



Staff Report for Committee of the Whole Meeting

Date of Meeting: May 21, 2025

Report Number: SRIES.25.009

Department: Infrastructure and Engineering Services

Division: Infrastructure Delivery

Subject: **SRIES.25.009 - 2025 Asset Management Plan**

Purpose:

The purpose of this report is to obtain approval of the City's 2025 Asset Management Plan (AM Plan) to establish compliance with Ontario Regulation 588/17, Asset Management Planning for Municipal Infrastructure (O. Reg. 588/17). The 2025 AM Plan informs how the City will continue to maintain its assets to provide services in a safe, reliable and cost-effective manner.

Recommendation(s):

- a) That staff report SRIES.24.009 regarding the 2025 Asset Management Plan received;
- b) That the City's 2025 Asset Management Plan be Approved (Attachment A); and,
- c) That the City Clerk circulate this report to the Ontario Ministry of Infrastructure.

Contact Person(s):

- David Baldesarra, Manager, Corporate Asset Management, Ext. 6545
- Bob Levesque, Director, Infrastructure Delivery, Ext. 2947
- Paolo Masaro, Commissioner, Infrastructure and Engineering Services, Ext. 6540

Report Approval:

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

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Key Messages:

- The 2025 AM Plan meets the July 1, 2025, Provincial regulatory requirements;
- The 2025 AM Plan updates all existing data on city assets and introduces proposed levels of service and a financial strategy to support the long-term stewardship of the City's assets;
- The City's assets required to support the needs of businesses and residents have an estimated replacement value of \$13 billion;
- The City's assets are on average in very good condition. Greater than 85% of the City's assets by value are in good or very good condition;
- The AM Plan is intended to guide future investments in infrastructure to ensure municipal services are delivered at the lowest lifecycle cost;
- A financial analysis to identify the costs associated with achieving proposed levels of service in the near and long-term has been completed;
- A strategy to address these pressures and mitigate risks has been developed;
- The City will continue to monitor these findings annually and continue to proactively identify and address challenges as well as develop AM Plans on a 5-year cycle, as required by the regulation.

Background:

The 2025 Asset Management Plan will meet the July 1, 2025, Provincial regulatory requirements.

This AM Plan is the final major milestone of Ontario Regulation 588/17. The purpose of this AM Plan is not only to meet regulatory requirements, but also to support the long-term stewardship of the City's assets and to assist with capital programming for the development of the City's current and future Capital Budgets and Forecasts.

The City's asset management maturity has advanced over the last several years to the point where the City can produce consistent analysis and reporting on its assets annually.

The City has undertaken a significant effort over the last several years to build its Corporate Asset Management program to ensure that the appropriate data and processes are in place to comply with the regulation. Moving forward, the City is committed to continuously improving its evidence-based asset management planning capabilities to ensure proactive maintenance and strategic investments in assets, thereby supporting reliable services for the community.

The City recognizes the vital role its infrastructure assets play in delivering essential services to the community. Managing these infrastructure assets leverages the City's asset management processes, systems and plans that are focused on understanding and planning for timely renewals through informed investment decisions. In short, this

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AM Plan is a critical tool that is an integral part of the City's long-term planning and annual Capital Planning activities including supporting the development of the City's 2026 Capital Budget and Forecast.

The 2025 Asset Management Plan updates all asset data; and introduces proposed service levels and a financial strategy.

In alignment with regulatory milestones, the City is required to deliver the 2025 AM Plan just one year after the 2024 AM Plan and should be considered an update to the previous plan, rather than a stand-alone document. Much of the content remains unchanged from 2024. New elements include updated analyses utilizing the latest available data; the introduction of the City's proposed levels of service; and the introduction of a financial strategy.

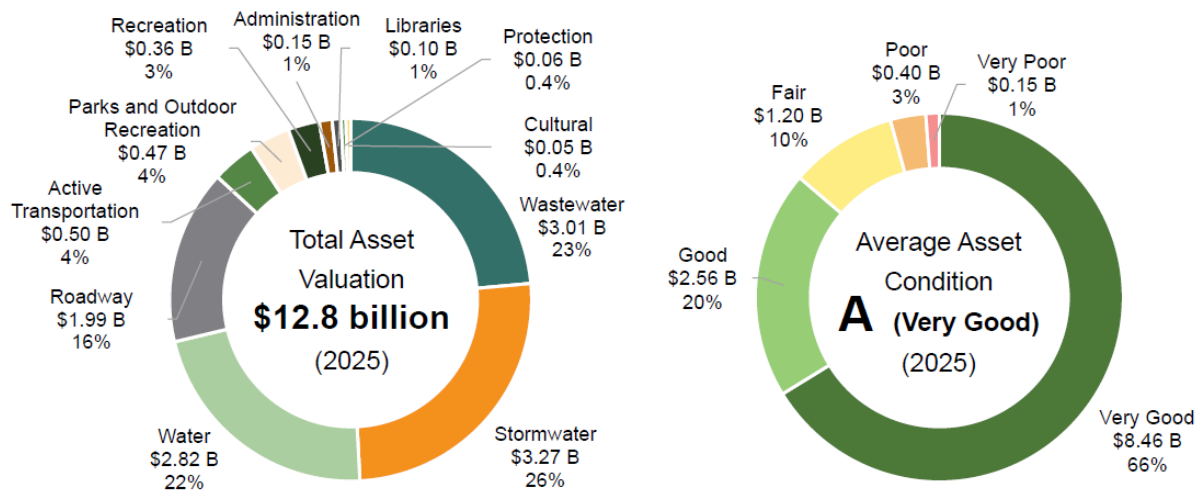
Discussion:

The City's assets required to support the needs of businesses and residents have an estimated replacement value of approximately \$13 billion with greater than 85% in Good or Very Good condition.

This continues the trend reported in 2024. While asset condition on average remains "Very Good", asset replacement values have increased approximately \$1.4 Billion (or 12%) since 2024. This increase is attributed mostly to inflation, but also includes new asset acquisitions that have been incorporated into the City's inventory and included in the analyses completed for this plan. The City's assets are generally young on average. The average age of assets is generally within the first half of their estimated service life.

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Figure 1. Asset Replacement Value and Condition Profile



The City has developed a framework to evaluate the levels of service it proposes to provide to the community.

Identifying proposed levels of service is a new aspect of this AM Plan for 2025 as required by O.Reg. 588/17. In 2024, the City's AM Plan reported on the costs to maintain its current levels of service. This 2025 AM Plan is proposing to maintain the majority of those service levels at the same level into the future. In order to maintain these levels of service, the City would continue to operate with a manageable level of backlog, so long as the overall performance of its assets and services does not decline from current levels. When aligned with the City's lifecycle management strategy, the AM Plan is able to estimate the costs to achieve the City's proposed service levels into the long-term.

This 2025 Asset Management Plan contains a financial strategy that compares the investment needs required to achieve proposed levels of service against revenue forecasts to identify funding shortfalls.

The City's Asset Management analysis includes an assessment of the costs required to achieve its proposed levels of service to 2051. This timeline was selected to align with other City initiatives, including the City's official plan and some of its master plans. The first 10-years of this analysis was utilized to develop the City's financial strategy for the 2025 AM Plan. The AM Plan was also supplemented by recent initiatives such as the water/wastewater and stormwater financial plans.

Through this analysis, the 2025 AM Plan has identified the following:

- A current \$327 million infrastructure backlog of asset renewal needs;

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- A total 10-year investment of \$998 million (\$99.8 million annually) to address state of good repair investments to achieve proposed levels of service. This represents the first 10-years of a phased in approach to achieve levels of service and eliminate backlog by 2051; and,
- Forecasted total revenues of \$769 million over 10-years (\$76.9 million annually), which it has available to allocate to capital renewal needs. This assumes the City will apply the 1.5% Capital Asset Sustainability (CAS) levy each year over the 10-year forecast period.

The forecasted needs and revenues have been subdivided into three categories: Non-rate Supported (i.e. Tax Supported), Rate Supported (Water/Wastewater) and Rate Supported (Stormwater). These categories were selected to align with major funding sources.

When comparing investment needs to forecasted revenues, the 2025 AM Plan has identified the following:

- A 10-year infrastructure shortfall of approximately \$240 million (\$24 million annually) for non-rate supported services;
- No shortfall for water and wastewater rate supported services; and,
- No shortfall for stormwater rate supported services.

Figure 2. Funding Shortfall (2025-2034) – All Services



This Asset Management Plan outlines a financial strategy to address funding shortfalls and manage associated risks.

The 2025 AM Plan discusses several options to manage the shortfall identified for non-rate supported services. These include:

- Adjusting asset lifecycle strategies
 - The City may consider extending the service lives of certain assets that will not take on significant risk by doing so.

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- The City can adopt new rehabilitation or renewal lifecycle strategies such as refurbishments that may extend asset life for less cost than replacements.
 - The City can re-evaluate its approach to backlog. Rather than striving to eliminate all backlog, it can adopt a strategy of maintaining a healthy backlog while minimizing risk by focusing on investments into high-risk assets.
- Adjusting asset performance expectations
 - The City's current performance levels are considered high, and assets are relatively young. As assets continue to age, the City may need to adjust asset performance expectations and operate at a lower level of service while mitigating risks.
- Increasing funding
 - The City may look to apply modest increases to property taxation and/or user rates above baseline, seek grant funding where possible, draw from reserves, increase the CAS levy or consider debt financing to address financial pressures.

