

**THE CORPORATION OF THE TOWN OF GEORGINA**

**REPORT NO. OI-2024-0002**

**FOR THE CONSIDERATION OF  
COUNCIL**

June 19, 2024

**SUBJECT: Asset Management Plan for Non-Core Assets**

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**1. RECOMMENDATION:**

- 1. That Council receive Report No. OI-2024-0002, prepared by the Asset Management Division, Operations and Infrastructure Department dated June 19, 2024 regarding the Asset Management Plan for the Town's Non-Core Assets**
- 2. That Council adopt and endorse the draft Asset Management Plan for Non-Core Assets (subject to minor modifications approved by the CAO), per Regulation 588/17: Asset Management Planning for Municipal Infrastructure to meet the Regulatory deadline of July 1, 2024 and make the final Asset Management Plan for the Town's Non-core assets available to the public via the Town's website**

**2. PURPOSE:**

To obtain Council approval on the draft Asset Management Plan for Non-core assets as per Ontario Regulation 588/17, Asset Management Planning for Municipal Infrastructure.

**3. BACKGROUND:**

In 2017 the Province of Ontario enacted Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure (O.Reg. 588/17), under the Infrastructure for Jobs and Prosperity Act, to support municipalities in asset management and planning.

O.Reg. 588/17 facilitates asset management best practices by providing a degree of consistency to asset management plans, and leveraging asset management planning to optimize infrastructure investment decisions. The regulation's deadline requirements are in phases, as follows:

**July 1, 2019:** Strategic Asset Management Policy (SAMP)

**July 1, 2022:** Asset Management Plan: Phase 1 (Core Assets)

**July 1, 2024:** Asset Management Plan: Phase 2 (All Assets)

**July 1, 2025:** Proposed LoS and Financial Strategy: Phase 3 (All Assets)

The Town's Strategic Asset Management Policy (SAMP) was approved by Council at their June 19, 2019 meeting, and was updated through the Asset Management Plan for Core assets as part of Phase 1.

The Town's Asset Management Plan (AMP) for Core Assets (Phase 1) was approved by Council at their June 22, 2022 meeting. The draft Asset Management Plan for Non-core assets recommended herein represents the Phase 2 requirement.

In March 2023, the Town staff published a Request for Proposal (RFP) seeking bid submissions from qualified vendors to complete an Asset Management Plan for its non-core municipal infrastructure assets in accordance with Ontario Regulation 588/17, to satisfy the requirements of Phase 2.

Dillon Consulting Limited represented the highest scoring eligible respondent to the RFP, and as such, a Purchase Order (PO) was issued to Dillon Consulting Limited to complete the work.

#### **4. ANALYSIS:**

Asset management is the systematic and coordinated approach of activities and practices of an organization to optimally and sustainably deliver on its service level objectives through the cost-effective lifecycle management of assets.

The Asset Management Plan (AMP) for Non-core assets is aligned with the Town's SAMP and is guided by the key principles of the Town's corporate strategic goals and priorities. The long term outcome is to ensure the sustainability of assets and related services; optimize infrastructure investment decisions, and support reliable service delivery while fulfilling requirements O.Reg 588/17.

The Corporate Asset Management Framework (**Figure 1**), illustrates the integrated relationship between elements of an effective asset management system, and provides a structure for standardization and consistency of asset management practices and plans across the organization.



