



Peace River Regional District
Corporate Asset Management Plan 2024
Presentation to the Board | October 2024




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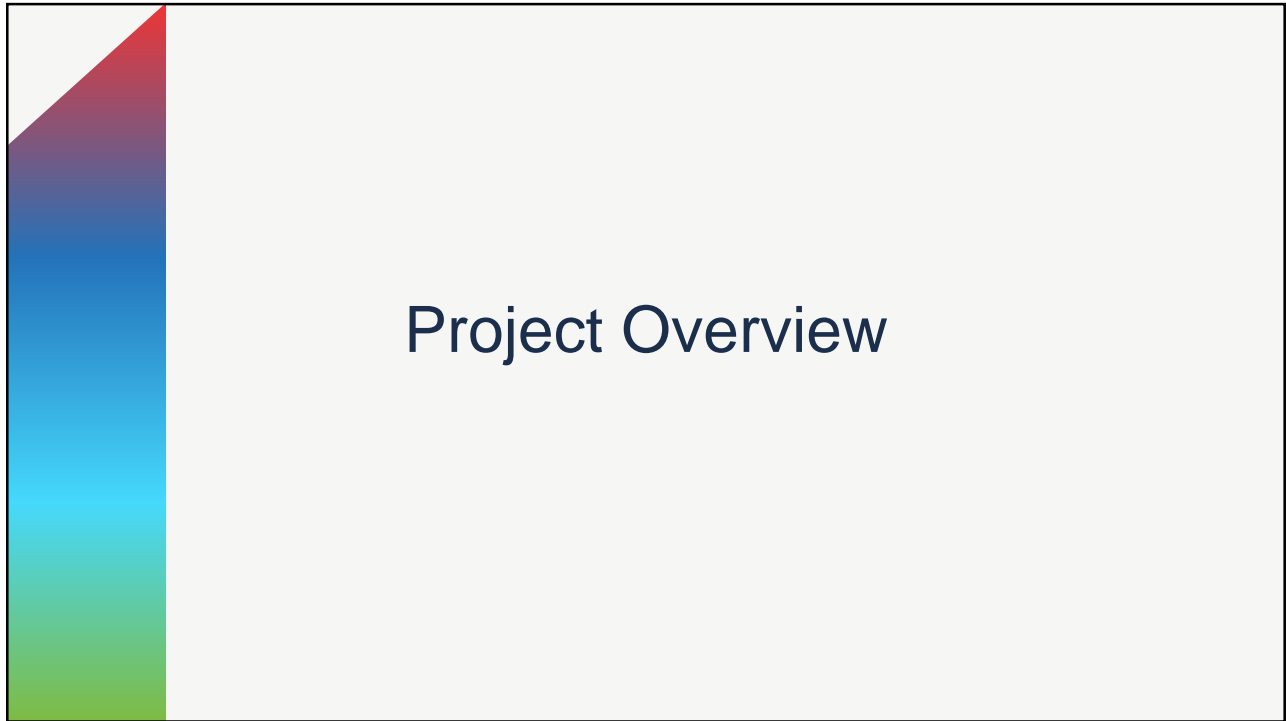


Agenda

1. Project Overview
2. Key Findings from the Corporate Asset Management Plan
3. Recommendations
4. Questions




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Project Background and Progress

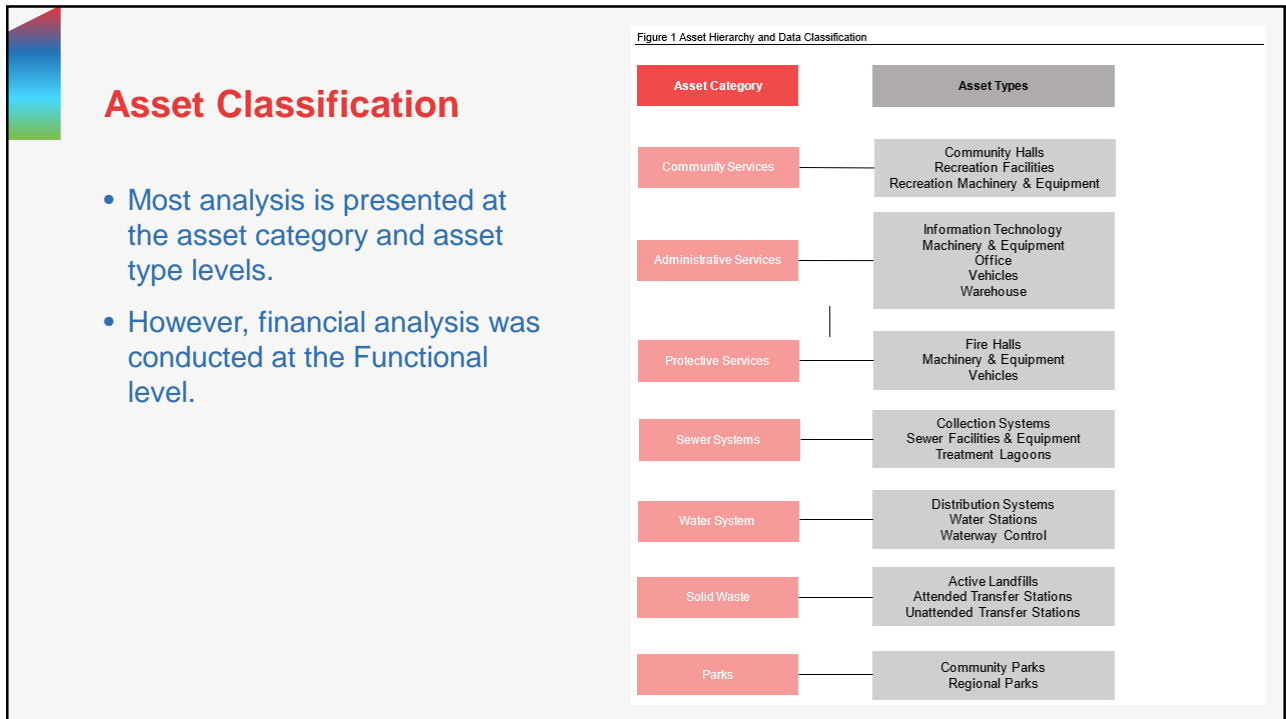
- PRRD and PSD Citywide worked together to develop the District's first comprehensive asset management plan (AMP).
- Detailed cross-section of the District's asset portfolio, developed through asset-by-asset level analysis
 - Used to support long-range financial planning, prioritizing projects, and building a risk-based capital program



