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METROLINX PROGRAM DELIVERY UPDATE

The Rapid Transit Public/Private Partnership Steering Committee recommends the adoption of the recommendations contained in the following report, October 8, 2008, from the Vice-President, York Region Rapid Transit Corporation:

1. RECOMMENDATIONS

It is recommended that:

1. Council endorse the five project delivery principles identified in this report.

2. Council authorize staff to communicate these principles to Metrolinx for the purpose of having them addressed in the resubmitted CEO Program Delivery report.

3. Staff report back to Committee and Council on the outcomes of the governance dialogues with Metrolinx.

2. PURPOSE

Three different project delivery models were discussed at the Metrolinx September Board meeting

The CEO September report to the Metrolinx Board provided a timeline from construction start to completion for MoveOntario 2020 Quick-Wins 1 and 2 projects. The CEO report also provided an outline of three different project delivery models that were outlined in further detail in *Appendix 1* to his report. The project delivery models were founded on a combination of funding sources and project delivery agents.

The first project model contemplated projects approved by Metrolinx, not funded by Alternative Financing and Procurement, and delivered by the Municipal transit agency. The second project model contemplates Alternative Financing and Procurement funding and the project being delivered by Infrastructure Ontario or a special purpose corporation. In the third project model, Metrolinx delivers the project itself. These models are described in Attachment 1. This report analyzes the project delivery models, and establishes principles with which to engage Metrolinx in further discussion.

3. BACKGROUND

Metrolinx, established under the *Greater Toronto Transportation Authority Act, 2006*, to address the transportation challenges in the Greater Toronto and Hamilton Area (GTHA), is mandated to provide leadership in the coordinating, planning, financing and developing of an integrated, multi-modal transportation network in the region. Building on the goals and policy frameworks of the Greenbelt and Places to Grow, Metrolinx is responsible for the development of the Regional Transportation Plan (RTP) and associated Transportation Investment Strategy and rolling five-year capital plan.

MoveOntario 2020 provides the funding impetus for capital costs associated with the Regional Transportation Plan. The MoveOntario 2020 initiative was the June 2007 Government of Ontario announcement of a list of 52 rapid transit improvements and expansion projects for the GTHA. The province has committed $11.5 billion ($17.5 billion with federal participation) to finance the plan's implementation.

The projects address four distinct areas of our transit system:

1. GO Transit upgrades and extensions.
2. Major municipal transit expansions.
3. Cross-boundary subway expansions.
4. Rapid-rail link between Toronto Union Station and Toronto Pearson International Airport.

VivaNext, the Spadina Subway Extension, and the Yonge Street Subway Extension are on the list of 52 rapid transit projects.

Metrolinx is responsible for evaluating, prioritizing and recommending an implementation action plan and alterations to the MoveOntario 2020 project list. This work will form the core of the Regional Transportation Plan.

4. ANALYSIS AND OPTIONS

Commencement of "starts and shovels" for MoveOntario 2020 Quick-Wins 1 is anticipated in 2008 with Quick-Wins 2 following in 2009

The Quick-Wins 1 project, Cornell Terminal, consisting of funding for preliminary engineering, land/parking, and additional stops, is consistent with the Rapid Transit Office's timeline for start and completion.

The Quick-Wins 2 projects that were identified for commencement in 2009, York-Viva H2, H3, Y2 and Y3 (Centres to Centres – Pine Valley Drive to Richmond Hill Centre to Kennedy along Highway 7; and Green Lane to Richmond Hill Centre along Yonge Street), are also consistent with the timeline for preliminary engineering completion and the Rapid Transit Office's timeline for construction, subject to confirmation of capital funding to deliver the projects.

Figure 1 illustrates the vivaNext network plan and identifies the location of each segment (H2, H3, Y2, Y3, etc.). A summary of the funding commitment for Quick-Wins 1 and 2 projects is provided in Table 1.

