

Proposed Funding of 2013 Extreme Weather Events

Date:	January 21, 2014
To:	Executive Committee
From:	City Manager and Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	

SUMMARY

On December 21 and 22, 2013, the City of Toronto experienced an extreme winter storm that produced freezing rain, ice pellets and severe wind resulting in wide-spread power outages and damage to the City's tree canopy. Fallen trees and tree limbs took down power lines and created hazardous conditions blocking roadways, public trails and waterways.

As of January 20, 2014, staff estimate that the cost of the December 21 and 22, 2013 winter storm for City divisions, agencies and corporations is approximately \$107 million, which includes expenses to respond to the emergency and address public safety hazards created by the storm, revenues lost in 2013 as a result of service interruptions, and expenditures required to repair the City's tree canopy. Toronto's ability to deal with these significant cost pressures is exacerbated by the financial pressures resulting from the July 8, 2013 storm event that, as reported to Council on November 13, 2013, is estimated to have cost the City \$65.2 million. The combined cost to the City of the two events is estimated to be in excess of \$172 million.

At its Special meeting held on January 10 and 13, 2014, City Council adopted a number of resolutions in its consideration of CC46.1 "Impacts from the December 2013 Extreme Winter Storm Event on the City of Toronto" including a request that the Provincial and Federal governments provide financial assistance to the City of Toronto and Toronto Hydro for 2013 storm events with a minimum of \$114 million in funding representing one third each from the Provincial and Federal governments and the City of Toronto.

City Council also directed the City Manager to report to the January 22, 2014 Executive Committee on the following:

- a) financial impacts of the storm event on the 2014 Operating and Capital Budgets, and on options to finance the City's share of storm related costs;

- b) the feasibility of establishing an emergency reserve fund equivalent to \$1.00 per month for the average assessed residential unit and the resulting equivalent amount for non-residential assessment; and
- c) the feasibility of any 2013 positive operating variance being dedicated to the disaster relief fund.

This report recommends a strategy to fund the City's one-third share of the two extreme weather events in 2013, and to increase extreme weather reserve levels which will better position the City to respond to future extreme weather events. It should be noted that the Minister of Municipal Affairs and Housing confirmed that Toronto Hydro costs and revenue losses are not eligible for Provincial and Federal funding. As such, staff have adjusted the one-third funding formula accordingly.

This report also recommends that City Council endorse the resolutions adopted by GTHA Mayors and Chairs on January 17, 2013, which called for the Provincial and Federal governments to share equally with GTA municipalities by funding one-third each of the full costs of the winter storm and to establish new programs and expand existing programs to address disaster mitigation and other severe storm events that reflect the reality of climate change.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council endorse the resolutions adopted by the GTHA Mayors and Regional Chairs at their meeting on January 17, 2014 as detailed in Attachment 1;
2. City Council fund the \$93.9 million estimated cost for the December 2013 ice storm, excluding Toronto Hydro's costs/revenue losses, as follows:
 - a. \$30.8 million from financial assistance from the Provincial government;
 - b. \$30.8 million from financial assistance from the Federal government;
 - c. \$32.3 million from the City of Toronto funded as follows:
 - i. \$1.5 million from Toronto Water's 2013 year-end operating surplus;
 - ii. \$19.1 million from the City's Transportation Services Extreme Weather Reserve;
 - iii. \$11.0 million from the City's Corporate Extreme Weather Reserve; and
 - iv. \$0.7 million from the City's Tax Supported 2013 year-end operating surplus.
3. City Council fund the \$63.9 million cost of the July 8th storm, excluding Toronto Hydro's costs/revenue losses, as follows:

- a. \$21.0 million from financial assistance funds requested by City Council from the Provincial government to be dedicated to the Capital budget for funding rehabilitation of municipal infrastructure to mitigate future environmental and storm event impacts;
- b. \$21.0 million from financial assistance funds requested by City Council from the Federal government to be dedicated to the Capital budget for funding rehabilitation of municipal infrastructure to mitigate future environmental and storm event impacts;
- c. \$21.9 million from the City of Toronto funded as follows:
 - i. \$1.7 million from the Toronto Water's 2013 year-end operating surplus;
 - ii. \$6.8 million in the Toronto Water's 2013 capital budget, through the reallocation of 2013 under-spent capital projects;
 - iii. \$1.7 million from Solid Waste's 2013 year-end operating surplus;
 - iv. \$5.2 million included within the City's Tax Supported 2014 capital budget; and
 - v. \$6.5 million from the City's Tax Supported 2013 year-end operating surplus;
4. City Council increase the 2014 property tax levy by \$12.2 million, representing a 0.5% dedicated residential tax rate increase (equivalent to approximately \$1 per month for the average assessed residential unit) and a 0.167% dedicated non-residential tax increase, to replenish the City's two depleted extreme weather reserves to pre-storm levels, and to increase the level of funds in the City's Corporate Extreme Weather Reserve to better position the City to respond to extreme weather events and other disasters in future years;
5. City Council increase the 2014 Forestry Operating Budget for tree canopy maintenance by \$1.5648 million funded from allocated property assessment growth, increasing the residential property tax levy from approximately 1.67% to 1.75%;
6. In order to complete the City's hazard abatement, repair and post clean-up activities, the 2014 Operating Budget be increased by \$29.811 million gross and \$0 net, to be funded from the application of a portion of the Provincial and Federal governments' one-third financial assistance for the December 2013 winter storm costs, as follows:
 - i) \$25.030 million gross and \$0 net for Parks, Forestry and Recreation;
 - ii) \$3.927 million gross and \$0 net for Transportation Services;
 - iii) \$0.040 million gross and \$0 net for Emergency Medical Services;
 - iv) \$0.103 million gross and \$0 net for Facilities Management Services;
 - v) \$0.620 million gross and \$0 net for Shelter, Support and Housing Administration for Toronto Community Housing; and

