

Report

Date November 19, 2025
Subject Asset Management Strategic Priority – Budget Implications

File:

PURPOSE

To provide Council with staff recommendations and budget implications for the 2026-2030 Financial Plan supporting the Strategic Priority “Funded Asset Management” as directed in the August 2025 Regular Council Meeting.

BACKGROUND

Many Canadian municipalities are facing an aging infrastructure crisis, with a large portion of their assets, built in the mid-20th century, now reaching the end of their life. Canada’s Infrastructure Assets Report (CIAR) provides an overview of the state of Canada’s infrastructure, and the findings of this report highlighted the declining condition of critical infrastructure, particularly in drinking water and wastewater assets. In 2022, nearly half of Canada’s public infrastructure was rated as being in very poor, poor, fair, or unknown condition, an increase from 2020. In 2024, North Cowichan identified a backlog of \$27.3 million in the water and sewer linear utilities only. Asset management offers a framework for addressing these challenges systematically and affordably.

Municipal asset management encompasses both the long-term plan for renewing existing infrastructure and the infrastructure requirements for growth. A corporate asset management plan for renewal of existing infrastructure and a development cost charge update for growth are both currently underway.

Corporate Asset Management Plan

A corporate asset management plan for the renewal of existing infrastructure provides Council with information on North Cowichan’s infrastructure funding gap and condition. The current plan, which has been underway for a year, involves reviewing information from consultant reports, assumptions regarding useful life, condition, and replacement cost, and adjusting any information based on corporate asset knowledge for all asset categories. Due to the volume of data and information available, this iteration of the corporate asset management plan will not include all asset categories; however, it will encompass water linear and point assets, sanitary sewer linear and point assets, drainage linear assets, flood pump stations, roads, sidewalks, bridges, facilities, and playgrounds. Missing information has been noted and will be prioritized to roadmap initiatives for the next iteration of the corporate asset management plan.

Development Cost Charge Update

A Development Cost Charge (DCC) update will advise North Cowichan of the infrastructure required to meet the demands of growth in the Municipality. This plan will include new infrastructure required, as well as current assets that need to be upsized. The challenges in relation to North Cowichan’s community growth and capacity constraints were presented to Council in March 2025. Currently, the rate of development exceeds the financial and staff capacity of North Cowichan to construct the infrastructure ahead of development. The size and number of applications requiring allocation of residual capacity have nearly exhausted the 20+ year supply of residual capacity. This requires costly infrastructure upgrades to commence in the immediate term while balancing the needs of existing

infrastructure renewal.

The success of North Cowichan's asset management program will depend on striking a balance between maintaining existing assets and infrastructure and replacing them while adapting to climate challenges and meeting the demands of a growing population. Outcomes of the current DCC update and the natural asset management plan, also currently underway, will be incorporated with the corporate asset management plan to provide a full picture of the long-term infrastructure requirements facing North Cowichan. This will ensure the most effective use of resources through informed decisions about infrastructure investments. However, adequate resources are required to implement the asset management program.

The Federation of Canadian Municipalities (FCM) developed an "Asset Management Readiness Scale" to assist municipalities in assessing competency areas, which are the building blocks that form the practice of asset management. The five main competencies are:

- Policy and governance
- People and leadership
- Data and information
- Planning and decision-making
- Contribution to asset management practices

Attachment 1 provides North Cowichan's condensed Asset Management Readiness Scale. North Cowichan has made significant progress towards asset management, particularly in the areas of policy and governance competency. Council and senior management have shown commitment to asset management as shown by an endorsed asset management policy, resourcing a temporary asset management position, and a recently amended strategic plan to incorporate funding for asset management. Although much work has been completed to populate asset management in the data and information competency, there are still many asset categories to be collected, and asset attributes are missing. This is the groundwork required to incorporate asset management into planning and decision making, as well as information-based contributions to asset management practices. The focus of North Cowichan's efforts moving forward will be on data and information, planning and decision making, and contributing to asset management practices competencies.

