
2013 BUDGET BRIEFING NOTE

State of Good Repair (SOGR) Backlog Addressed in 2013 - 2022 Capital Budget and Plan

Issue:

This briefing note responds to the Budget Committee request of December 11, 2012 to provide a briefing note on the percentage of state of good repair backlog addressed in the 2013 to 2022 Capital Budget and Plan by Division.

This briefing note presents the State of Good Repair (SOGR) Backlog for City Programs and Agencies (Tax and Rate Supported) over the 2013 to 2022 capital planning period and details the relative changes (increases/decreases) to the accumulated SOGR backlog for each Tax Supported City Program and Agency as a result of the recommended funding being provided in the 2013 – 2022 BC Recommended Capital Budget and Plan, comparing the year over year (2013 vs 2012) and 10 year (2022 vs 2012) impacts.

Background:

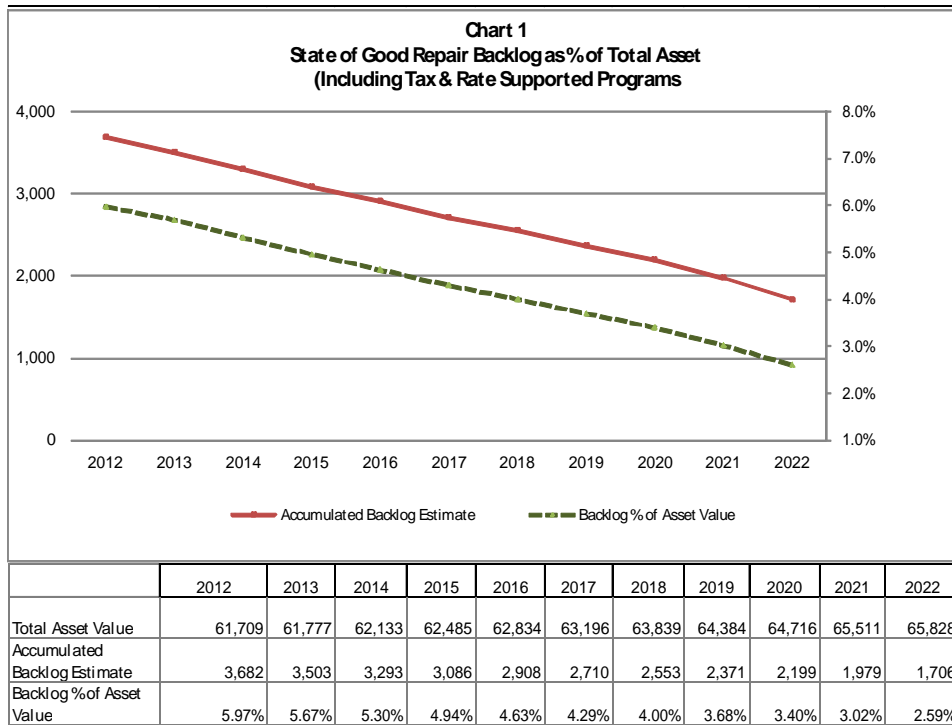
As part of the annual budget process, the City tracks its SOGR backlog for each Program and Agency and the impact approved SOGR capital funding has on accumulated backlog. This information has become more meaningful since the approval of a firm 10-year Capital Plan beginning in 2010. The more recent establishment of asset values arising from compliance with Public Sector Accounting Board (PSAB) guidelines has enabled the City to track SOGR backlog as a percent of asset value, making the accumulated SOGR backlog as a percentage of asset value a key indicator to monitor the backlog. Details of the SOGR Backlog trend and percentage of total asset value can be found in the Analyst Notes for each Program and Agency.

Summary:

Managing the accumulated SOGR backlog is a key capital strategic objective and priority for the City. The emphasis on protection and preservation of existing infrastructure is evident throughout the 10-year capital planning period, as the 2013 - 2022 BC Recommended Capital Budget and Plan allocates \$10.736 billion or 70% of capital funding to capital works to ensure City infrastructure and facilities required to deliver services to the citizens of Toronto are maintained in a state of good repair.