- vi) \$ 0.091 million gross and \$0 net for the Toronto Zoo;
7. Toronto Hydro be responsible for covering all of its storm related costs and revenue losses net of any financial assistance provided by the Federal and/or Provincial governments;
 8. City Council request the City Manager and the Deputy City Manager and Chief Financial Officer to report back to Executive Committee once the City receives confirmation of funding from the Provincial and Federal Government, and the resulting impacts, if any, on the 2014 Operating and Capital budgets; and
 9. City Council request the City Manager and the Deputy City Manager and Chief Financial Officer to report to Budget Committee during the 2015 Operating Budget on a recommended target level for the City's Corporate Extreme Weather Reserve to ensure sufficient reserves to help mitigate the impact of any future extreme weather events.

Financial Impact

The total cost to the City, including agencies, corporations and the Toronto Region and Conservation Authority (TRCA), of the two extreme weather events in 2013 is estimated at \$172.2 million, which is comprised of the following:

- \$106.9 million of operating expenditures for the December winter storm of which approximately \$80.3 million is for costs associated with responding to the emergency and the immediate hazards created by fallen trees and tree limbs; \$24.1 million related to post clean-up and repair efforts required to remove any remaining debris and begin replanting trees to restore the City's tree canopy; and \$2.5 million in the form of revenues lost due to service interruptions created by the storm. Of the \$106.9 million, \$13.0 million relates to Toronto Hydro (12.0 million in emergency response costs plus \$1 million of lost revenues); and
- \$65.2 million for the July 8th storm, of which \$9.8 million relates to operating expenses incurred in 2013 in responding to the emergency; \$1.1 million represents revenues losses; and \$54.3 million relates to capital expenditures (net of insurance recoveries) continuing over the next number of years to rehabilitate the City's water infrastructure and ravines related to erosion control and storm mitigation. Of the \$65.2 million, \$1.4 million are costs incurred by Toronto Hydro (\$0.8 million in operating expenses; \$0.2 million in lost revenues; and \$0.4 million of capital expenditures).

The cost estimates for the December storm are preliminary and subject to change as damage assessments and remediation work continues.

The Minister of Municipal Affairs and Housing confirmed to the GTHA Mayors and Chairs on January 17, 2014 that any recovery from the Province would exclude:

- a) Revenue losses incurred; and,
- b) Funding for Toronto Hydro which is subject to Energy Board review and approval.

As directed by City Council, the Federal and Provincial governments have each been requested to provide financial assistance to the City and Toronto Hydro equivalent to one-third of the total storm costs, or \$57.5 million each. However, after reducing the Hydro costs and operating revenue losses of approximately \$16.8 million, the Provincial and Federal costs share totals \$51.8 million.

Table 1 below summarizes the total cost of both storms.

Table 1: Summary of 2013 Severe Storm Costs – July 8th & December 21st/22nd

City of Toronto Services	July 8th Final Cost Estimate (Operating & Capital)	Dec. 21st/22nd Preliminary Cost Estimate (Operating)	Total
Parks, Forestry and Recreation	12,684,085	51,960,000	64,644,085
Toronto Employment and Social Services	6,100	1,041,891	1,047,991
Transportation Services	310,445	8,802,961	9,113,406
Toronto Water	8,547,875	1,506,560	10,054,435
Solid Waste Management Services	1,665,607	24,474,797 ^{*1}	26,140,404
Other City Divisions	4,977,365	1,834,784	6,812,149
TOTAL CITY DIVISIONS	28,191,477	89,620,993	117,812,470
Toronto Police Service	114,610	245,000	359,610
Toronto and Region Conservation Authority	36,053,614	70,000	36,123,614
Toronto Transit Commission	1,318,885	1,533,163	2,852,048
Toronto Library	2,614,123	58,614	2,672,737
Toronto Community Housing	432,357	2,145,337	2,577,694
Casa Loma Corporation	0	50,000	50,000
Toronto Zoo	0	202,000	202,000
AGENCIES, CORPORATIONS, AND TRCA	40,533,589	4,304,114	44,837,703
SUBTOTAL EXCLUDING TORONTO HYDRO	68,725,066	93,925,107	162,650,173
Anticipated Insurance Recovery	(4,900,000)	0	(4,900,000)
SUBTOTAL NET OF RECOVERY	63,825,066	93,925,107	157,750,173
Toronto Hydro	1,410,776	13,000,000	14,410,776
CITY INCLUDING TORONTO HYDRO	65,235,842	106,925,107	172,160,949

*1: Solid Waste Management Services costs of \$24.5 million are related to removal of tree waste/debris.

