Value for Money Assessment

Eglinton Crosstown Light Rail Transit

February 2016
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I. EXECUTIVE SUMMARY

This report provides a summary of the procurement process for the Eglinton Crosstown Light Rail Transit (LRT) project and demonstrates how value for money was achieved by delivering the project using Infrastructure Ontario’s (IO) Alternative Financing and Procurement approach.

Infrastructure Ontario

IO is a Crown agency owned by the Province of Ontario that provides a wide range of services to support the Ontario government’s initiatives to modernize and maximize the value of public infrastructure and realty. Projects delivered by IO are guided by five key principles: transparency, accountability, value for money, public ownership and control, and public interest are paramount.

Alternative Financing and Procurement in Ontario

IO delivers public infrastructure projects using a project delivery model called Alternative Financing and Procurement (AFP). The AFP model brings together private and public sector expertise in a unique structure that transfers to the private sector partner the risk of project cost increases and scheduling delays typically associated with traditional project delivery. The goal of the AFP approach is to deliver a project on time and on budget and to provide real cost savings for the public sector.

All projects with a cost greater than $100 million are screened for their suitability in being delivered as an AFP project. The decision to proceed with the AFP delivery model is based on both qualitative considerations (e.g., size and complexity of the project) and a quantitative assessment. The quantitative assessment, called Value for Money (VFM), is used to assess whether the AFP delivery model will achieve greater value to the public compared to a traditional public sector delivery model. VFM compares the estimated total project costs of delivering public infrastructure using AFP relative to the traditional delivery model.

Achieving Value for Money

The VFM assessment of the Eglinton Crosstown LRT indicates an estimated cost savings of $2.18 billion or 22 percent (in present value terms) by using the AFP approach compared to traditional delivery.
I. EXECUTIVE SUMMARY

External Review

As part of the procurement process and VFM assessment, three external parties were retained by IO:

- Ernst & Young was retained to complete the VFM assessment; and,
- JD Campbell and Associates (for RFQ phase) and SEG Management Consultants (for the RFP phase onwards) acted as the Fairness Monitor for the project.
II. PROJECT HIGHLIGHTS

Eglinton Crosstown LRT

Background

The Eglinton Crosstown is a light rail transit line that will run across Eglinton Avenue in Toronto between Mount Dennis (Weston Road) and Kennedy Station. The 19-kilometre corridor will include a 10-kilometre underground portion between Keele Street and Laird Drive. The LRT will have 25 stations and stops, linking to bus routes, three subway stations and various GO Transit lines.

The LRT is a significant provincial investment in support of Metrolinx’s Regional Transportation Plan for the Greater Toronto and Hamilton Area (GTHA). It is a signature transit project in the Toronto area that will offer new reliable transit to Toronto residents, integrate transit services, help manage congestion, connect people to jobs and improve the economy and residents’ quality of life.

<table>
<thead>
<tr>
<th>Purpose</th>
<th>To deliver the Eglinton Crosstown LRT, an integral component of Metrolinx’s long-term plan for an integrated transportation network in the Greater Toronto and Hamilton Area.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Owner</td>
<td>Metrolinx</td>
</tr>
<tr>
<td>Private Partner</td>
<td>Crosslinx Transit Solutions</td>
</tr>
<tr>
<td>Location</td>
<td>Toronto</td>
</tr>
<tr>
<td>Project Type</td>
<td>Design-Build-Finance-Maintain (DBFM)</td>
</tr>
<tr>
<td>Infrastructure Type</td>
<td>Transit</td>
</tr>
<tr>
<td>Contract Value</td>
<td>$9.1 billion (nominal/including inflation)</td>
</tr>
<tr>
<td>Construction Period</td>
<td>2015 to 2021</td>
</tr>
<tr>
<td>Length of Project Agreement</td>
<td>36.2 years: 6.2 years construction + 30 years maintenance and rehabilitation</td>
</tr>
<tr>
<td>Estimated Value for Money (Present Value)</td>
<td>$2.18 billion or 22%</td>
</tr>
</tbody>
</table>

Courtesy of Metrolinx/Crosslinx Transit Solutions
II. PROJECT HIGHLIGHTS

Objective

Through the Moving Ontario Forward plan, the province is investing in priority rapid transit projects that will connect to GO Transit and other transit systems across the GTHA. These projects will increase transit ridership, reduce travel times, manage congestion, connect people to jobs and improve the economy.

