

# Analyst Briefing Notes

## Budget Advisory Committee

November 10<sup>th</sup>, 2005

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**PART I: CAPITAL PROGRAM****Executive Summary**

- The 2005 Approved Capital Budget of \$393.666 million was 71% spent as at September 30, 2005. It is projected that the year-end spending rate will be 100% for the TTC. The anticipated year-end spending rate is consistent with the achieved 2004 level of 99.8%.
- The 2006-2015 Toronto Transit Commission (TTC) capital program submission is in draft form (defined as the October 13th version presented to the Budget Advisory Committee by the TTC) and subject to revision pending review and approval of the final Capital Submission by the Commission on November 28th, 2005.
- The Presented 2006-2015 Toronto Transit Commission capital program request totals \$5,607.795 million, of which the Presented 5-Year Capital Plan for the TTC over the next five years totals \$3.6 billion. Approximately 82% of base capital funding is required to maintain the system in a State of Good Repair (SOGR) — 26% for Infrastructure/Other and 56% for Vehicles; 4% for legislated projects; 2% for service improvements; 8% for capacity enhancement; and 4% for expansion projects.
- The 2006 Proposed Capital Budget for Toronto Transit Commission including previously approved commitments requires a 2006 new cash flow 2006 cash flow of \$571.961 million with proposed City debt funding of \$163.362 million, which is \$36.638 million below the debt affordability target of \$200 million.
- The 2006 Proposed Capital Budget and 5-Year Revised Capital Plan reflects proposed changes as recommended by City staff concerning the one-year deferral of the St. Clair Avenue West transit improvements; refurbishment of all 196 Canadian Light Rail Vehicles under the Life Extension Program for the Streetcar Fleet Plan (versus the purchase of 64 new); and the inclusion of an unspecified reduction to accommodate the historical 93% spending rate by the TTC in 2006.
- Although the 2006 Proposed Capital Budget is below the City debt guideline at \$163.362 million, the TTC is \$130.058 million, in total, over guideline for the Revised 5-Year Capital Plan.
- Major projects to be funded in or beginning with 2006, include: \$111.065 million related to the purchase of 232 new subway cars; \$112.142 million related to the purchase of 150 replacement low-floor hybrid buses; and \$40.635 million related to the purchase of 80 low-floor clean diesel buses.
- Issues to be highlighted include: pending report findings concerning the Scarborough Rail Transit (SRT) fleet strategy and proposed changes as recommended by the Financial Planning Division concerning the one-year deferral of the St. Clair Avenue West transit improvements; the refurbishment of all 196 Canadian Light Rail Vehicles under the Life Extension Program for the Streetcar Fleet Plan (versus purchased 64 new); and the inclusion of an unspecified reduction to accommodate the historical 93% spending rate by the TTC in 2006.

- Total Provincial funding is projected to be \$172.944 million in 2006 and is comprised of four programs: \$68.684 million from the Ontario Vehicle Transit Program (OVTP); \$58.950 million from the Canada Strategic Infrastructure Fund (CSIF); \$4.310 million from the Transit Technology and Infrastructure program (TTIP); and \$41.000 million from Provincial gas tax monies.
- Total Federal funding is projected to be \$212.039 million in 2006, including: \$64.399 million from CSIF; and \$147.640 million in Federal gas tax monies.
- The Revised 5-Year Capital Plan cash flows of \$693.634 million in 2007; \$629.404 million in 2008; \$629.877 million in 2009; and \$639.055 million in 2010 are recommended to be referred to the Deputy City Manager and Chief Financial Officer for review, in consultation with appropriate staff and including a report back to the Budget Advisory Committee in the Spring of 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits.

The 2006-2015 Toronto Transit Commission (TTC) capital program submission is in draft form (defined as the October 13<sup>th</sup> version presented to the Budget Advisory Committee by the TTC) and subject to revision pending review and approval of the final Capital Submission by the Commission on November 28<sup>th</sup>, 2005.

### **Recommendations**

It is recommended that:

1. Toronto Transit Commission submit a final 2006-2015 Capital Program request to the Financial Planning Division, after Commission approval, in accordance with the City of Toronto, “2006 Capital Budget Submission, Guidelines and Instructions” with consideration given to the completion of all supporting documentation;
2. Budget Advisory Committee be advised, in that the following recommendations may be subject to revision following the receipt of the final 2006-2015 Toronto Transit Commission capital program request;
3. the 2006-2015 Toronto Transit Commission Capital Program request with a total 10-year project cost of \$5,607.795 million be received;
4. the 2006 Proposed Capital Budget for Toronto Transit Commission with a 2006 cash flow of \$571.961 million be approved. The 2006 Proposed Capital Budget consists of the following:
  - a) New Cash Flow Funding for:
    - i) 56 new projects with a cash flow of \$194.7 million in 2006;
    - ii) 68 previously approved projects with a 2006 cash flow of \$316.7 million; and
  - b) 2005 approved cash flow for 44 previously approved projects with carry forward funding from 2005 into 2006 totalling \$60.6 million;
  - c) the Deputy City Manager and Chief Financial Officer, in consultation with the Toronto Transit Commission, report back to the Budget Advisory Committee during consideration of the 2006 Capital Budget with total project costs and cash flow commitments resulting from the 2006 Proposed Capital Budget of \$571.961 million in 2006;
5. new debt service costs of \$4.901 million in 2006 and incremental costs of \$17.970 million in 2007 resulting from the approval of the 2006 Proposed Capital Budget, be approved for inclusion in the 2006 and future year operating budgets;
6. operating impacts in the Toronto Transit Commission Operating Budget of \$0.940 million for 2006, \$0.313 million for 2007, and \$0.302 million for 2008; \$0.056 million for 2009; and \$0.277 million in 2010 emanating from the approval of the 2006 Proposed Capital Budget be considered within the overall scope of the TTC’s 2006 and future years’ operating budget submissions;
7. 2006 Development Charge funding be approved subject to funds being available in the Development Charge Reserve Accounts;

