

Ministry of Transportation

Office of the Deputy Minister

3rd Floor, Ferguson Block
77 Wellesley Street West
Toronto ON M7A 1Z8
Tel.: 416 327-9162
Fax: 416 327-9185

Ministère des Transports

Bureau du Sous-ministre

Édifice Ferguson, 3^e étage
77, rue Wellesley Ouest
Toronto ON M7A 1Z8
Tél. : 416 327-9162
Télec. : 416 327-9185



June 4, 2009

Mr. Joseph Pennachetti
City Manager
City of Toronto
City Hall
100 Queen Street West
Toronto, Ontario M5H 2N2

Dear Mr. Pennachetti:

Over the past two years, there have been many significant developments to advance regional transit in the Greater Toronto and Hamilton Area (GTHA). The Province, under its \$11.5 billion Move Ontario 2020 initiative, has committed over \$9 billion towards six projects across the region, including Viva Next BRT (\$1.4 billion), Finch West LRT (\$1.2 billion), Scarborough RT upgrade and extension (\$1.4 billion) and Eglinton LRT (\$4.6 billion) and the most recent announcement of \$950 million in federal and provincial funds for the Sheppard Light Rail Transit (LRT) project. Last November, Metrolinx's Board unanimously adopted a visionary Regional Transportation Plan for the GTHA appropriately titled "The Big Move." Finally, on May 14, the *Greater Toronto and Hamilton Area Transit Implementation Act* received Royal Assent, paving the way for a newly constituted Metrolinx to move expeditiously to construction of new projects.

I am writing you today to inform you of next steps in delivering our common vision of a regional transit network in the GTHA and advise you of the key features of the Province's framework for our progress. This includes implementing a bold new model of delivering regional transit in the GTHA in which the Province, through Metrolinx, will invest in and retain ownership and control of key transit assets throughout their life. This ownership model allows the Province to move ahead with major projects which are part of the regional vision while at the same time amortizing its significant investments. Through retaining the risks and rewards of asset ownership over regional transportation assets, the Province can best achieve its accounting and financial management objectives.

First, however, I wish to emphasize the importance and value that we place on the partnership that the Province and municipalities have built together in making substantial transit investments since 2003. Through programs such as the provincial gas tax, Move Ontario 2020, Toronto's Transit City and York Region's VIVA Next, to name just a few, it is clear that our governments are responding together to the needs of citizens throughout the region. This partnership benefits our economy, environment, and quality of life, and must continue if we are to succeed.

Our next step, therefore, will be to meet as soon as possible and begin discussions on how to transition to this new implementation framework. For these purposes, Metrolinx will represent the Province. This new implementation framework is a shift that will require all of us to accept change in our traditional approach. At the same time, I am confident that as we all share the same objectives, these changes will not set us back. Indeed, our number one objective is to ensure that while we transition to the new model, we maintain our momentum and deliver all the projects in parallel, on time and within approved budgets. In the City of Toronto's case, consultation will be consistent with the spirit and intent of the Toronto-Ontario Cooperation and Consultation Agreement.

Going forward, there are five principles that embody the Province of Ontario's interest as the primary funding source for regional rapid transit expansion in the Greater Toronto and Hamilton Area (GTHA), and underpin our new framework. Together, they will ensure that the Province and its partners maintain leadership, accountability and value-for-money to taxpayers and transit customers in fulfilling the over \$9 billion commitment:

1. Provincial ownership and control of designated regional transit projects through Metrolinx

Consistent with the new Metrolinx Act, the Minister of Transportation will designate the Sheppard LRT, Eglinton LRT, Finch LRT, and Scarborough Rapid Transit projects, and the VIVA Next Bus Rapid Transit project as "regional transit" projects to be owned and controlled by Metrolinx. This ownership will allow the Province to move ahead on these RTP projects while amortizing their full costs over the useful life of the asset.

Consistent with the principles associated with the ownership and control of assets, the Province will be required to exercise control over these assets in a manner that satisfies generally accepted accounting standards and meets the government's financial management objectives.

As such, Metrolinx will be responsible for approval of project scope and budget and for approval of the terms and conditions for owning, constructing, operating and maintaining the new assets following consultation with the relevant municipal government.

Metrolinx will also have full ownership of the assets, vehicles and related infrastructure of the projects listed above. The term of any operating agreement with service providers will be limited to less than 75 percent of the lifespan of the asset. With respect to construction, Metrolinx will be responsible for approving the issuing of Requests for Proposals (RFPs) to procure construction services and equipment, including vehicles. With respect to operations and maintenance of provincial assets, Metrolinx will establish performance and maintenance criteria, and policies governing fares, services, and other components within the context of operating agreements developed with municipalities, transit authorities and service providers.

Metrolinx will work cooperatively with the City of Toronto to ensure that these projects are effectively integrated with existing municipal transit services.

