CITY OF Burlington

SUBJECT: 2021 Asset Management Financing Plan update

TO: Environment, Infrastructure & Community Services Cttee.

FROM: Finance Department

Report Number: F-34-21

Wards Affected: All

File Numbers: 701.04

Date to Committee: November 15, 2021

Date to Council: November 23, 2021

Recommendation:

Receive and file finance department report F-34-21, 2021 Asset Management Financing Plan update; and,

Direct the Chief Financial Officer to consider inclusion of the increased dedicated infrastructure levy of 1.60% in the 2023 Budget, as Councils five-year commitment to the long-term infrastructure renewal program; and,

Direct the Chief Financial Officer to update the Asset Management Financing Plan in alignment with updates to the Asset Management Plan every five years.

PURPOSE:

The Asset Management Plan (AMP) guides the management of the portfolio of city assets, and how much it will cost to maintain those assets to provide service. The city's Asset Management Financing Plan (AMFP) is the city's implementation strategy for meeting the financial needs of the Asset Management plan. The Asset Management Financing plan is aligned with and supports the city's Vision 2040 Strategic Plan document through an Engaging City.

Vision to Focus Alignment:

- Support sustainable infrastructure and a resilient environment

Executive Summary:

Development of the Asset Management Plan, and corresponding financial plan is a significant undertaking. Over the span of a year, the City collects, interprets, and analyzes data from all service areas that have the responsibility of managing assets that deliver city services to the benefit of the broader community. Since 2017, when the last Asset Management Financing update was approved, considerable changes have occurred which are reflected in the 2021 Asset Management Plan and Financing plan. Report ES-47-21 on the same agenda, discusses many of the factors that have resulted in the 76% increase to the city's asset replacement value, from $3 billion to $5.2 billion.

It is important that the Asset Management Financing Strategy is viewed in the context of a long-term planning horizon, with long term goals and objectives of sustainability, predictability and stability; that the assets are managed for present and future residents in a fair and sustainable manner. This comes with the understanding that changes to the financial strategy in the short term reverberate into the medium and long term. The financing plan represents an investment in the city's assets and a commitment to the quality of service the asset is delivering to residents. Furthermore, as we make decisions around future infrastructure planning, we continue to keep in perspective the long-term nature of the asset and its associated costs. Council was provided an Asset Management workshop in June 2021 where it was indicated that the up-front cost of an asset is the lowest cost in its life cycle. The annual operating and maintenance costs, subsequent renewal, and further rehabilitation and disposal represents the largest cost outlay of an asset; the capital renewal and replacement costs are those in which the financing plan is preparing and planning for.

In September 2021, Council received Service Information workshops providing an overview of all the city's services. During presentations, Council heard the extent of the capital investments that the city has made across all service areas, including new assets and revitalization of existing assets and the need to maintain and protect those investments over time. The presentations further addressed the external factors impacting how the city plans for the renewal of assets such as; climate change, customer expectations, changing trends, and technology shifts, to name a few. The presentations showed how much the city's asset inventory can change, and the corresponding financial growth in need over a short period of time. Key messages at the workshops centered around;

- securing resources to address annual operating needs of the city's assets,
- timely revitalization of facilities to prevent unexpected closures,
- addressing infrastructure gaps within each service area

These key messages translate to the city's long-term asset management financing principles of sustainability, predictability and stability which provides consistency to the service in which the asset delivers.

The fundamental principle of the asset management financing strategy presented today has shifted from what Council was presented in 2017. As we are continually learning, and refining asset management practices, we continue to stress the importance of long-term planning, addressed through short-term five-year commitment windows. Formalizing council commitment to these 5-year financing windows sets a clear direction for managing the city's assets, reaffirming the principles and objectives of the 2021 financing strategy of **predictability and stability**. More importantly, it recognizes that the financial plan is an iterative process to progress on the infrastructure gap. As the asset management plan is updated every five years the City is well positioned for the anticipated changes, preventing us from falling behind and, moving towards long-term **sustainability**.

Background and Discussion:

The city has long recognized the importance of effective asset management practices and progression towards reducing the infrastructure gap. This is evident in the establishment of the dedicated infrastructure levy in 2005. Since that time, asset management practices have evolved and data accuracy has improved allowing staff to better understand and predict infrastructure needs and formalize asset management principles within service areas to better identify funding gaps.

On May 15, 2017, Council approved the city's 2016 Asset Management Financing Plan (report F-12-17) and used the information from the AMP to determine the sustainability and effectiveness of the financing plan and any changes proposed.

