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Town of Aurora
Information Report
No. FIN26-021

Subject: Long-Term Asset Management Funding Strategy

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Department: Finance

Date: June 2, 2026

In accordance with the Procedure By-law, any Member of Council may request that this Information Report be placed on an upcoming Committee of the Whole or Council meeting agenda for discussion.

Executive Summary

The operating budget includes capital reserve contributions which is part of the overall tax levy. This reserve contribution increases on an annual basis through the one percent tax levy increase to support the Fiscal Strategy. Most of these funds go to support asset management reserves, while the balance supports contributions to the growth and new and studies and other reserves. The recently approved Corporate Asset Management Plan (AMP) identifies the gap between the annual funding to the asset management reserves and the annual asset management infrastructure capital requirements.

- Town's current Asset Management funding strategy of an annual one percent for fiscal strategy has resulted in a reduced level of service for multiple asset categories
- New assets are being added to the Asset Management Plan annually resulting in further infrastructure deficit
- For long term infrastructure sustainability, the annual contribution increase to asset management reserves should be aligned with the Asset Management Plan recommendations
- Staff recommends the phase in of the required levy increase for asset management over the next council term

Background

The Town's current Asset Management funding strategy includes an annual tax rate increase of one percent in support of the fiscal strategy. Of this increase, approximately 0.16 percent is contributed toward the growth & new and studies & other reserve. The remaining 0.84 percent annual increase is allocated in support of asset management reserves.

In the 2024 approved AMP, the defined level of service for most tax funded and user rate funded asset classes did not change, reflecting their present levels of service. In support of the defined asset levels of service, the AMP recommended that the identified annual funding gap of \$14.9 million be addressed through an annual tax rate increase of 1.63 percent over 15 years, meaning that an increase from the existing dedicated asset management annual tax increase of 0.84 to 1.63 percent was needed. To address these funding gaps, a short-term asset management strategy for 2025 and 2026 was implemented as approved by Council in September of 2024.

Analysis

Town's current Asset Management funding strategy of an annual one percent for fiscal strategy has resulted in a reduced level of service for multiple asset categories

To ensure that the capital plan is affordable, the timing of the capital projects is managed to ensure that the funds are available to fund the projects when planned. While the Town has strategically contributed to reserves for asset management for years, the timing of the projects may still be delayed until the Asset Management Plan becomes fully funded over time.

In developing the 2026 10-year capital budget, adjustments to the service level of roads projects were made. The level of service for roads projects was reduced from 70 Pavement Quality Index (PQI) to 65 PQI. In addition, facilities, parks and IT projects were deferred to ensure the affordability of 10-year capital plan. These deferrals have reduced the level of service for each respective asset category in the short-term. The long-term strategy would be to continue to implement the annual increases to asset management based on the recommendations of the Asset Management Plan.

New assets are being added to the Asset Management Plan annually resulting in further infrastructure deficit

At the time of the 2024 asset management plan's approval the estimated replacement cost of the Town's tax funded assets was \$1.15 billion. Since that time, this cost has grown significantly, it is now estimated to be \$1.35 billion as of the end of 2025. As a

result, the Asset Management Plan is a dynamic document that has to be updated regularly to include newly constructed or acquired assets. For example, in 2025 and 2026, Growth and New capital projects for \$9 million have been approved. Since 2024, the Town has also operationalized quite a few growth and new infrastructure capital projects such as SARC Gymnasium, Aurora Town Square, construction of multi use trail network from Bayview to Leslie, Snow storage facility at Lambert Willson Park and many roads' projects. It also assumed \$21.9 million worth of new assets from developers over this same time period. Any new asset addition further widens the Town's infrastructure tax funding deficit.

For long-term infrastructure sustainability, the annual contribution increase to asset management reserves should be aligned with the Asset Management Plan recommendations

The current practice of increasing the capital reserve contributions by one percent of the annual tax levy is not enough to fund the recommendations of the Asset Management Plan. Of the one percent annual increase, approximately 0.16 percent is contributed toward the growth and new and studies and other reserve. The remaining 0.84 percent annual increase goes directly to asset management reserves. Table 1 presents a summary of proposed long-term tax levy funded asset management strategy which spreads over 15 years. The identified increase is a step forward toward meeting the recommendation outlined in the Asset Management Plan.

Table 1
Tax levy Asset Management Funding Plan

Tax levy funded Asset Management Plan requirements	
Currently in budget:	
Growth and New	0.10%
Studies and Other	0.06%
Asset Management	0.84%
1% fiscal strategy breakdown	1.00%
Proposed increase:	
Gap to Asset management plan total 1.63%	0.80%
Asset Management backlog	0.20%
	1.00%
Total fiscal Strategy contributions	2.00%

The identified annual increase to the levy for asset management would continue over a period of 15 years, during this time the backlog of asset management projects will continue to grow. To address the backlog, a further annual increase of 0.20 percent is proposed as part of Table 1. The proposed fiscal strategy increase is a step forward toward meeting the recommendation outlined in the Asset Management Plan.

Staff recommends the phase in of the required levy increase for asset management over the next council term

To avoid year over year fiscal shocks as advised in the Towns fiscal strategy, staff recommends that the proposed 1% increase to fiscal strategy funding be phased in over 4 years in annual increments of 0.25 percent. Therefore, a full fiscal strategy tax rate increase of 1.25, 1.50, 1.75 and 2.00 percent for 2027 to 2030 should be considered as part of the next Council term's budget., respectively.

Advisory Committee Review

Not applicable

Legal Considerations

The budgeted contributions to the asset management reserves are endorsed during the annual budget process.

Financial Implications

This report proposes a financial strategy that aligns with the Town's Fiscal Strategy to achieve the 2024 Asset Management Plan's financial recommendations from 2027 and onwards. Therefore, any tax levy implications will be included in the annual 2027 Budget process.

Communications Considerations

The Town will inform residents of the information contained within this report by posting it to the Town's website.

Climate Change Considerations

None.

Link to Strategic Plan

The long-term asset management reserve balance strategy aligns with the Fiscal Strategy objectives of managing long-term financial sustainability while maintaining the desired service levels and asset replacement. Fiscal Strategy supports all aspects of the strategic plan. Specifically, this report supports the Plan principles of Leadership in Corporate and Financial Management, Leveraging Partnerships, and Progressive Corporate Excellence and Continuous Improvement.

Alternative(s) to the Recommendation

1. None

Conclusions

Planning for asset management reserve requirements over the long-term to ensure full life-cycle asset management is key to the Town's overall infrastructure sustainability. Therefore, the alignment of reserve contributions to the recommended asset management plan requirements is a step forward toward long-term financial and infrastructure sustainability.

Attachments

None

Previous Reports

Asset Management Funding Strategy for 2025 and 2026. FIN24-038

Pre-submission Review

Agenda Management Team review on May 7, 2026

Approvals

Approved by Rachel Wainwright-van Kessel, CPA, CMA, Director, Finance

Approved by Doug Nadorozny, Chief Administrative Officer