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February 9, 2015

Ms Ulli Watkiss
City Clerk
City Hall, 12th Floor West
100 Queen Street West
Toronto, Ontario

Re: Administrative Inquiries from Councillor Josh Matlow (IA3.1-IA3.5)

Dear Ms. Watkiss,

This letter responds to the five Administrative Inquiries received from Councillor Josh Matlow on January 29, 2015, regarding the following matters:

1. Metrolinx Sunk Costs Associated with the Scarborough LRT
2. Operating and Maintenance Costs for the Scarborough Subway Extension (SSE)
3. Scarborough Subway Extension Study (SSE) Area
4. CC37.17- Scarborough Rapid Transit Options
5. Ridership Projections for the Bloor-Danforth Subway Extension in CC37.17- Scarborough Rapid Transit Options

Please find below to the specific questions outlined in each Administrative Inquiry.

1. Metrolinx Sunk Costs Associated with Scarborough LRT

Q1. Has the City Manager executed the agreement with Metrolinx to pay for sunk costs associated with the Scarborough LRT project on behalf of the City of Toronto?

In October 2013 Council adopted recommendation A5 from [CC39.5 Scarborough Rapid Transit Options: Reporting on Council Terms and Conditions](#) which directed the City Manager to negotiate an agreement with the Province/Metrolinx for the payment of sunk costs (as requested by Metrolinx) and to report to City Council with the results. Staff will be preparing a report on sunk costs as part of the 2015 budget process as early as February 20, 2015.

The City retained PricewaterhouseCoopers LLP (the City's external auditor) to perform an audit of the proposed Scarborough LRT sunk costs. This audit has since been completed, and City, Metrolinx and Provincial staff are presently finalizing an agreement that addresses these costs along with the provincial funding contribution to the SSE project.

Q2. What is the total allocation in the 10 year Capital Plan of the 2015 City of Toronto Budget to pay Metrolinx for sunk costs associated with the Scarborough LRT project?

As a condition of provincial financial support for the SSE, the City is required to reimburse Metrolinx for sunk costs associated with previous work undertaken on a Scarborough LRT. Council reporting of October 2013 (CC39.5) estimated those sunk costs at \$85 million. The City's 10 year Capital Budget and Plan accounts for the sunk costs being deducted from the provincial funding support applied to the SSE Capital Budget. The amount of provincial funding support provided for in the City's Capital Budget and Plan is \$1.99 Billion which includes a provision for sunk costs.

2. Operating and Capital Maintenance Costs for the Scarborough Subway Extension

Two questions were posed in reference to the following passage on page 8, of [CC39.5 Scarborough Rapid Transit Options: Reporting on Council Terms and Conditions](#):

"Given that the City will be the owner/operator of the new asset (Scarborough Subway Extension (SSE)), the City is responsible for incremental operating and capital maintenance costs. The capital maintenance costs are estimated to be in the order of \$30 to \$40 million per year. Through the Master Agreement discussions, the City will seek compensation for the future operating and capital maintenance costs that Metrolinx would now avoid by not proceeding with the LRT."

Q1. If the figure is just for the capital maintenance costs, what are the estimated operating costs?

The \$30-\$40 million estimate pertains only to the annual capital maintenance costs.

The annual operating costs for the SSE reflect the costs for the delivery of service and ongoing regular maintenance of the facilities. In establishing these costs, there are many factors that will be considered in due course, including frequency of service and the impact on the feeder bus network. These costs will be determined following City Council approval of the alignment and service levels.

Q2. Relative to 2015 rates, how much of a property tax increase would equal the total annual capital maintenance and operating costs for the SSE?

TTC will be undertaking an estimate of annual operating and maintenance costs for the SSE, following Council determination of alignment and service levels noted above. Once available, City staff will be able to calculate the property tax impact related to annual operating and capital maintenance.

With respect to the Council approved recommendation A5, part b from [CC39.5 Scarborough Rapid Transit Options: Reporting on Council Terms and Conditions](#), the following question has been addressed:

Q3. What is the status of the negotiations between the City Manager and Metrolinx regarding capital maintenance and operating costs? When will the results of the negotiations be reported to Council?

In accordance with Council direction this issue is being negotiated as part of the overall agreement between the City and Metrolinx for funding the SSE. A resolution of these and other issues will be influenced, in part, by Metrolinx/Provincial timelines. City staff will report back to Council following its approval of the alignment and service levels for SSE.

3. Scarborough Subway Extension Study Area

Q1. Why isn't the Agincourt GO station included in the SSE study area?

