

October 9, 2019

Chris Murray
City Manager
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Dear Mr. Murray:

We wanted to take this opportunity to thank you and senior officials from the City of Toronto and the Toronto Transit Commission (TTC) for the ongoing, productive engagement under our mutually-agreed “Province of Ontario-City of Toronto Realignment of Transit Responsibilities Review” Terms of Reference (ToR). As the conversations have progressed since the spring, we remain quite optimistic at the prospect of a new partnership being forged between the province and the city, which will enable the delivery of significant – and much-needed – expansion, modernization/upgrades and state of good repair enhancements to public transit in Toronto. Based upon the capital cost projections for Ontario’s “New Subway Transit Plan for the Greater Toronto and Hamilton Area (GTHA)” and the TTC’s capital plan for the existing system, the estimated required investment associated with these initiatives is expected to exceed \$60 billion.

As you know, the Province of Ontario has maintained its commitment to implementing, on an accelerated basis, a more efficient and modern regional transit network, which provides riders with a seamless and integrated travel experience, while offering more end-to-end mobility options spanning the GTHA. In order to realize this commitment, the province acknowledges, aligned with our shared objectives articulated in the ToR, that an alternative approach is required to how we plan, fund and govern transit delivery in Toronto and the broader region.

As such, and in recognition that soon we will be embarking upon the next critical stage in our transit review exercise, we wanted to outline, without prejudice, a series of key high-level principles reflective of the position that we have presented to you over the past several months. In doing so, we hope that the following overarching parameters will continue to guide the good faith discussions occurring through our ToR Executive Steering Committee:

- 1) Given the vital function of the Toronto subway network as a key driver of the economic success of the region, province and country, all three orders of government have a role to play in funding major capital expansion, modernization/upgrades and state of good repair of the existing system.
 - a) With respect to capital funding contributions to support network expansion, it is the province’s expectation that the city would: (1) honour its existing funding commitments to the Scarborough Subway Extension/Line 2 East Extension and the Eglinton Crosstown West Extension; (2) commit to fund ~26.67% of the total capital cost of the Ontario Line, consistent with the funding formula established for projects under the “Public Transit Stream” of the federal government’s Investing in Canada Infrastructure Program (ICIP); and, (3) commit to fund its *pro rata* share, along with York Region, of the ~26.67% municipal contribution towards the total capital cost of the Yonge North Subway Extension.


- b) Notwithstanding a), above, the province would be amenable to the city redirecting capital contributions that the city would otherwise be expected to dedicate to the priority subway projects to instead support modernization/upgrades or state of good repair improvements to the existing transit system, and/or towards other transit expansion projects, including those identified by the city. Under such an exception to the general approach to network expansion funding defined in 1), above:
 - i) It is the provincial expectation that the list of priority subway modernization/upgrades or state of good repair investments highlighted in the “TTC Capital Investment Plan” letter written to you by TTC Chief Executive Officer (CEO) Rick Leary, dated August 28, 2019, would inform any city-proposed investment plan. In finalizing the investment plan, the province further expects that the city will confirm how the city’s proposed reallocation of capital funding represents incremental contributions – beyond what is already allocated in the city’s capital plan – towards modernization/upgrades or state of good repair enhancements to the existing subway system.
 - ii) The province welcomes discussions with the city in respect of other transit expansion projects approved by City Council on April 16, 2019. Final decisions on city proposals to redirect capital contributions to these projects will be informed by: (1) fully developed business cases; and, (2) the vital necessity of making credible progress to relieving the state of good repair backlog on the existing subway system.
- c) The province will partner with the city and call on the federal government to explore a tripartite arrangement acknowledging the importance of all orders of government committing to much-needed investments in the modernization/upgrade and state of good repair of the existing transit system.
- d) The capital funding framework outlined in a), b), and c), above, is conditional upon the city:
 - i) Endorsing the use of existing federal funding, committed per the City of Toronto’s allocation under the “Public Transit Stream” of ICIP, for the priority transit projects that were nominated by the province in May 2019 (i.e., the Ontario Line, the Scarborough Subway Extension/Line 2 East Extension the SmartTrack Stations Program and the Bloor-Yonge Capacity Improvement Project); and,
 - ii) Working with the province to secure a federal commitment to provide greater funding contributions to all priority projects.
- 2) Aligned with the direction from both the province and the city, we plan to collaborate with you and other partners to seek opportunities to advance and accelerate, where possible, the delivery of priority transit projects in Toronto and throughout the broader region.
- 3) The province remains committed to working with the city to advance the SmartTrack Stations Program. To that end, the province will continue to engage the city with the objective of amending the cost-sharing terms of the Ontario-Toronto Agreement in Principle (AIP), effective January 2018, related to the SmartTrack Stations Program, in order to:
 - a) Reflect the provisions set out in the Ontario-Toronto Memorandum of Understanding (MOU), signed in May 2018; and,
 - b) Take into account the province’s recently-announced approach to Transit-Oriented Development (TOD).
- 4) Connected with 3), above, the province intends to pursue an Ontario-led TOD strategy for stations, including those identified for GO Expansion/SmartTrack and the priority subway projects. Such a strategy will achieve a balance between creating/capturing value that offsets the capital costs of transit expansion, and the principles of good city planning. Under Ontario’s proposed approach, the province, through Infrastructure Ontario, will lead the procurement process for new stations to be constructed for GO Expansion/SmartTrack and subway expansion projects in Toronto, while also spearheading negotiations with third parties related to prospective TOD.