The 2016 approved AM financing plan included the following;

- Dedicated Infrastructure levy of 1.25%
- re-purposing the hospital levy in phases beginning in 2019
- Implemented a reduced reliance on debt as per the city's debt policy

Additional areas that have since contributed to the city's overall renewal program are;

- One-time $20 million to the city's roadways program (2016 - 2019)
- One-time $12.1 million to the city's stormwater flood mitigation program (2015-2022)
- One-time senior government grants;
    - ICIP (multiple phases) to transit infrastructure (new and renewal)
    - ICIP $3.6 million for Civic Square Revitalization project

  - Covid Resilience ($852,000) for new and renewal infrastructure, including RPF Operations Centre Renovation, City Hall Customer Service window renovations, Elgin Promenade stage 4, and Palmer Trail Design/ Construction
  - Federal Gas Tax allocation one-time top up allocations (Canada Community Building Fund) of $5.7 million (2019) and $5.6 million (2021)
- Surcharge on recreation fees for capital renewal
- 4% increase to annual VDRF provisions for corporate and fire vehicles

Based on Council amendment during the 2019 budget process the 2019 phase of the hospital levy was not fully repurposed to infrastructure. As such the AMP program experienced a loss of funding of approximately $929,000 annually.

2021 Asset Management Plan

The City's 2021 Asset Management Plan has been revised and refined significantly to meet legislative requirements of O.Reg 588/17. This provides the city's most comprehensive and detailed plan to date. The updated financing plan uses the information from the asset management plan to create a long-term sustainable financing plan. Table A summarizes the city's replacement value, which has increased from $2.94 billion to $5.2 billion, an increase of 76%, and the average annual need by service category.

Table A: 2021 Replacement Value and Average Annual Need by Service

Service Category	Replacement Value (millions '000)	Average Annual Need (millions '000)
Transportation	$2,426.9	$51.6
Stormwater	$996.8	$13.9
Recreation, Community & Culture	$632.5	$9.8
Urban Forestry	$299.9	$7.4
Parks	$248.8	$2.0
Corporate Facilities	$148.3	$3.2
Transit	$130.6	$4.9
Parking	$119.9	$0.7
Fire	$82.6	$3.0
Information Technology Services	$65.8	$7.2
Corporate Fleet	$28.8	$3.3
Total	**$5,180.9**	**$106.9**

The City of Burlington is still considered to be a young city and many assets are only now reaching the middle of their estimated useful life. The result is that over a 60-year time horizon, the renewal needs increase steadily as assets approach end of life. Over the same time horizon, the annual average renewal requirements are approximately $106.9 million (uninflated), an increase of 58% from the 2016 plan. This implies that on average, the city's annual investment should be $107 million to ensure our assets are renewed at the right time, which results in the lowest cost to maximize value for service.

Infrastructure Backlog

The city's backlog is estimated at $518 million, which equates to 9.9% of the city's portfolio of asset inventory ($5.2 billion). As referenced in report ES-47-21 on the same agenda the backlog is a complex number and needs to be viewed beyond the absolute number. Moving forward, it is important to understand that the city will always have an infrastructure backlog and what is presented in this report represents the backlog at a point in time. The backlog will keep changing partly due to factors such as level of service increase, technology obsolescence, weather events etc., that will always be present. The strategy to manage the backlog going forward is to establish stability in our funding, which will assist in shrinking the annual funding gap, to help mitigate deterioration of assets. The financial plan is an **iterative process**; it requires re-calibration, and updates based on renewed strategies that consider willingness to pay, appetite for risk and changes to levels of service. The objective is not to eliminate the backlog, but to stabilize it with funding to reduce the funding gap. The 2021 financing strategy represents a conservative approach to increasing funding balanced with consideration of acceptable risk and condition, based on existing service levels.

As part of *next steps* discussed later in the report, performance metrics are being established in order to better communicate backlog objectives.

2021 Financing Plan

Since 2013, the city's dedicated infrastructure levy has remained at 1.25%. As indicated above, the infrastructure levy is the strongest component to providing predictable long-term funding that matches the long-term nature of the need. Council has put significant resources over the last decade towards the city's infrastructure program as highlighted above. The AMP and financing plan are a forecast of need and funding available based on a snapshot of variables at a point of time. As such it is difficult to quantify how funding over time translates into addressing specific needs and making gains on a snapshot of the past. However, with certainty we know that the need will only increase over time as data is refined, new assets are created/ acquired, levels of service standards increase, and new services are introduced among a multitude of other reasons. The funding that Council directed above, including the one-time funding allocations, have assisted in continuing the priorities of asset management planning. Overall, this has allowed assets to be maintained in a "good" condition on average, with priority funding for roads and storm assets to address concerns in a timely manner and meeting current levels of service whenever possible.

