



STAFF REPORT INFORMATION ONLY

2008 – 2012 Capital Plan – Provincial and Federal Capital Funding Update

Date:	October 2, 2008
To:	Budget Committee
From:	Acting Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2008\Internal Services\Cf\Bc08016Cf – et (AFS #6718)

SUMMARY

This report provides a summary of agreements and commitments in place between the City of Toronto and other orders of government that were used in the calculation of the 2008 Capital Budget and 2009-2012 Capital Plan as approved by Council December 11, 2007. The approved Tax Supported 2008 Capital Budget and 2009 – 2012 Capital Plan totals \$8.4 billion. Funding from other orders of government totalled \$2.7 billion, primarily for the TTC.

Subsequent Events -

In March and June of 2008 the City received funding from the Province for TTC totalling \$599.1 million. Of that total, approximately \$353 million in Provincial subsidy had been included in the approved operating (\$149 million) and capital budgets (\$204 million) of the City. The balance of approximately \$247 million is additional funding and would reduce City debt for various projects in the approved five-year Capital Plan.

The TTC's 2008-2012 Capital Plan is still dependent on the confirmation of further Provincial and Federal funding for vehicle replacement.

The Province, under separate payment also provided to the City \$36.5 million for financing capital repairs for social housing.

On August 25, 2008 the Province announced 2007 surplus funding under the Investing in Ontario Act for municipal infrastructure of \$238.1 million for Toronto.

Financial Impact

This report is for information purposes only.

DECISION HISTORY

At its meeting of December 11, 12 and 13, 2007 Council requested the Deputy City Manager and Chief Financial Officer to present documentation including letters and agreements from the other orders of government acknowledging the financial commitments that have been made to the City of Toronto that were used in the calculation of the 2008 Capital Budget and 2009-2012 Capital Plan.

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-12-11-cc15-dd.pdf>

The City received additional funding from the Province for TTC in June of 2008. This funding is part of the Metrolinx “Quick Wins” included in the 2008 Provincial Budget. The details of this commitment were reported to City Council at its meeting of April 28 - 29, 2008.

<http://www.toronto.ca/legdocs/mmis/2008/cc/agendas/2008-04-28-cc20-ar.pdf>

ISSUE BACKGROUND

In recent years a number of funding programs under a variety of terms have been provided to the City of Toronto. Some of these programs are specifically targeted for transit while others, notably the Federal Gas Tax could be used for a range of infrastructure. The City has chosen to allocate the funding to transit.

COMMENTS

The following sections provide in summary form a description of each funding source included in the 2008 Capital Budget and 2009 – 2012 Capital Plan.

The table at the end of this document included as ‘Attachment A’ provides a summary of Provincial or Federal government funding in the approved 2008 Capital Budget and 2009 – 2012 Capital Plan.

Provincial Funding for TTC

Provincial Gas Tax:

In 2004 the Province initiated a phased-in sharing of 2 cents a litre of provincial gas tax with municipalities for public transit. Entitlement is recalculated based on ridership (70%) and population (30%) and renewed annually (Oct – Sep) by ‘letter of agreement’ signed by the Mayor. Future amounts may vary as the City’s share of provincial ridership and population is calculated.

Based on the City’s confirmed allocation for the Oct ’07 – Sep ’08 period, the City is expected to receive \$162 million for calendar 2008, of which \$70 million is allocated to TTC Capital and the balance (\$92 million) to fund TTC Operating.

Capital Plan 2008 – 2012: Provincial Gas Tax (\$ million)

	2008	2009	2010	2011	2012	Total
Capital	70	70	70	70	70	350
Operating	92	92	92	92	92	460
Total Provincial Gas Tax	162	162	162	162	162	810

Provincial CSIF:

In December 2004 a Memorandum of Understanding between the Federal Government, Provincial Government and City of Toronto was signed in support of the TTC’s State of Good Repair, Ridership Growth Strategy and Subway expansion programs. The Province’s share under the MOU is \$350 million.

In March of 2007, the Province provided a one-time unconditional grant of \$275.6 million, representing the \$350 million, less \$27.7 million paid previously and \$46.7 million held back for the GTA Farecard Project, which will be addressed based on the TTC’s business case and paid as the project is implemented. Of the total grant received, \$107 million was allocated to previous years’ expenditures. The balance together with accumulated interest is held in reserve.

Capital Plan 2008 – 2012: Provincial CSIF (\$ million)

2008	2009	2010	2011	2012	Total
69	47	30	20	7	173 *

* Includes estimated \$35.4 million for the GTA Farecard for the 2008-2012 capital plan (the balance (\$11.3M) of the total estimated cost of \$46.7 million is in the 2013 – 2017 capital plan) which will be received once the project is implemented.

