

Analyst Briefing Notes

Budget Committee Review

(February 8, 2007)

Page

PART 1: CAPITAL PROGRAM

Executive Summary	2
Recommendations	5
2006 Capital Variance Review	7
5-Year Capital Plan (2007 Recommended Budget, 2008-2011 Plan).....	8
5-Year Capital Plan Overview.....	9
Recommended Changes to 5-Year Plan	12
Total 2007 Recommended Cash Flow & Future Year Commitments	15
Operating Budget Impact.....	16

PART II: ISSUES FOR DISCUSSION

2007 Issues.....	17
5-Year Capital Plan Issues	22

APPENDICES

Appendix 1: 2007 Rec'd Capital Budget; 2008 to 2011 Plan and 2012 to 2016 Estimates.....	A1 to A13
Appendix 2: 2007 Recommended Cash Flow & Future Year Commitments.....	A14 to A24
Appendix 3: 2007 Recommended Capital Projects with Financing Details	A25 to A32
Appendix 4: Reserve / Reserve Fund Review	A33

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PART I: CAPITAL PROGRAM**Executive Summary**

- The 2006 Approved Capital Budget of \$552.435 million was 45%, or \$246.300 million, spent as at September 30, 2006. Actual expenditures by year-end are anticipated to be \$552.435 million, or 100% of the Approved Capital Budget, resulting in no 2006 cash flow funding being carried forward into 2007.
- The 2007 Recommended Capital Budget; 2008 to 2011 Plan and 2012 to 2016 Estimates totals \$6.905 billion, of which \$3.444 billion is projected for the Program's Recommended 5-Year Capital Plan, requiring debt funding of \$1.110 billion, or an average of \$221.951 million per year, subject to enhanced Federal/Provincial funding.
- The 5-Year Capital Plan requires cash flows of \$717.304 million in 2007; \$696.463 million in 2008; \$764.665 million in 2009; \$694.171 million in 2010 and \$571.490 in 2011. The Program meets its debt target in 2008, but does not meet its debt target in 2007 or 2009-2011.
- The 2007 Recommended Capital Budget with a total recommended cash flow of \$717.304 includes:
 - previously approved commitments and new/change in scope projects requiring 2007 cash flow funding of \$717.304 million gross with debt funding of \$227.864 million, \$227.496 million in Provincial government funding, \$229.335 million in Federal government funding, \$14.350 million in funding from reserve funds, \$3.260 million in development charges, \$15.000 million in TTC internal depreciation;
 - debt funding of \$227.864 million which is \$27.864 million over the \$200 million debt target;
 - future year commitments of \$670.247 million;
- 86% of the 2007 Recommended Capital Budget of \$717.304 million, is allocated to State-of-Good-Repair projects at \$613.872 million, comprised of \$334.838 million for vehicle replacement and refurbishment projects and \$279.034 million for infrastructure projects; 9% of the 2007 Recommended Capital Budget is allocated to Service Improvement projects at \$65.022 million; 3% is allocated to Legislative projects at \$24.506 million, and 2% is allocated to Growth Related projects at \$13.904 million.
- Included in the Recommended 2007 Capital Budget is the start of the procurement process for 204 new Light Rail Vehicles (LRVs) to replace the current streetcar fleet; the delivery of 220 replacement buses and 100 growth buses and the completion of the Mount Dennis 250-bus garage in the fall of 2007 to address garage capacity requirements.
- The TTC's debt is over the debt target by \$27.864 million in 2007 and \$198.574 million between 2007 and 2011.
- Debt funding in excess of the debt target is recommended since it is conditional upon entering into agreements between the Province and the Federal government on future funding for the streetcar purchase and a continuation of long term provincial funding for

rolling stock. The Recommended 5-Year Capital Plan is based on aggressive funding assumptions and recognizes the TTC's need to maintain its vehicles and infrastructure in a state of good repair, to accommodate growth, and to make the TTC fully-accessible by 2025.

- The City's debt guideline will be adjusted to \$175 million per year for 2009-2011 (from \$135 million) to reflect one-third partnership funding with the Provincial and Federal governments.
- In order to reduce to the funding gap, and recognizing the TTC's historical underspending of its Capital Budget, the non-vehicle portion of the Recommended 5-Year Capital Plan has already been reduced by unallocated reductions of \$254 million, 7% of total recommended expenditures, comprised of: \$44 million in 2007, \$54 million in 2008, \$50 million in 2009, \$55 million in 2010 and \$51 million in 2011.
- Combined with an unallocated reduction of \$33 million in 2006, this will create a State of Good Repair backlog of up to \$287 million by the end of 2011 or 8.3% of total recommended expenditures. It is submitted that this level of State of Good Repair backlog is manageable, given the City's debt funding levels. It will be managed with no impact on health and safety of TTC staff or passengers.
- The 2007-2011 recommended cash flow projection outlines the capital investments required to maintain the state of good repair of TTC's technology infrastructure which includes:
 - Purchase of vehicles including: 204 streetcars, 183 to replace existing streetcars and 21 for growth; purchase of 234 subway cars; the purchase of 650 buses to replace existing buses and 100 buses for growth in peak service; and the overhaul of streetcars, subway cars, buses and Scarborough Rapid Transit (SRT) cars which totals \$1.8 billion and has a 2007 cash flow of \$395 million.
 - Maintaining or developing structures such as: bridges, tunnels, yards, roads, garages and the Transit Control Centre which totals \$1.2 billion and has a 2007 cash flow of \$201 million.
 - Maintaining or replacing of 6,226 feet of subway track and 700 ties and the maintenance or replacement of 30,000 feet of surface track which totals \$0.2 billion and has 2007 cash flow of \$64 million.
 - Signal, electrical and communications systems purchase and maintenance which totals \$0.3 billion and has 2007 cash flow of \$66 million.
- Included in the Recommended 2007-2011 Capital Plan is the completion of the St. Clair West Right-of-Way; completion of the Bus Rapid Transit lines along Yonge from Finch Station to Steeles Avenue and along Dufferin and Finch from Downsview Station to York University; delivery of the first 26 new LRVs to replace streetcars; and the delivery of 234 new subway cars.

- The TTC is currently addressing the transit-related initiatives in the Mayor's Mandate which include: the purchase of new streetcars, extending the Spadina subway line, undertaking numerous Environmental Assessments on possible future surface transit rights-of-way and improving capacity on the Yonge-University-Spadina line by purchasing new subway cars and implementing innovative signal management systems.

Recommendations

It is recommended that:

1. the 2007 Recommended Capital Budget for the TTC with a total project cost of \$793.066 million and 2007 cash flow of \$717.304 million and future year commitments of \$1.293 billion be approved. The 2007 Recommended Capital Budget consists of the following:
 - a) New Cash Flow Funding for:
 - i) 62 new sub-projects with a 2007 total project cost of \$793.066 million that requires cash flow of \$112.935 million in 2007 and a future year commitment of \$370.972 million in 2008; \$167.865 million in 2009; \$111.911 million in 2010 and \$19.499 in 2011;
 - ii) 59 previously approved sub-projects with a 2007 cash flow of \$600.585 million and a future year commitment of \$165.203 million in 2008; \$231.016 million in 2009; \$132.922 million in 2010 and \$87.263 million in 2011;
 - iii) 11 change in scope projects with a 2007 cash flow of \$3.784 million and a future year commitment of \$7.542 million in 2008; and reductions in future year commitments of \$0.824 million in 2008; \$0.300 million in 2009 and \$0.300 million in 2011;
2. new debt service costs of \$6.836 million in 2007 and incremental costs of \$30.502 million in 2008; \$23.917 million in 2009; \$17.040 million in 2010 and \$10.031 million in 2011 resulting from the approval of the 2007 Recommended Capital Budget, be approved for inclusion in the 2007 and future year operating budgets.
3. incremental operating impacts of \$2.857 million in 2007; \$5.237 million in 2008; \$0.728 million in 2009; \$0.186 million in 2010 and \$0.164 million in 2011 emanating from the approval of the 2007 Recommended Capital Budget be approved for inclusion in the 2007 and future year operating budgets;
4. the 2008-2011 Recommended Capital Plan for the TTC totalling \$2.727 billion in project commitments and estimates, comprised of \$696.463 million in 2008; \$764.665 million in 2009; \$694.171 million in 2010 and \$571.490 million in 2011, be approved; and,
5. the debt guideline be adjusted to \$175 million per year for 2009-2011 (from \$135 million) to reflect one-third partnership funding with the Provincial and Federal governments.
6. the TTC report back to Budget Committee in February 2007 on the status of Transit-Secure funding for 11 security-related projects which have a total gross cost of \$34.938 million and the implications of approving these projects conditional on Federal funding.
7. the TTC report back to Budget Committee in February 2007 on reductions to the number of new positions required for the Streetcar Life Extension project and on the budget implications, given that this project is being wound down.
8. the TTC report back to Budget Committee in February 2007 on how the TTC's 5-Year Capital Plan can be amended to accommodate, within the recommended annual debt levels, the following projects which were increases to the TTC's budget made at the January 31, 2007 TTC Commission meeting totalling \$20.300 million gross and \$19.600 million net:

- Victoria Park station enhancements for \$13.400 million;
 - modernization of Pape Subway station for \$0.500 million;
 - Additional modernization of both Dufferin and Pape stations for \$1.0 million;
 - University Renaissance at St. Patrick station for \$1.0 million gross and \$0.300 million net;
 - Replacement of the Park Lawn Loop for \$0.400 million;
 - Installation of the Next Bus, Trip Planner and E-Commerce customer information systems for \$0.500 million; and
 - Environmental Assessments furthering the Mayor's Mandate including \$3.5 million over 2007-2011;
9. the TTC's Interim Chief General Manager, in consultation with the Deputy City Manager and Chief Financial Officer, report to Budget Committee at its meeting June 2007 providing an update on funding eligibility from other levels of government including the following funding programs: Transit Technology and Infrastructure Program; the Canada Strategic Infrastructure Program; Transit-Secure; and Federal Funding for the Spadina Subway Extension;
 10. the Kipling / Islington Station Redevelopment for \$58.4 million be approved by Council conditional upon cost sharing between GO Transit, the Province and Mississauga Transit, and that the TTC report back to Budget Committee in June 2007 regarding the redevelopment of the Kipling and Islington stations, specifically with respect to the status of negotiations on third party funding, the timing of the project, total project cost and required additions to the TTC's Recommended 5-Year Capital Plan;
 11. the TTC report back to Budget Committee as part of the June 30, 2007 Capital Budget Variance Report on specific reductions to accommodate anticipated underspending in 2007 of \$44 million;
 12. the proceeds of the sale of the Warden Station North commuter parking be available to fund the capital cost of providing a replacement commuter parking lot in accordance with the Warden Woods Redevelopment Strategy approved by City Council on May 23, 24 and 25, 2006;
 13. the Deputy City Manager and Chief Financial Officer, in conjunction with the appropriate staff, report to the Budget Committee, prior to the 2008 Budget process, on the multi-year funding strategy for the entire Warden Woods Redevelopment Strategy, Phase 1, including construction of a new road for housing on the former north parking lot of the Warden Station, construction of a community centre and construction of a replacement TTC parking lot;
 14. Council endorse the TTC plan to replace its entire fleet of streetcars by purchasing 204 new Light Rapid Transit Vehicles, with a first order of 50 vehicles to be delivered by 2012, conditional on a one third cost share from the Province and a one third cost share from the Federal government, and that the TTC not enter into any long-term commitments before funding is confirmed;

2006 Capital Variance Review

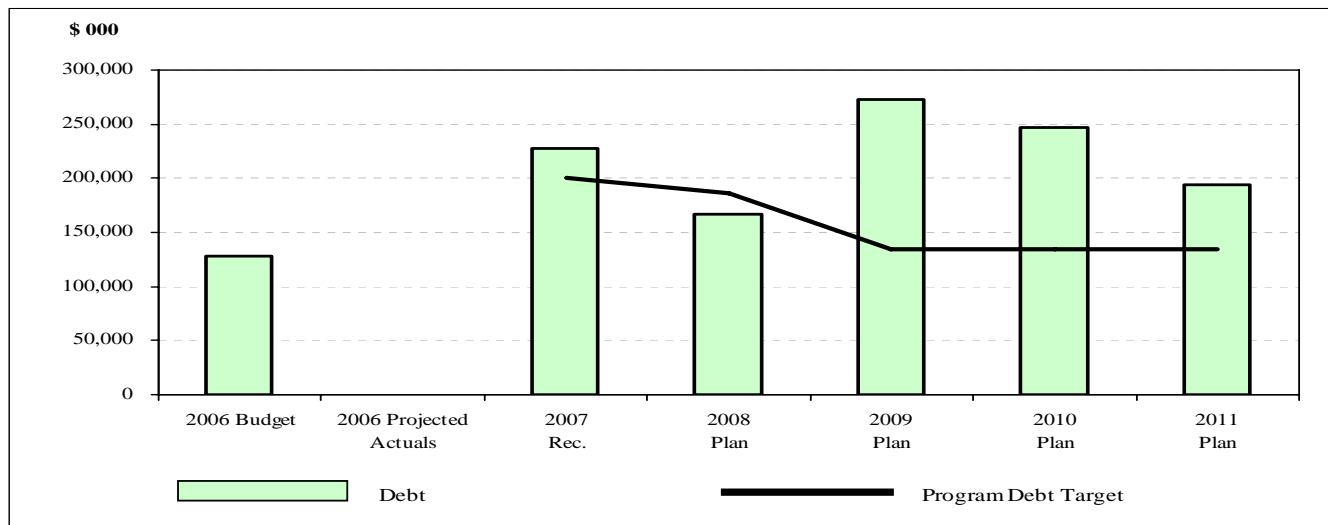
2006 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2006 Approved	Actuals as of Sept 30 (3rd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
552,435	246,300	45	552,435	100	0

Comments / Issues:

As of September 30, 2006, the TTC had spent approximately \$246.3 million or 45% of its 2006 Approved Capital Budget of \$552.435 million. This variance is primarily due to the following:

- Interim payment of \$110.465 million regarding the replacement of 234 subway cars was not made pending the approval of the purchase by Council in September. This interim payment was subsequently made in December, 2006.
- Bus replacement costs of \$60.526 million, which is just less than 40% of the full year budget of \$153.626 million had yet to be spent.
- Surface track replacement costs of \$31.666 million, 74.7% of the total 2006 Approved Capital Budget, were not yet spent due to the St. Clair St. project being behind schedule.
- The Mount Dennis bus garage had \$7.868 million or 31.9% of the total year budget of \$424.668 million, unspent by the end of September 2006.
- The TTC is forecasting a year-end spending level of \$552.435 million or 100% of its 2006 Approved Capital Budget of \$552.435 million. The anticipated year-end spending rate is consistent with the achieved 2004 and 2005 levels.
- Historically, the TTC spends, on average, close to 93% of its annual Approved Capital Budget. In response to this annual under spending, an unspecified budget reduction of \$33.0 million was included in the 2006 Approved Capital Budget. The TTC had identified \$19.722 million, or 59.8%, of that target as of September 30, 2006 and is committed to managing the remaining savings target by year-end. This accounts for the 100% spending rate identified above.
- Given that the TTC is expecting to spend 100% of its 2006 Approved Capital Budget, there will be no carry forward funding from 2006 to 2007. If in the event that the TTC's underspending is greater than the \$33 million unallocated reduction, then one-year carryforwards could be considered.