Figure 1
vivaNext Network

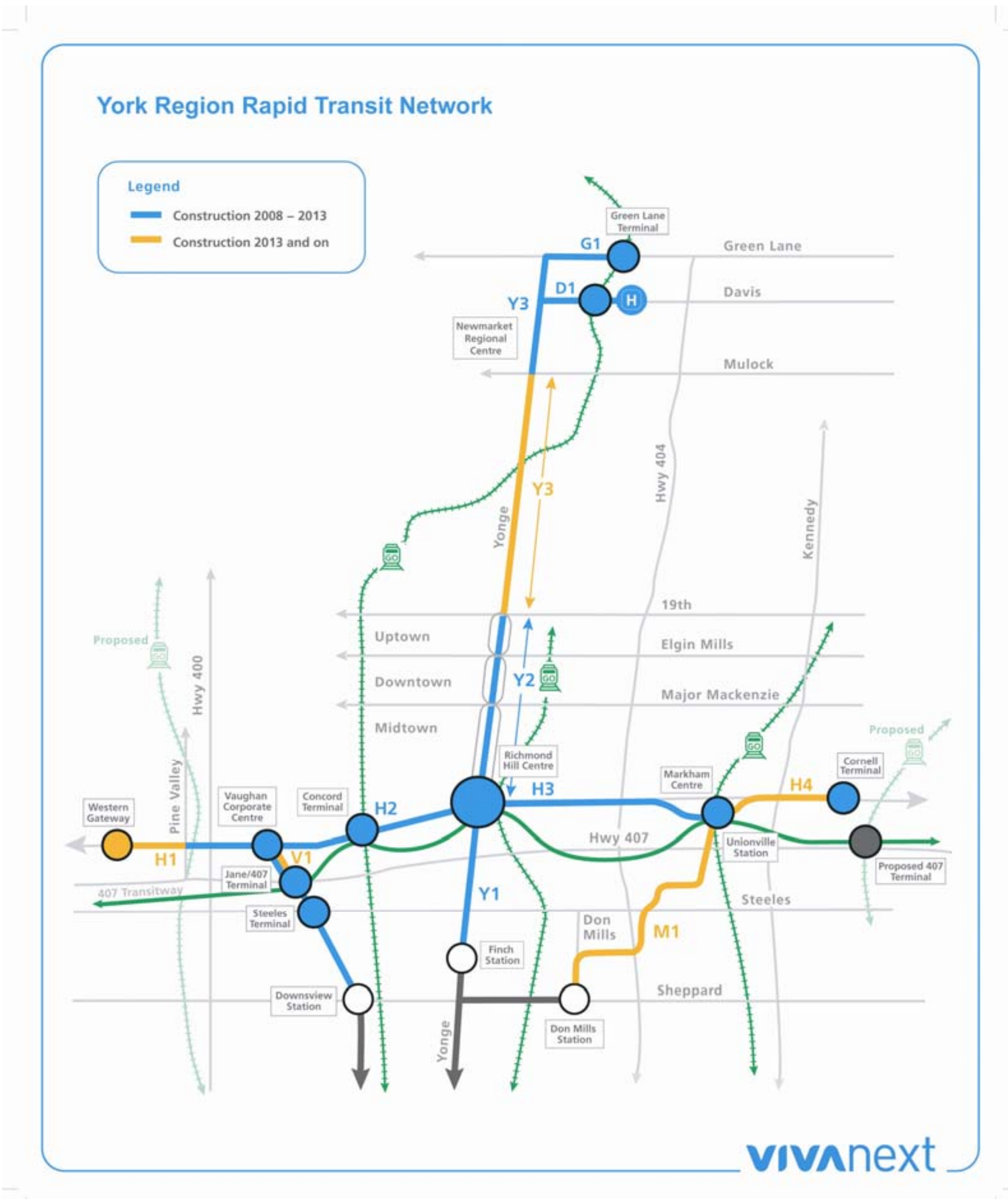


Table 1
MoveOntario 2020 Quick-Wins 1 and 2

	(millions $)					
	PE	ITS	Vehicles	Land	Interim Stops	**Total**
Quick-Wins Tranche 1						
Cornell Terminal	$0.6			$3.0	$2.0	**$5.6**
Quick-Wins Tranche 2						
York-Viva Highway 7, Pine Valley Drive to Kennedy	$14.0	$17.0	$21.0	$0.0	$0.0	**$52.0**
York-Viva Yonge Street, Richmond Hill Centre to 19th Avenue	$8.0	$6.0	$5.0	$0.0	$0.0	**$19.0**
York-Viva Yonge Street, 19th Avenue to Newmarket (Inclusive of Davis Drive)	$15.0	$9.0	$5.0	$0.0	$0.0	**$29.0**
Total Quick-Wins Tranche 2	$37.0	$32.0	$31.0	$0.0	$0.0	**$100.0**
Total Quick-Wins Tranches 1 & 2	$37.6	$32.0	$31.0	$3.0	$2.0	**$105.6**

The selection of the project delivery model used to implement these projects is recognized in the separate Metrolinx Investment Strategy report that is also on this agenda. That report states, "each Regional Transportation Plan project should be implemented utilizing a procurement model that maximizes the ability for Metrolinx to implement projects quickly, but that also limits exposure to project risks."

