

## **Federal Infrastructure Funding – Phase 1 and 2**

**Date:** November 17, 2016

**To:** Executive Committee

**From:** City Manager and Deputy City Manager & Chief Financial Officer

**Wards:** All

### **SUMMARY**

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The Government of Canada has announced \$81 billion in new infrastructure funding over the next eleven years in the categories of public transit, social infrastructure, green infrastructure and trade and transportation. Funding under the *Investing in Canada* program will occur in two phases, with Phase 1 allocating \$11.9 billion over five years and Phase 2 outlining the remainder of the plan.

This report provides an update on Phase 1 including the new Public Transit Infrastructure Fund (PTIF) and Clean Water Wastewater Fund (CWWF). The report outlines implementation details for the City's PTIF and CWWF program and seeks City Council authorities for required budget adjustments and to enter into intergovernmental funding agreements.

The report also outlines the Government of Canada's commitments under Phase 2 and recommends that City Council confirm its key infrastructure priorities for new federal funding. City Council has consistently outlined these priorities through decisions related to project funding and capital budgets and plans.

Federal investments under Phase 1 recognize the need for partnership in maintaining and expanding Toronto's public infrastructure. Successful delivery and implementation of Phase 1 investments set the stage for significant federal funding anticipated under Phase 2 which can further advance City Council's key city building priorities to enhance the vitality of Canada's largest city and economic region.

### **RECOMMENDATIONS**

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The City Manager and the Deputy City Manager & Chief Financial Officer recommend that:

1. City Council confirm priority projects for the Public Transit Infrastructure Fund (PTIF) as outlined in Attachment 1, and authorize the Mayor and the City Manager to negotiate

and enter into agreements and amendments as may be required with the Province of Ontario for the PTIF and the Clean Water Wastewater Fund (CWWF) substantially in accordance with the terms and conditions set out in Attachment 2 and such additional terms and conditions satisfactory to them, and in a form acceptable to the City Solicitor.

2. City Council approve PTIF related amendments to the 2016 - 2025 Capital Budget and Plan as follows:

a. Funding Adjustments:

i. Adjust 2016 TTC Capital funding for PTIF funded projects outlined in Attachment 1, reducing \$101.220 million in funding from the Capital Financing Reserve Fund (XQ0011) and replacing with \$101.220 million in federal PTIF funding.

ii. Adjust 2016 and 2017 Capital funding for the Eglinton East LRT capital sub-project within the Transit Expansion Initiatives project in the Corporate Initiatives Program, reducing \$3.5 million in funding from the Capital Financing Reserve Fund (XQ0011) and replacing with \$3.5 million in federal PTIF funding.

iii. Increase the 2016 Transportation Services Capital Budget by \$1.555 million, funded from federal PTIF funding for Road Safety and Surface Transit Operations projects.

b. City Council approve the remaining \$1.558 billion in projects costs cash flowed from 2017 to 2019 for PTIF funded projects as outlined in Attachment 1, made up of new; accelerated and enhanced; and previously approved projects that assumed federal funding contributions; funded from \$726.8 million in federal PTIF funded; \$708.2 million in City debt funding; and \$122.8 in Provincial share of partnered projects.

3. City Council request the Government of Canada and Province of Ontario to extend program timelines for the PTIF and CWWF programs as may be required, and confirm that any unspent funds under the PTIF Phase 1 agreement will be reprofiled and reallocated to Toronto on a ridership basis.

4. City Council confirm its key priorities for intergovernmental funding, as outlined in Attachment 3, and authorize the Mayor and City Manager to negotiate and enter into funding agreements as required for Phase 2 of the Government of Canada's infrastructure plan.

5. City Council request the Government of Canada commit at least \$12.66 billion under Phase 2 of the Social Infrastructure Fund for housing initiatives, as per requests of the Federation of Canadian Municipalities' Big City Mayors Caucus.

6. City Council request the Government of Canada allocate funding for public transit under Phase 2 on a ridership basis.

7. City Council direct the Deputy City Manager & Chief Financial Officer to allocate resources as required for the implementation of City projects under new federal and provincial funding programs for consideration as part of the 2017-2026 Capital Budget process.

## **IMPLEMENTATION POINTS**

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As PTIF and CWWF investments are time limited, staff will be required to ensure dedicated attention to program and project management which will ensure adherence to program terms and conditions and maximization of the federal allocation. This attention will safeguard against financial risks as the City would be solely responsible for project costs that occur after federal program deadlines.

Sufficient resources will be put in place to manage PTIF and CWWF implementation and produce deliverables as required by other governments, which include at a minimum bi-annual project progress reports and claims processes. It is important to note that the City's allocation through the PTIF is larger than that of most provinces. While provinces and territories (including the Province of Ontario) are able to take 1% of program funding under PTIF and CWWF for administration there are no additional administration dollars for municipal implementation. This differs from the Phase 1 Social Infrastructure Fund which allows Service Managers to use up to 5% of their total funding allocation to assist with the administration costs of the program.

