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BY PAMELA YOUNG

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HOW CALGARY MANAGES ITS TCA'S

All three levels of government must manage tangible capital assets, but as the City of Calgary's Kelly Pratt explains, a software solution can offer benefits beyond compliance

For municipalities across Canada, fiscal years starting January 1, 2009 were significantly different than any that had preceded them. In June 2006, the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) approved revisions to the standard PS 3150 on accounting for, and reporting on, tangible capital assets (TCA). These assets include public buildings, roadways, mass transit, and water and sewer systems. "Unfortunately," a 2007 guide published by CICA's Public Sector Accounting Group concluded, "there is growing anecdotal evidence that the backlogs of maintenance, renewal and replacement of aging infrastructure is causing financial stress on local government and jeopardizing the sustainability and affordability of services." For that reason, effective with fiscal years starting January 1, 2009, PSAB began requiring local governments to "present information about the complete stock of their tangible capital assets and amortization in the summary financial statements." (Federal, provincial and territorial governments across Canada have been required to report TCA under the revised PS 3150 standard since April 2005.)

CALGARY AND VFA.FACILITY®

For the City of Calgary, the transition to the new requirements of managing tangible capital assets was significantly eased by software that the municipality was already using: VFA.facility®,

from VFA. In general, this capital planning and asset management solution allows organizations to manage information about facility assets and leverage that information to create capital projects, plans and budgets; VFA states that its clients in the government, education, health care and corporate markets collectively manage more than two billion square feet of real estate assets with VFA.facility. Specifically, the Corporate Properties and Buildings division of the City of Calgary's Facility Operations department

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initially implemented VFA.facility to assess 1.3 million square feet of building space. "We wanted to identify what our requirements were for capital funding to get our buildings into a better condition, and to go into our capital process with some third party information that would support our request for funding," says Kelly Pratt, manager of Facility Operations, Corporate Properties and Buildings within the City of Calgary. "Our objective is to provide good value to our citizens with the funding that we have available, so transparent financial accountability is important."

When the TCA reporting changes came along, Mr. Pratt continues, the requirements of PSAB basically fell in line with what his department was already doing with VFA.facility: "You had to know your inventory, find out what the financial impact of that inventory was, and get all the informa-

tion into the policy. It gave us the tool on the building side to get that information, and it was current, so we decided to build on that information."

With the advent of the TCA reporting changes, Corporate Properties and Buildings extended its use of VFA.facility to gather information on its entire stock of tangible capital assets, which encompassed 187 buildings, or just over 3.8 million square feet of building stock. And soon Mr. Pratt and other senior people in Corporate Properties and Buildings were training other City of Calgary staff to use VFA.facility to become PSAB-compliant. "PSAB isn't just for buildings," he says. "It's for land, land improvements, fleet vehicles, other equipment – the list goes on and on.

Corporate Properties and Buildings is responsible for quite a few buildings, but we're not responsible for police buildings, fire department buildings or recreation buildings. They're all responsible for their own, as is transit." Ultimately, the City of Calgary used VFA.facility to manage TCA information on 93 buildings (encompassing just under 2.5 million square feet in total) in addition to the 187 facilities that Corporate Properties and Buildings was responsible for. "When we talk buildings, it ranges from small trailers to high-rise buildings," Mr. Pratt says.

DEVELOPING A MANAGEMENT PLAN FOR EACH ASSET

"What our software helps our clients to do is to develop a management plan for each asset, and that means tracking physical condition over time," says Susan Anson, general manager of VFA Canada. "It allows our

clients to be proactive rather than reactive, to be able to develop capital plans. Those are the key PSAB requirements we help them meet, and we can be the repository for all of the assets that they have, and that includes land, buildings, linear infrastructure and furniture and equipment.” She adds, however, that most of their municipal clients tend to use it only for the larger assets, such as buildings and land. (The City of Calgary does not use VFA facility to manage smaller assets such as furniture.)

What municipal clients in many cases discover, Ms. Anson says, is that they have benefited in other ways from the software they had to acquire to meet the new PSAB compliance requirements. “With our software, at a high level people in the agency can look at projected budgets and things over time, whether it’s 20 or 50 years on or within the current year. Meanwhile, the planners and people who are using it on a day-to-day basis access different areas – to create projects, for example. Perhaps

they’ve got 10 buildings and they’ll see that roofs on two of them are coming to the end of their life cycle within a short span of time. They’ll have an estimate of the cost and be able to get some economies of scale by bundling ‘like’ projects.”

A COMPETITIVE ADVANTAGE

“What the software does for us,” Mr. Pratt says, is give us what is called a ‘facility condition index.’ That means that it tells us our overall requirements to correct deficiencies in the building over the replacement value. That gives us a number by which we can classify buildings as being in excellent condition, good condition, or poor condition [...] The City of Calgary is no different than any other municipality, in that most of its infrastructure is aging. We don’t want to put taxpayers’ money into a dead horse, and this gives us a decision matrix that enables us to do what I would call true asset management.”

Municipalities compete with each other for funding at the provincial

level, and departments within each municipality compete with each other all the time for funding at the local level. The more effectively you can make your case, the better you will do in either contest. According to Mr. Pratt, the greatest fringe benefit he has derived from tangible capital asset management software has been having an accurate real-time picture of inventory, via condition assessments, which facilitates effective capital budget and operational budget planning. “I think that doing these condition assessments and inventory were key drivers in us receiving a five-year municipal sustainability initiative that provided us with 10 times the amount of capital funding we probably would have got otherwise,” he says. “We’ve been approved for around \$50 million over five years, and if we hadn’t had that information at our fingertips, I don’t think our business cases would have been as strong – they wouldn’t have been as persuasive to council to approve us for funding.” | CFM&D