



**STAFF REPORT  
ACTION REQUIRED**

**Purchase of 204 Light Rail Vehicles (LRVs) - TTC Capital Funding**

<b>Date:</b>	June 25, 2009
<b>To:</b>	City Council
<b>From:</b>	City Manager Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	

**SUMMARY**

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The purpose of this report is to seek Council authority to confirm the City’s original dedication of \$417 million in debt funding to the TTC’s 204 LRV acquisition capital project and to reallocate an additional \$417 million in debt funding to the LRV acquisition capital project from various TTC capital projects as identified in Appendix A of the attached communication from the TTC in order to replace the 1/3 Federal government funding that was budgeted for this project and is not forthcoming. The Province of Ontario has confirmed its commitment to fund its 1/3 share of the LRV purchase.

**RECOMMENDATIONS**

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**The City Manager and Deputy City Manager and Chief Financial Officer recommend that:**

1. City debt financing replace the one third federal funding budgeted for a total City debt funding amount of \$834 million for the TTC Capital Project No. CTT122 “Purchase of 204 Light Rail Vehicles (LRVs)”.

2. In order to not increase the net debt for the City of Toronto's 2009 to 2018 Capital Plan, Council authorize the reallocation of debt funding in the amount of \$417 million from TTC capital projects that are to be deferred beyond 2018, as outlined in Appendix A of the attached communication from the Chief General Manager of the TTC.
3. Council authorize the City Manager and the Deputy City Manager and Chief Financial Officer to take the necessary actions to give effect thereto.

### **FINANCIAL IMPACT**

The TTC capital project for the purchase of 204 LRVs, at a total cost of \$1.251 billion, was budgeted with one third funding from each of the three orders of government, with each equally contributing \$417 million. Provincial funding has been confirmed and the City's share, to be funded by debt, was approved by City Council in its 2009 to 2018 Capital Plan for the TTC. It has now been confirmed that federal funding will not be forthcoming for this project and will require that federal funding be replaced with City debt financing.

In order that net debt for the City of Toronto's 2009 to 2018 Capital Plan not increase, debt funding of \$417 million approved in the TTC's 2009 to 2018 Capital Plan will be reallocated from 6 capital projects which will be deferred from 2012 – 2018 to beyond the 2018 time horizon.

Any future funding for these deferred projects will be considered as part of the 2010 Capital Budget process.

### **DECISION HISTORY**

At its December 10, 2008 Special Meeting, Council approved the City's 2009 – 2018 Capital Plan. Included in that capital plan was the TTC's requirement for 204 new low floor light rail vehicles to replace the TTC's aging fleet of streetcars, to provide for natural ridership growth and congestion relief efforts. In approving the capital plan Council passed the following recommendation:

“162. The TTC report back to Budget Committee when it receives confirmation of the 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 the TTC not enter into any long-term commitments before such funding is confirmed.”

## **COMMENTS**

In December 2008, City Council voted unanimously to support the request that the federal government provide 1/3 funding to support the purchase of replacement streetcars. In April 2009, the Federal Government's stimulus program was announced, and Toronto put forward the streetcar replacement project because of the unanimous December resolution.

The TTC Commission recommended at its April 27, 2009 meeting that the procurement of the 204 LRVs valued at \$1.251 billion be awarded to Bombardier. Prior to and subsequent to the award, staff from the TTC and the City worked to secure the required one-third cost shares from the Provincial and Federal Governments.

On June 19, 2009 the Premier of Ontario and the Mayor announced the Provincial and City one third share of funding for this project. The funding committed by the Province is inclusive of its share of the stimulus package. On June 20, 2009 a letter was received from the Federal Minister of Transport, Infrastructure and Communities notifying the City that the purchase of LRVs capital project did not fit the criteria for Federal stimulus funding and that the Federal government would not be contributing to the purchase of the LRVs.

The prices included in Bombardier's bid for the LRV purchase will expire on June 27, 2009 unless the TTC can confirm it has the full \$1.251 billion of funding in place to make the commitment for the entire purchase. In order to make this commitment the City must confirm its commitment to the \$417 million in debt already approved in the 2009 to 2019 Capital Plan (as it was conditional on the other sources of funding) and to confirm that the City will commit an additional \$417 million in debt funding for this project. To ensure that no new debt is introduced into the 2009 to 2018 Capital Plan at this time, the TTC has put together a list of debt-funded projects which will be deferred from the 2012 – 2018 time period to beyond the 10 Year Capital Plan in order to maintain the debt levels approved by Council. The list of capital projects to be deferred is outlined in Appendix A of the communication from the General Manager of the TTC.

City staff will endeavour to accommodate the displaced projects in the 2010 – 2019 Capital Plan that will be presented to Council later this year.

**CONTACT**

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**SIGNATURE**



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Joseph P. Pennachetti  
City Manager

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Cam Weldon  
Deputy City Manager and Chief Financial Officer

**ATTACHMENT**

Communication, Chief General Manager, TTC

# TORONTO TRANSIT COMMISSION



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June 25, 2009

Mr. Joe Pennachetti  
City Manager  
City of Toronto  
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City Hall, 11th Floor, East Tower  
Toronto, Ontario  
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Mr. Cam Weldon  
Deputy City Manager & Chief Financial Officer  
City of Toronto  
100 Queen Street West  
City Hall, 7<sup>th</sup> Floor, East Tower  
Toronto, Ontario  
M5H 2N2

Dear Mr. Pennachetti and Mr. Weldon:

This letter is to request that you take the necessary action to confirm the TTC has funding commitments sufficient to permit the award of a contract to purchase 204 Light Rail Vehicles (LRV's) to Bombardier Transportation Canada Inc. at a net project cost of \$1.251 billion.

At its April 27, 2009 meeting, the TTC conditionally awarded this contract to Bombardier subject to receipt of funding commitments.

The 2009-2018 Capital Plan approved by the City of Toronto Council on December 10, 2008 included funds for this project from the City of Toronto based on a 1/3 share (\$417 million). The Province of Ontario on June 19, 2009 announced economic stimulus funding to the City of Toronto in the amount of \$417 million to fund its 1/3 share of this project. On June 20, 2009, a letter was received from the Federal Minister of Transport, Infrastructure and Communities notifying the City that the Federal Government would not be contributing Economic Stimulus funding towards this purchase of LRV's.

Because of the priority of acquiring these state-of-the-art accessible Light Rail Vehicles, the Commission is prepared to defer the projects shown on Appendix A which are included in the City Council approved 2009-2018 Capital Plan from the years 2012-2018 to beyond 2018. This will permit the City of Toronto to replace the hoped for Federal Government 1/3 Economic Stimulus funding for this purchase and to remain within the City debt targets. The projects being deferred would otherwise be debt-financed by the City. The Bombardier bid for the LRV purchase will expire on June 27, 2009 unless the unconditional award is made by that date. That award can only be made with full funding in place.

In summary, the City has budgeted its 1/3 share, the Province has committed its 1/3 share and the TTC has deferred debt-financial projects sufficient to replace the expected Federal 1/3 Economic Stimulus funding share. The Bombardier bid expires on June 27, 2009 unless an unconditional award is made on or before that date.

Sincerely,



Gary Webster  
Chief General Manager

42-107-VRO  
Attachment

Copy: Chair Adam Giambrone  
Vice-Chair Joe Mihevc  
Commissioner Maria Augimeri  
Commissioner Sandra Bussin  
Commissioner SuzanHall  
Commissioner Peter Milczyn  
Commissioner Ron Moser  
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