An appropriate governance structure will be put in place to support the City's PTIF program. Oversight will be provided through the existing City-Toronto Transit Commission (TTC) Executive Committee which provides a forum for senior level decision making on transit coordination. In addition a City-TTC management committee will be established to monitor implementation of the program, benchmark project delivery against program timelines, and coordinate reporting, claim submissions, communications and audit requirements.

As reported to City Council in November 2016, potential risks related to the Essroc Quay Lakefilling and Naturalization project under the CWWF will be managed jointly by the City and Waterfront Toronto through existing governance arrangements. Oversight and reporting on the Structural Lining of Watermains project under the CWWF will be managed directly by Toronto Water, Financial Planning and the City Manager's Office.

In administering new intergovernmental funding, staff will draw on the experiences of the 2009 federal Infrastructure Stimulus Fund (ISF) and Recreational Infrastructure Fund (RiNC) where the City was faced with similar deadlines and pressures related to spending and project completion. This includes findings of the Auditor General on reporting to City Council about program terms and conditions, communicating about projects that benefit from federal funding, documentation of program terms and conditions, and project and construction management.

## FINANCIAL IMPACT

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Federal funding is required to be incremental and will result in new projects being added to the 2016 – 2025 Capital Budget and Plan, projects being expanded in scope or accelerated resulting in more infrastructure projects.

The City's allocation under the new federal PTIF is approximately \$856 million. As federal funding can make up 50% of total eligible project costs the PTIF will result in a total capital program of at least \$1.770 billion impacting TTC and City budgets in 2016, 2017, 2018 and 2019.

Traditionally the province contributes a one-third share to such programs, but it is not matching new federal investments under the PTIF. As such PTIF projects are equally cost shared between the Government of Canada and the City of Toronto, which requires a combination of City funding acceleration or new City funding totalling at least \$856 million over the program length with impacts as follows:

*Table 1 - PTIF Impacts on the Tax Funded Capital Budget and Plan*

<b>Tax Funded Capital Budget and Plan</b>	<b>Total Project Cost</b>	<b>City Contribution</b>	<b>Federal Contribution</b>
2016	\$208.6 million	\$104.3 million	\$104.3 million
2017	\$896.8 million	\$385.2 million	\$413.3 million
2018	\$585.2 million	\$285.1 million	\$275.6 million
2019	\$79.8 million	\$39.9 million	\$39.9 million
<b>Total</b>	<b>\$1.770 billion</b>	<b>\$814.5 million</b>	<b>\$833.4 million</b>

\*An additional \$23 million in PTIF funding will be identified as part of the 2017 Budget Process.

\*\* \$122.8 million is included in Total Project Costs from the portion of provincially partnered projects.

The \$814.5 million City's share of costs to implement PTIF funded projects comprises \$102.7 million in debt funding previously approved for 2016 PTIF projects; \$3.5 million in previously approved 2016 and 2017 draws from the Capital Financing Reserve Fund; and \$560.7 million in additional new debt funding from 2017 to 2018.

Additional debt funding of \$560.7 million is recommended in this report so that the City can maximize federal contributions that maintain and expand the City's transportation network. Federal PTIF contributions will not only result in more infrastructure, it will also result in further investments over the 10-Year Capital Budget and Plan.

PTIF funding also addresses the \$250 million in federal/provincial contributions that were anticipated as part of the Capital Financing Strategy. The strategy anticipated that future federal/provincial funding would be available in the capital financing reserve fund for use in transit and transportation capital projects. Federal funding allows the City to draw on the reserve earlier than anticipated within the 2016-2025 Capital Budget and Plan.

The City's allocation under the CWWF, including provincial matching funds, is approximately \$60 million. As federal funding can make up 50% and provincial funding can make up to 25% of total eligible project costs, the CWWF will result in a total capital program of \$80 million impacting City budgets in 2016, 2017, 2018 and 2019. This requires new City funding totalling at least \$20 million over the length of the program. CWWF priority projects are Essroc Quay and Structural Lining of Watermains. Authorities for Essroc Quay were obtained from City Council on November 8, 2016 and Structural Lining of Watermains is included for Council consideration as part of Toronto Water's 2017-2026 Recommended Capital Budget and Plan.

Phase 2 of the federal government's infrastructure plan can provide significant new federal and provincial contributions to support City Council priority projects, including the \$33 billion in unfunded capital projects outlined during the 2016 Budget process and updated following consideration of EX16.1 Developing Toronto's Transit Network Plan to 2031. While program details for Phase 2 are unknown, Toronto would receive significant levels of funding if it were to be distributed on an allocation basis (per capita, transit ridership, etc.). Should funding be provided based on merit, Toronto projects are well positioned to meet the Government of Canada's environmental, social and economic objectives.

While Phase 2 can provide funding for Council's key infrastructure priorities including projects on the unfunded list, the City will be required to cost share projects over the next 10 years, bringing additional pressures on the Capital Plan. The extent of matching will depend on various cost sharing scenarios that will be outlined when the Government of Canada reveals program details.

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

## **DECISION HISTORY**

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City Council has identified intergovernmental funding priorities through consideration of key city building projects and programs and through the capital budget process.

### **Public Transit Infrastructure Fund Priorities**

On November 21, 2016 the Toronto Transit Commission will consider the updated PTIF program and projects to be funded.

