2013-2022 CAPITAL BUDGET AND PLAN SUMMARY

The City of Toronto's Council approved the Tax Supported 2013 to 2022 Tax Supported Capital Budget and Plan on January 16, 2013 and the Rate Supported Capital Budget and Plan on November 29, 2012. The approved Tax and Rated Supported Operating Budgets gross expenditures over the 10-Year Budget and Plan totals $24.473 billion requiring debt and capital from current funding of $6.759 billion as illustrated in Table 1 below.

The Tax Supported Programs gross 2013 – 2022 Capital Budget and Plan comprises 63% or $15.260 billion of the total gross expenditures over the 10-year plan with the remaining attributable to the Rate Supported Programs in the amount of $9.213 billion as illustrated in Table 1 below.

Table 1
2013 - 2022 Capital Budget and Plan

($000's)	2013				2013 - 2022			
	Gross	Debt / CFC	Target	Over / (Under) Target	Gross	Debt / CFC	Target	Over / (Under) Target
Tax Supported Programs								
Citizen Centred Services 'A'	166,230	73,279	77,218	(3,939)	1,193,522	777,178	745,559	31,619
Citizen Centred Services 'B'	337,940	218,924	219,106	(182)	3,275,542	2,187,500	2,187,220	280
Internal Services 'C'	293,691	105,779	102,724	3,055	1,877,290	775,453	727,013	48,440
Other City Programs	53,541	39,966	40,026	(60)	189,178	122,902	122,596	306
Total City Operations	851,402	437,948	439,074	(1,126)	6,535,532	3,863,033	3,782,388	80,645
Agencies Excluding TTC	123,611	64,851	63,186	1,665	1,055,442	685,212	671,975	13,237
Total Tax Supported Excl. TTC	975,013	502,799	502,260	539	7,590,974	4,548,245	4,454,363	93,882
Toronto Transit Commission	1,297,661	483,683	531,383	(47,700)	7,669,374	2,210,408	2,209,606	802
Total Tax Supported Programs	**2,272,674**	**986,482**	**1,033,643**	**(47,161)**	**15,260,348**	**6,758,653**	**6,663,969**	**94,684**
Rate Supported Programs								
Water Services	525,876	-	-	-	8,185,228	-	-	-
Solid Waste Management	77,134	-	-	-	669,594	-	-	-
Toronto Parking Authority	28,233	-	-	-	358,190	-	-	-
Total Rate Supported Programs	**631,243**	**0**	**0**	**0**	**9,213,012**	**0**	**0**	**0**
Total	**2,903,917**	**986,482**	**1,033,643**	**(47,161)**	**24,473,360**	**6,758,653**	**6,663,969**	**94,684**

Tax Supported 2013 – 2022 Capital Budget and Plan

The 2013 – 2022 Capital Budget and Plan satisfies Council's policy agenda, is fiscally responsible and focuses on infrastructure rehabilitation. It places priority on projects that protect the health and safety of citizens, meet legislated requirements, and those that maintain the City's infrastructure in a state of good repair to support cost-effective service delivery. This is particularly challenging with an aging infrastructure and growing population. The 2013 – 2022 Capital Budget and Plan achieves the following strategic objectives:

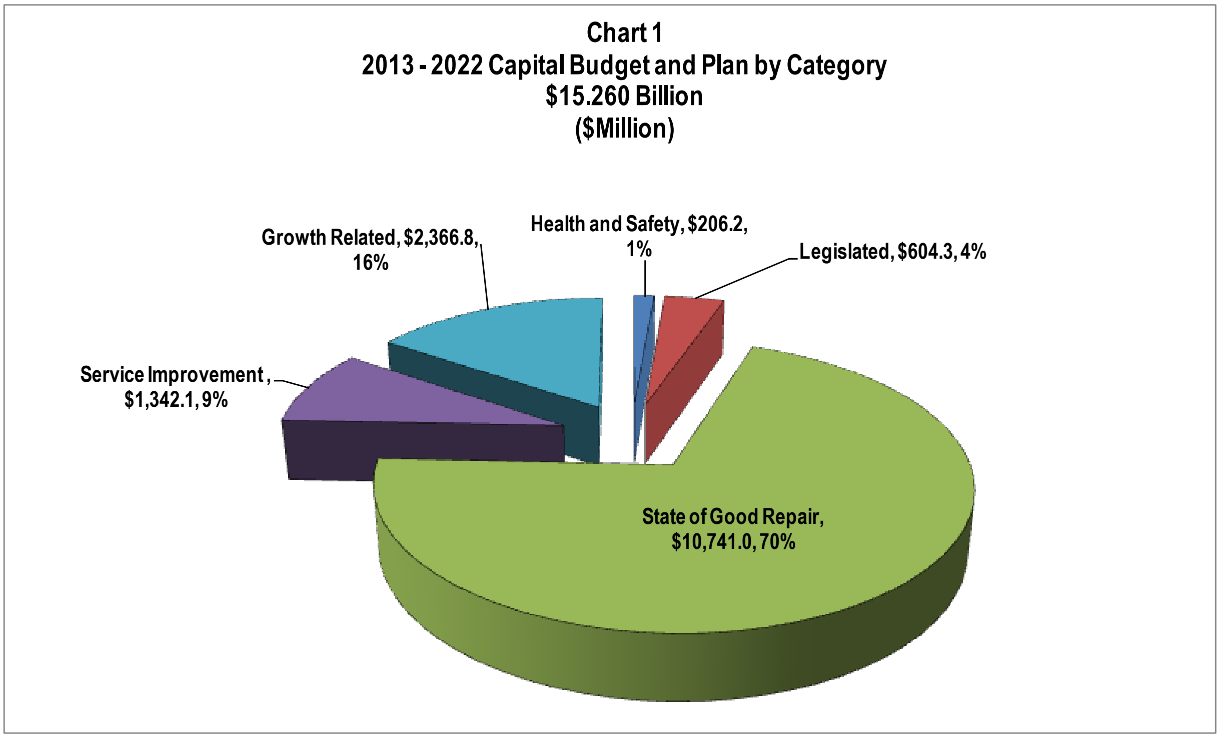
- Achieves a balance between prioritizing the maintenance of existing City assets in a state of good repair and addresses growth needs on a City wide basis;
- Focuses on addressing service gaps and ensures that services demanded by the citizens of Toronto will be delivered in a sustainable manner in the long term;

- Strategically applies non-debt funding strategies comprised of the continuation of surplus management policy (75% of operating budget surplus allocated to capital financing), proceeds from the monetization of the City's marketable assets, maximizing Development Charges funding, Build Toronto Dividends, and new Provincial and Federal funding targets to offset future capital plan pressures;
- Accommodates fully the TTC's 10-Year Capital Budget and Plan with the application of the approved capital non-debt financing strategy requiring the City to invest an additional $534 million in future proceeds to transit capital needs.
- Accommodates the Transportation Services' 10-Year Capital Budget and Plan with the application of the approved capital financing strategy requiring the City to invest an additional $671 million for the ongoing rehabilitation work on the Gardiner Expressway, road resurfacing and reconstruction and key capital works to address traffic congestion.
- Manages to keep debt service costs at approximately 12% of the tax levy, which is below the 15% guideline to mitigate future impacts on the Operating Budget.

The 2013 Capital Budget totals $2.273 billion, and estimates of capital spending for the following nine years 2014 – 2022 total $12.987 billion or 85% of the total capital funding of $15.260 billion over the 10 year planning period, as described in Table 1.

Capital expenditures to maintain and renew the City's infrastructure total $10.741 billion, representing 70% of the 2013 – 2022 Capital Budget and Plan's spending allocation and with the addition of Health and Safety and Legislated projects it grows to 75%, as outlined in Chart 1. This strategy is geared toward reducing the City's state of good repair backlog.

While emphasis has been placed on maintaining and protecting the City's existing infrastructure and physical assets, the 2013 – 2022 Capital Budget and Plan also invests $3.710 billion over 10 years in strategic and priority Service Improvement and Growth Related projects to accommodate increasing service demands and growth.

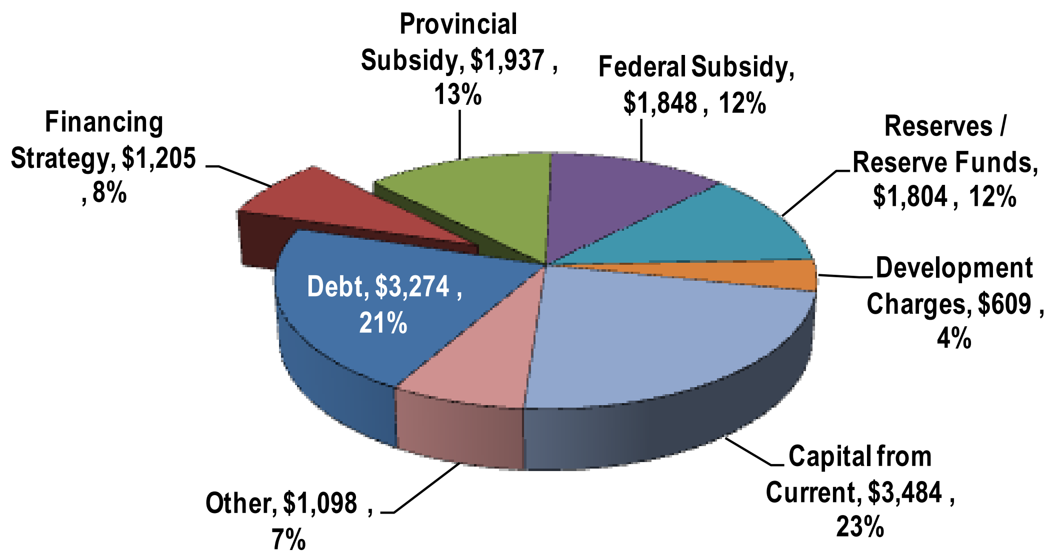


Transit alone accounts for the largest percentage of capital expenditures in the 10-Year Capital Budget and Plan. Inclusive of the Spadina Subway Extension Project, the TTC's 2013 – 2022 Capital Plan is $7.669 billion, representing approximately 50% of the total spending over the 10 year planning horizon. Transportation Services totals an additional $2.944 billion or 19%. Taken together, transit and transportation capital works account for $10.613 billion or 70% of the total expenditures in the 2013 – 2022 Capital Budget and Plan.

The primary financing sources for the 2013 – 2022 Capital Budget and Plan are Federal and Provincial funding that represents $3.786 billion or 24%, Reserves and Reserve Funds that represent $3.009 billion or 20% and reflects increased funding from the Capital Financing Reserve arising from the capital financing strategy, Capital from Current contribution represents $3.484 billion or 23% due to 10% annual increases. Debt is the funding source of last resort and represents $3.275 billion or 23% of the funding down from a historical average of approximately 30%. As the non-debt Capital financing strategies reduces debt cost thereby reducing pressure on the operating budget and providing more ability to fund the delivery on City services, as noted in Chart 2.

