

## **Intergovernmental Infrastructure Funding in the 2021-2030 Recommended Capital Budget and Plan**

**Date:** February 4, 2021

**To:** Special Executive Committee

**From:** City Manager and Chief Financial Officer and Treasurer

**Wards:** All

### **SUMMARY**

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This report, completed on an annual basis as part of the budget process, summarizes federal and provincial infrastructure funding programs which are identified in the 2021-2030 Staff Recommended Capital Budget and Plan.

The City receives funding from intergovernmental funding programs, including, but not limited to:

- Provincial Gas Tax Fund (Dedicated Gas Tax for Public Transportation Program)
- Federal Gas Tax Fund
- Federal Disaster Mitigation and Adaptation Fund
- Ontario Municipal Commuter Cycling Program
- Investing in Canada Infrastructure Program (ICIP) – Phase 2:
  - Public Transit Infrastructure Stream
  - Community, Culture and Recreation Infrastructure Stream
  - Green Infrastructure Stream
  - COVID-19 Resilience Infrastructure Stream
- Rapid Housing Initiative

The Government of Canada and the Province of Ontario are expected to contribute roughly \$5.0 billion (11%) towards the City of Toronto's \$44.7 billion 2021-2030 Staff Recommended Tax and Rate Supported Capital Budget and Plan (federal: \$3.5 billion; provincial: \$1.5 billion).

### **RECOMMENDATIONS**

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The City Manager and the Chief Financial Officer and Treasurer recommend that:

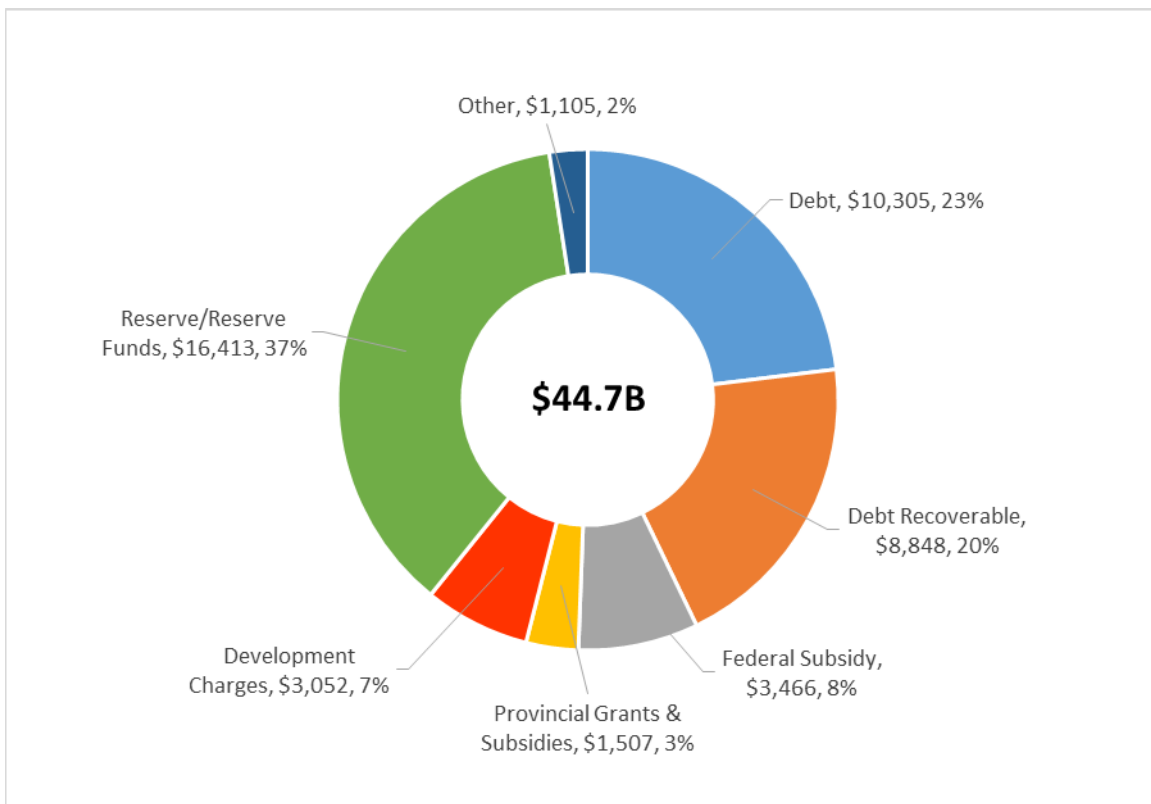
1. City Council receive this report for information.

