



THE CORPORATION OF THE TOWN OF AMHERSTBURG

OFFICE OF THE CAO

Mission Statement: As stewards of the Town of Amherstburg, we strive to improve the quality of life of all residents through the delivery of effective, efficient, and affordable services.

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Author's Phone: 519 736-0012 ext. 22778	Date to Council: July 8, 2024
Author's E-mail: mdouglas@amherstburg.ca	Resolution #:

To: Mayor and Members of Town Council

Subject: 2024 Asset Management Update

1. RECOMMENDATION:

It is recommended that:

1. The 2024 Asset Management Update report dated June 13, 2024 **BE RECEIVED** for information and;
2. The Risk Assessment Tool outlined in Appendix A of the 2024 Asset Management Update report dated June 13, 2024 **BE APPROVED** for use for assessing corporate asset risk and;
3. The development of the 2025 Asset Management Plan (AMP) **BE AFFIRMED** as:
 - a. Asset data be updated as defined in this report;
 - b. Risk be applied based on the Risk Matrix recommended for approval in this report and;
 - c. Levels of Service targets to remain as defined in the 2022;
4. The development of the 2025 Asset Management Plan (AMP) **BE ALIGNED** with the recommendations from the Audit and Finance Advisory Committee which were approved by Council on June 25, 2024, as:
 - a. Administration develop 10, 15 and 20 year models for new re-investment rates based on the 2025 asset management plan and that it be brought back to the Audit and Finance Advisory Committee for their review and recommendation to Council.

2. BACKGROUND:

There have been many obligations associated with Ontario Regulation 588/17 *Asset Management Planning for Municipal Infrastructure* since its adoption in 2017. To date, Council has achieved all of the requirements as set out in the legislation, which are outlined in the table below.

Requirement	CR #	Date
1. Every municipality shall prepare a strategic asset management policy by July 1, 2019.	20191209-526	2019-11-12
2. Every municipality shall prepare an asset management plan in respect of its core municipal infrastructure assets on or before July 1, 2022.	20220815-02	2022-08-15
3. Every municipality shall prepare an asset management plan in respect of all of other municipal infrastructure assets on or before July 1, 2024.	20220815-02	2022-08-15

The Town was proactive and completed all of the 2024 legislative requirements as part of the work during the 2022 Asset Management Plan (AMP).

The current final obligation under O. Reg 588/17 is to develop an AMP by July 1, 2025, which speaks to Council's desired level of service and the funding strategy related to achieving it. There are some key tasks which need to be completed in order to develop this AMP, specifically:

- Updating all of asset information changes since the 2022 AMP;
- Defining the future Levels of Service (LOS) for our assets and;
- Outlining the financial strategy to achieve the defined service levels.

The intention of this report is to update Council on the status of the Town's recent asset management efforts and to seek Council's direction in order for Administration to prepare the 2025 AMP.

3. DISCUSSION:

I. Recent Achievements in Asset Management (AM)

There have been many recent achievements in asset management (AM) in the Town.