5-Year Capital Plan (2007-2011)



	2006		5-Year Plan					2007-2011
	Budget	Projected Actual	2007 Rec.	2008	2009	2010	2011	
Gross Expenditures:								
Capital Budget & Future Year Commitments	552,435	552,435	717,304	543,717	398,039	244,533	106,462	2,010,055
New Plan Estimates				152,746	366,626	449,638	465,028	1,434,038
1-Year Carry Forward to 2007		0						
Total Gross Annual Expenditures & Plan	552,435	552,435	717,304	696,463	764,665	694,171	571,490	3,444,093
Program Debt Target			200,000	186,000	175,000	175,000	175,000	911,000
Financing:								
Recommended Debt	128,385		227,864	167,449	272,418	247,495	194,348	1,109,574
Other Financing Sources:								
Reserves/Reserve Funds	600		14,350	19,500	5,900	0	0	39,750
Development Charges	4,916		3,260	2,212	1,015	0	0	6,487
TTC Internal (Depreciation)	14,100		15,000	16,600	17,100	16,700	15,800	81,200
Federal	203,000		229,334	249,426	227,505	211,711	206,511	1,124,487
Provincial	201,000		227,496	219,576	226,227	213,565	154,831	1,041,695
Other	434		0	21,700	14,500	4,700	0	40,900
Total Financing	552,435		717,304	696,463	764,665	694,171	571,490	3,444,093
By Category:								
Health & Safety	0		0	0	0	0	0	0
Legislative	18,554		24,506	26,143	32,964	37,776	34,339	155,728
SOGR	490,695		613,872	560,020	654,342	607,766	496,883	2,932,883
Service Improvement	35,969		65,022	69,585	26,449	9,709	8,618	179,383
Growth Related	7,217		13,904	40,715	50,910	38,920	31,650	176,099
Total By Category	552,435		717,304	696,463	764,665	694,171	571,490	3,444,093
Yearly SOGR Backlog Estimate (not addressed by current plan)	33,000		44,000	54,000	50,000	55,000	51,000	287,000
Accumulated Backlog Estimate (end of year)	33,000		77,000	131,000	181,000	236,000	287,000	287,000
Operating Impact on Program Costs			2,857	5,237	728	186	164	9,172
Debt Service Costs			6,836	30,089	26,592	37,391	33,055	133,962

5-Year Capital Plan Overview

- The Recommended 5-Year Capital Plan totals \$3.444 billion. Approximately 85% of base capital funding is required to maintain the system in a State of Good Repair (SOGR). SOGR projects include infrastructure repairs like subway track replacement and capital enhancements such as bus and subway car replacements. Capacity enhancements, which are included in the SOGR, total \$381.507 million, or 11%, and includes the purchase of additional low-floor hybrid Clean Diesel buses
- \$155.728 million or 5% of the Recommended 5-Year Capital Plan is allocated to Legislated projects such as environmental and accessibility initiatives like the Easier Access (Phase III) project. Service Improvement projects total \$179.383 million or 5 % of total and include capital work for signal priority equipment for transit vehicles at signalized intersections and added commuter parking. Growth projects total \$176.099 million, or 5%, and include the development of an integrated ticketing system to satisfy conditions of Federal and Provincial funding.
- **Vehicles.** Over the next five years, \$1.8 billion is projected to be spent on vehicle purchases, overhauls or maintenance. Of the \$1.8 billion: \$633.245 million is projected for the purchase of buses; \$590.871 million is projected for the purchase of 234 new subway cars; and \$108.651 for 44 Mark II SRT cars for the Scarborough Rapid Transit line.
- **Structures.** Over the next five years, \$1.2 billion is projected to be spent on maintaining or developing buildings and structures. The \$1.2 billion estimate will address specific renewal or building projects, Fire Ventilation upgrades (\$136.8 million), the start of the Easier Access (Phase III) program (\$95.040 million) and the completion of the Mount Dennis Bus Garage to accommodate growth in the bus fleet (\$32.312 million). In addition, \$151.683 million is projected for the rehabilitation and maintenance of 74 kilometres of structure, including bridges and tunnels; \$96.328 million for the maintenance of paved surfaces such as yards and roads; and \$45.153 million for equipment such as the Subway Escalator Overhaul program.
- **Track.** \$0.2 billion is allocated for the replacement of track over the next five years. \$181.246 million is required for surface (streetcar) track replacement and \$61.649 million for subway track replacement.
- **All Other.** The remaining \$0.5 billion is projected to be spent on capital equipment projects, including: \$112.659 million for revenue and fare handling equipment and \$282.354 million for signal, electrical and communications systems.

Mayor's Mandate

The TTC is currently reviewing the transit-related initiatives in the Mayor's Mandate which include the following, which can only be accomplished through funding partnerships with other governments:

- **Buy quiet, accessible, faster, higher capacity light rail cars to replace Toronto's aging streetcars:**

There is \$218.2 million in funding in the TTC's 2007-2011 Recommended Capital Plan starting in 2007 for the purchase of new Light Rapid Transit vehicles to replace and expand the existing streetcar fleet. These new vehicles will be lighter, fully-accessible and will run in their own dedicated rights-of-way. Plans are to make the TTC fully-accessible by the year 2025. This project is conditional on funding from other governments,

- **Work to extend the Spadina subway line to York University and beyond into Vaughan:**

The municipal governments (City of Toronto and the Region of York) and the Province have committed to \$670 million to fund this project. The start of the project is contingent on the Federal government approving \$670 million toward construction of the subway line to Vaughan.

- **Make streetcars and buses as speedy and reliable as the subway:**

There is \$68.811 million in funding in the TTC's Recommended 5-Year Capital Plan for the completion of the St. Clair Streetcar Right of Way. There is also \$24.404 million in funding for a Bus Rapid Transit (BRT) corridor on Yonge Street and \$36.455 million in funding for a Bus Rapid Transit (BRT) corridor from Downsview station to York University. BRT routes being considered for future years include routes along Don Mills from Steeles to the City centre and Kingston Road from Victoria Park to Eglinton.

- **Improve capacity by 40% on the Yonge-University-Spadina subway through new trains and innovative signal management systems:**

In 2006, the TTC awarded a contract for the procurement of 234 new subway cars. The Recommended 5-Year Capital Plan includes \$591 million for this project. As well, the Recommended 5-Year Capital Plan has \$108.4 million for the resignalling of the Yonge-University-Spadina line. The resignalling will permit the TTC to run trains more frequently and closer together, creating additional capacity equal to building a new north-south subway line.

The TTC is currently evaluating options for the future implementation of the other transit-related initiatives in the Mayor's Mandate which include: Develop a Metropass affinity program; work to create a U-Pass for university and college students; consider a dedicated transit corridor along Finch Avenue; establish a west waterfront rapid transit line to connect Union Station to western Etobicoke; extend and upgrade the Scarborough RT line into Malvern and beyond; and build dedicated rapid transit along Eglinton Avenue that will connect the St. Clair streetcar to the airport.

Multi-Year Debt Affordability Target

TTC 2007-2011 CAPITAL PROGRAM REQUIREMENTS & SOURCES OF FUNDING - CITY RECOMMENDED BUDGET								
\$ millions								
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2007-2011</u>
COUNCIL APPROVED BUDGET								
2006 Approved Budget	371	552	717	631	720	660	521	3,248
CURRENT RECOMMENDED BUDGET								
Total Recommended Budget	371	550	717	696	765	694	571	3,444
Funding Sources								
Ontario Transit Vehicle Program / Bus Replacement								
Program (OTVP/OBRP)	52	33	17	17	17	17	6	75
Ontario Rolling Stock Infrastructure Funding	0	34	64	52	0	0	0	116
Long Term Funding Requirement	0	0	0	11	92	96	58	257
Golden Horseshoe Transit Investment Partnerships	2	22	1	0	0	0	0	1
Canada Strategic Infrastructure Program (CSIF)	15	71	76	69	47	30	20	242
Provincial gas tax	0	39	70	70	70	70	70	351
Total Provincial Funding	69	199	227	220	226	214	155	1,042
Canada Strategic Infrastructure Program (CSIF)	16	76	85	75	50	32	21	263
CSIF Additional (CSIF2)	0	0	0	18	14	16	23	71
Transit-Secure Funding	0	2	5	1	0	0	0	6
Base Federal Gas Tax - 5 cent (population)	49	49	65	81	163	163	163	635
Additional Support for Transit Federal Gas Tax - 1 cent (ridership)	98	0	0	0	0	0	0	0
Public Transit Capital Trust (ridership)	0	74	74	75	0	0	0	149
Total Federal Funding	164	201	229	249	228	212	207	1,124
Kipling / Islington Redevelopment	0	0	0	22	15	5	0	41
TTC internal (depreciation)	14	14	15	17	17	17	16	81
Other Reserves / Accounting Adjustments	-61	1	14	20	6	0	0	40
Development charges	10	5	3	2	1	0	0	6
City Debt Target - revised	237	200	200	186	175	175	175	911
Funding Shortfall (Surplus)	-60	-69	28	-19	97	72	19	199
Government Funding Share of Gross Expenditures								
Provincial	19%	36%	32%	32%	30%	31%	27%	
Federal	44%	37%	32%	36%	30%	30%	36%	
City	54%	40%	32%	35%	28%	28%	33%	
Short/(Surplus)	-16%	-13%	4%	-3%	13%	10%	3%	
Unallocated Reduction			44	54	50	55	51	254

The TTC’s year-over-year gross capital expenditures are relatively evenly distributed over the 5-Year Capital Plan. The 5-Year Capital Plan totals \$3.444 billion, with 20.8% or \$717.304 million allocated in 2007; 20.2% or \$696.463 million in 2008; 22.2% or \$764.665 million in 2009; 20.2% or \$694.171 million in 2010; and 16.6% or \$571.490 million in 2011. This rate of change between years 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.

