



---

To: Committee of the Whole  
Meeting Date: September 14, 2023  
From: Erin Mahoney, Commissioner of Public Works  
Laura Mirabella, Commissioner of Finance and Regional Treasurer  
Re: Corporate State of Infrastructure Report

---

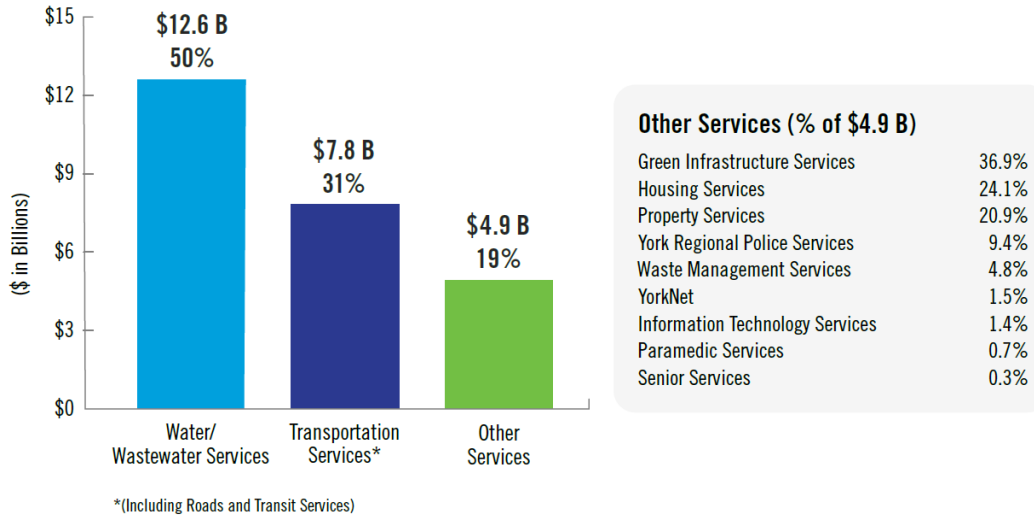
The Corporate State of Infrastructure Report summarizes the state of Regional infrastructure assets essential in providing vital community services like wastewater, roads, water and transit.

Understanding and tracking condition and value of Regional assets ensures continued performance and achievement of service level expectations. This is done through asset management programs that involve proactive work across the life of an asset to sustainably manage service delivery. This memo and Report (Attachment 1) provide Council with an update on Regional infrastructure covering asset changes and replacement cost updates during 2022.

### **Corporate tangible assets have a current replacement value of over \$25 billion**

The Region's Corporate Asset Management program covers 13 service areas: Wastewater, Roads, Water, Transit, Green Infrastructure, Housing, Property, York Regional Police, Waste Management, YorkNet, Information Technology, Paramedic and Senior Services. Total asset replacement cost has increased from approximately \$19 billion in 2021 to \$25.3 billion in 2022. The complete list of 2022 asset replacement costs are shown in Figure 1.

**Figure 1**  
**2022 Service Area Replacement Costs**



**Inflation and updates to asset costing methods and estimates have significantly increased portfolio replacement costs**

Changes in inflation trends and improvements to replacement cost evaluation methods have significantly impacted the estimated replacement value of Regional assets, as outlined in Table 1. Inflation adjustments have generally been made in accordance to [Statistics Canada Non-Residential Building Construction Price Index](#) (NRBCPI), and improved evaluation methods reflect the Region's goal of continuous improvement in asset management practices.

**Table 1**  
**Change in Replacement Cost 2021 - 2022**

Component	Value (Millions \$)	Percent Change
<b>2021 Replacement Value</b>	<b>19,051.2</b>	
<b>Changes</b>		
New & Upgraded Assets	377.7	2.0%
Inflation	2,017.6	10.6%
Asset Evaluation Improvements*	4,026.3	21.1%
Decommissioned Assets	<u>(123.3)</u>	-0.6%
<b>Total Change</b>	<b>6,298.3</b>	<b>33.1%</b>
<b>2022 Replacement Value</b>	<b>\$25,349.5</b>	

\* May include inflationary components that have been captured as part of studies and unit cost improvements.