The debt and Capital from Current contributions target is based on the City's policy that limits the ratio of debt service cost to tax levy to no more than 15%, on an annual basis. TTC's 10-Year Capital Budget and Plan stays within the target by extending the 2012 approved capital financing strategy by utilizing $534 million of projected financing from proceeds from the use of surplus operating funds in accordance with the City's surplus distribution policy, the monetization of City assets, projected Provincial and Federal funding to maintain and grow the transit system as well as estimated additional contributions that will be realized from the 2013 development charge by-law review.

Chart 2
2013 - 2022 Capital Budget and Plan by Funding Source
$15.260 Billion
($Million)



Note: "Reserves" also reflects $1,205 million in 2013 and future operating budget surpluses; proceeds from monetization of City assets and investments; and projected additional Provincial and Federal funding. "Other" includes cash donations and third party contributions.

Capital from Current (CFC) funding totals $3.484 billion of the total funding for the 2013 – 2022 Capital Budget and Plan of $15.260 billion. To mitigate reliance on debt as a funding source for the City's Capital Plan, CFC will continue to be increased by 10% annually, from $218.615 million in 2013 to $515.483 million in 2022, increasing the CFC contribution relative percentage of financing from 9% in 2013 to 51% in 2022 over the 10 year period of the Capital Plan.

Financial Impact

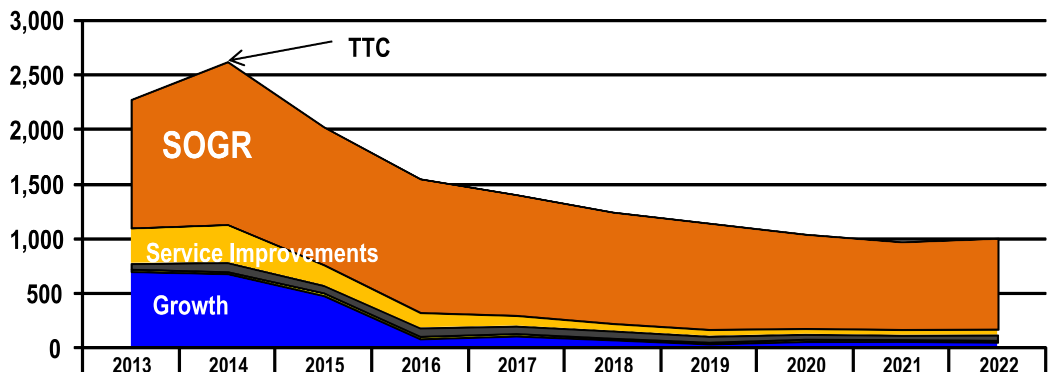
The City of Toronto Act (CoTA), sub-section 228 (1) states that, "The City shall in each year prepare and adopt a budget including estimates of all sums required during the year" for the purpose of continuing the business of the City. Similarly, sections 71-10 and 71-11 of the City of Toronto Municipal Code Chapter 71 'Financial Control' specify: (i) that no expenditure shall be made and no account shall be paid by or on behalf of the City, except with Council approval; and, (ii) that no commitment shall be made except where cash flow funding has been provided in the capital budget to the satisfaction of the Chief Financial Officer. This is achieved through the approval of the 2013 Capital Budget. The 2014 – 2022 Capital Plan provides estimates for the City's long term planning of capital works and financing; and, the basis for developing the annual capital budget.

Capital projects included in the 2013 – 2022 Capital Budget and Plan are prioritized into five categories, as shown in Table 2. Consistent with the 2013 Capital Budget directions and guidelines, the 10-Year Capital Plan focuses on maintaining and rehabilitating existing infrastructure used to deliver services to the citizens of Toronto. Table 2 shows that $11.551 billion or 76% of the 2013 – 2022 Capital Plan of $15.260 billion is allocated to Legislated, Health and Safety, and State of Good Repair (SOGR) projects.

The emphasis on protection and preservation of existing infrastructure continues throughout the 10 year term of the Capital Plan, as graphically illustrated in Chart 3. Although planned spending on SOGR decreases from $1.175 billion in 2013 to $833 million in 2022, it is noted that as a percent of total annual expenditures, SOGR grows incrementally from 52% in 2013 to 83% in 2022, mainly driven by $505 million for the rehabilitation of Gardiner Expressway, $447 million for major road resurfacing and $208 million for major road construction.

Despite the growing demand for investment in infrastructure maintenance to mitigate the SOGR backlog, the 10-Year Capital Plan also invests in essential Service Improvement and Growth Related projects to fulfil Council's strategic priorities, as well as to satisfy growth in service demand from an increasing population. Investment in Service Improvement and Growth Related projects totals $1.022 billion, or approximately 45% of all capital spending in the 2013Capital Budget, as noted in Table 2. A further investment of $2.687 billion or 21% of the funding in the 2014 – 2022 Capital Plan is allocated to Service Improvement and Growth Related projects, resulting in a total investment of $3.709 billion over the 10 year term of the Capital Plan.

Chart 3
2013- 2022 Capital Budget and Plan Expenditures by Category
($Million)



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
SOGR	1,175	1,490	1,261	1,222	1,105	1,019	973	862	802	833
Service Improvement	321	344	184	136	92	63	57	48	48	48
Legislated	52	83	68	77	68	67	55	46	39	49
Health & Safety	24	20	27	23	24	16	16	21	17	18
Growth Related	701	681	481	88	113	78	41	63	65	57

The 2013 Capital Budget totals $2.273 billion, excluding 2012 funding carried forward into 2013, requiring future year funding commitments of $2.132 billion in 2014; $1.222 billion in 2015; $623.740 million in 2016; $426.854 million in 2017; and, $990.990 million from 2018 to 2022.

Capital Financing

The City's 10-Year Capital Budget and Plan is financed from various funding sources, both external and City-own, with debt being the funding of last resort. The City's goal is to maximize funding from external sources, including other orders of government; development charges; contributions; and, donations; prior to utilizing City-own sources such as CFC and the issuance of debt.

Table 2
2013 - 2022 Capital Budget and Plan
by Category and Funding Source
($000's)

Expenditures ($M)	Capital Plan					2013-2017		2018 - 2022		2013 - 2022	
	2013	2014	2015	2016	2017	Total	%	Total	%	Total	%
Health and Safety	24	20	27	23	24	118	1.2%	88	1.6%	206	1.4%
Legislated	52	83	68	77	68	349	3.5%	256	4.7%	604	4.0%
State of Good Repair	1,175	1,490	1,261	1,222	1,105	6,253	63.4%	4,488	83.1%	10,741	70.4%
Service Improvement	321	344	184	136	92	1,078	10.9%	264	4.9%	1,342	8.8%
Growth Related	701	681	481	88	113	2,064	20.9%	303	5.6%	2,367	15.5%
Total Expenditures	**2,273**	**2,618**	**2,021**	**1,547**	**1,402**	**9,861**	**100%**	**5,400**	**100%**	**15,260**	**100.0%**
Funded By:											
Provincial	406	558	327	119	112	1,523	15.4%	414	7.7%	1,937	12.7%
Federal	277	270	217	156	155	1,076	10.9%	773	14.3%	1,848	12.1%
Reserves	113	181	180	159	170	803	8.1%	794	14.7%	1,597	10.5%
Reserve Funds	116	290	241	215	183	1,045	10.6%	367	6.8%	1,412	9.3%
DC	130	60	51	57	62	360	3.6%	249	4.6%	609	4.0%
Other	187	199	165	60	56	666	6.8%	226	4.2%	892	5.8%
Capital from Current	219	240	265	291	320	1,335	13.5%	2,149	39.8%	3,484	22.8%
Debt	825	820	575	490	344	3,053	31.0%	427	7.9%	3,480	22.8%
Total Funding	**2,273**	**2,618**	**2,021**	**1,547**	**1,402**	**9,861**	**100.0%**	**5,400**	**100.0%**	**15,260**	**100.0%**

Note: "Reserves" also reflects $1,205 million in 2013 and future operating budget surpluses; proceeds from monetization of City assets and investments; and projected additional Provincial and Federal funding. "Other" includes cash donations and third party contributions.

The 2013 – 2022 Capital Budget and Plan will be financed from the following funding sources, as shown in Table 2 above:

- Provincial ($1.937 billion or 12.7%) and Federal ($1.848 billion or 12.1%) funding account for $3.785 billion or 25% of total financing;
- Reserve and reserve funds contribute $3.009 billion or 19.8%;
  - Included within the Reserve and Reserve funds in $1.205 billion in new funding requirements that will be funded by proceeds from the use of future operating budget surpluses; monetization of City assets; dividends; and additional expected Provincial and Federal funding, all dedicated to financing Transportation's and TTC's 10-Year Capital Plan.

- Development Charges and "Other" sources, such as donations, contribution from developers and other third parties, provide $1.501 billion or 9.8% of total funding;
- Capital from Current contributions total $3.484 billion, representing 22.8% of total financing;
- Debt funding totals $3.480billion or 22.8% of financing over the 10 year planning horizon; and,

It should be noted that debt funding would otherwise increase by the equivalent amount without the CFC contributions of $3.484 billion. Debt financing is also managed by limiting the City's debt based on the City's affordability to fund debt servicing costs. As a result, debt affordability targets are established for each City Program and Agency for each year of the 10 year capital plan period. The debt management strategies are working and a continued steadfast commitment to fiscal discipline is vital in addressing increased investments with non-debt funding solutions.

Surplus Management Policy

Operating surplus management is in accordance with the policy approved by Council in 2004 which states that the surplus be applied in priority order to the following:

a) Capital Financing Reserve (at least 75% of the surplus) and,

b) The remainder to fund any underfunded liabilities and/or reserve funds as determined by the Deputy City Manager and Chief Financial Officer.

This strategy will ensure that the capital program is properly funded, reduce debt charges increases and protect the City against adverse economic risks.

Non- Debt Capital Financing

During the 2013 Capital Budget process City staff reviewed alternative funding methods to address the Transportation Services and TTC additional capital needs, including debenture financing. The 2013 – 2022 Capital Budget and Plan requires $1.205 billion in new funding to address TTC and Transportation Services' capital needs, this is in addition to the $700 million identified and approved as part of the 2012 Capital Budget for TTC capital needs.

Notwithstanding the useful life of the required capital assets, the addition of $1.205 billion in debenture financing ($1.451 billion if including additional proceed requirements to address $700 million approved in 2012) was not recommended as this approach would result in a $128 million in incremental operating budget impact by 2022 (when all debt is issued) for debt servicing and repayment, utilizing a blended 10-year/30-year repayment scenario. This would add considerable pressure on future year operating budgets, and would increase the City's debt charges as a % of the property tax levy to near the 15% debt servicing limit without capacity to safeguard against potential increased debenture rates or to address emerging capital priorities.

