



Budget Committee Recommended 2010 – 2019 Capital Budget and Plan

Date:	November 24, 2009
To:	Executive Committee
From:	City Manager Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2009\Internal Services\FP\Ec09024Fp (AFS#10358)

SUMMARY

This report presents the City of Toronto Budget Committee (BC) Recommended 2010 – 2019 Capital Budget and Plan and recommends approval of 2010 cash flow and future years commitments for capital projects. Furthermore, the report requests Council’s approval of the 2011 - 2019 Capital Plan, which will form the basis for developing future capital budgets, in accordance with the City’s multi-year financial planning and budgeting policy; and recommends that City Council delegate authority to the Mayor and Deputy City Manager and Chief Financial Officer to enter into agreements to borrow for eligible capital projects under the Canada Mortgage and Housing Corporation (CMHC) Low Interest Loan Program on behalf of Toronto Housing Corporation.

The Budget Committee Recommended 2010 Capital Budget and 2011 - 2019 Capital Plan (henceforth ‘Capital Budget and Plan’) invests in capital projects that fulfil the Mayor and Council’s strategic priorities; leverages economic stimulus program funding from the Federal and Provincial governments to renew the City’s infrastructure that support City services and create 30,000 jobs in 2010 and 300,000 jobs during the 10-year term of the capital plan (including rate programs); and maintains the City’s existing infrastructure in a state of good repair. Further, the Capital Budget and Plan invests in transit, public works infrastructure; public safety and emergency services; revitalizes and expands public spaces, and as a key priority, invests in projects that protect the environment.

To fulfil the Mayor and Council’s priorities, the 2010 - 2019 Capital Budget and Plan totals \$16.230 billion. This is comprised of a 2010 Capital Budget of \$2.430 billion, and

estimates of \$13.800 billion for the nine years 2011 – 2019 (see Table 1, below). Capital expenditures to maintain and renew the City’s substantive infrastructure total \$9.837 billion, representing 61% of the total Budget Committee Recommended 2010 – 2019 Capital Budget and Plan (see Table 2, below). This strategy has resulted in decreases to the City’s state of good repair backlog beginning in 2011 and continuing through to 2019. As illustrated later in this report, the state of good repair backlog will decrease from \$1.578 billion in 2009 to \$1.120 billion in 2019 – a reduction of 29%.

While emphasis has been placed on maintaining and protecting the City’s existing infrastructure and physical assets, the Capital Budget and Plan also invests \$5.666 billion over 10 years in strategic and priority service improvement and growth related projects to accommodate increasing service demands and growth.

As illustrated in Table 1 below, Toronto Transit Commission (TTC) alone accounts for more than one-half of the expenditures recommended in the 10-year capital spending plan. Inclusive of Transit City and the Spadina Subway Extension, the TTC 2010 – 2019 Capital Budget and Plan is \$8.713 billion, approximately 54% of the recommended Capital Budget and Plan; and Transportation Services totals \$2.291 billion or 14%. Together, TTC and Transportation Services comprise approximately 68% of expenditures recommended in the Capital Budget and Plan. It is noted that the recommended capital plan includes only one-year funding for Transit City. However, the Province has announced funds totaling \$8.150 billion for four funded Transit City projects.

\$ Million	2010				2011 - 2019				2010 - 2019			
	Gross	Debt / CFC	Target	Over / (Under) Target	Gross	Debt / CFC	Target	Over / (Under) Target	Gross	Debt / CFC	Target	Over / (Under) Target
Citizen Centred Services 'A'	194	81	73	8	1,005	666	647	19	1,199	747	720	27
Citizen Centred Services 'B'	380	309	309	(0)	2,294	2,026	2,026	0	2,674	2,335	2,335	(0)
Internal Services	177	80	73	7	1,394	503	481	22	1,571	583	554	29
Other City Programs	185	55	52	3	710	223	159	64	895	278	211	67
Total City Operations	936	524	507	17	5,403	3,418	3,313	105	6,339	3,943	3,820	123
ABCs Excluding TTC	177	113	100	13	1,001	677	690	(13)	1,178	790	790	(0)
Total Tax Supported Excl.	1,113	637	607	30	6,404	4,096	4,003	93	7,517	4,733	4,610	123
Toronto Transit Commission	1,317	330	470	(140)	7,396	2,274	1,913	361	8,713	2,605	2,383	222
Total	2,430	968	1,077	(109)	13,800	6,370	5,916	454	16,230	7,337	6,993	344

Debt and capital from current contributions (CFC) are the primary funding sources for the Capital Budget and Plan. Debt funding totals \$4.740 billion, or 29% of the Capital Budget and Plan. The recommended debt funding exceeds the debt target of \$4.395 billion by \$344 million, primarily to meet the capital needs of TTC and for priority investments in renewed infrastructure such as the Pan Am Games. TTC exceeded its assigned debt target by \$222 million.

Capital from current funding totals \$2.598 billion or 16% of the total funding allocated in the Capital Budget and Plan. CFC will increase from \$165 million in 2010 to \$354

million in 2019. This represents a 10% annual increase beginning in 2010 in order to reduce reliance on debt funding for capital maintenance and repair projects. In part, because of the policy to increase CFC funding, the BC Recommended 2010 – 2019 Capital Budget and Capital Plan will require no new debt funding except for TTC, beginning in 2014, and no new debt at all beginning in 2015.

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RECOMMENDATIONS

The Budget Committee (BC) recommends that City Council:

- 1) Approve the Budget Committee Recommended 2010 (Tax Supported and Toronto Parking Authority) Capital Budget, which incorporate all decisions made during the Budget Committee meeting of November 16, 2009, a total project cost of \$2.478 billion, requiring cash flows of \$2.869 billion in 2010 and future year commitments of \$1.647 billion in 2011; \$1.203 billion in 2012; \$557.580 million in 2013; \$329.750 million in 2014; and \$556.115 million in 2015 to 2019 as detailed in Appendix 1:
 - a. New Cash Flow Funding for:
 - i) new and change in scope projects / sub-projects with a total project cost of \$2.478 billion requiring: 2010 cash flow of \$948.089 million and future year commitments of \$528.509 million in 2011; \$690.231 million in 2012; \$282.489 million in 2013; \$57.551 million in 2014 and a reduction of \$29.266 million in 2015 to 2019 (see Appendix 1(ii));
 - ii) previously approved projects / sub-projects totalling \$4.274 billion requiring: 2010 cash flow of \$1.511 billion and future year commitments of \$1.118 billion in 2011; \$512.486 million in 2012; \$275.091 million in 2013, \$272.199 million in 2014 and \$585.381 million in 2015 – 2019 (see Appendix 1(iii));

- iii) previously approved projects / sub-projects with carry forward funding from 2008 and prior years requiring 2010 cash flow of \$33.096 million, which forms part of the affordability debt target and require Council to reaffirm its commitment; and,
 - b. 2009 cash flow for previously approved projects / sub-projects with carry forward funding from 2009 into 2010 totalling \$412.833 million (see Appendix 1(v)).
- 2) Approve funding sources for the Budget Committee Recommended 2010 (Tax Supported) Capital Budget (including 2009 carry forward project funding) comprised of: \$265.893 million from Reserves and Reserve Funds; \$165 million in Capital from Current funding; \$79.781 million in Developmental Charge funding; \$397.218 million in Provincial Grants and Subsidies; \$392.191 million in Federal Subsidies; \$655.520 million from other sources; and debt of \$916.047 million (inclusive of 2009 carry forward debt funding of \$113.476 million).
- 3) Consider Program operating impacts resulting from approval of the Budget Committee Recommended 2010 Capital Budget of \$9.270 million in 2010 and incremental costs of \$21.540 million in 2011; \$9.800 million in 2012; \$7.548 million in 2013; \$4.613 million in 2014; and, \$8.540 million in 2015 – 2019, for inclusion in the 2010 and future years' operating budgets.
- 4) Approve the Budget Committee Recommended 2011 – 2019 Capital Plan (estimates) for the City of Toronto (excluding Toronto Water and Solid Waste Management Services) totalling \$9.793 billion, comprised of \$943.974 million in 2011, \$1.372 billion in 2012; \$1.367 billion in 2013; \$1.337 billion in 2014; \$1.050 billion in 2015; \$900.853 million in 2016; \$932.298 million in 2017; \$975.228 million in 2018 and \$913.229 million in 2019.
- 5) Approve the Budget Committee Recommended 2010 Capital Budget and 2011 – 2019 Capital Plan recommendations for City Programs, Agencies, Boards and Commissions as detailed in Appendix 5.
- 6) Delegate authority to the Deputy City Manager and Chief Financial Officer to execute Commitment Letters issued to the City of Toronto by the Canada Mortgage and Housing Corporation under the Municipal Infrastructure Lending Program, for loans not to exceed a total of \$250 million in 2010.
- 7) Delegate authority to the Mayor and Deputy City Manager and Chief Financial Officer to execute the Loan Agreement(s) with the Canada Mortgage and Housing Corporation under the Municipal Infrastructure Lending Program, regarding loans for which Commitment Letters have been signed, for loans not to exceed a total of \$250 million in 2010 and for a term(s) not to exceed the shorter of 30 years or the useful life of the project.

- 8) Delegate authority to issue the debentures to the Debenture Committee or City Council, with the decision between using the Debenture Committee or Council to be made by the Deputy City Manager and Chief Financial Officer, based on timing and operational concerns.
- 9) Receive the reports, transmittals and communications that are on file with the City Clerk's Office including Appendix 6 herewith attached, as considered by the Budget Committee at its 2010 Capital Budget review meetings of November 16, 2009.

