



Town of Bowden
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Town of Bowden – Province of Alberta

Policy Document (01 / 2024)

ASSET MANAGEMENT POLICY

1 POLICY (GENERAL)

1.1 Statement

The Town of Bowden utilizes a diverse asset portfolio to deliver core, essential services to its residents and to the local business community.

This Asset Management Policy provides a high-level statement that specifies the principles and approaches to be adopted for the management of the Town's capital assets.

1.2 Purpose

The purpose of this policy is to provide a commitment to developing and maintaining an asset management system that ensures provision is made for the ongoing maintenance and long-term replacement of Town assets considering:

- the successful delivery of core / essential services,
- long term financial stability and revenue streams,
- continuous assessment and revision of the Asset Management Strategy and Asset Management Plan.

2 DEFINITIONS

Acquisition Cost

The acquisition cost of an asset is the gross (total) amount of consideration given to acquire, construct, develop or better an asset and includes all costs directly attributable to installing the asset at its location and getting it in a condition necessary for its intended use.

The acquisition cost may include:

- installation costs,
- design and engineering fees,
- legal fees,
- survey costs,
- site preparation costs,
- freight charges,
- transportation insurance costs,
- duties.

Amortization

Amortization is recorded on a straight-line basis over the estimated useful life of the tangible capital asset commencing once the asset is available for productive use.

Asset

Means an item, thing or entity that has potential or actual value to the Town and that enables a service to be provided. The value of an asset can include tangible or intangible, financial, or non-financial, and other considerations including risk and opportunities.

Activities

Are the processes, tasks, or actions (defined within the Asset Management Strategy) to maintain and develop the asset management system.

Asset Management

A process of making decisions on how assets are used and cared for in a manner that manages current and future needs, considers risks and opportunities, and makes the best use of resources. This covers all asset types and includes all aspects of an asset's life cycle, for example: initial identification of requirements, purchasing options, acquisition, utilization, care & maintenance, renewal, retirement obligations and disposal.

Asset Management Plan

The Asset Management Plan (AMP) is an inventory (register) of the Town's tangible capital assets and forms part of the overall asset management system.

Asset Management Strategy

Is the organization's approach to implementing the Asset Management Policy.

Asset Management System

Is the set of policies, people, practices, and processes that are used in the governance of assets.

Betterment

A betterment is a cost incurred to enhance the service potential of a tangible capital asset. Service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, where associated operating costs are lowered, the quality of the output is improved, or the useful life of a property is extended.

Capital Types**Capital Maintenance**

The activities necessary to retain an asset as near as practicable to an appropriate level of service condition.

Capital New

A new service or new asset that did not exist previously, eg: a new item of specialist equipment.

Capital Rehabilitation / Renewal

Mean works to rebuild or replace parts or components of an asset, to restore it to a required functional condition and to extend its life, and which may incorporate some modification, or

Activities that return the service capability of an existing asset up to the capability which it had originally had, for example: pavement reconstruction, pipeline replacement.

Capital Replacement

Means the complete replacement of an asset that provides a similar or agreed alternative level of service.

Capital Upgrade

Means activities taken to provide a higher level of service, for example: widening a road, replacing a utility pipeline with a larger size,

Chief Administrative Officer (CAO)

Is the person appointed by the Council to the position of Chief Administrative Officer (or his / her designate) for the Town of Bowden in accordance with the Municipal Government Act and is the administrative head of the Town.

Council

Means the duly elected Municipal Council of the Town of Bowden.

Critical Assets

Are important assets that are considered to be critical in that there may be major consequences if they fail (eg: water or wastewater systems / infrastructure).

Disposals

Disposals may occur by sales, destruction, loss, or abandonment. The difference between (any) net proceeds and the NBV of the asset should be accounted for as a revenue or expense.

Level of Service

Is an expected level of performance of a service to be delivered including the expectations of the service recipient and a commitment to a specified level of performance.

Service attributes include quality, reliability, responsiveness, sustainability, timeliness, accessibility, and cost.

