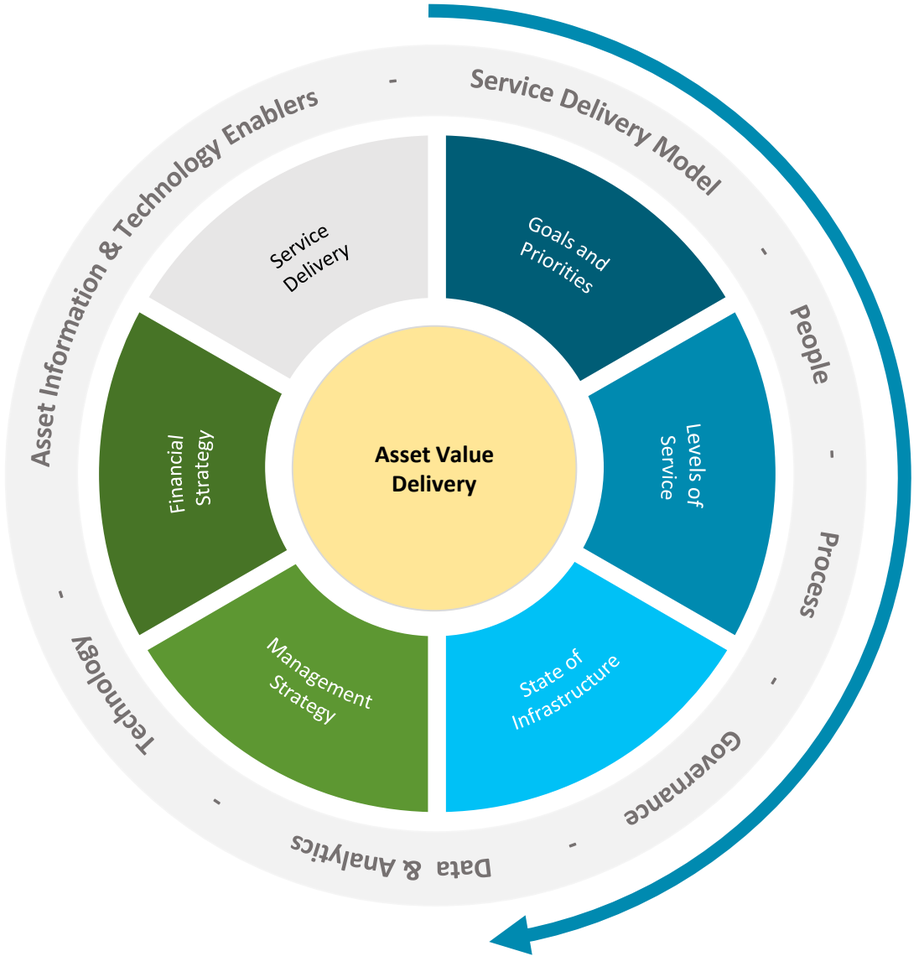
Enclosure 1

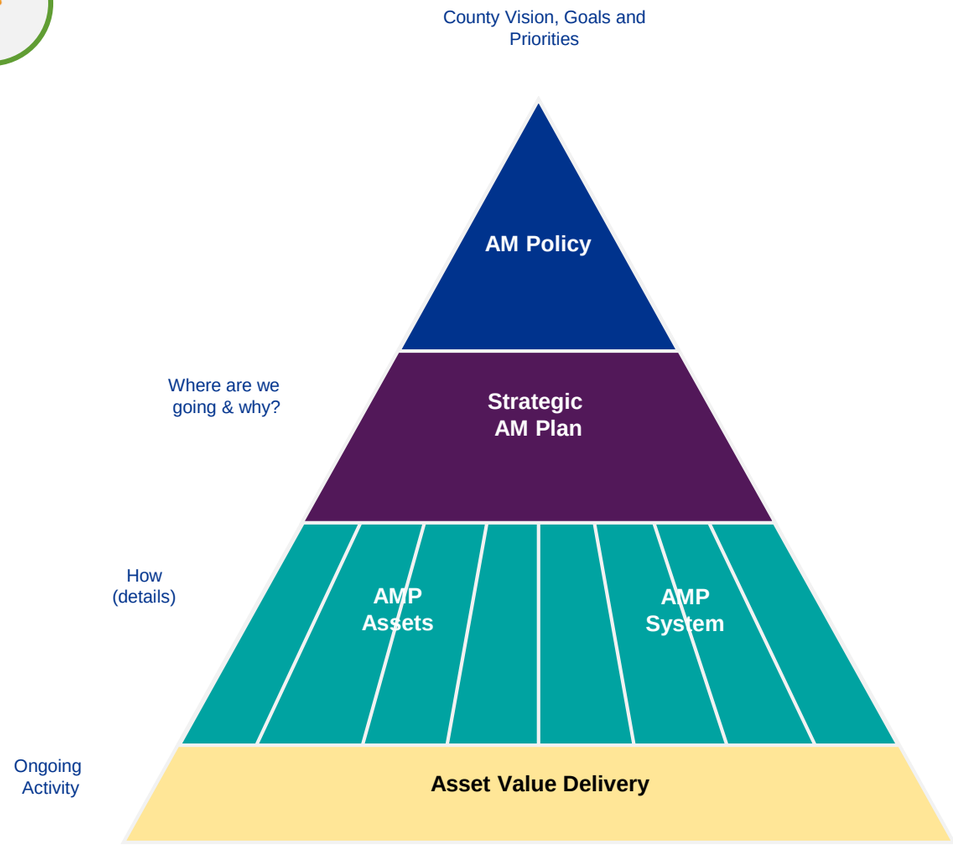
State of Infrastructure Report

Council
April 9, 2024

STRATHCONA COUNTY

Asset management key concepts





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Why do asset management?

- Protects the investment in our community infrastructure
- Our community expect services from us; and assets support those services
  - Investment in both core and non-core categories
- Managing resources through asset management alongside our long-range financial sustainability framework will ensure a sustainable future

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Benefits to asset management

- Balance between renewal and growth of our infrastructure
  - Complete asset lifecycle management

- Continued emphasis on expanded municipal asset management at the federal and provincial level for grant application success

- Ability to make more quantified decisions in relation to our assets, and the services that they support while managing risk

What is State of Infrastructure?

- SOIR (State of Infrastructure Report)
- Category assessment of ALL owned infrastructure
- Establish:
  - Estimated remaining useful life
  - Future replacement value
  - Category health rating
  - Condition rating
  - Data confidence
- Services that are supported through infrastructure

What did we do?

- Scanned local and national municipalities for SOIR reports
  - Consulted with best practice from **IAMA** (Infrastructure Asset Management Alberta), **CNAM** (Canadian Network of Asset Management), **FCM** (Federation of Canadian Municipalities, and municipalities across Canada
- Established asset hierarchy across all asset categories
- Identified all data points for assets
- Understood the various methods for managing and measuring condition
- Reviewed most recent condition level data for each asset
- Valued infrastructure replacement
- Documented gaps and assumptions
- Noted continuous improvement opportunities

Methodology

- Developing an asset hierarchy requires review of all assets, the services that they provide, and categorizing them in a related way to ensure reporting is done so consistently.

- Each asset or asset group has varying degrees of how to manage condition.
  - **Example:** Playgrounds vs. Light duty vehicles

