

## City of Toronto Annual Report 2016

### **Narrative**

#### Administrative Agreement on the Federal Gas Tax Fund (March 2014)

##### ***Executive Summary***

The federal Gas Tax Fund (GTF) is a critical source of funding. As an allocation based program, the federal GTF contributes to national outcomes in Toronto by providing permanent, predictable and flexible infrastructure funding that incrementally supports investments in state of good repair. Ultimately, investments contribute to Toronto's economic growth while improving the environmental performance of the City's transportation network.

Since the inception of the federal Gas Tax Fund in 2005 Toronto City Council has directed it to investments in the Toronto Transit Commission (TTC) which contributes to safe and reliable service for over 535 million riders each and every year. In total, the City of Toronto has leveraged more than \$3.6 billion of investments in public transit, due to the \$1.49 billion contribution made by the Government of Canada.

##### ***Background***

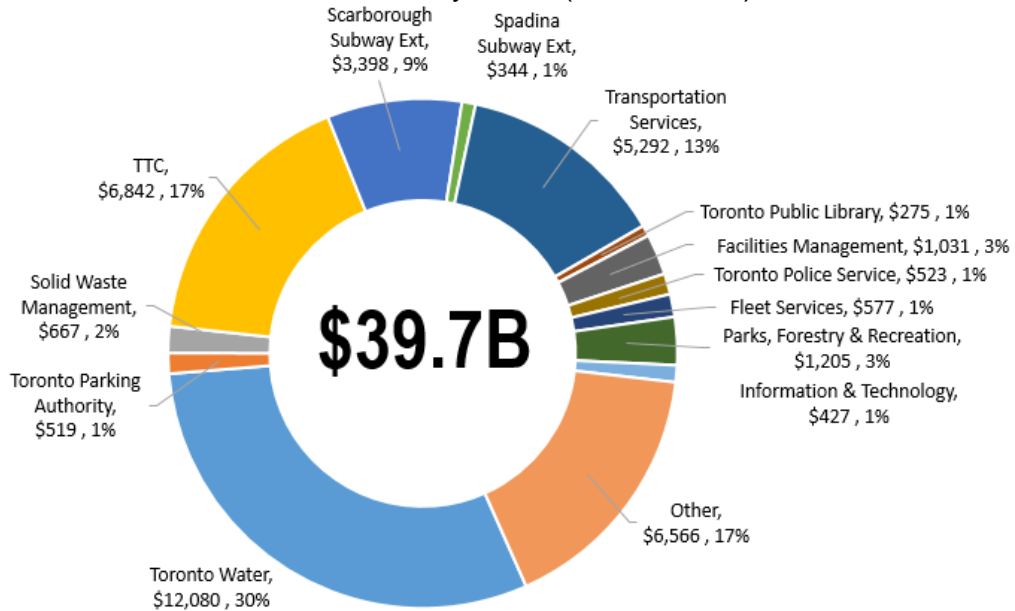
Toronto's strengths lie in its diverse people and innovative businesses. In total, businesses and communities in the city generated approximately \$180.6 billion (2015) in output (GDP) which accounts for slightly over half of the GDP generated in the Toronto Census Metropolitan Area (CMA). Further, the Toronto CMA generates half of the GDP of Ontario and one-fifth of the GDP of Canada.

A key driver of this success is the availability of infrastructure that is needed to accommodate employment growth and create a supportive business environment. Investments in Toronto result in a broad range of benefits ranging from short-term job creation, long-term gains in productivity and benefits for the environment, as well as a steady stream of ongoing revenues for provincial and federal governments.

Toronto has a 10-year \$39.7 billion Capital Budget and Plan (Figure 1) that addresses key infrastructure needs, including the repair and replacement of aging infrastructure, addressing congestion, climate change, and maintaining existing and building new social and affordable housing. The City is doing its part by growing its investments in public infrastructure, while supporting services that reduce poverty, improve quality of life and make Toronto a desirable place to live, work, play and invest.

Infrastructure investments are mainly supported by the City's property tax, rates and debt, but also include critical cost sharing from other governments. The GTF plays a key role within this plan by providing more than \$1.66 billion in long-term, predictable and stable investments over the next 10 years.

