



FOR APPROVAL

PUBLIC

OPEN SESSION

TO: Planning & Budget Committee

SPONSOR: Scott Mabury, Vice-President, Operations & Real Estate Partnerships
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PRESENTER: Ron Saporta, Chief Operating Officer, Property Services &
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DATE: December 20, 2024 for January 29, 2025

AGENDA ITEM: 3

ITEM IDENTIFICATION:

Debt Financing for Deferred Maintenance Program

JURISDICTIONAL INFORMATION:

As per the Planning and Budget Terms of Reference

4.3.3 Designated funds

The Committee is responsible for recommending to the Academic Board for consideration the creation and allocation of general University Funds established in the Operating Budget, Capital Renewal Fund or elsewhere.

As per the Business Board's Terms of Reference

5(a) "The Business Board holds delegated authority to act for Governing Council with respect to all matters in its terms of reference except for matters which are deemed, pursuant to By-law Number 2, section 31(d)2, to be of major significance for the University as a whole, or to have major significance with respect to the University's public or fiduciary responsibilities

5.1(b) Financial policy and transactions

approval of policies governing the financial operations of the University, including policies delegating financial authority - approval of policies with respect to financial programs and transactions, and approval of individual programs and transactions as required by those policies"

GOVERNANCE PATH:

1. **Planning & Budget Committee [for recommendation] (January 8, 2025)**
2. Academic Board [for recommendation] (January 30, 2025)
3. Business Board [for approval, financing] (January 29, 2025)
4. Executive Committee [for endorsement and forwarding] (February 11, 2025)
5. Governing Council [for approval] (February 27, 2025)

PREVIOUS ACTION TAKEN:

No previous action.

HIGHLIGHTS:

The University of Toronto is a historic university with a world-class reputation. The University's buildings and grounds form the foundation of our academic mission, enabling pioneering research and providing vibrant community spaces that foster and inspire academic inquiry. For faculty, staff, and students, the campus environment supports not only academic endeavors but also spaces that enrich their experience and drives the university's continued success. Investment in infrastructure renewals and upgrades is needed to maintain safe and reliable spaces to support this world-class research and teaching. In preserving and enhancing these iconic structures, we uphold the legacy and spirit that defines our collective journey

The University's DM backlog is \$1.2B and growing, up 23% from 2023, as buildings from large construction waves in the 1960s and early 2000s are requiring capital renewal at the same time.

This pressure is felt across Ontario's colleges and universities but acutely so on our historic campus.

KEY CHALLENGE:

Deferred Maintenance has been a significant budget priority for the University in recent years leading to a doubling of the funding for St. George campus DM over the last eight years. But with construction cost inflation and aging buildings, it has been challenging to keep up with renewal needs. The 2023 DM spend was \$49.2M (approximately 0.69% of the current replacement value (CRV) for all the Tri-campus assets). This is below the provincial and Canadian averages for DM investment (1.45% and 2.07% of CRV, respectively).

Meanwhile, persistent high inflation rates are raising construction costs and decreasing our purchasing power. This is contributing to rising DM budget pressure.

Climate change is another factor putting a strain on our older infrastructure, with more frequent extreme weather events, delaying priority capital renewal risks resulting damage and unplanned repair costs. Recent provincial Auditor General reports have highlighted

the seriousness of this issue at other Ontario universities and have recommended actively and aggressively addressing DM “to maintain assets in good condition, reduce emergency repair costs, and avoid further deterioration of its buildings and the risk of serious health and safety issues”.

With no additional investment, the University runs the risk of further deterioration and impacts to our ability to deliver world-class research and education, as well as the ability to recruit and retain top talent.

The trend of growing deferred maintenance will continue to drive budget pressure, and the St. George campus DM backlog alone will grow from \$992M to almost \$2.0B by 2034.

THE OPPORTUNITY:

The University is proposing a deferred maintenance program with a historic \$350M investment in our campus assets over three years to safeguard and responsibly maintain our world-class spaces.

