Region of Peel
Working for you

Corporate Services
Clerk's

December 22, 2005

Resolution No. 2005-1457

RECEIVED
JAN 06 2006
R.M.Y. CLERK

Mr. Denis Kelly, Regional Clerk
Regional Municipality of York
17250 Yonge Street
Newmarket, ON L3Y 6Z1

REGION OF YORK
CLERK'S OFFICE
FILE No. - P04
S. Cartwright
Chair
CAO

Dear Mr. Kelly:

Subject: GO Transit Funding - Update

Your attention is drawn to the following resolution which was adopted by Regional Council on December 15, 2005:

Resolution 2005-1457:

That the Province be requested to take immediate action to resolve the municipal concerns outlined in the report of the Treasurer and Commissioner of Finance, dated November 16, 2005, titled "GO Transit Funding - Update" that affect the municipal funding contribution to the GO Transit 10-year Capital Growth Budget;

And further, that the revised Region of Peel contribution to the 10-year GO Transit Capital Growth Budget for 2006, estimated at $16.5 million, which is to be funded from Development Charges Reserve ($6.6 million - R3510) and the GO Transit Capital Financing Stabilization Reserve ($9.9 million - R1211) subject to final approval of the 2006 Budget, be approved in principle;

And further, that a copy of the subject report be sent to the Ministry of Transportation, the Ministry of Municipal Affairs and Housing and the Regions of Durham, Halton and York and the Cities of Hamilton and Toronto, for their consideration.

The above resolution is provided for your information.

Sincerely,

A. Macintyre

Ava Macintyre
Deputy Clerk and Acting Director of Clerk's

AM:bb

c: D. Labrecque, Treasurer and Commissioner of Finance, Region of Peel

Also sent to:

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Ms. Patricia Madill, Regional Clerk
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Region of Peel
Working for you

REPORT
General Committee

DATE: November 16, 2005

SUBJECT: **GO TRANSIT FUNDING - UPDATE**

FROM: Dan Labrecque, Treasurer and Commissioner of Finance

RECOMMENDATION

That the province be requested to take immediate action to resolve the municipal concerns outlined in the report from the Treasurer and Commissioner of Finance, dated November 16, 2005, titled "GO Transit Funding - Update" that affect the municipal funding contribution to the GO Transit 10-year Capital Growth Budget;

And further, that the revised Region of Peel contribution to the 10-year GO Transit Capital Growth Budget for 2006, estimated at $16.5 million, which is to be funded from Development Charges Reserve ($6.6 million – R3510) and the GO Transit Capital Financing Stabilization Reserve ($9.9 million - R1211) subject to final approval of the 2006 Budget, be approved in principle;

And further, that the Report from the Treasurer and Commissioner of Finance, dated November 16, 2005, titled "GO Transit Funding – Update" be sent to the Ministry of Transportation, the Ministry of Municipal Affairs and Housing and the Regions of Durham, Halton and York and the Cities of Hamilton and Toronto for their consideration.

REPORT HIGHLIGHTS

- Staff from GTA municipalities and the City of Hamilton (GTA/H); the Ministry of Transportation and GO Transit have substantially completed the background study for GO Transit development charge purposes.
- Until such time that municipal concerns are addressed by the province, the GTA/H Treasurers cannot proceed to complete the work regarding the current background study.
- Municipal concerns related to GO Transit funding include: the increased scope of the 10-year Capital Growth Budget, the lack of a provincial response to both the Regional Council resolutions stating that GO Transit funding be limited to the level of development charges collected and to the requested amendments to the *Development Charges Act* as they pertain to GO Transit.
- There appear to be no imminent indications that the province will introduce amendments to the *Development Charges Act* to address municipal concerns as they pertain to GO Transit in 2005.
- The province has introduced a legislative amendment through Bill 18 to extend the existing GO Transit development charge by-laws to the end of 2006, as they are set to expire on December 31, 2005.

GO TRANSIT FUNDING - UPDATE

DISCUSSION

1. Background

The report is to provide an update on GO Transit funding and the status of the GO Transit background study that is required to update the exiting GO Transit by-laws which are set to expire on December 31, 2005.

Prior to January 1, 2002, GTA municipalities and the City of Hamilton (GTA/H) were responsible for all GO Transit costs which were shared based on the municipal cost shares listed in Table 1, which are still in effect to this date.