This Recommended 5-Year Capital Plan includes an unspecified reduction of \$254 million over the 2007-2011 period. This reduction represents 10% of the total Recommended 2007-2011 Capital Plan less committed vehicle purchases (in this case \$590.871 million for subway cars and \$580.295 million for buses), or about 7% of the total budget. This unallocated reduction is based on the premise that, from a capacity standpoint, the TTC will only spend approximately 90% of its non-vehicle related budget and 100% on vehicle commitments.

The 5-year shortfall in funding is \$199 million. There is a significant funding shortfall even with the Recommended City debt target being increased to \$120 million greater than the Council-Approved

guideline. As well, the \$254 million unallocated reduction was required to reduce the shortfall to \$199 million. This shortfall is based on aggressive, yet realistic, assumptions of funding from other governments. For instance, it assumes that Federal CSIF funding will continue after the first funding agreement ends.

The 2007-2011 Recommended Capital Plan does not include the additional \$20.300 million in projects added by the TTC Commission at its meeting of January 31, 2007.

It is recommended that the debt guideline be adjusted to \$175 million per year for 2009-2011 (from \$135 million) to reflect one-third partnership funding with the Provincial and Federal governments.

Notwithstanding, the TTC's Recommended 2007-2011 Capital Plan does not meet debt affordability targets for four of the five years. However, discussions with the Provincial and Federal governments are ongoing and the City and the TTC expect that enhanced provincial and federal funding related to vehicle replacement and growth requirements will bring the TTC closer to meeting City debt targets. Further clarification will be needed as details of eligibility and timing of Provincial and Federal funding become available. The TTC and the DCM/CFO have been directed to report back to the Budget Committee at its June 2007 meeting with an update on funding eligibility.

Capacity / State of Project Readiness

The start up and completion of previously approved projects is a priority for TTC and these projects form the basis for the 2007 Recommended 5-Year Capital Plan. The Recommended 5-Year Capital Plan reflects the Program's goal to complete previously approved projects. Based on historical spending, from a capacity perspective, this plan is realistic. The TTC has a specific workforce dedicated to capital projects. The TTC's 5-Year Recommended Capital Plan is ready to proceed. The majority of the engineering projects are on-going in nature. Vehicle procurement projects are generally constrained by availability of funding rather than the ability of the TTC to undertake them. The TTC has its own procurement process. It also has its own specialized staff dedicated to planning for capital projects. The Recommended Capital Plan represents a TTC prioritized package based in internal review and decision making, noting that reductions have already been made — 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.

Recommended Changes to the 5-Year Plan

City Council considered the 5-Year Plan (2006-2010) at its meeting of July 25, 26 and 27, 2006. The plan was endorsed in principle. The Recommended 2007-2011 Capital Plan reflects changes from the Plan endorsed in July.

Before the unallocated reduction, the 2007-2011 Recommended 5-Year Capital Plan requires \$450 million more than was projected in the 2006-2010 Capital Plan. After the unallocated reduction of \$254 million, the total Recommended 2007-2011 Capital Plan is \$196 million higher than the 2006-2010 Plan considered by Council.

This increase is driven by new funding requirements for the purchase of 204 Light Rail Vehicles, subway car procurement and facilities modifications, and the York University BRT. As well, the change from the 2006-2010 Approved Capital Budget to the 2007-2011 Recommended Capital Plan is impacted by the following projects:

- In 2007, some surface track work on the St. Clair West project was deferred until 2008. Also, fire ventilation work and modifications to the Birchmount bus garage were deferred. These reductions were offset by increases in spending on security-related projects including the Surface Vehicle Safety Camera System.
- For 2008-2011, incremental cash flow changes are planned for previously approved and/or new sub-projects. In particular, new projects such as the SRT Conversion, the Wilson Carhouse Modifications and Easier Access phase III account for the increases.

State of Good Repair Backlog and Unmet Needs

The Recommended 5-Year Capital Plan represents the TTC's SOGR needs and creates no backlog. However, the unallocated reductions will result in less funding for SOGR projects and will create a backlog. This backlog will be \$33 million at the start of 2007 and will grow to \$287 million by the end of 2011, representing 8.3% of the total capital budget. This backlog will be managed and will not impact health and safety.

Operating Impact of the 5-Year Capital Plan

Approval of the TTC's 5-Year Capital Plan will have \$9.172 million in identified incremental operating costs. These costs will involve hiring 13 more maintenance and repair personnel for the CCTV cameras and 75 more personnel for the operation of the new Mount Dennis bus facility. Given the number of new projects which will be completed during the 5 year period, it is reasonable to assume that there will be additional incremental operating impacts which have not been identified.

Pre-Approvals

City Council at its meeting of December 5 and 6, 2006 approved the report from the Deputy City Manager and Chief Financial Officer, entitled 'Pre-Approval of 2007 Capital Projects Commitment and Spending'. The recommended 2007 pre-approval cash flow for the TTC is \$168.418 million. Funding is assumed to be 2/3 from other levels of government and 1/3 from the City of Toronto, so that \$56.139 million will be funded by debt. Previously approved projects totalling \$161.453 million were approved. No new projects funding was recommended for pre-approval. Cash flow spending authority for \$6.965 million is required for previously approved projects with a change in scope requiring new commitments and/or new partial funding.

51 previously approved projects of \$161.453 million received pre-approval cash flow spending authority. This included \$55.431 million toward the purchase of 320 buses. The balance was for operational requirements/obligations that represent ongoing contractual and resource commitments already in place to address state of good repair. This includes funding for the 18-year Bus Heavy Re-build program at \$3.432 million and the Subway Car Overhaul program at \$3.327 million. Surface and Subway Track Replacement account for \$16.071 million. Computer and Fare Handling Equipment

require \$3.099 million. The balance of the pre-approved recommended cash flow is for infrastructure projects; the largest including Other Buildings and Structures at \$6.026 million for on-going work, Bridges and Tunnels at \$5.329 million and the Mount Dennis Bus Garage project at \$8.194 million.

Funding of \$25.913 million for the purchase of 234 Subway Cars was pre-approved. It was understood that prior to making any commitment or payment, the TTC would ensure that third party funding is confirmed.

15 previously approved projects with a change in scope required an increase in total project costs and new commitments. They consist of the Streetcar Overhaul program at \$4.875 million plus other on-going previously approved projects having a change of scope with funding required to complete the work. There is \$120.821 million in additional commitments associated with this level of cash flow pre-approval. The bulk of the commitments, \$113.795 million, relates to overhauling 100 CLRV streetcars.

Total 2007 Recommended Cash Flow & Future Year Commitments

	2005 & Prior Year Carry Forward	2007 Previously Approved Cash Flow Commitments	2007 New Cash Flow Recommended	2007 Total Cash Flow Recommended	2007 Debt Target	2006 Carry Forward	Total 2007 Cash Flow (Incl 2006 C/Fwd)	2008	2009	2010	2011	2012-2016	Total Cost
Expenditures													
Previously Approved		600,585		600,585		0	600,585	165,203	231,016	132,922	87,263		1,216,989
Change in Scope		3,784		3,784			3,784	7,542	(842)	(300)	(300)		9,884
New				0			0						0
New w/Future Year			112,935	112,935			112,935	370,972	167,865	111,911	19,499		783,182
Total Expenditure	0	604,369	112,935	717,304		0	717,304	543,717	398,039	244,533	106,462	0	2,010,055
Financing													
Debt		191,988	35,876	227,864	200,000	0	227,864	181,239	132,680	81,511	35,487		658,781
Subsidy (SCPI)													0
Prov. Subsidy/Grant		191,678	35,818	227,496			227,496	181,239	132,680	81,511	35,487		658,413
Development Charges		2,747	513	3,260			3,260						3,260
Other		12,638	2,362	15,000			15,000						15,000
Federal Grants		193,227	36,107	229,334			229,334	181,239	132,680	81,511	35,487		660,251
Reserves/Res Funds		12,091	2,259	14,350			14,350						14,350
Total Financing	0	604,369	112,935	717,304		0	717,304	543,717	398,039	244,533	106,462	0	2,010,055

Comments / Issues:

- Approval of the 2007 Recommended Capital Budget of \$717.304 million will result in future year commitments of \$543.717 million in 2008; \$398.039 million in 2009; \$244.533 million in 2010; and \$106.462 million in 2011 which will encumber the following year's spending. To fund 2007 recommended cash flow, the TTC will require new debt of \$227.864 million in 2007, which is over the debt target by \$27.864 million. Funding for future year commitments from 2008 to 2011 is assumed to be split one third Provincial, one third Federal and one third City.
- The 2007 recommended cash flow will provide \$103.676 million toward the purchase of 234 subway cars. The recommended funding will also complete the purchase of 320 buses, complete the Mount Dennis bus facility and facilitate on-going overhaul of surface and subway track.

