



In Partnership With



Ontario First Nation
Technical Services
Corporation

Kasabonika Lake First Nation Asset Management Plan **SUMMARY**

September 23, 2019



INTRODUCTION AND CONTEXT

This report has been prepared with the support of the Ontario First Nations Technical Services Corporation (OFNTSC) and is part of a Pilot Project to advance the capacity and capabilities of Ontario First Nations in managing assets and services delivered to members. This report is the first Asset Management Plan (AMP) for the Kasabonika Lake First Nation (KLFN) and establishes a framework that supports an informed decision-making process that is used to improve the management of the community's infrastructure.

In this context, the AMP provides a lifecycle investment profile that establishes a cost for managing the infrastructure to sustain delivery of the services that depend on this infrastructure. This cost profile can be used to compare to the current level of funding provided by Indigenous Services Canada (ISC) for this community.

This Pilot Project has developed tools and templates to capture information efficiently and effectively about the assets and services currently provided, as well as to provide a window into the future to better understand the long-term costs of service delivery.

What is Asset Management?

Asset management planning is a comprehensive process to ensure that the delivery of services from infrastructure is provided in a financially sustainable way. This AMP can be considered a first step in the journey towards a fully comprehensive asset management system. Asset management plans are intended to be living documents that evolve continually and inform operating and capital decisions and to aid in long term financial planning.

The term asset management, as used in this report, is defined as **“the application of sound technical, social and economic principles that considers present and future needs of users, and the service from the asset”**.

Asset management is more than a report – it is an organizational culture of continuous improvement to know the condition, value and remaining life of the community assets, to assess the risks to the services provided to the community, to identify the needs (human, material and financial resources) to maintain and improve the quality of services provided by the assets, and to plan for the future.

Context

An AMP is one of the key documents in a hierarchy of documents that guide the processes for managing infrastructure systems in the community, as illustrated below.



1. **Community Plan** – this is the highest-level document for a community. It is a documentation of the vision for the future of the community developed with significant public consultation. The Community Plan typically includes statements associated with sustainability principles, inferring



the need to utilize Asset Management practices in efforts to optimize service delivery over the life of the assets. Responsibility for a community plan rests with Council and the public.

2. **Asset Management Policy** – it is a document to support the Community Plan and affirms a formal Council commitment to implementing AM processes. It provides Council's direction to senior staff (CAO, etc.) including implementation objectives. Responsibility for the policy is with the Council. (An AM Policy guide and template was developed through this project for adoption by individual First Nations)
3. **Asset Management Strategy** – a senior staff's commitment for implementing the AM Policy. It is a set of directions, community specific, for improving and sustaining AM practices in the community and the organization to ensure consistent application of AM in all departments involved with the management of assets in a community. Responsibility for the Strategy rests with the CAO and senior management team in a community.
4. **Asset Management Road Map** – an operational department's commitment to implement the corporate AM Strategies. It will be a set of actions/activities for implementing AM within the operational departments in the framework of a corporately integrated plan. The responsibility of the road map rests with the operational department managers and staff.
5. **Asset Management Plan (AMP)** – the consolidation of asset data into a register that is used to establish capital, operations and maintenance needs. The AM Plan includes a life-cycle and risk analysis; needs are used to determine financial requirements to meet the desired levels of service.

Plan Organization

This AMP has been compiled using the best available information, although some data and cost information could not be obtained. It includes information on the Kasabonika Lake First Nation's Buildings, Public Works, Roads, and Fleet assets. Annual review, as well as on a continuous basis, should be undertaken to refine and enhance the contents of this report, and further refine the information available to support sustainable decision making.

The information contained within this AMP is:

- a) An Asset Register / State of the Infrastructure – summary of existing assets in a spreadsheet format including:
- b) an Asset Management inventory of assets, including age and life expectancies
- c) a valuation based on the capital replacement cost of all funded assets
- d) a condition rating of all funded assets
- e) A Needs Assessment – Renewal/replacement and operations & maintenance (O&M) needs in the form of a lifecycle investment profile of the assets
- f) Investment Priorities - summary of the investment needs based on lifecycle analysis



- g) A Financial Plan - a summary of capital, operations and maintenance funding to demonstrate future budget request submissions to funding agencies
- h) Documentation – a summary addressing funding, levels of service, risk-based priorities and community resources.

