

Staff Report



Financial Services Department

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REPORT TO: Finance and Corporate Services Committee

DATE OF MEETING: May 13, 2024

SUBMITTED BY: Ryan Hagey, Director of Asset Management & Financial Planning,
519-741-2200 ext. 7353

PREPARED BY: Brad Wakelin, Manager of Infrastructure Asset Planning, 519-741-2200
ext. 4173

WARD(S) INVOLVED: All Wards

DATE OF REPORT: May 1, 2024

REPORT NO.: FIN-2024-208

SUBJECT: Asset Management Plans for Non-Core Assets

RECOMMENDATION:

That the Asset Management Plans for the City's non-core assets as attached to Financial Services Department report FIN-2024-208 be approved; and,

That Policy GOV-COR-506 Corporate Asset Management as attached to report FIN-2024-208 be approved.

REPORT HIGHLIGHTS:

- The purpose of this report is to approve the asset management plans (AMPs) for non-core City assets, and update the City's Asset Management policy.
- This report supports the delivery of core services.

BACKGROUND:

Asset management is a coordinated set of activities to realize optimal value from the organization's assets throughout their lifecycle. This includes original construction/acquisition, day-to-day operating and maintenance activities, more significant rehabilitation and renewal investments, all the way up to asset retirement and disposal.

In addition to the various treatments applied to physical assets, having appropriate information and a proper framework is key to effective asset management. This report deals with the City's asset management plans, and policy required by legislation.

REPORT:

Asset Management Plans (AMPs)

All municipalities must prepare AMPs to comply with *O.Reg.588/17: Asset Management Planning for Municipal Infrastructure*. The regulation prescribes the content to be included in the AMPs which includes information such as:

- Current levels of service
- Performance of assets
- Statistical information (e.g. replacement cost, age, condition)
- Lifecycle activities needed to maintain the current levels

The regulation also includes specific compliance deadlines, which are highlighted below. The City is on track to meet all legislated deadlines.

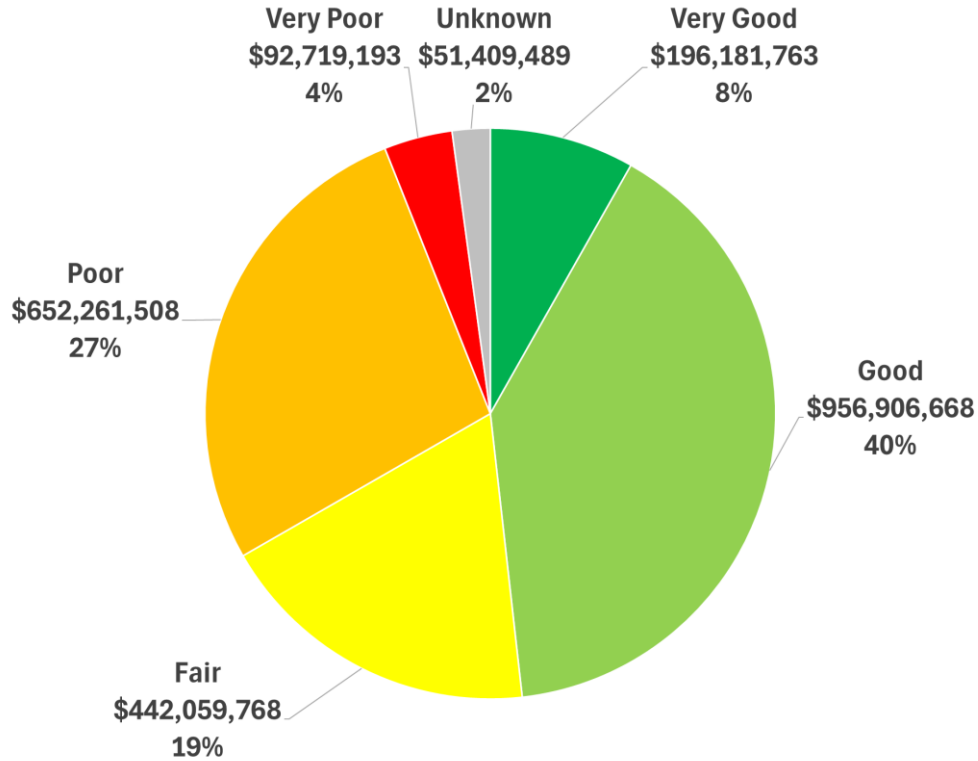
- For **core assets**, AMPs with current levels of service were required to be completed by the July 1, 2022. This was achieved by the City prior to the deadline.
- For **non-core assets**, AMPs with current levels of service are required to be completed by July 1, 2024. This will be achieved with the approval this report’s recommendations.
- Further, for **all asset types**, proposed levels of service are required to be completed by July 1, 2025.

