

Analyst Briefing Notes

Budget Committee Review

(October 30, 2008)

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October 29, 2008

PART I: CAPITAL PROGRAM**Executive Summary**

- The 2008 Approved Capital Budget (including the Spadina Subway Extension and Transit City Plan projects) of \$925.420 million was \$398.1 million or 43% spent as at August 30, 2008. Actual spending in 2008 is projected to be \$736 million, or 79% of the 2008 Approved Capital Budget.
 - Of the unspent balance, \$124.245 million (\$82.169 million for TTC and \$42.076 million for Spadina Subway Extension) is projected to be carried forward to 2009. Multi-year projects requiring 2008 carry forward funding due to delays include the purchase of streetcars, surface track replacement, replacement of Wheel-Trans vehicles, the Bus Heavy Rebuild Program, the Birchmount Bus Garage Repair Bay modifications and the Easier Access II and III project.
- The 2009 Recommended Capital Budget; 2010-2013 Recommended Capital Plan and 2014 – 2018 Proposed Forecast total \$7.189 billion of which \$4.497 billion is required for the 5-Year Capital Plan, calling for total debt of \$1.607 billion. The 2009 Recommended Capital Budget is below the debt target by \$84.024 million, the 5-Year Recommended Capital Plan exceeds the TTC's debt target by \$624.373 million and the 10-Year Recommended Plan and Proposed Forecast exceeds TTC's aggregate debt target by \$426.186 million.
- The Recommended 5-Year Capital Plan, including carry forward funding from 2008, requires cash flows of \$749.710 million in 2009; \$994.013 million in 2010; \$983.949 million in 2011; \$928.907 million in 2012; and \$840.893 million in 2013. The Program meets its debt target in 2009, but exceeds its debt target in each of the years from 2010 to 2013.
- The 2009 Recommended Capital Budget includes:
 - Previously approved commitments and new/change in scope projects requiring 2009 cash flow of \$667.541. This cash flow combined with carry forward funding of \$82.169 for 2008 projects brings the total 2009 Recommended Capital Budget to \$749.710 million.
 - Future year commitments of 938.633 million in 2010; \$723.355 million in 2011; \$278.750 million in 2012; \$246.738 million in 2013; \$247.050 million in 2014; \$139.807 million in 2015; \$142.396 million in 2016; and \$68.509 million in 2017. The projects which require future year commitments are multi-year projects with cash flow spread over a number of years. These projects require commitments in order for the TTC to sign contracts in preparation for work in future years, such as the Toronto Rocket subway car purchase project and the bus replacement project.
- The 2009 Recommended Capital Budget for previously approved and new/change in scope projects (excluding 2008 carry forward funding into 2009) of \$667.541 million is 83% allocated to state of good repair projects at \$553.191 million; 4% to growth projects at \$26.589 million; 10% to service improvement projects at \$66.328 million; and, 3% to legislated projects at \$21.433 million.

- State of good repair projects are driven by the TTC's need to renew its bus, streetcar, subway car and SRT car fleets. As well, the TTC's buildings, bridges, tunnels, yards and other infrastructure require significant renewal.
 - Service improvement projects include: improvements to the Kipling and Islington subway stations, commuter parking expansion and non-revenue vehicle purchases.
 - Growth projects include: the Warden subway station redevelopment and fare handling equipment
 - Legislated projects such as Easier Access II and III and Environmental programs are required by existing or future Provincial legislation including the Accessibility for Ontarians with Disabilities Act (2001) and the Ontario Electricity Restructuring Act and the Ontario Energy Conservation Responsibility Act.
- The primary issues surrounding the Recommended 5-Year Capital Plan are that the TTC is exceeding its debt target by \$624 million and that funding for major vehicle purchases such as the replacement of the streetcar fleet has not yet been provided by the Provincial or Federal governments.
 - The Recommended 10-Year Capital Plan and Proposed Forecast provides funding to advance the following priority actions in the Mayor's Mandate and Council's agenda:
 - ***Buy quiet, accessible, faster, higher capacity light rail cars to replace Toronto's aging streetcars:*** The Recommended 5-Year Capital Plan and Proposed 5-Year Capital Forecast provide \$1.205 billion in funding for the purchase of new Light Rapid Transit vehicles to replace and expand the existing streetcar fleet. The procurement of these 204 vehicles will also provide the opportunity to undertake vehicle expansion projects as part of Transit City Plan / MoveOntario 2020 and Waterfront initiatives.
 - ***Make streetcars and buses as speedy and reliable as the subway:*** There is \$14.983 million in funding in the TTC's Recommended 5-Year Capital Plan for the completion of the St. Clair Streetcar Right of Way in 2009. There is also \$24.072 million in funding for a Bus Rapid Transit (BRT) corridor on Yonge Street and \$16.184 million in funding for a Bus Rapid Transit (BRT) corridor from Downsview station to York University.
 - ***Improve capacity by 40% on the Yonge-University-Spadina subway through new trains and innovative signal management systems:*** In December 2006, the TTC awarded a contract for the procurement of 234 new subway cars. The 10-Year Capital Plan and Forecast includes \$419.868 million for this project, plus another \$311.514 million for a further 126 new subway cars, plus \$324.368 million for the resignalling of the Yonge-University-Spadina line.

- The 2009 Recommended Capital Budget; 2010-2013 Recommended Capital Plan and 2014 - 2018 Proposed Capital Forecast includes funding of \$131.200 million in 2009 cash flow, including \$42.076 million carried forward from 2008, and \$74.828 million for future year commitments for the Spadina Subway Extension project. With the Federal government's commitment to fund a total of \$697 million, this project is now considered fully funding and work is progressing.
- The Recommended 5-Year Capital Plan and Proposed 5-Year Forecast also includes \$17.1 million in 2009 funding for the Transit City Plan. This funding will enable the TTC to continue vital work on the priority routes through the first quarter of 2009 until the Province is expected to announce transit funding for the GTA region through Metrolinx.
- The Federal government has signed three transit funding agreements in 2008. It has signed the contribution agreement for the Canada Strategic Infrastructure Fund (CSIF) providing \$303 million in funding. It has also signed the contribution agreement for the Spadina Subway Extension which provides \$697 million to extend the Spadina subway line into Vaughan. The Federal government has also signed an extension of the Federal Gas Tax agreement which provides an additional \$619 million in funding which the City of Toronto will dedicate to funding transit. The Federal Gas Tax agreement has also been made permanent.

Recommendations

The City Manager and Acting Chief Financial Officer recommend that:

1. Council approve the 2009 Recommended Capital Budget for TTC with a total project cost of \$859.706 million and a 2009 cash flow of \$749.710 million and future year commitments of \$2.785 billion. The 2009 Recommended Capital Budget consists of the following:
 - a. New Cash Flow Funding for:
 - i 47 new sub-projects with a 2009 total project cost of \$859.706 million that requires cash flow of \$85.912 million in 2009 and a future year commitment of \$341.830 million in 2010; \$244.591 million in 2011; \$98.801 million in 2012; \$43.863 million in 2013; and \$44.709 million in 2014;
 - ii 63 previously approved sub-projects with a 2009 cash flow of \$663.798 and a future year commitment of \$596.803 million in 2010; \$478.764 million in 2011; \$179.949 million in 2012; \$202.875 million in 2013; \$202.341 million in 2014; \$139.807 million in 2015; \$142.396 million in 2016; and, \$68.509 million in 2017;
 - b. 2008 approved cash flow for 10 previously approved sub-projects with carry forward funding from 2008 into 2009 totalling \$82.169 million;
2. Council approve new debt costs of \$0.365 million in 2009 and incremental costs of \$2.988 million in 2010; \$7.276 million in 2011; \$5.328 million in 2012; \$1.950 million in 2013; \$0.973 million in 2014 and \$0.798 million in 2015 resulting from the approval of the 2009 Recommended Capital Budget, to be included in the 2009 and future year operating budgets;
3. Council approve transfers to capital funding from the following capital reserves (the amounts to include carry forward funding of 2008 unspent funds) of: \$69.600 million from the Provincial Gas Tax Revenues for Public Transit Reserve Fund (XR3018); \$33.072 million from the CSIF Reserve Fund (XR3020); \$4.375 million from the TTIP Reserve Fund (XR3023); \$22.392 million from the ORSIF Reserve Fund (XR3024); \$55.444 million in Metrolinx funding from the MoveOntario 2020 Reserve Fund (XR3025); \$57.000 million in Capital Reserve funding also from the MoveOntario 2020 Reserve Fund (XR3025) and \$131.200 million from the Toronto York Spadina Subway Extension Working Capital Fund (XR3027);
4. Council approve the 2010-2013 Recommended Capital Plan for TTC totalling \$1.560 billion in project estimates, comprised of \$55.380 million in 2010; \$260.594 million in 2011; \$650.157 million in 2012; and \$594.155 million in 2013;
5. Council consider operating impacts of \$8.336 million from 2009 to 2013 emanating from the approval of the 2009 Recommended Capital Budget, to be included in the 2009 and future year operating budgets;
6. Council approve in principle the 2014-2018 Proposed Capital Forecast for TTC totalling \$2.094 billion in project estimates, comprised of \$525.059 million in 2014; \$380.786 million in

2015; \$397.122 million in 2016; \$446.070 million in 2017; and \$344.794 million in 2018, and that this forecast be used as a foundation for preparing the 2010 to 2019 Capital Plan and Forecast as part of the 2010 Capital Budget process;

7. the TTC and City staff continue discussions with the other orders of government on increasing funding for transit in the City of Toronto as outlined in the 2009-2013 Recommended Capital Plan, including funding for the Transit City Plan through MoveOntario 2020 and that, if funding is not forthcoming, the TTC and City review their priorities with regard to major vehicle purchases;
8. Council approve cash flow funding of \$206.028 million in 2009 and future year commitments for the Spadina Subway Extension, with \$42.076 million in funding carried forward from 2008; a 2009 cash flow of \$89.124 and a future year commitment of \$74.828 million in 2010, given that the project is now fully funded;
9. Council approve cash flow funding of \$17.1 million in 2009 for the Transit City Plan to enable the project to continue moving forward in the first quarter of 2009 and that, if Provincial funding of at least \$17.1 million has not been received by April 2009, the TTC reduce spending on other projects by \$17.1 million;
10. the TTC in conjunction with City staff report back to Budget Committee when confirmation of Provincial and / or Federal funding for the Transit City Plan is received;
11. the TTC report back to Budget Committee when it receives confirmation of funding for the purchase of 204 new Light Rapid Transit Vehicles, being 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 such funding is confirmed;
12. the TTC report back to Budget Committee when it receives confirmation of funding for the purchase of 36 SRT cars and that the TTC not sign contracts for the purchase of SRT cars until the project has received full Provincial or Federal funding.
13. the TTC report back to Budget Committee as part of the June 30, 2009 Capital Budget Variance Report on specific project reductions equal to the 2009 recommended 10% unspecified reduction of \$47 million to accommodate anticipated under spending in 2009 and
14. the TTC submit future capital budget submissions that reflect the recommended 10% budget reductions for the five year period, identifying specific project expenditure adjustments and including all required supporting documentation and financing by project

2008 Capital Variance Review

| 2008 Budget to Actuals Comparison - Total Gross Expenditures (\$000s) | | | | | |
|---|---|---------|-------------------------------|---------|------------|
| 2008 Approved | Actuals as of August 30 (3rd Qtr Variance) | | Projected Actuals at Year End | | Balance |
| \$ | \$ | % Spent | \$ | % Spent | \$ Unspent |
| 925,420 | 398,100 | 42.9% | 735,800 | 79% | 189,620 |

Comments / Issues:

