

City of Toronto Annual Report 2021 - **Narrative**  
Administrative Agreement on the Canada Community Building Fund  
(Formerly the Federal Gas Tax Fund)

## **Executive Summary**

The federal Canada Community Building Fund (CCBF) (formerly the Federal Gas Tax) is a crucial source of infrastructure funding for the City of Toronto. As an allocation-based program, the CCBF 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, CCBF 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 CCBF funds towards investments in the Toronto Transit Commission (TTC) which contributes to safe, efficient and reliable service in the City of Toronto and surrounding region. As a result of the COVID-19 pandemic, ridership in 2021 decreased to 197.8 million riders, a reduction of 12% from 2020 ridership levels of 225.0 million riders.

In total, the City of Toronto has leveraged more than \$5.5 billion of investments for public transit, due to approximately \$2.7 billion in contributions made by the Government of Canada. This includes the 2021-2022 CCBF allocation of \$174.1 million and a one-time CCBF payment received in 2021 that provided Toronto with an additional \$166.6 million. While these investments have provided much-needed capital funding to support Toronto's transit system, the TTC has approximately \$25.17 billion in unfunded capital needs identified through its 15-Year Capital Investment Plan.<sup>1</sup>

### COVID-19 Impacts

As this report covers CCBF expenditures for the year ended December 31, 2021, 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, TTC ridership and associated revenue loss.

While the impacts of COVID-19 will be further detailed in the City of Toronto's CCBF Annual Report 2022, 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, public transit is their primary mode of mobility. As of September 2022, ridership is at roughly 105% of budgeted levels.

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<sup>1</sup>[https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2021/Dec-20/3\\_TTC\\_15-Year\\_Capital\\_Investment\\_Plan\\_Real\\_Estate\\_Investment\\_Plan\\_and\\_20.pdf?rev=acee222d8f9143459f7cc3b6543790fa&hash=A35FF2B421B84FA770DE20CEDCD5BA97](https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2021/Dec-20/3_TTC_15-Year_Capital_Investment_Plan_Real_Estate_Investment_Plan_and_20.pdf?rev=acee222d8f9143459f7cc3b6543790fa&hash=A35FF2B421B84FA770DE20CEDCD5BA97)

Impacts to the City to date, including the TTC, can be found in the staff report to Toronto City Council [CC38.1 – COVID-19 Intergovernmental Funding Update](#). COVID-19 related financial impacts for the City as a whole are budgeted at \$1.596 billion in 2021 across all City Programs and Agencies. Federal and provincial COVID-19 funding support applied to the City's 2021 Budget total \$1.521 billion, reflecting over 95% of budgeted COVID-19 funding requirements.

The City's 2022 budget also outlines an anticipated \$1.4 billion COVID-19 financial pressure for 2022. The City continues to be appreciative of this significant federal-provincial funding which helps address the financial impacts of COVID-19 and the anticipated multi-year recovery that will occur, particularly related to transit ridership.

## **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. In 2021, businesses and communities in the city generated an estimated \$169.3 billion in real GDP (chained 2012 dollars), which accounts for close to half of the GDP generated in the Toronto Census Metropolitan Area (CMA). Further, the Toronto CMA generates roughly 50% of the GDP of Ontario and close to 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.

While the long-term impacts of COVID-19 are uncertain, all governments are investing to expand Toronto's transit system and in existing assets to maintain them in a state of good repair (including to replace transit fleet). The Greater Toronto Area (GTA) is projected to be the fastest growing region, with its population increasing by 2.9 million, or 41.3 per cent, from 7.1 million in 2021 to over 10.0 million by 2046. The GTA's share of provincial population is projected to rise from 47.9 per cent in 2021 to 49.1 per cent in 2046.<sup>2</sup> 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.

