



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: June 23, 2025

Report No: ES-031-25

Subject: 2025 Asset Management Plan

Recommendation: That the 2025 Asset Management Plan included as Appendix 1 be approved.

EXECUTIVE SUMMARY

- The 2025 Asset Management Plan (AMP) was prepared by PSD Citywide Inc. (PSD) as an update to the 2024 AMP to consider proposed levels of service and resulting updated lifecycle management and financial strategies.
- The total current replacement cost of the Town's assets are approximately \$3.6 billion as of 2024, which represents a 7.1% increase from the previous year, driven by updated replacement cost assumptions, inflationary adjustments and updates to the asset inventory.
- As a large portion of the Town's assets are relatively new due to recent growth, the study continued to indicate that the majority of assets (79%) are in good or very good condition.
- Current service levels are largely recommended to be maintained but will continue to face financial pressure, changing urban form and climate variability.
- A lifecycle funding analysis reconfirmed an annual infrastructure funding deficit throughout the planning horizon. Current financial strategies of the Town are expected to ensure that the deficit will not increase as the Town grows, and the continuation of an incremental annual contribution to infrastructure funding will remain critical to gradually reducing the funding gap.
- This satisfies the O.Reg. 588/17 July 1, 2025 milestone. Going forward, and in accordance with the legislation, the Town will annually conduct a review of its asset management progress with a full review and update to the Asset Management Plan completed every five years.

REPORT

Background

Through Ontario Regulation 588/17 (under the Infrastructure for Jobs and Prosperity Act, 2015), every municipality is required to prepare a strategic asset management policy, a plan to maintain core municipal infrastructure, a levels of service proposal and a publicly accessible asset management plan. The requirements and timelines associated with the regulation (as amended by the Ministry of Infrastructure on March 15, 2021) are shown below. The Town has achieved all milestones to date.

- ✓ July 1, 2019: strategic asset management policy to be in place
- ✓ July 1, 2022: an asset management plan for core municipal assets
- ✓ July 1, 2024: an asset management plan for all other assets
- ✓ July 1, 2025: an asset management plan with proposed levels of service

In preparation for the third and fourth milestones noted above, a request for proposal process was undertaken in 2023. PSD was the successful bidder through that process and supported the Town's most recent AMP in 2024 (ES-017-24) in addition to leading the development of the consolidated AMP that is presented herein. The contents of the most recent study are briefly summarized below, with full detail available in the study presented as Appendix 1.

Discussion

Asset management planning is the process of making the best possible decisions regarding the building, operating, maintaining, renewing, replacing and disposing of infrastructure assets. It requires an understanding of the condition of the infrastructure and the levels of service for which it is intended to deliver in order to achieve long term cost savings through timely rehabilitation or renewal of assets before they begin to deteriorate to a level that requires a greater investment to restore them to their intended level of service.