2007 Recommended Capital Budget**2007 Recommended Capital Budget versus Debt Target**

The 2007 Recommended TTC Capital Budget is \$717.304 million of which \$227.864 million is debt. The 2007 debt target for TTC was set at \$200 million. This budget therefore does not meet the debt target, however, it is being recommended because it addresses state of good repair pressure, the need for growth to meet ridership demand, and the requirement for the TTC to become fully-accessible. This budget is based on aggressive assumptions of funding from other governments.

Operating Budget Impact**Incremental Operating Impact Summary**

Incremental Operating Budget Impact	2007	2008	2009	2010	2011
Program Costs (net) (\$000s)	2,857	5,237	728	186	164
Debt Service Charges (\$000s)	6,836	30,502	23,917	17,040	10,031
Approved Positions	77	8	4	(1)	(2)

The TTC has identified incremental operating impacts of \$2.857 million in 2007, \$5.237 million in 2008, \$0.728 million in 2009, \$0.186 million in 2010 and \$0.164 million in 2011. These incremental operating costs will be due to the hiring of repair and maintenance staff for security upgrades and to operate the new Mount Dennis bus facility which opens in the fall of 2007. Given the number of new projects which will be completed in 2007, it is reasonable to assume that there will be additional incremental operating impacts which have not been identified.

PART II: ISSUES FOR DISCUSSION

2007 Capital Budget Issues

The following issues detail what the 2007 Recommended 5-Year Capital Plan achieves for the TTC and the City.

2007 Recommended Capital Budget

Delivery of 220 Buses plus 100 RGS Buses	221
Purchase of 234 Subway Cars	104
Vehicle Overhaul Programs	59
Finishes, Equipment, Yards and Roads	44
Bridges and Tunnels	29
Transit Control Centre; Birchmount; Easier Access II & III Facility Renewal; Decon	42
Fire Ventilation; Mount Dennis Bus Garage	46
Track Replacement	41
Reserved Lanes (St. Clair and Fleet St.)	23
Signals; Electrical; Communications; Surface Vehicle Announcement System/Cameras; Resigning	67
NRV; Equipment; Environmental; Information Technology	40
Spadina Subway Extension RGS Design	1
Purchase of 204 LRTs	1
Kipling / Islington Redevelopment	9
Warden Redevelopment	2
Other Projects	<u>32</u>
Total 2007 Capital Budget before unallocated reductions	761
 Unallocated Reductions	 (44)
Total 2007 Recommended Capital Budget	717

The 2007 Recommended Capital Budget is \$717.304 million. With this funding, the TTC will undertake a wide variety of capital projects including:

Purchase of Buses

In 2007, for \$224.326 million, the TTC's fleet of buses will be modernized with the purchase of 220 new diesel/electric hybrid buses and 100 clean diesel buses for increased peak service as part of the Ridership Growth Strategy. The Commission is following a strategy of "greening" its bus fleet through the use of technologies and practices that reduce both smog and greenhouse gases. The average age of the bus fleet will be reduced from 14 years in 2003 to 6.4 years by the end of 2007.

Bridges and Tunnels

The TTC has 57.7 km of structure including the LRV, SRT, and subway tunnels and bridges. \$28.962 million in bridge rehabilitation work will be carried out in 2007 on the Dundas St. West – East Bridge over the CNR tracks and on the Dundas St. West – West Bridge over the CNR. Work will also be carried out on the Allen Road subway bridge and on tunnels or vent shafts at the Eglinton, Lawrence and Kennedy stations in 2007.

Finishes, Equipment, Yards and Roads

The Finishes program is a collection of projects related to the major components of buildings and structures owned by the Commission. A significant proportion of this work is for the replacement of roofs. Approximately, 17,000 square metres of roofs will require major rehabilitation or replacement in each year of the 5-Year Capital Plan. The TTC has 294 escalators in its subway system, of which 189 are approaching the end of or have surpassed their life cycle of 25 years. A total of 15 escalators will be replaced in 2007 in the King, Lawrence, York Mills, Finch, Sheppard, Bayview and Don Mills stations. The TTC yards and roads have extensive paved surfaces which need to be replaced on a on-going basis. Approximately, 19,000 square metres of paving will be done in 2007 and annually in subsequent years.

Track Replacement

The subway track projects maintain 114.5 miles of single direction track and 398 switches and crossovers on the subway and Scarborough Rapid Transit (SRT). The track replacement program replaces both worn rails and deteriorating ties. In 2007, 6,226 feet of subway track and 700 ties will be replaced. The Surface Track Replacement program involves the overhaul of approximately 30,000 feet of track per year out of the TTC's total of 280,000 double track feet. In 2007, track replacement will take place on St. Clair Avenue West, Fleet Street, Dundas Street West, the Queensway and the Bloor and Oakwood Loops.

Security Projects

TTC staff has identified a number of security-related projects which are necessary to ensure the continued safety of passengers and TTC personnel. The Federal government has allocated up to \$80 million in funding for the Transit-Secure program to support transit services across the country in making security upgrades. In 2006, the TTC applied to this program for \$26 million in funding. In the first round of funding, the TTC received \$1.463 million. This funding will facilitate TTC projects involving risk assessment and security and communications infrastructure. It is recommended that the TTC report back to Budget Committee in February 2007 on the status of Transit-Secure funding for 11 security-related projects which have a total gross cost of \$34.938 million and the implications of approving these projects conditional on Federal funding.

Operator Protection Barrier

The Operator Assault Taskforce recommended that the Commission investigate the possibility of equipping all future surface vehicles with a mid-height door that would provide some improvement in operator protection. No off-the-shelf product exists so this barrier will be developed and manufactured

in-house by the TTC. Prototypes have been in use and assessed by the TTC workforce. There is \$2.438 million in the 2007 Recommended Capital Budget for the Operator Protection barrier. The total project cost is \$2.710 million. Third party funding was applied for under the federal Transit Secure program but was not approved.

Surface Vehicle Safety Camera System

The Operator Assault Taskforce also recommended that the Commission investigate the possibility of equipping all surface vehicles with security cameras. The original level of project expenditures anticipated a standard installation of taxi-camera type systems in buses. Unfortunately, the low cost taxi-cam systems proved inadequate for application to larger transit vehicles and for police purposes. As a result, the existing approved project funds need to be increased. The budget includes funds for 1750 on-board cameras and recording equipment on regular TTC surface vehicles and for 150 cameras on Wheel-Trans buses.

The Recommended 2007 budget for the Surface Vehicle Safety Camera System is \$14.448 million. Total project costs of \$16.477 million have increased from an original estimate of \$2.825 million. Third party funding has been applied for under the federal Transit Secure program. This funding was not approved in Round 1 of the Transit Secure funding. The TTC was not eligible to apply for Round 2 funding. However, the TTC will apply in 2007 for funding for this project in Round 3. Discussions on accelerating the approval of this funding are underway. The total cost of the Wheel-Trans cameras is an additional \$1.5 million.

Mount Dennis Bus Facility

The new Mount Dennis Bus Facility is projected to be operational by late 2007. This new facility was built in order to expand capacity for the TTC's growing bus fleet. There is a 2007 recommended cash flow of \$30.842 million and \$1.470 million in 2008. The estimated final cost of the project is \$86.8 million, an increase of \$8.3 million from the forecast in the 2006 Approved Capital Budget. The total project cost increased due to costs associated with building the facility on a site with environmental issues; cost escalation due to delays in awarding the facility contract; and uncertainty regarding the property price for the expropriated land where the facility is being built. When the Mount Dennis Bus Facility opens it will result in incremental operating impacts of 71 positions in 2007 with an additional 4 positions in 2008 and incremental operating costs of \$2.214 million in 2007 and an additional \$5.194 million in 2008.

