

**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 the national outcomes of providing permanent, predictable and flexible infrastructure funding to Toronto that incrementally supports investments in state of good repair. Ultimately, investments contribute to Toronto's economic growth while improving access to sustainable transportation options.

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 533 million riders each and every year. In total, the City of Toronto has leveraged more than \$3.8 billion of investments in public transit, due to the \$1.65 billion contribution made by the Government of Canada.

***Background***

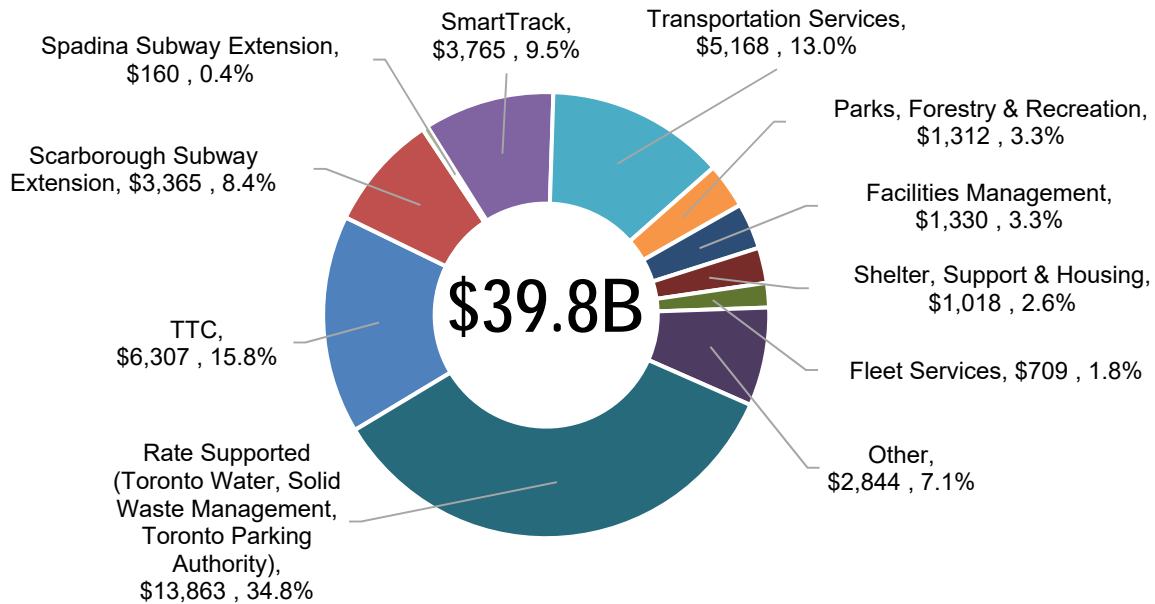
Toronto's strengths lie in its diverse people and innovative businesses. In total, businesses and communities in the city generated approximately \$180.6 billion (2015) in output (GDP) which accounts for slightly over half of the GDP generated in the Toronto Census Metropolitan Area (CMA). Further, the 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 \$39.8 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 \$1.67 billion in long-term, predictable and stable investments over the next 10 years (4% of the total 10-year plan).

Figure 1 – 2018-2027 Capital Budget and Plan  
Where the Money Goes (\$39.8 billion)



More than \$13.5 billion of the City's 10-year Capital Budget and Plan will go towards transit, both for the maintenance and expansion of the existing base TTC capital program and for transit expansion including SmartTrack and the Scarborough Subway Extension. Almost \$1.4 billion will be invested in 2018 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 \$84 billion in assets (replacement value), the TTC has an estimated \$16.4 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.

From 2018-2027 the base TTC Capital Budget & Plan (excluding carry-forward) is \$6.30 billion and is prioritized in keeping the system in a state of good repair, complying with legislative requirements and replacing fleet and building capacity to increase ridership.

The 10-year base program is financed by \$269 million from Reserve/Reserve funds, \$499 million from Development Charges, \$3.56 billion from Federal/Provincial sources (including the GTF), \$171 million from other revenues including capital from current, and \$1.82 billion of debt/cash from current (excluding carry-forward). Significant federal

contributions include the GTF as well as Phase 1 of the Public Transit Infrastructure Fund (PTIF).

