

## **Intergovernmental Infrastructure Funding in the 2022-2031 Recommended Capital Budget and Plan**

**Date:** February 11, 2022

**To:** Executive Committee

**From:** City Manager and Chief Financial Officer and Treasurer

**Wards:** All

### **SUMMARY**

---

This report, completed on an annual basis as part of the budget process, summarizes federal and provincial infrastructure funding programs which are identified in the 2022-2031 Staff Recommended Capital Budget and Plan.

The City receives funding from intergovernmental funding programs, including, but not limited to:

- Provincial Gas Tax Fund (Dedicated Gas Tax for Public Transportation Program)
- Canada Community Building Fund (formerly the Federal Gas Tax Fund)
- Federal Disaster Mitigation and Adaptation Fund
- Investing in Canada Infrastructure Program (ICIP) – Phase 2:
  - Public Transit Infrastructure Stream
  - Green Infrastructure Stream
  - COVID-19 Resilience Infrastructure Stream

This program list does not include carry forward funding from 2021 into 2022. The current 10 Year Capital Plan includes intergovernmental funding commitments of \$5 billion over 10 years, however the City will continue to seek funding partnerships towards transit needs; opportunities to advance the provincial and national climate goals; and to address regional housing and shelter needs. These projects rely on successful partnerships with other orders of government and require committed funding from the provincial and federal governments to deliver.

The Government of Canada and the Ontario Government are expected to contribute approximately \$5.0 billion (11%) towards the City of Toronto's \$46.6 billion 2022-2031 Staff Recommended Tax and Rate Supported Capital Budget and Plan (federal: \$3.4 billion; provincial: \$1.6 billion over the 10 year planning period).

## RECOMMENDATIONS

---

The City Manager and the Chief Financial Officer and Treasurer recommend that:

1. City Council authorize the City Manager and/or any other relevant City Official, in consultation with the Chief Financial Officer and Treasurer, to apply for and receive funding, and negotiate, enter into and execute any agreements required in respect of receiving such funding, including any amendments and extensions thereto, with the Government of Canada, the Province of Ontario, their respective agencies/partners, or other funding partners until the first regular meeting of the 2022-2026 City Council term and in a form satisfactory to the City Solicitor.

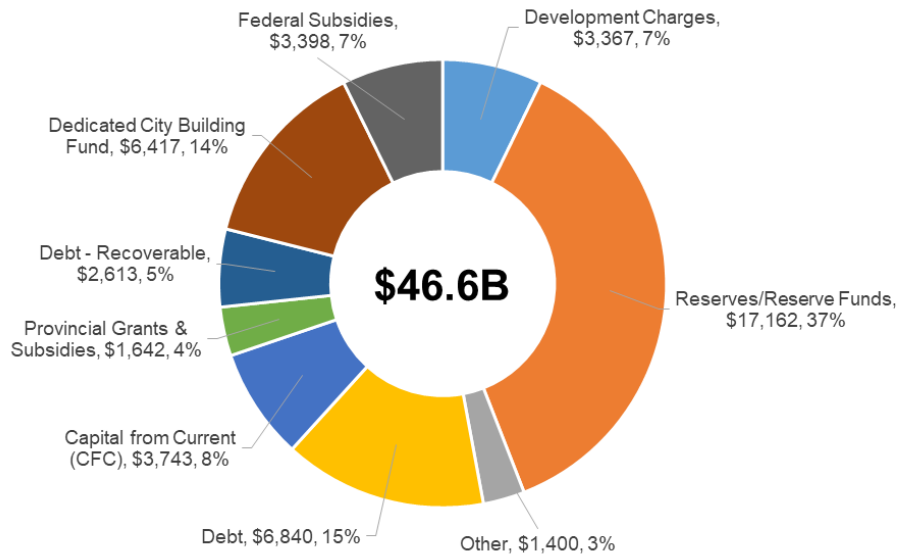
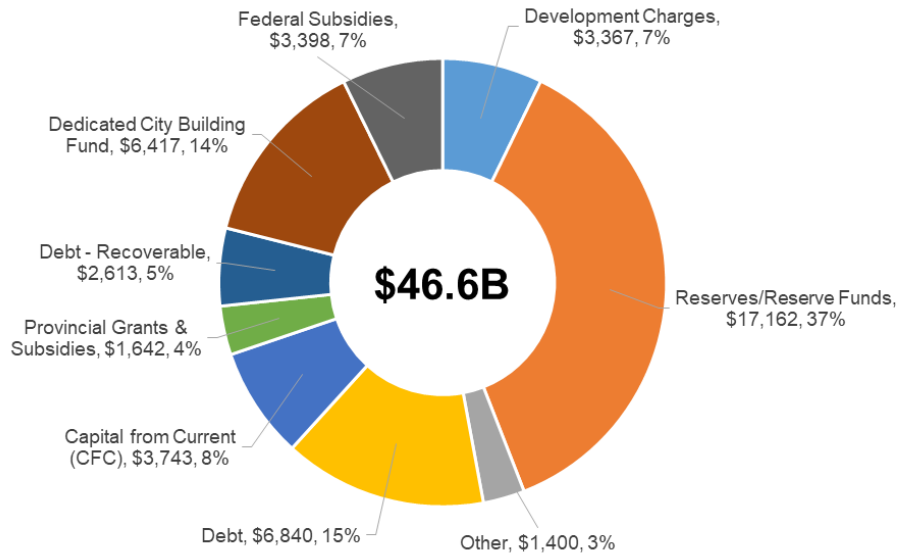
## FINANCIAL IMPACT

