

City of Toronto Annual Report 2019

Narrative

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

Executive Summary

The federal Gas Tax Fund (GTF) is a crucial source of infrastructure funding for the City of Toronto. As an allocation-based program, the GTF provides permanent, predictable and flexible funding that incrementally supports investments in state of good repair and has greatly benefited the country and the City of Toronto. Ultimately, GTF investments contribute to Toronto's economic growth and vitality while improving access to sustainable transportation options.

Since the inception of the federal Gas Tax Fund in 2005, Toronto City Council has directed GTF funds towards investments in the Toronto Transit Commission (TTC) which contributes to safe, efficient and reliable service for over 525.5 million riders each and every year from the City of Toronto and the region. In total, the City of Toronto has leveraged more than \$4.7 billion of investments for public transit, due to roughly \$2.2 billion in contributions made by the Government of Canada. This includes the special one-time top up of GTF for the 2018-19 federal gas tax program year which provided Toronto with an additional \$167.4 million. The City is appreciative of this additional one-time funding under the GTF which enabled TTC to further advance planned capital investments.

While these investments have provided much-needed capital funding to support Toronto's transit system, the TTC has roughly \$24 billion in unfunded capital needs identified through its 15-Year Capital Investment Plan.¹ As such, at its meeting of February 19, 2020, City Council requested the federal government to permanently double the federal Gas Tax Fund and to increase its annual growth rate from 2% to 3.5%, aligned with the request of the Federation of Canadian Municipalities.²

COVID-19 Impacts

As this report covers GTF expenditures for the year ended December 31, 2019, it does not reflect the ongoing impacts of COVID-19 on the City of Toronto nor the significant impacts of the pandemic on the City's finances, and TTC's ridership and associated revenue loss.

While the full 2020 impacts of COVID-19 will be detailed in the City of Toronto's Federal Gas Tax Annual Report 2020, TTC's COVID-19 Restart and Recovery Update report provides a summary of impacts to date on TTC's ridership and revenues.³ For example,

¹ <https://www.ttc.ca/Coupler/PDFs/TTC%20Capital%20Investment%20Plan%202019-2033.pdf>

² <https://www.toronto.ca/legdocs/mmis/2020/ex/bgrd/backgroundfile-146172.pdf>

³

https://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2020/September_24/Reports/5_COVID_19_Restart_and_Recovery_Update_Updated.pdf

during the height of the pandemic the TTC saw ridership decline by roughly 80-85% yet continued to provide approximately 300,000 daily revenue rides to enable customers to access essential work, groceries, pharmacies and care. For many and especially the city's most vulnerable populations, public transit is the primary mode of mobility. As of November 2020, ridership is at roughly 30% of budgeted levels. Future ridership is highly dependent on the pace of reopening by the Province, the City, and sectoral plans for resumption of activity and remote work arrangements along with current and future resurgences of COVID-19.

Impacts to the City to date, including the TTC, can be found in the staff report to Toronto City Council BU19.9 – Operating Variance Report for the Nine Months Ended September 30, 2020.⁴ To demonstrate the magnitude of the financial impacts of the pandemic, COVID-19 related financial impacts are anticipated to total \$1.72 billion by the end of 2020 for the City of Toronto, prior to offsets achieved through a series of implemented mitigation strategies that focus on spending and workforce restraints (\$533.8 million); and Phase 1 Safe Restart Agreement (SRA) funding confirmed in August 2020 (\$669 million), reducing the year-end shortfall to a projected \$514.1 million.

In December 2020, the Province of Ontario confirmed Toronto's Phase 2 allocation under the SRA of \$1.21 billion, a portion of which will be applied against the year-end shortfall for 2020, with the remaining applied against 2021 pressures. The City continues to be appreciative of this significant federal-provincial funding which helps address the financial impacts of COVID-19.

