Working together with our community

Council-In-Committee Meeting – June 12, 2025

Subject: 2025 Asset Management Plan
Report Number: EIS-25-021
Division: Public Works
Department: Asset Management
Ward: All Wards
Purpose: For Decision

Recommendation(s):

That Report EIS-25-021, 2025 Asset Management Plan be received as information; and

That the 2025 Asset Management Plan (Attachment 1) be approved; and

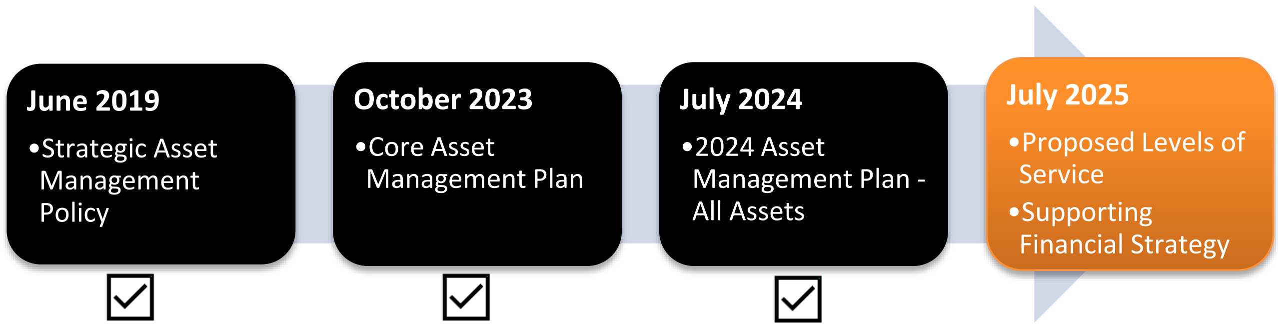
That an allocation of $3,410,400 be included as a Council Approved Initiative (CAI) in the Proposed 2026 Levy Operating Budget to address the infrastructure funding shortfall; and further

That a Financial Strategy including 2.5% annual levy increases over the next 10 years dedicated to infrastructure funding be approved in principle as outlined within the Asset Management Plan.

Executive Summary:

On June 18, 2019, Norfolk County Council approved the “Strategic Asset Management Policy” which is a document that articulates the principles of Asset Management that Norfolk County wishes to use supporting service delivery and stewardship of all municipal infrastructure within the County. The Policy’s approval is part of a longer-term process that is required by the Province of Ontario as described by Ontario Regulation 588/17 and its amendment. In brief the regulation seeks to ensure municipal Policies and Asset Management Plans ensure the long-term viability of infrastructure that meets the current and future expectations of residents relating to levels of service and financial effectiveness.

The Ontario Regulation requires municipalities to complete milestone deliverables over time which can be seen below:



This report recommends approval of the 2025 Asset Management Plan (AMP) attached hereto as Attachment 1. The AMP supports a consistent, coordinated, and cost-effective approach to asset management across County Divisions and ensures compliance with Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure issued by the Province of Ontario.

Discussion:

Norfolk County engages in a wide range of planning processes to meet regulatory requirements and strategic objectives. It is important to integrate the commitments we have already made through existing plans into our Asset Management Plan.

Asset Management is a process used to guide planning, acquisition, operation, maintenance, rehabilitation, replacement, and disposal of assets while considering levels of service and financial effectiveness. Norfolk County's Asset Management Plan (AMP) contained herein relates to all Core and Non-Core Municipal owned infrastructure. The plan consists of several elements including identifying service areas and which assets they contain, what condition the assets are in, the assets' financial values, and suggestions as to how to finance their renewal. Additionally, the plan seeks to identify demand for future services, as well as other financial planning considerations.

The 2025 AMP depicts the assets, condition ratings, and replacement values as they currently are at this current point in time, as such maintaining the status quo. However, included in the 2025 AMP are proposed levels of service as determined by the County.

Furthermore, it is important to note in the 2025 Asset Management Plan:

1. Forecasted needs are a result of recent proposed levels of service activities.

2. Asset condition information collected through thorough inspections, studies and analysis is more accurate in determining the condition of an asset versus using age alone as a determining factor.

