

## MANAGEMENT REPORT

**Date:** May 12, 2025  
**To:** Mayor and Council  
**From:** Johnny Bowes, Manager of Asset Management  
**Report Number:** COU25-054  
**Attachments:** Asset Management Plan 2025 Update (Document)

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**Title:** Asset Management Plan 2025 Update

**Objective:** To obtain Council's endorsement of the City's updated Asset Management Plan.

**Background:** In 2015, the Province passed the Infrastructure for Jobs and Prosperity Act with Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure, filed under this act. The regulation sets out detailed requirements for municipalities to ensure long-term sustainability of municipal infrastructure through the preparation of a Strategic Asset Management Policy and a comprehensive Asset Management Plan (AMP), through four phases or milestones by July 1, 2025.

The regulatory phases and ongoing requirements are:

**Phase 1 (July 1, 2019):** Strategic Asset Management Policy (AMP)

**Phase 2 (July 1, 2022):** AMP for core assets, assessed at current service levels and financial summary of capital expenditures.

**Phase 3 (July 1, 2024):** AMP for all assets, assessed at current service levels and financial summary of capital expenditures. (This is the AMP being presented today).

**Phase 4 (July 1, 2025):** AMP for all assets assessed at proposed or appropriate service levels and financial funding strategy.

**Ongoing (2026 and beyond):** Council shall conduct an annual review of its Asset Management Program progress and update the AM policy and AMP every 5 years (at minimum).

To date, the City has fulfilled phases one and two of the regulation with this version of the Asset Management Plan fulfilling phase 3 requirements if adopted. Staff note that

phase three is overdue as it was due on July 1, 2024. In consultation with the Ministry of Infrastructure, this date has been recalibrated to May 2025. The next iteration of the City's Asset Management Plan and Financial Strategy due on July 1, 2025, will complete phase four of the regulation.

**Analysis:** Asset management plans are key to municipal planning, guiding the timing and amount of funding needed to maintain, repair, or replace assets to ensure they perform well and support service levels. The City uses data from these plans, including condition assessments, to help shape work plans, budgets, and financial strategies, including updates to the infrastructure master plans and water and wastewater rate study. These plans are essential tools that inform decision-making, and the financial strategy needed to meet service goals while managing risks.

The scope of this AMP 2025 update includes:

- All known assets that the City owns and manages
- An assessment of the current state of the infrastructure, including asset replacement values and current asset performance
- An assessment of the current levels of service provided to the community
- Documentation of the lifecycle activities required to maintain current service levels
- A risk assessment of the City's assets
- A financial summary outlining the cost requirements to maintain current service levels for the next 10 years