Background

Toronto is Canada's leading economic engine and one of the world's most diverse and livable cities. As the fourth largest city in North America, Toronto's strengths lie in the diversity and experience of its people, and continued innovation of its businesses. In total, businesses and communities in the city generated approximately \$184.39 billion (2019) in GDP which accounts for roughly half of the GDP generated in the Toronto Census Metropolitan Area (CMA). Further, the Toronto CMA generates 50% of the GDP of Ontario and 19% of the GDP of Canada.

A key driver of this success is the availability of infrastructure that is needed to accommodate and spur employment growth and create a supportive and efficient 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.

The Greater Toronto Area (GTA) is projected to be the fastest growing region within the Province of Ontario, with its population increasing by 2.6 million, or 36.7 per cent, from 7.0 million in 2019 to over 9.5 million by 2046. For Toronto, its population is projected to

⁴ <https://www.toronto.ca/legdocs/mmis/2020/bu/bgrd/backgroundfile-158404.pdf>

rise from 2.97 million in 2019 to 3.73 million in 2046, an increase of 25.9 per cent.⁵ This growth both within Toronto and more broadly the GTA will add pressure to Toronto's public transit infrastructure, resulting in an immediate need for significant investment by all orders of government. These investments will be critical to maintain the safety and reliability of the existing transit system as well as grow the system to meet mobility demands of the city and region.

City of Toronto's 10-year Capital Budget and Plan

Toronto has a 10-year \$43.3 billion Capital Budget and Plan (Figure 1) that addresses key infrastructure needs, including the repair and replacement of aging infrastructure, addressing congestion and safety, tackling the impacts of climate change, and maintaining existing and building new social and affordable housing.

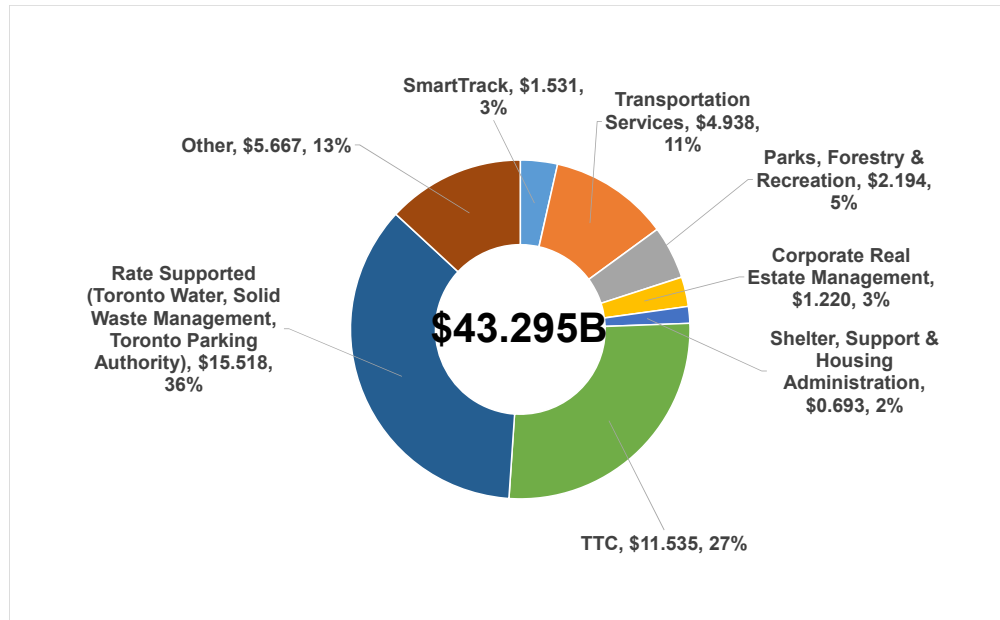
The City is doing its part by growing its investments in public infrastructure, while supporting services that reduce poverty, improve quality of life and continue to keep Toronto a desirable place to live, work, play and invest. These investments are directly linked to the City of Toronto's Corporate Strategic Plan⁶ which sets out the City's priorities and creates a common understanding of the work the City will focus on to be successful, to deliver a high quality of life for residents, businesses and visitors, and to earn the trust and confidence of Torontonians, City Council and staff.

