



THE CORPORATION OF THE TOWNSHIP OF KING  
Report to Council

Monday, June 17, 2024

**Public Works Department - Asset Management Division and Finance Department**  
**Report Number PW-AMP-2024-001**  
**Asset Management Plan – Non-Core Assets**

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**RECOMMENDATION(S):**

The Director of Public Works and Director of Finance respectfully submits the following recommendation(s):

1. Report Number PW-AMP-2024-001 be received.
2. Council approve the Township's Asset Management Plan for Non-Core Assets.
3. Council approve the updated Corporate Asset Management Policy.
4. Council authorize the Director of Public Works or Chief Administrative Officer to approve future Asset Management Policy updates.

**REPORT HIGHLIGHTS:**

- The 2024 Non-Core Asset Management Plan (AMP) meets the requirements of *Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure (O. Reg. 588/17)* prior to the July 1, 2024 deadline.
- Non-Core assets have an estimated replacement value of \$305.8 million.
- Approximately 81% of the non-core assets are in "Fair" or better condition.
- Administrative updates were made to the Corporate Asset Management Policy. Authorizing the Director of Public Works and/or Chief Administrative Officer to make periodic updates will reduce administrative burden on Council while keeping the policy current.

**PURPOSE:**

To provide council with an asset management overview and to obtain approval of the Township's Non-Core Asset Management Plan (AMP) in addition to the updated Corporate Asset Management Policy in accordance with the provisions of O. Reg. 588/17. The Township's non-core asset's include sidewalks and paved pathways, regulatory and warning signs, fleet and equipment, facilities, and parks.

**BACKGROUND:**

**What is Asset Management?**

The Township's infrastructure systems support a range of municipal services that enable residents, businesses, and visitors to live, work and play within the Township. As these assets age, investments are required to maintain them in a state of good repair and ultimately replace the assets at the end of their service life. It is crucial to provide services safely, reliably, and efficiently while supporting a growing community.

Asset management refers to a planned approach for managing and investing in a municipality's infrastructure. Asset management is an ongoing and long-term process that involves strategic planning, budgeting, and decision-making to optimize asset performance while minimizing the lifecycle costs of owning, operating, and maintaining assets, with an appropriate level of risk.

Asset management supports municipalities in making well-informed investment decisions for infrastructure assets, involving the annual budget process and long-term financial planning.

### **Why is Asset Management Important?**

Under O. Reg. 588/17, every municipality is required to prepare a Strategic Asset Management Policy, a plan to maintain municipal infrastructure, define current and proposed levels of service (LOS), lifecycle strategies, a long-term financial strategy, and a publicly accessible asset management plan.

The primary goal of asset management is to maximize the value of the Township's assets, balancing risk, performance, and cost. Staff conduct various activities that guide the process of making the best possible decisions regarding the building, operating, maintaining, renewing, replacing, and disposing of infrastructure assets. One of those activities is the development of this AMP. The required components of the AMP include:

- **Asset Inventory** – Currently held in the Citywide Asset Management database.
- **Levels of Service** - Is a measure of what the Township is providing to the community and the nature and quality of that service. For example, the Township prioritizes the safety of its sidewalks and paved pathways which can be measured by comparing the number of outstanding sidewalk bay replacements to the total length of the sidewalk and paved pathways which is currently 2.6 per km.
- **Lifecycle Management Strategy** - Is how the service is provided. For example, conducting sidewalk/paved pathway inspections, marking deficiencies, and then repairing them, which can include grinding or full replacement of identified sections.
- **Financial Strategy** – Identifies the long-term funding required to maintain the desired LOS. A comprehensive long-term financial strategy will be provided in the next phase of the AMP update prior to the July 1, 2025 deadline.

