



**STAFF REPORT
ACTION REQUIRED**

**2012 – 2021 Budget Committee Recommended Tax
Supported Capital Budget and Plan**

Date:	January 9, 2012
To:	Budget Committee
From:	City Manager Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2012\Internal Services\Fp\Bc12002Fp (AFS #15007)

SUMMARY

This report presents the City of Toronto's Tax Supported 2012 – 2021 Budget Committee (BC) Recommended Capital Budget and Plan and recommends approval of 2012 cash flow and future year cash flow commitments for capital projects. Furthermore, this report requests Council's approval of the 2013 – 2021 Capital Plan, which will form the basis for developing future capital budgets, in accordance with the City's multi-year financial planning and budgeting practices.

The 2012 – 2021 BC Recommended 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, meet legislated requirements, and those that maintain the City's infrastructure in a state of good repair to support cost-effective service delivery. This is particularly challenging in the fiscally constrained environment that currently confronts the City.

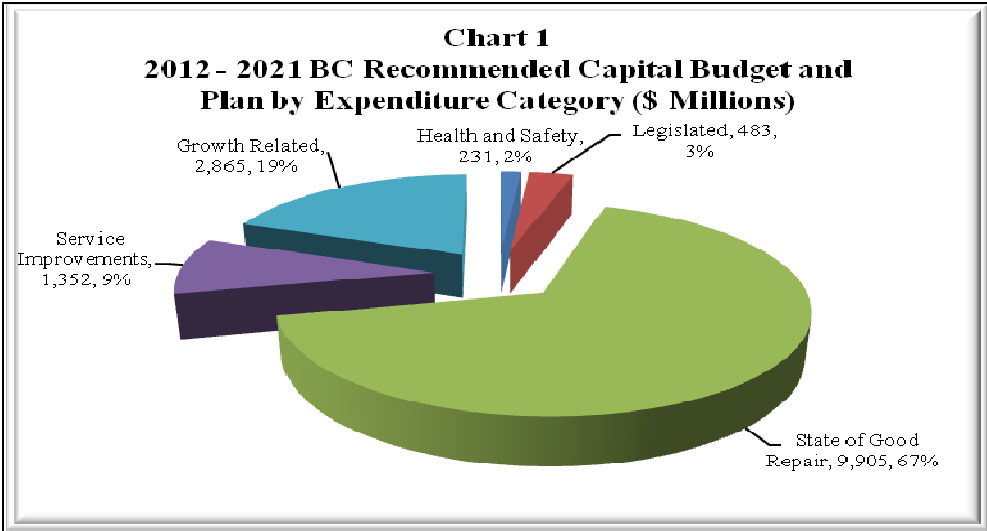
The 2012 – 2021 BC Recommended Capital Budget and Plan Strategy achieves the following:

- 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;
- Gives priority to projects that maintain existing assets in a state of good repair; while balancing the need to address service gaps on a City-wide basis;
- Strategically applies the proceeds from the monetization of the City's marketable assets and new Federal and Provincial funding targets to offset future capital plan debt pressures;
- Accommodates fully the TTC's 10-Year Recommended Capital Budget and Plan by reducing or deferring various projects in the amount of \$1.116 billion; and,

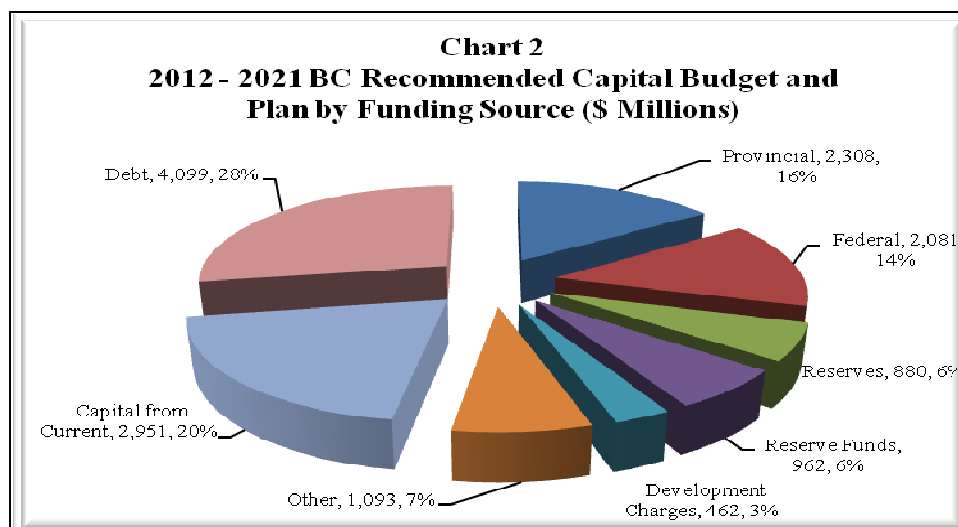
- Manages to keep debt service costs below the 15% guideline to mitigate future impacts on the Operating Budget, especially over the first five years of capital plan. The 10-Year BC Recommended Capital Budget and Plan is less than the affordable debt target of \$4.285 billion by \$185.453 million.

The 2012 BC Recommended Capital Budget totals \$2.338 billion, and estimates of capital spending for the nine years 2013 – 2021 total \$12.498 billion or 84% of the total capital funding of \$14.836 billion over the 10 year planning period, as described in Table 1. Capital expenditures to maintain and renew the City’s infrastructure total \$9.905 billion, representing 67% of the 2012 – 2021 BC Recommended Capital Budget and Plan's spending allocation and with the addition of Health and Safety and Legislated projects grows to 72%, as outlined in Chart 1. This strategy is geared toward slowing down growth in the City’s state of good repair backlog.

While emphasis has been placed on maintaining and protecting the City’s existing infrastructure and physical assets, the 2012 – 2021 BC Recommended Capital Budget and Plan also invests \$4.217 billion over 10 years in strategic and priority Service Improvement and Growth Related projects to accommodate increasing service demands and growth.



Transit alone accounts for the largest percentage of capital expenditures in the 10-Year BC Recommended Capital Plan. Inclusive of the Spadina Subway Extension Project, the TTC’s 2012 – 2021 Recommended Capital Plan is \$7.998 billion, representing approximately 54% of the total recommended spending over the 10 year planning horizon. Transportation Services totals an additional \$2.160 billion or 15%. Taken together, transit and transportation capital works account for \$10.158 billion or 68% of the total expenditures in the 2012 – 2021 BC Recommended Capital Plan.



Note: "Other" also reflects \$700 million in 2012 and future operating budget surpluses; monetization of City assets; and, projected additional Federal and Provincial funding.

Debt and Capital from Current contributions (CFC) are the primary financing sources for the 2012 – 2021 BC Recommended Capital Plan amounting to \$7.050 billion or 48% of the total funding of \$14.836 billion. Debt funding totals \$4.099 billion or 28% of the financing over the City’s Capital Plan period, as noted in Chart 2. Recommended debt financing is less than the affordable debt target of \$7.236 billion by \$185.453 million. The debt affordability target is based on the City’s policy that limits the ratio of debt service cost to tax levy to no more than 15%, on an annual basis. This has been achieved by applying \$700 million in funding for the TTC’s multi-year Capital Program based on use of 2012 and future operating budget surpluses; proceeds from the monetization of City assets; and, additional expected Federal and Provincial funding.

Table 1
2012 - 2021 Budget Committee Recommended Capital Budget and Plan by Cluster
(\$ Millions)

Programs / Agencies	2012					2012 - 2021				
	Gross	%	Debt/CFC	Target	Over/ (Under) Target	Gross	%	Debt/CFC	Target	Over/ (Under) Target
Citizen Centred Services 'A'	150	6.4%	70	77	(7)	1,141	7.7%	798	833	(35)
Citizen Centred Services 'B'	221	9.4%	173	250	(77)	2,494	16.8%	2,157	2,272	(115)
Internal Services	170	7.3%	70	69	1	1,501	10.1%	698	655	43
Other City Programs	161	6.9%	56	51	5	647	4.4%	216	191	25
Total - City Operations	702	30.0%	368	446	(78)	5,784	39.0%	3,870	3,950	(81)
Agencies - Excluding TTC	110	4.7%	73	83	(10)	1,054	7.1%	705	749	(44)
Total - Tax Supported Excl. TTC	811	34.7%	441	529	(88)	6,838	46.1%	4,575	4,699	(124)
Toronto Transit Commission	990	42.3%	285	602	(317)	6,184	41.7%	2,260	2,322	(62)
Spadina Subway Extension	537	23.0%	101	117	(17)	1,814	12.2%	215	214	1
Total - TTC	1,527	65.3%	386	719	(334)	7,998	53.9%	2,475	2,536	(61)
Tax Supported Programs	2,338	100.0%	827	1,248	(421)	14,836	100.0%	7,050	7,236	(185)

Capital from Current funding totals \$2.951 billion of the total recommended funding for the 2012 – 2021 BC Recommended Capital Budget and Plan of \$14.836 billion. To mitigate

reliance on debt as a funding source for the City's Capital Plan, CFC will continue to be increased by 10% annually until 2018, from \$198.650 million in 2012 to \$353.692 million in 2021.