8. all sub-projects with third-party financing be approved conditionally, subject to the receipt of such funding during 2006 and if such financing is not received, their priority and funding be reassessed by City Council relative to other City-financed priorities and needs;
9. the Toronto Transit Commission, in consultation with the Deputy City Manager and Chief Financial Officer report back to the Budget Advisory Committee during consideration of the 2006 Capital Budget with projections relating to Federal and Provincial funding agreements consistent with the Revised 5-Year Capital Plan;
10. the Chief General Manager Toronto Transit Commission, in consultation with the General Manager Transportation Services, report back to Budget Advisory Committee in 2006, upon resolution of the current court proceedings related to St. Clair Ave. West Transit Improvements, on the status of this project and specifically on the total project cost (TTC and Transportation), cash flow projections and that the total cost (TTC and Transportation) of St. Clair West Avenue transit improvements be reflected in TTC's Revised 5-Year Capital Plan in order to better represent and account for the City-wide cost of this major project to Council;
11. the Toronto Transit Commission report back to the Budget Advisory Committee following the completion of the study entitled the *Strategic Plan for the Future of the Scarborough RT*, with options for accommodating its development within the Revised 5-Year Capital Plan and debt guidelines;
12. the Toronto Transit Commission report back to the Budget Advisory Committee in 2006 prior to the 2007 budget process detailing potential cost overruns and presenting options to completing the Fire Ventilation Upgrade project on time and within budget;
13. the Toronto Transit Commission report back to the Budget Advisory Committee on developments in the Ontario Vehicle Transit Program, once guidelines are issued by the Province of Ontario;
14. the Toronto Transit Commission report back to the Budget Advisory Committee by Spring 2006 detailing potential cost overruns and presenting options for completing the Mount Dennis Bus Facility on time and within budget;
15. the Toronto Transit Commission report back to the Budget Advisory Committee in 2006 prior to making any commitments on 220 bus purchases in 2007 for the 40-ft Low-Floor Diesel/Electric Hybrid program;
16. the Toronto Transit Commission report back to the Budget Advisory Commission in 2006 prior to making any commitments on 232 subway cars totalling \$755 million;
17. the Chief General Manager of the Toronto Transit Commission be requested to review its proposed 2007 budget schedules in order to align them more closely with the scheduled requirements of the City of Toronto's budget review process and report back to the Budget Advisory Committee by Spring 2006 on how this may be achieved; and
18. the revised cash flow projections of \$693.634 million in 2007; \$629.404 million in 2008; \$629.877 million in 2009; and \$639.055 million in 2010 be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with appropriate staff, and report back to the Budget Advisory Committee in the Spring of 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits.

## 2005 Capital Variance Review

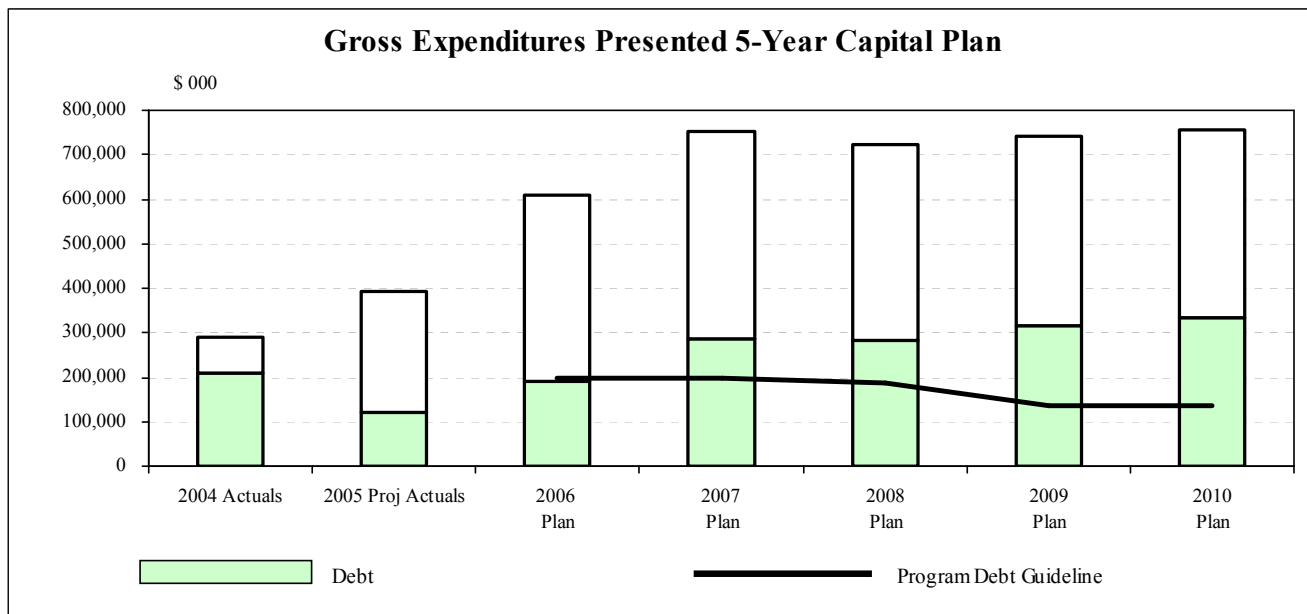
2005 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2005 Approved	Actuals as of Sept. 30 Y-T-D (3rd Qtr Variance)		Projected Actuals to Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
393,666	279,100	71	393,666	100	0

## Comments / Issues:

- TTC spent \$279.100 million, or 71% of its 2005 Approved Capital Budget of \$393.666 million as at September 30, 2005. It is projected that the year-end spending rate will be 100% for the TTC. The anticipated year-end spending rate is consistent with the achieved 2004 level of 99.8%.
- **In-Year Variance.** As at September 30, 2005 two items have been approved in-year that will increase the 2005 Council Approved Budget by \$8.061 million to \$393.666 million. These items are: \$6.261 million to fund 12 additional TTC buses fully offset from City reserves; and \$1.8 million to purchase the McNicoll property for a future garage facility fully offset from the Land Acquisition Reserve Fund (LARF).
- Historically, the TTC spends, on average, close to 93% of its annual Capital Budget. In response to this annual underspending, an unspecified budget reduction of \$47.9 million was built into the 2005 Approved Budget.
- The TTC has identified \$30.2 million or 63%, of that target to date and is committed to managing the remaining savings target by year-end. This accounts for the 100% spending rate identified above.
- The 2006 Proposed Capital Budget does include subsequent changes to funding being carried forward from 2005 to 2006 based on the unspent cash flow balance as projected on August 31, 2005, however — the TTC does not track this information in its internal budget process as it projects the cash flow of each project regardless of the 2005 carry forward. The TTC has approximated carry forward funding of \$60.6 million from 2005 over to 2006.
- Any adjustments to carry forward funding will be made prior to the end of the 2006 Capital Budget process.

