
2014 CAPITAL BUDGET BRIEFING NOTE

State of Good Repair (SOGR) Backlog Addressed in 2014 - 2023 Capital Budget and Plan

Issue:

This briefing note provides an update on the State of Good Repair Backlog to be addressed in the Staff Recommended 2014 to 2023 Capital Budget and Plan.

This summary presents the State of Good Repair (SOGR) Backlog for City Programs and Agencies (Tax and Rate Supported) over the 2014 to 2023 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 2014 – 2023 Staff Recommended Capital Budget and Plan, comparing the year over year (2014 vs 2013) and 10 year (2023 vs 2013) impacts.

Background:

Maintaining the condition of the City's infrastructure is a key priority and one that poses pressing challenges. It is absolutely essential that the City ensure that the assets are maintained in a state of good repair to provide efficient, reliable, and safe service is more important than ever.

The City assesses on a yearly basis the level of capital investment required to attain and maintain a state of good repair for each Program and Agency's assets. The SOGR backlog is tracked, managed and addressed in the annual capital budgeting process. Bringing our City's aging infrastructure to a state of good repair, while at the same time planning for and implementing needed service expansion is a significant challenge. The City has been, and will continue to be, proactive on this issue by raising awareness throughout the budget process and exploring creative approaches to financing necessary repairs and upgrades for aging assets.

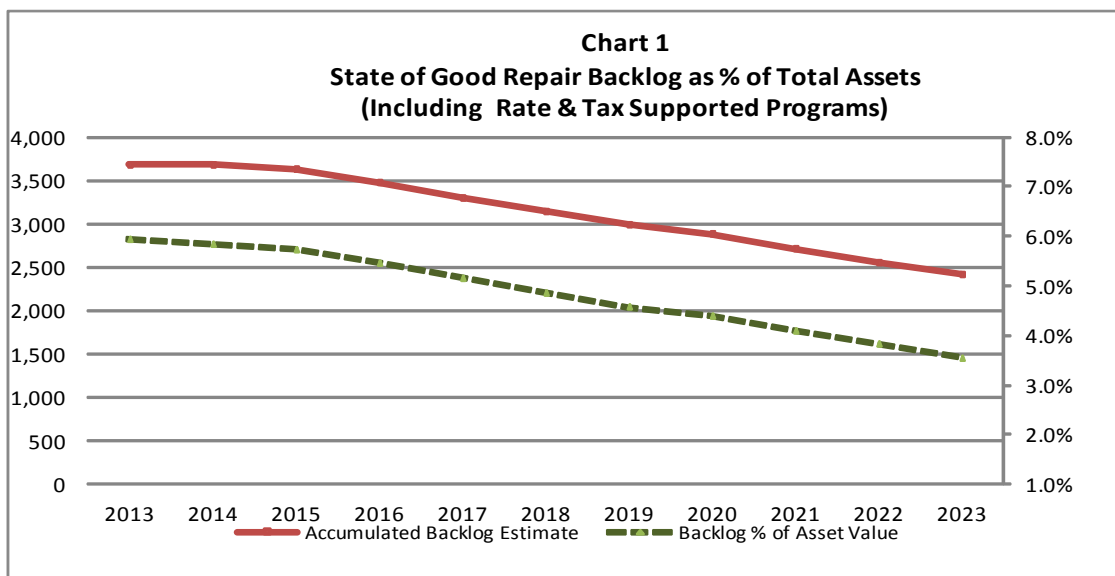
The SOGR backlog information has become more meaningful since the approval of a firm 10-year Capital Plan beginning in 2010. The more recent establishment of asset values arising from compliance with Public Sector Accounting Board (PSAB) guidelines has enabled the City to track SOGR backlog as a percent 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 Capital Analyst Notes for each Program and Agency.