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RECOMMENDATIONS

The Budget Committee recommends the following to Executive Committee for recommendation to Council:

1. City Council approve the 2012 Budget Committee Recommended (Tax Supported and Toronto Parking Authority) Capital Budget, which incorporates all decisions made during the Budget Committee meeting of December 9 and 13, 2011, with a total project cost of \$1.124 billion and, a 2012 cash flow of \$2.832 billion with future year commitments of \$2.057 billion in 2013; \$1.249 billion in 2014; \$787.511 million in 2015; \$358.892 million in 2016; and, \$207.344 million in 2017 to 2021 as detailed in Appendix 1, comprised of:
 - a. New Cash Flow Funding for:
 - i. new and change in scope projects / sub-projects with a total project cost of \$1.124 billion requiring: 2012 cash flow of \$396.777 million and future year commitments of \$337.912 million in 2013; \$268.597 million in 2014; \$52.640 million in 2015; \$133.945 million in 2016; and, (\$65.397) million in 2017 to 2021 (see Appendix 1(ii));

- ii. previously approved projects / sub-projects totalling \$5.830 billion (excluding two year carry forward as outlined below (iii)) requiring: 2012 cash flow of \$1.897 billion and future year commitments of \$1.719 billion in 2013; \$980.723 million in 2014; \$734.871 million in 2015; \$224.947 million in 2016; and, \$272.741 million in 2017 to 2021 (see Appendix 1(iii));
 - iii. previously approved projects / sub-projects with carry forward funding from 2010 and prior years requiring 2012 cash flow of \$76.342 million, which forms part of the affordability debt target and requires Council to reaffirm their commitment; and,
 - b. 2011 cash flow for previously approved projects / sub-projects with carry forward funding from 2011 into 2012 totalling \$461.992 million (see Appendix 1(vi)).
- 2. City Council re-confirm its surplus distribution policy that 75% of the operating budget surplus be allocated to the Capital Financing Reserve.
- 3. City Council approve funding sources for the 2012 Budget Committee Recommended (Tax Supported and Toronto Parking Authority) Capital Budget (including 2011 carry forward project funding) comprised of \$426.667 million from Reserves and Reserve Funds; \$198.650 million in Capital from Current funding; \$106.225 million in Developmental Charge funding; \$550.018 million in Provincial Grants and Subsidies; \$404.815 million in Federal Subsidies; \$355.199 million from other sources; and, debt of \$790.232 million; inclusive of 2011 carry forward debt funding of \$162.264 million (see Appendix 1(iv)).
- 4. City Council approve new incremental debt service costs of (\$3.142 million) in 2012 and incremental costs of \$20.665 million in 2013; \$54.156 million in 2014; \$44.218 million in 2015; \$1.592 million in 2016; and, \$66.956 million in 2017 to 2021, for inclusion in the 2012 and future operating budgets.
- 5. City Council approve the 2013 to 2021 Budget Committee Recommended Capital Plan project estimates totalling \$12.824 billion, comprised of \$2.589 billion in 2013; \$2.061 billion in 2014; \$1.787 billion in 2015; \$1.486 billion in 2016; \$1.189 billion in 2017; \$1.037 billion in 2018; \$899.013 million in 2019; \$879.445 million in 2020; and, \$895.989 million in 2021.
- 6. Consider operating impacts resulting from approval of the 2012 Budget Committee Recommended Capital Budget of \$6.350 million in 2012 and incremental costs of \$8.264 million in 2013; \$10.986 million in 2014; \$5.550 million in 2015; \$3.548 million in 2016; and, \$16.129 million in 2017 to 2021, for inclusion in the 2012 and future years' operating budgets.
- 7. City Council approve the 2012 Budget Committee Recommended Capital Budget and 2013 – 2021 Capital Plan recommendations for City Programs and Agencies as detailed in Appendix 5.

8. City Council approve the 2012 sinking fund levies of \$129.885 million for the City and \$2.294 million for the Toronto District School Board.
9. City Council 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 2012 Capital Budget review meeting of January 9, 2012.

FINANCIAL IMPLICATIONS

Overview

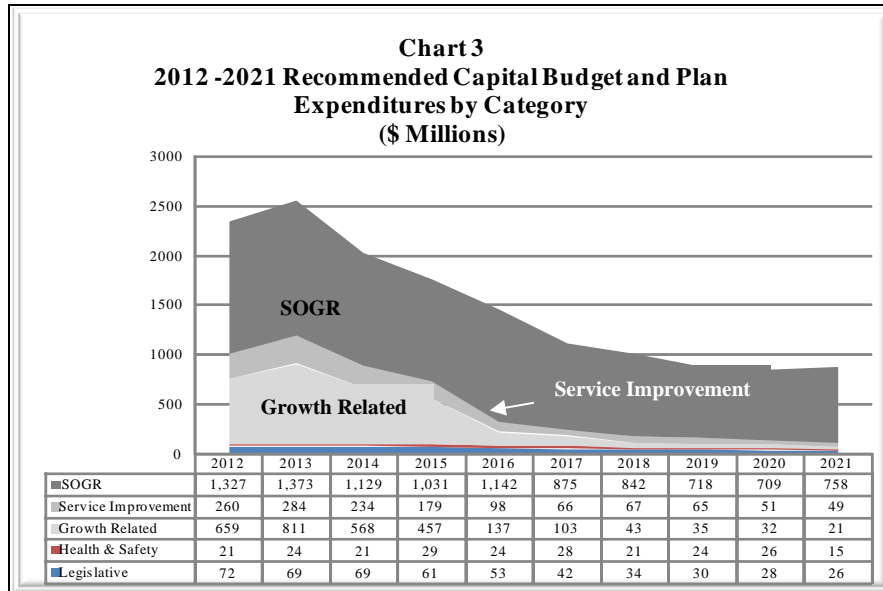
The City of Toronto Act (CoTA), sub-section 228 (1) states that, "The City shall in each year prepare and adopt a budget including estimates of all sums required during the year" for the purpose of continuing the business of the City. Similarly, sections 71-10 and 71-11 of the City of Toronto Municipal Code Chapter 71 'Financial Control' 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. This is achieved through the approval of the BC Recommended 2012 Capital Budget. Approval of the BC Recommended 2013 – 2021 Capital Plan provides estimates for the City's long term capital financing and planning; implementing capital activities; and, the basis for developing the annual capital budget.

Capital projects included in the 2012 – 2021 BC Recommended Capital Budget and Plan are prioritized into five categories, as shown in Table 2. Consistent with the 2012 Capital Budget directions and guidelines, the 10-Year BC Recommended Capital Budget and Plan focuses on maintaining and rehabilitating existing infrastructure to deliver services to the citizens of Toronto. Table 2 shows that \$10.619 billion or 72% of the 2012 – 2021 BC Recommended Capital Plan of \$14.836 billion is allocated to Legislated, Health and Safety, and State of Good Repair (SOGR) projects, excluding the Toronto Parking Authority.

The emphasis on protection and preservation of existing infrastructure continues throughout the 10 year term of the Capital Plan, as graphically illustrated in Chart 3. Although planned spending on SOGR decreases from \$1.327 billion in 2012 to \$758 million in 2021, it is noted that as a percent of total annual expenditures, SOGR grows incrementally from 57% in 2012 to 87% in 2021.