---

In total, the Government of Canada and the Ontario Government are expected to contribute \$5.0 billion (11%) towards the \$46.6 billion 2022-2031 Staff Recommended Tax and Rate Supported Capital Budget and Plan (federal: \$3.4 billion; provincial: \$1.6 billion).

Additionally, the City will continue to seek funding partnerships with the government of Canada and province of Ontario towards capital infrastructure needs including investments in our transit system; opportunities to advance the city's, provinces and nations climate goals; and to invest in affordable housing needs in the region

**Figure 1 - 2022-2031 Staff Recommended Tax and Rate Supported Capital Budget and Plan: Where the Money Comes From: \$46.6 billion\* (\$000s)**



\*Reserves and reserve funds include capital reserve contributions of \$11.8 billion from Toronto Water and \$263.2 million from Solid Waste Management Services based on the most recent estimates, considered as part of the 2022 Rate-Supported Budget Process.

In addition to the funding programs discussed in this report, the 2022-2031 Staff Recommended Tax and Rate Supported Capital Budget and Plan and appropriate budget notes provide details on intergovernmental funded infrastructure projects and programs comprising the \$5.0 billion total in expected intergovernmental infrastructure funding. Federal and provincial funding is summarized in Table 1 below.

**Table 1 – Summary of Intergovernmental Funding Programs 2022-2031 (\$000s)**

Intergovernmental Funding Program	Summary of Division/Projects/Programs	Provincial	Federal	Total
1. Provincial Gas Tax <sup>(1)</sup>	TTC - Conventional Capital Program	936,010		936,010
2. Canada Community Building Fund (formerly Federal Gas Tax Fund)	TTC - Conventional Capital Program		1,976,910	1,976,910
3. TTC Streetcar Program	TTC - Conventional Capital Program	153,440	153,440	306,880
4. Disaster Mitigation and Adaptation Fund (DMAF)	Parks, Forestry and Recreation, Transportation Services, Toronto Water	N/A	128,020	128,020
5a. ICIP - Public Transit Infrastructure Fund Phase 2 (Future Year Estimates <sup>(2)</sup> )	TTC Yonge-Bloor Capacity Improvement, SmartTrack	500,000	1,085,000	1,585,000
Other Programs	Housing Secretariat, Seniors Services and Long-Term Care, Corporate Real Estate Management, Toronto Parking Authority, Toronto Public Health, Toronto Water, Fire Services	53,010	54,706	107,716
<i>(Provincial Other: Ministry of Health, Community Paramedicine, Long-Term Care Minor Capital Funding Program)</i>				
<i>(Federal Other: CMHC - Affordable Housing Innovation Fund and 0% Interest Loan, Canada Cultural Spaces Fund, Public Safety Canada, Natural Resources Canada EV Program)</i>				
<b>Total</b>		<b>1,642,460</b>	<b>3,398,076</b>	<b>5,040,536</b>
Notes:				
(1) \$91.6 million of the annual Provincial Gas Tax allocation is applied to the TTC operating budget.				
(2) Federal funding committed, subject to program approval and key funding terms and conditions (SmartTrack).				
(3) Total amounts shown do not reflect carry forwards amounts from prior years.				

