

TransformTO Short-term Strategies Financial Estimates

Date: January 9, 2017
To: Budget Committee
From: Chief Corporate Officer
Wards: All

SUMMARY

This report responds to City Council's request for the TransformTO Short-term Strategies Business Cases to be considered as part of the 2017 Budget Process. Attachment A contains a package of business cases developed by City staff, as well as high-level cost estimates for 2017-2020.

TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto – Report #1 (item PE15.1) presented a package of Short-term Strategies to accelerate and enhance existing City of Toronto efforts to reduce greenhouse gas emissions. The Strategies could deliver additional emissions reduction of up to 857,000 tonnes by 2020 to move Toronto towards the trajectory needed for City Council's long term low-carbon goal (i.e. 80% emission reduction by 2050).

Staff recommended (PE15.1) that business cases for the Short-term Strategies be brought forward through the 2018 budget process. This report provides financial estimates to inform City Council of the resource requirements to support an accelerated work plan.

To accelerate the initiation of the strategies in 2017 an estimated \$1.6 million in funding would be required in 2017. The total estimated community-wide capital investment required over four years ranges from \$320 million for the low greenhouse gas reduction scenario to \$866 million for the high greenhouse gas reduction scenario. The total estimated community-wide operating investment to support implementation over four years is approximately \$23.8 million.

In May 2017, City Council will consider the second TransformTO report. It will outline a set of long-term directions identifying transformational changes to Toronto's core urban systems required to achieve the long-term goal by 2050.

RECOMMENDATIONS

The Chief Corporate Officer recommends that:

1. The Budget Committee receive this report for information.

FINANCIAL IMPACT

There is no financial impact associated with receiving this report. However, adopting actions to accelerate GHG emission reductions would have cost implications not included in the 2017 Preliminary Budget which was tabled by staff on December 6, 2016.

Staff recommended that business cases for these Short-term Strategies be brought forward through the 2018 budget process, however if an accelerated work plan were to commence in 2017, an incremental Operating Budget of \$1.6 million gross and net and associated staff complement of 24.0 positions would be required to be added to the 2017 Operating Budget for City Council consideration.

Additional incremental operating investments would also be required for 2018 and future years to continue the implementation of these strategies. This funding would enable program optimization and improve the likelihood of leveraging capital from external sources, including provincial cap and trade proceeds and federal infrastructure monies. It is still to be determined the extent of Toronto's share from these sources.

An estimated \$320-\$866 million of capital investment is required community-wide to implement the TransformTO Short-term Strategies. In this context and given the significant funding identified, "community-wide investment" means potential financial contributions from all orders of government (i.e. Federal, Provincial and City), plus the private sector and individual property owners. Two scenarios for investment in climate action are described below in terms of impact investment:

Low scenario: A community-wide investment of \$320 million represents a moderate scale-up and enhancement of existing City programs and new programs, which could achieve an additional 455,000 tonnes of emissions reductions by 2020.

High scenario: A community-wide investment of \$866 million represents an aggressive scale-up and enhancement of existing City programs and new programs, which could achieve an additional 857,000 tonnes of emissions reductions.

The operating and capital financial impacts associated with the implementation of TransformTO Short-term Strategies, as shown in Table 1, are high-level estimates. They require further detailed costing analysis, reviews, refinements as well as coordination with participating City Programs through future annual budget processes in

consideration with the City's Long Term Financial Plan, for which these high-level financial estimates are not included as part of the unfunded capital needs estimated at approximately \$33 billion over the next 15 years.

With respect to the funding strategy, staff are monitoring and engaging with provincial and federal counterparts in pursuit of available funding that is aligned with the City's climate change priorities. It is unknown at this time what level of financial support and timing of investment that is to be expected by other levels of government, external parties and the portion to be City funded. Subject to the availability of third party financing, the City's priority and the debt funding capacity and affordability will need to be assessed by City Council relative to unfunded capital needs, as noted above.

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

DECISION HISTORY

In July 2014, City Council requested the preparation of a program for accelerating the actions being taken to address climate change (item 2014.PE28.4).