September 6, 2016, the Toronto Transit Commission Budget Committee considered the PTIF program and projects to be funded.

[http://ttc.ca/About\\_the\\_TTC/Commission\\_reports\\_and\\_information/Committee\\_meetings/Budget/2016/September\\_6/Reports/2\\_Federal\\_Public\\_Transit\\_Infrastructure\\_Fund\\_PTIF.pdf](http://ttc.ca/About_the_TTC/Commission_reports_and_information/Committee_meetings/Budget/2016/September_6/Reports/2_Federal_Public_Transit_Infrastructure_Fund_PTIF.pdf)

On July 12, 2016, City Council directed the advancement of projects under Toronto's Transit Network Plan to 2031 and authorized the City Manager to include additional

planning and design work as a priority under phase one of the federal PTIF. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.1>

On July 12, 2016, City Council authorized the City Manager to include projects from the Road Safety Plan under phase one of the federal PTIF.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PW14.1>

On June 9, 2016, City Council approved in principle a Ten Year Cycling Network Plan and directed that cycling infrastructure be included in the upcoming request for federal funding for active transportation, and that such monies be "in addition to" City funding commitments, and not conflict with public transit requests.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PW13.11>

On May 24, 2016, Executive Committee referred to the City Manager, for consideration alongside other priority projects, a request for the Federal Minister of Infrastructure and Communities to allocate federal funding to active transportation projects.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX15.24>

On July 7, 2015, City Council directed that design costing for the completion of the Northwest PATH be undertaken and also directed staff to seek alternative funding sources for Union Station.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM5.19>

On March 10, 2015, City Council requested City and TTC staff to pursue a tri-party intergovernmental partnership for a dedicated long-term, stable funding plan to address TTC rolling stock, State of Good Repair, capacity building, service improvement and growth needs.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX3.4>

On August 25, 2014, City Council authorized staff to work with the Ministry of Tourism, Culture and Sport on a joint planning process and public consultation for the revitalization of Ontario Place, which includes City objectives for the development of the central waterfront, and the Exhibition Place strategic plan.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX44.4>

## **Clean Water Wastewater Fund Priorities**

On November 6, 2016, Budget Committee considered the launch of Toronto Water's 2017-2026 Recommended Capital Budget and Plan, which includes the Structural Lining of Watermains project under the CWWF.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.BU25.1>

On July 7, 2015, City Council affirmed flood protection, waterfront transit, land servicing and public realm enhancements as priorities for capital projects in the second phase of waterfront revitalization and requested the Mayor to issue a "call to action" to federal and provincial governments regarding funding.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX7.6>

## **Social Infrastructure Fund**

On July 12, 2016, City Council authorized City staff to enter into necessary agreements for the receipt and expenditure of funding under the Social Infrastructure fund.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.50>

## **Implementation Considerations**

On November 29, 2011, City Council adopted the recommendations outlined in the October 5, 2011 report from the Auditor General titled "Review of Infrastructure Stimulus Funding – Opportunities Exist to Improve Controls over Construction Projects."

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.AU4.3>

## **Phase 2 Priorities**

On November 8 2016, City Council approved a funding and financing strategy for the City's share of costs for key transit initiatives that comprise Toronto's 2031 transit network plan including SmartTrack.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX18.1>

On November 8, 2016, City Council directed the Mayor and staff to pursue federal and provincial funding for the Port Lands Flood Protection Project.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX18.3>

On July 12, 2016, City Council initiated Phase 2 of the Waterfront Transit "Reset" including the creation of a Business Case and implementation strategy for delivering a coordinated waterfront transit solution.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.17>

On July 12, 2016 City Council directed City staff to seek funding options for the George Street Revitalization project from the Government of Canada's 10-year Social Infrastructure Plan and from the Province of Ontario.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.13>

On July 12, 2016, City Council approved the Implementation of the Open Door Affordable Housing program.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.26>

On February 17, 2016, City Council approved the 2016-2025 Capital Budget and Plan, and received a report on Intergovernmental Infrastructure Funding Priorities.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX12.2>

<http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-90081.pdf>

On September 30, 2015, City Council directed City staff in partnership with The 519 to pursue funding opportunities with other levels of government for the Moss Park Redevelopment Project.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX8.9>

On September 30, 2015, City Council directed the City Manager to submit business cases and other materials required to formally request Government of Canada funding from the P3 Canada Fund and from Infrastructure Canada for the Rehabilitation of the F. G. Gardiner Expressway.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX8.12>

On November 13, 2013, City Council requested the Province of Ontario and the Government of Canada to each provide \$864 million in additional funding for a one-third share of the \$2.6 billion ten-year Toronto Community Housing capital plan.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX35.4>

## **ISSUE BACKGROUND**

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### **Federal Infrastructure Commitments**

The Government of Canada has committed \$95 billion<sup>1</sup> in infrastructure funding (the *Investing in Canada* plan) from 2016-17 to 2027-28 to be delivered in two phases.