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<sup>2</sup> <https://www.ontario.ca/page/ontario-population-projections>

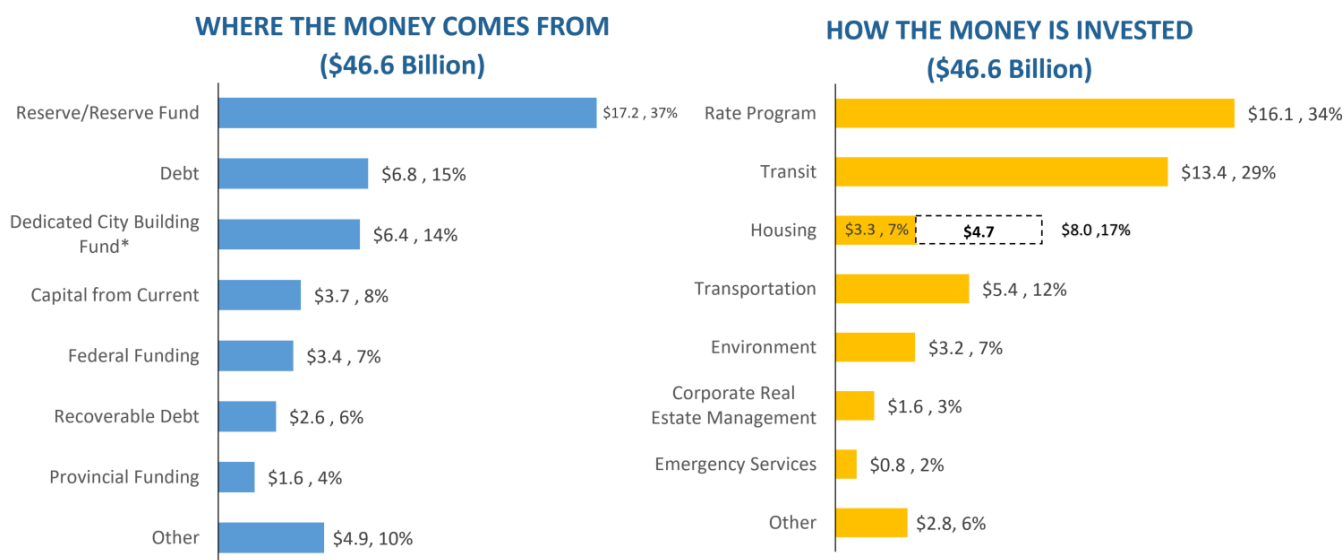
## City of Toronto's 10-year Capital Budget and Plan

The 2022 Operating Budget and the 2022 – 2031 Capital Budget and Plan are COVID budgets that continue to address the pandemic impacts and the financial challenges it has created for Toronto. The City has been able to adapt to these financial pressures by implementing a series of mitigation strategies, spending controls and enhanced reporting, while also ensuring a strong collaboration with intergovernmental partners. 2022 Budget decisions and actions are guided by social, climate and economic outcomes to achieve prosperity for all and enable the City of Toronto to provide over 150 distinct services that are supported by capital assets and infrastructure to meet the needs of a diverse population of more than 2.9 million people.

The City employs a financial planning and budgeting process that is transparent, accessible and focused on service outcomes and accountability. It accounts for the public's needs as translated by Council in its approved strategies and priorities and ensures that value is achieved through the efficient use of resources for the most effective delivery of City services and stewardship of City assets. Grounded in good governance, the City's financial planning and budgeting practices are aimed to garner the public's trust and confidence in the management of public resources. The development of the 2022 Budget was guided by four key principles:

- Manage COVID-19 impact and recovery;
- Preserve existing services (consistent with health guidelines & legislative requirements);
- Keeping property taxes affordable; and
- Building a prosperous Toronto with a focus on equity & reconciliation; climate action; and health & well-being.

**Figure 1 – Tax & Rate Supported 10-Year Capital Plan**



\* City Building Fund is dedicated to Transit and Housing projects

Approximately \$13.4 billion<sup>3</sup> 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 \$101.5 billion in assets (replacement value), the TTC has an estimated \$20.1 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 2022-2031, the TTC Capital Budget and Plan (excluding carry-forward funding) is \$11.811 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.