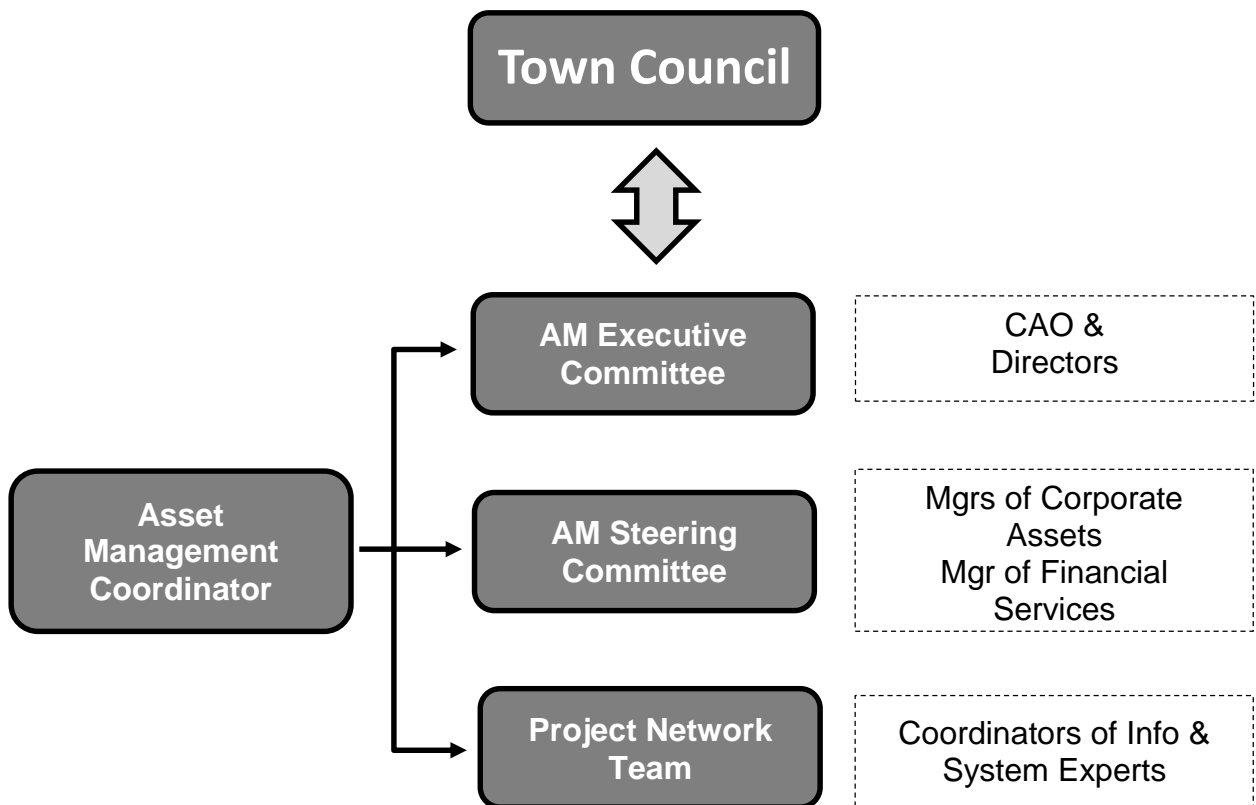
A. Asset Management Coordinator

The role of Asset Management Coordinator was approved in the 2023 operating budget and filled in November, 2023. This position has allowed an organizational focus and coordinated effort on asset management throughout the corporation. The Coordinator will continue to project manage asset management initiatives to advance the Town’s ability to attend to its assets while managing risk in a cost-effective manner. The intention of this position is to build internal knowledge and experience in Asset Management thereby reducing the need for third party consulting services to develop the Town’s Asset Management Plans. This position will also lead the corporation in improving our asset data information and creating consistency such that there is on-going decision-making support regarding asset investments, generally brought forward as part of the Capital Budget process as well as the Operational Budget, particularly when considering the appropriate level of transfers to reserves required to achieve Council’s approved Asset Management Plans.

B. Asset Management Governance Model

An internal Asset Management Governance Model has been initiated by the CAO and senior management team to ensure corporate consistency and engagement.

Figure 1 – Asset Management Governance Model



The **AM Executive Committee**, chaired by the **CAO**, is responsible for setting the high-level vision and objectives to meet Council’s directives. They will work collaboratively to provide direction on strategic issues of asset management across the organization.

The **AM Steering Committee** is responsible for providing leadership in delivering the vision and associated objectives. They will establish specific priorities and objectives and direct resources towards these goals.

The **Project Network Team** is a cross-departmental team that will implement the AM priorities and objectives.

The **Asset Management Coordinator** will support the various levels of the governance model and facilitate AM practices within the organization.

C. Development of a Risk Assessment Tool

A key component of the 2025 AMP is to assess the risk related to our assets in order to prioritize lifecycle strategy funding.

The purpose of the proposed risk assessment tool, in Appendix A, is to have a method to apply an enterprise-wide rating of risk across all of the different assets and areas within the corporation. The tool defines the levels of risk as a product of both probability and consequence. Each of the factors are defined so that a consistent approach can be taken during the risk evaluation.

The tool was developed based on risk factors commonly identified across municipalities. Based on consultation with senior management and the asset management steering committee, the thresholds for each of the defined consequences are reflective of Administration’s professional recommendation of the factors which would be relevant to the Town’s risk tolerance. These thresholds can be adjusted if Council prefers to have different thresholds for the various consequences.

Once the tool is used to assess risk, a risk heat map (or also called a risk matrix) can be produced. An example is seen in Figure 2 below.

