



The Corporation of the Town of Tecumseh

Public Works & Engineering Services

To: Mayor and Members of Council

From: Phil Bartnik, Director Public Works & Engineering Services

Date to Council: November 26, 2024

Report Number: PWES-2024-59

Subject: 2024 Asset Management Plan Update (version 4)

Recommendations

It is recommended:

That report PWES-2024-59 Asset Management Plan Update (version 4) **be received**;

And that, following a review period, Administration **bring forward** a report to Council on December 10, 2024 recommending the adoption of the updated Asset Management Plan (version 4).

Executive Summary

In 2012, the Province of Ontario published 'Building Together: Guide for Municipal Asset Management Plans' ('Building Together') to encourage and support municipalities in Ontario to develop Asset Management Plans in a consistent manner. In 'Building Together', the province required that:

- Municipalities seeking provincial capital funding must submit a detailed asset management plan
- Asset management plans must include condition assessments, desired levels of service, asset management strategies and financing strategies
- Council receives and approves the asset management plan

- Council considers the plan during budget deliberations
- The plan be updated as needed over time.

Council adopted the Town's first Asset Management Plan (v.1) at the December 10, 2013 Regular Meeting of Council. Updates to the Town's Asset Management Plan (AMP) since initial adoption include:

- Data Verification Policy #82 (Motion: RCM-46/14)
- Asset Condition Assessment Policies #82.1 - 82.5 (Motion : RCM-46/14)
- AMP Update v.2 (Motion: RCM-157/18)
- Strategic Asset Management Policy #95 (Motion: RCM-177/19 and SCM-25/22)
- AMP Update v.3 (Motion: SCM-25/22)

The AMP is a living document. In collaboration between Public Works & Engineering Services, Financial Services, Technology & Client Services, and Community & Recreation Services, the Town's AMP has been updated in accordance with the Asset Management Planning for Municipal Infrastructure Regulation, Ontario Regulation (O. Reg.) 588/17. Once adopted by Council, the Town's AMP v.4 will replace v.3 in the annual budget process and preparation of the Town's Capital Works plans.

The projects contained within each asset's 10-year plan align, where possible, with the strategic priorities established by Council two years ago that were outlined in the Capital Priorities 2023 – 2031 Presentation delivered at the May 5, 2022 Special Meeting of Council (Motion: SCM-15/22).

Background

In December 2017, the Provincial Government passed Ontario Regulation 588/17 Asset Management Planning for Municipal Infrastructure (O. Reg. 588/17) to support improvements in municipal asset management.

O. Reg. 588/17 provides the authority for the Province of Ontario to regulate municipal asset management planning. It reflects the province's commitment to guide investments in public infrastructure that was first initiated in 2011 (and subsequently reconfirmed in 2017), when the province released 'Building Together' as its long-term infrastructure plan and strategic framework.

In March 2021, the Provincial Government amended O. Reg. 588/17 under O. Reg. 193/21 to adjust the reporting deadlines for asset management. The amended timelines are as follows:

1. July 1, 2019: Every municipality in Ontario must have a strategic asset management policy approved by Council. The policy is to be reviewed, and if necessary updated, at least every five (5) years.
2. July 1, 2022: Every municipality in Ontario must have an approved asset management plan for core infrastructure assets (water, wastewater, storm, water, roads, bridges and culverts) at the current levels of service.
3. July 1, 2024: Every municipality in Ontario must have an approved asset management plan for all infrastructure assets at the current levels of service.
4. July 1, 2025: Every asset management plan must include proposed levels of service for all infrastructure assets.

In addition, O. Reg. 588/17 requires that asset management plans and the strategic asset management policy be approved by a resolution passed by Council and made available to the public via the municipality's website and to persons who request a copy.

Public Works & Engineering Services staff along with Financial Services staff will be in attendance at the November 26, 2024 Regular Meeting of Council to present the 2024 Asset Management Plan Update (version 4). A copy of the Council Presentation is provided in Attachment 1. Over the next couple of weeks, we invite Council members to review the updated AMP and provide feedback to PWES, if desired. A report will be prepared for the Regular Council Meeting of December 10, 2024 requesting Council's consideration of adoption of AMP version 4. Administration acknowledges that the update was due in July, however due to workload, the update is delayed and staff is endeavouring to submit it to the Province within this calendar year.

