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Infrastructure Canada
Communications
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Re: Canada's National Infrastructure Assessment

The Government of Canada has been, and continues to be, a strong partner to York Region in the pursuit of our shared infrastructure objectives, most recently with the commitment of \$2.2 billion toward the cost to construct the Yonge North Subway Extension, York Region's top infrastructure priority.

York Region's Strategic Plan supports our Vision of **Strong, Caring and Safe communities**. Its four key community result areas— Economic Vitality, Healthy Communities, Sustainable Environment and Good Governance – align well with Canada's objectives of promoting economic growth, job creation and competitiveness; tackling climate change and increasing resilience; and improving social inclusion and quality of life for all Canadians.

As the engagement paper notes, estimates of the infrastructure investment shortfall nationwide, range in the tens to hundreds of billions of dollars annually. Through significant investments in asset management, York Region has maintained its assets in an overall good state of repair. Although rehabilitation and replacement of our existing assets will continue to be a priority for the Region, those investments will increasingly need to be balanced against the need to fund the projects that will help the Region continue to grow and prosper.

York Region welcomes the opportunity to contribute to the development of Canada's National Infrastructure Assessment. Based on a review of the engagement paper, York Region wishes to offer the following comments related to the three identified priority areas, followed by recommendations for the development of the assessment process itself.

1. Assessing Canada's infrastructure needs and developing a long-term vision for public and private infrastructure investment

York Region's Infrastructure Investment Priorities

Through sector-specific Master Plans that are reviewed and approved by Regional Council, York Region has identified the infrastructure it needs to meet its objectives under the Official Plan and achieve the population and employment growth targets

specified in the provincial Growth Plan for the Greater Golden Horseshoe. Where those needs can be funded from the Region's available resources, including external funding, they are included in the ten-year capital plan developed and approved as part of the annual budget process.

The Yonge North Subway Extension (YNSE) is the Region's top infrastructure investment priority and will deliver greater mobility, increased economic activity, expanded development potential and lower greenhouse gas emissions, replacing up to 3,300 daily bus trips along Yonge Street. While York Region welcomes the federal government's recent commitment to contribute up to 40% of construction costs, the Region still faces challenges in funding its own contribution to the project, as is discussed below.

The Region's other top infrastructure priorities include:

- Maintaining and expanding our transportation system, including completion of the Region's Bus Rapid Transit (BRT) network with an additional 75km of new rapidways along key Regional corridors.
- Maintaining safe and sustainable water and wastewater systems while expanding capacity to meet future demand, including a new sewage solution for the northern portion of the Region.
- Replacement of York Region Transit's diesel bus fleet with zero-emission electric buses by 2051.
- Expansion of the Region's supply of affordable housing by doubling the number of additional units, starting with a development in Newmarket that could be ready for construction in 2023 and could add up to 250 new units once completed. Federal funding commitment for this project has not yet been secured.
- Building out fibre network connectivity to remote and underserved areas of York Region.
- A new source-separated organics facility and an expanded Energy from Waste (EFW) facility, the latter in partnership with Durham Region.

Infrastructure Funding Gap

York Region plans its infrastructure investments through a rolling ten-year capital plan developed as part of its annual budget process and approved by Regional Council. The 2021 ten-year plan will see the Region invest \$7.8 billion through 2030, about 51% of which will be funded by local property taxes. Development charges support some, but not all growth-related expenditures and fund a further 37% of the plan. Federal and provincial funding, including the Federal Gas Tax transfer comprises about half of the remaining 12% (these figures do not include the federal, provincial or regional share of YNSE construction).

York Region has made significant investments to maintain its existing assets and is well-positioned to manage its small deferred maintenance backlog. Given the limited capacity of the tax base, however, many of the Region's other priorities have not yet been fully funded and are therefore not yet included in the capital plan:

- The Region's share of YNSE construction costs is estimated at up to \$1.3 billion. Although a portion of this cost will be funded by development charges, debt financing will be required to bridge the gap between the timing of the investment and the collection of revenues from developers, putting the Region's strong credit rating at risk. While debt financing the remainder of the Region's contribution would create further credit rating risk, funding this portion from reserves would limit the Region's flexibility to address future capital needs.
- Construction of the remaining 75km of rapidways to complete the Region's BRT network by 2051, at an estimated cost of \$5.4 billion, is at present unfunded.
- Electrification of York Region Transit's bus fleet by 2051 is estimated to cost an additional \$800 million beyond amounts already budgeted for conventional bus rehabilitation and replacement. This incremental cost has not yet been funded.
- Although the Region's planned investments in affordable housing will provide approximately 1,400 additional units over the next 20 years, federal funding for these projects has not yet been committed. York Region currently has a subsidized housing waitlist of over 15,000 households, with wait times for subsidized units exceeding 11 years in some cases. In 2020 only 326 households from the Region's wait list were housed in physical community housing units, including new builds.