The Eglinton Crosstown LRT is expected to provide service that is up to 60 percent faster than bus service today. The LRT will enhance access to public transit and help manage congestion to produce significant benefits for commuters as well as revitalize development along the Eglinton Avenue corridor.

Overall key objectives of the Eglinton Crosstown LRT include:

- Increase urban transit capacity
- Manage congestion
- Seamless customer experience
- Minimize disruption during construction
- Design excellence
- A maintained asset for the long-term
- Deliver on time, on budget
- Public ownership

Project Scope

The project agreement with Crosslinx Transit Solutions contains their requirements to:

- Design and Construct – lead the design and construction of the Eglinton Crosstown LRT for completion in September 2021;
- Finance – secure sufficient financing to finance the construction and capital costs over the term of the project;
- Maintain – provide facility management and lifecycle maintenance of the LRT system and components for a 30-year service period as per maintenance performance standards in the project agreement; and
- Third-Party Certification – obtain a third-party independent certification that the LRT system is built to the requirements of the Province as outlined in the project agreement.

Economic Benefits & Job Creation

The project is generating economic stimulus by creating and supporting jobs. At the peak of construction, Crosslinx estimates that 2,500 workers will be on the site daily, with more opportunities for subcontractors as the project progresses.

In addition, the LRT project is the first AFP project to include Metrolinx’s Community Benefits program that will help contribute to economic opportunities, training and workforce development, social enterprises and procurement opportunities and neighbourhood improvements.

Benefits will also be visible along Eglinton Avenue. Planning for the LRT project is consistent with urban design principles of the City of Toronto’s Eglinton Connects plan. Transit-oriented development, upgrades to streetscaping, new trail connections and bike lanes at sites along the LRT corridor will support strategic planning practices. Collectively, these features will help to contribute to revitalization and future development initiatives along a significant east-west portion of the city’s landscape.
Value for money assessment for the Eglinton Crosstown LRT project demonstrates a project cost savings of $2.18 billion or 22%.

The VFM assessment methodology is outlined in Assessing Value for Money – An Updated Guide to Infrastructure Ontario’s Methodology, which can be found at www.infrastructureontario.ca.

**Value for Money Concept**

The VFM compares the estimated total risk adjusted project costs, expressed in dollars measured at the same point in time, of delivering the same infrastructure project under two delivery models: the traditional Design, Bid Build (DBB) model and the AFP model.

![MODEL # 1: Traditional DBB Delivery (PSC)](image1)

Estimated costs to the public sector of delivering an infrastructure project using a traditional procurement delivery model. Total risk-adjusted costs are known as the Public Sector Comparator or PSC Costs.

![MODEL # 2: AFP Delivery](image2)

Estimated costs to the public sector of delivering the same project to the identical specifications using the AFP delivery model. Total risk-adjusted costs are known as AFP Costs.

\[
\text{Value for Money } \$ = \text{PSC Costs} - \text{AFP Costs} \quad \text{or} \quad \text{Value for Money } \% = \frac{\text{(PSC Costs} - \text{AFP Costs})}{\text{PSC Cost Costs}}
\]

The difference between the total estimated PSC costs and the total estimated AFP costs is referred to as VFM. Positive VFM is demonstrated when the cost of delivery under AFP is less than PSC.

**Calculating Value for Money – Inputs & Assumptions**

The VFM is assessed and refined throughout the entire procurement process to reflect updated information and Crosslinx Transit Solutions’ actual bid costs. All costs and risks in this report are expressed in present value terms and have been discounted back to present terms.

