

Staff Report

Financial Services Department



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REPORT TO: Finance and Corporate Services Committee

DATE OF MEETING: June 16, 2025

SUBMITTED BY: Ryan Hagey, Director of Financial Planning & Asset Management,
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PREPARED BY: Ryan Hagey, Director of Financial Planning & Asset Management,
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WARD(S) INVOLVED: All Wards

DATE OF REPORT: May 20, 2025

REPORT NO.: FIN-2025-255

SUBJECT: Asset Management Plans (AMPs) – Proposed Levels of Service

RECOMMENDATION:

That the Asset Management Plans for all City of Kitchener assets as attached to Financial Services Department report FIN-2025-255 be approved.

REPORT HIGHLIGHTS:

- The purpose of this report is to provide summary information about the City's asset management plans (AMPs) for all assets and provide a recommendation for Council approval that ensures compliance with provincial legislation.
- The key findings of this report are that the City has assets with a current replacement value of \$15.1 billion and that 83% of assets have a condition rating of fair or better.
- 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. AMPs are an integral part of proper asset management as they document asset information, asset activities/programs, and resources needed to provide a defined level of service.

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 and proposed levels of service
- Performance of assets
- Statistical information (e.g. current replacement value, age, condition)
- Lifecycle activities needed to maintain the levels of service
- Risks related to the assets and mitigation plans to offset those risks

The regulation also includes specific compliance deadlines which are summarized below. The City has met the previous regulatory deadlines and will meet the upcoming deadline with the approval of this report.

- July 1, 2022 – current levels of service AMPs for core assets
- July 1, 2024 – current levels of service AMPs for non-core assets
- July 1, 2025 – proposed levels of service AMPs for core & non-core assets

The remainder of this report provides the key findings of the most recent AMP which was prepared by an external consultant (SLBC Advisory Services) with assistance from the City’s Asset Management group and the City divisions that manage the specific assets. The attached report is just over 200 pages and includes an Executive Summary highlighting the content included in this staff report as well as detailed chapters on the assets of each service area.

REPORT:

Asset Value

Updated information from the most current iteration of the AMP shows the City of Kitchener has **\$15.1 billion** worth of assets as shown in the table below.

City Assets Included in AMPs and their Current Replacement Values

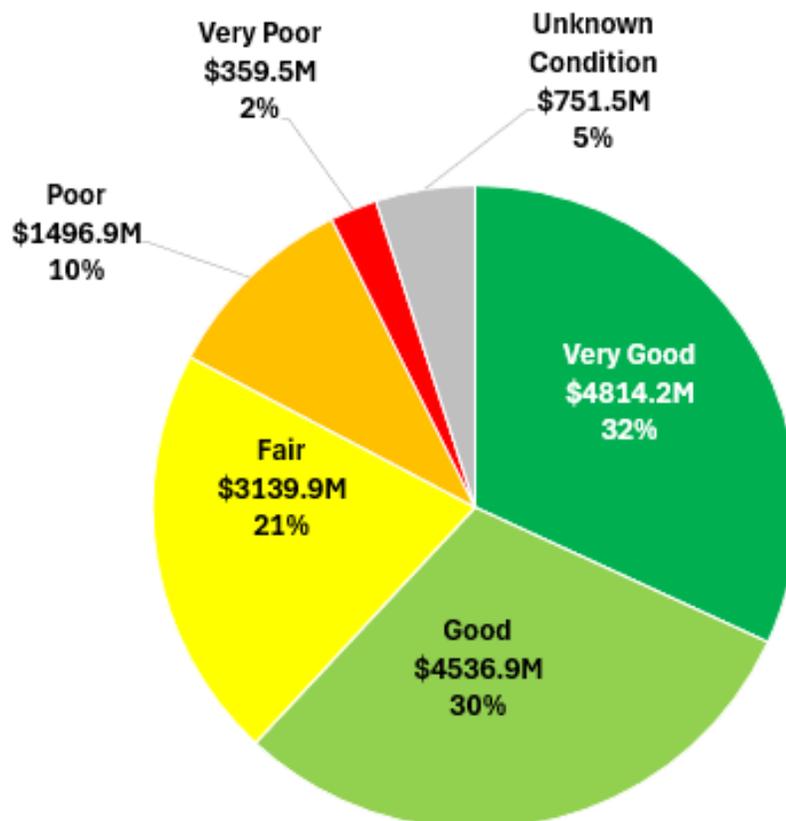
Core Assets		Non-Core Assets	
Wastewater	\$3,144.7M	Facilities	\$2,007.9M
Water	\$2,791.4M	Forestry	\$172.0M
Gas	\$2,171.5M	Parks & Trails	\$124.7M
Stormwater	\$2,023.5M	Fleet	\$78.4M
Roads	\$2,018.6M	Transportation	\$59.3M
Bridges & Culverts	\$479.1M	Golf	\$15.2M
		Cemeteries	\$9.2M
		Parking	\$3.3M
SUBTOTAL (CORE)	\$12,628.8M	SUBTOTAL (NON-CORE)	\$2,470.0M
		COMBINED TOTAL	\$15,098.8M

The table shows the majority of the City’s assets (\$12.6 billion) are “core” as defined by provincial legislation and relate to roads and underground infrastructure like water, sewer, and natural gas. The current replacement value of “non-core” assets (\$2.5 billion) is predominantly made up of City facilities (\$2.0 billion) such as arenas, pools, community centres, parking garages, and City Hall.

