Sheppard Subway Extensions

Analysis of Funding Options for TTIL and the City of Toronto

Executive Committee Meeting

February 13, 2012

Background

Two key questions when funding a large capital project:

- Where will the money come from?
  - Cash in hand + debt that can be raised
- What types of revenue can support the investment?

Scope of our analysis:

- Assess the following funding sources:
  - Contributions from the Provincial and Federal governments
  - Selling City owned properties in the Sheppard corridor
  - Revenue bonds supported by:
    - Incremental property tax along both Sheppard and Eglinton-Scarborough corridors
    - Special City wide transit related development charges
  - Project debt must <u>not</u> be guaranteed by the City
- Analyze “traditional” and Public-Private Partnership (“P3”) approaches
- If a gap remains, identify other potential funding sources

Project Overview

Total project cost estimated to be $4.3 billion (nominal)

- $2.7 billion for East Extension
- $1.6 billion for West Extension
- Long term operations and maintenance costs excluded due to data availability

The analysis focused on 7 year construction period for the East Extension

Funding Sources

Federal government contribution of $333 million previously committed

- PPP Canada could provide additional funds
- City could pursue a “federal guarantee”, as recently provided for Lower Churchill hydro project in Labrador

Savings from Eglinton-Scarborough project of $650 million

Estimated value of real estate in the corridor $221 million

Estimated bond proceeds:

- $156 million from incremental taxes
- $292 million from development charges
- More up front capital could be raised if:
  - Debt was guaranteed; and/or
  - More secure revenue source(s) were used

Summary of Funding Requirements for Sheppard East

“Traditional” approach

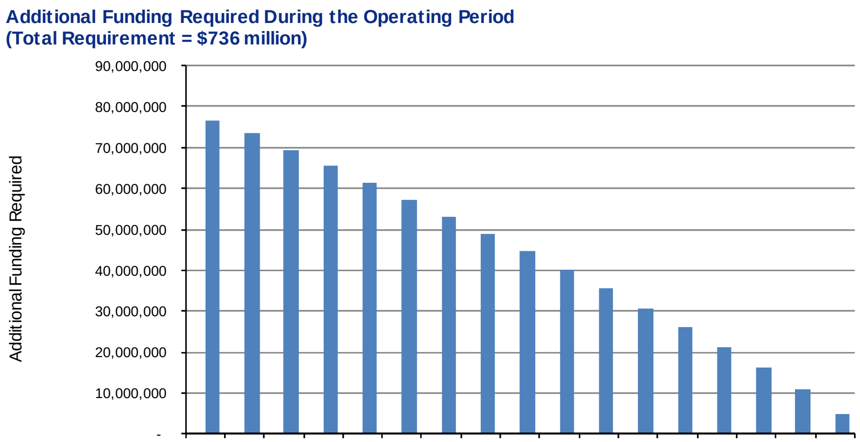
- Estimated $914 million of additional funds needed throughout construction (ie, years 1-7)
- However, the City benefits from significant incremental cash flow during operations

Concession P3

- Estimated $739 million of additional funds needed throughout construction
- $0 additional cash flow during operations

“Availability Payment” P3

- $0 throughout construction
- Estimated $736 million needed in years 8-24 to offset developer payments
- Remaining surplus cash flow retained by the City



Other Funding Sources

Other potential sources of funding for consideration include:

- Zone based tolls (eg, London)
- Expressway tolls (eg, Highway 407)
- High-occupancy toll lanes (eg, San Diego Fas Trak)
- Vehicle Kilometers traveled (eg, Germany)
- Parking sales tax (eg, San Francisco)
- Parking space levy (eg, Sydney)
- Regional sales tax (eg, New York City)
- Gasoline tax (eg, British Columbia)
- Passenger vehicle charges (eg, Quebec)
- Employer/payroll taxes (eg, Oregon)

Future cash flows could either be monetized or used to offset future payment obligations