

To: Metrolinx Board of Directors

From: Jennifer Gray,
Chief Financial Officer

Jamie Robinson
Chief Communications & Public Affairs Officer

Date: June 27, 2019

Re: **Metrolinx 2018-19 Annual Report**

Recommendations

RESOLVED, on recommendation of the Audit, Finance and Risk Management Committee:

THAT, subject to any comments received from the Metrolinx Board of Directors and the Audit, Finance and Risk Management Committee, the Metrolinx Annual Report 2018-19 be approved; and

THAT the CEO submit the Annual Report to the Minister of Transportation in accordance with the *Metrolinx Act, 2006*.

Background

Once approved by the Ontario Legislature, the Metrolinx Annual Report for 2018-19 will be posted to Metrolinx's website at http://www.metrolinx.com/en/aboutus/publications/annual_reports.aspx.

The Annual Report is consistent with the guideline provided by the Province for Annual Reports and is in accordance with the requirements of the *Metrolinx Act, 2006*.

The Annual Report provides a look back at significant milestones from 2018-19, including an increase in service capacity for GO services and several new fare integration initiatives, as well as advancing on signature projects like the GO Expansion program and new rapid transit projects across the region. The Annual Report also outlines on how Metrolinx has been transforming as an organization under the leadership of CEO Phil Verster to deliver on transit services and regional transit development.

The Audit, Finance and Risk Management Committee has also reviewed the Annual Report consistent with that committee's mandate.

The Annual Report will be finalized upon approval of the Board of Directors, signed by the Board Chair, and submitted to the Minister of Transportation in accordance with section 33 of the *Metrolinx Act, 2006*.

Attachments

Metrolinx Annual Report 2018-19

Respectfully submitted,

Jennifer Gray, *Chief Financial Officer*

Jamie Robinson, *Chief Communications & Public Affairs Officer*

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MESSAGE FROM THE CHAIR

Metrolinx has been building better transit across the Greater Golden Horseshoe for the past 11 years. Infrastructure development, improvements to our service offerings and enhancements to our customer experience remain our top priorities.

In 2018-19, we delivered more than \$3.86 billion worth of construction projects under our capital infrastructure portfolio. We achieved tremendous value with improvement works this year along several rail corridors. The Eglinton Crosstown Light Rail Transit (LRT) project is on track to meet our 2021 delivery/in-service timeline. Finch West, Hurontario and Hamilton LRT projects are progressing with enabling and early construction work.

Through the work of our exceptional team, Metrolinx is well-positioned as the leader in delivering transit. We recently introduced a strategy to deliver transit-oriented development (TOD) through partnership with the private sector – leveraging government investments in public transit to build transit infrastructure.

Creating connections that work for transit users across the region is an important objective for the organization. We will continue to maintain working partnerships and build positive relationships with our stakeholders at all levels of government, our colleagues at the transit agencies in the region, and the communities in which we build and offer services.

Our customers remain at the heart of our business and on behalf of the agency, I thank them for making us their choice for transit. We are committed to getting people to their destinations as seamlessly and efficiently as possible.

During the financial year, we bid farewell to some board members and welcomed several others. On behalf of the Board of Metrolinx, a big thank you to former chair J. Robert Prichard, and former board members Rahul Bhardwaj, Marianne McKenna, Bonnie Patterson, Howard Shearer, and Sharleen Stewart for their dedicated years of service to improve transit in our region.

Through the stewardship of this new board and the combined contribution of all our employees, Metrolinx is steadfast in its mission to connect communities as we transform and expand our services across the region.

Donald Wright
Chair, Metrolinx

MESSAGE FROM THE CEO

Metrolinx focused on strategic planning in 2018-19 -- we established our business objectives and determined what we need to do to be successful. We worked to deliver on our goal of increasing transit service across the Greater Golden Horseshoe, and we achieved a 13.9 per cent service increase over the fiscal year. We introduced weekday train service for Niagara Falls and St. Catharines – four years ahead of schedule.

As always, safety is central to everything we do. This past year we launched a major safety campaign that was targeted to our customers, communities and employees. We saw a positive shift in our safety culture and month-over-month reductions in lost time injury frequency rates.

We placed a critical focus on financial performance, and adopted a lean business approach centred on continuous improvement, achieving value for money, and prioritizing customer service delivery. This new approach is seen through our business case modeling for new stations, establishment of a fact-based project pipeline and greater oversight on contract management.

We were excited to achieve some major capital project milestones, including tunneling on the Kitchener corridor, completion of the Whitby rail maintenance facility and installation of the Cooksville GO pedestrian bridge.

Connecting communities is our vision, and delivering value to our customers is a vital part of that. Through PRESTO this year, we supported the Toronto Transit Commission's (TTC) new two-hour transfer window as well as the transition to PRESTO monthly and 12-month passes.

Delivering sustainable, world-class transit solutions is our responsibility in the communities we serve. This work is guided by our Climate Adaptation Strategy which was published in 2018. Through this strategy our focus is on ensuring a safe, reliable and resilient system for our customers, employees and communities.

We have an innovative, committed and driven team here at Metrolinx and new strategic objectives that rely on collective ownership. We all have to work together to deliver on our promise and excel in our business. Every member of the team has an opportunity to contribute. I'm excited about this journey of continuous improvement to deliver greater value and even better, faster, easier service for our customers.

Phil Verster
President & CEO, Metrolinx

VISION, MISSION, VALUES & MANDATE

Our Vision

We connect our communities.

Our Mission

Getting you there better, faster, easier.

Our Values

Serve with Passion.

Think Forward.

Play as a team.

Our Mandate

Metrolinx, an agency of the Government of Ontario established under the Metrolinx Act, 2006 (the "Act"), was created to improve the coordination and integration of regional transit in the Greater Toronto and Hamilton Area (GTHA). The organization's mission is to champion, develop and implement an integrated transit network for our region that enhances prosperity, sustainability and quality of life.

In December 2018, the Act was amended to focus the agency on regional transit delivery and service excellence. These amendments also expanded Metrolinx's regional transportation area to the Greater Golden Horseshoe (GGH), modified the scope and the development, review, amendment and approval process for the Regional Transportation Plan (RTP), and further clarified the agency's objects, duties and accountabilities.

INTRODUCTION

Connecting People...Delivering Value

Metrolinx is at a pivotal point in its 11-year history. We are poised to transform the way people move around the GGH.

For us, transit is more than transporting people from one place to another; it is about connecting people and delivering value.

The GGH is growing and transit is essential to the sustainability of this growth. With billions of dollars invested in developing and improving transit for the region, we remain committed to providing an integrated and seamless transportation system.

Over the last year, we delivered on specific performance targets designed to improve the experience of our customers – offering more choices, more reliable and frequent service and better affordability.

In December 2018, the provincial government modernized the Metrolinx Act. These changes have broadened the scope of our planning areas to include new cities and counties. Our business imperative must reflect this new expectation, and we must continue to focus our efforts on building, operating and maintaining a resilient and integrated network that delivers real value and connects people across the region in the ways that matter most.

DESCRIPTION OF ACTIVITIES 2018-19

FINANCIAL HIGHLIGHTS & BUSINESS PLAN REPORT

For the 2018-19 business year, revenue was \$662 million comprised of \$566.7 million from fare revenue and \$95.4 million from non-fare revenue.

Our operating costs totaled \$1.16 billion while our budget for the year was \$1.15 billion. We ended the year with an overspend of \$8.2 million.

On capital expenditure, our year-end total was \$3.86 billion and was 344.9 million under the forecast budget of \$4.2 billion. The primary reasons for underspending compared to the overall forecast were reduced spending on the GO Expansion program and various schedule delays on other projects.

In 2018-19 we committed to delivering on several key goals. Primary among those achieved are:

- received construction approval for the GO Rail Expansion Program's on-corridor project using a Design-Build-Finance-Operate-Maintain (DBFOM) model;
- completed several infrastructure projects, including migration to the new state-of-the-art Network Operation Centre (NOC);
- introduced a framework to deliver a transit oriented development strategy;
- increased the number of unique PRESTO cards to almost 2.0 million over the past year, leading to a total adoption rate of 67.0%;
- introduced initiatives to increase ridership, such as the Kids GO Free Program; and,
- completed significant milestones in the PRESTO rollout, as well as enabling new benefits for TTC travellers by way of a two-hour transfer window and a discounted fare for PRESTO customers who use the TTC in combination with GO Transit.

REPORT ON NON-FINANCIAL ACTIVITIES

SAFETY

Safety remains central to everything we do at Metrolinx. We are building a safety culture within our organization through systematic improvement of safety performance and employee engagement. We are committed to continuously improving safety for our customers, employees, contractors and the communities in which we operate.

Growth in employee safety includes improvement to our Lost Time Injury Frequency Rate (LTIFR), additional safety certification programs, reduced train operating rule violations and real-time exercises to educate staff on how to react and diffuse situations.

In early 2018, Metrolinx established a Business Continuity Management (BCM) office and a BCM program planning cycle. The primary objective of this office is to help the organization identify risk exposures to key business functions and processes and to develop recovery strategies. Several business units have completed their business continuity plans and are helping to lower risks and meet strategic objectives.

Metrolinx looked to reduce LTIFR to 2.8. Our actual number for the 2018-19 fiscal year was 4.1. We didn't hit our goal, but our actual number does show a 13 per cent improvement over the previous year. Additionally, we have seen a drop in workplace injuries where an action plan was created and implemented.

Last year we also introduced the Certificate of Recognition (COR) program which requires all construction contractors to have a comprehensive health and safety system, regardless of contract value. We also developed the Customer and Safety Charter recognition program. This award program recognizes staff and contractors (and external parties) who display behaviours that represent our Charter promises. Programs like this empower staff to be mindful of health and safety to help reduce workplace injuries, improve LTIFR and build a workforce committed to safety.

Metrolinx must comply with the Canadian Rail Operating rules. This includes adhering to Train Operating Rule Violations. In 2018-19 we reduced these violations by 35 per cent (exceeding our target of 30 per cent) in a 12-month rolling year result of 1.4 incidents per million train kilometers.

By March 2019 we aimed to establish Control Rooms for all operations teams as part of the lean continuous improvement plan. At the end of the financial year, we will have more than 35 control rooms implemented organization-wide.

As in previous years, we continued our partnership with Operation Life Saver. Over the 2018-19 fiscal year we delivered rail safety awareness sessions within our communities and shared several rail safety videos online (Twitter, YouTube, Metrolinx News blog). Additionally, we conducted a derailment exercise for staff in September. This exercise was to test the emergency management and crisis communications plans and was well received with great success and learnings.

PEOPLE

We pride ourselves on attracting dedicated, passionate and forward-thinking employees to deliver value for the organization, our communities and our clients.

For the seventh year in a row, Metrolinx was recognized as a Top Employer for Young People in Canada. We were also named one of the Greater Toronto Area's Top 100 Employers in 2019 and one of Canada's Greenest Employers for the second time.

Employee engagement and motivation are direct drivers for achieving our objectives. In 2018-19 we set out to improve our engagement score to 80 percent while also bringing our gender balance to 31 percent women for employees at the senior manager and executive levels by December 2018.

A survey was issued at the end of the 2018 calendar year that asked employees to share their opinions and experiences about feeling engaged, competent and confident in their work, training and opportunities. The survey determined that 75 percent of employees felt engaged in their work. These results show us that roughly one in four employees do not feel that way. A new employee engagement team has been established to develop new ways of improving the employee experience in the coming years.

Metrolinx continues to focus on diversity and inclusion goals. This year, we introduced a Diversity and Inclusion Unit within the Human Resources division and an Indigenous Relations Unit in the Communications and Public Affairs division. These business units will help Metrolinx grow its inclusion scope, attract a more diverse workforce and adopt more flexible thinking.

In February we introduced a new Fit for Duty Policy and began promoting a new "How to Report" mechanism for our Workplace Harassment & Discrimination policy. Both of these new processes were shared with staff through a number of channels including town hall presentations, all-employee emails, and letters included in pay envelopes. This approach ensured that these important organizational priorities were shared with all employees in the ways that best suit their roles and ways of accessing information, thus increasing engagement going forward.

PLAN & BUILD

Our achievements in this category create the conditions necessary to achieve our vision for the residents of the region. It's how we connect communities and how we continue to deliver value to our clients across the GGH.

Metrolinx's Benefits Management and Sponsor Office ensures that we deliver the right services for our customers. This office provides oversight of large projects and programs and brings accountability and control to the projects we lead. Each major project and program now has an assigned Sponsor who defines the benefits to be achieved, project deliverables, and ensures implementation teams have the necessary resources and are capable of delivering from planning through to operation.

In May 2018 we published our first Climate Adaptation Strategy as part of the requirement from the 2015-2020 Metrolinx Sustainability Strategy. This strategy is the first of its kind in Canada and comprises 40 key actions that will be implemented across Metrolinx to work towards ensuring a safe, reliable and resilient transit system. Through the strategy, we will have the ability to anticipate, accommodate and recover from extreme events quickly and efficiently. We have begun to take actions to respond to our changing climate. For example, we designed and constructed embankments to reduce flooding, improved monitoring processes to reduce vulnerabilities, and changed new rail installations to avoid track warping. Our climate resiliency program will help manage the uncertainties associated with climate change by applying robust solutions that are effective, economical and efficient under a wide range of climate scenarios. In 2018, business units developed implementation plans based on the key actions recommended in the strategy.

A Regional Transit Wayfinding Harmonization pilot project was introduced in early 2019 with installation of new signs and maps at Pickering and Hamilton GO stations, Finch Bus Terminal and UP Express stations. Based on customer feedback, we've refined the standards. Also this fiscal year, we developed a framework to support safe, convenient and independent transit use by all of our customers through Universal Design Standards. Primary focus areas are accessible routes and elevator and platform identification.

We continued to partner with transit agencies in the region for the benefit of travellers. Regional Roundtable events took place in July and October 2018 as well as February 2019. These meetings were convened with chief administrative officers (CAOs) from each region to discuss regional issues. Several transit agencies have expressed interest in adopting the Regional Transit Wayfinding Harmonization standards. We also added real-time information to the Triplinx trip planner. Updated Triplinx information during the year came from Brampton Transit, Grand River Transit, City of Barrie and Niagara Region.

Metrolinx is committed to integrating sustainability principles and best practices in the planning and design of our assets, including those being delivered through public private partnerships. Over the last year we monitored and reported on key environmental and sustainability targets in keeping with the Global Reporting Initiative (GRI). Actions in 2018-19 included installation of photovoltaic panels and geothermal systems at Erindale, Ajax, Pickering, Oakville and Clarkson GO stations. (See Appendix B: GRI Report).

Planning and development continued for Bus Rapid Transit and all of the Metrolinx Light Rail Transit (LRT) lines: Eglinton Crosstown, Finch West, Hamilton and Hurontario.

The Eglinton Crosstown LRT project achieved substantial completion of the maintenance and storage facility and 10 kilometres of track were laid. We received the first six light rail vehicles that will operate on this line once it begins service. Construction continues on the Crosstown at all underground stations, along the at-grade portion of the guideway, and on at-grade portions along the eastern sections of the route.

The Finch West LRT project reached financial close in May 2018. The project contract is valued at \$2.5 billion. Contract awardees Mosaic Transit Group submitted the first 60 per cent of the design package by end of 2018.

The Hamilton LRT Request for Proposals (RFP) was issued in April 2018 to three teams who will each prepare a proposal that provides details on how they would design, build, finance, operate and maintain the project. In March 2019, the Minister of Transportation, confirmed the government's commitment of \$1 billion for this project and property acquisitions resumed, including properties necessary for construction of the maintenance and storage facility.

Community relations play a vital role in the rollout of new rapid transit projects. Hurontario LRT community outreach and engagement continued along the corridor throughout 2018-19 with visits to more than 1,000 properties and more than 8,000 in-person conversations. These kinds of interactions keep our communities in the know and help them better understand the value in our work and the positive impact to the community.

We continued to grow our service area through GO Expansion projects and the introduction and improvement of stations throughout our corridors.

The Lower Galt track realignment project along the Milton Corridor was completed in June 2018. Work included utility relocation, track realignment, new switch supply and installation, and signal upgrades.

Cooksville GO Pedestrian Bridge was lifted into place on November 3, 2018. The parking structure at this location is nearing completion and work on the new station has started.

At Bramalea GO station, the new west tunnel was installed in September and a temporary parking lot with more than 700 spots for customers to use during construction opened in November. In February 2019 a temporary platform extension was added to accommodate additional express service on the Kitchener corridor.

Preparatory work for the Highway 401 tunnel project to support increased service on the Kitchener corridor started in the summer of 2018. Construction started in March 2019 with initial work focused on drilling for the east and west retaining walls. In the meantime, utility and early works on the Stouffville stations and grade separation program started in August 2018.

Efficiently repairing and maintaining our trains is key to delivering value to our customers. In line with that commitment, we opened the new Whitby Rail Maintenance Facility on September 4, 2018. Offering improved train control and operation, our new Network Operations Centre in Oakville went into service in October 2018.

Construction of a new bus terminal started at Kipling Station in summer 2018. The terminal will provide

an important link as part of a new Kipling Mobility Hub in the vicinity of the City of Toronto's Six Points Interchange reconfiguration and future site of the Etobicoke Civic Centre. The expansion of the south parking lot at the station was completed and opened to the public in September 2018.

We also completed the Trainshed Vertical Access Rehabilitation project at Union Station in February 2019 and made parking improvements at Streetsville GO Station with 259 extra spaces added along with more lighting, better walkways and signage.

CUSTOMER EXPERIENCE

The transit customer experience starts with the vehicles themselves, and Metrolinx's Transit Procurement Initiative (TPI) continues to deliver real value by facilitating procurement and achieving savings for agencies across the province in their purchasing of transit vehicles and equipment. During 2018-19, TPI achieved milestones with the TTC and OC Transpo. The TTC placed its third order for 48 Wheel-Trans vehicles, bringing its total purchase through TPI to 128 vehicles. OC Transpo made its first order of 82 conventional buses, the largest single order ever placed through TPI.

People rely on GO Transit each day to get to work, school and to visit family and friends. So, we are always looking for ways to deliver increased value to our customers and help get them where they are going better, faster and easier.

This past year, Metrolinx added 160 new double decker buses, 43 new train coaches, and 16 new locomotives to its GO Transit fleet. Thirty-two train coaches were also refurbished to improve customer comfort.

GO Transit ridership increased by 5.3% with ridership totalling 76.2 million¹ in 2018-19 compared to 72.4 million in 2017-2018. In the last year, GO train ridership was more than 59.8 million; GO bus ridership was more than 17 million; UP Express ridership was about four million.

We're always aiming to improve our on-time performance. On average, over the 2018-19 fiscal year, 91.5% of GO trains arrived within five minutes of the scheduled time, 95% of GO buses arrived within 15 minutes and 96% of UP Express trains arrived within five minutes.

Not only did we work on improving on-time performance, we also increased our service by 13.9%. Weekday train service for Niagara Falls and St. Catharines was introduced with 10 weekly trips, four years ahead of schedule. The Kitchener GO line got 10 new weekly peak period trips, and 30 existing peak period trips were extended to serve more stations on the line. We added 267 more weekly trips between Oakville and Oshawa along the Lakeshore GO lines including 15-minute off-peak weekday service. Fourteen weekly trips were added to UP Express and service hours were extended.

More and more of our riders are taking advantage of the benefits of PRESTO. In 2018-19, PRESTO adoption grew with more than 1.9 million unique PRESTO cards used in the month of March - an increase of almost 700,000 since March 2017. The overall PRESTO adoption rate has now reached 67% led by GO Transit with the highest percentage adoption. Monthly PRESTO card boardings have steadily increased to a high of 61 million.

In December 2018, the TTC retired the Metropass, which was transitioned to a monthly or 12-month pass on PRESTO. More than 208,000 PRESTO monthly passes were sold in March 2019. The TTC adoption rate has risen to an all-time high of 66.8 percent as a result of nearly 200,000 customers moving over to PRESTO at the end of 2018.