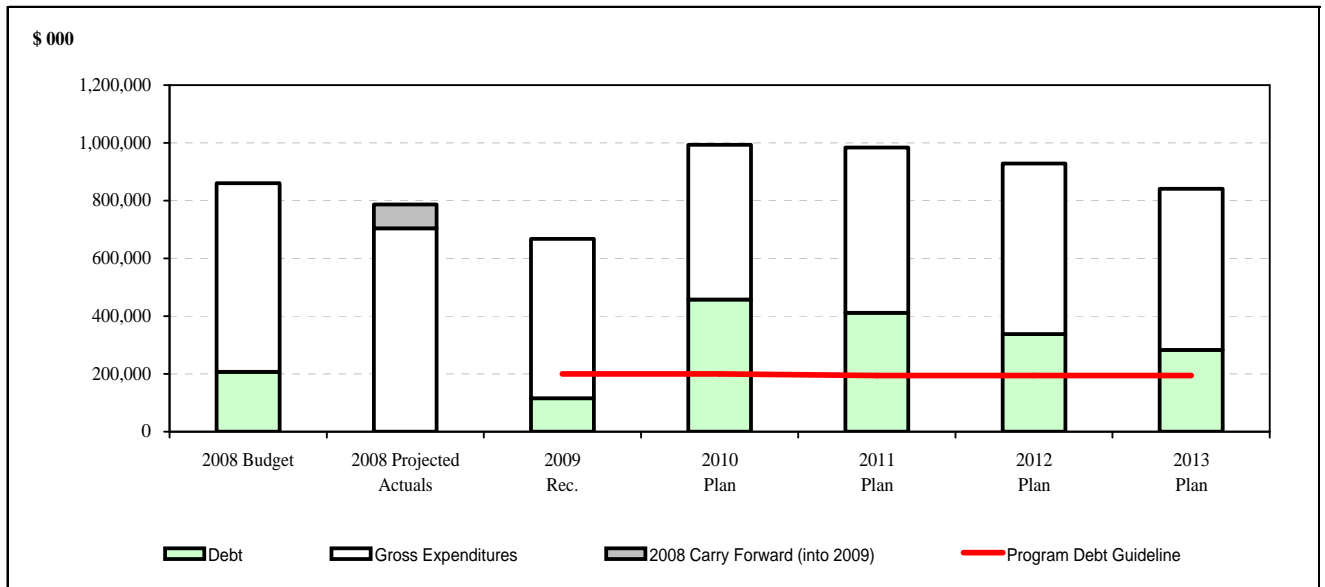
At the end of August 2008, the Toronto Transit Commission (TTC) spent \$398.100 million or 43% of its 2008 Approved Capital Budget of \$925.420 million (including the Spadina Subway Extension and Transit City Plan projects). Historically, the TTC spends, on average, close to 93% of its annual Approved Capital Budget. In response to this annual under spending, an unspecified budget reduction of \$59.085 million was included in the 2008 Approved Capital Budget.

The TTC's projected year-end spending for 2008 approved capital projects at the end of the 3rd quarter was \$735.800 million, representing 79% of the 2008 Approved Capital Budget. This under spending is mainly due to the deferral of surface track work on St. Clair Ave.; no new Wheel-Trans buses being purchased; the SNC Lavalin development at Islington Station no longer proceeding; GO Transit/Metrolinx taking over the Kipling Inter-Regional Bus Terminal; a change in the contract payment schedule for the purchase of new subway cars; and delays in the SRT conversion.

Underspending in 2008 will result in a total of \$82.169 million of funding being carried forward from 2008 to 2009.

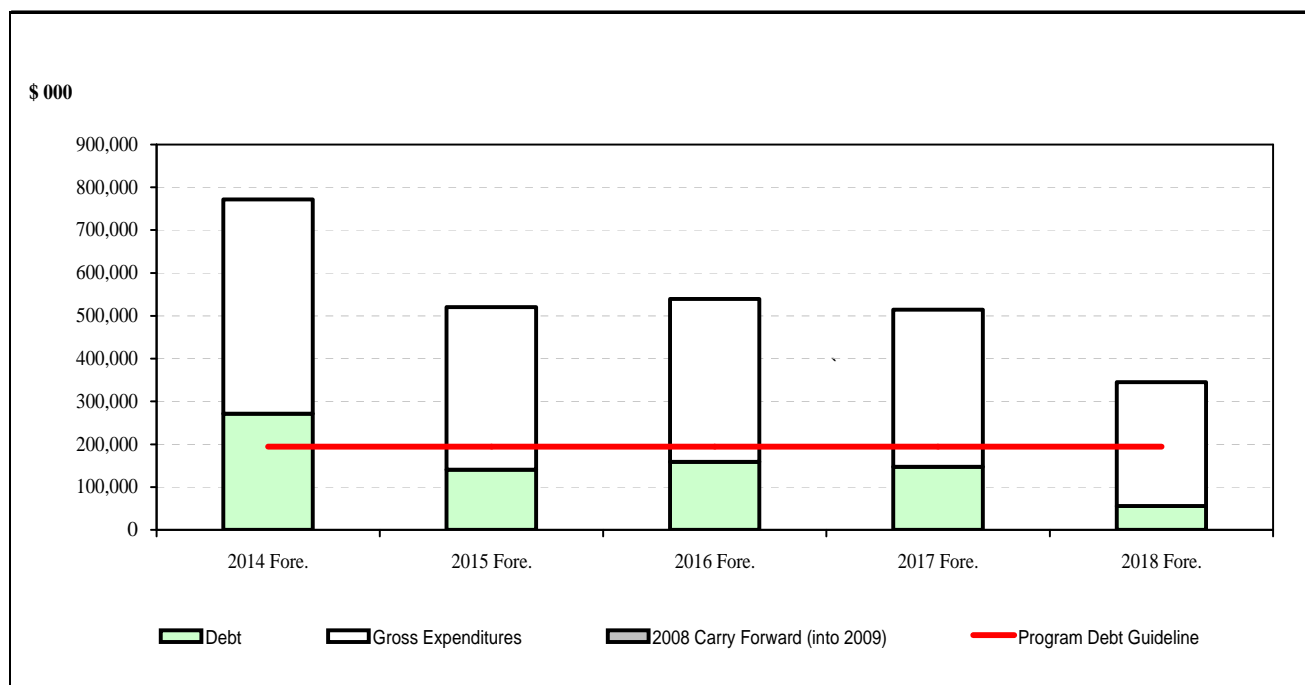
5-Year Capital Plan

(2009 Recommended Budget, 2010-2013 Plan)



| | 2008 | | 5-Year Capital Plan | | | | | 2009-2013 | 5-Year Total Percent |
|--|----------------------------|------------------|---------------------|----------------|----------------|----------------|----------------|------------------|----------------------|
| | Budget | Projected Actual | 2009 | 2010 | 2011 | 2012 | 2013 | | |
| | Gross Expenditures: | | | | | | | | |
| 2008 Capital Budget & Future Year Commitments | 860,897 | 704,800 | 744,759 | 455,668 | 289,776 | 468,527 | 176,238 | 2,134,968 | |
| Recommended Changes to Commitments | | | (163,130) | 141,135 | 188,988 | (288,578) | 26,637 | (94,948) | |
| 2009 New/Change in Scope and Future Year Commitments | | | 85,912 | 341,830 | 244,591 | 98,801 | 43,863 | 814,997 | |
| 2010 - 2013 Capital Plan Estimates | | | | 55,380 | 260,594 | 650,157 | 594,155 | 1,560,286 | |
| 1-Year Carry Forward to 2009 | | 82,169 | → | | | | | | |
| Total Gross Annual Expenditures & Plan | 860,897 | 786,969 | 667,541 | 994,013 | 983,949 | 928,907 | 840,893 | 4,415,303 | |
| Program Debt Target | 167,000 | | 200,000 | 200,000 | 194,348 | 194,348 | 194,348 | 983,044 | |
| Financing: | | | | | | | | | |
| Recommended Debt | 207,380 | | 115,976 | 458,389 | 412,010 | 338,227 | 282,815 | 1,607,417 | 36% |
| Reserves/Reserve Funds | 15,470 | | 24,302 | 14,341 | 7,796 | | | 46,439 | 1% |
| Development Charges | | | 38,500 | 30,700 | 18,900 | 11,300 | 11,300 | 110,700 | 3% |
| Federal | 300,898 | | 208,822 | 224,681 | 271,559 | 276,589 | 263,623 | 1,245,274 | 28% |
| Provincial | 317,118 | | 259,166 | 243,050 | 251,041 | 281,363 | 261,317 | 1,295,937 | 29% |
| Other Revenue | 20,030 | | 20,776 | 22,852 | 22,643 | 21,428 | 21,838 | 109,537 | 2% |
| Total Financing | 860,897 | | 667,541 | 994,013 | 983,949 | 928,907 | 840,893 | 4,415,303 | 100% |
| By Category: | | | | | | | | | |
| Health & Safety | | | | | | | | | |
| Legislated | 24,715 | | 21,433 | 42,558 | 53,179 | 44,257 | 42,636 | 204,063 | 5% |
| SOGR | 704,495 | | 553,191 | 871,073 | 883,188 | 835,816 | 712,390 | 3,855,658 | 87% |
| Service Improvement | 95,984 | | 66,328 | 50,762 | 33,850 | 28,134 | 35,417 | 214,491 | 5% |
| Growth Related | 35,703 | | 26,589 | 29,620 | 13,732 | 20,700 | 50,450 | 141,091 | 3% |
| Total By Category | 860,897 | | 667,541 | 994,013 | 983,949 | 928,907 | 840,893 | 4,415,303 | 100% |
| Yearly SOGR Backlog Estimate (not addressed by current plan) | | | 47,096 | 62,861 | 61,705 | 57,852 | 57,876 | 287,390 | |
| Accumulated Backlog Estimate (end of year) | | | 191,371 | 254,232 | 315,937 | 373,789 | 431,665 | 431,665 | |
| Operating Impact on Program Costs | | | 3,328 | 3,031 | 1,844 | (100) | 233 | 8,336 | |
| Debt Service Costs | | | 365 | 12,993 | 58,431 | 51,717 | 42,584 | 166,090 | |

5-Year Capital Forecast (2014-2018)



| | 5-Year Capital Forecast | | | | | | | |
|--|-------------------------|----------------|----------------|----------------|----------------|------------------|------------------|-----------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2014-2018 | 2009-2018 | 10-Year Total Percent |
| Gross Expenditures: | | | | | | | | |
| 2008 Capital Budget & Future Year Commitments | 169,439 | 77,518 | 73,428 | 93,853 | | 414,238 | 2,549,206 | |
| Recommended Changes to Commitments | 32,902 | 62,289 | 68,968 | (25,344) | | 138,815 | 43,867 | |
| 2009 New/Change in Scope and Future Year Commitments | 44,709 | | | | | 44,709 | 859,706 | |
| 2014 - 2018 Capital Forecast Estimates | 525,059 | 380,786 | 397,122 | 446,070 | 344,794 | 2,093,831 | 3,654,117 | |
| Total Gross Annual Expenditures & Plan | 772,109 | 520,593 | 539,518 | 514,579 | 344,794 | 2,691,593 | 7,106,896 | |
| Program Debt Target | 194,348 | 194,348 | 194,348 | 194,348 | 194,348 | 971,740 | 1,954,784 | |
| Financing: | | | | | | | | |
| Recommended Debt | 271,226 | 140,570 | 159,123 | 147,034 | 55,600 | 773,553 | 2,380,970 | 34% |
| Reserves/Reserve Funds | | | | | | | 46,439 | 1% |
| Development Charges | 11,300 | 11,300 | 11,300 | 11,300 | 11,300 | 56,500 | 167,200 | 2% |
| Federal | 249,180 | 201,854 | 202,388 | 203,221 | 164,479 | 1,021,121 | 2,266,395 | 32% |
| Provincial | 218,186 | 144,759 | 144,193 | 130,027 | 91,285 | 728,450 | 2,024,386 | 28% |
| Other Revenue | 22,218 | 22,110 | 22,514 | 22,997 | 22,130 | 111,969 | 221,506 | 3% |
| Total Financing | 772,109 | 520,593 | 539,518 | 514,579 | 344,794 | 2,691,593 | 7,106,896 | 100% |
| By Category: | | | | | | | | |
| Health & Safety | | | | | | | | |
| Legislated | 41,058 | 36,751 | 35,875 | 35,530 | 28,000 | 177,214 | 381,277 | 5% |
| SOGR | 644,818 | 464,033 | 483,571 | 458,708 | 295,628 | 2,346,758 | 6,202,416 | 87% |
| Service Improvement | 23,283 | 19,809 | 20,072 | 20,341 | 21,166 | 104,671 | 319,161 | 4% |
| Growth Related | 62,950 | | | | | 62,950 | 204,041 | 3% |
| Total By Category | 772,109 | 520,593 | 539,518 | 514,579 | 344,794 | 2,691,593 | 7,106,896 | 100% |
| Yearly SOGR Backlog Estimate (not addressed by current plan) | | | | | | | | |
| Accumulated Backlog Estimate (end of year) | | | | | | | | |
| Operating Impact on Program Costs | | | | | | | | |
| Debt Service Costs | 36,476 | 31,993 | 18,738 | 20,384 | 16,829 | 124,419 | 290,510 | |

