Asset Management

Enabling Council Conversations

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Manager, Corporate Asset Management
Region of Peel
AGENDA

- Council and the Asset Management Journey
- Peel’s Asset Management Strategy
- Integrating Asset Management into Council Reporting
- Key Takeaways
Council and the Asset Management Journey
THE REGION OF PEEL

- 1.4 million people
- Over $23B in capital assets
- Grow by 600,000 people to 2041 +$9 B infrastructure
- 21 Municipal Services
- External agencies
  - Police
  - Peel Housing Corp
  - Conservation Authorities
- 24 Councillors
WHY ASSET MANAGEMENT?

- In 2007 Council initiated the Asset Management Journey
- Ageing assets
- Unknown Infrastructure value, state and age
- Concerns about funding for the future
- Wanted to ensure the sustainability of infrastructure for our citizens
- Recognition that Tangible Capital Asset Accounting was not enough
- Ensure evidence was used to guide Council to better decision making for citizens and services
INTEGRATED WITH FINANCIAL MANAGEMENT

Council Oversight of Financial Management through the Long Term Financial Planning Strategy

Financial Management By-law

- Debt Policy
- Reserve Management Policy
- Investment Policy
- Budget Policy Operating and Capital Budget
- User Fee By-Law
- Development Charge By-Law

Asset Management Policy

Cash Management Approach
Peel’s AM Journey

- 2007: Introduced Corporate AM
- 2008: Established Asset Management team
  - Council endorses Tax and Utility Rate infrastructure levies
- 2011: Enterprise Asset Management Strategy
  - Asset Management Update to Audit and Risk Committee
- 2013: Asset Management Policy
  - LOS accepted by Council
  - Long Term Financial Planning Strategy
- 2014: Infrastructure Status and Outlook Report
- 2017: Enterprise Asset Management Plan
- 2018: Provincial Asset Management Regulations
  - Peel’s Financial Score Card
Peel’s Asset Management Strategy
ASSETS ENABLE PUBLIC SERVICE DELIVERY

Services

Higher Unacceptable Risk = Higher Priority

Assets

Assets
PEEL’S ASSET MANAGEMENT STRATEGY

Transportation  Housing Support  Long Term Care  Water Supply  Wastewater

Levels of Service

Consequence & Likelihood

Not meeting LOS Targets

Variance from LOS Targets & Level of Risk

RISKS

NEEDS

PRIORITIES

DECISIONS

SERVICES

Investing to build our Community for Life

2018 Budget Document
STRATEGIC & TACTICAL AM CONNECTION

Strategic Direction

Strategic AM
Strategy, Analysis, Corporate Policy, Standards and Performance

Tactical AM
Capital Planning, Lifecycle Optimization

Council & Executive Management

Service Objectives

Asset Investment Needs & Priorities

Corporate Asset Management

Capital Planning Directions

Capital Financing Decisions

Program Capital and Operational Planning

Asset Information

Challenge Assumptions

Asset Investment Needs & Priorities
**Line of Sight**

**Strategic Plan**
- **Vision & Mission**

**Mission**
Working with You to create a healthy safe and connected community.

**Area of Focus**
- **Community For Life**
- **Thriving**

**Service**
- **Water Supply**

**Service Category**
- **Lake Based Water Treatment**

**Asset Class**
- **Water Disinfection**

**Asset**
- **Ozone Generator**

**Service Outcome**
Safe, reliable and high quality drinking water is available to Peel customers.

**Customer Levels of Service**
- Potable water at an appropriate pressure and quality.
- Efficient delivery of water services.

**Asset Levels of Service**
- Asset Condition = B (Good)
- Sufficient Capacity to meet demand
- Backup Power and Capacity

**Asset Information**
- Asset Condition
- Lifecycle/Rehabs
- Asset specific Attributes
- Suitability
- Capex & Opex
FROM CUSTOMER LEVEL OF SERVICE TO BUDGET

Customer Levels of Service
Potable water at an appropriate pressure and quality.
Efficient delivery of water services.