Figure 1 – 2017-2026 Capital Budget and Plan  
Where the Money Goes (\$39.7 billion)



More than \$10.5 billion of the City's 10-year Capital Budget and Plan will go towards the infrastructure required for the maintenance and expansion of the base TTC capital program, the Toronto-York Spadina Subway Extension and the Scarborough Subway Extension projects. Over \$1.3 billion will be invested in 2017 alone. The City is responsible for the TTC capital program and funding for the TTC's capital program from other governments flows through the City.

Of the City's \$75 billion in assets (replacement value), the TTC has an estimated \$15.4 billion in assets (replacement value) and its base capital program is focused on meeting three key objectives:

- the replacement of existing vehicles and the addition of growth vehicles to meet ridership demand,
- the associated facility construction and improvements to accommodate those vehicles, and
- maintaining track, tunnels, bridges and buildings in a state of good repair.

In the 2017-2026 TTC Capital Budget & Plan, \$6.84 billion is dedicated to the base program which prioritizes keeping the system in a state of good repair, complying with legislative requirements, replacing fleet and building capacity to increase ridership.

The \$6.84 billion 10-year base program is financed by \$352 million from Reserve/Reserve funds, \$533 million from Development Charges, \$3.22 billion from Federal/Provincial sources (including the GTF), \$160 million from other revenues including TTC depreciation funding, and \$2.57 billion of debt/cash from current. Significant federal contributions include the GTF as well as a substantial amount from the Phase 1 of the Public Transit Infrastructure Fund (PTIF). The City is anticipating investing approximately 80% of the

\$856 million ridership based allocation into the TTC which will significantly contribute to improving the City's transit network. The remainder is supporting investments in active transportation and planning and design for transit expansion.

While the City's Capital Budget and Plan includes investments for key infrastructure, the Plan does not include all of the necessary and critical investments that need to be made. The City has over \$30 billion in unfunded capital needs over a 15 year planning period including major projects in public transit such as state of good repair of the existing TTC network and network expansion such as projects identified in the [Transit Network Plan to 2031](#). Many of the City's transit priorities are being advanced through planning and design in part thanks to PTIF Phase 1.

All orders of government recognize the importance of infrastructure and the City looks forward to working with Infrastructure Canada on these shared priorities under Phase 2 of the Investing in Canada Plan. The City has federal commitments for SmartTrack and the Scarborough Subway Extension. Such investments are best placed to meet federal objectives of improving the economy, reducing poverty and lowering greenhouse gas emissions.

While Toronto's transit system is the largest in Canada, the City continues to experience population growth with expansion of rapid transit necessary to catch up with latent demand and to meet new pressures of growth. As such the City looks forward to working with other orders of government to determine details of Phase 2 funding and future federal investments for Toronto's transit network.

### ***The federal Gas Tax Fund in Toronto***

The allocation based GTF helps the City plan over the long term due to its stable allocation and flexible terms and conditions that allows the City to invest in its priority projects. GTF investments are determined by City Council through the City's 10-year capital planning process which prioritizes health and safety, legislated obligations and maintaining assets in a state of good repair.

City Council does this as part of an accountable, open, and transparent process that encourages and enables public participation. Through this process, the City continues to prioritize GTF investments in public transit which services residents of Toronto and also plays a key role in moving people around the region. The City appreciates this long-term, predictable investment which will grow over time, thanks to indexing, and looks forward to the continued partnership that it will bring.

Figure 2 – City of Toronto Capital Budget and Federal Gas Tax Fund Investments (2005-2016)

\$millions

Year	Approved Annual Capital Budget <sup>(1)</sup>		Federal Gas Tax Fund <sup>(2)</sup>		GTF as a % of City Capital Budget (Annual)	Amount Leveraged (Total GTF Project Costs)
	Total City (Tax & Rate)	TTC <sup>(3)</sup>	Annual	Cumulative Total		
2005	1,058.9	385.6	48.9	48.9	4.6%	137.2
2006	1,601.6	552.4	48.9	97.80	3.1%	254.3
2007	1,796.4	717.3	65.2	163.0	3.6%	177.5
2008	1,930.9	697.2	81.4	244.4	4.2%	317.2
2009	2,151.4	692.5	162.9	407.3	7.6%	311.1
2010	3,191.4	1,127.6	154.4	561.7	4.8%	422.0
2011	2,709.0	615.5	154.4	716.1	5.7%	299.1
2012	3,037.2	989.9	154.4	870.5	5.1%	366.0
2013	2,903.9	813.4	154.4	1,024.9	5.3%	334.0
2014	2,814.0	916.1	152.2	1,177.1	5.4%	238.1
2015	2,825.2	819.8	152.2	1,329.3	5.4%	236.7
2016	3,182.9	879.5	159.8	1,489.1	5.0%	482.4

