**MEETING DATE:** November 17, 2004

**SUBJECT:** 2005-2009 TTC Capital Program and 10-Year Capital Forecast

---

## RECOMMENDATION

It is recommended that the Commission:

(1) Approve the 2005 Capital Program in the amount of $427 million ($430 million including Sheppard as summarized in Appendix A) as described in this report and the following accompanying documents:

- TTC 2005-2009 Capital Program Overview
- TTC 2005-2009 Capital Program (Blue Books)

(2) Approve the 2005-2009 Capital Program in the amount of $2.9 billion as shown in this report;

(3) Approve the 10-Year Capital Forecast in the amount of $4.7 billion as shown in this report;

(4) Consider this report in concert with the following:

(a) the TTC 2005 Operating Budget
(b) the TTC 2005 Wheel-Trans Operating Budget
(c) the TTC 2005 Departmental Goals and Objectives
(d) the TTC 2005 Organization Charts

(5) Forward this report to the City of Toronto for Council approval of the 2005-2009 Capital Program and approval of the 10 year forecast;

(6) Forward this report to the Province of Ontario and the Government of Canada requesting:

(a) confirmation of funding eligibility of the projects contained within the 2005-2009 Capital Program and 10-Year Capital Forecast, and;

(b) an increased funding commitment in the amount of $33.6 million each to cover the increased cost of the premium to acquire diesel-electric hybrid buses.

## REPORT OVERVIEW

The Capital Program is based on the Commission's long-standing **capital budget priorities** as follows:

1. State-of-Good-Repair and Safety
2. Legislative
3. Capacity Enhancement
4. Improvement
5. Expansion

The TTC's 2005-2009 Capital Program is described in detail in the following:

- This Commission report that provides a discussion of the major policy issues.

- The accompanying document entitled "TTC 2005-2009 Capital Program Overview", which provides a comprehensive overview of the budget, highlights key changes from last year, and discusses funding issues and the operating impacts of the programs.

- The "Blue Books", which describe every project in detail, including project justifications.

**FUNDING SUMMARY**

The following table summarizes the anticipated sources of funding available for the capital program.

TABLE 1

CAPITAL FUNDING SUMMARY

($ Millions)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004-2008 |
|---|---|---|---|---|---|---|
| **BASE CAPITAL PROGRAM** | | | | | | |
| EXPENDITURES | 283.7 | 426.8 | 634.1 | 710.9 | 607.7 | 2,663.2 |
| **PROVINCIAL** | | | | | | |
| OTVP (1) | 20.3 | 30.2 | 47.3 | 74.2 | 49.7 | 221.7 |
| CSIF | 25.1 | 40.0 | 95.7 | 98.3 | 90.9 | 350.0 |
| GTIP / TTIP (2) | 6.4 | 6.0 | 2.9 | - | - | 15.3 |
| TOTAL | 51.8 | 76.2 | 145.9 | 172.5 | 140.6 | 587.0 |
| **FEDERAL** | | | | | | |
| CSIF (3) | 12.6 | 20.8 | 92.9 | 116.2 | 107.5 | 350.0 |
| TOTAL | 12.6 | 20.8 | 92.9 | 116.2 | 107.5 | 350.0 |
| **BALANCE TO CITY** | 219.3 | 329.8 | 395.3 | 422.2 | 359.6 | 1,726.2 |

Notes:

(1) Net of items funded under CSIF; includes incentive funding on hybrid buses
(2) Excludes funding for 2001-2003 of $9.6M not yet paid to City.
(3) Does not include expenditures ($2.3M) prior to March 30, 2004

Additional details are available in the funding section of this report.

## BUDGET CONTEXT

Following is a brief synopsis of two recent periods in TTC history.

### 1970's and 1980's

During the 1970's and 1980's the population of the City of Toronto grew by 9%. In those same two decades, TTC ridership grew from 275 million riders in 1970 to almost 465 million – a 70% increase. This represented a significant shift in reliance from the personal automobile to public transit usage.