Ontario Bus Replacement Program (OBRP):

Initiated in January 2007, this is an ongoing program for bus replacements with annual submissions made for eligibility based on contracted vehicle deliveries in the year. This program replaces the previous Ontario Transit Renewal Program and Ontario Transit Vehicle Program. Changes to the program were announced in the 2008 Provincial Budget. Funding payments will now be made over the 12-year design life of buses. However, the percentage of bus purchases eligible for funding increases from 24% to 33%. This change will result in the City receiving lower cash payments than budgeted in the early years of the program. The Provincial government has committed to reimburse the City for the cost of increased debt funding due to the changes in the OBRP.

Capital Plan 2008 – 2012: OBRP (\$ million)

2008	2009	2010	2011	2012	Total
17	17	17	9	13	75

Ontario Rolling Stock Infrastructure Funding (ORSIF):

Toronto received a one-time payment of \$150 million to fund expenditures for 2006, 2007 and 2008. This payment replaced funding expected from the Ontario Transit Vehicle Program during these years, for funding on other vehicles and bus overhauls. The successor bus replacement program is the OBRP referred to above.

Capital Plan 2008 – 2012: ORSIF (\$ million)

2008	2009	2010	2011	2012	Total
59					59

Kipling Redevelopment:

Ownership of the Kipling bus terminal was transferred to GO Transit. Through this transfer of ownership, the budgeted cost of the project to the TTC was reduced by \$26.9 million. The remainder of the project represents TTC east entrance and PPUDO facility requirements for which funding is to be provided through GO Transit.

Capital Plan 2008 – 2012 (\$ million)

2008	2009	2010	2011	2012	Total
13	13	6			32

Long Term Vehicle Funding Requirement:

The City is seeking long term funding for new vehicles. The Province paid in June 2008 funding of \$197 million for the purchase of subway cars of which \$171 million applies to the 2008-2012 Capital Plan (\$26 million for the 2013 – 2017 period).

Of the \$171 million, \$78 million has been provided to fund the replacement of 126 H6 subway cars and \$93 million is for 156 of the 234 Toronto Rocket subway cars currently on order (the other 78 will receive funding through the Canada Strategic Infrastructure Fund). This funding is part of the Metrolinx funding included in the 2008 Provincial Budget.

Spending for streetcar and SRT vehicle replacements is conditional on receipt of the \$310 million balance.

Capital Plan 2008 – 2012: Long Term Funding Requirement (\$ million)

2008	2009	2010	2011	2012	Total
10	92	84	76	219	481

Additional Provincial Funding

In March and June of 2008 the City received further funding from the Province for TTC totalling \$599.1 million. Of that total, approximately \$353 million in Provincial subsidy had been included in the approved operating (\$149 million) and capital budgets (\$204) of the City.

The balance of approximately \$247 million would reduce projects funded by City debt in the TTC's Approved Capital Plan, of which \$189 million has been allocated for Automatic Train Control on the Yonge/University subway line and \$57 million to fund TTC capital projects in 2009. A further \$7.1 million has been provided to fund Transit City Plan Environmental Assessments and Studies. (see table below).

Subsequent Provincial Funding Received
March & June 2008
(\$ million)

	Funding included in Budgets	Additional Funding (to replace debt)	Total
TTC Operating 2008	100.0		100.0
TTC Debt Charges 2008	49.0		49.0
Subtotal	149.0		149.0
Capital Plan 2008 – 12			
Automatic Train Control		189.0	189.0
126 H6 Replacement Subway Cars	78.0		78.0
156 Toronto Rocket Subway Cars	93.0		93.0
Other TTC Capital Projects (2009)		57.0	57.0
Subtotal	171.0	246.0	417.0
Capital Plan 2013 – 17			
126 H6 Replacement Subway Cars	26.0		26.0
Transit City Plan	7.1		7.1
Grand Total	353.1	246.0	599.1

As well, Metrolinx, through its Bikelinx program, provided \$1.2 million in funding for the purchase of bike racks for TTC buses.

Federal Funding for TTC

Federal Gas Tax:

On June 17 2005, an Agreement was signed between Canada-Ontario-AMO-Toronto committing the Federal Government to a share of the federal gas tax through 2010 (\$407 million 2008 – 2010). The Federal Government committed to extend the Federal Gas Tax Transfer to 2014 and as part of the 2008 Federal Budget announced this funding would be permanent. A draft Canada-Ontario-AMO-Toronto agreement to extend the Federal Gas Tax Transfer is expected to be signed shortly. After a program evaluation is completed, a final agreement will be signed before the first payment under the extension is made in July 2009.

