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Parks and Facilities Asset Management Plans Staff Report to Council

Report Number: 2024-33

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

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Meeting Date: May 27, 2024

Recommendations

1. That the report entitled Parks and Facilities Asset Management Plans May 27, 2024 be received; and,
2. That the Parks and Facilities Asset Management Plans be endorsed by Council subject to the annual budget review; and
3. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

The Parks and Facilities Asset Management Plans support \$330 Million of assets providing recreational, cultural, administrative, and fire services to the Town. These assets have an average useful life of 30-35 years. A state of the infrastructure is provided, showing that an estimated \$10.5 Million of Facilities assets are in need of replacement plus \$13.4 Million of Parks assets. The assets have a growing portfolio as identified by the DC Background Study (prior to the 10 Year Recreation Capital Plan), totaling \$78 Million of new assets over 10 years with ensuing operating costs and reserve contribution opportunities. The concluding Financial Strategy calculates the total reserve contributions available for asset replacements under current practice as \$54 Million. Combining current eligible replacements and assets that will age over the next 10 years, the total eligible replacements over 10 years is \$124 Million. A suggested interim target of \$67 Million is provided, to be addressed through the 2025 Proposed Levels of Service asked by O.Reg. 588/17. Other recommendations made by the plans include assessing the impacts of climate change on the assets and developing master plans for growth.

Purpose

The purpose of this report is to supply the Parks and Facilities Asset Management Plans for Council adoption while summarizing key issues that pertain to Council-level strategic planning. The report previews the decisions that will be made in 2025 through O.Reg. 588/17's requirement for Proposed Levels of Service and a Sustainable Funding Strategy within asset management plans.

Background

Asset Management Plans at the Town

The Corporate Asset Management Office (CAMO) has completed two new asset management (AM) Plans for the Town's Parks and Facilities assets in collaboration with the Parks and Facilities business units, external consultants, and the Town's vendor for capital planning optimization software.

These Plans address the 2024 regulatory requirements set by O.Reg. 588/17, specifically to have AM Plans for all non-core assets by July 1.

Parks and Facilities AM Plans were substantially complete in 2023. In Fall 2023, Council received a review of the Financial Strategy section to coincide with the Reserve and Reserve Fund Review. The final AM Plans contain this same information.

The Town now has AM Plans for 95% of its assets by replacement value. In 2021, the Town completed AM plans for its core assets – roads, bridges, water, wastewater, and stormwater. This set the Town's practice and made Parks and Facilities more efficient to produce.

AM plans are part of Newmarket's long term strategic planning and financial management. They are living documents to be updated as the environment changes. At a minimum, the plans will be reviewed annually and updated every 5 years as mandated by O.Reg 588/17.

Completion of AM plans for parks and facilities are a significant achievement but only one aspect of AM practices. AM is not a document or a software. It is a way of doing business every day, and a lifelong journey to improve the Town.

How to Read the Plans

AM Plans follow a corporate template developed in 2021 to align with best practices and O.Reg 588/17. The verbiage are the same in each, with some exceptions. The two new Plans are designed to be standalone documents – they will undergo consolidation in 2025.

Each Plan includes four chapters that build a holistic understanding of the Town’s assets and their future.

1. **Know Your Assets:** Establishes the baseline of what the Town owns.
2. **Manage Service Delivery:** Uses levels of service, risk, and activities that support services to manage asset-related services holistically.
3. **Future Ready:** Forecasts trends that will impact the Town’s assets and services. This includes growth in the asset base, and the impacts of climate change.
4. **Financial Strategy:** Uses capital financial modeling to show the cost of maintaining assets at their current level of service.

Maintaining Infrastructure Levels of Service & O.Reg. 588/17

The condition of municipal assets is directly tied to the level of capital funding for their replacement as they age. When higher levels of capital funding are provided in response to aging assets, municipalities can keep pace with the lifecycle. However, when less funding is allocated, infrastructure maintenance is deferred. This is known as an infrastructure backlog, where the necessary repairs accumulate over time. Because assets may last decades before a costly replacement, forecasting this phenomenon ensures long term planning and intergenerational equity across user groups to fairly spread the cost of the eventual replacements.

Levels of service are inherently related to asset conditions. Service criteria expected by customers typically include that services are reliable and of good quality. Asset failures can diminish their experience.

