

Report

Report to: Mayor and Council

Date: May 28, 2024

Title: **Final Asset Management Plan - Non-Core Assets**

Recommendation(s)

1. That Council **APPROVE** the City's Asset Management Plan for Non-Core Assets prepared in accordance with Ontario Regulation 588/17;
2. That Council **DIRECT** Staff to make the Plan publicly available on the City's website before the July 01, 2024 deadline;
3. That Council **DIRECT** Staff to submit the Plan to the Ministry of Municipal Affairs and Housing before the July 01, 2024 deadline; and,
4. That Council **DIRECT** Staff to incorporate recommendations of the Asset Management Plan including the financing strategy, development of a 10-year capital budget, utilization of risk-based prioritization, and increase of asset condition knowledge into the 2025 Budget process.

Executive Summary

The 2024 Asset Management (AM) Plan for Non-Core Assets (attached to the report) has been developed based on feedback from the review of the draft AM Plan and more in-depth lifecycle and financial analysis. The plan describes the actions required to manage the City's non-core infrastructure assets in a way that meets service levels, while managing risks and costs. The City's non-core infrastructure assets have identified within their respective service area. The City's non-core assets have an estimated replacement value of **\$524.9 million** (2024\$).

Table 1. Inventory of City's Non-Core Assets

Service Area	Asset Categories	Replacement Value (\$2024, millions)	Proportion of Value of Non-Core Assets (%)
Transportation Services	Streetlights, Barriers, Architectural Features, Beautification & Street Furniture, Signage, Traffic Signals, Traffic	\$99.9	19.1%

Service Area	Asset Categories	Replacement Value (\$2024, millions)	Proportion of Value of Non-Core Assets (%)
	Control, Traffic Calming, Parking Lots, Parking Meter, Equipment, Fleet, Facilities, Poles,		
Parks and Trails	Amenities/Furniture, Aquatic Features, Parkland, Recreation Spaces, Playgrounds, Equipment, Fleet, Trails and Pathways, Facilities, Signage, Site Works	\$80.8	15.5%
Natural Assets	Trees, Woodlots, Wetlands & Watercourses, Signage & Wayfinding, Equipment, Fleet	\$38.5	7.4%
Municipal Administration	Information Technology, Fleet, Facilities	\$64.1	11.7%
Recreation Services	Fleet, Facilities	\$134.6	25.8%
Cultural Services	Fleet, Facilities	\$45.8	8.8%
Fire Services	Equipment, Fleet, Facilities	\$53.8	10.3%
Cemetery Services	Equipment, Fleet, Cemetery Systems, Facilities	\$7.4	1.4%
Total		\$524.9	100.0%

The table excludes assets supporting services that are managed by separate boards, such as Niagara Public Library which is supported by assets valued at \$22.1 million (see Appendix A). In addition, the City owns one third (\$9.2 million) of the \$27.7 million worth of assets used by the Niagara District Airport (see Appendix B). The Niagara Falls Convention Centre (NFCC), with an estimated replacement cost of \$201.2 million, is also owned by the City but managed by a separate board.

Background

Per provincial legislation under Ontario Reg 588/17, Asset Management Planning for Municipal Infrastructure the City of Niagara Falls shall complete the following activities:

- Develop a Strategic Asset Management Policy by **July 1, 2019** (complete)
- Develop an AMP for Core Infrastructure that includes current Levels of Service (LOS) and costs to sustain current LOS provided by the water, wastewater, stormwater, road, and bridge assets by **July 01, 2022** (complete)
- Develop an AMP for Non-Core Infrastructure that includes current Levels of Service (LOS) and costs to sustain current LOS provided by the remaining City assets by **July 01, 2024**
- Develop AMP that documents proposed LOS, costs to achieve proposed LOS, and the financial strategy to fund these expenditures by **July 01, 2025**
- Every municipality shall review and update its asset management plan at least 5 (five) years after the year in which the plan is completed
- Every AM Plan prepared under O.Reg 588/17 must be endorsed by the executive lead of the municipality and approved by a resolution passed by municipal council
- Every municipality shall conduct an annual review of its asset management progress on or before July 1 in each year, starting the year after the municipality's AM Plan is completed
- Every municipality shall post its current strategic asset management policy and asset management plan on a website that is available to the public, and shall provide a copy of the policy and plan to any person who requests it.

