



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachment**

2016 Provincial and Federal Budgets and Announcements

Date:	July 11, 2016
To:	TTC Board
From:	Chief Executive Officer
Reason for Confidential Information:	This report involves the security of the property of the municipality or local Board

Summary

This report provides details on both the Spring 2016 Province of Ontario budget and the most recent 2016 Federal budget.

Recommendation

It is recommended that the Board:

1. Receive this report for information;
2. Receive the information as set out in the Confidential Attachment; and
3. Authorize that the information provided in the confidential attachment is to remain confidential until such time as an agreement is reached on the Federal Public Transit Infrastructure Funding Program.

Financial Summary

The financial impacts of the Ontario and Federal budgets are referenced in the body of the report. Links to the subject budgets are also found in the report.

Accessibility/Equity Matters

This report and its recommendations have no accessibility issues or impact.

Comments

2016 Provincial Budget

On February 25, 2016, the 2016 Provincial Budget was announced. Below are highlights with respect to the TTC:

Capital Funding

The budget contained updates on existing infrastructure/transit funding programs/projects. There were also contributions to transit R&D that staff will keep abreast of.

Electricity Debt Retirement Charge

This is to be eliminated effective April 2018. The estimated annual impact on the TTC operating budgets is a reduction of \$3 million.

Ontario's Cap-and-Trade Program

Generally, this new program is very good news for transit with the revenues generated by it going in part to fund transit. This starts January 1, 2017. It is anticipated the cost of fuels, diesel, gasoline, natural gas and heating oils, will increase because the producers of these products will now be required to either make investments in reducing their greenhouse gas emissions or purchase allowances to exceed the emissions "cap" (i.e. limit), and the associated costs are expected to be passed down to consumers. Based on the current forecast for the price of carbon, the Provincial Budget documents project gasoline prices will increase by 4.3 cents per litre and natural gas by 3.3 cents per cubic metre. Assuming the 4.3 cents per litre applies to diesel fuel, the annual diesel fuel increase for the TTC will be about \$4.3 million. In addition, the natural gas increase will be about \$0.7 million. In total, this will increase TTC operating costs by \$5 million per year starting in 2017.

http://www.fin.gov.on.ca/en/budget/ontariobudgets/2016/papers_all.html

In June 2016, the province announced funding of \$55 million to Metrolinx to work with the TTC and Region of York on detailed planning for the Yonge-North Subway Extension.

In addition, the Province announced funding of \$150 million to Metrolinx for planning work on Toronto's Downtown Relief Line.

2016 Federal Budget

On March 22, 2016, the 2016 Federal Budget was announced and included a plan to invest more than \$120 billion in infrastructure over the next 10 years. This plan will be implemented in two phases.

Phase I – Canada’s New Infrastructure Plan – the government will focus primarily on infrastructure investments to modernize and rehabilitate public transit, water and wastewater systems, provide affordable housing, and protect existing infrastructure from the effects of climate change.

This phase of the Government’s infrastructure plan proposes to provide \$11.9 billion over five years, starting right away. Budget 2016 puts this plan into action with an immediate down payment on this plan, including:

- ***\$3.4 billion over three years to upgrade and improve public transit systems across Canada;***
- \$5.0 billion over five years for investments in water, wastewater and green infrastructure projects across Canada; and
- \$3.4 billion over five years for social infrastructure, including affordable housing, early learning and child care, cultural and recreational infrastructure, and community health care facilities on reserve.

To get projects moving quickly, the Government announced that they will fund up to 50 per cent of eligible costs for projects. Funding under the Public Transit Infrastructure Fund (PTIF) program will be allocated to municipalities based on ridership. Based on this formula, it is estimated that the City of Toronto will receive up to \$840 million in funding through the PTIF program.

The Federal Government is providing funding to support projects that will deliver increased capacity, enhanced service or improved environmental outcomes. The Federal Budget document noted that projects could include:

- Upgrades to subway tracks, bridges, signals and switches for the Montreal Metro;
- Fleet replacement, including the purchase of new subway cars, low-floor buses, and streetcars by the Toronto Transit Commission; and
- Accelerated design, implementation and construction work for new large-scale projects, such as new light rail transit lines in Greater Vancouver and Ottawa.

