



REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

Engagement with the Province on Toronto's Transit System

Date: December 7, 2018

To: City Council

From: City Manager and City Solicitor

Wards: All

REASON FOR CONFIDENTIAL INFORMATION

Attachment 1 to this report contains advice or communications that are subject to solicitor-client privilege.

SUMMARY

The TTC provides a critical service—connecting the diverse communities of Toronto to economic and social opportunities through an integrated network of subway, bus, streetcar and Wheel-Trans services. This integrated network serves approximately 530-million riders annually; approximately 85 percent of the Greater Toronto and Hamilton Region's transit riders. The TTC network complements a regional commuter rail network, GO Transit, as well as intersects with other local transit service providers, such as York Region Transit and MiWay, to serve cross-municipal boundary trips.

The Province's proposed 'upload' of the City's subway infrastructure is a matter of significant public interest. As two orders of government, the City and Province need to establish a clear and transparent process for evaluating what is in the best interest of transit riders and how best to provide mobility options to the communities both parties have a responsibility to serve. There are elements of the Province's proposal to date that require further clarification and development, an assessment of risks and opportunities, and sharing of key information to allow for informed decision-making.

In August, the Province appointed a Special Advisor to Cabinet for a one year term to lead their review. The Minister of Transportation has requested the Mayor to advise on the City's willingness to engage in an information sharing exercise with the province on the proposed upload, and to provide a response by December 13, 2018. City Council earlier this year took a position in opposition to the proposed subway upload (MM41.36). This report responds to the November 30, 2018 letter from the Mayor to the City Manager requesting a report on the subject, including an assessment of risks and potential next steps.

The report recommends City Council authorize the City Manager, under key conditions and with consideration for the principles outlined in Attachment 2, to engage with the Province on their proposal to 'upload' the subway infrastructure. The purpose of this engagement will be to establish a joint Terms of Reference that will guide an ongoing discussion and information exchange process between the Province and the City on this matter. An update report to City Council in Q1 2019 will outline the parameters of the joint process and seek any additional authorities that may be required at that time.

This report was prepared in consultation with the Chief Executive Officer of the Toronto Transit Commission (TTC).

RECOMMENDATIONS

The City Manager and the City Solicitor recommend that:

1. City Council authorize the City Manager, in consultation with the Chief Executive Officer, Toronto Transit Commission, to negotiate a joint Terms of Reference to guide a discussion and information exchange process between the Province and the City on the alignment of transit responsibilities between the parties (the "Discussion") having regard to:

- a. a jointly agreed upon set of objectives which give consideration to the City's principles set out in Attachment 2;
- b. an evaluation of potential models and other policy options, including a comprehensive assessment of the potential risks, liabilities and implications, to achieve both the Province and City objectives; and
- c. the inclusion of a public consultation process.

2. Conditional upon a joint Terms of Reference having been developed in accordance with Recommendation 1 to the City Manager's satisfaction, City Council authorize the City Manager, in consultation with the Chief Executive Officer Toronto Transit Commission, to engage, as requested by the Province, in the Discussion, based upon the joint Terms of Reference.

3. City Council request the City Manager to report to City Council in the first quarter of 2019 with an update on the process, and to seek such further authority to engage in the process as may be required.

4. City Council direct that Confidential Attachment 1 to this report remain confidential in its entirety as it contains advice that is subject to solicitor-client privilege.

5. City Council forward a copy of this report to the TTC Board for its information.

FINANCIAL IMPACT

There is no direct financial impact as a result of recommendations in this report. The City Manager will report back to City Council on the financial implications associated with any future recommendations, as a result of the City's engagement in the review.

The Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of May 22, 2018, City Council considered *MM41.36 Keeping Toronto's Transit in Toronto's Hands*, which stated "that the City of Toronto should continue to own, operate and maintain the Toronto subway system and that transit within the City of Toronto should not be uploaded or otherwise transferred, in whole or in part, to the Province of Ontario", and that transit within the City should remain publicly owned through the TTC.

Link: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.MM41.36>

ISSUE BACKGROUND

In May 2018, City Council passed a resolution stating a position that the Toronto subway system should not be uploaded to the Province of Ontario. The newly formed Government of Ontario, as of June 2018, has committed to evaluate the opportunity to upload components of the TTC subway infrastructure.

