



Council Report

Report Number:	CA2025-002
Meeting Date:	June 24, 2025
Title:	2025 Asset Management Plan
Description:	This report tables the 2025 Asset Management Plan for adoption by Council pursuant to Ontario Regulation 588/17 (Asset Management Planning for Municipal Infrastructure).
Author and Title:	Dr. Adam Found, Manager of Corporate Assets

Recommendation(s):

That Report CA2025-002, **2025 Asset Management Plan**, be received;

That the 2025 Asset Management Plan, attached as Appendix A to Report CA2025-002, be adopted pursuant to Ontario Regulation 588/17 and as a foundation for the City's state-of-good-repair capital planning needs; and

That the adopted 2025 Asset Management Plan be posted to the City's website and be forwarded to the Province of Ontario in accordance with Subsections 6(3), 6(4) and 6(5) of the Infrastructure for Jobs and Prosperity Act.

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

Background:

At its meetings of June 21, 2022 and May 21, 2024, Council adopted the following resolutions, respectively:

CR2022-215

That Report CA2202-008, **Interim Asset Management Plan**, be received;

That the Interim Asset Management Plan, attached as Appendix A to Report CA2022-008, be adopted solely for the purpose of minimally complying with Ontario Regulation 588/17; and

That the timeframe for special project 921204001 (Asset Management Plan) be extended to December 31, 2023.

CR2024-281

That Report CA2024-001, **Interim Asset Management Plan for Non-Core Assets**, be received;

That the Interim Asset Management Plan for Non-Core Assets, attached as Appendix A to Report CA2024-001, be adopted solely for the purpose of minimally complying with Ontario Regulation 588/17; and

That the budget for special project 921204001 (Asset Management Plan) be increased from \$80,000.00 to \$150,000.00, with the \$70,000.00 increase financed 13.5% (\$9,450) by the Administration Studies Account of the Development Charges Reserve Fund (3.24140) and 86.5% (\$60,550.00) by the General Contingency Reserve (1.32090).

These decisions progressed the City's compliance with Ontario Regulation 588/17 (Asset Management Planning for Municipal Infrastructure) issued under the Infrastructure for Jobs and Prosperity Act. That progression is now culminating in the 2025 Asset Management Plan (AMP), a consolidated AMP which this report brings forward to Council for adoption. With that adoption, the City will have completed the third of three phases of progressive compliance with Ontario Regulation 588/17, thus concluding the multiyear AMP special project.

Rationale:

The AMP is a legislated plan and an essential input for the City's Long-Term Financial Plan (LTFP) and thus capital budgets. In 2017, the City prepared an AMP in accordance with Ontario's Building Together Guide (2012). Issued under the Infrastructure for Jobs

and Prosperity Act (2015), Ontario Regulation 588/17 succeeded the Building Together Guide, establishing the existing legislative framework for asset management planning in Ontario's municipal sector. That regulation sets out a graduated series of deadlines by which municipalities are to bring their AMPs up to standards exceeding those outlined in the Building Together Guide.

As part of the 2020 Special Projects Budget, Council approved special project 921204001 for the City to prepare, in accordance with Ontario Regulation 588/17, a new AMP to replace the 2017 AMP. This multiyear project is punctuated by three key milestones, each reflective of a set of graduated standards imposed by Ontario Regulation 588/17:

1. AMP for Core Assets: Due by July 1, 2022, this AMP must meet increased standards respecting core municipal assets, which are defined as assets relating to roads, stormwater, water or wastewater. Through CR2022-215 above, the City achieved compliance with this requirement on June 21, 2022.
2. AMP for Non-Core Assets: Due by July 1, 2024, this AMP must meet increased standards respecting non-core municipal assets, which are defined as assets (e.g. facilities, fleet, equipment, landfills etc.) that are not core assets. Through CR2024-281 above, the City achieved compliance with this requirement on May 21, 2024.
3. Consolidated AMP: Due by July 1, 2025, and respecting all types of municipal assets, this AMP must meet increased standards relating to such matters as municipal service levels and financial sustainability. If the recommendations of this report are adopted by Council, the 2025 AMP, which is attached hereto as Appendix A, will bring the City into compliance with this final requirement as of June 24, 2025.