Comments

2024 Asset Management Plan Update (version 4)

The Town's 2024 Asset Management Plan Update (AMP v4) covers a 10-year timeframe, from 2024 – 2033, that combines the state of infrastructure, current levels of service, asset management strategies, risk, future demands and emerging challenges and a financial summary of all municipal infrastructure assets.

The AMP plays a significant role in understanding current and proposed services being delivered, the costs to deliver them and the financial strategy to fund the necessary expenditures to achieve proposed levels of service. The AMP also helps prioritize capital projects and serves as an overarching guiding document for decision making processes.

Most municipal infrastructure assets are included in the AMP. AMP v4 covers the following assets:

- Water
- Bridges and Culverts
- Culverts (less than 3 metres)
- Town Buildings/Facilities*
- Wastewater
- Streetlights
- Roadways
- Information Technology*
- Stormwater
- Traffic Signals
- Fleet*
- Trees*

*These assets were added as part of the version 4 update.

Outstanding municipal assets not included in the 2024 AMP Update are:

- Parks amenities – playground equipment, small structures, fields and pathways
- Community trails

Asset categories are analyzed with respect to the state of local infrastructure, desired levels of service, asset management strategy, 10-year plans and annual funding requirement. All infrastructure assets within the 2024 AMP Update include data related to levels of service and lifecycle activities including the risk associated with such.

State of local infrastructure include asset type, financial accounting valuation and replacement cost, asset age distribution and as a percentage of useful life, and asset condition assessed according to standard engineering practices.

Desired levels of service are defined through levels of service statements and performance measures. These statements and measures include qualitative and quantitative data established based on tables within O. Reg. 588/17 and any metrics established by the Town.

Lifecycle activities include the activities related to managing assets, such as maintenance; repair; rehabilitation and disposal. These are costs associated with assets over their useful lifespans. There are also risks associated with completion, delaying, and incompletion of each lifecycle activity. This is detailed within the asset management strategy section of each asset.

Asset management strategy details planned lifecycle activities that will enable the assets to deliver the desired level of service in a sustainable way at the lowest lifecycle cost while managing risk.

Expenditure requirements for the next 10-year period are detailed by asset category. Corporate strategic priorities, engineering studies, department five-year capital plans and asset category integration are all considered in developing the 10-year plans.

The annual funding requirement is the average annual expenditure by asset category over the next 10 years. Expenditures are based on current costs plus an annual inflationary factor of 2%.

AMP Financing

The following chart summarizes the annual funding by asset category as compared to the average annual requirement over the AMP planning period.

Average Annual Funding

Category	Avg Annual Requirement	General Tax & Rates	Grant Funding	Total	Surplus/ (Deficit)
Roadways	6,924,048	3,295,301	3,642,794	6,938,094	14,046
Bridges & Culverts	524,004	461,844	-	461,844	(62,160)
Stormwater	9,164,520	3,152,000	4,004,676	7,156,676	(2,007,844)
Water	6,049,340	2,118,009	822,436	2,940,445	(3,108,895)
Wastewater	10,133,610	2,745,343	4,382,755	7,128,098	(3,005,512)
Fleet	1,688,970	877,000	100,000	977,000	(711,970)
Building - Facilities	512,360	220,000	-	220,000	(292,360)
ITS Infrastructure	186,365	175,000	-	175,000	(11,365)
Trees	30,000	30,000	-	30,000	-
Total	35,213,217	13,074,497	12,952,661	26,027,158	(9,186,059)

The Average Annual Requirement includes:

- Capital expenditures, including replacement and growth, for the tax-supported categories of Roadways, Bridges & Culverts, Stormwater, Facilities, IT and Fleet
- Capital expenditures, including replacement and growth, for the rate-supported categories of Water and Wastewater. (As per the Rate Study model, user rate allocations must be sufficient to ensure full cost recovery of the Water and Wastewater systems)

General Tax & Rate funding includes:

- Average annual budget allocations to specific asset categories from the Town's Lifecycle program (held static throughout the 10-year plan time frame at 2024 approved budget levels)
- 80% of New Infrastructure Levy (NIL), or \$1.88M annually, applied to Storm in consideration of the significant amount of new storm infrastructure contemplated in the plan. The NIL annual allocation is held constant at \$2.35M for this plan
- User rate allocations for Water and Wastewater asset categories

Other funding includes:

- Recognition of grant funding that has been awarded
- Development Charge revenues, where eligible, based on gradual build-out of the Town's three primary development areas
- Part XII recoveries from property owners where applicable

In total, the Town's AMP annual funding requirement is approximately 74% achieved for the 10-year period of this plan when considering all sources of known funding. General tax rate and User rate funding satisfies 37% of the full requirement.