The CEO Report identified project delivery models that were referred back to staff for further discussion with stakeholders

Key comments found in the CEO reports regarding the "Project Delivery Process" models are that:

1. The process is intended to provide "for expeditious evaluation and appropriate authorization of projects, and for efficient and vigilant project implementation, including project management and financial oversight."
2. "The implementation of the plan" (ie. the Regional Transportation Plan) "would put existing internal capacity and resources of Metrolinx, municipalities, transit agencies and the province to the test."
3. "The Board will consider options to allocate project leadership and delivery roles to achieve the shared interest of practically and successfully implementing the transit

capital expansion program."

The Metrolinx Board referred the CEO report back to the municipal partners with regard to project delivery, requesting that it to be reviewed and brought back as a report to an upcoming meeting.

The three project delivery models are summarized in Table 2.

Table 2
Deferred Project Delivery Schematics

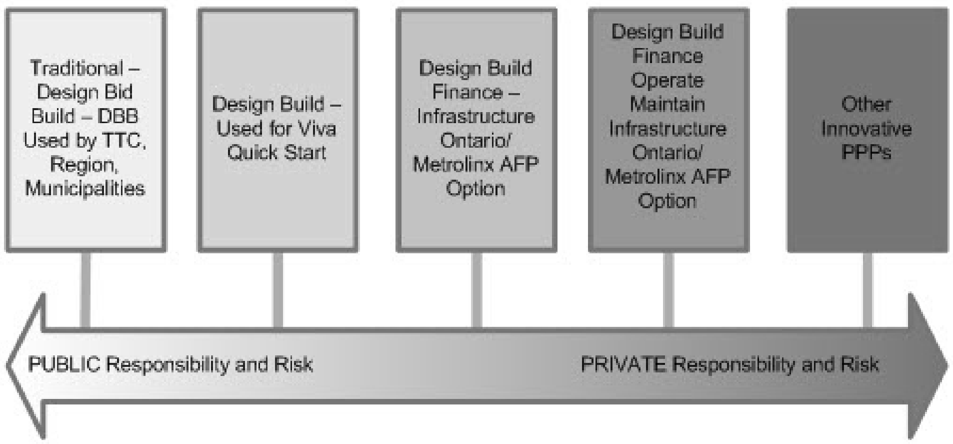
	Category A Projects	Category B Projects	Category C Projects
Project Delivery Method:	Delegated Project Delivery - Non-Alternative Financing and Procurement	Assigned Project Delivery – Alternative Financing and Procurement	Metrolinx Direct Project Delivery – Non-Alternative Financing and Procurement
Examples	Preliminary Engineering; Design-Build or Design-Bid-Build projects: Quick-Wins 1 and 2 elements – components that make up the $105.6 million; Yonge Street Subway Extension	Capital construction and delivery of rapidways and stations	SmartCommute programs; Regional bus terminals; Regional Trip Planner
Definition of Project Parameters	Municipality/Transit Agency, RTP and Benefits Case	Municipality/Transit Agency, RTP and Benefits Case	Municipality/Transit Agency, RTP and Benefits Case
Performance Agreement: Scope, Design, Cost	Municipality/Transit Agency, Metrolinx, Ontario, Canada	Municipality/Transit Agency, Metrolinx, Ontario, Canada, Infrastructure Ontario	Municipality/Transit Agency, Metrolinx, Ontario, Canada
Delivery Responsibility: Changes to Scope, Schedule, Cost	Municipality/Transit Agency, Metrolinx	Infrastructure Ontario, Metrolinx	Metrolinx
Project Management: Procurement, Construction, Contract	Municipality/Transit Agency	Infrastructure Ontario or special purpose corporation	Metrolinx

Alternative Financing and Procurement refers to a procurement model that involves partnering with the private sector to provide private finance and to design and construct and potentially operate and maintain the project/system.