Figure 2 – Example of Risk Heat Map



Once the assets are evaluated based on their probability and consequence of failure, the assets' risks can be visualized in the heat map. The highest risk assets are shown in the upper right corner as red (e.g. both consequence and probability of 4-5) and the lowest risk assets as green in the lower left corner (e.g. low consequence or probability risks).

D. Assessment of Required Next Steps

Administration has also completed a full review of the Town's Asset Management policies, procedures, knowledge, training, asset data, systems, work order management and financial strategies at both a corporate level as well as individual asset level. These efforts have provided clarity on required next steps for the Town to achieve requirements for O.Reg 588/17 by July 1, 2025, as well as the various projects which are required to transition from a siloed to corporate approach to asset management and address gaps in data and processes which are precluding the ability to leverage good asset management practices from being applied and used as part of decision support information for Council.

It should be noted the reason for the lower level review by asset category was to determine those assets for which there are already good AM practices, procedures and data in place and those which require assistance and tools to get to those same levels. Once all assets have achieved this initial level of good asset management data and practices, all assets will then start to enhance their information and data thereby continuing to provide for more information and analytics around various recommendations and financial planning.

II. Next Steps to Achieve July 1, 2025 O.Reg 588/17 Compliance

There is a great deal of work and a number of decisions required for the completion of the 2025 AMP.

A. Data Collection for 2025 AMP

The foundation of every asset management plan is the asset registry. This registry should contain all materially significant or critical assets within the corporation. The condition of the assets is evaluated through age or objective condition assessment. The replacement and lifecycle costs for the assets are also identified for use in projected financial requirements. With these measures, a reasonable analysis of future funding requirements can be calculated and lifecycle projections can be analyzed. The work required to provide this information is a vast undertaking.

For each of the prior AMPs in 2017 and 2022, the data for the asset registry was collected by the departments and analysed for the AMP by consultants. All requirements for the AMP were met and the asset management plan was created. However, without an organizational focus and processes on asset management, the data within the registry was not updated since the previous plan, resulting in a lack of ability to leverage the information on an on-going basis as it is out of date.

Moving forward, it is Administration’s intention to create a central repository for the asset data and to consistently update it so that the data remains current. In doing this, tools such as risk modelling, deterioration modelling, level of service indicators, financial planning and forecasting can be leveraged for decision supports.

As part of the update of asset information, there will be many additions to the asset registry. These new assets will come from a number of different sources:

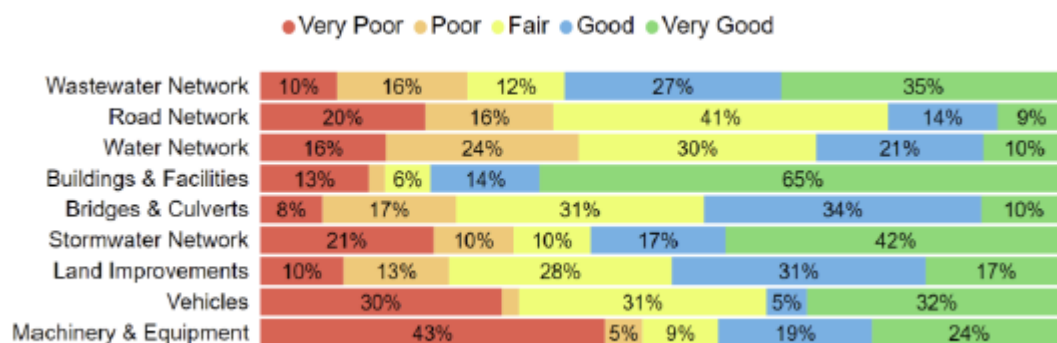
- New assets that the Town has installed since data was collected for 2022 AMP.
- Assumed assets from development of subdivisions. In 2023, the Town assumed \$13 million worth of assumed assets (eg roads, water & wastewater pipes, sidewalks, streetlights etc).
- Additional assets not identified in the 2022 AMP. For example, a number of facility assets were not listed in the 2022 AMP. In addition, as asset management improves within the corporation, additional assets are identified to be included. (eg traffic lights).
- Identification of sub-assets that may have a different replacement schedule or funding requirements. By example, a building has an estimated useful life. However, within the building, there are many other assets such as roof, windows, HVAC, flooring that need attention and funding on different timelines.
- Updated condition assessments for various assets and detailed studies which provide more information on the Town’s assets which may impact financial planning requirements.

