



Date: November 3, 2025

To: Mayor and Council

Author: Ryan McLeod, Director of Finance & Corporate Services

RE: Asset Management Plan – Financial Strategy

RECOMMENDED ACTION

That the Asset Management Plan Financial Strategy outlined in this report, **be adopted**;

And that Administration **be directed** to incorporate the Proposed Reserve Strategy outlined in Table 3 into future draft municipal budgets for Council's annual deliberation and approval.

BACKGROUND

In 2017, the Province introduced O. Reg. 588/17 under the *Infrastructure for Jobs and Prosperity Act, 2015* to establish standard content for municipal Asset Management Plans (AMPs). Specifically, this regulation requires that all AMPs include replacement costs, condition assessments, current and proposed levels of service, lifecycle activities and a financial strategy.

On April 28, 2025, Council adopted an updated Core Asset Management Plan which focuses on Roads, Bridges, Water, Wastewater and Stormwater assets. On August 11, 2025, Council adopted an AMP for Facilities, Parks, Parking Lots, and Equipment.

The final AMP component required to satisfy O. Reg. 588/17 is the adoption of a Financial Strategy.

DISCUSSION

The approved Asset Management Plans calculate the Total Replacement Cost and Annual Funding Requirement for each of the Town's major asset classes. The Annual Funding Requirement refers to the average amount of money that the Town should set aside each year to keep its infrastructure in a state of good repair.

Table 1 – Total Replacement Cost and Annual Funding Requirement

Asset Class	Current Replacement Cost	Annual Funding Requirement
Transportation	\$232,433,000	\$6,530,000
Bridges & Culverts	\$59,842,000	\$1,378,000
Water	\$189,396,000	\$2,151,000
Wastewater	\$162,424,000	\$2,352,000
Stormwater	\$130,885,000	\$2,025,000
Facilities	\$75,852,170	\$1,712,863
Parks & Parking lots	\$19,788,328	\$1,149,813
Equipment	\$19,314,000	\$1,413,601
Total	\$889,934,498	\$18,712,277

When comparing the Annual Funding Requirement identified in the AMPs to the current level of funding provided in the 2025 Municipal Budget, there is a significant deficit. As outlined in Table 2 below, the Town is currently only funding 56% the Annual Funding Requirement for its assets.

Table 2 – Annual Funding Requirement vs. Current Level of Funding

Asset Class	Annual Funding Requirement	2025 Lifecycle Funding Levels	2025 Funding Level %
Transportation	\$6,530,000	\$4,611,087	71%
Bridges & Culverts	\$1,378,000	\$910,000	66%
Water	\$2,151,000	\$1,317,000	61%
Wastewater	\$2,352,000	\$1,272,600	54%
Stormwater	\$2,025,000	\$150,000	7%
Facilities	\$1,712,863	\$935,000	55%
Parks & Parking lots	\$1,149,813	\$120,000	10%
Equipment	\$1,413,601	\$1,162,400	82%
Total	\$18,712,277	\$10,478,087	56%

The Town has made significant increases to its lifecycle funding over the past 8 years. However, rapidly increasing replacement values (i.e. inflation) in recent years have made it difficult to close this funding gap. Failing to address this funding deficit will result in one or more of the following outcomes;

- i) Lower levels of service as assets degrade and reach the end of their useful lives.
- ii) Volatile tax rate increases in years of necessity.

iii) Significant debt financing.

What this means for the average resident is; rougher roads, less reliable water and wastewater systems and facility closures. Degrading infrastructure or volatile tax rate increases, does not make Kingsville an attractive place to live, visit or do business. Increasing debt to replace existing assets has its limitations. The more tax dollars directed towards paying principle and interest on previously completed capital projects, means fewer tax dollars available for community enhancements.

Given rising construction costs, if the Town maintains its status quo funding levels, the Annual Funding Deficit will grow larger each year. According to Statistics Canada's Non-Residential Construction Index, costs have increased by an average of 6.1% per year, over the past 10 years.

FINANCIAL CONSIDERATIONS

The Town's strategic plan identified the goal of funding 85% of its Core Asset Annual Funding Requirement by 2030. However, due to rapidly increasing replacement values in recent years, the Administration is proposing the following funding strategy to reach this target by 2040.

