

The Regional Municipality of York

Committee of the Whole
Finance and Administration
February 21, 2019

Report of the Commissioner of Finance

Infrastructure Acceleration Reserve Option

1. Recommendations

1. Council approve the creation of the Infrastructure Acceleration Reserve Fund to advance priority growth-related capital projects.
2. The reserve be funded from an additional 1% Infrastructure Acceleration levy for the years from 2019 to 2022, and the transfer of \$82.7 million from the Debt Reduction Reserve in 2022.
3. Staff be directed to report to Council by the end of second quarter of 2019 with a proposed list of growth related projects that could be accelerated using this reserve.
4. Funds advanced from this reserve would be repaid from development charge collections in the year the projects were originally scheduled to be funded in the Region's capital plans.
5. The Regional Treasurer be authorized to amend the 2019 to 2022 Budget to reflect this reserve.
6. Council approve the addition of this reserve as an amendment to the Reserve and Reserve Fund Policy.
7. The Regional Solicitor be authorized to prepare the necessary bylaws for this reserve.

2. Summary

This report identifies an internal borrowing mechanism to enable the advancement of priority growth-related projects without the need to issue additional debt. An Infrastructure Acceleration Reserve is proposed to make up to \$200 million available for this purpose. It would be funded from an increase to the tax levy of 1% from 2019 to 2022 and would be repaid from future development charge collections at the time the projects were originally scheduled in the capital plan.

3. Background

Council could increase the funding available for growth-related infrastructure by implementing the Infrastructure Acceleration Reserve

The 2019 Operating and Capital Budget was tabled with Council on January 31, 2019. The presentation included an internal borrowing mechanism to accelerate priority capital projects.

The Infrastructure Acceleration Reserve is similar to the Roads Capital Acceleration Reserve that is outlined in [Clause 8 in Report No. 18 of the Committee of the Whole](#) dated on December 14, 2017. At that time the Committee of the Whole recommended the deferral of this reserve but staff were directed to bring it back for consideration as a part of the 2019 to 2022 Budget discussion.

4. Analysis

The creation of an Infrastructure Acceleration Reserve would advance growth projects in the capital plan

The Infrastructure Acceleration Reserve is an internal lending program that could enable the advancement of growth-related priority projects that are currently in the capital plan without the need to add external debt. The reserve would permit borrowing from tax levy reserves to temporarily finance development charge funded priority growth-related projects.

The Region's fiscal strategy provides the framework for managing the integration of the Region's capital plan, reserves and the managing of the Region's debt. Taking into consideration Council's direction with the Region's fiscal strategy, the Infrastructure Acceleration Reserve is a way to help balance additional spending on capital, without having to issue external debt.

Priority projects could be moved forward in the capital plan as early as 2022

The Infrastructure Acceleration Reserve would permit:

1. Up to \$200 million in development charge funded priority growth-related road projects to move forward in the capital plan without the need for additional debt.
2. Construction of the projects could be advanced as early as 2022, subject to availability in the reserve. These amounts could be revisited annually.
3. The Transportation Services department to recommend projects based on the Council approved capital prioritization process and the ability to accelerate the projects.

An increase of 1% to the annual tax levy for the next four years as well as a transfer of \$82.7 million would fund the proposed reserve

The funding for the proposed Infrastructure Acceleration Reserve would be \$200 million over a four-year period starting in 2019. The additional 1% increase in annual tax levy contributions starting in 2019 and for each year until 2022 would generate approximately \$117.3 million, as shown in Table 1.

**Table 1
Incremental Increase in Tax Levy**

Year	2019	2020	2021	2022	Total
Incremental Increase in Tax Levy (%)	1%	1%	1%	1%	
Incremental Dollar Amount (in millions)	\$10.7	\$11.7	\$12.7	\$13.8	
Cumulative Dollar Amount (in millions)	\$10.7	\$22.4	\$35.2	\$49.0	\$117.3

In addition, a draw of surplus funds of \$82.7 million from the Debt Reduction Reserve could be transferred to the Infrastructure Acceleration Reserve in 2022, which would bring the total amount of the funding available in the reserve to \$200 million. Table 2 breaks down the funding expected for the reserve.

