

Report of Mary-Frances Turner, President

2019 Multi-Year Capital Expenditures Budget Report – Regional Capital Program

Recommendation

1. The Board endorse and advance the 2019 Multi-Year Capital Expenditures Budget of \$142.4 million for the Regional Capital Program to Committee of the Whole for approval in February 2019; and
2. The Board endorse and advance the 2019 Operating Expenditures Budget of \$4.3 million to Committee of the Whole for approval in February 2019

Summary

The purpose of this report is to seek the Board's endorsement to advance the 2019 Multi-Year Capital and Operating Expenditures Budget, Regional Capital Program to Committee of the Whole for approval in February 2019

Background

The current funded capital programs for YRRTC is \$3.416 billion

The 2019 Multi-Year Capital Expenditures Budget for the current funded capital programs (see Table 1) is being brought forward in two parts:

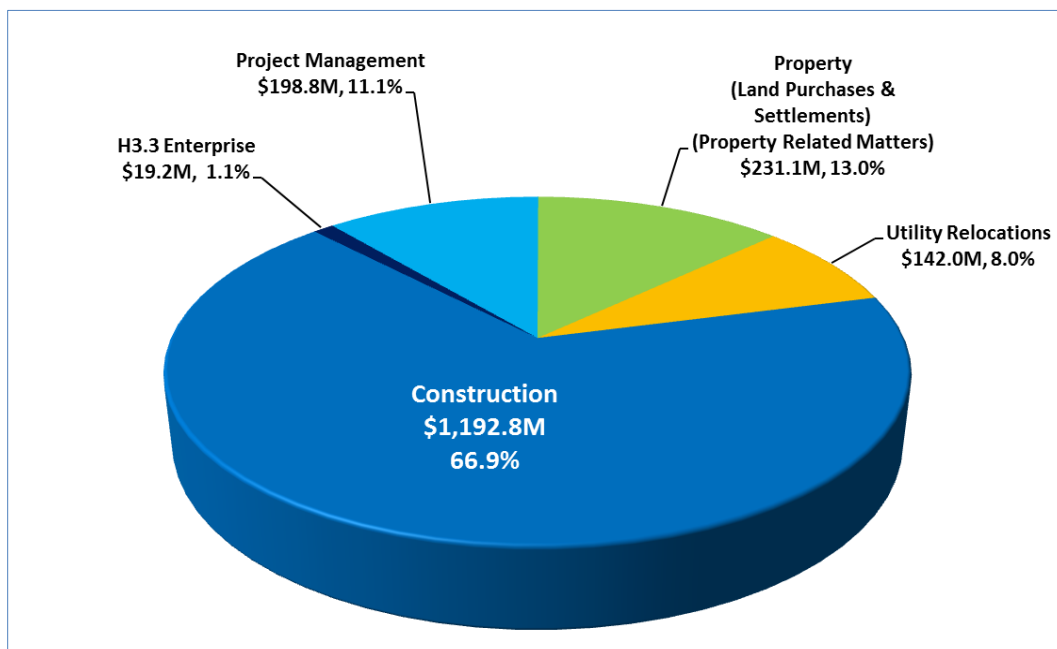
Table 1: Current funded capital programs – \$3.416 billion

| Current Funded Capital Programs (in \$ Millions) | Metrolinx Capital Program (in \$ Millions)* | Regional Capital Program (in \$ Millions) | Total Capital Programs (in \$ Millions) |
|---|---|---|--|
| BRT Rapidways & Stations | \$1,783.9 | | \$1,783.9 |
| BRT Facilities & Terminals | | \$209.1 | \$209.1 |
| BRT Rapid Transit Vehicles | | \$46.7 | \$46.7 |
| Toronto-York Spadina Subway Extension | | \$1,329.2 | \$1,329.2 |
| Yonge Subway Extension - Conceptual Design | | \$4.3 | \$4.3 |
| Yonge Subway Extension - Planning & Design | | \$36.3 | \$36.3 |
| Rapid Transit Initiatives | | \$6.0 | \$6.0 |
| Total Capital Programs | \$1,783.9 | \$1,631.7 | \$3,415.6 |
| Total York Region Funded | | 773.3 | 773.3 |
| Total York Region Funded % | | 47% | 23% |

