Transportation Needs and Funding Considerations

Presentation to Regional Council
March 29, 2018

Paul Jankowski, Commissioner of Transportation Services
Bill Hughes, Commissioner of Finance

York Region

Purpose of the session

- Reacquaint Council with the 2016 Transportation Master Plan, transportation capital priorities and funding capabilities
- Brief Council on development charge funding limitations, related pressures on the tax levy & debt
- Review the roads acceleration option proposed in Council's consideration of the 2018 Budget
- Revisit current infrastructure funding opportunities and potential new revenue sources.

Outline

Transportation Services (Paul Jankowski)

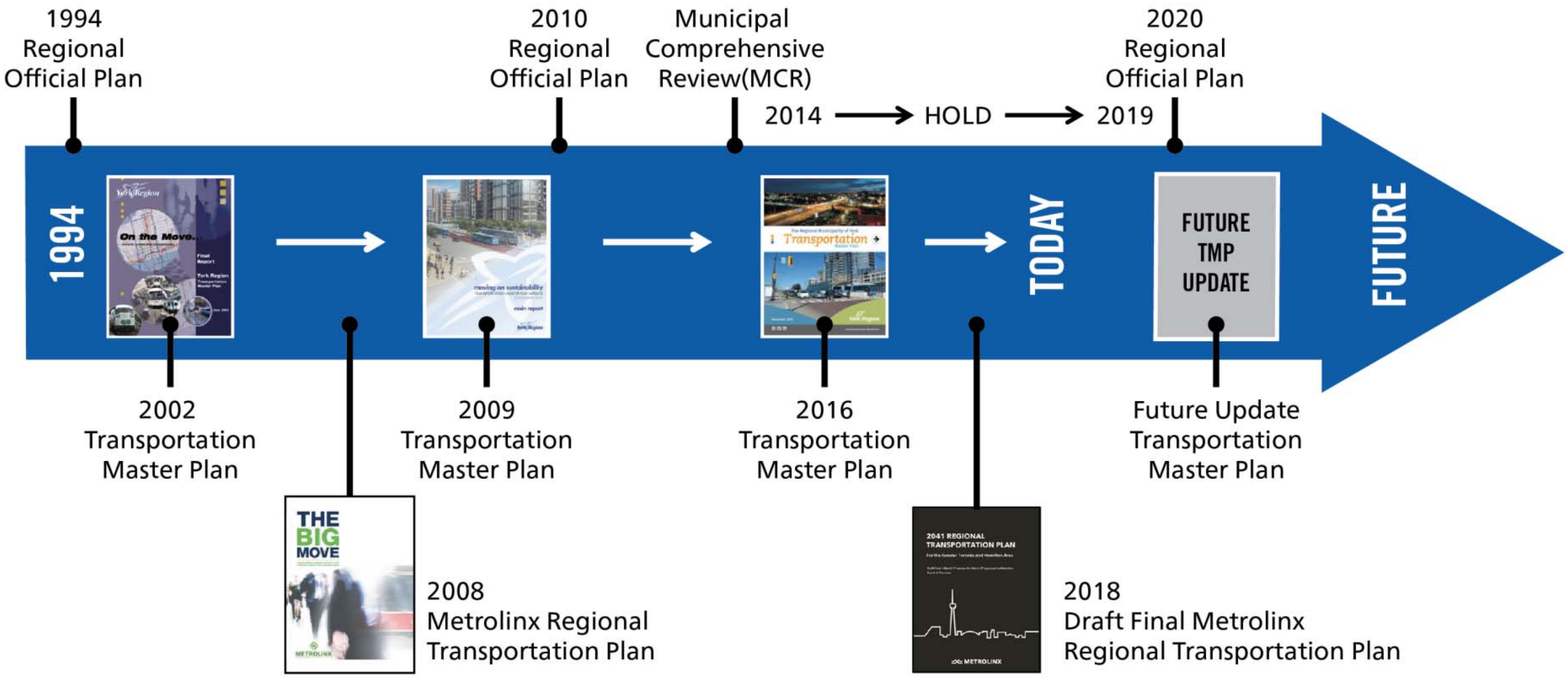
1. 2016 Transportation Master Plan (TMP)
2. Funding the 2016 Transportation Master Plan
3. Transportation Capital Prioritization and Programming

Finance (Bill Hughes)

4. Transportation in the Capital Plan
5. Transportation and the Fiscal Context
6. Building More Roads: the 2018 development charge bylaw amendment
7. Building Roads Sooner: the roads capital acceleration option
8. Federal-Provincial Funding: a transit opportunity
9. The Need for New Revenue Sources

2016 Transportation Master Plan (TMP)

York Region's Transportation Master Plan is updated periodically



Regional Transportation Master Plan evolves to keep pace with Regional growth and objectives and coordinate with broader GTHA Transportation Planning

The 2016 Transportation Master Plan is York Region's 25-year outlook for investment in transportation infrastructure

2016 TMP has two main components that include:

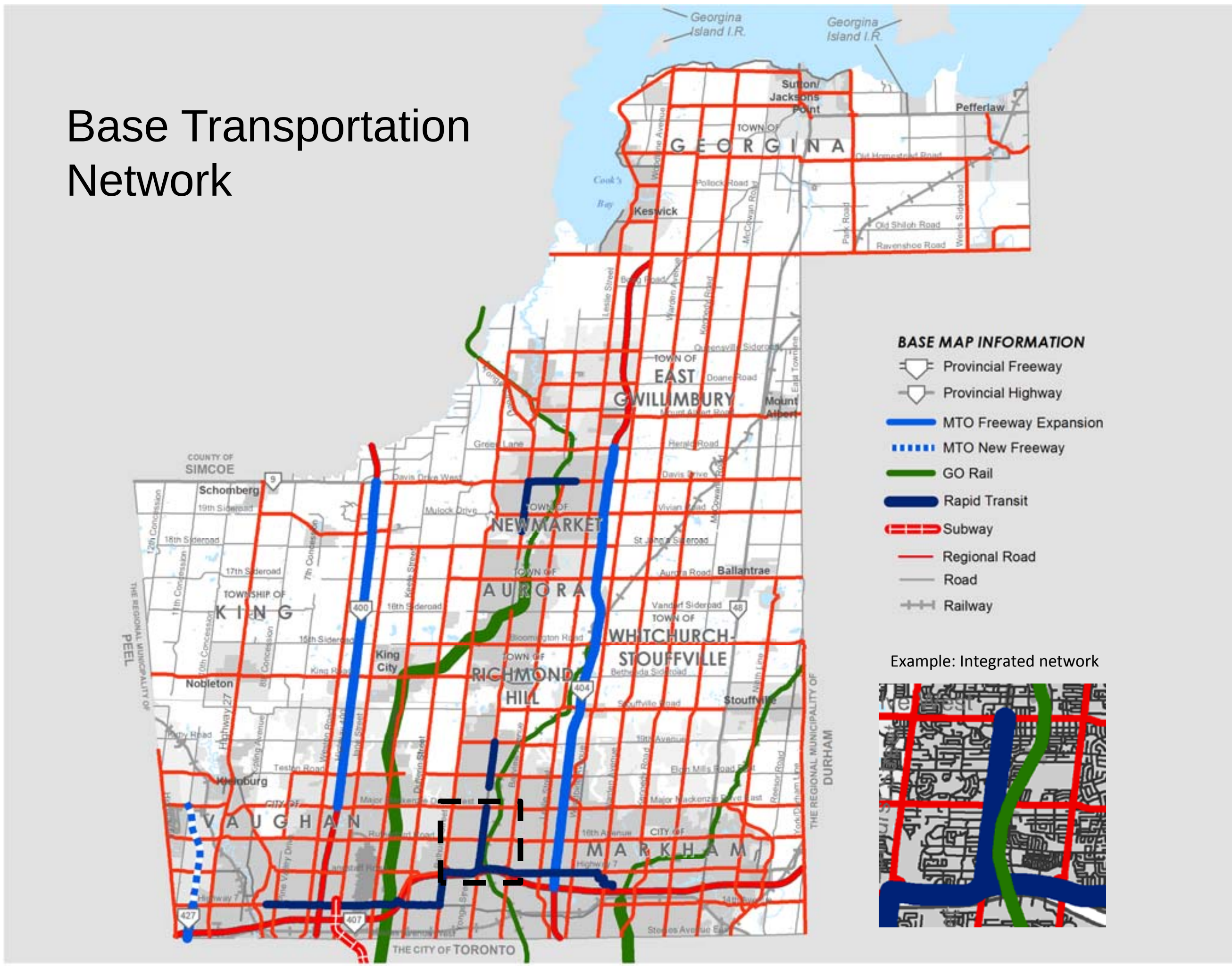
- Five Strategic Objectives
- Infrastructure Vision

The TMP builds on the foundation of the 2002 and 2009 Master Plans to develop strategic objectives which align with the Region's Vision 2051

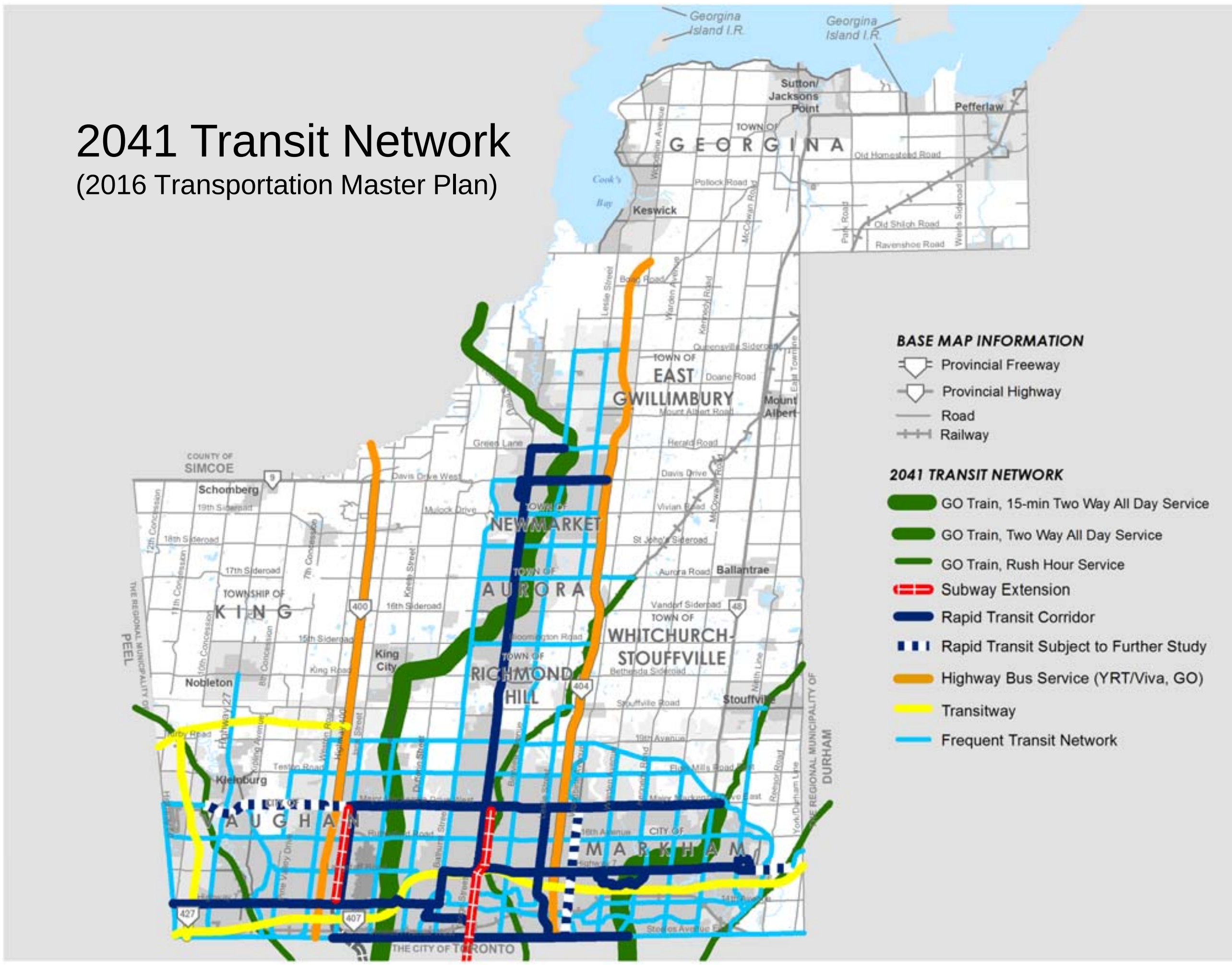
The five strategic objectives of the 2016 TMP position the Region for the future

The 2016 TMP objectives support an interconnected multi-modal network

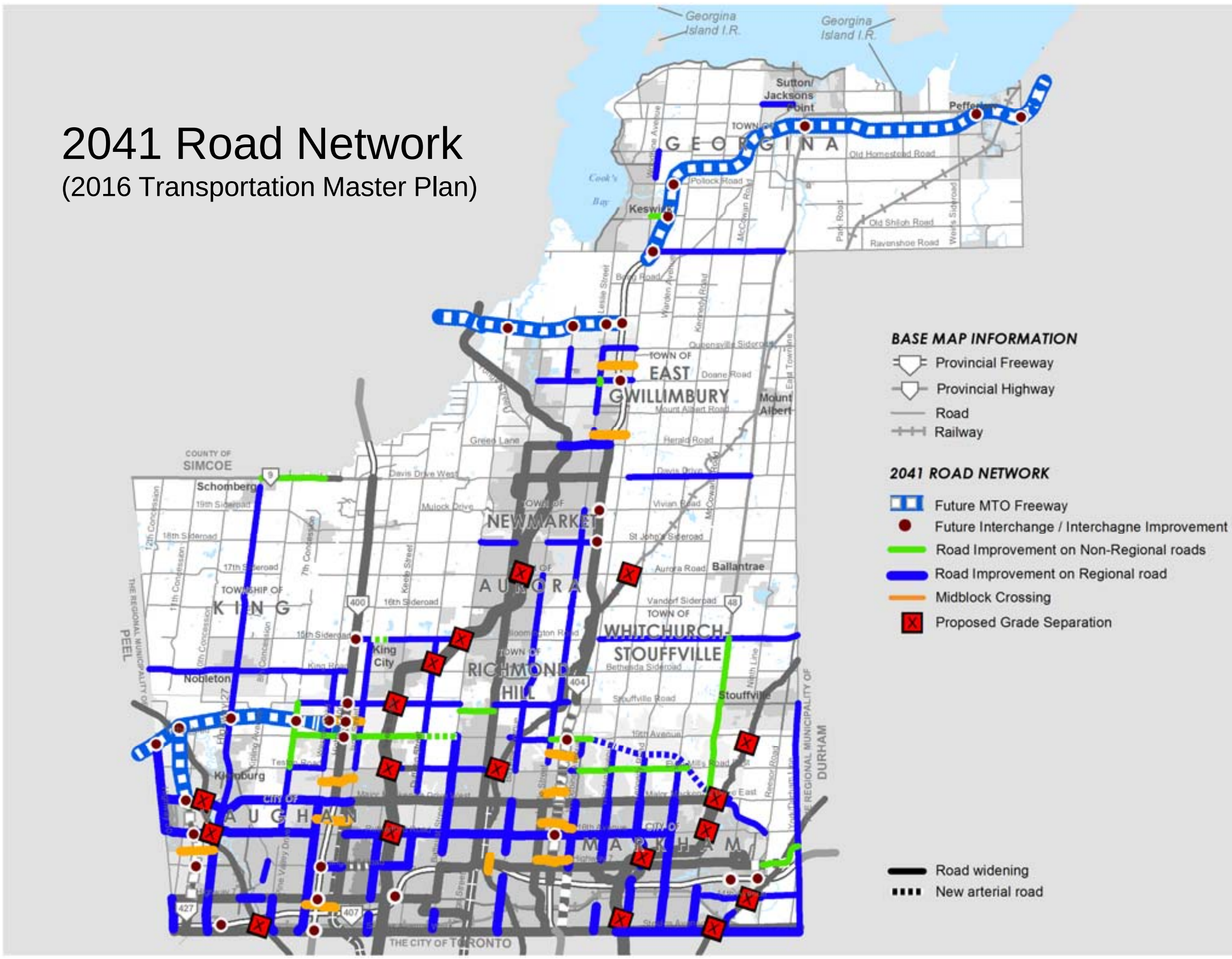
The Region benefits from a strong Regional and Provincial transportation network



The 2016 TMP Builds on existing Regional and Provincial investments in transit

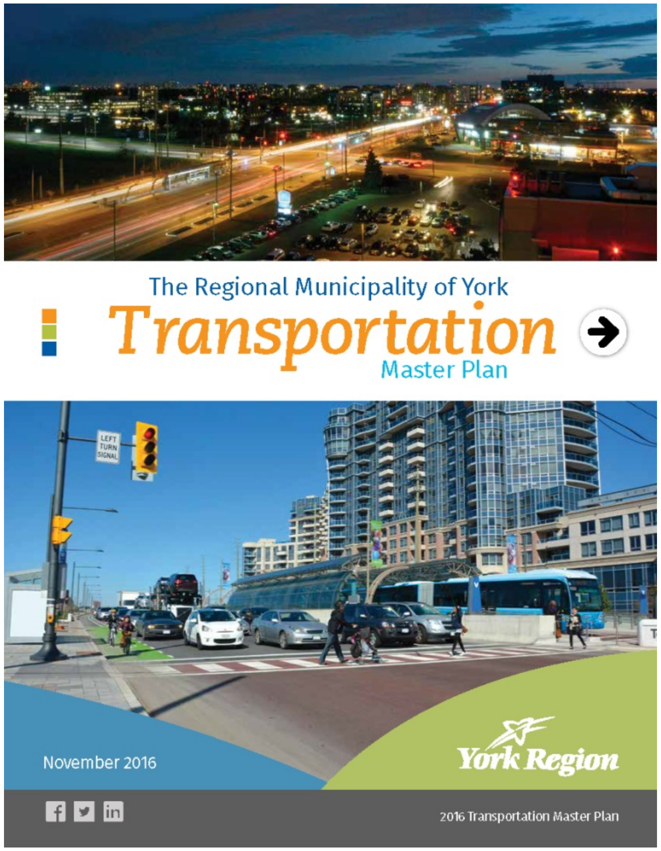


The 2016 TMP Builds on existing Regional and Provincial investments in roads



The infrastructure vision of the 2016 TMP is unconstrained

- Transportation Master Plans are typically aspirational long-term documents
- Technology continues to evolve
- Investment by others is always subject to change
- The TMP's affordability and deliverability is reviewed through the annual budgeting and programming process