Non-debt funding for the additional $1.205 billion and the prior year remaining balance in transit and transportation projects will come from the Capital Financing Reserve, to be funded by proceeds from the use of future operating budget surpluses; monetization of City assets; dividends; and, additional expected Provincial and Federal funding, all dedicated to financing Transportation's and TTC's 10-Year Capital Plan.

New 2013 – 2022 funding requirements of $1.205 billion and the prior year remaining balance ($1.451 billion in total) in contributions to the Capital Financing Reserve (described below) will be utilized to reduce projected debt financing in the 10-Year Capital Plan. The $1.451 billion in funding is comprised of:

1. Prior Year Operating Surplus ($555 million from 2013 to 2022)
2. Development Charge Increases ($190 million from 2014 to 2022)
3. Future Years Build Toronto Dividend ($415 million from 2013 - 2022)
4. Future Years Federal/Provincial Funding Programs ($250 million beginning in 2018)
5. Toronto Parking Authority One-Time ($41 million in 2016)

A briefing note titled "Capital Financing Strategy" was submitted to the Dec. 12, 2012 Budget Committee meeting for information. The briefing note provided details of the TTC and Transportation funding requirement and the funding from the Capital Financing Reserve noted above which are detailed in Appendix 6.

The capital financing strategy is applied against emerging capital needs to mitigate City-wide debt requirements. The 2013 Capital Budget process did not afford staff the opportunity to apply these funds in a strategic manner against capital projects that met prescribed criteria such as useful life or type of capital asset, enables the City to prevent debt level in its 10-year capital plan from reaching the debt threshold of 15% of property tax funding and averages about 12% over the 10-year period.

In 2013, in preparation for the 2014 Capital Budget process, the capital financing strategy will be refined to best match the application of both debt and financing from the Capital Financing Reserve within the 2014 – 2022 Capital Plan against established capital funding criteria, ensuring the full utilization of available debt funding for capital assets.

Development Charge Funding

Development Charge funding has been utilized to the extent permissible in the 2013 – 2022 Capital Budget and Plan in order to mitigate the reliance on debt funding. Development Charge funding was directed to growth-related eligible capital projects, as required under Development Charge Legislation. As part of the Development Charges Bylaw, 2013 represents the third year of a four year (2011 – 2014) phase-in of the Council adopted development charge rate increases. As land development activity has been robust in 2010 and 2011, development charge funding provided for in the 2013 – 2022 Capital Plan has reduced debt requirements by $147.335 million over the 10 year planning period. These debt reductions are reflected primarily in the following programs:

Parks, Forestry and Recreation ($18.108 million); Transportation Services ($65.387 million); and, TTC ($55.506 million).

Debt Financing

As shown in Table 3, the City will retire and reissue debt totalling $3.158 billion over the 10 year planning horizon that will have no incremental impact on debt service costs. After retiring and reissuing the $3.158 billion, the total new debt requirement has been set at $116 million.

Table 3

2013 - 2022 Budget Capital Budget and Plan

Debt Targets ($ Million)

	2012 Council Approved Debt/CFC	2013	2014	2015	2016	2017	2013 - 2017 Debt / CFC	2013 - 2022 Debt / CFC
Debt/CFC Requirement:								
TTC (includes Spadina)	386	484	390	280	282	205	1,641	2,210
City Programs and Other Agencies	441	503	617	506	482	458	2,565	4,548
Total Planned Debt	**827**	**987**	**1,006**	**786**	**764**	**664**	**4,207**	**6,759**
Capital from Current (CFC)	199	219	240	265	291	320	1,335	3,484
Total Debt Requirement	**628**	**768**	**766**	**521**	**473**	**344**	**2,872**	**3,274**
Baseline Debt - Retire/Reissue	0	(120)	(228)	(300)	(475)	(500)	(1,623)	(3,158)
New Debt Requirement	**628**	**648**	**538**	**221**	**(2)**	**(156)**	**1,249**	**116**

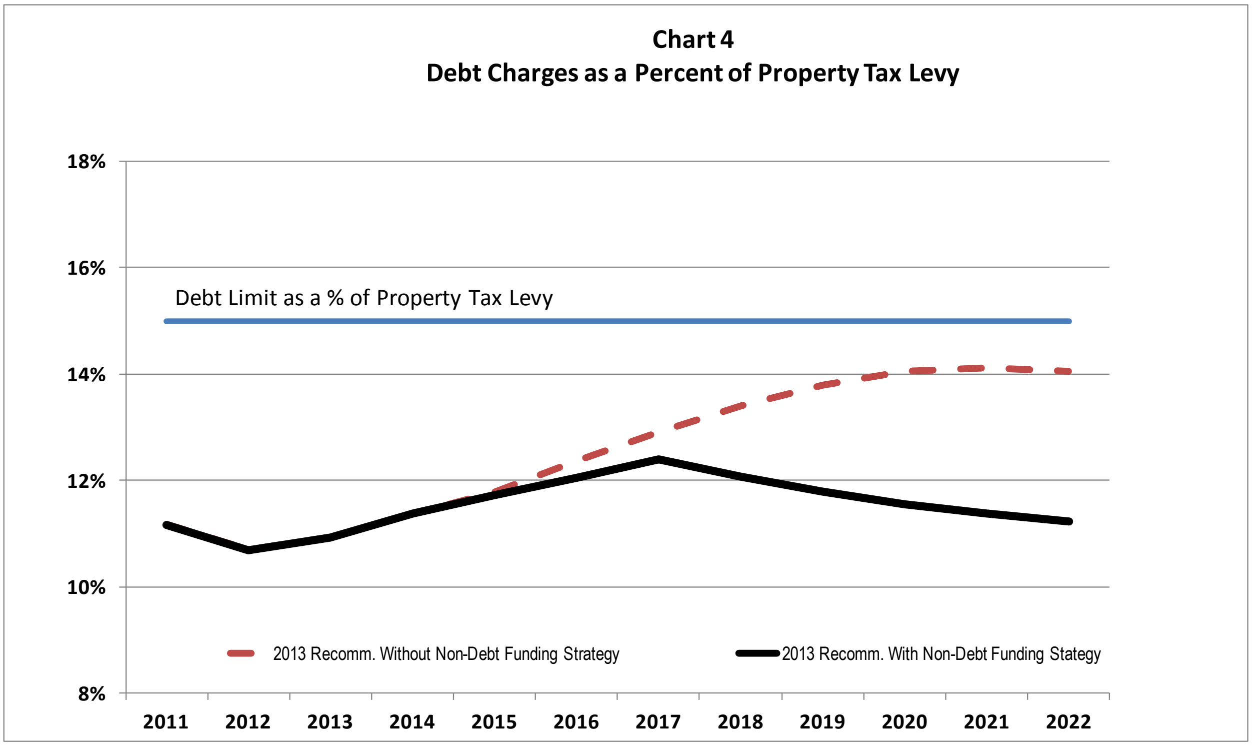
Table 3 shows that new debt will be minimal as a result of the non-debt funding strategy. The CFC allocation is largely dedicated to the City's capital projects that have a service life less than 10 years. The TTC's debt requirement is $2.210 billion, inclusive of the Spadina Subway Extension Project; transit fleet replacement; and, other capital works that have a service life of close to 30 years.

Debt Service Ratio

At its meeting of February 23 and 24, 2011 (EX3.3), Council adopted a maximum limit of 15% of debt service charges as a percentage of property taxes. This reaffirmed the limit which was established by Council in 2006.

As a result of the capital financing strategy and reduced interest rates, the debt service charge ratio resulting from the 2013 – 2022 Capital Budget and Plan will not exceed the approved 15% debt service charge guideline, as shown in Chart 4.

There are two important factors to consider in Chart 4. First, operating budget pressures from debt charges over the next several years will be significantly moderated by applying most of the $1.205 billion in new financing from 2013 and future operating budget surpluses; asset monetization; dividends; and expected new Provincial and Federal funding in the first five years of the Capital Plan.



Second, the buffer between the forecasted debt charges and the 15% limit is wider. This provides the City with room for unforeseen capital emergencies and to accommodate higher interest rates, if required. However, the buffer should not be considered as additional funding capacity for adding capital projects over the 10 year planning horizon, but rather reducing debt service cost that provides flexibility to fund enhanced City services.

Authority to Issue Debentures During 2013

The proceeds from debentures to be issued under the authority will be used to finance capital expenditures that have been incurred or committed for approved projects. The authority to borrow up to $900 million for City purposes in each year, 2013 and 2014, has been authorized under By-law No. 330-2011 as amended by By-law No. 100-2012 in order to maintain capital market timing flexibility and the ability to finance:

- Capital expenditures that were previously approved but not yet permanently financed; and,
- Debenture requirements as contained in the 2013 – 2022 Capital Budget and Plan, which will be considered by Council at its special meeting to be held on January 15th to 17th, 2013.

The Acting Deputy City Manager and Chief Financial Officer confirms that borrowing up to $900 million to fund 2013 capital expenditures (i) can be financed by the issuance of debentures with terms not to exceed 30 years; and, (ii) will not increase tax-supported debt charges as a percent of the property tax levy to exceed 15%. The Acting Deputy City Manager and Chief Financial Officer further confirms that funds are available from the other sources identified in the 2013 Capital Budget.

Approval of the 2013 Sinking Fund Levies

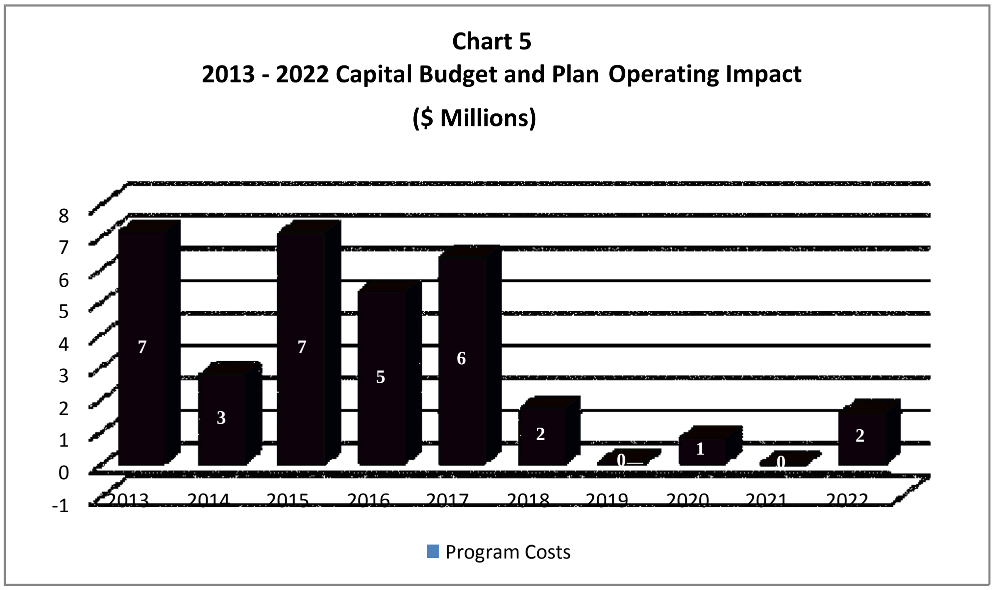
The City of Toronto Act (CoTA), sub-section 255 (4) states that, "If in any year an amount is or will be required by law to be raised for a sinking fund or retirement fund of the City, the City treasurer shall prepare for City Council, before the budget for the year is adopted, a statement of the amount." Council's approval was obtained for the 2013 sinking fund levies of $160.806 million or the City and $2.294 million for the Toronto District School Board (TDSB). Sinking fund levies for the TDSB will be fully recovered.