FINANCIAL IMPLICATIONS

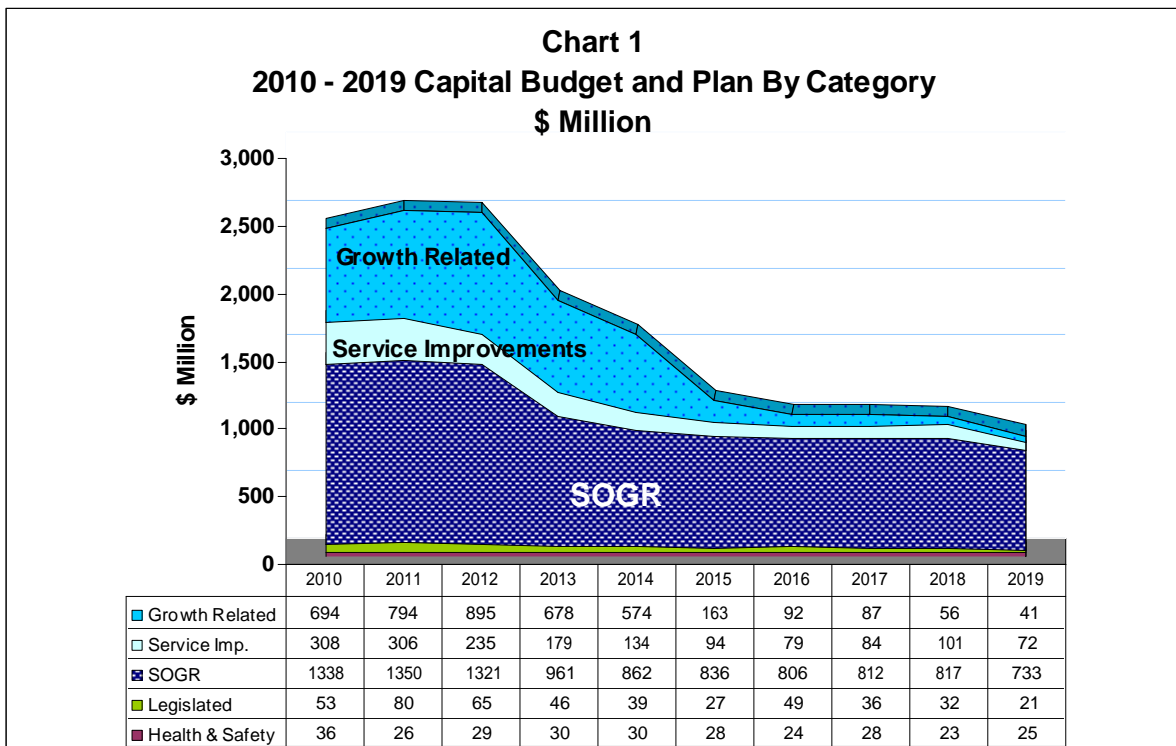
OVERVIEW

The Budget Committee Recommended 2010 – 2019 Capital Budget and Plan is prioritized into five categories as shown in Table 2 below. Consistent with the 2010 Capital Budget directions and guidelines, the recommended Capital Budget and Plan focuses on maintaining and rehabilitating existing infrastructure to deliver services that are needed by the citizens of Toronto. Table 2 shows that \$10.565 billion or 65% of the Budget Committee Recommended 2010 - 2019 Capital Budget and Plan of \$16.230 billion is allocated to Legislated, Health and Safety, and State of Good Repair (SOGR) projects.

(\$ Million)	2010 - 2014							2015 - 2019		2010 - 2019	
	2010	2011	2012	2013	2014	Total	%	Total	%	Total	%
Expenditures:											
Health and Safety	36	26	29	30	30	151	1.4%	128	2.5%	279	1.7%
Legislated	53	80	65	46	39	283	2.6%	166	3.2%	449	2.8%
State of Good Repair	1,338	1,350	1,321	961	862	5,833	52.7%	4,004	77.5%	9,837	60.6%
Service Improv.	308	306	235	179	134	1,162	10.5%	430	8.3%	1,592	9.8%
Growth Related	694	794	895	678	574	3,635	32.9%	439	8.5%	4,074	25.1%
Total Expenditures	2,430	2,555	2,545	1,895	1,640	11,064	100%	5,166	100%	16,230	100%
Funded By:											
Provincial	378	515	526	357	298	2,073	18.7%	815	15.8%	2,889	17.8%
Federal	378	391	378	330	295	1,772	16.0%	655	12.7%	2,426	14.9%
Reserves	101	147	110	131	95	583	5.3%	473	9.2%	1,056	6.5%
Reserve Funds	80	75	67	16	18	255	2.3%	89	1.7%	344	2.1%
Capital from Current	165	182	200	220	242	1,009	9.1%	1,589	30.8%	2,598	16.0%
Development Charges	72	46	52	38	32	241	2.2%	143	2.8%	384	2.4%
Other	454	279	280	246	255	1,514	13.7%	279	5.4%	1,793	11.0%
Debt	803	921	930	558	405	3,617	32.7%	1,123	21.7%	4,740	29.2%
Total Funding	2,430	2,555	2,545	1,895	1,640	11,064	100%	5,166	100%	16,230	100%

The emphasis on protection and preservation of existing infrastructure continues throughout the ten-year term of the Capital Budget and Plan as graphically illustrated in Chart 1. Although planned spending on state of good repair decreases from \$1.338 billion in 2010 to \$733 million in 2019, it is noted that as a percent of total annual expenditures, SOGR expenditures grow incrementally from 55% in 2010 to 82% in 2019.

Despite the growing requirement for investment in infrastructure maintenance and to mitigate SOGR backlog, the 10-Year Capital Plan allocates funding to address the need to also invest in essential service improvement and growth related projects to fulfil Council’s strategic priorities, as well as to satisfy the increasing service demands of a growing population. Investment in Service Improvement and Growth Related projects totals \$1.002 billion, or approximately 41% of the 2010 Recommended Capital Budget. A further investment of \$4.664 billion or 34% of the recommended funding in 2011 – 2019 Capital Plan is allocated to Service Improvement and Growth Related projects, resulting in a total investment of \$5.666 billion over the 10-year term of the Capital Budget and Plan.



Debt financing totals \$4.740 billion or 29% of the funding requirement for the Budget Committee Recommended 2010 to 2019 Capital Budget and Plan of \$16.230 billion. Other financing sources include: Reserve and Reserve Funds of \$1.400 billion or approximately 9% of total funding requirement; Capital from Current financing of \$2.598 billion; Development Charge funding of \$384 million; Federal grants and subsidies of \$2.426 billion; Provincial grants and subsidies of \$2.889 billion; and other funding sources of \$1.793 billion, which include donations, contribution from developers, and other third party funding.

Sections 71-10 and 71-11 of the Financial Control By-law specify: (i) that no expenditure shall be made and no account shall be paid by or on behalf of the City, except with Council approval; and (ii) that no commitment shall be made except where cash flow funding has been provided in the ... capital budget to the satisfaction of the Chief Financial Officer. Therefore, approval of the 2011 – 2019 Capital Plan does not constitute

cash flow or spending approval; this is achieved through the approval of the annual capital budget for which funds are appropriated for the fiscal year. The capital budget and plan represents a long-term framework for planning and implementing capital activities, and the basis for developing the annual capital budget.

Toronto Economic Stimulus Program

The Budget Committee Recommended 2010 – 2019 Capital Budget and Plan includes capital projects that are cost-shared with the Federal and Provincial governments under the Infrastructure Stimulus Fund (ISF) and the Recreational Infrastructure Canada Program in Ontario and the Ontario REC (RInC-REC) programs. While these projects were already included in the City's 2009 – 2018 Capital Plan, several were accelerated to 2009, 2010 and 2011 in order to meet the eligibility criteria established by the Federal and Provincial governments.

As shown in Table 3 below, approved economic stimulus program projects total \$675.578 million, of which \$413.722 million is attributed to Tax Supported Programs and ABCs. RInC-REC approved project costs totalling \$80.286 million are fully attributed to the City's Tax Supported programs. By entering into these economic stimulus agreements, the City reduced its debt funding requirement by \$141.242 million and increased Federal and Provincial funding by \$239.478 million. It is estimated (based on the FCM municipal infrastructure multiplier) that the economic stimulus projects will create 7,247 jobs during the years 2009, 2010 and 2011.

Table 3 summarizes by City Program and Agency, Board and Commission the project costs approved for stimulus funding by the Federal and Provincial governments. Total cost of ISF projects is \$595.292 million of which approximately one-third or \$198.184 million is funded by the Federal government; the remaining two-thirds or \$397.108 million is funded by the City. Further, Table 3 shows that of the \$675.578 million of ISF and RInC projects cost, \$598.473 million was already included in the 2009 – 2018 Council Approved Capital Plan. The difference of \$77.105 million is due to project cost increases for previously approved projects primarily for Toronto Water and Toronto Public Library.

To ensure that the City realizes its full share of the economic stimulus funds, City Programs and ABCs have been asked to ensure that ISF and RInC projects are implemented as the highest priority for 2010 and 2011; and Finance staff have been committed to facilitate implementation by streamlining administrative processes, where possible. Moreover, a working group coordinated by City Manager's Office has been established and will meet monthly to facilitate implementation of ISF and RInC projects.