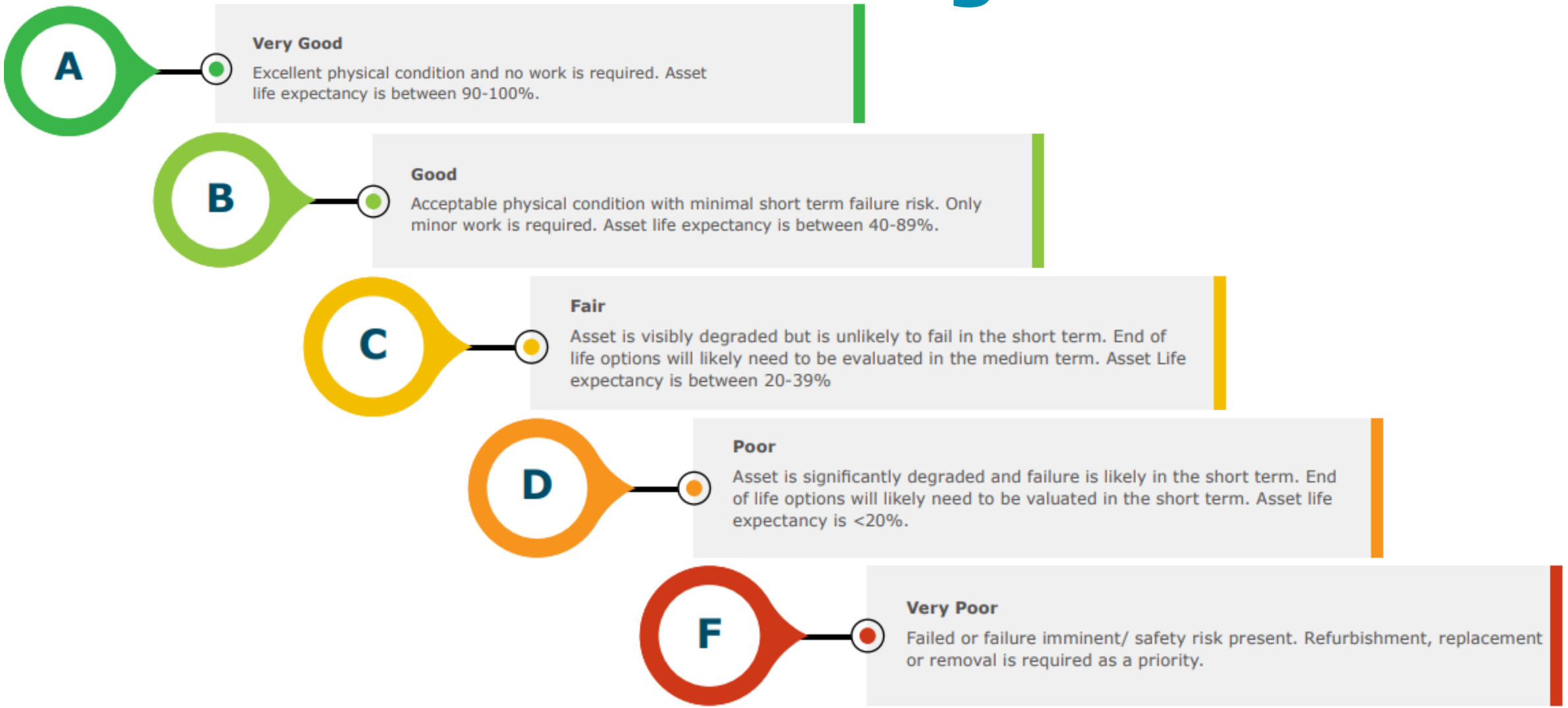
- Valuing the replacement of our assets was deriving consistent unit rates or factors for calculating what the future replacement values would be, while also assuming inflationary adjustments over time.

Standardized approach

- Five-point condition system
  - With multiple condition assessment criteria, and varying scales for various assets, it was important to derive a consistent scale for managing condition.

- Asset categories all received a health grade
  - A health grade is looking at the asset category as a whole and giving it a health grade, based on expected replacement life, the value of the replacements, and the overall condition of the asset category.

Condition rating scale



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Standardized approach

- Assumptions were consistent and documented.
  - Where applicable, formulas were used for large quantities of assets to understand replacement over the lifecycle of the asset.

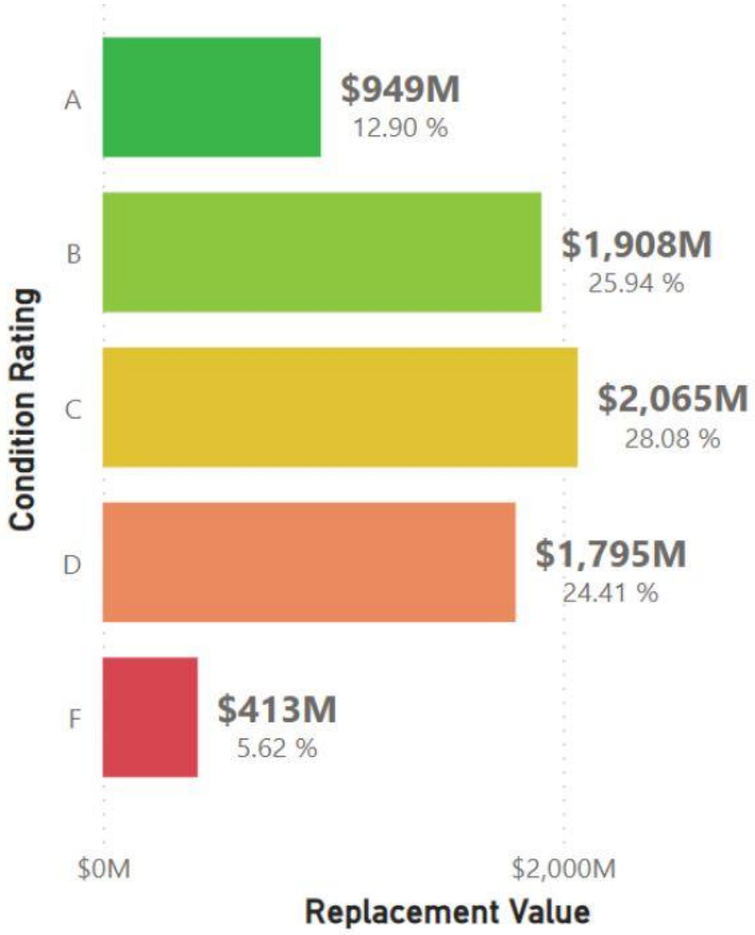
- Improvements and service level adjustments to infrastructure were not contemplated for replacement value.
  - This is a standard assumption as we are reviewing ALL infrastructure, versus the specific functional improvement potential that may be required of the asset in the future.

