

BOARD OF DIRECTORS

<u>DATE OF MEETING:</u>	Friday, February 17, 2017
<u>TIME OF MEETING:</u>	8:00 a.m.
<u>PLACE OF MEETING:</u>	Union Station West Wing 97 Front Street West Toronto, Ontario M5J 1E6 Peter R. Smith Boardroom, 4 th Floor
<u>CHAIR:</u>	J. Robert S. Prichard
<u>PRESIDENT & CEO:</u>	Bruce McCuaig
<u>MEETING SECRETARY:</u>	Mary Martin, Executive Vice President, General Counsel and Corporate Secretary
<u>MEMBERS PRESENT:</u>	Upkar Arora Kathy Bardswick (<i>Guest of the Board</i>) Rahul Bhardwaj Bryan Davies Iain Dobson Janet Ecker Bill Fisch Anne Golden Marianne McKenna Rose Patten Bonnie Patterson Carl Zehr
<u>REGRETS:</u>	Howard Shearer
<u>OTHERS PRESENT:</u>	Helen Ferreira-Walker, Chief Human Resources Officer Robert Hollis, Executive Vice President, PRESTO John Jensen, Chief Capital Officer Greg Percy, Chief Operations Officer Judy Pfeifer, Chief Communications and Public Affairs Robert Siddall, Chief Financial Officer Leslie Woo, Chief Planning Officer Alba Taylor, Senior Legal Counsel & Associate Corporate Secretary

CLOSED SESSION

1. CEO/Board In Camera Session

The Board met in the absence of staff other than the President and Chief Executive Officer.

2. Call to Order and Remarks by Chair

Chair Prichard called the meeting to order at 8 a.m.

Chair Prichard confirmed there was quorum and that the required notice of the meeting as stipulated under the By-Law of the Corporation had been sent.

The following conflicts were declared:

1. Howard Shearer, with respect to any discussions relating to Bombardier Transportation as such may arise in the context of Agenda Item 14 – LRV Contract Update and Item 15.2 – Audit, Finance and Risk Management Committee Report to the Board; and
2. Robert Prichard and Marianne McKenna, with respect to discussions relating to the Strategic Partnership Quick Service Retail and Grocery/Retail categories, as such may arise in the context of Agenda Item 15.2 – Audit, Finance and Risk Management Committee Report to the Board, and Item 15.5 – Customer Experience Committee Report to the Board.

Staff confirmed that meeting materials were not provided to the noted Board members, and that they will be recused from the relevant discussions.

Bruce McCuaig and John Jensen, Chief Capital Officer, presented an update on Metrolinx's light rail vehicle contract.

3. Approval of Minutes

RESOLVED:

THAT the minutes of the Board of Directors meetings of December 7, 2016 and December 8, 2016 be approved.

Carried

4. **TTC/GO Fare Integration**

William Fisch declared a potential conflict of interest with respect to this item, The Board agreed Mr. Fisch would remain for discussion of the matter but would not vote.

Leslie Woo, Chief Planning Officer, presented an update on the GO/TTC discounted double fare implementation strategy and mitigation plan to address ridership and fare impacts from the opening of the Toronto York Spadina subway extension and the exclusion of GO buses from the York University campus. **[Redacted: Advice to Government, Economic and Other Interests]**

RESOLVED:

THAT subject to Treasury Board funding approval, staff are authorized to proceed with the actions outlined in the Chief Planning Officer and Chief Communications and Public Affairs Officer February 17, 2017 report, to ensure the successful launch of GO/TTC discounted double fares;

AND THAT staff work closely with the Ministry of Transportation, City of Toronto and TTC officials in this regard;

AND THAT staff continue to work to ensure PRESTO readiness for GO/TTC and YRT/TTC discounted double fares in Q3 2017.

Carried

5. **PRESTO Service Providers' Agreement in Principle**

Robert Hollis, Executive Vice President, PRESTO, summarized the terms of the agreement-in-principle negotiated with the 905 municipalities and Ottawa for the ongoing operation of the PRESTO system.

RESOLVED:

THAT the principle terms of the high level agreement (the "Agreement") to be executed by Metrolinx and the transit service providers to provide the basis for PRESTO's operating agreement with the transit service providers, as described in the EVP, PRESTO's February 17, 2017 report to the Board (the "Report") be endorsed by the Board;

AND THAT the final terms and conditions of such Agreement shall be satisfactory to the CEO, which will be substantially in accordance with the terms and conditions set out in the Report;

AND THAT the CEO is authorized to execute the Agreement with the transit service providers, as described in the Report.