- a) The Government of Ontario appreciates that collaboration with its partners will be critical to leveraging TOD opportunities. As such, provincial officials will engage senior city staff – including the Deputy City Manager, Infrastructure and Development Services – in order to execute an Ontario-Toronto memorandum of understanding outlining the objects of the TOD strategy and related activities, as well as the associated responsibilities of the province and city.
 - b) Furthermore, consistent with the provincial position articulated under 2), above, Ontario will work closely with Toronto to identify the measures required to achieve the objects of the TOD strategy. Doing so will enable the province and the city to jointly move forward in pursuing an accelerated delivery of transit stations, including those for GO Expansion/ SmartTrack.
- 5) With the province assuming “sole responsibility” for the priority projects included in Ontario’s “New Subway Transit Plan for the GTHA,” we wanted to confirm that the Government of Ontario remains steadfast in its commitment to ensuring the following:
- a) Provincial officials will continue to collaborate with their counterparts at the city and TTC as the priority projects are delivered.
 - b) Day-to-day operations, including labour relations, will remain with the city/TTC. Pursuant to c), below, the operating arrangement between the province and city/TTC will reflect the following core terms:
 - i) Farebox revenues will be applied to defray operating costs;
 - ii) In cases where a priority project extends beyond the boundary of the City of Toronto to another municipality, the province intends to negotiate with the relevant municipality to secure an ongoing operating contribution, commensurate with the subway services provided in that municipality; and,
 - iii) Subject to a) and b), above, any net subsidy required to operate each of the priority projects will be the responsibility of the city/TTC.
 - c) The province will work with the city/TTC to define, through an operating and maintenance (O&M) agreement(s) for the priority projects, the specific roles and responsibilities of the parties underpinning the overarching commitment articulated in b), above, including with respect to maintenance functions and service levels/standards.
 - d) In recognition of the precedent-setting model deployed when the Eglinton Crosstown Light Rail Transit line became the responsibility of Metrolinx, the province is prepared to fully reimburse the city for reasonable costs incurred for staff and appropriate consulting services provided in support of advancing the priority projects.
- 6) In addition to the parameters featured in 5), above, and pursuant to the province’s legislative and regulatory authorities under the *Getting Ontario Moving Act*, the province will undertake a financial review and reconciliation exercise with the city related to investments made in planning, design and engineering (PDE) work for the Scarborough Subway Extension/Line 2 East Extension and the (former) Relief Line South projects.
- a) Pending the outcomes of this exercise and subject to previous commitments made by the parties to fund PDE work associated with these projects, the province will reimburse the city for reasonable costs incurred.
- 7) Finally, we would like to reiterate our pledge to an ongoing discussion with you, per the engagement and review process outlined in the ToR. Such a dialogue will allow us to continue to pursue our shared objectives.

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In closing, as we strive to achieve our shared goal of transforming transit in Toronto, we look forward to building upon and leveraging the strong relationship that we have established together. Moreover, we are confident that – consistent with the level of engagement realized to date through our ToR structure – the province and the city will continue to collaborate in a constructive fashion to formalize, through agreement, the principles/parameters articulated in this letter.

Sincerely,



Shelley Tapp
Deputy Minister of Transportation



Michael Lindsay
Special Advisor to Cabinet – Transit Upload

Cc: Rick Leary, Chief Executive Officer, TTC