Notes

(1) Excludes carry forwards

(2) Agreement for the Transfer of Federal Gas Tax Fund Revenues (2009-2014) & Administrative Agreement on the Federal Gas Tax Fund (2014-2024)

(3) Excludes Toronto-York Spadina Subway Extension and the Scarborough Subway Extension

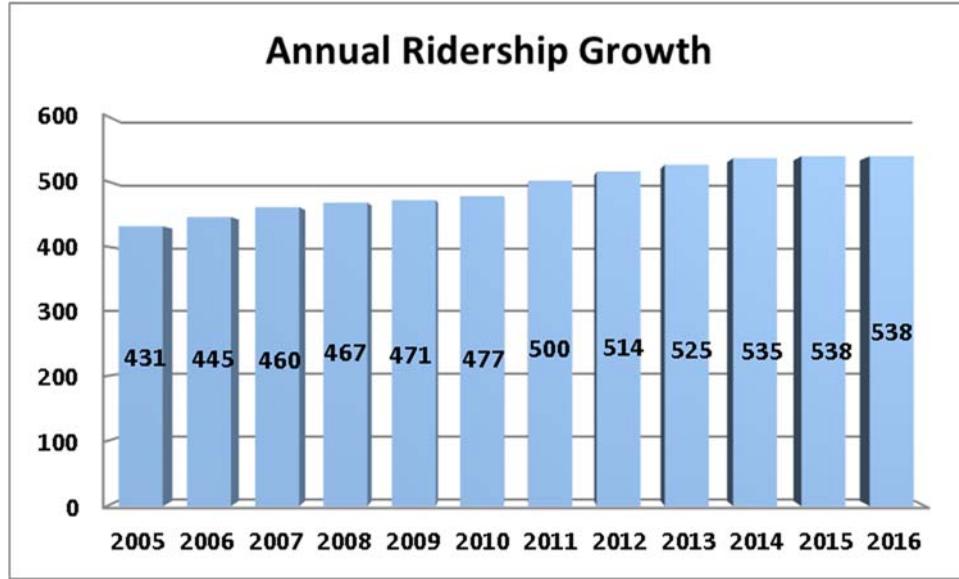
Since 2005, the City has received more than \$1.49 billion from the GTF, which has leveraged over \$3.6 billion of investments in the City's transit system for projects such as fleet replacement (new conventional and accessible buses, subway cars, and light rail vehicles), accessibility improvements, and facilities. The City views the GTF as a vital base fund that allows for planned investments that keeps Toronto moving.

**2016 Milestones**

Key investments in 2016 include almost \$60 million for fleet including \$24.5 million for streetcars/LRVs, \$22 million for subways and \$13 million for buses. New vehicles improve reliability, customer service, and result in more service. In addition, significant amounts of federal funding has been invested in buildings and structures including \$22 million for Leslie Barns (LRV Replacement Maintenance & Storage Facility).

The benefit of GTF investments is partially reflected in Figure 3. Funding has sustained a network that has seen transit ridership increase by 25% from 2005 to 538 million trips in 2016.

Figure 3 – TTC Ridership (2005-2016)



A key milestone was the opening of Leslie Barns (see details below). The new streetcars/LRVs which reside at Leslie Barns are also supported by the GTF, with the 30<sup>th</sup> vehicle entering service in December 2016. The City's new LRVs are fully accessible, larger, and air conditioned, providing passengers with a quieter, more comfortable ride.

### ***City of Toronto's Commitments***

The Administrative Agreement provides for enhanced communications requirements, facilitates program evaluations and audits, and requires annual reporting and outcomes reporting in 2018 and 2023.

### ***Communications***

As required in 2016, the City and Canada updated the joint communications approach, shared upfront project information, supported joint communications activities and monitored communications performance. During the calendar year, the City updated its federal Gas Tax [website](#) and the TTC issued a number of operational news releases including 4 on the rollout of new GTF funded LRVs.

A marquee event in 2016 was the May 28 official [opening of doors at Leslie Barns](#) as part of Doors Open Toronto. The event featured the 26,000-square-metre maintenance and storage facility which includes a green roof, state-of-the-art streetcar simulator training room, numerous storage tracks, a substation and a storm water management pond.