The City is anticipating investing approximately 90% of the \$856 million ridership based allocation from PTIF 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.

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.

The focus on state of good repair (asset management) is a key capital strategic priority for the City and critical to ensuring that limited resources are allocation in a manner that maximizes the utility of the City's capital assets. Work is also underway to implement best practice asset management strategies to undertake effective capital planning that ensures funding is in place to support reliable service delivery.

City Council determines its priorities 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 serves residents and also plays a key role in moving people around the region.

In 2017 the City received an allocation of \$159.8 million plus an additional top-up of \$2.8 million as a result of the [transfer of funding from a number of previously established funding programs](#). The GTF represents an efficient mechanism to flow such funds to municipal governments. The City appreciates both the GTF's focus on providing long-

term, predictable investment that grows over time and the flexibility which allows the federal government to get investments made in an urgent manner.

Figure 2 – City of Toronto Capital Budget and Federal Gas Tax Fund Investments (2005-2017)

\$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
2017	3,708.4	1,100.3	162.6 <sup>(4)</sup>	1,653.3	4.4%	308.7

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

(4) Includes \$159.8 in annual allocation, plus \$2.8 million from legacy infrastructure programs made available through the Gas Tax Fund

Since 2005, the City has received more than \$1.65 billion from the GTF, which has leveraged over \$3.8 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.

### **2017 Milestones and Project Outcomes**

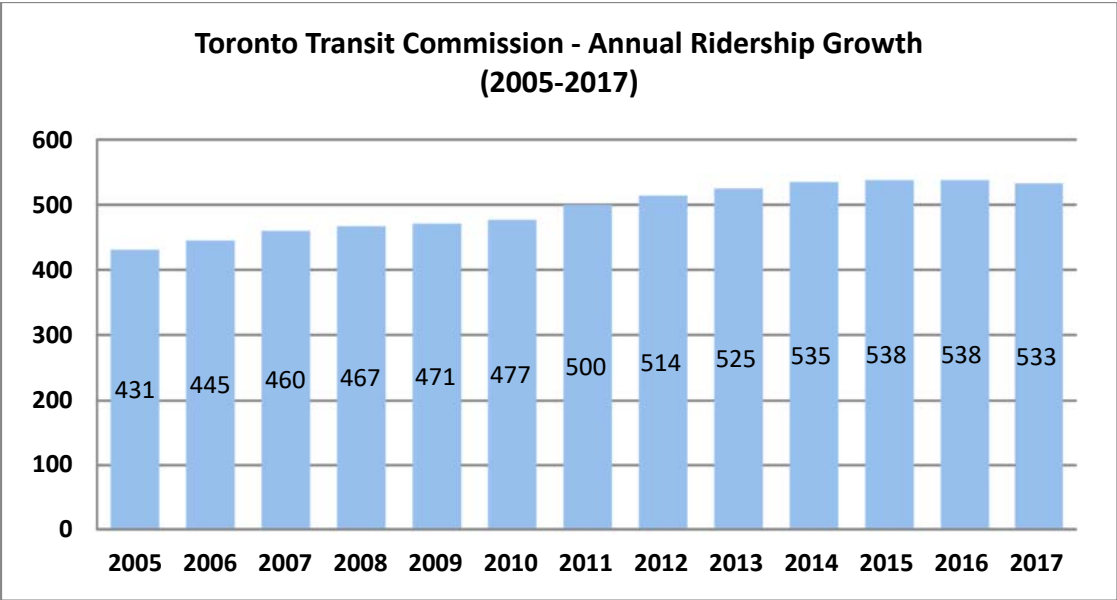
The TTC was named the Outstanding Public Transportation System for 2017 by the American Public Transportation Association (APTA).

A key investment in 2017 under the GTF was \$55 million for fleet, specifically \$44.1 million for light rail vehicles (LRVs) and \$10.6 million for new and replacement subway cars. New vehicles improve reliability, customer service, and result in more service. At the end of 2017, 57 new LRVs were in service. The City's new LRVs are fully accessible, larger, and air conditioned, providing passengers with a quieter, more comfortable ride.

