



STAFF REPORT ACTION REQUIRED

Authorization to Amend the Agreement with the Federal Government for the Canada Strategic Infrastructure Fund (CSIF)

Date:	May 24, 2012
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2012\Internal Services\Cfo\Ec12002Cfo (AFS#15875)

SUMMARY

This report seeks Council approval to amend the Canada Strategic Infrastructure Fund (CSIF) agreement between the City, TTC and the Federal Government. The amendment to the agreement will extend the project completion date from March 31, 2012 to March 31, 2015 as well as the agreement termination date from March 31, 2013 to March 31, 2016. The amendment also reduces the maximum eligible claim amount from \$350 million to \$303.5 million due to the change in proponency of the PRESTO project from the TTC to Metrolinx.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. The Mayor, the Deputy City Manager and Chief Financial Officer and the City Clerk be authorized to amend the Canada-Toronto-TTC Canada Strategic Infrastructure Fund Agreement between the City of Toronto, the TTC and Her Majesty in Right of Canada in accordance with the terms described herein.
2. The appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

FINANCIAL IMPACT

Currently, the Canada-Toronto-TTC Canada Strategic Infrastructure Fund Agreement for the Toronto Transit Commission Strategic Capital Projects provides funding over an 8-Year period from 2004-2005 to 2011-2012 for TTC's state of good repair; ridership growth; subway expansion programs as set out in the TTC's ten-year program; and towards the Greater Toronto Area (GTA) Farecard project (PRESTO).

Under the original agreement signed on March 18, 2008, the total maximum eligible funding from Canada for the projects was \$350 million, which included \$46.5 million for PRESTO. This amendment reduces the maximum eligible funding from Canada to the City by \$46.5 million to \$303.5 million to exclude the PRESTO component. The \$46.5 million in PRESTO funding from Canada will be redirected to Metrolinx. The amendment also extends the agreement term by three years to March 31, 2016 to enable TTC to fully claim the \$303.5 million due to project and administrative delays.

BACKGROUND

A \$2 billion Canada Strategic Infrastructure Fund (the "Fund") was first announced in the 2001 Federal Budget to accommodate the needs of large-scale infrastructure projects for which funding was considered beyond the scope and capacity of existing programs delivered by provinces, territories and municipalities. An additional \$2 billion was set aside for this Fund in the 2003 Federal Budget.

On March 30, 2004, Mayor David Miller, together with the Right Honourable Paul Martin, Prime Minister of Canada, and Ontario Premier Dalton McGuinty announced a \$1.05 billion funding package for: modernizing and expanding bus, streetcar and subway services through the acquisition of new vehicles and through improvements such as dedicated transit rights-of-way, transit priority measures and subway improvements; and investments in new technologies to support the TTC's transition to new, lower emission buses and the TTC's participation in an integrated fare system for all GTA transit users.

On December 15, 2004, the City, the Province and the Federal Government entered into a Memorandum of Understanding (the "MOU") with respect to the \$1.05 billion funding package. The MOU required that a formal agreement be entered into between the parties to formalize this funding arrangement.

Subsequently, in March 2007, the Province fully paid its obligation under the CSIF agreement in advance and provided the City with \$303.3 million as part of its contribution to the TTC's Strategic Capital Projects excluding the GTA Farecard project.

On March 18, 2008, the City, TTC and Canada entered into the formal CSIF agreement. By way of this agreement, Canada agreed to pay a contribution to Toronto, of not more than one-third of the total eligible costs of \$1.05 billion for the project, incurred and paid during the eight fiscal years starting in 2004-2005 and ending in 2011-2012, up to a total of \$350 million for the project. This agreement included section 13 Special Conditions

for PRESTO which outlined the remaining and separate commitment of the City of Toronto and the TTC to submit a Business Case to the Federal Government. Approval of this Business Case and an amendment to the Contribution Agreement was anticipated to be required prior to the release of Federal and Provincial shared funding for the PRESTO project.

PRESTO Funding

On June 8, 2011, the TTC approved the adoption of the PRESTO fare collection system subject to the development of acceptable operating and financial agreements. Subsequently in July, both the Province and the TTC Commission approved a PRESTO-TTC financial approach for implementing PRESTO at TTC whereby the majority of the TTC-PRESTO capital costs would be financed by the Province, and Metrolinx would design, build, purchase, operate, maintain and retain ownership of the TTC-PRESTO devices and supporting "back-office" systems required to meet TTC's fare system business requirements.

On August 31, 2011, the City, TTC and Metrolinx jointly requested by way of a letter to the Federal Government that Metrolinx, rather than the TTC/City of Toronto be designated as the direct recipient of the Federal portion of the CSIF funding. Accordingly, the City of Toronto/TTC will not be the proponent for this project; rather, the proponenty will shift to Metrolinx.

On October 17, 2011, the Federal Government responded as being supportive of the reallocation of \$46.5 million in funding provided by CSIF from the City to Metrolinx for the implementation of the PRESTO smartcard system. The \$46.5 million remains available for PRESTO however funding for PRESTO continues, as stipulated in the agreement, to be conditional upon the review and approval by the Government of Canada of a satisfactory, complete and detailed project proposal/business case from Metrolinx. Currently, Metrolinx is working with the Federal and Provincial government to confirm the remainder of the CSIF funding, and has submitted the necessary business case to secure the Federal portion of the CSIF funding for the PRESTO initiative. If approved, there will be no loss in funding for PRESTO and the \$46.5 million originally included in the CSIF agreement with the City and TTC will now be directed to Metrolinx.

Agreement Extension

To date, TTC has claimed \$242.255 million of the \$303.5 million leaving a balance of \$61.245 million. In order to claim the remaining available funding, an extension is required as project and administrative delays have postponed eligible project expenditures and the claims process.

COMMENTS

Approval of this report will give authority for Amendment 3 of the CSIF agreement between the City, TTC and the Federal Government. The amendment is necessary in order for TTC to be able to claim the full \$303.5 million in CSIF funding and to recognize that \$46.5 million will now be directed to Metrolinx to fund PRESTO.

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SIGNATURE

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