



Town of Newmarket  
395 Mulock Drive P.O. Box 328,  
Newmarket, Ontario, L3Y 4X7

Email: [info@newmarket.ca](mailto:info@newmarket.ca) | Website: [newmarket.ca](http://newmarket.ca) | Phone: 905-895-5193

## **Corporate Asset Management Progress Report – 2024 Annual Update Staff Report to Council**

Report Number: 2024-27

Department(s): Corporate Asset Management Office (Financial Services)

Author(s): Erik Wright, Acting Manager, Asset Management

Meeting Date: May 27, 2024

### **Recommendations**

1. That the report entitled Corporate Asset Management Progress Report – 2024 Annual Update dated May 27, 2024 be received.

### **Executive Summary**

Since the adoption of the Town's 2021 Asset Management Plan, Council receives an annual update on the progress of implementing asset management in accordance with the reporting requirements of Ontario Regulation 588/17. This year's update shares strong progress for key projects related to asset management plans, technology, resource planning, and condition assessments. Improvement opportunities were identified for financial reserves, capital delivery, climate change readiness, and organizational capacity. Concluding discussion describes next steps for 2025 compliance, which includes Levels of Service targets for the future condition of assets, supported by a Sustainable Funding Strategy intended to build on the Reserve and Reserve Fund Review.

## Purpose

The purpose of this report is to provide an annual update on the progress of implementing AM plans. This report also gives notice of the initiatives to achieve 2025 compliance with Ontario Regulation 588/17.

## Background

Since adoption of the Council-endorsed vision for AM in 2016, the Town is advancing its asset management (AM) practices to better deliver sustainable services. This is also supported by Ontario Regulation 588/17 (Asset Management Planning for Municipal Infrastructure), which provides a series of deadlines to achieve AM milestones and provide annual Council updates.

## Asset Management At The Town

The advancement of AM is guided by a Council-endorsed Vision to be innovative fiscal stewards. Since the AM Policy was set in 2019, the Town has made significant strides. Notably:

- AM plans for 95% of all Town assets are complete, providing a blueprint for sustainable levels of service backed by a financial strategy.
- Capital planning software has been implemented that allows for the optimization of investment levels and the planning of capital projects.
- Foundational projects to implement corporate practices in business units are underway. Practices are promoted in a variety of business units including Engineering, Public Works, Planning, Parks & Facilities, IT, and Data Analytics & GIS.

## Regulatory Drivers

Aside from the Vision and Policy, the implementation of AM is informed by O.Reg 588/17. The Town is required to achieve a series of milestones as follows:

### Completed Milestones

- Develop a strategic AM Policy by July 1, 2019.
- Develop an AM plan including core infrastructure assets with current levels of service by July 01, 2022.

### Ongoing (Q2 2024)

- Develop an AM Plan including all other infrastructure assets with current levels of service by July 1, 2024.
- Review and update the AM Policy (2019) every 5 years.
- Conduct an annual review of AM progress on or before July 1 in each year, starting the year after the municipality's AM plan.

## Future

- Develop an AM Plan with *proposed levels of service and financial strategy* by July 1, 2025.

## **Annual Review of Asset Management Planning Progress**

The annual progress report shares successful advances, as well as identifying factors impeding progress and the strategies to address them. The benefit of this requirement by O.Reg. 588/17 is that Council gets regular insight into the progress towards their Vision.

The remainder of this report is divided into three sections:

- Progress in implementing the Town's AM plan.
  1. Factors impeding the implementation of the AM Plan, and strategies to address the factors.
  2. Preparing for 2025 compliance.

## **Discussion**

### **Progress In Implementing the Town's Asset Management Plan**

Progress was achieved since the last annual Council update (June 21, 2023) that is leading to meaningful improvements. These progress areas allow for better decisions, improved financial planning, use of technology, and process improvements. Specific achievements include:

#### Parks & Facilities Asset Management Plans

Completing parks and facility AM Plans adds to the library of roads, bridges, water, wastewater, and stormwater. This means the Town has now accounted for 95% of its assets by replacement value. There are a few remaining assets to be accounted for past this substantial completion, such as fleet. The completion of the plans includes improvements in parks and facilities data that will support these services going forward.

