



## **Administrative Report**

**To:** Warden MacDonald and Members of Essex County Council

**From:** Melissa Ryan, CPA, Director, Financial Services/Treasurer

**Date:** Wednesday, June 18, 2025

**Subject:** 2025 Asset Management Plan (AMP)

**Report #:** 2025-0618-FIN-R14-MR

---

### **Purpose**

The purpose of this report is to provide Council with an update to the Corporation's Asset Management Plan (AMP) in accordance with Ontario Regulation 588/17 ("O.Reg 588/17") and receive direction to include funding in the 2026 Budget to gradually fund the shortfall in replacement costs of assets.

### **Background**

An Asset Management Plan is a systematic process that provides for the operation, maintenance, upgrade and ultimate disposal and/or replacement of physical infrastructure/assets. The process combines multi-disciplinary management techniques, including technical and financial, over the lifecycle of the asset(s). The objective is to maximize the benefits of the asset, manage the risk associated with the asset and provide appropriate levels of service to the public in a sustainable manner.

The County began its asset management practices back in the early 2000's, well ahead of legislation and Administration continues to annually update the plan as directed by legislation as well as incorporate necessary funding into the annual budget process.

O.Reg 588/17 sets out a multi-year progression of AMP principles and deliverables. The most recent deadline, July 1, 2025, requires municipalities to provide key asset attribute data, including the current composition of the asset portfolio, an estimation of its current replacement value and an assessment of the current capital spending framework. The Draft 2025 Asset

Management Plan (Attached as Appendix A) meets the requirements of O.Reg 588/17.

The 2013 AMP included only linear assets. The 2017 AMP was expanded to include all municipal assets. The 2022 AMP took a deeper dive into the analysis of linear assets only. The 2024 iteration of the plan improved the level of data accuracy and relevance to today's economic, social and political environment and was expanded to include all municipal assets once again. The 2025 plan represents our most robust analysis to date and forms our foundation for going forward (based on current legislation). Council has set the proposed levels of service. The financing strategy is identified in the plan and will be incorporated into the 2026 budget for deliberation.

## **Discussion**

The AMP includes a comprehensive assessment of the state of local infrastructure and assets across each service category. It outlines the County's current levels of service and associated performance metrics, including both qualitative descriptions and technical Key Performance Indicators (KPIs), in line with the 2025 requirements under O. Reg. 588/17. The plan also details the County's lifecycle management strategies, risk framework, and replacement cost projections to support evidence-based decision-making and long-term sustainability.

The data presented is based on assets in service as of December 31, 2023, and reflects replacement needs at the end of each asset's anticipated useful life. Assets required to support future growth and capacity expansion are addressed separately in the Projected Growth sections of the plan.

The AMP is built upon foundational elements including a detailed asset inventory, condition assessments, estimated remaining useful life, and current replacement costs. These components are used to develop long-range financial strategies that optimize asset performance and ensure fiscal responsibility. The following sections present key statistics for each of these building blocks, providing context and insight into the County of Essex's asset management program and its alignment with provincial regulations.

## **Asset Portfolio Summary**

---

As outlined in the Table below, assets are generally in good overall condition, however there is an annual funding deficit of \$30.8 million that, if not addressed, could lead to decreased levels of service and a deteriorating

asset base. The County has successfully implemented several preventative maintenance strategies and takes a proactive approach to maintaining and repairing assets, which has directly resulted in an overall favourable condition assessment. However, maintenance and repairs only go so far and eventual replacement of assets is inevitable.

#### Asset Portfolio Summary

Category	Replacement Cost (million)	Weighted Average Condition	Annual Requirement	Annual Deficit
<b>Road Network</b>	\$606.9	65.3% (Good)	\$34,819,900	\$21,520,700
<b>Bridges &amp; Culverts</b>	\$309.4	63.9% (Good)	\$9,120,400	\$6,185,000
<b>Stormwater Network</b>	\$21.4	91.8% (Very Good)	\$535,300	\$535,300
<b>Infrastructure and Planning Services</b>	\$38.3	63.6% (Good)	\$2,257,300	\$368,100
<b>Sun Parlor Home</b>	\$67.1	72.3% (Good)	\$1,810,800	\$1,571,400
<b>Emergency Medical Services</b>	\$76.4	81.2% (Very Good)	\$5,520,100	\$771,500
<b>General Government Services</b>	\$41.7	75.4% (Good)	\$920,700	(\$227,200)
<b>Essex County Library</b>	\$6.3	45.5% (Fair)	\$635,500	\$41,200
<b>Essex Windsor Solid Waste Authority</b>	\$40.3	62.7% (Good)	\$2,971,500	\$14,900