- Engineering, land acquisition, foreign exchange, shipping and potential legal costs were disregarded from the replacement value.
  - Deemed too subjective for a reliable forecast.

Asset management vs. financial statements

Asset management values	Financial statement values
• Replacement value $7.13+ billion	• Net book value $2.1 billion
• 4.3+ million asset records	• TCA(Tangible Capital Asset) records dictated through thresholds
• 31 asset data sets/systems	• One financial system data set
• Nine asset categories	• Eight asset classes

Overall condition distribution



C+

Overall County Condition Grade

$7.13 bn

Total Estimated Portfolio Replacement Value

86%

Proportion that Transportation & Utilities form of Overall Value of Asset Portfolio

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Condition distribution by category

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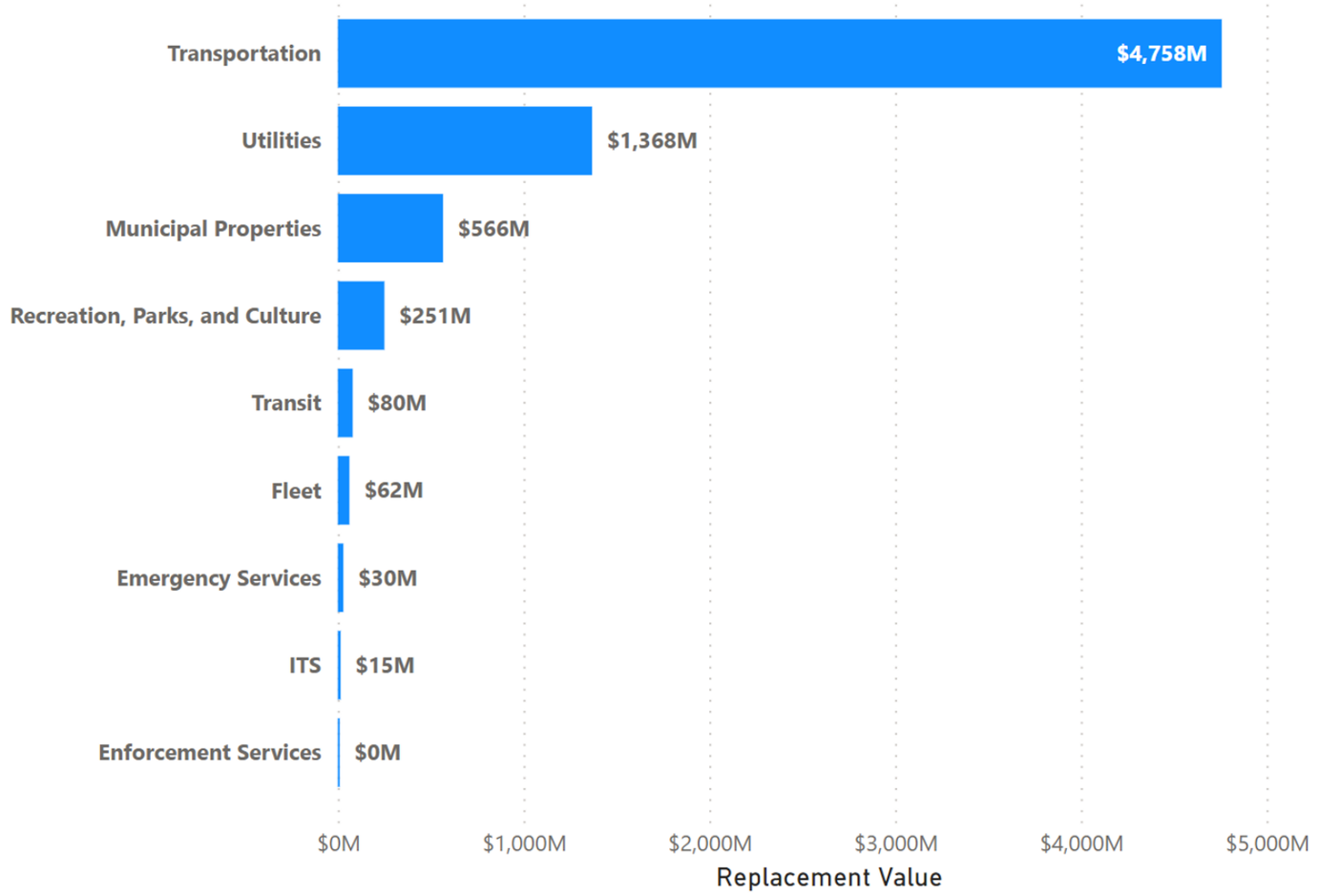
Estimated replacement value by category