3. Where condition data was not available through thorough analysis and investigation as it is through OSIM, Building Condition Assessments, and Roads Needs Studies, age was used to determine the condition of the asset.

Alignment with Corporate Strategic Plan

The Norfolk County Senior Leadership Team has directed the implementation of a systems approach to Asset Management. The Norfolk County Corporate Asset Management System (NCCAMS) has been initiated and will support the creation of Asset Management planning on an ongoing basis. NCCAMS is in direct alignment with the five (5) Strategic Areas of Focus in Norfolk's Strategic plan and emphasizes "Building Norfolk", "Serving Norfolk" and "Sustaining Norfolk". Norfolk's Strategic Asset Management Policy provides clear objectives for Asset Management across all County Divisions. This will create a consistent, coordinated, and sustainable approach to providing the required municipal services that meet residents' expectations.

Strategic Asset Management Policy Revision

As required by Ontario Regulation 588/17, Asset Management Planning for Municipal Infrastructure, Norfolk Council approved its Strategic Asset Management Policy in June 2019. Since that time the Asset Management program has become more robust and minor revisions are recommended moving forward to align with current practices.

State of the Infrastructure

The attached Asset Management Plan has within it a discussion regarding the current state of Norfolk County's infrastructure. While the AMP articulates statements regarding condition, data, process, and other key elements of Norfolk's system, a historical lack of investment in resources necessary to capture and analyze infrastructure data has impaired the ability to deliver a high level of confidence at times in this area. As part of NCCAMS a plan will emerge to improve processes, increase data efficacy, and train staff to elevate performance in this area.

Levels of Service

Levels of Service (LOS), both current and proposed, are essential elements of the attached Asset Management Plan, as they identify and outline the essential need for all infrastructure that exists in the community and help guide/dictate future investment. Asset Lifecycle Management is correlated to LOS and ensures that predictable, planned, and effective investments are made in various infrastructure systems across Norfolk. The use of data, skilled staff, and financial resources are key elements to this process.

Financial Strategy

Similar to other municipalities in Ontario, the Norfolk County Asset Management Plan attached to this report reveals that Norfolk County has an infrastructure funding gap across multiple Service Areas described as both Core and Non-Core Assets. The funding gap is the difference between current funding levels and the funding necessary to maintain current levels of service or support the proposed levels of service for a given group of assets over a given period, generally expressed in a 10-year forecast.
It is also noted that Norfolk County relies heavily on debt to finance capital projects, so the infrastructure gap related to true sustainability is even greater. This topic is elaborated on in the Financial Section of the Report.

Stakeholder Engagement
Ensuring the voices of residents and other interested stakeholders are reflected in future updates to the plan staff intend to use various channels available to engage and elicit feedback from the community.

Asset Management Governance
A strong and effective approach to Asset Management has already been established in Norfolk County with the Senior Leadership Team forming the NCCAMS steering committee. The steering committee meets quarterly, unless required more frequently, and provides guidance and advice to the Asset Management team. A formal project charter is in place for the implementation of the system and a cross-department, multi-disciplinary working group has been established with terms of reference to guide their activities on an ongoing basis. Regular updates will be provided to Council at various stages of the program.