Table 3 – Proposed Reserve Strategy

Asset Class	Annual Increase in Lifecycle Reserves*	% of Tax Levy	% of Water Revenue	% of Wastewater Revenue
Transportation	\$407,000	1.6%		
Bridges & Culverts	\$102,000	0.4%		
Water	\$173,000		3.8%	
Wastewater	\$196,000			4.3%
Stormwater	\$240,000	<i>Note A</i>		
Facilities	\$127,000	0.5%		
Parks & Parking lots	\$102,000	0.4%		
Equipment	\$102,000	0.4%		
Total	\$1,449,000	3.3%	3.8%	4.3%

*The dollar values represent the proposed 2026 increase. To address inflationary pressures on replacement values, the dollar value increase in any given year will be based on the respective % increase noted in the table.

Tax Levy Impact

Roads, bridges, facilities, parks and the majority of our equipment are all funded by the general tax levy, therefore, any increase in reserve contributions for these assets would have a direct impact on taxation. Based on the proposed strategy, the lifecycle reserve increases would require an annual tax levy increase of 3.3%.

Transportation

The current level of funding assumes the Canada Community Benefit Fund (formally known as Federal Gas Tax) and Ontario Community Infrastructure Fund (OCIF) remains relatively stable and will continue to be directed towards the replacement of existing road infrastructure.

Water

Funding the replacement of water infrastructure is provided through the Town's water rates. Increasing capital reserve contributions is expected to cost the average household approx. \$17 per year. Please note this increase refers to the capital contribution only. Further rate increases will be required to address municipal and UWSS operating cost escalations.

Wastewater

Funding the replacement of waste water infrastructure is provided through the Town's sewage rates. Kingsville residents currently enjoy one of the lowest sewage rates in the County, and a 4.3% increase to wastewater rates for capital replacement needs represents approx. \$22 per year for the average household. Again, further increases will be required to address rising operating and treatment expenses (i.e. OCWA contract).

Storm water

Storm water infrastructure funding is somewhat of a complicated topic for Municipalities with a mix of urban and rural populations, such as Kingsville. Under the Drainage Act, most of the costs associated with rural drainage systems are assessed directly to the benefiting property owners, so it would be unfair to expect rural property owners to also fund urban storm water infrastructure through general property tax rates.

The level of funding that the Town currently directs toward urban and rural storm drainage is relatively comparable. However, if Council is supportive of closing the infrastructure deficit on the urban storm sewer network, then an area specific storm sewer levy should be adopted. The development of such a levy requires considerable research and analysis of both costs and watershed. Administration recommends implementing an urban storm sewer levy in the 2027 municipal budget.

Overall

To be clear, the Annual Funding Requirements and rate increases proposed above refer to level of funding required to maintain existing infrastructure and other assets. Further rate increases will be required to respond to operating cost increases. Any additions or enhancements to our existing asset base would have to be funded through Development Charges or additional tax or user fee increases.

This proposed funding strategy is intended to provide long-term fiscal sustainability. Until the Town reaches a fully funded state, Administration may be required to borrow from one reserve to fund expenses in another asset category from time to time (i.e. internally debt finance).

Similar to the underlying Asset Management Plans, the proposed reserve strategy is based on the best information available at present time. As new information becomes available or environmental factors change, the reserve strategy may need to be altered from time to time. Administration intends to review this financial strategy at least once during every term of Council.


ENVIRONMENTAL CONSIDERATIONS

Proper asset management planning will ensure municipal infrastructure continues to operate at adequate levels of service, is properly maintained, and is replaced when required. This will have a positive impact on the environment. Some brief examples include:

- Well-maintained storm sewers will mitigate flooding and protect bodies of water from harmful stormwater runoff.
- Well-maintained sanitary sewers will mitigate flooding and reduce environmental spills.
- Extending the life of all assets through proper maintenance will reduce the frequency of major replacements. This reduces waste and the need for more non-renewable resources.

CONSULTATIONS

PREPARED BY:



Ryan McLeod, CPA, CA
Director of Finance and Corporate Services

REVIEWED BY:

A handwritten signature in black ink, appearing to read 'John Norton', written over a horizontal line.

John Norton
CAO