

2021 Budget Notes

Transit Expansion

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Description

The Transit Expansion Division was created in September 2019 to address the delivery of new transit infrastructure in the City of Toronto. The new division provides day-to-day leadership and oversight of the City of Toronto's participation in the long term, multi-billion dollar transit network expansion program. Specifically, the role of the Transit Expansion Division is to:

1. Partner with key stakeholders such as the Province of Ontario, Metrolinx, Infrastructure Ontario, and Toronto Transit Commission (TTC) to deliver new transit infrastructure to keep Toronto moving;
2. Provide dedicated leadership for the City's transit expansion strategy, including coordinating the City's strategic interests and municipal requirements; and
3. Provide oversight of the City's transit expansion program, including centralizing coordination and seeking opportunities throughout the project lifecycle to accelerate transit expansion projects by streamlining and optimizing municipal processes where possible.

Why We Do It

The City of Toronto, Province and other stakeholders partner together in a coordinated, organized and integrated manner to deliver on-time and on-budget transit expansion in Toronto.

The City of Toronto aims to deliver these outcomes equitably, efficiently and with excellent customer service to help improve the lives of Torontonians and work to earn their trust and confidence.

What Service We Provide

Program Management and Planning

Who We Serve: City Council and the City's Senior Leadership Team

What We Deliver: agreements, secretariat and governance, environmental assessment reviews, design reviews, procurement, program controls and reporting. Coordinate the City's involvement in the planning of expansion of transit with our external partners.

How Much Resources (2021 gross operating budget): \$2.247 Million

Capital Implementation Coordination

Who We Serve: City Council and the City's Senior Leadership Team

What We Deliver: We coordinate the city's involvement in the implementation of the transit expansion projects and resolve issues with our external partners.

How Much Resources (2021 gross operating budget): \$6.862 Million

Budget at a Glance

OPERATING BUDGET

<u>\$Million</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues	\$9.1	\$9.1	\$9.1
Gross Expenditures	\$9.1	\$9.1	\$9.1
Net Expenditures	\$0.0	\$0.0	\$0.0
Approved Positions	59.0	59.0	59.0

10-YEAR CAPITAL PLAN

<u>\$Billion</u>	<u>2021</u>	<u>2022-2030</u>	<u>Total</u>
Gross Expenditures	\$0.044	\$1.525	\$1.569
Debt	\$0.034	\$0.062	\$0.096

Note: Includes 2020 carry forward funding to 2021

How Well We Are Doing

Service	Service Measure	2018 Actual	2019 Actual	2020 Target	2020 Projection	2021 Target	2022 Target	Status
Service Level Measures								
Program Management and Planning	End-to-end length of time for issues to be considered and resolved at a Steering Committee	N/A	N/A	TBD	TBD	3 months**	3 months**	●
Program Management and Planning	% of City reviews of Environmental Assessment/Transit Project Assessment Process documents completed within service standard***	N/A	N/A	100%	95%	100%	100%	●
Program Management and Planning	% of City reviews of procurement documents completed within service standard***	N/A	N/A	100%	95%	100%	100%	●
Capital Implementation Coordination	% of City reviews of capital implementation submissions completed within service standard***	N/A	N/A	100%	95%	100%	100%	●

Notes:

*TE is a new division created in September 2019. As a result, data to support reporting on prior year actuals for TE Service Measures is not available. TE will be collecting data and reporting on identified service levels in 2021.

**Service level target for 2021 and 2022 needs to be confirmed through baseline data collection.

***Service standards for City reviews established in resourcing agreements with Metrolinx.

COVID-19 IMPACT AND RECOVERY

2020 Impact	2021 Impact and Recovery
Service Level Changes <ul style="list-style-type: none"> Transit Expansion continues to coordinate support delivery of transit projects and initiatives to keep Toronto moving, hiring has slowed down due to COVID-19, which has impacted how much support can be provided to all the projects. 	Service Level Changes <ul style="list-style-type: none"> There are no anticipated impacts to service level as a result of COVID-19 during 2021.