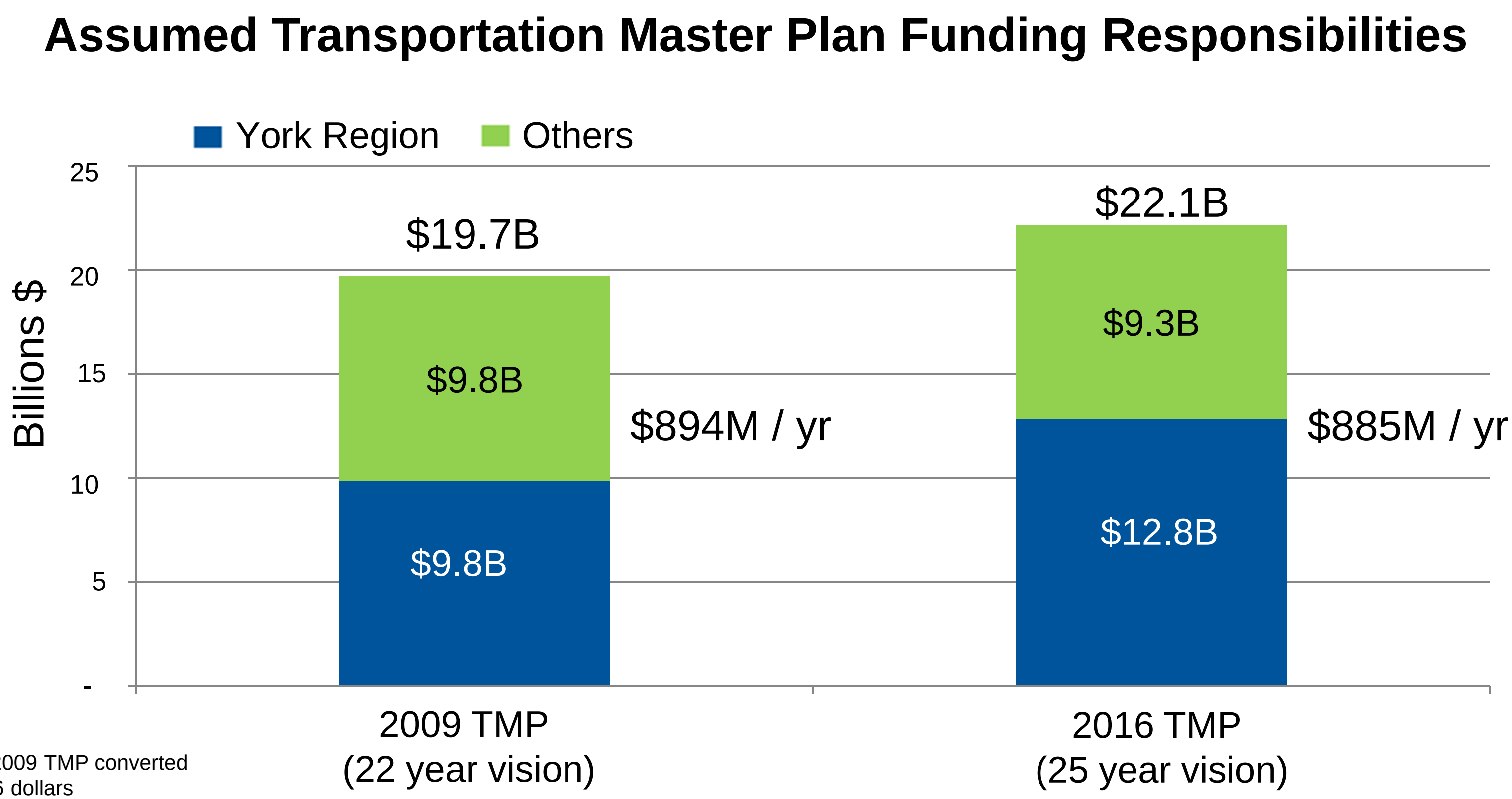


Key Messages

1. 2016 TMP has two main components:
    - Five Strategic Objectives
    - Infrastructure Vision
2. 2016 Transportation Master Plan includes a financially unconstrained infrastructure plan

Funding the 2016 Transportation Master Plan

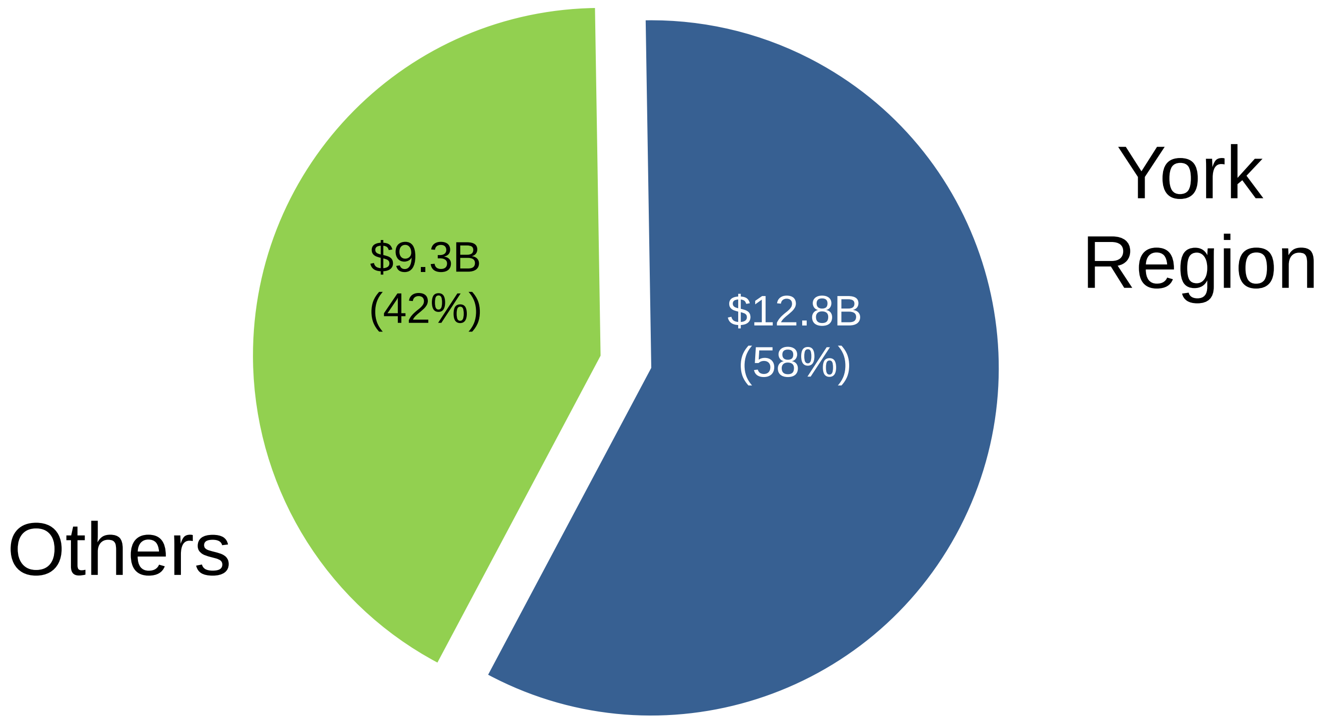
The 2016 TMP recommends a total investment similar to the 2009 TMP



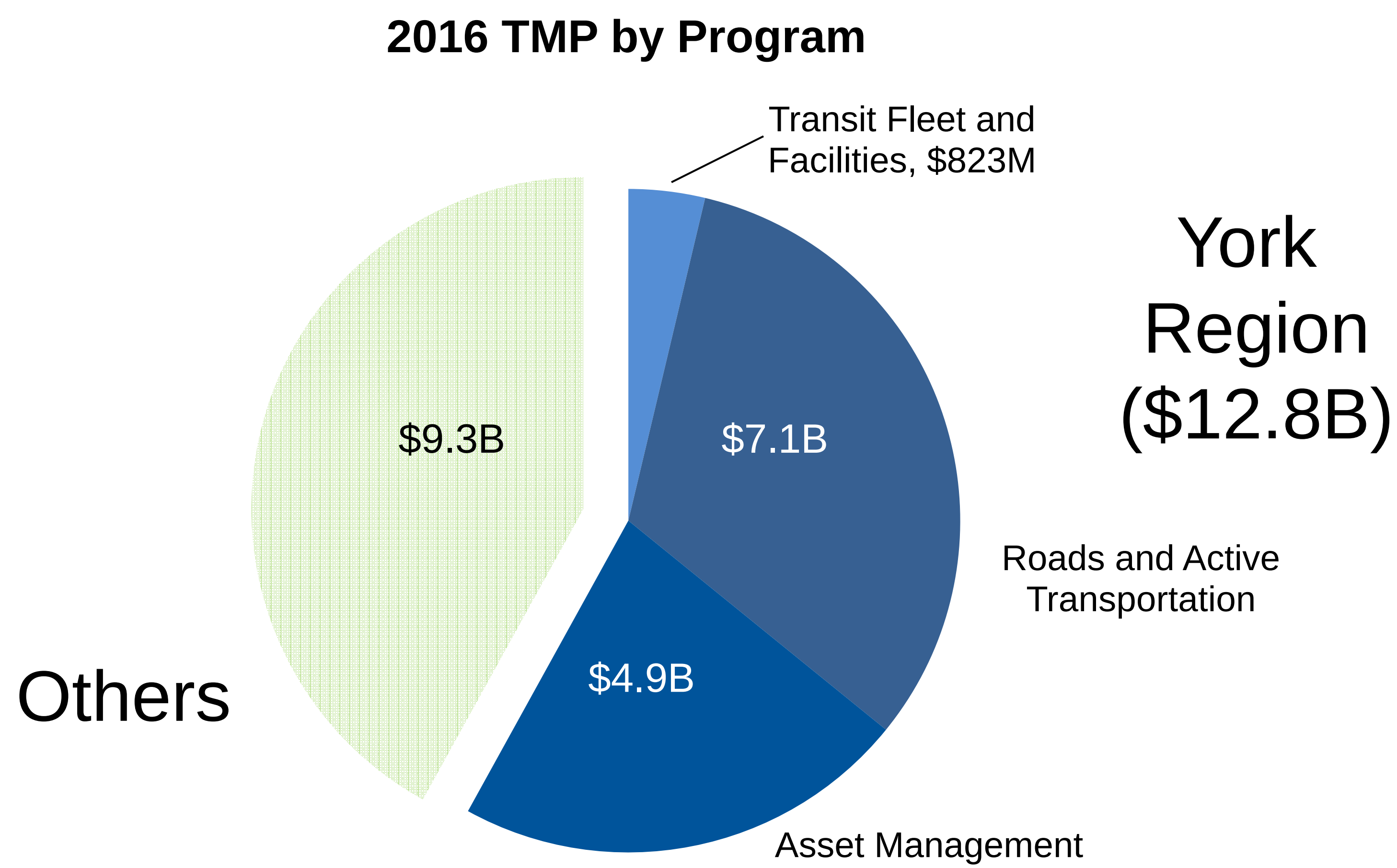
Note: 2009 TMP converted to 2016 dollars

Of $22.1B infrastructure vision, the Region's share of the 2016 TMP is anticipated to be $12.8B over 25-years

2016 Transportation Master Plan, $22.1 Billion

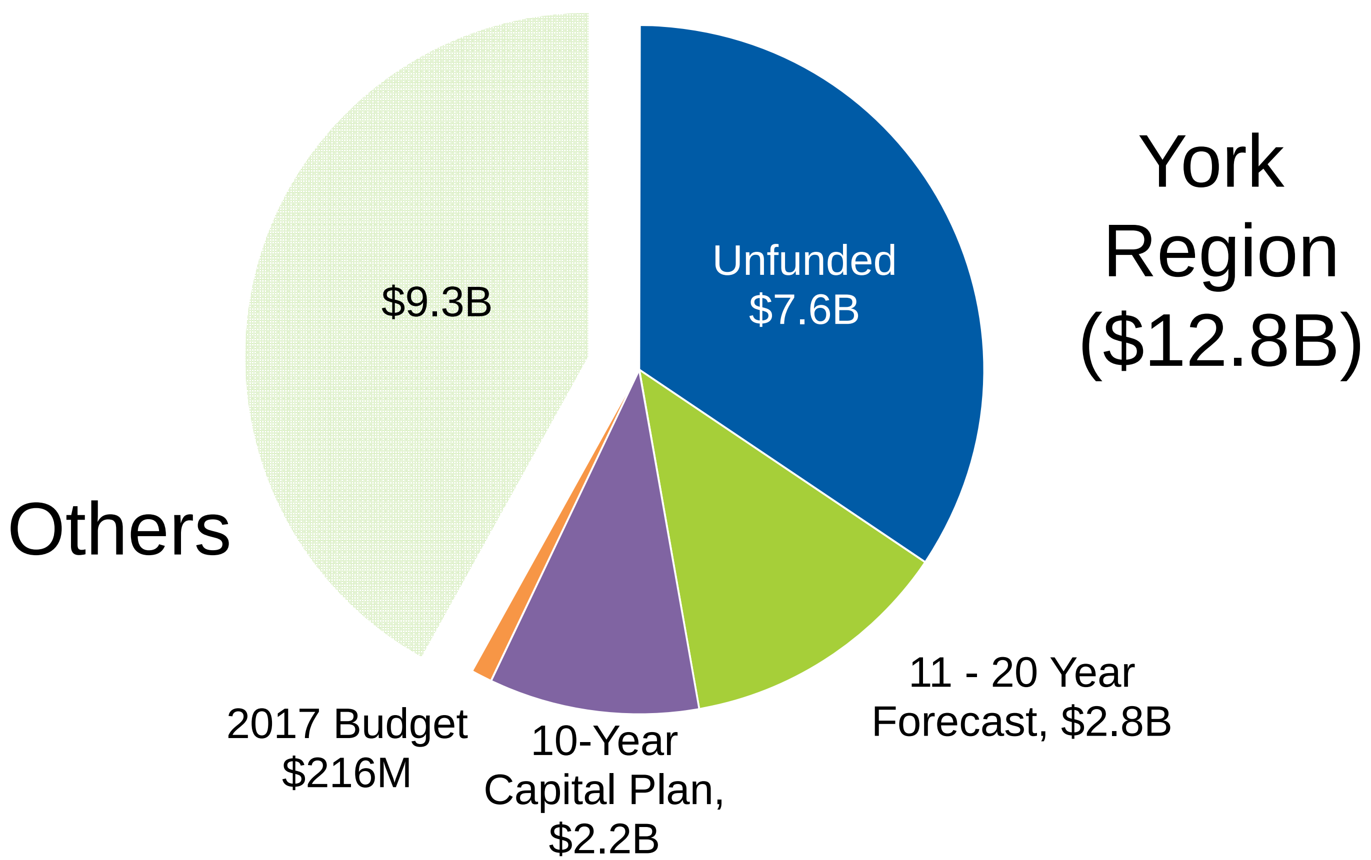


The TMP addresses both growth and asset management



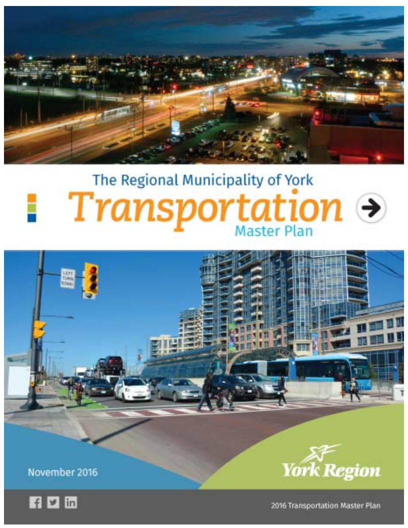
60% of the Regional TMP cost is not accommodated in the Fiscal Plan

Forecast Capital Program Compared to TMP Vision



Transportation Capital Prioritizing and Programming

The 10-Year Roads Capital Plan includes both asset management and growth projects