Table 1: Current Municipal Cost Shares for GO Transit Funding

Municipality	Cost Share (%)
Toronto	44.6
Durham	11.3
York	13.8
Peel	16.5
Halton	11.0
Hamilton	2.8

The original 10-year Capital Growth Budget (2001-2010) totaled approximately $1 billion and the fundamental premise of the Capital Growth Budget was that funding would be shared on a one-third basis between the three levels of government (i.e. each level of government would be expected to contribute $365 million over a 10-year period). As such, the Regions of Peel, York, Halton and Durham each implemented GO Transit development charge by-laws to help fund their respective financial obligations with all by-laws to expire on December 31, 2003. The Cities of Hamilton and Toronto did not introduce GO Transit development charge by-laws to fund their contributions.

The portion of the draft 10-year Capital Growth Budget (2006-2015) which GTA/H municipalities are expected to fund totals approximately $1.47 billion. Although this plan has yet to be approved it represents an amount that approximates the 10-year plans tabled in each of 2004 and 2005. In spite of the increased scope, GTA/H municipalities are still expected to contribute one-third funding. In order to resolve issues involving municipal funding, the province extended, in both 2004 and 2005, the GO Transit development charge by-laws that were in place as of December 31, 2003. With the extension of the by-laws, the existing municipal cost shares were also extended.

2. 2005 Background Study

The GTA/H Treasurers and staff from GO Transit and the Ministry of Transportation have substantially completed a background study as part of the requirement to update the GO Transit development charge by-laws. However, since the province has yet to respond to concerns related to the municipal funding of GO Transit, to be discussed later in the report, the GTA/H Treasurers are currently not in a position to complete all the necessary work required to conclude the background study.

There is insufficient time to introduce and implement a new GO Transit development charge by-law prior to the expiration of the current by-law on December 31, 2005 since the Region/City specific background studies still need to be prepared and until such time, public consultations cannot take place. Bill 18, "An Act to Implement 2005 Budget Measures and Amend Various Acts" was introduced on November 2, 2005. Schedule 9 of the bill extends the by-laws to December 31, 2006.

3. Municipal Concerns Pertaining to GO Transit Funding

The following discussion sets out municipal concerns related to GO Transit funding.

a) Increased Scope of GO Transit 10-Year Capital Growth Budget

As mentioned earlier, the scope of the 10-year Capital Growth Budget has increased considerably from $1.1 billion to almost $1.5 billion. If municipalities are required to contribute to the increased GO Transit Capital Growth Budget, this will place a considerable strain on municipal finances. Based on a preliminary analysis of the original 2001 versus the 2005 background studies, it is estimated that municipal contributions are expected to increase from $345 million to $500 million (a 45 per cent increase). The non-development charge component increases from $197 million to $270 million (a 37 per cent increase) and the amount that can be raised from development charges increases from $148 million to $230 million (a 57 per cent increase). The funding split between development charges (44 per cent) and non-development charge funding (56 per cent) remains the same.

b) Region of Peel Resolutions

The province has yet to respond to the Regional Council resolutions requesting that municipal contributions to GO Transit funding be limited to the level of development charge levies collected with no funding contributions from the property tax base. Resolutions were passed on May 13, 2004, December 9, 2004 and July 7, 2005.

On November 9, 2005, Durham Regional Council reaffirmed its support of the May 13, 2004 Region of Peel resolution. In addition, York Regional Council on September 22, 2005 endorsed the most recent Region of Peel resolution.

c) Amendments to the *Development Charges Act*

The province would need to make amendments to the *Development Charges Act* in order to implement the Regional Council request to limit municipal contributions to development charges. Based on several pieces of correspondence throughout the year between municipal and provincial elected officials and staff, the province has indicated that consultations on the *Development Charges Act* would take place in 2005 at which time GTA/H municipalities could raise their issues as they pertain to GO Transit. As of the date of this report, public consultations have yet to be announced. It is anticipated that amendments would most likely increase the amount that could be collected from development charges and correspondingly lessen the amount to be collected from property taxes in order for municipalities to fund their one-third share of the 10-year Capital Growth Budget.

At its meeting on May 26, 2005 Regional Council had before it a report by the Treasurer and Commissioner of Finance dated May 17, 2005 titled "Regional Position on Changes to the *Development Charges Act, 1997*" which outlined several proposed changes to the *Development Charges Act*. One of the proposals was that municipal contributions to GO

Transit be limited to the development charge levies collected with the non-growth component to be funded by the province.