10-Year Capital Plan and Forecast Overview

- The Recommended 5-Year Capital Plan and Proposed 5-Year Forecast does not meet debt affordability targets. It is below the debt target by \$84 million in 2009, but exceeds the debt target by \$258 million in 2010; \$218 million in 2011; \$144 million in 2012 and \$88 million in 2013. In total the 5-Year Capital Plan exceeds the debt target by \$624 million. The forecasted debt for the 2014-2018 period is \$198 million below the debt target, so that over the 10 year period, the TTC's capital plan and forecast is over the debt target by \$426 million.
- The Recommended 10-Year Capital Plan totals \$7.107 billion.
 - \$6.202 billion or 87% of capital funding is required to maintain the transit 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 category projects, total \$233 million, or 3%, and include the purchase of 36 Mark II SRT Cars.
 - \$381.277 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 \$319.161 million or 4% and include capital work for signal priority equipment for transit vehicles at signalized intersections and added commuter parking.
 - Growth projects total \$204.041 million, or 3%, and include \$137 million towards the development of an integrated ticketing system to satisfy conditions of Federal and Provincial funding.
- **Vehicles.**
 - Over the next five years, \$2.0 billion is projected to be spent on vehicle purchases, overhauls or maintenance. Of this amount, \$349.938 million is projected for the purchase of buses; \$728.481 million is projected for the purchase of 360 new subway cars; \$611.725 million is projected for the purchase of 204 Light Rail Vehicles to replace streetcars and \$138.658 is projected to be spent on 36 Mark II SRT cars for the Scarborough Rapid Transit line.
 - In the following 5 years, from 2014 to 2018, \$1.1 billion is projected to be spent on vehicle purchases, overhauls or maintenance. Of the \$1.1 billion: \$357.965 million is projected for the purchase of buses; \$81.191 million is projected for the purchase of new subway cars; \$593.156 million is projected to complete the purchase of the 204 Light Rail Vehicles to replace streetcars and \$82.357 is projected to complete the purchase of the 36 Mark II SRT cars for the Scarborough Rapid Transit line.
- **Structures.**
 - Over the next five years, \$2.0 billion is projected to be spent on maintaining or developing TTC buildings and structures. The \$2.0 billion estimate will address specific renewal or

building projects, Fire Ventilation upgrades (\$182.456 million), the Easier Access (Phase II & III) program (\$154.358 million), the Scarborough Rapid Transit conversion (\$220.638 million) the redevelopment of Kipling and Islington Subway Stations (\$30.702 million) and the first phase of the Warden redevelopment (\$16.645 million). In addition, \$209.816 million is projected for the rehabilitation and maintenance of 74 kilometres of structure, including bridges and tunnels; \$95.725 million for the maintenance of paved surfaces such as yards and roads; and \$68.794 million for equipment such as the Subway Escalator Overhaul program.

- Over the following five years from 2014 to 2018, \$923.948 million is forecast to be spent on maintaining or developing TTC buildings and structures. The forecast includes: Fire Ventilation upgrades (\$139.953 million), the Easier Access (Phase II & III) program (\$170.150 million), rehabilitation and maintenance of bridges and tunnels (\$274.115 million); and \$39.184 million for equipment such as the Subway Escalator Overhaul program.

- **Track**

- \$233.210 million is allocated for the replacement of track over the next five years. \$155.684 million is required for surface (streetcar) track replacement and \$77.526 million for subway track replacement.
- \$203.910 million is allocated for the replacement of track from 2014 to 2018. \$111.891 million is required for surface (streetcar) track replacement and \$92.020 million for subway track replacement.

- **All Other.**

- In the next 5 years, the remaining \$0.5 billion is projected to be spent on capital equipment projects, including: \$91.973 million for revenue and fare handling equipment (mainly the GTA Farecard project costs) and \$442.940 million for signal, electrical and communications systems (including the Yonge-University-Spadina Automatic Train Operation (YUS ATO) resignalling work).
- In the following 5 years from 2014 to 2018, remaining projects require \$0.4 billion, including: \$66.950 million for revenue and fare handling equipment (mainly the GTA Farecard project costs) and \$200.074 million for signal, electrical and communications systems.

- There are a number of significant projects which are not included in the 2009 Recommended Capital Budget; 2010-2013 Recommended Capital Plan and 2014 - 2018 Proposed Capital Forecast since they are beyond the base capital needs and are the subject of specific funding initiatives. These include the Spadina Subway Extension (\$2.2 billion in 2009-2013, \$2.6 billion total project cost), the Transit City Plan light rail network (\$5.2 billion in 2009-2013, \$10.5 billion total project cost), the Yonge North Subway Extension (\$1.2 billion in 2009-2013, \$2.4 billion total project cost) and the SRT Extension (\$0.5 billion in 2009-2013, total project cost \$0.9 billion) which may be eligible for funding from the Province's proposed MoveOntario 2020 program, the Waterfront Initiatives under the auspices of the Waterfront Revitalization Corporation (\$306.135 million in 2009-2013, total project cost \$537.503 million), the Bremner Streetcar Expansion (\$90.925 million

in 2009-2013, total project cost \$171.460 million) and phase 2 of the Warden Station Redevelopment (\$45.5 million in 2009-2013).

- This Recommended 5-Year Capital Plan incorporates a recommended reduction of \$287 million. In the 2008-2012 Approved Capital Plan, there was an recommended budget reduction of \$282 million over the 2008-2012 period. 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 TTC will identify specific project changes equal to this 5-year funding reduction total.

Multi-Year Debt Affordability Targets

The Recommended 10-year Capital Plan exceeds debt targets by \$624 million in the first five years and is below debt targets by \$198 million in the following five years. This includes \$63.637 million in the first five years (a total of \$18.151 million over the ten years) in self-liquidating debt funding on the purchase of buses through the Ontario Bus Replacement Program (OBRP). The cost of this debt will be reimbursed by the Provincial government annually. There is a significant funding shortfall even with the recommended City debt target of \$983 million for the 5-year period driven by the new LRT facility and vehicle purchases. The TTC's future debt funding is subject to review every year, taking into account future year commitments and funding from other levels of government. The cumulative Recommended 5-year Capital Plan and Proposed 5-Year Capital Forecast exceeds debt targets by \$426 million, including \$18.151 million in self-liquidating OBRP debt. The 5 year debt requirement is less than the 5-year amount as the TTC's debt requirements are below their debt targets for the years from 2015 to 2018 due to the planned purchases of buses, subway cars and SRT cars having been completed.

Project Financing

The current financing plan is based on aggressive, yet realistic, assumptions of funding from other governments. For instance, it assumes that Federal funding will continue (perhaps under the Building Canada Fund) after the first funding agreement under CSIF ends. However, discussions with the Provincial and Federal governments are ongoing and the City and the TTC expect that enhanced provincial and federal funding for vehicle replacement and growth requirements will reduce City debt and bring the TTC closer in line with City debt affordability. There is \$12.3 million in assumed Provincial funding and \$12.3 million in assumed Federal funding in 2009 and \$270 million in assumed Provincial funding and \$353 million in assumed Federal funding in the Recommended 5-year Capital Plan. In the Proposed 5-Year Capital Forecast, all project expenditures associated with these assumed funding sources are subject to funding commitments from the other two orders of government. In the 2014-2018 Proposed Capital Forecast, \$298 million is also assumed to come from Provincial funding and \$226 million in assumed Federal funding for long term rail vehicle requirements. The City is pursuing increased funding from the other orders of government to meet the need to renew the TTC's transit vehicle fleets and to reduce the City's share of transit capital funding to no more than one third. The split in funding from the three orders of government varies from 39% Provincial / 31% Federal / 30% City in 2009 to 24% Provincial / 23% Federal / 53% City in 2010. This trend is a result of funding from earlier Provincial programs running out and the Federal gas tax being reduced in future years. Further clarification will be needed as details of eligibility and timing of Provincial and Federal funding become available, particularly with respect to Metrolinx and Transit City Plan funding.

Program Capacity and Readiness to Proceed

The start up and completion of previously approved projects is a priority for TTC and these projects form the basis for the Recommended 5-Year Capital Plan and Proposed 5-Year Capital Forecast. The Recommended 5-Year Capital Plan and Proposed 5-year Forecast reflect the Program's goal to complete previously approved projects. Based on historical spending, this plan is realistic for the TTC to complete. The TTC has a specific workforce dedicated to capital projects. The TTC's 5-Year 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 and it also has its own specialized staff dedicated to planning for capital projects.

The Recommended 5-Year Capital Plan and Proposed 5-Year Capital Forecast represents a TTC prioritized package of capital work based on internal review and decision making, noting that revisions to capital work, based on readiness to proceed, 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 beyond the TTC's direct control.

Development Charge Funded Projects

The 2009-2013 Recommended 5-Year Capital Plan incorporates the development charge (DC) revenue which is expected to be available for transit growth projects over that time period. The City of Toronto's Development Charge Study has been updated in 2008. The \$111 million DC funding from 2009 to 2013 and \$167 million in funding from 2009 to 2018 is consistent with that revised study. Five of the eight on-going projects which are the basis for the study: the purchase of buses, streetcars, subway cars and SRT cars as well as maintenance facilities are included in the TTC's 2009 Recommended Capital Budget; 2010-2013 Recommended Capital Plan and 2014 - 2018 Proposed Capital Forecast. The other three DC fundable transit projects, the Union Station Second Platform, the East Bayfront LRT and the West Donlands LRT, are included in the Waterfront Initiative Capital Plan and Forecast.

10-Year State of Good Repair (SOGR) Backlog and Unmet Service Needs**State of Good Repair Backlog**

The Recommended 5-Year Capital Plan and Proposed 5-Year Capital Forecast provides funding for the TTC's current SOGR needs and creates no backlog. However, the unallocated reductions will result in less funding for SOGR projects and create a permanent deferral of expenditures from one year to the next. With recommended reductions of \$33 million in 2006, \$52 million in 2007 and \$59 million in 2008, this deferral of expenditures will total \$432 million by the end of 2013, representing 9.8% of the total capital budget.

Unmet Service Needs

The TTC has service needs which are not met by this budget, that are considered “below-the-line” projects. In other words these are projects which the TTC believes are necessary to meet its operational needs and to meet the increase in ridership growth which the TTC expects in coming years, but which exceed current funding capacity.

Transit City – The Transit City Plan (TCP) encompasses the construction of seven new Light Rapid Transit lines across the City of Toronto. The Provincial government has announced \$17.5 Billion in funding for its MoveOntario 2020 program that is anticipated to encompass all of the TTC’s seven Transit City light rail projects plus the extension of the Yonge Subway North and the extension of the SRT line. The Province committed to funding 2/3 of the MoveOntario 2020 program and encouraged the Federal government to fund the remaining 1/3. The Federal government, however, has not announced its intention to participate in funding Transit City. Consequently, this project is not considered to be funded and only \$17.1 million for essential design work in the first quarter of 2009 is included in the TTC’s 2009-2013 Recommended Capital Plan and 2014-2018 Proposed Capital Forecast. For a more detailed discussion of the Transit City Plan and the MoveOntario 2020 program, please see the 5-Year Plan Issues section of these notes.

Bremner Street Car Expansion -The secondary plan for the Central Waterfront includes the construction of an exclusive right-of-way on Bremner/Fort York Boulevard between Union Station and Exhibition Place. It has been determined that Light Rail Vehicles should use this right-of-way. The TTC has estimated the project, including the addition of four LRT cars, to cost \$195.5 million of which \$93.911 million is required for 2009 to 2013. No funding from other orders of government has been committed to this project.