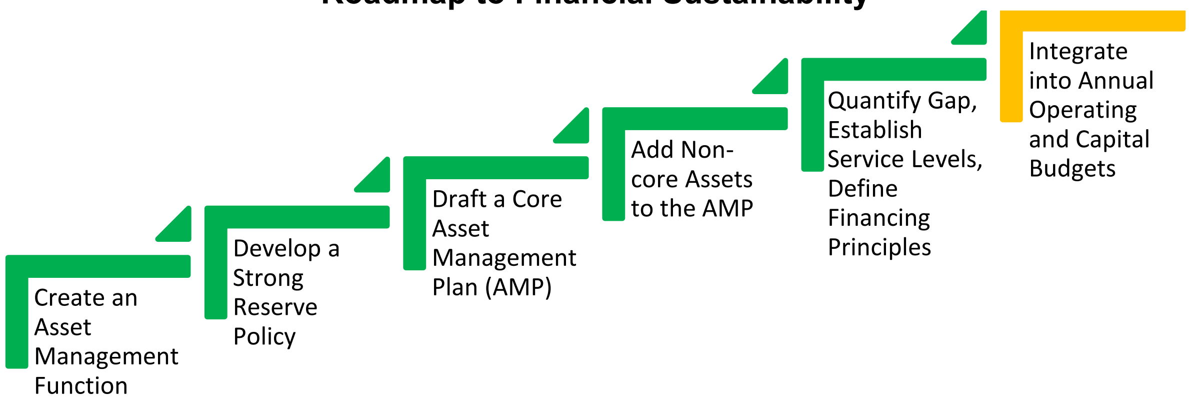
Data Confidence and Software
It is essential that both data currency and accuracy remain at a high level going forward to support meaningful Asset Management practices. The current processes supporting Asset Management and the ability to capture useful data are impaired as a result of minimal documented work practices and archaic software and tools. A full software review will be taking place in the near future to better support this area. The software review will evaluate the needs of all teams in Norfolk County and make a recommendation for a common platform that will assist with implementing Asset Management best practices. Recommendations will be included in future capital budgets as well anticipated operating / transition costs to set up and migrate to a new system. Transitioning to a new work management software is a significant undertaking but it is necessary to ensure compliance and asset functionality.

Next Steps
Over the course of the next several months the Asset Management team and the Finance team will begin to integrate the Asset Management plan financial strategy, and other supporting information from the plan into the capital planning process. The AMP is intended to be used regularly as a decision making tool moving forward on an annual basis. The team will also undertake a review of the existing software system supporting the NCCAMS to determine its effectiveness and sustainability.

Finance Comments:

Throughout the legislative AMP milestone updates, Finance has collaborated with Asset Management staff and SLT to help develop the primarily financial sections in the AMP as well as ensuring its usefulness for capital planning moving forward. The graphic below has been used in various documents over the past three years to visualize some of the progress towards achieving financial sustainability. The County’s successes in moving towards this goal have been highlighted in green, with ongoing work highlighted in yellow.

Roadmap to Financial Sustainability



Defining service levels related to condition (i.e., percentage of assets in a state of good repair) in this AMP update was another major milestone on this journey. Over the next few months staff will be using the outcomes to guide 2026’s capital planning process.

Spending

The AMP suggests that in order to achieve the proposed service levels related to condition, average annual spending should be $56.9 million for levy renewal projects and $17.4 million for rate renewal projects (2025 $).

By comparison, the Final 2025-2034 Capital Plan averaged approximately $43.2 million for levy renewal projects and $16.6 million for rate renewal projects on an annual basis. As a result, it is expected the County’s 10-Year Capital Plan must grow significantly moving forward.

Over the next few months, staff will be working to leverage the data used in the AMP to identify and prioritize the individual projects that make up this increased spending.

When the Proposed 2026-2035 Capital Plan is presented, planned renewal spending will be further subject to other factors such as new condition assessments completed or resourcing constraints identified at that time. For example, it is likely for some service areas that an average condition may have been proposed at a level that results in more forecasted projects than what is operationally feasible for staff to deliver with their current capacity. If this arises, associated commentary will be provided at that time.
In this scenario, outcomes from the AMP may be leveraged to develop business cases for future new budget initiatives (NBI’s) related to increasing staffing available for delivering capital projects.

Funding

The County currently contributes $32.9 to levy capital reserves for assets within the scope of this AMP, and $7.8 million to rate capital reserves on an annual basis to pay for renewal projects.

This is considerably lower than the recommended spending needed to achieve the proposed service levels related to condition, which gives way to a shortfall, discussed below.

Infrastructure Funding Shortfall

The AMP's suggested spending and the County's current contributions discussed above lead to an infrastructure funding shortfall of approximately $24.0 million per year for levy renewal projects, and approximately $9.6 million per year for rate renewal projects.