Carried

PUBLIC SESSION

6. Call to Order and Remarks by Chair

Chair Prichard called the meeting to order at 9:45 a.m.

Chair Prichard confirmed there was quorum and that the required notice of the meeting as stipulated under the By-Law of the Corporation had been sent.

Chair Prichard acknowledged receipt of the following correspondence, which has been distributed to the Board:

- a) Correspondence from Mamdouh Shoukri, President and Vice-Chancellor, York University, dated September 14, 2016, regarding the proposed closure of York University GO Train station. Also enclosed is CEO Bruce's McCuaig's February 2, 2017 response; and
- b) Email correspondence from an individual named Justin, dated February 13, 2017, requesting the issuance of a monthly, printed TTC PRESTO pass and the elimination of the PRESTO card issuance fee.

7. CEO's Report

Bruce McCuaig, President and CEO, provided an update on Metrolinx programs and projects underway including: progress on Metrolinx's capital infrastructure program and the issuance of two requests for proposals for the Cooksville GO Station and the Highway 401/409 bridge widening on the Kitchener Corridor; planning and design work on the Hamilton light rail transit project; and the release of the request for qualifications for GO station improvements. Metrolinx's work will impact many communities over the short term and staff have prepared a community charter to outline Metrolinx's commitment to these communities to work together.

Community input was also sought on Metrolinx's level crossing strategy, to be presented at today's meeting.

PRESTO deployment on the TTC is also moving forward, with recent device reliability issues improving after the deployment of software upgrades. GO and UP Express ridership is also increasing.

Mr. McCuaig noted Metrolinx's recent recognition as one of Greater Toronto's top employers, and top public sector employer for young people.

8. PRESTO Progress Update

Robert Hollis provided an update on recent PRESTO activities including TTC deployment and negotiations with Ottawa and the 905 municipalities.

PRESTO usage continues to grow as TTC deployment progresses and various device reliability issues are addressed, improving reliability and transaction efficiencies. Work for the coming year includes expanding PRESTO card availability through a retail network, fare media vending machines, electronic single ride tickets, and enabling all remaining TTC entrances. Monthly passes are also expected to become available online shortly.

Open payment options are also being pursued over the next year. This will include mobile phone payment options.

9. Regional Express Rail Update: Level Crossings

John Jensen, Chief Capital Officer, Greg Percy, Chief Operating Officer, Michael Wolczyk, Vice President, Corridor Infrastructure, and Erin Moroz, Director, Community Relations & Communications, presented staff's proposed strategy to address level crossings and implement grade separation projects as part of the RER program. Staff estimate there are 185 level crossings on the GO network. Staff are recommending Metrolinx proceed with 10 grade separation projects as part of the Regional Express Rail program to reduce traffic disruptions as rail services increase across the network. Metrolinx is committed to not increasing level crossings, and to working with local municipalities and road authorities to improve safety at existing crossings. In addition, Metrolinx is initiating an education campaign to inform communities, schools and mental health agencies about safety near rail crossings. Finally, a region wide advisory committee is also being established to provide input on Metrolinx's rail crossing strategy.

The 10 recommended grade separated crossings were evaluated and prioritized using multiple criteria including traffic exposure, construction costs, readiness, and proximity to existing stations. A short list of 38 locations was developed, and although only 10 are proceeding, those remaining will be further considered pending funding and other considerations.

Staff confirmed that this proactive strategy is intended to address potential safety concerns arising from increased service. As a lesson learned from the Davenport Diamond grade separation, staff will be consulting with local communities to seek their input on the projects and related infrastructure.

The Board discussed municipal cost sharing arrangements. Staff confirmed that while cost sharing arrangements can be adjudicated under the *Canadian Transportation Act*, staff will be working with the municipalities with the goal of achieving mutually agreeable cost share arrangements.

RESOLVED:

THAT the level crossing strategy as described in the February 17, 2017 Chief Capital Officer and Chief Operating Officer's report to the Board (the "Report") be accepted;

AND THAT the recommended grade separation projects to include in the RER program as set out below be approved, subject to receiving confirmation of municipal agreement:

- Burloak Drive (Lakeshore West corridor),
- Finch Avenue East (Stouffville corridor),
- Galloway Road (Lakeshore East corridor),
- Kerr Street (Lakeshore West corridor),
- McNaughton Road (Barrie corridor),
- Morningside Avenue (Lakeshore East corridor),
- Rutherford Road (Barrie corridor),
- Scarborough Golf Club Road (Lakeshore East corridor),
- Steeles Avenue East (Stouffville corridor), and
- Wellington Street East (Barrie corridor);

AND THAT staff are directed to report back to the Board with further analysis related to recently announced new stations and service expansions.