How did we achieve this? Simply put – continuous investment in transit capacity and expansion. The Yonge Subway Line was extended north, the Bloor/Danforth Line went further east and west and, the Spadina Subway and Scarborough RT Lines were built. In addition, we made a significant investment in revenue vehicles: subway cars (400 cars purchased), streetcars (196 CLRVs and 52 ALRVs), SRT cars (28) and a 70% increase in the size of the bus fleet. We proved for two full decades that predictable long-term funding, fare increases in line with inflation and steady expansion of the system did result in large shifts of commuters from the automobile to public transit.

### 1990's

Now let's look at the 1990's. The recession hit. By 1996, City of Toronto employment had fallen by almost 15%. TTC operating subsidies were cut in half in real terms. Fares were increased in real terms by about 50% over the rate of inflation. Large service cuts were made (reducing the bus fleet by 22% and closing two operating garages). As a result, ridership fell to 372 million in 1996 – over 90 million (or 20%) from the late 1980's highs. This is the classic transit downward spiral. Transit in Toronto was cheaper for governments, however, there was, and continues to be, a lot less of it.

The latter half of the 1990's was somewhat better than the first half. City of Toronto employment had recovered almost to pre-recession levels. However, TTC ridership had recovered less than half of what was lost. For the decade, City of Toronto population grew by 9%, yet TTC ridership was down by 11%. A significant contrast to the 1970's and 1980's.

Since the terrorist attacks on September 11, 2001, the TTC has had to deal with a very uncertain operating environment where many non-controllable events have impacted ridership. Labour strikes in 2002 (OPSEU, CUPE) and the SARS outbreak and hydro blackout in 2003 all had an immediate effect on ridership. 2004 ridership is currently projected at about 417 million rides and the 2005 budget is projected at 422 million rides. Additional details on ridership are available in the 2005 Operating Budget report.

## THE FUTURE

What does the future hold for the TTC? The City of Toronto's New Official Plan calls for an 18% growth in City of Toronto population by 2031, but virtually no new arterial road capacity is planned during this time. How will this happen? The TTC has a three-pronged plan to address this. It includes:

(1) State-of-Good-Repair Budget
(2) Ridership Growth Strategy
(3) Subway Expansion Plan

Each of these components is discussed below.

(1) State-of-Good-Repair Budget

The State of Good Repair Budget as outlined in the 2005-2009 Capital Program and 10 Year Forecast is a planned approach to the reinvestment and rehabilitation of physical plant (the original Yonge-Subway celebrated its 50th anniversary in 2004), as well as the replacement of revenue vehicles (rail cars have a useful life of 30 years, while buses have a useful life of 18 years). In addition, it is important to remember that the price of transit vehicles has increased significantly faster than the normal rate of inflation. For example, an H2 subway car cost about $165,000 in 1971. Assuming a normal rate of inflation, a subway car could cost about $800,000 in today's dollars. The recently completed order for T1 subway cars cost in excess of $2 million each. Approximately $4.7 billion in investment will be needed over the next 10 years for the base capital program as shown in Table 2.

**TABLE 2**
**($Millions)**

| | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2005-2014** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Infrastructure** | 256 | 318 | 317 | 246 | 156 | 177 | 171 | 167 | 159 | 177 | 2,144 |
| **Vehicles** | 171 | 316 | 394 | 362 | 351 | 360 | 107 | 79 | 87 | 350 | 2,576 |
| **TOTAL** | 427 | 634 | 711 | 608 | 507 | 536 | 278 | 246 | 246 | 527 | 4,720 |

**Note:** Table 2 (and all subsequent Tables) excludes cash flows for the completion of the Sheppard Subway as the City treats this project separately. At this time the estimated final cost of the Sheppard project has increased by $5.9 million as a result of the removal of an anticipated property credit (the property is awaiting City disposition). The 2005-2009 cash flow required to complete the project is approximately $4 million.

Figure 1 shows the expenditure profile for the Commission's State-of-Good-Repair program from 1991-2014.

**Figure 1**

**EXPENDITURE PROFILE**
**1991 TO 2014**

Expenditures for the next decade continue to be dominated by (i) the need to replace aging buses and subway cars, (ii) the need to rebuild streetcars and undertake almost $270 million in streetcar track rehabilitation, (iii) major structural rehabilitation of the Commission bridges, tunnels, buildings and structures, and (iv) the need to modernize the Commission IT assets. In addition, several major projects requiring significant investment over the next 10 years will be undertaken including: the installation of elevators in the subway system ($87 million), the construction of two new bus garages to meet fleet capacity requirements ($162 million) and, the upgrade of fire ventilation equipment and installation of second exits in the subway ($188 million). Also, approximately $239 million has been included for the diesel-electric hybrid bus premium on replacement buses.

