

City of Toronto Stimulus Projects

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|--------------------------|--------------------|
| Date: | September 23, 2009 |
| To: | City Council |
| From: | City Manager |
| Wards: | All |
| Reference Number: | |

SUMMARY

This report seeks authority for the Mayor to enter into intergovernmental funding agreements with the Federal and Provincial governments to recover costs associated with the delivery of City stimulus projects; presents the financial impact of these funding agreements on the 2009 – 2018 Council Approved Capital Budget and Plan; and requests approval of funding changes due to acceleration of projects that would not have been constructed by March 31, 2011.

RECOMMENDATIONS

The City Manager recommends that:

1. Council authorize the Mayor to enter into intergovernmental funding agreements with:
 - i. The Government of Ontario for funding towards approved projects under the Recreational Infrastructure Canada program in Ontario and the Ontario Recreation Program (RInC-REC); and
 - ii. The Government of Canada for funding towards approved projects under the Infrastructure Stimulus Fund (ISF).
2. Council approve project costs for the RInC-REC and ISF programs totalling \$675.578 million, and requiring cash flows of \$102.251 million in 2009 and future year commitments of \$477.895 million in 2010; and \$95.431 million in 2011 as detailed by City Program and ABC in Attachment 3
3. Council approve changes to the 2009 – 2018 Capital Budget and Plan as follows:

- i. increase total project costs by \$77.105 million comprised of \$4.697 million for Children' Services; \$0.739 million for Parks, Forestry and Recreation; \$1.396 million for Facilities and Real Estate (Father Henry Carr Community Hub project); \$2.500 for Toronto Police Services; \$0.050 million for Yonge Dundas Square and \$61.982 million for Toronto Water;
 - ii. acceleration of projects and increases in project cost as detailed by City Program and ABC in Attachment 3 comprised of the following cash flow changes: increase of \$26.023 million in 2009, \$240.660 in 2010 with offsetting reductions of and \$39.659 million in 2011 \$75.156 million in 2012; \$28.891 million in 2013; \$21.062 million in 2014; \$6.482 million in 2015; \$5.657 million in 2016; \$6.595 in 2017 and \$6.076 million in 2018;
 - iii. changes to funding sources as detailed by City Program, Agency, Board and Commission in Attachment 3 in order to increase Federal and Provincial subsidies by \$239.478 million; Development Charges by \$6.938 million; decrease Reserve and Reserve Funds by \$0.519 million; decrease Debt by \$141.242 million and Other funding sources by \$27.549 million.
4. Any future budget amendments that may result from the implementation of City stimulus projects be reported as part of regular quarterly Capital Budget variance reports.
5. Authorize the appropriate City officials to take the necessary actions to give effect thereto.

Financial Impact

The total cost of approved City stimulus projects is \$675.578 million (see Table 1). Of this amount the Federal and Provincial governments have committed to fund \$198.184 million and \$20.647 million respectively. The balance of \$436.101 million will be funded by the City.

| Table 1 Economic Stimulus Project Summary \$Millions | | | | |
|--|----------------|----------------|---------------|------------------------|
| | Total | Cost Sharing | | |
| | Eligible Cost | Federal | Provincial | Municipal Contribution |
| Infrastructure Stimulus Fund (ISF) | 595.292 | 198.184 | 0 | 397.108 |
| Recreational Infrastructure Canada (RInC) | 80.287 | 20.647 | 20.647 | 38.993 |
| Total | 675.578 | 218.831 | 20.647 | 436.101 |

By entering into these economic stimulus programs, the City has reduced its debt funding requirement for the 2009 – 2018 Capital Budget and Plan by \$141.242 million; decreased Reserve and Reserve Funds by \$0.519 million; increase Development Charges by \$6.938 million, increased Federal and Provincial Funding by \$231.315 million and decreased Other funding sources by \$27.549 million (see Attachment 3).

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its December 10, 2008 Special Meeting, Council approved the City's 2009 - 2018 Capital Plan which included a requirement for the City Manager to report any adjustments required to the approved 2009-2013 Capital plan in the event that the Federal and/or Provincial governments announce any new infrastructure programs that require City participation or funding. <http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-12-10-cc28-dd.pdf>

ISSUE BACKGROUND

As a result of the international financial market crisis, coupled with a large decline in foreign demand, there has been a significant reduction in Canadian exports, employment and weakened business and consumer confidence. The 2009 Federal and Provincial Budgets implemented economic stimulus provisions to help address the negative impacts of a weakening global economy, both nationally and regionally.