However, as per the updated 2021 AMP the costs have increased substantially and although funding commitments were essential to keep pace, the changes in costs have severely impacted the viability of the financing strategy where the existing funding commitment is no longer enough to achieve sustainability. For reference, the construction price index (Toronto) in the same period averaged well over 2%, the levy has not kept pace with an inflationary index. Furthermore, this does not consider the increased need resulting from other factors such as new assets, impacts from climate change etc. The one-time approved cash infusions to the program were beneficial but overall do not contribute to long-term stability and planning that assets require. Changes are expected as we move through the regulation requirements and more accurately reflect the city's portfolio of assets.

Moving forward, there is a need to place greater emphasis on the importance of sustaining and growing the dedicated infrastructure levy, representing sustainable and predictable infrastructure funding aligned with the city's long-term financial plan. The financial model was updated for revised costs and revenue assumptions and uses the financial variables that are known today to model a cash flow over the next 60 years. The fundamental AMFP presented today has shifted from what Council has seen in 2016; we continue to message the importance of long-term planning, however, in the context of short-term five-year commitment windows over a 20-year period. The following highlights the proposed funding strategy in the 2021 asset management financing plan.

Dedicated Infrastructure Levy: A dedicated levy towards infrastructure represents a consistent and strategic approach to investment in the city's renewal needs that is both sustainable in the short and long term. The financial model includes the following increases to the levy to address infrastructure over a twenty-year timeframe;

Table B: Proposed Dedicated Infrastructure Levy

Forecast Budget Years	Proposed Dedicated Levy
2023 – 2027	1.60%
2028 – 2032	1.85%
2033 – 2037	2.00%
2038 – 2042	2.00%

Staff are recommending increases to the levy in increments of five years. This strategy signifies Council's "5-year commitment" to ensure sustainable funding is built up over a 20-year period. Moreover, it will assist in establishing stability and predictability, and equitably spread the cost to current and future residents who benefit from the service in which the assets provide. Staff are recommending a 0.35% increase to the levy to 1.60% beginning in 2023. The 5-year commitments beginning in 2023 will generally align with Council terms and will not impact the 2022 proposed budget which continues to reflect significant Covid-19 pressures.

As stated previously, this is an iterative process and after each 5-year period the AMP and AMFP will be updated, including re-calibration of the dedicated infrastructure levy at that time. This financing plan is a snapshot based on 2021 data, and within, the 5-year period it is not recommended for any changes to occur that would negatively impact the infrastructure levy. This is a long-term plan and the city's infrastructure program is currently in a funding deficit position. The recommendation for the 20-year financing plan starting at 1.60% is a minimum requirement for the levy to begin to address current needs, while building towards future needs. This prevents increased capital and operating costs due to unplanned reactive maintenance and renewal activities, which further adds to the backlog.

Reserve and Reserve Funds: Reserve and reserve funds are a critical component of the city's long-term financial planning. For our infrastructure needs the related reserve funds represent planned sustainability for today and the future. The asset management financing plan continues to conservatively employ the city's reserve and reserve funds without impacting financial flexibility and overall liquidity. The financial model continues to include a stable approach to using the following reserve funds in the financial plan.

- Burlington Hydro reserve fund
- Capital reserves & reserve funds (various)
- Parks & Recreation Infrastructure reserve funds (various)
- Federal and Provincial Gas Tax allocation

As of September 2021, the City's uncommitted consolidated year-end balance in capital reserve funds is approximately $38.2 million, which is below the target of $104 million. (representing 2% of replacement value)

Debt Policy: The city's debt policy allows for total debt charges as a percentage of net revenues to be no greater than 12.5%, and the tax supported debt policy is limited to 10% of net revenues. Staff recommends this policy continue as it is an integral part to responsible debt management. Furthermore, the city's long-term financial plan recommends phasing out reliance on debt as a funding source for ongoing renewal needs. Given the changes that were experienced, this strategy recommends a baseline debt level of $2 million annually beyond the first ten years of the forecast to be used towards renewal needs. This will be re-evaluated as the objective is to phase out the use of debt entirely as it is not representative of a sustainable long-term funding tool. However, it is being employed as an interim measure to stabilize the plan and balance this with the increases to the levy mentioned above.

