

December 8, 2009

## **Toronto City Council supports plan to build infrastructure and create jobs Capital budget focuses on transportation and transit (TTC)**

Toronto City Council today voted to continue investing in the infrastructure needed to keep Toronto moving. The City's 2010 Capital Budget and 10-year (2010-2019) capital plan was passed at Toronto City Council and paves the way for implementation of hundreds of major capital infrastructure projects.

The plan approved by Council today speeds up job creation and the maintenance of City infrastructure by moving more capital spending into the first five years of the plan. The 2010 capital budget and 10-year capital plan totals over \$16 billion with \$2.4 billion earmarked for 2010 and over \$2.5 billion budgeted for each of 2011 and 2012. The City's total capital budget plan, including Water and Waste Management is \$25.8 billion over the next 10 years.

Over the 10-year period, the plan will create or maintain approximately 300,000 jobs.

More than 50 per cent of the City's 2010 capital budget and 10-year plan (over \$8.7 billion) will go towards the infrastructure required for the operation, maintenance and expansion of the TTC. The capital budget will pay the cost of major infrastructure for the TTC, including new streetcars. In total, the 10-year capital plan sets aside over \$11.7 billion for transportation in Toronto (including TTC) – more than 70 per cent of the total capital budget.

The capital budget and plan includes funding for the ongoing maintenance and replacement of the City's major infrastructure such as transit, roads and bridges, police stations and emergency communications systems. The capital budget also funds ongoing environmental initiatives, improvements to the waterfront and Toronto's many parks, trails, libraries and community centres. Maintaining the City's assets is an important component of the capital plan.

"I am pleased that Council continues to support investment in Toronto and Torontonians with this budget," said Mayor David Miller. "The projects we have approved today will maintain or improve the quality of life for all and continue to make our city one that is prosperous, liveable and brims with opportunity now and well into the future."

"The plan we've approved today is affordable to the City and is required to ensure we maintain the services residents and businesses have come to expect," said Councillor Shelley Carroll, Chair of the City's Budget Committee. "The City must make these investments now, creating jobs and protecting the economy during a time of uncertainty."

"The capital budget and plan passed today addresses the need to maintain infrastructure of the City in a state of good repair while investing in growth related projects that meet Council priorities," said City Manager Joe Pennachetti.

"Funding for capital projects will be done through a mix of financing strategies to more closely match the lifespan of projects and keep the City's total debt within Council approved guidelines," said Cam Weldon, Deputy City Manager and Chief Financial Officer.

The capital budget and plan passed by Council today keeps the City on track with the 10-year plan (2009-2018) approved last year. At that time, Toronto City Council adopted a capital budget for 2009 and a 10-year capital plan totalling \$25.9 billion.

Recent City of Toronto stimulus partnership agreements with the Federal and Provincial governments have enabled the City to accelerate its capital programs and create and protect jobs at a time when they are most needed. The objective of the City's stimulus program is to protect and create jobs, in support of intergovernmental efforts to help stimulate the economy.

The City and Federal governments are providing funding for more than 500 infrastructure projects that have begun construction across Toronto, including upgrades to roads, water and sewage infrastructure, public transit, municipal buildings, community centres, and cultural facilities. More than half a billion dollars will be invested, with the Federal Government contributing about \$200 million through the Federal Infrastructure Stimulus Fund, and the City providing the remaining two-thirds of the cost.

In addition, the City and the Provincial governments announced \$80 million in funding for more than 100 projects through the Recreational Infrastructure Canada (RInC) and the Ontario Recreation Program. Approximately \$40 million of the projects' funding comes from the City, with the remainder being funded by the Federal and Ontario governments.

Details on the partnership funding for these programs and the need to accelerate capital investments and information on the specific projects can be viewed in the report that was approved by Council at its meeting last September: [www.toronto.ca/legdocs/mmis/2009/cc/bgrd/cc40.10.pdf](http://www.toronto.ca/legdocs/mmis/2009/cc/bgrd/cc40.10.pdf)

A web based map with all of the projects can be viewed at: [www.toronto.ca/stimulus\\_fund/](http://www.toronto.ca/stimulus_fund/)

The capital budget addresses several categories of funding. In total, the 10-year capital budget and plan approved today dedicates 61 per cent to funding the maintenance of City assets, 25.1 per cent to projects required to meet growth demands and 9.8 per cent to enhance existing programs, with the balance going to meet the needs of health and safety or legislated requirements.

The City's financing plan has been updated to match the capital plan. In accordance with the City's Long-Term Fiscal Plan, Toronto City Council has established an affordability guideline that limits the City's debt service costs (including principal and interest) to 15 per cent of the property tax revenues forecast for any given year in the 10-year plan period. The City's current tax supported (net) debt is approximately \$2.4 billion.

To properly fund the capital needs of the City over the next five years, meet affordability guidelines, protect the City's excellent credit rating and take advantage of the very low interest rates now available for longer-term loans, the City will refinance parts of its current and future debt by paying down existing debt, and borrowing funds for selected projects on 30-year terms as opposed to the current 10-year term. The 30-year debt will be used to finance long term assets such as subway tunnels and subway cars. This means that the period of time for which money is borrowed will more closely match the life span of the infrastructure being built or purchased.

Moving to this financing strategy for some of the City's borrowing needs will also help manage the pressures of debt repayment related to the annual operating budget. Repayment of principal and interest on the City's debt continues to be the second highest expense on the annual property tax bill. Lowering the annual debt payments, and spreading them out over a longer period, will allow the City to direct more property tax dollars to services each year. As part of this approach, the City will use the proceeds of the Toronto Hydro promissory note, which had been dedicated to two specific areas of investment (Spadina subway and Waterfront development), and pay down approximately \$600 million of existing debt. The projects previously funded from this reserve will be refinanced for that amount over a 30-year period and only when the funds are actually required.

The City has both a capital and operating budget. The capital budget funds major infrastructure and the operating budget pays the day-to-day operating costs for City services such as police, fire, emergency medical services, employment and social service programs, libraries, transit, and includes costs such as wages, fuel, hydro, supplies, etc.

The operating budget will be considered beginning in February, 2010.

The presentation made today at Council and other background materials can be viewed at [www.toronto.ca/budget2010](http://www.toronto.ca/budget2010).

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