Appointment of a Special Advisor to Cabinet

In late August 2018, the Province engaged a Special Advisor to Cabinet to provide advice to government on assuming ownership of TTC subway infrastructure. The Special Advisor will be supported by a Transit Upload Advisory Panel of up to three members. A Terms of Reference for the Special Advisor and the Advisory Panel has been developed by the Province¹, and outlines the following direction and mandate:

- "evaluate the benefits and implications of the province assuming responsibility for the TTC subway infrastructure, including the building and maintenance of new and existing subway lines, from the City of Toronto (the 'upload'); and to "engage with the City of Toronto such that, through the potential upload of subway infrastructure by the province, the responsibility for day-to day subway operations – including labour relations and fare revenue generated by the subway system – could remain with the City of Toronto."²

¹ <http://www.mto.gov.on.ca/english/transit/transit-upload-special-advisor-terms-of-reference.shtml>
(posted: November 29, 2018 to the Ministry of Transportation website)

² Ibid, p. 1

- “[Develop] the upload implementation strategy, including the negotiating mandate, to secure provincial ownership of the TTC subway network and other strategic transit/transportation assets in Toronto”³; and
- “[Undertake] staged/scoped consultation with key stakeholders, and, potentially the public, to inform the upload implementation strategy”⁴;

The initial term for the Special Advisor is one year (to August 30, 2019), with the option to extend for a further two years at the discretion of the Premier. The first term of this mandate is split into two phases:

- Phase 1 - Early September to December 2018 – focused on introductory briefings, providing technical expertise and advice, initial development of the upload implementation strategy, and development of details related to a potential public consultation process.
- Phase 2 – January to April 2019 – lead pre-negotiation preparation and early engagement with the City of Toronto/TTC, and refinement of the upload strategy.

Should the term be extended, the mandate for the Special Advisor is identified as “executing the transaction and informing the development of the associated legally-binding agreement(s).”⁵

The Province's Terms of Reference and correspondence from the Minister of Transportation, outline some of the Province's objectives and assumed benefits from an upload, including:

- "The planning, implementation and operation of transit is more efficient and integrated throughout the region;
- The decision-making framework for transit projects and service delivery is effective and clear – enabling the province to build more projects faster;
- Investments are optimized to help manage congestion, to allow seamless connections across municipalities, and to enable regional economic competitiveness/productivity”⁶;
- “Expedited implementation of a greater number of priority regional transit projects, made possible by the province’s ability to accelerate procurement, permitting and approvals, and to effectively undertake capital construction;
- An enhanced ability to plan a more efficient regional transit network across the GTHA, with improved connectivity achieved, for example, through fare and service integration; and,
- Greater fiscal flexibility to fund and deliver additional transit projects, and to address essential deferred maintenance needs, which would be effected through amortized provincial capital expenditure on owned assets.”⁷

³ Ibid, p.2

⁴ Ibid, p.2

⁵ Ibid, p.4

⁶ Ibid p.1

⁷ Minister of Transportation. Letter to Mayor Tory. November 29, 2018.

Toronto – Ontario Engagement to Date

A series of informal discussions, highlighted by an introductory meeting between the City, TTC and Ministry of Transportation in early November 2018 have been the extent of the City's engagement with the Province's Special Advisor to this point. The discussion to date has focused on gaining a better understanding of the Province's process, timelines and broad objectives. Provincial staff were also advised of City Council's May 2018 position regarding the potential upload (MM41.36), and the requirement of City staff to seek Council direction.

The Province has requested the Mayor's commitment by December 13, 2018 "that the City and TTC will actively participate in the discovery process with the Province, thereby making available, on a confidential basis, the [requested] TTC subway system data and information"⁸ including a valuation of the subway assets, the backlog of deferred maintenance, and the costs to operate the subway. In response to this request, the Mayor has asked the City Manager to bring this report forward to Council for its review.

Please see Attachment 3 for correspondence to date on the matter.

COMMENTS

1. Importance of the TTC Network

As Canada's largest and busiest transit agency, the TTC operates an extensive service network. The TTC's transit system is an integrated and co-ordinated multi-modal network, with customers having access to seamless connections within the system. The scale of the network is significant, and includes:

- 4 rapid transit lines, with 75 stations and more than 870 rapid transit cars are used to provide the service;
- 10 streetcar routes serving the busiest downtown surface corridors;
- more than 150 bus routes, all but 3 of which serve subway stations; and
- Wheel-trans – a comprehensive paratransit service.

