Municipality of Chatham-Kent

Infrastructure & Engineering Services

Asset & Quality Management

To: Mayor and Members of Council

From: Sean Hilderley, Manager, Asset & Quality Management

Date: June 23, 2025

Subject: Consolidated Non-Core Detailed Asset Management Plans - 2025

Recommendations

It is recommended that:

1. The proposed levels of service for the Non-Core Detailed Asset Management plans be adopted by Council and the funding implications of those levels of service be implemented into the 2028-2031 Multi-Year Budget process.
2. The consolidated Non-Core Detailed Asset Management Plans for be adopted by Council.

Background

The Municipality of Chatham-Kent is the steward of many public services which are supported by a vast network of infrastructure that has been built up over several decades. Chatham-Kent has a large registry of municipal assets that requires careful planning and coordination to ensure sufficient resources are available to operate, maintain and renew the assets at the optimal time for the lowest annual average cost.

In 2018, the Province of Ontario enacted *O.Reg 588/17*, titled *Asset Management for Municipal Infrastructure*, under the *Infrastructure for Jobs and Prosperity Act (2015)*. The regulation aims to ensure that all municipalities in Ontario establish an Asset Management (AM) program, enabling them to comprehend their long-term fiduciary and social responsibilities related to the infrastructure that supports public services.

The Asset Management System (AMS) is specifically designed to provide the Council with the necessary evidence and insights to make informed decisions about the long-term and cumulative costs and obligations associated with delivering public infrastructure and services. By continuously developing its AMS, Chatham-Kent will ensure that it possesses the relevant data, education, and processes required to successfully implement an effective AM system.

In 2024, staff presented 19 non-core DAMPs to the Council, accompanied by a summary document that is now accessible on the municipal website. These initial

DAMPs marked the first phase of implementing the AMS in Chatham-Kent, which is crucial for fulfilling legislative obligations, establishing an evidence-based decision-making model, and developing service level measures.

On April 28, 2025, staff introduced the Core DAMPs for Roads, Bridges & Culverts, Water, Wastewater, and Stormwater. They outlined both the current and proposed levels of service (LOS) for these assets, as mandated by legislation. These plans serve as frameworks to aid the Council in making informed decisions that directly link their investment funds to measurable service level outcomes.

The purpose of this report is to bring Non-Core DAMPS and approve proposed levels of service (LOS) for these assets, as mandated by legislation.

The Municipality of Chatham-Kent is dedicated to adhering to regulatory requirements and continuously enhancing its AM knowledge and practices by proactively integrating the AMS throughout the municipality. This approach demonstrates sound stewardship and forward-thinking planning. Compliance with fully developed DAMPs is essential for accessing upper-level government grants, including the Canada Community Building Fund, the Ontario Community Infrastructure Fund, and other available infrastructure grants.

Under O.Reg. 558/17, Chatham-Kent must fulfill specific legislative obligations related to understanding the stewardship costs of service delivery over a ten-year planning horizon. The legislation also requires Chatham-Kent to articulate the LOS that can realistically be provided to the public within the available budget over this ten-year period by July 1, 2025.

O. Reg 588/17 mandates that each DAMP outline its current LOS and proposes a sustainable level based on its financial plan and capacity. The legislation instructs each municipality to assess whether service levels are sustainable or if adjustments are necessary to ensure sustainability by gradually bridging its infrastructure gap. While the legislation stipulates a 10-year planning horizon at minimum for DAMPs, Chatham-Kent has opted for a 30-year planning period to effectively reduce its infrastructure gap of nearly $2.4 billion to a sustainable level.

Levels of Service

Levels of Service (LOS) can be best understood as the value that specific assets or services provide to the community. This concept does not relate to the financial value that could be realized from selling an asset; rather, it highlights the benefits offered to the public in relation to the costs associated with delivering that service or providing that asset. Each DAMP outlines a LOS that illustrates what the public can anticipate from each service. In alignment with the Strategic Asset Management Policy (SAMP), Chatham-Kent will monitor and report on these LOS annually for each service.