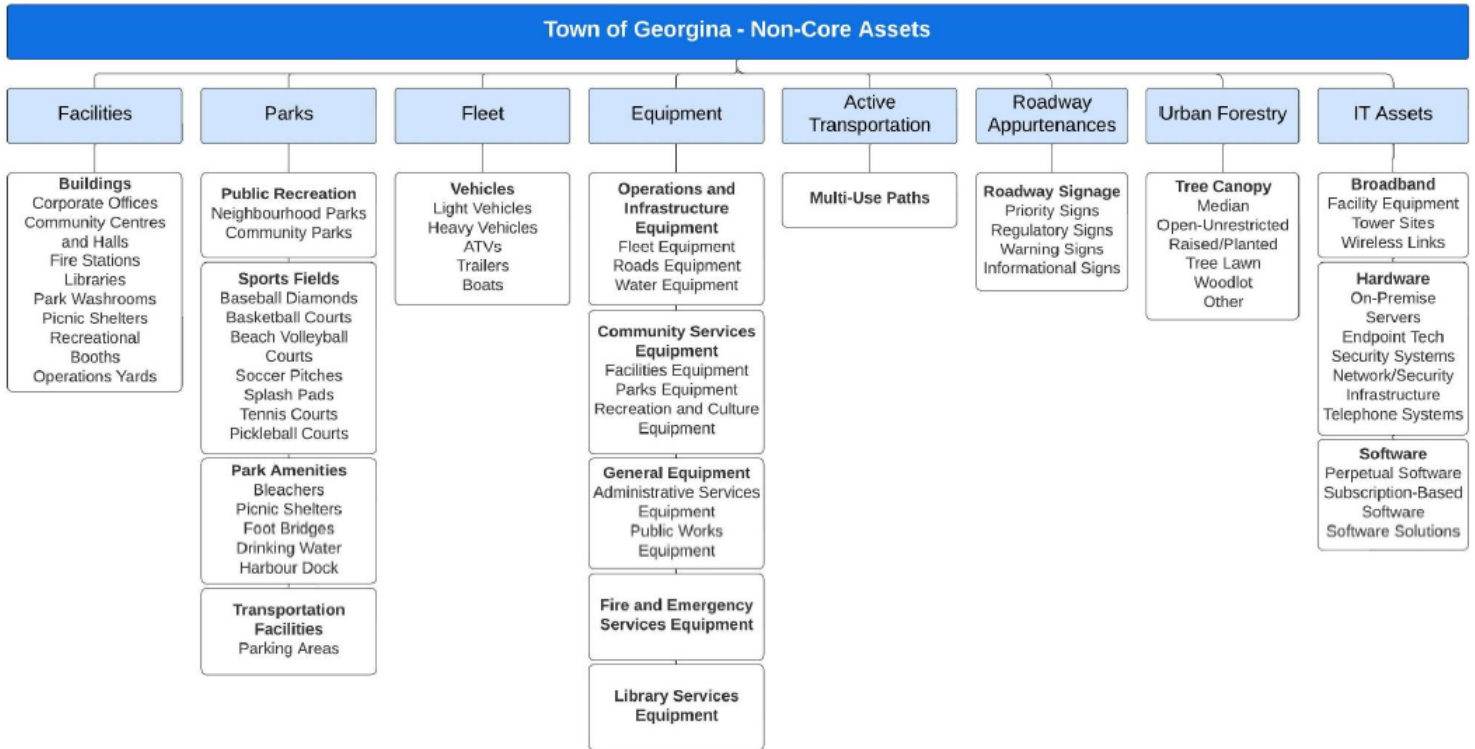
**Figure 1:** Corporate Asset Management Framework

The AMP is a compilation of four key sections that include the following:

- **State of Infrastructure** – Summarizes the current state of the Town’s non-core infrastructure, including asset quantities, age, estimated service life, remaining service life, condition (where available), and replacement costs.
- **Level of Service (LoS)** – Documents LoS performance measures on the performance, reliability, and availability of the non-core municipal infrastructure assets.
- **Asset Management Strategy** – Provides insight on how assets should be performing by establishing consistent strategies for condition assessments and maintenance practices across each non-core asset category.
- **Financial Strategy** – Provides financial modeling for each asset category to identify renewal needs over a planning horizon of 10 and 25 years; and promotes a systematic approach to the planning and operation of an asset over its lifecycle while minimizing cost and risk.