The TTC carries large numbers of customers at all times of the day and week. Subway service is scheduled to operate every two to six minutes. Most bus and streetcar routes in the peak periods run every five to ten minutes. A core network of more than 40 routes runs every 10 minutes or better at all times. Twenty-six routes operate 24 hours a day, seven days a week, providing important overnight transit access. Of the TTC's total annual ridership, 57 percent of rides are made outside the traditional Monday to Friday rush hours. This proportion has steadily increased in the last three decades, when the split between peak and off peak ridership was traditionally about even.

Approximately two-thirds of the 1.7-million trips made each weekday on the TTC system are made with at least one ride on the subway system, with other parts of the trip made by TTC bus or streetcar. Only 30 percent of TTC rides on the subway do not include a

⁸ Ibid.

transfer to another mode in the network. It is also important to note that 89 percent of the 1.7-million daily trips – approximately 1.5-million per day, or about 470 million per year – are made entirely within Toronto, comprising more than two-thirds of all daily transit riders in the Greater Toronto and Hamilton area.

The TTC system is a critical service in Toronto today, supporting the City's economic vitality, employment growth, and social cohesion. The further development of the transit network is important for the City to achieve a broad range of city-building objectives – economic, social and environmental. There is a strong reliance on the transit network in Toronto, with approximately 46 percent of trips in the downtown and 28 percent of all trips citywide made by transit. This compares with mode shares of 4-8 percent in nearby regions of Durham, York, Peel, Halton, and Hamilton⁹.

An expanded, connected transit network is central to the City being able to respond to current growth and development, and to plan for the expected 500,000+ new residents¹⁰ of Toronto over the coming decades. A well-developed rapid transit network is essential for Toronto economic competitiveness of the City and the Region as a whole.

2. Recommended Approach for Engagement with the Province

Given the important role the TTC network plays, this report recommends City Council authorize the City Manager, under key conditions, to engage with the Province on its proposal to "upload" the subway infrastructure. City/TTC engagement is recommended in this matter in order to:

- Develop an understanding of the Province's goals, objectives, and clarify and validate positions and assumptions;
- Support informed decision making by establishing a common understanding of facts and data and provide the Province with access to the TTC's operational expertise as the third-largest transit operator in North America and the only agency in the GTHA with experience in subway infrastructure and services; and
- Ensure the Province understands the City's key interests and objectives as outlined in this report; and the importance of the TTC subway infrastructure as a component of an integrated TTC network.

Terms of Reference Defined by Both Parties

The report recommends City Council authorize the City Manager, in consultation with the CEO TTC, to negotiate a joint Terms of Reference with the Province to guide a discussion and information exchange process on the alignment of transit responsibilities between the parties. Subject to Council approval, the City would be prepared to work on an expedited basis with the Special Advisor and Ministry of Transportation staff to develop a joint Terms of Reference that will provide the framework for how the parties will engage on this important and complex issue.

⁹ 2016 Transportation Tomorrow Survey. <http://dmg.utoronto.ca/transportation-tomorrow-survey/tts-reports>

¹⁰ Growth Plan for the Greater Golden Horseshoe.
http://placestogrow.ca/index.php?Itemid=14&id=430&option=com_content&task=view

The process defined through the joint Terms of Reference should achieve the following objectives:

- Take a holistic view of the Province's proposal, examining the potential impacts to the TTC network as a whole and the risks to the continued operation of an integrated system;
- Represent a principles based discussion focused on a jointly agreed upon set of objectives, with consideration of the City's principles set out in Attachment 2 and described later in this report;
- Include a comprehensive assessment of the potential risks, liabilities and implications to both parties;
- Allow for an exploration of a range of potential models and other policy interventions to achieve both the Province and City's interests; and
- Outline how the public will be consulted in the process.

Further, the principles of the Toronto-Ontario Cooperation and Consultation Agreement (T-OCCA)¹¹ should be adhered to in the development of a joint process. The principles include respect for each other's jurisdiction and authority, cooperation on shared policy matters, a shared commitment to consult with one another, and acknowledgement of each other's interests.

