

6

PROVINCIAL TRANSIT FUNDING ANNOUNCEMENT

The Finance and Administration Committee recommends:

- 1. receipt of the presentation from Lloyd Russell, Commissioner of Finance; and**
- 2. the adoption of the recommendations contained in the following report from the Commissioner of Finance, subject to recommendation 1 being amended so that it reads as follows:**
 - “1. The 2008 Capital Budget be prepared based upon the Premier’s announcement of funding for public transit, as illustrated in Table 3 of the Report.”**

1. RECOMMENDATIONS

It is recommended that:

1. The 2008 Capital Budget be prepared based upon the Premier’s announcement of funding for public transit including the Spadina subway extension, and
2. the Region seek direction from the Province regarding the treatment of development charges that are related to the transit funding announcement.

2. PURPOSE

The purpose of this report is to identify the potential operating and capital budget impacts, the development charge impacts and the tax levy impacts of the Provincial Transit Funding Announcement (Announcement) made on June 15, 2007.

3. BACKGROUND

On June 15, 2007, the Premier of Ontario announced its MoveOntario 2020 building plan to deliver 52 rapid transit initiatives in the GTA and Hamilton. With this announcement, the Provincial Government will fund approximately two-thirds of the capital costs of the fifty-two projects and the remaining one-third is funded by the Federal Government. Of this total, 14 projects are in York Region (detailed in the next section). These projects include six GO Transit initiatives, six VIVA initiatives and two subway initiatives. The funding for this new program has not yet appeared in the Province’s Budget and with a provincial election approaching, it cannot be confirmed. It is hoped that this essential program will be honoured by another party should the Liberals fail to win the October 4, 2007 election. Further, some of these projects are subject to the review of the Greater Toronto Transit Authority (GTTA).

3.1 Projects within York Region

The following are the list of 14 projects that are to occur, in whole or in part, within York Region:

GO Transit Commuter Rail:

1. GO Bradford rail line capacity expansion from Union Station to Bradford.
2. GO Richmond Hill rail line capacity expansion from Union Station to Richmond Hill.
3. GO Richmond Hill rail line extension to Aurora Road.
4. GO Stouffville rail line capacity expansion from Union Station to Stouffville and extension of the line to Uxbridge.

GO Bus Rapid Transit (BRT):

5. GO Bus Rapid Transit on Markham Road from Highway 407 in Markham to Highway 401.
6. GO Bus Rapid Transit along Highway 407 from York University to Langstaff Road (Yonge Street) and on to Markham Road.

Subway and Other Rapid Transit:

7. Yonge subway line extension north from Finch station to Highway 7 (Langstaff).
8. VIVA Markham North-South Link from Markham Centre to Don Mills Station.
9. VIVA Yonge Street from Steeles Avenue to Highway 7 (Langstaff).
10. VIVA Yonge Street from Highway 7 (Langstaff) to 19th Avenue in Richmond Hill.
11. VIVA Yonge Street from 19th Avenue to Newmarket.
12. VIVA Highway 7 from Highway 50 to Yonge Street (Langstaff).
13. VIVA Highway 7 from Yonge Street (Langstaff) to Cornell.
14. Spadina subway line extension north from Downsview station to Highway 7 (Vaughan Corporate Centre).

4. ANALYSIS AND OPTIONS

If this proposed funding is endorsed by the Provincial Government post October 2007 election, there will be impacts to both the capital and operating budgets of York Region, the recently passed Development Charge By-law and to the Regional tax levy in future years.

4.1 GO Transit Projects

York Region's current policy with respect to GO Transit Development Charges is to only remit what has been collected. This policy will not change with the construction of the projects noted above. These new projects may have an impact on the GO Transit Development Charges when they are reviewed in the future.

4.2 VIVA and Subway Projects

The VIVA Projects and the Spadina subway extension project noted above are in the 2007 Approved Capital Budget. Only the Yonge subway extension is not currently part of the York Region Capital Budget. At the June 21, 2007 Council meeting, Council approved the deferral of the VIVA Phase II projects. The deferred projects are affected by the Provincial Funding Announcement. If this funding announcement is endorsed by the Provincial Government after the October election, these capital projects will now be fully funded by senior levels of government. Discussions with Provincial staff have not yet clarified that the Spadina subway funding commitment is to be fully funded under the new program, since it was an existing project prior to the Announcement.

4.2.1 Capital Budget Impact

The expenditures included in the 2007 approved capital budget will not change, however the funding of these projects will now be from senior levels of government. It should be noted that all projected costs are in 2007 dollars and will be subject to some cost escalation.

Funding sources will change as follows.