In 2008 the Federal Government is sharing 2.5 cents a litre (equal to \$81 million for Toronto). For 2009 this becomes 5.0 cents a litre, equal to \$163 million for Toronto allocated in proportion to population based on 2001 census data, and this estimate was

carried forward in the approved Capital Plan 2010 – 2012 for a 5-year total of \$733 million.

However, with the anticipated extension of the Agreement to include updated 2006 census data for population, the City’s share is expected to be \$154 million a year beginning in 2010 for a revised 5-year total of \$706 million as shown below.

Capital Plan 2008 –2012: Federal Gas Tax (\$ million)

2008	2009	2010	2011	2012	Total
81	163	154	154	154	706

Canada Strategic Infrastructure Fund (CSIF):

The final Contribution Agreement between the Government of Canada and the City of Toronto was signed on March 18, 2008. The Federal contribution under the Agreement is \$303.3 million, plus an estimated \$46.7 million for the GTA Farecard Project, which will be addressed based on approval of the TTC’s business case and paid as the project is implemented. Funding under the agreement has been accrued since 2004.

On July 4, 2008 the City received a first payment of \$100 million from the Federal Government representing a significant part of its share of vehicle purchases funded in previous years through CSIF.

For the 2008 – 2012 period Federal funding is planned as follows.

Capital Plan 2008 – 2012: Federal CSIF (\$ million)

2008	2009	2010	2011	2012	Total
75	50	32	21	7	185

Public Transit Capital Trust (PTCT):

Announced as part of the Federal Budget of 2006 and flowed through the Provincial government, the City received in March of 2007 \$222.6 million as an unconditional grant for public transit. A portion of the total was used to fund expenditures incurred in 2006 and 2007, and the remainder of \$78 million including interest will be used to fund 2008 expenditures.

Capital Plan 2008 – 2012: PTCT (\$ million)

2008	2009	2010	2011	2012	Total
78					78

Transit Secure Funding (T/S):

On July 4 2006, the Minister of Transport announced \$80 million in Transit Secure funding nationally for passenger rail and urban transit security. The TTC submitted its initial application in August 2006. Allocations to the TTC for previous years (Round # 1 – November 2006 \$1.46 million & Round # 3 September 2007 - \$6.4 million) have been

announced by the Minister of Transport for the period June 2006 – March 2009. A contribution agreement for Round # 1 funding was finalized in July 2007. Round # 3 funding was recently finalized through amendment to the original agreement. Round # 4 funding (for 2008) was announced in January 2008, and a further amendment to the original agreement has been signed under which the TTC will receive \$0.870 million.

Capital Plan 2008 – 2012: T-S (\$ million)

2008	2009	2010	2011	2012	Total
4					4

Long Term Funding Requirement:

As part of its 2007 Budget, the Federal Government announced \$8.8 billion in new funding, through the Building Canada Fund, over the period 2007-08 to 2013-14, which required a Canada-Ontario Infrastructure Framework Agreement to be in place prior to contribution agreements for specific projects. This Framework Agreement, which provides Ontario \$3.3 billion in infrastructure funding, was signed on July 24, 2008. The Federal government has allocated some of this funding to specific projects. Contribution agreements will have to be signed for the remaining funds. It is not clear if TTC projects will be funded from the Building Canada Fund. The purchase of new streetcars and SRT cars is conditional on the receipt of these funds. Estimates in the City’s Capital Plan for this program relate to funding of rail vehicles and are as follows.

Capital Plan 2008 – 2012: Long Term Funding Requirement (\$ million)

2008	2009	2010	2011	2012	Total
18	30	34	44	198	324

Subway Extension – Preliminary Work

Included in the approved 2008-2012 Capital Budget is \$146 million from the Provincial and Federal Government in support of preliminary work related to the subway extension and is held in the “Move Ontario Trust”. Estimates for this work included in the City’s Capital Plan are indicated below.

It should be noted that the Province of Ontario contributed \$870 million to the “Move Ontario Trust” towards the project. The Federal Government has also contributed \$75 million. The Federal Government committed to a further \$622 million in funding as part of the \$8.8 billion Building Canada Fund referred to in the section above. A contribution agreement for this funding from the Building Canada Fund for the subway extension is expected to be signed soon. Federal funding of this project was the subject of a June 3rd Executive Committee Report titled “Toronto-York Spadina Subway Extension Capital Funding Update” (dated May 20 2008).

Capital Plan 2008 – 2012: Subway Extension (\$ million)

2008	2009	2010	2011	2012	Total
38	48	60			146

Provincial and Federal Funding for other City Programs

Funding included in the approved 2008 – 2012 Capital Budget and Plan from the Provincial and Federal Governments for programs other than TTC and the subway extension total \$66.4 million. The various projects are listed in the following table and spending is conditional on securing funding from the Provincial and Federal Government.