Table 8-1 from the AMP has been replicated below to summarize this shortfall:

Service Area	AMP Recommended Spending Level	Reserve Contributions*	Annual Funding Shortfall
Transportation	$27.1M	$12.7M	$14.4M
Stormwater	$4.6M	$1.9M	$2.7M
Fleet & Equipment	$9.0M	$6.8M	$2.2M
General Facilities	$6.0M	$6.0M	$0.0M
Parks & Recreation	$10.2M	$5.5M	$4.7M
Levy Assets Subtotal	**$56.9M**	**$32.9M**	**$24.0M**
Drinking Water	$7.7M	$3.6M	$4.1M
Wastewater	$9.7M	$4.2M	$5.5M
Rate Asset Subtotal	**$17.4M**	**$7.8M**	**$9.6M**

**Only includes approved 2025 levy contributions to levy capital reserves for services in-scope for the AMP and approved 2025 rate contributions to rate capital reserves. In practice, the County has other contributions that help fund renewal projects such as CCBF and OCIF funding, rate contributions to the Roadway Construction Reserve, Legacy Fund withdrawals, and contributions to out-of-scope services (e.g., Drains, Land, Library, and Social Housing).*

Financial Strategy – Levy

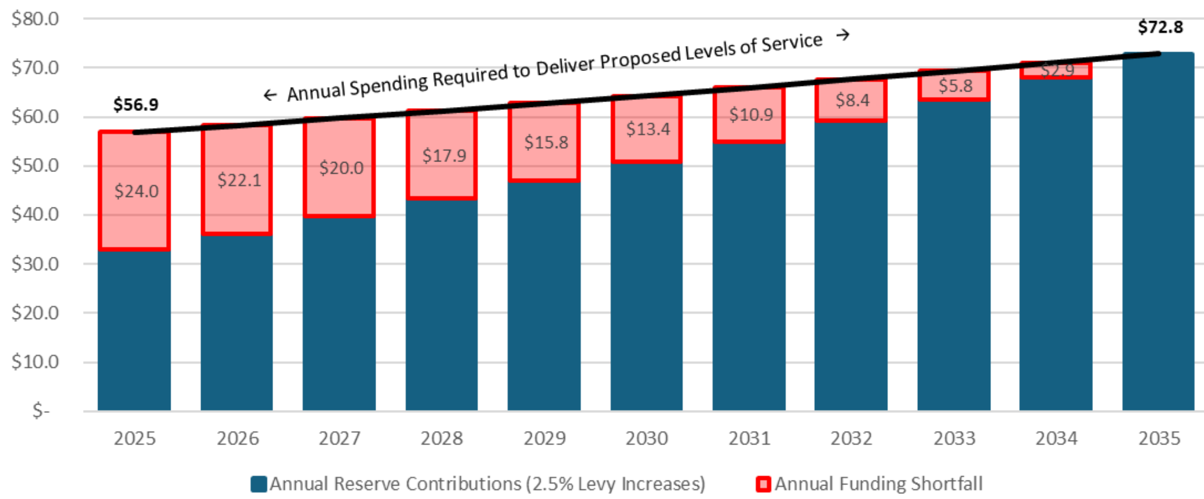
In order to attain proposed service levels related to condition and remain compliant with O.Reg. 588/17, staff are recommending a financial strategy to close the $24.0 million annual funding shortfall on the levy side. It is anticipated that an annual property tax increase of 2.5% dedicated to in-scope capital reserve contributions over the next 10 years should be sufficient to close the infrastructure funding shortfall by 2035 and achieve the recommended spending levels.

Reserves are the ideal funding source for renewal projects because they align the cost of replacing infrastructure (i.e., reserve contributions raised during the life of the initial asset) with the users who benefitted from the use of the existing infrastructure.

It should be noted that over the past three years, Council approved increases of 3.9%, 4.5%, and 4.3% to the net levy requirement related to infrastructure funding. These investments helped decrease the magnitude of the increases recommended through this strategy over the next 10 years and return them to a more reasonable level moving forward.

Figure 8-4 from the AMP has been replicated below to visualize the shortfall closing:

Figure 8-4 Closing the Annual Levy Funding Shortfall ($ millions)



The figure summarizes the information covered in the Finance Comments above: the first bar shows that the County currently contributes $32.9 million to levy capital reserves (blue), but the AMP suggests spending of $56.9 million is required (black), leaving a shortfall of $24.0 million (red). Over time, due to external factors the County cannot control, such as construction inflation, spending to maintain the same service level today will increase in the future, causing the initial $56.9 million to increase to an anticipated $72.8 million by the end of the 10-year period. However, by dedicating a recurring 2.5% increase to net levy requirement for reserve contributions for the next 10-years, the blue bar grows over time and the red bar shrinks to the point where contributions are anticipated to be $72.8 million in 2035, matching annual spending and eliminating the shortfall.