### **What are the Regulation Requirements?**

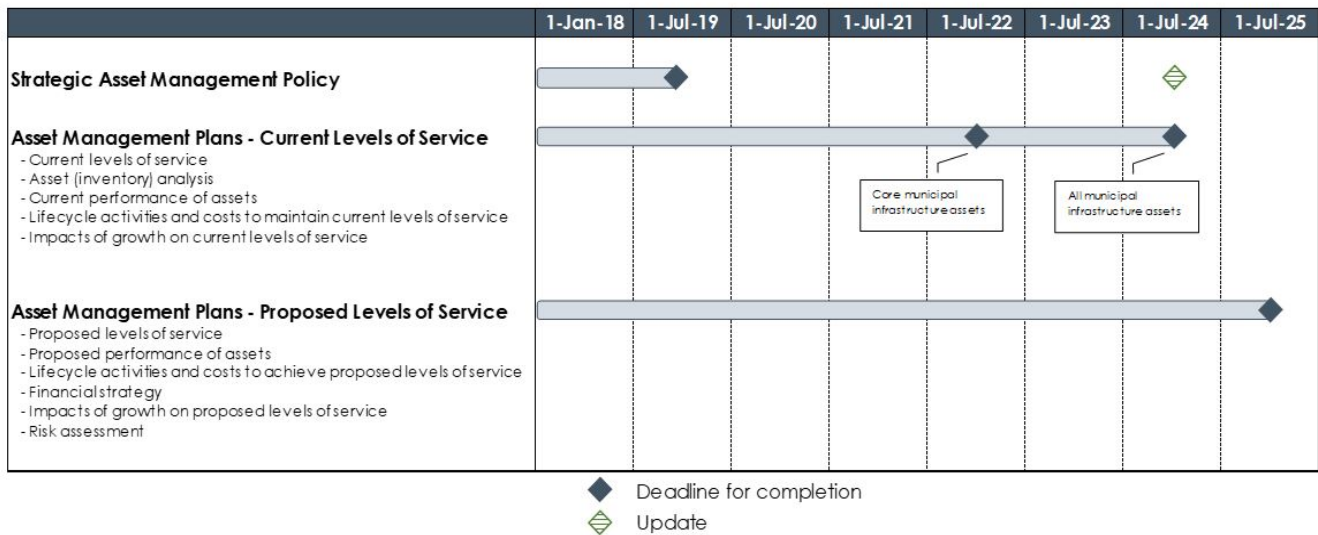
In 2017, The Province of Ontario enacted O. Reg. 588/17 under the *Infrastructure for Jobs and Prosperity Act*, which has four main requirements including three phases of the AMP. The timelines and main details associated with the regulation are outlined below.

Phase 1	Phase 2	Phase 3
<p>AMP for <u>core</u> infrastructure assets that includes the following:</p> <ul style="list-style-type: none"> <li>• Summary information on core infrastructure assets;</li> <li>• Current levels of service being provided by core infrastructure assets;</li> <li>• Summary of lifecycle management strategies;</li> <li>• 10-year forecast of lifecycle activities related to core infrastructure assets to maintain current levels of service; and</li> <li>• Annual funding targets</li> </ul>	<p>AMP for <u>non-core</u> infrastructure assets that includes the following:</p> <ul style="list-style-type: none"> <li>• Summary information on non-core infrastructure assets;</li> <li>• Current levels of service being provided by non-core infrastructure assets;</li> <li>• Summary of lifecycle management strategies;</li> <li>• 10-year forecast of lifecycle activities related to non-core infrastructure assets to maintain current levels of service; and</li> <li>• Annual funding targets</li> </ul>	<p>AMP for all infrastructure assets that includes the following:</p> <ul style="list-style-type: none"> <li>• Establishment of proposed levels of service;</li> <li>• 10-year forecast of lifecycle activities related to all infrastructure assets to achieve the proposed levels of service; and</li> <li>• Financial strategy that outlines how the municipality plans to support the forecast of lifecycle activities and long-term lifecycle funding requirements.</li> </ul>

**What are the main objectives of the Non-Core Asset Management Plan?**

- Bring the Township into compliance with the next phase of O. Reg. 588/17 (July 1, 2024 requirements).
- Use the Township’s best available information to develop a long-term plan for systematically and efficiently managing the Township’s non-core assets over their entire lifecycle.
- Develop a LOS framework for tracking performance and setting future targets for non-core assets.
- Establish a sustainable level of annual capital investment for non-core assets by examining their lifecycle needs.

**What Progress has the Township Made in Fulfilling the Regulation Requirements?**



Corporate Asset Management Policy: This policy outlines commitments to best practices and continuous improvement and was approved by Council June 24, 2019 (Report [FR-2019-14](#) & [By-law 2019-068](#)).

**Phase 1: Core AMP** (current LOS)

The Township retained Watson & Associates Economists Ltd. (Watson) to assist in the development of its 2022 Core AMP which was approved by council January 10, 2022 (Report [JR-2022-002](#)).

