



City of Belleville

Report No: AC-2024-04

Meeting Date: June 12, 2024

APPROVAL BLOCK	
DF	<u>BF</u>
CAO	<u>BF</u>

To: Members of the Finance Committee
Department: Finance
Staff Contact: Kyle Bertrand, Accounting Coordinator

Subject: Final Asset Management Plan - Current Levels of Service

Recommendation:

"THAT the Finance Committee recommend that Council approve the Asset Management Plan - Current Levels of Service, as outlined in the Accounting Coordinator's Report No. AC-2024-04, and

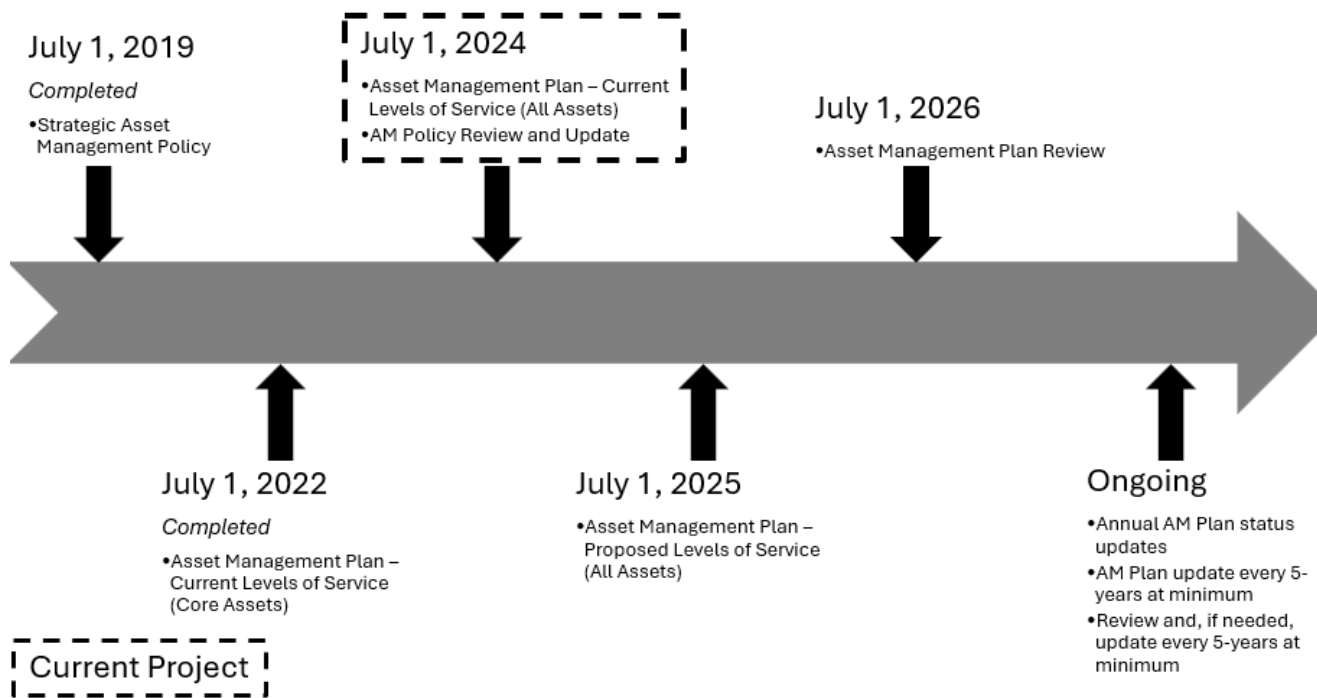
THAT the Finance Committee recommend that Council approve the updated Asset Management Policy."

Strategic Plan Alignment:

Infrastructure: Develop asset management strategies and programs to resolve delivery shortfalls and protect our investment in existing infrastructure

Background:

In January 2018, 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, 2015. The regulation requires municipalities to develop a complete asset management system over a series of milestones/deadlines. The scope of these deadlines and the City's progress to date is presented below:



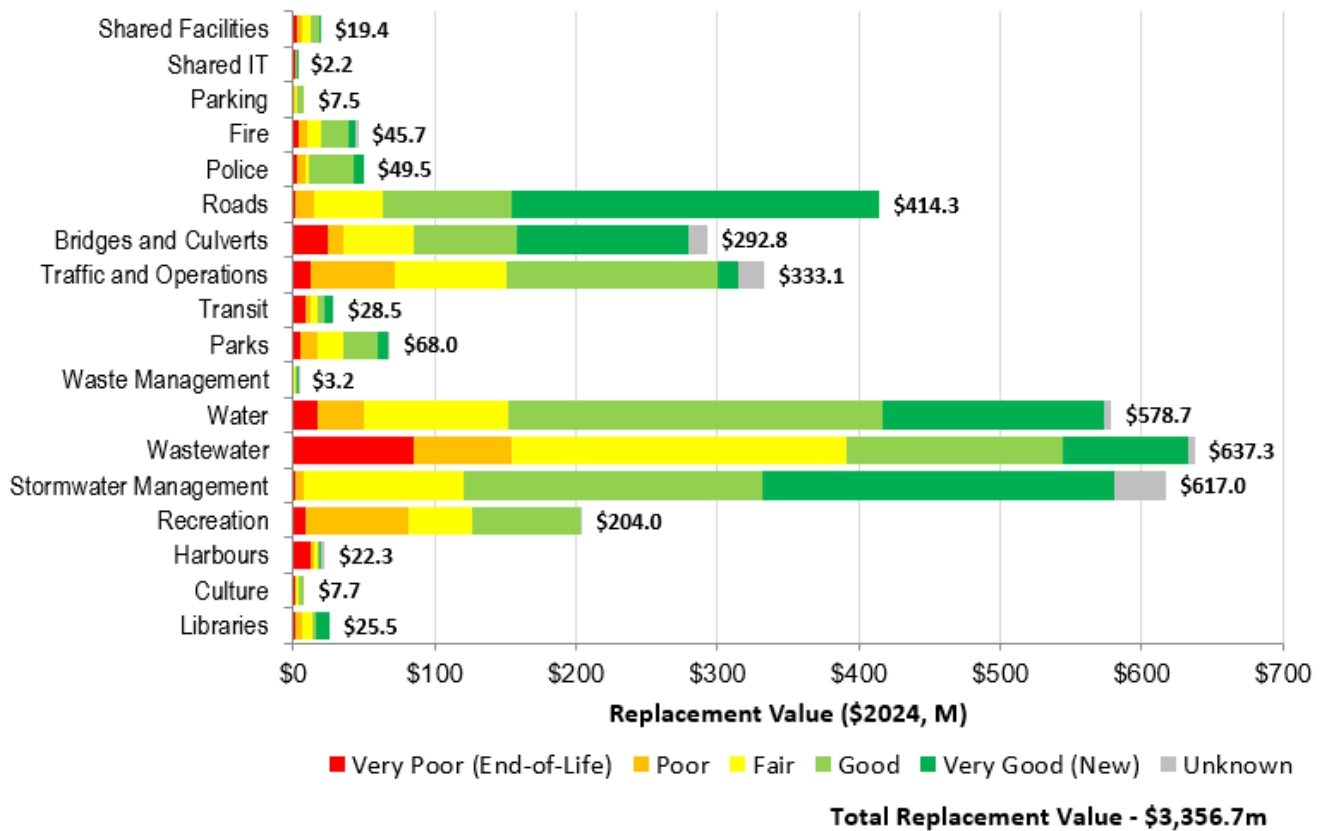
In August 2023, the City awarded a contract to SLBC Inc. for the update of its Corporate Asset Management Plan, last updated in 2022. Over the past 9 months, the City’s Asset Management Specialist, along with the Asset Management Working Group have worked with SLBC to produce the Asset Management Plan – Current Levels of Services that is attached. The information from this Asset Management Plan will be integral in Staff efforts to draft the 10-year capital work plan being developed alongside the 2025 capital budget.

Financial/Analysis:

The Asset Management Plan (AMP) reports on the state of the City’s assets, the level of service they provide, the risks associated with delivering these services, the lifecycle activities required to ensure the asset remain in safe and operable condition and the financial costs associated with performing these activities. The AMP is intended to be a ‘living document’ that should be periodically reviewed and updated. It has been developed in accordance with O.Reg 588/17 and includes elements of best practice from other standards including the International Standard ISO 55000 series for Asset Management. The asset management plan also documents the steps for monitoring and updating the plan in addition to identifying opportunities and recommendations for improvement of the plan, such as implementing industry standard condition assessments where age-based condition was used as proxy.

