York Region

Financial Implications of the Draft Transportation Master Plan

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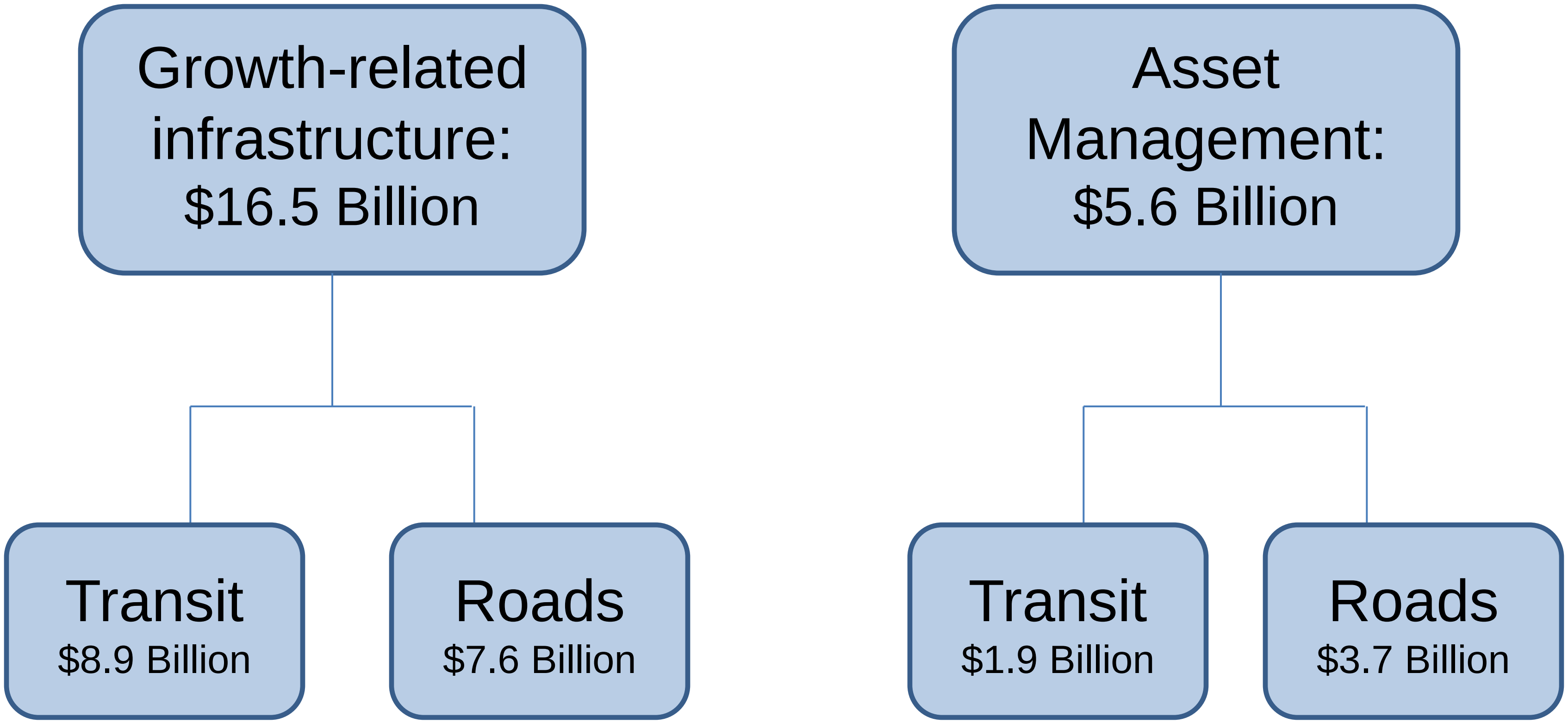
Outline

- Introduction
- The Capital Plan and the Transportation Master Plan
- Funding Transportation Asset Management
- Funding Growth-Related Transportation Investment
- Debt
- Conclusion and Path Forward

Introduction

The draft Transportation Master Plan has an estimated total cost of $22.1 billion over 25 years



Fiscal Considerations

Capital Plan	• Overall size • Priority setting: transportation vs. other infrastructure and within transportation
Development Charges	• Future development charge revenue
Debt	• Total outstanding debt • Cost of debt servicing • Credit rating
Tax Levy	• Implications for pay-as-you-go capital • Tax-levy impact of non-DC-able growth-related infrastructure • Operating impact of new assets
Reserves	• Adequacy of capital asset replacement contributions (relates to tax levy)
Other Revenue Sources	• Funding from other levels of government • Potential for new revenue sources