Incremental Operating Impacts

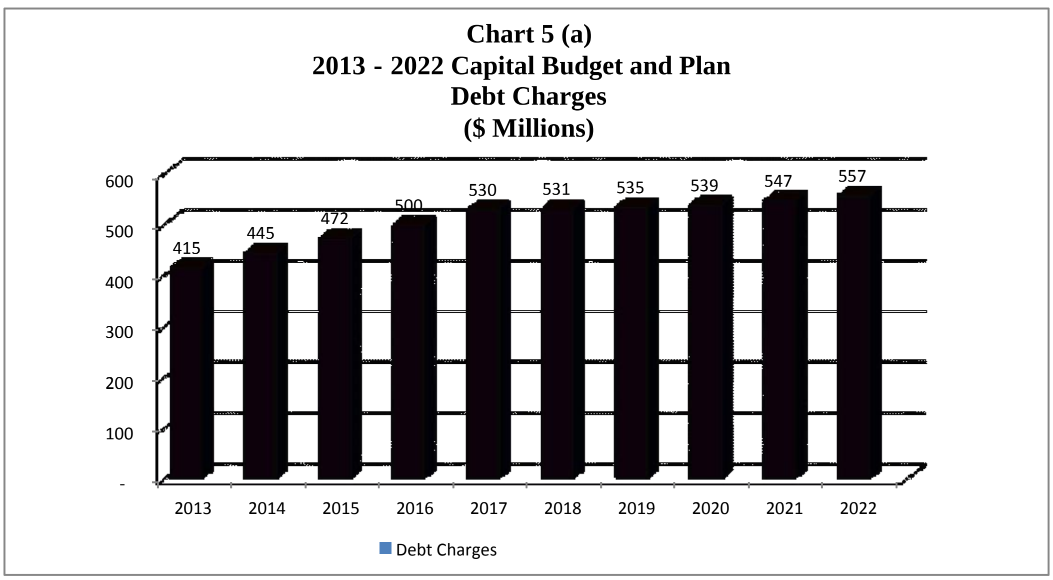
As part of the annual capital budget process, the incremental cost impact on the operating budget of each project over its useful life is estimated and evaluated. The objective of this evaluation is to ensure that all operating cost increases associated with the 10–Year Capital Budget and Plan are both accurate and affordable, and to factor these cost increases in the annual operating budget and forecasts. Similarly, incremental operating savings or revenues arising from the completion of capital projects are also captured.

Capital projects impact the operating budget in the following ways:

- Principal repayment and interest payments on debt issued to finance the capital plan;
- Increased operating costs including on-going maintenance and programming costs for new infrastructure, rehabilitated or expanded facilities;
- Efficiency savings from capital investments that reduce operating costs; and / or,
- Direct contributions from the operating fund to finance pay-as-you-go capital projects thereby reducing the annual borrowing requirements.



The incremental operating impact from the approval of the 2013 – 2022 Capital Budget and Plan on the City's Operating Budgets totals $33 million over the 10 year period, as set out in Chart 5.



Incremental debt service charges of $163 million represent interest and principal repayment on new debt over the term of the 10-Year Capital Plan, debt charges are increasing over 2013 - 2015 and remaining flat through the 2016 - 2022, as set out in Chart 5 (a); and, incremental net increases to City Programs and Agencies operating costs are estimated at $33 million. Program costs are included in the operating budget of the appropriate City Program or Agency; while debt service costs are provided for in the capital and corporate financing account.

COMMENTS

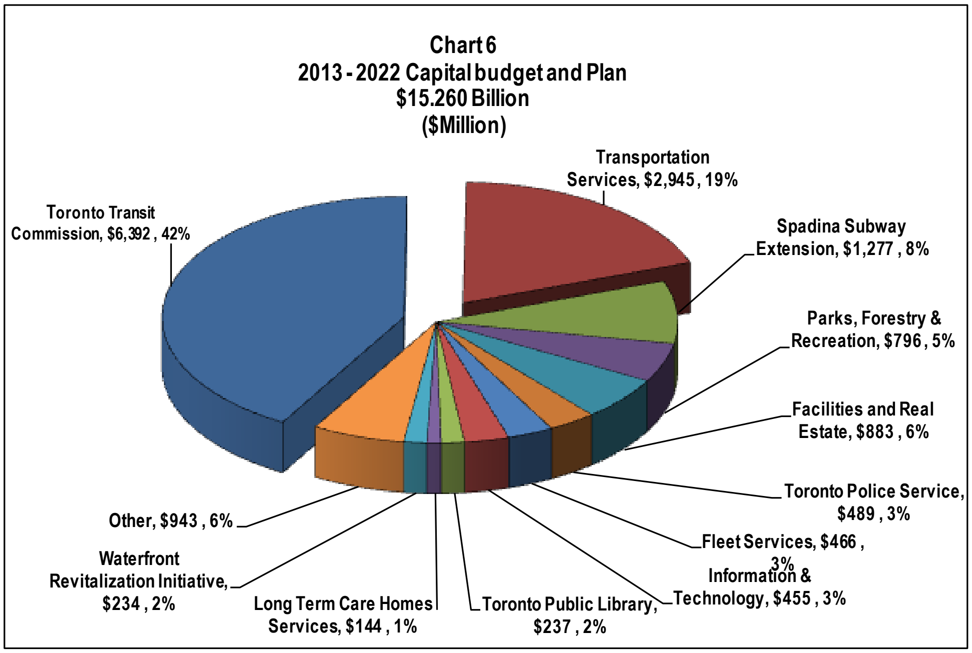
2013 – 2022 Budget Capital Budget and Plan

Major challenges for the 2013 multi-year capital planning process included:

- Addressing the increased investment need in SOGR due to aging infrastructure such as the Gardiner Expressway for Transportation.
- Accommodating Ridership Growth for TTC.
- Uncertainty over Provincial and Federal Funding.
- Managing debt by ensuring that debt costs remain below the 15% approved by Council.

The 2013 – 2022 Capital Budget and Plan satisfies Council's policy agenda, is fiscally responsible and focuses on infrastructure rehabilitation. It places priority on projects that protect the health and safety of citizens, meet legislated requirements, and those that maintain the City's infrastructure in a state of good repair to support cost-effective service delivery. Balancing the extensive capital maintenance needs of the City's massive and aging infrastructure against demands for new investments to satisfy the service requirements of a growing population and emerging priorities within affordable debt limits continues to be a challenge for the City.

The 2013 – 2022 Capital Budget and Plan totals $15.260 billion (excluding 2012 funding carried forward into 2013). TTC alone accounts for the majority of the expenditures in the 10 year capital spending plan. Inclusive of the Spadina Subway Extension Project, the TTC's 2013 – 2022 Capital Budget and Plan is $7.669 billion representing approximately 50% of the total spending in the Capital Plan while Transportation Services totals $2.994 billion or 19%. Taken together, transit and transportation capital works account for 70% of the expenditures in the 2013 – 2022 Capital Budget and Plan, as outlined in Chart 6.



Toronto Transit Commission

The 10-Year Capital Budget and Plan for the TTC totals $7.669 billion of which $1.277 billion is allocated to the Spadina Subway Extension Project. Excluding the Spadina Subway Extension project, the TTC's 10-Year Capital Plan is $6.392 billion which requires debt financing of $2.095 billion.

Prior to submitting the 2013-2022 Capital Plan, TTC assessed their capital needs through a series of internal budget reviews and initially submitted a 10-Year Capital Plan comprised of capital works that totaled $6.466 billion in gross expenditures that would have required $2.782 billion in new City debt funding. This requested debt funding exceeded the TTC's established 10-year debt target of $2.095 billion by $687 million which went beyond the City's debt capacity and, was therefore, not affordable.

TTC Debt Shortfall - 2013-2022	
	$Millions
2013-2022 Debt Target Shortfall	687
2013-2022 Deferrals	
Toronto Rocket Yard & Storage Track Accommodation	(40)
Purchase of Wheel-Trans Vehicles	(34)
Total Project Deferrals	(74)
Funding Increase (Development Charges)	(79)
Total Funding Increase	(79)
2013-2022 Debt Target Shortfall	534
Operating Surplus/Asset Monetization Proceeds/Provincial and/or Federal Funding	(534)
2013-2022 Revised Debt Target Variance - Over/(Under)	-

Similar to last year, in order to fund the TTC's capital needs, the Budget Committee is recommending the following actions to be taken to reduce expenditures and maximized non-debt financing sources:

- Reduce $74 million in expenditures by deferring the Toronto Rocket Yard and Storage Track Accommodation and the Purchase of Wheel-Trans Vehicles projects.
- Maximize Development Charge funding for eligible growth projects resulting in an increase to DC funding of $79 million from existing DC By-Law balances and projected contributions.
- Apply $534 million in reserve funding to be provided from the capital financing strategy utilizing proceeds from the use of surplus operating funds in accordance with the City's surplus management policy, proceeds/investments from the monetization of City assets and real estate, and additional contributions to transit from the Federal and Provincial government as well as an anticipated increase in DC funding following completion of the 2013 Development Charge By-Law review.

Transportation Services

As part of the 2013 Capital Budget process, Transportation Services identified costs of $748 million for key unfunded capital priorities that will increase the state of good repair funding for the resurfacing and reconstruction of major roads in the City; and to rehabilitate the F.G. Gardiner Expressway as well as to address several key growth-related projects which will contribute to alleviating traffic in areas of the City that have experienced significant growth over recent years, including Steeles Widenings (Tapscott Road - Beare Road) ($38 million), St Clair West/Metrolinx Georgetown Grade Separation ($32 million) and Legion Road Extension & Grade Separation ($45 million) for a total amount of $115 million. The resulting increase of $748 million in capital works requires funding beyond Transportation Service 10-year debt target of $1.949 billion. This level of debt funding will take the city beyond its debt capacity, and is therefore, not affordable.

