



# ASSET MANAGEMENT PLAN “EXECUTIVE SUMMARY”



*To ensure our municipal assets are maintained and renewed in a responsible and financially sustainable manner.*

2017

## **INTRODUCTION**

Our first Asset Management Plan for the Township of Norwich was created and presented to Council in 2014. That document explained the need for a well-planned asset management program and the benefits that the municipality would gain by implementing one. The plan summarized, described and graded all classes of our municipally-owned assets. The appendices included a full detailed list of every municipal asset including the age and condition of each asset. While provincial guidelines at the time only required that core linear assets be included in our initial AMP, the Township of Norwich opted to include all its tangible capital assets in its initial plan, as the additional data provided a better information base for making on-going capital budgeting decisions and the requirement to include all municipal assets within our plan would be in place within the next few years. The final part of our plan was an analysis of the annual requirements needed to fund this program. As with all other municipalities in the province, we had a significant financial shortfall in our program.

Asset Management Programs should **not** be static documents that are reviewed once and filed away. The plan needs to evolve over time with the addition of more detailed and updated information on an annual basis. The AMP needs to integrate with and work in concert with your annual capital budget program. Municipal Council's should be reviewing and approving updated Asset Management Plans annually as part of their capital budget process.

In 2015, Norwich completed a comprehensive Road Needs Study and created and implemented new 20 year capital programs for the Fire Department, Roads Vehicles & Machinery, and Parks & Recreation Equipment. For the 2016 year, staff added additional 20 year capital plans to the program which included Roads, Bridges, Sidewalks, and Parks & Recreation Structures.

For the 2017 update, staff have further developed our 20 year capital programs with comprehensive capital plans for Fire, Transportation, and Parks & Recreation which include all assets for each department. Allocations to Building Reserves have now also been included in our long-term capital plans which will allow each department to replace/repair key elements of their buildings such as HVAC, roof, etc. on an as-needed basis.

Within this Executive Summary of our AMP you will find our Asset Report Card for 2017, Overall Costs required for our Program and the Funding Shortfall that we are currently experiencing in trying to fund this Program.

A large financial shortfall in funding Asset Programs is a common element across all municipalities in Ontario right now. For 2017, the Township of Norwich we will need to find about \$1.642 million dollars in annual funding in order to overcome our current Infrastructure Gap. This is down from 2016 when our under-funding totalled more than \$1.751 million dollars, an improvement of almost \$110,000. While this is a very positive step forward, we will need to continue these efforts over the next 20 years in order to approach a fully-funded AMP.

The full 2017 Asset Management Program document is attached for Council's information, review and approval.

## ASSET REPORT CARD - 2017

ASSET CLASS	DESCRIPTION	CURRENT CONDITION	\$'S TO REPLACE	\$'S PER YEAR	GRADE	NOTES
<b>Unpaved Road Infrastructure</b>	295.6 lane kms of Gravel Roads	Good	N/A	N/A	<b>B+</b>	Target Condition Rating (per Roads Needs Study) is between 6.0 and 7.0; Current rating is 6.53.
<b>Paved Road Infrastructure</b>	407.16 lane kms of Paved Roads	Poor to Fair	\$49,574,100	\$2,478,705	<b>D+</b>	Target Condition Rating (per Road Needs Study) is between 6.0 and 7.0; Current rating is 5.47.
<b>Bridge Structures</b>	40 Structures	Fair to Good	\$10,679,934	\$177,999	<b>C+</b>	Other than a few bridges condition is relatively good; all bridges rated at 5 (out of 10) or lower are included in the 20 year program.
<b>Culverts</b>	542 Structures	Fair	\$696,230	\$22,751	<b>C+</b>	Costs typically included in Capital Budget \$'s for Road Infrastructure
<b>Sidewalks</b>	30,691 metres	Fair to Good	\$3,381,290	\$96,608	<b>B-</b>	Budget \$'s are below requirements to renew these assets; new long-term plan will insert needed \$'s to program
<b>Parking Lots</b>	13 Paved Structures	Fair to Good	\$1,048,071	\$52,404	<b>C+</b>	Specific reserve for Parking Lots is needed for the future
<b>Storm Sewers– Trunk Piping</b>	14,600 metres of pipe	Fair	\$2,479,702	\$49,594	<b>C</b>	Costs typically included in Capital Budget \$'s for Road Infrastructure
<b>Storm Sewers- Catch Basins</b>	756 Catch Basins	Fair to Good	\$1,248,750	\$24,975	<b>B-</b>	Costs typically included in Capital Budget \$'s for Road Infrastructure
<b>Buildings</b>	38 Separate Building Structures	Fair to Good	\$24,065,000	\$481,300	<b>B-</b>	Key buildings are in good condition; 15 structures not scheduled for replacement
<b>Structures</b>	54 Separate Structures	Good	\$3,165,611	\$155,371	<b>B+</b>	Continued funding will ensure assets remain in good condition
<b>Vehicles &amp; Machinery</b>	48 Vehicles / Equipment	Good	\$7,115,000	\$445,833	<b>B+</b>	Regular reserve funding will keep assets in good condition
<b>Furnishings &amp; Equipment</b>	Pooled Assets	Good	Not Determined	\$80,000	<b>B+</b>	Continued funding will ensure assets remains in good condition