Earlier this year the Government of Canada announced a $1.050 billion commitment to the TTC's capital program under the Canada Strategic Infrastructure Fund (CSIF) to be funded equally by the Federal, Provincial and Municipal governments. Table 3 summarizes the gross expenditures for the years 2004-2008 and anticipated funding levels for each project to be covered under the proposed agreement. This table reflects updated project estimates and cash flows as incorporated in the 2005-2009 Capital Program.

**TABLE 3**
**CANADA STRATEGIC INFRASTRUCTURE**
**2004-2008**
**($ Millions)**

| | EXPENDITURES | FUNDING |
|---|---|---|
| **BASE PROGRAM** | | |
| Purchase 232 Subway Cars | 386.2 | 282.8 |
| EA – Spadina Subway Extension | 2.9 | 2.9 |
| Station Improvements EA II | 35.2 | 22.9 |
| Subway Infrastructure | 239.1 | 73.4 |
| CLRV Life Extension Program | 50.7 | 50.7 |
| Streetcar Infrastructure | 190.8 | 75.7 |
| Purchase Diesel Buses | 267.7 | 120.5 |
| Purchase Hybrid Buses | 362.0 | 209.1 |
| Sub-total – Included in Base Program | 1,534.6 | 838.0 |
| **ADDITIONS TO BASE PROGRAM** | | |
| Purchase 100 RGS Buses (50 Diesel/50 Hybrid) | 65.0 | 34.2 |
| BRT – Yonge Finch to Steeles | 7.4 | 7.4 |
| BRT – Spadina Station to York University | 30.4 | 30.4 |
| Transit Priority Expansion | 1.8 | - |
| Integrated Ticketing System (AFC) | 140.0 | 140.0 |
| Sub-total – Additions to Base Program | 244.6 | 212.0 |
| **TOTAL** | 1,779.2 | 1,050.0 |

As shown in the table it is anticipated that approximately $1.53 billion of projects previously included under the base capital program will receive $838 million in funding. In addition, it is anticipated that approximately $245 million of projects not previously included in the base capital program will receive funding of $212 million.

In addition, staff recommend that an increased funding commitment in the amount of $33.6 million each be sought from the Provincial and Federal levels of government to cover the increased cost of the premium to acquire diesel-hybrid buses. This premium has increased from $120,000 to

$257,000 per bus and represents approximately $251 million in costs over the next 10 years. Additional details are available in the funding section of this report.

(2) Ridership Growth Strategy

The Ridership Growth Strategy was approved by the Commission on March 19, 2003. It was prepared in response to efforts to increase ridership and to address anticipated population growth in the city over the next decade. The strategy supports The City of Toronto's Official Plan and details the most cost-effective ways of increasing transit ridership in the City, building on the existing transit system and operations. The strategy recommends a three-phased approach to investing in ridership growth that includes both service improvements and fare incentives and is based on the principle that the recommendations are only to be implemented when current system funding requirements are satisfied and the system is maintained in a state of good repair.

The Ridership Growth Strategy (RGS) provides a long-term staged program of investing in existing transit services and includes increased bus service, more transit priorities, streetcar lines rights-of-way and, construction of low cost bus rapid transit. These initiatives are designed to improve existing services and will add upwards of 45 to 50 million new riders per year. This strategy requires funding of $80 million in on-going annual operating costs and will require a capital investment of about $560 million ($462 million over the next 10 years). As noted in the previous section, several capital elements of this strategy have been included in the base capital program as funding for them has been identified under the CSIF program. The remaining elements include: Environmental Assessment – Sheppard Subway Extension to Scarborough Town Centre; Commuter Parking Expansion, and; Construction of Bus Rapid Transit Lines on the Avenues. These initiatives would require an additional investment of $425 million ($330 million over the next 10 years) and will only proceed when funding commitments are secured. The reconstruction of the Scarborough RT is a RGS initiative that has currently been excluded, pending the results of a SRT corridor study to be completed in 2005 under the base program. The RGS also contemplated an ongoing program of subway expansion construction averaging $175 million per year for 2 sequential projects. These are discussed in the Subway Expansion Plan section following.

