
REPORT TITLE: Enterprise Asset Management Program

FROM: Stephen Van Ofwegen, Commissioner of Finance and Chief Financial Officer

RECOMMENDATION

That the amendments to the asset classes and asset levels of service, outlined in Appendix II of the report of the Commissioner of Finance and Chief Financial Officer, listed on the January 28, 2021 Regional Council Budget agenda, titled “Enterprise Asset Management”, be approved.

REPORT HIGHLIGHTS

- The Region of Peel’s (Region) infrastructure is a public investment worth over \$32.1 billion, including Peel Housing Corporation at \$2.5 billion (excludes Police and land assets).
- Oversight of Peel Housing Corporation (PHC) assets is provided by the PHC Board in accordance with the Shareholder Direction.
- In 2020, on average, the Region’s infrastructure is in a good state of repair. Currently 84 per cent of the infrastructure portfolios meet Council’s risk management targets
- By 2029 and as the Region’s infrastructure ages, the proposed capital investment of \$3 billion will maintain Peel’s asset portfolio in good condition, in relation to Council’s risk management targets.
- Council has adopted a balanced approach for infrastructure, selecting a “moderate” tolerance for infrastructure risk, which prefers safe service delivery with limited tolerance for uncertainty. The current state of the infrastructure is compatible with Council’s risk tolerance.
- Despite the good state of repair of the Region’s infrastructure, there are several challenges and emerging trends that create risks the organization must address. The Region’s positive status with respect to infrastructure provides capacity and flexibility to manage these risks.
- The Region is implementing an improvement plan that aligns the Region’s asset management program with international standards and best practices. The plan identifies numerous improvement initiatives that will be implemented over the next several years.

DISCUSSION

1. Background

Through each Term of Council, the Region will focus on achieving outcomes that support the vision of “Community for Life”. These achievements facilitate progress in each of the areas of Living, Thriving and Leading and in turn create a place where everyone enjoys a

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sense of belonging and has access to the services they need to thrive. A key component of creating such a community is having the infrastructure to do so. Roads, water and wastewater pipes, paramedic equipment, long term care facilities and housing are all critical for ensuring a healthy, vibrant and safe community. As an asset intensive organization, the Region recognizes that keeping these assets in good working order is essential to providing high quality and affordable municipal services.

The Region of Peel's infrastructure is a public investment worth over \$32.1 billion, including Peel Housing Corporation assets valued at \$2.5 billion, (excludes Police and land assets), and the Region is committed to effective stewardship of this public asset through good asset management. Peel's Asset Management Program supports the Long-Term Financial Planning Strategy objectives 1.2 – "Ensure the Capital Plan is sustainable" and 1.3 – "Maintain assets".

This report provides an update on the status of Peel's asset management program and identifies any emerging issues or opportunities.

2. Region's Asset Management Program

Enterprise Asset Management is an integral part of the Region of Peel's strategic and long-term planning practices. Introduced in 2007, the program focuses on developing sustainable plans to maintain the assets over a planning horizon that can be as long as 100 years. Guided by the principle of continuous improvement, these plans support Council's level of service targets, emerging pressures and long-term financial strategies. The Region's Asset Management program is also guided by industry best practice, as well as regulatory requirements. As such, the program is continuously evolving in order to leverage opportunities, enhance service delivery and address challenges.

a) Region's Asset Management 2020 Status Update

One of the outcomes of the Region's Asset Management Program is the annual update of the Infrastructure Status and Outlook Report. The 2020 report, attached as Appendix I, summarizes the status of the Region's infrastructure. In addition, the report also describes some of the proposed major future actions required to maintain or improve the infrastructure in order to meet Council's level of service objectives. This status update includes Peel Housing Corporation. Oversight of the Peel Housing Corporation (PHC) assets is provided by the PHC board in accordance with the Shareholder Direction. The Shareholder Direction pertains to the Region's role as the sole Shareholder and provide the Board with the fundamental principles, expectations and objectives.

b) The Region of Peel's Infrastructure Status and Outlook

Currently the Region of Peel's \$32.1 billion infrastructure portfolio, on average, is in a good state of repair. The good condition is due to previous capital programs that have added and replaced many outdated and deficient assets with new, modernized infrastructure. In time, the Region's relatively new infrastructure will age, and the overall condition will deteriorate. In order to maintain a good state of repair status, the Region plans to invest approximately \$3 billion over the next 10 years. A summary of some of the major projects slated for the next ten years have been included in the "Outlook" column of the report contained in Appendix I.