With 2026 being the first year of this strategy, staff are recommending a Council Approved Initiative (CAI) of $3,410,400 be reflected in the Proposed 2026 Levy Operating Budget, which is equivalent to a 2.5% increase to last year's net levy requirement. This recommendation generally comes forward for approval with the 10-Year Levy Capital Plan in October/November each year, however the 2026 increase is being fast tracked to this report so that staff can integrate the AMP findings into the Capital Plan with confidence.

If Council adopts this financial strategy, they will be endorsing 2.5% levy increases for each of the following 9 years in-principle. It should be noted that these may materialize, but they may also differ. Over time, factors such as construction inflation differing from expectations, other changes to the net levy requirement, direction to change service levels, direction to close the shortfall sooner or later, etc., may move the County ahead or behind the 2035 timeline. It will be prudent to monitor the shortfall moving forward; for example, if after three years the County is ahead of schedule, staff may provide options for Council to consider which might include being able to slow the increases to 2.0% to close the shortfall by 2035 or continuing the 2.5% increases and closing the shortfall by 2034. Overall, staff would prefer if the shortfall was planned to be closed in 10 years or less, but ultimately Council can direct staff to target a different timeline and staff could return with what the associated increases would equate to, for Council to consider the overall impact on affordability to taxpayers.

Financial Strategy – Rates

On the rate side, there are no immediate recommendations being made as part of the financial strategy. Due to the significant uncertainty of the County's water and wastewater capital plans and the general complexity of rate modelling, staff suggest incorporating the AMP findings into the next rate study rather than propose a new set of changes to user rates today. A rate study is planned in the near future which will consider the renewal needs identified in this AMP. Staff are confident the most recently communicated rate forecast will be sufficient for all capital needs that arise in the interim.

Evolution of Previous Asset Management Plans

Given the County delivered an AMP update last year, there may be questions as to what changed. The table included below summarizes how staff estimated different infrastructure funding shortfalls over time.

Table 1 – Change in Infrastructure Funding Shortfall

Service Area	2024 AMP (100% SOGR)	2025 AMP (100% SOGR)	2025 AMP (Proposed Service Levels)
Transportation	$44.6M	$45.9M	$14.4M
Stormwater	2.0M	16.6M	2.7M
Fleet & Equipment	1.2M	3.6M	2.2M
Facilities	13.3M	13.2M	0.0M
Parks & Recreation	2.4M	7.2M	4.7M
Levy Assets Subtotal	**$63.4M**	**$86.5M**	**$24.0M**
Drinking Water	6.7M	12.5M	4.1M
Wastewater	8.2M	19.7M	5.5M
Rate Assets Subtotal	**$14.9M**	**$32.2M**	**$9.6M**
GRAND TOTAL	**$78.3M**	**$118.7M**	**$33.6M**

Numerous factors changed between the 2024 and 2025 AMP reports:

- A sizeable increase to infrastructure funding was approved by Council in the 2025 Budgets, which closed the shortfall a bit.
- Data refinements occurred within the past year. These may have lowered the replacement values or raised the service lives/conditions in some service areas.
- Lifecycle costing methodology was improved. The 2024 AMP simply averaged the replacement values of all assets over their expected useful lives to estimate the annual renewal spending whereas the 2025 AMP developed a model that

considered the condition of individual assets to develop annual renewal spending which may have been lower.

- The 2024 AMP Report assumed service levels that raised conditions into a 100% state of good repair for all service areas as a base scenario until proposed service levels were defined, whereas the 2025 AMP Report introduced the proposed service levels. Most of those service levels are proposed to be lower than keeping 100% of assets in a state of good repair.
- For comparison, the middle column in Table 1 shows an example of what the 2025 AMP would recommend if all of the proposed service levels related to condition were set to keep all assets in a state of good repair. As seen, the total infrastructure funding shortfall would have been much larger than what was ultimately proposed, even larger than what was quoted in the 2024 AMP Report.