Preliminary funding analysis

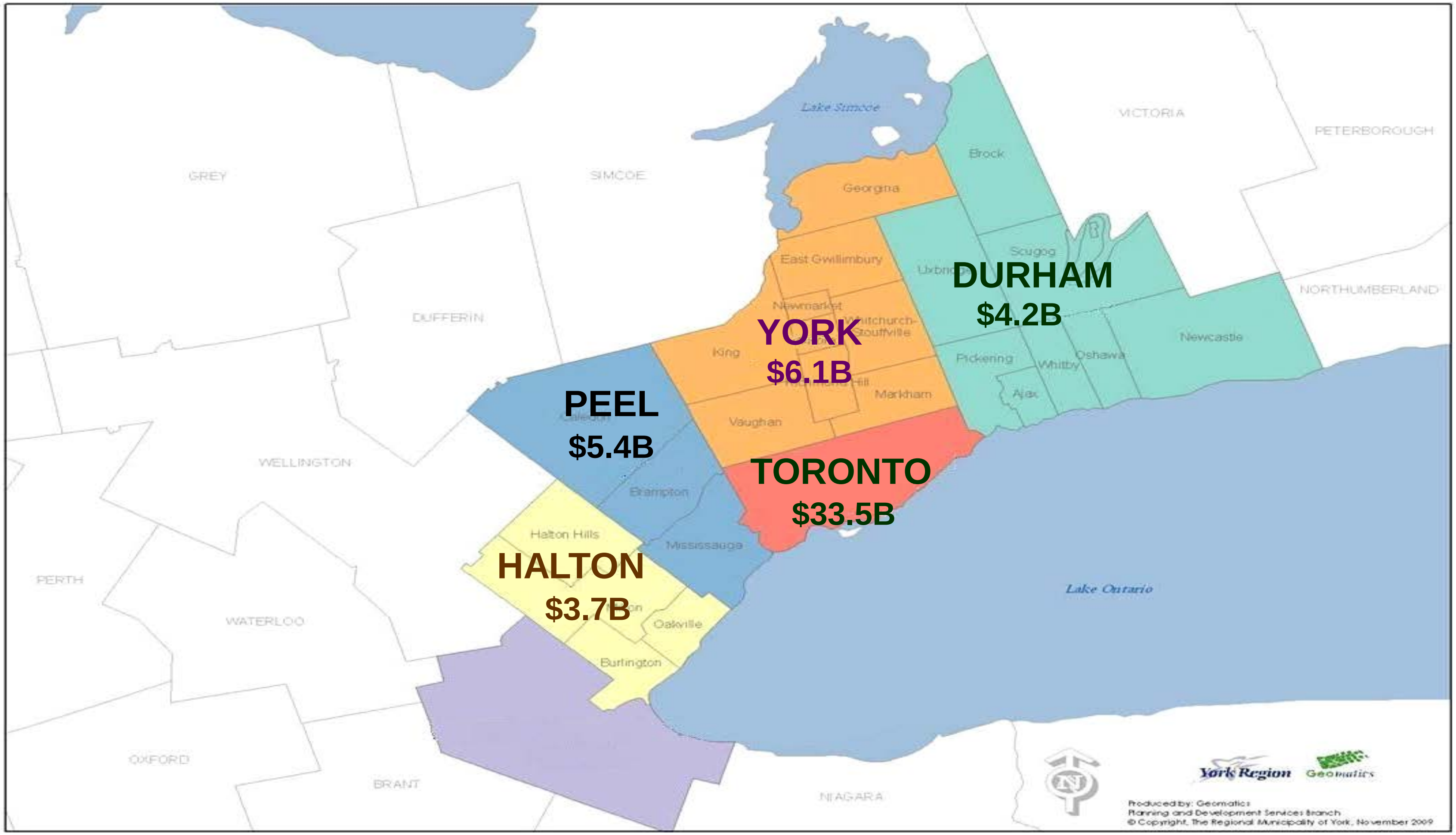
- The financial analysis should be treated as early estimates that will be revised based on:
  - Full use of Finance’s forecasting models, which was not possible in the time frame
  - Factoring in the impact of the Environmental Services Master Plan and other long-term capital needs
  - Revised development charge rates and collection forecasts
  - The fiscal impact analysis associated with the Municipal Comprehensive Review
- The financial analysis is expected to be further developed by Fall 2016

Preliminary findings

- Implementation of the draft Transportation Master Plan would require:
  - Large financial commitments from other levels of government
  - An increase in development charge rates
  - Property tax increases
  - Entirely new revenue sources
- Implications of draft Master Plan for debt:
  - Peak outstanding debt would continue to increase until at least 2030
  - Tax levy debt would have to be issued

The Capital Plan and the Transportation Master Plan

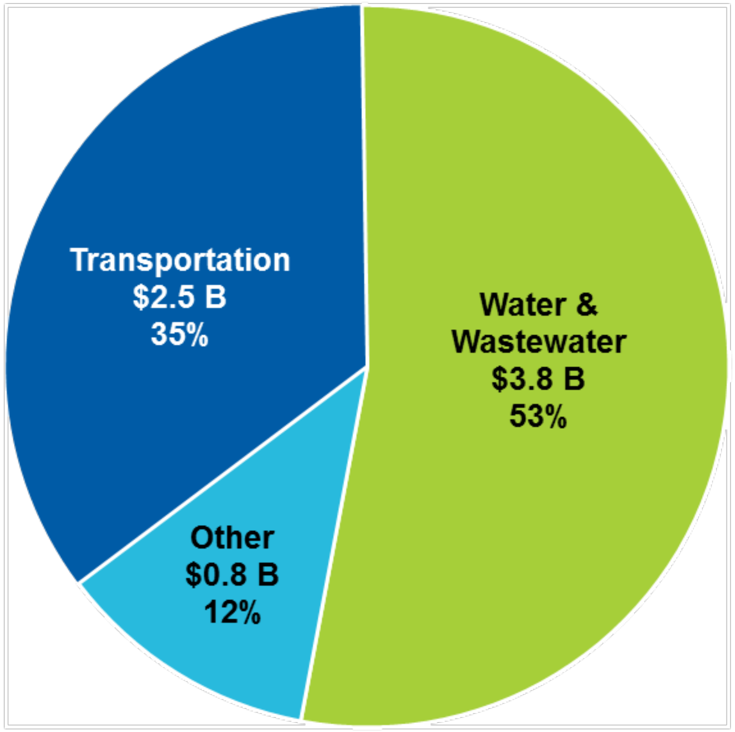
York's current ten-year capital plan is the largest in the 905