Over the 10-Year BC Recommended Capital Plan period, the City's accumulated SOGR backlog as a percent of asset value declines from \$3.682 billion or 5.97% at the end of 2012

to \$2.710 billion or 4.29% in 2017 after 5 years and \$1.706 billion or 2.59% in 2022 after 10 years, as outlined in Chart 1.



Overall, estimates indicate that the current accumulated SOGR backlog will decline from 2013 to 2022 to approximately \$1.706 billion representing the equivalent of 53.7% reduction to the SOGR accumulated backlog. SOGR spending will grow from approximately 63.4% of total expenditures from 2013 – 2017 to 83.2% in 2018 – 2022.

The top 5 programs with accumulated SOGR backlog are Toronto Water (TW), Transportation Services, Parks, Forestry and Recreation (PF&R), Facilities Management and Real Estate (FM&RE) and Toronto and Region Conservation Authority (TRCA) which make up \$3.247 billion or 93% of the \$3.503 billion SOGR backlog summarized in Table 1 below. With the exception of Parks, Forestry and Recreation, SOGR capital funding will reduce the accumulated SOGR for each of these Programs.

SOGR Backlog by Program – Summary
Table 1

\$ Million	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Toronto Water	1,636	1,499	1,351	1,179	1,015	869	750	627	500	367	198
Transportation Services	964	949	917	886	872	836	786	785	764	740	696
Parks, Forestry & Recreation	300	310	301	319	351	366	411	389	396	363	325
Facilities Management and Real Estate	338	303	282	264	239	219	197	174	154	133	117
Toronto & Region Conservation Authority	189	187	185	182	180	177	175	172	169	166	163
Other	256	256	257	256	251	243	235	225	216	209	207
Total SOGR Backlog	3,682	3,503	3,293	3,086	2,908	2,710	2,553	2,371	2,199	1,979	1,706
Total Asset Value (end of year)	61,709	61,777	62,133	62,485	62,834	63,196	63,839	64,384	64,716	65,511	65,828
SOGR as % Asset Value	5.97%	5.67%	5.30%	4.94%	4.63%	4.29%	4.00%	3.68%	3.40%	3.02%	2.59%

Until 2013, the emphasis has been placed on reducing the accumulated backlog for Toronto Water infrastructure. For 2013, priority is being given in the 2013 to 2022 BC Recommended Capital Plan to address Transportation Services' SOGR requirements for rehabilitation of the Gardiner Expressway and major and local road capital works. As a result, increased recommended funding will reverse the previous upward trend and begin to reduce Transportation Service's SOGR accumulated backlog. The City must in turn address the SOGR requirements of Parks, Forestry and Recreation to similarly reverses its SOGR trend.

Key Points:

Year over Year Changes in Accumulated SOGR Backlog:

Valued at over \$65 billion the City's expansive asset inventory and its infrastructure are aging. In addition, there is growth in the City's infrastructure and capital assets. When investment in SOGR is less than the annual SOGR need, the unfunded balance is added to the accumulated SOGR backlog. Conversely should the investment in SOGR exceed the required SOGR need, the balance is applied to the accumulated SOGR backlog effectively reducing the balance.

**Percentage of State of Good Repair Backlog addressed
In the 2013 Capital Budget and 10- Year Capital Plan by Program (\$000s)**