CITY INCLUDING TORONTO HYDRO	65,235,842	106,925,107	172,160,949
Less: Costs Not Eligible for Provincial / Federal Assistance:			
Toronto Hydro	(1,410,776)	(13,000,000)	(14,410,776)
Revenue losses	(927,664)	(1,488,324)	(2,415,988)
NET LOSSES ELIGIBLE FOR FUNDING	62,897,402	92,436,783	155,334,185

Based on Council's approved resolution on January 13, 2014 and consistent with decisions put forward by the GTHA municipalities at a meeting held on Friday Jan 17, 2014, the Federal and Provincial governments will each be asked to provide financial assistance to the City of Toronto equivalent to one-third of the total storm costs excluding Toronto Hydro and estimated revenue losses. Table 2 below, identifies the amount of financial assistance being requested from both orders of government and the balance to be covered by the City of Toronto.

Table 2: Allocation of Cost of the Two Storms in 2013 by Funding Government

	Estimated Total Cost	Provincial Funding Request	Federal Funding Request	City's Share of Costs
A: December 2013 Ice Storm:				
City Divisions	89,620,993	29,753,445	29,753,445	30,114,103
TRCA	70,000	23,333	23,333	23,334
Other agencies & corporations	4,234,114	1,035,482	1,035,482	2,163,150
Total City (excluding Hydro)	93,925,107	30,812,261	30,812,261	32,300,585
Toronto Hydro	13,000,000			13,000,000
Total Costs	106,925,107	30,812,261	30,812,261	45,300,585
B: July 8, 2013 Storm:				
City Divisions	23,291,477	7,694,657	7,694,657	7,902,163
TRCA	36,053,614	12,017,871	12,017,871	12,017,872
Other agencies & corporations	4,479,975	1,253,273	1,253,273	1,973,429
Total City (excluding Hydro)	63,825,066	20,965,801	20,965,801	21,893,464
Toronto Hydro	1,410,776			1,410,776
Total Costs	65,235,842	20,965,801	20,965,801	23,304,240
C: Combined Cost of Both Storms in 2013:				
City Divisions	112,912,470	37,448,102	37,448,102	45,918,429
TRCA	36,123,614	12,041,204	12,041,204	12,041,206
Other agencies & corporations	8,714,089	2,288,755	2,288,755	4,136,579
Total City (excluding Hydro)	157,750,173	51,778,062	51,778,062	54,194,049
Toronto Hydro	14,410,776			14,410,776
Total Costs	172,160,949	51,778,062	51,778,062	68,604,825

With respect to the City's \$54.2 million share of storm related costs, it is recommended that costs be funded as detailed in Table 3 below:

Table 3: Funding for City of Toronto's Share of 2013 Storm Costs

Funding Source	Ice Storm (\$ millions)	July storm (\$ millions)	Total Costs (\$ millions)
Toronto Water's 2013 year-end operating surplus	1.5	1.7	3.2
Toronto Water's 2013 Capital Budget, through the reallocation of 2013 under-spent projects		6.8	6.8
Solid Waste's 2013 year-end operating surplus		1.7	1.7
Sub-total Rate Supported Funding	1.5	10.2	11.7
Transportation Extreme Weather Reserve	19.1		19.1
Corporate Extreme Weather Reserve	11.0		11.0
Sub-total Reserves Supported Funding	30.1	0.0	30.1
Tax Supported, 2013 Year-end Operating Surplus	0.7	6.5	7.2
Sub-total Tax Supported 2013 Year-end Surplus Funding	0.7	6.5	7.2
2014 Tax Supported Capital Budget	0.0	5.2	5.2
TOTAL FUNDING	32.3	21.9	54.2

The City has two extreme weather reserves, however, the current balances are not sufficient to address the total magnitude of costs resulting from the recent extreme weather events. Funds available of \$30.1 million will be depleted as part of the City's funding of one-third of the storms' impacts, leaving no funds available to deal with a higher than normal snow year or a year with another extreme storm event. As a result, this report recommends that the 2014 operating budget and associated tax levy be increased by \$12.2 million, representing a 0.5% residential tax increase (equivalent to approximately \$1 per month for the average assessed residential unit) and a 0.167% non residential tax increase to replenish these reserves. This dedicated extreme weather levy will increase the level of funds in the City extreme weather reserves to finance costs related to future storm events. The Deputy City Manager and Chief Financial Officer will also consider contributing additional amounts to replenish these reserves as part of the surplus management policy.

Total December storm related costs of \$93.925 million have been estimated for City divisions and agencies, excluding Toronto Hydro. Of these costs, \$64.115 million is anticipated to be incurred as 2013 expenditures or revenue losses, to be offset by a combination of the City's one-third contribution to the storm costs and from the financial assistance funds requested by City Council from the Provincial and Federal governments.