St. Clair Avenue West Transit Improvements

Work on the St. Clair West dedicated transit way will continue in 2007 with funding for rehabilitation of the surface tracks along with customer services, operational and urban design improvements. The Recommended 5-Year Capital Plan provides for the completion of the St. Clair project in 2008 as previously approved by Council.

Other Issues

In addition to the previously listed capital projects in 2007, there are other issues which will involve the Recommended 2007 Capital Budget including the following:

2007 Unallocated Reduction

An unspecified reduction of \$44.0 million in 2007 which represents 10% of the total 2007 Recommended Capital Budget less committed vehicle purchases has been recommended. The Recommended 5-Year Capital Plan also reflects an unallocated budget reduction in each year of the 2008-2011 period for a total of \$254 million over the Recommended 5-Year Capital Plan timeframe. The Recommended 5-Year Capital Plan assumes that all of the unallocated reduction is comprised of debt funded projects. The TTC has been directed to report back to Budget Committee as part of the June 30, 2007 Capital Budget Variance Report on specific reductions to accommodate anticipated underspending in 2007 of \$44 million.

Status of Provincial/Federal Cost Sharing

Third party funding is currently evolving. In September 2006, an additional \$150 million in Provincial funding over the 2006 to 2008 period for replacement or refurbishment of transit vehicles was announced. This funding partially replaces the OTVP funding which was eliminated in the spring 2006 Provincial Budget. The Federal government has also announced transit funding for municipalities in Ontario of approximately \$117 million annually for the 2006-2007 to 2008-2009 federal fiscal years. \$1.5 million in Transit Secure funding was announced under Round1 from the Federal government and the TTC intends to apply in Round 3 for additional funding under that program. The Provincial government already accounted for funding provided under previous vehicle funding programs and reduced the amount of funding that it will consider to apply to other projects under the CSIF program by \$27 million. As well, the funding for 2007 under the Ontario Bus Replacement Program was less than anticipated by \$0.500 million. TTC and City staff are examining the impacts of all of these funding announcements on the Recommended 5-Year Capital Plan. The TTC has amended its work plans and cash flows to accommodate expected levels of funding and, where possible, to maximize funding opportunities. The TTC's Interim Chief General Manager, in consultation with the Deputy City Manager and Chief Financial Officer, has been directed to report back to Budget Committee at its meeting June 2007 providing an update on funding eligibility from other levels of government including the following funding programs: Transit Technology and Infrastructure Program; the Canada Strategic Infrastructure Program; Transit-Secure; and Federal Funding for the Spadina Subway Extension;

TTC Capital Workforce

The TTC’s 2006 Approved Capital Workforce was 952 positions. The 2007 Recommended 5-Year Capital Plan includes expenditures for an additional 171 Capital positions.

TTC CAPITAL WORKFORCE	
2006 Year-end Approved Positions	952
<u>Additional Positions for 2007</u>	
Safety / Security related programs - CCTV 18 / Cameras 5 / Barriers 7 / Other 7	37
Structure Maintenance Program	33
Streetcar Life Extension Program	26
Various Communications, Wiring & Signals programs	34
Speed Control, Train Stops, Auto Train Operations programs	22
New Subway Train	6
Roof Rehabilitation	4
SRT Trackwork	3
Spadina Subway Extension Project	3
Other Net Changes	3
2007 Recommended Additional Positions	171
2007 Year-end Positions	1123

Positions for Security Projects

The TTC has identified 37 positions which will be required to implement all of its security and safety upgrade projects. The TTC has been requested to report back to Budget Committee in February 2007 on approving the Transit-Secure projects conditional on Federal funding.

Positions for Streetcar Life Extension Project

An additional 26 positions are dedicated to the Streetcar Life Extension project which is being replaced on the basis of the decision to purchase new LRVs rather than extending the life of existing streetcars. The TTC has been directed to report back to Budget Committee in February 2007 on reductions to the number of new positions required for the Streetcar Life Extension project and on the budget implications, given that this project is being wound down.

5-Year Capital Plan Issues

Overview

There are a number of issues which drive the 2007-2011 Recommended Capital Plan. These issues include vehicle purchases and overhauls, Environmental Assessments for Bus Rapid Transit, Bus Rapid Transit line construction, accessibility, safety, signalling and the modernization or redevelopment of stations.

Subway Car Fleet Plan

The 2007-2011 Capital Plan includes the purchase of 234 subway cars or 39 trainsets. Delivery is scheduled for 36 cars in 2009, 138 cars in 2010 and 60 cars in 2011. The total project cost will be \$773 million. This amount includes \$710 million for subway cars and \$63 million for Wilson carhouse modifications. The proposed 2006-2010 Capital Plan for this project was \$755 million. The 2007-2011 Capital Plan represents a net increase of \$18 million over the 2006-2010 Capital Plan, \$45 million less than estimated for the purchase of the subway cars, offset by the \$63 million for the carhouse modifications which were not part of the original plan. The purchase of 234 new subway cars will replace existing 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. An upfront payment was made in December on the successful development and approval of the presented subway car design.

Streetcar (CLRV) Purchase

During the 2006 Capital Budget process, Council directed the rebuilding of all 196 CLRV streetcars. TTC staff have updated their studies of the TTC's streetcar needs and recommended to the Commission that it replace its entire streetcar fleet starting immediately and as well purchase additional streetcars to accommodate some of the expected future year growth. The Commission plans to buy 204 new Light Rail Vehicles (LRVs). 183 LRVs will replace the entire existing fleet and 21 LRVs will be added to accommodate anticipated growth. In addition, 132 existing streetcars will be overhauled to bridge the time period until all of the new streetcars are delivered. The TTC's intends to make a first instalment payment in 2008 with the delivery of the first two prototype vehicles in 2010.

The Recommended 5-Year Capital Plan recommends the TTC's revised streetcar purchase plan, contingent on adequate funding from the Provincial or Federal governments. No commitments are to be made in the 2007 Recommended Capital Budget. There are currently 251 streetcars, including 3 heritage cars, in the fleet. Assuming a 2:3 ratio (2 new LRV cars for 3 CLRVs), accelerating the LRV vehicle procurement program involves the purchase of 131 new LRV vehicles to replace the current fleet, plus 52 LRVs to replace the 52 ALRVs, plus 21 additional LRVs to accommodate growth. This brings the entire new LRV purchases to 204. The 2007 Recommended 5-Year Streetcar Fleet Plan includes the overhaul of the 132 Canadian Light Rail Vehicles (CLRV). The overhaul which will cost an average \$0.321 million per vehicle involves a minimum amount of work, primarily bodywork, to keep the existing streetcars serviceable until the new streetcars are delivered.

The TTC has commenced signing contracts for the life extension of 100 streetcars approved in the 2006 Approved Capital Budget. The streetcar plan in the 2007-2011 Recommended Capital Plan will require these contracts to be cancelled. The TTC will endeavour to minimize the cancellation payments and will report back to Budget Committee as negotiations proceed.

The Recommended 5-Year Capital Plan requires a payment on execution of the initial contract of \$54.6 million in 2008, with total spending on streetcar purchases of \$218.200 million in the 2007-2011 period. This plan accommodates an initial order of 50 LRVs, the delivery of the first 2 LRVs in 2010 and delivery of an additional 24 LRVs in 2011. A subsequent order or orders will be placed for an additional 154 LRVs. The estimated total project cost for all of the 204 LRVs will be \$1.243 billion with the final LRVs being delivered in the year 2018.

The primary purpose of purchasing new LRVs is to replace vehicles that are 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.