Carried

10. Fare Integration Update

Leslie Woo, together with Martin Powell, Project Director, Research Planning & Analytics, and Chris Spiering, Senior Advisor, Fare Policy & Planning, presented an update on fare integration work underway including analysis of the three fare integration concepts, and related equity and access issues. Fare integration policies can be used to optimize transit investments and network usage. A guiding principle of the current analysis is to keep costs to what they are today.

In the course of staff's research, fare by distance has emerged as a fourth option worthy of consideration. Further technical work underway on the four concepts includes understanding the impact of each concept on ridership, time of day pricing, parking pricing, fare products, concessions, service levels (express versus local service), and social equity issues, along with understanding how each structure behaves when run through modelling. Staff confirmed that municipal transit providers continue to provide input on this work, and have agreed on the objectives and vision underlying this analysis. Next steps will include seeking input from elected representatives.

The Board discussed expected challenges relating to the redistribution of fees and costs throughout the system, impacts to users, and implementation challenges that might impact the customer experience (such as requiring new passenger behaviour like tapping on/off.) The Board also requested that staff consider fare policy impacts to longer distance travellers, such as those from the 705 and 519 area codes. Finally, the Board emphasized the importance of assessing the costs and value of fare integration vis-a-vis the infrastructure investments made.

Further business case analysis is expected in the summer, with a recommendation for Board in December.

11. Auditor General Report Action Plan

Robert Siddall, Chief Financial Officer, presented staff's action plan in response to the Auditor General's report recommendations on construction contract awarding and oversight. Action plans have been put in place to address each of the Auditor General's recommendations, and progress will be reported to the Audit, Finance and Risk Management Committee until all actions are completed. The Board discussed the various project management and vendor performance management issues identified by the report. Staff acknowledged that, while some of these issues had been identified and under review prior to the audit, the Auditor's recommendations will help focus attention on them.

12. Customer Experience Committee Chair Report

Marianne McKenna provided an update on recent Customer Experience Committee activities including: recent Customer Experience Advisory Committee input on future service and schedules; GO Transit social media corridor information campaigns; and design excellence activities on the Hamilton and Hurontario light rail transit projects and the Davenport Diamond grade separation.

13. Quarterly Reports

Quarterly Reports for PRESTO, Operations, Planning and Policy, Communications and Public Affairs, and Capital Projects were taken as read.

Greg Percy noted recent ridership increases arising from event ridership (such as attendance at sporting events), and improved on time performance results.

Bruce McCuaig provided an update on Metrolinx's light rail vehicle contract dispute with Bombardier Transportation, which has now become the subject of litigation. Mr. McCuaig provided historical context for the recent dispute that stems from a 2010 contract for the delivery of vehicles for the Eglinton Crosstown service. Metrolinx is committed to ensuring that service is delivered on schedule in 2021. Metrolinx also has a long standing relationship with Bombardier which operates much of Metrolinx's GO Transit services and maintenance program.

Mr. McCuaig noted that Metrolinx has repeatedly conveyed its concerns to Bombardier about the delayed Crosstown vehicles, and emphasized the importance of this commitment by issuing notices of default and intent to terminate. Metrolinx has provided Bombardier with many opportunities to get on track. However, no credible or comprehensive delivery schedule has been produced. Bombardier has contracted with Metrolinx to deliver quality vehicles and Metrolinx intends to insist that its contract be honoured.

The Board asked if recent leadership changes at Bombardier had impacted the project. Staff believe that they have. By contrast, Metrolinx has worked to ensure continuity of leadership and dedicated staff for the project. Staff described the importance of having a functional pilot vehicle, which is necessary to perform system testing and also to provide the basis for production vehicles. Not testing a pilot vehicle could impact availability of production vehicles, should they need to be removed from service in order to correct any deficiencies.

The Board expressed disappointment with Bombardier's performance and its decision to litigate with Metrolinx. Staff confirmed Metrolinx remains committed to delivering Crosstown on time, and expects Bombardier to remedy the situation.