The VFM assessment relies on a number of inputs and assumptions, including:

1. Base Project Costs
   1.1. Adjusted Base Costs (design, construction, lifecycle and maintenance)
   1.2. Financing Costs
2. AFP Ancillary Costs
3. Retained Risks
1. Base Project Costs

### 1.1. Calculation of Base Costs

<table>
<thead>
<tr>
<th>Traditional Delivery Model (PSC)</th>
<th>AFP Delivery Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Costs adjusted for:</strong></td>
<td><strong>Base Costs adjusted for:</strong></td>
</tr>
<tr>
<td>($)</td>
<td>($)</td>
</tr>
<tr>
<td><strong>Innovation Factor</strong></td>
<td><strong>Innovation Factor</strong></td>
</tr>
<tr>
<td>N/A</td>
<td>to Construction Costs</td>
</tr>
<tr>
<td><strong>Lifecycle Cost Adjustment Factor</strong></td>
<td><strong>Lifecycle Cost Adjustment Factor</strong></td>
</tr>
<tr>
<td>to Lifecycle Costs</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Competitive Neutrality</strong></td>
<td><strong>Competitive Neutrality</strong></td>
</tr>
<tr>
<td>to Base Costs</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Adjusted Base Costs</strong></td>
<td><strong>Adjusted Base Costs</strong></td>
</tr>
<tr>
<td>Base Costs ($) +/- Adjustments</td>
<td>Base Costs ($) +/- Adjustments</td>
</tr>
</tbody>
</table>

**Estimated Savings / (Costs) in Base Costs under the AFP Model**

Base costs include design, construction, and maintenance and lifecycle costs. In the estimation of base costs, IO relies on external cost consultants to estimate the costs of the project. This becomes the starting point for both the PSC and AFP models. These costs are then adjusted for:

- An innovation factor – the VFM methodology includes an innovation factor which recognizes that the base cost of the AFP model will be lower than the PSC model as a result of:
  - the use of performance based specifications in AFP projects allow contractors to consider innovative and alternative ways to deliver a project, such that project costs are lower as compared to a traditional delivery which uses more prescriptive specifications; and
  - increased competitive environment on AFP projects which have resulted in cost reductions

- A lifecycle cost adjustment factor – experience suggests that typically governments will under-spend on lifecycle maintenance for projects delivered under traditional delivery methods. Whereas, for DBFM projects, the AFP model requires the private sector partner to meet specifications which ensures the asset is well maintained over the project term. The VFM methodology captures this by reducing the actual spend on lifecycle costs in the PSC model over the 30-year operating term and quantifying the expected impact and costs of this deferred maintenance in the risk assessment. The net impact results in an overall increase in PSC costs.

- Competitive neutrality – the base costs under AFP delivery will also include a provision for certain taxes payable by the private sector, namely taxes paid by the equity developers. The equivalent costs will not appear under the PSC. These perceived cost advantages could be misleading. As a result, an adjustment called the “competitive neutrality adjustment” is required to negate this potentially misleading cost of AFP delivery. The adjustment consists of adding such costs to the PSC.
III. ACHIEVING VALUE FOR MONEY

1.2. Financing Costs

<table>
<thead>
<tr>
<th></th>
<th>Traditional Delivery Model (PSC)</th>
<th>AFP Delivery Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Financing Costs</td>
<td>Financing Costs</td>
</tr>
<tr>
<td></td>
<td>Public sector notional financing costs</td>
<td>Private sector financing costs</td>
</tr>
</tbody>
</table>

Estimated Savings / (Costs) from Financing under the AFP Model

PSC – AFP

One of the common elements of the AFP model is the use of private finance for some or all of the project period. Under the traditional delivery model, the public sector makes progress payments throughout construction. Whereas under the AFP model, the government pays a portion of construction costs during construction as interim payments and/or pays the entire amount at the end of the construction period and/or through a series of regular service payments over the term of the concession agreement (for DBFM projects). Financing costs are reflected as follows:

- Traditional Delivery Model or PSC - the public sector notionally incurs an “opportunity cost” for having paid earlier as compared to the AFP model. The notional public sector financing cost is calculated at the current Provincial cost of borrowing or weighted average cost of capital. This cost is also reflected in the discount rate used to assess and compare the project costs.

- AFP Delivery Model – the private sector party borrows at private financing rates to pay for project costs during construction and carries that financing until fully repaid by the public sector. This private sector financing cost is ultimately passed through to the public sector as a cost and reflected in the AFP model.