Hospital Levy: The hospital levy was initially reduced in 2019 as contributions to the hospital are being fulfilled, however debt repayments remain. As per Council's approval of the 2016 asset management financing plan the new financing plan continues to reflect that when the hospital levy is reduced the available tax room would be repurposed to the city's infrastructure renewal needs.

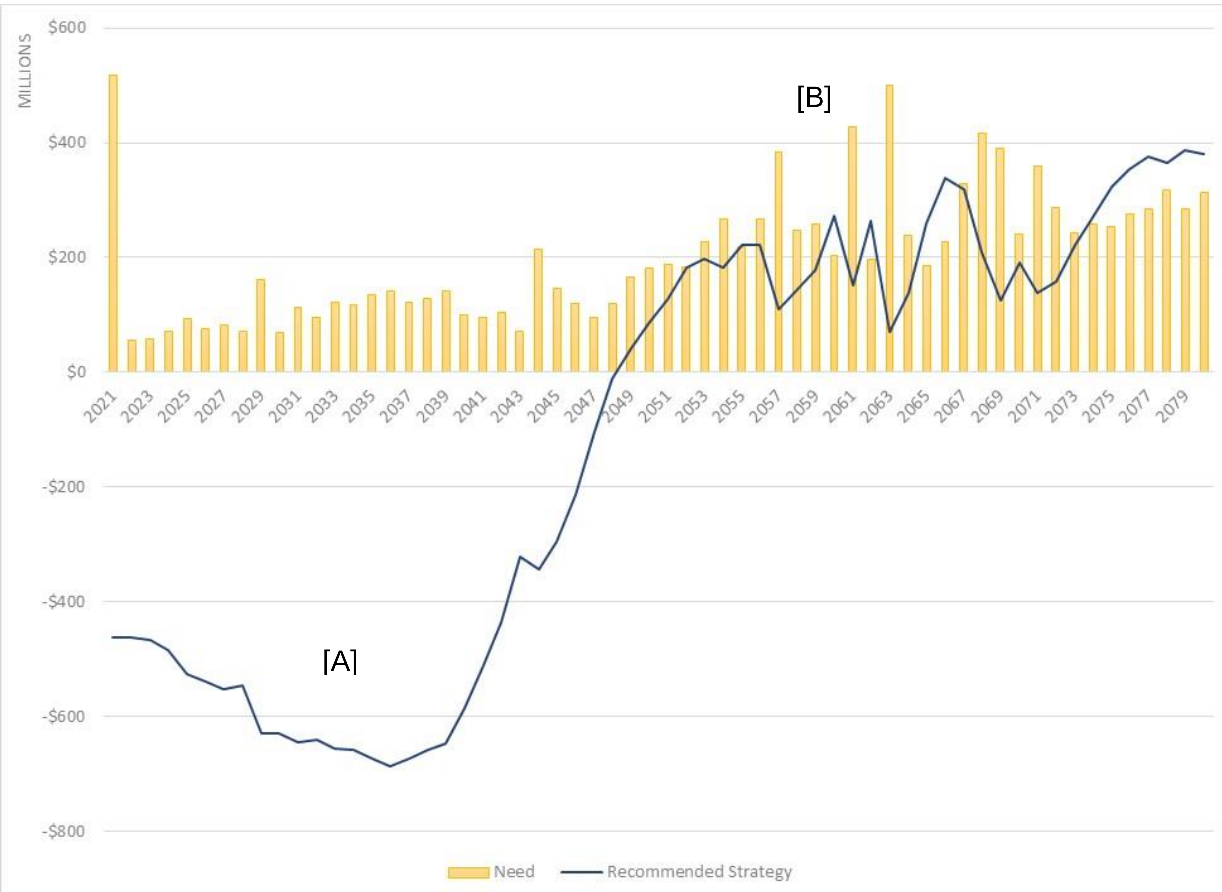
The funding options noted above are included in the asset management financial plan to present a holistic approach to funding our infrastructure needs. Most importantly, it is balanced with the other needs and initiatives in the city. Staff recommend approval of the recommendation as it signifies council's commitment to a long-term strategy through 5-

year financing windows, sets a clear direction for managing our assets, and reaffirms the principles of the financing strategy in ensuring **predictability and stability**. The objective is to stabilize the program with opportunity to re-calibrate every five years.

Strategy/process

Based on the financing plan recommended above, and the needs as discussed in the previous sections the following chart summarizes the city's financial position relative to the renewal needs employing this approach.