## FINANCIAL IMPACT

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In total, the Government of Canada and the Province of Ontario are expected to contribute \$5.0 billion (11%) towards the \$44.7 billion 2021-2030 Staff Recommended Tax and Rate Supported Capital Budget and Plan (federal: \$3.5 billion; provincial: \$1.5 billion). Federal and provincial funding is summarized in Table 1 below.

**Figure 1 - 2021-2030 Staff Recommended Tax and Rate Supported Capital Budget and Plan, Where the Money Comes From (\$44.7 billion)**



In addition to the funding programs discussed in this report, the 2021-2030 Staff Recommended Tax and Rate Supported Capital Budget and Plan and appropriate budget notes provide details on intergovernmental funded projects and programs comprising the \$5.0 billion total in expected intergovernmental funding. This includes projects and programs in Shelter Support and Housing Administration, Transportation Services, Fire Services, Toronto Water, Facilities, Real Estate, and Environment and Energy and the Toronto Transit Commission (TTC).

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

**Table 1 – Summary of Intergovernmental Funding Programs 2021-2030 (\$000s)**

Intergovernmental Funding Program	Summary of Division/Projects/Programs	Provincial	Federal	Total
1. Provincial Gas Tax <sup>(1)</sup>	TTC - Conventional Program	933,950		933,950
2. Federal Gas Tax Fund	TTC - Conventional Capital Program		1,969,339	1,969,339
3. Disaster Mitigation and Adaptation Fund (DMAF)	Parks, Forestry & Recreation, Transportation, Toronto Water		139,705	139,705
4. Ontario Municipal Commuter Cycling Program	Transportation Services - Cycling Infrastructure	400		400
5. Public Transit Infrastructure Fund Phase 2 (Future Year Estimates <sup>(2)</sup> )	TTC Yonge-Bloor Capacity Improvements, SmartTrack <sup>(3)</sup>	500,000	1,085,000	1,585,000
5. Investing in Canada Infrastructure Program (ICIP) - COVID-19 Resilience Infrastructure Stream	Parks, Forestry & Recreation, Seniors Services and Long-Term Care, Shelter, Support & Housing Administration, Transportation Services, Toronto Transit Commission, Corporate Real Estate Management	6,253	28,013	34,266
6. Canada Mortgage and Housing Corporation (CMHC) - Rapid Housing Initiative	Housing Secretariat		203,266	203,266
Other Programs <i>(Provincial Other: Canada Ontario Community Housing Initiative, Ontario Priority Housing Initiative, Social Infrastructure Fund, Ontario Seniors Dental Care Program)</i> <i>(Federal Other: CMHC - Affordable Housing Innovation Fund and 0% Interest Loan)</i>	Housing Secretariat, Seniors Services and Long-Term Care, Corporate Real Estate Management, Toronto Public Health, Toronto Water, Toronto Transit Commission, Parks, Forestry & Recreation, Fire Services	66,052	40,772	106,824
<b>Total</b>		<b>1,506,655</b>	<b>3,466,095</b>	<b>4,972,750</b>
<p><u>Notes:</u></p> <p>(1) \$91.6 million of the annual Provincial Gas Tax allocation is applied to the TTC operating budget.</p> <p>(2) Federal funding committed, subject to program approval and key terms and conditions (SmartTrack and Yonge-Bloor Capacity Improvements Project).</p> <p>(3) Provincial investments in GO expansion/Regional Express Rail will support SmartTrack.</p>				

## DECISION HISTORY

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City Council provides the authority to enter into intergovernmental funding agreements and has approved funding for specific projects through the capital budget process. City Council has also authorized staff to negotiate and enter into agreements, as directed, for new intergovernmental funding for priority projects. The full itemized decision history is included in Attachment 1.

