



Managing municipal assets for regulatory compliance with PSAB 3150

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Executive summary

As of January 1, 2009, Public Sector Accounting Board (PSAB) guidelines require that municipalities account for their tangible capital assets and properly amortize them in their financial statements. In addition, municipalities must report the condition of their tangible capital on their financial statements. This guideline forces municipalities to place a greater focus on assets and their preservation and will ultimately change the way all assets are managed.

Traditionally, municipalities have often allowed their various departments to manage their own sets of diverse assets ranging from vehicle fleets, facilities, and water/wastewater treatment plants to linear assets such as roads and sewer systems. This has led to silos of legacy asset management software solutions being used to manage these assets.

This paper outlines some of the challenges municipalities are facing with regard to the new guidelines. It suggests a new approach to asset management and proposes questions that can and should be asked when determining the best way to ensure compliance with the PSAB guidelines.

The paper also outlines solution requirements and technology best practices for municipalities that need to manage diverse assets and services (linear, fleet, facility, etc.). It introduces the concept of a 'big picture' asset management approach, explains the business value of this approach and outlines the specific functional capabilities that will provide the most benefit to municipalities. A big picture approach to asset management provides a strategic view of all assets. This gives municipalities the right levels of visibility, control and agility to more effectively, and proactively manage assets throughout their lifecycle.

Municipalities that are ready to adopt a new approach to asset management can leverage today's superior technology, helping them to optimize asset life, deliver services more efficiently and stretch shrinking municipal budgets.

Finally, this paper introduces IBM Maximo[®] Asset Management, a complete asset management solution for municipalities, which enables them to monitor and manage their efforts to address PSAB 3150 requirements, improve safety and services, maximize asset performance and reduce IT and operational costs. Maximo Asset Management encompasses all asset classes – production, linear, facilities, fleet and IT. It provides industry-leading asset modeling suited for all infrastructures, including water distribution and sewer collection networks, roadways, municipal fleet and plant and facility assets, allowing a municipality to consolidate all its asset systems onto one platform.

Introduction

Since January 1, 2009, the Public Sector Accounting Board (PSAB) guidelines set out in the PSAB Handbook 3150, Tangible Capital Assets, require that municipalities account for their tangible capital assets and properly amortize them in their financial statements. In addition, municipalities must report the condition of their tangible capital on their financial statements. These guidelines force municipalities to focus more on assets and their preservation and will ultimately change the way all assets are managed.

Aside from the implementation of the PSAB 3150 guidelines, asset management has been an ongoing challenge for municipalities. Traditionally, municipalities have allowed their departments to manage their own sets of diverse assets ranging from vehicle fleets, facilities, and water/wastewater treatment plants to linear assets such as roads and sewer systems.

Managing such an array of assets is a challenge in itself, and the silos of legacy asset management solutions further exacerbate the situation. Differing functional requirements for each asset type spawned the proliferation of asset management software packages across the municipality to manage fleet, facilities, IT and linear assets. A report from the Municipal Infrastructure Investment Planning consortium (MIIP Survey on Municipal Infrastructure Assets, February 2004) determined that 30 percent of surveyed municipalities had two or more asset management software implementations in their organizations and two had more than five systems.

In addition, these departmentalized standalone systems for the most part were not integrated with any of the municipalities' financial and ERP (enterprise resource planning) applications. This type of scenario makes it difficult to aggregate critical information to support executive level decision-making regarding assets.

Because PSAB 3150 demands strict accountability for all tangible capital assets, the status quo is no longer acceptable. PSAB 3150 brings unique challenges and opportunities to municipalities to effectively manage their infrastructures for the benefit of all stakeholders – but this requires looking at assets from a bigger picture perspective.

This paper outlines solution requirements and technology best practices for municipalities that need to manage diverse assets and services (linear, fleet, facility, etc.). It introduces the concept of a 'Big Picture' asset management approach and explains the business value of this approach; it also outlines the specific functional capabilities that will most benefit municipalities.

The challenge

Providing efficient tools to the various departments who hold and manage assets can help mitigate the substantial amount of work required to support PSAB 3150.