Presented 5-Year Capital Plan (2006-2010)

Presented by TTC on Oct 13<sup>th</sup>, 2005



	Presented 5-Year Plan							
	2004	2005*	2006	2007	2008	2009	2010	2006-2010
<b>Gross Expenditures:</b>								
Budget (Excluding 1-Yr. Carry/Fwd)	282,752	385,605	609,296	751,427	724,697	740,170	754,568	3,580,158
1-Yr Carry/Fwd Gross (Reference only)								
Sub-Total Gross Exp. Including 1-Yr. Carry/Fwd	282,752	385,605	609,296					
Actuals	290,909	393,666						
<b>Financing:</b>								
Debt	127,092	237,005	189,635	285,110	283,301	315,686	335,731	1,409,463
Debt Actuals (including 1-Yr Carry/Fwd)	210,925	122,365						
<b>Program Debt Target</b>	<b>212,099</b>	<b>237,000</b>	<b>200,000</b>	<b>200,000</b>	<b>186,000</b>	<b>135,000</b>	<b>135,000</b>	<b>856,000</b>
Other Financing Sources:								
Reserves/Reserve Funds		8,061	0	0	0	0	0	0
Development Charges		1,500	4,916	3,260	2,212	1,015	0	11,403
TTC Internal (Depreciation)		17,100	18,700	19,200	18,600	17,200	17,200	90,900
Federal		168,440	217,570	190,373	162,250	175,295	172,900	918,387
Provincial		76,200	178,475	253,484	258,334	230,974	228,737	1,150,005
Other Revenue		0	0	0	0	0	0	0
<b>By Category:</b>								
SOGR — Vehicles		177,309	316,412	390,692	439,751	437,345	435,972	2,020,172
SOGR — Infrastructure/Other		133,882	191,643	223,230	184,040	161,954	168,684	929,551
Legislative		13,673	18,554	19,079	20,147	32,799	35,725	126,304
Improvement		31,148	50,437	17,090	5,929	4,174	5,477	83,107
Capacity Enhancement		15,823	26,333	91,326	31,485	58,958	68,650	276,752
Expansion		21,831	5,917	10,010	43,345	44,940	40,060	144,272

Yearly SOGR Backlog Estimate (not addressed by current year projects)  
 Accumulated Backlog Estimate (end of year)

\* Based on 2005 Council Approved Adjusted Budget and associated Sources of Funding

- The presented base capital program for the TTC over the next five years totals \$3.6 billion. Approximately 82% of base capital funding is required to maintain the system in a State of Good Repair (SOGR) —26% for Infrastructure/Other and 56% for Vehicles. SOGR projects

include infrastructure repairs like subway track replacement or fleet strategy projects like bus replacements.

- There is \$126.304 million, or 4% of the Presented 5-Year Capital Plan, allocated for legislated projects such as environmental and accessibility initiatives like the Easier Access (Phase III) project. Service Improvements total \$83.107 million or 2 % of the presented base capital plan and include projects such as signal priority equipment for transit vehicles at signalized intersections and added commuter parking. Capacity enhancement totals \$276.752 million, or 8%, and includes the purchase of additional low-floor hybrid Clean Diesel buses and construction of a new \$200 million Light Rail Transit (LRT) facility to house the presented purchase of 64 new LRT's. Expansion projects total \$144.272 million, or 4%, and include the development of an integrated ticketing system.
- City debt throughout 2006-2010 is projected to be \$1.4 billion. This estimate is based on the gross capital funding projection of \$3.6 billion over the 5-year period, less: Provincial and Federal government funding projections of \$1.2 billion and \$0.9 billion, respectively; and combined internal depreciation from within the TTC, total development charges revenue, and offsets from reserves are estimated at \$0.1 billion. Even with improved funding from the other orders of government, the City's debt level for transit funding steadily increases over the next five years and is not consistent with the City debt guideline approved for TTC by Council in the medium-term.
- TTC's year-over-year gross capital expenditure is projected to grow from \$609.296 million in 2006 to \$751.427 million in 2007, \$724.697 million in 2008, \$740.170 million in 2009, and \$754.568 million in 2008. This rate of growth in the Presented 5-Year Capital Plan is mainly due to life-cycle replacement of long-life assets in the TTC's fleet strategy for the purchase of Buses, Subway Cars and Streetcars.
- **Vehicles.** Over the next five years, \$2.1 billion is projected to be spent on vehicle purchases, overhauls or maintenance. Of the \$2.1 billion: \$762.511 million is projected for the purchase of diesel, clean diesel, and hybrid electric-diesel buses; \$753.600 million is projected for the purchase of 232 new subway cars; and \$282.247 million is projected for the purchase of 64 new LRT cars to replace existing Canadian Light Rail Vehicles (CLRV).
- **Structures.** Over the next five years, \$0.9 billion is projected to be spent on maintaining or developing buildings and structures. Of the \$0.9 billion: \$565.387 million is projected for specific renewal or building projects, such as \$118.000 million towards a new LRT facility to accommodate the new 64 LRT Cars, \$117.860 million for Fire Ventilation upgrades, \$64.140 million for the start of the Easier Access (Phase III) program and \$58.873 million for the Mount Dennis bus garage. In addition, \$134.570 million is projected for the rehabilitation and maintenance of 74 kilometres of structure, including bridges and tunnels; \$86.716 million for the maintenance of paved surfaces such as yards and roads; and \$40.774 million for equipments such as the Subway Escalator Overhaul program.
- **Track.** \$0.2 billion is allocated for the replacement of track over the next five years. \$187.754 million is required for surface (streetcar) track replacement and \$58.106 million for subway track replacement.

