

City of Toronto

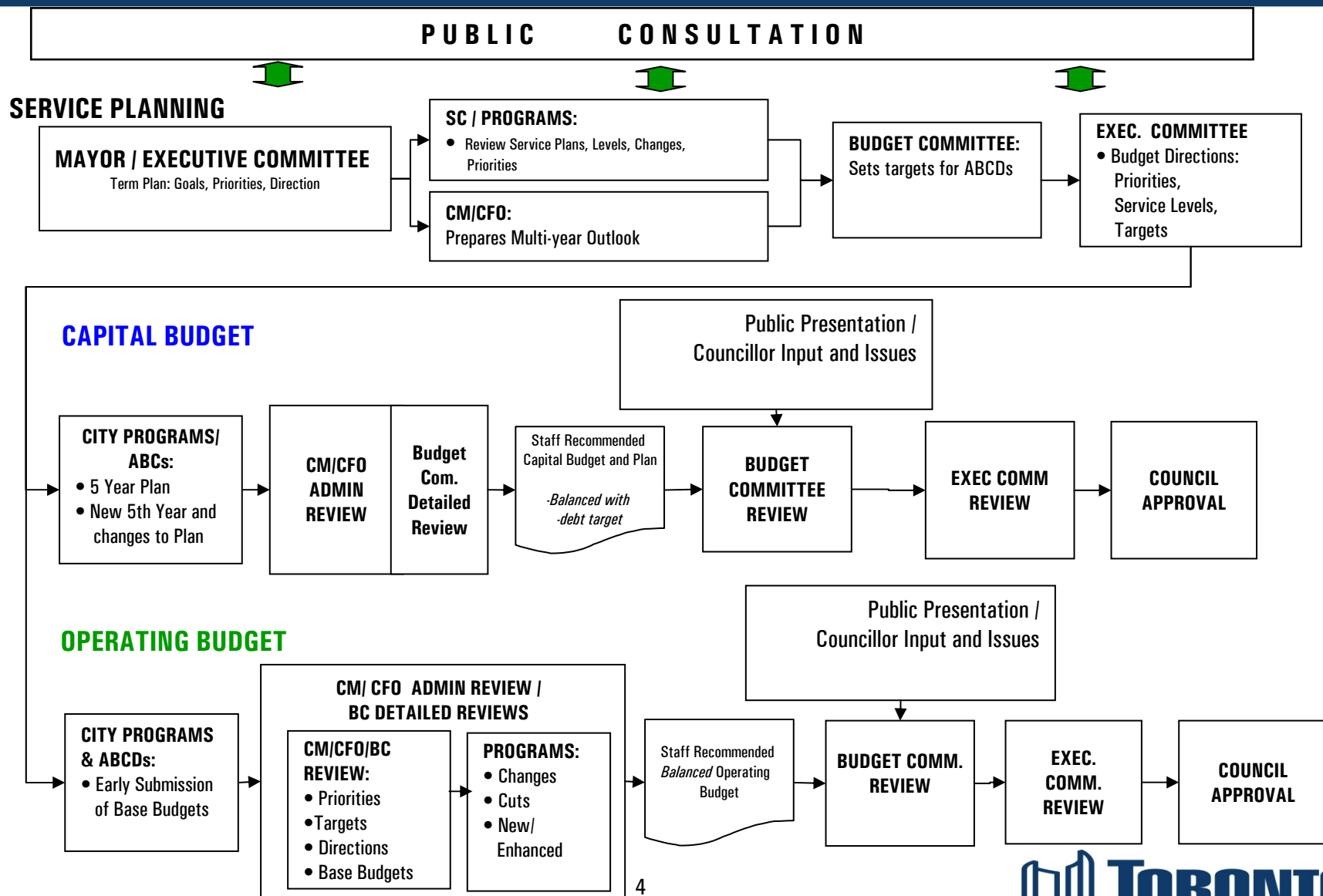
2008 Budget Committee Recommended Capital Budget and 2009 – 2012 Capital Plan

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Financial Planning Process

2008 Financial Planning Process



Directions on 2008 Budget Process

- Begin work early in 2007 to establish service priorities and financial targets:
 - Guided by the Mayor's term priorities and Council's policy agenda, Budget Committee to:
 - ✓ review City Program and ABC service plans
 - ✓ assess service issues and outcomes to establish service priorities and service levels
- Based on a multi-year financial outlook, the Budget Committee to recommend budget targets, directions and strategies
- Budget Committee to recommend a 2008 Capital Budget and 2009 – 2012 Capital Plan to Executive Committee

Guidelines and Targets

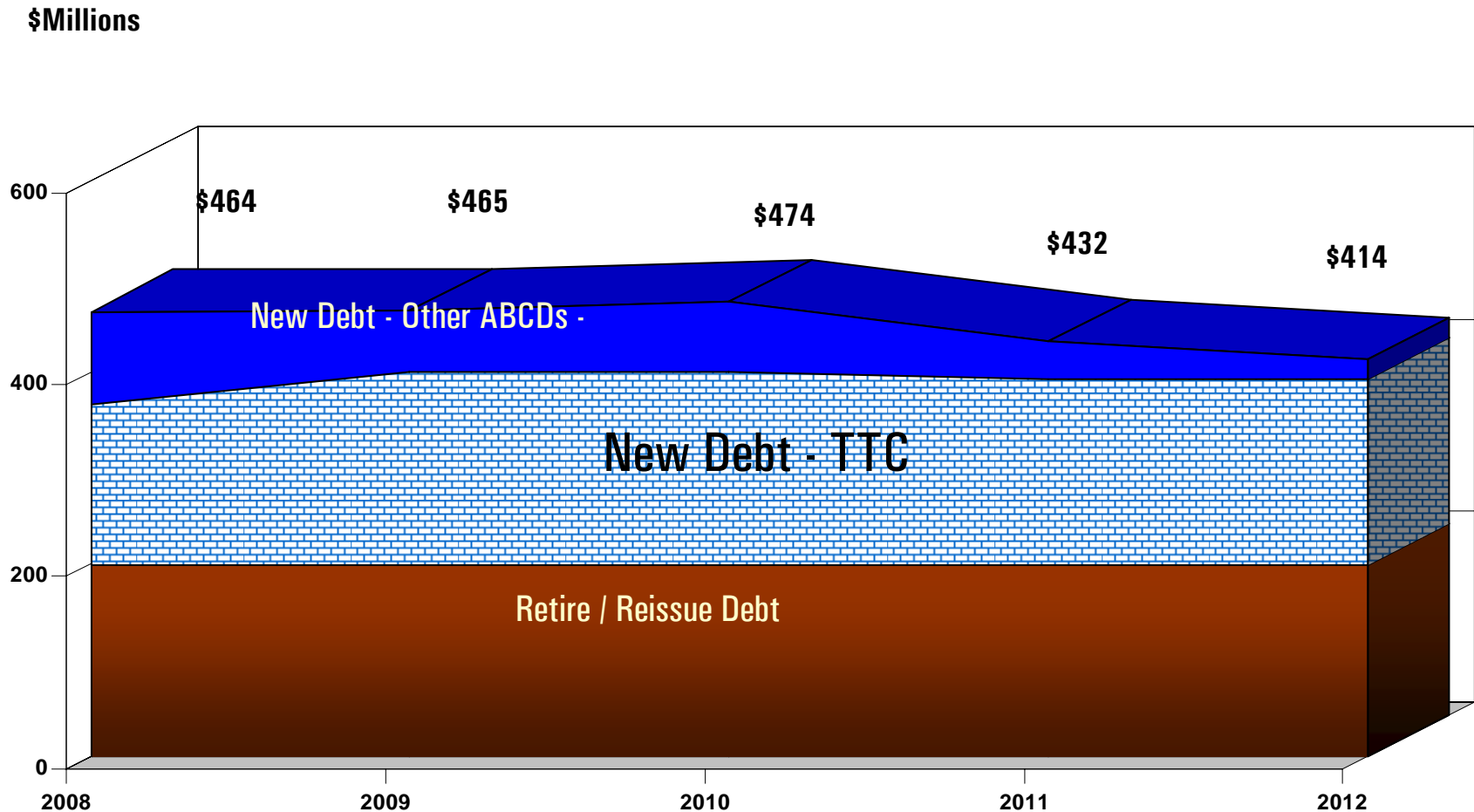
2008 – 2012 Capital Budget and Plan – Guidelines and Debt Targets