In response to this direction, City Council approved in May 2015 (item 2015.PE3.6) the terms of reference for Transformation Toronto 2050 (now called TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto), which outlined the steps to be taken towards the renewal of Toronto's 2007 Climate Change and Clean Air Action Plan and the 2009 Sustainable Energy Strategy.

At the November 17, 2016 meeting of the Parks and Environment Committee, the Chief Corporate Officer was directed to report directly to City Council on December 13, 2016 with business cases for each of the TransformTO Short-term Strategies presented in Attachment A of TransformTO: Climate Action for a Healthy, Equitable and Prosperous Toronto: Report #1 (item 2016.PE15.1).

At its meeting on December 13, 2016, City Council directed the City Manager to report to the Budget Committee on the business cases outlined in the supplementary report (December 12, 2016) from the Chief Corporate Officer [PE15.1b] for consideration as part of the 2017 Budget Process.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PE15.1>

COMMENTS

In 2007, Toronto City Council made the commitment to work towards reducing Toronto's greenhouse gas emissions by 80% against 1990 levels by the year 2050. Research and analysis completed to date, as part of the TransformTO initiative, has projected that Toronto is on track to meet its interim target of a 30% reduction by 2020. While this a significant achievement, TransformTO has identified that Toronto is not on the path to achieving its long-term goal for 2050. We need to significantly accelerate and enhance

efforts to reduce greenhouse gas emissions, if Toronto is to achieve its carbon reduction goal by 2050.

The Strategies presented in TransformTO Report #1 (PE15.1) could accelerate Toronto's efforts to reduce greenhouse gas emissions by 2020, and help ensure Toronto gets closer to the trajectory needed to achieve the goal for 2050. The Strategies were developed in collaboration with program managers cross-corporately. The estimated costs and GHG reduction potential for each strategy have also been calculated in collaboration with the relevant City Divisions and Agencies. A set of long-term strategies will be presented to City Council in May 2017 in TransformTO - Report #2 that will identify the needed transformational changes to Toronto's core urban systems by 2050.

Toronto's greenhouse gas reduction goal is a community-wide, meaning only through action and investment by all segments of society will Toronto see significant reductions in carbon emissions. The strategies presented in the first report of the TransformTO initiative, acknowledge this principle and seek to expand and enhance strategies that facilitate and leverage investments by other orders of Government, the private sector, residents and the broader public sector. Therefore the financial resources outlined represent the total resources needed to come from all potential sources, not solely the financial resources of the City.

The recommended strategies outlined by TransformTO build upon existing City Council approved directives, policies and programs. By expanding and enhancing these efforts, Toronto could accelerate the rate of greenhouse gas reductions being achieved. It is important to highlight recent decisions and investments that support climate action, namely: (1) Addition of \$5 million in capital (recoverable debt) to expand community-based climate action in 2017, (2) New federal infrastructure funding for the Cycling Network Plan, and (3) City Council endorsement of road tolls.

Table 1 provides a summary of the TransformTO Short-term Strategies resourcing needs for 2017 and beyond. As presented, the total community-wide projected capital requirement is in the range of \$320 - \$866 million combined with a total estimated operating expenditure of approximately \$23.8 million by 2020.

The strategies listed are separated into two categories: (1) Category 1 includes strategies that are ready for enhanced and scaled-up implementation starting in 2017, and (2) Group 2 strategies which have financial impacts starting in 2018.

Staff has also prioritized the list based on the strategies ability to achieve emissions reductions and potential to leverage external funding sources so as to reduce the potential reliance on the property tax-supported budget. Consideration is also given to strategies that have no inherent GHG reduction value, but are critical to 'enabling' measurable actions to reach their full potential.