Table 2

Program Description	2013					2013 - 2022				
	2012 Accum. Backlog	SOGR Needs	SOGR Backlog Addressed	Accum. Backlog Incr./ (Decr.)	Accum. Backlog % Incr/ (Decr.)	Accum. Backlog	SOGR Needs	SOGR Backlog Addressed	Accum. Backlog Incr./ (Decr.)	Accum. Backlog % Incr/ (Decr.)
Citizen Centred Services "A"										
Children's Services	5,602	601	(310)	291	5.2%	5,602	13,094	(18,696)	(5,602)	-100.0%
Long Term Care Homes Services	4,371	1,302	(595)	707	16.2%	4,371	6,731	(11,102)	(4,371)	-100.0%
Parks, Forestry & Recreation	299,846	48,196	(38,440)	9,756	3.3%	299,846	402,216	(376,748)	25,468	8.5%
Shelter, Support & Housing Administration	4,146	810	(900)	(90)	-2.2%	4,146	9,003	(9,000)	3	0.1%
Economic Development and Culture	37,393	9,216	(9,418)	(202)	-0.5%	37,393	67,987	(72,713)	(4,726)	-12.6%
Citizen Centred Services "A"	351,358	60,125	(49,663)	10,462	3.0%	351,358	499,031	(488,259)	10,772	3.1%
Citizen Centred Services "B"										
Transportation Services	964,155	170,366	(185,499)	(15,133)	-1.6%	964,155	2,101,049	(2,369,249)	(268,200)	-27.8%
Citizen Centred Services "B"	964,155	170,366	(185,499)	(15,133)	-1.6%	964,155	2,101,049	(2,369,249)	(268,200)	-27.8%
Internal Services										
Facilities Management and Real Estate	337,774	38,285	(73,504)	(35,219)	-10.4%	337,774	326,051	(546,293)	(220,242)	-65.2%
Fleet Services	23,278	28,473	(30,473)	(2,000)	-8.6%	23,278	349,235	(369,235)	(20,000)	-85.9%
Internal Services Total	361,052	66,758	(103,977)	(37,219)	-10.3%	361,052	675,286	(915,528)	(240,242)	-66.5%
Other City Programs										
City Clerk's Office	1,350		(150)	(150)	-11.1%	1,350		(1,350)	(1,350)	-100.0%
Other City Programs Total	1,350	0	(150)	(150)	-11.1%	1,350		(1,350)	(1,350)	-100.0%
Total - City Operations	1,677,915	297,249	(339,289)	(42,040)	-2.5%	1,677,915	3,275,366	(3,774,386)	(499,020)	-29.7%
Agencies										
Exhibition Place	18,199	14,626	(5,080)	9,546	52.5%	18,199	55,256	(34,988)	20,268	111.4%
Sony Centre (Hummingbird)	2,390					2,390	4,214	(6,604)	(2,390)	-100.0%
Toronto & Region Conservation Authority	188,974	5,864	(8,010)	(2,146)	-1.1%	188,974	51,049	(76,782)	(25,733)	-13.6%
Toronto Police Service	23,324		(4,613)	(4,613)	-19.8%	23,324	29,140	(43,877)	(14,737)	-63.2%
Toronto Public Library	47,870	2,755	(11,183)	(8,428)	-17.6%	47,870	34,252	(47,628)	(13,376)	-27.9%
Toronto Zoo	87,720	9,298	(3,332)	5,966	6.8%	87,720	24,144	(29,498)	(5,354)	-6.1%
Agencies Total	368,477	32,543	(32,218)	325	0.1%	368,477	198,055	(239,377)	(41,322)	-11.2%
Total - Tax Supported	2,046,392	329,792	(371,507)	(41,715)	-2.0%	2,046,392	3,473,421	(4,013,763)	(540,342)	-26.4%
Rate Programs										
Toronto Water	1,635,837	270,322	(406,695)	(136,373)	-8.3%	1,635,837	3,319,833	(4,757,958)	(1,438,125)	-87.9%
Grand Total	3,682,229	600,114	(778,202)	(178,088)	-4.8%	3,682,229	6,793,254	(8,771,721)	(1,978,467)	-53.7%

The current accumulated SOGR backlog for Tax Supported Programs is \$2.046 billion. The 2013 SOGR needs for Tax Supported Programs total \$329.792 million and \$371.507 million of the SOGR backlog will be addressed. This will result in the 2013 accumulated SOGR backlog decreasing by \$41.715 million or 2% as summarized in Table 2 above.

- The Program with the most significant SOGR backlog decrease in 2013 is FM&RE. The accumulated backlog by the end of 2012 was \$337.774 million. The additional SOGR requirement in 2013 is \$38.285 million, however investment in SOGR is \$73.504 million which is greater than the SOGR requirement therefore the 2013 SOGR backlog will decrease by \$35.219 million or 10.4%.
- The Program with the most significant SOGR backlog increase in 2013 is Parks, Forestry & Recreation. The accumulated backlog by the end of 2012 was \$299.846 million. The additional SOGR requirement in 2013 is \$48.196 million, however investment in SOGR is \$38.440 million which less than the additional SOGR requirement and therefore the 2013 SOGR backlog will increase by \$9.756 million or 3.3%.