In 2022 staff brought forward the City's Core Asset Management Plan (AMP) for its Roads, Bridges, Culverts, Water, Sanitary and Stormwater assets. Per O.Reg 588/17 the City is now bringing forward the City's AMP for Non-Core assets which includes all City assets not already identified in the Core AMP.

The final 2024 AM Plan describes the actions required to manage the City's non-core portfolio of assets in a way that supports established service levels, while managing risks and costs. The 2024 AMP focuses on the 10-year period from 2024-2034 and provides a framework for continuously improving the City's AM practices.

Specifically, this AMP outlines current (2024) Levels of Service (LOS) performance for non-core assets, recommended actions, and costs associated with sustaining that LOS.

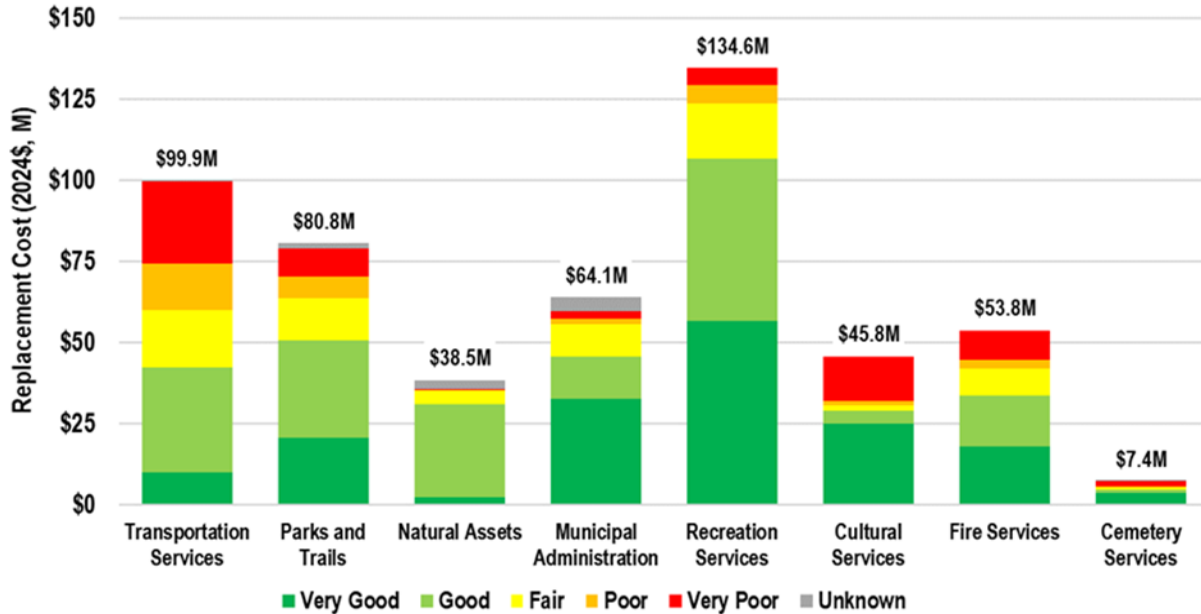
Analysis

State of the Infrastructure

The current condition distribution of the City's non-core assets is shown in the Figure 1 below below, by service area. Overall, \$416 million (81%) of the City's non-core assets are in Fair condition or better, \$33 million (6%) are in Poor condition, which means they are nearing their end of life, and \$66 million (13%) are in Very Poor condition, which means that they are due or overdue for replacement. \$9.1 (2%) million of assets are in

unknown condition either because the install date is not known, or a condition assessment has not yet been undertaken. Knowing the condition of assets is important to understanding the risks and costs of meeting stated service delivery objectives. Information on these assets of unknown condition will be included in the update of the AMP.