By giving staff authority to formally engage with the Province, the City and TTC will seek to clarify the following issues related to the proposed model outlined in the November 29, 2018 letter from the Minister:

- Key provincial objectives and the 'problem statement'. To date a range of potential benefits and issues to be addressed have been cited in various correspondence, Minister speaking events, and the Province's Terms of Reference for the Special Advisor;
- Definition of subway asset infrastructure under review. The City and TTC require further clarification on the scope of subway related infrastructure the province is contemplating, given the integration of various infrastructure and service components that comprise the TTC subway network (e.g. stations, tunnels, signalling systems, real estate, fleet, etc.), in addition to interfaces with surface transit infrastructure and other municipal assets and services;
- The scope of other potential strategic transit assets the Province is interested in reviewing, as suggested in the Special Advisor's Terms of Reference¹²;
- Other potential models under consideration or/ previously evaluated, including other policy options that may also serve the objectives identified. For example, fare integration, and previous fare policies proposed¹³ will also support "seamless connections across municipalities"¹⁴;

¹¹ <https://www.toronto.ca/city-government/accountability-operations-customer-service/city-administration/city-managers-office/intergovernmental-affairs/toronto-ontario-cooperation-and-consultation-agreement/>

¹² Attachment 4, p2.

¹³ <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.1>

¹⁴ Attachment 4, p1.

- Discussion on assignment of responsibility for operating, maintaining, and delivering expansion; including responsibilities for the full lifecycle costs of the network including operating, maintenance, capital, and lifecycle maintenance;
- Impacts to existing and future intergovernmental funding arrangements, including the status of existing agreements between the parties;
- Governance over the system, including responsibilities for setting service levels, fare policy and decision-making in general on the future of the network and current operations;
- Process for public consultation with Toronto residents and transit users;
- Specific details on the information required by the Province and referenced in various correspondence to date, to support the review. An inventory of information required in accordance with a joint work plan should be developed; and
- Approach to undertaking a fair market valuation of the assets and liabilities of the TTC subway infrastructure, including scope of services of the consultant, and request of City and TTC resources to complete the assignment.

Subject to Council's approval to engage the Province on the 'upload' proposal, the City will seek to develop a joint Terms of Reference with the Province. Conditional upon the joint Terms of Reference being satisfactorily completed, the City will then engage in a discussion and information exchange process with the Province, as requested. An update report to City Council will be prepared for the first quarter of 2019 that will provide an update on discussions with the Province to that point, and seek any additional authorities required.

In the interim the City Manager will, within existing authority, retain third-party advice as required on matters that could include independent advice on provincial accounting and controllership requirements, best practice in governance structures, and establishing an independent valuation of the subway assets. The City Manager will also consider the required organizational structure and resources required to support the City in the course of these discussions, including the merits of establishing an advisory panel or similar guidance body. An update will be included in the report to Council and the TTC Board in the first quarter of 2019.

3. Key Interests and Objectives – Guiding Principles

The report recommends that a joint Terms of Reference be developed by the parties regarding the alignment of transit responsibilities between the parties. A principle-based approach to the engagement focused on an agreed to set of objectives between the parties is desired.

In order to assist discussions with the Province, guiding principles have been identified in Attachment 2 and described below, that reflect key Toronto interests from a governance, policy, operations, and finance perspective. The principles will provide staff with the guiding framework for evaluating the impacts and implications of various models that could be proposed, in addition to informing the development of further advice and recommendations to City Council and the TTC Board.

Governance

The TTC network, including Toronto's subway infrastructure, is currently governed by City Council and the TTC Board, with elected representatives on each who are directly accountable to the residents served. Should the Province pursue a new model for transit subway asset ownership, a comprehensive review of the governance structure would be necessary. The governance structure(s) and associated policies and practices that shape how decisions are made will need to be evaluated with respect to accepted principles of good governance¹⁵ as outlined in Table 1 below.

Table 1: Guiding Principles - Governance

Principle	Description
Accountability	<ul style="list-style-type: none"> Defined roles and responsibilities, and fair assignment of risks and financial obligations.
Responsiveness to Community	<ul style="list-style-type: none"> Accessible and responsive to the local community served by the transit service. Transit decision makers to ensure adequate and meaningful public consultation occurs.
Transparency	<ul style="list-style-type: none"> Decisions made in open with full visibility of the governance decision-making processes.