This program would address the highest priority renewal needs, identified based on physical condition, current use (academic and research), future use and the impact of anticipated failures on building occupants and other building systems. The program funding will be exclusively for DM projects and not for new spaces or expansions.

Given its age and size, the majority of the investment will occur on the St George Campus. UTSG will continue to utilize the existing 4A approach as a baseline for selecting projects.

- **Step 1: Audit.** Continue the third-party audit for our facilities.
- **Step 2: Assess.** Reference the existing Building Condition Assessment database that prioritizes projects and determines initial budgets.
- **Step 3: Allocate.** Determine the highest risk building systems that will be carried out as projects for three waves of delivery, allowing for flexibility and budget adherence.
- **Step 4: Act.** Deliver assigned projects from Step #3 to the overall budget.

Further detail of this prioritization system can be found in the 2024 Deferred Maintenance Report attached. This multi-factor weighted approach has been recently reviewed with key stakeholders to ensure that the selection criteria focus on core academic priorities and will be modified as required. From that point, all deferred maintenance projects, including the annual DM program, shall use the same multi-factor weight methodology.

UTM and UTSC will prioritize projects based on their local campus needs and present these projects to their local campus councils.

This proactive investment will help prevent costly, disruptive and potentially dangerous infrastructure failures, while maximizing opportunities to increase climate resilience and energy efficiency and ensuring safe and reliable settings for exceptional student experience, critical research, and campus life for the University’s global talent.

RESOURCE IMPLICATIONS:

Discussion of overall costs and sources of funds can be found in the in-camera document for this project.

RECOMMENDATION:

Be It Recommended,

THAT the scope of the **Deferred Maintenance Program** be approved in principle; and,

THAT the project be approved in principle to be funded through: External Financing and the deferred maintenance budget.

DOCUMENTATION PROVIDED:

- Deferred Maintenance Annual Report 2024



Making a dent in U of T's
deferred maintenance backlog
(while we can)



