
Watson & Associates ECONOMISTS LTD.

# Town of Cobourg Asset Management Plan

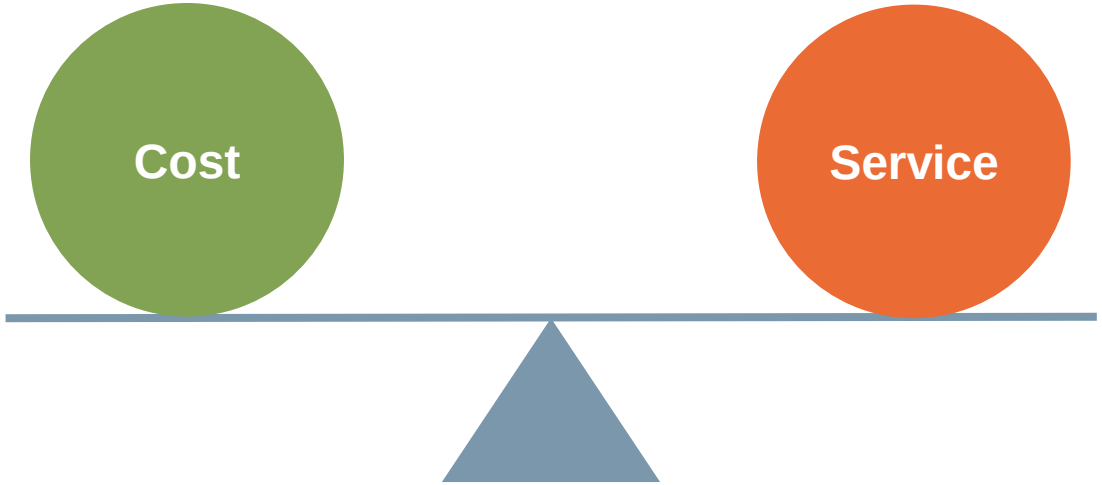
Financial Strategy Overview
May 5, 2025

# Introduction

# Introduction

## Asset Management – What and why?

- **Assets** – things that  provide value to the municipality and its stakeholders
- **Asset Management** – "the **set of planned actions** that will enable the **assets** to provide the **desired level of service** in a **sustainable way**, while **managing risk**, at the **lowest lifecycle cost**"
- Balancing **lifecycle costs** and **levels of service**