**Phase 2: Non-Core AMP** (current LOS)

Watson has assisted in the development of the 2024 Non-Core AMP which is being presented in this report as required by the July 1, 2024 deadline.

**Phase 3: Comprehensive AMP**

Watson will assist the Township to build on Phase 1 and 2 to include the proposed levels of service, lifecycle management, and financial strategy.

- Staff will now begin developing the AMP update (core and non-core proposed LOS) and all other requirements to meet the July 1, 2025 deadline.
- Starting in 2025, Council will receive updates through an annual Corporate Asset Management Progress Report (process to be developed).

**Types of Assets in King Township**

Core Assets	Non-core Assets	
	Asset Class	Asset Sub-class
Roads		
Bridges and Structural Culverts	Road-related Assets	Sidewalks and Paved Pathways Regulatory and Warning Road Signs Non-Structural Culverts
Water	Fleet and Equipment	Plated Vehicles Non-Plated Equipment
Wastewater	Facilities	Municipal Facilities Recreation Facilities Libraries
Stormwater	Parks and Forestry	Park Furnishings and Built Infrastructure Sporting Fields

**ANALYSIS:**

**What is the current state of the Townships Non-Core Assets?**

**1. Asset Inventory and Replacement Cost**

The Township’s non-core assets have an estimated current replacement value of \$305.8 million, which is illustrated in Figure 1 below. Facilities comprise the largest share of this replacement cost (\$216.8 million, 70.9%), followed by parks and forestry assets (\$32.1 million, 10.5%), road-related assets (\$29.8 million, 9.7%), and lastly, fleet and equipment assets (\$27.2 million, 8.9%). The unit inventory measures were determined using the Township’s Citywide Asset Management software as well as various condition assessments. The quantity of assets relating to the non-core asset classes are summarized in Figure 2 below.

Figure 1: Distribution of Replacement Cost by Non-Core Asset Class

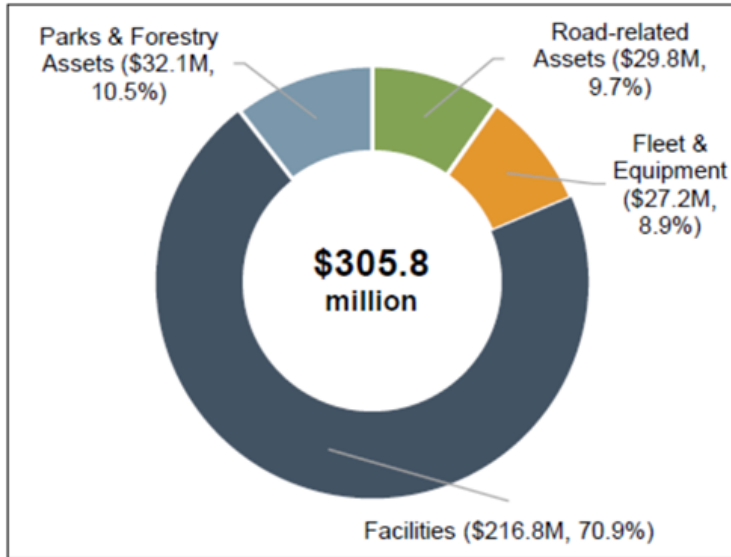
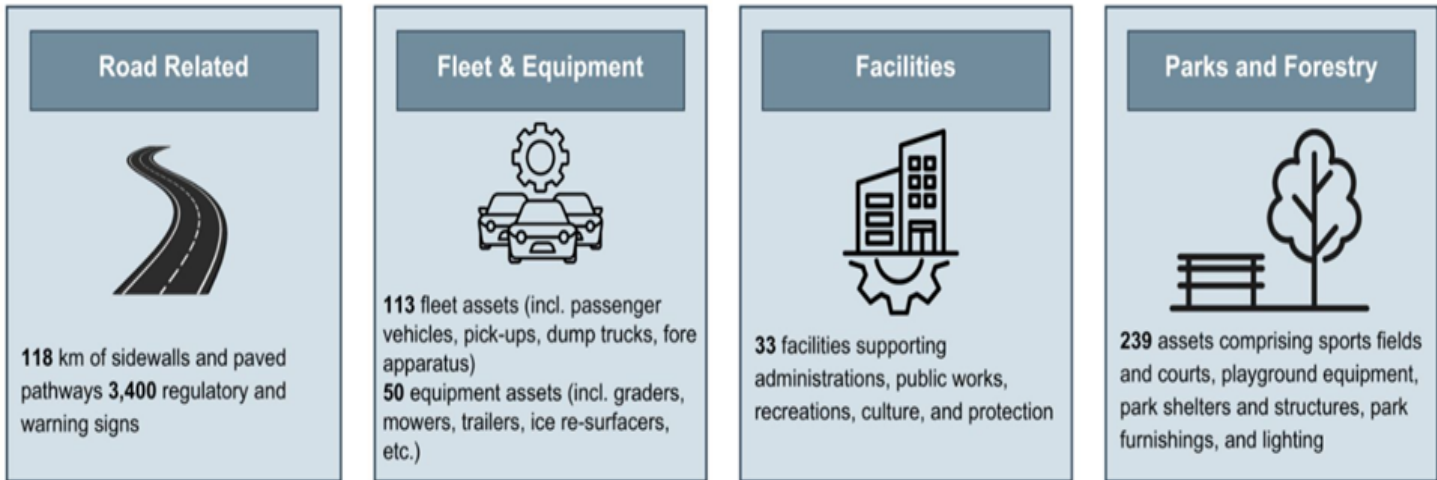


