MEETING DATE: JULY 6, 2011

SUBJECT: Toronto Transit Infrastructure Limited President & CEO Report

INFORMATION ITEM

RECOMMENDATION

It is recommended that the Commission receive the attached report for information.

DISCUSSION

At its meeting on Friday, June 24, 2011 the Toronto Transit Infrastructure Limited Board of Directors received the attached President & CEO’s report (Attachment "B") for information.

As can be seen from the attached financial statement (Attachment “A”), TTIL costs as at June 30, 2011 have totalled $124,021, as compared to the company value of $160,412 ($100,000 in capital stock held by the Toronto Transit Commission – TTIL sole shareholder – and $60,412 in Retained Earnings as at December 31, 2010).

Following a Request For Proposals procurement process, the City of Toronto issued a $200,000 upset limit contract to KPMG to conduct an assessment of the ability of the private sector to finance the Sheppard Subway project. The study will also examine the extent to which any gap that may exist can be covered by other revenue options such as Tax Incremental Financing, Development charges, proceeds from the disposal of City-owned properties, Federal contributions, etc. It is anticipated that this assessment will be completed by the Fall.

June 27, 2011
1-15-15

Attachment A – Financial Statement
Attachment B – TTIL President & CEO Report
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>Dr. Gordon Chong</td>
<td>$35,278.99</td>
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<td>Dr. Joanne Kennelly</td>
<td>$43,310.00</td>
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<tr>
<td>Miller Thomson LLP</td>
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<td>Miscellaneous Expenses</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$124,020.94</strong></td>
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</tbody>
</table>
MEETING DATE: JUNE 24, 2011
SUBJECT: Report from the President and CEO
ACTION ITEM

RECOMMENDATION
It is recommended that the Board of Toronto Transit Infrastructure Limited:

1) receive the attached report from the President and CEO, Dr. Gordon Chong; and
2) forward this report to the Toronto Transit Commission for its information.

June 2011
1-17
Dear Mr. Rodo:

TTIL Board Meeting June 24th 2011

1. Summary

This letter briefs the Board on activities undertaken by TTIL since March, 2011. Note: Staff to support the CEO did not join until May 1, 2011.

2. Recommendation

The Board is asked to note the content of the letter.

3. Background

Provincial Announcements

In April 2009, the Province of Ontario announced $9.5 billion in funding for the "Big 5" Greater Toronto Area transit infrastructure projects, which included York Region's VIVA Next Bus Rapid Transit, the Sheppard Light Rail Transit (LRT) line, the refurbishment of the Scarborough Rapid Transit line (RT), a Finch LRT line and the Eglinton Crosstown LRT.

The 2010 Ontario budget renewed the Province's commitment to fully fund all five projects but the Provincial government requested that Metrolinx develop a plan that would reduce the funding requirements for these projects in the first five years by $4 billion. This resulted in the Metrolinx "5 in 10 Plan" which adjusted the project phasing in order to achieve the Province's fiscal objectives.

Proposed Changes to the "5 in 10" Plan

The Mayor of Toronto and Metrolinx have recently agreed on a proposal to make changes to the 5 in 10 Plan in order to achieve the Mayor's goal of substituting subway lines for the surface light rail lines originally contemplated in the plan.
As part of this proposal, Metrolinx has agreed to maintain the same total $8.4 billion funding commitment originally allocated for the Toronto projects within the 5 in 10 Plan. However, this amount would now be applied primarily towards the Eglington-Scarborough Crosstown LRT project which would extend from Jane St./Black Creek in the west to Scarborough Centre in the East. Most of the Eglington portion of this project would be constructed within a tunnel. The Scarborough section would be built along the existing grade-separated guideway for the Scarborough RT between Kennedy Station and Scarborough Centre.

Under the terms of the proposal, the City of Toronto would be responsible for implementing two extensions of the existing Sheppard Subway:

- a western extension from Yonge St. to Donview Station on the Spadina subway line and
- an eastern extension of the Sheppard Subway from Don Mills Station to Scarborough Centre

**Funding/Financing for the Sheppard Subway Extensions**

The City would have the primary responsibility for raising the necessary funding for the Sheppard subway extension projects. Metrolinx has indicated that it will only contribute funding for these projects if the aggregate costs for the Eglington-Scarborough Crosstown LRT project are less than $8.4 billion. If there are residual funds left over from the $8.4 billion, Metrolinx has committed to provide up to $650 million of these funds for the Sheppard Subway extensions.

Metrolinx has indicated that they will also support Toronto’s efforts to obtain Transport Canada funding contributions promised to Metrolinx (estimated at $333 million) relating to the Sheppard LRT Project so funds can flow to the City for the Sheppard Subway extension projects.

Toronto Transit Infrastructure Ltd. (TTIL), a subsidiary corporation created by the Toronto Transit Commission, has begun an assessment of the business case for the two extensions of the Sheppard Ave. subway. In order to minimize the financial risk to the City, and also to minimize the overall extent of the City’s debt financing, the intent is to maximize private sector participation in the design, construction, financing, and perhaps the maintenance, of the new subway lines.

Since the announcement of the Mayor’s interest in building the Sheppard subway, the investment community has expressed substantial interest in participating in the project. On a preliminary basis, a number of revenue streams have been identified that could be used to raise the necessary financing:

- Tax increment financing along the Sheppard line and the Eglington-Scarborough Crosstown line
- Special Transit development charges — city wide
- Development rights on City-owned land along the proposed Sheppard Subway extension corridors
- Re-dedicated federal funding for the Sheppard line
- New federal funding through FFP Canada
- Residual Metrolinx funding

There may be other sources of financing available and many of the funding sources identified will require legislative and/or regulatory changes from the Province of Ontario.

