

Analyst Briefing Notes

Budget Committee Review (October 29, 2007)

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PART I: CAPITAL PROGRAM**Executive Summary**

- The 2007 Approved Capital Budget of \$717.304 million was 28% spent as at June 30, 2007. Primarily as a result of a strike at the manufacturer of the TTC's new buses, actual spending in 2007 is projected to be \$660 million, or 92% of the 2007 Approved Capital Budget. Of the unspent balance, \$52.5 million is projected to be carried forward in 2008. Any further contract delay impacting the delivery of vehicles will result in a further carry forward to 2008.
- The 2008 Recommended Capital Budget; 2009-2012 Capital Plan and 2013 – 2017 Estimates total \$7.148 billion of which \$4.123 billion is required for the 5-Year Capital Plan, calling for total debt of \$1.376 billion. The Plan exceeds TTC's aggregate debt target of \$955.895 million by \$420.489 million. This overage results from four initiatives: \$235.042 million from 2010 to 2012 for the advancement of the purchase of new subway cars to replace existing H6 subway cars; \$333.178 million in 2012 toward the purchase of 204 new Light Rail Vehicles; \$203.313 million for the purchase of new Scarborough Rapid Transit (SRT) cars and \$195.934 million for resignalling of the Yonge/University/Spadina subway. These projects are not affordable within the City's debt guidelines and are subject to Provincial / Federal funding.
- The 5-Year Capital Plan requires cash flows of \$697.248 million in 2008; \$875.345 million in 2009; \$770.516 million in 2010; \$676.609 million in 2011 and \$1.104 billion in 2012. The Program meets its debt target in 2008, but does not meet its debt target from 2009 to 2012.
- The Recommended 5-Year Capital Plan, totals \$4.123 billion, of which 86% (\$3.558 billion) is allocated to State of Good Repair (SOGR) projects, 5% (\$199.029 million) to Service Improvement (SI) projects, 5% (\$188.432 million) to Growth-Related (GR) projects and 4% (\$177.499 million) to Legislated (L) projects. State of Good Repair projects relate to the overhaul and purchase of vehicles and the replacement and rehabilitation of structures such as track, bridges, and stations. However, annual unallocated reductions based on spending rates will result in a deferral of expenditures that will total \$363 million by the end of 2012, representing 8.8% of the 5-Year Capital Plan's expenditures.
- The Recommended 5-Year Capital Plan will include 51 new sub-projects which are not part of the 2007 – 2011 Approved Capital Plan. These projects, with a total project cost of \$1.877 billion will be funded by a combination of Provincial and Federal government funding and debt.
- The Recommended 5-Year Capital Plan will increase future-year TTC operating budgets by a total of at least \$10.159 million net over the five-year period, with 93% or \$9.426 million of the increase impacting 2009 and 2010. The operating impacts in 2008 will be \$0.522 million.

- The primary issues surrounding the Recommended 5-Year Capital Plan are: a) the Recommended 5-Year Capital Plan is in draft form pending approval by the TTC Commission at its November 2007 meeting, b) the TTC is exceeding its debt target by \$420 million, and c) funding for major vehicle purchases such as the replacement of the streetcar fleet has not yet been provided by the Provincial or Federal governments.
- The Recommended 5-Year Capital Plan for TTC includes the following: the purchase of 204 new Light Rail Vehicles (LRVs) to replace the current streetcar fleet; the purchase of 126 Toronto Rocket subway cars to replace the existing H6 cars and the conversion of the Scarborough Rapid Transit (SRT) line along with the purchase of 36 SRT cars, which are subject to Provincial and/or Federal funding approval. The Recommended 5-Year Capital Plan for the TTC also includes the purchase of 234 Toronto Rocket subway cars (39 trainsets) and the delivery of 193 replacement buses for which funding under CSIF has been committed but not received.
- The Recommended 2008 Capital Budget and 2009-2012 Capital Plan directly advances the City's strategic priorities on a number of fronts. For instance, the Plan provides for quiet, accessible, faster and higher capacity light rail cars to replace Toronto's aging streetcars with \$552.595 million in funding. The Plan also provides for increased speed and reliability of surface transit through projects such as the \$32.977 million in funding for the St. Clair St. Right-of-Way. There is also \$195.934 million for the resignalling of the Yonge/University/Spadina subway and \$735.244 million for the purchase of 360 new subway cars both of which will contribute to significantly improving the capacity of the subway.
- The Recommended 2008-2012 Capital Plan recommends funding for \$220.752 million in 2008 cash flow and future year commitments. This funding together with the \$4.248 million in funding which will be spent to the end of 2007 totals \$225 million in City approvals. This \$225 million project will be funded by \$75 million each from the Federal government, the Provincial government and from the combined contribution of the City of Toronto and York Region. This funding will cover various project management and critical project activities which must be completed as soon as possible in order to avoid future costs. This project does not rank as one of the TTC's or the City's highest priority transit projects. However, due to the availability of funding, the TTC and City have chosen to proceed with this project.
- The 2008 Recommended Capital Budget for the TTC is \$697.248 million. This includes: \$552.104 million for projects previously approved for 2008 and \$145.144 million for new initiatives. The 2008 Recommended Capital Budget also requires future year commitments totalling \$2.549 billion to 2017.

- The 2008 Recommended Capital Budget, which is below the Program's \$167.199 million debt target by \$3.535 million due to an increase in the unallocated budget reduction, allocates \$570.577 million (82%) to SOGR work. The remaining \$126.671 million (18%) is geared toward priority service enhancements including the Easier Access II and III projects to install elevators in subway stations in order to make them fully accessible.
- The 2008 Recommended Capital Budget will enable the following: a) commencement of the purchase of 204 Light Rail Vehicles to replace the existing streetcar fleet, b) delivery of 193 new TTC buses and 50 new Wheel-trans vehicles, c) continue milestone payments on 234 new subway cars (39 train sets) to replace existing subway cars and increase capacity, d) start construction of the new Islington subway station and an interregional bus terminal at Kipling Station and e) complete the St. Clair West dedicated transit way.

Recommendations

The City Manager and Chief Financial Officer recommend that:

- (1) the 2008 Recommended Capital Budget for TTC with a total project cost of \$1.877 billion and a 2008 cash flow of \$749.748 million and future year commitments of \$2.549 billion be approved. The 2008 Recommended Capital Budget consists of the following:
 - (a) New Cash Flow Funding for:
 - (i) 51 new sub-projects with a 2008 total project cost of \$1.877 billion that requires cash flow of \$145.144 million in 2008 and future year commitments of \$311.739 million in 2009; \$257.542 million in 2010; \$157.801 million in 2011; \$439.351 million in 2012 and \$565.134 million in 2013-2017;
 - (ii) 67 previously approved sub-projects with a 2008 cash flow of \$552.104 million and a future year commitment of \$433.020 million in 2009, \$198.126 million in 2010, \$131.975 million in 2011; \$29.176 million in 2012 and \$25.342 million in 2013-2017; and
 - (b) 2007 approved cash flow for 1 previously approved sub-project with carry forward funding from 2007 into 2008 totalling \$52.5 million;
- (2) new debt service costs of \$4.910 million in 2008 and incremental costs of \$26.468 million in 2009, \$39.887 million in 2010, \$39.673 million in 2011 and \$38.349 million in 2012 resulting from the approval of the 2008 Recommended Capital Budget, be approved for inclusion in the 2008 and future year operating budgets;
- (3) operating impacts of \$0.522 million in 2008 that emanate from the approval of the 2008 Recommended Capital Budget be considered within the overall scope of TTC's 2008 operating budget;
- (4) the 2009-2012 Capital Plan for TTC totalling \$3.426 billion in project commitments and estimates comprised of \$875.345 million in 2009, \$770.516 million in 2010, \$676.609 million in 2011; and \$1.104 billion in 2012 be approved and all projects which are subject to Provincial / Federal funding be approved conditionally, subject to the commitment of funding and if such financing is not forthcoming, these projects be deferred;
- (5) the TTC and City staff continue discussions with the other orders of government on increasing funding for transit in the City of Toronto as outlined in the Recommended 2008-2012 Capital Plan, including funding for the Transit City Plan through MoveOntario 2020 and that, if funding is not forthcoming, the TTC and City review their priorities with regard to major vehicle purchases;
- (6) the TTC, in conjunction with City staff, continue to work with the Federal government to expedite the commitment of the remaining \$622 million of the \$697 million in funding which the Federal government has announced for the full Spadina Subway Extension project, and further, that if this funding is not forthcoming, the City and TTC will be required to review the priorities regarding the Spadina Subway Extension project and its base capital budget;