Transportation Vision

Roads Growth Project

Asset Management

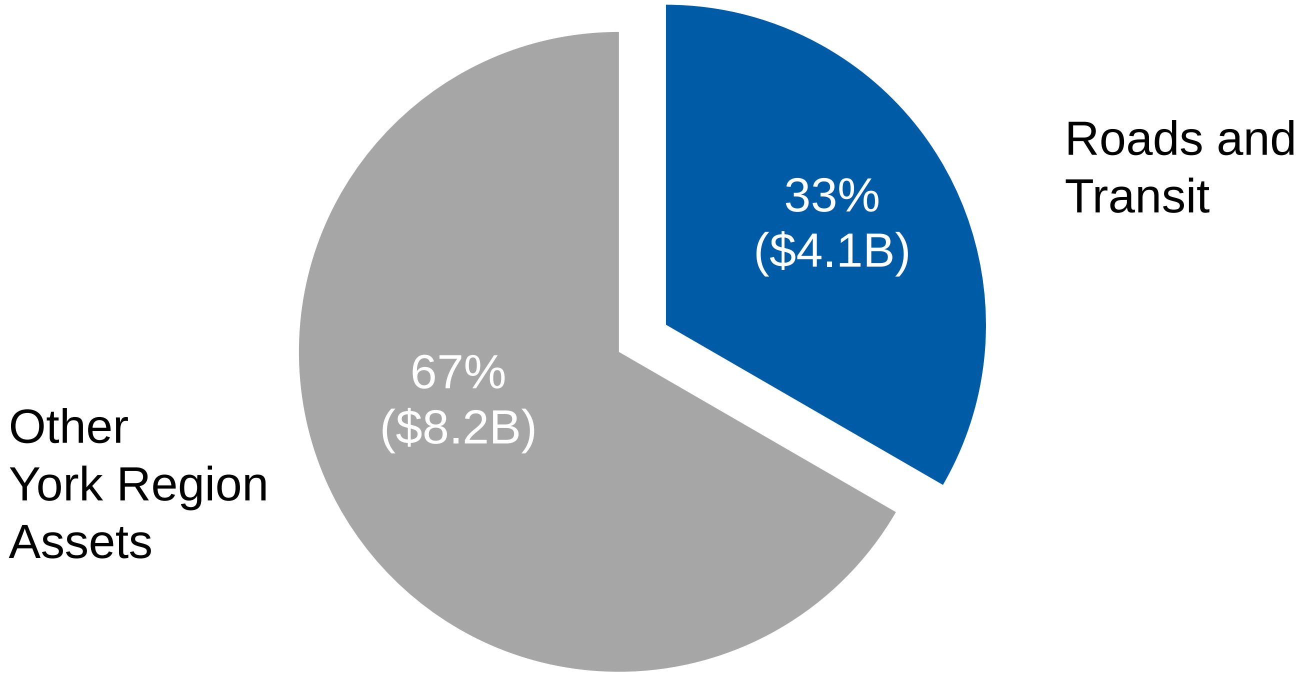
Annual Capital Planning Process

Annual Prioritization

Approved 10-Year Capital Program

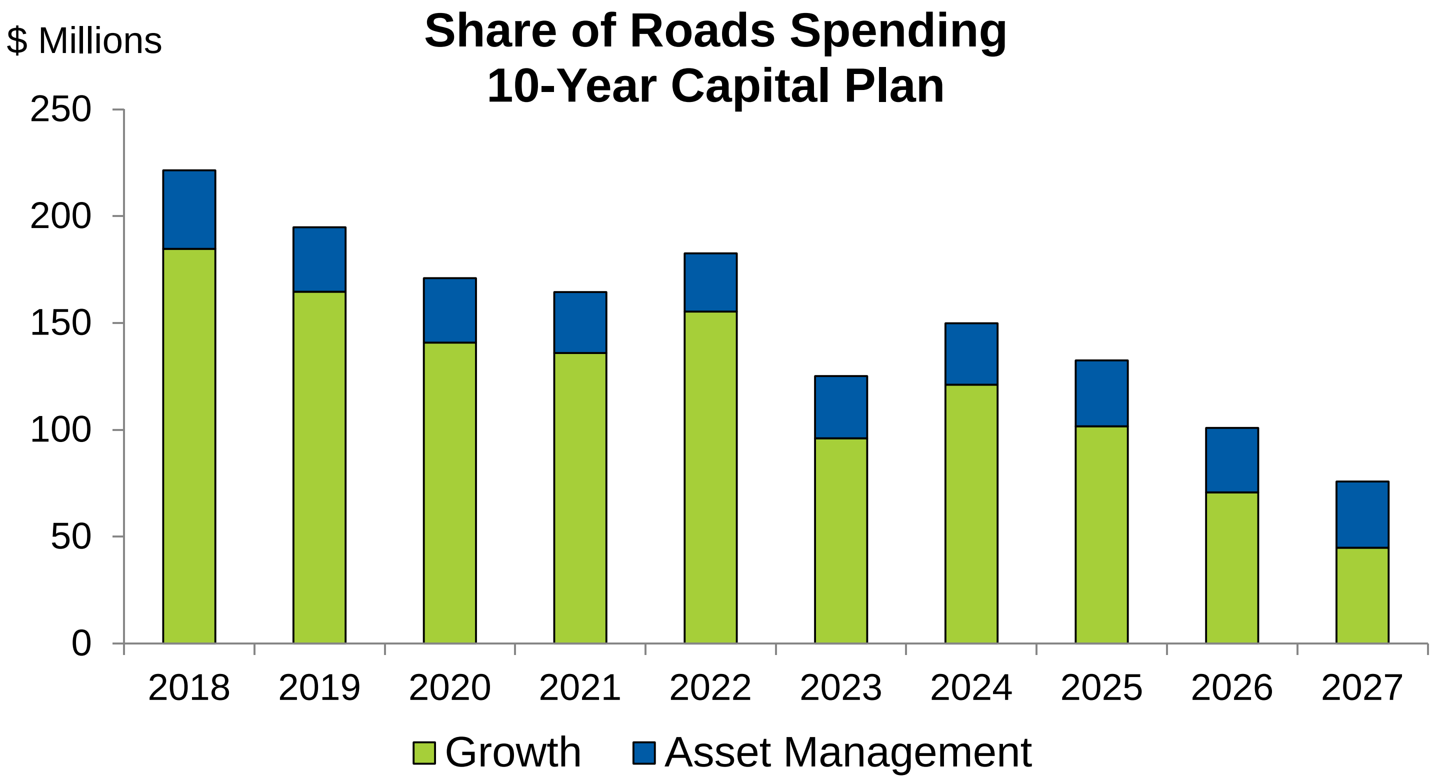
$4.1B in roads and transit assets represent 33% of the Region’s $12.3B asset portfolio

Roads and Transit as a percentage of the Region’s assets



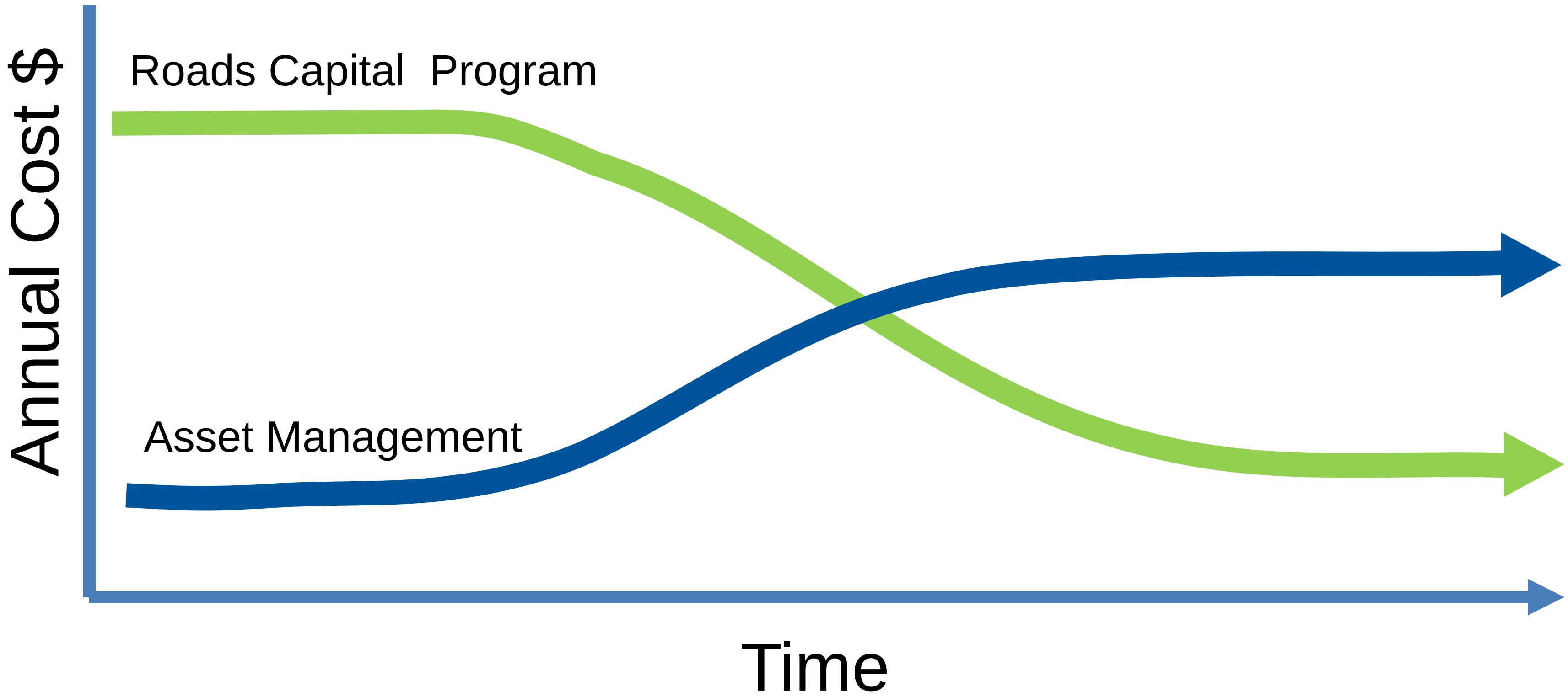
The $4.1B in roads and transit assets include road pavement and structure, transit, storm water and drainage, bridges, culvert and retaining walls, operations yards, and vehicles and equipment

The Region’s transportation focus is prioritized on growth-related infrastructure



The Region is developing a long term Corporate Asset Management Strategy

As York Region continues to mature, capital priorities will shift from growth to asset management



Note: Conceptual diagram

Transportation Growth program includes $1.2B in the 10-Year Capital Program

The main principles that drive the multi-criteria prioritization process include:

Capacity

- Current volume / Capacity
- Future volume / Capacity

Development

- Active Development
- Population Growth
- Employment Growth

Population and Employment

- Current population
- Current Employment

Multi Modal Network

- Bus Score
- Truck % Score
- Centres and Corridors Score
- Highway Connection Score

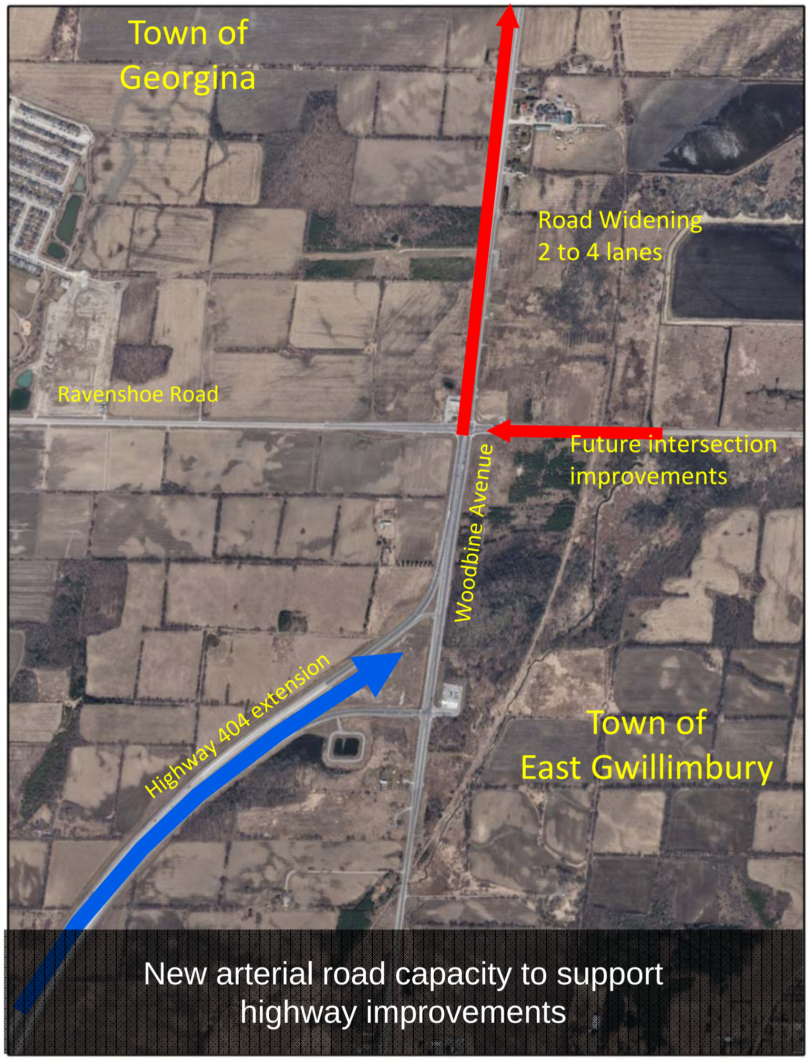
10-year roads and transit capital program is reviewed annually to ensure infrastructure meets Regional growth and maintenance priorities

The Prioritization Framework is a quantified process to guide network investments

	Criteria	Percentage weighting
1.	Existing Volume Capacity	15
2.	Future Volume Capacity	5
3.	Transit	15
4.	Real Time Delays	5
5.	Arterial Lane Connectivity	5
6.	Connectivity to Provincial Freeway Network	10
7.	Centres and Corridors	5
8.	Active Development	5
9.	Economic Development (Regional Employment Areas)	5
10.	Potential for Safety Improvements	10
11.	Natural Environment Considerations	10
12.	Pavement Conditions	10
Total		**100**

The prioritization framework was last approved by Regional Council in 2011

At times, Regional capital planning must integrate with investments by others



New arterial road capacity to support highway improvements


Wellington Street (Aurora) grade separation to support RER

Steeles Avenue east of Kennedy Road (Toronto/ Markham)

Existing residents are concerned with capacity constraints in urban areas

Dufferin Street and Langstaff Road (Vaughan)

New residents expect their communities in greenfield and infill developments to have complete transportation networks of roads and active transportation

Major Mackenzie Drive and Warden Avenue
(ROPA 3, Markham)

Glenway Golf Course
Redevelopment (Newmarket)

Investment in higher order transit and roads is vital to the success of the Regional centres and major transit station areas

Conceptual: Highway 7 and Maplecrete Road, (Vaughan)

Conceptual: Richmond Hill / Langstaff Gateway RegionalCentre (Markham / Richmond Hill)

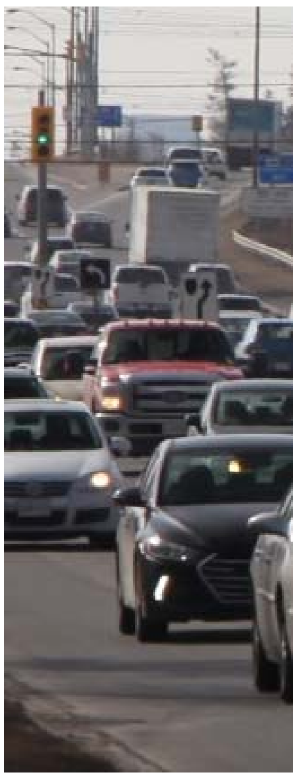
Asset Management needs will continue to increase as the Region expands the transportation network and as existing infrastructure continues to age

Slope failure on Pine Valley Drive (Vaughan)

Culvert failure on King Road (King City)

Sink hole caused by watermain break on Keele Street (Vaughan)

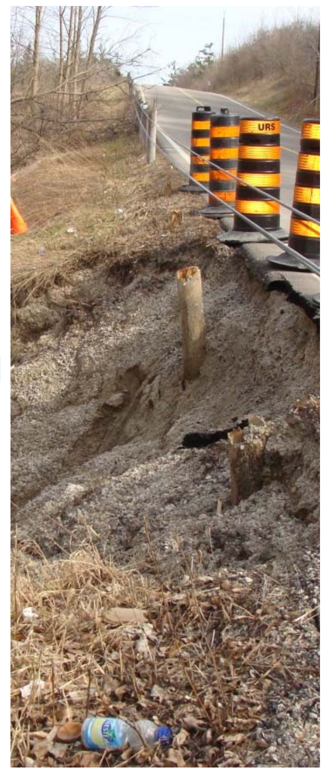
Transportation capital priorities balance the immediate and long term needs



Existing capacity Constraints

New urban areas and infill

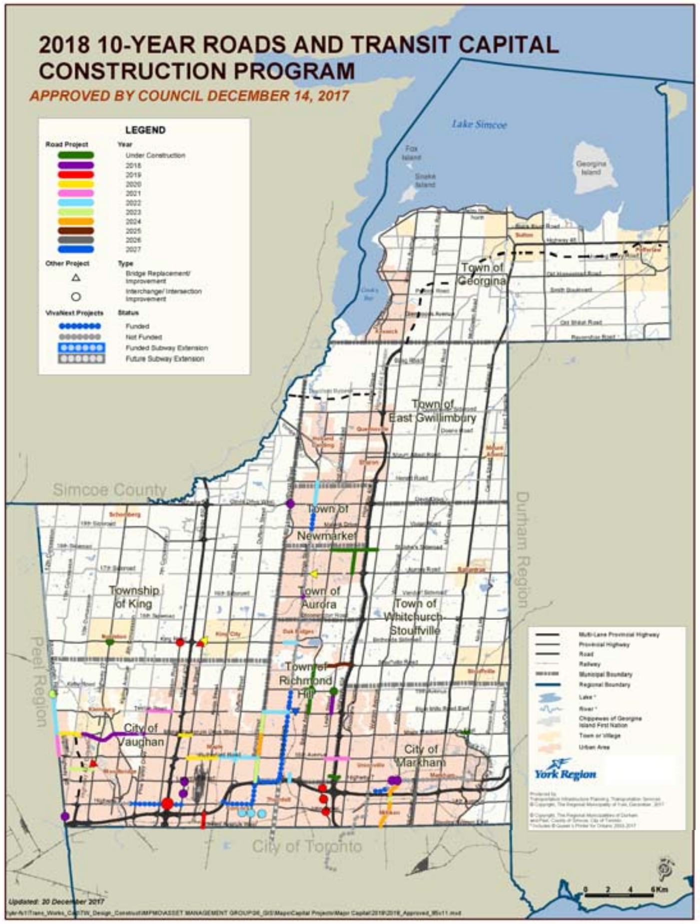
Supporting intensification



Asset Management

10-Year Capital Construction Programs are the annual product of the prioritization framework

- 2018 10-Year Capital Program for roads and transit supports:
  - 165 new lane kilometres of road
  - New intersections and bridge rehabilitation
  - Transit Investment
  - Asset Management
- $2.2B 10-year roads and transit investment for 2018 to 2027