Figure 2: Non-Core Asset Inventory



## 2. Asset Condition

The Township’s non-core assets were evaluated to determine their current condition. It was determined that 81% of the Township’s non-core assets are in “Fair” or better condition. Two different methodologies were used for the condition assessments. The sources of the condition ratings are

summarized in Table 1 below. For facilities, sidewalks and paved pathways, and regulatory and warning signs an inspection to assess current condition was conducted. For parks, fleet and equipment assets, calculations based on age relative to the percentage of useful service life consumed (ULC%) were used to determine their condition. For example, Truck 805-18 Ford F-250 XL is 5 years old based on its model year. The expected service life is 8 years which equates to an ULC% of 62.5% meaning that 62.5% of its typical life expectancy has been used. A ULC% of 62.5% translates to a “Good” condition rating for this asset based on the condition state index provided in Figure 3 below.

Table 1: Source of Condition Rating by Asset Sub-Class

Asset Class	Asset Sub-classes	Source of Condition Ratings
Road-related Assets	Sidewalks	2023 Sidewalk Assessment Report
	Regulatory and Warning Road Signs	2023 Retro-reflectivity Testing Report
Fleet & Equipment	Plated Vehicles	Age relative to useful service life (i.e., useful service life consumed percentage (ULC%))
	Non-plated Equipment	
Facilities	Municipal Facilities	FCI Ratings from 2024 Building Condition Assessments
	Recreation Facilities	
	Libraries	
Parks & Forestry	Park furnishing and built infrastructure	Age relative to useful service life (i.e., useful service life consumed percentage (ULC%))
	Sports fields	

The distribution of assets (replacement cost) by condition state is provided in Figures 3 to 5 (below) for fleet, facilities, and parks. The average condition is weighted by the estimated current replacement cost of each asset. A weighted condition provides a higher weighting to the condition of assets with higher replacement costs as those assets are more likely to play a larger and more critical role in the provision of municipal services. This approach also helps ensure that assets with relatively low replacement costs do not unnecessarily skew the average condition of asset classes in the direction of their own condition ratings. By utilizing this approach, the average condition rating provides the Township with a key metric to assess the overall adequacy of assets in being able to meet service demands and to judge the success of lifecycle activities being undertaken to maintain assets in adequate condition.