Category	Replacement Cost (million)	Weighted Average Condition	Annual Requirement	Annual Deficit
Total	\$1,207.8	66.9% (Good)	\$58,591,500	\$30,780,900

## Total Replacement Cost of Asset Portfolio

---

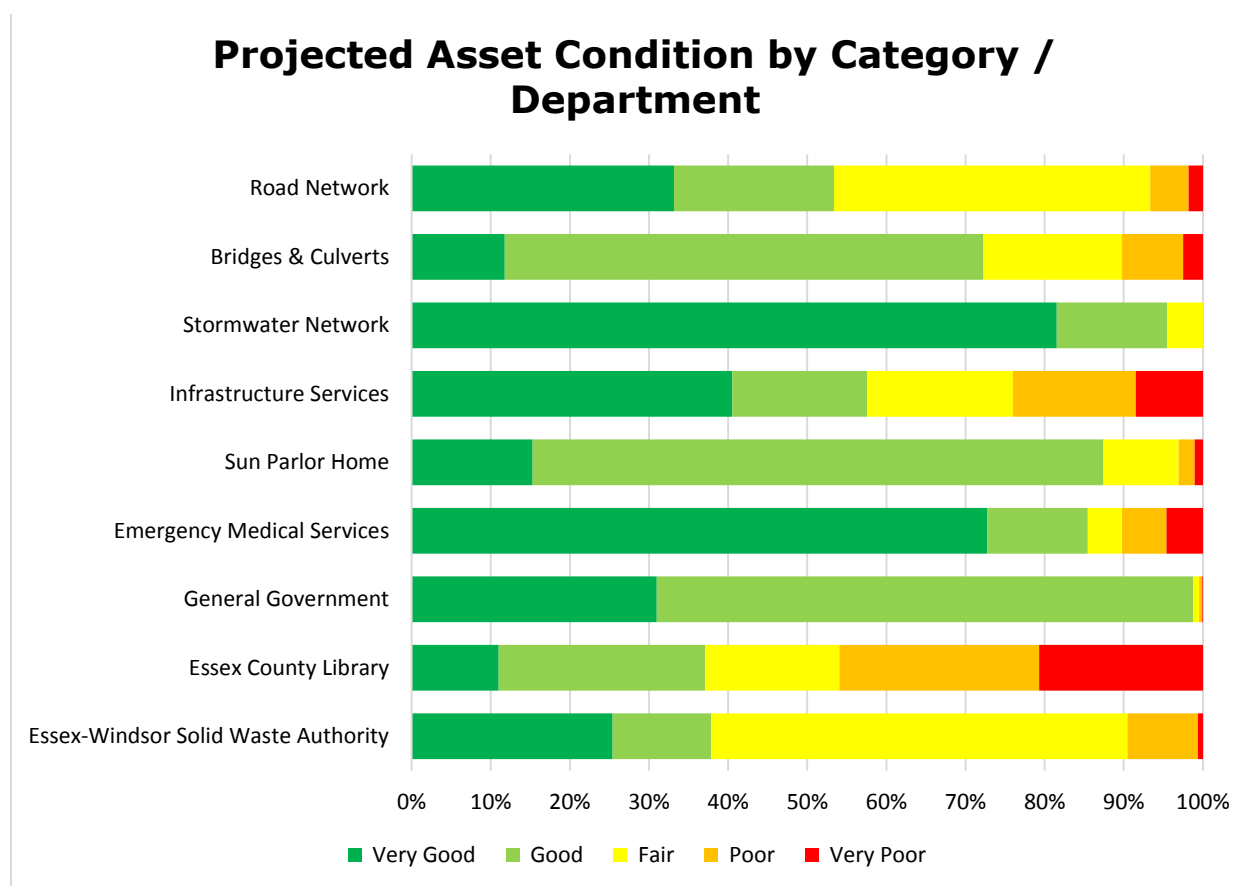
The County's total replacement cost for all assets stands at approximately \$1.2 billion. This estimation includes all types of assets, from linear assets like roads and CWATS routes to other non-core assets such as buildings, fleet and equipment. Replacement costs for linear assets were calculated based on current cost per lane kilometer or deck area, inflated annually, while costs for roundabout intersections were determined using historical data inflated quarterly. For all other municipal assets, replacement costs were established through consultation with industry professionals, departmental managers, and review of historical price trends and current market prices.