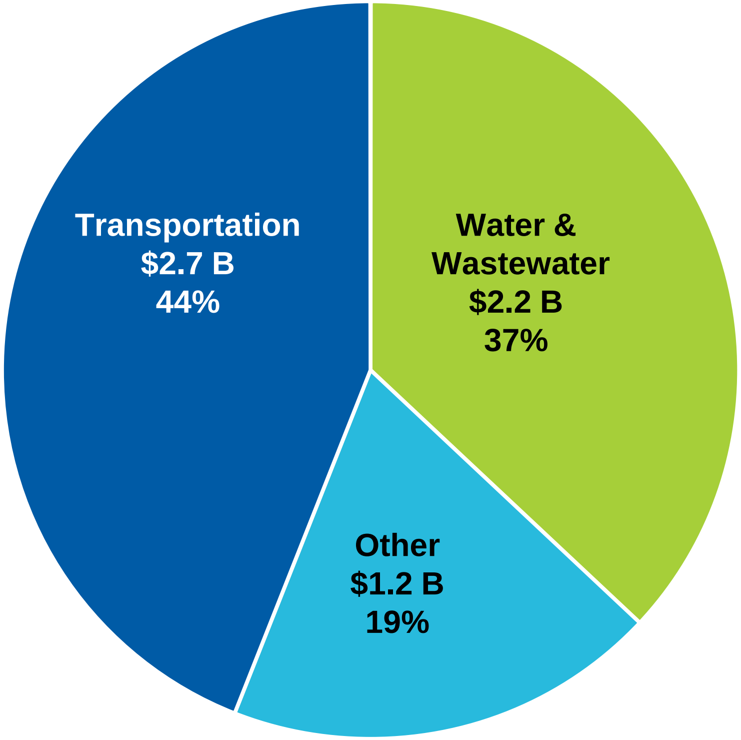
Figures reflect Ten-Year Capital Plans approved in 2016.

Increasing emphasis on transportation investment in the capital plan

Capital Expenditure
2006-2015 - $7.1 Billion



Ten-Year Capital Plan
2016-2025 - $6.1 Billion



Key assumptions on cost-sharing for this analysis

Infrastructure	Region's Contribution (%)	Description
Yonge subway	0	
VivaNext rapidways	0	
Grade separations	15 to 85	4 are assumed to be funded by Metrolinx at 85% with the remaining likely to be funded by York at 85%
Transit facilities and fleet expansion	45	
Road widening/new roads	99	
Steeles Avenue	50	Widening and future rapid transit

- Remaining infrastructure, which includes new interchanges, mid-block crossings and intersections are assumed to be 100% funded by the Region
- Cost-sharing assumptions will be revised as more information becomes available

Draft Transportation Master Plan would require major spending increases

- The Region's annual transportation capital spending would need to almost double compared to the last ten years

Transportation Capital	Average Annual Spending ($M)	
	2006-2015	Regionally-funded portion of TMP
Average Annual Spend	250	494

Funding Asset Management in the Transportation Master Plan

Budgeting for asset management

Asset Management

Pay-as-you-go capital

- Repairs and routine rehabilitation (not maintenance)
- Growth capital not covered by DCs

Reserves (non-DC)

- Major life-cycle rehabilitation
- Asset replacement

Asset management plan for transportation is under development

- Transportation Services is working on an asset management plan, expected to be completed by the end of 2016
- Excluding rapidways, the draft Transportation Master Plan estimates $4.9 billion over 25 years, which is approximately 3.1 times the current annual spend

Average Annual Spending
Transportation Asset Management
($ millions)

Ten-year Capital Plan	63.8
Draft Master Plan	196.2

Approach to pay-as-you-go capital

- The level of pay-as-you-go capital funding for roads will be re-assessed:
  - The appropriate amount of pay-as-you-go capital will be determined through the asset management planning process and associated financial analysis
  - An increase could be included in the 2019-2022 multi-year budget for Council's consideration

Approach to asset replacement funding

- Asset replacement reserve contributions are rising in line with Council's approved policy
- Approximately half is intended for transportation
- The adequacy of the contributions will be evaluated when the asset management plans are developed

Asset Replacement Reserve Contributions
All Sectors ($ millions)

2015	2016	2017	2018
75	92	112	117

Key messages

- Higher levels of investment in pay-as-you-go capital are likely needed
- Additional contributions to asset replacement reserves may also be needed
- A request for additional tax-levy funding could be included in the next multi-year budget process (2019)

Funding Growth-Related Infrastructure

Timing and amount of growth-related infrastructure contingent on factors beyond Regional Control

Regionally Funded

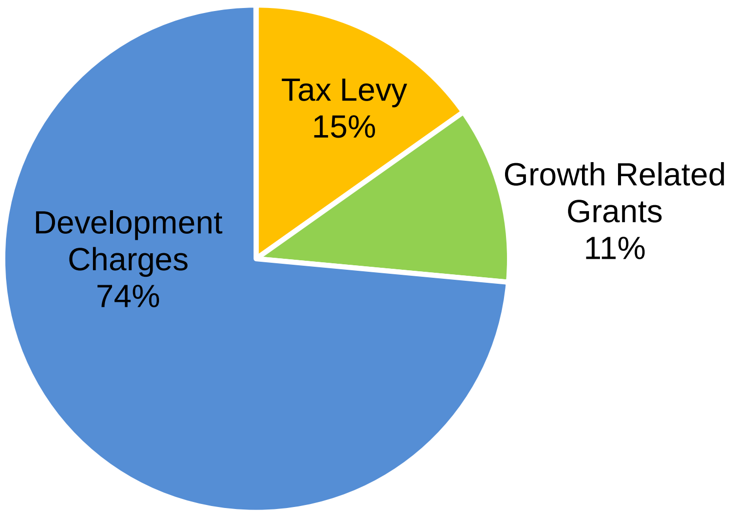
Other Levels of Government

New Revenue Sources

DCs are the key for Regionally-funded growth-related infrastructure

- In York Region, transportation DCs cover significantly less than the full cost of growth