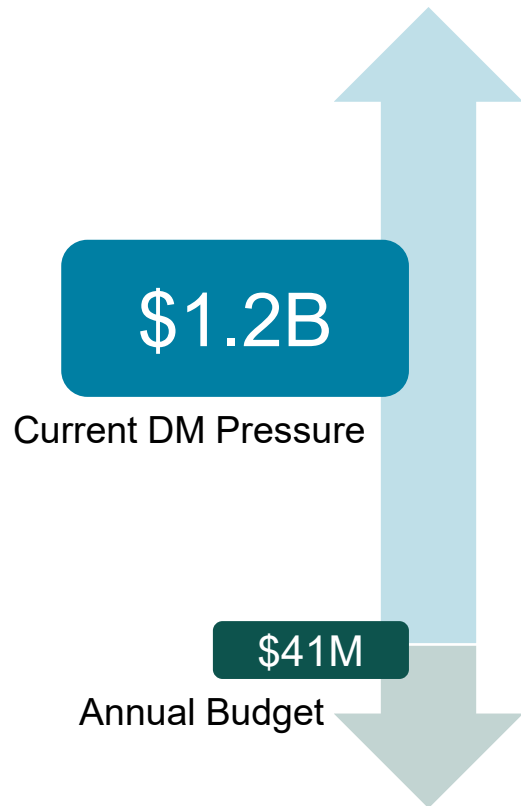
UNIVERSITY OF
TORONTO

Facilities & Services



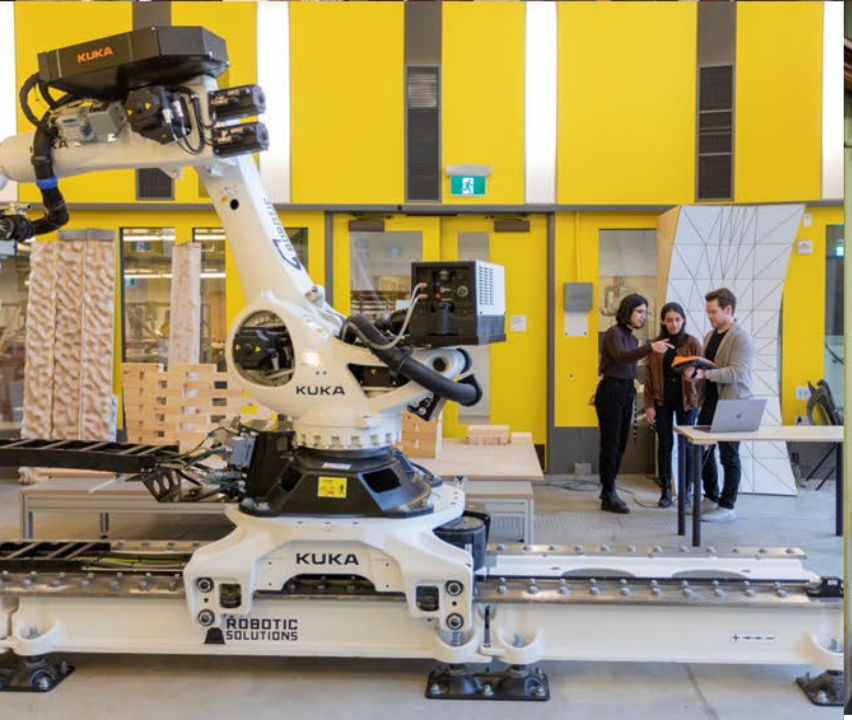
Executive Summary

Key Challenge



Key Components

- The proposed program would address \$300M in Deferred Maintenance on the St George Campus
- Seeking \$250M in debt room
 - \$200M for UTSG, and
 - \$50M UTM/UTSC/Residences
- UTM/UTSC to manage program through their local processes
- Residences must show ability to repay debt allocation

