



**Tracey Neifer, CPA, CA**  
**Director of Financial**  
**Services/Treasurer**

The Corporation of the Town of South Bruce Peninsula  
P.O. Box 310, 315 George Street  
Warton, ON  
N0H 2T0

Telephone: (519) 534-1400 ext. 107  
Fax: (519) 534-4862  
Toll Free 1-877-534-1400  
e-mail: [tracey.neifer@southbrucepeninsula.com](mailto:tracey.neifer@southbrucepeninsula.com)

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**Report To: Council, July 2<sup>nd</sup>, 2025**

**Report No: FS12-2025**

**Subject: Proposed Levels of Service Report, 2025**

**Recommendation:**

**That** Council receives the Proposed Levels of Service Report dated June' 2025 as presented by PSD Citywide on July 2, 2025;

**and That** Council supports Scenario 3 with target funding by category for inclusion in the 2025 Asset Management Plan.

**Link to Strategic Planning**

Goal 1: Transparent and Accountable Governance.

Goal 2: Sustainable Infrastructure

**Background:**

On February 6<sup>th</sup>, 2024, Council awarded the contract to PSD Citywide for the preparation of the 2024/2025 Asset Management Plan to meet the reporting requirements of Ontario Regulation 588/17 Asset Management Planning for Municipal Infrastructure. The 2024 Asset Management Plan was approved by Council on August 20<sup>th</sup>, 2024.

We are now in the final stages of meeting the third milestone which is the July 1<sup>st</sup>, 2025, Asset Management Plan (AMP).



The third milestone includes the following key components:

- ✓ Proposed Levels of Service for the next 10 years (qualitative and technical) – O.Reg 588/17 tables for core infrastructure, municipality established for other assets.
- ✓ Current Performance of Assets for the next 10 years – municipality established.
- ✓ Lifecycle Activities to provide proposed service levels for the next 10 years (options, risks, etc.).
- ✓ Identify funding available for lifecycle activities. Options to maximize funding.
- ✓ Identify the funding shortfall. What lifecycle activities will be undertaken? How to manage risks from not undertaking lifecycle activities?
- ✓ Population/Employment Growth – population under 25,000; how did growth inform the identified lifecycle costs and financial strategy?

Additional work was required to deliver a proposed level of service to Council for approval, which will form the basis of the 2025 AMP. The work included both internal engagement with Council and Management, and external engagement through a public survey. The survey was posted using the Town's Open Mic platform from August 27<sup>th</sup>, 2024, to September 30<sup>th</sup>, 2024. The results of the survey have been included in the Proposed Levels of Service Report, Attachment One. There were 141 visitors to the survey and 48 responses were submitted. Based on the feedback received and the collaboration of the management team, three scenarios have been prepared for Council consideration:

**Scenario 1: Maintain Existing Funding**

- ✓ Assumes no increases to taxes or rates for the purpose of increasing capital funding

**Scenario 2: Achieving 100% of Target Funding in 15 Years**

- ✓ Assumes gradual tax and rate increases, stabilizing at 100% funding in 15 years; tax rate increases 2.9%, water rate increases 1.2%, and sanitary rate increases 1.3%

**Scenario 3: Targeted Funding by Category**

- ✓ Assumes a tax increase of 1.9% for 15 years, and water and wastewater rate increases are as recommended by the Water and Wastewater System Financial Plan. Achieves 50% to 100% of targeted funding requirements.

Several factors should be considered in setting the targeted level of service:

- ✓ Financial impact assessments
- ✓ Infrastructure condition assessments
- ✓ Service metrics
- ✓ Service impact assessments
- ✓ Key lifecycle activities
- ✓ Risk management
- ✓ Infrastructure condition enhancements
- ✓ Timelines
- ✓ Stakeholder engagement
- ✓ Flexibility

Each of the scenarios has been presented in the Report, highlighting the benefits and risks associated with each. The risks associated with Scenario 1 are increased infrastructure backlog, reliance on grants, and missed opportunities for efficiencies. Where Scenario 2

removes the reliance on grants, the resulting tax-rate impact is not reasonable or realistic. The proposed Scenario 3 works to mitigate these risks while balancing the financial impacts on residents with the reality of the current state of infrastructure. The objective is to find a solution that ensures proper asset management over the life of the asset in a financially sustainable way.

