



THE CORPORATION OF THE TOWN OF AMHERSTBURG

OFFICE OF CORPORATE SERVICES

MISSION STATEMENT: *Committed to delivering cost-effective and efficient services for the residents of the Town of Amherstburg with a view to improve and enhance their quality of life.*

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To: Mayor and Members of Town Council

Subject: 2022 Asset Management Financial Strategy

1. **RECOMMENDATION:**

It is recommended that:

1. The report from PSD for the 2022 Asset Management Financial Strategy **BE RECEIVED**;
2. Council **ADOPT** the recommended Financial Strategy as proposed in the report; and,
3. Council **DIRECT** Administration to include these recommendations in the 2023 – 2028 Capital Budget.

2. **BACKGROUND:**

In July 2017, Council approved the 2016 Town of Amherstburg Asset Management Plan.

In December 2017 the province approved a regulation on municipal asset management planning with the intent to standardize the plans and ensure that municipalities that did not have asset management plans adopted AMP as Municipalities deliver critical services to the people of Ontario which rely on well-planned and well-maintained infrastructure. It was recognized during this review by the Province that there were variations in completeness, detail, methodology, and assumptions.

Asset Management Planning (AMP) is part of a strategic planning process that is integrated with budgeting and long-term financial planning and assists municipalities with making evidence-based decisions about infrastructure.

Four key components of the AMP are:

- 1) Asset Inventory
- 2) Levels of Service
- 3) Asset Management Strategy
- 4) Financial Strategy

After the Provincial review of the Municipal AMPs and consultation with Stakeholders, the Regulation was developed, and deadlines were created to conform to the 588/17 Municipal Regulation (Attachment B original timelines).

These timelines were modified due to the Pandemic, as outlined below:

The Strategic Asset Management Policy which was identified as the first step in the process for the Municipalities to follow the regulation was adopted by the Town on November 12, 2019.

Asset Management Plan:

Phase 1:

Asset management plan with respect to core municipal infrastructure – July 1, 2022

Phase 2:

Asset management plan with respect to **all** municipal infrastructure – July 1, 2024

Phase 3:

The Asset Management Plan will add Proposed levels of service, Lifecycle Management, and Financial strategy. – July 1, 2025

The Regulation Further Requires:

The inventory Requirements under the regulation require municipalities to provide summary-level information on asset categories including, what is included in each category, total replacement cost value, average age/condition, and how the condition was established.

The AMP must include identified factors related to Levels of Service in accordance with metrics provided by the regulation and includes Community level or end-user experiences and the Technical level that the organization provides. This develops the metrics between what the community expects to experience and the ability of the municipalities finances to meet these expectations.

The attached proposed Asset Management Plan will meet all the requirements under the O.Reg. 588/17 required for municipalities to be completed by July 1, 2024. As this is a living document it will require regular updates and review to ensure that the Town's

infrastructure is funded appropriately based on condition and level of service expectations. Administration will need to develop a process for updating the new template and ensure the plan is maintained with current information. This process will involve the input of all departments and appropriate staff resourcing. This current AMP document will be utilized to assess the Town's maturity in meeting the 2025 requirements and provide a sequenced plan to meet it.

The O. Reg. 588/17 will further require the Town to determine what levels of service values will be the target for 10 years. For those proposed levels of service, further determination of the life cycle and what financial strategy will be needed to achieve those levels of service. This process may involve some level of stakeholder engagement.

3. DISCUSSION:

The AMP was based on information available at the time, the one caveat being that the Building Condition Assessment Report was not available for consideration as it was not yet finalized. This issue was addressed by providing an updated estimation of costs for building repairs based on current pricing that the Town has received in recent tenders and RFP submissions. It should be noted that construction costs have increased substantially due to supply chain issues, availability of skilled trades, and growth in the housing sector as a result of the pandemic.

Recommendation as stated from the Asset Management Report Presentation:

a) Financial Strategy Recommendation – Tax Funded Infrastructure:

Recommendation of the 10-year option. This involves full CapEx funding being achieved over 10 years by:

- a) When realized, reallocating the debt cost reductions of \$22 thousand to the infrastructure deficit as outlined above.
- b) Increasing tax revenues by 2.5% each year for the next 10 years solely for the purpose of phasing in full funding to the asset categories covered in this section of the AMP.
- c) Reallocating appropriate revenue from categories in a surplus position to those in a deficit position.
- d) Increasing existing and future infrastructure budgets by the applicable inflation index on an annual basis in addition to the deficit phase-in.
- e) Allocating the current gas tax and OCIF revenue as outlined previously.
- f) Allocating the scheduled OCIF grant increases to the infrastructure deficit as they occur.

b) Financial Strategy Recommendation – Rate Funded Infrastructure:

Recommendation of the 5-year option for the Water Network and the 5-year option for the Wastewater Network that includes debt cost reallocations. This involves full CapEx funding being achieved by:

- a) When realized, reallocating the debt cost reductions of \$97 thousand for the Water Network and \$293 thousand for the Wastewater Network to the infrastructure deficit as outlined above.
- b) Increasing rate revenues by 2.8% for water services for the next 5 years solely for the purpose of phasing in full funding to the asset categories covered in this section of the AMP.
- c) Increasing rate revenues by 3.5% for wastewater services each year for the next 5 years solely for the purpose of phasing in full funding to the asset categories covered in this section of the AMP.
- d) Increasing existing and future infrastructure budgets by the applicable inflation index on an annual basis in addition to the deficit phase-in.

4. RISK ANALYSIS:

Should Council decide to not approve the 2022 Asset Management Plan, the Town runs the risk of forfeiting infrastructure grants including OCIF and Gas Tax, which help to fund the cost of infrastructure repair and maintenance, not aligning the recommended Financial Strategy with a 5-year capital budgeting process and fiscal management of Municipal Infrastructure Assets, as well as not being in compliance with the legislative requirements as set out in O.Reg. 588/17.

5. FINANCIAL MATTERS:

In support of the key strategic goal of ensuring financial sustainability through a long-term financial plan, The AMP will be integrated with the Long-Term Capital Planning Budget to ensure the infrastructure needs are met.

6. CONSULTATIONS:

Senior Leadership
Jordan Gonda, PSD Citywide

7. CONCLUSION:

Administration recommends Council adopt the 2022 AMP to comply with the Municipal O.Reg 588/17, and further directs staff to include the AMP in the 2023 Capital Budgeting.



Tracy Prince
Director Corporate Service/CFO

Report Approval Details

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Final Approval Date:	Aug 10, 2022

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

A handwritten signature in black ink, appearing to read "Valerie Critchley". The signature is fluid and cursive, with the first name "Valerie" and last name "Critchley" clearly distinguishable.

Valerie Critchley – CAO/Clerk