- Five-Year Capital Plan rules of engagement apply:
 - 2008 – 2011 capital plan is basis for developing the 2008 – 2012 Capital Budget and Plan
 - add new fifth year
 - approved debt levels to be maintained by year
 - acceleration of projects to be offset by deferral of other projects with equal value
- 2012 debt and CFC target set at \$614 million - same level as 2011
- 2008 CFC = \$136 million with 10% annual increase in future years
- Allocate available funds in following priority order:
 - Previously approved projects already in progress
 - New Health and Safety, Legislated and SOGR projects

2008 - 2012 Debt & CFC Targets (\$Millions)

| | 2007 Council Approved Debt/CFC | 2008 | 2009 | 2010 | 2011 | 2012 | Total 2008-2012 |
|-------------------------------------|--------------------------------------|------------|------------|------------|------------|------------|--------------------|
| Baseline Debt (Retire / Reissue) | 200 | 200 | 200 | 200 | 200 | 200 | 1,000 |
| New Debt: | | | | | | | |
| TTC | 200 | 167 | 200 | 200 | 194 | 194 | 955 |
| City | 107 | 97 | 65 | 74 | 38 | 20 | 294 |
| Total New Debt | 307 | 264 | 265 | 274 | 232 | 214 | 1,249 |
| Total Debt | 507 | 464 | 465 | 474 | 432 | 414 | 2,249 |
| Capital from Current (CFC) | 124 | 136 | 150 | 165 | 182 | 200 | 833 |
| Total Debt & CFC | 631 | 600 | 615 | 639 | 614 | 614 | 3,082 |

76.5% of New Debt Target Allocated to TTC



2008 Capital Budget and 2012 Recommended and Plan

2008 - 2012 Recommended Capital Budget and Plan vs. Debt and CFC Target (\$ Millions)

| | 2008 | | | | 2009 - 2012 | | | | Total | | | |
|--------------------------------------|----------------|--------------|--------------|-----------------------|----------------|----------------|----------------|-----------------------|----------------|----------------|----------------|-----------------------|
| | Gross | Debt | Target | Over / (Under) Target | Gross | Debt | Target | Over / (Under) Target | Gross | Debt | Target | Over / (Under) Target |
| Citizen Centred Services 'A' | 127.3 | 67.5 | 61.8 | 5.7 | 384.3 | 251.7 | 241.9 | 9.8 | 511.6 | 319.2 | 303.7 | 15.5 |
| Citizen Centred Services 'B' | 387.7 | 203.1 | 213.5 | (10.4) | 1,498.1 | 796.5 | 864.7 | (68.2) | 1,885.8 | 999.6 | 1,078.2 | (78.6) |
| Internal Services | 117.9 | 51.7 | 51.7 | (0.0) | 498.6 | 214.7 | 181.2 | 33.5 | 616.5 | 266.4 | 232.9 | 33.5 |
| Other City Programs | 43.3 | 11.7 | 8.6 | 3.1 | 243.3 | 142.3 | 105.4 | 36.9 | 286.6 | 154.0 | 114.0 | 40.0 |
| Total City Operations | 676.2 | 333.9 | 335.6 | (1.7) | 2,624.3 | 1,405.3 | 1,393.2 | 12.1 | 3,300.5 | 1,739.2 | 1,728.8 | 10.4 |
| ABCs Excluding TTC | 179.0 | 97.5 | 97.7 | (0.2) | 528.1 | 303.7 | 300.2 | 3.5 | 707.1 | 401.2 | 397.9 | 3.3 |
| Total Tax Supported Excl. TTC | 855.2 | 431.4 | 433.3 | (1.9) | 3,152.4 | 1,709.0 | 1,693.4 | 15.6 | 4,007.6 | 2,140.4 | 2,126.7 | 13.7 |
| Toronto Transit Commission | 753.3 | 163.7 | 167.2 | (3.5) | 3,590.2 | 1,212.7 | 788.7 | 424.0 | 4,343.5 | 1,376.4 | 955.9 | 420.5 |
| Total Rec'd. Budget | 1,608.5 | 595.1 | 600.5 | (5.4) | 6,742.6 | 2,921.7 | 2,482.1 | 439.6 | 8,351.1 | 3,516.8 | 3,082.6 | 434.2 |

2008 - 2012 Recommended Capital Budget and Plan - by Category and Financing Source

