



**STAFF REPORT
ACTION REQUIRED**

2014 – 2023 Budget Committee Recommended Tax Supported Capital Budget and Plan

Date:	January 20, 2014
To:	Executive Committee
From:	City Manager Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2014\Internal Services\Fp\Ec14002Fp (AFS #18971)

SUMMARY

This report presents the City of Toronto's Tax Supported 2014 - 2023 Budget Committee (BC) Recommended Capital Budget and Plan and recommends approval of 2014 Budget and future year cash flow commitments for capital projects. Furthermore, this report requests Council's approval of the 2015 - 2023 Capital Plan, which will form the basis for developing future capital budgets, in accordance with the City's multi-year financial planning and budgeting policies and practices.

The 2014 - 2023 BC Recommended Capital Budget and Plan satisfies Council's strategic priorities, as well as the recently approved Strategic Actions, specifically targeting the following strategic goals: Infrastructure for a Successful City and Community Capacity and Stewardship of City Resources and Assets. The 10-Year Capital Plan continues to advance on the City's long term fiscal plan objectives and focuses on infrastructure rehabilitation. It places priority on projects that protect the health and safety of citizens, meets 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 with an aging infrastructure and growing population.

The 2014 - 2023 BC Recommended Capital Budget and Plan achieves a balance between maintaining assets in a state of good repair and accommodating growth and fulfills the following strategic objectives:

- Provides for growth in strategic areas and priority service expansion projects in key program areas to accommodate service demands and expectations of the public in a sustainable manner;

- Protects the City's \$37.2 billion in infrastructure and physical assets for Tax Supported Programs by making significant strides in managing the accumulated state of good repair backlog which currently represents about 6.0% of the total estimated asset value. Despite the significant investment in maintaining and protecting the City's infrastructure and physical assets, there continues to be a gap between capital spending needs and affordable funding estimates.
- Over the 10 year period, SOGR investment in the 2014 -2023 BC Recommended Capital Budget and Plan will address estimated \$12.722 billion of SOGR requirements. However, the additional SOGR requirements total \$13.008 billion which will result in the 10 year accumulated backlog increasing by \$287.050 million or 14.1%. This funding gap has resulted in a growing backlog that is estimated at \$2.325 billion at the end of 2023 representing approximately 6.3% of City's total estimated asset value.
- Notwithstanding significant funding challenges, the 2014 - 2023 Capital Budget and Plan is fiscally prudent and balances the capital spending needs for infrastructure maintenance with the objective of ensuring that the City's debt burden remains below the Council approved maximum debt service charge ratio of 15%. In 2014 the debt service charge ratio inclusive of the Scarborough Subway debt charges is budgeted at 11.0%, peaking at 13.2% in 2019 before declining to 11.2% in 2023, leaving room for emergency works and the potential for interest rate increases in the future.
- In order to manage debt, the 10-Year Capital Budget and Plan strategically applies non-debt capital funding strategies comprised of the continuation of the Surplus Management Policy (75% of operating budget surplus allocated to capital financing), proceeds from the monetization of the City's marketable assets; maximizing Development Charges funding; Build Toronto Dividends; and new Provincial and Federal funding targets to offset future capital plan pressures.
- Accommodates TTC's \$6.325 billion 10-Year BC Recommended Capital Budget and Plan with the application of the capital non-debt financing strategy that includes \$1.129 billion in reserve funding, \$253 million in increased DC financing and \$123.708 million in debt financing beyond the TTC Debt target. Investing in public transit infrastructure is part of the City's plan to reduce gridlock and strengthen communities. The Council approved Scarborough Subway Extension Project of \$3.437 billion underscores this effort and is jointly funded by the Government of Canada, the Province of Ontario and the City of Toronto. The three-stop subway from Kennedy to Sheppard will provide a critical extension for the existing Toronto Transit Commission subway system.
 - Despite the significant funds allocated to TTC 10-Year Capital Plan; a \$2.526 billion shortfall over the 2014-2023 time-frame exists. To address this funding shortfall, there is a need for a tri-party partnership by the Government of Canada, the Province of Ontario and the City of Toronto to establish a funding strategy to support TTC's ongoing capital pressures. A task force will be established comprised of the TTC Chair, the TTC CEO, the TTC CFAO, the City Manager and the City CFO to seek and secure funding from both the Federal and Provincial governments.
- Accommodates Transportation Services' \$3.081 billion 10-Year BC Recommended Capital Budget and Plan, with the application of the approved capital financing strategy introduced in 2013. The capital financing strategy will continue to help fund capital work required for the

F.G. Gardiner Expressway, investment in road resurfacing and reconstruction and key capital works to address traffic congestion.

- Accommodates Parks, Forestry and Recreation's \$1.081 billion 10-Year BC Recommended Capital Budget and Plan, which is \$286 million higher than last year's 10-Year plan, and includes \$165 million additional funding in SOGR which will reduce accumulated backlog in 4 key asset categories: Pools, Community Centres, Arenas, and Trails and Pathways.
- Over the 10 year period, debt funding (excluding the Scarborough Subway) is reduced to approximately \$509 million, driven primarily by increased Capital from Current funding and \$395 million in new DC funding following the approval of the new DC By-law. As a result, the City has managed to maintain debt at affordable levels.

Contents

Topic	See Page
Summary	1
Recommendations	4
Financial Implications	6
Comments:	
▪ 2014 – 2023 Budget Committee Recommended Capital Budget and Plan	18
▪ What is Being Built - Project Highlights	26
▪ City of Toronto Capital Planning and Budgeting Process	31
▪ Conclusion	35

RECOMMENDATIONS

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

1. City Council approve the 2014 Budget Committee Recommended Capital Tax Supported Budget of \$2.211 billion.
2. City Council approve the 2015 to 2023 Budget Committee Recommended Capital Tax Supported Plan project estimates totalling \$16.401 billion comprised of \$2.500 billion in 2015; \$2.197 billion in 2016; \$1.886 billion in 2017; \$1.765 billion in 2018; \$1.944 billion in 2019; \$1.941 billion in 2020; \$1.640 billion in 2021; \$1.416 million in 2022; and, \$1.112 billion in 2023.
3. City Council approve funding sources for the 2014 Budget Committee Recommended (Tax Supported) Capital Budget (including 2013 carry forward project funding) comprised of \$533.168 million from Reserves and Reserve Funds; \$240.477 million in Capital from Current funding; \$119.100 million in Developmental Charge funding; \$451.686 million in Provincial Grants and Subsidies; \$300.497 million in Federal Subsidies; \$380.280 million from other sources; and, debt of \$990.952 million; inclusive of 2013 carry forward debt funding of \$358.608 million (see Appendix 1(iv)).
4. City Council approve new incremental debt service costs of \$21.181 million in 2014 and incremental costs of \$25.271 million in 2015; \$36.653 million in 2016; \$46.981 million in 2017; \$38.299 million in 2018; and, \$28.528million in 2019 to 2023, for inclusion in the 2014 and future operating budgets.
5. City Council approve the 2014 Budget Committee Recommended (Tax Supported) Capital Budget, with a total project cost of \$1.670 billion and, a 2014 cash flow of \$3.016 billion with future year commitments of \$1.924 billion in 2015; \$1.251 billion in 2016; \$751.144 million in 2017; \$507.132 million in 2018; and, \$726.680 million in 2019 to 2023 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 \$1.670 billion requiring: 2014 cash flow of \$794.386 million and future year commitments of \$494.551 million in 2015; \$257.425 million in 2016; \$210.695 million in 2017; \$62.688 million in 2018; and reduction of (\$149.415 million) in 2019 to 2023 for change in scope projects/sub-projects (see Appendix 1(ii));
 - ii. previously approved projects / sub-projects totalling \$5.700 billion requiring: 2014 cash flow of \$1.417 billion and future year commitments of \$1.429 billion in 2015; \$993.199 million in 2016; \$540.449 million in 2017; \$444.444 million in 2018; and, \$876.095 million in 2019 to 2023 (see Appendix 1(iii)) including carry forward funding from 2012 and prior years requiring cash flow of \$76.194 million, which

forms part of the affordability debt target and requires Council to reaffirm their commitment; and,

- b. 2013 cash flow for previously approved projects / sub-projects with carry forward funding from 2013 into 2014 totalling \$805.110 million (see Appendix 1(vi)).
6. City Council consider incremental operating impacts resulting from approval of the 2014 Budget Committee Recommended Capital Budget and Plan of \$12 million in 2014; and incremental costs of \$11 million in 2015; \$9 million in 2016; \$10 million in 2017; \$8 million in 2018; and, \$7 million in 2019 to 2023, for inclusion in the 2014 and future years' operating budgets.
7. City Council approve the 2014 Budget Committee Recommended Capital Budget and 2015 – 2023 Capital Plan recommendations for City Programs and Agencies as detailed in Appendix 5.
8. City Council approve the 2013 sinking fund levies of \$186.379 million for the City and \$2.294 million for the Toronto District School Board, with the latter to be fully recovered by the TDSB.
9. City Council, in approving the 2014-2023 Capital Budget and Plan, express its intent to ensure that the increase in the need for services attributable to the anticipated development will be met and that any future excess capacity identified will be paid for by development charges or other similar charges; charges or other similar charges;
10. City Council re-affirm previously approved Capital Financing Strategy comprised of 75% of the operating budget surplus allocated to the Capital Financing Reserve in accordance with the Surplus Management Policy; use of monetization of City Assets; dividends; and the maximization of Development Charge funding and future Provincial and Federal funding partnership to alleviate debt funding.

Financial Implications

Overview

2014 – 2023 Capital Budget and Plan

The 2014 BC Recommended Capital Budget totals \$2.211 billion, and estimates of capital spending for the following nine years 2015 - 2023 total \$16.401 billion or 88.1% of the total capital funding of \$18.612 billion recommended over the 10 year planning period, as described in Table 1.

For 2014, City Operations and Agencies are under the debt target by \$139.555 million. While City Operations and Agencies (excluding TTC) are under the 10-year debt target by \$43.453 million adding the TTC and Scarborough Subway Extension project results in the total 10-Year Capital Plan being over the debt target by \$611.563 million.