Buying, loading and using a PRESTO card has never been easier thanks to the PRESTO additions and improvements that were rolled out in 2018-19.

Rollout of the PRESTO partnership with Shoppers Drug Mart stores (and select Loblaw locations) was

¹ This total does not include transfers which totalled 4.5 million for the year.

completed and today 384 retail stores across Toronto, the GTHA and Ottawa are selling and loading PRESTO cards.

Delivery and installation of new second-generation self-serve reload machines and completion of civil works for the installation of automated TTC PRESTO-enabled fare gates have taken place at every TTC subway station. Fare vending machines have also rolled out across all TTC subway stations and entrances. These devices allow customers to purchase a PRESTO card with cash, credit or debit, add value or a monthly pass to their card, and check their card balance or transaction history.

We launched the iOS and Android PRESTO Mobile App, which allows customers to manage and load their PRESTO card on the go. It has been downloaded more than 400,000 times. For most Android phones with near field communications (NFC) capabilities, the app will allow customers to load funds and passes instantly to their PRESTO card. Users can also check their balance, review their trip history, or set up Autoload or Autorenew.

Not only is buying and loading simpler, but new offers deliver more value to cardholders. As of August 2018, TTC customers with a PRESTO card can tap onto transit and ride an unlimited number of times in any direction within a two-hour window for only one fare. In late 2018, PRESTO completed field trials for PRESTO Tickets – limited-use paper fare tickets for the TTC. PRESTO Tickets will be ideal for infrequent travellers, visitors to the city, or customers who may have forgotten their PRESTO card.

A newly introduced PRESTO Perks programs allowed customers with a PRESTO card to receive discounts at select attractions including the ROM, Ripley's Aquarium, Bike Share, LEGOLAND, AGO, Hockey Hall of Fame, Aga Khan Museum, Toronto Rock Lacrosse Club and International AutoShow.

We continued partnerships with major events to offer promotional pricing such as ride and ticket combo packages. Throughout the year such partnerships included the Honda Indy, Royal Agricultural Winter Fair, Toronto Santa Claus Parade, International Autoshow and the One of a Kind Show. Scotiabank launched limited edition Scotiabank Arena PRESTO cards at TTC and GO stations to support the Toronto Raptors and Toronto Maple Leafs home opener games. Those cards gained 60 million earned media impressions and 35 million in paid media impressions.

We also partnered with other transportation organizations. Metrolinx collaborated with VIA Rail to offer inter-line connections for passengers from Kitchener and Niagara who were able to use GO train services to connect to their VIA train at Union Station. UP Express ticket sales and information kiosks were established at Pearson Airport in Terminals 1 and 3. Ticket sales at the kiosks averaged 1,200 per week with revenues in excess of \$14,000 weekly. Getting to and from UP Express was made easier thanks to a pilot partnership with Uber in which reserved Uber parking spots were introduced at UP stations.

In March 2019, Metrolinx implemented the Kids GO Free program after a successful pilot on the Barrie line. This program allows children 12 and under to ride for free on all trips across the GO Transit network without a PRESTO card. Not only can kids ride for free, but so can pets. In December 2018, the Metrolinx Board unanimously approved pet policy changes to allow customers to ride with their pets on GO trains and buses during off-peak times.

Commuting was made easier for our customers through new bilingual announcements on GO buses and trains and the "Where's My Bus" application. This app allows customers to check on the real-time

status of their buses.

And our customers are feeling satisfied! Surveys administered by independent parties during the fiscal year² yielded the following results:

- Overall satisfaction with GO Transit - 73%
- Overall satisfaction with GO Train service 76%
- Overall satisfaction with GO Bus service - 76%
- Overall satisfaction with UP Express - 86%
- PRESTO satisfaction - 80%

GO & UP Customer Charter KPIs						
Promise	Service Brand	Measure	Target	2018/19 Fiscal Year to Date		2017/18 Fiscal
To Do Our Best To Be On Time.	GO	We will run 95% of trains within 5 minutes of scheduled time.	95%	91.5%	Not yet met	95%
		We will run 96% of buses within 15 minutes of scheduled time.	96%	95.0%	Not yet met	95%
	UP	We will run 98% of trains within 5 minutes of scheduled time.	98%	95.7%	Not yet met	NEW
To Always Take Your Safety Seriously.	GO	We will have 30 or fewer complaints per 1,000,000 boardings regarding safety.	30 or Fewer	24.4	✓	28
	UP	We will have 2 or fewer complaints per 100,000 boardings regarding safety.	2 or Fewer	0.3	✓	NEW for 2019
To Keep You In The Know.	GO	We will have 30 or fewer complaints per 1,000,000 boardings regarding service status communication.	30 or Fewer	17.5	✓	16
	UP	We will have 4 or fewer complaints per 100,000 boardings regarding service status communication.	4 or Fewer	2.2	✓	NEW for 2019
To Make Your Experience Comfortable.	GO	We will have 30 or fewer complaints per 1,000,000 boardings regarding comfort in stations, trains, and buses.	30 or Fewer	35.8	Not yet met	28
	UP	We will have 1 or fewer complaints per 100,000 boardings regarding comfort in stations and trains.	1 or Fewer	0.8	✓	NEW for 2019
To Help You Quickly and Courteously.	GO	We will ensure that 80% of all calls are answered within 20 seconds or less.	80% or Higher	78.7%	Not yet met	97%
	UP	We will ensure that 80% of all calls are answered within 20 seconds or less.	80% or Higher	95.4%	✓	NEW for 2019

It's not just our regular riders we want to satisfy. It's important to Metrolinx that our surrounding communities feel respected and served and see the value in our plans. To uphold that commitment we continued our outreach and engagement throughout the fiscal year.

We launched the Transit in your Community program, targeting public education and awareness in schools.

Through our flagship Community Benefits program, we continued work with several communities along the LRT corridors. Metrolinx committed to include a Community Benefits Framework in partnership with the Toronto Community Benefits Network (TCBN) for the LRT projects along Finch and Eglinton Avenues, beginning with the Eglinton Crosstown. The purpose of Metrolinx's Community

² Overall Satisfaction with GO Transit, GO Train service, GO bus service surveys completed in February 2019. PRESTO Customer Satisfaction survey completed in September 2018 and UP Express Customer Satisfaction Survey completed in Summer 2018

Benefits Program is to provide opportunities and other benefits for local residents (e.g., equitable hiring practices, training, apprenticeship, local supplier and social procurement opportunities, where possible). We are working towards a shared goal of 10% of all trade and craft working hours on a given project to be performed by people from historically disadvantaged communities and equity-seeking groups. To date, 254 apprentices and journeypersons, professional administrative and technical workers have been hired to work on the Crosstown project. In addition, a total of \$5.4 million has been spent at local businesses along Eglinton and \$485,698 has been spent on social enterprises.

We launched the Adopt-a-Station pilot at Agincourt GO Station. This program is designed to bring a sense of pride and community and demonstrate collaboration and partnership with local communities.

Our first ever regional town hall meeting open to the public was held in March 2019 in Kitchener. The Senior Management Team held four other public town hall meetings at Metrolinx headquarters in Toronto. All meetings offered the opportunity to participate online, by submitting questions and watching via live webcast.

Overall we held 237 public meetings and 1233 stakeholder briefings, and handled 12,177 pieces of correspondence, sent 867 e-blasts and were involved in 711,455 direct-to-home interactions with residents and community members.

GOVERNANCE

Metrolinx is an agency of the Government of Ontario and is guided by a mandate from the Minister of Transportation, on behalf of the Premier of Ontario.

The Board of Directors is responsible for setting Metrolinx's strategic direction, identifying, managing and monitoring key risks, as well as providing oversight to operations. The Chair of the Board is accountable to the Minister of Transportation.

In December 2018 the Metrolinx Act was amended to focus the agency on regional transit delivery and service excellence. These amendments also expanded Metrolinx's regional transportation area to the Greater Golden Horseshoe, modified the scope and the development, review, amendment and approval process for the Regional Transportation Plan (RTP), and further clarified the agency's objects, duties and accountabilities.

The Metrolinx Board of Directors includes up to 15 members from several communities in the Greater Golden Horseshoe. They are appointed through Order in Council under the Metrolinx Act, 2006.

There were several members whose term ended during the 2018-19 fiscal year.

Board Members who served in the 2018-19 Fiscal Year

J. Robert S. Prichard, Chair

Served from May 14, 2009 - July 12, 2018

Upkar Arora

Served from September 8, 2015 to September 7, 2018

Rahul Bhardwaj

Served from May 14, 2009 to January 12, 2019

Bill Fisch

Served from September 30, 2015 to September 29, 2018

Marianne McKenna

Served from July 18, 2012 to December 31, 2018

Rose M. Patten

Served from May 14, 2009 to January 12, 2019

Bonnie Patterson

Served from July 18, 2012 to December 31, 2018

Howard Shearer

Served from July 18, 2012 to December 31, 2018

Carl Zehr

Served from September 8, 2015 to September 7, 2018

Sharleen Stewart

Served from October 4, 2017 to January 10, 2019

Current Board Members

Donald Wright, Chair

Serves from August 13, 2018 to August 12, 2019

Bryan Davies, Vice Chair

Serves from September 8, 2016 to November, 2020. Appointed Vice Chair in November 2017

Katherine Bardswick

Serves from April 5, 2017 to April 4, 2020

Janet Ecker

Serves from October 31, 2012 to October 30, 2019

Luigi Ferrara

Serves from January 17, 2019 to January 16, 2022.

Anne Golden

Serves from April 14, 2017 to April 14, 2020

Michael Kraljevic

Serves from January 17, 2019 to January 16, 2022

Emily Moore

Serves from January 17, 2019 to January 16, 2022

Reg Pearson

Serves from February 14, 2019 to February 13, 2022

Robert Poirier

Serves from January 17, 2019 to January 16, 2022

Clio Straram

Serves from January 17, 2019 to January 16, 2022

Paul Tsaparis

Serves from January 17, 2019 to January 16, 2022

Phil Verster, President & CEO

Serves from October 2, 2017 to October 01, 2020

Total remuneration for the board from April 1, 2018 to March 31, 2019 was \$198,416.74.

MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion & Analysis

Corporate Performance

Metrolinx revenue comprises of fare revenues from transit operations, including bus and rail services, as well as non-fare revenues, including partnership, advertising and commercial space rent. Net loss represents the excess of operating expenses, including amortization, over revenues earned in the year. The net loss for the fiscal year ended March 31, 2019 of \$15.3 million was lower than the 2017-18 actual loss of \$23.3 million and lower than 2018-19 budgeted loss of \$42.8 million.

The following table summarizes the consolidated revenues, operating costs and ridership for Metrolinx for fiscal year ending 2018-19, the three prior fiscal years and the 2018-19 Budget.

Summary of Corporate Performance	2015-16	2016-17	2017-18	2018-19	2018-19
(rounded to 000')	Actual	Actual	Actual	Actual	Budget
Operating Costs	776,094,000	849,735,000	994,532,000	1,156,399,000	1,148,225,000
Fare Revenue	479,473,000	519,899,000	540,989,000	566,663,000	537,989,000
Non-fare Revenue	45,326,000	52,143,000	64,688,000	95,383,000	102,134,000
Ridership	66,590,000	70,232,000	72,374,000	76,225,000	73,967,000

Financial Report

The following discussion and analysis of the financial condition and results for Metrolinx should be read in conjunction with the audited financial statements and related notes for the fiscal years ended March 31, 2016 (fiscal 2015-16), March 31, 2017 (fiscal 2016-17), March 31, 2018 (fiscal 2017-18) and March 31, 2019 (fiscal 2018-19).

Financial Report	2015-16	2016-17	2017-18	2018-19	2018-19	2018-19
(rounded to '000)	Actual	Actual	Actual	Actual	Budget	Variance
Revenue						
Fare Revenue	479,473,000	519,899,000	540,989,000	566,663,000	537,989,000	28,674,000
Non-fare Revenue	45,326,000	52,143,000	64,688,000	95,383,000	102,134,000	(6,751,000)
Provincial Contributions	233,829,000	262,834,000	341,309,000	478,135,000	467,043,000	11,092,000
Amortization of Deferred Capital Contributions	453,057,000	520,871,000	616,494,000	700,977,000	684,268,000	16,709,000
Gain/(loss) on disposal of capital assets	(72,000)	(376,000)	19,837,000	(536,000)	-	(536,000)
Total Revenues	1,211,613,000	1,355,370,000	1,583,317,000	1,840,622,000	1,791,434,000	49,188,000
Expenditures						
Supplies & services	81,469,000	88,746,000	97,112,000	177,074,000	127,766,000	49,308,000
Equipment maintenance	90,847,000	99,944,000	118,192,000	117,855,000	128,738,000	(10,883,000)
Facilities & track	107,519,000	129,897,000	146,002,000	168,967,000	177,745,000	(8,778,000)
Labour & benefits*	273,342,000	282,963,000	318,656,000	336,167,000	334,405,000	1,762,000
Operations	222,918,000	248,185,000	314,570,000	356,336,000	379,571,000	(23,235,000)
Amortization of capital assets	456,685,000	521,815,000	611,795,000	699,248,000	685,657,000	13,591,000
Amortization of long-term leases	327,000	327,000	327,000	327,000	327,000	-
Total Expenditures	1,233,107,000	1,371,877,000	1,606,654,000	1,855,974,000	1,834,209,000	21,765,000
Net loss	(21,494,000)	(16,507,000)	(23,337,000)	(15,352,000)	(42,775,000)	27,423,000

Note:

Numbers may not add due to rounding

* Actual includes long-term accruals for post-employment benefits which are not funded

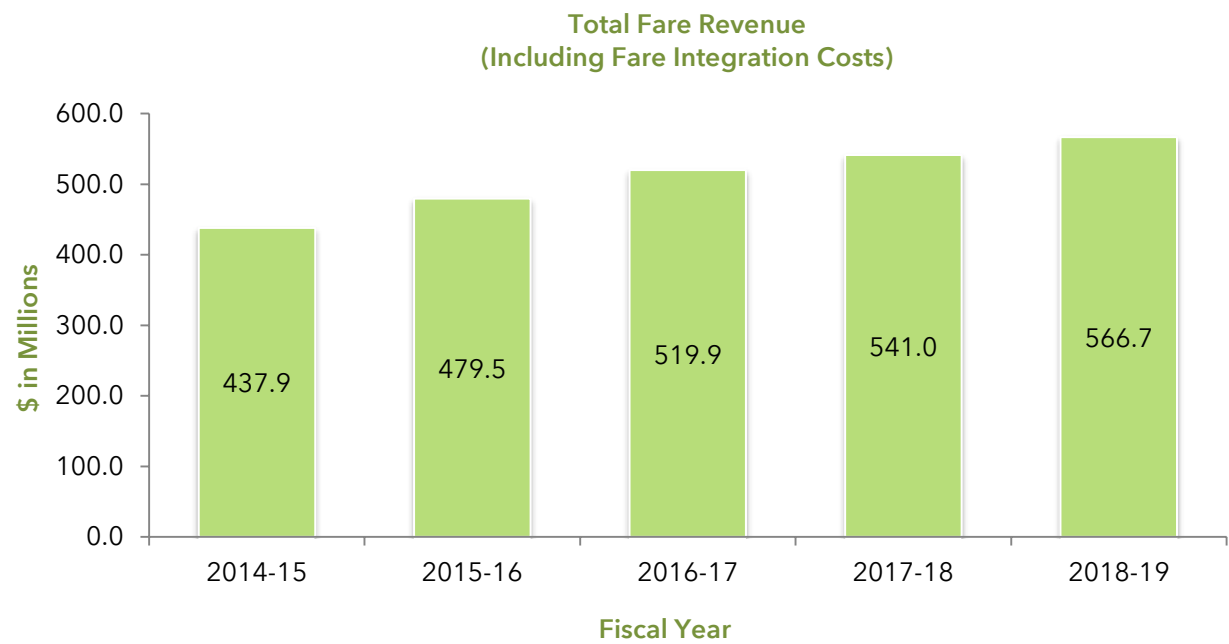
Revenues

Fare revenue

Metrolinx fare revenue from transit operations, including bus and rail services, increased in 2018-19 to \$566.7 million compared to prior year’s \$541.0 million. The increase of 25.7 million or 4.8% in fare revenue was a result of several factors such as an increase in service capacity of 13.9% resulting in additional GO train services. Close to 300 more weekly train trips were added and 10 more weekly peak period train trips along with Kitchener GO line and 30 peak period trips were extended. Revenues also increased as ridership on the UP Express increased by 14.1%. Fourteen weekly trips were added to UP Express and service hours were extended.

Ridership was also impacted by several new fare integration initiatives. A new discounted double fare between GO/UP Express-TTC was introduced in January 2018. This discounted fare is offered to commuters who use their PRESTO card for a combined journey using GO or UP Express and TTC. GO fares were also reduced for short distance trips. GO trips up to approximately 10 kilometres have been reduced to \$3.70 when using a PRESTO card.

Total fare integration costs related to the double discount was \$21.0 million. The actual revenue for the year was also higher than budgeted by about \$28.7 million or 5.3%. In the five year period from fiscal 2014-15 to 2018-19, fare revenue has increased at a compounded annual growth rate of 5.3%.



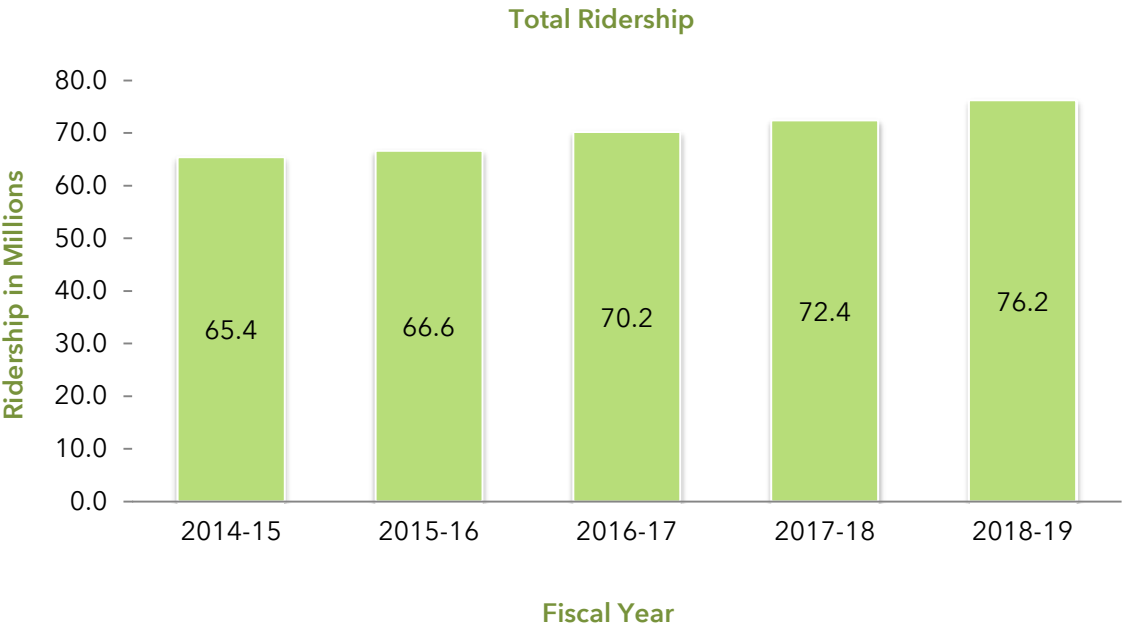
Ridership

Metrolinx ridership reflects the use of GO and UP trains and GO buses across the region. Year over year ridership increased from 72.4 million in 2017-18 to 76.2 million in 2018-19, an increase of 3.8 million or 5.3%. This encouraging and positive increase is also reflected in higher fare revenue.

