



**Infrastructure  
Solutions Inc**

• On Budget - On Time •

Asset Management Plan

*West  
Grey*



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## 1 EXECUTIVE SUMMARY

The Province of Ontario, through its MIII Capital program, has provided funding designed to help Municipalities address necessary road, bridge, and other priority projects identified through the assembly of an Asset Management Plan. This program is the second phase of the Province's Municipal Infrastructure Strategy which aims to:

- Further strengthen municipal asset management practices;
- Support the most critical roads, bridges; and
- Provide funding to Municipalities that are unable to undertake projects without provincial support.

Infrastructure Solutions (Engineering) Inc., was contracted to build Asset Management Plan for the Municipality. We were well supported by Kerri Mighton and the West Grey's staff, to accumulate the Municipality of West Grey's geometric and condition assessment data where available, and uploaded tangible capital assets into Ontario Good Roads Association's asset management application, Municipal DataWorks (MDW).

Infrastructure Solutions (Engineering) Inc. based its Asset Management Plan on linear asset types and their current replacement costs. Asset lifespans, condition and project requirements were determined by engineering assessments, and degradation curves (not accounting depreciation rates determined within the PSAB 3150 exercise). Where condition assessments were unavailable, ISI applied an age-based analysis. By replacement value, 92% of the Municipality's assets are in roads, sidewalks, bridges, culverts, water and sewer network, with roads at the greatest value at 68%.

Through a comprehensive analysis of all asset types, ISI calculated the Municipality's "infrastructure deficit", defined as the added investment that would be required to maintain a Municipality's infrastructure at appropriate service levels and in a good state of repair today. The Municipality has an infrastructure deficit of approximately \$126.39 MM in 2013. The Municipality of West Grey's 2013 infrastructure deficit is determined to be \$10,275 per person, which is above the national average and very serious for the Municipality.

On average over the next ten years, West Grey's capital investment should be \$14.68 MM per annum. The Municipality is currently contributing \$2.56 MM to the capital program, resulting in a large infrastructure-funding gap, which will continue to grow without corrective action. As highlighted in the Report Card within, the Municipality's major linear asset, its roads and sidewalks, are generally in fair condition. The water and sewer assets are in fair condition overall. The bridges and culverts are in fair condition overall.

Significant benefits could be gained by adhering to the tenets of an Asset Management Plan. We quote Gordon Sparks, Ph.D., P.Eng., and Professor of Civil Engineering University of Saskatchewan who states that "managing existing, capital intensive, public sector infrastructure asset such as roads, bridges, sewer and water systems, buildings, etc. could provide very significant benefits (i.e. 20 – 40% reductions in life cycle costs) associated with managing the maintenance of public sector infrastructure. It is recognized that finding and operating in this "sweet spot" is no easy task and it is advocated that to do so successfully will require public sector agencies to abandon traditional departmental and professional silos and develop multidisciplinary, cross functional teams that can effectively exploit the collective wisdom of all. This includes politicians, chief administrative officers, chief financial officers, planners, accountants, engineers and others."

The optimal outcome involves doing the right thing, at the right time, consistently. In the case of managing existing infrastructure, doing the right thing, at the right time, involves knowing and actually doing the most cost-effective maintenance, repair, rehabilitation or replacement activity at the right time throughout the entire life cycle of the asset. The process for prioritizing, establishing levels of service and operating performance indicators are defined in this report and attached Appendices.

Asset management is a philosophy and may require a significant change in organizational culture. The State of the Infrastructure Report (SOTI), Capital Plan, financial projections and recommendations within this Asset Management Plan will provide Municipality staff with critical information and analytical tools to begin the education/communication process for the Municipality's asset management strategy.

## **2 SOTI REPORT**

### **2.1 HISTORICAL OVERVIEW**

All of the World's urban cities and Municipalities are underpinned by a vast network of roads, water supply, sewage, drainage, power supply, flood protection, recreational and real estate assets. These assets, predominantly managed by local governments, constitute a major investment over many generations and represent the world's largest portfolio of assets.

In Canada, we are in a deficit. It is the deficit that involves the deterioration of our infrastructure, the roads and bridges we drive on, the water treatment facilities we depend on for clean drinking water, and the sewer systems that take away tainted water. Most Canadian Municipalities are struggling to maintain existing infrastructure under current tax and rate levels. They continue to deal with new reporting responsibilities and expenses downloaded by both the Province and Federal Government. Municipalities are facing a growing need to maintain and renew aged infrastructure, without the tax base to do so. In 1962, 22 cents of every dollar was spent on infrastructure by the Federal Government and by 2002, only 12 cents. Public infrastructure has suffered from decades of extensive neglect and overuse. In Canada, it is estimated that the average infrastructure deficit runs in excess of \$10,000 for every man, woman and child. Much of this infrastructure deficit is found in the major urban centers, but the National deficit will double over the next 10 years as projects undertaken in the 1950's/1960's reach their projected lifespan.

This State of the Infrastructure (SOTI) assessment is based on an analysis of the replacement, rehabilitation, and maintenance requirements of the Municipality's asset inventory and its current condition. We include a Report Card on the current state of the major linear assets within the Municipality. The Capital Plan provides both a high-level assessment of projected Capital expenses and a detailed future project by project costing for the Municipality's review and confirmation. Our objective is to give the Municipality the analytical tools and information necessary to implement a comprehensive and cohesive asset management program.

Asset management is a philosophy and may require a significant change in organizational culture, as well as at the community and political levels. This change will not occur overnight; however, the State of the Infrastructure Report, Capital Plan, financial projections and detailed recommendations will provide Municipality staff with critical information and analytical tools begin the education/communication process for the Municipality's asset management strategy. The document was written in plain language, with explanatory text; it is a communication document, which is based upon proven engineering and carefully calculated financial assumptions.

## 2.2 DATA ACCUMULATION AND VERIFICATION

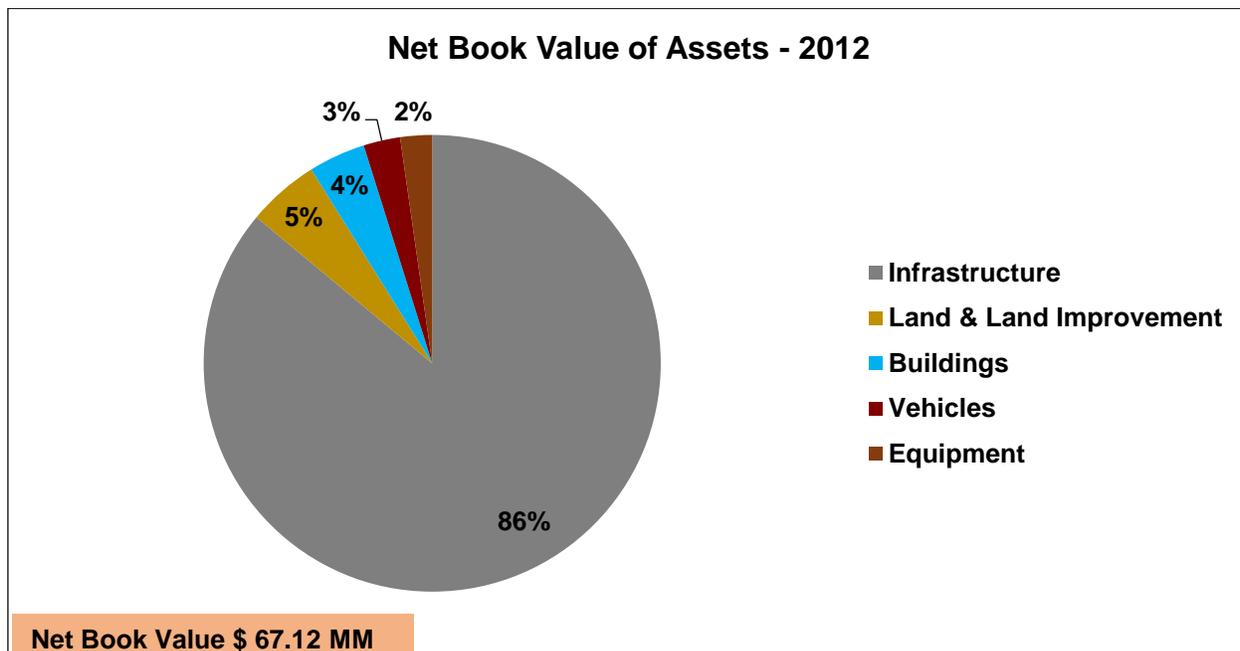
The first step in the analysis of the Municipality's asset inventory was to understand geometric and condition assessment data, where available, and uploaded asset types in Ontario Good Roads Association's asset management application, Municipal DataWorks. This information included all data pertaining to the lifespan and depreciated historical value of the assets. Once the upload was complete, ISI used Municipal DataWorks to create the Municipality's PSAB's reports and verify results against the PSAB 2012 prepared by the Municipality. The verification established that no assets were missing from data provided by the Municipality.

<b>Asset Type (Reconciliation with PSAB 2012)</b>	
<b>Buildings</b>	Match Exactly
<b>Vehicles</b>	Match Exactly
<b>Land &amp; Land Improvement</b>	Match Exactly
<b>Machinery &amp; Equipment</b>	Match Exactly
<b>Linear Assets</b>	
<b>Road Section</b>	Match Exactly
<b>Sidewalk</b>	Match Exactly
<b>Streetlights</b>	Match Exactly
<b>Bridges &amp; Culverts</b>	Match Exactly
<b>Water Network</b>	
<b>Hydrant</b>	Match Exactly
<b>Water Service</b>	Match Exactly
<b>Water Valve</b>	Match Exactly
<b>Waterline</b>	Match Exactly
<b>Sewer (Storm)</b>	
<b>Catchbasin (Storm)</b>	Match Exactly
<b>Inlet</b>	Match Exactly
<b>Manhole (Storm)</b>	Match Exactly
<b>Sewerline (Storm)</b>	Match Exactly
<b>Sanitary (Waste Water)</b>	
<b>Lagoon</b>	Match Exactly
<b>Manhole (Waste Water)</b>	Match Exactly
<b>Outfall</b>	Match Exactly
<b>Sewer Service (Waste Water)</b>	Match Exactly
<b>Sewerline (Waste Water)</b>	Match Exactly
<b>Pump Station (Water)</b>	Match Exactly

## 2.3 MUNICIPAL DATAWORKS PSAB REPORTING

The upload of all of the assets data into Municipal DataWorks is complete and reconciled with the data files (PSAB 2012) sent by the Municipality of West Grey, and supplementary geometric information.

Assets Type	NBV of Assets (PSAB 2012)
Infrastructure	\$57,753,141
Land & Land Improvement	\$3,412,739
Buildings	\$2,703,129
Vehicles	\$1,743,324
Equipment	\$1,509,440
<b>Total</b>	<b>67,121,773</b>



## 2.4 STATE OF THE INFRASTRUCTURE REPORT (SOTI)

Infrastructure Solutions has been contracted to assist the Municipality of West Grey in analyzing the State of the Infrastructure (SOTI) and the assembly of a Capital Plan as the initial components of a comprehensive Asset Management Plan. We have determined that the Municipality has a significant backlog of assets in need of betterment or replacement.

Dealing with aging infrastructure requires that the Municipality assess long-term capital project requirements and establish the funding of high-priority projects in an efficient, timely and cost-effective manner. With our engineering analysis and project identification, the Municipality can monitor, track and manage infrastructure assets to ensure that policy makers obtain sufficient funding in order to maintain, at minimum, and potentially enhance future service levels. Through capital budgeting, the Municipality of West Grey can plan the future operating budget expenses and reserve funds to manage its financial position over a long term period. Capital planning provides the core information needed for the Council’s planning and fiscal policies.

The Report Card produced within the SOTI has been developed to provide an easily understood reference that can be regularly updated to document investment gaps and progress the Municipality is making towards sustainability. The SOTI and associated analysis are strategic documents that identify trends and highlight possible issues involved in delivering services and maintaining the assets for those services. The SOTI will also assist in the development of more detailed tactical and operational plans aimed at identifying expenditures needed to provide

service in a cost-effective, sustainable manner. Wherever provided, engineering assessments were used.

Encapsulated within this report ISI presents the Municipality's State of the Infrastructure report (SOTI), and a description of our methodology. The final Capital Plan contains a more detailed asset data and calculation process. All source information is readily available within the Municipal DataWorks software application for verification of asset conditions and lifespans by individual asset or by asset type and contain all data available and provided by the Municipality including asset location, a segmenting of linear assets into manageable lengths, asset ID's, geometrics of the asset (length, width and other appropriate dimensions). The comprehensive asset inventory in the Municipal DataWorks application includes PSAB data, the year constructed/purchased, estimated useful life, general description of asset, and geometrics.

The direction of this project was influenced by the Municipality's requirement for Asset Management Plan and the work of the National Guide for Sustainable Municipal Infrastructure. In November 2003, the National Guide to Sustainable Municipal Infrastructure published a Best Practice for Municipal Infrastructure Asset Management. It stated that the framework for an asset management plan can be described in terms of seven questions:

1. What do you have and where is it? (Inventory and Location)
2. What is it worth? (Costs/Replacement Rates)
3. What is its condition and expected remaining service life? (Condition and Capability)
4. What is the service level expectation and what needs to be done? (Capital & Operating Plans)
5. When do you need to do it? (Capital and Operating Plans)
6. How much will it cost and what is the acceptable level of risk? (Short/Long-term Financial Plan)
7. How do you ensure long-term affordability? (Short- and Long-term Financial Plan)

This report answers these questions.

## **2.5 INVENTORY AND THE VALUATION OF ASSETS**

The aim of this section of the report is to provide an overview of the State of the Infrastructure (SOTI) by an analysis of the available data on the condition and/or age of the Municipality. The MIII SOTI requirements are restricted to linear assets only. Within the Capital Plan, ISI has included other critical asset types in its analysis for the Municipality's review. The grouping of these assets and asset replacements were taken from the PSAB files provided by the Municipality, and the current replacement value of the assets is comprised of these factors:

- Value of all the existing the assets
- New assets acquired prior to 2013
- Adjustments in unit costs based on improved knowledge and inflationary impacts

The Municipality of West Grey comprises of four communities – Bentick, Durham, Glenelg, Neustadt and Normanby, and all the assets belonging to these communities have been combined together for the purview of this Asset Management Plan. For the purpose of the Asset Management Plan report, we have grouped the assets as follows:

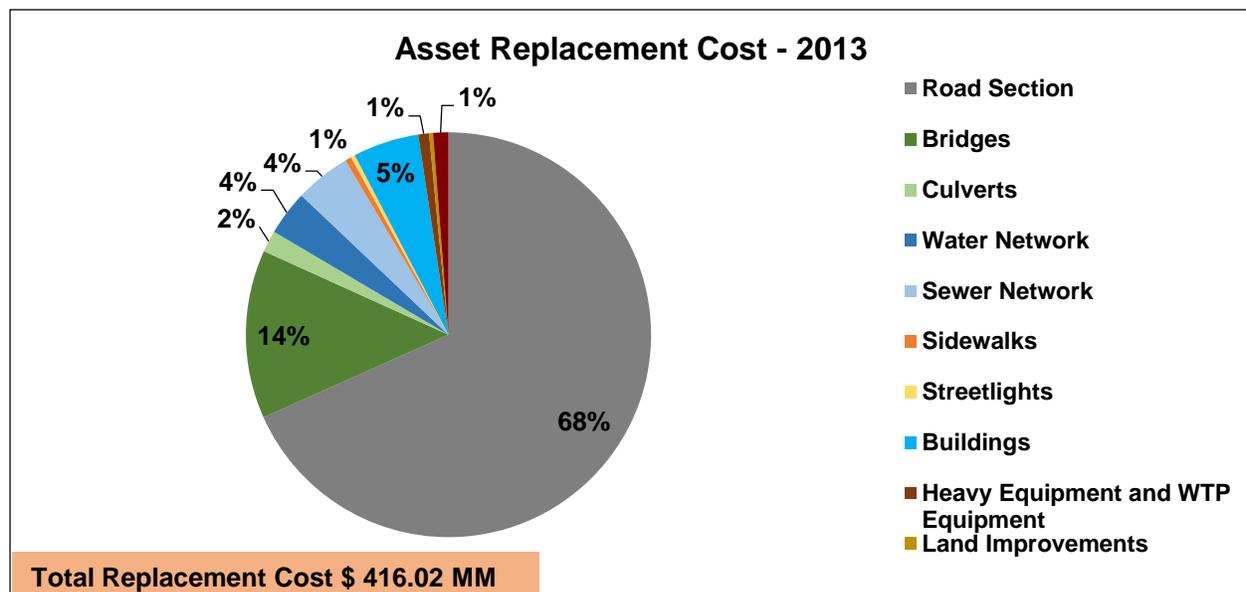
- Roads - Gravel, Surface Treated and Paved (HCB)
- Structures - Bridges, Culverts
- Water Network – Waterlines including Water Valves, Hydrants, Water Services, Pump Station (Water)

- Sewer Network – Catchbasin (Storm), Inlet, Manhole (Storm), Sewerline (Storm), Sanitary (Waste Water), Lagoon, Manhole (Waste Water), Outfall, Sewer Service (Waste Water), Sewerline (Waste Water)
- Sidewalks

**Non-linear assets have not been included in the SOTI report but have been dealt with in the Capital Plan:**

- Buildings - Belonging to various departments
- Vehicles - Various
- Equipment – Heavy Equipment
- Streetlights
- Land Improvement – Parking Lot, Well Pump-houses (Landscaping and site works)

Assets Type	Replacement Cost
Road Section	\$284,170,354
Bridges	\$56,025,659
Culverts	\$7,148,977
Water Network	\$14,908,203
Sewer Network	\$18,449,055
Sidewalks	\$2,123,462
Streetlights	\$1,372,844
Buildings	\$21,892,584
Heavy Equipment and WTP Equipment	\$3,563,443
Land Improvements	\$1,305,054
Vehicles	\$5,065,184
<b>Total</b>	<b>\$ 416,024,820</b>

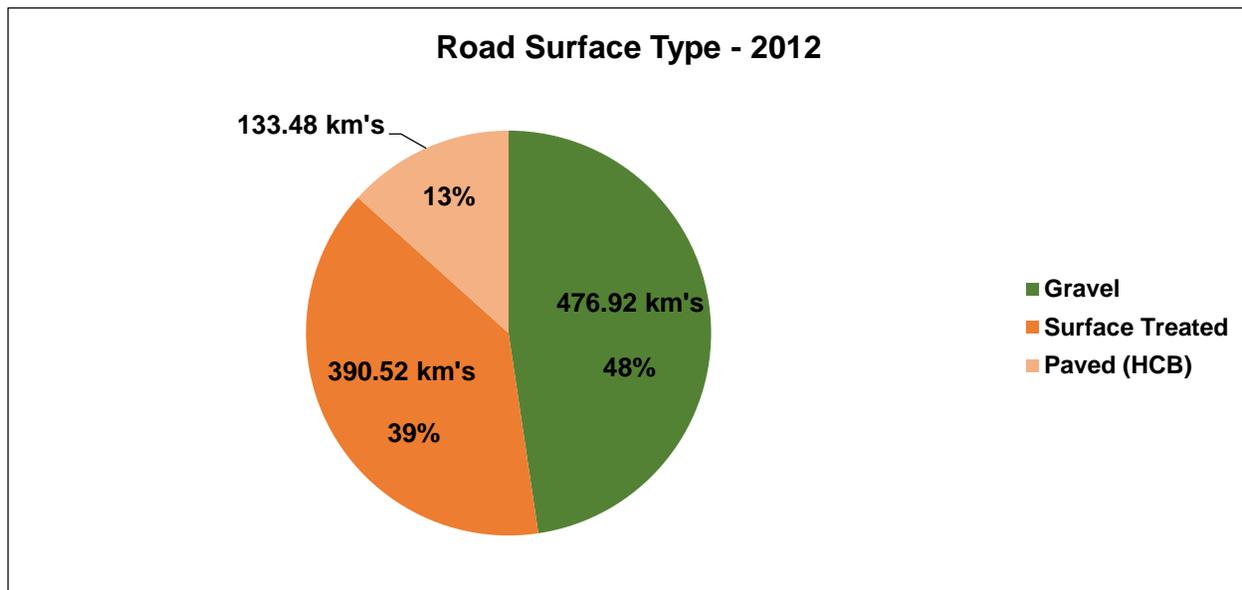


## 2.5.1 ROADS

The Municipality of West Grey has a total of 1000.92 km's of roads. The following summarizes the road surface types within the Municipality.

### Road Surface Type:

Road Surface Type	Length (km's)	%
Gravel	476.92	48%
Surface Treated	390.52	39%
Paved (HCB)	133.48	13%

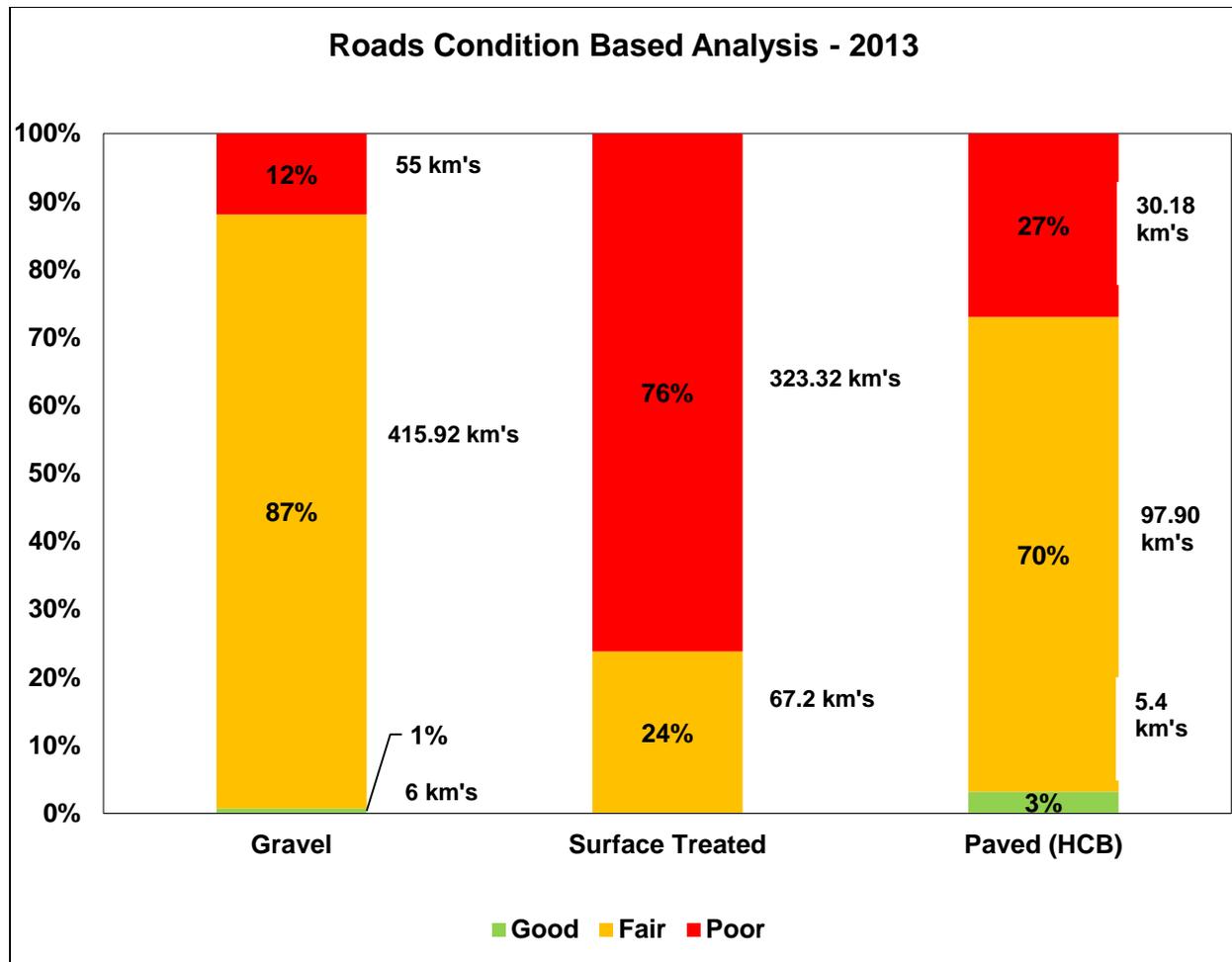


### Condition-Based Analysis for Roads

The Municipality has Gravel, Surface Treated and Paved (HCB) roads. The State of Infrastructure for roads is done based upon condition based analysis with conditions provided by the Municipality for each type of road. The Gravel roads are mostly in fair condition Surface Treated roads are in poor condition and the Paved (HCB) roads are lying in fair condition. Because the major expense in maintenance is in the Surface Treated and HCB roads, we consider the general SOTI classification to be C, "poor". The strategies for rehabilitation/reconstruction are outlined in the Capital Planning Module.

