



## STAFF REPORT

THE CORPORATION OF THE TOWN OF COBOURG

### Public Works, Planning, and Development Standing Committee

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Report to: Mayor, Deputy Mayor, and Councillors  
From: Laurie Wills, P.Eng., Director, Public Works & Engineering  
Standing Committee Date: June 4, 2025  
Report Number: PW-2025-010  
Council Meeting Date: June 25, 2025  
Subject: **Adoption of 2025 Asset Management Plan and 10 Year Financial Forecast**

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#### 1. Recommendation:

THAT Council recognize that every municipality shall prepare an asset management plan in respect of its municipal infrastructure assets on or before July 1, 2025 in accordance with Ontario Regulation 588/17: *Asset Management Planning for Municipal Infrastructure*; and,

FURTHER THAT Council authorize the preparation of a resolution to adopt the updated 2025 Asset Management Plan for all infrastructure as prepared by Watson & Associates Economists Ltd. at the regular meeting of Council on June 25, 2025; and,

FURTHER THAT Council proceed with the implementation of the adopted 10-year financial forecast as part of the 2026 budget process, with funding to be considered through a combination of debt financing, use of the tax levy, service level adjustments, a longer than 10 year phase in period, and/or reasonable assumptions regarding external funding opportunities.

FURTHER THAT Council direct Staff to include levels of service delivery questions specific to asset management during public participatory surveys leading up to 2026 budget deliberations.

## **2. Executive Summary:**

The Town has met all requirements for asset management planning up to July 1, 2024 in accordance with Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure.

A requirement for this year's asset management plan (AMP) is to develop a 10 financial forecast that illustrates all capital needs to meet the proposed levels of service as well as identify what funds are available to commit to the plan and what, if any funding shortfalls are discovered.

The financial forecast illustrates what the Town currently commits to capital expenditures which includes transfers to capital reserves, debt repayment, capital levy, and typical funding allocations received through the Ontario Community Infrastructure Fund (OCIF) and Canada Community Building Fund (CCBF). The funding gap between what the Town currently budgets and what the Town should be budgeting requires a decision of Council on what sources of funding should be applied to close the infrastructure funding gap.

Options for Council's consideration include:

1. Tax increases
2. Funding assumptions
3. Debt financing
4. Longer phase in period
5. Reduced levels of service

Should Council choose not to fully fund the shortfall, the Town must also illustrate how it plans to mitigate risks associated with not undertaking any of the lifecycle activities identified in the asset management plan.

With Council's direction leading up to budget deliberations, Staff can investigate service level reductions within specified service groups to determine what risk and financial impacts could be estimated for further consideration.

During budget deliberations on an annual basis, the asset management financial strategy may be amended. Annual reporting is required to illustrate how the Town is implementing the asset management plan including how funding is being allocated in the budget process and how risk is being managed operationally.

### 3. Background

The objective of Asset Management is to have a long-term lifecycle management and financial strategy that intervenes at strategic points in an asset's normal life cycle to extend the expected service life and maintain its performance.

Ontario Regulation 588/17: *Asset Management Planning for Municipal Infrastructure* establishes the following key milestones for municipal compliance:

1. July 1, 2019 - Asset Management Policy
2. July 1, 2022 – For Core Assets: Inventory of Assets, Current Level of Service, Costs to maintain Level of Service
3. July 1, 2024 – For All Other Assets: Inventory of Assets, Current Level of Service, Costs to maintain Level of Service
4. July 1, 2025 – For All Assets: Proposed Level of Service, Lifecycle Management and Financial Strategy

The Town has met all requirements for asset management planning up to July 1, 2024 in accordance with Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure.

Since completing the 2024 milestone for non-core assets, Staff have been conducting a review of current vs proposed levels of service objectives for each asset class and determining the costs associated with maintaining the proposed levels of service.

Staff have continued to participate in Provincially funded asset management training and development programs such as the *Technical Assistance Program* provided by the Association of Municipalities of Ontario in collaboration with Asset Management Ontario (AMONTario) as well as *AMP It up 3.0* a program provided through the Municipal Finance Officer's Association (MFOA) and funded by the Ministry of Infrastructure, the latter allowing municipalities free access to consulting services (Watson & Associates) through group information sessions and 1:1 assistance with asset management planning.

An overview of the preliminary results was presented to Council by Peter Simcisko of Watson & Associates on May 5, 2025 (attached).

### 4. Discussion:

A requirement for this year's asset management plan is to develop a 10 financial forecast that illustrates all capital needs to meet the proposed levels of service as well as how the Town intends to fund the plan or mitigate risks for not fully funding the plan.

The financial forecast illustrates what the Town currently commits to capital expenditures which includes transfers to capital reserves, debt repayment, capital levy, and typical funding allocations received through the Ontario Community Infrastructure Fund (OCIF) and Canada Community Building Fund (CCBF). The funding gap between what the Town currently budgets and what the Town should be budgeting requires a decision of Council on what sources of funding should be applied to close the gap.

Options to consider are one or more of any of the following:

#### 1. Tax Increases

As noted in the Watson report, the 10 year financial forecast would require a tax levy increase of 8.72% in 2026 and a 3.7% increase annually thereafter after considering a 1.18% growth assessment. This forecast is based on the 2025 budget and 10 years of capital expenditures required to achieve the proposed levels of services established within the asset management plan.

In the 2025 budget, Council implemented a 1% infrastructure levy in anticipation of receiving the results of this year's asset management financial forecast.