B. Levels of Service

In asset management, Levels of Service (LOS) refers to the description of a service outcome for a particular service area where performance may be measured. It can be seen as the level of quality of the service. It is important to clarify that LOS is specific to the assets the Town already owns. Any new assets Council may seek to provide for the Town are not part of Council’s defined LOS for an AM strategy. Those assets only become a part of the Town’s LOS for AM once they are built or acquired at which point they will then be folded into the Town’s AMP, policies and strategies.

In the 2022 AMP the LOS was defined as the funding level required to sustain all assets at their current allocation across conditions. The table below shows what percentage of each asset category falls in the various conditions of Very Good through Very Poor.

Figure 3 – 2022 AMP Condition Data for All Asset Categories



The 2022 AMP determined that the reinvestment rate (annual funding shortfall) to sustain this allocation of asset condition by category required a \$10.3M increase. The financial strategy to achieve an additional \$10.3M in annual capital investment for existing assets is a 15-year strategy providing for a 1.6% annual increase to reserves, which is currently in year 2.

The 2025 AMP will first establish a new base for asset information, including the various updates noted above in this report. The next step will be to determine what impact those factors have on the 2022 projected reinvestment rate to sustain the LOS as defined in the 2022.

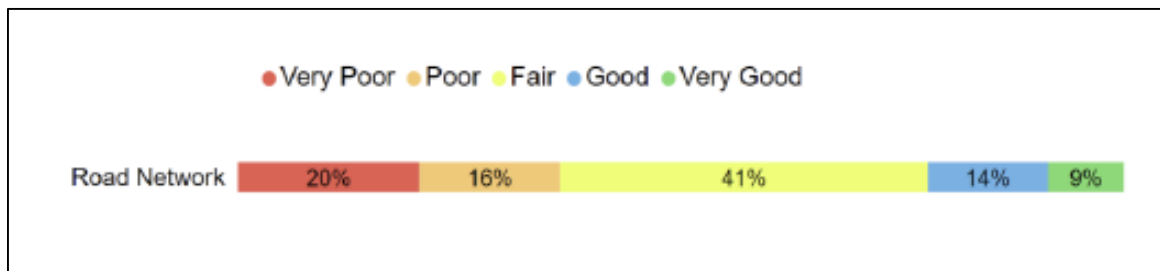
As the 2025 AMP is developed, there is a strong possibility the \$10.3M funding gap will be higher than the 2022 recommendations as a result of all the new assets assumed or built, more detailed information on various assets and more objective condition data. Should Council also consider defining a service level which exceeds the current direction of sustaining our asset allocation across the various conditions, as shown in Figure 3, this will result in further required increases.

When considering what LOS the 2025 AMP should set, Council has the option to consider setting a higher, or lower, level of service on some or all assets or to affirm the current LOS targets remain as our target for the 2025 AMP.

The following example, specific to the road network, is to assist in providing clarity on the potential impact of setting a higher LOS on an asset. It is equally important to state O.Reg 588/17 will require a financial strategy around achieving the defined LOS.

As per the 2022 AMP, the percentage of the road network in the various condition ratings was assessed as seen in Figure 4:

Figure 4 – Condition Data for Level of Service for Roads from 2022 AMP



This constitutes a snapshot in time of the condition of the Town's road network. Based on this information, the 2022 AMP was developed to determine how much funding would be necessary to ensure no more than 20% of this road network would be in Very Poor condition. The total annual funding required to sustain the road network with just 20% in Very Poor was determined to be \$6.73M. With the current average annual capital funding for the road network at \$4.9M, it leaves an annual funding shortfall of \$1.8M. The \$1.8M amount accounts for approximately 17% of the annual \$10.3M shortfall to sustain all assets at their current LOS.

The 2022 total value of 20% of this road network in Very Poor condition is \$44.6M. If Council were to consider a higher LOS for these assets adjusting the target to be no more than 18% in Very Poor condition, would mean \$4.5M of those assets would be immediately factored into the Town's funding shortfall. If Council were to set a target for no more than 16% in Very Poor condition, that value increases to \$8.9M. This amount would increase further to define funding required to address the roads in the Poor (16%) and Fair (41%) condition to mitigate their deterioration slide to Very Poor.