### Road Average Condition:

Road Surface Type	Average Condition Rating
Gravel	6
Surface Treated	3
Paved (HCB)	5



## 2.5.2 BRIDGES AND CULVERTS

This group comprises:

- Bridges - There is 63 bridge in the inventory
- Culverts - There is 87 culverts in the inventory

The inspection was completed by the Municipality in 2012 and the bridge inventory is a mix of steel, concrete and wood bridge. There are number of common repairs and reconstruction recommended for installing the guide rails, repair deck, abutments wearing surface etc. All recommended projects from the inspection report have been assumed to take place in 2016.

### Bridge Condition Index

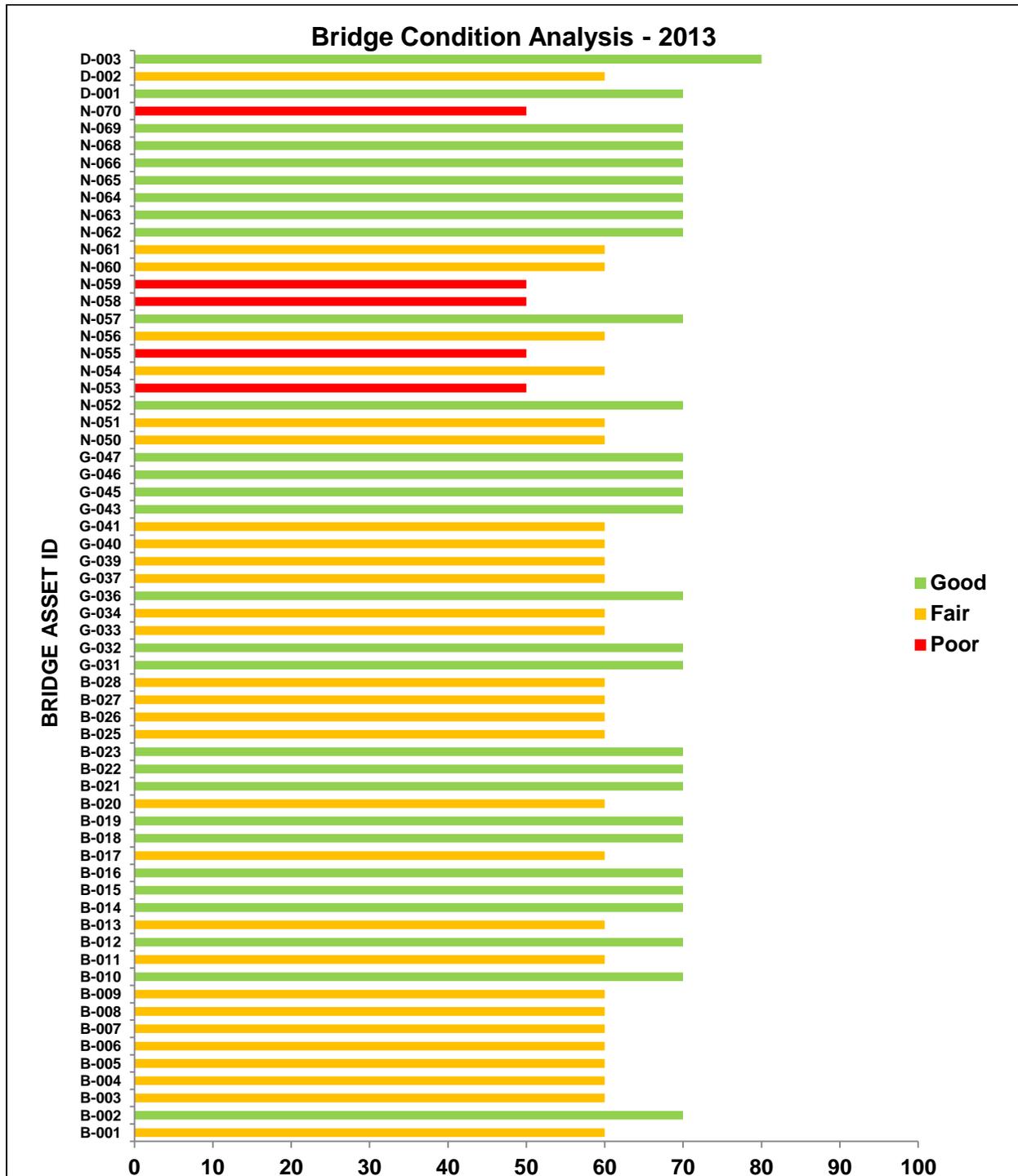
Condition assessment was provided to ISI by the Municipality, and was uploaded into Municipal DataWorks. Municipal DataWorks calculates the Bridge Condition Index based on the consultant’s report and condition assessments. For condition calculations to take these bridges to 2013, deterioration curves were used. The overall conditions provided by the Municipality are on a scale with respective conditions are subjective in nature. ISI have allocated numbers based on the conditions for each bridge and culvert. The MTO Bridge Condition Index rating is provided by the Ontario Ministry of Transportation which describes maintenance requirements within each range as follows:

**Good:** BCI Range 70 - 100: It is usually not required to perform any maintenance work within the next five years

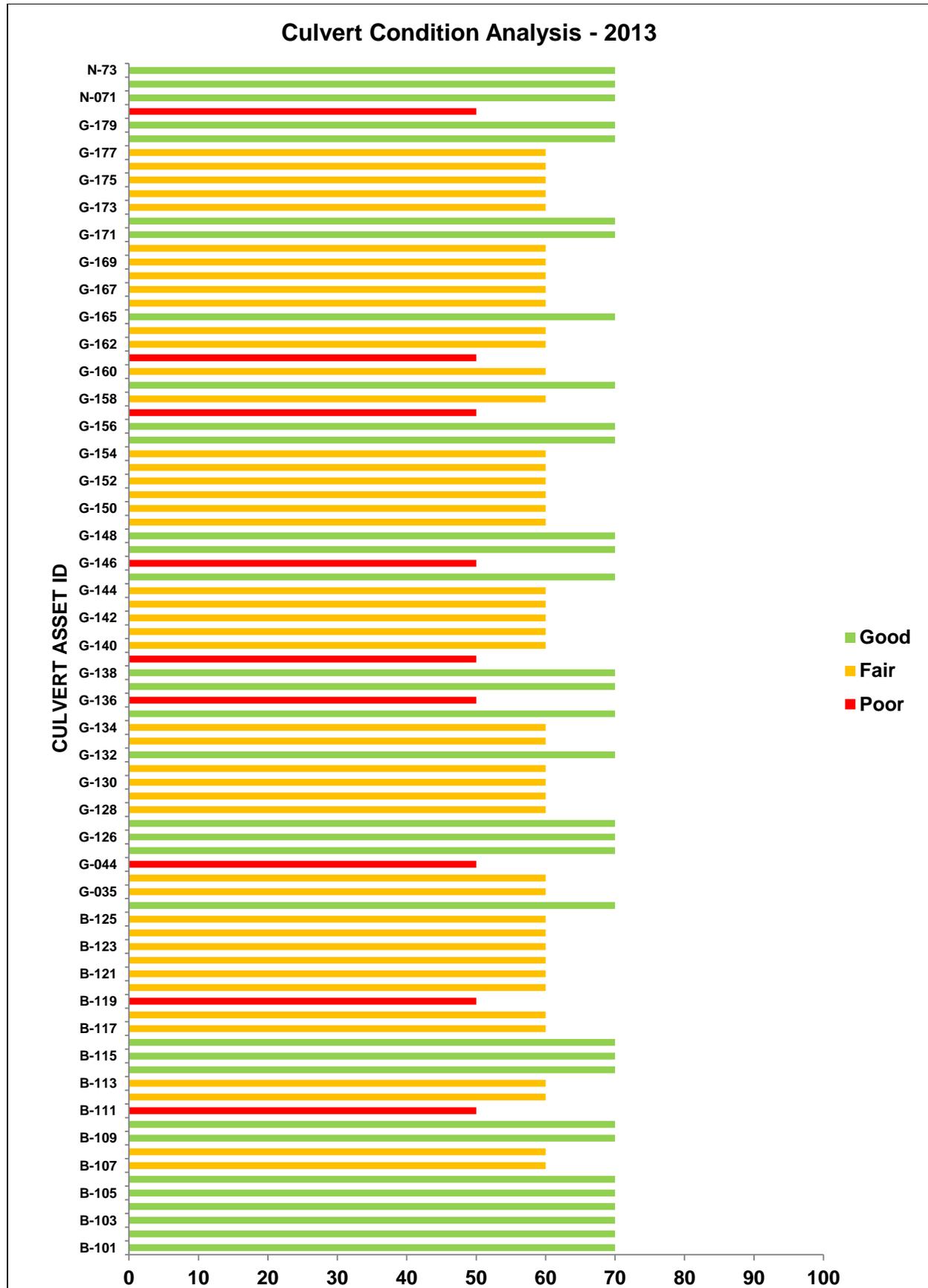
**Fair:** BCI Range 60 - 69: Maintenance work is usually required within the next five years

**Poor:** BCI Less than 60: Maintenance work is usually required within one year

There are 29 bridges in good, 29 bridges in fair and 5 in poor and the overall condition of the bridges are in fair condition. For the culverts, there are 33 in good condition, 45 in fair condition and 9 in poor condition with the overall condition ranging in fair condition.



### Culvert Condition Analysis - 2013

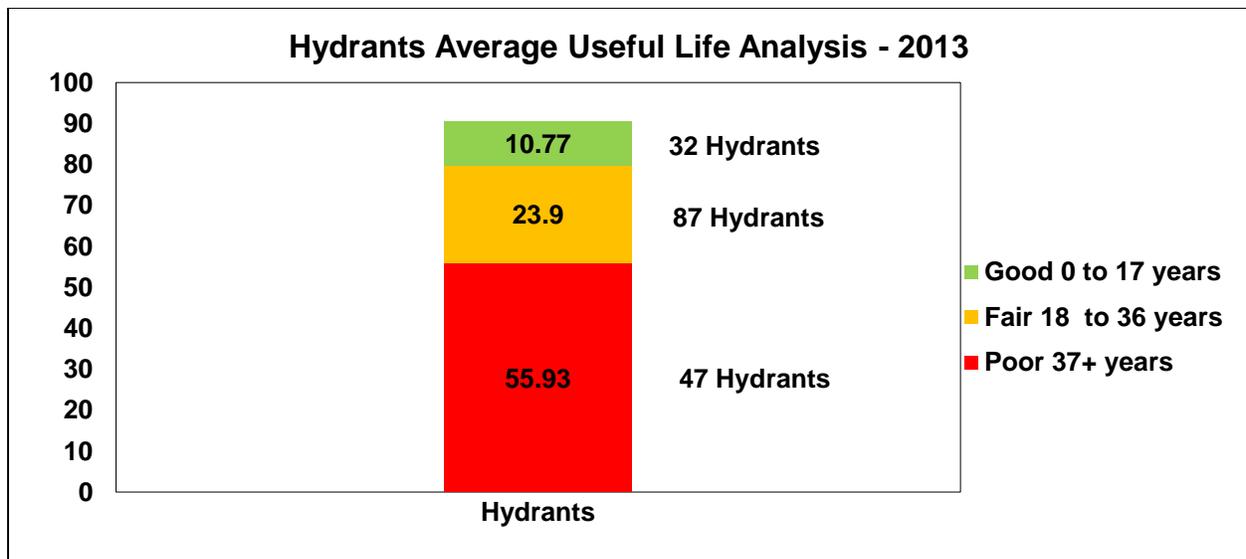
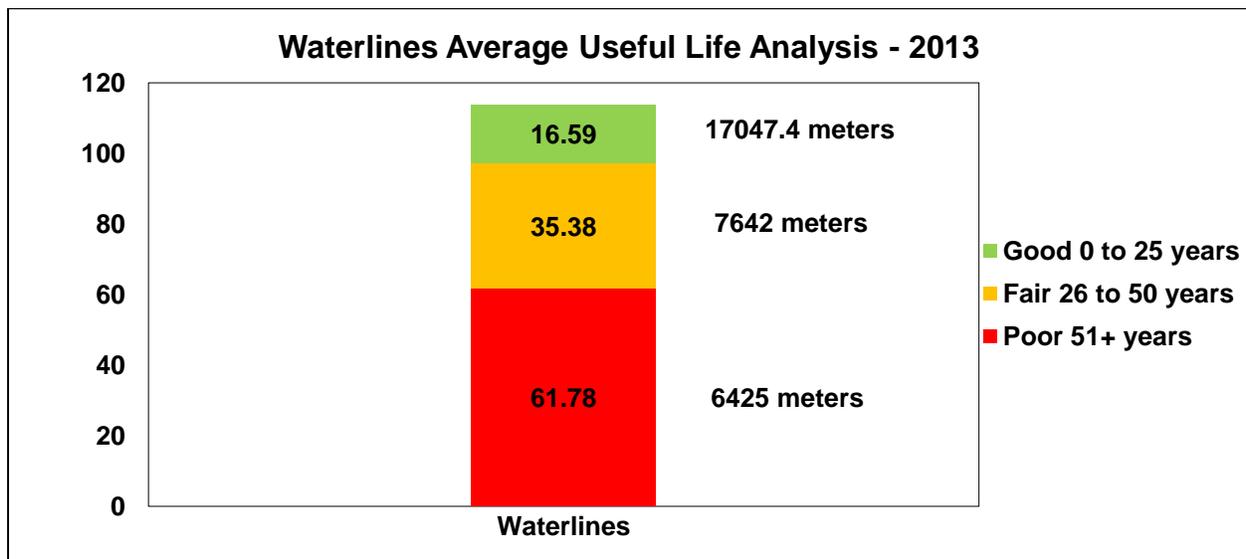


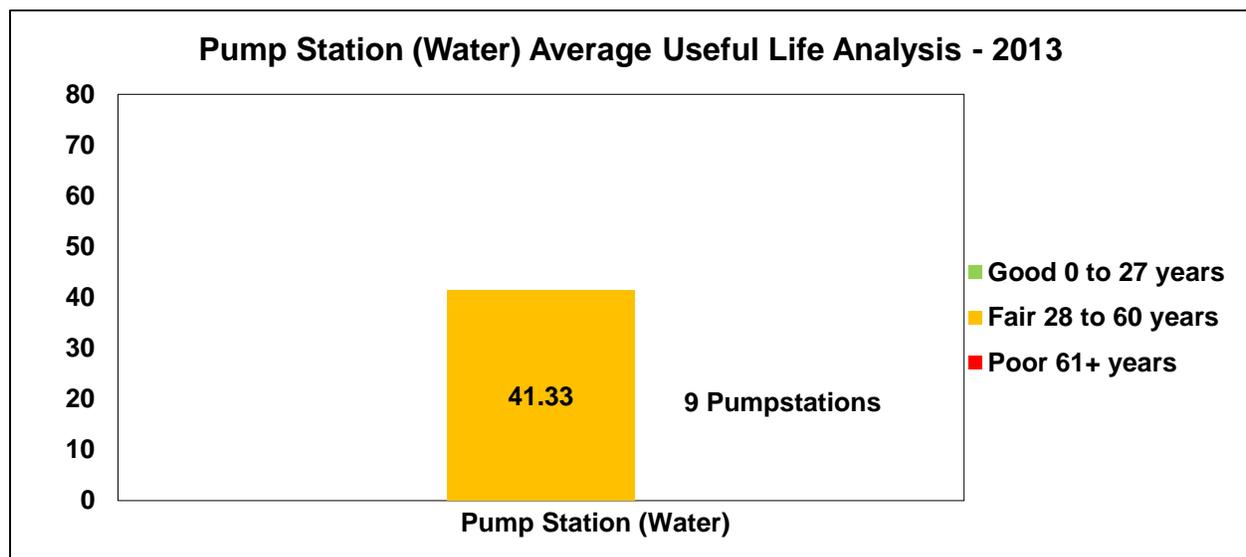
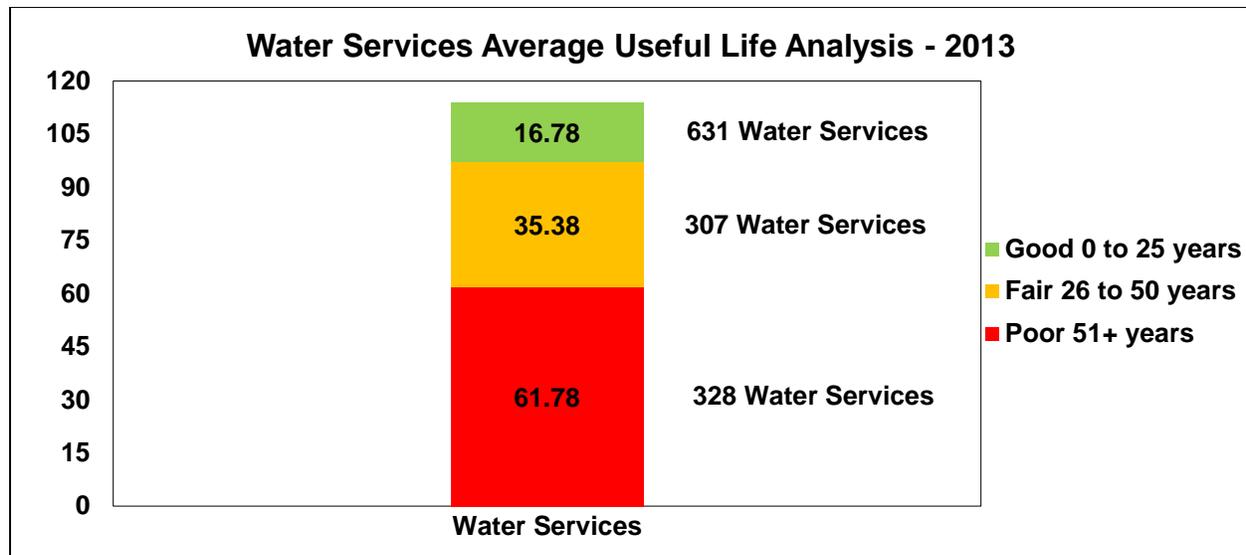
### 2.5.3 WATER NETWORK

This group comprises of:

- Waterline including Water Valves - consists of total length of 31,114 meters
- Hydrants - consists of 166 hydrants
- Water Services - consists of 1,266 services
- Pump Station (Water)

An age-based analysis is done on the water assets due to non-availability of conditions. The calculations, undertaken in this circumstance, were to determine the remaining life of the asset on age-based analysis with pre-defined criteria. Age-based condition assessment has **the least level of confidence to determine the current State of Infrastructure**. The graphs below show the age-based analysis for each asset mentioned above. The overall condition of water assets is in fair condition overall.



