



REPORT TO

**CORPORATE SERVICES, STRATEGIC
PLANNING AND PROPERTY
COMMITTEE**

**DEFERRED MAINTENANCE INFRASTRUCTURE
UPDATE 2016/17**

According to the grace of God given to me, like a skilled master builder I laid a foundation, and someone else is building on it. Each builder must choose with care how to build on it. 1 Corinthians 3:10

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INFORMATION REPORT		

Vision:

At Toronto Catholic we transform the world through witness, faith, innovation and action.

Mission:

The Toronto Catholic District School Board is an inclusive learning community rooted in the love of Christ. We educate students to grow in grace and knowledge and to lead lives of faith, hope and charity



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A. EXECUTIVE SUMMARY

The second five-year cycle of the Ministry of Education facility inspection program was completed in 2015. The inspection information has been used to update the Ministry's Facility Condition Assessment program, TCPS. A new cycle of building inspections is planned for 2016 to 2020. The ministry has introduced a new Facilities Assessment program, modelled on TCPS. All data is now reported through *VFA.facility*.

The total Deferred Maintenance backlog for all inspected TCDSB schools is approximately \$600M. Taking into account an annual school renewal expenditure of \$25M., the cumulative deferred maintenance backlog by 2020 would reach \$1BM. and the average Facilities Condition Index (FCI) rating for all TCDSB schools, will increase from 29% to 51%.

The TCDSB receives approximately \$15.7M a year in School Renewal Grant (SRG) and an additional \$18 M/year from the School Condition Improvement (SCI) grant from the Ministry of Education (EDU). In July 2016, the Ministry increased the SCI funding to \$35M for 2015/2016 and \$37M for 2016/2017 as per Memo 2016:B13. SCI funding has been allocated to boards primarily based on the facility inspections and the Condition Assessment reports resulting from these inspections. As per Memo 2016:B13, 70% of the TCDSB's SCI allocation must target key building components and systems. 30% of the funds may be used to address locally-identified renewal needs that are identified in VFA Facility.

In addition, the Ministry has provided boards with increased funding for the School Renewal Allocation (SRA) to "tackle ongoing repairs and maintenance in school buildings that are more aesthetic in nature or that do not meet the threshold (minimum \$10,000) for capitalization". The TCDSB received \$1,756,567 in 2015/2016 and \$1,768,925 for 2016/2017 in SRA funding, for a new total annual amount of approximately \$17.6 M.

B. PURPOSE

1. This information is intended to update the Board regarding the facility condition of all schools, for purposes of setting strategic plans for future school renewal, replacement, and capital programs.
2. The report will also provide an analysis of the potential impact of School Accommodation Reviews (SAR), small schools and over-subscribed schools in terms of recommending mitigation strategies with regards to the allocation of limited renewal funding.

C. BACKGROUND

1. In 2010, the Ministry of Education undertook a competitive procurement process for an external vendor to provide thorough TCDSB facility condition assessments and to develop a comprehensive capital asset management database.
2. The following types of facilities were assessed between 2010 and 2015:
 - a) Open schools, five years old and older, expected to operate for the next ten years
 - b) Long-term leased facilities
 - c) Continuing Education facilities
 - d) One administrative facility per board
3. Other details are:
 - a) Eligible schools for facility condition assessments are those that are open and operating, not slated to close and are five years or older.;
 - b) Portables were not assessed;
 - c) Assessments were intended to address components and systems critical to the integrity and function of the building or site;
 - d) Assessments of the functionality of the space to meet program needs were not included in the scope of work;
 - e) The estimated renewal costs are based on the replacement of an *existing* component or systems, to original standard. It does not take into account for example, current building code requirements, or overall improvements such as improved energy performance. The estimated cost to replace lighting for example would be based on replacement of the existing florescent lights rather than energy-saving LED lights. Upgrades to add accessibility features to a school (elevator for example) would not be considered in the SRG funding.
4. The Ministry of Education conducted facility condition assessments in 2002-03. Those assessments revealed that the TCDSB had a Deferred Maintenance backlog of approximately \$300M (2007). The results were used by the Ministry of Education as a basis for calculating the Good Places

to Learn (GPL) grants of approximately \$80M. SCI has replaced GPL funding.

The Facility Condition Index (FCI) is a standard measure used by building professionals to measure the condition of a facility and site. It is calculated by the Ministry of Education by dividing the total Deferred Maintenance (DM) backlog by the building replacement costs (using EDU construction cost benchmarks). For example, in the case of All Saints Elementary School, built in 2004, the deferred maintenance work is quite low because the building is relatively new:

$$\frac{\text{Deferred Maintenance of Existing building}}{\text{Replacement Cost (Benchmark)}} \times 100\% = \text{FCI (5 YEAR)}$$

$$\frac{\$306,000}{\$13,202,100} \times 100\% = 2\% \text{ FCI}$$

6. In previous years, the Ministry of Education had indicated that an FCI of 65% or greater qualified a facility as “Prohibitive to Repair”, with the possibility of future funding to fully replace the facility. There are currently 7 schools with an FCI of over 65%.