Intergovernmental funding programs often require the City of Toronto to commit to providing matching funds or a percentage of total eligible project costs in order to receive provincial or federal funding. The City-funded portions of the above funding programs are included in the 10 Year Capital Plan.

In addition, the City proactively commits funding for capital projects to leverage anticipated future provincial and federal funding programs. The current 10 Year Capital Plan includes intergovernmental funding commitments of \$5 billion over 10 years, however the City will continue to seek funding partnerships towards transit needs; opportunities to advance the provincial and national climate goals; and to address regional housing and shelter needs. These projects rely on successful partnerships with other orders of government and committed funding from the provincial and federal governments to deliver.

## DECISION HISTORY

---

City Council provides the authority to enter into intergovernmental funding agreements and has approved funding for specific projects through the capital budget process. City Council has also authorized staff to negotiate and enter into agreements, as directed, for new intergovernmental funding for priority projects. The full itemized decision history is set out in Attachment 1.

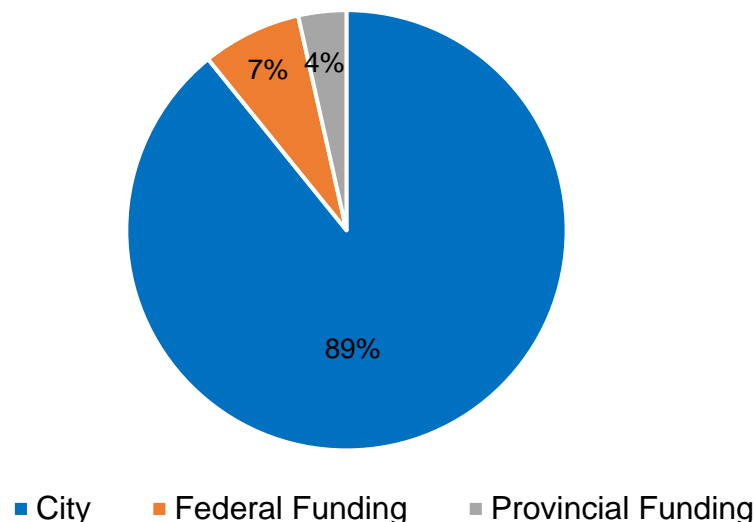
## ISSUE BACKGROUND

---

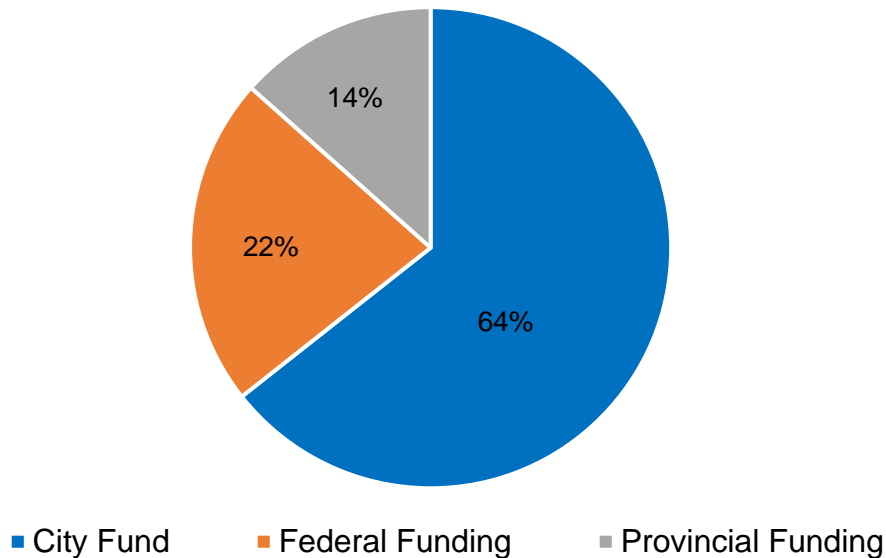
The City's 2022-2031 Staff Recommended Tax and Rate Supported Capital Budget and Plan identifies \$46.6 billion in public investments to infrastructure such as transit and transportation, water and wastewater, environmental and other capital assets. Capital projects are funded from user fees (rates), reserves, development charges, borrowing (debt), and by federal and provincial government transfers.

Contributions from the federal and provincial governments account for a total of 11% (\$5.0 billion) of the funding outlined in the 2022-2031 Staff Recommended Tax and Rate Supported Capital Budget and Plan (Figure 2).