Although the Region is well-positioned to address its asset management gap, the sustained high level of investment needed to maintain and renew our existing assets presents a challenge for the Region when seeking to fund these new priorities.

Infrastructure and Service Delivery Partners

To meet its Strategic Plan objective of Good Governance, York Region continually strives to build infrastructure and deliver public services as efficiently as possible. The Region partners with private and not-for-profit organizations to help improve or expand public services.

The Region recently partnered with Newmarket-Tay Hydro for an electric bus trial and has developed 2 waste management projects – a Material Recovery Facility (blue box processing) and the Durham York Energy from Waste Centre using Design-Build-Operate procurements.

The York Region Telecom Network (YorkNet) regularly partners with private sector internet service providers (ISPs) through co-builds, where each partner shares in the

reduced cost of a single, combined project, and swaps, where each partner shares a portion of its own network. to fill a gap in the others, eliminating the need for costly new construction.

YorkNet has approached the Canadian Infrastructure Bank (CIB) to discuss potential funding options. CIB has advised that YorkNet's projects do not transfer enough risk to the private sector to be eligible for funding.

Additional public-private partnerships (P3s) are on the horizon, including a planned redevelopment of a Housing York Inc. (HYI) property in 2024, however some barriers remain to the use of P3 procurement models in the municipal sector, limiting our ability to make use of these tools. For example, many projects are too small to be efficiently financed through a P3 model, while others require very detailed specifications, leaving little room for private-sector innovation.

Climate Change Considerations

York Region is experiencing more intense and more frequent extreme weather events. Heavy rainfall and snowfall, extreme heat and cold and high winds are leading to more frequent service disruptions, increased asset management costs and more robust design requirements for new infrastructure.

The Region is adapting to the impacts of climate change by investing in more resilient infrastructure. While provincial regulations require municipalities to apply a climate lens to asset management, climate change considerations also factor into growth projects, at a significant incremental cost. New infrastructure is now designed to withstand more intense storm events, and to mitigate the impact of power outages York Region is installing backup generators at Region-owned housing facilities.

Climate change is a global concern with global consequences. Although the challenges cannot be addressed through local action alone, York Region is doing its part to reduce greenhouse gas emissions and promote environmentally sustainable choices.

- Construction of the YNSE will provide a viable alternative to single passenger vehicle travel, leading to a significant reduction in GHG emissions in the Region.
- The Region's planned electrification of its transit fleet by 2051 and its passenger vehicle fleet (sedans and minivans) by 2030, will lead to further emissions reductions. At present, this commitment is not fully funded.
- The Region has implemented an Energy Conservation and Demand Management plan, reducing its carbon footprint by (among other actions) installing 376 kilowatts of solar power generation capacity, implementing fuel-saving technologies for ambulances and buses and constructing 17 LEED® Certified buildings, with six more buildings in progress targeting LEED® certification.

While York Region is already taking action to reduce emissions and respond to changing climate conditions, there are steps the federal government could take to support these efforts and help to create the conditions for success:

- Funding support for both mitigation and adaptation initiatives would allow the Region to augment its current investments to deliver greater reductions and more resilient infrastructure.
 - Beyond the federal government's current purchase incentives for passenger vehicles, funding to support passenger vehicle and transit fleet electrification in large organizations would help the Region to achieve significant emissions reductions.
 - Financial and technical support for energy planning and alternative energy infrastructure would help the Region to further mitigate its emissions.
 - Funding for climate change adaptation would help the Region to invest in more resilient infrastructure, resulting in fewer and less costly repairs following major events and natural disasters and more reliable infrastructure for our residents and businesses.
- Policies and support to develop workforces, supply chain and expertise in Canada to support a shift to greener, more resilient infrastructure, such as green building technologies and electric vehicles and charging infrastructure.