EXPERIENCES, CHALLENGES AND PRIORITIES

Our Experience and Success

- Ontario-Toronto Transit Partnership Preliminary Agreement*, signed in February 2020, established the roles and responsibilities of the Province and the City in implementing major transit initiatives in Toronto.
- Coordinated the addition of temporary City division resources to support the Subway Program.
- Received Council authority to negotiate and execute the GO Master Agreement with Metrolinx for the Metrolinx GO Expansion Program.
- The construction of the Steeles avenue grade separation and Davenport diamond overpass.

Key Challenges and Risks

- Centralizing Program Management:** Lead the coordination and delivery of municipal requirements with City divisions, identifying opportunities to streamline processes without compromising regulatory due diligence, and implement enhanced project process controls, reporting, and overall accountability.
- Integrating Transit with Major Capital Works:** Integrate and coordinate with other infrastructure delivery priorities, plans, and capital projects (i.e., growth areas, roads, water, utilities, etc.).
- Reducing Transit Staff Vacancies:** TEO along with other City divisions that support transit expansion must be able to retain dedicated staff needed to deliver transit expansion services and support the transit program's demands.
- The recruitment and retention of high calibre transit professionals that are needed in TEO to support key business areas across the City,** in a highly competitive program management market, may continue to impact the Transit Expansion program's ability to fully staff its complement.

Priority Actions

- Continue to lead engagement with external stakeholders (i.e. with Ontario Ministry of Transportation; Metrolinx, Infrastructure Ontario and other agencies) on transit expansion program.
- Assess and revise the TEO role to enhance the delivery of its Service through review of transit program governance, including committees and working groups.
- Retain the necessary external consulting services and software tools to continue to improve our internal and external coordination and to support our service delivery.

RECOMMENDATIONS

The City Manager and Chief Financial Officer and Treasurer recommend that:

1. City Council approve the 2021 Operating Budget for Transit Expansion of \$9.109 million gross, \$9.109 million revenue and \$0.000 million net for the following services:

Service:	Gross (\$000s)	Revenue (\$000s)	Net (\$000s)
Capital Implementation Coordination	6,862.0	6,862.0	0.0
Program Management and Planning	2,247.0	2,247.0	0.0
Total Program Budget	9,109.0	9,109.0	0.0

2. City Council approve the 2021 staff complement for Transit Expansion of 59.0 positions comprised of 14.0 capital position and 45.0 operating positions.
3. City Council approve 2021 Capital Budget for Transit Expansion with cash flows and future year commitments totaling \$1.507 billion as detailed by project in [Appendix 6a](#).
4. City Council approve the 2022-2030 Capital Plan for Transit Expansion totalling \$0.062 billion in project estimates as detailed by project in [Appendix 6b](#).
5. City Council request that all sub-projects with third party financing be approved conditionally, subject to the receipt of such financing in 2021 and if such funding is not forthcoming, their priority and funding be reassessed by City Council relative to other City-financed priorities and needs

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2021 OPERATING BUDGET

2021 OPERATING BUDGET OVERVIEW

Table 1: 2021 Operating Budget by Service

(In \$000s)	2019 Actual	2020 Budget	2020 Projection	2021 Budget	Change v. 2020 Projection	
By Service	\$	\$	\$	\$	\$	%
Revenues						
Capital Implementation Coordination	2,039.8	6,450.2	3,883.7	6,862.0	2,978.3	76.7%
Program Management and Planning	277.4	2,221.3	1,339.4	2,247.0	907.6	67.8%
Total Revenues	2,317.2	8,671.5	5,223.1	9,109.0	3,885.9	74.4%
Expenditures						
Capital Implementation Coordination	1,850.5	6,450.8	3,917.7	6,862.0	2,944.4	75.2%
Program Management and Planning	466.7	2,221.3	1,305.4	2,247.0	941.6	72.1%
Total Gross Expenditures	2,317.2	8,672.1	5,223.1	9,109.0	3,885.9	74.4%
Net Expenditures	0.0	0.6	0.0	0.0	0.0	
Approved Positions	33.0	59.0	59.0	59.0	0.0	

*2020 Projection based on Q3 Variance Report

COSTS TO MAINTAIN EXISTING SERVICES

Total 2021 Base Budget expenditures of \$9.109 million gross reflecting an increase of \$3.886 million in spending above 2020 projected year-end actuals, predominantly arising from:

- Increases in salary and benefit for existing position due to anticipated positions to be filled in 2021 to meet service demands, which were vacant in 2020 due to COVID-19 response.
- Increases in services and rents related to anticipated professional services to meet program priorities.