- (7) funding for \$220.752 million in 2008 cash flow and future commitments for the Spadina Subway Extension, with \$0.702 million in funding for a previously approved sub-project and a new subproject with a 2008 cash flow of \$56.098 and a future year commitment of \$131.200 million in 2009 and \$32.752 million in 2010 be approved, based on \$75 million received from the Federal government through the Public Transit Capital Trust, matched by \$75 million from the Provincial portion of the Move Ontario Trust fund, and \$75 million from the combined contribution of the City of Toronto and York Region;
- (8) the TTC in conjunction with City staff continue to monitor future year projects that are eligible for Development Charge funding and modify the 5-Year Capital Plan to incorporate this financing source, as appropriate;
- (9) the TTC in conjunction with City staff report back to Budget Committee when confirmation of Federal government funding for the Transit City Plan is received or when the Provincial government approves the use of Provincial funds without matching funding from the Federal government;
- (10) the TTC report back to Budget Committee when it receives confirmation of funding for the purchase of 204 new Light Rapid Transit Vehicles, with a first order of 50 vehicles in 2008, which is conditional on a one third cost share from the Province and a one third cost share from the Federal government, and that the TTC not enter into any long-term commitments before funding is confirmed;
- (11) the TTC report back to Budget Committee as part of the June 30, 2008 Capital Budget Variance Report on specific reductions to accommodate anticipated under spending in 2008 of \$54 million;
- (12) The TTC report back to the Budget Committee if the TTC determines that there will be additional costs for the Downsview to York University Busway project;
- (13) The TTC report back to Budget Committee prior to the 2009 Capital Budget process on updated costs for the GTA farecard project;
- (14) The TTC report back to Budget Committee by June 2008 on the impact of any cost savings or efficiencies in the foreseeable future on the Capital Program of the creation of the new class of Environmental Assessment for municipal transit projects; and
- (15) the Chief General Manager and the Chair of the TTC to adjust the Commission's budget schedule beginning in 2008, so that it coincides with the City of Toronto's budget process, and associated requirements, and, in particular, that the Commission prepare and approve its Capital Budget by mid-August annually.

2007 Capital Variance Review

2007 Budget to Actuals Comparison - Total Gross Expenditures (\$000s)					
2007 Approved	Actuals as of June 30 (2nd Qtr Variance)		Projected Actuals at Year End		Balance
\$	\$	% Spent	\$	% Spent	\$ Unspent
717,304	204,000	28	717,304	100	0

Based on Second Quarter Variance analysis

Comments / Issues:

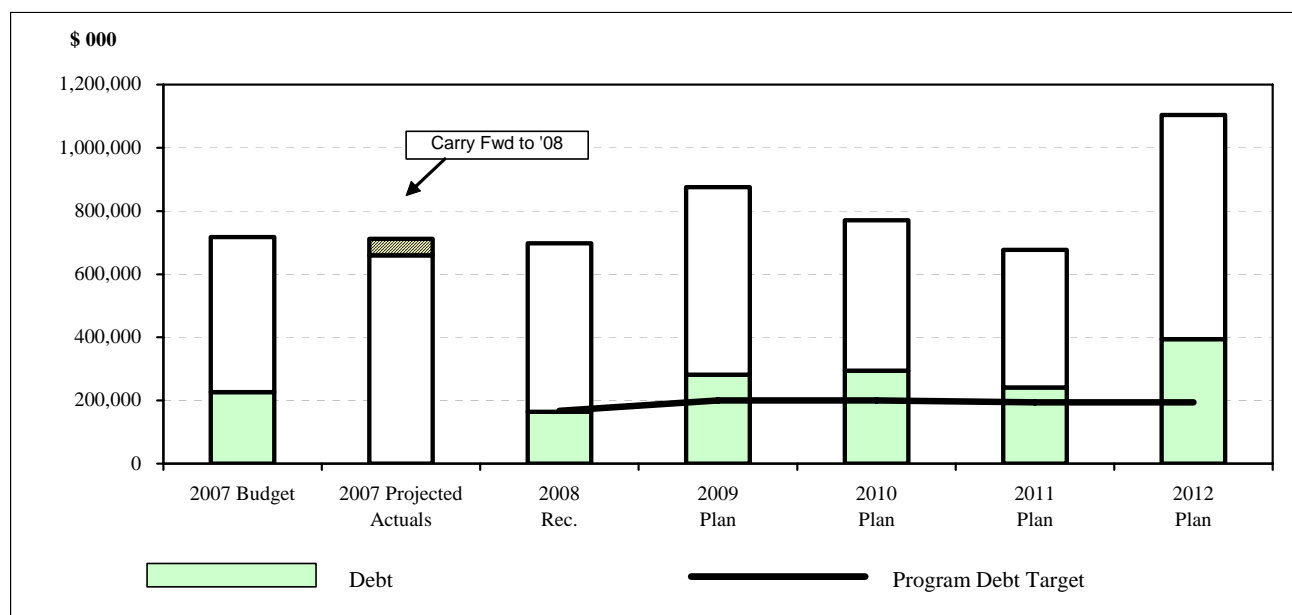
- At the end of the 2nd quarter, the Toronto Transit Commission (TTC) had spent approximately \$204 million or 28% of its 2007 Approved Capital Budget of \$717.304 million. Under spending was mainly due to a delay in replacing surface track on St. Clair Ave. and Dundas St. which will be completed in the fall of 2007; the installation of Surface Vehicle Security Cameras which was suspended early in 2007 and will resume in the third quarter; a change in the contract payment schedule for the purchase of new subway cars; and the replacement of 40 foot diesel buses which is behind schedule due to a strike at the bus manufacturer, but was expected to be completed by year end. The strike is now expected to cause the delivery of 69 buses to slip into 2008.
- Historically, the TTC spends on average, close to 93% of its annual Approved Capital Budget. In response to this annual under spending, an unspecified budget reduction of \$52.175 million was included in the 2007 Approved Capital Budget. The TTC had identified this target amount as of June 30, 2007, as numerous projects were under spent.
- The TTC's projected year-end spending for 2007 approved capital projects at the end of the 2nd quarter was \$717.304 million, representing 100% of the 2007 Approved Capital Budget. Subsequently, in the 3rd quarter variance report, the TTC determined that capital expenditures by year end will be approximately \$659.914 million, including spending on the Spadina Subway Extension and Environmental Assessments for Transit City. This under spending will be primarily as a result of a strike at Orion Industries, the manufacturer of the TTC's new buses. It is expected that only 151 of the expected 220 replacement buses will be delivered in 2007 requiring a carry forward of \$52.5 million in 2008.
- The request for carry forward funding included in the 2008 Capital Budget submission is \$52.5 million.

Cost Containment Impact

- The TTC did not defer any capital projects as a cost containment measure, however, measures were taken to monitor capital projects to identify further under expenditures, particularly those involving uncommitted projects. One of the cost containment measures approved by the Commission is to defer the opening of the new Mount Dennis Bus Garage when it is complete in the Fall of 2007.

This deferral to 2009 will result in the reduction of operating impacts from capital in 2008 of \$7.408 million, which will now impact 2009.

5-Year Capital Plan (2008 Recommended Budget, 2009 – 2012 Plan)



				5-Year Plan					
		2007		2008	2009	2010	2011	2012	2008-2012
		Budget	Projected Actual						
Gross Expenditures:									
2007 Capital Budget & Future Year Commitments		717,304	659,914	543,667	398,039	244,533	106,462		1,292,701
Recommended Changes to Commitments									0
2008 New/Change in Scope and Future Year Commitments				153,581	346,720	211,135	183,314	468,527	1,363,277
2009 - 2012 Plan Estimates					130,586	314,848	386,833	635,178	1,467,445
1-Year Carry Forward to 2008			52,500						
Total Gross Annual Expenditures & Plan		717,304	712,414	697,248	875,345	770,516	676,609	1,103,705	4,123,423
Program Debt Target		200,000		167,199	200,000	200,000	194,348	194,348	955,895
Financing:									
Recommended Debt		226,864		163,664	282,172	294,935	241,013	394,600	1,376,384
Other Financing Sources:									
Reserves/Reserve Funds		15,100		22,200	19,900	6,600			48,700
Development Charges		3,510			72,691	14,453	14,866	15,000	117,010
Federal		229,334		255,333	243,522	229,211	227,826	367,335	1,323,227
Provincial		227,496		238,051	239,060	207,317	174,904	308,770	1,168,102
Other Revenue		15,000		18,000	18,000	18,000	18,000	18,000	90,000
Total Financing		717,304		697,248	875,345	770,516	676,609	1,103,705	4,123,423
By Category:									
Health & Safety									
Legislated		24,506		20,017	40,534	42,405	38,914	35,629	177,499
SOGR		613,872		570,577	723,579	655,797	591,039	1,017,471	3,558,463
Service Improvement		65,022		77,738	54,286	31,994	15,006	20,005	199,029
Growth Related		13,904		28,916	56,946	40,320	31,650	30,600	188,432
Total By Category		717,304		697,248	875,345	770,516	676,609	1,103,705	4,123,423
Yearly SOGR Backlog Estimate (not addressed by current plan)				54,385	57,050	48,930	47,600	69,500	277,465
Accumulated Backlog Estimate (end of year)				85,175	139,560	196,610	245,540	293,140	362,640
Operating Impact on Program Costs				522	8,619	807	301	(90)	10,159
Debt Service Costs				4,910	26,468	39,887	39,673	38,349	149,288