Programs / Agencies (\$000)	2014				2014 - 2023			
	Gross	Debt/ CFC	Debt Target	Over/ (Under)	Gross	Debt/ CFC	Debt Target	Over/ (Under)
Citizen Centred Services - A	221,737	87,215	89,454	(2,239)	1,494,531	915,728	926,978	(11,250)
Citizen Centred Services - B	385,094	246,331	268,749	(22,418)	3,372,275	2,157,018	2,181,598	(24,580)
Internal Services	264,922	98,873	123,261	(24,388)	1,821,460	780,849	765,396	15,453
Other City Programs	85,081	60,241	64,348	(4,107)	268,659	82,202	84,936	(2,734)
Total - City Operations	956,833	492,660	545,812	(53,152)	6,956,925	3,935,797	3,958,908	(23,111)
Agencies	122,181	69,029	75,709	(6,680)	1,100,068	650,752	671,094	(20,342)
Total - Tax Supported before TTC	1,079,014	561,689	621,521	(59,832)	8,056,993	4,586,549	4,630,002	(43,453)
Toronto Transit Commission								
Toronto Transit Commission	916,108	308,632	388,355	(79,723)	6,325,031	2,002,046	1,878,338	123,708
Spadina Subway Extension	201,427				793,140			
Total - TTC	1,117,535	308,632	388,355	(79,723)	7,118,171	2,002,046	1,878,338	123,708
Tax Supported Programs	2,196,549	870,321	1,009,876	(139,555)	15,175,164	6,588,595	6,508,340	80,255
2014 Scarborough Subway	14,500	2,500		2,500	3,437,000	531,308		531,308
Total Funding Requirements with Scarborough Subway	2,211,049	872,821	1,009,876	(137,055)	18,612,164	7,119,903	6,508,340	611,563

Transit alone accounts for the largest percentage of capital expenditures in the 10-Year BC Recommended Capital Budget and Plan. Inclusive of the Spadina Subway Extension Project, the TTC's 2014 - 2023 Recommended Capital Plan is \$7.1, representing approximately 38% of the total recommended spending over the 10 year planning horizon. With the Scarborough Subway project, the TTC's share of the capital plan climbs to 56%. Transportation Services totals an additional \$3.081 billion or 16.5%. Taken together, transit and transportation capital works account for \$13.636 billion or 73% of the total expenditures in the 2014 - 2023 BC Recommended Capital Plan.

Budget and Plan by Category

Capital projects included in the 2014 - 2023 BC Recommended Capital Budget and Plan are prioritized into five categories, as shown in Chart 3. Consistent with the 2014 Capital Budget directions and guidelines, the 10-Year BC Recommended Capital Plan focuses on maintaining and rehabilitating existing infrastructure used to deliver services to the citizens of Toronto.

Capital expenditures to maintain and renew the City's infrastructure total \$11.144 billion, representing 60% of the 2014 - 2023 BC Recommended Capital Budget and Plan's spending allocation and with the addition of Health and Safety and Legislated projects it grows to \$11.800 billion or 63% , as outlined in Chart 1. This strategy is geared toward reducing 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 2014 - 2023 BC Recommended Capital Budget and Plan also invests \$6.811 billion (37%) over 10 years in strategic and priority Service Improvement and Growth Related projects to accommodate increasing service demands and growth.

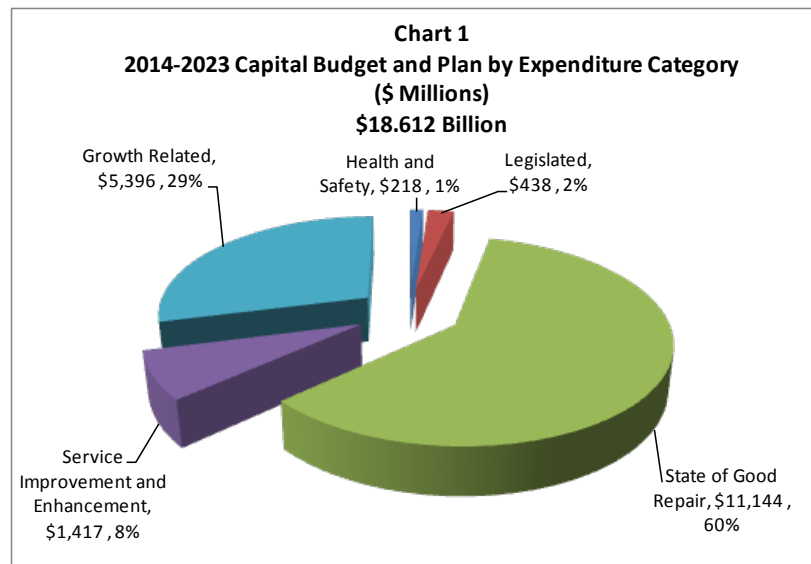
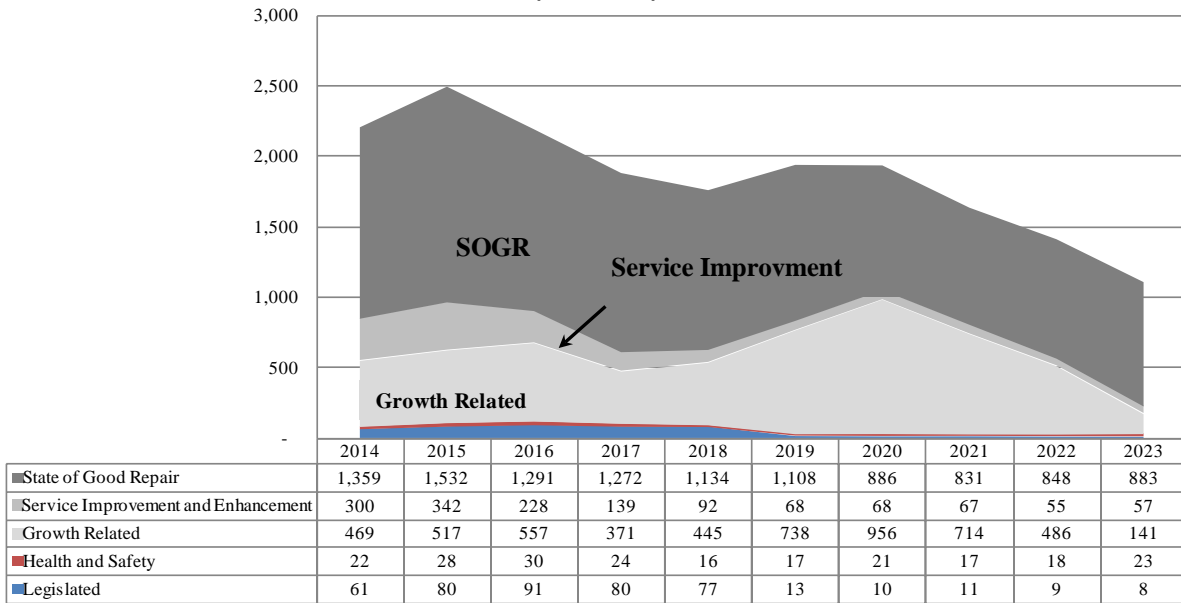


Chart 2
2014 -2023 Recommended Capital Budget and Plan Expenditures by Category
(\$ Millions)



Budget and Plan by Funding Source

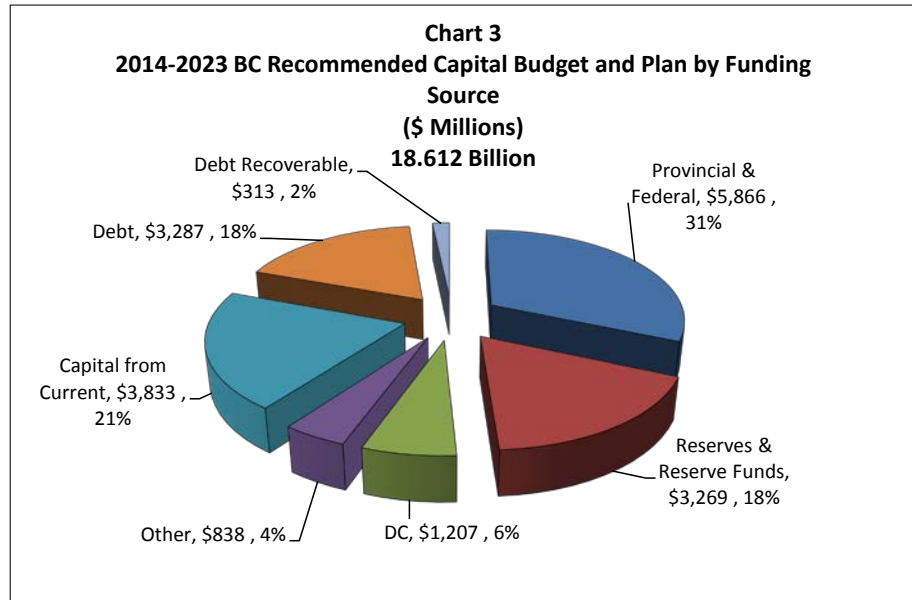
The primary financing sources for the 2014 - 2023 BC Recommended Capital Budget and Plan are:

- Federal and Provincial funding primarily for TTC projects that represents \$5.866 billion or 31%.
- Reserves and Reserve Funds that represent \$3.269 billion or 18% and reflects increased funding from the Capital Financing Reserve arising from the recommended capital financing strategy.
- Capital from Current contribution represents \$3.831 billion or 21% due to 10% annual increases.
- Debt is the funding source of last resort and represents \$3.287 or 18% of the funding down from a historical average of approximately 30%.

Non-debt capital financing strategies reduce the reliance on debt cost thereby reducing pressure on the operating budget and freeing up more funds to deliver City services as noted in Chart 3.

The Debt and Capital from Current contributions 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. Capital from Current (CFC) funding totals \$3.831 billion of the total funding for the 2014 - 2023 BC Recommended Capital Budget and Plan of \$18.612 billion. To mitigate reliance on debt as a funding source for the City's 10-Year Capital Plan, CFC will continue to be increased by 10% annually, from \$240.477million in 2014 to \$567.031 million in 2023, increasing the CFC

contribution relative percentage of financing from 11% in 2014 to 21% in 2023 over the 10 year period of the Capital Plan.



Budget Committee Recommended Changes

At its meeting on January 8, 2014 Budget Committee adopted changes to the 2014-2023 Staff Recommended Capital Budget and Plan as outlined in the Table 2 below, increasing the recommended 2014 cash flow funding by \$3.125 million while increasing the total 10-Year Capital Budget and Plan in the amount of \$1 million with no incremental impact on debt.

