



TTC Streetcar Program – Procurement of 60 Streetcars

Date: May 21, 2021
To: TTC Board
From: Chief Executive Officer

Summary

The TTC's 15-Year Capital Investment Plan (CIP), 5-Year Service Plan & 10-Year Outlook, and TTC Fleet Procurement Strategy and Plan (2020) outlined the need for further investment in the streetcar network to better serve our customers, and provide more frequent and reliable service on all streetcar routes. By 2025, an additional 60 new streetcars are required to address demand and to enable growth. Investment in the Hillcrest Facility to accommodate the additional streetcars was also identified. The need for investment in the TTC streetcar network is also reflected in the TTC's 5 Year Corporate Plan under the critical path – *move more customers more reliably*.

Funding of \$139.752 million towards the procurement of the first 13 of the total 60 streetcars was included in the TTC's 2021-2030 Capital Budget and Plan, approved by City Council on February 18, 2021. With TTC Board approval, on March 31, 2021, the TTC issued a contract amendment (and Notice to Proceed) for the supply of 13 additional streetcars to Alstom SA for delivery between 2023 and 2024. In addition, the contract amendment also provides for a fixed price option for an additional 47 streetcars based on terms negotiated with the vendor.

On May 12, 2021, the provincial and federal governments each announced a \$180 million contribution to the TTC Streetcar Program (the "Program"), which includes the procurement of 60 new streetcars and supporting infrastructure required at Hillcrest Facility. The balance of funding is to come from the City of Toronto. The TTC is seeking amendments to the TTC Capital Budget and Plan to increase the City's funding contribution to \$208 million in order to fully fund the estimated \$568 million Program. This represents a significant investment in the TTC's streetcar network by all three orders of government in a critical component of Toronto's transit network.

Based on the intergovernmental funding contributions confirmed via correspondence (Attachment 1 and 2), this report recommends authorizing staff to exercise the contractual option, and enter into any necessary contract amendments for the supply of 47 additional streetcars under the current contract with Alstom. Subject to required approvals, the TTC will exercise the option for the additional streetcars by May 31, 2021. This report was prepared in consultation with the City of Toronto's Financial Planning Division, and the City Manager's Office.

Recommendations

It is recommended the TTC Board:

1. Approve the following expenditure adjustments to the TTC's 2021-2030 Capital Budget and Plan for the TTC Streetcar Program by:
 - a. Increasing the 2021-2030 Approved Capital Budget and Plan by \$425.785 million to a total of \$568.0 million for the TTC Streetcar Program to reflect the procurement of an additional 47 streetcars at an incremental cost of \$328.248 million, and the modifications to the Hillcrest Facility to accommodate the additional fleet at an additional cost of \$97.537 million; and,
 - b. Amending the 2021 Capital Budget and 2022-2027 cash flow funding estimates to align with the estimated project delivery schedule to the following:

	2021	2022	2023	2024	2025	2026	2027	Total
60 Streetcars	103,042	14,925	64,495	194,289	87,006	4,243		468,000
Hillcrest Facility	200	2,800	8,000	14,000	40,000	30,000	5,000	100,000
Total	103,242	17,725	72,495	208,289	127,006	34,243	5,000	568,000

2. Approve the following funding adjustments to offset the incremental expenditure increase of \$425.785 million for the TTC Streetcar Program by:
 - a. Adding provincial and federal funding to include a \$180.0 million contribution from each order of government for a total of \$360.0 million;
 - b. Withdrawing \$65.785 million from the Toronto-York Spadina Subway Extension Working Capital Reserve Fund (XR3027) with cash flows of \$55.629 million in 2021 and \$10.156 million in 2022 to fund planned Toronto-York Spadina Subway Extension capital works in 2021 and 2022 and replace the current debt funding allocated to this project; and,
 - c. Reallocate the now released debt funding to the TTC Streetcar Program as the City's share to fund the balance of the incremental \$425.785 million increase to the Program.
3. Request City Council to approve the 2021-2030 TTC Capital Budget and Plan amendments for the TTC Streetcar Program identified in Recommendation 1 and Recommendation 2.
4. Delegate authority to the TTC Chief Executive Officer to execute any agreements or documents required to exercise the contractual option for the supply of 47 additional streetcars under the current contract with Alstom, subject to City Council approval of the amended TTC Capital Budget and Plan per Recommendation 3.