The remaining \$29.811 million in anticipated post storm expenditures will occur in 2014, requiring an adjustment to the 2014 Operating Budget for various City divisions and agencies as specified in recommendation 6 of this report, to be fully recovered from the remaining two-thirds funding from the financial assistance funds requested by City Council from the Provincial and Federal governments.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On December 29, 2013, the City Clerk provided public notice that the Mayor called a Special meeting of City Council at 9:30 a.m. on Friday, January 10, 2014 to consider a report from the City Manager on the ice storm, including a request for Provincial assistance under the Ontario Disaster Relief Assistance Program.

<http://app.toronto.ca/tmmis/decisionBodyProfile.do?function=doViewMeetingNotice&meetingId=8828>

City Council, at its meeting on January 10 and 13, 2014 considered the January 8, 2014 report from the City Manager entitled "Impacts from the December 2013 Extreme Winter Storm Event on the City of Toronto (CC46.1)". Council adopted a number of additional Motions related to the report, which City staff will respond to as appropriate through the Executive Committee. Staff were requested to respond to the following motions at the January 22nd Executive Committee Meeting related financial impacts of the storm event:

- City Council request the City Manager in consultation with the Deputy City Managers, and the Deputy City Manager and Chief Financial Officer, to report to the January 22, 2014 meeting of Executive Committee on the financial impacts of the storm event on the 2014 Operating and Capital Budgets, and to provide options to finance the City's share of storm related costs (recommendation 4);
- The feasibility of establishing an emergency reserve fund equivalent to \$1.00 per month for the average assessed residential unit and the resulting equivalent amount for non-residential assessment (recommendation 5. aa); and
- The feasibility of any 2013 positive operating variance being dedicated to the disaster relief fund (recommendation 5. bb.).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.CC46.1>

City Council, on July 16, 17, 18 and 19 2013 approved the report entitled "Impacts from the July 8, 2013 Storm Event on the City of Toronto (EX34.4)" and on November 13, 14, 15 and 16, 2013 approved the report entitled "Follow-up on the July 8, 2013 Storm Event (EX35.1)". The reports provided City Council with information on the costs of the storm, storm related insurance information, City efforts to request assistance from other orders of government and improvements to communications during an emergency event, amongst others matters.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX34.4>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX35.1>

ISSUE BACKGROUND

The City of Toronto experienced two extreme weather events in 2013. The July 8 storm event resulted in extensive flooding, power outages, and major disruptions to transportation, sewer and water systems and significant erosion damage to the City's parks and ravines. The December 21 and 22 winter storm event produced freezing rain, ice pellets and snow resulting in significant ice accumulation which led to downed power lines and widespread power outages. At its peak, over 300,000 Toronto Hydro customers were without power.

The combined total cost to the City, including its agencies, corporations and the Toronto and Region Conservation Authority, is estimated to be in excess of \$172 million. The following provides a breakdown of estimated costs from each storm event, details on the City divisions, agencies and corporations most impacted, and a summary of City efforts to request financial assistance from the federal and provincial governments.

1. December 21 and 22, 2013 Extreme Winter Storm Event

Table 4 below provides a summary of the preliminary cost estimates for the December 2013 extreme winter storm event from City divisions, agencies and corporations (including Toronto Hydro) as at January 20, 2014. As a full assessment of damages is ongoing, these costs are preliminary and will change as assessments and remediation work continues.

Table 4: Summary of Preliminary December 2013 Ice Winter Storm Cost Estimates

City of Toronto Services	Emergency Response & Hazard Clean-up	Post Clean-up	Revenue losses	Total Costs
Parks, Forestry and Recreation	33,280,000 ^{*1}	18,330,000 ^{*2}	350,000	51,960,000
Employment and Social Services	1,041,891			1,041,891
Transportation Services	4,876,084	3,926,877		8,802,961
Toronto Water	604,610	901,950		1,506,560
Solid Waste Management Services	24,468,797		6,000	24,474,797
Other city Divisions	1,567,862	262,705	4,657	1,834,784
TOTAL CITY DIVISIONS	65,839,244	23,421,092	360,657	89,620,993
Toronto Hydro	12,000,000		1,000,000	13,000,000
Toronto Transit Commission	533,163		1,000,000	1,533,163
Toronto Community Housing	1,525,337	620,000		2,145,337
Other Agencies and Corporations	394,947	103,000	127,667	625,614
TOTAL AGENCIES AND CORPORATIONS	14,453,447	723,000	2,127,667	17,304,114
GRAND TOTAL	80,292,691	24,144,092	2,488,324	106,925,107

*1: \$32.2 million for Forestry/Tree Canopy and the balance of \$1.1 million for Parks and Recreation.

*2: \$16.6 million for Forestry and the balance \$1.7 million for Parks

Given the storm event occurred quite recently, costs of the emergency response, hazard clean-up, and post clean-up are not fully known at this time. Estimates have been made based on the best available information as at January 20, 2014, and discussions are ongoing with the external auditors regarding recognition of certain costs as either 2013 or 2014 expenses. Costs will not be finalized until conclusion of all hazard abatement activities, which should occur in late February or March.

Tree Canopy Management

In addition to significant costs of \$1.3 million for the set-up, coordination and operations of receptions centres to house residents displaced from their homes as a result of power outages, the Parks, Forestry and Recreation Division (PF&R) continue to manage necessary efforts to address extensive and widespread damage to the City's tree canopy.