Part One – which is the subject of a separate report, seeks the endorsement of the YRRTC Board related to the 2019 Multi-Year Capital Expenditures Budget, Metrolinx Capital Program and is funded by the Province through Metrolinx

- In April 2011, York Region entered into a Master Agreement with Metrolinx to construct approximately 34.6 km of dedicated median bus rapidways for a total value of \$1.755 billion as part of Metrolinx's 2008 Regional Transportation Plan *The Big Move*
- YRRTC builds the rapidways as the project manager for Metrolinx. Upon completion, Metrolinx retains ownership and control over the project assets and York Region operates and maintains these assets, with Metrolinx responsible for the long term rehabilitation and maintenance costs – pursuant to the Metrolinx-York Region Access and Operating Agreement
- After including the planning work from the QuickWins Contribution Agreement, which is now completed, the total Metrolinx Capital Program is \$1.784 billion, net of Municipal and Third Party Works – \$29.0 million from the QuickWins Contribution Agreement and \$1.755 billion from the Metrolinx Master Agreement
- Table 2 illustrates the breakdown of the \$1.784 billion by cost category:

Table 2: Metrolinx Capital Program – \$1.784 billion



Part Two – which is the subject of this report, seeks the necessary approvals of Regional Council related to the 2019 Multi-Year Capital and Operating Expenditures Budget, Regional Capital Program and is partially funded by York Region

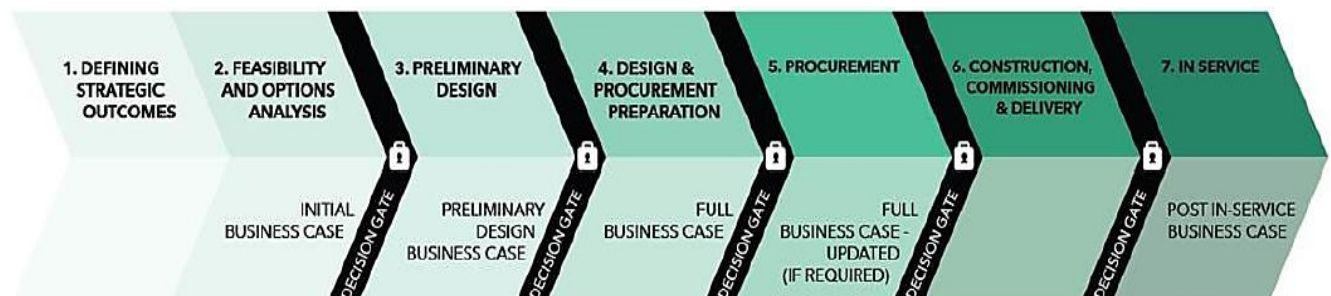
- Out of the Regional Capital Program of \$1.632 billion, York Region's contribution is approximately \$773.3 million or 47% – driven by the now in-service Toronto-York Spadina Subway Extension (TYSSE), which was an extension of Toronto Transit Commission's (TTC) Line 1 from Downsview station to Vaughan Metropolitan Centre

- In addition to the TYSSE and Facilities & Terminals work programs, the Regional Capital Program of \$1.632 billion also includes York Region's contribution of \$36.3 million to the Yonge Subway Extension (YSE) planning and design work program of \$91.3 million
 - \$36.3 million is York Region's contribution – funded from the Federal Public Transit Infrastructure Fund (PTIF) Phase I allocation to York Region
 - \$55.0 million is from Metrolinx
 - TTC is the project manager and works in collaboration with an embedded YRRTC team, who leads York Region's participation and interests in this planning and design work program

The 2019 Multi-Year Capital Expenditure Budgets, for both Metrolinx and Regional Capital Programs, do not include the Federal Government's spring 2018 infrastructure funding program announcements or any provincial funding sources for the Metrolinx 2041 Regional Transportation Plan (RTP)

