

Clause 4 in Report No. 10 of Committee of the Whole was adopted, as amended, by the Council of The Regional Municipality of York at its meeting held on June 28, 2018.

4

Integrated Bilateral Agreement -
Public Transit Stream Funding
(Formerly PTIF-2)

**Minute No. 103 - Integrated Bilateral Agreement – Public Transit Stream Funding
(Formerly PTIF 2) Report: Amendment to Recommendations**

It was moved by Mayor Barrow, seconded by Regional Councillor Heath that Council receive the memorandum from Bill Hughes, Commissioner of Finance dated June 14, 2018 and refer to Clause 4 of Committee of the Whole Report No. 10.

Carried

(See Minute No. 106)

Minute No. 106 - That the recommendations be amended as described in the memorandum from Bill Hughes, Commissioner of Finance dated June 14, 2018.

Carried

(See Minute No. 103.)

1. Receipt of the presentation by Bill Hughes, Commissioner of Finance at the June 7, 2018 Committee of the Whole meeting.
2. Council endorse the following recommendations, as amended, contained in the report dated May 22, 2018 from the Commissioner of Finance:
 1. Council endorse the selection of transit projects (illustrated in Table 13) that are currently in the Region's ten-year Capital Plan for funding under the Public Transit Stream of the Investing in Canada Plan based on the criteria outlined in this report:

Integrated Bilateral Agreement - Public Transit Stream Funding (Formerly PTIF-2)

- a. Transit Bus Replacement
 - b. Transit Bus Growth/Expansion
 - c. Transit Facilities
 - d. Transit Technology
 - e. GO/RER Grade Separations
2. The Chief Administrative Officer and the Commissioner of Finance be authorized to submit an application on behalf of the Region in the event that an application is required during the Council election hiatus.
 3. To comply with the incrementality rules of the federal funding agreement, savings realized by the Region as a result of Public Transit Stream funding be reallocated to future rapid transit projects that are not currently in the approved ten-year Capital Plan.
 4. An appropriate rapid transit reserve(s) be established during the 2019 budget process.
 5. Staff report back to Council in 2019 with a potential list of rapid transit projects that could be added to the Capital Plan and funded from the rapid transit reserve(s) once federal and provincial funding criteria are more clearly defined.
 6. The Region continue to seek full funding from Metrolinx, the province and the federal government for the following projects:
 - a. Remaining pre-construction activities, including design and engineering, for the Yonge Subway Extension
 - b. Bus rapidway projects.
 7. In the event that full funding from Metrolinx, the province and the federal government is not available, consideration be given to a Public Transit Stream application for the remaining design and engineering needed to bring the Yonge Subway Extension to procurement-ready status and for an environmental assessment on the Jane Street Bus Rapid Transit project, with capital plan reductions and/or deferrals for the Region's share of the cost.
 8. This report be circulated to Members of Parliament and Members of Provincial Parliament representing York Region and to the appropriate federal and provincial ministers.
 9. The Regional Clerk circulate this report to the local municipalities.

Integrated Bilateral Agreement - Public Transit Stream Funding (Formerly PTIF-2)

Committee of the Whole recommends:

1. Receipt of the presentation by Bill Hughes, Commissioner of Finance.
2. *Consideration of the following recommendations contained in the report dated May 22, 2018 from the Commissioner of Finance be deferred to the June 28, 2018 Council meeting to allow time for staff to bring forward additional recommendations regarding funding of the Yonge Subway Extension and bus rapidway projects:*
 1. Council endorse the selection of transit projects (illustrated in Table 13) that are currently in the Region's ten-year Capital Plan for funding under the Public Transit Stream of the Investing in Canada Plan based on the criteria outlined in this report:
 - a) Transit Bus Replacement
 - b) Transit Bus Growth/Expansion
 - c) Transit Facilities
 - d) Transit Technology
 - e) GO/RER Grade Separations
 2. The Chief Administrative Officer and the Commissioner of Finance be authorized to submit an application on behalf of the Region in the event that an application is required during the Council election hiatus.
 3. To comply with the incrementality rules of the federal funding agreement, savings realized by the Region as a result of Public Transit Stream funding be reallocated to future rapid transit projects that are not currently in the approved ten-year Capital Plan.
 4. Staff report back to Council in 2019 with a potential list of rapid transit projects that could be added to the Capital Plan once federal and provincial funding criteria are more clearly defined.
 5. The Region continue to seek full funding from Metrolinx, the province and the federal government for the following projects:
 - a) Remaining pre-construction activities, including design and engineering, for the Yonge Subway Extension
 - b) Bus rapidway projects.

Integrated Bilateral Agreement - Public Transit Stream Funding (Formerly PTIF-2)

6. This report be circulated to Members of Parliament and Members of Provincial Parliament representing York Region and to the appropriate federal and provincial ministers.
7. The Regional Clerk circulate this report to the local municipalities.

Report dated May 22, 2018 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that:

1. Council endorse the selection of transit projects (illustrated in Table 13) that are currently in the Region's ten-year Capital Plan for funding under the Public Transit Stream of the Investing in Canada Plan based on the criteria outlined in this report:
 - a. Transit Bus Replacement
 - b. Transit Bus Growth/Expansion
 - c. Transit Facilities
 - d. Transit Technology
 - e. GO/RER Grade Separations
2. The Chief Administrative Officer and the Commissioner of Finance be authorized to submit an application on behalf of the Region in the event that an application is required during the Council election hiatus.
3. To comply with the incrementality rules of the federal funding agreement, savings realized by the Region as a result of Public Transit Stream funding be reallocated to future rapid transit projects that are not currently in the approved ten-year Capital Plan.
4. Staff report back to Council in 2019 with a potential list of rapid transit projects that could be added to the Capital Plan once federal and provincial funding criteria are more clearly defined.
5. The Region continue to seek full funding from Metrolinx, the province and the federal government for the following projects:
 - a. Remaining pre-construction activities, including design and engineering, for the Yonge Subway Extension
 - b. Bus rapidway projects.

Integrated Bilateral Agreement - Public Transit Stream Funding (Formerly PTIF-2)

6. This report be circulated to Members of Parliament and Members of Provincial Parliament representing York Region and to the appropriate federal and provincial ministers.
 7. The Regional Clerk circulate this report to the local municipalities.
2. Purpose

This report updates Council on the integrated bilateral agreement funding programs under Phase II of the Investing in Canada Plan, and seeks Council's endorsement of potential projects to be submitted for funding under the Public Transit Stream.

3. Background and Previous Council Direction

Council has previously endorsed priority projects for infrastructure funding under Phase 1 of the Investing in Canada Plan

Between 2015 and 2017, Council endorsed a number of projects for funding under Phase 1 of the Investing in Canada Plan and other federal programs. As a result, \$36.3 million has been allocated to the Region from the Public Transit Infrastructure Fund, which was subsequently combined with \$55 million from the Province of Ontario, for planning, design and engineering costs associated with the Yonge Subway Extension.

Council has directed that the Region only enter into funding agreements with the federal and/or provincial governments for capital projects that are currently in its ten-year Capital Plan or could be added to the Capital Plan without incurring additional debt.

On June 23, 2016, Council endorsed the priority projects listed in Table 1.

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Table 1
Priority projects endorsed for Phase I of the Investing in Canada Plan
and other federal programs

Program	Top priority projects
Phase I	
Public Transit Infrastructure Fund (PTIF)	Yonge North Subway Extension (pre-construction)
Clean Water and Wastewater Fund (CWWF)	Total of 26 projects, including: York-Durham Sewage System Sewer Rehabilitation; Water Transmission Main Replacement; Upper York Sewage Solutions-Phosphorus Offset and Membrane Filtration Pilot
Green Municipal Fund	Electric Vehicle Base Case – Feasibility Study
	Non-emergency Electric Vehicle Replacement – Feasibility Study
Connect to Innovate (previously Rural and Remote Broadband)	Municipal Building Retrofits – Pilot Project
	York Telecom Network
Other federal programs	
Provincial-Territorial Infrastructure Component (PTIC)	Priorities include: Road widening to optimize provincial investments in Regional Express Rail; Humber sewage pump station; 16th Avenue sewer rehabilitation etc.
Railway Safety Improvement Program (RSIP)*	Safety assessment and improvements at rail crossings Rail level crossing safety improvements will be implemented on six regional road crossings on the Stouffville GO line in the City of Markham

Note:

* Council endorsed submission in December 2016

Council previously was seeking full funding from the provincial and federal government for the Yonge Subway Extension and the unfunded Bus Rapidway projects

On June 23, 2016, Council also endorsed the principle that Metrolinx, the province and the federal government should fully fund the following projects:

Integrated Bilateral Agreement - Public Transit Stream Funding (Formerly PTIF-2)

- a. Pre-construction activities, including design and engineering, for the Yonge North Subway Extension
- b. Construction of the Yonge North Subway Extension
- c. Bus rapidway projects.