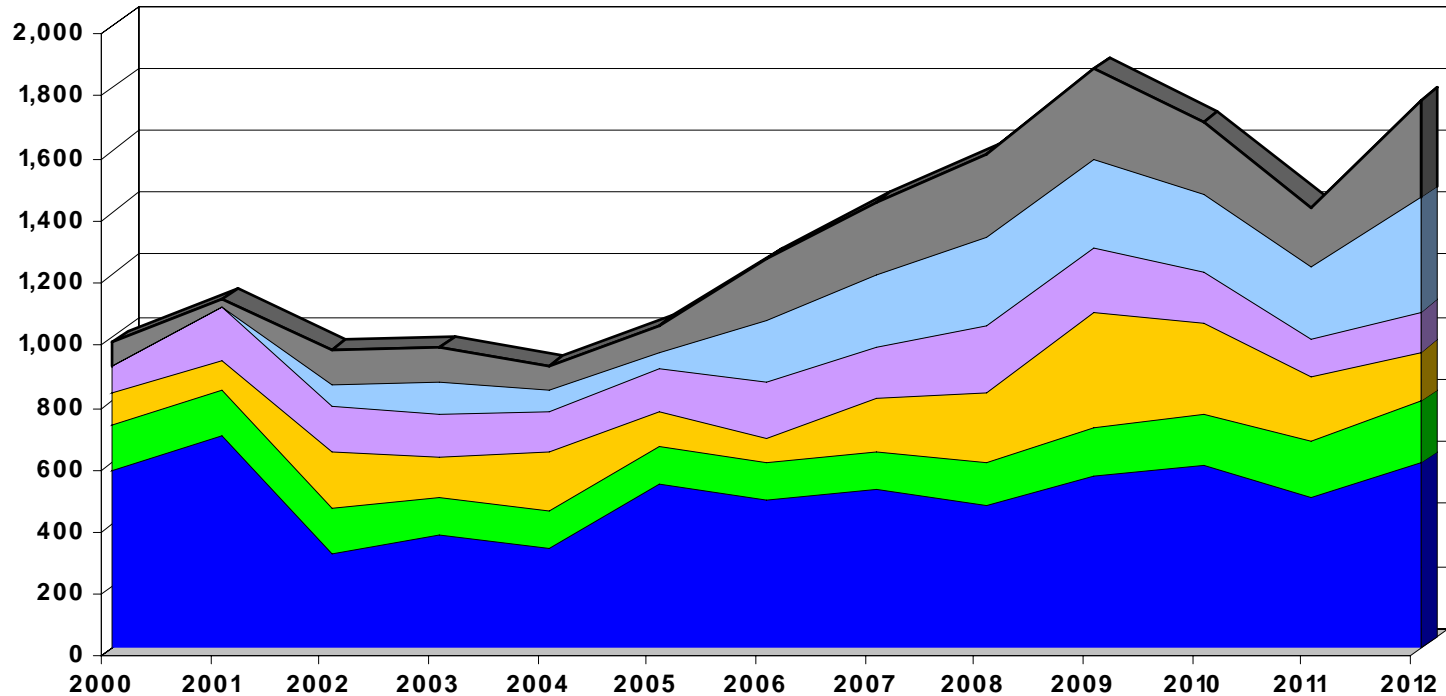
| Expenditures | 2008 Budget | Capital Plan | | | | | TOTAL 2008 - 2012 | Percent of Total |
|--|----------------|--------------|--------------|--------------|--------------|----------------------|-------------------------|---------------------|
| | | 2009 | 2010 | 2011 | 2012 | TOTAL 2009 - 2012 | | |
| Health and Safety | 43 | 33 | 31 | 26 | 29 | 119 | 162 | 1.9% |
| Legislated | 96 | 117 | 174 | 154 | 126 | 571 | 667 | 8.0% |
| State of Good Repair | 931 | 1,134 | 1,110 | 1,026 | 1,413 | 4,683 | 5,614 | 67.2% |
| Service Improvement and Enhancement | 234 | 187 | 141 | 93 | 88 | 509 | 743 | 8.9% |
| Growth Related | 304 | 396 | 236 | 119 | 110 | 861 | 1,165 | 14.0% |
| Total Gross Expenditures | 1,608 | 1,867 | 1,692 | 1,418 | 1,766 | 6,743 | 8,351 | 100.0% |
| Financed By: | | | | | | | | |
| Provincial | 265 | 290 | 228 | 185 | 313 | 1,017 | 1,282 | 15.4% |
| Federal | 282 | 291 | 248 | 236 | 367 | 1,142 | 1,425 | 17.1% |
| Development Charges | 31 | 92 | 25 | 24 | 27 | 169 | 200 | 2.4% |
| Reserve / Reserve Funds | 211 | 203 | 167 | 125 | 131 | 626 | 837 | 10.0% |
| Capital from Current | 136 | 150 | 165 | 182 | 200 | 697 | 833 | 10.0% |
| Other | 152 | 207 | 182 | 115 | 76 | 580 | 732 | 8.8% |
| Debt | 459 | 557 | 588 | 483 | 596 | 2,225 | 2,684 | 32.1% |
| Debt - Recoverable | 72 | 76 | 89 | 68 | 54 | 287 | 358 | 4.3% |
| Total Financing | 1,608 | 1,867 | 1,692 | 1,418 | 1,766 | 6,743 | 8,351 | 100.0% |

2008 – 2012 Recommended Capital Budget and Plan

- 36.4% Financed by Debt

\$Millions

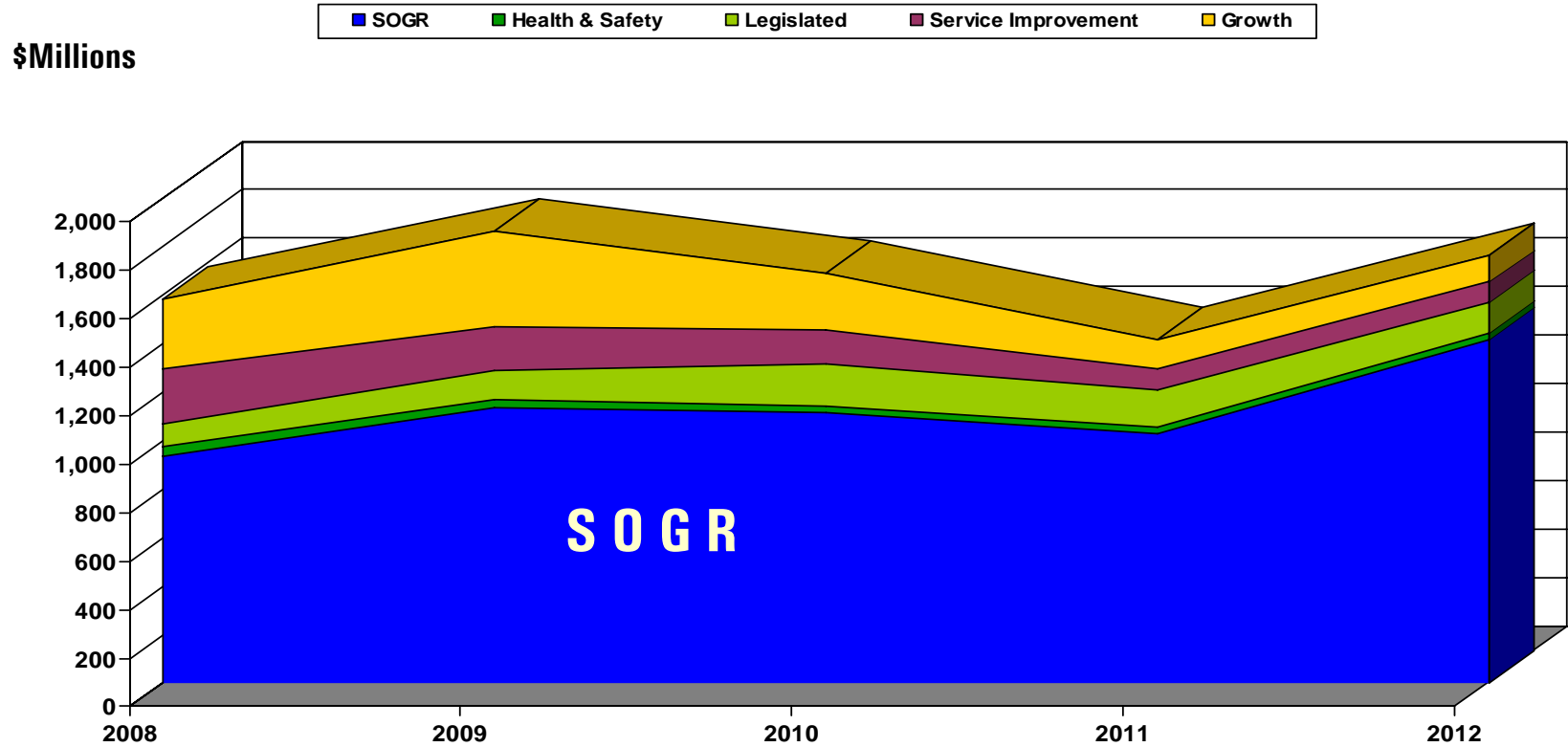
■ Debt ■ CFC ■ Other ■ Res. ■ Fed ■ Prov.



| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-2012 |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----------|
| Debt | 575 | 684 | 304 | 362 | 321 | 362 | 321 | 507 | 459 | 558 | 588 | 483 | 596 | 2,684 |
| CFC | 146 | 124 | 124 | 124 | 124 | 124 | 124 | 124 | 136 | 150 | 165 | 182 | 200 | 833 |
| Other (Incl. Debt Recoverable) | 242 | 243 | 325 | 256 | 309 | 256 | 309 | 291 | 224 | 283 | 270 | 183 | 130 | 1,091 |
| Reserves | 89 | 170 | 144 | 132 | 132 | 132 | 132 | 162 | 242 | 295 | 193 | 149 | 158 | 1,037 |
| Federal Sub. | | | 77 | 104 | 70 | 104 | 70 | 230 | 282 | 291 | 248 | 236 | 368 | 1,425 |
| Prov. | 76 | 23 | 104 | 112 | 76 | 112 | 76 | 234 | 265 | 290 | 228 | 185 | 313 | 1,281 |
| Total | 1,128 | 1,244 | 1,078 | 1,090 | 1,032 | 1,090 | 1,032 | 1,548 | 1,608 | 1,867 | 1,692 | 1,418 | 1,766 | 8,351 |

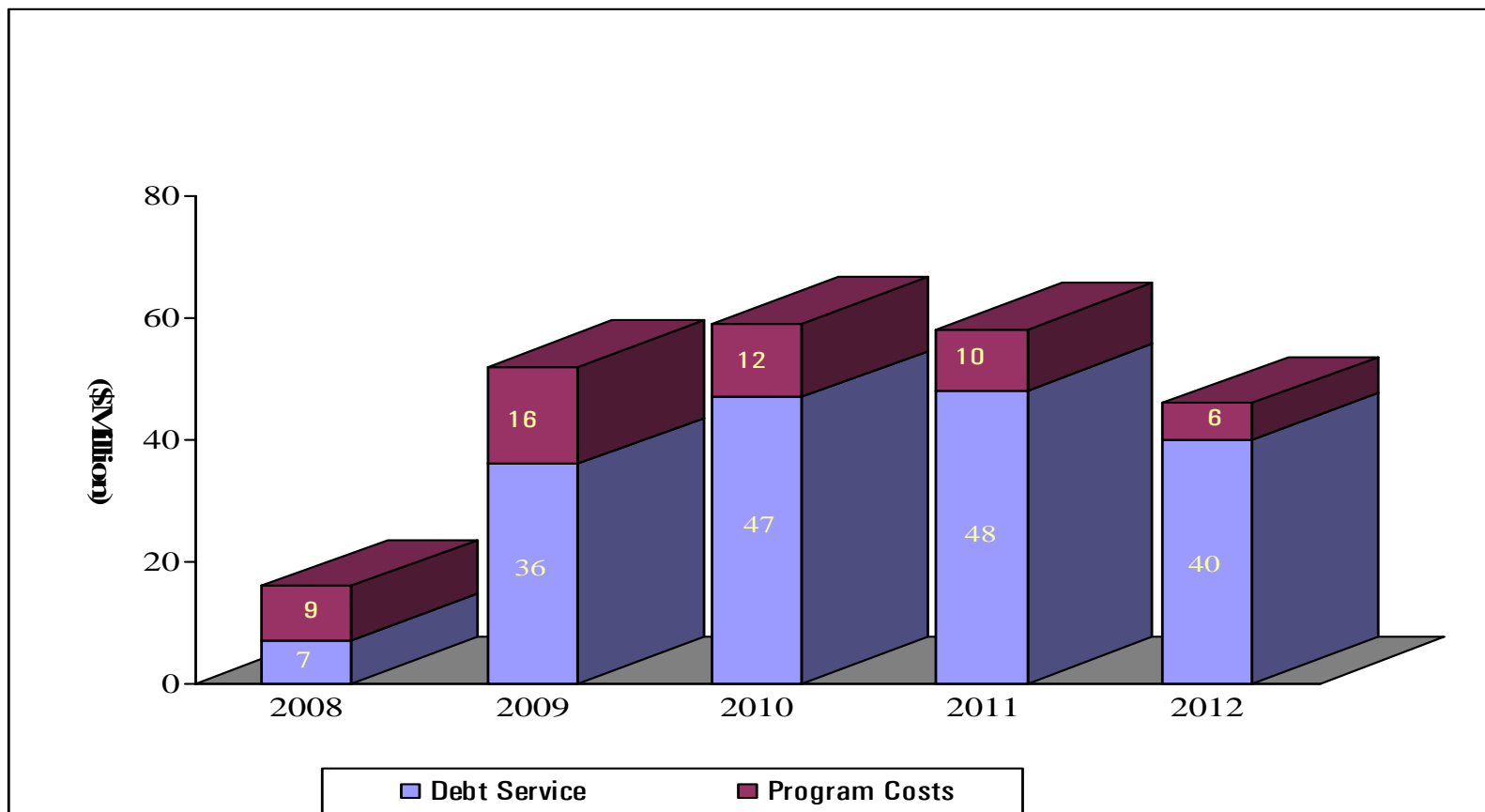
2008 – 2012 Recommended Capital Budget and Plan

- 67% Investment in SOGR



| | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-2012 | % of Total |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| SOGR | 931 | 1,134 | 1,110 | 1,026 | 1,413 | 5,614 | 67% |
| Health & Safety | 43 | 33 | 31 | 26 | 29 | 162 | 2% |
| Legislated | 96 | 117 | 174 | 154 | 126 | 667 | 8% |
| Service Improvement | 234 | 187 | 141 | 93 | 88 | 743 | 9% |
| Growth | 304 | 396 | 236 | 119 | 110 | 1,165 | 14% |
| Total | 1,608 | 1,867 | 1,692 | 1,418 | 1,766 | 8,351 | 100% |

