

TORONTO TRANSIT COMMISSION REPORT NO.

MEETING DATE: March 24, 2010

SUBJECT: TORONTO-YORK SPADINA SUBWAY EXTENSION PROJECT -
REQUEST FOR FULL PROJECT COMMITMENT APPROVAL

ACTION ITEM

RECOMMENDATION

It is recommended that the Commission:

1. Approve an increase of \$2.149 billion in project approval for the Toronto-York Spadina Subway Extension (TYSSE) Project.
2. Forward this report to the City of Toronto with a request for additional in-year project cost commitment of \$2,148.829 million on this fully funded, stand-alone project to be forwarded for City Council approval, bringing the total commitment up to the approved project cost for the TYSSE Project to \$2,634.171 million.

FUNDING

Funding for the TYSSE Project was included in the TTC 2010-2014 Capital Program budget on pages 1439-1442 as approved by City of Toronto Council on December 8, 2009.

The TYSSE Project is a fully funded project, jointly funded by the Government of Canada, the Province of Ontario, the City of Toronto and the Regional Municipality of York.

The Government of Canada has committed \$697 million from the Public Transit Capital Trust, of which \$75 million was deposited into the Move Ontario Trust. In order to receive the remaining balance, the City of Toronto and York Region entered into a Contribution Agreement with the Federal Government signed on September 5, 2008.

The Province of Ontario provided \$870 million for the Toronto-York Spadina Subway Extension Project, which has been deposited into the Move Ontario Trust, including Trust earnings and the \$75 million from the Government of Canada total Trust funding is anticipated to be \$1,134.1 million.

The City of Toronto and the Regional Municipality of York have committed to fund one-third of the total project costs. Council granted authority on the City of Toronto contribution to the project of its share (59.96%) of the one-third municipal funding of the project (on May 23, 24 and 25, 2007 *Spadina Subway Extension - Update*) and granted

authority to execute a Contribution Agreement with the Federal Government and that appropriate City staff be authorized to take all necessary actions to give the effect thereto (June 23 and 24, 2008 *Toronto-York Spadina Subway Extension – Capital Funding Update*).

BACKGROUND

Approval for projects is normally received through the budget process, however in-year approval can be sought where requirements change or are determined to exist over and above those received through the budget process. Through the 2010-2014 Capital Budget process, the level of project approval (or project cost commitment) as granted by Council in its approval of the capital plan on December 8, 2009, was limited to \$485.3 million which covers only the current year (2010) cashflow plus a portion (25%) of the 2011 cashflow. In retrospect, the budget request should have been made for full estimated final cost (EFC) project approval, which is generally accepted for this type of project (finite, stand-alone and significant future year commitments required). The level of approval that was granted (\$485.3 million) is insufficient to address the needs of a project of this nature, particularly with the critical path schedule requirements to ensure completion of the project by 2015. Full project commitment approval is required to cover the full EFC of the TYSSE Project, to ensure that activities may proceed as scheduled and to award contracts in 2010 and early 2011 which will commit to significant future year expenditures. Without this level of approval, project activities will be constrained, the project schedule will be impacted as a result of additional time associated with seeking additional in-year 'piecemeal' approvals which would otherwise need to be sought from Council as each major contract is brought forward for award.

DISCUSSION

It is anticipated the TYSSE Project will award seven major contracts for stations, tunnels and subway cars during 2010 with an estimated total value in excess of \$1.3 billion and contract durations in excess of three years. The TYSSE Project currently has project approval through the 2010 Capital Program budget process which will restrict expenditures, including the budget commitments of contract awards, to the cash flow budgeted for 2010, plus an additional 25% of that budgeted in 2011 in the amount of \$376 million. Without full project commitment approval, Commission and City Council approvals will be required for each of these contracts and subsequent contracts which will have negative impacts on the project schedule and may result in significant delay costs to the project.

The TYSSE Project has now reached the stage where budget approval through the annual Capital Program budget process no longer meets the needs of the project delivery strategy and full project commitment approval is required.

JUSTIFICATION

Without full project commitment approval, Commission and City Council approvals will be required for the tendering and awarding of each major contract which will have a significant negative impact on the project schedule and risk to the total project costs.

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