$7.13 bn

Total Estimated Portfolio Replacement Value

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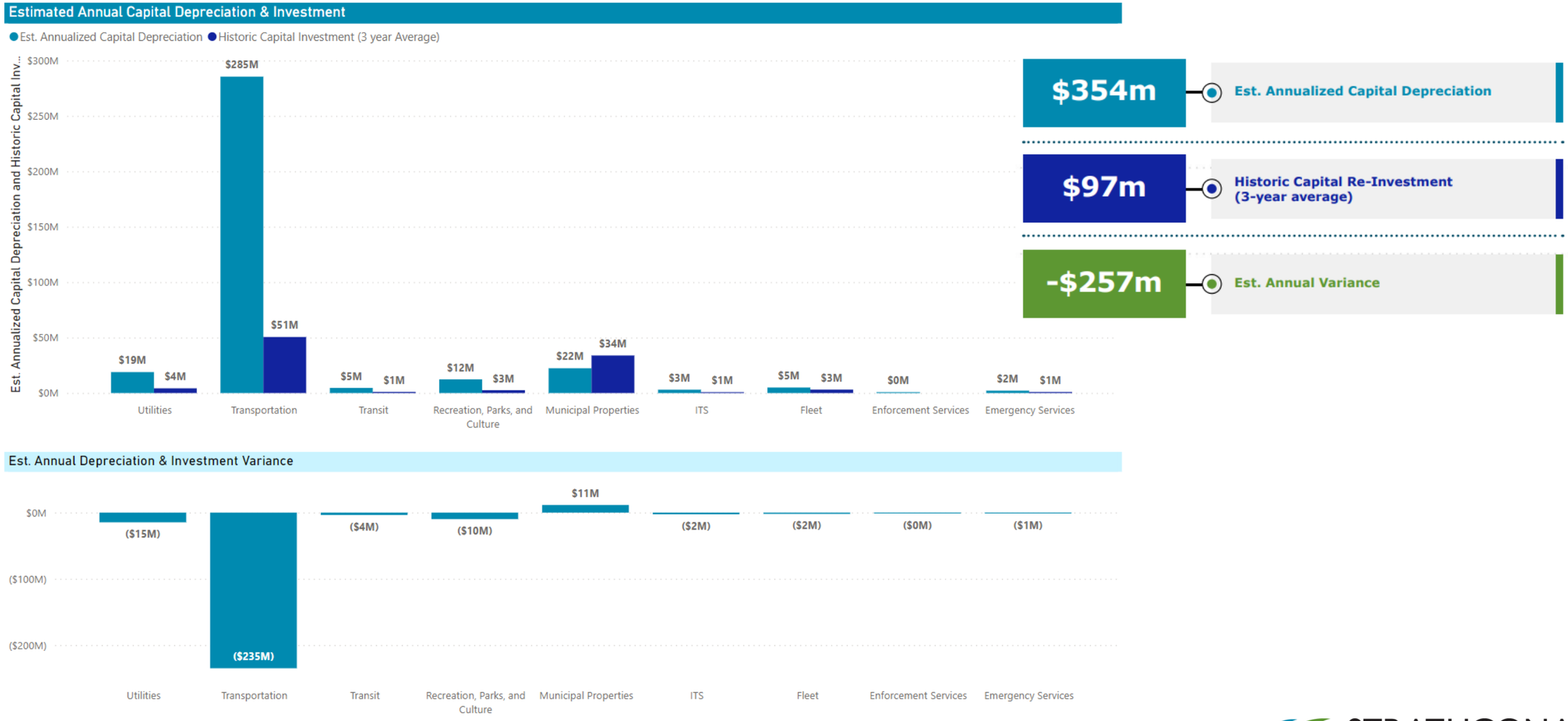
Forecasted reinvestment ratio