Phase 1 allocates \$11.9 billion nationally over five years, including:

- \$3.4 billion through the Federal Public Transit Infrastructure Fund (PTIF),
- \$5.0 billion for green infrastructure, including \$2.0 billion through the Clean Water and Wastewater Fund (CWWF), and
- \$3.4<sup>2</sup> billion through the Social Infrastructure Fund, including housing.

Phase 2 is expected to deliver \$81 billion nationally through to 2027-28 as follows:

- Public Transit - \$25.3 billion
- Social Infrastructure - \$21.9 billion
- Green Infrastructure - \$21.9 billion
- Trade and Transportation - \$10.1 billion
- Rural and Northern Infrastructure - \$2.0 billion

While program details for Phase 2 are anticipated to be released as part of the 2017 Federal Budget, and matching contributions from the Province are unknown, it is expected that significant funding will be dedicated for municipal infrastructure.

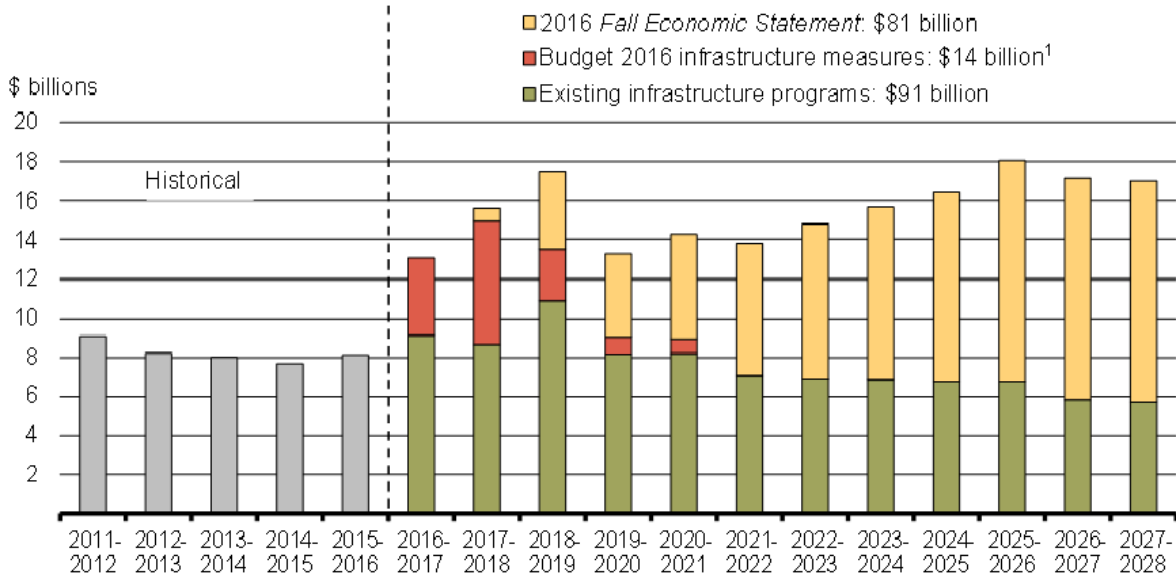
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<sup>1</sup> The federal 2016 budget also committed an addition \$3.1 billion for other infrastructure measures

<sup>2</sup> Phase 1 Social Infrastructure Fund number may not add due to rounding



Figure 1 - Federal Long-Term Infrastructure Plan



Note 1: Includes Phase 1, \$11.9 billion  
 Source: 2016 Federal Fall Economic Statement

In November 2016, the Government of Canada also announced the establishment of a new Canada Infrastructure Bank to deliver federal support for transformative projects that can leverage private sector capital. The Bank will be capitalized with \$35 billion including \$15 billion drawn from the \$81 billion Phase 2 infrastructure investment noted above, and \$20 billion directly for investments in project equity or debt. The Infrastructure Bank will conclude and execute financing using a number of instruments including loans, loan guarantees and equity investments, with project and investment opportunities identified by governments and investors to provide economic, social and environmental returns.

**Public Transit Infrastructure Fund**

Under Phase 1, \$3.4 billion has been allocated on a ridership basis (as reported to the Canadian Urban Transit Association in 2014) with a base of \$50,000 provided for each transit agency. In total the federal government will provide Ontario municipalities, and the Province, with approximately \$1.48 billion to invest in public transit and active transportation infrastructure.

Eligible projects under PTIF include state of good repair, system optimization and efficiency, increased asset management capacity, design and planning, and system expansion including targeted investments in active transportation.

Ontario is not matching new federal investments through PTIF noting existing provincial commitments to transit. This includes \$13.5 billion (2014\$) of investments in the Regional Express Rail Program which supports SmartTrack, and the \$8.4 billion (2010\$) capital commitment to the Metrolinx Rapid Transit Program in Toronto for projects such as the Eglinton Crosstown LRT, the Finch West LRT and the Sheppard East LRT. However, municipalities receiving Provincial Gas Tax funding are able to apply that funding as part of their municipal contribution towards eligible PTIF projects.

## **Clean Water Wastewater Fund**

The \$2.0 billion CWWF is allocated based on population (with each province/territory receiving \$50 million as base funding) and provides up to 50% of eligible costs for capital planning and infrastructure projects related to water, storm water and wastewater. The Province of Ontario will contribute additional funding of up to 25% of eligible costs.