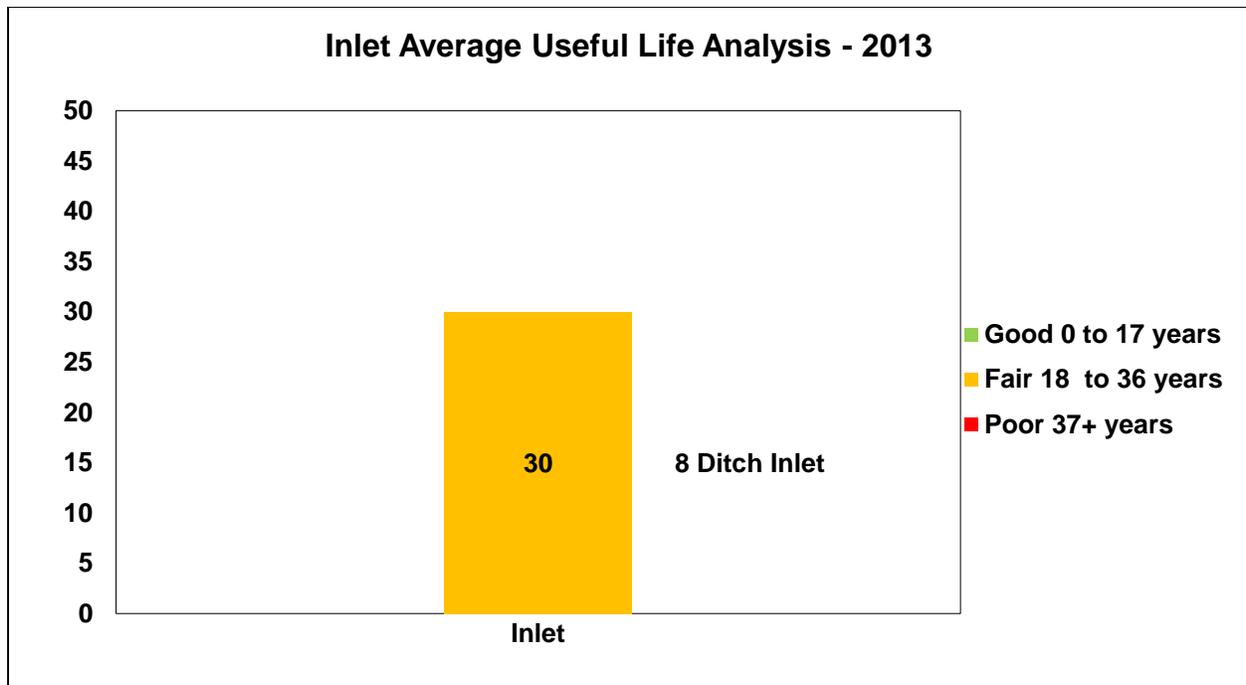
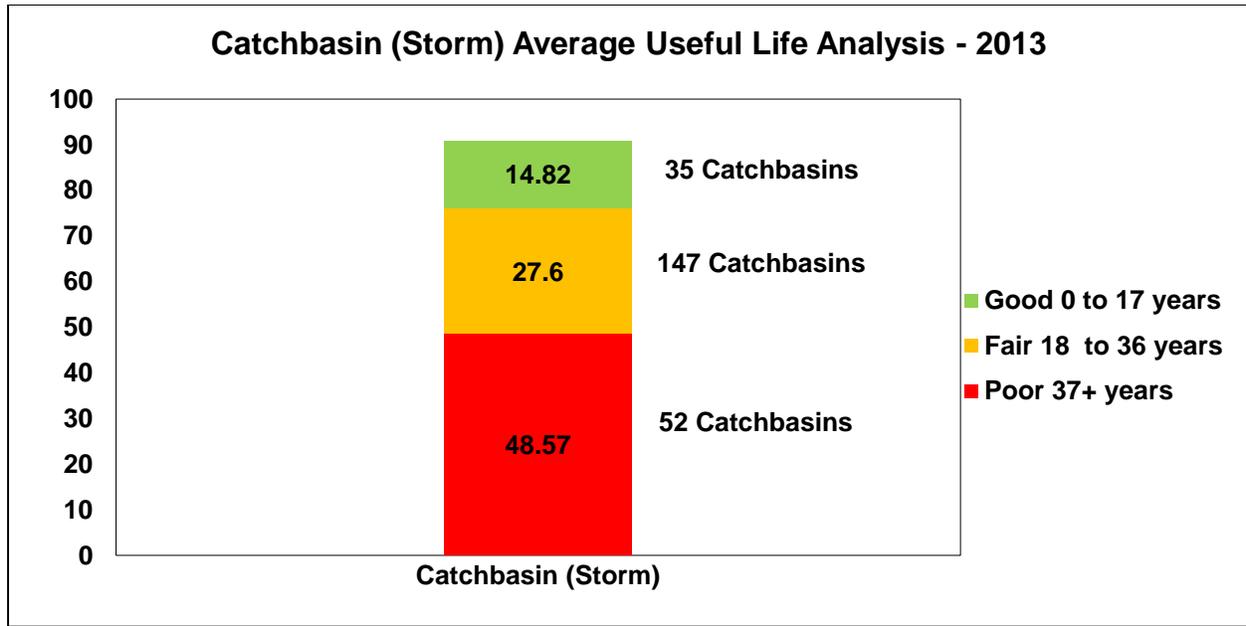


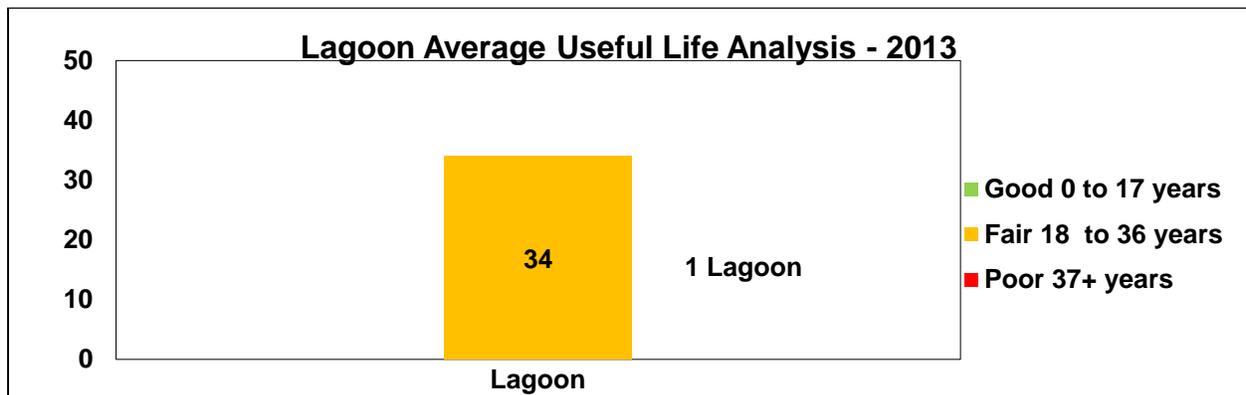
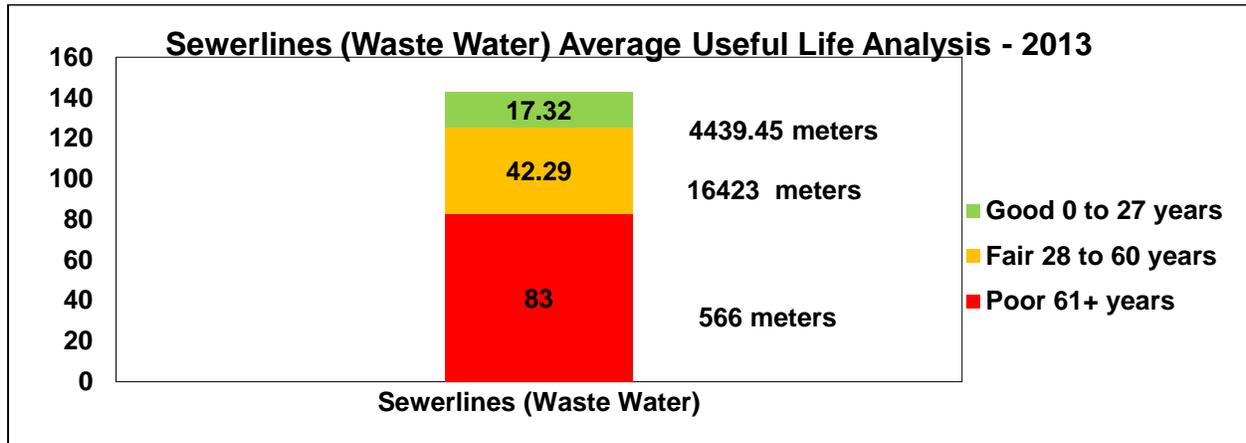
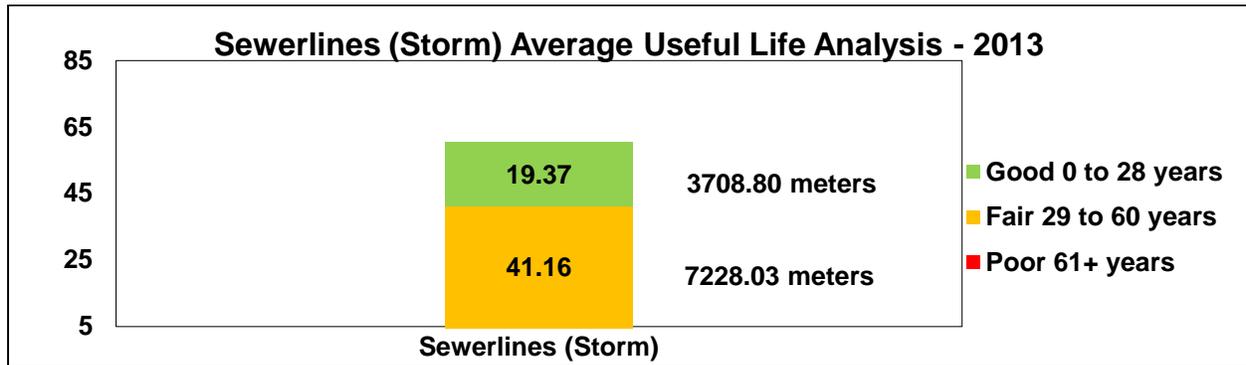
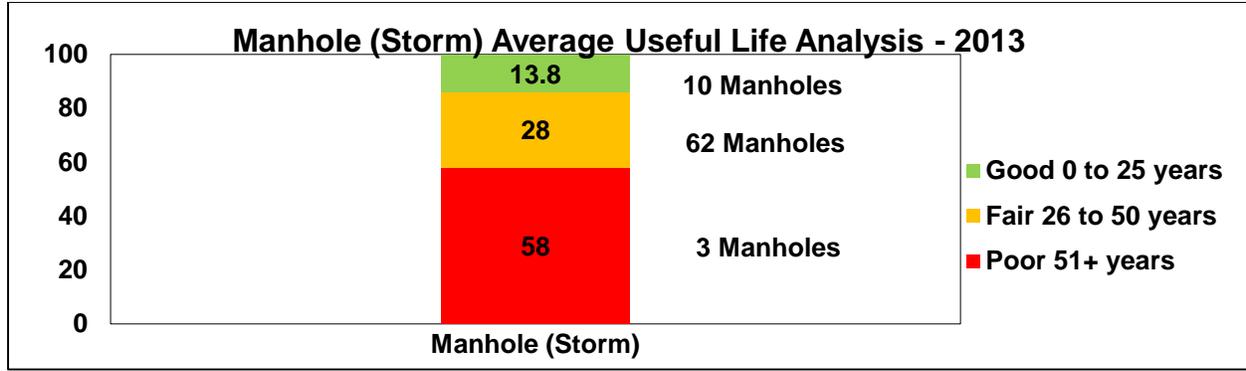
#### 2.5.4 SEWER NETWORK

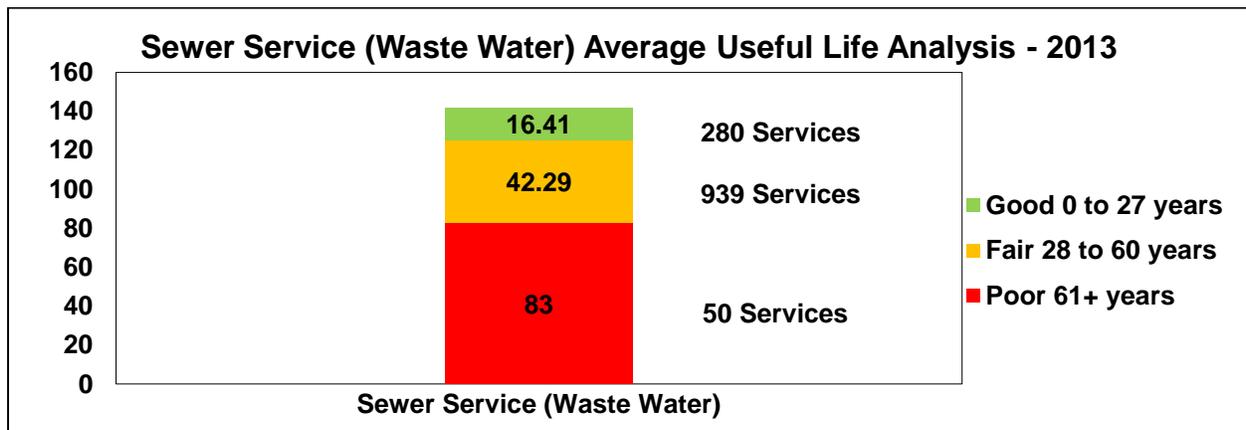
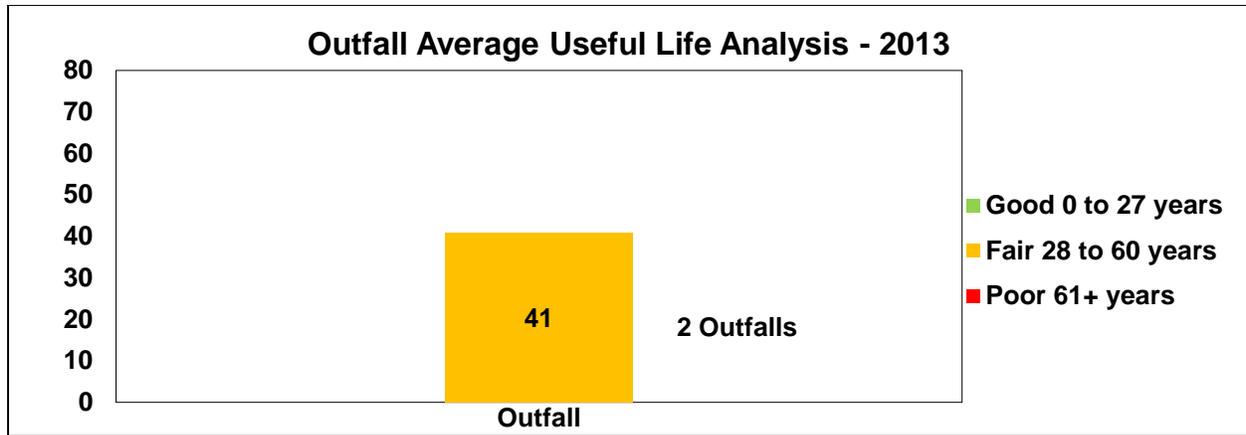
This group comprises of:

- Catchbasin (Storm) and Inlet - consists of Catchbasin, Double Catchbasin and Ditch Inlet Catchbasin
- Manhole (Storm) - consists of Catchbasin Manhole, Double Catchbasin Manhole and Storm Manhole
- Manhole (Waste Water) – consists of 255 manholes
- Sewerline (Storm) – consists of 10,936 meters of Sewerline (Storm)
- Sewerline (Waste Water) - consists of 21,428 meters of Sewerline (Waste Water)
- Lagoon – consists of Pumping Station To lagoon with total length of 515 meters
- Outfall – consists of 2 Outfall with total length of 234 meters
- Sewer Service (Waste Water) - consists of 1,269 services

An age-based analysis is done on the sewer assets due to non-availability of conditions. The calculations, undertaken in this circumstance, were to determine the remaining life of the asset on age-based analysis with pre-defined criteria. Age-based condition assessment has **the least level of confidence to determine the current State of Infrastructure**. The graphs below show the age-based analysis for each asset mentioned above. The overall condition of sewer assets is in fair condition overall.

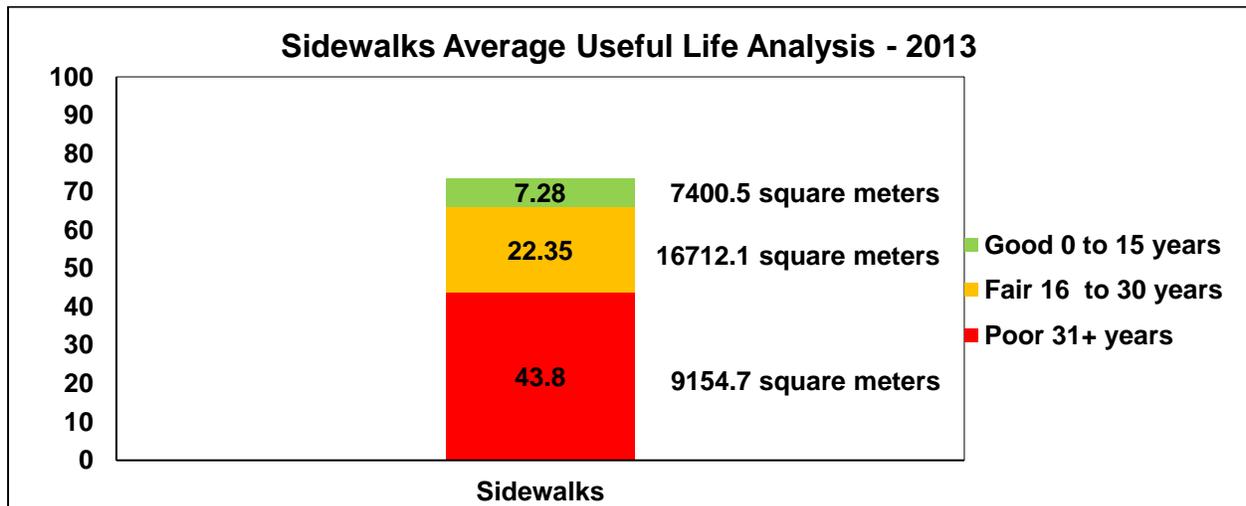






## 2.5.5 SIDEWALKS

The Municipality consists of sidewalks with total length of 24,589 meters and 33,267 m<sup>2</sup> in total area. An age-based analysis is done on the sewer assets due to non-availability of conditions. The calculations, undertaken in this circumstance, were to determine the remaining life of the asset on age-based analysis with pre-defined criteria.



## 2.6 CONDITION RATING REPORT CARD

Asset Group	Overall Condition Rating	Rating		Range (Conditions)	Comments
Bridges	B	A	Good	70 to 100	Condition rating based on bridge inspection reports
		B	Fair	60 to 69	
		C	Poor	0 to 59	
Culverts	B	A	Good	70 to 100	Condition rating based on bridge inspection reports
		B	Fair	60 to 69	
		C	Poor	0 to 59	
Road Network	B	A	Good	8 to 10	Condition rating based on condition-based analysis
		B	Fair	5 to 7	
		C	Poor	0 to 4	
				<b>Range (Years)</b>	
Sidewalks	B	A	Good	0 To 15 Years	Condition rating based on condition-based analysis
		B	Fair	16 To 30 Years	
		C	Poor	> 31+ Years	
Sewer Network	B	A	Good	Different ranges based upon total useful life for each asset type	Condition rating based on age-based analysis
		B	Fair		
		C	Poor		
Water Network	B	A	Good	Different ranges based upon total useful life for each asset type	Condition rating based on age-based analysis
		B	Fair		
		C	Poor		

## 2.7 SOTI CONCLUSION

As highlighted in the Report Card above, the current state of the linear infrastructure, based on available condition rating analysis, presents a picture of the Municipality’s linear assets. The roads are reported in fair condition. The condition analysis by asset type is as follows:

- Surface treated roads are in poor condition, Paved (HCB) roads are in fair condition and Gravel roads in fair condition
- Average Bridge Condition Index for Bridges and Culverts is 60 is and are mostly in fair condition
- Sidewalks are mostly in poor condition. On average, they are 43.8 years old.
- Water Network is overall in fair condition
- Sewer Network is overall in fair condition

The Municipality should continue to be proactive in their strategies, so as to extend asset useful life and avoid major rehabilitation/reconstruction or replacement costs.

## 3 CAPITAL PLAN

### 3.1 BACKGROUND

Managing the Municipality's capital assets requires an assessment of the long-term capital project requirements and the establishment of the funding for high-priority projects in an efficient, timely and cost-effective manner. As a result of this analysis, the Municipality will be able to more effectively monitor, track and manage infrastructure assets, to ensure that policy makers obtain sufficient funding in order to maintain, at minimum, and potentially enhance future service levels. Through capital planning, the Municipality of West Grey can plan the future operating budget expenses and reserve funds to manage the financial position over a long term period. Capital planning also provides the core information needed for implementing the Council's planning and fiscal policies.

Support has been provided by the Province of Ontario through its MIII Capital program, designed to help Municipalities address necessary road, bridge, and other priority projects identified through their asset management plans. This program is the second phase of the Province's recently released Municipal Infrastructure Strategy which aims to:

- Further strengthen municipal asset management practices;
- Support the most critical roads, bridges, and drainage projects; and
- Provide funding to Municipalities that are unable to undertake projects without provincial support.

The Provincial strategy relies heavily on the requirement for Municipalities to demonstrate how proposed projects fit within an asset management plan, which is a key component to ensuring infrastructure sustainability. An Asset Management Plan provides many benefits including:

- A systematic evaluation of all potential projects at the same time.
- The ability to stabilize debt and consolidate projects to reduce borrowing costs.
- To serve as a public relations and economic development tool.
- A focus on preserving a municipal government's infrastructure while ensuring the efficient use of public funds.
- An opportunity to foster cooperation among departments and an ability to inform other units of government of the Municipality's priorities.

### 3.2 OVERVIEW

The Capital Plan, an integral part of an Asset Management Plan, is a blueprint for planning a community's capital expenditures and is one of the most important responsibilities of local government officials. It coordinates community planning, financial capacity and physical development. It is a tool to assess the long-term capital project requirements of a Municipality, to establish funding of high-priority projects in a timely and cost-effective fashion. The development of a Capital Plan is intended to ensure that policy makers are responsible to residents and businesses of the community with respect to the expenditure of public funds. It also promotes the provision of continuous efficient services. This plan identifies and describes capital projects, the years in which funding each project is likely to occur and the method of funding. While a Capital Plan may be designed to forecast any period of time, it generally extends beyond the current operating cycle and usually covers a five to ten year time frame. The Municipality of West Grey has requested a 10 year Capital Plan.

The Capital Plan provides a detailed understanding of anticipated investments into tangible capital assets. These assets include basic facilities, services and installations needed for the functioning of the community. The development of a CIP that will insure sound fiscal and capital planning

requires effective leadership and the involvement and cooperation of all municipal departments. A complete, properly developed CIP has the following benefits:

- Facilitates coordination between capital needs and the operating budgets
- Enhances the community's credit rating, control of its tax rate, and avoids sudden changes in its debt service requirements
- Identifies the most economical means of financing capital projects
- Increases opportunities for obtaining federal and provincial aid
- Relates public facilities to other public and private development and redevelopment policies and plans
- Focuses attention on community objectives and fiscal capacity
- Keeps the public informed about future needs and projects
- Encourages careful project planning and design to avoid costly mistakes and help a community reach desired goals

A municipal government must take care of two key responsibilities in managing its infrastructure:

- The first major responsibility is the maintenance and repair of existing infrastructure. Given the high cost to replace linear assets and the fact that they are essential to providing programs and services to the public, it is extremely important that regular maintenance and periodic refurbishments be done to keep facilities and other assets in good working condition for as long as possible.
- The second major responsibility that municipal governments have is to plan and construct new community infrastructure. This involves several steps including deciding what services are to be provided, identifying community needs, careful planning, determining priority investments, figuring out how to finance projects and good management to ensure projects are completed on time and on budget.

Typically, a municipal government manages many diverse assets. Each asset type is considered a "capital" asset if it has the following characteristics:

- It is held for the purposes of delivering a program or service or to produce something
- It is to be used on a continuing basis and is not intended for sale
- It has a life expectancy of greater than one year
- It has a value greater than a certain minimum threshold (as established in the TCA policy)

Common examples, such as roads, buildings and equipment, all meet these criteria and are considered capital assets from a planning and financial perspective. Other types of expenses, such as salaries, purchased services (e.g. janitorial), consumable items (coffee, office supplies etc.) or regular maintenance, do not meet these criteria and are categorized as expenses. These types of expenditures are paid for from operations budgets.

Local governments can make significant capital expenditures, sometimes undertaking projects without first analyzing the impact such expenditures may have on future operations and expenditures for other important capital projects. A Capital Plan is intended to assist Municipalities in making choices about which projects should be implemented, how they should be financed and when, to establish priorities for its spending on services, while controlling the ultimate impact on the tax rate or user fees. It also provides a mechanism for controlling future debt levels, thereby ensuring that a reasonable amount of financial flexibility is maintained.