2008 - 2012 Capital Budget and Plan - Operating Impacts

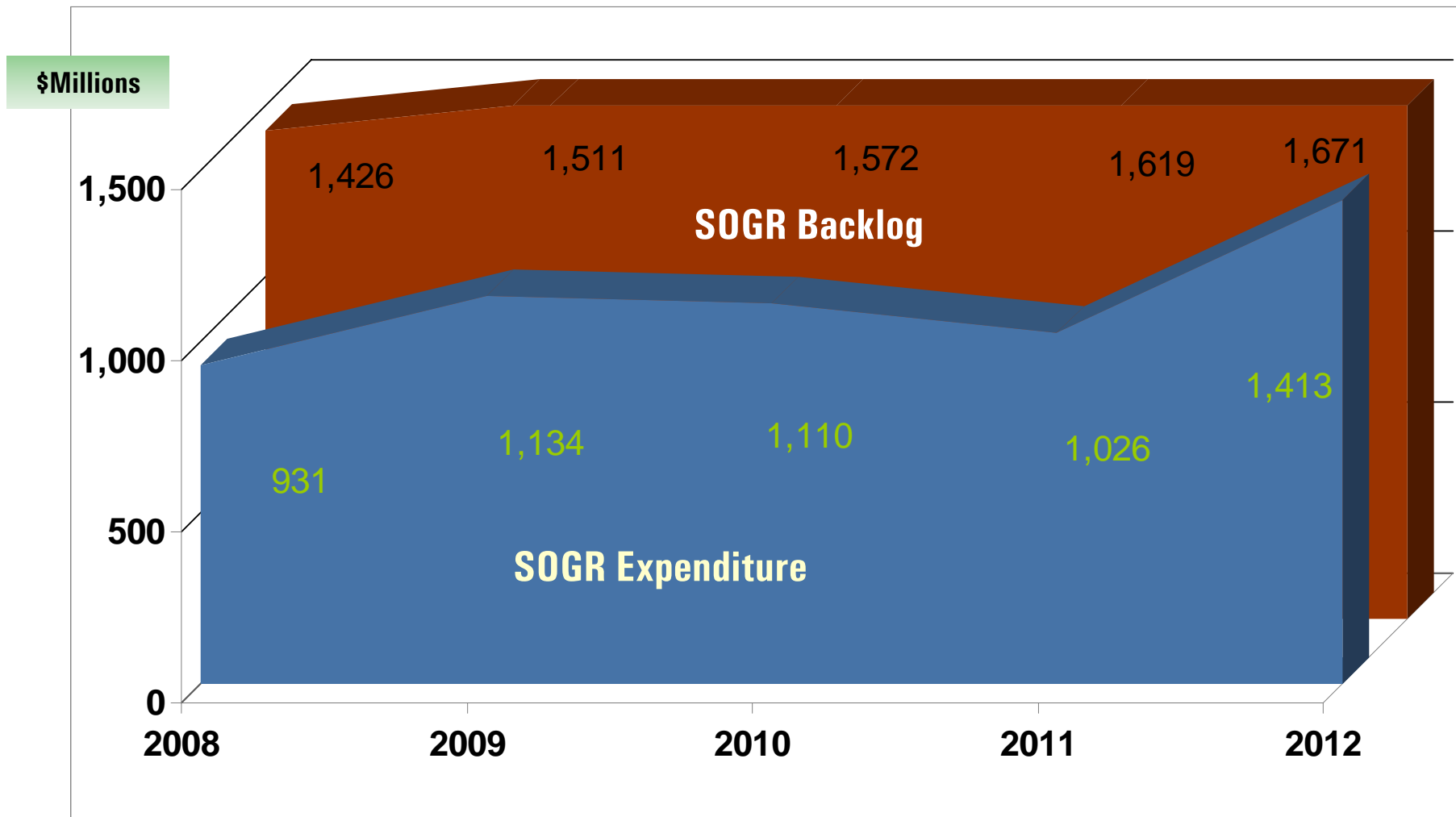


Note: Does not reflect Operating Impacts of Waterfront

SOGR Backlog - Estimate at End of 2012 is \$1.671 Billion

| | 2008 | 2009 | 2010 | 2011 | 2012 | Change from 2008 (Decrease) |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|-----------------------------------|
| Citizen Centred Services 'A' | 295,343 | 322,714 | 340,319 | 367,651 | 380,324 | 84,981 |
| Citizen Centred Services 'B' | 328,560 | 355,217 | 393,112 | 417,062 | 421,038 | 92,478 |
| Internal Services | 187,268 | 170,679 | 149,568 | 124,399 | 100,544 | (86,724) |
| Other City Programs | 191,945 | 181,308 | 162,414 | 143,723 | 128,732 | (63,213) |
| Total - City Operations | 1,003,116 | 1,029,918 | 1,045,413 | 1,052,835 | 1,030,638 | 27,522 |
| ABCs (Excl. TTC) | 283,578 | 284,674 | 281,235 | 273,357 | 277,710 | (5,868) |
| Toronto Transit Commission | 139,560 | 196,610 | 245,540 | 293,140 | 362,640 | 223,080 |
| Total - Tax Supported Programs | 1,426,254 | 1,511,202 | 1,572,188 | 1,619,332 | 1,670,988 | 244,734 |

Backlog Significant Despite 2008 – 2012 Commitment of \$5.6 Billion to SOGR



TTC : 2008-2012 Recommended Capital Plan

- Excludes Spadina Subway Extension (\$Millions)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2008-2012 |
|---|------------|------------|------------|------------|------------|--------------|--------------|
| COMMISSION REQUESTED BUDGET | 707 | 752 | 932 | 819 | 724 | 1,173 | 4,401 |
| Unallocated Reduction | - | (54) | (57) | (49) | (48) | (70) | (277) |
| 2008 Recommended Budget and 2009 - 2012 Capital Plan | 707 | 697 | 875 | 771 | 677 | 1,104 | 4,123 |
| Funding Sources | | | | | | | |
| Ontario Transit Vehicle Program / Bus Replacement Program (OTVP/OBRP) | 15 | 17 | 17 | 17 | 9 | 13 | 75 |
| Ontario Rolling Stock Infrastructure Funding | 61 | 59 | - | - | - | - | 59 |
| Long Term Vehicle Funding Requirement | - | 10 | 92 | 84 | 76 | 219 | 481 |
| Golden Horseshoe Transit Investment Partnerships | 10 | - | - | - | - | - | - |
| Kipling/Islington Redevelopment | - | 13 | 13 | 6 | - | - | 32 |
| Canada Strategic Infrastructure Program (CSIF) | 79 | 69 | 47 | 30 | 20 | 7 | 173 |
| Provincial gas tax | 70 | 70 | 70 | 70 | 70 | 70 | 348 |
| Total Provincial Funding | 235 | 238 | 239 | 207 | 175 | 309 | 1,168 |
| Canada Strategic Infrastructure Program (CSIF) | 85 | 75 | 50 | 32 | 21 | 7 | 185 |
| Building Canada Fund (BCF - CSIF Additional) | - | 18 | 30 | 34 | 44 | 198 | 324 |
| Transit-Secure Funding | 4 | 4 | 0 | - | - | - | 4 |
| Base Federal Gas Tax - 5 cent (population) | 65 | 81 | 163 | 163 | 163 | 163 | 733 |
| Additional Support for Transit Federal Gas Tax - 1 cent (ridership) | - | - | - | - | - | - | - |
| Public Transit Capital Trust (ridership) | 75 | 78 | - | - | - | - | 78 |
| Total Federal Funding | 229 | 255 | 244 | 229 | 228 | 367 | 1,323 |
| TTC internal (depreciation) | 17 | 18 | 18 | 18 | 18 | 18 | 90 |
| Other / Reserves | 5 | 22 | 20 | 7 | - | - | 49 |
| Development charges | 4 | - | 73 | 14 | 15 | 15 | 117 |
| Total Other Funding | 25 | 40 | 111 | 39 | 33 | 33 | 256 |
| City Debt Target - revised | 227 | 167 | 200 | 200 | 194 | 194 | 956 |
| Total Funding | 716 | 701 | 793 | 676 | 630 | 903 | 3,703 |
| Funding Shortfall (Surplus) | (9) | (4) | 82 | 95 | 47 | 200 | 420 |