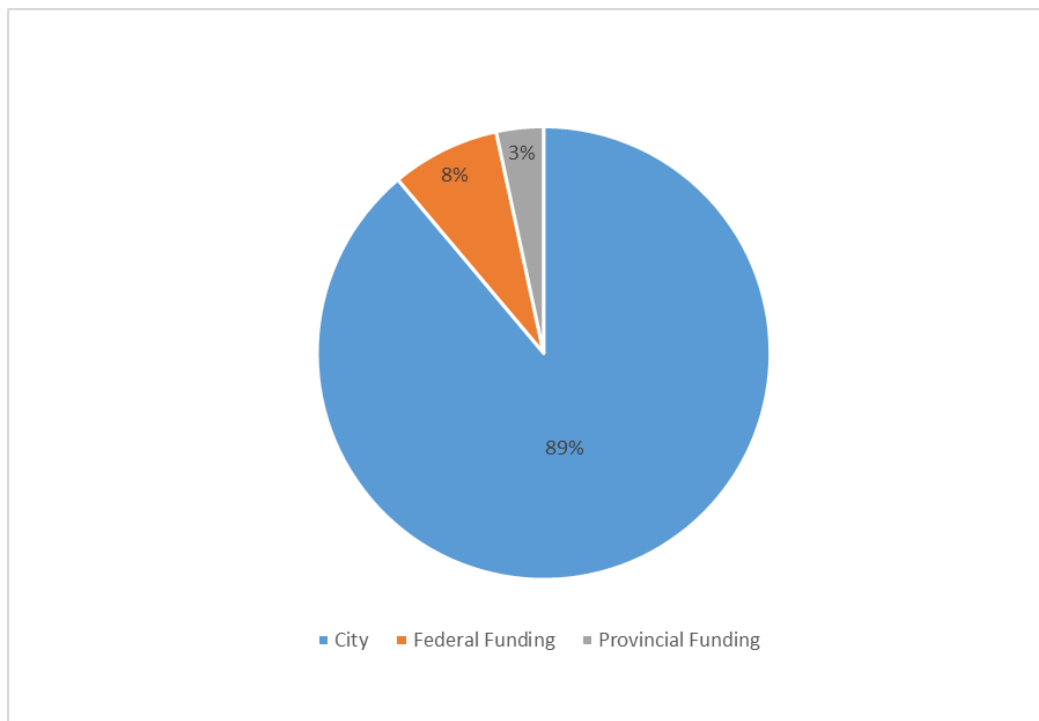
## ISSUE BACKGROUND

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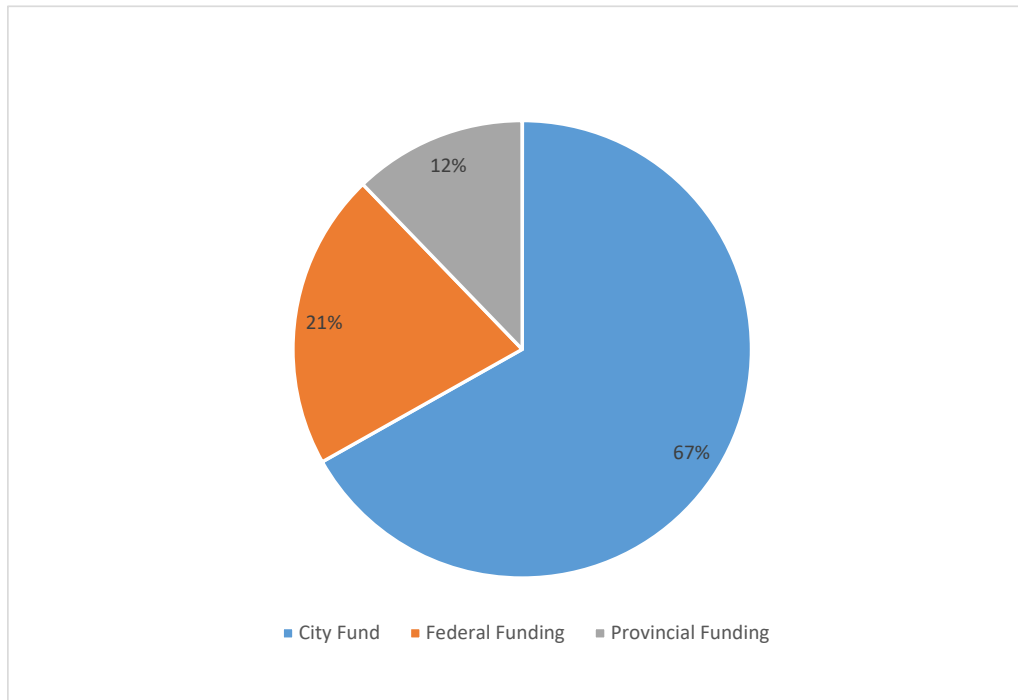
The City's 2021-2030 Staff Recommended Tax and Rate Supported Capital Budget and Plan identifies \$44.7 billion in public investments to infrastructure such as transit and transportation, water and wastewater, environment and other capital assets. Capital projects are funded from user fees (rates), reserves, development charges, borrowing (debt), and by federal and provincial government transfers.