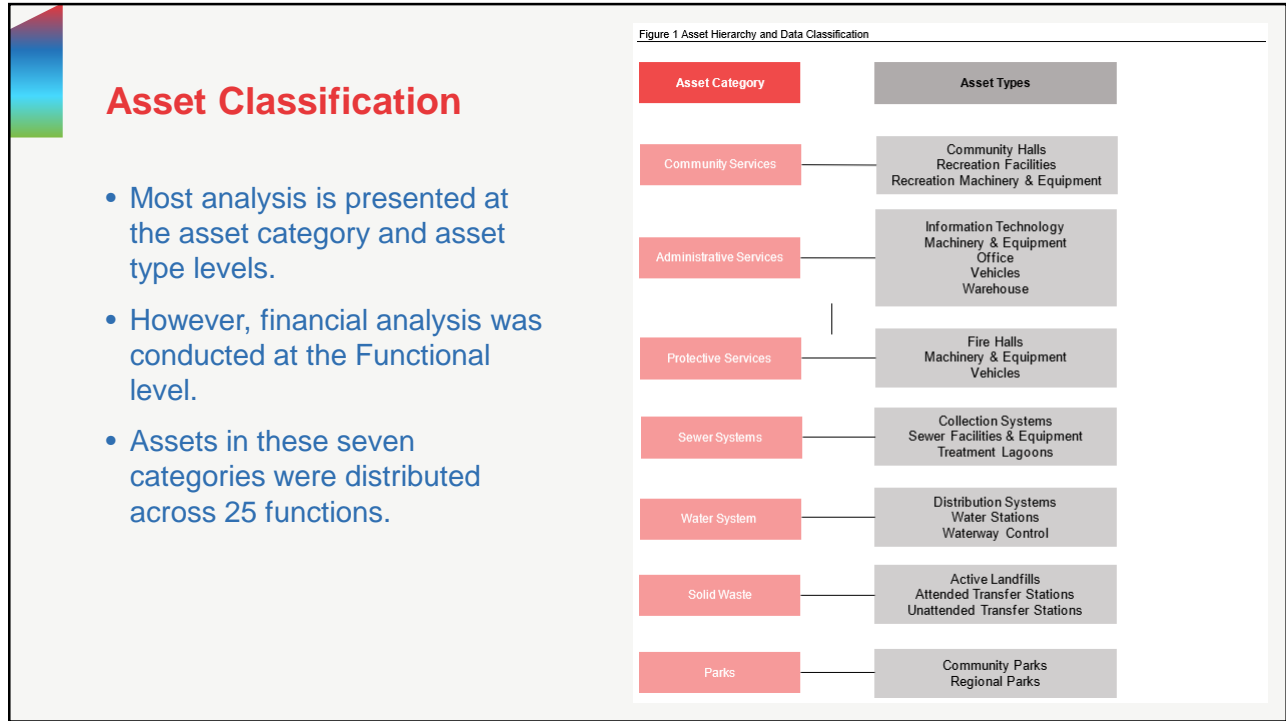
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Key Findings from the AMP