Table 1: TransformTO Short-term Strategy
Preliminary Estimate of Capital and Operating Requirements

TransformTO Short-term Strategy		Preliminary Operating Estimate 2017		Preliminary Operating Estimate 2017-2020		Projected Community-wide Capital Requirements 2017-2020	
		Total Expenditure (\$000)	Staffing (# FTEs)	Total Expenditure (\$000)	Staffing (# FTEs)	Low Emission Reduction Scenario (\$000)	High Emission Reduction Scenario (\$000)
Category 1: Implementation-ready starting in 2017							
1.2	Innovative financing mechanisms	\$60	1.0	\$320	1.0	-	-
4.4	Improve fleet fuel efficiency	\$60	2.0	\$1,000	4.0	\$650	\$900
4.5	Promote Smart Commute for Toronto Public Service	\$40	1.0	\$300	1.0	-	-
1.1	Enhance the Better Buildings Partnership	\$350	6.0	\$6,200	13.0	\$85,000	\$156,000
1.5	Continue support for residential property owners	\$210	2.0	\$2,500	5.0	\$18,000	\$208,000
2.3	Advance low-carbon/renewable thermal energy networks	\$70	2.0	\$1,200	3.0	\$1,000	\$10,000
2.2	Advance community energy planning	\$110	4.0	\$1,500	4.0	-	-

TransformTO Short-term Strategy		Preliminary Operating Estimate 2017		Preliminary Operating Estimate 2017-2020		Projected Community-wide Capital Requirements 2017-2020	
		Total Expenditure (\$000)	Staffing (# FTEs)	Total Expenditure (\$000)	Staffing (# FTEs)	Low Emission Reduction Scenario (\$000)	High Emission Reduction Scenario (\$000)
2.1	Advance leading-edge new construction standard	\$70	2.0	\$910	2.0	-	-
5.2	Use building energy disclosure as an engagement tool	\$70	1.0	\$480	1.0	-	-
5.1	Continue TransformTO Community Engagement	\$340	2.0	\$1,900	3.0	-	-
5.3	Leverage Live Green Toronto	\$170	1.0	\$2,300	2.0	-	-
1.3	Dedicate funding for community-based climate action	-	-	\$250	1.0	\$20,000	\$20,000
5.4	Collaborate with utilities on local programming	-	-	-	-	-	-
Subtotal		\$1,550	24	\$18,860	40	\$124,650	\$394,900
Category 2: Implementation starting in 2018-2020							
4.3	Utilize landfill gas and biogas	-	-	-	-	\$30,800	\$30,800

TransformTO Short-term Strategy		Preliminary Operating Estimate 2017		Preliminary Operating Estimate 2017-2020		Projected Community-wide Capital Requirements 2017-2020		
		Total Expenditure (\$000)	Staffing (# FTEs)	Total Expenditure (\$000)	Staffing (# FTEs)	Low Emission Reduction Scenario (\$000)	High Emission Reduction Scenario (\$000)	
4.1	Expand energy retrofits at City facilities	-		\$1,900	3.0	\$84,000	\$147,000	
1.4	Improve energy efficiency of social housing	-		\$1,100	3.0	\$55,000	\$240,000	
4.2	Scale-up renewable energy installations	-		\$1,100	4.0	\$26,000	\$53,000	
3.5	Enable electric vehicles	-		\$230	0.5	-	-	
3.4	Develop a freight strategy	-		\$270	0.5	-	-	
2.4	Create renewable energy strategy	-		\$310	0.5	-	-	
3.1	Explore road pricing		Refer to status update in Attachment A					
3.2	Support safe cycling and walking		Refer to status update in Attachment A					
3.3	Enhance transit service		Refer to status update in Attachment A					
Subtotal		-		\$4,910	11.5	\$195,800	\$470,800	
TOTAL		\$1,550	24	\$23,770	51.5	\$320,450	\$865,700	

Note: 2017 preliminary operating estimates are prorated by assuming an implementation start date of July 1, 2017.

CONTACT

Jim Baxter, Director, Environment & Energy Division, Telephone: 416-338-1295
E-mail: jbaxter2@toronto.ca

SIGNATURE

Josie Scioli
Chief Corporate Officer

ATTACHMENTS

Attachment A: TransformTO Short-Term Strategies Business Cases