Viva Phase One was a design/build project built by the Region's private sector partner York Consortium 2002, and did not involve private finance in the project. Under the Alternative Financing and Procurement definition it is not considered an Alternative Financing and Procurement model.

Figure 2 provides a spectrum of procurement models that move from a traditional design bid build model to a design build finance operate maintain model. As the models moves from left to right, more risk is transferred to the private sector.

Figure 2
Procurement Models
- from Traditional to Design Build Finance Operate and Maintain



It should be noted that the models in Figure 2 are only a brief representation of the possible combinations of alternative financing and procurement arrangements. The ones indicated represent models that are familiar and/or are being evaluated for procurement of the larger projects in the Regional Transportation Plan.

Project delivery schematics lead to questions around accountability and ownership for design, property impacts, delays, and ongoing operating cost impacts

While Quick-Wins 2 has provided funding for preliminary engineering, vehicles and intelligent transportation systems, it has not provided funding for property and construction. It is anticipated that some portion of York Region's Bus Rapid Transit projects may proceed through alternative financing and procurement.

As indicated in Table 2 for Category B projects, Infrastructure Ontario (or another special purpose corporation) will be responsible for project management and delivery, which raises a number of issues that need to be addressed.

Staff has identified five core principles that should guide the implementation of rapid transit projects in York Region:

1. **Follow-through on the integrity of the developed and endorsed design elements of the York Region rapid transit system is critical.**

   The implementation of the rapid transit system throughout York Region has been based on extensive consultation by the Rapid Transit Corporation with local area municipalities and stakeholders over a number of years.

   Experience to date confirms that the municipalities and area stakeholders will want continued consultation and follow-through on design development to date and an accountable presence through the full design program, as well as consultation and input into scope changes affecting their communities. This work must be carried through a Design-Build-Finance-Operate-Maintain arrangement with whoever is delivering the project.

2. **Clear accountability and roles for the project must be established in the short and long term and recognize the Region's investment in achieving community acceptance in the project to date.**

   The Region will continue to own the role of answering to property owners in the long term regarding the rapid transit project. It will therefore be very important to establish who has responsibility for dealing with the local stakeholders during land acquisition and construction and how any decisions made will impact on the long term ownership and operating accountability for the project by the Region of York. If the Region is expected to be the 'face' on the project, as elected officials and staff we must clearly have a role with regard to the design and delivery of the project.

3. **Timely delivery of projects in York Region is critical.**

   The selection of the program delivery model must not frustrate the timely delivery of projects that are ready for construction: Quick-Win projects are expected to be under construction in 2008 and 2009 and are needed to deal with the Region's rapidly emerging growth and major institutions and traffic congestion along the rapid transit corridors. Early capital construction is needed for the projects in Table 3 below:

Table 3
York Region Rapid Transit Projects – Early Construction

Projects	Details	Start	*Stop*
Davis Drive – Inclusive of a portion of Yonge Street from Mulock to Davis	Rapidways from Patterson to Yonge Street along Davis Drive and from Mulock to Davis Drive along Yonge Street. Involves property acquisition. Intention is to be ready in the year the Southlake Hospital Regional Cancer Centre becomes operational.	2009	2010
Highway 7	Rapidways from Warden to the 404 along Highway 7	2009	2010

	Rapidways from 404 to east of Bayview along Highway 7	2009/10	2010/11
Enterprise Drive Civic Mall	Shared space rapidway along Enterprise Drive from Birchmount to Warden	2008	2009
Cornell Terminal	Construction of the Cornell Terminal, additional stops and parking facilities	2008	2010

The rapid transit staff has identified concerns to both Metrolinx and Infrastructure Ontario that the immediate capital construction program will not be able to be delivered in a timely fashion, based on our understanding of the process timelines required to deliver a project under Alternative Financing and Procurement.

Our own discussions with external advisors, who have been involved in large transit Alternative Financing and Procurement delivery models, suggest that anywhere from 18 to 36 months are required to secure partners, develop concession agreements, and complete final engineering before construction may commence. This 18 to 36 timeline is well outside the timeframe and commitments made to deliver early projects listed above. Infrastructure Ontario has indicated that 12-18 months is all that is required and would rely on the bidders doing extensive final engineering work at risk during the bid stage to shorten the time horizon to 18 months or less. Regardless, neither timeframe accommodates the early capital construction of the York Region projects which are ready to go to construction in 2008 and 2009.

