

Why Municipalities Have a Love - Hate Relationship with PSAB

The Impacts that PS 3150
Guidelines have on Municipal
Infrastructure Planning

Outline of Presentation

- Municipal Revenues & Responsibilities
- Infrastructure Deficit
- PSAB and PS 3150
- Municipal Financial Accounting
- Research Focus and Significance
- Research Process
- Results of Research
- Conclusions
- Recommendations

Municipal Revenues & Responsibilities

Municipal Responsibilities:

- Top down – delegated responsibilities
 - Defined by the Municipal Act and other Legislation
- Bottom up – taxpayer expectations
 - Addressed by Council; may be mandated or discretionary responsibilities

Municipal Revenues & Responsibilities

Municipal Revenue Sources:

- Own Source Revenues
 - Property Tax, User Fees, Investments, Amusement Tax, Licences, Permits, Fines
- Grants
 - Federal and Provincial, Conditional and Unconditional

Infrastructure Deficit

\$123,000,000,000

Canadian Municipal Infrastructure Deficit



Municipal Financial Accounting

Municipalities are required to have balanced budgets.

$$\text{Revenues} = \text{Expenditures}$$

Balanced budgets do not demonstrate underinvestment in critical infrastructure.

PSAB and PS 3150

PSAB

Public Sector Accounting Board of the
Canadian Institute of Chartered
Accountants

PS 3150

Accounting Guidelines to guide in the
change from modified accrual to full
accrual

Research Focus and Significance

What are the direct and indirect impacts of PS 3150 guidelines on infrastructure planning?

Our reliance on municipal infrastructure is tremendous; and our reliance is increasing.



Research Focus and Significance

How do the impacts of implementing PS 3150 affect municipal infrastructure planning?

Change can be good / bad

Change can be significant / insignificant

Research Focus and Significance

What, if any, additional support is required to ensure municipalities are able to plan for infrastructure in a sustainable manner?

Recognize if the impacts have the desired implications

Significance

- All municipalities are required to comply.
- There is a \$123 Billion Infrastructure Deficit that needs to be solved.
- Asset management is crucial given the level of reliance on municipal infrastructure.

Research Process

Knowledge and value are “actively constructed through social, interactive processes” rather than “discovered through scientific inquiry”

(Healy, 1997, 29)

Research Process

Research target group

Municipalities in Northern Ontario

Populations of less than 5000

Chief Administrative Officers (CAO)

Initial Research – Interviews with CAOs

Solidification – Conclusion review via email

Results of Research

Impacts Identified

- Personnel
- Financial
- Technical
- Planning

Personnel

- Significant amount of time to become compliant
- Training / Education on PS 3150
- Staff retirement – loss of corporate knowledge

Financial

- Consultants
- Software solutions
- Training / Travel
- Staff wages

Technical

- Software solutions that maximized data analysis
- Integration into existing systems

Planning

- PS 3150 is not Asset Management
- Change to Financial Statements to increase transparency

So what?

Conclusions

- Minor Impacts
 - Personnel
 - Financial
 - Technical
- Major Impacts
 - Planning – Long Term Asset Management

Conclusions

- Long Term Asset Management and Infrastructure Planning will remain a challenge.
- Current inventory systems do not account for changing technology and infrastructure needs.

Conclusions

- Fiscal Imbalance continues to be debated.
- Municipalities are not required to levy for replacement costs.
- CAOs recognize that there are insufficient financial resources to manage existing infrastructure in a sustainable manner.

Recommendations

- If Municipalities are mandated to provide funds for future replacement costs they need access to adequate financial tools.
- Further analysis of the data collected, particularly the accumulated surplus needs to be completed.
- Consultation with municipalities will be important to develop appropriate solutions.

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