Sustaining the current condition allocation is a valid target for the municipality particularly since it will be some time before the Town has eliminated the funding gap for the current LOS. It is Administration's recommendation that for the purposes of the 2025 AMP, the Town maintain the current LOS as its target. An updated financial strategy will be provided to outline different funding levels for various timelines so that Council can determine what, if any, changes it chooses to make to the existing financial strategy.

C. Data Governance and Software Systems

Data governance has been identified as an area in asset management that needs development within the corporation. As Administration gathers all the data and information required for the 2025 AMP, there will be a focus on creating procedures for data governance and sustaining the data registry. This will ensure that the data can be used consistently throughout the organization.

In addition, there will be a focused effort to start shifting areas of the corporation from paper-based tracking of assets to computer-based systems. There will be a great deal of benefits to be gained from using software to track costs and work against assets. Currently, the organization is not leveraging existing software systems full capability. A multi-year plan will be developed to transition various areas of the corporation into electronic tracking of assets.

4. RISK ANALYSIS:

If Council chooses to set higher levels of service, the complexity of the 2025 asset management plan will increase in magnitude. The work and analysis needed to change the levels of service would be beyond the capacity of in-house staff and would necessitate the hiring of a third-party contractor. Meeting the July 1st, 2025 deadline would also be at risk since it would add many months of work to the process.

Council should also be aware that since O.Reg 588/17 requires the July 1, 2025 AMP with defined levels of service to provide a financial strategy to achieve it, any enhancements to LOS will result in additional funding being required. Given the volume of assets which need to be added to the AMP as well as the inflationary impact of replacement costs there is a concern that just sustaining current levels of service may result in a higher than 1.6% increase each year for 15 years.

5. FINANCIAL MATTERS:

A. Current Funding Strategy

The financial analysis for the 2022 AMP provided a snapshot in time of information. The 2022 AMP identified that Amherstburg had \$1 billion in assets. An average annual capital requirement of \$24.3 million was necessary for these assets. With an average capital spend of \$14 million, the funding gap for the assets was approximately \$10.3 million per year.

As a result of this information, Council approved the financial strategy of an Asset Management levy of 1.6% per year for 15 years to address the shortfall for tax-funded assets, subject to approval during budget deliberations. The asset management levy is 2 years into the 15-year process.

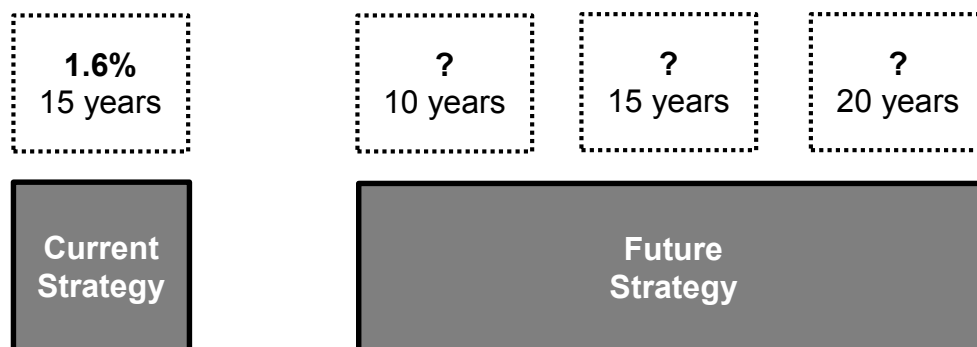
This asset management levy only applies to existing assets. This levy does not prohibit new assets from being approved. Council can add to the existing asset base at their discretion. However, the funding from this specific levy is reserved for existing assets and is not applicable to new assets.

B. 2025 Asset Management Plan Requirements

It is advised that Council retain current levels of service as our 2025 AMP desired LOS. In this manner, management can analyse the future costs of the assets and present the funding rates needed to close the infrastructure gap. It is anticipated that the funding rate will likely increase due to the additional assets that will be added to the asset registry since the 2022 AMP.

The rates can be modelled at a 10-year, 15-year and 20-year strategy. This will give Council the latest information and the ability to choose the timing between a more aggressive, status quo or a more gradual strategy, as shown in Figure 5.

Figure 5 – Asset Management Levy strategy



Adoption of any higher Levels of Service would be counterproductive. The current financial strategy will take at least another 13 years to meet the needs for current levels of service. Increasing the levels of service would produce no meaningful change. The Town will not close the funding gap for existing levels of service until well into the future.