Figure 1: Condition Distribution of the City’s Non-Core Assets



Levels of Service

As per O.Reg 588/17, the AM Plan is required to provide current LOS (Levels of Service) for non-core asset categories, determined in accordance with qualitative descriptions and technical metrics established by the municipality. Community and Technical LOS were defined for each service area in alignment to support the City’s 2022 strategic priorities, categorized by Capacity and Use, Function, Quality and Reliability, and Financial Sustainability. The City will be completing key planning documents aligned with O.Reg.588/17 requirements for Proposed LOS (LOS targets) in 2025. In the meantime, the City will monitor current LOS performance with LOS targets established in the next iteration of the AM Plan.

Risk Management Strategy

Assets with known condition, Figure 2 shows that \$45.3 million or 8.7% of the City’s non-core assets are in the Very High-risk exposure category related to provision of reliable services. The percentage excludes approximately \$9.1 million of assets with unknown condition (probability of failure). Through time, assets will deteriorate and move up the Likelihood of Failure scale (i.e., become more likely to fail), then down the Likelihood of Failure scale when they are renewed. The City mitigates its exposure to these risks through the planned lifecycle strategies, such as renewal and maintenance.

Figure 2: Risk Exposure of the City’s Non-Core Assets

Risk Exposure in Year 2024\$, millions

Probability of Failure	Certain	\$1.68	\$17.51	\$4.38	\$34.61	\$8.00
	Likely	\$0.42	\$14.14	\$2.72	\$13.55	\$2.72
	Possible	\$0.87	\$38.14	\$4.74	\$23.04	\$4.50
	Unlikely	\$6.18	\$113.61	\$11.01	\$37.83	\$6.41
	Rare	\$3.60	\$84.74	\$30.24	\$43.14	\$7.95
		Insignificant	Minor	Moderate	Major	Catastrophic
		Consequence of Failure				

Risk Exposure Ratings

Very High	\$45.3	8.7%
High	\$48.2	9.2%
Moderate	\$139.4	26.6%
Low	\$188.3	35.9%
Very Low	\$94.5	18.0%
Unknown	\$9.1	1.7%
TOTAL	\$524.9	100.0%

Risks related to capacity and upgrade needs are being examined through Master Servicing Plans (MSP) and Transportation Master Plan (TMP), which are currently under development. Needs identified through the studies will be incorporated into the 2025 AM Plan.

Lifecycle Management Strategy

The City’s ability to deliver the levels of service outlined in the Asset Management Plan is impacted in large part by:

- aging infrastructure and the associated need for operations, maintenance, and renewal investments to sustain it forecast future population growth and the associated need for additional infrastructure to serve it
- changing functional, legislative and sustainability requirements and the associated need for existing assets to be upgraded to continue to be fit for purpose
- available funds and the associated need for assets to be provided at lowest cost for both current and future customers (inter-generational benefit)

To achieve its objectives, the City builds new infrastructure assets to meet capacity needs, upgrades assets to meet new functional needs, and manages existing assets to meet reliability needs – all with limited funds. Asset lifecycle management strategies are planned activities that enable assets to provide the defined levels of service in a sustainable way, while managing risk, at the lowest lifecycle cost.

Financial Strategy

Tax- Funded Assets (Core and Non-Core)

The City receives revenue for infrastructure projects from property tax (including the capital levy), the Canada Community Building Fund, the Ontario Community Infrastructure Fund, third party grants, development charges, and user fees. Some funds are restricted to use by asset type and lifecycle need (e.g. expansion, upgrade or renewal). To maintain the current LOS and prevent the renewal backlog from growing, the City anticipates an average annual available funding of \$6.9 million/year (in 2024\$) available for renewal of non-core assets. This excludes funds from the OLG Casino, because these funds are typically used to fund strategic investments, rather than asset renewal.

