

REPORT

REPORT TO: Chair and Members of the Community and Corporate Affairs Committee

REPORT FROM: Dharmen Dhaliah, Corporate Asset Manager

DATE: February 4, 2019

REPORT NO.: RP-2019-0001

RE: Town's CAM Program update and State of Infrastructure Report

RECOMMENDATION:

That Report No. RP-2019-0001 dated February 4, 2019 regarding the Town's CAM Program update and State of Infrastructure Report be received;

AND FURTHER THAT staff report back to Council with progress on the Town Strategic Asset Management Plan (SAMP) in the third quarter of 2019.

BACKGROUND:

To meet the requirements of **O.Reg.588/17: Asset Management Planning in Municipal Infrastructure** the Town of Halton Hills is progressing with the development and implementation of its Corporate Asset Management (CAM) program. On June 25, 2018 Council endorsed the Town of Halton Hills Corporate Asset Management Policy (Report RP-2018-0018). The next key component of the CAM program is the development of the Town's State of Infrastructure (SOI) Report to include in its Strategic Asset Management Plan (SAMP)

In September 2017 directed staff to apply to the Federation of Canadian Municipalities' Municipal Asset Management Program to complete an "Asset Data Collection & Condition Assessments" project (Resolution No. 2017-0168). On November 21, 2017 FCM approved a grant in the amount of up to \$50,000 for the Town of Halton Hills to carry out the project. On January 25, 2018 Council authorized the award of the Request for Proposal P-121-17 for Asset Inventory and Condition Assessment to R.V. Anderson Associates Limited (RP-2018-0009).

The main objective of the "Asset Data Collection & Condition Assessments" project was for R.V. Anderson Associates to assist in preparing the Town's first SOI report. The SOI report provides a 'snapshot' of the current state of infrastructure repair and includes a comprehensive asset inventory, assessing the current condition and risks of the assets, estimating asset service life, estimating rehabilitation and replacement costs that will be used to better

understand the financial requirement to maintain these assets, and identifying the impact on the Town's budget and long-term financial plans.

COMMENTS:

State of Infrastructure (SOI) Report

The purpose of the State of Infrastructure (SOI) report is to facilitate communication with Council and the public on the state of repair for infrastructure assets essential to the delivery of public services and to outline the sustainable financial requirements to maintain the current stock of assets. The report is also essential to provide key information on infrastructure asset refurbishment and replacement needs that would be considered when developing the Town's Long Range Financial Plan (LRFP).

In general, the SOI report is intended to provide information to answer the six key asset management questions, listed below:

1. What do you have?
2. What is it worth?
3. What condition is it in?
4. What do you need to do to it?
5. When do you need to do it?
6. How much money do you need?

Current State

The current replacement value of all Town assets is estimated to be around \$871 million. Breakdown of the inventory is shown Appendix A. The asset inventory is believed to be mostly complete. However, there are still some asset categories (e.g. parks, facilities, walkways, retaining walls, guiderails) which are likely incomplete and require additional investigation and assessment. Many of the assets included in the inventory are believed to be inaccurate and do not reflect the current reality or conditions of the asset. This inaccuracy is attributed to two major items: condition and cost estimates. (See Confidence Band in Appendix A)

Overall, the Town of Halton Hills assets are in a "Good" to "Fair" condition. On a replacement value-weighted basis, only a small percentage (11%) of these assets are in a condition of Poor or worse. It should be noted the condition rating of most assets is based on a theoretical value. Only a limited number of assets (e.g. roads, bridges, facilities) undergo regular condition assessments. (Appendix B shows the Condition distribution).