The AMP describes the replacement value, physical condition, and relative age of the City’s asset portfolio, organized by asset category. The total estimated replacement value of the assets captured within this AMP is **\$3.36 billion**, expressed in current (2024) dollars. The 2024 replacement value represents a \$1.06 billion, or nearly 46%, increase since the previous 2022 AMP was developed due to a combination of inflation and improved data quality.

The following graph summarizes the replacement value and the distribution of physical condition of the City’s asset portfolio, organized by service area. The City’s assets are generally in good condition, with roughly 80% percent of the City’s assets in fair or better condition.



To be effective, asset management practices should be integrated with financial planning and budgeting. Financial management principles for asset intensive organizations include recognizing the consumption of asset service potential, categorizing expenditures by lifecycle activity, allocating costs to assets, preparing long term forecasts, securing cost-effective financing, and effectively reporting on the City’s financial performance.

The City has defined asset lifecycle activities specific to each asset category. The study estimates that the activities required to maintain the City’s current levels of service will cost the City **\$211.99 million** per year. Based on historical budgets, the average annual funding available is estimated at \$172.37 million, yielding a current infrastructure gap of **\$39.62 million per year**.

Service Attribute	Lifecycle Activity	10-Yr Avg Annual Needs Forecast (2024\$M)	10-Yr Avg Annual Available Funding (2024\$M)	10-Yr Avg Annual Shortfalls / Surplus (2024\$M)	10-Yr Avg Annual Funding / Funding (%)
Capacity	Growth & Upgrade – City	\$44.81	\$28.94	(\$15.87)	65%
Reliability	Renewal	\$44.98	\$36.51	(\$8.47)	81%
	Operations & Maintenance	\$122.20	\$106.91	(\$15.29)	87%
Totals		\$211.99	\$172.37	(\$39.62)	81%

The projections are categorized into service attributes which differentiates the projections for capacity driven (growth-based) or reliability driven (renewal, operations, and maintenance-based) activities. “Growth & Upgrade” projections are derived from projects where a new asset is being acquired or an existing asset is being upgraded, at the City’s expense, to accommodate

increased demand due to the City's growth and expansion. "Renewal" projections, by contrast, describe lifecycle activities including replacement and rehabilitation of existing City assets to restore function or reliability. "Operations & Maintenance" projections are aligned with the estimated resources required to operate and maintain City assets as the City's asset portfolio continues to evolve to accommodate growth and maintain service levels.

It is the City's responsibility to ensure that the City's assets are managed sustainably and hence the City of Belleville shall actively manage this 'gap'. Typically, this is achieved through:

- Increased Funding
- Accepting Increased Risk
- Accepting Lower Level of Service

Based on the current funding gap, by funding source, funding increases would need to be:

- 25.54% immediate tax levy increase, or 2.3% annual increase
- 64.80% immediate Wastewater user rate increase, or 5.13% annual increase
- 18.23% immediate Parking user rate increase, or 1.69% annual increase

Funding Source	Service Area	10-Yr Avg Annual Needs Forecast (2024\$M)	10-Yr Avg Annual Available Funding (2024\$M)	10-Yr Avg Annual Shortfalls / Surplus (2024\$M)	Required Increase to Close Gap (%)
Tax Base	All Tax Base	\$164.76	\$132.48	-\$32.28	25.54%
User Rates	Water	\$12.45	\$15.66	\$3.21	Adequately Funded
	Wastewater	\$33.57	\$23.17	-\$10.40	64.80%
	Parking	\$1.21	\$1.06	-\$0.15	18.23%

In the 2022 AMP, the funding gap to maintain current levels of service was estimated at \$56.7 million per year. With increased funding levels over the past 3-years and improved data quality being used to formulate projections, the City has taken significant strides in managing the infrastructure gap to maintain levels of service. These efforts have resulted in a roughly \$17 million reduction to the annual infrastructure gap.

Conclusion:

Staff recommend that the Finance Committee recommend that Council approve the Asset Management Plan - Current Levels of Service, as outlined in the Accounting Coordinator's Report No. AC-2024-04, and that the Finance Committee recommend that Council approve the updated Asset Management Policy.

Attachments:

- [Final 2024 Asset Management Plan - Current Levels of Service](#)
- [Strategic Asset Management Policy - 2024 Update](#)