Given the financial impacts of COVID-19 on 2020 actuals, a further comparison of the 2021 Budget to the 2020 Council approved Budget is provided below:

- 2021 Base Budget totalling \$0.0 million in net expenditures reflects a \$0.0 million net change to the 2020 Council approved Budget.

COSTS TO ENHANCE SERVICES

New and Enhanced Services: Transit Expansion division does not have New and Enhanced Services.

EQUITY IMPACTS OF BUDGET CHANGES

No significant equity impacts: The changes in Transit Expansion division's 2021 Operating Budget do not have any significant equity impacts.

2021 OPERATING BUDGET KEY DRIVERS

The 2021 Operating Base Budget for Transit Expansion is \$9.109 million gross or 74.4 per cent higher than the 2020 Projected Actuals. Table 2a below summarizes the key cost drivers for the base budget, while Table 2b summarizes the Balancing Actions.

Table 2a: 2021 Key Drivers – Base Budget

Key Cost Drivers		2019 Actuals	2020 Budget	2020 Projection	2021 Base Budget	Change Vs. 2020 Projection	
						\$	%
Expenditures							
1	Salaries and Benefits	1,945.1	7,579.1	4,497.6	8,016.1	3,518.5	78.2%
2	Materials & Supplies	1.6	52.0	26.0	52.0	26.0	100.0%
3	Equipment	93.9	252.1	63.0	252.1	189.1	300.0%
4	Service and Rent	209.3	788.8	636.5	788.8	152.3	23.9%
5	Other Expenditures	67.3					
Total Expenditures		2,317.2	8,672.1	5,223.1	9,109.0	3,885.9	74.4%
Revenues							
1	Transfers from Capital	292.4	2,448.6	1,476.5	2,475.4	999.0	67.7%
2	Other Revenues	2,024.8	6,222.8	3,746.6	6,633.6	2,887.0	77.1%
Total Revenues		2,317.2	8,671.5	5,223.1	9,109.0	3,885.9	74.4%
Net Expenditures			0.6	0.0	0.0	0.0	
Approved Positions		33.0	59.0	59.0	59.0		

*2020 Projection based on Q3 Variance Report

Salaries & Benefits: Include increases on existing salaries and benefits due to anticipated positions to be filled in 2021 to meet services demands, which were vacant in 2020 due to COVID-19 response.

Equipment: Include increases for employee related equipment costs and purchases.

Services and Rents: Include increases for professional and technical services for the delivery of divisional priorities and operational requirements.

Transfers from Capital/Other Revenues: Include increases for recovery of existing positions fully funded by Metrolinx and anticipated recoveries for capital funded positions.

Table 2b: 2021 Balancing Actions

(\$000s)								
Recommendation	Savings Type	2021				2022		
		Revenue	Gross	Net	Positions	Gross	Net	Positions
Cancellation of Non-union Performance	Other		(145.0)	(145.0)				
Total Balancing Actions			(145.0)	(145.0)	-			-

Salaries and Benefits Projected Savings

- Mitigation efforts to address COVID-19 financial impacts include salaries and benefits cost containment by canceling the non-union performance pay.

Note:

1. For additional information on 2021 key cost drivers refer to [Appendix 2](#).

2022 & 2023 OUTLOOKS**Table 3: 2022 and 2023 Outlooks**

(\$000s)	2020 Projection	2021 Budget	2022 Outlook	2023 Outlook
Revenues	5,223.1	9,109.0	9,121.3	9,125.0
Gross Expenditures	5,223.1	9,109.0	9,121.3	9,125.0
Net Expenditures	0.0	0.0	0.0	0.0
Approved Positions	59.0	59.0	59.0	59.0

Key drivers

The 2022 Outlook with total gross expenditures of \$9.121 million reflects an anticipated \$0.012 million or 0.1 per cent increase in gross expenditures above the 2021 Operating Budget. The 2023 Outlooks expects a further increase of \$0.004 million above 2022 gross expenditures.