Disclaimer

The information in this report with high confidence is:

- **Needs Assessment and Financial Plan**

Based on the information gathered for this report, the lifecycle investment profile for the assets of the Kasabonika Lake First Nation provide a solid base for continued growth of the communities AMP.

The information in this report which requires further investigation and refinement is:

- **Asset Register / State of Infrastructure**

Assets and costs should be investigated, verified and edited to meet the Kasabonika Lake First Nation's needs. An analytical comparison between real O&M spending and the estimated O&M costing (provided in this document), should be completed to create a cohesive and more realistic vision of the community's portfolio.

- **Levels of service**

Levels of service should be developed and utilized to ensure they meet with future demands and budgeting requirements. These are both essential to the development of a sound and reliable ongoing asset management plan.

THE COMMUNITY

Kasabonika Lake First Nation (KLFN) is a remote, fly-in access First Nation Oji-Cree community of approximately 1,200 members situated on an island on Kasabonika Lake of the Ashewig River watershed of Northwestern Ontario located 460 kms north east of Sioux Lookout, Ontario. The total land base of the Kasabonika Lake First Nation is approximately 10,800 hectares.

Of the total population of 1,188 registered members, 1,098 are on reserve and 90 are off reserve or on other reserves, band crown land or off reserve. Members of KLFN resides in the 212 plus private households located throughout the First Nation.



ASSET PORTFOLIO

The First Nation manages and maintains a wide range of infrastructure, facilities and buildings to provide essential services to the community; these assets include:



Photos: Band Office, Sewage Lagoon, Community Recreation Centre, Kasabonika Lake FN, 2017 ACRS Report

Kasabonika Lake First Nation Assets		
Main and Side Roads	Churches	Sewage Lagoons
Administrative Buildings	Teacherages	Water, drainage and sewer systems
Community Buildings	Fuel Storage Facilities	Lift Stations
Recreation Centres	Schools	

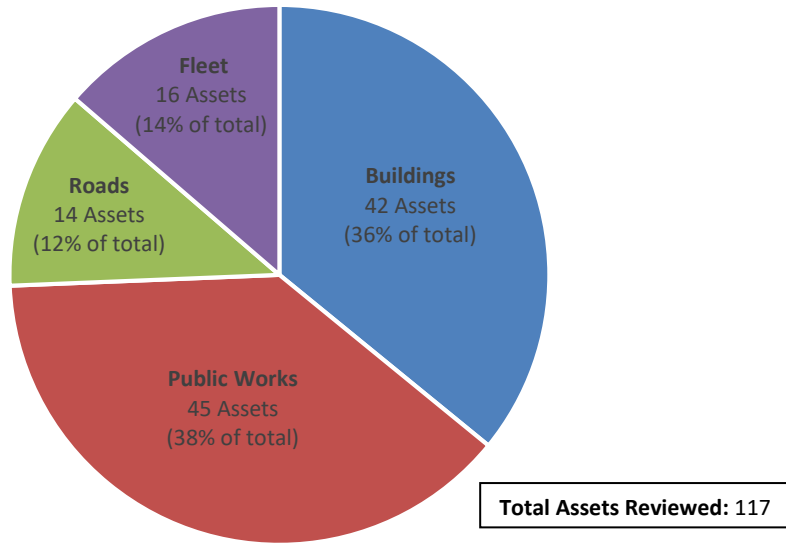
Based on the information available, the Kasabonika Lake First Nation owns and operates a total of 117 assets, distributed in four broad asset categories:

- Buildings (7,226 sqm),
- Public Works (including water treatment and distribution, wastewater treatment, Bulk Fuel Stations, Bridge),
- Roads (7 km), and
- Fleet (16 vehicles and attachments)

The Figure below shows the percentage of assets owned and operated by the Kasabonika Lake First Nation by category.



Kasabonika Lake First Nation Assets by Category



Information on the condition and remaining service life of these assets is incomplete: for ISC funded assets (72 out of 117), detailed information is available for 69 of these assets in the 2017 ACRS report; for the remaining assets, information available varies. Verifying the ACRS data and conducting condition assessments of assets not included in ACRS need to be completed to refine the analytical results for future iterations of the AM plan.