## Condition of Asset Portfolio

---

The overall condition of County assets is integral to achieving and maintaining desired levels of service. The portfolio consists of 92.3% of core assets and 90.4% of non-core assets that are in Fair or Better condition. Further, 60.6% of core assets and 75.8% of non-core assets are in Good to Very Good condition. Core infrastructure assets continue to be formally assessed on a regular basis, with the exception of the stormwater network, which currently relies on an aged based condition assessment. The County continues to refine its inspection and maintenance strategies in order to provide better information on asset condition and proactively forecast necessary repairs or replacement of assets.

Projected Asset Condition by Category / Department



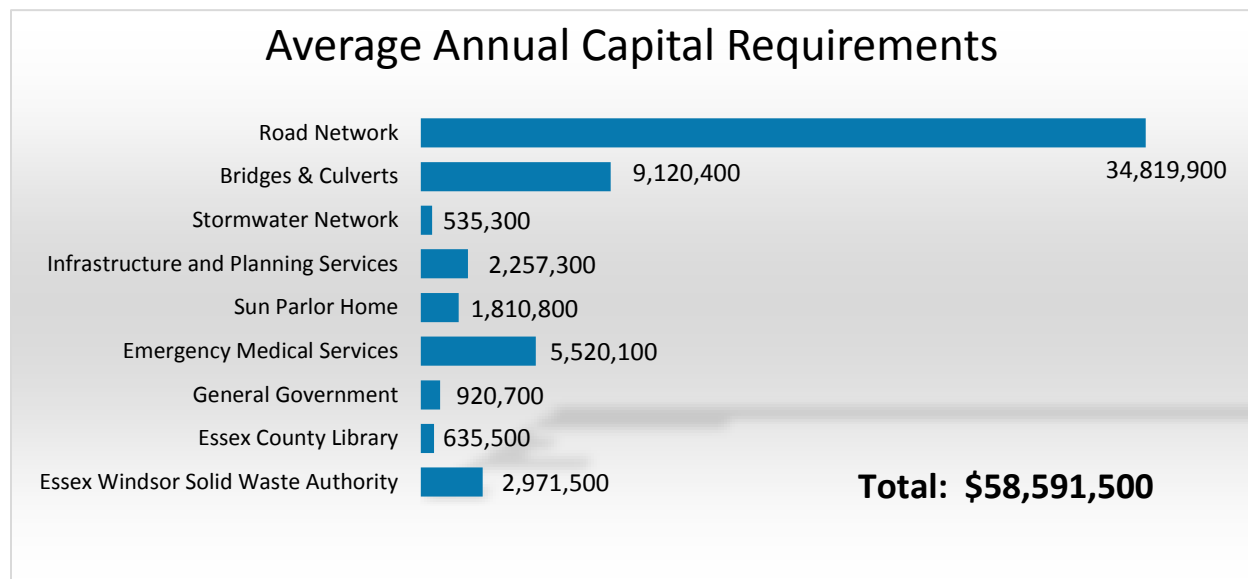
Linear assets, such as roads, undergo annual Pavement Condition Index assessments, while Bridges and Culverts are assessed every two years as per OSIM regulations. These evaluations are typically conducted internally by professional engineers from the Infrastructure and Planning Services department. The County is also in the process of engaging a third-party vendor to conduct road network assessments every five years, allowing for comparisons with internal procedures and adjustments as needed. Condition assessments are crucial for evaluating asset performance. Most assets have been assessed recently by knowledgeable internal staff. All other assets follow an age-based approach, with a review of remaining service life conducted to extend estimated useful life and provide accurate condition projections.