Prior reports to City Council have identified the need for a review of transit governance in the region, in particular with respect to the current Metrolinx Board governance model. Currently, there is currently no formal mechanism for municipalities and local transit authorities to provide input into Metrolinx Board decision-making processes. Under the Metrolinx Act, 2006, the Minister of Transportation appoints the Metrolinx Board of Directors. Metrolinx is governed by a skills based board and elected officials are precluded from participating as members. The limitation of the current model is that there is no direct accountability link to the municipalities and their local transit authorities across the region.

In April 2014, City Council requested the Province to undertake a comprehensive review of the Metrolinx Board governance structure, and consider including political municipal and citizen representation. City Council also requested that the Province enhance the transparency of the Metrolinx Board decision-making processes to the public¹⁶. In December 2017, as part of the City's submission to Metrolinx on the *Draft Regional Transportation Plan for the GTHA*, the City requested Metrolinx to undertake a comprehensive review of board governance, considering the principles of accountability, transparency, and flexibility for municipalities to determine local priorities¹⁷. There have also been a number of other TTC Board and City Council directions, outlining ideas for improved coordination between the TTC and Metrolinx Board, including request to City

¹⁵ *TransLink Governance Review*, March 2013, Acura Consulting, Silex Consulting, Steer Davies Gleave http://www.acuere.ca/docs/TransLink_Governance_Review_-_March_21_2013_Final_Report.pdf

¹⁶ <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX39.2>

¹⁷ <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX29.1>

staff to provide further recommendations on Metrolinx Board governance changes required.

In November 2018, the Province announced it will conduct a Metrolinx Agency Review and introduced legislative changes to the *Metrolinx Act, 2006*¹⁸, which amongst other changes, clarifies the role of Metrolinx is to provide leadership on an integrated transit network, and gives further discretion to the Minister with respect to the broader Regional Transportation Plan. The Metrolinx Agency Review and engagement with the Province regarding its desire to assume ownership of TTC subway infrastructure represent an opportunity for the City to further governance discussions with the Province.

The City will use the principles outlined to identify recommendations on required improvements to the governance model, based on the various 'upload' scenarios the Province may be developing through this process.

Policy and Operations

As a municipality, the City of Toronto has a responsibility to direct and enable growth within Toronto, and to establish a vision for the City's future. The City and TTC also currently share responsibilities for the operation of the transit network. Table 2 identifies some key principles as they relate to policy and operational interests in the system.

Table 2: Guiding Principles – Policy and Operations

Principle	Description
Safety and Security of the System	<ul style="list-style-type: none"> • Safety of the public and system operators continues to be the top priority, supported by: <ul style="list-style-type: none"> - maintaining the subway in a state of good repair; - continuing or advancing safety-related programs; - implementing measures required to meet current and future capacity needs; - clearly defining who has the overall responsibility for system safety; and - ensuring system expansion does not compromise safety
Preserving Mobility Options and a Seamless Journey	<ul style="list-style-type: none"> • Maintain the operational and service integration of the rapid transit, streetcar, bus, and Wheel-Trans networks, allowing customers to continue to seamlessly combine multiple trips to reach their destination. • Respond to existing and projected demand for transit trips in Toronto. • Service planning and fare policy should support the achievement of social, economic growth, and mobility objectives.

¹⁸ Bill 57, Restoring Trust, Transparency and Accountability Act, 2018. <https://www.ola.org/en/legislative-business/bills/parliament-42/session-1/bill-57>

Principle	Description
Ensure Accessible Local Service	<ul style="list-style-type: none"> • The bus and streetcar transit network provide connections to the rapid transit network and local transit access requirements. • New stations or lines provide customer-friendly connections to and from buses and streetcars. • Ensure equity considerations are addressed in planning transit services - supporting access to mobility, economic growth, poverty reduction, social inclusion, etc. • The transit system provides comprehensive coverage to all areas of the City.
Alignment of Infrastructure Investments with the City's Planning Objectives	<ul style="list-style-type: none"> • Land use planning and transit/transportation planning are aligned to ensure the transit system serves people, strengthens places and supports prosperity in Toronto • Expansion of the rapid transit network and related development, respects local planning (urban structure and growth) objectives and service needs.
Advance priority expansion projects underway	<ul style="list-style-type: none"> • Maintain momentum on key priority projects; • The City, TTC and the province work in partnership to identify opportunities to accelerate work and improve decision-making processes. • Future expansion should respect Council priorities as identified through mechanisms such as the 2031 Transit Network Plan¹⁹ and priorities for intergovernmental funding²⁰.