**Table 3
Infrastructure Stimulus Fund
Adjustment to 2009 Capital Budget and 2010 to 2018 Capital Plan**

	ISF / RInC Approved Projects	Project Cost 2009 - 2018 Approved	Change in Cash Flow	Federal / Provincial ISF / RInC Funds	Allocation of ISF / RInC				
					Reserve	Reserve Fund	DC	Other	Debt
Tax Levy Programs and ABCs:									
Children' Services	5,397	700	4,697	1,799				1,948	950
Economic Development, Culture and Tourism	1,270	1,270		424					(424)
Emergency Medical Services	13,853	13,853		4,618					(4,618)
Parks, Forestry and Recreations	12,454	11,715	739	4,237	200	(368)		(267)	(3,064)
Transportation Services	82,538	82,538		27,513					(27,513)
Facilities and Real Estate (F&RE)	3,229	3,229		1,076					(1,076)
F&RE - Father Henry Carr	4,000	2,604	1,396	1,000				1,000	(604)
Sustainable Energy Plan	1,765	1,765		588		(588)			
Exhibition Place	27,370	27,370		9,123				(700)	(8,423)
Toronto Public Library	13,260	4,260	9,000	4,420				6,000	(1,420)
Toronto Police Service	55,119	52,619	2,500	18,373			2,500		(18,373)
Yonge Dundas Square	200	150	50	67				(17)	
Toronto Transit	193,267	193,266		64,422					(64,422)
Total Tax Levy - ISF	413,722	395,339	18,382	137,661	200	(956)	2,500	7,965	(128,986)
Rate Supported Programs:									
Solid Waste Management	11,048	11,048		3,683					(3,683)
Toronto Water	170,522	108,540	61,982	56,841	3,828		633	680	
Total Rate Supported Programs	181,570	119,588	61,982	60,523	3,828		633	(3,003)	
Total ISF	595,292	514,927	80,364	198,184	4,028	(956)	3,133	4,962	(128,986)
Recreational Infrastructure (RInC-REC):									
Parks, Forestry and Recreation	57,019	51,256	5,763	27,973		(2,840)	6,304	(3,721)	(21,953)
Transportation Services	23,267	32,290	(9,023)	13,320	(751)		(2,499)	(28,790)	9,697
Total Tax Levy - RInC	80,286	83,546	(3,260)	41,293	(751)	(2,840)	3,805	(32,511)	(12,256)
Total ISF and RInC-REC	675,578	598,473	77,105	239,478	3,277	(3,796)	6,938	(27,549)	(141,242)

Other Provincial and Federal Funding

A prevailing assumption of the Capital Budget and Plan is that the Federal and Provincial governments will continue to cost-share the TTC capital program. In 2008 and 2009, the City successfully negotiated significant funding support for base transit needs, including the Scarborough Rapid Transit line conversion and expansion. Funding from the other orders of governments for the TTC Capital Budget and Plan includes \$1.655 billion from the Province of Ontario and \$1.678 billion from the Federal government. Including funding for ISF projects, RInC projects, transit and other cost-shared projects, the Federal and Provincial governments are committed to fund \$2.427 billion and \$2.889 billion respectively, for a total of \$5.316 billion or 33% of the Capital Budget and Plan's financing over the 10-year period.

Debt Financing

Debt targets for the 2010 – 2019 Capital Budget and Plan were established based on debt levels approved by Council for the 2009 – 2018 Capital Budget and Plan, with the addition of debt targets for 2019. In general, except for adjustments for debt relief due to the ISF and RInC-REC programs and announced Transit City funding, the 2010 – 2019 debt targets are the same for most City Programs and ABCs. Exceptions include the Spadina Subway Extension project and the Waterfront Revitalization Initiative that were awarded \$600 million debt to replace funding from the Strategic Infrastructure Reserve Fund; the inclusion of Pan AM Games at a cost of \$49.5 million for which no debt target was awarded; and increase to the TTC to accommodate the \$487 million additional debt needs identified in the approved 2009 – 2018 Capital Budget and Plan. The 2010 – 2019

debt targets total \$4.395 billion, an increase of \$544 million over the 2009 – 2018 amount of \$3.851 billion.

As shown in Table 4 below, the debt target for 2010 was \$911 million and for 2010 – 2019 totalled \$4.395 billion. After adjusting for retired / reissued debt of \$260 million in 2010, the *new* debt requirement was established at \$651 million for 2010 and a total of \$1.563 billion for the 10-year term of the Capital Budget and Plan. As shown in Table 4 and illustrated in Chart 2, new debt is required mainly to fund the TTC. This is primarily due to the fact that, in the absence of sufficient, sustainable alternative funding sources, the City continues to make a disproportionate debt contribution to fund the TTC capital program.

	2009 Council Approved Debt/CFC	2010	2011	2012	2013	2014	2015 - 2019	2010 - 2019 Debt / CFC Target
Baseline Debt (Retire / Reissue)	225	260	200	0	120	228	2,024	2,832
New Debt:								
TTC (includes Spadina)	200	470	523	393	281	193	522	2,382
City Programs and Other ABCs	40	181	135	247	87	(35)	(1,434)	(819)
Total New Debt	240	651	658	640	368	158	(912)	1,563
Total Debt (for issuance)	465	911	858	640	488	386	1,112	4,395
Capital from Current (CFC)	150	165	182	200	220	242	1,589	2,598
Total Debt & CFC	615	1,076	1,040	840	708	628	2,701	6,993

The Budget Committee Recommended 2010 Capital Budget is under the approved debt target by \$109 million mainly due to TTC which is \$140 million under its debt target (as was shown in Table 1, above). However, over the 10 years 2010 – 2019, the debt required to finance the Capital Budget and Plan is \$4.740 billion which is over the approved debt target by \$344 million - primarily attributed to TTC. The 2010 - 2019 Recommended Capital Plan for the TTC is over the debt affordability target of \$2.038 billion by \$222 million or 10.9% over the 10-year term of the Capital Plan. The TTC is over its debt target primarily due to \$104 million in third party funding which was not received for the H6 replacement subway cars and an additional \$96 million in third party funding which is required for the Automatic Train Control project.

Debt Service Ratio

At its meeting of June 27-29, 2006 (Policy and Finance Committee, Report 5, Clause 25) Council affirmed that the maximum limit of debt service charges as a percentage of total

property tax be established at 15% as a benchmark for evaluating capital expenditure levels. As a result of a recommended debt restructuring strategy discussed in the companion report entitled 'Long Term Financial Strategies – Debt Restructuring', the debt service charge ratio resulting from the Budget Committee Recommended 2010 -2019 Capital Budget and Plan will not exceed the approved 15% debt service charge guideline above.

Authority to Issue Debentures During 2010

The proceeds from debentures to be issued under the authority recommended in this report will be used to finance capital expenditures that have been incurred or committed for approved projects. Authority of up to \$700 million for City purposes is being recommended in the companion 'Long Term Financial Strategies – Debt Restructuring' report in order to maintain flexibility and the ability to finance:

- a. capital expenditures that were previously approved but not yet permanently financed, and;
- b. debenture requirements as contained in the Budget Committee Recommended 10-Year Capital Budget and Plan will be considered by Council on December, 8, 2009.

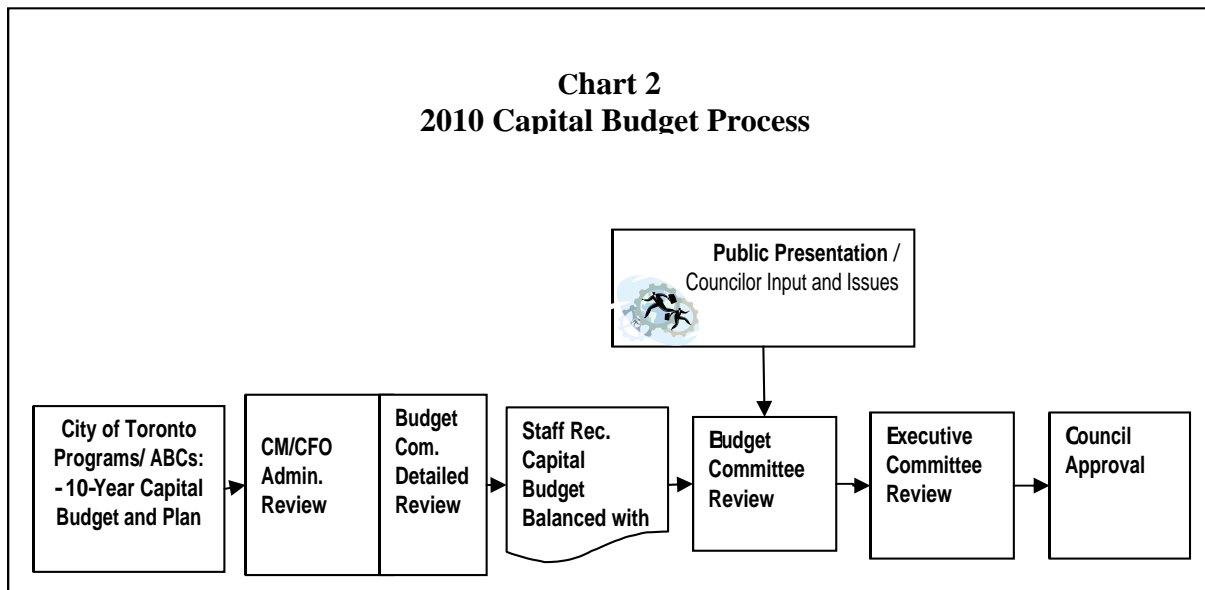
The Deputy City Manager & Chief Financial Officer confirms that borrowing \$700 million to fund 2010 capital expenditures: (i) can be financed by the issuance of debentures with terms of up to 30 years; and, (ii) is within the City's updated Debt and Financial Obligation Limit. The Deputy City Manager & Chief Financial Officer further confirms that funds are available from the other funding sources identified in the Budget Committee Recommended 2010 Capital Budget.

COMMENTS

The 2010 Capital Budget Process

Chart 2 illustrates the City of Toronto's Capital Budget Process. The 10-Year Capital Plan details capital projects required to deliver the services and service levels needed by the citizens of Toronto over a 10-year period, and shows how these projects will be funded. Beginning in 2010, and in accordance with the City's long term fiscal planning framework, and strategic directions, a firm 10-year Capital Budget and Plan will be recommended to City Council for approval. The first year of the capital plan represents the Capital Budget. The remaining 9 years will constitute a framework for developing future years capital budgets. 2010 is the first year that a firm 10-year Capital Plan will be submitted for approval. Key elements of this Capital Budget process include the following:

- The Executive Committee and the Mayor establishes priorities and provides upfront directions and guidelines which set the framework for staff to develop a balanced capital budget and plan that implement Council's strategic policy agenda; aligns resources to priorities; is based on sound financial management principles; and, meets prescribed budgetary targets.
- The City Manager, and Deputy City Manager and Chief Financial Officer review capital submissions by City Programs, Agencies, Boards and Commissions to ensure compliance with budget policies, Council directions and priorities and that the proposed projects within the multi-year Capital Plan have merit, are cost effective and are ready to proceed within annual debt limits.



- The Budget Committee performs detailed reviews of individual City Programs and ABCs' capital budgets and plans to confirm that Executive Committee's guidelines and directions are met.

