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2004 BUDGET BRIEFING NOTE: TTC Capital Funding Sources

Issue/Background:

The purpose of this briefing note is to update Council on the capital funding received for the TTC 2003 capital program and to explain the sources of funding required in 2004 and future years.

Key Point(s):

2003 Funding:

- The 2003 Approved Capital Budget for the TTC is \$311.6 million excluding the Sheppard Subway project. The Sheppard Subway is considered a separate project by the City of Toronto and is funded through debt and development charges and does not form part of the capital budget for which the City is seeking capital funding from the senior levels of government. The sources of funding for the 2003 Capital Budget assumes three-way cost sharing, with funding of \$104.0 million (rounded) provided by the City, the Province and the Federal Government respectively. The City of Toronto's funding of \$103.6 million is comprised of debt financing to a maximum of \$84.5 million and TTC internal funding sources of approximately \$19.1 million for 2003.

**TTC 2003 Capital Program Funding
year-end variance projection net of Sheppard**

| Approved Cash Flow (excluding Sheppard subway) | Budgeted Funding Sources (Rounded) | Guaranteed Funding as at December 31, 2003 | Projected Actual Spending to 31/12/2003 |
|---------------------------------------------------|---------------------------------------------|-----------------------------------------------------|-----------------------------------------------|
| in \$millions | | | |
| Financing Sources: | | | |
| 1/3 Province | 104.0 | 70.6 | 70.6 |
| 1/3 Federal | 104.0 | 13.7 | 13.7 |
| 1/3 City | 103.6 | 103.6 | 103.6 |
| Total Financing | 311.6 | 187.9 | 187.9 |
| Financing Shortfall | 0.0 | 123.7 | 37.4 |

- On December 30, 2003 the City received from the Province of Ontario, \$62.3 million through the Ontario Transit Renewal Program (OTRP) for the 2003 TTC capital program and \$13.7 million from the Federal Government through the Canada-Ontario Infrastructure Program (COIP) for a total of \$76.0 million. Another \$9.633 million through the Golden Horseshoe Transit Investment Partnership (GTIP) is outstanding but is expected early in 2004. Of this amount, \$8.31 million is applicable to 2003 and \$1.321 million is applicable to 2002.
- In total, the committed funding from the federal and provincial governments, including the GTIP funding yet to arrive, is \$84.3 million resulting in a funding shortfall from the senior levels of government of \$37.4 million based on projected year-end expenditures and increasing city debt to finance this under funding by \$37.4 million. The 2003 projected year-end variance, net of Sheppard Subway, is \$86.7 million based on year-end expenditures of \$225.3 million, or 72% of the approved capital budget being expended by December 31, 2003.

2004 Funding:

- In 2004 the capital funding calls for a 1/3, 1/3, 1/3 funding share from each of the three levels of government, \$113.4 million from each level respectively. The City's one-third share is comprised of debt at \$95.624 million (of which \$82.4 million is considered new debt in 2004) and \$0.937 million in development charges and \$16.9 million in depreciation charges. Normally, depreciation is not a cash expense. In this case, depreciation is contained in the total cash operating subsidy paid to the TTC from the City and, as such, is flowed back to the capital program as a source of funding that serves to reduce debt by the same amount.
- TTC and City staff continues to work on securing a long-term capital funding agreement with the senior levels of government for 2004 and future years.

2004 – 2013 Funding:

- It is assumed that, over the next ten years, the City of Toronto's funding portion of the TTC capital program will be one half of the total contributions including the federal and provincial governments. In other words, a one-third, one-third, one-third split of the TTC's funding, net of the TTC's own contribution, will come from each of the City of Toronto, the Province of Ontario and the Government of Canada, respectively. Over the next ten years the City share (including the TTC's share and development charge revenue) of the base budget, excluding Sheppard Subway, will total \$1.33 billion; the provincial and the federal government's share will be \$1.33 billion, respectively, or \$133 million per year on average.

Questions & Answers:

Q. Are the sources of funding in place for the TTC 2004 capital program and beyond?

A. No. It has been recommended that the TTC with the City continue their efforts at securing a long-term and stable capital funding agreement with the senior levels of government.

Date: February 17, 2004