Other Programs - Capital Plan 2008 – 2012 (\$ million)

	Provincial	Federal	Total	Notes
Child Services	20.0		20.0	Spending for “Health & Safety Playground Program” is contingent on receiving 80% Provincial Subsidy.
Sony Centre	15.0	15.0	30.0	Renovate theatre & build the “Arts & Heritage Awareness” Centre – contingent on securing funding
Union Station		4.9	4.9	Federal funding of \$25 million has been committed for revitalization of Union Station. The City is negotiating an agreement.
Economic Development	0.7	4.8	5.5	Primarily for “Fort York”. \$4.5 million grant application submitted to Federal Government currently under review.
Other Various	3.0	3.0	6.0	
Total	38.7	27.7	66.4	

SUMMARY

The City has developed a strong partnership with the Provincial and Federal Governments that has resulted in significant capital funding commitments. It has been the priority of the City to direct this infrastructure funding to the needs of the TTC.

However, this process has also resulted in a patchwork of agreements with varying term, scope, eligibility and administrative requirements providing commitments that fall short of the historical 75% funding support Ontario municipalities received for public transit capital expenditures. The following table summarizes the funding included in the City’s 2008-2012 Capital Budget and Plan and excludes the subsequent Provincial commitment to the TTC of \$247 million.

City of Toronto Capital Plan (2008-2012)
Provincial & Federal Funding (\$ million)

	2008	2009	2010	2011	2012	Total
TTC – Gross	697	878	771	677	1,100	4,123
Provincial	238	239	207	175	311	1,170
Federal	255	244	229	228	368	1,324
Total	493	483	436	403	679	2,494
% of Gross	70.7%	55.0%	56.5%	59.5%	61.7%	60.4%
Subway Extension Gross *	56	131	33			220
Provincial	19	44	11			73
Federal	19	44	11			73
Total	38	88	22			146
% of Gross	66.7%	66.7%	66.7%			66.7%
Other Programs Gross –	875	904	898	741	663	4,008
Provincial	8	7	10	10	4	39
Federal	8	3	8	9	-	28
Total	16	10	18	19	4	67
% of Gross	1.8%	1.1%	2.0%	2.6%	0.6%	1.6%

* includes preliminary work only.

A substantive gap remains between the capital investment needs as identified in the Capital Plan and available funds.

Further Federal and Provincial government contributions are required to address this funding gap and the need for predictable long term funding is critical to enable proper planning to address existing State of Good Repair requirements as well as other priorities including public transit expansion, accessibility and climate change.

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SIGNATURE

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ATTACHMENT

Attachment A: Federal and Provincial Funding - Approved 2008 Capital Budget and 2009 – 2012 Capital Plan

Attachment A

Federal and Provincial Funding Approved 2008 Capital Budget and 2009 – 2012 Capital Plan (\$ million)

Program	Capital Plan	Committed by Agreement	Correspondence / Agreement
TTC – Provincial Funding :			
Gas Tax (2 cents per litre)	350	350	Annual Renewal Agreement & Guide
Canada Strategic Infrastructure Fund	173	173	Partial Payment held in Reserve
Ontario Bus Replacement Program	75	-	Annual Agreement & Guidelines
Ontario Rolling Stock Infrastructure Fund	59	59	Funds received held in Reserve
Kipling / Islington Redevelopment	32	-	GO Transit asset, reduction in expenditure and funding.
Long Term Vehicle Funding Requirement	481	171	Partially paid by Province, LRV/SRT pending
Subtotal Provincial	1,170	753	
TTC – Federal Funding :			
Gas Tax (5 cents per litre)	733	706	Federal Budget Announcement 2008
Canada Strategic Infrastructure Fund	185	185	Canada / Toronto Agreement
Public Transit Capital Trust	78	78	Funds received held in Reserve
Transit-Secure Funding	4	4	Canada/Toronto Agreement
Long Term Funding Requirement	324	-	Pending
Subtotal Federal	1,324	973	
Sub-Total TTC			
	2,494	1,726	Total Expenditure Plan - \$4.123B
Subway Extension – Provincial	73	71	For Preliminary Work Held in "Move
Subway Extension - Federal	73	75	Ontario" Trust Account
	2,640	1,872	
Other Various Programs - Provincial			
	39	-	Details provided starting on page 6 of
Other Various Programs – Federal			
	28	-	Report.
Total Approved Plan	2,707	1,872	
Subsequent Provincial Commitment - TTC			
		247	Received in March and June 2008
Subsequent Provincial Commitment			
		238	Provincial announcement August 2008
Total	2,707	2,357	