Light Rail Transit Vehicle Plans									
(\$ millions)	2007	2008	2009	2010	2011	2007-2011	2012-2016	2017-2025	Total
Recommended Plan									
Streetcar Overhaul (132 vehicles)	0.0	10.2	10.5	10.8	11.1	42.6			42.6
LRV Purchase and LEP Close out	21.0	54.6	43.5	50.2	69.3	238.6	826.7	198.4	1,263.7
LRT Facility						0.0	1.1	198.9	200.0
Carhouse Modifications					10.0	10.0	20.0		30.0
Total Expenditures	21.0	64.8	54.0	61.0	90.4	291.2	847.8	397.3	1,536.3
LRT Vehicles Purchased				2	24	26	126	52	204

By implementing the LRV vehicle procurement program rather than implementing the Life Extension Program for 196 CLRVs that City Council adopted in the 2006 Approved Capital Budget, the City will incur an additional \$149.7 million of gross capital expenditures over the 2007-2011 timeframe, conditional on a 1/3 Federal, 1/3 Provincial and 1/3 City continuation of the CSIF funding program. However, the construction of a new LRT facility will be postponed until 2017 saving \$115 million during this same 5 year period. By implementing this streetcar plan, the TTC will begin the acquisition of new streetcars at the earliest possible date. The new streetcars will have a larger passenger capacity and therefore, will be more efficient to operate, resulting in \$1.300 million in savings on the cost of operators alone in the 2007-2011 period and \$43.3 million over the long term from 2007 to 2021. The streetcar replacement schedule that has been recommended will have the minimum disruption in streetcar service while the new streetcars are being phased in and consequently, will have the minimum inconvenience for TTC customers.

In order to minimize the cash flow requirements of the project, the TTC ascertained that the minimum order size for streetcars would be 50 vehicles. The payment schedules for streetcars require upfront payments on the first order. To reduce the amount of cash flow required in the 2007-2011 Capital Plan, the cash flow has been provided for an initial order of 50 CLRVs in 2008 with a later order(s) for the remaining 154 CLRVs. Net Present Value calculations have been completed for many different streetcar purchase scenarios. The recommended plan had the lowest NPV of any of the plans that was affordable in the current 5 year Plan period. This project is recommended conditional on funding being confirmed. It is recommended that Council endorse the TTC plan to replace its entire fleet of streetcars by purchasing 204 new Light Rapid Transit Vehicles, with a first order of 50 vehicles to be delivered by 2012, conditional on a one third cost share from the Province and a one third cost share from the Federal government, and that the TTC not enter into any long-term commitments before funding is confirmed.

Light Rail Transit Facility

The purchase of new LRVs will require either the building of a new Light Rail Transit (LRT) facility or some modifications to existing carhouse facilities. New LRVs will require roof access for service maintenance as well as indoor storage facilities. The TTC had planned to begin building a new LRT facility in 2008 in preparation for the arrival of new LRVs. This project has been deferred until 2017. However, work will begin on modifications of existing carhouses requiring a total project cost of \$30 million and a cash flow of \$10 million in 2011 and a further \$20 million in 2012. Funding for design work on a new LRT facility of \$1.050 million in 2007 was not recommended in the Recommended 2007-2011 Capital Plan.

2007 Bus Fleet Plan

The 2007 bus fleet plan includes a fleet of 1599 buses by the end of 2007 growing to 1,750 buses in 2011. In total, 1,030 new buses are projected to be purchased throughout 2007-2015. There is a deficit of 20 planned contingency buses available for 2007 as the bus fleet is expected to run at almost 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	2016
Buses Available (Start Year)	1,475	1,495	1,492	1,599	1,677	1,705	1,720	1,750	1,800	1,850	1,910	1,950
Less: Buses Retired	242	233	213	112	102	65	0	0	0	135	50	52
Add: Buses Procured	262	230	320	190	130	80	30	50	50	195	90	90
Buses Available (End Year)	1,495	1,492	1,599	1,677	1,705	1,720	1,750	1,800	1,850	1,910	1,950	1,988
Bus Requirement	1,467	1,476	1,619	1,649	1,672	1,696	1,724	1,778	1,822	1,884	1,926	1,963
Contingency	28	16	(20)	28	33	24	26	22	28	26	24	25

The 2007 bus fleet plan represents continued passenger growth demand of approximately 2% annually. This demand requires advancing the purchase of 50 buses from 2010 to 2008. A Commission-supported strategy to “green” the bus fleet includes: 150 hybrid buses being introduced in 2006; 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.

Council, at its September 2006 meeting gave approval to purchase 220 new buses in 2007 and 140 new buses in 2008, conditional on third party funding.

2007 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 system. 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 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* was adopted by the Commission, on September 25, 2006, to identify and assess the range of options available to provide rapid transit services in northeast Scarborough. In the 2007-2011 period, there is \$152.2 million in expenditures recommended for replacing SRT track and modernizing stations. The project runs until 2013 and has a total project cost of \$236.700 million. There is also recommended funding from 2007-2011 of \$108.651 million to commence the replacement of the existing fleet of 28 cars and \$154.974 million more projected in 2012-2015 to provide for the delivery of all cars including 16 growth cars to be delivered by 2013.

Bus Rapid Transit (BRT)

The Recommended 5-Year Capital Plan currently includes combined funding of \$60.859 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 resulted in a \$5.1 million escalation in costs. 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. This project is consistent with the Mayor's Mandate.

Environmental Assessments for Future Surface Rights-of-Way - Status

The TTC's Building a Transit City plan, based on the City of Toronto Official Plan, identifies numerous initiatives for constructing surface rights-of-way (ROW) across the City. Environmental Assessments (EA) are either complete or underway for many of these corridors. The St. Clair Ave. streetcar ROW is under construction, the EA for the Spadina Subway Extension to York University and Vaughan City Centre has been completed and construction will commence in 2007 on the Bus Rapid Transit Line from Downsview Station to York University. Other EAs are under way for the following Bus Rapid Transit Lines or Streetcar Rapid Transit Line corridors: Yonge St. from Finch to Steeles; Don Mills Rd.; Kingston Rd.; Waterfront West; and Waterfront East. As well, studies are underway to review rapid transit in the east part of the City, namely along Sheppard Ave. East and the existing Scarborough Rapid Transit line and its possible extension. A study is also pending on transit improvements along King St. The TTC has begun investigating the possibility of streetcar or bus rapid transit along Finch Ave. West and in the Northwest of the City.

Easier Access

The Easier Access (Phase II) program with a 2007 cost of \$6.630 and a total project cost of \$102.310 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. Most of the Phase II work was completed by 2005 with the remaining work to be completed in 2007 for \$6.630 million and 2008 for \$3.316 million. Planning for the Easier Access (Phase III) program will be completed in 2006 for the 40 remaining Subway/RT stations. In the 2007, \$1.700 million is budgeted and over the 2007-2011 period, \$95.040 million is budgeted. The estimated final cost of the program is \$345.2 million and completion is expected in 2020.

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 (near completion), the TTC has raised the estimated final cost of the project by \$110 million, or 40.7% from \$270 million to \$380 million. However, this preliminary increase will need to be validated by costs of subsequent stations and addressed in the 2008-2012 Capital Plan. This project will be complete in 2019.

Yonge-University-Spadina Resignalling

Outdated signal technology on the Yonge-University-Spadina subway will be replaced, at a cost of \$6.074 million in 2007, \$108.357 million over the 2007-2011 period, with Automatic Train Control technology (ATC). This project has a total cost of \$306.260 million. When complete, the new state-of-the-art signalling will be consistent with world-wide metro signalling technology and allow trains to run faster and closer together. This project, together with the purchase of 234 new subway cars, is expected to allow the TTC to make significant progress toward accommodating future year growth.

Pape Station Modernization

Some subway stations on the Bloor-Danforth line have not undergone significant upgrade or improvement since their original construction in the mid-1960s. The first phase of the Station Modernization Project involves three stations: Yonge, Dufferin and Pape. Some design work has begun on the Pape Station. The TTC Commission, at its October 2006 meeting approved an additional \$0.500 million to continue this design work. The Pape Modernization project was approved by the Commission at its January 31, 2007 meeting. It is not recommended in the 2007 Recommended 5-Year Capital Plan.

Spadina Subway Extension

The Spadina Subway from Downsview station to the Vaughan Corporate Centre is planned for extension through a joint project involving the City of Toronto/TTC and York Region. Provincial government funding for one third of the project cost has been committed and placed in a trust fund. As a result of the terms of the Provincial Trust, the City and the Region of York had to agree by September 30, 2006 on the percentage of the project to be allocated to each party as a precondition of receiving funding. Staff have negotiated, and City Council and York Region Council have approved, a capital cost allocation of 59.96% City / 40.04% Region based on a recognition of municipal boundaries and responsibilities and of shared system infrastructure. While it is anticipated that the Federal government will match the Provincial commitment, no formal funding commitment has been made to date. The 2007-2011 Recommended 5-Year Plan includes only \$0.800 million for continued work and studies regarding the Spadina subway extension. The remainder of the Spadina Subway Extension project is presented in the TTC budget below the line subject to confirmation of Federal funding approval. At its December 2006 meeting, the TTC Commission was presented with a request to approach York Region and the Provincial and Federal governments to use \$12.4 million from the Move Ontario Trust fund in order to undertake essential immediate work on the Spadina Subway extension. This funding will cover various construction projects which must be completed as soon as

possible in order to avoid future costs. It is anticipated that the Federal government will make an announcement on its funding for the Spadina Subway Extension as part of its 2007-2008 budget. The DCM/CFO will report back to the Budget Committee on the financing strategy and related governance issues, once the Federal government's position is known.