Changes to the 5-Year Capital Plan (2008-2012)

| (\$ Millions) | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----------|---------|---------|-----------|---------|
| 2008-2012 Approved Capital Plan | 875.345 | 770.516 | 676.609 | 1,103.705 | 777.515 |
| 2009-2013 Recommended Capital Plan | 667.541 | 994.013 | 983.949 | 928.907 | 840.893 |
| Difference \$ | (207.804) | 223.497 | 307.340 | (174.798) | 63.378 |

This chart compares the 2009-2013 Recommended Capital Plan with the 2008-2012 Approved Capital Plan, which Council approved on December 11, 2007. The following is a summary of the most significant changes:

- **LRT Replacement Maintenance and Storage Facility** – Funding of \$23.795 million in 2009; \$96.854 million in 2010; \$143.034 million in 2011 and \$80.725 million in 2012, for a total of \$344.408 million from 2009 to 2013 has been added for a new LRT Replacement Maintenance and Storage Facility to maintain the new LRVs when they are to be delivered in 2012. It will meet the needs of the new vehicles which require facilities that allow access to the roof of the vehicle for maintenance and also require more width and length. The facility will also provide outdoor storage for 100 vehicles. The construction of a new LRT replacement maintenance and storage facility is a new project in 2009 and drives the 2009-2013 debt up by its cost of \$344.4 million (out of \$624 million).

- **Reduction in the Purchase of Buses** – The TTC has revised its bus fleet plan in the 2009 to 2018 planning period. The revised bus fleet plan increases the number of buses to be purchased in 2010 from 80 to 120 and in 2011 from 30 to 40. However, the number of buses to be purchased in 2012 has decreased and there are no longer any bus purchases planned after 2014. The total number of buses to be purchased from 2009-2018 has decreased from 715 in the 2008 fleet plan to 410 in the 2009 fleet plan as a result of the conversion of major bus routes along avenues such as Finch, Sheppard and Eglinton to LRV routes that will form the Transit City Plan. In addition, the McNicoll Bus Garage is no longer required.
- **Increased Cost Estimate for the Wilson Carhouse Modifications** – The funding required for the Wilson Carhouse Modifications has increased by \$39.340 million due to inflationary increases in materials and restrictions which the TTC has placed on contractors working in an active operating environment.
- **Revised Payment Schedule for 234 New Toronto Rocket Subway Cars** - Bombardier, the manufacturer of the new subway cars has agreed to a revised schedule of payments which primarily impacts the years 2009-2011. The current subway car cash flow funding reflects changes in the timing of payments, milestone changes, the delayed award and the timing of PST payments all of which result in the following year variances: a decrease in 2009 of \$37.250 million, an increase of \$76.766 million in 2010, a decrease of \$48.770 million in 2011 and an increase of \$8.325 million in 2012 for a net decrease of \$0.929 million.
- **Delay of the Purchase of Scarborough Rapid Transit (SRT) Cars** – The purchase of SRT cars has been deferred by two years in order that the delivery of the 36 new SRT cars coincide with the completion, in 2014, of the SRT conversion of track, stations and maintenance/storage facility. This results in a reduction in 2009 and 2010 of \$47.703 million and \$52.845 million respectively and an increase of \$31.459 million and \$81.615 million in 2013 and 2014 respectively. The total project cost will increase by \$17.160 million because of the deferred start date.

Capital Projects Highlights

Mayor's Mandate and Council's Policy Agenda:

The 2009-2013 Recommended Capital Plan and 2014-2018 Proposed Capital Forecast advances the following priority actions outlined in the Mayor's Mandate and Council's policy agenda:

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

There is \$1.205 billion in funding in the TTC's 2009-2013 Recommended Capital Plan and 2014-2018 Proposed Capital Forecast, with \$611.725 million in funding in the TTC's 2009-2013 Recommended Capital Plan 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. The procurement of these 204 vehicles will also provide the opportunity to address vehicle expansion requirements related to the Transit City Plan / MoveOntario 2020 and Waterfront initiatives. This project is conditional on funding from other orders of government.

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

There is \$14.983 million in funding in the TTC's 2009-2013 Recommended Capital Plan for the completion of the St. Clair Streetcar Right of Way in 2009. There is also \$24.072 million in funding for a Bus Rapid Transit (BRT) corridor on Yonge Street and \$16.184 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 December 2006, the TTC awarded a contract for the procurement of 234 new subway cars. The Recommended 5-Year Capital Plan includes \$419.868 million for this project, plus another \$308.613 million for the purchase of a further 126 new subway cars. As well, the Recommended 10-Year Capital Plan and Proposed Forecast has \$324.368 million, with \$251.068 million from 2009 to 2013, 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.

- *Other:*

The TTC is currently evaluating options for the future implementation of other transit-related priorities, such as developing a Metropass affinity program and creating a U-Pass for university and college students.

Other City Initiatives:

Climate Change and Clean Air Action Plan:

- Funding is included for green roofs at the Victoria Park Bus Terminal and the Wilson Carhouse.
- Funding is recommended for a new Energy Conservation, Efficiency and Demand Management project in the 2009 Recommended Capital Budget; 2010-2013 Recommended Capital Plan and 2014 - 2018 Proposed Capital Forecast. This project which requires \$3 million in 2009, \$15 million from 2009-2013 and \$30 million from 2009 to 2018 will involve designing and implementing energy management measures in various TTC facilities.

Summary of Major Capital Initiatives

The TTC's 2009-2013 Recommended Capital Plan and 2014-2018 Proposed Capital Forecast includes the following major capital initiatives:

| Project | Status | 2009 | 2010 | 2011 | 2012 | 2013 | 2009-2013 | 2014-2018 | 2009-2018 |
|--|--------|----------|----------|----------|-----------|----------|-----------|-----------|-----------|
| St. Clair Avenue Streetcar (completion delayed to 2009) | Change | 14,983 | - | - | - | - | 14,983 | - | 14,983 |
| YUS ATO Resignalling | 2008 | 29,739 | 38,277 | 43,535 | 70,717 | 68,800 | 251,068 | 73,300 | 324,368 |
| Bus Rapid Transit (BRT) - Spadina Subway to York University | 2008 | 16,424 | - | - | - | - | 16,424 | - | 16,424 |
| Bus Rapid Transit (BRT) - Spadina Subway to York University | Change | (6,815) | 6,575 | - | - | - | (240) | - | (240) |
| Bus Rapid Transit (BRT) - Yonge Street from Finch to Steeles | 2008 | 13,822 | 8,850 | 1,050 | - | - | 23,722 | - | 23,722 |
| Bus Rapid Transit (BRT) - Yonge Street from Finch to Steeles | Change | (11,222) | - | 9,947 | 1,625 | - | 350 | - | 350 |
| Fire Ventilation Upgrade | 2008 | 27,500 | 38,256 | 42,244 | 38,456 | 36,000 | 182,456 | 138,405 | 320,861 |
| Fire Ventilation Upgrade | Change | (5,000) | 8,744 | (3,494) | 1,194 | (1,444) | - | 1,548 | 1,548 |
| Easier Access Phase II | 2008 | 2,722 | - | - | - | - | 2,722 | - | 2,722 |
| Easier Access Phase II | Change | - | 1,036 | - | - | - | 1,036 | - | 1,036 |
| Easier Access Phase III | 2008 | 23,940 | 31,240 | 31,000 | 32,040 | 34,710 | 152,930 | 183,310 | 336,240 |
| Easier Access Phase III | Change | (13,940) | (4,240) | 6,600 | 5,560 | 3,690 | (2,330) | (13,160) | (15,490) |
| Kipling Station Improvements | 2008 | 13,098 | 7,619 | - | - | - | 20,717 | - | 20,717 |
| Kipling Station Improvements | Change | (5,932) | (5,879) | - | - | - | (11,811) | - | (11,811) |
| Islington Station Improvements | 2008 | 6,868 | 3,737 | 2,121 | - | - | 12,726 | 512 | 13,238 |
| Islington Station Improvements (increased scope) | Change | 807 | 5,166 | 3,097 | - | - | 9,070 | (512) | 8,558 |
| Warden - Phase I | 2008 | 9,100 | - | - | - | - | 9,100 | - | 9,100 |
| Warden - Phase I (completion delayed one year) | Change | - | 7,545 | - | - | - | 7,545 | - | 7,545 |
| Wilson Carhouse Modifications for NST | 2008 | 25,000 | 20,000 | 9,300 | - | - | 54,300 | - | 54,300 |
| Wilson Carhouse Modifications for NST (increased scope) | Change | (11,600) | 8,600 | 19,340 | 18,000 | 5,000 | 39,340 | - | 39,340 |
| Victoria Park Bus Terminal Replacement | 2008 | 14,980 | 10,230 | - | - | - | 25,210 | - | 25,210 |
| Victoria Park Bus Terminal Replacement | Change | 2,000 | (2,062) | 2,937 | - | - | 2,875 | - | 2,875 |
| Carhouse Modifications - New LRT Cars | 2008 | 4,000 | 5,000 | 10,000 | 10,000 | - | 29,000 | - | 29,000 |
| Carhouse Modifications - New LRT Cars (decreased scope) | Change | 922 | 2,574 | (9,500) | (9,500) | 500 | (15,004) | 2,500 | (12,504) |
| LRT Replacement Maintenance & Storage Facility | New | 23,795 | 96,854 | 143,034 | 80,725 | - | 344,408 | - | 344,408 |
| SRT Conversion | 2008 | 24,800 | 48,800 | 63,272 | 64,700 | 29,950 | 231,522 | - | 231,522 |
| SRT Conversion (schedule change and increased scope) | Change | (19,405) | (32,796) | (15,123) | 594 | 55,846 | (10,884) | 30,938 | 20,054 |
| Integrated Ticketing System - GTA Farecard Project | 2008 | 15,000 | 30,000 | 30,000 | 30,000 | 20,000 | 125,000 | 11,500 | 136,500 |
| Integrated Ticketing System - GTA Farecard Project (schedule change) | Change | (14,090) | (28,660) | (27,265) | (10,925) | 30,450 | (50,490) | 51,450 | 960 |
| Purchase of Buses (including Wheel-Trans vehicles) | 2008 | 127,093 | 77,918 | 37,327 | 54,742 | 55,207 | 352,287 | 368,717 | 721,004 |
| Purchase of Buses (including Wheel-Trans vehicles) | Change | (26,317) | 31,502 | 15,240 | (11,558) | (11,216) | (2,349) | (322,396) | (324,745) |
| Purchase of 234 Toronto Rocket Subway Cars | 2008 | 143,195 | 148,426 | 106,756 | 22,420 | - | 420,797 | - | 420,797 |
| Purchase of 234 Toronto Rocket Subway Cars - revision to sched. | Change | (37,250) | 76,766 | (48,770) | 8,325 | - | (929) | - | (929) |
| Purchase of 126 Subway Cars to Replace H6 | 2008 | - | 300 | 30,384 | 204,358 | 73,571 | 308,613 | 2,901 | 311,514 |
| Purchase of SRT Cars | 2008 | 47,703 | 53,092 | 34,371 | 67,875 | 404 | 203,445 | - | 203,445 |
| Purchase of SRT Cars (deferral of start of project) | Change | (47,703) | (52,845) | 16,068 | (11,766) | 31,459 | (64,787) | 82,357 | 17,570 |
| Purchase of Streetcars | 2008 | 43,948 | 50,686 | 69,791 | 333,178 | 175,864 | 673,467 | 520,029 | 1,193,496 |
| Purchase of Streetcars (Schedule Change) | Change | (6,987) | 42,419 | 167,441 | (259,335) | (5,280) | (61,742) | 73,127 | 11,385 |

St. Clair Avenue West Transit Improvements

Work on the St. Clair West dedicated transit way will continue in 2009 with \$14.983 million in funding for rehabilitation of the surface tracks along with customer services, operational and urban design improvements. This represents a \$4.9 million increase in the total project cost from the 2008-2012 Approved Capital Plan. The Recommended 5-Year Capital Plan provides for the completion of the St. Clair project in 2009, one year later than previously approved by Council.

Bus Rapid Transit (BRT)

The construction of the Bus Rapid Transit line from Downsview Station to York University requiring funding of \$9.609 million in 2009 and \$6.575 million in 2010 is now underway and is scheduled to be completed in 2010, representing a one year delay from the schedule foreseen in the 2008 Capital Budget. Funding of more than \$11 million for the Yonge St. BRT has been deferred from 2009 to 2010 and 2011. Total funding for the project is \$24.072 million from 2009 to 2013. The City is currently leading the EA work on this initiative. There is uncertainty about the need for this project, given the intention of Metrolinx to fund an extension of the Yonge St. subway north to Highway 7.