* Note that the 1-Year Carry Forward reflects budget submission and as reflected in CAPTOR

5-Year Capital Plan Overview

Overview

- The TTC's strategic direction is: "to provide safe, reliable, courteous and efficient transit services to the public utilizing buses, streetcars, rapid transit vehicles and subways". The Recommended 2008-2012 Capital Plan facilitates this strategic direction by funding the continued State of Good Repair of TTC vehicles and structures and by laying the groundwork for expansion of the system to meet growing demand for transit service in the City of Toronto.
- The 2008-2017 Toronto Transit Commission (TTC) capital program submission is in draft form (defined as the September 14th version) and is subject to revision pending review and approval at the November Commission meeting.
- Excluding funding being carried forward from 2007 to 2008, the Recommended 2008-2012 Capital Plan for TTC totals \$4.123 billion which is 679.380 million greater than the 2007-2011 Approved Capital Plan. The increase is primarily due to \$333.178 million for Light Rail Vehicles in 2012 and \$235.042 million for new subway car purchases from 2010 to 2012.
 - Approximately 86% of base capital funding is required to maintain the system in a State of Good Repair (SOGR). SOGR projects include infrastructure repairs like subway track replacement and capital enhancements such as bus and subway car replacements. Capacity enhancements, which are SOGR projects, total \$239.852 million, and represent 6% of cash flow funding. This includes the purchase of 36 Mark II SRT Cars.
 - \$177.499 million or 4% of the Recommended 5-Year Capital Plan is allocated to Legislated projects such as environmental and accessibility initiatives like the Easier Access (Phase III) project.
 - Service Improvement projects total \$199.029 million or 5 % and include capital work for signal priority equipment for transit vehicles at signalized intersections and added commuter parking.
 - Growth projects total \$188.432 million, or 5%, and include \$106 million towards the development of an integrated ticketing system to satisfy conditions of Federal and Provincial funding agreements.
- The Recommended 5-Year Capital Plan does not meet debt affordability targets. It is under the debt target in 2008 by \$4 million; however, it exceeds the debt target by \$82 million in 2009; \$95 million in 2010; \$47 million in 2011 and \$200 million in 2012. In total the 5-Year Capital Plan exceeds debt targets by \$420 million. If the \$277.5 million in unallocated budget reductions was not taken, the 5-Year Capital Plan would exceed debt targets by \$698 million.
- **Vehicles.** Over the next five years, \$2.2 billion is projected to be spent on vehicle purchases, overhauls or maintenance. Of the \$2.2 billion: \$404.225 million is projected for the purchase of buses; \$735.244 million is projected for the purchase of 360 new subway cars; \$552.595 million is projected for the purchase of 204 Light Rail Vehicles to replace streetcars and \$203.313 is projected to be spent on 36 Mark II SRT cars for the Scarborough Rapid Transit line.

- **Structures.** Over the next five years, \$1.3 billion is provided to maintain or develop TTC buildings and structures. The \$1.3 billion estimate will address specific renewal or building projects, Fire Ventilation upgrades (\$165.456 million), the Easier Access (Phase III) program (\$125.380 million), the Scarborough Rapid Transit conversion (\$206.072 million) the redevelopment of Kipling and Islington Subway Stations (\$53.308 million) and the first phase of the Warden redevelopment (\$17.5 million). In addition, \$180.630 million is projected for the rehabilitation and maintenance of 74 kilometres of structure, including bridges and tunnels; \$98.289 million for the maintenance of paved surfaces such as yards and roads; and \$64.007 million for equipment such as the Subway Escalator Overhaul program.
- **Track.** \$2 billion is allocated for the replacement of track over the next five years. \$167.103 million is required for surface (streetcar) track replacement and \$72.011 million for subway track replacement.
- **All Other.** The remaining \$0.7 billion is provided for capital equipment projects, including: \$116.924 million for revenue and fare handling equipment (mainly the GTA Farecard project costs) and \$377.929 million for signal, electrical and communications systems (including the Yonge-University-Spadina Automatic Train Operation (YUS ATO) resignalling work). These costs are offset by the unallocated budget reduction of \$277.5 million.
- There are a number of significant projects which are not included in the 2008-2012 Capital Plan since they are beyond the base capital needs and are the subject of specific funding initiatives. These include the Spadina Subway Extension (\$1.4 billion in 2008-2012, \$2.4 billion total project cost), the MoveOntario / 2020 Transit City Plan light rail network (\$3.6 billion in 2008-2012, \$10.0 billion total project cost), the Waterfront Initiatives under the auspices of the Waterfront Revitalization Corporation (\$224.889 million in 2008-2012, total project cost \$497.750 million), the Bremner Streetcar Expansion (\$59.640 million in 2008-2012, total project cost \$178.5 million) and phase 2 of the Warden Station Redevelopment Strategy (\$45.5 million in 2008-2012).
- This Recommended 5-Year Capital Plan includes an unspecified reduction of \$277 million over the 2008-2012 period. This represents a 10% reduction in the total cash flow funding recommended for the 2008-2012 period less committed vehicle purchases (in this case \$500.2 million for subway cars, \$463.1 million for buses, including Wheel-Trans vehicles, \$552.6 million for LRV streetcars and \$203.3 million for SRT cars), or about 7% of the total cash flow funding in the Recommended 5-Year Capital Plan. This unallocated reduction is based on the premise that, from a capacity standpoint, the TTC will only spend approximately 90% of its non-vehicle related budget and 100% on vehicle commitments.
- If the \$277.5 million in unallocated reductions were not made to the Recommended 5-Year Capital Plan, the debt target would be exceeded by \$698 million.

TTC 2008-2012 CAPITAL PROGRAM - IMPACT OF UNALLOCATED BUDGET REDUCTION				
	Gross Expenditures	3rd Party Funding	Debt Target	Over Debt Target
Requested Budget	4,401	2,747	956	698
Unallocated Budget Reduction	278			
Recommended Budget	4,123	2,747	956	420

Status of Provincial/Federal Cost Sharing

The Provincial government in March 2007, made approximately \$670 million in transit funding payments to the City. The Province provided \$275.6 million in CSIF funding which represented its entire contribution of \$350 million less \$27.7 million which was paid through a previous funding program and less \$46.7 million to be paid when the TTC has fully implemented the GTA farecard project. The Province also provided \$150 million in Provincial funding covering the 2006 to 2008 period for the replacement or refurbishment of transit vehicles. As well, the Province provided \$222.6 million in funding under the Public Transit Capital Trust program (from the Federal government) which provided transit funding to all municipalities and \$31.1 million under the TTIP program which provided funding for operational improvements and technology upgrades. All of this funding was provided unconditionally which means the TTC does not have to report to the Province on how it used these funds. The TTC has also received \$15.4 million in funding under the Ontario Bus Replacement Program. Funding was also committed by the Federal government under Transit Secure including a total of \$6.430 million recently announced under Round 3. The TTC intends to apply in Round 4 for additional funding under that program.

TTC and City staff have had several discussions with senior staff in the Provincial and Federal governments about increased transit funding. The TTC will continue to advocate for the Province to fund the costs of certain types of transit projects which meet common strategic objectives. For instance, projects which improve capacity on the Yonge-University-Spadina subway line in advance of the subway being extended north of Toronto such as the resignalling project, renovations to the Bloor/Yonge station and more subway trains could be packaged together and funded under MoveOntario 2020. Similarly, Wheel-Trans buses and the Easier Access projects could be grouped and funded by the Provincial government as accessibility projects and to address AODA 2025 legislation. The same could be done for proposed green or environmental projects. The TTC has created 5 packages of projects which could be considered for funding by the Provincial government of gross costs as follows:

Packages for Provincial Funding						
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2008-2012</u>
Streetcar	55,000	43,900	50,700	69,800	333,200	552,600
SRT	4,800	72,500	101,900	97,700	132,600	409,500
Yonge Subway Capacity	500	43,500	47,450	74,950	275,100	441,500
Accessibility	27,400	41,700	41,400	40,900	40,800	192,200
GTA Farecard	<u>1,300</u>	<u>15,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>106,300</u>
Total Packages for Provincial Funding	89,000	216,600	271,450	313,350	811,700	1,702,100

In particular, the TTC requires stable funding for its State of Good Repair projects. This can be accomplished if the Provincial and Federal governments provide funding for expansion projects.