- On behalf of the Executive Committee, the Budget Committee holds formal meetings to hear public presentations and to receive input from Councillors on issues they may raise, and where warranted, recommends amendments to the staff recommended Capital Budget and Plan.
- The Budget Committee recommends a 10-Year Capital Budget and Plan to the Executive Committee. At a minimum, the 10-Year Capital Budget and Plan must strategically align resources to Council and the Mayor's priorities; highlight expected results and outcomes; and confirm recommended financial strategies, particularly the need to meet annual debt affordability limits.
- The Executive Committee reviews the Capital Budget and Plan to ensure that they address major fiscal and policy issues and confirms the budget as a strategic financial plan that will implement Council policies and priorities, and meet community service demands.
- On behalf of the Executive Committee, the Mayor presents the Recommended 10-Year Capital Budget and Plan to City Council for approval.

To maintain the integrity of the 10-year Capital Budget and Plan, projects are firmly placed in the year in which they will be implemented or developed. Moreover, as a policy and accountability requirement, approved capital investment and funding plans cannot be changed without explicit approval by Council. It is noted that some flexibility is provided by permitting acceleration or deferral of projects but only with the approval of Council. Furthermore, funding associated with acceleration or deferral of specific project(s) in any year, must be fully offset by shifting another project or projects with equal value to ensure a neutral impact on debt annually.

City Manager and Deputy City Manager & Chief Financial Officer Review

To ensure compliance with directions, guidelines, and affordable debt targets, the City Manager (CM) and Deputy City Manager and Chief Financial Officer (DCM & CFO) reviewed the capital submissions from City Programs and ABCs and recommended a 2010 – 2019 Capital Budget and Plan to the Budget Committee. The CM and DCM & CFO reviews focused on the following:

- Ensuring that the capital budget and plan is affordable and finances highest priority projects on a City-wide basis.
- Allocating available funds in the following priority order:
 - Completion of ISF and RInC projects in 2010 & 2011
 - Previously approved projects already in progress, with focus on those with partnership/other government funding
 - Health and Safety, Legislated and State of Good Repair (SOGR) projects
 - Service Improvement and Growth projects

- Ensuring that the 10–Year Capital Plan is based on project readiness, spending capacity, and achieves a balance between maintaining existing City assets in a state of good repair while addressing service gaps and priorities on a City-wide basis.
- Limiting debt use to fund long-term capital improvements and reduce the City’s reliance on debt; and ensuring that assigned debt affordability targets were met and where required, taking appropriate corrective action.
- Ensuring that available resources are utilized to mitigate SOGR backlog and to minimize risks associated with delayed maintenance of the City’s aging infrastructure.
- Evaluating assumptions and rationale used to confirm that projects included in the Capital Plan satisfy key Council priorities; and the extent to which needs analysis, effective scheduling, and ability to spend were factors influencing project prioritization;
- Ensuring that cost-sharing partnerships were explored in order to leverage capital program spending;
- Assuring that challenges and risks to effective and sustainable delivery of services and service levels were appropriately addressed; and,
- Evaluating operating impacts to ensure reasonableness and that the operating budget is not unduly burdened.

In general, the capital budget and plan submissions complied with guidelines, focussed on maintaining existing infrastructure and included moderate strategic investments in service improvement and expansion projects in order to satisfy growth demands without compromising the health and safety of the public. As a direct result of significant investments in capital infrastructure the SOGR backlog will be decrease during the 10-year term of the Capital Budget and Plan.

Budget Committee Recommended 2010 - 2019 Capital Budget and Plan

The Budget Committee Recommended 2010 - 2019 Capital Budget and Plan satisfies Council’s policy agenda, is fiscally responsible and focuses on infrastructure rehabilitation. It places priority on projects that protect the health and safety of citizens, meets legislated requirements, completes Federal and Provincial ISF and RInC-REC stimulus projects, and those that maintain the City’s infrastructure in a state of good repair to support cost-effective service delivery. Balancing the extensive capital maintenance needs of the City’s massive and aging infrastructure against demands for new investments to satisfy the service and service level requirements of a growing community and emergent priorities continues to be a challenge. This is particularly difficult in the fiscally constrained environment that confronts the City. Nevertheless, the 2010- 2019 Recommended Capital Budget and Plan address these competing demands.

The BC Recommended 2010 – 2019 Capital Budget and Plan achieves the following objectives:

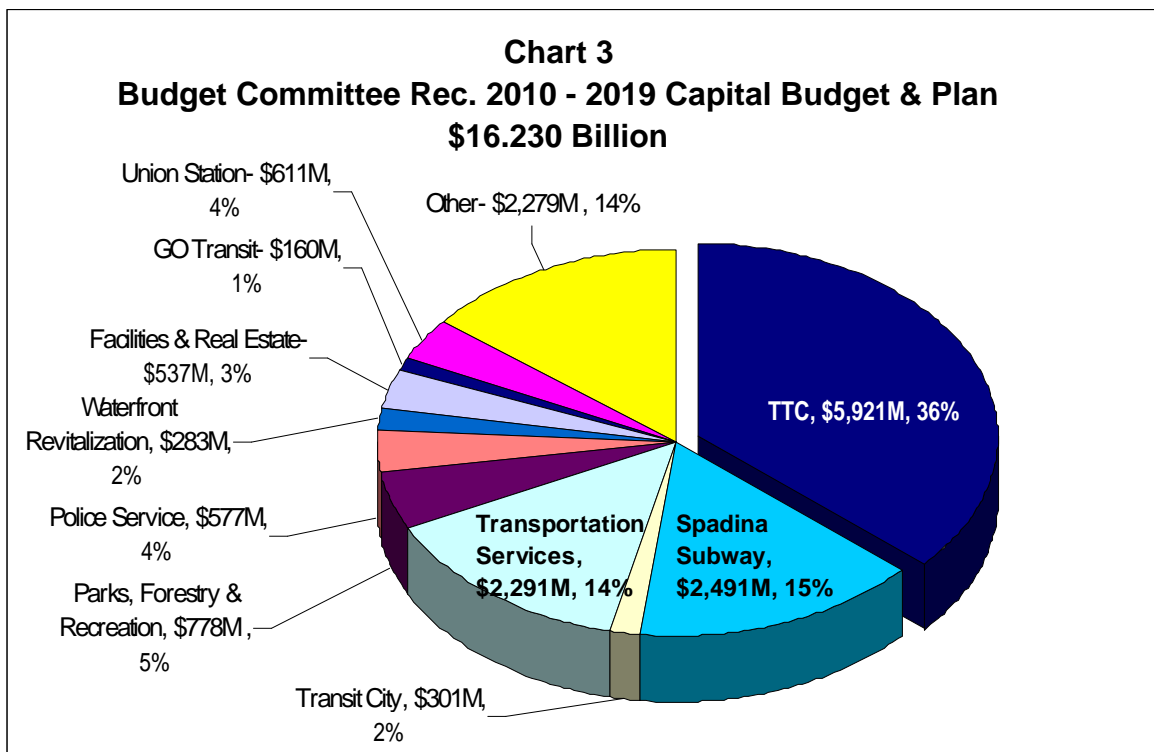
- Focuses spending on maintaining and protecting the City’s infrastructure in order to ensure that services demanded by the citizens of Toronto will be delivered in a

sustainable manner in the long term.

- Reduces the state of good repair backlog starting in 2010.
- Eliminates new debt requirement for City operations beginning in 2014 as a direct result of annually increasing Capital from Current funding by 10% starting in 2011. In part, this was made possible by securing increased partnership funding from Federal and Provincial governments.
- Aligns new investments in highest priority needs and priorities.
- Manages debt to mitigate the debt service charge burden on Operating Budget.

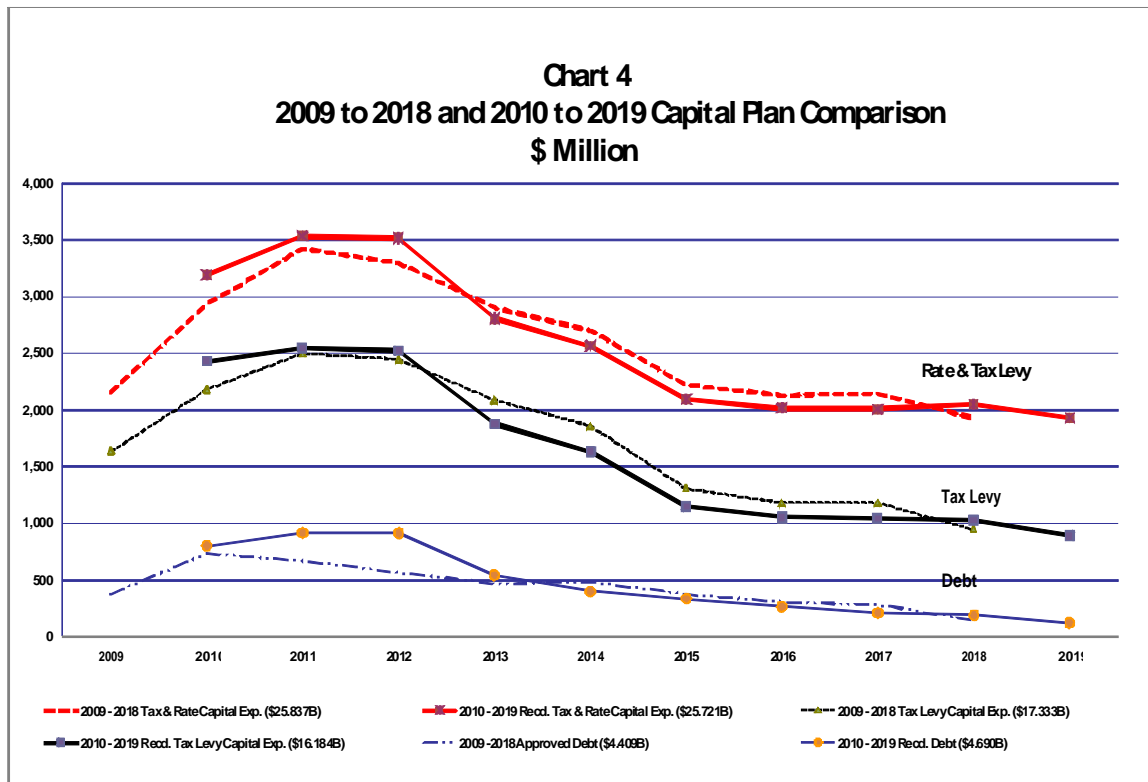
The 2010 – 2019 Recommended Capital Budget and Plan includes investment in service expansion and growth projects that are critical to the achievement of key priorities such as making a safe city safer, building a clean, green and beautiful waterfront, and making Toronto a transit friendly city.