Opening of Leslie Barns, Doors Open



Residents at Leslie Barns, Doors Open

 **InfrastructureCanada**   
Canada @INFC\_eng

[Follow](#) 

Check out #TTC Leslie Barns tomorrow for #DOT16. #GoC jointly funded new streetcar garage #DoorsOpen @Doors\_OpenTO

**TTC Customer Service**  @TTChelps  
Come check out #TTC's brand new Leslie Barns tomorrow 10am-5pm during @Doors\_OpenTO [ow.ly/LZeg300Ez4U](https://ow.ly/LZeg300Ez4U)

11:03 AM - 27 May 2016

Over 7000 residents attended the event at Leslie Barns which was featured in a number of media articles and on social media.

### *Evaluations and Audits*

In Spring 2016, the federal Commissioner of Environment and Sustainable Development within the Office of the Auditor General of Canada City issued a [report on Federal Support for Sustainable Municipal Infrastructure](#).

The City was engaged as a part of this work in 2015 and welcomes its findings. Findings included a recognition that the fund is meeting a key objective of providing predictable funding to municipalities and that there is an opportunity for the Government of Canada to work with signatories to improve outcomes reporting. Collaboration among all orders of government is necessary to develop programs which are efficient, effective and result in positive outcomes for Canadians.

### *Outcomes Reporting*

As noted above, the City's investments of the federal Gas Tax Fund have a direct and incremental contribution to the City's public transit system. Its allocation provides the City of Toronto with a predictable source of funding which is incorporated into the 10-year Capital Budget and Plan. This planning framework supports and encourages asset management by prioritizing investments in state of good repair.

In 2016 the City continued collaboration with other federal Gas Tax Fund signatories to develop frameworks for outcomes reporting. This includes participation in the National Gas Tax Workshop and in complimentary activities such as asset management discussions with Ontario and the Association of Municipalities of Ontario.

#### *Ongoing Collaboration*

The City will continue to collaborate with Canada and other signatories to ensure the Agreement's commitments are met. This includes the scheduled review of the Gas Tax Fund Administrative Agreement which is to occur prior to March 31, 2018. As Toronto receives federal funding from a number of sources, there is also an opportunity to align reporting across all federal programs including the upcoming Phase 2 investments of the Investing in Canada Plan.