Appendix A includes the Public Transit Infrastructure Fund Program Overview and Appendix B contains a letter from the Federal Minister of Infrastructure and Communities to the Province.

Based on initial communications received on Phase I of this program, it was anticipated that the program duration would be over a 3 year timeframe and it was not until recent program governance and conditions (as approved by the Treasury Board) were made available that this phase of the program was confirmed to be 2 years in length. Project costs will only be considered eligible if awarded and incurred after April 1, 2016 and all work must be completed by March 31, 2018. We have been advised that Infrastructure Canada (INFC) may consider and grant extensions beyond the 2 year program framework for specific projects that require additional time to achieve substantial completion.

Details of Phase II of the PTIF plan are not yet known but the balance of the \$120 billion initiative over the ten year horizon will see broader and more ambitious goals where expansion and new service initiatives are expected to become more visible.

2016 Federal budget – March 22, 2016

<http://www.budget.gc.ca/2016/docs/plan/budget2016-en.pdf>

New: Federal Public Transit Infrastructure Fund

<http://www.infrastructure.gc.ca/plan/ptif-fitc/ptif-programme-eng>

Attachments

Appendix A – Public Transit Infrastructure Fund Program Overview

Appendix B – Letter from the Federal Minister of Infrastructure and Communities

Contact

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Michael Roche – Head of Finance & Treasurer, Michael.roche@ttc.ca, 416-393-3654

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Infrastructure Canada

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> [Program Overview](#)

2014 New Building Canada Fund: Public Transit Infrastructure Fund

Program Overview

▼ Purpose

The Public Transit Infrastructure Fund (PTIF) will provide short-term funding of \$3.4 billion to help accelerate municipal investments to support the rehabilitation of transit systems, new capital projects, and planning and studies for future transit expansion to foster long-term transit plans.

▼ Program Overview

Governance

- Canada will enter into Bilateral Agreements (BA) with provinces and territories to deliver the PTIF. The provinces and territories in turn, will enter into agreements with eligible ultimate recipients to manage projects.
- Canada will retain the flexibility to enter into agreements with other types of recipients, if deemed necessary to allow funds to flow into the economy quickly.
- An Oversight Committee (OC) co-chaired by federal and provincial/territorial officials will be established to report on project progress and program outcomes, monitor and mitigate risks, and audit and evaluation for each province and territory.

Project Identification and Approval

- Provinces and territories will be responsible for identifying projects, in collaboration with municipalities, to be funded through the PTIF.
- Provinces and territories will be required to submit a project list to Infrastructure Canada (INFC) for approval.
- All proposed project must provide basic information, including the name of the municipality, title and description of the public infrastructure project, eligible investment category, financial information, planned start and end dates as well as identification of outcome the project will support. **Please refer to Annex A - for a full list of eligible investment categories and related subcategories.**

Eligible Recipient(s)

- Eligible recipients include: provinces and territories; municipal or regional governments, established by provincial or territorial statute; or a transit agency or authority, established by a provincial, territorial, or local government. **Please refer to Annex B for complete list of eligible recipients.**

▼ Cost-Sharing, Stacking and Limits to Federal Participation

PTIF total federal funding from all sources can be up to 50% in provinces and up to 75% in territories of total eligible costs per project (see Annex C for details of eligible and ineligible costs). Funding recipients will continue to be bound by the stacking rules of other federal programs.

▼ Annex A – Overview of Eligible PTIF Investments

Eligible investment areas are targeted at meeting immediate public transit priorities that will strengthen communities and grow the economy. Eligible investments will include:

- Capital projects for the rehabilitation, optimization and modernization of public transit infrastructure, or that improve the efficiency, accessibility and/or safety of public transit infrastructure (including rehabilitation or enhancement of existing guide ways, maintenance and storage facilities, or other existing public transit capital assets; refurbishment or replacement of existing rolling stock; and replacement or enhancement of transit stations);
- Expenditures to support the asset management capacity of a public transit system;
- Expenditures to support the design and planning for the future expansion and improvements to public transit systems, including transportation demand management measures and studies and pilot projects related to innovative and transformative technologies; and
- Projects for system expansion can be funded, which may include active transportation, if they can be completed within the program timeframe, subject to any additional flexibility that may be provided by the Minister on a case by case basis. Any unspent allocations would remain with the federal government.

