

City of Toronto Annual Expenditure and Outcomes Report 2022

Canada Community Building 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. Ridership in 2022 increased to 318.9 million riders, a growth of 61% from 2021 ridership levels of 198.0 million riders.

In total, the City of Toronto has leveraged more than \$6.10 billion of investments for public transit, due to approximately \$2.9 billion in contributions made by the Government of Canada; this includes the 2022-2023 CCBF allocation of \$174.1 million. While these investments have provided much-needed capital funding to support Toronto's transit system, the TTC has approximately \$25.20 billion in unfunded capital needs identified through its 15-Year Capital Investment Plan.¹

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 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.

¹ https://cdn.ttc.ca/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2023/January-9/2_15_Year_CCIP_REIP_Update_10_Year_Capital_Budget_and_Plan.pdf?rev=ae8df60c9d6c4f4080edcd19939577e4&hash=EE090003233B8C8984F2BB3DB65F74A3

The provincial, federal and municipal 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) will see the largest increase in population, adding 3.3 million residents to 2046, with growth of 45.9 per cent, from 7.2 million in 2022 to over 10.5 million by 2046. The GTA's share of provincial population is projected to rise from 47.8 per cent in 2022 to 48.6 per cent in 2046. 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

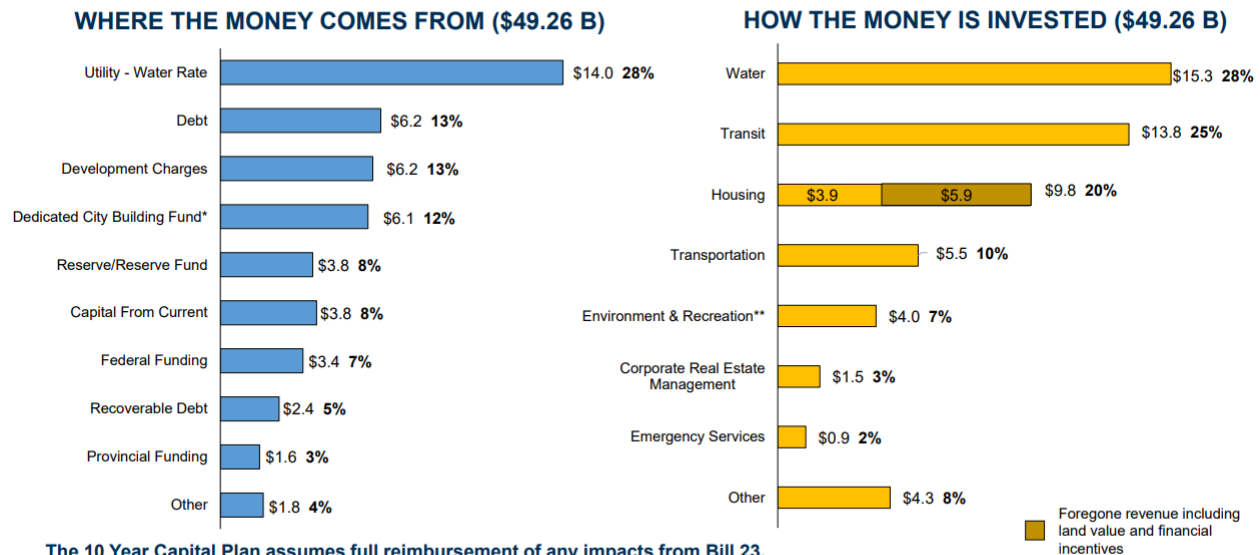
The 2023 Operating Budget and the 2023 – 2032 Capital Budget and Plan are COVID budgets that continue to address the pandemic impacts and the financial challenges it has created for Toronto. The City has been able to adapt to these financial pressures by implementing a series of mitigation strategies, spending controls and enhanced reporting, while also ensuring a strong collaboration with intergovernmental partners. 2023 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

Tax and Rate Supported 10-Year Capital Plan



Approximately \$13.8 billion² 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 \$168.4³ billion in assets (replacement value), the TTC has an estimated \$23.2 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 2023-2032, the TTC Capital Budget and Plan (excluding carry-forward funding) is \$12.66 billion and is prioritized in keeping the system in a state of good repair, complying with legislative requirements, replacing aging fleet and building

² \$1.53B being related to Transit Expansion Office's budget for transit expansion projects (Please see [2023 Operating and Capital Budgets \(toronto.ca\)](#) for more details)

³ [Budget Note 7 - 2023 Capital Budget Briefing Note - State of Good Repair \(SOGR\) Backlog \(toronto.ca\)](#)

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 \$1.362 billion from Development Charges, \$4.334 billion from Federal/Provincial sources (including the CCBF), \$0.287 billion from other revenues including capital from current, and \$1.056 billion of debt/cash and \$5.63 billion of debt recoverable from current (excluding carry-forward). Significant federal contributions include the CCBF as well as Phase 2 of the Public Transit Infrastructure Fund (PTIF).

The City continued 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 significantly contributed to improving the City's transit network. The remainder is supporting investments in active transportation and planning and design for transit expansion. PTIF 1 funding program concluded on December 31, 2022.

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 2023 has identified over \$38.05 billion in capital funding requirements over the next 15 years for asset renewal and replacement.⁴

To date the TTC has been the recipient of funding and/or funding commitments totaling \$6 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 2022 as a direct result of this new funding:

- The TTC formerly received approval principle for the Bloor Yonge Capacity Improvement Project.
- The TTC formerly received funding approval from Infrastructure Canada under the ZETF program, which includes the procurement of 340 e-buses and 248 charge points.