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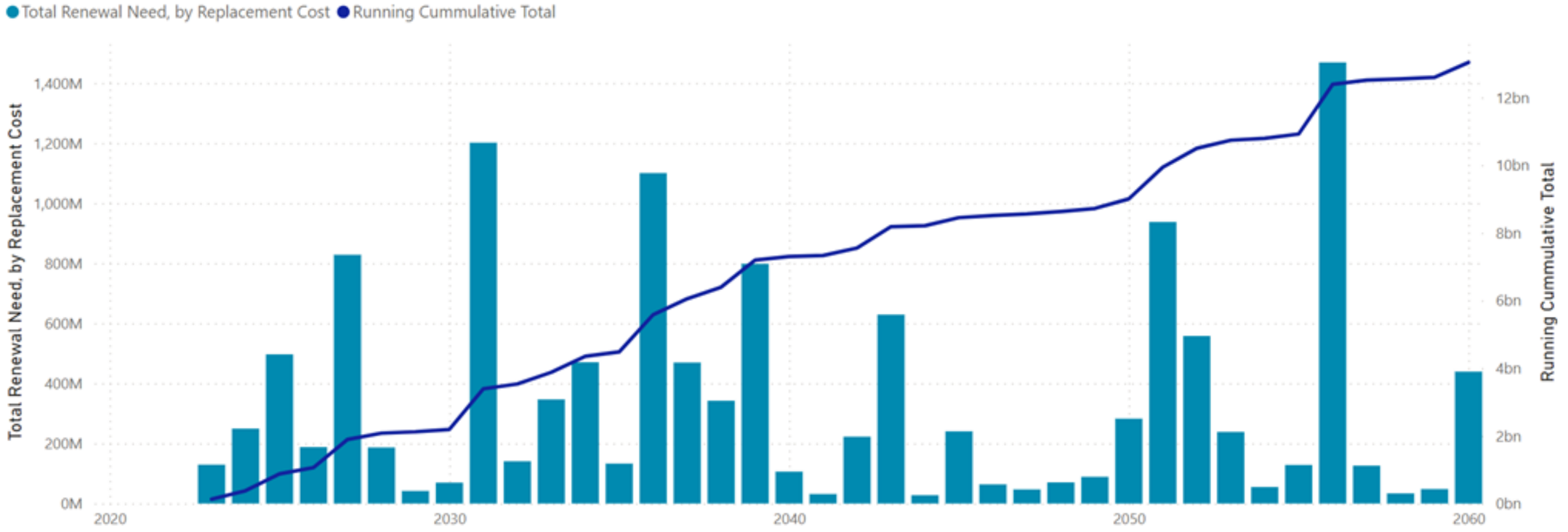
Forecasted renewal need



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Conclusion

- Overall state of infrastructure is in fair condition
  - Adequate blend across all categories, for a community of our age

- Asset reinvestment gap management requires consideration:
  - Financial resource allocations
    - Recreation Infrastructure Levy is a good example of this
  - Service levels
  - Functional improvements
  - Risk tolerance

- Priority decisions within the next 10 years will help manage reinvestment pressures for both renewal and growth in our capital infrastructure

Next steps

- Continue developing our asset management program
  - Asset management plans
  - Renewal and growth planning
  - Data consolidation/integration across systems

- Reporting on condition and lifecycle for multi-year capital budget priority setting

- Review potential policy changes required to align with our maturing asset management program

Questions

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