Although the Capital Plan is generally maintained separately from the operating budget, they do work in unison since the debt charges on funds borrowed for capital expenditures become expense items in the annual operating budget. In addition, operating and maintenance costs of capital

assets have an impact on the operating budget. In order to have a realistic, workable Capital Plan, therefore, it is necessary to estimate the effect that debt service and operating costs will have on future tax rates. In this way, non-essential capital expenditures will not be undertaken at the expense of pending essential capital projects and the Municipality or commission will thus be in a better position to control future debt levels.

To determine how much money should be allocated to existing infrastructure, the following factors need to be considered:

- **Inventory** – keep an up-to-date inventory of all physical assets that the municipal government owns or manages including fixed assets (buildings, facilities, etc.) and mobile assets (heavy equipment, trucks, smaller equipment.)
- **Condition rating** – complete an assessment of the condition of each significant asset and determine what needs to be repaired and when.
- **Upgrades** – existing facilities may need to be upgraded to meet new standards or legislative requirements or to meet demands due to population growth, etc.
- **What does the community need for new infrastructure?** This can be a tricky subject to resolve as a Council and community residents may have very different opinions about what the community needs most. This stage of the process requires community consultation which can include meetings, surveys etc. One approach is to organize needs starting with the basics (survival, safety, and shelter) and moving to more advanced needs (recreation, social / cultural, leisure). Once an initial list of potential projects is identified, it can be further refined on the basis of urgency:
- **Immediate or short term** – these are needs that won't wait such as water shortages, equipment breakdowns etc.
- **Predictable growth** – these are needs driven by population growth and increasing demands on infrastructure that will need to be addressed in the next few years. Examples include housing supply, water treatment and delivery capacity, need for expanded recreation facilities etc.
- **Future** – these are long term needs that will occur in the next 20 years, often as a result of priorities established in other community plans (Strategic Plan, Recreation Plan, Land Use Plan etc.). An example may be the development of new residential lots or the refurbishment or replacement of an old building.

### 3.3 METHODOLOGY

The Municipality of West Grey's Capital Plan addresses infrastructure deficiencies and future capital expenditures. It includes existing service infrastructure not meeting engineering standards, the cost of renovation or replacement of infrastructure which has exceeded its service life and which as a consequence, is not meeting required service standards. Provision is required to renovate or replace infrastructure constructed previously, when it reaches the end of its service life. These costs do not include on-going operational and regular maintenance (which typically represent the greatest cost component of a facility's service life, for example). Unless informed by the Municipality, requirements such as investments required to support industrial, commercial and residential development in accordance with the growth projections required to serve the community and social needs as well as supply the increasing population and to service to the boundaries of new subdivisions have not been analyzed.

The Municipality's Capital Plan includes:

- Development of parameters for each asset class
- Development of rehabilitation and replacement unit costs

- Identifying the asset types to be included in the Capital Plan and determining and confirming the components of each asset class
- Identification of services to be provided and the capital expenditures to be incurred
- Determination of secondary cost estimates of capital expenditures (consideration of such cost elements as land, architect/engineering fees, construction, legal fees, taxes, etc.) The non-rebatable portion of HST at 1.76% has been applied, for example
- Determination of the time periods over which the asset is to be constructed or acquired and the costs prorated accordingly

Municipal DataWork's Capital Infrastructure Planning (CIP) module allows Municipalities to plan necessary rehabilitation work on the right asset at the right time. The CIP module also allows Municipalities to produce a Capital Expenditure Plan for all asset types included in the Morley's MDW asset repository. The CIP allows different work or renewal strategies to be selected for each asset type or category.

The trigger for a strategy within the Municipal DataWork's capital planning tool can be age-based or condition-based. For the most part, condition-based triggers were used for this study, although condition-based recommendations from Bridge studies were incorporated in our report. The Capital Planning parameters, subsequent to the timeline within the road needs studies were condition-based on degradation curves developed by OGRA and the Ministry of Transportation, as defined within a Road Strategy document earlier circulated to the Municipality for its review and attached as Appendix F to the Asset Management Plan report.

The Life Expectancy parameters, the estimated useful life or number of years before an asset needs to be replaced, were provided by the Municipality. The Condition Trigger Point, the number of years after initial installation that the renewal strategy is triggered or the rehabilitation work is to take place, were thoroughly researched, based on engineering principles and established standards. Also, the Life Expectancy Gain, the number of years that the useful life of the asset is extended, were based on engineering principles and established standards.

All analysis to measure the impact of this Capital Plan on future operating budgets will be considered in the final report taking into consideration. The capital costs required for each year were determined using MDW's Capital Investment Plan (CIP) module.

The methodology used for building this Capital Plan was to:

- 1) Use the tools within MDW for error checking and data gap analysis
- 2) Determine the "unconstrained" rate of capital expenditure (assuming an unlimited budget). A constrained rate of capital expenditure will be provided in the final report.
- 3) Identify the Municipality's current infrastructure deficit.
- 4) Determine the Municipality's future requirements using MDW's Capital Investment Plan module.
- 5) Prepare a report detailing the capital required for each asset class based on current rehabilitation and replacement unit costs
- 6) Establish the cost of maintaining existing infrastructure while addressing the infrastructure deficit.

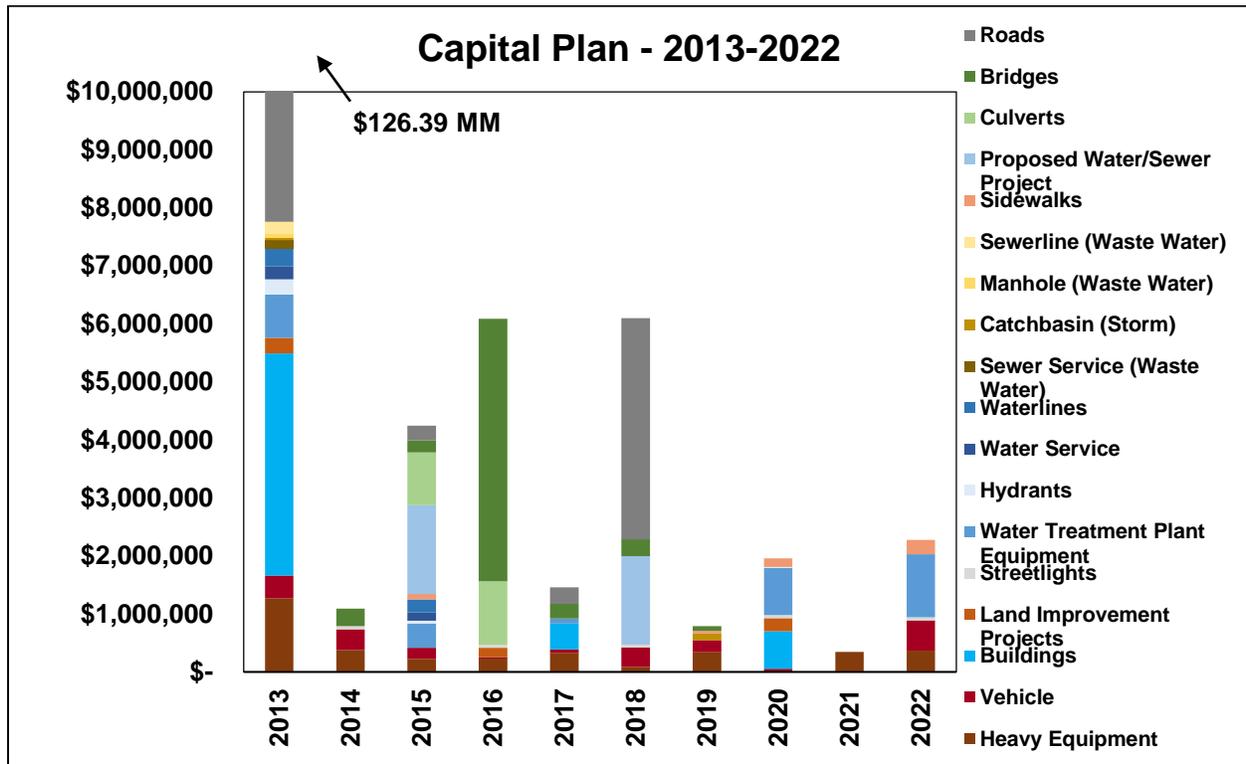
### 3.4 RESULTS

The Municipality of West Grey's infrastructure deficit is determined to be approximately \$10,275 per person (2013 figure), above the national average and very serious for the Municipality. The vast majority of the deficit is in dealing with the roads infrastructure. Like most other local

governments in this province, West Grey will struggle with aging infrastructure and constrained budgets.

Upon completion of the collection of all the pertinent data, the capital plan was generated using MDW’s Capital Investment Plan (CIP) module. A 10 Year Capital Plan, broken down by asset class for the years 2013 to 2022 (with PST and without inflationary factor), was developed. Inflation will be incorporated in the financial analysis. The results are as follows:

Timeframe	Year	Total Capital Projects (Incl. PST)
Year 2013-2022	2013	\$126,394,059
	2014	\$1,091,782
	2015	\$4,242,088
	2016	\$6,085,783
	2017	\$1,456,512
	2018	\$6,095,507
	2019	\$788,592
	2020	\$1,959,409
	2021	\$345,984
	2022	\$2,277,433
<b>Total</b>		<b>\$150,737,151</b>

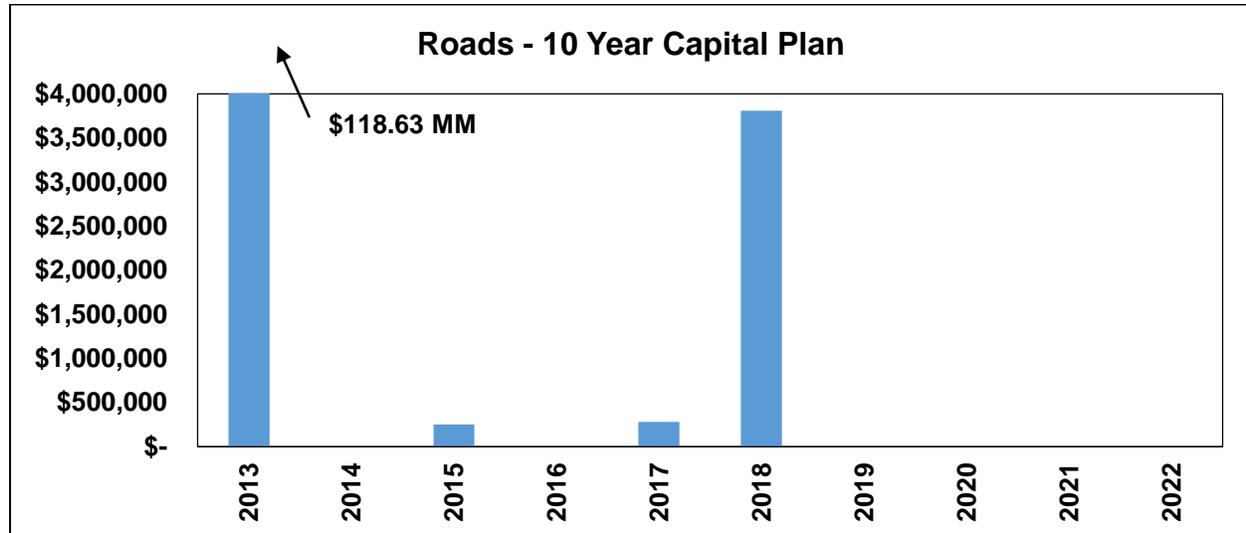


A detailed, project-by-project breakdown of this final Capital Plan and all proposed or study recommended projects are included in the detail capital project list in Appendix A. All changes/revisions suggested by the Municipality have been incorporated and attached in the Appendix A.

### 3.5 BREAKDOWN BY ASSET TYPE

#### 3.5.1 ROADS

The road replacement costs are taken from the costs provided by the Municipality and recent construction that has been indexed to 2013 based on our “Municipal Cost Index”. ISI used numerous deterioration curves for the various roads. ISI also used the general OGRA road management strategy and the gravel road expenses are treated as operating expenses and not included the Capital Plan expenses.



#### LIFECYCLE ACTIVITIES – LOOSETOP (UNPAVED)

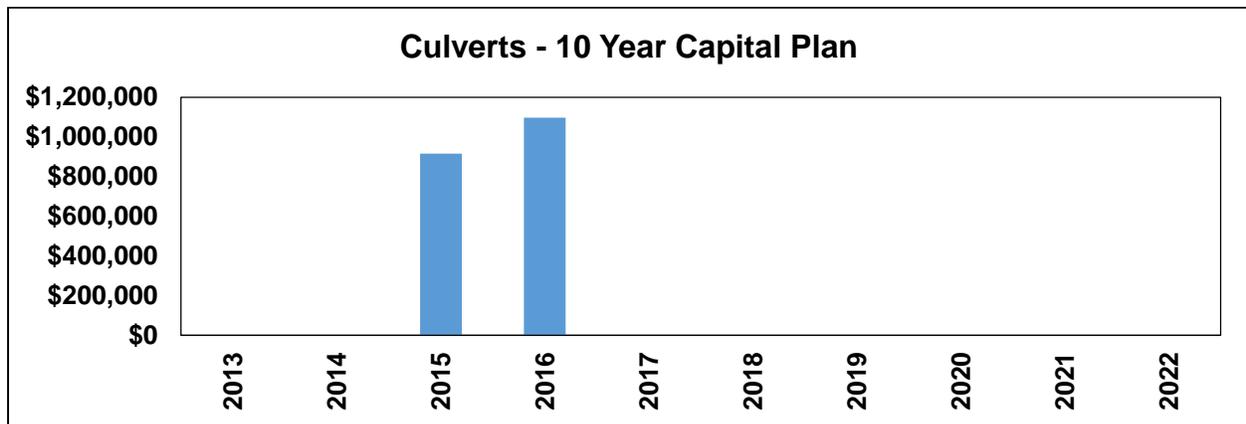
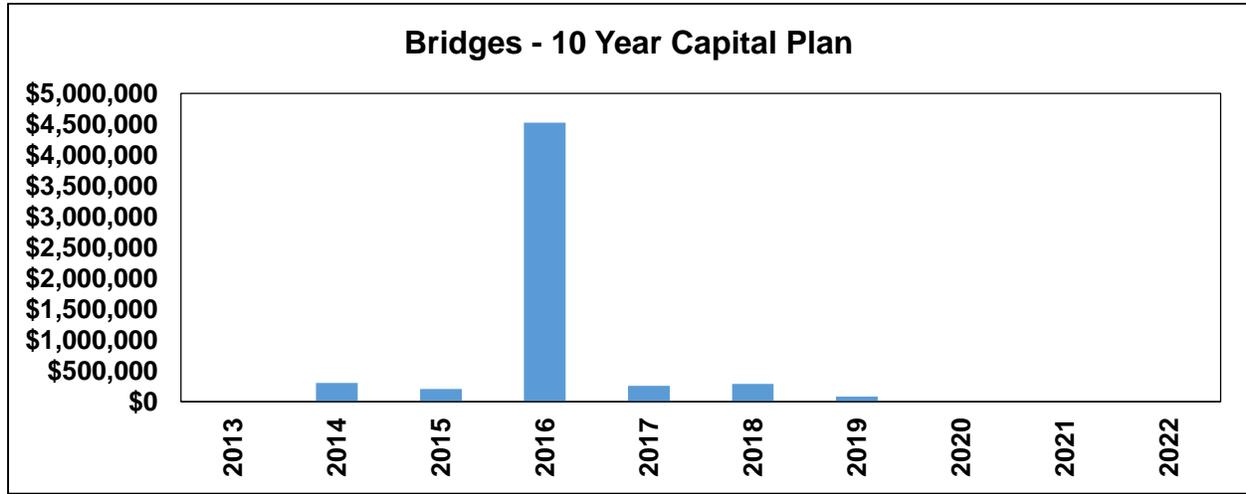
We are only dealing with surface treated in your Capital Plan. Gravel road expenses are being captured in your operating expenses, and inserting them into your Capital Plan would be a redundant entry. Our only concern is that you establish whether you are allocating sufficient funds in your Operating Budget to cover the gravel road expenses.

The OGRA strategy for gravel roads is to re-gravel roads 75 mm every 3 to 5 years depending on the AADT. Every Municipality we work with does annual maintenance rather than a 5 year resurfacing to 75 mm Granular A.

Timing	Activity	Activity Quantity		
		Class of Road		
		4	5	6
Annual	Grading	8 x per year	6 x per year	6 x per year
	Dust suppression	4t per kilometer	4t per kilometer	4t per kilometer
3 years	Ditching			
	Culvert cleaning	1 x per year as required	1 x per year as required	1 x per year as required
5 years	Safety devices			
	75mm Granular A	All roads	All roads	
6 years	75mm Granular A			All roads
	Spot repairs	All roads	All roads	
10 years	Drainage replacement	10%	10%	
	75mm Granular A	12%	12%	
	Spot repairs			All roads
	Drainage replacement			10%
				12%

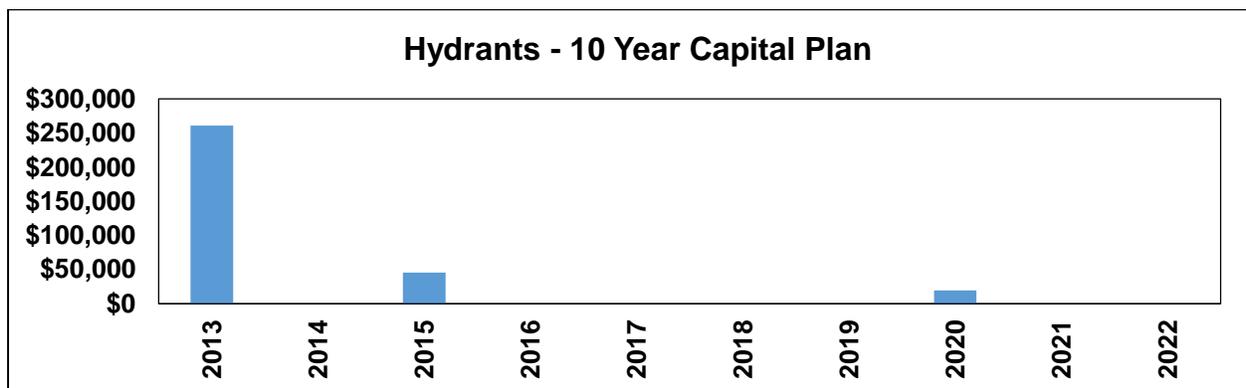
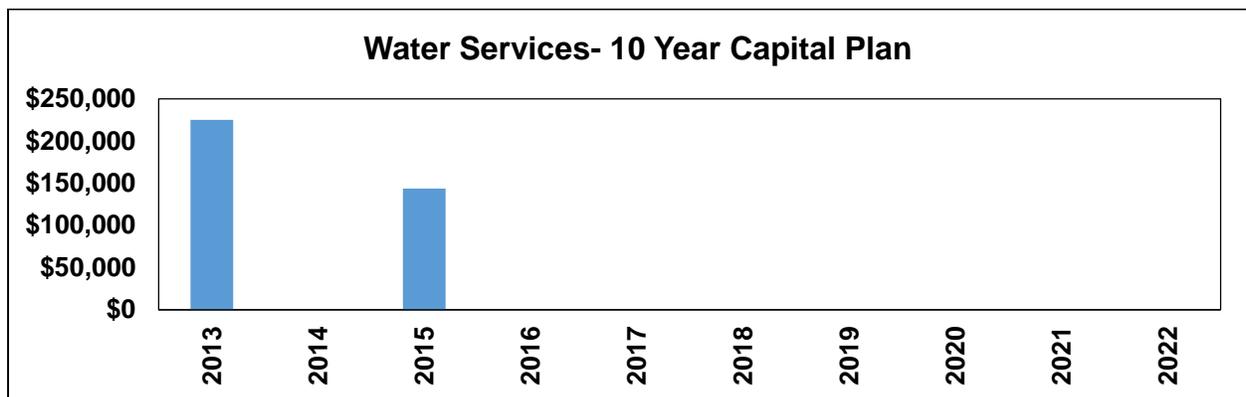
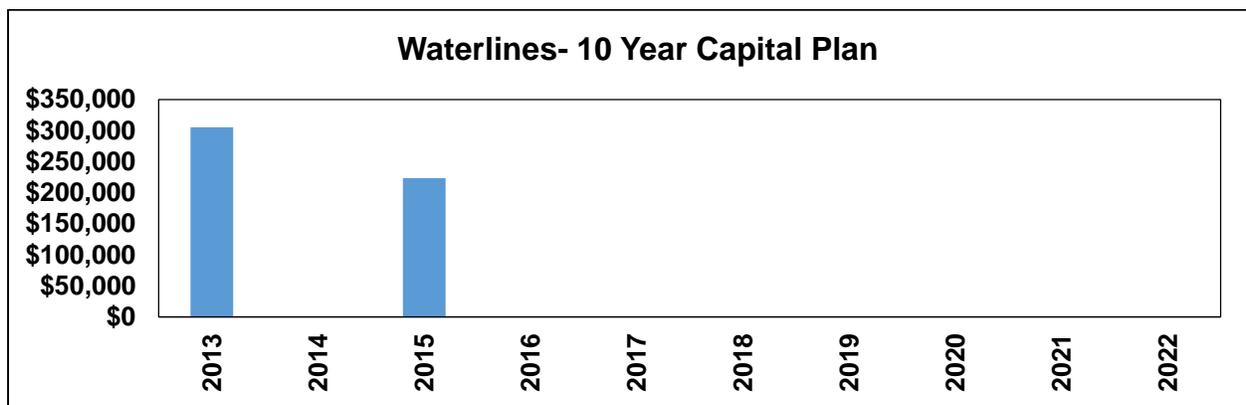
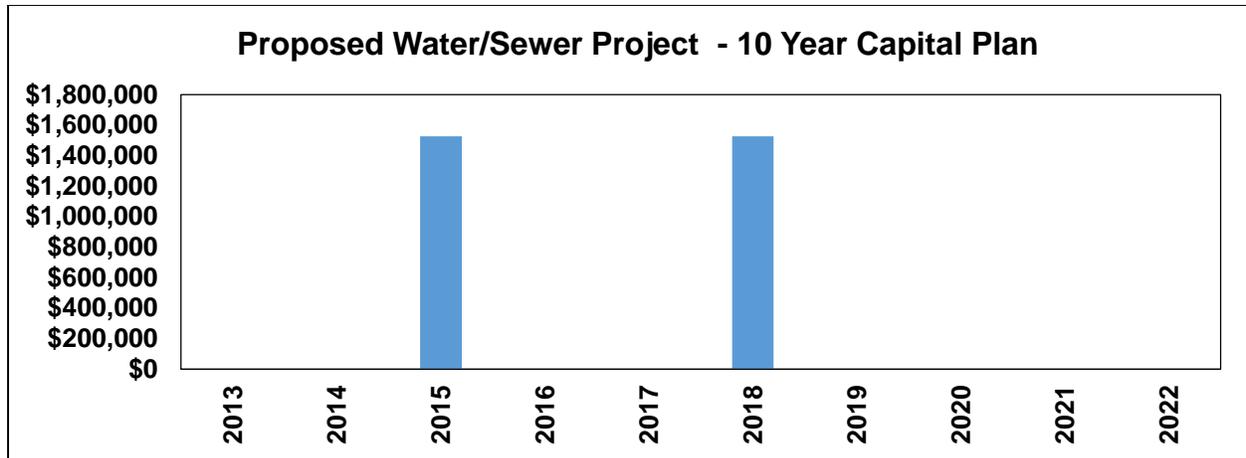
### 3.5.2 BRIDGES AND CULVERTS

The replacement cost is based on the PSAB cost for 2007 provided by the Municipality of West Grey that have been indexed based on the “Municipal Cost Index”. Condition assessment was provided to ISI by the Municipality, and was uploaded into Municipal DataWorks. Municipal DataWorks calculates the Bridge Condition Index based on the consultant’s report and condition assessments. The repairs suggested on the bridges and culverts in the report are assumed to have not been completed and the cost have been indexed using the Municipal Cost Index and placed as projects in the year 2016 (the project list is detailed in Appendix A’s attached excel spreadsheet with the report).