In instances where the City is operating with a funding shortfall, the AM Plan identifies strategies to manage risks. Many of these strategies are already being undertaken where appropriate. They include:

- Prioritizing high risk/critical assets for renewal;
- Increasing maintenance activities when assets cannot be renewed in order to ensure that they are performing well and remain in service; and,
- Increasing monitoring of assets in need of renewals to ensure that the City can intervene at the appropriate time to ensure risks to the community remain low.

This 2025 AM Plan guides investments in infrastructure to ensure services are delivered at the lowest lifecycle costs and risks are kept low. The findings from the AM Plan analysis are used by staff to develop the City's annual Capital Budget and Forecast.

The data and analysis utilized in this this 2025 AM Plan has been provided to City staff to assist in the selection of capital projects as part of the development of the 2026 Capital Budget and Forecast. Furthermore, the AM Risk scoring methodology is also incorporated into the capital project prioritization process. This provides an integration between the AM Plan and the City's capital budget and forecast and is the primary mechanism in which the AM Plan is implemented and put into action. It is an important process within the City that links levels of service, risk, financial needs and long-term projections to the selection of projects that the City will undertake each year.

Moving forward, the City will monitor the implementation of this AM Plan through annual reports to council and will continue to develop AM Plans every 5-years as required by the regulation.

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The development of annual reports monitoring the City's progress in implementing this AM Plan is a regulatory requirement. The reports will focus on the City's progress, as well as any factors impeding the City's ability to implement this AM Plan. They will also include a strategy to address such factors. This will allow the City to adjust its strategies to adapt to change and ensure it remains on track to achieve its near and long-term service level objectives. In 5 years' time, the City will develop its next AM Plan, in alignment with the regulation.

The City's outlook is generally positive as a result of proactive asset management planning to identify and address future challenges before they arise.

An infrastructure shortfall and backlog were identified in this AM Plan, which is typical of most Ontario municipalities. The City's current backlog represents approximately 2.5% of its total replacement value, which is considered to be relatively low. The City has adopted asset management planning into its organizational processes. This allows the City to be proactive while its assets are generally still young and before additional issues arise.

The City will continue to advance its asset management planning capabilities to ensure that it has the best information and analyses available to support decision-making moving forward. One such improvement will be to further incorporate climate change into its AM analyses. The 2025 AM Plan speaks to the alignment between asset management and climate change initiatives. In some cases, climate change is being considered in the analyses that are incorporated in this AM Plan. In others, the City has not yet fully quantified the effects of climate change. Through continual improvement, the City plans to further quantify and articulate the effects of climate change on Asset Management planning and will continue to update future AM Plans as these initiatives mature.

Financial Implications:

The 2025 Asset Management Plan has not identified any immediate financial implications; however, it completes a long-term analysis that forecasts future financial pressures.

While the City's current levels of service are in line with its expectations and targets, it is clear that moving forward, financial pressures will continue to grow. As the City's assets continue to age, it will be a challenge for the City to achieve its identified proposed service levels if shortfalls are not addressed. As noted in the AM Plan, increasing funding is one of the options identified to address infrastructure shortfalls. Other options include adjusting asset lifecycle strategies and adjusting asset performance expectations. The City's forthcoming asset management work will focus on better understanding the balance of these options, so that shortfalls can be addressed in the most efficient manner to ensure that the City can achieve its proposed levels of service and keep risks low in the long-term. The results of that analysis will provide a better understanding of the magnitude of financial implications that the City will face.

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It is also understood that the City will face future uncertainties, such as climate change, which could result in additional financial pressures. The 2025 AM Plan documents these issues where known and will continue to do so as the City works towards identifying, quantifying and addressing them.

Relationship to Strategic Plan 2024-2027:

Richmond Hill's asset management planning process and this 2025 Asset Management Plan play a contributing role in helping the City achieve its strategic priorities and vision for the community, as it aligns broadly with all of the City's strategic pillars. More specifically, the AM Plan aligns with Pillar 3, as it supports the City in enabling evidence-based decisions for long-term financial sustainability (Priority 1) and adopts a mindset of continuous improvement (Priority 2).

Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. All attachments have been reviewed and made accessible. If you require an alternative format, please call the contact person listed in this document.

- SRIES.25.009 - Appendix A - 2025 Asset Management Plan

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Report Approval Details

Document Title:	SRIES.25.009 - 2025 Asset Management Plan.docx
Attachments:	- SRIES.25.009 - Attachment 1 - 2025 Asset Management Plan.pdf
Final Approval Date:	May 6, 2025

This report and all of its attachments were approved and signed as outlined below:

David Baldesarra - May 5, 2025 - 8:35 AM

Bob Levesque - May 5, 2025 - 8:37 AM

Gigi Li - May 5, 2025 - 11:52 AM

Paolo Masaro - May 5, 2025 - 4:51 PM

Darlene Joslin - May 6, 2025 - 8:46 AM