

DATE: October 21, 2024

REPORT NO: T-22-2024

SUBJECT: **2024 Asset Management Plan**

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Katelyn Repovs, CPA, CA Manager of Finance and Deputy Treasurer

OVERVIEW:

- Attached to this report is the Township’s 2024 Asset Management Plan
- The attached plan meets the requirements of Ontario Regulation 588/2017
- This Asset Management Plan includes both core and non-core assets, with a total estimated replacement cost of \$474.3 million
- The average annual capital requirement needed to ensure full funding for our asset replacements is \$13.3 million
- At present, current capital funding is approximately \$3.3 million
- An annual levy increase of 4.2% each year, for the following 20 years would be necessary to ensure full funding

RECOMMENDATION:

1. That, Recommendation Report T-22-2024 titled “2024 Asset Management Plan” dated October 21, 2024, be received; and,
2. That, Council approves the Township of West Lincoln’s 2024 Asset Management Plan, attached as Schedule B; and,
3. That, Council directs Administration to include the Financial Strategy Recommendations of the Asset Management Plan in future budget deliberations.

ALIGNMENT TO STRATEGIC PLAN:

- **Theme #4: ADVANCE organizational capacity and effectiveness:** Through proactive asset management, we will continue to care for our assets and strategically invest and manage our reserves in order to ensure our assets are in a suitable condition in order to provide the services the community expects.

BACKGROUND:

Over the years there have been several key pieces of legislation that have guided the Asset Management process at the Township. In 2012, the Municipal Infrastructure Investment Initiative (MIII) was established, which required municipalities to complete an Asset Management Plan (AMP) on core infrastructure assets (roads, bridges & culverts, water and wastewater assets). In 2014 the Federal Gas Tax agreements were renewed, which required Ontario municipalities to complete and implement an AMP by the end of 2016. In 2015, the Government of Ontario passed the Infrastructure for Jobs and Prosperity Act (Bill 6), which had the effect of regulating asset management planning at the local level. This resulted in O. Reg. 588/17: Asset Management Planning for Municipal Infrastructure being passed and taking effect in January 2018. This regulation requires municipalities to prepare strategic asset management policies, and a series of Asset Management Plans of increasing complexity, with deadlines starting July 1, 2019 and ending July 1, 2025. These deadlines, which were amended in March 2021 due to the COVID-19 Pandemic, include the following milestones:

- July 1, 2019: Strategic Asset Management Policy (to be updated every five years if necessary).
- July 1, 2022: Asset Management Plan for core assets (roads, bridges and culverts, water, wastewater, and stormwater management systems) that identifies the current levels of service and the cost of maintaining those levels of service.
- July 1, 2024: Asset Management Plan for all assets that identifies the current levels of service and the cost of maintaining those levels of service. **The Asset Management Plan presented this evening meets the requirements of this section of the legislation**
- July 1, 2025: Asset Management Plan for all assets and identifies proposed levels of service, activities that are required to meet proposed levels of service, and a strategy to fund these 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 personnel 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

Citywide Software is used to store and manage the Township's inventory database and is essential to the Asset Management System. This software is used by Administration 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.

Srilakshmi Gurunathan, GIS and Asset Management Coordinator, will be making a brief presentation this evening (see Schedule A to this report) highlighting key aspects of the Asset Management Plan.

CURRENT SITUATION:

The Asset Management Plan presented this evening (see Schedule B) meets all requirements outlined under Ontario Regulation 588/17 that was due July 1, 2024. 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 2023 Financial Statements indicate a historical cost of assets totalling \$148.8 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. Administration is continually updating replacement costs; as new information is available. At the end of 2023, the Township's asset has an estimated replacement cost of \$474.3 million. This works out to a replacement cost of \$87,470 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 consolidation of all condition data into one database. Condition assessment information is compiled using either internal assessments from administration or consultant assessments. Where neither is available, the age of the asset is used. At the end of 2023, 95% 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 \$13.3 million. Based on the current average annual funding of approximately \$3.3 million, there is a funding deficit of \$10.0 million. This translates to a funding deficit of \$1,860 per household. This is important information to keep in mind as the Township approves future budgets.

As we improve our Asset Management processes, administration 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 \$13.3 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 \$3.3 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 2024, the Township's base tax levy was \$9.7 million. 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 4.2% annually over 20 years. This increase would be necessary for full funding to be achieved. Administration recognize that this annual increase will take some time to reach 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, replacement costs and the addition of new assets makes the annual funding requirement a dynamic figure.

INTER-DEPARTMENTAL COMMENTS:

The Asset Management Plan is the result of continuous 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. Unfortunately, the group has not met regularly due to staffing challenges, however, Administration will ensure that this group is more formalized and has a consistent meeting structure. 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

CONCLUSION:

This report presents the 2024 Asset Management Plan to Council. Administration recognizes 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 Township's Asset Management practice. 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.

SCHEDULE(S):

Schedule A: 2024 Asset Management Plan presentation to Council

Schedule B: The Township of West Lincoln's 2024 Asset Management Plan

Prepared & Submitted by:

Donna DeFilippis, Director of Finance

Approved by:

Truper McBride, CAO