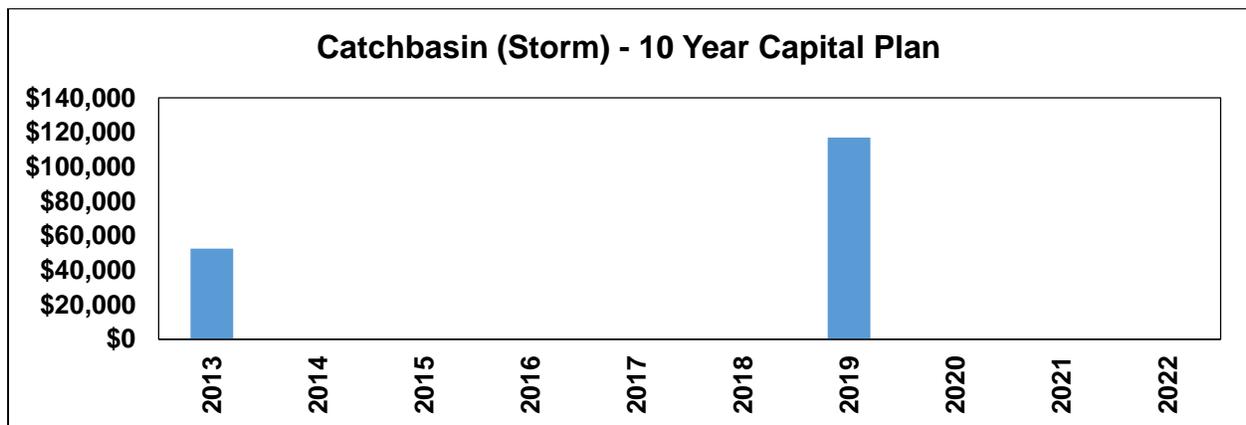
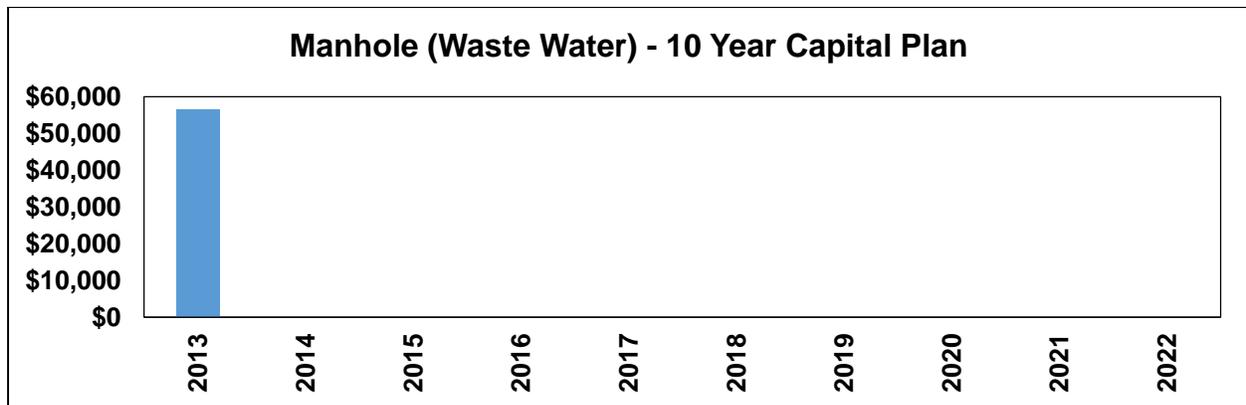
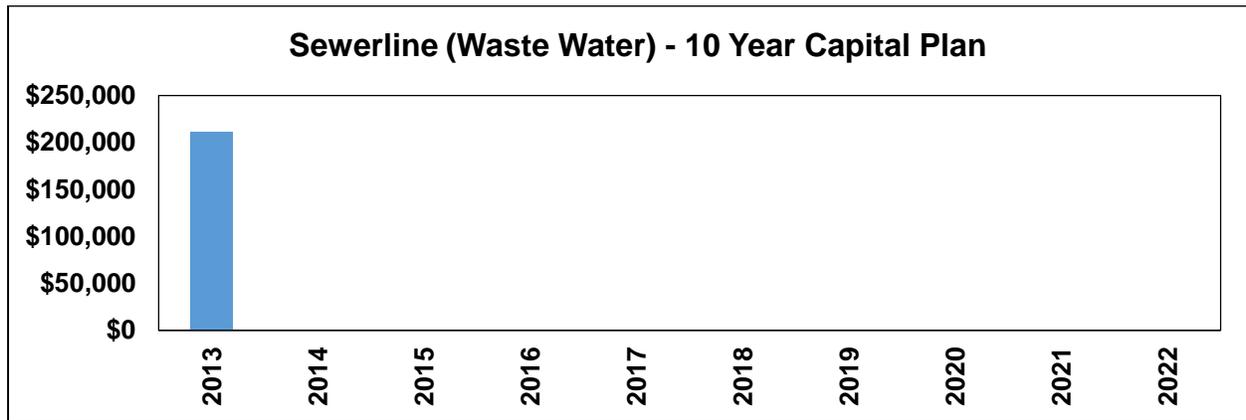
### 3.5.3 WATER NETWORK

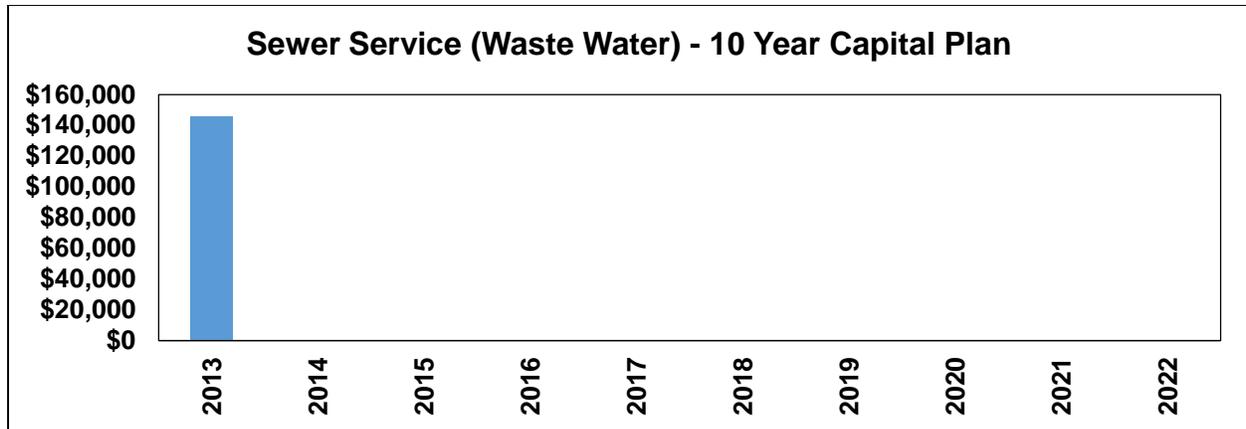
The group comprises of waterline Waterline including Water with total length of 31,114 meters, 166 Hydrants, 1,266 Water Services and Pump Station (Water). The replacement cost for the waterlines (including water valves) for various pipe sizes ranging between the diameter of 100 mm and 300 mm is provided by the Municipality and are for the year of 2009. ISI has indexed the costs using the Municipal Cost Index and added 1.76% PST to the unit costs. Similar calculations have been used for hydrants, water services and pump stations. The water network also includes Proposed Water/Sewer Project which consists of joint servicing proposed by the Municipality and 1.76% PST is added to the costs. No lifecycle events fall for Pump Station (Water) in the window of this ten year Asset Management Plan.



### 3.5.4 SEWER NETWORK

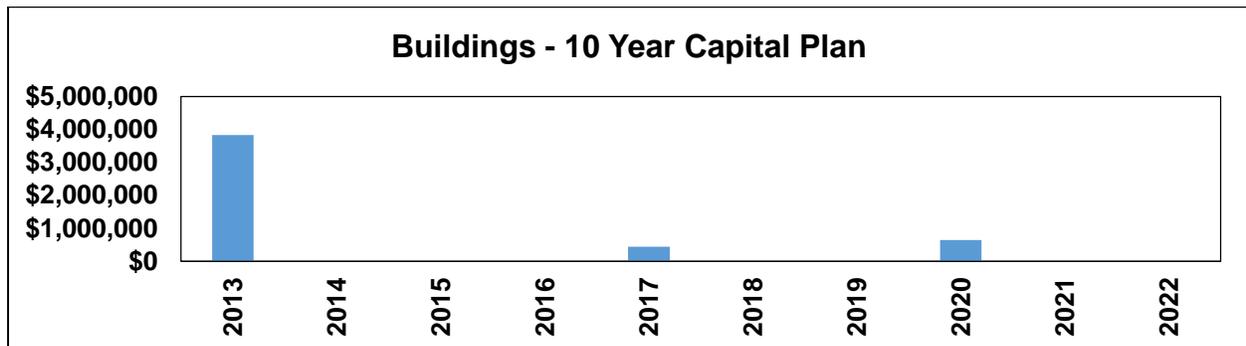
This group comprises of Catchbasin (Storm), Inlet, Manhole (Storm), 255 Manhole (Waste Water), 10,936 meters Sewerline (Storm), 21,428 meters Sewerline (Waste Water), Lagoon, Outfall, 1,269 Sewer Service (Waste Water). The replacement cost for the sewer assets is provided by the Municipality and are for the year of 2009. ISI has indexed the costs using the Municipal Cost Index and added 1.76% PST to the unit costs. The replacement costs for various sewer assets is based on the geometric data provided by the Municipality. Like for Sewerline (Storm) various pipe sizes ranging between the diameters of 150 mm to 2,200 mm, Sewerline (Waste Water) has pipe sizes between 75 mm to 450 mm, Catchbasin consists of various types like double or the ditch inlet etc. No lifecycle events fall for Inlet, Manhole (Storm), Sewerline (Storm), Lagoon and Outfall in the window of this ten year Asset Management Plan.





**3.5.5 BUILDINGS**

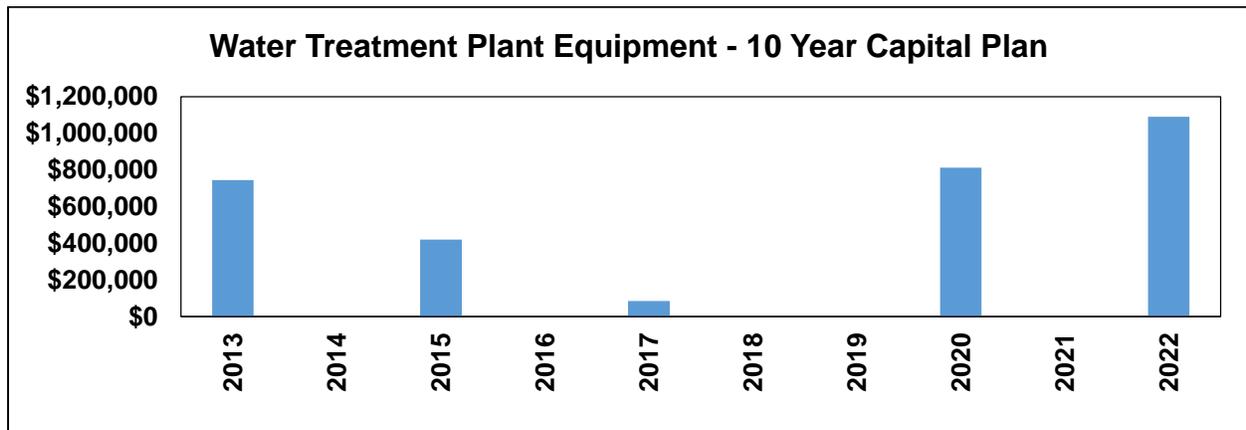
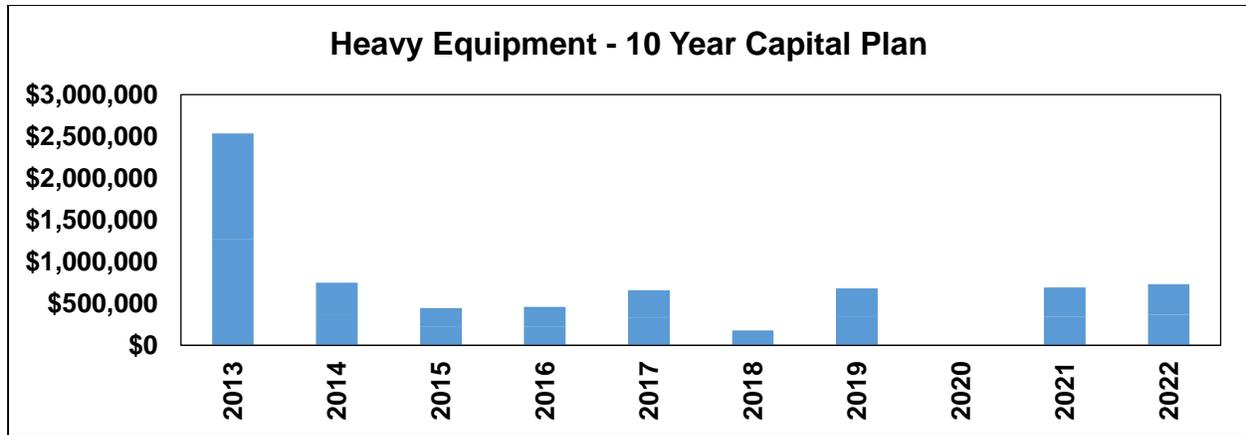
The replacement cost for Buildings is based on insurance document (2012) and the PSAB cost for 2009 provided by the Municipality that have been indexed based on the “Municipal Cost Index”. This group is comprised of approximately 31 buildings belonging to Bentick, Durham, Neustadt and Normanby communities. For a detailed analysis of the Municipality’s facilities, ISI can undertake building inspections in future to determine a more accurate condition assessment and suggest a strategy to optimize the current portfolio.



**3.5.6 HEAVY EQUIPMENT AND WATER TREATMENT PLANT EQUIPMENT**

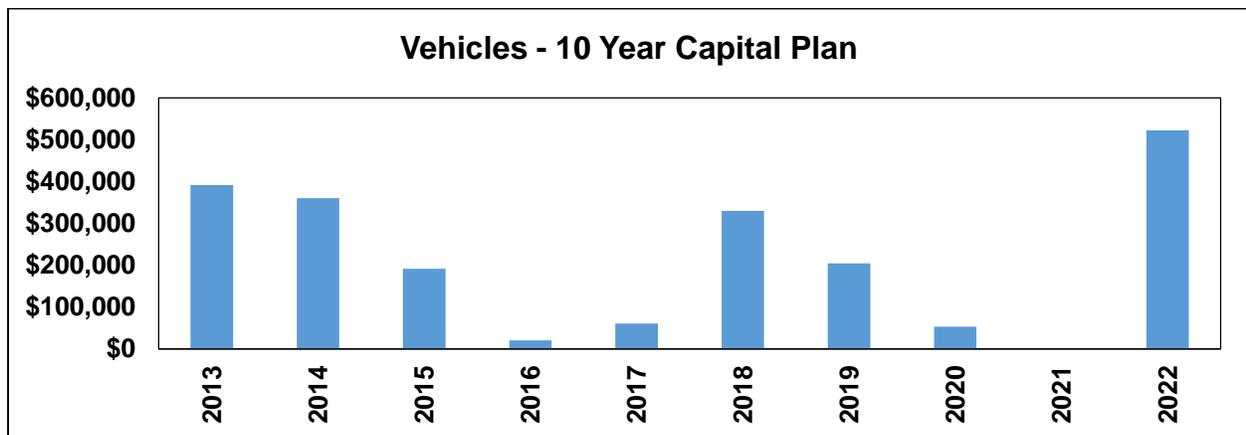
The replacement cost is calculated only for water treatment plant equipment using insurance document (2012) and the PSAB cost for 2009 provided by the Municipality. These are heavy equipment and due to huge costs involved in replacing/maintaining them, heavy equipment have been considered in the capital plan.

The water treatment plant equipment is broken down into various components with individual life spans which are based in Neustadt and Durham. The capital plan has been run for each component using the Municipality’s useful life. Further review and discussion with the Municipality is required to ascertain the accuracy of the Municipality’s equipment requirement.



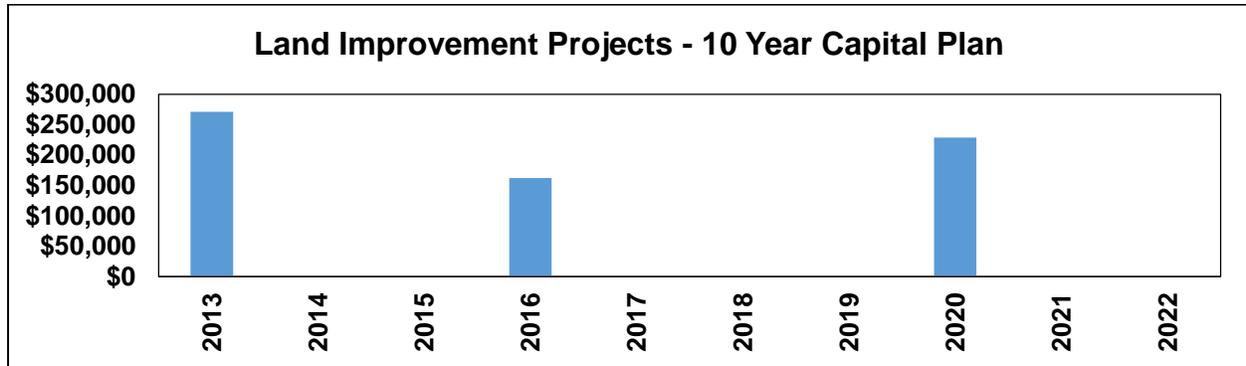
### 3.5.7 VEHICLES

The vehicle group comprises of Trucks, Tankers and Mowers etc. The replacement cost is calculated only for water treatment plant equipment using insurance document (2012) and the PSAB cost for 2009 provided by the Municipality, that have been indexed based on the “Municipal Cost Index”. Further review and discussion with the Municipality is required to ascertain the accuracy of the Municipality’s vehicle requirements.



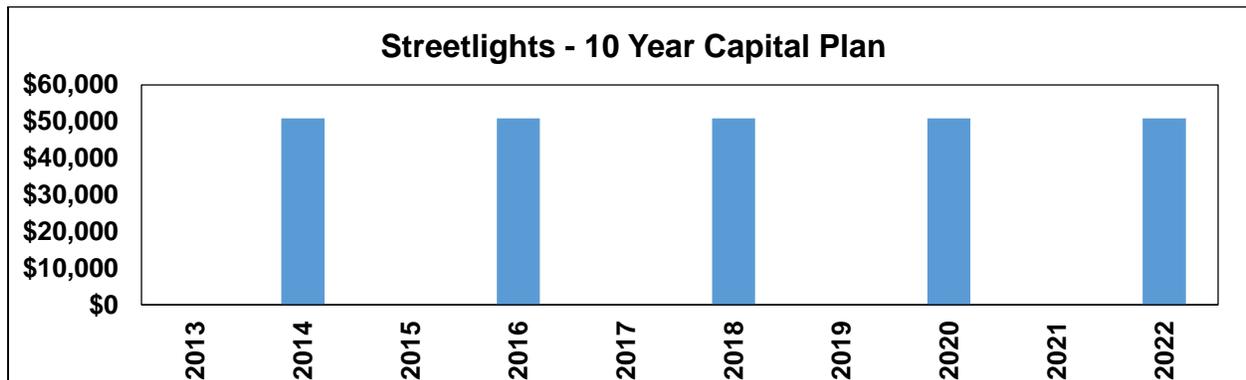
### 3.5.8 LAND IMPROVEMENT PROJECTS

The group comprises of 3 Parking Areas and Well Pumphouses in Neustadt and Durham, with the replacement cost calculated using 2009 PSAB cost indexed using the Municipal Cost Index.



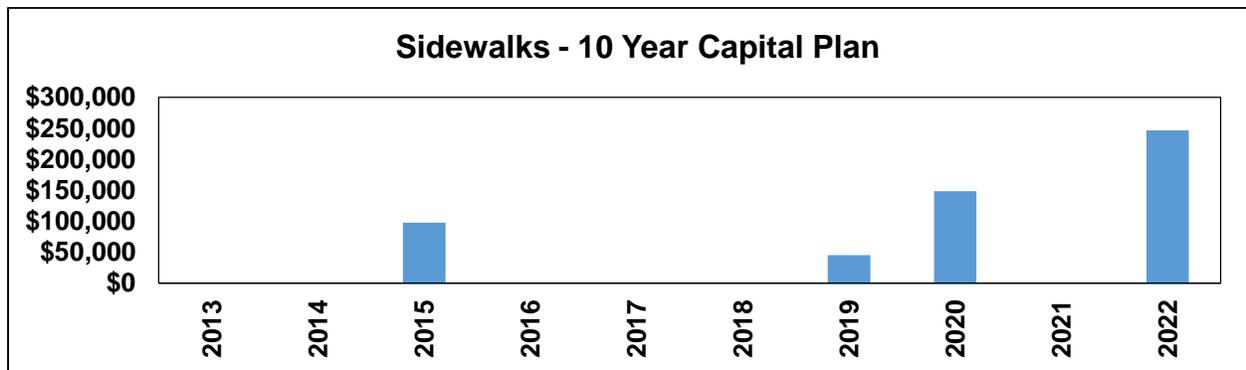
### 3.5.9 STREETLIGHTS

The group comprises of 641 streetlights belonging to the Municipality. The replacement cost is taken from the PSAB cost for 2009 that has been indexed using the Municipal Cost Index. No lifecycle event for streetlights fall in the window of this Asset Management Plan. However, the Municipality has proposed project to install new streetlights in the next 10 years.