In addition, significant amounts of federal gas tax funding has been invested in buildings and structures including \$21.6 million for facility renewal and upgrades, as well as \$13.8 million for new facilities to maintain and store LRVs (Leslie Barns) and buses (McNicoll Bus Garage). Another key project was the replacement of all turnstiles to devices which accommodate PRESTO, the regional farecard, which benefitted from \$14.6 million from the federal Gas Tax Fund.

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 533 million trips in 2017.

Figure 3 – TTC Annual Ridership Growth (2005-2017)



As GTF funding sustains the base network, its contribution supports more than just ridership. The TTC collects and publishes a number of indicators to measure system performance in an annual period including number of revenue vehicles, kilometers of routes and kilometers operated by mode and system accessibility. Detailed operating statistics for 2017 and prior years can be found at [https://www.ttc.ca/About the TTC/Operating Statistics/index.jsp](https://www.ttc.ca/About%20the%20TTC/Operating%20Statistics/index.jsp).

The TTC's annual report outlines broader achievements including major projects and initiatives for the past year. Annual reports, including for 2017, can be found here: [https://www.ttc.ca/About the TTC/Annual reports.jsp](https://www.ttc.ca/About%20the%20TTC/Annual%20reports.jsp)



## ***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.

### *Communications*

In 2017, the City and Canada continued to implement the joint communications approach agreed to in 2016, shared upfront project information 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 regarding federally funded projects (such as fare gate installation). The City also supported federally led communications on the GTF allocation and payment.

Joint Federal-City communications in 2017 primarily focused on projects funded through other programs including the signature completion of the Toronto-York Spadina Subway Extension which was a Building Canada Fund project, and the TTC and other transportation upgrades funded through PTIF.

### *Evaluations and Audits*

A number of evaluation and audit reports have been issued for the Gas Tax Fund (most recently in [2015](#) and [2016](#)) reflecting on the benefits of direct federal-municipal collaboration and its efficient delivery. An area of focus for collaboration is performance measurement. In 2017 the City continued to work with other federal Gas Tax Fund signatories to develop frameworks for outcomes reporting. This includes participation in the National Gas Tax Workshop. Collaboration among all orders of government is necessary to develop and implement 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. Outcomes reporting is embedded throughout this annual report. The GTF's 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.

### *Ongoing Collaboration*

The City will continue to collaborate with Canada and other signatories to ensure the Agreement's commitments are met. 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.