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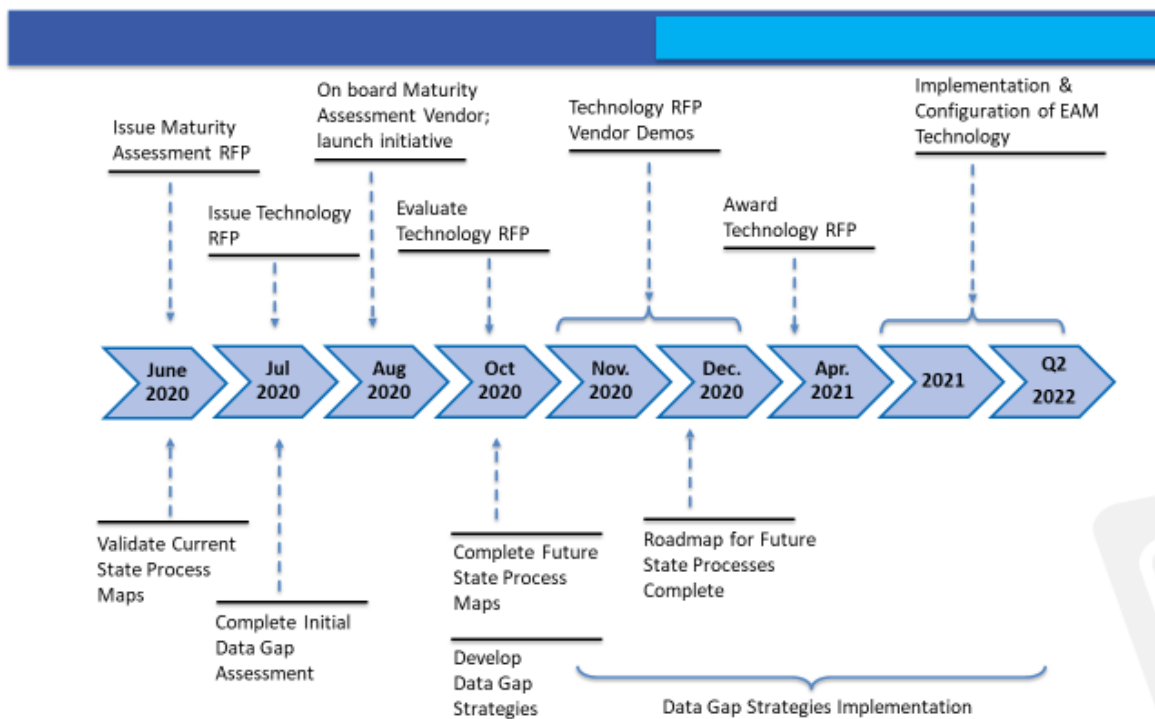
In addition to condition, 84 per cent of the infrastructure portfolios are currently rated **Good** or **Very Good** in relation to Council's target of 70 per cent. A rating of **Good** indicates that most assets in the portfolio are achieving the desired level of service. It should be noted that these ratings are based on the assumption that all approved capital works will be implemented.

The above two measures gauge the Region's ability to meet its service objectives. While current status of these measures is positive, over the long-term Peel's assets will age, and the size of the portfolio will grow, resulting in increased funding pressure to sustain a target asset portfolio of '**Good**'.

c) Peel Asset Management Program Maturity Implementation

The Region has assessed and developed a plan with the objective of aligning the Region's asset management program with international standards and best practices. The plan is a multi year initiative to advance the Region's asset management program and adopt best practice activities as standard operating procedures. At the November 14, 2019 update to Council, staff did identify the multi-phases of this plan and the respective key initiatives, resources and funding. While significant progress has been made to date, ongoing phases will continue over the next two years as detailed in the following figure.