▼ Annex B – Eligible Recipients

The PTIF will be largely managed through funding agreements between Canada and each province and territory, which will be responsible for the administration of the programs and may further distribute funds to the eligible recipients for eligible projects. At the request of provinces or territories and at Canada's discretion, or, in order to ensure flexibility to allow the full amount of funding to flow into the economy quickly, Canada may enter into agreements with the following eligible recipients:

- a. Organizations designated by a province or territory and agreed to by Canada,
- b. Municipal or regional governments established by or under a provincial or territorial statute, and
- c. Transit agencies or authorities established by a provincial, territorial, or local government.

Infrastructure projects in the provinces located partially or entirely on reserve, or on any Crown lands or lands set aside by the Crown that are designated to become reserve lands, may be considered for funding under the PTIF provided that the proponent demonstrates the project is aligned with objectives of the fund and has benefits that extend beyond the on-reserve community.

▼ Annex C – Eligible and Ineligible Costs

Eligible Costs

For the PTIF, infrastructure is defined as publicly or privately owned tangible capital assets in Canada primarily for public use or benefit, as well as planning or feasibility studies to address infrastructure issues or due diligence.

Eligible costs are costs considered by INFC to be direct and necessary for the successful implementation of an eligible project, excluding those explicitly identified in Section 11 - Ineligible Costs. Costs of Aboriginal consultation, and where appropriate, accommodation will be considered eligible.

Eligible costs can be incurred starting April 1, 2016, but can only be reimbursed by INFC subject to the signing of a funding agreement between INFC and the recipient and meeting the conditions outlined in Section 13 - Basis of Payments.

Where federal-provincial/territorial funding agreements are signed, provinces and territories may apply up to 1% of their funding allocation of each program towards program administration costs.

Ineligible Costs

Ineligible costs for the PTIF include the following:

- a. Costs incurred prior to April 1, 2016;
- b. Costs incurred after March 31, 2018. The Minister of Infrastructure and Communities may provide some flexibility regarding the deadline for incurring eligible costs should there be a demonstrated need;
- c. Costs incurred for cancelled projects;
- d. Land acquisition; leasing land, buildings and other facilities; leasing equipment other than equipment directly related to the construction of the project; real estate fees and related costs;
- e. Financing charges, legal fees, and loan interest payments (including those related to easements (e.g. surveys));
- f. Any goods and services costs which are received through donations or in kind;
- g. Provincial sales tax and Goods and Services tax/HST, for which the ultimate recipient is eligible for a rebate, and any other costs eligible for rebates; and
- h. Costs associated with operating expenses and regularly scheduled maintenance work.

Date modified: 2016-05-16

Minister of Infrastructure
and Communities



Ministre de l'Infrastructure
et des Collectivités

Ottawa, Canada K1P 0B6

The Honourable Brad Duguid, M.P.P.
Minister of Economic Development, Employment and Infrastructure
Hearst Block
8th Floor
900 Bay St
Toronto ON M7A2E1

Dear Minister Duguid:

This letter is a follow up to our conversation on April 7th regarding the federal government's historic infrastructure investments outlined in Budget 2016. I am pleased to provide you with details regarding Infrastructure Canada's (INFC) new programs related to public transit, water and wastewater infrastructure that will be delivered via the provinces and territories. I am also pleased to inform you of improvements to the 2014 New Building Canada Fund (NBCF).

As I am sure you agree, infrastructure is not an end in itself – it is the means with which we build a more prosperous, inclusive and sustainable country. It goes beyond concrete and water pipes; it is what allows Canadians to get to work on time and return home to their families faster at night, it helps victims of domestic violence find shelter, and it provides facilities for kids to learn and build the networks that will support them throughout their lives.

The 2016 budget announced an infrastructure plan that commits to smart, strategic investments that will grow Canada's economy and improve the lives of Canadians. Our plan will focus on accelerating federal investments in the short term by providing funding for projects that rehabilitate and modernize public infrastructure. We will achieve this by working collaboratively with you and our municipal partners who are best placed to quickly identify their priorities for funding. We will flow funds rapidly to ensure that projects can begin immediately. We will also work in close partnership to reduce unnecessary administrative burden and streamline approvals.

