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**Chair & Members****Budget Committee**

10th Floor, West Tower, City Hall
100 Queen St. West
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December 10, 2013

Re: BU 50.1 Recommendation 146 – Allocation for Scarborough subway extension and associated property tax increase in 2014 Budget

Dear Chair and Committee Members,

I am writing to request that the Budget Committee consider the accompanying recommendations requesting that the proposed \$14.5 million allocation for the Bloor-Danforth subway line extension be removed from the 2014 budget and referred to the 2015 budget process. As well, I am requesting that the .5% tax increase for the extension be eliminated.

Council was provided with imperfect and incomplete information in the lead up to the October vote on Scarborough rapid transit options. Staff estimated that the City will be responsible for an estimated \$85 million in sunk costs for rejecting the fully-funded, traffic-separated LRT. These costs are still under review by City and Metrolinx staff.

How much will the City have to pay Bombardier for the cancelled LRT vehicle contracts? In addition, while it is unacceptable to see tax dollars spent for absolutely no return, perhaps even more troubling are potentially more expensive unknowns and/or unfunded items associated with the subway extension. The cost impact of an interest rate increase on the required infrastructure loan during a period of historically low interest rates has not been projected. The future capital maintenance cost of the three stop extension is estimated to be between \$30-40 million a year - equal to a 1.25 – 1.6% ongoing property tax increase. How will this increase affect residents' ability and willingness to fund future priority transit projects?

To date, neither detailed planning studies nor geotechnical work has begun on the extension. The City has not hired new in-house staff or outside consultants to work on the project. In short, we haven't spent any money toward the subway extension.

Let's make the prudent and fiscally responsible choice to work with staff over the next year to receive a full and accurate accounting of the sunk costs associated with the LRT cancellation and all the costs required for the subway extension. Together, we can revisit this issue during the 2015 budget process with a clear understanding of the long term impacts this decision will have on Torontonians.

The 2014 budget process presents Council with our last opportunity to press pause on this process without incurring further costs. There are many other governments that wish they would have had a similar chance.

Cost Concerns

- In addition to \$2.65 billion in provincial and federal funding along with \$165 million in development charges, the extension will cost \$745 million in property tax-supported debt capital costs requiring a 1.6% tax increase

This capital cost does not factor in:

- \$30 - 40 million per year in future capital maintenance costs which would be borne by Metrolinx if Council opts for the LRT. That alone is equal to a 1.25 – 1.6% property tax increase
- Acceleration of implementing Automatic Train Control on the remainder of the Bloor-Danforth line, valued at \$450 million, which has previously been included in the TTC's 10 year capital program, post 2023
- Cancellation of Bombardier contract - cost unknown
- Assumed risk of construction cost overruns
- Assumed risk of increased cost of borrowing if interest rates rise

Recommendations:

1. Eliminate the .5% residential and .2% non-residential property tax increase for the extension (Scarborough subway extension) contained in the 2014 budget
2. Delete recommendation 146 from BU 50.1 from the TTC Capital budget' including \$14.5 million allocation for "change in scope sub-project" in 'a' and all Council direction to proceed with activities related to the extension contained in 'b', 'c' and 'd'
3. Request that the City not issue any debentures or otherwise incur any costs for activities associated with the extension in 2014, with the exception of costs associated with the analysis and audit of sunk costs
4. Request staff provide the full sunk costs associated with the cancellation of the Metrolinx LRT plan and a funding plan for all capital and operating costs associated with the extension including cost projections for all reasonable interest rate increase and cost overrun scenarios for consideration as part of the 2015 budget process

Sincerely,



Josh Matlow
Toronto City Councillor
Ward 22 – St. Paul's