(3) Subway Expansion Plan

At its meeting of April 9, 2003, the Commission adopted a Subway Expansion Plan. This plan represents the next phase of investment beyond the Ridership Growth Strategy initiatives. An investment in subway construction represents a long-term commitment to city-building and permanent high-quality transit services.

The Subway Expansion Plan confirmed the Commission's top priorities for future subway expansion as follows:

(a) the Spadina Subway from Downsview Station to York University and Steeles Avenue. This project could commence in 2007 with implementation anticipated to take 7 years at an estimated cost of $1.5 billion.

(b) The Sheppard Subway from Don Mills Station to Scarborough City Centre. This project would commence in 2012 with implementation anticipated to take 9 years at an estimated cost of $2.4 billion.

While these projects will largely proceed one after another (there is some overlap as Spadina nears completion and Sheppard work ramps up), the timing and order of construction may require adjustment. These two projects will require in excess of $1.9 billion in capital investment during the next 10 years – over and above the TTC's base capital needs.

In addition to the Ridership Growth Strategy and the Subway Expansion Plan, $417 million has been identified for several waterfront initiatives including: the installation of a new platform at Union Station ($88 million); the East Bayfront Streetcar and Station Expansion ($230 million); the West Donlands Streetcar ($30 million); an environmental assessment for Waterfront West Streetcars in a dedicated right-of-way ($1 million), and; the construction of the Waterfront West Streetcar right-of-way ($69 million). Of these, only the Union Station new platform project is progressing (currently at the design stage) as all costs are to be covered by the Toronto Waterfront Revitalization Corporation (TWRC) which is funded by all three levels of government.

Table 4 identifies the project cash flows for the Base Capital Program, (as revised to include the project additions under CSIF), the remaining Ridership Growth Strategy initiatives, the Subway Expansion Plan and, the Waterfront initiatives.

**Table 4**

In total, these additional programs, for which funding is not yet available (other than Union Station), would require an investment of a further $2.7 billion over the next 10 years – on top of the Commission's base capital program requirement of $4.7 billion during the same time frame. The expenditure profile for these investments is shown in Figure 2 below.

**Figure 2**

**EXPENDITURE PROFILE**
**BASE + RGS + EXPANSION**
**1991 TO 2014**

## BUDGET PRIORITIES

The Commission's capital budget priorities remain:

1. State-of-Good-Repair and Safety
2. Legislative
3. Capacity Enhancement
4. Improvement
5. Expansion

Table 5 below provides dollars and a pie chart of budgeted expenditures for the base program over the next five years.

**TABLE 5**

As can be seen, over 80% of the capital budget for the next five years is committed to State-of-Good-Repair/Safety and legislative projects.

In establishing these budgets, a life-cycle approach is used. Detailed system inventories of each class of capital asset are kept. Budgets are set to replace or rehabilitate assets based on condition assessments, engineering standards, legislative requirements or safety/environmental implications. Five and ten-year programs are developed: all designed to keep the estimated $9 billion in TTC Capital assets in proper working order. A high level summary, by project classification, is attached as Appendix A. The companion report entitled "TTC 2005-2009 Capital Program Overview" and the Capital Program "Blue Books" describe each project in detail.

## BUDGET COMPARISON

In looking at the Commission's Base Capital Program, (non-Sheppard), it is important to note that it has been adjusted to reflect the additional 3/7 G.S.T. rebate announced by the Federal government effective February 1, 2004. In addition, the base program has been amended to incorporate the project additions under the CSIF program as discussed earlier in this report. Tables 6 and 7 illustrate this.