This relationship is the basis for municipal AM Plans. Ontario Regulation 588/17 is intended to guide municipalities in managing this relationship. It culminates in 2025 when a sustainable funding strategy is required to be adopted by Council for a level of service target. This could align with the Reserve & Reserve Fund Review.

Discussion

With Parks and Facilities AM Plans complete, there are key insights and recommendations that warrant discussion at the strategic level.

Key Information from “Know Your Assets”

Scope of Assets

Parks and Facilities are closely knit services that should be understood holistically, but for the purpose of asset management plans are categorized by asset to align with their areas of service delivery. Assets as they are defined within the Plans may be defined differently by users. The scope of the assets included in the plans are:

- **Facilities** – All structural and indoor building elements including substructure (e.g. foundations), building shell (e.g. roof), interiors (e.g. floors), services (e.g. electrical), equipment (e.g. pool & ice) and sitework (e.g. ramps). Other siteworks

not directly connected to the facility (e.g. parking lots, paths, lighting, etc.) are reported under Parks as part of the “property”. The AM plans reports all Town facilities, with exceptions. Mulock Estate (captured under growth) and Fernbank House were excluded due to ongoing renovations at the time of writing. Station 4-5 was excluded due to the different ownership structure compared to Station 4-1 and 4-2, which are wholly Town-owned. There are a total of 37 facilities reported including those with lease agreements.

- **Parks** – All features, structures, and amenities at parks and open spaces including entrance features, play equipment, fields, sports pads, spray pads, furnishings, walkways, trails, bridges, and parking lots. Assets excluded due to data gaps included signs, plaques, flagpoles, public art, fencing, retaining walls, irrigation, and gardens. Lighting on trails will be captured during future AM planning for streetlights. The Riverwalk Commons water & ice was included in Facilities because of how its equipment is situated at the Community Center. Park washrooms are included in Facilities. Assets include those at conventional parks as well as other Town properties (e.g. Facility grounds) or public spaces (e.g. Historic Downtown sign at Bathurst & Davis).

Data

In order to produce the AM Plans, there needs to be a comprehensive asset database. At the start of this project, Parks and Facilities were in a similar state to most municipalities – there were a variety of information sources, but not at the comprehensive level of core assets like roads or watermains. Each area has undergone significant improvements:

- **Facilities** – through building condition assessments by contracted services, a detailed breakdown of every building is now complete. Over 3,000 assets were collected at Town Facilities. The Town now has the potential to track and manage individual assets using data, a significant achievement that enables other tools.
- **Parks** – a desktop exercise consolidated a variety of sources into an Excel database. However, more work is needed to reach the standardization of Facilities. The database satisfied AMP requirements but it is recommended Parks data be designed and implemented for future use.

Age Data Versus Condition Assessments

The condition of the assets drives the forecasting of the asset lifecycle and financial needs for renewals. Therefore, the method of assessing or inferring condition impacts the results reported in the Parks and Facilities AM plans:

- **Facilities** – through building condition assessments, the ratings assigned to each asset are validated by outside experts and operator knowledge. Infrastructure report cards and financial strategies are the best information available and have been validated through inspection.
- **Parks** – condition is estimated using the age and expected useful life of the assets as a proxy. This is an industry standard used throughout Canada.

However, this approach has limitations –it may omit maintenance performed by operators to improve assets. In the case of Parks, a considerable portion of the assets were calculated to be in Poor or Very Poor Condition (29%). While the existing portfolio is aging and in need of maintenance, deterioration may at times be overstated. It is predicted that Park condition assessments and database improvements could improve the Parks State of the Infrastructure.

