



METROLINX

An agency of the Government of Ontario
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Office of the President and Chief Executive Officer

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Joe Pennachetti
City Manager
City of Toronto
100 Queen Street West
Toronto, ON M5H 2N2

Dear Mr. Pennachetti,

RE : Response to City Council's Resolution

I am writing to outline Metrolinx's perspective on the conversion of the Scarborough RT to a Light Rail Transit (LRT) line and its extension to Sheppard Avenue. This is in response to City Council's resolution supporting the extension of the Bloor-Danforth subway to Scarborough Centre and Sheppard Avenue, which appears to contradict the Master Agreement in effect with the City. We require clarity on the City's position to advance the project.

As you are aware, Metrolinx and the Government of Ontario have made a historic investment of \$8.4 billion to deliver the largest transit expansion in the history of Toronto. The network of 52 km of light rail transit will provide Toronto commuters with comfort, convenience, reliability and speed. It will keep our economy strong, ease congestion, and provide passengers with easy connections with subways, buses and GO Transit.

The conversion and extension of the Scarborough RT to an LRT has been the policy of the TTC, the City and Metrolinx for a number of years. The upgraded and extended line will be operated on a fully grade-separated corridor, on its own right-of-way, separate from roads and streets. It will travel at speeds similar to subways. It serves a large population with its station locations along the existing corridor, as well as the extension to Sheppard Avenue. The line will meet forecasted levels of demand for the foreseeable future, and has room for growth beyond. It is part of a longer term plan to extend rapid transit further to other communities in Scarborough.

On November 29, 2012, Metrolinx, the City of Toronto and the TTC signed a Master Agreement with regard to the Scarborough RT line, the Eglinton Crosstown, the Sheppard East line and the Finch West line. The Master Agreement was negotiated and signed based on the resolution passed by City Council in spring 2012. The Agreement provides a clear framework for delivering transit to residents in the City of Toronto, and it was our collective objective that the contract would provide certainty on the path forward. We continue to rely on the Master Agreement as the legal contract with the City and the TTC to deliver the four projects.

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Any change to a project at this point has implications from a procurement, cost and timing perspective, as outlined below:

1). Procurement Considerations:

Since the Master Agreement was signed, Metrolinx has worked to advance the projects, and is currently engaged in two active competitive procurements: one for the delivery of a combined Sheppard East and Scarborough Maintenance and Storage Facility (MSF) to be located at Conlins Road in Scarborough. The second procurement is for the overall Eglinton Crosstown-Scarborough LRT project. To ensure value-for-money, we need to attract high quality bidders to our procurements, and this cannot be achieved if there is uncertainty about City Council's support for the projects.

The new MSF will service the 83 light rail vehicles (LRVs) that will operate on the Scarborough LRT (48 vehicles) and the Sheppard East LRT (35 vehicles). The 17,500 square metre facility will be built on approximately 12.9 hectares of land located on the corner of Sheppard Avenue and Conlins Road in Scarborough. Metrolinx has already spent over \$11 million on design, procurement and site preparation for this facility.

The Request for Proposals (RFP) for the MSF closed on May 7th and Metrolinx, with Infrastructure Ontario, is currently in the process of evaluating the bid proposals. Currently, the schedule anticipates awarding this major contract in October 2013.

The cost of cancellation of this RFP is in the order of several million dollars at this point. However, following the award of the contract, the cost of change would increase by a significant order of magnitude.

The Request for Qualifications (RFQ) for the Eglinton Crosstown-Scarborough LRT project closed on May 14th. Metrolinx and IO are currently evaluating the responses. The RFP is scheduled to be issued to the qualified consortia in October 2013. A change to the project would delay the RFP.

2). Cost Considerations:

A change to the program has significant cost implications, none of which are contemplated in the existing \$8.4 billion budget set out in the Master Agreement.