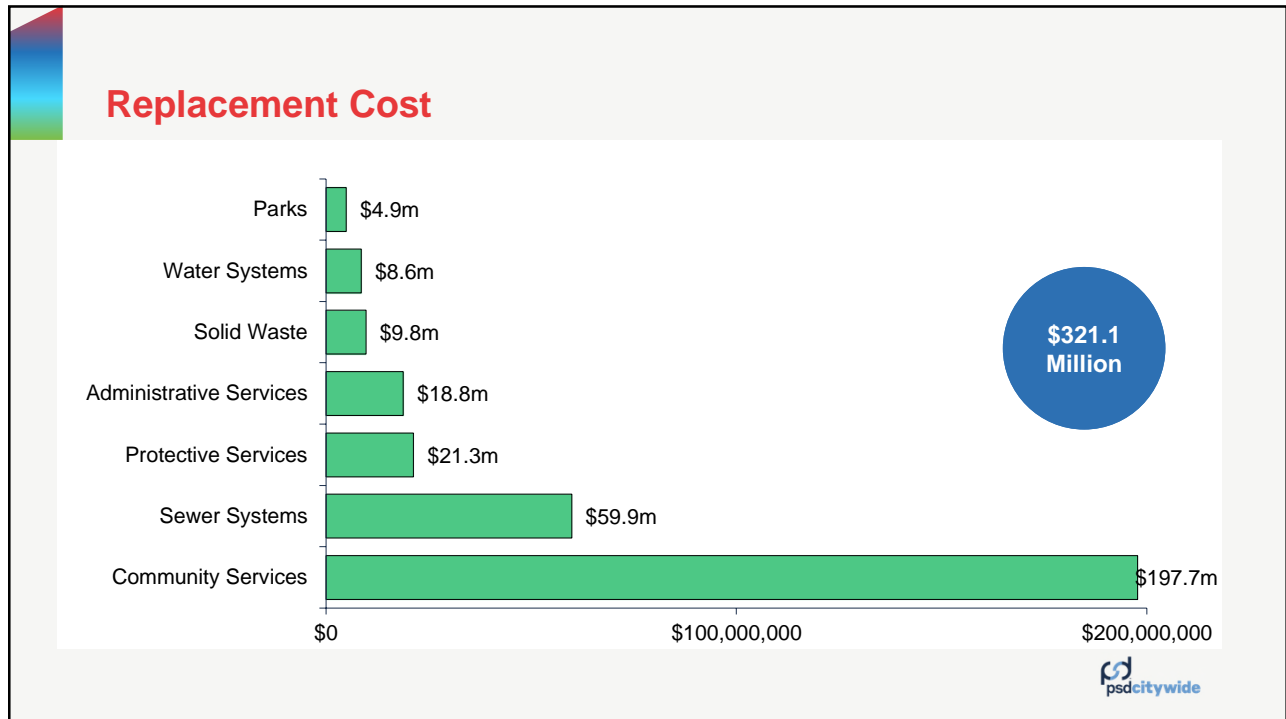
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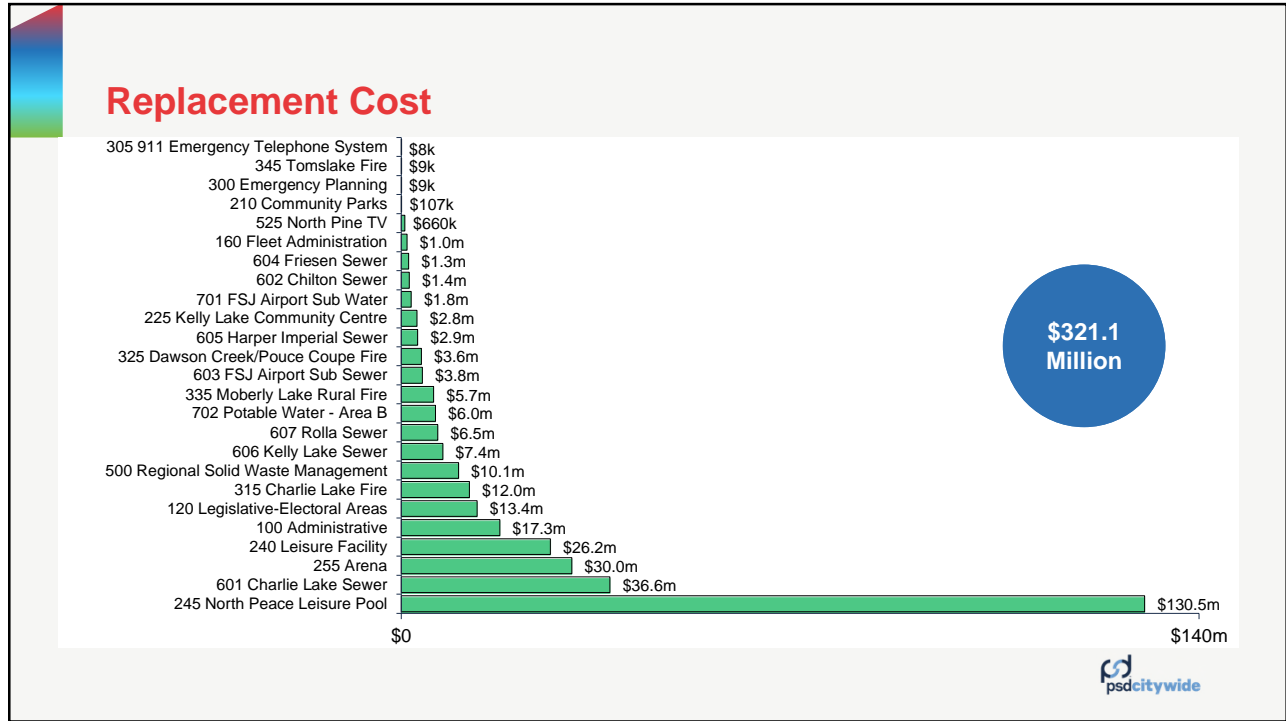
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