Overall, the decrease in the estimated infrastructure funding shortfall between 2024 and this year's update may be unexpected at first glance, but it is primarily due to proposed service levels being lower than what was conservatively assumed in the previous AMP.

Other Lifecycle Activities

While the financial focus of the AMP should remain on asset renewal, for compliance with O.Reg. 588/17, the AMP also covers the impacts of lifecycle activities like planning studies, acquiring new assets, operating and maintaining assets, and enhancements/additions due to growth. That information is primarily found in section 8.5 and the service area plans for reference. Costs and service levels for these types of lifecycle activities will remain subject to Council approval through future budget presentations, as there are other guiding documents more suited to analyzing and making recommendations on these lifecycle activities than the AMP.

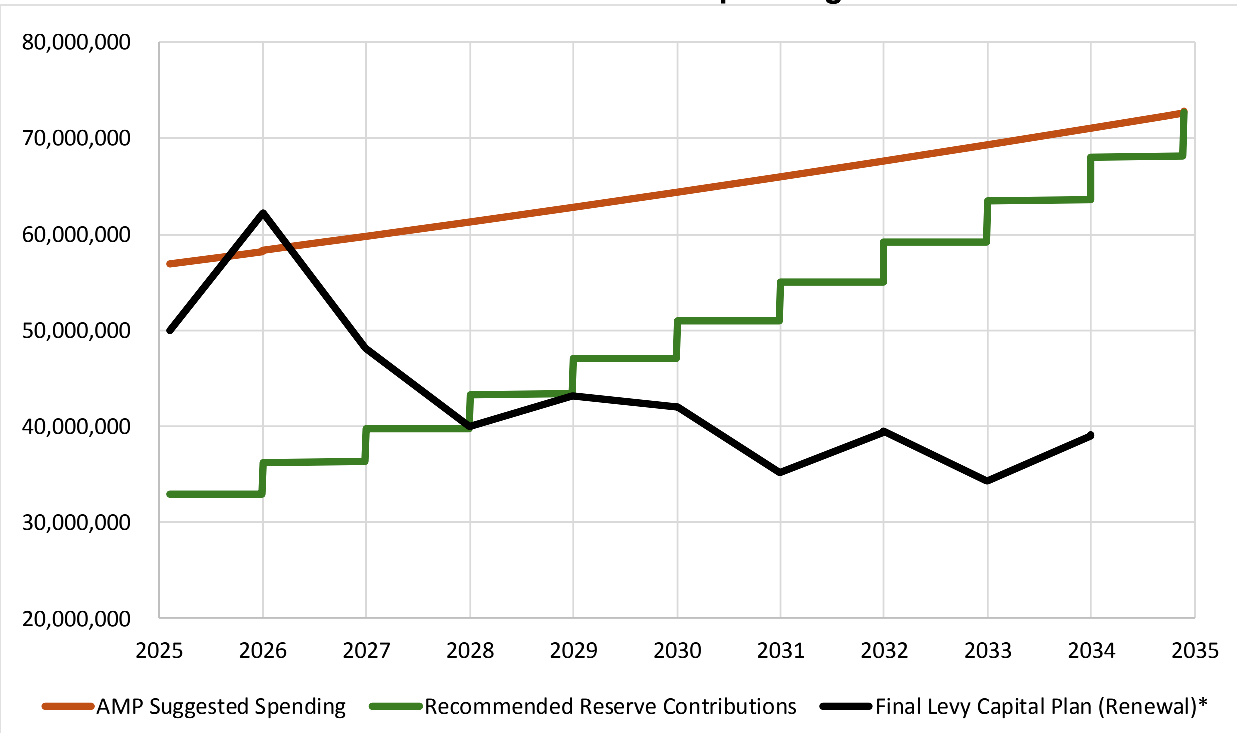
Specifically on growth, development charges are the funding source that is currently accepted for funding growth-related infrastructure. The cost of this infrastructure is forecasted through the development charges background study process, for which an update is currently underway at the County.