## Capital Requirements

The yearly capital requirement denotes the funding necessary for managing the lifecycle and future replacement of a specific asset category. This allocation is vital for maintaining sustainable service levels. It focuses solely on the total replacement cost needed over the expected useful life of the

asset and does not include ongoing operating or maintenance expenses associated with the assets.

### Average Annual Capital Requirements



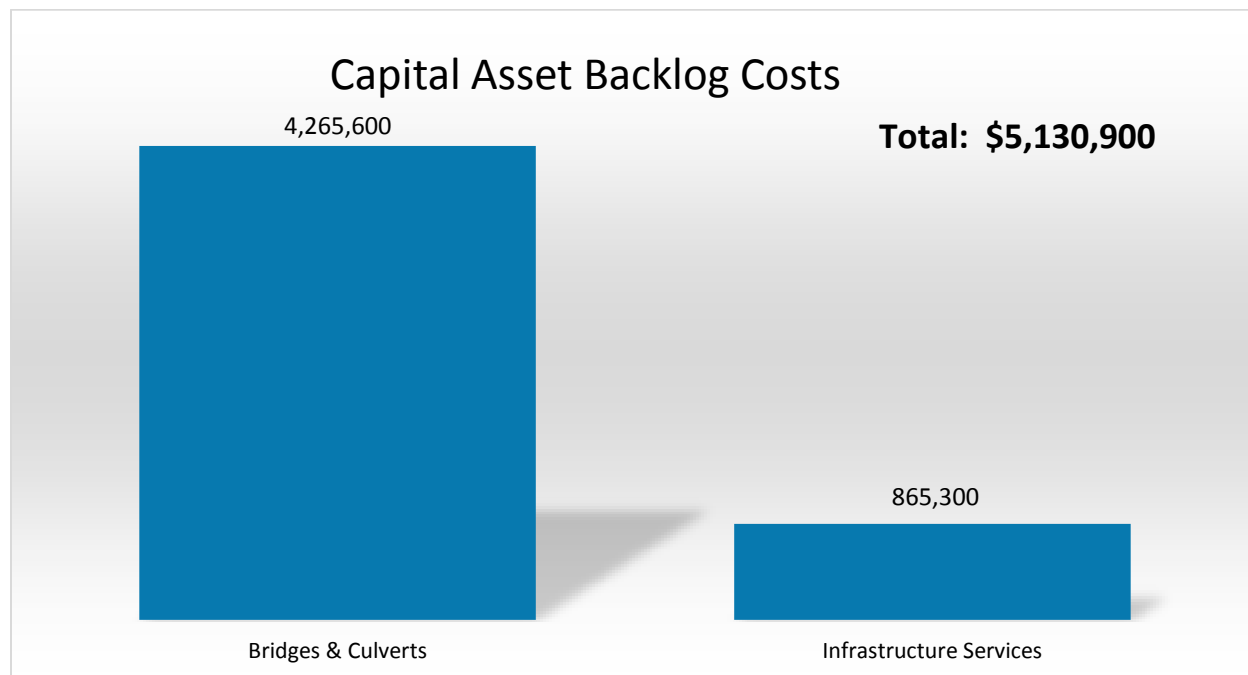
The County should allocate \$58.6 million annually in order to address the ongoing capital requirements for all assets. The annual requirements, however, do not include any costs to address backlog.

### Backlog Costs

---

Backlog costs denote the replacement value of assets that have reached the end of their useful life as of the conclusion of 2023 but have yet to undergo rehabilitation or replacement. These assets may be jointly managed with local or neighboring municipalities, with whom agreements stipulate responsibility for conducting condition assessments and establishing rehabilitation or replacement schedules. Backlog can also arise when assets cannot be promptly replaced due to factors such as insufficient funding or delays in manufacturer delivery. In cases where the backlog is under the County's jurisdiction, these assets typically carry a lower risk rating and are often slated for replacement within a few years of their initial estimated replacement date. As the risk assessment escalates, the County actively seeks alternative measures to mitigate the associated risks of potential failure. Further explanation on this matter is provided throughout the Plan.