Draft Transportation Master Plan Funding Sources, Regionally Funded Projects (2016 - 2041)

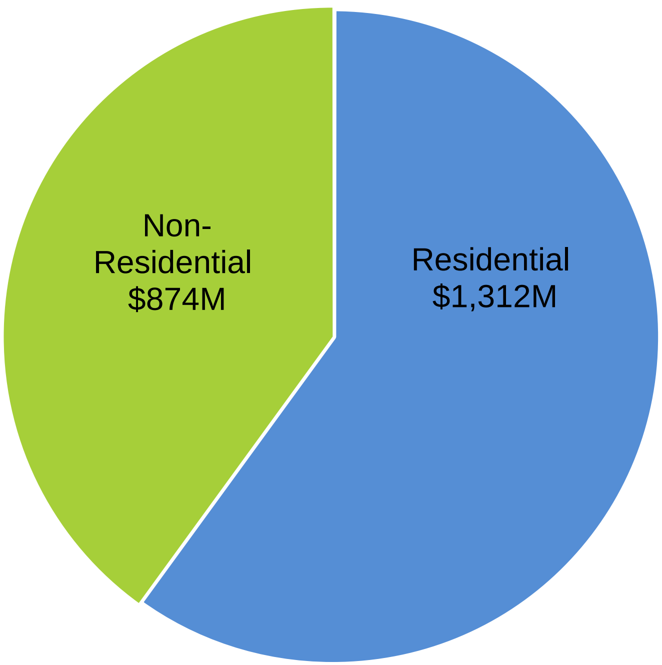


Note:

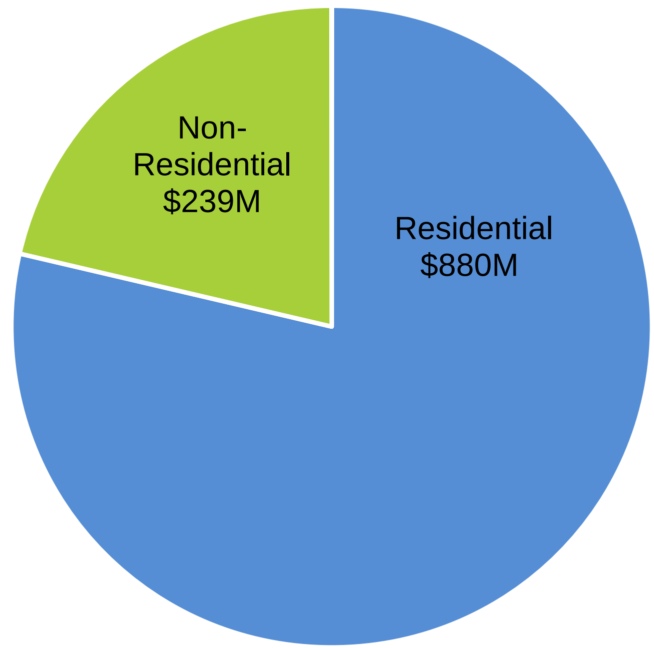
- Tax levy funding could be partially replaced by new revenue sources, if available
- Figures exclude Yonge North Subway and Rapidways since they are assumed to be fully funded by other levels of government.