The SSE study area builds on work contained in the earlier Environmental Assessment to extend a new line beyond its current terminus at McCowan Station, with a general orientation of alignments being considered to the north and northeast thereof. The study area has been broadened to the east (i.e. Markham Road) to explore alignments which would complement the SmartTrack proposal and potentially bring rapid transit service to a larger proportion of Scarborough residents. With that approach in mind, given that the Agincourt GO area is planned to be served by both SmartTrack and enhanced GO service, it is considered more appropriate that the subway serve other areas, further to the east on Sheppard Avenue.

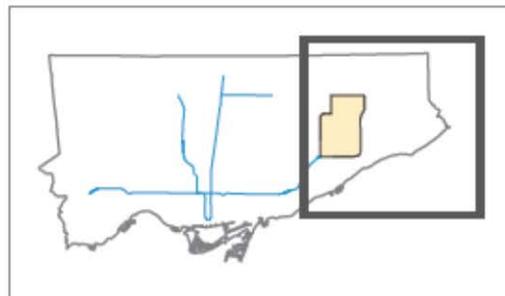
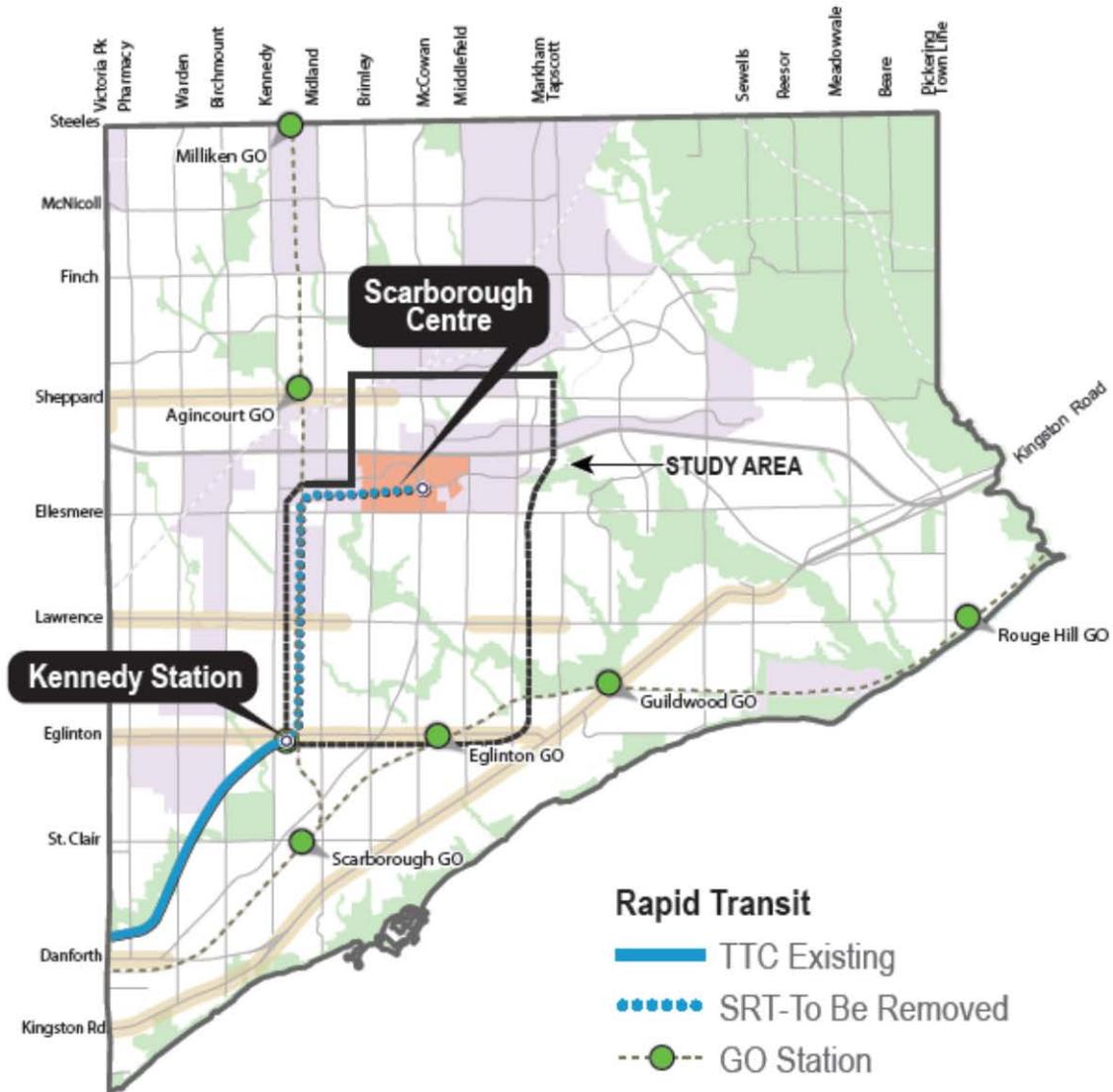
Q2. Will the introduction of SmartTrack be considered when calculating the ridership estimates for the SSE?

