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## 2026 BUDGET BRIEFING NOTE

### Critical Streetlight Investments in Toronto

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#### Issue/Background:

- This briefing note provides an overview of the City's recommended additional investment in Toronto's streetlight system as a result of the aging profile of the assets and required change to adopt LED lighting technology on a wider scale. The financial impacts outlined in this Budget Briefing Note have been reflected in the 2026 Staff-Prepared Operating and Capital Budgets.
- Staff are recommending a revised investment of \$577 million over 10 years for streetlighting, replacing the current plan of \$252 million over the same period to support enhanced infrastructure, service standards, and full LED conversion.
- The streetlight system in Toronto, which includes 173,100 luminaires, 56,900 poles and 2,477 km of overhead and underground cables, is owned by Toronto Hydro due to a sale that occurred in late 2005. With the sale, the City of Toronto compensates Toronto Hydro for the operation and maintenance of the system via a 30-year service agreement. In 2025, the City is projected to pay Toronto Hydro a total of \$56M - \$35 million for electricity and \$21 million in service fees for the system's operation and maintenance.
- The streetlighting infrastructure is currently operating with 33% of the assets past useful life (APUL), with underground infrastructure at 86% APUL. To maintain operation, over 11,000 "jumpers", which are intended to be temporary fixes, are in place to bypass failures, creating reliability and safety risks.
- The streetlight system is predominantly still using high-pressure sodium (HPS) and metal halide (MH) technology. This is becoming problematic as manufacturers have switched to LED luminaires and are starting to phase out the production of conventional lamps. This increases maintenance costs and reliability issues and leaves the City of Toronto behind other jurisdictions in North America that have transitioned to LED technology.

- Without timely investment, the system is left vulnerable to increased failures which increase the risk of service disruptions, regulatory non-compliance, and heightened public safety issues, while delaying LED conversion limits efficiency gains.

## Key Points:

### Why This Investment is Critical Now

- The existing streetlighting infrastructure is projected to have an overall APUL of 40% and APUL of the underground direct buried cable of **91%** over the next 10 years under current funding levels.
- Operating assets well past their useful life significantly increase the risk of failures, forcing costly temporary fixes that do not address long-term reliability. Accelerating failures increase the number of lighting outages and equipment breakdowns, compromising public safety, pedestrian visibility, and crime deterrence.
- Continued reliance on short-term repairs and outdated fixtures drives up maintenance costs and delays modernization. Investment now avoids escalating costs and positions the City for long-term savings through LED conversion from reduced energy use.
- Investment supports Council priorities in the areas of:
  - **Safety:** Reduced outages and improved lighting quality will lower roadway accidents and deter criminal activity.
  - **Sustainability:** LED conversion cuts electricity use by 50-60% reducing carbon emissions and operating costs.
  - **Social Equity:** The implementation plan prioritizes areas with higher safety risks and social vulnerability, balancing asset condition with social factors.
- Modernizing the system supports a more resilient, energy-efficient network and is consistent with the City's Vision Zero and climate objectives.
- While upgrades are time-sensitive, Toronto Hydro will coordinate with planned City capital work to minimize disruption and ensure alignment across projects.

### Amended Funding Agreement Overview

- Table 1 below outlines the recommended funding arrangement between the City and Toronto Hydro.

- The total recommended funding contribution from the City is **\$577M over 10 years**, front-end loaded for Toronto Hydro to accelerate LED upgrades with the intent to replace all existing conventional fixtures with LED equivalents. This will enhance the existing Street and Expressway Lighting (SEL) Agreement funding and other annual contributions for Special Services, and reflects amendments required to accommodate additional funding for infrastructure upgrades.
- The cash flow schedule reflects higher annual allocations in the first four years to proactively address critical infrastructure requirements; tapering to \$45M in the last two years.
- Funding to Toronto Hydro will follow agreed financial terms and will be capped annually as per the schedule. This funding covers servicing, infrastructure investment, and full conversion to LED technology. The finalized terms of the agreement will be reported to City Council for consideration later in 2026 to enable implementation.
- The Special Services allocation addresses pedestrian lighting and other roadway lighting needs, such as spot improvements that are not provided for in the SEL Agreement, consistent with existing practice.
- Energy costs will continue to be paid separately by the City based on actual usage. With full LED conversion, anticipated savings are approximately \$6.6 million annually from 2030 onward once LED upgrades are fully implemented. These savings will be identified and included in future year budget processes.

