

ASSET MANAGEMENT PLAN – EXECUTIVE SUMMARY

THE TOWNSHIP OF NORTH GLENGARRY

2014

**Ensuring Long-Term Financial Sustainability by
Providing Essential Services that Meet Approved
Standards at Minimum Cost**

Township of
NORTH GLENGARRY

EXECUTIVE SUMMARY

In response to the Ministry of Infrastructure's release of a ten-year infrastructure plan, "Building Together", which focuses on building a more standardized and consistent approach to municipal asset management planning, the Township of North Glengarry (the "Township") has taken a pro-active approach in preparing a detailed Asset Management Plan, "AMP", to seek provincial capital funding. As the Township's municipal assets continue to age, it becomes increasingly important to go through a formal process determining how a group of assets is to be managed over a period of time to help ensure safety standards, regulations and expected levels of service continue to be met given the Township's financing capabilities.

The Township's AMP is a strategic document stating the characteristics and condition of infrastructure assets, levels of service expected from them, planned actions to ensure the assets are providing the expected level of service and financing strategies to implement the planned actions. The overall intent of the AMP is to help the Township ensure investments are made at the right time, future repair and rehabilitation costs are minimized, and municipal assets are being appropriately maintained.

State of Local Infrastructure

The Asset Management Plan breaks the Municipality's infrastructure into 9 categories: Roads, Bridges and Culverts, Facilities, Machinery and Equipment, Land, Land Improvements, Water, Sewer and Vehicles. The Township of North Glengarry has a good rating in most of these categories. There are four categories with a fair or poor rating which should be focuses of the Asset Management Plan. These categories are Roads, Bridges and Culverts, which would be highly integrated into the plan for Roads due to their interrelated natures, Water and Sewer.

The deficiency in capital infrastructure in the Water system has been addressed in the AMP through the Regional Water Supply Project. The remaining concern with the Regional Water Supply Project is the actual timing of the project to the multiple levels of government involved in the funding of the project due to the size and regional utilization of the project. The Township of North Glengarry may have to look at local stop-gap measures if the project becomes significantly delayed. This would not be a financially or operationally efficient method of addressing the water deficiency and should be avoided if at all possible.

The AMP addresses the Sewer capital deficiency through continued sewer line and manhole replacements and a project designated for 2016 to specifically address the under capacity inherent in the current system. This project is preceded by a new efficiency study in 2015. The under capacity in the sewer system is a current deficiency and it is also limiting the Municipality's ability to expand. The Township of North Glengarry has vacant land holdings which could possibility be sold to a developer which would generate funds from the sale and increased tax revenues. These lands couldn't be sold efficiently right now as the sewer system is currently over-capacity.

The deficiency in the Bridges and Culverts infrastructure was noted in the 2013 OSIM inspection report as related to guide rail and barrier systems. The AMP addresses the recommendations in the 2013 OSIM inspection report; however the issue will be what condition the Bridges and Culverts will be in 10 years from now, at the end of the current AMP. This expected deficiency has not been completely addressed by the AMP.

The 2011 Road Needs Study conducted for the Township of North Glengarry by McIntosh Perry indicated there was a deficiency in Roads infrastructure that was expected to grow over the next five years, the extent of the Road Needs Study. The AMP extends the intended plan into a 10 year forecast period but does not address the current an increasing deficiency in the Roads infrastructure. The overall average condition rating for gravel roads is satisfactory at a current and expected rating of 6.5 out of 10 according the Road Needs Study. Hard surface roads had a blended condition rating of 5.69 in 2011 which is below

a satisfactory rate of 7.0 to 7.5. The 2011 Road Needs Study indicated that by allocating approximately \$380,000 per year on Road capital project that the blended condition rating would decrease to 4.39. The AMP includes approximately \$375,000 per year for Road capital projects. This indicates that unless conditions or the plan changes the Roads infrastructure of the Township of North Glengarry will deteriorate over the next 10 years.

The 2011 Road Needs Study indicated that it would take approximately \$1,160,000 per year in Road capital projects to maintain the overall condition rating until 2016. Based upon the 2011 Road Needs Study there were approximately 121 kilometres of roads with a backlog of needs at that time. It would take some in depth calculations to estimate the current (2011) deficiency in the Roads infrastructure in terms of dollars. However, based upon the 2011 Road Needs Study and the AMP it would appear that the deficit is estimated to grow at approximately \$750,000 per year if nothing changes. Various factors will add to the final cost to eliminate this deficit in the future.

Inflation: these amounts are in 2011 dollars and thus a further deficit accumulated over the next 10 years will be significantly more in 2023 dollars than simply \$750,000 per year multiplied by 10 years. Cumulative factor: a current problem on a road may be fixable with resurfacing while if the problem is not addressed for many years it may require partial or full depth construction to rectify the problem. This may add to the cost to eliminate any deficiency that is allowed to accumulate for a long period of time.

Financing Strategy

There are no funding shortfalls that cannot be eliminated by revising service levels, asset management, and/or financing strategies. All financing strategies will be considered to support a sustainable operating and capital program.

The AMP addresses the infrastructure deficiencies in Water and Sewer but the size and timing of the projects necessary to address these deficiencies require the borrowing of approximately \$8,000,000. The AMP does not project the Township of North Glengarry coming close to its annual debt repayment limit. It does, however, project that the outstanding debt balance at the end of 2022 will be almost the same as at the end of 2016 which is the end of the projected borrowing for the large Water and Sewer projects. The Township will have to consider financing strategies that reduce or minimize debt accumulation after the Water and Sewer projects have been financed to maintain a sustainable operating and capital program.

Council ultimately will need to balance the need to invest in local infrastructure based on priorities identified throughout the AMP while considering the short and long term financial implications to the Township. In addition to the projected reliance on debt financing discussed above, Council will need to aggressively pursue opportunities to obtain additional funding from other levels of government as Townships throughout the country compete for limited grant dollars. The AMP currently projects a 1% net annual reduction in grant funding to reflect the current environment. While both debt and grant financing present valid opportunities to minimize the burden on ratepayers due to the current low interest rate environment and introduction of new infrastructure programs, Council may still need to consider raising municipal taxes, user fees and service charges beyond current projected levels to address shortfalls currently not dealt with by the AMP. This would include eliminating the effect of the 2006 reduction in taxes that the ratepayers have enjoyed for the last 8 years.

Overall

The AMP of the Township of North Glengarry addresses some of the capital deficiencies that the Township is currently facing but it does not address all of these deficiencies. The AMP does not create any funding shortfalls but it does highlight the need for the Township to consider all financing strategies, including but not limited to those listed above, even if these strategies may be unpopular amongst ratepayers, if the Township is going to have a sustainable operating and capital program.