Summary:

Total City

Managing the accumulated SOGR backlog is a key capital strategic objective and priority for the City. With growing capital demands accompanied with renewal needs of an aging infrastructure the emphasis continues to be protection and preservation of existing infrastructure. This is evident throughout the 10-year capital planning period, as the 2014 - 2023 Staff Recommended Capital Budget and Plan allocates \$16.293 billion or 64.6% of capital funding to capital works to ensure City infrastructure required to deliver services to the citizens of Toronto are maintained in a state of good repair.

Over the 2014 to 2023 capital planning period, the City's estimated accumulated SOGR backlog as a percent of asset value declines from \$3.679 billion or 5.94% at the end of 2013 to \$3.142 billion or 4.86% in 2018 after 5 years and \$2.417 billion or 3.54% in 2023 after 10 years, as outlined in Chart 1.



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Asset Value	61,955	63,003	63,375	63,681	63,999	64,682	65,304	65,688	66,322	66,659	68,213
Accumulated Backlog Estimate	3,679	3,680	3,631	3,476	3,298	3,142	2,990	2,886	2,715	2,554	2,417
Backlog % of Asset Value	5.94%	5.84%	5.73%	5.46%	5.15%	4.86%	4.58%	4.39%	4.09%	3.83%	3.54%

Rate Supported

Currently Toronto Water is the only Rate Program that has a SOGR backlog. A primary focus of Toronto Water's 2014-2023 Staff Recommended Capital Plan is to undertake on-going state of good repair projects for linear infrastructure renewal ensuring the replacement or

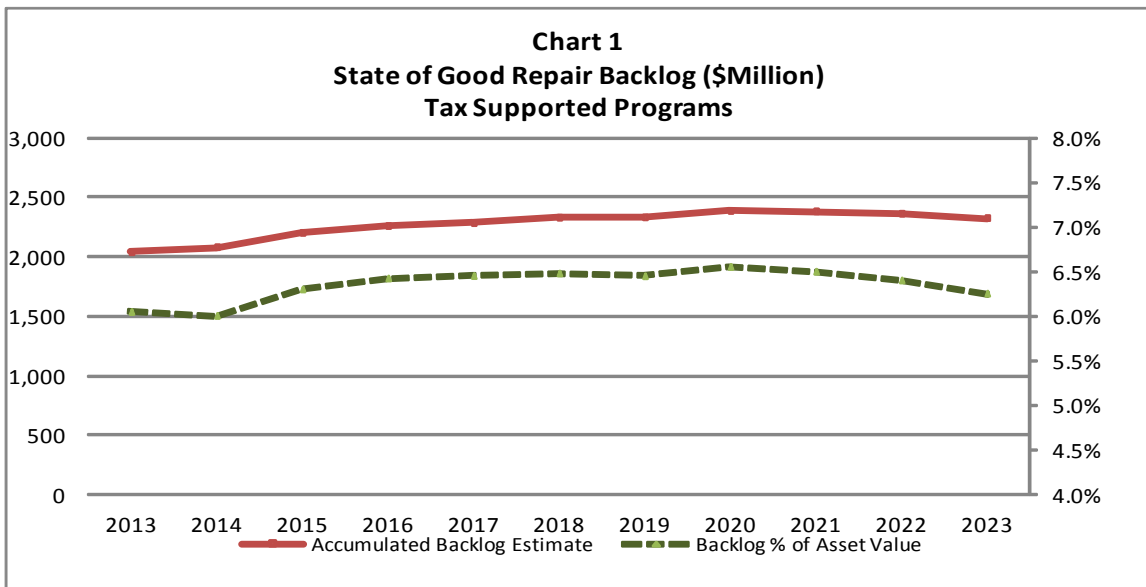
rehabilitation of aging watermains and sewers and investment in the City's aging wastewater treatment facilities.

Over the 10 year period, spending on State of Good Repair is \$5.045 billion which will reduce the backlog from 5.8 % as a percentage of asset value in 2013 to 0.3% in 2023. If SOGR funding is maintained at planned levels over the 10 year period, SOGR funding trends ensure the Toronto Water's infrastructure renewal backlog will decline from \$1.641 billion in 2013 to \$91.923 million by 2023, virtually eliminating the SOGR backlog on Toronto Water's linear assets.