Figure 1: 2021 Recommended Asset Management Financing Strategy (60-year)



The above chart illustrates a balanced approach to addressing renewal needs for the city. Throughout the time horizon of the financing plan, the city will move through times at which funding levels will be greater than need and vice versa. It is important to note that the financing plan contains stability and flexibility due to the recalibration at the 5-year updates. The proceeding section highlight periods noted within the 60-year time frame and the financial flexibility we can draw upon in addressing our infrastructure requirements.

[A] This period (2021 through 2048) represents the city's immediate area of concern, an *infrastructure funding deficit*. This period is and will continue to present significant challenges to the city over the next twenty years. The infrastructure deficit is occurring because the city is not meeting its annual needs requirements. This creates a backlog of needs to manage along with addressing current annual needs. In this time, the infrastructure levy is cumulating, and this impact is seen over time. It should be noted that even with staff's recommendation the city is projected to continue to experience a downward trajectory (addressing both backlog and annual renewal needs) before things start to improve. This presents risks to the city's infrastructure program in the following ways: increased funding gap, increased reactive maintenance, impact to asset condition, and service standard. Although these risks are present, they are lessened when compared to the existing financing strategy.

[B] This period represents *sustainable infrastructure funding*. Infrastructure needs are being met in a timely manner in those years where funding is greater than renewal needs and provisions to capital reserves are planned to address future renewal needs. As illustrated through Figure 1, the city's infrastructure needs start to see significant spikes from 2048 through 2080 as assets are reaching the end of their useful life. These spikes are causing significant draws beyond the annual funding provisions. As a result, we fluctuate from periods where we are building reserves to depleting reserves. To address these fluctuating periods options exist which may include but are not limited to the following;

- condition of certain assets which are driving the spikes in renewal needs maybe deferred based on condition at that point in time, assisting in smoothing out the needs and preventing significant draws on the funding allotment.
- Use of debt financing to subsidize the financing plan to achieve positive net cumulative funding in those periods while remaining within the city's debt policy limits. This may have a future impact to the operating budget in terms of debt charge repayments.

It is important to keep in mind that although this is a 60-year plan, staff are focusing on a 20-year window to ensure that the objectives of the asset management financing plan are on target over 20 years. Beyond this, variables and assumptions which will be discussed later in this report can significantly alter the future. This is why staff are recommending 5-year commitment windows, that are re-evaluated as the financing plan is updated in alignment with updates to the asset management plan.

