

INFRASTRUCTURE ACCELERATION RESERVE

COMMITTEE OF THE WHOLE

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PRESENTATION OVERVIEW

1. Overview: Infrastructure Acceleration Reserve
2. Options and considerations
3. How it would work
4. Proposed list of projects
5. Recommendations

OVERVIEW: INFRASTRUCTURE ACCELERATION RESERVE

OVERVIEW AND GUIDING PRINCIPLES

Why accelerate Transportation infrastructure projects?

- Based on the roads capital prioritization process
- Includes projects that provide better options for travel during peak periods (i.e. enhance connections to GO, Viva and subway stations)
- Includes projects that support travel from new development areas including pedestrians, cyclists, transit riders and motorists
- Includes transportation improvements where they can provide some benefit for travelers who choose to drive during peak periods (i.e. connections to the Provincial highway network)

OVERVIEW AND GUIDING PRINCIPLES — CONT'D

- Staff considered prior Council direction such as the Region's commitment to the fiscal strategy but also the need for more investment in growth projects over the near-term
- The Infrastructure Acceleration Reserve would allow for the acceleration of up to \$200 million of capital growth projects without the need to add more debt
- The program could be scalable according to Council priorities
- The reserve will be repaid from future development charge collections in the year the projects were originally in the plan
- The reserve could be used as a revolving fund for additional projects

OPTIONS AND CONSIDERATIONS

OPTIONS TO FUND THE INFRASTRUCTURE ACCELERATION RESERVE

Funding Option	Pros	Cons
1. Borrow from asset replacement reserves and adjust contributions	<ul style="list-style-type: none"> • No immediate increase in tax levy • The seed money could be found before 2022 	<ul style="list-style-type: none"> • The risk that funding may not be available or repaid when required for asset management needs • Risk of higher future tax levy increases to cover costs when needed for asset management • Interest earned on reserve balances may decrease
2. Increase DC debt by \$200M by 2022	<ul style="list-style-type: none"> • No immediate increase in tax levy 	<ul style="list-style-type: none"> • The Region's outstanding debt will increase, resulting in a new level peak debt • Increasing net debt could have adverse effects on the Region's credit rating which could increase the cost of borrowing for the Region and local municipalities
3. Accommodate within proposed budget	<ul style="list-style-type: none"> • No immediate increase in tax levy 	<ul style="list-style-type: none"> • Consultations with departments required to identify further opportunities for reduction – capital projects from other departments may be delayed and/or cancelled • Could be difficult to identify savings through further efficiencies without affecting services