Ontario's federal allocation under the CWWF is \$570 million with the Province of Ontario contributing an additional \$270 million in matching funds. The Province has allocated these funds to municipalities based on local economic conditions and the amount of water, wastewater and stormwater assets that are owned.

Eligible projects include rehabilitation of water, waste water or storm water infrastructure; separation of combined sewers or overflow control; improved asset management, including studies and pilot projects related to innovative technologies, design and planning for future upgrades to meet regulatory requirements; and construction of naturalized systems for wastewater and storm water.

## **Canada-Ontario Bilateral Agreements**

The PTIF and CWWF programs are governed by bilateral agreements between Canada and Ontario which end on March 31, 2020. The agreements set out key terms and conditions and outline specific roles and responsibilities. The Province, as funding administrator, require municipalities to enter into Transfer Payment Agreements which will govern the flow of funds. Under such arrangements, the Province is responsible for ensuring that municipalities meet appropriate terms and conditions, and they are able to access up to 1% of the total federal allocation to fund administration activities.

The PTIF and CWWF have common terms and conditions surrounding the use of federal funds and timelines for project completion. Details are summarized in Attachment 2.

The City can recover up to 50% of eligible project costs incurred between April 1, 2016 and March 31, 2018. The Federal Minister of Infrastructure and Communities can approve an extension to March 31, 2019 for projects that have a demonstrated need, up to a maximum of 25% of the City's total allocation for each program.

Federal funding applied to projects must be incremental, which means that one of the following conditions has been met:

- The project would not otherwise have taken place in 2016-17 or 2017-18 without federal funding; and/or
- The project would not have been undertaken without federal funding. This would include projects included in the City's 2016-2025 Capital Budget and Plan where projects require additional funding to proceed and/or accelerate.

The CWWF program has additional requirements, including the need for projects to be owned by the City and for projects to be a priority within existing strategies and plans for asset management.

As administrators, the Province has solicited municipal project lists and is responsible for submitting projects (and any subsequent revisions) to the federal government for approval. For the CWWF, the Province will evaluate projects to ensure alignment with provincial land use and asset management priorities.

### **City of Toronto 2016-2025 Capital Budget and Plan**

The City's 2016-2025 Tax and Rate Supported Capital Budget and Plan identifies \$33.5 billion in public investments in infrastructure including over \$10 billion for the transit system and transit expansion, and \$5.3 billion for improvements to the City's road, bridge and cycling network.

The 2016-2025 Capital Budget and Plan notes that an additional \$2.7 billion in funding is required to address unfunded TTC priority projects. In 2015, City Council acknowledged the need for intergovernmental partnership for a dedicated, long-term, stable funding plan to address these needs.

Since 2013 the City has relied on the capital financing strategy to fund TTC SOGR needs. The 2016 – 2025 Capital Budget and Plan includes \$648.9 million in TTC funding from the Capital Financing Reserve Fund that utilizes realized and anticipated proceeds from a number of sources including surplus operating funds; Build Toronto and Toronto Parking Authority dividends; as well as an anticipated \$250 million contribution to transit and transportation from the federal and provincial governments.

The 2016-2025 Capital Budget and Plan also assumes an \$820 million federal contribution for the Rehabilitation of the F.G. Gardiner Expressway (at the time, one-third of estimated construction costs). As no federal funding has been committed to this project to-date, in developing the 2017-26 Capital Budget and Plan, staff are considering alternative funding to ensure the project will proceed.

The 10-Year Capital Budget and Plan does not include \$33 billion in unmet capital needs that are currently unfunded. This includes unfunded federal and provincial shares of the Toronto Community Housing state of good repair backlog, as well as key transit expansion projects and projects such as TTC's unfunded needs and George Street Revitalization.

## COMMENTS

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### 1. Phase 1 Allocation

To date, the City of Toronto has been allocated over \$1.0 billion in federal and provincial funding under three key Phase 1 infrastructure programs.

*Table 2 - City of Toronto Phase 1 Allocations*

<b>Program</b>	<b>Federal Contribution</b>	<b>Provincial Contribution</b>	<b>Total Allocation</b>
Public Transit Infrastructure Fund	\$856,224,152		\$856,224,152
Clean Water Wastewater Fund	\$40,017,979	\$20,008,990	\$60,026,969
Social Infrastructure Fund (social and affordable housing 2016-18)	\$124,256,450	\$29,995,050	\$154,251,500*
<b>Total (to date)</b>	<b>\$1,020,498,581</b>	<b>\$50,004,040</b>	<b>\$1,070,502,621</b>

\*Allocations for the Social Infrastructure Fund include \$7.7 million in administration funding. Total does not include the funding to be allocated by the Province of Ontario in 2018 as per cost-matching commitment for Social Infrastructure Fund - Investment in Affordable Housing.

### 2. PTIF & CWWF Projects

#### A. Prioritization and Submission Process

In summer 2016, the Province of Ontario requested that City staff provide a list of projects that could benefit from federal funding within known terms and conditions. City Council priorities (and for PTIF, TTC Board priorities) were then analyzed against program criteria to identify where federal funding could allow the City to pursue projects that would not have otherwise had taken place within program timeframes or would not have been undertaken without federal funding. This includes projects within the 2016-2025 Capital Budget and Plan that were to be funded by the capital financing reserve which anticipated \$250 million in future federal or provincial contributions to transit and transportation.

