

April 19, 2007

Ms. Ulli Watkiss
City Clerk
City of Toronto
Toronto City Hall
100 Queen Street West
Toronto, Ontario
M5H 2N2

Dear Ms. Watkiss:

At its meeting on Wednesday, April 18, 2007, the Commission considered the attached report entitled, "Capital Funding Status Update."

The Commission adopted the recommendation contained in the report, as listed below:

"It is recommended that the Commission forward this report to the Deputy City Manager and Chief Financial Officer and to the Budget Committee to provide "an update on funding eligibility from other orders of government" as outlined under Recommendation No. 140 of the 2007 Capital Budget and 2008-2011 Capital Plan as adopted by City of Toronto Council on March 7, 2007."

The foregoing is forwarded to the City Budget Committee for information.

Sincerely,

Vincent Rodo
General Secretary
1-16
Attachment

Form Revised: February 2005

**TORONTO TRANSIT COMMISSION
REPORT NO.**

MEETING DATE: April 18, 2007

SUBJECT: Capital Funding Status Update

RECOMMENDATION

It is recommended that the Commission forward this report to the Deputy City Manager and Chief Financial Officer and to the Budget Committee to provide “an update on funding eligibility from other orders of government” as outlined under Recommendation No. 140 of the 2007 Capital Budget and 2008-2011 Capital Plan as adopted by City of Toronto Council on March 7, 2007.

FUNDING

This report outlines the funding implications related to recent events and the impacts related to the TTC 2007-2011 Capital Program.

BACKGROUND

The Federal and Provincial governments have both recently released their 2007 budgets (March 19 and March 22 respectively). Each of those budgets included announcements which have impacts on current and future funding for TTC Capital projects and which have also resulted in recent payments to the City of Toronto.

Federal Budget – March 19, 2007

The Honourable Jim Flaherty, Minister of Finance, delivered the Federal Budget which included the following key impacts on Federal funding programs related to public transit:

- Base Gas Tax Funding – four year extension of 5 cents/litre funding (2010-2013) which amounts to about \$162 million annually for TTC’s base capital program;
- Building Canada Fund (BCF) – this new fund replaces three existing programs including the Canada Strategic Infrastructure Fund (CSIF) which has existing commitments for TTC strategic capital projects. While funding is provided under the BCF to address these “sunsetting infrastructure initiatives” no successor program to CSIF for TTC capital has been identified. Also large projects seeking funding under BCF must give full consideration to public-private partnerships (P3);
- Spadina Subway Extension – announced through the FLOW initiatives, to be addressed under the BCF, funding of \$697 million will be subject to fulfilment of various conditions including completion of an Environmental Assessment, a satisfactory business case and a Contribution Agreement;
- Public Transit Capital Trust (PTCT) – noted funding previously announced and paid into the PTCT for 2006-2008 of which Ontario’s share was \$352 million anticipated to be allocated to public transit based on ridership; however, there was no continuation of this program beyond 2008.

Provincial Budget – March 22, 2007

The Honourable Greg Sorbara, Minister of Finance, delivered the Provincial Budget which included the following key impacts on Provincial funding programs related to public transit:

- Gas Tax Funding – continuation of 2 cents/litre funding which amounts to about \$161 million annually for TTC’s base capital program;

- Move Ontario Trust – confirmation of \$670 million for the Spadina Subway Extension to York Region;
- CSIF – investment in this budget of \$200 million for the Province's remaining one-third commitment under the \$1 billion CSIF fund;
- Public Transit Capital Trust (PTCT) – the distribution of the Federal PTCT funds totalling \$352 million for 2006-2008 will be paid out on the basis of transit ridership for public transit capital; and
- Greater Toronto Transit Authority (GTТА) – noted the establishment of the GTТА in 2006 and confirmed its mandate, plan to reduce congestion and assess opportunities to provide long-term revenue sources.