DC collections have been well below forecast

Forecasted DC Collections*:
2012 – 2015
$2.2 Billion

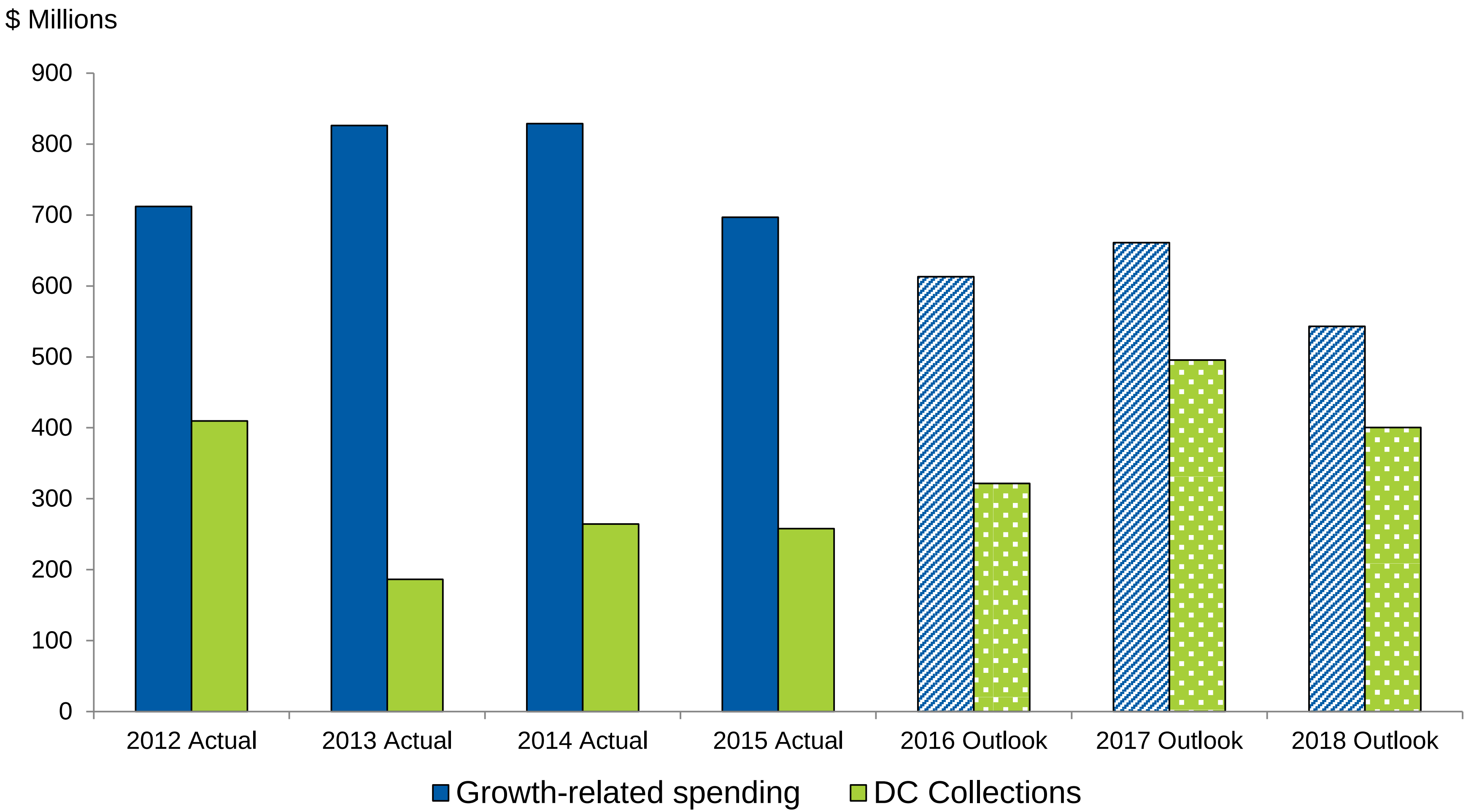


Actual DC Collections:
2012 - 2015
$1.1 Billion



* Based on 2012 DC Background Study

DC collections need to rise to fund growth-related spending in the existing capital plan



Two potential scenarios for DC collections to be above budget forecast

- Higher than expected population and employment growth rates
- 2017 DC bylaw update increases DC rates above the assumptions used in the current forecast

Beyond Regional funding

- The analysis presented here assumes that other levels of government will provide $9.0 billion in funding for the draft Transportation Master Plan:
  - Including full funding for the Yonge North Subway extension and vivaNext Rapidways
- In addition, new sources of revenue would be required to sustainably deliver the draft plan
- If the province provides new revenue sources to municipalities, the new revenue could be used for a variety of Regional priorities

Key messages

- Higher development charge revenues are needed just to pay for the existing approved ten-year capital plan
- Even higher development charge revenues would be needed to pay for the additional growth-related projects in the draft Master Plan
- Development charge revenues do not cover the full cost of growth
- The remainder must be covered through tax levy, subsidies or entirely new revenues
- The need to divert tax levy funding to pay for growth-related infrastructure potentially compromises funding for asset management

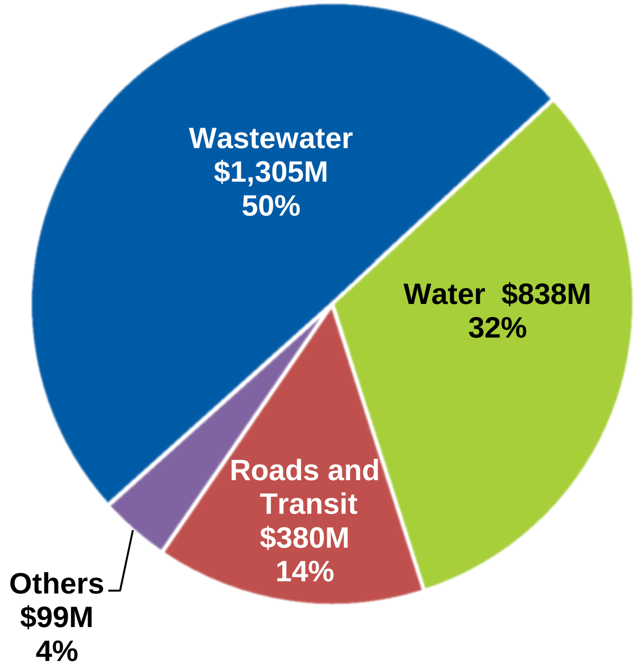
Debt

Debt is necessary when infrastructure has to be built ahead of growth

- Economies of scale and long lead times mean that major infrastructure is mostly constructed in advance of growth
- Debt is often required to finance growth-related infrastructure and this debt is repaid when DCs are collected
- This is especially true of water and wastewater infrastructure because growth simply cannot happen without it
- The price of delayed investment in transportation infrastructure is congestion and its related impacts

