

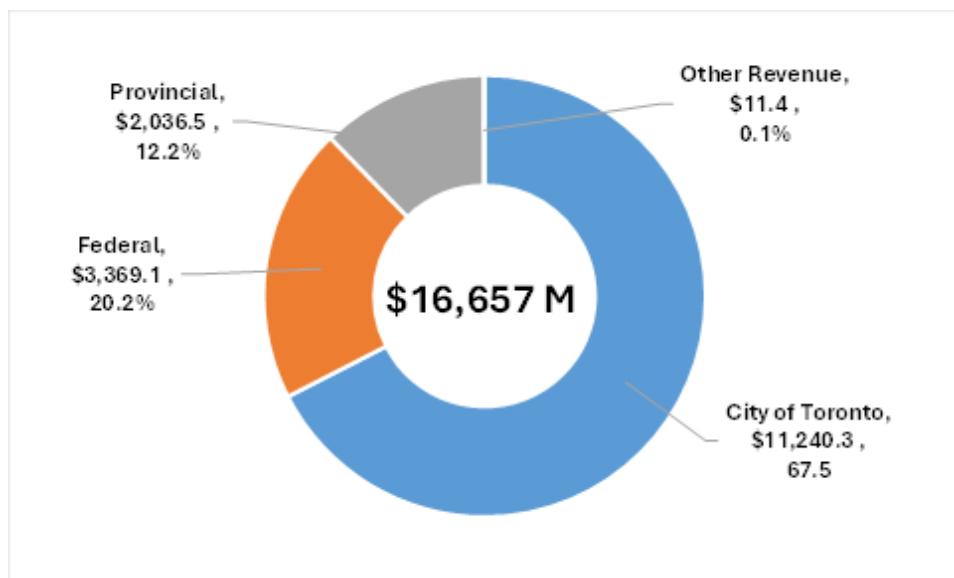
Attachment 3 - Intergovernmental Funding in the 2026 Operating Budget and 10-Year Capital Plan

Summary

This attachment summarizes the federal and provincial funding programs that contribute to the TTC's 10-Year Capital Budget and Plan, and 2026 Operating Budget. A key strategic direction of the [TTC's Corporate Plan 2024-2028](#), is to address the structural fiscal imbalance, in part through building intergovernmental partnerships [Action 5.4.2].

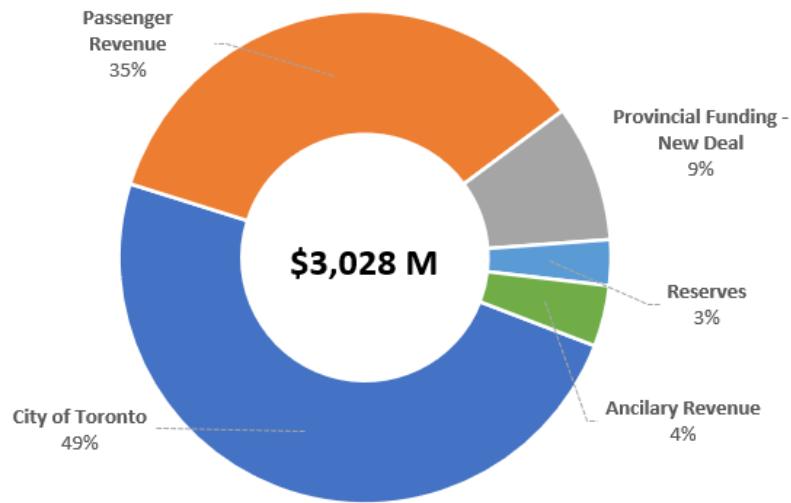
The TTC's recommended \$16.7 billion 10-Year Capital Budget and Plan (2026-2035) includes \$3.4 billion in federal funding and \$2.0 billion in provincial funding. The report summarizes one-time grant and ongoing capital funding programs that the TTC and City have secured for funding its priority capital needs.

2026-2035 Capital Plan by Funding Source (\$ Millions)



The TTC's recommended \$3.0 billion 2026 Operating Budget includes \$279.5 million in one-time provincial operating funding to support community safety, ridership recovery and the transition to operating Line 5 and Line 6. This funding was secured through the [Ontario-Toronto New Deal Agreement](#) between Mayor Chow and Premier Ford.

2026 Operating Budget by Funding Source (\$ Millions)



Critical capital and service investments were made possible through government partnership funding. The fiscal framework of the TTC however, continues to require all orders of government to work together to find longer term sustainable solutions for public transit. The TTC, in partnership with the City, continues to seek funding towards its priority needs, and proactively shares the risks associated with underinvestment.