Kipling/Islington Station Redevelopment

On April 24 and 25, 2007, Council approved the sale of portions of City-owned property at 3326 Bloor St. West and 1226 Islington Ave. to SNC Lavalin for the redevelopment of the Islington subway station. The redevelopment of this land requires 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 regional terminal at the Kipling Subway station. In early 2008, SNC decided to end its partnership in this project. The cost of redeveloping the Islington subway station will be covered by \$17.5 million in funds from the Land Acquisition Reserve Fund, which will be recovered from the sale of the existing property with another approximately \$4.4 million coming from TTIP funding which has already been received from the Province. The City is currently pursuing other redevelopment options for the Islington site.

The Province, through GO Transit/Metrolinx, has taken ownership of the inter-regional bus terminal project at the Kipling Station. This terminal will serve GO Transit and Mississauga Transit whose operations will move from their current location at the Islington subway station. The total project cost of the Kipling Station Redevelopment project in the TTC's budget has been reduced by \$26.8 million to reflect this change in ownership. Given that the lead role in the Kipling Mobility Hub has been taken over by Metrolinx, in conjunction with the Regional Transportation Plan, the Province has further indicated that it will cover any other costs related to construction of the TTC parts of the project which currently have a total project cost of \$10 million.

GTA Farecard

The Provincial government has initiated a project which aims to have a single farecard which can be used seamlessly on all transit services in the GTA. A pilot project has begun which involves farecard machines in 5 TTC subway stations which serve as access points for riders from the other parts of the GTA under the Provincial initiative. The 2009-2013 Recommended Capital Plan includes \$0.910 million in 2009, \$74.510 million from 2009 to 2013 and an additional \$62.950 million is forecasted in the 2014 to 2018 period.

Bus Fleet Plan

In 2009, the TTC's fleet of buses, (excluding the purchase of Wheel-Trans vehicles); will be modernized with the purchase of 130 new diesel/electric hybrid buses at a cost of \$93.256 million. 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 TTC projects that the bus fleet will become 100% accessible by 2010. The average age of the bus fleet will be reduced from 14 years in 2003 to 5.6 years by the end of 2009 as a result of a significant number of life extended buses (22-24 years old) being replaced. The 2009-2013 Recommended Capital Plan and 2014-2018 Proposed Capital Forecast include \$320.202 million in funding for bus purchases beginning in 2009. By the end of 2008, the TTC will have a bus fleet of 1681 buses growing to 1,832 buses by 2012 in order to meet ridership growth. However, as Transit City Plan LRT lines come on stream, buses on those routes will be replaced by streetcars so that, by 2018, the bus fleet will have shrunk to 1549 buses. In total, 410 new buses are projected to be purchased throughout 2009-2018.

The reduction in the size of the bus fleet also impacts the plans for the construction of a new bus facility. The new Mount Dennis bus garage will open in November 2008. However, the next bus

facility, McNicoll, has been cancelled due to the planned decrease in the bus fleet as a result of the implementation of the Transit City Plan.

| TTC Bus Fleet Plan 2009- 2018 | | | | | | | | | | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Buses Available (Start Year) | 1,681 | 1,709 | 1,764 | 1,804 | 1,844 | 1,824 | 1,800 | 1,724 | 1,662 | 1,609 |
| less: Buses Retired | (102) | (65) | 0 | 0 | (60) | (64) | (76) | (62) | (53) | (60) |
| add: Buses Procured | 130 | 120 | 40 | 40 | 40 | 40 | 0 | 0 | 0 | 0 |
| Buses Available (End Year) | 1,709 | 1,764 | 1,804 | 1,844 | 1,824 | 1,800 | 1,724 | 1,662 | 1,609 | 1,549 |
| Bus Requirement | 1,738 | 1,767 | 1,791 | 1,832 | 1,799 | 1,775 | 1,699 | 1,637 | 1,584 | 1,524 |
| Contingency | (29) | (3) | 13 | 12 | 25 | 25 | 25 | 25 | 25 | 25 |

There is \$7.520 million in the 2009 Recommended Capital Budget, \$67.389 million in the 2009- 2013 Recommended Capital Plan and \$8.668 million in the 2014 to 2018 Proposed Capital Forecast for the purchase of 147 Wheel-Trans vehicles to replace the existing ELF vehicles and 51 additional vehicles for growth. Originally, all of the new vehicles were expected to be delivered by 2010. However, the delivery was delayed because of the difficulty of finding a suitable replacement vehicle. It is intended that a contract for new vehicles will be in place by the end of 2008. It is anticipated that the first 20 buses will be delivered in 2009 and that all of the 198 buses will be delivered by 2014.

Subway Car Fleet Plan

The 2009-2013 Recommended Capital Plan includes \$105.945 million in 2009, \$419.868 million from 2009 to 2012 and an additional total project cost of \$692.400 million for the purchase of 234 subway cars or 39 trainsets. Delivery is scheduled for 90 cars in 2010 and 144 cars in 2011.

It was expected that this purchase would provide enough cars to meet the projected increase in ridership until the next purchase in 2017 when the H-6 fleet was scheduled for replacement. However, in order to meet the increase in riders on the existing lines (which is happening at a faster than projected rate) by increasing capacity using such measures as ATO in preparation for additional ridership resulting from the construction of the extension of the Yonge subway line and to take advantage of optimal pricing on the existing contract option, the Commission decided to begin the replacement of the H-6 fleet in 2012. \$308.613 million is included in the 2009-2013 Recommended Capital Plan for the purchase of 126 subway cars for H6 replacement including \$0.3 million in 2010 to begin design work and \$30.384 million in 2011 and \$204.358 million in 2012 to complete the design and begin construction.

Scarborough Rapid Transit (SRT) Cars

More frequent SRT 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 36 cars, requiring the purchase of 8 additional SRT cars. The plan is to purchase 36 larger capacity Mark II cars designed to a three-car configuration. There is recommended funding in the 2009-2013 Recommended Capital Plan of \$138.658 million and funding over the 10-year planning horizon of \$221.015 million for this project.

Streetcar (LRV) Purchase

During 2007, the Commission finalized plans to buy 204 new Light Rail Vehicles (LRVs), 183 LRVs to replace the entire existing fleet and 21 new LRVs to accommodate anticipated growth. In addition, 132 existing streetcars will be overhauled to extend their lifespan and bridge the time period until all of the new streetcars are delivered. The TTC issued a Request for Proposals in 2008. Neither of the companies which responded were deemed to have submitted a compliant bid. Consequently, the TTC began the process again and is currently in negotiations with three streetcar manufacturers. Although the process has taken several months longer than planned, the TTC intends to keep to the original schedule and award the contract and make a first instalment payment in 2009 with the delivery of the first prototype vehicle in 2011.

The Recommended 5-Year Capital Plan includes amended cashflow funding of \$81.261 million in 2009, including \$44.300 million carried forward from 2008, for the payment required on execution of the initial contract, with total funding on streetcar purchases of \$656.025 million in the 2009-2013 period and \$1.249 billion in the 2009-2018 period.

The primary purpose of purchasing new LRVs is to replace vehicles that are at the end of their useful life with more reliable and efficient cars, instead of rebuilding older cars. These new vehicles introduce fully accessible light rail transit 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. As well, an option will be available to purchase additional cars to address other City-building initiatives such as the Transit City Plan and Waterfront Toronto LRT plans

| Light Rail Transit Vehicle Plans | | | | | | | | | | |
|---|----------------|--------------|--------------|--------------|--------------|--------------|------------------|------------------|------------------|----------------|
| (\$ Millions) | to 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2009-2013 | 2014-2018 | Post 2018 | Total |
| 2009-2013 Recommended Capital Plan | | | | | | | | | | |
| Streetcar Overhaul (132 Vehicles) | 8.8 | 8.9 | 9.1 | 9.1 | 0.0 | 0.0 | 27.2 | | | 36.0 |
| LRV Purchase | 2.5 | 81.3 | 93.1 | 237.2 | 73.8 | 170.6 | 656.0 | 593.2 | | 1,251.7 |
| Carhouse Modifications | | 4.9 | 7.6 | 0.5 | 0.5 | 0.5 | 14.0 | 2.5 | 40.4 | 56.9 |
| New LRV Maintenance & Storage Facility | 0.3 | 23.8 | 96.9 | 143.0 | 80.7 | 0.0 | 344.4 | | | 344.7 |
| Total Expenditures | 11.6 | 118.9 | 206.7 | 389.9 | 155.1 | 171.1 | 1,041.6 | 595.7 | 40.4 | 1,689.2 |
| LRT Vehicles Delivered | | | | 1 | 3 | 20 | 24 | 180 | | 204 |

* Note - \$44.3 million of 2008 funding for LRV purchase will be unspent and will be carried forward to 2009.

Operating Budget Impact 10-Year Plan & Forecast

Incremental Operating Impact Summary

| (In \$Thousands) | 2009 Rec. Budget | 2010 Plan | 2011 Plan | 2012 Plan | 2013 Plan | 5-Year Plan | 2014 -2018 Forecast | 2009-2018 Total |
|--|---------------------|--------------|--------------|--------------|--------------|----------------|------------------------|--------------------|
| 2009 Recommended Capital Budget | | | | | | | | |
| Program Costs (net) | 3,327.90 | | | | | 3,327.90 | | 3,327.90 |
| Approved Positions | 74.40 | | | | | 74.40 | | 74.40 |
| 2010-2013 Recommended Capital Plan | | | | | | | | |
| Program Costs (net) | | 3,031.40 | 1,844.00 | (100.40) | 232.90 | 5,007.90 | | 5,007.90 |
| Approved Positions | | 33.80 | 6.00 | (4.70) | (3.00) | 32.10 | | 32.10 |
| 2014-2018 Proposed Capital Forecast | | | | | | | | |
| Program Costs (net) | | | | | | | | |
| Approved Positions | | | | | | | | |
| Total | | | | | | | | |
| Program Costs (net) | 3,327.90 | 3,031.40 | 1,844.00 | (100.40) | 232.90 | 8,335.80 | | |
| Approved Positions | 74.40 | 33.80 | 6.00 | (4.70) | (3.00) | 106.50 | | |

Comments / Issues:

The 2009-2013 Recommended Capital Plan will increase future year Operating Budgets by a total of \$8.336 million net over the five-year period, with 40% or \$3.328 million of the increase impacting 2009. The City is working with the TTC to establish the incremental operating impact of the 2014 to 2018 Proposed Capital Forecast.

Total 2009 Recommended Cash Flow & Future Year Commitments Total 2009 Recommended Cash Flow & Future Year Commitments (\$000s)

| | 2007 & Prior Year Carry Forwards | 2009 Previously Approved Cash Flow Commitments | 2009 New Cash Flow Recommended | 2009 Total Cash Flow Recommended | 2009 Debt Target | 2008 Carry Forwards | Total 2009 Cash Flow (Incl 2008 C/Fwd) | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total Cost |
|--------------------------|----------------------------------|--|--------------------------------|----------------------------------|------------------|---------------------|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|------|------------------|
| Expenditures | | | | | | | | | | | | | | | | | |
| Previously Approved | | 581,629 | | 581,629 | | 82,169 | 663,798 | 596,803 | 478,764 | 179,949 | 202,875 | 202,341 | 139,807 | 142,396 | 68,509 | | 2,675,242 |
| Change in Scope | | | 6,247 | 6,247 | | | 6,247 | 1,125 | (23,767) | | | | | | | | (16,395) |
| New | | | | - | | | - | - | - | | | | | | | | 0 |
| New w/Future Year | | | 79,665 | 79,665 | | | 79,665 | 340,705 | 268,358 | 98,801 | 43,863 | 44,709 | | | | | 876,101 |
| Total Expenditure | - | 581,629 | 85,912 | 667,541 | - | 82,169 | 749,710 | 938,633 | 723,355 | 278,750 | 246,738 | 247,050 | 139,807 | 142,396 | 68,509 | | 3,534,948 |
| Financing | | | | | | | | | | | | | | | | | |
| Provincial Subsidy/Grant | | | | 259,166 | | 21,143 | 280,309 | 243,050 | 241,118 | 92,917 | 82,246 | 82,350 | 46,602 | 47,465 | 22,836 | | 1,138,894 |
| Federal Grants | | | | 208,822 | | 21,143 | 229,965 | 224,681 | 241,118 | 92,917 | 82,246 | 82,350 | 46,602 | 47,465 | 22,836 | | 1,070,181 |
| Reserves/Res Funds | | | | 24,302 | | | 24,302 | | | | | | | | | | 24,302 |
| Development Charges | | | | 38,500 | | | 38,500 | 30,700 | | | | | | | | | 69,200 |
| Other | | | | 20,776 | | | 20,776 | | | | | | | | | | 20,776 |
| Debt | | | | 115,976 | 200,000 | 39,883 | 155,859 | 440,202 | 241,118 | 92,916 | 82,246 | 82,350 | 46,602 | 47,465 | 22,836 | | 1,211,595 |
| Total Financing | - | - | - | 667,541 | 200,000 | 82,169 | 749,710 | 938,633 | 723,355 | 278,750 | 246,738 | 247,050 | 139,807 | 142,396 | 68,509 | | 3,534,948 |

