Municipality of Chatham-Kent

Infrastructure and Engineering Services

Asset & Quality Management

To: Mayor and Members of Council

From: Sean Hilderley, Manager of Asset & Quality Management

Date: July 13, 2026

Subject: Annual Asset Management Program Review

Recommendations

It is recommended that:

1. The annual Asset Management Program Review report for 2026 be approved.
2. The strategies to address Asset Management programs success outlined in this report be implemented over the next 12 months, with progress reported though the next annual Asset Management Program Review.

Background

The purpose of this report is to satisfy the mandatory annual review requirement under O. Reg. 588/17: Asset Management Planning for Municipal Infrastructure, s. 9, which requires every municipality to review its AM plans at least once per year and to report on:

(a) its progress in implementing the plan;

(b) any factors impeding implementation; and

(c) strategies to address those factors.

Since the last update to Council, Asset & Quality Management (A&QM) has worked with 26 distinct services to update their Detailed Asset Management Plans (DAMPs) and expanded on each service provider's understanding of long-term planning, risks and lifecycle obligations.

A&QM has begun working with Finance and Budget to create the Long-Term Financial Plan (LTFP) which is intended to provide Council with a ten-year outlook on the needs of the DAMPs to deliver a specific level of service along as compared to the fiscal realities of the budget, borrowing capacity and current reserve position. The first draft of the LTFP will be available in Q2 of 2027 to align with the next draft of the DAMPs and help guide the next multiyear budget process.

Comments

1. Progress in Implementing the Asset Management Plan

This section reports on the progress in implementing its AM program in accordance with the phased requirements of O. Reg. 588/17.

1.1 Regulatory Milestones

O. Reg. 588/17 establishes a phased implementation schedule for Ontario municipalities. The table below summarizes Chatham-Kent's status against each regulatory milestone.

Milestone / Deliverable	Required By	Status	Notes
Core Infrastructure AMP (Roads, Bridges, Water, Wastewater, Stormwater)	July 1, 2022	Completed 2022	External Consultant
Non-Core Infrastructure DAMPs (Police, Public Health, Recreation, Libraries etc.)	July 1, 2024	Completed 2024	Internally developed through newly formed A&QM department
Asset Lifecycle Activities & Whole Life Costs	July 1, 2024	Completed 2024	Completed with each unique service
Proposed Levels of Service	July 1, 2025	Completed 2025	Completed with each unique service
Full Regulation Compliance — All Asset Classes	July 1, 2026	Completed 2025	Completed with each unique service
Optimized AM Strategy (full portfolio)	July 1, 2027	In Progress	Develop a strategy to apply the AM Fund for allocation to services and mitigate the infrastructure gap.
Long-Term Financial Planning Integration	July 1, 2027	In Progress	Currently under development in co-ordination with Budget, Finance and A&QM

1.2 Detailed Asset Management Plans (DAMPs)

Chatham-Kent has developed DAMPs for each service to understand the resources required to ensure it delivers a known level of service today and into the future. Each DAMP documents staffing resources, program delivery goals, asset inventory, proposed levels of service, risks, demands, climate impacts, lifecycle activities, and financial planning requirements consistent with O. Reg. 588/17.

1.3 Levels of Service

Proposed Levels of Service (LOS) describe what services and infrastructure Chatham-Kent intends to deliver to the community. They are expressed across four lenses: Condition, Function/Quality, Capacity, and Sustainability. LOS measures connect program delivery (e.g., aquatics, library services, road network) to the underlying physical assets that enable those services.

A considerable amount of work has been done with each service to begin creating level of service targets to improve understanding of the LOS the public can anticipate receiving from the municipality and to improve reporting on how successful service delivery and programming goals have been in the previous year.

1.4 Capital Planning and Budget Integration

A core objective of Chatham-Kent's AM program is to ensure that the funding requirements identified in each DAMP are meaningfully connected to the annual capital and operational budgets and a credible LTFP. During the current review period, significant groundwork has been laid towards achieving that integration.

A capital investment prioritization framework has been developed to guide the ranking and selection of capital projects across the asset portfolio. Projects are evaluated against six weighted categories – Regulatory and Safety Compliance, External Funding Leverages, Lifecycle Renewal, Whole Life Cost Reduction, Growth-Related capital, and Level of Service Enhancement – with a Climate Lens connected to the Climate Change Action Plan. This framework provides a consistent, evidence-based basis for capital prioritization and supports transparent reporting to Council.

Long-Term Financial Plan Development (LTFP)

The single most important integration milestone of the AM program is the development of an integrated LTFP. This document will serve as the financial bridge between Chatham-Kent's DAMP outputs and the annual budget and reserve fund process – translating lifecycle cost projections, rehabilitation schedules, and replacement needs into a coherent, multi-decade fiscal framework.