2. AFP Ancillary Costs

<table>
<thead>
<tr>
<th></th>
<th>Traditional Delivery Model (PSC)</th>
<th>AFP Delivery Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AFP Ancillary Costs</td>
<td>AFP Ancillary Costs</td>
</tr>
<tr>
<td></td>
<td>N/A</td>
<td>AFP costs</td>
</tr>
</tbody>
</table>

Estimated Savings / (Costs) from Financing under the AFP Model

PSC – AFP

There are significant costs associated with the planning and delivery of a large complex project. The VFM methodology quantifies the incremental ancillary costs arising under the AFP delivery model only. Ancillary costs typically incurred include legal, capital markets, fairness, transaction, and the cost of IO services.

3. Retained Risks

<table>
<thead>
<tr>
<th></th>
<th>Traditional Delivery Model (PSC)</th>
<th>AFP Delivery Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retained Risks</td>
<td>Retained Risks</td>
</tr>
<tr>
<td></td>
<td>PSC costs</td>
<td>AFP costs</td>
</tr>
</tbody>
</table>

Estimated Savings / (Costs) from Retained Risks under the AFP Model

PSC – AFP

The concepts of risk transfer and mitigation are key to understanding the overall VFM assessment. To estimate and compare the total cost of delivering a project under the traditional delivery model versus the AFP model,
the risks borne by the public sector, which are called “retained risks,” are identified and quantified. Details on how retained risks are identified and quantified are in Assessing Value for Money – An Updated Guide to Infrastructure Ontario’s Methodology, which can be found at www.infrastructureontario.ca.

Project risks are defined as potential adverse events that may have a direct impact on project costs. To the extent that the public sector retains these risks under both delivery models, they are included in the estimated cost under the PSC and AFP model as “retained risks”. Risks retained under the AFP model are lower than risks retained by the public sector under the PSC model. This reflects the transfer of certain project risks from the public sector to the private sector and the appropriate allocation of risk between the public and private sectors based on the party best able to manage, mitigate, and/or eliminate the project risk.

As a result of a comprehensive risk assessment, the following are examples of key project risks that have been transferred or mitigated under the project agreement to Crosslinx Transit Solutions:

- Project Schedule – risk of a longer construction period and resulting in a higher total program cost.
- Scope Changes During Construction (directed by owner) – risk that the scope of work is changed by the owner during construction.
- Asset Residual Risk – risk that at the end of the lifecycle, the asset residual value is less than expected because the quality of the asset is not equivalent to the handback requirements under a concession contract.
- Due Diligence (by the owner in preparation of tender in RFP) – risk that an insufficient level of due diligence is undertaken and communicated to the proponents resulting in reduced tolerance to risk and higher bid price.
- Quality Management – risk associated with meeting design standards and codes as they relate to long-term asset performance.

Eglinton Crosstown LRT Value for Money Results

The VFM assessment of the Eglinton Crosstown LRT indicates an estimated cost savings of $2.18 billion or 22 per cent by using the AFP approach compared to traditional delivery.

<table>
<thead>
<tr>
<th>Traditional Delivery Model (PSC)</th>
<th>$ Millions, Present Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Base Project Costs (Adjusted Base Costs + Financing)</td>
<td>$6,648</td>
</tr>
<tr>
<td>II. AFP Ancillary Costs</td>
<td>N/A</td>
</tr>
<tr>
<td>III. Retained Risks</td>
<td>$3,243</td>
</tr>
<tr>
<td>Total</td>
<td>$9,891</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AFP Delivery Model</th>
<th>$ Millions, Present Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Base Project Costs (Adjusted Base Costs + Financing)</td>
<td>$7,120</td>
</tr>
<tr>
<td>II. AFP Ancillary Costs</td>
<td>$29</td>
</tr>
<tr>
<td>III. Retained Risks</td>
<td>$561</td>
</tr>
<tr>
<td>Total</td>
<td>$7,709</td>
</tr>
</tbody>
</table>

Estimated Value for Money (cost difference) $2,181

Estimated Percentage Savings 22%
III. ACHIEVING VALUE FOR MONEY

External Review

Ernst & Young completed the VFM assessment for the project. Their assessment demonstrates projected cost savings of 22 percent by delivering the project using the AFP model versus what it would have cost to deliver the project using a traditional delivery model (see letter on page 16).

