

Report FR-CS-15-14

To: Chair Pringle and Members of the Corporate Services Committee
From: Kevin Wepler, Director of Finance
Meeting Date: May 13, 2014
Subject: **Asset Management Plan for the County of Grey**
Status: Recommendation adopted by Committee as amended per Resolution CS47-14 May 13, 2014; Endorsed by County Council June 3, 2014 per Resolution CC76-14;

Recommendation(s)

WHEREAS the Ministry of Infrastructure has launched the first phase of the Municipal Infrastructure Strategy under the long-term infrastructure plan, Building Together;

AND WHEREAS as indicated in this strategy, the Province's policy going forward will require that municipalities requesting provincial infrastructure funding will need to show how projects fit within a comprehensive asset management plan;

NOW THEREFORE BE IT RESOLVED THAT Report FR-CS-15-14 be received;

AND THAT the Asset Management Plan for the County of Grey as attached to Report FR-CS-15-14 be endorsed, in principle;

AND THAT staff continue to work towards implementing the financial and technical recommendations contained in the Asset Management Plan to ensure long-term sustainability and fiscal stewardship of the County's growing and aging asset base;

AND FURTHER THAT the Asset Management Plan be revised from time to time in accordance with changes to best management practices, technology, financial constraints and the outcomes of condition assessments.

Background

The Provincial Government in recognizing that they needed to do more work with municipalities and the federal government to address municipal infrastructure challenges, committed through *Building Together* to develop a municipal infrastructure strategy.

Asset management was the foundation of this strategy. Asset management planning would allow needs to be prioritized. It would ensure that investments were being made at the right time to minimize future repair and rehabilitation costs and maintain municipal assets.

This strategy would require municipalities that request provincial infrastructure funding to show how projects fit within a comprehensive asset management plan. An asset management plan would be required to qualify for future infrastructure funding programs offered by the Province.

This asset management plan would be a strategic document that would state how a group of assets is to be managed over a period of time. The plan would describe the characteristics and condition of infrastructure assets, the levels of service expected from them, planned actions to ensure the assets are providing the expected levels of service, and financing strategies to implement the planned actions.

Tangible Capital Assets

The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), effective January 1, 2009, required municipalities to report on their tangible capital assets. This required the County to develop an inventory of assets to be capitalized, determine the assets' original or historic cost, and calculate the accumulated amortization for these assets over their useful life, to provide a net book value for these assets.

Physical assets in the County of Grey are essential to services provided and contribute to the quality of life enjoyed by residents of the County. Assets are critical to ensure that services are delivered to residents in a safe, reliable and efficient manner.

The County of Grey, based on the net book value as of December 31, 2013, owns over \$177 million worth of tangible capital assets. Replacement value for these assets is estimated to be \$714 million or four times their current net book value.

In order to plan, build and maintain infrastructure, and to help municipalities address the challenges of current and emerging infrastructure needs, the Province has required that

municipalities develop a comprehensive asset management plan to help guide its investment decisions.

Asset Management Plan

What is an Asset Management Plan? An Asset Management Plan is a plan developed for the management of one or more infrastructure assets within the municipality that combines multi-disciplinary management techniques, including technical and financial, over the lifecycle of the asset(s), to a specified level of service in the most cost-effective manner.

For the development of the County's asset management plan, the County of Grey utilized the services of Public Sector Digest to prepare a plan that meets the Province's asset management plan requirements. The Province required that a detailed asset management plan contain the following:

- Executive summary
- Introduction
- State of local infrastructure
- Expected levels of service
- Asset management strategy
- Financing strategy

The attached Asset Management Plan reports on the mandatory asset classes of roads, bridges and social housing for the County of Grey, as set out and required by the Province. The County's request for proposal for the development of an asset management plan, included the plan be developed to include all of the County's infrastructure assets and the reporting on these other asset classes would form part of a future report on the County's non-mandatory asset classes.

With Public Sector Digest working on the County's Asset Management Plan, the County needed to provide condition ratings, where available for these assets. Without condition ratings, age-based ratings would have to be utilized. This has been a bit of a challenge, and this is an item that has been identified as a gap in the County's data.

While the County had undergone building condition assessments on its social housing assets, these assessments have only identified building component lifecycles and no overall building condition index has been calculated. The latest building condition assessment prepared by the Altus Group Limited, stated that "Overall, the buildings are in fair-to-good condition provided that preventative maintenance is performed and corrective action is taken. Provided that all recommendations are carried out, the buildings can continue to perform for the next thirty (30) years."

The Transportation Services Department has obtained condition information on its bridges and culverts, and the Transportation Services staff have done a significant amount of work evaluating and providing road condition ratings.

These condition ratings have helped staff identify needs and priorities. In order to improve this data, a road condition index or a pavement condition index needs to be quantified to provide performance data and a mechanism to monitor the trends in the condition of the road network. The index would assist staff in identifying rehabilitation and/or maintenance treatment options to extend the life cycle of the asset, and to provide strategic investment planning information that would help support the annual and long term budget processes.

As stated in the Asset Management Plan, the foundation of good asset management practice is based on having comprehensive and reliable information on the current condition of the infrastructure. The County needs to have a clear understanding regarding the condition of its assets, as all management decisions regarding future expenditures and maintenance activities should be based on this information.

Conclusion

It is concluded that the Asset Management Plan, as attached to this report, is a strategy to assist in long term capital planning which will help prioritize investments in order to maintain and upgrade the County's tangible capital assets in a cost effective manner.

By undertaking this asset management plan, the County has gained an understanding of the level of service being provided today for each of the infrastructure classes contained in the Plan. As well, it has begun the process of providing performance measures that can be tracked from year-to-year in order to assist staff in planning for what rehabilitation treatment may be needed, when they may need to be done and how much financial investment may be required to maintain these assets. Therefore, for this Plan to have any value to the County of Grey, it will need to be revisited and updated, particularly as more detailed information becomes available.

Financial / Staffing / Legal / Information Technology

Considerations

The estimated average annual investment requirement for roads, bridges & culverts, and social housing, as presented in the attached report, is \$23,353,000. This annual investment requirement is based on the investment required to replace the asset, but in some cases rehabilitation of the asset may be an option to extend the life of the asset, and therefore could possibly reduce the investment requirement.

Annual revenue currently allocated to these assets for capital purposes is \$9,441,500 leaving an annual deficit of \$13,911,500. These asset categories are currently being funded at 40% of their long-term requirements. Without consideration of any other sources of revenue, full funding would require a combined increase 27.3% over time.

It is important to recognize that based upon the plan, the amount of funds provided in the current budget and five year capital plan are therefore not sufficient to sustain the current levels of service. Staff will need to continue to collectively work together to accommodate the financial and technical requirements of this Plan, including taking advantage of any grant funding programs that are available or may be in the future.

These financial requirements may change in the future with improved data collection being made available along with the updating of any condition assessments.

Link to Strategic Goals / Priorities

The County's Asset Management Plan supports the following specific goal and objective in the County's Strategic Plan:

Goal One – Expanding the Prosperity Base: Enhance and diversify economic opportunities within the county, by becoming “investment-ready” and ensuring the foundation is in place for sustained success.

1.5 Actively pursue provincial and federal funding to sustain municipal services and infrastructure.

1.6 Accelerate the commitment to lifecycle planning for long-term investment in county owned capital assets.

Attachments

[County of Grey - Asset Management Plan 2013](#)

Respectfully submitted by,

Kevin Weppler
Director of Finance