

Report of Mary-Frances Turner, President

Proposed Multi-Year Regional Capital and Operating Expenditures Budgets

Recommendation

It is recommended that the Board

1. Receive the proposed Multi-Year Regional Capital and Operating Expenditures budgets and outlook for the Corporation; and
2. Confirm either Scenario 1 or 2 be advanced to the Regional Treasurer, in accordance with the Region's annual budget process and approvals.

Summary

- The first 20 years of York Region's rapid transit program is now complete, and work continues in support of the next generation of rapid transit projects
- Over the next 10 years, YRRTC is focused on the delivery of York Region Council's #1 transportation priority - the Yonge North Subway Extension (YNSE), as well as planning and construction of the next generation of bus rapid transit (BRT) on key corridors within the Region's Centres and Corridors
- The rapid transit program will be considered by Regional Council in January/February 2023 within the context of the overall Regional budget and fiscal capacity to support the rapid transit program and other Regional priorities, and funding from others
- Throughout current negotiations with the Province, the Region continues to advance its position and seek confirmation that its contribution to the YNSE project is capped at \$1.12B, consistent with the treatment of other Provincial subway priority projects
- As design and construction on the YNSE is advanced, close partnership and collaboration with Metrolinx, Infrastructure Ontario, stakeholders and local municipalities on the technical design, construction, and planning related to the TOC program will continue to be required to advocate for the Region's interests
- Funding availability for the next generation of bus rapid transit is actively being pursued and will inform the delivery of the bus rapid transit program annually

- Environmental assessments and preliminary design for the prioritized bus rapid transit corridors will be advanced over the next 5 years through Development Charges and tax levy reserves, to keep the projects in a state of readiness as funding becomes available
- The multi-year capital expenditures budget reflects the approved framework for future BRT infrastructure capital needs included within the adopted 2022 Regional Official Plan and 2022 Transportation Master Plan and the approved 2022 Development Charges Bylaw Updates
- This report presents to the YRRTC Board of Directors two scenarios of the BRT Capital and Operating budget for consideration:
 - **Scenario 1 (best-case scenario):** assumes funding for construction would become available, and new projects proceed
 - **Scenario 2 (worst-case scenario):** assumes funding does not become available for construction, and these BRT corridors do not proceed during this period beyond preliminary design
- The multi-year Operating expenditures budget reflects a ramping up of staff starting in 2023 to support both the YNSE and BRT capital programs, conditional upon funding being secured for these projects

Background

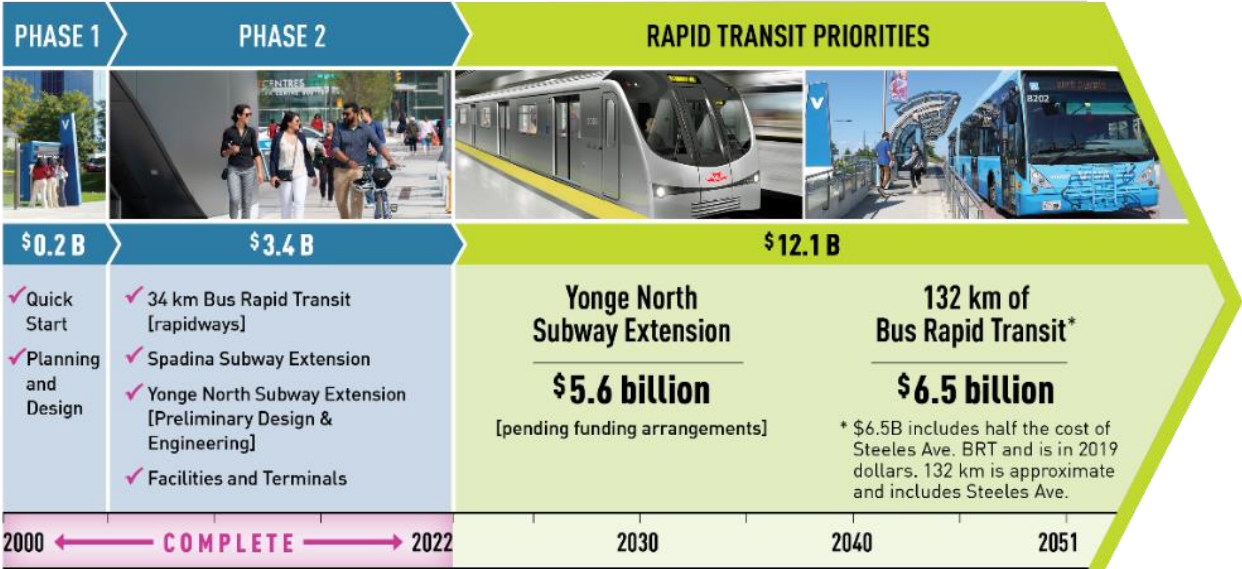
The YNSE is Regional Council's #1 transportation priority with final funding and governance arrangements being negotiated

- The YNSE supports Provincial and Regional Growth Plans and has received funding commitments from all levels of government. Final funding arrangements and capping of the Regional funding contributions are still being negotiated with the Ministry of Transportation (MTO), however, the Region continues to seek confirmation that its contribution is capped at \$1.12B, consistent with the treatment of other Provincial subway priority projects
- Planning, design and construction (early works) of the YNSE is underway, led by Metrolinx who will also be responsible for leading the negotiations on several future formal agreements related to project delivery and operations and maintenance
- An active TOC program is also underway, led by Infrastructure Ontario (IO) with enacted enhanced Ministers Zoning Orders (eMZOs) for Bridge and High Tech Stations, however governance agreements and arrangements remain outstanding
- Through the Ontario-York Region Transit Partnership Preliminary Agreement (the "Preliminary Agreement"), YRRTC acts as the integrator between the Province, York Region and local municipalities – resource agreements continue to be negotiated with Metrolinx and IO