Life Cycle Costs

Is the total cost of an asset over its life including planning, design, construction, acquisition, operation & maintenance, decommissioning, and disposal.

Operations & Maintenance (O&M)

Means the function, duties and labour associated with the normal daily operations of an asset and the normal repairs, replacement of parts and structural components, materials and energy needed to preserve an asset in order that the asset continues to operate normally and achieves its expected life.

Planned Preventative Maintenance (PPM)

Means a scheduled maintenance routine for an asset to maintain the asset in accordance with manufacturers or operating guidelines so as to maintain the effectiveness of the asset.

Risk

In the context of asset management, the evaluation of the likelihood of an event occurring (breakdown, weather, unavailability of parts) that can cause an asset to fail and its potential impact on service delivery.

Sustainable Service Delivery

Means that community services are delivered or provided in a socially, economically, and environmentally responsible manner (and that do not compromise the ability of future generations to meet their future service needs).

Tangible Capital Assets

Tangible Capital Assets are non-financial assets of material or physical form that:

- i. are held for use in the production or supply of goods and services for rental to others, for administrative purposes or for the development, construction, maintenance, or repair of other tangible capital assets,
- ii. have useful economic lives extending beyond an accounting period,
- iii. are to be used on a continuing basis,
- iv. are not for sale in the ordinary course of operations.

The Town's Tangible Capital Assets will be categorized as follows:

- Land
- Land Improvements,
- Buildings,
- Vehicles,
- Machinery & Equipment,
- Town Engineered Structures (roads, water, wastewater, stormwater).

Town

Means the municipal corporation of the Town of Bowden, its administrative staff, designated officers, and designated persons / authorities.

Useful Life

This is the period over which the asset is to be used (and amortized) by consideration of relevant factors including any or all of the following:

- i. the requirements of the Town's asset management policy,
- ii. assessment of actual condition,
- iii. economic benefit,
- iv. a realistic determination of service potential (ie: the shortest of its physical, technological, commercial, operational, or legal life).

For example, the useful life of a vehicle asset addition may be determined on whether it was bought new or used, its estimated annual usage, and whether or not it is categorized as a specialist vehicle.

An asset's useful life (by asset type) must fall within the following periods.

Land improvements	15 to 45 years
Buildings	25 to 50 years
Engineered Structures	
Water system	45 to 75 years
Wastewater system	45 to 75 years
Road system	15 to 30 years
Machinery & equipment	5 to 20 years
Vehicles	10 to 25 years

Write Offs

An asset is written off when it no longer serves a purpose, has significantly declined in value, or has no future value or a significant event requires a revision to be made to the asset's remaining useful life or amortization method. In addition, if the asset cannot be identified (or is not in use) then it will be written off to reduce its NBV value to zero.

3 SCOPE

Asset management as a tool allows the Town to consider present and future asset needs, which is essential in order to:

- support sustainable service delivery to the community,
- effectively maintain critical infrastructure such as water distribution, wastewater collection and transport links,
- achieve the recreational, cultural, economic, institutional, and social needs of the community,
- plan for the future infrastructure needs of the community,
- maintain financial sustainability that satisfy both investment needs and long-term funding plans.

This policy applies to areas of operational activity within the Town that plans, manages, or utilizes tangible assets for the delivery of services to the residents of Bowden.

This policy does not replace in part or full any existing capital planning and budgetary management requirements but rather compliments and adds to best practice procedures and management principles.

Nothing in this policy (either by inclusion or omission) exempts the Town from any obligation, liability or accountability imposed by statutory regulation or enactment, including but not limited to, the Municipal Government Act, and public sector accounting standards and principles.

4 OPERATION & MEASUREMENT

The processes and procedures to be followed for the accounting of Tangible Capital Assets will follow the guidelines stated in section 3150 of the Public Sector Accounting Handbook.

4.1

An asset's useful life will be determined by the Asset Management Administrator in conjunction with the CAO.

4.2

There is no minimum \$ value for consideration of whether an item purchased is defined as a TCA.

4.3

Any variance to the useful life of an asset (other than that as defined) is subject to auditor approval.