EAM Program Milestone Timeline 2020-2022



Another key pressure is climate change. As identified in the Region's Asset Management Policy and Climate Change Master Plan, to become more resilient, the Region must adapt to the changing climate. To do so, it is critical that the local impacts

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be quantified, and the corresponding mitigation measures be identified. Hence in 2020, the Region, in collaboration with other GTHA municipalities, participated in an assessment to determine the effects of climate change and identify corresponding infrastructure vulnerabilities. The outcome of this assessment along with any financial impacts will be reported to Council in 2021.

Building on the work completed to date and taking into consideration the significant work required for regulatory compliance, climate change adaption and continuous improvement initiatives, staff have identified the next phase requirements and have included these requirements in the 2021 capital budget. More specifically, staff have included funding for data enhancements and system implementation. No full-time staff were included in the 2021 budget, however, additional contract positions may be considered for project specific implementation. The contract positions will not be required once the key initiatives of the roadmap have been completed. In addition, the Region through the Asset Management Maturity Assessment project, will be assessing the long-term resource requirement in order to align with international best practice. The outcome of this assessment will be identified and included in future budgets for Council's consideration.

d) Asset Management Regulatory Compliance

The Province's Bill 6, *Infrastructure for Jobs and Prosperity Act* is now in effect. The Region has fully complied with the first requirement of the regulation and is on track to complying with subsequent phases. As part of the compliance initiative, staff incorporated Peel Housing Corporation into the annual update. Working with Peel Regional Police towards full compliance, staff will incorporate police assets into Regional reporting prior to the 2023 deadline.

e) New and Amended Asset Levels of Service and Asset Classes

The Region of Peel's asset categorizations and levels of service require amendments from time to time to respond to current challenges and opportunities. Updating the asset classes and asset levels of service improves staff's ability to evaluate and quantify asset needs and to prioritize asset management actions.

Staff have identified several amendments to the Region's asset classes and asset levels of service which have been reflected in the infrastructure requirements and financing recommendations of the proposed 2021 Capital Budget and Forecast. It is therefore proposed that the Region of Peel's Asset Management Policy be amended per the revisions outlined in Appendix II. Approval of the amendments to the asset levels of service and asset classes will not alter the proposed 2021 Capital Budget and Forecast. The revised asset levels of service will more appropriately reflect the Region's current and potential risk to services. They serve as a foundation for planning infrastructure improvements and ensure that newly identified capital requirements and corresponding funding is accommodated in future plans.

RISK CONSIDERATIONS

The revised asset levels of service will more appropriately reflect the Region's current and potential risk to services. Council has adopted a balanced approach for infrastructure, selecting a "moderate" tolerance for infrastructure risk, which prefers safe service delivery with limited

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tolerance for uncertainty. The current state of the infrastructure is compatible with Council's risk tolerance.

FINANCIAL IMPLICATIONS

The 2021 Capital Budget will include \$2 million for modernizing technology solutions and data enhancement. The investments are primarily funded through the utility rate budget because the majority of assets are water and wastewater assets. Resources to support phases of the program beyond 2021 will be brought to Council in advance of future annual budget process.

The 2021 Operating budgets will propose increases to capital reserves to ensure Peel infrastructure is maintained in accordance with Council approved asset levels of service.

CONCLUSION

The Region of Peel's \$32.1 billion infrastructure portfolio is rated "**Good**" in relation to Council targets and assets are currently in a good state of repair. Regional Council's proactive policy of ensuring adequate funds to support Peel's long-term infrastructure needs has positioned Peel to manage the risks and challenges of the future. Staff will continue to implement the asset management roadmap in order to ensure the sustainability of Peel's infrastructure.

APPENDICES

Appendix I - 2020 Infrastructure Status and Outlook Report

Appendix II - New/Revised Asset Classes and Asset Levels of Service

For further information regarding this report, please contact Sam Sidawi, Director, Enterprise Asset Management, Ext. 3627, sam.sidawi@peelregion.ca.

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Reviewed and/or approved in workflow by:

Department Commissioner and Division Director.