

MANAGEMENT REPORT TO METROLINX

Report Title:	Alternative Financing and Procurement (AFP) Workplan Update				
Report Number:	SII 08-002	Date to Board:	Jan 25, 2008	Date to Committee:	N/A
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Item Class:	IN CAMERA	<input type="checkbox"/>	DECISION	<input type="checkbox"/>	INFORMATION <input checked="" type="checkbox"/>

1.0 RECOMMENDATION:

RESOLVED:

THAT the Report SII 08-002 be received for information.

2.0 PURPOSE & EXECUTIVE SUMMARY:

On November 23, 2007 the Board approved a list of projects from MoveOntario 2020 vision as candidates for Alternative Financing and Procurement (AFP) evaluation. The approval also established timelines for the evaluation workplan, including a direction to staff to report back to the Board with workplan progress report in January 2008.

The purpose of this report is to update the Board on:

- Additional details on the initial steps of the AFP evaluation workplan;
- Progress-to-date in engaging municipal and transit agency partners in shaping and implementing the AFP workplan; and
- A forecast of next workplan steps for project scoping, assessment and evaluation.

3.0 BACKGROUND:

Alternative Financing and Procurement is a key to the Province of Ontario's strategy to implement the bold \$17.5 billion MoveOntario 2020 vision for rapid transit expansion in the Greater Toronto and Hamilton Area (GTHA). On November 23, 2007 the Board approved a list of priority projects from MoveOntario 2020 vision as leading candidates AFP evaluation.

In order to workload-manage the technical assessment process for the 52 projects identified in the MoveOntario 2020 vision, projects were sequenced into three categories for evaluation, including:

- Projects for the first AFP evaluation phase (Category 1);
- Projects for the second AFP evaluation phase (Category 2); and
- Projects not to be evaluated at this time (Category 3).

Projects included in the first AFP evaluation phase meet or exceed the following selection criteria approved by the Metrolinx Board on November 23:

- Total estimated project cost is over \$250 million;
- Major new construction project with inter-regional transformational impacts on transportation mobility choice and urban form;
- Strong potential to bundle with other projects and opportunities to achieve larger inter-regional network scale, and strong potential impact on land value uplift;
- Preliminary feasibility and Environmental Assessment (EA) study requirements are completed, or most are likely to be completed, within a timeframe that will coincide with other pre-construction activities; and
- Identified in MoveOntario 2020 but not fully funded by other existing agreements.

The first evaluation phase projects that met the selection criteria include:

- GO Lakeshore West and East corridor electrification between Hamilton, Union Station and Oshawa, (SuperGO);
- Yonge North Subway extension from Finch Station in Toronto to Highway 7 in York Region, bundled with the York-VIVA Bus Rapid Transit project from Steeles Avenue to Highway 7 (Yonge Subway);
- Scarborough Rapid Transit (SRT) extension from McCowan Road to Sheppard Avenue East at Markham Road, with potential additional extensions east to Durham Region and north to York Region, bundled with the SRT conversion program for the existing SRT corridor from Kennedy Station to McCowan Road (SRT);
- Toronto Transit City "Inter-Regional" Light Rail Transit (LRT) network bundle (Phase 1), including the Eglinton LRT from Peel Region to Durham and/or York regions, the Sheppard East LRT from Don Mills Road to Morningside Avenue, with potential extensions to Durham and/or York regions, and the Finch West LRT from Peel Region to Finch Station on Yonge Street (Transit City); and,

- York Region-VIVA rapid transit network bundle including Yonge Street from Highway 7 to Newmarket, Highway 7 from Highway 50 to Cornell, and Markham North-South link from Markham Centre to Don Mills Station (VIVA).

4.0 DISCUSSION:

Following the Board direction, Metrolinx and Infrastructure Ontario staff began to develop the detailed workplan process for the preliminary AFP evaluations. This process is designed to ensure maximum collaboration, dialogue and transparency between Metrolinx, Infrastructure Ontario, and municipal and transit agency partners, and produce project recommendations that are technically defensible and economically feasible.

Preliminary Project Assessment Framework

While the AFP evaluation will be a key component of the \$17.5 billion MoveOntario 2020 vision, it is only one component of the Metrolinx project assessment framework and overall Investment Strategy. Moreover the MoveOntario 2020 vision and the specific AFP project opportunities must be framed in the broader context of the Metrolinx Regional Transportation Plan (RTP) and Project Prioritization Framework. The RTP and the Investment Strategy will provide the inter-regional, integrated systems planning discipline and total sustainable financing solutions to the MoveOntario 2020 and AFP projects.

The government's desire to achieve momentum for MoveOntario 2020 is running ahead of the Metrolinx RTP and Investment Strategy development processes, both of which will not be fully completed until fall 2008. Recognizing this, Metrolinx has embraced the imperative of a balanced strategy to move forward with tangible project implementation in the short term (e.g. Quick Wins Projects and the identification of priority projects for AFP evaluation), while continuing to undertake the thorough analytical and consultation outreach activities associated with the RTP and Investment Strategy.