- The second phase of the Federal Government's infrastructure funding program announcements was executed with the Province in March 2018 through an Integrated Bilateral Agreement. The funding under the Public Transit Stream will expire by March 2028 and additional details are forthcoming
- The Metrolinx 2041 Regional Transportation Plan (RTP) was adopted by the Metrolinx Board in March 2018. The following priority rapid transit projects are included as "In Development" projects in the RTP to be completed by 2031, however there has been no formal capital funding commitment for these projects at this time:
 1. Yonge Subway Extension (YSE)
 2. Bus Rapid Transit (BRT) segment for the remainder of Yonge St. – from Gamble Rd./19th Ave. to Mulock Dr.
 3. Bus Rapid Transit (BRT) segments for the remainder of Highway 7 – from Unionville GO Station to the Cornell Community; and from Helen St. to Hwy. 50
- The Metrolinx prioritization framework for identified projects "In Development" are being brought forward through a Metrolinx "Stage Gate" Process (see Figure 1) – and provided that the projects have a successful initial business case, they will be advanced to a prioritization framework evaluation currently under development and subject to funding availability
- YRRTC staff continues to work with Metrolinx staff to seek funding for planning and design work related to the remaining BRT segments on Yonge Street and Highway 7

Figure 1: Metrolinx "Stage Gate" Process



- Planning and design work is underway for the YSE and is included in this 2019 Multi-Year Capital and Operating Expenditures Budget, Regional Capital Program
- Funding sources of approximately \$65.0 million for the YSE procurement readiness and project specific output specifications (PSOS) activities and \$72.0 million for the BRT planning and design work program have not been identified – total of \$137.0M

Analysis

The capital expenditures of \$142.4 million reflects the latest construction progress activities

\$27.5 million is required to complete the Facilities & Terminals

- **SmartCentres Place VMC Terminal** – a 9-bay bus terminal located at the new Vaughan Metropolitan Centre Subway Station, and projected to be in-service in Q2-2019
 - Financial pressures due to project completion delays have been addressed in the budget
- **Cornell Terminal** – an 11-bay bus terminal located in the vicinity of Markham-Stouffville Hospital – City of Markham, and projected to be in-service in Q4-2019
- **Warden Ave./Enterprise Dr. Master Plan** – planning & design studies underway

The Line 1 subway extension to Vaughan will require \$78.4 million for completion and close-out

- The Line 1 subway extension is a \$3.184 billion project, of which the Region's contribution is \$604.0 million or 19% of the project costs
 - Line 1 opened in December 2017 – and over the course of 2018, the close-out of the project has been underway
 - 40.04% of overall project or \$1.274 billion, was spent on 3 subway stations in York Region – Pioneer Village Station, 407 Station & Vaughan Metropolitan Centre Station
- \$78.4 million is required to close-out the remaining project files – including resolutions of the contractor claims and property matters, which are not expected to be until late 2021

\$91.3 million of planning and design work for the Yonge Subway Extension is underway – of which York Region's contribution is \$36.3 million

- A total of \$91.3 million – \$55.0 million from Metrolinx and \$36.3 million from York Region's Federal PTIF Phase I funds – is allocated to the planning and design work program for the YSE from Finch Ave. to Richmond Hill Centre
- With a governance model established among TTC, City of Toronto, YRRTC, York Region and Metrolinx, TTC is the project management lead for this planning and design work program

- The deliverables of this work program are projected to be completed by December 2019 and include, but are not limited to:
 - Advancing overall level of design (to 15%, and up to 30%);
 - Developing project delivery schedule and cost estimates;
 - Business case and economic analysis;
 - Transit Project Amendment Process (TPAP) , if required; and
 - Recommending next steps for the preferred project delivery model
- Current funding does not include preparing procurement documents – specifically project specific output specifications (PSOS) activities which are estimated to be an additional \$65.0 million above the current \$91.3 million