Debt has been used to finance past infrastructure projects

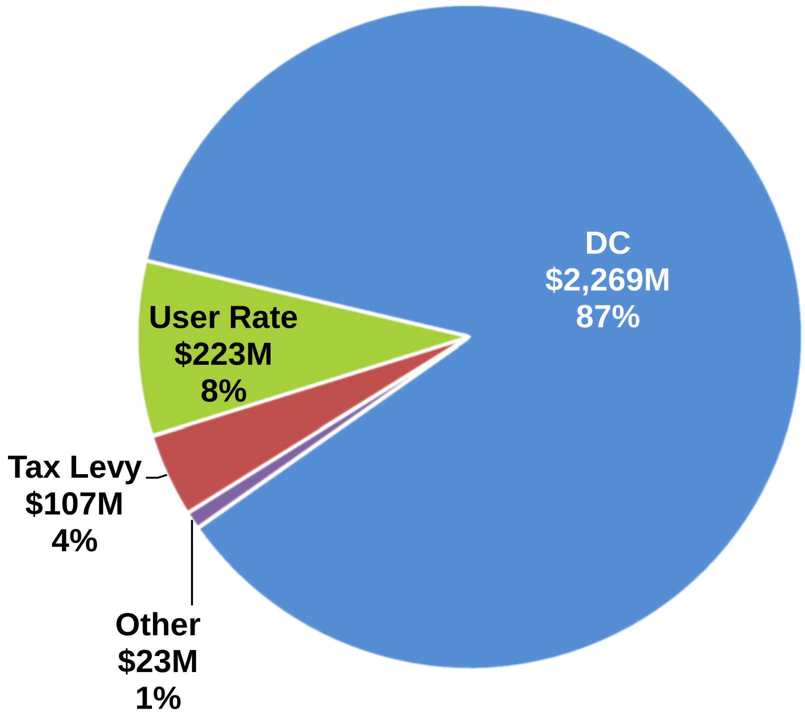
Debt outstanding as at December 31, 2015
$2.6 Billion



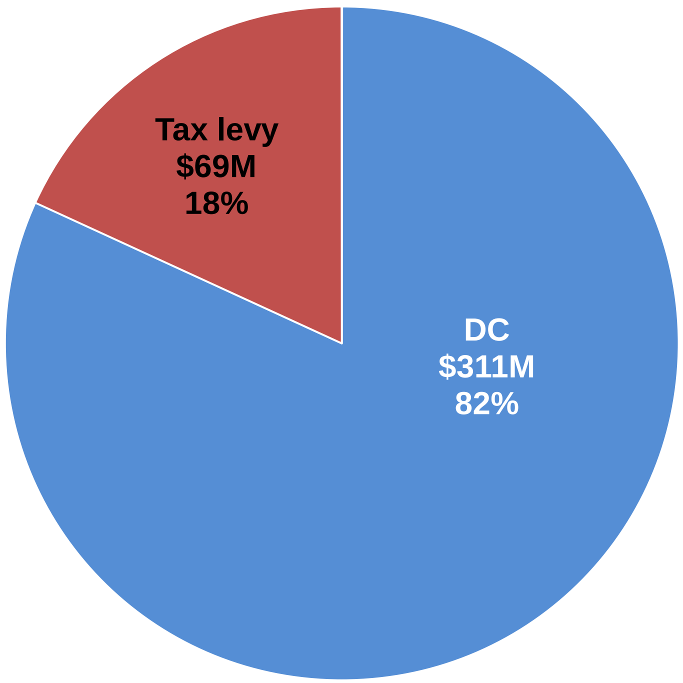
14% of the current debt is related to roads and transit projects