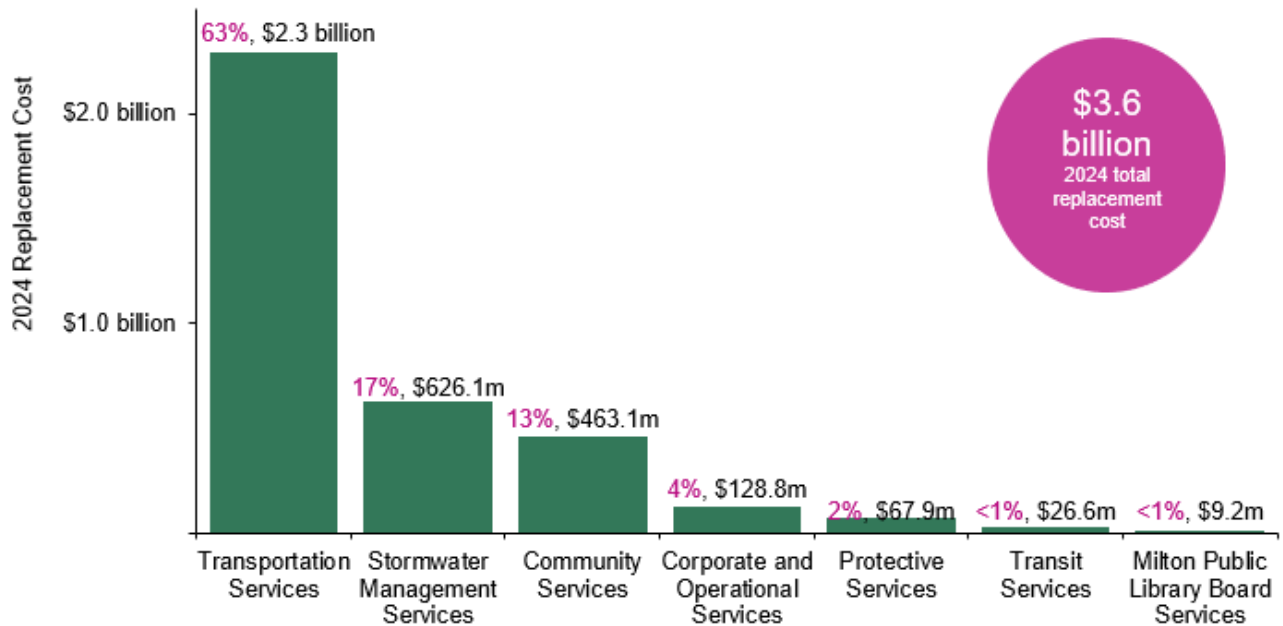
The attached study speaks to the Town's asset management practices, with a specific focus on the state of the Town's infrastructure, the levels of services, as well as Milton's asset management and financing strategies. Full detail is provided in Appendix 1, with several key points summarized as follows:

State of Local Infrastructure

The Town has \$3.6B in assets based on the estimated replacement value. This reflects a 7.1% increase from the previous year, driven by updated replacement cost assumptions,

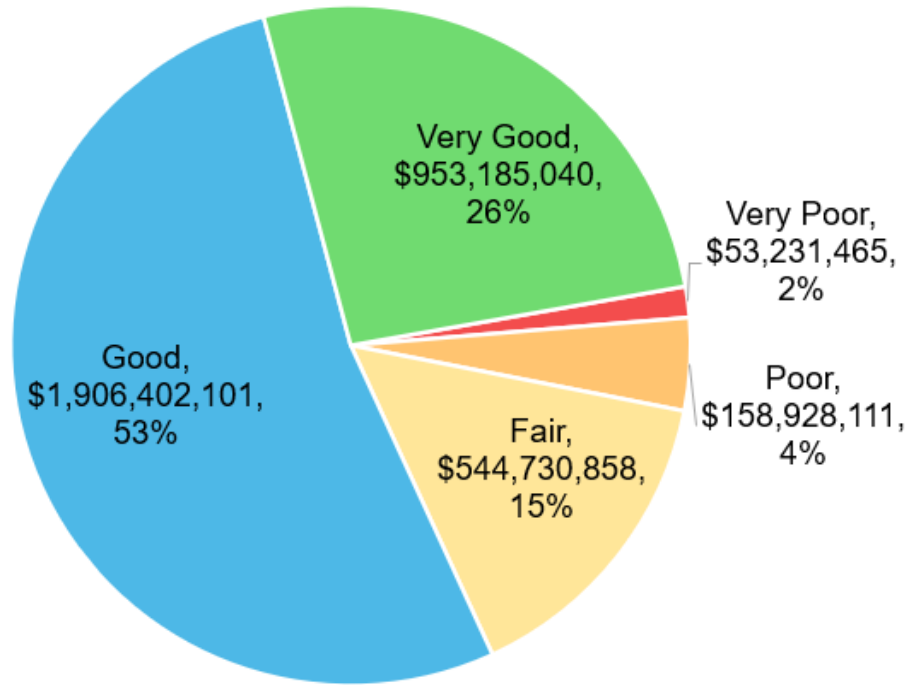
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inflationary adjustments and refinements to asset inventory. Over 80% of the Town's assets are within the transportation and stormwater management services areas.



The following chart presents a summary of the state of the Town's infrastructure. Where detailed condition studies are undertaken and asset-level condition assessment data is available (which is the case for 85% of the Town's assets), the results of those studies are included in the assessment. For the remaining 15% of the Town's assets, an age-based approach was utilized to estimate the asset condition.