Although recent economic data show signs of economic stability taking place globally, and future output projections for Canada demonstrate some positive growth, a full economic recovery remains fragile. Local economies continue to face major challenges due to a tremendous surge in job layoffs and a permanent departure of traditional manufacturing employment. The three-month average adjusted unemployment rates for Canada, Ontario, and Toronto are respectively 8.7%, 9.9%, and 11.8% (Labour Force Survey by Place of Residence, Statistics Canada, City of Toronto Seasonal Adjustments by Economic Development, City of Toronto, August 2009).

To help improve confidence and economic growth during this period of economic weakness, the Federal and Provincial governments have introduced the following stimulus measures to boost infrastructure spending over the next two construction seasons.

Recreational Infrastructure

The Recreational Infrastructure Canada Program in Ontario and the Ontario REC (RInC-REC) programs were designed to support the upgrading and renewal of recreational facilities in communities that can be completed by March 31, 2011. The objective is to stimulate Ontario's economy, enhance local facilities and services, improve energy-efficiency, and contribute to the health and quality of life in communities across the province. Eligible projects under this program include the rehabilitation or new construction of: arenas, gymnasiums, swimming pools, sports fields, parks, fitness trails and bike paths, tennis, basketball, volleyball or other sport-specific courts, or other multi-purpose facilities that have physical recreation activity as their primary purpose.

Canada's Economic Action Plan provided \$500 million over two years for the RInC program. The Government of Ontario committed to match the Federal program in their 2009 Provincial Budget "Confronting the Challenge: Building Our Economic Future" providing \$195 million for recreation infrastructure projects. The governments of Canada and Ontario can each fund up to one third of a project's total eligible cost up to a maximum of \$1 million each per project.

On July 7, 2009, the Federal and Provincial governments announced \$41.3 million or two-thirds funding towards approved City of Toronto projects under this program. (Note that the maximum combined RInC-REC contribution towards any one City project is \$2 million).

Infrastructure Stimulus Fund

The 2009 Federal Budget established a new \$4 billion Infrastructure Stimulus Fund (ISF) to support the rehabilitation or construction of provincial, municipal and community infrastructure projects that can be built during the 2009 and 2010 construction seasons. Eligible projects categories for local governments include: water and waste water, public transit; roads and bridges, solid waste management, disaster mitigation, brownfield redevelopment, ports and airports, municipal buildings and recreation and culture.

The Government of Ontario committed to match the Federal program in their 2009 Provincial Budget “Confronting the Challenge: Building Our Economic Future” providing \$6.8 billion towards short-term stimulus projects.

On June 19, 2009, the Government of Ontario announced \$416 million towards the manufacture of a new fleet of 204 streetcars for the City of Toronto. Provincial funding will be provided through infrastructure stimulus investments over the next two years and through Ontario's long-term infrastructure plan.

On September 11, 2009, the Government of Canada announced funding towards City projects under the ISF.

COMMENTS

The lists of approved City of Toronto projects under the RInC-REC and the Federal ISF programs are enclosed as Attachments 1 and 2.

City of Toronto stimulus projects were selected based on their ability to meet City, Federal and Provincial criteria. Submitted projects must have demonstrated:

- Incrementality - projects could not be constructed by March 31, 2011 without stimulus funding;
- Readiness - projects are construction-ready and will be substantially completed by March 31, 2011;
- Merit - projects, whether a rehabilitation of an existing asset or new construction, can clearly demonstrate meeting stimulus objectives;
- Financial leverage - in addition to a federal and/or provincial contribution, project funding would be cost-shared with the City of Toronto; and
- Endorsement - projects are supported by Toronto City Council through their approval of the City's long term Capital Program.

The main objective of City stimulus projects is their ability to protect and create jobs, in support of intergovernmental efforts to help stimulate the economy. It is estimated (based on the FCM municipal infrastructure multiplier) that City stimulus projects will generate the following economic outputs (in person years):

- 447 jobs through projects under the RInC and Ontario REC program; and
- 6800 jobs through projects under the federal ISF

In addition, it is estimated that the manufacture of 204 streetcars will generate 7000 jobs.