Despite the growing demand for investment in infrastructure maintenance to mitigate the SOGR backlog, the 10-Year BC Recommended Capital Plan allocates funding to invest in essential Service Improvement and Growth Related projects to fulfil Council's strategic priorities, as well as to satisfy growth in service demand from an increasing population. Investment in Service Improvement and Growth Related projects totals \$918 million, or approximately 39% of all capital spending in the 2012 BC Recommended Capital Budget, as noted in Table 2. One of the key drivers of the recommended 2012 project spending is for continued construction of the Spadina Subway Extension Project, requiring \$536.695 million or 23% of the total 2012 funding. A further investment of \$3.299 billion or 26% of the recommended funding in the 2013 – 2021

Capital Plan is allocated to Service Improvement and Growth Related projects, resulting in a total investment of \$4.218 billion over the 10 year term of the Capital Plan.



The 2012 BC Recommended Capital Budget totals \$2.338 billion, excluding 2011 funding carried forward into 2012, requiring future year funding commitments of \$2.043 billion in 2013; \$1.249 billion in 2014; \$787.361 million in 2015; \$350.992 million in 2016; and, \$207.344 million from 2017 to 2021.

Table 2
2012 - 2021 Budget Committee Recommended Capital Budget and Plan
By Category and Funding Sources
(\$ Millions)

Expenditures	Capital Plan					2012-2016		2017 - 2021		2012 - 2021	
	2012	2013	2014	2015	2016	Total	%	Total	%	Total	%
Health and Safety	21	24	21	29	24	117	1.2%	114	2.4%	231	1.6%
Legislated	72	69	69	61	53	322	3.2%	160	3.4%	483	3.3%
State of Good Repair	1,327	1,373	1,129	1,031	1,142	6,003	59.3%	3,902	82.9%	9,905	66.8%
Service Improvements	260	284	234	179	98	1,056	10.4%	297	6.3%	1,352	9.1%
Growth Related	659	811	568	457	137	2,631	26.0%	234	5.0%	2,865	19.3%
Total Expenditures	2,338	2,560	2,020	1,757	1,454	10,129	100%	4,707	100%	14,836	100.0%
Funded By:											
Provincial	492	568	362	325	123	1,870	18.5%	438	9.3%	2,308	15.6%
Federal	371	330	232	200	169	1,302	12.9%	779	16.6%	2,081	14.0%
Reserves	98	113	79	101	105	496	4.9%	384	8.2%	880	5.9%
Reserve Funds	258	249	126	118	122	873	8.6%	89	1.9%	962	6.5%
Development Charges	91	85	52	45	48	320	3.2%	142	3.0%	462	3.1%
Other	202	176	190	201	102	871	8.6%	222	4.7%	1,093	7.4%
Capital from Current	199	219	241	265	292	1,216	12.0%	1,735	36.9%	2,951	19.9%
Debt	628	818	739	503	493	3,181	31.4%	919	19.5%	4,099	27.6%
Total Funding	2,338	2,560	2,020	1,757	1,454	10,129	100.0%	4,707	100.0%	14,836	100.0%

Note: "Other" also reflects \$700 million in 2012 and future operating budget surpluses; monetization of City assets; and, projected additional Federal and Provincial funding.

Capital Financing

The City's 10-Year BC Recommended Capital Budget and Plan is financed from various funding sources, both external and City-own, with debt being the funding of last resort. The City's goal is to maximize funding from external sources, including other orders of government; development charges; contributions; and, donations; prior to utilizing City-own sources such as CFC and the issuance of debt.

The 2012 – 2021 BC Recommended Capital Budget and Plan will be financed from the following funding sources, as shown in Table 2:

- Federal (\$2.081 billion or 14%) and Provincial (\$2.308 billion or 16%) funding account for \$4.389 billion or 30% of total recommended financing;
- Reserve and reserve funds contribute \$1.842 billion or 12%;
- Development Charges and "Other" sources, such as donations, contribution from developers and other third parties, provide \$855 million of total funding;
- Capital from Current contributions total \$2.951 billion, representing 20% of total financing;
- Debt funding totals \$4.099 billion or 28% of financing over the 10 year planning horizon; and,
- \$700 million from future operating budget surpluses; monetization of City assets; and, additional expected Federal and Provincial funding, all dedicated to financing the TTC's 10-Year Recommended Capital Plan.

It should be noted that debt funding would otherwise increase by the equivalent amount without the CFC contributions of \$2.951 billion. Debt financing is also managed by limiting the City's debt based on the City's affordability to fund debt servicing costs. As a result, debt affordability targets are established for each City Program and Agency for each year of the 10 year capital plan period.

Application of Operating Surplus

Staff will be reporting out the final surplus amount for 2011 once the 2011 financial statement audit is complete and reported out in June 2012. At that time staff will recommend that the surplus be distributed in accordance with the policy approved by Council in 2004 which states that the surplus be applied to in priority order:

- a. Capital Financing Reserve (at least 75% of the surplus); and,
- b. the remainder to fund any underfunded liabilities and / or reserve funds as determined by the Deputy City Manager and Chief Financial Officer.

Should the final surplus remain at the current projection of \$154 million, staff would recommend that \$115.5 million be applied to the Capital Financing Reserve as part of the \$700 million in additional financing required in the 2012 – 2021 Recommended Capital Budget and Plan. The remaining \$38.5 million would be split between topping up the Tax Rate Stabilization Reserve to

1% of the property tax base (as per Council's policy established in 2000) and fund other reserves in need of replenishment which may include the Employee Benefit Liability Reserve and the Inclement Weather Reserve. This strategy will ensure that the capital program is properly funded; reduce debt charge increases; and, protect the City against adverse economic and environmental risks.

Monetization of City Assets

The City owns interests in a considerable number of marketable assets, including real estate and government business enterprises. The City assets currently being considered as part of the monetization strategy include the following:

1. Continued review by Real Estate Services of City assets and monetization on an ongoing basis in partnership with Build Toronto.
2. Joint sale of 100% of the shareholders' interest in the Enwave Energy Corporation through a competitive auction.
3. Maximum 10% initial public offering of shares for the City's ownership in the Toronto Hydro Corporation.
4. Identification of options by the Toronto Parking Authority which emphasize revenue generation within its mandate.

The City's multi-year Capital Plan presents a funding challenge, resulting in increasing reliance on debt financing and curtailed capital expenditures, despite increases to CFC contributions. Debt service charges are approaching the City's 15% debt service ratio limit and are continuing to crowd out funding for operating expenditures. Therefore, proceeds from the monetization of City assets will be allocated to the Capital Financing Reserve for use in offsetting future debt requirements. Funding from the monetization of City assets will be primarily applied to the TTC's significant SOGR and need to increase ridership capacity. The 2012 – 2021 BC Recommended Capital Budget and Plan includes \$700 million in 2012 and future operating budget surpluses; proceeds from the monetization of City assets; and, additional projected Federal and Provincial funding to help finance the TTC's multi-year Capital Plan.

Development Charge Funding

Development Charge funding has been utilized to the extent permissible in the 2012 – 2021 Recommended Capital Budget and Plan in order to mitigate the reliance on debt funding. Development Charge funding was directed to growth-related eligible capital projects, as required under Development Charge Legislation. As part of the Development Charges Bylaw, 2012 represents the second year of a four year (2011 – 2014) phase-in of the Council adopted development charge rate increases. As land development activity has been robust in 2010 and 2011, development charge funding provided for in the plan has reduced debt requirements by \$169.468 million over the 10 year planning period. These debt reductions are reflected in the following programs: Parks, Forestry and Recreation (\$27.866 million); Transportation Services (\$76.154 million); and, TTC (\$65.448 million).

Debt Financing

As shown in Table 3, the City will retire and reissue debt totalling \$2.598 billion over the 10 year planning horizon that will have no incremental impact on debt service costs. After retiring and reissuing the \$2.598 billion, the total new debt requirement has been set at \$1.501 billion.