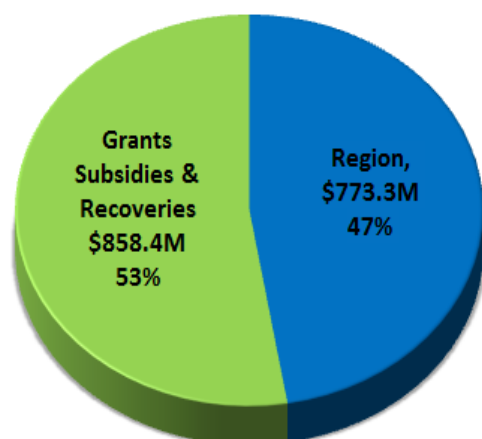
Table 3 provides the breakdown of the capital expenditures of \$142.4 million – of which \$116.2 million or 82% is in 2019

Table 3: 2019 Multi-Year Capital Expenditures Budget – \$142.4 million

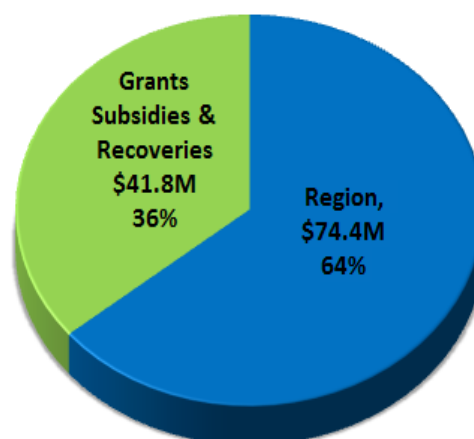
| Current Funded Capital Programs (in \$ Millions) | Regional Capital Program (in \$ Millions) | Expenditures To-Date (in \$ Millions) | Capital Spending Authority (in \$ Millions) | 2019 In-Year Capital Spending Authority (in \$ Millions) |
|---|---|---|---|---|
| BRT Facilities & Terminals | \$209.1 | \$185.0 | \$24.0 | \$22.4 |
| 1. Operations, Maintenance & Storage Facility | \$135.4 | \$135.4 | \$0.0 | \$0.0 |
| 2. Cornell Terminal | \$37.1 | \$16.7 | \$20.4 | \$19.1 |
| 3. SmartCentres Place Bus Terminal | \$35.8 | \$32.1 | \$3.7 | \$3.4 |
| 4. Park 'n' Ride Facilities | \$0.8 | \$0.8 | \$0.0 | \$0.0 |
| BRT Rapid Transit Vehicles | \$46.7 | \$46.6 | \$0.0 | \$0.0 |
| Toronto-York Spadina Subway Extension | \$1,329.2 | \$1,250.8 | \$78.4 | \$58.2 |
| 1. Tunnel & Stations Construction | \$1,274.3 | \$1,196.6 | \$77.7 | \$57.4 |
| 2. Viva Concourse | \$14.0 | \$13.2 | \$0.8 | \$0.8 |
| 3. Capacity Buy-In | \$30.7 | \$30.7 | \$0.0 | \$0.0 |
| 4. Fare Equipment & Other Items | \$10.4 | \$10.4 | \$0.0 | \$0.0 |
| Yonge Subway Extension - Conceptual Design | \$4.3 | \$4.2 | \$0.1 | \$0.1 |
| Yonge Subway Extension - Planning & Design | \$36.3 | \$0.0 | \$36.3 | \$32.3 |
| Rapid Transit Initiatives | \$6.0 | \$2.5 | \$3.5 | \$3.2 |
| Total Capital Programs | \$1,631.7 | \$1,489.2 | \$142.4 | \$116.2 |

- The charts below provide the breakdown of the key funding components:

Overall Regional Capital Program – 1.632B



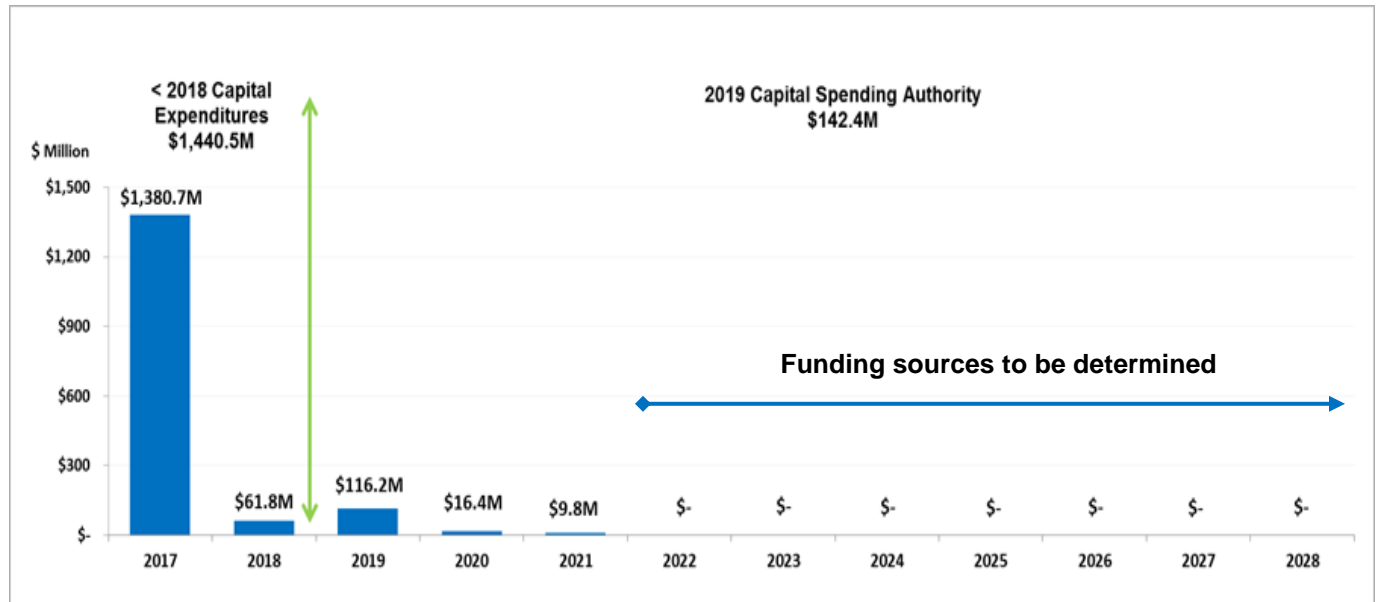
2019 Capital Spending Authority – \$142.4M



While the future funding of the rapid transit program is pending, the 10-year capital spending authority will be updated as funding is achieved

- Table 4 provides the discrete cash flow of the capital expenditures – of which \$116.2 million or 82% is in 2019
- No funding has been confirmed from 2022-2028
- Staffing costs for future projects will be included as part of the future capital programs

Table 4: 2019 Multi-Year Capital Expenditures Budget – Cash Flow



The 2019 operating expenditures budget and outlook is aligned with the Region's Net Fiscal Impact Study

- Table 5 shows the net operating expenditures for 2019 compared to 2018 – \$4.3 million or a decrease of 2.8% year-over-year

Table 5: 2019 Operating Expenditures Budget – \$4.3 million

| Operating Expenditures (in \$ Millions) | 2018 Operating Expenditures | 2019 Operating Budget | 2020 Operating Outlook | 2021 Operating Outlook | 2022 Operating Outlook |
|--|-----------------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|
| Operating Expenditures | \$21.9 | \$32.9 | \$28.3 | \$23.0 | \$21.1 |
| Financing Costs | \$28.0 | \$28.5 | \$29.7 | \$28.5 | \$27.2 |
| Program Management Recoveries | (\$19.1) | (\$30.0) | (\$25.2) | (\$19.8) | (\$17.8) |
| Operating Expenditures - Net of Program Management Recoveries | \$ 30.8 | \$ 31.4 | \$ 32.8 | \$ 31.8 | \$ 30.5 |
| Revenues - Development Charges & Federal Gas Tax | (\$26.4) | (\$27.1) | (\$28.5) | (\$28.3) | (\$26.9) |
| Net Operating Expenditures - Tax Levy | \$ 4.4 | \$ 4.3 | \$ 4.3 | \$ 3.5 | \$ 3.6 |
| Year-Over-Year - Increase / (Decrease) | (4.9%) | (2.8%) | 0.1% | (19.1%) | 2.0% |