Over the last year, Metrolinx announced many improvements for GO customers, including:

- the introduction of weekday GO train service to Niagara and St. Catharines;
- more peak GO train service on the Lakeshore East and Kitchener corridors;
- more off-peak GO service on the Barrie, Stouffville, Lakeshore West and Lakeshore East corridors;
- introduction of discounted double fares for customers that are transferring between GO Transit/UP Express and TTC; and
- introduction of the two-hour transfer for PRESTO users on the TTC, allowing customers to tap onto transit an unlimited number of times, in any direction, within a two-hour window.

Metrolinx continues to work with a number of professional organizations and industry partners to keep abreast of changing economic conditions and demographic shifts to understand how anticipated changes may affect regional rail and bus network demand and performance over time.

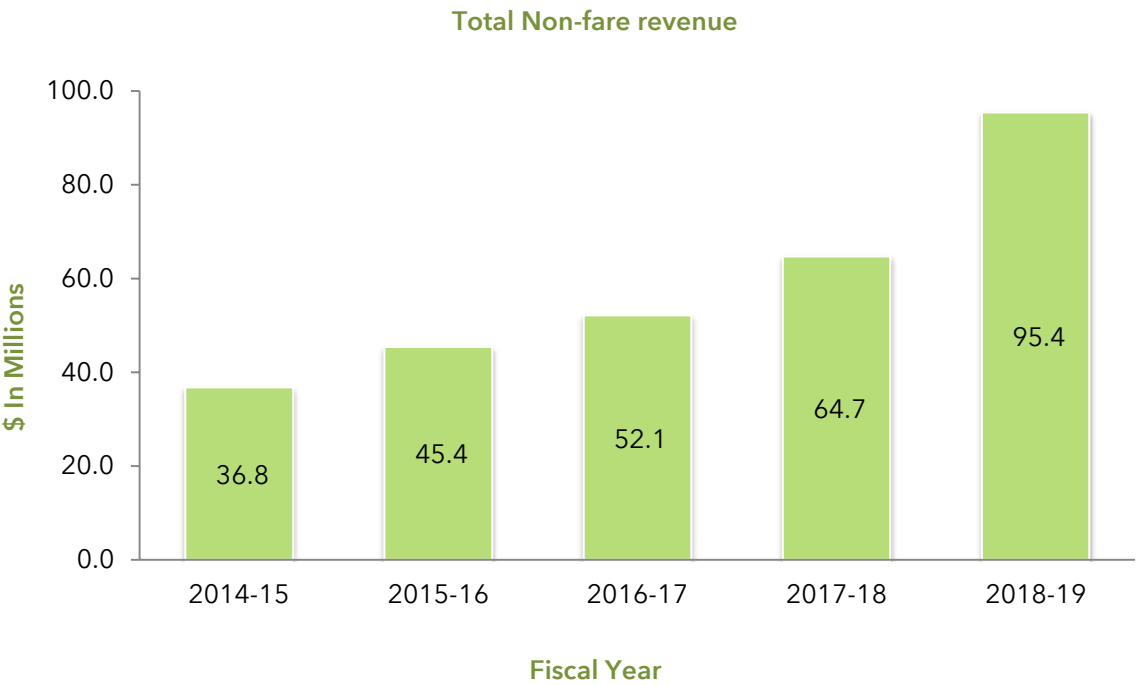


In the five year period from fiscal 2014-15 to 2018-19, ridership increased at a compounded annual growth rate of 3.1%.

Non-fare revenue

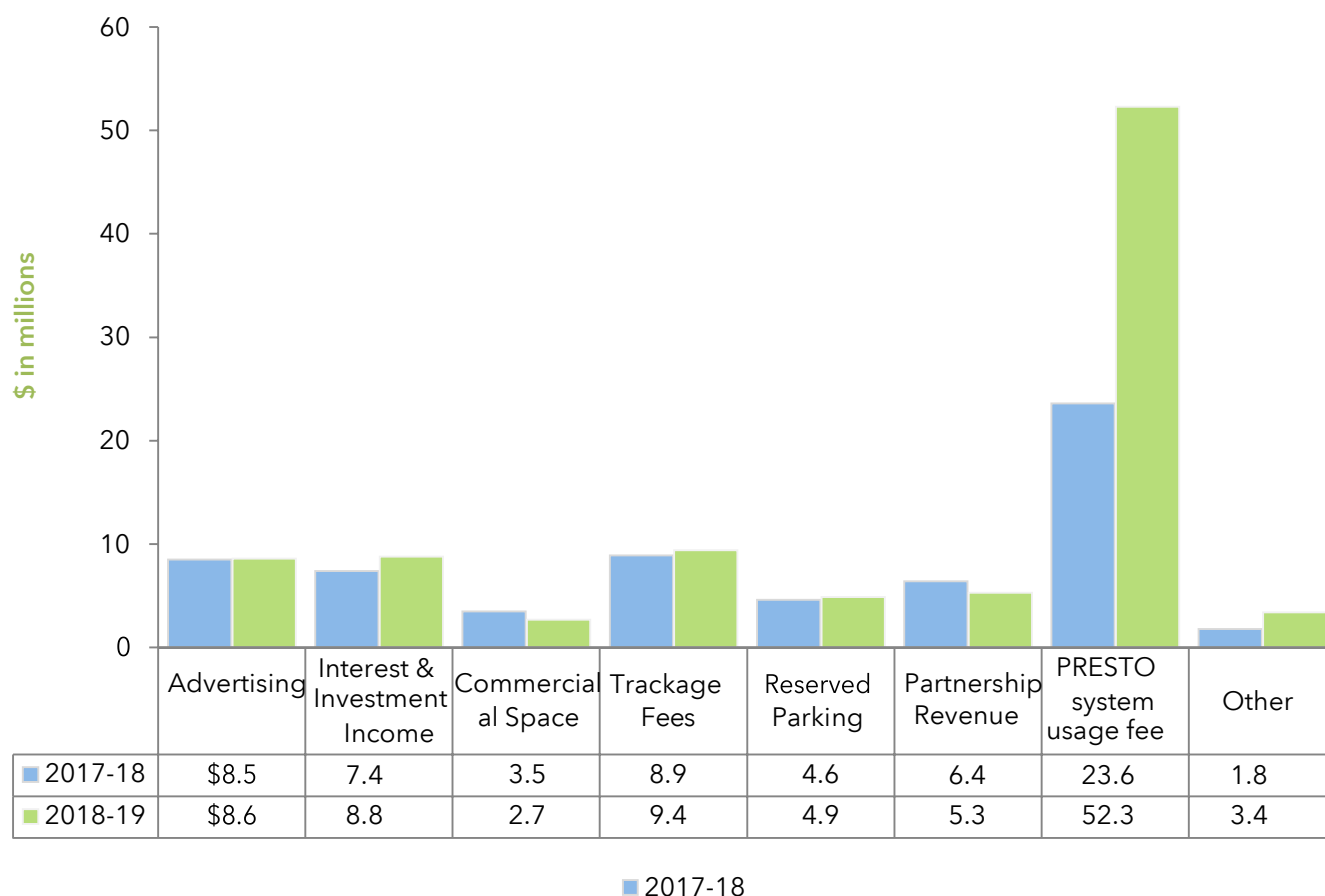
Non-fare revenue consists of partnership and advertising revenue, fees collected from TTC and other transit providers for the use of the PRESTO system, corridor access fees and commercial space revenue.

The following chart shows non-fare revenue performance from 2014-15 to 2018-19. Non-fare revenues were \$95.4 million (excluding gain/loss on sale of capital assets) in 2018-19 in comparison to \$64.7 million in 2017-18, an increase of \$30.7 million or 47.4%.



In the five year period from fiscal 2014-15 to 2018-19, non-fare revenue increased at a compounded annual growth rate of 21.0%. The following chart shows the year over year performance of components of non-fare revenue for the fiscal years ending March 31, of 2018 and 2019.

Non-fare Revenue



PRESTO system usage fee was the major contributing factor this year. Usage fees increased from \$23.6 million in 2017-18 to \$52.3 million in 2018-19, an increase of \$28.7 million or 121.6%. The increase in fees is primarily due to: increase in PRESTO card boardings; availability of two-hour transfers window; transition of TTC Metropass to PRESTO monthly and 12-month passes; and, completion of the rollout of PRESTO partnership with Shoppers Drug Mart.

Non-fare partnership revenue is derived from partnerships with a number of companies in the private sector representing the financial services, information and technology, consumer electronics and retail food services sectors. Partnership revenue declined from \$6.4 million in 2017-18 to \$5.3 million in 2018-19, a decrease of \$1.1 million. We anticipate non-fare revenue from these sources to grow over time as we expand service levels and infrastructure capacity, such as the opening of new stations.

Interest and investment income increased from \$7.4 million in 2017-18 to \$8.8 million in 2018-19, an increase of \$1.4 million or 18.9%. The increase was driven by higher interest rates and higher PRESTO e-purse bank balance resulting from higher commission revenue.

Metrolinx owns most of its transit railway corridors and also shares its corridors with its partners including Canadian National Railway (CN) and Canadian Pacific Railway (CP). Railway partners pay access corridor fees on Metrolinx-owned corridors that cover signalling, dispatch and communications costs. Trackage fees increased from \$8.9 million in 2017-18 to \$9.4 million in 2018-19, an increase of \$0.5 million or 5.6%.

Government Funding

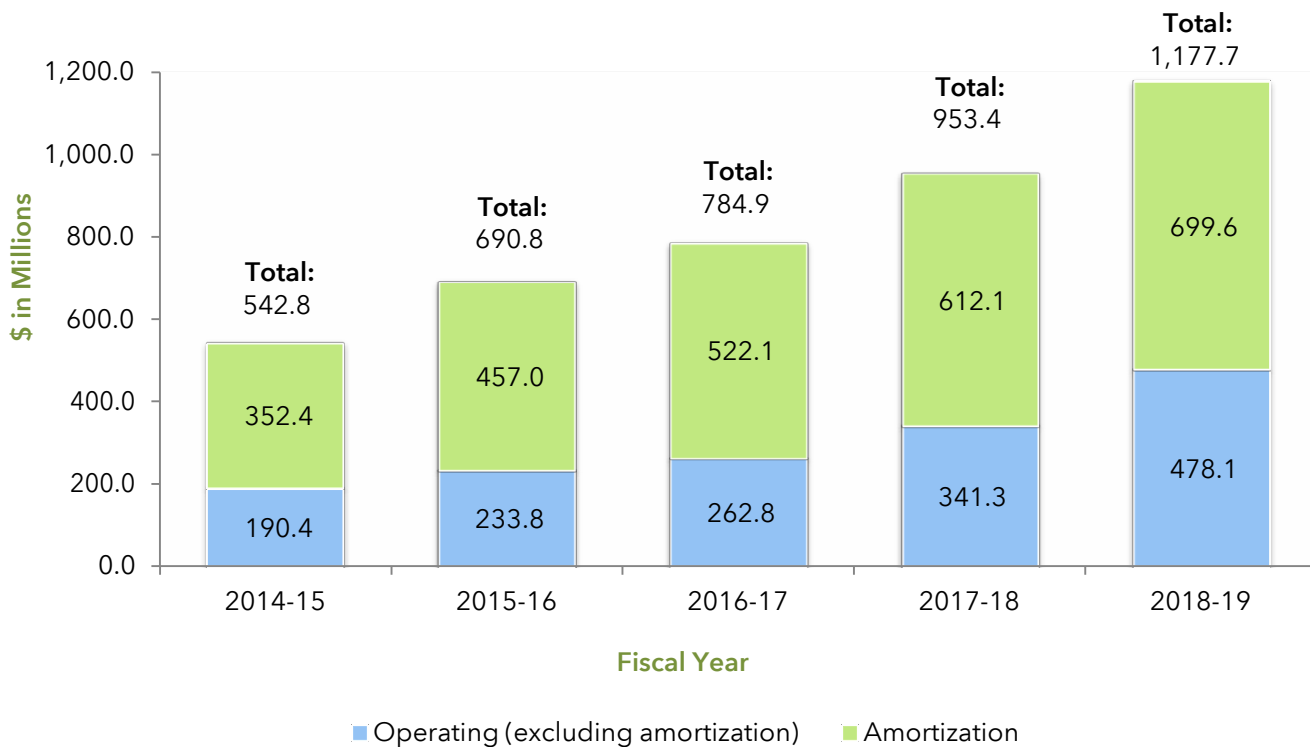
Operating Subsidy

Metrolinx received approximately \$478.1 million in operating subsidy from the Province of Ontario (the Province), an increase of about \$136.8 million or 40.1% from 2017-18. Operating subsidy from the Province has increased at a compounded annual growth rate of 20.2% each year since 2014-15. No municipal or federal operating subsidy or grant has been received over the last five years. The operating subsidy is used for implementing many of the commitments made under the Regional Transportation Plan (RTP).

A significant portion of the increase in subsidy was used to support increases in operating expenses including: Supplies and Services, which increased by \$80.0 million to \$177.1 million; and, Operations, which increased by \$41.8 million to \$356.3 million.

Amortization has been fully funded by the Province. Amortization expense for the year was \$699.6 million or \$13.6 million over the budget of \$686.0 million.

Operating Subsidy & Amortization



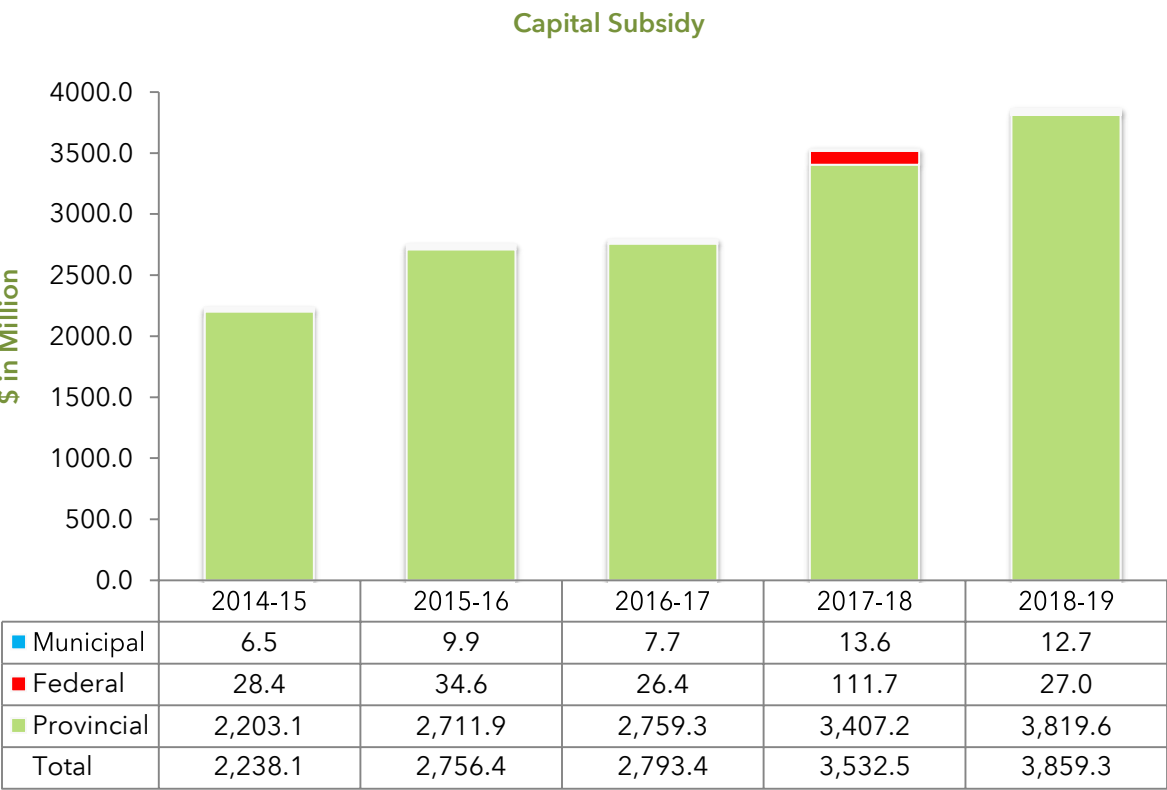
Capital Subsidy

Capital subsidy grew by \$326.8 million to \$3,859.3 million in 2018-19 from \$3,532.5 million in 2017-18. Funding from the Province of Ontario totaled \$3,819.6 million for 2018-19. Metrolinx also received capital funding from the federal government of \$27.0 million and \$12.7 million from municipal governments.

Federal funding from three separate programs, Canada Strategic Infrastructure Fund (CSIF), PRESTO CSIF program and P3 Canada contributes to the Metrolinx capital program. In addition, municipalities contribute towards the GO Expansion program.

The original CSIF program is still funding portions of the Union Station Rail Corridor Train Control system and the PRESTO CSIF program is contributing funding towards the implementation of PRESTO on the TTC.

Federal funding was reduced to \$27.0 million from \$111.7 million last year. This decrease was primarily due to receiving federal funds from P3 Canada during the previous year for construction of the Whitby maintenance facility.



Fiscal Year

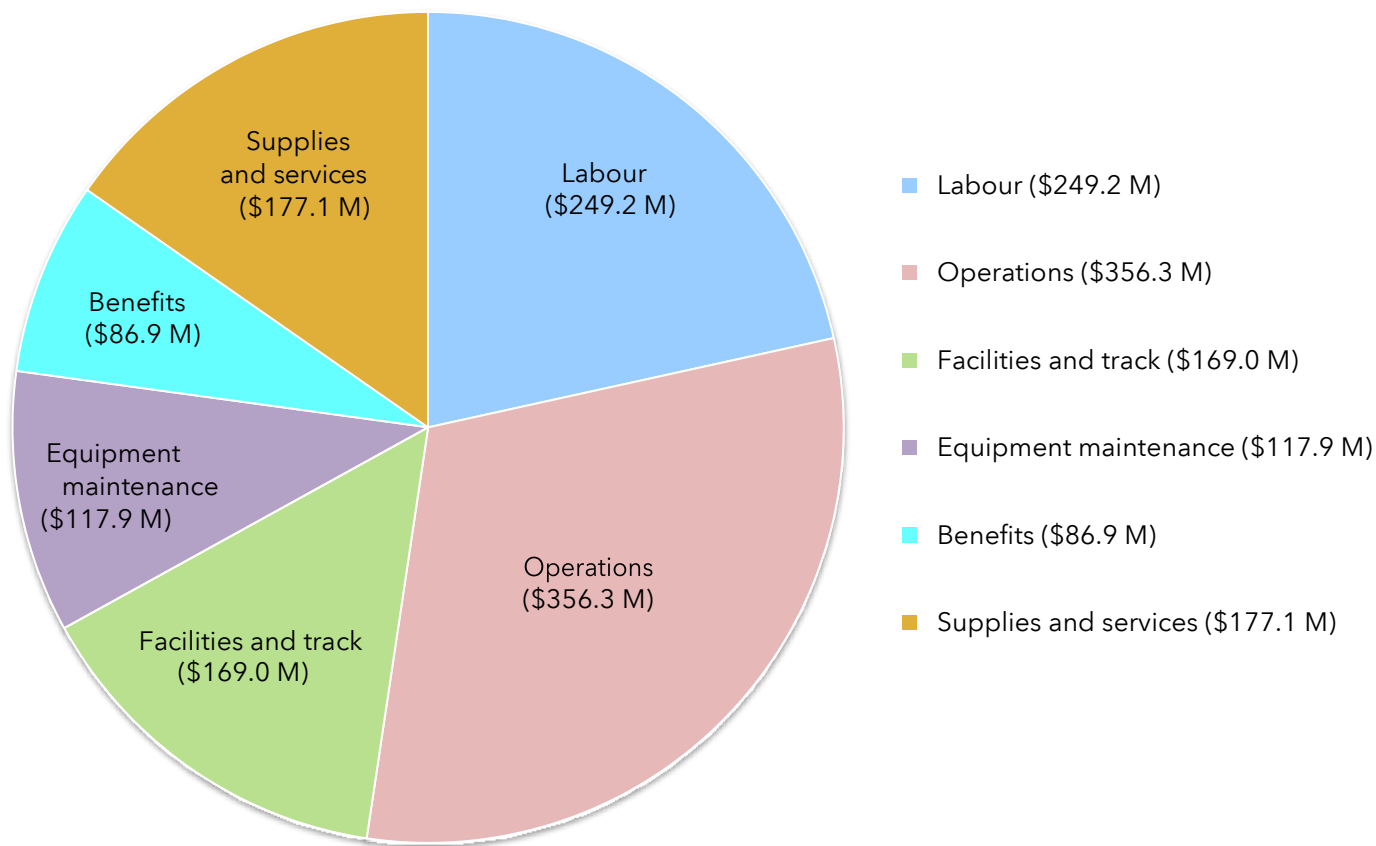
Operating and Capital Expenditures

Operating Costs

Operating costs, before amortization, for the year were \$1,156.4 million or \$8.2 million (0.7%) over the budget of \$1,148.2 million. The increase in spending was primarily due to increase in Supplies & Services of about \$49.3 million offset by declines in spending on Equipment & Maintenance of \$10.9 million, Facilities & Track of about \$8.8 million and Operations of about \$23.2 million.

