

Ontario-Toronto New Deal Agreement

Date: December 6, 2023

To: City Council

From: City Manager

Wards: All

SUMMARY

The purpose of this report is to seek City Council's approval to execute the components of a New Deal with the Government of Ontario as described in the New Deal Term Sheet.

On September 18, 2023, Premier Doug Ford and Toronto Mayor Olivia Chow announced a Working Group of senior public servants from the Government of Ontario and the City of Toronto with an objective of making recommendations to achieve long-term stability and sustainability of the City's finances. The Working Group provided recommended terms for an agreement, the "[Ontario-Toronto New Deal Working Group - Term Sheet](#)" on November 26, 2023. The term sheet includes a package of provincial supports to assist the City with its long-term financial plan as well as commitments required of the City. The term sheet also outlines expected supports from the federal government.

This report summarizes the New Deal term sheet and requests Council authority to advance next steps in the implementation of the Toronto-Ontario New Deal. City staff will continue to seek authorities from City Council as required in specific areas identified in the term sheet. The City Manager will report back on implementation progress on the New Deal by the end of 2024.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council approve in principle the terms of the Ontario-Toronto New Deal Working Group Term Sheet document contained in Attachment 1, and authorize the City Manager, Chief Financial Officer and Treasurer, and other staff as required, to continue discussions with the Government of Ontario and to take the necessary actions, including acceptance of provincial funding in the amounts set out in the term sheet, together with the execution of any necessary agreements to do so, and to report back to Council to seek any authority as may be necessary to implement the Core Commitments.

2. City Council direct the Toronto Transit Commission (TTC) Board to implement the City's commitments in the New Deal Term Sheet as it relates to the TTC.

FINANCIAL IMPACT

The New Deal and the associated financial support from the Province will have a strong positive effect on the City of Toronto's finances, contribute materially to mitigation of the financial pressures identified through the Long-Term Financial Plan, and will be of significant long-term financial benefit to the City of Toronto.

Core operating support from the Province over three years totals \$1.23 billion, with a further savings of \$6.9 million annually associated with Gardiner Expressway and Don Valley Parkway operating costs. Operating support will be applied generally evenly over the next three budget years, however actual receipt of funds will be front-end loaded, with \$610 million paid in 2024.

Capital supports (including direct infrastructure funding as well as assumption of costs related to the Gardiner Expressway and Don Valley Parkway) over ten years are estimated at \$3.04 billion at minimum. The full extent of the benefit to the City of the Province uploading the expressways is likely substantially more, and will be determined based on updated estimates to be conducted through a third-party due diligence process. The Province has agreed to provide the City with its budgeted costs for the expressways in 2024 (and 2025 if necessary) while the due diligence exercise is being completed for a total of \$197.5 million in capital, and \$6.9 million in operating in 2024.

The Core Commitment outlined in the New Deal Term Sheet related to Transit Oriented Communities will have financial and resource implications for the City for funding a one-third share of the total estimated costs of the Broadview Eastern Flood Protection Project (estimated at \$200 million). Additionally, the City agreed to proceed with the construction and property acquisition for the Broadview Extension north of the rail corridor, as previously committed to.

The New Deal Term Sheet also requires the City to use immediate financial benefits and "all future financial benefits of the (Gardiner Expressway and Don Valley Parkway) upload" to "support investments in housing and the infrastructure that supports and enables growth". This will allow for current budgeted funding to be reallocated to existing and unfunded City infrastructure priorities.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact Section.

DECISION HISTORY

On December 5, 2023, the Ontario Legislature passed **Bill 154, New Deal for Toronto Act, 2023**.

<https://www.ola.org/en/legislative-business/bills/parliament-43/session-1/bill-154>

On September 6, 2023, City Council adopted **EX7.1 - Updated Long-Term Financial Plan** which directed staff to make specific requests of the provincial and federal governments in recognition of the City's immediate and ongoing financial challenges, including: funding for transit operations and maintenance of Eglinton Crosstown (Line 5) and Finch West (Line 6); a new funding model for transit operations; uploading of responsibility for the Frederick G. Gardiner Expressway and the Don Valley Parkway; and to continue to advocate for a new fiscal framework commensurate with the complexity and scope of municipal services delivered by the City of Toronto.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX7.1>

On September 6, 2023, City Council adopted **CC10.2 - Immediate Federal Government Support Required for Refugee Claimants in Toronto**, including requests to the federal government for full reimbursement of expected 2023 costs to support the refugee claimants in Toronto's shelter system, inclusive of the \$97 million in funding already announced through the Interim Housing Assistance Program, and an ongoing commitment of Interim Housing Assistance Program funding to address the estimated \$250 million annual costs for refugees in 2024 and commit to future funding until the demand for shelter returns to sustainable levels.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.CC10.2>

COMMENTS

New Deal Working Group

On September 18, 2023, Premier Ford and Mayor Chow announced a "New Deal Working Group" with a mandate to make recommendations to achieve long-term stability and sustainability of Toronto's finances. The Working Group focused on areas of mutual interest related to City finances, division of responsibilities, including areas where new or additional support from the Federal Government is appropriate. The working group was charged with delivering recommendations for an agreement before the end of November 2023.