Based on the existing funding and infrastructure renewal requirements, the overall asset condition for the City’s non-core infrastructure portfolio is anticipated to deteriorate further. This means that the City’s existing funding in place for non-core asset management projects will result in an increased backlog of infrastructure over the next 10 years.

Table 1. Tax Supported Infrastructure Funding Gap

ASSET CLASS	AVG. ANNUAL RE-INVESTMENT REQUIREMENT	AVG. ANNUAL FUNDING	VARIANCE (Infrastructure Gap)
Tax Supported Assets	\$41.66 million	\$17 million	(\$24.56 million)
Third Party	\$1.974 million	\$0.6 million	(\$1.8 million)
Totals	\$43.674 million	\$17.6 million	(\$26.36 million)

Rate Funded Infrastructure (Core assets - Water and Wastewater)

The 10-year average renewal funding requirement for both rate-funded assets (water and wastewater) is \$15.73 million/year (2022\$), while the anticipated annual funding is \$12.6 million/year. This leaves an infrastructure renewal gap for rate-funded assets of \$3.13 million/year. These values include renewal needs from the City’s 2022 AM Plan for core assets.

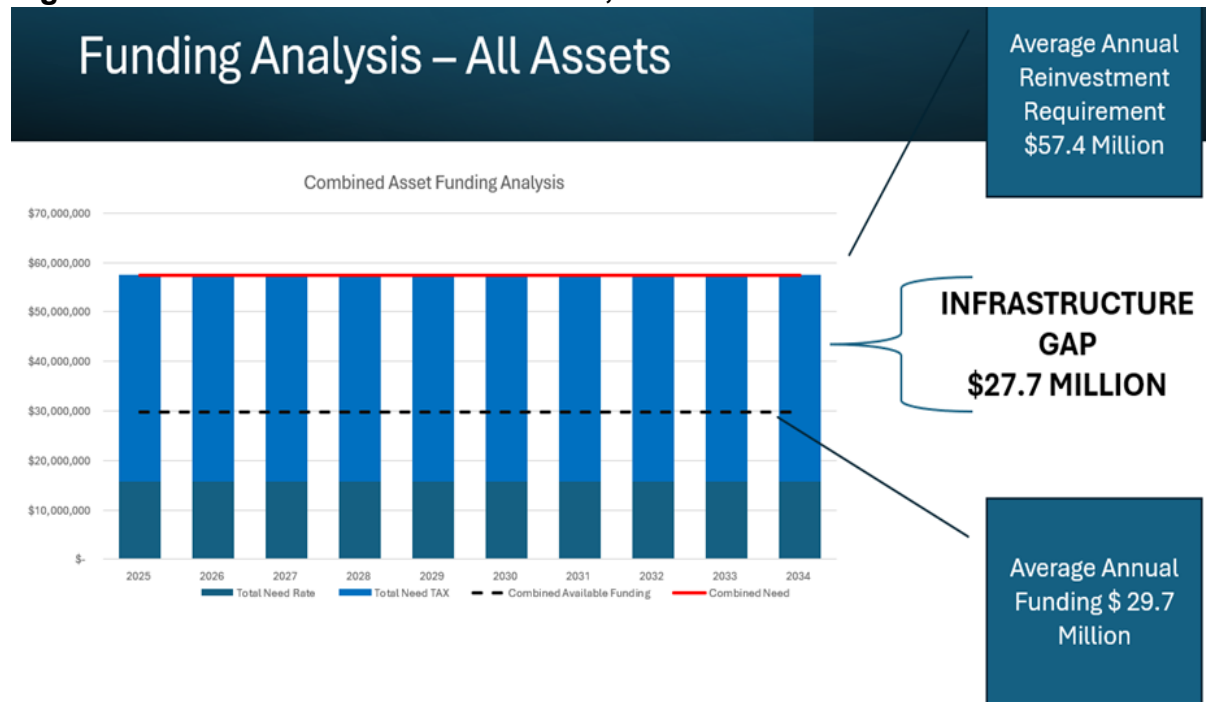
Table 2. Rate Supported Infrastructure Funding Gap