Asset Levels of Service
Maintain Equipment at a Condition Rating = B (Good)
Backup capacity for all critical equipment
Provide Standby Power
Redundant power supply
Capacity and technology to produce water of suitable quality
Automated monitoring systems in place

Prioritize Needs

Measure Risk and Identify Needs

Break Asset Management down to the Decisions Council has to make
Integrating Asset Management into Council Reporting
BUILDING TRUST AND CONFIDENCE

• Stewardship of public assets
• Engage Council (incl. Audit and Risk Committee)
• On-going Touch Points:
  • Public Scorecards
    • Infrastructure Status and Outlook Report
    • Long Term Financial Plan
  • Reserve Status Report – Infrastructure financing
  • Updates to Enterprise Asset Management Plan
• Budget Process
• DC Bylaw Updates, Program Masterplans
2017 Infrastructure Status and Outlook Report

Building new infrastructure and maintaining the existing assets in a state of good repair is critical to the success of the Region of Peel. The goal for the Region is to have most of the assets achieve their condition and performance targets in order to provide efficient and reliable services at affordable rates to the taxpayer. The Region of Peel is committed to strong stewardship of the public’s assets.

The Region’s infrastructure is a public investment with a replacement value of approximately $26.2 Billion. This report outlines the current state of the Region of Peel’s infrastructure and highlights some of the organization’s major improvement priorities.

What do the symbols mean?

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>●</td>
<td>Very Good State</td>
</tr>
<tr>
<td>○</td>
<td>Good State</td>
</tr>
<tr>
<td>□</td>
<td>Fair State</td>
</tr>
<tr>
<td>☻</td>
<td>Poor State</td>
</tr>
<tr>
<td>●●</td>
<td>Very Poor State</td>
</tr>
</tbody>
</table>

Almost all assets in the portfolio are achieving the desired targets
Most assets in the portfolio are achieving the desired targets
Many assets in the portfolio are not achieving the desired targets
Most assets in the portfolio are not achieving the desired targets
Almost all assets in the portfolio are not achieving the desired targets

Overall 92% of the portfolio meets or exceeds the asset requirements set by Council.
<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>Status</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Region of Peel</td>
<td></td>
<td>The Region owns and operates roads, bridges, buildings, pipes, fleet and equipment to support services in affordable housing, child care centres, homeless shelters, long term care, paramedics, transportation, waste management, wastewater and water. Infrastructure owned by Peel Living and private providers is not included.</td>
</tr>
<tr>
<td></td>
<td>Very Good</td>
<td>Over the next 10 years, the Region plans to reinvest approximately $2.4 billion to maintain the assets at current conditions and continue to provide high quality Regional services, contributing to a Community for Life in Peel.</td>
</tr>
</tbody>
</table>
## LINKED TO SERVICE OUTCOMES

<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>Status</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Paramedic Services</strong></td>
<td>Very Good</td>
<td>Adequate levels of capital reinvestments are proposed in the 10-Year Capital Plan to maintain and modernize the stations, fleet and equipment. We will continue to adapt and improve emergency services with the addition of new stations, fleet and equipment to meet the medical needs of a growing and aging community.</td>
</tr>
<tr>
<td>11 Regional paramedic stations, 140 paramedic vehicles and 617 paramedic equipment assets efficiently deploy emergency medical services from strategically located hubs throughout Peel.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Waste Management</strong></td>
<td>Good</td>
<td>Sufficient financing is proposed in the 2018 Budget and Forecast to continue service until the new assets are operational. Additions and improvements to the Waste Management infrastructure portfolio are required to support Peel’s Waste Reduction and Resource Recovery Strategy. Existing infrastructure is being maintained and is operating to meet service requirements until new buildings and equipment are commissioned to meet the targets of Peel’s Waste Reduction and Resource Recovery Strategy.</td>
</tr>
<tr>
<td>Six community recycling centres, one composting and curing facility and one material recycling facility support the safe removal of solid waste from the community and advance the achievement of our waste diversion goals.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
INTEGRATION WITH CAPITAL PLANNING

+ $$$ =
### INVESTING IN COMMUNITY OUTCOMES

#### Living:
People’s lives are improved in their time of need.

- $23 million
- Ambulance Fleet and Support Vehicles
- TransHelp - Mavis Yard
- Maintain Long Term Care Homes
- Maintain Affordable Housing

#### Thriving:
Communities are integrated, safe and complete.

- $612 million
- Mississauga City Center Watermain
- Williams Parkway Sub-Transmission Main
- G.E. Booth Water Pollution Control Plant
- Downtown Brampton Sanitary Sewer Remediation
- Property Acquisitions (Mayfield to King & Airport to Gore)

#### Leading:
Government is future-oriented and accountable.

- $34 million
- Maintain Technology Assets
- Maintain Office Facilities
COUNCIL DECISION-MAKING

State of Good Repair → Based on Asset Level of Service

DC Funded Growth → Based on DC Background Study

Non DC Funded Growth & Council Priorities → Individual Projects Approved
INFORMS FINANCING DECISIONS