## State of Infrastructure:

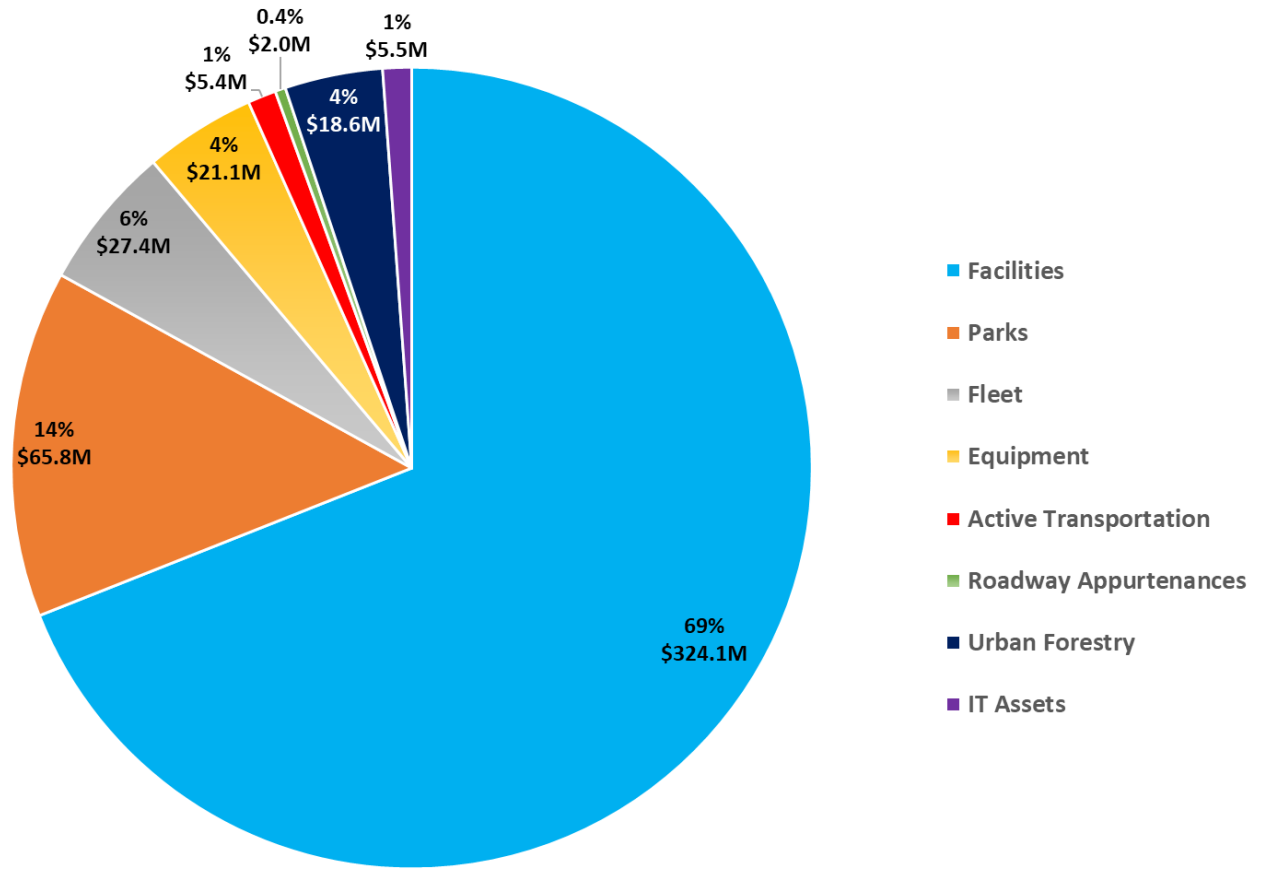
The Town has a diverse range of non-core assets required to deliver essential services to its communities. The Town owns, operates and maintains approximately 39,000 assets spanning eight service categories as presented in