DISCUSSION

To address the challenges of asset management at North Cowichan, staff recommend the following for inclusion in the 2026-2030 Financial Plan:

1. Investment in Enterprise Asset Management Software

Enterprise asset management software will help departments plan, execute, and track day-to-day asset maintenance and long-term renewal. A single repository for all asset information will increase process efficiency, ensuring North Cowichan assets reach or exceed their expected useful lives. It will also provide advanced modelling to assist in long-term planning, including asset renewal, upgrades to address capacity constraints, and new infrastructure required for growth, all within budget constraints.

In June, North Cowichan issued a Request for Information (RFI) to gather information on enterprise asset management software solutions. Nine submissions were received, and three software providers were selected for product demonstration. The purpose of this RFI was to gather information, including software features and resources required to implement. After reviewing the RFI submissions, it was determined that a budget of \$400,000 over three years for implementation will be required as follows:

2026 - \$100,000

2027 - \$200,000

2028 - \$100,000

**Timing of funds required is subject to adjustment once a Request for Proposal (RFP) is completed and payment terms are negotiated with the vendor.*

This budget request does not include the cost of licence fees, estimated at \$60,000 annually. Staff have found room within the IT software budget to cover the licensing fees. It is anticipated that, after implementation, these fees will be offset by divesting in existing software that is no longer required. These savings cannot be realized until the respective departments have fully implemented them.

In addition, staff have submitted an application to the Strategic Priorities Fund grant program under the Capacity Building Stream for the \$400,000 implementation fee. If North Cowichan is successful in securing this grant, the \$100,000 allocated through taxation for this project, if approved, will not be required. Council will then have the discretion to either transfer these funds to surplus or reallocate them to another project. Staff will return to Council for direction on how to redirect the dedicated funds if the grant is successful.

If the budget is approved, staff plan to issue an RFP and report back to Council on the results of that process.

2. Permanent Manager of Asset Management

Asset management requires interdepartmental coordination to ensure consistency and a shared vision towards corporate asset management goals. A dedicated resource to organize and spearhead these efforts has been found invaluable over the past year with the temporary Manager of Asset Management, a position that Council approved for a two-year term in 2024 funded from Community Works Funds. Staff are recommending that this position be made permanent to keep North Cowichan's asset management program moving forward. This is particularly true if Council wishes to proceed with an enterprise asset management software solution. Through the RFI process, software providers identified the importance of a dedicated resource to oversee implementation, and current permanent staff do not have the additional capacity required for this role.

The current term for the Manager of Asset Management position ends in August 2026. The budget impact of creating a full-time position (inclusive of benefits) is as follows:

2026- \$51,960
2027 - \$166,622

The draft 5-year work plan for the Manager of Asset Management has been provided in Attachment 2.

3. 1% Tax Increase to a newly created General Asset Management Reserve Fund

In 2023, staff provided recommendations to increase parcel taxes in Chemainus, Crofton, and the South End to fund sewer and water infrastructure, thereby addressing the deficit in asset renewal. These increases, over time, would bring funding levels to the Average Annual Lifecycle Cost Investment (AALCI) presented in 2023. In 2024, a recommendation was made to add an annual budget line for facilities. The current funding strategies in place, however, do not address the funding deficits for asset categories such as transportation, drainage, and other parks and recreation infrastructure. Staff would like to recommend increasing taxes by 1% annually to contribute to the infrastructure renewal reserve, addressing the current and future funding gap.

Tax revenues are the primary source of income for a municipality; therefore, they are the most stable and predictable funding source to allocate to asset management. Gradually allocating resources to asset management into a dedicated reserve fund through a moderate annual tax increase prevents reliance on debt or external funding during urgent situations. Over time, this allocation makes a significant impact on the infrastructure deficit.

Assuming 1% of taxes is \$400,000, an annual increase of 1% will result in approximately \$57 million towards asset renewal by 2041.



