



FOR RECOMMENDATION

PUBLIC

OPEN SESSION

TO: Business Board

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: January 22, 2025 for January 29, 2025

AGENDA ITEM: 4 (b)

ITEM IDENTIFICATION:

Debt Financing for Deferred Maintenance Program.

JURISDICTIONAL INFORMATION:

Section 5 of the *Business Board Terms of Reference* states that the Board is responsible for university-owned or leased property, including physical plant. This includes the approval of financial transactions as required by policy, capital projects, and the monitoring of business ancillaries. Further, according to Section 5.3(b), the Board receives an annual report from the President or designate on deferred maintenance.

Section 4.(c) & (d) of *The Policy on Capital Planning and Capital Projects* states: Any Financing will be approved by the Business Board. The role of the Business Board in this instance is exclusively to consider the financial impact in the context of the University's debt capacity; and, Approval of Execution of Project grants authority to the Vice-President, Operations and Real Estate Partnerships to sign the necessary agreements and other relevant documents on behalf of the University for the Capital Project to proceed. The Execution of Projects includes the call and approval of tenders within cost limits, and the establishment and charge of authorized expenditures within approved limits.

Per the Policy on Capital Planning and Capital Projects, *Deferred Maintenance: Represents capital expenditures that are necessary to maintain the functionality of existing capital assets over their expected life. For further clarity, deferred maintenance projects that are required to maintain the functionality of existing capital assets do not fall within this policy as they are approved annually via the University budget process.*

GOVERNANCE PATH:

For Approval:

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

For Information:

1. UTSC Campus Council [For information] (April 21, 2025)
2. UTM Campus Council [For information] (April 22, 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 \$1.5B and growing, up 20.3% from 2024, 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 2024 DM spend was \$39.3M (approximately 0.55% 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 program be approved in principle to be funded through: Debt Financing and the deferred maintenance budget.

DOCUMENTATION PROVIDED:

- Deferred Maintenance Annual Report 2024