

City of Toronto's 2024 Corporate Asset Management Plan

Date: April 30, 2024

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

The City of Toronto is the largest municipality in Canada and the economic engine of the province and country. With this comes an important national responsibility and opportunity to deliver services, execute projects, and uphold strategic priorities that will benefit the region and other orders of government and contribute to Canada's overall economic health, social standing, and environmental sustainability.

Like many North American cities, the majority of the City of Toronto's infrastructure was built during the post-war period and the onset of the industrial period. The European experience – with much older infrastructure – tells us that, over time, cities will need to allocate an increasing part of their budgets to ensure that basic infrastructures continue to be in a state of good repair (SOGR) to serve their constituents. In addition, the far-reaching implications of climate change present new challenges to building sustainable and innovative adaptations that rely upon green, renewable, and adaptive technologies.

The 2019 Canadian Infrastructure Report Card (CIRC) highlights that a concerning amount of Canadian municipal infrastructure is in poor and very poor condition, requiring immediate rehabilitations and replacements in the next 5-10 years to maintain service levels that meet community expectations. For the City of Toronto specifically, more than 50% of its 2024-2033 Tax and Rate Supported Capital Budget and Plan is dedicated to capital investments in SOGR projects to simply maintain the current state of infrastructure over the next 10 years. In this context, it is extremely important to have high quality and comparable data across the organization for senior leadership to plan and prioritize renewal projects based on the evidence, implement best practices for cost savings, and leverage funding opportunities from provincial and federal governments.

This report presents the City of Toronto's 2024 Corporate Asset Management Plan for City Council's approval, in accordance with *Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure* (the "Regulation") under the *Infrastructure for Jobs and Prosperity Act*. The regulation was subsequently amended in

March of 2021 under *Ontario Regulation 193/21* to change the timing of reporting requirements under the Act. The report will address all other municipal infrastructure assets outside of the core assets reported through the Core Infrastructure Asset Management Plan approved by Council in November 2021 which included water, wastewater, stormwater, roads, bridges, and culverts. The infrastructure assets contained in this report are categorized into 9 asset classes: facilities, fleet, equipment, amenities, collections, linear infrastructure, natural assets, structures and systems.

The 2024 Corporate Asset Management Plan (AMP) encompasses 25 City Divisions, Agencies, and Corporations (DACs) that hold ownership and/or responsibility over City-owned municipal infrastructure assets, as defined by the regulation. Organized into 8 service areas and 24 subservices, the Corporate AMP exhibits the multitude of services provided by the City and demonstrates the relationship between service delivery and the assets that support those services. The AMP is based on the data, information, professional judgement, and expertise of the asset management teams and leads that reside within each area, in conjunction with the work and analysis conducted through the City's annual Budget process and reflected in the 2024 Operating Budget and 2024-2033 Capital Budget and Plan.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommend that:

1. City Council adopt the 2024 Corporate Asset Management Plan as set out in Attachment 1 to this report and provide authority to the Executive Director, Financial Planning to make any required non-material amendments to the plans prior to the July 1, 2024 regulatory deadline.
2. City Council direct the Chief Financial Officer and Treasurer to make available the final approved 2024 Corporate Asset Management Plan as amended to the public via the City website and to distribute printed copies as requested.

FINANCIAL IMPACT

Adoption of the recommended 2024 Corporate Asset Management Plan does not result in immediate financial implications. However, ongoing compliance with the legislative requirements will result in the need for an additional investment in resources and functions corporately to establish an organization-wide practice of integrated asset management in support of a whole-of-government approach to asset management that will promote consistency and standardization of asset management practices across the City.

The Corporate Asset Management Plan will be integrated into the development of the City's capital prioritization framework as recommended through the Updated Long-Term Financial Plan. This will enhance existing prioritization processes and be used to make strategic decisions regarding the 10-Year Capital Plan, including both the funded and

unfunded portions, during the City's annual budget process. It will also allow Council to set strategic direction in the allocation of available capital funds using a consistent set of guiding principles, while considering overall affordability and capacity to deliver capital investments.