Comments / Issues:

- The 2009 Recommended Capital Budget is \$749.710 million and provides funding carried forward from 2008 projects of \$82.169 million; previously approved commitment funding of \$581.629 million and \$85.912 million for new/change in scope projects.
 - Multi-year projects requiring 2008 carry forward funding due to delays include the purchase of streetcars, surface track replacement, replacement of Wheel-Trans vehicles, the Bus heavy rebuild program, the Birchmount Bus Garage Repair Bay modifications and the Easier Access II and III project.
 - An additional \$42 million is being carryforward from the Spadina Subway Extension project as a result of delays in engineering work and property acquisition.
- Approval of the 2009 Recommended Capital Budget will result in a commitment to future year funding for new/change in scope projects of \$341.830 million in 2010, \$244.591 million in 2011, \$98.801 million in 2012 and \$43.863 million in 2013 and \$44.709 million in 2014 which will encumber future years' spending.
- To fund 2009 recommended cash flow, the TTC will require debt of \$115.976 million in 2009, which is under the debt target by \$84.024 million. Funding for future year commitments from 2010 to 2018 is assumed to be split one third Provincial, one third Federal, and one third City on the basis of long term funding requirements.

2009 Recommended Capital Budget

| 2009 Recommended Capital Budget (Including Carry Forward Funding) (\$ Millions) | |
|--|--------------|
| Delivery of 130 Replacement Buses and Wheel-Trans Vehicles | 101 |
| Purchase of 234 Subway Cars (milestone payments) | 106 |
| Purchase of 204 LRV Streetcars (milestone payments) | 81 |
| Vehicle Overhaul Programs (Bus, Subway, SRT Streetcar) | 31 |
| Finishes, Equipment, Yards and Roads | 61 |
| Bridges and Tunnels | 44 |
| Easier Access II & III | 13 |
| LRT Replacement Maintenance and Storage Facility | 24 |
| SRT Conversion | 5 |
| Fire Ventilation Upgrade | 23 |
| Other Buildings and Structures | 42 |
| Kipling / Islington Redevelopment | 14 |
| Warden Redevelopment | 9 |
| Victoria Park Bus Terminal | 17 |
| Wilson Carhouse Modifications for New Subway Train | 13 |
| Subway Track | 17 |
| Surface Track | 36 |
| YUS Automatic Train Controls | 30 |
| Signals, Electrical and Communications | 44 |
| Computer Equipment and Software | 10 |
| Intelligent Transportation and Technical Systems | 10 |
| Environmental Programs | 14 |
| Other Projects | 52 |
| Total 2009 Capital Budget before Unallocated Reductions | 797 |
| Unallocated Reductions | (47) |
| Total 2009 Recommended Capital Budget | 750 |
| Less Carry Forward Funding | (82) |
| Funding | (634) |
| Debt Target | (200) |
| Debt Target - Over/(Under) | (84) |

2009 Recommended Capital Budget versus Debt Target

The 2009 debt affordability target for TTC was set at \$200 million. The 2009 Recommended Capital Budget requires debt funding of \$115.976 million, which is under the debt target by \$84.024 million. This amount of debt represents a 29% decrease from the \$163 million in new debt that was approved for 2008. The TTC is under its debt target in 2009 due to a \$47 million unspecified budget reduction and reductions in the 2009 cash flow requirements for a number of projects. The 2009 cash flow is lower in the 2009 Recommended Capital Budget than was originally projected in the 2008-2012 Capital Plan due changes in a number of projects. These changes include revisions in delivery schedules for subway cars, delays in the Easier Access III, Wilson Carhouse Modifications and SRT conversion projects and the delayed start of the SRT car purchase and Wheel-Trans vehicle purchase projects.

Capital Budget by Project Category

State of Good Repair sub-projects represent 83% of the funds allocated in the 2009 Recommended Capital Budget. The primary focus of the 2009 Recommended Capital Budget is the repair or replacement of aging vehicles, infrastructure and facilities.

Service improvement projects represent 10% of the funding included in the 2009 Recommended Capital Budget. The largest service improvement projects to proceed in 2009 include the reserved transit lanes on St. Clair Avenue project (\$15 million) and the Kipling / Islington Redevelopment project (\$21 million).

Expansion projects represent 4% of the 2009 Recommended Capital Budget's cash flow funding. The largest expansion projects for 2009 include the Bus Rapid Transit Lanes project which requires \$12 million and the Warden Redevelopment Phase I project which requires \$9 million.

Legislated projects account for 3% of the 2009 Recommended Capital Budget's cash flow funding. The Easier Access II and III projects are the largest Legislated projects, requiring \$13 million in 2009.

Capacity and Readiness to Proceed

The TTC's 2009 projects are 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 and it also has its own specialized staff dedicated to planning for capital projects.

PART II: ISSUES FOR DISCUSSION

2009 Recommended Capital Budget Issues

| TTC CAPITAL WORKFORCE | |
|---|----------------|
| 2009 Recommended Capital Budget | |
| 2008 Year-end Approved Positions | 1,187.0 |
| Additional Positions for 2009 | |
| Transit City (65 positions requested, none approved until funded) | 65.0 |
| Spadina Subway Extension | 1.0 |
| Construction | 21.0 |
| Engineering | 35.0 |
| Materials and Procurement | 3.0 |
| Plant | 15.0 |
| Completion of Mid-Life Bus Overhaul | (71.0) |
| ALRV Mid-Life Overhaul | 39.0 |
| Conversion of Contracted Services | 15.0 |
| Additional Vehicles included in Wheel-Trans Overhaul Program | 10.0 |
| Expansion of Tunnel Leak Program | 9.0 |
| Increase in scope of T1 Overhaul Program | 9.0 |
| Training Instructors for the new Toronto Rocket subway trains | 8.0 |
| Temporary Positions to retrofit fareboxes | 8.0 |
| Other Changes | 8.0 |
| 2009 Recommended Additional Positions | 175.0 |
| 2009 Year-End Positions | 1,362.0 |

There are 175 new positions being recommended. The 65 positions Transit City positions are subject to third party funding. These positions will be temporary until funding is confirmed.

Budget Submission

The TTC made a significant effort across the organization during 2008 to revamp its internal budget process so that it could align more closely with the City's budget schedule. This has involved moving the TTC's Capital Budget preparation, review and approval process ahead by three months so that the TTC's 2009 Capital Budget could be approved by the Commission in August rather than October or November as has been the past practice. While this change represents a very significant move, a key requirement remains that the City must receive budget documentation in compliance with the format and timing specified by the City. It is recommended that the TTC submit future capital budget submissions that reflect the recommended 10% budget reductions for the five year period, identifying specific project expenditure adjustments and including all required supporting documentation and financing by project. Without this confirmation, it is virtually impossible to assess the Capital requirements of the TTC in light of the City's debt affordability or exposures.

5-Year Capital Plan Issues

2009-2013 Unallocated Reduction

Annually, the TTC's Capital Budget includes an unallocated reduction, which represents ten percent of the total Capital Budget less committed vehicle purchases, to reflect a 90% spending rate for all other capital works. In addition to the unallocated reduction of \$47 million in 2009, the Recommended 5-Year Capital Plan reflects reductions of: \$63 million in 2010, \$62 million in 2011, \$58 million in 2012, and \$58 million in 2013. The total unallocated reduction over the 2009-2013 period is \$287 million. It is recommended that the TTC report back to Budget Committee as part of the June 30, 2009 Capital Budget Variance Report on specific reductions to accommodate anticipated under spending in 2009 of \$47 million.

5-Year Capital Plan Versus Debt Target

The debt requirements included in TTC's Recommended 5-Year Capital Plan are \$624.373 million greater than the debt targets set for this program, even after recommended reductions of \$287.390 million. Of this amount, \$63.637 million relates to the Ontario Bus Replacement Program. The debt service charges on this debt will be reimbursed by the Provincial government, so carrying this debt will not add to the City's operating budget pressure.

The TTC's 2009 Recommended Capital Budget is under the debt target by \$84 million due to a 10% unallocated budget reduction and due to several projects which have been delayed, with expenditures deferred into the following years. These deferred expenditures add to the significant amount by which the Capital Plan exceeds the debt targets in the following four years.

Of the total \$624 million over debt target in the 2009 to 2013 period, the new LRT Replacement Maintenance and Storage Facility accounts for \$344 million, or approximately half. The other half of the \$624 million over target can be attributed to vehicle purchases to replace existing fleets. The TTC has been life extending its various fleets for many years and is now in a position of having to replace all of its vehicle fleets at the same time. The City cannot sustain the sizeable debt funding requirements necessary to support the TTC's capital program. Efforts must continue toward obtain funding commitments from other orders of government for the TTC's base capital program needs for infrastructure and vehicles to ensure that the annual spending is within assigned debt targets.

Status of Provincial/Federal Cost Sharing

| TTC RECOMMENDED 2009-2018 CAPITAL PROGRAM REQUIREMENTS & SOURCES OF FUNDING | | | | | | | | |
|---|--------------------------|-------------|--------------|--------------|------------|------------|---------------|---------------|
| \$ Thousands | 2008 Carry Forward | 2009 | 2010 | 2011 | 2012 | 2013 | 2009- 2013 | 2009- 2018 |
| RECOMMENDED BUDGET | | | | | | | | |
| State-of-Good-Repair / Safety | 68 | 593 | 929 | 894 | 838 | 738 | 3,993 | 6,257 |
| Legislative | 3 | 21 | 43 | 53 | 44 | 43 | 204 | 381 |
| Improvement | 10 | 66 | 51 | 34 | 28 | 35 | 214 | 319 |
| Capacity Enhancement | - | 7 | 5 | 50 | 56 | 32 | 150 | 233 |
| Expansion | - | 27 | 30 | 14 | 21 | 50 | 141 | 204 |
| Vehicles | 56 | 299 | 526 | 390 | 450 | 381 | 2,045 | 3,180 |
| Infrastructure / Other | 26 | 416 | 531 | 656 | 537 | 518 | 2,658 | 4,215 |
| Total Gross - Base Capital Program Request | 82 | 715 | 1,057 | 1,046 | 987 | 899 | 4,703 | 7,394 |
| Unspecified Budget Reduction - City Applied | - | (47) | (63) | (62) | (58) | (58) | (287) | (287) |
| Recommended Capital Program Budget | 82 | 668 | 994 | 984 | 929 | 841 | 4,415 | 7,107 |
| Funding Sources | | | | | | | | |
| Ontario Bus Replacement Program (OTVP/OBRP) | - | 4 | 7 | 8 | 10 | 11 | 40 | 100 |
| Ontario Rolling Stock Infrastructure Funding | - | 22 | 9 | 0 | (0) | - | 32 | 32 |
| Golden Horseshoe Transit Investment Partnerships (GTIP/TTIP) | - | 4 | - | - | - | - | 4 | 4 |
| Provincial gas tax | - | 70 | 70 | 70 | 70 | 70 | 348 | 696 |
| Canada Strategic Infrastructure Fund (CSIF) | 6 | 34 | 37 | 11 | 10 | 17 | 108 | 129 |
| Capital Reserve | - | 57 | - | - | - | - | 57 | 57 |
| Bikelinx | - | 1 | - | - | - | - | 1 | 1 |
| Metrolinx Quick Wins | - | 55 | 88 | 67 | 149 | 77 | 436 | 437 |
| Long Term Funding Requirement | 15 | 12 | 31 | 96 | 43 | 87 | 270 | 568 |
| Total Provincial Funding | | 259 | 243 | 251 | 281 | 261 | 1,296 | 2,024 |
| Transit-Secure Funding | - | 3 | - | - | - | - | 3 | 3 |
| Base Federal Gas Tax - 5 cent (population) | - | 163 | 155 | 155 | 155 | 155 | 782 | 1,556 |
| Canada Strategic Infrastructure Fund (CSIF) | 6 | 31 | 39 | 11 | 10 | 17 | 108 | 129 |
| Long Term Funding Requirement (Building Canada Fund) | 15 | 12 | 31 | 106 | 111 | 92 | 353 | 579 |
| Total Federal Funding | | 209 | 225 | 272 | 277 | 264 | 1,245 | 2,266 |
| TTC internal (depreciation) | - | 21 | 23 | 23 | 21 | 22 | 110 | 222 |
| Other Reserves / Funding Partners | - | 24 | 14 | 8 | - | - | 46 | 46 |
| Development charges | - | 39 | 31 | 19 | 11 | 11 | 111 | 167 |
| Total Other Funding | | 84 | 68 | 49 | 33 | 33 | 267 | 435 |
| City Debt Target - CFO Recommended | - | 200 | 200 | 194 | 194 | 194 | 983 | 1,955 |
| Total City / Other Funding | | 284 | 268 | 244 | 227 | 227 | 1,250 | 2,390 |
| Funding Over debt target / (Under debt target) | 40 | (84) | 258 | 218 | 144 | 88 | 624 | 426 |
| OBRP Related Debt - Provincial SLD | - | 22 | 25 | 9 | 4 | 4 | 64 | 18 |
| Other Debt | 40 | (106) | 233 | 209 | 139 | 85 | 561 | 408 |