CLOSED SESSION

14. LRV Contract Update

This item was discussed by the Board during the morning *in camera* session.

15. Report of Board Standing Committees

15.1 Executive Committee

Robert Prichard, Executive Committee Chair, provided a report on the Executive Committee's December 16, 2016 and January 26, 2017 meetings.

15.2 Audit, Finance and Risk Management Committee

Bryan Davies, Audit, Finance and Risk Management Committee Chair, reminded the Board of Mr. Prichard and Ms. McKenna's previously declared conflicts of interest. On the advice of the Governance Committee, these members were permitted to stay for the Board's discussion provided that matters engaging their conflicts were not specifically raised.

Bryan Davies provided a report on the Committee's February 16, 2017 meeting including a summary of Metrolinx's Q3 capital and operating budget expenditures, an update on Metrolinx's 2017/18 budget request and approval process, the Committee's approval of Internal Audit's audit plan, and the results of a recent Internal Audit health check.

The Board asked whether the Auditor General's findings give rise to any governance concerns or impact the role of Internal Audit. Staff confirmed that the projects identified by the Auditor General had all been previously identified by staff and reported to the Board at one time or another. Internal Audit is coordinating follow up on the audit, and will report to the Committee quarterly on progress.

Finally, the Committee supports the Governance Committee's recommendations on the establishment of a capital projects advisory subcommittee, and the appointment of an Audit, Finance and Risk Management Committee Vice-Chair with specific responsibility for risk oversight.

15.3 Governance Committee

Rahul Bhardwaj, Governance Committee Chair, provided a report on the Committee's February 16, 2017 meeting.

As noted by the Audit, Finance and Risk Management Committee Chair, the Governance Committee supports staff's recommendation to establish a capital projects advisory subcommittee of the Audit, Finance and Risk Management Committee to provide increased review and assurances to the Board on Metrolinx's capital program management processes and projects.

In addition, the Committee supported staff's recommendations on increasing the Board's role on risk oversight, including the appointment of an Audit, Finance and Risk Management Committee Vice-Chair with specific responsibility for risk oversight, and semi-annual Board discussions of key issues.

The Committee recommended the Board approve the following matters:

15.3.1 Board Standing Committees - Review of Terms of Reference

RESOLVED, on recommendation of the Governance Committee:

THAT the Terms of Reference for each of the Audit, Finance and Risk Management, Customer Experience, Governance, and Human Resources and Compensation Committee attached to the Executive Vice President, General Counsel and Corporate Secretary's February 16, 2017 report to the Governance Committee be affirmed.

Carried

15.3.2 Review of Executive Committee Terms of Reference

RESOLVED, on recommendation of the Governance Committee:

THAT the revised Executive Committee Terms of Reference attached as Schedule "A" to the Executive Vice President, General Counsel and Corporate Secretary's February 16, 2017 report to the Governance Committee be approved.

Carried

15.4 Human Resources and Compensation Committee

Rose Patten, Human Resources and Compensation Committee Chair, provided a report on the Committee's February 16, 2017 meeting. The Committee was joined by the members of the Customer Experience Committee to receive staff's annual progress report on implementation of the HR Strategy, which remains on track. The Committee also received the annual employee survey results, which continues to yield good engagement scores. **[Redacted: Labour Relations]**

15.5 Customer Experience Committee

Marianne McKenna, Customer Experience Committee Chair, reminded the Board of her (and Mr. Prichard's) previously declared conflicts of interest. On the advice of the Governance Committee, these members were permitted to stay for the Board's discussion provided that matters engaging their conflicts were not specifically raised.

Marianne McKenna provided a report on the Committee's February 16, 2017 meeting. The Committee reviewed progress on Metrolinx's wayfinding work, design excellence activities, work to address ventilation issues at Crosstown stations, and UP Express ridership capacity issues.

16. Agenda Proposals for Next Meeting

Chair Prichard and Bruce McCuaig presented proposed agenda items for the April Strategy session. A principle focus for the meeting will be the regional transportation plan review.

17. Other Business

There was no other business to discuss.

EXECUTIVE SESSIONS

18. Executive Session

The Board held an executive session in the absence of staff other than the CEO.

19. Executive Session

The Board held an executive session in the absence of staff.

20. Adjournment

There being no further business before the Board of Directors, the meeting was adjourned at 2:00 p.m.

Carried

J. Robert S. Prichard, Chair

Mary Martin, Secretary

c/s