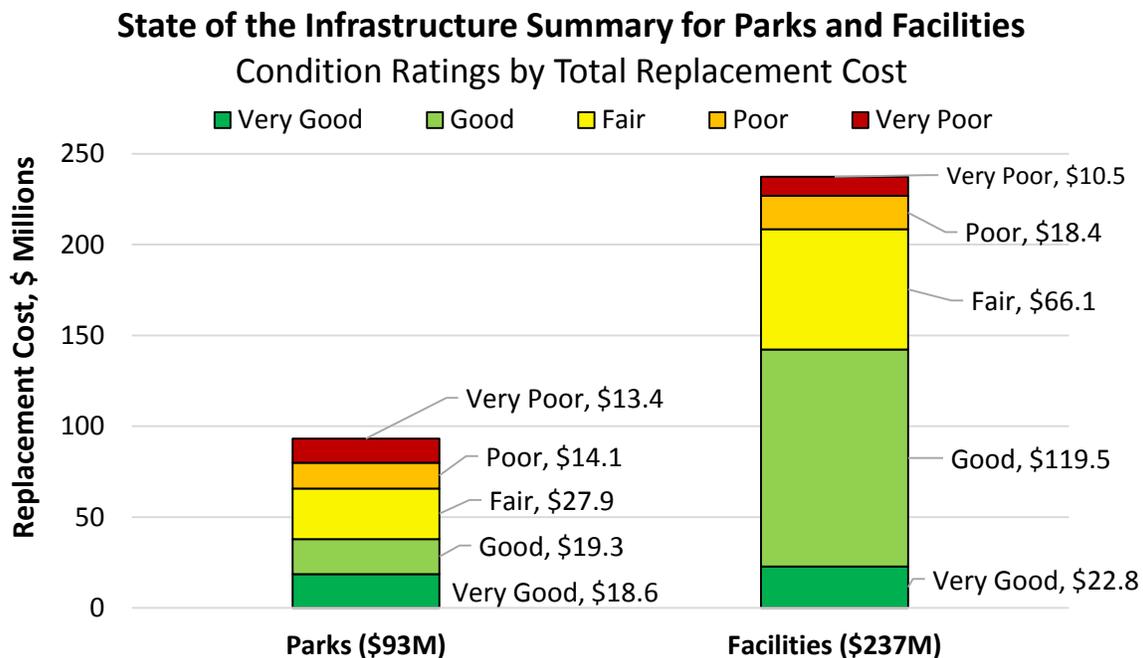
Replacement Cost & Useful Life

The replacement cost of Parks is \$93 Million and the replacement cost of Facilities is \$237 Million. While significantly less than core assets (\$2.7 Billion in 2022 dollars), the parks and facilities have a shorter useful life (~30 years) and need to be replaced more often than something like a sewer (~80 years), thereby increasing the total cost of ownership. Replacement cost represents the cost of a “like-for-like” replacement, rather than a demolition or “green-field” project from the ground up (likely to be more than the figures presented).

State of the Infrastructure

The State of the Infrastructure reports asset conditions with the best available information. Poor condition assets are not necessarily bad, provided they are managed and accounted for – leveraging the full asset lifecycle is a key aspect of optimizing total cost. However, a growing backlog of poor condition assets is undesirable because it indicates deterioration is outpacing funding.

The State of Infrastructure is summarized below and shows that the Town has made a significant investment in parks and facilities. With many assets approaching the midpoint of their lifecycle, planning should begin for the increase in future replacement needs.



Key Information from “Manage Service Delivery”

Levels of Service (LoS)

Assets exist to provide services to the public. To provide the service, assets need to be reliable and fit for purpose. Levels of service (LoS) describe the outcomes that are experienced by the public through assets, which are supported by a number of lifecycle activities delivered by staff. Measuring LoS are a key requirement of O.Reg. 588/17.

Measuring LoS can quickly become complicated – the ways services are experienced are multi-faceted. Over time, the Town can strive to understand what aspects of a service are important to customers and align these with LoS measurements.

The current iteration of AM Plans focus on condition of the assets. The benefit of this approach is that condition is a good proxy for many service criteria. Financial decisions about what asset conditions will be financed ultimately impacts LoS as described in *Background and State of the Infrastructure*, for consideration during the 2025 O.Reg. 588/17 requirements.

Preparing LoS information was more challenging than for core assets in 2021, which had more design standards, master plans complete, and more data. Recommendations are included in the Plans identifying opportunities for these improvements.

Key Information from “Future Ready”

Planning for Growth and Its Impact on the Cost of Service

A 10-year growth forecast for Parks and Facilities is provided using the information in the Development Charges Background Study, focusing on the Mulock Estate as well as other growth assets. The AM plans were developed prior to the Recreation 10 Year Capital Plan, which provides a more comprehensive view of growth.