Government Funding Share of Gross Expenditures

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2009-2013 | 2009-2018 |
|------------------|------|------|------|------|------|-----------|-----------|
| Provincial | 39% | 24% | 26% | 30% | 31% | 29% | 28% |
| Federal | 31% | 23% | 28% | 30% | 31% | 28% | 32% |
| City | 42% | 27% | 25% | 24% | 27% | 28% | 34% |
| Over Debt Target | -13% | 26% | 22% | 15% | 11% | 14% | 6% |

Provincial Funding

Metrolinx

The Provincial government in March 2008, made approximately \$599 million in transit funding commitments and payments to the City. The Province provided \$206 million in one-time funding to the City from which \$57 million has been allocated to the TTC's 2009 Recommended Capital Budget. As well, under the Metrolinx QuickWins program, the Province provided the City with \$393 million for the Automatic Train Control project and funding for 2 subway car orders. Of this \$393 million, \$189 million provided full funding for the 2008-2012 period for the Automatic Train Control (leaving part of the project unfunded), \$93 million for one third of the 234 Toronto Rocket subway car order and \$104 million for one third of the H6 Replacement subway car order. As well, \$7.1 million was received to further preliminary work on the Transit City Plan. This cost-share funding, as well as funding received from the Provincial government in 2007 for the CSIF, TTIP and ORSIF funding

programs, were placed in reserve funds to be drawn on in future years as work on eligible projects progresses. Funds from all of these reserve funds will be used to fund projects included in the 2009 Recommended Capital Budget. Council authority is required each year to move these funds from the respective reserve funds to the Capital program.

It is recommended that Council approve transfers to capital funding from the following capital reserves (the amounts to include carry forward funding of 2008 unspent funds) of: \$69.600 million from the Provincial Gas Tax Revenues for Public Transit Reserve Fund (XR3018), \$33.072 million from the CSIF Reserve Fund (XR3020), \$4.375 million from TTIP Reserve Fund (XR3023), \$22.392 million from the ORSIF Reserve Fund (XR3024), \$55.444 million in Metrolinx funding from the MoveOntario 2020 Reserve Fund (XR3025), \$57.000 million in Capital Reserve funding also from the MoveOntario 2020 Reserve Fund (XR3025) and \$131.200 million from the Toronto York Spadina Subway Extension Working Capital Fund (XR3027).

Ontario Bus Replacement Program (OBRP)

In 2008, the OBRP funding program was changed by the Provincial government for the eight largest municipalities in Ontario. The percentage of conventional bus purchases that the Province would fund was increased from 24% to 33.3%. However, the payments will be spread over the 12 year assumed life of the buses. The result of this change in the program is that, in 2008, the City of Toronto will receive only \$4.4 million in OBRP payments for TTC bus purchases out of \$26 million in eligible funding to reflect the one year amortization on the value of the bus payments. This will require the City to debt finance the Provincial share. The remaining 11/12 will be paid to the City over the next 11 years. The Ministry of Transportation has committed to reimburse the City for its debt costs associated with this deferred revenue stream. Funding will be received in each of the 10 years of the Capital Plan and Forecast.

Proposed Funding Packages

TTC and City staff have had several discussions with senior staff in the Provincial and Federal governments about increased transit funding. The TTC and the City will continue to advocate for the Province to fund the costs of certain types of transit projects which can be linked by a common theme or initiative. During 2008, the TTC presented the Province with five transit project packages totalling \$1.7 billion. The packages were:

- **Yonge subway capacity** package (\$441.5 million) which includes projects that will improve capacity on the Yonge-University-Spadina subway line in preparation for the subway being extended north of Toronto such as the resignalling project, renovations to the Bloor/Yonge station and more subway trains.
- **Accessibility** package (\$192.2 million) includes projects such as the replacement of Wheel-Trans buses and the Easier Access projects to maximize the accessibility of the TTC's fleet.
- **SRT** package (\$409.5 million) includes the replacement of SRT cars and the SRT Conversion project.
- **Streetcar** package (\$552.6 million) proposes the replacement of 204 streetcars with LRVs.
- **GTA Farecard** (\$106.3 million) package which would provide funding for the increased cost of the Farecard project.

Of these five packages, the funding received in March 2008 from Metrolinx substantially addressed the needs expressed in the Yonge Subway Capacity package.

The TTC requires stable funding for its State of Good Repair projects so that it has funding capacity to undertake the expansion projects which the other orders of government are interested in funding. There are currently \$270 million in long-term provincial funding requirements which are assumed in the 2009-2013 Recommended Capital Plan for which no funding has been committed by the Provincial government.

Federal Funding

Spadina Subway Extension

In September, 2008, the Federal government signed the contribution agreement for the Toronto York Spadina Subway Extension project. This agreement commits the Federal government to providing \$622 million in funding in addition to the \$75 million which it has already provided. With the signing of this contribution agreement, the Spadina Subway Extension project is fully funded and can now proceed.

CSIF

In March 2008, the Federal government signed the CSIF contribution agreement under which it will provide the City with \$303 million in transit funding plus another \$47 million in funding for the GTA Farecard project when that project proceeds. Transport Canada set aside \$113 million in March of 2008 in order to facilitate initial claim payments to the TTC. The TTC made an initial claim of \$100 million. The City received the \$100 million payment for this claim in June 2008. The TTC will make another claim for the remaining \$13 million in the fall of 2008. The TTC has further expenditures which can be claimed under the Federal CSIF program, however, under the terms of the CSIF agreement, the TTC must submit an annual report for the Federal government's 2007-2008 year and undergo an annual audit before it can submit any further claims for 2008.

Gas Tax

The Federal Gas Tax funding has now been made permanent. The Federal Gas Tax allocation is based on the percentage of the City's population to the total Provincial population. Current gas tax funding is based on the 2001 census data. Starting in 2010, the annual funding will decrease from \$162.9 million to \$154.8 million. This results in a loss of \$73 million in Federal Gas Tax funding from 2010 to 2018, adding to the City's debt burden. The funding has been decreased due to a drop in the percentage that Toronto's population comprises of the total population of the Province based on the 2006 census versus the 2001 census.

Transit-Secure

Funding agreement amendments were also signed in 2008 under Round 3 and Round 4 of the Transit-Secure program. Under Round 3, \$6.430 million of funding was approved and under Round 4 there was another \$0.870 million in Federal funding.

There is currently \$353 million in funding toward the purchase of H6 replacement subway cars, streetcars and SRT cars which is assumed in the 2009-2013 Recommended Capital Plan but which has not been committed by the Federal government. It is recommended that the TTC and City staff continue discussions with the other orders of government on increasing funding for transit in the City

of Toronto in particular funding for State of Good Repair projects in order to ensure that the base program is fully funded before proceeding to free up funding for expansion projects.

Projects not previously in 2008-2012 Plan approved by Council:

- Construction of a Replacement Maintenance and Storage Facility for LRVs – As previously noted, the TTC has added \$344.408 million in costs for this facility to accommodate the 204 new LRVs which will begin to be delivered in 2011. This project adds considerable pressure and increases the TTC’s debt over target particularly in 2010 to 2012.
- There are 20 new projects in the TTC’s 2009-2013 Recommended Capital Plan in addition to the new LRT facility, as listed below.

2009 Recommended New Projects

| TTC - New Projects in 2009 | | | | | | | | | | | | |
|--|---------------|----------------|----------------|---------------|---------------|----------------|--------------|--------------|--------------|--------------|---------------|----------------|
| Project | 2009 | 2010 | 2011 | 2012 | 2013 | 2009-2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2009-2018 |
| Converting Wood ties to Concrete - subway | 275 | - | - | - | - | 275 | - | - | - | - | - | 275 |
| New Backboards in outdoor locations | 384 | - | - | - | - | 384 | - | - | - | - | - | 384 |
| Traction Power Substations | 100 | 150 | 500 | 2,000 | 500 | 3,250 | 500 | 2,000 | - | - | - | 5,750 |
| Shorting Switches | 200 | 220 | 220 | 230 | 230 | 1,100 | 240 | 240 | 250 | 250 | 260 | 2,340 |
| Subway Car PA Amplifier | 250 | 250 | 250 | 250 | - | 1,000 | - | - | - | - | - | 1,000 |
| Radio Antenna Modifications | 150 | 150 | 150 | 150 | - | 600 | - | - | - | - | - | 600 |
| Commuter Parking Lot CCTV | - | 300 | 360 | - | - | 660 | - | - | - | - | - | 660 |
| Scarlett Road Bridge | - | - | - | - | 5,000 | 5,000 | - | - | - | - | - | 5,000 |
| Collector Booth Renewal Program | 100 | 350 | 750 | 775 | 800 | 2,775 | 825 | 850 | 875 | 900 | 1,475 | 7,700 |
| Bremnew Streetcar Expansion Loop Design | 3,300 | 3,740 | - | - | - | 7,040 | - | - | - | - | - | 7,040 |
| LRT Replacement Maintenance & Storage Facility | 23,795 | 96,854 | 143,034 | 80,725 | - | 344,408 | - | - | - | - | - | 344,408 |
| New Streetcars Six 6 Overhaul | - | - | - | - | - | - | - | - | 300 | - | 4,220 | 4,520 |
| T1 Subway Cars - 20 Year Overhaul | - | - | - | - | - | - | - | - | 260 | 3,730 | 10,110 | 14,100 |
| Electric Flatcar - SEC | 750 | - | - | - | - | 750 | - | - | - | - | - | 750 |
| Electric Flatcar - Structure Inspection | 800 | - | - | - | - | 800 | - | - | - | - | - | 800 |
| Hydraulic/Hydro/Air Powerpacks | 500 | - | - | - | - | 500 | - | - | - | - | - | 500 |
| DC/AC Inverter Upgrade | 350 | - | - | - | - | 350 | - | - | - | - | - | 350 |
| Ballast Delivery Workcar | - | - | - | 250 | 4,250 | 4,500 | - | - | - | - | - | 4,500 |
| Fare Media Validation Equipment | 3,415 | 1,816 | - | - | - | 5,231 | - | - | - | - | - | 5,231 |
| ERP System Replacement | - | - | - | - | 500 | 500 | - | - | - | - | - | 500 |
| Energy Conservation, Efficiency & Demand Mgmt. | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 15,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 30,000 |
| Total New Projects in 2009 | 37,369 | 106,830 | 148,264 | 87,380 | 14,280 | 394,123 | 4,565 | 6,090 | 4,685 | 7,880 | 19,065 | 436,408 |
| Total New Projects in 2009 excl. LRT Facility | 13,574 | 9,976 | 5,230 | 6,655 | 14,280 | 49,715 | 4,565 | 6,090 | 4,685 | 7,880 | 19,065 | 92,000 |

Projects Excluded from the 2009-2013 Recommended Capital Plan and 2014-2018 Proposed Capital Forecast