- **All Other.** A remaining \$0.3 billion is projected to be spent on capital projects, including: \$84.016 million for revenue and fare handling equipment and \$78.485 million for signal systems.
- Proposed changes as recommended by the Financial Planning Division concern: the one-year deferral of the St. Clair Avenue West transit improvements; the refurbishment of all 196 Canadian Light Rail Vehicles under the Life Extension Program for the Streetcar Fleet Plan (versus purchased 64 new); and the inclusion of an unspecified reduction to accommodate the historical 93% spending rate by the TTC in 2006.

<b>PROPOSED: TTC 2006-2010 Sources of Funding</b>							
\$ thousands							
	2005	2006	2007	2008	2009	2010	2006-2010
<b>Budget breakdown by category</b>							
SOGR	133,882	316,412	390,692	439,751	437,345	435,972	2,020,172
SOGR Vehicles	177,309	191,643	223,230	184,040	161,954	168,684	929,551
Legislated	13,673	18,554	19,079	20,147	32,799	35,725	126,304
Service improvement	31,148	50,437	17,090	5,929	4,174	5,477	83,107
Capacity Enhancement	15,823	26,333	91,326	31,485	58,958	68,650	276,752
Expansion	21,831	5,917	10,010	43,345	44,940	40,060	144,272
<i>Net Impact of PROPOSED Changes*</i>		(37,335)	(57,793)	(95,293)	(110,293)	(115,513)	(416,227)
<b>Total gross - PROPOSED</b>	<b>393,666</b>	<b>571,961</b>	<b>693,634</b>	<b>629,404</b>	<b>629,877</b>	<b>639,055</b>	<b>3,163,931</b>
<b>Funding Sources</b>							
Provincial base (non gas tax)	76,200	137,475	182,484	187,334	159,974	157,737	825,005
<i>Net Impact of PROPOSED Changes*</i>	0	(5,531)	9,120	0	0	0	3,589
Provincial gas tax	0	41,000	71,000	71,000	71,000	71,000	325,000
<b>Total Provincial</b>	<b>76,200</b>	<b>172,944</b>	<b>262,604</b>	<b>258,334</b>	<b>230,974</b>	<b>228,737</b>	<b>1,153,594</b>
Federal base (non gas tax)	20,800	69,930	125,173	80,850	12,395	10,000	298,347
<i>Net Impact of PROPOSED Changes*</i>	0	(5,531)	9,120	0	0	0	3,589
Federal gas tax	147,640	147,640	65,200	81,400	162,900	162,900	620,040
<b>Total Federal</b>	<b>168,440</b>	<b>212,039</b>	<b>199,493</b>	<b>162,250</b>	<b>175,295</b>	<b>172,900</b>	<b>921,976</b>
<i>TTC internal (depreciation)**</i>	<i>17,100</i>	<i>18,700</i>	<i>19,200</i>	<i>18,600</i>	<i>17,200</i>	<i>17,200</i>	<i>90,900</i>
<i>Development charges</i>	<i>1,500</i>	<i>4,916</i>	<i>3,260</i>	<i>2,212</i>	<i>1,015</i>	<i>0</i>	<i>11,403</i>
<i>Reserves / Reserve Funds</i>	<i>8,061</i>						
<i>City debt - PROPOSED</i>	<i>122,365</i>	<i>163,362</i>	<i>209,077</i>	<i>188,008</i>	<i>205,393</i>	<i>220,218</i>	<i>986,058</i>
<i>City target</i>	<i>237,000</i>	<i>200,000</i>	<i>200,000</i>	<i>186,000</i>	<i>135,000</i>	<i>135,000</i>	<i>856,000</i>
<i>Funding Shortfall / (Surplus)</i>	<i>(114,635)</i>	<i>(36,638)</i>	<i>9,077</i>	<i>2,008</i>	<i>70,393</i>	<i>85,218</i>	<i>130,058</i>
<b>Total funding - PROPOSED</b>	<b>393,666</b>	<b>571,961</b>	<b>693,634</b>	<b>629,404</b>	<b>629,877</b>	<b>639,055</b>	<b>3,163,931</b>

Source: TTC and City Finance

Numbers may not add due to rounding

\* Full detail of recommended changes can be found in Issues Section

\*\* Pending review and approval of Capital Submission by the Commission on November 28th.

- The Revised Five-Year Capital Plan includes proposed changes that are fully detailed in the issues section of this note.
- The proposed changes reduced the 2006 cash flow by \$37.335 million in 2006 to \$571.961 million. These proposed changes are projected to improve the 5-Year City Debt funding shortfall of \$553 million — identified in the Presented 5-Year Capital Plan submitted by the TTC on October 13<sup>th</sup> — by \$423.405 million over the 2006-2010 period.
- Total Provincial funding is projected to be \$172.944 million in 2006 and is comprised of four programs: \$68.684 million from the Ontario Vehicle Transit Program (OVTP); \$58.950 million from the Canada Strategic Infrastructure Fund (CSIF); \$4.310 million from the Transit Technology and Infrastructure program (TTIP); and \$41.000 million from Provincial gas tax monies.

- Total Federal funding is projected to be \$212.039 million in 2006, including: \$64.399 million from CSIF; and \$147.640 million in federal gas tax monies.
- The Revised 5-Year Capital Plan cash flows of \$693.634 million in 2007; \$629.404 million in 2008; \$629.877 million in 2009; and \$639.055 million in 2010 are recommended to be referred to the Deputy City Manager & Chief Financial Officer for review, in consultation with appropriate staff and including a report back to the Budget Advisory Committee in the Spring of 2006 on a recommended Firm 5-Year Capital Plan within Council's approved debt affordability limits.

This following information is not yet available, or incomplete, pending review and approval by the Commission of the Capital Submission on November 28<sup>th</sup>, 2005.

**2006 Capital Budget Submission Summary**

**(\$000)**

**(Table)**

**Proposed 2006 Capital Budget Changes**

**(\$000)**

**(Table)**

**Total 2006 Proposed Cash Flow & Future Year Commitments**

**(\$000s)**

**(Table)**

## Operating Budget Impact

### Incremental Operating Budget Summary

Incremental Operating Budget Impact	2006	2007	2008	2009	2010
Program Costs (net) (\$000s)	940	313	302	56	277
Debt Service Charges (\$000s)*	4,901	17,970	0	0	0
Approved Positions**	83.5	0	0	0	0

\* Based on City-debt from 2006 Proposed Capital Budget.