TABLE 6
($ Millions)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2004-2008 |
|---|---|---|---|---|---|---|
| Approved | 292 | 440 | 535 | 487 | 501 | 2,255 |
| GST Rebate (3/7) | (7) | (9) | (12) | (11) | (12) | (51) |
| Additions Under CSIF | - | 3 | 52 | 138 | 51 | 244 |
| Revised | 285 | 434 | 575 | 614 | 540 | 2,448 |
| Proposed | 284 | 427 | 634 | 711 | 607 | 2,663 |
| Change | (1) | (7) | 59 | 97 | 66 | 215 |

Expenditures over the 5 year period from 2004 to 2008 are estimated to increase by $215 million compared to last year's program (after adjusting for GST and projects under CSIF). The single largest component of the overall increase is $48 million attributable to an increase in the diesel-electric hybrid bus premium on new bus purchases in 2006 and later. Approximately $26 million has been included under the fire ventilation project to provide for the installation of second exits in certain subway stations. A further $25 million increase has been included for the Mount Dennis Bus Garage to provide for indoor storage and capacity to handle articulated buses. Other increases of note include reserved right-of-way lanes on St. Clair Avenue and Fleet Street ($16 million), facility modifications related to the CLRV life-extension program ($14 million), commencement of the ALRV mid-life overhaul program ($9 million), property for a future bus garage ($9 million), advancement of a portion of the Subway Asbestos Removal program to accommodate scheduling for tunnel liner remediation ($8 million) and, costs associated with new elevator installations in the subway system ($7 million).

The remainder of the change represents about a 2% increase ($53 million) on the balance of the program. Much of this increase relates to a reassessment of needs and priorities, and is based on more current information on costs and condition assessments for programs including Streetcars, Buses, Bus Garages, as well as cost increases based on refined estimates or scope for safety critical requirements.

Table 7 highlights the specific cash flows for the period 2009 to 2013 and the totals for the 10-year period 2004 to 2013.

TABLE 7
($ Millions)

| | **2009** | **2010** | **2011** | **2012** | **2013** | **2009-2013** | **2004-2013** |
|---|---|---|---|---|---|---|---|
| Approved | 473 | 485 | 249 | 227 | 252 | 1,686 | 3,941 |
| GST Rebate (3/7) | (10) | (10) | (5) | (5) | (6) | (36) | (87) |
| Additions Under CSIF | 1 | 1 | 1 | - | - | 3 | 247 |
| Revised | 464 | 476 | 245 | 222 | 246 | 1,653 | 4,101 |
| Proposed | 507 | 536 | 278 | 246 | 246 | 1,813 | 4,476 |
| Change | 43 | 60 | 33 | 24 | - | 160 | 375 |

As can be seen from the table, capital expenditures over the 10-year period 2004-2013 are increasing by $375 million (after adjusting for GST and project additions under CSIF). Approximately 25% of this increase relates to "greening" of the bus fleet through an increase in the hybrid bus premium ($93 million). A further $113 million relates to the requirements for a future bus garage to meet capacity requirements by 2013 ($88 million) and for indoor bus storage at the Mount Dennis bus facility ($25 million). The inclusion of a program to install elevators at all remaining subway stations (Easier Access III) has added about $48 million in costs in this period. Other changes include the installation of second exits ($24 million), ALRV mid-life overhaul program ($36 million) and, the construction of streetcar reserved lane right-of-ways ($16 million). The balance represents an increase of about 1% on the existing program and includes: catching up on a back-log of roofing and on-grade paving, facility modifications, and re-signalling of the Yonge Subway south of Bloor. Further background of the specific changes is contained in the "TTC 2005-2009 Capital Program Overview".

## FUNDING ISSUES

Capital funding available from government funding partners is of paramount importance in any transit capital budget. Transit authorities throughout the world are largely dependent upon direct capital funding from government to ensure stability and growth of successful transit systems. The TTC is no exception. It requires significant investment in transit infrastructure including vehicles that must be addressed through a predictable and sustained stream of funding year after year. This section describes possible funding sources for the TTC Capital Program.

### City Funding

The City of Toronto is responsible for funding 100% of the TTC's Capital Program. Historically, Provincial funding has reduced the City's contribution by as much as 75%; however, in recent years, limited funding has been available from the Provincial government. In addition, the TTC's depreciation charges form a nominal source of funding toward the Capital Program. Net City funding is financed as best determined by the City, most often through the issuance of long term debt instruments or through Capital from current changes in the City's Operating Budget.

Several Provincial and Federal announcements have been made in recent months and funding programs are in various stages of being rolled out. The specific nature, level and duration of each of these programs offering transit funding support has yet to be confirmed. This funding, will, by virtue of the municipal act, flow through the City for TTC Capital needs.