Transportation Debt Shortfall - 2013-2022	
	$Millions
2013-2022 Debt Target Shortfall	748
2013 Project Reductions	
Various reductions based on Capacity to Spend	(8)
Total Project Reductions	(8)
Funding Increase (Development Charges)	(69)
Total Funding Increase	(69)
2013-2022 Debt Target Shortfall	671
Operating Surplus/Asset Monetization Proceeds/Provincial and/or Federal Funding	(671)
2013-2022 Revised Debt Target Variance - Over/(Under)	-

To manage the funding for additional $748 million in capital work, the Budget Committee is recommending the following actions be taken to reduce expenditures and maximize non-debt funding sources.

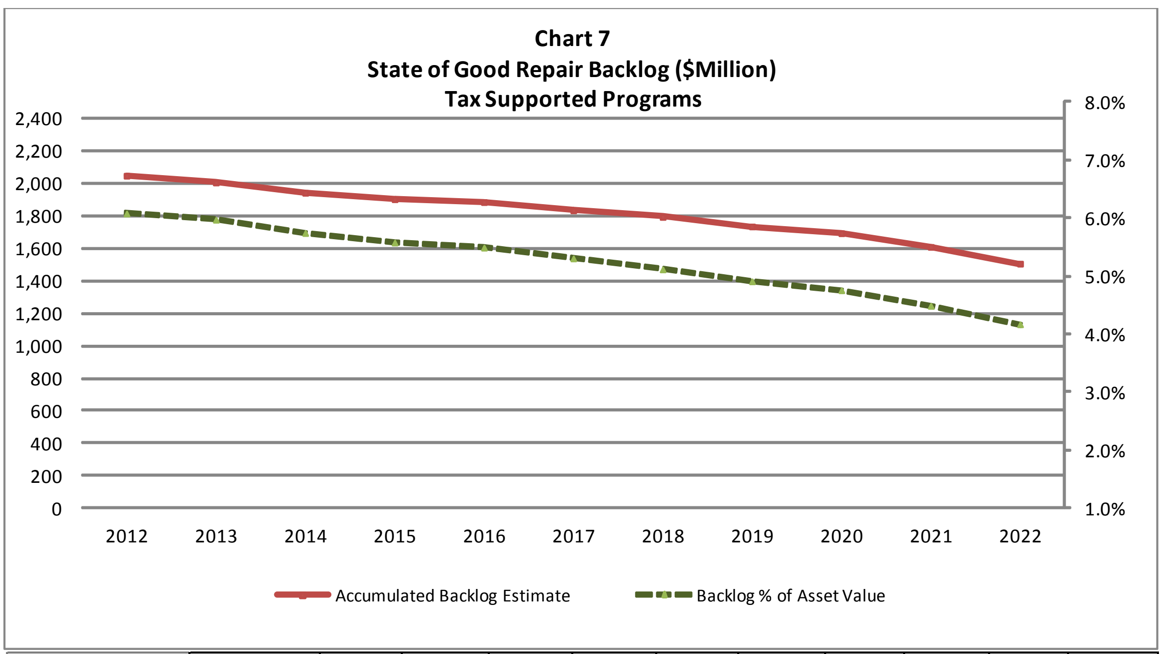
- Reduce existing capital projects by $8 million based on a re-evaluation of current capital requirements.
- Maximize Development Charge funding for eligible growth projects resulting in an increase to DC funding of $69 million from existing DC By-Law balances and projected contributions.
- Apply $671 million in assumed reserve funding to be provided from proceeds from the use of surplus operating funds in accordance with the City's surplus management policy, the monetization of City assets and contributions to Transportation from the Provincial and Federal government as well as an anticipated increase in DC funding following completion of the 2013 Development Charge By-Law review.

State of Good Repair (SOGR) Backlog

Managing the accumulated SOGR backlog is a key strategic objective and priority. Valued at over $65 billion the City's expansive asset inventory and its infrastructure is aging. In addition, there is growth in the City's infrastructure and capital assets, which places a burden due to the rising cost of maintenance because of inflation on resources to ensure that capital assets are kept in a state of good repair. For example, 70% of the road network is over 30 years old; 50% of the water network is over 50 years old; and, 68% of all City assets are in excess of 30 years old. Neglecting to maintain the infrastructure on a timely basis invariably leads to higher rehabilitation, restoration and replacement costs to taxpayers in the future.

The SOGR backlog for Tax Supported Programs will change marginally between 2012 and 2015. Estimates indicate that the accumulated SOGR backlog will start decreasing from $2.005 billion in 2013 to approximately $1.506 billion in 2022. SOGR spending grows from approximately 63% of total expenditures from 2013 – 2017 to 83% in 2022. The accumulated SOGR backlog, as a percentage of asset value, is not uniform over the 10-Year Capital Plan; and declines from 5.97% in 2013 to 5.74% in 2014 and 4.17% in 2022, as outlined in Chart 7 below.

To further reduce the SOGR backlog, the City needs sustainable and predictable funding to invest in capital asset maintenance and replacement in order to ensure its infrastructure is maintained in a desired state of good repair. New funding strategies must be pursued in order to reduce the burden on debt financing while achieving the desirable goal of fully addressing the SOGR backlog and growth related infrastructure demands. A need exists to rationalize assets, seek opportunities to co-locate similar services and reduce costs and explore best possible uses of current City assets to help finance the capital program. It is noted that additional new debt issuance is not a tenable option as the City addresses its structural fiscal deficit. The City will continue to ensure that the highest priority and most urgent capital maintenance projects are implemented and that risks of further deterioration of the existing infrastructure are mitigated.



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Asset Value	33,665	33,570	33,797	34,094	34,311	34,547	35,037	35,321	35,573	35,829	36,091
Accumulated Backlog Estimate	2,046	2,005	1,941	1,902	1,884	1,833	1,793	1,735	1,693	1,609	1,506
Backlog % of Asset Value	6.08%	5.97%	5.74%	5.58%	5.49%	5.31%	5.12%	4.91%	4.76%	4.49%	4.17%

What is Being Built - Project Highlights

Listed below are key projects to be delivered by the 2013 – 2022 Capital Budget and Plan. These projects contribute toward fulfilling the City's priorities and on ensuring that the assets used to deliver services to the public are maintained. The projects highlighted below indicate major deliverables / outcomes, delivery date and the 2013 – 2022 cash flow funding.

A major priority of Council is to make Toronto a City that moves people by transit and manages its extensive and aging roadway infrastructure in a state of good repair to ensure required services continue to be provided. The 2013 – 2022 Capital Budget and Plan include projects that will:

- Maintain 1,000 km of roads, 50 km of Expressways, 600 km of sidewalks and 150 bridges and structures in a safe and hazard-free state (2013 **–** 2022 $2.264 billion).
- Complete up to 100 km of off-street bicycle paths, 80 km of critical on-street connections and 8,000 new bicycle parking spaces throughout the City (2013 – 2022 $90.757 million).
- Continue to address health and safety concerns through major signal modifications, accessible pedestrian signals (audible signals), and pedestrian safety and infrastructure programs (2013 – 2022 $40.484 million).
- Continue construction of the second platform and concourse improvements at Union Station (2013 – 2014 $17.968 million)
- Purchase 138 of 360 new subway cars (23 of 60 train sets) to replace aging subway cars and increase capacity by 9% (2013 – 2016 $71.302 million)
- Acquire 153 new articulated buses and 99 new forty foot diesel buses to improve service by 2017 (2013 – 2022 $222.159 million)
- Purchase 204 low-floor, accessible light rail vehicles to replace the existing streetcar fleet (2013 – 2019 $781.357 million)
- Make progress on the Easier Access Program to ensure that the TTC is fully accessible by 2025 (2013 – 2022 $383.916 million)
- Continue installation of state-of-the-art signalling systems on the Yonge-University-Spadina line to increase train capacity by allowing trains to run more frequently and closer together (2013 – 2019 $255.984 million)
- Continue to revitalize Union Station with improvements to its transportation and retail spaces; including the Northwest Path (2013 – 2016 $360.662 million)

Public safety and responsive emergency services are a major priority of the citizens of Toronto. To this end, the 2013 – 2022 Capital Budget and Plan include projects that will:

- Replace the radio communication system shared by the Toronto Police Service, Fire Services and Emergency Medical Services by 2014 (2013 **–** 2014 $41.758 million).

- Complete construction of the new Fire Station D in Scarborough (2013, $4.275 million); Chaplin Fire Station (2013 – 2014, $4.685 million)
- Construct new Fire Station B in Downsview (2013 –2014, $9.885 million)
- Construct new Fire Station A near Highway 27 and Rexdale Blvd. (2014 – 2016, $7.242 million)
- Construct new Fire Station G in the Sunnybrook area (2021 – 2022, $9.619 million)
- Construct a new ambulance station at Plewes Rd (2013 – 2015, $11.200 million)
- Construct a new facility for EMS District 5 – Service District Centre which will allow EMS to consolidate Special Operations Units under one building (2018 – 2022, $7.200 million)
- Construct a new ambulance station to improve emergency response times at the Queensway and Royal York area (2019 – 2021, $3.660 million)
- Expansion of EMS Station #39 to improve emergency response times at the East Mall Etobicoke area (2020 – 2022, $3.260 million)
- Complete renovation of the 330 Progress are for property and evidence management facility (2013, $5.831 million) and to accommodate parking enforcement requirements (2013-2014, $9 million).
- Relocate and replace Police Service's 54 Division (2014 – 2016, $36.296 million) and 41 Division (2016 – 2019, $38.928 million)
- Relocate and replace Police Service's 13 Division (2018 – 2021 $38.929 million)
- Renovate Police Service's 52 Divisions (2022 $2.948) million

The City offers community programs and services that improve the quality of life of all its citizens and ensure opportunity for all. The 2013 – 2022 Capital Budget and Plan include projects that will:

- Redevelop Seaton House shelter (2013-2019 $21.850 million)
- Continue the expansion of the Leaside Memorial Gardens Arena (2013 $7.3 million)
- Maintain in a state of good repair the harbourfront, marine service and seawall (2013 $1.850 million) and special facility building structures (2013 $3.450 million).
- Complete the Mount Dennis Library renovation (2013 - $1.577 million)
- Continue the redevelopment of parkland such as June Callwood Park (2013, $2.317 million), Regent Park Redevelopment (TCHC) Phase 2 (2013, $2.750 million), Grange Park (2013 – 2014, $4.876 million), and dogs-off-leash area improvements (2013 – 2016, $2.000 million)
- Continue to deliver SOGR capital upgrades in the 26 municipally owned child care centres in City-owned facilities, (2013-2022, $13.344 million)
- Construct various community centres, including York Community Centre (2013 – 2014 $23.443 million) and Regent Park Community Centre (2013 – 2014 $18.070 million)

- Construct Child Care Centre #5 (2014-2018, $3.900 million) with 100 new spaces;
- Continue to deliver SOGR capital upgrades for 16 shelter sites (2013-2022 $9.000 million);
- Continue the planning, design and construction of Regional Sports Complex and Central Waterfront Public Realm (2013 – 2015 $35.962 million)
- Continue the construction of two new library branches:
    - A new facility located at Fort York Blvd. and Bathurst Street to serve the rapidly growing community scheduled to open by 2014 (2013-2014 $6.495 million)
    - Construct Scarborough Civic Centre Library, provide a new library to serve the needs of the growing community due to recent residential development (2013-2015 $7.405 million)
- Relocate the Library materials processing centre at 1076 Ellesmere to facilitate high volume materials handling and distribution services (2013-2014, $9.080 million)
- Continue the revitalization of the Toronto Reference Library (2013-2015, $10.913 million)

The City is investing in public spaces that are developed and maintained in a clean and beautiful condition for the general community. The 2012 – 2021 Capital Budget and Plan include projects that will:

- Continue the Places Civic Improvements project to enhance the quality of the City's open spaces within the road (2013 – 2022, $27.826 million).
- Revitalize Nathan Phillips Square to host a greater number and variety of public activities and special events (2013 – 2014 $7.436 million).
- Improve Business Improvement Areas (BIA) streetscapes (2013 – 2014 $5.562 million).
- Continue restoration of Casa Loma (2013 – 2015 $5.633 million).