4.4

Assets will be recorded either as a total project cost or as individual / separate asset component by the Asset Management Administrator determined by the usefulness of the information to the Town and the cost (time) versus the benefit of collecting and maintaining the data.

4.5

Care must be taken to distinguish between betterment and maintenance.

Betterments increase service potential and may / may not increase the remaining useful life of the tangible capital asset.

Maintenance and repairs maintain the predetermined service potential of a capital tangible asset for its given useful life and should be charged as operational expenditures.

4.6

Land normally has an unlimited life and is not amortized.

4.7

Write downs may be made when the economic benefit of a tangible capital asset has been reduced for example when there is:

- a change to the extent / manner to which the asset is used,
- a significant technological advance,
- physical damage,
- a decline in the need of the services provided by the asset,
- a change in legislation affecting how the asset may be used.

4.8

Disposals occur by the sale, destruction, loss, or abandonment of an asset.

4.9

The Tangible Capital Asset schedules will include (for each category of asset):

- i. cost at the beginning and end of the accounting period,
- ii. additions in the period,
- iii. disposals in the period,
- iv. the amount of any write downs in the period,
- v. the amount of amortization for the period,
- vi. accumulated amortization at the beginning and end of the period,
- vii. net book values at the beginning and end of the period.

5 AUTHORITY / RESPONSIBILITIES

This policy requires commitment from both Council and Administration who have joint responsibility for the management of Town assets and the delivery of Town services.

5.1

Council is responsible for:

- i. adopting (by resolution) this policy,
- ii. maintaining a high-level oversight of the management of the Town's assets,
- iii. approving capital expenditures (capital budgeting),
- iv. assessing service level requirements and needs.

5.2

The Chief Administrative Officer is responsible for:

- i. ensuring that resources are utilized and allocated to support the implementation of the asset management system,
- ii. reporting to Council on the status, performance, and effectiveness of the asset management system,
- iii. ensuring that operational and capital budgets align with the Asset Management Plan (budgets are to employ a "full cost" accounting methodology whereby the complete end to end cost of maintaining an asset is considered and budgeted for).
- iv. reviewing on an ongoing basis the Asset Management Strategy and the Asset Management Plan in order to ensure quality, accuracy, and relevancy,
- v. aligning the Asset Management Strategy and the Asset Management Plan with other strategic plans, for example, the Inter Municipal Development Plan.

6 FUNDAMENTAL PRINCIPLES

The following asset management principles will be adopted (where relevant or applicable) within the Town's Asset Management Strategy to ensure maximum value is realized across the complete asset base:

Aligned:

Ensuring that the Asset Management Strategy compliments all strategic objectives of the Town including other relevant and influencing policies, regulation, and enactments.

Sustainable:

Undertaking a long term, lifecycle-based approach in developing asset investment strategies.

Sustainable Service Delivery

Sustainable service delivery needs will be met by ensuring that adequate provision is given to the long-term planning, financing, operation, maintenance, repair, renewal, upgrade, replacement, and disposal of capital assets.

Systematic:

Adoption of a methodical approach to the management of assets.

Risk Based:

Management of assets based on attaining levels of service and focussing resources, expenditures and priorities based on risk and associated cost / benefit.

Optimal:

Making relevant asset investment decisions that may be based on trade-offs between competing factors of service level, risk, and cost,

Holistic:

Adoption of a “big picture” approach that includes examining asset interdependencies, and the management of assets across all lifecycle phases.

Management:

Adoption of management practices that effectively translate the Town’s high-level objectives and aims into decisions, plans, activities, and deliverables.

Leadership:

Adopting an organizational culture that embodies a realization of care for all Town assets by providing where necessary policy awareness, operator competencies, and planned preventative maintenance schedules.

Assurance:

Provision of assurances that assets will fulfil their required purpose.

Value:

Recognition that assets exist to provide value to the Town, its residents, and stakeholders and those assets should be procured, delivered, and maintained in a cost-effective manner,

Integrated:

Coordinating all the above principles to ensure the delivery of cost-effective services and well-defined outcomes.