#### DOT Financial & Capital Planning Optimization Software

Software approved by a previous Council decision package has now been fully implemented. During 2023, several data updates and improvements. The parks and facilities modules were also implemented, allowing for greater efficiency when updating AM plans. Beyond development of AM Plans, the Town is now turning towards producing capital plans within the software which will begin piloting during the 2025 budget.

#### Informed Service Delivery

Informed Service Delivery was a key initiative introduced in the 2023 annual update. Informed Service Delivery is a project that enables the resources associated with the Corporate Asset Management Progress Report – 2024 Update

delivery of services to be quantified. Having a formal cost model for services allows for more dynamic planning and adjustments when there are new initiatives or when responding to unforeseen events. The Town will start piloting the project tools during the 2025 operating budget process.

### Enterprise Asset Management (EAM) Roadmap

The EAM Roadmap project is about planning for implementing technology to help the Town deliver better asset-related services more efficiently. Once implemented, EAM practices will make it easier for staff to do their job, supported by digital tools and access to reliable data. It is being developed with an external consultant, collaborating with Town business units. It will also integrate with the Digital Transformation Strategy.

### Condition Assessment Program

A key recommendation of the 2021 AM Plan was to verify age-based ratings with field inspections that refine this information. Condition assessments will play a key role in refining AM plans and developing capital plans, particularly for assets currently using age data. These capital plans may then inform the budget.

Early condition assessment findings have given a better understanding of asset conditions. So far, \$28 Million in backlog reduction has been achieved for wastewater sewers. Inspections identified that some sewer assets calculated to be in poor condition based on age are actually in good to fair condition. The benefits of condition assessments for AM plans will continue to be monitored and reported.

Going forward, data and condition assessments are expected to be key drivers of financial decision making. Decisions are made with the best available data, but when proxies or estimates are used there is uncertainty. The impact of condition data shows the value of progress made to date. Areas that would benefit from this include water, stormwater, and parks.

## **Impeding Factors and Strategies to Address Them**

AM is a relatively new practice that combines disciplines. To be successful, leadership and organizational alignment is required. It is therefore prudent to critically examine the impeding factors and develop strategies to address them. During the 2024 annual review, a few key factors were identified:

### Funding and Capital Delivery

The Town has made significant effort to understand its financial position and has already made good progress to improve. In spite of this, reserve funding and capital delivery are impeding factors that arise in the AM program. The Town is also experiencing funding challenges from the COVID-19 pandemic and rapid construction price inflation, as well as changes in provincial policy. These are experienced by all Ontario municipalities and are not unique to Newmarket.

### *Impeding Factors*

Roads, bridges, and facilities are known to have capital funding gaps that will increase in future years as the assets age. This has been verified by condition assessments and is forecasted to result in asset conditions decreasing.

There is a similar trend for rate supported assets (water/wastewater/stormwater), although condition assessments will help to verify these age-based projections. Of these, stormwater has the most ground to make up.

The Reserve & Reserve Fund Review takes this into account for both tax and rate supported assets in developing a sustainable financial track, with some interim risk and lowered asset conditions.

In addition to reserves, AM Plans also report on capital delivery. Capital delivery capacity for rate supported assets is typically lower than strong performers like roads & bridges. As assets age, there will be more projects to deliver each year in order to keep the assets in a state of good repair. There is opportunity to prepare the organization now for an upcoming sustained increase in capital workload. There is also opportunity to introduce new types of capital projects like structural lining and spot repairs.

This trend is not unique to Newmarket. Municipalities across Ontario report a growing infrastructure deficit coinciding with national demographics.

### *Strategy to Address Impeding Factors*

The Reserve & Reserve Fund Strategy provides a path for managing reserves by increasing funding. It also allows for strategies like borrowing when there is excess capital delivery capacity, within the targets needed to achieve sustainable assets. The 2025 Sustainable Funding Strategy as required by O.Reg. 588/17 will expand on the Reserve Fund Strategy.