**Figure 2:** The Town of Georgina's Non-core Assets

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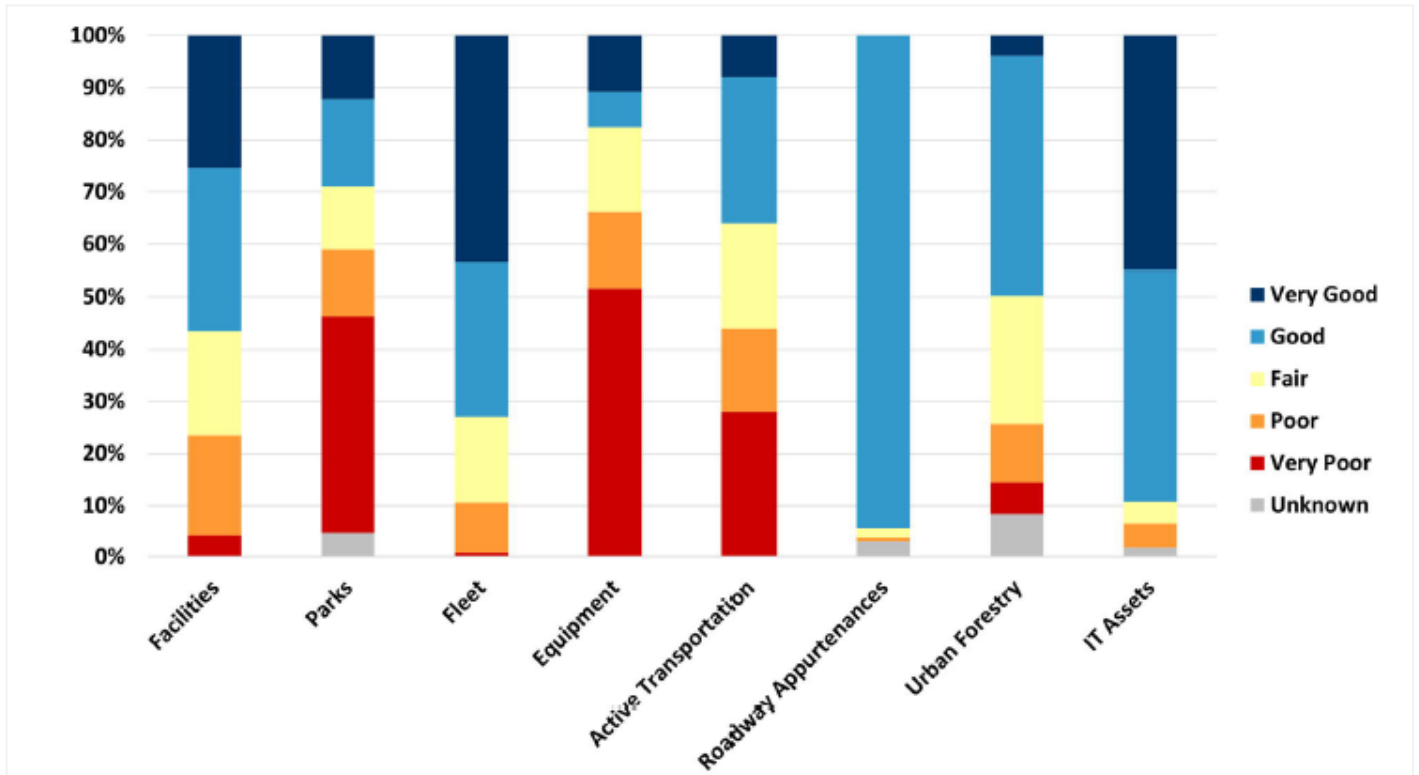
The total replacement value of the non-core asset inventory is approximately \$470M, summarized by service category in **Figure 3**.



**Figure 3:** Non Core Asset Replacement Value

Asset condition for the preparation of the AMP was based on age for any assets without inspection-based condition data, as there is limited condition assessment data available for non-core assets. Once the Town implements its Condition Assessment Program, the condition information will be used to update the asset renewal program.

Overall, 55% of the assets (by count) are in; very good condition (6%), and good condition (49%), representing 21,721 assets collectively, illustrated by **Figure 4**



**Figure 4:** Asset Service Category Condition Summary (by Count)

Where aged-based condition was used in the preparation of the AMP, any unknown age information limited the projection of the current condition for assets without inspection-based condition, as depicted in **Figure 4** (in grey).

The AMP provides a snapshot-in-time of the current state of municipal infrastructure assets. As the AMP is a dynamic document, there will be opportunity for the Town's state of the infrastructure to be further realized (ie. new assets added) and refined. The AMP will be updated continuously as new asset data becomes available and also every five years formally as per O.Reg 588/17.

### Level of Service (LoS):

One of the key goals of asset management is to provide the desired level of service in the most cost effective and efficient manner. The LoS becomes a parameter for comparing options, determining impacts and optimizing decisions.

It is the driver for the identification of asset needs and the basis for investment decisions. Establishing LoS targets is an important part of continual improvement and performance management. Without targets, it is difficult to ascertain whether goals are being met, or the extent of the gap if they are not.

The LoS developed for this AMP provides an opportunity for the Town to ask what asset management practices are appropriate for now, and what activities could be performed in a different, better way in the future

O. Reg 588/17 requires municipalities to report on the following two types of LoS:

- **Community LoS** are qualitative, non-technical, and are driven by a municipality’s strategic objectives
- **Technical LoS** attempts to describe, quantitatively, how the Town will provide and meet its expected Community LoS

Example questions used in the development of LoS are illustrated in **Figure 5**. The alignment of LoS Objectives with the Town’s overarching goals outlined in the Town’s Strategic Plan was an essential concept in the development of the Non-core Asset Management Plan.



**Figure 5:** Level of Service Key Questions

The LoS Objectives for each service category can be found in **Table E-11** of the Non-Core Asset Management Plan Executive Summary, attached to this report.

**Asset Management Strategy:**

Asset management strategies are planned lifecycle-based actions used to manage infrastructure to meet desired LoS. These actions include both condition assessment and preventative maintenance based activities. When done together, these activities help to maintain the Town’s infrastructure so there is no premature failure of assets and assets continue to perform throughout their estimated service life.