The following table illustrates building condition by FCI, as based on building industry standards:

FCI	Condition
< 5%	Good
5% - 10%	Fair
10% - 30%	Poor
> 30%	Critical

D. EVIDENCE/RESEARCH/ANALYSIS

1. A comparison of the Ministry inspections in 2002/2007 to the inspections carried out in 2011/2015 follows in the table below. New or closed facilities

were not inspected. The number of schools in good, fair, poor and critical condition, is as follows:

FCI	Condition	2002-2007 Inspection Percentage of Schools	2010-2015 Inspection Percentage of Schools
<5%	Good	7%	9%
5%-9%	Fair	4%	4%
10%-30%	Poor	49%	41%
>30%	Critical	40%	46%

2. The total deferred maintenance in the 2002/2007 inspections was \$300M. For the 2011/2015 inspection, it had increased to \$600M.
3. Although the Ministry of Education inspections provide a welcome basis for funding based on demonstrated need, there are weaknesses in the methodology that must be addressed. The technical inspections are completed on an “as-built” basis only. Estimates for any improvements to the facility such as improving energy savings of the Heating, Ventilation, and Air Conditioning (HVAC) systems are not considered nor are changes in jurisdictional requirements, such as the Ontario Building Code or Ministry of the Environment requirements. Program needs, accessibility upgrades as required under the Ontario Disabilities Act, and ongoing IT requirements are also not captured in the DM calculations.
4. Deferred Maintenance and FCI have increased substantially over the years despite extensive Renewal Program expenditures and the construction of replacement schools. Since 2003, the following grants have been provided by the Ministry of Education:
 - a) School Renewal Grant: Approximately \$15M per year. There is an additional investment of \$1,756,567 for 2016/2017.
 - b) Good Places to Learn: \$80M (Grant is fully expended)
 - c) Energy Efficiency Grant: \$16M (Grant is fully expended)
 - d) School Condition Improvement Grant: \$11M per year since 2011. In a recent Ministry announcement of July 12, 2016, this amount has been increased to \$34,907,253 for 2015-2016 and \$37,725,647 for 2016/2017.

5. The July 12, 2016 the Ministry issued Memorandum 2016:B13 *New Renewal Funding to Keep Schools in a State of Good Repair* (Appendix ‘A’) which substantially increased province-wide School Condition Improvement Grant (SCI) funding. Up to this year, school boards were required to spend at least 80% of the SCI funding on major building systems and components, with a maximum of 20% allowed to be spent on building interiors and site work. While building interiors and site work (for example, painting, interior finishes, landscape and paving elements) are not critical to the operation of the school, they are a visible sign of the school’s deterioration and have a negative impact on students, staff, and the community when not adequately maintained over time. For this reason, the Ministry school boards may now allocate up to 30% of SCI funding these needs.
6. In addition to the 70/30% allocation for non-critical building component or systems renewal work, the Ministry has provided additional School Renewal Allocation (SRA) to undertake ongoing repairs and maintenance in school buildings, as part of Memorandum 2016: B13. The additional SRA funding will be allocated through the *Grants for Student Needs* (GSN), based on the existing per-pupil benchmark formula. SRA expenditures must be reported through *VFA.Facility* in 2016 – 2017.
7. The estimated annual School Renewal funding (SRG and School Condition Improvement Grant) for 2015-2016 is \$51.6M which equates to \$4.40 per square foot. This level of funding will maintain the portfolio in the “Poor” range. In order to ensure that all schools are in “Good” condition, annual Renewal funding would need to be increased to \$100M or \$9 per square foot.
8. Base Renewal Funding is provided to School Boards on an enrolment basis, not on a square footage basis. As of 2015 – 2016, the School Condition Improvement funding is allocated in proportion to a board’s total assessed renewal needs under the Facilities Condition Assessment program.
9. In 2015, under Memo 2015:B13, the Ministry directed boards to use Proceeds of Disposition (POD) funds for school renewal needs, based on the same criteria as for SCI grant. School boards may request use of POD for other capital needs (new schools, major additions) through submission of a business case to the Ministry.