JD Campbell and Associates (for RFQ phase) and SEG Management Consultants (for RFP phase and onwards) acted as the Fairness Monitor for the project. They reviewed and monitored the communications, evaluations and decision-making processes associated with the project, ensuring the fairness, equity, objectivity, transparency and adequate documentation of the process. SEG Management Consultants certified that these principles were maintained throughout the procurement process (see letter on page 17).
IV. PROJECT AGREEMENT

» Highlights of the Project Agreement

The Project Agreement signed between IO, Metrolinx and Crosslinx Transit Solutions defines the obligations and risks of all parties involved. Key highlights that pertain to the construction and maintenance terms are below:

- Contract Price Certainty – A $9.1 billion fixed-price contract (includes inflation at a contractually determined rate on certain maintenance and lifecycle costs) to design, build, finance and maintain the Eglinton Crosstown LRT for a 30-year period. Any extra costs incurred as a result of a schedule overrun caused by the contract will not be paid by the Province.

- Scheduling, Project Completion and Delays – Crosslinx has agreed to a substantial completion date of September 2021. The schedule can be modified in limited circumstances in accordance with the project agreement. A sizeable payment will be made by the Province at substantial completion, providing further incentive for Crosslinx to complete construction on time.

- Site conditions and contamination – Crosslinx is responsible for managing and where required, remediating any contamination at the site. This includes contamination that was disclosed or reasonably anticipated from site condition reports, or that is caused by Crosslinx or any of its parties.

- Construction Financing – Crosslinx is required to finance the construction of the project and is responsible for any additional financing costs if there is a delay reaching substantial completion of the project.

- Mechanical and Electrical Systems – Crosslinx is responsible for the performance and maintenance of LRT-system infrastructure such as trackwork, signaling, communications, security, mechanical and electrical systems as per the output specifications in the project agreement. Consistent operation and periodic replacement of parts or systems (components, hardware, finishes and seals, etc.) is required during the maintenance term.

- Commission and Facility Readiness – Crosslinx must achieve a prescribed level of commissioning at substantial completion within the agreed-to schedule. This ensures Metrolinx will be able to achieve in-revenue service in September 2021.

- Ongoing Maintenance and Lifecycle – Crosslinx must meet the performance requirements as outlined in the project agreement, for the maintenance and lifecycle renewal of the LRT system and its components. Crosslinx will face deductions to their monthly payments if they do not meet the performance obligations during the 30-year maintenance term.

- Asset Hand Back – upon expiry of the 30 year maintenance term, Crosslinx must hand back the infrastructure to the Province in good working order within specific prescribed standards. Financial penalties can be levied if the asset condition does not meet the prescribed requirements.
The procurement process for the Eglinton Crosstown LRT project, from RFQ to Financial Close, took 31 months to complete. The timeline also included re-scoping the procurement from a bundle of two LRT projects (Eglinton Crosstown and Scarborough LRTs) to a single LRT project (Eglinton Crosstown).

After concluding a fair and competitive procurement process, Metrolinx and IO entered into a project agreement with Crosslinx Transit Solutions to design, build, finance and maintain the project.

V. COMPETITIVE SELECTION PROCESS

The procurement process for the Eglinton Crosstown LRT project, from RFQ to Financial Close, took 31 months to complete. The timeline also included re-scoping the procurement from a bundle of two LRT projects (Eglinton Crosstown and Scarborough LRTs) to a single LRT project (Eglinton Crosstown).

After concluding a fair and competitive procurement process, Metrolinx and IO entered into a project agreement with Crosslinx Transit Solutions to design, build, finance and maintain the project.

Procurement Process

i. Request for Qualifications | January 22, 2013

Metrolinx and IO issued a request for qualifications (RFQ) to solicit interested parties to design, build, finance and maintain the Eglinton Crosstown LRT and the Scarborough LRT projects (as part of a bundled procurement).

