

Report of Mary-Frances Turner, President

Proposed 2022 Regional Capital Expenditures and Operating Expenditures Budget, Regional Capital Program

Recommendation

1. It is recommended that the Board receive the proposed 2022 Capital and Operating Expenditures budgets for the Corporation, and deliver same to the Regional Treasurer, in accordance with the Region's annual budget process and approvals.

Summary

Key points:

- Transit investment in York Region has encouraged sustainable growth in built-up areas, helping to attract new residents and businesses and reducing traffic congestion and greenhouse gas emissions
- The economic benefits of investing in rapid transit projects ensures additional investment remains a top priority of the Region, as well as of other levels of government
- The budget reflects the continued transitioning of staff between Bus Rapid Transit (BRT) and Yonge North Subway Extension (YNSE) programs
- Metrolinx has committed to reimburse reasonable incurred costs for Regional and local municipal staff resources and consultants for the YNSE
- Additionally, the Regional capital and operating expenditures reflect the close-out of the Toronto York Spadina Subway Extension (TYSSE) project, completion of the facilities and terminals program, and advancing the next phase of the rapid transit program to ensure the Region remains in a state of readiness to meet growth targets

Background

YRRTC's current funded capital programs total \$3.642 billion

- The 2022 Capital Expenditures Budget (the Metrolinx BRT Capital Program and the Regional Capital Program) for the current funded capital programs is \$3.642 billion, shown in Table 1 below

Table 1
Current Capital Programs (\$3.642B)

Capital Programs (in \$ Millions)	Metrolinx BRT Capital Program (in \$ Millions)	Regional Capital Program (in \$ Millions)	Total Capital Programs (in \$ Millions)
BRT Rapidways & Stations	\$2,000.1		\$2,000.1
Facilities & Terminals		\$220.4	\$220.4
Rapid Transit Vehicles		\$46.7	\$46.7
Toronto-York Spadina Subway Extension		\$1,328.5	\$1,328.5
Yonge North Subway Extension - Conceptual Design, Planning & Design		\$40.6	\$40.6
Rapid Transit Initiatives		\$5.9	\$5.9
Total Capital Programs	\$2,000.1	\$1,642.1	\$3,642.2
Total York Region Funded		773.8	773.8
Total York Region Funded %		47%	21%

- The **Regional Capital Program** (the subject of this report), seeks the necessary approvals of Regional Council related to the 2022 Capital and Operating Expenditures Budget, Regional Capital Program which is partially funded by York Region
 - The Regional Capital Program is \$1.642 billion, of which, York Region's contribution is approximately \$773.8 million or 47 per cent
- This report also deals with the operating expenditures related to the Metrolinx BRT Capital Program and the historical QuickWins program
- The **Metrolinx BRT Capital Program** is the subject of a separate report (refer to *Proposed 2022 Capital Expenditures Budget – Bus Rapid Transit (BRT) Capital Program*)

Investing in transit infrastructure projects supports the economic vitality in the Region, including helping recover and grow jobs and the economy

- The TYSSE and BRT projects in York Region are bringing significant job and housing growth to York Region's Centres
- Employment growth in the Region's transit-oriented urban centres and corridors was 5.3% in 2019, outpacing the 2.2 per cent for York Region as a whole and underscoring how transit investments help keep the Region economically competitive
- In 2020, building permits were issued for 3,800 apartment units Region- wide, with 76% along rapidways in the Region's Centres and Corridors. By 2031, Vaughan Metropolitan Centre and Markham Centre, both major transit hubs, are projected to exceed population targets by 60 per cent and 24 per cent, respectively
- According to [Conversations for Responsible Economic Development: How Transit Impacts our Economy](#), more direct and indirect jobs are created per dollar invested in mass transit infrastructure than any other type of infrastructure spending

- A 2021 Ontario provincial government report calculated that every \$100 million of investment in infrastructure capital creates about 1,670 jobs for one year and returns more than \$115 million in Gross Domestic Product
- These benefits have made investing in rapid transit projects a top priority of the Region, as well as of other levels of government. Transit investment also supports the goal of encouraging sustainable growth in built-up areas, helping to attract new residents and businesses, and reducing traffic congestion and greenhouse gas emissions

Analysis

York Region's 2022 Regional Capital Budget reflects the advancement of the Yonge North Subway Extension in collaboration with Metrolinx, the provincial government, and local municipalities