The Budget Committee Recommended 2010 - 2019 Capital Budget and Plan, totals \$16.230 billion (excluding 2009 carry forward funding). As shown in Chart 3 below, the recommended expenditures for the TTC accounts for more than one half of the 10-year capital spending plan. The Recommended 2010 - 2019 Capital Budget and Plan for TTC (inclusive of Spadina Subway Extension and proposed Transit City funding) is \$8.713 billion or 54% of the City’s 10-year capital spending plan; while Transportation Services represents \$2.291 billion or 14%. Together, TTC and Transportation Services comprise approximately 69% of the 2010 – 2019 Capital Budget and Plan expenditures.



Comparison of the 2009 – 2018 and 2010 – 2019 Capital Plans

Chart 4 compares the 2010 – 2019 Capital Budget and Plan to the 2009 – 2018 Approved Capital Plan. It is noted that total capital expenditures for the total tax and rate Capital Budget and Plan follow the same pattern: expenditures are highest in the early years then begin to drop in 2012. Comparatively, total expenditures for total tax supported and rate Capital Plans are roughly the same: \$25.837 billion in 2009 – 2018, and \$25.721 billion in 2010 – 2019.



The 2009 – 2018 Approved Capital Budget and Plan was \$17.333 billion compared to the Budget Committee Recommended 2010 – 2019 Capital Budget and Plan of \$16.184 billion. This represents a decrease of \$1.149 billion. As is evident in the chart, the 2009 – 2019 Capital Plan when compared to the 2010 – 2019 Capital Plan shows spending increases in 2010, 2011 and 2012 with decreases in later years. The increases in the earlier years are primarily because of acceleration of projects to leverage funding from the Federal / Provincial economic stimulus programs, along with the following:

- Transit City start up costs in the amount of \$379 million in 2010 to enable the project to continue moving forward with an understanding that the Province will sign a permanent funding agreement for Transit City.

- Toronto Police Services - \$16.078 million increase in gross expenditures in 2010 due to the acceleration of funding for the Property and Evidence Management Storage project.
- Financial Services - \$23.594 million increase in 2011 primarily for investment in SAP technologies for City Programs for financial and human resources process re-engineering to sustain and revitalize the system.
- Long Term Care Homes Services - \$21.310 million increase in 2011 for the legislated redevelopment of Kipling Acres into a 192-bed long-term care home.
- Facilities & Real Estate - \$13.254 million additional redevelopment cost for St. Lawrence Market North not previously budgeted in 2011.
- Fleet Services - \$17.696 million increase to replace Solid Waste Management “Packer” vehicle fleet beginning in 2011.
- Union Station - \$16.972 million increase in 2011, \$22.377 million in 2012 and \$60.589 in 2013. These expenditures are for the Revitalization of Union Station, specifically the construction work required to complete the Bay Street and York Street Concourses and the associated connections to improve pedestrian access routes within the Station; heritage restoration; construction of new retail areas, loading docks, and west wing offices.

Recommended debt financing for the 2010 – 2019 Capital Budget and Plan totalling \$4.740 billion reflects an increase of \$331 million when compared to the approved debt of \$4.409 billion for the 2009 – 2018 Capital Plan. As shown in Chart 4, debt funding in the 2010 – 2019 Capital Budget and Plan shows a significant increase in years 2010, 2011 and 2012, when compared with the prior 10-Year Capital Plan; then decreases in the outer years. For the most part, the increases are attributed to the following:

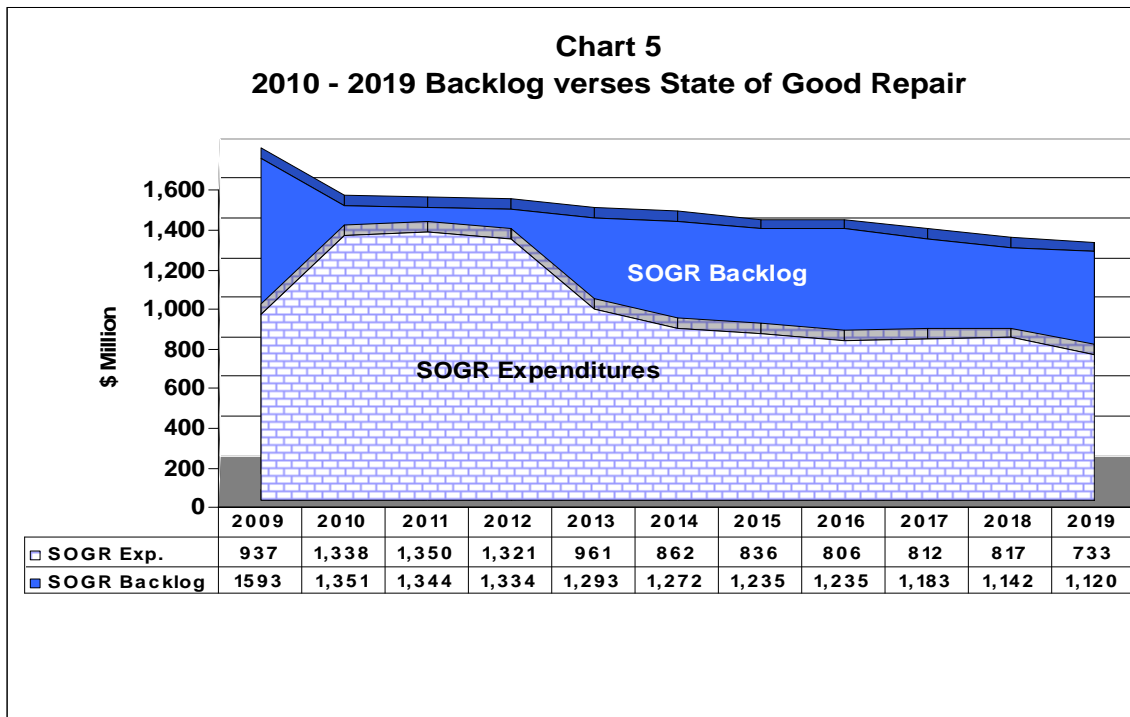
- Replacement of reserve funding with debt as part of the Long Term Financing Strategy – Debt Restructuring recommended change for:
 - Waterfront Revitalization Initiative projects in the amount of \$189.584 million for the period 2010 to 2012 (and \$255.687 million over the term of the capital plan); and,
 - Spadina Subway Expansion in the amount of \$31.542 million in 2010, \$115.726 million in 2011, \$133.410 million in 2012 and \$63.635 million in 2013 (totalling \$344.313 million).
- Replacement of \$50.459 million third party funding in 2011 and \$181.976 in 2012 with debt primarily for H6 replacement subway car project (\$68.119 million) and LRV project replacing Federal funding with debt (\$16.380 million).

State of Good Repair SOGR) Backlog

Managing the significant accumulated SOGR backlog is a key capital policy objective and priority. The City’s expansive infrastructure is aging which places a huge burden on its limited own-source revenues to ensure that assets are kept in a state of good repair. Neglecting to maintain the City’s infrastructure on a timely basis invariably leads to higher rehabilitation, restoration and replacement costs to taxpayers in the future.

As evident in Chart 5, SOGR backlog will begin to decrease in 2010 and will decrease substantively by 2019. As shown in the Chart, the SOGR backlog will decrease from \$1.583 billion in 2009 to \$1.120 billion by 2019 – a decrease of \$453 million or 29%. This decrease confirms that the 2010 – 2019 Recommended Capital Budget and Plan advances the strategic direction to focus spending on maintaining the City’s infrastructure.

To further reduce the state of good repair backlog, the City needs sustainable and predictable funding to invest in capital maintenance and replacement in order to restore its infrastructure to the desired state of good repair. New funding strategies must be pursued in order to reduce the burden on debt financing while achieving the desirable goal of fully addressing the SOGR backlog and growth-related infrastructure demands. Additional new debt issuance is not a tenable option as the City addresses its structural fiscal deficit as the associated increase to debt service costs would exacerbate the already significant annual operating budget pressure. The City will continue to ensure that available resources are used effectively to ensure that the highest priority and most urgent capital maintenance projects proceed and that risks of further deterioration of the existing infrastructure are mitigated.



Incremental Operating Impacts

As an integral part of the annual capital budget process, the cost impact on the operating budget of each project over its life is evaluated. The objective of this evaluation is to ensure that all operating cost increases associated with the 10-Year Capital Plan and Plan are both accurate and affordable, and to factor these cost increases in the annual operating budget and forecasts. Similarly, operating savings arising from the completion of capital

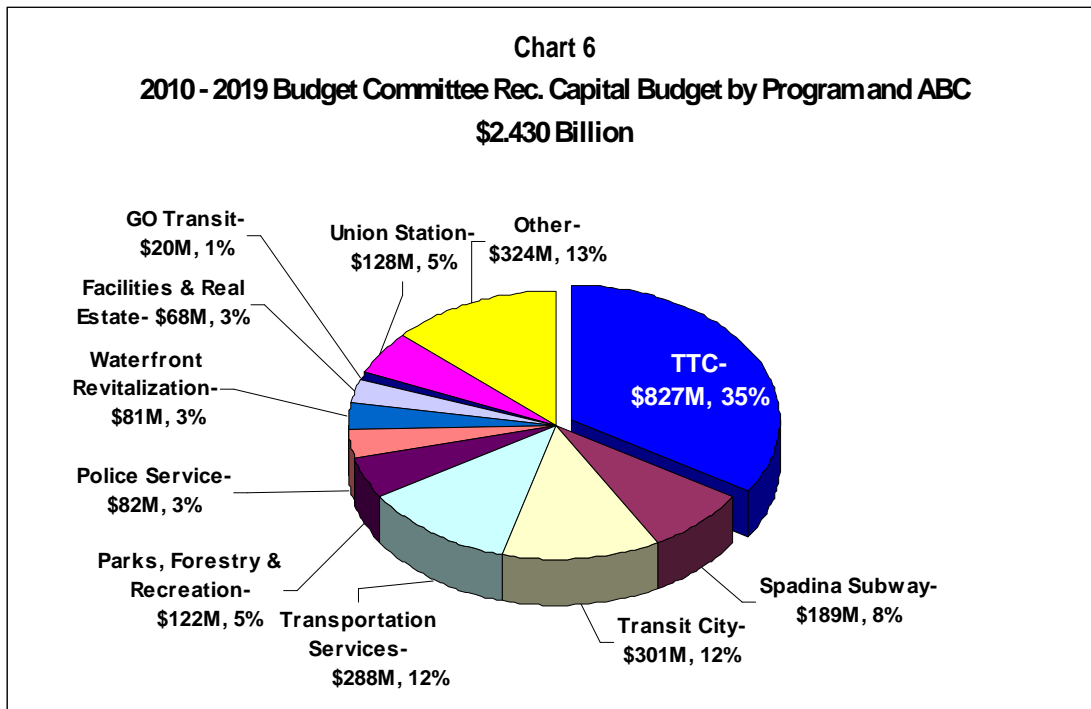
projects are also captured. Capital projects impact the operating budget in the following ways:

- i. Principal repayment and interest payments on debt issued to finance the capital plan;
- ii. Increased operating costs including ongoing maintenance operating and programming costs for new infrastructure, or change or expanded facilities;
- iii. Efficiency savings from capital investments that reduce operating costs; and,
- iv. Direct contributions from the Operating Fund to finance pay-as-you-go capital projects thereby reducing the annual borrowing requirements.