Membership

Members of the New Deal Working Group included:

Province

- Deputy Minister of Finance
- Deputy Minister of Transportation
- Deputy Minister of Infrastructure
- Assistant Deputy Minister, Local Government, Ministry of Municipal Affairs and Housing

City of Toronto

- City Manager
- Chief Financial Officer and Treasurer
- Chief of Staff, City Manager's Office
- Deputy Chief of Staff, Intergovernmental & Agency Relations

Working Group and Sub-group Meetings

The working group held a series of regular meetings, in addition to sub-groups involving staff from the Province and the City to advance discussions on the following topics:

- Transit
- Shelters and Supportive Housing
- Surplus Lands
- Transportation
- Debt and Borrowing

These discussions included sharing of information to develop an understanding of the City's financial position, and the current levels of support provided to the City by the Provincial and Federal governments. This understanding was informed through review of the City of Toronto's Updated Long-Term Financial Plan and the provincial economic and fiscal outlook.

New Deal Term Sheet

The New Deal Working Group provided a term sheet to form the basis of the New Deal (Attachment 1 to this report). The New Deal Term Sheet includes sections on:

- **Core Commitments** required of the City to implement the New Deal;
- **Financial Support** from the Province to the City of Toronto;
- **Addressing Longer-Term Sustainability** through a targeted review; and
- **A Proposed Federal Government Ask** with joint City-Province support.

Core Commitments

[Table 1 of the New Deal Term Sheet](#) (included in Attachment 1 to this report) outlines the following nine Core Commitments for the City:

- Advance housing, transit, and infrastructure opportunities to support economic development and growth;
- Advance specific surplus lands housing opportunities;
- Advance the delivery of the Priority Transit Projects and support key transportation objectives;
- Advance Transit-Oriented Communities at East Harbour and Woodbine;

- Build Housing, with a detailed plan to meet/exceed annual housing targets from 2023-2025;
- Advance Efficiency and Value-for-Money measures as part of the City's Long-Term Financial Plan, including evaluating the potential alignment of provincial and city fiscal years;
- Advance cooperation with Waterfront Toronto;
- Enhance Community Safety and Economic Recovery on the Toronto Transit Commission (TTC); and
- Accept the Province's legislative authority to advance the Ontario Place Rebuilding Project.

As part of ongoing discussions between the City and Province, both parties will continue to work in collaboration to advance these priorities.

Financial Supports to the City of Toronto

[Table 2 of the New Deal Term Sheet](#) (included in Attachment 1 to this report) outlines the financial supports provided from the Province to the City under the terms of the New Deal. Key benefits to the City include:

- Operating Support (\$110 million annually over three years) for the provincially-owned Finch West LRT and the Eglinton Crosstown LRT. Funding will support bringing these projects online.
- One-time funding (\$300 million) in 2023-24 for a Subway and Transit Safety, Recovery and Sustainable Operations Fund, conditional on the City establishing a new Transit Rider Safety Commitment.
- Shelters & Homelessness Operating Support (\$200 million annually for three years), conditional on the federal government contributing operating funding support for refugee claimants.
- Upload of the Gardiner Expressway and Don Valley Parkway to the Province, subject to a third party due diligence assessment to be completed by December 31, 2024. The Province has committed to providing City-budgeted capital and operating funding in 2024 (\$197.5M and \$6.9M) while the due diligence exercise is being completed, and agreed to provide additional funding of \$147.4M (capital) and \$6.9M (operating) in 2025 if the due diligence exercise is not completed. Total value of this upload to the City is estimated at a minimum of \$1.936 billion over ten years - the actual value will be determined through the due diligence exercise and is likely to be significantly higher, as the minimum estimate was based on outdated estimates which do not account for cost escalation since they were made.
- Funding for New Subway Trains (\$758 million over ten years) as the provincial share of the purchase of 55 new subway trains on Line 2 to replace assets that are reaching their end of life. This funding is conditional on federal and City matching funding - the City has already budgeted \$758 million for the new subway trains, and the TTC CEO has communicated the funding request to the federal government to support the new subway train procurements.