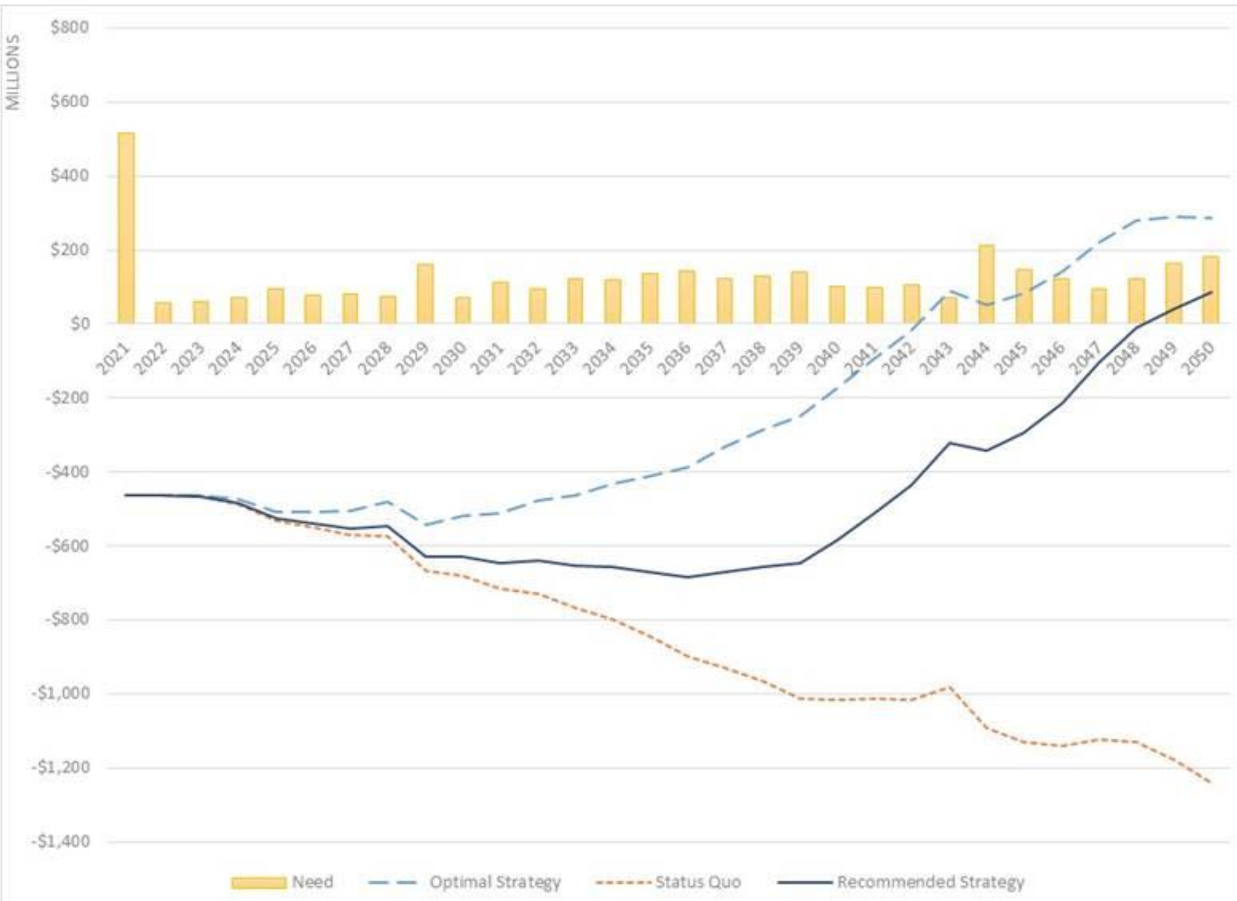
Options Considered

Sustainability is achieved through predictable and stable funding, which is most readily achieved through the dedicated infrastructure levy. The levy aligns with the long term expected costs of the AM program. In evaluating scenarios, the basis is the 60-year needs analysis presented earlier in the report.

In presenting alternatives, both ends of the spectrum are shown. First is the "status quo" approach which would maintain our existing levy of 1.25%. As shown through Figure 2 below, this strategy is no longer effective and requires significant trade-offs. In place of a lower infrastructure levy, the city needs to be willing to accept increased risk. The increased risk is by way of;

- a widening infrastructure gap,
- increased number of assets falling to poor or very condition,
- reduced standard of service by assets that are below a state of good repair
- increased operating costs, due to reactive maintenance

Figure 2: 2021 Asset Management Financing Strategy Levy Options



These risks can be mitigated should Council choose to accept a reduced level of service to the community, and/or decommission assets. This is not recommended and will significantly hinder the city's ability to maintain our assets. Refer to the "*Financing*

Strategy" chapter (14.0), section 14.6 in the 2021 AMP for further discussion on options available to address unfunded needs and corresponding trade-offs and risk impacts.

Second, is the "optimal" approach. This strategy presents an immediate increase to the levy to more aggressively address the infrastructure deficit. This would require an increase to the levy to 3.00% in 2023 to be maintained for 5 years, followed by a reduction to 2.50% for 15 years. The increase to 3% allows the city to maintain a steady state followed with a faster upward trajectory moving towards sustainability six years earlier. By maximizing the use of the city's infrastructure levy the city is taking on a lower level of risk as the increase in funding allows reserves to build sooner, resulting in a proactive approach to managing the backlog, and current needs. This leads to a reduced infrastructure funding gap, where assets continue to be in a state of good repair, and level of service standards are being maintained. Furthermore, it positions the city well for future AMP updates. In place of a higher infrastructure levy we are making a trade-off for a reduced level of risk.

As mentioned above, staff recommend a dedicated infrastructure levy of 1.60% in 2023, as this presents a starting point in which to build our 5-year commitment windows. This is not the optimal strategy; however, it is the most balanced approach when balancing a willingness to pay, with service priorities and infrastructure management. This approach takes on a certain level of risk in the short term as the city builds up funding levels; it is not ideal but manageable. It is important to note, that each 5-year update of the Asset Management Plan will result in an updated financing strategy. For the 2028 Budget Council can expect that the proposed infrastructure levy will be at minimum of what is noted below but is subject to change as the AMP and AMFP is updated.

	2023 Budget	2028 Budget	2033 Budget	2038 Budget
Recommended Option	1.60%	1.85%	2.00%	2.00%

Factors and Assumptions Impacting the Plan

The financing strategy covers a 60-year time horizon. By concentrating our funding strategies in short-term 5-year windows, staff are able to address variables that are more predictable, resulting in costs and assumptions being more accurate and realistic of the current environment. Below are assumptions and the anticipated impact on the financing model in meeting infrastructure needs. Refer to the "*Financing Strategy"* chapter (14.0), section 14.6.3 of the 2021 AMP for more discussion on uncertainty and assumptions in the forecast.