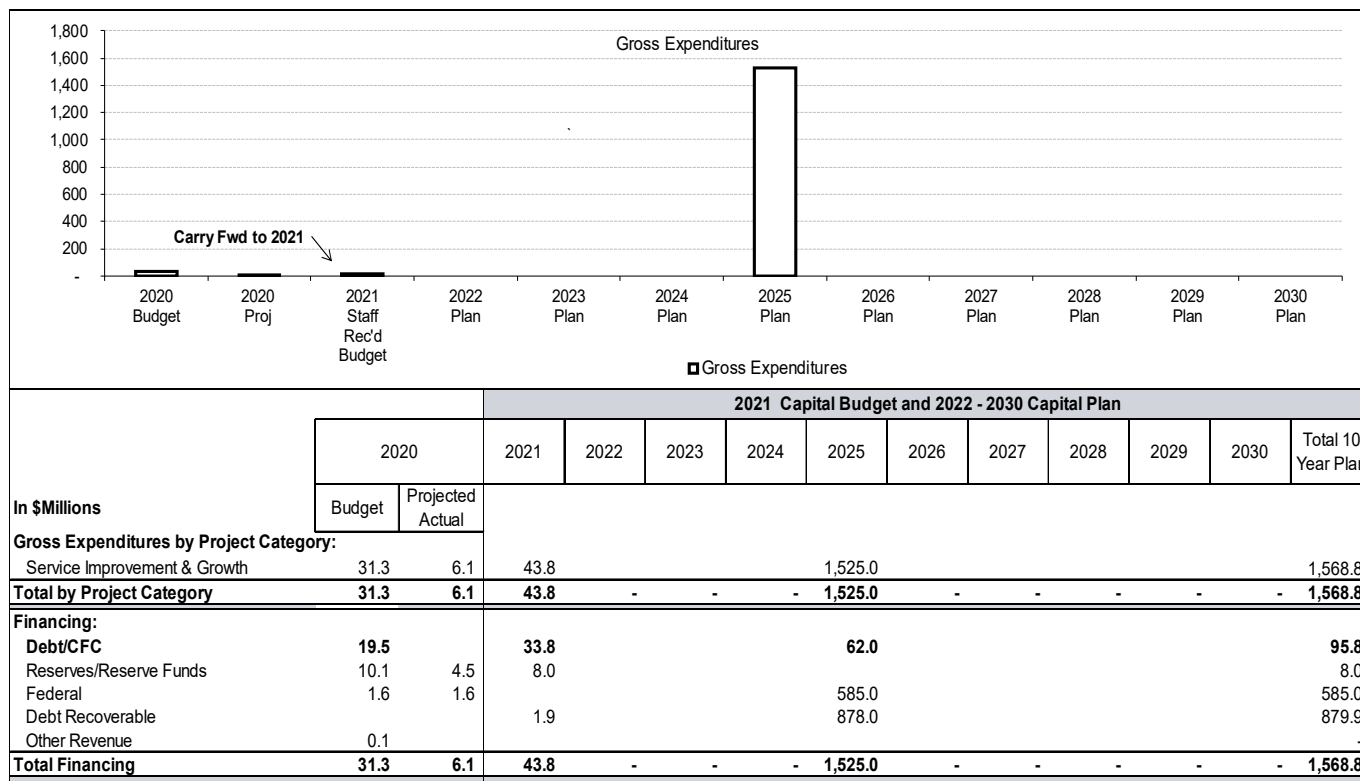
These changes arise from inflationary increases for salaries and benefits.

2021 – 2030 CAPITAL BUDGET AND PLAN

2021 – 2030 CAPITAL BUDGET & PLAN OVERVIEW

Chart 1: 10-Year Capital Plan Overview

(\$Million)



Changes to Existing Projects

- The 2021-2030 Capital Budget and Plan reflects a decrease of \$1.9 million due to reduction in project costs.

New Projects

- There are no new projects in the 2021-2030 Capital Budget.

Capital Needs Constraints

- The 2021-2030 Capital Budget and Plan is based on Transit Expansion's capacity to deliver.
- Transit Expansion division does not have any unmet needs over the 10-year planning horizon.

Note:

For additional information, refer to [Appendix 6](#) for a more detailed listing of the 2021 and 2022-2030 Capital Budget & Plan by project.