The New Deal Term Sheet also notes that additional opportunities for the Province to provide support to the City will be explored, including assistance with debt financing by

leveraging the provincial cost of borrowing, partnering with the new Ontario Infrastructure Bank, using the Investment Management Corporation of Ontario to improve financial returns on City reserve funds, and aligning incentives to ensure greater availability of housing.

Longer-Term Sustainability Review

The terms of the New Deal Working Group provide for a targeted review of the sustainability of the City's finances by 2026 that considers "both the longer-term sustainability of Toronto's finances and Ontario's fiscal capacity". A terms of reference and metrics for the longer-term review will be established by the City and Province by 2025.

The review will assess the long-term sustainability of the City's finances and operations, consider the effects of the New Deal supports being provided until 2026, and the impact of any future federal supports. The review will consider whether further action is necessary to achieve long-term sustainability of the City's finances, and, if necessary, appropriate roles for all levels of government, including the federal government.

Federal Government Supports

On October 30, 2023, Premier Ford and Mayor Chow sent a letter to the Prime Minister inviting the federal government to join as a partner and collaborator in the New Deal Working Group. Federal officials joined the working group midway through the process and participated in productive discussions, however were not in a position to commit to financial supports for the City within the timelines of the Working Group. A significant portion of the financial support from the Province (the operating funding for shelters and capital funding for 55 new subway trains) is conditional on federal support being provided. In total, the New Deal Term Sheet requests \$2.72 billion in financial support from the federal government, as follows:

- A minimum of **\$200 million** for at least one-third of total costs related to East Harbour flood protection
- **\$853 million** over three years, (including the unfunded component of \$103 million in 2023), for shelter support for refugees and asylum seekers
- **\$675 million** to support a Shelter Infrastructure Plan and Homelessness Services Infrastructure strategy (capital cost to deliver 20 new 80-bed shelters)
- **\$235 million** for the outstanding federal one-third share (matching the Province's contribution to Toronto's 2022 COVID-19 operating budget pressure)
- **\$758 million** in funding for new subway trains (55 trains for Line 2 train replacement).

City and provincial staff will continue to jointly advocate to the federal government on these requests, and will report back on ongoing discussions with the federal government as part of an overall update to City Council on the New Deal.

Next Steps and Reporting Back

Following approval of the recommendations in this report, the City Manager will work with the Chief Financial Officer and Treasurer, City Solicitor and other staff as necessary, including Provincial and Federal colleagues, to finalize the transfer payment agreements required to provide the agreed-upon financial support to the City of Toronto. While formal bilateral negotiations between the City and Province have concluded, the New Deal sub-groups will continue discussions related to implementation of the Core Commitments of the New Deal, and staff will report back and seek additional authorities as required for implementation.

The City Manager will report back to City Council by the end of Q4 2024 on the status of implementation of the New Deal, including progress updates on:

- the Core Commitments;
- financial supports received and expected from the federal and provincial governments;
- the due diligence process for the upload of the Gardiner Expressway and Don Valley Parkway; and
- consultations with the Province regarding the Toronto-Ontario targeted review of the sustainability of the City's finances by 2026.

CONCLUSION

The New Deal and the associated financial support from the Province will have a strong positive effect on the City of Toronto's finances, contribute materially to mitigation of the financial pressures identified through the Long-Term Financial Plan, and will be of significant long-term financial benefit to the City of Toronto.

While no single set of actions will entirely address the City's revenue gaps and financial challenges, the effect of the financial supports from the Province will be a substantive improvement to the City's financial position. The New Deal will comprise a critical part of the City's multi-phased approach to improving long-term financial sustainability and will be implemented in conjunction with a wide range of solutions to address the fiscal gap, as previously described in the City's Long-Term Financial Plan.

CONTACT

Kate Bassil
Chief of Staff, City Manager's Office
(416) 338-5632
Kate.Bassil@toronto.ca

Jean Abou Saab
Deputy Chief of Staff, Intergovernmental Affairs
(416) 392-3922
Jean.AbouSaab@toronto.ca

Stephen Conforti
Chief Financial Officer and Treasurer
(416) 397-4229
Stephen.Conforti@toronto.ca

SIGNATURE

Paul Johnson
City Manager

ATTACHMENTS

- Attachment 1: Ontario-Toronto New Deal Working Group - Term Sheet