The planning and development of infrastructure has a direct impact on the shape and experience of local communities, including interfaces with other municipal assets and services. The Planning Act confirms the authority of municipal councils to make planning decisions through an Official Plan, other planning tools, and development approval processes. Additionally under both the Growth Plan and the Planning Act, municipalities are responsible for identifying and addressing policies/requirements for development within Major Transit Station Areas in their Official Plans. Any proposed change in the governance of transit in Toronto needs to consider the role of the City of Toronto in the planning process.

The City and TTC currently share a further responsibility as the operator of the transit network to ensure that it is operated in a safe and secure manner, and that the system continues to serve the City's broader policy objectives (e.g. access to mobility, poverty reduction, social inclusion, etc.). To achieve these policy objectives, the bus, streetcar, subway, and Wheel-Trans networks should continue to function as an integrated system, supporting robust local service.

¹⁹ <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.1>

²⁰ <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX20.4>

The future expansion of the subway system should not erode the safety of the existing network, including the provision of sufficient capacity on the rapid transit network to allow safe operation. The TTC is assessing improvements to address capacity challenges on Line 1, and will be providing an update to Council and the TTC Board in early 2019.

Funding

Fiscal sustainability and the fair allocation of financial obligations are two guiding principles that should be taken into consideration through the review process with the Province.

Table 3: Guiding Principles – Funding

Principle	Description
Financial Sustainability	<ul style="list-style-type: none"> • Availability of adequate operating and capital funding for the following to maintain service levels and safety: <ul style="list-style-type: none"> - Regular maintenance - Capital (lifecycle) maintenance - Safety and accessibility enhancements - Capacity enhancement to address growing ridership. • Stable, consistent funding sources for effective system planning and management. • Funding to reduce reliance on property taxes.
Fair Allocation of Financial Obligations	<ul style="list-style-type: none"> • Financial obligations allocated amongst stakeholders in accordance with accepted progressive taxation and user fee principles, and having regard to capacity to contribute, and recognition of past contributions and investments

Prior to 1998, the City and the Province equally subsidized TTC operating costs. However, since then, the City has been responsible for an increasing proportion of the operating subsidy, with its share rising in 2017 to 85% net of an allocation of the provincial gas tax subsidy.

Even though City funding for the TTC has accounted for 1/3 of the growth in the City's net expenditures over the past 10 years, the TTC has still had to rely on fare revenue for a much larger share of its budget than any other major transit system in North America, in part due to significant service improvements and capacity expansion.

As a result of years of inadequate capital funding, during the 2018 budget process in November 2017, TTC identified \$6.1 billion in unfunded capital needs over a 10-year planning period including projects to be brought forward to the Board for future consideration such as Bloor-Yonge Capacity improvement, platform edge doors and, significantly, the purchase of replacement subway trains, streetcars and buses.

Transforming for fiscal sustainability was expressed as a critical path in the TTC's Corporate Plan released early this year. To advance this direction, during 2018 TTC

embarked on a comprehensive review of TTC capital needs over the next 15 years. Additional major projects requiring funding over the planning period include the Line 1 Capacity Enhancement program and the Line 2 Modernization program including automatic train control, track and power upgrades, and train storage.

Many Toronto transit expansion projects are also unfunded and rely on currently unconfirmed future funding partnerships with the Province and the Federal government.

In order to continue to realize the vital social, economic and environmental benefits of safe and effective public transit in Toronto, there is a need for a new funding model that draws on a broader range of funding tools, which grow with the economy, in order to provide financial sustainability, ensure a commitment to the long-term stewardship of the network, and a fair allocation of financial obligations.

4. Advancing Toronto's Transit Priorities

As part of the discussions to date, the Province has indicated a desire to “[expedite] implementation of a greater number of priority regional transit projects...” and to “...[accelerate] key subway projects in Toronto...”.²¹

Advancing City Council's priority transit expansion projects currently under development is also important to the City²². Significant progress has been made over the last several years in partnership with Metrolinx and other municipalities on key projects of importance to the City and to the region. The TTC has applied lessons learned from its latest subway extension, and the delivery of the next subway projects is benefitting from an improved co-ordinated approach that makes use of best practices from rapid transit project management from around the world.