A dedicated cross-departmental working group has been established to develop the LTFP, bringing together staff from Budget, Finance and A&QM. This collaborative structure is intentional; the LTFP is not an AM document alone. It is the connection between the AM world and the Budget and Finance world, and its credibility depends on shared ownership across all three functions.

The working group is currently progressing through the foundational phases of the LTFP development, including the consolidation of asset-class funding requirements from completed DAMPs, the establishment of inflation and cost-escalation assumptions, the assessment of current reserve fund adequacy relative to future replacement needs, and the development of scenario-based funding models. The first draft of the integrated LTFP is targeted for completion in February 2027.

1.5 Data and Systems

Reliable, current, and well-structured asset data is the foundation of credible AM planning. Without it, condition assessments are incomplete, lifecycle cost projections are unreliable, and the funding arguments presented to Council lack the evidentiary basis they require. Significant work has been undertaken during this planning period to assess and improve the quality of the AM data across all services.

Service-by-Service Data Quality Assessment

Staff have been working with each service group across the organization to evaluate the quality of their AM information against a common set of data quality dimensions. Each service areas data will be assessed across four measures

- **Completeness** – the extent to which asset records exist and contain the required fields (e.g. assed ID, location, material, installation year, condition rating, replacement cost value)
- **Accuracy –** the degree to which recorded data reflects the true physical and financial state of the assets, including whether condition ratings are current and replacement costs values are based on reliable unit cost measurements.
- **Criticality –** whether the adequately reflects the relative importance of each asset to service delivery, enabling risk-based prioritization of data improvement and investment decisions.
- **Timeliness** – the ability to access data when it is needed to support planning, reporting and decision-making, including the currency of records and the efficiency of data retrieval.

Data quality assessments will be ongoing to ensure that on a service-by-service basis Chatham-Kent can identify where data gaps exist, which gaps carry the greatest planning risks, and which targeted improvement efforts will have the most significant impact on the quality and reliability of DAMP outputs.

Asset Management Data Standard Development

To support consistent data collection, reporting and integration across service areas, the AM teams have been developing a formalized AM data standard for Chatham-Kent. The standard defined the data fields, formats, controlled vocabularies, spatial requirements and quality thresholds that apply to all AM data collected or maintained by the Municipality and its consultants.

The standard establishes a universal set of core fields required for every asset record, supplemented by asset-class-specific field requirements. It incorporates a five-dimension Data Quality Score (DQS) framework that provides an objective, auditable measure of data quality at the asset-class level, enabling year-over-year tracking as data improvement work continues.

The AM data standard has been drafted and will be brought forward for organizational approval in 2026. Once approved, it will govern all future asset related data collection activities, consultant deliverables, and system configurations, ensuring that asset data collected across service areas meets a consistent and defensible standard.

Software Needs Assessment

Alongside the data quality assessment, staff have been conducting a service-specific software needs assessment across the organization. The purpose of this assessment is to identify where data quality deficiencies and operational inefficiencies in AM and service delivery could be effectively addressed through purpose-built software tools.

The assessment examines each service area’s current data management practices, reporting capabilities, and operational workflows, and evaluates whether the introduction of an AM information system (AMIS) or other software platform could materially improve:

- The completeness, accuracy, and currency of asset records.
- The efficiency of condition data collection and update processes.
- The ability to generate timely reports on asset conditions, work orders, and maintenance history
- The integration of asset data with capital planning, budget, and financial systems
- Chatham-Kent’s capacity to meet the ongoing data and reporting requirements of O.Reg. 588/17

The findings of the software assessment will inform a business case and procurement strategy for any recommended system and will be coordinated with the data standard and LTFP development timeliness to ensure that any new tools are implemented within a coherent data governances’ framework.

1.6 Performance monitoring

Proposed Levels of Service (LOS) describe what services and infrastructure Chatham-Kent intends to deliver to the community. They are expressed across four lenses: Condition, Function/Quality, Capacity, and Sustainability. LOS measures connect program delivery (e.g., aquatics, library services, road network) to the underlying physical assets that enable those services.

1.7 Management reporting

Effective AM depends not only on good plans and data, but on timely, accurate reporting that keeps decision-makers informed and creates organizational accountability for implementation progress. Chatham-Kent is working to establish a consistent management reporting framework for AM that operates at three levels: Operational, Management and Council.

