

# Continued reinvestment or redevelopment?

The City of Port Moody's decision-support framework recognises both the physical degradation and functional obsolescence of its ageing assets. **David Albrice** outlines the parameters.

**T**he City of Port Moody (portmoody.ca) is nestled around an inlet in the heart of Metro Vancouver, British Columbia, Canada. As well as the stewardship of natural assets ("N") such as urban streams, the municipality is responsible for three broad classes of built assets:

- Linear Assets ("L") – including roadways, street lighting, storm water and wastewater
- Vertical Assets ("V") – civic buildings such as city hall, fire stations, police station, and recreation centres
- Portable Assets ("P") – including municipal fleet and office IT equipment.

All of Port Moody's built assets are considered in its Asset Management Investment Plan (AMIP), developed and administered by the Financial Services Department.

The AMIP pursues a whole-lifecycle view and serves as the policy framework for other documents, such as the city's Long-Term Strategic Financial Framework (LTSFF) and capital plan. These, in turn, inform tactical documents such as individual project plans. The capital plan articulates funding envelopes, whereas the project plans provide controls on the tender process.

Each fiscal cycle, the stewards of the different asset classes (L, V and P) re-evaluate the present state and future needs of their assets and vie for limited municipal funding. City staff rely on the data that is readily available to them in their respective baseline

databases to develop business cases to present to senior management and City Council.

For example, the manager of the facilities department obtains competitive bids for the renewal of a roof as it nears the end of its useful service life and aligns this process within a fiscal cycle. This facilities manager relies on two key resources:

- the AMIP, which aggregates the subject roof together with all the other roofs on all vertical assets in the City's portfolio
- the capital plan, which contemplates a separate timetable for each cohort of roofs, based on their respective ages and useful service lives.

## "A small number of facilities could no longer meet the needs of the community"

In 2007 the Public Sector Accounting Board of Canada issued a bulletin (PSAB-3150) that formalised requirements for reporting on tangible capital assets for local governments. Over the ensuing years, the City of Port Moody procured enterprise asset management (EAM) software, implemented a computerised maintenance management system (CMMS) and commissioned a series of condition assessments on the different classes of assets.

Due to changes affecting traditional capital

funding sources, the City Council established a dedicated asset levy to provide greater funding certainty. With the LTSFF, the AMIP and the asset levy, the City of Port Moody has been highlighted by the Canadian Federation of Independent Business as one of the most fiscally responsible cities in British Columbia.

Due to extrinsic factors such as community growth, the city faced an additional layer of complexity beyond just the physical needs of its ageing assets. The engineering studies commissioned in the preceding years were appropriate for developing policy, strategy and objectives to address the physical degradation of the assets but did not take into account their functionality to the stakeholders.

At meetings with the City Council and city staff, the engineering consultants who assessed the vertical assets took the position that many of the ageing facilities could last indefinitely with sufficient maintenance at regular intervals. From the city's perspective, however, a small number of facilities were deemed to be suffering from varying degrees of functional obsolescence and could no longer meet the needs of the community, regardless of their satisfactory physical condition.

City staff needed a way to correlate the existing quantitative condition data with qualitative functionality data.

As a result of a dialogue between the Financial Services Department, the facilities manager, and the engineering consultants, the City's AMIP was structured to accommodate three types of studies:

- Physical Needs Assessment (PNA) – a report on the physical degradation of the

assets, typically quantified as the backlog of deferred maintenance and prioritised based on asset criticality. Colloquially referred to as the "catch-up" costs

- Capital Needs Assessment (CNA) – a forecast of the remaining useful life of major components, usually over a 20-year planning horizon. Also known as the "keep-up" costs
- Functional Needs Assessment (FNA) – the opportunities for adaptations and upgrades to address different forms of obsolescence, including legal obsolescence (such as building code compliance), economic obsolescence (such as energy efficiency measures), and functional obsolescence (including programmatic changes). Referred to by the consultants as the "get-ahead" costs.

Whereas the PNA and CNA focus on the physical degradation of assets, and fall within the domain of engineering, the FNA is geared more towards the "fading" of assets and sometimes requires the expertise

of other professionals such as architects, designers and urban planners. Together these three assessment types provide the mix of quantitative and qualitative data the city needs to make informed decisions at different stages in the respective lifecycles of the different classes of built assets.

The benefits include more optimised distribution of resources among the asset portfolio and a rationalisation for assigning different facilities different levels of maintenance funding. Precise quantification of the benefits is still under way.

As part of a change management process, the Financial Services Department informed the City Council that the AMIP would initially assume, as the conservative default position, that all vertical assets are to be sustained into perpetuity and should continue to receive the necessary and sufficient reinvestment funds.

Recognising that it is sometimes fiscally prudent to replace certain assets for reasons other than physical deterioration, the AMIP also included a rough timetable for commissioning of functional needs

assessments. This third class of assessments would be used to identify any leading indicators of functional obsolescence and to establish whether there is a business case to consider redevelopment instead of reinvestment.

Only once City Council has made a decision to replace an entire building would consideration be given to paring back the annual reinvestment levels and appropriation made towards redevelopment instead.

Some of the City's next steps include phased procurement of functional needs assessments on certain built assets, particularly some of the vertical assets that are not heritage designated.

### Author's biography

David Albrice is a senior asset management specialist at RDH Building Engineering Ltd. David has worked with clients in the municipal, institutional and commercial sectors to develop integrated capital plans for their built assets.