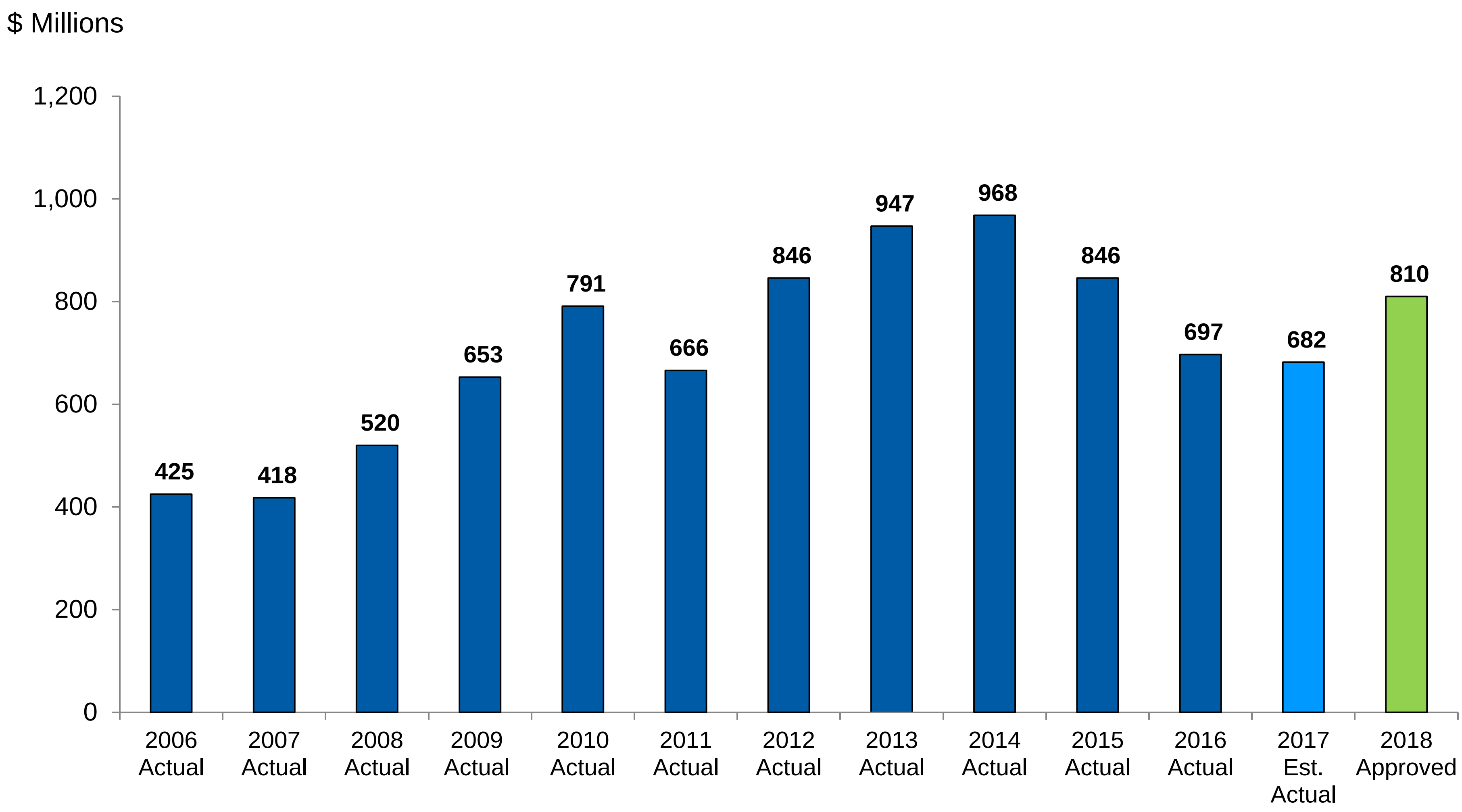


Key Messages

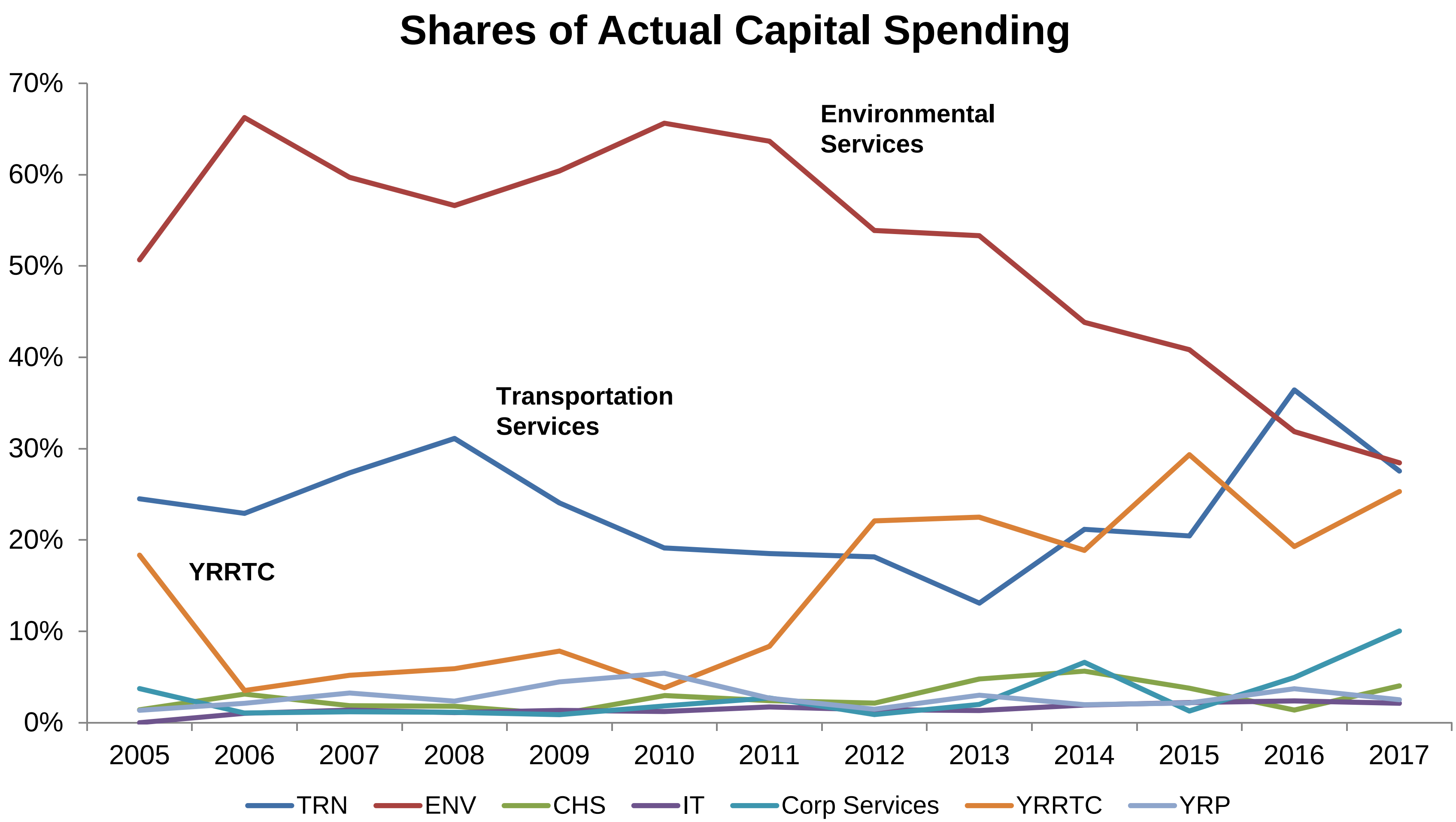
1. York Region has an established Prioritization Framework for both roads asset management and growth projects
2. Short and immediate term objectives exceed current funding abilities
3. Considerations for transportation capital priorities continue to balance the immediate and long term needs of Region's nine local municipalities

Transportation in the Capital Plan

The Region has been making large investments in infrastructure



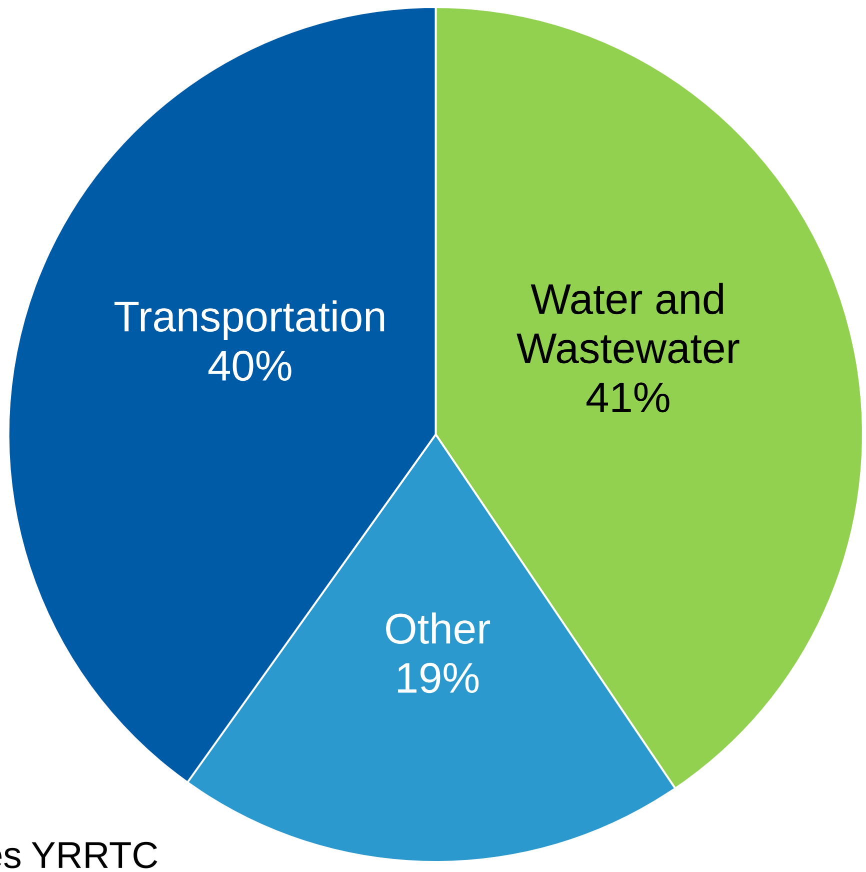
The Region has adjusted its capital plan over time as needs changed



* Excludes Metrolinx

Transportation is 40% of the capital plan

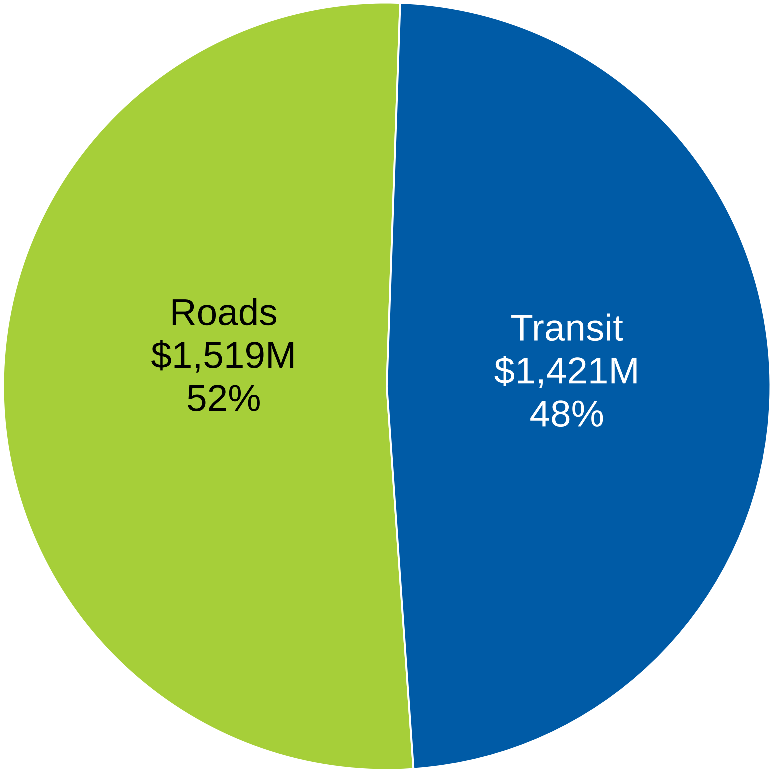
2018 10-Year Plan - $5.9 Billion



Transportation includes YRRTC

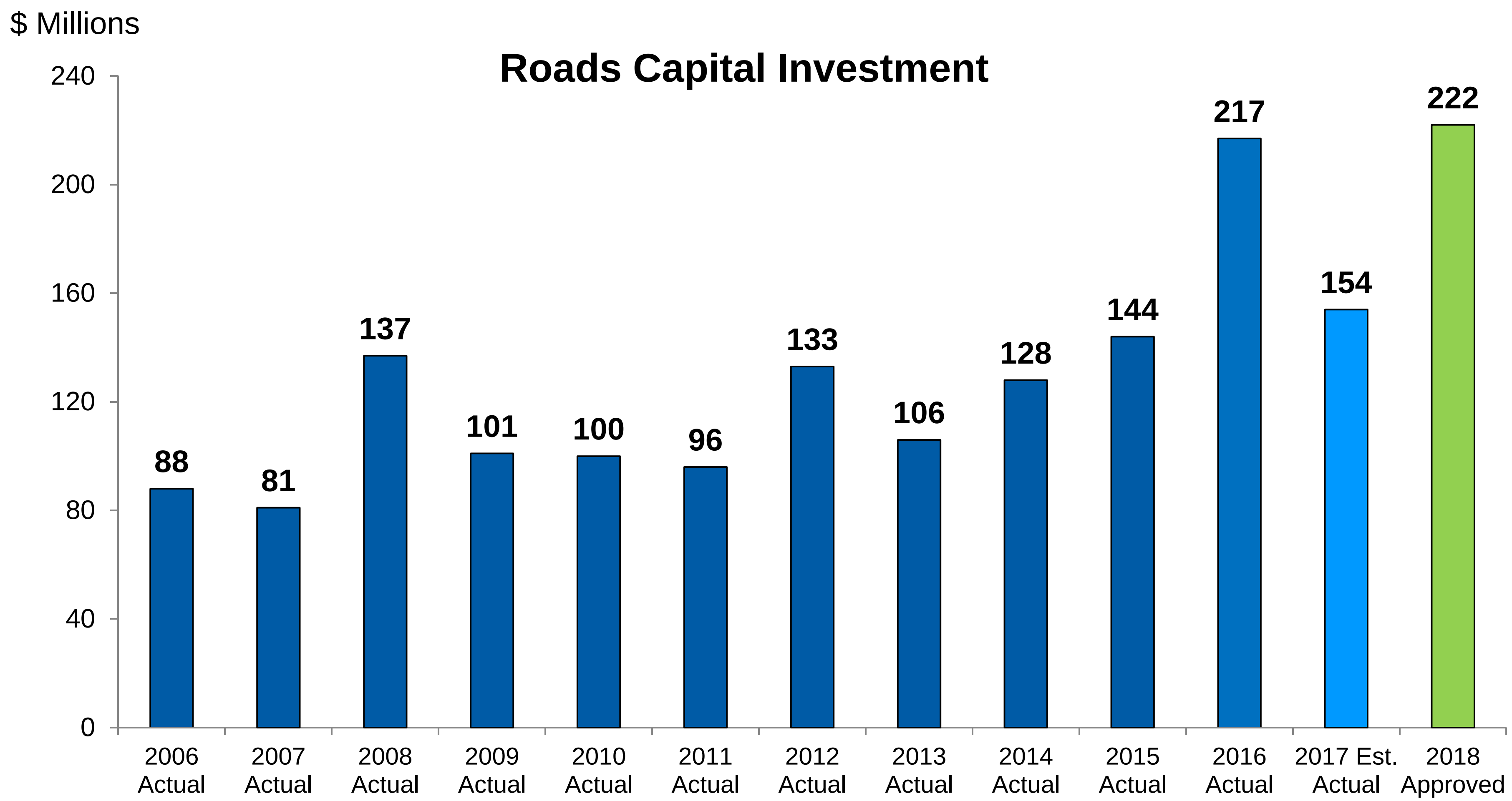
Planned transportation investments are evenly split between roads and transit

2018-2027 Roads and Transit Investment – $2.9 Billion*

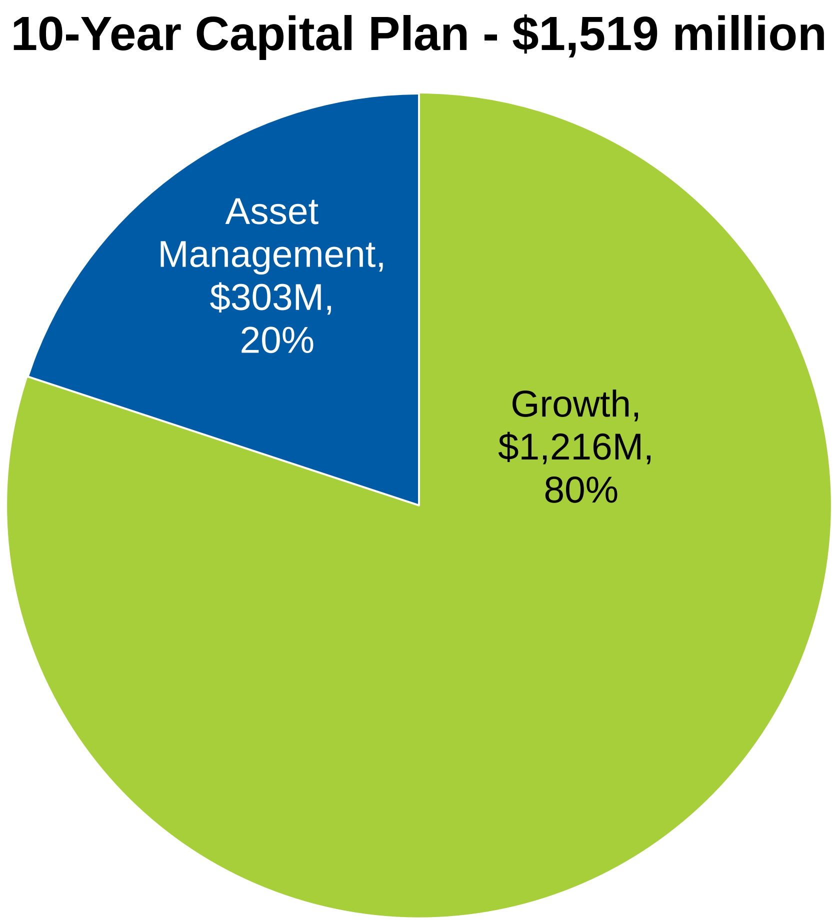


***** Includes Metrolinx funding flowing through York Region (not in the capital plan), and YRRTC

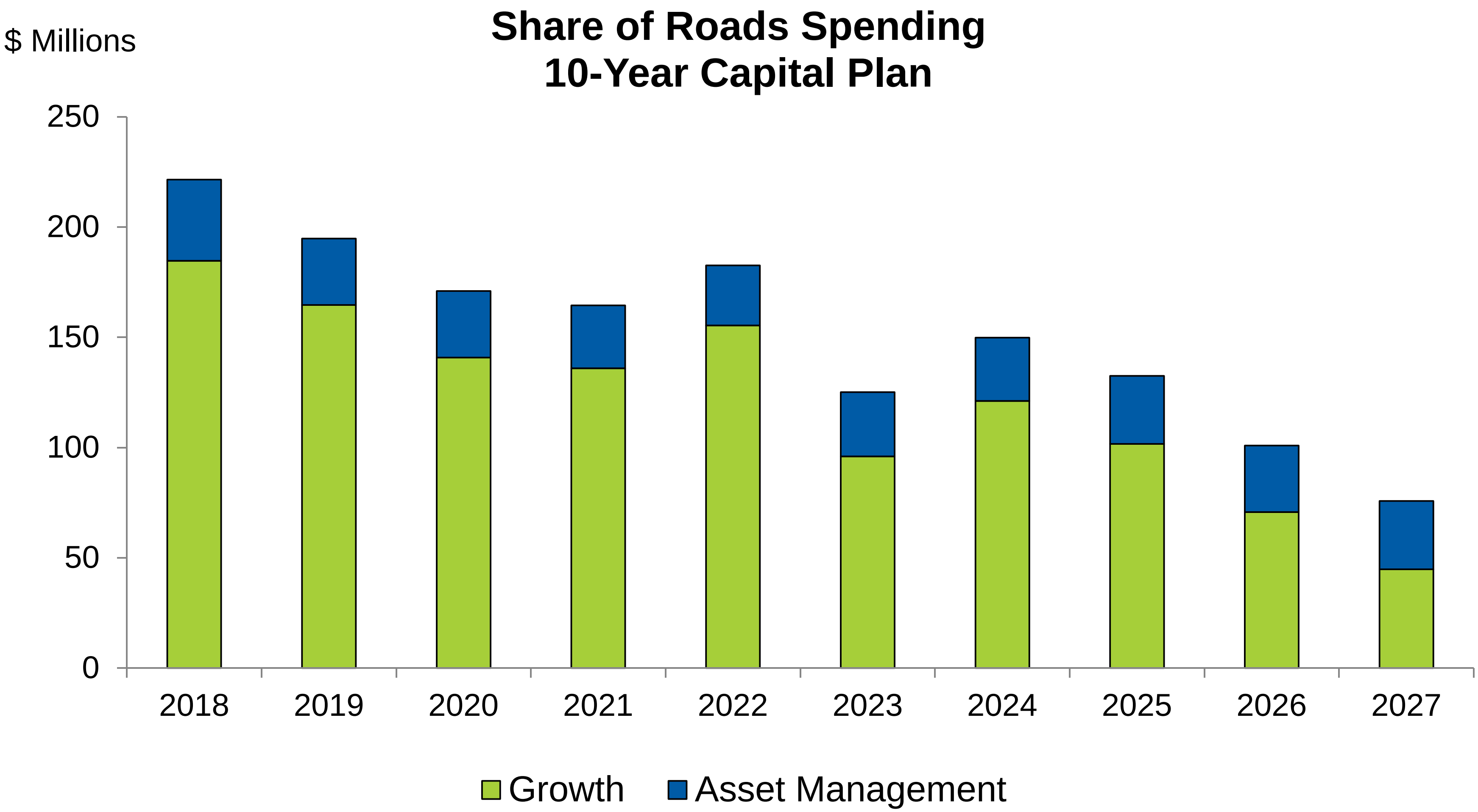
The Region is investing record amounts in roads