<sup>3</sup> \$1.525B being related to Transit Expansion Office's budget for transit expansion projects (Please see [backgroundfile-175116.pdf \(toronto.ca\)](#) for more details)

The 10-year capital program is financed by \$0.497 billion from Development Charges, \$4.215 billion from Federal/Provincial sources (including the CCBF), \$0.219 billion from other revenues including capital from current, and \$0.815 billion of debt/cash and \$6.065 billion of debt recoverable from current (excluding carry-forward). Significant federal contributions include the CCBF as well as Phase 1 of the Public Transit Infrastructure Fund (PTIF).

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 2022 has identified over \$37.22 billion in capital funding requirements over the next 15 years for asset renewal and replacement.<sup>4</sup>

To date the TTC has been the recipient of funding and/or funding commitments totaling \$5.7 billion to fund critical capital projects that otherwise would have remained unfunded. This new funding has enabled the TTC to achieve the following results during 2021 as a direct result of this new funding:

- Completed and received Board approval of Stage Gate 3 deliverables for the Bloor-Yonge Capacity Improvements project and submitted the business case to Provincial and Federal Governments;
- Completed stage 1 activities for the Line 1 Capacity Enhancement Project;
- Initiated planning and an assessment for the Line 2 Capacity Enhancement Program.

As recommended by the TTC Board and as directed by City Council, the CIP is updated annually as part of the budget process. As a rolling plan, the CIP will continue to be updated on an annual basis to reflect refined estimates, changes to the plan as well as provide an update on the progress being made on addressing the Commission's SOGR backlog and unmet capital needs.

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<sup>4</sup> [https://staging2.ttc.ca/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2020/December\\_21/Reports/2\\_TTC\\_15\\_Year\\_CIP\\_and\\_2021\\_2030\\_Capital\\_Budget\\_and\\_Plan.pdf?rev=c6794ed8e1ff42c8a168efbfc13dc6eb&hash=27ADE5279B56BEA489CDF137FA50F41A](https://staging2.ttc.ca/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2020/December_21/Reports/2_TTC_15_Year_CIP_and_2021_2030_Capital_Budget_and_Plan.pdf?rev=c6794ed8e1ff42c8a168efbfc13dc6eb&hash=27ADE5279B56BEA489CDF137FA50F41A)

The City continues to work with provincial and federal governments to advance priority projects for 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 and the Bloor-Yonge Capacity Improvement Program. 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 Canada Community Building Fund in Toronto**

The allocation-based CCBF helps the City plan over the long term due to its stable allocation and flexible terms and conditions that allow the City to invest in its priority infrastructure projects. CCBF 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 CCBF 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 2021, the City received an allocation of \$341 million under the federal CCBF. The CCBF represents an efficient mechanism to flow such funds to municipal governments. The City appreciates both the CCBF'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  
Canada Community Building Fund Investments (2005-2021)**

\$millions

Year	Approved Annual Capital Budget <sup>(1)</sup>		Federal Gas Tax Fund <sup>(2)</sup>		CCBF as a % of City Capital Budget (Annual)	Amount Leveraged (Total CCBF 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>	1,651.7	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 <sup>(5)</sup>	2,153.1	8.2%	487.0
2020	3,631.0	871.0	166.6	2,319.7	4.6%	351.0
2021	4,292.0	1,267.5	340.7 <sup>(6)</sup>	2,660.4	7.9%	460.3

Notes

(1) Excludes budgeted 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 from 2005-2019. As of 2020 (3) includes 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 CCBF funds provided under Budget 2019.

