Project**

Fixing a manhole vs. installing a new piece of public art

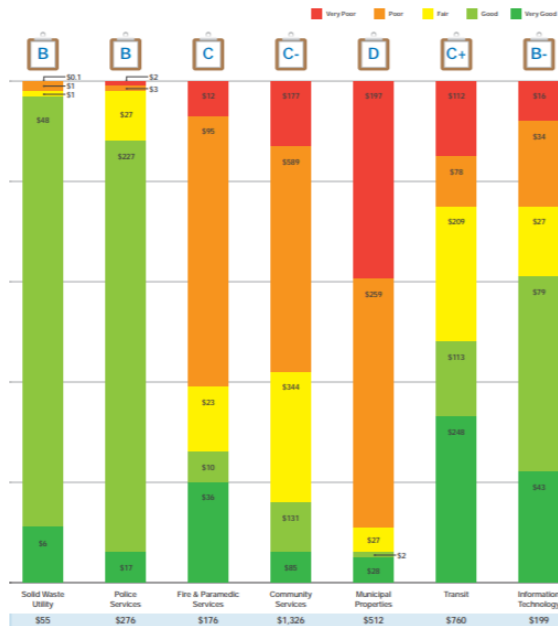
# A service delivery perspective



# Measuring and comparing investment need

- **Very Good State** Almost all assets in the portfolio are achieving the desired targets
- ◐ **Good State** Most assets in the portfolio are achieving the desired targets
- **Fair State** Many assets in the portfolio are not achieving the desired targets
- ◑ **Poor State** Most assets in the portfolio are not achieving the desired targets
- **Very Poor State** Almost all assets in the portfolio are not achieving the desired targets

Region of Peel: 2017



City of Winnipeg: Infrastructure Status Report 2018

## Local Infrastructure Reports

### INFRASTRUCTURE ELEMENTS MAP

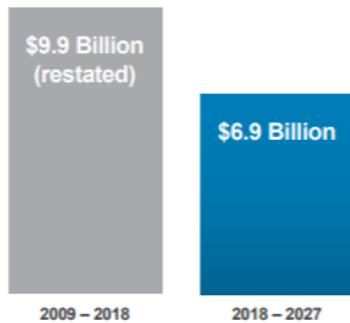
The City's assets are grouped under 13 infrastructure elements: Roads, Bridges, Parks and Open Space, Water Utility, Sewer Utility, Land Drainage Utility, Solid Waste Utility, Police Services, Fire and Paramedic Services, Community Services, Municipal Properties, Transit, and Information Technology.



# Measuring current state and key outcomes

- Infrastructure 'deficit'
- Physical condition scales
- Broader rating scales

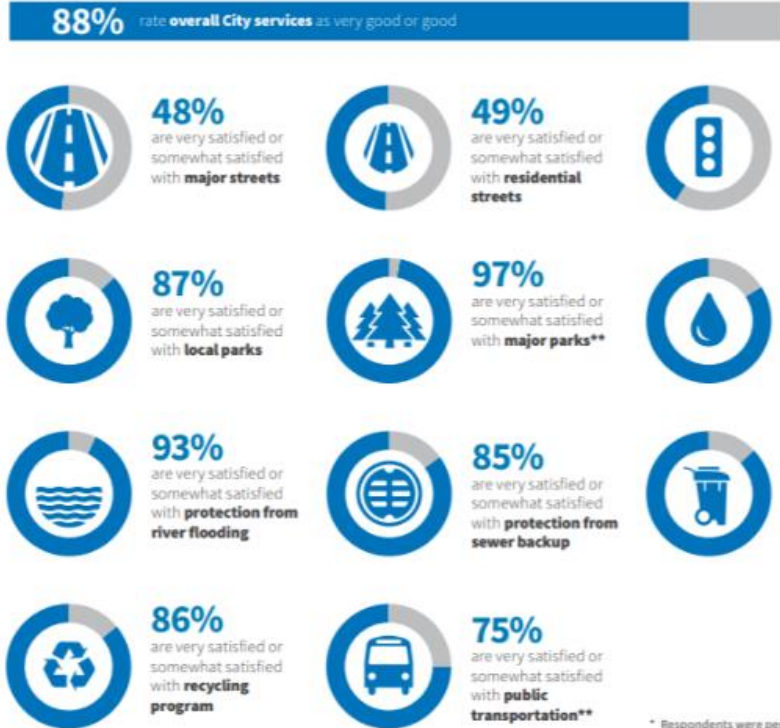
## Total Infrastructure Deficit



**\$3 Billion**  
DEFICIT DECREASED

City of Winnipeg: Infrastructure Status Report 2018

## Citizen Satisfaction with City Services



\* Respondents were permitted to provide more than one response.  
\*\* Those who indicated they have used the service.