- The TTC will make greater use of Development Charges in its 2008-2012 Capital Plan. It is projected that there will be \$117 million in Development Charge funding available to the TTC from 2008 to the end of 2012. It is anticipated that the Provincial government will provide long term funding for vehicle purchases in Toronto. As well, the Federal Government has made several announcements of proposed transit funding. TTC and City staff are examining the impacts of all funding announcements as well as pursuing discussions with the other orders of government seeking funding commitments to further address the requirements of the Recommended 5-Year

Capital Plan. The TTC has amended its work plans and cash flows to accommodate expected levels of funding and, where possible, to maximize funding opportunities.

Multi-Year Debt Affordability Target

There is a \$420 million funding shortfall reflected in the TTC's Recommended 5-Year Capital Plan, even with the recommended City debt target for 2008-2012 being increased by \$44.895 million greater than the 2007-2011 Council-Approved debt guideline. As well, the \$277.5 million unallocated reduction was required to reduce the shortfall. The current financing plan is based on aggressive, yet realistic, assumptions of funding from other orders of government. For instance, it assumes that Federal funding will continue (perhaps under the Building Canada Fund) after the first funding agreement under CSIF ends. However, discussions with the Provincial and Federal governments are ongoing and the City and the TTC expect that enhanced provincial and federal funding for vehicle replacement and growth requirements will bring the TTC closer to meeting City debt targets. Further clarification will be needed as details of eligibility and timing of Provincial and Federal funding become available.

Recommended Changes to the 2007 – 2011 Capital Plan

Changes to the 5-Year Capital Plan by Year						
(\$ millions)	2008	2009	2010	2011	2012	2008-2012
2007-2011 Capital Plan	696.413	764.665	694.171	571.490	920.276	3,647.015
2008-2012 Recommended Budget	697.248	875.345	770.516	676.609	1,103.705	4,123.423
Difference	0.835	110.680	76.345	105.119	183.429	476.408

This chart compares the 2008-2012 Recommended Capital Plan with the 2007-2011 Capital Plan, which Council approved on March 7, 2007. The following is a summary of the most significant changes:

- Purchase of 126 New Subway Cars to Replace Existing H6 Subway Cars** – It was expected that the purchase of 234 new subway cars would provide enough cars to meet the projected increase in ridership until the next purchase in 2017 when the H-6 fleet was scheduled for replacement. However, in order to meet the increase in ridership demands on the existing lines, address capacity issues and to be prepared for additional ridership resulting from the construction of the extension of the Yonge subway line, TTC staff decided to begin the replacement of the H-6 fleet in 2012. There is \$0.3 million funded in 2010 to begin design work and \$30.384 million in 2011 and \$204.358 million in 2012 to complete the design and begin construction, respectively. The new subway cars will have the same Toronto Rocket design as the 234 new subway cars ordered in 2006. Undertaking this project has the added advantage of allowing the manufacturer to continue the production of subway cars for the TTC once the initial order of 234 cars is complete in 2012. The purchase of new subway cars to replace H-6 subway cars is an accelerated project which adds considerable pressure in the 2008-2012 Capital Plan.
- Revised Schedule of Payments for 234 New Toronto Rocket Subway Cars** - Bombardier, the manufacturer of the new subway cars has agreed to a TTC request for a revised schedule of payments. The current subway car cashflow reflects the delayed award, changes in the timing of PST and milestone changes which result in the following year variances: an increase in 2008 of \$12.367 million, offset by a decrease in 2009 of \$59.521 million, with increases of \$17.948 million in 2010, \$19.793 million in 2011 and \$22.420 million in 2012.

- **Yonge-University-Spadina Resignalling** - Outdated signal technology on the Yonge-University-Spadina subway will be replaced with Automatic Train Control technology (ATC). The installation of the new ATC technology has been accelerated to match the timing of the purchase of new subway cars to replace the existing H6 subway cars. The cost of this project has increased by \$40.934 million to \$195.934 million over the 2008-2012 period, primarily reflecting an accelerated cash flow.
- **Accelerate the Purchase of Scarborough Rapid Transit (SRT) Cars** – The purchase of SRT cars was accelerated by one year resulting in an increase in expenditures of \$46.863 million in the Recommended 2008-2012 Capital Plan. However, it was also decided to reduce the purchase from 42 cars to 36 cars which reduces the Recommended 2008-2012 Capital Plan by \$28.170 million, for a net increase of \$18.693 million.

Program Capacity and Readiness to Proceed

The completion of previously approved projects is a priority for the TTC and these projects form the basis for the Recommended 5-Year Capital Plan. Based on historical spending performance, from a capacity perspective, the Recommended 5-Year Capital Plan is realistic. The TTC has its own procurement process and it also has its own specialized staff dedicated to planning for capital projects.

The 2008-2012 Recommended Capital Plan represents a TTC prioritized package based on internal review and decision making, noting that reductions have already been made — as is the process each year. These plans are based on evaluated needs, including condition assessments and life cycle replacement plans. They take into account the timing of study and engineering work requirements and essentially represent the anticipated ability to spend — however these are often impacted by external factors and approval processes. The TTC's 5-Year Recommended Capital Plan is ready to proceed

Backlog of Projects – Unmet Needs

The Recommended 5-Year Capital Plan represents the TTC's SOGR needs and creates no backlog. However, the unallocated reductions will result in less funding for SOGR projects annually and create a deferral of expenditures beyond the 5-Year envelope. With an unspecified reduction of \$33 million in 2006 and \$52 million in 2007, this deferral of expenditures will total \$363 million by the end of 2012, representing 8.8% of the total 5-Year Capital Plan.

Capital Project Highlights

Strategic Priorities

The Recommended 5-Year Capital Plan advances the following strategic priorities:

- *Buy quiet, accessible, faster, higher capacity light rail cars to replace Toronto's aging streetcars:*

\$552.595 million in funding is included in the TTC's 2008-2012 Recommended Capital Plan for the purchase of new Light Rapid Transit vehicles to replace and expand the existing streetcar fleet. These new vehicles will be lighter, fully-accessible and will run in their own dedicated rights-of-way. Plans are to make the TTC fully-accessible by the year 2025. The procurement of these 204 vehicles will also provide the opportunity to address vehicle expansion requirements related to the Transit City Plan

/ MoveOntario 2020 and Waterfront initiatives. This project is conditional on funding from other orders of government.

- *Make streetcars and buses as speedy and reliable as the subway:*

There is \$32.977 million in funding provided in the TTC's Recommended 5-Year Capital Plan for the completion of the St. Clair Streetcar Right of Way in 2008. There is also \$24.222 million in funding for a Bus Rapid Transit (BRT) corridor on Yonge Street and \$31.939 million in funding for a Bus Rapid Transit (BRT) corridor from Downsview station to York University. BRT routes being considered for future years include routes along Don Mills from Steeles to the City centre and Kingston Road from Victoria Park to Eglinton.

- *Improve capacity by 40% on the Yonge-University-Spadina subway through new trains and innovative signal management systems:*

In December 2006, the TTC awarded a contract for the procurement of 234 new subway cars. The Recommended 5-Year Capital Plan includes \$500.202 million for this project. As well, the Recommended 5-Year Capital Plan has \$195.934 million for the resignalling of the Yonge-University-Spadina line. The resignalling will permit the TTC to run trains more frequently and closer together, creating additional capacity equal to building a new north-south subway line.

The TTC is currently evaluating options for the future implementation of the other transit-related initiatives such as the development of a Metropass affinity program; the creation of a U-Pass for university and college students; the build-out of a Transit City network servicing all parts of the City with fast, efficient, comfortable light rail transit.

The TTC has undertaken initiatives in its Capital Plan that support other City Initiatives. Included in the 5 Year Capital Plan are, in particular:

- *Climate Change and Clean Air Action Plan:*

The TTC has included funding of \$3.2 million for green roofs in its Victoria Park Bus Terminal project and also in its Wilson Carhouse Modifications project.