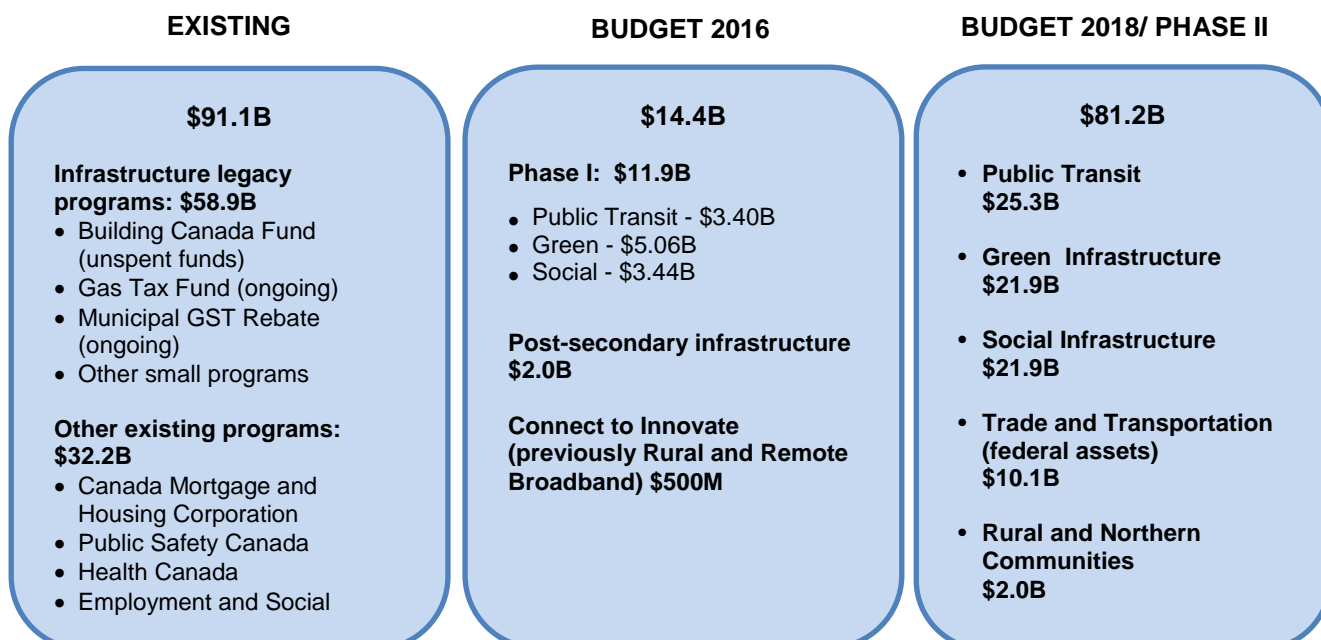
However, it now appears that a municipal contribution will be expected for subway construction based on Toronto's experience.

The Investing in Canada Plan provides funding opportunities in two phases

The Investing in Canada Plan (the "Plan"), announced in the 2016 Federal Budget, is a long-term infrastructure investment plan divided into two Phases. Phase I focused on near-term projects, while Phase II focuses on projects with a longer horizon.

According to the 2018 Federal Budget, Phases I and II have total funding of \$11.9 billion and \$81.2 billion respectively. Phase II of the Plan is split into five streams – Public Transit, Green Infrastructure, Social Infrastructure, Trade and Transportation, and Rural and Northern Communities. Each of the streams, other than Trade and Transportation, has an associated integrated bilateral agreement. When combined with programs announced by previous governments, the federal government will invest a total of over \$180 billion over 11 years.

Figure 1
Federal Infrastructure Funding Programs



Integrated Bilateral Agreement - Public Transit Stream Funding (Formerly PTIF-2)

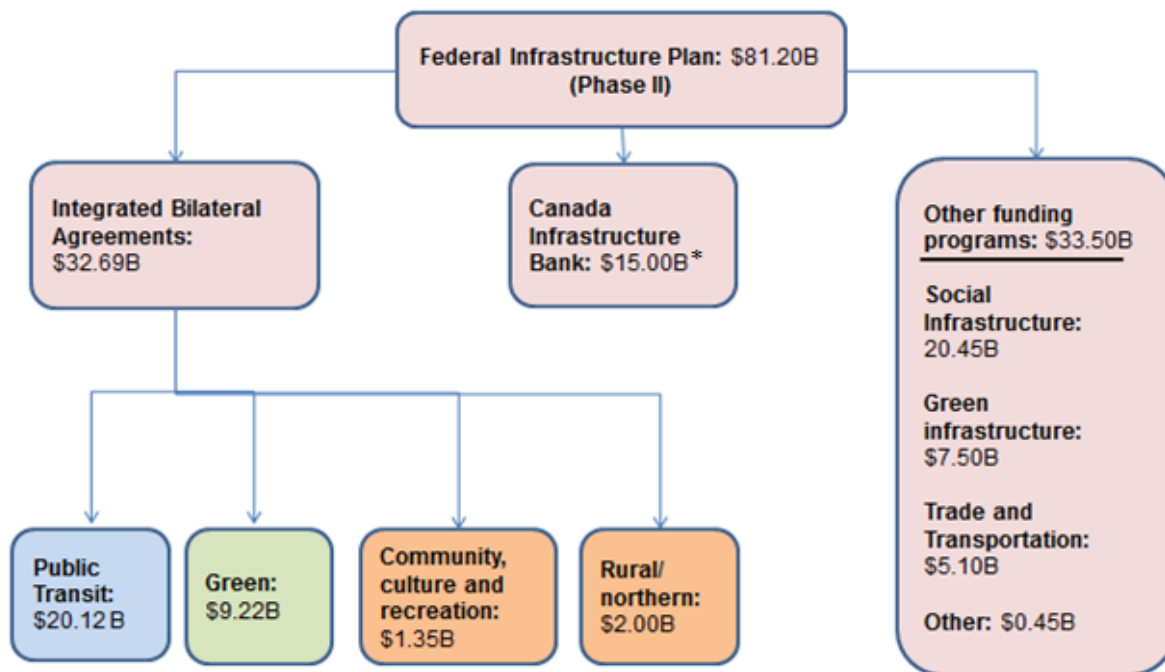
Phase II infrastructure funding is being delivered through several programs

The federal government plans to deliver Phase II funding (\$81.2 billion over 11 years) through a number of programs, including:

1. \$32.69 billion under integrated bilateral agreements. Funding delivered through this channel will require the provinces and territories to cost share.
2. \$15.0 billion allocated to the Canada Infrastructure Bank, which will focus on leveraging private sector investment towards large-scale revenue-generating infrastructure projects.
3. \$33.5 billion through other funding programs, including:
 - \$20.45 billion for social infrastructure, which includes funding delivered through the Canada Mortgage and Housing Corporation, funding for early learning and child care, and funding for indigenous communities.
 - \$5.10 billion for trade and transportation infrastructure, including the \$2 billion National Trade Corridors Fund, \$1.325 billion for the Oceans Protection Plan, and \$1.925 billion to support VIA Rail and various operators of marine routes.
 - \$7.50 billion for green infrastructure, including \$2.8 billion for a series of national programs, \$2 billion for Indigenous communities, and \$2 billion in reserved funding not yet allocated to specific programs.
 - \$300 million for city-building plans under the Smart Cities Challenge and \$150 million allocated to the Superclusters Fund for business-led innovation.

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Figure 2
Investing in Canada Plan - Phase II Funding



Note:

* In addition to \$15 billion allocated to the Canada Infrastructure Bank in the 2017 Budget, the Government of Canada will be making another \$20 billion available for the Canada Infrastructure Bank. The latter portion is “repayable” to the Government of Canada.

The federal government recently finalized its Integrated Bilateral Agreement with Ontario

On March 14, 2018, the Government of Canada signed an integrated bilateral agreement with the Province of Ontario. The agreement covers public transit infrastructure, green infrastructure, community, culture and recreation infrastructure, and infrastructure in rural and northern communities.

The agreement includes a federal commitment of \$11.8 billion as part of the four funding streams, together with a provincial commitment of \$10.2 billion to support long-term infrastructure projects across the province.

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For the Public Transit Stream, the federal government will provide funding for up to 50 per cent of the cost of rehabilitation projects and up to 40 per cent of the cost of new public transit construction and expansion projects. A national cap of 15 per cent of the funding can be directed to rehabilitation projects. The federal investments under funding streams are illustrated in Table 2.