- Following the May 2021 announcement of the 40 per cent Federal commitment for the YNSE, combined with a provincial funding commitment from 2019, this project now has the funding it needs to move forward with an intended completion date of 2029/2030
- York Region has committed to its pro rata share of the Capital Expenditures contribution and is currently reviewing revenue tools to generate contribution
- The Region's capital contribution to the YNSE will be funded through development charges and property taxes. The Development Charge (DC) eligible share is being determined through the 2022 Development Charge Bylaw
- The Region is also expected to pay for a share of the ongoing cost of administration and operations
- A tax levy surcharge is being considered to fund the initial construction of the subway

YRRTC continues to work with all levels of government to advance the remaining bus rapid transit projects needed to create a seamless rapid transit network in York Region

- In February 2021, the Federal government announced \$14.9 billion as part of a Permanent Public Transit Fund over the next eight years, with a permanent \$3 billion beginning each year in 2026/2027 towards transit infrastructure projects
- There are no details surrounding the application process or distribution of funds related to this program
- \$5.4 billion of additional funding needs to be secured to complete the remaining 75 kilometres of BRT network needed to support anticipated growth in the Centres and Corridors out to 2051

2022 REGIONAL OPERATING BUDGET CONSIDERATIONS

The 2022 operating expenditures budget is aligned with the Region's Preliminary Planning Allocation

- Table 2 shows the 2022 net operating expenditures of \$3.67 million, which reflects the continued transitioning of staff and related costs from the Metrolinx BRT Program to support the Region and local municipalities in the delivery of YNSE (assumed to be fully

recoverable) and to help York Region remain in a state of readiness to complete the rapid transit network

Table 2
2022 Operating Expenditures Budget (\$3.67M)

Operating Expenditures	2022
<i>(\$ millions)</i>	<i>Operating Budget</i>
Operating Expenditures	14.72
Financing Costs	28.45
Program Management Recoveries	(5.86)
Operating Expenditures - Net of Program Management Recoveries	37.31
Revenue - Development Charges, Federal Gas Tax & YR. PM Fee	(33.64)
Net Operating Expenditures - Tax Levy	3.67

Assumption: YRRTC Direct Staff & Admin Cost allocation is based on the same FTE percentage allocation used for the budget

The 2022 operating expenditures budget is within the Region's overall direction as to year-over-year tax levy increase

- Table 3 below shows the breakdown of the 2022 operating expenditures budget of \$3.67 million

Table 3
2022 Operating Expenditures Budget (\$3.67M)

Operating Expenditures	Net Operating Budget		Capital Projects Metrolinx Recovery Operating Budget		Regional Operating Budget
<i>(\$ millions)</i>	<i>(\$ millions)</i>		<i>(\$ millions)</i>		<i>(\$ millions)</i>
YRRTC Direct Staff & Admin Costs	6.48		2.42		4.06
York Region Dedicated Charges	2.68		2.68		-
YR. Program Management Fee	5.56	=	-	+	5.56
Financing Costs for Debt Principal & Interest Payments	28.45		-		28.45
Program Management Recoveries	(5.86)		(5.10)		(0.77)
Gross Operating Expenditures	37.31		-		37.31
Revenue - Development Charges & Federal Gas Tax	(28.08)		-		(28.08)
Revenue - YR. Program Management Fee	(5.56)		-		(5.56)
Net Operating Expenditures - Tax Levy	3.67		-		3.67

Assumption: YRRTC Direct Staff & Admin Cost allocation is based on the same FTE percentage allocation used for the budget

2022 REGIONAL OPERATING PRESSURES AND RISKS

The 2022 Regional Operating budget anticipates YNSE staffing and related resources required to protect the interest of York Region

- The timely completion of studies and agreements in 2022 between York Region and senior levels of government related to the YNSE are needed to protect the interests of York Region
- Currently, it is assumed that all staffing and related resources required to protect the interest of the Region and value for money related to contribution are to be fully recoverable from the Province and/or Metrolinx
- Subject to further discussions with the Province on resourcing, there is a potential risk that certain YNSE related expenses incurred by YRRTC or other York Region departments may not be recovered from Metrolinx and/or the Province
- It is difficult to estimate these potential costs and they are not included in the proposed 2022 Regional budget, however, should these pressures materialize, we will continue to work closely with York Region Finance and will report back to the Board mid-year

2022 REGIONAL CAPITAL BUDGET CONSIDERATIONS

The capital expenditures of \$9.2 million reflects the latest construction progress activities in the Regional Capital Program

- The \$9.2 million capital expenditures relate to the close-out of the TYSSE project, the completion of the SmartVMC Bus Terminal and advancing Rapid Transit Initiatives, as shown in Table 4 below:

**Table 4
2022 Capital Expenditures Budget (\$9.2M)**

Current Funded Capital Programs (in \$ Millions)	Regional Capital Program (in \$ Millions)	Expenditures To-Date (in \$ Millions)	Capital Spending Authority (in \$ Millions)	2022 In-Year Capital Spending Authority (in \$ Millions)
Facilities & Terminals	\$220.4	\$219.6	\$0.8	\$0.8
1. Cornell Terminal	\$50.8	\$50.8	\$0.0	\$0.0
2. SmartCentres Place Bus Terminal	\$34.2	\$33.4	\$0.8	\$0.8
3. Operations, Maintenance & Storage Facility	\$135.4	\$135.4	\$0.0	\$0.0
BRT Rapid Transit Vehicles	\$46.7	\$46.7	\$0.0	\$0.0
Toronto-York Spadina Subway Extension	\$1,328.5	\$1,321.8	\$6.7	\$6.7
1. Tunnel & Stations Construction	\$1,274.6	\$1,267.9	\$6.7	\$6.7
2. Viva Concourse	\$13.7	\$13.7	\$0.0	\$0.0
3. Capacity Buy-In	\$30.7	\$30.7	\$0.0	\$0.0
4. Fare Equipment & Other Items	\$9.5	\$9.5	\$0.0	\$0.0
Yonge North Subway Extension - Conceptual Design, Planning & Design	\$40.6	\$40.6	\$0.0	\$0.0
Rapid Transit Initiatives	\$5.9	\$4.2	\$1.7	\$1.7
1. Future BRT Studies	\$3.1	\$3.1	\$0.0	\$0.0
2. Development Opportunities	\$0.5	\$0.5	\$0.0	\$0.0
3. Simcoe Promenade BRT	\$2.3	\$0.6	\$1.7	\$1.7
Total Capital Programs	\$1,642.1	\$1,632.9	\$9.2	\$9.2

Facilities and Terminals Program

- \$0.8 million has been set aside in the Facilities and Terminals budget for the roof replacement at SmartVMC Bus Terminal in 2022

Toronto-York Spadina Subway Extension

- A regional share of \$6.7 million is required to close-out the TYSSE project, excluding debt

Rapid Transit Initiatives

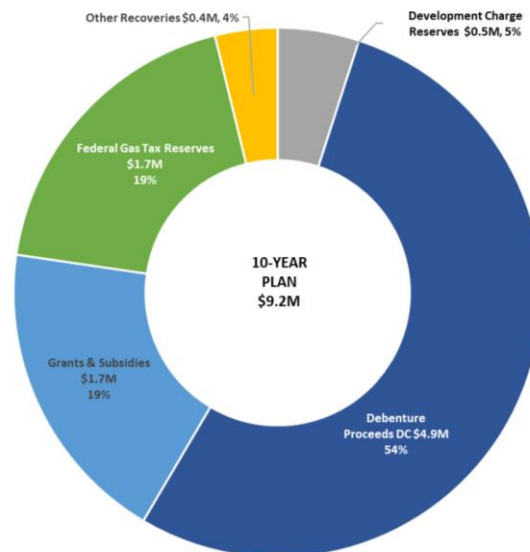
- In 2022, \$1.7 million is being used to complete the Simcoe-Promenade BRT. The Simcoe-Promenade BRT is a continuation of a section of dedicated rapidway adjacent to Simcoe-Promenade between Birchmount Road and Andre De Grasse Street, in Markham Centre
 - Completion of this project in 2022 allows for efficiencies and completion in tandem with the adjacent development that already includes the construction of adjacent municipal road work along Simcoe-Promenade
 - Funding to complete this project is available from QuickWins earned interest, as approved by MTO

Financial Considerations

YRRTC's capital spending authority for 2022 is \$9.2 million

- In 2022, \$9.2 million capital expenditures will be required for project costs. Funding sources for the capital spending authority are consistent with previous years
- Chart 1 below provides the breakdown of the key funding components

Chart 1
2022 Regional Capital Expenditures Budget - Funding Sources



Conclusion

- The purpose of this report is for the Board to receive the 2022 Regional Capital Budget of \$9.2 million and 2022 Operating Expenditures Budget of \$3.67 million, and deliver the same to the Regional Treasurer, in accordance with the Region's annual budget process, for the Region's approval

For more information on this report, please contact Chad McCleave, Vice President Finance & Treasurer, 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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