Financial Summary

As part of the \$4.7 billion investment in transit funding over 10 years, approved by City Council in the 2020 Budget process, \$1.1 billion was allocated by the TTC Board to advance on the TTC's Fleet Procurement Strategy and Plan. Of the total fleet allocation, \$139.752 million was approved and included in the TTC's 2021-2030 Capital Budget and Plan to procure 13 of the 60 new streetcars required. The Fleet Procurement Strategy and Plan also identified the need to make modifications at the TTC's Hillcrest Facility in order to accommodate the new streetcars. The TTC Capital Budget and Plan currently has \$2.463 million in approved funding for the facility study.

In total, an additional \$425.785 million would be required to fully fund the \$568.0 million estimated cost of the TTC Streetcar Program, as outlined in the table below. The cost estimate for the 60 Streetcars is based on a negotiated price with the vendor. The Hillcrest Facility is currently at early stages and will undergo a facility study. The estimate will be updated and refined upon completion of the study.

Table 1. TTC Streetcar Program - Cost Estimate and Cash Flow

Components	2021	2022	2023	2024	2025	2026	2027	Total
60 Streetcars	103,042	14,925	64,495	194,289	87,006	4,243		468,000
Hillcrest Facility	200	2,800	8,000	14,000	40,000	30,000	5,000	100,000
Total	103,242	17,725	72,495	208,289	127,006	34,243	5,000	568,000

Notes:

- Cost of 60 streetcars is inclusive of contract value, foreign exchange, escalation, taxes, and project delivery costs. Cost estimate is based on negotiated price with vendor.
- Hillcrest cash flow, based on placeholder estimate and assumptions on schedule. To be updated once study complete, and design has matured to allow for Class 3 estimate to be developed that is appropriate for budgeting purposes.

The new funding announced by the provincial and federal governments commits each to a \$180.0 million contribution for a total of \$360.0 million. To fund the TTC Streetcar Program, a municipal contribution of \$208 million is required. This report recommends the reallocation of debt funding to fund the balance of \$65.785 million required.

Subject to approvals, the TTC's Streetcar Program, as outlined in the Fleet Procurement Strategy and Plan, will be funded, as summarized in the table below.

Table 2. Funding Sources

	2021	2022	2023	2024	2025	2026	2027	Total
Federal	26,560	1,448	9,623	72,826	53,061	14,382	2,100	180,000
Provincial	26,560	1,448	9,623	72,826	53,061	14,382	2,100	180,000
City of Toronto	50,122	14,829	53,249	62,637	20,884	5,479	800	208,000
Total	103,242	17,725	72,495	208,289	127,006	34,243	5,000	568,000

Notes:

- See notes on cost estimates in Table 1.
- Timing of actual receipt of provincial and federal governments to be finalized through transfer payment agreement/contribution agreements.

Equity/Accessibility Matters

Equity

A reliable transit network is critical for equity-seeking groups relying on TTC services to get to work, school, access health services, participate in recreational and cultural services, etc. Studies have shown that people who have less access to public services, including transit, typically have worse economic and health prospects.

The TTC Streetcar Program includes the procurement of new streetcars and additional supporting infrastructure required at Hillcrest Facility, all of which aims to improve health and economic outcomes for all, but with particular benefit to those who rely on public transit as their primary or sole means of transportation.

The TTC will be engaging residents and surrounding community members around the Hillcrest Facility to give the opportunity to provide input into the project. For all such projects, the TTC also consults with its Community Relations and Diversity and Inclusion units, as well as the City of Toronto's Indigenous Affairs Office to take guidance on Indigenous stakeholders to consult locally.

Accessibility

The TTC has a strong organizational commitment to making Toronto's transit system barrier-free and accessible to all. The TTC believes all customers should enjoy the freedom, independence, and flexibility to travel anywhere on the public transit system, regardless of ability. The TTC's commitment to providing accessible transit is at the forefront of its 2018-2022 Corporate Plan and 15-Year Capital Investment Plan (CIP).