Tax Supported

The 2014 - 2023 Staff Recommended Capital Budget and Plan allocates \$11.144 billion or 73.4% of capital funding to capital works to ensure City infrastructure required to deliver services to the citizens of Toronto are maintained in a state of good repair.

Overall, estimates indicate that the current accumulated Tax Supported SOGR backlog will increase from \$2.038 billion or 6.05% of asset value at the end of 2013 to approximately \$2.325 billion or 6.25% of asset value by 2023 representing the equivalent of \$287 million or 14.1% increase to the SOGR accumulated backlog. The increase is mainly driven by the newly established \$338 million SOGR backlog for the TTC. SOGR spending will grow from approximately 66.6% of total expenditures from 2014 – 2018 to 86.2% in 2019 – 2023.



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Asset Value	33,699	34,642	34,939	35,164	35,393	35,933	36,155	36,395	36,648	36,904	37,180
Accumulated Backlog Estimate	2,038	2,080	2,201	2,259	2,283	2,328	2,332	2,385	2,382	2,362	2,325
Backlog % of Asset Value	6.05%	6.01%	6.30%	6.42%	6.45%	6.48%	6.45%	6.55%	6.50%	6.40%	6.25%

The top 5 programs with accumulated SOGR backlog are, Transportation Services, Toronto Transit Commission (TTC), Facilities Management and Real Estate (FM&RE), Toronto and Region Conservation Authority (TRCA) and Parks, Forestry and Recreation (PF&R) which make up \$1.780 billion or 87.3% of the \$2.038 billion SOGR backlog summarized in Table 1 below. With the exception of Transportation Services and TTC, recommended SOGR capital funding will reduce the accumulated SOGR for each of these Programs over the 10 year Capital planning period.

SOGR Backlog by Program – Summary
Table 1

\$ Million	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Transportation Services	949	981	1,011	1,038	1,045	1,056	1,107	1,149	1,187	1,218	1,215
Toronto Transit Commission	0	30	93	123	148	183	208	243	278	313	338
Facilities Management and Real Estate	334	329	351	341	337	324	308	296	288	279	285
Toronto & Region Conservation Authority	187	185	182	180	177	175	172	169	166	163	158
Parks, Forestry & Recreation	310	296	308	330	335	360	317	305	247	184	120
Other	259	260	255	246	240	231	219	223	216	206	209
Total SOGR Backlog	2,038	2,080	2,201	2,259	2,283	2,328	2,332	2,385	2,382	2,362	2,325
Total Asset Value (end of year)	33,699	34,642	34,939	35,164	35,393	35,933	36,155	36,395	36,648	36,904	37,180
SOGR as % Asset Value	6.05%	6.01%	6.30%	6.42%	6.45%	6.48%	6.45%	6.55%	6.50%	6.40%	6.25%

Key Achievements and Challenges:

Parks, Forestry and Recreation

Through the 2013 Capital Budget process, City Council requested the DCM and CFO to report to Budget Committee with a plan to expedite the reduction in the Parks, Forestry and Recreation SOGR accumulated backlog in the 2014 Recommended Capital Budget and Plan.

- As a result, the Program's debt affordability target was increased by \$165 million over 10 years for the sole purpose of reducing the SOGR backlog, allocated specifically to four asset categories: Pools, Community Centres, Arenas, and Trail and Pathways which were trending toward high backlog balances.
 - The Trails, Pathways and Bridges' SOGR accumulated backlog is reduced from \$34.367 million in 2013 to \$8.119 million in 2023 or 76.4% of the SOGR accumulated backlog for this asset category.
 - The Arenas' SOGR accumulated backlog of \$60.120 million in 2013 is reduced by 99% or \$59.573 million by 2023 to \$547,000.
 - The Pools and Community Centres' SOGR accumulated backlog of \$73.643 million is reduced by \$46.715 million or 63.4% over the 10 year period to \$26.928 million.