Other City Initiatives:

The TTC's 5 Year Capital Plan includes the following major capital initiatives:

Summary of Major Capital Initiatives

Project	Status	2008	2009	2010	2011	2012	2008-2012	2013-2017	2008-2017
St. Clair Avenue Streetcar		32,977	-	-	-	-	32,977	-	32,977
YUS ATO Resignalling (acceleration)		11,084	19,437	28,227	43,535	52,717	155,000	144,100	299,100
YUS ATO Resignalling (acceleration)	New	2,582	10,302	10,050	-	18,000	40,934	(2,000)	38,934
Bus Rapid Transit (BRT) - Spadina Subway to York University		15,515	16,424	-	-	-	31,939	-	31,939
Bus Rapid Transit (BRT) - Yonge Street from Finch to Steeles		500	13,822	8,850	1,050	-	24,222	-	24,222
Fire Ventilation Upgrade		19,000	27,500	38,256	42,244	38,456	165,456	174,405	339,861
Easier Access Phase II		3,750	2,722	-	-	-	6,472	-	6,472
Easier Access Phase III		7,160	23,940	31,240	31,000	32,040	125,380	171,674	297,054
Kipling Station Improvements		12,795	13,098	7,619	-	-	33,512	-	33,512
Islington Station Improvements		7,070	6,868	3,737	2,121	-	19,796	1,497	21,293
Warden - Phase 1		8,400	9,100	-	-	-	17,500	-	17,500
Wilson Carhouse Modifications for NST		7,500	25,000	20,000	9,300	-	61,800	-	61,800
Victoria Park Bus Terminal Replacement		8,845	14,980	10,230	-	-	34,055	-	34,055
Carhouse Modifications - New LRT Cars		1,000	4,000	5,000	10,000	10,000	30,000	-	30,000
SRT Conversion		4,500	24,800	48,800	63,272	64,700	206,072	29,950	236,022
Integrated Ticketing System - GTA Farecard Project		1,301	15,000	30,000	30,000	30,000	106,301	31,500	137,801
Purchase of Buses (including Wheel-Trans vehicles)		166,026	127,093	77,918	37,327	54,742	463,106	423,924	887,030
Purchase of 234 Toronto Rocket Subway Cars		67,038	202,716	130,478	86,963	-	487,195	-	487,195
Purchase of 234 Toronto Rocket Subway Cars - revised milestones	New	12,367	(59,521)	17,948	19,793	22,420	13,007	-	13,007
Purchase of 126 Subway Cars to Replace H6 (acceleration)	New	-	-	300	30,384	204,358	235,042	76,472	311,514
Purchase of SRT Cars		420	(6,411)	79,137	20,857	62,447	156,450	404	156,854
Purchase of SRT Cars (acceleration)	New	(148)	54,114	(26,045)	13,514	5,428	46,863	(78,601)	(31,738)
Purchase of Streetcars		54,992	43,948	50,686	69,791	333,178	552,595	590,102	1,142,697

St. Clair Avenue West Transit Improvements

Work on the St. Clair West dedicated transit way will continue in 2008 with \$32.977 million in 2008 funding for rehabilitation of the surface tracks along with customer services, operational and urban design improvements. This represents a \$1.1 million increase in the total project cost from the 2007-2011 Approved Capital Plan. The Recommended 5-Year Capital Plan provides for the completion of the St. Clair project in 2008 as previously approved by Council.

Bus Rapid Transit (BRT)

The Recommended 5-Year Capital Plan currently includes 2008 funding of \$16.015 million, \$56.161 million over the 2008-2012 period for the development of BRT lines from the Spadina Subway to York University/Steeles and on Yonge Street from Finch to Steeles. Delays in obtaining a Hydro right-of-way easement for the Downsview to York University busway may cause the project to fall a year behind schedule. This would result in additional costs of unknown magnitude. In addition, the finalized design of the Yonge St. BRT from Finch to Steeles will require a widening of Yonge St., resulting in additional work and some property acquisition.

Kipling/Islington Station Redevelopment

On April 24 and 25, 2007, Council approved the sale of portions of City-owned property at 3326 Bloor St. West and 1226 Islington Ave. to SNC Lavalin for the redevelopment of the Islington subway station. This land is currently undergoing an environmental assessment. The redevelopment of this land would require the demolition of the existing Islington bus terminal and the construction of a new terminal at Islington and also construction of a new Mississauga Transit / Go Transit regional terminal at the Kipling Subway station.

A motion was approved at the February 5, 2007 meeting of Council that recommended the Kipling / Islington Redevelopment conditional on securing 3rd party funding. The Kipling project in the Recommended 5-Year Capital Plan is \$33.5 million and the Islington project is \$19.8 million. The building of a replacement parking lot on Fieldway Ave. has been deferred to 2017 based on the existing parking lot being leased for 10 years. It is expected that the net cost to the City of the Islington project will be offset by the expected real estate proceeds from the SNC property acquisition. The Province has announced \$30 million in funding, to be provided through GO Transit, for the Kipling Station redevelopment and Mississauga Transit has committed to cover \$5.5 million in costs. The Province has further indicated that it would cover any cost overruns that may occur in the Kipling project. Discussions are currently taking place with all parties involved. The cost of redeveloping the Islington subway station will be covered by \$17.5 million in funds from the Land Acquisition Reserve Fund, which will be recovered from the sale of the existing property with another approximately \$5.4 million coming from TTIP funding which has already been received from the Province.

GTA Farecard

The Provincial government has introduced its “Presto” farecard which can be used by transit passengers across the various GTA transit systems. A pilot project has begun which involves having farecard machines available in 5 TTC subway stations which serve as access points for riders from the other parts of the GTA under the Provincial initiative. The 2008-2012 Recommended Capital Plan includes \$1.301 million in 2008 and \$106.301 million from 2008 to 2012. The total project cost of \$139.534 million has not been updated to reflect the latest estimate of costs for this project which could be as high as \$260 million pending decisions on the business case and on funding from the Provincial and Federal governments.

Bus Fleet Plan

In 2008, for \$148.455 million, excluding the purchase of Wheel-Trans vehicles for \$17.571 million, the TTC’s fleet of buses will be modernized with the purchase of 193 new diesel/electric hybrid buses. The Commission is following a strategy of “greening” its bus fleet through the use of technologies and practices that reduce both smog and greenhouse gases. The TTC projects that the bus fleet will become 100% accessible by 2011. The average age of the bus fleet will be reduced from 14 years in 2003 to 5.6 years by the end of 2008 as a result of a significant number of life extended buses (22-24 years old) being replaced. A strike at the bus manufacturer, Orion, may delay delivery of the 220 replacement buses which were expected to be delivered in 2007. Such a delay may also have an impact upon bus deliveries in 2008 as well.

The 2008-2012 Recommended Capital Plan has \$404.225 million for bus purchases from 2008 to 2012. The 2008 bus fleet plan includes a fleet of 1684 buses by the end of 2008 growing to 1,807 buses in 2012. In total, 908 new buses are projected to be purchased throughout 2008-2017.

TTC Bus Fleet Plan 2008- 2017										
Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Buses Available (Start Year)	1,603	1,684	1,712	1,727	1,757	1,807	1,857	1,917	1,957	1,995
less: Buses Retired	(112)	(102)	(65)	0	0	0	(135)	(50)	(52)	(51)
add: Buses Procured	193	130	80	30	50	50	195	90	90	0
Buses Available (End Year)	1,684	1,712	1,727	1,757	1,807	1,857	1,917	1,957	1,995	1,944
Bus Requirement	1,669	1,690	1,713	1,730	1,774	1,809	1,864	1,898	1,926	1,945
Contingency	15	22	14	27	33	48	53	59	69	(1)

The 2008 bus fleet plan represents continued passenger growth demand of approximately 2% annually.

There is \$17.571 million and \$58.881 million from 2008 to 2012 in the Capital Plan for the purchase of Wheel-Trans vehicles to replace the existing ELF vehicles. Originally, all of the new vehicles were expected to be delivered by 2010. However, the delivery was delayed because of the difficulty of finding a suitable replacement vehicle. It is intended that a contract for new vehicles will be in place by the end of 2008; however this is not certain. Also, the specifications for the new Wheel-Trans vehicles have been changed from a 7 year life to a 10 year life. This change has resulted in a 15% escalation in the cost per vehicle, but a reduced fleet replacement cost in 2008-2017.

Subway Car Fleet Plan

The 2008-2012 Recommended Capital Plan includes \$79.405 million in 2008 and \$735.244 million from 2008 to 2012 for the purchase of 234 subway cars or 39 trainsets. Delivery is scheduled for 36 cars in 2009, 138 cars in 2010 and 60 cars in 2011. It was expected that this purchase would provide enough cars to meet the projected increase in ridership until the next purchase in 2017 when the H-6 fleet was scheduled for replacement. However, in order to meet the increase in riders on the existing lines (which is happening at a faster than projected rate) through increased capacity including ATO and to be prepared for additional ridership resulting from the construction of the extension of the Yonge subway line, the Commission decided to begin the replacement of the H-6 fleet in 2012. There is \$0.3 million in 2010 to begin design work and \$30.384 million in 2011 and \$204.358 million in 2012 to complete the design and begin construction.

Scarborough Rapid Transit (SRT) Cars

More frequent SRT service and greater service capacity is possible with a larger fleet of vehicles. Total ridership on the SRT has grown steadily in recent years. The capacity of the SRT to carry passengers is currently constrained by the size of the fleet. To operate eight 4-car trains with one change-off train and a maintenance spares ratio of 20% would require a fleet of 44 cars, requiring the purchase of 16 additional SRT cars. The plan is to purchase 36 larger capacity Mark II cars designed to a three-car configuration.

There is recommended funding in 2008 of \$0.272 million and funding from 2008-2012 of \$203.313 million to commence the replacement of the existing fleet of 28 cars. All cars including growth cars will be delivered by 2012.