Table 2
Budget Committee Recommended Changes
2014 - 2023 Capital Budget and Plan (including carry forward funding)

\$ Millions	2014		2015 - 2023		2014 - 2023	
	Gross Exp.	Debt / CFC	Gross Exp.	Debt / CFC	Gross Exp.	Debt / CFC
2014 Staff Recommended Capital Budget and Plan	3,013	1,229	5,161	5,718	8,174	6,947
Transportation Services						
Six Points Interchange Development	2.5		(2.5)		-	
Facilities Management & Real Estate						
Union Station Revitalization Project (Great Hall lighting (\$0.750M) & Heritage Implementation Plan (\$0.250M))	1.0				1.0	
Office of the Lobbyist Register						
Deferral of new contract management software to 2015	(0.4)		0.4		-	
Sub-total BC Changes	3.1	0.0	(2.1)	0.0	1.0	0.0
2014 BC Recommended Capital Budget and Plan	3,016.0	1,229.3	5,159.2	5,717.9	8,175.2	6,947.2

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 from other purpose-specific reserves and reserve funds, developer and third party contributions; and donations, prior to utilizing City-own sources such as Capital from Current funding and the issuance of debt.

Expenditures	Capital Plan					2014-2018		2019 - 2022		2014 - 2023	
	2014	2015	2016	2017	2018	Total	%	Total	%	Total	%
Health and Safety	22	28	30	24	16	121	1.1%	97	1.2%	218	1.2%
Legislated	61	80	91	80	77	388	3.7%	50	0.6%	438	2.4%
State of Good Repair	1,359	1,532	1,291	1,272	1,134	6,588	62.4%	4,556	56.6%	11,144	59.9%
Service Improvement	300	342	228	139	92	1,102	10.4%	315	3.9%	1,417	7.6%
Growth Related	469	517	557	371	445	2,360	22.4%	3,036	37.7%	5,396	29.0%
Total Expenditures	2,211	2,500	2,197	1,886	1,765	10,559	100%	8,053	100%	18,612	100.0%
Funded By:											
Provincial	301	389	349	219	305	1,563	14.8%	1,935	24.0%	3,498	18.8%
Federal	211	231	229	189	221	1,081	10.2%	1,287	16.0%	2,368	12.7%
Reserves	406	417	350	341	284	1,797	17.0%	1,009	12.5%	2,806	15.1%
Reserve Funds	90	56	64	56	92	356	3.4%	106	1.3%	463	2.5%
Debt Rec	74	96	31	22	15	238	2.2%	75	0.9%	313	1.7%
DC	92	144	171	148	100	655	6.2%	551	6.8%	1,207	6.5%
Other	164	196	159	56	53	627	5.9%	210	2.6%	838	4.5%
Capital from Current	240	265	291	320	352	1,468	13.9%	2,364	29.4%	3,833	20.6%
Debt	632	706	554	537	344	2,773	26.3%	515	6.4%	3,287	17.7%
Total Funding	2,211	2,500	2,197	1,886	1,765	10,559	100.0%	8,053	100.0%	18,612	100.0%

Note: "Reserves" also reflects future operating budget surpluses; proceeds from monetization of City assets and investments; and projected additional Provincial and Federal funding. "Other" includes cash donations and third party contributions.

The 2014–2023 BC Recommended Capital Budget and Plan will be financed from the following funding sources, as shown in Table 3 above:

- Provincial (\$3.498 billion or 18.8%) and Federal (\$2.368 billion or 12.7%) funding account for \$5.866 billion or 31.5% of total recommended funding;
- Reserve and reserve funds contribute \$3.269 billion or 17.3%;
 - Included within the Reserve and Reserve funds are proceeds from future operating budget surpluses; monetization of City assets; and dividends.
- Development Charges and "Other" sources, such as donations, contribution from developers and other third parties, provide \$2.045 billion or 11% of total funding;
- Capital from Current contributions total \$3.833 billion, representing 20.6% of total funding;
- Debt funding totals \$3.287 billion or 17.7% of funding over the 10 year planning horizon;

It should be noted that debt funding would otherwise increase by the equivalent amount without the CFC contributions of \$3.833 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.

The debt management strategies are working and a continued steadfast commitment to fiscal discipline is vital in addressing increased investments with non-debt funding strategies and solutions such as strict adherence to the surplus management policy in which at least 75% of any year-end favorable operating variance is applied to the Capital Financing Reserve.

Non- Debt Capital Financing

1. Capital Financing Strategy for Priority Projects

In 2012, the City established a capital financing strategy to be applied against emerging capital needs to mitigate City-wide debt requirements. These funds are to be applied in a strategic manner against capital projects that meet prescribed criteria such as useful life or type of capital asset, enabling the City to prevent the debt service cost ratio from reaching the threshold of 15% of property tax funding. This strategy will ensure that the capital projects are properly funded, the City's debt is minimized, and that the City is protected from adverse economic risks.

A major funding source of this strategy is the operating surplus. The Surplus Management policy approved by Council in 2004 states that the surplus be applied in priority order to the following:

- 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.

As indicated in Table 4 below, from 2012 to 2023, \$2.013 billion of capital projects are to be funded by the non-debt capital financing strategy. The projects are mainly for the Toronto Transit Commission and Transportation services. Over the life of the strategy, operating surplus revenue will fund \$921 million of the planned capital expenditures. Other sources of funding include the monetization of City assets, contributions from the Federal and Provincial government, anticipated increase in Development Charge funding and additional dividends to be received in future years.

Description (\$ Millions)	2012 - 2013 Secured Revenue		2014 and Future Year Capital Financing Strategy Revenue Estimates										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Enwave / Enwave Dividend / TPLC Dividend	219												219
Prior Year Operating Surplus	215	186	70	50	50	50	50	50	50	50	50	50	921
DC Increases								25	25	25	25	25	125
Future Years BT Dividend	20	10		35	35	45	50	50	50	50	50	50	445
Future Years Fed/Prov							50	50	50	50	50	50	250
TPA One-Time and Other			2	10	41								53
Total:	454	196	72	95	126	95	150	175	175	175	175	125	2,013

Description (\$ Millions)	2012 - 2013 Capital Funding		2014 & Future Year Funding Requirements										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
TTC Capital	45	60	252	228	195	165	114	116	60				1,234
Transportation Capital		15	61	64	68	77	78	69	77	78	79	90	756
FM&RE Capital					15								15
Total	45	75	313	292	278	242	192	185	137	78	79	90	2,005

Description (\$ Millions)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Estimated Reserve Opening Balance	0	409	530	289	92	(60)	(207)	(249)	(258)	(220)	(123)	(27)	
Annual Funding Requirements	(45)	(75)	(313)	(292)	(278)	(242)	(192)	(185)	(137)	(78)	(79)	(90)	(1,915)
Annual Revenue Estimates	454	196	72	95	126	95	150	175	175	175	175	125	1,888
Estimated Reserve Closing Balance	409	530	289	92	(60)	(207)	(249)	(258)	(220)	(123)	(27)	8	
Advance Financing Requirements					60	147	42	9					258

2. Dedicated Property Tax Increase for the Scarborough Subway Extension Project

At its meeting of October 8-11, 2013, City Council adopted as amended item CC39.5 "Scarborough Rapid Transit Options: Reporting on Council Terms and Conditions." This action approved the removal of the Scarborough LRT from the Master Agreement with Metrolinx and accepted the redirection of a minimum of \$1.48 billion (in 2010 dollars) of Provincial funding to the City, for the purpose of the construction of the McCowan Corridor Subway (Scarborough Subway Extension).

The total estimated cost for the Scarborough Subway Extension is \$3.56 billion (expressed in inflated dollars, or \$2.5 billion in 2010 dollars). Current funding commitments received for the construction of the subway extension are as follows:

- Provincial government - \$1.99 billion (expressed in inflated dollars, or \$1.48 billion in 2010 dollars);
- Federal government - \$660 million (expressed in inflated dollars);
- City of Toronto - \$910 million (inflated dollars). The City will fund its share of the capital project through a combination of debt, tax funding and development charges funding. Dedicated property tax increase 0.5% in 2014, 0.5% in 2015 and 0.6% in 2016 will provide funding to repay the debt service costs for the project.

Table 5 below reflects the recommended capital project plan for the Scarborough Subway Extension project identifying proposed cash flows estimates and anticipated funding.

Description (\$ Millions)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Post 2023	Total
Gross Expenditures												
Scarborough Subway Extension												
Scarborough Subway	15	16	83	171	339	666	879	628	411	97		3,305
SRT Life Extension			14	15	16	16	17	17	18	19		132
SRT Decommissioning & Demolition											123	123
Total Annual Gross Expenditures	15	16	97	186	355	682	896	645	429	116	123	3,560
Financing												
Debt / Tax Supported Costs	15	3	20	38	73	140	185	133	88	24	25	745
Development Charges		1	5	9	17	32	42	30	20	5	6	165
Federal Funding		3	18	35	66	127	167	120	80	22	23	660
Provincial Funding		9	54	105	199	383	503	362	241	65	69	1,990
Total Financing	15	16	97	186	355	682	896	645	429	116	123	3,560

However, the 2014 -2023 Recommended Capital Budget and Plan does not address all the TTC's capital needs. Despite the sizeable City's investment in TTC there is a need for a Tri-Party Partnership between the Government of Canada, the Province of Ontario and the City of Toronto for dedicated, long term, stable funding plan and special City/TTC Taskforce will be established to prioritize, seek and secure funding from the Provincial and Federal governments.

3. Maximizing Development Charge Funding

Development Charge funding has been utilized to the extent permissible in the 2014 –2023 Tax-Supported Recommended Capital Budget and Plan in order to mitigate the reliance on debt and other funding. Development Charge funding was directed to growth-related shares of eligible capital projects, as required under Development Charges legislation. As part of the changes in the Development Charges Bylaw, 2014 represents the first year of a two-year (2014 –2016) phase-in of the Council-adopted development charge rate increases. As a result of updated rates and development forecasts, development charge funding provided for in the 2014 – 2023 BC Recommended Capital Plan has reduced debt requirements over the 10 year planning period by \$1.047 billion of which \$395 million is resulting from the new Development Charge By-law. The Development Charge funding is primarily utilized in the following programs:

- Parks, Forestry and Recreation (\$223.970 million);
- City Planning (\$21.962 million);
- Transportation Services (\$219.919 million);
- Waterfront Revitalization Initiative (\$61.042 million);
- Toronto Police services (\$46.261 million);
- Toronto Public Library (\$45.197 million); and
- Toronto Transit Commission (\$375.788 million).