# Connecting the dots for Council and senior leadership



## Vision

- Communicating a compelling vision
- What are the outcomes of good asset management?
- Balancing consideration of **cost** with **benefit** and **risk**



## Integration

- Connect to existing processes
- Integrate Finance resources into the AM planning process
- *Timing is everything!*



## Education

- Identify gaps and improvement areas in processes and data
- Identify and develop practical tools
- Develop people and skills





# Administration Decision Making

# The investment planning process

- How to get the organization moving in a consistent direction?
- How do you get the data and analysis to support those Council decisions?
- What tools are you using to support analysis for investment planning?
- Are you using your data effectively?

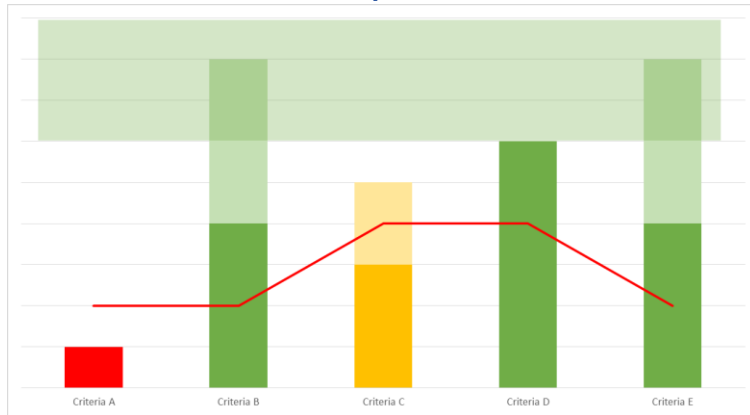


# Making difficult choices

How can we provide comparability across interventions?

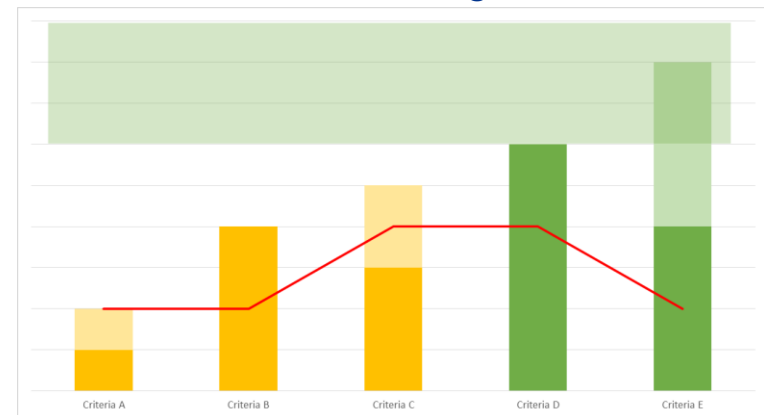
What are the unanticipated outcomes of your decisions?

Investment Choice #1:  
Asset Replacement



Although this asset replacement, on average, improves numerous levels of service, it fails to bring the level of service **Criteria A** up to the appropriate level.