The debt services charges incremental impact of the Budget Committee Recommended 2010 – 2019 Capital Budget and Plan, on the Operating Budget is reflected in the individual City Program and ABC budget recommendations (See Appendix 5), and in the companion ‘Long Term Financial Strategy – Debt Restructuring Report’. Incremental increases to Program and ABC costs are estimated at \$62 million. Program costs will be included in the operating budget of the appropriate City Programs and ABC.

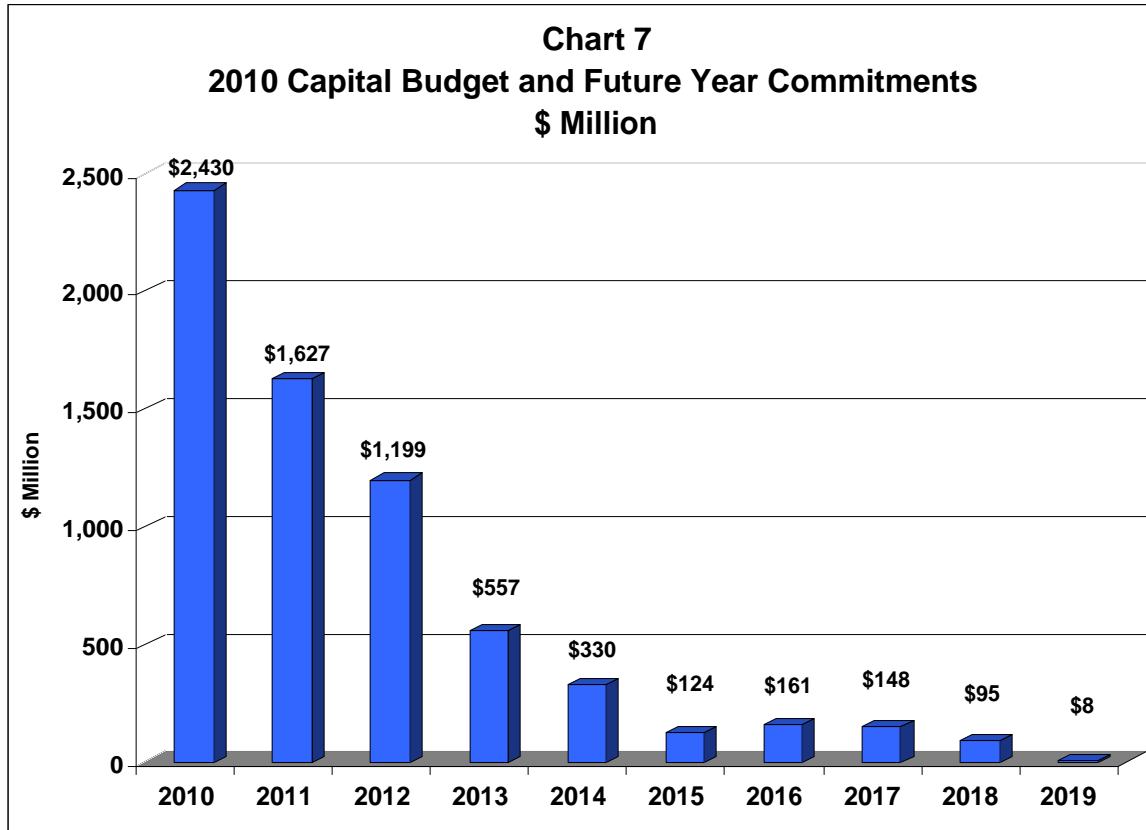
2010 Recommended Capital Budget by Major Program

Chart 6 below illustrates the BC Recommended Tax Supported 2010 Capital Budget of \$2.430 billion by major Program and ABC. Capital funding for TTC (inclusive of Spadina Subway Extension and Transit City funding) represents more than one-half of the funding recommended for the program’s expenditures 2010 Capital Budget, followed by Transportation Services which accounts for 12%. Given a substantive increase in the debt recommended for Parks, Forestry and Recreation, this program’s expenditures account for 5% of the total 2010 Recommended Capital Budget. This allocation is generally consistent over the 10-year planning horizon.



2010 Recommended Capital Budget and Future Year Commitments

Approval of the Budget Committee Recommended 2010 Capital Budget of \$2.430 billion (excluding 2009 carry forward funding) will commit Council to future year cash flow funding of \$1.627 billion in 2011; \$1.199 billion in 2012; \$557.380 million in 2013; and \$329.750 million in 2014 and \$556.115 million in 2015 and beyond for a total of \$6.699 billion for multi-year projects (see Chart 7).



2010 Capital Budget Including Carry Forward Funding

In accordance with the City's Carry Forward Funding Policy, financing to continue work on 2009 projects that were not completed as planned, require Council approval and is included in the recommended 2010 cash flow.

A capital project with carry forward funding is a previously approved project for which approved capital work was not completed on schedule and the associated cash flow budget was not fully spent and / or committed in the year of approval and, therefore, the unspent amount, or a portion thereof, is required in future years to complete the project. Key elements of the carry forward policy include the following:

- Cash flow funding approval will continue to exist for one fiscal year subsequent to the year in which the project / sub-project funding was approved. In effect, City Programs and ABCs will be allowed to carry forward unspent funds for capital projects / sub-projects for a period of one year subsequent to the year of original approval;
- Carry forward funding requests for projects approved in the previous fiscal year will not form part of the budget year's debt affordability targets. However, Council approval to carry forward the unspent amount must be obtained in order to establish spending authority;
- Where a project is not completed and approved funds are still not fully spent by the end of the second fiscal year, any carry forward funding request will be treated as new and any further spending / funding request will form part of that year's debt affordability targets;
- Change in cash flows and / or project costs that change the scope of projects will not constitute carry forward funding, under the premise of this policy. Change in Scope projects are to be considered new capital projects requiring new funding authority;
- During the capital budget process, City Programs and ABCs will conduct a complete review of all previously approved projects, sub-projects to determine their completion status. Projects that will not be completed by the end of the current fiscal year should be identified for carry forward spending approval in the next fiscal year; and,
- On a project / sub-project basis, the carry forward cash flow amount will not exceed the difference between actual expenditures and the approved cash flow. Carry forward funding requests included in capital budget submissions are initially based on projected actual expenditures to year-end. Therefore, during the capital budget review process, and again as part of the First Quarter Capital Variance Report of the budget year, City Programs and ABCs will be permitted to update their carry forward requirements.

The cash flow requirement for 2009 capital projects that were not completed as planned and for which work must continue in 2010 totals \$408 million for which funding will be carried forward into 2010. As a result, the 2010 recommended cash flow funding totals \$2.838 billion, comprised of funding for the following: 2009 carry forward projects of \$408 million; new and change in scope projects of \$923 million; and, previously approved projects of \$1.507 billion. See Table 5 below.

Table 5						
Budget Committee Recommended 2010 Cash Flow						
- Including 2009 Carry Forward Funding						
(\$Millions)						
Programs / ABCs	2009 Council Approved Cash Flow	2010 BC Recommended Cash Flow				Total 2010 Cash Flow
		2009 Carry Forward Funding	2010 Capital Budget			
	New and Change in Scope Projects		Previously Approved Projects	2010 Capital Budget		
Citizen Centred Services 'A'	176	47	91	103	194	241
Citizen Centred Services 'B'	426	77	189	190	380	457
Internal Services	166	39	91	86	177	216
Other City Programs	86	20	60	125	185	205
Agencies, Boards and Commissions - before TTC	161	26	96	81	177	203
Total City Operations Before TTC	1,015	209	528	586	1,113	1,322
Toronto Transit Commission	923	199	395	922	1,317	1,516
Total - Tax Supported Program	1,938	408	923	1,507	2,430	2,838

Project Highlights

Listed below are key projects included in the Budget Committee 2010 – 2019 Recommended Capital Budget and Plan. These projects contribute toward fulfilling Council and the Mayor’s priorities and ensure that services required by the public are maintained. The projects highlighted below indicate major deliverables / outcomes, delivery date, total project cost and 2010 cash flow funding recommended.