**Figure 1 - 2022-2031 Staff Recommended Tax and Rate Supported Capital Budget and Plan: Share of Funding**



**Figure 2 - TTC 2022-2031 Staff Recommended Capital Budget and Plan: Share of Funding\***



\*Inclusive of TTC's base capital program. Excludes \$91.6 million per year in Provincial Gas Tax which is applied to the TTC operating budget.

The TTC's 2022-2031 Staff Recommended Capital Budget and Plan (excluding carry-forward funding) is \$11.8 billion, 64% funded by the City (\$7.6 billion), 14% by the Government of Ontario (\$1.6 billion), and 22% by the Government of Canada (\$2.6 billion) as shown in Figure 3. Stable, predictable and long-term federal and provincial funding is necessary to invest in state of good repair projects and plan for system expansion which can only proceed with contributions from all orders of government.

In addition to funding included in the 10 Year Capital Plan for TTC, the City has additional funds dedicated to transit initiatives including \$1.5 billion for the SmartTrack Stations Program in the Transit Expansion division's Capital Plan, resulting in a total budgeted transit investment of \$13.4 billion over the next 10 years.

## **COMMENTS**

---

Current intergovernmental funding includes the: (1) Provincial Gas Tax Fund, (2) Canada Community Building Fund (formerly the Federal Gas Tax Fund), (3) Disaster Mitigation and Adaptation Fund (DMAF), (4) TTC Streetcar Program, and (5) Investing in Canada Infrastructure Program (ICIP) – Public Transit. There are also a range of smaller funding programs that the City currently leverages to support specific projects, outlined in Table 1 above.

### **1. Provincial Gas Tax**

Introduced in 2004, the Provincial Gas Tax (PGT) currently transfers two cents per litre of provincial gas tax revenues to municipalities to expand and improve their public

transit systems. The program was phased in over time, and in 2013 legislation was passed that permanently dedicates a portion of annual provincial gas tax revenues to municipalities for public transportation.

Municipal allocations change annually, and are determined using a provincial allocation formula based on transit ridership (70% weighting) and population (30% weighting). Revenues must be used to support municipal public transportation expenditures above municipal baseline spending.

From 2005-2021, the City has received over \$2.8 billion in PGT funding which has been invested in the operating and capital requirements of the TTC. The Ontario Government has confirmed Toronto's 2021-22 PGT allocation as \$185,139,981.

The 2022-2031 Staff Recommended Capital Budget and Plan identifies a total of roughly \$936 million in PGT investments. The full list of planned PGT funded projects is in Attachment 2.

## **2. Canada Community Building Fund (formerly the Federal Gas Tax Fund)**

Originally established in 2005 and extended in 2010 and 2014 as the Federal Gas Tax Fund, now called the Canada Community Building Fund (CCBF), allocates over \$2 billion per year among Canadian municipalities for investment in infrastructure which is allocated on a per capita basis. In 2013, the federal government indexed the CCBF to grow at 2% per year, with actual funding increases to be applied to the program in \$100 million increments.

The CCBF is a source of infrastructure funding, allowing municipalities the flexibility to select local priority projects within eighteen categories of eligible infrastructure. As directed by City Council, Toronto entered into an Administrative Agreement with the Government of Canada, the Ontario Government and the Association of Municipalities of Ontario in 2014 which governs the flow of funds until 2023.

Since 2005, the City has received approximately \$2.3 billion from the CCBF funding which has been directed to the TTC to leverage over \$5.0 billion of investments in the transit system. In 2021, the City received \$174.1 million in CCBF funding. The 2022-2031 Staff Recommended Capital Budget and Plan reflects roughly \$2.0 billion in CCBF funds to be received over the 10-year period; however actual allocations beyond 2023 will be determined as part of a new (or extended) agreement.

CCBF funding allocations over the 10-year period continue to focus on fleet replacement and state of good repair projects. The full list of planned federal CCBF funded projects is in Attachment 2.

## **3. Disaster Mitigation and Adaptation Fund (DMAF)**

In May 2018, the federal government announced DMAF, a national merit-based disaster mitigation program that will invest \$2 billion over 10 years in funding to support large-scale infrastructure projects to help communities increase resiliency and better manage the risks of disasters triggered by natural hazards. DMAF was topped up in 2021 by an Intergovernmental Infrastructure Funding in the 10 Year Capital Plan

additional \$1.375 billion over 12 years. DMAF provides funding of up to 40% of eligible costs for municipal projects. There is no provincial funding requirement. Projects must be complete by March 31, 2028.