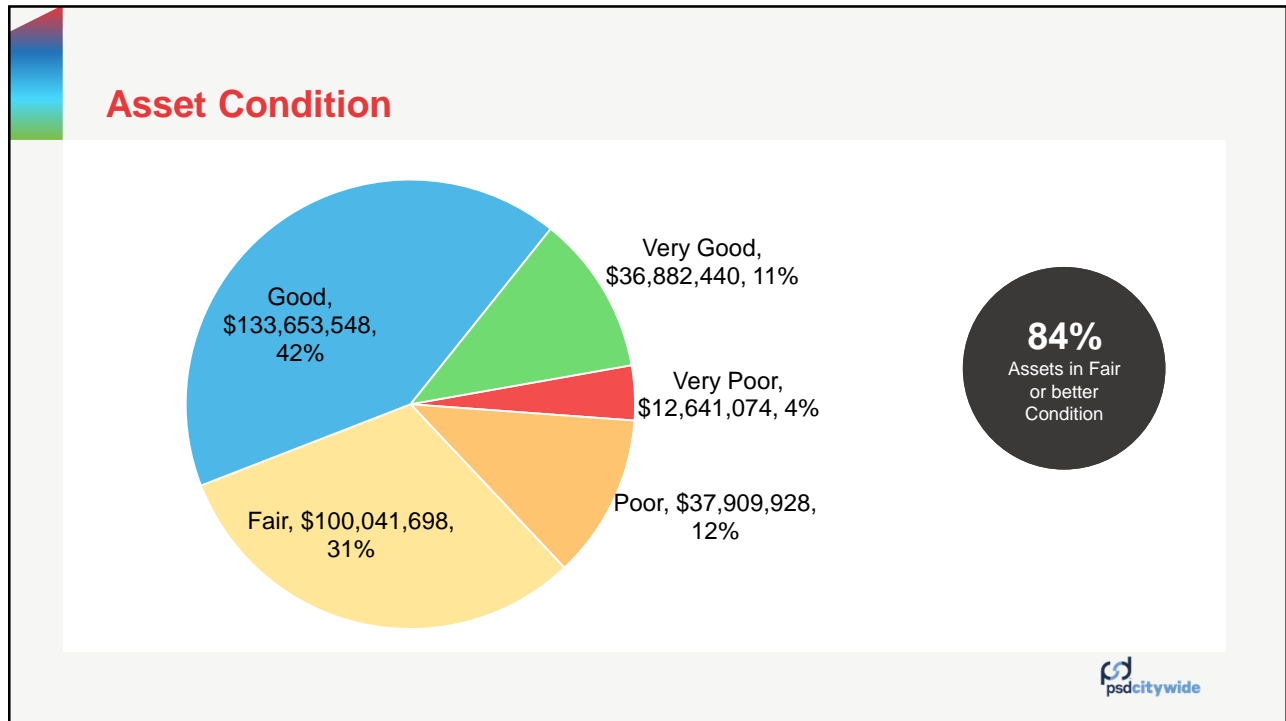
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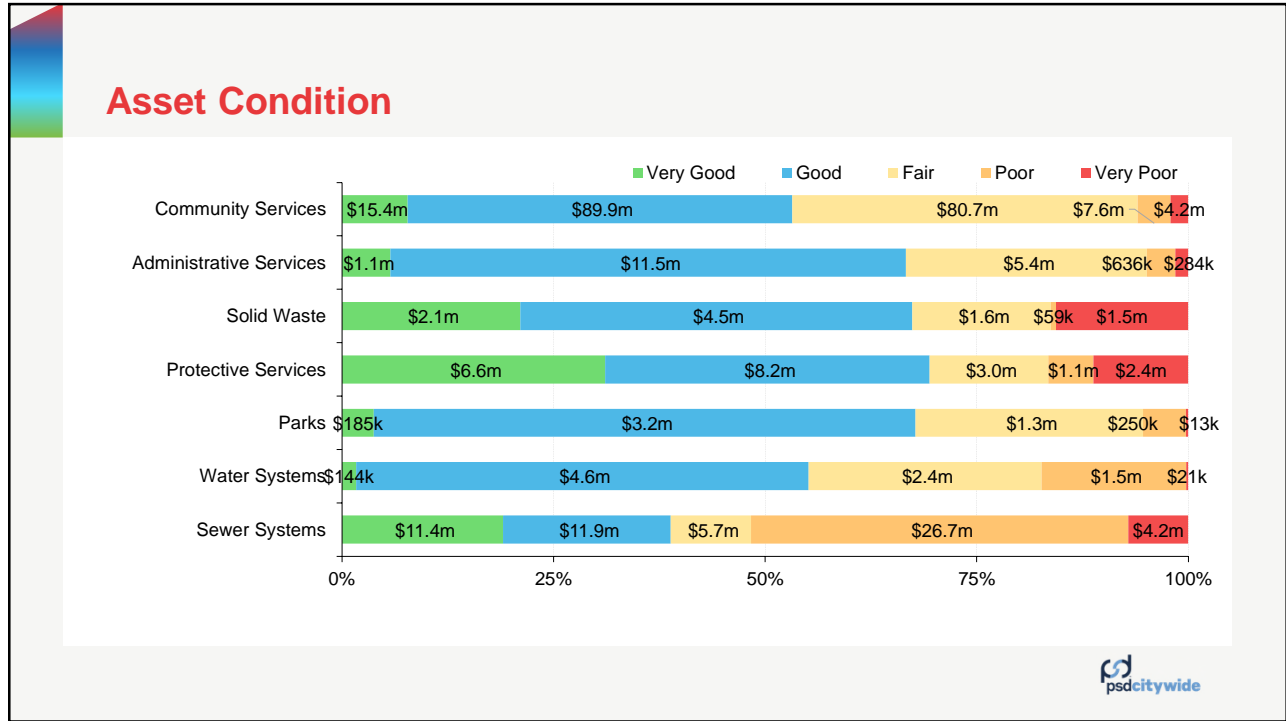
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Asset Condition

