

## ANSWER TO INQUIRY



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May 16, 2011

Ms. Ulli Watkiss  
City Clerk  
City of Toronto  
12<sup>th</sup> Floor, West Tower  
Toronto City Hall  
Toronto, ON M5H 2N2

Dear Ms. Watkiss:

The following is a response to the Administrative Inquiry from Councillor Janet Davis dated May 4, 2011 entitled "Administrative Inquiry Regarding the TTIL and City Accountability."

- Q1. Has the TTIL approved financial control, procurement and governance by-laws and policies? Will Council approve them, consistent with Council-adopted recommendation EX4.6 2.a.ii?
- A1. TTIL is a corporation created in and around 1981 pursuant to the *Canada Business Corporations Act*. The *City of Toronto Act* expressly permits the TTC or its subsidiary (TTIL) to provide consulting services within or outside of the City. TTIL has created separate Corporate By-laws addressing general corporate matters. In addition, at the April 6, 2011 Commission meeting, the Commission, as the shareholder of TTIL, adopted a motion requesting that TTIL develop specific policies relating to procurement, financial authorization and governance of meetings.
- Q2. Will the TTIL operate in an open and transparent manner, with notices, minutes of meetings and opportunities for deputations? If not, can the City require it to do so?
- A2. As noted above, at the Commission meeting of April 6, 2011, the Commission approved a motion that TTIL develop a policy with respect to the governance of its meetings.
- Q3. Was the process used to appoint Gordon Chong as Chair, CEO, and Secretary-Treasurer consistent with the City's Public Appointments policy, and what is the nature of the employment relationship? Is he an employee or retained by contract? How much is he getting paid?
- A3. Dr. Gordon Chong has been retained by TTIL as an employee on a short-term fixed contract. TTIL is a subsidiary corporation of the TTC and is not expressly governed by the City's Public Appointments Policy.
- Q4. At its April meeting, the TTC adopted a motion that TTIL invoices be processed "*subject to the City of Toronto confirming an appropriate funding mechanism to cover costs incurred by TTIL.*" What Council

authority is required in order to establish an "appropriate funding mechanism"? Does this mean that the City needs to identify funds to cover the costs of the TTIL, and if so when will Council amend the 2010 Budget to accommodate those costs?

- A4. The City of Toronto is not funding any costs incurred by TTIL. The City of Toronto will be funding the cost of a preliminary capital financing study from existing 2011 budget approved sources.
- Q5. What was the intended purpose of the residual funds in the TTCL reserves? Was the purpose of those reserves established by Council? Are the current and proposed expenditures consistent with those purposes?
- A5. The residual funds were excess to the needs of the Corporation at the time that the Corporation was actively pursuing business. The residual funds remained with the Corporation during the period that Corporation was not actively seeking new business. The residual funds were retained as working capital should the Corporation become active again.
- Q6. Does the City have any involvement in the work being undertaken by the TTIL, or oversight for the consultants contracted to prepare the "business case" for the proposed P3 subway?
- A6. City staff are working with TTIL in the procurement and oversight of consultants to be contracted for the preparation of a preliminary capital financing assessment of the proposed subway initiative.
- Q7. What authority does the TTC have from the City to negotiate agreements or to make applications to other governments or funding sources?
- A7. The TTC is a separate legal entity that has been a party to numerous funding agreements with the Federal government. TTIL is a subsidiary of the TTC. On March 8, 2011, the Commission approved a proxy permitting its shares to be voted at a TTIL shareholder meeting. Pursuant to the TTC's approved proxy, TTIL was requested by the TTC to provide assistance and advice with respect to the City of Toronto Subway Project and to submit an application for approval to PPP Canada for potential funding. Any federal funding agreement in which the TTC is to be signatory will be subject to approval of the Commission prior to any funding being received and prior to the TTC signing any funding agreement.
- Q8. Will City Council approve the proposal for funding being submitted to the federal P3 Fund, as has been done in the past with RINC, Infrastructure and Housing funding proposals?
- A8. It is anticipated that any federal P3 funding agreement will be conditional on Council approval.
- Q9. Are the City of Toronto and the TTC signatories to the Memorandum for the new Transportation Plan? When is it coming to Council for consideration?
- A9. The TTC is not a signatory to the Memorandum. The Memorandum is a non-binding framework for the negotiation of agreements to be approved by Council. Therefore the Mayor signed the Memorandum as indicating his desire that the parties give consideration to the new Transportation Plan. Any agreements to implement the Memorandum will require Council approval.
- Q10. What role has the City's intergovernmental table played in discussions with other governments or funders for proposed transit infrastructure in Toronto? Who are the City representatives that are participating in these discussions?

- A10. Discussions between the Mayor's Office, senior city and TTC staff, the Premier's Office, provincial and Metrolinx staff concerning a re-alignment of transit infrastructure priorities have been on-going since the beginning of the year.
- Q11. What liability does the City bear in relation to the provisions contained in the Memorandum, such as the costs associated with the transit projects to date, cancellation penalties, and other associated costs?
- A11. The Memorandum does not create any legally binding provisions or obligations. Any liabilities associated with the agreements necessary to implement the provisions contained in the Memorandum will be set out in the report or reports seeking Council approval.

Yours truly,

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Joseph P. Pennachetti  
City Manager