	2011 Council Approved Debt/CFC	2012	2013	2014	2015	2016	2012 - 2016 Debt / CFC	2012 - 2021 Debt / CFC
Debt/CFC Requirement:								
TTC (includes Spadina)	618	386	531	390	280	282	1,869	2,475
City Programs and Other Agencies	266	441	506	590	488	503	2,528	4,575
Total Planned Debt	718	827	1,037	980	768	785	4,397	7,050
Capital from Current (CFC)	181	199	219	241	265	292	1,216	2,951
Total Debt Requirement	537	628	818	739	503	493	3,181	4,099
Baseline Debt - Retire/Reissue	200	0	120	228	300	475	1,123	2,598
New Debt Requirement	337	628	698	511	203	18	2,058	1,501

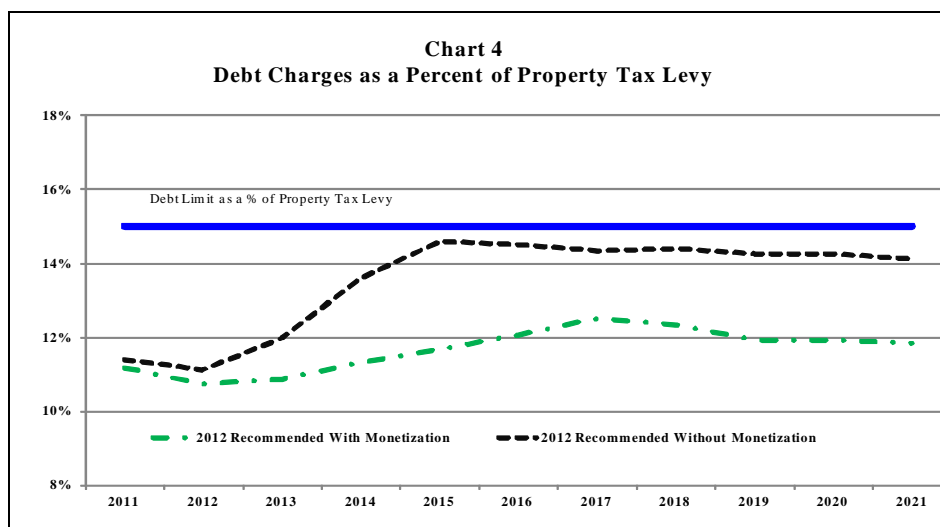
Table 3 shows that new debt will be required mainly to fund the TTC. The CFC allocation is largely dedicated to the City's capital projects that have a service life less than 10 years. The TTC's debt requirement is \$2.475 billion, inclusive of the Spadina Subway Extension Project; transit fleet replacement; and, other capital works that have a service life of close to 30 years.

Debt Service Ratio

At its meeting of February 23 and 24, 2011 (EX3.3), Council adopted a maximum limit of 15% of debt service charges as a percentage of property taxes. This reaffirmed the limit which was established by Council in 2006.

As a result of the monetization strategy and reduced interest rates, the debt service charge ratio resulting from the 2012 – 2021 BC Recommended Capital Budget and Plan will not exceed the approved 15% debt service charge guideline, as shown in Chart 4.

There are two important factors to consider in Chart 4. First, operating budget pressures from debt charges over the next several years will be significantly moderated by applying most of the \$700 million in new financing from 2012 and future operating budget surpluses; asset monetization; and expected new Federal and Provincial funding in the first five years of the Capital Plan. Instead of debt charges increasing by \$40 million to \$50 million in each of the next three years, the increases will be much more moderate and for 2012, debt charges will be essentially the same as 2011.



Second, the buffer between the forecasted debt charges and the 15% limit is wider. This provides the City with room for unforeseen capital emergencies and to accommodate higher interest rates, if required. However, the buffer should not be considered as a funding source for adding capital projects over the 10 year planning horizon.

Authority to Issue Debentures During 2012

The proceeds from debentures to be issued under the authority recommended in the report will be used to finance capital expenditures that have been incurred or committed for approved projects. The Authority to borrow up to \$900 million for City purposes in each year, 2012, 2013 and 2014, has been authorized under Bylaw # 330-2011 in order to maintain flexibility and the ability to finance:

- Capital expenditures that were previously approved but not yet permanently financed; and,
- Debenture requirements as contained in the 2012 – 2021 BC Recommended Capital Budget and Plan, which will be considered by Council at its special meeting of January 17 to 19, 2012.

The Deputy City Manager and Chief Financial Officer confirms that borrowing up to \$900 million to fund 2012 capital expenditures (i) can be financed by the issuance of debentures with terms not to exceed 30 years; and, (ii) will not increase tax-supported debt charges as a percent of the property tax levy to exceed 15%. The Deputy City Manager and Chief Financial Officer further confirms that funds are available from the other sources identified in the 2012 BC Recommended Capital Budget.

Approval of the 2012 Sinking Fund Levies

The City of Toronto Act (CoTA), sub-section 255 (4) states that, "If in any year an amount is or will be required by law to be raised for a sinking fund or retirement fund of the City, the City treasurer shall prepare for City Council, before the budget for the year is adopted, a statement of the amount." This report requests Council's approval for the 2012 sinking fund levies of

\$129.885 million for the City and \$2.294 million for the Toronto District School Board (TDSB). Sinking fund levies for the TDSB will be fully recovered.

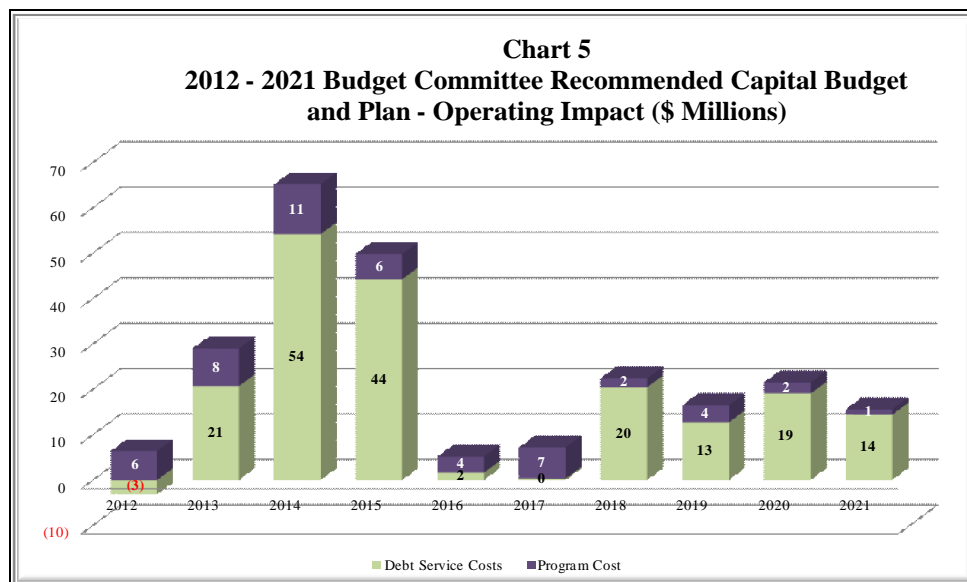
Incremental Operating Impacts

As part of the annual capital budget process, the incremental cost impact on the operating budget of each project over its useful life is estimated and evaluated. The objective of this evaluation is to ensure that all operating cost increases associated with the 10-Year BC Recommended Capital Budget and Plan are both accurate and affordable, and to factor these cost increases in the annual operating budget and forecasts. Similarly, incremental operating savings or revenues arising from the completion of capital projects are also captured.

Capital projects impact the operating budget in the following ways:

- Principal repayment and interest payments on debt issued to finance the capital plan;
- Increased operating costs including on-going maintenance and programming costs for new infrastructure, rehabilitated or expanded facilities;
- Efficiency savings from capital investments that reduce operating costs; and / or,
- Direct contributions from the operating fund to finance pay-as-you-go capital projects thereby reducing the annual borrowing requirements.

The incremental operating impact, including debt charges arising from the approval of the 2012 – 2021 BC Recommended Capital Budget and Plan on the City's Operating Budgets totals \$235 million over the 10 year period, as set out in Chart 5. Incremental debt service charges of \$184 million represent interest and principal repayment on new debt over the term of the 10-Year BC Recommended Capital Plan; and, incremental net increases to City Program and Agency operating costs are estimated at \$51 million. Program costs are included in the operating budget of the appropriate City Program or Agency; while debt service costs are provided for in the capital and corporate financing account.



