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**REPORT TITLE: Enterprise Asset Management Program Update**

**FROM:** Gary Kent, CPA, CGA, ICD.D, Chief Financial Officer and Commissioner of Corporate Services

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## **RECOMMENDATION**

**That the amendments to the asset classes and asset levels of service, outlined in Appendix II of the report of the Chief Financial Officer and Commissioner of Corporate Services, listed on the November 25, 2021 Regional Council Budget agenda titled “Enterprise Asset Management Program Update,” be approved;**

**And further, that the 2021 Asset Management Plan be endorsed, in compliance with Ontario Regulation 588/17 and the *Infrastructure for Jobs and Prosperity Act, 2015*.**

## **REPORT HIGHLIGHTS**

- The Region’s Enterprise Asset Management (EAM) Program is guided by industry best practices, as well as regulatory requirements. This report provides an update on the Asset Management Program and identifies any emerging issues or opportunities.
- The 2021 Asset Management Plan highlights the Region’s commitment to maintaining existing assets in a state of good repair and building new infrastructure. Council’s endorsement of the 2021 Asset Management Plan will satisfy compliance requirements under the *Infrastructure for Jobs and Prosperity Act, 2015* and Ontario Regulation 588/17 for the Region of Peel.
- The 2021 Infrastructure Status and Outlook Report outlines the current state of the Region of Peel’s infrastructure and highlights some of the organization’s major improvement priorities. Currently, the Region of Peel’s \$34 billion infrastructure portfolio is in good state of repair including \$2.6 billion for Peel Housing Corporation.
- The Asset Management Program has achieved several milestones to modernize systems and tools, including the launch of the Work Management System (IBM Maximo) implementation.
- A Maturity Assessment exercise has been undertaken to measure how well the Region aligns with international best practices. Presently, the Region’s Maturity Rating is “Establishing” which reflects a well-run municipal program. Over the next five years, the Region will strive to mature to a rating of “Competent” in line with the ISO 55000 Standard.

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## **DISCUSSION**

### **1. Background**

Enterprise Asset Management is an integral part of the Region of Peel’s strategic and long-term planning practices. The responsible management of the Region of Peel’s infrastructure

## Enterprise Asset Management Program Update

supports Term of Council outcomes that achieve the vision of “Community for Life”. 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. Assets in good state of repair facilitate progress in each of the areas of Living, Thriving and Leading and in turn create a place where everyone enjoys a sense of belonging and has access to the services they need to thrive.

The Region of Peel's infrastructure is a public investment worth over \$34 billion, including Peel Housing Corporation assets valued at \$2.6 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”.

The Region's Asset Management Program is guided by industry best practices, as well as regulatory requirements. As such, the Program is continuously evolving to leverage opportunities, enhance service delivery and address challenges. This report provides an update on the status of Peel's Asset Management Program and identifies any emerging issues or opportunities.

## 2. 2021 Enterprise Asset Management Plan

The Region has released the 2021 Asset Management Plan, which is available on the Regional webpage at <https://peelregion.ca/finance/financial-documents.asp#asset>.

The Asset Management Plan highlights the Region's commitment to maintaining existing assets in a state of good repair and building new infrastructure which meets current and future service needs. The Plan is predicated on several factors including:

- The Region's comprehensive Asset Management Policy and long-range strategic planning of its infrastructure requirements
- Steady and prudent levels of reinvestments to maintain state of good repair
- Council's priority to maintain the Region's existing assets without incurring long term debt

The 2021 Asset Management Plan represents a significant milestone in meeting the requirements of Ontario's *Infrastructure for Jobs and Prosperity Act, 2015* (“Act”). Ontario Regulation 588/17 made under the Act requires the preparation of an Asset Management Plan for Core Infrastructure (Water, Wastewater, Stormwater, Roads and Bridges) by July 2022.

Council's endorsement of the 2021 Asset Management Plan will satisfy the compliance requirements for the Region of Peel. The Region exceeds the regulatory requirements by including almost all its assets within its Plan, including those owned through Peel Housing Corporation (PHC). The next regulatory milestone (July 2024) will require all assets to be incorporated within the Asset Management Plan, including Peel Regional Police assets.

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### **3. 2021 Infrastructure Status and Outlook Report**

The 2021 Infrastructure Status and Outlook Report, included as Appendix I of this report, outlines the current state of infrastructure, including Regional infrastructure and assets owned by Peel Housing Corporation. It highlights some of the organization's major improvement priorities. Significant work is underway for inclusion of Peel Regional Police in the 2022 Report.

The Report also reflects Risk Management Ratings, which consider approved funding for state of good repair and service enhancements; that is, infrastructure renewal projects that are in progress or soon to be initiated. A "Good" rating indicates that most assets within a portfolio are achieving the desired level of service.

Currently, the Region of Peel's \$34 billion infrastructure portfolio is in good state of repair. This is the result of ongoing capital programs to replace outdated and deficient assets with new, modernized infrastructure. An investment of approximately \$3.3 billion over the next 10 years is necessary to maintain the infrastructure in a good state of repair.

Council has also set a target of 70 per cent of infrastructure portfolios meeting a Risk Management Rating of "Good" or "Very Good". Presently, this target is exceeded with 76 per cent of the infrastructure portfolios falling within this range.

The Condition Grades and Risk Management Ratings measure the Region's ability to meet its service objectives. While the set targets are currently met or exceeded, over the long-term Peel's assets will age, and the size of the portfolio will grow, resulting in increased funding pressure to continue to meet these targets.