OPTIONS TO FUND THE INFRASTRUCTURE ACCELERATION RESERVE

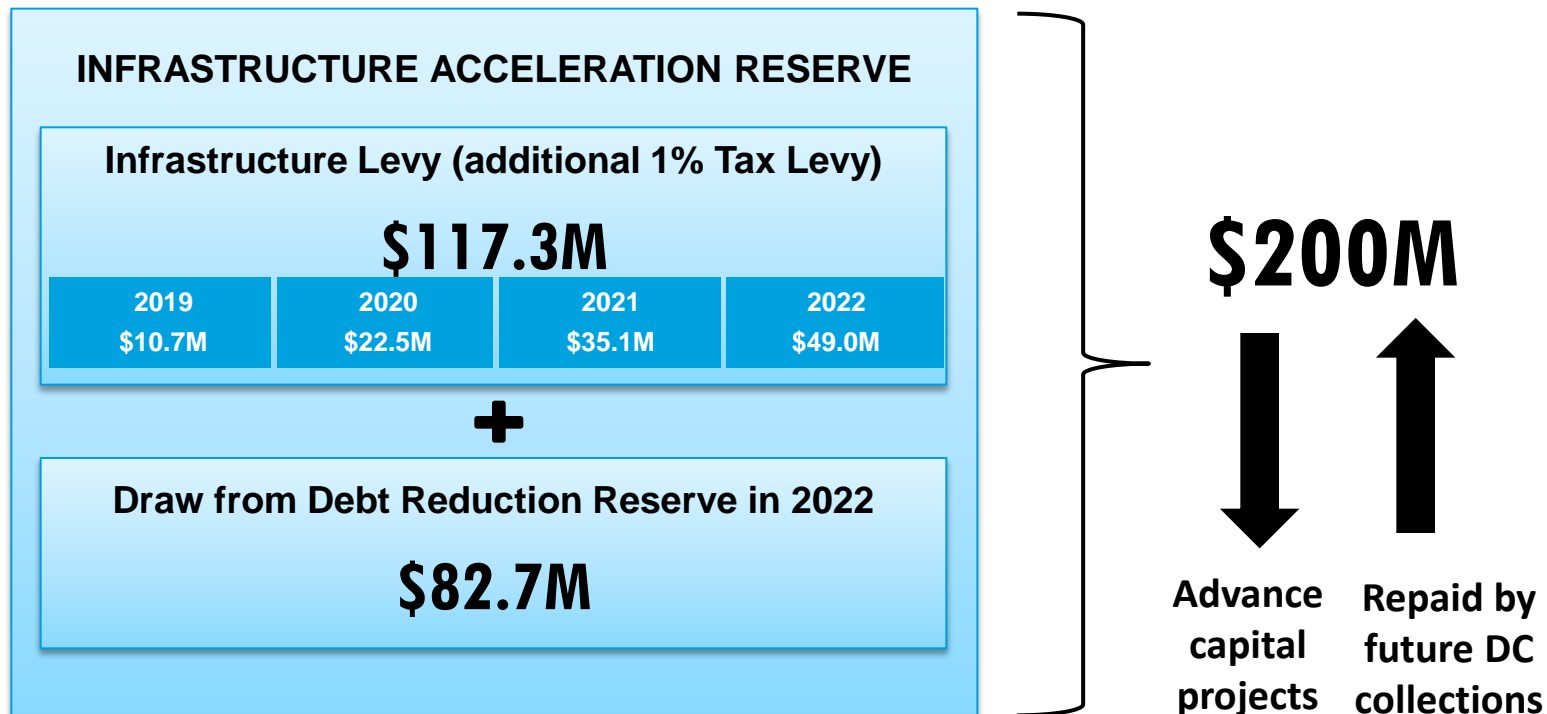
Funding Option	Pros	Cons
4. Use assessment growth revenue	<ul style="list-style-type: none">• Potential revenue source in the years where growth is robust• Potentially be a recurring source rather than one-time	<ul style="list-style-type: none">• Funding source is not reliable and difficult to predict• Reduces flexibility in amount that can be contributed• Assessment growth revenue should be used to fund operating impacts of growth
5. Amending the Surplus Management Policy to contribute to the IAR	<ul style="list-style-type: none">• No increase in tax levy	<ul style="list-style-type: none">• Funding source is unreliable and difficult to predict• Year-end surpluses are already contributed to other reserves• Reduces flexibility in amount that can be contributed• It will be a one-time savings

RECOMMENDED OPTION

Funding Option	Pros	Cons
6. Incremental tax levy	<ul style="list-style-type: none">• Creates a dedicated funding source to accelerate priority projects• Does not create pressures for other reserves and on other parts of budget• At the end of four years, the tax levy contributions can be repurposed to support additional projects or be used for other budget priorities	<ul style="list-style-type: none">• Higher tax levy increase compared to historic trends• Would be more difficult to address potential future pressures through further increases to the tax levy

