

3

FUNDING AGREEMENTS

(Regional Council at its meeting on September 18, 2003 amended the foregoing Clause to provide that the terms and conditions of the Agreements be acceptable to Regional staff, the Regional Chair and Chief Administrative Officer.)

The Rapid Transit Public/Private Partnership Steering Committee recommends the adoption of the recommendations contained in the following report, September 10, 2003, from the Executive Co-ordinator, York Rapid Transit Plan:

1. RECOMMENDATIONS

It is recommended that:

1. The Regional Chair and the Clerk execute final form funding agreements with the Government of Canada and the Province of Ontario for *Quick Start* provided that they are substantively the same as the draft agreements.
2. To the extent contemplated or permitted by the Funding Agreements, all funds received by the Region under the Funding Agreements shall be for the purposes of funding payment obligations of York Region Rapid Transit Corporation under the design-build agreement to be entered into with respect to the *Quick Start* project.
3. Council appoint the Commissioner of Finance and Treasurer, and Executive Co-ordinator, York Rapid Transit Plan to the Federal Management Committee and to the Provincial Steering Committee responsible for the administration of these funding agreements.



2. PURPOSE

The purpose of this report is to update Committee on the status of negotiations relating to the federal and provincial *Quick Start* Program funding agreements. The report seeks approval to execute the funding agreements once the remaining issues are resolved to the satisfaction of all parties.

3. BACKGROUND

On March 26, 2003, the Federal Minister of Industry, the Honourable Alan Rock and the Federal Transport Minister and Minister Responsible for the Greater Toronto Area, the Honourable David Collenette jointly announced that the Government of Canada is willing to provide \$50 million to the *Quick Start* phase of the York Region Rapid Transit Plan. The federal commitment was contingent upon securing matching funding by the provincial government and York Region.

On June 4th, the Ontario Government confirmed its commitment to match the federal and Region's commitments for a total of \$150 million. Program expenditures that occur after April 1, 2002 are eligible for provincial funding and those made after March 26, 2003 are eligible for federal funding.

Following the aforementioned *Quick Start* program funding commitments by senior governments, York Region staff met or conferenced on several occasions with representatives of both senior levels of government to address critical issues and negotiate funding agreements.

On August 29, 2003 York Region and the Province of Ontario signed a letter of agreement with York Region relating to *Quick Start*, whereby the Ministry of Transportation agrees to provide funding in the amount of \$50 million, subject to the parties entering into a formal legal agreement.

Both senior levels of government indicated that they required and/or preferred to enter into a funding agreement with York Region. Representatives of both governments indicated that agreements between governments are more typical and thus afford a certain level of comfort. In addition, the Federal Government's ability to fund share capital corporations such as Rapidco is limited to a smaller amount than required for *Quick Start*.

4. ANALYSIS AND OPTIONS

Subsequent to initial funding agreement discussions, both senior levels of government drafted funding agreements for York Region to review and comment upon. Current drafts of these agreements are attached to this report.

Eligible items have been established by each government and do not have to equally match. It has been agreed that one senior funding partner may contribute up to 50% of an eligible cost within an overall \$50 million window where the other senior funding partner does not view an expense as being eligible. Staff are currently working on budgets and funding allocations that will confirm that all parts of the \$150 million *Quick Start* project budget can be funded from the equal 1/3 Region, 1/3 Province, 1/3 federal contributions on a global basis, within the above referenced framework and limitations.

A Committee of all parties will be struck to ensure co-ordination between the administration of the funding agreements. The federal government requires a Management Committee to manage and implement the federal agreement and have indicated that the Federal Minister is to have the final decision regarding any disputes. The federal government has also indicated that advanced payments may be secured for some specific items, such as vehicles.

It is recommended that the Commissioner of Finance and Treasurer and the Executive Coordinator of the York Rapid Transit Plan be appointed by Steering Committee to the Federal Management Committee and Federal/Provincial Coordinating Committee. The province has indicated that it will make payments upon receipt of Progress Reports at pre-established points of project completion. It is likely that regular progress meetings, similar to the federal process, will be required.

Work continues with the federal and provincial contacts to finalize the funding agreements. Draft wording for the federal agreement has been agreed to by the federal and YRTP negotiating team. The federal team is currently reviewing the provincial agreement with other federal departments and is reviewing the proposed allocation of costs between parties. The federal funding agreement requires Treasury Board approval and staff will advise on its status at Committee.

5. FINANCIAL IMPLICATIONS

The execution of formal funding agreements with the federal and provincial governments will provide York Region with up to \$100 million in funding support for the *Quick Start* Program. The funding agreements fully commit the Region to the senior governments with respect to the Regions committed \$50 million contribution for the *Quick Start* project.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal impacts associated with this report.

7. CONCLUSION

The successful negotiation and execution of funding agreements with the federal and provincial government are critical to implementing the *Quick Start* Program. The Chair and Clerk were empowered by Council on June 19, 2003 through a recommendation made by the Chief Administrative Officer, to execute these funding agreements once the remaining issues are satisfactorily resolved.

The Senior Management Group has reviewed this report.