Unlike the two interim AMPs, which were designed merely to attain minimal compliance with Ontario Regulation 588/17, the 2025 AMP will be relied upon by staff as a guide for the City's state-of-good-repair (SGR) capital planning purposes. Specifically, it will replace the two interim AMPs and serve as an essential input for the LTFP, in which capital and operating needs are planned in an integrated fashion to ensure the City's long-term financial sustainability. Integrating various financial considerations, such as ratepayer affordability and debt tolerance, the LTFP will enable staff to translate the AMP into capital budgets, with Council approval.

While the 2025 AMP demonstrates the City's financial capacity to meet its long-term SGR capital obligations, it should be noted that this finding is critically predicated upon the City implementing an enhanced dedicated capital levy (DCL) escalation rate through the LTFP and subsequent budgets. Under the 2022 LTFP, the DCL is designed to

support the Asset Management Reserve (AMR) and gradually bring the annual contribution to it up to a sustainable level. Consequently, corresponding reductions in the City's reliance on tax-supported debt would occur over time, enabling the City to:

- (i) Reduce tax-supported debt servicing costs in the long run, opening up room in the tax-supported operating budget for increased AMR contributions;
- (ii) Reserve planned leverage of tax-supported debt capacity primarily for major capital projects involving long-lived assets (e.g. roads, bridges, facilities, etc.), smoothing capital cost impacts over time and avoiding unmanageable pressures on the AMR and thus tax levy;
- (iii) Improve self-reliance, positioning the City to better manage the pressures of growth and unanticipated capital-related pressures (e.g. emergencies, service enhancements, grant funding reductions, etc.); and
- (iv) Enjoy the financial flexibility and creditworthiness afforded by carrying a low debt load as a share of asset portfolio value or total revenue.

Since the DCL's inception in 2022, its annual escalation has comprised two components: (i) a baseline increase of 3%/year to account for general capital cost inflation; and (ii) an amount equal to a general tax levy increase of 1.5%/year. That strategy had the annual AMR contribution reaching a sustainable level by 2031, the end of the planning horizon for the 2022 LTFP. With that achieved, the second component of the DCL's escalation would be reduced to a level aligning with the rate of assessment growth to reflect growth-related expansion of the asset portfolio over time.

Unprecedented capital cost inflation since 2022 has, however, rendered the above strategy infeasible. To ensure the City achieves long-term financial sustainability in respect of its SGR capital needs within a reasonable timeframe, the 2025 AMP increases the second component of the DCL's annual escalation to a general tax levy increase of 2%/year. If adopted by Council under prevailing service levels and capital cost inflation conditions, this revised strategy is expected to achieve the desired sustainability by 2033. While this represents a delay of two years, it maintains a reasonable timeframe for achieving the desired sustainability in light of very challenging inflationary pressures. Fortunately, capital cost inflation appears to be easing down to normal levels as 2025 unfolds.

Understanding asset management is a journey rather than a destination, staff will continue to improve upon the asset registry, methodologies, policies and processes underlying capital planning and budgeting at the City. In particular, staff is committed

to pursuing the various improvements identified by the 2025 AMP and reflecting as many of them as possible in the next AMP, which is earmarked for 2029.

Other Alternatives Considered:

As the recommendations of this report are designed to maintain the City's compliance with Ontario Regulation 588/17 and provide a foundation for SGR capital planning at the City, and as capital projects emanating from the 2025 AMP are subject to Council approval via the budget process, staff is not advancing any alternative recommendations for Council's consideration at this time.

Alignment to Strategic Priorities

The recommendations of this report support asset management and hence align with the strategic priority of "Good Government" identified in the City's 2024-2027 Strategic Plan.

Financial/Operation Impacts:

Continued compliance with Ontario Regulation 588/17 is necessary for the City to remain eligible for capital grants, both formula-based and application-based. The financial consequence of non-compliance would at a minimum be \$13.6M/year in delayed or foregone revenue from the Canada Community Building Fund (\$5.2M/year) and Ontario Community Infrastructure Fund (\$8.4M/year), the City's core formula-based capital grants. Furthermore, the financial implications of the 10-year capital plan outlined in the 2025 AMP are as indicated in that document, and they will be refined through the LTFP.

Consultations:

Senior Management Team

City Treasurer

Watson and Associates

Attachments:

Appendix A: 2025 Asset Management Plan



Kawartha Lakes Asset
Management Plan.pdf

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Department Head: Juan Rojas, Director of Engineering and Corporate Assets