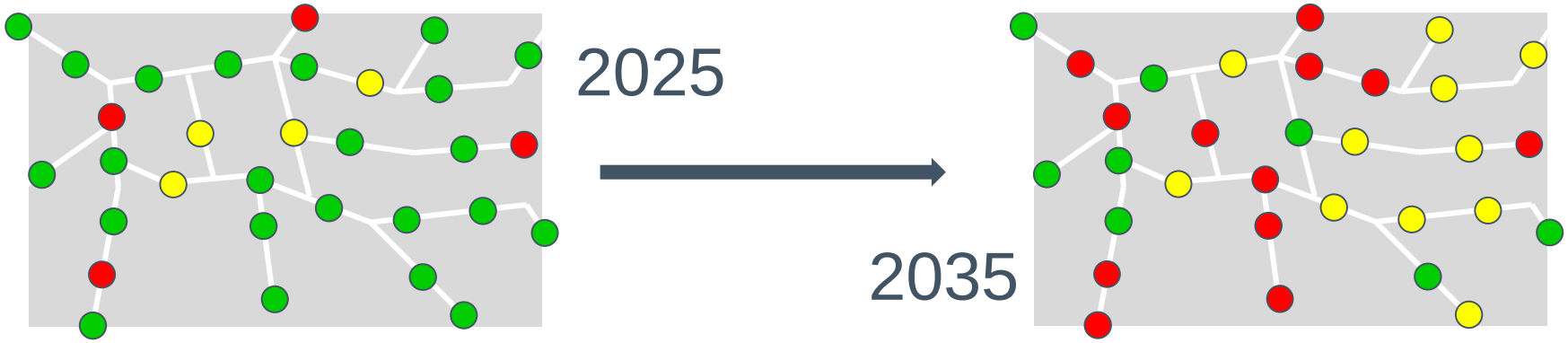


# Introduction

## Levels of Service

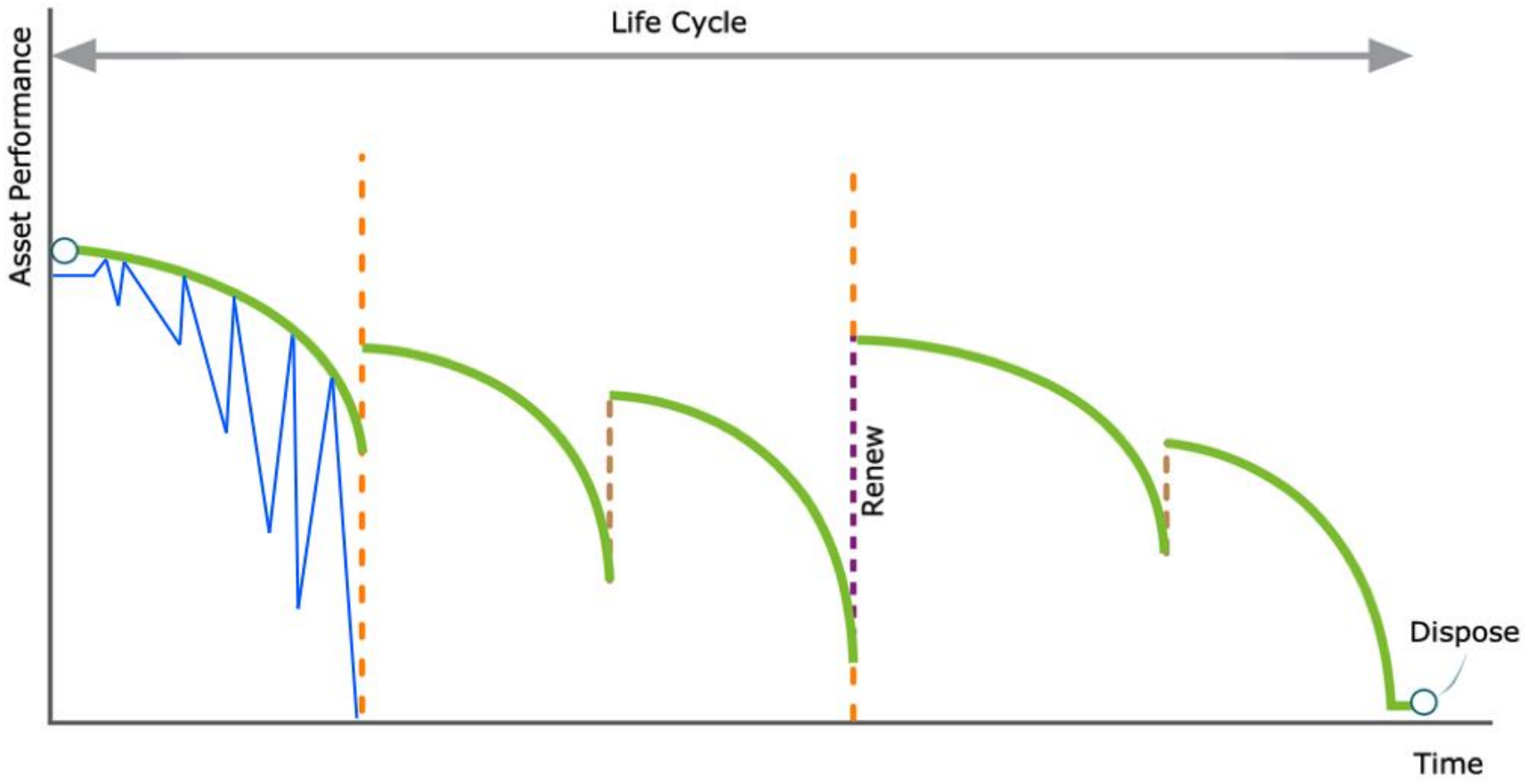
Acceptable

Unacceptable



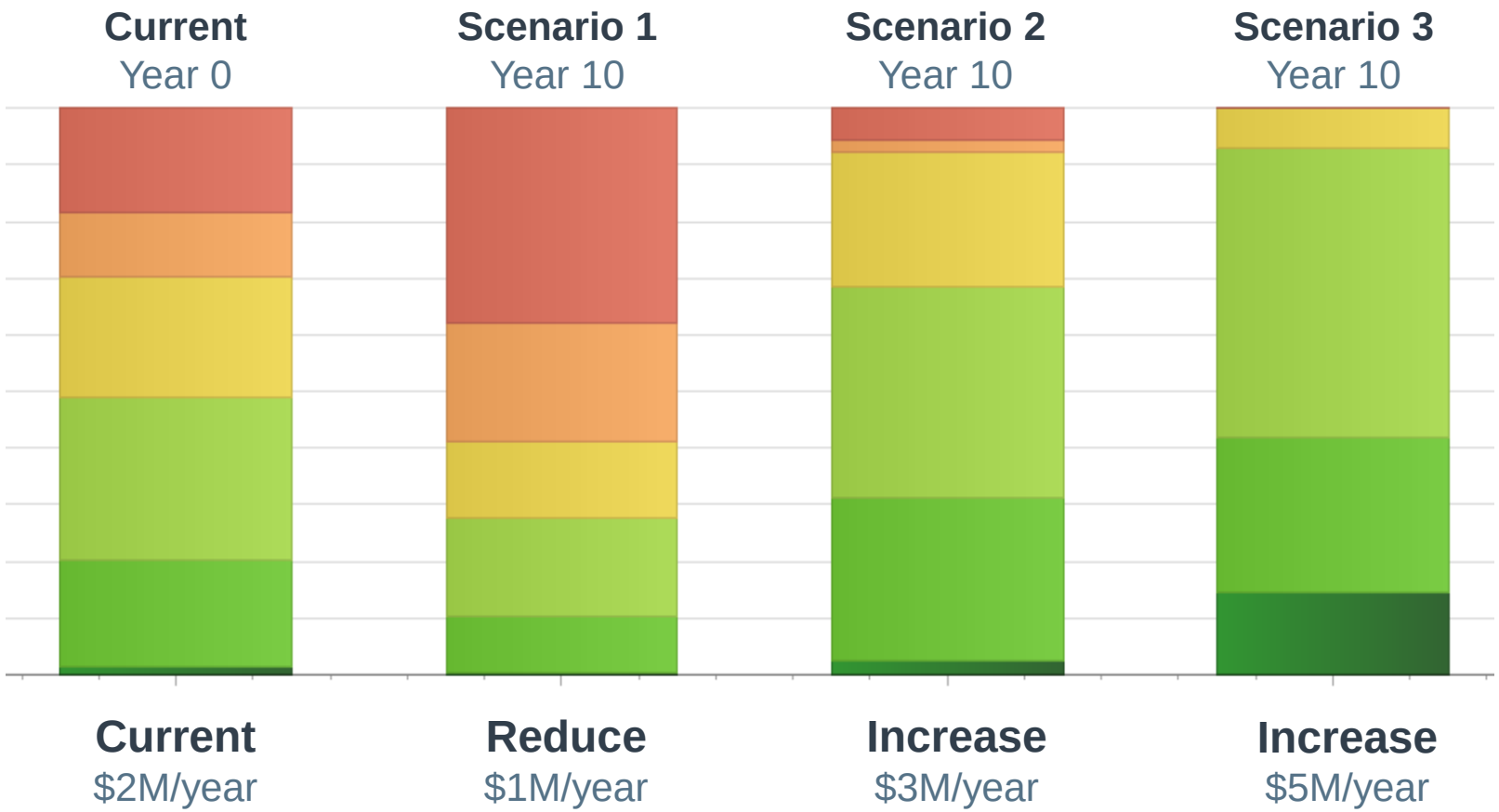
# Introduction

## Lifecycle Approach



# Introduction

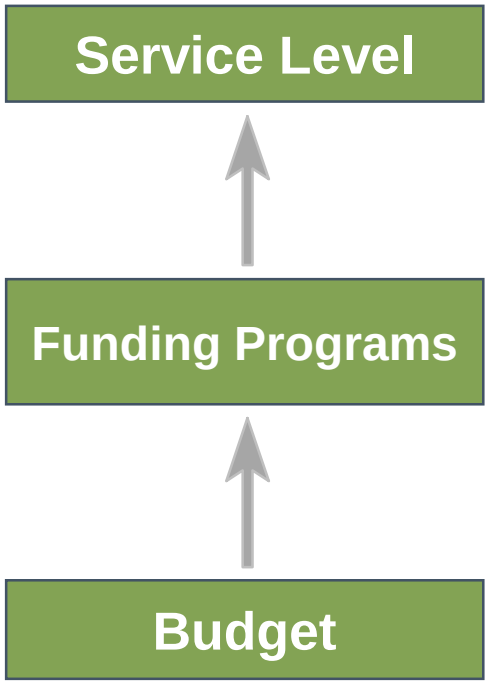
## Choices – What is the target level of service? How much will it cost?