The ability to leverage additional development charge funding of \$395 million has enabled the City to redirect the resulting debt funding room made available to other capital priorities which require additional debt such as:

- City Planning (\$10.750 million) provides funding for 3 Additional HCD Studies and 5 Additional Avenue or Area Studies per year;
- Economic Development (\$19.886 million) which includes \$10.0 million investment in BIA Streetscapes Improvement Program, Fort York Visitors Centre and Toronto Centre for the Arts Main Stage Reconfiguration;
- Facilities Management and Real Estate (\$31.819 million) funds investments for St. Lawrence Market North and Toronto Strong Neighbourhoods Program;
- Parks, Forestry and Recreation (\$11.000 million) funds replacement of one Ferry Boat;
- Transportation Services (\$76.665 million) funds investments in Traffic Congestions Management Program, Traffic Plan Restoration, King Liberty cycling Pedestrian Bridge, Yonge/Hwy 401 Interchange improvement and Castlefield-Caledonia Infrastructure;
- Toronto Public Library (\$12.560) provides funding for Guildwood Library Relocation, Northern District Renovation, Weston Renovation and Technology Asset Management Program; and
- Toronto Police Services (\$8.700 million) provides funding for the Electronic Document Management and Business Intelligence Technology.

Debt Financing

Over the 2014-2023 capital planning horizon, planned debt for the City Programs and Agencies totals \$6.589 billion. The City's strategy to increase Capital from Current ("pay as you go") contributions by 10% annually, \$3.833 billion is available in the 10 year period to reduce debt requirements to \$2.756 billion representing a 58.2% reduction in required debt funding

As shown in Table 6, the City will retire \$2.978 million and reissue \$2.812 million in debt over the 10 year planning horizon that will have no incremental impact on debt service costs resulting in a marginal decline in debt outstanding by \$56 million, excluding debt requirements for the Scarborough Subway Extension Project.

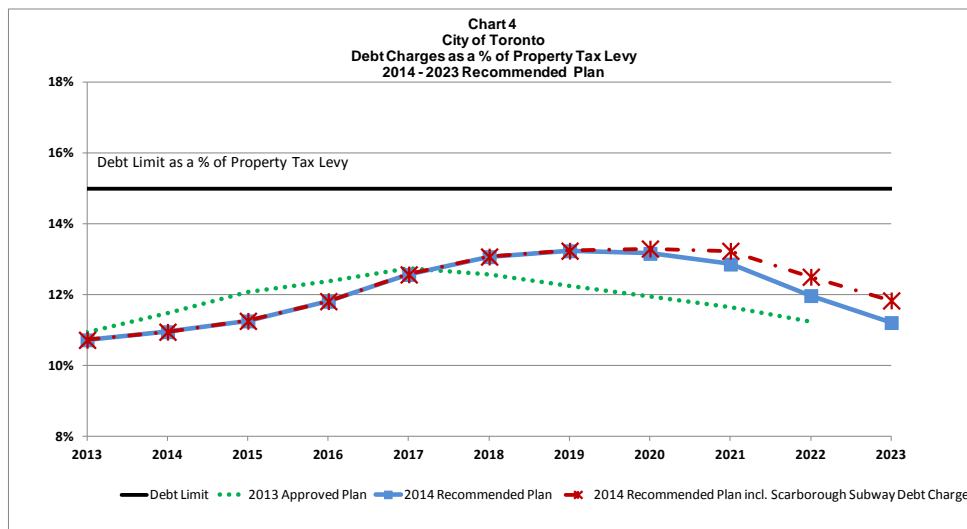
	2013 Council Approved Debt/CFC	2014	2015	2016	2017	2018	2014 - 2018 Debt / CFC	2014 - 2023 Debt / CFC
Debt								
TTC (includes Spadina)	484	309	454	321	373	256	1,712	2,002
City Programs and Other Agencies	503	562	516	524	483	440	2,526	4,587
Total Planned Debt	986	871	970	845	857	696	4,238	6,589
Capital from Current (CFC)	219	240	265	291	320	352	1,468	3,833
Debt Requirement	768	630	705	554	537	344	2,770	2,756
Total Debt - Retire	120	228	300	475	500	425	1,928	2,978
Debt - Reissue	120	228	300	475	500	425	1,928	2,812
New Debt Requirement before Scarborough Subway	648	402	405	79	37	(81)	842	(56)
Scarborough Subway	0	3	0	0	0	0	3	531
Total New Debt Including Scarborough Subway	648	405	405	79	37	(81)	845	475

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 capital financing strategy and reduced interest rates, the debt service charge ratio resulting from the 2014 – 2023 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. Firstly, operating budget pressures from debt charges over the next several years will be moderated by applying future operating budget surpluses; development charges; asset monetization; dividends; and expected new Provincial and Federal funding.



Secondly, the buffer between the forecasted debt charges and the 15% limit is wider in the first three years of the Plan. This provides the City with room for unforeseen capital emergencies such as extreme weather damages and to accommodate higher interest rates, if necessary. However, the buffer should not be considered as additional funding capacity for adding capital projects over the 10 year planning horizon, but rather reducing debt service cost that provides flexibility to fund enhanced City services in the Operating Budget.

The Scarborough Subway Extension capital project only marginally impacts the debt service ratio and not until 2020. Debt charges as a % of property taxes without the Scarborough Subway extension is approximately 10.95% in 2014 increasing to 13.24% in 2019 and declining to 11.21% in 2023. In comparison, the debt ratio including the Scarborough Subway Extension project remains unchanged at approximately 10.95 % in 2014 and increases to 13.30% in 2020 then declines to approximately 11.84% in 2023 which is only marginally higher than in 2014.

Authority to Issue Debentures During 2014

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. The authority to borrow up to \$900 million for City purposes in 2014 has been authorized under By-law No. 330-2011 as amended by By-law No. 100-2012 in order to maintain capital market timing flexibility and the City's ability to finance:

- Capital expenditures that were previously approved but not yet permanently financed; and,
- Debenture requirements as contained in the 2014 – 2023 BC Recommended Capital Budget and Plan, which will be considered by Council at its special meeting.

The Deputy City Manager and Chief Financial Officer confirms that borrowing up to \$900 million to fund 2014 capital expenditures (i) can be financed by the issuance of debentures with maturities 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 confirm that funds are available from the other sources as identified in the 2014 BC Recommended Capital Budget.

Approval of the 2014 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 2014 sinking fund levies of \$186.379 million for the City and \$2.294 million for the Toronto District School Board (TDSB). Sinking fund levies related to TDSB's sinking fund debt will be fully recovered from the Board.

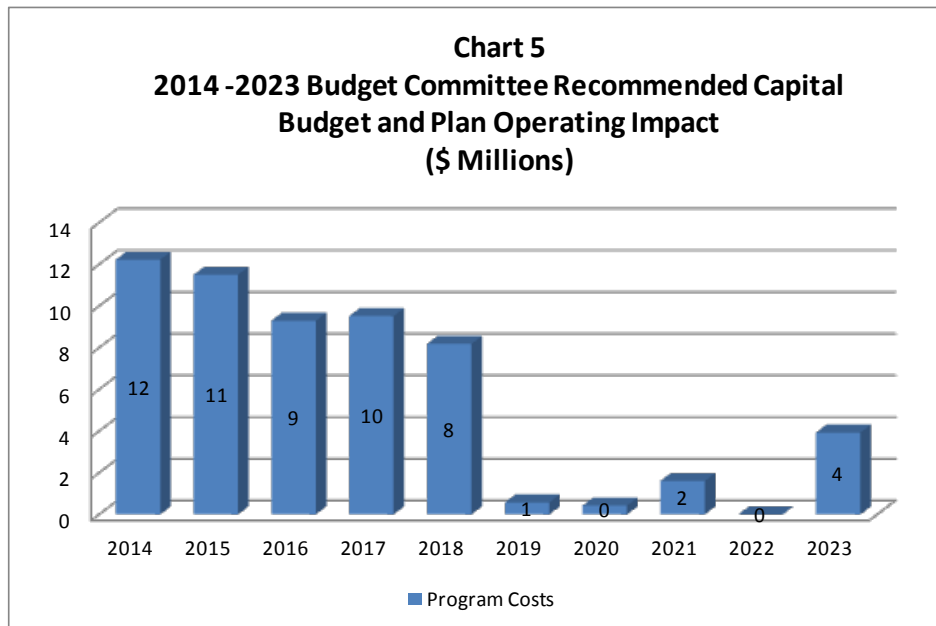
Incremental Operating Impacts

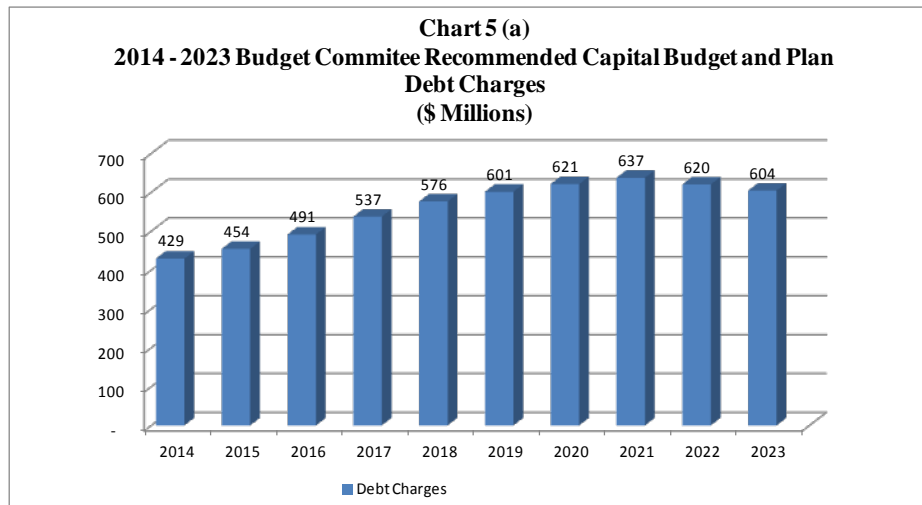
As part of the annual capital budget process, the incremental cost impact on the Operating Budget from completed capital projects over their useful life is estimated and evaluated. The objective of this evaluation is to ensure that all operating cost increases associated with the 10–Year BC Recommended 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 (i.e. debt service costs);
- 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 from the approval of the 2014 - 2023 BC Recommended Capital Budget and Plan on the City's 2014 and future Operating Budgets totals \$57 million over the 10 year period, as set out in Chart 5 below.





Incremental debt service charges of \$175 million represent interest and principal repayment on new debt over the term of the 10-Year BC Recommended Capital Plan, debt charges are increasing over 2014 - 2021 and decreasing through the 2022 - 2023, as set out in Chart 5 (a) above. 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 in the non-program Operating Budget.