The vehicle procurements identified in this report will make efficient use of resources to add critically needed capacity to the transit system to meet customer demand, and will help maintain a modern and increasingly inclusive and accessible transit system for all. All vehicles procured by the TTC are accessible and meet or preferably exceed requirements of the Accessibility for Ontarians with Disabilities Act (AODA). The Advisory Committee on Accessible Transit (ACAT) was engaged during the procurement of the 204 streetcars, and the accessibility features will be included as part of the new vehicle order. This includes a fully low-floor design, priority blue seating and both audible and visual stop announcements that are internal and external to the vehicle.

Decision History

At the October 22, 2020 TTC Board meeting, the Board received the TTC's Fleet Procurement Strategy and Plan. The Board delegated authority to the CEO to issue a contract change with Bombardier Transportation Canada Inc. (acquired by Alstom SA on January 29, 2021) for the supply of 13 streetcars at an estimated cost of \$140 million, inclusive of all taxes and project delivery costs, and subject to the negotiation of an acceptable agreement satisfactory to the CEO and General Counsel. The Board also requested partnership funding from other orders of government to fully fund the program.

Report: [http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2020/October 22/Reports/5 TTC Fleet Procurement Strategy and Plan.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2020/October%2022/Reports/5%20TTC%20Fleet%20Procurement%20Strategy%20and%20Plan.pdf)

Decision: [http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2020/October 22/Reports/Decisions/2047 5 TTC Fleet Procurement Strategy and Plan Decision.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2020/October%2022/Reports/Decisions/2047%205%20TTC%20Fleet%20Procurement%20Strategy%20and%20Plan%20Decision.pdf)

The TTC secured funding of \$140 million from the City of Toronto for the first 13 streetcars through the TTC's 2021-2030 Capital Budget and Plan, approved at the December 21, 2020 TTC Board meeting, and subsequently at City Council in February 2021.

Report: [http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2020/Dec 21/Reports/2 TTC 15 Year CIP and 2021 2030 Capital Budget and Plan.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2020/Dec%2021/Reports/2%20TTC%2015%20Year%20CIP%20and%202021%202030%20Capital%20Budget%20and%20Plan.pdf)

Decision: [https://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2020/Dec 21/Reports/Decisions/2050 2 TTC 15 Year Capital Investment Plan and 2021 to 2030 .pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2020/Dec%2021/Reports/Decisions/2050%202%20TTC%2015%20Year%20Capital%20Investment%20Plan%20and%202021%20to%202030.pdf)

At the February 10, 2021 TTC Board meeting, the Board adopted staff's recommendation to approve the terms and conditions relating to the liquidated damages for the additional streetcars as set out in the Confidential Attachment.

Report: [http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2021/February 10/Reports/3 Liquidated Damages for the Supply of Additional Streetcars.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2021/February%2010/Reports/3%20Liquidated%20Damages%20for%20the%20Supply%20of%20Additional%20Streetcars.pdf)

Decision: [http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2021/February 10/Reports/Decisions/2051 3 Liquidated Damages for the Supply of Additional Streetcars.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2021/February%2010/Reports/Decisions/2051%203%20Liquidated%20Damages%20for%20the%20Supply%20of%20Additional%20Streetcars.pdf)

Issue Background

During peak service, the TTC's extensive streetcar network covers a vast area of the city with 165 streetcars operating on 10 different routes. There are 7 on-street streetcar stop areas in the city where more than 4,500 customers board each weekday (pre-COVID), with the busiest streetcar routes operating as frequently as every 3 minutes. In 2019, Toronto's streetcar routes carried 350,000 passengers each day, or 106 million annual customers. In addition, 70% of all trips on the TTC network include a trip on surface transit (bus and/or streetcar), which makes the surface transit network critical to access and mobility in Toronto.

As of 2020, the TTC only operates the new low-floor, high-capacity, streetcars (LFRV) on its streetcar network. However, buses continue to operate over the short-term to

provide much needed additional capacity to accommodate demand downtown. By 2025, an additional 60 new streetcars will be required to better serve customers.