Operating expenditures by category are shown below.

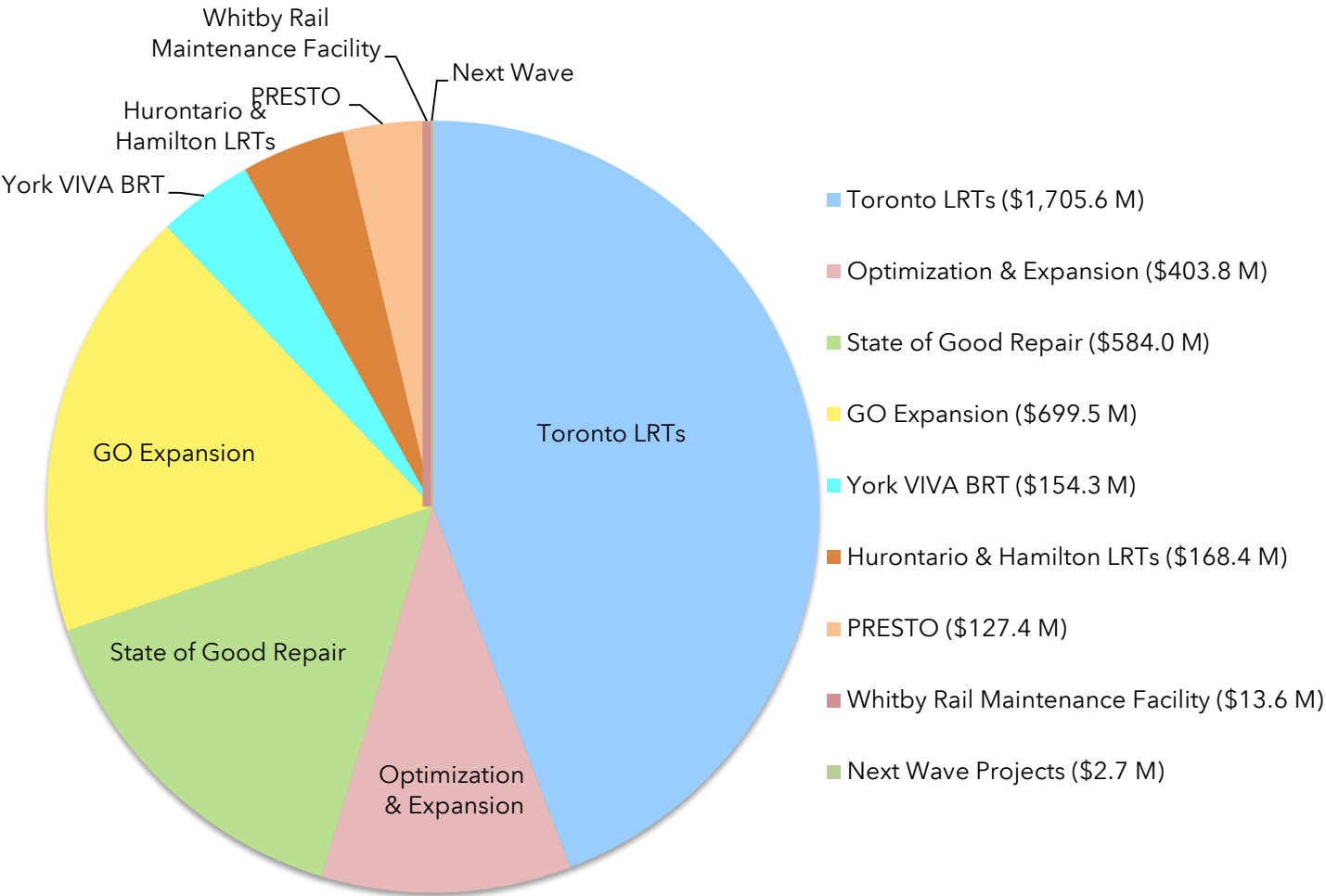
Operating Expenditures by Category



Capital Investments

In 2018-19, Metrolinx continued working towards the Province’s priority to significantly increase investment in public transit infrastructure. Major capital projects such as implementation of GO Expansion and Optimization, implementation of PRESTO fare system on TTC, construction of VIVA BRT and Eglinton Crosstown projects commenced, achieved key milestones, or were completed during the fiscal year. Significant investments were also made towards the State of Good Repair (SOGR) program for existing infrastructure in order to maintain and improve safety and reliability. Capital expenditures in 2018-19 were \$3,859.3 million.

2018-19 Capital Expenditures by Category



Capital Investments – Budgeted and Actual

Metrolinx is advancing a large and growing program, including signature projects like the GO Expansion program, the Eglinton Crosstown LRT, Finch West LRT, Hurontario LRT, Hamilton LRT and York VIVA BRT. In 2018-19, Metrolinx's capital expenditure was \$3,859.3 million, which is \$344.9 million lower than the available funding of \$4,204.2 million.

GO Expansion stems directly from the Province's commitment to transform the GO Transit rail network. Capital costs associated with the GO Expansion are estimated to be \$13.5 billion (2014\$). The GO Expansion program has the largest underspend to report this year as the program is still implementing a revised procurement strategy approved by the Metrolinx Board of Directors in June 2016, which incorporates much more extensive reliance on P3 methods. While this approach is expected to result in similar overall delivery time frames, additional time is required to prepare for and conduct the procurement phase, shifting some anticipated design and construction expenditures into subsequent fiscal years.

In late June 2016, a revised procurement strategy for the GO Expansion program was approved by the Metrolinx Board of Directors, which incorporated much more extensive reliance on alternative financing and procurement (AFP) methods. While this approach is expected to result in similar overall delivery time frames, additional time is required to prepare for and conduct the procurement phase, shifting some anticipated design and construction expenditures into subsequent fiscal years.

Expansion and Optimization portfolio also includes underspending on other projects, including delays in property acquisitions for the GO Expansion program and delays in AFP Early Works for Cooksville Station, Kipling Bus Terminal and Lakeshore East Grading Package.

State of Good Repair (SOGR) includes assets that are regularly scheduled for repairs and maintenance and rehabilitation. Actual spending of \$584.0 million was under budget by about \$163.0 million. To better meet budgeted spending targets, a more robust review of capital plans is being performed to ensure SOGR projects are delivered within 3% of their 2018-19 targets. Focused efforts are also being made to improve data quality and to provide reporting on contracts and detailed cost positions.

A number of PRESTO enhancements were made such as delivery and installation of new second-generation self-serve reload machines, completion of civil works for the installation of automated TTC PRESTO-enabled fare gates and launching of iOS and Android PRESTO Mobile App.

Capital Expenditures by Category (\$ in millions)	2018-19 Actual	2018-19 Amended Budget	2018-19 Variance
GO : Expansion & Optimization	403.8	736.0	(332.2)
State of Good Repair	584.0	747.0	(163.0)
GO: Whitby Rail Maintenance Facility	13.6	3.2	10.4
GO Expansion	699.5	674.3	25.2
RT - York VIVA BRT	154.3	273.3	(119.0)
RT - Toronto LRTs	1,705.6	1,433.6	272.0
RT - Hamilton	72.4	96.8	(24.4)
RT - Hurontario	96.0	94.8	1.2
Next Wave Projects	2.7	10.6	(7.9)
PRESTO	127.4	134.6	(7.2)
Total	3,859.3	4,204.2	(344.9)

Enterprise Risk Management

Metrolinx continues to enhance its Enterprise Risk Management (ERM) Program to ensure that the organization complies with the Government of Ontario requirement for all provincial agencies to use a risk-informed approach in managing business. The identification, assessment, management, monitoring and reporting of risks is vital to the successful ongoing achievement of the Strategic Objectives. As part of the monthly business review, Metrolinx reviews all appropriate risks with our Senior Management Team, and quarterly with the Audit Finance and Risk Committee of the Board. Risks are identified and assessed at the business unit or project level and then follow the respective unit's risk governance process for discussion at their leadership table before discussion with the Senior Management Team. Our Senior Management Team reviews all risks rated above 10 for safety and all risks which are rated above 20 for other impact categories, to ensure appropriate mitigation plans are in place.

In 2018-19, Metrolinx underwent an external review of the maturity of the ERM Program and this was presented to the Audit Finance and Risk Management Committee of the Board in February 2019. The review found that Metrolinx had made gains in every area assessed, including: governance; risk identification and assessment; response and action planning; and risk reporting. Key strengths included:

- organization and governance: board and management alignment; and,
- risk and performance culture: strong developing safety culture.

Key opportunities included:

- risk appetite: develop and communicate a formal risk appetite framework; and,
- risk modelling and analysis: develop key risk indicators, starting with top risks and monitor regularly.

Based on this review, Metrolinx has developed a new two-year plan to further improve the maturity of the ERM Program and ensure that Metrolinx is best positioned to identify risks within our current and emerging landscape.

Metrolinx continues to report and monitor its top risks monthly to the Senior Management Team. The risk report format focuses on key risks, and includes response plans for better management discussion to ensure that risks are managed down to the identified target level.

In 2018-19, risks reported fell within the risk categories of safety, cyber, financial, operational, customer experience, project and change management.

- Safety Risks: The possibility that the public, employees and/or contractors may be exposed to serious or fatal injuries or safety events as a result of Metrolinx's or our contractor's actions, inactions or the adequacy of our infrastructure. Metrolinx has exposure to both likely and less than likely but high impact safety risks, including:
 - Fitness for Duty
 - Description: Ensure sufficient policies, procedures, training and oversight for operators so that they are fit for duty at all times and do not compromise safety.
 - Key Developments 2018-19: With the legalization of cannabis in October 2018, an updated Fitness for Duty (FFD) Policy came into effect on February 1, 2019 and it reflects current legislation and continues to emphasize our requirement that all employees report for work fit for duty. Metrolinx issued a letter to key contractors regarding Metrolinx's approach to the legalization of cannabis and fitness of duty. Supervisors from Bus and Rail Operations completed the fit for duty training.
 - Transportation of dangerous goods across Metrolinx corridors
 - Description: Freight operators transporting dangerous goods over Metrolinx-owned corridors and in close proximity to Metrolinx customers, employees and the public may impact safety if dangerous goods are released and cause damage on or adjacent to a Metrolinx-owned corridor.
 - Key Developments 2018-19: A review of historical Transportation Safety Board (TSB) reports for transportation of dangerous goods releases from 2014-2018 has been completed. A Dangerous Goods Plan has been developed. There are on-going discussions with freight operators. In addition, ongoing dangerous goods training is in effect for all frontline staff: completed the online course and the in-class training.
 - Platform/stairwell crowding at Union Station
 - Description: Risk of injury to customers due to overcrowding in stairwells and platforms at Union Station.
 - Key Developments 2018-19: Metrolinx completed the Customer Safety Campaign Sustainment Plan, installed Station Fare Transaction Processors in the VIA Concourse, and installed anti-slip, and visually contrasting granite on stairwells. Customer Care Coordinators began to track all safety interactions with customers at the platform level. Metrolinx also released a Video Blog

(VLOG) - Backpack focused VLOG starring Transit Safety. In the Fall 2018, Metrolinx implemented a 12 week Safety Program with positive feedback and did a platform safety blitz with increased Transit Safety Officer presence on all platforms.

- Climate Resiliency
 - Description: As a result of a changing climate, the GTHA will experience further increases of temperature, precipitation, periods of drought, high wind gusts and freezing rain. These severe weather events pose a risk to our customers, employees and infrastructure. Inadequate climate resiliency is the inability of the organization, its infrastructure assets, and the component parts of its regional transit system to anticipate, absorb, accommodate, or recover from the effects of a hazardous event in a timely and efficient manner, including through the preservation, restoration, or improvement of its essential basic structures and functions.
 - Key Developments 2018-19: Business unit action plans were developed for the Metrolinx Climate Adaptation Strategy.
- Cyber risks: Exposures, vulnerabilities and serious events arising from failure of technology or IT systems due to inherent weakness or malicious intent.
 - I&IT cyber security/major technology failure/data breach
 - Description: Major events such as security breaches causing damage to assets, service disruptions and loss of life or injury. Modification or disruption of public facing communication and communication platforms and/or disruption, infiltration of the internal and wireless networks.
 - Key Developments 2018-19: Cyber security strategy and multi-year plan and roadmap of 60+ projects have been developed to mitigate cyber security risks through a combination of prevention, preparedness and response initiatives.
 - PRESTO cyber incident
 - Description: A significant cyber incident creates financial or reputational risk by compromising confidential customer data or causing downtime that affects revenue.
 - Key Developments 2018-19: Implementation of Institute of Standards and Technology (NIST SOC2.0) framework (Security Operations Centre Standards) was completed.
- Financial risks: The possibility of financial loss, including operation costs and capital expenditure overruns or revenue shortfall. Top financial performance risks include:
 - Sustained funding
 - Description: Insufficient funding leading to operating expenses exceeding revenues and subsidy.
 - Key Developments 2018-19: Metrolinx submitted a 2019-20 budget to the government. The plan includes savings options which are currently being contemplated by the government.
- Operational risks: Loss resulting from inadequate or failed infrastructure, processes or mismanagement of ongoing operational services including by contractors and vendors. These risks can lead to interruptions in the service reliability and availability. In 2018-19, focus was applied to:
 - Operational reliability
 - Description: An event or series of events creates sustained negative impacts on operational reliability, either in terms of general daily reliability or a multi-day shutdown.
 - Key Developments 2018-19: As of November, 2018, the GO Transit Control Centre transitioned to the Network Operations Centre with the aim of enhanced communication and integration among teams. Control centre operations have systematic procedures in place and in use, including an on-going cadence of opportunities (daily call, weekly huddle, monthly workshops)

to discuss rail on-time performance. Operations teams have control rooms to discuss issues on a daily basis. A central place (Rail On Time Performance (OTP) Control Room) for managing Rail OTP has been developed at the Metrolinx headquarters. Daily calls, weekly huddles, monthly workshops have been setup to discuss Rail OTP and hold teams accountable. Travel time adjustments were implemented during February, 2019 to improve performance.

- Customer Experience risks: The risk that Metrolinx fails to identify and/or meet its customer needs and expectations.
 - PRESTO customer experience
 - Description: The quality of PRESTO's customer experience diminishes over time, and impedes PRESTO from providing reliable and satisfactory service to its customers.
 - Key Developments 2018-19: PRESTO's service reliability (e.g. website, call centre, central system & devices) continuously met the 99.0% availability target. PRESTO Operations and Customer Experience teams worked to make continuous improvements to customer pain points that have historically impacted the customer experience (e.g. lag time of remote load, card distributions and maintenance of the network, channels to buy/load and manage cards and accounts).
- Risks associated with delivery of Capital Projects: Risks inherent in the delivery of large infrastructure projects, including scope definition to ensure realization of benefits, delivery of construction works within agreed budgets and in accordance with planned/publicly communicated timelines and ensuring the efficient performance of technical experts and contractors. Potential for damage to Metrolinx reputation in addition to late delivery of infrastructure/service improvements and cost overruns. Significant project risks include:
 - Delay in finalizing GO Expansion Program scope - definition of infrastructure required to facilitate increased passenger services (realization of benefits) and accommodating stakeholder requirements.
 - Description: Late changes to GO Expansion Program scope to ensure that the outcomes of foundational train planning / modelling are accounted for - defining the infrastructure configuration needed to support increased service frequency. Scope changes arising from the influence of / negotiation with external stakeholders. Potential for erosion of benefits if late changes to scope are required, increased costs to amend construction contracts and for delay to allow for re-design / amendments to procurement strategies.
 - Key Developments 2018-19: Route capability and utilization studies to define the infrastructure required to support increased passenger services were finalized. A Sponsor Office was established within Metrolinx to safeguard the realization of benefits and implementation of various governance mechanisms to manage changes to scope in a systematic, benefits-focused and financially efficient manner.
 - Construction works planned in a live operating railway environment - potential for delay to construction and/or to passenger services
 - Description: Track access must be optimized to run efficiently to allow for the volume of planned GO Expansion work to be completed concurrently with limited impact to passenger services (noting planned year-on-year increases in commuter train services). Potential for significant contractor claims (with associated cost and delay) should access not be available when offered in addition to reduced productivity and impact to commuters.
 - Key Developments 2018-19: A dedicated team was assigned to manage construction access to the railway in an efficient manner that limits impact to commuters. An integrated schedule was developed that identifies inter-dependencies between concurrent construction works planned in the railway corridors and allows them to be better managed. Metrolinx has also been leveraging contractual means to incentivize contractors to complete works using allotted working windows.

- Delay to delivery of the Union Station Rail Corridor (USRC) scope due to inherent complexity of completing works in/around the rail network HUB (Union Station). USRC works need to be completed to allow for follow-on construction activities to begin and eventual increases in service frequency.
 - Description: Potential for delay to delivery of the USRC scope due to a range of factors including the unique challenge of the construction site location in downtown Toronto, the build of multiple construction projects in a finite space with limited working windows and access points to the railway corridor, multi-stakeholder ownership of Union Station and the air rights over USRC, and interface with multiple stakeholders including City of Toronto, VIA, CN, Parks Canada, Waterfront Toronto and local communities.
 - Key Developments 2018-19: There have been ongoing efficient procurement and construction efforts to ensure adherence to planned schedule. There has also been progress negotiating agreements with various stakeholders (e.g. City of Toronto, VIA Rail) regarding access to complete construction works.
- A significant number of public and private properties need to be acquired to allow for construction works – there is the potential for delay if properties are not available as planned.
 - Description: Potential for delay if property needs are not identified early and as a result of the volume of acquisitions required. In some cases, construction works cannot start without acquisition of specific properties. Where willing-buyer/willing-seller negotiations fail, Metrolinx can expropriate properties but with associated impact to schedule.
 - Key Developments 2018-19: Property acquisitions continue. Greater definition of GO Expansion Program scope (i.e. the infrastructure required) has allowed for the prioritization of acquisition efforts. Engagement with municipal stakeholders and escalation of issues to ensure timely acquisition of public properties is ongoing.
- Change Management risks: The increasing pace of change, and the risk of not achieving expected business outcomes and results due to management of human capital, lack of critical skills, robust processes, tools and techniques/inadequate change management. One change management risk identified is:
 - Premature commitment to projects without adequate evidence
 - Description: The possibility of premature commitment to projects without adequate evidence due to lack of strong internal processes or external decision-makers. The risk of a too-early commitment to a project or initiative that's at a very early stage of planning and design might mean that projects costs and implementation timelines are not sufficiently understood.
 - Key Developments 2018-19: At its December, 2018 meeting, the Metrolinx Board of Directors directed staff to ensure all business cases, over the lifecycle of Metrolinx projects and programs above \$50 million, be publicly released prior to any relevant Board decision-making process. Business Case Guidance was developed and rolled out to standardize processes, simplify business case production, including support and training on business cases for internal staff, municipalities, and other stakeholders.