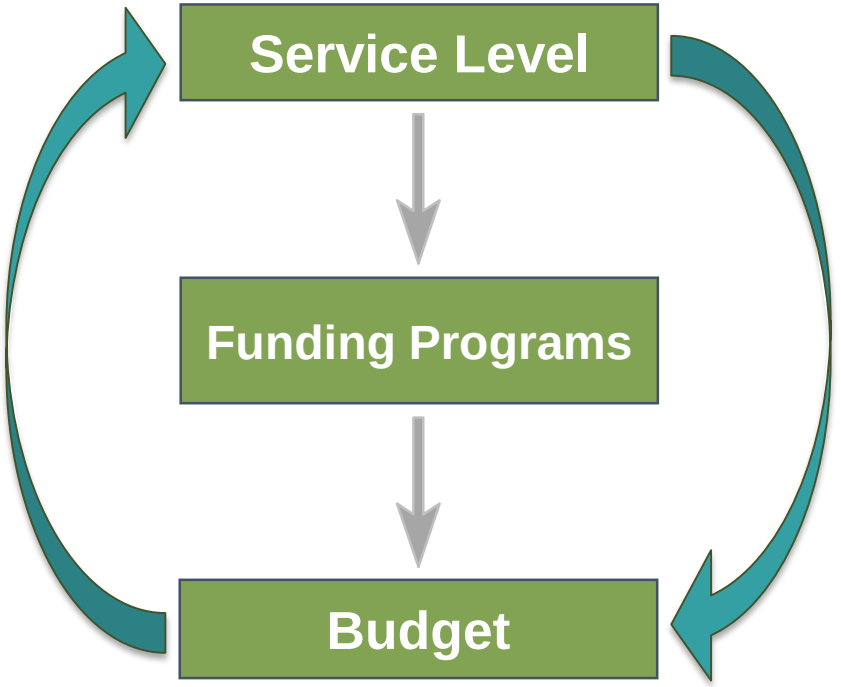
# Introduction

## Budget vs. Service Driven Approach

Budget Driven Framework



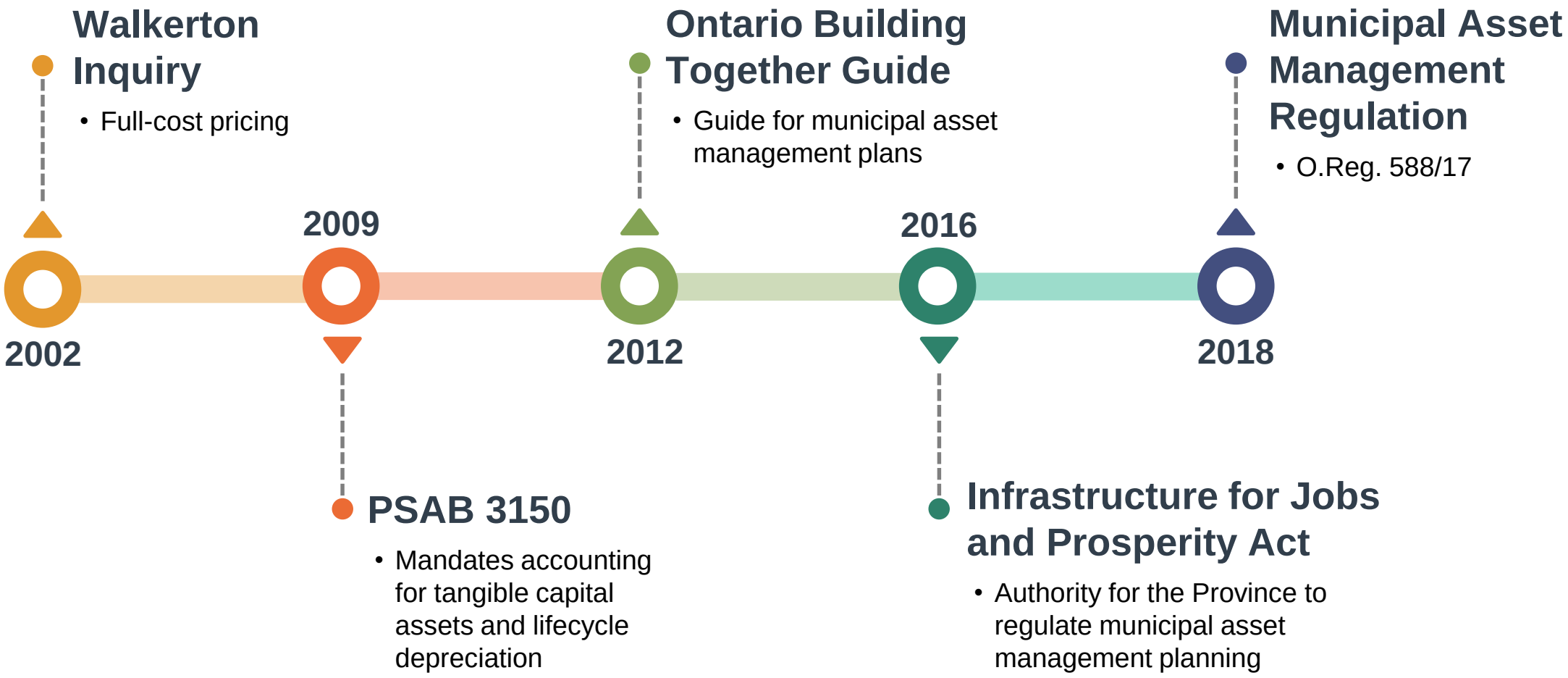

Service Driven Framework



# Background & Context

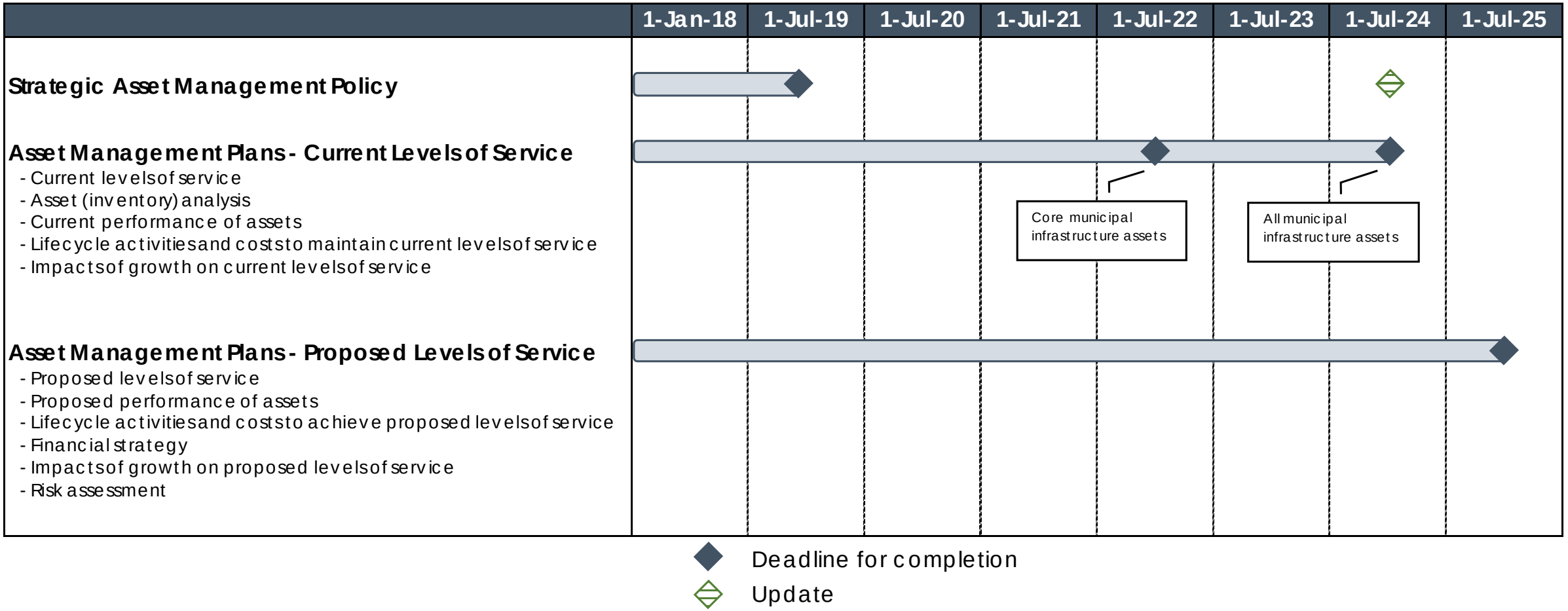
# Background & Context

## How did we get here?



# Legislative Context

## Ontario Regulation 588/17



# Background & Context

## AMP-based Eligibility Requirements

- Canada Community-Building Fund (formerly **Gas Tax Fund**)
  - Recipients required to develop and implement an Asset Management Plan, prior to December 31, 2016, to maintain eligibility.
- Ontario Community Infrastructure Fund (**OCIF**)
  - Municipalities required to submit an AMP covering all infrastructure assets and meeting the requirements set out by O. Reg. 588/17 at the request of the Ministry of Infrastructure.
  - Only capital expenditures on core infrastructure assets that are part of an asset management plan are eligible for funding.
- **Development Charges Act**
  - Development charges background studies shall include an asset management plan that:
    - Deals with all assets whose capital costs are proposed to be funded under the D.C. by-law; and
    - Demonstrates that those assets are financially sustainable over their full lifecycles.