- How condition ratings are determined can change the analysis in fundamental ways.

| Approach | Costs | Benefits |
|---------------------------|--|--|
| Age-based Analysis | <ul style="list-style-type: none"> • May over- or underestimate actual condition • Less accurate for well-maintained assets or assets exposed to threats | <ul style="list-style-type: none"> • Quick and free • Provides critical long-term forecasts |
| Inspection-based Analysis | <ul style="list-style-type: none"> • Expensive and time consuming • Requires specialized knowledge, staff, and equipment | <ul style="list-style-type: none"> • Accurate estimate of actual condition ratings • Identifies specific, short-term issues and improves decision-making |

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Asset Condition

- Inspection data was available for 84% of assets in this AMP.

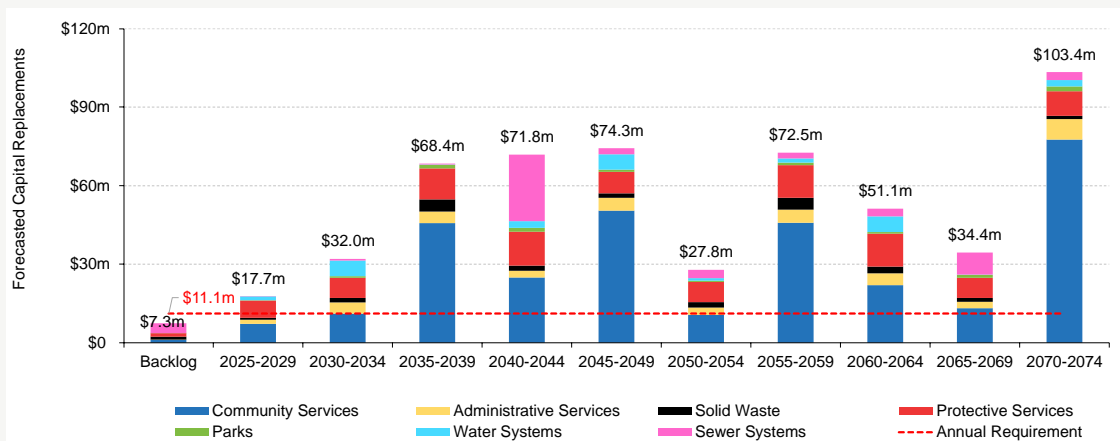
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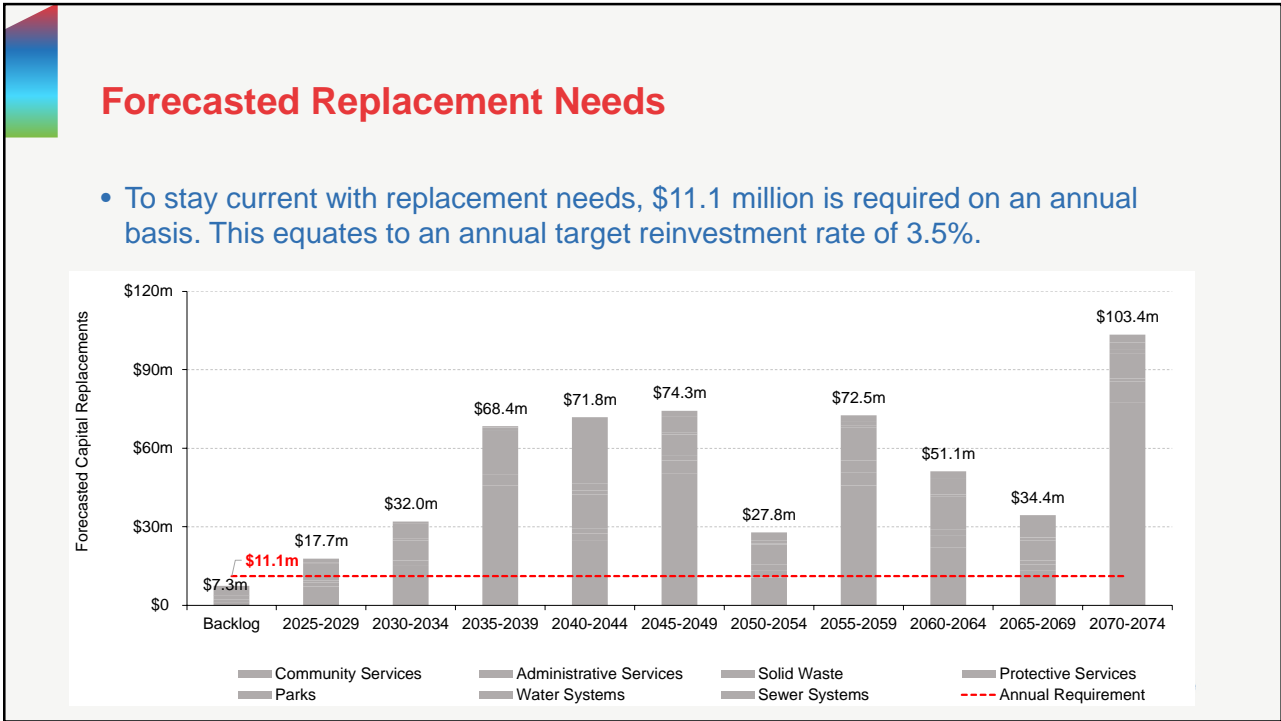
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Forecasted Replacement Needs

- Eventually, assets need to be replaced. This requires long-term planning that can span decades.



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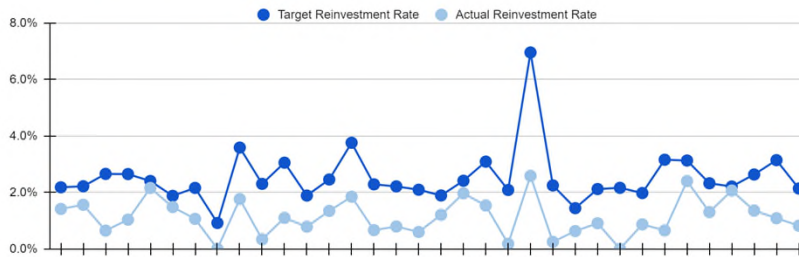
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Forecasted Replacement Needs

Target vs. Actual Reinvestment Rates



Most municipalities are underinvesting in their infrastructure programs.

Average reinvestment rate is about 1%, compared to a target reinvestment of about 2.1%.

On average, municipalities are funding about 44% of their annual capital requirements.



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Financial Analysis and Strategy

- Two key inputs
 - Average annual requirements to keep up with replacement needs
 - Average funding available
 - 3-year average expenditures on capital and maintenance lifecycle activities
- This comparison determines existence of any annual deficits.
- Analysis conducted at the function level
- Functions are separated based on their primary and **sustainable funding streams**, namely:
 - Property Tax Funded Functions
 - Parcel Tax Funded Functions




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Financial Analysis and Strategy

- Annual deficits

| | Average Annual Requirements | Annual Funding Available | Deficit | Funding Level |
|-------------------------------|-----------------------------|--------------------------|----------------|---------------|
| Property Tax Funded Functions | \$9.9 million | \$4.0 million | \$7.1 million* | 40% |
| Parcel Tax Funded Functions | \$1.2 million | \$55k** | \$1.2 million | 4% |


*Some functions were in an artificial surplus position
 **\$1.7 million reinvested annually, on average, funded by grants



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Financial Analysis and Strategy

- Closing annual deficits
 - Balancing timelines against asset needs
 - Long timelines, or 'phase-in' periods, means less burden on rate payers, but assets needs may remain unmet, leading to further accumulation of backlogs
 - Shorter phase-in periods results in higher burden on rate payers
 - Use only sustainable revenue streams



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Financial Analysis and Strategy