The TTC's Multi-Modal Fleet and Facility Plan (refer to Fleet Procurement Strategy and Plan – October 2020) pulls together and integrates data, assumptions, and constraints to inform planning for key vehicle and infrastructure investments. For each mode, the Plan reflects projected service demands and associated fleet sizes projected over the next 15-years. A key risk is the ongoing need for buses to supplement service on streetcar routes. Currently, there are 50 buses allocated for this purpose in an attempt to match capacity to customer demand. However, the effectiveness of this mitigation is only partial given that one streetcar has the capacity of two and a half buses. Further, there are fewer buses available to improve service and match capacity to customer demand on the bus network, where in many areas of suburban Toronto, bus service is the only mode of public transportation.

The additional streetcars offer the dual benefit of: 1) addressing immediate streetcar fleet requirements; and 2) allowing for the reallocation of 50 buses that are currently supplementing streetcar service to return to operate on bus routes.

Procurement of 60 Streetcars

As previously reported, the TTC has a contract with Bombardier (now Alstom SA) executed in June 2009 following a competitive procurement process. The contract awarded 204 vehicles, and included an option for the TTC to purchase up to 400 additional vehicles. Subsequently, 300 option vehicles were assigned to Metrolinx in accordance with a May 2010 Board direction. The proposed 60 vehicles are part of the 100 option vehicles which remain in the contract. As outlined in the October 2020 report to the Board, the TTC undertook due diligence before recommending the option under the existing contract be utilized. This includes a follow up Request for Information (RFI) to the market. The TTC also engaged LTK Engineering (now Hatch LTK) to perform an independent risk-based procurement options assessment (i.e. new procurement or contract change with Bombardier).

At the October 22, 2020 meeting of the TTC Board, the Chief Executive Officer was delegated authority to issue a contract change with Bombardier Transportation Canada Inc. (now Alstom Canada), for the supply of 13 streetcars at an estimated cost of \$140 million, inclusive of all taxes and project delivery costs based on the following:

- Negotiation of an acceptable agreement that is satisfactory to the TTC Chief Executive Officer and General Counsel;
- Negotiation of acceptable contract pricing for the initial order of 13 streetcars and fixed pricing on options for up to 47 additional streetcars equating to a combined total of 60 streetcars; and
- All streetcars are to be delivered between 2023 and 2025.

As part of the October 2020 approval, the TTC Board directed staff to negotiate liquidated damages (LDs) to mitigate the risk of late vehicle deliveries on the additional streetcar order with Bombardier. At the February 10, 2021 meeting, the TTC Board approved terms and conditions relating to the LDs for the additional streetcars as set

out in a Confidential Attachment to the report. The report recommended terms and conditions relating to LDs based on industry benchmark comparisons and are confirmed to be among the strictest in North America.

The TTC also secured funding of \$140 million from the City of Toronto for the first 13 streetcars through the TTC's approved 2021-2030 Capital Budget and Plan.

In accordance with the Board's direction from October 22, 2020, the TTC issued a contract amendment (and Notice to Proceed) on March 31, 2021 to procure the first 13 streetcars of the full 60 streetcars required. Issuing the contract amendment reserved the fixed price option for an additional 47 streetcars based on the terms negotiated with the vendor. The TTC and City have been seeking partnership funding from the other orders of government to fully fund the 60 streetcars required.

Comments

Intergovernmental Funding

As outlined during the 2021 Budget Process, the City and the TTC have been seeking partnership funding for the procurement of new vehicles over the next 10-15 years, including funding for 60 new streetcars.

On May 12, 2021, per an announcement and news release¹, the Government of Canada announced \$180 million in funding for the TTC Streetcar Program. The Province of Ontario also announced \$180 million in funding². Both levels of government outlined the expected benefits of the Program to include the modernization of public transit while also supporting employment in northern Ontario.

Both levels of government followed the May 12, 2021 announcement with official correspondence, confirming their funding contributions to the TTC Streetcar Program.

Per the May 19, 2021 letter (Attachment 1) from the Ontario Minister of Transportation, the Province is making a \$180 million commitment to the Program. Eligible costs may be incurred as of May 19, 2021, with acknowledgment that this enables the TTC and the City to proceed with the procurement of additional streetcars. The letter notes that the streetcars will be procured through a contract between the TTC and Bombardier (now part of Alstom). The letter also notes that should the TTC procure less than 60 streetcars, or the total cost be less, the provincial contribution would adjust proportionally. A Transfer Payment Agreement will be entered into between the Province of Ontario and the City of Toronto in order to flow the funding.