This assumes that water and wastewater user rate funding will be adjusted in accordance with the 2023 Water and Wastewater Rate Study. The study extends to 2032. Annual funding for the years 2028-2033 is held constant at 2027 levels.

Long-Term Debt is another financing consideration that is discussed in the plan and available to the Town.

The Town's Lifecycle program, NIL and 2023 Water and Wastewater Rate Study are well established programs. There are, however, significant growth projects planned within the 10-year timeframe that may necessitate greater funding increases, use of debt financing and/or consideration of project deferrals.

A full copy of the 2024 Asset Management Plan Update (version 4) can be found on the Town's website [here](#).

Consultations

Community & Recreation Services
Financial Services
Technology & Client Services
Dillon Consulting Limited

Financial Implications

The Town of Tecumseh owns infrastructure assets with a total replacement cost of \$1.36B.

Municipal taxes, through the Lifecycle program, and water/wastewater user rates are the main funding sources for the maintenance and replacement of these assets. Municipal taxes, through the New Infrastructure Levy, and Development Charges are the main funding sources for new/enhanced assets.

Other important sources of revenue include Grant funding, Landowner contributions and Long-term debt.

Projected expenditures are based on strategic priorities, planning studies, engineering studies, forecasting models and asset management strategies (maintenance, rehabilitation and replacement programs). Detailed 10-year plans can be found in the appendices of the AMP. Expenditure amounts are based on current costing models plus an annual inflation factor of 2%.

The 2024 AMP identifies an annual funding deficit of \$9.2M for the 10-year planning period. Stated differently, the annual funding requirement is currently 74% achieved, leaving an annual funding shortfall of 26%.

Assumptions used in the development of the financing model are discussed in depth in Section 13 of the AMP. Notably, the model incorporates:

- \$53M of Development Charge revenue and \$12.7M in Part XII recoveries, employing estimates for the timing and magnitude of development, which are typically beyond the control of the Town and any variation can impact projections significantly both positively and negatively;
- No assumptions for Grant funding in addition to that which has officially been awarded to date;
- No new Long-term debt issued. The Town's current Debt Servicing Cost as a percentage of Total Revenues is approximately 3%, which is considered Low Risk (Ministry of Municipal Affairs and Housing); and
- Annual contributions to the Town's Lifecycle program (LC) and NIL are held static at current 2024 levels for the AMP timeframe. This is done so that an annual deficit can be calculated. The Town has increased budget allocations to LC and NIL every year for the past 20 years.

The annual budget process will reference the AMP, along with many other factors, when determining capital expenditures, appropriate budget levels and funding options.

Continued financial commitment to the Lifecycle program, New Infrastructure Levy and Water/Wastewater Reserve Fund contributions are imperative as well as to the continued employment of Development Charges.

A vital component of the financing strategy is Senior Government Grants. The Town will continue to urge senior levels of government to adopt a multi-year stable grant determination system to allow municipalities to be able to plan for government support with some degree of reliability.

Applicable	<u>2023-2026 Strategic Priorities</u>
<input checked="" type="checkbox"/>	Sustainable Growth: Achieve prosperity and a livable community through sustainable growth.
<input type="checkbox"/>	Community Health and Inclusion: Integrate community health and inclusion into our places and spaces and everything we do.
<input type="checkbox"/>	Service Experience: Enhance the experience of Team Tecumseh and our citizens through responsive and respectful service.

Communications

Not applicable

Website

Social Media

News Release

Local Newspaper

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

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Reviewed by:

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Director Public Works & Engineering Services

Recommended by:

Margaret Misek-Evans, MCIP, RPP
Chief Administrative Officer

Attachment Number	Attachment Name
1	2024 Asset Management Plan (version 4) – Council Presentation