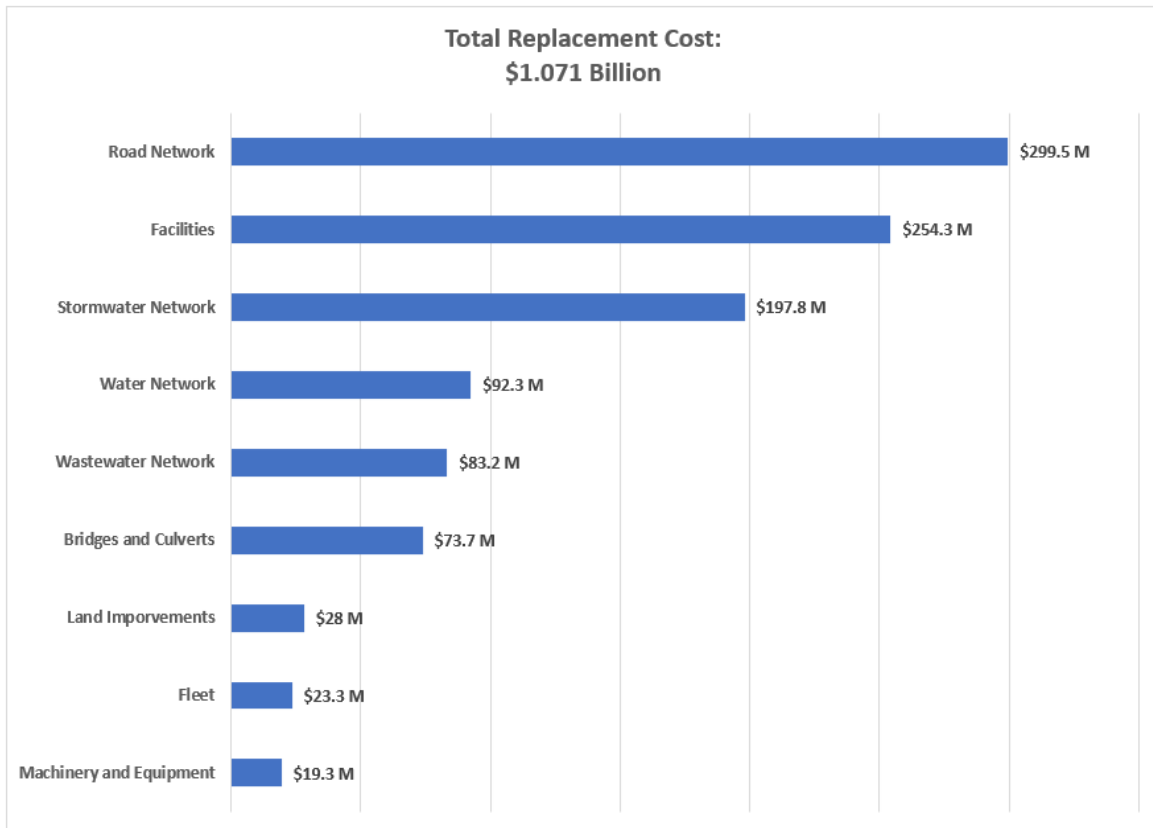
In the sections that follow, several key concepts are expanded upon to provide context when reviewing the Asset Management Plan.

## **The State of the Infrastructure**

The City's 35,000 assets and components have a combined current estimated replacement value of \$1.071 billion. Various data sources are used to determine replacement costs, including condition assessments, staff knowledge, historical costs and market trends. The graph below provides a breakdown of asset current replacement values organized by the services they support. In 2021, the previous Council endorsed an AMP with an estimation that all City assets had a combined replacement value of \$944 million. This increase in overall value is attributed to:

- New assets acquired since the 2021 AMP
- Improvements to the accuracy of replacement costs

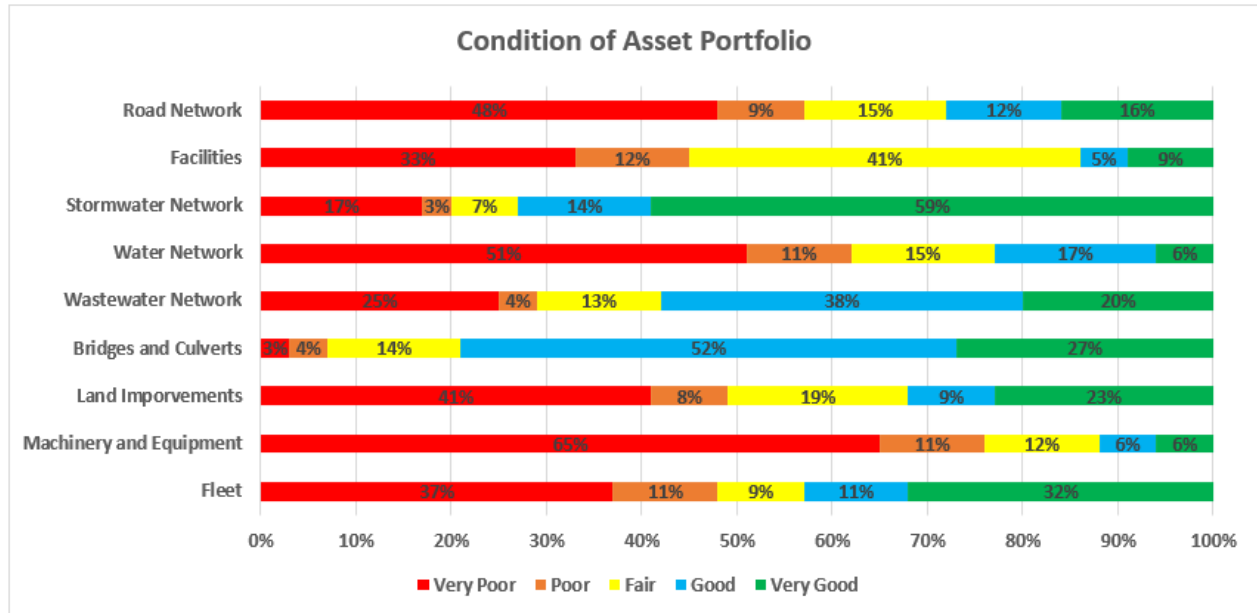
It should be noted that as replacement cost data estimates continue to be updated to reflect current market costs, the overall replacement cost of the City's assets will increase over time.