Projects which are not included in the 10-year planning horizon include the following:

| Projects Which Are Not In The 2009-2013 Recommended Capital Plan | | | | | | | | | |
|--|----------------|----------------|------------------|------------------|------------------|------------------|------------------|-------------------|--------------------|
| Project | 2009 | 2010 | 2011 | 2012 | 2013 | 2009-2013 | 2014-2018 | 2009-2018 | Total Project Cost |
| Separate TTC Programs | | | | | | | | | |
| Spadina Subway Extension | 131,200 | 259,676 | 540,400 | 705,000 | 530,500 | 2,166,776 | 448,100 | 2,614,876 | 2,633,848 |
| Transit City | 123,913 | 734,680 | 1,121,597 | 1,099,232 | 1,977,851 | 5,057,273 | 5,071,086 | 10,128,359 | 10,145,104 |
| Total | 255,113 | 994,356 | 1,661,997 | 1,804,232 | 2,508,351 | 7,224,049 | 5,519,186 | 12,743,235 | 12,778,952 |
| Not Included in TTC Capital Plan | | | | | | | | | |
| MoveOntario 2020 | 10,200 | 135,245 | 438,292 | 609,850 | 681,477 | 1,875,064 | 1,746,203 | 3,621,267 | 3,622,862 |
| Waterfront Initiatives | 12,871 | 52,321 | 71,818 | 76,943 | 92,182 | 306,135 | 48,614 | 354,749 | 537,503 |
| Bremner Streetcar Expansion | 150 | 2,260 | 22,365 | 27,825 | 38,325 | 90,925 | 80,535 | 171,460 | 178,500 |
| Other | 21,193 | 38,421 | 67,006 | 71,224 | 55,235 | 253,079 | 219,089 | 472,168 | 469,864 |
| Total | 44,414 | 228,247 | 599,481 | 785,842 | 867,219 | 2,525,203 | 2,094,441 | 4,619,644 | 4,808,729 |

The Spadina Subway Extension

The TTC has plans for an extension of the Spadina Subway from Downsview station to the Vaughan Corporate Centre 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. Capital costs will be allocated on a 59.96% City / 40.04% Region split based on recognition of municipal boundaries and responsibilities and of shared system infrastructure. On September 5, 2008, the Federal government signed a contribution agreement which commits it to funding a total of \$697 million, of which \$75 million has already been paid. Council has approved the TTC using a total of \$225 million from the Move Ontario Trust fund for the years 2007 to 2010 in order to undertake essential immediate work on the Spadina Subway extension. This funding will cover various construction elements which must be completed as soon as possible in order to address critical path activities and minimize future costs. It is recommended that funding for \$206.028 million in 2009 cash flow and future commitments for the Spadina Subway Extension, with \$42.076 million in funding carried forward from 2008 and a subproject with a 2009 cash flow of \$89.124 and a future year commitment of \$74.828 million in 2010 be approved, given that the project is now fully funded.

While capital funding is in place, no funding has yet been identified for transitional or ongoing incremental operating costs the TTC will incur when this capital project is complete and the subway extension is operational.

Transit City

The TTC in March 2007 issued its Transit City Plan (TCP) which encompasses the construction of seven new Light Rapid Transit lines across the City of Toronto. In total, 120 kilometres of service would be added and communities from Scarborough to North York to Etobicoke would be served along with a possible addition of LRV service to the airport. By 2021, it is anticipated that the new lines would carry 175 million riders per year. The Transit City Plan will require gross expenditures in 2009-2013 of \$5.057 billion, and \$10.145 billion in total project costs. On June 15, 2007, the Provincial government announced \$17.5 billion in funding for its MoveOntario 2020 program. This funding would encompass all of the TTC's seven Transit City light rail projects. The Province committed to funding 2/3 of MoveOntario 2020 and encouraged the Federal government to fund the remaining 1/3. If this funding arrangement was agreed to, the City could proceed with implementing

the Transit City Plan. The Federal government, however, has not announced its intention to participate in funding Transit City. Also, no funding would be provided for the incremental operating costs the TTC will incur when these capital projects are complete and the Transit City Plan is operational.

The TTC received \$4.825 million in 2008 cash flow and commitments in its Approved 2008-2012 Capital Plan. A further \$7.1 million in funding was received from Metrolinx in 2008. In September 2008, Metrolinx announced its Investment Strategy. This document reconfirms Metrolinx intention to support Transit City, but no specific funding was announced. The TTC requires a further \$5.2 million in funding in 2008 to complete necessary work on Environmental Assessments and design work in order to keep the project moving. Transit City Plan requires \$123.913 million in 2009 to advance work on the three lines (Finch West, Eglinton Crosstown and Sheppard East) that the TTC has identified as its first priorities for Transit City implementation. In particular, \$17.1 million in funding is required to advance essential design work in the first quarter of 2009.

It is recommended that Council approve \$17.1 million in 2009 cash flow funding required to continue initial scoping and planning work for the Transit City Plan in the first quarter of 2009 and that, if Provincial funding of at least \$17.1 million has not been received by April 2009, the TTC reduce spending on other projects by \$17.1 million.

If the Transit City Plan is not put into place, the TTC will have difficulty keeping up with the demands of ridership growth. It will also mean that the TTC will not be able to achieve the Mayor/Council's priority to make streetcars and buses as speedy and reliable as the subway. Not proceeding with the Transit City Plan would also mean that the current TTC bus fleet plan will have to revert to previous bus fleet plans which called for an additional 335 buses to be purchased from 2015 to 2018. As well, the McNicoll Bus Garage project would have to be reinstated. It is recommended that the TTC in conjunction with City staff report back to Budget Committee when confirmation of Provincial and / or Federal funding for the Transit City Plan is received.

Metrolinx

The MoveOntario 2020 funding announcement also included two projects which were not in the TTC's Transit City Plan: the extension of the Yonge subway north to Highway 7 and the extension of the SRT to Malvern. To move these projects forward in 2009, funding of \$10.200 million would be required from Metrolinx. No funding is included for these projects in the TTC's Recommended 5-Year Capital Plan and 5-Year Proposed Capital Forecast.

Waterfront Initiatives

The Waterfront Regeneration Corporation has begun construction in the East Bayfront and the West Don Lands areas of the waterfront. The TTC has identified \$7.532 million in 2009, \$179.574 million from 2009 to 2013, and total project costs of \$497.750 million which would be required to provide light rail transit to these two areas of the waterfront as well as eventual service to the Portlands. Another Waterfront transit project is the construction of the second platform at Union Station, requiring \$5.339 million in 2009 and \$126.561 million in 2009 to 2013. The TWRC is responsible for funding these projects. Consequently, they are not included in the TTC's 2009-2013 Recommended Capital Plan.

Other Issues**New Streetcar (LRV) Purchase**

This project was approved by Council at a total project cost of \$1.25 billion 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. No funding has been secured from the other two orders of government. The TTC will continue to work with the Provincial Ministry of Transportation and Metrolinx to obtain vehicle funding, and in particular, funding for the LRV purchase. It is recommended that the TTC report back to Budget Committee when it receives confirmation of funding for the purchase of 204 new Light Rapid Transit Vehicles, which is 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.

SRT Cars

Similar to the LRV purchase, the purchase of SRT cars requiring \$221.015 million does not have a funding commitment from the Provincial or Federal governments. Consequently, it is recommended that the TTC report back to Budget Committee when it receives confirmation of funding for the purchase of 36 SRT cars and that the TTC not sign contracts for the purchase of SRT cars until the project has received two-thirds Provincial or Federal funding.

H6 Subway Cars

There is \$308.613 million included in the 2009-2013 Recommended Capital Plan for the purchase of 126 subway cars for H6 replacement including \$0.3 million in 2010 to begin design work and \$30.384 million in 2011 and \$204.358 million in 2012 to complete the design and begin construction. No commitments have been made for this project in the 2009-2013 Recommended Capital Plan, although one third funding for this project has been received from the Province.

5-Year Capital Forecast Issues

GTA Farecard

The Provincial government has introduced its Presto farecard which can be used by transit passengers across the various GTA transit systems. A pilot project has begun which involves having farecard machines available in 5 TTC subway stations which serve as access points for riders from the other parts of the GTA. Planned expenditures on the TTC farecard project have been reduced by \$80 million in the 2009 to 2012 period with \$30 million moved to 2013 and another \$50 million moved to 2014. This represents a four year delay in the start of the project, with farebox replacement now slated to start in 2012. The total project cost of \$139.771 million reflects the CSIF commitment. The cost of this project has increased considerably since it was first planned. The final cost could be as high as \$364 million. The additional funding of as much as \$224 million for the remaining scope of this project is excluded from the TTC's Capital Forecast. Funding of \$46.7 million under the Federal CSIF program depends on the TTC delivering its farecard business case to Transport Canada within a year of the signing of the CSIF agreement. The TTC currently plans to meet this deadline by delivering the business case in the first quarter of 2009.

Issues Referred to the Budget Process

While these briefing notes were being prepared, the TTC Commission, at its October 23, 2008 meeting, approved changes to project costs for the purchase of 40 foot buses and also for the purchase of specialized paratransit buses for Wheel-Trans. The TTC also approved staff participation in the public consultation process regarding the Yonge Subway Northerly Extension. None of these changes is reflected in these notes. These issues are referred to the 2009 Capital Budget process.

Appendix 1

2009 Recommended Capital Budget; 2010 to 2013 Plan and 2014 to 2018 Forecast

Appendix 2

2009 Recommended Cash Flow and Future Year Commitments

Appendix 3
2009 Recommended Capital Projects
with Financing Details

Appendix 4

Reserve / Reserve Fund Review

| Reserve / Reserve Fund Name (In \$Thousands) | Projected Balance as of December 31, 2008 | Proposed Withdrawals | | | | | | | | | | 2009-2018 Total |
|---|---|----------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|--------------------|
| | | 2009 Rec. Budget | 2010 Plan | 2011 Plan | 2012 Plan | 2013 Plan | 2014 Fore. | 2015 Fore. | 2016 Fore. | 2017 Fore. | 2018 Fore. | |
| XR2025 DEVELOPMENT CHARGES RF - TRANSIT | 66,171.9 | 38,500.0 | 30,700.0 | 18,900.0 | 11,300.0 | 11,300.0 | 11,300.0 | 11,300.0 | 11,300.0 | 11,300.0 | 11,300.0 | 167,200.0 |
| XR1708 LAND ACQUISITION RF - TTC | 6,581.1 | | | | | | | | | | | |
| XR3018 PROVINCIAL GAS TAX REVENUES - PUBLIC TRANSIT | 2,290.8 | 69,600.0 | 69,600.0 | 69,600.0 | 69,600.0 | 69,600.0 | 69,600.0 | 69,600.0 | 69,600.0 | 69,600.0 | 69,600.0 | 696,000.0 |
| XR3020 CANADA STRATEGIC INFRASTRUCTURE RF | 113,883.4 | 33,700.0 | 37,402.0 | 10,569.0 | 9,974.0 | 16,817.0 | 20,983.0 | | | | | 129,445.0 |
| XR3021 PUBLIC TRANSIT CAPITAL TRUST RF | 3,056.0 | | | | | | | | | | | 0.0 |
| XR3022 ONTARIO BUS REPLACEMENT PROGRAM RF | 323.2 | 323.2 | | | | | | | | | | 323.2 |
| XR3023 TRANSIT TECHNOLOGY INFRASTRUCTURE PRG RF | 203.4 | 4,375.0 | | | | | | | | | | 4,375.0 |
| XR3024 ONTARIO ROLLING STOCK INFRASTRUCTURE RF | 18,383.9 | 22,392.0 | 9,496.0 | | | | | | | | | 31,888.0 |
| XR3025 MOVEONTARIO 2020 RF | 460,764.0 | 55,444.0 | 88,420.0 | 66,549.0 | 148,869.0 | 76,833.0 | 567.0 | 468.0 | | | | 437,150.0 |
| XR3027 TORONTO YORK SPADINA SUBWAY EXTENSIONWCF | | 131,200.0 | 74,828.0 | | | | | | | | | 206,028.0 |
| Total Reserve / Reserve Fund | 671,657.7 | 355,534.2 | 310,446.0 | 165,618.0 | 239,743.0 | 174,550.0 | 102,450.0 | 81,368.0 | 80,900.0 | 80,900.0 | 80,900.0 | 1,672,409.2 |