As part of the SmartTrack assessment, the impact of SmartTrack and Metrolinx's Regional Express Rail on other planned transit infrastructure in the city, including the SSE, will be evaluated. The findings of this work will also be incorporated into the SSE Project Assessment and be reflected in new ridership estimates for the SSE.

Q3. If the SSE were to move further east from McCowan Road, as suggested in a July 29, 2015 article Scarborough Subway Plans Complicated by SmartTrack Proximity, wouldn't residents in the western part of the study area be even more likely to take SmartTrack instead of the subway extension (SSE)?

Information is not currently available. The network implications of SmartTrack will be examined as part of the SmartTrack assessment.

Figure: Scarborough Subway Extension Study Area



4. CC37.17- Scarborough Rapid Transit Options

A request for clarification on information contained in report [CC37.17 Scarborough Rapid Transit Options](#), has been put forward. [Attachment 3: SRT Conversion to Subway, High Level Estimate](#), contained an estimate for "revenue vehicles" of \$125 million. The \$125 million estimate is the cost of 7 trains (\$2010), which includes one spare.

Upon opening of the SSE, the service design is based on turning back every second east bound train at Kennedy, in the a.m. peak period, which requires 6 additional trains. During all other operating periods, subway service would continue through to the terminus at Sheppard Avenue. Service delivery will be revisited once the alignment has been determined through the environmental assessment. Note that this is the same operating concept that is in place on Line 1 in the a.m. peak period, with every second north bound train turning back at St. Clair West Station.

5. Ridership Projects for the Bloor-Danforth Subway Extension in CC37.17- Scarborough Rapid Transit Options

Q1. Will more detailed ridership forecasts be presented to Council before the City of Toronto moves any further with the Subway Extension project?

City Council in October 2013, reconfirmed its support for the SSE and directed staff to proceed with the project. Specifically, Council authorized the City Manager to negotiate amendments to the Master Agreement to remove the Scarborough LRT; enter into a Provincial contribution agreement for \$1.99 billion (the "indexed amount") for the SSE; enter into a federal contribution agreement; and undertake an environmental assessment, etc. Work on the SSE continues to proceed per Council direction.

Detailed ridership forecasts will be reported through the required approvals process for the SSE's Transit Project Assessment Process (TPAP).

Q2. What modelling system was used to project the increased numbers (in reference to the 9,500-14,000 pphpd range during peak periods in [CC37.17 Scarborough Rapid Transit Options](#))?

The original ridership estimate of 9,500 pphpd was produced in 2006 using a two step process of refining results from the City's Regional Travel Demand model using the TTC's refined transit trip assignment model. The subway terminus was assumed to be the Scarborough City Centre. This model takes results from the City's Regional Travel Demand model as input. At the time, the horizon year for modelling was 2021. The ridership estimate from the model was extrapolated to produce an estimate for 2031.

The higher ridership estimate of 14,000 pphpd was produced in 2013 using the City's Regional Travel Demand model with 2031 as the horizon year in conjunction with ongoing work on the Official Plan Review. Timing constraints did not allow for the results to be refined using the TTC's transit assignment model. The study terminus was assumed to be Sheppard Avenue rather than Scarborough City Centre. Other modelling assumptions that

differ include frequency of service on the subway extension and other lines assumed in the future transit network.

Q3. Was the modelling system (referenced in Q2) consistent with that used for the previous projections?

Our experience indicates that the results generated by the TTC's refined transit trip assignment model are consistent with the results of the City's Regional Travel Demand model for a given set of inputs and assumptions.

Q4. Will ridership projections be factoring in the implementation of SmartTrack?

See the response above to Q2 in *3. Scarborough Subway Extension Area*.

Q5. Have the erroneous projections for the Sheppard subway been considered?

The current ridership on the Sheppard subway is not directly comparable to the estimates in the environmental assessment. The extent of the subway as built is much shorter than that considered in the environmental assessment. The ridership forecast in the environmental assessment considered an alignment linking the North York and Scarborough City Centres. The first phase of the line was initially planned to extend from Yonge Street to the Consumers Business Park, but was subsequently truncated at Don Mills Road due to funding constraints.

The land use as projected at the time of the environmental assessment, particularly employment, has not materialized, though residential development has occurred in a manner that is consistent with the subway investment. Employment uses, particularly office development, generates significantly more transit ridership than residential development.

This letter has responded to the five separate Administrative Inquires put forward by Councillor Matlow on January 29, 2015 with respect to the SSE project.

Yours truly,

Joseph P. Pennachetti
City Manager