DECISION HISTORY

At its final wrap-up meeting on February 20, 2019, Budget Committee requested that the Chief Financial Officer and Treasurer continue efforts to update and improve the City's asset management policies, standards, and practices and report back together with the City's asset management policy for Council's consideration and approval by July 1, 2019, as required by Provincial legislation.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.BU4.4>

At its meeting on June 18, 2019, City Council adopted the Corporate Asset Management Policy. The purpose of this policy is to guide the development and implementation of the City of Toronto's asset management framework and asset management plans and applies to the lifecycle management activities of municipal infrastructure assets that are owned and/or controlled by the City of Toronto for the provision of services. This policy was developed in response and in accordance with *Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure* and it is used to guide the development of the City's asset management plans.

<https://secure.toronto.ca/council/agenda-item.do?item=2019.EX6.11>.

At its meeting on November 9, 2021, City Council adopted the Core Infrastructure Asset Management Plan for water, wastewater, stormwater, roads, bridges, and culverts. The report was developed in response and in accordance with *Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure* under which all municipalities must submit an asset management plan on the current state of its core infrastructure assets and the lifecycle activities and costs required for maintaining current levels of service.

<https://secure.toronto.ca/council/agenda-item.do?item=2021.EX27.3>.

At its meeting on September 6, 2023, City Council considered the Updated Long-Term Financial Plan. As part of the report, City staff committed to developing a prioritization framework for the 2025 budget planning process. It was noted that the framework would consider prioritization according to capital project categories, spend rates, availability and eligibility of funding, risk assessment, environmental, social and governance contributions, and strategic alignment with the City's priorities.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX7.1>

At its meeting on April 9, 2024, Executive Committee received a status update on the development of a comprehensive capital prioritization framework in which City staff identified key considerations to develop an objective tool and an approach for prioritizing capital projects based on a set of weighed criteria, with an intent to ultimately enhance the City's existing prioritization process.

<https://secure.toronto.ca/council/agenda-item.do?item=2024.EX13.6>

BACKGROUND

In 2017 the Province of Ontario enacted *Ontario Regulation 588/17: Asset Management Planning for Municipal Infrastructure* (O. Reg. 588/17), under the *Infrastructure for Jobs and Prosperity Act*, to support improvements in municipal asset management. The regulation, which came into effect in January 2018, provides the authority for the Province to regulate municipal asset management planning. It reflects the Province's commitment to guide investments in public infrastructure that was first initiated in 2011 (and subsequently reconfirmed in 2017), when the Province of Ontario released 'Building Together' as its long-term infrastructure plan and strategic framework. It also builds on consultations with the municipal sector, including the City of Toronto, which were conducted in 2016.

The requirements of the Regulation were phased in as follows with amendments (as filed under O. Reg. 193/21 on March 15, 2021):

1. July 1, 2019: Every municipality in Ontario must have a strategic asset management policy approved by Council. The policy is to be reviewed, and if necessary updated, at least every five years.

2. July 1, 2022: Every municipality in Ontario must have approved asset management plans for core infrastructure assets (water, wastewater, stormwater, roads, bridges and culverts) at the current levels of service.

3. July 1, 2024: Every Municipality in Ontario must have approved asset management plans for all other infrastructure assets at the current levels of service.

4. July 1, 2025: Every asset management plan must include proposed levels of service for each category of infrastructure assets.

The Regulation defines detailed information requirements for each phase. These requirements are outlined throughout this report as applicable.

Additionally, the Regulation requires that the strategic asset management policy and asset management plans be approved by a resolution passed by Council and made available to the public, via the City's website, and to persons who request a copy, at every major phase of the journey as illustrated below in Chart 1.

Chart 1 – Phase-in Schedule



COMMENTS

Corporate Asset Management Policy

In 2019, the City adopted their Corporate Asset Management Policy that presents the framework intended to promote a consistent and integrated approach to asset management for all municipal infrastructure assets that are owned and/or controlled by the City of Toronto. The intent of the policy is to establish a whole-of-government approach to asset management that will promote and foster logical and evidence-based decision-making, and support the delivery of sustainable community services now and in the future through the adoption of appropriate asset management practices.