This strategy was presented to the Audit and Finance Advisory Committee on May 28th, 2024. As part of the Asset Management presentation to the Audit and Finance Advisory Committee, it was noted that the cost of an asset goes well beyond the upfront capital cost. There are additional capital costs and operating & maintenance costs over the lifetime of the asset in order to maintain it in a suitable condition and to maximize its useful life.

As a result of the discussion with AFAC on Asset Management, the committee put forward the following recommendations to Council which were approved and adopted by Council June 25, 2024 and directs Administration regarding the 2025 AMP development and future reports on new assets:

Moved By Deputy Mayor Gibb

Seconded By G. Corio

That the Audit and Finance Advisory Committee recommend to Council that Administration consider lifecycle and legacy costs when new capital assets are brought forward to Council.

The Chair put the motion.

Motion Carried

Moved By J. Purdie

Seconded By Deputy Mayor Gibb

That the Audit and Finance Advisory Committee recommend to Council that Administration develop 10, 15 and 20 year models for new re-investment rates based on the 2025 asset management plan and that it be brought back to the Audit and Finance Advisory Committee for their review and recommendation to Council.

The Chair put the motion.

Motion Carried

Moved By Deputy Mayor Gibb

Seconded By G. Corio

That the Asset Management Update presentation by the Asset Management Coordinator **BE RECEIVED** by the Audit and Finance Advisory Committee.

The Chair put the motion.

Motion Carried

6. CONSULTATIONS:

Asset Management Executive Committee
 Asset Management Steering Committee members
 Melissa Osborne, Deputy CAO/Director of Development Services
 Audit and Finance Advisory committee

7. CORPORATE STRATEGIC ALIGNMENT:

Vision: Preserving our past while forging our future.

<i>Amherstburg Community Strategic Plan 2022 - 2026</i>	
<p style="text-align: center;">PILLAR 1 Deliver Trusted & Accountable Local Government</p> <ul style="list-style-type: none"> ✓ Improve trust between council and staff, and residents, by strengthening governance and internal accountability structures. ✓ Deliver transparent and efficient financial management. ✓ Increase effective communication and engagement with residents. ✓ Develop our staff team, resources, and workplace culture. ✓ Continue to deliver strong core municipal services. <input type="checkbox"/> Ensure Amherstburg is an inclusive accessible and welcoming community committed to reconciliation. 	<p style="text-align: center;">PILLAR 3 Encourage Local Economic Prosperity</p> <ul style="list-style-type: none"> <input type="checkbox"/> Encourage development of commercial and industrial lands. <input type="checkbox"/> Continue to promote local tourism industry, especially overnight accommodation. <input type="checkbox"/> Continue to facilitate downtown development for residents and visitors. <input type="checkbox"/> Continue to leverage partnership opportunities with other provincial, federal, and local governments, agencies, and organizations.
<p style="text-align: center;">PILLAR 2 Invest in Community Amenities and Infrastructure</p> <ul style="list-style-type: none"> ✓ Maintain safe, reliable and accessible municipal infrastructure and facilities. <input type="checkbox"/> Increase access to recreation opportunities for all ages. <input type="checkbox"/> Finalize and execute plans for town-owned lands (e.g. Duffy’s site, Belle Vue) <input type="checkbox"/> Create public access to water and waterfront <input type="checkbox"/> Prioritize opportunities to reduce environmental impacts of Town operations and increase Town resilience to climate change. 	<p style="text-align: center;">PILLAR 4 Shape Growth Aligned with Local Identity</p> <ul style="list-style-type: none"> <input type="checkbox"/> Define and communicate a vision for the Town’s future and identity. <input type="checkbox"/> Promote and plan for green and “climate change ready” development. <input type="checkbox"/> Review and implement policies that promote greater access to diverse housing. <input type="checkbox"/> Protect the Town’s historic sites and heritage. <input type="checkbox"/> Preserve the Town’s greenspaces, agricultural lands, and natural environment.

8. CONCLUSION:

It is recommended that Council support Administration's proposed direction for the 2025 Asset Management plan.



Mel Douglas
Asset Management Coordinator

Report Approval Details

Document Title:	2024 Asset Management Update.docx
Attachments:	- Appendix A - Risk Assessment Tool - DRAFT - 2024-05-21 - RM.pdf
Final Approval Date:	Jun 27, 2024

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

No Signature found

Melissa Osborne



Tracy Prince



Valerie Critchley



Kevin Fox