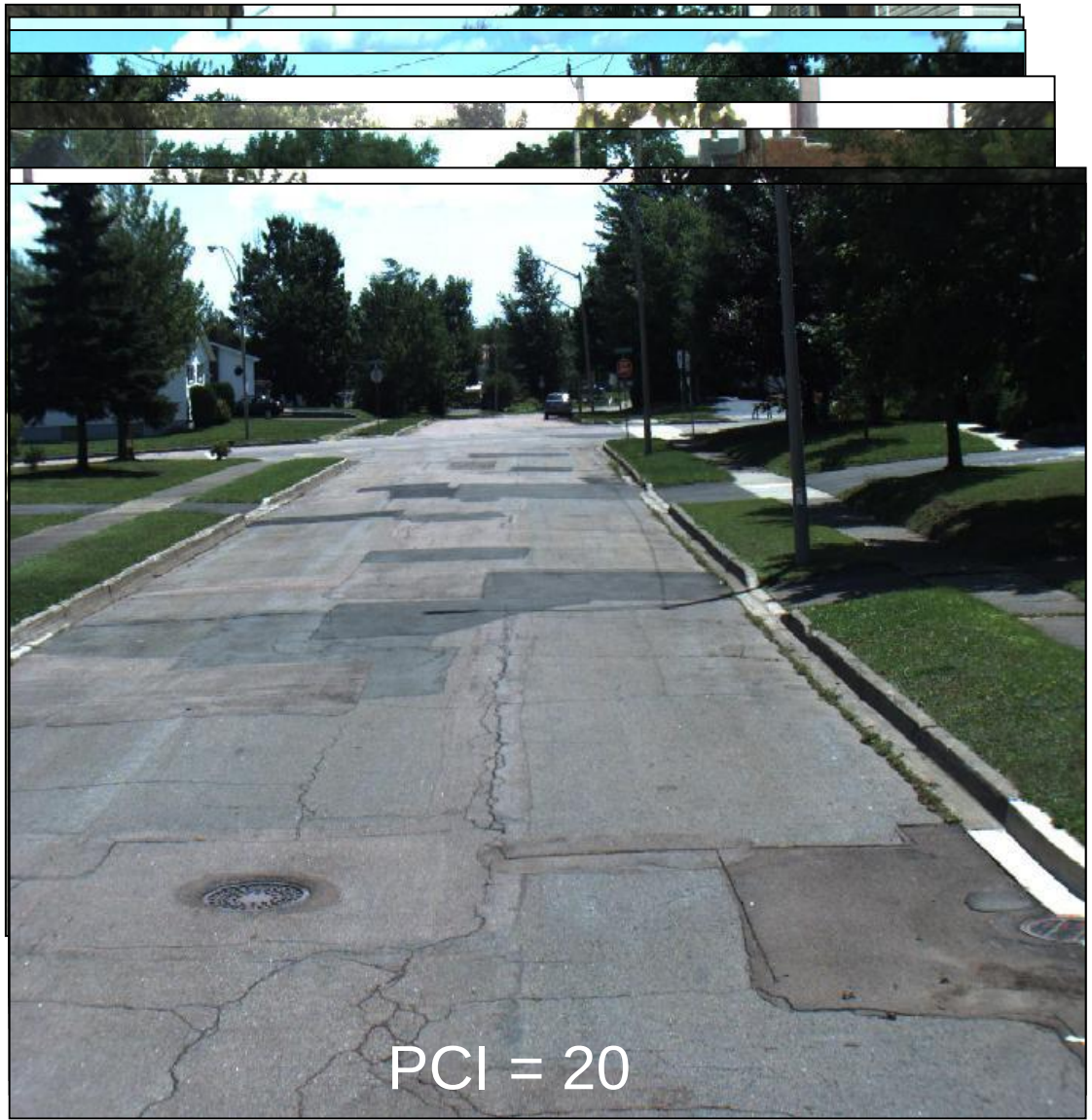
# Project Phases

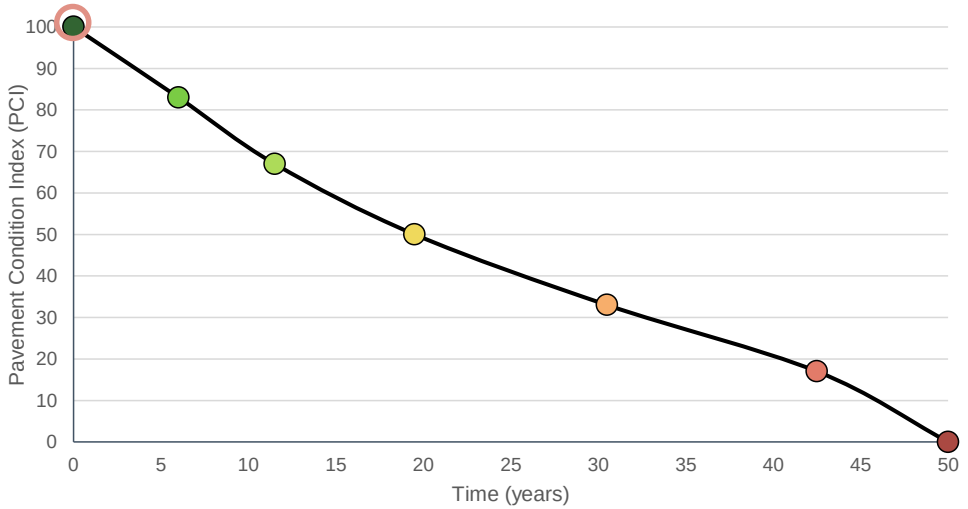
| Phase 1 | Phase 2 | Phase 3 |
|---|---|---|
| AMP for <u>core</u> assets that includes the following:<br><br>• Summary information on core infrastructure assets;<br>• Current levels of service being provided by assets;<br>• Summary of lifecycle management strategies;<br>• 10-year forecast of lifecycle activities related to maintain current levels of service; and<br>• Annual funding targets<br><br>**Completed June 2022** | AMP for <u>non-core</u> assets that includes the following:<br><br>• Summary information on non-core infrastructure assets;<br>• Current levels of service being provided by assets;<br>• Summary of lifecycle management strategies;<br>• 10-year forecast of lifecycle activities related to maintain current levels of service; and<br>• Annual funding targets<br><br>**Completed June 2024** | AMP for <u>all</u> assets that includes the following:<br><br>• Establishment of **proposed levels of service**;<br>• 10-year forecast of lifecycle activities related to all infrastructure assets to achieve the proposed levels of service; and<br>• **Financial strategy** that outlines how the municipality plans to fund the forecast of lifecycle activities and long-term lifecycle funding requirements.<br><br>**Due July 1, 2025** |

# Setting Levels of Service Targets

# Setting Levels of Service Targets

## An illustrative example - Roads




| Pavement Condition Index | Qualitative Descriptor | |
|---|---|---|
| 100 | Excellent | |
| 83 | Very Good | |
| 67 | Good | |
| 50 | Fair | |
| 33 | Poor | |
| 17 | Very Poor | |
| 0 | Failed | |

# Setting Levels of Service Targets

## An illustrative example - Roads

| Service Attribute | Levels of Service Statement | Performance Measure | Current LOS | Proposed LOS |
|---|---|---|---|---|
| Quality | The City strives to maintain road surfaces at a level that provides an adequate travel experience to road users. | Average PCI of Arterial roads | 82 | N/A |
| | | Percentage of Arterial roads with PCI < 50 | 12% | 0% |
| | | Average PCI of Collector roads | 74 | N/A |
| | | Percentage of Collector roads with PCI < 40 | 8% | 0% |
| | | Average PCI of Local roads | 68 | N/A |
| | | Percentage of Local roads with PCI < 30 | 10% | 0% |