COMMENTS

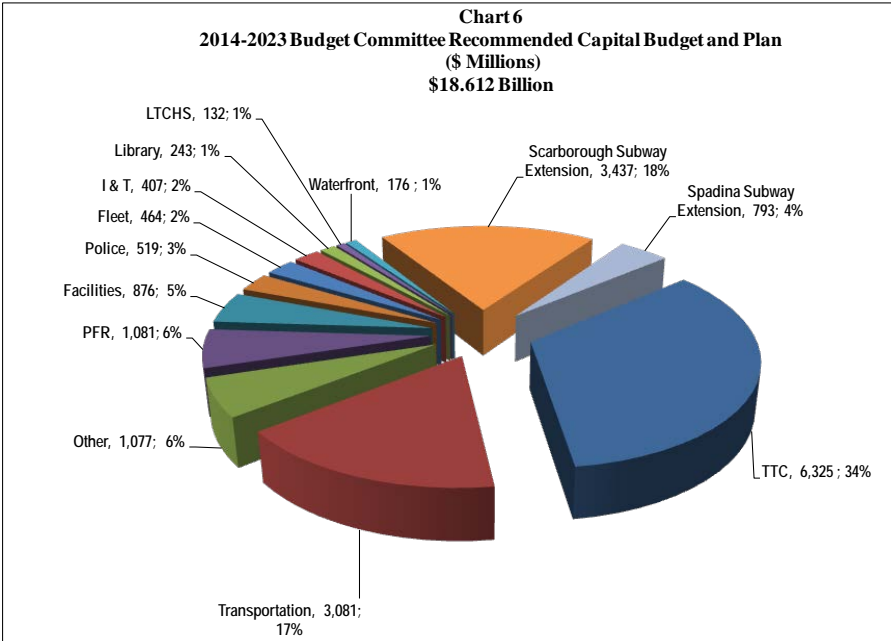
2014-2023 Budget Committee BC Recommended Capital Budget and Plan

Major challenges for the 2014 multi-year capital planning process included:

- Addressing the increased investment need in SOGR due to aging infrastructure such as the Gardiner Expressway, TTC and Parks, Forestry & Recreation.
- Accommodating Ridership Growth for the TTC.
- Addressing TTC unfunded capital projects totalling \$2.526 billion.
- Managing debt by ensuring that debt costs remain below the 15% approved by Council.

The 2014 – 2023 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 debt limits continues to be a challenge for the City.

The 2014 - 2023 BC Recommended Capital Budget and Plan totals \$18.612 billion (excluding 2013 funding carried forward into 2014). TTC alone accounts for the majority of the expenditures recommended in the 10 year capital spending plan. Inclusive of the Spadina Subway and the Scarborough Subway extensions projects, the TTC's 2014 - 2023 Recommended Capital Budget and Plan is \$10.555 billion representing approximately 57% of the total recommended spending in the Capital Plan while Transportation Services totals \$3.081 billion or 17%. Taken together, transit and transportation capital works account for three quarters of the expenditures recommended in the 2014 - 2023 Capital Budget and Plan, as outlined in Chart 6.



Toronto Transit Commission

The 10-Year BC Recommended Capital Budget and Plan for the TTC totals \$10.555 billion of which \$0.793 billion is allocated to the Spadina Subway Extension and \$3.437 billion to the Scarborough Subway Extension projects. Excluding the Spadina Subway and Scarborough Subway Extension projects, the TTC's 10-Year Capital Plan is \$6.325 billion which requires debt financing of \$2.002 billion.

TTC's 10-Year BC Recommended Capital Budget and Plan achieves the following key strategic objectives, maintaining the current transit system addressing in a state of good repair addressing ridership demand and expanding the transit network. The 10 Year Capital Plan provides:

- \$3.437 billion for the new Scarborough Subway extension.
- \$676.3 million for 195 low floor, accessible light rail vehicles to replace the existing streetcar fleet.

- \$262 million for the purchase of TTC fleet, 90 new subway cars to increase capacity by 9% and 60 new subway cars for ridership growth.
- \$237.2 million for new articulated buses and 165 new forty foot diesel buses to improve services and ridership growth.
- Funding of \$665.268 million to deliver the for the *ATC Resignalling* project that will improve the Yonge-University-Spadina (YUS) and Bloor-Danforth (BD) Subway signaling system.
- \$413.4 million in funding for *Bridges and Tunnels* project that will address infrastructure maintenance and improvements to bridges and tunnels.
- The *Leslie Barns Streetcar Maintenance and Storage Facility* project with expenditures of \$245.335 million will enable the construction of a new maintenance and storage facility for LRVs.
- \$182.235 million in funding for the *Easier Access Phase III* project that will make modifications to subway/RT stations to ensure that they are accessible to persons with disabilities.

Prior to submitting the 2014 - 2023 BC Recommended Capital Budget and Plan, TTC assessed their capital needs through a series of internal budget reviews and initially submitted a 10-Year Capital Plan comprised of capital works that totalled \$9.1 billion in gross expenditures that would have required \$5.0 billion in new City debt funding. This requested debt funding exceeded the TTC's established 10-year debt target of \$2.002 billion by \$3.1 billion which went beyond the City's debt capacity and, was therefore, not affordable.

\$Millions	Gross	Debt	Impact on Debt
Final TTC 10-Year Request	9,072	5,012	3,134
Actions Taken			
Deferred Wheel-Trans Projects Pending Review of Future Needs (New Garage and 112 Buses)	(203)	(203)	(203)
Reduced Track Replacement Project Cost - Sharing	(18)	(18)	(18)
Increased Toronto Water Contribution for Leslie Barns		(10)	(10)
Increased Development Charge Funding		(253)	(253)
Revised TTC 10-Year Request	8,851	4,528	2,650
Projects Placed Below the Line	(2,526)	(2,526)	(2,526)
Recommended TTC 10-Year Plan	6,325	2,002	124

In order to fund the TTC's capital needs, the Budget Committee is recommending the following actions to be taken to reduce expenditures and maximized non-debt financing sources:

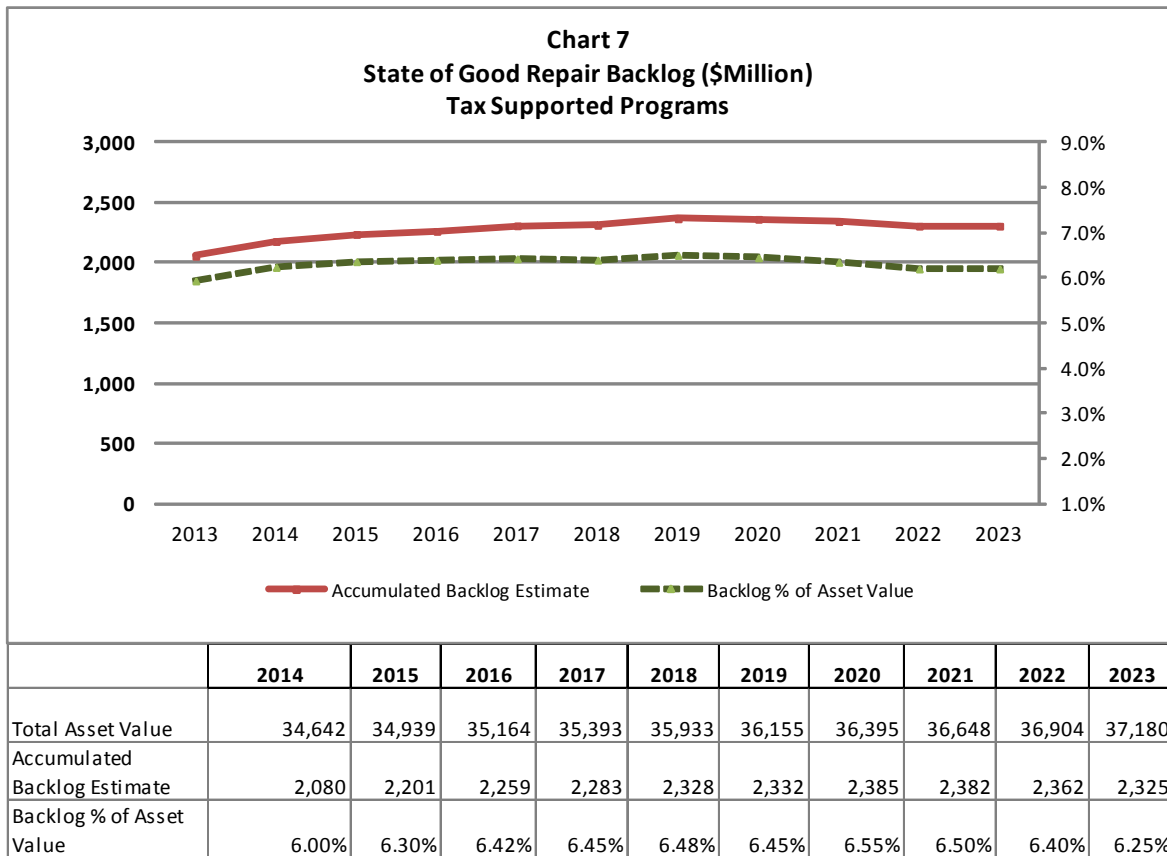
- Reduce the 10-Year Capital Budget and Plan by \$338 million based on the TTC's project spending rate thereby providing sufficient funding based on ability to spend. As a result, these removed projects are treated as unmet SOGR needs, or backlog.
- Adjust capital project funding for track replacement and the Leslie Street facility based on City cost sharing with Transportation Services and Toronto Water.
- Maximize Development Charge funding for eligible growth projects resulting in an increase to DC funding of \$253 million from the new DC By-Law balances and projected contributions.
- Provide \$1.129 billion in reserve funding from the capital financing strategy utilizing proceeds from the use of surplus operating funds in accordance with the City's surplus management policy, Build Toronto and one-time Toronto Parking Authority dividends and anticipated contributions from the Federal and Provincial government.

	\$ Millions
Toronto Transit Commission Unfunded Projects	2,526
2014-2023 Reductions	
Rolling Stock (Subway Cars, LRVs and Buses for growth or replacement)	1,575
Scope Increases (Fire Ventilation Upgrades and Phase 2 of McNicoll Bus Garage)	260
New Projects (station Finish Renewal and Train Door Monitoring)	112
Legislated Projects that exceed affordability (Easier Access)	240
Projects that will to the City's backlog (Ability to Spend)	338
Total 2014-2023 Project Reductions	2,526

A task force will be established to prioritize, seek and secure funding from both the Federal and Provincial governments

State of Good Repair (SOGR) Backlog

Managing the accumulated SOGR backlog is a key capital strategic objective and priority for the City. With growing capital demands accompanied with renewal needs of an aging infrastructure the emphasis continues to be protection and preservation of existing infrastructure. This is evident throughout the 10-year capital planning period, as the 2014 - 2023 BC Recommended Capital Budget and Plan allocates \$11.144 billion or 59.9% of capital funding to capital works to ensure City infrastructure required to deliver services to the citizens of Toronto are maintained in a state of good repair.