The information in this attachment is supplemental to the recommended 2026-2035 TTC Capital Budget and Plan, and recommended 2026 Operating Budget.

Issue Background

Establishing a sustainable financial framework is a key priority for the TTC. In addition to focusing on efficiency, and maximizing revenue while ensuring customer affordability, strengthening intergovernmental relationships forms part of a multipronged approach to addressing the structural fiscal imbalance.

Capital Funding Needs

Effectively managing the accumulated state of good repair (SOGR) backlog is a critical strategic objective for the TTC to ensure that existing assets can support transit service delivery and achieve service outcomes. Attracting new riders and retaining customer's confidence in the system requires sustained investment in the base network's assets.

Significant progress has been made to address SOGR needs where incremental investments effectively reduced the projected backlog. However, the scale of SOGR investment still required impacts the opportunity to advance needed capacity enhancement investments to keep up with population growth and capture more

ridership long term. The TTC's CIP is a rolling plan reviewed annually to incorporate new requirements based on asset condition assessment, revised estimates based on project design maturity, and economic factors. With updates made for 2026, the 2026-2040 Capital Investment Plan has identified capital investment needs that total \$53.994 billion over the next 15 years, of which \$37.336 billion is unfunded.

Operating Funding Model

In 2025, TTC's revenue sources covered approximately 49% of operating costs, compared to 66% in 2019. The TTC obtains revenues primarily through customer fares (38% in 2025 and 62% in 2019). Inclusive of ancillary revenues (advertising, parking and subway concessions), two-thirds of the conventional transit system's operating expenses were previously funded by TTC revenue streams. A City property tax funded subsidy and a portion of the annual Provincial Gas Tax Fund allocation comprised the balance.

The Ontario-Toronto New Deal Agreement provides critical operating funding support over a three-year period ending on March 31, 2027. A long-range solution is required, with the current outlook indicating an incremental base pressure of approximately \$379 million in 2027 assuming the current agreement expires, and no new funding agreement is in place. Building on the success of the City-led New Deal, work must continue toward a sustainable long-term approach to funding transit operations.

Comments

1. Intergovernmental Capital Funding Programs

Since the introduction of the TTC's Capital Investment Plan in 2019, the TTC has been the recipient of intergovernmental funding commitments totalling more than \$3.6 billion for critical capital projects. This includes:

- \$949 billion in combined funding from the federal and provincial governments for the Bloor-Yonge Capacity Improvements project;
- \$360 million in federal and provincial funding for the TTC's Streetcar Program;
- \$349 million in matching federal funding for the procurement of 340 eBuses and 248 charging points to support needs to 2026;
- \$1.16 billion over 10-years through the Canada Public Transit Fund, Baseline Stream. This includes federal share of matching funding for Line 2 subway trains, as well as other fleet priorities; and
- \$758¹ million in matching provincial funding for Line 2 subway trains through the Ontario-Toronto New Deal.

¹ Please note figures to be refined and pending.

The TTC also receives ongoing funding programs which are models for predictable funding for public transit. This includes the Provincial Gas Tax Fund Program and Build Communities Strong Fund – Community Stream. Table 1 summarizes intergovernmental funding in the TTC's 2026-2035 Capital Budget and Plan.

Table 1
Summary of Intergovernmental Capital Funding in TTC Capital Plan (\$millions)

Capital Funding Program(s)	Project/Program	Years	Total Federal Funding Contribution	Total Provincial Funding Contribution	Intergovernmental Funding: 2026 – 2035 in TTC Capital Plan
Annual Ongoing Funding Programs					
1. Build Communities Strong Fund – Community Stream	Various TTC Capital	2026-2035	\$1,905.7 (10-year total) (\$183.9 annually indexed to inflation)	n/a	\$1,905.7
2. Provincial Gas Tax Fund	Various TTC Capital	2026-2035	n/a	\$866.2 (10-year total) (\$86.6 projected annually allocated to capital by City)	\$866.2
Grant Funding Programs Project Application Based					
3. Investing in Canada Infrastructure Program (ICIP-PTIF)	Bloor Yonge Capacity Improvement Project	2020-2033	\$500 (37.3%)	\$449.2 (33.5%)	\$871.4
4. Zero Emission Transit Fund; Provincial Funding - Streetcars	TTC Streetcar Program: 60 Streetcars; Hillcrest Facility Expansion	2021-2028	\$180 (33%)	\$180 (33%)	\$35.2