In 2019-20, Metrolinx will continue to focus on developing a culture of risk-informed decision-making by rolling out the approved risk appetite statements and tolerance levels, along with a corresponding risk education plan for all levels across the organization, updating the risk scoring criteria and enhancing components of the ERM Policy and Framework. The ERM function will continue to identify, assess and report on current and emerging risks and ensure ongoing discussion of risks at all levels of the organization.

Key Performance Indicators

Metrolinx has developed six key performance indicators to measure its annual achievements. We are also working on developing additional key performance indicators focusing on regional Metrolinx outcomes that measure the overall progress in the development of transit across the region. These outcomes are impacted by many stakeholders in the region which Metrolinx intends to influence as the regional mobility leader.

Metrolinx’s Public-Facing Corporate key performance indicators are made up of Five Regional Outcomes and Nine Metrolinx Achievements. The Five Regional Outcomes measure overall progress in the development of transit across the region and are measured against past performance. The information for these outcomes is obtained from surveys which are published every five years. The 2015-16 survey results have recently been released with 3 out of 5 outcomes currently available in this report.

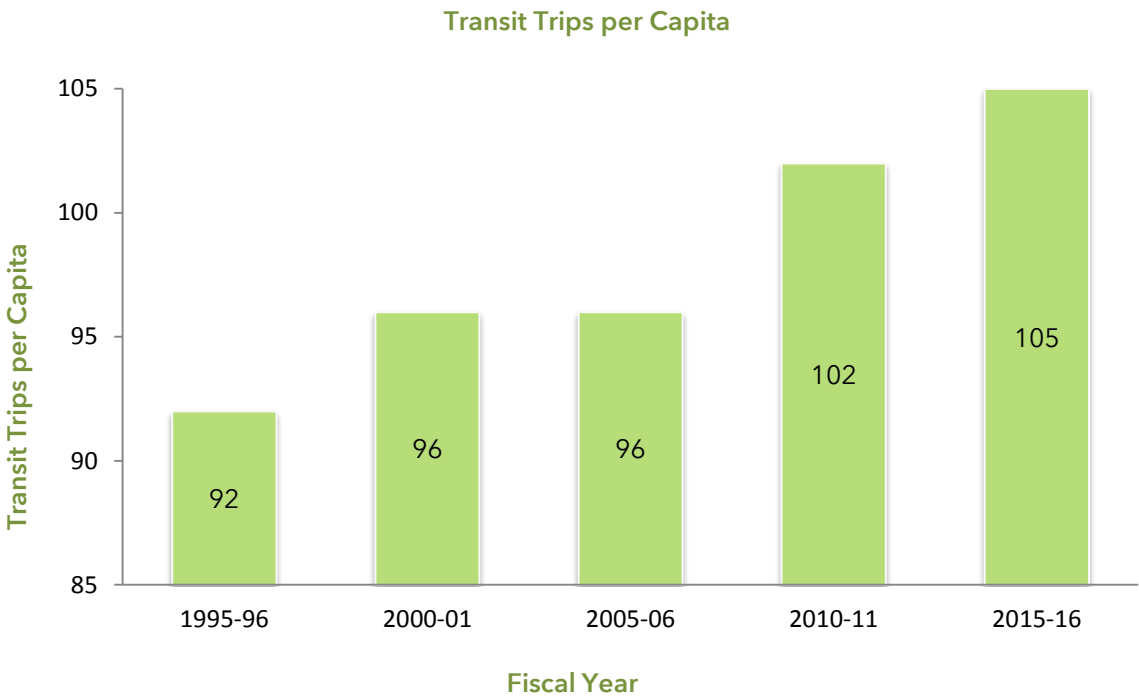
The nine Metrolinx Achievement key performance indicators measure Metrolinx’s direct contributions to the regional outcomes and are used to report corporate performance to Metrolinx’s major stakeholders: the public and the Province of Ontario. These key performance indicators are reported against targets which are a product of the annual business planning process.

A layer of divisional key performance indicators are aligned with the Public-Facing Corporate Set and have been specifically selected with targets, which measure achievement against the Strategic Objectives. These key performance indicators will drive the business results reported within the Metrolinx Achievements which will ultimately influence the Regional Outcomes.

Regional Outcomes

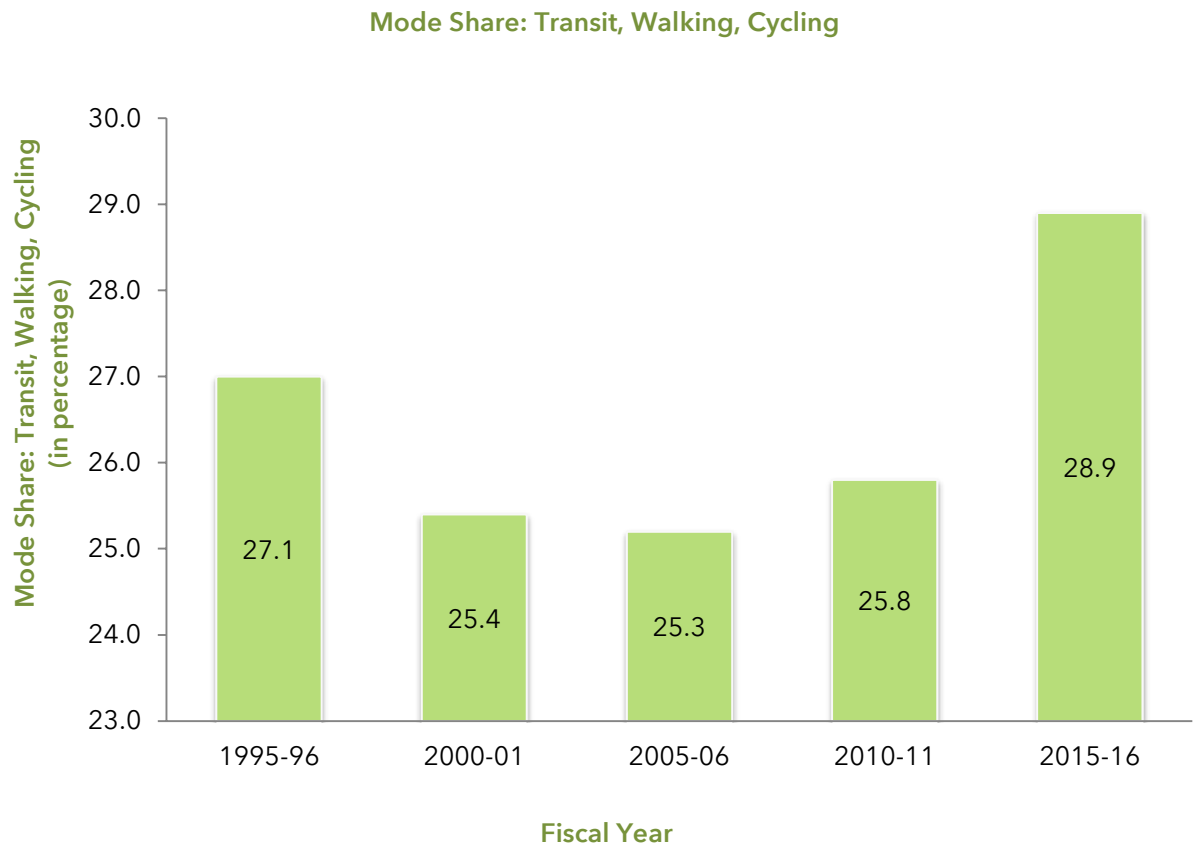
Transit Trips per Capita

The Transit Trips per Capita key performance indicator represents the average number of transit trips taken by each member of the population within the GTHA for the year being reported. Over the past 20 year period, Transit Trips per Capita has increased by 14.1% to 105 trips in 2015-16. The transit trips per capita KPIs from 1995-96 to 2010-11 have been restated to reflect a more accurate trend.



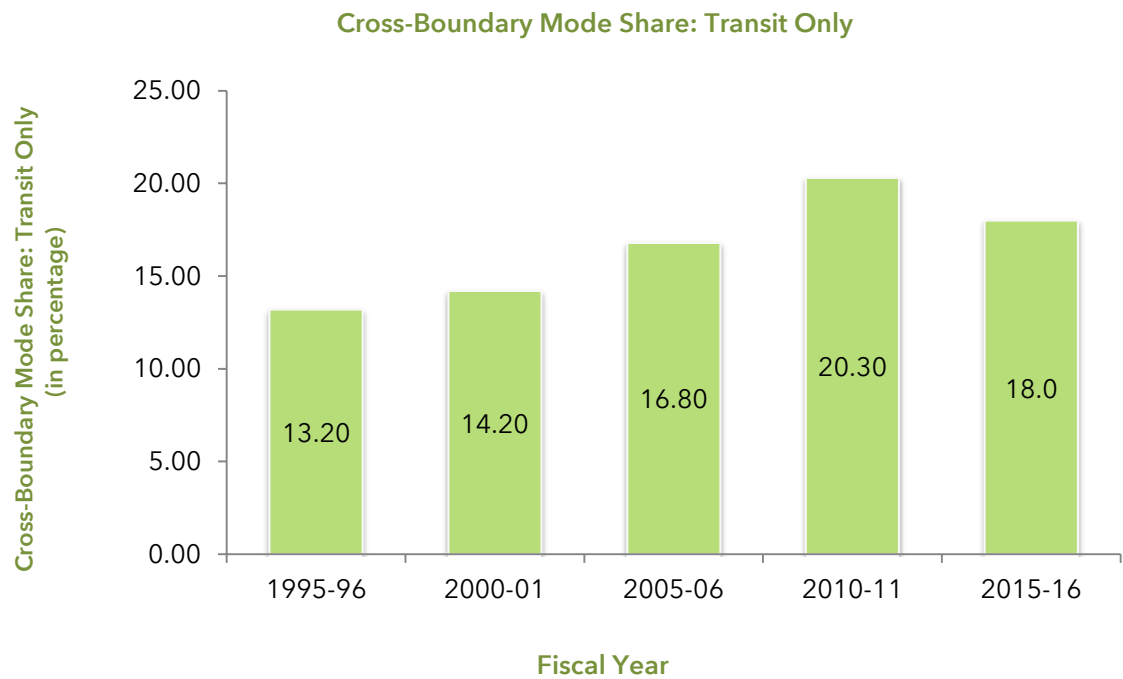
Mode Share for Transit, Walking & Cycling

The Mode Share for Transit, Walking & Cycling key performance indicator measures the average number of commuter trips taken using transit, walking and cycling as a percent of total commuter trips taken during the AM peak period (weekdays 6:30am-9:30am) for the year being reported. Since 1995-96, Mode Share for Transit, Walking & Cycling has increased 1.8% points to 28.9% in 2015-16. The growth from 2010-11 of 3.1% points reflects modest growth in overall commuter trips, however, transit, walking and cycling trips have seen considerably higher levels of growth.



Cross-Boundary Mode Share for Transit Only

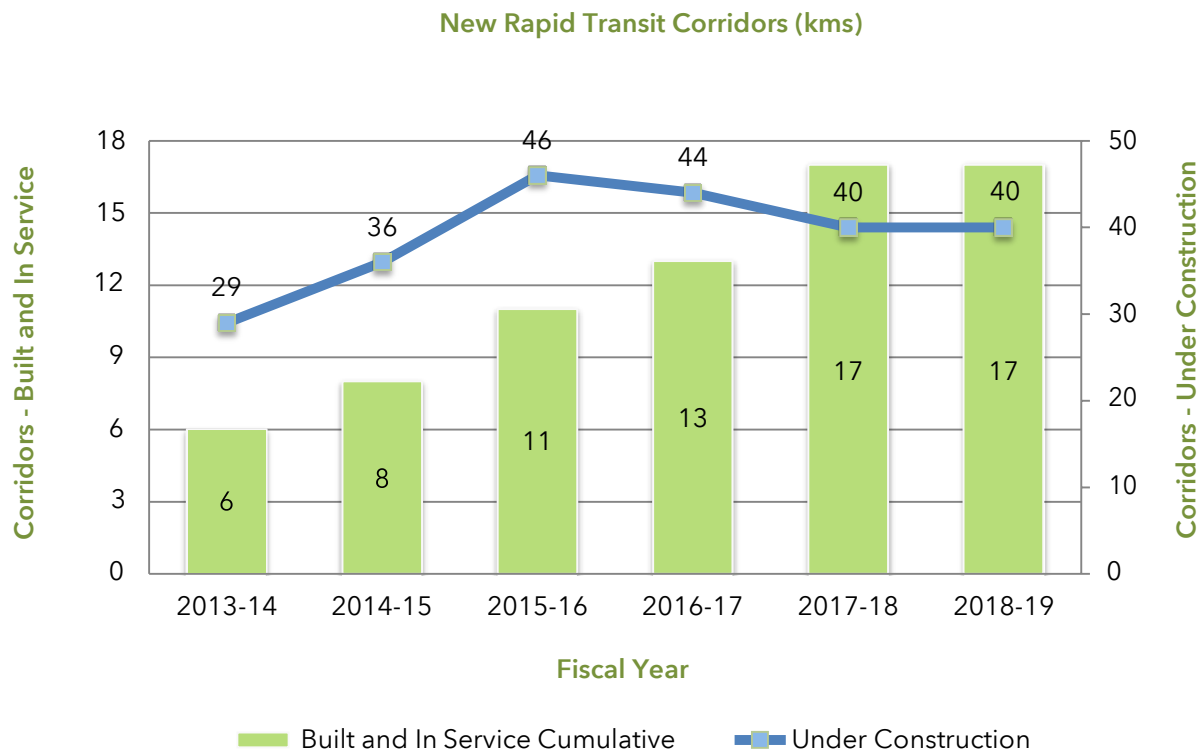
The Cross-Boundary Mode Share for Transit Only key performance indicator represents the average transit trips taken across municipal boundaries as a percent of total commuter trips taken across municipal boundaries within the GTHA during the AM peak period for the year being reported. Over the past 20 year period, Cross-Boundary Mode Share for Transit Only has increased 4.8% points to 18.0% in 2015-16. Note the 2011 survey over-estimated GO Transit ridership for 2010-11 causing an overstatement of the key performance indicator in that period.



Metrolinx Achievements key performance indicators

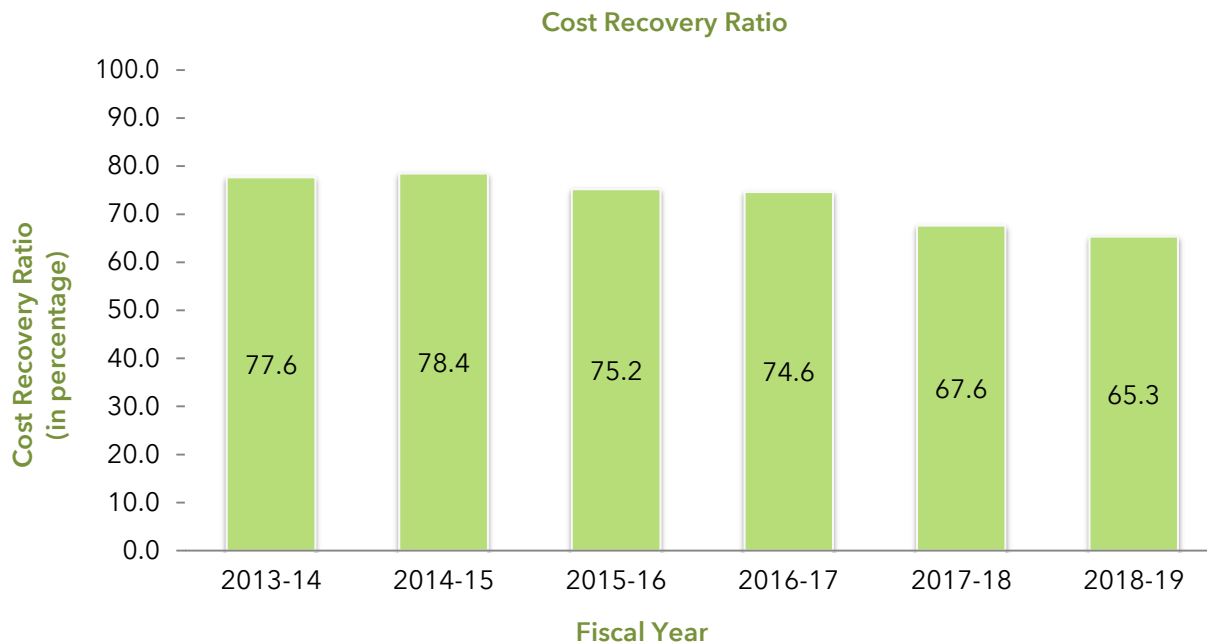
New Rapid Transit Corridors

There are two key performance indicators which measure our progress in building new rapid transit for the region: New Rapid Transit Corridors - Built and In Service (kms) and New Rapid Transit Corridors - Under Construction (kms). Metrolinx has built 17 kms of rapid transit since 2013-14. By the end of 2018-19, 40 kms of rapid transit were under construction. This includes: 19 kms on the Eglinton Crosstown LRT and 21 kms on the vivaNext BRT along Highway 7.



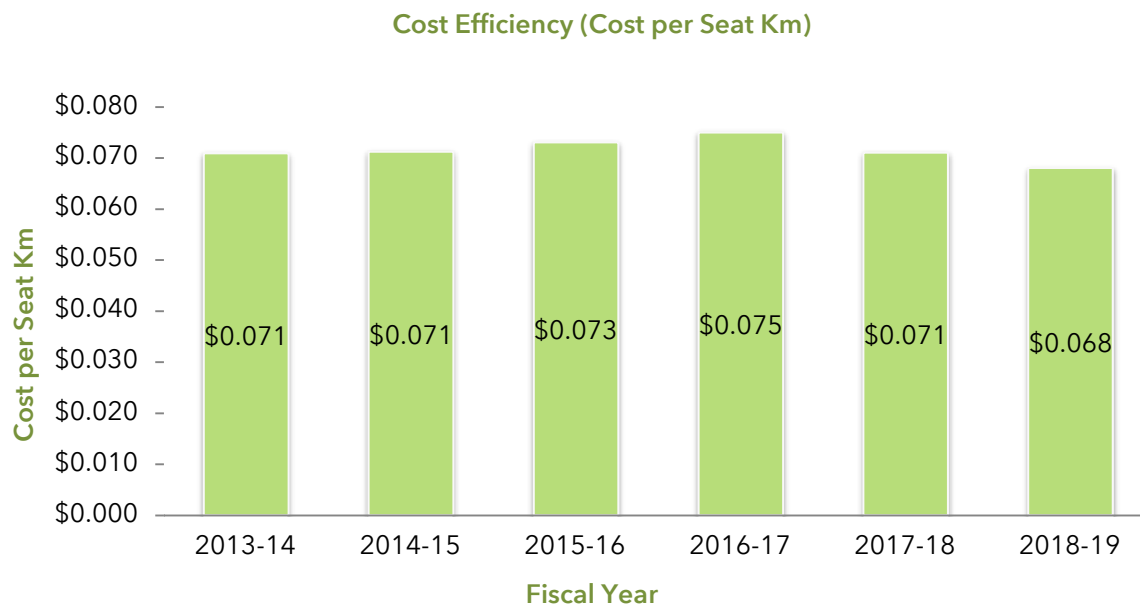
Cost Recovery Ratio

The cost recovery ratio, measured as the ratio of total revenues (excluding operating subsidy, grants, sale of assets, and extraordinary revenues) to total operating costs (excluding capital through operating and project write-offs), represents the extent to which the organization's operations are self-funded. Metrolinx compares its cost recovery ratios to its historic results as well as to industry benchmarks. Historically, Metrolinx has always had one of the best cost recovery ratios among its North American peers. The cost recovery ratio (excluding PRESTO operations) in 2018-19 of 65.3%, decreased by 2.3% points from 2017-18 levels. The decrease in the cost recovery metric in 2018-19 primarily resulted from new rail services with a focus on midday services that have lower cost recovery as ridership is being established. Also, upfront operational investments in new crews, network operations control, scheduling and transit safety, as well as foundational investments in asset management and corporate systems have been made to support the future growth of the organization.