It is crucial for Chatham-Kent to have a system in place that allows for an equitable comparison of services, enabling the Council to understand the impact that budget and funding decisions have on expected outcomes. Each service provided by Chatham-Kent fulfills a distinct role. Historically, the challenge for the Council has been to evaluate diverse services, such as Police and Library functions, to make well-informed decisions regarding investment allocations.

To tackle this issue, Chatham-Kent has established a process outlined in the SAMP, which adheres to both international best practices and provincial standards. This method empowers the Council with the essential tools needed to compare services that serve vastly different purposes effectively.

To effectually measure each services LOS Chatham-Kent has adopted three key standardized measures. These are utilized by all service providers to ensure a consistent evaluation, despite the significant differences in the purpose of each service. The DAMPs will utilize a Level of Service statement that describes at a high level of what Chatham-Kent intends to provide to the public. To ensure each service is comparable the LOS statements are centered around central concepts that are true for each service which are condition, function and capacity.

- Condition LOS – This pertains to the physical state and quality of the assets, or the overall quality of the service provided.
- Function LOS – This focuses on how well the asset or service meets its intended purpose.
- Capacity LOS – These focus on how often asset or service is being utilized for its designated purpose. This helps determine if Chatham-Kent should consider having more or fewer of these assets.

The LOS statement utilizes standardized descriptions that focus on customer value by narrowing statements using terms such as reliability, accessibility, responsiveness, affordability, quality, timeliness, responsiveness and cost.

These core LOS measures are crucial in defining the framework within which each service operates, ensuring that every aspect of service delivery aligns with the community's expectations and needs. By clearly articulating these principles, Chatham-Kent can provide transparent, efficient, and accountable asset and service management. This approach not only enhances service quality but also fosters trust and engagement with residents, empowering them to have a clear understanding of what to expect from their local services.

The plans which include their current level of service and proposed LOS's can be found at the following location Detailed Asset Management Plans.

Comments

The current proposed levels of service outlined within each DAMP are considered to be initial statements and measures to provide a starting point for Chatham-Kent and will continue to be developed in conjunction with the development of the Long-Term Financial Plan (LTFP). The LTFP will be ingrained in the budget process to clearly identify what targets Council needs to fund so that CK can be legislatively compliant and to meet the service level goals over time.

The Long-Term Financial Plan (LTFP) is crucial for addressing the infrastructure gap, currently estimated at approximately **$2.363 billion**. The table below, titled "Infrastructure Gap by Asset Class," highlights Chatham-Kent's ownership of valuable assets and underscores the substantial disparity between available funding and the resources needed to sustain the current level of service.

Table 1: Infrastructure Gap by Asset Class

Funding Method	Asset Plans	Replacement Cost ($Billion)	Annual Gap ($)	10 Year Gap ($)	% Funded
Taxation	Bridges / Culverts	$1.49	$ 21,521,000	$ 215,210,000	44%
Taxation	Roads	$4.01	$ 46,340,000	$ 463,400,000	58%
Taxation	Storm Water	$1.68	$ 58,401,000	$ 584,010,000	21%
Taxation	Non-Core Assets	$1.62	$ 48,988,000	$ 489,880,000	74%
PUC Rates	Waste Water	$1.76	$ 32,284,000	$ 322,840,000	53%
PUC Rates	Water	$2.47	$ 28,789,000	$ 287,890,000	79%
	Total	**$13.03**	**$236,323,000**	**$2,363,230,000**	

When a gap is as considerable as $2.363 billion and in conjunction of the available funding resources to the Council it is clear that the current LOS cannot be maintained as they are, and considerable work will be required to manage and achieve sustainability over time.