Contributions from the federal and provincial governments account for a total of 11% (\$5.0 billion) of the funding outlined in the 2021-2030 Staff Recommended Tax and Rate Supported Capital Budget and Plan (Figure 2).

**Figure 2 - Share of funding in the 2021-2030 Staff Recommended Tax and Rate Supported Capital Budget and Plan**



**Figure 3 - TTC 2021-2030 Staff Recommended Capital Budget and Plan\***



\*Inclusive of TTC's base capital program. Excludes \$91.6 million per year in Provincial Gas Tax which is applied to the TTC operating budget.

The TTC's 2021-2030 Staff Recommended Capital Budget and Plan (excluding carry-forward funding) is anticipated to be \$11.8 billion, 67% funded by the City (\$7.9 billion), 12% by the Government of Ontario (\$1.4 billion), and 21% by the Government of Canada (\$2.5 billion) (Figure 3). Stable, predictable and long-term federal and provincial funding is necessary to invest in state of good repair projects and plan for system expansion which can only proceed with contributions from all orders of government.

## **COMMENTS**

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Current intergovernmental funding includes the: (1) Provincial Gas Tax Fund, (2) Federal Gas Tax Fund, (3) Disaster Mitigation and Adaptation Fund (DMAF), and (4) Ontario Municipal Commuter Cycling Program, and (5) Investing in Canada Infrastructure Program (ICIP). There are also a range of smaller funding programs that the City currently leverages to support specific projects, outlined in Table 1 above.

### **1. Provincial Gas Tax**

Introduced in 2004, the Provincial Gas Tax (PGT) currently transfers two cents per litre of provincial gas tax revenues to municipalities to expand and improve their public transit systems. The program was phased in over time, and in 2013 legislation was passed that permanently dedicates a portion of annual provincial gas tax revenues to municipalities for public transportation.

Municipal allocations change annually, and are determined using a provincial allocation formula based on transit ridership (70% weighting) and population (30% weighting). Revenues must be used to support municipal public transportation expenditures above municipal baseline spending.

From 2004-2020, the City has received over \$2.6 billion which has been invested in the operating and capital requirements of the TTC. The Province has confirmed Toronto's 2020-21 PGT allocation as \$185,200,996.

The 2021-2030 Staff Recommended Capital Budget and Plan identifies a total of roughly \$934 million in Provincial Gas Tax investments. The full list of planned PGT funded projects is in Attachment 2.

## **2. Federal Gas Tax Fund**

Originally established in 2005 and extended in 2010 and 2014, the Federal Gas Tax Fund (GTF) provides Canadian municipalities with over \$2 billion per year for investment in infrastructure which is allocated on a per capita basis. In 2013, the federal government indexed the federal GTF to grow at 2% per year, with actual funding increases to be applied to the program in \$100 million increments.

The federal GTF is a source of infrastructure funding, allowing municipalities the flexibility to select local priority projects within eighteen categories of eligible infrastructure. As directed by City Council, Toronto entered into an Administrative Agreement with the Government of Canada, the Province of Ontario and the Association of Municipalities of Ontario in 2014 which governs the flow of funds until 2023.

Since 2005, the City has received approximately \$2.2 billion from the federal GTF which has been directed to the TTC to leverage over \$4.7 billion of investments in the transit system. In 2020, the City received \$166.6 million in federal gas tax funding. In 2021, the City's 2021-2030 Staff Recommended Capital Budget and Plan reflects roughly \$174.1 million in funding from the federal GTF. The 2021-2030 Staff Recommended Capital Budget and Plan reflects roughly \$2.0 billion in federal GTF funding to be received over the 10-year period, however actual allocations beyond 2023 will be determined as part of a new (or extended) agreement.

Federal GTF allocations over the 10-year period continue to focus on fleet replacement and state of good repair projects. The full list of planned federal GTF funded projects is in Attachment 2.

The Federation of Canadian Municipalities has previously called on the federal government to strengthen the Federal Gas Tax fund by increasing its annual escalator from 2 to 3.5% - and explore options to maximize the impact of this proven funding model, for communities of all sizes, including phasing in a permanent doubling of the transfer. Doubling of the Gas Tax Fund would provide additional funding for the City of Toronto to advance crucial infrastructure projects.