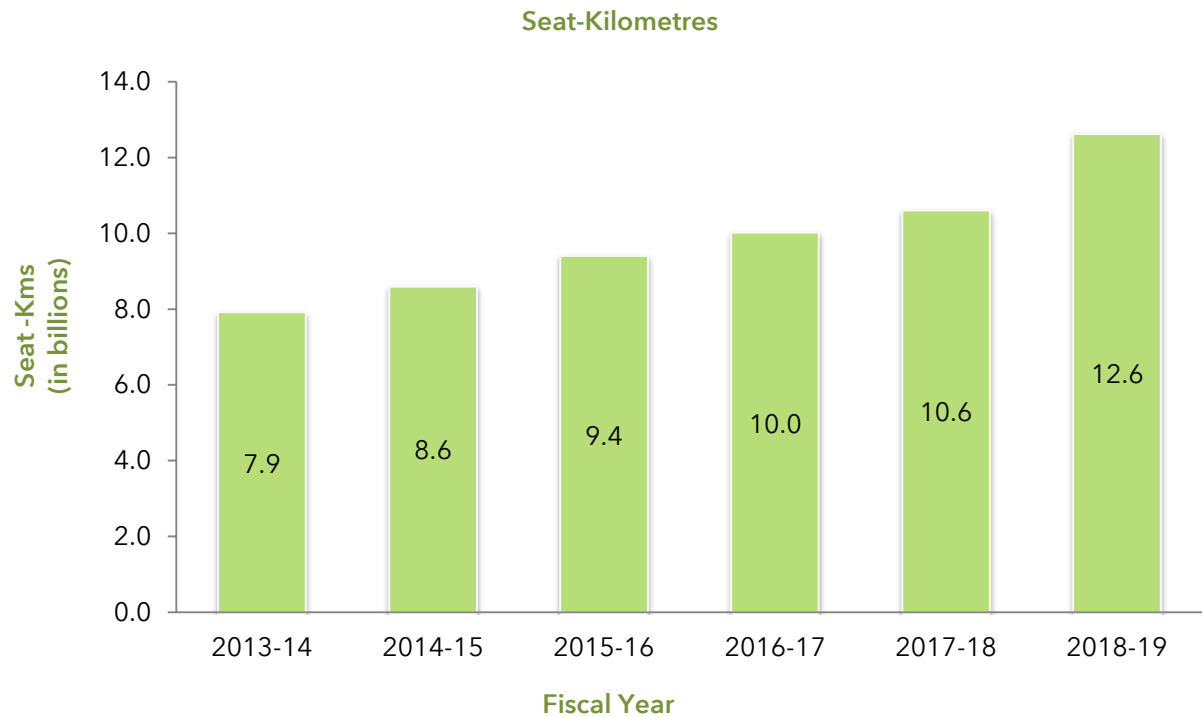
Cost Efficiency

The Cost Efficiency key performance indicator measures the transit operating expenses (Rail and Bus) incurred per seat-kilometer of service provided for the period. This key performance indicator is a measure of how efficiently the organization delivers its transit services to the public. For fiscal 2018-19, cost efficiency of \$0.068 is slightly lower than the 2017-18 measure of \$0.071. The continuous improvement in cost efficiency is due to the 22.6% increase in rail services (as measured in revenue seat miles) which includes both new services as well as the conversion of rail equipment moves into fare generating trips. Cost efficiency savings were also realized through the application of LEAN continuous improvement practices introduced across the Operations Division.



Seat-Kilometres

The Seat- Kilometres key performance indicator represents the service provided by both bus and rail services for the period reported. The increase is largely attributed to a 22.6% increase in rail services from new services, service extensions and the conversion of rail equipment moves into fare generating trips.

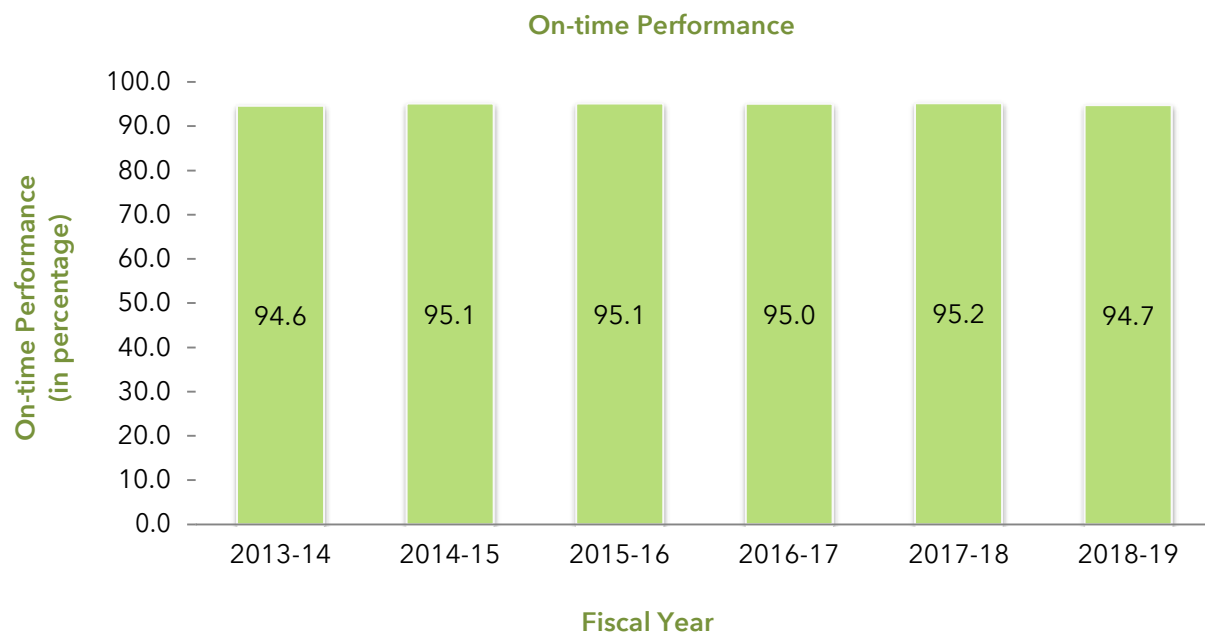


*Note: In 2018-19, KPI on service capacity measurement by scheduled trips per day has changed to Seat-Kilometres and all historical results have been restated for comparative purposes.

On-time Performance

The on-time performance (OTP) key performance indicator measures the number of scheduled trips arriving at their destination on-time for the period being measured. On-time performance is defined as within 5 minutes of scheduled arrival time for rail trips and within 15 minutes of scheduled arrival time for bus trips.

On-Time Performance across all services (GO Rail, Bus and UP Express) ended the year at 94.7% which was below the blended target of 96%. Aging infrastructure, difficult winter weather and reduced maintenance windows due to service increases all contributed to the decrease of OTP on both GO Rail and UP. Bus was close to target at 95% for the year, with gains realized through the use of CADAVL data (Computer Assisted Dispatch and Automatic Vehicle Location) to develop route schedules that better reflect changing conditions.



GO Transit Competitiveness

Travelling with GO Transit remains an economically preferred choice for commuters in the GTHA. Travelling with GO Transit costs approximately 52% of the total cost of driving (fuel and parking costs). The average cost to drive is \$0.30/km, whereas the cost for transit is \$0.16/km. This reflects fuel costs and parking in downtown Toronto only and does not consider the additional vehicle maintenance and vehicle ownership costs that would result from the increase in vehicle mileage. The cost of fuel was based on the average gas price in Ontario between April 2018 and March 2019. GO Transit continues to offer a comfortable and easy experience and a cost competitive mode of travel for passengers.

Metrolinx

Financial Statements

DRAFT



Independent auditor's report

To the Board of Directors of Metrolinx

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Metrolinx (the Company) as at March 31, 2019 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in net assets for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of remeasurement gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises the Management's Discussion and Analysis and the information, other than the financial statements and our auditor's report thereon, included in the annual report.



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(to be signed - PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.)

Chartered Professional Accountants, Licensed Public Accountants

Toronto,
Ontario June
26, 2019

Metrolinx
Statement of Financial Position
As at March 31, 2019

The accompanying notes are an integral part of these financial statements.

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(in thousands of dollars)

	2019 \$	2018 \$
Assets		
Current assets		
Cash and cash equivalents (note 5)	587,041	257,813
Accounts receivable (note 7)	140,428	144,766
Contributions due from Province of Ontario	936,373	714,692
Contributions due from Municipalities (note 11)	95,460	95,460
Contributions due from Government of Canada	35,579	11,196
Spare parts and supplies	15,672	15,175
Prepaid expenses	12,699	11,979
	<u>1,823,252</u>	<u>1,251,081</u>
Accounts receivable - long-term (note 7)	74,787	74,787
Contributions due from Province of Ontario - long-term (note 10)	1,587,344	1,325,121
Capital assets (note 6)	22,269,952	19,128,047
Deposits on land (note 8)	237,872	165,101
Advances on capital projects (note 8)	25,845	85,382
Long-term lease (note 9)	26,572	26,899
Derivatives	1,102	-
	<u>26,046,726</u>	<u>22,056,418</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,776,850	1,227,995
Presto Farecard E-Purse (note 5)	83,362	60,047
	<u>1,860,212</u>	<u>1,288,042</u>
Long-term payable (note 10)	1,587,344	1,325,121
Deferred capital contributions (note 11)	19,083,563	16,289,789
Pension plan top-up benefits payable (note 13)	67,604	65,706
Other employee future benefits payable (note 14)	146,986	137,772
	<u>22,745,709</u>	<u>19,106,430</u>
Net Assets		
Invested in capital assets (note 15)	3,450,106	3,088,741
Invested in long-term lease	26,572	26,899
Internally restricted (note 16)	26,332	26,332
Deficiency of net assets	<u>(203,095)</u>	<u>(191,984)</u>
	3,299,915	2,949,988
Accumulated remeasurement Gains and Losses	1,102	-
	<u>26,046,726</u>	<u>22,056,418</u>
Economic dependence (note 2)		
Commitments (note 17)		
Contingencies (note 18)		

Approved by the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT NOT TO
BE FURTHER COMMUNICATED**

Statement of Operations

For the year ended March 31, 2019

(in thousands of dollars)

	2019 \$	2018 \$
Revenue		
Operating	653,006	598,140
Contribution from the Province of Ontario	478,135	341,309
Investment income	9,040	7,537
Amortization of deferred capital contributions (note 11)	700,977	616,494
	<u>1,841,158</u>	<u>1,563,480</u>
Expenses		
Supplies and services	177,074	97,112
Equipment maintenance	117,855	118,192
Facilities and track	168,967	146,002
Labour and benefits	336,167	318,656
Rail and bus operations	356,336	314,570
Amortization of capital assets	699,248	611,795
Amortization of long-term lease	327	327
Loss/(gain) on disposal of capital assets	536	(19,837)
	<u>1,856,510</u>	<u>1,586,817</u>
Excess of expenses over revenue	<u>(15,352)</u>	<u>(23,337)</u>

The accompanying notes are an integral part of these financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT NOT TO
BE FURTHER COMMUNICATED**

Metrolinx

Statement of Changes in Net Assets

(in thousands of dollars)

	2019				2018	
	Investe d in capital assets \$ (note 15)	Investe d in long- ter m leas e \$	Internally restricted net asset s \$ (note 16)	Deficiency \$	Total \$	Total \$
Balance - Beginning of year	3,088,741	26,899	26,332	(191,984)	2,949,988	2,461,179
Excess of expenses over revenues	-	-	-	(15,352)	(15,352)	(23,337)
Amortization - net of amortization to revenue	(1,717)	(327)	-	2,044	-	-
Assets contributed by the Province of Ontario (note 19(b))	719	-	-	-	719	-
Land acquisitions - net of deposits	126,688	-	-	-	126,688	347,045
Disposal of land (2,197)	(2,197)	-	-	2,197	-	-
Deposits on land	237,872	-	-	-	237,872	165,101
Balance - End of year	3,450,106	26,572	26,332	(203,095)	3,299,915	2,949,988

The accompanying notes are an integral part of these financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT NOT TO
BE FURTHER COMMUNICATED**

Metrolinx

Statement of Cash Flows

(in thousands of dollars)

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenues	(15,352)	(23,337)
Amortization of capital assets and long-term lease	699,575	612,122
Loss (gain) on disposal of capital assets	536	(19,837)
Amortization of deferred capital contributions	(700,977)	(616,494)
Employee future benefits - net of payments	11,112	10,429
	(5,106)	(37,117)
Change in non-cash working capital		
Accounts receivable	4,338	(72,412)
Spare parts and supplies	(499)	(3,325)
Prepaid expenses	(720)	2,326
Accounts payables and accrued liabilities	37,408	139,898
PRESTO Farecard E-Purse	23,315	15,082
	58,736	44,452
Capital activities		
Purchase of capital assets	(2,821,922)	(2,998,160)
Proceeds from sale of capital assets	5,108	37,119
Deposits on land (note 15)	(237,872)	(165,101)
Advances on capital projects (note 8)	(25,845)	(85,382)
	(3,080,531)	(3,211,524)
Financing activities		
Grants received for purchase of land	364,559	512,146
Capital contributions	2,986,464	2,442,888
	3,351,023	2,955,034
Net change in cash and cash equivalents	329,228	(212,038)
Cash and cash equivalents - Beginning of year	257,813	469,851
Cash and cash equivalents - End of year	587,041	257,813
Supplemental cash flow information		
Non-cash capital activities		
Change in accounts payable and accrued liabilities relating to capital assets	511,447	123,456
Change in advance from Province of Ontario	-	-
Change in long-term capital payable/contribution due from Province	262,222	160,364
Assets contributed by the Province of Ontario (note 19(b))	719	-
Non-cash financing activities		
Capital contributions receivable	(246,064)	(417,067)

The accompanying notes are an integral part of these financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT NOT TO
BE FURTHER COMMUNICATED**

Metrolinx

Statement of Remeasurement Gains and Losses

(in thousands of dollars)

	2019 \$	2018 \$
Balance, beginning of year	-	-
Amounts reclassified to the statement of operations:		
Forward fuel purchase contracts	1,102	-
Net remeasurement gains and (losses)	1,102	-
Balance, end of year	1,102	-

The accompanying notes are an integral part of these financial statements.

FOR DISCUSSION WITH MANAGEMENT ONLY - SUBJECT TO AMENDMENT NOT TO BE

FURTHER COMMUNICATED

Metrolinx**Notes to Financial Statements**

(in thousands of dollars)

1 Nature of operations

Metrolinx is a Crown agency, reporting to the Minister of Transportation of Ontario (MTO). It is a non-share capital corporation and is exempt from income taxes under Section 149(1)(d) of the Income Tax Act (Canada).

Metrolinx was created by sections of the Greater Toronto Transportation Authority Act, 2006, which were proclaimed on August 24, 2006. On May 14, 2009, Bill 163 was proclaimed amending the Greater Toronto Transportation Authority Act, 2006 and changing the title of the Act to the Metrolinx Act, 2006. Metrolinx's mandate is to lead the coordination, planning, financing and development of an integrated multi-modal transportation network for the Greater Toronto and Hamilton Area (GTHA). Taking a regional approach, Metrolinx brings together the Province of Ontario (the Province), municipalities and local transportation authorities to produce long-term economically and environmentally sustainable transportation solutions.

GO Transit is a business unit of Metrolinx that operates an inter-regional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services primarily serves communities across the Greater Toronto and Hamilton Area including the cities of Toronto and Hamilton. GO Transit also serves the regions of Halton, Peel, York, Durham, Simcoe County, Dufferin County, Wellington County and the cities of Barrie, Guelph, Kitchener and Niagara Falls and the Town of Bradford-West Gwillimbury.

The Union Pearson (UP) Express provides high-quality dedicated express rail service connecting Canada's busiest transportation hubs, Union Station in downtown Toronto and Toronto Pearson International Airport. The UP Express began operations on June 6, 2015.

PRESTO is a business unit that operates the PRESTO fare system, an electronic fare card that allows riders to transfer seamlessly across multiple transit systems.

2 Economic dependence

Metrolinx currently generates revenues primarily from the provision of transportation services provided by GO Transit, UP Express and PRESTO card services.

In addition, Metrolinx receives government grants:

- from all three levels of government to support its investment in capital infrastructure to be used in the delivery of current and future transportation services; and
- yearly operating subsidy from the Province of Ontario to further support the delivery of transportation services.

The ability of Metrolinx to continue to offer and grow its services and meet its obligations are dependent upon the ongoing grants it receives as outlined above.

FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT NOT TO BE

FURTHER COMMUNICATED

Metrolinx

Notes to Financial Statements

(in thousands of dollars)

3 Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared by management in accordance with Public Sector Accounting Standards (PSAS) for government, including not for profit organizations, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

Financial instruments

Financial instruments are financial assets or liabilities of Metrolinx which, in general, provide Metrolinx the right to receive cash or another financial asset from another party or require Metrolinx to pay another party cash or other financial assets.

All financial instruments reported on the statement of financial position of Metrolinx are measured at:

Cash and cash equivalents	amortized cost
Accounts receivable	amortized cost
Contributions due from Province of Ontario	amortized cost
Contributions due from Municipalities	amortized cost
Contributions due from Government of Canada	amortized cost
Contributions due from Province of Ontario - long-term	amortized cost
Derivative assets	fair market value
Accounts payable and accrued liabilities	amortized cost
PRESTO Fare Card E-Purse	amortized cost
Long-term payable	amortized cost

Transaction costs on assets measured at fair value are expensed as incurred.

The fair value of Metrolinx's cash and cash equivalents, accounts receivable, contributions due from Province of Ontario, contributions due from Government of Canada, accounts payable and accrued liabilities, due to Province of Ontario and PRESTO Fare Card E-Purse approximate their carrying values due to the short-term nature of these financial instruments. The fair value of other financial instruments approximate their carrying values unless otherwise noted, based on market rates available to Metrolinx for financial instruments with similar risks, terms and maturities.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Metrolinx's fair values are management's estimates and are generally determined using market conditions at a specific point in time. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

From time to time, Metrolinx enters into contracts for diesel fuel to manage exposure to diesel fuel price risks. These derivative instruments are recorded on the statement of financial position as an asset or liability and are measured at fair value. The unrealized gains or losses in the derivative instruments' fair value are recognized in the statement of remeasurement gains and losses.

FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT NOT TO BE

FURTHER COMMUNICATED

Metrolinx**Notes to Financial Statements**

(in thousands of dollars)

Metrolinx does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities. Metrolinx does not hold any derivative contracts as at March 31, 2019.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and highly liquid short-term investments with maturities of three months or less at the time of purchase.

Spare parts and supplies

Spare parts and supplies are carried at the lower of cost and net realizable value. Cost is determined using the weighted- average method.

Capital assets

Capital assets are recorded at cost. The cost of a capital asset includes all costs directly related to the acquisition, construction, development or betterment of the capital asset. Salaries, wages and associated employee benefits for staff directly involved in the acquisition, development or construction of a capital asset are included in the cost of the capital asset.

Metrolinx has adopted a whole property approach in capitalizing and amortizing its buildings, rail equipment and bus equipment. Under this approach, all components attached to the building structure (lighting, elevators, air conditioning, etc.) are amortized over a composite service life of the property as a whole.

If the development or construction of a capital asset is terminated or deferred indefinitely before completion, the costs capitalized to date are expensed, unless there is an alternative use for the capital asset or unless recovery of those costs from a third party can be reasonably estimated and collection is likely based on related agreements.