**Table 2
Expected Infrastructure Acceleration Reserve Funding
Totalling \$200 million**

Funding	Amount
Infrastructure Acceleration Levy	\$117.3 M
Debt Reduction Reserve	\$82.7 M
Total funding	\$200.0 M

If approved, this reserve would see staff present a report to Council seeking approval for a list of accelerated projects with corresponding increases to the Capital Spending Authority. The cumulative outstanding funding from the Infrastructure Acceleration Reserve would not exceed \$200 million.

The Infrastructure Acceleration Reserve could be scaled according to Council priorities

The proposed 1% increase to the tax levy could be reduced or increased to adjust for the amount of priority growth-related infrastructure projects that Council wishes to accelerate. The adjustment to the funding of the reserve will affect the amount of priority growth-related projects that could be moved forward.

The non-growth components of the projects would have to be sourced from the offsets from other projects or by other reserves

The acceleration of growth projects may have a small tax levy component in addition to the growth component that needs to be funded. Currently there isn't a predetermined funding source but it may be funded from additional draws from reserves such as the federal gas tax reserve. The funding may also come from offsets from other tax levy supported projects.

The Infrastructure Acceleration Reserve would be repaid from future development charge collections at the time the projects were originally shown in the capital plan

The Development Charge reserve would repay the growth portion of the funding that was advanced in the year that the project was originally scheduled to be funded in the capital plan. In addition, there would also be annual draws for the interest amount from the development charge reserves.

As funds are repaid to the Infrastructure Acceleration Reserve over time they could also be used for other purposes

As repayments are made to the reserve, the funds could be repurposed to other capital priorities at Council's direction. In time, tax levy funding could be made whole because the internal borrowing is only temporary.

Once all funds are repaid to the Infrastructure Acceleration Reserve, the reserve could be closed or remain as a mechanism to accelerate future priority growth-related projects

After all funds have been repaid to the Infrastructure Acceleration Reserve, it could be closed or remain as a permanent mechanism to accelerate priority growth-related projects in future years.

The Infrastructure Reserve is informed by Council-approved strategies and plans

The 2017 Development Charge bylaw and the 2019 capital budget are informed by the Water and Wastewater Master Plan and Transportation Master Plan. Full implementation of the Transportation Master Plan would require new revenue sources and enduring funding commitments from the federal and provincial governments. The Infrastructure Acceleration Reserve would enable the Region to advance priority growth-related projects without additional debt. The advanced funds would be repaid through future development charge collections.

5. Financial

A new reserve fund to advance priority growth related capital has been proposed to be funded from an additional 1% Infrastructure Acceleration levy for four years, which is estimated to be \$10.7 million to \$13.7 million annually. The increase to the tax levy is scalable meaning that the amounts could be more or less.

In addition, a draw of surplus funds of \$82.7 million from the Debt Reduction Reserve could be transferred to the Infrastructure Acceleration Reserve in 2022, which would bring the total amount of funding available in the reserve to \$200 million.

The capital budget would also need to be adjusted to reflect the spending on the advanced projects and the corresponding offsets. The revisions to the capital spending authority would be brought to Council as a part of the 2020 budget.

6. Local Impact

The Region provides essential services and capital infrastructure for residents and businesses in all local municipalities within York Region. The Infrastructure Acceleration Reserve would allow priority growth-related infrastructure projects to be built earlier than what is in the proposed 2019 budget.

7. Conclusion

This report outlines an internal borrowing mechanism to advance priority growth-related capital projects. If this reserve is recommended by the Committee of the Whole, the recommendations of this report would be consolidated in the 2019 to 2022 Regional Budget report for Council consideration on February 28, 2019.

For more information on this report, please contact Edward Hankins, Director at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Recommended by:

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