TTC : Funding Need

- Excludes Spadina Subway Extension (\$Millions)

| | |
|---|--------------|
| Funding Shortfall | 420 |
| • Unspecified cut - scope reduction | 278 |
| Total Funding Shortfall | 698 |
| Implicit Funding Assumptions: | |
| • Provincial Long Term Funding | 481 |
| • Federal BCF Funding | 324 |
| Total Implicit Funding Assumptions | 805 |
| Real Funding Needs - to be Pursued | 1,503 |

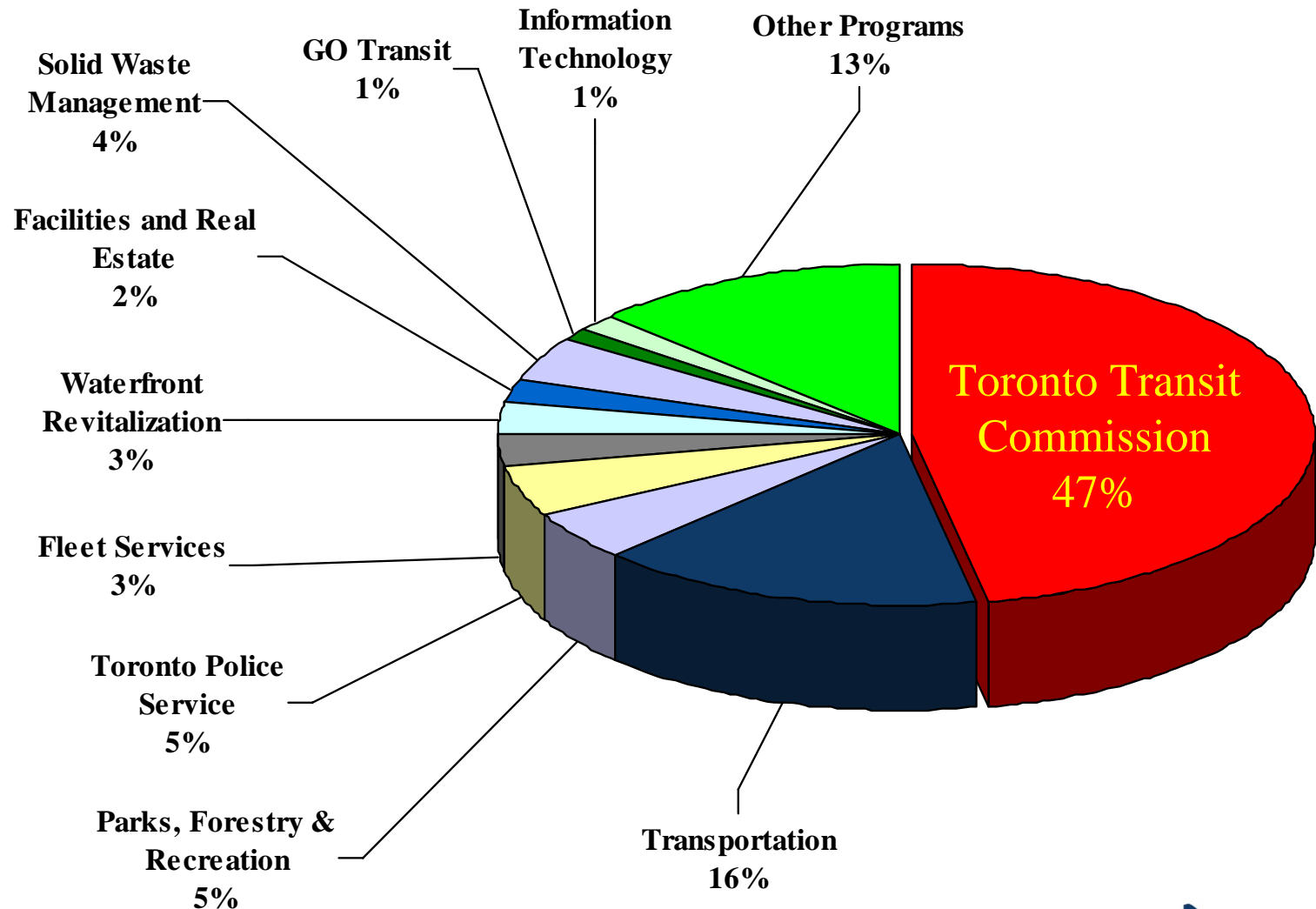
Key Transit Funding Issues

- The TTC's 2008 Capital Budget and 2009 – 2012 Capital Plan exceeds the affordable debt target by \$420 million as compared to \$197 million in the 2007-2011 Budget
- The TTC has initiated five "packages" of transit projects subject to Provincial / Federal funding: Streetcars, Scarborough Rapid Transit, Yonge/University/Spadina subway capacity enhancements, Accessibility and GTA Farecard
- If the Province provides funding for these five packages of projects, the City would have \$938 million more net transit funding
- Funding assumptions/initiatives were made:
 - \$481 million in long-term vehicle funding from the Province
 - \$324 million in long-term funding for rail vehicles from the Federal government
- The TTC's Capital Program would then be fully funded