- Closing annual deficits: Property Tax Funded Assets

| Function | Annual Deficit | 1 Year | 5 Years | 10 years | 15 Years | 20 Years |
|-------------------------------------|--------------------|---------|---------|----------|----------|----------|
| 100 Administrative | \$608,141 | 11.51% | 2.20% | 1.10% | 0.73% | 0.55% |
| 120 Legislative-Electoral Areas | 76,211 | 13.49% | 2.56% | 1.27% | 0.85% | 0.63% |
| 210 Community Parks | 7,027 | 15.23% | 2.88% | 1.43% | 0.95% | 0.71% |
| 225 Kelly Lake Community Centre | 3,234 | 64.88% | 10.52% | 5.13% | 3.39% | 2.53% |
| 245North Peace Leisure Pool | 3,974,647 | 86.98% | 13.33% | 6.46% | 4.26% | 3.18% |
| 300 Emergency Planning | 930 | 0.31% | 0.06% | 0.03% | 0.02% | 0.02% |
| 305 911 Emergency Telephone System | 791 | 0.06% | 0.01% | 0.01% | 0.00% | 0.00% |
| 315 Charlie Lake Fire | 1,380,175 | 143.93% | 19.52% | 9.33% | 6.13% | 4.56% |
| 325 Dawson Creek / Pouce Coupe Fire | 179,500 | 26.10% | 4.75% | 2.35% | 1.56% | 1.17% |
| 335 Moberly Lake Rural Fire | 172,979 | 115.32% | 16.58% | 7.97% | 5.25% | 3.91% |
| 345 Tomslake Fire | 1,846 | 1.31% | 0.26% | 0.13% | 0.09% | 0.07% |
| 500 Regional Solid Waste Management | 260,757 | 2.82% | 0.56% | 0.28% | 0.19% | 0.14% |
| 525 North Pine T.V. | 8,800 | 100.00% | 44.83% | 17.89% | 11.16% | 8.11% |
| 702 Potable Water - Area B | 327,307 | 31.93% | 5.70% | 2.81% | 1.86% | 1.40% |
| Total | \$7,078,583 | | | | | |

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Financial Analysis and Strategy

- Closing annual deficits: Parcel Tax Funded Assets

| Function | 2024 Requisition | 1 Year | 5 Years | 10 Years | 15 Years | 20 Years |
|---------------------------|------------------|---------|---------|----------|----------|----------|
| 601 Charlie Lake Sewer | \$178,125 | 459.01% | 41.09% | 18.78% | 12.16% | 8.99% |
| 602 Chilton Sub Sewer | 35,000 | 68.52% | 11.00% | 5.36% | 3.54% | 2.64% |
| 603 FSJ Airport Sewer | 36,050 | 117.02% | 16.76% | 8.06% | 5.30% | 3.95% |
| 604 Friesen Sewer | 17,000 | 86.05% | 13.22% | 6.41% | 4.23% | 3.15% |
| 605 Harper Imperial Sewer | 65,000 | 56.83% | 9.42% | 4.60% | 3.05% | 2.28% |
| 606 Kelly Lake Sewer | 23,437 | 390.77% | 37.46% | 17.24% | 11.19% | 8.28% |
| 607 Rolla Sewer | 91,397 | 92.40% | 13.98% | 6.76% | 4.46% | 3.33% |
| 701FSJ Airport Water | 34,330 | 168.40% | 21.83% | 10.38% | 6.80% | 5.06% |
| Total | \$480,239 | | | | | |



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Financial Analysis and Strategy

- **Asset Retirement Obligations (AROs)**
 - AROs are legal or regulatory liabilities related to the future decommissioning, disposal, or remediation of capital assets at the end of their useful life.
 - AROs are part of the lifecycle cost of assets.
 - PRRD is innovative, being one of a few (only?) organizations that have included AROs within their asset management plans.




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Financial Analysis and Strategy

- **Asset Retirement Obligations (AROs)**


| Category | 2024 Opening ARO | 2024 Accretion |
|---------------------------------------|---------------------|------------------|
| Landfills Obligations | \$27,852,540 | \$762,706 |
| Well and Holding Pond Decommissioning | 318,844 | 8,928 |
| Asbestos | 1,594,628 | 43,594 |
| End of Lease Requirements | 40,601 | 997 |
| Total | \$29,806,613 | \$816,225 |



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Financial Analysis and Strategy

- **Asset Retirement Obligations (AROs)**
 - The District has an unfunded liability of \$27.2 million based on current reserve balances earmarked for capital asset retirement.
 - Gradually closing this ARO funding deficit is important to avoid sudden and large hikes in rates for future residents to fund retirement costs.




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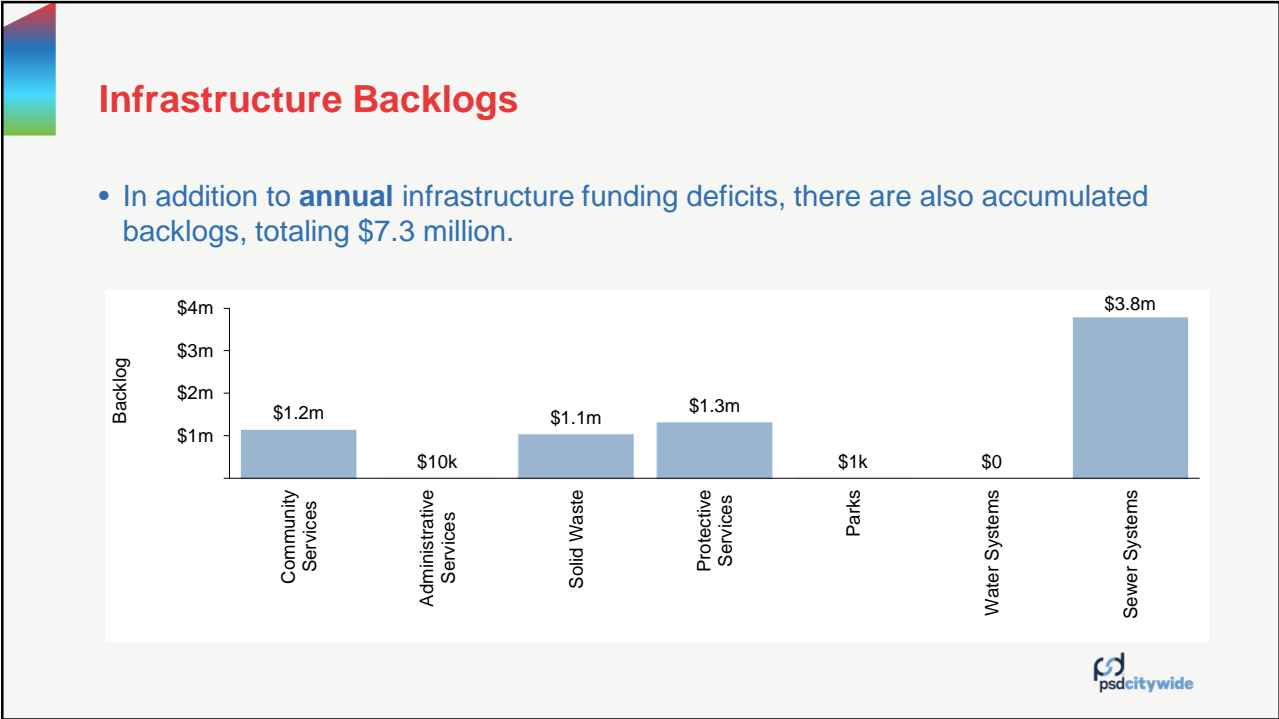
Financial Analysis and Strategy