Table 2
Federal Funding Under the Integrated Bilateral Agreement with Ontario

Funding	Rates	Federal Contribution (\$ billions)	Allocation for Ontario (\$ billions)	Ontario Cost Share (\$ billions)
Public Transit	Up to 50 per cent for rehabilitation projects (investment directed to rehab projects is capped at 15 per cent nationally)	\$20.12	\$8.34*	\$7.28
	Up to 40 per cent for new public transit construction and expansion projects			
Green Infrastructure	Up to 40 per cent for all projects	\$9.22	\$2.85**	\$2.35
Community, Culture and Recreation Infrastructure	Up to 40 per cent for all projects	\$1.35	\$0.41	\$0.34
Rural and Northern Communities	Up to 50 per cent for projects in municipalities with a population over 5,000	\$2.00	\$0.25	\$0.21
	Up to 60 per cent for projects in municipalities with a population under 5,000			
Total		\$32.69	\$11.85	\$10.17

*This amount includes \$872.2 million approved for the Ottawa Light Rail Stage 2 project, and up to \$660 million for the Scarborough Subway extension project, pending submission and approval

** This amount includes \$218.9 million for the Ottawa Light Rail Stage 2 project, and \$384.2 million for the Port Lands Flood Protection and Enabling Infrastructure project.

Integrated Bilateral Agreement - Public Transit Stream Funding (Formerly PTIF-2)

The Public Transit Stream could provide York Region with up to \$372 million in federal-provincial funding, translating to \$509 million worth of public transit projects

Of the \$8.34 billion allocated to Ontario under the Public Transit Stream, York Region could receive up to \$203.6 million in federal funding and a further \$168.0 million in funding from the Province. To receive this funding, it would need to contribute 27 per cent of the total cost of the projects or between \$125 and \$137 million.

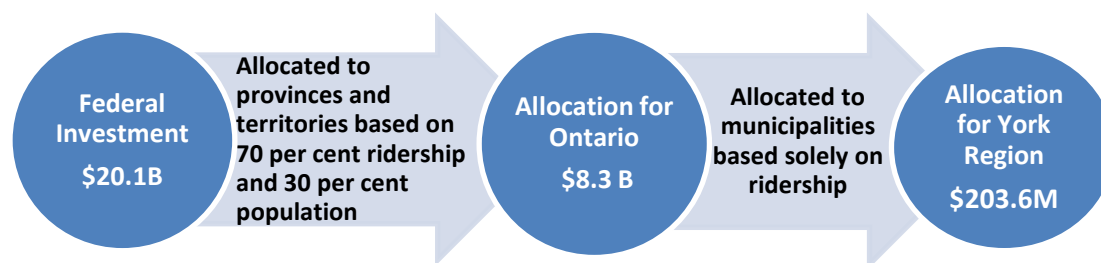
Table 3
Infrastructure Funding under Public Transit Stream

Infrastructure scenarios (\$ Millions)	Federal share	Provincial share	Region's share	Total
100 per cent new projects	204	168	137	509
85 per cent new, 15 per cent rehabilitation	204	162	125	491

York Region's funding allocation was based on a formula that disadvantages growing municipalities and those with newer transit systems

While the allocation of federal investment to provincial and territorial jurisdictions is based 70 per cent on ridership and 30 per cent on population, the allocation to municipalities is based solely on ridership (see Figure 3 below).

Figure 3
Public Transit Stream Funding Allocation Methodology



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Alternative allocation methodologies could have better met the Region's need for transit funding

If the allocation methodology had been based on either 100 per cent current population or 100 per cent Growth Plan population, the Region would have received significantly more funding (Table 4).

Table 4
Public Transit Stream Funding Allocation Scenarios (\$ billions)

	Current Methodology: 100 per cent Ridership	Approximate allocation – 100 per cent population	Approximate allocation – 2041 Growth Plan population
Ontario	8.3	8.3	8.3
Toronto	4.9	1.6	1.6
York Region	0.2	0.7	0.8
York Region to Toronto Ratio	1: 24	1: 2.3	1: 1.9

As a result of the ridership-based funding formula, 58.7 per cent of the transit funding will go to the City of Toronto, compared to York Region's share of 2.4 per cent (Table 5).

Table 5
Ontario's Transit Allocation under the Public Transit Stream

(\$ millions)	Federal Maximum Transit Allocation	Provincial Cost Share	Total Funding
York Region	204	168	372
Toronto	4,897	4,040	8,936
Brampton	192	158	350
Metrolinx	593	890	1,483
Mississauga	339	280	619
Peel	6	5	10

Source: <https://news.ontario.ca/moi/en/2018/03/under-the-180-billioninvesting-in.html>

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Public Transit Stream funding will not be adjusted for inflation or carrying costs

Funding under the integrated bilateral agreement will be reimbursed over the course of the ten-year program and the amount of the funding will not be increased to reflect inflation. As the Region's ten-year Capital Plan is approved using current dollars, the \$509 million in total funding would be equivalent to approximately \$417 million worth of projects in the 2018 Capital Plan (Table 6).

Table 6
Net Present Value of Public Transit Stream Funding (\$ millions)

	Federal share	Provincial share	Region's share	Total
100 per cent new projects	167	138	112	417
85 per cent new, 15 per cent rehabilitation	167	134	103	404

Source: York Region Finance Department

The Region is also required to pre-fund the federal and provincial share of the projects until it is reimbursed. While the process for obtaining funding from the federal and provincial governments has been streamlined, it is estimated that the Region would still be "out-of-pocket" for about six to eight months. This could result in foregone interest of up to \$6 million.

To be eligible for funding, projects must meet at least one of the following public transit outcomes

To be eligible for funding under the Public Transit Stream, projects must meet at least one of the following Public Transit Outcomes, as defined in the integrated bilateral agreement:

- Improved capacity of public transit infrastructure
- Improved quality and/or safety of existing or future transit systems
- Improved access to a public transit system

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The Green Infrastructure Stream might also provide the Region with funding to advance infrastructure projects, including higher order rapid transit

Under the Green Infrastructure Stream, \$2.85 billion has been allocated to Ontario. The Province has also committed to cost share 33 per cent or \$2.35 billion. This stream of funding will support several areas, as illustrated in Table 7.

Table 7
Green infrastructure Stream Funding Areas
Ontario Share of \$2.85 billion

<i>Funding Area</i>	<i>Examples</i>
Greenhouse gas emission mitigation investments (minimum \$1.3 billion)	<p>Projects that will result in reduced greenhouse gas emissions:</p> <ul style="list-style-type: none"> • electricity generation and transmission (e.g., smart grid and renewables) • built environment (i.e., energy efficiency) • transportation (e.g., electric vehicles and alternative fuel infrastructure) • active transportation infrastructure • higher order rapid transit (e.g., heavy rail, subway, light rail transit, or bus rapid transit) • the adoption of vehicles that use a renewable fuel source (e.g., fleet electrification) in a public transit fleet
Climate change adaptation, resilience, and disaster mitigation	<p>Projects that will support community resilience:</p> <ul style="list-style-type: none"> • constructed infrastructure (e.g., dikes, winter ice roads replacement) and natural infrastructure projects (e.g., natural shorelines and wetlands) that will result in increased infrastructure capacity to withstand and adapt to climate change impacts, and climate-related disaster mitigation
Environmental quality investments (e.g., water and wastewater projects)	<p>Infrastructure projects that will result in:</p> <ul style="list-style-type: none"> • increased capacity to treat and manage water and wastewater • capacity to reduce or remediate soil and air pollutants. • investments in natural infrastructure, as well as upgrades to water, wastewater infrastructure, replacement of diesel storage tanks, and reduction of the environmental impact of landfills.

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The methodology for distributing Green Infrastructure Stream funds to municipalities within Ontario has not been announced yet (except for the \$218.9 million that was committed to Ottawa's Light Rail Transit Stage 2 project and \$384.2 million for the Toronto's Port Lands Flood Protection and Enabling Infrastructure project). It is uncertain whether this funding will be provided through an allocation process or by a competitive/application-based process. It is also possible that local municipalities may be eligible to receive a share of this funding. It is expected that the federal government will fund up to 40 per cent of municipal projects, with 33 per cent to be cost shared by the Province and 27 per cent by municipalities.

The Green Infrastructure Stream could be a source of additional transit funding, as higher order transit is eligible under the greenhouse gas emission mitigation category.

Bundling of the Public Transit and the Green Infrastructure funding, if allowed, could provide increased funding for rapid transit

The Green Infrastructure Stream was stacked with the Public Transit Stream funding for Ottawa's light rail project. Staff have been advised by provincial staff that municipalities may be able to bundle various funding streams. However, this cannot be confirmed until the program is launched later in the year.

The Region also has high priority water and wastewater projects that will need to be considered in relation to the need for rapid transit.

Municipalities will need to respond once intakes are launched in early 2019

The Ontario Minister of Infrastructure has sent a letter to the Regional Chair, indicating that programs under the integrated bilateral agreement are expected to be launching in Ontario toward the end of 2018, to better align with municipal election cycles and allow municipalities the flexibility for their new councils to approve priorities sometime in early 2019. In the unlikely event that funding applications are requested during Council's election hiatus, it is recommended that the Chief Administrative Officer and Commissioner of Finance be authorized to submit an application on behalf of the Region using the criteria outlined in this report.

Integrated Bilateral Agreement - Public Transit Stream Funding (Formerly PTIF-2)

4. Analysis and Implications

As it grows, the Region will require larger and more complex infrastructure that is both expensive and challenging to manage

As the Region continues to fulfill the Provincial Growth Plan objectives, infrastructure requirements become more complex, often requiring increasingly demanding conditions of ministerial approval or tri-party agreements. Table 8 provides examples of some of these large infrastructure projects. The transportation projects in Table 8 cannot be accommodated through Regional revenues and will require both funding from other levels of government and new revenue sources for the Region's share (if any).