The TTC has estimated the cost of an extension of the Bloor-Danforth subway to be \$2.3 billion (all dollar figures are in 2010 \$). Metrolinx has an approved budget of \$1.8 billion to re-build and extend the Scarborough RT as a LRT. Therefore, the funding gap as presented by the TTC, is \$500 million. However, this does not represent a complete picture of the funding gap as it does not consider sunk costs, costs associated with the possible cancellation of part of the LRV order with Bombardier, the allocation of the budget associated with Kennedy station, costs of keeping the existing Scarborough RT operational for an extended period of time, and de-commissioning costs associated with the existing RT line. Based on our analysis, we believe that the actual funding gap would be in excess of \$925 million.

The following information outlines these costs in greater detail.

Sunk Costs: As of March 31, 2013, \$85 million has been expended on the Scarborough project, including:

- the prorated share of the vehicle design costs for the Light Rail Vehicles (LRV) (\$21 million);
- planning, engineering, design and program management costs (\$41 million);
- TTC management of the project when the TTC had this responsibility (\$20 million); and
- Metrolinx management since the project was transferred from the TTC, as well as the costs of property acquisition to date (\$3 million).

Light Rail Vehicles: The signed contract with Bombardier for the delivery of vehicles would need to be re-negotiated. A total of 48 vehicles that Bombardier is contracted to supply to Metrolinx are for the Scarborough project. We expect that there will be significant costs associated with re-negotiating the signed contract.

Maintaining the Scarborough RT: If the project is re-scoped as a subway, the existing Scarborough RT line would require an investment, estimated by the TTC at \$60 million, to maintain service over a five-year period.

De-Commissioning the Scarborough RT: If the subway were to be extended, it would need a new alignment since the existing RT alignment cannot be used by a subway, given the tight turning radius built into the corridor. The existing alignment would become redundant and would need to be de-commissioned in the future. While an estimate to dismantle the Scarborough RT has not been prepared, this cost would likely be in the tens of millions of dollars.

Kennedy Station: Another area of consideration relates to the cost of re-constructing Kennedy station and the approaches to that station from Ionview Road. The Scarborough project, which has an overall budget of \$1.8 billion (2010 \$), currently includes the budget for all improvements required for Ionview Road easterly, and Kennedy station. Since these improvements are required for the Eglinton Crosstown project, the budget would need to be transferred from the Scarborough project to the Eglinton Crosstown project. The amount that would be transferred from the Scarborough project to the Eglinton Crosstown project totals \$320 million.

In addition, were the LRT to be re-scoped as a subway extension, it suggests that TTC must take over the project from Metrolinx to become part of the larger subway network. This raises important accounting treatment considerations as any provincial investment would then need to be transferred to the City as opposed to amortized over time on provincial books. While not impacting the level of investment per se, the fiscal impact of an immediate transfer is significant and may present challenges to the existing plan for provincial funding in light of the Province's broader commitment to achieve a balanced budget by 2017/18.

Our plan at Metrolinx is to continue to implement the Master Agreement. This avoids the significant procurement, cost and timing impacts on these critically required transit projects.

However, given the uncertainty created by Council's May resolution, we ask that City Council re-affirm its support for the Scarborough LRT project. This would demonstrate Council's commitment to the Master Agreement signed by the City on November 29, 2012. If this re-

affirmation is not received by August 2, 2013, Metrolinx will suspend work on the Scarborough LRT project, pending clarification of the City's position on the Master Agreement. The suspension would minimize the increase in costs associated with the Scarborough LRT project. At the same time, however, a suspension would result in a delay in the delivery of improved, modern and efficient transit service to the people of Scarborough.

We look forward to hearing from the City.

Sincerely,



Bruce McCuaig
President & CEO

- c. The Honourable Glen Murray, Minister of Transportation
His Worship Rob Ford, Mayor, City of Toronto
Karen Stintz, Chair, Toronto Transit Commission
Andy Byford, Chief Executive Officer, Toronto Transit Commission