← Year-Over-Year Average = (5.0%) →

The 2019 operating expenditures budget and outlook is within the Region's overall direction as to year-over-year tax levy increase – Table 6 shows the breakdown of the 2019 operating expenditures budget of \$4.3 million

Table 6: 2019 Operating Expenditures Budget

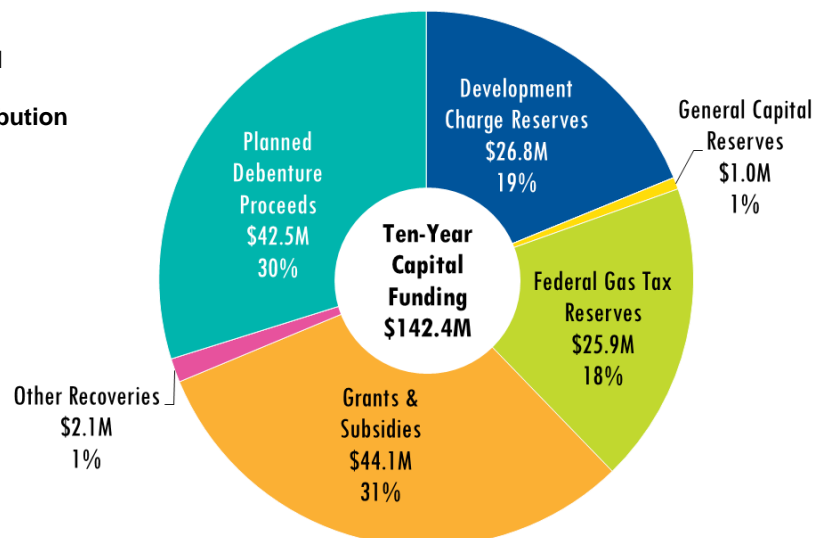
| Operating Expenditures (in \$ Millions) | Net Operating Budget (in \$ Millions) | | Metrolinx Operating Budget (in \$ Millions) | | Regional Operating Budget (in \$ Millions) |
|--|--|---|--|---|---|
| YRRTC Direct Staff & Admin. Costs | \$28.2 | | \$20.9 | | \$7.3 |
| York Region Dedicated Charges | \$4.7 | | \$4.0 | | \$0.7 |
| Financing Costs for Debt Principal & Interest Payments | \$28.5 | = | \$0.0 | + | \$28.5 |
| Program Management Recoveries | (\$30.0) | | (\$24.9) | | (\$5.1) |
| Gross Operating Expenditures | \$31.4 | | \$0.0 | | \$31.4 |
| Revenues - Development Charges & Federal Gas Tax | (\$27.1) | | \$0.0 | | (\$27.1) |
| Net Operating Expenditures - Tax Levy | \$4.3 | | \$0.0 | | \$4.3 |

Financial Considerations

Funding sources for the capital spending authority of \$142.4 million are consistent with previous years