INVESTMENT NEEDS

Approach

A whole-of-life (Full Life-Cycle) approach is used in this AMP. This approach is used to forecast the end-of-service life of the community assets and project when they will require funding for renewal or replacement while considering day to day operations and maintenance. It is understood that each asset has a limited lifespan and in the case of significant scale assets, they are made up of components that also have a limited lifespan.

By considering the entire asset as a sum of its components, the whole-of-life renewal profile can be viewed as a series of recurring reinvestments; these reinvestments, which are required throughout the life cycle of the asset, represent the renewal costs.

It should be noted that while this approach provides a transparent view of the long-term costs of owning and maintaining an asset, it is a long-term forecast and an estimate of future costs. As an asset is actively managed through its life, decisions need to be made based on the age, performance and functionality of the asset.

Functional requirements change over decades of operations (e.g. building uses, building codes, environmental regulations), and what may have been suitable and desirable when constructed may not remain constant over the life of the asset.

These types of decisions are an important factor in planning for a significant renewal, replacement or upgrade of an asset as well as determining the ideal operations and maintenance budget to achieve optimum asset performance and longevity.



Photo: Kasabonika Arena, Kasabonika Lake First Nation, 2017 ACRS Report

The cost estimating method used in this report is based on the approach outlined in the AANDC Draft Cost Reference Manual (CRM) Update (RV Anderson Associates Ltd., 2012), escalated to 2018 dollars (Stats Canada inflationary rates). The CRM update uses a system of costs in a top-down approach to identify per unit costs based on the asset type and historical costing values in first nations communities.

Capital Replacement Cost

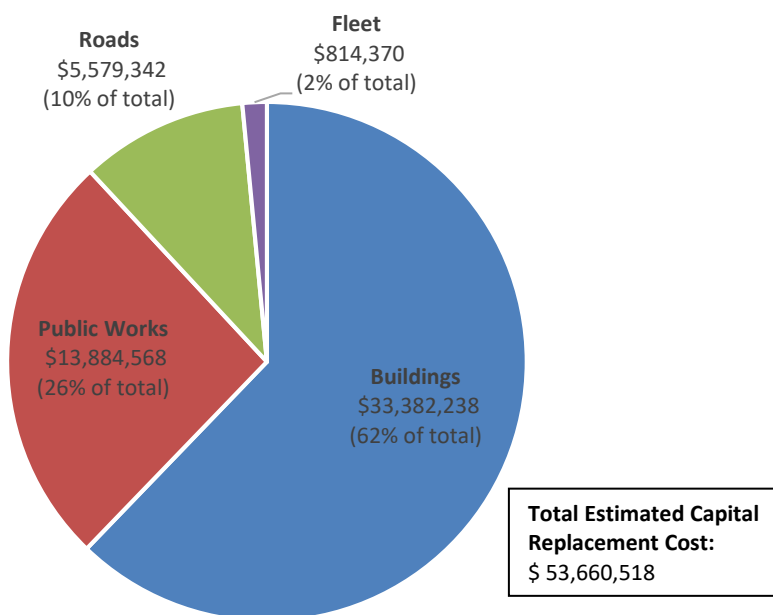
Based on the work done for this asset management plan, and with the information available, the entire asset portfolio of the Kasabonika Lake First Nation has an estimated total Capital Replacement Cost (2018 dollars) of \$53,660,518. Using the life cycle assessment methodology described in detail in the AM Plan, the Average Annualized 20-year life cycle capital investment requirement for renewal and replacement is \$1,706,959. The total annual operation and maintenance (O&M) costs for these assets is estimated at \$1,260,837 per year. The Table below provides a representation of the average annual costs to maintain the First Nation's assets.