While accounting for and reporting tangible capital asset information provides a useful starting point, it does not report sufficient information for:

- Understanding the condition of tangible capital assets
- Assessing the performance of tangible capital assets
- Anticipating the needs for replacements in the short and long term
- Assessing the cost and sustainability of existing programs

Making more of limited resources to manage assets better

After years of taking a departmental view of asset management, municipalities have been left with disconnected systems that disrupt business processes, perpetuate organizational 'stovepipes', erode productivity and increase costs. This situation, combined with lack of appropriate funding from federal and provincial governments, creates an enormous challenge for Canadian municipalities. For example:

- Aging infrastructure means frequent failures– 28 percent of Canada's infrastructure is more than 80 years old, and only 41 percent is less than 40 years old (Civil Infrastructure Systems, Technology Road Map 2003 – 2013, June 2003)
- 79 percent of useful infrastructure assets are nearing end of life (CSCE 2003)
- Municipalities spend \$12 - 15 billion per year on maintenance and rehabilitation (Federation of Canadian Municipalities); a streamlined, single-view asset management system can help pinpoint cost inefficiencies
- A large backlog of deferred work means current funding levels will reach a deficit \$1 trillion in 60 years (CSCE 2003)

Assets will always age and deteriorate, but an appropriate asset management solution enables municipalities to more effectively plan acquisitions, budgets, and maintenance.

A new approach

Municipalities ready to adopt a new, big picture, approach to asset management can leverage today's superior technology, which can help them optimize asset life, deliver services more efficiently and stretch shrinking budgets.

This approach is a more strategic method of planning, managing, and maintaining all tangible capital assets including fleets, facilities, grounds, roads, sewers, and even IT infrastructure. The benefits include:

- An auditable, traceable inventory of assets and their lifecycles, maintenance costs and depreciation
- More unified city departments through the integrated management of resources, financial costs and investments
- More complete, transparent, financial picture through full disclosure of municipal infrastructure assets, which, in turn, builds public accountability
- Direct and indirect time and cost savings across the organization

When properly handled, asset management gives you the big picture so that you can make well-informed, proactive, and efficient operational and financial decisions. Big picture asset management provides municipalities with a single source of information regarding all tangible capital assets.

Asset management assessment tool

To begin, municipalities must ask and be able to answer some basic questions. Answering the following questions will help you understand your current situation and where you might need to make changes.

- What do we own?
 - What do we have and where is it located?
 - Do we have a description of each asset including class and nameplate information?
 - When was it acquired?
 - Expected useful life at acquisition?
- What does each asset cost to operate?
 - Cost at acquisition (opening value)?
 - Historical cost and residual value?
 - Cost/date/benefit of significant improvements (measuring deterioration, monitoring maintenance and inspection needs, and forecasting lifecycles)?
 - Valuation method?
 - How much it costs to maintain or replace (determining budgeting needs, assessing depreciation, and predicting replacement costs)?
 - Estimated residual value, if any, on disposal?
- When will it need to be replaced?

Asset management system capabilities are crucial

A manager's view of assets must incorporate an asset's entire lifecycle from the time it is acquired to the time it is retired, redeployed, or sold. To ensure PSAB 3150 compliance, managers must have the answers to questions such as:

- Are the assets physically installed?
- Have any assets been improved or modified?
- Are the assets in operation?
- Are the assets working properly?
- Have the assets been redeployed?
- What are the plans and costs for ongoing asset maintenance and inspections?
- Have any assets been scrapped or sold?