Figure 3: Condition of Fleet Assets

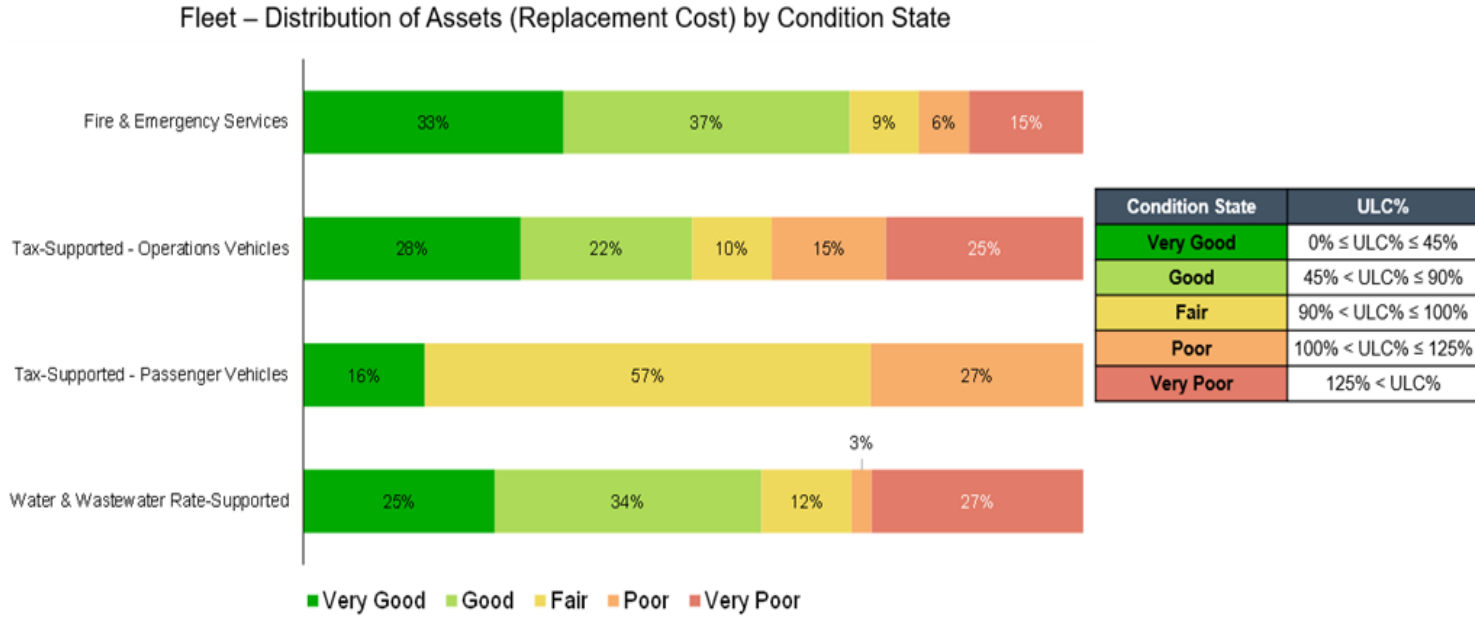


Figure 4: Condition of Facilities Assets

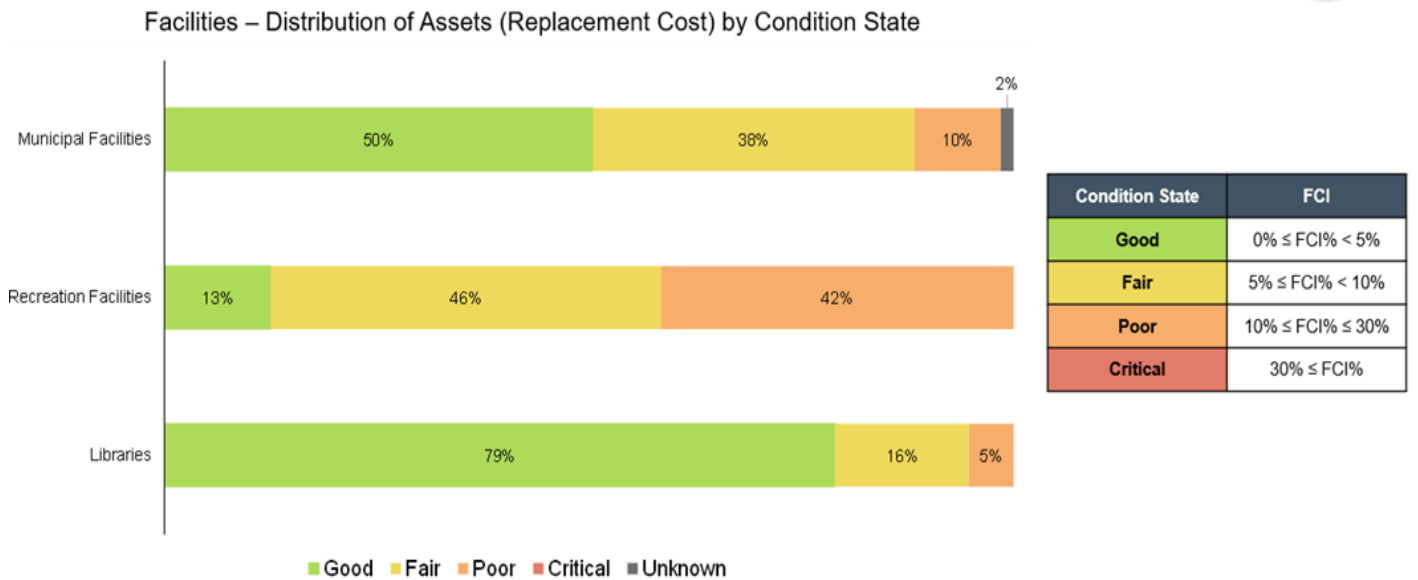
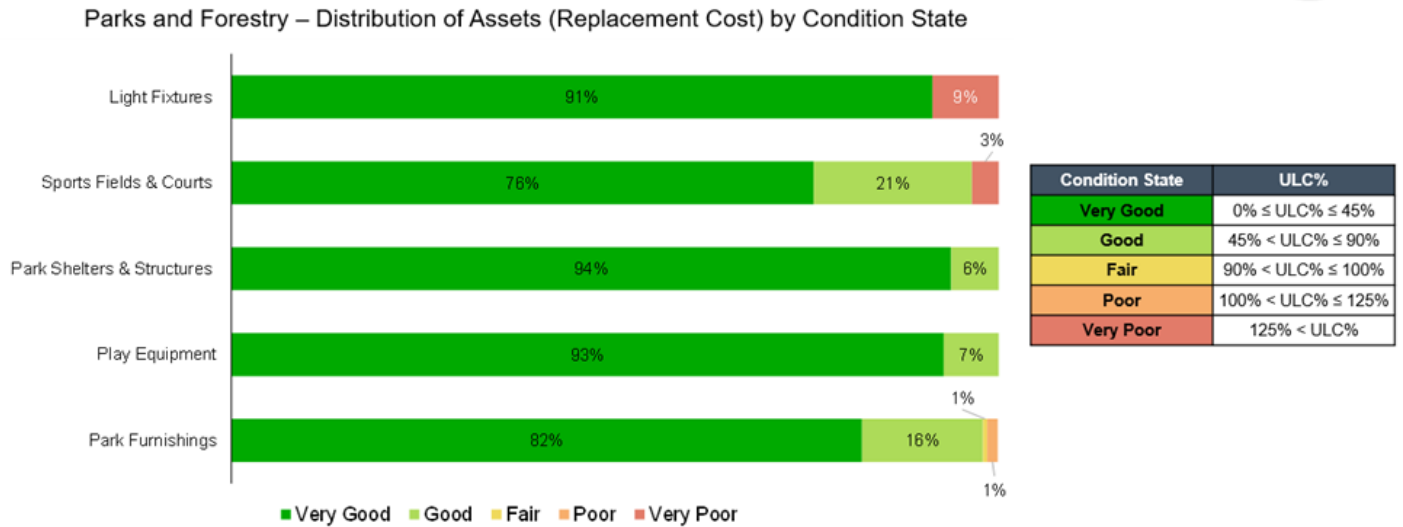




Figure 5: Condition of Parks and Forestry Assets



**The Asset Management Plan helps define Current Levels of Service**

The Levels of Service (LOS) in an asset management context is a measure of what the Township is providing to the community and the nature and quality of that service. A fully developed LOS framework allows the township to:

- communicate its objectives to stakeholders;
- inform stakeholders of any planned changes;
- track performance against objectives to identify trends, and
- make budget decisions that are linked to LOS outcomes.

To comply with the July 1, 2024 requirements of O. Reg. 588/17, asset management plans must identify the current LOS being provided for each in-scope asset class. Whereas O. Reg. 588/17 prescribes several community and technical LOS that must be included in asset management plans for core assets, it makes no such prescription for non-core assets. The Township has established its own LOS frameworks for its non-core assets to describe both qualitatively and quantitatively the objectives it intends its assets to deliver. Included within the LOS framework are performance measures that the Township will continue to track over time. For example, under the service attribute for safety, the Township prioritizes the safety of its road users by ensuring that its regulatory and warning road signs are maintained up to adequate standards. The current performance is the percentage of regulatory and warning road signs that passed annual retro-reflectivity testing which is 85.1%.