The preliminary cost and the expected cash outflows by year for the construction of the Subway extensions will be refined during the timeframe of this assignment.

*TTIL Board Report June 24, 2011: Commercial In Confidence*
4. Project Steps

The broad process steps are outlined as follows:

**Step 1 Preliminary Business Case**
- Refinement of the project scope
- Preliminary Capital Financing Plan
- Updated estimated construction cost
- Preliminary business case to proceed for City Council, PPP Canada, Provincial and Federal Government consideration
- Process outline and cost estimate for Step 2

**Step 2 Development of the Request for Proposals to Construct and Finance the Subway Extensions**
- Develop a risk register and risk matrix for the project
- Environmental assessment leading to approved project scope
- Secure provincial and federal regulatory amendments and commitments
- Reline the proposal process
- Develop contractual terms and conditions
- Refinement of development and revenue forecasts
- Confirm accounting treatment
- Refinement of construction design parameters
- Market sounding
- RFP issuance and evaluation

**Step 3 Award and Mobilize**
- Select preferred proponent and negotiate commercial terms
- Execute federal and provincial agreements
- Implement planning changes if required
- Assemble contract governance regime
5. Project Governance

The City of Toronto and TTC have developed an ad hoc working group under the direction of TTIL ("Working Group") to provide assistance on an as-needed basis relating to the following business plan/feasibility case tasks ("Working Group Tasks"): 

1. Transit scope and design, cost and cost benefit analysis; 
2. Development and planning analysis; 
3. Procurement analysis; 
4. Regulatory and legal analysis and approvals.

This work will be undertaken over a twelve to eighteen month period, with progress against each activity subject to budget availability from the City and TTC.

6. Project Deliverables

The project deliverables (over 12-18 month period) will include:

1. Transit scope and design, cost and cost benefit analysis 
   • High level design and cost analysis 
   • Construction schedule 
   • Needs assessment and cost-benefit analysis 

2. Development and planning analysis 
   • Preliminary Capital Financing Analysis (funding plan) 
   • Market Soundings 
   • Recommended Financing/Funding Plan 

3. Procurement analysis. 
   • Procurement Options Analysis (Qualitative) 
   • Value for Money Analysis (Quantitative) 
   • Risk Analysis 
   • Market Soundings 
   • Recommended Procurement Strategy 

4. Regulatory and legal analysis and approvals 
   • Environmental Assessment 
   • Other

Assumptions

The following assumptions underpin delivery:

• This project has the full support of the Mayor, all departments of the City of Toronto, and the Toronto Transit Commission; 
• The TTC will provide resources to TTIL for deliverables 1, 3. and 4. to secure the necessary professional expertise within timelines; 
• The City will provide resources to TTIL for deliverables 2, 3. and 4. to secure the necessary professional expertise within timelines; 
• Refinement of deliverables and timelines will occur over the life of the project, and as resources are identified.

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7. Project Progress

Staff
- May 1, 2011 a project manager was appointed to provide support to Gordon Chong and assist with:
  - Project co-ordination and management of work undertaken by City of Toronto Staff and TTC for TTL, including development of the scope, goals and deliverables for TTL;
  - Identify needs and procure (through City and TTC) third party experts to complete pre-feasibility business case;
  - Managing and coordinating meetings of the working group when required;
  - Update the Board and CEO of progress against deliverables.

Design and Costs
- TTC has indicated that it has no resources and funds to commit to the project, and that TTC Transit Expansion Department under its contract with Metrolinx is barred from committing funds it receives from them to the Sheppard Subway Project. Letter from Metrolinx to TTC, dated April 18, 2011 (page 3), states:

> Any work that you undertake on this [Sheppard Subway Project] City project needs to be allocated to a separate account and funded by the City. Any invoices to Metrolinx should not include these costs.

- The lack of design and costs has been compensated to date by using “$50,000 fleet” design and costs, previously provided by the TTC.
- The pre-feasibility and/or full business case cannot be completed without more detailed design and costs data.

Development and Planning
- The work on the Capital Financing Plan is progressing well. City staff has actively supported progress. City resources have been identified to lower the costs of expert advice, and an open competition has been issued in a timely and efficient manner in keeping with City by-laws, policies and procedures.

- Six responses to the RFP were received. Review Committee of TTL and City Staff will provide recommendations to the TTL and City Manager June 17th, 2011. Contract award is expected to occur the week of June 20th, 2011. The completion date for this is August 8, 2011.

- Note: this work is preliminary. More in-depth analysis will be required in support of the project.

Procurement Analysis
- Work on development of procurement strategy, timelines, governance and risk allocation has begun with discussions with expert government advisers: RFP-Canada, Infrastructure Ontario, Metrolinx, City of Ottawa and the former senior staff involved with the Canada Line Project.

Regulatory and Legal Analysis and Approvals
- No activity

5. Communications

TTL has provided an overview of the project to multiple media units; communicating proactively and positively with the public.

TTIL Board Report June 24, 2011: Commercial In Confidence

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6. Financials

The existing budget is woefully inadequate to complete the tasks of the Working Group.

Financials attached separately.

Sincerely,

[Signature]

Dr. Gordon Chong
CEO-Chair and CEO