



STAFF REPORT ACTION REQUIRED

Authority to Enter into a Funding Agreement with the Province of Ontario—TTC Capital Funding

Date:	July 03, 2012
To:	City Council
From:	City Manager
Wards:	All
Reference Number:	

SUMMARY

In June 2009, the Province announced \$417 million in funding to support the purchase of light rail vehicles for the Toronto Transit Commission's (TTC) fleet replacement program. Due to a delay by the Province, City and TTC staff are only now finalizing negotiations on the funding agreement, with the intention of executing the agreement in the near term. The report recommends Council authorize the Mayor and City Manager to finalize negotiations and enter into the funding agreement with the Province and the TTC on behalf of the City.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council authorize the Mayor and the City Manager to finalize negotiations and enter into a funding agreement, on behalf of the City, with the Province and the TTC, to receive funding from the Province to the maximum amount of \$417 million for the purpose of funding up to one-third of the cost of the purchase of light rail vehicles by the TTC pursuant to its agreement with Bombardier Transportation Canada Inc., all on such terms and conditions generally as set out in this report and as are satisfactory to the City Manager, in consultation with the Deputy City Manager and Chief Financial Officer, and in a form acceptable to the City Solicitor.

Financial Impact

Council approval to enter into the agreement with the Province provides one-third funding up to \$417 million necessary for the purchase of the LRVs with a total estimated cost of \$1.251 billion which is included in the TTC 2012-21 Capital Plan. Through the end of 2011, the TTC has spent \$264.6 million on the LRV contract inclusive of \$87.5 million based on one-third provincial funding of the LRV project. The balance of the LRV contract is planned to be spent between 2012 and 2018 supported by one-third funding from the Province.

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

DECISION HISTORY

Purchase of 204 Light Rail Vehicles (LRVs) - TTC Capital Funding

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.CC37.1>

In June 2009, Council approved \$834 million in debt funding for the TTC Capital Project No. CTT122 "Purchase of 204 Light Rail Vehicles (LRVs)" reallocating \$417 million in debt funding in the TTC's 2009-2018 Capital Plan. The Province of Ontario committed \$417 million (1/3 share) towards the \$1.251 billion project.

ISSUE BACKGROUND

On June 19, 2009, the Province of Ontario announced its commitment to \$417 million in economic stimulus funding, contributing one third towards the TTC's purchase of 204 Light Rail Vehicles (LRVs) from Bombardier Transportation Canada Inc. City Council approved \$834 million in debt funding to finance the remaining cost of the \$1.251 billion project at the June 26, 2009 meeting of Council. The contract between the Toronto Transit Commission and Bombardier Canada Inc. was executed on June 30 2009, and project work is underway. Due to a delay by the Province, a draft contribution agreement (CA) was only provided to the City and the TTC in April 2012. The draft agreement is currently under negotiation and is intended to be finalized and executed in the near term.

COMMENTS

City and TTC staff have been working with the Ministry of Transportation to finalize a funding agreement for the provincial contribution to the TTC's LRV project (the "Project").

The terms and conditions of the draft agreement include:

- TTC participation in the PRESTO system;
- adherence to agreed upon Project timelines;

- process for reimbursement of pro-rated portion of funds if LRVs are disposed of to non-government entities within 25 years;
- use of the funds only for eligible costs as defined in the Agreement,
- insurance requirements;
- reporting and audit requirements;
- joint and several liability of the City and the TTC for their respective obligations under the agreement;
- City and TTC indemnification of the Ministry; and
- the establishment of an oversight committee that will include representatives from the City, TTC and Ministry of Transportation, the mandate of which is to oversee the management of the agreement and to serve as a dispute resolution function for the parties involved.

Similar to other funding agreements, the roles and responsibilities of the parties are outlined. The agreement identifies the Ministry's role as a financial contributor to the Project.

To enter into the agreement, the City and TTC each must respectively represent and warrant that all necessary authorities have been obtained to execute the agreement with the Province, including passing a by-law or resolution. This report recommends that Council authorize the Mayor and City Manager to enter into a funding agreement with the Ministry of Transportation on behalf of the City.

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SIGNATURE

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