Transportation Services

Transportation Services' SOGR funding that was added to last year's budget has been continued in the 2014 – 2023 Staff Recommended Capital Budget and Plan that focus on the rehabilitation of the Gardiner Expressway and major road capital works. Subsequently, Transportation Services undertook condition assessments of local road capital infrastructure and determined that approximately \$125 million of SOGR funding is required for the

rehabilitation needs of local roads. Given that the average annual SOGR funding for local roads is approximately \$54.161 million, there is an annual shortfall of approximately \$71 million. However, the shortfall could rise as high as \$85 million per year, over the upcoming years, due to the upcoming wave of aging infrastructure that at the end of their lifecycle may not be replaced.

Toronto Transit Commission

It was recommended in the 2013 – 2022 TTC Capital Plan analyst notes that TTC quantify, develop and maintain detailed SOGR backlog of its capital program to be provided to the City during the 2014 budget process. For 2014, TTC's backlog is being established at \$30 million, after 5 years the backlog will grow to \$183 million and after 10 years it will grow to \$338 million.

Notwithstanding ongoing reinvestment, much of the City's capital assets continue to age, the City must in turn address the SOGR requirements specifically of both Transportation Services' and the TTC to reverse their SOGR upward trend. This underscores an important consideration, a state of good repair cannot be attained by simply working off the program specific backlogs. If normalized replacement/rehabilitation does not take place, then the existing infrastructure will reach the end of its useful life and it will become a part of the backlog, meaning, in essence, that even as Parks, Forestry & Recreation is reducing its backlog, similar problems may crop up elsewhere. If the City is to reach a state of good repair, efforts to reduce backlog and continue the process of normalized replacement/rehabilitation must proceed concurrently. Otherwise, the backlog will grow, thus requiring larger capital costs in the future.

The TTC's 2014-2023 Recommended Capital Budget and Plan totals \$6.325 billion, (Excluding the Scarborough Subway Extension project), of this \$5.843 billion or 92.4% is allocated to SOGR. Despite the sizeable investment by the City the TTC has significant unmet needs. There is a requirement for a tri-party partnership by the Government of Canada, the Province of Ontario and the City of Toronto to establish a funding strategy to support TTC's ongoing capital pressures. A task force will be established to prioritize, seek and secure funding from both the Federal and Provincial governments.

Key Points:

Year over Year Changes in Accumulated SOGR Backlog:

Valued at over \$68 billion, the City has an expansive asset inventory and its infrastructure is 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 2014 Capital Budget and 10- Year Capital Plan by Program (\$000s)
Table 2**