Per the May 17, 2021 letter from the Minister of Infrastructure and Communities (Attachment 2), the Government of Canada outlined the federal government's approval

¹ May 12, 2021 Government of Canada News Release: <https://www.canada.ca/en/office-infrastructure/news/2021/05/supporting-public-transit-and-protecting-jobs-in-thunder-bay.html>;

² May 12, 2021, Ontario Government News Release: <https://news.ontario.ca/en/release/1000113/ontario-canada-and-city-of-toronto-jointly-investing-more-than-500-million-in-new-streetcars>

for funding the TTC Streetcar Program following the successful review of the project. The letter highlights the following:

- Federal funding of the TTC Streetcar Program will be up to 43% of the total eligible costs, to a maximum federal contribution of \$180,000,000;
- Eligible costs incurred as of May 17, 2021, will be eligible for federal reimbursement; and
- Costs will be reimbursed subject to the timely execution of a contribution agreement.

The federal letter also outlined several standard conditions that are typically found in contribution agreements. Of note, the TTC will be required to submit updated information on the Hillcrest Facility component once the project progresses following completion of the study.

As a result of the funding contributions from the provincial and federal governments, each order of government is putting in close to one-third of the total estimated cost of the TTC Streetcar Program. The table below summarizes the expected contributions.

Table 3. Funding Contributions

	Cost Estimate	Federal	Provincial	City
60 Streetcars	468,000,000	138,000,000	180,000,000	150,000,000
Hillcrest Facility	100,000,000	42,000,000		58,000,000
Total	568,000,000	180,000,000	180,000,000	208,000,000
% of Total		31.7%	31.7%	36.6%
Notes: <ul style="list-style-type: none"> • See notes in Table 1 regarding assumptions behind cost estimates for the TTC Streetcar Program. Hillcrest Facility is to undergo a study to confirm cost and schedule estimates. • The first 13 streetcars of the 60 order will be considered ineligible under the federal funding conditions per Attachment 2. The federal contribution is equivalent to up to 43% of the 47 additional streetcars and Hillcrest Facility costs. • Provincial contribution of \$180 million to the TTC Streetcar Program is intended to go to the 60 streetcars component of the Program. 				

TTC Streetcar Program

As outlined above, the TTC Streetcar Program is an estimated \$568 million program. The Program is comprised of two components which are at different stages of the project lifecycle. The procurement of 60 new streetcars at an estimated cost of \$468 million (based on a fixed price offer), and modifications to the Hillcrest Facility to accommodate the additional streetcars, which has a placeholder cost estimate of \$100 million to be refined following the study. The following outlines next steps as a result of the new funding partnership with the provincial and federal governments on each component of the Program.

Procurement of 60 Streetcars:

Subject to required approvals from the TTC Board and City Council to amend the TTC's Capital Budget and Plan, the TTC will have sufficient funds to exercise the option for the supply of 47 additional streetcars under the current contract with Alstom. The full 60 streetcar order will see the delivery of vehicles over the period Q1 2023 through Q1 2025.

Per the recommendation in this report, the TTC intends to exercise the option for the additional 47 streetcars by May 31, 2021, subject to required approvals. This secures the negotiated price of \$468 million for the full 60 streetcar order and the delivery schedule.

Additional Supporting Infrastructure (e.g. Hillcrest Facility)

The TTC's existing streetcar facilities can accommodate a total of approximately 239 streetcars, beyond which safety and reliability of operations would demand additional storage and maintenance capacity at TTC's Hillcrest Facility. The investment in the Hillcrest Facility would accommodate approximately 25 of the 60 additional streetcars, allowing for a total fleet size of 264 vehicles and improving overall service resiliency. The investment in the Hillcrest Facility and supporting streetcar infrastructure is required to accommodate the new vehicles.

A study will be completed which will assess all scope requirements and required phasing of improvements. This includes consideration for depot track and overhead features, associated maintenance equipment, legislated scope requirements, facilities for additional operations staff, etc.

