

United Townships of Head, Clara & Maria
Municipal Council

Type of Decision									
Meeting Date	Aug 22, 2014				Report Date	July 17, 2014			
Decision Required		Yes	X	No	Priority		High	x	Low
Direction		Information Only		X	Type of Meeting	X	Open		Closed

REPORT TITLE
Treasurer's Report – Information Only # 22/08/14/804

Treasurer's Report PSAB 3150 vs Asset Mngt Webinar

I have completed a webinar on PSAB 3150 vs Asset Mngt. The webinar has answered some questions I had. Please see details below:

PSAB 3150 vs Asset Management - June 17, 2014 - this webinar focused on:

- Valuation / Funding
- Segments / Components
- Asset Inclusions / Exclusions
- Useful Life /Condition

The difference between PSAB 3150 & Asset Management

PSAB 3150

- Tangible Capital Assets (TCA's):
- Non-financial assets having physical substance that:
- Are held for use in production/supply of goods and services (includes assets for rent, admin, construction, maintenance, etc.)
- Have a useful economic life beyond one accounting period
- Are to be used on a continuing basis
- Are not for sale in the ordinary course of operations

Definition from PSAB s.3150

- Use of historical cost valuation
- Reported annually on audited financial statements

Asset Management

- A tool to assist in asset related decision making processes:
 - Operating & Maintaining

- Replacement
- Rehabilitation
- Disposal
- Growth / Expansion
- Taking into account:
 - Asset Attributes, Level of Service, Risk, Priorities, Funding, etc.
 - Goal: Move towards Sustainability

Information and analysis that are required to be included in a municipality's asset management plan:

- Executive Summary
- Introduction
- State of Local Infrastructure
- Expected Levels of Service
- Asset Management Strategy
- Financing Strategy

PSAB 3150 vs. Asset Management

Asset use perspective:

- PSAB = tangible capital asset listing
- Asset Mngt = long-term forecast

Approach & Valuation perspective:

- PSAB = past (historical) transactions
- Asset Mngt = future costs (maintenance, rehab, replacement, expansion)

Philosophy perspective:

- PSAB = amortize assets based on useful life
- Asset Mngt = move to a sustainable position, funding approach

Reporting perspective:

- PSAB = audited financial statements, FIR
- Asset Mngt = asset mngt plan, budgets

Policies & Procedures perspective:

- PSAB = inventory & accounting based
- Asset Mngt = inventory & asset mngt based

Current Asset Policies

- May be more focused on PSAB 3150:
 - Valuation
 - Asset Components/Segments
 - Capitalization Thresholds
 - Asset Pooling
 - Useful life Estimates
- Is it now Appropriate for asset management?
- Use one asset listing for all needs?

Financial Impact: PSAB 3150 vs. Replacement Funding

Example: \$1 million asset (today's cost)

- 60 years old and has a remaining useful life of 20 years

PSAB 3150 reporting:

- Determine historical cost (original construction) cost:
 - Using discounted replacement cost method (using Stats Can Construction Index) it would be \$68,700
 - Determine annual amortization (assuming straight line method):
- Divide the historical cost by the estimated number of years useful life (e.g. 80 years) -annual amount to report as amortization is approx. \$860

Asset Management approach:

- Assess how much you need to start putting away in reserves to save for the replacement (assuming inflation and investment rate) would require \$55,000 annual payment

Segments & Components

- Determine whether we need to go back to look at breaking down our asset segments into more detailed asset components

Asset Inclusions / Exclusions

Capitalization Thresholds - High thresholds vs. Low thresholds?

- Cost Benefit Analysis:
 - Number (and value) of assets to maintain
 - Time and effort of staff
 - Impact on budgeting format
 - Accuracy of PSAB 3150 calculations
 - Accuracy of Asset Management Plan

Asset Pooling

- *Grouping similar assets together as one asset - Examples:*
 - Garage Equipment
 - Office Furniture
 - Parks & Rec Furniture
- Reduces the size of the inventory listing and level of effort to maintain
- "Deemed Disposition" methodology

Impact on Asset Management Planning:

- Include or exclude asset pools from the asset management plan?
 - Pooled assets usually make up a very small proportion of total capital asset value
- Example: \$50,000 asset pool with a useful life of 10 years and Replace \$5,000 of assets per year

- Create a detailed list of assets included in the pool, OR-discontinue the use of pools?
 - Results in a more accurate calculation of replacement needs
 - Cost/Benefit?

Other Inclusions/Exclusions

- Assets not in PSAB 3150 listing
 - Works of Art & Historical Treasures
- Assets that will not be replaced
 - Building Structures?
- Changes in Level of Service:
 - Assets that will be enhanced/expanded
 - Replaced with more efficient products
 - Decreases in level of service

Useful Life Condition & Risk

- Useful Life:
 - Estimates can change due to actual replacement practice, maintenance approaches, rehab programs, and expected level of service?
- Condition Assessments:
 - What are the asset's maintenance, rehab and replacement needs based on an actual physical assessment?
- Risk Assessments:
 - Probability of Failure X Consequence of Failure
 - Determines "priorities" and helps with capital timing needs

Before any changes are to be made to the useful life of the asset(s), it has been advised that we contact our Municipal Auditor to check with him/her before doing so.