



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: June 24, 2024

Report No: ES-017-24

Subject: 2024 Asset Management Plan

Recommendation: That the 2024 Asset Management Plan included as Appendix 1 be approved.

EXECUTIVE SUMMARY

- The 2024 Asset Management Plan (AMP) was prepared by PSD Citywide Inc. (PSD) and includes all Town assets. The AMP leveraged and consolidated detailed condition assessment and lifecycle analysis identified through recent Town studies.
- As a large portion of the \$3.4 billion in assets in Milton are relatively new due to recent growth, the study indicates that many of the assets are in good or very good condition.
- A lifecycle funding analysis projects 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.
- The funding gap may be further mitigated through a variety of financial and non-financial strategies including service level changes, increasing funding from other potential sources, and exploring methods to extend the useful life or reduce the lifecycle cost of assets.
- The next milestone identified in O.Reg. 588/17 is July 1, 2025 by which time municipalities must have in place an AMP that includes proposed levels of service for all municipal assets, an identification of the lifecycle activities and costs needed to provide the proposed levels of service relative to the funding available.

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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) include:

- 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

The Town has achieved all milestones to date. The Town's most recent AMP was approved in 2021 (CORS-038-21) and included all core assets of the Town defined to be roads, bridges and other transportation assets as well as stormwater infrastructure. Previous iterations also included assets in areas such as transit, facilities, streetlights, parks and sports fields.

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 have led the development of the consolidated AMP that is presented herein. The contents of that 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 existing levels of services, as well as Milton's

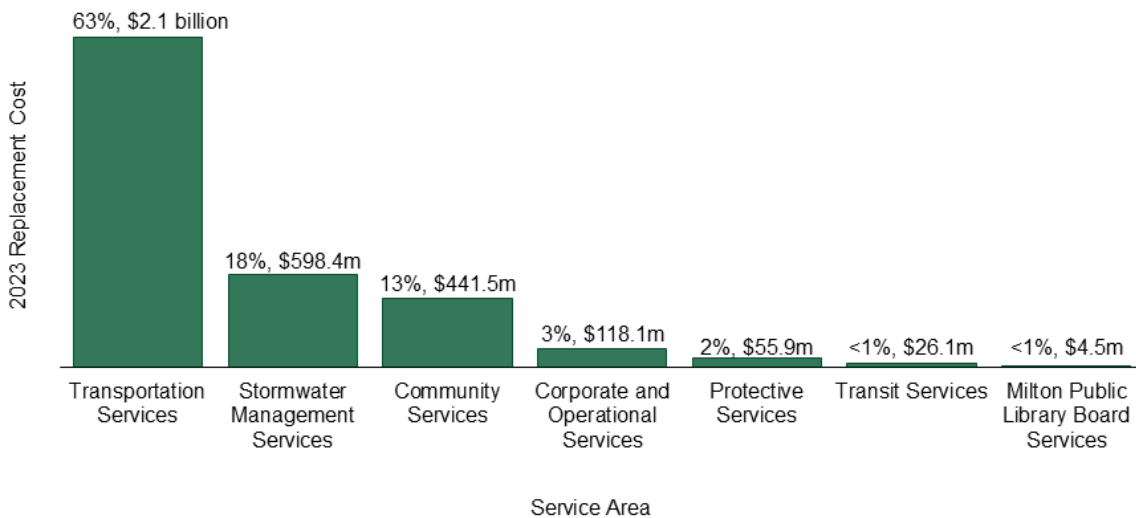


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asset management and financing strategies. Full detail is provided in Appendix 1, with several key points summarized as follows:

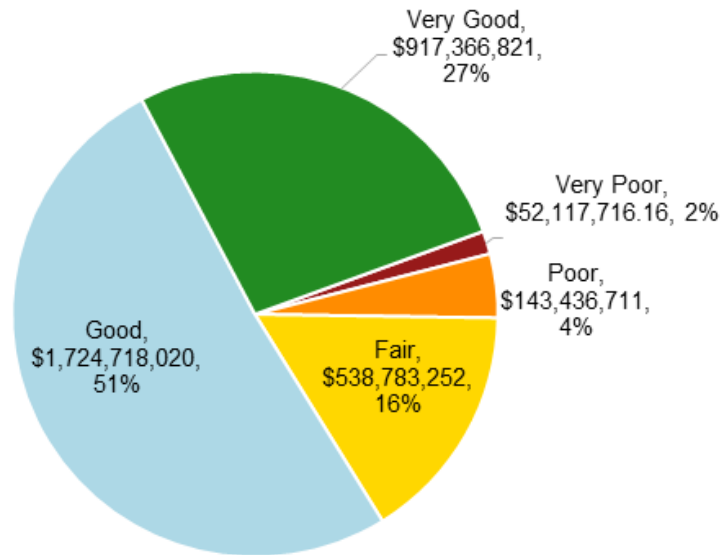
State of Local Infrastructure

The Town has \$3.4B in assets based on the estimated replacement value. 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 84% of the Town’s assets), the results of those studies are included in the assessment. For the remaining 16% 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 (78%) 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. For the purpose of calculating average annual funding requirements for Road assets, the Town's current lifecycle strategy was used. This ensures that the annual funding requirements for the Town's largest asset class, the Roads network, is the most realistic and gives consideration to the fact that the lifecycle activities being undertaken by the Town extend the life of the road.