That is why Metrolinx staff introduced a "Preliminary Project Assessment Framework" to ensure early integration of the AFP workplan with the broader network planning and public policy objectives of the RTP – within which the AFP evaluation is responsible for the procurement and financing screen to ensure projects achieve the highest value for each dollar invested.

Figure 1 (see page 5) provides a schematic of the Preliminary Project Assessment Framework, which includes the following five key components steps – including AFP evaluation:

1. **Project Scoping and Technical Teams** chaired by Metrolinx are assigned to each of the five projects or project bundles. The teams are responsible for:
 - Identifying opportunities to scale-up the project definitions to achieve higher economies of scale;

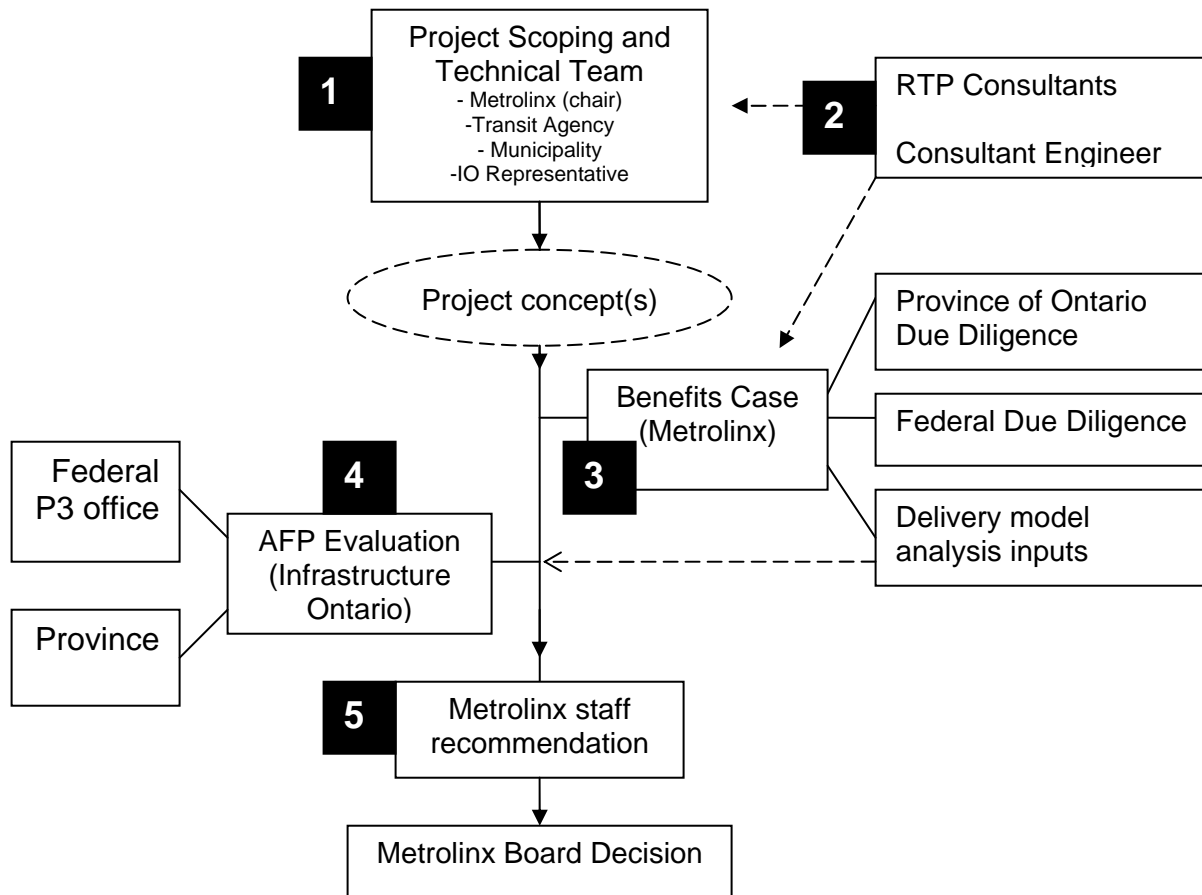
- Identifying corridor/route parameters, including role as catalyst for new development, and desired outcome-based transit performance characteristics; and
 - Factoring in the emerging RTP network outlook, to ensure that the cross-boundary, inter-regional and higher-order transit perspective informs AFP project scoping-up decisions;
2. **RTP data and direction** are available as part of an input and feedback loop throughout the project scoping exercise.
3. **Benefits Case:** The Metrolinx decision to invest in rapid transit expansion using an AFP or traditional approach must be based on solid policy and business case analysis. The benefits case will outline in a “triple-bottom-line” type manner the environmental, economic and social benefits and impacts of the proposed investment. It will also help ensure that the decision to invest is not purely driven by transportation, business and financial case rationale, but should also embrace a holistic framework that allow investment decision-making to be shaped by a broader range of public policy objectives. As a tool for informing investment decision making, the benefits case is intended to:
- Align with the evaluation tools and criteria deployed by the RTP and Project Prioritization Framework;
 - Produce quality data inputs for AFP evaluation, consistent from project to project; and
 - Anticipate and meet the business case and funding submission requirements of both the provincial and federal governments, assuming that the project will be a candidate for senior government cost-sharing.

