

## Staff Report

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**Report To:** City Council  
**Report From:** Sheyenne Hooghiem, Capital Asset and Risk Management Coordinator  
**Meeting Date:** July 25, 2022  
**Report Code:** CR-22-076  
**Subject:** 2022 Asset Management Plan – Core Assets

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### Recommendations:

THAT in consideration of Staff Report CR-22-076 respecting 2022 Asset Management Plan – Core Assets, City Council approves and endorses the City's 2022 Asset Management Plan for Core Assets.

### Highlights:

- Development of a 2022 Asset Management Plan (AMP) for Core Assets meets the legislative requirements under Ontario Regulation 588/17
- Additional asset categories will continue to be added to the City's AMP until the plan includes all asset classes
- Current replacement cost of the City's core assets is over \$1.1 billion
- Average annual investment required is \$45.6 million; however, only about half (\$23.3 million) is currently anticipated to be funded
- Main source of infrastructure deficit is from the capital component, not operating

### Strategic Plan Alignment:

This report supports the delivery of Core Service.

## **Previous Report/Authority:**

[2014 City of Owen Sound Asset Management Plan](#)

## **Background:**

While asset management is not a new concept to Owen Sound, the City is still at a fairly early maturity stage in terms of formal asset management planning. The City has a vast amount of institutional knowledge due to the expertise of long-time staff; however, the City is currently working on documenting this knowledge in a more consistent and formalized manner as well as integrating all of its key planning documents with its asset management plan (AMP).

The City's last formal asset management plan was developed in 2014 to meet the requirements set out under the Municipal Infrastructure Investment Initiative Program. This AMP addressed roads, bridges, stormwater, water, and wastewater systems; however, it did not consider all asset components within these asset classes (i.e. it did not consider water or wastewater treatment plants, etc.). The completion of this plan allowed the City to qualify for future Provincial funding programs and acted as a tool to allocate other funding sources to renewal projects in the most efficient and cost-effective manner.

Since that time, the City actively engaged in asset management processes and made updates to asset data (such as age, condition, replacement cost, etc.); however, no comprehensive formal AMP has been in place since the 2014 plan.

More recently, in 2019, the City completed the first phase of requirements under Ontario Regulation 588/17 (O. Reg. 588/17) by developing a Strategic Asset Management Policy that outlines the municipalities goals, policies, and plans related to asset management as well as other key overall strategic visions for asset management. This Strategic Asset Management Policy was reviewed and approved by Council in 2019.

In order to adhere to the second phase of O. Reg. 588/17, the City completed an AMP for core assets in July 2022. The scope and elements of this AMP were dictated by O. Reg 588/17, and the plan includes data on the following asset classes: *Road Network, Bridge Network, Stormwater Network, Water Network, and Wastewater Network.*

Additional asset categories, such as recreation and administration facilities, fleet and machinery, traffic and street lighting, parks amenities, trails, paved areas, information technology, and other equipment will continue to be added to this plan to meet the requirement to have an AMP for all assets by July 2024.

Once complete, the City's AMP will be an integral part of the City's operations. The AMP will feed the long-range financial plan of the City and assist the City in achieving its strategic goals. With the knowledge and support of the community, Council and staff will make decisions that ensure the long-term sustainability of the City.

## **Analysis:**

The ability for the City to provide services to the community relies on the existence of a network of assets and is restricted by the condition that those assets are in. Choosing a financially sustainable level of service and maintaining, rehabilitating and replacing assets in order to meet that level of service in the most cost-effective manner is not only important for the fiscal health of the community, but it also is at the core of what asset management is all about.

*Asset management* is the coordinated activity in place to manage the way in which the City realizes value from its assets in order to provide services effectively and in a financially sustainable manner. It helps to reduce risk and allows municipalities to provide reliable and affordable services to residents of the community while ensuring the needs and expectations of current and future users are being met.

Building upon the City's Strategy Asset Management Policy that was created in 2019, the City has developed this asset management plan to cover its core assets. This plan details information about the City's core assets and the actions required to provide an agreed-upon level of service in the most cost-effective manner while managing known risks.

The City's core assets have a combined replacement value of over \$1.1 billion.

The City's asset management plan measures the current performance of assets against criteria determined by the Province and by the City. The expectations of users of the City's services, along with the performance of these assets, can be thought of as *Levels of Service*. Levels of service

describe what people experience from a municipality's infrastructure. Levels of service may be either qualitative or quantitative in nature. For the purposes of this asset management plan, only the City's current levels of service have been considered; however, for future iterations of the plan proposed (or target) levels of service will also be considered.

The current plan highlights the lifecycle activities and associated costs that are required to maintain the current level of service. As with anything, there is a certain level of risk associated with any actions (or inactions) the City takes. Risks and the City's current risk profile for its core assets are also briefly discussed in this plan.

In order to maintain the current levels of service provided, the City requires an average annual investment of \$45.6 million; however, given the current and expected upcoming capital and operating budgets, only roughly half (51.0%) of this amount is anticipated to be funded. The City has an expected infrastructure deficit of \$22.3 million per year. The annual requirement for operations is nearly, if not fully, funded in all asset categories with the exception of the bridge network. Therefore the large majority of this infrastructure deficit is the result of capital shortfalls. If more money is not put into the capital budget, the City can expect this funding shortfall to continue to grow and accumulate, putting the City at risk of not being able to provide the current levels of service.

The City plans to put a strong focus on ensuring the alignment between the asset management plan and the City's multi-year budgets and long-range financial plans in an effort to manage the existing infrastructure deficit.

## **Financial Implications:**

Considering both capital and operating requirements and budgets, the City's current annual average funding deficit is \$22.3 million.

This annual average deficit considers both capital (renewal) and operating (operations/maintenance) investment and takes into consideration any backlog (assets beyond their estimated useful life).

The City should ensure that its asset management plan/strategy and financial strategy/budgeting process are aligned so the funding gap can be appropriately understood and managed.

## **Communication Strategy:**

This report to Council.

## **Consultation:**

Director of Corporate Services, Engineering Staff, Public Works Staff

## **Attachments:**

1. 2022 Asset Management Plan – Core Assets
2. PPT Presentation – 2022 Asset Management Plan – Core Assets

## **Recommended by:**

Sheyenne Hooghiem, Capital Asset and Risk Management Coordinator

Kate Allan, Director of Corporate Services

## **Submission approved by:**

Tim Simmonds, City Manager

For more information on this report, please contact Sheyenne Hooghiem, Capital Asset and Risk Management Coordinator at [shooghiem@owensound.ca](mailto:shooghiem@owensound.ca) or 519-376-4440 x 1253.