The City's urban forest infrastructure is represented by approximately 10.2 million trees, of which 6% are City owned street trees, 34% are in City parks and natural areas, and 60% are on private lands. The value of the City's tree resource is estimated at \$7 billion. The City's forestry related efforts to address the significant damage caused to the tree canopy include the following phases: Emergency Response, Hazard Abatement and Post Clean-up Measures.

- a) The Emergency Response phase was initiated immediately after the storm and Urban Forestry staff were deployed to assist Toronto Hydro with power restoration and clear roadways to enable access for emergency vehicles. Priority work included removing trees and tree limbs affecting power lines, clearing tree debris from road ways, removing broken and split limbs that could fall and damage hydro lines, block roads and sidewalks, or damage property. The Emergency Response phase of work is now complete with costs estimated at \$1.83 million.
- b) The Hazard Abatement phase of Urban Forestry's efforts is currently underway and addresses hazards on the public right-of-ways and in parklands, along park pathways and roadways, to make trees safe and eliminate overhead hazards that pose an immediate risk of falling and causing personal injury or property damage. This work requires inspections, triaging, scheduling and implementation of required hazard elimination over a 10 week period using a combination of City and contracted services. The estimated cost for the Hazard Abatement phase is \$30.4 million.
- c) The Post Clean-up Measures phase will be performed over a 6 to 7 month period following the Hazard Abatement phase. During this period, assessments will be completed to confirm the structure integrity of trees and trees that have been compromised will be scheduled for removal in 2014. The assessment will also further define and confirm the scope of the remedial post clean-up that must be taken to maintain the City's forest asset. This work will include required pruning to repair branch stubs and balance crowns, removal of standing stems and stumps and replacement planting as necessary. The estimated cost for Post Clean-up Measures phase is \$16.56 million.

Debris Management Plan

The wide-spread damage caused by the storm resulted in extensive debris on public and private property. In response, a city-wide Debris Management Plan was developed and implemented. Solid Waste Services is the lead and is co-ordinating the efforts of other City divisions including Transportation Services, PF&R and Toronto Water.

As of January 3, 2014, 15 Temporary Debris Storage and Reduction sites have been established, which include work yards, transfer stations, parking lots in parks and Crown properties, all in non-residential

areas. These sites receive collected material from City crews and process this material through tub grinders. The material is then removed for recycling purposes.

It is anticipated that the Debris Management Plan will be in place for up to eight weeks at an estimated cost of just under \$25 million.

2. July 2013 Extreme Rain Event

Table 5 below provides a summary of the cost estimates resulting from the July 8, 2013 extreme rain event for City divisions, agencies and corporations (including Toronto and Region Conservation Authority) as reported to Council at its meeting of November 13, 14, 15 and 16, 2013.

Table 5: Revised 2013 July Storm Related Costs

City Storm Related Costs	Operating Costs			Capital Costs	Total Costs
	Estimated Expenditure	Estimated Revenue Losses Incurred	Total Estimated Operating Impact	Total Estimated Capital Impact	Total Estimated Operating plus Capital
Toronto Water	1,704,775		1,704,775	6,843,100	8,547,875
Parks, Forestry and Recreation	2,116,370	207,507	2,323,877	10,360,208	12,684,085
Other City Divisions	4,115,546		4,115,546	2,843,971	6,959,517
SUB-TOTAL CITY DIVISIONS	7,936,691	207,507	8,144,198	20,047,279	28,191,477
Agencies and Corporations	1,844,926	920,157	2,765,083	3,125,668	5,890,751
SUB-TOTAL	9,781,617	1,127,664	10,909,281	23,172,947	34,082,228
Anticipated Insurance Recovery **				(4,900,000)	(4,900,000)
Toronto and Region Conservation Authority (TRCA)	3,600		3,600	36,050,014	36,053,614
GRAND TOTAL	9,785,217	1,127,664	10,912,881	54,322,961	65,235,842

** Anticipated Insurance Recovery represents cost recovery for City divisions and Toronto Library only.

The July 8, 2013 rain event produced record levels of rainfall over a few short hours and resulted in flooding and extensive damage to both public and private property. Significant costs were experienced by City divisions, agencies and corporations and the Toronto Region Conservation Authority (TRCA).

Toronto Water and PF&R were the most severely affected City divisions. Toronto Water reported various locations of sink holes, damage to portions of sanitary sewers, storm sewers, outfall pipes, storm inlets and stream erosion as well as damage to various electrical systems at pumping stations. PF&R reported flood related damage to a number of facilities including a works yard and community centre, artificial turf in stadiums, and damages to bridges along with significant flood related erosion throughout the parks system.

Damage estimates reported to date from TRCA are significant and include costs related to major erosion control mitigation due to the storm. The TRCA monitors erosion and implements

stabilization work that protects the City's watersheds, rivers and valley systems. TRCA received reports of flood damage related to asphalt paths, debris blockages, landslides and back yard collapses. TRCA identified a number of new and/or exacerbated slope instability hazards related to private property, public lands and municipal infrastructure.