Overall, estimates indicate that the current accumulated SOGR backlog will increase from 2014 to 2023 to approximately \$2.325 billion representing the equivalent of 11.8% increase to the SOGR accumulated backlog. The increase is mainly driven by the newly established \$338 million SOGR backlog for the TTC. SOGR spending will grow from approximately 62.4% of total expenditures from 2014 – 2018 to 59.9% in 2019 – 2023.

SOGR Backlog by Program

The top 5 programs with accumulated SOGR backlog are shown in Table 7 below and include, Transportation Services, Toronto Transit Commission (TTC), Facilities Management and Real Estate (FM&RE), Toronto and Region Conservation Authority (TRCA) and Parks, Forestry and Recreation (PF&R) which make up \$1.780 billion or 87.3% of the \$2.039 billion SOGR backlog. With the exception of Transportation Services and TTC, recommended SOGR capital funding will reduce the accumulated SOGR for each of these Programs over the 10 year capital planning period.

\$ Million	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Transportation Services	949	981	1,011	1,038	1,045	1,056	1,107	1,149	1,187	1,218	1,215
Toronto Transit Commission	0	30	93	123	148	183	208	243	278	313	338
Facilities Management and Real Estate	334	329	351	341	337	324	308	296	288	279	285
Toronto & Region Conservation Authority	187	185	182	180	177	175	172	169	166	163	158
Parks, Forestry & Recreation	310	296	308	330	335	360	317	305	247	184	120
Other	259	260	255	246	240	231	219	223	216	206	209
Total SOGR Backlog	2,039	2,080	2,201	2,258	2,283	2,329	2,331	2,385	2,382	2,363	2,325
Total Asset Value (end of year)	33,699	34,642	34,939	35,164	35,393	35,933	36,155	36,395	36,648	36,904	37,180
SOGR as % Asset Value	6.05%	6.01%	6.30%	6.42%	6.45%	6.48%	6.45%	6.55%	6.50%	6.40%	6.25%

Parks, Forestry and Recreation

In the recommended 2014 – 2023 capital budget and plan, the City will provide \$286 million additional funding to in Parks, Forestry, and Recreation, while a significant portion of which will be used to address the Program's SOGR backlog.

Through the 2013 Capital Budget process, City Council requested the DCM and CFO to report to Budget Committee with a plan to expedite the reduction in the Parks, Forestry and Recreation SOGR accumulated backlog in the 2014 Recommended Capital Budget and Plan.

As a result, the Program's debt affordability target was increased by \$165 million over 10 years for the sole purpose of reducing the SOGR backlog, allocated specifically to four asset categories: Pools, Community Centres, Arenas, and Trail and Pathways which were trending toward high backlog balances.

- The Trails, Pathways and Bridges' SOGR accumulated backlog is reduced from \$37.907 million in 2014 to \$8.119 million in 2023 or 78.6% of the SOGR accumulated backlog for this asset category.
- The Arenas' SOGR accumulated backlog of \$57.691 million in 2014 is reduced by 99% or \$57.144 million by 2023.
- The Community Centres' SOGR accumulated backlog of \$68.740 million is reduced by \$45.2 million or 65.8% over the 10 year period.
- The Pools' SOGR accumulated backlog of \$13.903 million in 2014 is reduced by \$10.515 million or 75.6% of this asset type.

Transportation Services

Transportation Services' SOGR funding that was added to the 2013 Capital Budget has been continued in the 2014 – 2023 Staff Recommended Capital Budget and Plan that focus on the rehabilitation of the Gardiner Expressway and major road capital works. Subsequently, Transportation Services undertook condition assessments of local road capital infrastructure and determined that approximately \$125 million of SOGR funding is required for the rehabilitation needs of local roads. Given that the average annual SOGR funding for local roads is approximately \$54.161 million, there is an annual shortfall of approximately \$71 million.

However, the shortfall could rise as high as \$85 million per year, over the upcoming years, due to the upcoming wave of aging infrastructure that are at the end of their lifecycle.

Toronto Transit Commission

In 2013 City Council decided that the TTC quantify, develop and maintain detailed SOGR backlog of its capital program, to be provided to the City during the 2014 budget process. For 2014, TTC's backlog is being established at \$30 million, which will grow to \$183 million by year 2018 and to \$338 million by year 2023.

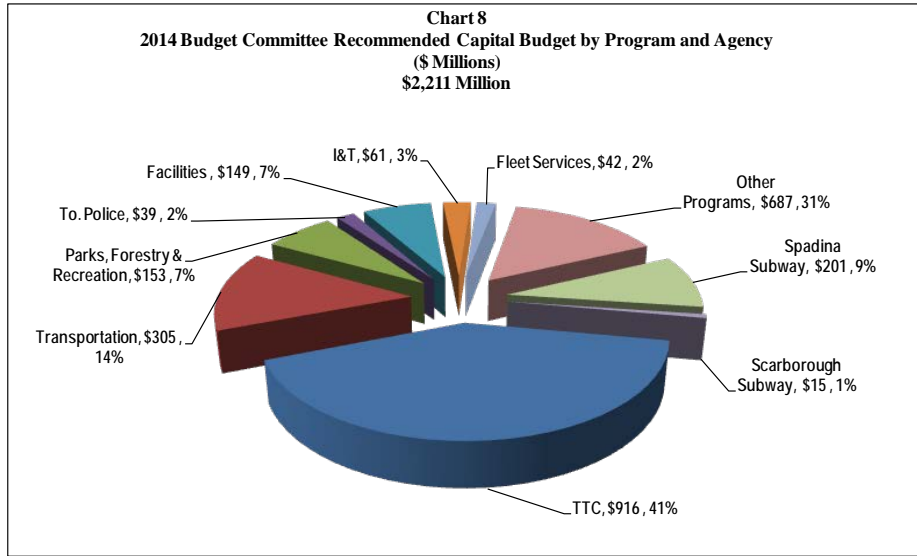
The TTC's 2014-2023 Recommended Capital Budget and Plan totals \$6.325 billion, (excluding the Scarborough Subway Extension project), of this \$5.843 billion or 92.4% is allocated to SOGR. Despite the sizeable investment by the City the TTC has significant unmet needs. There is a requirement for a tri-party partnership by the Government of Canada, the Province of Ontario and the City of Toronto to establish a funding strategy to support TTC's ongoing capital pressures. A task force will be established to prioritize, seek and secure funding from both the Federal and Provincial governments.

Notwithstanding ongoing reinvestment, much of the City's capital assets continue to age, the City must in turn address the SOGR requirements specifically of both Transportation Services' and the TTC to reverse their SOGR upward trend. If normalized replacement/rehabilitation does not take place, then the existing infrastructure will reach the end of its useful life and it will become a part of the backlog. If the City is to reach a state of good repair, efforts to reduce backlog and continue the process of normalized replacement/rehabilitation must proceed concurrently. Otherwise, the backlog will grow, thus requiring larger capital costs in the future.

2014 Budget Committee Recommended Capital Budget

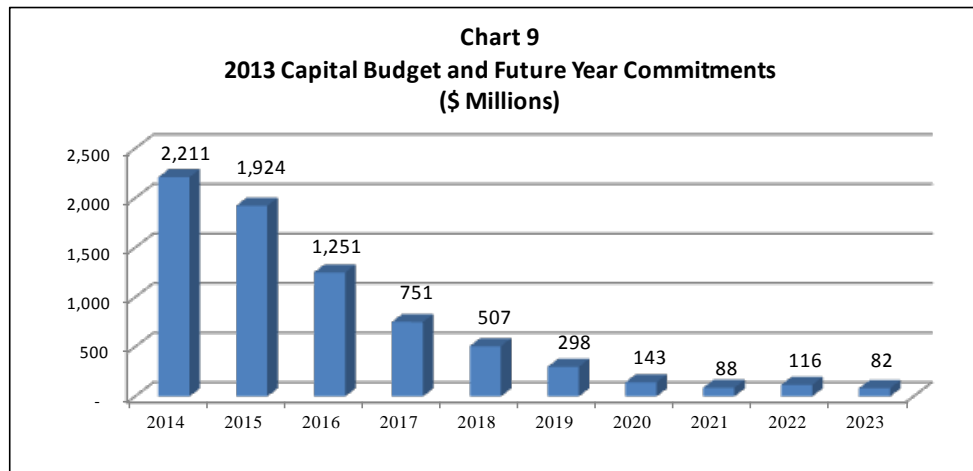
The 2014 BC Recommended Capital Budget, excluding 2013 carry forward funding, totals \$2.211 billion. Chart 8 shows the 2014 BC Recommended Capital Budget of \$2.211 billion by major Program and Agency. Capital spending for the TTC (inclusive of the Scarborough and Spadina Subway Extension Projects) represents 51% or \$1.132 billion of the total recommended capital expenditures for 2014, followed by Transportation Services which accounts for 14% or \$305 million.

Similar to the 10-Year Capital Plan, the 2014 BC Recommended Capital Budget allocates \$1.437 billion or 65% of capital spending to TTC (inclusive of the Scarborough and Spadina Subway Extension Projects) and Transportation services.



2014 Recommended Capital Budget and Future Year Commitments

Approval of the 2014 BC Recommended Capital Budget of \$2.21 billion (excluding 2013 funding carried forward into 2014) will commit the City to future year cash flow funding of \$1.924 billion in 2015; \$1.251 billion in 2016; \$751.144 million in 2017; \$507.132 million in 2018; and, \$726.680 million from 2019 to 2023, as outlined in Chart 9.



2014 Recommended Capital Budget Including Carry Forward Funding

In accordance with the City's Carry Forward Funding Policy, financing to continue work on 2013 projects that were not completed as planned requires Council approval to carry forward the unspent cash flow and re-budget the funding balance. 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 to complete the project and is carried forward to the following year and added to the new cash flow estimates without impacting debt borrowing levels.

Including 2013 carry forward funding of \$805.110 million 2014 Recommended Capital Budget is \$3.016 billion.