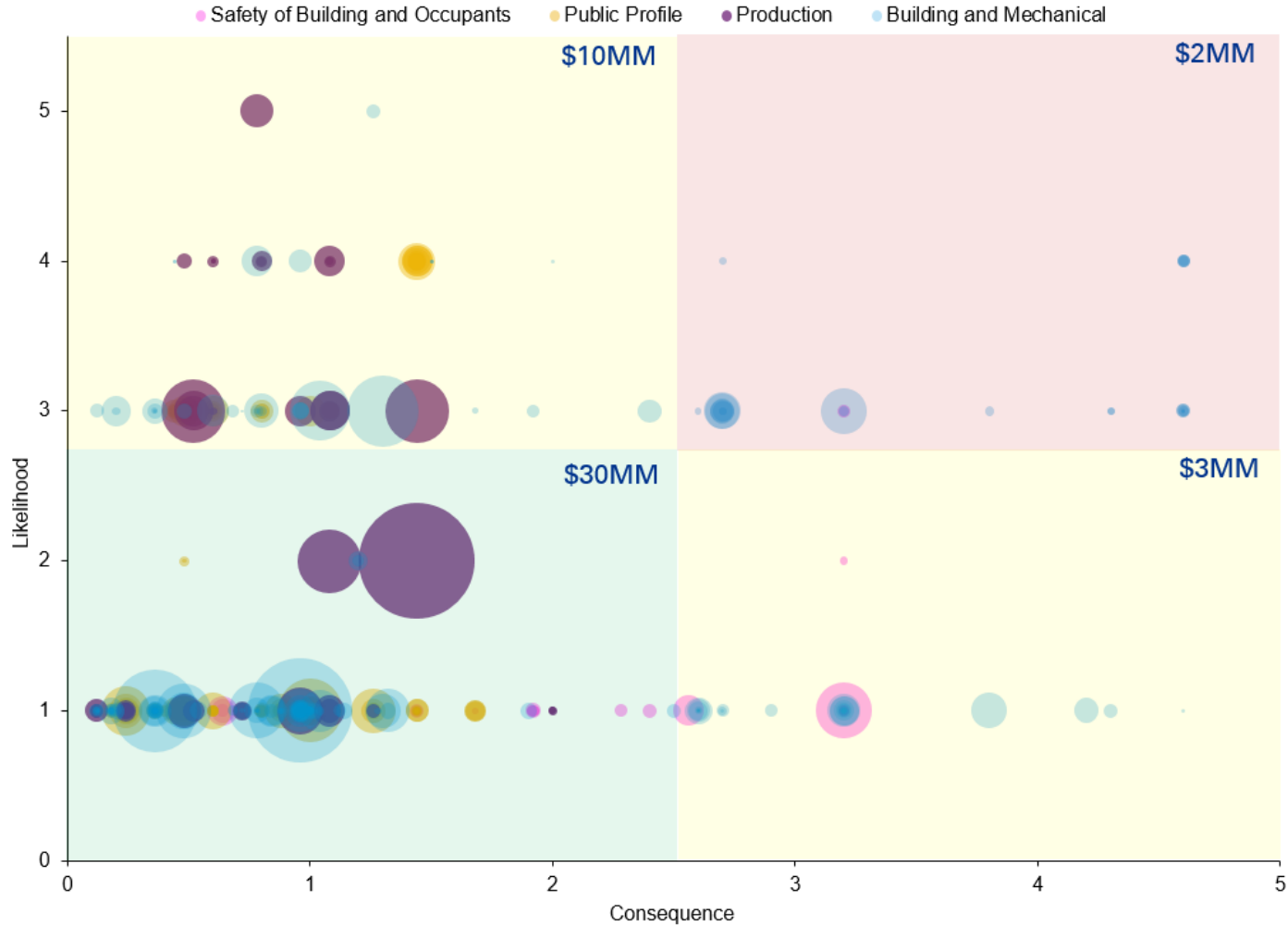
Investment Choice #2:  
Renewal Program



The proposed program addresses the level of service deficiency on **Criteria A**, but does not provide the overall improvement that the Asset Replacement would have.