**The Asset Management Plan defines Current Lifecycle Management Activities**

Lifecycle management forms a vital part of asset management because it represents a plan for how to manage activities related to an asset over its full lifecycle. The lifecycle management framework involves determining which lifecycle activities need to be planned for and performed on assets to optimize asset service life, reduce lifecycle costs, and mitigate risk. For example, current lifecycle management activities for parks includes inspections and condition assessments on playground



equipment and splash pads. It also includes ongoing grass, trail and irrigation system maintenance, in addition to rehabilitation and replacement projects for parks and playgrounds.

Developing Lifecycle Management Activities has an important relationship to the LOS. Ensuring the LOS and lifecycle management activities work together can balance the Township’s asset rehabilitation, replacement, and growth-related needs with its spending capacity.

Lifecycle management activities allow a municipality to:

- ensure that the right intervention is made at the right time to deliver the desired LOS at the lowest average annual cost
- set a foundation for medium- and long-term capital budget forecasting
- assist front-line decisions about managing assets

Table 2 - Lifecycle Management Activities

Category	Definition
<b>Inspections and Condition Assessments</b>	Outlines the Township's approach to assessing the performance of its assets and determining asset maintenance, rehabilitation, and replacement needs
<b>Major Lifecycle Activities – Operating</b>	Summarizes the significant lifecycle activities that the Township funds through its operating budgets. These lifecycle activities generally pertain to the maintenance required to preserve asset service lives and ensure assets continue performing as intended
<b>Major Lifecycle Activities – Capital</b>	Summarizes the significant lifecycle activities that the Township funds through its capital budgets. These lifecycle activities generally pertain to rehabilitation and replacement projects undertaken to extend or renew asset service lives
<b>Prioritization of Short-term Lifecycle Needs</b>	Outlines how the Township prioritizes short-term lifecycle requirements of its assets and addresses emerging issues
<b>Growth-related Lifecycle Needs</b>	Describes the Township's methodology for assessing the impact of population and demographic shifts on the long-term sustainability of levels of service and the lifecycle requirements of assets

**The Asset Management Plan Identifies Annual Lifecycle Funding Targets**

Building on the LOS and Lifecycle Management Strategies an Annual Lifecycle Funding Target is calculated. The annual lifecycle funding target is the amount of funding required annually to fully finance a lifecycle management strategy over the long-term. By planning to achieve this annual funding level, the Township would be able to fully fund capital works as they arise. In practice,

however, capital needs are often characterized by peaks and valleys due to the value of works being undertaken changing year-to-year. By planning to achieve this level of funding over the long-term, the periods of relatively low capital needs would allow for the building up of lifecycle reserve funds that could be drawn upon in times of relatively high capital needs.

As summarized in Table 3 (below), the Non-Core AMP forecasted an asset needs profile with an annual contribution of \$8,923,000 million for King’s non-core assets. Currently, the Township funds \$2,640,000 million (or 30%) for non-core infrastructure, which creates a funding gap of \$6,283,000 million. The Township will need to incorporate increased investment or consider changes to proposed LOS to meet the requirements of the legislation.

The gap between current and planned funding can be addressed by traditional sources of municipal funds (tax levies, user fees, capital levies, reserves) non-traditional sources (reallocated budgets, partnerships, procurement methods) and the use of Senior Government Funds (provincial grants, federal grants). It can also be addressed by disposing of assets (decommissioning or removal of infrastructure no longer serving its purpose) and investing the proceeds in the infrastructure reserve to cover future costs of retained assets. For some asset classes, the gap can also be reduced by changing the level of service or changing from an owning to a leasing strategy. These strategies and the risks associated with them will be explored more in the Phase 3 AMP which requires Council to approve the final funding strategy for both core and non-core assets.

Table 3: Annual Lifecycle Funding Targets by Asset Class

Asset Class	Examples of Lifecycle Activities	Annual Lifecycle Funding Target*	2024 Asset Renewal Budget	% Funded
Road-related Assets	Timely replacements of sidewalk bays beyond repair due to substantial defects (e.g., defects causing ponding of water, hole defects, etc.).	\$643,000	\$200,000	31%
Fleet and Equipment	Timely replacements of fleet and equipment assets that have reached the end of their service lives, are unable to meet annual certification requirements, or have uneconomical repair costs.	\$2,370,000	\$1,011,000	43%
Facilities	Timely rehabilitation and replacement of facility components such as heating and cooling units, roofs, doors, sanitary waste piping systems, lighting, electrical components, etc.	\$4,552,000**	\$1,171,000	26%
Parks and Forestry	Timely rehabilitation and replacement of parks and forestry assets that have reached the end of their service lives, are not performing as originally intended, and/or have uneconomical repair and maintenance costs.	\$1,358,000	\$258,000	19%
<b>Total</b>		<b>\$8,923,000</b>	<b>\$2,640,000</b>	<b>30%</b>

\*Annual Lifecycle Funding Target does not include incremental lifecycle costs for growth-related capital.