Funding Impacts

The long-term financial forecast (Appendix C) presents the future capital expenditures (replacement and rehabilitation) for all assets. The forecast highlights the current

infrastructure deficit (value of assets which are at or beyond the end of their useful lives), the average annual investment requirement for the next 10 decades, and the sustainable funding requirement. The sustainable funding requirement is the average annual funding required to maintain all assets over a 100-year period (including the infrastructure deficit). Currently the infrastructure deficit (infrastructure at or beyond its theoretical service life) is \$64.8 million which is approximately 8% of the inventory value. To maintain the current stock of inventory in a state of good repair over a 100-year period, it is estimated the Town will require an average sustainable investment of \$28.5 million per year. This estimate includes the rehabilitation and replacement of all assets at pre-determined intervals and the infrastructure deficit. Over the next 10 years, the Town of Halton Hills has planned to allocate roughly \$12.5 million per year to the replacement and renewal of existing infrastructure. This represents an estimated infrastructure investment gap of \$16.0 million per year.

Having an infrastructure gap is common to many municipalities. The SOI report shows the current infrastructure deficit for the Town to be at \$64.8 million and over time this deficit will keep increasing due to the yearly estimated investment gap. Good asset management planning and long-term financial planning can help decrease the deficit over time if the recommended annual investment targets are met (note the numbers will be refined as better quality data becomes available and the confidence in the data increases).

Next Steps

It is recommended the Town develop a long-term plan in conjunction with the Long Range Financial Plan to increase the capital investment slowly over time (a certain percentage increase every year) combined with operational savings and adjustments in the levels of service provided, with a target date (generally 2030s or 2040s) of completely eliminating the infrastructure deficit and being fully financially sustainable.

In the short-term it is recommended to focus on reaching the annual sustainable funding requirement slowly over time and keep assigning a reasonable percentage of the capital budget to renewal or replacement of existing infrastructure assets.

In 2019 as part of the CAM program's Capital Investment Planning process we are planning to introduce tools and practices to guide Council in making decisions with regards to capital investments to prevent condition/levels of service from decreasing over time.

Staff will be reporting back on the progress of the CAM Program Implementation Plan with updates on the SAMP, in the third quarter of 2019.

RELATIONSHIP TO STRATEGIC PLAN:

The SOI Report is an integral part of the CAM Program which aligns with the Town of Halton Hills Strategic Action Plan related to Municipal Service Delivery, Financial Sustainability and Sustainability:

1. Effective, efficient and economical delivery of the Town's existing services;
2. Establish sustainable financing, asset management and master plans to acquire, operate, maintain, renew and replace infrastructure;
3. Develop a Climate Change Adaptation Plan to address community responsiveness and resiliency to climate change

FINANCIAL IMPACT:

The SOI report presents the sustainable funding requirement (the future investments needed to refurbish or replace existing infrastructure before or at the end of its service life) necessary to maintain the current levels of services. Information on the distribution of the asset conditions and risks will be used to facilitate decisions during future capital budgets.

Furthermore, the SOI Report will be a key source of information to be used during the development of the Town's long-range financial plan and strategy to reduce the infrastructure deficit.

CONSULTATION:

RV Anderson and staff consulted with the Asset Management Network Team, Corporate Asset Management Steering Committee, and Senior Management during the preparation of this report.

PUBLIC ENGAGEMENT:

Not applicable.

SUSTAINABILITY IMPLICATIONS:

The Town is committed to implementing our Community Sustainability Strategy, Imagine Halton Hills. Doing so will lead to a higher quality of life.

The recommendation outlined in this report advances the Strategy's implementation.

This report supports the Environmental Health and Economic Prosperity pillars of Sustainability and in summary the alignment of this report with the Community Sustainability Strategy is Good.

COMMUNICATIONS:

Staff will communicate the approved State of Infrastructure Report to staff by making the document available on the HUB and to the public by posting on the Town's website.

CONCLUSION:

Staff recommend the approval and endorsement by Council of the proposed Town of Halton Hills State of Infrastructure Report and to continue with the CAM program to be in compliance with the O.Reg.588/17: Asset Management Planning in Municipal Infrastructure.

Reviewed and Approved by,



Dharmen Dhaliah, Corporate Asset Manager



Warren Harris, Commissioner of Recreation and Parks



Brent Marshall, CAO