ASSET CLASS	AVG. ANNUAL RE-INVESTMENT REQUIREMENT	AVG. ANNUAL FUNDING	VARIANCE
Rate Supported Assets	\$15.73 million	\$12.6 million	(\$3.13 million)

Infrastructure Renewal Needs, All Assets (Tax & Rate Funded)

The 10-year average renewal funding requirement for both core and non-core infrastructure is \$57.4 million/year (2024\$), while the anticipated annual funding is \$29.7 million/year. **This leaves an infrastructure renewal gap for all City assets of \$27.7 million/year.** These values include renewal needs from the City’s 2022 AM Plan for core assets (needs inflated to 2024 \$), as well as renewal needs associated with Niagara Falls Public Libraries (see Appendix A), Niagara District Airport (see Appendix B) and the Niagara Falls Convention Centre (see Appendix C). The Niagara District Airport is jointly owned by the City of Niagara Falls, the City of St. Catharines and the Town of Niagara-on-the-Lake. The figure includes 37.4% of the Airport’s renewal needs, in accordance with the City’s share of funding responsibility.

Figure 3. Infrastructure Renewal Needs, All Assets



Strategies to Close the Infrastructure Gap

The infrastructure funding gap may be closed by implementing one or more of the following strategies:

- Reduce near term renewal needs by deferring capital renewal projects on lower risk assets, thereby lengthening the period in which the backlog is addressed beyond the 10 years. This may result in increased maintenance costs and risks to service delivery and corresponds to a reduction in service levels related to reliability and condition.
- Increase available funds through property tax (capital levy) increases and leveraging third party grants.
- Use Ontario Lottery and Gaming (OLG) funds for capital renewal. This will reduce funds available for strategic investment project and is also susceptible to fluctuations in OLG revenues as witnessed during the global COVID19 pandemic.
- Reduce renewal needs by divesting of assets. This may reduce service levels related to capability.

Debt funding and reserve funding may also be used; however, these are not sustainable solutions, since the debt funding must eventually be paid back and has interest costs, and reserves must be replenished. Available funding sources will be explored further as the City meets its AM Reporting obligations for LOS Setting and Lifecycle Funding Strategy development.

Operational Implications and Risk Analysis

Bringing forward the 2024 Asset Management Plan for Non-Core Assets does not have any direct operational implications at this time.

The risk of not completing the provincially mandated asset management plan by the required timeframe(s) may negatively affect the City's eligibility for future provincial grant programs. Council endorsement of the final AM Plan by the prescribed timelines will lower this potential risk exposure.

The City requires better data related to asset condition, operations and maintenance activities at the asset level to allow for lifecycle based planning. The City is in the process of upgrading it's work order management system and the data is currently being tracked in multiple systems which are not necessarily integrated. If the software implementation is delayed the City runs the risk of not being able to report on or track maintenance activities and programs as required including current and proposed levels, of service by the 2025 reporting period.

Financial Implications/Budget Impact

None

Strategic/Departmental Alignment

The AM Plan for Non- Core Assets align with the City's Strategic Plan (2023-2027); specifically the following priorities:

1. Sustainability (Financial & Environmental): promotes efficient resource allocation, mitigating risks, optimizing asset performance, facilitating data-informed decision-making, and fostering long-term planning for infrastructure sustainability.
2. Economic Diversification & Growth: supports key economic sectors and fosters growth by promoting operational efficiencies, improving quality of life, and enhancing strategic infrastructure development within the community.

List of Attachments

[NF-NonCoreAMP-Rev2.3 05-21-2024](#)

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Status:

Approved
- 21 May
2024

Jason Burgess, CAO

Approved
- 22 May
2024