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2015 – 2024 CAPITAL BUDGET BRIEFING NOTE

Federal Gas Tax Fund

Issue / Background:

- At its meeting of January 29, 2015, the City of Toronto Budget Committee requested the Deputy City Manager and Chief Financial Officer to provide a briefing note on:
 - The estimated annual revenue received by the City of Toronto from its share of the Federal Gas Tax Fund over the past 5 years;
 - If the funding formula changed in the past 3 years, and if so, how; and
 - A list of projects the Federal Gas Tax funded in the City of Toronto over the past 5 years.
- The key points below will address the information requested by the City of Toronto Budget Committee on January 29, 2015.

Key Points:

a) Annual Federal Gas Tax Funds Received by the City of Toronto

- The City of Toronto has received \$780.5 million in Federal Gas Tax funding from 2009 to 2013 that has leveraged approximately \$1.7 billion in TTC capital project funding.

Table 1
Summary of Annual Federal Gas Tax Funds Received by the City of Toronto
((\$Millions))

Year	Federal Gas Tax Revenue Received	Amount Leveraged (Total Federal Gas Tax Funded Project Costs)
2009	162.9	311.1
2010	154.4	422.0
2011	154.4	299.1
2012	154.4	366.0
2013	154.4	334.0
Total	780.5	1,732.2

* 2014 Projected Actual anticipated to be \$152.2 million.

b) Federal Gas Tax Funding Formula

- The *Agreement for the Transfer of Federal Gas Tax Revenues* initially signed in 2005 by the Mayor, Prime Minister, Minister of Municipal Affairs & Housing, and the Association of Municipalities of Ontario's (AMO) President committed Canada to transfer funds to Toronto based on Toronto's per capita share of Ontario's share of the equivalent value of 5 cents of the Federal Gas Tax, with the per capita allocation based on the latest Census data. At the time of the agreements signing in 2005, the per capita was based on the 2001 Census.
- Gas Tax Funding is allocated on a per capita basis for environmentally sustainable municipal infrastructure, growing from 2 ½ cents/litre in 2008 to 5 cents/litre in 2009.
- In 2008, the Federal government announced that gas tax funding had been made a permanent measure and in 2009 an extended framework agreement for the four-year period 2010-2013 was based on the 2006 Census population.
- Beginning in 2010, the annual funding decreased from \$162.9 million to \$154.4 million. The funding was decreased due to a drop in the percentage that Toronto's population comprised of the total Ontario population, resulting from the 2006 Census.
- In 2013, the City of Toronto negotiated a new, permanent Federal Gas Tax Fund program and in February 2014, entered into an Administrative Agreement with the Government of Canada, the Province of Ontario, the City of Toronto and the AMO for the transfer of federal revenues from 2014 to 2023. The agreement will provide over \$1.5 billion over ten years in federal revenues to the City for infrastructure investments.
- Under the new agreement, allocations are on a per capita basis reflecting the 2011 Census data.
- Toronto's allocations of \$152.2 million in each of 2014 and 2015 are lower than in 2013 due to slower population growth as compared to other municipalities in Ontario. Allocations from 2019-2023 will be updated to reflect 2016 Census data.
- Going forward, annual Federal Gas Tax received is expected to increase from \$152.2 million to \$167.4 million by year 2018 as a result of indexing.
- It must be noted that reduced gas prices do not affect the federal gas tax payments as the Federal Gas Tax Fund is currently set at \$2 billion per year across Canada. This program is a permanent, stable and predictable source of funding for municipal infrastructure.¹

c) Projects Funded by Federal Gas Tax

- Federal Gas Tax funding is allocated to eligible capital projects that support the investment in sustainable infrastructure. Table 2 reflects the actual funding received and applied to the various infrastructure and vehicle related projects carried out by the TTC for the past five years.

¹ <http://www.amo.on.ca/AMO-Content/Policy-Updates/2015/Do-Lower-Gas-Prices-Mean-Lower-Federal-Gas-Fund-Pa.aspx>

Table 2
Actual Federal Gas Tax Funding Received by the City of Toronto for the Past Five Years
(\$000s)

(\$000s)	2009	2010	2011	2012	2013	Total
Infrastructure						
Leslie Barns Maintenance & Storage Facility	2,313	6,741	40,848		40,071	89,973
Toronto Rocket/T1 Yard Rail Accommodation			2,123		11,141	13,264
Wilson Carhouse	29,237	12,649	5,845			47,731
Power Distribution Electric Systems Projects	5,760		4,685			10,445
Surface Track					8,948	8,948
Easier Access III					7,957	7,957
Carhouse Modifications: New LRT Cars					7,249	7,249
Roofing Rehabilitation					6,062	6,062
Bridges/Structures Maintenance					5,381	5,381
Other Infrastructure Projects	9,753		1,125		9,157	20,035
Sub-Total: Infrastructure Projects	47,063	19,390	54,626	-	95,966	217,045
Vehicles						
Purchase of Buses	44,564	2,765	10,253	22,406		79,988
Purchase of Wheel-Trans Buses	3,765	17,445	930	13,390		35,530
Purchase of Streetcars	22,260	22,008	63,962	25,715	37,049	170,994
Purchase of Subway Cars	40,852	88,413	21,439	92,856	21,352	264,912
Purchase of Rail Non-Revenue Work Vehicles	4,387	4,346	3,157			11,890
Sub-Total: Vehicle Projects	115,828	134,977	99,741	154,367	58,401	563,314
Total	162,891	154,367	154,367	154,367	154,367	780,359

* 2014 Projected Actual anticipated to be \$152.2 million.

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