Total Replacement and Annual Operations and Maintenance (O&M) Costs

	Estimated Cost
Capital Replacement - All Assets	\$ 53,660,518 total
Average Annual Costs (20-year Life Cycle)	
Renewal/ Replacement	\$ 1,706,959 / year
Operations and Maintenance	\$ 1,260,837 / year
Total	\$ 2,967,796 / year

Buildings make up the most significant value of the asset portfolio as shown in the Figure below. **Due to various gaps** in information for all assets, a capital replacement cost could not be established for some. The estimated total capital replacement costs are therefore directly impacted by this missing information, and consequently should be considered a lower limit of the total Capital Replacement Cost of all assets of the KLFN.

Estimated Capital Replacement Cost by Category

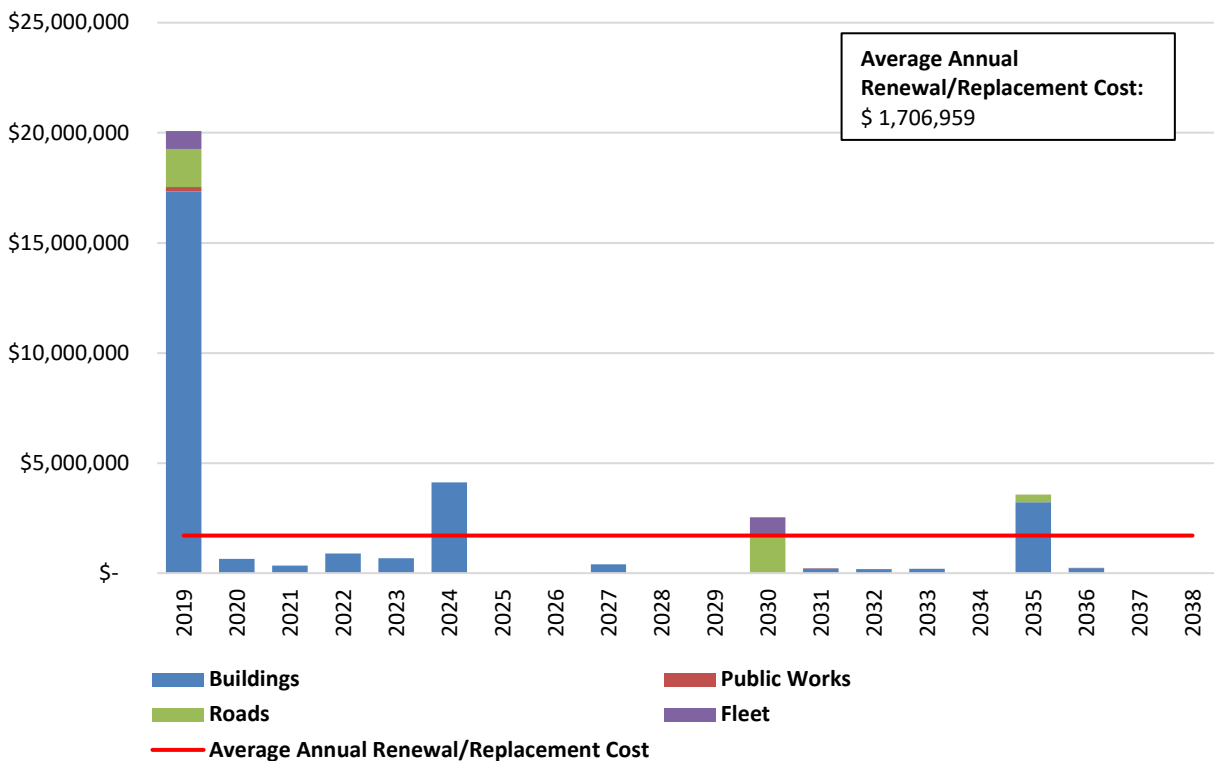


Renewals and Replacements

Renewals and replacements are activities that do not upgrade the original level of service but seek to return the asset to a functional level that meets the original level of service for which the asset was intended. For the purposes of asset management, the componentized replacement of systems to original functional levels as well as complete capital replacements of assets would be considered “renewals.”

In the preliminary stages of an asset management plan, several assets identified as already having exceeded their useful life will appear as requiring renewal in the first year. While these assets and components should be reviewed for required replacement, it is not generally feasible or necessary to replace all assets in the next capital year. Prioritization will be required and can be done by considering the risks that a failure of these assets or critical components would pose to the Community (e.g., health, safety, environmental).