Discussion



As shown, and due in part to the relatively young age of much of the Town's infrastructure, a significant portion of the asset base (79%) is in good to very good condition. For the 6% that are in poor or very poor condition it is primarily a reflection of the age of the asset, where the asset continues to be operational beyond its originally estimated useful life.

Lifecycle Management, Risk Strategy and Levels of Service

Included within the report is an overview of the various lifecycle activities currently being undertaken and their roles in managing infrastructure. A risk matrix was also updated that ranks the Town's assets based on their condition/performance as well as their criticality. A risk-based approach to infrastructure spending can help prioritize capital projects to direct funds where they are needed most.

A significant focus of this update to the AMP was to review current and proposed, or target, levels of service for each service area within the Town relative to the available funding. If levels of service are not sustainably funded it can lead to an eventual drop in quality of service or future pressure on property taxes.

While the study identifies that current service levels are largely expected to be maintained, rather than increased, the study also highlights several emerging trends and challenges, such

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as growth, changing urban form and climate variability, which may result in financial pressures associated with maintaining current levels of service into the future.

The study summarizes the performance metrics required under O.Reg. 588/17 as well as internally developed metrics that measure performance against local service expectations. These metrics will assist the Town in monitoring service performance and identifying early indicators of pressure in order to plan proactively for future service demands.

Financing Strategy

With consideration for the value of the Town's asset base, the current condition as well as the lifecycle of those assets, the study estimates that approximately \$93.7 million in capital lifecycle funding is required on average each year to support the Town's infrastructure. This amount represents a combination of expenditures needed during the year, as well as the amount that should be transferred to reserve for use in the future.

The following table shows the \$93.7 million in annual funding needs by service area.

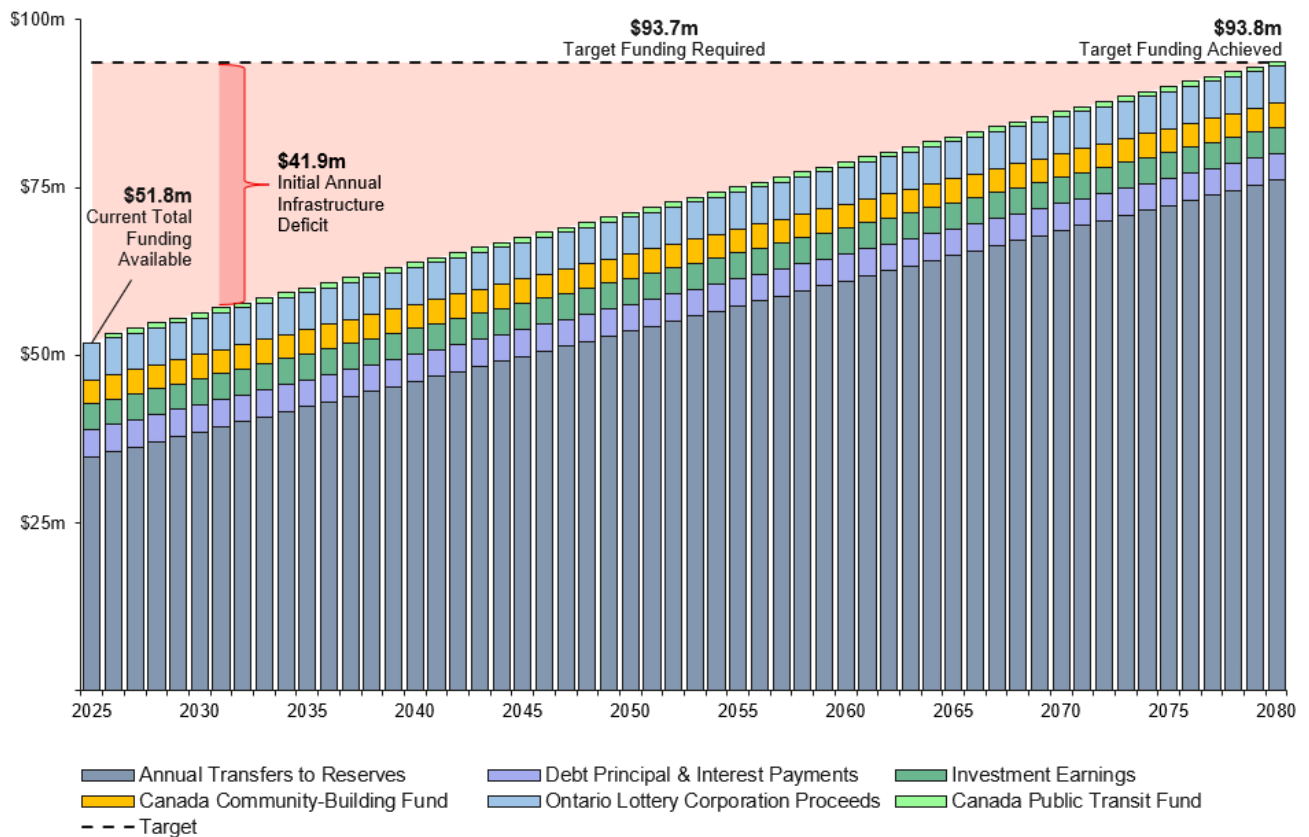
Service Area	Replacement Cost	Average Annual Requirements (AAR)	Target Reinvestment Rate (TRIR)
Transportation Services	\$2,294,881,843	\$50,011,872	2.2%
Stormwater Management Services	\$626,112,384	\$15,334,972	2.4%
Community Services	\$463,069,851	\$14,162,559	3.1%
Corporate and Operational Services	\$128,770,120	\$6,926,893	5.4%
Protective Services	\$67,888,192	\$4,021,519	5.9%
Transit Services	\$26,588,420	\$2,386,573	9.0%
Milton Public Library Board Services	\$9,166,766	\$880,659	9.6%
Total	\$3,616,477,576	\$93,725,047	2.6%