The Government of Canada has introduced the \$3.4 billion Public Transit Infrastructure Fund (PTIF) and the \$2 billion Clean Water Wastewater Fund (CWWF) to encourage economic growth and support sustainable, livable communities. These initiatives will lay the groundwork for longer term, strategic investments in public transit and water/wastewater infrastructure that will keep pace with the rapid growth of Canadian cities.

Under these programs, we would like to encourage a focus on projects that promote innovation, optimization and rehabilitation of existing assets. These programs include new features based on feedback that we have received from many of our partners. We have increased the federal cost sharing and will now provide up to 50% of project eligible costs. Furthermore, project costs will be considered eligible as of April 1, 2016 so work can begin immediately. We will continue to

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respect the existing accountability frameworks that all provinces and territories have in place to ensure appropriate oversight of all taxpayer dollars.

The Public Transit Infrastructure Fund (PTIF)

The PTIF will primarily support investments that meet immediate public priorities including: projects that improve the state of good repair of public transit, that support system optimization and efficiency, increase asset management capacity, and design and planning for future expansion of public transit systems. Effective use of innovative new technologies that can unlock improved environmental benefits and projects that advance improvements in safety and accessibility are also eligible. Projects for system expansion may be considered if they can be completed within the program timeframe. We all know that to grow transit ridership, a multitude of factors should be considered, and for that reason I would also encourage you to work with municipalities and transit agencies to promote targeted investments in active transportation.

The PTIF allocation for Ontario is \$1,486,680,000. The funding allocation is to be distributed so that each recognized transit system receives a minimum base amount of \$50,000 with the remainder of the funds to be distributed based on overall ridership of each transit system. (See Annex 1 for PTIF Allocation National Breakdown)

Clean Water Wastewater Fund (CWWF)

The CWWF will primarily focus investments on meeting immediate priorities for clean water and wastewater to support a cleaner and healthier environment for communities. These include:

- the rehabilitation and optimization of water, storm water, and wastewater related infrastructure;
- improvement of asset management approaches including studies and pilot projects;
- planning for future upgrades to wastewater treatment and collection infrastructure to meet applicable regulatory requirements; and
- new construction projects, including the construction of naturalized systems for management and treatment of wastewater and storm water may also be considered if they can be completed within the program timeframe.

The CWWF allocation for Ontario is \$569,642,062. (See Annex 2 for CWWF Allocation National Breakdown)

2014 New Building Canada Fund

In addition to these new programs, I am pleased to inform you that we have improved the 2014 New Building Canada Fund (NBCF) to provide provinces and territories greater flexibility to commit all remaining funding within the next two years (by March 2018). I have heard from you and many of your colleagues about your concerns with how the previous government designed the NBCF and as part of our commitment to ensuring the programs work for Canadians, we have made the following changes:

- Removal of the mandatory P3 screen across NBCF;
- Under the Provincial Territorial Infrastructure Component (PTIC):
 - Modifying the Highways and Roads category to reduce (PTIC-National Regional Program) or eliminate (PTIC-Small Communities Fund) minimum traffic volume

thresholds in order to reflect varying needs in provinces and communities across Canada;

- Adding five new categories, Tourism, Culture, Recreation, Passenger Ferries Services Infrastructure, and Civic Assets and Municipal Buildings;
- Adjusting specific cost sharing requirements for future projects delivered as P3s is removed so federal funding share can be higher (up to one-third or 50 % depending on the category);
- Aligning eligible cost for P3 projects with the P3 Canada Fund - this will eliminate administrative confusion;
- Adjusting the cost sharing for disaster mitigation projects – in recognition that a number of significant disaster mitigation assets in Canada are provincially owned, federal funding can now be up to 50%.

Budget 2016 also announced funding for local governments to support stronger stewardship through asset management planning activities and climate change resilience investments. The following two programs will be managed by the Federation of Canadian Municipalities to provide funding for capacity building directly to municipalities:

- \$50 million to increase municipal capacity for asset management, including funding to develop and implement infrastructure asset management planning practices and support more reliable and comprehensive data collection on infrastructure assets; and
- \$75 million to support enhanced municipal planning for climate change resilience, including funding to support municipal projects to identify and implement greenhouse gas reduction opportunities, assess local climate risks, and integrate climate change impacts into asset management planning practices.