Activity selection and timing on each asset class is determined through a risk-based assessment developed through the AMP for each non-core asset category. The AMP's risk assessment strategy provides framework for risk exposure by quantifying the criticality and probability of failure (condition) of the Town's assets and enables the prioritization of work across asset categories. This strategy allows risk exposure to be minimized by focusing available funding on critical assets that have high social, environmental, and/or financial consequences should they fail.

The AMP has identified a 10-year annual average funding need of **\$22.8 M per year** for O&M programs across all non-core asset categories. This is equivalent to approximately \$227.8M for the 10-year period considering inflated dollar values.

O&M funding needs have been identified through an analysis of historic expenditures and work order completion rates for the non-core asset service areas included in the AMP, due to the lack of industry benchmarking initiatives that provide guidance on expected reinvestment rates for non-core assets.

The AMP has also identified a funding need of approximately **\$817 K per year** for condition assessment programs across all non-core asset categories. This equates to a total of approximately \$8.2 M over the next 10 years considering inflated dollar values.

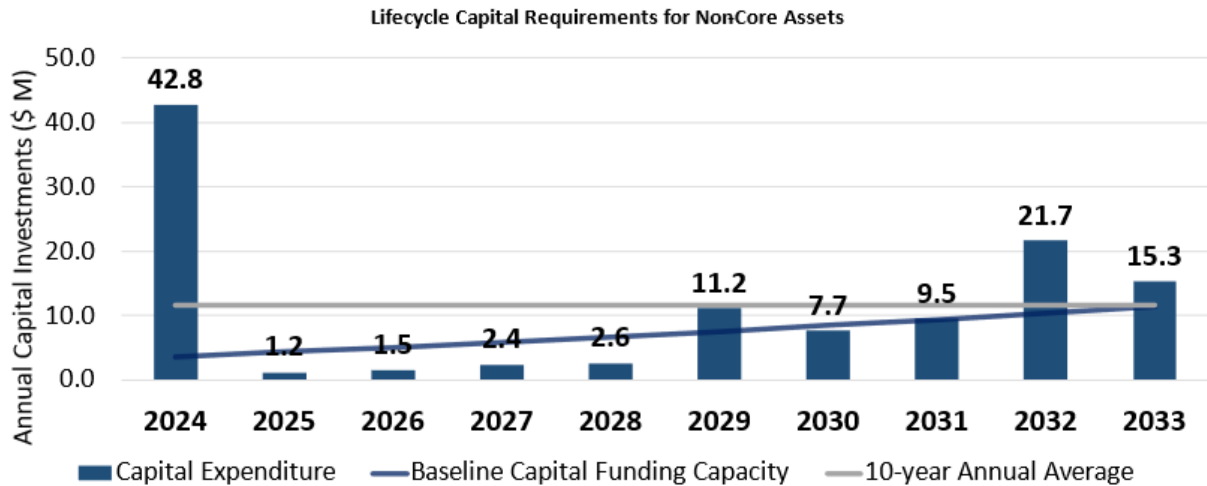
As a result of resource limitations and the overall maturity of the non-core AMP, it is anticipated that condition assessment initiatives shall be progressively phased-in and delivered over the course of several years with the ultimate goal of reaching the identified funding need above.

## **Financial Strategy**

The Asset Management Plan (AMP) includes a financial analysis and strategy, which culminates the program into necessary funding goals based upon the condition and levels of service of each asset class. The AMP's lifecycle model illustrates the behavior and deterioration of assets over time, and provides a 10 and 25 year reinvestment forecast for the Town's non-core assets. Although the 25 year forecast is beneficial in providing understanding of long-term, high-level funding needs, the 10 year forecast provides a detailed assessment of the sustainable infrastructure funding needs for operation and maintenance (O&M) and capital expenditures for the next decade.

The lifecycle capital funding forecast (**Figure 6**) illustrates the annual funding needs for the Town's non-core assets and includes an Average Annual 10-year Expenditure of \$11.6 M.





**Figure 6:** Lifecycle Capital Funding Forecast for Non-Core Assets

A summary of the Town’s infrastructure funding gap is shown in **Table 2**, which reflects current available funding, as well as the average annual O&M and capital contributions proposed to achieve financial sustainability.