#### 2. Funding assumptions (comes with risk)

Council could include in the budget for an assumed amount of new funding annually on top of our known funding sources (OCIF and CCBF). The risk with this option is that additional tax increases may have to be applied in future years to make up for the lack of revenue if/when funding is not obtained as expected.

#### 3. Debt financing

The cost of debt for municipalities is generally low but can be spread out over a much longer period of time so that tax increases are not as substantial in the short term. Taking on more debt does tend to increase the overall cost of the expenditure. Council may choose to fund the infrastructure funding gap with debt either 100% or a portion thereof.

#### 4. Longer Forecast

The Town can also consider spreading out the closing of the funding gap over a longer period than 10 years, however in doing so there is risk associated with increased degradation or failure of more assets the longer they are left without funding allocation for rehabilitation/replacement. The cost of inflation over a longer period of time will also increase the overall cost.

## 5. Reducing levels of service

For Council's consideration in the longer term, there are many variables within asset management planning that can be changed to incur a lower cost:

- Reduce quantity of service
- Reduce quality of services
- Remove services

For any removal or reduction, there must also be a reduction in public expectation.

Keeping in mind that reduction or removal of services with respect to asset management means that the assets the Town needs to deliver those services are either no longer available or reduced in capacity.

For example, consider the sale of a building. There are several potential outcomes and service level changes that could result from that sale:

- Potential Outcome 1: relocate service to another facility
- Service Level Impact 1: No longer operating within the ideal facility, reduction in service quality and/or quantity
- Potential Outcome 2: Stop service delivery
- Service Level Impact 2: Reduction in quantity of services

Or consider the decision to remove vehicles from the Town's fleet:

- Potential Outcome 1: Operations become less efficient (maintenance not completed as required to maintain expected asset condition levels)
- Service Level Impact 1: Reduction in quality of services
- Potential Outcome 2: Stop service delivery
- Service Level Impact 2: Reduction in quantity of services

For any reduction or elimination of service, there is still a risk that costs will not be reduced, for example if Town Staff are no longer supplied with the vehicles or equipment needed to conduct certain maintenance activities, those activities may still have to occur and would have to be contracted out. This is a general example and would not necessarily be in keeping with our Collective Bargaining Agreement.

Should reducing service levels be a chosen method of funding the infrastructure funding gap, Staff will require direction from Council as to which asset classes to investigate further and substantial time to engage with Staff and the public to determine how/where costs could be reduced as well as long term impacts that

service level reductions may have on the asset class and the risk that may be imposed on the Town for not maintaining assets in alignment with the recommended lifecycle activities identified in the asset management plan. This process will be iterative and likely require annual reviews to fully understand the cost repercussions.

## **Risk Mitigation**

For any shortfall in funding, the Town will need to illustrate how it intends to manage risk associated with not conducting the recommended lifecycle activities that were identified in the asset management plan. This does not necessarily mean that the Town is exposing the community to risk in doing so. Staff must ensure that assets are in service and operating well to preserve community and employee safety while maximizing service delivery. Risk can be managed through the following processes:

- ✓ Prioritizing high risk/critical assets for renewals: through asset management planning, Staff are assembling a risk management evaluation of its capital projects each year to support the development of its capital budget. By doing this, it ensures that high-risk projects are prioritized. This process is already completed for core infrastructure.
- ✓ Increasing maintenance activities: assets that are in need of renewals will likely experience increased maintenance to ensure that they remain performing well and to ensure that risks remain low.
- ✓ Increasing monitoring: assets in need of renewals may have increased monitoring/ inspection frequencies to ensure that they remain in service and are performing as intended. Increasing monitoring/inspection frequencies allows the Town to intervene at an appropriate time to ensure risks to the community remain low.

## **5. Financial Impact and Budget**

The 2025 Asset Management Plan is required to be adopted by Council prior to July 1, 2025. The AMP outlines the Town's current budgeted contribution to capital works, the annual capital lifecycle costs for the next 10 years, and the annual funding shortfall between them both, known as the infrastructure funding gap.

The financial strategy moving forward will be for the Asset Management Plan to be implemented into the budgeting process for prioritizing capital projects and reserve contribution commitments. During budget deliberations, Council will consider how to fund the infrastructure gap utilizing any or all of the 5 options listed above.

Staff will endeavor to include service level delivery questions specific to asset management during public participatory surveys leading up to 2026 budget deliberations.

On an annual basis, it is expected that during budget deliberations, the asset management financial strategy may be amended based on the financial state of the Town and the priorities it is faced with. Annual reporting to the Ministry of Infrastructure will be required to illustrate how the Town is implementing the asset management plan including how funding is being allocated in the budget process and how risk is being mitigated for funding shortfalls.

**6. Relationship to Council's Strategic Plan Priorities 2023 to 2027 and beyond:**

☒ Thriving Community

The asset management plan establishes the lifecycle activities of the physical infrastructure that supports the community and fosters confidence in the safety and performance of our infrastructure.

☒ Service Excellence

A Council endorsed asset management plan is the foundation of where we build on our capacity to deliver at an expected level of service with measurable results.

☒ Sustainability

The Asset Management Financial Strategy provides appropriate levels of services and ensures long-term sustainability of all asset classes.

**7. Public Engagement:**

None.

**8. Attachments:**

Attachment 1 - Watson and Associates - Council Presentation – 2025 Financial Strategy Overview

## Report Approval Details

Document Title:	2025 Asset Management Compliance.docx
Attachments:	- Council Presentation - Cobourg AMP - Financial Strategy Overview 2025-05-05.pdf
Final Approval Date:	May 28, 2025

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

**Tracey Vaughan, Chief Administrative Officer - May 28, 2025 - 3:47 PM**