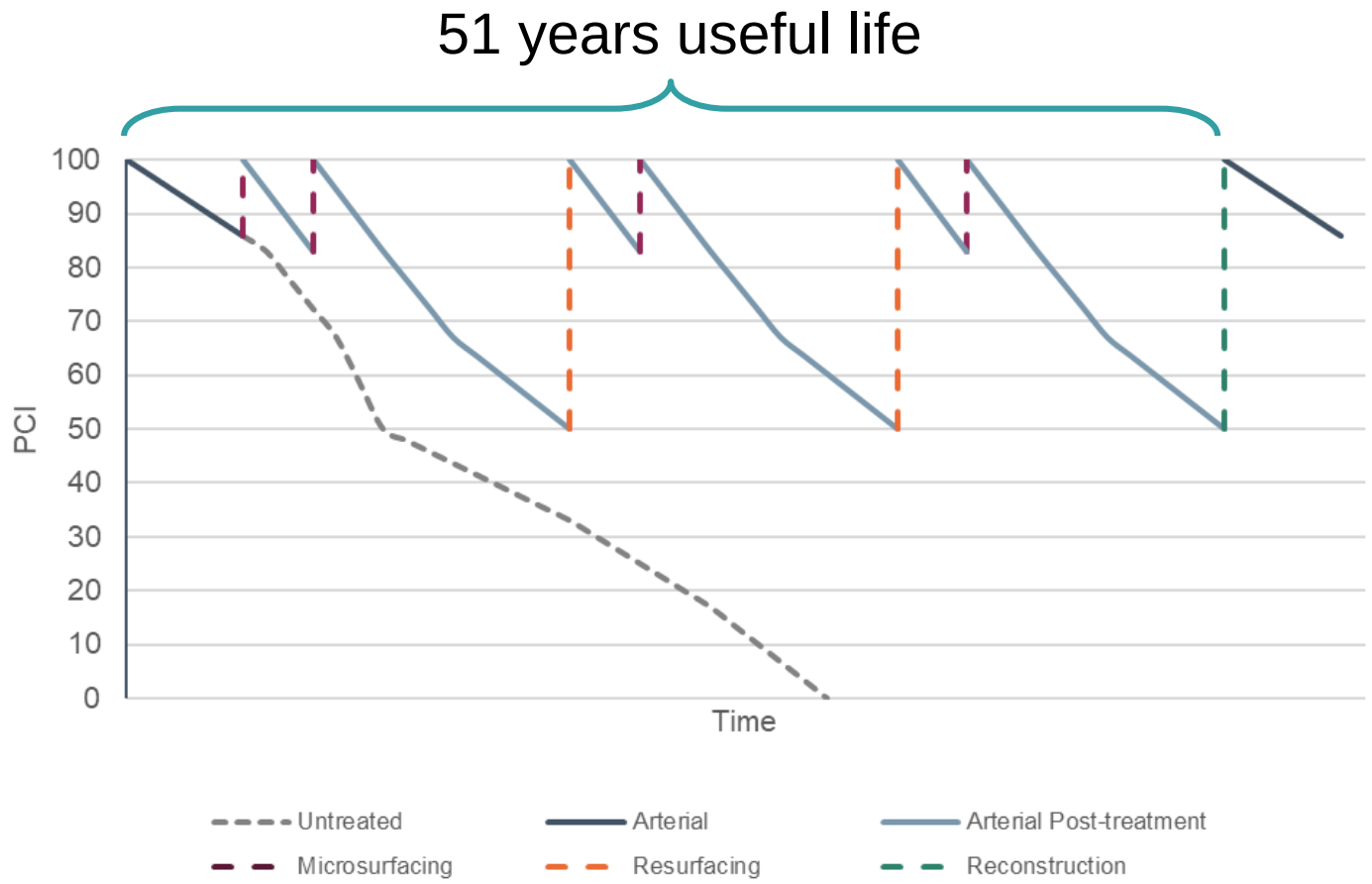
Arterial Road
(PCI > 50)

Collector Road
(PCI > 40)

Local Road
(PCI > 30)

# Setting Levels of Service Targets

## An illustrative example - Roads



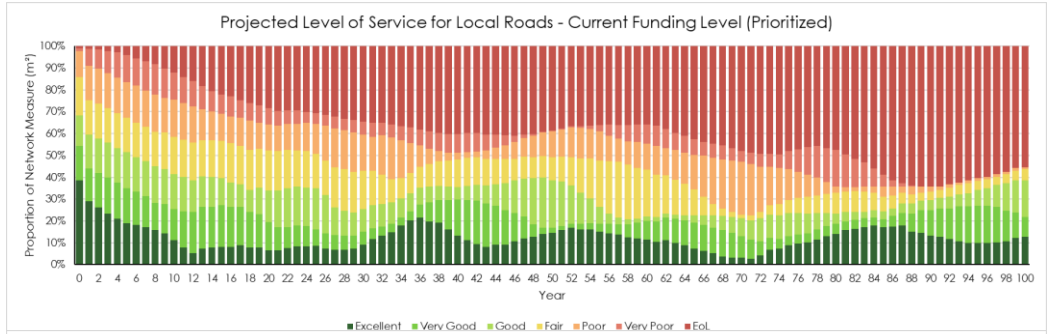

| Year | Lifecycle Activity | Cost per m² |
|---|---|---|
| 0 | Initial Construction | $130.00 |
| 7 | Microsurfacing | $8.50 |
| 10 | Microsurfacing | $8.50 |
| 21 | Resurfacing | $45.00 |
| 25 | Microsurfacing | $8.50 |
| 36 | Resurfacing | $45.00 |
| 40 | Microsurfacing | $8.50 |
| **Total Lifecycle Costs** | | **$254.00** |