To date, the City has received approval for five projects under DMAF. Funding has been approved for the following projects:

- Fairbank-Silverthorn Trunk Storm Sewer System (\$73.2M Fed / \$133.49M City)
- Midtown Toronto Relief Storm Sewer (\$37.16M Fed / \$82.84M City)
- Tree Canopy and Waterfront Shoreline (\$11.98M Fed / \$17.98M City)
- Toronto Culvert Rehabilitation (\$8.7M Fed / \$13.1M City)
- Jane Street Bridge Crossing (\$19M Fed / \$28.5M City)

The 2022-2031 Staff Recommended Capital Budget and Plan reflects \$128.0 million in committed DMAF funds, not including carry forwards.

#### **4. TTC Streetcar Program**

On May 12, 2021, the Government of Canada and the Ontario Government announced a total of \$360 million in funding commitments for the Toronto Transit Commission (TTC) Streetcar Program which includes the purchase of 60 new zero-emission streetcars and modifications to the TTC's Hillcrest Facility to accommodate additional streetcars through to 2027. Specifically, the Ontario Government will be investing \$180 million for new streetcars, while the Government of Canada will contribute \$180 million to both new streetcars and the Hillcrest Facility. In addition, the City will contribute \$65.7 million towards the new streetcars. City and TTC staff are working with federal and provincial officials to finalize required intergovernmental funding agreements.

#### **5. Government of Canada Investing In Canada Infrastructure Program (ICIP)**

Infrastructure Canada (INFC) is investing \$33 billion over 11 years (2017-18 to 2028-29) through Integrated Bilateral Agreements (IBAs) with Provinces and Territories. This includes the following funding streams:

- Public transit;
- Green infrastructure;
- Community, culture and recreation infrastructure; and
- Infrastructure needs in rural and northern communities.

On March 14, 2018, the federal and provincial government signed the Canada-Ontario IBA for the Investing in Canada Infrastructure Program<sup>1</sup>. The agreement outlines federal investments to Ontario. The IBA includes a requirement of a minimum 33% matching contribution from provincial governments for municipal projects. The federal government will contribute up to 40% of eligible project costs with municipalities funding the remainder.

---

<sup>1</sup> <http://www.infrastructure.gc.ca/alt-format/pdf/agreements-ententes/2018/2018-ON-Bilateral-Agreement-EN.pdf>



Through the IBA, Ontario has been allocated \$11.8 billion in federal funding, which is expected to be matched by \$10.2 billion in provincial funding as per the March 2018 provincial announcement<sup>2</sup>. Under the ICIP IBA, the Province is responsible for "identifying and prioritizing eligible projects through engagement with local and regional governments, and will submit eligible projects to Canada for approval". The IBA also stipulates the requirement that "Ontario will ensure that projects submitted for Canada's approval represent, to the satisfaction of Canada and Ontario, a fair balance of municipal and provincial projects."

#### *5A. ICIP – Public Transit Infrastructure Stream*

The City has been allocated approximately \$4.9 billion in federal funding under the ICIP – Public Transit Infrastructure Stream (PTIS) based on ridership. This includes the federal government's \$660 million prior commitment to the Line 2 East Extension Scarborough Subway Expansion project (SSE). In April 2019, Toronto City Council confirmed its priority transit expansion projects for its federal allocation under ICIP-PTIS as part of 2019.EX4.1 Toronto's Transit Expansion Program – Update and Next Steps<sup>3</sup>. Subsequently, in October 2019, City Council revised its priority transit expansion projects based on discussions with the Ontario Government. As such, City Council's priority transit expansion projects for ICIP-PTIS funding are the SmartTrack Stations Program, Bloor-Yonge Capacity Improvements Project, 3-stop Line 2 East Extension and the Ontario Line.

In August 2019, the Ontario Government and the Government of Canada announced priority funding consideration for SmartTrack Stations Program and Bloor-Yonge Capacity Improvement Project. Funding is subject to final provincial and federal Treasury Board approval and execution of transfer payment agreements. City and TTC staff continue to work with the Province and Infrastructure Canada to advance the City's ICIP-PTIS priority projects.

#### *5B. ICIP – Green Infrastructure Stream*

On May 1, 2018, the City, the Ontario Government, and the Government of Canada signed an agreement for \$1.2 billion for the Port Lands Flood Protection and Enabling Infrastructure Project, funded equally between all three parties. Through a funding agreement that ends March 31, 2026, Waterfront Toronto Corporation is directly receiving approximately \$416 million from both the Ontario Government and the Government of Canada respectively.