Table 8
Potential Large Infrastructure Projects for York Region

Project	Est. Cost (\$ Million)
TRANSPORTATION PROJECTS	
Yonge Subway Extension (construction)	5,100 ¹
Bus Rapid Transit Plan (Metrolinx 2041 Regional Transportation Plan)	5,350 ²
<ul style="list-style-type: none"> • Highway 7 West BRT Extension (Highway 50 – Helen St.) • Yonge BRT (Richmond Hill, Aurora, Newmarket (19th Ave. – Mulock Dr.)) • Highway 7 East BRT Extension (Unionville GO – Donald Cousens Pkwy.) • Jane North BRT/LRT (Highway 7 – Major Mackenzie Dr.) • Steeles BRT/LRT (Jane St. – McCowan Rd.) • Leslie North BRT/LRT (Highway 7 – Major Mackenzie Dr.) • Major Mackenzie BRT/LRT (Jane St. – Leslie St.) • Major Mackenzie West Priority Bus (Highway 427 – Jane St.) • Major Mackenzie East Priority Bus (Leslie St. – Mount Joy GO) • Green Lane Priority Bus (Davis Dr. – East Gwillimbury GO) • Woodbine Ave. – Steeles Ave. to Major Mackenzie 	
Langstaff Road Extension (crossing the Macmillan CN rail yard)	620
ENVIRONMENTAL SERVICES PROJECTS	
Upper York Sewage Servicing	715
West Vaughan Sewage Servicing	328
Northeast Vaughan Sewage Servicing	162
Duffin Creek Water Pollution Control Plant Outfall (beyond 630 megalitres per day)	271
Primary Trunk Sewer	254

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- ¹ Project costs are as of September 2017. 75 per cent of the Yonge Subway Extension lies in York Region, while 25 per cent lies in the City of Toronto. \$5.1 billion is the current estimate, adjusted to future dollars for the expected years of construction.
- ² Other than the Yonge BRT (Richmond Hill, Aurora, Newmarket (19th Ave. – Mulock Dr.) and the Highway 7 East BRT Extension (Unionville GO – Donald Cousens Pkwy.) that are in future dollars, all projects are in 2017 dollars.

The Region will be challenged to fund its share of new rapid transit priorities

While Metrolinx's 2041 Regional Transportation Plan acknowledges York's key transit projects, including the Yonge Subway Extension and the Bus Rapid Transit Plan, funding details are vague. In the past, bus rapid transit projects for the Region have been fully funded by the Province. However, the Region was required to contribute to the funding of the Toronto York Spadina Subway Extension.

The Yonge Subway Extension project is expected to require a municipal contribution to supplement funding from other levels of government. York Region's share could be over a billion dollars (Table 9).

Table 9
York Region's share of \$5.1 billion
Yonge Subway Extension Cost Share Scenarios

	Contribution Required (\$ billions)
York pays for 33 per cent	1.28
York pays for 27 per cent	1.03

Under these scenarios, the Region would need new revenue sources to meet its share of the funding while maintaining reasonable property tax increases.

Incrementality rules under the Public Transit Stream require that its funding not displace municipal spending

The incrementality criteria for funding under the Phase II integrated bilateral agreements are less stringent than for Phase I of the Investing in Canada Plan.

Under Phase I, funding recipients were required to use their allocation towards previously unbudgeted/unfunded activities or to accelerate projects. This requirement limited the flexibility for municipalities to invest in their priorities, particularly for those municipalities that follow good asset management practices and have multi-year budgets.

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Under Phase II, the terms and conditions of the program specify that federal funding cannot displace total municipal spending on public transit. Staff were advised that the federal government expects that funding through this program will result in an increase in overall provincial and municipal infrastructure investments over 10 years. Provincial staff have advised that projects that are within existing Capital Plans may be eligible for federal funding as long as the incremental funding is reinvested into new public transit infrastructure.

Based on the above conditions, the following options could be considered:

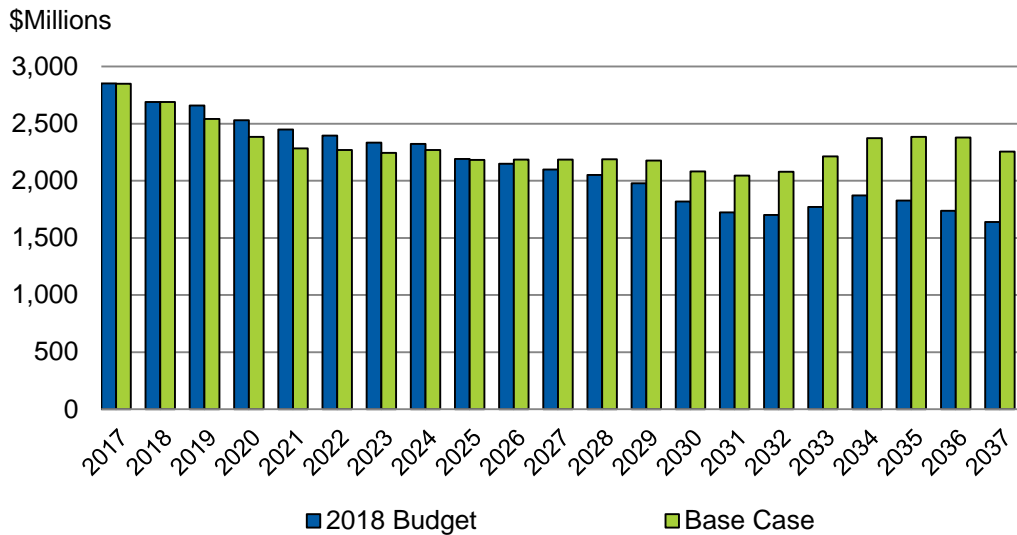
- Projects within the ten-year Capital Plan could be considered eligible under this stream of funding (subject to federal approval). Associated savings could then be allocated to other new public transit projects that are not currently in plan (e.g., Yonge Subway Extension and Bus Rapid Transit).
- New projects currently not in the ten-year Capital Plan could be considered eligible. No reinvestment of the incremental funding would be required.

To stay on track with the fiscal strategy, the Region will need to ensure that its share of the Public Transit Stream contribution does not increase debt levels

As can be seen in the debt projection in Figure 4, the Region's debt levels remain high. Additions to the Capital Plan or lower-than-expected development charge collections could add to the existing debt burden.

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**Figure 4
Outstanding Debt Projection**



Note: Base Case includes 2018 Budget and additional road projects approved in the 2018 development charge bylaw amendment plus Steeles Avenue projects (on the contingency list in the 2017 development charge bylaw)

The Regional contribution of \$125 million to \$137 million could result in a budgetary pressure, depending on the types of projects selected

In the absence of new revenue sources, the Region will need to identify the source of its \$125 to \$137 million funding contribution.

The revised incrementality rules under Phase II provide the Region with some flexibility to mitigate the fiscal impact of its own contribution. Funding projects that are already in the Capital Plan would not add any budgetary pressure.

However, projects that are not in the Capital Plan could cause a budgetary pressure that would need to be offset by removing or deferring other projects that are in the Capital Plan. These projects could be either transit projects or non-transit projects.

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Some types of expenditures are not eligible for funding, which will raise the contribution needed from the Region

Under the bilateral agreement, expenditures relating to land acquisition and employment salaries and benefits are considered ineligible costs, which could result in the Region's share being substantially higher than 27 per cent (see Table 10).

Table 10
Example to Illustrate Impact of Ineligible Costs

	Project A	Project B	
Cost Category	\$	\$	
Land	150	0	
Project Management (Staff)	59	0	
Eligible Costs	300	509	
Total Project Costs	509	509	
Funding Contribution			
Federal Contribution	120	204	Based on 40 per cent of Eligible Costs
Provincial Contribution	100	168	Based on 33 per cent of Eligible Costs
York Region's Contribution	289	137	Remaining Costs

Staff are evaluating potential projects for Public Transit Stream funding based on a number of policy and financial criteria previously approved by Council

On June 23, 2016, Council approved a report entitled "Federal and Provincial Infrastructure Funding Opportunities," which identified a number of evaluation criteria for federal funding. When prioritizing projects for Council's consideration in 2019 (or for early submission if required), staff will consider the ability of the project to support the Region's policy priorities, the extent to which the project is fiscally prudent, the ability of the project to maximize the available grants and the extent to which the project satisfies the Public Transit Stream Outcomes. The evaluation criteria are detailed in Table 11 below.