Annual Lifecycle Cost = $4.98/m²

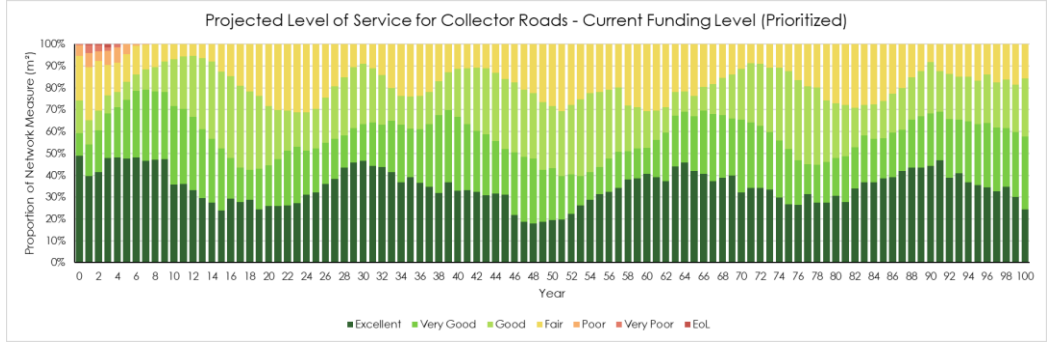
# Setting Levels of Service Targets

## An illustrative example – Roads – Comparing Alternatives

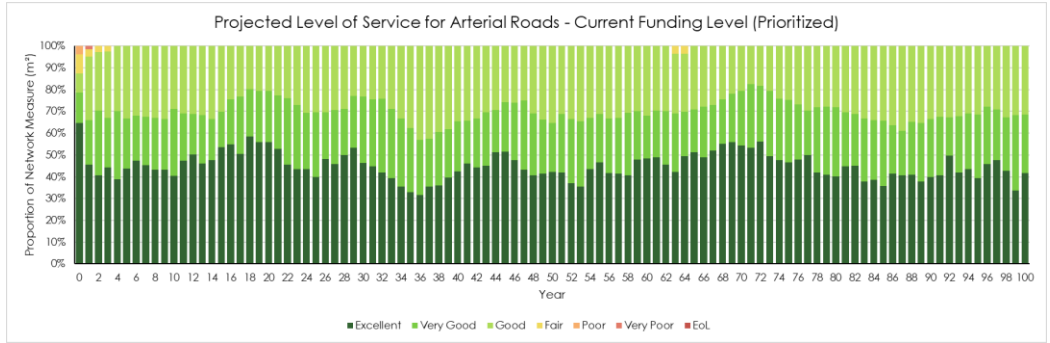
### No additional tax




Local

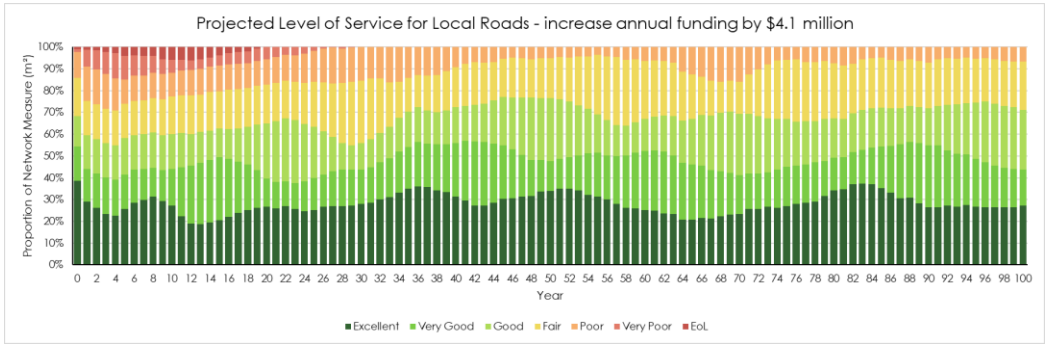


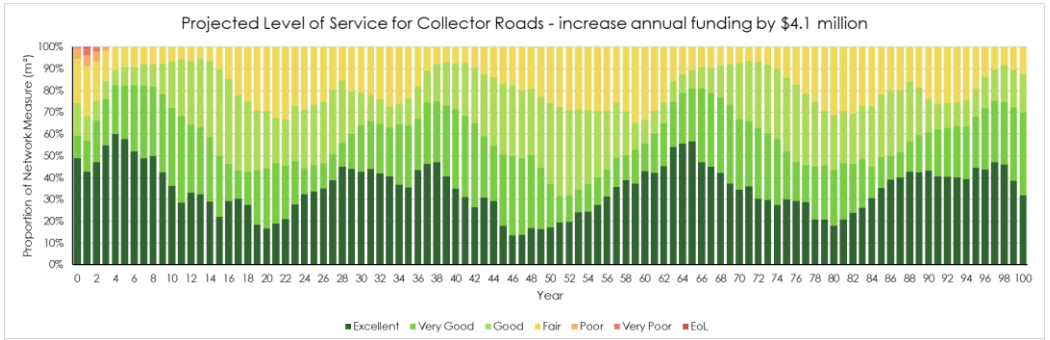

Collector

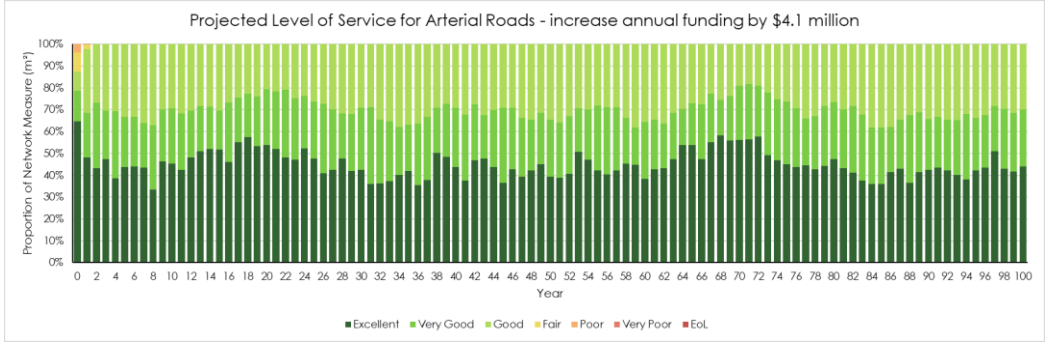



Arterial

### $83 more on tax bill (3.2% ↑)



# Setting Levels of Service Targets

## An illustrative example – Roads – Comparing Alternatives

| Classification | LoS Target (PCI) | Performance Measure | Year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Local | 30 | Average PCI | 68 | 59 | 57 | 55 | 53 | 51 | 50 | 48 | 46 | 45 | 43 |
| | | % Below Target | 10% | 20% | 22% | 24% | 25% | 28% | 30% | 32% | 35% | 35% | 38% |
| Collector | 40 | Average PCI | 74 | 68 | 70 | 74 | 75 | 77 | 79 | 79 | 79 | 79 | 77 |
| | | % Below Target | 8% | 15% | 16% | 12% | 11% | 8% | 5% | 4% | 3% | 0% | 1% |
| Arterial | 50 | Average PCI | 82 | 79 | 80 | 78 | 79 | 80 | 79 | 79 | 79 | 78 | 79 |
| | | % Below Target | 12% | 4% | 1% | 2% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Overall | as indicated above | Average PCI | 72 | 64 | 64 | 63 | 62 | 62 | 61 | 60 | 59 | 58 | 57 |
| | | % Below Target | 10% | 16% | 17% | 18% | 18% | 19% | 20% | 21% | 22% | 22% | 24% |

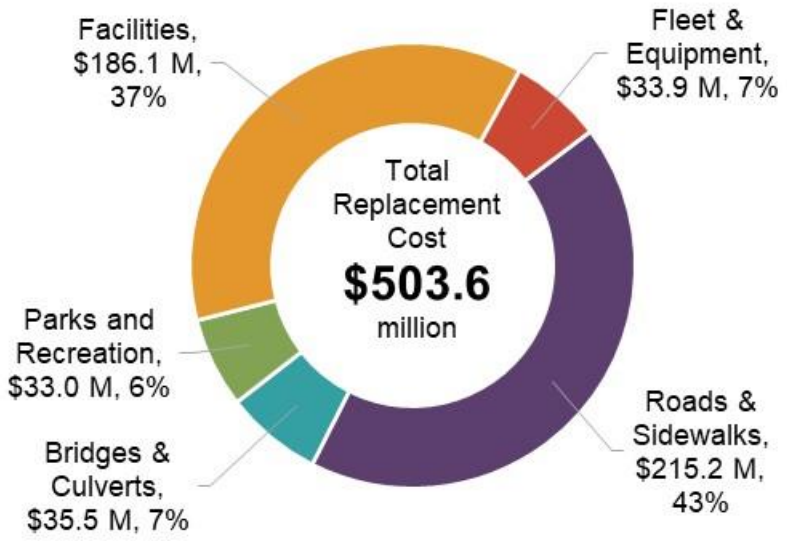

| Classification | LoS Target (PCI) | Performance Measure | Year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Local | 30 | Average PCI | 68 | 59 | 57 | 55 | 55 | 56 | 58 | 58 | 59 | 58 | 58 |
| | | % Below Target | 10% | 20% | 22% | 24% | 24% | 21% | 20% | 19% | 19% | 19% | 19% |
| Collector | 40 | Average PCI | 74 | 70 | 74 | 80 | 83 | 82 | 81 | 81 | 80 | 78 | 77 |
| | | % Below Target | 8% | 12% | 10% | 5% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Arterial | 50 | Average PCI | 82 | 81 | 81 | 79 | 79 | 79 | 78 | 78 | 77 | 80 | 79 |
| | | % Below Target | 12% | 1% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Overall | as indicated above | Average PCI | 72 | 65 | 65 | 65 | 65 | 66 | 66 | 66 | 66 | 66 | 66 |
| | | % Below Target | 10% | 15% | 16% | 16% | 15% | 13% | 12% | 12% | 11% | 12% | 12% |

