TORONTO

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2009 BUDGET BRIEFING NOTE
Economic Stimulus of Toronto Capital Investment Plan

Issue/Background:

The wide spread concerns about the prospect of weakening economic performance for the next several years raises the question about the extent to which the City's capital investment on infrastructure could alter economic prospects and contribute to the creation of jobs. This briefing note provides an estimate of the jobs expected to be created as a result of the Toronto Capital Investment Plan over the next 5 and 10 years.

Key Points:

The City of Toronto Capital Program for the period 2009-2013 provides for $14.7 billion in investment towards infrastructure. The Capital Investment Plan for the 10 years (2009-2018) totals $25.8 billion. Although the primary purpose of this significant investment is to rehabilitate existing assets and provide selected new infrastructure, it can produce a positive impact on the economy and lead to stronger productivity over the longer term.

One of the major economic stimuli arising from capital infrastructure investments is the creation of jobs. Various economic models and studies indicate that infrastructure spending creates substantial amount of jobs in the local area.

The Federation of Canadian Municipalities (FCM) has recently released a study and model that local governments can use to estimate how many jobs they will create when investing in infrastructure projects. This model is also used by the Bank of Canada.

In terms of the jobs created from capital investments, the following must be noted:

1. The jobs may not all be new, since the City spends substantially in its capital program on an annual basis and many of the jobs are effectively already in the economy. Ongoing capital expenditures may, in some cases, protect existing jobs.
2. Job creation is not limited to the City of Toronto. For example, TTC and other vehicles may be constructed in other areas but may include parts supplied by Toronto based manufacturers. The degree to which capital expenditures create jobs in Toronto depends on the type of capital expenditure being made.
3. Likewise, infrastructure investments made by other municipalities may create jobs in the City of Toronto.

The two tables below show respectively the impact of the City's 5 year Capital Program and 10 year Capital Plan in terms of jobs created using the FCM model. Funding of the $14.7 billion program is to be provided by the Federal Government – $1.8 billion (12%), Provincial Government – $2.0 billion (14%) and City of Toronto – $10.9 billion (74 %). The model suggests that an investment of $14.7 billion would create 170,000 jobs, or about 34,000 per year.

Table 1 - 5 Year Capital Investment Program (2009-2013)

City Program	Capital 2009-2013 (Billions)	Jobs 2009-2013
TTC	4.40	78,000
Transportation	1.25	14,000
Water	3.29	35,000
Waste	0.44	5,000
Other/Buildings	5.33	38,000
Total	**14.71**	**170,000**

According to the FCM model, the 10 year Capital Plan of $25.8 billion is expected to create 297,000 new jobs over 10 years, or roughly 30,000 per year. The $25.8 billion capital plan is to be financed by the Federal Government – $3 billion (12%), Provincial Government – $3 billion (12%) and City of Toronto – $20 billion (76 %).

Table 2 - 10 Year Capital Investment Plan (2009-2018)

City Program	Capital 2009-2018 (Billions)	Jobs 2009-2018
TTC	7.10	115,000
Transportation	2.42	29,000
Water	7.68	82,000
Waste	0.56	6,000
Other/Buildings	8.08	65,000
Total	**25.84**	**297,000**

In conclusion, the capital infrastructure investments of the City of Toronto over the next 5-10 years can provide a degree of economic stimulus, generating or protecting a significant number of jobs, while creating real infrastructure assets that are important to economic performance. There is a compelling rationale for other orders of government to provide sustained capital funding for local initiatives.

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