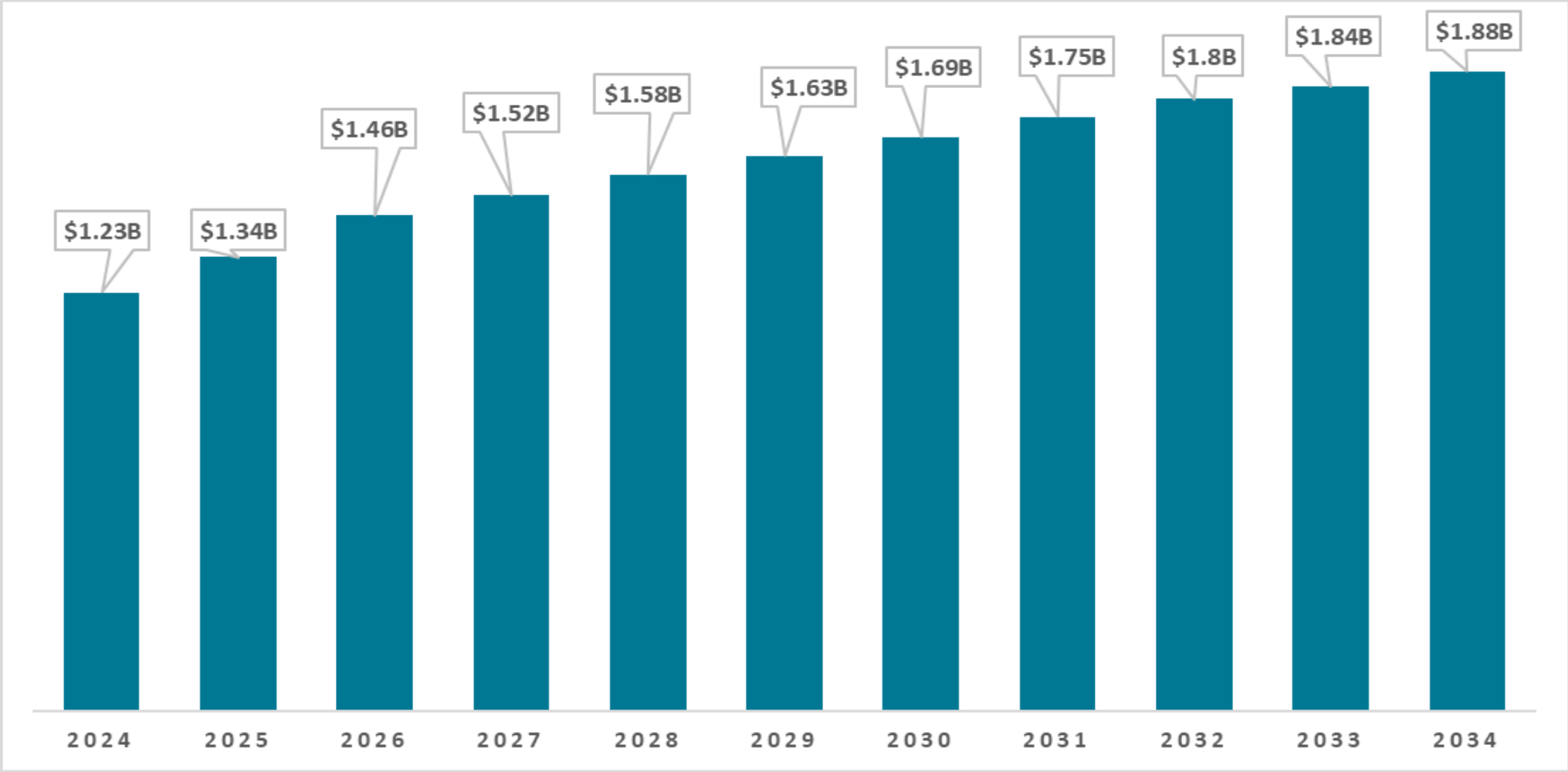




Previous leaks,
with repairs

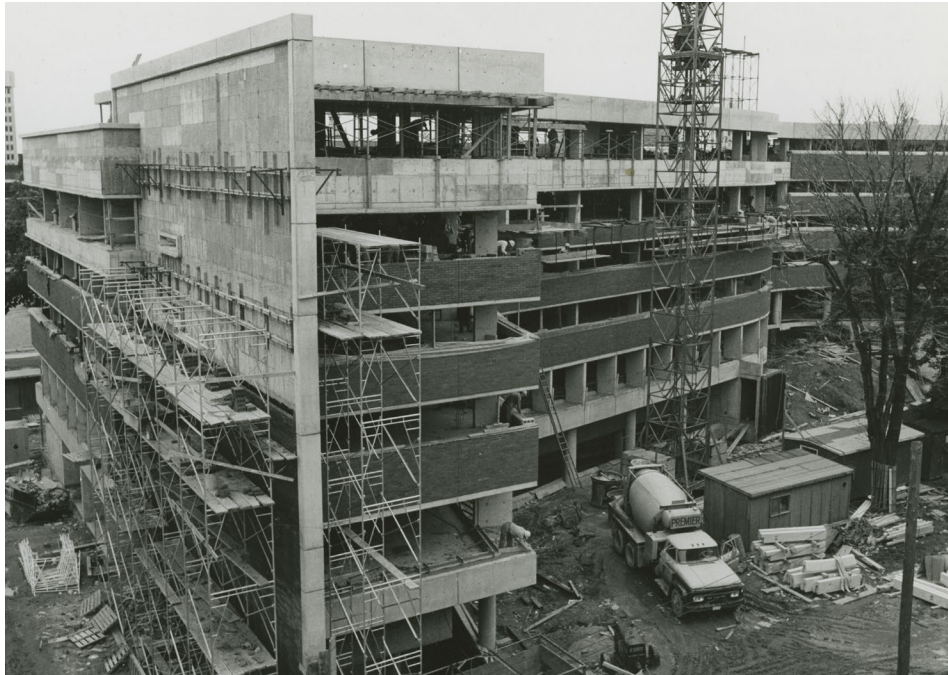


The St. George backlog is projected to grow by \$650M by 2034



Building systems from two construction booms are approaching obsolescence simultaneously