This report is aligned with the Corporate Asset Management Policy and incorporates key principles and strategic directions that enhance asset management practices and ensure that asset management activities are continuously improved and integrated across the organization. This is demonstrated by:

- Ensuring legislative requirements for asset management are achieved.
- Linking infrastructure investment decisions to service outcomes.
- Providing the City with the information needed to make infrastructure investment decisions to balance lifecycles, provide services, prioritize needs, optimize value, and minimize risks at the lowest possible cost.
- Providing an evidence-based approach to decision-making to support prudent asset management and financial planning with budgeting, operations, maintenance, and other planning activities, and to ensure full accountability and transparency.

Corporate Asset Management Plan

Purpose:

This report is the third of four requirements under Ontario Regulation 588/17, whereby every municipality in Ontario must submit an approved AMP for all other infrastructure assets (outside of the 6 core assets) at the current levels of service. The purpose of this requirement is to identify all infrastructure assets the City owns or controls for providing current service levels to the public, provide an overall assessment of the performance and valuation of these assets, and determine the estimated cost of maintaining these assets to in turn maintain current levels of service.

Scope:

As stated in the Corporate Asset Management Policy, all City Divisions are to be considered for inclusion in the City's Corporate AMP as required by legislation. The policy goes on to identify the Agencies and Corporations considered in-scope of the Corporate Asset Management (CAM) policy that would also qualify for inclusion in this asset management plan.

The Corporate AMP ensures that these stipulated Agencies and Corporations are included, along with the City Divisions with identified infrastructure assets, as defined by O. Reg. 588/17. The 25 Divisions, Agencies and Corporations (DACs) are represented below in Chart 2.

Chart 2 – List of Divisions, Agencies, and Corporations



The DACs are organized into a functional asset hierarchy represented through 8 service areas and 24 subservices, as depicted below in Chart 3. The infrastructure assets that support these many services are categorized into 9 asset classes: facilities, fleet, equipment, amenities, collections, linear infrastructure, natural assets, structures and systems.

Chart 3 – Summary of Service Areas and Subservices



As this report is City-wide in scope, it is considered a strategic asset management plan whereby the asset hierarchy and level of asset detail and analysis is kept at a relatively high-level. The asset management plans developed internally by City Divisions and Agencies would be considered a tactical AMP, as they have the ability to customize their report based on their unique asset types, services levels, and lifecycle activities

and report at a lower level of granularity as warranted. Chart 4 visually illustrates this distinction. The Corporate AMP reflects the first 4 levels of the asset hierarchy to reasonably manage and organize the many services and asset groups that exist within the City.

Chart 4 – Conceptual Asset Hierarchy Structure



Report Structure:

The main sections of the City of Toronto's 2024 Corporate Asset Management Plan are detailed below.

1. Executive Summary
2. Introduction
3. Alignment to City Goals
4. Approach to Incorporating Growth
5. Asset Management Plan Overview
6. State of Infrastructure
7. Levels of Service
8. Lifecycle Management Strategy
9. Climate Change
10. State of Good Repair Performance and Investment Needs
11. Financial Summary
12. Improvement Plan
13. Appendices:
 - Appendix A: Culture and Educational Services
 - Appendix B: Emergency Services

- Appendix C: General Government and Corporate Services
- Appendix D: Health and Social Services
- Appendix E: Natural Environment Services
- Appendix F: Recreation and Leisure
- Appendix G: Transportation
- Appendix H: Utilities

AMP Summary:

This Corporate AMP has taken a significant first step towards establishing the relationship between investment in infrastructure and corresponding service levels. To meet the requirements of O. Reg. 588/17, the City has completed an analysis to establish the cost to maintain current service levels. It has also provided a high-level connection of its existing funded budget to lifecycle models and service level objectives, to describe the changes in performance over time associated with its current planned budget. By doing this, the City is able to compare its current forecasted performance to the cost to maintain service levels over the next 10-years.