- **Gradually closing ARO deficits and funding accretion targets**

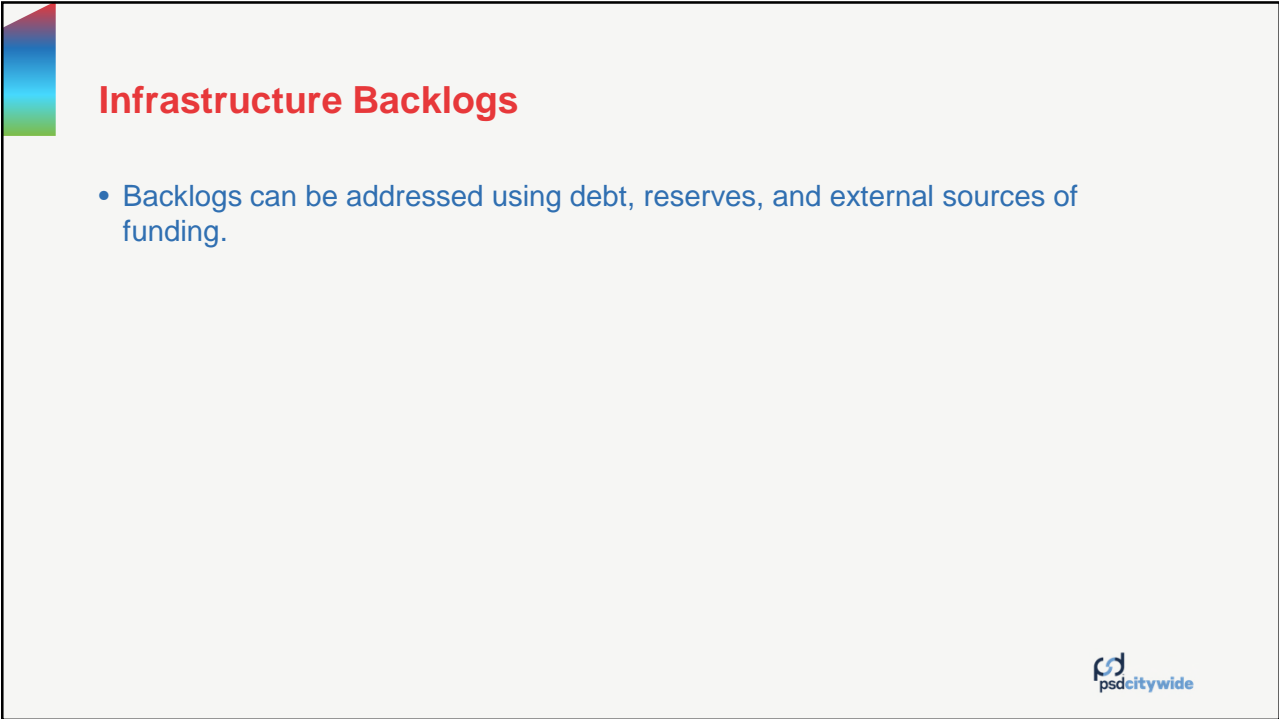
| Function | 1 Year Option | 5 Year Option | 10 Year Option | 15 Year Option | 20 Year Option |
|-------------------------------------|---------------|---------------|----------------|----------------|----------------|
| 100 Administrative | 0.28% | 0.06% | 0.03% | 0.02% | 0.02% |
| 200 Regional Parks | 0.17% | 0.01% | 0.00% | 0.00% | 0.00% |
| 225 Kelly Lake Community Centre | 1.51% | 0.32% | 0.17% | 0.12% | 0.13% |
| 250 Chetwynd Recreation Complex | 7.76% | 1.59% | 0.85% | 0.61% | 0.65% |
| 500 Regional Solid Waste Management | 8.49% | 1.73% | 0.84% | 0.58% | 0.51% |
| 702 Potable Water - Area B | 0.90% | 0.19% | 0.10% | 0.07% | 0.08% |