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.

⁴ https://cdn.ttc.ca/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2023/January-9/2_15_Year_CCIP_REIP_Update_10_Year_Capital_Budget_and_Plan.pdf?rev=ae8df60c9d6c4f4080edcd19939577e4&hash=EE090003233B8C8984F2BB3DB65F74A3

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 2022, the City received an allocation of \$174.1 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 (2005-2022)**
\$millions

Year	Approved Annual Capital Budget ⁽¹⁾		Federal Gas Tax Fund ⁽²⁾		CCBF as a % of City Capital Budget (Annual)	Amount Leveraged (Total CCBF 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
2020	3,631.0	871.0	166.6	2,319.7	4.6%	351.0
2021	4,292.0	1,267.5	340.7 ⁽⁶⁾	2,660.4	7.9%	460.3
2022	4,542.8	1,227.03	174.1	2,834.5	3.8%	598.6

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.

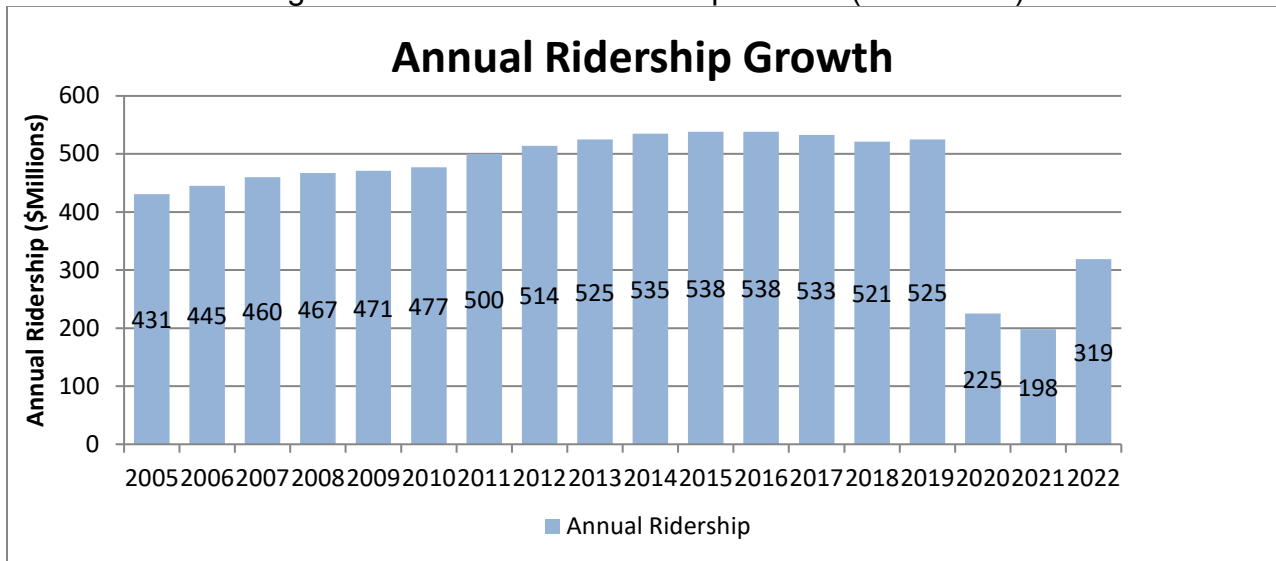
(6) Includes \$174.1 in annual allocation, plus \$166.6 million from the one-time payment of CCBF (utilized by the City of Toronto).

Since 2005, the City has received roughly \$2.83 billion from the CCBF, which has leveraged over \$6.1 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.

2022 Milestones and Project Outcomes in the last 5 Years

Key investments in the last 5 years (2018-2022) under the CCBF were the approximate total amount of \$136.2 million allocation dedicated to make more subway stations accessible as part of the larger TTC's Easier Access station accessibility retrofit program. In addition, \$47.1 million of federal CCBF has been invested to fund continued work on the re-signaling of Line 1 (Yonge-University) to improve reliability and capacity. Another key investment was the approximate \$201 million for the purchase of 204 new light rail vehicles (LRV). These vehicles improved reliability, customer service, and resulted in more service. In addition, significant amounts of CCBF has been invested in buildings and structures including \$34.8 million for facility renewal and upgrades, as well as \$32.3 million for the design and construction of a new bus garage (McNicoll Bus Garage). Lastly, a key investment in 2022 under the CCBF was approximately \$71.5 million for fleet, specifically for the purchase of 400 Hybrid buses. The new vehicles improve service reliability and accessibility for customers. 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. However, ridership rebounds back in 2022 showing positive signs of growth due to a return to school and a slight increase to return to in-office work.

Figure 3 – TTC Annual Ridership Growth (2005-2022)



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 2022, 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 2022, the City and Canada continued to implement the joint communications approach as agreed to in 2016, shared upfront project information and monitored communications performance. As per the recommendation in the last Oversight Committee meeting, a communications sub-working group has been formed in December 2022 to collectively enhance the communications strategy and efforts for projects funded by CCBF. This group meets regularly and will continue to work together to determine the milestone events/projects that have the greatest communications potential.

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 2022, the City continued its participation in the CCBF 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 CCBF 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.