As per City Council direction key principles were considered by staff for the identification of priority projects, including:

- Project is approved within the 10-Year Capital Budget and Plan, with consideration given to whether the capital financing strategy assumed future provincial/federal funding;
- City Council gave direction to seek funding for unfunded (below-the-line) projects;
- Project meets criteria of funding program objectives, including project readiness, deliverability and timeline for completion;
- Application of best practices in capital planning and budgeting, including prioritizing projects that maintain assets in a state of good repair; and
- Alignment with Council's Long-Term Fiscal Direction and Strategic Actions.

Initial project lists were draft, subject to required approvals by City Council. Since the intake period City staff and TTC staff have refined the draft PTIF project list against program requirements and identified additional projects that can benefit from federal funding.

## B. PTIF Project Details

Projects identified for the PTIF (Attachment 1) include Council priorities for TTC SOGR, planning and design as outlined in the *Transit Network Plan to 2031* and *Waterfront Transit Reset*, and active transportation projects such as those outlined in the *Ten Year Cycling Network Plan* and the *Road Safety Plan 2017-2021*. A majority of funding is dedicated to the TTC, and is supplemented with projects that directly enhance the existing transit and transportation network and for expansion projects that set the stage for future growth. A diverse set of projects allow the City to meet Council objectives for city building and priorities for intergovernmental funding while also ensuring that strict program criteria, including deliverability, can be met.

Projects identified for funding under the PTIF have been identified as incremental by either being i) new, ii) accelerated in scope or timelines (including avoided deferral) or iii) were to benefit from anticipated federal funding that would be placed within the capital financing reserve. Projects eligible for remaining federal funding (approximately \$22.9 million) will be identified as part of the 2017 budget process.

*Table 3 - PTIF Funding*

Projects Identified for Funding	Total Costs	*Federal (PTIF) Contribution	City Contribution
	(\$million)		
New Projects (previously unfunded)	\$939.9	\$417.9	\$399.1
Accelerated or Enhanced Projects (timeline or scope)	\$330.9	\$165.5	\$165.4
Projects with Assumed Federal/Provincial Funding in the Capital Financing Reserve	\$500.0	\$250.0	\$250.0
<b>Total</b>	<b>\$1,770.1</b>	<b>\$833.4</b>	<b>\$814.5</b>

\*An additional \$22.9 million in PTIF funding will be identified as part of the 2017 Budget Process.

### *i. New Projects*

New projects include significant TTC bus orders, totalling \$345 million gross (\$172.5 million in federal contribution) which will meet growth needs while improving service reliability by accelerating the retirement of older models. In discussion with suppliers, TTC staff anticipate that the full three year PTIF window (including a contingency for potential slippage) will be required to fulfil these orders. Any delays in delivery (and thus

project completion) beyond March 31, 2019 will result in the TTC and City being fully responsible for project costs, leaving federal dollars unspent. TTC and City staff will investigate accelerated procurement process within existing policies in order to mitigate this financial risk.

Other new projects identified within the TTC include subway workcars (\$29.34 million gross), the skylight replacement program (\$27.4 million gross), platform and bus stop improvements to accommodate articulated buses and improve accessibility (\$20.0 million gross each) and subway stations transformation (\$20.4 million gross).

In addition, a substantial majority of City projects identified for PTIF funding are incremental as they implement Council endorsed plans that were previously unfunded. This includes additional planning and design work for transit expansion projects such as SmartTrack, Waterfront Transit, and the Relief Line as well as a portion of the City cost share for upgrades related to the Finch West LRT and Metrolinx Regional Express Rail. Projects that require co-operation and co-ordination with Metrolinx and the Province of Ontario remain subject to further discussion on project scope and timelines.

New projects also include those identified within the context of the Ten-Year Cycling Network Plan which was referred to the 2017 budget process for funding consideration and the Road Safety Plan 2017-2024 which was to be considered against other unfunded City priorities.

Federal PTIF funding also allows the City to advance the Council approved co-ordinated approach with the Province of Ontario for the revitalization of Ontario Place, which incorporates City objectives for the development of the central waterfront, and the Exhibition Place strategic plan. The Province is moving forward to fulfill the vision for a revitalized Ontario Place which is to be a year-round, vibrant, waterfront destination while building on the site's legacy. Projects funded through the PTIF are i) a pre-engineering and costing study for an enhanced pedestrian and cycling bridge across Lake Shore Boulevard West, and ii) a transportation study that will build on Phase 2 of the Waterfront Transit Reset to identify short term transit options and support ongoing revitalization at Exhibition Place and Ontario Place.

## ***ii. Accelerated and Enhanced Projects***

While new projects outlined above contain an element of acceleration, PTIF funding will specifically allow projects to proceed that were previously deferred or were to be considered for deferral in the context of 2017 budget pressures. In other words, federal funding through the PTIF has allowed projects to proceed in a scope or timeline that would otherwise have not been undertaken.