## **Service Areas experienced significant year-over-year changes in how asset replacement costs are calculated**

- Water and Wastewater Service portfolios experienced respective increases of about \$1.2 billion and \$2.5 billion, primarily due to inflation and improved estimates of asset replacement costs based on an external independent review. Updated replacement costs better align with recent construction tenders and provide improved accuracy
- Green Infrastructure Services experienced a significant increase of approximately \$1.2 billion in portfolio value. This was primarily due to improvements in the method of assessing the replacement cost of the York Regional Forest
- Road Services reported an increase of approximately \$1.1 billion. This was due, in part, to a 22% increase in construction project unit costs
- YorkNet's total replacement cost increased by \$20.1 million. This was attributed to \$11.8 million in new asset construction and \$8.3 million from inflationary pressures caused by global market conditions
- Property Services' total replacement cost increased by about \$150 million, driven by the inflation reflected in NRBCPI
- Senior Services reported an increase of \$3.5 million in replacement cost, due to inflation

A full description of changes can be found in Attachment 1 on pages six and seven.

## **Increased contributions to asset management reserves are necessary to maintain assets in a state of good repair over the long term**

Council has committed to maintain asset management reserves that support the Region's growing asset inventory. Adequate reserve balances enable future asset rehabilitation and replacement without resorting to new tax levy or user rate debt. As outlined in the [2023 Fiscal Sustainability Update](#), asset replacement reserves are valued at about \$2.2 billion, with \$1.4 billion for tax levy-supported assets such as roads and green infrastructure services, and \$0.8 billion for user-rate supported assets such as water and wastewater services. Through the 2021 User Rate Study, Council approved a financial plan that achieved full cost recovery for water and wastewater services, including complete funding for asset rehabilitation and replacement.

While the Region's assets are currently in relatively good condition, over the longer-term as our assets age and our asset base expands, additional contributions to tax levy-funded capital reserves are required to meet long-term needs. The 2023 Fiscal Sustainability Update identified an annual contribution gap of \$70 million relative to the inter-generational equity target. As assets age and costs for rehabilitation and replacement rise over time, the Region would need to increase contributions to asset replacement reserves to address this gap.

## **Council's commitment to funding asset management has resulted in 92% of the Region's asset portfolio being in very good to fair condition**

The Region uses an asset management condition grading system to ensure critical assets align with strategic objectives and provide sustainable levels of service. Assessment criteria,

including condition, age, performance, service levels, and risk-to-service delivery determine overall service area grades. Given Council's commitment to funding implementation of sustainable asset management, the corporate asset portfolio has improved by 3% compared to 2021, with core assets (water, wastewater, and roads as specified in *Ontario Regulation 588/17*) improving by 5%.

### **The Region continues to be a leader in driving asset management best practices and is well positioned to meet the upcoming legislative requirements**

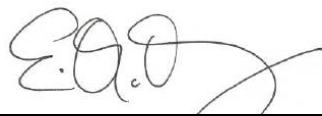
The Corporate Asset Management team ensures coordinated asset management deliverables across all service areas, incorporating leading global best practices and complying with *Ontario Regulation 588/17*. To date, the Region has successfully fulfilled the first two of four Provincial requirements, which included having a final strategic asset management policy and an asset management plan for core assets covering current levels of service. The Region aims to satisfy the remaining two regulatory requirements in 2024. These involve defining service levels for all asset-enabled regional services (core and non-core) and developing 10-year asset management and financial sustainability plans. This timing ensures completion of all regulatory requirements before the Provincial deadline of July 1, 2024.

The updated Corporate Asset Management Plan, along with an updated Corporate Asset Management policy, and strategy, will be presented to Council next year.

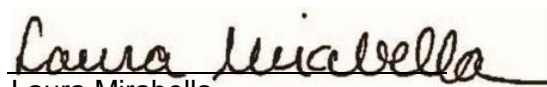
For more information on this memo, please contact Anna Hantzis, Manager, Corporate Asset Management at 1-877-464-9675 ext. 73109. Accessible formats or communication supports are available upon request.



Mike Rabeau, P. Eng.  
General Manager, Capital Infrastructure Services, Public Works



Erin Mahoney, M. Eng.  
Commissioner of Public Works



Laura Mirabella  
Commissioner of Finance and Regional Treasurer



---

Bruce Macgregor  
Chief Administrative Officer

September 5, 2023  
# 15323430  
Attachment # 1 – Corporate State of Infrastructure Report