By comparison, the current amount of sustainable funding available Town each year amounts to approximately \$51.8 million. Although property taxes represent the largest funding source, other sources such as the Canada Community Building Fund, Ontario Lottery Corporation Proceeds and investment earnings have also been considered

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With the needs exceeding the funding available, an annual funding deficit of approximately \$41.9 million is estimated for the Town. In order to sustain current services and service levels it will require working towards reducing the funding deficit.

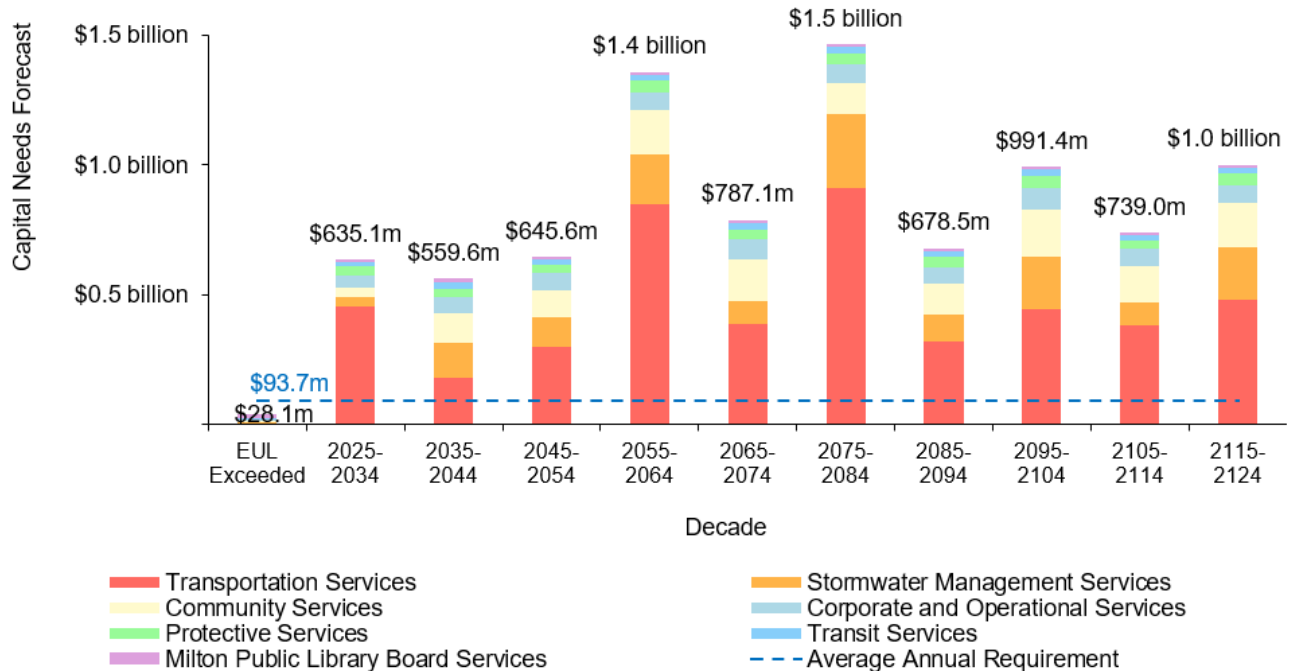
As illustrated in the graph below, if the Town continues contributing an incremental annual lifecycle funding amount of \$750,000, which is the level included in the 2025 budget, it would take approximately 54 years to eliminate the deficit. By comparison, should the Town contribute an incremental annual funding amount of \$1,500,000 the deficit would be eliminated in approximately 28 years.