Program Description	2014					2014 - 2023				
	2013 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	5,893	2,000	(2,416)	(416)	-7.1%	5,893	20,002	(25,894)	(5,892)	-100.0%
Long Term Care Homes Services	5,078	4,671	(5,242)	(571)	-11.2%	5,078	48,203	(48,774)	(571)	-11.2%
Parks, Forestry & Recreation	309,602	66,863	(80,863)	(14,000)	-4.5%	309,602	797,247	(987,060)	(189,813)	-61.3%
Shelter, Support & Housing Administration	2,990	(82)	1,064	982	32.8%	2,990	5,244	(1,488)	3,756	125.6%
Economic Development and Culture	38,990	10,386	(10,780)	(394)	-1.0%	38,990	99,679	(108,889)	(9,210)	-23.6%
Toronto Employment & Social Services										
Citizen Centred Services "A" Total	362,553	83,838	(98,237)	(14,399)	-4.0%	362,553	970,375	(1,172,105)	(201,730)	-55.6%
Citizen Centred Services "B"										
Transportation Services	949,022	258,189	(226,289)	31,900	3.4%	949,022	2,708,573	(2,442,327)	266,246	28.1%
Waterfront Revitalization Initiative										
Citizen Centred Services "B" Total	949,022	258,189	(226,289)	31,900	3.4%	949,022	2,708,573	(2,442,327)	266,246	28.1%
Internal Services										
Facilities Management and Real Estate	334,133	33,193	(38,096)	(4,903)	-1.5%	334,133	442,279	(491,223)	(48,944)	-14.6%
Fleet Services	24,058	41,417	(44,417)	(3,000)	-12.5%	24,058	459,277	(480,277)	(21,000)	-87.3%
Internal Services Total	358,191	74,610	(82,513)	(7,903)	-2.2%	358,191	901,556	(971,500)	(69,944)	-19.5%
Other City Programs										
City Clerk's Office	1,350	975	(1,125)	(150)	-11.1%	1,350	11,330	(12,630)	(1,300)	-96.3%
Other City Programs Total	1,350	975	(1,125)	(150)	-11.1%	1,350	11,330	(12,630)	(1,300)	-96.3%
Agencies										
Exhibition Place	19,205	3,953	(3,286)	667	3.5%	19,205	24,644	(14,853)	9,791	51.0%
Sony Centre (Hummingbird)	1,990	2,674	(3,879)	(1,205)	-60.6%	1,990	8,671	(10,661)	(1,990)	-100.0%
Toronto & Region Conservation Authority	186,828	15,754	(17,858)	(2,104)	-1.1%	186,828	133,540	(162,203)	(28,663)	-15.3%
Toronto Police Service	25,890	35,494	(36,907)	(1,413)	-5.5%	25,890	491,029	(494,657)	(3,628)	-14.0%
Toronto Public Library	39,442	20,989	(23,583)	(2,594)	-6.6%	39,442	209,285	(219,289)	(10,004)	-25.4%
Toronto Zoo	93,686	(3,901)	13,302	9,401	10.0%	93,686	(39,010)	29,282	(9,728)	-10.4%
Agencies Total	367,041	74,963	(72,211)	2,752	0.7%	367,041	828,159	(872,381)	(44,222)	-12.0%
Toronto Transit Commission										
Toronto Transit Commission	0	926,740	(896,740)	30,000	n/a	0	7,588,737	(7,250,737)	338,000	n/a
Toronto Transit Commission Total	0	926,740	(896,740)	30,000	n/a	0	7,588,737	(7,250,737)	338,000	n/a
Total - Tax Supported	2,038,157	1,419,315	(1,377,115)	42,200	2.1%	2,038,157	13,008,730	(12,721,680)	287,050	14.1%
Rate Programs										
Toronto Water	1,640,966	293,251	(334,772)	(41,521)	-2.5%	1,640,966	6,594,233	(8,143,276)	(1,549,043)	-94.4%
Grand Total	3,679,123	1,712,566	(1,711,887)	679	0.02%	3,679,123	19,602,963	(20,864,956)	(1,261,993)	-34.3%

The current accumulated SOGR backlog for Tax Supported Programs is \$2.038 billion. As at the end of 2013, the 2014 SOGR needs for Tax Supported Programs total \$1.419 billion and \$1.377 billion of the SOGR backlog will be addressed. This will result in the 2014 accumulated SOGR backlog increasing by \$42.200 million or 2.1% as summarized in Table 2 above. Over the 10 year period, the Tax supported SOGR needs total \$13.008 billion. However SOGR investment dedicated in the Staff Recommended 2014 – 2023 Capital Budget and Plan will address \$12.722 billion of SOGR requirements. This will result in the 10 year accumulated SOGR backlog increasing by \$287.050 million or 14.1%.

- The Program with the most significant SOGR backlog decrease in 2014 is Parks, Forestry and Recreation. The accumulated backlog by the end of 2013 was \$309.602 million. The additional SOGR requirement in 2014 is \$66.863 million, however investment in SOGR is \$80.863 million which is greater than the SOGR requirement therefore the 2014 SOGR backlog will decrease by \$14 million or 4.5%. Over the 10 year period Parks, Forestry & Recreation is the largest contributor to the reduction of SOGR backlog, showing a reduction of \$189.813 million or 61.3% over the 10 year period.
- The Program with the most significant SOGR backlog increase in 2014 is Transportation Services. The accumulated backlog by the end of 2013 was \$949.022 million. The additional SOGR requirement in 2014 is \$258.189 million, however investment in SOGR

is \$226.289 million which is less than the additional SOGR requirement and therefore the 2014 SOGR backlog will increase by \$31.900 million or 3.4%. Over the 10 year period Transportation Services' SOGR backlog will increase by \$266.246 million.