Reporting Framework

Reporting Level	Audience	Content and Purpose
Operational	**Service Managers, AM Staff**	Work order completion, condition data currency, maintenance backlog, data quality scores by service area, capital project delivery status.
Management	**Senior Leadership Team, Directors**	DAMP implementation milestones, data quality improvement progress, LTFP development status, software needs assessment findings, cross departmental integration updates.
Council	**Council of Chatham-Kent**	Annual DAMP review report, infrastructure gap dashboard, level of service performance summary, capital investment prioritization outcomes, LTFP progress updates.

Key Performance Indicators

The following key performance indicators (KPIs) are proposed to track Chatham-Kent's AM program on an ongoing basis. These indicators will form the basis of the annual management report and the Council-Level Infrastructure Gap Dashboard.

Indicator	Reporting Frequency	Notes
Average Data Quality Score (DQS)	Annual	Target: Improvement year over year
Infrastructure Gap by asset class	Annual	Trend tracked over time
% of capital program aligned to DAMP priorities	Annual	Via LTFP framework
Reserve fund adequacy ratio by asset class	Annual	Compared to replacement cost values thresholds
Operating Surplus Ratio (OSR)– by each service and combined total	Annual	Reported to EMT and Council
Asset Renewal Funding Ratio (ARFR) - by each service and combined total	Annual	Reported to EMT and Council
% of capital projects delivered on time and within budget parameters	Annual	Reported in DAMP annual review

2. Factors Impeding Implementation

Effective AM requires sustained organizational commitment, adequate resources, and sound governance. The A&QM department has identified the following factors that are materially influencing the pace and effectiveness of implementation.

2.1 Limited Asset Management Literacy at the Governance Level

AM is a technical and financial discipline that requires decision-makers to understand concepts such as lifecycle costs, demands, risks, levels of service as well as service level tradeoffs of deferred maintenance. At present, Council's familiarity with these concepts varies, which can make it challenging to fully translate technical findings into governance decisions that determine funding.

Where familiarity is limited, it is more difficult for Council to evaluate the long-term consequences of capital and operating budget decisions, assess trade-offs between service levels and costs, or leverage AM information to guide strategic priorities.

The impact of this is that AM recommendations are often deprioritized or deferred without full appreciation of the downstream consequences for service delivery, infrastructure reliability, or higher long-term costs.

2.2 Budget Decisions Disconnected from Levels of Service Impacts

Capital and operating budget reductions are often made without a clear line of sight to the service level consequences that will follow. When the link between funding and service delivery outcomes is not made explicit, Council is not positioned to make fully informed budget decisions — and the community is not informed of the trade-offs being accepted on their behalf.

Under O. Reg. 588/17, Chatham-Kent is required to identify proposed levels of service and the activities and expenditure required to achieve them. When budget decisions are made in isolation from those LOS commitments, the Municipality falls short of its own service standards and its regulatory obligations.

Isolated budget reductions will result in deferred maintenance, accelerated asset deterioration, program reductions, higher lifecycle costs, increases to the infrastructure gap and – ultimately - service disruptions that are more costly to remedy than to prevent. The budget reductions translate into lower levels of service which is counter to the messaging that is provided to the public and will inevitably create mistrust from the public to assume that levels of service can be maintained without proper resources.

2.3 Absence of an Integrated Long-Term Financial Plan

Chatham-Kent is currently in the process of developing an integrated Long-Term Financial Plan (LTFP) that directly connects DAMP requirements to the annual budget process and to long-term fiscal strategy which includes reserve and debt usage.

Until this integration is established, funding needs identified in DAMPs—including lifecycle programs, reserve contributions, and replacement planning—are not yet fully incorporated into a unified multi-year financial framework.

The absence of a fully integrated LTFP may limit the Municipality's ability to consistently align long-term infrastructure needs with funding strategies, including reserves and debt planning. Advancing this work will strengthen the connection between planning and implementation.

2.4 Service Level Expectations Inconsistent with Fiscal Reality

A fundamental tension exists between the expectation that Chatham-Kent will maintain or improve current service levels, and the fiscal constraint of holding tax increases to a minimum. These two positions are not simultaneously achievable across a growing infrastructure portfolio with aging assets requiring ongoing maintenance along with rising replacement costs.

AM planning provides the evidence to have informed conversation with the community: what services are being delivered, at what cost, and what the consequences of different funding choices will be. Without that evidence-based dialogue — grounded in the LOS frameworks and financial projections of the DAMPs — budget decisions may reflect short-term political comfort rather than long-term fiscal and service sustainability. Council has assumed unfunded service level commitments over the last 3 budget years due to this perspective.