Provincial, Federal and TTC Funding are discussed in the following sections. Details of the funding programs including specific projects and cashflows are included in the "TTC 2005-2009 Capital Program Overview".

### Provincial Funding

Historically, the Province paid for up to 75% of net capital expenditures based on detailed eligibility criteria. On October 4, 1996, the TTC, Metro and the Province executed Capital Subsidy Agreements under which the Province agreed to pay $511 million towards the construction of the new Sheppard Subway and $915 million towards the TTC's State-of-Good-Repair Budget covering the period January 1, 1996 to December 31, 2000. Projects committed to at that time continued to receive 75% funding and new projects received the reduced 50% provincial subsidy.

On September 27, 2001, then Premier Mike Harris announced the Province would resume capital funding for transit projects, both for State-of-Good-Repair and expansion projects. The Ontario Transit Renewal Program was to provide $1.1 billion over the next 10 years towards the state-of-good-repair portion of the budget. Cost sharing of certain inter-regional or advanced transit technology projects was to be provided through the Golden Horseshoe Transit Investment Partnerships. Finally, the Provincial government has recently committed to provide a 2 cent per litre gas tax for transit.

Each of these elements is discussed below.

(i) Ontario Transit Renewal Program (OTRP)

The Province paid $62.3 million in each of 2002 and 2003 under the OTRP towards the Commission's capital vehicle and infrastructure costs. Funding under this program was allocated Province-wide based on ridership – TTC carries 61% of Province-wide ridership and received 61% of OTRP funding.

In July of this year, the Provincial government announced that the OTRP was to be replaced with the Ontario Transit Vehicle Replacement Program (OTVP). Funding under OTVP is to be based upon transit vehicle replacement/major refurbishment/ expansion as defined by Ministry eligibility requirements. It is estimated that in 2004, $31 million will be received towards the Commission's vehicle replacement and rehabilitation costs ($10 million of which is included under the CSIF agreement). This program is expected to continue with ongoing annual contributions towards the Commission's capital vehicle expenditures currently estimated as follows: $30.2 million in 2005; $47.3 million 2006; $74.2 million in 2007, and; $$49.7 million in 2008 (net of projected annual funding under the CSIF agreement).

(ii) Golden Horseshoe Transit Investment Partnerships (GTIP)

In August 2002 and on June 16, 2003, the Province announced GTIP funding for certain TTC projects with a total estimated cost of about $101 million. Of this amount, only $84.9 million was for projects included in the Commission's base capital program for which a one-third funding share amounted to approximately $28.3 million. A portion of the remaining commitment for "Below the Line Items" is now included for funding under the recently announced CSIF program noted below. Subsequently it was determined that expenditure eligibility is limited to the period April 2001 to 2006. Due to changes in project cashflows, priorities and other funding programs (subsequent to the announcements) there exists a level of uncertainty on this funding, subject to the execution of an agreement between the Province and the City. No funds have yet been received by the City for expenditures to date, which are projected to be $16.2 million in funding to the end of 2004. Additional funding of $6.0 million and $2.9 million is anticipated in 2005 and 2006.

While the GTIP program as introduced no longer exists, the Province has recently identified the Transit Technology and Infrastructure Program (TTIP), under which, we understand, existing GTIP commitments will be honoured.

(iii) Gas Tax

On October 22, 2004, the Provincial government announced details to support the commitment they made in their spring budget to dedicate two-cents per litre of the provincial gas tax for municipalities for public transit. The gas tax funding will commence effective October 2004 starting with one-cent per litre, growing to one-and-a-half cents in October 2005 and two cents in October 2006.

**Federal Funding**

The Federal government initially made capital funding to the TTC available under the Canada-

Ontario Infrastructure Program (COIP) in 2002. Earlier this year, they announced a $1.050 billion five-year tri-partite transit capital funding commitment under the Canada Strategic Infrastructure Fund (CSIF). Additional tax relief was granted effective February 1, 2004 through the implementation of a full GST rebate for municipalities. Also, the Federal government has given clear indication that it intends to make funding available to municipalities for infrastructure and transit capital investment through a portion of the Federal gas tax.

Each of these elements is discussed below.