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**Table 11
Criteria for evaluating potential Public Transit Stream Projects**

Objective	Criteria
Regional policy priority	Critical infrastructure to support growth
	Critical for asset management
	Achieving policy priority (e.g., reduces congestion)
	Large complex projects benefitting more than one municipality
Fiscally prudent	In ten-year capital plan
	Reduces debt
	Minimizes tax levy pressure
Grant maximization	Highest combined federal and provincial funding to York Region
Meets one of Public Transit Outcomes (Federal Criteria)*	Improved capacity of public transit infrastructure
	Improved quality and/or safety of existing or future transit systems
	Improved access to a public transit system

*Newly added to reflect the criteria of Phase II federal funding – Public Transit Stream

Council could consider three broad groups of options for the Public Transit Stream

Staff have identified three groups of projects or potential candidates for Council's consideration under the Public Transit Stream:

**YONGE SUBWAY
EXTENSION**

BUS RAPID TRANSIT

**TRANSIT PROJECTS
CURRENTLY IN
CAPITAL PLAN;
SAVINGS TO BE
REALLOCATED TO
NEW RAPID TRANSIT
PROJECTS**

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Within each of these options, individual projects would need to be selected for submission. Combinations of projects from the three options would also be possible.

The Yonge Subway Extension is a top transit priority for the Region, but land acquisition costs are ineligible

Council has consistently maintained that the Yonge Subway Extension is the Region's top transit priority. The project would extend the subway from Finch station to the Langstaff/Richmond Hill transit hub at Highway 7 and Yonge Street. It would be second only to Union Station for intermodal connections to GTA transit networks, including connections to bus rapid transit, conventional transit, heavy commuter rail and 407 express rapid transit services. In its 2041 Regional Transportation Plan, Metrolinx recognized the Yonge Subway Extension as a key transit project. However, the implementation plan, titled "Making It Happen," does not provide funding details.

Funds have been secured for the planning, design and engineering phase. However, additional engineering may be required to ensure the project is "procurement ready." The next major step would be land acquisition. Land costs have traditionally not been eligible for federal and provincial funding, which would mean that the project cannot directly benefit from Public Transit Stream funding (except possibly for additional engineering).

One or more of the next wave of Bus Rapid Transit projects could be an option for the Public Transit Stream, although Bus Rapid Transit projects have traditionally been 100 per cent funded by the Province

Five potential next wave Bus Rapid Transit projects are shown in Table 12. Four have environmental assessments in place and one still needs an environmental assessment. Metrolinx endorsed these projects in its 2041 Regional Transportation Plan, but they are not yet funded.

Integrated Bilateral Agreement - Public Transit Stream Funding (Formerly PTIF-2)

Table 12
Bus Rapid Transit Projects in the Region

	BRT Projects	Estimated Costs (\$ millions)
	Hwy 7 East BRT – Unionville GO to Cornell Terminal	\$437
With approved EAs	Yonge Street BRT – 19 th Ave. to Savage	\$713
	Hwy 7 West BRT – Hwy 50 to Helen	\$297
	Yonge St. BRT – Davis to Green Ln across & Green Ln. to East Gwillimbury GO	\$184
Requiring EA	Jane Street BRT – Hwy 7 to Major Mackenzie	\$425

Bus rapid transit projects may be eligible under the Green Infrastructure Stream, creating the potential for bundling with the Public Transit Stream. Construction of the current \$1.8 billion bus rapidway program in the Region has been 100 per cent funded by the Province. Allocating Public Transit Stream funding towards bus rapid transit may result in the Region having to pay a share of the cost.

Bus rapid transit projects are not currently in the Region's ten-year Capital Plan. Funding construction of these projects would require capital offsets for the Region's 27 per cent share of eligible costs, as well as any ineligible costs. In addition, the associated operating costs would add pressure to the Region's budget.

Transit projects currently in the ten-year Capital Plan could be funded under the Public Transit Stream and savings could then be allocated to new rapid transit projects

Major investments continue to be made by all levels of government to improve transit services in York Region, and the Region continues to invest in projects to optimize these initiatives. These investments will help expand service and improve reliability. Table 13 below details these projects and their approximate costs. Some of these projects could be selected for submission for funding under the Public Transit Stream.

Integrated Bilateral Agreement - Public Transit Stream Funding (Formerly PTIF-2)

**Table 13
Projects to Optimize Regional Transit Initiatives**

Project	Amounts (\$ millions)
Transit Bus Replacement	
Conventional Bus Replacement	153.6
Viva Bus Replacement	127.6
Mobility Plus Bus Replacement	9.9
Transit Bus Growth /Expansion	
Conventional Bus Expansion	43.2
Viva Bus Expansion	25.2
Mobility Plus Bus Expansion	1.8
Transit Facilities	
YRT Garages Rehab/Replacement	19.2
Transit Vehicle Garage - North	15.5
Transit Vehicle Garage - Southeast/ 55 Orlando Garage Expansion	86.0
Transit Vehicle Garage - Southwest	17.0
Mackenzie-Vaughan Hospital Terminal	8.5
Transit Technology	
Transit Management System Upgrade/Replacement	22.0
GO/RER Grade Separations	
Rutherford (GO RER)	13.7
Elgin Mills	2.8
Wellington (GO RER)	7.5
Total	553.4

Notes:

- Project costs are based on 2018 Capital Program for years 2018 – 2027, and will be updated in the 2019 Budget
- Transit Bus Replacement category will involve the purchase of new buses, and should therefore qualify as “new” projects under the Public Transit Stream, subject to federal review and approval
- “YRT Garages Rehab/Replacement” will likely be considered as a rehabilitation project under the Public Transit Stream (capped at 15%), subject to federal review and approval
- Numbers do not add due to rounding

Integrated Bilateral Agreement - Public Transit Stream Funding (Formerly PTIF-2)

The projects under this option are already in the Capital Plan. As a result, minimal capital offsets would be required to meet the Regional contribution. The Public Transit Stream funding could be used to support both these transit projects in the capital plan and the rapid transit projects (such as the Yonge Subway Extension or Bus Rapid Transit) that are not currently in the Capital Plan, when applied appropriately in the right sequence. The Public Transit Stream funding could be used to fund transit projects currently in the Capital Plan; the associated savings could be contributed to a rapid transit reserve, which could then be used to pay for costs that would be deemed ineligible under the bilateral agreement, such as the purchase of land and overhead costs for the Yonge Subway Extension or other rapid transit projects that are not in the Capital Plan. This approach would comply with the incrementality rules, as the savings would be reinvested in new public transit infrastructure.

The Region may still need new revenue sources to fully fund its share of large transit projects such as the Yonge Subway Extension in a financially sustainable way

While the savings from the budget that would otherwise be invested in a public transit project could be reallocated to buy land and fund the Region's portion of the subway to a maximum of \$372 million; the Region will need sustainable sources of revenue to fund its share of the Yonge Subway Extension to avoid unacceptable debt and tax levy increases.

On May 17, 2018, Council endorsed a report entitled, "[Meeting Growth Plan Infrastructure Demands and Financial Sustainability: 2018 Update](#)". Council again requested that the province extend *City of Toronto Act, 2006* revenue-raising powers to the Region. It is anticipated that *City of Toronto Act, 2006* revenue-raising powers, specifically the Municipal Land Transfer Tax and the Vehicle Registration Tax, could raise on the order of \$415 - \$510 million annually for the Region. As public transit benefits all residents and businesses in the Region, the proceeds from new revenue sources could be used for the Region's portion of the subway, among other things.

The Yonge Subway Extension and an expanded Bus Rapid Transit program would need to be pursued sequentially, even with new revenue sources, if the Region were to be expected to cost share these large projects.

Integrated Bilateral Agreement - Public Transit Stream Funding (Formerly PTIF-2)

5. Financial Considerations

The fiscal impact of the proposed projects is not expected to create any additional debt pressure

If Council approves this report, Regional staff will engage provincial and federal counterparts to confirm that the use of federal and provincial dollars to fund transit and transit-related road projects that are currently in the ten-year Capital Plan falls within program rules. This will free up existing funding for new rapid transit initiatives.

6. Local Municipal Impact

Additional transit investment enabled through the Public Transit Stream funding would benefit the local municipalities.

7. Conclusion

This report provides background on the integrated bilateral agreement under the Public Transit Stream, including allocation, Regional share, and preliminary timelines for intake. It seeks Council direction on transit projects to be considered for funding under the Public Transit Stream, as shown in Table 13 in the report. Further direction from Council will be sought in 2019 when program criteria are available. In the event that an early submission is required, Council is asked to authorize the Chief Administrative Officer and the Commissioner of Finance to submit an application on behalf of the Region, with a preliminary list of the projects based on this report.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at 1-877-464-9675 ext. 71644.

The Senior Management Group has reviewed this report.