COMMENTS

Major Challenges

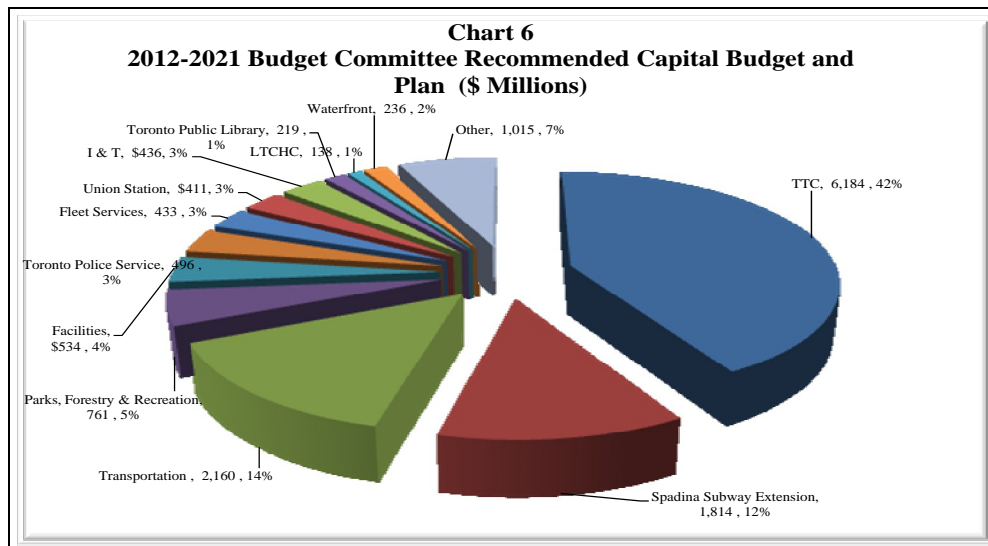
Major challenges for the 2012 multi-year Capital Planning Process included:

- Addressing the Toronto Transit Commission's \$2.300 billion capital program funding shortfall. As part of the 2011 Capital Budget Process, City Council approved TTC funding limited to 2011 capital works and future year cash flow commitments.
- Uncertainty over the timing and level Federal and Provincial funding.
- Ensuring that debt costs remain below the 15% approved by Council.

2012 – 2021 Budget Committee Recommended Capital Budget and Plan

The 2012 – 2021 BC Recommended 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, meet legislated requirements, 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 requirements of a growing population and emerging priorities within affordable limits continues to be a challenge for the City.

The 2012 – 2021 BC Recommended Capital Budget and Plan totals \$14.836 billion (excluding 2011 funding carried forward into 2012). TTC alone accounts for the majority of the expenditures recommended in the 10 year capital spending plan. Inclusive of the Spadina Subway Extension Project, the TTC’s 2012 – 2021 Recommended Capital Budget and Plan is \$7.998 billion representing approximately 54% of the total recommended spending in the Capital Plan while Transportation Services totals \$2.160 billion or 15%. Taken together, transit and transportation capital works account for 68% of the expenditures recommended in the 2012 – 2021 Capital Budget and Plan, as outlined in Chart 6.



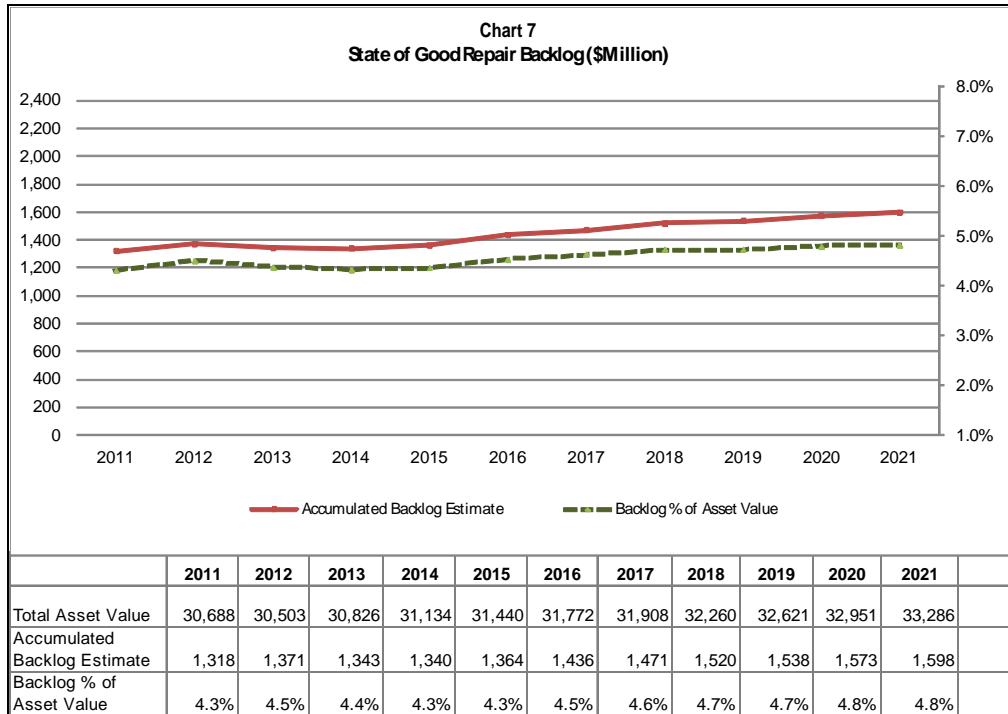
State of Good Repair (SOGR) Backlog

Managing the accumulated SOGR backlog is a key capital policy objective and priority. The City's expansive infrastructure is aging which places a huge burden on limited financial resources to ensure that capital assets are kept in a state of good repair. For example, 70% of the road network is over 30 years old; 50% of the water network is over 50 years old; and, 68% of all City assets are in excess of 30 years old. Neglecting to maintain the infrastructure on a timely basis invariably leads to higher rehabilitation, restoration and replacement costs to taxpayers in the future.

The SOGR backlog will change marginally between 2012 and 2015. Estimates indicate that the accumulated SOGR backlog will start increasing from 2016 – 2021 to approximately \$1.598 billion even though SOGR spending grows from approximately 59% of total expenditures from 2012 – 2016 to 83% in 2017 – 2021. In part, the increase in SOGR backlog is predicated on the aging and growth in the City's infrastructure and capital assets, and the rising cost of maintenance because of inflation.

The accumulated SOGR backlog, as a percentage of asset value, is not uniform over the 10-Year Recommended Capital Plan. The accumulated SOGR backlog, as a percentage of asset value, is 4.5% in 2012; declines to 4.3% in 2016; and, grows to 4.8% in 2021, as outlined in Chart 7.

To further reduce the SOGR backlog, the City needs sustainable and predictable funding to invest in capital asset 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. A need exists to rationalize assets, seek opportunities to colocate similar services and reduce costs and explore possible best and highest uses of current City assets to help finance the capital program. It is noted that additional new debt issuance is not a tenable option as the City addresses its structural fiscal deficit. The City will continue to ensure that the highest priority and most urgent capital maintenance projects are implemented and that risks of further deterioration of the existing infrastructure are mitigated.



What is Being Built - Project Highlights

Listed below are key projects to be delivered by the 2012 – 2021 BC Recommended Capital Budget and Plan. These projects contribute toward fulfilling the City's priorities and on ensuring that the assets used to deliver services to the public are maintained. The projects highlighted below indicate major deliverables / outcomes, delivery date and the 2012 – 2021 recommended cash flow funding.

A major priority of Council is to make Toronto a City that moves people by transit and manages its extensive and aging infrastructure in a state of good repair to ensure required services continue to be provided. The 2012 – 2021 BC Recommended Capital Budget and Plan include projects that will:

- Maintain 1,000 km of roads, 50 km of expressways, 600 km of sidewalks and 150 bridges and structures in a safe and hazard-free state (2012 – 2021 \$1.477 billion).
- Design and redevelop the 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 – 2018 \$40.548 million).
- Complete up to 100 km of off-street bicycle paths, 80 km of critical on-street connections and 8,000 new bicycle parking spaces throughout the City (2012 – 2021 \$87.209 million).
- Purchase 354 of 420 new subway cars (59 of 70 train sets) to replace aging subway cars and increase capacity by 9% (2012 – 2015 \$303.604 million).
- Acquire 213 new buses to improve service by 2016 (2012 – 2016 \$194.597 million).

- Purchase 189 low-floor, accessible light rail vehicles to replace the existing streetcar fleet (2012 – 2018 \$783.951 million).
- Make progress on the Easier Access Program to ensure that the TTC is fully accessible by 2025 (2012 – 2021 \$266.051 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 (2012 – 2021 \$287.660 million).
- Continue to revitalize Union Station with improvements to its transportation and retail spaces (2012 – 2021 \$411.322 million).
- Continue to construct Union Station's Second Platform (2012 – 2015 \$48.023 million).