Metrolinx staff will engage municipal partners, transit agencies and expert advisory services to guide and populate the benefits case.

4. **AFP Evaluation:** After the appropriate scoping, comprehensive data gathering and benefits case work – which, collectively, provide the requisite AFP data inputs, Infrastructure Ontario will conduct the AFP evaluation process. The evaluation will include risk identification, risk transfer criteria, potential for risk transfer, and a value-for-money assessment based on the risk matrix and the public sector comparator. The evaluation will also meet the tests of the provincial AFP “Building a Better Tomorrow Framework” and federal “Public-Private Partnership Screening Guidelines”. The resulting report will become part of the business case / funding submission to the provincial and federal governments. The AFP analysis can only be performed once a project is defined to the point that costs and scheduling can be estimated
5. **Metrolinx Evaluation:** Metrolinx staff, in consultation with municipal, transit agency and Infrastructure Ontario partners, will report back to the Board with the results of the Preliminary Project Assessment Framework, including the benefits case and preliminary AFP evaluations, in spring 2008.

It should be noted that the evaluation is preliminary in nature. If the Board decides to move the project into implementation phase, significant additional pre-construction due diligence work will be required.

Figure 1 – PRELIMINARY PROJECT ASSESSMENT FRAMEWORK



Municipal and Transit Agency Engagement

Metrolinx and Infrastructure Ontario co-chaired a successful launch meeting with municipal and transit agency partners on January 9, 2008 to launch the Preliminary Project Assessment Framework process. The inaugural meeting provided an overview of the benefits case and AFP evaluation, and the anticipated municipal data input requirements to support project scopes and risk matrices.

The creation of five technical teams to guide each of the five projects selected for benefits case and AFP evaluation was announced at the launch meeting. These project-level teams are expected to meet biweekly beginning the week of January 21, 2008

Benefits case/AFP evaluation project team	Municipal and transit agency membership
GO Lakeshore East and West Electrification	GO Transit Including a proposed Municipal Advisory Group for additional input City of Hamilton Halton Region City of Mississauga City of Toronto – TTC Durham Region
Yonge North Subway Extension	City of Toronto – TTC York Region – VIVA
Scarborough Rapid Transit Conversion and Extension	City of Toronto – TTC York Region – VIVA
Toronto Transit City LRT	City of Toronto – TTC Peel Region / City of Mississauga York Region
York Region – VIVA	York Region – VIVA

Critical Path

Each of the projects included in the first phase evaluation is characterized with a varying degree of existing technical information required to complete the project assessment framework. These basic information requirements include ridership projections, project feasibility, business case and preliminary engineering and design.

The work of the technical teams will quickly identify gaps in data availability and determine the appropriate steps to close the information shortfalls. Each team will focus on moving as fast as possible to meet the timelines set out in the November 23, 2007 Metrolinx Board report. It may not be feasible, however, to complete and input all information for all five projects, to a state that will produce reliable, consistent and meaningful results. A more realistic scenario will see the five project teams move along parallel but separate timelines – with some teams not ready to report back with their preliminary evaluation results until fall 2008.

The next workplan and critical path update will be provided to the Metrolinx Board in February 2008.

5.0 FINANCIAL MATTERS:

Consultant assignment costs associated with the Benefits Case analysis will be accommodated in the 2008-09 Metrolinx budget. Additional consultant costs, if required, will be addressed in the 2009-10 budget. AFP evaluation costs, including consultant and expert advisory services, are the responsibility of Infrastructure Ontario.

6.0 HUMAN RESOURCES MATTERS:

Metrolinx's role in leading and contributing to the Preliminary Project Assessment Framework, Benefits Case analysis and AFP evaluation process is provided by current resources in the Strategic Initiatives and Investments unit.

7.0 ENVIRONMENTAL MATTERS:

Completion of Environmental Assessment work is currently the responsibility of the municipal or transit agency project proponent.

8.0 COMMUNICATION MATTERS:

No public or broad stakeholder communications outreach is contemplated at this time. Metrolinx and Infrastructure Ontario are expected to enter into a communications protocol agreement to manage communications and events, as projects move closer to the announcement and transaction phases.

9.0 LEGAL MATTERS:

N/A

10.0 CONCLUSION:

The early and open engagement of Metrolinx, Infrastructure Ontario, municipal and transit agency partners in the Preliminary Project Assessment Framework demonstrates that an all-inclusive, iterative process is a key prerequisite to advance the government's transit AFP evaluation agenda. This collaborative style is indicative of the Metrolinx approach to constructive relationship building to achieve the widely shared objective of unlocking more investment in transit and other sustainable transportation infrastructure.

Respectfully submitted,

Approved for Submission to the Board



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N/A

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Notifications:

N/A

Special Instructions:

N/A
