

# TIP SHEET 3: INTEGRATING ASSET MANAGEMENT INTO LONG-TERM FINANCIAL PLANNING AND STRATEGIC PLANNING

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## Introduction

This tip sheet will help municipal administrators develop a capital prioritization model as a means of integrating asset management into long-term financial planning and strategic planning. Integrating asset management into long-term financial and strategic planning should be an evolving process. It is important that municipal administrators are aware that not everything can be done at once - municipalities should be working towards meeting goals over the short, medium and long- term (fifteen to twenty years).

As a starting point, your municipality should keep asset management related data and information up-to-date. This will enable your council and administration to make more informed decisions. Municipal staff should consider the infrastructure planning and investment principles as outlined in *Bill 141: Infrastructure for Jobs and Prosperity Act* when making decisions regarding infrastructure.

Below are some fundamental asset management related practices:

- Regular updates to the asset registry with annual budgeting and financial reporting cycles
  - Examples: condition assessments, replacement costs and asset useful life.
- Improve information for full range of capital assets (i.e. in addition to engineering related infrastructure: municipal fleet and equipment, buildings, park amenities, road related infrastructure: sidewalks, streetlights, etc.)

Several Ontario municipalities utilize a system of integrating asset management into long-term financial and strategic planning to prioritize capital works. Each municipality should develop and have council adopt a capital prioritization model before their next budget. A few municipal examples are:

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- 1) [Region of Niagara](#)
  - 2) [City of Mississauga](#)
  - 3) [City of Guelph](#)
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## How to prioritize capital works using the model?

Identifying how your municipality should allocate funds towards capital related activities can be a daunting task. Municipalities are faced with critical decisions related to which capital projects should be carried out while considering the availability of funding, benefit of the work to the community, and if the project meets strategic goals, objectives and Senior government obligations.

Municipalities should evaluate the validity and need of each project. The capital plan prioritization model shown below may assist a municipality in weighing the importance of each project based on general guidelines.

*The Scoring system is established to evaluate and rank the needs and demands for each project. It is important to note that the scoring system and maximum points detailed below are a suggested weighting system. A municipality can alter the scoring system based on the relative importance of each specific category.*

*A project that receives the maximum points (out of 100) should be prioritized to carry out the work. The Scoring system legend identified below further explains the scoring methodologies.*

**Ranking System Example:** Maximum Points available: 100

Low Priority Project: 0 – 60  
Medium Priority Project: 61 – 80  
High Priority Project: 81 – 100

| <b>SAMPLE CAPITAL PRIORITIZATION MODEL</b> |  |   |
|--|--|---|
| <b>Category</b>                            | <b>Description and Questions</b>   | <b>Scoring System:<br/>Maximum Points<br/>Available</b> |
| <b>Safety</b>                              | <ul style="list-style-type: none"> <li>To the extent that the project reduces or eliminates immediate health, safety or environmental risks</li> </ul>   | 20  |
| <b>Service Level</b>                       | <ul style="list-style-type: none"> <li>Extent to which the project is required to continue to meet or provide services at:               <ol style="list-style-type: none"> <li>existing level; or</li> <li>desired service levels</li> </ol> </li> <li>Extent to which project improves citizen access to current services</li> <li>Project addresses critical overdue assets or assets in poor condition which are not performing to standard</li> </ul> | 17  |
| <b>Goals and Objectives</b>                | <ul style="list-style-type: none"> <li>Meets municipality's strategic objectives, goals and council commitments</li> </ul>   | 15  |
| <b>Mandates</b>                            | <ul style="list-style-type: none"> <li>Extent to which the project assists the municipality to:               <ol style="list-style-type: none"> <li>meet new and existing targets</li> <li>meet legislated requirements</li> </ol> </li> </ul>  | 10  |
| <b>Timing</b>                              | <ul style="list-style-type: none"> <li>Is the project required immediately?</li> <li>Is this project required to undertake future work (which may be of higher priority)?</li> </ul>   | 10  |
| <b>Operating Budget Impact</b>             | <ul style="list-style-type: none"> <li>Project reduces future operating expenditures</li> <li>Project increases future operating expenditures</li> <li>No effect on operating expenditures</li> </ul>  | -5 to 10  |
| <b>Public Support</b>                      | <ul style="list-style-type: none"> <li>Does the project provide a community-wide benefit?</li> <li>Strong support from public</li> </ul>   | 10  |
| <b>Economic Impact</b>                     | <ul style="list-style-type: none"> <li>Extent to which the project enhances economic development goals.</li> </ul>   | 8   |
| <b>TOTAL</b>                               |  | <b>100</b>  |

*Note: The scoring system and model illustrated above can be altered and adjusted to meet each municipality's needs.*

### What should be done after the capital works have been prioritized and ranked?

Once the municipality has scored potential projects, your municipality will then face funding questions. It is important to identify the level of increase in funding required to undertake the work and to consider several different aspects, such as:

- 1) Can the project(s) be funded under existing conditions?
  - Identify the property tax and user fee rates needed to fund all projects
  - Identify the property tax and user fee rates needed to fund the prioritized project list
- 2) Can we employ or exercise alternative revenue tools or debt to fund the required works?
  - Alternative revenue tool examples: Local improvement charges, development charges, dedicated infrastructure levy (see Tip Sheet #4 for further examples and explanation)

Additionally, unique revenue tools are also described in *Tip Sheet #5: Council decision making based on the evidence from the asset management plan*.