Public safety and responsive emergency services are a major priority of the citizens of Toronto. To this end, the 2012 – 2021 BC Recommended Capital Budget and Plan include projects that will:

- Replace the radio communication system shared by the Toronto Police Service, Fire Services and Emergency Medical Services by 2014 (2012 – 2014 \$69.122 million).
- Replace firefighters' bunker suits (2015 – 2020 \$8.2 million), breathing apparatus (2012 – 2013 \$5.824 million), and portable radios (2017 \$5.000 million).
- Complete construction of the new Fire Station D to improve emergency response times in Scarborough (2012 – 2013 \$4.806 million).
- Complete construction of the Chaplin Fire Station to ensure emergency response times are supported while properly accommodating staff and vehicles (2012 – 2013 \$4.634 million).
- Construct new Fire Station B to improve emergency response times in Downsview (2012 – 2014 \$9.885 million).
- Construct new Fire Station A to improve emergency response times near Highway 27 and Rexdale Blvd. (2014 – 2016 \$7.242 million).
- Install an electronic card-access security system in 45 EMS locations to enhance security (2012 – 2013 \$1.682 million).
- Construct a new facility for EMS District 4 – Service District Centre at a site adjacent to the District 3 site which will improve operational efficiencies (2012 – 2014 \$5.000 million).
- Replace EMS defibrillators (2015 – 2017 \$7.000 million) and portable radios (2016 \$1.000 million).
- Construct a new facility for EMS District 5 – Service District Centre which will allow EMS to consolidate Special Operations Units under one building (2018 – 2021 \$7.200 million).
- Complete replacement of Police Service's 14 Division (2012 \$8.910 million).
- Renovate Police Service's property and evidence facility at 330 Progress Ave. (2012 – 2013 \$9.729 million).

- Relocate and replace Police Service's 54 Division (2014 – 2016 \$36.446 million).
- Relocate and replace Police Service's 41 Division (2015 – 2018 \$39.079 million).
- Relocate and replace Police Service's 13 Division (2017 – 2020 \$39.079 million).
- Renovate Police Service's 32, 52, 55 and 22 Divisions (2018 – 2021 \$24.557 million).
- Maintain valley and waterfront from damage due to high intensity and localized storms (2012 – 2021 \$76.938 million).

The City offers community programs and services that improve the quality of life of all its citizens and ensure opportunity for all. The 2012 – 2021 BC Recommended Capital Budget and Plan include projects that will:

- Maintain 10 long term care homes to meet Ministry of Health and Long Term Care compliance requirements regarding safety (2012 – 2021 \$72.469 million).
- Redevelop the 337 bed Kipling Acres Long Term Care Home based on revised Provincial standards and requirements (2012 – 2015 \$78.500 million).
- Complete alarm upgrades to long term care homes as part of the Long Term Care Act upgrades (2012 \$0.500 million).
- Continue the redevelopment of parkland such as June Callwood Park (2012 – 2013 \$2.350 million), Canada Arsenal (Marie Curtis) Park (2012 \$2.000 million), Grange Park (2012 – 2013 \$4.949 million), and dogs off-lease area improvements (2012 – 2016 \$3.000 million).
- Continue construction of the new Visitor Centre at Fort York (2012 \$23.325 million).
- Construct various community centres, including York Community Centre (2012 – 2013 \$22.500 million) and Regent Park Community Centre (2012 – 2013 \$17.300 million).
- Continue the replacement of the Regent Park Aquatic Centre (2012 \$4.100 million).
- Continue the expansion of the Leaside Memorial Gardens Arena (2012 – 2013 \$12.100 million).
- Maintain in a state of good repair the harbourfront, marine service and seawall (2012 \$4.800 million) and special facility building structures (2012 \$3.150 million).
- Continue the construction phase of the Toronto Reference Library Revitalization Project to address structural, mechanical, and electrical requirements, and improve interior layouts to allow for additional programming and studying spaces (2012 – 2015 \$16.860 million).
- Continue planning work and start construction on two new library branches:
 - Fort York / Bathurst Library Project to establish a new library for the Railway Lands area scheduled to be open by 2015 (2012 – 2014 \$8.310 million); and,
 - Scarborough Library Project to begin construction of a new library for the Scarborough Civic Centre area to address the significant increase in service demand due to recent residential development (2012 – 2015 \$8.067 million).

- Complete the Self Service Circulation Project at 18 libraries (2012 \$1.971 million) that will result in operational efficiencies and savings of \$0.217 million; the Malvern Library Youth Centre Project (2012 \$0.700 million) that will provide additional programming space for youth programs in an under-served community; and, the Brentwood Library Renovation and Expansion Project to open by the summer of 2012 (2012 \$2.435 million).
- Upgrade the Squirrels' Nest Day Care Centre (2012 \$0.375 million).
- Continue the construction of the Nelson Mandela Public School renovation as part of the Regent Park Revitalization Project (2012 \$0.503 million).

Residents will be provided with direct and simple access to City staff and services. The 2012 – 2021 BC Recommended Capital Budget and Plan include projects that will:

- Complete the 311 Toronto integration with Parks, Forestry and Recreation registration; develop a common scheduler for City programs; and, improve divisional updates and on-line information for public access (2012 – 2016 \$7.962 million).
- Continue the development of the Case Management Phase 2 Project that will improve administration efficiency through the development of the City Services Card and the Employment Opportunities System, while ensuring a smooth migration to the new Provincial Social Services Solution Moderation Project (SSSMP) (2013 \$2.300 million).
- Upgrade system hardware and replace equipment for the Provincial Offences Act (POA) Court Case Management System (2012 – 2014 \$0.822 million).
- Complete the Public Health Surveillance and Management System Project that will implement a new Provincial infectious disease surveillance and management system (2012 \$0.398 million).
- Complete the Open Data Project to promote transparent and open government in the City of Toronto (2012 – \$0.150 million).
- Complete the Municipal Licensing and Standards (ML&S) Case Management System Project to enhance the capacity to investigate and resolve all ML&S enforcement inquiries (2012 – \$0.402 million).
- Continue the Toronto Building eService Project to realize the eCity vision of providing City services anywhere, any time to residents, developers, and business community (2012 – 2021 \$6.646 million).
- Continue the Integrated Telecom Infrastructure Project to implement advanced communication methodologies, protocols, and transmission technologies for delivery of voice and data communications and multimedia sessions (2012 – 2014 \$9.314 million).
- Begin the Central Property Database/One Address Repository Project to develop a central property database that will be utilized to link and integrate all property based information systems, databases and other repositories across all City divisions. (2012 – 2015 \$2.200 million).
- Complete the purchase of a Mobile Dental Clinic which is 100% Provincially funded as part of the Healthy Smiles Ontario (HSO) Dental Program for children and youth in Toronto (2012 \$0.450 million).

- Continue HF/HL Systems Integration Project that will develop and integrate several different systems into the Toronto Community Health Information System (TCHIS) framework including the Provincial Integrated Services for Children Information System (ISCIS) (2012 – 2013 \$4.485 million).
- Continue the Web ReBrand Project that will redesign the Toronto Public Health website and implement content management software to automate web postings (2012 – 2015 \$2.517 million).
- Continue the next phase of the Children Services Information System (CSIS) III Information Technology (IT) system upgrade for Children's Services (2012 – 2014 \$3.550 million).

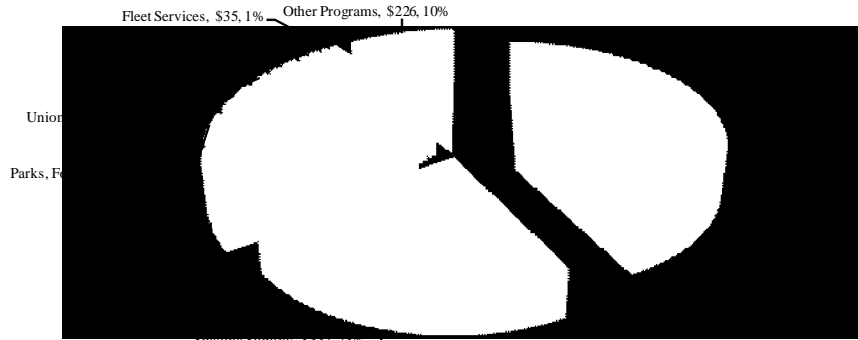
The City is investing in public spaces that are developed and maintained in a clean and beautiful condition for the general community. The 2012 – 2021 BC Recommended Capital Budget and Plan include projects that will:

- Improve public spaces across the City as part of the Civic Improvement Initiative (2012 – 2021 \$29.134 million).
- Revitalize Nathan Phillips Square with modifications to meet functional requirements for hosting a greater number and variety of public activities and special events (2012 – 2013 \$19.977 million).
- Redevelopment of St. Lawrence Market North which will result in a multi-purpose, multi-storey facility containing a public market at grade and compatible ancillary uses on a mezzanine overlooking the market hall, three levels of POA traffic courts above grade, and three levels of parking below grade (2012 – 2016 \$60.636 million).
- Continue development of the West Don Lands and East Bayfront Precincts and Queens Quay Revitalization (2012 – 2016 \$137.477 million).
- Develop various waterfront sites including Port Union, Sherbourne and Don River Park (2012 – 2016 \$5.148 million).
- Construct Fort York Pedestrian / Cycling Bridge (2013 \$17.942 million).
- Improve Business Improvement Areas (BIA) streetscapes (2012 – 2013 \$3.524 million).
- Continue restoration of Casa Loma (2012 – 2013 \$1.519 million).