POST-WAR



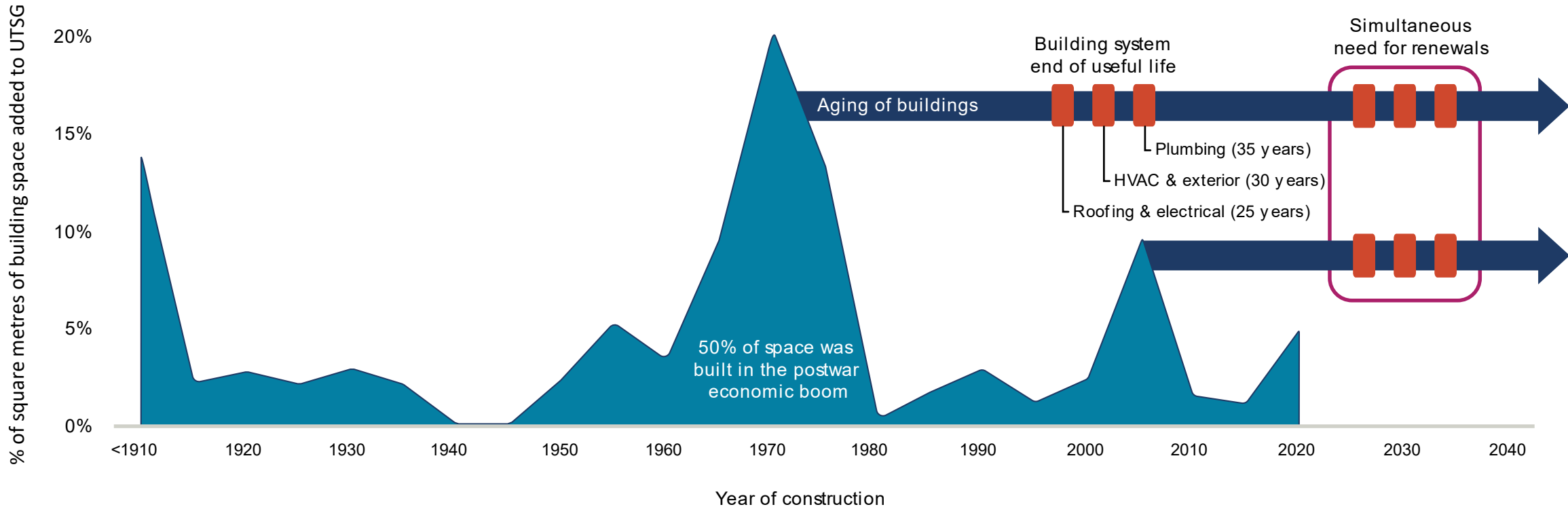
New College, 1968

EARLY 21ST CENTURY



Leslie L. Dan Pharmacy Building, 2006

Incoming waves of renewals are growing our backlog



In summary:

A growing gap between need and funding



We have a small window to make a significant dent in the backlog

We are proposing a \$300M program for UTSG that will address a significant amount of deferred maintenance over three years

- ✓ Supported by leveraged financing without impact to concurrent projects and aligned with the University's debt policy
- ✓ Sufficient to address highest priority assets using the existing prioritization model
- ✓ Potential to yield co-benefits such as annual energy savings, increased flexibility and reduced costs of future capital upgrades
- ✓ Managed to budget, not to scope
- ✓ Equal to ~\$600M in upgrades in 2050



Today, we prioritize funding for assets with highest risk of failure and greatest potential impact on the University

As part of our annual deferred maintenance program, each asset is assigned a weighted risk score of one to five based on the following criteria:

- The **physical condition** of the asset based on the facilities condition audit
- The **current use** of the facility that prioritizes academic and research functions
- The **future use** of the building based on the University's capital plan
- If the asset fails, the severity of **impact on building occupants and other building systems**