Capital assets derived through an Alternate Financing Procurement (AFP) contract for design, build, finance, maintain and operate will contain a portion of the capital design and construction costs that will be paid upon substantial completion of the construction of the capital asset and the remainder over the useful life. A matching contribution receivable from the Province of Ontario is recorded. Annual service payments and lifecycle payments will be paid annually over the term of the contract.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT NOT TO BE
FURTHER COMMUNICATED**

Metrolinx

Notes to Financial Statements

(in thousands of dollars)

Amortization

Metrolinx provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

Buildings (including shelters and ticket booths)	5 - 40 years
Leasehold improvements	lease life
Locomotives and other railway rolling stock	20 - 30 years
Improvements to railway right-of-way plant	20 years
Track work and installation	20 years
Buses (including double decker buses)	10 years
Parking lots	20 years
Computer equipment and software	5 - 10 years
Grade separations	50 years
Other (including furniture and equipment)	3 - 12 years

Work-in-progress comprises direct construction and development costs. No amortization is recorded until the assets are in service.

Long-term lease

Long-term lease represents the pre-payment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, being the term of the lease plus one renewal period.

Employee future benefits

Metrolinx provides pension plan benefits through the multi-employer Ontario Municipal Employees Retirement System (OMERS) Pension Plan. The expense for the period equals the required contribution for the period.

Metrolinx provides a top-up pension plan benefit calculated by using the accrued benefit method, which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the average remaining service period of the active employees. Any past service costs are expensed when incurred.

Metrolinx also provides other employee future benefits calculated by using the accrued benefit method, which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the average remaining service period of active employees. Any past service costs are expensed when incurred.

Commuter services revenue

Revenue is recognized when the transportation service is provided.

FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT NOT TO BE

FURTHER COMMUNICATED

Metrolinx**Notes to Financial Statements**

(in thousands of dollars)

Contributions

Metrolinx follows the deferral method of accounting for contributions. Unrestricted contributions, including operating grants, are recognized as revenue in the period to which they relate.

Deferred capital contributions relate to funds received for the acquisition of capital assets other than land. These deferred capital contributions are recognized as revenue over the same period as the amortization of the related capital asset.

Contributions received for the acquisition of land, including deposits for land, are recognized as direct increases in net assets.

Internally restricted net assets

Internally restricted net assets are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by the Board of Directors and are disclosed on the statement of financial position as net assets.

Liability for contaminated sites

Metrolinx assesses all land holdings to determine if contaminations, as defined under the standard and regulatory requirements, are present on lands not being used in providing transit and other related services. While contaminations may be present, the resultant liability also depends on the existing and future disturbances to the land. A complete inventory of all land holdings was developed and assessed under the standard. There were no liabilities to report in the fiscal year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The items subject to the most significant estimates are amortization of capital assets, certain accrued liabilities, pension plan top-up benefits payable and other employee future benefits payable.

Current and future accounting pronouncements

Management is reviewing PSAB's Government Not-For-Profit Consultation Paper and looking forward to the release of the exposure draft on Public Private Sector Partnerships. Management is also monitoring developments on PSAB's Statement of Concepts paper on the revised conceptual framework and Consultation Paper 2 on PSAB's approach to International Public Sector Accounting Standards. Management will also begin plans for implementing PSAB's new standard, PS 3280, Asset Retirement Obligation, which is effective April 1, 2021. The standard establishes criteria for recognition, measurement and disclosure of liability for retirement obligation of a tangible capital asset.

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(in thousands of dollars)

4 Financial instruments and risk management

Metrolinx's financial assets and liabilities have exposure to the following risks:

Credit risk

Metrolinx is subject to credit risk through its receivables. It is management's opinion that the risk is minimal as most of the receivables are from federal, provincial and municipal governments and organizations controlled by them.

Interest rate risk

Metrolinx does not have significant exposure to interest rate risk related to its long-term liabilities as they are primarily with related parties and are non-interest bearing or as result of AFP contractual agreements.

Other price risk

Metrolinx is exposed to changes in crude oil prices as a result of diesel fuel consumption. The potential fluctuations in crude oil prices could have a significant impact on the cost of providing transportation services. This risk is reduced, from time to time, through the use of diesel fuel forward purchase contracts to lock in firmly committed future operating costs for own use consumption.

5 PRESTO Farecard E-Purse balances

The balance of funds held on PRESTO Farecard E-Purse in the amount of \$83,362 (2018 - \$60,047) has been included in cash and cash equivalents. The E-Purse balance is held on behalf of the Farecard owner and therefore a liability is recorded on the statement of financial position.

Metrolinx

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(in thousands of dollars)

6 Capital assets

	2019		2018	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	2,403,935	-	2,403,935	2,307,424
Buildings	2,153,793	578,928	1,574,865	1,476,633
Leasehold improvements	104,045	45,648	58,397	61,487
Locomotives and other railway rolling stock	3,069,033	960,235	2,108,798	1,659,007
Improvements to railway right-of-way plant	1,521,226	774,729	746,497	731,656
Grade separations, track work and installations	3,676,313	798,666	2,877,647	2,768,758
Work-in-progress	10,140,781	-	10,140,781	7,934,424
Buses	463,980	209,730	254,250	213,344
Parking lots	859,364	322,755	536,609	554,339
Computer equipment and software	1,730,685	760,942	969,743	801,753
Other	803,676	205,246	598,430	619,222
	<u>26,926,831</u>	<u>4,656,879</u>	<u>22,269,952</u>	<u>19,128,047</u>

Work-in-progress includes the following:

	2019 \$	2018 \$
Rail corridor expansion	1,058,372	721,963
Union Station	526,988	381,171
Rail fleet	262,455	449,047
PRESTO system	46,833	111,845
Light Rapid Transit and Bus Rapid Transit	7,091,012	5,133,332
Various	<u>1,155,121</u>	<u>1,137,066</u>
	<u>10,140,781</u>	<u>7,934,424</u>

Work-in-progress relates to projects that are expected to come into service in one to six years.

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7 Accounts receivable

Accounts receivable are composed of the following:

	2019 \$	2018 \$
Recoverable HST	93,512	64,919
Other receivables	<u>46,916</u>	<u>79,847</u>
	140,428	144,766
Sunk project costs recoverable from City of Toronto	<u>74,787</u>	<u>74,787</u>
	<u>215,215</u>	<u>219,553</u>

Included in accounts receivable is \$74,787 (2018 - \$74,787) related to the design of the Light Rapid Transit (LRT) Scarborough corridor in the City of Toronto incurred by Metrolinx as at March 31, 2016 and does not include costs related to any contract amendments or cancellations with third party vendors. On October 8, 2013, City of Toronto Council voted to replace the planned LRT currently under construction under the Master Agreement with a Scarborough Subway. The City of Toronto has agreed to reimburse Metrolinx for expenditures incurred for the Scarborough LRT, including any potential costs associated with the LRT vehicle supply contract. Accordingly, the costs incurred to date have been reclassified from work-in-progress to non-interest bearing accounts receivable.

8 Advances on capital projects

Metrolinx has entered into Memorandum of Agreements (MOAs) with York Region Rapid Transit Corporation (YRRTC), The Regional Municipality of York (York Region), City of Toronto and the TTC. The MOAs outline the projects, expected costs, and responsibilities of the parties involved. The MOAs also outline the definition of eligible costs and ownership rights of the projects specified in the agreements. A Master Agreement with YRRTC and York Region was signed April 14, 2011 and covers both past and future eligible costs of constructing the bus rapidway. The MOA with the City of Toronto and the TTC was extended until the earlier of September 30, 2012 and the date on which Metrolinx, TTC and the City finalize definitive legal agreements. A Master Agreement with TTC and the City of Toronto was signed November 28, 2012 and covers the cost of constructing the Eglinton LRT, Scarborough RT, Finch West LRT and Sheppard East LRT. The Master Agreement also covers project governance and costs related to the East Rail Maintenance Facility Alternate Financing procurement.

Pursuant to these agreements, advances were paid to York Region and to the TTC to provide working capital for deposits on land totalling \$213,247 (2018 - \$164,201) and other project costs totaling \$25,845 (2018 - \$85,382) to fund projects being developed by York Region and TTC on behalf of Metrolinx. The deposits on land referred to above relate to obtaining, in the future, perpetual easements required for the operation of the York Region bus rapidway. The advances on capital projects are to be held in a separate account and any interest accrued will be applied against the project.

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(in thousands of dollars)

As at March 31, 2019, Metrolinx has expended approximately \$7,706,807 (2018 - \$5,845,433) in relation to these projects, including the following amounts that have been advanced for costs expected to be incurred to June 30, 2019 and deposits related to future perpetual easements.

	2019 \$	2018 \$
York Region	235,72	238,601
TTC	3 3,368	10,982
	239,09	249,583
Other land deposits	1 24,626	900
	263,717	250,483

9 Long-term lease

	2019		2018	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Leasehold - Union Station	32,704	6,132	26,572	26,899

10 Long-term payable and contributions due from Province of Ontario - long term

Metrolinx and Infrastructure Ontario entered into an Alternate Financing Procurement (AFP) contract with Crosslinx Transit Solutions for the design, build, finance and maintenance of its Eglinton Crosstown Light Rail Transit Line during the year ended March 31, 2016. The AFP contract with Crosslinx Transit Solutions is for 30 years at a total amount of \$9,103,676. Metrolinx and Infrastructure Ontario had entered into another AFP contract with Plenary Infrastructure for the design, build, finance and maintenance of its Whitby Facility (formerly known as the East Rail Maintenance Facility) during the year ended March 31, 2015. The AFP contract with Plenary Infrastructure is for 30 years at a total amount of \$921,794. This amount also includes lifecycle payments over the term of the contract amounting to \$76.6 million.

In addition to the contracts for ECLRT and Whitby Facility, a number of new AFP contracts were in place during the year for Cooksville, #401/409 Tunnel, Kipling Bus Terminal, Rutherford Station grade separation and the Stouffville Station projects. Costs incurred on these contracts as at March 31, 2019 are as follows and are included in work-in-progress.

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	ECLRT \$	Whitby \$	Cooksville \$	#401/409 Tunnel \$	Kipling Bus Terminal \$	Rutherford Station, grade separation \$	Stouffville Station \$	2019 \$	2018 \$
Cost incurred to date	3,185,182	518,570	72,632	42,095	22,179	15,204	42,970	3,898,832	2,781,017
Less: Amount Paid or Amount Payable within 1 year	1,921,352	322,558	160	2,269	22,179	-	42,970	2,311,488	1,455,896
Long Term Payable	1,263,830	196,012	72,472	39,826	-	15,204	-	1,587,344	1,325,121

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A matching contribution receivable from the Province for costs incurred to date is included in deferred capital contributions.

11 Deferred capital contributions

The changes in the deferred capital contributions for the year are as follows:

	2019 \$	2018 \$
Balance - Beginning of year	16,289,789	13,885,963
Contributions received or receivable in the period for capital acquisitions		
Province of Ontario	3,455,009	2,799,609
Municipalities	12,746	109,086
Government of Canada	26,996	111,625
Amortization of deferred capital contributions	<u>(700,977)</u>	<u>(616,494)</u>
Balance - End of year	<u>19,083,563</u>	<u>16,289,789</u>

Metrolinx realized a shortfall in municipal funding related to its capital program. The Province has provided funding to bridge the shortfall in the current year in the amount of \$63,327 (2018 - \$65,650) and the cumulative amount is \$1,325,010 (2018 - \$1,261,683). The Province will work with its municipal partners to address the funding shortfalls.

The City of Toronto has agreed to contribute \$95,460 related to grade separation and utility relocation work performed by Metrolinx on the Georgetown South (GTS) corridor. An Agreement in Principle signed in January 2018 between the Province and the City of Toronto allows Metrolinx to recover eligible costs that it incurred on behalf of the City.

12 Pension contributions

Metrolinx provides pension benefits for substantially all of its permanent employees through participation in the OMERS Pension Plan. The amount expensed in pension contributions for the year ended March 31, 2019 is \$33,693 (2018 - \$30,714).

13 Pension plan top-up benefits liability

With repatriation of the former GO Transit to the Province in 2002, bargaining and non-bargaining employees requested the Province to rectify the difference in pension benefits to be received by employees of GO Transit. When GO Transit was transferred from the Province to the Greater Toronto Services Board in 1999, the Provincial Plans were frozen and a new plan commenced under OMERS. It had been resolved that GO Transit was responsible for the pension obligation. GO Transit completed an actuarial valuation as of April 1, 2016. The financial statement items resulting from the valuation have been determined in accordance with Section 3250 of the PSA Handbook. The pension expense recognized during the year is \$4,249 (2018 - \$4,176).

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The cost of pension plan top-up benefits is actuarially determined using the projected benefit method prorated on service. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees.

Information about Metrolinx's pension plan top-up is as follows:

	2019	2018
	\$	\$
Accrued benefit obligation	74,443	70,191
Fair value of plan assets	<u>(2,807)</u>	<u>(2,607)</u>
Funded status - plan deficit	71,636	67,584
Unamortized net actuarial loss	<u>(4,032)</u>	<u>(1,878)</u>
Accrued benefit liability	<u>67,604</u>	<u>65,706</u>

Details of the accrued benefit obligation are as follows:

	2019	2018
	\$	\$
Accrued benefit obligation - Beginning of year	70,191	68,874
Current service cost	1,173	1,138
Interest cost on accrued benefit obligation	2,179	2,140
Benefit payments	(2,151)	(1,961)
Actuarial loss on accrued benefit obligation	<u>3,051</u>	-
Accrued benefit obligation - End of year	<u>74,443</u>	<u>70,191</u>

Details of the pension expense are as follows:

	2019	2018
	\$	\$
Current service cost	1,173	1,138
Interest cost on accrued benefit obligation	2,179	2,140
Actual return on plan assets	(1)	(5)
Expected return versus actual return on plan assets	1	5
Amortization of actuarial loss	<u>897</u>	<u>898</u>
	<u>4,249</u>	<u>4,176</u>

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Plan assets by asset category are as follows:

	2019 %	2018 %
Cash invested	3	4
Cash on deposit with Canada Revenue Agency	97	96
	<u>100</u>	<u>100</u>

Other information about Metrolinx's benefit plan is as follows:

	2019 \$	2018 \$
Employer contributions	2,350	2,000
Benefits	2,152	1,961

The significant actuarial assumptions adopted in measuring Metrolinx's pension plan top-up benefit obligations are as follows:

	2019	2018
Discount rate	3.1%	3.1%
Rate of compensation increase	2.75%	2.75%
Inflation per annum	2%	2%
Expected average remaining service life	4 years	5 years

14 Other employee future benefits liability

Metrolinx provides post-retirement life and health benefits, Workplace Safety & Insurance Board (WSIB) liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full-time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

The measurement date of the plan assets and accrued benefit obligation is March 31 of each year. The most recent actuarial valuation of the other employee future benefits was as at March 31, 2018. The valuation was performed in accordance with the standards of the Canadian Institute of Actuaries. The financial statement items resulting from the valuation have been determined in accordance with Section PS3250 of the PSA Handbook. The post-retirement non-pension benefits recognized during the period were \$11,855 (2018 - \$11,466).

The cost of post-retirement non-pension benefits is actuarially determined using the projected benefit method pro-rated on service, retirement ages of employees and expected health-care costs. The discount rate used to determine the accrued benefit obligation was determined based on the Ontario provincial bond yields. The actuarial gains and losses are amortized over the average remaining service period of active employees. Past service costs are expensed when incurred. Information about Metrolinx's post-retirement non-pension benefits is as follows:

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	2019 \$	2018 \$
Accrued benefit obligation	<u>156,884</u>	<u>140,302</u>
Funded status - plan deficit	156,884	140,302
Unamortized net actuarial loss	<u>(9,898)</u>	<u>(2,530)</u>
Accrued benefit liability	<u>146,986</u>	<u>137,772</u>

Details of the accrued benefit obligation are as follows:

	2019 \$	2018 \$
Accrued benefit obligation - Beginning of year	140,302	131,205
Adjustment at beginning of year	715	-
Current service cost	5,549	5,509
Interest cost on accrued benefit obligation	4,469	4,283
Benefit payments	(3,356)	(3,213)
Actuarial gain on accrued benefit obligation	<u>9,205</u>	<u>2,518</u>
Accrued benefit obligation - End of year	<u>156,884</u>	<u>140,302</u>

Details on the post-retirement non-pension benefits expense are as follows:

	2019 \$	2018 \$
Current service cost	5,549	5,509
Interest cost on accrued benefit obligation	4,469	4,283
Amortization of actuarial loss	<u>1,837</u>	<u>1,674</u>
	<u>11,855</u>	<u>11,466</u>

The significant actuarial assumptions adopted in measuring Metrolinx's post-retirement non-pension benefit obligations are as follows:

	2019	2018
Discount rate for post-retirement non-pension benefit	3.1%	3.1%
Discount rate for WSIB liabilities	2.7%	2.7%
Discount rate for retiree severance benefits	2.5%	2.5%
Expected average remaining service life for post-retirement non-pension benefit	15 years	15 years
Expected average remaining service life for WSIB liabilities	9 years	9 years
Expected average remaining service life for retiree severance benefits	2 years	2 years
Rate of compensation increase	2.75%	2.75%
Inflation per annum	2%	2%
Initial Weighted Average Health Care Trend Rate	5.1%	5.1%
Ultimate Weighted Average Health Care Trend Rate	4%	4%
Dental care benefits increase	2.75%	2.75%

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15 Net assets invested in capital assets

	2019	2018
	\$	\$
Capital assets	22,269,952	19,128,047
Deposits on land	237,872	165,101
Advances on capital projects	25,845	85,382
Less: Deferred capital contributions used to purchase capital assets	<u>(19,083,563)</u>	<u>(16,289,789)</u>
	<u>3,450,106</u>	<u>3,088,741</u>

16 Internally restricted net assets

The internally restricted net assets are as follows:

	2019	2018
	\$	\$
MCOR	21,051	21,051
Employment obligation	889	889
Self-insured retention	2,013	2,013
Stabilization	<u>2,379</u>	<u>2,379</u>
	<u>26,332</u>	<u>26,332</u>

The Municipal Capital and Operating Restructuring (MCOR) reserve was established to assist in funding large capital expenditures.

The Employment Obligation reserve was established to assist in funding general employment related obligations of Metrolinx.

The Self Insured Retention reserve was established to assist in funding any claims against the self-insured retention layer of Metrolinx's insurance program.

The Stabilization reserve was established to assist in funding fluctuations in operating and capital budgets of Metrolinx from year to year.

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17 Commitments

The minimum operating lease payments in each of the next five years and thereafter are as follows:

	\$
2020	39,568
2021	38,838
2022	36,510
2023	32,371
2024	18,495
Subsequent	<u>188,651</u>
	<u>354,433</u>

Metrolinx has also committed approximately \$13,841,000 for various capital asset additions/projects.

A significant amount of the services provided by Metrolinx are operated and maintained by outside parties. These services are governed by the agreements with the Canadian National Railway Company (CN), Canadian Pacific Railway Company (CP), Bombardier Inc., PNR Rail Works Inc. (PNR), Toronto Terminals Railway Ltd. (TTR) and by a number of minor service agreements. Metrolinx has entered into the following major agreements for approximately \$293,000 per year:

- Master Operating Agreement with CN terminating on May 31, 2020;
- Commuter Agreement with CP terminating on December 31, 2024;
- Equipment Maintenance contract with Bombardier terminating on December 31, 2024;
- Rail Crew contract with Bombardier terminating on December 31, 2024;
- Routine Track and Signal Maintenance contract with PNR terminating on June 30, 2021; and
- Rail Corridor Management Service Agreement with TTR terminating on June 30, 2021.