What is Being Built - Project Highlights

Listed below are key projects to be delivered by the 2014 - 2023 Budget Committee (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 2014 – 2023 recommended cash flow funding.

A major priority of Council is to make Toronto a City that moves people by transit, roadways, and cycling infrastructure and reduce traffic congestion and maintain infrastructure in a state of good repair. The 2014 – 2023 BC Recommended Capital Budget and Plan include projects that will:

- Repair approximately 1,000 km of roads, 50 km of expressways, 600 km of sidewalks and 150 bridges:
 - Major road rehabilitation (2014-2023, \$677.6565 million),
 - Local road resurfacing/reconstruction (2014-2023, \$541.617 million),
 - Rehabilitation of the F. G. Gardiner expressway (2014-2023, \$535.109 million),
 - City bridges rehabilitation (2014-2023, \$396.307 million) and
 - Sidewalks maintenance (2014-2023, \$130.540 million).
- Expand cycling infrastructure adding approximately 100 km of bike trails (2014-2023, \$88.097 million) including:
 - West Toronto Rail Path,
 - Claireville- Humber Trail Extension,
 - Scarborough Waterfront,
 - East Don,
 - Highland Creek and Black Creek trails, and

- Approximately 80 km of critical on-street bike lane connections, where the community supports them and where they do not impede traffic flow
- Minimize traffic congestion including:
 - Traffic Congestion Management through intelligent transportation systems initiatives (\$18.000 million),
 - The Six Points Interchange Redevelopment (\$40.548 million),
 - Yonge Street / Highway 401 Interchange Improvements (\$25.000 million),
 - Regent Park Revitalization (\$7.345 million), and
 - Property acquisition for the Ingram Drive Extension (\$11.715 million).
- Maintain TTC assets in a SOGR, and improve and expand the transit system to manage ridership growth, including:
 - Purchase of 90 of 360 new subway cars to increase capacity by 9% and 60 new subway cars for ridership growth (2014 - 2017, \$262.000 million),
 - Acquire 142 new articulated buses and 165 new forty foot diesel buses to improve service and for ridership growth to 2017, (2014-2017, \$237.200 million),
 - Purchase 195 of 204 low-floor, accessible light rail vehicles to replace the existing streetcar fleet (2014-2019, \$676.300 million),
 - Install state-of-the-art signaling systems on the Yonge-University-Spadina line to increase train capacity (2014-2019, \$364.600 million), and
 - Begin Planning for the Scarborough Subway (2014, \$14.500 million)
- Continue revitalization of Union Station to accommodate increased commuter volumes and transformation into a multi-modal transportation hub (2014-2016, \$392.700 million)
- Complete the addition of a second subway platform and concourse improvements at Union Station (2014, \$7.300 million)

The 2015 Pan/Parapan American Games is the world's third largest international multi-sport event. The City of Toronto's share of the Pan/Parapan American Games capital infrastructure budgeted in the 2014 – 2023 BC Recommended Capital Budget and Plan is \$56.257 million and includes projects that will:

- Upgrade the Etobicoke Olympium (2014, \$8.127 million),
- Resurface Centennial (2014, \$0.672 M) and Birchmount (2014, \$0.420 million) tracks to comply with international specifications and development,
- Resurface 20 km of municipal roads for the Pan/ParaPan American Games' cycling route (2014, \$9.537 million),
- Construct new Festival Plaza (2014-2015, \$7.460 million) and Splash Pad (2014, \$0.500 million) at Exhibition Place,

- Complete Pan Am Sports Centre construction of two 10-lane, 50 meter pools, dedicated dive tank, multi-court gymnasium, running track, climbing wall and various fitness and training areas (2014-2015, \$28.626 million),
- Upgrade existing track at York University (2014-2015, \$1.486 million),
- Develop a new bicycle moto cross (BMX) course (2014-2015, \$1.496 million), and
- Upgrade the West Channel for Water Ski and Wakeboard, Open Water Swimming and the swim segment of the Triathlon (2014-2015, \$3.300 million).

Public safety and responsive emergency services are a major priority of the citizens of Toronto. To this end, the 2014 – 2023 BC Recommended Capital Budget and Plan include projects that will:

- Construct new stations:
 - Fire Station D in Scarborough 2014, \$0.976 million),
 - Chaplin Fire Station (2014-2015, \$7.035 million),
 - Fire Station B in Downsview (2014-2016, \$5.635 million),
 - Fire Station A near Highway 27 and Rexdale Blvd. (2014-2016, \$7.242 million),
- Construct North West District EMS Multi-Function Station (2014-2016, \$11.050 million) and a South East District Multi-Function Station (2019-2022, \$15.200 million), and
- Construct new Fire Station G and a new EMS ambulance station in the Sunnybrook area, discussion on co-location underway (2021-2023, \$13.821 million).
- Replace firefighters bunker suits (2015 and 2020, \$8.200 million), self-contained breathing apparatus (2014, \$5.6 million), defibrillators (2016, \$1.000 million) and portable radios (2017, \$5.000 million),
- Purchase 10 new specialized fire trucks that will service densely populated areas, increasing number of highrise towers and special public events (2014 - 2015, \$3.250 million),
- Additional 15 new ambulances (2017-2019, \$2.145 million),
- Purchase 200 power stretchers for EMS (2014-2016 \$3.000 million),
- Replace EMS defibrillators (2015-2017 and 2023, \$12.740 million) and portable radios (2016, \$1.000 million),
- Replace the radio communication system shared by the Police Service, Fire and EMS by 2014 (2014, \$27.156 million), and
- Rehabilitate and upgrade Police facilities to support service delivery:
 - Renovate 330 Progress Avenue site to accommodate parking enforcement requirements (2014, \$5.800 million) and 52 Division (2014-2015, \$8.300 million),
 - Relocate and replace Toronto Police Service’s 41 Division (2016-2019, \$38.928 million) and 13 Division (2018-2021, \$38.9 million), and
 - Replace 54 Division (2015-2018, \$36.297 million).

The City is investing in public spaces that are developed and maintained for the use and enjoyment by the general public. The 2014 – 2023 BC Recommended Capital Budget and Plan include projects that will:

- Revitalize St. Lawrence Market North into a multi-purpose facility containing a public market, space for ancillary use and parking (2014-2017, \$88.686 million),
- Complete revitalization of Nathan Phillips Square to host a greater number and variety of public activities and special events (2014, \$7.436 million),
- Increase City’s investment in BIA streetscapes (2014-2023, \$55.615 million):
- Implement the Civic Improvement - Places Program (2014, \$3.2 million and \$29.1 million).
- Address Environmental Stewardship initiatives including:
 - Erosion control and damage from the 2013 July storm by the Toronto and Region Conservation Authority (2014-2032, \$30.000 million),
 - Protect valley and shoreline erosion (2014-2023, \$18.000 million),
 - Monitor and re-naturalize watercourses, water quality and habitat (2014-2023, \$30.377 million), and
 - Prepare and monitor various waterfront sites (2014-2023, \$14.380 million).
- Plan and develop our waterfront including:
 - Proceeding with Precinct implementation projects including:
 - Queens Quay Revitalization, West Don Lands Development, and Mill Street Right-of-Way (2015-2023, \$44.156 million), and
 - Developing Easy Bayfront external infrastructure, hydro connections, local streets (Bayside and Dockside), promenades (Water's Edge and Dockside), parks (Sherburne and Aiken Place) and public realms (2014-2017, \$30.500 million).
 - Continuing Gardiner Environmental Assessment (EA) (2014-2015, \$2.200 million).
- Invest in arts, culture and heritage such as:
 - Complete Fort York Visitor Centre (2014, \$12.855 million),
 - Reconfigure Toronto Centre for the Arts Main Stage (2014-2015, \$6.925 million),
 - Continue restoration of Casa Loma (2014-2015, \$4.101 million), and
 - Proceed with the design for the John Street Revitalization project (2014, \$2.315 million).

The City offers community programs and services that improve the quality of life of all its citizens and ensure opportunity for all. The 2014 – 2023 BC Recommended Capital Budget and Plan funds projects that will:

- Repair parkland damaged from the July 8, 2013 storm (2014, \$3.900 million),
- Invest in Parks, Forestry & Recreation state of good repair (2014-2023, \$491.808 million),

- Upgrade and improve parks amenities as per Parks Plan (2014-2018, \$21.600 million),
- Replace the Don Mills Civitan Arena (2014-2019, \$15.800 million),
- Complete new Community Centres such as York Community Centre (2014-2015, \$20.430 million), and Regent Park Community Centre (2014-2015, \$21.226 million),
- Provide 11 more new or expanded community centre projects over the 10 years (2015 – 2013, \$194.700 million),
- Design and acquire new Toronto Island Ferry (2015-2018, \$11.000 million),
- Continue Parks, Forestry and Recreation's state of good repair projects to address accumulated SOGR backlog through the Capital Asset Management Planning (CAMP) projects (2014-2023, \$491.808 million),
- Complete Toronto Reference Library revitalization (2014, \$2.070 million),
- Complete construction of new Fort York Library (2014, \$3.301 million),
- Substantially complete construction of the new Scarborough Civic Centre Library (2014-2015, \$6.079 million) which increase our total to 100 City Libraries,
- Complete relocation of Library Processing Centre and installation of main library material automated sorting system (2014, \$7.475 million),
- Upgrade 25 municipally owned child care centres located in City-owned facilities (2014, \$1.6 million) as part of the Toronto Early Learning Child Care Centres (TELCCC) SOGR project (2014-2023, \$14.110 million),
- Construct St. John Evangelist Catholic School Child Care Centre, a joint project with the Toronto Catholic School Board (2014 - 2017, \$3.900 million); and 5 additional child care centres yet to be allocated (2015 – 2017, \$16.900 million),
- Complete the necessary state of good repair and health and safety work at 10 long-term care homes (2014, \$10.440 million),
- Complete the redevelopment of Kipling Acres (Phase 1) scheduled for occupancy by the end of 2013 and demolish existing 192-bed facility (2014, \$7.546 million), and
- Construct Kipling Acres (Phase 2), a 145 bed facility with an expected completion by 2016 (2014-2016, \$45.055 million).

City Planning helps to guide and manage the City's growth, and the effects on the social, economic and natural environment while striving to enhance the quality of life for Toronto's diverse residential and business communities. The 2014 – 2023 BC Recommended Capital Budget and Plan funds projects that will:

- Continue to meet legislated/statute-based requirements for the City's current Official Plan (2014, \$0.3 million), Zoning By-law (2014, \$0.755 million) and Archaeological Master Plan (2014, \$0.050 million),
- Complete Planning Act's statutory 5 year review of the Official Plan and Municipal Comprehensive Review 2017-2020, \$2.100 million), and

- Complete various growth-related studies including:
 - Local Area Studies, Secondary Plans, Avenue Studies and Transportation /Transit Planning Studies, and Heritage Conservation District Studies/Plans (2014-2023, \$26.105 million).