This component of the Program is in early planning stages and the level of maturity of the project scope, schedule and cost is reflective of the stage of the project lifecycle. Residents and surrounding community members around the Hillcrest Facility are to be engaged and given the opportunity to provide input into the project. Any Environmental Assessment (EA)/Transit Project Assessment (TPAP) will require feedback/input from the community, including the Site Plan Approval.

Next Steps

The City and the TTC will work with government partners to finalize the agreements for the funding contributions from the provincial and federal governments. Subject to TTC Board and City Council approval of recommended adjustments to the TTC Capital Budget and Plan, the TTC will immediately exercise the option for the additional 47 streetcars with Alstom. Staff will report to the Board and Council as required on the progress of the TTC Streetcar Program.

The contributions by the Province of Ontario and the Government of Canada towards Toronto's transit network will enable the TTC to leverage City funding to make needed investments in Toronto's streetcar network. The new streetcars will support the TTC's ability to address latent demand, future growth, in addition to providing a sustainable mode of transportation relied upon by many.

Contact

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Signature

Richard J. Leary
Chief Executive Officer

Attachments

Attachment 1 – May 19, 2021 Correspondence from Ontario Minister of Transportation
Hon. Caroline Mulroney
Attachment 2 – May 17 2021 Correspondence from Minister of Infrastructure and
Communities, Hon. Minister Catherine McKenna

Attachment 1

**Ministry of
Transportation**

Office of the Minister

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Toronto ON M7A 1Z8
416 327-9200
www.ontario.ca/transportation

**Ministère des
Transports**

Bureau de la ministre

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416 327-9200
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May 19, 2021

107-2021-1994

His Worship John Tory
Office of the Mayor
City of Toronto
mayor_tory@toronto.ca

Dear Mayor Tory,

I am pleased to inform you of the Province of Ontario's support for the vehicle procurement needs to Toronto's transit system, as outlined in the Toronto Transit Commission's (TTC) Fleet Procurement Strategy and Plan, through a provincial funding commitment to the TTC Streetcar Program which includes the purchase of up to 60 streetcars.

This letter serves as confirmation of Ontario's commitment to provide \$180 million to the TTC towards the total estimated cost of \$568 million for the TTC Streetcar Program, which includes investments in the Hillcrest facility to accommodate the additional streetcars. Per the TTC's fleet procurement strategy and plan presented to the TTC board on October 22, 2020, it is noted that these streetcars will be procured through a contract between the TTC and Bombardier Transportation Canada Inc. (now part of Alstom).

The \$180 million being committed by Ontario is premised on the TTC purchasing up to 60 streetcars. Should the TTC decide to pursue a lesser number of streetcars or should the total cost estimate of the TTC Streetcar Program be lower, then Ontario's contributions shall be adjusted proportionally.

Eligible costs for the project may be incurred as of the date of this letter, May 19, 2021. This enables the TTC to proceed with entering into a contract with Alstom for the streetcars needed.

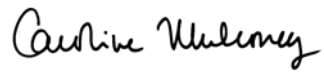
Provincial funding will be flowed through a Transfer Payment Agreement between the City of Toronto and the Ministry of Transportation.

A draft Transfer Payment Agreement will be provided to the City of Toronto in a timely manner.

.../2

I look forward to working with you as you move forward with this important project to increase transit infrastructure.

Sincerely,

A handwritten signature in cursive script that reads "Caroline Mulroney".

Caroline Mulroney
Minister of Transportation

- c. Chris Murray, City Manager, City of Toronto
James Nowlan, Assistant Deputy Minister, Agency Oversight and Programs Division
John Lieou, Associate Deputy Minister, Policy Planning and Agency Relations
Laurie LeBlanc, Deputy Minister of Transportation
Michael Beaton, Chief of Staff to the Minister of Transportation
Richard Leary, CEO, Toronto Transit Commission

Attachment 2

Minister of Infrastructure
and Communities



Ministre de l'Infrastructure
et des Collectivités

Ottawa, Canada K1P 0B6

His Worship John Tory
Mayor of Toronto
100 Queen St. W.
Toronto, ON M5H 2N2

Dear Mayor:

I am pleased to inform you of the federal funding approval in principle of the TTC Streetcar Program project (the Project) in Toronto, Ontario. This approval in principle is given following the successful review of your Project under the applicable terms and conditions of the funding.