\*\* Subject to revision pending review and approval of Capital Submission by the Commission on November 28th, 2005.

### Program Incremental Operating Costs

The 2006 Proposed Capital Budget will increase the Program's Operating Budget, with incremental impacts in 2006 and future years as a result of the following capital projects/subprojects:

2006 Capital Projects/Sub-Projects	2006 (\$000s)	2006 approved position change*	2007 (\$000s)
Traction Power	150	n/a	(10)
Communications	172	n/a	109
Fire Ventillation Upgrade	8	n/a	0
Easier Access (Phase II & III)	147	n/a	57
Other Building and Structure Projects	0	n/a	(30)
Computer Equipment and Software	176	n/a	350
Intelligent Transportation and Technical Systems	232	n/a	(144)
Other Service Planning	55	n/a	(19)
<b>TOTAL</b>	<b>940</b>	<b>83.5</b>	<b>313</b>

\* Subject to revision pending review and approval of Capital Submission by the Commission on November 28th, 2005.

The Program has identified 83.5 new positions in the 2006 Proposed Capital Budget arising from its approval, but has not specified as to which capital project/sub-project they are associated with.

The 2006 Proposed Capital Budget includes operating impacts from previously approved and new/change in scope capital projects for 2006 of \$0.940 million; \$0.313 million in 2007; \$0.302 million in 2008; \$0.056 million in 2009; and \$0.277 million in 2010.

### Debt Service Cost

The 2006 Proposed Capital Budget will result in new incremental debt service costs of \$4.901 million in 2006 and \$17.970 million in 2007.

*Debt service cost of repayment of principle and interest is calculated according to corporate guidelines in the following manner: 3.0% in Year 1, and 14% for subsequent years.*



## PART II: ISSUES FOR DISCUSSION

### 2006 Issues

#### 2006 Proposed Capital Budget versus Guideline

The City set a debt affordability guideline for the 2006 TTC Capital Budget of \$200 million in 2006 and \$856 million throughout the 2006-2010 periods. Although the 2006 Proposed Capital Budget is below the City debt affordability guideline by \$36.638 million at \$163.362 million, the TTC is \$130.059 million, in total, over guideline for the Revised Five-Year Capital Plan.

#### Revised 5-Year Capital Plan Overview

Proposed changes will decrease the 2006 Proposed Capital Budget and the Revised 5-Year Capital Plan by \$416.227 million, or about 13%, from \$3,580.158 million to \$3,163.931 million. More detailed information concerning the Streetcar Fleet Plan and St. Clair Avenue West project deferral can be found later on in this briefing note.

The 2006 Proposed Capital Budget includes an unspecified reduction target of \$33 million that was calculated based on a historical TTC spending rate of 93%, excluding the 2006 cash flow for: the City cost of a Reserved Transit Lane on St. Clair; and major milestone payments for subway cars and replacement buses.

(\$ Thousands)	2006	2007	2008	2009	2010	Total
<b>Gross Cash Flow - PRESENTED</b>	<b>609,296</b>	<b>751,427</b>	<b>724,697</b>	<b>740,170</b>	<b>754,568</b>	<b>3,580,158</b>
CLRV Life Extension Program (96 Vehicles)*	(900)	(73,193)	(95,293)	(110,293)	(115,513)	(395,192)
TTC Costs - St. Clair Deferral	(3,435)	15,400				11,965
Unspecified Reduction Target**	(33,000)					(33,000)
<b>Sub-total - PROPOSED CHANGES</b>	<b>(37,335)</b>	<b>(57,793)</b>	<b>(95,293)</b>	<b>(110,293)</b>	<b>(115,513)</b>	<b>(416,227)</b>
<b>Total - INCLUDING PROPOSED CHANGES</b>	<b>571,961</b>	<b>693,634</b>	<b>629,404</b>	<b>629,877</b>	<b>639,055</b>	<b>3,163,931</b>

Source: Financial Planning Division

\* Includes reversal of new LRT facility.

\*\* Calculated based on 10 % of 2006 Gross Cash Flow less purchase of subway cars, replacement buses, reserved transit lane and rounded to nearest \$ Million.

It is proposed that the TTC's 2006 Capital Budget and 5-Year Capital Plan be adjusted to reflect the above outlined proposed changes and that projections relating to Federal and Provincial funding agreements be adjusted to reflect these changes.

Capital Plan Funding

<b>PROPOSED: TTC 2006-2010 Sources of Funding*</b>						
\$ thousands						
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2006-2010</b>
Provincial base (non gas tax)**	131,944	191,604	187,334	159,974	157,737	825,005
Provincial gas tax	41,000	71,000	71,000	71,000	71,000	325,000
<i>Total Provincial</i>	<i>172,944</i>	<i>262,604</i>	<i>258,334</i>	<i>230,974</i>	<i>228,737</i>	<i>1,153,594</i>
Federal base (non gas tax)**	64,399	134,293	80,850	12,395	10,000	298,347
Federal gas tax	147,640	65,200	81,400	162,900	162,900	620,040
<i>Total Federal</i>	<i>212,039</i>	<i>199,493</i>	<i>162,250</i>	<i>175,295</i>	<i>172,900</i>	<i>921,976</i>
<i>TTC internal (depreciation)**</i>	<i>18,700</i>	<i>19,200</i>	<i>18,600</i>	<i>17,200</i>	<i>17,200</i>	<i>90,900</i>
<i>Development charges</i>	<i>4,916</i>	<i>3,260</i>	<i>2,212</i>	<i>1,015</i>	<i>0</i>	<i>11,403</i>
<i>City debt - PROPOSED</i>	<i>163,362</i>	<i>209,077</i>	<i>188,008</i>	<i>205,393</i>	<i>220,218</i>	<i>986,058</i>
City target	200,000	200,000	186,000	135,000	135,000	856,000
Funding Shortfall / (Surplus)	(36,638)	9,077	2,008	70,393	85,218	130,058
<b>Total funding - PROPOSED</b>	<b>571,961</b>	<b>693,634</b>	<b>629,404</b>	<b>629,877</b>	<b>639,055</b>	<b>3,163,931</b>

Source: TTC and City Finance

Numbers may not add due to rounding

\* Full detail of recommended changes can be found in Issues Section

\*\* Pending review and approval of Capital Submission by the Commission on November 28th.