With respect to capital delivery, a 10 Year Capital Plan for core assets is under development. This will help Engineering Services see where delivery capacity needs to ramp up. A review of organizational structure by Development & Infrastructure Services is also being contemplated that would consider opportunities to increase capital delivery.

### Climate Change

The Town has taken steps to address its climate footprint, but there also needs to be planning for the potential impacts of climate change.

### *Impeding Factors*

External studies demonstrate climate change will impact the cost of municipal infrastructure including resilience upgrades, recovering from extreme weather, and carrying increased insurance premiums. The Town does not yet have a full understanding of the potential impacts to its assets.

### *Strategy to Address Impeding Factors*

In 2023, the Town formed a business unit dedicated to climate action within Engineering Services. This is a pivotal development that will begin the process of integrating AM with climate change. The Corporate Asset Management Office will collaborate with this new business unit. Progress on climate action can help to seek government funding.

### Capacity of Other Business Units to Support Asset Management Initiatives

The implementation of AM in business units who support or deliver asset-related services is an important step towards realizing the benefits of AM practices. This typically includes education, research & development, and change management.

### *Impeding Factors*

The pace of AM implementation is limited by the capacity of staff business units to engage in new AM activities, as they must balance AM improvements with regular duties and other strategic priorities. Therefore changes and improvements take time to complete. Implementation of AM among business units will continue to progress but potential benefits of AM may not be realized until capacity increases.

### *Strategy to Address Impeding Factors*

The AM Steering Committee is a group of Town business unit leaders who guide the implementation of AM and coordinate AM with their service areas. This includes managing the pace of change to align with staff capacity, and integrating AM with other initiatives. The Informed Service Delivery project will also be used to better monitor the impacts of AM projects on staff and advocate for potential resource options.

## **Preparing for Levels of Service Targets and A Sustainable Funding Strategy**

Looking ahead to 2025, much of the Town's efforts will be preparing for the July 1 2025 deadline for Levels of Service Targets and a Sustainable Funding Strategy as required by O.Reg. 588/17. The sustainable funding strategy addresses the total asset lifecycle – capital spending on existing assets and operating budgets for asset-related services.

### Levels of Service Targets and A Sustainable Funding Strategy

In 2025, there will be proposed targets for asset conditions achieved through capital spending for each service area, building on previous reports like the Reserve Fund Review and Infrastructure Report Cards. Council will be able to select from recommended options. Operational service delivery for asset-related services will be captured through the Informed Service Delivery project and will also come forward with recommended options for Council to adopt. The outcome does not necessarily need to change from current practice, provided the Town can demonstrate targets are sustainable. The results of the target process will a Sustainable Funding Strategy to forecast the next 10 years.

More information and next steps will be shared as the Town approaches the July 1, 2025 deadline.

## **Conclusion**

This progress update addresses the Town's annual reporting requirements and provides Council with insight into the benefits and progress of asset management. Staff will continue to advance the described initiatives, guided by Council's Vision and the Asset Management Policy.

## **Business Plan and Strategic Plan Linkages**

AM is a key support to the core service delivery of Town municipal public services, as well as the advancement of Council's Strategic Priorities. Maintaining Town infrastructure for future generation in a responsible manner ensures the sustainability of Town services. AM is a people-driven program, building capabilities and culture within the organization to continually improve a customer-focused way of business. Lastly, AM is forward looking. Proactively planning for the future ensures transparency, resilience, and strong financial positioning.

## **Consultation**

The contents of the report were shared with the Asset Management Steering Committee, a group of Town business leaders representing stakeholder departments.

## **Human Resource Considerations**

None.

## **Budget Impact**

None.

## **Attachments**

None.

## **Approval**

Mike Mayes, CPA, CGA, DPA

Director, Financial Services/Treasurer

Esther Armchuk, LL. B

Commissioner, Corporate Services

## Contact

For further information, please contact Erik Wright at [ewright@newmarket.ca](mailto:ewright@newmarket.ca).