

Date: November 16, 2021	Originator's files:
To: Chair and Members of Budget Committee	
From: Shari Lichterman, CPA, CMA, Commissioner of Corporate Services and Chief Financial Officer	Meeting date: November 29, 2021

Subject

Facilities Infrastructure - Maintaining Our Assets

Recommendation

That the report dated November 16, 2021 from the Commissioner of Corporate Services and Chief Financial Officer entitled "Facilities Infrastructure – Maintaining Our Assets" be received for information.

Executive Summary

- More than half of the City's buildings are over 30 years old and the portfolio size has increased by more than 25% since 2000, totalling close to 6 million square feet.
- Over the past 20 years, through the support of Council, via the annual Budget Committee approval process, the Facilities & Property Management (F&PM) capital budget has steadily increased to ensure building assets are kept in a state of good repair.
- F&PM staff leverage Building Facility Condition Index (FCI) data, internal expertise and in some cases third-party vendors to make informed decisions on the City's facilities asset management program.
- The F&PM capital budget is expected to average \$43 million per year over the next 10 years. This average annual spend is approximately 2% of the portfolio's \$2 billion replacement value and aligns with industry best practices for maintaining facility assets in good to fair condition.
- Council's commitment to the annual 2% Infrastructure Levy is instrumental in ensuring all City assets (roads, bridges, parks, buildings, etc.) is well maintained and kept in serviceable condition for the public to use.

Background

The City's Facilities and Property Management (F&PM) portfolio includes 380 buildings, 330 paved parking lots, 360 park electrical assets and over 30,000 facility systems. F&PM is responsible for maintaining aging buildings and site infrastructure in a state of good repair through its asset management, facility maintenance and capital projects teams.

Present Status

More than half of the City's current building portfolio is over 30 years old and the portfolio size has increased by more than 25% since 2000, totalling close to 6 million square feet of space.

The City leverages Facility Condition Index (FCI) data, internal expertise and in some cases third-party engineering vendors to make informed decisions on the City's asset management program. The FCI is defined as follows:

$$\text{Facility Condition Index (FCI)} = \frac{\text{Total Cost of Deferred Maintenance}}{\text{Current Replacement Value}}$$

This industry standard 5-point rating system is classified as follows:

- 0.0 to 0.1 = Very Good
- 0.1 to 0.2 = Good
- 0.2 to 0.3 = Fair
- 0.3 to 0.5 = Poor
- 0.5 to 1.0 = Very Poor

The lower the FCI, the better condition rating of the building systems. The average FCI for the City building portfolio is currently sitting at 0.18, putting it in the "Good" rating across all building assets.

Comments

F&PM utilizes in house expertise to validate the condition of its assets based on a building specific FCI rating system. At times, staff have used outside engineering vendors to validate the condition of specific buildings, including the Garry W Morden Centre as referenced in a recent media report. Where a third-party report flags issues, staff visit sites and revalidate the identified assets as necessary to ensure all buildings are kept in a state of good repair.

The F&PM capital budget is expected to average \$43 million per year over the next 10 years. The annual average is approximately 2% of the portfolio's \$2 billion replacement value, aligning with asset best practices, and is the industry benchmark for maintaining facility assets in good to fair condition.

Through the F&PM asset management software and FCI rating systems, staff continue to prioritize building repairs through a ranking and prioritization strategy. Facility assets including roofs, building envelope and mechanical and electrical systems are ranked higher and are repaired sooner, subject to budget approvals, when they are due for replacement. Typically, building finishes (floors, walls and ceilings) are ranked lower but are replaced in a timely manner when signs of wear are visible.

It is important to note that Council's commitment to the annual 2% Infrastructure Levy is instrumental in ensuring all City assets (roads, bridges, parks, buildings, etc.) is well maintained and kept in serviceable condition for the public to use. The levy helps to ensure there is enough funding available to maintain and replace City infrastructure and uses a combination of this levy and funding from federal and provincial government partners to manage costs to maintain our corporate assets.

Financial Impact

There are no financial impacts related to this report. F&PM have requested \$33.9 million as part of the 2022 capital budget approval process to maintain building assets. This funding request ensures building assets will be kept in a state of good repair as per the facility asset management plan.

Conclusion

F&PM continues to implement a robust asset management strategy and with Council's commitment over the past 20 years, the F&PM capital budget has steadily increased to support building lifecycle repairs. With continued investment in buildings totalling over \$400 million within the next 10 years, buildings will be well maintained and kept in a state of good repair.



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