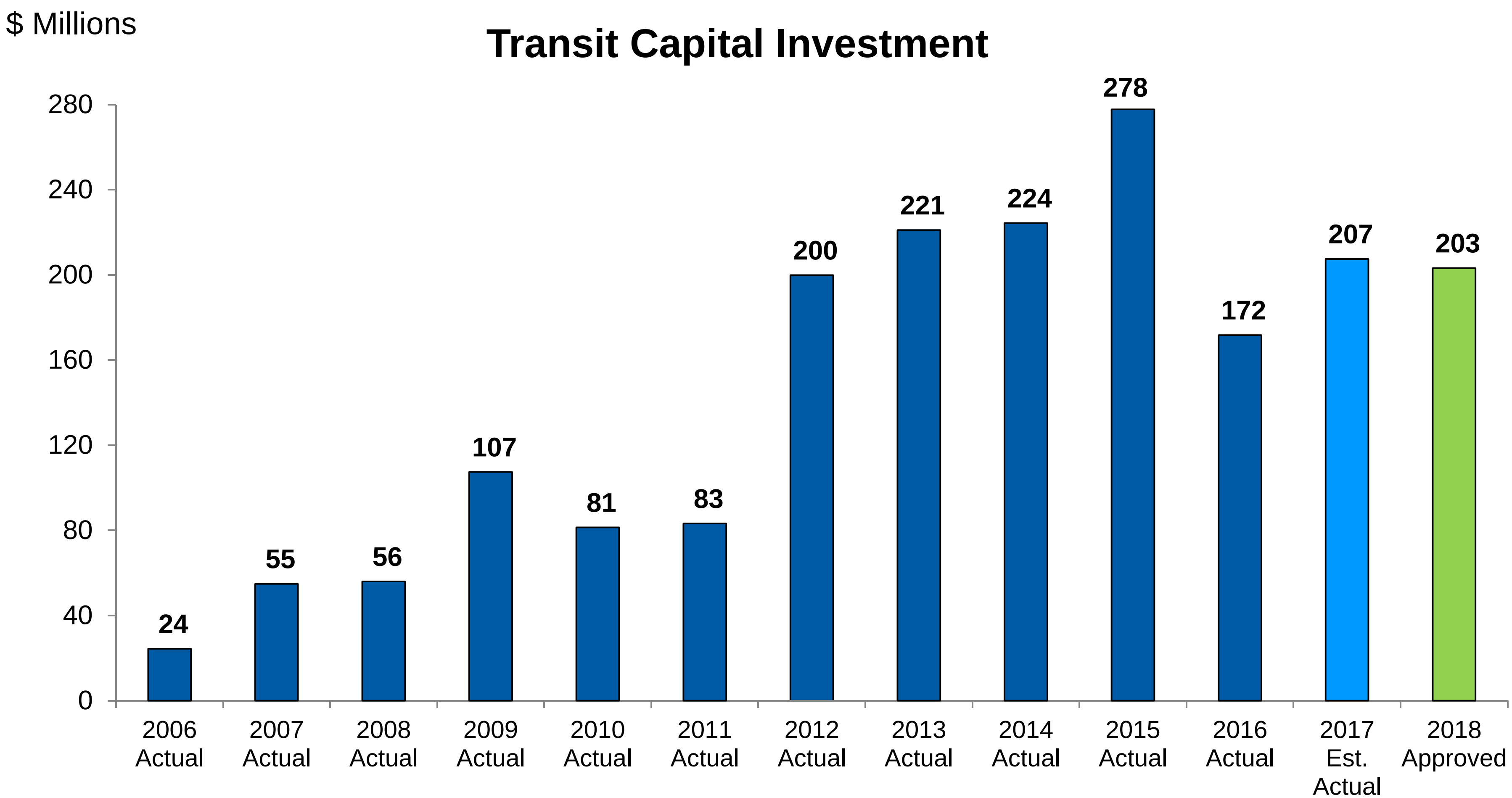
Planned investments in roads focus on growth-related needs



Growth-related roads investment is front-end loaded



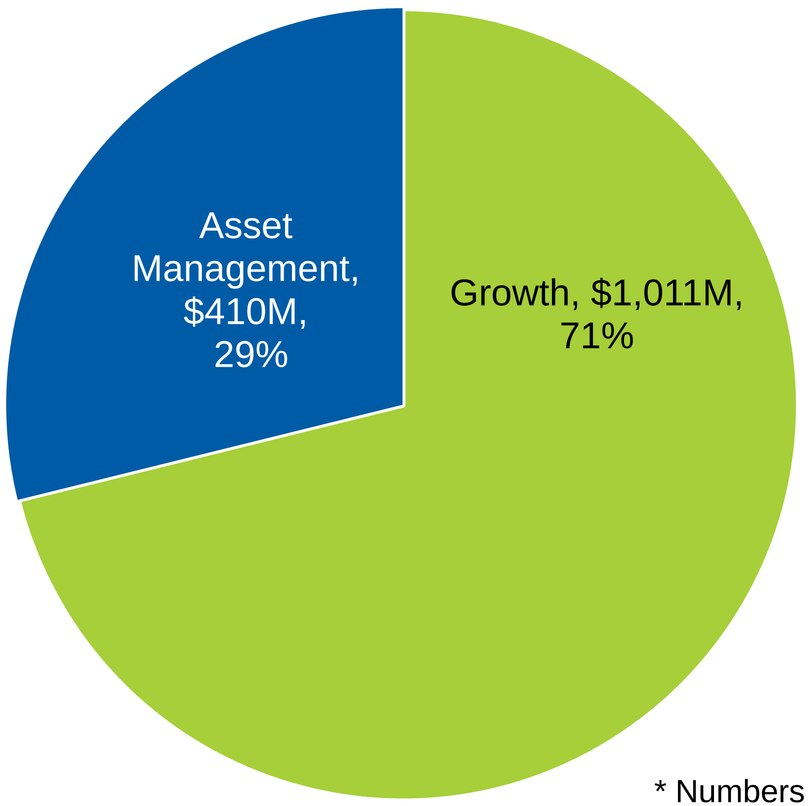
Annual transit investment more than doubled beginning in 2012



* Excludes Metrolinx

Transit funding is mostly for growth

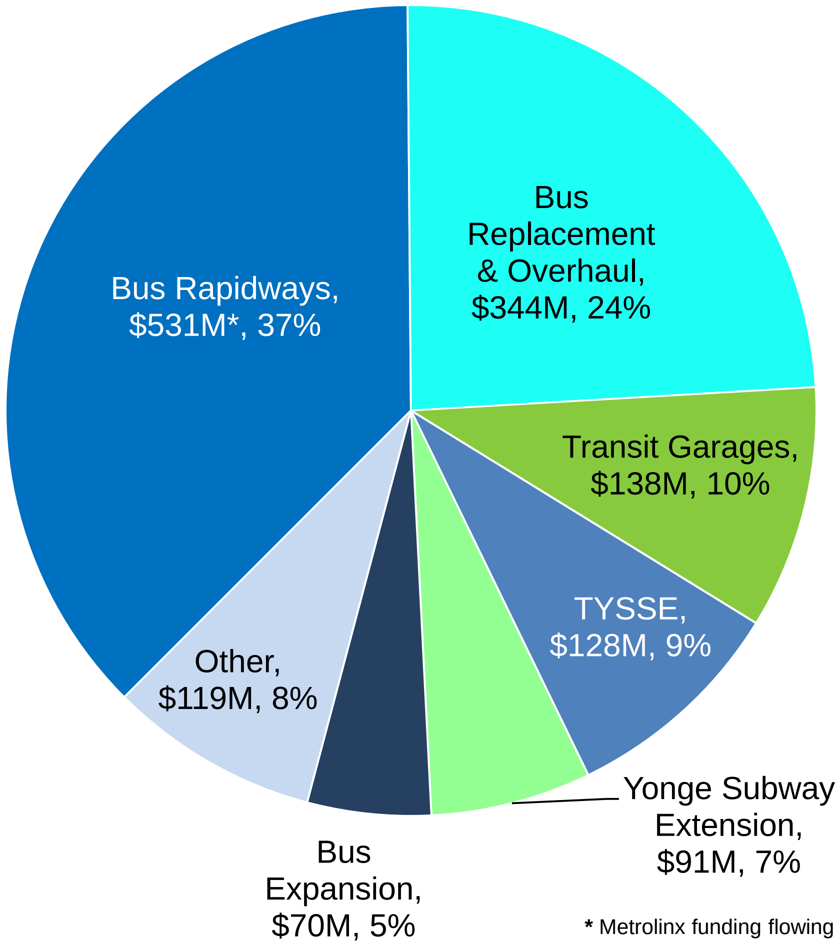
2018-2027 Transit Funding – $1.4 Billion*



* Numbers include YRRTC and Metrolinx

The big priorities are rapidways, subways and bus replacement

2018-2027 Planned Transit Investment – $1.4 Billion



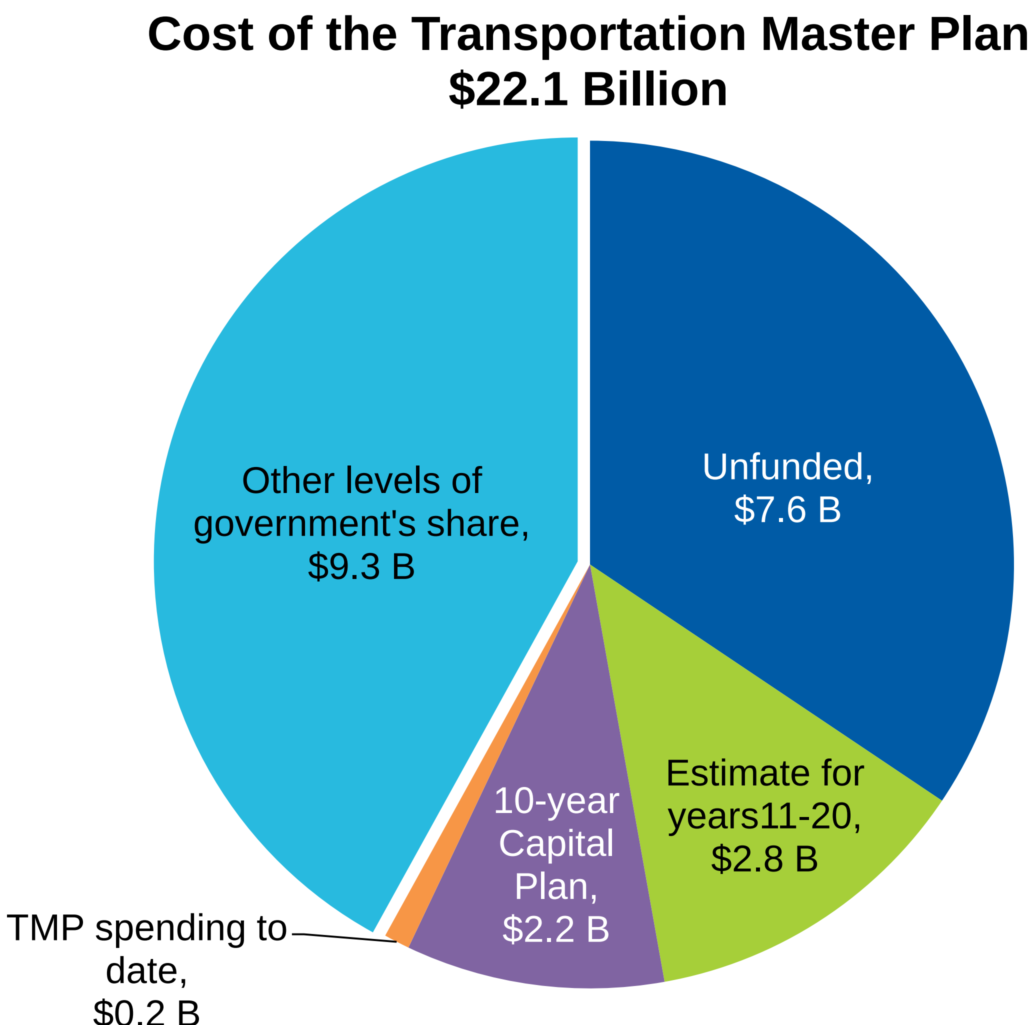
***** Metrolinx funding flowing through York Region (not in the capital plan)
Includes surplus land proceeds, costs to be recovered from local municipalities and third-parties, and about $65M in Regional investment

Key messages

1. Planned transportation capital investment over the next 10 years totals about $3 billion
2. About three quarters of transportation investments are for growth-related projects
3. Planned investments are evenly split between roads and transit
4. Growth-related roads investment is high and front-end loaded in the ten-year capital plan

Transportation and the Fiscal Context

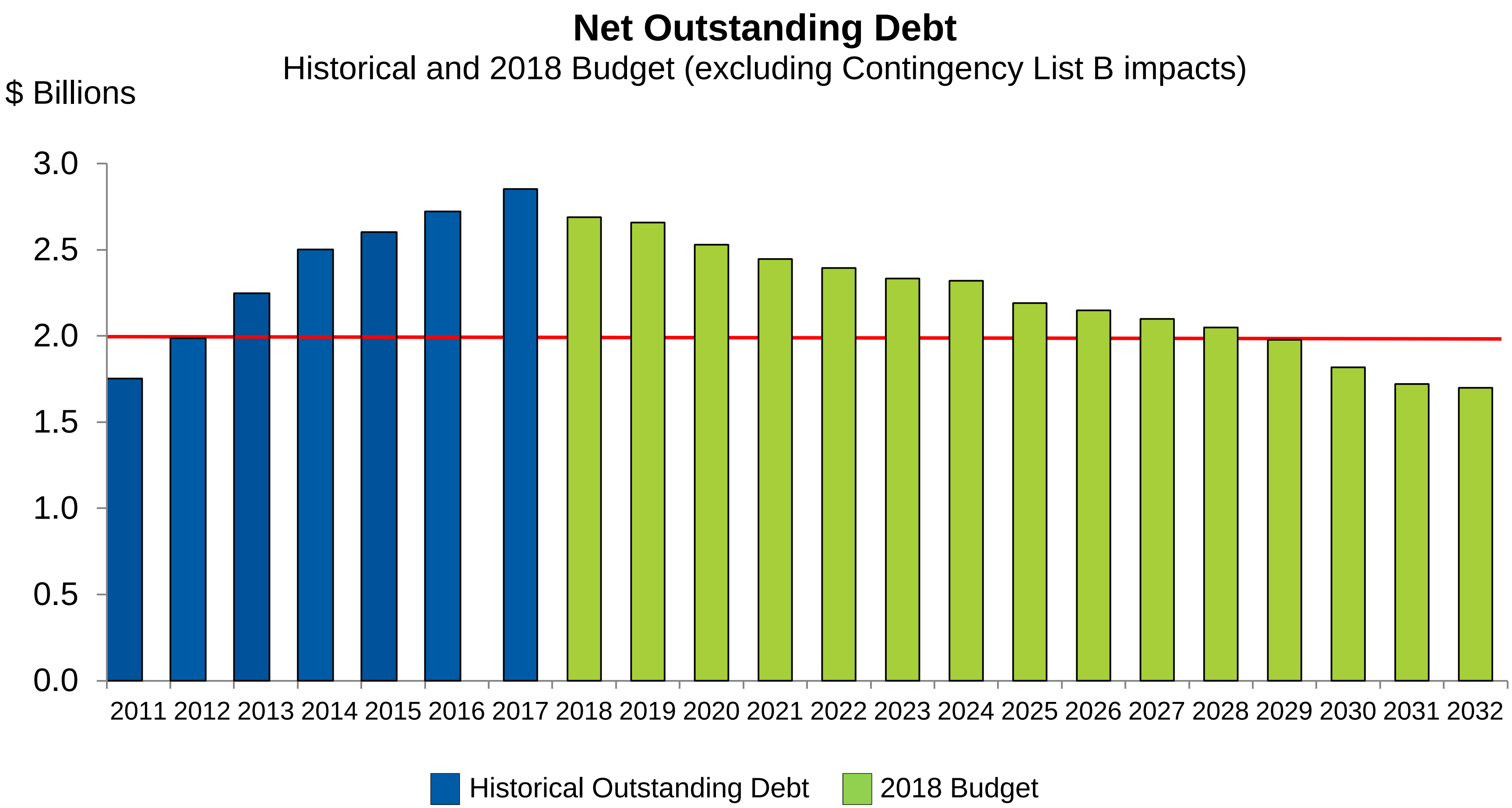
Taking into consideration tax levy and debt constraints, the Region can afford approximately 40% of its share of the Transportation Master Plan