Pay as you Go - Capital Reserves

External Financing/Debt

Growth pays for Growth – DC’s
ENSURING THE CAPITAL PLAN IS SUSTAINABLE

Tax Supported
1% Infrastructure Levy

Tax Supported
2018 – 2027
Non–DC Capital Plan
Portion to be Funded from Tax

$2.06B

Unfunded gap
1% × 4 years

1% ↑ in 2018

Total Available Funding (including interest)

$1.62B

Seniors Health & Wellness Village
ENSURING THE CAPITAL PLAN IS SUSTAINABLE

Utility Rate Supported
5% Infrastructure Rate Increase

Utility Supported
2018 – 2037
Non–DC Capital Plan
Portion to be Funded
from Utility Rate

$5.47B

Unfunded gap - requires
5% × 4 years

5 % ↑ in 2018

Total Available
Funding
(including
interest)

$3.61B

Unfunded gap - requires
5% × 4 years
OTHER CONSIDERATIONS

Why Increase Infrastructure Levy

- To match Federal & Provincial infrastructure funding
- To manage unanticipated capital work
- To sustain 2019 and future capital program
- To manage credit rating risk
EMBEDDED IN PEEL’S FINANCIAL SCORECARD

• Three pillars of financial sustainability:
  ✓ Financial sustainability
  ✓ Financial vulnerability
  ✓ Financial flexibility

• Asset Management touches all of these core areas
• Lens to inform Council decision-making
• Actions to mitigate the longer term risks
• Annual reporting
## FINANCIAL SUSTAINABILITY

<table>
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<tr>
<th>Financial Principles</th>
<th>Target</th>
<th>Assessment</th>
<th>Summary of Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Sustainability</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Respect the tax and utility rate payer</td>
<td>1–3% Net tax levy increase in line with inflation</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>• Maintain Assets</td>
<td>100% Adequate Capital Reserves – Tax</td>
<td></td>
<td>Continue 1.0 per cent infrastructure levy in 2019</td>
</tr>
<tr>
<td>• Ensure Capital Plan is sustainable</td>
<td>100% Adequate Capital Reserves – Utility</td>
<td></td>
<td>Continue 5.0 per cent infrastructure levy in 2019</td>
</tr>
<tr>
<td>• Deliver value for money</td>
<td>&gt;70% Focus GTA Survey – Value for Tax</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

**Legend**  
- ✓ On track  
- 🔴 Action Recommended  
- □ No action required
## Financial Vulnerability

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<th>Assessment</th>
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</thead>
<tbody>
<tr>
<td><strong>Vulnerability</strong></td>
<td></td>
<td></td>
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<tr>
<td>• Users pay where appropriate</td>
<td>&lt;20% DC rate increase required</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>• Work with area municipalities to support economic viability of the community</td>
<td>&lt;50% of budget funded by property tax</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>• Prudently invest</td>
<td>35–45% Non-residential tax revenue</td>
<td></td>
<td>Work with local municipalities to address changing nature of employment</td>
</tr>
<tr>
<td></td>
<td>100% compliant with investment policy</td>
<td>✓</td>
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**Legend** — ✓ On track ▶ Action Recommended □ No action required
## FINANCIAL FLEXIBILITY

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<tr>
<td><strong>Flexibility</strong></td>
<td></td>
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<tr>
<td>• Mitigate significant fluctuations in tax and utility rates</td>
<td>5–10%</td>
<td>✓</td>
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<td></td>
<td></td>
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<tr>
<td>• Borrow only for substantial long term assets at affordable rates</td>
<td>100%</td>
<td>✓</td>
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<td>5–10%</td>
<td>✓</td>
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</tr>
<tr>
<td></td>
<td>&lt;25%</td>
<td>✓</td>
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**Legend** -
- ✓ On track
- 🔴 Action Recommended
- ⬜ No action required
CRITICAL TO MUNICIPAL FINANCIAL HEALTH

We are on track with 9 of 12 targets

We have maintained our AAA credit rating by S&P and Moody’s

The 2017 Focus GTA survey indicates that 75 per cent of our residents consider the programs and services offered by us are good value for their tax dollars

Net tax levy increase in line with inflation target 1–3%
KEY TAKEAWAYS

Benefits of an Integrated Approach:

- Enables **evidence based decision making**:
  - State of the infrastructure
  - Asset & service risks
  - Organizational asset needs & priorities
  - Financing requirements

- Capital Plans are aligned with **SOGR, Growth and Council Priorities**
- Integral to Municipal fiscal health
- **Stewardship** of public assets
- **Value** for the Taxpayer
QUESTIONS?

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