



Staff Report

Report To: Rebekah Msuya-Collison, Chief Administrative Officer/Deputy Clerk

From: **Julia Warwick, Director of Financial Services/Treasurer**

Date: June 17 2024

Report: FIN11-2024

Subject: Asset Management Plan 2024

Recommendations:

That the South Huron Council receives the report from Julia Warwick, Director of Financial Services/Treasurer re: Asset Management Plan 2024, and

That Council adopts the Asset Management Plan 2024 as presented, and

That Council direct staff to incorporate the financial strategy recommendations from the Asset Management Plan 2024 in future financial planning and long-term budgeting for Council's consideration.

Purpose:

Approval.

Background and Analysis:

Since the launch of the Municipal Infrastructure Strategy in 2012, the Province has required municipalities requesting infrastructure funding to demonstrate a progressively greater commitment to asset management planning. The Infrastructure for *Jobs and Prosperity Act*, 2015, was proclaimed on May 1, 2016, and includes an authority for the Province to

regulate municipal asset management planning. On December 2017, O.Reg. 588/17 was released which further regulates asset management planning for municipal infrastructure.

The regulation is broken down into distinct phases that will require compliance between July 2019 and July 2025. A summary is listed below:

Completion Date	Title	Description
July 1, 2019	Strategic Asset Management Policy	Requires municipalities to outline commitments to best practices and continuous improvement. This policy must be reviewed every 5 years.
July 1, 2022	Asset Management Plan – Core Municipal Infrastructure Assets	For Core Assets: Inventory of core assets, Current levels of service measured by standard metrics and costs to maintain levels of service.
July 1, 2024	Asset Management Plan – All Municipal Infrastructure Assets	All Infrastructure Assets: Inventory of all infrastructure assets, Current levels of service measured by standard metrics and costs to maintain levels of service.
July 1, 2025	Asset Management Plan – All Municipal Infrastructure Assets with Proposed Levels of Service	Expansion of AMP to include: <ul style="list-style-type: none"> - Proposed levels of service - Lifecycle management and Financial Strategy

South Huron adopted By-law #23-2019 on March 4, 2019 being a by-law to adopt our Strategic Asset Management Policy. On April 6, 2021, Council passed resolution #103-2021 which adopted the 2021 Asset Management Plan for Core Municipal Infrastructure Assets.

In April of 2023 Council approved the engagement of PSD Citywide Inc. (PSD) to assist in updating the municipal asset management plan (AMP) to meet the regulatory requirements for July 1, 2024. Staff have been working

with PSD throughout 2023/2024 and have now completed an updated AMP that will satisfy the July 1, 2024 requirements as set out in O.Reg. 588/17.

South Huron has \$668.6 million in tangible capital assets with \$360.5 million funded from tax revenue and \$308.1 million funded from user rate revenue. Although South Huron continues to annually commit funds to the upgrade and/or replacement of our tangible capital assets, including the commitment to capital replacement reserves, the AMP reflects a funding deficit. South Huron is not alone in this situation, municipalities across the province are struggling to reach a sustainable financial strategy.

Of South Huron's total assets, 55% of all assets analyzed in this AMP are in fair or better condition. In recent years, South Huron has been working towards obtaining and/or updating condition data and now has assessed condition data available for 48% of assets, up from 24% in the last AMP. For the remaining 52% of assets, assessed condition data was unavailable, and asset age was used to approximate condition – a data gap that persists in most municipalities. Generally, age misstates the true condition of assets, making assessments essential to accurate asset management planning, and a recurring recommendation that is noted in this AMP. Incomplete or limited asset conditions can mislead long-term planning and decision making. Accurate and reliable condition data helps to prevent premature and costly rehabilitation or replacement and ensures that lifecycle activities occur at the right time to maximize asset value and useful life. Assessed condition data is invaluable in asset management planning as it reflects the true condition of the asset and its ability to perform its functions. Based on asset age, available assessed condition data and estimated useful life, 22% of the Municipality's assets are projected to require replacement within the next 10 years.