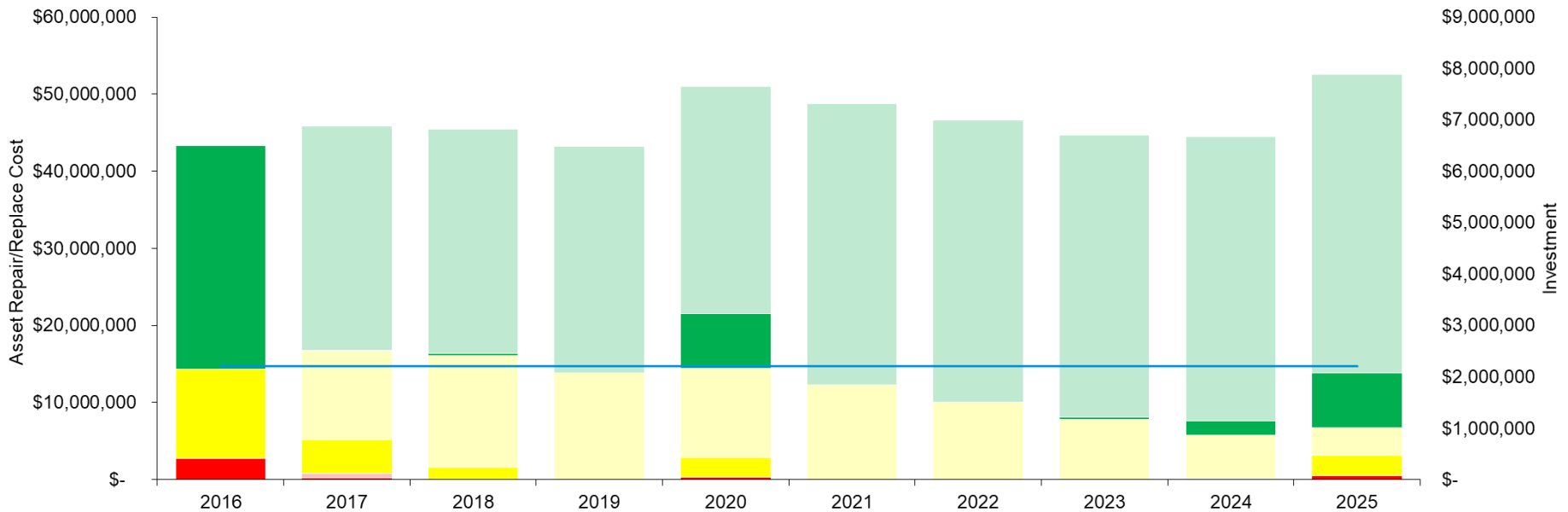
# Risk-based investment prioritization

## What risks can you reduce with this investment plan?



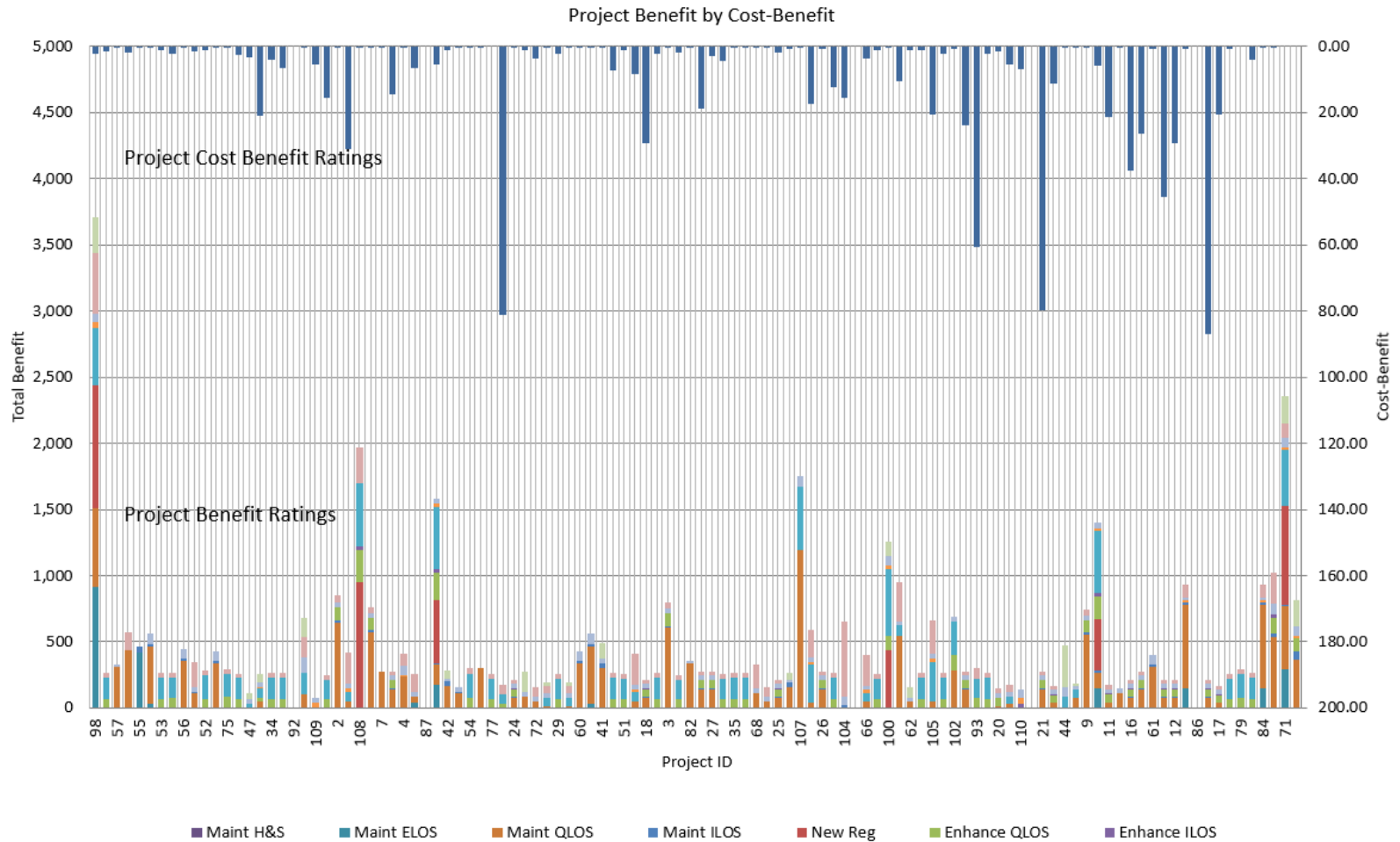
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