Asset Renewal/Replacement Forecast by Category, 2019 - 2038

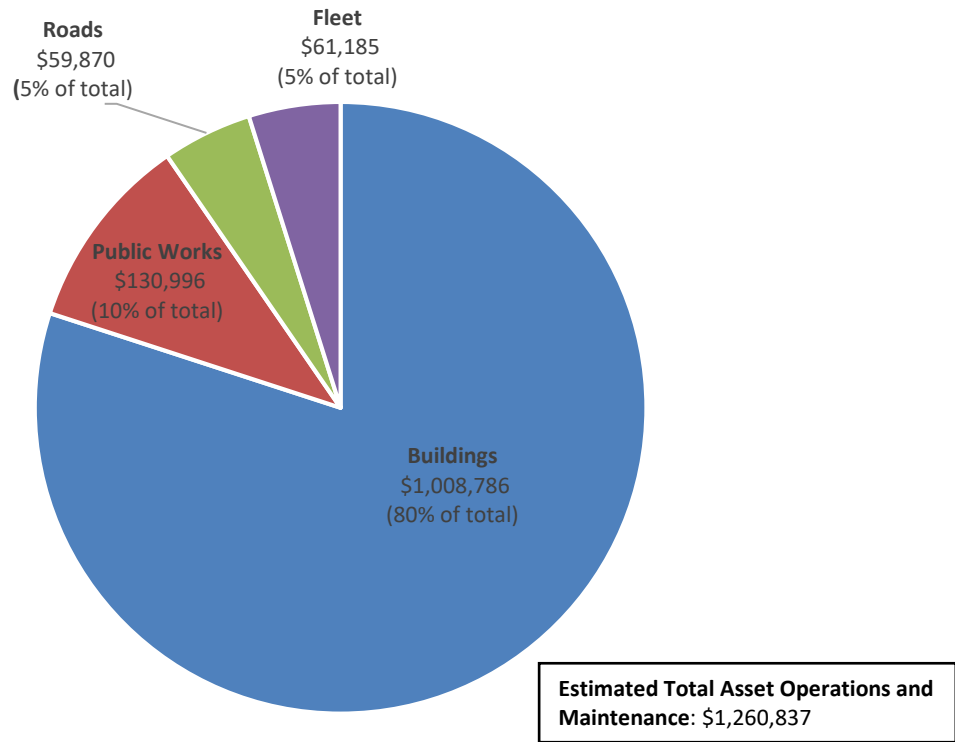


Operations and Maintenance

Buildings make up the most significant value of the O&M Investment Needs as shown in the Figure next page. There were varying gaps in information for all assets, and an O&M investment need could not be established for some. The total annual O&M investment requirements shown below is directly impacted by this missing information, and therefore should be considered a lower limit of the Annual O&M investment needs of the KLFN.



Estimated Operations and Maintenance Investment Needs by Category



Current Indigenous Services Canada (ISC) Net funding

Information available for 2018-19 ISC O&M funding for funded assets indicated a total O&M Net funding amount of \$1,936,857 for the Kasabonika Lake First Nation. Information from the First Nation further indicated that from the total amount received for O&M, 75% (\$1,446,383) was allocated to specific asset O&M costs, and the remaining to other community O&M needs (e.g., EECS's, Fire Training, Truck Funding)

Comparing the assets directly funded by ISC and the estimated O&M investment needs for these assets, a surplus of \$ 229,625, can be identified, equivalent to 119% of the estimated total annual O&M investment needs for these assets, as seen in the table below.

ISC 2018-2019 O&M Funded Assets		
Total Estimated O&M Costs (ISC funded assets)	\$ 1,216,758	100%
ISC 2018-2019 O&M Net Funding	\$ 1,446,383	119%
Total Estimated O&M Funding Surplus	\$229,625	+19%



Observations

The following key observations that can be drawn from this initial body of work:

1. Financial
 - Financial systems do not track all O&M costs for individual assets, thus requiring estimates based on best available data.
 - Based on the information obtained to date, 119% of the KLFN's estimated O&M investment needs for ISC funded assets are being funded, leaving a surplus of an estimated \$229,625. This surplus can be caused for a variety of reasons including; renewal/replacement funding included within ISC funding, estimated costs in this report are lower than the community's O&M spending.
2. Buildings
 - The asset category with the greatest total capital replacement cost is buildings, which makes up 62% (\$33.4 million) of the total capital replacement cost of all assets reported in this AMP. Buildings also consume 80% (\$1 million) of the estimated O&M investments.
3. Public Works
 - Some Public Works capital replacement costs and O&M costs could not be accurately calculated due to differing quantity units (e.g., for water assets, "each" vs "L/s"). Due to these discrepancies, the O&M and capital replacement costs reported for these assets are considered low. These assets should be reviewed, and their information updated to provide a more accurate assessment of these costs.

RECOMMENDATIONS

An asset management plan is meant to be a living document that evolves year to year based on community requirements (changing levels of service), capital decisions and long-term financial planning. It is recognized that it may take several planning cycles for Kasabonika Lake to achieve a sufficient level of detail for a fully developed asset management plan. The following are some of the key recommendations and suggested tactics to improve to the current AMP.

Asset information

- Manage and maintain an accurate asset inventory and update asset information.
- Establish processes to collect/clarify and implement asset costing and information.
- Monitor, report and review unit, and O&M costs for new and existing assets. Current and past O&M costs can be used to produce a more accurate O&M costs for each asset and validate/update CRM costing.

Life Cycle Management

- Assets typically require most of the renewal/replacement & O&M funding in the last 1/3 of their service life. Optimal life cycle costs should be carefully evaluated to ensure that the asset is not extended too far outside its useful life.
- Assets that extend outside their useful life should have appropriate maintenance and renewals occur so the asset can meet expectations for longevity.
- Record installation and replacement dates to measure if the full useful life is being achieved by these components and systems.



Costs and Funding

- Confirm and incorporate all budgets including Operations, Maintenance, Renewals and Upgrades into the asset management plan.
- Plan, manage and maintain funding for maintenance items and renewals over the lifecycle of the assets.
- Plan and manage funding for new infrastructure and required asset renewals over the lifecycle of the assets.
- Identify and implement changes to accounting financial systems arising from this AM Plan to include information on costs of operations, maintenance, renewals, and upgrades as defined in the plan.
- Establish links with PSAB 3150 Register for conformity and consistency.

Levels of Service

- Review, edit and implement levels of service on a regular basis to ensure they align with Council, organizational, community and stakeholder goals and expectations.

Risk Management

- Create risk register including processes that identify, analyze and mitigate critical asset risks.
- Determine/assign a ranking criterion to risk and identify priorities.
- Monitoring and reviewing the risk register on a regular basis, identifying any new risks, and changing data as required.
- Implement OFNTSC's FN PIEVC Protocol to identify risks to assets related to climate change.
- Identify all the critical assets or critical system components.
- Once critical assets have been defined, establish a maintenance program to ensure service interruptions do not occur for critical services.

Monitoring Recommendations

- The current asset management plan should be reviewed during all annual capital and operational planning processes to inform service providers on resources and potential impacts on levels of service as a result of budgetary decisions and priority settings. This will help the Community balance the actual levels of service with available funding dollars and better prioritize financial decisions.
- All future infrastructure decisions should be integrated into the short, medium, and long-term community objectives.
- For the community to gauge the effective use of the asset management planning strategy a variety of different performance measures can be followed. These performance measures should be chosen to suit the community and its needs.
- Review risk matrix against levels of service and use as a basis for prioritization for O&M, renewal and replacement costs.



NEXT STEPS

Recommendations for Next Steps to further advance the First Nation's Asset Management capabilities are:

1. The asset condition rating and actual useful life of the assets included in this AMP should be reviewed and, as required, revised or new information produced if data is not available – this may require the First Nation's staff to inspect those assets.
2. The capital and O&M investment needs should be reviewed and compared to funding and budgets; this will allow KLFN to establish how sustainable current practices are to maintain services to the community.
3. Identify risks to the assets – included those related to climate change and assess impacts on the critical assets and services.
4. Define, through community consultations, levels of service for the different asset classes.
5. Adopt an Asset Management Policy to guide all AM efforts in the community.