7 POLICY REQUIREMENTS

The following requirements form part of this policy.

- i. A documented Asset Management Strategy and Asset Management Plan must exist that compliment each other and this policy,
- ii. The asset management standards and principles as defined in this policy should be adopted and integrated into all planning and operational processes,
- iii. The Asset Management Strategy and Asset Management Plan should receive an annual review of its relevancy, effectiveness, and completeness,
- iv. Appropriate actions should be taken to implement necessary changes for non conformance and / or corrective action required following any review of the Asset Management Strategy and Asset Management Plan,

- v. The asset management system must adopt appropriate / best practices for the sourcing, purchasing, maintenance and disposal of any assets,
- vi. Asset renewal plans will be prioritized and implemented based on agreed levels of service and the effectiveness of the current assets to provide for those service levels,
- vii. All decisions relating to the provision of new assets and the upgrade of existing assets must consider the total life cycle costs of the asset,
- viii. An annual review must be made of all assets to ensure that the assets are managed, valued, and depreciated in accordance with asset management best practices and accounting standards,
- ix. An annual review must be made of all assets to ensure agreed levels of service are being maintained and to identify asset renewal policies,
- x. Where an asset requires ongoing maintenance in order to ensure their long-term effectiveness a Planned Preventative Maintenance (PPM) agreement must be put in place and included as part of the asset's life cycle costs.
- xi. Asset renewals and disposals will be agreed through the Town's budgetary process, funded in the annual capital budget and the funding sources will be identified,
- xii. Asset retirement obligations will satisfy the requirements of Public Sector Accounting Standard PS3280.
- xiii. Planned Preventative Maintenance agreements for appropriate key assets will be identified in the Town's budgetary process, and will be funded in the annual operational budget,
- xiv. Assets should be sourced with consideration of all relevant factors (not just cost) including supply chain lead times, project management costs (if applicable), financial funding sources, staff competencies & training requirements, compatibility (with other assets), environmental considerations, recommendations, software / instrumentation requirements, and health & safety matters.

8 NON-COMPLIANCE (CONSIDERATIONS)

A failure to adopt the principles of sound asset management practices may lead to:

- a risk that the Town fails to invest in new infrastructure and equipment and in doing so compromises the safety and long-term delivery of services,
- the risk of an inability to maintain and replace aging (fully depreciated) assets,
- conflicting investment priorities,
- a failure to meet service delivery standards, and operational inefficiencies (particularly where ongoing operation and maintenance costs are not accounted for in the initial capital ask)
- the inability to finance new asset acquisitions,
- a misalignment of the Town's Capital Plan with the Town's Asset Management Policy.

9 SUPPLEMENTARY INFORMATION

9.1 Additional Information

Questions or concerns relating to this Policy should be directed to the Chief Administrative Officer:

Tel: 403 224 3395
E-mail: cao@bowden.ca

9.2 Related Documentation

Town of Bowden Asset Management Strategy
 Town of Bowden Asset Management Program Terms of Reference
 Town of Bowden Asset Management Plan
 Town of Bowden Accounting & Financial Controls Policy

9.3 Policy Specifics



Policy Number	01 / 2024
Policy Title	Asset Management Policy
Policy Type	Council Policy
Supersedes / Revokes	Policy 01 / 2024
Policy Passed	Regular Council Meeting of 11 March 2024
Council Resolution	7c
Date Effective	Immediate upon signing by Mayor & CAO
Policy Review Date	As required / at least annually
Distribution:	Town of Bowden Web Site Asset Management Administrator

9.4 Policy Revision History

	Date	Description of Change	Section	Approved by
1	April 2023	General revision & review following attendance and completion of asset management workshops and activities.	All	Council & CAO
2	March 2024	General revision following discussions with Auditors BDO Canada LLP	3.1 / 4.1 / 6(xii) / 7.2 (renumbered in April 2024)	Council RCM 11 March 2024
3	April 2024	Revisions requested by BDO Canada	Additional definitions / (new) section 4	

9.5

Signed:

 Robb Stuart Mayor	 Rudy Friesen, Chief Administrative Officer
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