2021 – 2030 CAPITAL BUDGET AND PLAN**\$1.6 Billion 10-Year Gross Capital Program****How the Capital Program is Funded**

City of Toronto		Provincial Funding	Federal Funding
\$983.0 M 63%		\$0.0 M 0%	\$585.0 M 37%
Debt	\$95.8 M		
Recoverable Debt	\$879.9 M		
Reserve Draws	\$8.0 M		

CAPACITY TO SPEND REVIEW

The 10-Year Capital Plan has been developed with consideration of historical demonstrated ability to spend within any given year of the ten year capital plan. A review was undertaken to ensure budgets align with Transit Expansion division's ability to spend and the markets capacity to deliver.

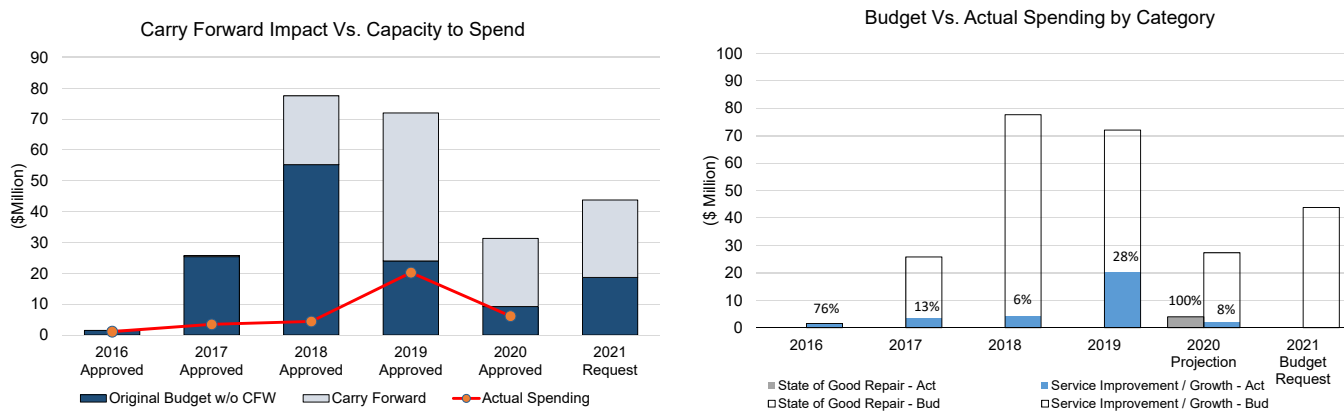
On July 7, 2020 the Province passed legislation (Bill 171 Building Transit Faster Act) to expedite the planning, design and construction process of transit projects in the province of Ontario. With the support of the City, Bill 171 enables the province to accelerate the process of building Ontario's four priority transit projects: Ontario Line, the Yonge North Subway Extension to Markham and Richmond Hill, the three-stop Scarborough Subway Extension and the Eglinton Crosstown West Extension to Pearson airport.

The realignment of transit responsibilities between the Province and the City has now been determined and Transit Expansion division will now work to confirm the City transit project schedules. Cash flows will continue to be refined to align with project timing in future budget processes

A key component in determining the appropriate level of annual cash flows is confirming project scheduling as it plays a major role in the ability to correctly align annual cash flows with planned work. Actual spending was down resulting from uncertainty surrounding the realignment of transit responsibilities between the Province and the City which delayed the planning process on City transit projects.

Based on the review of historical capacity to spend (Chart 2 below), \$25.076 million in capital spending originally cash flowed in 2020 has been deferred to 2021.