2012 Budget Committee Recommended Capital Budget

The 2012 BC Recommended Capital Budget, excluding 2011 carry forward funding, totals \$2.338 billion. Chart 8 shows the 2012 BC Recommended Capital Budget of \$2.338 billion by major Program and Agency. Capital spending for the TTC (inclusive of the Spadina Subway Extension Project) represents 65% or \$1.527 billion of the total capital expenditures for 2012, followed by Transportation Services which accounts for 9% or \$198.865 million. The Revitalization of Union Station accounts for 4% or \$100.160 million of the 2012 Recommended Capital Budget of which 38% is funded by the Federal and Provincial governments.

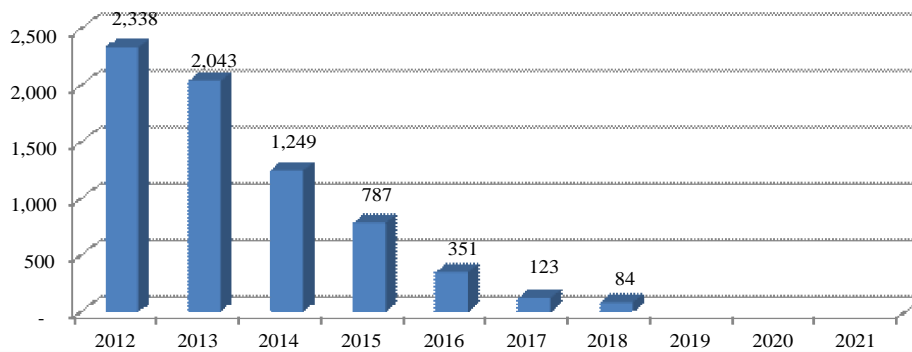
Chart 8
2012 Budget Committee Recommended Capital Budget by Program and Agency
(\$ Millions)



2012 Recommended Capital Budget and Future Year Commitments

Approval of the 2012 BC Recommended Capital Budget of \$2.338 billion (excluding 2011 funding carried forward into 2012) will commit the City to future year cash flow funding of \$2.043 billion in 2013; \$1.249 billion in 2014; \$787.361 million in 2015; \$350.992 million in 2016; and, \$207.344 million from 2017 to 2021, as outlined in Chart 9.

Chart 9
2012 Capital Budget and Future Year Commitments
(\$ Millions)



2012 Recommended Capital Budget Including Carry Forward Funding

In accordance with the City’s Carry Forward Funding Policy, financing to continue work on 2011 projects that were not completed as planned, require Council approval. 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. In these situations, the unspent amount, or a portion thereof, will be required in future years to complete the project and is carried forward to the following year and added to the new cash flow estimates.

Programs / ABCs	2011 Council Approved Cash Flow	2012 BC Recommended Cash Flow				Total 2012 Cash Flow
		2011 Carry Forward Funding	New and Change in Scope	Previously Approved Projects	2012 Capital Budget	
Citizen Centred Services 'A'	232	69	70	80	150	219
Citizen Centred Services 'B'	410	57	106	114	221	277
Internal Services	217	19	57	113	170	189
Other City Programs	297	43	9	152	161	204
Agencies	172	18	63	47	110	128
Total City Operations Before TTC	1,327	205	305	506	811	1,017
TTC	1,396	239	71	1,456	1,527	1,765
Total - Tax Supported Program	2,723	444	376	1,962	2,338	2,782

The cash flow requirement for 2011 capital projects that were not completed as planned and for which work must continue in 2012 totals \$443.847 million which is carried forward into 2012. As a result, the 2012 recommended cash flow funding totals \$2.782 billion, comprised of funding for the following 2011 carry forward projects of \$443.847 million; new and change in scope projects of \$376.277 million; and, previously approved projects of \$1.962 billion, as set out in Table 4.

Toronto Transit Commission

The TTC's 10-Year Recommended Capital Budget and Plan totals \$7.998 billion of which \$1.814 billion is allocated to the Spadina Subway Extension Project. Excluding the Spadina Subway Extension, the TTC's 10-Year Capital Budget and Plan is \$6.184 billion which includes recommended debt financing of \$2.260 billion.

In 2011, the TTC submitted a 2011 – 2020 Capital Budget and Plan totalling \$7.593 billion in expenditures, requiring \$4.394 billion in debt funding. This request exceeded the TTC's 2011 – 2020 debt target by \$2.265 billion, which was not affordable and not approved by Council, as shown in Table 5. City Council approved TTC funding limited to 2011 capital works and future year cash flow commitments, as outlined in the middle column of Table 5.

Table 5			
TTC Approved 2011 - 2020 Capital Budget and Plan vs. 2012 Budget Committee Recommended Capital Budget and Commitments			
\$ Billion	2011 to 2020 Submitted Capital Plan	2011 Approved Budget & Commitments	Remainder of 2012 to 2020 Submitted Capital Plan
Gross Expenditure	7.594	3.437	4.157
Funding Sources:			
Provincial Subsidy	1.325	0.788	0.537
Federal Subsidy	1.592	0.538	1.054
Development Charges	0.054	0.039	0.015
Other	0.229	0.055	0.174
Required Debt	4.394	2.017	2.377
Debt Target	2.129	2.129	0.112
Debt Shortfall	2.265	(0.112)	2.265

To address the \$2.265 billion shortfall in funding, TTC completed a comprehensive review of their 10 year capital program funding requirements in 2011. The TTC revised the capital plan by reducing or deferring various projects in the amount of \$1.116 billion as outlined below.

	\$ Millions
2011-2020 Debt Target Shortfall	2,265
2012-2020 Reductions	
Toronto Rocket Yard and Storage Track Accommodation	(208)
Platform Edge Doors	(177)
Purchase of Subway Cars	(161)
ATC Resignalling Project	(142)
Other Building and Structures	(84)
Purchase of Streetcars	(83)
Fire Ventilation Upgrade	(81)
Fare System	(38)
Other Projects	(143)
Total 2012-2020 Project Reductions	(1,116)
Net Debt	1,149

To address the remaining \$1.149 billion funding deficit, the TTC's 2012 - 2021 Recommended Capital Plan includes the use of operating budget surpluses beginning in 2012; proceeds from the monetization of City assets and additional expected Federal and/or Provincial funding (\$700.0 million); applied unused previous year debt allocation from the 2011 - 2020 Capital Plan of (\$257.0 million); additional debt target funding for 2021 (\$174.0 million); and, maximization of other funding increases, such as development charges, etc. (\$80.0 million), these sources of funding total \$1.211 billion. After the application of these funding sources, TTC's 10-Year Recommended Capital Budget and Plan is \$62.426 million or 2% under the 10 year debt target of \$2.322 billion, excluding the Spadina Subway Extension Project.

Toronto Parking Authority 2012 – 2021 Recommended Capital Budget and Plan

The Toronto Parking Authority's (TPA) 2012 – 2021 BC Recommended Capital Budget and Plan totals \$357.720 million, excluding funding carried forward from 2011 into 2012 of \$18.075 million, as outlined in Table 6.

Over the 10 year planning horizon, the TPA is 100% self-sustaining with no debenture financing and with no impact on the municipal property tax levy. As shown in Table 6, the 2012 – 2021 BC Recommended Capital Budget and Plan for the TPA is funded primarily from current and future retained earnings, which account for 72% or \$256.520 million of the new cash flow funding of \$357.720 million. Other funding sources include contributions from reserves and reserve funds (\$6.000 million or 2%) and use of proceeds from the sale of air-rights (\$95.200 million or 27%).