### **3. Disaster Mitigation and Adaptation Fund (DMAF)**

In May 2018, the federal government announced DMAF, a national merit-based disaster mitigation program under the Investing in Canada Plan that will invest \$2 billion to support large-scale infrastructure projects to help communities better manage the risks of disasters triggered by natural hazards. DMAF provides funding of up to 40% of eligible costs for municipal projects. There is no provincial funding requirement. Projects must be complete by March 31, 2028.

To date, the City has received approval for five projects under DMAF. Funding has been approved for the following projects:

- Fairbank-Silverthorn Trunk Storm Sewer System (\$73.2M Fed / \$133.49M City)
- Midtown Toronto Relief Storm Sewer (\$37.16M Fed / \$82.84M City)
- Tree Canopy and Waterfront Shoreline (\$11.98M Fed / \$17.98M City)
- Toronto Culvert Rehabilitation (\$8.7M Fed / \$13.1M City)
- Jane Street Bridge Crossing (\$19M Fed / \$28.5M City)

The 2021-2030 Staff Recommended Capital Budget and Plan reflects \$139.7 million in DMAF funds, not including carry forwards.

### **4. Ontario Municipal Commuter Cycling (OMCC) Program**

In 2017, the Province of Ontario announced the OMCC Program. Program funding of \$93 million was allocated province-wide in the 2017-2018 fiscal year through proceeds from the Province's cap and trade program and was directed towards 120 municipalities for new bicycle lanes and other cycling infrastructure. Additional funding was to be allocated by the Province in future years to be determined based on availability of cap-and-trade proceeds. Under OMCC, the Province will contribute up to 80% of eligible project costs with municipalities funding the remaining 20%.

The City of Toronto received 2017-2018 funding in the amount of \$25.6 million, which can be spent until December 30, 2021. A Transfer Payment Agreement is in place and the funds have been received. The City must provide funding for at least 20% (\$6.4 million) of the eligible costs. The 2021-2030 Staff Recommended Capital Budget and Plan reflects roughly \$0.4 million in remaining OMCC funding, not including carry forwards.

In July 2018, the Province of Ontario confirmed that as part of its cancellation of the cap and trade program that no further funding would be issued under the OMCC, but that the existing 2017-2018 funding can be spent until December 30, 2020. In June 2020, the Province subsequently extended the completion date to December 31, 2021. Funding is being applied to projects that meet the OMCC program criteria and are included in the Ten Year Cycling Network Plan or other Council-approved active transportation infrastructure projects/plans. The Province approved the list of eligible projects as part of the Transfer Payment Agreement.

## 5. Government of Canada Investing In Canada Plan

Infrastructure Canada (INFC) is delivering \$33 billion over 11 years (2017-18 to 2028-29) through Integrated Bilateral Agreements (IBAs) with Provinces/Territories. This includes the following national funding envelopes:

- \$20.1 billion for public transit;
- \$9.2 billion for green infrastructure;
- \$1.3 billion for community, culture and recreation infrastructure; and
- \$2.4 billion for infrastructure needs in rural and northern communities.

On March 14, 2018, the federal and provincial government signed the Canada-Ontario IBA for the Investing in Canada Program<sup>1</sup>. The agreement outlines federal investments to Ontario. The IBA includes a requirement of a minimum 33% matching contribution from provincial governments for municipal projects. The federal government will contribute up to 40% of eligible project costs with municipalities funding the remainder.

Through the IBA, Ontario has been allocated \$11.8 billion in federal funding, which is expected to be matched by \$10.2 billion in provincial funding as per the March 2018 provincial announcement<sup>2</sup>. Approximately \$1.5 billion of Ontario's federal allocation has been transferred to other Infrastructure Canada funding programs in order to administer federal funding commitments to the Ottawa LRT Stage 2 Project and the Toronto Port Lands Flood Protection Project. As a result the IBA notes a total federal commitment of \$10.4 billion to Ontario.

On May 1, 2018, the City, the Province of Ontario, and the Government of Canada signed an agreement for the Port Lands Flood Protection and Enabling Infrastructure Project in the amount of approximately \$1.2 billion, funded equally between all three parties. Through this funding, Waterfront Toronto is directly receiving approximately \$416 million each from the Province of Ontario and the Government of Canada.