## OVERALL COSTS FOR ENTIRE ASSET MANAGEMENT PROGRAM

Asset Class	Total \$'s Required For Full Asset Replacement	Total Annual \$'s Required to Fund AMP
Paved Road Structures	\$49,574,100	\$2,478,705
Bridge Structures	\$10,679,934	\$177,999
Culverts	\$696,230	\$22,751
Sidewalks	\$3,381,290	\$96,608
Parking Lots	\$1,048,071	\$52,404
Storm Sewer – Trunk Piping	\$2,479,702	\$49,594
Storm Sewer – Catch Basins & Laterals	\$1,248,750	\$24,975
Buildings	\$24,065,000	\$481,300
Structures	\$3,165,611	\$155,371
Vehicles & Machinery	\$7,066,000	\$442,190
Furnishings & Equipment	<u>n/a</u>	<u>\$80,000</u>
<b>TOTAL</b>	<b><u>\$103,404,687</u></b>	<b><u>\$4,061,897</u></b>

### FINANCIAL SHORTFALL

As shown above, the annual requirement to adequately fund our Asset Management Plan is **\$4,061,897**. For 2017, funding that was budgeted to offset our capital program was as follows:

Funding Source	Budget \$'s Available
Tax Revenue	\$2,028,093
Grant Funding ( <i>excludes one-time funding</i> )	\$390,807
<b>TOTAL</b>	<b><u>\$2,418,900</u></b>

Based on the above, the Township of Norwich is **under funding** its Capital Program by an amount of **\$1,642,997** on annual basis.

## **LONG-TERM PLAN FOR SUSTAINABILITY**

As there is currently a significant difference between the annual requirements needed to expend on our Asset Management Program and the annual funding available to offset these costs, measures need to be undertaken in order to lessen this “infrastructure gap”.

With about \$1.643 Million Dollars in underfunding to overcome, there is no easy fix. It is going to take a long sustained effort to attain a fully-funded program. While Infrastructure Grants and Debenture Debt funding can be utilized to help deal with the backlog of assets that are past their useful life, neither of these funding sources is consistent and sustainable from year to year. Over time, additional tax funding for capital needs to be built into the annual municipal budget in order to overcome this infrastructure gap.

To illustrate how this can be accomplished:

*If an additional 1% was added to the Annual Budgeted Tax Levy each year specifically targeted to Capital Needs and decreasing the Infrastructure Gap, the funding shortfall could be overcome in 20 years.*

### **Extra Infrastructure \$'s**

<b>2018</b>	\$77,141
<b>2022</b>	\$393,498
<b>2026</b>	\$722,699
<b>2030</b>	\$1,065,268
<b>2034</b>	\$1,421,747
<b>2037</b>	\$1,698,572

***In less than 20 years, the Infrastructure Gap would be eliminated.***

Using the same methodology as above:

**1.5% Annual Increase** would allow the municipality to reach this goal in **2030**.

**2% Annual Increase** would allow the municipality to reach this goal in **2026**.

While these increases might be difficult to sustain over the full length of the plan due to other budgetary pressures, every year that the municipality is able to include these targeted increases in the final approved budget brings the Asset Management Plan one step closer to being a fully-funded program.