Residents will be provided with direct and simple access to City staff and services. The 2013 – 2022 Capital Budget and Plan include projects that will:

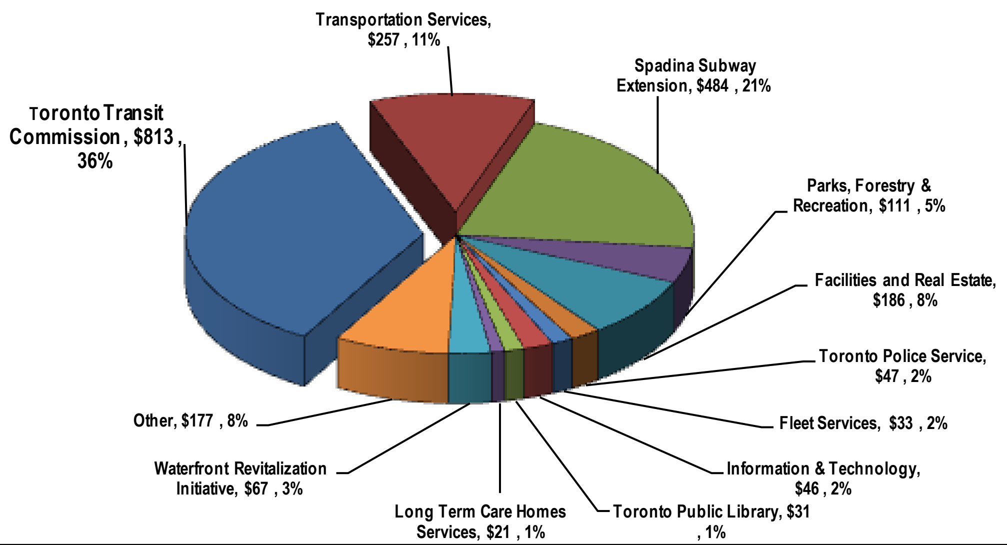
- Continue Electronic Service Delivery for the public to access and interact on-line, examples include:
    - On-line access to Municipal Licensing and Standards information and services (2013-2016, $1.469 million);
    - On-line and permit approval (2013-2016, $4.645 million); and Technical Services – engineering and survey file and document management
    - On-line service for access to tender and construction documents (2013-2015, $0.850 million)
- Complete 311 Toronto's cross-divisional scheduler for court rooms and meeting rooms and other city appointments (2013, $1.641 million)

- Complete the integration of recreation registration with allowing the public to register for recreational programming by dialling 311. 311 Toronto (2015, $1.500 million)
- Continue Web Foundation and implementation for greater customer access to City information (2013-2017, $9.721 million)
- Continue the implementation of the Infectious Disease Control System project that will implement a new national public health system (2013-2015, $2.145 million).

2013 Budget Capital Budget

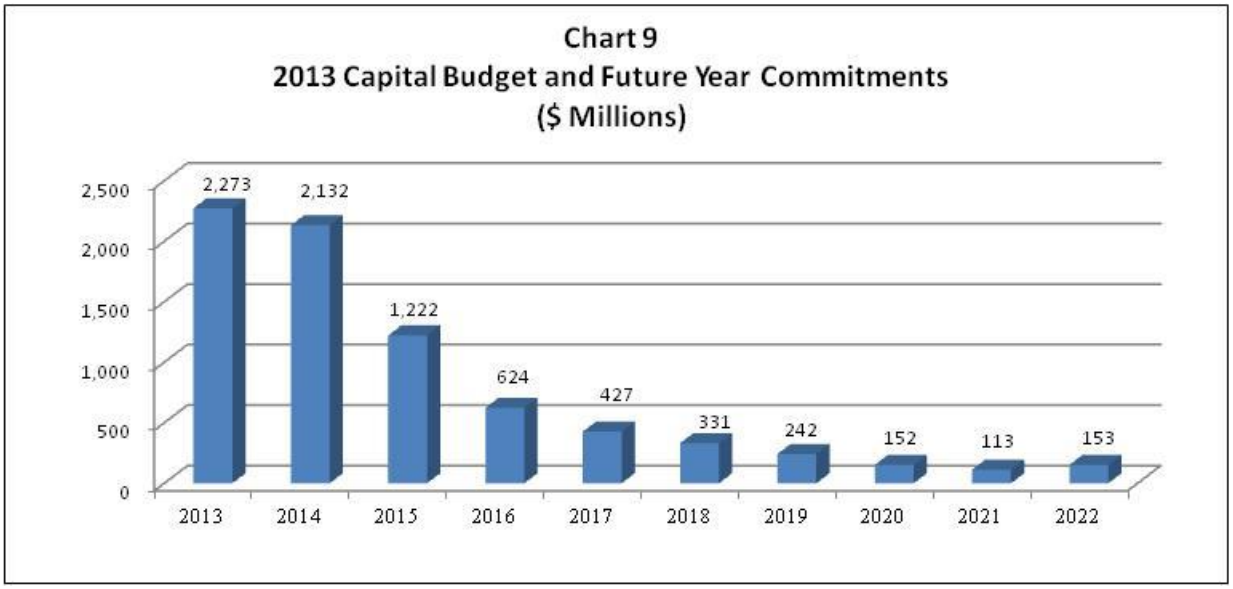
The 2013 Capital Budget, excluding 2012 carry forward funding, totals $2.273 billion. Chart 8 shows the 2013 Capital Budget of $2.273 billion by major Program and Agency. Capital spending for the TTC (inclusive of the Spadina Subway Extension Project) represents 57% or $1.297 billion of the total capital expenditures for 2013, followed by Transportation Services which accounts for 11% or $256.631 million. Similar to the 10 year Capital Plan, the 2013 Capital Budget allocates $1.554 billion or 68% of capital spending to TTC (inclusive of the Spadina Subway Extension Project) and Transportation services.

Chart 8
2013 Capital Budget by Program and Agency
$2.273 Billion
($Million)



2013 Capital Budget and Future Year Commitments

Approval of the 2013Capital Budget of $2.270 billion (excluding 2012 funding carried forward into 2013) will commit the City to future year cash flow funding of $2.132 billion in 2014; $1.222 billion in 2015; $623.740 million in 2016; $426.854 million in 2017; and, $990.990 million from 2018 to 2022, as outlined in Chart 9.



2013 Capital Budget Including Carry Forward Funding

In accordance with the City's Carry Forward Funding Policy, financing to continue work on 2012 projects that were not completed as planned, require Council approval to carry forward the unspent cash flow and re-budget funding balance. A capital project with carry forward funding is a previously approved project for which approved capital work was not completed on schedule and the associated cash flow budget was not fully spent and / or committed in the year of approval. In these situations, the unspent amount, or a portion thereof, will be required to complete the project and is carried forward to the following year and added to the new cash flow estimates.

Rate Supported Programs

The City of Toronto's Council approved Rate Supported Capital Budget and Plan on November 29, 2012 which is comprised of Toronto parking Authority Toronto Water and Solid Waste Management.

Toronto Parking Authority (TPA) 2013 – 2022 Capital Budget and Plan

The 2013–2022 Capital Budget and Plan totals $358.190 million, not including funding carried forward from 2012 into 2013 of $11.869 million, of which $231.655 million or 65% is projected for the first 5 years, with the final 5 years requiring funding of $126.535 million or 35%, as shown in Table 4.

Over the 10 year capital planning horizon, the Authority continues to be 100% self-sustaining with no reliance on City debenture financing and therefore its 10-Year Capital Plan does not impact the municipal property tax levy.

Table 4
Toronto Parking Authority
2013 - 2022 Capital Budget and Plan
by Category and Funding Source

($ Million)	Capital Plan					2013 - 2017		2013 - 2022	
Expenditures:	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**	**%**	**Total**	**%**
State of Good Repair	5.6	5.0	5.0	5.0	5.0	25.6	11.0%	50.6	14.1%
Service Improvements	20.6	27.4	51.0	27.5	58.8	185.3	80.0%	254.8	71.1%
Growth Related	2.0	8.8	0.0	0.0	10.0	20.8	9.0%	52.8	14.7%
Total Expenditures	**28.2**	**41.2**	**56.0**	**32.5**	**73.8**	**231.7**	100%	**358.2**	100.0%
Funded By:									
Reserve/Reserve Funds	7.1	4.3			1.0	12.4	5.4%	12.4	3.5%
Current & Future Retained Earnings	12.5	32.0	51.7	13.5	36.8	146.5	63.2%	264.9	74.0%
Sale of Air-Rights & Benefiting Assessments	8.6	4.9	4.3	19.0	36.0	72.8	31.4%	80.9	22.6%
Total Funding	**28.2**	**41.2**	**56.0**	**32.5**	**73.8**	**231.7**	36.8%	**358.2**	100.0%

The Toronto Parking Authority is responsible for providing safe, attractive, conveniently located, well maintained and competitively priced on-street and off-street parking as an integral component of Toronto's transportation system. It provides continued support to the prosperity of the local communities and business areas across the City.

The Toronto Parking Authority manages an estimated 19,000 on-street spaces controlled by the highly successful and profitable pay-and-display environmentally friendly technology or single spaced meters. The Authority also maintains approximately 22,100 off-street spaces, which include 12 attended lots; 14 fully automated garages; and, 172 unattended lots. The total estimated replacement value of the Toronto Parking Authority assets is $613.946 million.