If municipal concerns were addressed and the GTA/H municipalities had passed by-laws in 2005 based on the 2004 version of the GO Transit development charge background study, GTA/H municipalities would have collected an estimated additional $9 million in development charge levies in 2005. GTA/H municipalities will continue to forego additional development charge levies until the province addresses municipal concerns. Until such time, new by-laws cannot be enacted by the GTA/H municipalities.

d) Municipal Cost Shares

If the province expects contributions from the municipal tax base, the GTA/H Treasurers will be required to negotiate cost shares to determine how non-growth costs are to be funded by each municipality. This process has yet to commence since the province has yet to address municipal concerns raised relating to the increased scope of the 10-year Capital Growth Budget, concerns raised in previous Regional Council resolutions and because the province has not initiated consultations on the *Development Charges Act*. Only after the province has addressed these issues and the appropriate Council direction is provided to the respective GTA/H Treasurers can the negotiation of cost shares be conducted. If an agreement is reached on municipal cost shares, the process for implementing a GO Transit development charge by-law can be initiated.

4. Provincial Gas Tax Funding For Public Transit

The Region currently receives funding for TransHelp under the Dedicated Gas Tax Funds for Public Transportation Program introduced by the province in the fall of 2004. One of the conditions under the agreement signed between the Region and the province is that the Region must remain current in its payments with respect to its share of the GO Transit annual contributions. The Regional portion of the provincial gas tax funds over the three-year period is estimated to be $303,050 in 2004, $454,575 in 2005 and $606,100 in 2006.

It should be noted that on December 13, 2004, the Regional Chair wrote a letter to the Honourable Harinder Tahkar, Minister of Transportation, submitting the agreement under this provincial gas tax program and stating that the Region would pay its GO Transit bill in 2005 as a demonstration of goodwill that the municipal funding of GO Transit would be resolved in 2005. Should the Region not remain current in its GO Transit payments it is uncertain if the province will withhold funds under this program from the area municipalities, although the Regional Chair was advised by the Minister of Transportation on December 9, 2004 that such forfeiture would be affected by the province.

5. Future Work

i) Agreement between GTA/H and GO Transit

If municipalities contribute to funding the GO Transit 10-year Capital Growth Budget, an agreement will be required between GO Transit, the Ministry of Transportation and GTA/H municipalities. The agreement is required to ensure that GO Transit delivers the projects included in the 10-year Capital Growth Budget since it is the GO Transit Board of Directors and the Ministry of Transportation that ultimately approves growth capital spending, not GTA/H municipalities, in spite of their annual financial contributions.

In the fall of 2004, staff from the GTA/H municipalities, the Ministry of Transportation and GO Transit reviewed a draft agreement for municipal contributions for GO Transit. GTA/H municipalities requested changes to the agreement and as of the date of this report, GTA/H municipalities have not received a revised draft of the agreement.

ii) 2006 Background Study

In the spring of 2006 the GO Transit Board will approve a new 10–year Capital Growth Budget (2006-2015). GO Transit staff has provided GTA/H municipal staff a draft of the Budget and although the 10-year total still approximates $1.5 billion, there are significant enough changes within individual projects that may warrant a new background study. This will serve to ensure that the appropriate level of development charges is collected using the most current 10-year Capital Growth Budget approved by the GO Transit Board.

FINANCIAL IMPLICATIONS

The Region may be in a position, as it was in both 2004 and 2005, where it will be required to pay its GO Transit bill in 2006 as a demonstration of goodwill that municipal concerns will be resolved within the year. The Regional GO Transit bill, as proposed in the 2006 Regional budget, was $13.5 million and would be funded from development charges ($5.4 million) and reserves ($8.1 million) on the same basis as its contributions in both 2004 and 2005 when the GO Transit development charge by-laws were extended.

The draft plan for the 2006-2015 Capital Growth Budget proposes a Regional contribution estimated to be $16.5 million. This represents a $3 million increase over the $13.5 million amount included in the 2006 Regional budget. Given the proposed increased spending in 2006, the amount of development charges collected by Peel and the other GTA Regions, which in the case of Peel is based on the by-law first adopted in 2001 and indexed semi-annually, would be falling behind the funding required to match the level of anticipated spending. This places more pressure on reserve contributions otherwise contributions from the levy need to be considered.

Should the province not support the request to limit municipal contributions to development charges only, then based on the draft 2006-2015 GO Transit Capital Growth Plan the Region of Peel would be required to pay $46 million from reserves and/or taxes or possibly the federal gas tax after 2006.

CONCLUSION

Without resolution of outstanding GO Transit funding issues as raised by municipalities, direction is required by the GTA/H Treasurers with respect to the actions required to complete remaining work on the GO Transit development charges background study process. Specifically, inaction on the part of the province regarding consultations on the *Development Charges Act* remains a barrier in moving forward on resolving the municipal funding portion of the GO Transit 10-year Capital Growth Budget.

GO TRANSIT FUNDING - UPDATE

Dan Labrecque
Treasurer and Commissioner of Finance

Approved for Submission:

D. Szwarc, Acting Chief Administrative Officer

Authored By: Ed Zamparo

c. Legislative Services

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