Funding for the 2012 Recommended Capital Budget and 2013-2021 Capital Plan balances infrastructure renewal needs for SOGR; Service Improvement; and, Growth Related projects. As indicated in Table 6, 70% or \$250.920 million of the TPA's 2012 – 2021 BC Recommended Plan is allocated to Service Improvement projects; 17% or \$60.300 million is allocated for Growth Related projects; and, 13% or \$46.500 million is allocated to SOGR projects.

Expenditures	Capital Plan					2012-2016		2017 - 2021		2012 - 2021	
	2012	2013	2014	2015	2016	Total	%	Total	%	Total	%
Health and Safety Legislated											
State of Good Repair	6,400	5,100	5,000	5,000	5,000	26,500	16.2%	20,000	10.3%	46,500	13.0%
Service Improvements	21,792	21,807	32,022	16,757	19,507	111,885	68.4%	139,035	71.7%	250,920	70.1%
Growth Related	3,950	2,150	3,650	7,650	7,900	25,300	15.5%	35,000	18.0%	60,300	16.9%
Total Expenditures	32,142	29,057	40,672	29,407	32,407	163,685	100%	194,035	100%	357,720	100.0%
Funded By:											
Reserve/Reserve Funds	3,900	100				4,000	2.4%	2,000	1.0%	6,000	1.7%
Current & Future Retained Earnings	28,242	18,057	31,372	29,407	13,407	120,485	73.6%	136,035	70.1%	256,520	71.7%
Sale of Air-Rights		10,900	9,300		19,000	39,200	23.9%	56,000	28.9%	95,200	26.6%
Other											
Total Funding	32,142	29,057	40,672	29,407	32,407	163,685	100.0%	194,035	100.0%	357,720	100.0%

The 10-Year Recommended Capital Budget and Plan invests \$317.720 million in funding for the expansion and/or new development of 60 off-street parking facilities to satisfy current and future demand. Maintenance projects at various facilities which extend the useful life of assets; ensure service reliability; and, postpone infrastructure replacement are also included. These activities required in the 10-Year Recommended Capital Plan, include projects such as upgrades to existing lighting; sprinklers and fire alarms; and, replacement of elevators and bumper fences.

The 2012 Capital Budget Process

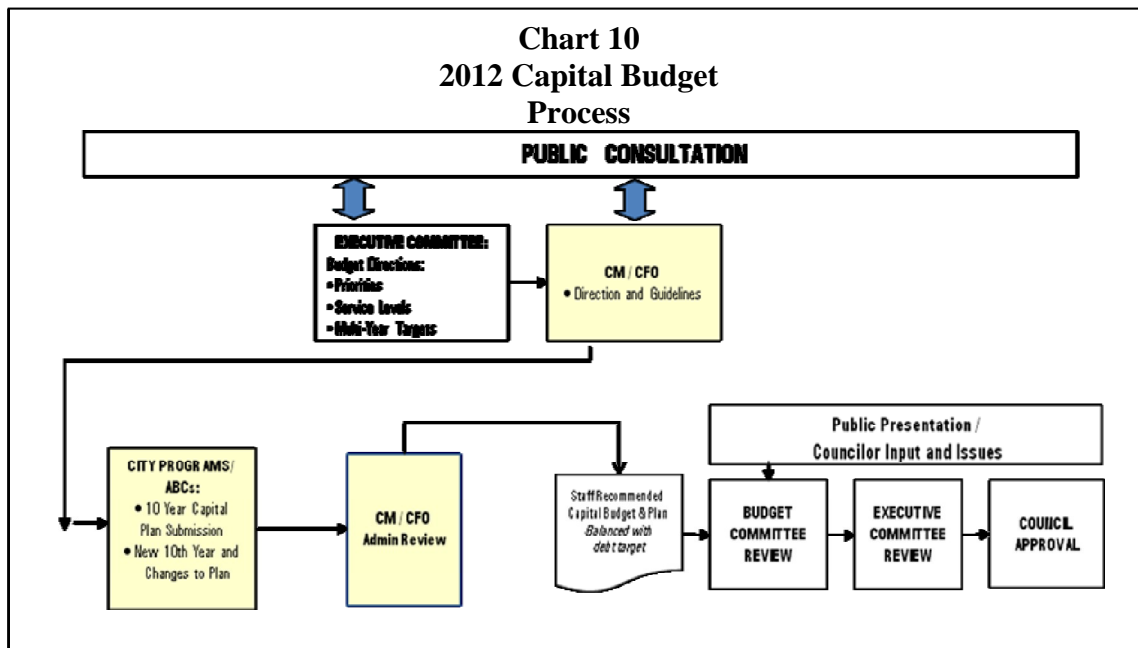
Chart 10 illustrates the City of Toronto's Capital Budget Process. The 10-Year BC Recommended Capital Plan details projects required to support the delivery of services to the citizens of Toronto over a 10 year planning horizon, and shows how these projects will be

funded. In accordance with the City's long term fiscal planning framework, and strategic directions, a firm 2012 – 2021 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 nine years constitute the framework for developing future year capital budgets. Key elements of this Capital Budget Process include the following:

- The Executive Committee and the Mayor establish 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 Manager and Chief Financial Officer provide administrative directions and guidelines that complement the Executive Committee and Mayor's priorities. As part of the guidelines, they forecast and allocate affordable debt targets to individual City Programs and Agencies based on approved policies and funding needs. The City Manager and, Deputy City Manager and Chief Financial Officer review capital submissions of City Programs and Agencies 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 Program and Agency 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 deputations 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 considers the Budget Committee Recommended Capital Budget and Plan to ensure that the Committee has addressed 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 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 and funding source to ensure a neutral impact on debt annually.



City Manager and Chief Financial Officer Review

To ensure compliance with directions, guidelines, and affordable debt targets, the City Manager; Chief Financial Officer; and, Director of Financial Planning reviewed the capital submissions from City Programs and Agencies and recommended a 2012 – 2021 Capital Budget and Plan to the Budget Committee. The City Manager and Chief Financial Officer 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:
 - Previously approved projects already in progress, with focus on those with partnership / other government funding;
 - Health and Safety, Legislated and SOGR projects; and,
 - Service Improvement and Growth Related projects.
- Ensuring that projects included in the Staff Recommended 10–Year Capital Plan are 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.
- Evaluating operating impacts of projects to ensure reasonableness and that the Operating Budget is not unduly burdened.

In general, the 2012 – 2021 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 increase marginally over the 10 year planning horizon. The increase is driven in part by the growing size of the City’s infrastructure and capital assets, and inflationary impact on maintenance and remediation costs.

CONTACTS

Josie La Vita
 Director, Financial Planning Division
 Phone: 416-397-4229
 Fax: 416-397-4465
 Email: jlavita@toronto.ca

Andy Cui
 Manager, Financial Planning
 Phone: 416-397-4207
 Fax: 416-397-4465
 Email: acui@toronto.ca

SIGNATURE

Joseph P. Pennachetti
 City Manager

Cam Weldon
 Deputy City Manager and
 Chief Financial Officer

ATTACHMENTS

Appendix 1	2012 BC Recommended Capital Budget and Future Year Commitments by Program and Funding Source – Including 2011 Carry Forward Funding
Appendix 1(i)	2012 BC Recommended Capital Budget and Future year Commitments by Program and Funding Source – Excluding 2011 Carry Forward Funding
Appendix 1(ii)	2012 BC Recommended Capital Budget and Future Year Commitments by Program and Funding Source – New and Change in Scope
Appendix 1(iii)	2012 BC Recommended Capital Budget and Future Year Commitments by Program and Funding Source – Previously Approved
Appendix 1(iv)	2012 BC Recommended Capital Budget by Program and Funding Sources - Including 2011 Carry Forward Funding
Appendix 1(v)	2012 BC Recommended Capital Budget by Program and Funding Sources - Excluding 2012 Carry Forward Funding
Appendix 1(vi)	2012 BC Recommended Capital Budget by Program and Funding Source - 2011 Carry Forward
Appendix 2	2012 – 2021 BC Recommended Capital Budget and Plan by Category and Funding Source
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Appendix 5	Program Recommendations
Appendix 6	City Clerk's Office – Reports, Transmittals and Communication