In May 2013, the Sponsors received statements of qualifications from two teams.

In May 2013, the City of Toronto decided not to proceed with the Scarborough LRT project. IO and Metrolinx worked to re-package procurement documents and redefine Project Specific Output Specifications for the Eglinton Crosstown LRT to meet the upcoming RFP issue date.

RFQ submissions were evaluated by IO and Metrolinx. High standards were set to ensure the pre-qualified consortia exceeded the technical and financial standards required for this complex and large project. The evaluation process resulted in two proponents being pre-qualified.

<table>
<thead>
<tr>
<th>Crosslinx Transit Solutions</th>
<th>Crosstown Transit Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; ACS Infrastructure Canada</td>
<td>&gt; Bechtel Development Company, Inc.</td>
</tr>
<tr>
<td>&gt; Aecon</td>
<td>&gt; Fengate Capital Management Ltd.</td>
</tr>
<tr>
<td>&gt; EllisDon</td>
<td>&gt; Obayasi Canada Holdings, Ltd.</td>
</tr>
<tr>
<td>&gt; SNC-Lavalin</td>
<td>&gt; OHL Concesiones S.A.</td>
</tr>
<tr>
<td>&gt; Dragrados Canada</td>
<td>&gt; STRABAG Inc.</td>
</tr>
<tr>
<td>&gt; IBI Group</td>
<td>&gt; Bechtel Development Company, Inc.</td>
</tr>
</tbody>
</table>

ii. Request for Proposals | December 19, 2013

A request for proposals (RFP) was issued to the pre-qualified proponents, setting out the bid process and proposed project agreements for the project.

The proponents spent an entire year to prepare high-quality, competitive submissions.

iii. Proposal Submission | January 30, 2015 (technical) and February 19, 2015 (financial)

The RFP period closed on January 30, 2015 for the technical portion of the RFP submission and on February 19, 2015 for the financial portion of the submission. Both proponents submitted bids on time.
V. COMPETITIVE SELECTION PROCESS

- February-April 2015: bids were evaluated using criteria as set out in the RFP by an Evaluation Committee comprised of subject matter experts from IO, Metrolinx and technical consultants enlisted by the Sponsors. The extensive evaluation process resulted in Crosslinx Transit Solutions receiving the highest score.
- In April 2015, the ‘first-ranked proponent’ – also referred to as the First Negotiations Proponent – Crosslinx Transit Solutions, was then notified of their standing.

iv. Preferred Proponent Notification | June 9, 2015

- After successful negotiations with the First Negotiations Proponent, Crosslinx Transit Solutions was selected as the preferred proponent. Crosslinx Transit Solutions best demonstrated the ability to meet the specifications outlined in the RFP, including technical requirements, construction schedule, price and financial backing, as well as maintenance and rehabilitation plans.


- Upon conclusion of negotiations and once a financing rate was set, a Project Agreement (contract) was executed between Crosslinx Transit Solutions, Metrolinx and IO on July 24, 2015.
- The entire Crosslinx team, including identified subcontractors, comprises more than 26 companies:

**Developers**

- ACS Infrastructure Canada Inc.
- Aecon Concessions, a division of Aecon Construction Group Inc.
- EllisDon Capital Inc.
- SNC-Lavalin Capital Inc.

**Maintenance and Rehabilitation**

- SNC-Lavalin Operations & Maintenance Inc.
- ACS Infrastructure Canada Inc.
- EllisDon Facilities Services Inc.
- Aecon Buildings, a division of Aecon Construction Group Inc.
- Bombardier Transportation Canada Inc.