On February 10, 2021 the Government of Canada announced \$14.9 billion for public transit projects over the next eight years, which includes \$5.9 billion over 5 years, beginning in 2021-22 for public transit and active transportation. The funding will support the economic recovery from the COVID-19 pandemic and will also contribute to long-term, sustainable, inclusive economic growth. On March 4, 2021 the Government of Canada further announced that, of the \$5.9 billion, \$2.75 billion would go to advancing the government's commitment to electrify transit systems across the country.

Federal funding of the Project, as detailed in the business case formally submitted to Infrastructure Canada on April 28, 2021, will be up to 43% of the total eligible costs, to a maximum federal contribution of \$180,000,000.

With this approval in principle, eligible costs as determined under the terms and conditions of the funding, and incurred as of the date of this letter, will be eligible for federal reimbursement, subject to the timely execution of a contribution agreement. If a contribution agreement is not signed, the Government of Canada will not reimburse any costs incurred. Once signed, the contribution agreement represents the final federal approval of the Project.

If there is a change to the scope of the Project, please notify Infrastructure Canada as soon as possible as any scope changes require approval by Canada.

As we move to the contribution agreement stage, the following conditions will also apply:

- Regardless of the outcome of any of the project tendering processes, all ineligible costs, cost increases or overruns, and any costs related to the ongoing operation and maintenance of the Project, will be the responsibility of the City of Toronto (the City);
- Expenditures incurred prior to the date of this letter, as well as any and all expenditures related to contracts signed prior to the date of this letter, are ineligible for reimbursement;
- The City and the Government of Canada will work to complete the negotiation of a contribution agreement in a timely manner and to this end, the City will provide project cash flows broken down by federal fiscal year for all project components; a clear indication of how the results of the Project will contribute toward the outcomes supported by the funding; as well as the indicators that will be used to report on the outcomes and benefits at substantial completion of the Project;
- Canada will retain, at the Project level, a holdback of up to 10% of approved federal funding to ensure all federal requirements have been met;
- The City will satisfy the Government of Canada with respect to competitive tendering processes, established for the Project, and that all contracts be awarded in a manner that is transparent, competitive, fair, consistent with value-for-money principles, and is in accordance with applicable domestic and international trade agreements;
- The City will confirm that all sources of funds for the Project are secured prior to the Government of Canada paying any eligible costs;
- An updated Climate Lens Assessment must be completed to Canada's satisfaction in accordance with the *Climate Lens General Guidance* and submitted to Canada;
- To allow for the release of the funds related to the Hillcrest maintenance and storage facility (MSF) upgrade component of the Project, the City has to provide, to Canada's satisfaction, updated information as follows:
 - o Information on the project;
 - o Cost breakdowns, including capital cost contingency levels;
 - o Any sole-source contracts, including associated amounts;
 - o Scope of work;
 - o Detailed planning, design and construction timelines;

- o Updated risks;
 - o Updated results including performance indicators along with appropriate baseline and targets for each indicator;
 - o Results of the Climate Lens Assessment; and,
 - o Any relevant changes or new information.
- Infrastructure Canada will reimburse eligible incurred expenditures for approved projects conditional upon the City being up to date on reporting and meeting any other relevant obligations or conditions, as per the terms and conditions of the funding.
- The City will work with Infrastructure Canada to jointly plan and participate with Infrastructure Canada in any future media announcements or events related to the project's progress, and, to produce and erect signage at the project sites acknowledging the federal government's contribution to the project in accordance with the signage guidelines to be provided by the Government of Canada.

I note that the project business case you have submitted specifies timelines for delivery of the streetcars and construction for the MSF upgrade component. As the Project is being approved in principle on the basis of this information, please notify my officials, in writing, should you expect delays with respect to the forecasted schedule of the Project.

Thank you for your collaboration to date and I look forward to continuing to work together to conclude a contribution agreement for this Project in a timely fashion.

Please accept my best regards.

Sincerely,

The Honourable Catherine McKenna, P.C., M.P.
Minister of Infrastructure and Communities