Victoria Park Bus Terminal Replacement and Station Enhancements

The existing bus terminal at the Victoria Park subway station is being replaced and enhancements are being made to the station. There is \$2.870 million in the 2007 Recommended Capital Budget and \$21 million in the 2007-2011 Recommended 5-Year Plan. Further enhancements to the station of \$5 million and \$8.4 million were identified through City and TTC staff consultations with the public and community groups. These enhancements include a new automatic entrance, off-street Passenger Pick-up and Drop-off and a new North West entrance. At the TTC's January 2007 meeting, this \$13.4 million was added to this project cost for additional station enhancements. These enhancements were approved by the Commission at its January 31, 2007 meeting. They are not in the Recommended 5-Year Capital Plan.

Kipling/Islington Station Redevelopment

The TTC has been in negotiations with SNC Lavalin regarding the possible sale of portions of City-owned property at 3326 Bloor St. West and 1226 Islington Ave. The redevelopment of this land would require the demolition of the existing Islington bus terminal and the construction of a new terminal at Islington and also construction of a new Mississauga Transit / Go Transit terminal at the Kipling Subway station.

Council, during its meetings from September 25 to 28, 2006, gave approval to staff to proceed with the creation of a detailed business case and to continue negotiations with SNC Lavalin. Council has provided pre-approval for \$1.7 million in spending in the first three months of 2007. A motion will be brought forward at the February 2007 meeting of Council with a detailed business case asking Council to approve the recommended Kipling / Islington Redevelopment conditional on securing 3rd party funding. The Kipling project in the Recommended 5-Year Capital Plan is \$38.8 million and the Islington project is \$19.6 million. It should be emphasized that the net cost to the City is offset by the expected real estate proceeds from the SNC property acquisition. It is recommended that the Kipling / Islington Station Redevelopment for \$58.4 million be approved by Council conditional upon cost sharing between GO Transit, the Province and Mississauga Transit. The TTC has been directed to report back to Budget Committee in June 2007 regarding the redevelopment of the Kipling and Islington stations, specifically with respect to the status of negotiations on third party funding, the timing of the project, total project cost and required additions to the TTC's Recommended 5-Year Capital Plan;

Warden Station Redevelopment

The TTC is investigating the possibility of redeveloping the Warden subway station. The value of the parcel of land being sold at Warden station was appraised within a certain range. If the actual sale price of the land is at the top end of this range, this project will have no impact on the TTC's capital budget. However, if it is in the lower range, funding will be required to rebuild the existing parking lot. At its January 2007 meeting, the TTC Commission approved moving \$18.5 million above the line in the TTC's budget to facilitate the start of Phase 1 of this project. As this \$18.5 million is expected to be

offset by the sale of the land and there should be no net cost to the City, this project has been included in the Recommended 5-Year Capital Plan. It is recommended that the proceeds of the sale of the Warden Station North commuter parking be available to fund the capital cost of providing a replacement commuter parking lot in accordance with the Warden Woods Redevelopment Strategy approved by City Council on May 23, 24 and 25, 2006.

The TTC submitted a report to the Budget Committee at its meeting of January 26, 2007, requesting that, since the land is surplus to TTC's operational requirements, the Budget Committee confirm funding of \$18.500 million for Phase 1 of the Warden Redevelopment Strategy and confirm that the proceeds from the sale of the Lands would be available to the TTC in accordance with the City of Toronto Proceeds Policy and that the proceeds be used to offset the capital cost of providing a replacement commuter parking lot in accordance with the Warden Woods Redevelopment Strategy approved by City Council on May 23, 24 and 25, 2006. The Budget Committee deferred the issue to the 2007 Capital Budget Process and requested the Deputy City Manager and Chief Financial Officer, in consultation with TTC staff, to report back to the Budget Committee. The Deputy City Manager and Chief Financial Officer, in conjunction with the appropriate staff, are directed to report back to the Budget Committee, prior to the 2008 Budget process, on the multi-year funding strategy for the entire Warden Woods Redevelopment Strategy, Phase 1, including construction of a new road for housing on the former north parking lot of the Warden Station, construction of a community centre and construction of a replacement TTC parking lot.

2008-2011 Unallocated Reduction

In addition to the unallocated reduction of \$44 million in 2007 which represents ten percent of the total 2007 Capital Plan less committed vehicle purchases, the TTC has been directed to apply an unspecified reduction to each of the last four years of the Recommended 5-Year Capital Plan. The unallocated reduction in future years would be as follows: \$54 million in 2008, \$50 million in 2009, \$55 million in 2010, and \$51 million in 2011. The total unallocated reduction over the 2007-2011 period is \$254 million.

Budget Amendments made at the January 2007 TTC Commission Meeting

At its meeting on January 31, 2007, the TTC approved amendments to the 5-Year Plan. The TTC endorsed the purchase of 204 LRVs and this project is included in the 2007 Recommended Capital Plan. As detailed below, some of the other amendments, such as the Kipling/Islington Redevelopment and the Warden Redevelopment, are in the 2007 Recommended Capital Plan. It is assumed that these projects have no net impacts on the City's debt. The remaining budget amendments totalling \$7.7 million in 2007 and \$20.3 million from 2007-2011 are not included in the 2007 Recommended Capital Plan because they would have an impact on the City's debt.

<u>Project</u>	<u>2007</u> (\$millions)	<u>2007-2011</u>
Budget Amendments in Recommended 2007 Capital Plan		
Warden Station Redevelopment	2.1	18.5
Kipling / Islington Redevelopment	<u>7.3</u>	<u>55.1</u>
	<u>9.4</u>	<u>73.6</u>
Budget Amendments not in Recommended 2007 Capital Plan		
Victoria Park Station Enhancements	0.8	13.4
Pape and Dufferin Station Modifications	1.5	1.5
University Renaissance - St. Patrick	1.0	1.0
Park Lawn Loop - replacement	0.4	0.4
Customer Information Systems	0.5	0.5
Environmental Assessments - Mayor's Mandate	<u>3.5</u>	<u>3.5</u>
	<u>7.7</u>	<u>20.3</u>

Revisions to the TTC Budget Submission

The revisions that were made include the purchase of 204 new LRV to replace the aging streetcar fleet; the Kipling/Islington Station Redevelopment for an additional \$55.1 million and the Warden Redevelopment Strategy for \$18.5 million. These projects have been recommended in the 2007 Recommended 5-Year Capital Plan.

Also, approved at the January 2007 Commission meeting was a total of \$13.4 million in enhancements to the Victoria Park Station; \$0.500 million in design work for the Pape Station modernization; a further \$1.000 million in modernization costs combined for Pape and Dufferin Stations; \$1 million for the University Renaissance project at St. Patrick station, with \$0.7 million in funding from the Toronto Community Foundation; \$0.4 million to permit TTC staff to begin work on the Park Lawn Loop replacement; \$0.5 million for Computer Information Systems for work on the Next Bus, Trip Planner and E Commerce initiatives and \$3.5 million in additional funding for Environmental Assessments to advance transit projects in the Mayor's Mandate, specifically the North West Corridor Right-of-Way and the Finch Avenue West Transit Corridor. Total additions approved by the TTC Commission at its January meeting were \$20.3 million. None of these additional project funding is recommended in the 2007 5-Year Capital Plan. The TTC has been directed to report back to Budget Committee in February 2007 on how the TTC's 5-Year Capital Plan can be amended to accommodate, within the recommended annual debt levels, the budget amendments made at the January 31, 2007 TTC Commission meeting totalling \$20.300 million gross and \$19.600 million net.

Appendix 4

Reserve / Reserve Fund Review (\$000s)

Project / SubProject Name and Number	Balance as of September 30, 2006	Proposed Withdrawals				
		2007	2008	2009	2010	2011
TTC Stabilization Fund	\$126,862,098	\$0				
	\$126,862,098	\$0	\$0	\$0	\$0	\$0

Appendices 1-3 not available online.