Public Works & Infrastructure

The City has an extensive and aging infrastructure which needs to be managed effectively to ensure City services continue to be provided and the City’s infrastructure is maintained in a state of good repair. The 2010- 2019 Capital Budget and Plan will:

- Maintain 800 km of roads, rehabilitate 150 bridges and structures in a safe and hazard-free state, and minimize life-cycle costs of assets over a 10 year period (2010 \$178.758 million, 2010 – 2019 \$1.552 billion)
- Complete the elimination of the Dufferin Street Jog creating a regular intersection which will facilitate existing and future area traffic operations (2010 \$1.5 million)
- Redevelop Six Points Interchange to simplify the road network, create a more attractive and safe environment for pedestrians and cyclists, and improve access to the Kipling Subway Station (2015-2019 \$41.548 million)

Public Safety and Emergency Services

Effective emergency services and public safety are significantly valued by the citizens of Toronto. To this end, the 2010 - 2019 Capital Budget and Plan will:

- Construct new Police Stations, including 11 Division by 2011, 14 Division by 2012, and a Property and Evidence Storage facility by 2013 (2010 \$47.263 million, 2010 - 2019 \$95.73 million)
- Implement new Radio Communication system for Police, EMS and Fire Services (2010 \$28.0 million, 2010 – 2012 \$69.25 million)
- Complete restoration of Beaches Heritage Fire Hall; begin development of Station D at Midland & Eglinton; and acquire Equipment for Heavy Urban Search and Rescue (2010 \$4.837 million, 2010 – 2014 \$26.009 million)
- Complete the Central Ambulance Communication Centre Re-design (2010 \$0.3 million)
- Construct four ambulance stations at Bathurst & York Downs, Chaplin Crescent, York-South Weston, and Pape Avenue (2010 \$5.712 million, 2011 \$1.669 million)

Transit

A major priority of Council is to make Toronto a city that moves people by transit. The 2010 -2019 Capital Budget and Plan will:

- Purchase 360 new subway cars (60 train sets) to replace existing subway cars and increase capacity by 9% starting in 2010 (2010 \$217.573 million, 2010 – 2019 \$631.436 million)
- Acquire 390 new buses to improve service by 2015 (2010 \$72.078 million, 2010 – 2019 \$230.745 million)
- Purchase 204 low-floor, accessible Light Rail Vehicles to replace existing streetcar fleet (2010 \$68.306 million, 2010 – 2019 \$1,167.920 million)
- Develop the Union Station Subway Platform upgrade (2010 - \$7.542 million, 2010 – 2014 \$51.114 million)
- Continue construction of the Sheppard East LRT Transit City line (2010 \$163.879 million)
- Make progress on the Easier Access program to construct and enhance accessibility features, and to make the TTC fully accessible by 2025 (2010 \$18.445 million, 2010 – 2019 \$267.237 million)
- Continue construction of a Bus Rapid Transit (BRT) corridor from Downsview Station to York University (2010 \$1.296 million, 2010 – 2019 \$5.915 million)
- Continue installation of state-of-the-art signaling systems on the Yonge- University- Spadina line to increase train capacity by allowing trains to run more frequently and closer together (2010 \$49.479 million, 2010 – 2019 \$342.267 million)
- Continue construction of an interregional bus terminal at Kipling Station (2010 \$5.685 million)

Public Spaces

The City is investing in public spaces that are developed and maintained in a clean and beautiful condition for the general community. The 2010 - 2019 Capital Budget and Plan will:

- Revitalize Nathan Phillips Square (2010 \$7.009 million, 2010-2012 \$28.258 million)

- Design and construct revenue and transportation enhancement projects for the revitalization of Union Station (2010 \$139.322 million, 2010 - 2019 \$621.541 million)
- Redevelop St. Lawrence Market North (2010 \$1.000 million, 2010-2014 \$74.890 million)
- Provide for infrastructure repairs and maintenance of the historical buildings at the Black Creek Pioneer Village and other facilities used by the public (2010 \$1.216 million, 2010-2019 \$10.288 million)
- Construct the Fort York Visitors Centre (2010 \$5.969 million, 2010-2019 \$18.928 million)
- Revitalize the Guild Inn (2010 \$0.829 million, 2010-2019 \$4.259 million)
- Refurbish the John Street Roundhouse (2010 \$0.643 million, 2010-2019 \$1.870 million)
- Improve BIA Streetscapes (2010 \$4.329 million, 2010-2019 35.503 million)
- Improve Public Spaces across the City as part of the Civic Improvement initiative (2010 \$2.140 million, 2010 - 2019 \$28.142 million)

Waterfront Initiative

- Continue waterfront regeneration efforts through parkland and habitat creation along the Lake Ontario waterfront (with associated water quality monitoring) (2010 \$1.454 million, 2010-2019 \$13.886 million)
- Complete the Fort York Pedestrian Bridge (2010 \$8.500 million, 2010 – 2014 \$15.000 million)
- Develop the Central Waterfront Public Realm (2010 \$10.702 million, 2010 – 2014 \$23.497 million)
- Develop the Regional Sports Complex (2010 \$8.688 million, 2010 – 2014 \$30.312 million)
- Develop West Don Lands and East Bayfront precincts (2010 \$39.035 million, 2010 – 2014 \$72.204 million):

West Don Lands:

- Launch construction of Toronto Community Housing affordable housing and first market development
- Substantially complete the Don River Park
- Complete the flood protection land form

East Bayfront:

- Launch construction of the George Brown College campus
- Complete the Sugar Beach and Sherbourne Parks
- Launch private development of Parkside and secure a development partner for Bayside

The Environment

City Council's continued leadership in environmental stewardship while achieving the City's infrastructure maintenance and development objectives is evidenced through funds for projects included in the 2010 - 2019 Capital Budget and Plan that will:

- Continue Green Fleet initiative to lower emissions and save fuel, using innovative green technology (2010 \$0.664 million, 2010-2019 \$5.164 million)
- Complete the Bike Plan - construct 380 km of bicycle lanes, 140 km of shared roadways and 80 km of off road paths throughout the City (2010 \$22.618 million, 2010 – 2019 \$100.921 million)
- Continue environmental rehabilitation through the Toronto Remedial Action Plan at Don, Rouge, Highland, Etobicoke - Mimico, and Humber watersheds, and along the waterfront (2010 \$2.011 million, 2010-2019 \$26.423 million)
- Continue to advance the Sustainable Energy Action Plan to cut greenhouse gas emissions through projects such as energy retrofits, investment in renewable energy and loans to the MASH sector (2010 \$23.323 million, 2010-2014 \$72.485 million)
- Continue the HVAC and Electrical Upgrade at Old City Hall which will connect to Enwave's deep lake water cooling system (2010 \$1.077 million, 2010-2014 \$13.369 million)

Community and Recreation Services

The City offers programs and services that improve the quality of life of all its citizens and ensures opportunity for all. To contribute to the Community and Recreation Services goals the 2010 – 2019 Capital Budget and Plan include projects that will:

- Begin renovation of the York Woods (2010 \$0.51million), Mount Dennis (2010 \$0.107 million, 2010-2015 \$4.303 million), and Fairview (2010 \$0.126 million, 2010-2014 \$4.411 million) Libraries
- Continue installation of Self Service Check-out System with no operating costs in 22 libraries to increase hours of operation by 67.5 per week (2010 \$1.398 million, 2010-2012 \$4.740 million)
- Complete expansion of the Malvern District Library (2010 \$1.995 million)
- Continue construction of the Scarborough Centre Neighbourhood Library (2010 \$0.09 million, 2010-2014 \$8.772 million)
- Continue renovation and revitalization of the Toronto Reference Library (2010 \$8.712 million, 2011 \$4.714 million, 2012 \$4.659 million)
- Complete construction of 4 child care centres (2010 \$3.695 million, 2011 \$0.8 million): Chester Le Child Care Centre (66 new spaces); St Andrew Child Care Centre (46 new spaces); Thorncliffe Park Child Care Centre (42 new and 77 replacement spaces); and Enderby Child Care Centre
- Complete the retrofit and furnishing of nine new/expanded offices to manage increased social assistance caseload of 100,000 (2010 \$4.192 million)
- Redevelop Kipling Acres (Phase 1) to meet Provincial compliance standards (2010 \$3.072 million, 2010-2012 \$22.367 million)
- Complete construction of Edithvale Community Centre (2010 \$6.68 million) and begin construction of Warden Corridor and Railway Lands Community Centres (2010 \$6.368 million, 2010-2012 \$18.963 million)
- Construct new waterplays at the O'Connor Community Centre, Warden Woods Community Centre and Totts Tot Lott Park (2010 \$1.150 million)

- Begin construction of Oriole Park playground, Earl Bales Park playground and sensory garden and Regent Park pool (2010 \$8.144 million, 2010-2012 \$17.393 million)
- Perform safety retrofits on 2 Toronto Island Ferries (2010 \$2.500 million)
- Begin delivery of infrastructure for Regent Park Revitalization:
 - Start work on the Main Park and Community Centre (2010 \$2.3 million, 2010 – 2012 \$26.75 million)
 - Complete construction of Regent Park Child Care Hub (2010 \$4.318 million, 2011 \$0.54 million; 10 new and 30 replacement spaces)
 - Begin construction of the Nelson Mandela PS Renovation project (2010 \$0.5 million, 2011 \$2.5 million, 2012 \$0.5 million; 30 new and 48 replacement spaces)

Improve Public Service

Residents will be provided with direct and simple access to City staff and services. The 2010 – 2019 Capital Budget and Plan will:

- Install Self-serve Kiosk counters, continue Phase III implementation of e-Service Strategic Plan and complete Phase II implementation of the 311 System Development with the public launch scheduled for the 2nd quarter of 2010 (2010 \$2.763 million, 2010 – 2019 \$5.426 million)
- Continue the Environmental Report, Disclosure and Innovation project that will develop a Web-based system to monitor and report 25 priority chemicals used and released by targeted industries and facilities in the City of Toronto (2010 \$0.251 million, 2011 \$0.705 million)
- Continue the Dental Strategy and Implementation project that will develop a new Toronto Public Health Dental and Oral Health Information System and integrate with the new provincial reporting system, Oral Health Information Support System (2010 \$1.379 million, 2010-2012 \$3.509 million)
- Continue work with the Province on the Public Health Surveillance and Management System project to develop a new infectious disease surveillance and management system called “Panorama” (2010 \$0.580 million, 2011 \$0.378 million)
- Continue to develop web-based tools to enable Ontario Works clients to submit applications and documents online, and to provide client services outside of the office environment by utilizing wireless/portable technology (2010 \$0.7 million, 2010-2019 \$3.5 million)

Toronto Parking Authority – 2010 - 2019 Capital Budget and Plan

The Budget Committee Recommended 2010 – 2019 Capital Budget and Plan for the Toronto Parking Authority totals \$314.182 million as shown in Table 6.