Asset Condition

In addition to updated valuations, the latest iteration of the AMP also includes information about the condition of the City's assets. The pie graph below shows that **83% of the City's assets have a condition score of fair or better**. This means the majority of City assets still have plenty of useful life in them to continue delivering valued services to the local community. Where condition scores are poor or very poor, those assets are still providing service, but the asset has significant deterioration which requires more regular maintenance to keep it in working condition or may be at risk of not meeting defined levels of service. According to SLBC Advisory Services, Kitchener's asset condition profile is better than average compared to the other municipalities for which they have helped prepare AMPs. This speaks to the foresight of Council in taking a long-term view of their role in stewarding City assets and approving ongoing investment programs like the road reconstruction program that replaces roads, water, sanitary, and stormwater assets, or the Sustainable Urban Forestry Strategy that plants and maintains City trees.

Condition of All City Assets



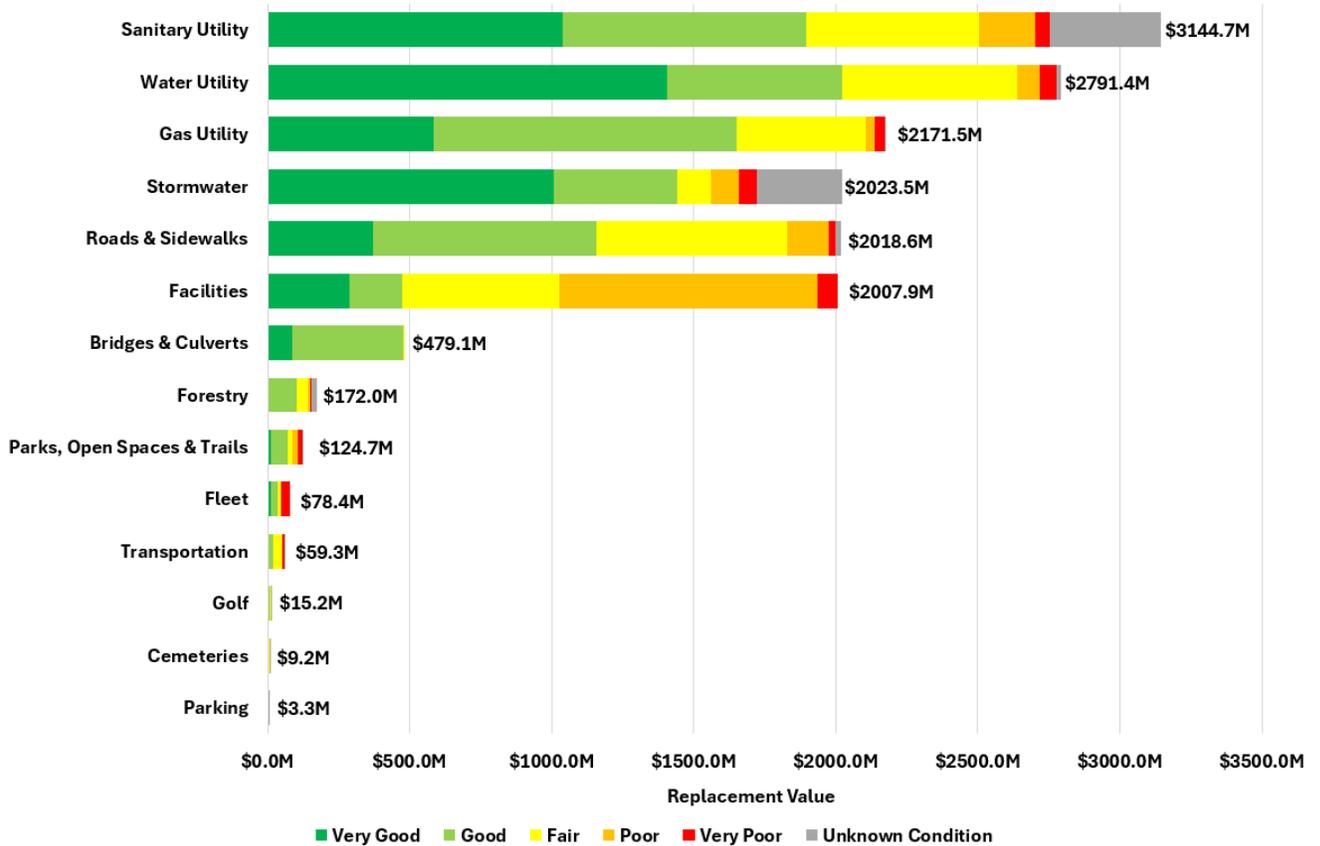
A further breakdown of asset condition by service area is provided in the graph below. This graph further shows the condition of assets in the majority of areas is fair or better (i.e. the bars are mostly green and yellow). This means asset conditions broadly across the City are in decent condition.