### 3.5.10 SIDEWALKS

The sidewalks have a total length of 24,589 meters and 33,267 m<sup>2</sup> in total area, with the replacement cost calculated using 2009 PSAB cost indexed using the Municipal Cost Index.



## 4 LEVELS OF SERVICE

### 4.1 OVERVIEW

Levels of Service (LOS) are statements of service performance delivery. LOS is established based on Council direction, the needs or wants of the community as well as legislative and regulatory requirements. This report includes Operating Performance Indicators (OPI's) for current levels of service. Through the ongoing Asset Management process LOS will be further defined for the Municipality, the Municipality's assets, and the community. All are interconnected.

**There is likely further effort required by the Municipality to address and formally define levels of service from a customer perspective.** Asset management, at its root, is really about balancing between the full life cycle costs of various services and the levels of service being provided. It is about knowing what levels of service customers expect and what they are willing to pay. The level of service is a reflection of the quality, function and capacity of the services being provided. As a Municipality, you might consider:

- The level of service you are currently providing to users
- The annual cost to continue to provide the current level of service
- How the current level of service is expected to change in the future
- If you are meeting the level of service expectations of your users given the costs to provide current, increased or decreased levels of service

Many Municipalities cannot currently answer these questions, although many are working towards this goal. If you can't answer questions about the current, future and desired levels of service (with associated costs), then it will be difficult to understand the financial implications of owning the asset going forward. The levels of service that you provide as a Municipality directly impact many parts of asset management including both life cycle costs and risk management.

As a rough generalization, the higher the level of service provided, the higher the life cycle costs of providing that service. Levels of service drive the expected treatments in the management of infrastructure. Customer levels of service outline the overall quality, function, capacity and safety of the service being provided. Technical levels of service outline the operating, maintenance, rehabilitation, renewal and upgrade activities expected to occur within the Municipality. When practicing asset management it is important to first document the current level of service being provided. As asset management becomes more established within your Municipality, levels of service may be set through consultation with the community. However, it is critical that prior to public consultation, the current levels of service and associated life cycle costs are understood.

It is also important to discuss how various levels of service may have different risks associated with them. These risks may play an important role in determining if certain levels of service are acceptable. As with all economic analysis, a sensitivity analysis should be carried out on those parameters which are more likely to be beyond the control of the organization, such as market forces affecting the opportunity cost of capital, community expectations/perception on risk and factors in the long-term, health and safety effects, community economic effects, environmental and social effects, feasibility including public support and the Municipality's readiness.

### 4.2 METHODOLOGY

The implementation of a formal Maintenance Management System (MMS), among many other items, measures the response time, lag time, total time to resolution, resources involved, and communication logs for all issues identified internally and by customers. Going forward, this type

of information not only provides the basis of resource and program management decisions, but is key information that will provide council and the public with the service level information in relation to the cost of service. Historically a significant portion of activities have been provided at a 'best we can do with what we have' basis. Through a review of design guidelines, and metrics being captured by the MMS, the Municipality of West Grey can re-orientate service delivery that is driven by service level expectations that incorporate Level of Service factors.

To assist in better establishing Levels of Service, the Municipality should also consider collecting technical performance measures need to provide information on:

- the types of failure
- the number of customers affected
- the duration and severity of the failure

This kind of technical performance measurement and monitoring is undertaken to support decision-making by the asset managers within an organization. It addresses issues for consideration in effective management of the assets, such as:

- Assessing the effectiveness of the operational, maintenance and capital works program
- Review and refinement of maintenance and rehabilitation strategies and standards
- Assistance in strategic decision-making through definition of remaining life, based on the measure being assessed e.g. capacity of a pipe versus demand.

Benchmarking and other comparison management techniques are used both internally and for external regulation and monitoring, to assess the performance of infrastructure groups and asset owners. Each Municipality needs to consider developing rating systems to judge the assets from both a Municipality's perspective with the values that it brings to the organization, and also from a user's or regulator's perspective, in terms of the functionality, suitability, cost and service performance of the asset.

### 4.3 LEVELS OF SERVICE PROCESS

Some Levels of Service (LOS) for the Municipality can be attained through documents developed in the industry and by internally focusing on technical requirements that meet generally expected levels of operation and safety:

- Provincial Minimum Maintenance Standards (MMS) for roads, sidewalks, and street lighting
- Drinking Water Quality Management System (DWQMS)
- Engineering Standards Manuals

**Operating Performance Indicators** – These are the main activities within each operating budget cost center. These activities (OPI's) link directly to the level of service provided by the Municipality. The OPI's also include maintenance tasks that help extend asset life. A good balance between asset replacement through capital funding and ongoing maintenance provides the best-cost efficiency and service productivity. **The process is outlined in Appendix D.**

## 5 FINANCIAL PROJECTIONS

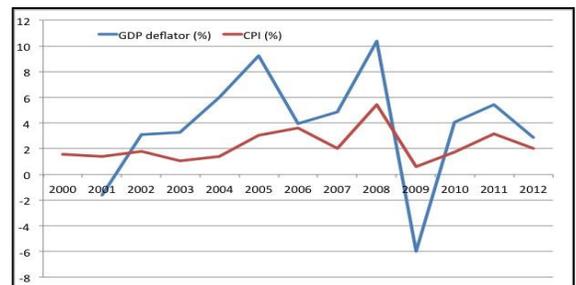
Our first steps in Financial Forecasting include compounding/inflating historical costs to Present Value (2012/13) number and then further compounding/inflating these numbers to meet future requirements. To maximize the accuracy of our projections, we have developed a comprehensive “*Municipal Cost Index (MCI)*”. To further fine-tune our projections, we do a micro analysis of your geographic region.

Our basic assumptions and calculations, included within this document, are key to the planning process and serve as the base for the forecasting and predicting your future budgetary requirements and needs. As a part of our commitment of involving you in the process to build customized Asset Management Plans, we would request that you review this document and provide any comments or thoughts on our approach to your financial projections.



### 5.1 CONSUMER PRICE INDEX: OUR PERSPECTIVE

A price index measures the change in the costs of purchasing a fixed basket of goods and services in the current period, compared to a base period, typically month-over-month or year-over-year. The most widely applied measure of inflation/price index is the Consumer Price Index (CPI). Given its pervasive use in setting cost-of-living adjustments, it can be the appropriate metric when calculating the rate of consumer inflation at the national level. Major components within the CPI include housing, food, and transportation.



Source: [www.marketmonetarist.com](http://www.marketmonetarist.com)

Extending the use of the CPI into discussions about the appropriate level of tax and fee rate increases becomes problematic, however, because a government’s actual experience with inflation can differ greatly from the CPI. This is because the largest expenditures for governments are typically labor, materials, and contractual services — different factors than those found in the CPI. Spending patterns that are different than those of other economic sectors. A price index that does not reflect the municipal purchasing structure does not truly reflect changes in the cost experience, and thus the purchasing power, of local governments. For instance, the CPI reflects household spending patterns that focus on shelter (27.7 percent of the Statistics Canada CPI basket), transportation (19.5 percent), food (15.5 percent), and recreation (12.9 percent) — none of which registers as leading purchase categories for local governments.

There are two main parts to the MCI calculation: the weightings of the expenditure categories (showing the relative importance of items in the index), and the inflation factor used for each component. The inflation factors for expected price changes are based on economic data from two main sources, the Conference Board of Canada (CBOC) and Statistics Canada. The key issue is to match an appropriate inflator from these external sources to the types of expenditures in each budget category. MCI can be used in the following ways:

- To measure the increase in overall municipal expenditures attributed to inflation;
- To allow managers to more closely monitor the increase in spending by expenditure category, thus making inflationary price increases or decreases more visible;
- To provide an indication of the historical, current, and future direction of prices relative to municipal expenditures;
- To explain increased expenditures attributed to inflation when submitting budgets.

## 5.2 MUNICIPAL COST INDEX

Municipal Cost Index (MCI), entails both inflationary and non-inflationary components along with their Weight and Inflaters. MCI has been created in such a way that it focuses on the overall yearly impacts of basket of goods that our clients has maximum exposure to and represents the operational/working capital needs on an ongoing basis. MCI will be used to a part of the assumptions in the following calculations:

- Municipal Cost Index is used an integral part of Capital Planning Module, MCI served as the base for inflating/compounding historical costs to Present Value
- Financial Forecasting Municipal Cost Index will be used as an compounding/inflation factor till 2013 financial year and then the compounding/inflationary factor will be based upon the reliable research reports like RBC, TD, Scotia Bank, Stats Canada to predict rest of the years (basis Inflation rate, GDP growth rate, Population, Risk Free Rate, Market Premium Rate etc. will be considered for a constant growth rate)
- Break down of revenue/expenditure and predicting the sources of funds and expenses

Extending the use of the CPI into discussions about the appropriate level of tax and fee rate increases becomes problematic, however, because a government's actual experience with inflation can differ greatly from the CPI. This is because the largest expenditures for governments are typically labor, materials, and contractual services — different factors than those found in the CPI. Spending patterns that are different than those of other economic sectors. A price index that does not reflect the municipal purchasing structure does not truly reflect changes in the cost experience, and thus the purchasing power, of local governments. For instance, the CPI reflects household spending patterns that focus on shelter (27.7 percent of the Statistics Canada CPI basket), transportation (19.5 percent), food (15.5 percent), and recreation (12.9 percent) — none of which registers as leading purchase categories for local governments.

There are two main parts to the MCI calculation: the weightings of the expenditure categories (showing the relative importance of items in the index), and the inflation factor used for each component. The inflation factors for expected price changes are based on economic data from two main sources, the Conference Board of Canada (CBOC) and Statistics Canada. The key issue is to match an appropriate inflator from these external sources to the types of expenditures in each budget category. MCI can be used in the following ways:

- To measure the increase in overall municipal expenditures attributed to inflation;
- To allow managers to more closely monitor the increase in spending by expenditure category, thus making inflationary price increases or decreases more visible;
- To provide an indication of the historical, current, and future direction of prices relative to municipal expenditures;
- To explain increased expenditures attributed to inflation when submitting annual budgets.

**West Grey’s Municipal Cost Index is attached as Appendix E.**

### 5.3 FINANCIAL STRATEGY ASSUMPTIONS

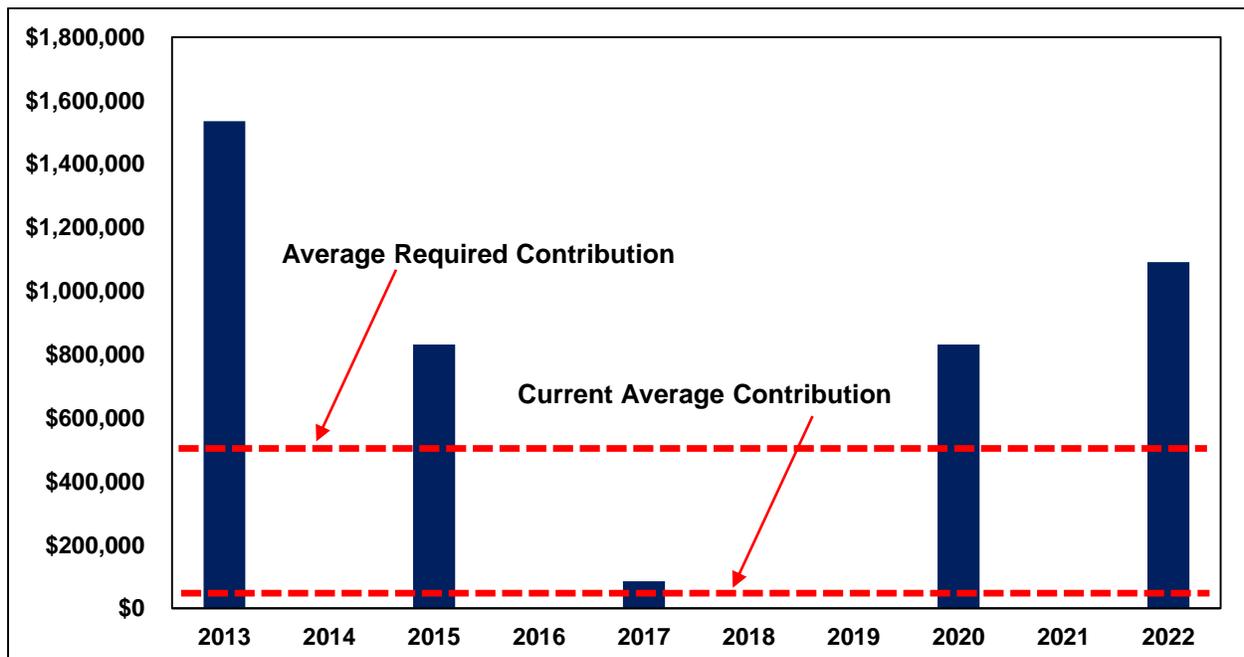
The following summarizes the key assumptions used in the preparation of the financial strategy for water, wastewater, roads and bridges:

- 2.3% annual operating income increase (property taxation, base scenario)
- 2% annual increase in User fees and 1% increase in other revenues
- 2% annual operating expenditure increase
- 2% annual increase in capital replacement costs
- Gas Tax Fund \$558,780 (not inflated)
- Existing funding sources, as identified in the 2012 FIR
- No growth related capital has been included in analysis as the financial strategy relates to the replacement of existing assets.
- Capital replacement needs as identified in the previous section of this report

It is important to keep in mind that assumptions may significantly change over time. In addition, capital replacement cost estimates may vary from current projections. As such, there is a need to monitor the financial strategy over time.

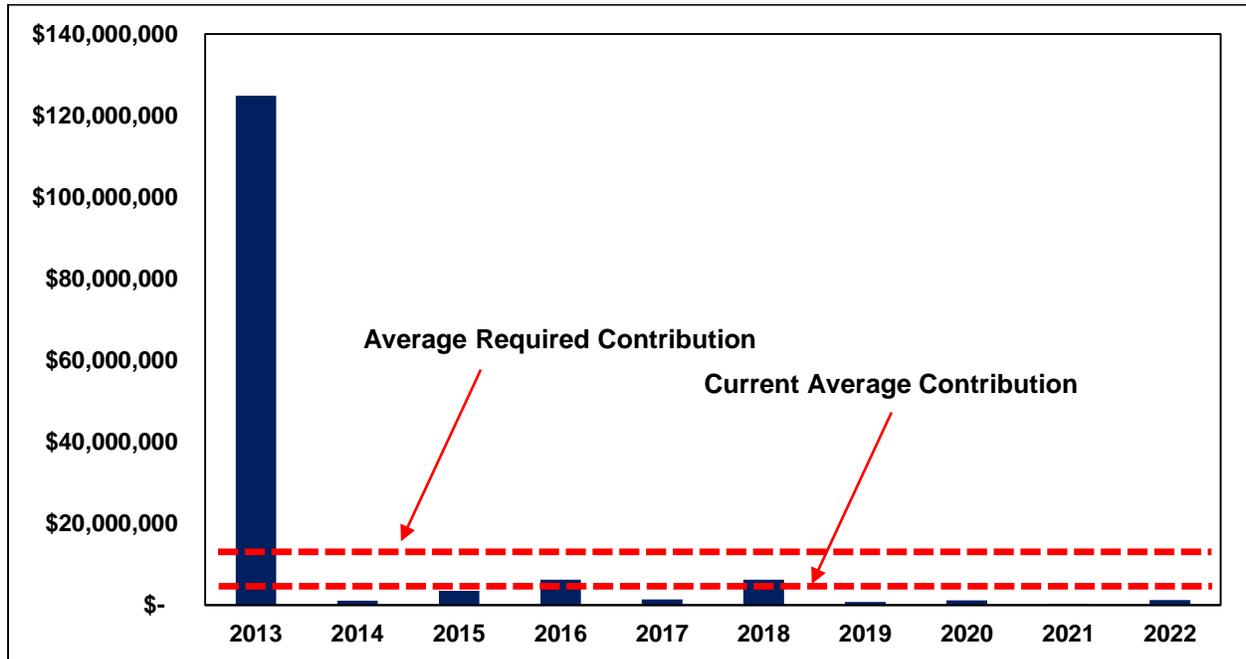
### 5.4 EXISTING WATER FUNDING REQUIREMENTS

The following graph reflects the annual requirements over the next 10 years to provide an understanding of the timing of the replacement requirements for water services. Over the next 10 years, the average annual replacement requirement for water is \$437,599, however the capital requirements vary on an annual basis, and to establish an effective water reserve, **a system should be analyzed over a 40-50 year system lifespan.**



## 5.5 FUNDING REQUIREMENTS

By our calculations, the average annual capital requirement is \$14.68 MM and the existing contribution to the capital program is \$2.56 MM. The Municipality is facing a growing infrastructure deficit like many other similarly-sized Municipalities. The Municipality needs to substantially increase its current contribution and to continue to build reserves so that it can prepare to maintain service levels and meet capital requirements in future. The Municipality’s strategies to close/reduce the gap will be discussed in the next section of the report.



## 5.6 FINANCIAL STRATEGIES – THE INFRASTRUCTURE GAP

Financial sustainability requires that a Municipality ensure that there are sufficient resources to support the delivery of services for which the Municipality bears responsibility. Given the need and benefit for further infrastructure investment in order to protect, sustain, and maximize the use of West Grey’ infrastructure assets, a number of options and strategies have been considered.

### 5.6.1 STRATEGY 1: SPECIAL LEVY

#### General Infrastructure

An option that could be implemented is to establish a special infrastructure levy for the replacement of existing infrastructure. For example, a special infrastructure annual levy increase of 4% would generate sufficient revenues to reduce the tax related infrastructure gap beyond 10 years. The Municipality should continue using additional funds to create healthy reserves to sustain infrastructure and service levels. These contributions would be dedicated to the replacement of existing reserves. By increasing the levy by an additional 4% annually will increase the funds available over the 10-year period by approximately \$16.62 MM. This reflects the significant power of compounding:

- In year one, the additional 4% special levy would generate an additional \$293,424
- In year 10, with an assumed 4% special infrastructure levy, this would generate an additional \$3.71 MM

The following table is provided for illustrated purposes to help explain the significant potential through a modest levy increase to address the tax infrastructure gap:

<b>4% Special Infrastructure Levy</b>	
<b>2014</b>	\$293,424
<b>2015</b>	\$612,082
<b>2016</b>	\$957,719
<b>2017</b>	\$1,332,195
<b>2018</b>	\$1,737,487
<b>2019</b>	\$2,175,705
<b>2020</b>	\$2,649,091
<b>2021</b>	\$3,160,037
<b>2022</b>	\$3,711,084
<b>Total income</b>	<b>\$16,628,824</b>
<b>Average income</b>	<b>\$1,847,647</b>

### **Water System**

For water services, a special water infrastructure levy can be established for the replacement of existing infrastructure. For example, a special infrastructure annual levy increase of 3% would generate sufficient revenues to reduce the tax related infrastructure gap beyond 10 years. These additional contributions would be dedicated to the replacement of existing reserves. Increasing the levy by an additional 3% annually will increase the funds available over the 10 year period by approximately \$1.33 MM. The following table is provided for illustration purposes to help explain the significant potential through a modest levy increase to address the user fee infrastructure gap:

<b>3% Special Water Levy</b>	
2014	\$ 40,796
2015	\$ 63,524
2016	\$ 87,930
2017	\$114,113
2018	\$142,179
2019	\$172,239
2020	\$204,409
2021	\$238,815
2022	\$275,587
<b>Total</b>	<b>\$1,339,594</b>
<b>Average Income</b>	<b>\$148,844</b>

## **5.6.2 STRATEGY 2: RETHINKING INFRASTRUCTURE**

There is the potential to reduce infrastructure costs by determining the most cost-effective options for all capital programs for new or rehabilitated infrastructure by pursuing life cycle costing analysis which was discussed earlier in the report. Further, as indicated previously, the timing to replace assets is based on the analysis undertaken using theoretical assumptions in some cases. Due to the funds available, there will be a need to identify where the replacement of some assets may be deferred. A strategy frequently used by Municipalities is to establish priorities based on funds available and to gradually increase contributions to reserves.

Many Municipalities develop rehabilitation and replacement programs on a system wide program basis versus annual project by project basis. This will allow for improved prioritization and co-ordination of required work.

### 5.6.3 STRATEGY 3: STRATEGIC USE OF DEBT

Due to the backlog in the tax-supported programs, there is a need to examine the cost/benefit of addressing these needs through the issuance of debt. Using debt strategically can provide capital funding flexibility by allowing certain infrastructure to be built and used before sufficient revenue has accumulated to offset the needed investment. Debt is frequently issued and considered a standard practice in Municipalities for capital projects that are long term in nature and that benefit future taxpayers, thereby spreading the costs across future years. As such, debt promotes inter-generational equity in that infrastructure is paid for by those who use it. With favorable interest rates and significant backlog, the Municipality may wish to consider the need to issue debt to expedite capital replacement. Infrastructure Ontario interest rates at the time of this report are as follows:

- 10 year – 3.12%
- 15 year – 3.62%
- 20 year – 3.93%

For example, if the Municipality were to issue \$1 million in debt to address a portion of the backlog deemed to be highest priority that was beyond reserve availability, the debt payments would be approximately \$88,000 (assuming 15 year term).

A debt management policy improves the quality of decisions, identifies policy goals and demonstrates a commitment to long-term financial planning, including a multi-year plan. Adherence to a debt management plan signals to rating agencies and capital markets that the Municipality is well managed and is well positioned to meet its obligations in a timely manner. The Province regulates the amount of debt Municipalities issue by setting an annual repayment limit for each Municipality (25% of a Municipality's own source revenues). Based on our experience, Municipalities typically establish thresholds below the Provincial limit to take into consideration taxpayer affordability and to ensure flexibility.

In addition to a debt guideline, monitoring also becomes important when considering the idea of the increased use of debt as a funding source to ensure that it is being used in a fiscally responsible manner. Government Finance Officers Association recommends that Municipalities adopt policies that specify appropriate uses for debt.

The following strategies are recommended to determine the most appropriate time to issue debt

- Debt will be proportionate to the Municipality's tax base and will not put an excessive burden on operating expenditures.
- Outstanding and planned debt levels will not exceed an amount that can be supported by the existing and projected tax revenue base. Debt policies will focus on:
  - projected debt requirement
  - limits and benchmarks
  - term and structure of debt
  - use of reserves to offset debt issuance
- Long term debt for the replacement and refurbishment of existing capital assets will be reduced and a planned process will be developed whereby an annual contribution will be made to meet lifecycle needs of all assets.