As it relates to funding the escalation of operating costs that arise from growth, historically increases have been subject to the New Budget Initiative (NBI) process. However, staff are also currently looking into developing guidelines to present to Council in the future on how to better fund/accommodate these types of initiatives to prevent erosion of service levels from growth occurring but municipal resources remaining stagnant.

Summary & Next Steps

The 2025 Asset Management Plan update serves as an important stepping stone in the County's journey to financial sustainability. A large infrastructure funding shortfall exists for which a financial strategy has been designed to address. The following graph summarizes Norfolk's plan to solve it.

AMP Recommendations vs Current Spending & Contributions



**Final Levy Capital Plan only approved for 2025-2034 thus far. It is expected to be closer to the other two lines in 2035 following the AMP.*

With Council's approval of this report, staff will update the next iteration of the 10-Year Levy Capital Plan to bring spending (black line) to a more consistent level aligned with what is recommended in the AMP (orange line) in order to complete the projects required to deliver the proposed service levels related to condition. The AMP identifies spending on an average annual basis, explaining the smooth orange line. In reality, there will be "peaks and valleys" in terms of which years the spending occurs, shown by the non-uniform black line. As spending is planned over the next 10 years, staff will strive to smooth the black line out as that results in more efficient capital delivery, but peak years will still continue to exist.

2026's CAI and Council endorsement of 2.5% levy increases dedicated to infrastructure funding over the nine years thereafter are anticipated to make reserve contributions (green line) reach a level that matches required lifecycle costing in perpetuity (where the green and orange lines meet). Until the financial strategy closes the shortfall, other funding sources may be relied on to help attain the spending in the interim, such as the use of formula-based infrastructure grants like the Ontario Community Infrastructure Fund (OCIF) or the Canada Community-Building Fund (CCBF), transfers from the Legacy Fund's investment earnings, applying for one-time capital grants, or the issuance of debt in situations that are justifiable. Alternatively, projects may have to be deferred throughout the initial years until contributions reach a more sufficient level.

As the interim solutions mentioned above become less and less required, revisiting the long-term financial strategy will become more important. Staff will continually monitor the AMP inputs and the County's progress towards closing the infrastructure funding shortfall to ensure the financial strategy stays on track, but also doesn't over-burden taxpayers and raise more than what is required.

Interdepartmental Implications:

Asset Management as a practice affects every part of an organization and thereby requires an inter-departmental approach. As mentioned, a cross-departmental, interdisciplinary team has been formed as a working group to meet regularly to establish processes, provide data and formulate future updates to the plan. The Working Group will function under the guidance of the Senior Leadership Team.

Consultation(s):

Within the County administration both the Steering Committee (SLT) and Working Group meet regularly to share updates and provide advice and guidance, their existence and process is guided by terms of reference and relies on regular communication and consultation. Going forward the processes that guide the initiative will include more robust and effective consultation with the residents and interested stakeholders in the community. Using opportunities such as Engage Norfolk, Master Planning processes, annual budget processes and other mechanisms the goal is to ensure Asset Management plans reflect the aspirations of the community as it relates to municipal services and the associated infrastructure that supports them.

Strategic Plan Linkage:

This report aligns with the 2022-2026 Council Strategic Priority Building Norfolk - Develop the infrastructure and supports needed to ensure complete communities.

Explanation: Our Future Norfolk articulates the Strategic Plan guiding Norfolk County into the future. Asset Management plans and the NCCAMS system that SLT has endorsed support all aspects of the strategic plan. NCCAMS provides the framework to engage with the community relative to service and infrastructure provision, the processes, and tools to effectively manage these complex systems and the process by which financial viability can be assessed. NCCAMS and the Asset Management plans thereby manifests three areas of focus being Building Norfolk, Serving Norfolk, and Sustaining Norfolk.

Attachment(s):

- Attachment 1: 2025 Asset Management Plan

Approval:

Approved By:
Al Meneses, CAO

Reviewed By:
Darnell Lambert
Director, Engineering & Asset Management

Reviewed By:
Andrew Grice,
General Manager, PW & Deputy CAO

Reviewed By:
Amy Fanning, CPA
Treasurer & Director, Financial Management and Planning

Prepared By:
James Bokor
Manager, Asset Management