It should be noted that amounts presented exclude both inflation and future acquisitions of additional assets. During this 54 year period, the Town's asset base will continue to grow through assets constructed by the Town or assumed from the development community. Should the Town continue its existing practice of adding sustainable funding sources for the future lifecycle costs of those new assets at the time of acquisition, this will also further contribute to the growth of the annual funding sources that are available during the period.

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The average annual required spending requirements forecasted by decade is shown in the following graph.



The forecasted annual funding requirements over the next three decades are \$61.3 million which means that the current annual funding of \$51.8 million will be insufficient to provide for the needs over this time period. Furthermore, the significant spending forecasted beginning in thirty years time emphasizes the importance of continuing with proactive funding strategies to position the Town well for the future.

Next Steps

In accordance with the legislation an annual review of the asset management progress will be conducted and provided to Council on or before July 1 in each year addressing:

- The municipality's progress in implementing its asset management plan
- Any factors impeding the municipality's ability to implement its asset management plan
- A strategy to address the factors described above

Every five years a full review and update will be completed for the Town's Asset Management Plan with the next full review scheduled for 2029/2030.



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Financial Impact

While a large portion of the Town's existing assets are relatively new (due to the pace of growth within the Town) and are therefore primarily in good or very good condition, significant investment will be required to maintain Milton's infrastructure base as it ages. The AMP prepared by PSD identifies an estimated annual funding deficit of \$41.9 million.

The Town's existing financial policies require that an annual lifecycle funding provision be incorporated into the operating budget for the future rehabilitation of assets that are constructed by the Town or assumed from developers. The policies also require the capital financing base that is included within the Town's operating budget to be increased each year with consideration for inflation and assessment growth. These measures are intended to ensure that the Town's annual infrastructure funding deficit does not increase as the community continues to grow.

The Town's financial policies also speak to an additional funding contribution being proposed through the budget process each year in order to gradually reduce the existing infrastructure deficit. To assist with mitigating tax pressures in recent years, the incremental additional funding was removed from the budget in 2023 and 2024 with the intention of phasing it back into an annual incremental amount of \$1.5 million over the remaining term of Council to allow the Town to recover from the two-year deferral. However, within the 2025 budget the incremental additional funding was reduced to \$750,000 to mitigate tax pressures.

The pace at which the annual deficit is reduced is a choice of Council, and will take into consideration the desired service levels, the annual impact on the Town's property tax rates, and the long-term forecasting that the Town undertakes with respect to capital investment needs, reserve balances and debt. The Town will also continue to look for non-financial opportunities to further reduce the funding gap, such as new technologies or opportunities to extend the useful lives of assets or otherwise reduce their lifecycle costs.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

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Attachments

Appendix 1 - 2025 Asset Management Plan for the Town of Milton

Approved by CAO
Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.