A risk matrix was developed that ranked 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.



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The study also identifies the Town's current performance against metrics required under the legislation for core infrastructure as well as existing service levels based on current operational practices for non-core assets. The next phase of the Asset Management Plan will give consideration to proposed levels of service for all assets.

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 \$87.1 million in capital lifecycle funding is required 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 \$87.1 million in annual funding needs by service area.

Service Area	Replacement Cost	Average Annual Requirements (AAR)	Target Reinvestment Rate (TRIR)
Transportation Services	\$2,131,861,276	\$47,141,440	2.2%
Stormwater Management Services	\$598,407,275	\$14,656,396	2.4%
Community Services	\$441,499,240	\$13,507,629	3.1%
Corporate and Operational Services	\$118,123,163	\$6,211,161	5.3%
Protective Services	\$55,922,606	\$3,042,763	5.4%
Transit Services	\$26,124,995	\$2,327,485	8.9%
Milton Public Library Board Services	\$4,477,530	\$265,282	5.9%
Total	\$3,376,416,085	\$87,152,155	2.6%

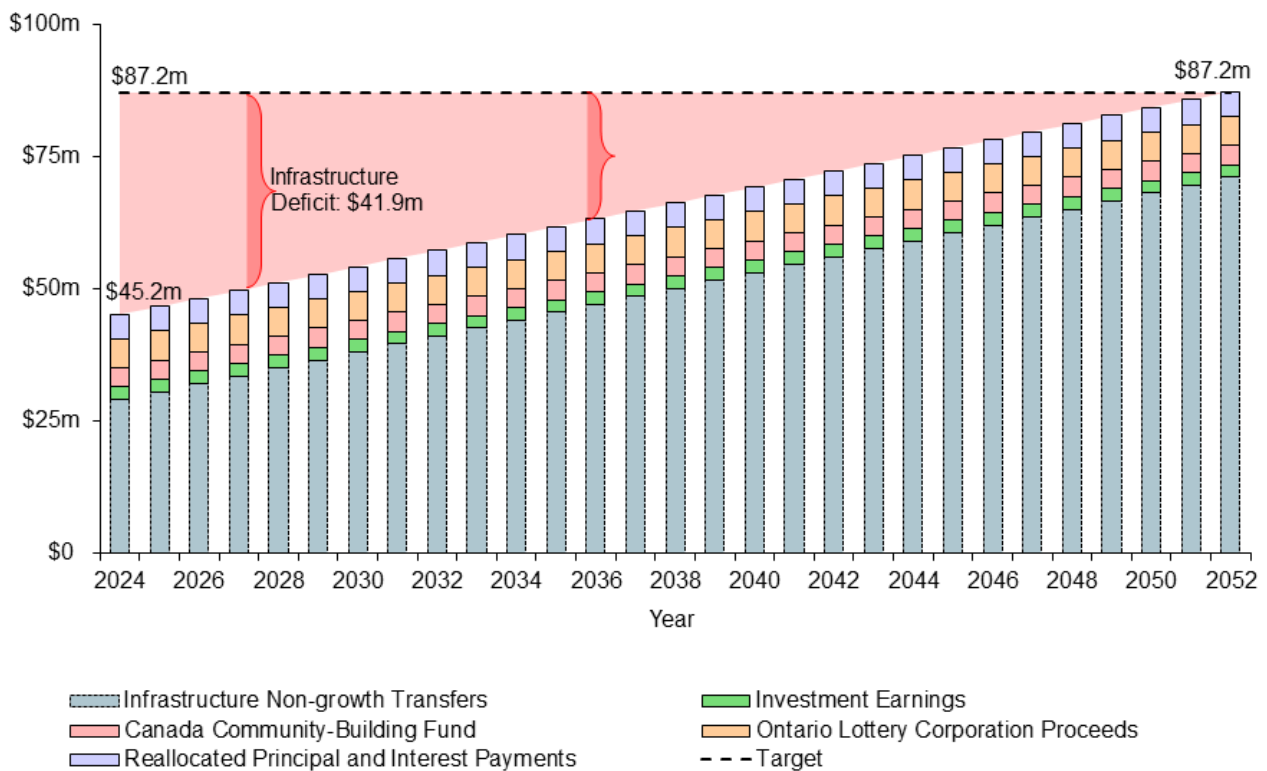
By comparison, the current amount of sustainable funding available Town each year amounts to approximately \$45.2 million. Although property taxes represent the largest

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funding source, other sources such as the Canada Community Building Fund, Ontario Lottery Corporation Proceeds and investment earnings have also been considered.