May 22, 2018

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Accessible formats or communication supports are available upon request

Integrated Bilateral Agreement — Public Transit Stream Funding (Formerly PTIF 2)

Presentation to
Committee of the Whole
June 7, 2018

Bill Hughes
Commissioner of Finance



Agenda

- Summary
- How the Public Transit Stream works
- Options for Public Transit Stream funding
- A few fiscal considerations
- Recommendations

Summary

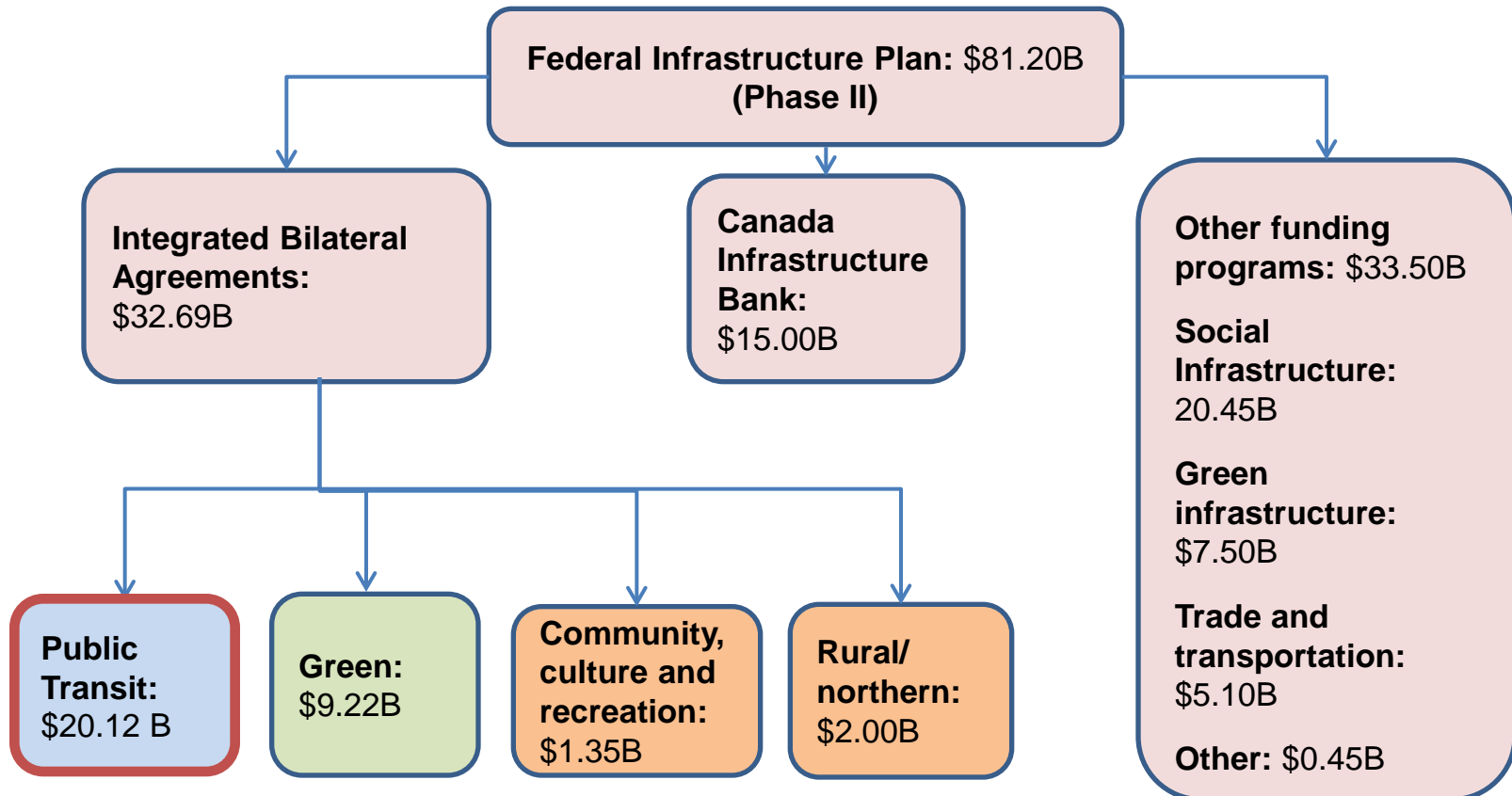
1. York Region will receive approximately \$372 million in Public Transit Stream funding under a federal-provincial Bilateral Agreement
2. The Region's required contribution will be \$125-\$137 million plus ineligible costs (land, overhead)
3. It would be difficult to apply this funding directly to the Region's major transit projects:
 - The next step for the Yonge Subway Extension would be land acquisition, which is ineligible
 - A York Region contribution to the construction of Bus Rapid Transit projects would allow the Province to back away from its current practice of providing 100% funding

Summary (continued)

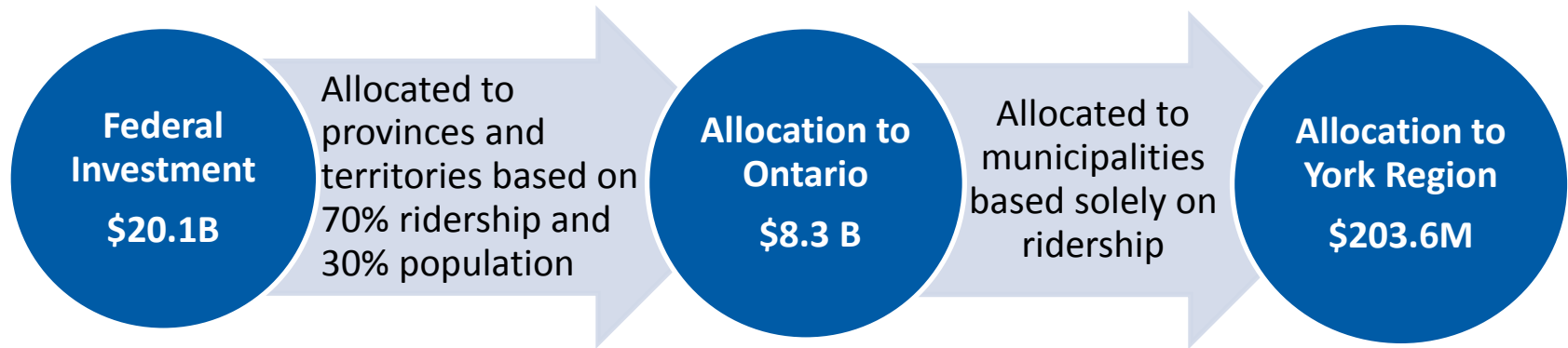
4. Staff recommend spending the money on qualifying transit projects already in the ten-year capital plan and contributing the freed-up \$372 million to a new Rapid Transit Reserve
5. This would have the effect of disentangling the federal-provincial funding from program rules, thereby allowing it to be spent on Council's highest transit priorities (such as land for the Yonge Subway Extension)

How the Public Transit Stream Works

A bilateral agreement for Phase 2 funding under the \$180 billion Investing in Canada Plan is now in place



The Public Transit Stream will provide York Region with \$203.6 million in federal funding and \$168 million in provincial funding



Phase 2 is a 10 year program where projects need to be substantially completed by October 31, 2027

The federal-provincial funding will support a total investment of up to \$509 million

- The federal government will fund up to 50% for rehabilitation projects and up to 40% for new construction and expansion
- The Province will cost share at 33% to a maximum of \$168 million

Infrastructure scenarios (\$ Millions)	Federal share	Provincial share	Region's share	Total
In Future Dollars (Funding to be reimbursed over 10 years)				
100% new projects	204	168	137	509
85% new, 15% rehabilitation	204	162	125	491

This translates to approximately \$417 million in current dollars

- \$509 million over ten years is equivalent to an estimated \$417 million in current dollars (in the Region's capital plan)
- In addition, the Region will be "out-of-pocket" to fund the federal and provincial share of the projects until it is reimbursed, resulting in potential foregone interest of about \$6 million

Infrastructure scenarios (\$ Millions)	Federal share	Provincial share	Region's share	Total
Estimated Funding in Current Dollars (to compare with Budget)				
100% new projects	167	138	112	417
85% new, 15% rehabilitation	167	134	103	404

Ineligible costs will raise the Region's share

Hypothetical Example to Illustrate Impact of Ineligible Costs

Cost Category	\$	Funding Contribution	\$	%
Land	150	Federal (40% of "Eligible" Costs)	204	(29%)
Project Management (Staff)	50	Provincial (33% of "Eligible" Costs)	168	(24%)
Eligible Costs	509	Regional (Remaining Costs)	337	(47%)
Total Project Costs	709	Total	709	(100%)

Phase 2 incrementality rules are more relaxed

- Under Phase 2, there is no requirement to allocate funds to unbudgeted/unfunded activities
- Funding cannot displace municipal spending on public transit
- Public Transit Stream funding is therefore expected to result in an increase in overall municipal infrastructure investments over ten years
- Projects within existing capital plans would be eligible for funding as long as the in-plan funding is reinvested in new public transit projects