2017 ANNUAL REPORT - GTF PROJECT LIST

Project ID	Ultimate Recipient	Project Title	Project Description	Investment Category	Total Project Cost (\$000)	2017 Funds (GTF) Spent (\$000)	Completed
CTT002-Various	City of Toronto	Surface Track - Various	Russel Yard south end track improvement and; streetcar carstop replacement	Public Transit	536,352	858	No
CTT003-Various	City of Toronto	Traction Power - Various	Maintenance of traction power distribution system which provides the electrical power to move subway trains and streetcars. The intent of this program is to bring the distribution equipment to a state of good repair to ensure reliable revenue service and maintain safe working conditions.	Public Transit	427,176	9,550	No
CTT005-Various	City of Toronto	Power Distribution/Electric Systems - Various	The Commission operates a vast, multi-faceted AC distribution system which provides power for various subsystems at facilities such as subway stations, tunnels, garages/carhouses and office buildings. Much of this system is old and the intent of this program is to bring the old equipment to a state of good repair to ensure reliable and safe operation of the AC electrical system.	Public Transit	174,885	3,749	No
CTT006-Various	City of Toronto	Communications - Various	Numerous varied communication systems are used in the day-to-day operation of the Commission. Much of these systems are old, making it increasingly difficult to maintain, while in others requires newer technology for safer, more efficient operation. The intent of this program is to upgrade or replace these systems.	Public Transit	211,974	1,066	No
CTT008-Various	City of Toronto	Signal Systems - Various	State of Good Repair: design, project management, engineering, installation and testing of signal systems and equipment. Includes renewals to maintain the status quo of the subway system by replacing life-expired equipment or items highlighted to have a safety issue, upgrades to improve the reliability, safety or capacity of the system and provision of new systems.	Public Transit	1,202,831	3,738	No
CTT010-Various	City of Toronto	Finishes - Various	Station Modernization Program; Subway Station Ceiling Replacement Program; Station finish Renewal Program; Masonry Structure Restoration and; Overhead Speed Doors	Public Transit	292,890	1,430	No
CTT012-Various	City of Toronto	Equipment - Various	Escalator Replacement Program; Elevator Overhaul; Subway Machine Rooms Air Conditioning Systems; Montgomery Escalator Refurbishment and; Fall Prevention Systems	Public Transit	408,148	5,067	No
CTT020-Various	City of Toronto	Bridges and Tunnels - Various	State of good repair maintenance of bridges and tunnels to ensure safety and reliability.	Public Transit	819,067	9,018	No
CTT110-Various	City of Toronto	Buildings and Structures Projects - Various	Facility renewal and upgrades; design and construction	Public Transit	945,625	21,560	No
CTT024-577x	City of Toronto	Fire Ventilation Upgrade	Upgrade the subway ventilation system and constructing second exits to reduce risk and enhance customer and employee safety.	Public Transit	376,844	5,576	No
CTT145-6339	City of Toronto	Leslie Barns	LRT Replacement Maintenance & Storage Facility	Public Transit	523,489	9,378	No
CTT148-6078	City of Toronto	McNicoll Bus Garage	Design and construction of a new bus garage	Public Transit	181,000	4,418	No
CTT056-7737	City of Toronto	Turnstile Replacement	The complete replacement of existing fareline equipment with Faregate devices that are equipped with PRESTO card readers.	Public Transit	60,856	14,668	No
CTT141-6385	City of Toronto	Fare System	Automated Fare Collection Integrated Ticketing System	Public Transit	47,612	4,880	No
CTT061-Various	City of Toronto	Corporate Systems	Systems to support the Service, Financial, Rsk, Customer, Asset and Service Delivery Management of the organization.	Public Transit	510,929	10,035	No
CTT046-6002	City of Toronto	Purchase of Subway Cars	Replacement of Subway Cars (126) - 126 cars	Public Transit	294,953	5,027	No
CTT046-6278	City of Toronto	Purchase of Subway Cars	Purchase of 60 New Subway Cars	Public Transit	222,170	5,672	No

CTT122-6437	City of Toronto	Purchase of Streetcars	Purchase of 204 New LRT Cars	Public Transit	1,186,503	44,120	No
CTT002-6715/6716	City of Toronto	Surface Track	Surface Track	Public Transit	566,095	0	No
CTT010-6963	City of Toronto	Finishes	Roofing Rehabilitation	Public Transit	218,920	0	No
CTT015-6394	City of Toronto	Yards and Roads	Streetcar Network Upgrades for LRV	Public Transit	78,157	0	No
CTT020-6759/6813	City of Toronto	Bridges and Tunnels	Structure Rehabilitation Program	Public Transit	281,337	0	No
CTT028-566x	City of Toronto	Buildings and Structures Projects	Easier Access Phase III	Public Transit	774,315	0	No
CTT110-6097	City of Toronto	Buildings and Structures Projects	LRV Carhouse Facility Renewal Program	Public Transit	90,640	0	No
CTT110-6670	City of Toronto	Buildings and Structures Projects	Revenue Operations Facility	Public Transit	38,150	0	No
CTT110-6663	City of Toronto	Buildings and Structures Projects	CNE Streetcar Loop Barrier	Public Transit	7,300	0	No
CTT110-6969	City of Toronto	Buildings and Structures Projects	Union Station New Platform	Public Transit	18,000	0	No
CTT110-6195	City of Toronto	Buildings and Structures Projects	Bus Garage/Shop Facility Renewal Program	Public Transit	44,656	0	No
CTT110-6196	City of Toronto	Buildings and Structures Projects	Subway Carhouse/Shop Facility Renewal Program	Public Transit	40,535	0	No
CTT110-7873	City of Toronto	Buildings and Structures Projects	Office Space Management/Renewal Program	Public Transit	34,913	0	No
CTT142-7733	City of Toronto	Buildings and Structures Projects	YUS ATC Re-Signalling (1)	Public Transit	562,836	0	No
CTT146-6559	City of Toronto	Buildings and Structures Projects	Toronto Rocket/T1 Yard Rail Accomodation	Public Transit	973,050	0	No
CTT111-6761	City of Toronto	Purchase of Buses	Purchase of 108 40' LF Clean Diesel Buses	Public Transit	65,419	0	No
CTT111-6274	City of Toronto	Purchase of Buses	Purchase of 55 Low Floor 40ft Diesel Buses	Public Transit	33,491	0	No
CTT111-6750	City of Toronto	Purchase of Buses	Purchase of 50 40' LF Diesel Buses for Customer service Initiatives (2015-18)	Public Transit	30,522	0	No