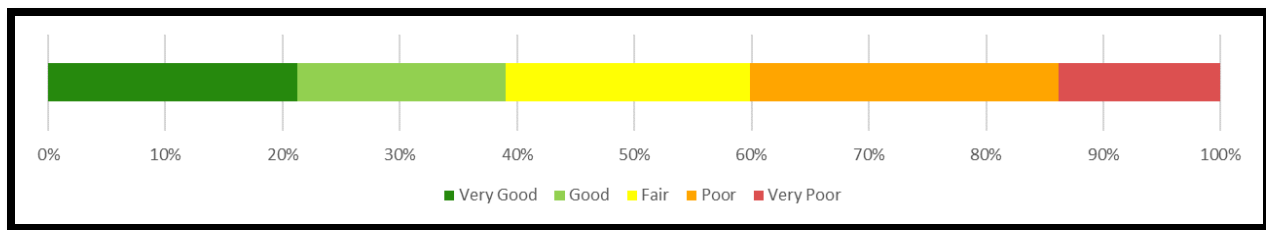
As shown in Chart 5, the total replacement value of the City's municipal infrastructure assets (excluding core infrastructure) is estimated at \$72.9 billion with over 50% of the asset value coming from community housing and transit infrastructure. The cumulative 10-year cost to maintain levels of service (LOS) is estimated to be \$40.0 billion. Compared to the City's 10-Year SOGR plan, an infrastructure gap of \$26.0 billion is identified indicating that planned capital investments are insufficient to maintain current levels of service over the next 10-years.

The overall performance distribution of the City's in-scope assets is rated as 'Fair' as depicted in Chart 6. The area of concern are the assets categorized as 'Poor' and 'Very Poor' performance, which make up roughly 40% of the City portfolio. These are the assets that are past their useful lives and require rehabilitation or replacement. They may still be able to provide service but at increased operating expenses or at a suboptimal level of service. There is also an increased likelihood of disruptions or closures to the service they provide. Staff may need to take the necessary actions to ensure the health and safety of the community and mitigate risks that may arise.

Chart 5 – Overall Summary of Key Results

Item	Value
Replacement Value	\$72.9 Billion
Cumulative 10-year Cost to Maintain LOS	\$40.0 Billion
Cumulative 10-year SOGR Infrastructure Gap	\$26.0 Billion
Average Overall Performance	Fair

Chart 6 – Overall Asset Performance Distribution (of in-scope assets)



At the subservice level, where no infrastructure gap is identified (SOG planned budget is higher than forecasted renewal need), the result is indicating there is sufficient funding to continue providing current levels of service (LOS) over the next 10-years. This should not be interpreted as additional funding is no longer required by the service area. The question being answered is what it costs to maintain current LOS, or said differently, the cost to maintain the distribution of current asset performance. This AMP does not consider that current LOS may not be the ‘necessary’ or ‘proposed’ level of service needed to support continued growth, mitigate ongoing risks, and minimize future costs. The final installment of the regulation to be completed for July 1, 2025, will identify the gap between planned budget and proposed levels of service and will provide recommendations on funding strategies to address this funding gap.

Key Considerations:

This is the City of Toronto’s first Corporate Asset Management Plan. While some City Divisions and Agencies have developed their own tactical AMPs to support evidence-based decision-making on prioritizing capital projects and managing its infrastructure needs, it is not a common practice across the organization, nor is it done in a consistent fashion. For many DACs, the Corporate AMP is their first endeavor in AM planning. Through several rounds of workshops, it is evident that varying degrees of AM practice exist across the organization. Some City Divisions and Agencies have limited or outdated asset inventories and condition information to get a comprehensive view of lifecycle costs and renewal needs, whereas others with a more advanced understanding of AM, use more progressive methodologies and systems for analyzing asset data to model full lifecycle activities and inform their capital forecasts.

This iteration of the provincial regulation has prompted a critical review of AM practice across the City. It has also initiated a significant data collection exercise to provide a baseline for understanding the current cost and performance of the City’s assets. Areas for continual improvement and enhancement have been identified, particularly around data maturity, and lifecycle management and forecasting.

Data Maturity:

The AMP is based on the collection of asset data from multiple stakeholders across the City. Where data was absent or historical information lacking, assumptions or estimations were made to fill these gaps. The data maturity rating of each subservice indicates the overall completeness and confidence of the data analysis and illustrates the opportunity to improve the asset data quality over time. Data maturity is a key area that requires continual improvement, and there are best practices internally that can be leveraged to improve the overall data quality and confidence that exists across the organization.

Lifecycle Management and Financial Forecasting:

Currently, lifecycle management and SOGR forecasting practices differ across the City. Asset data should be used to inform lifecycle costing which can be used to forecast renewal needs in the future. Note that this AMP focused on identifying the renewal need (SOGR) for infrastructure investments, which is separate from the growth and service demand requirements that are identified and considered through the City's budget process and Long-Term Financial Plan.