In the AM Plans, the financial operating impacts are calculated using the principle of maintaining existing service levels for new assets, extrapolated by historical proxy to create a "like-for-like" comparison. This is for guidance only and does not supersede the budget process. The operating impact is calculated using the replacement value of assets and the historical ratio to annual operating cost.

It is also prudent to begin funding asset replacement reserves when an asset is assumed so the financial burden for replacement is equally spread. This principle was also reflected in the Reserve & Reserve Fund Review. The growth forecast shows the cost of beginning ARF contributions for these new assets. This is calculated using the replacement value of the assets and the average expected useful life.

AM Plans	Total 10 Year Growth*	Operating Impact	ARF Contributions to Fully Fund Future Replacement
Facilities	\$10,326,000	\$375,000 <i>(3.6% of growth)</i>	\$322,688 <i>(3.1% of growth)</i>
Parks	\$68,150,000	\$3,162,000 <i>(4.6% of growth)</i>	\$2,560,000 <i>(3.7% of growth)</i>
Total	\$78,476,000	\$3,537,000	\$2,882,688

*Growth was defined by the quantities established in the Development Charges Background Study, and may vary from project-level costs or those in the forthcoming 10-Year Recreational Capital Plan.

Improved Planning for Parks and Facilities

The AM Plans provide recommendations that echo the Official Plan Review - namely for the completion of master plans for Parks and Facilities. Historically, only Parks was guided by a master plan (the Parks Development Manual). Facilities has some guidance through the Recreation Playbook and the Mulock Estate Master Plan. When the Town undergoes future planning for Parks and Facilities, not having a comprehensive masterplan makes it harder to measure demand for services, define service level standards that future populations should expect, or map areas where there are gaps or high performers.

Climate Change

The plans also address climate change at a cursory level - as mentioned in the annual asset management progress update (*Report 2024-27*), there is uncertainty in financial forecasts until the Town has a full understanding of climate impacts on its infrastructure.

Climate related trends were assessed for the future needs of Parks and Facilities assets. Climate adaption impacts to the assets and the service they provide include providing more community sheltering needs (e.g. air quality, cooling centers, etc.), risk of flooding, and other service disruptions. There are climate mitigation opportunities such as clean energy and efficiency retrofits, along with potential targets from other jurisdictions. Of the two, Facilities likely has higher risk exposure with broader threats and opportunities.

While not included until Town climate impacts are studied, the Financial Accountability Office of Ontario reported in 2023 that the total cost of ownership for climate adaption of municipal facilities could range from an extra 8 to 11% due to reactive maintenance, upgrades & resilience measures, etc. (excludes retrofits like solar panels).

Key Information from “Financial Strategy”

Methodology

To model the capital investment need, analysis was completed in the Town’s investment planning optimization software (“DOT”). Following the approach of the core assets, three scenarios were calculated. Scenarios use a 50-year outlook to capture the full lifecycle.

- **1. Current budget** – calculates the level of service achievable with current funding practices (assumes 10 years of a 1% infrastructure levy for tax-supported assets, distributed proportionally among tax-supported reserves).
- **2. Needs based** - calculates the true cost of the asset inventory and current service levels.
- **3. Constrained** - provides an example investment alternative, a step above current practice towards the full cost of renewal need. This scenario was used during the Reserve and Reserve Fund Review. It will eventually be replaced by the level of service targets set by Council during the 2025 Sustainable Funding Strategy (described below).

Results and Key Observations

Results show that both Parks and Facilities experience shortfalls compared to the cost of future renewal needs, but the shortfall in Facilities is more significant. In comparison, Parks is in a relatively healthy financial position and could be made sustainable with modest funding increases.

Scenarios	Average Annual Funding (50 Years)	Percent of Assets in Very Poor (50 Years)
Parks		
1. Current Budget	\$2.2 M	24%
2. Needs Based	\$3.1 M	5%
3. Constrained	\$2.7 M	15%
Facilities		
1. Current Budget	\$4.6 M	40%
2. Needs Based	\$7.4 M	5%
3. Constrained	\$5.5 M	25%
Total		
1. Current Budget	\$6.8 M	
2. Needs Based	\$10.5 M	
3. Constrained	\$8.2 M	

Results do not include growth assets, as growth in the assets may be offset by assessment growth increases. As assets are assumed and financial plans are updated growth assets will be incorporated in future AM Plan updates.