Funding Budget	Current Annual Funding	Proposed Annual Funding	Annual Funding Shortfall
Capital	\$7,313,796	\$11,600,000	\$4,286,203
Operating	\$19,300,000	\$22,776,110	\$3,476,110

**Table 1:** The Town’s Non-Core Municipal Infrastructure Funding Gap

**Next Steps:**

Staff will implement and report on the individual programs and initiatives that have been outlined in the AMP document as required. Staff will also commence the asset management planning process for the O.Reg 588/17 requirement for proposed LoS, the activities required to meet those LoS, and a strategy to fund those activities, before July 1, 2025. This next phase will include Council and community input and will help shape the Town’s future demands and *how* we deliver service.

The AMP is considered to be a dynamic document that is constantly evolving. The AMP will be updated continuously as new data becomes available, and also every five years formally as per O.Reg 588/17.

Through these updates, the Town can continue to develop and improve its reporting on service levels, performance measurements, and targets. Future updates of the AMP will also continue to build upon factors affecting LoS, such as changing regulations, population growth, demographic changes, and climate change impacts.

## 5. RELATIONSHIP TO STRATEGIC PLAN:

### Delivering Service Excellence

Proactively manage infrastructure and assets to ensure service continuity

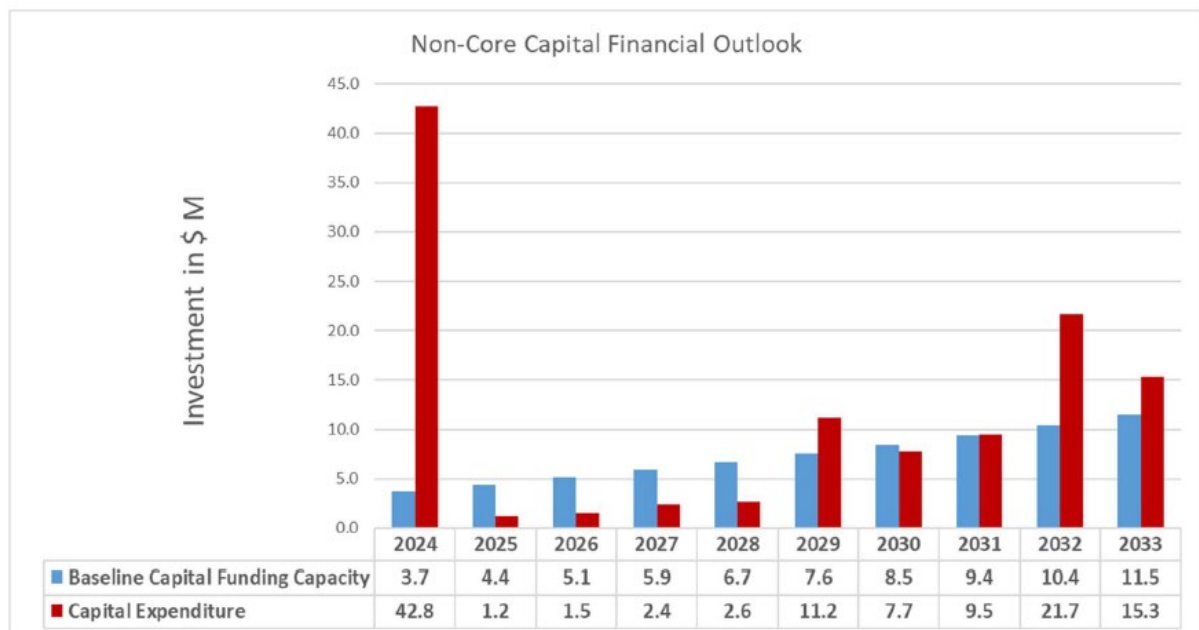
The Town owns and manages a diverse municipal infrastructure asset portfolio. This plan will support the Town staff to implement a systemic, sustainable approach to their management that is consistent with best practices in asset management and with legislative requirements.

## 6. FINANCIAL AND BUDGETARY IMPACT:

The below funding scenarios are examples of how the funding gaps relating to various non-core asset classes can be closed. The AMP is one of many documents that guide the annual budgeting process and the specific funding strategy required to close the gaps identified in the AMP will need to be determined during the budgeting process.