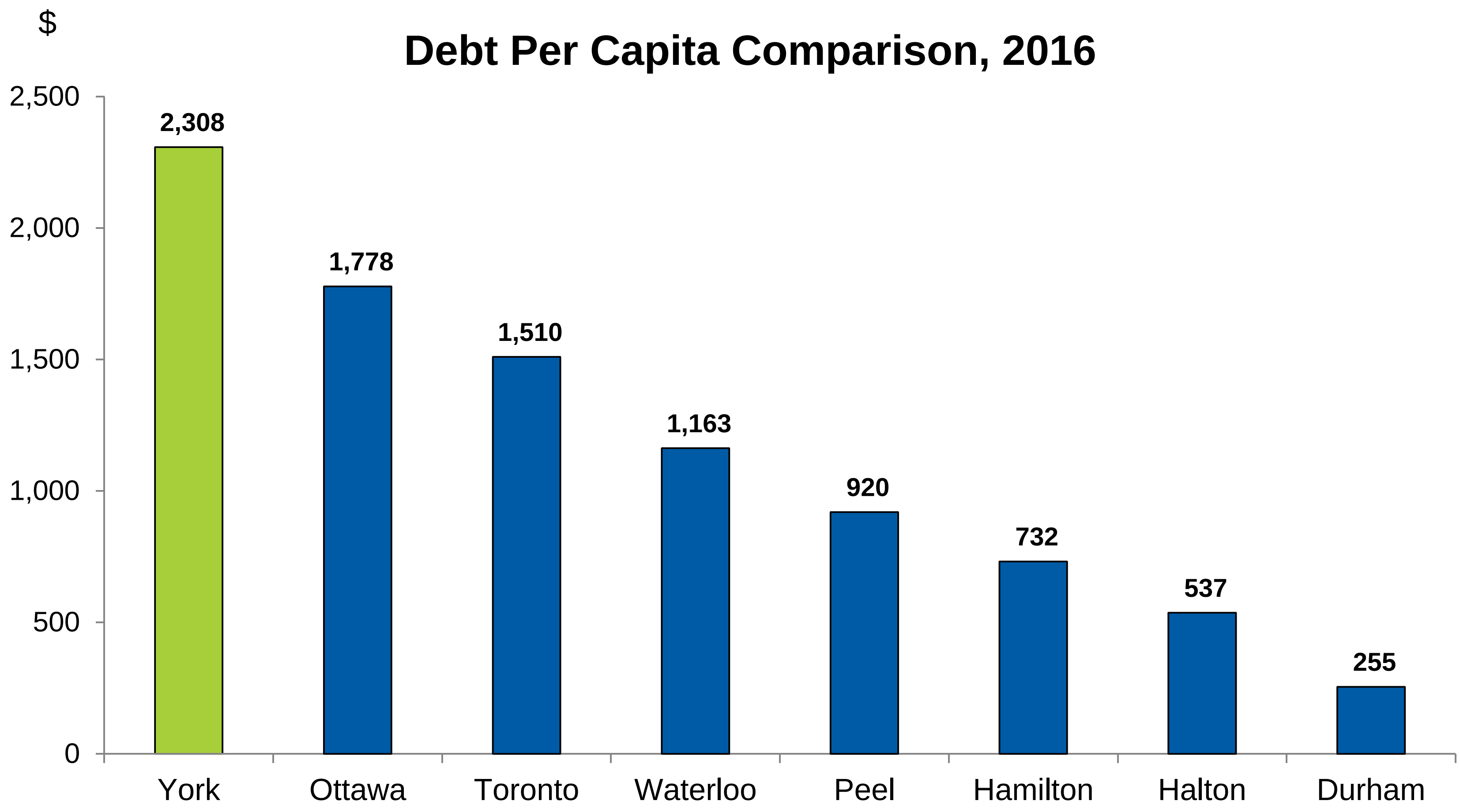
Council has set three broad fiscal objectives

1. Keep tax levy increases to 3% or less
2. Reduce reliance on debt
3. Build reserves to meet asset management needs

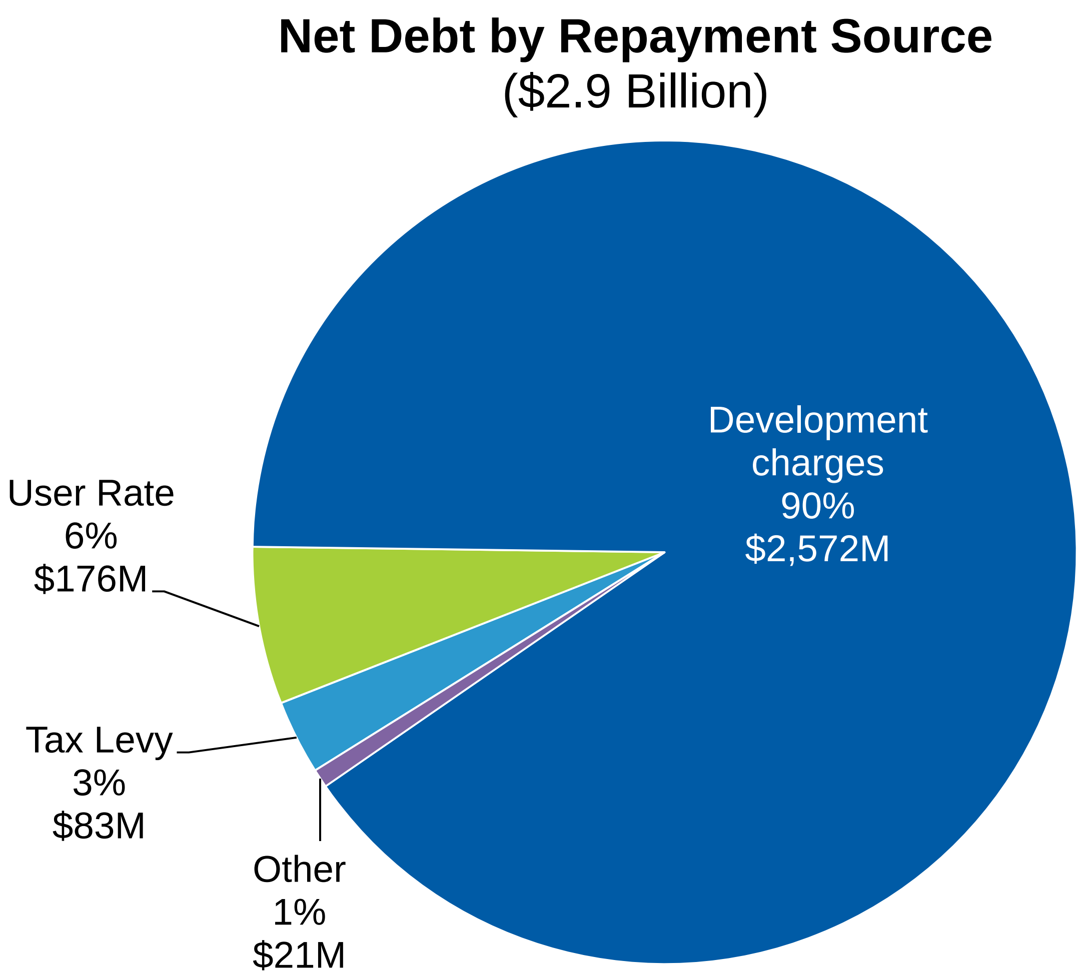
The Region is turning the corner on debt



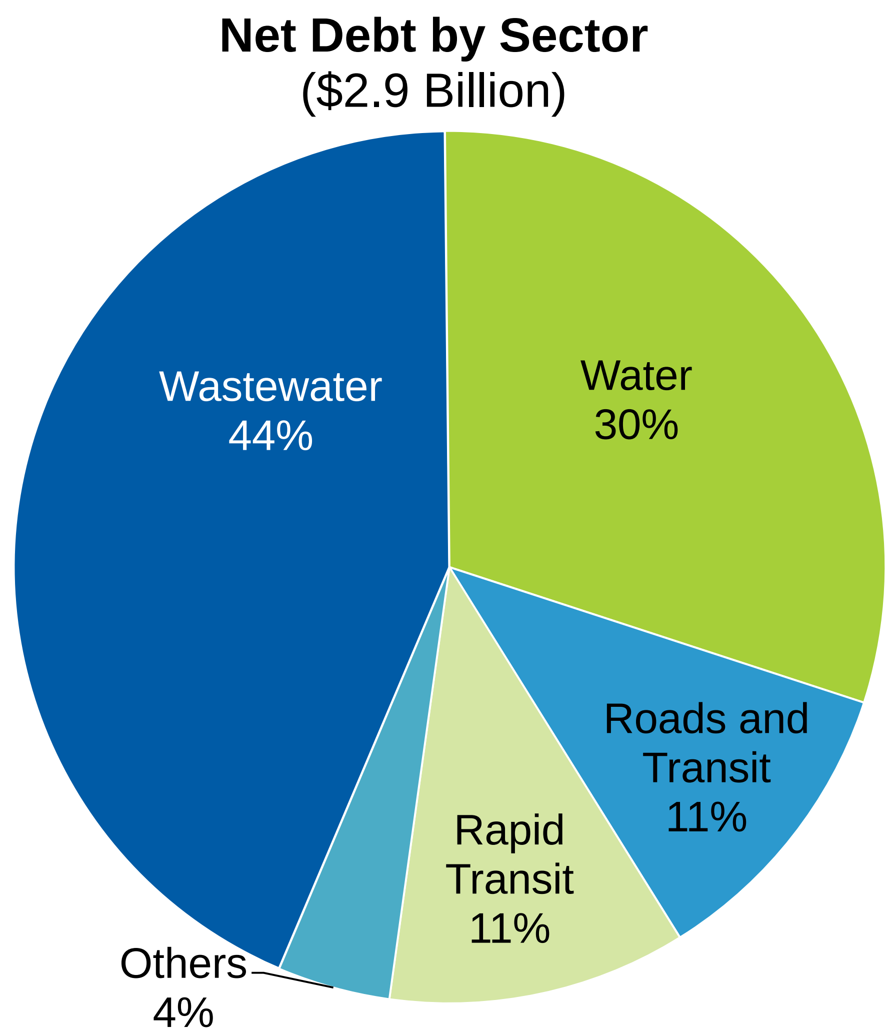
The credit rating agencies remain concerned about debt levels



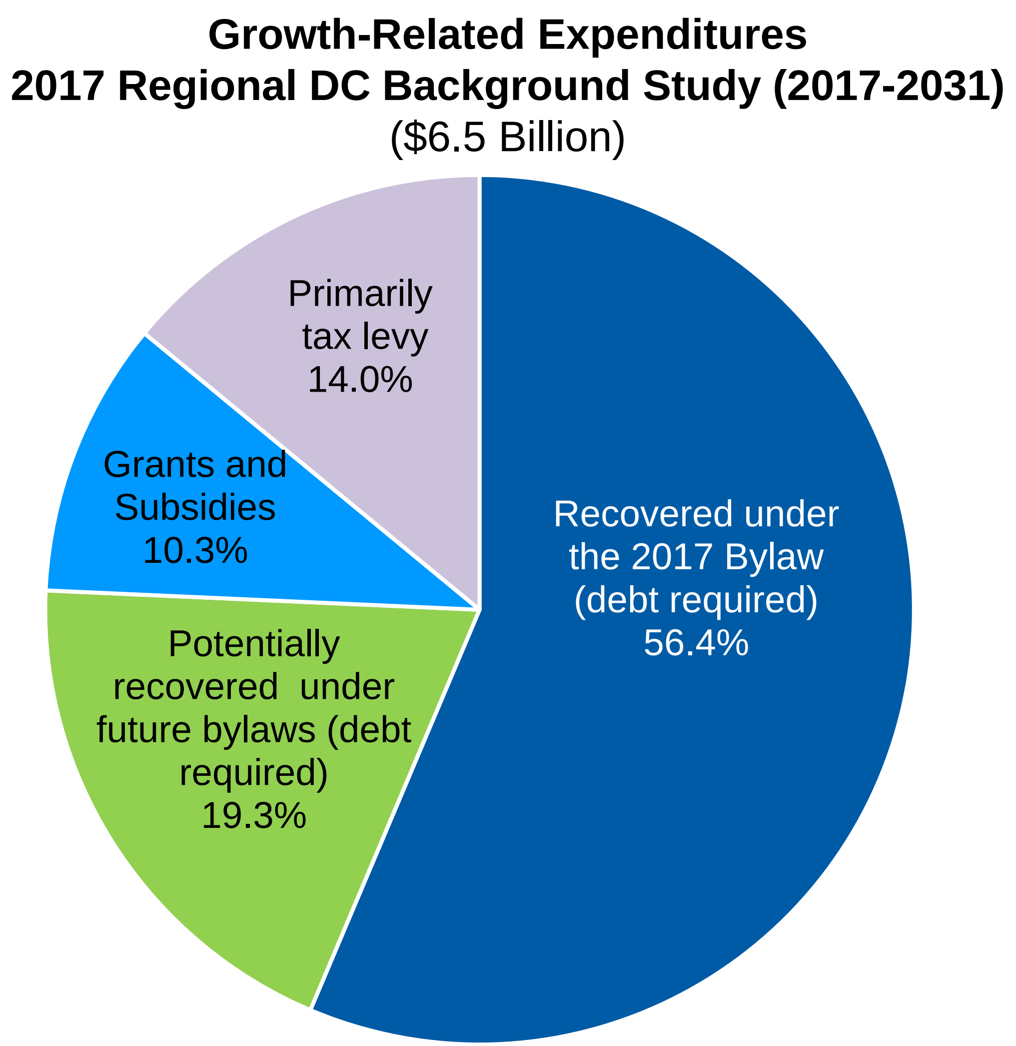
Approximately 90% of the Region's outstanding net debt is development charge debt



Transportation's share of debt is rising

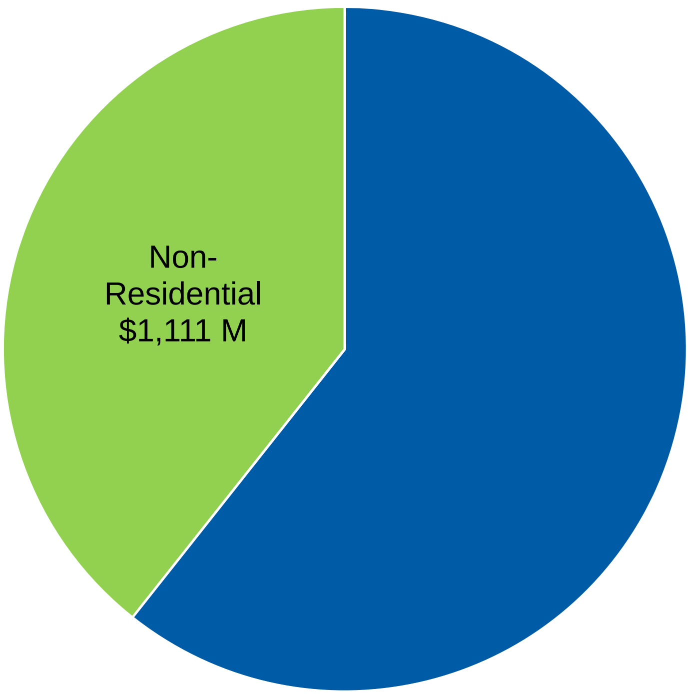


Growth does not pay for growth

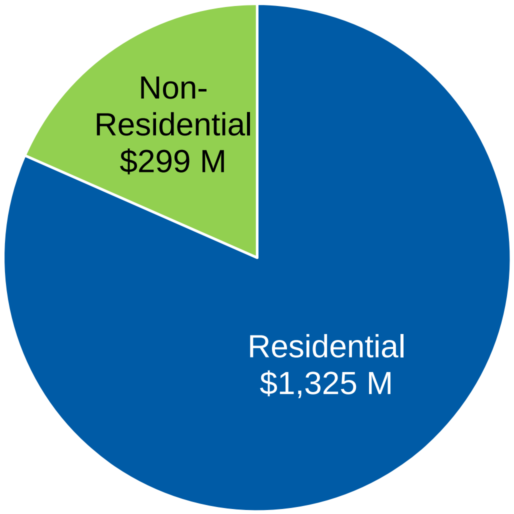


Development charge revenue is tracking below expectations

Implied DC Collections*:
mid 2012 to mid 2017
($2.8 Billion)

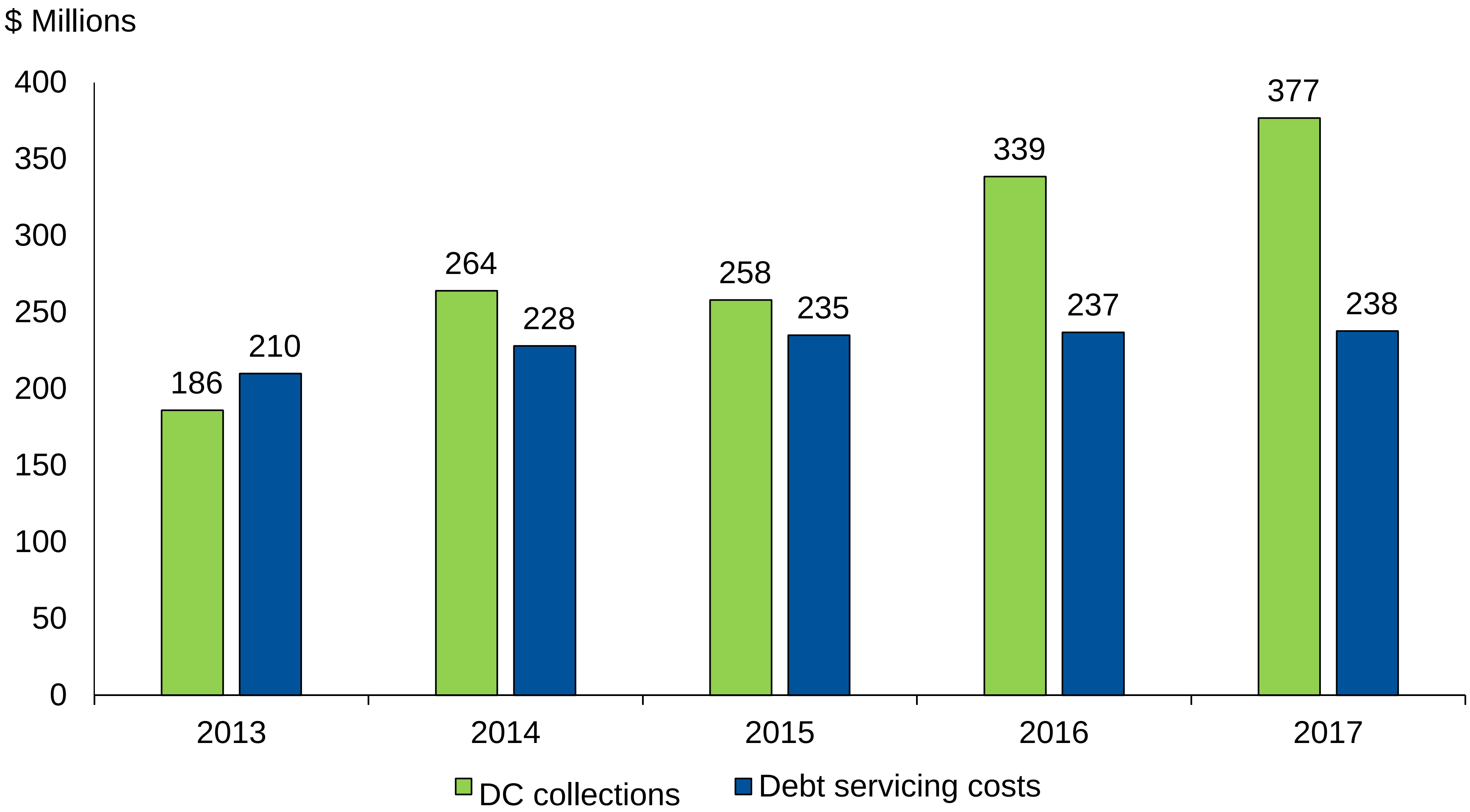


Actual DC collections:
mid 2012 to mid 2017
($1.6 Billion)