**Financial Advisors**

- National Bank Financial
- Bank of Nova Scotia

**Design and Construction**

- Aecon Infrastructure Management Inc.
- Dragados Canada Inc. (ACS Group)
- EllisDon Civil Ltd.
- SNC-Lavalin Constructors (Pacific) Inc.
- SNC-Lavalin Inc.
- IBI Group Inc.
- NORR Limited
- Adamson Associates Architects
- Urban Strategies Inc.
- Dialog Ontario Inc.
- Sereca Fire Consulting Ltd.
- Thurber Engineering Ltd.
- Dr G. Sauer & Partners
- Daoust Lestage, Inc.
Construction and Maintenance Phases

vi. Construction Phase | 2015 – 2021

- The construction phase begins in July 2015 upon signing of the contract and will be carried out in accordance with the project agreement and the builder’s schedule as approved by the Sponsors.
- During the construction period, the builder’s construction costs will be funded through their own equity, bond and lending arrangements, which will be paid in monthly installments based on the construction program set out by Crosslinx Transit Solutions.
- Project construction will be overseen by Metrolinx with IO providing contract management oversight.

vii. Maintenance Phase | 2021 – 2051

- Following construction, the Eglinton Crosstown LRT is expected to become operational in September 2021. According to the project agreement, Crosslinx Transit Solutions will provide maintenance, lifecycle, repair and rehabilitation services for a 30-year period.
- System maintenance will be overseen by Metrolinx.

viii. Payment

- Crosslinx Transit Solutions will receive monthly construction period payments (based on an earned value methodology) and a substantial completion payment expected in September 2021.
- During the 30-year maintenance and rehabilitation phase, annual service payments (by way of monthly availability payments) will be paid to Crosslinx Transit Solutions. Payments will cover the capital and service portions, lifecycle payments, volume payments, and gainshare/painshare on energy costs, minus any performance deductions.
This report provides a project overview and summary of the procurement process for the Eglinton Crosstown Light Rail Transit project, and demonstrates that a VFM of $2.18 billion or 22 percent will be achieved by using the AFP approach compared to traditional delivery.

Going forward, IO, Metrolinx and Crosslinx Transit Solutions will continue to work together to ensure the successful delivery of the Eglinton Crosstown LRT.
Mr. John Traianopoulos  
Vice-President, Transaction Finance  
Infrastructure Ontario  
777 Bay Street, 9th Floor  
Toronto, ON M5G 2C8  

27 August 2015  

Dear Mr. Traianopoulos:  

Re: Value for Money Analysis – Eglinton Crosstown LRT Project  

Ernst & Young Orenda Corporate Finance (“EYOCF”) has prepared the Value for Money (“VFM”) assessment for the Eglinton Crosstown LRT Project at the Financial Close (“FC”) stage. The analysis was prepared following an Infrastructure Ontario (“IO”) VFM analytical framework, which is generally consistent with approaches used in other jurisdictions.  

The VFM assessment is based on a comparison of the total project costs of the Eglinton Crosstown LRT Project under:  

1. The Traditional delivery approach, as reflected in the Public Sector Comparator (“PSC”) model; and  
2. The Alternative Financing and Procurement (“AFP”) model estimation of the total project costs, as reflected in the Adjusted Successful Bid.  

The VFM assessment as noted above was prepared using the following information (collectively the “Information”) within the VFM model:  

i. A Risk Matrix developed for IO by MMM Group and adjusted to reflect project specific risks; and  
ii. Construction and other cost estimates as reflected in the Successful Bid. Other VFM model assumptions as provided by IO.  

The cost information and underlying assumptions were not independently audited or verified for accuracy or completeness.  

The results of the VFM assessment demonstrate an estimated VFM cost savings of 22.1% by using the AFP approach to deliver the Project in comparison to using the traditional delivery approach.  

Yours sincerely,  

ERNST & YOUNG ORENDA CORPORATE FINANCE INC.
30 June 2015

Infrastructure Ontario
1 Dundas Street West, Suite 2000
Toronto ON M5G 2L5

Attention: Michael Inch
Vice-President, Strategic Sourcing

Subject: Fairness Report
Eglinton Crosstown Light Rail Transit (ECLRT) – RFP Stage

Infrastructure Ontario (“IO”) engaged SEG Management Consultants Inc. (“SEG”) to provide Fairness Monitoring Services, specifically to monitor IO’s conduct of the procurement process for the Eglinton Crosstown Light Rail Transit Project (“Project”) from the RFQ transition through the conclusion of the Project RFP process. Our mandate was to confirm that the Sponsors met the fairness and transparency requirements established in the Project RFP and other related policies of Infrastructure Ontario and the Government of Ontario.