Residents will be provided with direct and simple access to City staff and services. The 2014 – 2023 BC Recommended Capital Budget and Plan include projects that will:

- Revitalize and transform external City’s website (toronto.ca) making it more engaging, intuitive, interactive and service-focused (2014 – 2016, \$5.100 million),
- Enhance public access to Toronto Building Services through the website, email, regular mail, telephone, self-kiosk or over-the-counter (2014 – 2016, \$3.400 million),
- Provide access to City information and services from anywhere at any time (2014 – 2017, \$6.600 million) via Enterprise Mobility project,
- Automate application forms for Natural Gardens, Noise Exemptions, Fence Exemptions, Right of Entry Applications, Art Mural Applications (2014 - 2015 \$0.800 million), and
- Provide on-line scheduling for court dates, wedding chapel bookings, appointments for social assistance, and register and pay for Recreation programs and other City services through 311 Toronto (2014 – 2015, \$5.800 million).

City of Toronto Capital Financial Planning and Budgeting Process

2014 Budget Process

Immediately following approval of the 2013 Budget, City staff began preparations for the 2014 - 2023 Capital Budget and Plan. The City conducted its 2014 administrative budget review from June to October, which was followed by a political budget review process from November to January. The 2014-2023 Capital Budget and Plan will be reviewed and approved by City Council at its meeting of January 29 and 30, 2014.

The City’s approved financial planning and budgeting process is based on best practices. It incorporates a 3-Year Operating Plan comprised of an Operating Budget plus a 2-Year Outlook, and a 10-Year Capital Budget and Plan. Furthermore, it is moving to a mature process, including more service and performance based approach by focusing budget directions on service level and outcomes, linking budgets to service plans and engaging stakeholders. For 2014, the City's Operating Budget has been reoriented to a service view, which includes recommended funding by service and associated service levels.

Changes to the 2014 Budget Process

In response to City Council's direction from its meeting of July 16, 2013, changes were made to the 2014 Budget Process to provide opportunities to ensure greater transparency in the Budget Process, improve the briefing all Councillors and reviewing of divisional budgets and corporate accounts, permit more time between Standing Committee meetings and earlier distribution of

agendas and Standing Committee review of divisional service levels and standards prior to consideration of the annual Operating and Capital Budgets.

The 2014 Budget process was amended to incorporate to allow Standing Committees to provide direction to staff during the administrative budget process on service priorities, while also ensuring upfront public consultation to guide priority setting in advance of the budget launch.

This was accomplished by the utilization of program maps, activities and service levels that was developed for the Financial Planning Analysis Reporting System (FPARS), which also facilitated the core service review, has been included in analyst notes and is approved by Council.

For the 2014 Budget process, Council approved a service level review process that consisted of the following:

- In September of 2013, City Programs presented service levels, challenges, opportunities and directions to their appropriate Standing Committee, as part of the service level review process;
- The review of divisional service levels and activities along with any Standing Committee recommendations were (except for a couple of exceptions) referred to the budget process for consideration and to staff to guide staff during the 2014 administrative budget review process.

This review allowed for upfront community engagement and for Standing Committees to provide guidance to staff on service priorities in advance of the 2014 budget launch.

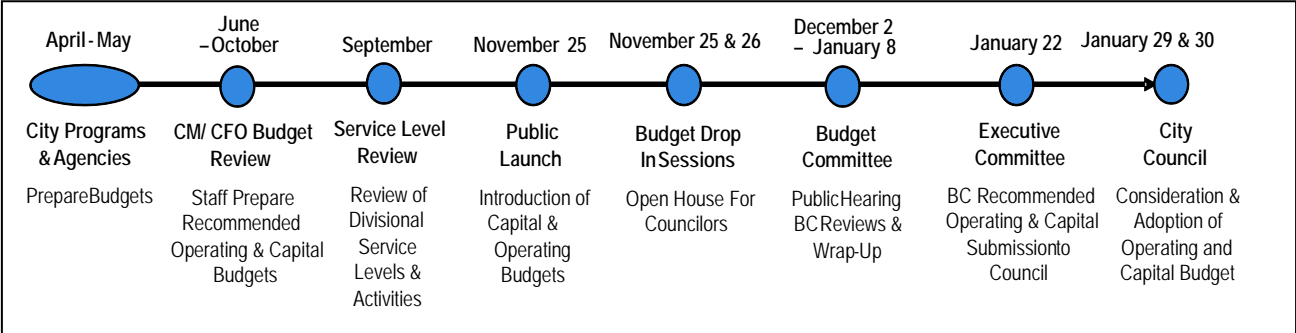
Future years Service Planning processes will both include City agencies; and guide a budget process framed over multiple years within context of current budget targets. As this process evolves, the review will take place in the Spring/Summer, while Programs are preparing future year budget submissions. The process will also include a review of performance (levels of service achieved) to determine targeted service objectives and priority actions have been met.

- Budget drop in sessions were made available over 2 days to all Councillors providing opportunities to ask questions of staff from each City Program/Agency relative to their specific areas of interest and /or concern.
- The Budget Website was redesigned to enhance public understanding of the budget content and process by incorporating a whiteboard animation video explaining how program services impact property taxes, budget summaries including Budget Basic Sheets and Budget at a Glance, Info Graphics on major City services and how to actively participate in the Budget Process; all with the purpose of making the Budget Process more transparent and understandable to the public.

- Redesign the Analyst Notes makes them more service and performance focused and easier to understand.
- Extended the Budget process by 18 days from the previous year, with a focus on adding more time between Standing Committee meetings and an earlier distribution of agenda materials.

2014 Financial Planning Process and Schedule

As shown in the chart below, the 2014 Budget Process was designed to obtain Council approval of both the 2014 Operating Budget and the 10-Year Capital Budget and Plan by January 30, 2014. While the timelines are aggressive, every effort was been made to ensure that the key elements of a good budget process are maintained.



Key elements of the 2014 Budget Process are outlined below:

November 25, 2013 – Public Launch:

- City Manager, Chief Financial Officer and Director, Financial Planning present the Staff Recommended 2014 Operating Budget and 10-Year Capital Budget and Plan to Budget Committee.

November 25 and 26, 2013 - Drop in Sessions:

- Following the Budget Launch drop in session were open to all Councillors providing an opportunity for Councillors to ask questions of staff from each Program and Agency.

December 2 and 3, 2013 – Public Deputations:

- Public provides input/response to staff recommended budgets.
- Staff prepare budget briefing notes and response to information requests.

December to January, 2014 – Town Hall Meetings:

- City Councillors held Ward Town Hall meetings to inform constituency on the Staff Recommended 2014 Operating Budget and 10-Year Capital Budget and Plan respond to questions and comments and provide input.

December 10 to 13, 2013 - Budget Review Meetings:

- Budget Committee Hearings to brief Councillors and the public on the Staff Recommended Budgets which launched the political review and process. This stage of the process includes the following:
- Cluster/Agency Head presentations of programs/services, service levels/standards delivered, challenges/accomplishments and Staff Recommended 2014 Operating Budget and 10-Year Capital Budget and Plan.
- Committee members may request additional information in the form of budget briefing notes.

December 20, 2013 – Budget Committee Wrap-Up:

- Budget Committee is provided briefing notes and supplementary reports.

January 8, 2014 - Budget Committee Final Wrap-Up:

- Budget Committee reviews briefing notes, responses to additional Program/Agency information requests and budget options.
- Budget Committee finalizes its review and establishes its 2014 Operating Budget and 10-Year Capital Budget and Plan to be considered by the Executive Committee.
- Staff prepare the Corporate Reports for the Budget Committee Recommended 2014 Operating Budget including an updated 2014 and 2015 Outlook and the 10-Year Capital Budget and Plan.

January 22, 2014 - Executive Committee Review:

- Executive Committee receives and reviews the Budget Committee Recommended 2014 Operating Budget and 10-Year Capital Budget and Plan.
- Executive Committee recommends the 2014 Operating Budget and 10-Year Capital Budget and Plan to City Council.

January 29 and 30, 2014 - Council Review and Approval:

- Council reviews and approves the 2014 Operating Budget and 10-Year Capital Budget and Plan.

The dates outlined above are critical to ensure quality and budget analysis, public engagement and timely City Council approval of the 2014 Operating Budget and 10-Year Capital Budget and Plan.

Conclusion

The 2014-2023 Budget Committee Recommended Capital Budget and Plan, achieves a balance between funding the maintenance of existing City assets in a state of good repair and address growth needs on a City wide basis, ensuring that services demand will be delivered in a sustainable manner in the long term, including building the Council approved Scarborough Subway line. Other than the Scarborough Subway, the additional capital requirements from TTC and Transportation are addressed by continuously applying non-debt funding strategies. As a result, the City continues to keep debt service costs at approximately 12% of the tax levy, which is below the 15% guideline to mitigate future impacts on the Operating Budget.

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

Roberto Rossini
Deputy City Manager and
Chief Financial Officer

Joseph P. Pennachetti
City Manager

ATTACHMENTS

2014 BC Recommended Capital Budget and Future Year Commitments by Program and Funding Source

- Appendix 1 – Including 2013 Carry Forward Funding
 - 1(i) – Excluding 2013 Carry Forward Funding
 - 1(ii) – New and Change in Scope
 - 1(iii) – Previously Approved

2014 BC Recommended Capital Budget by Program and Funding Source

- Appendix 1(iv) - Including 2013 Carry Forward Funding
- 1(v) - Excluding 2013 Carry Forward Funding
- 1(vi) - 2013 Carry Forward

2014 – 2023 BC Recommended Capital Budget and Plan

- Appendix 2 - by Category and Funding Source
 - 2(i) - by Program and Category

2014 – 2023 BC Recommended Capital Budget and Plan by Program

- Appendix 3 - by Year, Excluding 2013 Carry Forward Funding

2014 -2023 BC Recommended Capital Budget and Plan by Program and Funding Source

- Appendix 4 - Total 10-Years, Excluding 2013 Carry Forward Funding
 - 4(i) - First 5 Years, Excluding 2013 Carry Forward Funding
 - 4(ii) - Last 5 Years, Excluding 2013 Carry Forward Funding

Program Recommendations

- Appendix 5