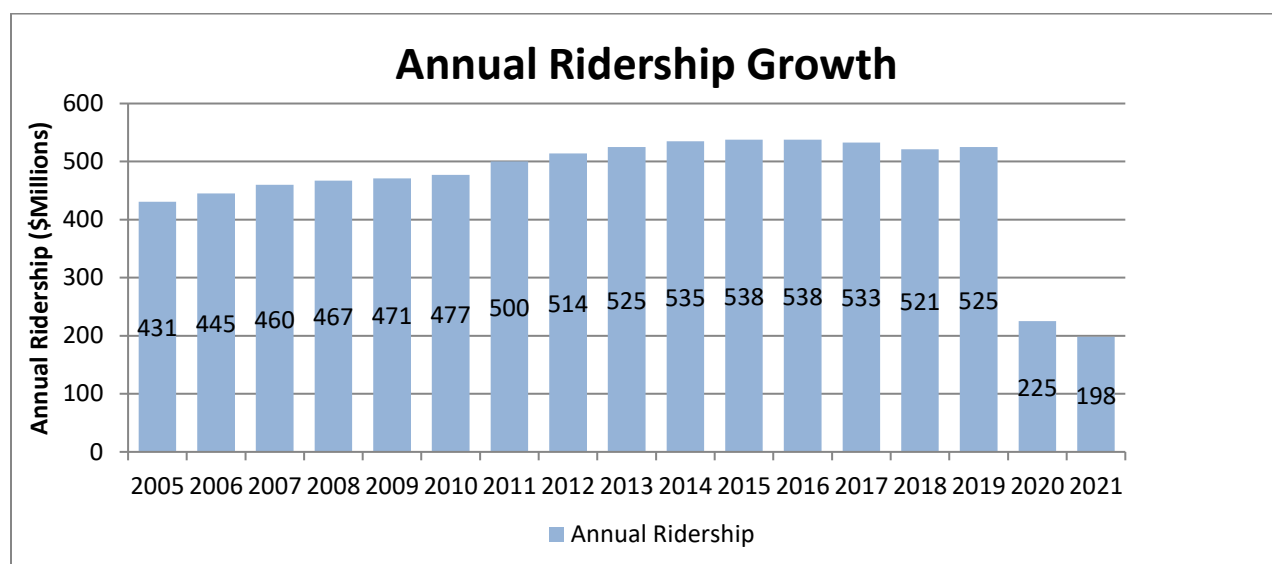
(6) Includes \$174.1 in annual allocation, plus \$166.6 million from the one-time payment of CCBF (utilized by the City of Toronto).

Since 2005, the City has received roughly \$2.66 billion from the CCBF, which has leveraged over \$5.5 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 CCBF allows for planned investments that increase the reliability of TTC service and keeps Toronto moving.

## 2021 Milestones and Project Outcomes

Key investments in 2021 under the CCBF were the approximate \$45.5 million allocation dedicated to work underway to make more subway stations accessible as part of the larger TTC's Easier Access station accessibility retrofit program. In addition, \$19.1 million of federal CCBF has been invested to fund continued work on the re-signalling of Line 1 (Yonge-University) to improve reliability and capacity and also, \$10.4 million of federal CCBF has been invested in continued work at the new Wilson Yard for re-signalling to provide consistent technology for increased reliability and safety. Also, \$17.2 million of the federal CCBF allocation funded the continued work on the Fire Ventilation Upgrades & Seconds Exits at Chester Station. The benefit of CCBF 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, with a decline seen in 2020 and 2021 as a result of COVID-19.

Figure 3 – TTC Annual Ridership Growth (2005-2021)



As CCBF 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/transparency-and-accountability#section-reports>.

The TTC's annual report outlines broader achievements including major projects and initiatives for the past year. Annual reports, including for 2021, can be found here: <https://www.ttc.ca/transparency-and-accountability#section-reports>.



## 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 2021, 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. Communications resources in 2021 were largely redirected to work related to COVID-19.

### *Evaluations and Audits*

A number of federal evaluation and audit reports (which are separate from the City's annual CCBF 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 2021, the City continued its 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 CCBF'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.