The impact to the service level expectations being inconsistent with the fiscal realities will be that Council assumes unfunded service level commitments, and the infrastructure gap will continue to accumulate silently. In doing so, current and all future Councils inherit larger problems with fewer options to resolve the concerns. This position also guarantees lower levels of service, some of which will be made inevitably through involuntary reductions because of infrastructure failure. History has proven countless times that infrastructure will not wait for the optimal time to fail.

3. Strategies to Address Implementation Impediments

The following strategies are proposed or underway to address the factors identified in Section 2. Each strategy is linked to the specific impediment it is designed to resolve and includes a proposed timeline and accountability.

#	Strategy	Addresses Impediment	Proposed Completion / Lead
3.1	AM Literacy Program for Council	2.1	2028 / A&QM
3.2	Levels of Service Reporting Linked to Budget Decisions through the LTFP	2.2	2028 / Budget + Finance + A&QM
3.3	Development of an Integrated Long-Term Financial Plan	2.3	2027 / Budget + Finance + A&QM
3.4	Evidence-Based Service Level Trade-off Framework	2.4	2028 / Budget + Finance + A&QM
3.5	Council Reporting: Infrastructure Deficit Dashboard	2.1, 2.2	2029 / A&QM

3.1 Asset Management Literacy Program for Council

A&QM will develop and deliver a structured AM education program for Council. The program will be designed to build a working understanding of key AM concepts, including:

- Relationships between asset condition, lifecycle cost, and service delivery
- How levels of service are defined and funded
- Impacts of deferred maintenance
- The role of AM in the budget process
- Regulatory requirements under O. Reg. 588/17

Delivery may include workshops, summary materials, dashboards, and orientation resources for new Council members.

3.2 Levels of Service Reporting Linked to Budget Decisions

Staff will implement a practice of presenting explicit Level of Service impact statements alongside capital and operating budget recommendations. For any proposed budget reduction affecting an asset-intensive service area, a corresponding LOS impact statement will document the expected change in service delivery outcomes, the assets affected, the lifecycle cost implications, and the regulatory context. These will:

- Identify service implications of funding changes
- Describe affected assets and lifecycle considerations
- Provide context for informed decision-making

This approach supports alignment between approved budgets and corresponding service levels while improving transparency for Council and the public.

3.3 Development of an Integrated Long-Term Financial Plan

Chatham-Kent is developing an integrated Long-Term Financial Plan (LTFP) that will serve as the financial bridge between the DAMPs and the annual budget process. The LTFP will:

- Consolidate the funding requirements of all DAMPs into a 10+ year financial projection.
- Identify reserve fund adequacy gaps and recommend contribution strategies to close them.
- Model scenario-based funding pathways, including the fiscal impact of differing service level and investment choices.
- Connect AM lifecycle costs to operating and capital budget envelopes.
- Provide Council with a defensible, long-term fiscal framework for infrastructure investment.

3.4 Evidence-Based Service Level Trade-off Framework

A structured framework will be developed to present funding and service level scenarios, such as:

- Current funding trajectory
- Full funding to maintain service levels
- Reduced funding scenarios

The objective is not to advocate for a particular funding level, but to ensure that Council and the public understand what they are deciding when they make budget choices — and to create accountability for those decisions in the public record.

3.5 Infrastructure Gap Dashboard

Staff will develop a concise, plain-language Infrastructure Gap Dashboard to be presented to Council on an annual basis, alongside this annual review report. The dashboard will show:

- Total replacement cost value (RCV) of municipal infrastructure by asset class.
- Overall condition profile (percentage of assets in good, fair, poor, and critical condition).
- Estimated infrastructure deficit (replacement cost of assets in poor/critical condition).
- Annual funding required to maintain the current condition profile versus current budget allocation.
- Year-over-year trend in condition and deficit.

4. Next Steps and Priorities for the Coming Year

Based on the progress, impediments, and strategies described in this report, the following priorities are identified for the next review period:

Priority	Action	Target Date
1	Complete DAMP for Corporate Services	*Q3 / 2027*
2	Deliver Council AM literacy workshop and material	*Q1 / 2027*
3	Launch LTFP Phase 1 — data integration and initial financial model]	*Q2 / 2027*
4	Implement LOS budget reporting for [Year] budget]	*Q2 / 2028*

Council Term Priorities

This report supports the following Council Term Priorities:

Deliver Excellent Service	Promote Safety & Well-Being	Grow Our Community	Ensure Environmental Sustainability
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Consultation

Over the last year, A&QM staff have continued to engage with departments to review the program and seek methods to improve its effectiveness and delivery.

Diversity, Equity, Inclusion and Justice (DEIJ)

This report specifically does not have implications related to diversity, equity, inclusion, or justice.

Financial Implications

There are no direct financial implications as the recommended actions will be achieved through current staffing capacity.

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Attachment: None