The table above shows the revised funding from the other orders of government, including adjustments associated with the deferral of funding for the St. Clair Avenue West transit improvements. Total Provincial funding is forecast to be \$1.154 billion from 2006-2010. Provincial base funding in 2006 is forecast to be \$131.944 million and is comprised of three funding programs: the Ontario Vehicle Transit Program (OVTP) that is primarily for transit vehicle replacement and major infrastructure expansion; the provincial share of the joint federal/provincial Canada Strategic Infrastructure Fund (CSIF); and the renamed Transit Technology and Infrastructure Program (TTIP) formerly titled Golden Horseshoe Transit Investment Partnerships (GTIP). Provincial gas tax funding allocated to capital expenditures in 2006 is forecast to total \$41 million.

Total federal funding is forecast to be \$0.922 billion from 2006-2010. Federal base funding from CSIF projects is forecast to be \$64.399 million in 2006. Federal gas tax money in 2006 is forecast to be \$147.640 million and is comprised of two sources: \$48.9 million for the ongoing 5 cents population-based gas tax monies; and \$98.740 million for the one-time 1 cent ridership-based gas tax monies.

The Province announces annually guidelines and eligibility for the Ontario Vehicle Transit Program. As well, an agreement in principle for the 1-cent ridership-based Federal gas tax money has been reached and is pending finalization. Negotiations are currently underway to develop a Memorandum on Understanding (MOU) related to the \$1.05 billion Canada Strategic Infrastructure Fund and should be finalized by year-end.

Given these developments, it is recommended that the TTC, in consultation with the Deputy City Manager and Chief Financial Officer report back to the Budget Advisory Committee on developments in these funding sources by February 2006.

The Revised 5-Year City debt target for the TTC is consistent with the debt guidelines approved by Council at its meeting of May 17, 18 and 19, 2005.

**Cash Flows**

The Revised 5-Five-year Capital Plan totals \$3,163.931 million. The Capital Plan increases by \$67.094 million from \$571.961 million in 2006 to \$639.055 million in 2010, mainly to reflect the cash flows associated with the purchase of subway cars. The cash flow projections, including one-year carry forward funding, represent a relatively consistent share of the Total Revised 5-Year Capital Plan with 18% or \$571.961 million allocated in 2006; 22% or \$693.634 million in 2007; 20% or \$629.404 in 2008; 20% or \$629.877 million in 2009; and 20% or \$639.055 million in 2010.

(\$ Thousands)	2006	2007	2008	2009	2010	Total
Cash Flow	571,961	693,634	629,404	629,877	639,055	3,163,931
Cumulative Cash Flow	571,961	1,265,595	1,894,999	2,524,876	3,163,931	3,163,931
Cash Flow (% of Total)	18%	22%	20%	20%	20%	100%
Level Change (\$ Thousands)		121,673	(64,230)	473	9,178	67,094
Percentage Change (%)		21%	-9%	0%	1%	12%

Source: Financial Planning Division

**Capacity**

It is projected that by year-end the TTC will spend \$393.666 million, or 100% of its 2005 Approved Capital Budget. In most years the TTC spends 93% of its capital budget and the TTC remains committed to managing the remainder of the \$47.9 million savings target built into their 2005 Approved Capital Budget. An approximate estimate of the amount of funding for the 2005 approved expenditure that will carry forward into 2006 is \$60.6 million and is accounted for in the 2006 Proposed Capital Budget.

The table below details the calculation for this years unspecified reduction target:

Unspecified Reduction Target	2006
<b>Cash Flow: PRESENTED</b>	<b>609,296</b>
Less:	
Purchase of 232 New Subway Cars	111,065
Purchase of 150 Replacement Low-Floor Hybrid Buses	112,142
Purchase of 80 Low-Floor Clean Diesel Buses	40,635
City Cost: Reserved Transit Lane on St. Clair	20,000
<b>Sub-Total</b>	<b>325,454</b>
<b>Unspecified Reduction Target*</b>	<b>33,000</b>

Source: Financial Planning Division in Consultation with TTC

\* Rounded to nearest million

**Backlog of Projects —Unmet Needs**

The TTC's capital requests represent a TTC prioritized package based in internal review and decision making, noting that reductions have already been made to the level of requests submitted — as is the process each year. These plans are based on evaluated needs, including condition assessments and life cycle replacement plans. They take into account the timing of study and engineering work requirements and essentially represent the anticipated ability to spend — however these are often impacted by external factors and approval processes. Therefore, with the exception of the Scarborough Rail Transit (SRT) fleet replacement strategy which is deferred to 2012 pending completion of a strategic plan study, the Revised 5-Year Capital Plan represents TTC's SOGR needs and creates no backlog.

**Development Charge Funding**

The 2006-2010 Capital Plan includes \$11.403 million in development charge funding.

It is recommended that 2006 Development Charge funding be approved subject to funds being available in the Development Charge Reserve Accounts.

**Future year Commitments Arising from the 2006 Proposed Budget**

The 2006 Proposed Capital Budget for Toronto Transit Commission projects a 2006 cash flow of \$571.961 million.

It is recommended that the TTC, in consultation with the Deputy City Manager and Chief Financial Officer report back to the Budget Advisory Committee during consideration of the 2006 Capital Budget with total project costs and cash flow commitments resulting from the proposed cash flow of \$571.961 million in 2006.

**St. Clair Avenue West Transit Improvements**

The table below outlines the revised budget for the St. Clair Avenue West transit improvements against the revised budget which assumes a one-year deferral to reflect changes due to the recent court decision.

