






Subject: **Integrated Facility Condition and Asset Retirement Assessment**
 Meeting Date: Tuesday, October 17, 2023
 Prepared By: Ashley Olson, Financial Controller
 Presented By: Ashley Olson, Financial Controller

RECOMMENDATION:

That the Committee of the Whole accepts the report on Integrated Facility Condition and Asset Retirement Assessment for information, as presented.

STRATEGIC PLAN ALIGNMENT: (Check all that apply)

	<input type="checkbox"/>		<input type="checkbox"/>		<input checked="" type="checkbox"/>		<input type="checkbox"/>		<input checked="" type="checkbox"/>
High Quality Infrastructure		Economic Resilience		Quality of Life		Effective Leadership		Level of Service	

RELEVANT LEGISLATION:

Provincial (cite)- Public Sector Accounting Standards (PSAS) PS 3280 – Asset Retirement Obligations
Council Bylaw/Policy (cite)- N/A

BACKGROUND/PROPOSAL:

The 'Integrated Facility Condition and Asset Retirement Assessment' project is a merging of two projects that were initially intended to form part of the upcoming 2024 budget deliberations. Administration has chosen to bring the merged project forward to Council prior to the complete 2024 budget deliberations, in efforts to expedite timely engagement of the third-party resources required to meet financial audit obligations. Administration has chosen to merge these complementary projects due to their shared nature, thereby leveraging similar third-party resources for enhanced operational efficiency and in anticipation of cost savings.

The 'Integrated Facility Condition and Asset Retirement Assessment' project has been structured as a multi-year endeavour, designed to comprehensively evaluate the condition of County facilities and all tangible capital assets. This project is initiated with the recognition that, at the outset, there is an absence of existing facility condition information for our assets. This absence of information poses a significant challenge, particularly as we strive to ensure compliance with Asset Retirement Obligations (AROs) as outlined in PSAS PS 3280, effective for the year ending December 31, 2023. Failure to meet the ARO obligations will result in an unfavourable financial audit.

Asset Retirement Obligations (AROs):

AROs are costs we anticipate to incur when retiring or replacing assets in the future, such as buildings or equipment. These obligations are generally due to legal requirements associated with tangible capital assets, such as abatement of hazardous materials and decommissioning of the asset at the end of its useful life. For example, when retiring and demolishing an old building, we have a legal obligation to properly remediate any asbestos that may be contained within that



building. It is important to note that an asset retirement obligation does NOT include routine replacement/maintenance.

To address the information gap and align with PSAS PS 3280 Asset Retirement Obligations (ARO), Administration is suggesting a phased approach for this project, that will span over three years. The first year of the project will concentrate on high-risk and high-priority tangible capital assets, mostly facilities. This focused effort will also encompass a high-level review of all tangible capital assets in the initial year. By beginning with these high-risk areas, we aim to meet the impending compliance deadline, proactively addressing asset retirement obligations and ensuring their accurate valuation to meet PSAS. In subsequent years, we will progressively expand our assessment to cover the full range of facilities and potentially all tangible capital assets, as required.

Completion of facility condition assessments of all facilities owned by Kneehill County, will better equip Administration in making informed decisions about resource allocation, budget planning, and facility management. This will subsequently provide Council with data that better supports evidence-based decision making. This, in turn, extends the lifespan and usability of our buildings and infrastructure. The information generated will be instrumental for our Asset Manager to develop the Asset Management program and a Facilities Master Plan. This project will verify the accuracy of our space inventory, inspect facilities for physical and functional deficiencies, define regular and preventive maintenance requirements, establish metrics for performance measures, such as the Facilities Condition Index (FCI) and Facilities Quality Index (FQI). It will also identify capital renewal and replacement projects to reduce deferred maintenance backlog, eliminate potentially damaging conditions, enhance safety, and promote energy conservation and sustainability measures, in addition to addressing accessibility and disabled persons requirements.

DISCUSSION/OPTIONS/BENEFITS/DISADVANTAGES/OTHER CONSIDERATIONS:

The 'Integrated Facility Condition and Asset Retirement Assessment' project offers several key benefits that underscore its significance. Firstly, it ensures compliance with PSAS PS 3280, effective for the year ended December 31, 2023. This alignment is paramount to uphold accounting standards and transparency within our organization. Additionally, the project promotes informed decision-making in resource allocation, budget planning, and facility management.

At present, the organization lacks the internal capacity and expertise to complete the required body of work without third-party involvement. The scope and complexity of assessing all tangible capital assets, particularly within a multi-year framework, demands considerable effort. Thus, we must consider the feasibility of third-party assistance to ensure timely and accurate execution.

The greater benefit of the project extends to long-term planning. The comprehensive assessment of facility conditions and asset retirement obligations lays the foundation for the development of a Facilities Master Plan. This plan will guide the County's strategic vision and investment priorities, enhancing the efficiency and sustainability of our assets over the long run. This forward-thinking approach positions the organization to make well-informed, data-driven decisions and ensures the extended utility of critical assets.

In summary, the project brings essential benefits in terms of compliance, decision-making, and long-term planning. However, the challenges of limited time and resources call for a thoughtful consideration of third-party involvement to ensure timely and accurate completion. Ultimately, the project's success will translate into a Facilities Master Plan that enhances the organization's operational efficiency and asset sustainability.



FINANCIAL & STAFFING IMPLICATIONS:

As of present, the 'Integrated Facility Condition and Asset Retirement Assessment' project is not currently budgeted for, and Administration is planning to bring a formal funding request to the October 24th, 2023 Regular Council Meeting. Administration will be seeking pre-approval of funding to expedite this project that otherwise would have formed part of the 2024 budget deliberations. More specific details pertaining to anticipated costing and timelines will be presented at the October 24th Council Meeting.

In terms of staffing, it is essential to note that the organization currently lacks the capacity and expertise required to complete this extensive and specialized assessment independently. The intricate nature of evaluating the physical condition of all tangible capital assets, and ensuring compliance with PSAS PS 3280, demands a unique skill set and dedicated resources that are beyond our current organizational capabilities. Consequently, Administration is recommending engaging a third-party with the requisite expertise to ensure the successful completion of the collection of information necessary to comply with the ARO requirements. This engagement also supports the establishment of a solid foundation for ensuring compliance with future ARO financial reporting requirements and effective asset management, as it relates to one of the organization's significant tangible capital asset classes.

Administration is working to develop a funding estimate for presentation to Council.

ATTACHMENTS:

N/A

APPROVAL(S):

Mike Haugen, Chief Administrative Officer

Approved-

Kinza Barney, Director of Finance

Approved-