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<sup>1</sup> <http://www.infrastructure.gc.ca/alt-format/pdf/agreements-ententes/2018/2018-ON-Bilateral-Agreement-EN.pdf>

<sup>2</sup> <https://news.ontario.ca/moi/en/2018/03/under-the-180-billioninvesting-in.html>



<b>Phase 2 Funding Streams Canada-Ontario Integrated Bilateral Agreement</b>	<b>Federal Allocation to Ontario under IBA<sup>1</sup></b>	<b>Provincial Funding under IBA<sup>2</sup> (Province Wide)</b>
<b>Public Transit Infrastructure</b> (Less funds transferred for Ottawa LRT Stage 2 Project)	8.340B <u>(0.872B)</u> <b>\$7.468B</b>	<b>\$7.279B</b>
<b>Green Infrastructure</b> (Less funds transferred for Ottawa LRT Stage 2 Project) (Less funds transferred for Port Lands Flood Protection)	2.849B (0.219B) <u>(0.384B)</u> <b>\$2.246B</b>	<b>\$2.350B</b>
<b>Community, Culture and Recreation Infrastructure</b>	<b>\$0.407B</b>	<b>\$0.336B</b>
<b>Rural and Northern Communities Infrastructure</b>	<b>\$0.250B</b>	<b>\$0.206B</b>
Total before deductions for funding commitments (Less funds transferred) <b>Total Funding for Ontario under the IBA</b>	11.846B <u>(1.475B)</u> <b>\$10.371B</b>	<b>\$10.171B</b>

Under the ICIP IBA, the Province is responsible for "identifying and prioritizing eligible projects through engagement with local and regional governments, and will submit eligible projects to Canada for approval". The IBA also stipulates the requirement that "Ontario will ensure that projects submitted for Canada's approval represent, to the satisfaction of Canada and Ontario, a fair balance of municipal and provincial projects."

#### *ICIP – Public Transit Infrastructure Stream*

The City has been allocated approximately \$4.9 billion in federal funding under the ICIP – Public Transit Infrastructure Stream (PTIS) based on ridership. This includes the federal government's \$660 million prior commitment to the Line 2 East Extension (SSE) project. In April 2019, Toronto City Council confirmed its priority transit expansion projects for its federal allocation under ICIP-PTIS as part of EX4.1 – Toronto's Transit Expansion Program – Update and Next Steps<sup>3</sup>. Subsequently, in October 2019, City Council revised its priority transit expansion projects based on discussions with the Province of Ontario. As such, City Council's priority transit expansion projects for ICIP-PTIS funding are the SmartTrack Stations Program, Bloor-Yonge Capacity Improvements Project, 3-stop Line 2 East Extension and the Ontario Line. The latter two projects are subject to the City entering into the Preliminary Agreement with Ontario, and in anticipation of the realization of the City's project expectations including project

<sup>3</sup> <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX4.1>  
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benefits as identified in EX9.1 – Toronto-Ontario Transit Update<sup>4</sup>. In August 2019, the Province of Ontario and the Government of Canada announced priority funding consideration for SmartTrack Stations Program and Bloor-Yonge Capacity Improvement Project. Funding is subject to final provincial and federal Treasury Board approval and execution of transfer payment agreements. City and TTC staff continue to work with the Province and Infrastructure Canada to advance the City's ICIP-PTIS priority projects.

### *ICIP – Community, Culture and Recreation Infrastructure Stream*

On September 3, 2019, the Province of Ontario launched an intake for the federal Investing in Canada Infrastructure Program (ICIP) – Community, Culture and Recreation (CCR) infrastructure funding stream. The ICIP-CCR stream supports projects that improve access to and/or quality of community, cultural, and recreation priority infrastructure projects. The federal government will contribute up to 40% of eligible project costs for municipal projects and requires the Province to provide no less than 33.33% matching contribution with municipalities funding the remainder (26.67%) or identifying alternative sources to cover the municipal portion. The Province, as a cost-sharing partner and administrator of the federal funding program, will be prioritizing and nominating to the federal government projects that are community-oriented, non-commercial and open to the public. The CCR stream is merit-based and does not have a specific allocation for municipal projects.

Toronto City Council approved the list of project applications in October 2019 under Attachments 1 and 2 of EX9.4<sup>5</sup>, and applications were submitted by the deadline of November 12, 2019. To date, City staff have received federal approval for one City of Toronto ICIP-CCR project, namely the rehabilitation of the Herbert H. Carnegie Centennial Centre. The Government of Canada is investing \$1,134,159 in this project with the Government of Ontario providing \$944,187, and the City of Toronto contributing \$757,051. City staff are awaiting federal approvals for provincially nominated ICIP-CCR projects, anticipated for Q1 2021.