4. **The Region must be a proponent in the design, materials, timing and cost of the rapid transit system if it is going to retain the operating and maintenance costs and risks.**

At this time it is expected that the Region will continue to have full carriage of the operating cost of the rapid transit delivered under any project model. It is therefore logical that under any Alternative Financing and Procurement model, particularly a Design-Build-Finance-Operate-Maintain model, that the project definition and construction should be to the full satisfaction of the Region who will be paying for the full costs of operating the system for many years. If there is no link between the project as delivered by Infrastructure Ontario/Metrolinx and ongoing operating cost impacts on Regional taxpayers, the Region cannot be expected to absorb operating cost impacts.

5. **The Region has established a special purpose corporation with an established track record for delivering on-time, on-budget rapid transit projects that should be considered as a special purpose corporation to deliver rapid transit projects in York Region.**

York Region created the first special purpose corporation to provide the planning, design, construction and delivery of the rapid transit system in York Region. Working with York Consortium 2002, the Corporation has successfully established the rapid transit network and an award winning fully operational system, Viva. The Corporation has established a solid working realtionship with all local municipalities and stakeholders and has a firmly established relationship with the Regional Rapid Transit Committee and Board and Council the vivaNext program of BRT and subway extensions into York Region.

It is appropriate to discuss with Metrolinx the continued leveraging of this corporations expertise and track record as part of the special purpose corporations contemplated in the CEO report.

The Rapid Transit Office will work with Metrolinx to ensure that the principles around governance and program delivery are addressed during this discovery period prior to the resubmission of the CEO Report on Project Delivery to the Metrolinx Board

5. FINANCIAL IMPLICATIONS

We have received $67.6 million of the $105.6 million Quick-Wins funding; $5.6 million of which is for the Cornell Terminal; $52 million for Highway 7 preliminary engineering, vehicles and ITS; and $10 million for Yonge Street/Davis Drive preliminary engineering from Richmond Hill Centre to Green Lane. We are in the process of requesting a reallocation of some of the money provided for intelligent transportation systems to fund early capital projects.

The estimated project costs for the vivaNext projects and the Yonge Street Subway extension are $3 billion and $2.1 billion, respectively.

Clarification from Metrolinx is required on the procurement and delivery models and eligible costs before a full understanding of the financial implications can be achieved

Until clarification is received on the a) procurement and delivery models for vivaNext projects; the b) funding and process for property acquisition and the eligibility of expenses defined through contribution and performance agreements, we will not know the extent to which the Region is held responsible for certain expenses nor its exposure to up-front financing of recoverable land and construction costs.

6. LOCAL MUNICIPAL IMPACT

The inclusion of the Cornell Terminal, three vivaNext projects, and the Spadina and Yonge Street subway extensions as top 15 priority projects is very positive. The Regional Transportation Plan provides for immediate advancement of the rapid transit projects in the municipalities of Vaughan, Richmond Hill, Markham, and Newmarket.

The delivery model as defined in the CEO Report will have implications on the accountability and ownership of processes that impact land owners and other stakeholders. The Region will continue to advocate for a delivery model that aligns responsibilities with accountability and ownership.

7. CONCLUSION

On September 26, 2008, a CEO Report was tabled at the Metrolinx Board meeting. The CEO Report discussed three project delivery models that varied based on whether or not the project was to be procured through an alternative financing and procurement process; and/or whether or not the project fell within the jurisdiction of one transit authority/municipality or was more all-encompassing to address the broader GTAH. The report was referred back to staff to discuss in more detail, the roles and responsibilities around project management and delivery.

Further definition is required on roles and responsibilities, eligibility and financial responsibility for various costs, including land, and the timing of construction in light of the project delivery model that will be defined for each project. The Region will continue to advocate for a delivery model that aligns responsibilities with accountability and ownership.

For more information on this report, please contact Mary-Frances Turner, Vice-President, York Region Rapid Transit Corporation at (905) 886-6767 ext. 2226.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the October 16, 2008 Committee meeting.)