The following policies are recommended to manage debt within the Municipality

- Tax Debt Charges as a percentage of Tax Own Source Revenues will not exceed 10%.
- Long term debt financing will be restricted to specific project types:
  - Increased/new services to residents for new initiatives
  - New, non-recurring infrastructure requirements

- Projects which are supported by a business plan that show revenues will cover capital and interest costs
- Projects where the cost of deferring expenditures exceeds debt servicing costs
- Project costs not recovered from Development Charges
- Projects tied to third party matching funding

(Note: These restrictions may have to be phased in to meet short term budget challenges.)

- The length of the term of debt will not exceed the useful life of the underlying asset.
- The Municipality will monitor and report on all forms of debt annually.

#### 5.6.4 STRATEGY 4: USE OF GRANTS

It is well established that the condition of Canada's municipal infrastructure is one of the keys to underpinning, maintaining and enhancing Canada's economic productivity and competitiveness. It is therefore clearly in the national and provincial interests for the federal and provincial government to institute permanent and sustainable infrastructure funding. Along with the strategic use of debt, Municipality can also apply for the grants available from the Provincial and Federal governments. Some significant component of the infrastructure deficit can be dealt with through a close monitoring of grant programs and a careful expression of interest to access these funds.

Kathleen Wynn's Provincial Liberal minority government passed its budget bill this past spring, with plans to inject \$13.5 billion in 2013-14 toward the province's infrastructure deficit. The Province, with its partners, plans to continue to revitalize infrastructure in Ontario with programs like the Building Together and the Small, Rural and Northern Municipal Infrastructure Fund.

Steven Harper's Conservative majority government has just announced the New Federal Building Canada Plan with 53 billion over the next 10 years including over \$47 billion in new funding including the Gas Tax Fund (\$21.8 billion), now indexed and will now give Municipalities flexibility for a broader range of infrastructure priorities, an incremental Goods and Services Tax Rebate for Municipalities (\$10.4 billion), a new Building Canada Fund with two components:

- A \$4-billion, merit-based, National Infrastructure Component
- A \$10-billion Provincial-Territorial Infrastructure Component

Finally, the Federal Government is adding an additional \$1.25 billion in funding for **P3 Canada**, which will continue to be administered by [PPP Canada Inc.](#)

## 6 RECOMMENDATIONS

### 6.1 SOTI RECOMMENDATIONS

The SOTI/Capital Plan identifies a number of asset-specific recommendations. However, there are six recurring recommendations that should be addressed in future strategic asset management initiatives:

1. Develop, through more detailed analysis, a plan for allocating the additional funds to the operating and/or capital budgets, as required, in order to successfully develop, implement, and maintain the required asset management plans;
2. Develop a policy and implement a strategy to reach long term sustainable funding for each of the assets covered in this SOTI Report;
3. Implement a comprehensive budget structure along service delivery lines, so that service managers can adequately know what the true total cost of their service is (including asset management, operations, capital, and borrowing costs).

4. Review the selection and use of rehabilitation strategies on life-cycle costing and on a return-on-investment (ROI) basis.
5. Review operating and maintenance practices balancing least life-cycle cost against level of service and risk exposure, on a business-case basis using InfraGuide Best Practices and other industry sources;
6. Provide regular updates to the SOTI Report Card and Analysis

## 6.2 CAPITAL PLAN RECOMMENDATIONS

1. That asset condition assessment of capital assets should be considered wherever feasible. The application of a standard life expectancy of an asset reflects a financial approach (PSAB 3150). Age-based condition assessment has **the least level of confidence for building a capital plan.**
2. That the Municipality of West Grey could consider releasing a policy defining its strategy and intention as it pertains to the infrastructure deficit, including communications to the general public.
3. That the Municipality address their infrastructure deficit.
4. That the Municipality proactively define organizational responsibilities to maintain the asset inventory including proposed and actual project cost information, updating the data as assets are acquired or betterments are added to existing assets and projects are started and completed. In this manner, the accuracy of future Capital Plans will increase over time.
5. That the Municipality consider establishing as policy the following guiding principles, that it be:
  - a) **Customer Focused:** To have clearly defined Levels of Service and applying asset management practices to maintain the confidence of residents in how the Municipality of West Grey assets are managed.
  - b) **Forward Looking:** To make the appropriate decisions and provisions to better enable its assets to meet future challenges, including changing demographics and populations, customer expectations, legislative requirements, technological and environmental factors.
  - c) **Service Focused:** To consider all the assets in a service context and taking into account their interrelationships as opposed to optimizing individual assets in isolation.
  - d) **Risk-based:** To manage the asset risk associated with attaining the agreed levels of service by focusing resources, expenditures, and priorities based upon risk assessments and the corresponding cost/benefit recognizing that public safety is the priority.
  - e) **Value-Based/Affordable:** To choose practices, interventions and operations that aim at reducing the life cycle cost of asset ownership, while satisfying agreed levels of service. Decisions are based on balancing service levels, risks, and costs.
  - f) **Holistic:** To take a comprehensive approach that looks at the “big picture” and considers the combined impact of managing all aspects of the asset life cycle.
  - g) **Systematic:** To adopt a formal, consistent, repeatable approach to the management of its assets that will ensure services are provided in the most effective manner.
  - h) **Innovative:** To continually improve its asset management approach, by driving innovation in the development of tools, practices, and solutions.
6. To meet the goals and objectives of this policy, senior management could consider:

- a) The creation and maintenance of a Comprehensive Asset Management (CAM) governance structure to lead the development of AM tools and practices and to oversee their application across the organization.
- b) Adopt a Comprehensive Asset Management Strategy (AMS) to:
  - Establish, document and continually adhere to industry recognized asset management protocols;
  - Develop asset management knowledge and competencies aligned with recognized competency frameworks;
  - Entrench lifecycle costing when evaluating competing asset investment needs across the Municipality assets;
  - Monitor the performance of the assets and track the effectiveness of AM practices with a view to continuous improvement;
  - Where practical, strive to go beyond minimum legislative requirements as an enabler to make the Municipality of West Grey assets more resilient to changing social, environmental and economic conditions.
  - **Establish a capital projects prioritization matrix, as per Appendix C**

### 6.3 LEVEL OF SERVICE RECOMMENDATIONS

1. We recommend that the Municipality incorporate a Level of Service analysis prior to resolving the infrastructure deficit in order to maximize the impact of their capital investments and impact of their capital investments with the objective to:
  - Refine levels of service that balance customer expectations with risk, affordability and timing constraints as it pertains to the Municipality's unique requirements;
  - Adopt risk-based decision-making processes that consider the likelihood of asset failure and the consequence of a failure with regards to impacts on safety and levels of service;
2. To assist in better establishing Levels of Service, the Municipality should consider collecting technical performance measures need to provide information on:
  - the types of failure
  - the number of customers affected
  - the duration of the failure
  - the severity of the failure
3. To support decision-making for effective management of the assets, the Municipality should consider technical performance measurement and monitoring, undertaken by the Municipality such as:
  - Assessing the effectiveness of the operational, maintenance and capital works program
  - Review and refinement of maintenance and rehabilitation strategies and standards
  - Assistance in strategic decision-making through definition of remaining life, based on the measure being assessed
  - **The Municipality should use the Appendix D document as an example of how they might establish reasonable Levels of Service for the community.**

## 6.4 FINANCIAL STRATEGY RECOMMENDATIONS

It is well recognized that a Financial Strategy to support the asset management plan is a dynamic document that should be updated and re-evaluated on an ongoing basis. The Municipality should give due consideration to the following points:

1. The Municipality has insufficient funds from existing sources to proactively manage its infrastructure and will need to prioritize its requirements to maximizing the impact of existing financial resources.
2. The Municipality has a growing infrastructure deficit which is serious considering its population and tax base. A special infrastructure levy will help the Municipality to reduce the gap over time and should be taken into consideration.
3. In the event that the Municipality implements an infrastructure levy, a percentage of the additional funds should be transferred into a reserve so that the Municipality has some flexibility to prioritize and sustain future infrastructure and service level requirements
4. The Municipality requires a rate review and should consider for a special infrastructure levy for its Water Projects based on a detailed analysis, so as to create reserves to be able to sustain the current and future service levels and begin to close the infrastructure deficit.
5. The Municipality needs to be proactive in reviewing and capitalizing on the upcoming Province and Federal programs, as the Municipality will need financial assistance to close its infrastructure deficit. It should seek government grants to be able to undertake the capital projects outlined in this Asset Management Plan.
6. The Municipality needs to be proactive in reviewing funding options including Infrastructure Ontario Lending Policies, Private Public Partnerships, user fees and other funding options to have understanding of financing options.
7. The Municipality needs to embrace the principles of Asset Management to formulate assumptions, projections and strategies going forward. The Plan should be modified on an ongoing basis based on changes in the municipal environment
8. The Municipality should track and build awareness of the results of its projections on current operating and capital spending and funding levels with the objective of fine tuning the forecasting process
9. The Municipality should continue the analysis and examination of key financial goals and strategies that guide future priorities and expenditures

## 7 CONCLUSION

As a general comment, the Municipality of West Grey is hampered by limited revenue and extensive infrastructure. ISI worked with staff who were knowledgeable and committed. The information we received was, by in large, accurate and well organized. The overall state of the linear infrastructure at the Municipality of West Grey is in line with the vast majority of Municipalities in this Province.

As highlighted in the Report Card, the current state of the linear infrastructure, based on available condition rating and age analysis, presents a picture of the Municipality's linear assets to be in need of substantial work and the Municipality should continue to be proactive in their strategies, so as to extend asset useful life and avoid major rehabilitation/reconstruction or replacement costs.

It is highly recommended that the Municipality of West Grey embrace the principles of Asset Management. Managing existing infrastructure, doing the right thing, at the right time, involves knowing and actually doing the most cost-effective maintenance, repair, rehabilitation or replacement activity at the right time throughout the entire life cycle of the asset. Beyond cost savings, assets need to be viewed in terms of their ability to enhance quality, function, capacity and safety of the service being provided.

The process of implementing Asset Management is rife with challenge. It requires clear direction from Council. It requires significant cross-departmental cooperation. It requires the allocating of time, energy, and resource to assume new responsibilities. It requires consultation with the community. It requires working with constrained budgets to balance priorities. Because infrastructure management deals with assets that have long lifespans, it may take years before a substantial financial return on investment (ROI) becomes apparent. Still, managing existing, capital intensive, public sector infrastructure asset could provide very significant benefits (i.e. 20 – 40% reductions in life cycle costs).

Finally, the Municipality will likely be faced with difficult decisions over the next years, and the infrastructure deficit will continue to widen without corrective action. The Council should put together a public communication program to engage the community in discussing the true cost of services and the assets required to provide those services. Develop and implement service levels that are in line with public expectations and willingness to pay. ISI is providing a generic communication strategy.

We appreciate having been awarded the contract to build your Asset Management Plan and trust that this work is the beginning of a long and positive relationship with West Grey. Infrastructure Solutions Engineering provides Strategic Plans, condition assessments, financial analysis, and a wide range of consulting and engineering services. Please consider us a resource.

## **APPENDIX A - DETAILED LIST OF CAPITAL PROJECTS**

Click on the Dropbox hyperlink below for a detailed list of your Capital Projects over the next 10 years:

**[APPENDIX A - DETAILED LIST OF CAPITAL PROJECTS](#)**

## APPENDIX B – ASSET USEFUL LIFE

Departments	Assets	Useful Life as per CIP	Source
Transportation Network	Road Section		
	HCB	50/60 (Total Reconstruction)	ISI Infrastructure
	LCB	50/60 (Total Reconstruction)	ISI Infrastructure
	Gravel	(Recurrent Resurfacing)	ISI Infrastructure
	Sidewalk	45	ISI Infrastructure
	Streetlight	60	ISI Infrastructure
	Bridge	Wood	50
Concrete		75	ISI Infrastructure
Steel		65	ISI Infrastructure
Culvert	Culvert	50	ISI Infrastructure
Sewer System	Catchbasin	50	ISI Infrastructure
	Sewerline (Storm)	85	ISI Infrastructure
	Manhole (Storm)	75	ISI Infrastructure
	Sewerline (Waste Water)	80	ISI Infrastructure
	Manhole (Waste Water)	75	ISI Infrastructure
	Inlet	50	ISI Infrastructure
	Sewer Service (Waste Water)	80	ISI Infrastructure
	Outfall	80	ISI Infrastructure
	Lagoon	50	ISI Infrastructure
Water Network	Waterlines	75	ISI Infrastructure
	Hydrant	50	ISI Infrastructure
	Pumpstation (Water)	80	ISI Infrastructure
	Water Valve	50	ISI Infrastructure
	Water Service	75	ISI Infrastructure
Facility	Building	50	ISI Infrastructure
	Land Improvement Projects	Varies	As per the TCA Policy
Equipment	Equipment	Varies	As per the TCA Policy
Fleet	Vehicle	Varies	As per the TCA Policy

## APPENDIX C – CAPITAL PLAN PRIORITIZATION MATRIX

	Definition	Maximum Points	Percentage Weightage
<b>Goals/Objectives</b>	<b>Extent to which project meets goals &amp; objectives of the Municipality's council</b>	<b>25</b>	<b>15.9</b>
Safety	Extent to which project eliminates, prevents, or reduces an immediate hazard to safety	14	8.9
Mandates	Extent to which project helps council meet existing or new mandates	13	8.3
Timing/Linkages	Extent to which project is timely, a continuation of project currently underway, related to other high priority projects etc.	12	7.6
Economic Impact	Extent to which project enhances economic development in Municipality or directly/indirectly adds to tax base	11	7
Efficiencies	Extent to which project contributes to savings in Municipality's operating/capital expending	10	6.4
Maintain Current Level of Service	Extent to which project is necessary for Municipality to continue to provide one or more services at current standards	9	5.7
Improving Access	Extent to which project improves citizen access to current services	8	5.1
Service Improvement	Extent to which project improves the quality of exiting services	7	4.5
Service Addition	Extent to which project increases the quantity of exiting services	3	1.9
Operating Budget Impact	Projects that lower future operating expenses receive a positive score, ranging from 0 to 15. Projects that have no effect on operating expenses receive a score of 0. Projects that increase operating expenses score anywhere from 0 to -15	0-15, 0, 0-(15)	9.5
Community Support	Extent to which project has broad and/or strong support from the community	10	6.4
Financing	Extent to which project can be financed with non-general fund revenue sources	15	9.5
Timeliness of Submission	Extent to which project request is submitted in a timely way	5	3.2
		<b>142</b>	<b>100</b>

## APPENDIX D - OPERATING PERFORMANCE INDICATORS

ROADS				
Service	Operating Performance Indicators (OPI)	Current Performance	Target Performance	Timeframe
<b>Examples for Roads below:</b>				
<b>Road Maintenance &amp; Repairs</b>	Complete approximately X work orders per year for service requests including pot hole repair, minor asphalt patching, sightline improvement, MVA clean-up.	1500	500	3 Years
<b>Brushing and Roadside Mowing</b>	Complete approximately X km's of brushing on roadsides annually.	N/A	50 km	2 Years
	Complete roadside mowing X times annually	2	3	3 years
<b>Boulevard Maintenance</b>	Twice per year cut every boulevard in the city.	2	3	3 Years
	Annual weeding, cleaning and caulking of X km of sidewalk and curb.	7	7	
	Maintain sight lines at intersections for vehicle and pedestrian safety.	14 Days	14 Days	Timeline Achieved
	Roads Recapped ____ km's - Annual Average	8	30	2 Years
	Gravel Roads Surface Treated ____ km's - Annual Average	3.5	20	2 Years
<b>Curbing/Shoulders</b>	Annual repair, by August, of all curbing damage in previous winter.	September	July	1 Year
<b>Sidewalks &amp; Walkways</b>	Completed Inspections ____ times per year	1	1	Timeline Achieved
	Sidewalks / Walkways swept ____ times per year	1	1	Timeline Achieved
<b>Vandalism</b>	Within X hours of notification, remove graffiti.	48	24	1 Year
<b>Street Lighting</b>	Service requests for street light repair completed within X hours.	5 days	48 hours	1 Year
<b>Signs</b>	Annual inspection and maintenance of all X stop signs.	1225	1225	Timeline Achieved
	Annual inspection of crosswalk, pedestrian, school and playground signs and beacons.	September	July	1 Year
	Annual Upgrade of X signs to diamond grade	12	25	1 Year

<b>Snow and Ice Control</b>	Major roads including emergency routes during winter events.	16 Hours	16 Hours	Timeline Achieved
	Residential areas – through roads first then cul-de-sacs and dead ends.	16 Hours	16 Hours	Timeline Achieved
	Residential areas will be ploughed and maintained within 96 hours unless snow and icy conditions return crews back to major roads.	16 Hours	16 Hours	Timeline Achieved

**VEHICLES - FLEET**

Service	Operating Performance Indicators (OPI)	Current Performance	Target Performance	Timeframe
<b>Examples for Fleet below:</b>				
<b>Fleet Maintenance</b>	Undertake preventative maintenance and repairs to meet industry standards for safety and operation.	Daily	Daily	Timeline Achieved
	Maintain fleet availability at X%.	80	100	3 Years
<b>Small Equipment</b>	Inventory, maintain and repair X pieces of small equipment for use by all departments.	40	40	Timeline Achieved
<b>Preventative Maintenance Services</b>	X units inspected every X months to maintain safety and fleet efficiency.	32 Units every 250 Hours	32 Units every 250 Hours	Timeline Achieved

**WATER**

Service	Operating Performance Indicators (OPI)	Current Performance	Target Performance	Timeframe
<b>Examples for Water below:</b>				
<b>Valves &amp; Air Valves</b>	Exercise all line valves X per year with monthly/quarterly/yearly reporting	1	1	present
<b>Water Main Breaks</b>	Upon notification emergency response and water shut down within X minutes.	60	60	present
	Repair completed and water service re-instated within X hours.	12	12	present
	Currently experiencing X breaks per year on average	0	>2	present

<b>Service Connection</b>	X renewals completed each year on average.	0		
	<b>Renewals</b> Service connections associated with Road Rehab Program and capital projects are checked and replaced as necessary.	at that time	at that time	present
<b>Pump Stations</b>	Annual painting	no	yes	2014
	Annual vegetation control	yes	yes	present
	X year cycle – rebuild control valves.	as necessary	10 years	2014
	X year cycle – rebuild or replace pumps.	as necessary	15 years	2014
	Weekly trouble shooting and repairs	yes	yes	present
	X weekly visual inspections	7	7	present
<b>Stations</b>	Maintain all pressure reducing stations to operate without failure.	as necessary	every 5 years	2015
	X year cycle - complete replacement of each station	as necessary	as necessary	present
	X year cycle - complete rebuild of system.	as necessary	every 10 years	2015
	Annual painting and vegetation control.	n/a	n/a	n/a
<b>Water Testing</b>	100% of water samples contain no bacteriological contaminants.	100%	100%	present
	Monthly reporting	no	no	present
<b>WPC Chlorination</b>	Disinfects X% of City supply.	100%	100%	present
	Daily data acquisition and inspection	yes	yes	present
	Daily water testing	yes	yes	present
	Monthly chlorine cylinder replacement.	n/a	n/a	n/a
	Semi-annual chlorination equipment replacement and repairs	n/a	n/a	n/a
	Annual painting and vegetation removal	n/a	n/a	n/a
	X year cycle - replacement of small piping and control valves.	as necessary	every 10 years	2014
<b>Reservoir Chlorination</b>	Disinfects X% of City supply	n/a	n/a	n/a
<b>Water Main Flushing</b>	Annually flush all supply lines.	annual	annual	present
<b>Service Call-outs</b>	Provide 24/7 on call coverage for emergency response.	yes	yes	present

DRAINAGE				
Service	Operating Performance Indicators (OPI)	Current Performance	Target Performance	Timeframe
<b>Examples for Drainage below:</b>				
<b>Flushing</b>	Annual flushing of 100 m of the 236 m storm system	50	100	2014
<b>Video Inspections</b>	Annual video inspection of 10m of the storm system.	5	10	2014
<b>Manholes / Cleanouts</b>	Install and repair manholes and cleanouts.	yearly	yearly	present
<b>Catch Basins</b>	Annual inspection and cleaning of all 793 catch basins	150	250	2014
<b>Detention Systems</b>	Annual inspection of all X detention systems.	N/A		
<b>Inlet / Outlet Structures</b>	As needed Inspect and clean all critical inlet and outlet structures and service before, during and post-storm events.	yes	yes	present
	Annual inspection and maintenance of inlet and outlet structures.	yes	yes	present
<b>Ditch Cleaning</b>	Annual inspection of all ditches and clean as needed.	yes	yes	present
<b>Culverts</b>	Repair driveway and road crossing culverts as assigned through work orders.	yes	yes	present
<b>Service Call-outs</b>	Provide 24/7 on call coverage for sewer and drainage emergency response.	yes	yes	Present

## APPENDIX E – MUNICIPAL COST INDEX

MCI (Region 8)								
COMPONENTS	Weights	Inflators for Each Component						
		2006	2007	2008	2009	2010	2011	2012
Wages and Salaries and Benefits	37%		8%	7%		2%	6%	2%
Interest on Long Term Debt	1%			13%	-12%	-6%	19%	
Materials	31%		3%	6%	9%		4%	7%
Contracted Services	12%		-2%	-7%		9%	3%	5%
Rents and Financial Expenses	1%		-15%	-10%				
External Transfers	2%				9%			-4%
Amortization	17%					2%		
<b>Average MCI</b>		<b>3.49%</b>						

### Notes:

- Municipal Cost Index, is calculated to better represent the municipal purchasing power and cost experience, so ISI will use 2.40% as the compounding/inflationary factor up until 2013
- Municipal Cost Index represents the basket of goods and services which is consumed/used by Municipalities and represents the operational/working capital needs on an on-going basis
- Assigned weights represents the percentage of services/goods consumed out of total spend
- Inflators represent the year on year changes in the components
- Component's weight and inflators, sum all represents the overall cost experience for the Municipalities/region as compared to CPI
- MCI is created as to minimize the variation/deviations of cost/purchasing experience in the region
- The source of Municipal Cost Index are the Financial Statements for your specific region
- Outliers have been removed from the data for Municipal Cost Index calculation to average out/standardized data

## APPENDIX F – ROAD MANAGEMENT STRATEGY

### Road Management

Infrastructure Solutions Inc. is incorporating a road management strategy in your Asset Management Plan. Our primary tool for this analysis is the Capital Planning Module (CIP) built into Municipal Data Work's (MDW). MDW tracks and costs the various road maintenance, rehabilitation and construction strategies over your road network's life-cycle. This strategy forms the major component of the Capital Plan which, in turn, serves as one of the core components of the Asset Management Plan. This document does not deal specifically with your Municipality but does outline our approach to analyzing your road network to provide you with insight and ask for your concurrence.

#### The Relevance of a Road Management Plan

The deterioration curve below demonstrates the need for implementing a road management plan. It involves mapping a road section over the course of its life-cycle to determine where age and condition intersect to create a trigger point for action. A comprehensive road management plan will establish the most cost effective approach and associated benefits (level of service, safety, extended life of the asset) associated with timely corrective action.

