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## Natural Capital Asset Operations

### Recommendation

That the report of the Acting General Manager, Corporate Performance Department, dated June 11, 2018, be forwarded to Governance & Priorities Committee for consideration at its June 18, 2018, meeting as part of the Business Planning prioritization.

### Topic and Purpose

The purpose of this report is provide the Administration's response to inquiries from the Standing Policy Committee on the Environment, Utilities and Corporate Services regarding the on-going financial support required for the Natural Capital Asset (NCA) initiative.

### Report Highlights

1. A holistic approach to Asset Management includes incorporating Natural Infrastructure.
2. The operational funding request is intended to contribute to the City's Asset Management program and financial management of natural infrastructure in Saskatoon.

### Strategic Goals

This report supports the Strategic Goal of Continuous Improvement by encouraging innovative thinking as it relates to natural areas and "green" options as alternatives to built infrastructure. Asset and Financial Sustainability is supported through financial valuation of substantial infrastructure. Quality of Life is supported by ensuring that natural areas are accessible to the community and meets residents' needs.

### Background

Standing Policy Committee on Environment, Utilities and Corporate Services, at its meeting held on May 8, 2017, considered the Natural Capital Asset Valuation report; and resolved, in part:

- "2. That a capital project for the Natural Capital Asset valuation be created to enable an application to the Federation of Canadian Municipalities (FCM) for Climate Change Innovation Program."

The municipality was awarded \$125,000 of grant funding on April 17, 2018, to complete a valuation framework for natural capital infrastructure in the municipality.

Standing Policy Committee on the Environment, Utilities and Corporate Services, at its meeting held on May 14, 2018, considered the Update on Natural Capital Asset Valuation report; and resolved, in part:

- “2. That a report related to bringing the Natural Capital Asset Valuation into the City's Asset Management program be brought forward to the June 11, 2018 meeting of the Standing Policy Committee on Environment, Utilities and Corporate Services for consideration.”

### Report

The process of asset management in municipalities necessitates the management of one of the largest asset classes: natural assets. The asset management process includes the need to understand the economic significance that natural assets play in the community, including life cycle costs (i.e. maintenance, renewal and replacement costs), investment costs, and service delivery implications.

Natural Asset Management has become an Asset Management procedure in municipalities across Canada and internationally. The premise behind management of natural infrastructure includes recognizing that natural infrastructure is materially valuable to municipal operations, and is an important lever in mitigating the impacts to climate change.

The Canadian Federal Government has recognized the need for including natural infrastructure within the Climate and Asset Management program, which is currently providing funding for the development of Saskatoon's Asset Management Framework. The program has provided examples of municipalities that use the natural environment to develop a holistic asset management approach for infrastructure.

As an example, the region of York, Ontario, has developed a Green Infrastructure Asset Management Plan, including an Asset Management, Level of Service and Financial Strategy component. Gibsons, BC, produced a financial planning with natural assets report in 2017, outlining the role that natural infrastructure plays in the town. Attachment 1, Advancing Municipal Natural Asset Management: The Town of Gibsons' Experience in Financial Planning and Reporting - Forward, articulates the need to recognize the financial and infrastructure impact of natural assets in municipalities.

A comprehensive Asset Management Framework should include all municipal assets, including natural infrastructure. Similar to Gibsons and other Canadian municipalities, the intent is to become better positioned to make sound financial decisions on future natural and engineered infrastructure.

The on-going \$75,000 financial request is for a new position which would be tasked with completing business case development for new infrastructure to consider natural infrastructure as a replacement or supportive option. In addition, the position should collaborate with the Climate Change Adaptation project to predict the life cycle costs of natural infrastructure and how those results might compare to engineered infrastructure. This would include the financial and life cycle implications of utilizing natural capital as a supportive function of engineered infrastructure to be more cost effective and/or resilient. The position would oversee the financial management and reporting of natural infrastructure to complete cost/benefit analyses as part of the asset management

framework for both tangible and natural capital, and to ensure that impairments and appreciation are recognized when we experience events such as pest invasion or remediation, respectively.

### **Options to the Recommendation**

The City could choose not to invest funding for on-going valuation and management of natural infrastructure at this time. The implications of not committing on-going funding of \$75,000 means that a valuation of natural infrastructure will not be completed at this time, and the on-going management of the natural assets, including unstructured spaces cannot be included in the City's asset management plans for other tangible capital assets.

### **Communication Plan**

A communications strategy for NCA valuation will inform the public of the financial value that the City maintains in green infrastructure. The communications strategy will collaborate with the Green Infrastructure Strategy, the Asset Management Framework and climate change initiatives.

### **Policy Implications**

The NCA valuation will be consistent with the Asset Management Policy currently being developed by the Administration as a result of funding provided by the Climate and Asset Management Program.

### **Public and/or Stakeholder Involvement**

The on-going operations will include consultation with CPA Canada to ensure that accounting for natural infrastructure is consistent with Public Sector Accounting Standards.

### **Financial Implications**

\$75,000 has been identified to be allocated to asset management personnel specifically qualified to account for and manage natural assets.

The benefit of managing natural assets in a strategic way is to more appropriately predict and allocate resources for natural infrastructure that avoids large unplanned expenditures. For example, by recognizing that renewal of natural spaces should occur on predicted intervals, the City can avoid large unplanned expenditures (such as emergency response from tree felling in storms on assets that have not met their regular maintenance schedule). This is particularly true in conjunction with acknowledging the effects of climate change on asset management. In addition, the City can benefit from incorporating natural space use with built infrastructure to create a more resilient and green city.

The \$75,000 operational request currently resides in the 2019 Business Plan for Green Infrastructure, as an on-going asset management requirement for natural infrastructure. This amount will fund a portion of the salary of a qualified professional.

### **Environmental Implications**

An Asset Management framework that integrates natural assets produces an infrastructure base more resilient to the impacts of climate change. Natural infrastructure options may also produce additional emissions sequestration options for the community.

### **Other Considerations/Implications**

There are no Privacy, or CPTED implications or considerations.

### **Due Date for Follow-up and/or Project Completion**

If approved, the \$75,000 on-going financial support for accounting for natural infrastructure will be included in the 2019 Budget deliberations.

### **Public Notice**

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

### **Attachment**

1. Advancing Municipal Natural Asset Management: The Town of Gibsons' Experience in Financial Planning and Reporting - Forward

### **Report Approval**

Written by: Nasha Spence, Environmental Accounting Manager  
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