

RMA Utility Asset Deficit Report At-a-Glance

October 2024

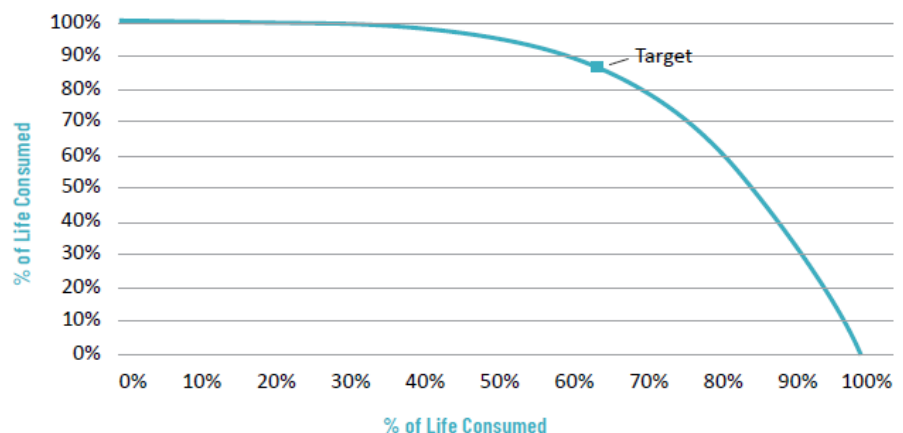
The RMA’s Rural Municipal Infrastructure Deficit Project consists of four reports examining the funding gap that exists between the current condition state of rural municipal infrastructure and an ideal condition state. The third report released as part of the project is the Utility Asset Deficit Report.

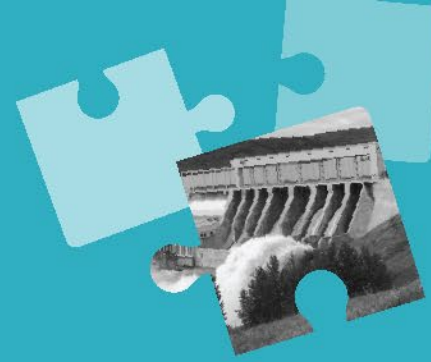
This At-a-Glance document provides an overview of the report’s results. For details on the project, the methodology, and the significance of the findings, read the full report, available on the RMA website and [through this link](#).

Methodology and Data

- ◆ Data sources: Municipal utility asset (water, wastewater, storm water) data collected through a structured workbook. Twenty-five of 69 RMA members submitted completed workbooks. To extrapolate the results for all rural municipalities, utility length data from the Municipal Financial Information System was used.
- ◆ Total length (in kilometres) of infrastructure in the analysis:
 - ◇ Water: 7,300
 - ◇ Wastewater: 2,587
 - ◇ Storm water: 946
- ◆ Utility infrastructure inspected prior to 2023 was manually aged to represent expected condition and life consumed in 2023. Less than 9% of the infrastructure was inspected in 2023.
- ◆ The report measures the condition of the utility portfolio with an asset deterioration curve that uses a combination of “life consumed %” and “condition %” to determine the condition rating.
- ◆ The curve is more reflective of the actual infrastructure deficit than straight-line deterioration used for accounting purposes. It reflects the reality that as assets reach varying points in their lifespan, degradation intensifies.
- ◆ The curve allows identification of an optimal

Deterioration Curve Interpretation





“target” point that will allow for assets to be maintained efficiently, before the asset curve steepens and annual costs to maintain the asset in its current condition (holding cost) increase.

- ◆ The target point on the curve is an 87% condition rating. This differs from the point in previous reports on roads and bridges and reflects the unique deterioration pattern of utility assets.
- ◆ The infrastructure deficit is measured by subtracting the observed condition value based on the asset portfolio’s observed condition rating from the value associated with the target point condition rating.

Results

- ◆ The overall rural municipal utility portfolio is at a current condition rating of 67.20%.
- ◆ The portfolio’s effective age is 50.76 years, based on an average useful life of 64.99 years.
- ◆ The holding cost (annual amount required to maintain the portfolio at its current level and avoid further degradation) is \$492.37 million. The holding cost for the optimal target condition rating (87%) is just \$241.11 million per year.
- ◆ Based on the value of the utility portfolio at the 87% target state (\$13.23 billion), and the current value based on actual condition (\$10.27 billion), the overall rural municipal road infrastructure deficit is \$2.96 billion.
- ◆ This means it would require a one-time \$2.96 billion investment to return the full utility portfolio to the 87% condition rating.
- ◆ Due to the significantly lower holding cost at 87%, there would be a return on investment of the \$2.96 billion in 11.79 years.

PORTFOLIO (CURRENT)		
67.20% condition	\$492 Million Holding Cost	

↓

PORTFOLIO (IDEAL)		
86.58% condition	\$241 Million Holding Cost	11.79 Year ROI

Future Projection

- ◆ Based on average provincial investment (through grant funding) in utility infrastructure over the past several years, the report projects that the utility portfolio is at risk of deteriorating significantly in the next five years based on its current point on the deterioration curve.
- ◆ In 2028, life consumed will increase to 86.10% and condition will decrease to 49.13%.
- ◆ The value of the portfolio will decrease to just \$7.51 billion.
- ◆ The one-time cost required to return the portfolio to 87% condition will increase to \$5.72 billion.

What’s Next

In the coming weeks, the RMA will release a final report with an overall rural municipal infrastructure deficit along with policy recommendations. RMA previously released a bridge infrastructure report [available here](#) and a road infrastructure report [available here](#).