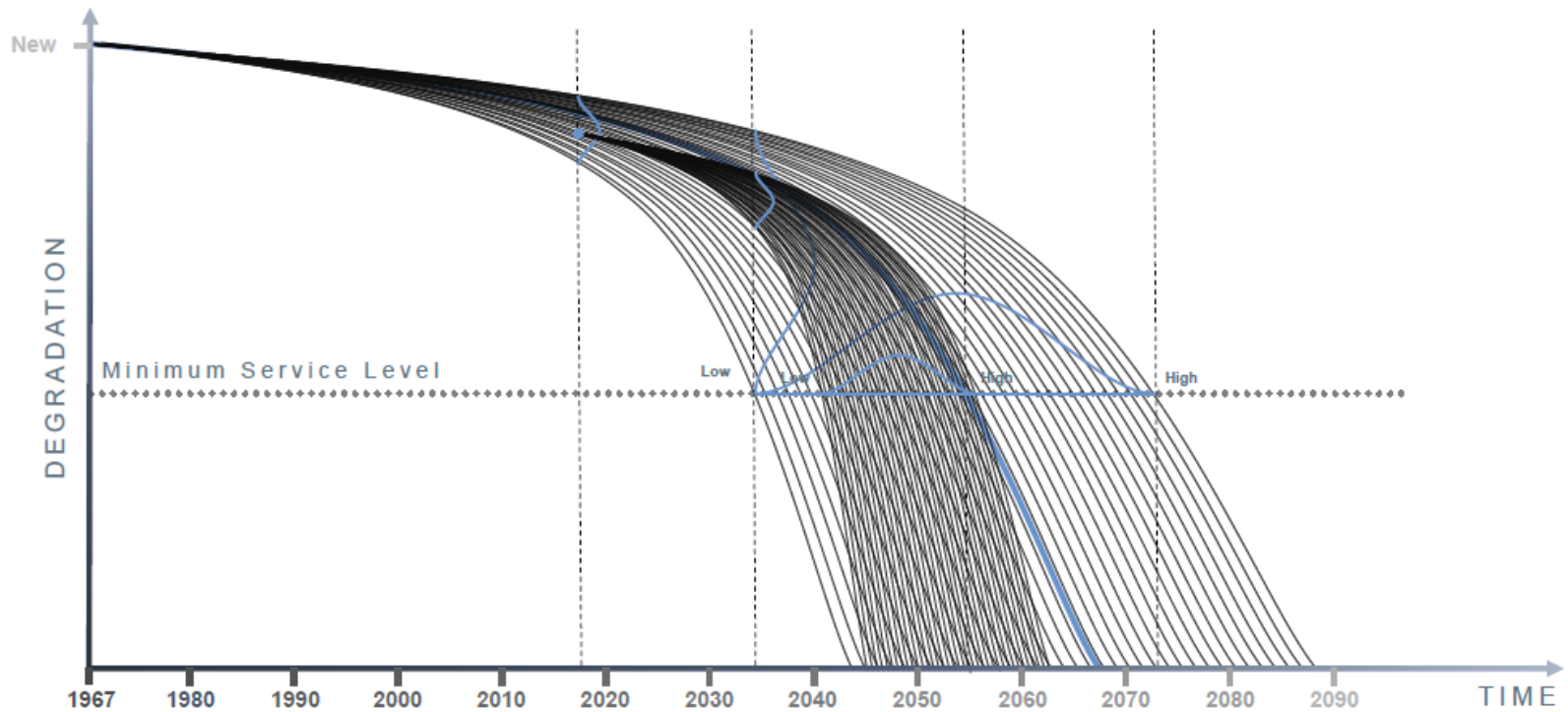
# Benefits-based investment prioritization

## How does this investment plan align to your priorities?



# Using scenario analysis

What are the long-term impacts of investing one way or another?