(\$ Thousands)	St. Clair Project Budget				Total
	2004	2005	2006	2007	
<b>Budgeted Capital Expenditures</b>					
Surface Track Replacement	22	5,600	14,136	0	19,758
Special Track Replacement	952	2,234	5,961	0	9,147
TTC Cost: Reserved Transit Lanes	638	8,827	10,338	0	19,803
TTC Costs	<b>1,612</b>	<b>16,661</b>	<b>30,435</b>	<b>0</b>	<b>48,708</b>
City Cost Reserved Transit Lanes			<b>20,000</b>	<b>0</b>	<b>20,000</b>
<b>Sub-Total: St. Clair Project Budget</b>	<b>1,612</b>	<b>16,661</b>	<b>50,435</b>	<b>0</b>	<b>68,708</b>
<b>Net Impact of Deferrals</b>		<b>(11,661)</b>	<b>(3,435)</b>	<b>15,400</b>	<b>304</b>
<b>Total: TTC St. Clair Project Budget</b>	<b>1,612</b>	<b>5,000</b>	<b>47,000</b>	<b>15,400</b>	<b>69,012</b>
<b>Transportation St. Clair Budget</b>		<b>2,400</b>			<b>2,400</b>
<b>Net Impact of Deferrals</b>		<b>(2,400)</b>	<b>2,400</b>		<b>0</b>
<b>Total: Transportation St. Clair Project Budget*</b>	<b>0</b>	<b>0</b>	<b>2,400</b>	<b>0</b>	<b>2,400</b>
<b>St. Clair Project Budget: With Deferrals</b>	<b>1,612</b>	<b>5,000</b>	<b>49,400</b>	<b>15,400</b>	<b>71,412</b>

\* Held separately in Transportation Budget

Source: TTC, Transportation and Financial Planning Division

It is recommended that the TTC defer St. Clair Avenue West transit improvement by one year and consistent with the above schedule. It is also noted that the Transportation cost of these improvements have been included in TTC's Revised 5-Year Capital Plan in order to better represent and account for the City-wide cost of this major project to Council.

**2006 Streetcar Fleet Plan**

There are currently 251 streetcars, including 3 heritage cars, in the fleet. The proposed 2006 Streetcar Fleet Plan includes: Life Extension Program (LEP) for 100 of the 196 Canadian Light Rail Vehicles (CLRV); mid-life overhaul of the entire 52 Articulated Light Rail Vehicles (ALRV); and the acceleration of the new and accessible low-floor Light Rail Transit (LRT) vehicle procurement

program. Assuming a 2:3 ratio (2 new cars for 3 CLRV's) accelerating the LRT vehicle procurement program involves the purchase of 64 new LRT vehicles.

<b>(\$ Thousands)</b>	<b>2006-2010</b>	<b>Estimated Final Cost</b>
100 CLRV's (Life Extension Plan)	111,880	140,000
<b>Option 1 - REVISED 5-YEAR CAPITAL PLAN</b>		
64 LRT's (Low Floor)	282,247	352,267
New LRT Facility	118,000	200,000
<b>Option 2 - RECOMMENDED 5-YEAR CAPITAL PLAN</b>		
96 CLRV's (Life Extension Plan)	5,055	102,755

Source: 2006 TTC Capital Program Presentation

The primary purpose of the purchase of 64 new LRT vehicles is to replace vehicles at the end of their useful life, instead of rebuilding older cars. In addition, these new vehicles introduce fully accessible light rail vehicles to the City of Toronto at the earliest possible date. The provincial *Accessibility for Ontarians with Disabilities Act, 2005* (AODA) requires that all services and facilities must be accessible by 2025. TTC has identified a possible risk that provincial regulation in 2006 may require accelerated accessibility schedules for transit — pulling the target date back from 2025.

By deferring the 64 LRT vehicle procurement program in favour of implementing the Life Extension Program for the remaining 96 CLRV's the City would defer \$395.192 million of gross capital expenditures over 2006-2010, including: \$118.000 million for a new LRT facility; \$282.247 million for 64 purchased new LRT's; less, \$5.055 million for the start of the Life Extension Program for the remaining 96 CLRV's.

The Revised 10-Year Capital Program provides for the refurbishment of all 196 CLRV's.

**2006 Subway Car Fleet Plan**

The Revised 5-Year Capital Plan includes the purchase of 232 new subway cars. This purchase will lead to the replacement of the H-4 and H-5 subway cars, and provide enough cars to meet the projected increase in ridership until the next purchase in 2017 when the H-6 fleet is scheduled for replacement.

<b>Car Type</b>	<b>Cars Available for Service</b>	<b>Years Started in Service</b>	<b>Age of Car in 2005</b>	<b>Scheduled Replacement Date</b>
T-1	372	1996 to 2001	4 to 9 years	2027 to 2031
H-6	126	1987 to 1989	16 to 18 years	2017 to 2019
H-5	136	1997 to 1979	26 to 28 years	2009 to 2010
H-4	44	1974 to 1975	30 to 31 years	2008

Source: 2006 TTC Capital Program Presentation

The estimated total cost of the subway car purchase is \$755 million, without any provisions for line expansions. Delivery is scheduled for 76 cars in 2008, 78 cars in 2009 and 78 cars in 2010. The plan requires an upfront payment in 2006, contingent on the successful development and approval of the presented subway car design by 2006 year-end and successful negotiation of a contract with confirmed funding.

YEAR	2005	2006	2007	2008	2009	2010	2011	Totals
New Cars				76	78	78		232
Total Cost in \$ Millions	0.5	111.1	93.1	181.6	184.9	183.0	0.9	755

Source: 2006 TTC Capital Program Presentation

It is recommended that the TTC report back to the Budget Advisory Committee in 2006 prior to making any commitments on 232 subway car purchases totalling \$755 million.

**2006 Bus Fleet Plan**

The 2006 bus fleet plan includes a presented fleet of 1,492 buses in 2006 growing to 1,658 buses in 2010. In total, 1,260 new buses are projected to be purchased throughout 2006-2015. There are no planned contingency buses available for 2006 as the bus fleet is expected to run at full capacity, while assuming it continues to run its low-maintenance spare ratio.