Streetcar (CLRV) Purchase

During the 2007 Capital Budget process, the Commission finalized plans to buy 204 new Light Rail Vehicles (LRVs). 183 LRVs will replace the entire existing fleet and 21 LRVs will be added to accommodate anticipated growth. In addition, 132 existing streetcars will be overhauled to life-extend and bridge the time period until all of the new streetcars are delivered. The TTC intends to award the contract and make a first instalment payment in 2008 with the delivery of the first two prototype vehicles in 2010.

The Recommended 5-Year Capital Plan includes funding of \$54.992 million in 2008 for the payment required on execution of the initial contract, with total funding on streetcar purchases of \$552.595 million in the 2008-2012 period.

The primary purpose of purchasing new LRVs is to replace vehicles that are at the end of their useful life, instead of rebuilding older cars, with more reliable and efficient cars. In addition, these new vehicles introduce fully accessible light rail transit to the City of Toronto at the earliest possible date.

The provincial *Accessibility for Ontarians with Disabilities Act, 2005* (AODA) requires that all services and facilities must be accessible by 2025. In addition, an option will be available to purchase additional cars to address other City-building initiatives such as the Transit City Plan and Waterfront Toronto LRT plans

Light Rail Transit Vehicle Plans										
(\$ millions)										
	2007	2008	2009	2010	2011	2012	2007-2012	2013-2017	2018-2025	Total
Recommended Plan										
Streetcar Overhaul (132 vehicles)	0.0	0.0	8.5	8.7	9.0	9.3	35.4			35.4
LRV Purchase and LEP Close out	10.3	55.0	43.9	50.7	70.0	333.2	562.9	590.1	105.8	1,258.8
Carhouse Modifications		1.0	4.0	5.0	10.0	10.0	30.0			30.0
Total Expenditures	10.3	56.0	56.4	64.4	89.0	352.5	628.3	590.1	105.8	1,324.2
LRT Vehicles Purchased					2	24	26	126	52	204

Operating Budget Impact – 5-Year Plan Incremental Operating Impact Summary

Incremental Operating Budget Impact	2008	2009	2010	2011	2012
2008 Recommended Capital Budget					
Program Costs (net) (\$000s)	522				
Approved Positions	3				
Debt Service Charges (\$000s)	4,910	22,913	22,913	22,913	22,913
Recommended 2009-2012 Capital Plan					
Program Costs (net) (\$000s)	0	8,619	807	301	(90)
Approved Positions		87	(0)	3	(5)
Debt Service Charges (\$000s)	0	3,555	16,974	16,760	15,436
Total					
Program Costs (net) (\$000s)	522	8,619	807	301	(90)
Approved Positions	3	87	(0)	3	(5)
Debt Service Charges (\$000s)	4,910	26,468	39,887	39,673	38,349
<i>Debt service cost of repayment of principal and interest is calculated according to corporate guidelines, in the following manner: 3.0% Year 1, and 14% for subsequent years.</i>					

Program Operating Impacts

The 2008-2012 Capital Plan will increase future year Operating Budgets by a total of \$10.159 million net over the five-year period, with more than 80% or \$8.619 million of the increase impacting 2009.

The Operating Budget net impacts are the result of the following capital projects/sub-projects:

2008 - 2012 OPERATING IMPACT OF CAPITAL												
Project Name	2008		2009		2010		2011		2012		TOTAL	
	\$000's	Positions	\$000's	Positions	\$000's	Positions	\$000's	Positions	\$000's	Positions	\$000's	Positions
Surface Track Improvement			(10.0)								(10.0)	
Traction Power - Various	(24.0)		(24.0)		(24.0)		(24.0)		(24.0)		(120.0)	
Communications	125.0	0.5	315.0	4.8	199.0	3.1	46.0	4.0	(27.0)		658.0	12.4
Signal Systems	271.0	2.5	108.0	1.0							379.0	3.5
Finishes	(25.0)										(25.0)	
Tools and Shop Equipment	(4.0)		(3.0)				(3.0)		(3.0)		(13.0)	
Computer Equipment and Software	100.0		300.0	2.5	595.0	5.6	271.0	3.2	15.0		1,281.0	11.3
Intelligent Transportation & Technical Systems			473.0	5.5	75.0	(4.7)	88.0	1.1			636.0	1.9
Easier Access - Phases II and III	44.0		34.0		25.0		36.0		55.0		194.0	
Other Service Planning	35.0		18.0	(2.0)	(63.0)	(4.0)	(113.0)	(5.0)	(106.0)	(5.0)	(229.0)	(16.0)
Mount Dennis Bus Garage			7,408.0	75.0							7,408.0	75.0
Total Operating Impact	522.0	3.0	8,619.0	86.8	807.0	0.0	301.0	3.3	(90.0)	(5.0)	10,159.0	88.1

Total 2008 Recommended Cash Flow & Future Year Commitments

(\$000s)

	2006 & Prior Year Carry Forwards	2008 Previously Approved Cash Flow Commitments	2008 New Cash Flow Recommended	2008 Total Cash Flow Recommended	2008 Debt Target	2007 Carry Forwards	Total 2008 Cash Flow (Incl 2007 C/Fwd)	2009	2010	2011	2012	2013-2017	Total Cost
Expenditures													
Previously Approved	0	552,104		552,104		52,500	604,604	433,020	198,126	131,975	29,176	25,342	1,422,243
Change in Scope			(6,424)	(6,424)			(6,424)	3,337	5,276			(25,342)	(23,153)
New			2,000	2,000			2,000						2,000
New w/Future Year			149,568	149,568			149,568	308,402	252,266	157,801	439,351	590,476	1,897,864
Total Expenditure	0	552,104	145,144	697,248		52,500	749,748	744,759	455,668	289,776	468,527	590,476	3,298,954
Financing													
Debt	0	129,595	34,069	163,664	167,199	35,000	198,664	248,253	151,889	96,592	156,176	196,825	1,048,399
Subsidy (SCPI)													0
Prov. Subsidy/Grant		188,497	49,554	238,051		17,500	255,551	248,253	151,889	96,592	156,176	196,825	1,105,286
Development Charges													0
Other		14,253	3,747	18,000			18,000						18,000
Federal Grants		202,181	53,152	255,333			255,333	248,253	151,889	96,592	156,176	196,825	1,105,068
Reserves/Res Funds		17,579	4,621	22,200			22,200						22,200
Total Financing	0	552,104	145,144	697,248		52,500	749,748	744,759	455,668	289,776	468,527	590,476	3,298,954

Comments / Issues:

- Approval of the 2008 Recommended Capital Budget of \$697.248 million will result in a commitment of \$744.759 million in 2009, \$455.668 million in 2010, \$289.776 million in 2011 and \$468.527 million in 2012 which will encumber the following year's spending.
- There are previously approved projects of \$552.104 million in 2008 and \$1.344 billion in the 2008-2012 period. There is a reduction in funding for change of scope projects in 2008 of \$6.424 million and an increase in funding for 2008-2012 of \$2.189 million. New projects have \$151.568 million of funding in 2008 and \$1.9 billion in 2008-2012. There is funding for \$52.5 million for 2007 projects carried forward from 2007 to 2008.
- To fund 2008 recommended cash flow, the TTC will require debt of \$163.664 million in 2008, which is under the debt target by \$3.535 million. Funding for future year commitments from 2009 to 2012 is assumed to be split one third Provincial, one third Federal, and one third City.

2008 Recommended Capital Budget	
Project	(\$ millions)
Delivery of 262 Replacement Buses	149
Purchase of 234 Subway Cars	79
Purchase of 204 LRVs	55
Replacement of Wheel-Trans Vehicles	18
Vehicle Overhaul Programs	47
Finishes, Equipment, Yards and Roads	49
Bridges and Tunnels	34
Easier Access II & III	11
Fire Ventilation Upgrade	19
Subway Track	11
Surface Track	62
Signals, Electrical and Communications	55
Kipling / Islington Redevelopment	20
Warden Redevelopment	8
Victoria Park Bus Terminal	9
SRT Conversion	5
Wilson Carhouse Modifications for New Subway Train	8
Computer Equipment and Software	12
Intelligent Transportation and Technical Systems	11
Environmental Programs	7
Other Projects	<u>82</u>
Total 2008 Capital Budget before unallocated reductions	751
Unallocated Reductions	(54)
Total 2008 Recommended Capital Budget	697
3rd Party Funding	(534)
Debt	(164)
Debt Target	(167)
Over / (Under) Debt Target	(4)

2008 Recommended Capital Budget versus Debt Target

The 2008 debt affordability guideline for TTC is \$167.199 million. The 2008 Recommended Capital Budget requires debt funding of \$163.664 million, which is under the debt target by \$3.535 million. This target represents a 26% decrease from the \$227 million in new debt that was approved for 2007. The 2008 Recommended Capital Budget has \$20 million less gross expenditures and \$43 million more in 3rd party funding in order to meet the lower debt target in 2008.

Recommended Capital Budget by Category

State of Good Repair sub-projects represent 82% of the 2008 Recommended Capital Budget cash flow funding. The primary focus of the TTC's Capital Plan is the repair or replacement of aging vehicles, infrastructure and facilities.