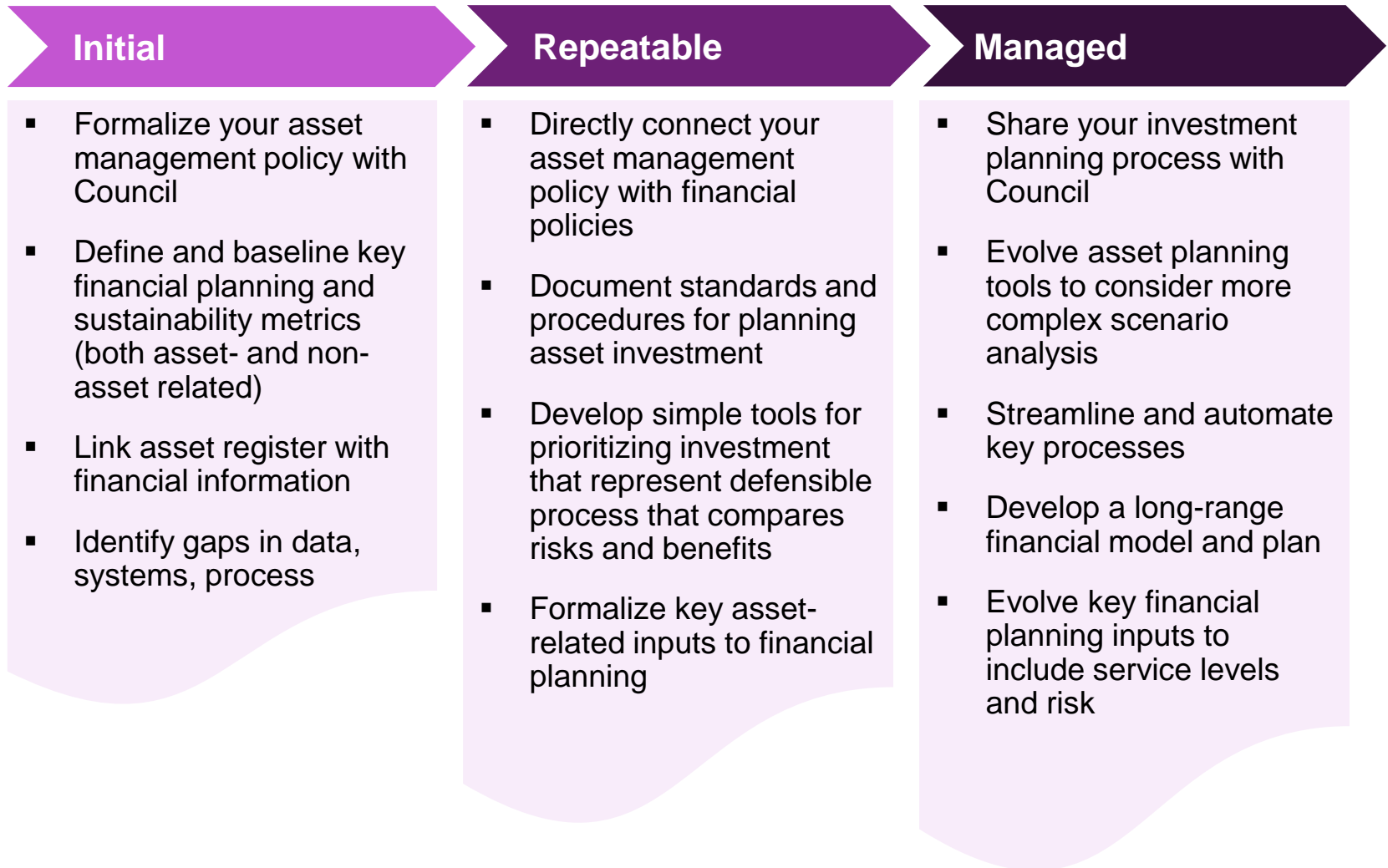




# In closing



# Evolving your integrated planning maturity





# Thank you

## Get in touch:



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