AMPs for the non-core assets are attached to this report and will be posted online once approved by Council. Core and non-core assets are summarized in the table below.

City Assets Included in Asset Management Plans (AMPs)	
Core Assets (already approved)	Non-Core Assets (approved with this report)
Water	Facilities
Wastewater	Cemeteries
Stormwater	Parking
Roads	Parks & Trails
Bridges & Culverts	Golf
Gas	Forestry
	Transportation
	Fleet

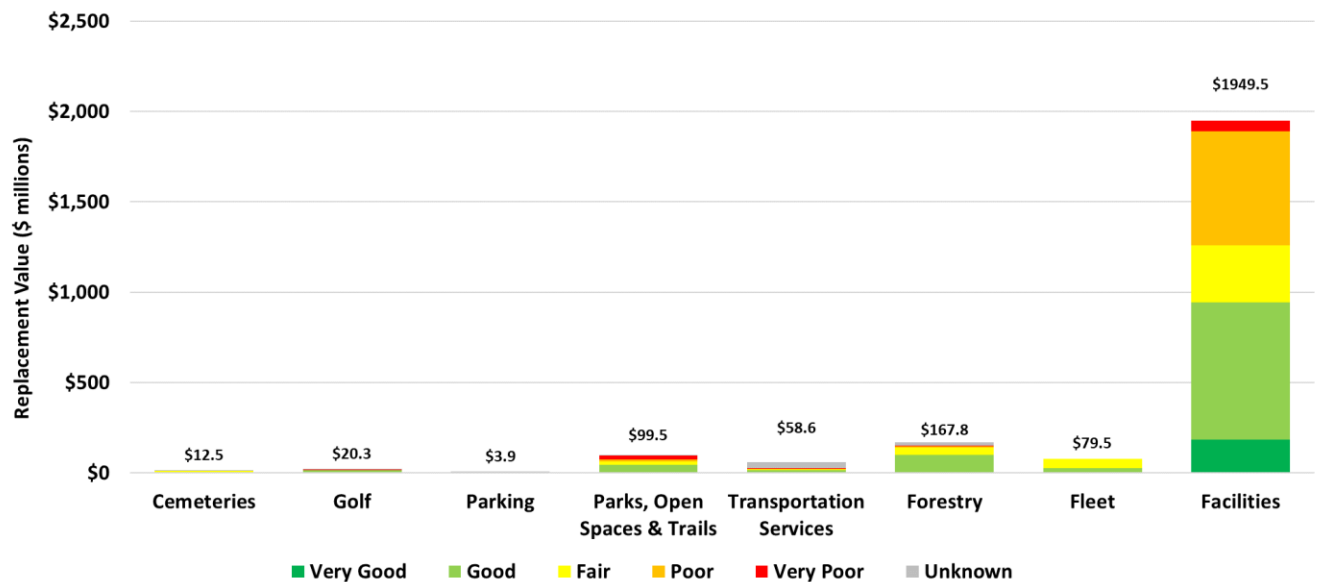
The total value of the City’s non-core assets included in the AMPs is \$2.4B. Based on current condition data, roughly half of these assets are in good to very good condition, nearly 20% are in fair condition, and about 30% are in poor to very poor condition. The overall condition of non-core assets is shown in the pie graph below.