Collectively, 56% of the City's assets are in "fair" or better condition. Condition is determined using various methods. Inspections are used where possible (both internal and external) but in many cases where inspection information is not available, the condition is determined based on current age compared to the estimated age at the time of implementing the asset.

The graph below shows a breakdown of the overall condition ratings based on the service provided. For context, in the 2021 AMP, 60% of the assets were in "fair" or better condition. For service life remaining, 66% of the City assets have 10 years or more of their service life remaining.

Condition assessments are a critical component of an asset management plan because they provide objective, up-to-date information about the physical state and performance of assets. This data enables informed decision-making regarding maintenance, rehabilitation, and replacement strategies, helping to prioritize investments based on actual need rather than age or assumptions. By identifying issues early, condition assessments support risk management, reduce the likelihood of unexpected failures, and ultimately extend the useful life of assets while optimizing lifecycle costs and ensuring reliable service delivery to the community.



As noted above, many assets in the City's asset portfolio have condition ratings based on their age. When an asset is initially acquired, it has an Estimated Useful Life (EUL) assigned to it based on existing policy. For example, a sewermain pipe has an EUL of 50-75 years which is based on an industry standard metric. The City has many sewer mains that are 75 years and older which therefore have an automatic condition rating of "very poor" because they are older than their EUL. However, if we were to complete a CCTV inspection of these sewer mains, staff would be able to conclude with confidence that many of those pipes although old, are in "fair" condition.

One of the next steps is to refine the City's asset condition assessment strategy to incorporate as many condition assessments as possible and reduce the reliance on age as an indicator. The likelihood based on departmental field knowledge is that better condition data will lead to less assets categorized in "poor" or "very poor" conditions. Better data will lead to fewer assets in need of immediate replacement and may reduce the current infrastructure replacement backlog of approximately \$170 million.

## Levels of Service

Level of Service (LOS) refers to the specific standards and expectations for the performance, quality, and efficiency of assets and the services they provide. It's about defining how well an asset is functioning and the service it delivers to customers and stakeholders. LOS helps organizations understand what's being achieved and what needs to be improved. Service levels are defined in three ways: customer values, community levels of service, and technical levels of services.