2008 Recommended Capital Budget

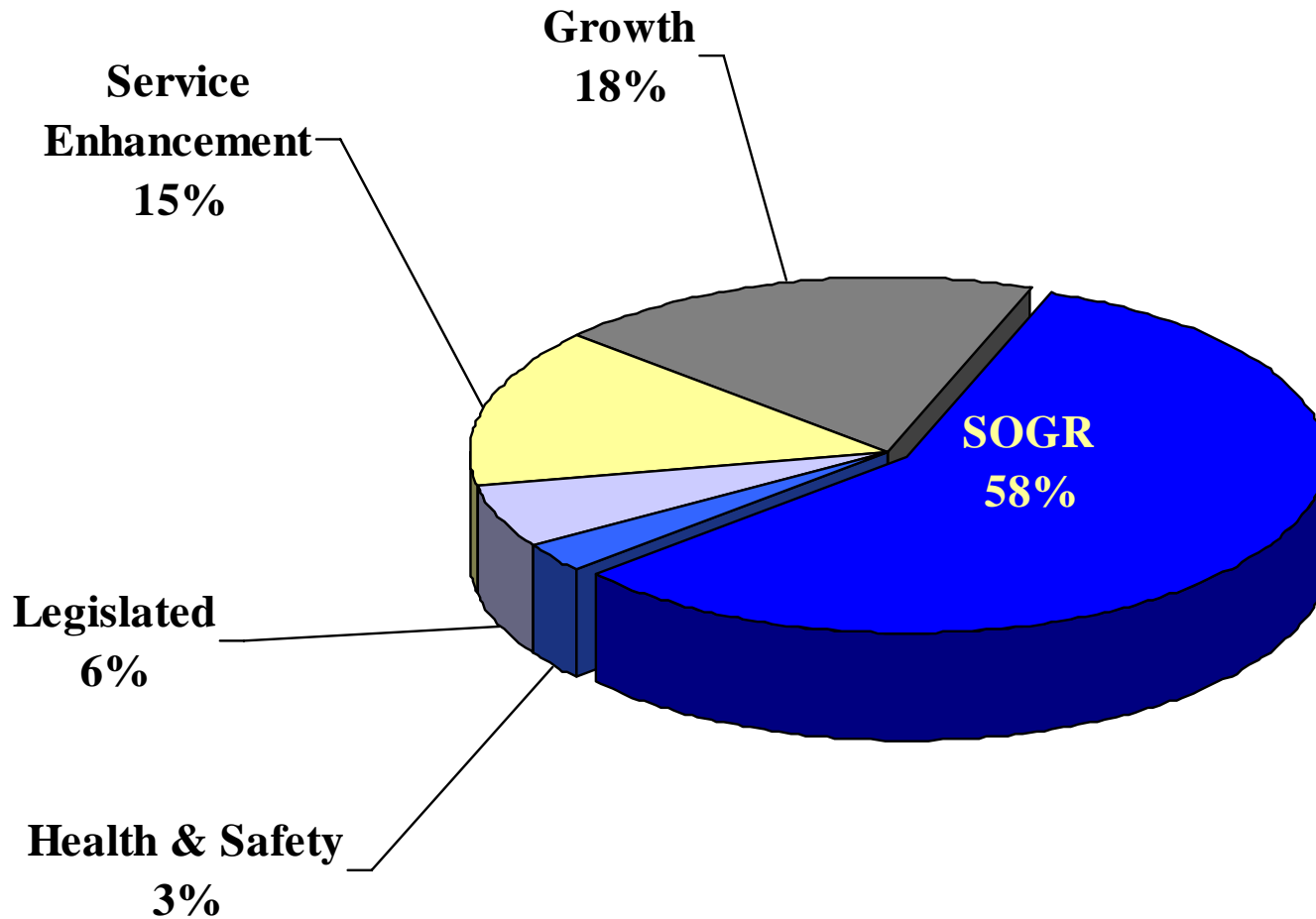
2008 Recommended Capital Budget - \$1.608 Billion

-Transit Represents 47%



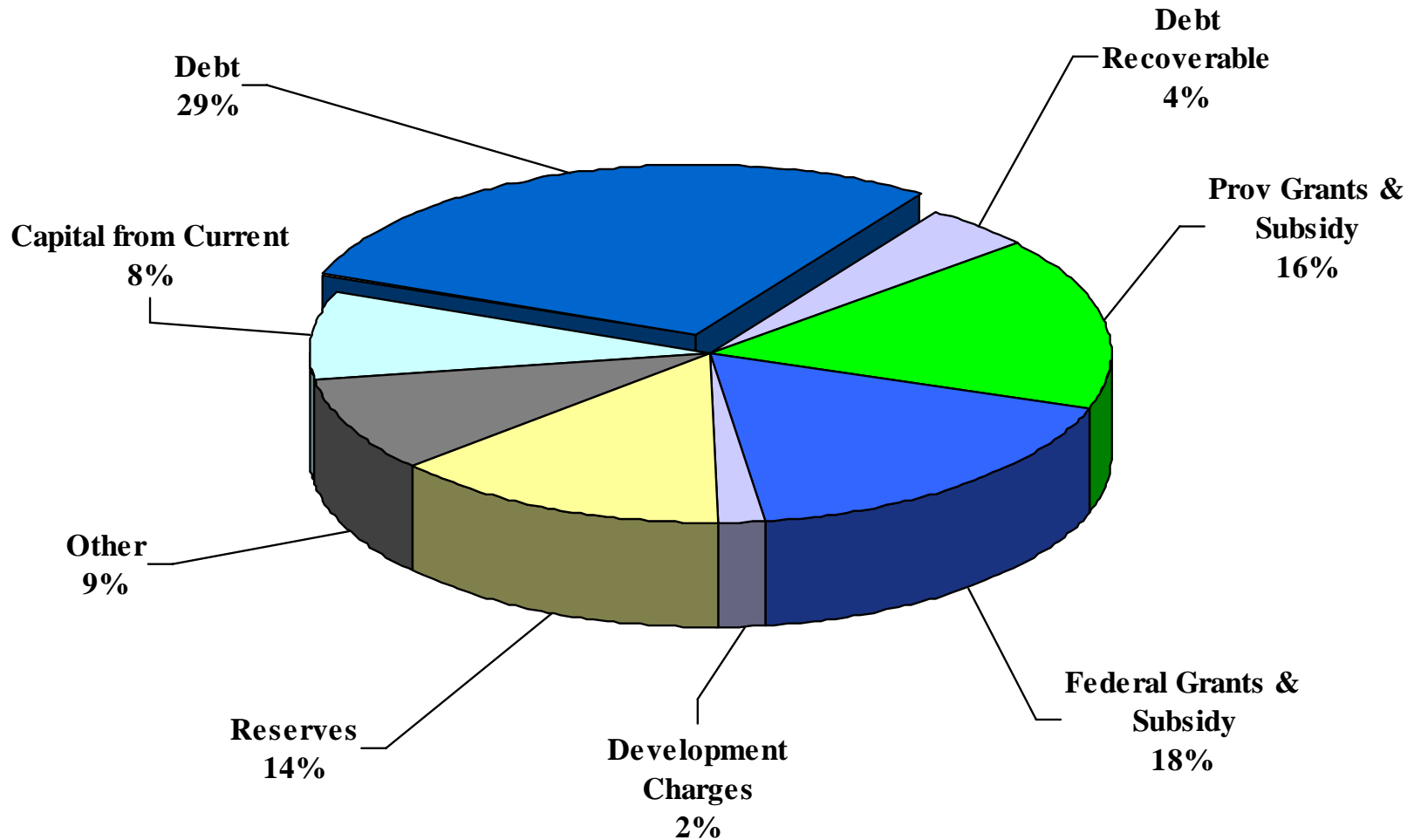
2008 Recommended Capital Budget - \$1.608 Billion