2016 ANNUAL REPORT - GTF PROJECT LIST

Project ID	Ultimate Recipient	Project Title	Project Description	Investment Category	Total Project Cost (\$000)	2016 Funds (GTF) Spent (\$000)	Completed
CTT002-6715/6716	Toronto, City of	Surface Track	Surface Track Renewal	Public Transit	566,095	9,680	No
CTT010-6963	Toronto, City of	Finishes	Roofing Rehabilitation	Public Transit	218,920	494	No
CTT010-Various	Toronto, City of	Finishes	Finishes - Various	Public Transit	60,538	1,495	No
CTT012-6912	Toronto, City of	Equipment	Subway Escalator Overhaul Program	Public Transit	134,241	1,173	No
CTT015-6394	Toronto, City of	Yards and Roads	Streetcar Network Upgrades for LRV	Public Transit	78,157	1,842	No
CTT020-6974	Toronto, City of	Bridges and Tunnels	Structural Paving Rehabilitation Program	Public Transit	116,410	1,732	No
CTT020-6759/6813	Toronto, City of	Bridges and Tunnels	Structure Rehabilitation Program	Public Transit	281,337	2,754	No
CTT024-577x	Toronto, City of	Buildings and Structures Projects	Fire Ventilation Upgrade	Public Transit	350,168	6,466	No
CTT028-566x	Toronto, City of	Buildings and Structures Projects	Easier Access Phase III	Public Transit	774,315	11,037	No
CTT056-7377	Toronto, City of	Revenue and Fare Handling Equipment	Turnstile Replacement - Faregates	Public Transit	47,975	7,082	No
CTT110-6097	Toronto, City of	Buildings and Structures Projects	LRV Carhouse Facility Renewal Program	Public Transit	90,640	1,270	No
CTT110-6670	Toronto, City of	Buildings and Structures Projects	Revenue Operations Facility	Public Transit	38,150	719	No
CTT110-6663	Toronto, City of	Buildings and Structures Projects	CNE Streetcar Loop Barrier	Public Transit	7,300	1,598	No
CTT110-6969	Toronto, City of	Buildings and Structures Projects	Union Station New Platform	Public Transit	18,000	1,462	No
CTT110-6195	Toronto, City of	Buildings and Structures Projects	Bus Garage/Shop Facility Renewal Program	Public Transit	44,656	757	No
CTT110-6196	Toronto, City of	Buildings and Structures Projects	Subway Carhouse/Shop Facility Renewal Program	Public Transit	40,535	754	No
CTT110-7873	Toronto, City of	Buildings and Structures Projects	Office Space Management/Renewal Program	Public Transit	34,913	1,174	No
CTT141-6385	Toronto, City of	Fare System	Automated Fare Collection Integrated Ticketing System	Public Transit	44,000	6,960	No
CTT142-7733	Toronto, City of	Buildings and Structures Projects	YUS ATC Re-Signalling <sup>(1)</sup>	Public Transit	562,836	17,757	No
CTT145-6339	Toronto, City of	Buildings and Structures Projects	LRV Replacement Maintenance & Storage Facility (Leslie Barns)	Public Transit	523,489	21,649	No
CTT146-6559	Toronto, City of	Buildings and Structures Projects	Toronto Rocket/T1 Yard Rail Accomodation	Public Transit	973,050	2,277	No
CTT046-6002	Toronto, City of	Purchase of Subway Cars	Replacement of Subway Cars (126) - 126 cars	Public Transit	294,953	1,232	No
CTT046-6278	Toronto, City of	Purchase of Subway Cars	Purchase of 60 New Subway Cars	Public Transit	222,170	20,814	No
CTT111-6761	Toronto, City of	Purchase of Buses	Purchase of 108 40' LF Clean Diesel Buses	Public Transit	65,419	12,148	No
CTT111-6274	Toronto, City of	Purchase of Buses	Purchase of 55 Low Floor 40ft Diesel Buses	Public Transit	33,491	391	No
CTT111-6750	Toronto, City of	Purchase of Buses	Purchase of 50 40' LF Diesel Buses for Customer service Initiatives (201	Public Transit	30,522	585	No
CTT122-6437	Toronto, City of	Purchase of Streetcars	Purchase of 204 New LRV Cars	Public Transit	1,186,503	24,509	No
						<u>159,811</u>	

Note: Total Project Cost is based on the Council Approved 2017-20026 Capital Budget and Plan

(1) ATC Resignalling - total project cost is based on the estimated final cost for ATC Resignalling on Line 1 (YUS) only



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September 27, 2017

Mr. Marc Fortin  
Assistant Deputy Minister, Program Operations  
Infrastructure Canada  
1100 - 180 Kent Street  
Ottawa, ON K1P 0B6

Dear Mr. Fortin:

**Re: 2016 Annual Report on the Federal Gas Tax Fund**

As per Schedule D, under the Administrative Agreement on the Federal Gas Tax Fund (GTF) (executed in March 2014), we the undersigned attest that based on the appended Audited Financial Report:

- a) the information submitted in the Financial Report Table is accurate; and
- b) GTF funding and Unspent Funds, and any interest earned thereon, were expended for the purposes intended.

Sincerely,



Roberto Rossini  
Deputy City Manager & Chief Financial Officer  
City of Toronto



Tara Bal  
Acting Chief Financial Officer  
Toronto Transit Commission

# **City of Toronto**

**Annual Expenditure Report for the Federal Gas Tax Fund  
For the year ended December 31, 2016**



August 3, 2017

## **Independent Auditor's Report**

### **To City Council of the City of Toronto**

We have audited the claimed expenditures of \$159,811,360 (the claimed expenditures) reported in the Annual Expenditure Report (the Report) of the City of Toronto (the City) for the year ended December 31, 2016 prepared in accordance with the Administrative Agreement on the Federal Gas Tax Fund effective April 1, 2014 (the Agreement).

#### **Management's responsibility for the Report**

Management of the City is responsible for the preparation of the Report in accordance with the basis of accounting described in note 1, this includes determining that the basis of accounting is an acceptable basis for the preparation of the Report in the circumstances, and for such internal controls as management of the City determines is necessary to enable the preparation of a Report that is free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the Report based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation of the Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, claimed expenditures included in the Report for year ended December 31, 2016 are prepared, in all material respects, in accordance with the criteria detailed in Schedule B and C of the Agreement.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