159,811

Note: Total Project Cost is based on the City Council Approved 2018-2027 Capital Budget and Plan

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December 3, 2018

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

Dear Mr. Fortin:

Re: 2017 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,



Heather Taylor  
Chief Financial Officer and Treasurer  
City of Toronto



Dan Wright  
Chief Financial Officer  
Toronto Transit Commission

# **City of Toronto**

**Annual Expenditure Report for the Federal Gas Tax Fund  
For the year ended December 31, 2017**



October 1, 2018

## **Independent Auditor's Report**

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

We have audited the accompanying Annual Expenditure Report (the Report) for the Federal Gas Tax Fund of the City of Toronto (the City) for the year ended December 31, 2017, and the related note, which comprises a summary of significant accounting policies and other explanatory information. The Report has been prepared by management of the City using the basis of accounting described in the note.

### **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 the note. 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 and fair presentation 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.

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



**Opinion**

In our opinion, the Report for the Federal Gas Tax Fund of the City of Toronto for the year ended December 31, 2017 is prepared, in all material respects, in accordance with the basis of accounting described in the note.

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

Without modifying our opinion, we draw attention to the note to the Report, which describes the basis of accounting. The Report is prepared to assist the City with the financial reporting requirements described in the note. As a result, the Report may not be suitable for another purpose. Our report is intended solely for management of the City and the Minister of Infrastructure, Communities and Intergovernmental Affairs and 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, 2017  
"Administrative Agreement on the Federal Gas Tax Fund" (March 2014)

	Current Fiscal Year to Dec 31, 2017	Cumulative 2014 to 2017
City of Toronto		
Opening Balance	-	-
Received from Canada	162,626,409	626,840,359
Interest Earned	-	-
Administrative Client	-	-
Transferred to Toronto Transit Commission	(162,626,409)	(626,840,359)
Closing Balance of Unspent Funds	-	-
Toronto Transit Commission		
Opening Balance	-	-
Received from Toronto	162,626,409	626,840,359
Interest Earned	-	-
Spend on Eligible Projects	(159,811,360)	(624,025,310)
Closing Balance of Unspent Funds	2,815,049	2,815,049

# **City of Toronto**

## **Note to the Annual Expenditure Report for the Federal Gas Tax Fund For the year ended December 31, 2017**

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### **Basis of accounting**

The Report includes the funding and expenditures in relation to the Federal Gas Tax Fund of the City of Toronto. The Report has been prepared in accordance with the significant accounting policies set out below in order to assist the City of Toronto with the financial reporting requirements of the Administrative Agreement dated April 1, 2014 and the 2017 funding letter dated March 30, 2017 (collectively the Agreement) between the Ministry of Infrastructure, Communities and Intergovernmental Affairs (Canada), the Ministry of Municipal Affairs and Housing (Ontario), the Association of Municipalities of Ontario and the City of Toronto.

### **Funding recognition**

Funding is recognized when received or receivable.

### **Eligible expenditures**

Eligible expenditures are recorded in the year incurred on the accrual basis of accounting. Eligible expenditures comprise the following expenditures, as outlined in Schedule C of the Agreement:

- 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;



## **City of Toronto**

Note to the Annual Expenditure Report for the Federal Gas Tax Fund  
For the year ended December 31, 2017

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- b) the employee or equipment is engaged directly in respect of the work that should have been the subject of the contract; and
- c) 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.