10-Year Outlook

While the above *Results* give a big picture view of funding and service levels, there are also more immediate trends to monitor over the next 10 years where more direct action can be taken. Based on current data, there is a major wave of Facility replacement needs starting around 2026-2028. The constrained scenario does not fully address this wave, instead accepting a reduced service level target. Parks has a similar but smaller wave near 2028-2030. As capital plans are developed, there will be trade-offs in what is maintained depending on the level of funding. An interim strategy to manage the growing backlog while capacity increases is recommended. See below:

Scenario 10 Year Totals	Current Budget Scenario	Constrained Scenario	Needs-Based Scenario
Parks	\$17.9 M	\$26.7M	\$36.0 M
Facilities	\$36.2 M	\$40.7M	\$88.1 M
Total 10 Year	\$54.1 M	\$67.4 M	\$124.1M
Shortfall Beyond Current Budget	(\$0)	(\$13.3 M)	(\$70.0M)

Capital Delivery

Capital delivery describes the organizations capacity to complete major capital projects, as measured by total annual spending of project budgets. In AM Plans, this is limited to spending on replacing existing assets (not growth).

To meet increasing capital needs, the Town would need to increase its delivery capacity for existing Parks and Facilities. The below table reports historical delivery levels for existing assets against the equivalent amount needed under the constrained budget scenario. Note these figures include 2020 and 2021 which are “COVID-19” years. During this time, the Town also increased its capacity but focused on growth projects (e.g. Mulock Estate), which are not counted in the metric.

Capital Delivery as a Percentage of Asset Replacement Value	2018-2022 Average Capital Delivery	10 Year Average Capacity to Achieve Constrained Scenario
Parks	\$0.67M / year	\$2.67M / year
Facilities	\$1.61M / year	\$4.1M / year

Next Steps in 2025

As described in the accompanying Council report on annual progress towards implementation of AM Plans, Council will adopt a Sustainable Funding Strategy for Proposed Levels of Service as required by O.Reg. 588/17. This will include setting 10-year targets for Parks and Facilities using an updated version of the information provided in the AM Plans. For more information, please refer to *Council Report 2024-27*.

Conclusion

Through the AM Plans, it has been demonstrated that there are both challenges and opportunities. Current challenges include:

- Some assets quickly approaching the later stages of their service life that will soon require replacements.
- Newly acquired assets that will soon add operating costs and reserve needs.
- The potential impacts of climate change.
- An immediate 10-year infrastructure gap ranging from \$13 Million to \$70 Million, depending on the selected condition targets.

With these challenges come opportunity:

- ✓ AM is providing visibility to risks and improvement opportunities, allowing the Town to take proactive measures.
- ✓ The Reserve & Reserve Fund Review makes progress towards financial sustainability, with trade-offs.
- ✓ AM will provide alignment across the organization about a common set of business objectives, paving the way for continuous improvement opportunities.
- ✓ New capabilities will be adopted, efficiencies will be developed, and new technologies or processes will be use.
- ✓ Condition assessment and maintenance practices are proving to stretch the life of assets beyond their expected service life when the right strategies are used.

The development of Parks and Facilities AM Plans are a significant milestone, and part of a broader implementation of AM capabilities by Town business units. This milestone is another step towards the Vision established by Council in 2016.

Business Plan and Strategic Plan Linkages

Parks and Facilities are a key part of the Council Strategic Priorities established for 2022-2026. These assets provide recreational opportunities, spaces for culture and arts, and support for a diverse community. They contribute to the physical and mental well being of residents, and host many of the Town's most memorable moments. They are also a key provider of resilience, through their interactions with the environment and the provision of emergency services.

The advancement of AM is guided by a Council-endorsed Vision to be innovative fiscal stewards that continuously improve the management of assets as well as the AM Policy.

Consultation

Development of Parks and Facilities AM Plans was a collaborative process with the Community Services Commission, notably the Parks and Facilities business units. Plans

were also supported by the Engineering, Financial Services, and the Data Analytics & Geospatial Services unit within IT. 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

Parks Asset Management Plan

Facilities Asset Management Plan

Approval

Mike Mayes, CPA, CGA, DPA

Director, Financial Services/Treasurer

Esther Armchuk, LL. B

Commissioner, Corporate Services

Contact

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