The remaining annual service payments relating to the AFP contract with Crosslinx Transit Solutions (note 10) amount to \$5,973,585, whereas the Whitby Facility AFP contractual obligations, in nominal dollars, as at March 31, 2019 are as follows:

	Contract amount	Amount disbursed	Outstanding obligation	Outstanding obligations to be disbursed by March 31						2025 and Thereafter
				2020	2021	2022	2023	2024		
	\$	\$	\$	\$	\$	\$	\$	\$		\$
Plenary infrastructure	921,794	326,843	594,951	16,504	17,153	17,509	17,643	17,809		508,333

As at March 31, 2019, Metrolinx had outstanding letters of credit totalling \$28 (2018 - \$28).

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(in thousands of dollars)

18 Contingencies

Various lawsuits have been filed against Metrolinx for incidents which arose in the ordinary course of business. Management has reviewed these claims and made provisions as appropriate. Where the outcome of a claim is not yet determinable, any settlement will be recorded when it is determined that a claim is likely to be settled and the amount is determinable.

19 Related party disclosures and transactions and balances

Related party disclosures

Metrolinx implemented PSAB's new standard on Related Party Disclosures. This standard requires disclosure of related party transactions if they have a material financial effect on the financial statements and only if those transactions occur at a value different from what would have been arrived at if the parties were unrelated. Transactions involving key management personnel and their close family members are required to be disclosed if they meet certain criteria.

Key management personnel are defined as individuals having authority and responsibility for planning, directing and controlling activities of the entity. Metrolinx has identified direct reports to the CEO and its board members as its key management personnel and put in place processes for preparation and review of annual attestations. There were no material transactions to report in the year.

Inter-entity transactions

PSAB's new standard on inter-entity transactions. It establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity.

Metrolinx had the following transactions with related parties during the year for the provision of services provided by these organizations.

The Ontario Ministry of Government and Consumer Services \$748 (2018 - \$611); Infrastructure Ontario \$1,758 (2018 - \$1); Ontario Northland \$509 (2018 - \$520); Metro Convention Center \$168 (2018 - Nil); Waterfront Toronto \$160 (2018 - Nil).

As at March 31, 2019, accounts payable and accrued liabilities included \$17,385 (2018 - \$2,218), owing to Infrastructure Ontario.

The Ontario Ministry of Transportation transferred one parcel of land to Metrolinx during the year. The transfer was made at the fair value of the assets that amounted to \$ 720, whereas the Ministry procured two parcels of land from Metrolinx in 2018 at \$225.

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The transactions above are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Contributions of capital assets from the Province are recorded at fair value.

Balances due from/to the Province of Ontario are separately disclosed on the statement of financial position. Amounts are non-interest bearing with no specified terms of repayments.

(in thousands of dollars)

20 Guarantees

In the normal course of business, Metrolinx enters into agreements that meet the definition of a guarantee.

- a) Metrolinx has entered into agreements that include indemnities in favour of third parties such as purchase and sale agreements, confidentiality agreements, engagement letters with advisers and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require Metrolinx to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.
- b) Indemnity has been provided to all directors and or officers of Metrolinx including, but not limited to, all costs to settle suits or actions due to association with Metrolinx, subject to certain restrictions. Metrolinx has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of Metrolinx. The maximum amount of any potential future payment cannot be reasonably estimated.

The nature of these indemnification agreements prevents Metrolinx from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, Metrolinx has not made any significant payments under such or similar indemnification agreements; therefore, no amount has been recorded with respect to these agreements.

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APPENDIX A – 2018-19 STRATEGIC OBJECTIVES & RESULTS

In 2018, we introduced 15 corporate strategic objectives. These were aimed at increasing business rigour and control over project delivery and performance measurement. The strategic objectives were each aligned with four priority pillars: managing and leading on safety outcomes, delivering an exceptional and powerful customer experience, engaging and empowering our people, and delivering on our plan and build initiatives. Throughout the year, we measured and reported on key areas of our operations.

2018-19 SAFETY OBJECTIVES	Results
1. Implement a safety leadership program and improve safety by 30% to an LTIFR to 2.8 and train operations rule violations to 3.3 by March 2019	LTIFR was 4.1 for 2018/2019 fiscal year, an improvement of 13 per cent over previous year Rule violations exceeded target at 1.4 for the year
2. Implement LEAN continuous improvement and achieve Control Rooms for all operations teams by March 2019	35 + control rooms implemented organization-wide close to the end of the financial year
2018-19 PEOPLE OBJECTIVES	Results
3. Engage our people and improve our engagement score to 80% and our gender balance target for senior managers and above to 31% by December 2018 (50% by 2021)	Achieved 75% engagement score and 31% gender balance.
4. Competent and Confident Employees who are satisfied with their training and development (70% survey score)	Achieved a score of 57%. Although below target, this an increase of 2 per cent since the previous mid-year pulse check which indicates a positive shift.
5. Implement KPIs and management structures by February 2018	KPIs and management structure was implemented, monitored and reported on monthly.
2018-19 PLAN & BUILD OBJECTIVES	Results
6. Deliver the 2018-19 Fiscal budget within 3% and the State of Good Repair (SOGR) within 3% and implement a rigorous procurement process	2018/19 Fiscal budget achieved within 0.4%. State of Good Repair within 22%.
7. Implement a thorough cost and schedule control of all capital programs by January 2018 and achieve 100% of all 2018-19 milestones	We have implemented thorough program governance, as well as comprehensive monthly performance reporting from October 2018 onwards, and a maturing set of KPIs guiding our behaviours. These are to be refreshed in April 2019.
8. Implement a plan for improved contract	The DBFOM program was renamed

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management for existing capital programs and a future Design, Build, Finance, Operate & Maintain (DBFOM) by July 2018	<p>OnCorridor. We have implemented thorough commercial and contract governance and management in all project delivery teams, improving management of existing claims and mitigating future claims and commercial disputes.</p> <p>Achieved Board authorization in March 2019 for a contract amendment and extension for Program Management and Owners Engineer services, with greater clarity and control.</p> <p>Technical advisor contracts and services under greater scrutiny and control through increased dialogue through March 2019.</p> <p>The RFQ for OnCorridor was issued in March 2018, and efforts for orderly and comprehensive RFP release were well advanced through the 2018-19 period.</p>
9. Develop the RER business transformation plan by February 2018 and achieve all of the 2018-19 milestones by March 2019	We have developed core competencies which have now been embedded into other projects. The transformation objective has been re-aligned to integrate with OnCorridor delivery. This work will remain underway through the completion of the OnCorridor transition period.
10. Convene with transit operators, an intra-governmental forum to address regional transit issues by July 2018	A Regional Roundtable that includes Chief Administrative Officers from each regional municipality met three times - in July 2018, Oct 2018 in Peel Region and in York Region in Feb 2019.
11. Implement mixed-use transit oriented development for eight GO stations and a retail strategy by March 2018	A formalized framework for a market-driven strategy has been developed and we are working on a public web page. Mimico and Woodbine stations have been announced as part of this program.
2018-19 Customer Experience Objectives	Results
12. Public launch of new forms of PRESTO payments across the TTC by February 2019. Reduce PRESTO operating cost by 25% by March 2019	New Forms of PRESTO payment - Field trials for PRESTO Tickets were completed in December 2018, launch in TTC stations began in April and will be completed along with retail expansion throughout the year.

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	PRESTO operating cost reduction target was exceeded with twelve cost savings initiatives identified, and the largest savings for the year achieved through vendor consolidation and maintenance optimization. Savings have been embedded into go-forward budgets.
13. Build positive partnerships with transparency and achieve a positive impression of at least 60% first year partnership score	We achieved a positive impression score of 59%. While one per cent below target, more than half of all stakeholders surveyed have a positive impression of Metrolinx, scoring the agency 7 or higher out of 10.
14. Deliver a revenue return on investment of 3:1 and increase non fare revenue by 75% by March 2019	Metrolinx, through the Marketing Division, has delivered at a minimum a 3:1 return on its marketing campaigns and promotional partnerships. The Marketing Division drives ridership and revenue through marketing, customer insights, establishing partnerships and promoting non-fare sales. Data, research and experience-driven customer insights are the basis of our ridership and revenue growth decisions. By taking on a more commercial mindset, Metrolinx is actively pursuing non-fare sources of revenue by expanding our partnerships programs and advertising sales.
15. Increase train and bus services capability by 25% and improve customer satisfaction to 86% by March 2019	At the end of the fiscal year, overall GO Transit customer satisfaction was 73 per cent, 13 per cent below our target. Train service increased by 13.9% and bus service by 6%.

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APPENDIX B - GRI REPORT

As part of the Metrolinx Sustainability Strategy 2015-2020, the agency has committed to measure performance, maintain a Sustainable Strategy Performance Scorecard and publicly release a Sustainability report.

The following report has been developed in accordance with the Global Reporting Initiative (GRI) framework. The Global Reporting Initiative framework is a UN-sanctioned organization that enables entities to manage and report on their Environmental, Social Governance (ESG) impacts, mitigating risk, building trust, and publicizing successful initiatives.

This report has been tabled to meet the core level of the GRI framework.

General		Report Section and/or Disclosure Response
102-1	Name of the Organization	Metrolinx
102-2	Activities, Brands, Products and Services	Refer to Report Section: Description of Activities of activities (Pages
102-3	Location of Headquarters	Toronto, Ontario
102-4	Location of Operations	Metrolinx operates in Ontario, Canada
102-5	Ownership and Legal Form	Refer to Report Section: Our Mandate (Page 5)
102-6	Markets Served	Transit and Operations Map
102-7	Scale of the Organization	Refer to Report Section: Financial Highlights & Business Plan Report (Page 7)
102-8	Information on Employees and Other Workers	There are a total of 4,070 employees working across 102 locations - Total number of employees by employment contract: Permanent: F: 1,296, M: 2,640; Temporary: F: 91, M: 134 - Total number of employees by employment type, by gender Full time: F: 1,192, M: 2,596; Part time: F: 195 M: 178 Data was extracted from the HR system of records on April 5, 2019.
102-9	Supply Chain	Refer to Report Section: Plan & Build (Pages 10-12)
102-10	Significant Changes to the Organization and Its Supply Chain	Refer to Report Section: Plan & Build (Pages 10-12)
102-11	Precautionary Principle or Approach	Metrolinx is regulated by the Federal and Provincial government and the enabling legislation is the Metrolinx Act, 2006. The Enterprise Risk Management (ERM) Office has launched guidelines, processes and tools to help Metrolinx and its business units identify risks to achieving its strategic objectives. Metrolinx maintains a full ERM Policy and framework to ensure robust processes for risk identification, mitigation, monitoring and reporting at all levels up to and including Senior Management and the Board. The ERM Policy is based on the COSO ERM Integrated Framework 2017 and ISO 31000. An ISO 14001 Environmental Management System to frame operational and construction processes.
102-12	External Initiatives	Refer to Report Section: Report on Non-Financial Activities (Pages, 8, 14, 15 and 28)

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102-13	Membership of Associations	Metrolinx's list of active memberships is continuously evolving and we are able to share a list of currently active memberships upon request.
102-14	Statement from Senior Decision-Maker	Refer to Report Section: Message from the CEO (Page 4)
102-16	Values, Principles, Standards and Norms of Behaviour	http://www.metrolinx.com/en/aboutus/metrolinxoverview/metrolinx_overview.aspx
102-18	Governance Structure	http://www.metrolinx.com/en/aboutus/board/board_governance.asp
102-40	List of Stakeholder Groups	Main stakeholder categories: Metrolinx Executive Management, Metrolinx People Leaders/Process Managers, Federal/Provincial Government, Customer, Suppliers/Vendors, Local Transit Agencies, Non-Government Organizations, Industry or Professional Associations, and Academics.
102-41	Collective Bargaining Agreements	Percentage of total employees covered by collective bargaining agreements: 54.3%
102-42	Identifying and Selecting Stakeholders	Metrolinx stakeholders are diverse and dependent on the division engaging and the topic being engaged upon. Broadly speaking, all Metrolinx stakeholders are identified based on their location within the Metrolinx mandate area.
102-43	Approach to Stakeholder Engagement	Engagement with elected and non-elected stakeholders consists of but not limited engagement in the form of community meetings, speaking engagements, elected official briefings, municipal meetings, Council presentations, public town hall meetings, door-to-door neighbourhood engagement, material distribution, content partnerships, e-newsletters and digital engagement.
102-44	Key Topics and Concerns Raised	Engagement focuses on existing operations, initiatives, service, current construction, and future projects within the Metrolinx mandate area. Engagement is reported through monthly KPIs and through strategic objectives.
102-45	Entities Included in Consolidated Financial Statements	Refer to Report Section: Financial Statements – Related Party Disclosures and Transactions and Balances (Pages 64-65)
102-46	Defining Report Content and Topic Boundaries	As a transit organization, Metrolinx engages stakeholders on a broad range of issues to improve performance and help shape strategic initiatives. In June 2014, Metrolinx engaged an independent firm to conduct a robust engagement exercise of both internal and external stakeholders. The objective of the engagement was to understand how stakeholders perceive Metrolinx in the context of social, environmental and economic topics that most influence decisions.

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102-47	List of Material Topics	Issues of high importance according stakeholders in the 2014 Materiality Matrix: - Health and safety programs workplace injury and illness reduction - Connection of new transit projects to high density areas - Environmental, social and economic consideration in planning and design - Accessibility by transit, walking and cycling - Climate resilience consideration in infrastructure upgrades - Access to transit services - Long-term benefits of financial decisions - Sustainability consideration in tenders - On time and reliable service - Establishing sustainable procurement policy - Securing stable government funding - Fairness and honesty with partners, contractors and suppliers - Transit service affordability - Greenhouse gas emission reduction
102-48	Restatements of Information	No material restatements provided.
102-49	Changes in Reporting	We have now moved to integrate the Global Reporting Initiative framework with the Metrolinx Annual Report.
102-50	Reporting Period	The Metrolinx 2018-2019 Annual Report details information and data in fiscal years 2018 (FY18) and 2019 (FY2019), which ran from April 1 2018- March 31, 2019.
102-51	Date of Most Recent Report	The most recent Annual Report did not follow the GRI framework.
102-52	Reporting Cycle	We issue our Corporate Annual Report on an annual basis.
102-53	Contact Point for Questions	For feedback, questions or additional information about this report please contact us at 416-874-5900.
102-54	Claims of Reporting in accordance with GRI	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI Content Index	This document is organized by GRI indicators and serves as our GRI Content Index.
102-56	External Assurance	This GRI Index is self-declared. No external assurance has been obtained this year.
Specific disclosures		
Metrolinx Material Issue		Report Section or external reference
Economic Performance		
103-1	Explanation of the material topic and its boundary	Securing government funding and reporting on direct economic performance of Metrolinx are material concerns to internal and external stakeholders. As a government agency, government funding has direct impact on Metrolinx's operations.

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103-2	The management approach and its components	Details of economic performance are disclosed in the Financial Statements of Annual Metrolinx Report. Metrolinx management is responsible for the preparation and fair presentation of financial statements in accordance with Canadian public sector accounting standards.
103-3	Evaluation of the management approach	Refer to Report Section: Independent Auditor's Report (Pages 43-45)
201-1	Direct economic value generated and distributed	Refer to Report Section: Financial Statements – Statement of Operations (Page 48)
201-4	Financial assistance received from government	Refer to Report Section: Capital Subsidy (Page 29)
103-1	Explanation of the material topic and its boundary	Stakeholders have identified 'long-term benefits of financial decisions' and 'ensuring fairness and honesty with partners', as material issues. The Transit Procurement Initiative (TPI) delivers customer service, efficiencies, and value for money, allowing municipalities to maximize transit dollars and serve customers and taxpayers.
103-2	The management approach and its components	The Governance Agreement (GA) is the agreement between Metrolinx and participating municipalities outlining the principles of facilitating joint procurements, roles and responsibilities. Each project establishes its own steering committee with representatives from participating transit agencies. http://www.metrolinx.com/en/projectsandprograms/tpi/tpi.aspx
103-3	Evaluation of the management approach	The five year TPI Governance Agreement expired December 1, 2018. Work on the new TPI Governance Agreement began late 2018.
203-2	Significant indirect economic impacts	http://www.metrolinx.com/en/projectsandprograms/tpi/tpi.aspx
Environmental Management		
103-1	Explanation of the material topic and its boundary	Stakeholders have identified reduction of greenhouse gas emissions and air pollutants, as material issues. Metrolinx has measured and calculated greenhouse gas emissions and criteria air contaminants, in both absolute and intensity. FY 17-18 emissions are the most recent data points.
103-2	The management approach and its components	The <i>Metrolinx Sustainability Strategy (2015-2020)</i> outlines a reduction in energy use and emissions. Metrolinx has achieved the following targets: - 15% reduction in fuel consumption per revenue seat KM (FY 2012-13); - 15% reduction in mobile GHG emissions per revenue seat KM (FY 2012-13); - 20% reduction in total CAC emissions per revenue seat KM (FY 2012-13).

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103-3	Evaluation of the management approach	<p>FY2017-8 Scope 1 emissions*: 239,669 tCO₂e</p> <p>FY2017-8 Scope 2 emissions*: 4,793 tCO₂e</p> <p>FY2017-8 Criteria Air Contaminants**: 2,003,844 Kg</p>
305-1	Direct (Scope 1) GHG emissions from sources owned or controlled by Metrolinx	<p>FY2017-8 Emissions. Gross direct Scope 1 emissions: 239,669 tCO₂e.</p> <ul style="list-style-type: none"> > Gases included: CO₂, CH₄, N₂O, PM₁₀, HC, NO_x, CO, SO₂, VOC, > Biogenic CO₂ emissions in metric tons of CO₂ equivalent: none > Base year for the calculation: Fiscal April 1, 2012 - March 31, 2013 > The rationale for choosing it: first year with full data sets > Base year Scope 1 emissions: 179,622 tCO₂e > Significant changes in emissions: No recalculations done. Increase in absolute Scope 1 emissions is due to increase in service in GO Train, GO Bus, new stations, and operation of UP Express starting in FY16-17. > Source of emission factors: The GHG emission factors are obtained from the National Inventory Report, and CAC emission factors are obtained from RailCan or the GHGenius Database. For stations and maintenance facilities, GHG emissions from purchased electricity and natural gas consumption were calculated using emission factors from the National Inventory Report. > Source of Global warming potential (GWP): IPCC AR5 Chapter 8, page 22 > Consolidation approach for emissions: Operational control > Emissions are calculated in accordance with <i>GHG Protocol, Corporate Accounting and Reporting Standard</i>.
305-2	Energy indirect (Scope 2) GHG emissions from purchased energy consumed by Metrolinx	<p>Emission reported for FY 2017-8. Gross indirect Scope 2 emissions: 4,793 tCO₂e.</p> <ul style="list-style-type: none"> > Base year for the calculation: Fiscal year April 1, 2012 - March 31, 2013 > Base year Scope 2 emissions: 8,872 tCO₂e > Refer to 305-1 for information on gases included, rationale for choosing base year, emission factor and GWP sources, as well as methodology used.
Social Management		
103-1	Explanation of the material topic and its boundary	<p>Stakeholders identified 'sustainability consideration in tenders' and 'prioritizing benefits of financial decisions' as material issues. Investments should provide benefits for communities, and we are providing employment, apprenticeship, and opportunities for local communities where projects are under construction.</p>

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103-2	The management approach and its components	The Crosstown project will be delivered through an Alternative Financing and Procurement mechanism. Delivery of the community benefits program will be included as part of the final contract between Metrolinx, its procurement agent, Infrastructure Ontario and the winning bidder.
413-1	Operations with local community engagement, impact assessments, and development programs	The Crosstown Community Benefits Agreement commits 10% of all trade hours to come from historically disadvantaged communities and equity-seeking groups. As of December 31, 2018, the project supported Social Enterprises spending \$485,698, and supported local businesses along Eglinton spending \$5.4 million. 254 people in total were hired through community benefits employment.

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