2. Commitment to partnerships, cooperation and consultation

Metrolinx will seek to partner with municipal governments and their transit agencies to lever the considerable existing capacity, expertise and skills to ensure efficiency, knowledge and speed of implementation while meeting the government's regional transit objectives. The Province recognizes that substantial municipal planning, development and implementation resources have been invested to date in the Toronto Transit City and York VIVA projects. Metrolinx will endeavour, within the context of the new framework, to build from the current project teams and existing arrangements and enter into construction and operating agreements with municipal governments, their transit agencies and third party service providers, consistent with Metrolinx's new role as owner of the related assets under construction.

3. Responsibility for project scope, budget and timing decisions

The Province has directed Metrolinx to set in place mechanisms to define the project scopes, project budgets and project delivery schedules, and requires that any changes in scope proposed by a municipality obtain the approval of Metrolinx in order to proceed. In order to focus our investment on the goal of developing new regional transit, Metrolinx will also be directed to abide by detailed provincial project cost eligibility criteria. This will focus funding for the projects on the specific project scope as defined by Metrolinx, including standards for "baseline" transit infrastructure costs and unit costs applied appropriately to the specific projects within established budgets.

Where municipalities and transit agencies wish to expand or build on the Metrolinx-defined scope and eligible baseline costs, they will be responsible for those additional costs. This would include, for example, upgrades to municipal utilities such as water or hydro systems that are not related to the transit service, or vehicles, other facilities or streetscaping that exceed baseline standards. In some cases, investments made prior to the assumption of provincial ownership and consistent with the eligibility framework may be eligible for funding, subject to conditions.

During this transition period, the Province asks that you consider the above as it may relate to existing or planned significant RFPs on announced provincially funded projects. It may be prudent to reconsider or discuss such RFPs with Metrolinx so that they may be issued in a manner consistent with the new ownership model. In return, Metrolinx has been instructed to work rapidly with your officials to allow the projects to proceed expeditiously.

4. A customer focused and rider oriented approach

A critical success factor for the Province will be ensuring that transit riders experience the benefits of a regionally integrated and inter-operable system. Metrolinx will be directed to be continually mindful of the importance of enhancing the customer service experience of transit users, and creating the seamless customer-first travel experience which is essential to the vision for a truly integrated regional transit system. For example, the introduction and adoption of the Presto farecard system will be a requirement for each of the recently announced projects. In addition to implementing the Presto system, the Province and Metrolinx will work with Toronto and other partners to monitor the evolution of technologies, and will consider how to plan for enhancements and improvements as part of an overall strategy to sustain the Presto electronic fare collection system.

5. Clear project governance including role of Infrastructure Ontario

The work ahead will require the participation and involvement of many, including municipalities, transit agencies and Infrastructure Ontario.

As part of the new ownership model, Metrolinx will be responsible for overseeing project planning, procurement and implementation. Municipal governments and their transit agencies have a critical role to play in the project implementation and outcomes. As a result, clear roles, responsibilities and relationships for all participants will be developed for project governance, project management and procurement activities. With due regard to efficiency and accountability, these models will build on what already has been developed by municipal governments while respecting the necessary adjustments to meet the requirements of ownership and control.

Conceptually, this might involve the Metrolinx Board entering into agreements with municipal governments to facilitate Metrolinx overseeing project management teams consisting of officials of the municipal government, transit agency, Metrolinx and other sources. Where requested by Metrolinx, Infrastructure Ontario may also play a project management role on projects. Any decision beyond the approved project scope would require Metrolinx Board approval. Further discussions between Metrolinx and affected municipal governments will be required to work out the details of this approach to project governance.

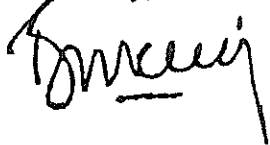
With respect to financing and procurement, Infrastructure Ontario will act as the delivery agent on behalf of Metrolinx for those projects that are determined by the Province to be viable candidates for Alternative Financing and Procurement (AFP). The Province's intention is to designate a portion of VIVA Next, and the Finch and Scarborough projects as AFP projects. Other provincially-funded projects may also be designated in the future. Public control and accountability for AFP projects will be safeguarded under the Province's Building a Better Tomorrow framework.

In conclusion, transforming the transportation system in the Greater Toronto and Hamilton area provides an opportunity for Metrolinx, in the spirit of partnership with municipal governments, to deliver the priority regional transit projects quickly and efficiently. Several transit projects, particularly in Toronto and York Region, are advanced enough to start construction in the near future. The cooperation of municipal governments, combined with the expertise, skills and capacities of their transit agencies will be critical to the success of this implementation.

In recent years the Provincial and City of Toronto governments have developed a working relationship based on mutual respect and cooperation. It is our intention to continue to work collaboratively with you to complete these projects as quickly as possible, while satisfying the requirements of the *Greater Toronto and Hamilton Area Transit Implementation Act*. To that end, I will be asking Metrolinx CEO Robert Prichard to get in touch with you immediately to move forward on project implementation for all of the announced projects within this framework.

I look forward to working with you to see these new regional transit projects implemented and making an important difference for the residents of the GTHA.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce McCuaig". The signature is written in a cursive style with a prominent loop at the end.

Bruce McCuaig
Deputy Minister