



Date: June 9, 2022

To: Mayor and Council

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RE: Asset Management Plan – Core Assets

Report No.: IED 2022 - 24

RECOMMENDED ACTION

1. That the Asset Management Plan for Core Assets as required by O.Reg. 588/17 as prepared by Watson & Associates Economists Ltd **BE APPROVED**; and,
2. That Administration **BE DIRECTED** to prepare a breakdown by asset category and prepare a funding strategy before the 2023 budget deliberation.

BACKGROUND

In 2012, the Province launched the municipal Infrastructure Strategy. As part of that initiative, municipalities and local service boards seeking provincial funding were required to demonstrate how any proposed project fits within a detailed asset management plan. In addition, asset management plans encompassing all municipal assets needed to be prepared by the end of 2016 to meet Federal Gas Tax (now the Canada Community-Building Fund) agreement requirements. To help define the components of an asset management plan, the Province produced a document entitled Building Together: Guide for Municipal Asset Management Plans. This guide documented the components, information, and analysis that were required to be included in municipal asset management plans under this initiative.

The Province's Infrastructure for Jobs and Prosperity Act, 2015 (I.J.P.A.) was proclaimed on May 1, 2016. This legislation detailed principles for evidence-based and sustainable long-term infrastructure planning. The I.J.P.A. also gave the Province the authority to guide municipal asset management planning by way of regulation. In late 2017, the Province introduced O. Reg. 588/17 under the I.J.P.A. The intent of O. Reg. 588/17 is to establish standard content for municipal asset management plans.

Specifically, the regulation requires that asset management plans be developed that define the current levels of service, identify the lifecycle activities that will be undertaken to achieve these levels of service, and provide a financial strategy to support the levels of service and lifecycle activities.

This plan has been developed to address the July 1, 2022 requirements of O. Reg. 588/17. It utilizes the best information available at this time.

DISCUSSION

The main objective of an asset management plan is to use a municipality's best available information to develop a comprehensive long-term plan for capital assets. In addition, the plan should provide a sufficiently documented framework that will enable continual improvement and updates of the plan, to ensure its relevancy over the long term.

The Town of Kingsville (Town) retained Watson & Associates Economists Ltd. (Watson) to update the Town's 2013 Asset Management Plan. With this update, the intent is to bring the Town's asset management plan into compliance with the July 1, 2022 requirements of Ontario Regulation 588/17 (O. Reg. 588/17).

The assets included in this iteration of the asset management plan are the core municipal assets which fall into the following asset classes:

- Roads;
- Bridges and structural culverts (structures);
- Water;
- Wastewater; and
- Stormwater.

FINANCIAL CONSIDERATIONS

\$45,000 funded by the Provincial Modernization Grant was included in the 2022 Public Works Capital Schedule to complete the Asset Management Plan. Watson and Associates Economists Ltd. were awarded the project for \$28,614.91 including HST burden.

Although a formal financial strategy is not required until July 1, 2025, it is important to understand the level of funding required to achieve a sustainable asset management model.

According to the 2022 Asset Management Plan (AMP), the total replacement value of the Town's core infrastructure amounts to \$609 million. Based on the estimated useful life of the assets, the **annual funding requirement is \$9,940,000**. This refers to the amount of money a municipality would have to put aside each year, to replace their assets at the end of their life.

Based on the 2022 budget, the Town is currently investing \$5,591,000 annually on core infrastructure which translates to an **annual funding deficit of \$4,349,000**.

Although this funding deficit is significantly less than the \$7,592,000 deficit reported in the 2013 AMP, it is still at a concerning level. In the short-term, the Town can delay

projects or utilize debt to address its funding gap, but this is not sustainable long-term strategy.

In addition to the existing funding deficit, municipalities are also facing rapidly increasing construction costs due to inflation. Given these challenges, it is imperative that the Town adopts appropriate reserve and user fee strategies to continue close this gap. This will require a long-term commitment to property tax and water & wastewater rate increases in excess of inflation.

Administration will provide a follow up report to Council with recommendations for lifecycle reserve strategies for each major asset category prior to the 2023 budget. The 2022 Development Charge study is also underway, which will help ensure that growth related infrastructure costs are paid for by development and are not a burden on the existing tax base.

ENVIRONMENTAL CONSIDERATIONS

Lifecycle funding replacement of core assets will result in timely and well-managed infrastructure replacement planning. It will contribute to a sustainable approach to minimize impacts on the Environment and mitigate concerns raised through Climate Change, and living documents such as Regulations and Guidelines.

CONSULTATIONS

Watson & Associates Economists Ltd.
Director or Financial & IT Services
Senior Management Team SMT

PREPARED BY:



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REVIEWED BY:



John Norton
Chief Administrative Officer

LINK TO STRATEGIC PLAN

To become a leader in sustainable infrastructure renewal and development.

Effectively manage corporate resources and maximize performance in day-to-day operations.

Link to Council 2021-2022 Priorities

- ☐ COVID-19 and the health and safety of the community
- ☐ Customer Service: Training, Technology, Staff, Review Standards/Level of service
- ☐ Housing: Affordability (lot sizes, developer incentives, second dwellings, density, etc.)
- ☐ Greenhouse: lights & dark sky, odours (site plan compliance, bylaws, other tools)
- ☐ Programming Increase: Youth and Seniors
- ☐ A development plan for Downtown Kingsville / Main Street
- ☐ Financial savings: Schools closings, Migration Hall
- ☐ Economic Development: strengthen tourism/hospitality
- ☐ COVID - economic recovery
- ☐ Communications: Strategy – Policy (social media), Website refresh and other tools, Public engagement
- ☐ Housing: Migrant Worker Housing – Inspections (Building/Fire), regulate, reduce, or increase
- ☐ Committees / Boards: Review and Report
- ☐ Policy Update: Procedural Bylaw
- ☐ Economic Development: diversify the economy, create local jobs, industrial, Cottam
- ☐ Infrastructure (non-Municipal): Union Water expansion & governance
- ☒ Infrastructure (Municipal): Asset Management Plan update, the infrastructure funding deficit
- ☐ No direct link to Council priorities