OPTIONS

1. **(Recommended Option)** THAT Council endorses the following items for inclusion in the 2026–2030 Financial Plan:
 - (1) Allocates \$100,000 in the 2026 budget, \$200,000 in the 2027 budget, and \$100,000 in the 2028 budget for the implementation of an enterprise asset management software solution.
 - (2) Converts the temporary Manager of Asset Management position to a permanent role.
 - (3) Applies a 1% annual increase in general taxation to contribute to the Infrastructure Renewal Reserve, addressing infrastructure renewal deficits.
 - This option provides the resources necessary to make a significant improvement to North Cowichan’s asset management program in both infrastructure planning and addressing the funding gap. Notable improvements will be made in data collection, modelling available for efficient capital resource allocation, progress on the infrastructure deficit, and the staff resources to successfully implement this recommendation. As stated earlier in the report, if the Strategic Priorities fund grant application is successful, the funds allocated from taxation in 2026 could be utilized on other projects.
 - This option will result in a permanent increase to operating and capital expenditures, which will impact general taxation.

2. THAT Council supports the following for consideration in the 2026-2030 Financial Plan:
 - (1) Allocates \$100,000 in the 2026 budget, \$200,000 in the 2027 budget, and \$100,000 in the 2028 budget for the implementation of an enterprise asset management software solution.
 - (2) Makes the temporary Manager of Asset Management permanent.
 - This option provides the resources necessary to make improvements in infrastructure planning without addressing the funding gap. Notable improvements will still be made in data collection, modelling for efficient capital resource allocation, and the staff resources to implement this recommendation successfully. Staff will approach Council at a future date with options to address the funding required to fund the infrastructure deficit.
 - This option will result in increased capital expenditures from 2026 to 2028 and a permanent increase to operating expenditures, which will impact general taxation.

3. THAT Council considers the following for consideration in the 2026 – 2030 Financial Plan:
 - a. Makes the temporary Management of Asset Management permanent.
 - b. A 1% increase in general taxes each year to the infrastructure renewal reserve to address infrastructure renewal deficits.

- This option provides the necessary resources to advance the asset management program, but without the advanced tools typically found in an enterprise asset management solution. Under this option, resources are made available to fill information gaps and address the funding gap. Staff will return to Council at a future date to consider a software solution and allow for the results of the grant application submitted for this initiative.
 - This option will result in a permanent increase to operating expenditures, which will impact general taxation.
4. THAT Council consider making the temporary Management of Asset Management into a permanent position for consideration in the 2026 – 2030 Financial Plan:
- This option provides a resource to continue the coordinated approach to North Cowichan’s asset management program required. Additional data collection will take place, including the completion of a Strategic Asset Management Plan, to prepare North Cowichan for future investment in an enterprise asset management solution. Staff will return to Council at a future date to discuss funding options for the infrastructure deficit.
 - This option will result in a permanent increase to operating expenditures, which will impact general taxation.
5. THAT Council take no improvements to the asset management program into consideration for the 2026-2030 Financial Plan.

RECOMMENDATION

THAT Council endorses the following items for inclusion in the 2026–2030 Financial Plan:

- (1) Allocates \$100,000 in the 2026 budget, \$200,000 in the 2027 budget, and \$100,000 in the 2028 budget for the implementation of an enterprise asset management software solution.
- (2) Converts the temporary Manager of Asset Management position to a permanent role.
- (3) Applies a 1% annual increase in general taxation to contribute to the Infrastructure Renewal Reserve, addressing infrastructure renewal deficits.

Report prepared by:

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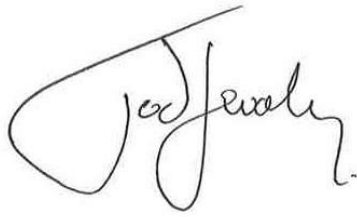
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Report reviewed by:



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Approved to be forwarded to Council:



Ted Swabey
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Attachments:

- (1) North Cowichan Asset Management Readiness Scale
- (2) Draft 5-year work plan for the Manager of Asset Management