Most of the debt will be repaid with DCs

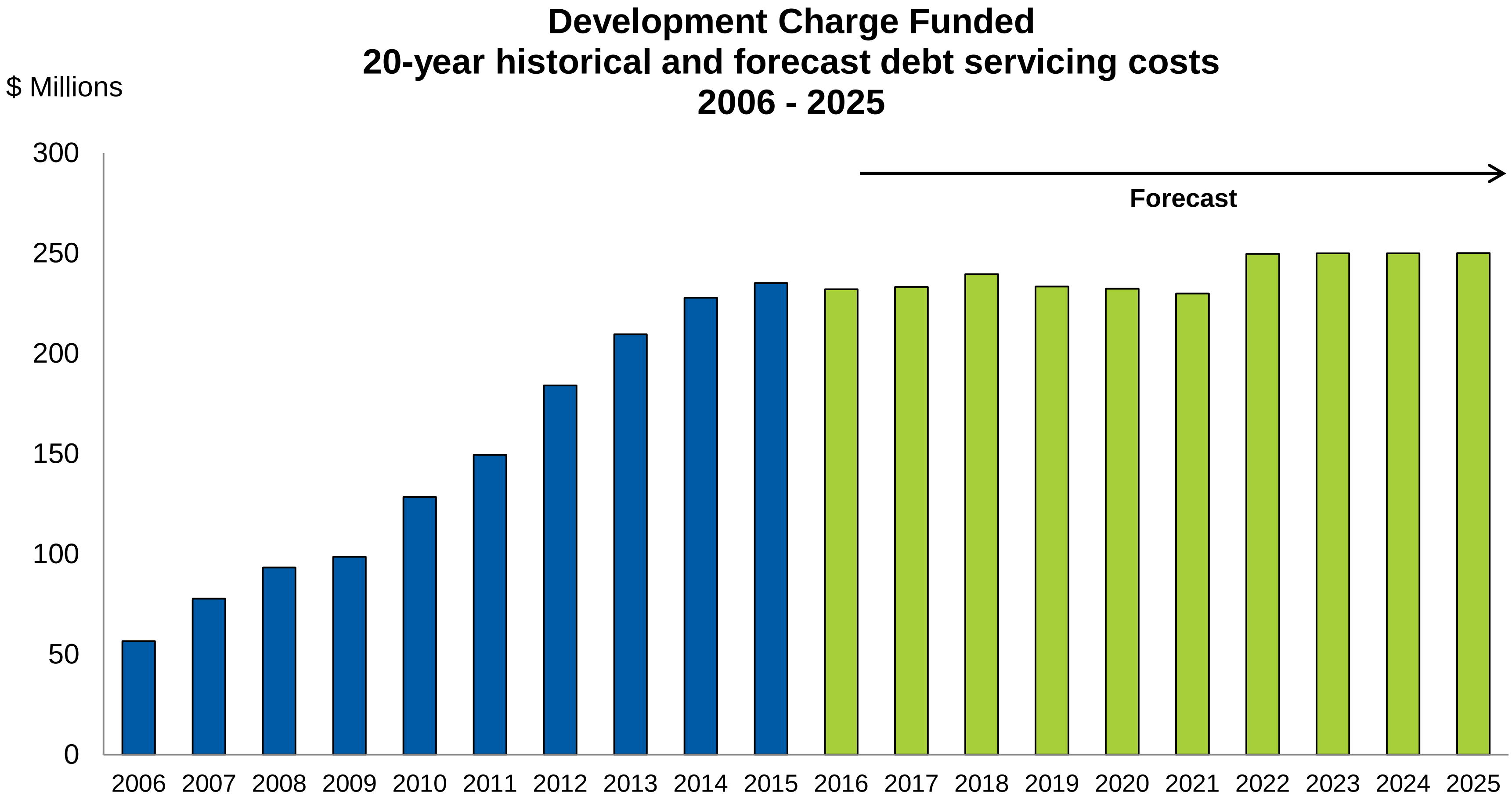
All debt – 2015
$2.6 Billion



Transportation debt – 2015
$380 Million

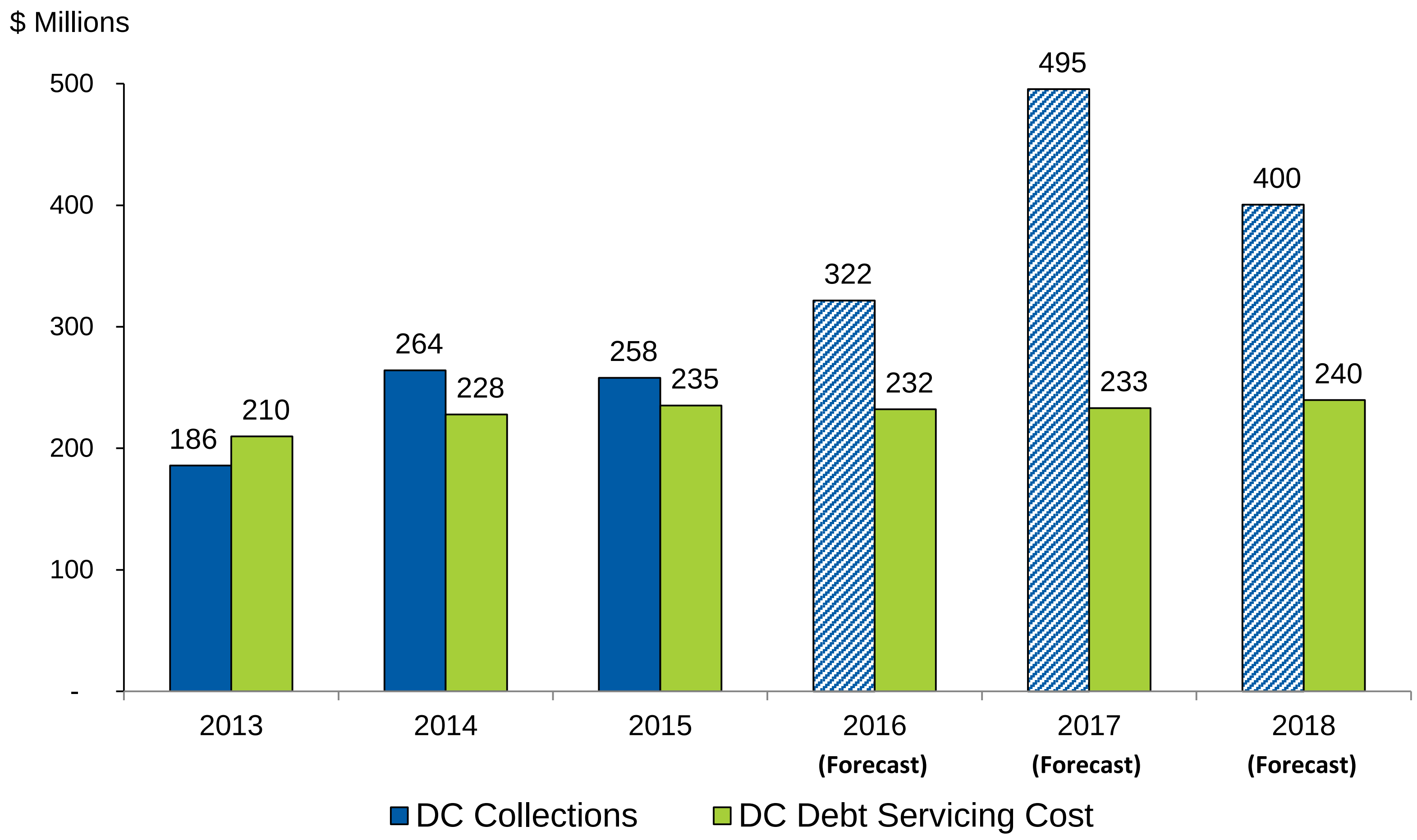


The Region has significant growth-related debt servicing costs



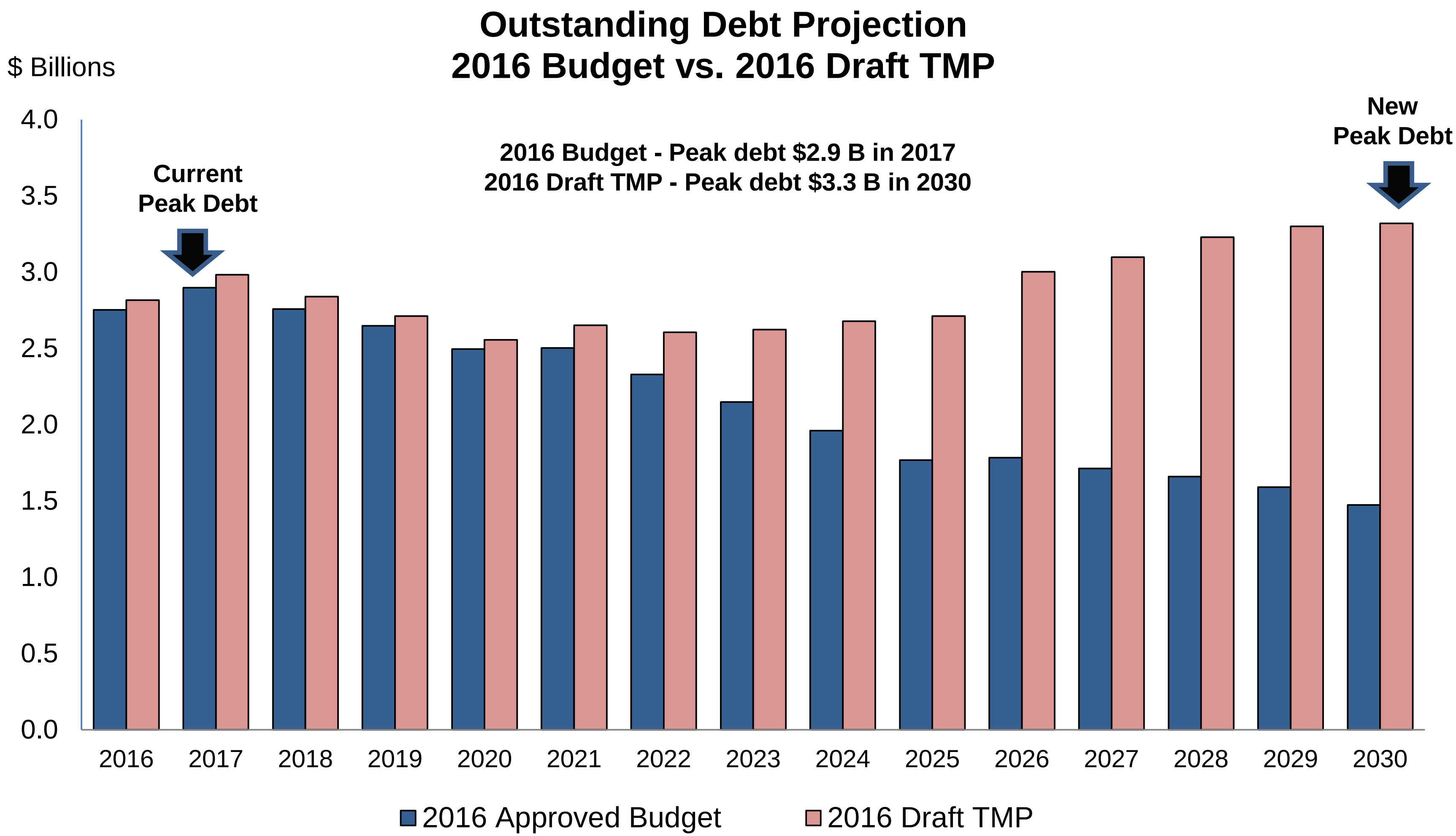
Note: Forecast based on 2016 ten-year capital plan

DC collections service existing debt and help avoid future growth-related debt



Note: Forecast based on 2016 budget

Fiscal strategy reduces debt levels



Estimated impact of draft Transportation Master Plan on debt over the next 15 years

Peak outstanding debt:	$3.3B in 2030
Total debt issuance	Up $2.3B to $3.9B
New tax levy debt	$250M

Key messages

- Implementation of the draft Transportation Master Plan would result in rising debt until at least 2030
- Significant increases in development charge revenues are necessary to fund the existing ten-year capital plan
- Further increases would be needed for the level of investment in the Transportation Master Plan
- Tax increases or other new revenues would be required to fund the portion of growth-related infrastructure investment that cannot be recovered through development charges

Conclusion and Path Forward

Factors that will influence implementation of the draft Transportation Master Plan

- Development charge revenue:
  - Actual pace of growth will affect forecast of collections (up or down)
  - Increase in DC rates through the 2017 update
- Funding from other levels of government, especially for transit
- Legislative changes that would provide entirely new revenue streams
- Financial policy choices related to tax levels, debt levels, tax levy debt, and new revenue sources (if available)

Potential tax implications

- The draft Transportation Master Plan contains five potential sources of tax levy pressure:
  1. Need for higher contributions to pay-as-you-go capital and future asset replacement
  2. The cost of growth-related infrastructure that cannot be recovered from development charges
  3. The operating impact of new capital assets
  4. Operating impact of enhanced levels of transit service
  5. Policy changes, primarily the assumption of boulevard maintenance responsibilities from local municipalities
- These tax levy pressures could be offset if new revenue sources materialize

Implementing the Transportation Master Plan

- Implementation of the Transportation Master Plan will need to consider:
  1. The timing and feasibility of funding from other levels of government and access to new revenue sources
  2. Trade-offs in the capital plan between transportation and other priorities
- The extent to which the Master Plan can be funded will be determined through the budget process

Next Steps

- A more developed financial analysis of the Master Plan will be available in the Fall
- Finance will revise the DC forecast in conjunction with the preparation of the Background Study for the 2017 bylaw update
- The financial approvals for the implementation of the Master Plan will take place as part of the 2018 budget process