# Town of Cobourg Asset Management Plan

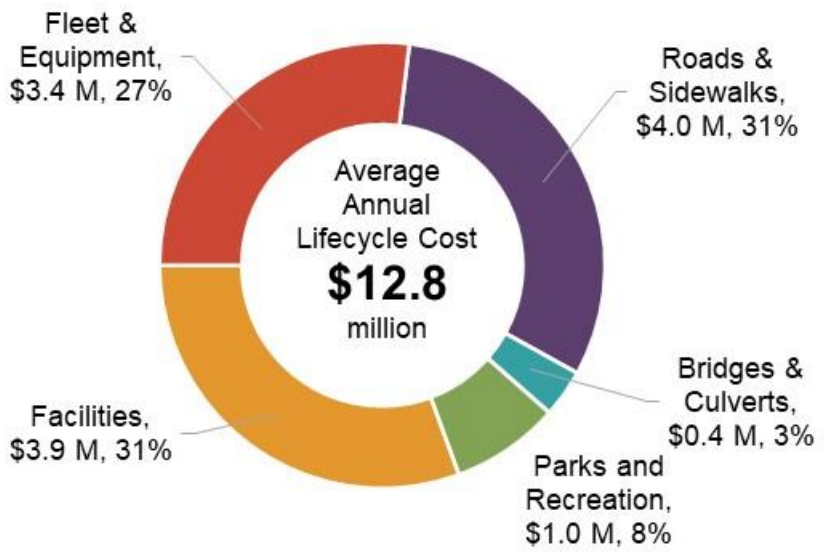
## Financial Strategy Overview

# Asset Overview

## Replacement Cost Breakdown



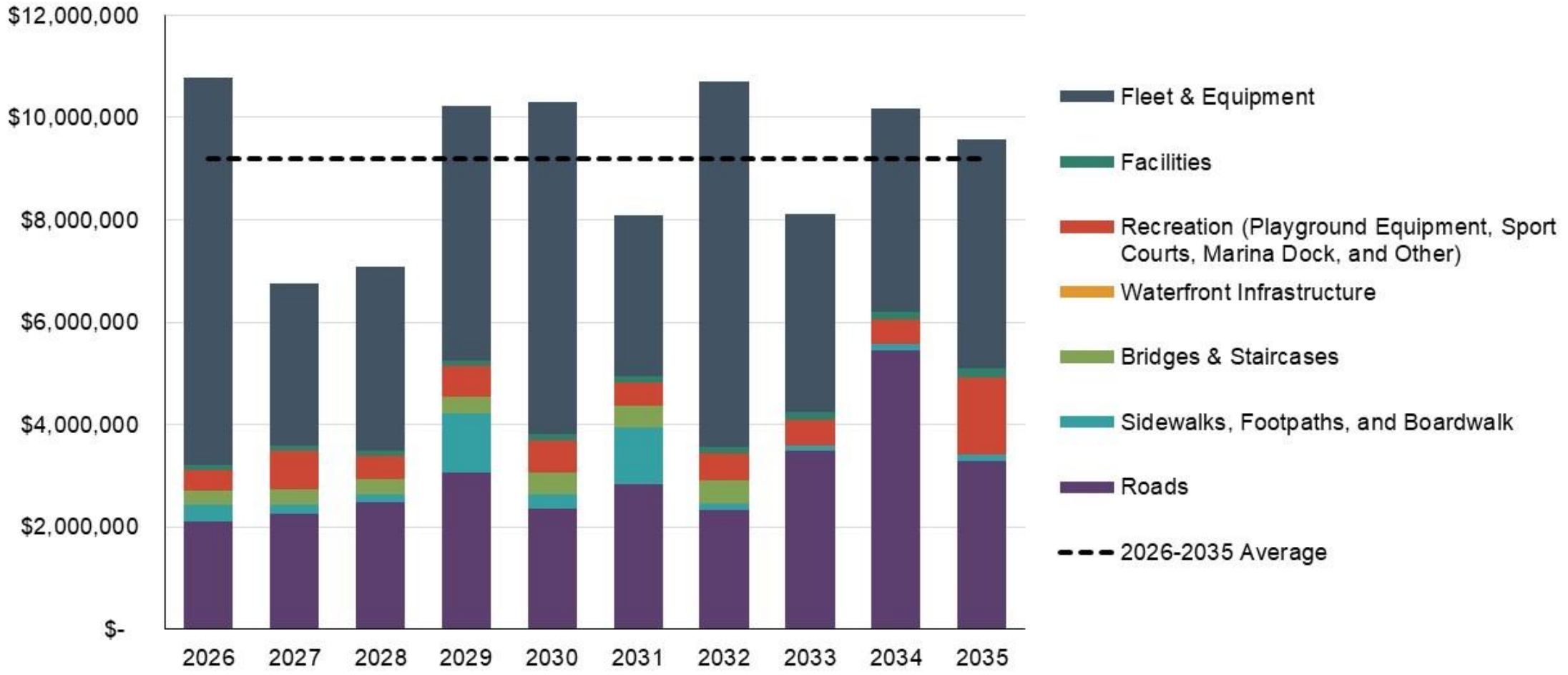

## Annual Lifecycle Cost Breakdown



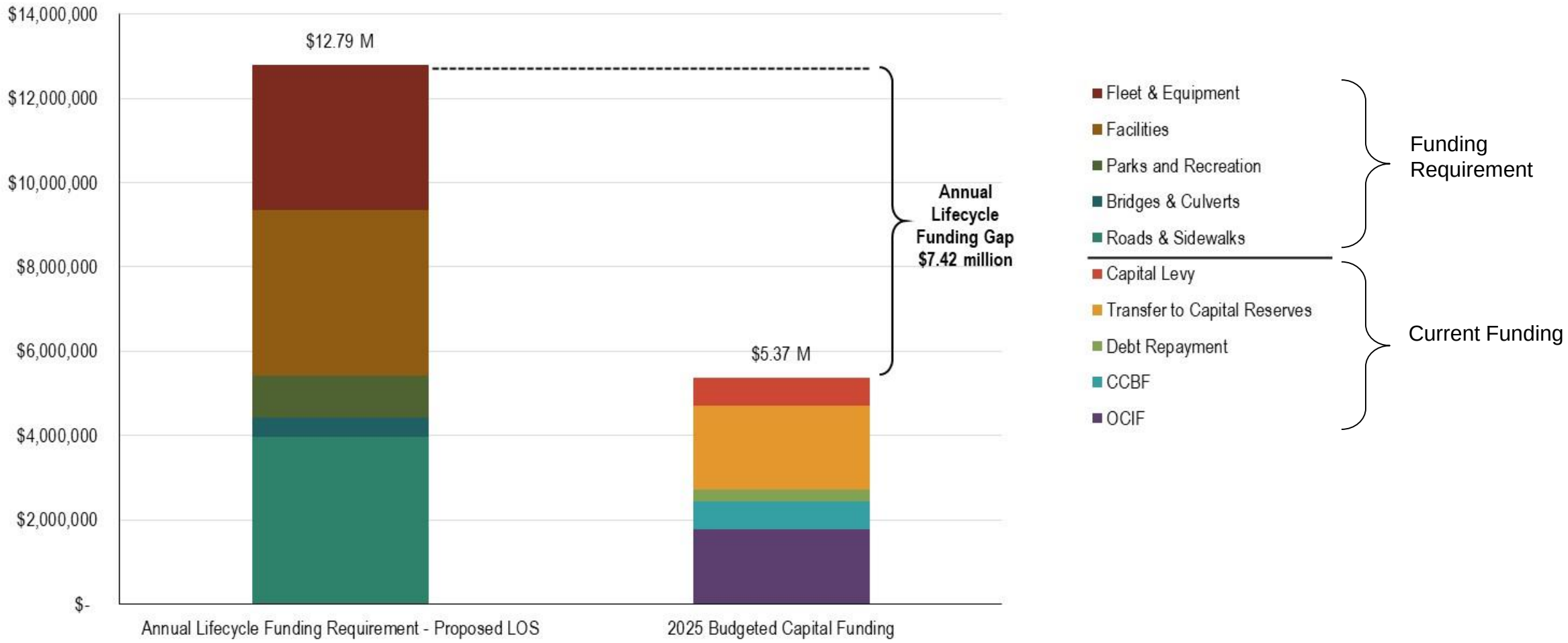

A typical household (2-storey residential dwelling with a taxable assessment of $275,700) indirectly owns approximately $43,240 of municipal infrastructure (excl. water, wastewater, and stormwater).