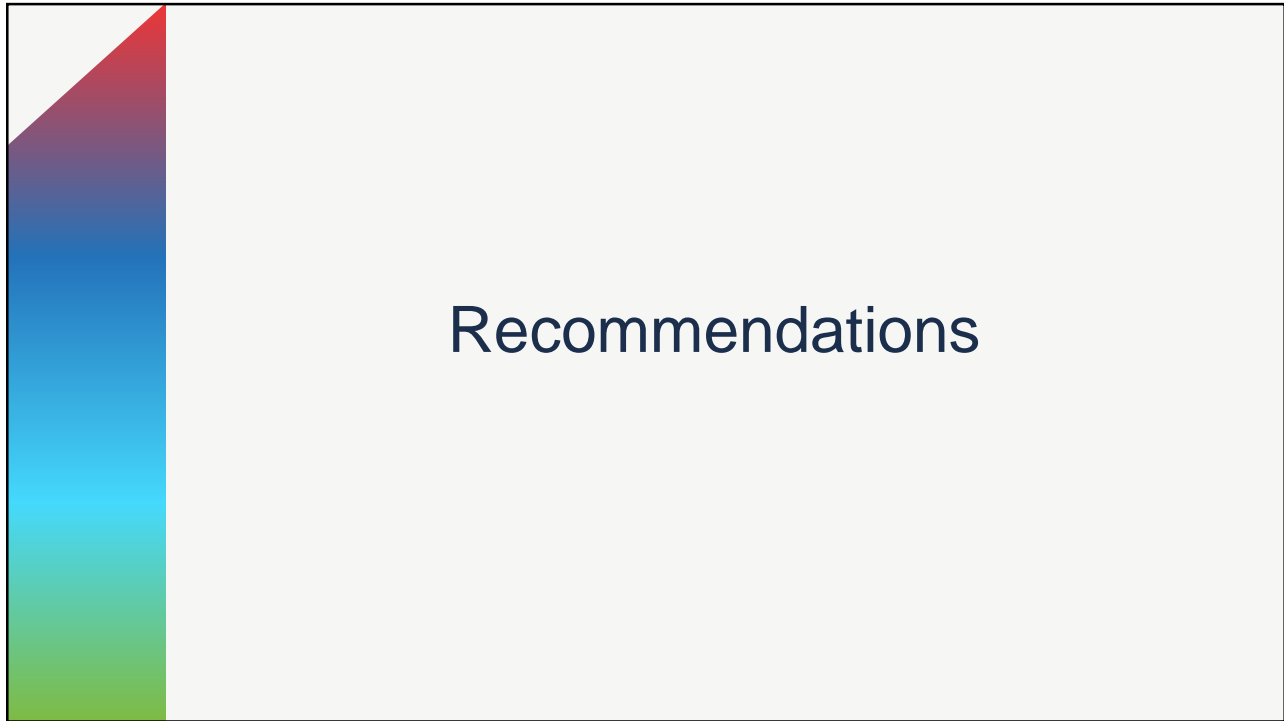
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Recommendations

- Addressing infrastructure deficits and ARO funding needs is a long-term endeavour. Phase-in periods with associated rate increases are provided for further review and potential adoption.
- Increasing funding for infrastructure programs is essential, but not the only lever available:
 - Risk assessments and levels of service targets can help reduce annual needs and backlogs.



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Recommendations

- Provisional risk models have been built to identify high risk assets. These should be continuously reviewed and refined to improve capital program and budget development.
- State of the infrastructure section should be updated annually to account for changes in the inventory.
- Maintain awareness of long-term replacement needs.
 - Not all assets will need replacement
 - Awareness important for planning



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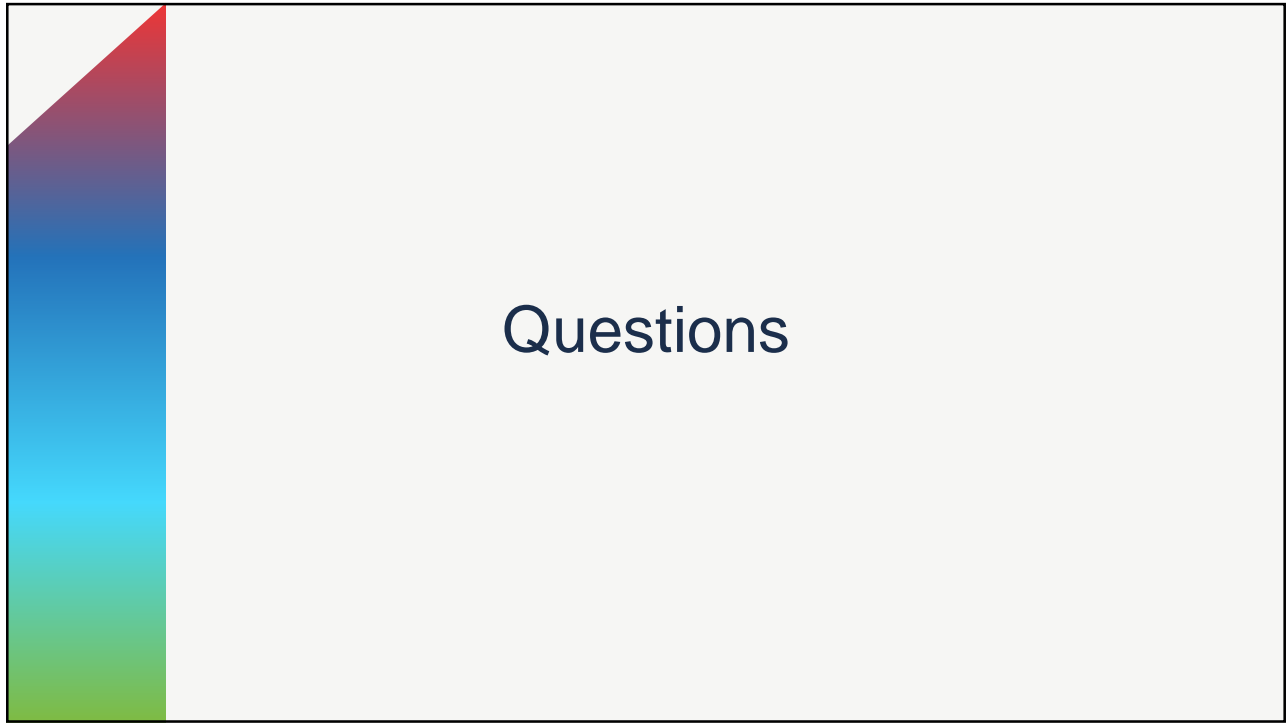


Recommendations

- External sources of funding may be available but should not be considered 'sustainable'. Use these funds to tackle backlogs or invest in upgrades ('higher service levels').



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