3. Request for Provincial and Federal Assistance

In response to the July 8, 2013 storm and as requested by Council, the City Manager wrote to both the provincial and federal governments to request financial assistance. The federal government advised that they "do not provide financial assistance to those directly affected by the disaster, but rather cost share eligible provincial expenditures". The City was further advised that "All decisions regarding financial assistance to individuals, small business and local governments affected by a natural disaster are taken solely by the Province".

In response to the City Manager's letter to the Province regarding the July flood, staff from the City and the Province met to discuss assistance through the Ontario Disaster Relief Assistance Program (ODRAP). It became clear that the City of Toronto may not be eligible for ODRAP assistance based on the eligibility criteria that the disaster must be beyond the financial capacity of the municipality to manage.

As directed by Council at its meeting on January 10 and 13, 2014, the City requested financial assistance from the federal and provincial governments in the amounts of \$57 million each representing one-third of the total estimated costs of \$172 million for both the July and December 2013 extreme weather events. In order to make application specifically for assistance under ODRAP, Council also requested the Ministry of Municipal Affairs and Housing declare the City of Toronto a "disaster area". And finally, Council requested that the Provincial and Federal governments establish new and expand existing programs addressing disaster mitigation to assist municipalities mitigate future environment and storm event impacts.

In response to the City's request for Provincial assistance under ODRAP, staff from the Ministry of Municipal Affairs and Housing along with technical urban forestry consultants completed a visual assessment of damage caused by the December 21 and 22, 2013 severe on Thursday, January 16th. City staff provided the Province with a briefing on the extent of damage. To highlight the extent of the disaster, staff arranged a tour of:

- areas with extensive damage;
- areas where hazard abatement was currently underway; and
- one of the 15 Temporary Debris Storage and Reduction sites where storm debris is being collected and processed.

City staff committed to provide the Province with whatever information is required to assess the damage caused by the storm and the costs for on-going remediation work. Provincial staff clearly stated that Hydro costs and City revenue losses will not be eligible for ODRAP funding.

On Friday, January 17, 2014, the Mayor, Deputy Mayor and City Manager attended a meeting of Mayors and Chairs from Regional Municipalities from across the GTHA to discuss impacts from the December 2013 severe storm event and a co-ordinate approach to request financial assistance from the Provincial and Federal governments.

The group passed a resolution calling on the Provincial and Federal governments to share equally with municipalities by funding one-third each of the full costs of response and recovery from the storm for affected municipalities. In recognition of the urgency of this matter, the group called on the other orders of governments to provide a response by March 1, 2014. In addition, the group passed a second resolution calling for the provincial and federal governments to establish new programs and expand existing programs to address disaster mitigation involving forestry, erosion control, winter storms, tree canopy and other severe storm events that reflect the reality of climate change.

COMMENTS

The City's ability to deal with the significant cost pressures from the severe winter storm is exacerbated by the financial pressures resulting from the July 8, 2013 storm event which is estimated to have cost the City \$65.2 million. The two storms combined, resulted in \$172.2 million of costs.

1. Impacts of Storm Costs by Year

Of the \$172.2 million in estimated costs for both storms, approximately \$95.3 million will impact the 2013 fiscal year, with the balance of costs spread over 2014 and future years. Table 6 below provides a breakdown of estimated storm costs by year. The amounts attributed to 2013 and 2014 may change based on actual cost of work performed and based a review of the allocation by the City's external auditors during the 2013 year-end audit process.

Public sector accounting standards require that the City recognize liabilities at the end of each year. With respect to the December storm, liabilities are being accrued in the 2013 fiscal year to reflect the actual and estimated costs of the emergency responses and planned actions to address the hazards to the public from broken and downed tree limbs. It is anticipated that work to address these liabilities will be completed by the end of February, however, the estimated costs of this work and the timing of completion are dependent on a number of factors including availability of contractors and ability to access all areas affected.

Table 6: Cost of the Two Storms in 2013 by Year

July 2013 Extreme Rain Event	2013	2014	Post 2014	Total
City Divisions	14,681,033	8,610,443		23,291,476
TRCA	3,600	7,000,000	29,050,014	36,053,614
Other agencies & corporations	2,045,975	2,434,000		4,479,975
Total City (excluding Hydro)	16,730,608	18,044,443	29,050,014	63,825,065
Toronto Hydro	1,410,776			1,410,776
Total costs per period	18,141,384	18,044,443	29,050,014	65,235,841
December 2013 Severe Winter Storm				
City Divisions	60,521,616	29,099,377		89,620,993
TRCA	70,000			70,000
Other agencies & corporations	3,523,114	711,000		4,234,114
Total City (excluding Hydro)	64,114,730	29,810,377	0	93,925,107
Toronto Hydro	13,000,000			13,000,000
Total costs per period	77,114,730	29,810,377	0	106,925,107
TOTAL 2013 storms				
City Divisions	75,202,649	37,709,820	0	112,912,469
TRCA	73,600	7,000,000	29,050,014	36,123,614
Other agencies & corporations	5,569,089	3,145,000	0	8,714,089
Total City (excluding Hydro)	80,845,338	47,854,820	29,050,014	157,750,172
Toronto Hydro	14,410,776			14,410,776
Total costs per period	95,256,114	47,854,820	29,050,014	172,160,949

2. Provincial and Federal Assistance

As a result of the significant impacts of these storms, the City and other GTHA municipalities have requested both the Federal and Provincial governments to provide financial assistance equivalent to one-third of the total eligible storm costs (total costs excluding Hydro and revenue losses), with the remaining amounts to be funded by the City and Toronto Hydro.