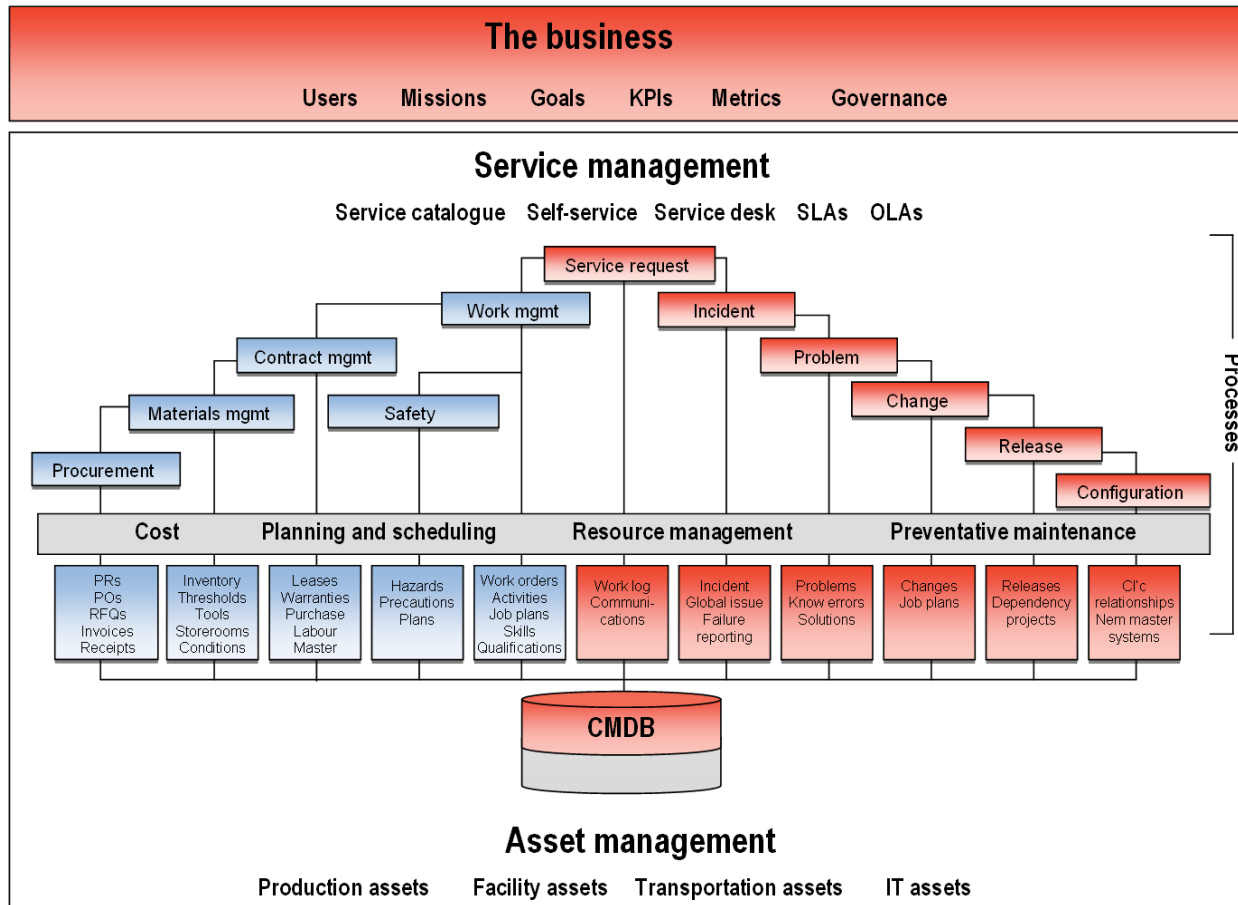
Municipalities may rely solely on their existing financial (ERP) systems to provide asset-related information. For many managers, the General Ledger of Fixed Asset systems are their only source of information about the assets they own. These systems have typically been used for work management and other processes related to asset maintenance, but they do not provide all of the essential information needed to address PSAB 3150 compliance. As a result, many municipalities rely on multiple asset management systems to address the unique requirements of each asset class.

A good asset management system should also provide ways to control various maintenance business processes and effectively audit any changes that could affect financial operations and PSAB 3150 compliance.

Why a single view of your assets is important

A big picture approach to asset management offers a strategic view of all assets. This gives municipalities the right levels of visibility, control and agility to manage assets more effectively and proactively throughout their lifecycles. A solution based on such an approach can:

- **Support all municipal asset classes**, including facilities, fleet, linear and IT assets, to provide a single source of easily available information for reporting purposes
- **Support financial management capabilities integrated to financial and ERP systems**. The resulting finance and ERP data gives a full view of capital and operating budgets, enabling municipalities to better manage their funding sources and make decisions based on current cost reporting
- **Eliminate departmental silos** and thus significantly reduce IT costs and complexity, while improving the return on investment for the application
- **Leverage emerging IT standards** to incorporate asset management into an evolving IT infrastructure, the solution should be built in accordance with service-oriented architecture (SOA) principles. It should also include Business Process management (BPM) capability, which separates application and business process flows, leverages new industry standards for business process definition and eliminates multiple integration and access challenges. These are important considerations for municipalities planning to rationally consolidate legacy asset management technology and other IT systems
- **Leverage intelligent assets**. Municipalities and other organizations are beginning to leverage assets with built-in computing technology to support more advanced diagnostics, self-learning, asset health monitoring, and so on. This includes automated vehicle monitoring (AVM), or telematic systems for tracking mileage, engine temperature, operating hours, etc. An effective asset and service management solution should have the flexibility to accommodate these new technologies



Big picture asset and service management solution

It is also important to remember that PSAB 3150 compliance is not a one-time event – it must be part of your ongoing asset management process improvement plan. Ensuring compliance requires constantly analyzing the current situation, testing new processes, determining which ones add value and quickly implementing the new processes across the organization.