YEAR	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Buses Available (Start Year)	1,475	1,495	1,492	1,599	1,627	1,655	1,720	1,780	1,780	1,780	1,795
Less: Buses Retired	242	233	213	112	102	65	0	0	0	135	50
Add: Buses Procured	262	230	320	140	130	130	60	0	0	150	100
Buses Available (End Year)	1,495	1,492	1,599	1,627	1,655	1,720	1,780	1,780	1,780	1,795	1,845
Bus Requirement	1,467	1,492	1,594	1,620	1,632	1,658	1,681	1,728	1,762	1,809	1,829
Contingency	28	0	5	7	23	62	99	52	18	(14)	16

Source: 2006 TTC Capital Program Presentation

The 2006 bus fleet plan represents no significant change from the 2005 approved fleet plan. A Commission-supported strategy to “green” the bus fleet includes: 150 hybrid buses being introduced in 2006 at Arrow Road Garage; expanded use of bio-fuel; and 100 buses for the Ridership Growth Strategy (RGS) fleet purchased for delivery in 2007 concurrent with the opening of the Mount Dennis Garage.

The TTC projects that the bus fleet will become 100% accessible by 2010.

It is recommended that the TTC report back to the Budget Advisory Committee in 2006 prior to making any commitments on bus purchases for the 220 replacement buses as part of 40-ft Low-Floor Diesel/Electric Hybrid program.

**2006 Scarborough Rapid Transit (SRT) Fleet Strategy**

The SRT line consists of six stations connected to Kennedy station at the eastern end of the Bloor-Danforth subway line, and provides a feeder service for transit riders from the Scarborough area into the Subway station. The existing SRT fleet comprises 28 Mark I cars, with service being provided by six 4-car trains and one change-off train.

More frequent service and greater service capacity is possible with a larger fleet of vehicles. Total ridership on the SRT has grown steadily in recent years; the current average daily ridership in non-winter months is 41,200 per day; an 8% increase over the past year. The capacity of the SRT to carry passengers is currently constrained by the size of the fleet. To operate eight 4-car trains with one change-off train and a maintenance spares ratio of 20% would require a fleet of 44 cars, requiring the purchase of 16 additional SRT cars.

The Mark I variant of the SRT has been out of production for almost a decade and the manufacturer now produces a longer Mark II vehicle that is not compatible with the Mark I vehicle, the existing

track, station and structure clearances. In 2002, the TTC issued a RFP for 16 new Mark I vehicles to Bombardier Transportation, the original manufacturer. Since the pricing was unreasonable, the TTC pursued other attempts to purchase used Mark I vehicles — unsuccessfully.

A study entitled *Strategic Plan for the Future of the Scarborough RT* has been initiated to identify and assess the range of options available to provide rapid transit services in northeast Scarborough. The study will be completed in 2006 and the results are planned to be incorporated into next year's capital program, as appropriate. In the interim, pending completion of the strategic plan, the Revised capital program identifies \$291.3 million in years 2012 to 2017 to replace the existing fleet of 28 cars and provide for 16 cars to be delivered in 2016.

Given, the demonstrated potential for greater service capacity for the Scarborough Rail Transit, it is recommended that the TTC report back to the Budget Advisory Committee following the completion of the study entitled the *Strategic Plan for the Future of the Scarborough RT*, with options for accommodating its development within the Revised 5-Year Capital Plan.

### **Bus Rapid Transit (BRT)**

The TTC Revised 5-Year Capital Plan currently includes combined funding of \$53.904 million for the development of BRT lines from the Spadina Subway to York University/Steeles and on Yonge Street from Finch to Steeles. Delays in the Environmental Assessment (EA) approval process for the Spadina Subway to York/Steeles BRT are projected to require a two-year escalation in costs of approximately \$1.820 million. In addition, the finalized design of the Yonge St. BRT from Finch to Steeles will require a widening of Yonge St. — resulting in additional work and some property acquisition — and an increase in estimated City-led project costs of \$14.673 million from \$7.517 million to \$22.190 million.

### **Easier Access**

The Easier Access (Phase II) program at a total cost of \$101.010 million involves modifications to make 25 Subway/RT stations accessible to persons with disabilities through the addition of elevators, easier access fare gates, automatic sliding doors and signage improvements. Planning for the Easier Access (Phase III) program has been initiated for the 40 remaining Subway/RT stations and cost estimates for the program have been revised upward to reflect updated estimates from a 2005 study that provided conceptual layouts and estimates. This revision is projected to total \$82.2 million over the estimated final cost of the program from \$263 million to \$345.2 million.

### **Mount Dennis Bus Facility**

The new Mount Dennis Bus Facility is projected to be fully complete by 2007. The estimated final cost of the project is \$78.5 million and includes a 2006 proposed cash flow of \$24.668 million and \$34.205 million in 2007. As of now, the TTC has raised three concerns regarding the ability to build the facility on budget: the cost associated with building the facility on a site with environmental issues has yet to be confirmed; cost delays given that the facility contract has yet to be awarded; and the property price to be paid for the appropriated land where the facility is to be built has not been finalized.

Given these concerns, it is recommended that the TTC report back to the Budget Advisory Committee by Spring 2006 detailing potential cost overruns and presenting options for completing the project on time and within budget.

**Fire Ventilation Upgrade Project**

The Fire Ventilation Upgrade project is designed to upgrade the existing subway ventilation system to provide sufficient ventilation capacity to protect patrons and employees in the event of a major subway system fire. Based on the experience and price of the work to upgrade the York Mills station (completed 2005), the TTC has raised concerns that the estimated final cost of the project may be significantly understated.

Given these concerns, it is recommended that the TTC report back to the Budget Advisory Committee in 2006 prior to the 2007 budget process detailing potential cost overruns and presenting options for completing the project on time and within budget.

**Revised 5-Year Plan Changes (\$000)**

**Insert Table**

This information is not yet available, or incomplete, pending review and approval by the Commission of the Capital Submission on November 28<sup>th</sup>, 2005.

**Issues Referred to 2006 Capital Budget**

There are no issues referred to 2006 Capital Budget at this time.

**Outstanding Issues from Prior Years**

There are no outstanding issues from prior years at this time.

**Appendix 1**  
**Proposed 2006 Capital Budget and 2007 to 2015 Revised**  
**Program**

**Appendix 2**  
**Proposed 2006 Capital Budget**  
**& Future Years Commitments**

**Appendix 3**  
**Proposed 2006 Capital Project**  
**with Financing Details**

**Appendix 4**  
**Reserve / Reserve Fund Review**

Insert Table