10. School Renewal Grant and School Condition Improvement Grant funds can only be used on buildings that are operating schools. Closed schools or buildings that are used for administrative support such as the Catholic Education Centre, are not eligible. Some renewal work at the CEC can be charged to School Renewal/SCI as sections of the building are used by Cardinal Carter Academy of the Arts and other schools.
11. Appendix 'B' provides an illustration of the Renewal needs of a typical new elementary and secondary school. Both charts clearly show the growing backlog with renewal needs required within 7 to 10 years. Based on this modelling, a typical elementary school would require a minimum of \$585,000 per year of renewal funding to address the life-cycle replacement of building components after 7 to 10 years For a typical secondary school, a minimum of \$930,000 per year is required.
12. Appendix 'C' includes a breakdown of the Deferred Maintenance Backlog grouped by School Age, Utilization, and the Average 5-Year Deferred Maintenance Backlog for the groupings of schools. The TCDSB has 59 elementary schools that are within 40 to 50 years old, with an average FCI of 32%. However, the Board also has 45 elementary schools over the age of 50 years, with an average FCI of 43%. In the secondary panel, there are fewer schools over the age of 50 years – however, these six (6) schools have an average FCI of 76%.
13. The annual Ministry Inspections are underway underway and will continue throughout the Fall. Approximately 40 schools will be included that were last inspected in 2011 as detailed in Appendix 'D'. In this inspection cycle, the Ministry has also asked boards to provided data related to *building accessibility* in relation to the current barrier-free design requirements in the Ontario Building Code.
14. Appendix 'E' provides a list of schools sorted by FCI (highest to lowest) as well as the 5 year Assessment timeline and Deferred Maintenance.

E. METRICS AND ACCOUNTABILITY

1. Completed renewal projects and building condition information will be tracked and updated through the Condition Assessment program,

VFA.facility. Project costs reported in *VFA.facility* are to match expenditures reported in Board financial reporting system.

2. The Deferred Maintenance Backlog report is provided to the Board every two years. The previous 2014 report provided the total deferred maintenance backlog and FCI for each school. Changes to the portfolio since the 2014 report include:
 - Completion of Full day Kindergarten retrofits and the majority of the additions, which may have included renewal work to improve the base building;
 - Completion of the five year inspection cycle and the remaining group of schools;
 - Completion of work/projects identified in the 2014 – 2016 School Renewal program.

3. Notwithstanding the additional funding from the Ministry for renewal upgrades, the deferred maintenance backlog continues to increase exponentially. This concern was highlighted in the recent 2015 Annual Report of the Office of the Auditor General of Ontario, regarding the province's infrastructure-planning process, as detailed in Appendix F. The report addresses key findings and the funding gap for both asset renewal and new capital projects as noted below:
 - a) Schools represent 23.4% of the net book value of all infrastructure owned by the province, which totals \$97.1 Billion;
 - b) There is \$14 billion of total renewal needs identified for schools, requiring an investment of \$1.4 billion a year- however, since 2014/15, \$125 M was provided and prior to that, since 2010/2011 only \$56 M was provided;
 - c) Investment is also needed to expand the existing portfolio of assets and replace aged assets and support ministry strategies and program. There are 100,000 students in temporary accommodation province wide and about 10% of schools are operating at over 120% capacity;
 - d) About \$2.6 billion worth of capital projects are submitted to the Ministry, however in the last five years, the Ministry has only approved about a third of the projects every year, averaging about \$500 M on a school year basis;

- e) School boards can raise additional funds to address the deferred maintenance backlog by selling schools, however... “competing interests between trustees to keep schools open in their own wards sometimes preclude boards from effectively utilizing this strategy”;
- f) Since 2010/2011, school boards have used \$243.4 million of accumulated surpluses for capital purposes.
4. As noted below, there are mitigation strategies that would reduce pressure on the Board’s deferred maintenance backlog:
- Consolidation of small underutilised schools;
 - *True* cost recovery for community-use of schools;
 - Capital program to continue to focus on schools with high FCI and high enrolment;
 - Need for Long Term Accommodation Plan (LTAP) to include the FCI and cumulative DM Backlog to 2025;
 - Need for School Renewal program to include evaluation criteria that includes FCI/critical renewal work as per SCI criteria – as well as limited amount of local needs.
5. The Board approved the 2016 – 2018 School Renewal Program in June 2016, for a total budget of \$67.3 M. prior to the release of Memo 2016:B13 and the additional SCI and SRA funding. A revised School Renewal Program will be submitted to the Board for approval in the new year, for the additional SCI funding of \$16,628,303 in 2015/16 and \$18,224,950 in 2016/2017 as per the table below. The Ministry permits unspent funding to be carried over to the following school year.

New Total SCI funding 2016-2017	\$34,907,253
Previous SCI Funding	<u>\$18,224,950</u>
Difference	\$16,682,303
New Total SCI funding 2017-2018	\$37,725,647
Previous SCI Funding	<u>\$18,224,950</u>
Difference	\$19,500,697

6. School boards will be required to display signage that identifies the Government of Ontario support at the site of school renewal projects with a value of \$100,000 or more. The signs will be provided by the Ministry, however each board will be responsible to manage the installation of the signage boards.

F. CONCLUDING STATEMENT

This report is for the consideration of the Board