- 58% Committed to State of Good Repair



2008 Recommended Capital Budget - \$1.608 Billion

- 29% Financed by Debt

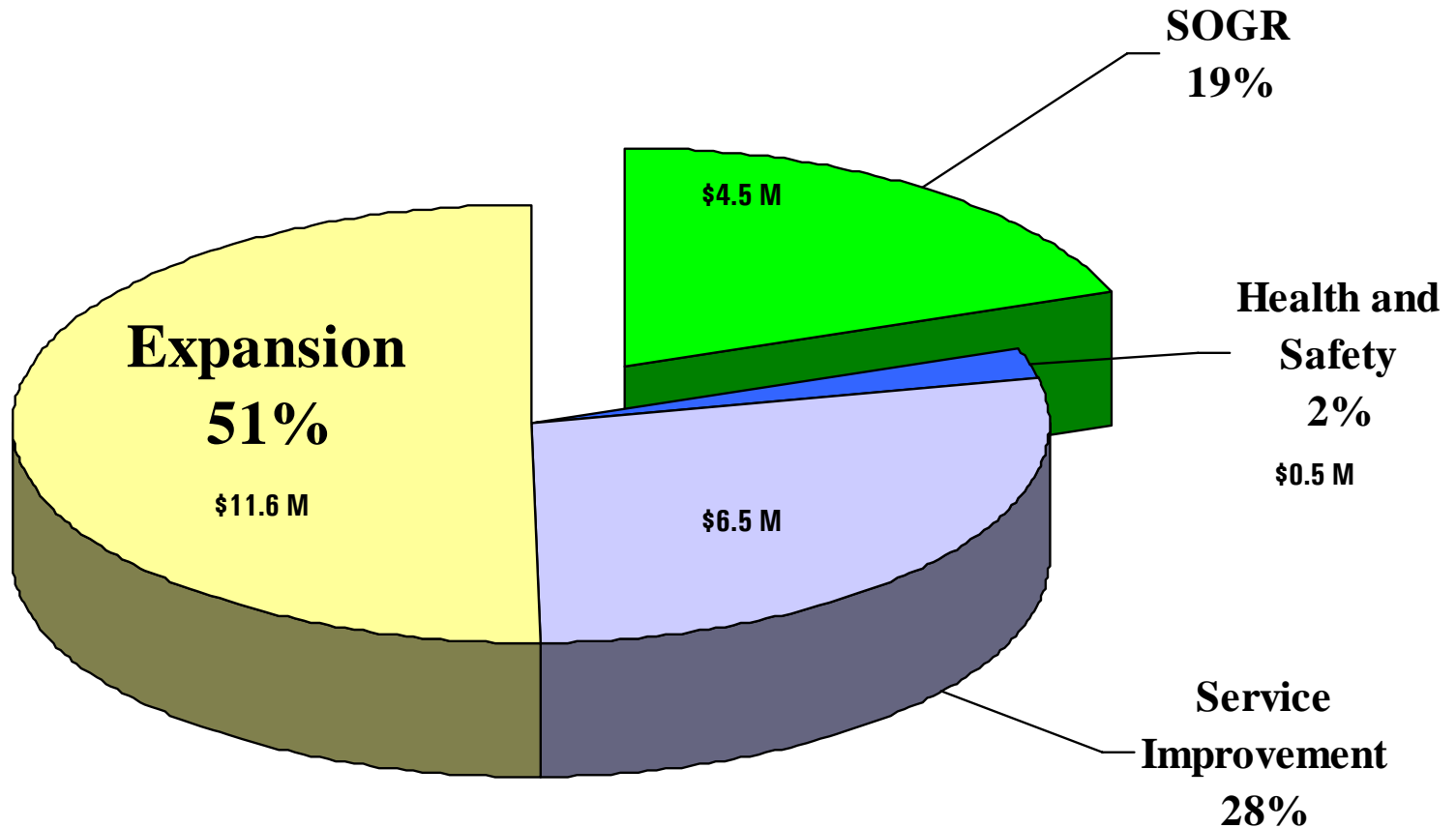


2008 Recommended Capital Cash Flow - \$1.910 Billion

- Includes Carry Forward Funding (\$Millions)

| Programs / ABCs | 2007 Council Approved Cash Flow | 2008 BC Recommended Cash Flow | | | | |
|--|---------------------------------------|----------------------------------|---|------------------------------------|------------------------|-------------------------|
| | | 2007 Carry Forward Funding | 2008 Capital Budget | | | Total 2008 Cash Flow |
| | | | New and Change in Scope Projects | Previously Approved Projects | 2008 Capital Budget | |
| Citizen Centred Services 'A' | 116 | 61 | 81 | 47 | 128 | 189 |
| Citizen Centred Services 'B' | 336 | 67 | 195 | 193 | 388 | 455 |
| Internal Services | 116 | 23 | 58 | 60 | 118 | 141 |
| Other City Programs | 34 | 10 | 24 | 19 | 43 | 53 |
| Agencies, Boards and Commissions - before TTC | 112 | 39 | 108 | 71 | 179 | 218 |
| Total City Operations Before TTC | 714 | 200 | 466 | 390 | 856 | 1,056 |
| Toronto Transit Commission | 717 | 101 | 201 | 552 | 753 | 854 |
| Total - Tax Supported Program | 1,432 | 301 | 667 | 942 | 1,609 | 1,910 |

2008 Toronto Parking Authority Recommended Capital Budget - \$23.096 Million



Conclusion and Schedule

Conclusion

- This 2008 Budget Committee Recommended Capital Budget and 2009 – 2012 Capital Plan:
 - Supports Council's debt management plan and capital investment strategies
 - ✓ Meets approved debt and CFC guidelines
 - ✓ CFC increased by 10% per annum to reduce reliance on debt
 - Balances infrastructure spending needs with fiscal responsibility – new debt constrained
 - Protects existing infrastructure and capital assets to fulfill community service needs
 - Reduces rate of (deferred maintenance) SOGR backlog growth
 - Includes moderate new investment in infrastructure expansion that advances the Council's policy agenda and strategic priorities

Conclusion (continued)

- In accordance with the City's multi-year financial planning framework and budgeting policies, the 2008 – 2012 Capital Plan:
 - represents a predictable capital investment plan for the next five years within annual debt affordability limits:
 - ✓ accelerate projects with offsets by deferral of others of an equal value by year
 - ✓ introduce new projects but must be supported by identification of other project(s) of equal value for deferral which must be approved by Council

Key Outstanding Capital Issues

- Increased capital funding subsidies from the other Orders of Government needed:
 - Long-term commitment to Infrastructure funding and increased Gas Tax sharing
 - National Transit Strategy
- Development Charge Update 2008 & Beyond
- Land Acquisition Reserve Fund is fully committed
- PSAB implementation in 2009 – impact of capital asset accounting and budgeting
- Framework for evaluating and prioritizing new and expansion facility projects
 - Need to ensure that highest priority projects corporate-wide are funded first

2008 Capital Budget Schedule - Key Dates

| | Committee | Business |
|-------------|---------------------|------------------------------|
| November 21 | Budget Committee | Capital Budget Final Wrap-Up |
| November 26 | Executive Committee | Capital Budget Review |
| December 11 | Council | Capital Budget Approval |