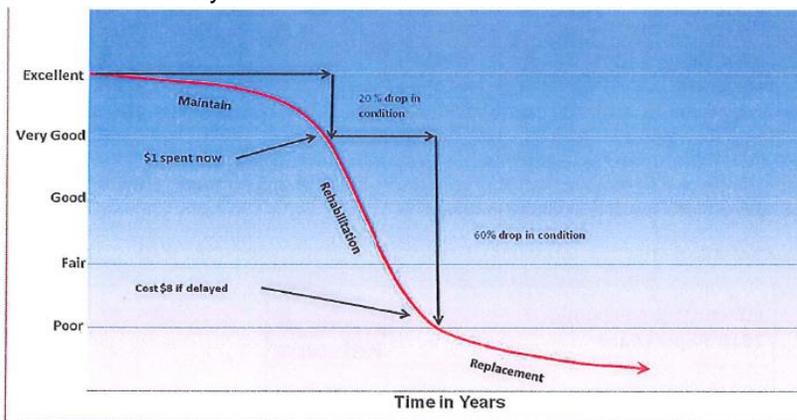


Figure 1: Typical Deterioration Curve

#### Life-Cycle Costing

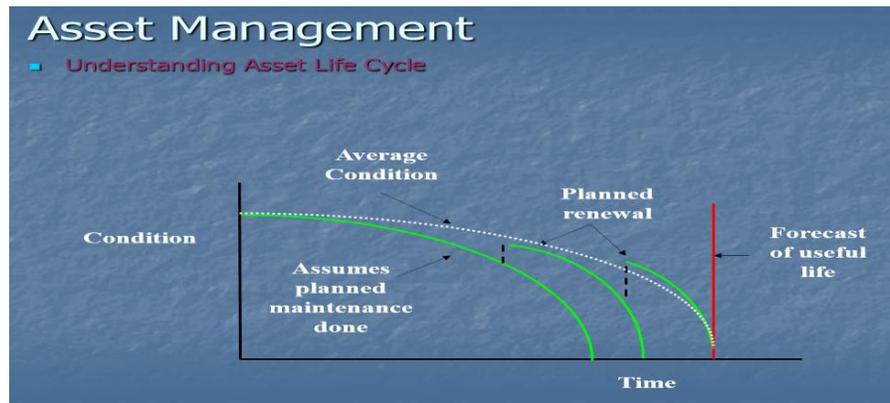
Effective life-cycle costing will optimize scarce financial resources by prolonging roads service life, while maintaining safe and secure levels of service. Our Capital Plan provides a detailed description of a road's life-cycle costs including operation, maintenance, renewal and replacement. While our final Capital Plan will assume unlimited funding, the final road strategy will recommend treatment strategies according to the service level balanced with the availability of funding.

Figure 2 - Life-Cycle Costing



Source: Southwestern Ontario Public Sector Conference on Asset Management

Figure 2-3: Asset Management



Source: Southwestern Ontario Public Sector Conference on Asset Management

### Road Treatment Strategies

The options for road preservation treatments involve a wide range of applications, grouped into four major categories:

1. **Preventative Maintenance Treatments** – These are low cost maintenance treatments applied to preserve, retard future deterioration, and maintain or improve the functional condition of road surfaces without significantly increasing structural strength. These treatments could be applied to a road surface over its entire service life.
2. **Surface Treatments** – These include surface seals and treatment applied to address surface deficiencies such as general raveling, segregation, or fatigue cracking distresses. These treatments could be applied to mid-life pavements to retard future surface or structural deterioration.
3. **Rehabilitation Treatments** – These are rehabilitation treatments such as structural overlays or mill and inlay treatments applied to increase structural capacity and restore serviceability. These treatments could be applied to mid-life and late-life pavements and could be major or minor depending on the percentage of base repair required.
4. **Reconstruction Treatment** – This high cost treatment would be used as a rehabilitation strategy under the circumstances where the existing pavement has completely failed. In this case, the original roadbed may be the cause of reduced serviceability. Excessive maintenance cost and other rehabilitation treatment may provide only very short term solution and a reconstruction of the entire road would be more feasible.

### Road Condition Assessment

The basis of implementing a road management plan is having a clear understanding of the state and condition of your network. There are several methods of establishing condition assessment depending on the level and scope of information needed to be collected. Generally, road condition assessments will provide a rating scheme (usually from 0-10 or 0-100), reflecting the degree of road or pavement degradation, where, under the RCR or PCI rating system, zero indicates the end-of service and 10 or 100 would indicate a newly constructed road.

### Road Needs Studies

The purpose of a Road Needs Study requires a qualified engineer to provide an analysis of the overall condition of the road system, including such factors as road condition ratings, traffic counts analysis for road classification, road condition description and geometry, repair/reconstruction strategies and priorities etc. The study would also provide statistical information on the road system.

### Visual Inspection

Visual inspection involves the evaluation of surface cracks and other physical deficiencies within road system to determine the condition rating of the roads. It requires a qualified engineer to measure and evaluate the type and extent of deterioration to rate the roads, such as the PCR (Pavement Condition Rating) as per MTO (SP024) or the PCI (Pavement Condition Index).

### Ride Comfort Rating (RCR)

This involves driving along a road length or network at the posted speed while recording the level of discomfort due to the degree of roughness. It is the least expensive option for assessing road conditions and would be usually carried out by the public works department.

### Age-based Condition Reporting

Where a Municipality chooses not to undertake a road condition assessment by any of the aforementioned processes, ISI has the capability to model road condition maintenance and renewal strategies using engineering deterioration curves determined by road age. This is the least accurate method for determining a road's condition and recommended strategies.

## Infrastructure Solutions Approach

### Road Maintenance, Rehabilitation and Reconstruction Strategy

Infrastructure Solutions Inc., will generate a final Capital Plan formulated on the above pavement strategies modelled in MDW for all road types. We have also developed a capital plan forecasting module, utilizing cost indices unique to each regional Municipality in Ontario.

Based on MTO guidelines, Infrastructure Solutions Inc., has selected the use of the following road and pavement condition triggers to formulate maintenance, rehabilitation and reconstruction strategies in the MDW capital planning module. In the table below, the RCR triggers are shown. MDW can accommodate various rating schemes such as PCI, which is out of 100. However, even if PCI is used, the same trigger pattern ranges (0-20, 30-40, etc.) and the associated strategies at each trigger, will be employed. For HCB roads, the following triggers and maintenance, rehabilitation and reconstruction strategies apply:

<b>Condition Assessment Ratings (HCB)</b>		
<b>Condition</b>	<b>Ratings Trigger (RCR)</b>	<b>Road Preservation/Reconstruction Strategies</b>
EXCELLENT	9 – 10	Preventative Maintenance Treatments <i>(i.e. crack repairs)</i>
GOOD	7 - 8	Minor-Low Cost Spot Repairs <i>(i.e. 10% spot base repairs)</i>
FAIR	5 - 6	Minor-Low Cost Rehabilitation <i>(resurfacing with 20% spot base repairs)</i>
POOR	3 - 4	Major-High Cost Rehabilitation <i>(resurfacing with 50% base repairs)</i>
VERY POOR	0 - 2	Total Road Reconstruction <i>(100% of surface and base)</i>

LCB roads require regular resurfacing, with spot base repairs, as the road reaches a lower condition ratings as shown in the table below:

<b>Condition Assessment Ratings – LCB (Surface Treated)</b>		
<b>Condition</b>	<b>Ratings Trigger (RCR)</b>	<b>Road Preservation/Reconstruction Strategies</b>
EXCELLENT	9 – 10	Single Surface Treatment
GOOD	7 - 8	Single Surface Treatment <i>(Spot base repairs 10%)</i>
FAIR	5 - 6	Single Surface Treatment <i>(Spot base repairs 15%)</i>
POOR	3 - 4	Single Surface Treatment <i>(Spot base repairs 20%)</i>
VERY POOR	0 - 2	Total Road Reconstruction <i>(100% of surface and base)</i>

The remaining service life of gravel roads is determined by the gravel thickness. A properly maintained unsealed gravel road theoretically has an indefinite service life. Cyclical maintenance through re-graveling the surface and spot base repairs can therefore prolong the life of the road for many decades, not requiring reconstruction. The cyclical maintenance/rehabilitation of gravel roads is shown below; such maintenance enables the roads to remain in excellent/good condition:

<b>Condition Assessment Ratings - Gravel</b>		
<b>Condition</b>	<b>Ratings Trigger (RCR)</b>	<b>Road Preservation/Reconstruction Strategies</b>
EXCELLENT	9 – 10	Preventative Maintenance Treatments <i>(Resurfacing: 75mm Granular A)</i>
GOOD	7 - 8	Preventative Maintenance Treatments <i>(Resurfacing: 75mm Granular A)</i>
FAIR	5 - 6	Preventative Maintenance Treatments <i>(Resurfacing: 75mm Granular A and 10% spot base repairs)</i>
POOR	3 - 4	Preventative Maintenance Treatments <i>(Resurfacing: 75mm Granular A and 10% spot base repairs)</i>
VERY POOR	0 - 2	Preventative Maintenance Treatments <i>(Resurfacing: 75mm Granular A and 20% spot base repairs)</i>

Using information collected from the road condition assessment report, an inventory is created with road service life and other road attributes potentially including annual average daily traffic (AADT) counts, if available. From our consultations, along with applying MTO and OGRA guidelines, ISI has determined the following service life for the different road types:

<b>Road Design and Functional Class</b>		
Type	AADT	Service Life
Urban (HCB)	>3000	30-40
Semi-Urban (HCB)	<3000 - >1000	40
Urban (LCB) and (HCB)	<1000 - >400	50
Rural (LCB) and (HCB)	< 400	60
Gravel	< 1000	Unlimited
Dirt	< 1000	Unlimited

Where AADT information and/or information on rural/urban classification is not available, we assume a service life of 60 years for both LCB and HCB roads.

#### HCB Road Treatment

For road treatment described as a single lift, we assume a 50 mm layer of HCB for rural and urban roads. Major rehabilitation would involve two 50 mm lifts and 50% spot base repairs.

#### LCB (Surfaced Treated) Road Treatment

A single surface treatment is applied for all trigger points except reconstruction where double surface treatment would be applied.

#### Performance Prediction Curves

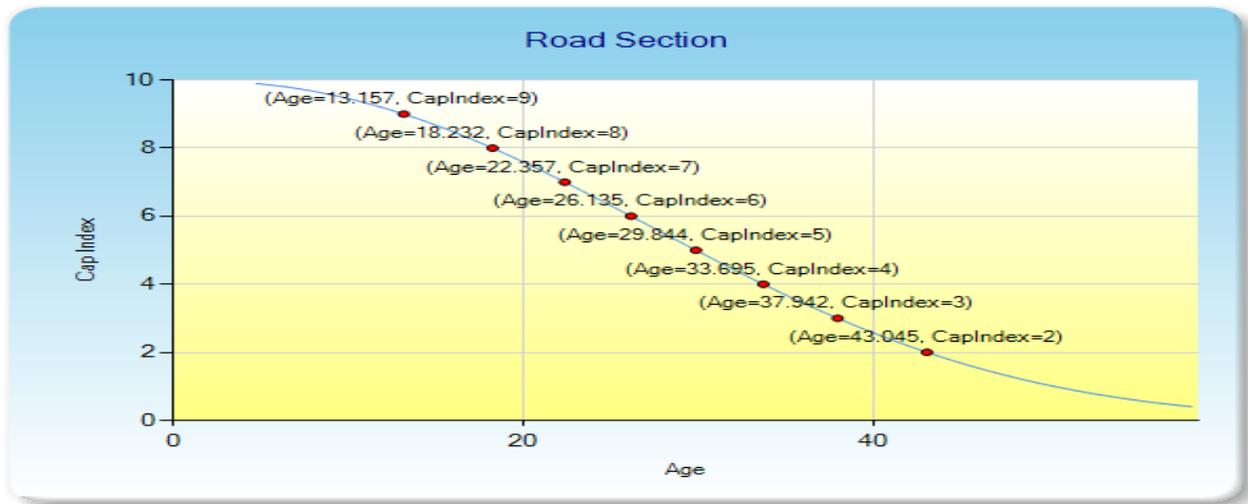
The screenshots provided in Figures 4-7 following, are taken from the MDW Capital Planning Module and are for demonstrative purposes only. The vertical axis is the condition rating, and the horizontal axis reflects the age of the road. The capitalization indices (CapIndex/CapIndices) are points along the deterioration curve corresponding to specific road treatments at condition/age intercepts. These indices are trigger points for maintenance/rehabilitation/reconstruction activities with their associated life expectancy gain.

The Capital Planning module within MDW uses these trigger points to generate the type of repairs required and the associated costs. Road construction costs are entered into the system based on either cost per km or cost per square meter (see Fig. 6). ISI always establishes current treatment costs by gathering recent invoices from our client, neighboring Municipalities, or by direct contact with local contractors.

#### Sources

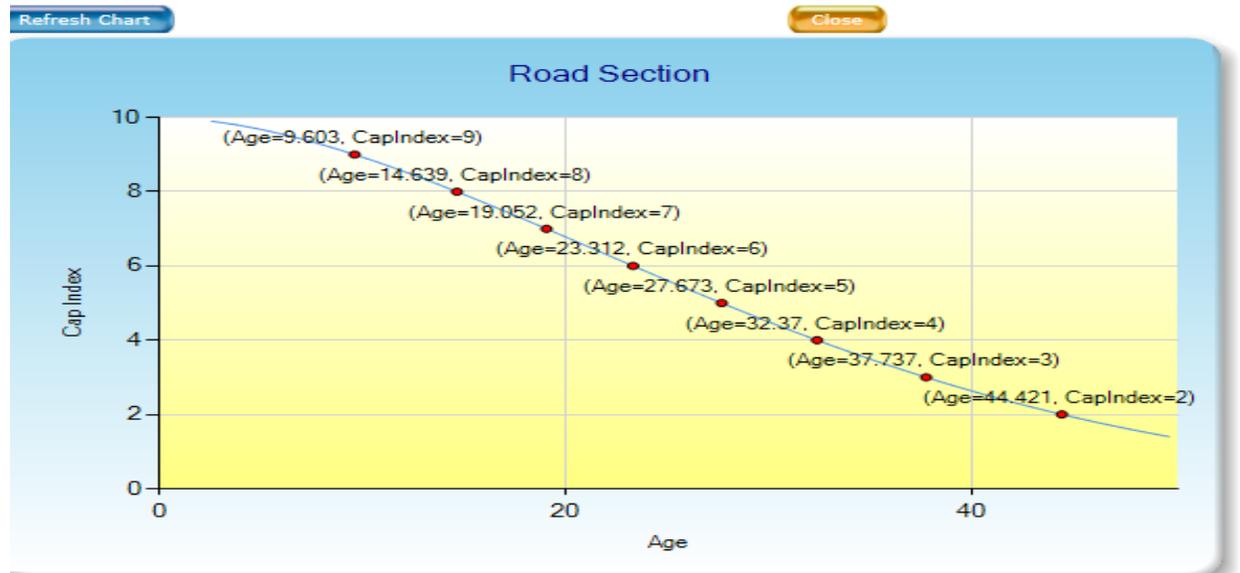
- Ministry of Transportation's (MTO) Inventory Manual for Municipal Roads (1991).
- Ontario Good Roads Association (OGRA) publication; "A Guide to Road and Bridge Asset Management Plan Development, June 2011.
- Ministry of Infrastructure's "Guide for Municipal Asset Management Plans".
- Ministry of Transportation's (MTO SP-24) Manual for Condition Rating of Flexible Pavements 1989, and Pavement Condition Index (PAV-86-02), 1986.
- InfraGuide, National Research Council of Canada

MDW Screenshot: Low Class Bituminous (Surface Treated) Roads



**Curve Parameter Setting**

Description	Min Value	Max Value	Value
Beta	1	3	1.78
Eta	0	50	34
Gamma	0	0	0

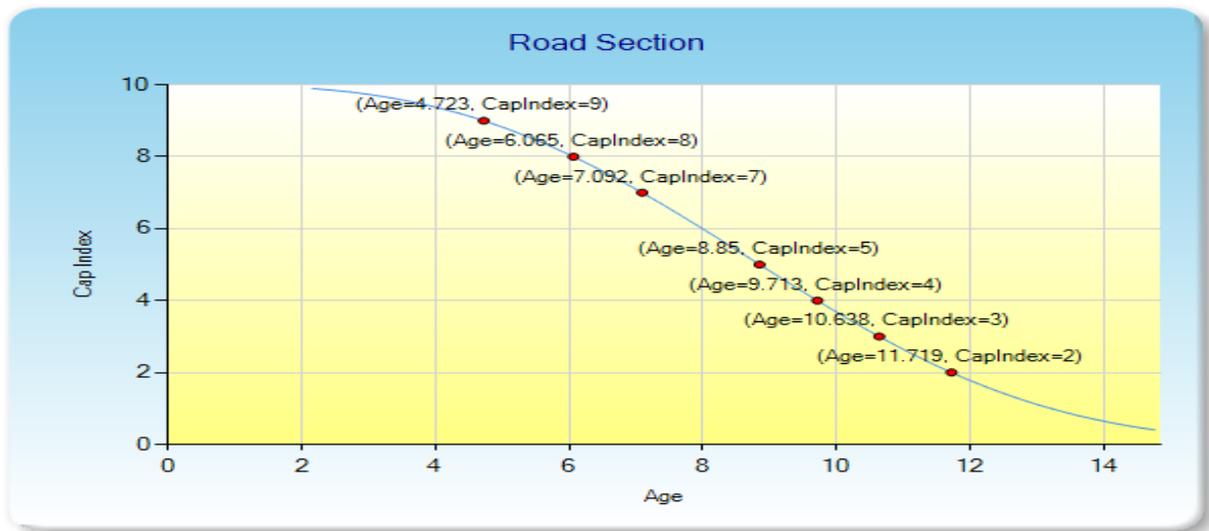


2 - Road Section: Capital Plan Code=st - (Number of Assets: 3)

Curve Type: S Curve Formula  
 Name: Road Section  
 CAP Index Type: Ride Comfort Rating  
 CAP Index Maximum Value: 10  
 Life Expectancy: 50  
 Last Modified Date: 8/6/2013  
 Modified By: Nadeem Haque

Cap Index	Renewal Strategy	Life Expectancy Gain	Unit Cost (\$)	Units	Dimensions 1
2	Reconstructed	50	63402.94	km	Sort by Dimensions 1
3	Single Surface Treatment	5	11546.62	km	Length (km)
4	Single Surface Treatment	6	11546.62	km	Length (km)
5	Single Surface Treatment	7	11546.62	km	Length (km)
6	Single Surface Treatment	7	11546.62	km	Length (km)
7	Single Surface Treatment	7	11546.62	km	Length (km)
8	Single Surface Treatment	7	11546.62	km	Length (km)
9	Single Surface Treatment	7	11546.62	km	Length (km)

MDW Screenshot: Gravel Roads



Tables: Ontario Good Roads Pavement Reservation Matrix

Lifecycle Activities – Flexible (Asphalt-HCB) Pavement	Activity	Activity Quantity					
		Class of Road					
		1	2	3	4	5	6
Annual	Potholes	0.5t/ln km	0.5t/ln km	0.5t/ln km	0.5t/ln km	0.5t/ln km	0.5t/ln km
	Shoulder grading	6x per year	6x per year	6x per year	2x per year	2x per year	NA
	Washout Repair	10t/year	10t/year	10t/year	10t/year	10t/year	10t/year
	Culvert Cleaning	1x per year	1x per year	1x per year	1x per year	1x per year	1x per year
	Cleaning MH, CB	1x per year	1x per year	1x per year	1x per year	1x per year	1x per year
	Cleaning C&G	1x per year	1x per year	2x / month (summer)	2x / month (summer)	1x / month (summer)	1x per year
	Safety devices	as required	as required	as required	as required	as required	as required
3 years	Crack seal	All roads	All roads	All roads	Roads with >400 AADT	Roads with >400 AADT	
5 years	Crack seal				Roads with <400 AADT	Roads with <400 AADT	All roads

8 years	Spot base repairs	10% of system	10% of system	10% of system	10% of system	10% of system	10% of system
15 years	50mm resurfacing	All roads	All roads	All roads	Roads with >400 AADT	Roads with >400 AADT	
18 years	Crack seal	All roads	All roads	All roads	Roads with >400 AADT	Roads with >400 AADT	
25 years	Spot base repairs	20% of system	20% of system	20% of system	20% of system	20% of system	N/A
	50mm resurfacing	all roads	all roads	all roads	all roads	all roads	
							all roads
28 years	Crack seal	all roads	all roads	all roads	Roads with >400 AADT	Roads with >400 AADT	
30 years	Crack seal				Roads with <400 AADT	Roads with <400 AADT	all roads
35 years	50mm resurfacing			Roads with <4000	Roads with >400 AADT	Roads with >400 AADT	
	reconstruct	all roads	all roads	Roads with >4000			
	Storm sewer repl.	35%	35%	35%			
	Open ditch repl.	70%	70%	70%			
38 years	Crack seal			Roads with <4000	Roads with >400 AADT	Roads with >400 AADT	
40 years	Spot base repairs				20%	20%	20%
	50mm resurfacing				Roads with <400 AADT	Roads with <400 AADT	all roads
50 years	reconstruct			Roads with <4000	Roads with >400 AADT	Roads with >400 AADT	
	Storm sewer repl.			50%	50%	50%	
	Open ditch repl.			100%	100%	100%	
60 years	reconstruct				Roads with <400 AADT	Roads with <400 AADT	all roads
	Storm sewer repl.				50%	50%	50%
	Open ditch repl.				100%	100%	100%

Lifecycle Activities – Low Class Bituminous (Surface Treated)

Timing	Activity	Activity Quantity		
		Class of Road		
		4	5	6
Annual	Potholes	0.5t/ln km	0.5t/ln km	0.5t/ln km
	Washout Repair	10t/year	10t/year	10t/year
	Culvert Cleaning	1x per year	1x per year	1x per year
	Safety devices	as required	as required	as required
3, 13, 23, 33, 43 years	Single surface treatment	All roads <1000AADT	All roads <1000AADT	
5,15,25,35, 45,55 years	Single surface treatment			All roads

8, 18,28 years	Single surface treatment	All roads <1000AADT	All roads <1000AADT	
	Spot Base Repairs	10% of system	10% of system	
10,20,30,50 years	Single surface treatment			All roads
	Spot Base Repairs			10% of system
38 years	Pulverize & double surface treat	All roads <1000AADT	All roads <1000AADT	
	Drainage replacement	70% of system	70% of system	
40 years	Pulverize & single surface treat			All roads
	Drainage replacement			70% of system
50 years	Reconstruct	All roads <1000AADT	All roads <1000AADT	
	Drainage replacement	100% of system	100% of system	
60 years	Reconstruct			All roads
	Drainage replacement			100% of system