Our findings are based on first-hand observations of the procurement process, starting with our engagement in January 2014 after the release of the RFP, through to the completion of the RFP evaluation process and identification of the highest ranked RFP Proponent, which subsequently was named as the First Negotiations Proponent. Our review also took into account the documents, policies and provincial directives applied during the RFP processes and information issued to the Proponents or provided to us by the IO project and procurement representatives.

In our role as Fairness Monitor, we:

• Reviewed the Project RFP documents;
• Attended and monitored all required briefing sessions, presentations, and commercially confidential meetings with the Proponents, which included a review of the protocols for the meetings, the application of the meeting protocols for all participants, and advice to facilitate consistency with the fairness principles and the RFP documents;
• Attended and monitored the conduct of commercially confidential site visits;
• Monitored written communications with Proponents as provided to the fairness team, which included RFP Notices and Addenda, Requests for Information (RFI) processed prior to RFP close, and Requests for Clarification (RFC) processed post-submission;
• Reviewed potential conflicts of interest from a procurement fairness perspective and provided acceptance of appropriate mitigation measures;
• Reviewed the development of the RFP Evaluation Framework, which included a review of the structure of the evaluation teams, the approach and application of the evaluation criteria, and scoring worksheets to confirm consistency with the RFP documents;
• Attended the mandatory Evaluator Training Sessions, which supported the RFP evaluation process, provided guidance to the evaluation process participants, and established the standard of conduct for all evaluation participants;
• Attended and monitored the RFP evaluation consensus meetings (Design Excellence, Technical, and Financial) to confirm that the evaluation criteria were applied diligently and consistently to the proponent submissions;
• Reviewed the official records of the evaluation teams; and
• Attended and monitored the presentation of recommendations from the various evaluation teams to the Evaluation Committee for their acceptance and approval.

It is notable that the ECLRT RFP process was exceptional in several aspects:

• Technical complexity and financial value
• Organization of the Sponsors’ teams, including technical advisors
• Prior Metrolinx procurements for the LRT vehicles and the tunneling
• Design Excellence requirements
• White Papers process
• Extensive background technical documentation
• Potential COI for several consulting firms and individuals resulting from the long project history
• Third party involvement of TTC, City Departments, Utilities and local community groups
• Utility relocation processes and agreements
• Optional Lands procedures
• Community Benefits consultations
• Affordability Threshold Event protocols
• Extensive submission requirements and related evaluation processes

The three Technical Evaluation Teams and the Financial Evaluation team consensus recommendations were presented to the Evaluation Committee on 8 April 2015. The recommendations were accepted and approved to identify clearly the highest ranked RFP Proponent. Through our direct participation and review of the relevant documentation, SEG confirms that the identified Proponent did satisfy the requirements of the RFP evaluation process and was the highest scoring Proponent in this procurement process.

Attestation

As the Fairness Monitor for the Eglinton Crosstown Light Rail Transit Project (RFP No. 13-370P), issued by Infrastructure Ontario, through our observation and review we conclude that the principles of openness, fairness, consistency and transparency have been, in our opinion, properly established and maintained throughout the RFP stage of the procurement process.

As Fairness Monitor for the ECLRT RFP procurement, we conclude that:

a) The Project RFP process was conducted in accordance with the provisions of the RFP, and met the fairness and transparency requirements established in the RFP and other related policies of Infrastructure Ontario and the Government of Ontario;
b) The Sponsors’ personnel and external advisors adhered to Infrastructure Ontario’s conflict of interest and confidentiality requirements; and

c) Both proponents were treated consistently in the evaluation process and in accordance with the Project RFP and the established principles of fairness, consistency and transparency.

Furthermore, as of this date we have not been made aware of any issues that emerged during the process that would impair the fairness of this procurement initiative.

SEG Management Consultants Inc.

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Lead Fairness Monitor            SEG VP, Procurement and Fairness
Rob Lowry                        Greg Dadd

cc:  Martin Ayson, IO Manager – Procurement
      Kitty Chan, IO Project Manager – Civil Infrastructure (ECLRT)
      Richard Lundeen, SEG President