Table 2 below summarizes by City Program, and Agency, Board and Commission the project cost approved for stimulus funding by the Federal and Provincial governments. Total cost of ISF projects is \$595.292 million of which \$413.722 million is attributed to Tax Levy operations. The ISF projects are funding approximately one-third or \$198.184 million by the Federal Government and two-thirds or \$397.108 million by the City. To maximize the use of economic stimulus program funding, several projects for which implementation was planned after the completion date of March 31, 2011 prescribed by the Federal and Provincial governments, were advanced to 2009, 2010 and 2011. This has resulted in changes to the annual Council approved cash flows.

| Table 2 | | | | |
|---|---------------------|----------------|---------------|------------------------|
| City of Toronto Stimulus Projects | | | | |
| Project Cost and Funding Summary by Program | | | | |
| in \$Millions | | | | |
| | Total Eligible Cost | Funding | | |
| | | Federal | Provincial | Municipal Contribution |
| Infrastructure Stimulus Fund (ISF): | | | | |
| Tax Levy Programs and ABCs | | | | |
| Children' Services | 5.397 | 1.799 | | 3.598 |
| Economic Development, Culture and Tourism | 1.270 | 0.424 | - | 0.846 |
| Emergency Medical Services | 13.853 | 4.618 | - | 9.235 |
| Parks, Forestry and Recreations | 12.454 | 4.237 | - | 8.217 |
| Transportation Services | 82.538 | 27.513 | - | 55.025 |
| Facilities and Real Estate (F&RE) | 3.229 | 1.076 | - | 2.153 |
| F&RE - Father Henry Carr | 4.000 | 1.000 | | 3.000 |
| Sustainable Energy Plan | 1.765 | 0.588 | - | 1.177 |
| Exhibition Place | 27.370 | 9.123 | - | 18.247 |
| Toronto Public Library | 13.260 | 4.420 | - | 8.840 |
| Toronto Police Service | 55.119 | 18.373 | - | 36.746 |
| Yonge Dundas Square | 0.200 | 0.067 | - | 0.133 |
| Toronto Transit | 193.267 | 64.422 | - | 128.845 |
| Total Tax Levy - ISF | 413.722 | 137.660 | - | 276.062 |
| Rate Programs | | | | |
| Solid Waste Management | 11.048 | 3.683 | - | 7.365 |
| Toronto Water | 170.522 | 56.841 | - | 113.681 |
| Total ISF | 595.292 | 198.184 | - | 397.108 |
| Recreational Infrastructure (RInC-REC) | | | | |
| Parks, Forestry and Recreation | 57.019 | 13.987 | 13.987 | 29.046 |
| Transportation Services | 23.267 | 6.660 | 6.660 | 9.947 |
| Total RInC | 80.286 | 20.647 | 20.647 | 38.993 |
| Total ISF and RInC-REC | 675.578 | 218.831 | 20.647 | 436.101 |

Evident in Table 3 is that Toronto Water's ISF approved projects included cost increases totalling \$61.982 million in excess of the amount approved in the 2009 – 2018 Capital Budget and Plan. Further, the table summarizes the impact of accelerating projects approved in the 2009 – 2018 Capital Budget and Plan. It is noted that debt funding in 2009 and 2010 will increase because of acceleration of projects. This increase will be offset in future years. Overall, debt will decrease by \$141.242 million mainly because of subsidies from the economic stimulus programs.

