



# TOWNSHIP OF NORTH HURON

# REPORT

Item No.

**REPORT TO:** Reeve Vincent and Members of Council  
**PREPARED BY:** Donna White  
**DATE:** 18/09/2017  
**SUBJECT:** Asset Management Plan (AMP) 2016  
**ATTACHMENTS:** AMP 2016

## **RECOMMENDATION:**

THAT the Council of the Township of North Huron hereby adopts the Asset Management Plan (AMP) 2016 prepared by the Public Sector Digest for information purposes;  
AND FURTHER THAT, the Asset Management Plan be posted on the Township website.

## **EXECUTIVE SUMMARY**

Strategic asset management is critical in extracting the highest total value from public assets at the lowest lifecycle cost. This is the first update following the completion of Township's first edition in 2013.

Based on 2016 replacement cost, a blend of age-based and field data, 64% of assets with a valuation of \$139 million are in good to very good condition. However, nearly 30% are in poor to very poor condition. Nearly 80% of the assets analysed have at least 10 years of useful life remaining. However, 11% of the assets, with a valuation of \$24 million, remain in operation beyond their established useful life. An additional 4% with a valuation of \$9 million, will reach the end of their useful life within the next five years.

## **DISCUSSION**

The total replacement cost for all North Huron assets is \$214,508,145.00 broken down as follows:

Asset Class	Replacement Cost	Annual Requirement	Assets still in Operation beyond Useful Life
Machinery & Equipment	2,642,778.00	223,616.00	385,000.00
Vehicles	2,869,299.00	261,417.00	133,000.00
Land Improvements	3,233,306.00	137,080.00	1,056,000.00
Bridges	10,505,864.00	146,944.00	
Storm Collection Main	16,525,334.00	224,000.00	
Roads	35,861,385.00	1,576,958.00	1,492,000.00
Water Distribution	40,016,598.00	573,043.00	886,000.00
Buildings	40,829,455.00	1,473,623.00	19,892,000.00
Sanitary Sewer	62,024,126.00	892,056.00	
Total	\$214,508,145.00	\$5,508,737.00	\$23,844,000.00

## **FINANCIAL IMPACT**

### **Tax Funded Categories**

The Financing Strategy included in the report includes full funding over a 20 year period by:

- Reallocating the debt payments (as each loan is paid off) to the infrastructure deficit
- Increase tax revenues by 2.6% each year for the next 20 years
- Allocate current Gas tax and OCIF grant revenue to eligible infrastructure projects
- Reallocate appropriate revenue for categories in a surplus position to those in a deficit position
- Increasing existing and future infrastructure budgets by the applicable index on an annual basis in addition to the deficit phase-in.

### **Water/Sewer Categories**

The Financing Strategy included in the report includes full funding over a 20 year period by:

- Increasing rate revenues by 3.2% for sanitary services and 1.2% for water services each year for the next 20 years
- Increasing existing and future infrastructure budgets by the applicable index on an annual basis in addition to the deficit phase-in.

## **FUTURE CONSIDERATIONS**

It is important that the Asset Management Plan be a working document and that funds be included annually in the budget to ensure that the data is continually updated. In addition, council needs to consider the recommendations outlined in the report, with specific discussion on a dedicated tax levy for asset funding in the amount of 2.6% (approx. \$127,000 per year) as part of the budget process.

There are a number of asset management requirements under Bill 6, Infrastructure for Jobs and Prosperity Act 2015 as follows:

- Strategic Asset Management Policy – Due January 1, 2019 (then updated at least every 5 years)
- Municipal Asset Management Plans
  - Phase I – Core infrastructure assets (roads, bridges, culverts, water/water, storm – Due January 1, 2020
  - Phase II – All infrastructure assets – Due January 1, 2021
  - Phase III – all infrastructure assets with additional requirements – Due January 1, 2022

Significant staff resources were required in 2016 and the early part of 2017 to work with the Public Sector Digest Staff to complete the update to the Asset Management Plan (AMP). The next steps in the Asset Management Plan revolve around levels of service, the cost to sustain the current levels of service, along with condition and risk assessments. This will require some dedicated staff time from the new Director of Public Works.

The sanitary sewer camera work being completed in 2017 will provide very useful data as part of the condition assessment. The water and wastewater master plan and the investigative work on the standpipe under the Clean Water and Wastewater Fund (CWWF) will also be extremely useful data to include in the AMP. If the LED Streetlight Conversion Project proceeds, that information will also be incorporated into the AMP.

There are a number of grant programs that the next steps in the Asset Management Plan Strategy will be eligible for funding.

#### Infrastructure Report Card

The following Infrastructure Report Card shows:

Average Asset Health Grade C

Average Financial Capacity Grade F

Overall Grade for the Municipality F

## X. 2016 Infrastructure Report Card

The following infrastructure report card illustrates the municipality's performance on the two key factors: Asset Health and Financial Capacity. Appendix 1 provides the full grading scale and conversion chart, as well as detailed descriptions, for each grading level.

Table 46 2016 Infrastructure Report Card

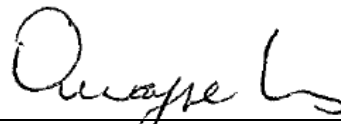
Asset class	Asset Health Grade	Funding Percentage	Financial Capacity Grade	Average Asset class Grade	Comments
Roads	B	27%	F	D	Based on 2016 replacement cost, and a blend of age-based and field data, 64% of assets, with a valuation of \$139 million are in good to very good condition. However, nearly 30% are in poor to very poor condition.  The municipality is funding 28% of its long-term needs for tax funded assets and 43% for its rate funded assets.
Bridges & Culverts	B	0%	F	C	
Water System	B	56%	D	C	
Sanitary Services	C	35%	F	D	
Storm	B	2%	F	D	
Buildings & Facilities	D	19%	F	F	
Machinery & Equipment	D	124%	A	C	
Land Improvements	D	43%	F	F	
Fleet	D	32%	F	F	
Average Asset Health Grade				C	
Average Financial Capacity Grade				F	
Overall Grade for the Municipality				F	

#### RELATIONSHIP TO STRATEGIC PLAN

Goal #4 – Our administration is fiscally responsible and strives for operational excellence.



Donna White, Director of Finance



Dwayne Evans, CAO