A substantial portion of these projects (\$330.9 million, gross) are within the TTC's base capital budget, which primarily funds state of good repair and continues to experience pressures related to both availability of funds and the capacity to spend budgeted authorities. The TTC's proposed 2017-2026 Capital Budget and Plan identified a significant shortfall between needs and the traditional capital funding available. As with any budget cycle, requests would be analyzed against funding available resulting in

project adjustments and deferrals. Federal funding through the PTIF effectively ensures that a number of projects can proceed.

In addition federal funding will allow for work to continue on Transportation Services projects such as REimagining Yonge Street and the King Street Modelling Study, which could not proceed within the identified scope without the City allocating additional funding being received from the Government of Canada. Finally, the PTIF will support improvements to Union Station wayfinding, security infrastructure, and additional lighting which previously did not have funding, and will advance engineering work and enhance design to include retail space on phase 2 of the northwest PATH connection which will ultimately expand access and improve passenger flows to and from Union Station. PTIF funding will set the stage for phase 2 construction which is currently funded by the City from 2019-2022.

### ***iii. Assumed Federal Funding in the Capital Financing Reserve***

As outlined earlier, the City relies on the capital financing strategy to meet TTC's state of good repair needs which includes an anticipated \$250 million contribution to transit and transportation from the federal and provincial governments. City and TTC staff have identified projects that were to benefit from this funding source for inclusion in the PTIF project list.

Projects that assumed federal funding as part of the City's approved 2016-2025 Capital Budget and Plan meet PTIF terms and conditions, including requirements for project incrementality. Federal funding from the PTIF allows the City to draw on the reserve earlier than anticipated within the 2016-2025 Capital Budget and Plan.

### **C. CWWF Project Details**

Projects identified for the CWWF include Essroc Quay Lakefilling and Naturalization, a quick start component of Port Lands Flood Protection which was considered by City Council on November 8, 2016 (EX18.3), and the Structural Lining of Watermains which is an accelerated project to be considered by City Council as part of Toronto Water's 2017-2026 Recommended Budget and Plan (BU25.1).

### **3. Transfer Payment Agreements**

This report requests that City Council provide authority to the Mayor and City Manager to negotiate and enter into required agreements and amendments as may be required with the Province of Ontario for the PTIF and CWWF. Details on the agreements are provided in Attachment 2. This delegation will allow the City to finalize required agreements which incorporate identified projects and those that will be identified as part of the 2017 budget process. It is anticipated that scope, cash flows, and total costs of identified projects will vary over the life of the funding programs resulting in the need to reallocate and reprioritize federal funding.

According to the draft terms, funds that are unspent when the agreements expire are to be returned to the Province of Ontario. It is unclear if agreements will be extended to

accommodate unused federal funding, or if unused funding returned to the Province will be re-distributed or redirected to other projects, recipients or funding programs.

The federal government has previously committed to ensuring that any unspent funds are automatically transferred to municipalities through a temporary top-up of the Gas Tax Fund (which is allocated based on population), however no details have yet been announced. It is recommended that City Council request that the Government of Canada and Province of Ontario extend program timelines as required to ensure all PTIF allocated funds are retained for priority projects and that unspent funds are re-invested in Toronto on a ridership basis.

## **4. Investing in Canada - Phase 2**

City Council has consistently outlined key intergovernmental infrastructure priorities through decisions related to project funding and capital budgets and plans. Key priorities for federal funding in Phase 2 are outlined in Attachment 3 and are summarized below. Project eligibility is subject to meeting the criteria under new programs, including requirements for incrementality, which have not yet been announced.

### **A. Key Infrastructure Priorities**

#### ***Public Transit***

Phase 2 will allocate \$25.3 billion towards investments in public transit expansion and rehabilitation.

City Council's existing transit priorities include expansion as outlined in the Transit Network Plan to 2031 and the Waterfront Transit Reset. Federal commitments have also been previously made for SmartTrack, which is assumed to be funded as part of Phase 2 commitments. City Council has previously noted that transit expansion can only proceed with partnerships from all orders of government.

It is anticipated that the Government of Canada will allocate Phase 2 funding in a manner that supports the growth of smaller transit systems. This could include both allocation and application based models. However, a ridership based allocation recognizes established need and capacity and brings much needed investment to large transit systems which continue to experience growth pressures. Accordingly, it is recommended that City Council request the Government of Canada, as with Phase 1, to allocate new funding for public transit based on ridership.

#### ***Social Infrastructure***

Phase 2 will allocate approximately \$21.9 billion towards social infrastructure including investments that support the new National Housing Strategy which is currently under development.

The Federation of Canadian Municipalities Big City Mayor's Caucus has advocated for \$12.6 billion over 8 years (2018-2026) to be carved out specifically for social and affordable housing initiatives. This request was based on a needs assessment and



includes funding to protect the existing housing stock (including addressing the expiry of social housing operating agreements), fund construction and operation of new social and affordable housing and grow the residential sector.