Table 7: 2019 Regional Multi-Year Capital Expenditures Budget – Funding Sources

- Capital Spending Authority – \$142.4M
- York Region Contribution – \$74.4M

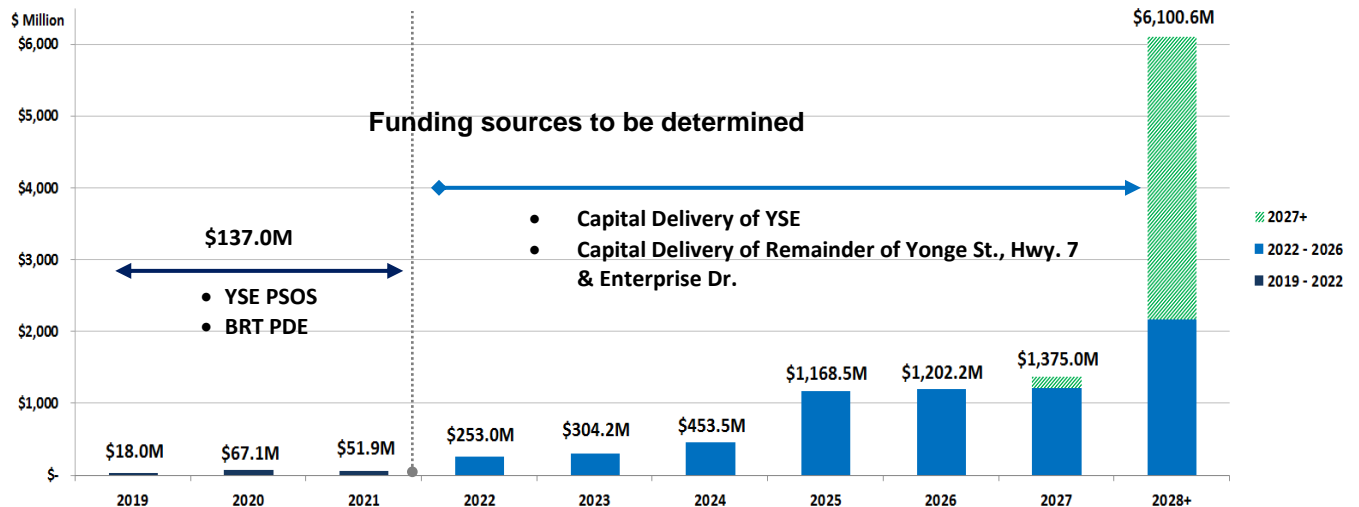


Grants & Subsidies include the Region's contribution of \$36.3M to the YSE planning & design work program of \$91.3M
 - Federal's Public Transit Infrastructure Fund (PTIF) Phase I is the funding source for this \$36.3M
 - Provincial funding of \$55.0M has been deemed to satisfy the federal requirement for matching funds for \$36.3M received through PTIF Phase I (as per the June 22, 2017 Regional Council report)

Funding sources of approximately \$11.0 billion for the delivery of future rapid transit projects have not been identified

- YRRTC continues to seek full funding from Metrolinx, the province and the federal government for the future York Region rapid transit projects
- Table 8 shows the annual cash flow requirements over the next 10 years when funding does become available (including staffing)

Table 8: 2019-2028 Annual Cash Flow Requirements – \$11.0 billion



2019 to 2022 – \$137.0 million

- Yonge Subway Extension, procurement readiness and PSOS
- Remainder of Yonge St. & Hwy. 7 Bus Rapid Transit, planning & design work
- Major Mackenzie Ave./Jane St./Leslie St. Bus Rapid Transit, environmental assessment

2023 to 2026 – \$6.8 billion

- Yonge Subway Extension, construction
- Remainder of Yonge St., Hwy. 7 & Enterprise Drive Bus Rapid Transit, construction
- Major Mackenzie Ave./Jane St./Leslie St. Bus Rapid Transit, planning and design work
- Remainder of Bus Rapid Transit, environmental assessment

2027+ – \$4.1billion

- Remainder of Hwy. 7/Major Mackenzie Ave./Jane St./Leslie St. Bus Rapid Transit, construction
- Remainder of Bus Rapid Transit, planning and design work and construction

Conclusion

- The purpose of this report is to seek the Board's endorsement to advance the 2019 Multi-Year Capital and Operating Expenditures Budget, Regional Capital Program to Committee of the Whole for approval in February 2019

For more information on this report, please contact Michael Cheong, Chief Financial Officer, York Region Rapid Transit Corporation at 905-886-6767, Ext. 71015.

Accessible formats or communication supports are available upon request.

Recommended by:

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