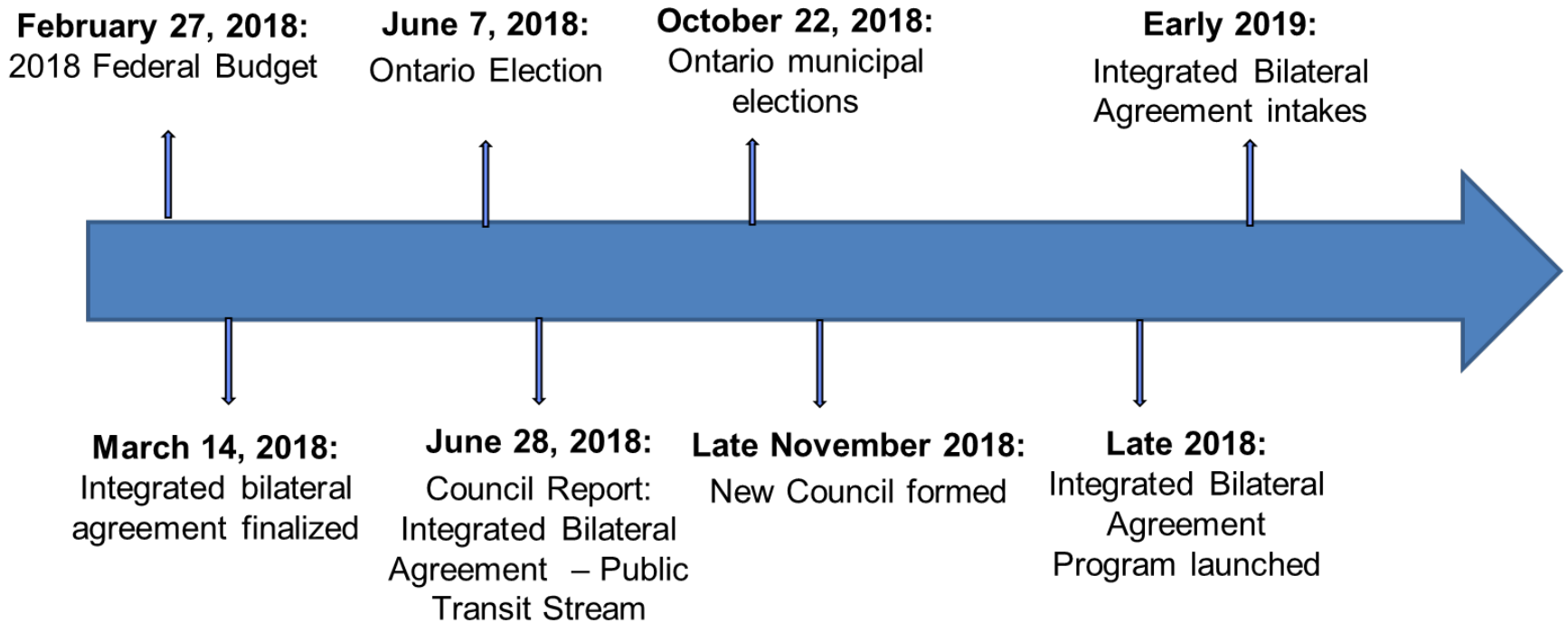
Projects must meet at least one of three public transit outcomes under the Public Transit Stream

Improved capacity of public transit infrastructure

Improved quality and/or safety of existing or future transit systems

Improved access to a public transit system

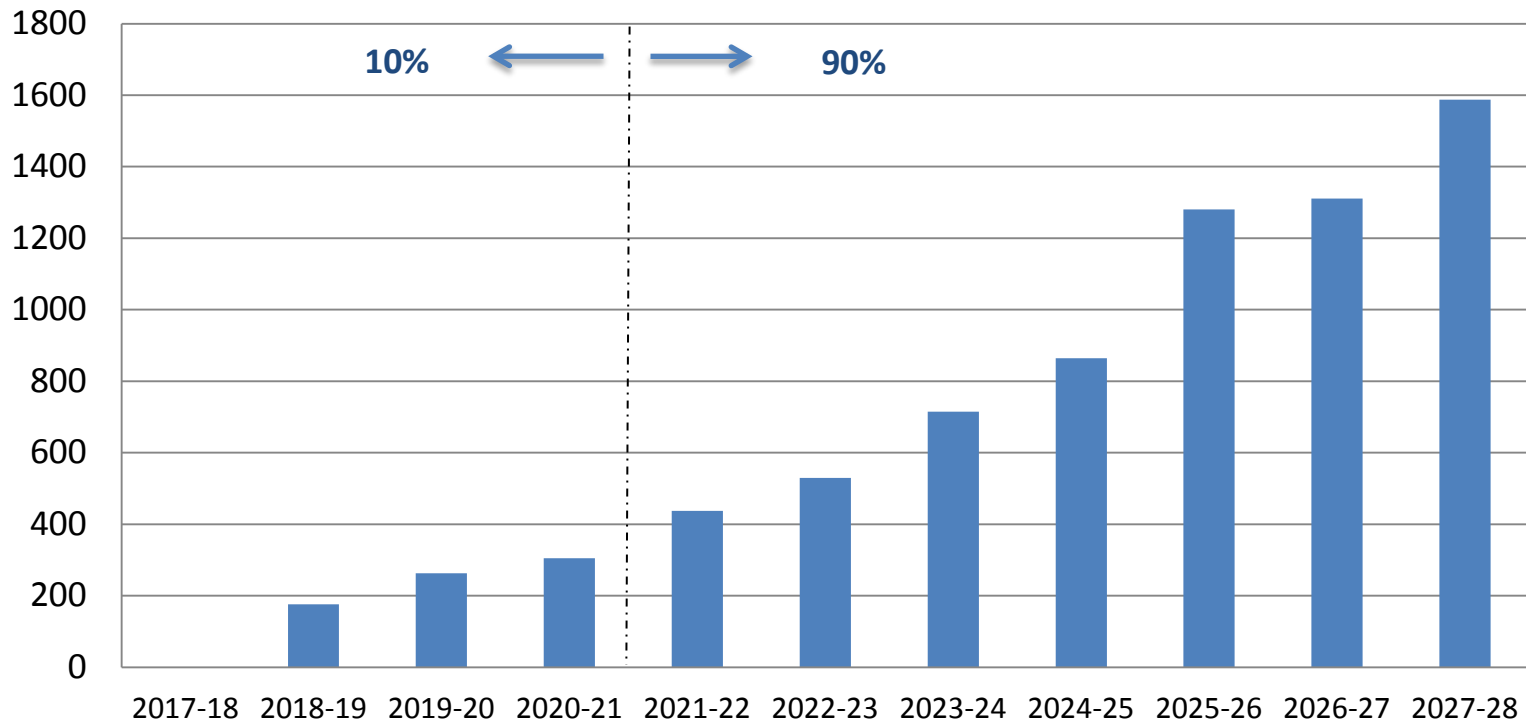
Program intakes are expected in 2019



Planned federal cash flow is back end weighted

Investing in Canada Phase II - Bilateral Agreement Public Transit Stream Planned Federal Cash Flow in Ontario

\$ millions



* Investment in Ottawa Light Rail is excluded

Options for the use of Public Transit Stream funding

Several options for using Public Transit Stream funding could be considered

1.

YONGE SUBWAY
EXTENSION

2.

BUS RAPID
TRANSIT

3.

TRANSIT
PROJECTS IN
THE CAPITAL
PLAN

1. Public Transit Stream funding is of limited value to the Yonge Subway Extension because land costs are ineligible
 - Based on previous Council direction, the Yonge Subway Extension is the Region's top priority transit project, but it remains unfunded
 - Metrolinx and PTIF I provided \$91 million for planning, design and engineering; an additional \$65 million is needed to bring the project to procurement-ready status
 - The next step is to acquire the land needed to construct the subway, but land costs are ineligible

2. Bus Rapid Transit (BRT) projects would be eligible, but the Region would be sharing the costs

- BRTs have been 100% funded by Metrolinx so far. If the Region submits a BRT project to the Public Transit Stream, the Region will be responsible for a 27% share
- BRTs could potentially also be funded by the Green Infrastructure Stream (with a Regional share of 27%), or the bundling of these two streams

Next Wave of BRT Projects	
With approved EAs	Hwy 7 East BRT – Unionville GO station to Cornell Terminal
	Yonge Street BRT – 19 th Avenue to Savage Road
	Hwy 7 West BRT – Hwy 50 to Helen Street
	Yonge St. BRT – Davis Drive to Green Lane & Green Lane to East Gwillimbury GO station
Requiring EA	Jane Street BRT – Hwy 7 to Major Mackenzie

3. Applying the funding to transit projects in the capital plan would have policy and fiscal benefits (Recommended)

- There are suitable projects for Public Transit Stream funding already in the capital plan
- This approach would largely avoid the need for capital offsets

Transit Project Categories	2018-2017 Capital Plan (\$ millions)
Transit Bus Replacement	291.1
Transit Bus Growth/Expansion	70.2
Transit Facilities	146.2
Transit Technology	22.0
GO/RER Grade Separations	23.9
Total	553.4

Funding transit projects already in the capital plan would allow creation of a reserve for future rapid transit projects (e.g., the Yonge Subway Extension)