Toronto's infrastructure investments are mainly supported by the City's property tax, rates and debt, but also include critical cost sharing funds from other orders of government. The GTF is a crucial federal investment that plays a key role within this plan by providing more than \$1.95 billion in long-term, predictable and stable investments over the next 10 years (4% of the total 10-year plan).

Figure 1 – 2020-2029 Capital Budget and Plan
Where the Money Goes (\$43.295 billion)

⁵ <https://www.fin.gov.on.ca/en/economy/demographics/projections/projections2019-2046.pdf>

⁶ <https://www.toronto.ca/wp-content/uploads/2019/10/9886-DS-19-0438-Corporate-Strategic-Plan-V4-MG1.pdf>



Roughly \$13.1 billion of the City's 10-year Capital Budget and Plan will go towards transit, both for the maintenance and expansion of the existing TTC capital program and for transit expansion. 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 \$94 billion in assets (replacement value), the TTC has an estimated \$19.4 billion in assets (replacement value) and its 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.

For the 10-year planning period of 2020-2029, the TTC Capital Budget and Plan (excluding carry-forward funding) is \$11.535 billion and is prioritized in keeping the system in a state of good repair, complying with legislative requirements, replacing aging fleet and building capacity to increase ridership. These investments in public transit help contribute to the achievement of climate goals by the City and the Government of Canada.

The 10-year capital program is financed by \$0.038 billion from Reserve/Reserve funds, \$0.261 billion from Development Charges, \$3.872 billion from Federal/Provincial sources (including the GTF), \$0.193 billion from other revenues including capital from current, and \$0.263 billion of debt/cash and \$6.907 billion of debt recoverable from current (excluding carry-forward). Significant federal contributions include the GTF as well as Phase 1 of the Public Transit Infrastructure Fund (PTIF).

At the May 13, 2020 TTC Special Board Meeting, the TTC Board approved a reduction of \$208.1 million to the TTC's 2020 Approved Capital Budget and a reduction of \$117.5 million to the 2020-2029 Capital Budget and Plan, that will defer spending to account for delays in capital project delivery arising from COVID-19 impacts as well as accelerate funding for some key projects tracking ahead of schedule and other opportunities

The City continues to implement federal funding under the Public Transit Infrastructure Fund – Phase 1 (PTIF1) towards transit and active transportation projects. Of the roughly \$856 million in federal funds allocated to Toronto, approximately 90% has been invested in 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.

TTC's Capital Investment Plan

While Toronto's transit system is the largest in Canada, the City continues to experience significant population growth with expansion of rapid transit necessary to catch up with current demand and to meet new pressures of growth. In particular, the TTC's Capital Investment Plan (CIP) released in 2019 has identified over \$35 billion in capital funding requirements over the next 15 years for asset renewal and replacement.⁷

To invest in the needs outlined in the CIP, Toronto City Council in January 2020 approved an investment of \$4.73 billion from the City Building Fund. This funding was allocated as follows:

- \$500 million as the City's one-third share towards the \$1.5 billion Bloor-Yonge Station capacity improvement project;
- \$3.09 billion to fund critical state of good repair of subway infrastructure projects (including \$623 million for Automatic Train Control (ATC) on Line 2); and
- \$1.14 billion in net new funding as the City's share towards the procurement of new vehicles and eBus charging systems.

With the approval of the increased funding of \$1.14 billion toward the purchase of new vehicles and related systems and the \$623 million for ATC on Line 2 as well as \$452 million in existing approved funding, TTC's 2020-2029 Capital Budget and Plan provides a total of \$2.24 billion or approximately 36% of funding necessary to address the \$6.17 billion capital need. Having secured more than one-third share of funding from the municipal government, the City and TTC are seeking matching contributions from provincial and federal partners in order to fulfill the TTC's vehicle program requirements over the next ten years.⁸ This is a critical investment required to replace aging fleet, account for future growth and contribute to climate change goals.