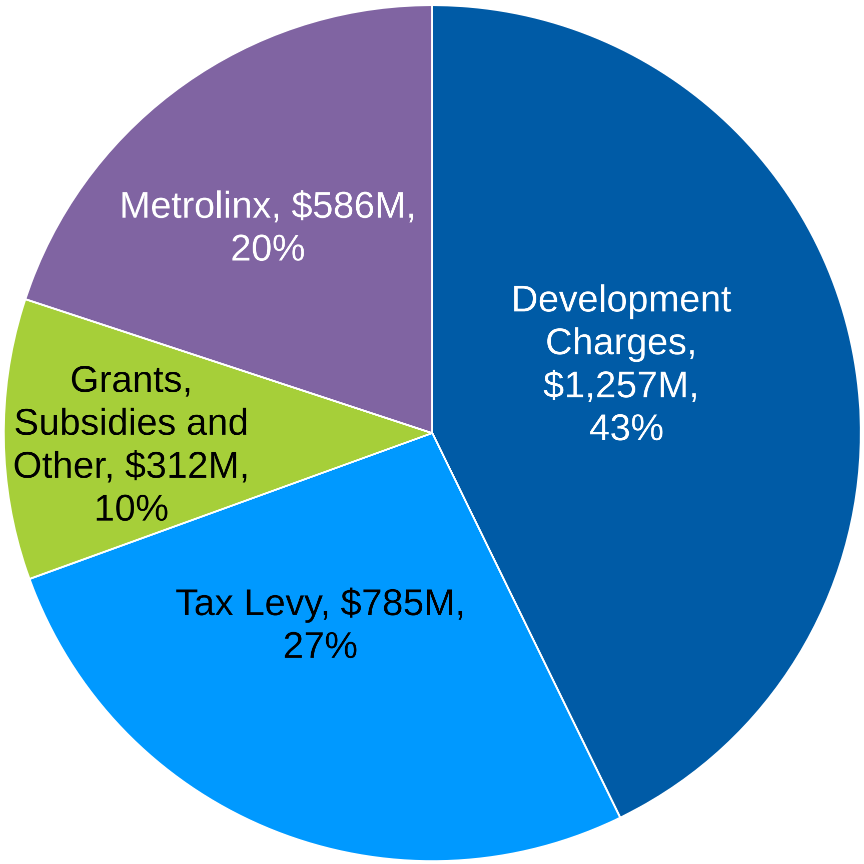
*Note: Gross collections based on 2012 development charge background study
Source: 2012 DC Background Study, York Region Treasury Office

Development charge collections service existing debt and help avoid future growth-related debt

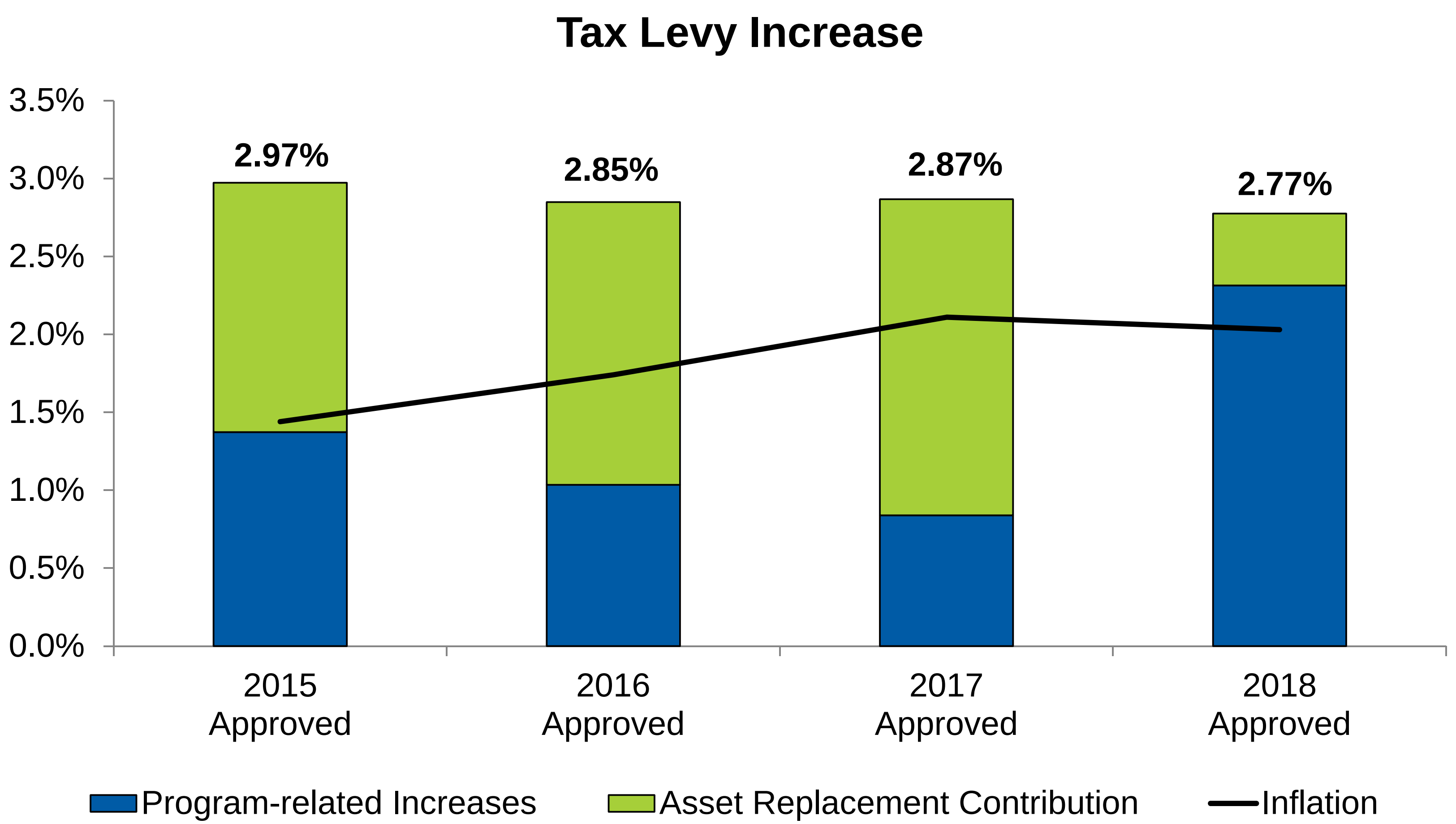


The Transportation capital plan is reliant on development charges and subsidies

2018-2027 Investment - $2,940 million

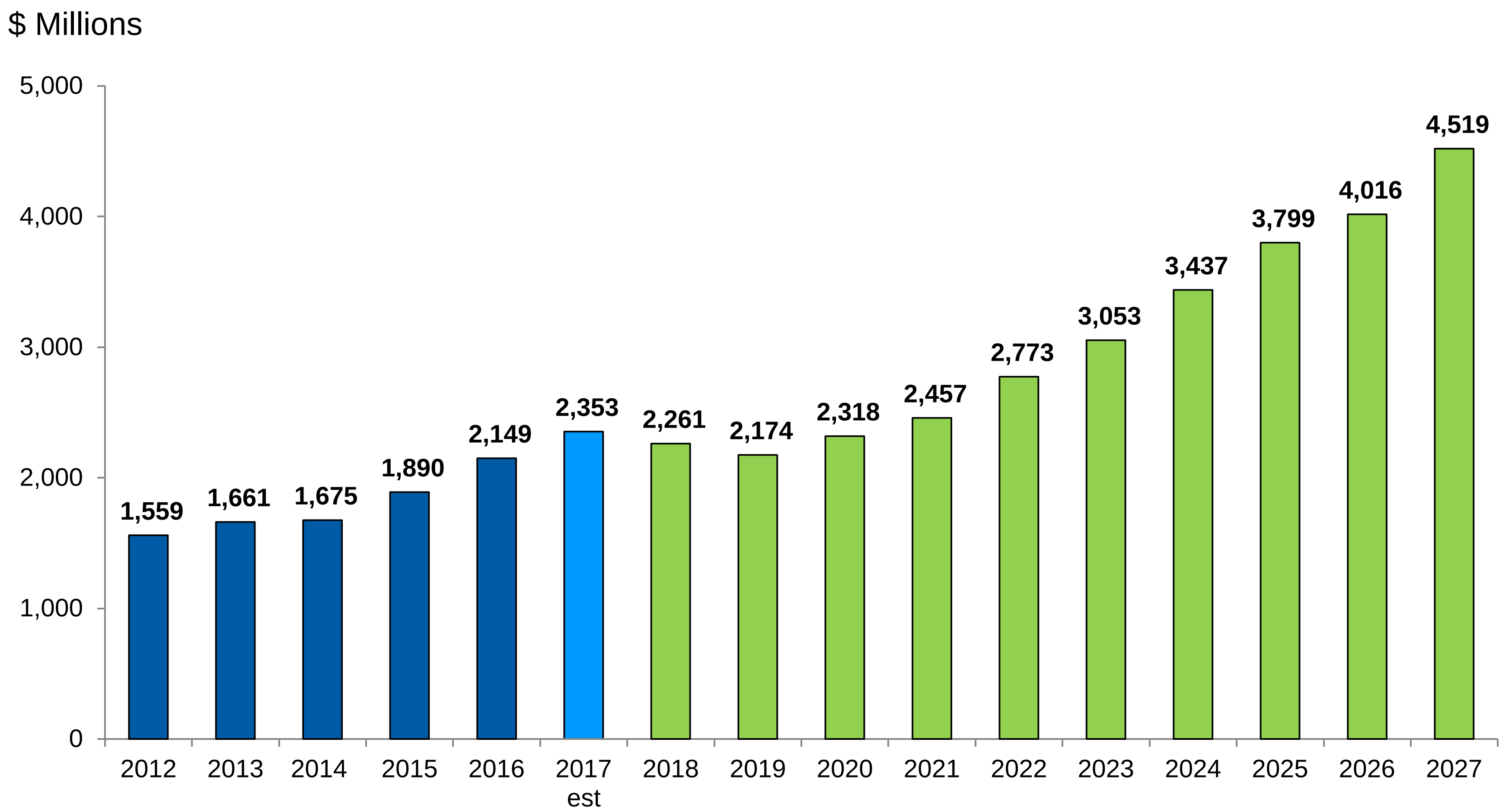


Well-controlled spending enables saving for capital asset replacement



Note: asset replacement contributions exclude individual department contributions to capital asset replacement reserves

Growing reserves will allow for future spending on transportation asset management



Key messages

1. The Transportation Master Plan can be partially implemented within existing tax levy and debt constraints
2. A large transportation capital plan can continue to be supported within the current fiscal framework
3. Investment in road rehabilitation and replacement can be increased once asset management plans are complete
4. Major transit projects will need to be mostly funded by the federal and provincial governments
5. Development charge collections are a risk to the capital plan

Building More Roads: The 2018 Development Charge Bylaw Amendment

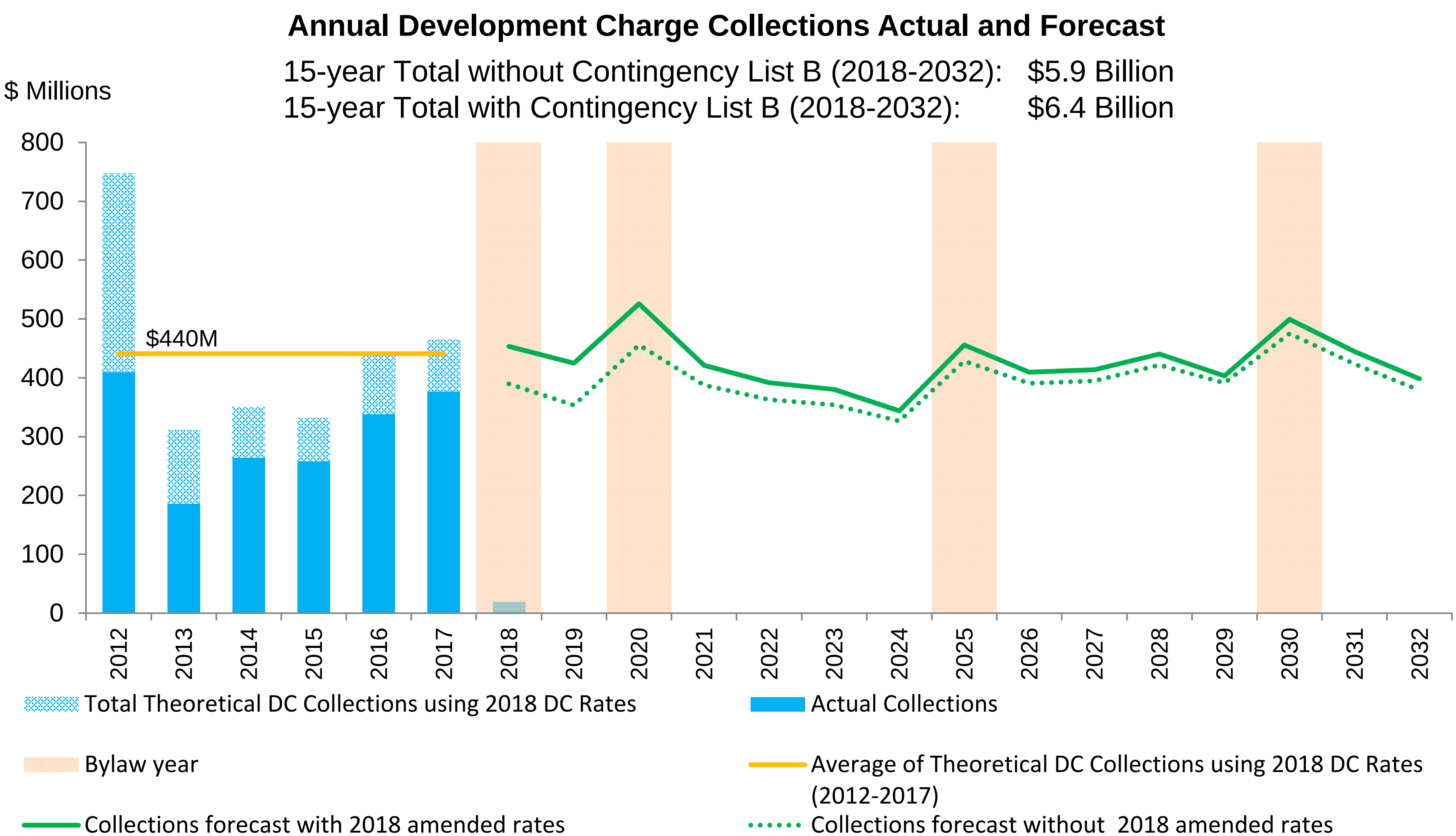
The 2018 development charge bylaw amendment would add 56 road projects

($ Millions)	Gross Cost	Development Charge Eligible cost
2017 Development Charge Background Study – Road	2,799	1,948
56 road projects added through the 2018 amendment	1,486	1,348

Development charge rates will increase as a result of the amendment

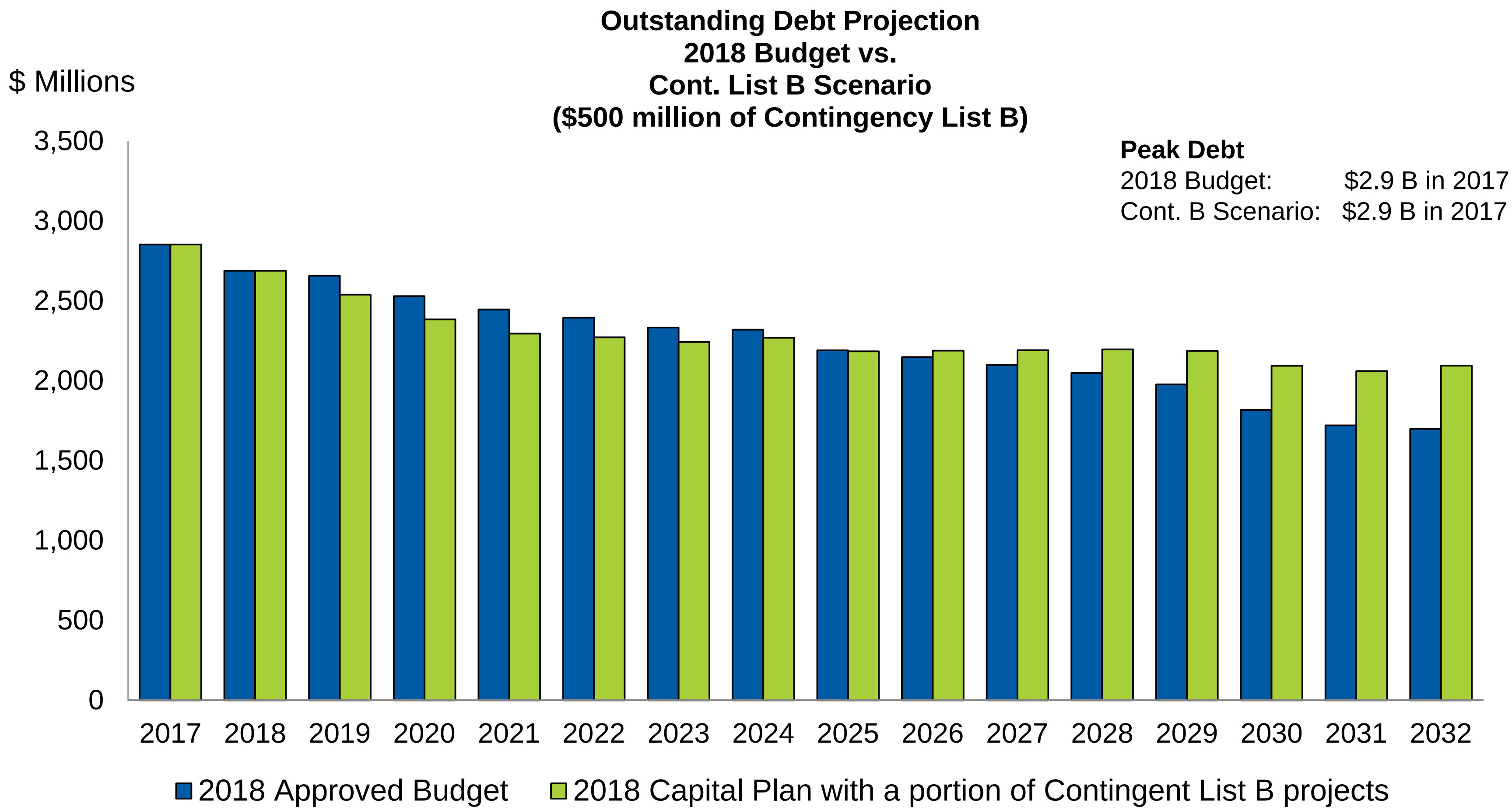
($)	Current rate	Amended rate	Difference
Residential (per unit)			
Single-family detached	48,330	57,525	9,195
Non-Residential (per square foot)			
Retail	39.89	51.12	11.23
Industrial/Office/ Institutional	17.90	21.19	3.29
Hotel	7.93	10.03	2.10