Overall Condition of Non-Core Assets



Facilities are by far the largest of these asset types (\$1.9B) and account for 81% of non-core assets. Condition of non-core asset condition by type is provided in the graph below.

Condition of Non-Core Assets by Type



Developing AMPs for all the non-core assets is a good first step towards better management of these assets. The AMPs provide valuable base knowledge such as the replacement value, age, and condition of these assets which will inform future maintenance and replacement decisions.

The fact that there are some assets in poor or very poor condition means significant investments may be needed to restore these assets or replace them. This is not a surprise, and is an issue facing municipalities across Canada. The Federation of Canadian Municipalities (FCM) which represents more than 2,100 municipalities has continually advocated at the federal and provincial levels for additional funding to address municipal infrastructure needs.

In 2019 as part of the Long-Term Financial Plan staff identified a 10-year facilities infrastructure gap of \$227M and recommended actions to increase funding to aid in facility renewal. This included refocusing Federal Gas Tax funding from road resurfacing to facilities, and using available budget room from expiring Economic Development Invest Fund (EDIF) debt payments on facilities. These measures resulted in approximately \$70M in additional funding being put towards facility renewal over a 10-year timeframe.

As proposed level of service (LOS) work is prepared in advance of the July 1, 2025 deadline, staff will update the infrastructure gap figure and continue to investigate methods to increase funding for renewal activities. The proposed LOS work includes:

- An explanation of why the proposed LOS are appropriate for the municipality
- Proposed performance targets for each asset category
- A lifecycle management and financial strategy for each asset category, including:
 - An identification of the lifecycle activities that would need to be undertaken to provide the proposed levels of service
 - An estimate of the annual costs for each of the 10 years of undertaking the lifecycle activities
 - An identification of the annual funding projected to be available
 - An explanation of how the municipality will manage the risks associated with not undertaking any of the lifecycle activities

In recent years there have been indications that municipalities who do not comply with asset management legislation will be ineligible for grant funding opportunities from other levels of government, so delaying a decision beyond the July 1, 2024 deadline could result in the City being disqualified from beneficial funding opportunities. Staff believe funding from other levels of government is a crucial component of the infrastructure funding model, so ensuring the City's AMPs are passed ahead of the deadline is imperative for continued success in addressing Kitchener's infrastructure needs.

Asset Management Policy

In addition to AMPs, the City is required to have an asset management policy. The City has had a policy in place since 2012, with a revision occurring in 2018. Since it has been more than 5 years since the last update, some changes to the policy are being recommended to ensure compliance with the Provincial regulation.

Outdated references to a previous Strategic Plan, as well as prior asset management terminology like "Phase 1 & 2 AMP" have been removed. A new section called Guiding Principles has been added to the policy, and updates have been made to the Objectives section,

as well as the Roles & Responsibilities section. Overall, staff believe these updates make the policy more relevant to the current asset management environment and compliant with legislation.

STRATEGIC PLAN ALIGNMENT:

This report supports the delivery of core services.

FINANCIAL IMPLICATIONS:

Asset Management Plans (AMPs)

There are no financial implications at this time. However, the information included in the AMPs and subsequent work related to proposed levels of service will be used to determine funding levels and risks of inadequate funding. This information will be used to inform requests through future budget processes.

Asset Management Policy

There are no financial implications related to the updated policy.

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

PREVIOUS REPORTS/AUTHORITIES:

- INS-18-017 Updated Corporate Asset Management Policy
- 2022 City of Kitchener Consolidated Asset Management Plan Summary

APPROVED BY: Jonathan Lautenbach, Chief Financial Officer

ATTACHMENTS:

- Cemeteries Asset Management Plan
- Forestry Asset Management Plan
- Cemeteries Asset Management Plan
- Golf Asset Management Plan
- Parking Asset Management Plan
- Parks, Open Spaces & Trails Asset Management Plan
- Transportation Asset Management Plan
- Facilities Asset Management Plan
- Fleet Asset Management Plan
- Asset Management Policy