\*\*Annual Lifecycle Funding Target does not include lifecycle costs for King City Lions Arena (due to be demolished).

## Updates to the Corporate Asset Management Policy

The Corporate Asset Management Policy was updated to better reflect current asset management practices in the township and to better align with the update of asset management policy requirements of O. Reg. 588.17. The regulation requires the policy be reviewed and if necessary, updated at least every five years. Asset management best practices and regulations are expected to evolve and it is recommended that Council, delegate authority for future policy updates to the Director of Public Works and/or Chief Administrative Officer.

### **FINANCIAL CONSIDERATIONS:**

Approval of the Non-Core AMP will help inform future capital planning and funding requirements for infrastructure replacement going forward. The Non-Core AMP recommends the incorporation of a set of strategies for the Township's future budget planning processes.

Currently, the Township contributes \$7.3 million a year to fund capital projects and contribute to the Capital Tax Levy Reserve and Infrastructure Reserve Fund. This is to address all assets both core and non-core. The Township does have a significant amount in reserve funds with a balance as of December 31, 2023, of \$29.2 million with commitments of \$22.1 million and an uncommitted balance of \$7.1 million. To address the gap in funding the service level of each asset type needs to be determined and the amount required to meet that service level.

Additional investments will need to be in place for future replacement and rehabilitation of assets. The detailed long-term financial strategy that forms a part of the Phase 3 AMP will be presented to council in draft, with key assumptions, options and recommendations to inform Council's final decisions, prior to the July 1, 2025 deadline. The outcomes of this strategy are expected to identify potential impacts to tax and user rates to fund shortfalls in long-term infrastructure funding. It will also make recommendations to assist in managing exposure to the currently identified funding gap. Other options can include asset disposal, LOS adjustment and other strategies. A balance will need to be developed to bridge the funding gap.

### **ALIGNMENT TO STRATEGIC PLAN:**

The 2023-2026 Corporate Strategic Plan (CSP) was adopted by Council on June 12, 2023. The CSP reflects the priorities of upmost importance to the community and defines the obligations and commitments of the Township of King to its citizens and to the public. The CSP is aligned with the Townships long-term vision defined in the "Our King" Official Plan. The CSP also aims to ensure that staff initiatives focus on and work towards supporting King's Vision, Mission and Values.

This report is in alignment with the CSP's Priority Area(s), and/or associated Objective(s) and/or Key Results(s):



Sustainable  
Asset  
Management

Develop asset-funding strategies which ensure long-term fiscal sustainability.

- Finalize and implement the Asset Management Program by 2025.

This is a direct relationship to the key goal of a sustainable asset management plan and meeting the goals of the corporation and the provincial regulation as well.

**CONCLUSION:**

The Township's Non-Core AMP (Phase 2) is being presented for Council's information and approval to achieve compliance with O. Reg. 588/17. The analysis contained in this report will be used to inform the ongoing work in the prioritization of capital investment needs and potential funding strategies as part of the development of capital budgets and forecasts and will inform the next phase of the AMP. To comply with the July 1, 2025 requirements of O. Reg. 588/17, Phase 3 of the AMP will set targets for LOS performance measures and develop a detailed financial strategy that outlines how capital and significant operating expenditures will be funded over the forecast period and how existing funding gaps will be addressed. The Township will also need to establish a process and format for regular updates to Council and the public on its on-going asset management progress.

Moving forward, Township staff will work to continue to advance its asset management processes in line with best practices. Township departments responsible for asset management will continue to work collaboratively to develop long-term financial sustainability strategies that balance LOS, costs, and risks.

**ATTACHMENTS:**

[COR-POL-132 - Corporate Asset Management Policy](#)  
[Township of King Asset Management Plan - Non-Core Assets DRAFT - 4](#)

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