Options to Manage the Gap

The gap cannot be fixed in a singular year. Instead, the best methodology to manage the gap is to set an annual target to reach sustainability over a longer period which is recommended to be 30 years. To achieve sustainable levels of service for the current and future generations Council will need to consider implementing all approaches to managing the gap which include:

1. **Reductions of levels of service –** changing and setting appropriate levels of service for what is affordable.
2. **Fund the gap** – increase/reallocate funding for the gap, utilize debt, advocate for increased funding from other levels of government.
3. **Disposals or closures of assts –** reduces long term costs for operations, maintenance, and renewal.
4. **Relocate services for Co-habitation** – focus efforts on reducing costs of services at facilities by optimizing facility usage.
5. **Defer projects** – Prioritize projects to manage the infrastructure gap.

Achieving a balance among suitable tax rates, effective use of debt, optimizing and right-sizing assets and services, along with securing funding from higher levels of government, is essential for Chatham-Kent to attain intergenerational equity and the desired service levels. It is crucial for Chatham-Kent to focus on making its services sustainable; otherwise, service levels will significantly decline over time. Some future reductions in service levels may not be intentional but rather a result of assets deteriorating to a point where the maintenance costs become unmanageable.

Council Sets the Level of Service

Each level of service requires resources to ensure it can be achieved and sustained. Council provides all the resources through the budget process and as such, is responsible for setting the levels of service. In the future, the AMS and LTFP will assist Council in prioritizing the most critical needs to ensure that resources are deployed where they can have the most significant impact on meeting levels of service.

Staff will provide support and information session for council to continue to develop their understanding of the relationship between the budget and LOS outcomes which will include setting goals and targets over time.

Overview Document

The attached overview document aims to give the council a comprehensive view of the details related to the DAMP at a high level. It outlines:

- Chatham-Kent's total municipal infrastructure gap
- The current gap for each service
- Context regarding each service's assets, including average condition and total replacement cost

Additionally, the document explains how the individual DAMPs are organized, while also providing insights into the levels of service, associated risks, and current demands. The overview document content will be improved annually to ensure the document support the delivery and understanding of the Detailed Asset Management Plans.

Council Term Priorities

This report supports the following Council Term Priorities:

			

Deliver Excellent Service	Promote Safety & Well-Being	Grow Our Community	Ensure Environmental Sustainability
5 a		3 a	

Consultation

Over the last 2 years, A&QM staff have organized 174 meetings with 26 municipal services, committing 2,900 hours to collect data necessary for the DAMPs. A&QM has conducted more than 152 educational sessions and will continue to offer training as the municipality's AM knowledge evolves and matures.

Communication

Upon Council approval, the DAMPs and accompanying overview document will be published on the Chatham-Kent municipal website for public access.

All staff engaged in AM planning have undergone training to equip them with the skills and knowledge needed to start implementing and utilizing the AMS, DAMPs, and strategy. Ongoing educational sessions will continue to be held to ensure that Service Levels are established, communicated, and integrated into every plan. Additionally, training will be extended to include specific operational staff, ensuring that Chatham-Kent maximizes service delivery and reporting through the DAMP process.

In the next three years, each service will seek feedback from the community through a structured AM survey. This survey aims to collect customer preferences regarding service levels and initiate an ongoing conversation with the community to educate and gather insights. The objective is to formally engage with the community on an annual basis, allowing the municipality to adapt and proactively meet the evolving trends and expectations for service levels.

Additionally, the administration is in the process of developing a financial advocacy plan as part of the Long-Term Financial Plan (LTFP) development.

Diversity, Equity, Inclusion and Justice (DEIJ)

This report specifically does not have implications related to diversity, equity, inclusion, or justice. The DEIJ area will be consulted in the preparation of the public AM survey to ensure the survey considers diversity, equity, inclusion, and justice elements as appropriate.