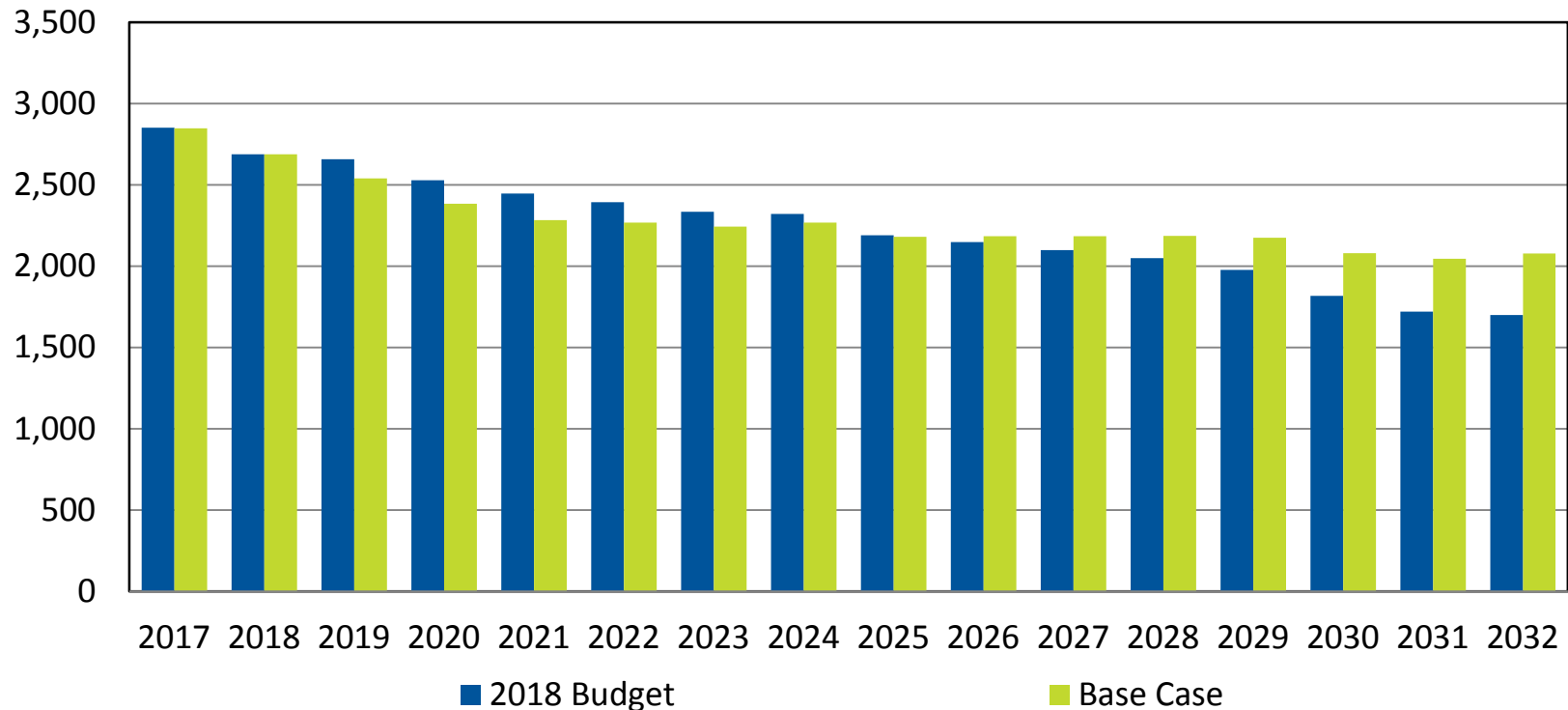
- If Public Transit Stream funding is used for projects in the ten-year capital plan, the federal-provincial portion (\$372 million) substitutes for Regional spending that would otherwise have taken place
- The savings could be contributed to a reserve for future rapid transit projects
- This disentangles federal-provincial funding from program rules, while still satisfying the incrementality requirement (as long as the reserve is spent on public transit)
- For example, the reserve could be used for buying land for the Yonge Subway Extension or for other rapid transit projects

A few fiscal considerations

The Region's debt management plan remains on track, but capital spending will need careful oversight

Outstanding Debt Projection Base Case vs. 2018 Budget

\$Millions



* Note: Base Case includes 2018 capital plan and additional road projects approved in the 2018 development charge bylaw amendment plus Steeles Avenue projects (on the contingency list in the 2017 development charge bylaw)

Adding projects to the capital plan would likely require offsets to remain on track

- Funding projects that are **within** the Capital Plan will not impose significant budgetary pressure, as long as the timing remains the same
- Funding projects that are **outside** of the Capital Plan would result in debt pressure and would require a direct capital offset from existing projects with similar funding sources and timing

New revenue sources ultimately will be needed for the Region's share of large transit projects

- The Region's share of the Yonge Subway Extension will be more than \$1 billion
- New revenue sources will be needed to avoid unacceptable debt and tax levy increases
- The Yonge Subway Extension and an expanded BRT program would need to be pursued sequentially, even with new revenue sources

Yonge Subway Extension	York Region's Contribution
York pays for 33%	\$ 1.28 billion
York pays for 27%	\$ 1.03 billion

* Assuming a cost of \$5.1 billion and that Toronto is paying its share (25 per cent) of the project

Recommendations

Recommendations

It is recommended that:

1. Council endorse the selection of transit projects that are currently in the Region's ten-year Capital Plan for funding under the Public Transit Stream of the Investing in Canada Plan based on the criteria outlined in this report:
 - Transit Bus Replacement
 - Transit Bus Growth/Expansion
 - Transit Facilities
 - Transit Technology
 - GO/RER Grade Separations
2. The Chief Administrative Officer and the Commissioner of Finance be authorized to submit an application on behalf of the Region in the event that an application is required during the Council election hiatus

Recommendations (continued)

It is recommended that:

3. To comply with the incrementality rules of the federal funding agreement, savings realized by the Region as a result of Public Transit Stream funding be reallocated to future rapid transit projects that are not currently in the approved ten-year Capital Plan
4. Staff report back to Council in 2019 with a potential list of rapid transit projects that could be added to the Capital Plan once federal and provincial funding criteria are more clearly defined

Recommendations (continued)

It is recommended that:

5. The Region continue to seek full funding from Metrolinx, the province and the federal government for the following projects:
 - Remaining pre-construction activities, including design and engineering, for the Yonge Subway Extension
 - Bus rapidway projects.
6. This report be circulated to Members of Parliament and Members of Provincial Parliament representing York Region and to the appropriate federal and provincial ministers
7. The Regional Clerk circulate this report to the local municipalities



Commissioner's Office
Finance

Memorandum

To: Chairman and Members of Regional Council

From: Bill Hughes
Commissioner of Finance and Treasurer

Date: June 14, 2018

Re: **Integrated Bilateral Agreement – Public Transit Stream Funding
(Formerly PTIF 2) Report: Amendment to Recommendations**

On June 7, 2018, Committee of the Whole considered a report, "Integrated Bilateral Agreement – Public Transit Stream Funding (Formerly PTIF 2)."

Committee asked staff to amend the recommendations based on the discussion. Attachment 1 shows the complete set of recommendations, with the changes highlighted.

Bill Hughes
Commissioner of Finance and Treasurer

Attachment (1)

BH/eh/bt

#8524456

It is recommended that:

1. Council endorse the selection of transit projects (illustrated in Table 13) that are currently in the Region's ten-year Capital Plan for funding under the Public Transit Stream of the Investing in Canada Plan based on the criteria outlined in this report:
 - a. Transit Bus Replacement
 - b. Transit Bus Growth/Expansion
 - c. Transit Facilities
 - d. Transit Technology
 - e. GO/RER Grade Separations
2. The Chief Administrative Officer and the Commissioner of Finance be authorized to submit an application on behalf of the Region in the event that an application is required during the Council election hiatus.
3. To comply with the incrementality rules of the federal funding agreement, savings realized by the Region as a result of Public Transit Stream funding be reallocated to future rapid transit projects that are not currently in the approved ten-year Capital Plan.
4. An appropriate rapid transit reserve(s) be established during the 2019 budget process.
5. Staff report back to Council in 2019 with a potential list of rapid transit projects that could be added to the Capital Plan and funded from the rapid transit reserve(s) once federal and provincial funding criteria are more clearly defined.
6. The Region continue to seek full funding from Metrolinx, the province and the federal government for the following projects:
 - a. Remaining pre-construction activities, including design and engineering, for the Yonge Subway Extension
 - b. Bus rapidway projects.
7. In the event that full funding from Metrolinx, the province and the federal government is not available, consideration be given to a Public Transit Stream application for the remaining design and engineering needed to bring the Yonge Subway Extension to procurement-ready status and for an environmental assessment on the Jane Street Bus Rapid Transit project, with capital plan reductions and/or deferrals for the Region's share of the cost.

8. This report be circulated to Members of Parliament and Members of Provincial Parliament representing York Region and to the appropriate federal and provincial ministers.
9. The Regional Clerk circulate this report to the local municipalities.