### *ICIP – Green Infrastructure Stream*

In October 2019, the Province of Ontario launched an intake for the federal ICIP – Green Infrastructure stream for municipalities with populations under 100,000. As such, the City is not eligible to apply for roughly \$200 million in federal and provincial funding available under this intake. City staff continue to request that the Province open intake for municipalities with populations over 100,000. It is important to note that through Ontario's 2019 Budget, the Province of Ontario indicated its intentions to apply its federal funding under the ICIP – Green stream towards its subway projects<sup>6</sup>. The Green stream is merit-based and does not have a specific allocation for municipal projects.

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<sup>4</sup> <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX9.1>

<sup>5</sup> <https://www.toronto.ca/legdocs/mmis/2019/ex/bgrd/backgroundfile-139185.pdf>

<sup>6</sup> <https://budget.ontario.ca/pdf/2019/2019-ontario-budget-en.pdf>

## *ICIP – COVID-19 Resilience Infrastructure Stream*

In October 2020, the Province of Ontario announced the launch of the federal-provincial \$1.05 billion, COVID-19 Resilience Infrastructure funding stream under the Investing in Canada Infrastructure Program (ICIP). In response to COVID-19, the purpose of this funding stream is to build or renovate health and safety related projects in long-term care (\$100 million), education (\$700 million) and local governments (\$250 million). Ontario reallocated \$840 million in federal funding from the ICIP-Green stream, matched with \$210 million in provincial funding towards this COVID-19 Resilience Infrastructure Stream. Under this Stream, the federal government will contribute 80% of eligible project costs with the Province covering the remaining 20%. Municipalities are not required to contribute funding to projects approved under this stream.

Toronto City Council approved the list of project applications in December 2020 under Attachments 1 and 2 of EX19.2<sup>7</sup>, and applications were submitted by the deadline of December 18, 2020 (Long-Term Care Sub-Stream) and January 7, 2021 (Local Government Sub-Stream). City staff are awaiting provincial and federal approvals for ICIP-COVID-19 projects, anticipated for Q1-Q2 2021. Projects under this particular ICIP stream must be substantially completed by December 31, 2021.

## **6. Rapid Housing Initiative**

The Capital Plan for Housing Secretariat includes approximately \$203 million of federal funding from the Rapid Housing Initiative (RHI), major cities stream. The RHI was announced by the Government of Canada on September 21, 2020 and will deliver \$1 billion in grant funding nationally to rapidly create new affordable rental housing in response to the urgent housing needs of vulnerable and marginalized individuals. This funding will be delivered through the Canada Mortgage and Housing Corporation (CMHC), and the RHI will cover the construction of modular housing, as well as the acquisition of land, and the conversion of existing buildings to affordable housing. As previously reported to City Council, the RHI allocation will allow the City to create 540 new permanent affordable rental homes for people experiencing homelessness.

## **Conclusion**

The City's 2021-2030 Staff Recommended Capital Budget and Plan focuses investments in both state of good repair and new capital construction while addressing City Council priorities for critical but previously unmet needs. Partnerships with other orders of government through funding agreements provide significant capital contributions that help address many of the City's key strategic priorities. The Intergovernmental and Agency Relations Unit coordinates many of these intergovernmental funding opportunities with support from key divisions including Financial Planning and Accounting Services. City staff continue to identify additional intergovernmental funding opportunities to leverage funds for City Council approved priority projects.

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<sup>7</sup> <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX19.2>  
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## **CONTACT**

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Stephen Conforti, Executive Director, Financial Planning, Financial Planning Division,  
416-397-4229, [Stephen.Conforti@toronto.ca](mailto:Stephen.Conforti@toronto.ca)

Sandra Rodriguez, Director, Intergovernmental and Agency Relations, 416-392-3832,  
[sandra.rodriguez@toronto.ca](mailto:sandra.rodriguez@toronto.ca)

## **SIGNATURE**

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Heather Taylor  
Chief Financial Officer and Treasurer

Chris Murray  
City Manager

## **ATTACHMENTS**

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Attachment 1 – City Council Decision History

Attachment 2 – Gas Tax Funding for TTC's 2021-2030 Staff Recommended Capital  
Budget and Plan