(1) Canada-Ontario Infrastructure Program (COIP)

In April 2002, the Federal government announced $76 million funding for the TTC under the Canada-Ontario Infrastructure Program (COIP). Funding of $62.3 million was committed immediately to match the Ontario Transit Renewal Program allocation to the TTC and was received in December 2002. A further $13.7 million, to match the initial announcement of Provincial GTIP funding, was received in December 2003. No further funding is available under this program.

(2) Canada Strategic Infrastructure Fund (CSIF)

In the Federal Budget of December 2001, the government announced the creation of the Canada Strategic Infrastructure Fund (CSIF) with a minimum federal contribution of $2 billion. In August 2002 the parameters of the CSIF were released. The Federal 2003 budget outlined an additional $2 billion funding under CSIF. The CSIF includes Local Transportation Infrastructure as one of the investment categories. An application for CSIF funding of Public Transit Infrastructure in Toronto was submitted in August 2003 for the consideration of the Federal government.

On March 30, 2004 the Federal government announced a five-year $1.050 billion Federal/Provincial/Municipal funding commitment for the TTC's capital program. Funding is to be shared equally between the Federal and Provincial governments and the City of Toronto ($350 million each) which on average amounts to $70 million per year from each level of government. TTC and City staff held discussions with both Provincial (Ministry of Public Infrastructure Renewal, Ministry of Transportation), and Federal (Transport Canada and Infrastructure Canada) representatives in the spring to develop a Memorandum of Understanding (MOU).

A draft MOU was prepared which incorporated certain eligibility criteria and funding or participation rates for each partner to the agreement. Under the MOU project schedule, it was anticipated that government funds would amount to $46 million in 2004 (Canada $18M/Province $28M) on the basis of draft inclusion rates and funding participation rates for the project items identified under the agreement. The MOU remains outstanding at this time and no funds have yet been received.

Subsequent to that time however, better project estimates are now available as well as timing impacts (as determined for inclusion in this 2005 budget process) and with the exclusion of first quarter 2004 expenditures (ineligible for Federal funding) the CSIF funding estimates have been revised. One of the most significant changes relates to the Hybrid Premium on alternately fuelled Diesel-Electric Hybrid Buses which are a requirement of the agreement. The premium was initially estimated at $120,000 per bus; however based on the most current market pricing available this premium is now closer to an additional $257,000 per bus. In total, over the 5 years 2005-2009, the hybrid premium will add costs of $160 million to the bus fleet and $251 million over the next decade.

Based on the proposed 2005-2009 Capital Program budget estimates, of the $1.050 billion funding for the projects noted above, approximately $838 million relates to projects which were in the TTC's base capital program (at a cost of $1.535 billion) and $212 million is for additional projects identified under the Ridership Growth Strategy or required under the agreement (at a cost of $245 million). The $838 million funding on existing projects represents funding participation of effectively 55% on these projects as a result of inclusion rates used to derive an equal 5-year funding total of $350 million for each partner.

(3) Full GST Rebate

In the February, 2004 Speech from the Throne, the Federal Government proposed to increase the Goods and Services Tax (GST) rebate for municipalities to 100% from the previous 57.14% (4/7ths), effective February 1, 2004. This was announced in the Federal budget and the legislation was passed by the House of Commons on May 5, 2004 and Bill C30 received Royal Assent on May 14, 2004. This tax relief is projected to result in capital expenditure savings for the TTC of about $87 million over 10 years. This savings has been factored into the approved budget base (see Tables 3 and 11) and proposed future budget expenditures are presented excluding GST.

(4) Gas Tax

The Federal government has recently announced its intention to implement a gas tax for communities. Details on amounts, timing and the distribution mechanism are not currently available.

TTC Funding

The Capital Program is also partially funded through the TTC's Operating budget. Specifically, depreciation charges (budgeted at $17.1 million in 2005) which are based on amortizing the net cost to the TTC (after capital subsidies) of certain assets, are charged against the TTC Operating Budget. They form a source of funding for certain capital programs, particularly those with shorter lives, such as computers, non-revenue vehicles and shop equipment.

- - - - - - - - - -

November 8, 2004
42-107-34

Attachment: Appendix A 2005-2009 Capital Program Summary
TTC 2005-2009 Capital Program Overview
TTC 2005-2009 Detailed Blue Books