Table 1
Capital Budget *before* the Announcement
(\$000s)

Project	Federal Funding	Provincial Funding	York Region Debentures	Total Funding
99674 – Spadina Subway Ext.	\$314,421	\$314,421	\$344,421	\$973,263
99767 – Blue Phase II Stage 2	124,278	124,278	124,278	372,834
99768 – Purple Phase II	163,859	163,859	163,859	491,577
99769 – Gold Phase II	201,932	201,932	201,932	605,796
Total	\$804,490	\$804,490	\$834,490	\$2,443,470
Debenture Repayment Sources				
Tax Levy			\$225,312	
Development Charges			\$609,178	
Total			\$834,490	

Table 2
Capital Budget *after* the Announcement
(\$000s)

Project	Federal & Provincial Funding	York Region Debentures	Total Funding
* 99674 – Spadina Subway Ext.	\$973,263	\$0	\$973,263
99767 – Blue Phase II Stage 2	372,834	0	372,834
99768 – Purple Phase II	491,577	0	491,577
99769 – Gold Phase II	605,796	0	605,796
Yonge Subway Extension	1,600,000	0	1,600,000
Total	\$4,043,470	\$0	\$4,043,470

* If the Spadina subway funding commitment is not included, the following table reflects the funding of the Announcement.

Table 3
Capital Budget *after* the Announcement (excluding Spadina subway extension)
(\$000s)

Project	Federal & Provincial Funding	York Region Debentures	Total Funding
* 99674 – Spadina Subway Ext.	\$628,842	\$344,421	\$973,263
99767 – Blue Phase II Stage 2	372,834	0	372,834
99768 – Purple Phase II	491,577	0	491,577
99769 – Gold Phase II	605,796	0	605,796
Yonge Subway Extension	1,600,000	0	1,600,000
Total	\$3,699,049	\$344,421	\$4,043,470
Debenture Repayment Sources			
Tax Levy		\$ 92,994	
Development Charges		\$251,427	
Total		\$344,421	

4.2.2 Operating Budget Impact

As a result of full funding from senior levels of government, the budget forecasts for 2008 and beyond would be amended to reflect a *reduction* in projected debt and debt servicing costs from what had been projected. The actual impacts will vary dramatically on whether the Spadina subway extension project is included or not. Accordingly, the impacts on outstanding debt will be reduced by approximately \$500 million to \$800 million from what had been earlier forecast for the outer years. Similarly, future increases in debt repayment costs would be reduced by between \$18 million and \$30 million.

The future debt forecast and impact on tax levy will change significantly from this announcement, in addition to the changes made by Council in 2007 related to paying down debt, increasing funding for capital asset replacement and the elimination of Development Charge discounting. All of these changes will be reflected in the 2008 budget and the impact on debt will be highlighted in that document.

Operating costs for these projects were included in the 2007 Budget outlook years and are not expected to change as a result of this funding announcement other than for possible timing changes. The projects are scheduled to be completed between 2009 and 2016. Operating costs are captured in the 2007 Budget in the Operating Impact section of New Capital.

Since the Yonge subway extension was not included in the 2007 Capital Budget no Net Operating Impact of New Capital had been estimated as part of that budget process. It is assumed at this time that any operating costs for the Yonge subway extension would be comparable to those for the Spadina subway extension.

4.2.3 Development Charge Impact

Should this new funding be received for these projects, York Region may need to amend the 2007 Development Charge By-law to reflect the funding change. The Development Charge By-law currently includes the VIVA projects noted above and the Spadina subway extension, with York Region contributing approximately one-third of the municipal share of the capital cost.

Should these elements be removed from the Development Charge By-law, the impact on a single family dwelling would be a reduction of approximately \$1,360 for the roads development charges and \$1,345 for the Spadina subway charge.

4.3 Relationship to Vision 2026

The MoveOntario 2020 Transit Funding Announcement will facilitate the achievement of York Region's transit goals to help ease the gridlock of the Region's road network in a way that also significantly eases the financial burden on both the Region and its taxpayers.

5. FINANCIAL IMPLICATIONS

As noted in Section 4 above, should this funding Announcement be endorsed by the Provincial Government after the October 2007 election, the Region will have to adjust the sources of funding for the above noted projects in the Capital Budget, and will have to remove the debenture repayments from the Operating Budget. In addition, the Region will need to amend the 2007 Development Charge By-law to reflect the funding changes.

The 2008 capital budget will be completed based upon the Premier's Announcement. Amendments to the Development Charges By-law will be brought forward upon direction by the Province.

6. LOCAL MUNICIPAL IMPACT

With the amendment to the 2007 Development Charge By-law, the Area Municipalities will have to update the amount that they collect for these charges. The Area Municipalities will not be responsible for ensuring any refunds owing are paid or are re-directed.

7. CONCLUSION

The potential impact of this announcement is significant to York Region. Given the Provincial Announcement has not been implemented there are a number of variables that could impact this funding Announcement. Forecasts will be adjusted as time progresses and/or as further information becomes available.

The Senior Management Group has reviewed this report.