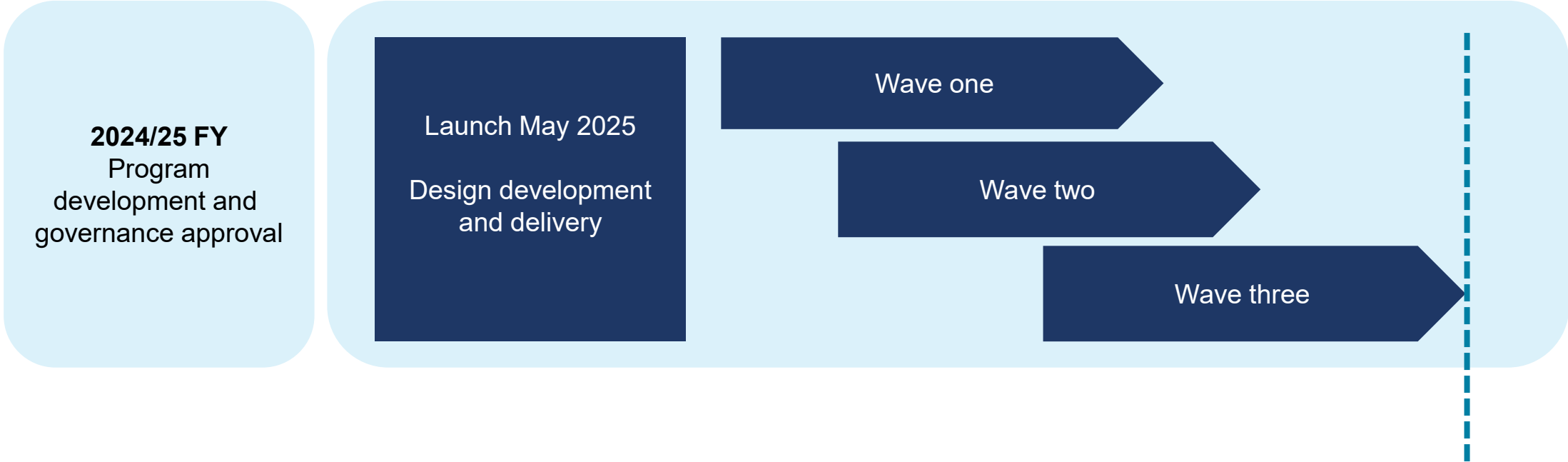
Proposed project schedule & expenses



Planning & approval



Design & implementation

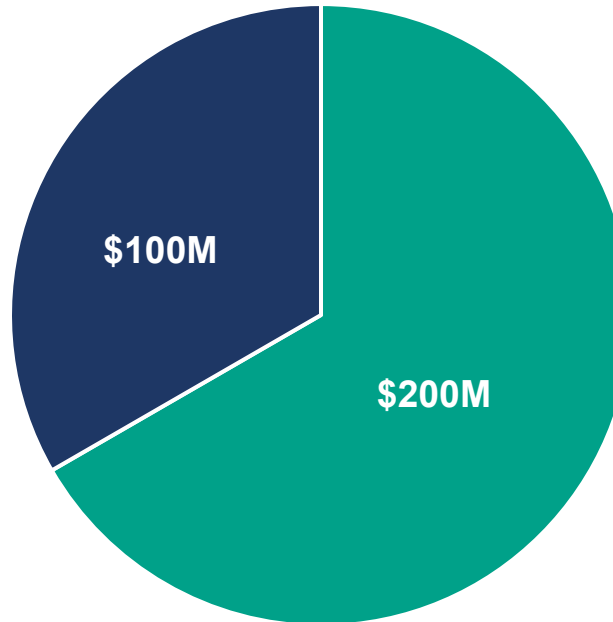


Target Completion Fiscal 2027/28

Proposed financing plan

One third – from DM budget

- Partially leverage annual DM budget and future energy savings



Two thirds – financing

- Finance \$200M over 25 years
- Annual principal & interest payments of \$17M
 - Fully covered by annual DM budget and utilities savings

Principles for selection & execution

- Take an institutional lens to reduce overall campus risk
 - Use existing risk-based prioritization system to select projects based on greatest need and maximum impact on academic mission
 - Ensure a transparent and collaborative project selection approach
- Funding will be used exclusively for deferred maintenance projects, not new spaces or expansion
- Maximize opportunities to increase climate resilience and energy efficiency
- Commit to projects in phases to ensure ability to stay flexible and within budget



MAXIMUM
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