

**FCM International Webinar Series**  
**February 2015**

## **Infrastructure Asset Management for Cities in Emerging Economies: A Discussion on Local Success Factors**

*This webinar transcript has been produced because of a malfunction in the original recording of the webinar. We hope this information will provide a useful complement to the PowerPoint deck.*



### Welcome

*By Pascal Lavoie, FCMI Knowledge Development Specialist*

We have a lot of new people registered for this webinar, so let me take a minute to tell you about FCM International (FCMI). We are a department of the Federation of Canadian Municipalities (FCM)—Canada’s only national association of municipalities—representing, serving and connecting community leaders across the country. FCM International is the part of FCM that looks to mobilize Canadian municipal expertise to support communities and help fight poverty in developing and emerging parts of the world.

We do this work as strategically as we can, and much of our work is undertaken in partnership with the Government of Canada. We also work with our members to ensure our voice is heard on global issues. We build synergies with like-minded organizations to bring resources and

help empower local governments everywhere. In addition, we look at new ways, at better ways, of helping sister communities worldwide. This is where this topic of asset management comes in.

It is a privilege to have the people from the City of Fredericton with us today. The City has worked with us internationally for close to 15 years, in Ubon Ratchathani (Thailand), in Lang Son and Ninh Binh (Vietnam), and it is still actively involved in Bolivia. Local leaders and staff from Fredericton have implemented projects to introduce information technologies in local governments to help make them more efficient. They've mentored a City to develop a successful tourism strategy, in a context where many thought it couldn't be done. They have worked with a city in Vietnam in the area of park development, as well as basic pruning and soil management techniques; this helped the city to beautify and green itself. And now, in Bolivia, they are collaborating with the City of Tiquipaya to manage solid waste, and to define and test new approaches to spur local economic development.

About two years ago we started to work with partners from the Philippines, Indonesia and Vietnam to understand their needs relating to infrastructure development. These are countries in which cities are growing very quickly in economies that are emerging vigorously in the global market place. Cities don't have a lot of control locally over what is being built; we're trying to see with them how we can help improve their decision-making about infrastructure investment.

Murray Jamer helped us a great deal with that research with our partners and in developing a program proposal. And this webinar today is a further opportunity to advance our thinking about how we might work on infrastructure asset management with local governments overseas.

This comes at a time when asset management is a growing issue in Canada as well. We see a lot of our members, a lot of FCM members, are considering asset management as part of the toolbox they need to become smarter and more sustainable.

We'll look today at the opportunities and challenges of implementing an asset management program within a municipality, looking at the political dimension of this change, the financial implications, and also the sustainable urban development implications.

The relevance of the experience of the City of Fredericton in asset management has been validated and shared through a [paper published by the Asian Development Bank](#). I hope you have had the opportunity to read it!

The purpose of our webinar is to discuss the transferability of Canadian infrastructure asset management know-how to local governments in emerging economies (such as Indonesia, Vietnam and the Philippines) – based on the experience of the City of Fredericton.

Murray Jamer

*Deputy CAO for the City of Fredericton*

- Most of my asset management experience is in Canada.
- I also have experience in Southeast Asia.
- Pascal has asked me to start by providing a national and provincial context.

***Municipalities are Asset Intensive slide:***

- Municipalities have a lot of assets.
- The proportion of assets for which municipalities are responsible is growing.
- While municipalities have 52% of the assets, they only get 8% of the revenue.

***Municipal Infrastructure in Canada slide:***

- Some of the infrastructure is buried; some is not.
- The 2012 report card was sponsored by FCM, the Canadian Public Works Association (CPWA), the Canadian Society for Civil Engineering (CSCE), and the Canadian Construction Association (CCA).
- The \$172 billion is a huge number.
- Infrastructure is one of the biggest issues, if not the biggest issue, facing Canadian municipalities.



### ***A Recognition of the Problem slide:***

- Gas Tax is \$2 billion/year and is now indexed for inflation.
- Let's remember that, while the federal government and the provinces are helping with municipal infrastructure, municipalities must play a key role in managing their own assets.
- So far, municipalities have not used P3 very much but this is an emerging trend.

### ***Comparing Canada & Developing Countries slide:***

- My comments are based on my travels to developing countries.
- A lot of municipalities (in Canada and developing countries) are not set up for infrastructure renewal.
- National governments in Asia get involved with providing infrastructure at the local level.

### ***Mayor Brad Woodside slide:***

- Mayor Woodside has a record eight terms as mayor in Fredericton; first elected mayor in 1986.
- Holds honorary Doctor of Laws from St. Thomas University.
- Current President of FCM.
- Has travelled extensively nationally and internationally.
- Well versed on infrastructure issues. A passionate advocate for asset management and sustainability.