HOW IT WOULD WORK

HOW IT WOULD WORK



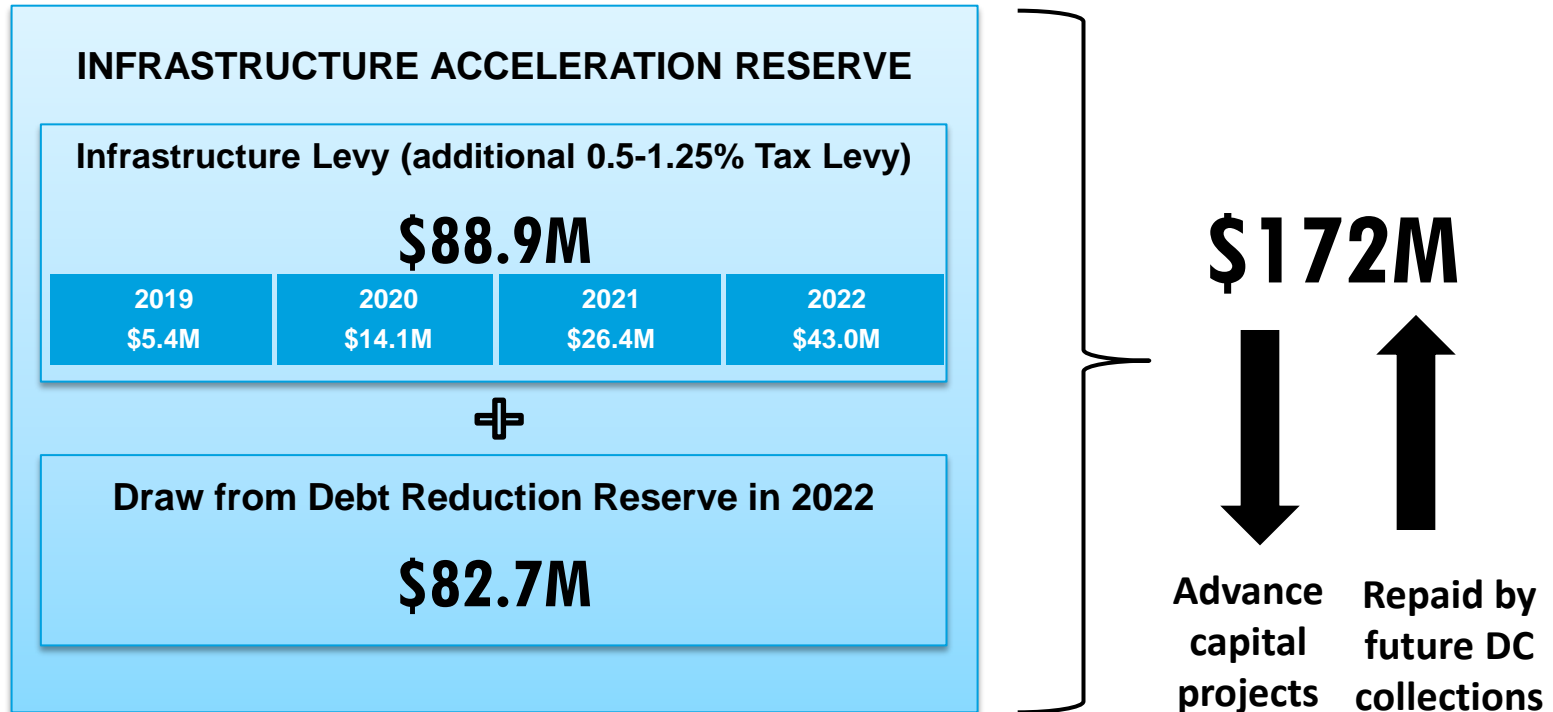
Budget Year	2019	2020	2021	2022
Proposed 2019	3.37%	2.96%	2.96%	2.96%
Incremental Infrastructure Levy	1.00%	1.00%	1.00%	1.00%
Total tax levy increase	4.37%	3.96%	3.96%	3.96%

THE PROGRAM IS SCALABLE TO COUNCIL'S PRIORITIES

The program is scalable and can be reduced or increased according to Council's priorities.

- The rate of increase can be introduced gradually
- The rate of increase can take place over a longer period of time (e.g., beyond 2022)
- The size of the program can be adjusted to match the list of projects

EXAMPLE OF SCALABLE OPTION:



Budget Year	2019	2020	2021	2022
Proposed 2019	3.37%	2.96%	2.96%	2.96%
Incremental Infrastructure Levy	0.50%	0.75%	1.00%	1.25%
With Infrastructure Levy	3.87%	3.71%	3.96%	4.21%

PROPOSED LIST OF PROJECTS

INFRASTRUCTURE ACCELERATION RESERVE RECOMMENDED PROJECTS

PROJECT DESCRIPTION	From Year	To Year
Mid Block Crossing - Highway 404 North of 16th Avenue	2028	2022
Leslie Street - Bethesda Side Road to Bloomington Road	Beyond 10 Years	2022
Keele Street and King Vaughan Road	Beyond 10 Years	2023
Elgin Mills Road - Yonge Street to Bathurst Street	Beyond 10 Years	2023
Major Mackenzie Drive - Keele Street to McNaughton/Avro Road	Beyond 10 Years	2024
Dufferin Street - Major Mackenzie Drive to Teston Road	Beyond 10 Years	2025
Bayview Avenue - Bantry Avenue to 16th Avenue	Beyond 10 Years	2025
16th Avenue - Woodbine Avenue to Warden Avenue	Beyond 10 Years	2025
Mid Block Crossing - Highway 404 North of Major Mackenzie Drive	Beyond 10 Years	2026
Langstaff Road - Keele Street to Dufferin Street	Beyond 10 Years	2026
Warden Avenue - Major Mackenzie Drive to 19th Avenue	Beyond 10 Years	2027
Weston Road - Highway 407 to Rutherford Road	Beyond 10 Years	2028
Kennedy Road - Major Mackenzie Drive to North of Elgin Mills Road	Beyond 10 Years	2028
Intersection Improvements	Beyond 10 Years	2022

RECOMMENDATIONS

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- Council approve the creation of the Infrastructure Acceleration Reserve Fund to advance priority growth-related capital projects.
- 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.
- 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.

RECOMMENDATIONS - CONTINUED

- 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.
- The Regional Treasurer be authorized to amend the 2019 to 2022 Budget to reflect this reserve.
- Council approve the addition of this reserve as an amendment to the Reserve and Reserve Fund Policy.
- The Regional Solicitor be authorized to prepare the necessary bylaws for this reserve.

END OF PRESENTATION