Maximo – manage all your assets with a single tool

Part of the IBM Tivoli® software portfolio, IBM Maximo® Asset Management is a complete solution for municipalities, enabling them to monitor and manage their efforts to address PSAB 3150 requirements, improve safety and services, maximize asset performance and reduce IT and operational costs.

Maximo Asset Management encompasses all asset classes – production, linear, facilities, fleet and IT. It provides industry-leading asset modeling suited for all infrastructures, including water distribution and sewer collection networks, roadways, municipal fleet and plant and facility assets. This allows a municipality to consolidate all its asset systems onto one platform. Built-in features tailored to municipalities – such as service level agreements, service desk, mobile capabilities, contract management and standard integration adapters – help shorten time-to-value.

Maximo Asset Management streamlines both IT and business operations by unifying not only the various processes for asset tracking and management but also the legacy tracking and management systems. It also enables municipalities to manage the increasing number of service providers whose performance directly affects asset accountability and capital and operating budgets. To further reduce IT complexity and improve reliability and data integrity, Maximo Asset Management manages all assets from a single, central data repository.

Built on a standards-based, service-oriented, Internet-ready architecture, Maximo Asset Management supports a centralized implementation across multiple departments and locations, and it integrates with key financial and business systems, including ERP, GIS (geographic informational system), AVM and linear asset modeling. Maximo Asset Management can easily be extended to include procurement and supply chain solutions for asset-related materials, and to provide mobile access to asset data via handheld devices like PDAs and mobile phones. This unifying framework provides decision makers with the information they need while reducing the burden on IT departments.

A proven solution built on decades of experience in enterprise asset management (EAM), Maximo Asset Management is the leading asset management solution for government and is used by over 200 municipal customers. It helps municipalities deliver higher service levels with fewer resources, while providing complete budget justification and asset accountability. Part of Maximo's portfolio of asset and service management solutions, IBM Maximo for Transportation and IBM Maximo Asset Management for IT provide additional capabilities to address the unique needs of municipalities.

For municipal governments of all sizes, Maximo Asset management meets requirements for a pragmatic and cost-effective solution for enterprise-wide asset management. Built on a modern, service-oriented architecture using Java™, Web services, and other industry standards, Maximo Asset Management offers strong, long-term value and new levels of flexibility.

The Createch group – experience and commitment

The Createch Group, a Bell Canada company, is an IBM business partner and the largest Canadian reseller of IBM's Maximo Asset Management (MAM), Tivoli Asset Management for IT (TAMIT), and Tivoli Service Request Manager (TSRM). Createch has been recognized by IBM as one of few partners to achieve a Triple A deployment accreditation for Maximo/Tivoli.

The Createch Group provides a wide range of functional and technical professional services built around Maximo. Our consultants help customers plan, deliver, and implement solutions to support their mission-critical business processes and ensure that they achieve the greatest possible return on investment from Maximo.

The Createch Group is part of the Bell Professional Services team that delivers business transformation services to improve operational performance at every level of your enterprise. With experience gained from many municipal and government customer engagements, we work with customers to understand their operations, identify areas for improvement and recommend an approach designed to enhance asset management processes in order to support organizational goals.

Summary

From an organizational perspective, asset management has long been a challenge for municipal governments, because no single solution could meet their diverse requirements. The need to manage different asset classes, each with different requirements, has resulted in a patchwork of poorly integrated systems that cannot provide executive-level information to support PSAB 3150 requirements.

Maximo Asset Management provides a complete, big picture asset management solution that addresses the needs of diverse municipal asset classes and the regulatory and accounting concerns of individual departments. With Maximo, municipalities can begin to consolidate their disparate legacy asset management systems with a unified solution based on a Web-standard, services-oriented architecture.

The Createch Group, a Bell Canada company, is an IBM business partner and a leading Canadian consulting and services organization focused on asset management business issues.

For more information, visit bell.ca/enterprise, or request to be contacted by a Bell representative at bell.ca/contact-enterprise.