In comparison to the City's capital budget process, there may be several state of good repair related projects that are categorized under health and safety, service improvement, or growth. For this reason, the comparison of renewal needs to planned budget is not necessarily a one-to-one comparison. In addition, for certain asset classes, the relationship between asset ownership, maintenance and funding is not always under the same Division or Agency. As a result, the renewal needs for those asset groups may be spread across different service areas. The City may be experiencing investment gaps from the other lifecycle activities and should work towards aligning the details of the SOGR budget with the lifecycle activities articulated in this AMP.

As the City completes future iterations of this Corporate AMP, and advances the maturity of its AM analysis, it will be better able to align planned budget data to asset data to delineate and quantify true renewal costs through the 2025 milestone of O. Reg. 588/17. Through this requirement, the City will establish its proposed levels of service, which will provide more context around the required investment needs.

Corporate Asset Management

The City's Asset Management program is identified as a strategic priority of the City. The Corporate Asset Management (CAM) function has been established within Finance and Treasury Services to fulfill the provincial requirements under O. Reg. 588/17, but more importantly, to build the City's Corporate AM program in support of a whole-of-government approach to asset management that will promote consistency and standardization of AM practices across the City.

The City recognizes that a corporate AM lens is required to better align asset performance and lifecycle costs with capital planning and budget development. Varying degrees of data maturity and inconsistent lifecycle modelling and forecasting have impacted the City's ability to prioritize capital needs and investments at a corporate-level over the long-term. A centralized asset management approach will facilitate the development of common tools, guidelines, policies, standards, and processes and provide oversight and alignment for asset management with other corporate initiatives, as well as compliment the ongoing development of a Capital Prioritization Framework. Standardized policies and frameworks are necessary to improve data maturity, enhance integration of lifecycle costing with capital forecasting, and promote consistency on how capital projects are prioritized and managed.

Corporate Asset Management is currently working on a CAM Roadmap that will identify the necessary strategies and frameworks necessary to build the City's AM program over

the next 5 years. Leveraging the key learnings from the 2024 Corporate AMP, the Roadmap will provide recommendations on the short, medium, and long-term priorities required, and outline an implementation plan for execution of these tasks to support the development of a systematic and integrated AM program. This will enable the City's diverse asset groups to be managed in a consistent fashion but be applied in a manner that acknowledges and accounts for City Division and Agency service-specific standards and needs.

Asset Management and the Long-Term Financial Plan

In 2023, the City adopted the Updated Long-Term Financial Plan (LTFP), which recommended that a capital portfolio optimization and project prioritization process be developed to manage capital expenditures, which account for the majority of the City's forecasted fiscal pressures. This framework will enhance existing prioritization processes and be used by City Council to make decisions regarding the 10-year funded and unfunded capital plans.

The development of the City's prioritization framework will align with the development of the City's asset management program to promote centralization and standardization across the organization, and create a direct linkage between AM practice (i.e. data and risk management, lifecycle management, and levels of service) and strategic and financial planning (i.e. strategic alignment, capital spend rates, funding availability and eligibility, financial returns, etc.). The framework will enable the integration of all the relevant work completed in an asset management context to develop an objective tool and approach for prioritizing capital projects, based on a set of weighed criteria.

In support of the recommendations of the LTFP, the 2024 Corporate AMP forms a critical baseline to identify areas for improvement in data maturity and lifecycle management, and capital planning and forecasting across the City; these will be crucial instruments for staff as they consider and develop a prioritization framework for the 2025 planning process and beyond. The Corporate Asset Management function will be an integral part of this work in conjunction with developing the City's proposed levels of service through the 2025 requirement.

Next Steps

Future reporting on asset management to Council includes:

- July 2025: It will be expected that all City Divisions, Agencies and the TCHC will identify the proposed service levels and asset performance that will result in asset investments, as well as the financial strategies required to fund those asset investments in the 10-Year Capital Plan.
- Ongoing AMP reviews and updates: As per O. Reg. 588/17, a review and update of asset management plans must be completed at least every 5 years.

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SIGNATURE

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ATTACHMENTS

Attachment 1: City of Toronto's 2024 Corporate Asset Management Plan