

Report of Mary-Frances Turner, President

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

Recommendation

1. That the Board endorse the 2019 Multi-Year Capital Expenditures Budget of \$199.6 million for the Metrolinx Capital Program

Summary

This report seeks the Board's endorsement of the 2019 Multi-Year Capital Expenditures Budget for the Metrolinx Capital Program, which then will be forwarded to Metrolinx for approval

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:

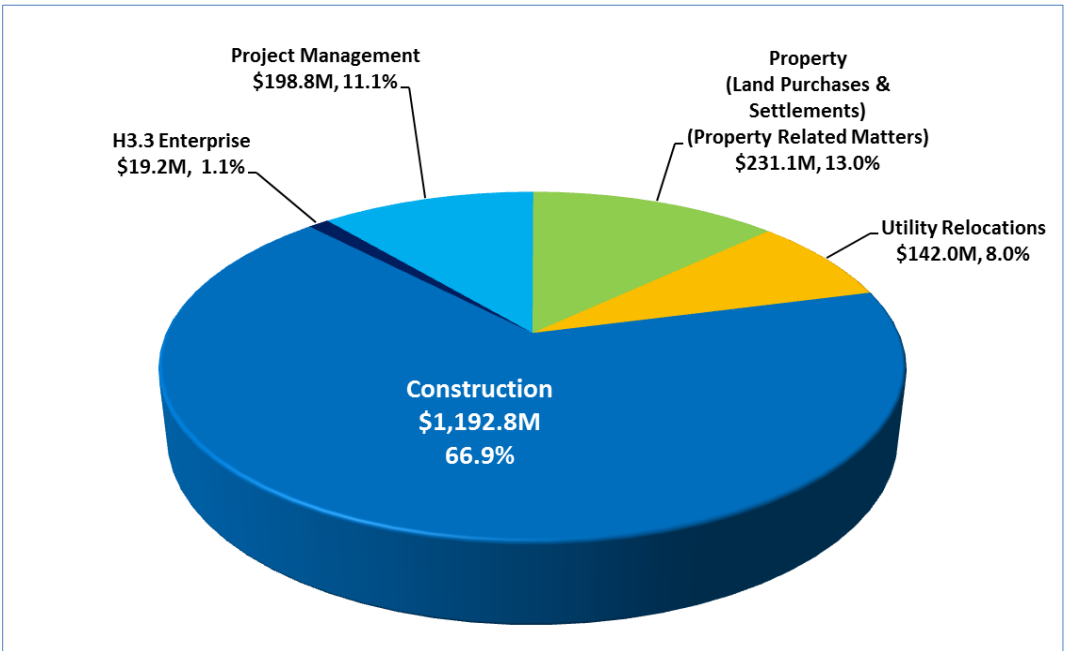
Table 1: Current Funded Capital Programs – \$3.416 billion

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 this 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



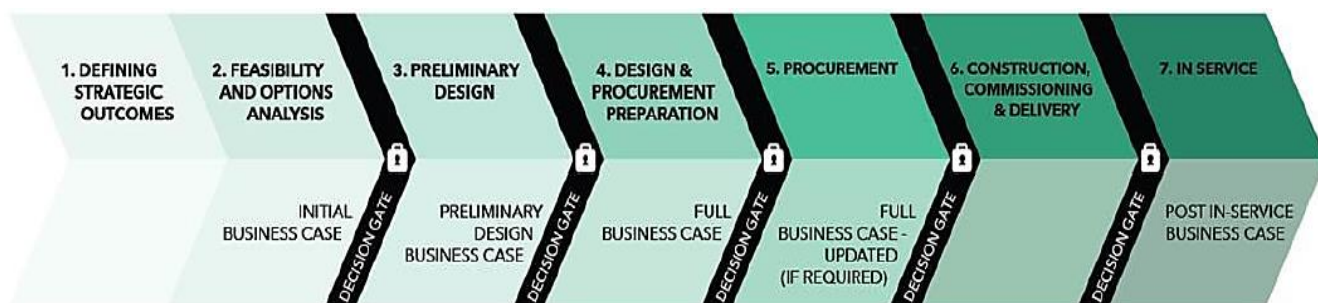
Part Two – which is the subject of a separate report, seeks the necessary approvals of Regional Council related to the 2019 Multi-Year Capital and Operating Expenditures Budget, Regional Capital Program and is partially funded by York Region

- 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 the 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 budget of \$199.6 million is primarily for the completion of the remaining of Highway 7 West and Yonge Street bus rapidways that are currently under construction

- The remaining Highway 7 West segments are projected to be in-service by December 2019 – the project is on time and within budget
- The segment along Yonge St. in the Town of Newmarket is projected to be in-service by November 2019, and the remaining segments along Yonge Street in the Town of Richmond Hill are projected to be by December 2020 – the project is two years behind schedule, creating financial pressures on both the project and the overall program
- Project close-offs of the in-service rapidways are underway, including completion of property acquisitions
 - Highway 7 East, from Richmond Hill Centre to Warden Ave.;
 - Davis Dr., from Yonge St. to Hwy. 404; and
 - Highway 7 West-Vaughan Metropolitan Centre, from Bowes Rd. to Edgeley Blvd.
- Project management, which includes the recoveries of YRRTC and York Region staff, is also included in the Capital Expenditures Budget

The capital expenditures budget of \$199.6 million considers work plans to address existing/emerging financial pressures