| Table 3 City of Toronto Stimulus Projects 2009 - 2018 Capital Budget and Plan Cash Flow Changes in \$Millions | | | | | | | |
|--|--|---------------|----------------|-----------------|-----------------|-----------------|-----------------|
| | Change in Cash Flows - Increase / (Decrease) | | | | | | |
| | Increase Over Approved 10-Year Plan | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 - 2018 |
| Infrastructure Stimulus Fund (ISF): | | | | | | | |
| Tax Levy Programs and ABCs | | | | | | | |
| Children's Services | 4.697 | (0.161) | 4.318 | 0.540 | - | - | - |
| Economic Development, Culture and Tourism | - | 0.635 | 0.312 | (0.225) | (0.320) | (0.100) | (0.302) |
| Emergency Medical Services | - | 2.161 | 8.527 | (2.511) | (2.117) | (0.660) | (5.400) |
| Parks, Forestry and Recreations | 0.739 | 0.798 | 9.126 | (2.405) | (4.875) | (1.650) | (0.255) |
| Transportation Services | - | 32.176 | 50.362 | (18.009) | (35.509) | (13.510) | (15.510) |
| Facilities and Real Estate (F&RE) | - | 0.067 | 0.893 | 1.290 | (0.409) | (0.979) | (0.862) |
| F&RE - Father Henry Carr Community Hub | 1.396 | (2.604) | 4.000 | | | | |
| Sustainable Energy Plan | - | - | 1.765 | - | (1.000) | (0.765) | - |
| Exhibition Place | - | 5.405 | 13.770 | 1.215 | (4.525) | (3.635) | (12.230) |
| Toronto Public Library | 9.000 | 1.380 | 9.480 | 2.400 | (0.720) | (1.770) | (1.770) |
| Toronto Police Service | 2.500 | - | 1.500 | 1.000 | - | - | - |
| Yonge Dundas Square | 0.050 | 0.050 | 0.150 | (0.150) | - | - | - |
| Toronto Transit Commission | - | (17.022) | 21.270 | 1.863 | (1.480) | (1.622) | (3.009) |
| Total Tax Levy - ISF | 18.382 | 22.885 | 125.473 | (14.992) | (50.955) | (24.691) | (39.338) |
| Rate Programs | | | | | | | |
| Solid Waste Management | 0.000 | 1.600 | 6.892 | (0.547) | (1.661) | (1.250) | (5.034) |
| Toronto Water | 61.982 | - | 69.122 | 0.300 | (6.640) | (0.800) | - |
| Total ISF | 80.364 | 24.485 | 201.487 | (15.239) | (59.256) | (26.741) | (44.372) |
| Recreational Infrastructure Canada (RInC) | | | | | | | |
| Parks, Forestry and Recreation | 5.764 | (3.639) | 28.023 | (12.820) | (2.150) | (2.150) | (1.500) |
| Transportation Services | (9.023) | 5.177 | 11.150 | (11.600) | (13.750) | - | - |
| Total RInC-REC | (3.259) | 1.538 | 39.173 | (24.420) | (15.900) | (2.150) | (1.500) |
| Total ISF and RInC-REC | 77.105 | 26.023 | 240.660 | (39.659) | (75.156) | (28.891) | (45.872) |
| Funding Source Changes: | | | | | | | |
| Provincial | - | - | - | - | - | - | - |
| Federal | 239.477 | 36.218 | 171.449 | 31.810 | - | - | - |
| Reserve and Reserve Fund | (0.518) | (3.258) | 23.533 | (11.108) | (7.615) | (1.826) | (0.244) |
| Development Charge | 6.937 | (0.003) | 4.961 | 2.631 | (0.125) | (0.353) | (0.174) |
| Other | (27.549) | (0.072) | 3.805 | (9.587) | (15.411) | (1.250) | (5.034) |
| Debt | (141.242) | (6.862) | 36.912 | (53.406) | (52.005) | (25.462) | (40.419) |
| Total | 77.105 | 26.023 | 240.660 | (39.659) | (75.156) | (28.891) | (45.872) |

Project Implementation:

The implementation of City stimulus projects will be a priority for City Divisions, Agencies, Boards and Commissions, including:

- Economic Development, Culture and Tourism
- Emergency Medical Services
- Exhibition Place
- Facilities and Real Estate
- Parks, Forestry and Recreation
- Social Development, Finance and Administration
- Solid Waste Management
- Toronto Police Services
- Toronto Public Library
- Toronto Transit Commission
- Toronto Water
- Transportation Services
- Yonge-Dundas Square

The Federal and Provincial governments have prescribed certain criteria that require close attention and diligence of City staff in order to ensure realization of all funding entitlement.

To mitigate any potential implementation risks associated the delivery of stimulus projects, City processes will be streamlined, where possible, to support the effective and efficient delivery of these projects and their substantial completion by the March 31, 2011 deadline. This includes an abbreviated consultation process for stimulus projects where required. Furthermore, the Purchasing and Materials Management Division has been committed, as a high priority, to assist in ensuring that goods and services are acquired as quickly as possible, albeit without contravening best practices, and established protocols and principles.

CONTACT

Lynda Taschereau
City Manager's Office
City of Toronto
Tel: 416-392-6783

Josie Lavita
Financial Planning
City of Toronto
Tel: 416-397-4229

SIGNATURE

City Manager

Joseph P. Pennachetti, City Manager

ATTACHMENTS

1. City of Toronto Stimulus Projects Under the Recreational Infrastructure Canada and the Ontario REC Programs
2. City of Toronto Stimulus Projects Under the Federal Infrastructure Stimulus Fund Program
3. City Stimulus Program - Summary of Changes to the 2009 – 2018 Council Approved Capital Budget and Plan