

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: March 26, 2008

SUBJECT: CAPITAL FUNDING STATUS UPDATE

ACTION ITEM: X **INFORMATION ITEM:**

RECOMMENDATION

It is recommended that the Commission:

1. Receive this funding update for information, noting the current status and activities of government funding programs as outlined in this report and in Attachment B;
2. Note that a Contribution Agreement with the City of Toronto and the Government of Canada for capital funding commitments under the Canada Strategic Infrastructure Fund (CSIF) as announced in March 2004 was executed on March 18, 2008;
3. Note that an Amended Contribution Agreement with the City of Toronto and the Government of Canada for capital funding commitments under Rounds 1 and 3 of the Transit-Secure Passenger Rail Safety Program (TS) as announced in November 2006 and September 2007 respectively has now been executed (as authorized by the Commission on December 13, 2006) and payment is expected to be released in March 2008;
4. Authorize TTC staff to execute an Amended Contribution Agreement with the City of Toronto and the Government of Canada for Round 4 transit related security projects as announced on January 21, 2008 under the Transit-Secure (TS) Passenger Rail Safety Program in a form acceptable to the TTC's Chief General Manager, General Secretary and General Counsel;
5. Authorize TTC staff to execute a Contribution Agreement with the Province of Ontario and/or Metrolinx and/or the City of Toronto for Quick Wins projects as approved by the Metrolinx board on November 26, 2007, (pending funding approval by the Province of Ontario) in a form acceptable to the TTC's Chief General Manager, General Secretary and General Counsel;
6. Authorize TTC staff to execute a Contribution Agreement with the Government of Canada, York Region and the City of Toronto for Federal funding of the Toronto-York Spadina Subway Extension project under the Building Canada Fund program in a form acceptable to the TTC's Chief General Manager, General Secretary and General Counsel;

7. Authorize TTC staff to execute other agreements with orders of government as required to establish and secure funding support for the TTC's 2008-2012 Capital Program as approved by the City of Toronto Council on December 11, 2007 in a form acceptable to the TTC's Chief General Manager, General Secretary and General Counsel; and
8. Forward this report to the Deputy City Manager and Chief Financial Officer and to the Budget Committee for confirmation of the status of capital funding programs and related agreements.

FUNDING

This report outlines the capital funding implications of recent events and any further developments to the funding program assumptions under the TTC 2008-2012 Capital Program.

BACKGROUND

The previous capital funding update report was provided to this Commission on May 8, 2007. Since that time updates have been provided through the 2008 capital budget review process which ultimately resulted in approval of the TTC's 2008-2012 Capital Program by the City of Toronto Council on December 11, 2007. The attached funding table (see Attachment A) outlines the funding requirements and sources anticipated to support the \$4.4 billion base capital program needs over the next five years, excluding Transit City Plan projects and the Toronto-York Spadina Subway Extension. At the time of Council approval, a funding shortfall of \$420 million existed, however this included a City applied budget scope reduction of \$278 million and certain yet unsecured assumptions of long term rail vehicle funding from the Provincial (\$481 million) and Federal (\$324 million) governments. Without confirmation of these funding assumptions, the potential shortfall could be as large as \$1.5 billion in this five year window for basic state-of-good-repair work that is presently unfunded.

DISCUSSION

It is well established that transit vehicle requirements are cyclical, have a significant impact upon the service provided to the public on a daily basis, and over the next five years these fleet requirements amount to half of the Commission's capital needs. Long-term and predictable government funding is required to secure the long term contracts for fleet replacement and growth; for vehicles which are fully accessible and provide environmental improvements and customer amenities. Council approval of the budget was contingent upon securing government funding commitments for these vehicles, and this must be confirmed before contracts can be awarded. As noted above, long term funding was assumed from both the Provincial and Federal Governments for upcoming rail vehicle requirements (204 LRV cars,

126 subway Cars, 36 SRT cars). Notably, funding commitments for the 204 LRV's must be secured prior to the anticipated award of this vehicle order in the fall.

Commencing with the budget deliberations, Senior Staff initiated dialogue through meetings with and presentations to officials at the City, the Province (PIR, MTO, Finance, and Metrolinx) and the Federal government (TC, TIC). The intent has been to communicate TTC's upcoming capital funding needs for consideration by governments in upcoming plans and budgets, and in an effort to close this funding gap. These discussions have focused on identifying transit projects that meet common strategic objectives that can link the TTC's priority state-of-good-repair needs with government initiatives and stated priorities. The following "packages" of projects are under consideration: Streetcars – 204 LRV's replacement & expansion; Scarborough Rapid Transit – line conversion, replacement and growth cars and line extension; Yonge Subway Capacity – increase existing line with automatic train control (ATC), new cars, Yonge BRT and Yonge/Bloor interchange improvements; Accessibility – funding to address initiatives to achieve compliance with the AODA (Accessibility for Ontarians with Disabilities Act) requirements of full accessibility by 2025; GTA Farecard – estimated \$260 million required for this government supported initiative.

Although the result of these advocacy efforts has resulted in an improved level of knowledge, understanding and apparent acceptance of TTC's capital funding requirements; there have not yet been any firm commitments to new funding to address the existing shortfall or to confirm new vehicle purchase commitments.

The recent Federal budget announcement confirmed the permanence of the Federal Gas Tax and announced additional new funding for public transit nationally (\$500 million); however, it is not clear yet whether any of this new funding will be available for transit needs in Toronto. The upcoming Provincial budget is anticipated to include an announcement of funding for municipalities contingent on future budget surpluses and confirmation of Metrolinx supported initiatives (see Attachment B under item 3); however it is unclear what other funding, if any, for rail vehicles or other initiatives will be announced.

That being said, this report is intended to provide an update on the status of the various funding programs which are known or expected to be available to provide support for TTC's capital needs - needs which have been established and validated through the ongoing cyclical review and approval of the five-year program budget and 10-year forecasts. In addition, authority is requested for staff to take necessary and appropriate action to enter into agreements, as required, to secure funding under programs which have been announced or which may yet become available. This capital funding is required to support initiatives within the scope of the approved capital program.

Attachment A outlines the capital program funding as projected for each level of government in the 2008 -2012 Capital Program approved by City Council. The notes referenced on these funding program elements refer to discussion points outlined in Attachment B, which provides further background information on these programs. Unless otherwise noted, there is no change

in the funding program status. Attachment B also includes a discussion of funding for the Toronto-York Spadina Subway Extension (see item 14) and MoveOntario 2020/Transit City Plans (see item 15).

JUSTIFICATION

Staff will continue to work with the City and the Federal and Provincial governments to pursue funding to address the requirements of the Commission's Capital Program, and also to support these levels of government as they consider long-term strategies for funding existing and projected transit needs.

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March 18, 2008
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Attachment A – 2008-2012 Capital Program Requirements & Sources of Funding
Attachment B – Capital Funding Program Notes