Table 7: Proposed funding by the three orders of government

City of Toronto Services	Total Costs	Provincial Assistance	Federal Assistance	Costs to be Covered by City & Hydro
City Divisions	112,912,470	37,448,102	37,448,102	38,016,266
TRCA	36,123,614	12,041,204	12,041,205	12,041,205
Agencies & Corp. (exc. Hydro)	8,714,089	2,288,755	2,288,755	4,136,579
Total City Div., Agencies & Corps.	157,750,173	51,778,061	51,778,062	54,194,050
Toronto Hydro	14,410,776			14,410,776
GRAND TOTAL	172,160,949	51,778,061	51,778,062	68,604,826

Given that Toronto Hydro is rate regulated, the Province is indicating that Toronto Hydro is responsible for funding its share of storm related costs. As such, the City's share of costs to be funded from City resources is \$54.2 million. However, it is unlikely that Toronto Hydro would seek a rate increase to recover their ice storm costs. Accordingly, these costs will result in a lower net income and therefore lower dividend to the City of Toronto. This would effectively mean that the City will fund Toronto Hydro's ice storm costs if the Province and the Federal governments exclude Hydro costs from disaster assistance.

Of the \$54.2 million, \$10 million is related to Toronto Water expenditures to be funded from water rate revenues, and \$1.7 million relates to solid waste costs which are funded from solid waste rate revenues. The balance of \$42.5 million will need to be funded from the City's tax supported budgets.

3. Surplus Management Policy

Although the City is projecting an annual operating surplus, the projected surplus is committed, in accordance with Council's Surplus Management Policy: 75% to capital financing and 25% to partially fund unfunded liabilities. The 2014 Capital Budget and Plan already assumes approximately \$70 million from the 2013 surplus which is committed to fund 2014 capital projects in accordance with the City's capital financial strategy. Accordingly there is no flexibility to use any 2013 projected year-end surplus to cover the December 2013 winter storm costs without impacting City debt.

Also the 2013 third quarter variance report variance report assumes using part of the surplus for certain unfunded liabilities. By applying surpluses to these liabilities the City avoided and reduced 2014 Operating Budget pressures, therefore mitigating the 2014 tax rate increase.

4. Extreme Weather Reserves

As summarized in Table 8 below, the City has funds of just over \$30 million in two extreme weather reserves (\$19.1 million in the Transportation Services Extreme Weather Reserve, and \$11 million in the Corporate Extreme Weather Reserve). These reserves were established for the purpose of mitigating extreme weather event costs. As such, it is being recommended that both these reserves be temporarily depleted to offset \$30.1 million in storm related costs.

Table 8: Reserves and Reserves Funds

Reserves and Reserve Funds	Uncommitted, Projected Balance as at Dec. 31, 2013 (\$ millions)	Balance after proposed funding
Transportation Services Extreme Weather Reserve (includes Winter Maintenance reserve)	\$19.1	\$0.0
Corporate Extreme Weather Reserve	\$11.0	\$0.0
Total: Extreme Weather Reserves	\$30.1	\$0.0

Depleting these two reserves will leave the City vulnerable should there be any further extreme weather events in 2014 and future years. As such, it is recommended the 2014 Operating Budget be increased by \$12.2 million representing a 0.5% residential tax rate increase and a 0.167% non-residential increase, to help replenish these two reserves, as well as to increase the targeted level of funding for the Corporate Extreme Weather Reserve to an amount above the pre-storm level of \$11 million. It is recognized that this particular reserve is under-funded given the impact of the recent storms in 2013. The Deputy City Manager and Chief Financial Officer will undertake a review to determine an appropriate target level for the City's Corporate Extreme Weather Reserve and will report to Budget Committee during the 2015 Budget process on a recommended target level for this reserve.

Even with a new levy for extreme weather events, it will take approximately two and a half years without any usage to restore both of these reserves to pre-storm level.

5. Funding of Storm Costs

Outlined in Table 9 below is a summary of the funding allocation for the 2013 storm costs, totalling \$172 million, between the City, Toronto Hydro and the Provincial and Federal governments.

Table 9: Funding of Two Extreme Weather Events in 2013

Funding Sources	City	Hydro	Total
Total Estimated Cost of Storm Events	157,750,173	14,410,776	172,160,949
Funding from Other Orders of Government:			
Federal Financial Assistance Funds	51,778,062		51,778,062
Provincial Financial Assistance Funds	51,778,061		51,778,061
Total Federal & Provincial Assistance	103,556,123		103,556,123
Toronto Hydro Funds			
Total Toronto Hydro Funds	0	14,410,776	14,410,776
City of Toronto Funds:			
Toronto Water's 2013 year-end operating surplus	3,211,335		3,211,335
Toronto Water's 2013 Capital Budget (through reallocation of 2013 under-spent project)	6,843,100		6,843,100
Solid Waste's 2013 year-end operating surplus	1,665,607		1,665,607
Transportation Extreme Weather Reserve	19,141,963		19,141,963
Corporate Extreme Weather Reserve	11,000,000		11,000,000
Tax Supported 2013 year-end Operating Surplus	7,169,188		7,169,188
Tax-supported 2014 Budget	5,162,857		5,162,857
Total City of Toronto Funds	54,194,050		54,194,050
Total Funding	157,750,173	14,410,776	172,160,949

As part of the 2014 Capital Budget process, Toronto Water also increased their contribution to the TRCA for crucial erosion control and flood related projects by \$26 million over the ten year capital planning period for a total Toronto Water contribution of \$30.0 million and a total TRCA budget of \$36.1 million.