## Capital Asset Backlog Costs



The data presented in the report offers valuable insights into the state of County assets, highlighting the importance of proactive maintenance and replacement strategies. Despite the overall favorable condition of assets, there exists an annual funding deficit of \$30.8 million, which must be addressed to prevent deteriorating service levels and asset quality.

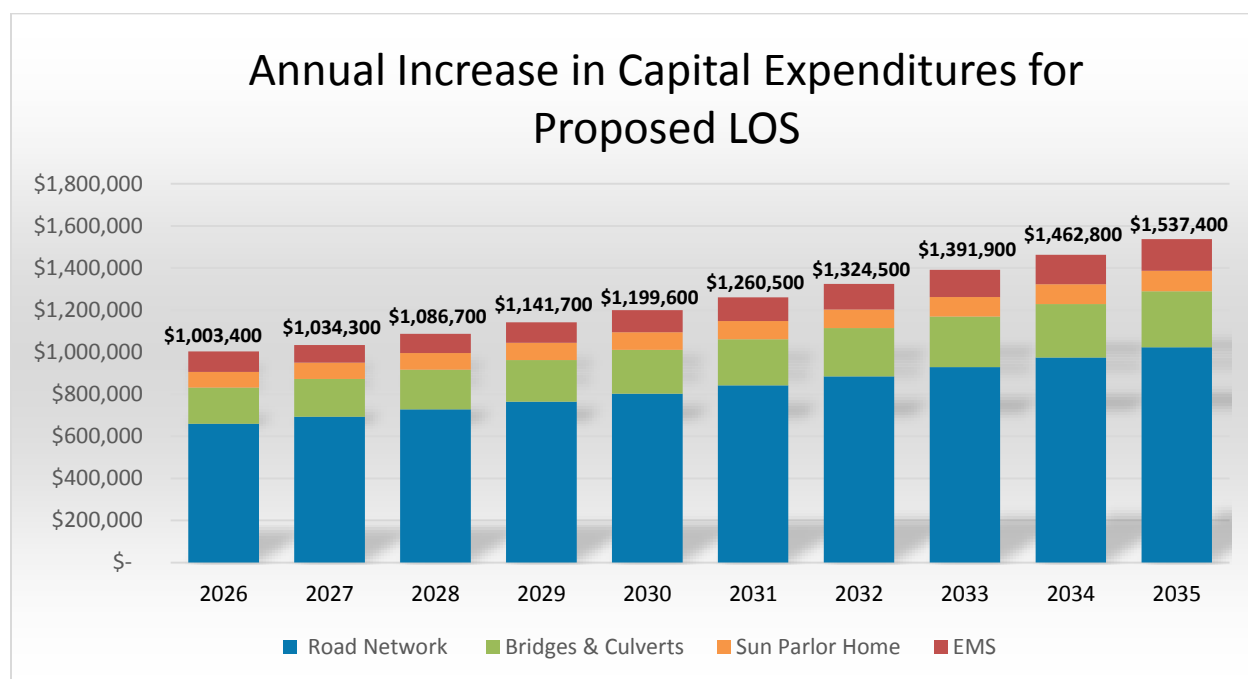
## Financing Strategy

---

The AMP outlines three financing approaches, Status Quo, Inflationary, and Progressive, to guide future investment decisions based on proposed Levels of Service (LOS). The Status Quo option maintains current funding levels but risks service decline due to inflation. This approach would see no additional annual spending. The Inflationary approach adjusts for rising costs and better maintains LOS, though it requires increased financial commitment; this option is expected to be more acceptable to taxpayers while supporting sustainable service delivery. The Progressive approach aims to close the infrastructure gap more aggressively to ensure long-term sustainability and support future growth, but with a higher financial impact. While this would ensure long-term sustainability, the financial impact would be significant and is beyond what is reasonable or affordable for taxpayers. The Plan presents these strategies to help balance infrastructure needs with fiscal

responsibility, giving Council flexible options for aligning service delivery with affordability.