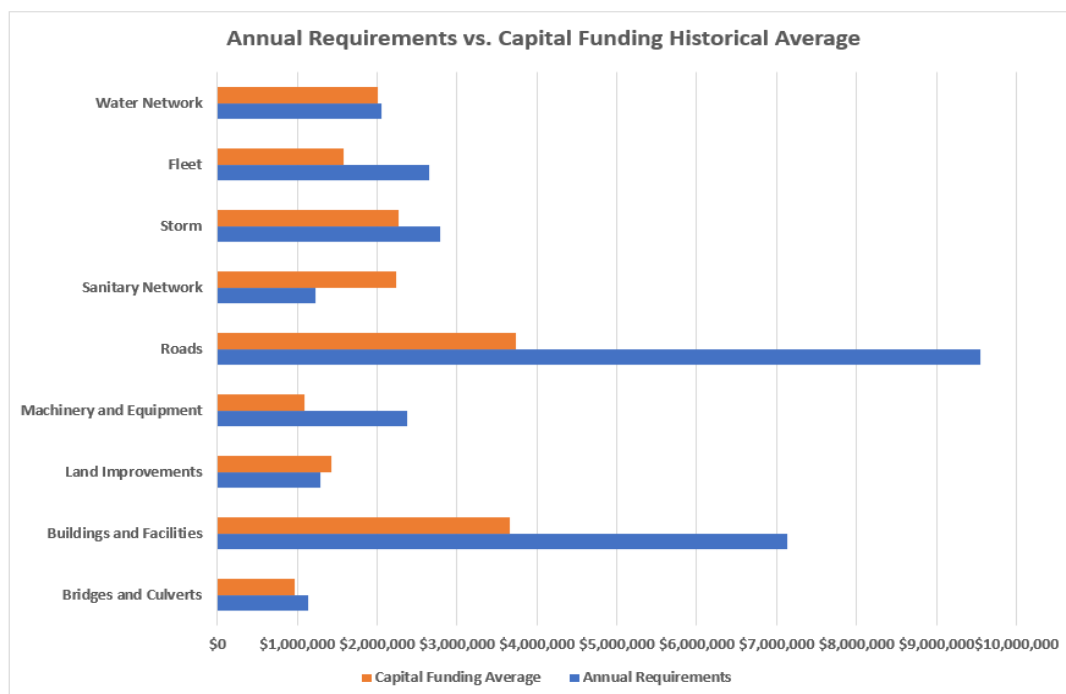
- **Customer Values:** summarizes the different customer expectations of each service

- **Community LOS:** details LOS measures that focus on customer experiences that use language that is familiar to the community
- **Technical LOS:** details measures that the City uses to understand if it is managing assets to the level appropriate to meet community expectations

The current 2025 AMP outlines the costs to deliver current levels of service for each asset category. Some LOS metrics are set forth by the Province in O. Reg. 588/17 and are captured in the AMP. The next phase of the AMP update requires that the City establish LOS for the next 10 years for each asset category. This AMP has included some possible LOS metrics to consider for the next AMP update for each asset category.

## Financial Summary

The 2025 AMP update suggests an average capital budget requirement of \$30.2 million towards infrastructure. The City is averaging \$18.7 million in budget contributions (2016-2023) which leaves an annual total funding gap of approximately \$11.5 million. This can be shown in the graph below.



The data suggests that water and wastewater fund to a minor surplus. This makes sense given that water and wastewater are legislated to be fully user-pay. When this surplus is applied and compared to the tax funded assets, there is a tax funded asset deficit of \$12 million annually (see the chart below).

Asset Category	Avg. Annual Requirement	Historical Capital (Reserve Contributions & OCIF/CCBF) Funding Average	Annual Deficit (If applicable)
Bridges and Culverts	\$1,138,082	\$696,000	(\$442,082)
Buildings and Facilities	\$7,132,982	\$3,655,011	(\$3,477,971)
Land Improvements	\$1,295,651	\$1,430,228	\$134,577
Machinery and Equipment	\$2,380,967	\$1,095,107	(\$1,285,860)
Roads	\$9,552,643	\$3,737,656	(\$5,815,178)
Storm	\$2,790,378	\$2,274,591	(\$515,787)
Fleet	\$2,651,847	\$1,577,875	(\$1,073,972)
<b>Totals</b>	<b>\$26,942,550</b>	<b>\$14,466,468</b>	<b>(\$12,476,273)</b>

This \$12.4 million deficit when factored into the \$73,000,000 budget requirements (2023) equates to a 17% budget change required for a full capital investment funding at that time. Since then, some progress has been made in terms of invested tax dollars through annual budget increases, however the annual deficit is still in the same approximate range.