In October 2019, the Ontario Government launched an intake for the federal ICIP – Green Infrastructure stream for municipalities with populations under 100,000. The Green stream is merit-based and does not have a specific allocation for municipal projects.

#### *5C. ICIP – COVID-19 Resilience Infrastructure Stream*

---

<sup>2</sup> <https://news.ontario.ca/moi/en/2018/03/under-the-180-billioninvesting-in.html>

<sup>3</sup> <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX4.1>

In October 2020, the Province of Ontario announced the launch of the federal-provincial \$1.05 billion, COVID-19 Resilience Infrastructure funding stream under the Investing in Canada Infrastructure Program (ICIP). In response to COVID-19, the purpose of this funding stream is to build or renovate health and safety related projects in long-term care (\$100 million), education (\$700 million) and local governments (\$250 million). Ontario reallocated \$840 million in federal funding from the ICIP-Green stream, matched with \$210 million in provincial funding towards this COVID-19 Resilience Infrastructure Stream. Under this Stream, the federal government will contribute 80% of eligible project costs with the Province covering the remaining 20%. Municipalities are not required to contribute funding to projects approved under this stream.

Toronto City Council approved the list of project applications in December 2020 under Attachments 1 and 2 of EX19.2<sup>4</sup>. Under the Long-Term Care Sub-Stream, 7 projects were funded for a total of \$2.3 million in funding. Under the Local Government Sub-Stream, 5 projects were approved for a total of \$24.26 million in funding.

The deadline for project completion under the COVID-19 Resilience Infrastructure Stream has been extended to December 31, 2023. The City is on track to complete the approved projects by the required deadline to leverage the maximum funding available.

## **Conclusion**

The City's 2022-2031 Staff Recommended Capital Budget and Capital Plan focuses investments on both state of good repair and new capital construction. Relationships with other orders of government through funding agreements provide significant capital contributions that help address many of the City's key strategic priorities including investments within our transit system; opportunities to advance the city's, provinces and nations climate goals; and to invest in affordable housing needs in the region.

The Intergovernmental and Agency Relations Unit coordinates many of these intergovernmental funding opportunities with support from key divisions including Financial Planning and Accounting Services. City staff continue to identify additional intergovernmental funding opportunities to leverage funds for City Council approved priority projects. In addition to intergovernmental infrastructure funding, the City continues to seek and advocate for ongoing sustainable funding to help service the operating and maintenance costs associated with capital investments.

It should be noted that the success of the City's Capital Plan spend rate and delivery of capital projects, including those funded in part by other orders of government, may be impacted by the ongoing financial challenges associated with COVID-19. Should the City of Toronto not receive required COVID-19 relief funding support in 2022 and future years, there may be an impact to capital project delivery and a resulting economic impact to the City, province and country. The City's Capital Budget addresses both the City infrastructure needs, including the expected growth in our State-of-Good Repair backlog but also supports the economy through significant investments and job growth.

---

<sup>4</sup> <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX19.2>  
Intergovernmental Infrastructure Funding in the 10 Year Capital Plan

As reported by the City's Economic Development and Culture division as part of last year's budget process, a 2017 survey by the Centre for Spatial Economics commissioned by the Ontario Government estimated that an increase in public infrastructure spending (non-residential building construction, engineering construction, and capital outlays on machinery & equipment) generates a mid-range estimate of roughly 9 jobs per \$1 million expenditure. Any reductions to capital spending will have a negative impact to the economy and job growth.

## **CONTACT**

---

Stephen Conforti, Executive Director, Financial Planning, Financial Planning Division, 416-397-4229, [Stephen.Conforti@toronto.ca](mailto:Stephen.Conforti@toronto.ca)

Karen Jones, Director, Intergovernmental and Agency Relations, 416-397-4429, [Karen.Jones@toronto.ca](mailto:Karen.Jones@toronto.ca)

## **SIGNATURE**

---

Heather Taylor  
Chief Financial Officer and Treasurer

Chris Murray  
City Manager

## **ATTACHMENTS**

---

Attachment 1 – City Council Decision History

Attachment 2 – Canada Community-Building Fund and Provincial Gas Tax Funding for TTC's 2022-2031 Staff Recommended Capital Budget and Plan