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Brad Woodside, Mayor of Fredericton  
*President of the Federation of Canadian Municipalities*

### ***Asset Management slide:***

- The best legacy we can leave is a sustainable city.

### ***City is Doing the Right Things slide:***

- We are still aggressively promoting development in Fredericton.
- Working hard to become more efficient through [Lean Six Sigma](#).

### ***How To Do It slide:***

- This is a lot of hard work for staff.
- As an elected official, you can't please everyone.
- When you communicate with the public, let them know why you are doing something.

### ***Benefits of Asset Management slide:***

- It is less expensive to “shave and pave” a street than it is to wait and then have to rebuild the street.
  - The public wants good roads; safe water; attractive buildings.
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Tina Tapley

*City Treasurer/Director of Finance & Administration for the City of Fredericton*

The steps we took, why it’s important, and why we feel we’ve been successful.

- Teamwork was crucial to the success.
- Finance-led initiative.
- Finance gained initial buy-in internally from the CAO and the Engineering Department. They supported and caught the vision; therefore, the project became an organizational goal.
- Finance led the project – we saw the bigger picture: we are not just doing this work to comply with new Public Sector Accounting Board (PSAB) standards, but we saw value in leveraging this work to move asset management forward and create a long-term financial plan (LTFP).

### ***How We Did It slide:***

Built the foundation:

- Determined what we had for assets.
- Determined how to value the assets for the new PSAB accounting rules, AND for asset management. Departments saw the value in the asset management piece.
- Enabled us to determine the true infrastructure deficit.
- Rolled this into the LTFP. The LTFP looked at all City needs—not just infrastructure—over the long term.
- This allowed us to create a long-term funding plan over 20 years to eliminate the infrastructure deficit as part of the LTFP.
- Created policies around what buckets of money should be spent on what costs and when, e.g. debt, pay-as-you-go capital.
- This was done in bite-sized chunks. We took it one step at a time (PSAB – LTFP – Asset Management).

### ***How Did Fredericton Do It? slide:***

Long process – didn’t happen overnight. LTFP in 2008; however, Council did not adopt the plan until 2010. It took two years for Council to buy in. This was a major cultural shift and a change to the way of thinking.

- Council was initially concerned that it would remove spending flexibility in the short term, because we had to get our infrastructure funding in order to take care of the core infrastructure.
- However, the LTFP creates flexibility over the long term because it provides a long-term framework to take care of existing infrastructure and services.
- By doing this, it opens up flexibility to fund new Council priorities with the financial and funding model over time, while taking care of core infrastructure.
  - Did this by staying focused on the common goal: long-term results for our community.

### ***Why Successful? slide:***

Important WHY? When you boil it all down, we all have the same common goal and we want the same result.

- Whether it is the mayor, council, departments, staff or residents.

So communication focused on *why it was important to the community*.

- Result: To have a good quality of life – in order to do that you need a sustainable city – and in order to have that, you need sustainable infrastructure. To provide this, you need a solid financial and funding model, which the LTFP provided.
- This results in the end goal of attracting and retaining investors, businesses and residents, so we're a sustainable, growing city.

The public wants to have confidence that the city is being managed well and that we are being good stewards of their tax dollars.

- This was brought to light during the 2012 municipal election. As the mayor and councillors went door to door, citizens were asking and wanted to know: Is the City managing the city's finances and spending wisely. Does the City have a plan?

The mayor and council were able to educate the public, letting them know we have a LTFP in place to take care of what we have today (existing services/infrastructure) while, at the same time, planning for the future to make sure our city is affordable and sustainable.

Murray Jamer

*Deputy CAO for the City of Fredericton*

### ***What Made It Work? slide:***

- I had always thought that you had to fight Finance to get more money. Now I realize that they have the same goals as me.
- Engineering had a shared vision with Finance when we started asset management.

- You need a good consultant to help at some stages. We used Reg Andres of RV Anderson.
- Either you have good information (GIS) or you will have to do a lot of digging.
- The City is using Lean Six Sigma as a way to save money and improve services. Without this, we would have been pressed to find the money we need for asset management.

***How do we sustain it? slide:***

- A constant level of funding is required to support asset management.
- In Fredericton, 90% of the Water & Sewer capital budget must be spent on renewal.
- In Fredericton, 75% of the General Fund capital budget must be spent on renewal.
- In Fredericton, we are still a work in progress in relation to asset management. We are currently looking at better tools for condition assessment.

**END OF TRANSCRIPT**