2. Improving coordination, collaboration, and alignment among public and private sector infrastructure owners and funders.

York Region has built successful partnerships with private and not-for-profit organizations to improve and expand its infrastructure. Our partners play key roles in the provision not only of public infrastructure but also the services that rely on it. The National Infrastructure Assessment should account for the contributions these organizations provide to Canadians' quality of life.

Integration of Public, Private and Not-For-Profit Infrastructure

Housing

As the local Service Manager, York Region is responsible for the delivery of affordable housing within the region. Alongside its own wholly owned subsidiary, Housing York Inc., York Region partners with 42 not-for-profit or co-operative housing providers to manage a total of more than 6,800 units. These corporations are critical partners in meeting the housing needs of York Region residents.

Because of their mandate to provide low-cost housing, rental revenues alone are typically inadequate to provide for long term capital needs. Federal and provincial funding for community housing has historically been inadequate to bridge the gap,

leading to challenges keeping their infrastructure in a state of good repair and pressures on the Region's budget when additional capital funding is needed.

Transportation

The Region's transportation network connects travelers to critical destinations within and beyond the Region, relying on well-planned integration with the Region's hospitals, postsecondary institutions and provincially designated Urban Growth Centres.

York Region and the York Region Rapid Transit Corporation (YRRTC) partner with Metrolinx (the provincial government's transit agency), as well as local municipalities and transit services to ensure the Region's rapid transit infrastructure supports the efficient integration of services across the Greater Toronto and Hamilton Area.

Utilities

Energy infrastructure will need to be ready to meet the added demands of electrified transportation, especially when large transit fleets such as the one planned for York Region enter service. YRT recently partnered with Newmarket-Tay Power to commission its first six electric buses in 2019. Through the trial, the Region and Newmarket-Tay have obtained hands-on experience developing and implementing a small charging network to support YRT's existing fleet of electric buses. Experience and lessons learned through this process have been incorporated into the Region's Fleet Greening Strategies and future planning, allowing YRT to complete preliminary discussions with Newmarket-Tay and Alectra to identify future needs.

Broadband

YorkNet is a Municipal Services Corporation that plans, builds, operates, manages and maintains the Region's high-speed dark-fibre data network. Dark fibre is the backbone or pathway over which bandwidth is provided by cellular and internet service providers and used by customers. Other entities, including private sector service providers, connect their services to the ends of the fibre.

YorkNet is registered as a Non-Dominant Carrier with the Canadian Radio-television and Telecommunications Commission (CRTC). Its investments in dark fibre allow telecommunications and internet service providers to expand the reach of their networks, providing earlier connectivity to more remote customers than would otherwise be financially viable.

YorkNet's fibre network expansion also supports the Region's own investments in digital infrastructure, including monitoring and automation of water and wastewater facilities, building automation and energy management, resulting in safer and more efficient public services. In the future, automated buses and other vehicles may rely on the fibre network as is already the case for parts of the Region's traffic management system.

Water and Wastewater

York Region delivers water and wastewater services to its 1.2 million residents and businesses through partnerships with Durham, Toronto, and Peel, each of whom provides a critical connection to Lake Ontario. 80% of the Region's drinking water is provided by Peel and Toronto through long-term service agreements with cost-sharing provisions for the required infrastructure. About 90% of the Region's wastewater is treated at a cost-shared facility located in Durham and co-owned by York and Durham Regions.

3. Determining the best ways of funding and financing infrastructure.

Funding vs Financing

York Region is a large municipality with a sound balance sheet and a strong credit rating. The organization has ready access to capital markets and a Treasury Office to manage its borrowing requirements. Over the last 20 years, the Region has grown at a much faster rate than its neighbours and borrowed significantly to build the infrastructure needed to accommodate that growth.

The Region is fiscally responsible. In 2020, Moody's and S&P reaffirmed their respective Aaa/Stable and AA+ credit ratings for the Region, however both agencies have indicated that a substantial increase in debt could lead to a future downgrade. The Region has been a net investor – meaning its reserve balances exceed its debts – since 2019. Those reserves are critical to ensure the continued sustainability of the Region's asset management program and broader capital plan and provide liquidity that supports the Region's strong credit rating.

