

November 3, 2009

**Toronto's 2010 Capital Budget and 10-Year Capital Plan funds infrastructure and creates jobs
Budget accelerates key job creation and infrastructure projects and leverages partnership funding
More than 70 per cent of capital spending (\$11.7 billion) goes to TTC and transportation in Toronto**

The infrastructure that supports the many services delivered to the residents and businesses of Toronto got a major boost today as the proposed 2010 Capital Budget and 10-Year Capital Plan were introduced by City staff at a meeting of Toronto's Budget Committee. The proposals speed 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 introduced today 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 \$25.7 billion over the next 10 years.

The proposed 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. Over the next 10 years the City will spend \$9.9 billion – more than 60 per cent of all capital spending – to maintain the City's existing assets.

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 proposed 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.

"We continue to make the right investments to support our city," said Mayor David Miller. "The initiatives we have undertaken over the years to improve the quality of life in Toronto continue to serve our city well and the plan introduced today ensures those investments can and will continue."

"These are times of almost unprecedented financial challenges and governments must do all they can to maintain services, create and maintain jobs and protect the economy," said Councillor Shelley Carroll, Chair of the City's Budget Committee. "The City must make these investments while keeping spending at an affordable level. The Budget Committee and Council will review the proposed capital budget to ensure the City gets the most out of a capital budget program that it can truly afford."

"The City continues to meet the challenge of maintaining the City's existing assets and invest in the projects that meet the demands of growth," said City Manager Joe Pennachetti.

"Funding the needs of our capital budget programs will be done through a mix of financing strategies that 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.

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In December 2008, Toronto City Council adopted a capital budget for 2009 and a 10-year (2009-2018) capital plan totalling \$25.9 billion. Over the 10-year period, the plan will create or maintain approximately 300,000 jobs. In the plan introduced today, more spending has been moved into the first half of the plan. Recent City of Toronto stimulus partnership agreements with the Federal and Provincial governments have enabled the City to accelerate its capital programs and create jobs at a time when they are most needed. The majority of City funding for these programs comes from the City's capital budget plan. To meet the requirements of this funding capital budget investments be accelerated in 2010 and 2011.

The City and Federal governments recently announced funding for more than 500 infrastructure projects that will begin construction across Toronto as soon as possible, 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 recently 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.

To meet the requirements of stimulus funding from the Federal and Provincial governments, and meet the needs of the TTC, Council approved the acceleration of capital budget investments in 2010 and 2011 and therefore the capital budgets for the next two years will increase.

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

A web based map with all of the projects can be viewed at: www.toronto.ca/stimulus_fund/

The capital budget addresses several categories of funding. In total, the capital budget plan proposed today dedicates 61 per cent to funding the maintenance of City assets, 24.5 per cent to projects required to meet the demands of growth and 9.8 per cent to enhance existing programs, with the balance going to meet the needs of health and safety or legislated requirements.

To accelerate capital plan spending in the next five years; the City will accelerate borrowing during this period. In accordance with the City's Long-Term Fiscal Plan Toronto City Council has established an affordability guideline that limits the City's debt (including principal and interest) to 15 per cent of the property tax revenues forecast for any given 10-year plan period. The City's current tax supported debt is approximately \$2.4 billion to the end of 2009.

To properly fund the capital needs of the City needs of 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.

Municipalities can only borrow money to pay for capital projects – not day-to-day operating expenses.

At present, the City borrows money for shorter terms meaning that higher re-payments are made in shorter periods for major infrastructure which has a much longer life span than the term of the loan. Moving to this financing strategy for some of the City's borrowing needs will also help manage the pressures of debt repayment on the annual property tax base. 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 and less to debt repayment. To implement 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.

In their remarks at Budget Committee today, both Mayor Miller and Councillor Carroll spoke about the importance of the continued partnership with both the Federal and Provincial governments that is required for the City of Toronto, and all Cities in Canada, to succeed. Councillor Carroll recently appeared before the House of Commons Standing Committee on Finance pre-budget consultations in Toronto and detailed a series of recommendations that will assist the federal government in preparing the next budget. Read the full presentation here:

<http://wx.toronto.ca/inter/it/newsrel.nsf/7017df2f20edbe2885256619004e428e/dfd7106884cdbff98525765800738d3e?OpenDocument>

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 Budget Committee can be viewed at www.toronto.ca/budget2010.

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Public invited to make submissions the 2010 Capital Budget and 10 year plan

During the 2010 Capital Budget process, Torontonians can have their opinions considered in several ways:

1. Make a presentation to the Budget Committee at its Capital Budget Hearing:

Capital Budget Hearing
Budget Committee
November 13, 2009 at 9:30 a.m.
Location: Committee Room 1, 2nd floor
Toronto City Hall, 100 Queen Street West

Please contact the Budget Committee at 416-392-7445, or e-mail buc@toronto.ca no later than 12 p.m. on November 12, 2009 if you intend to make a public presentation. There will be a five-minute time limit.

2. Submit a written presentation concerning the 2010 Capital Budget to:

Budget Committee
100 Queen Street West
Toronto City Hall
10th Floor, West Tower
Toronto, On M5H 2N2
Fax: 416-392-1879 E-mail: buc@toronto.ca

3. Send a letter or e-mail to your local City Councillor

For information on how to contact your City Councillor, please call 3-1-1, e-mail 311@toronto.ca or visit www.toronto.ca TTY: 416-338-OTTY (0889)

For more information about the City Budget and the 2010 budget process, please visit the website www.toronto.ca.

Toronto City Council will consider the Capital Budget at its meeting on December 8, 2009.

Toronto is Canada's largest city and sixth largest government, and home to a diverse population of about 2.6 million people. It is the economic engine of Canada and one of the greenest and most creative cities in North America. Toronto has won numerous awards for quality, innovation and efficiency in delivering public services. 2009 marks the 175th anniversary of Toronto's incorporation as a city. Toronto's government is dedicated to prosperity, opportunity and liveability for all its residents.