Chart 2 – Capacity to Spend



APPENDICES

Appendix 1

COVID-19 Financial Impact - Operating

N/A

Appendix 2

2021 Operating Budget by Revenue / Expenditure Category

Category (In \$000s)	2019 Actual	2020 Budget	2020 Projection*	2021 Budget	2021 Change from 2020 Projected Actual	
	\$	\$	\$	\$	\$	%
Transfers From Capital	292.4	2,448.6	1,476.5	2,475.4	999.0	67.7%
Sundry and Other Revenues	2,024.8	6,222.8	3,746.6	6,633.6	2,887.0	77.1%
Total Revenues	2,317.2	8,671.5	5,223.1	9,109.0	3,885.9	74.4%
Salaries and Benefits	1,945.1	7,579.1	4,497.6	8,016.1	3,518.5	78.2%
Materials & Supplies	1.6	52.0	26.0	52.0	26.0	100.0%
Equipment	93.9	252.1	63.0	252.1	189.1	300.0%
Service and Rent	209.3	788.8	636.5	788.8	152.3	23.9%
Other Expenditures	67.3					
Total Gross Expenditures	2,317.2	8,672.1	5,223.1	9,109.0	3,885.9	74.4%
Net Expenditures	0.0	0.6	0.0	0.0	(0.0)	(0.0%)
Approved Positions	33.0	59.0	59.0	59.0		

* Year-End Projection Based on Q3 2020 Variance Report

** Prior Year Budget and Actuals adjusted retroactively to remove interdepartmental charges and recoveries

Appendix 3

Summary of 2021 Service Changes

N/A

Appendix 4

Summary of 2021 New / Enhanced Service Priorities Included in Budget

N/A

Appendix 5

Summary of 2021 New / Enhanced Service

N/A

Appendix 6

2021 Capital Budget; 2022 - 2030 Capital Plan Including Carry Forward Funding

Project Code	(In \$000s)	2021 Budget	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan	2029 Plan	2030 Plan	2021 2030 Total	Health & Safety & Legislated	SOG	Growth & Improved Service
TE0100	Eglinton East LRT	3,056										3,056			3,056
TE0200	Transit Expansion Initiatives	5,281										5,281			5,281
TE0300	Transit Exp Init (S3) CFC Reduction	(1,858)										(1,858)			(1,858)
TE0400	Eglinton W LRT/Prelim SmartTrack Est	25,917										25,917			25,917
TE0500	SmartTrack Stations	9,775				1,463,000						1,472,775			1,472,775
TE0600	Grade Separation - (SmartTrack)					62,000						62,000			62,000
TE0700	Engagement with the Province Transit	1,609										1,609			1,609
	Total Expenditures (including carry forward from 2020)	43,780				1,525,000						1,568,780			1,568,780

Appendix 6a

2021 Cash Flow and Future Year Commitments Including Carry Forward Funding

Project Code	(In \$000s)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total 2021 Cash Flow & FY Commits	Previously Approved	Change in Scope	New w/ Future Year
TEO100	Eglinton East LRT	3,056										3,056	3,056		
TEO200	Transit Expansion Initiatives	5,281										5,281	5,281		
TEO300	Transit Exp Init (S3) CFC Reduction	(1,858)										(1,858)	(1,858)		
TEO400	Eglinton W LRT/Prelim SmartTrack Est	25,917										25,917	25,917		
TEO500	SmartTrack Stations	9,775				1,463,000						1,472,775	1,472,775		
TEO700	Engagment with the Province Transit	1,609										1,609	1,609		
	Total Expenditure (including carry forward from 2020)	43,780				1,463,000						1,506,780	1,506,780		

Appendix 6b

2022 - 2030 Capital Plan

Project Code	(In \$000s)	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan	2029 Plan	2030 Plan	2022 - 2030 Total	Health & Safety & Legislated	SOGR	Growth & Improved Service
TEO600	Grade Separation - (SmartTrack)				62,000						62,000			62,000
	Total Expenditures				62,000						62,000			62,000