New Assets: The 2021 asset management plan does not include any future new assets or asset expansions. Any new assets should be considered based on the community benefit in terms of service value as well as the additional costs that the city will be responsible for in the future. As part of the annual capital budget process, any new assets or asset enhancements include lifecycle costs. This is also reflected in staff reports based on information that is known such as construction/ acquisition and operating costs. The capital program has a limited funding envelope and considerations for building new, expanding assets or investment in strategic priorities takes away from funding that would be dedicated towards renewal, therefore negatively impacting the financing strategy. The 2021 financing plan assumes that 100% of the funding in the plan is allocated towards renewal. Similarly, the model excludes divesting of assets which would have the opposite impact to the financing plan. New/ divesting of assets have the potential to increase/ reduce our annual replacement requirements, as a result changing the net financial position over time.

Grant Programs: The model excludes the receipt of any potential one-time future infrastructure grants from senior levels of government. Since timing and value of government programs, are uncertain they are excluded, however, receipt of funding for renewal projects under these programs can assist in managing our assets. Keeping in mind this is not a sustainable funding source.

Backlog: The financing plan models the management of the backlog of $518 million within the 60-year time horizon. It is important to note that, similar to any modeling tool, the financial plan has the greatest precision in the short-term, which is another reason why the focus is placed on the 5-year commitment windows. Nonetheless, it is imperative that a long-term analysis is provided to paint a complete picture of how these commitment windows are expected to achieve the goal of a long-term sustainable program. As the backlog is an important component to the financing plan, it is helpful to remember that there are many factors that can impact this value, such as weather events, level of service change, and capacity constraints which are discussed in report ES-47-21. The timing and corresponding impact of these variables are unknown and have the potential to divert funding based on condition and overall risk to service delivery, impacting the city's net financial position in the short term. For this reason, the re-calibrating of the levy with refreshed data from AMPs every 5 years, as well as updated factors and variables is essential.

Levels of Service: The 2021 asset management plan was developed with a comprehensive assessment of needs and condition analysis and includes a level of service standard within the analysis. Establishing current levels of service is a large driver of the increased cost in the 2021 AMP when compared to the 2016 plan. Clearly defined levels of service allows for implementation of treatment strategies and renewal milestones based on a standard of service delivery that the community recognizes. Any increase/ decrease to level of service standards above what is included in the plan will increase/ decrease renewal requirements to ensure standards are achieved as expected when considering value for service.

Inflation: The model includes inflation at an average rate of 2% over the 60-year period. Since the modelling captures a relatively long period of time, it is expected that any moderate variation in inflation over this time will be smoothed out. Prolonged periods of inflationary pressures above average may have adverse impacts on the city's net financial position over time.

Interest on Reserve Funds: The model considers interest earned of 1.50% as a result of monies that may possibly accumulate in the reserve funds from the funding strategy, when funding sustainability is reached (beyond 2048).

Joint Ventures: The assets under joint venture agreement are included in the asset inventory value equating to $24 million but are excluded from the analysis of annual needs. This is based on the city's existing joint ventures policy, in which partners are responsible for all capital renewal needs for joint venture facilities in which they operate.

These variables and assumptions are monitored to determine the impact on the financing plan. Any significant adverse impacts to the financing strategy will be brought forward as part of the 5-year AMP and financing plan update.

Financial Matters:

Based on the comprehensive 2021 Asset Management plan, the city has provided an update to the city's asset management financing plan that addresses short-term needs and builds towards sustainability. The strategy is a balanced approach to address infrastructure funding, in consideration of city tax increases, and service priorities. The financing plan is a long-term plan with short-term objectives centered around creating stability. This also alleviates potential pressure on the operating budget through increased maintenance costs and ensures the assets are managed for current and future residents in an affordable manner.

In regard to the backlog, the city's objective is one of management and not elimination, as we understand the drivers impacting backlog are always present to some extent. Management of the city's $518 million backlog is a rationalization of trade-offs, evaluating priorities, and risk in deferring need and tolerance for service impacts.

Staff recommend increasing the dedicated infrastructure levy in graduated 5-year increments as per the table below. The first increase occurs in 2023.

Forecast Budget Years	Proposed Dedicated Levy
2023 - 2027	1.60%
2028 - 2032	1.85%
2033 - 2037	2.00%
2038 - 2042	2.00%

The city's multi-year simulation will be updated to reflect the proposed levies as indicated in the chart above.