The one major exception is Facilities. The graph shows that a significant portion of the Facilities portfolio has a condition rating of poor or worse (i.e. the bar is largely orange and

red) which means there is elevated risk of asset failure or service delivery interruption in Facilities compared to the other asset groups within the City.

One final observation from the graph is that the majority of assets with an unknown condition (i.e. gray portions of the bar) are within the Sanitary and Stormwater utilities.

Condition of Assets by Service Area



Condition scores for assets have been determined through methods like regularly scheduled inspection programs, ad hoc inspections, building condition assessments, or estimated based on the age of the assets. Where asset condition is unknown, the City is planning to develop inspection programs to gather this needed information.

Infrastructure Renewal Funding Gap

The need for asset renewal is constant in a city as large as Kitchener, and significant investments have already been made over several years to proactively address needs in several areas. One example of this is the City's full road reconstruction program which has replaced over 100 kilometres of roads and underground pipe infrastructure since its inception in 2004.

For most asset types the existing budgets are adequate to meet the proposed levels of service (LOS) included in the AMPs. Generally this means the overall condition of assets and delivery of service will be maintained at or near current levels. For instance, the overall road condition index target of 70% will be met, but some brand-new roads will have a condition rating of 100% while some older roads will have a condition rating closer to 50% and be good candidates for rehabilitation or reconstruction.

That being said, this iteration of the AMP shows there are two areas of the City requiring additional investment above and beyond the planned 10-year capital budget to meet the proposed LOS for their area. Facilities (\$24.5 million/year), and Natural Gas assets (\$6.1 million/year) are leading to a **10-year infrastructure renewal gap of \$306 million**. This

means if additional funding is not invested in those two areas it is expected the overall condition of assets in those portfolios and the ability to deliver service will worsen over the next decade. Neither of these areas is a surprise to staff.

As was noted in last year's non-core AMP update, Facilities has been a known issue dating back to the development of a Long-Term Financial Plan in 2019. Over the past several years Council has already approved additional funding of \$70 million over a 10-year span to help address facility renewal needs. At the same time, the City has built/acquired a number of facilities that have added to the Facilities portfolio. Newly built facilities like the Huron Community Centre are in excellent condition and don't need much renewal spending, but older acquisitions like the Conrad Centre for the Performing Arts and the SDG Idea Factory (former BMO building) were existing buildings with a need of renewal spending at the time they were acquired by the City.

Staff will continue to look for ways to address additional facility condition and funding needs through a number of activities including but not limited to:

- Inspecting facilities more frequently to better identify specific needs
- Conducting additional maintenance on higher need assets
- Considering higher rate increases to provide additional funding for asset renewal
- Advancing special levies/user fees dedicated to asset renewal
- Pursuing grant funding, especially where it will align with plans to achieve greenhouse gas reductions
- Developing a strategy related to facility acquisition/disposal

Likewise, the need for additional spending on the renewal of Natural Gas assets has been an issue that has been emerging for the past few years. Recent reports from Kitchener Utilities about the Gas utility and natural gas rates have included indications that higher rates will be needed in future years to properly address the need for more spending on capital renewal.

Continuous Improvement Plan

One of the other benefits of completing the AMPs has been a better understanding the areas where the City can improve. Based on the most current AMP project, recommendations for improvement were identified by staff and the including:

- Implementing more robust data collection, inspection, and maintenance programs
- Developing a comprehensive method of forecasting asset portfolio growth
- Documenting ownership and stewardship of all assets
- Aligning levels of service with all long-term strategy documents
- Standardizing the approach to risk management across all service areas
- Improving documentation of asset maintenance history and costs

STRATEGIC PLAN ALIGNMENT:

This report supports the delivery of core services.

FINANCIAL IMPLICATIONS:

None at this time. It is expected that recommendations about additional funding for continuous improvement activities and asset renewal will be brought forward by relevant divisions through stand-alone reports and/or future budget processes.

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:

- FIN-2024-208 Asset Management Plans for Non-Core Assets

APPROVED BY: Jonathan Lautenbach, Chief Financial Officer

ATTACHMENTS:

Attachment A – 2025 Asset Management Plan – Proposed Levels of Service