# 2026-2035 Capital Expenditure Forecast

## Inflated$

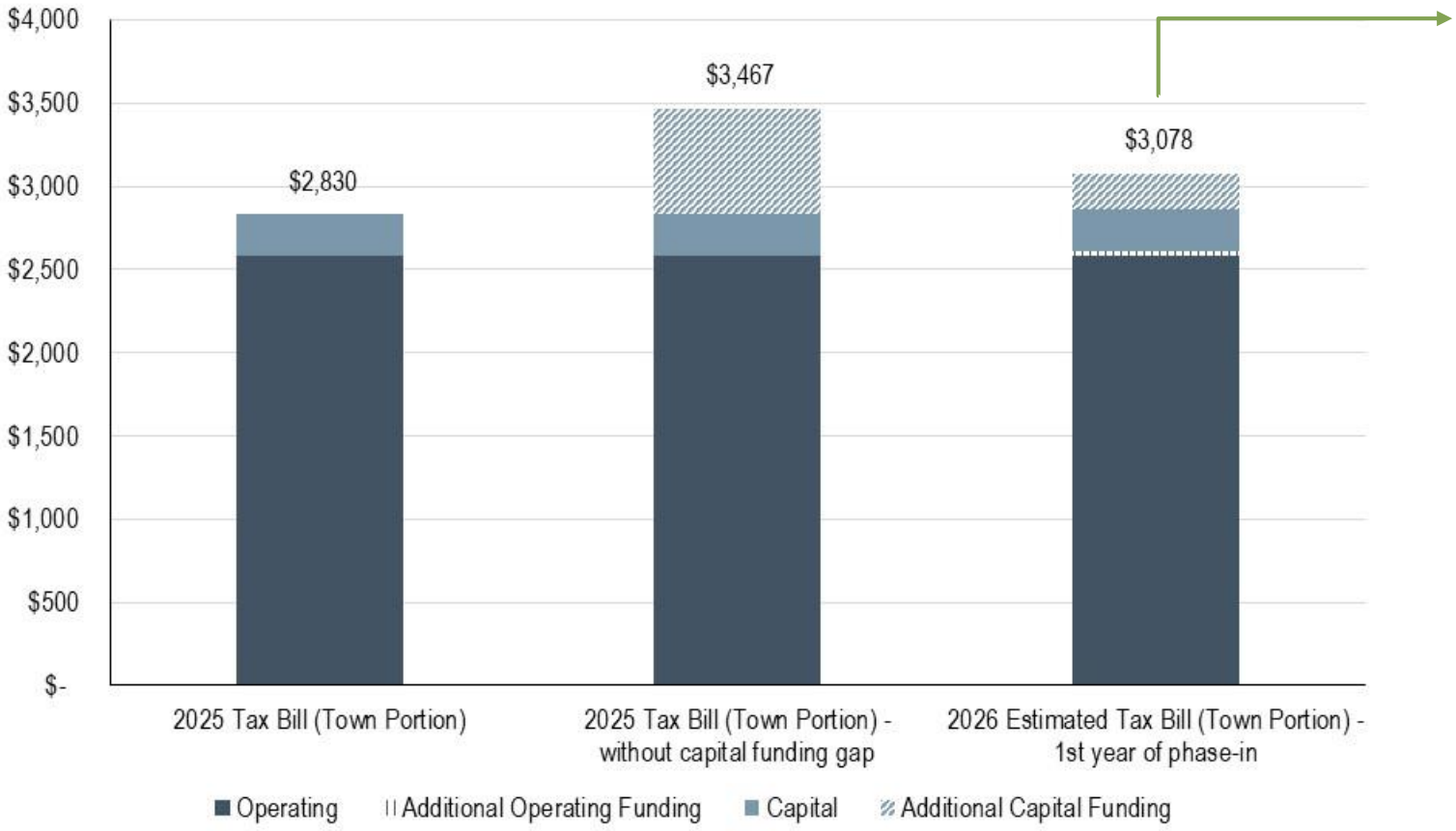


# Lifecycle Funding Gap Assessment



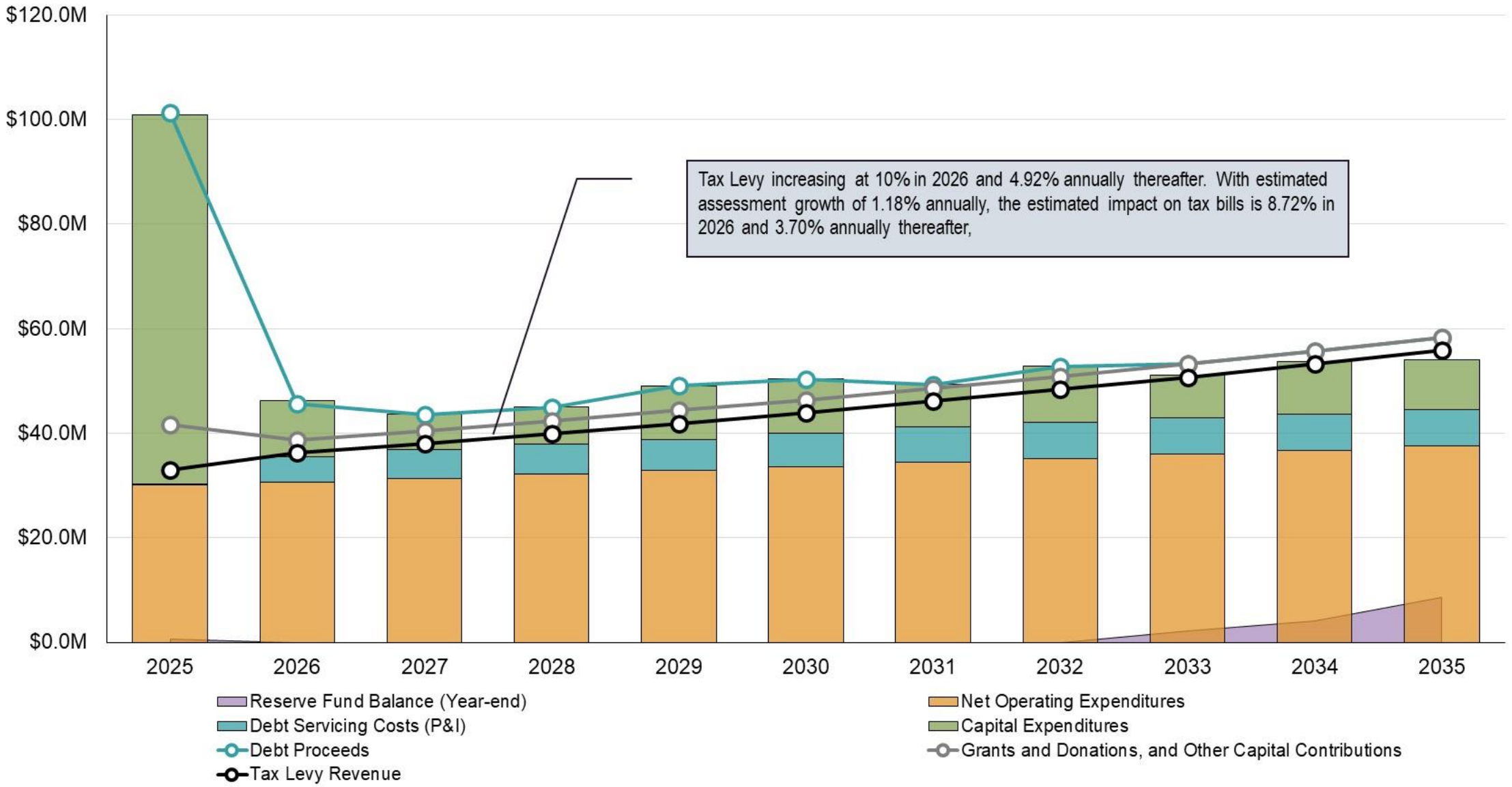
# Lifecycle Funding Gap Assessment

## Tax Bill Analysis – Average Single-detached House (CVA of $275,700)




- A phased strategy would allow the Town to gradually close the annual lifecycle funding gap by 2035.
- The first step of the phase-in would translate to an increase of approximately 8.7% ($248) on the Town portion of the average residential tax bill

# Financial Forecast




**Note**: The lines representing "Tax Levy Revenue", "Grants", and "Debt Proceeds" are stacked

# Discussion

The scale of the challenge is similar to what other municipalities across the province are experiencing

## Examples of approaches to mitigating the funding gap

### Ramp-up funding more gradually

- More work would be needed to identify how LOS would evolve over the short term
- Increased need for prioritization during budget process to allocate limited funds

### Reduce LOS targets

- Consider broad reductions across all asset classes or targeted reductions for specific asset classes/sub-classes (e.g., lower level of service for Local roads vs. Collector roads)

### Increase Reliance on External Funding

- Incorporate additional external grant funding into capital funding mix
- Increased uncertainty – need for monitoring