Table 6									
Toronto Parking Authority									
2010 - 2019 Rec'd Capital Budget and Plan									
by Category and Funding Source (\$Million)									
Expenditures	Capital Plan					2010 - 2014		2010 - 2019	
	2010	2011	2012	2013	2014	Total	%	Total	%
Health and Safety	0.4	0.0	0.0	0.0	0.0	0.4	0.3%	0.4	0.0%
Legislated	0.0	0.0	0.0	0.0	0.0	0.0	0.0%	0.0	0.0%
State of Good Repair	4.3	5.7	5.1	5.1	5.0	25.2	16.6%	50.2	16.0%
Service Improvements	19.1	27.5	8.1	18.9	11.5	85.1	55.9%	191.1	60.8%
Growth Related	4.9	2.5	17.0	6.0	11.1	41.5	27.3%	72.5	23.1%
Total Expenditures	28.7	35.7	30.2	30.0	27.6	152.2	100%	314.2	100.0%
Funded By:									
Reserve/Reserve Funds	0.1	2.6	0.1	2.1	1.2	6.1	4.0%	6.1	1.9%
Retained Earnings	28.4	33.1	28.1	18.6	26.4	134.6	88.4%	243.6	77.5%
Other	0.2		2.0	9.3	0.0	11.5	7.6%	64.5	20.5%
Total Funding	28.7	35.7	30.2	30.0	27.6	152.2	100.0%	314.2	100.0%

Over the 10-year planning horizon, the Toronto Parking Authority is 100% self-sustaining with no debenture financing and with no impact on the municipal property tax levy. As shown in Table 6 above, the Budget Committee Recommended 2010 – 2019 Capital Budget Plan for the TPA is funded primarily from the Authority’s current and future retained earnings, which account for 77.5% or \$243.632 million of the new cash flow funding of \$314.182 million. Other funding sources include draws from Reserve Funds and use of proceeds from the sale of air rights.

Funding for the 2010 Recommended Capital Budget and 2011-2019 Capital Plan balances infrastructure renewal needs for state of good repair; service improvement; and, growth projects. Funding is also required for health and safety projects.

As indicated in Table 7 above, 60.8% or \$191.094 million of the TPA capital budget and plan is allocated to service improvement projects; 23.1% or \$72.482 million allocated to growth projects; 16.0% or \$50.162 million allocated to state of good repair projects; and, 0.1% or \$0.444 million is allocated to health and safety projects.

Investment in new or expansion projects account for almost all of the TPA’s recommended funding for Capital Budget and Plan. The 10-Year Recommended Capital Plan invests \$251.289 million in funding for the expansion and/or new development of 49 off-street parking facilities to satisfy future demand. Maintenance projects at various facilities to extend the useful life of assets; ensure service reliability; and, postpone infrastructure replacement.

CMHC Municipal Infrastructure Lending Program (MILP)

As part of the 2009 Federal Government stimulus budget, the MILP delivered through Canada Mortgage and Housing Corporation (CMHC) provides up to \$2 billion in direct low-cost loans to municipalities to invest in housing-related municipal infrastructure.

The MILP offers loans to municipalities at cost, currently between 0.5% and 0.75% below the City's cost of debt. The City of Toronto submitted an application for a number of projects approved for debt financing as part of its 2009 Capital Budget and on behalf of the Toronto Community Housing Company. CMHC has reviewed the applications and identified eligible program costs for Toronto, and now requires execution of various documents. Table 7 below provides a summary of these applications.

Table 7			
Summary - Toronto's Applications			
CMHC Low Interest Loan Program - Housing Related Municipal Infrastructure			
(\$ Million)			
Program	Eligible 2010	Eligible Under Review	Total
Road Resurfacing/Reconstruction	54.2	97.8	152.0
Bridge Rehabilitation	7.7		7.7
Parks & Trails		3.4	3.4
Other		26.0	26.0
Toronto Community Housing Company (*) (Regent Park Revitalization + District Energy Projects)	6.9	54.0	60.9
Total	68.8	181.2	250.0
Note*: Borrowed on behalf of TCHC & debt charges paid by TCHC			

The Deputy City Manager and Chief Financial Officer (the “DCM /CFO”) requires authority to execute Commitment Letters for each project, which Commitment Letters will set out the basic requirements of the loan.

Furthermore the DCM/CFO and the Mayor are required to execute the Loan Agreements for each project, which Loan Agreements will contain the applicable interest rate at that time and the detailed terms and conditions of the loan, including financial penalties that may be imposed on the City should the loan advance not ultimately proceed as required in the Commitment Letter or if the funds borrowed ultimately exceed the actual project costs.

The risks associated with these obligations is mitigated by the requirement that projects must have started before the loan advance occurs, and to avoid over financing these projects the amount of the loan request is less than (approximately 90% of) the value of contracts awarded.

As debentures will have to be issued to CMHC in respect of the MILP loans, in accordance with the City's legislative authority to borrow for long term capital works, the Mayor and DCM & CFO must sign the Loan Agreements as they also serve as the agreement to issue the related debentures. The issuance of the debentures would be approved by the Debenture Committee or City Council, with the decision between using the Debenture Committee or Council to be made by the Deputy City Manager and Chief Financial Officer, based on timing and operational concerns.

The basic terms and conditions of the Commitment Letter and the Loan Agreement are listed below contains.

Basic Requirements of the Commitment Letter & Debenture – Loan Agreement:

- 1) City to execute Commitment Letter within 30 days of the date on the Letter;
- 2) Work must begin within 3 months of the commitment letter or the loan may be cancelled at CMHC's option;
- 3) The Projects are housing related municipal infrastructure projects;
- 4) Loan advanced in one lump sum but not within 10 days of commitment letter or after March 31, 2011;
- 5) City to provide with executed Commitment Letter –
 - a) A certified copy of corporate resolution(s) to borrow and enter into a loan agreement with CMHC, indicating financial means to satisfy payment & commitment to build/finance the project;
 - b) Legal opinion that all necessary steps to authorize borrowing and expenditures in relation to the project and will be legally bound to reimburse the loan according to the terms of the commitment letter and the loan agreement;
- 6) Repayment is by equal annual blended instalments of principal and interest starting one year from the planned disbursement date. There are no prepayment provisions for the Loan;
- 7) The interest rate (the rate charged will reflect CMHC's risk adjusted borrowing costs including a credit premium for loan losses, program delivery costs, loans administration costs and hedging costs) will be determined at the time of the loan advance and included in the loan agreement. Interest is calculated annually and paid in arrears. Interest on late payments and after default shall be compounded monthly and shall be payable on demand;
- 8) Eligible costs are costs of the Project for work undertaken after January 27, 2009. Work must be completed by March 31, 2012;
- 9) CMHC reserves the right to call the entire loan due and payable if less than 25% of the cost of the construction work has not been expended and the construction work has not been completed by March 31, 2012, and if any construction work has not been completed by March 31, 2012, CMHC may call the portion of the loan related to the incomplete portion of the work due and payable (plus the penalty as per section 11);
- 10) Audited Final Capital Cost Statement – delivered by a licensed accountant, within six months of the end of the calendar year in which the project is completed but not later than September 30, 2012. If costs are less than loan proceeds CMHC may require repayment at that time as per the calculation below (section 11);
- 11) Where the Loan is not disbursed within 30 days of the planned disbursement date, the Agreement may be terminated by CMHC with the penalty as described below (section may be payable by the City, if the Loan is disbursed within 30 days of the planned

disbursement date, the City is required to pay interest from the planned disbursement date rather than the actual disbursement date;

- 12) The City is required to reimburse on demand the prepaid loan amount together with the amount, if any, as of the date of the repayment, by which the present value of the future payments until maturity of the prepaid loan amount, discounted based on Government of Canada Yield Curve, exceeds the prepaid principal loan amount. “Government of Canada Yield” means the average of the yields-to-maturity compounded semi-annually, as determined from price quotes of at least two registered Canadian investment dealers, reflecting existing non-callable government of Canada bonds of appropriate terms for interest and principal payment dates. These quotes would be as of the fifth (5th) business day prior to the date on which the prepayment will be requested
- 13) Agree to abide by the communications protocol supporting joint communications activities.

CONTACTS

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SIGNATURE

Joseph P. Pennachetti
City Manager

Cam Weldon
Deputy City Manager and
Chief Financial Officer

ATTACHMENTS

Appendix 1	BC Recommended 2010 Capital Budget and Future Year Commitments by Program and Funding Sources - Including 2009 Carry Forward Funding
Appendix 1(i)	BC Recommended 2010 Capital Budget and Future Year Commitments by Program and Funding Sources - Excluding 2009 Carry Forward Funding
Appendix 1(ii)	BC Recommended 2010 Capital Budget and Future Year Commitments by Program and Funding Sources - New and Change in Scope
Appendix 1(iii)	BC Recommended 2010 Capital Budget and Future Year Commitments by Program and Funding Sources – Previously Approved
Appendix 1(iv)	BC Recommended 2010 Capital Budget by Program and Funding Sources – Excluding 2009 Carry Forward Funding
Appendix 1(v)	BC Recommended 2010 Capital Budget by Program and Funding Sources – 2009 Carry Forward
Appendix 2	BC Recommended 2010 - 2019 Capital Budget and Plan by Program – Excluding 2009 Carry Forward Funding
Appendix 3	BC Recommended 2010 - 2019 Capital Budget and Plan by Program and Funding Sources – Excluding 2009 Carry Forward Funding
Appendix 3(i)	BC Recommended 2010 – 2014 Capital Budget and Plan by Program and Funding Sources – Excluding 2009 Carry Forward Funding
Appendix 3(ii)	BC Recommended 2015 – 2019 Capital Budget and Plan by Program and Funding Sources – Excluding 2009 Carry Forward Funding
Appendix 4	BC Recommended 2010 – 2019 Capital Budget and Plan, by Category and Funding Sources
Appendix 4(i)	BC Recommended 2010 – 2019 Capital Budget and Plan, by Program and Category
Appendix 5	Program Recommendations
Appendix 6	City Clerks Office - Reports, Transmittals and Communications