In addition Toronto Water accounts for \$270.322 million of the 2013 SOGR requirements and \$406.695 million of the SOGR backlog that will be addressed resulting in a reduction of \$136.373 million or 8.3% to the division.

Over the 10 year period, the additional SOGR requirements total \$3.473 billion. However SOGR investment in the BC Recommended 2013 – 2022 Capital Budget and Plan will address \$4.014 billion of SOGR requirements. This will result in the 10 year accumulated SOGR backlog decreasing by \$540.342 million or 26.4%.

- Transportation is the largest contributor to the 10 year SOGR backlog reduction, with a reduction of \$268.200 million or 27.8% over the 10 year period.
- Similar to 2013, Parks, Forestry & Recreation remains the largest contributor to the increase of SOGR backlog, showing an increase of \$25.468 million or 8.5% over the 10 year period.

In addition, Toronto Water will have \$3.320 billion additional SOGR requirements over the 10 years. \$4.758 billion of the SOGR backlog will be addressed resulting in a reduction of \$1.438 billion or 87.9% to the division.

Relative Changes to SOGR Backlog

The current accumulated SOGR backlog of \$2.046 billion is expected to decrease in 2013 by \$41.715 million. Table 3 below provides the relative change to the Program and Agency SOGR Backlog as a result of the recommended SOGR funding provided in the 10 year BC Recommended Capital Budget and Plan.

- Facilities Management & Real Estate accounts for \$35.219 million of the 2013 SOGR backlog decrease or 84.4% of the overall decrease to Tax Supported Programs.
- Transportation Services accounts for \$15.133 million of the 2013 SOGR backlog decrease or 36.3% of the overall decrease to Tax Supported Programs.

Changes in Accumulated SOGR Backlog (\$000s)
Table 3

Program Description	2013		2013 - 2022	
	Accum. Backlog Change at Dec. 2013	% of Total Accum. Backlog Incr/ (Decr.)	Accum. Backlog Change at 2022	% of 2013 Total Accum. Backlog Incr/ (Decr.)
Facilities Management and Real Estate	(35,219)	84.4%	(220,242)	40.8%
Transportation Services	(15,133)	36.3%	(268,200)	49.6%
Toronto Public Library	(8,428)	20.2%	(13,376)	2.5%
Toronto Police Service	(4,613)	11.1%	(14,737)	2.7%
Toronto & Region Conservation Authority	(2,146)	5.1%	(25,733)	4.8%
Fleet Services	(2,000)	4.8%	(20,000)	3.7%
Economic Development and Culture	(202)	0.5%	(4,726)	0.9%
City Clerk's Office	(150)	0.4%	(1,350)	0.2%
Shelter, Support & Housing Administration	(90)	0.2%	3	0.0%
Decrease in SOGR backlog	(67,981)	163.0%	(568,361)	105.2%
Parks, Forestry & Recreation	9,756	-23.4%	25,468	-4.7%
Exhibition Place	9,546	-22.9%	20,268	-3.8%
Toronto Zoo	5,966	-14.3%	(5,354)	1.0%
Long Term Care Homes Services	707	-1.7%	(4,371)	0.8%
Children's Services	291	-0.7%	(5,602)	1.0%
Sony Centre (Hummingbird)			(2,390)	0.4%
Increase in SOGR backlog	26,266	-63.0%	28,019	-5.2%
Grand Total	(41,715)	100.0%	(540,342)	100.0%

Over the 10 year period, the accumulated SOGR backlog of \$2.046 billion will decrease by \$540.342 billion to \$1.506 billion.

- Transportation Services' SOGR backlog will decrease by \$268.200 million by or 49.6% of the Tax Supported Programs.
- Facilities Management & Real Estate accounts for \$220.242 million of the SOGR backlog decrease or 40.8% of the overall decrease to the Tax Supported Programs.
- The overall reduction over the 10 year period is partial offset by the accumulated SOGR increase in Parks, Forestry & Recreation by \$25.468 million and Exhibition Place by \$20.268 million.

Prepared by: Warren Daniel, Financial Analyst, Financial Planning Division
(416) 397-4534, wdaniel@toronto.ca

Further information: Andy Cui, Manager, Financial Planning Division
(416) 397-4207, acui@toronto.ca

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