Appendix 7

Reporting on Major Capital Projects: Status Update

N/A

Appendix 8

Summary of Capital Needs Constraints

N/A

Appendix 9

2021 User Fee Changes (Excludes User Fees Adjusted for Inflation)

N/A

Appendix 10

Inflows and Outflows to/from Reserves and Reserve Funds

2021 – 2030 Capital Budget and Plan

Corporate Reserve / Reserve Funds

Reserve / Reserve Fund Name	Project / Sub Project Name and Number	Contributions / (Withdrawals)									
		2021 Budget	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan	2029 Plan	2030 Plan
XQ0011 Capital Financing	Beginning Balance	273,328	257,619	247,855	181,582	28,822	(8,858)	(17,687)	22,213	62,113	100,757
	<i>Withdrawals (-)</i>										
	Transit Expansion Office Withdrawals - Capital	(2,737)	-	-	-	-	-	-	-	-	-
	<i>Other Division/Agency Withdrawals - Capital</i>	(52,872)	(49,664)	(106,173)	(192,660)	(77,580)	(48,729)	-	-	(1,256)	(914)
	Total Withdrawals	(55,609)	(49,664)	(106,173)	(192,660)	(77,580)	(48,729)	-	-	(1,256)	(914)
	<i>Contributions (+)</i>										
	<i>Other Division/Agency Contributions - Operating</i>	39,900	39,900	39,900	39,900	39,900	39,900	39,900	39,900	39,900	39,900
	Total Contributions	39,900	39,900	39,900	39,900	39,900	39,900	39,900	39,900	39,900	39,900
Balance at Year-End		257,619	247,855	181,582	28,822	(8,858)	(17,687)	22,213	62,113	100,757	139,743

* Based on Q3 2020 Reserve Fund Variance Report

Reserve / Reserve Fund Name	Project / Sub Project Name and Number	Contributions / (Withdrawals)									
		2021 Budget	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan	2029 Plan	2030 Plan
XR1730 City Building Reserve Fund	Beginning Balance	152,908	239,481	331,598	424,304	519,666	618,647	720,605	824,174	929,380	1,036,248
	<i>Withdrawals (-)</i>										
	<i>SmartTrack</i>	(5,300)									
	Total Withdrawals	(5,300)	-	-	-	-	-	-	-	-	-
	<i>Contributions (+)</i>										
	<i>Other Division/Agency Contributions - Operating</i>										
	Total Contributions	-	-	-	-	-	-	-	-	-	-
	Other Program/Agency Net Withdrawals and Contributions	91,461	91,461	91,461	91,461	91,461	91,461	91,461	91,461	91,461	91,461
	<i>Total Reserve / Reserve Fund Draws / Contributions</i>	86,161	91,461	91,461	91,461	91,461	91,461	91,461	91,461	91,461	91,461
	Interest Income	412	656	1,245	3,901	7,520	10,497	12,108	13,744	15,407	17,095
Balance at Year-End		239,481	331,598	424,304	519,666	618,647	720,605	824,174	929,380	1,036,248	1,144,804

* Based on Q3 2020 Reserve Fund Variance Report

Appendix 11

Glossary

Approved Position: Permanent or temporary positions that support the delivery of City services and service levels as approved by Council.

Actuals: An actual financial amount paid (or received) for the delivery of City services (these exclude any commitments to be paid in the future).

Capacity to Spend: Ability to spend money along with the capacity to deliver projects as demonstrated by historic spending patterns and approved contractual obligations.

Capital Budget: A Capital Budget is the City's plan to acquire / build assets or extend the useful life of existing assets; an example of a capital expenditure is the construction of a new community centre.

Capital Needs Constraints: The capital needs that cannot be accommodated within the capital plan that the Division or Agency have the capacity to deliver.

Complement: Positions that support the delivery of City services and service levels as approved by Council.

Efficiencies: Reductions in the cost of delivering a service without a reduction in service level.

New / Enhanced: New and enhanced service changes resulting in an increase in service levels from what was previously approved by Council.

Operating Budget: An Operating Budget is the City's annual plan to provide services to the residents of Toronto; the budget includes all revenues and expenses needed to provided services; an example of an operating cost would be the cost to run the TTC subways.

Operating Impact of Completed Capital Projects: The additional expense (or savings) and positions needed to operate or maintain a new asset; an example would be the additional expense and staff needed to operate a recently completed community centre.

Rate Supported Budget: Budget fully funded by user fees such as Solid Waste, Toronto Water and Toronto Parking Authority.

State of Good Repair (SOGR): The cost of maintaining assets to ensure they are able to support the delivery of City services and meet service outcomes.

Tax Supported Budget: Budget funded by property taxes.

User Fees: Program generated fee and rental revenue for the use of its services (such as the TTC fare, ice rental fees and various City permits).

Voluntary Separation Program – On July 28th, 2020, City Council approved the implementation of a Voluntary Separation Program for staff who are eligible to retire with an unreduced pension providing a lump sum payment of up to three months' salary to eligible employees, subject to the terms of the program guidelines, funded through savings generated from a combination of permanently eliminating vacated positions and/or holding the positions vacant for a minimum of six months.