Next Steps Asset Management

The development of an integrated Asset Management Plan and Financing Strategy meets and, in some areas, exceeds the mandated requirements set out by the Ministry of Infrastructure Ontario. To further advance asset management practices within the organization the Asset Management Plan report (ES-47-21) noted several items as part of a continuous improvement plan. One item which is integral to defining the future lifecycle needs of city assets is Levels of Service. Levels of Service reflect the social and economic goals of the community as it pertains to the service value with respect to a particular asset. It can include a number of parameters, such as customer satisfaction, quality and reliability. As part of the regulation, the next update to be completed by July 1, 2025 is planning towards expected levels of service. This future asset management plan will define need based on future expectations that will be driven by evolving community expectations and a forecast of the City's landscape when it comes to service priorities. This will develop an infrastructure plan related to the operation, maintenance and replacement of infrastructure that is reflective of expected community ideals. This represents an important next step for asset management within the organization; it is also a step into new territory for the City of Burlington along with many other municipalities.

The second biggest area of focus will be establishing performance metrics that speak not only to the story of Asset Management, but also focuses on "How well are we doing?" In the city's Vision To Focus (V2F) document the city aspires to have assets in a state of good repair and move towards elimination of the infrastructure funding gap by 2040. Going forward, staff would like the opportunity to re-evaluate the aspirational goal and report on performance metrics that will provide insight to asset condition with respect to service delivery, management of backlog as it relates to service delivery risk, and the portfolio of city assets. Lastly, metrics surrounding the operating and capital costs by service relative to need and funding available will also be considered.

As previously mentioned, development of the Asset Management Plan, and corresponding financial plan is a significant undertaking and takes a significant amount of time, and resources to update. However, between the 5-year updates staff propose formalizing an outline for annual reporting that would address the following:

- Regulation updates
- Performance Metrics
- Key impacts to the plan, if any
- Summary of new assets and corresponding lifecycle costs
- Asset Management improvement work plan updates

At this time, staff anticipate annual reporting will coincide with the annual budget overview report. Any continuous improvement initiatives put into place will be reflected in the next five-year update which will influence the financing strategy going forward.

Climate Implications

As included in report ES-47-21 on the same agenda, climate change (including invasive species) has a considerable impact on both the wear of city assets, and how assets are renewed as there is a shift in service standards as it relates to green infrastructure. By incorporating vulnerability and mitigation considerations and adaptation responses into existing and planned capital projects the City aims to be at the forefront of climate change. Environmental consciousness is crucial to improving environmental sustainability and building climate resiliency, (e.g. increasing infrastructure capacity, incorporating natural and green infrastructure).

There are many foundational initiatives in the city's V2F plan such as creating the Climate Adaptation Plan, Corporate Energy Plan, Green Fleet strategy, Urban Forestry Management Plan and enhanced Transit that will require significant capital and operating costs. Future lifecycle costs of these initiatives and their impact to asset management planning will need to be considered in context of the dedicated infrastructure levy and potentially a future green levy, that considers adaptation and replacement of existing assets in the context of climate change and resiliency. Due to the infancy of the sector, long-term costing and strategies are unproven, making it more difficult to estimate, but it will have a substantial impact on future asset needs and corresponding financial resources. The city has to consider how to balance increasing short-term financial demands and potential long-term pressures to contribute to the strategic aspirations of environmental and energy leadership and good governance of our infrastructure.

Engagement Matters:

The city's asset management plan can be viewed on the city's website. Furthermore, the city's dedicated tax levy is reported separately as part of the budget review and approval process.

Conclusion:

Sustainability is achieved through predictable and stable funding, which is most readily achieved through the dedicated infrastructure levy. The Asset Management Financing strategy is prepared and coordinated in context of maximizing value of service and addressing the right balance of sustainable funding and tax rate increases. This equitably spreads the cost to existing and future taxpayers who are contributing to the long-term management of the city's assets. Infrastructure challenges will continue as the asset inventory outpaces the funding available. As such, it is important that Council establish a 5-year commitment to the financial strategy to reaffirm principles of predictability and stability, ultimately setting the city up to successfully achieve sustainability over the long-term planning horizon. This lends to the long-term nature of the financing strategy that is forward-looking and will be re-evaluated every five years to address gaps or take advantage of opportunities. Any funding adjustments that affect short-term requirements will undoubtedly impact the long-term journey of asset management at the city.

Respectfully submitted,

Reena Bajwa

Coordinator of Financial Strategies and Business Consulting

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.