Capital Funding Program(s)	Project/Program	Years	Total Federal Funding Contribution	Total Provincial Funding Contribution	Intergovernmental Funding: 2026 – 2035 in TTC Capital Plan
5. Zero Emission Transit Fund	Green Bus Program: 340 eBuses, 248 Charge Points	2022-2027	\$349 (50%)	n/a	\$77.3
6. Ontario -Toronto New Deal	Line 2 Subway Trains: 55 Line 2 Subway Trains (Provincial)	2026-2035	See below (CPTF)	\$758 ²	\$758
7. Canada Public Transit Fund ³	Line 2 Subway Trains: 55 Line 2 Subway trains (Federal)	2026-2035	\$758 ⁴	See above (New Deal)	\$758
	Green Bus Program: 50 eBuses	2025-2028	\$40.8 (40%)	n/a	\$33
	Charging Infrastructure Program: 152 charge points, pilots and electrical upgrades	2025 - 2027	\$95.6 (40%)	n/a	\$86.7
	Wheel-Trans: 105 paratransit buses	2026-2030	\$14 (40%)	n/a	\$14
Total			\$3,843.1 (includes life to date)	\$2,253.4 (includes life to date)	\$5,405.5 (excludes life to date)

**The above chart does not show funding programs pre-2020. Prior programs include, but are not limited to, the Public Transit Infrastructure Fund (PTIF Phase 1), and the 204 Ontario-Toronto 204 Streetcar Funding Program, etc.*

1. Build Communities Strong Fund – Community Stream (Previously Canada Community Building Fund)

Established in 2005, the Canada Community Building Fund has been renamed to the Build Communities Strong Fund – Community Stream in Budget 2025. This stream provides \$27.8 billion over 10 years to support local infrastructure projects. Since the

² The provincial contribution of subject to conclusion of the new train procurement.

³ This list is reflective of the approved projects under the Canada Public Transit Fund to date.

⁴ The federal contribution is subject to conclusion of the new train procurement.

inception of the fund, municipalities have had the flexibility to make investments across 19 infrastructure categories. City Council directs its allocation towards the TTC.

On April 1, 2024, the City entered into a new 10-year Administrative Agreement with the Government of Canada, Province of Ontario and Association of Municipalities of Ontario. In 2026, the City will receive approximately \$183.9 million in funding, directed to the TTC. As a result, the 2026-2035 recommended TTC Capital Budget and Plan includes \$1.9 billion in funding to continue to focus on state of good repair programs.

2. Provincial Gas Tax Program

Introduced in 2004, the Provincial Gas Tax (PGT) currently transfers two cents per litre of provincial gas tax revenues to municipalities for their public transit systems. In 2013 legislation was passed that permanently dedicates a portion of annual provincial gas tax revenues to municipalities. Municipal allocations are determined using a formula based on transit ridership (70% weighting) and population (30% weighting). Revenues must be used to support expenditures above municipal baseline spending.

For the 2024-2025 program year, the City received approximately \$178.2 million from the Province of Ontario. This is a reduction from previous years which saw the City eligible to receive an allocation of \$185.5 million in 2022-2023 and \$185.1 million in 2021-2022. The TTC expects to receive a similar amount for 2025-2026, however, the allocation has not yet been received. The TTC uses approximately half of its annual allocation for operating expenditures and the remaining for capital state of good repair.

The Provincial Gas Tax program is a model of predictable and flexible long-term funding. However, the dollar value of the PGT Fund will continue to decline without adjustment for inflation. [The Ontario Public Transit Association](#) and transit systems have requested to restore the purchasing power of the PGT to give transit systems the stability that they need.

3. Investing in Canada Infrastructure Program (ICIP) – Public Transit Infrastructure Stream (PTIF)

In 2022, all three orders of government committed funding for the Bloor Yonge Capacity Improvement (BYCI) project with a total estimated cost of \$1.5 billion. This includes a \$500 million federal contribution and \$449.2 million provincial contribution.

The BYCI project enables the retrofit and expansion of the Bloor-Yonge interchange station, including a new Line 2 platform, and the expansion of the Line 1 platforms to address crowding, improve accessibility and accommodate future ridership growth.

4. Zero Emission Transit Fund (ZETF)

Through the Zero Emission Transit Fund, the Government of Canada is funding public transit electrification. The TTC has been successful in securing funding for two projects.

- Zero Emission Buses and Charging Infrastructure: The TTC is receiving \$349 million in federal funding for the procurement of 340 eBuses and 248 charge points to support requirements up to end of 2026.
- The TTC Streetcar Program: The Streetcar Program is being funded by all orders of government, including \$180 million in provincial contribution for 60 Streetcars. The federal government is providing \$180 million for the procurement of 47 of 60 streetcars and supporting infrastructure upgrades required at the Hillcrest Facility for the storage and maintenance of up to 25 of the new streetcars.