### **4. 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.

As part of its continuous improvement journey, staff have added infrastructure to the asset management planning analysis resulting in several additions to the Region's asset classes and asset levels of service which have been reflected in the infrastructure requirements recommendations of the proposed 2022 Capital Budget and Forecast.

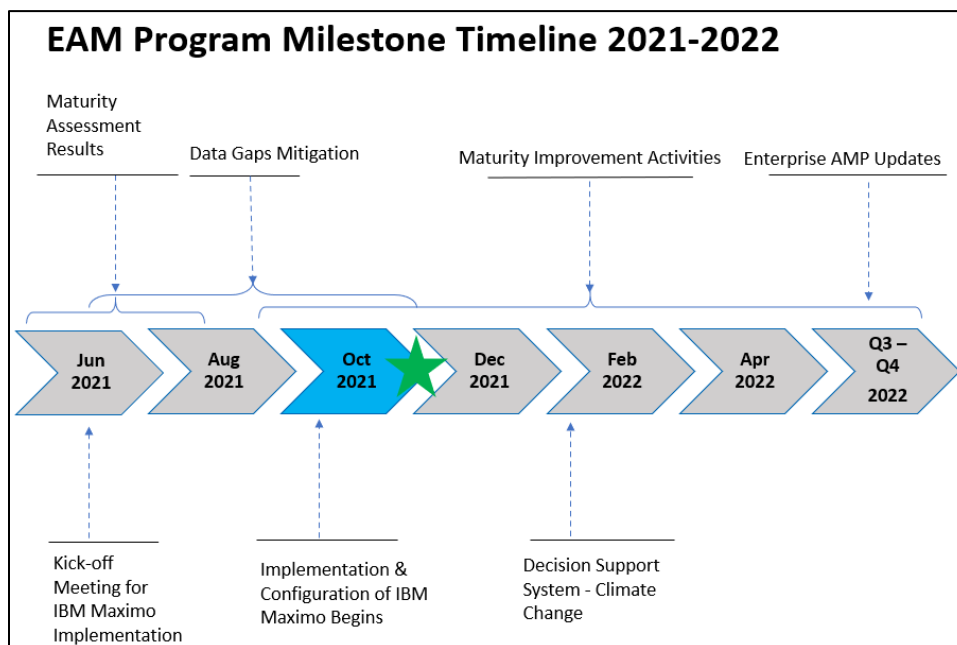
Approval of the additions to the asset levels of service and asset classes will not alter the proposed 2022 Capital Budget and Forecast. The revised asset levels of service will more appropriately reflect the Region's current and potential risk to services. They serve as a foundation for planning infrastructure improvements and ensure that newly identified capital requirements and corresponding funding is accommodated in future plans.

### **5. Peel Asset Management Program Maturity Implementation**

The Region has the objective of aligning its Asset Management Program with international standards and best practices. A multi-year plan has been developed to advance the Region's Asset Management Program and adopt best practice activities as standard operating procedures.

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The Enterprise Asset Management Program has recently achieved several milestones, including establishing new business processes and technology solutions which will enable more efficient management of assets and modernize existing systems that enhance the organization's asset management capabilities.



The Region has selected IBM Maximo as its Work Management System and is presently implementing it across the organization. A common Work Management System ensures that best practices are shared among all user groups, that assets are managed based on evidence, and that the value they provide is optimized.

Work is currently underway to improve climate change analytics for critical and vulnerable infrastructure that provides better insight for adaptation and mitigation needs. This insight will inform future capital plans and ensure that considerations for infrastructure resiliency are included in rehabilitation of existing infrastructure and the construction of new assets.

A Maturity Assessment exercise has also been undertaken to measure how well the Region aligns with international best practices. The results of the Maturity Assessment will guide the Region's EAM Program on a long-term journey to achieve asset management "Excellence". Presently, the Region's Maturity Rating is "Establishing" which is indicative of a well-run municipal program.

Over the next five years, the Region will endeavour to reach an ISO 55000 aligned standard rating of "Competent". This rating represents an organization's ability to systematically and consistently achieve relevant requirements set out in ISO 55001.

The asset management Maturity Assessment project has considered the long-term resource requirement to meet this goal. At present time, service areas will leverage existing staff to undertake this work. Additional resources that may be required will be included in future budgets for Council's consideration.

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### **6. Continuous Improvement**

Modernizing the Region's EAM Program through the optimization of processes and tools provides assurances that resources are used effectively, and that assets are managed through a lens of continuous improvement. Having common processes and systems allows for best practices developed in one service area to be leveraged by others, and for sharing of new tools and technologies.

Investing in advanced analytics and robust processes has real tangible benefits to financial sustainability. As a practical example, better analytics applied to the linear Water and Wastewater assets (pipes) have resulted in the improved ability to predict lifecycles and future expenditures. Deferred investment over the short term (20-years) gives more time to build up reserves and bridge the infrastructure gap, providing tools for better investment decisions.

### **RISK CONSIDERATIONS**

Approval of the Asset Management Plan is required to achieve compliance with the *Act* and Regulation 588/17 and will reduce the risk of not qualifying for higher level of government infrastructure funding programs.

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

Investment in advanced analytics, for example, in relation to a climate change risk model, will reduce future risk by identifying asset vulnerability and building climate change resiliency within current and future capital plans.

### **FINANCIAL IMPLICATIONS**

There are no financial implications related to the recommendations of this report.

### **CONCLUSION**

The Region of Peel's \$34 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 to ensure the sustainability of Peel's infrastructure.

### **APPENDICES**

Appendix I – 2021 Infrastructure Status and Outlook Report

Appendix II – New and Amended Asset Levels of Service and Asset Classes

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