⁷ <https://www.ttc.ca/Coupler/PDFs/TTC%20Capital%20Investment%20Plan%202019-2033.pdf>

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https://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2020/October_22/Reports/5_TTC_Fleet_Procurement_Strategy_and_Plan.pdf

To leverage federal transit funding under the Investing in Canada Infrastructure Program (ICIP), in 2019, Toronto City Council endorsed four transit expansion priority projects for its federal funding allocation under the Public Transit Infrastructure Streams (PTIS). These projects include the SmartTrack Stations Program, the Bloor-Yonge Capacity Improvement Program, the Ontario Line and the three-stop Line 2 East Extension, the latter two of which are subject to the Preliminary Agreement with the Province of Ontario⁹ and in anticipation of the realization of the City's project expectations including project benefits as set out in Toronto City Council Report EX9.1 – Toronto-Ontario Transit Update.¹⁰ The City and TTC look forward to continue working with the Province of Ontario, Metrolinx and the Government of Canada to advance these priority transit expansion projects, subject to the terms and conditions set by City Council. These transit projects, as currently envisioned, will be critical to maintaining the safety and reliability of the existing system and growing the system to meet the mobility demands of the City.

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 infrastructure projects. GTF investments are determined by City Council through the City's 10-year capital budget 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 allocated 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, reduces congestion, improves the environment and also plays a key role in moving people around the region.

In 2019, the City received an allocation of \$334 million under the federal GTF. 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.

⁹ <http://www.mto.gov.on.ca/english/transit/ontario-toronto-transit-partnership.shtml>

¹⁰ <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX9.1>

Figure 2 – City of Toronto Capital Budget and
Federal Gas Tax Fund Investments (2005-2019)

\$millions

Year	Approved Annual Capital Budget ⁽¹⁾		Federal Gas Tax Fund ⁽²⁾		GTF as a % of City Capital Budget (Annual)	Amount Leveraged (Total GTF Project Costs)
	Total City (Tax & Rate)	TTC ⁽³⁾	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 ⁽⁴⁾	1,651.7	4.4%	308.7
2018	3,659.0	1,078.0	167.4	1,819.1	4.6%	315.9
2019	4,067.0	1,490.0	334.0 ⁽⁵⁾	2,153.1	8.2%	487.0

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, Scarborough Subway Extension, and Waterfront Transit.