- TTC is the largest contributor to the 10 year SOGR backlog increase, with an increase of \$338 million over the 10 year period.

On the rate supported side, the 2014 SOGR needs for Toronto Water accounts for \$293.251 million of the City's total needs and \$334.772 million of the SOGR backlog that will be addressed resulting in a reduction of \$41.251 million or 2.5% to the Program's SOGR backlog. Over the 10 year period Toronto Water will require \$6.594 billion in SOGR. According to the 10 year approved Capital Plan, \$8.143 billion in SOGR will be addressed resulting in a reduction of \$1.549 billion or 94.4% to the Program's SOGR backlog.

Relative Changes to SOGR Backlog

The current accumulated SOGR backlog of \$2.038 billion is expected to increase in 2014 by \$42.200 million. Table 3 below provides the relative changes (increases/decreases) to the Program and Agency SOGR Backlog comparing the year over year (2014 vs 2013) and 10 year (2023 vs 2013) impacts as a result of the recommended SOGR funding provided in the 10 year Staff Recommended Capital Budget and Plan.

- Transportation Services accounts for \$31.900 million of the 2014 SOGR backlog increase or 75.6% of the overall decrease to Tax Supported Programs.
- TTC accounts for \$30 million of the 2014 SOGR backlog increase or 71% of the overall increase to Tax Supported Programs.

Changes in Accumulated SOGR Backlog (\$000s)

Table 3

Program Description	2014		2014 - 2023	
	Accum. Backlog Change at Dec. 2014	% of Total Accum. Backlog Incr/ (Decr.)	Accum. Backlog Change at 2023	% of Total Accum. Backlog Incr/ (Decr.)
Parks, Forestry & Recreation	(14,000)	-33.2%	(189,813)	-66.1%
Facilities Management and Real Estate	(4,903)	-11.6%	(48,944)	-17.1%
Fleet Services	(3,000)	-7.1%	(21,000)	-7.3%
Toronto Public Library	(2,594)	-6.1%	(10,004)	-3.5%
Toronto & Region Conservation Authority	(2,104)	-5.0%	(28,663)	-10.0%
Toronto Police Service	(1,413)	-3.3%	(3,628)	-1.3%
Sony Centre (Hummingbird)	(1,205)	-2.9%	(1,990)	-0.7%
Long Term Care Homes Services	(571)	-1.4%	(571)	-0.2%
Children's Services	(416)	-1.0%	(5,892)	-2.1%
Economic Development and Culture	(394)	-0.9%	(9,210)	-3.2%
City Clerk's Office	(150)	-0.4%	(1,300)	-0.5%
Decrease in SOGR backlog	(30,750)	-72.9%	(321,015)	-111.8%
Transportation Services	31,900	75.6%	266,246	92.8%
Toronto Transit Commission	30,000	71.1%	338,000	117.7%
Toronto Zoo	9,401	22.3%	(9,728)	-3.4%
Shelter, Support & Housing Administration	982	2.3%	3,756	1.3%
Exhibition Place	667	1.6%	9,791	3.4%
Increase in SOGR backlog	72,950	172.9%	608,065	211.8%
Grand Total	42,200	100.0%	287,050	100.0%

Over the 10 year period, the accumulated SOGR backlog of \$2.038 billion will increase by \$287.050 million to \$2.325 billion.

- Transportation Services' SOGR backlog will increase by \$266.246 million or 92.8% of the Tax Supported Programs.
- TTC accounts for \$338 million of the SOGR backlog increase or 117.7% of the overall decrease to the Tax Supported Programs.
- The overall increase over the 10 year period is partial offset by the accumulated SOGR decrease in Parks, Forestry & Recreation by \$189.813 million and FM&RE by \$48.944 million.

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