

DATE: June 20, 2022

REPORT NO: T-19-2022

SUBJECT: Township of West Lincoln Asset Management Plan

CONTACT: Donna DeFilippis, Director of Finance/Treasurer

OVERVIEW:

- Attached to this report is the Township's Asset Management Plan
- The attached plan meets the requirements of Ontario Regulation 588/2017

RECOMMENDATION:

1. That, Council accept report T-19-2022 regarding the "Township of West Lincoln Asset Management Plan" as an item of information; and,
2. That, Council accept the Township's Asset Management Plan attached as Schedule B to this report as an item of information.

ALIGNMENT TO STRATEGIC PLAN:

Theme #6 Efficient, Fiscally Responsible Operations

- Complete an asset management plan to prioritize investments based on evidence, and balance service levels with fiscal sustainability

BACKGROUND:

On December 13, 2017, the Province of Ontario approved a new municipal asset management planning regulation (O.Reg. 588/2017) under the *Infrastructure for Jobs and Prosperity Act*, 2015. The following are some of the key requirements of the legislation:

July 1, 2019 – all municipal governments are to have a Strategic Asset Management Policy in place. This policy is to be reviewed and updated every five years if necessary. The Township approved a Strategic Asset Management Policy on April 15, 2019 and is compliant with this requirement.

July 1, 2022- all municipal governments are to have an approved asset management plan for core assets (roads, bridges and culverts, water, wastewater and stormwater) that discussed current levels of service and the cost of maintaining those services. **The Asset Management Plan presented this evening meets the requirements of this section of the legislation.**

July 1, 2024 – all municipal governments are to have an Approved Asset Management Plan for all other infrastructure assets that discussed current levels of service and the cost of maintaining those services

July 1, 2025 – the Asset Management Plans are to include a discussion of proposed levels of service, the assumptions related to the proposed levels of service, what activities will be required to meet proposed levels of service, and a strategy to fund the activities.

Having a robust and active Asset Management System provides many benefits, some of which include:

- Easier access to information, data and documents in one centralized location
- Better communication between departments
- Provides an opportunity to optimize limited resources
- Ensures knowledge is not lost with staff changes
- Provides a structured approach to conducting business, guided by an Asset Management Plan that balances cost, risks and performance (service-delivery)
- Incorporates financial, technical and socio-political dimensions
- Facilitates informed decision-making

The Township's inventory database is held within Citywide software. This software is used by staff to update the Township's assets, including additions, deletions, historical costs, in-service dates, replacement values and condition assessments. The maintenance of this database is an on-going process as new information is always becoming available.

Jordan Gonda, Senior Asset Management Consultant from PSD Citywide, will be making a brief presentation this evening (see Schedule A to this report). Staff worked with PSD Citywide to assist with the development of key Asset Management plan components, such as:

- Condition Assessment Protocols
- Asset Management Risk Framework
- Lifecycle Strategies
- Levels of Service Framework
- Compilation of the Asset Management Plan document presented this evening

Staff were successful in retaining grant funding from FCM (Federation of Canadian Municipalities) of \$50,000 to assist with this project.

CURRENT SITUATION:

The Asset Management Plan presented this evening (see Schedule B) meets all requirements outlined under Ontario Regulation 588/17 that are due July 1, 2022. The Asset Management Plan is a large document that is data heavy. Some of the key takeaways are as follows:

Assets are traditionally valued using historical costs, being the amount that was paid to obtain and put an asset into service. The Township's 2022 Draft Financial Statements indicate a historical cost of assets totalling \$135.5 million. Asset Management takes a different approach to valuing assets; it is focussed on the replacement cost of assets. Replacement cost serves a much more practical role in municipal planning and budgeting and is a critical item of information. Staff is continually updating replacement costs, as new information is available. At the end of 2021, the Township's asset has an estimated replacement cost of \$385.4 million. This works out to a replacement cost of \$71,000 per West Lincoln household.

The condition of an asset is a key determinant as to when the asset needs to be replaced. The Asset Management process has allowed staff to consolidate all condition data into one database. Condition assessment information is compiled using either staff assessments or consultant assessments. Where neither is available, the age of the asset is used. At the end of 2021, 90% of the Townships assets are in Fair to Very Good condition.

The Asset Management Plan highlights that to meet full funding of assets; the Township's average annual capital requirement is \$12.7 million. Based on current funding of approximately \$2.9 million, there is a funding deficit of \$9.8 million. This translates to \$1,800 per household. This is important information to keep in mind as the Township approves future budgets.

As we progress along the Asset Management roadmap, staff will continue to track Current Levels of Service and commence the process of evaluating Proposed Levels of Service. In 2025, the Asset Management Plan will need to be updated to take into account the proposed levels of service and what will be required to meet this proposed level of service, including the funding impact.

FINANCIAL IMPLICATIONS:

As outlined above, the average annual capital requirement needed to ensure full funding for our asset replacements is \$12.7 million. This is a substantial figure and it will take some time for the Township to reach that funding target. At present, capital funding is approximately \$2.9 million on an annual basis. This funding is a combination of transfers from the operating fund (tax levy) grants and user fees. It is important to note that in 2022, the Township's base tax levy was \$8,351,670. Serious consideration must be taken in future Township budgets to increase the allocation to Capital funding. The Asset Management Plan is recommending an annual levy increase of 5% or \$417,600 annually. This increase would be necessary for full funding to be achieved. Staff recognize that this annual increase may be unattainable and the Township may have to compromise with less than full funding. Project prioritization and evaluation of desired levels of services will be key factors in managing the financing strategy. In addition, the Asset Management Plan is always evolving and new information regarding condition and replacement costs makes the annual funding requirement a dynamic figure.

INTER-DEPARTMENTAL COMMENTS:

The Asset Management Plan is the result of years of collaboration between all departments within the Township. A significant contribution came from Public Works, Parks, Facilities and Engineering, as these departments manage the bulk of Township assets. The Asset Management and GIS Coordinator compiled data from numerous sources, updated mapping and ensured that our Citywide database was accurate. The Asset Management Plan is a living document and revisions and updates will continue to be made as additional information is obtained.

The Township has an Asset Management Working Group that meets to discuss and work together on items that affect the Asset Management Plan. Going forward this will ensure that the Asset Management Plan will continue to evolve in an integrated manner. The members of the Asset Management Working Group include the following:

- Director of Finance
- Director of Public Works and Recreation
- Engineering Services Coordinator
- GIS and Asset Management Coordinator
- Manager of Operations
- Manager of Parks, Recreation and Facilities

The Director of Public Works and Recreation and the CAO reviewed this report.

CONCLUSION:

Staff recognize the support that Council has provided to ensure that the requirements of Ontario Regulation 588/17 are being met. The finalization of this Asset Management Plan is a key step in the Asset Management roadmap. Asset Management at the Township is a continuous process, where information is continually changing. The plan attached as Schedule B to this report highlights the current replacement cost of assets and the overall condition. It also recommends that more funds will need to be allocated to Township Capital needs in future budgets.

Prepared & Submitted by:



Donna DeFilippis
Director of Finance/Treasurer

Approved by:



Bev Hendry
CAO