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.

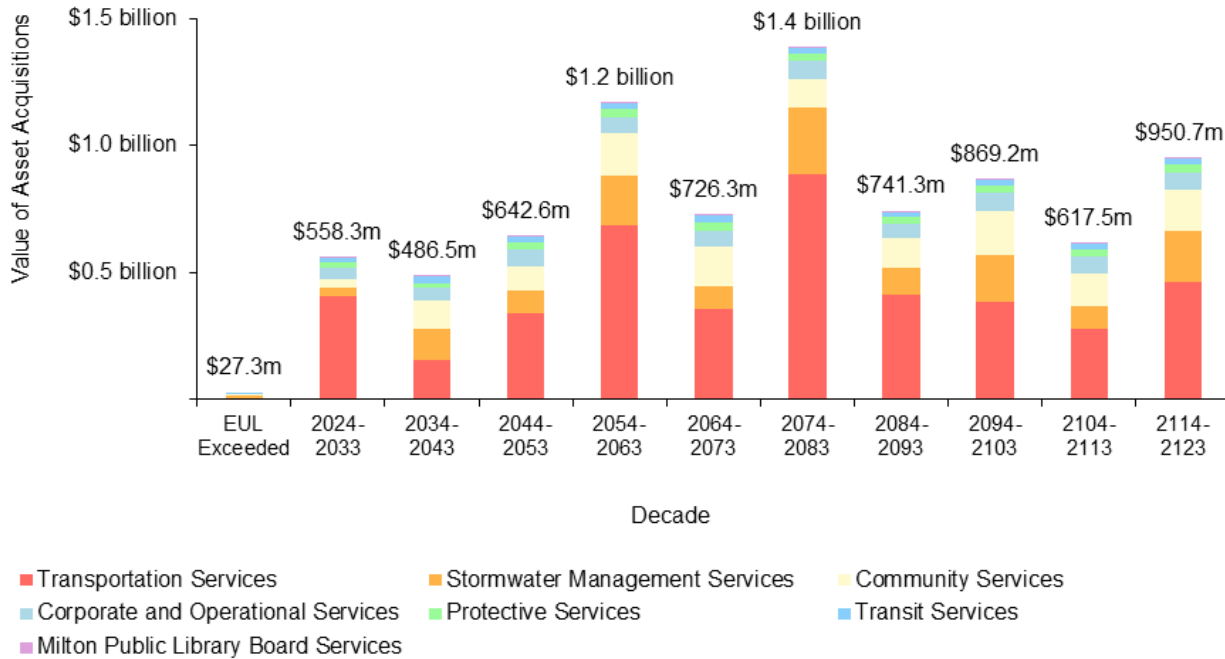
As illustrated in the graph below, if the Town resumes the strategy of contributing incremental annual lifecycle funding in the amount of \$1.5 million, the deficit would be eliminated within 27 years.



It should be noted that amounts presented exclude both inflation and future acquisitions of additional assets. During this 27 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 \$56.2 million which means that the current annual funding of \$45.2 million will be insufficient to provide for the needs over this time period. This, along with the significant spending forecasted in thirty years time emphasize the importance of continuing with proactive funding strategies to position the Town well for the future.

Next Steps

Work continues with respect to achieving the July 1, 2025 target date for municipalities to approve an AMP that includes:

- Proposed levels of service for the next 10 years, using provided metrics for core infrastructure and municipally created metrics for other infrastructure
- An explanation of why the proposed levels of service are appropriate, including risks, affordability and whether they are achievable
- The proposed performance of each category for each year over 10 years



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- An updated lifecycle management strategy
- An updated financial strategy
- Document and address available funding as well as funding shortfalls
- An explanation of any other key assumptions

Staff will report back to Council in advance of the next legislated deadline with respect to the next update of Milton's AMP.



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. This incremental investment had amounted to \$1.0 million as recently as the 2022 Budget for the Town, however due to the overall financial pressures the incremental investment was not incorporated into either the 2023 or 2024 approved budget and property tax levy.

The budget forecast that was incorporated into the 2024 approved budget incorporated a resumption of the incremental funding contribution with \$1.5 million in additional funding in 2025, and another \$1.5 million in 2026. 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



The Corporation of the Town of Milton

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For questions, please contact: Jennifer Kloet, Manager, Phone: Ext. 2216
Financial Planning and Policy /
Deputy Treasurer

Attachments

Appendix 1 - 2024 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.