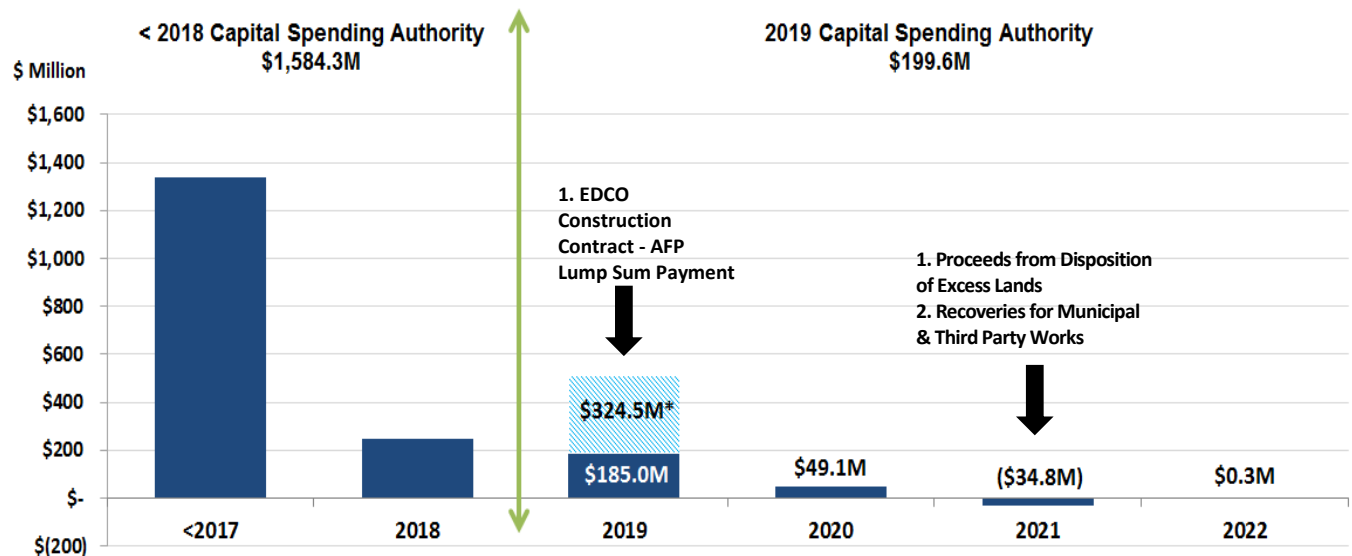
- Table 3 provides the breakdown of the capital expenditures required for the various projects to be completed – \$199.6 million, of which \$185.0 million or 93% is in 2019

Table 3: 2019 Multi-Year Capital Expenditures Budget – \$199.6 million

Current Funded Capital Programs (in \$ Millions)	Metrolinx Capital Program (in \$ Millions)*	Year 2019 to Completion (in \$ Millions)	In-Year 2019 (in \$ Millions)
Enterprise Drive	\$19.2	\$0.0	\$0.0
Highway 7 East, Davis Drive, Highway 7 West-VMC	\$821.9	(\$11.5)	\$2.1
Yonge Street	\$557.1	\$202.4	\$131.9
Remaining Highway 7 West	\$454.6	\$80.7	\$70.3
Remaining Enterprise Drive	\$5.0	\$2.0	\$1.0
Work Plans to Address Existing/Emerging Financial Pressures	(\$73.9)	(\$73.9)	(\$20.2)
Total Metrolinx Capital Program	\$1,783.9	\$199.6	\$185.0

Table 4 provides the discrete cash flow of the capital expenditures – of which \$185.0 million or 93% is in 2019

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



- In 2019, YRRTC will manage the construction of \$185.0M of work along Highway 7 and Yonge Street
- Upon completion of the EDCO contract in 2019, a lump sum payment of \$324.5M (shown in light blue) will be made to EDCO directly from Metrolinx for the completion of the remaining of Highway 7 West

Financial Considerations

The remaining \$199.6M of the Metrolinx Capital Program may be insufficient to cover all remaining capital costs and existing/emerging risks

- The three key existing/emerging risks that are causing financial pressures are:
 - Outstanding delay claim recovery for the Highway 7 West-VMC from TYSSE;
 - Utility cost over-runs and construction delays on Yonge Street; and
 - Property and property-related matters
- Subject to required approvals, plans to address the existing/emerging financial pressures includes, amongst others:
 - Settlement of outstanding claim in progress;
 - Drawdown of program reserves, including utilization of program-wide earned interest;
 - Elimination/Reduction in project contingencies;
 - Construction deferral of the last BRT segment – Enterprise Drive, from Birchmount Rd. to just east of Kennedy Rd.; and
 - Yonge Street delay review
- YRRTC is working with York Region and Metrolinx to quantify emerging potential capital expenditures shortfalls, and will report back to the Board on the existing/emerging financial pressures and the progress of the work plans throughout 2019

Table 5 shows the 2019 gross and net operating expenditures budget for YRRTC, with the recoveries from the Metrolinx Capital Program – \$24.9 million, which are identified in the 2019 Multi-Year Capital & Operating Budget, Regional Capital Program report

Table 5: 2019 Gross & Net 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

Table 6 shows the YRRTC and York Region staff needed to close-off the existing Metrolinx Capital Program

Table 6: YRRTC/York Region staff allocation to the Metrolinx Capital Program

Metrolinx Capital Program	2018 Actual	2019 Budget	2020 Outlook	2021 Outlook	2022 Outlook
YRRTC Project Delivery Staff	64	64	58	43	1
YR Project Delivery Staff	38	30	26	20	16*
Total Project Delivery Staff	102	94	84	63	22
Program Management Recoveries (\$M)	\$24.7	\$24.9	\$20.5	\$10.1	\$2.9

* YR staff is related to resourcing for property settlements / close-off program

- Funding for staffing for future projects will be included in future capital funding

Conclusion

- The purpose of this report is to seek the Board's endorsement of the 2019 Multi-Year Capital Expenditures Budget of \$199.6 million for the Metrolinx Capital Program, so that Budget may then be forwarded to Metrolinx for approval

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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