

Pilon, Janet

Subject: Hamilton LRT Operating Costs

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Good morning Hamilton Council

If Toronto can't get these costs covered, what makes you think that Hamilton can? Are you prepared to hike taxes to pay for the ongoing costs? I hope not!

Dennis Martin
Binbrook

Report reveals new transit lines' steep cost for Toronto

Councillor calls funding plan a 'house of cards' after getting bad news about bill for SmartTrack and LRTs.



of Toronto will be responsible for funding the operation and day-to-day maintenance of new LRT lines including Crosstown. Pictured here is a test vehicle for the Crosstown line. (BOMBARDIER)

BEN SPURRTransportation Reporter

NNIFER PAGLIAROCity Hall reporter

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The city is on the hook for tens of millions of dollars in unanticipated transit costs, and the mayor may be unable to pay for his signature rail plan without breaking his pledge to not raise property taxes.

Those revelations are in a city report released Monday that details a proposed cost-sharing deal between the municipality and the province for \$11.4 billion worth of transit projects.

Both the mayor and the provincial government hailed the agreement as a milestone in efforts to expand the city's transit network.

Though it lays the groundwork for the delivery of new rail projects, under the proposed terms Toronto taxpayers would be responsible for the substantial operation and day-to-day maintenance costs of three LRT lines that the province is already building or planning to build on Finch West, Sheppard East, and the Eglinton Crosstown route.

The report also says a property tax increase of up to 3 per cent could be needed to pay for SmartTrack, the rail concept that formed the bedrock of Mayor John Tory's 2014 campaign.

And while the mayor pledged that SmartTrack could be built in seven years, the report suggests even the scaled-back version that's now being contemplated may not be completed until 2024.

Councillor Gord Perks, who has been chiefly critical of Tory's administration, slammed the deal. He charged that the city had capitulated to Queen's Park in order to pave the way for SmartTrack, which piggybacks heavily on the province's regional express rail plan.

"We've basically given in to everything the province has ever wanted from us in order to be able to name a few stations after John Tory's campaign pledge," said Perks (Ward 14, Parkdale-High Park).

Following a special session of the mayor's executive committee Tuesday afternoon, council will be asked to approve the agreement at its meeting Nov. 8, without a clear plan to pay for all the associated costs. Perks called the scenario "a financial house of cards."

The special session is necessary because the province requires a funding commitment on SmartTrack by Nov. 30.

Tory has repeatedly said that council needs to be honest about what is necessary to pay for large investments, calling a recent trend of approving capital projects just for the gratification of announcing them without a dedicated way to pay for them a "fraud" on the public.

"This agreement means that after years of talk, indecision and delay, we are actually getting on with building the transit Toronto residents so badly need," Tory was quoted as saying in a release.

Transportation Minister Steven Del Duca said the agreement builds on the province's "significant investment" in Toronto, which includes \$3.7 billion for regional express rail and \$7.84 billion for new LRTs.

"There was always a general understanding that there would need to be a discussion around operating and maintenance . . . we've included that in the conversation over the last number of months and we've arrived, I think, at a great spot," he said.

The report marks the first time that city staff have clearly spelled out that the province won't pay for the operation of the Eglinton Crosstown, Finch West, and Sheppard East LRTs.

The city entered into an agreement with the province in 2012 for the projects, and a city report that went to council at the time said that Metrolinx, the provincial transit agency, would be "responsible" for their operation and maintenance, leading many at city hall to understand the Ontario government would pay those costs.

But city staffers now say that there is nothing in the original master agreement that compels the province to pay for operations and maintenance.

The city would also be responsible for operating and maintenance costs associated with SmartTrack and the proposed Eglinton West LRT.

"The one thing that's very clear is that there's been a longstanding debate over what revenue tool the province could find to pay for transit priorities. They found one: It's called the city of Toronto," said Councillor Josh Matlow (Ward 22, St. Paul's).

Initial estimates indicate the costs of operating and maintaining the four LRTs could be more \$100 million a year, assuming they all enter service by 2026. The Eglinton Crosstown alone is expected to require a \$39-million annual subsidy when it opens in 2021.

The report doesn't propose a funding source for those costs, although some of the expenses could be offset by fare revenue from the LRT projects, which the city would be allowed to retain, as well as savings the TTC would accrue by running less bus service.

TTC chair Josh Colle said he would push the province to contribute to transit operating costs “whenever I get a chance.” But he said council should come to grips with the fact that “we’re going to have to find funding sources for these things.”

With a debate on creating new revenue tools expected at city hall this fall, Colle said “people are going to have to step up in this chamber and this building and put their money where their mouths are.”

In addition to operating costs, the city would also pay for building up to six new stations on the Stouffville and Kitchener GO corridors that are being branded as SmartTrack stops. That’s down from the 13 new stops Tory promised voters.

The city would also foot the bill for the construction of the Eglinton West LRT, which would have up to 12 stops between Mount Dennis and Pearson airport and replace the heavy rail line that Tory had originally proposed as part of SmartTrack.

The total cost of those projects would be \$3.7 billion. The city is hoping to get contributions from Mississauga and the Greater Toronto Airport Authority, and staff also assumes that the federal government will contribute a third of the funds. That would bring the city’s share closer to \$2 billion. However, the city hasn’t received any firm commitments from those other jurisdictions.

Importantly, the report confirms that tax increment financing, the funding mechanism Tory said during the campaign would pay for SmartTrack, would be insufficient to cover the full costs of the project.

Instead, a mixture of TIF revenue, development charges, and “property tax increases or equivalent sources” could be required. The city could also sell off assets to pay for the costs.

Depending on how the project was financed, staff estimates that the tax increase could be 2 or 3 per cent. It would need to be in place for about three years and wouldn’t be implemented until about 2022 at the earliest.

In an emailed statement, the mayor’s spokesperson Amanda Galbraith insisted “we will not raise property taxes to pay for SmartTrack” and that the costs would be paid for “using other available revenue sources.”

Tory has said he’s open to exploring a partial sell-off of Toronto Hydro to pay for new infrastructure, but he’s yet to endorse any revenue tools that would raise enough money for the unfunded transit lines. Galbraith said “we’ll be having a full discussion about new sources of revenue this fall.”