5. Ontario – Toronto New Deal Capital Funding

On November 27, 2023, the Government of Ontario and City of Toronto announced the Ontario-Toronto New Deal. As part of this agreement, the province committed \$758 million for the procurement of 55 new subway trains for Line 2. Funding was conditional on federal matching funds for the Line 2 trains, which was later secured under the Canada Public Transit Fund (see below).

In August 2025, all three orders of government agreed to proceed with a single-source contract rather than a competitive procurement to support Canadian and Ontario workers. The final provincial and federal contributions will be revised to reflect outcome of final negotiations.

6. Canada Public Transit Fund

Launched in 2024, the Canada Public Transit Fund (CPTF) was established to provide \$30 billion over 10 years toward public transit across the country, starting in 2026-27. Funding is to be rolled out through three streams: (1) \$5 billion over 10 years Baseline Funding, (2) \$20 billion over 10 years Metro-Region Agreements, and (3) \$5 billion over 10 years Targeted Funding Stream.

The federal [Canada Strong 2025 Budget](#) released in November 2025 announced changes to the CPTF. Committed funding under the \$5 billion Baseline Program is not impacted, including the TTC's confirmed \$1.16 billion baseline funding allocation. The Government of Canada is working with the transit sector to evaluate how to streamline and improve the roll-out of the remaining CPTF funding as the dedicated public transit stream for capital investments.

As part of ongoing advocacy efforts, the TTC, along with industry partners continue to push for streamlining funding by leveraging the Baseline Funding Stream of CPTF, which has a ridership allocation-based program design and supports SOGR.

7. Build Communities Strong Fund

Budget 2025 introduced the Build Communities Strong Fund (BCSF) with funding of \$51 billion over 10 years, starting in 2026-27. The BCSF will support a broad range of infrastructure projects, of which public transit is eligible. The BCSF has three streams:

1. Provincial/Territorial Stream: \$17.2 Billion over 10 years toward Housing-enabling infrastructure (e.g., roads, water/wastewater); Health-related infrastructure (e.g., hospitals); and -Infrastructure at colleges and universities.
2. Direct Delivery Stream: \$6 billion over 10 years toward regionally significant projects and community infrastructure.
3. Community Stream (formerly Canada Community Building Fund): \$27.8 billion over 10 years toward essential infrastructure, such as roads and bridges, public transit, drinking water and wastewater infrastructure, and recreational facilities.

Further details are pending on the BCSF program design. TTC staff are in discussion with federal officials, alongside the broader transit sector to understand how this new program will support public transit infrastructure needs long-term and advocate for more dedicated transit funding.

2. Intergovernmental Operating Funding Support for Public Transit

The operational funding model is reliant on farebox revenues and the limited non-fare revenue streams available to the TTC. Since the mid-1990s, intergovernmental funding for public transit operations has been limited to specific one-time funding agreements to support ongoing service delivery in times of substantial shortfalls in the TTC's farebox revenues. Table 2 provides a summary of key operating funding support provided in the last several years to sustain TTC service levels and operations.

Between 2020 and 2022, the TTC received a combined \$1.8 billion in one-time operating funding from federal and provincial governments through the Safe Restart Agreement to sustain services and manage the financial impacts of reduced ridership due to COVID-19.

The 2023 Ontario-Toronto New Deal Agreement provided a commitment of \$630 million commencing in Q1 2024 through to Q1 2027. This includes \$330 million of funding in support of operations for the Eglinton Crosstown LRT (Line 5) and Finch West LRT (Line 6) and \$300 million to support improving overall transit safety and wellbeing for both customers and employees. This level of operational support continues to be essential in maintaining service levels while ridership continues to grow. In addition, the City/TTC continues to allocate a share of the Provincial Gas Tax Fund to the annual Operating Budget to support transit operations. Approximately \$91.6 million is allocated in the recommended 2026 operating budget.

Table 2
Summary of Intergovernmental Funding in TTC Operating Budget (\$millions)

Operating Funding Program(s)	Initiative	Years	Total Federal Funding	Total Provincial Funding	Total Intergovernmental Funding 2026 Operating Budget
Ontario-Toronto New Deal	Community Safety and Well-Being: Subways and transit safety - one time funding	Apr 2024-Mar 2027	-	\$300	\$100
	LRT Operating Funding (Line 5 and Line 6): Eglinton Crosstown LRT and Finch West LRT	Apr 2024-Mar 2027	-	\$330	\$179.5
Provincial Gas Tax	Approximately 50% of the annual PGT allocation is used towards operating funding.	Annual Allocation	-	\$91.6	\$91.6
			-	\$721.6	\$371.1

3. TTC Priorities for Future Intergovernmental Capital Funding Opportunities

The TTC's Capital Investment Plan (CIP) - updated annually - provides all orders of government a comprehensive view of the TTC's capital needs over a 15-year period. In September 2025, the TTC's Strategic Planning Committee endorsed the SOGR unfunded capital requirements as the priority for investing new funding made available to the TTC by any order of government.

