

Staff Report

Report To: Corporate Services Committee
Report From: Sierra Patino, Capital Asset & Risk Management
Coordinator
Meeting Date: November 14, 2024
Report Code: CR-24-124
Subject: 2024 Asset Management Plan for Non-core Assets

Recommendations:

THAT in consideration of Staff Report CR-24-124 respecting 2024 Asset Management Plan for Non-core Assets, the Corporate Services Committee recommends that City Council:

1. Approve the City's 2024 Asset Management Plan for Non-Core Assets; and
2. Direct staff to bring forward a by-law to adopt the plan as attached to the report.

Highlights:

- Development of the 2024 Asset Management Plan (AMP) for Non-core Assets meets the legislative requirements under Ontario Regulation 588/17.
- Current replacement cost of the City's Non-core assets is over \$297.2 million.
- Average annual investment required is \$10.9 million; however, only 46% (\$ 5.0 million) is currently anticipated to be funded.
- The forecasted 10-year deficit, if funding were to be maintained at its current level of service is 65.4 million.
- The main source of infrastructure deficit is from the capital component, not operating.

Strategic Plan Alignment:

This report supports the delivery of Core Service.

Climate and Environmental Implications:

This supports the objectives of the City's Corporate Climate Change Adaptation Plan by considering climate adaptation in the development of the City's strategies, plans, and policies.

Previous Report/Authority:

[City of Owen Sound 2022 Asset Management Plan for Core Assets](#)

Background:

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.

While asset management is not a new concept to Owen Sound, the City is still at an early maturity stage in terms of formal asset management planning levels of readiness. 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 building its asset databases, including condition data.

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 municipality's goals, policies, and plans related to asset management as well as other key overall strategic visions for asset management. This Policy was reviewed and approved by Council in 2019. This Policy will be updated in 2025.

The City completed the second phase of O. Reg. 588/17, by completing an AMP for core assets in July 2022. The scope and elements of this AMP was dictated by O. Reg 588/17, and the plan includes Road Network, Bridge Network, Stormwater Network, Water Network, and Wastewater Network

assets. This Plan identified that the replacement values of these assets was \$1.1 Billion and that the City had an annual funding gap of over \$22 Million.

The 2024 AMP is the next requirement for Asset Management Planning and includes the City's non-core assets for the following categories:

- Corporate Facilities
- Fire and Emergency Services
- Information Technology
- Arenas and Recreation Centres
- Parks & Open Spaces; and
- Non-Core Road Network

Within each category, supporting fleet and facilities are included, where applicable, in order to confirm the assets that are required to deliver the necessary services.

The next requirement of O. Reg 588/17 is to combine both the core and non-core AMPs into one AMP that allows for the City to utilize the information contained within both plans and develop levels of service that are aligned with the City's strategic objectives, service requirements and financial resources.

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 of 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 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 asset management.

The non-core asset management plan includes information about the City's non-core assets and the actions required to maintain the current level of service for various asset classes. The City's non-core assets have a combined replacement value of over \$297.2 Million.

State of the Infrastructure

The non-core asset management plan measures the current condition of assets at a basic level, with the majority of assessments being based on remaining useful life due to lack of formal condition assessments. This method is not ideal as it is based on age-only and does not reflect usage, maintenance, or other factors that can more accurately assess condition.

Additionally, the plan employs an overall condition rating method that lacks weighting, thereby risking significant inaccuracies in reflecting the true state of municipal assets. For instance, a high-value asset such as a multi-million-dollar facility in good condition is assessed with the same influence as a significantly smaller-scale asset that might be in very poor condition.

The combination of the lack of data and condition information can significantly distort the portfolio's perceived health and has projected a very unfavourable outlook on the City's non-core asset portfolios. It is very important that the City continues to enhance its asset databases with accurate data so that age is not the only factor in determining condition.

Levels of Service

Levels of Service for non-core assets were not provided to the City like they were for the core assets in the 2022 Asset Management Plan. Staff have attempted to incorporate industry related levels of service but there have been very few shared documents regarding standardized requirements across Ontario. Staff have included a very basic level of service for the non-core asset management plan of reporting on the number of assets in a good or very good condition, as this is one of the most basic expectations from the users of City assets and services.

Asset Management Strategies

The current plan highlights the lifecycle activities and associated costs that are utilized by the City to maintain the current level of service. Operating budgets generally include non-infrastructure and maintenance solutions and are often aggregated into business units and not activities. Rehabilitation, replacement, and expansion activities are included in capital budgets and include capital detail sheets with proposed funding.

As with anything, there is a certain level of risk associated with any actions (or inactions) the City takes. Risks associated with lifecycle activities are briefly discussed in the plan.

Financing Strategies

To maintain the current levels of service provided through non-core assets, the City requires an average annual investment of \$10.9 million; however, given the current and expected upcoming capital and operating budgets, only less than half (46%) of this amount is anticipated to be funded. The City has an expected infrastructure deficit of \$5.9 million per year. The annual requirement for operations is nearly, if not fully, funded in all asset categories which is reflected in each AMP. 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 maintain the current levels of service.

The forecasted 10-year deficit, if funding were to be maintained at its current level of service is \$65.4 million.

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.

Asset Management Planning Recommendations

The City has continued to manage its asset management program through internal resources and has taken advantage of the ability to use Ontario Community Infrastructure Fund towards offsetting staff costs. This allows staff to maintain the ownership of the program and continue to develop it towards a program that is fully integrated with City operations and financial decision making. Other municipalities have contracted these services out and are provided with documents that meet legislated requirements but are not integrated into operations.

City staff are aware of the impacts that limited data has had on the City's two asset management plans and have included recommendations in the asset report cards and executive summary to continue to enhance data, condition, and levels of service in order to develop a plan that better reflects the City's strategic priorities and allows it to be properly integrated. The 2024 Asset Management Plan, while not as comprehensive as staff would

like, is being submitted in order to maintain compliance with O. Reg. 5881/7 but will continue to be refined on an annual basis.

Financial Implications:

Considering both capital and operating requirements and budgets, the City's current annual average funding deficit is \$5.9 million.

This annual average deficit considers both capital (renewal) and operating (operations/maintenance) investment.

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.

Failure to approve and endorse the 2024 asset management plan for non-core assets will not allow the City to meet the requirements of O. Reg. 588/17 and will have a negative impact on the City's ability to apply for and receive Federal and Provincial Funding.

Communication Strategy:

Staff are currently developing their 2025 annual work plans. The work plan for the City's asset management staff will include a levels of service workshop that will include public and Council feedback. Further details will be reported at a later date.

The 2024 asset management plan for non-core assets will be posted to the City's website.

Consultation:

Divisional Managers
Grey-Bruce Asset Management Steering Committee

Attachments:

Attachment 1 – 2024 Asset Management Plan – Non-core Assets

Attachment 2 – Asset Management Plan – Arenas & Recreation Centres

Attachment 3 – Asset Management Plan – Corporate Facilities

Attachment 4 – Asset Management Plan – Fire & Emergency Services

Attachment 5 – Asset Management Plan – Information Technology

Attachment 6 – Asset Management Plan – Parks & Open Spaces

Attachment 7 – Asset Management Plan – Non-Core Road Network

Recommended by:

Kate Allan, Director of Corporate Services

Bradey Carbert, Manager of Corporate Services

Submission approved by:

Tim Simmonds, City Manager

For more information on this report, please contact Bradey Carbert, Manager of Corporate Services at bcarbert@owensound.ca or 519-376-4440 ext. 1240.