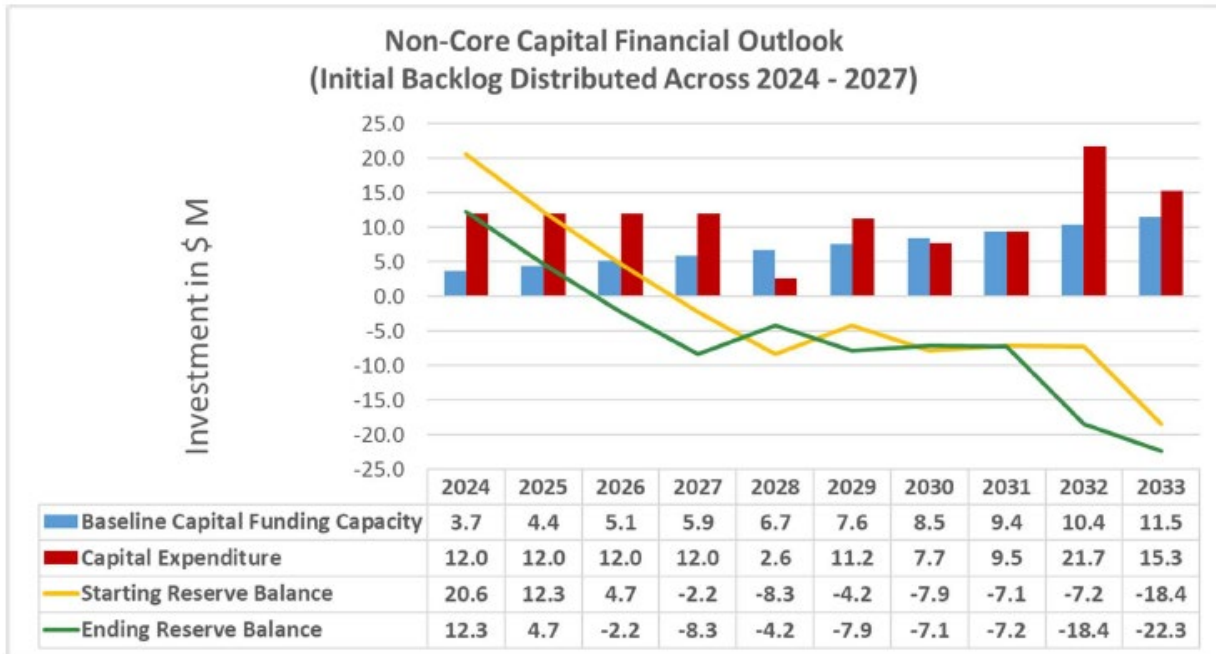
### Capital Budget Financial Analysis

Funding scenario 1 looks at using reserve balances to offset the shortfalls in non-core capital funding. **Figure 7** below looks at the comparison between the lifecycle capital funding requirement based upon modelling only, and the baseline capital funding capacity. If the initial \$42.8 M is used to fully fund the obligations within the first year, the reserve balance will fall into a deficit in 2025. This theoretical approach is both financially and operationally unattainable, however is useful in interpreting the overall capital need.



**Figure 7:** Baseline Capital Funding Capacity and Capital Expenditures

Funding scenario 2 looks at a phased-in approach, whereby the capital-related activities forecasted for 2024 are evenly distributed over the first 4 years (2024 – 2027). This allows reserve balances to remain positive during the initial implementation years as depicted in **Figure 8** below. These implementation years are critical to refine and update condition data in order to better forecast future capital needs.



**Figure 8:** Baseline Capital Funding Capacity and Capital Expenditures (Distributed)

Although theoretical, Funding Scenario 1 and Scenario 2 demonstrate that there is a need for additional funding, and that Town may not be able to sustainably fund the non-core lifecycle activities over the 10-year assessment period if no additional revenue sources are identified.

One, or a combination of multiple, mitigation strategies, some more practical than others, can be used to assist in bridging the funding shortfall:

1. *One Time Increase*

To avoid depleting reserves to fund the annual average shortfall of \$4.3 M, a tax levy could be added. Based on the 2024 tax levy of \$55.3 M, funding the shortfall in one year would require a one-time increase of 7.5%. This would be in addition to the infrastructure levy already in place.

2. *Phased Increase*

Phased-in annual contribution over a period of 10, 15, 20 years. Should a 10-year phase-in be implemented, this would result in an annual levy rate increase of 0.75% each year over the next 10 years. Under a 15-year phase-in, this would increase the annual levy by 0.50% in each of the next 15 years. A 20-year phase-in would result in an annual increase in the levy of 0.37% in

each of the next 20 years. These amounts would be in addition to the infrastructure levy already in place.

### 3. *Prioritize Capital Needs*

Capital needs are prioritized by asset performance, risk, and cost. As asset information is updated, capital initiatives *can* be 'pushed out' to future years. This could reduce annual funding needs immediately. Full condition assessment programs for entire asset classes (i.e. multi-facility BCA reporting) is useful in identifying long-term funding needs thus potentially reducing future capital needs. Comprehensive condition data *can* lead to reduced capital funding needs (i.e. where assets may be in better condition than initially anticipated).