Operational Considerations:

Recommendations throughout the AMP to further develop South Huron's asset management program include:

Recommendation Category	Recommendation Details
Asset Inventory	Continue to review and validate Inventory Data, Assessed Condition Data, and Replacement Costs
Condition Assessment Strategies	Develop/continue implementing Condition Assessment Strategy for all Asset Categories <ul style="list-style-type: none"> - South Huron has dedicated approximately \$100,000 each year for the past 6 years to enhance condition information

	<ul style="list-style-type: none"> - South Huron recently conducted a State of Road Infrastructure Study in 2021 to gather condition information on the Road Network, including Sidewalk conditions. - South Huron conducted a Fire Master Plan in 2021 that gathered condition information on Fire department assets. - South Huron conducted a Building Condition Assessments project in 2023/2024 to gather condition information on Facilities - South Huron is currently drafting a Fleet Management Strategy which will formalize internal policies for regular condition assessments of Rolling Stock <p>Review assets that have surpassed their estimated useful life to determine if replacement is required. Adjust service life/condition ratings accordingly.</p>
Lifecycle Management Strategies	<p>Document and review lifecycle management strategies</p> <p>Continue performing the identified lifecycle management strategies, implement new and evaluate their efficacy</p>
Risk Management Strategies	<p>Continue utilizing existing strategies where applicable and implement new strategies, as necessary.</p> <p>Continue utilizing/implement risk-based decision-making as well as review risk models and adjust as necessary</p>
Levels of Service (LOS)	<p>Continue to measure current levels of service metrics for all assets</p> <p>Identify proposed levels of service for all assets and identify the strategies that are required to close any gaps</p>

Financial Impact:

South Huron has nearly \$668.6 million in tangible capital assets giving an annual capital requirement of \$14.3 million to fund these assets for replacement. This AMP shows that South Huron is currently committing approximately \$6.8 million each year towards capital projects from sustainable revenue sources. Given the annual requirement and the current revenue commitment, South Huron currently has an annual funding deficit of \$7.5 million towards its capital assets.

This AMP is being presented to council with recommended time frames for eliminating the annual infrastructure gap. To achieve a sustainable level of funding, as well as close the infrastructure gap, the following rate increases are recommended:

- 1.5% Tax Revenue increase each year for the next 20 years
- 2.0% Water rate increase each year for the next 15 years¹
- 1.7% Sewer rate increase each year for the next 15 years¹

¹ Please note that a comprehensive Water and Wastewater Rate Study is being completed in 2024. This study will incorporate findings from this Asset Management Plan, which examines replacement of existing assets only, to propose a comprehensive fee structure that not only looks at replacement of existing assets but also incorporates future operating and capital planning considerations.

Legal Impact:

Ontario Regulation regulates asset management planning for municipalities. Specific timelines are identified in the regulation that must be met.

Staffing Impact:

Staff resources have been approved in the 2024 budget. There is a significant amount of staff time that is dedicated to the enhancement of the asset management data to assist in long term financial planning.

Communication Actions:

The Asset Management Plan will be made available to the public on the website as required by the regulation.

Policies/Legislation:

- O. Reg. 588/17

Consultation:

Rebekah Msuya-Collison, Chief Administrative Officer

Don Giberson, General Manager of Infrastructure and Development

Related Documents:

- Asset Management Plan 2024 (attached to PSD Asset Management Plan Presentation)

Respectfully submitted,

Julia Warwick, Director of Financial Services/Treasurer

Report Approval Details

Document Title:	FIN11-2024 - Asset Management Plan 2024.docx
Attachments:	
Final Approval Date:	Jun 13, 2024

This report and all of its attachments were approved and signed as outlined below:

Alex Wolfe - Jun 13, 2024 - 2:00 PM

Rebekah Msuya-Collison - Jun 13, 2024 - 2:19 PM