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2021 CAPITAL BUDGET BRIEFING NOTE

Impact of Intergovernmental Funding on TTC Capital Projects and Delivery

Issue / Background:

This briefing note responds to the Budget Committee's request made at its January 21, 2021 meeting, for the Chief Executive Officer of the Toronto Transit Commission, in collaboration with the City's Chief Financial Officer and Treasurer, to prepare a briefing note outlining:

- Impacts that will result from the absence of requested federal and provincial capital funding commitments in 2021 for the Toronto Transit Commission, including but not limited to impacts on vehicle procurement plans, State of Good Repair (SOGR) backlog or planned capital delivery.

Key Points:

- The TTC's Capital Investment Plan details its capital needs necessary to maintain the \$19.4 billion in transit assets in a state of good repair and to improve capacity over a 15-year period, clearly identifying what is funded and not funded and the risk of not funding these investments.
 - TTC's Board-approved 2021-2035 Capital Investment Plan (CIP) has identified \$37.8 billion in capital funding requirements for the existing multi-modal transit system over the next 15 years.
 - Approximately \$23.2 billion of this remains unfunded based on current levels of City, provincial and federal funding included in the 10-Year Capital Budget and Plan extended to years 11 through 15.
- With this increased understanding of TTC's critical SOGR needs, City Council allocated an additional \$4.7 billion in TTC's 2020-2029 Capital Budget and Plan during the 2020 Budget process, made possible by Council's approval of the dedicated tax levy increase used to fund the City Building Fund.
- Of this amount,
 - \$0.5 billion was allocated to funding the City's one third share of the Bloor-Yonge Capacity Improvement Project;

- \$3.1 billion was allocated to critical subway SOGR capital works; funding to begin Line 1 and Line 2 Capacity Improvement projects and Automatic Train Control (ATC) Line 2; and,
 - \$1.1 billion as the City’s share towards the procurement of vehicles required for end-of-life replacement and to address projected increases in population, employment and travel time due to traffic congestion, providing a total of \$1.58 billion of approved capital funding.
- In October 2020, the TTC Board approved a Fleet Procurement Plan laying out TTC’s fleet needs for all 4 modes.
 - The City and TTC are seeking partnership funding for the procurement of new vehicles over the next 10-15 years.
 - Approximately \$3.9 billion in federal and provincial government funding will leverage City funding of \$1.58 billion to accelerate the procurement of new subway, bus and streetcar vehicles and related electric charging systems.
 - Securing partnership funding for new vehicles will enable the TTC to purchase 80 new subway trains, 60 new streetcars, 512 new Wheel Trans buses and 1,422 new buses required to address fleet retirement and future growth.
 - Full funding of these vehicle programs will enable the TTC to begin the replacement of its legacy fleet. The TTC is well positioned to advance procurements of vehicles in 2021 with partnership funding, supporting economic recovery goals.
 - The following table summarizes the fleet and funding requirements, and the key decision timeline to secure funding for the procurement plan implementation.

Table 1.0 TTC’s Fleet and Funding Requirements

Vehicle Requirement	Total Cost	Funded	Quantity	Unfunded	Quantity	Decision Timeline
60 Streetcars	\$500 M	\$140 M	13	\$360 M	47	Q1 2021
80 Subway Trains	\$2.24 B	\$622 M	0	\$1.61 B	80	Q2 2021
512 Wheel Trans Buses	\$206 M	\$48 M	70	\$158 M	442	Q1 2021
1,422 Buses	\$2.05 B	\$688 M	600	\$1.36 B	822	Q2 2021
Electric Vehicle Charging Infrastructure	\$498 M	\$ 79 M	n/a	\$419 M	n/a	Q2 2021
Total	\$5.49 B	\$1.58 B		\$3.91 B		

- In the absence of provincial and federal funding:
 - The TTC will not have sufficient funding to procure all fleet requirements by mode by their end of life or accommodate future growth. This will impact TTC's ability to provide safe and reliable service.
 - Additional funding would be required for overhaul programs which already is unfunded beyond 2023. Extending the fleet beyond their useful life would simply defer the need for procurement which does not provide the best value solution.
 - The TTC would need to assess whether or not to proceed with utilizing the full City share of funding for procuring one or more modes;
 - If the TTC proceeds to utilize City funding in the absence of funding commitments from the other orders of government, the City's share may not be recognized due to incrementality rules.
 - Other capital works may need to be deferred.
 - In the absence of funding, fleet procurements will continue to be unfunded and should we have to defer other capital work, the resultant impact would contribute to the TTC's SOGR backlog as referenced on page 24 in the 2021 Operating Budget & 2021-2030 Capital Plan Budget Notes.

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Date: February 1, 2021