**Basis of accounting and restriction on distribution and use**

Without modifying our opinion, we draw attention to note 1 of the Report which describes the basis of accounting. The Report is prepared to assist the City in complying with the financial reporting provisions of the Agreement. As a result, the Report may not be suitable for another purpose. Our report is intended solely to assist the City in complying with the financial reporting provisions of the Agreement and except for distribution to the Minister of Infrastructure, Communities and Intergovernmental Affairs and the Minister of Municipal Affairs and Housing, it should not be distributed to or used by any other parties.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**



City of Toronto - Annual Expenditure Report  
**Summary of Expenditures and Funding for the year ended December 31, 2016**  
"Administrative Agreement on the Federal Gas Tax Fund" (March 2014)

	<b>Current Fiscal Year to Dec 31, 2016</b>	<b>Cumulative 2014 to 2016</b>
City of Toronto		
Opening Balance	-	-
Received from Canada	159,811,360	464,213,950
Interest Earned	-	-
Administrative Client	-	-
Transferred to Toronto Transit Commission	(159,811,360)	(464,213,950)
Closing Balance of Unspent Funds	-	-
Toronto Transit Commission		
Opening Balance	-	-
Received from Toronto	159,811,360	464,213,950
Interest Earned	-	-
Spend on Eligible Projects	(159,811,360)	(464,213,950)
Closing Balance of Unspent Funds	-	-

# City of Toronto

## Notes to the Annual Expenditure Report for the Federal Gas Tax Fund For the year ended December 31, 2016

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### Note 1 – Significant Accounting Policies

The following outlines the eligible and ineligible expenditures as outlined by Schedule C of the Administrative Agreement on the Federal Gas Tax Fund effective April 1, 2014 (the Agreement) for expenses incurred for the period January 1, 2016 to December 31, 2016 on an accrual basis.

#### Eligible Costs

Eligible Expenditures of Ultimate Recipients will be limited to the following:

- a) the expenditures associated with acquiring, planning, constructing or renovating a tangible capital asset, as defined by Public Sector General Accepted Accounting Principles (GAAP), and any related debt financing charges especially identified with that asset;
- b) for the capacity building category only, the expenditures related to strengthening the ability of Municipalities to improve local and regional planning including capital investment plans, integrated community sustainability plans, life-cycle cost assessments, and Asset Management Plans. The expenditures could include developing and implementing:
  - i. studies, strategies, or systems related to asset management, which may include software acquisition and implementation;
  - ii. training directly related to asset management planning; and
  - iii. long-term infrastructure plans.
- c) the expenditures directly associated with joint federal communication activities and with federal project signage.

#### Employee and Equipment Costs

The incremental costs of the Ultimate Recipient's employees or leasing of equipment may be included as Eligible Expenditures under the following conditions:

- a) the Ultimate Recipient is able to demonstrate that it is not economically feasible to tender a contract; the employee or equipment is engaged directly in respect of the work that should have been the subject of the contract; and
- b) the arrangement is approved in advance and in writing by the Government of Canada and Toronto's Executive Leads.

#### Administration Costs

Administration expenses of the Association of Municipalities of Ontario and the City of Toronto related to program delivery and implementation of this Agreement, in accordance with Section 5 (Administration Expenses) of Annex B (Terms and Conditions) are Eligible Expenditures.

# City of Toronto

## Notes to the Annual Expenditure Report for the Federal Gas Tax Fund For the year ended December 31, 2016

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### Ineligible Costs

The following expenditures are deemed Ineligible expenditures:

- a) project expenditures incurred before April 1, 2005;
- b) project expenditures incurred before April 1, 2014 for the following investment categories:
  - i. highways;
  - ii. regional and local airports;
  - iii. short-line rail;
  - iv. short-sea shipping;
  - v. disaster mitigation;
  - vi. broadband connectivity;
  - vii. brownfield redevelopment;
  - viii. cultural infrastructure;
  - ix. tourism infrastructure;
  - x. sport infrastructure; and
  - xi. recreational infrastructure.
- c) the cost of leasing of equipment by the Ultimate Recipient, any overhead costs, including salaries and other employment benefits of any employees of the Ultimate Recipient, direct or indirect operating or administrative costs of Ultimate Recipients, and more specifically its costs relating to planning, engineering, architecture, supervision, management and other activities normally carried out by its staff, except in accordance with Eligible Expenditures above;
- d) taxes for which the Ultimate Recipient is eligible for a tax rebate and all other costs eligible for rebates;
- e) purchase of land or any interest therein, and related costs;
- f) legal fees; and
- g) routine repair and maintenance costs.