Service improvement projects represent 11% of the funding included in the 2008 Recommended Capital Budget. The largest service improvement projects are reserved transit lanes on St. Clair Avenue (\$21 million) and the Kipling / Islington redevelopment project (\$20 million).

Expansion projects represent 4% of the 2008 Recommended Capital Budget's cash flow funding. The largest expansion projects are the Bus Rapid Transit lanes which require \$16 million and the Warden Redevelopment Phase I project which requires \$8 million.

Legislated projects account for 3% of the 2008 Recommended Capital Budget's cash flow funding. Easier Access II and III projects are the largest Legislated projects, requiring \$11 million in 2008.

PART II: ISSUES FOR DISCUSSION**2008 Capital Budget Issues****St Clair Transit Lanes and Trackwork**

The TTC has increased the projected cost of its portion of the St. Clair streetcar project by \$1.1 million from \$68.811 million to \$69.911 million. This increase has resulted from an increase in the price of materials, particularly steel. The project will be completed in 2008.

2008 Unallocated Reduction

An unspecified reduction of \$54 million in 2008, which represents 10% of the total 2008 Recommended Capital Budget less committed vehicle purchases, has been recommended. The Recommended 5-Year Capital Plan also reflects an unallocated budget reduction in each year of the 2008-2011 period for a total of \$278 million over the Recommended 5-Year Capital Plan timeframe. The Recommended 5-Year Capital Plan assumes that all of the unallocated reduction is comprised of debt funded projects. The TTC has been directed to report back to Budget Committee as part of the June 30, 2008 Capital Budget Variance Report on specific reductions to accommodate anticipated underspending in 2008 of \$54 million.

5-Year Capital Plan Issues**Commission Approval of TTC 5-Year Capital Plan**

At the November 2007 Commission meeting, the Commission is expected to approve the TTC's 2008-2012 Capital Plan. The TTC must submit a formal capital budget submission with all supporting documentation as soon as possible after receiving Commission approval. Detailed funding projections based on formulas set out for the various 3rd party funding programs for which the TTC is eligible are required as part of the TTC's formal budget submission.

Debt Targets Not Met

The TTC is under its 2008 debt target by \$3.535 million. The Recommended 2008-2012 Capital Budget is over its debt target by a total of \$420 million: \$82 million in 2009; \$95 million in 2010; \$47 million in 2011 and \$200 million in 2012. The City cannot sustain such sizeable debt funding levels. Additional increased funding is required from the Provincial and Federal governments in order to achieve the required replacement of TTC vehicles and other infrastructure.

Projects Not Previously in 2007-2011 Approved Plan:

The following projects were not included in the 2007-2011 Approved Capital Plan:

Purchase of new subway cars in 2011 and 2012 to replace H6 subway cars – As previously noted, the TTC has added \$235.042 million in costs for 126 new subway cars to replace the existing H6 subway cars. This project adds considerable pressure and increases the TTC's shortfall particularly in 2012.

Purchase of 36 Mark II SRT cars – The purchase of SRT replacement cars has been accelerated by a year. At the same time, the number of cars to be purchased has been decreased by 8 from 44 based on the higher capacity of the Mark II cars. Accelerating the purchase of SRT cars increases the 2008-2012 Capital Plan \$18.693 million (net of modified car requirements) thereby increasing pressure in 2009.

Financing Assumptions

The TTC will not make a formal Capital Budget submission until approval has been granted by the Commission at its November 2007 meeting. As well, the TTC is currently in the process of constructing its detailed funding chart. The funding breakdown received to date is based on preliminary estimates of expected funding. These funding numbers may change when the TTC submits its final budget submission; however, the changes to financing assumptions are not expected to be significant.

TTC 2008-2012 CAPITAL PROGRAM REQUIREMENTS & SOURCES OF FUNDING							
PROPOSED SEPT 20/07							
	2007	2008	2009	2010	2011	2012	2008-2012
\$ millions							
Recommended Budget	707	752	932	819	724	1,173	4,401
Unallocated Reduction	-	(54)	(57)	(49)	(48)	(70)	(277)
Budget after Unallocated Reduction	707	697	875	771	677	1,104	4,123
Funding Sources							
Ontario Transit Vehicle Program / Bus Replacement							
Program (OTVP/OBRP)	15	17	17	17	9	13	75
Ontario Rolling Stock Infrastructure Funding	61	59	-	-	-	-	59
Long Term Vehicle Funding Requirement	-	10	92	84	76	219	481
Golden Horseshoe Transit Investment Partnerships	10	-	-	-	-	-	-
Kipling/Islington Redevelopment	-	13	13	6	-	-	32
Canada Strategic Infrastructure Program (CSIF)	79	69	47	30	20	7	173
Provincial gas tax	70	70	70	70	70	70	348
Total Provincial Funding	235	238	239	207	175	309	1,168
Canada Strategic Infrastructure Program (CSIF)	85	75	50	32	21	7	185
Building Canada Fund (BCF - CSIF Additional)	-	18	30	34	44	198	324
Transit-Secure Funding	4	4	0	-	-	-	4
Base Federal Gas Tax - 5 cent (population)	65	81	163	163	163	163	733
Additional Support for Transit Federal Gas Tax - 1 cent (ridership)	-	-	-	-	-	-	-
Public Transit Capital Trust (ridership)	75	78	-	-	-	-	78
Total Federal Funding	229	255	244	229	228	367	1,323
TTC internal (depreciation)	17	18	18	18	18	18	90
Other Reserves	5	22	20	7	-	-	49
Development charges	4	-	73	14	15	15	117
Total Other Funding	25	40	111	39	33	33	256
City Debt Target - revised	227	167	200	200	194	194	956
Total Funding	716	701	793	676	630	903	3,703
Funding Shortfall (Surplus)	(9)	(4)	82	95	47	200	420

Development Charges

Over the 2008-2012 period, there will be approximately \$117 million in development charges funding available to fund TTC growth projects. A new Development Charges By-Law Study is currently being undertaken. Given the significant new TTC projects being undertaken, it is likely that the amount of development charge funding available will be substantially greater in future years than is currently shown in the TTC's Recommended 2008-2012 Capital Plan.

2009-2012 Unallocated Reduction

Annually, the TTC's Capital Budget includes an unallocated reduction, which represents ten percent of the total 2008 Capital Budget less committed vehicle purchases, to reflect a 90% spending rate for all other capital works. In addition to the unallocated reduction of \$54 million in 2008, the Recommended 5-Year Capital Plan reflects reductions of: \$57 million in 2009, \$49 million in 2010, \$48 million in 2011, and \$70 million in 2012. The total unallocated reduction over the 2008-2012 period is \$278 million.

Projects Not Included in the 2008-2012 Recommended Capital Plan

There are some significant projects which are not included in the Recommended 5-Year Capital Plan and have been treated as "below-the-line" priorities.

Projects which are not in the 2008-2012 Capital Plan									
Project	2008	2009	2010	2011	2012	2008-2012	2013-2017	2008-2017	Total Project Cost
Spadina Subway Extension			184,848	540,400	705,000	1,430,248	978,600	2,408,848	2,408,848
Transit City	19,850	454,775	994,400	1,054,900	1,069,400	3,593,325	5,489,600	9,082,925	9,964,100
Waterfront Initiatives	4,200	20,575	54,660	64,205	81,249	224,889	87,350	312,239	497,750
Bremner Streetcar Expansion		525	8,925	22,365	27,825	59,640	118,860	178,500	178,500
Other	18,668	37,332	56,641	65,120	53,412	231,173	117,910	349,083	302,737
Total	42,718	513,207	1,299,474	1,746,990	1,936,886	5,539,275	6,792,320	12,331,595	13,351,935

The Spadina Subway Extension – The TTC is progressing plans for an extension of the Spadina Subway from Downsview station to the Vaughan Corporate Centre through a joint project involving the City of Toronto/TTC and York Region for which the current project cost is estimated at \$2.633 billion. Provincial funding for one third of the project cost (which was estimated at \$2.1 billion in 2006) has been committed and placed in a trust fund. The municipal share will be allocated on a 59.96% City / 40.04% Region split based on recognition of municipal boundaries and responsibilities and of shared system infrastructure. While the Federal government has announced intended funding of \$697 million, a formal funding agreement is still required and the EA must be approved before construction can commence.