City Council's priorities for housing infrastructure include the need for federal and provincial governments to invest in Toronto Community Housing's capital renewal strategy and new funding to increase the supply of affordable housing as approved by Housing Opportunities Toronto: an Affordable Housing Action Plan (2010-20) and the Open Door Program. City Council has approved annual targets of 1,000 new affordable rental homes and 400 new affordable ownership homes.

City Council continues to request that the federal government to maintain and increase existing levels of operating funding for social housing, provide funding for mortgage penalty relief on locked-in high-interest social housing mortgages, and provide incentives to increase the supply of affordable housing.

In addition to housing priorities, City Council has provided direction to pursue intergovernmental funding for George Street Revitalization and the Redevelopment of Moss Park. Such projects are anticipated to be eligible for the social infrastructure fund.

### ***Green Infrastructure***

Phase 2 will allocate approximately \$21.9 billion towards green infrastructure including investments that support the new Pan-Canadian Framework on Climate Change which is currently under development. Funding is expected to be provided for projects that support reductions in greenhouse gas emissions, enable greater climate adaptation/resilience, and result in cleaner air and water.

On November 8, 2016, City Council directed the Mayor and City staff to make further requests and necessary submissions to the Government of Canada and the Province of Ontario for Phase 2 funding commitments for the Port Lands Flood Protection Project.

### ***Trade and Transportation***

Phase 2 will allocate approximately \$10.1 billion to address congestion along trade corridors and transportation hubs and ports. In addition the Minister of Infrastructure and Communities mandate letter notes that the existing New Building Canada Fund is to be "more focused on strategic and trade enabling infrastructure priorities, including roads, bridges, transportation corridors, ports, and border gateways."

City Council previously directed staff to complete and submit a formal request for federal funding under the P3 Canada Fund and the New Building Canada Fund - National Infrastructure Component (NBCF - NIC) for the rehabilitation of the F. G. Gardiner Expressway.

City staff completed and submitted the required business cases for both funding programs with the support of Infrastructure Ontario along with other financial and technical consultants. As required, this work was done over a number of months and in

collaboration with staff from PPP Canada. The federal government put these applications on hold pending further details on Phase 2 priorities.

With the completed business case and supporting materials, and newly announced funding, there remains an opportunity to continue intergovernmental applications for the F. G. Gardiner Expressway Rehabilitation.

The work completed to date identified that the F.G. Gardiner Expressway is nationally significant as one of the most used highways for passenger and freight travel in the Greater Toronto and Hamilton Area which in total represents almost 20% of Canada's GDP. The F. G. Gardiner Expressway itself is responsible for generating approximately \$1 billion in GDP on an annual basis.

## **B. Other Infrastructure Priorities**

In addition to key priorities summarized above and in Attachment 3, there remain significant major unmet needs as part of City Council's \$33 billion unfunded project list.

This is supplemented by City Council's emerging priorities and authorized infrastructure projects in the areas of green and social infrastructure. This includes projects that support climate change mitigation and adaptation, enhance Toronto's cultural institutions, parks and public spaces, and develop community hubs. Many of these projects require partnerships with other stakeholders including donors, institutional partners and the non-profit/community sector which may also receive funding under Phase 2.

The significant level of infrastructure investment committed by the Government of Canada has the capacity to assist with the City's unfunded capital needs. City Council's authorized projects will continue to be prioritized by the City Manager based on the set of principles outlined earlier which takes into account Council budget approvals and authorities to seek intergovernmental funding, ability to meet Council's strategic priorities and actions, and ability to fulfil specific program criteria. Council authorities will be obtained as required when program details are announced and specific projects are identified for intergovernmental funding.

## **5. Canadian Infrastructure Bank**

The initial concept of the Infrastructure Bank was focussed on the ability of the Government of Canada to leverage its credit rating and lending authority to provide loan guarantees and small capital contributions to allow projects to proceed. Under this scenario, the difference in interest rates over the term of debt could provide cost savings for municipalities.

The Infrastructure Bank proposal has now evolved to include seeking the involvement of private sector capital to leverage greater investment, identify potential projects, and to take on project related revenue risk (e.g. tools, transit fares). Municipal officials, including from the City of Toronto, have been consulted on this proposal and have emphasized the benefit from access to reduced interest costs, and the need for the Infrastructure Bank to provide funds in a flexible manner. Flexibility can allow

municipalities to apply funds where they are needed the most and can help to better manage principle repayments.

It is anticipated that more details on the Infrastructure Bank proposal will be announced in the 2017 Federal Budget and that the Government will then identify terms and conditions including project eligibility. City staff will monitor developments and further work will be needed to determine applicability and to quantify potential costs and benefits to Toronto.

## **CONTACT**

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## **SIGNATURE**

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Roberto Rossini  
Deputy City Manager & Chief Financial Officer

Peter Wallace  
City Manager

## **ATTACHMENTS**

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Attachment 1 – City of Toronto Priority Projects for Phase 1 of the Federal Public Transit Infrastructure Fund

Attachment 2 – Key Terms and Conditions of the Toronto-Ontario Public Transit Infrastructure Fund and Clean Water Wastewater Transfer Payment Agreements

Attachment 3 - City Council Approved Key Priorities for Phase 2 Federal Infrastructure Funding (2017-28)