York Region and its residents benefit from its strong financial management through exceptionally competitive interest rates. As a result, infrastructure financing initiatives such as the Canadian Infrastructure Bank are of limited benefit to the Region unless their financing terms are significantly better than those available on the open market, whether through below-market interest rates or substantial risk-sharing mechanisms.

While the Region's capital plan faces pressures from unfunded priorities, it cannot borrow to fund these pressures without significant risk to its credit rating and an associated increase in its borrowing costs. Funding these investments from the local tax base will also be challenging, given the significant investments required to maintain our existing assets in a state of good repair.

Contributing a Fair Share

York Region has benefitted significantly from the financial support of the federal government.

- Canada has been a key partner in the funding of major rapid transit projects in the region, including the Toronto York Spadina Subway Extension (TYSSE) and the planning and design work for the YNSE. York Region welcomes the federal government's commitment to contribute up to \$2.2 billion toward construction of the YNSE.
- Canada's Connect to Innovate Program supported YorkNet's construction of fibre connectivity to the town of Georgina and the Chippewas of Georgina Island First Nation.
- The Region also relies on Federal Gas Tax funding to support its capital plan, with over \$450 million allocated to the Region since the program's inception in 2005. This year's one-time doubling of the transfer will support the expansion of transit and broadband infrastructure.

Historically, the federal government has also been a strong supporter of affordable housing, having partnered with the provincial government to invest approximately \$112 million in York Region since 2004 to support the construction of more than 1,200 units. Under the National Housing Strategy, however, investment in these programs is expected to taper off by 2027-28. To meet its goal of 1,413 new units and the replacement of nearly 150 more by 2041, York Region will need the support of the federal government well beyond that horizon.

Infrastructure needs are complex and vary from municipality to municipality. Funding is of the greatest benefit to municipalities when they have the flexibility to direct it to the areas of greatest need within their communities. Restrictions on "stacking" in some federal funding programs can limit this flexibility when they preclude the use of Federal Gas Tax proceeds to fund the municipal share of project costs.

The case for continued federal funding is strong. Many of the Region's infrastructure investments provide spillover benefits that extend beyond the Region and its residents to the rest of Canada. For example, a recent Deloitte study estimated that construction of the YNSE will create or sustain 53,000 person years of employment and generate over \$1.8 billion in incremental tax revenues for the federal and provincial governments. More generally, the average household in York Region pays proportionately more in federal and provincial personal income taxes than the average household in Ontario and Canada. This means that a strong and prosperous York Region contributes to a strong and prosperous Canada, and continued investment in the growth and success of York Region will pay dividends to the provincial and federal governments. Additionally, the Region's investments in climate change mitigation will help Canada to achieve its emissions targets, with a global impact. And bringing broadband and digital infrastructure to remote communities supports improved social equity through access to essential resources such as education and health care. Funding contributions from the federal government can help to secure the success of these projects and the benefits they provide to all Canadians.

4. Development of the National Infrastructure Assessment Process

Types of Infrastructure to Include in the Assessment

Natural infrastructure such as trees, forests and naturalized areas, lakes and rivers will be critical to both mitigate and adapt to the impacts of climate change by acting as a carbon sink, along with reducing flooding impacts and nutrient inputs to water bodies.

How Should Municipalities Be Represented?

Canada's municipalities own approximately 62% of the country's public infrastructure and should have a seat at the table for Canada's National Infrastructure Assessment.

To ensure adequate representation from Canada's diverse municipal sector, the federal government might consider incorporating further input into the Assessment through groups that represent municipal leaders, such as the Federation of Canadian Municipalities (FCM), as well as continued engagement with senior municipal staff.

The Statistics Canada Infrastructure Survey

Given Statistics Canada's recent development and launch of the biennial Core Public Infrastructure Survey and the ongoing collection of the Annual Capital and Repair Expenditures Survey, the federal government should consider how best to structure the National Infrastructure Assessment to avoid overlap and minimize reporting burden for municipalities.

Comparing Levels of Service Across the Country

Service levels reflect local contexts; rather than focus on setting a consistent level of service across the country. The National Infrastructure Assessment should aim to support improved levels of service across the country with consideration for local context.

Thank you for the opportunity to comment and we look forward to continued engagement as Canada's National Infrastructure Assessment is developed.

Sincerely,

Bruce Macgregor
Chief Administrative Officer
Regional Municipality of York