The TTC has identified, "below the line" in its 2008-2012 Capital Plan, \$56.8 million in funding in 2008 for continued work and studies associated with the Spadina Subway Extension project. However, the City considers the project to be fully funded subject to confirmation of Federal funding approval. Council has approved the TTC using a total of \$4.95 million from the Move Ontario Trust fund in 2007 in order to undertake essential immediate work on the Spadina Subway Extension. It is expected that \$4.248 million of this funding will be spent by the end of 2007. The Recommended 2008-2012 Capital Plan recommends funding for \$220.752 million in 2008 cash flow and future year commitments. This funding together with the \$4.248 million in funding which will be spent to the end of 2007 totals \$225 million in City approvals. This \$225 million project will be funded by \$75 million received from the Federal government, through the Public Transit Capital Trust, matched by \$75 million from the Provincial portion of the Move Ontario Trust fund, and \$75 million from the combined contribution of the City of Toronto and York Region. This funding will cover various project management and critical project activities which must be completed as soon as possible in order to avoid future costs. This project does not rank as one of the TTC's or the City's highest priority transit projects. However, due to the availability of funding, the TTC and City have chosen to proceed with this project.

Transit City – The TTC in March 2007 issued its Transit City Plan which encompasses the construction of seven new Light Rapid Transit lines across the City of Toronto. In total, 120 kilometres of service would be added and communities from Scarborough to North York to Etobicoke would be served along with a possible addition of LRV service to the airport. By 2021, it is anticipated that the new lines would carry 175 million riders per year. The TTC has identified \$19.850 million for 2008, \$3.593 Billion from 2008-2012, and \$9.964 Billion in total project costs for the Transit City Plan initiatives “below the line” subject to funding.

- On June 15, 2007, the Provincial government announced \$17.5 Billion in funding for its MoveOntario 2020 program. This funding would will be utilized for all of the TTC’s Transit City projects. The Province committed to 2/3 funding and encouraged the Federal government to fund the remaining 1/3. If this funding arrangement was agreed to, the City would not be required to contribute to the capital cost for this project. The Federal government, however, has not announced its intention to participate in funding Transit City. No additional funding has been committed for the incremental operating costs the TTC will incur when these capital projects are complete and the Transit City Plan is operational.

Waterfront Initiatives – Waterfront Toronto has begun construction in the East Bayfront and the West Don Lands areas of the waterfront. The TTC has identified projects requiring \$4.2 million in 2008, \$224.889 million from 2008 to 2012, and a total project cost of \$497.750 million to provide light rail transit to these two areas of the waterfront along with eventual service to the Portlands and the construction of a new platform at Union Station.

Bremner Street Car Loop - The Secondary plan for the Central Waterfront anticipates the construction of an exclusive right-of-way on Bremner/Fort York Boulevard between Union Station and Exhibition Place. The TTC has determined that Light Rail Vehicles should be used on this right-of-way. TTC has identified costs of \$59.640 million in 2008-2012 and \$178.5 by 2017 for the total project’s cost. No funding from other levels of government has been committed to this project.

Other Issues

Kipling / Islington Project

The Facilities and Real Estate Division learned in September 2007 that zoning variances will be required for the Islington terminal and possibly for the Kipling terminal as well. This could result in an appeal to the Ontario Municipal Board which may delay the start of the project. TTC and City staff are in the process of reviewing whether or not it will be necessary to approach SNC Lavalin about amending the completion dates for both projects in order to avoid the risk of the TTC and the City incurring significant liabilities from not being able to meet construction deadlines. The total project cost for the Kipling project has increased by \$2.1 million due to project scoping. Similarly the total project cost of the Islington project has increased by \$2.916 million. The increase in the cost of the Kipling station project will be covered by the Provincial government. The cost increase for the Islington station project can be accommodated through funds the City has received under the Provincial TTIP program.

The TTC needs to ensure that the Islington project continues to be accommodated within established debt targets.

GTA Farecard

The Provincial government has introduced its Presto farecard which can be used by transit passengers across the various GTA transit systems. A pilot project has begun which involves having farecard machines available in 5 TTC subway stations which serve as access points for riders from the other parts of the GTA. The 2008-2012 Recommended Capital Plan has \$1.301 million in 2008 and \$106.301 million from 2008 to 2012. The total project cost of \$139.534 million has not been updated to reflect the latest estimate of costs for this project which could be as high as \$260 million.

The TTC is to report back to Budget Committee prior to the 2009 Capital Budget process on updated costs for the GTA farecard project.

Bus Rapid Transit (BRT)

Delays in obtaining a hydro right-of-way easement for the Downsview to York University busway may cause the project to fall a year behind schedule. This would result in additional costs of unknown magnitude. In addition, the finalized design of the Yonge St. BRT from Finch to Steeles will require a widening of Yonge St., resulting in additional work and some property acquisition.

The TTC is to report back to the Budget Committee if it determines that there will be additional costs for the Downsview to York University Busway project.

New Streetcar (LRV) Purchase

The Commission plans to buy 204 new Light Rail Vehicles to replace its entire fleet of 183 streetcars and to add 21 new LRVs to accommodate anticipated growth. There is \$54.992 million in funding in 2008; \$552.595 million in funding in the 2008-2012 period; and a total project cost of \$1.249 billion in the Recommended 2008-2012 Capital Plan. This project was approved by Council conditional on a one third cost share from the Province and a one third cost share from the Federal government, and that the TTC not enter into any long-term commitments before funding is confirmed. The TTC must sign a contract and make a first instalment payment in early 2008 if the planned delivery schedule is to be met. To-date, there has been no funding commitment from the Provincial or Federal government for the LRV project.

The TTC is to report back to the Budget Committee when confirmation of funding for the purchase of 204 new Light Rapid Transit Vehicles.

Approval of a New Class of Environmental Assessment (EA) Process for Municipal Transit Projects

On September 6, 2007, the Ontario Ministry of the Environment approved a new, stream-lined "Class" environmental assessment process specific to municipal transit projects. This new Class EA will reduce the time required for transit EAs by as much as one year. This could have a significant impact on the time and cost required to put in place projects such as Transit City. The TTC currently has four EAs underway. These will all be converted to the new Class EA process. The shorter timeframe for EAs could marginally reduce the EA costs and allow spending on some projects to take place earlier than currently planned in the 2008-2012 Capital Plan.

The TTC is to report back to Budget Committee by June 2008 on the impact on the TTC's Capital Plan of the creation of the new class of Environmental Assessment for municipal transit projects.

90 Megawatt Electricity Savings Program – City of Toronto Sustainable Energy Plan

Council approved the Toronto Energy Plan in March 2007, which included a program to save 90 megawatts of electricity in the City of Toronto by 2010. Incentive payments will be available through the Ontario Power Authority for eligible City Programs and ABCs. The TTC will be participating in this program, and through its Green Roof project the TTC is expecting to find energy savings. Negotiations are currently underway between the City and the Ontario Power Authority to finalize all program requests and consequently no funding has been included in the 2008-2012 Capital Plan.

Revisions to the TTC Budget Submission

At the September 19, 2007 Commission meeting, the Commission directed TTC staff to move the Geospatial Initiatives project above the line, adding \$4 million in 2008 and \$6.5 million to the 2008-2012 Capital Plan. Station modernization for Pape, Dufferin and Yonge-Bloor Stations was also moved above the line for \$4.3 million in 2008 and \$30.2 million in 2008-2012. These revisions are included in the Recommended 2008-2012 Capital Plan. Also included are a reduction of \$28.170 million for SRT cars and a reduction of \$40.775 million to defer the McNicholl bus garage project by a year on the basis that the bus fleet can be accommodated in the current garages until 2013 and will be further reviewed in the context of bus fleet requirements and the Transit City light rail plans.

Issue Referred to the Budget Process

During the 2007 Capital Budget process, Council adopted the following motion at its meeting of March 7, 2007, as recommended by the Budget Committee:

“that the Deputy City Manager and Chief Financial Officer, in conjunction with the Acting Chief General Manager of the TTC, report to the Budget Committee, in 2008 on the multi-year funding strategy for the entire Warden Woods Redevelopment Strategy, Phase 1, including construction of a new road for housing on the former north parking lot of the Warden Station, construction of a community centre and construction of a replacement TTC parking lot on the south side of St. Clair Avenue;”

This report will be sent to the December 2007 Budget Committee meeting for its consideration.

Appendix 1

2008 Recommended Capital Budget; 2009 to 2012 Plan and 2013 to 2017 Estimates

Appendix 2

**2008 Recommended Cash Flow
& Future Year Commitments**

Appendix 3
2008 Recommended Capital Projects
with Financing Details

Appendix 4

Reserve / Reserve Fund Review (\$000s)

Reserve / Reserve Fund Name	Project / SubProject Name and Number	Projected Balance as of December 31, 2007	Proposed Withdrawals				
			2008	2009	2010	2011	2012
XR2025 Development Charges - Transit Reserve Fund	Beginning Balance	45,049,077	45,049,077	58,677,877	700	0	0
	Interest/Contributions		13,628,800	14,014,200	14,452,600	14,865,700	15,000,000
	Estimated Funding for Capital Program			(72,691,377)	(14,453,300)	(14,865,700)	(15,000,000)
	Total Proposed Change		13,628,800	(58,677,177)	(700)	0	0
TOTAL RESERVE FUND BALANCE AT YEAR-END		45,049,077	58,677,877	700	0	0	0