Asset Category	Budget Change Required for Full Funding
Bridges and Culverts	0.53%
Buildings and Facilities	4.62%
Land Improvements	0.00%
Machinery and Equipment	1.57%
Roads	7.98%
Storm	0.80%
Fleet	1.50%
<b>Total</b>	<b>17%</b>

The intent of this AMP update is to identify funding shortfalls, and the next phase (Phase 4 to be completed later this year) must include a comprehensive ***sustainable*** financial strategy to be endorsed by Council. The goal is not to eliminate the funding shortfall, rather it is to ensure sustainability of services with the resources that are available.

As staff continue to update replacement costs and lifecycle activities and as Council continues to refine levels of service, it is expected that this shortfall will change with each AMP update. Changes may result in a greater deficit or a lesser deficit, but ultimately the goal is to get to a point where the City's asset management plans and activities are more predictable and sustainable.

## **Next Steps**

The Phase 4 Asset Management Plan update due later in the year will build off this AMP. While required for compliance with the provincial regulations, it will also serve to guide Council and staff in decision-making around service levels.

However, before the next update can be endorsed at Council, the proposed levels of service that utilize the City's assets for the next ten years and a comprehensive sustainable financial strategy will need to be developed and approved by Council and incorporated into the AMP.

Staff intend to create public engagement opportunities through pop up sessions and surveys to gain an understanding of the residents' levels of service expectations for City services. Information provided will include current costs for specific services (and the impact of maintaining the assets to deliver those services), to gauge resident sensitivity around specific service levels.

The public feedback will be presented to Council for consideration as they discuss and approve proposed levels of service going forward.

Failure of a municipality to have an updated and Council-adopted Asset Management Plan will have provincial and federal funding implications. Staff are already seeing requirements to submit provincially compliant AMPs with funding applications, though note that the funding agencies have been somewhat flexible given the challenges many municipalities have faced meeting the deadlines.

The AMP is currently directly tied to eligibility of the Ontario Community Infrastructure Fund (OCIF) and Canada Community Building Fund (CCBF) which are key funding sources to the City's capital program.

This AMP update illustrates the funding shortfall; however, the next iteration of the plan will require a comprehensive long-term financial strategy that is likely to impact future budgets significantly unless a fulsome discussion can occur around service levels.

## **Financial Implications:**

### **Financial impact on current year operating budget:**

There are no direct financial implications to the current year operating budget as this Asset Management Plan is to comply with Ontario Regulation 588/17.

### **Financial impact on future year operating budget:**

This AMP update provides the funding shortfall and deficit data however, the next iteration of the plan will have a comprehensive long term financial strategy that may impact future budgets. Next steps will assist residents, Council and staff in prioritizing services to ensure that the community needs are being met sustainably.

## **Alignment with Strategic Priorities:**

### **Enhance our Infrastructure**

This report aligns with this priority as the Asset Management Plan is one of the driving documents along with other studies and master plans, for the future of the City's infrastructure.

### **Build Housing Stability**

This report aligns with this priority as the infrastructure services that provide our homes with basic services such as water and wastewater, need to be kept in a state of good repair to ensure uninterrupted service.

### **Intentionally Change to Support the Future**

This report aligns with this priority as the intent of the Asset Management Program is to ensure infrastructure sustainability for future generations.

## **Alignment with One Planet Principles:**

### **Culture and Community**

Nurturing local identity and heritage, empowering communities and promoting a culture of sustainable living.

### **Sustainable Water**

Using water efficiently, protecting local water resources and reducing flooding and drought.

**Staff Recommendation: THAT the report titled, "Asset Management Plan 2025 Update" (COU25-054), be received;**

**AND THAT Council adopt the City's Asset Management Plan Update 2025 as presented.**

### **Prepared by:**

Johnny Bowes, Manager of Asset Management

### **Recommended by:**

Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer  
Adam Betteridge, Interim Chief Administrative Officer