### 4. *Grants and Subsidies*

Government grants and subsidies should be used where possible as a supplemental source of capital funding to reduce dependencies on reserves and infrastructure levies.

### 5. *Divest Assets*

In some cases, where an asset is no longer needed to deliver a certain service for the Town, it can be a burden the Town's overall financial strategy. It is important to recognize these opportunities for divestiture and analyze the relative impact to the overall asset management strategy. An example could be the divestiture of an existing building that is no longer required for Town business. This building has rehabilitation and replacement triggers for all the assets associated with it. A divestiture could not only reduce this burden, but produce a potential funding source for future investments. An invest/divest plan looking at these opportunities is expected in 2024.

### 6. *Investment Revenues*

Annually a portion of investment revenues are allocated to repair and replacement reserves to mitigate inflationary impacts.

## **Operating Budget Financial Analysis**

The non-core asset O&M budget contribution in 2023 was \$19.3 M based on projections extrapolated from the Town's 2018 and 2019 O&M actuals (pre-COVID) and 2018 to 2023 budgets. Based on the findings of the non-core AMP, there is a need to contribute \$22.8 M annually towards non-core O&M activities. Currently there is a projected \$3.5 M funding shortfall.

One, or a combination of multiple, mitigation strategies, some more practical than others, can be used to assist in bridging the funding shortfall:

#### 1. *Rental, Lease, Parking Revenue Allocation*

As user fees are not a guaranteed revenue source, they are not included in the base funding. However, of the projected \$3.2M in collected non-core asset related revenue (estimated from the 2024 budget, includes recreation

fees), \$1.6M directly related to O&M activities on non-core assets could be considered when managing the O&M funding shortfall

## 2. *Phased Increase*

Not considering Rental, Lease and Parking Revenue, and taking into consideration taxpayer affordability, three options were considered to phase-in the required annual contribution over a period of 10, 15, 20 years. Should a 10-year phase-in be implemented, this would result in an annual levy rate increase of 0.63% each year over the next 10 years to meet parity with the projected annual O&M operating expenditure for all non-core assets. Under a 15-year phase-in, this would increase the annual levy by 0.42% in each of the next 15 years. A 20-year phase-in would result in an annual increase in the levy of 0.31% in each of the next 20 years.

## 3. *Grants and Subsidies*

Government grants and subsidies should be used, where possible, as a supplemental source of funding to reduce reliance on user fees and levies.

## 4. *Divest Assets*

In some cases, where an asset is no longer needed to deliver a certain service for the Town, it can be a burden the Town's overall financial strategy. It is important to recognize these opportunities for divestiture and analyze the relative impact to the overall asset management strategy. An example could be the divestiture of an existing building that is no longer required for Town business. This building will have ongoing O&M costs. A divestiture could not only reduce this burden, but produce a potential funding source for future investments. An invest/divest plan looking at these opportunities is expected in 2024.

The AMP is considered to be a dynamic document that is constantly evolving. The AMP will be updated continuously as new data becomes available, and also every five years formally as per O.Reg 588/17. As the AMP is implemented and the Town's state of the infrastructure is realized, there is an opportunity for O&M and capital funding obligations to be further refined.

The non-core asset lifecycle capital funding forecast and annual O&M needs will be assessed and prioritized to inform the Town's budget and 10-year capital forecast, annually. The above funding needs and mitigation strategies will be used throughout the budget planning process.

## **7. PUBLIC CONSULTATION AND NOTICE REQUIREMENTS:**

The final Asset Management Plan for Non-core assets will be posted on the Town's website for the public to access by July 1, 2024.

## **8. CONCLUSION:**

Asset Management is an integrated set of strategies to support decisions regarding building, operating, maintaining, renewing, replacing and disposing of infrastructure assets. The aim of asset management is to sustain municipal infrastructure systems in a manner that meets the desired service levels while balancing risks and lifecycle costs. This AMP for Non-core assets meets the Town's requirements under O.Reg 588/17.

## **APPROVALS**

Prepared By: Helene Freitag, Program Manager, Asset Management  
Reviewed By: Rob Wheeler, Deputy CAO/Treasurer  
Recommended By: Michael Vos, Director, Operations and Infrastructure  
Approved By: Ryan Cronsberry, Chief Administrative Officer

### ***Attachments:***

*Attachment 1: Town of Georgina 2024 Non-core Asset Management Plan Executive Summary*