The proposed rate increases would lead to higher collections



Note: 2018 Collections are as of February 27, 2018

Approximately $500 million of these road projects could be built while maintaining a reasonably prudent debt trajectory



Funding the 56 added road projects would also create a tax levy pressure

	2017 Development Charge Background Study	2018 Development Charge Bylaw Amendment	Total
Tax levy/user rate funded costs	$915M	$138M	$1,053M
Ongoing lifecycle costs (100 years)	$16,637M	$2,450M	$19,087M
Tax levy increase (per cent per year to 2031)	3.5 – 4.0	+0.30	3.8 – 4.3

Key messages

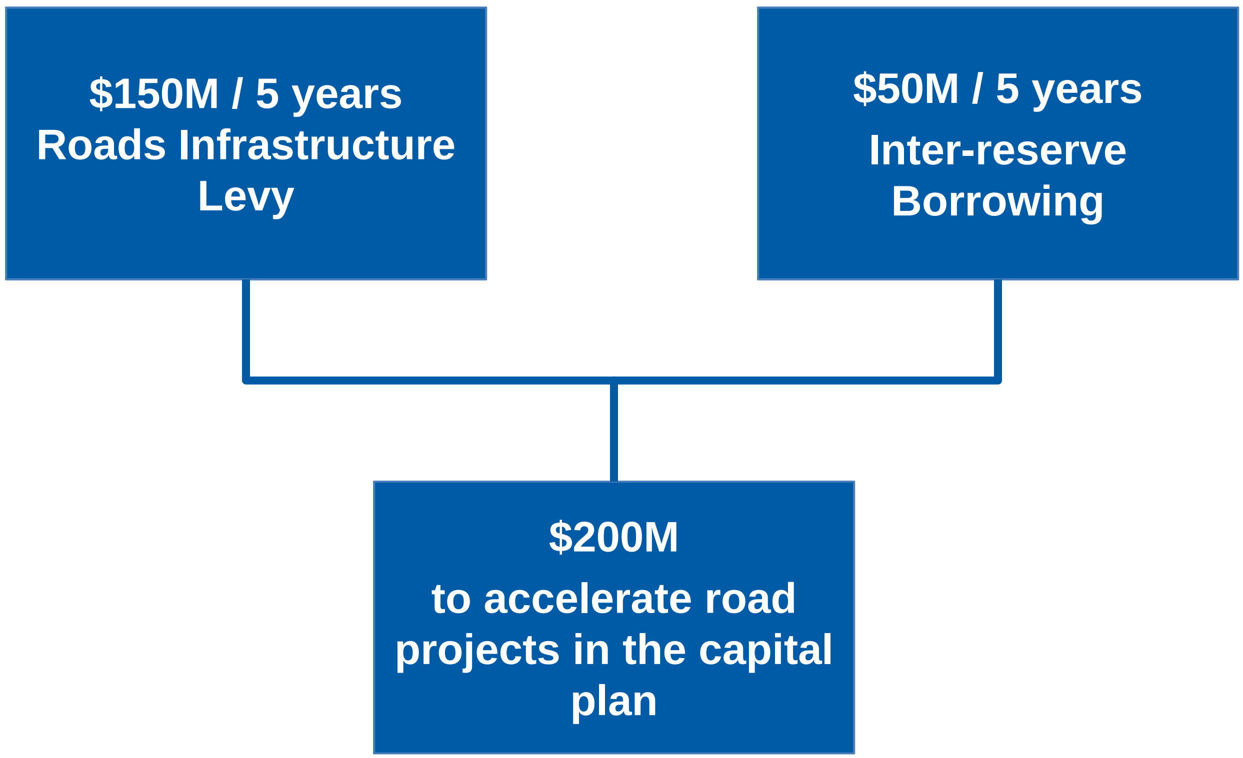
1. The 2018 amendment would increase the value of road projects subject to development charges by more than 50%
2. The associated increase in development charge revenues would support approximately $500 million in additional road investments
3. Lower-than-anticipated development charge collections could necessitate capital deferrals

Building Roads Sooner:
The Roads Capital Acceleration Option

The roads capital acceleration option responds to concerns about congestion

- Residents continue to identify transportation as their number one concern
- Capital investment in roads has been a priority of Council
- Council has requested options for accelerating roads capital projects

A new Roads Capital Acceleration Reserve could be established to advance road projects in the capital plan



An infrastructure tax levy would be needed

- 1% incremental roads tax levy each year for five years
- Would apply to projects **already in the capital plan**
- Would allow high priority road projects to proceed sooner (without increasing debt)
- The Roads Capital Acceleration Reserve would be repaid from future development charges
- The reserve could ultimately be re-purposed to capital asset replacement

The high DC ratio for road projects allows the acceleration option to work

- Most road projects are funded 90% development charges and 10% tax levy
- The high ratio of DC funding is what makes the Roads Capital Acceleration mechanism possible because it allows the reserve to be repaid through future development charge revenue

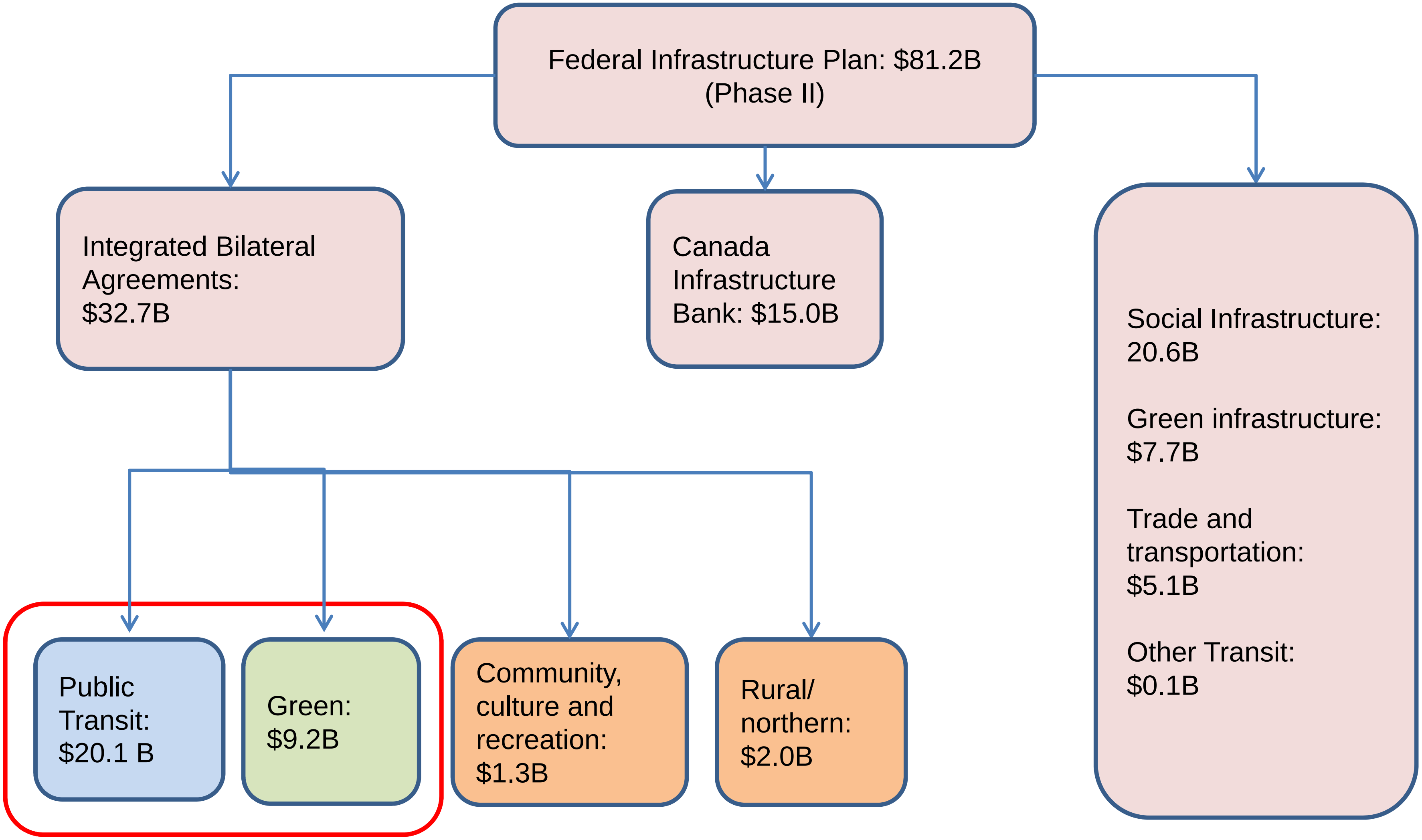
The tax levy increase could be reallocated after the five-year phase-in

Potential options include:

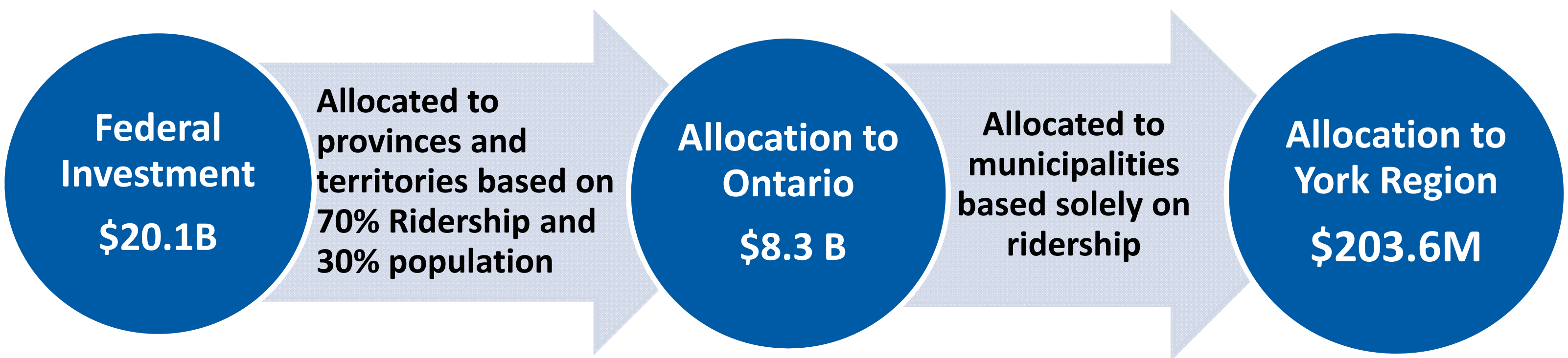
- Capital asset replacement reserves (asset management)
- Regional cost-share of infrastructure mega-projects
- Replace DC-funding shortfalls (tax levy pressures)

Federal-Provincial Funding: A Transit Opportunity

Phase II funding will be delivered through a complex array of programs



Phase II - Public Transit Stream will provide $203.6 million funding to York Region



This translates to approximately $500 million worth of infrastructure projects

- The federal government will fund up to 50% for rehabilitation projects and 40% for new construction and expansion
- Province will cost match at 33% to a maximum of $169 million

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

The Region will need to contribute between $125 million and $137 million to realize the funding from other levels of government

The bulk of the transit funding is going to Toronto

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

The federal Green Infrastructure Stream theoretically could provide additional transit funding

Ontario Share Green Infrastructure Stream $2.85 billion
Greenhouse gas emission mitigation investments (minimum $1.3 billion)
Climate change adaptation, resilience, and disaster mitigation
Environmental quality investments (e.g., water and wastewater projects)

- Higher order transit is eligible for funding under the greenhouse gas emission mitigation category
- The Province is committed to cost match 33% or $2.35 billion
- Funding allocation to municipalities is still unknown

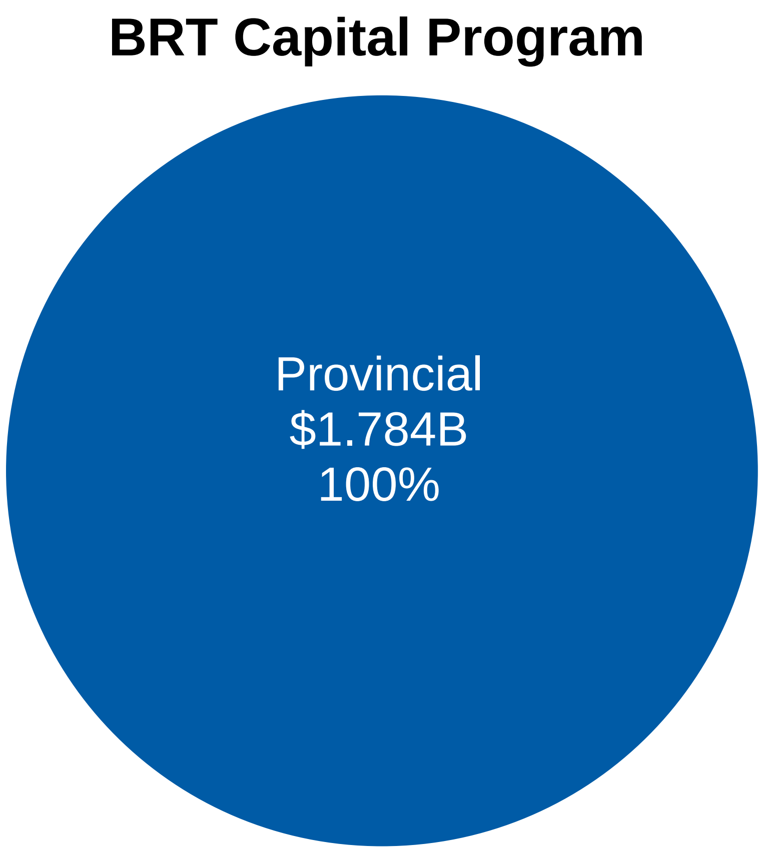
Metrolinx's new Regional Transportation Plan acknowledges York Region's transit projects

- The Yonge subway extension and the unfunded BRT projects are in the "In Development" and "Other projects proposed" in Metrolinx's 2041 Regional Transportation Plan
- An implementation plan titled "Making it Happen" released on March 8th recognizes the need for new revenue sources

Revenue source examples outside the GTHA

Taxation revenue (property, fuel, parking, sales)
Hydro levy
User fees
Cap-and-trade system
Advertising revenue
Property rental
Congestion charges
Vehicle registration fee
Driver's license fee

Bus rapidways have been 100% provincially funded



- Top rapidway priorities:
  - Yonge St. from 19th/Gamble Rd. to Savage St. ($713 million)
  - Hwy. 7 East from Unionville GO Station to Cornell Terminal ($438 million)

Yonge Subway Extension cost share scenarios vary with Toronto's commitment

($ Billions)	York Region's Contribution Assuming Toronto is NOT paying for its portion	York Region's Contribution Assuming Toronto is paying for its portion
York pays for 33%	1.70	1.28
York pays for 27%	1.38	1.03

Staff will develop options for the use of the new transit funding for Council's consideration

Preliminary Considerations	
Bus rapid transit	• Breaks practice of 100% Provincial funding • Need to decide which BRT project
Yonge subway extension	• Funding cannot be used for land • May be able to fund the development of procurement-ready documents
Other transit projects	• Transit garages, grade separations to support Regional Express Rail, bus expansion and replacement

Key messages

1. New federal and provincial funding will support an approximately $500 million investment in transit in York Region

2. Staff will develop options for Council's consideration

3. Offsetting reductions in the capital plan will likely be needed to fund the Region's $125-137 million contribution, pending new revenue sources

The Need for New Revenue Sources

The Region is making good progress towards financial sustainability

Working towards financial sustainability	A sound financial strategy is in place
	Debt peaked in 2017 and is now falling
	Reserves to meet future asset management obligations are growing
	Full cost recovery for water and wastewater will be achieved by 2021
	The Region will be a net investor by 2021

However, the Region is facing a significant fiscal gap in the future

Costs for growth-related infrastructure that cannot be recovered through development charges

Asset management costs over and above those in the ten-year capital plan and anticipated reserve draws

The Region's share of inter-governmental mega-projects

Debt pressures from the capital plan

The Region will need a combination of federal and provincial grants and new revenue sources to afford the growth contemplated in the Growth Plan

Regionally Funded + **Other Levels of Government** + **New Revenue Sources**

Council has requested *City of Toronto Act* revenue-raising powers

- The Association of Ontario Municipalities' Local Share campaign is unlikely to generate sufficient revenues to close the Region’s fiscal gap
- The Province is unlikely to cede major fields of revenues (e.g., sales tax, income tax) to municipalities
- Any new revenue powers will likely require municipal political accountability

City of Toronto Act, 2006 **revenue raising power**	**Annual potential for York Region ($ Millions)**
Municipal land transfer tax	350 - 430
Vehicle registration tax	65 - 80
Total	**415 - 510**

Key messages

1. The Region will need to continue to pursue new revenue-sharing powers to achieve long-term financial sustainability

Summary

Summary

1. The infrastructure vision of the 2016 Transportation Master Plan was unconstrained

2. About 60% of the Transportation Master Plan costs are not accommodated in the Region's Fiscal Plan

3. Considerations for transportation capital priorities continue to balance the immediate and long term needs of the Region's nine local municipalities

Summary

4. To meet the demands of growth, the Region is investing record amounts in transportation infrastructure
5. The Region is making good progress towards financial sustainability and a large transportation capital plan can continue to be supported within the current fiscal framework
6. The Transportation Master Plan can be partially implemented within existing tax levy and debt constraints
7. Investment in road rehabilitation and replacement can be increased once asset management plans are complete
8. Development charges cannot fully recover the cost of growth-related infrastructure, creating tax levy and debt pressures

Summary

9. Council could consider a roads capital acceleration option in a future budget process

10. Staff will develop options for Council's consideration on Regional priorities for the $500 million transit project(s) under the Public Transit Stream of federal-provincial funding

11. New revenue sources and additional federal-provincial funding will be needed to accommodate the growth contemplated in the Provincial Growth Plan in a financially sustainable way