Recent Funding Program Activity

The City has recently received a number of payments related to TTC capital program funding commitments which are being reviewed by staff. The attached letters were received which outline the settlement of funding obligations under CSIF, Transit Technology and Infrastructure Program (TTIP), PTCT and vehicle funding (see Attachments 1,2,3).

DISCUSSION

CSIF Commitments

The Province was a party to the March 30, 2004 joint announcement by Mayor David Miller, together with former Prime Minister Paul Martin, and Ontario Premier Dalton McGuinty of a \$1.05 billion funding package under the Canada Strategic Infrastructure Fund (CSIF) for strategic capital projects for the TTC including purchasing new subway cars and buses, extending the useful life of streetcars, undertaking subway and streetcar improvements, dedicated transit rights-of-way to support transit priority and Bus Rapid Transit ("BRT") routes and the GTA Farecard. The Province has now settled its remaining outstanding one-third share of this commitment, net of the GTA Farecard project and funds previously released in conjunction with vehicle funding programs.

A payment of \$275.6 million was received by the City of Toronto of which about \$93 million was accrued against TTC capital projects to December 31, 2006 and has been allocated to future capital funding (2007 to 2011) in the 2007 Capital Budget and 2008-11 Capital Plan approved by City Council on March 7, 2007. It is anticipated that these funds will be held in a reserve fund, to be applied to TTC capital project expenditures on this basis.

Staff are reviewing the potential impacts on the final draft of the Contribution Agreement.

Transit Technology and Infrastructure Program (TTIP) Commitments

Previously (August 2002 and June 2003) the Provincial government announced its commitments to expand and improve transit services in the Golden Horseshoe under projects for expansion of park and ride facilities, operational improvements, transit vehicle tracking systems, roadway and station improvements, transit vehicle priority, and technology improvement systems and equipment. This

funding program covered expenditures on these projects up to 2007. Payment of \$31.1 million has been received in full payment of this commitment. Up to December 31, 2006 funding has been accrued against TTC capital projects in the amount of \$21.7 million, with the allocation of the remaining funds to projects to be determined by TTC in 2007.

Public Transit Capital Trust (PTCT) Funding for Public Transit

In its Annual Financial Report released on September 25, 2006 the Federal Government confirmed the creation of a \$900 million Public Transit Capital Trust in support of capital investments in public transit infrastructure. Ontario's share of this funding was announced at \$352 million over 3 years from 2006-7. On March 22, 2007 the Provincial budget noted that distribution of these funds to municipalities on the basis of transit ridership and funding of \$222.6 million was paid to the City of Toronto on March 30, 2007. Funding of \$74.2 million was accrued against TTC capital projects to December 31, 2006 and has been allocated to future capital funding (2007 and 2008) in the 2007 Capital Budget and 2008-11 Capital Plan approved by City Council on March 7, 2007. It is anticipated that these funds will be held in a reserve fund, to be applied to TTC capital project expenditures on this basis.

Transit-Secure (TS)

On November 14, 2006, the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities announced up to \$37 million in Round 1 funding for the six highest volume urban transit systems including Toronto. Staff are currently working on finalizing a contribution agreement for Round 1 funding of \$1.462 million as announced for TTC security projects. On April 4, 2007 the Federal government announced funding of up to \$2 million under Round 2 of the Passenger Rail and Transportation Security Program (Transit-Secure) for operators outside of the six major urban areas. It is expected that a further announcement for applications under Round 3 for additional funding for the six major urban centres will be made in the near future. Staff are in discussion with Transport Canada and will be making a submission for funding of certain projects. A separate Contribution Agreement will be required for Round 3 projects and the Commission will be apprised before staff proceed to execute that agreement.

JUSTIFICATION

Staff continue to participate in the respective working groups to address requirements under existing funding agreements and to apply this funding appropriately. The Commission will be advised of any significant impacts to this expected funding.

It is anticipated that the application of funding to TTC's capital program will be made consistent with the 2007 Capital Budget and 2008-11 Capital Plan approved by City Council on March 7, 2007.

April 9, 2007
42-21

Attachment