While SOGR remains the priority, the TTC must also address unfunded needs for service improvement and growth, such as additional growth trains and a new Train Maintenance and Storage Facility for Line 1. Line 1 capacity investments which support ridership growth is housing enabling infrastructure and aligns with the policy goals of the Canada Public Transit Fund [Metro Region Agreement Stream](#). The TTC and City submitted Line 1 requirements (Growth Trains, TMSF) as a priority program under the Metro Region Agreement stream of the Canada Public Transit Fund (CPTF), alongside City Council priority projects (Waterfront East LRT and the Eglinton East LRT).

The TTC continues to rely on intergovernmental funding to address SOGR, and growth and service improvement needs currently unfunded in the Capital Investment Plan. Table 3 summarizes key unfunded TTC priority projects and programs for future intergovernmental funding opportunities.

Table 3
Summary of Key Projects in the Capital Investment (\$millions)

Project/Program	Years	Estimated Cost (Millions)	Impact of Not Investment
eBuses and Charging Points Approximately 400 Buses, 450 Charging Points (SOGR)	2026 – 2030	\$1,491	<p>For eBus, if unfunded, the TTC will be faced with following options:</p> <ul style="list-style-type: none"> Extending the life of the bus fleet past its useful life through a life extension program (investment required); Transition to a fix on fail maintenance practice and focus only on safety critical components and systems (i.e. declining reliability and availability); or, Reduction of service; Limit to bus replacement services to support rail closures (also for maintenance work), city construction and events Reduction of vehicle commissioning and decommissioning workforce requirements. <p>For Charging, the TTC will be faced with following options:</p> <ul style="list-style-type: none"> Reduction of bus service, and/or Delayed implementation of green bus program and failure to achieve the TransformTO net zero target by 2040
Wheel-Trans Replacement 130 Electrification Charging Infrastructure 159 approx. (SOGR)	2027 – 2031	\$173.0	<p>For Wheel-Trans Buses, like other fleets, the inability to replace buses within its proper asset life will result in a degradation/reduction of service, as well as:</p> <ul style="list-style-type: none"> Negative impact to customers who rely on service for medical appointments and treatments, etc. Barrier to achieving transit accessibility. By 2030, 48% of TTC's Wheel-Trans fleet will not have replacement vehicles funded. Reduction/ elimination of vehicle commissioning and decommissioning staff; and operators due to service impacts.
Line 1 Capacity Investment Line 1 Growth Trains – 25 Trains to meet target service headways in 2035 (GROWTH)	2026 – 2037	\$1,011	<p>The TTC has identified 25 new subway trains for Line 1 and a new Line 1 Train Maintenance and Storage Facility (TMSF) as priorities which require federal and provincial funding to meet the future growth in demand and the ensure the benefits of the regional expansion projects currently underway. The 25 trains are required to accommodate demand until 2032.</p> <p>Beyond 2032, to accommodate demand, 13 service maturity trains are required for Line 1 to increase capacity longer-term. Based on current projections, it is anticipated that by 2041 daily subway boardings on Line 1 may increase up to 55% over 2019 levels due to Line 1 expansion through the Province's YNSE project and expected population growth.</p>
Line 1 TMSF – to support expanded fleet of 122 Trains on Line 1 (2041 Service Headway) (GROWTH)	2026 – 2038	\$3,746	<p>A new TMSF is needed for Line 1 to accommodate a larger subway fleet.</p>

Note: Cost estimates and schedules subject to refinement and market pricing available.

Conclusion

In summary, the TTC and City have been successful in securing funding for priority projects, and the TTC appreciates the federal and provincial partnerships to date. Programs such as the CPTF Baseline Stream, Build Community Strong Fund – Community Stream and Provincial Gas Tax Program provide predictability and enable improved long term capital planning.

Given the scale of the TTC's unfunded CIP, the TTC continues to advocate for a tripartite approach to a sustainable public transit funding model that is predictable and supports long-term planning for capital investment. The TTC will also continue to work with the City of Toronto and government partners to identify opportunities to reduce the reliance on the farebox as the primary source of funding transit operations.