## Annual Capital Requirement & Infrastructure Deficit

Funding Source	Annual Capital Requirement	Funding Available	Annual Capital Deficit
<b>Tax-Funded Assets</b>	\$10,484,000	\$3,636,000	\$6,848,000
<b>Water Rate-Funded</b>	\$1,200,000	\$788,000	\$412,000
<b>Wastewater Rate-Funded</b>	\$970,000	\$616,000	\$354,000
<b>Total:</b>	<b>\$12,654,000</b>	<b>\$5,040,000</b>	<b>\$7,614,000</b>

Sustainable Funding Sources:  
CCBF, OCIF, Reserves, etc.

Assets are currently funded at 40% of their long-term capital requirements

The AMP must identify how the Annual Capital Deficit will be managed through a Financial Strategy. Each of the scenarios provides various tax and rate increases over a 15-year plan. The resulting strategy will be further offset by any federal or provincial grants, as staff are constantly monitoring grant opportunities that will assist with capital initiatives.

After discussion and review of the financial implications of each scenario, it is staff's recommendation to proceed with Scenario 3.

## Financial Strategy

Funding Source	Years until Full Funding	Total Tax/Rate Increase	Annual Tax/Rate Increase
<b>Tax-Funded</b>	15	26.3%	<b>1.9%</b>
<b>Water Rate-Funded</b>	Following Water System Financial Plan		
<b>Wastewater Rate-Funded</b>	Following Wastewater System Financial Plan		

- Both sustainable and one-time grants/transfers will continue to be an essential source of revenue for investment in capital infrastructure
- Adjustments to taxes should be supplemented with project prioritization and evaluation of the desired levels of service




## Options:

- Approve Scenario 3 as presented.
- Approve another scenario or provide alternate direction to staff.

**Attachments:**

One: Proposed Levels of Service Report, June 2025

**Inter-departmental Impact:** The management team has worked collaboratively with PSD Citywide in preparation of the Proposed Levels of Service Report.

**Financial Implications:**  Approval of Director of Financial Services/Treasurer

There are no direct financial impacts resulting from the adoption of this report; however, the Levels of Service scenario that is adopted will be used to support the 2025 AMP which will be presented at the next Council meeting. The proposed scenario sets an annual tax rate increase of 1.9% as the base for capital planning for reserve transfers, before consideration to funding from new federal or provincial grants. The current budget process has been following the 2021 and 2024 AMP annual increase recommendations, which are noted below. The report proposes a reduction in the annual increase for tax-funded assets. The AMP will guide capital budgeting and decision making moving forward.

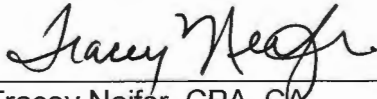
Annual Increase as per 2021 AMP	2.60% Tax-funded Assets 3.40% Sanitary Services 0.90% Water Services
Annual Increase as per 2024 AMP	2.90% Tax-funded Assets 1.90% Sanitary Services 0.90% Water Services
Annual Increase as per 2025 AMP	1.90% Tax-funded Assets ** Sanitary Services ** Water Services


\*\* follows the Water and Wastewater Financial Plans and changes annually.  
Wastewater 21.37% increase and Water 10.16% decrease for 2026.

**Expected Date of Completion:**

Upon receiving approval from Council, staff will move forward with the finalization of the 2025 Asset Management Plan. No further action is required by Council.

Respectfully submitted,

  
Tracey Neifer, CPA, CA  
Director of Financial Services

  
Bill Jones, CMM III  
Chief Administrative Officer

Date: June 25, 2025

Date: JUNE 25, 2025