While the 2014 to 2023 Capital Budget and Plan will fund \$36.1 million in critical erosion control and flood related projects, this work will be completed over a ten-year period and there will continue to be a minimum of \$50 million in unfunded capital priorities.

To accelerate capital work and to address the unfunded priorities it is recommended that \$42 million in financial assistance funds requested by City Council from the Provincial and Federal governments be dedicated to the Capital Budget rehabilitation of municipal infrastructure to mitigate the impact of future storm events including erosion control, basement flooding, etc.

Of the \$7.2 to be funded from the City's tax supported 2013 operating surplus, \$6.5 relates to the July storm and has been incorporated into the forecasted year end surplus of \$92.9 million, while the balance of \$0.6 is from the December 2013 winter storm event. PF&R has included \$5.2 for July storm costs included in the 2014 Capital Budget.

6. Increased Tax Levy for Extreme Weather Reserves

On January 10th, Council resolved that the City Manager include in this report the feasibility of establishing a reserve fund equivalent to \$1 per month for the average assessed residential unit, and the resulting equivalent amount for non-residential assessment. Such a levy would represent approximately a 0.5% tax increase and would raise approximately \$12.2 million. As the City already has two extreme weather reserves in place, a new reserve is not required, and the \$12.2 million raised annually would serve as a source to replenish these reserves.

7. Tax Impact in Lieu of Provincial and Federal Assistance

Should the other orders of government fail to provide funding for their share of the storm impacts, the City will have a shortfall of approximately \$103.6 million, which will result in extreme pressures in the City's 2014 budget. This would require drastic expenditure reductions or a supplementary tax bill for some portion of the shortfall up to \$103.6 million. This would represent an increase of approximately 4.25% on residential and 1.42% on non-residential property tax.

8. Conclusion

As reported previously, the City will likely be subject to more severe weather events and therefore has an urgent need for long-term sustainable funding options to prepare for, and recover from, such events. The City's infrastructure is aging, and its renewal will take many years and billions of dollars and is not included in the scope of this report. However, the City must have the capacity to deal with extreme weather disasters, and a special levy and a tri-government partnership approach to funding these events, is a good first step.

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ATTACHMENT

Attachment 1, *GTHA Mayors and Regional Chairs Resolutions (January 17, 2014 Meeting)*

Attachment 1

GTHA Mayors and Regional Chairs Resolutions January 17, 2014 Meeting

Resolution Number 1

Whereas On December 22, the Greater Toronto and Hamilton Area (GTHA) and other parts of the Province of Ontario suffered an extreme weather event

And whereas during this event, a severe ice storm affected many of the municipalities in the GTHA, resulting in loss of electricity, road and sidewalk blockages, thousand of downed and damaged trees, and widespread disruption to municipal serves and the lives of residents and the operations of businesses

And whereas those municipalities have incurred significant costs to respond to the immediate public safety issues

And whereas those municipalities are facing a costly and lengthy recover period to deal with the debris and damage to the tree canopy as a consequence of the ice storm

And whereas many municipalities through the Province have applied to the Province for financial assistance through ODRAP

And whereas there is concern that the ODRAP program does not adequately recognize and respond to the full cost of extreme weather events, especially in a time where extreme weather is expected to be more frequent and intense due to the impacts of climate change

And whereas on January 17 in response to the storm, the GTHA Mayors and Chairs came together in a co-ordinated approach to asking for financial assistance

Therefore be it resolved that

1. The Provincial and Federal governments share equally in this disaster with municipalities by each funding 1/3 of the full cost of response and ongoing recovery from the ice storm for affected municipalities.
2. That the Provincial and Federal governments treat all applicable municipalities equally and equitably.
3. That the Provincial and Federal governments recognize the urgency of this matter and provide a response by March 1, 2014.
4. That this resolution be sent to the Premier of Ontario, the Prime Minister of Canada, the local Members of Provincial Parliament and Members of Parliament, the Association of Municipalities of Ontario and the Federal of Canadian Municipalities.

Resolution Number 2

The Provincial and Federal governments establish new programs and expand existing programs to address disaster mitigation involving forestry, erosion control, winter storms, tree canopy, and other severe storm events, that reflect the reality of climate change and such programs to include funding for rehabilitation of municipal infrastructure to mitigate this and future environmental and storm event impacts.

That this resolution be sent to the Premier of Ontario, the Prime Minister of Canada, the local Members of Provincial Parliament and Members of Parliament, the Association of Municipalities of Ontario and the Federation of Canadian Municipalities.