Investments have been made by all three orders of government in the planning, design and engineering (PDE) of Council identified priorities. The TTC is leading the design and engineering work on four major subway projects – Line 2 East Extension, Line 1 North Extension, Relief Line South, and Bloor-Yonge Station improvements. The City, TTC, and Metrolinx are collaborating closely on the planning of other projects, such as the Relief Line North, Eglinton East and West LRT Extensions, SmartTrack Stations Program, and Waterfront Transit. The City and TTC are also working with York Region and Metrolinx to identify timing and sequencing for implementation of the Line 1 North Extension in the context of required improvements to Line 1 capacity²³. The TTC is also assessing other improvements to address capacity challenges on Line 1. Further specific transit project updates will be reported to Council in early 2019.

Subway expansion projects are governed by management committees comprising partner organizations involved in each project. For example, in June 2016, the Province committed \$150 million to Metrolinx to work with the City and TTC to advance planning and design of the Relief Line. The City also identified \$55M for the Relief Line South (PDE)²⁴. Accordingly, Metrolinx, the City and TTC have entered into a Memorandum of

²¹ Minister Yurek, November 29, 2018.

²² <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX13.3>

²³ <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.1>

²⁴ The City's contribution includes a 50% contribution from the Federal Government through its PTIF Phase 1 program.

Understanding (MOU) for this project that outlines the terms of reference for all three parties to work together. The Ministry of Transportation is also involved in executive level oversight committees over the transit expansion program.

In his letter addressed to the Mayor dated November 29, 2018 (Attachment 3), the Minister of Transportation proposed the assembly of an Ontario-Toronto team to examine how best to advance the design and delivery of the Relief Line South. As described above, the appropriate Management Committee is already operating, but could benefit from the participation of Infrastructure Ontario to provide further advice and support, as suggested by the Minister.

Federal Infrastructure Funding

The Province's subway "upload" proposal, and discussions on the overarching governance model for transit expansion, should not delay or impede the opportunity to take advantage of federal funding announced under the Investing in Canada Plan Public Transit Infrastructure Fund program.

Under the Canada-Ontario Integrated Bilateral Agreement (IBA) Public Transit stream Toronto can receive a maximum of \$4.9 billion in federal funding based on ridership²⁵. Toronto's federal allocation includes Canada's commitment of \$660 million to the Line 2 East Extension (also known as the Scarborough Subway Extension). The IBA includes a requirement of a minimum 33% matching contribution from provincial governments for municipal projects. The federal government will contribute up to 40% of eligible project costs with municipalities funding the remainder.

In December 2016, City Council identified priority transit expansion projects for phase 2 federal funding²⁶. In the first quarter of 2019, City staff will report to City Council on a recommended final list of priority transit expansion projects for inclusion in the City's Phase 2 Public Transit Infrastructure Fund (PTIF) Federal Funding submission to the Province and Federal Government. The report will include a status update on the transit expansion program.

4. Summary

The TTC system is a critical service in Toronto, supporting the City's economic vitality and social cohesion. This integrated network serves 530-million riders annually, approximately 85 percent of the region's transit riders. In light of this role and the Province's proposed 'upload' of the City's subway infrastructure, the City and Province need to establish a joint process for evaluating what is in the best interest of transit riders and providing mobility options to the communities both parties have a responsibility to serve.

This report recommends City Council authorize the City Manager, under key conditions and with consideration for the principles as outlined in Attachment 2, to engage with the Province on their proposal to "upload" the subway infrastructure. This engagement is

²⁵ <https://news.ontario.ca/moi/en/2018/03/under-the-180-billioninvesting-in.html>

²⁶ <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX20.4>

recommended so that the City can best understand the Province's goals and objectives; ensure the Province understands Toronto's key interests, and to support informed decision making.

Subject to this approval, the City Manager in consultation with the CEO TTC, will begin the engagement process with the Province as soon as possible, with the overall aim to establish a joint Terms of Reference that will guide a discussion and information exchange process between the Province and the City. An update report to City Council in Q1 2019 will provide an update on discussions to date and seeking further direction as required.

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SIGNATURE

Chris Murray
City Manager

Wendy Walberg
City Solicitor

ATTACHMENTS

Attachment 1 – Confidential Attachment – Legal Opinion
Attachment 2 – Guiding Principles
Attachment 3 – Correspondence between the City of Toronto and Province of Ontario
Attachment 4 – "Special Advisor to Cabinet - Transit Upload & Transit Upload Advisory Panel" Terms of Reference