**Table 1: Amended Cash Flow from City of Toronto to Toronto Hydro over 10 Years for Streetlighting Assets**

Cash Flow Schedule (\$577M over 10 years)											
Year	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
Current SEL Funding* (\$M)	22.0	22.6	23.3	24.0	24.7	25.5	26.3	27.0	27.9	28.7	252.0
SOG and LED Upgrades** (\$M)	33.8	47.2	46.5	40.8	26.1	25.3	19.5	18.8	12.9	12.1	283.0
Special Services*** (\$M)	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	42.0
<b>TOTAL</b>	<b>60</b>	<b>74</b>	<b>74</b>	<b>69</b>	<b>55</b>	<b>55</b>	<b>50</b>	<b>50</b>	<b>45</b>	<b>45</b>	<b>577.0</b>

\*Street and Expressway Lighting original agreement

\*\*Additional amounts in amended agreement for critical infrastructure renewal and upgrades

\*\*\*Special Services includes incidental requests by the City to Toronto Hydro for expenditures adjacent to the Streetlighting Agreement including maintenance for pedestrian streetlights, additional spot improvements and other one-off requests.

- The recommended funding is reflected in the City's Transportation Services 2026–2035 10-Year Capital Budget and Plan. This approach replaces annual operating costs previously budgeted under the Streetlighting Agreement, shifting the investment to a capital expenditure supported by debt financing. The change results in an incremental added investment ranging between approximately \$12 million to \$47 million per year, or \$283 million over 10 years.
- This recommendation is consistent with the City's Capital Prioritization Framework, aligns with State-of-Good-Repair objectives, and reflects work completed through the Corporate Asset Management Plan to support coordinated and prioritized investment decisions.
- Staff are working on key terms in the amended Streetlighting Agreement, including asset protections and end-of-term provisions. Additional legal and operational matters are under review, and financial arrangements such as validation of capital work and payment terms remain under discussion. A comprehensive report will be brought forward to Council at a future meeting.

#### **Future State with Additional Investment**

- Added investments will result in a modernized streetlight system with full LED technology conversion and lighting controls, improving light quality, reducing outages, and creating infrastructure for future potential smart sensor applications.
- Toronto will experience operational and financial benefits through reduced maintenance costs and service disruptions due to longer fixture lifespans; improving energy efficiency and lowering costs beyond 2035.
- Replaced degraded assets with new infrastructure with service lives as noted:

**Table 2: Estimated Service Life – Major Assets**

<b>Asset</b>	<b>Life (years)</b>
LED Luminaires	25
Underground Distribution	40-50
Poles	40-60

- Increasing the quality of light throughout the City of Toronto, including upgrades along major arterial roads to the latest recommendations from RP-8 will provide a safe, accessible, and reliable environment for the roadway users in Toronto. Note: RP-8 is a guideline for recommended best practices for roadway lighting from the Illumination Engineering Society of North America.

- Table 3 below shows the projected condition of streetlighting assets after 5 and 10 years under the committed funding of \$577 million. More asset improvement is anticipated in years 1-5 than in years 6-10, primarily due to the higher investment planned for 2026–2029.
- Table 3 also compares the projected asset condition to Toronto Hydro's recommended state-of-good-repair after 10 years, which would require an additional investment of over \$200 million beyond the committed funding.

**Table 3: Projected 10 Year Impact of Investment**

Capital Work	Current State	After 5 Years	After 10 Years	Optimal After 10 Years **
LED Conversion	12%	61%	100%	<b>100%</b>
APUL - Overall	33%	25%	23%	<b>11%</b>
APUL - Underground	86%	60%	54%	<b>0%</b>
Area Upgraded*	0%	23%	34%	<b>100%</b>

\*represents the total area of neighbourhoods where infrastructure is upgraded as a percentage of neighbourhoods that require infrastructure upgrades

\*\*optimal represents Toronto Hydro's recommended state-of-good-repair

## Conclusion

- The recommended cash flow agreement enables a modern, resilient streetlighting system through full LED conversion and infrastructure renewal. However, achieving Toronto Hydro's recommended state-of-good-repair over the next decade will require an additional investment of more than \$200 million beyond the committed \$577 million in funding.
- This investment will reduce lifecycle costs, minimize future capital needs, and deliver long-term reliability.
- It advances Council priorities for public safety, sustainability, and mobility while improving livability and economic vitality.
- Ongoing funding and proactive asset management will improve and maintain state-of-good-repair and support prudent planning over the long term.

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