The Authority's strategic priorities include continued improvements to customer service through innovative solutions to specific parking problems, efficient expansion of services via joint partnership with the private sector, and utilization of new technologies to reduce operating costs and provide convenient alternative payment options to its clients.

Funding for the Toronto Parking Authority's 10-Year Capital Plan focuses on balancing infrastructure renewal needs for state of good repair and service improvement and growth projects to meet the forecasted increase in demand for off-street parking, while minimizing service interruptions and revenue losses. It will provide for approximately 40 new carparks, expansion of 8 existing carparks and redevelopment of another 10 carparks across the City.

The 10-Year Capital Plan supports the Toronto Parking Authority's objectives of providing safe, attractive, self-sustaining, conveniently located and competitively priced off-street and on-street public parking as follows:

State of Good Repair (SOGR); Health and Safety and Legislated Projects

- $50.636 million is in the 10-Year Capital Plan to fund a comprehensive state of good repair program for the maintenance of off-street and on-street parking facilities and related infrastructure.
- State of Good Repair projects are driven by renewal needs and are designed to extend the useful life of assets and to ensure service reliability. Examples include electrical upgrades, elevator replacement, replacement of bumper fences, etc., at various carparks throughout the City.

Service Improvement Projects

- Over the 10-year capital planning horizon funding of $254.804 million is dedicated for the expansion and / or redevelopment of off-street parking facilities. The parking facilities will ensure that businesses in areas served throughout the City continue to grow and their neighborhoods remain vibrant.
- Green projects at various carparks have enabled the Toronto Parking Authority to increase landscaping at existing off-street parking facilities throughout the City. This program will improve the retainment of rainwater and reduce surface run-off. The 10-Year Capital Plan provides funding of $0.800 million for the greening of carparks.
- Major joint venture redevelopment projects planned within the 2013-2022 timeframe include the following projects:
  - Carpark 217 - $10.900 million in 2013: The retail area severed by Carpark 217 is in need of additional off-street parking.
  - Carpark 15 - $32.000 million in 2017: The existing carpark is aging and a completely new garage will be required in the near future.
  - Carpark 5 - $10.000 million in 2016: The redevelopment of Carpark 5 will improve off-street parking services and accommodate the development of a new building by a developer.
  - Carpark 412 - $4.000 million in 2017: The redevelopment of Carpark 412 will replace the current carpark and provide a new building developed by a joint venture partner.
  - Carpark 224 - $11.000 million in 2016: The existing carpark is aging and a completely new garage will be required in the near future.

- Redevelopment of Carpark 12 - $9.300 million in 2015.

- The Toronto Parking Authority is currently negotiating and finalizing the joint venture arrangements with their respective development partners for the above projects.

Growth Related Projects

- Over the 10 year capital planning horizon funding of $52.750 million is provided for development of off-street parking facilities to address anticipated future parking needs. Significant new carparks include the following:
  - Harbourfront - $4.500 million in 2017.
  - King, West of Spadina - $4.000 million in 2022 .
  - King / Parliament (Reinvestment Area) - $8.000 million in 2020.
  - Queen/Ossington to Dufferin - $4.250 in 2014.
  - Kingston Road – West of Victoria Park - $2.000 million in 2013.
  - Bay / Lakeshore (Downtown Fringe) - $10.000 million in 2020.
  - North York Centre - $4.000 million in 2021.

Toronto Water – 2013 – 2022 Capital Budget and Plan

The 2013–2022 Capital Budget and Plan totals $8.185 billion, excluding funding carried forward from 2012 to 2013 of $131.390 million, of which $3.682 billion or 45% is projected for the first 5 years, with the final 5 years requiring funding of $4.503 billion or 55%.

Over the 10-year planning horizon, Toronto Water continues to be 100% self-sustaining with no debenture financing. The program primarily funded from Reserve / Reserve Funds as illustrated in Table 8 below.

Table 5 Toronto Water 2013 - 2022 Capital Budget and Plan by Category and Funding Source									
($ Million)	Capital Plan					2013 - 2017		2013 - 2022	
Expenditures:	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**	**%**	**Total**	**%**
Health and Safety	7.6	15.2	11.1	4.8	2.0	40.7	1.1%	48.7	0.6%
Legislated	17.1	67.1	77.2	93.2	106.6	361.2	9.8%	636.4	7.8%
State of Good Repair	333.8	426.3	457.3	454.0	470.1	2,141.5	58.2%	4,685.0	57.2%
Service Improvements	145.7	195.2	184.2	194.9	167.9	887.9	24.1%	2,065.9	25.2%
Growth Related	21.7	38.8	53.5	56.6	80.1	250.7	6.8%	749.2	9.2%
Total Expenditures	**525.9**	**742.6**	**783.3**	**803.5**	**826.7**	**3,682.0**	100%	**8,185.2**	100.0%
Funded By:									
Reserve/Reserve Funds	493.6	703.9	748.9	781.8	798.0	3,526.2	95.8%	7,794.8	95.2%
Development Charges	11.7	17.0	17.5	17.6	23.3	87.1	1.4%	186.2	2.3%
Other Revenue	20.6	21.7	16.9	4.1	5.4	68.7	1.9%	204.2	2.5%
Total Funding	**525.9**	**742.6**	**783.3**	**803.5**	**826.7**	**3,682.0**	100.0%	**8,185.2**	100.0%

Toronto Water is responsible for water treatment and supply; wastewater collection and treatment; and stormwater management across the City.

- Water treatment and supply is provided using 4 water filtration plants; 10 reservoirs and 4 elevated storage tanks; 5,427 km of distribution watermains and 528 km of trunk watermains; 60,933 valves and 40,817 hydrants; 470,202 water service connections and 18 water pumping stations. Toronto Water also supplies water to York Region, serving an estimated population of 600,000.
- Wastewater collection and treatment, and stormwater management is provided using 4 wastewater treatment plants; 5 storage and detention tanks; 4,397 km of sanitary, 1,453 km of combined and 396 km of trunk sewers; 4,937 km of storm sewers and 546 km of roadside ditches; 463,300 sewer service connections; 82 wastewater pumping stations; 371 km of water courses; 88 stormwater management ponds; 2,300 outfalls and 165,662 catchbasins.
- The estimated replacement value of Toronto Water's inventory of capital assets is $28.044 billion. Toronto Water maintains two categories of capital assets, linear infrastructure and facilities/plant assets.

The 10-Year Capital Plan of $8.185 billion provides funding for Health and Safety projects of $48.708 million; Legislated projects of $636.392 million; State of Good Repair (SOGR) projects of $4.685 billion; Service Improvement projects of $2.066 billion, and Growth Related projects of $749.158 million.

- Health and Safety projects represent approximately 1% or $48.708 million ($40.708 million over the first five years) of total funding in the 10-Year Capital Plan.
  - Capital funding for these projects is allocated primarily within the first 5 years of the 10-Year Capital Plan period in order to improve the safety of chemical storage and upgrade electrical systems at wastewater treatment plants.

- Funding for Health and Safety projects is minimal in the second 5 years of the 10-Year Capital Plan reflecting the anticipated completion of 5 of the 6 Toronto Water Health and Safety projects by 2016.

- *Legislated* projects account for $636.392 million or 8% of total funding ($361.138 million over the first five years). Approximately 17% or $115.535 million of the total funding is allocated for the Ashbridges Bay Effluent System projects.
  - Legislated projects are required to comply with existing and emerging provincial legislation, including Bill 195 -Safe Drinking Water Act, Bill 81- Nutrient Management Act and Bill 72 – Water Opportunities and Water Conservation Act. These projects are also required to comply with the Federal government's Environmental Protection Act. Examples of legislated projects are Sewage Pumping Station upgrades and District Water Service Repair projects.
  - Funding for Legislative projects is expected to increase in future years as regulations governing water supply and wastewater treatment continue to become more stringent.

- State of Good Repair (SOGR) projects continue to drive Toronto Water's capital program.
  - $2.141 billion in funding is for infrastructure renewal projects from 2013 to 2017, representing 46% of the 10-Year Capital Plan funding allocated to SOGR projects. Total SOGR funding will amount to $4.685 billion by 2022, representing 57% of total funding for Toronto Water's 10-Year Capital Plan.
  - SOGR funding increases in 2014 to $426.300 million from $333.783 million in 2013 and averages approximately $452 million per year from 2014 to 2017.
  - SOGR funding continues to increase over the next five year period averaging $509 million per year. SOGR funding trends ensure the continued reduction of Toronto Water's infrastructure renewal backlog from $1.636 billion in 2012 to $197.712 million by 2022.

- *Service Improvement* projects represent approximately 25% or $2.066 billion ($887.955 million over the first five years) of total funding in the 10-Year Capital Plan.
  - Capital funding for these projects increases consistently over the 10 year period, from $145.680 million in 2013 to $213.186 million in 2022, with annual funding above the average funding of $207 million in 2019, 2020 and 2021.
  - Funding for Service Improvement is primarily required for Basement Flooding, the addition of a second phase odour control project at the Ashbridges Bay Treatment Plant, and Storm Water Management projects, with increases in funding levels aligning to the objective of reducing the impact of extreme weather events.

- Growth projects represent approximately 9% or $749.158 million ($250.836 million over the first five years) of total funding in the 10-Year Capital Plan.
  - Funding for anticipated growth projects such as new and enhanced watermains and service connections is consistent over the 10-Year Capital Plan period,

averaging $33.543 million per year, however funding for planned significant stand alone projects will vary from year to year based on growth requirements. For example, a new service improvement project, Lawrence Allan Revitalization, Phase 1, totaling $33.694 million, was added to the 2013-2022 Capital Plan.

- During the first 5 years of the 2013 – 2022 Capital Plan period, annual funding for growth projects range from $21.695 million in 2013 to $80.130 million in 2017.
- Further increases in funding for growth projects continue over the 2018-2022 period, due to the planned upgrades of transmission of watermains at the East Mall, Victoria, Ellesmere and Mount Pleasant.

Solid Waste Management – 2013 - 2022 Capital Budget and Plan

Council approved the 10-Year Capital Plan totalling $669.594 million which focuses on funding major diversion facilities to advance the City's goal of 70% Diversion by investing in facilities and systems necessary to achieve this target as well as ongoing Collection Yard and Transfer Station Asset Management and Perpetual Care of closed landfills.