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

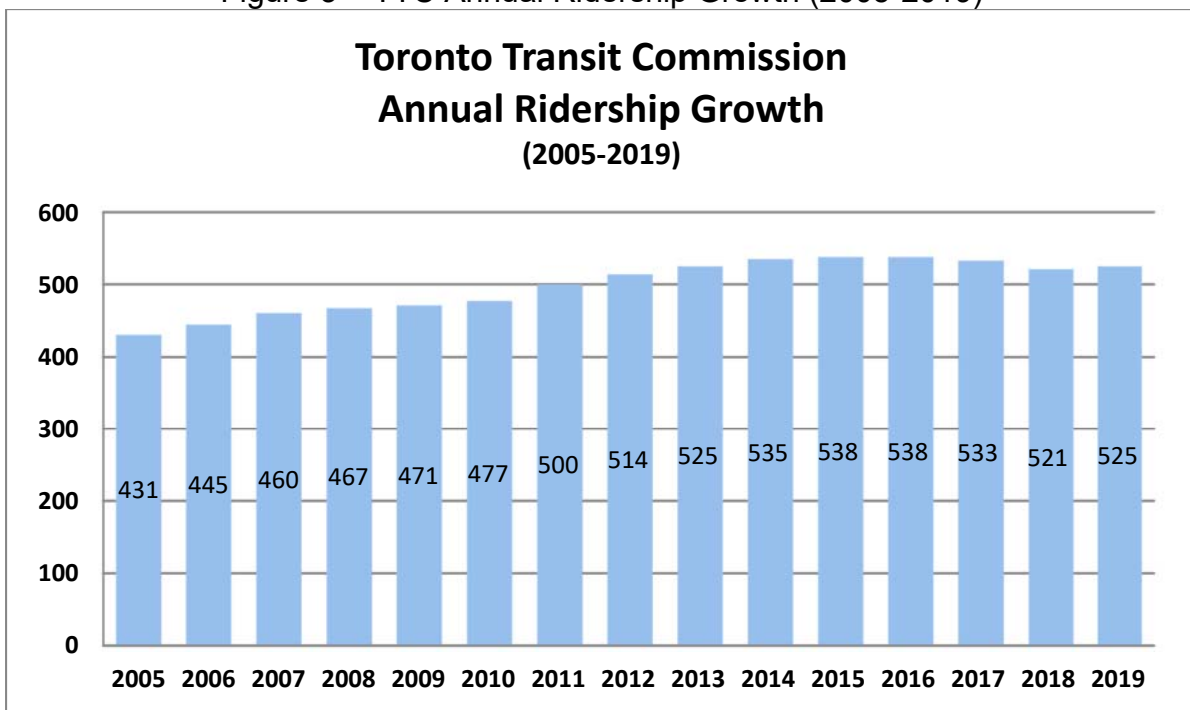
(5) Includes \$166.6 in annual allocation, plus \$167.4 million from the special one-time top up of GTF funds provided under Budget 2019.

Since 2005, the City has received roughly \$2.2 billion from the GTF, which has leveraged over \$4.7 billion of investments in the City's transit system for projects such as fleet replacement (e.g. light rail vehicles), signal systems, and facilities. The GTF allows for planned investments that increase the reliability of TTC service and keeps Toronto moving.

2019 Milestones and Project Outcomes

A key investment in 2019 under the GTF was the approximate \$100 million allocation dedicated towards the purchase of 204 new light rail vehicles (LRV). At the end of 2019, 198 new LRVs were in service and all 204 LRVs have now been delivered. The City's new LRVs are fully accessible, larger, and air conditioned, providing passengers with a quieter, more comfortable ride. In addition, \$22 million of federal GTF has been invested for the design and construction of a new bus garage (Mc Nicoll Bus Garage). The benefit of GTF investments is partially reflected in Figure 3. Funding has sustained a network that has seen transit ridership increase by roughly 22% from 2005 to 525 million trips in 2019.

Figure 3 – TTC Annual Ridership Growth (2005-2019)



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 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 2019, 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 between the City and Canada provides for enhanced communications requirements, facilitates program evaluations and audits, and requires annual reporting and outcomes reporting.

Communications

As an ongoing practice, in 2019, the City and Canada continued to implement the joint communications approach as 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.

Joint federal and City communications in 2019 primarily focused on projects funded through the federal Public Transit Infrastructure Fund, which included announcements of transit expansion, active transportation and state of good repair projects.

Evaluations and Audits

A number of federal evaluation and audit reports (which are separate from the City's annual GTF audit) have been issued for the Gas Tax Fund nationally (most recently in [2015](#) and [2016](#)) reflecting on the benefits of direct federal-municipal collaboration and its efficient delivery. Among its efficiency is the speed at which the City, and other municipalities, can take federal dollars and invest them in immediate local improvements. A continued area of focus for collaboration is performance measurement. In 2019 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 and the Canada-Toronto-AMO-Ontario Oversight Committee. 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 strong asset management practices 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 along with the rest of the country continue

to manage the impacts of COVID-19, there continues to be a need for ongoing collaboration and discussion with the federal government on a new model for funding public transit including permanent and sustainable funding to address the capital and operating needs of the TTC.