Our government has placed a strong focus on outcomes and results. Through the new transit funding, we are aiming to improve the reliability, efficiency, safety and accessibility of public transit systems and support municipalities to plan and be better prepared for future system improvements. Under the new clean water and wastewater funding, we are seeking to improve the reliability of drinking water, wastewater and storm water systems and to encourage municipalities to have plans in place that include innovative approaches and that are aimed at meeting applicable water quality guidelines and wastewater regulations.

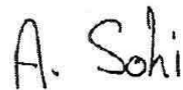
We are committed to publicly reporting on the progress under these programs to demonstrate we are achieving the results that Canadians expect and deserve. We will need to work together in order to provide timely reports to Canadians on the results achieved through our collective investments in infrastructure. For example, a priority under the new programs is extending the useful life of existing infrastructure assets. We plan to work collaboratively to ensure that we have an effective way to measure and report on this and other key outcomes and results of these programs.

Finally, as you know, our government is committed to accountability. This means that we need to ensure that federal funding is incremental to existing provincial, territorial and municipal planned investments. We will need to work together to develop appropriate measures for incrementality and report on how projects have been accelerated and investments have increased through these programs.

Our goal is to advance the PTIF and CWWF programs and continue our efforts under NBCF as quickly as possible so that these infrastructure investments can begin to contribute to economic growth and support sustainable, livable communities. It is clear that partnership will be key to our success and an efficient governance structure will have to be established to ensure adequate monitoring and robust communication between our respective organizations. As such, my officials will be in contact with your officials to establish next steps and launch discussions so that we may quickly conclude negotiations of the bilateral agreements.

I want to extend my appreciation to you for your continued support in the implementation of these initiatives. I look forward to our continued collaboration in support of infrastructure investments through these existing and new programs.

Yours sincerely,

A handwritten signature in black ink that reads "A. Sohi". The letters are cursive and slightly slanted to the right.

Amarjeet Sohi, P.C., M.P.

Annex

Annex 1 PTIF Allocations		
Province/ Territory	Ridership*	Allocation
Newfoundland and Labrador	3,027,498	\$4,940,000
Prince Edward Island	402,163	\$660,000
Nova Scotia	19,719,555	\$32,200,000
New Brunswick	5,353,913	\$8,740,000
Quebec	565,712,079	\$923,710,000
Ontario	910,488,752	\$1,486,680,000
Manitoba	50,733,295	\$82,840,000
Saskatchewan	17,760,942	\$29,000,000
Alberta	212,629,617	\$347,190,000
British Columbia	282,019,372	\$460,490,000
Yukon	546,496	\$890,000
Northwest Territories	196,427	\$320,000
TOTAL	2,068,590,109	\$3,377,660,000

*Taken from the CUTA 2014 Fact book

Annex 2 CWWF Allocations					
Province/ Territory	Base funding Allocation	Net Population percentage (%)	Per Capita Allocation	Total Funding	
Newfoundland and Labrador	\$50,000,000	1.54%	\$20,600,134	\$70,600,134	
Prince Edward Island	\$50,000,000	0.42%	\$5,654,677	\$55,654,677	
Nova Scotia	\$50,000,000	2.76%	\$36,869,027	\$86,869,027	
New Brunswick	\$50,000,000	2.20%	\$29,449,770	\$79,449,770	
Quebec	\$50,000,000	23.47%	\$313,774,400	\$363,774,400	
Ontario	\$50,000,000	38.87%	\$519,642,062	\$569,642,062	
Manitoba	\$50,000,000	3.39%	\$45,250,782	\$95,250,782	
Saskatchewan	\$50,000,000	2.94%	\$39,342,112	\$89,342,112	
Alberta	\$50,000,000	10.98%	\$146,714,129	\$196,714,129	
British Columbia	\$50,000,000	13.10%	\$175,067,721	\$225,067,721	
Yukon	\$50,000,000	0.10%	\$1,390,275	\$51,390,275	
Northwest Territories	\$50,000,000	0.13%	\$1,711,108	\$51,711,108	
Nunavut	\$50,000,000	0.10%	\$1,336,803	\$51,336,803	
Total	\$650,000,000	100.00%	\$1,336,803,000	\$1,986,803,000	