Table 6
Solid Waste Management
2013 - 2022 Capital Budget and Plan
by Category and Funding Source

($ Million)	Capital Plan					2013 - 2017		2013 - 2022	
Expenditures:	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**	**%**	**Total**	**%**
Legislated	22.4	20.5	20.6	22.4	24.8	110.7	21.6%	236.7	35.3%
State of Good Repair	6.0	7.2	6.8	7.5	6.8	34.3	6.7%	49.5	7.4%
Service Improvements	48.7	136.0	95.2	84.8	2.6	367.3	71.7%	383.4	57.3%
Total Expenditures	**77.1**	**163.7**	**122.6**	**114.7**	**34.2**	**512.3**	100%	**669.6**	100.0%
Funded By:									
Debt (Recoverable)	41.1	95.8	50.8	49.1	21.7	258.5	50.5%	347.7	51.9%
Reserve/Reserve Funds	35.5	36.6	39.1	32.1	12.5	155.8	30.4%	223.9	33.4%
Other	0.5	31.3	32.7	33.5		98.0	19.1%	98.0	14.6%
Total Funding	**77.1**	**163.7**	**122.6**	**114.7**	**34.2**	**512.3**	100.0%	**669.6**	100.0%

Major Capital Initiatives over the 10-Year Capital Plan period are mainly composed of Service Improvement projects for facilities; SOGR and Legislated projects for facility and landfill development and on-going asset management. Strategic priorities, Diversion Facility expansion / renovation and new facility construction have been prioritized and included in the 10-Year Capital Plan continuing progress on achieving the waste diversion target of 70% as approved by City Council in 2007.

State of Good Repair (incl. Legislated) Projects

- The Green Lane Landfill Acquisition & Cell Development project with a total project cost of $96.430 million provides on-going funding for cell development at the Green

Lane Landfill site including new waste cell excavation and construction and buffer land acquisition with, respectively, $81.4 million and $15 million over 10 years.

- Landfill Systems projects have a total project cost of $51.6 million and include Green Lane Landfill System Development projects and projects for the Perpetual Care of Landfills. Green Lane systems include leachate and gas control systems as well as final cover/storm control/site cervices and engineering and monitoring. Perpetual Care will provide a variety of works considered necessary for the ongoing maintenance of closed environmentally sound landfill sites after primary operations have ended. The planned cash flow totals $140.3 million over 10 years.
- The Transfer Station Asset Management project has a total project cost of $44.1 million. This project provides funding to build various improvements to the transfer stations that are required to meet health and safety, operational and environmental requirements, such as compliance with the Gasoline Handling Act, Ministry of Environment (MOE) approvals, Ministry of Labour standards, and the Collective Agreement. Improvements include: preservation and enhancement of existing building and work areas.

Service Improvement Projects

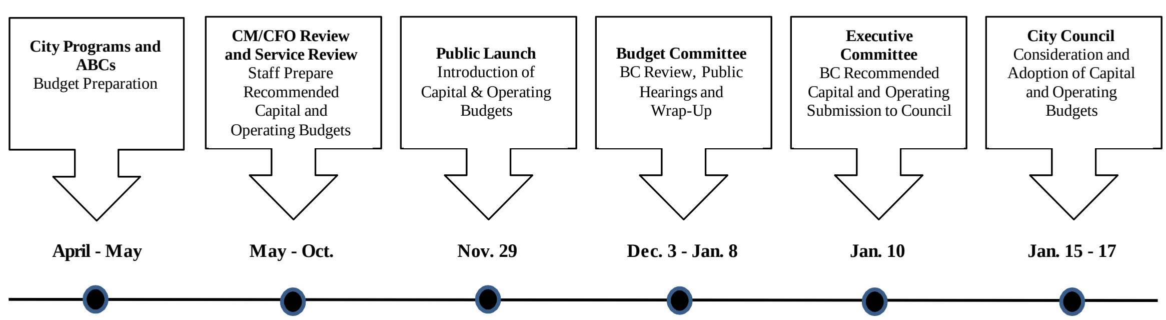
- The Dufferin SSO Facility project has a total project cost of $25.1 million with most of the cash flow occurring between 2013 and 2015 to improve organics processing and to treat resulting wastewater. Construction of this facility that began in 2012 and continues to 2015 for $25 million will increase the processing capacity from 25,000 to approximately 50,000 tonnes per year by installing a second processing train, to expand the receiving area and to install a system to treat wastewater before discharge to the sanitary sewer.
- The Disco SSO Facility project has a total project cost of $69.5 million with major construction that began in 2011 will be complete in 2014. Design and construction of a new City-owned SSO Processing facility was directed by City Council at its meeting of June 19, 20 and 22, 2007. This new facility will receive and process up to 110,000 tonnes per year of SSO starting in 2014/15.
- The Mechanical and Biological Treatment Facility project has a total project cost of $198.6 million with $197.488 million in funding included in the 10-Year Capital Plan. This project provides funding for professional technical services to assist with the request for proposal (RFP) and construction service efforts required for a vendor procurement process as a design, build, and operate (DBO) initiative. The processing capacity (for mixed residual waste & biosolids) by mechanical biological treatment (MBT) including an anaerobic digestion (AD) is 240,000 tonnes per year (from 2016 onwards) in order to approach an overall waste diversion rate of 70%. The facility is to be built on City owned lands adjacent to the Green Lane landfill.

City of Toronto Multi-Year Financial Planning and Budgeting Process

Chart 10 illustrates 2013 Financial Planning Process. The 10-Year Capital Plan details projects required to support the delivery of services to the citizens of Toronto over a 10 year planning horizon, and shows how these projects will be funded. In accordance with the City's long term fiscal planning framework, and strategic directions, a firm 2013 – 2022 Capital Budget and Plan will be recommended to City Council for approval. The first year of the capital plan represents the capital budget. The remaining nine years constitute the framework for developing future year capital budgets

To maintain the integrity of the 10-Year Capital Budget and Plan, projects are firmly placed in the year in which they will be implemented or developed. Moreover, as a policy and accountability requirement, approved capital investment and funding plans cannot be changed without explicit approval by Council. It is noted that some flexibility is provided by permitting acceleration or deferral of projects but only with the approval of Council. Furthermore, funding associated with acceleration or deferral of specific project(s) in any year, must be fully offset by shifting another project or projects with equal value and funding source to ensure a neutral impact on debt annually.

As shown below the 2013 Budget Process and schedule is designed to obtain Council approval of both the 10-Year Capital Budget and Plan and the Operating Budget by January 17, 2013. While the timelines were very aggressive, every effort was made to ensure that the key elements of a good budget process are maintained.



Key elements of the 2013 Budget Process are as follows:

November 29, 2012 – Public Launch:

- City Manager, Chief Financial Officer and Director, Financial Planning present the 2013 Staff Recommended Capital Budget to Budget Committee.

December 3 to 6, 2012 – Budget Review Meetings:

- Budget Committee Hearings to brief Councillors and the Public on the Staff Recommended Budgets which launched the political review and public consultation process. This stage of the process includes the following:
  - The City Manager, Chief Financial Officer and Director, Financial Planning present the 2013 Staff Recommended Operating and Capital Budgets to the Budget Committee.

- Division / Agency Heads presentation of programs/services, service levels / standards delivered; challenges/accomplishments and Staff Recommended Capital and Operating Budgets.
- Budget Committee members and Councillors make requests for additional Program/Agency information.

December 10 and 11, 2012 – Public Deputations:
- Public input/response to staff recommended budgets.
- Preparation of budget briefing notes and response to information requests.

December 12 and 17, 2012 – Budget Committee Wrap-Up:
- Budget Committee reviews briefing notes, responses to additional Program/Agency information requests, and budget options.
- Budget Committee makes decisions on what will constitute the 2013 BC Recommended Capital and Operating Budgets.

January 8, 2013 – Budget Committee Final Review:
- Budget Committee finalizes its review and establishes its 2013 Operating and Capital Budgets to be considered by the Executive Committee.
- Staff prepares the Corporate Reports for the 2013 Budget Committee Recommended Capital and Operating Budgets and provides the updated 2014 and 2015 Outlook.

January 10, 2013 – Executive Committee Review:
- Executive Committee receives and reviews the 2013 Budget Committee Recommended Capital and Operating Budgets.
- Executive Committee recommends its Capital and Operating Budgets to City Council.

January 15 to 17, 2013 – Council Review and Approval:
- Council reviews and approves the 2013 Capital and Operating Budgets.

The dates outlined above are critical to ensure quality budget analysis, public engagement and approval of the 2013 BC Operating and Capital Budgets in the proposed timeframe.

Conclusion

The 2013 – 2022 Capital Budget and Plan focuses on addressing service gaps, ensures that services demand will be delivered in a sustainable manner in the long term, and achieves a balance between prioritizing the maintenance of existing City assets in a state of good repair and addresses growth needs on a City wide basis. The Budget and Plan also accommodates fully the 10-Year transit capital needs of TTC as well as Transportation Services' ongoing rehabilitation work on the Gardiner Expressway, road resurfacing and reconstruction and key capital works to address traffic congestion.

The additional capital requirements from TTC and Transportation are addressed by strategically applying non-debt funding strategies comprised of the continuation of surplus management policy (75% of operating budget surplus allocated to capital financing), proceeds from the monetization of the City's marketable assets, maximizing Development Charges funding, Build Toronto Dividends, and new Provincial and Federal funding targets to offset future capital plan pressures. As a result, the City manages to keep debt service costs at approximately 12% of the tax levy, which is below the 15% guideline to mitigate future impacts on the Operating Budget.

ATTACHMENTS

Appendix 1	2013 Capital Budget and Future Year Commitments by Program and Funding Source – Including 2012 Carry Forward Funding
Appendix 1(i)	2013 Capital Budget and Future year Commitments by Program and Funding Source – Excluding 2012 Carry Forward Funding
Appendix 1(ii)	2013 Capital Budget and Future Year Commitments by Program and Funding Source – New and Change in Scope
Appendix 1(iii)	2013 Capital Budget and Future Year Commitments by Program and Funding Source – Previously Approved
Appendix 1(iv)	2013 Capital Budget by Program and Funding Sources - Including 2012 Carry Forward Funding
Appendix 1(v)	2013 Capital Budget by Program and Funding Sources - Excluding 2012 Carry Forward Funding
Appendix 1(vi)	2013 Capital Budget by Program and Funding Source - 2012 Carry Forward
Appendix 2	2013 – 2022 Capital Budget and Plan by Category and Funding Source
Appendix 2(i)	2013 – 2022 Capital Budget and Plan by Program and Category
Appendix 3	2013 – 2022 Capital Budget and Plan by Program - Excluding 2012 Carry Forward Funding
Appendix 4	2013 -2022 Capital Budget and Plan by Program and Funding Source - Excluding 2012 Carry Forward Funding
Appendix 4(i)	2013 – 2017 Capital Budget and Plan by Program and Funding source - Excluding 2012 Carry Forward Funding
Appendix 4(ii)	2018 – 2022 Capital Budget and Plan by Program and Funding source - Excluding 2012 Carry Forward Funding
Appendix 5	TTC and Transportation 2013 – 2022 Capital Plan