The following Chart shows the estimated incremental capital expenditures required by each Department over the next 10 years to achieve the proposed Level of Service for existing assets. This chart represents the inflationary financing strategy approach that is being recommended by Administration at this time.



Based on the chart above, Council can anticipate capital expenditures to increase by roughly \$1 million each year, reaching just over \$1.5 million by 2035. This gradual, phased-in approach helps the County steadily reduce the annual funding gap while allowing for better planning and control over long-term spending. It also provides a more manageable and affordable path forward for taxpayers as the County works toward meeting its proposed levels of service. In conclusion, the 2025 AMP outlines how the County will manage its infrastructure to maintain service levels and meet future needs. It includes proposed levels of service, financial projections, and growth impacts.

The AMP identifies a \$30 million annual funding gap, highlighting the challenge of maintaining all assets in ideal condition. However, closing this



gap fully presents a significant financial burden. The plan attempts to support a phased, risk-based approach to prioritize investments and extend asset life within available funding.

By integrating asset management with long-term financial planning, the County can make more strategic decisions, minimize lifecycle costs, and better serve the community. The AMP provides a clear path to improve asset performance, support sustainability, and enhance quality of life for residents and businesses.

## **Financial Implications**

The 2025 AMP identifies an annual infrastructure funding shortfall of approximately \$30.8 million. To address this gap, Administration recommends adopting a gradual, inflationary based funding strategy in 2026. This approach would see levy contributions increase by about \$1 million annually, reaching \$1.5 million by 2035. The phased implementation is intended to sustain current service levels while keeping tax increases reasonable and predictable for both Council and residents.

The plan outlines an average annual capital requirement of \$58.6 million to support the County's infrastructure portfolio, which carries a total replacement value of over \$1.2 billion. This translates to a target reinvestment rate of 4.85%. However, as of 2023, the County is investing approximately \$27.8 million per year (\$25.4 million from the levy and \$2.4 million from reserves), resulting in a current reinvestment rate of just 2.11%. The difference reflects the \$30.8 million annual funding gap that must be addressed to maintain the integrity of County assets.

Completely closing the gap through the progressive approach—while effective in addressing long-term needs—is not considered financially feasible at this time, as it would place an unsustainable burden on the property tax base. Conversely, maintaining the status quo, which involves no increase in funding, is also not advisable. Although it avoids immediate cost increases, this path would result in continued asset deterioration and a decline in service levels, falling short of the standards endorsed by Council.

Instead, the recommended inflationary approach strikes a balance between financial responsibility and service maintenance, offering a path forward within the County's fiscal capacity.

## Consultations

Asset Management Steering Committee

Heidi McLeod, Manager, Accounting – Administration / Deputy Treasurer

County Senior Leadership Team (SLT)

## Strategic Plan Alignment

Working as Team Essex County	Growing as Leaders in Public Service Excellence	Building a Regional Powerhouse
<ul style="list-style-type: none"><li><input type="checkbox"/> Scaling Sustainable Services through Innovation</li><li><input type="checkbox"/> Focusing “Team Essex County” for Results</li><li><input type="checkbox"/> Advocating for Essex County’s Fair Share</li></ul>	<ul style="list-style-type: none"><li><input type="checkbox"/> Being an Employer with Impact</li><li><input type="checkbox"/> A Government Working for the People</li><li><input checked="" type="checkbox"/> Promoting Transparency and Awareness</li></ul>	<ul style="list-style-type: none"><li><input checked="" type="checkbox"/> Providing Reliable Infrastructure for Partners</li><li><input checked="" type="checkbox"/> Supporting Dynamic and Thriving Communities Across the County</li><li><input type="checkbox"/> Harmonizing Action for Growth</li><li><input type="checkbox"/> Advancing Truth and Reconciliation</li></ul>

## Recommendation

That Essex County Council approve report number 2025-0604-FIN-R14-MR, 2025 Asset Management Plan (AMP) and direct administration to incorporate the findings of the 2025 Asset Management Plan into the 2026 Budget preparation process to continue to address the shortfall in replacement costs.

## Approvals

Respectfully Submitted,

*Melissa Ryan*

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

*Sandra Zwiers*

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

Appendix	Title
A	2025 Asset Management Plan