Financial Implications

The overall financial implications are challenging to articulate however the obvious impact stems from the identified Infrastructure Gap. Over the 10-year planning horizon of the DAMPs it is estimated that the 10-year gap is **$2.363 Billion** or on average, **$236,300,000** per year. As the DAMPs evolve over the next 2 years and better data is gathered and incorporated, the gap accuracy will improve and increase in data confidence. There will are no Administration recommendations of adjustments to the 1.5% lifecycle AMP requirements approved by Council in the **2024-2027** Multi-Year Budget or the upcoming 2026 and 2027 Budget Updates.

The primary implications of a budget gap pertain to the sustainability of service levels. A significant discrepancy between the projected budget and the forecasted costs indicates that the current service levels are not sustainable. The consequences of operating with such a significant gap include:

1. Unsustainable maintenance activities (increased reactive maintenance costs, increased risk to human safety, reductions to availability of services).
2. Unsustainable operational activities (reductions in staff availability, reduced operating hours, reduction in efficiency).
3. Forced reductions in LOS.
4. Unable to perform renewals in a timely manner.
5. Unable to afford the acquisition of new assets for services or to renew assets.
6. Reputational damage and harm.
7. Increased risk of fines, penalties, or lawsuits.
8. Reduced likelihood of receiving grants from both senior levels of government.

Recognizing the financial 'gap' allows the Council and staff to make informed decisions on how to manage this gap over time, aiming for intergenerational equity. It is unrealistic to expect that the gap can be closed within the 10-year planning horizon of the DAMPs. A longer-term approach is necessary to manage the gap effectively, and CK will strive to close this financial gap over a 30-year period. To assess its financial sustainability, CK will employ three key metrics: the Asset Renewal Funding Ratio, the Operating Sustainability Ratio, and the Lifecycle Funding Ratio. These metrics will serve as benchmarks and objectives, ensuring CK achieves sustainability and intergenerational equity, and will be incorporated into both the DAMP documents and the LTFP.

Another financial aspect of the DAMPs is that the Province of Ontario has begun linking the completion and sustainability of these DAMPs to access specific funds, such as the Ontario Community Infrastructure Fund (OCIF) which provides Chatham-Kent with approximately $10 Million in annual funding.

The Federal Government also links the DAMPs to funding of the Canada Community Infrastructure Fund with approximately $6.5 Million in annual funding and various housing funding programs. Furthermore, certain grant opportunities now rely on the specific outcomes of the DAMPs to influence Provincial or Federal funding decisions for various initiatives, including the Canada Public Transit Fund. The trend of government agencies using DAMP outcomes to shape funding allocations is expected to increase in the future and is often required in one-time grants that become available. Therefore, it is crucial for Chatham-Kent to enhance its strategies to maximize funding opportunities.

Next Steps

The next phase of the AM program will include:

1. Undertaking level of service information sessions with Council to outline the process for setting future levels of service and review the potential financial impacts of DAMPs on the next multi-year budget process.
2. Updating non-core Detailed Asset Management Plans to define the current and future levels of service for each service.
3. Completing a corporate service DAMP to consolidate multiple services.
4. Develop Long-Term Financial plan to align DAMPs with the budget process for both property tax and rate funded (PUC) areas.
5. Annual updates for current DAMPs – financial plans, demand drivers, asset data, risks, lifecycle costs, etc.
6. Develop legislatively required annual Asset Management Progress report to Council that must address:
   a. Chatham-Kent’s progress in implementing its asset management plan.
   b. Any factors impeding Chatham-Kents ability to implement the DAMPs.
   c. The strategy and plan to address any factors impeding the ability to implement the DAMPs.
7. Continue to develop the next phases of the Asset & Quality Management program over the next 5 years.
8. Financial Advocacy plans are developed to aid Council and PUC to both educate the public and upper-level governments.

Prepared by: Sean Hilderley, Manager Asset & Quality Management

Reviewed by:

Edward Soldo, General Manager, Infrastructure and Engineering Services

Gord Quinton, General Manager, CFO/Treasurer – Finance, budget, Information Technology & Transformation

Attachment: 2025 DAMP Overview Document