Advancing the next generation of the bus rapid transit program will support population and job growth and provide seamless integration to the overall regional transit network

- By the end of 2020, the York Region/Metrolinx Phase 2 BRT capital program was completed, with approximately 34 km of bus rapid transit in service along key corridors in the Region, providing seamless connections to subways and conventional transit services
- The next phase of bus rapid transit projects, as shown in **Figure 1**, are reflected in 2022 Council approved and adopted plans, including the 2022 Transportation Master Plan, Official Plan and Development Charges Bylaw Updates

Figure 1: York Region Rapid Transit Program



Analysis

2023 represents the beginning of the next phase of rapid transit priorities, as reflected in YRRTC's Draft 10-year Business Plan

- As highlighted in **Table 1**, over the next 10 years, YRRTC will be focused on:
 - Providing approvals and oversight of the Region's interests in the delivery of the 8 km YNSE; and
 - pursuing the funding for and, in Scenario 1 (best-case scenario), leading and delivering three new bus rapid transit projects (to be prioritized), either directly or in partnership with others
 - In the event where construction funding is not secured for the new projects, in Scenario 2 (worst-case scenario), completing the environmental assessments and preliminary designs will be a priority while funding continues to be pursued
 - In conjunction with the Regional Budget process, YRRTC will work with York Region Public Works to prioritize the bus rapid transit projects on an annual basis aligned with the 10-Year Capital Program

- In addition, several BRT projects are proceeding with partners and are also reflected in **Table 1**

Table 1: 10-Year Rapid Transit Capital Construction Program - YNSE and BRT

YNSE

2023 to 2025 – Final Design and Procurement
2025 to 2029/30¹ – Final Design and Construction

BRT –Three New Projects (to be prioritized)

Scenario 1: Construction funded

2023 to 2026 – Environmental Assessment and Preliminary Design
2025 to 2032 – Procurement, Detail Design and Construction

Scenario 2: Construction not funded

2023 to 2026 – Environmental Assessment and Preliminary Design
2025 to 2032 – Funding continues to be pursued for construction

BRT – Partner Projects

Planning, Design and Construction for:

- Simcoe-Promenade (YRRTC/Developer)
- Kennedy Road (YR Public Works/YRRTC)
- Highway 7 West – Queen Street (Metrolinx)

- Similar to the completed first two phases of the BRT program, ensuring projects are shovel-ready by advancing the environmental assessment and preliminary design work allows the Region to remain in a state of readiness for funding opportunities as they become available

The following budget assumptions have been made regarding the YNSE and BRT projects, and are subject to the Region's Budget and fiscal capacity to support these projects and funding availability from other levels of government:

- The **YNSE project** is part of York Region's 10-year capital program and will be funded through the Council approved 2022 Development Charges (DC) Bylaw Update (75 per cent) and Tax Levy (25 per cent), that may be supplemented by the Regionally approved Rapid Transit Infrastructure Levy
- Subject to annual review, the Region's share of the 10-year **BRT program** is funded through the 2022 DC Bylaw Update (82 per cent) and Tax Levy (18 per cent), and may be supplemented by the Regionally approved Rapid Transit Infrastructure Levy starting in 2025
- Resources for both the YNSE project and BRT programs will be recoverable through tax levy reserves including the Rapid Transit Infrastructure Levy, Regional DCs, and/or Provincial agencies, and additional staffing requirements will be advanced annually subject to funding commitments to support these programs

¹ Metrolinx, January 2022, "Metrolinx Engage", https://www.metrolinxengage.com/sites/default/files/voh-jan_5_-_presentation_-_final.pdf

CAPITAL EXPENDITURES BUDGET

Two scenarios are provided for the Board's consideration, as shown in **Table 2**

- Over the next 10 years, both Scenarios 1 and 2 expect that the YNSE project will proceed to design and construction
- For the BRT program, best-case and worst-case funding scenarios, Scenarios 1 and 2 respectively, address if projects will proceed to construction during this period or not
- The Region's share for the BRT program is based on the current funding partnership arrangements with a 40 per cent Federal share, 33 per cent Provincial share and 27 per cent Regional share

Table 2: 10-Year Gross Capital Expenditure (Scenario 1 vs. Scenario 2) (\$B)

| 2023-2032 Capital Program (\$ in billions) | Scenario 1 (Best Case) | | Scenario 2 (Worst Case) | |
|--|------------------------------|-------------------|------------------------------|-------------------|
| | Gross Capital Expenditure | Region's Share | Gross Capital Expenditure | Region's Share |
| Yonge North Subway Extension | | | | |
| Construction | \$ 1.120 | \$ 1.120 | \$ 1.120 | \$ 1.120 |
| Program Management | \$ 0.056 | \$ 0.044 | \$ 0.056 | \$ 0.044 |
| Total | \$ 1.176 | \$ 1.164 | \$ 1.176 | \$ 1.164 |
| BRT Rapidways & Stations | | | | |
| Construction | \$ 1.539 | \$ 0.411 | \$ - | \$ - |
| Environmental & PE works * | \$ 0.038 | \$ 0.038 | \$ 0.035 | \$ 0.035 |
| Simcoe Promenade | \$ 0.002 | \$ - | \$ 0.002 | \$ - |
| Total | \$ 1.579 | \$ 0.449 | \$ 0.037 | \$ 0.035 |
| Total Capital Programs | \$ 2.755 | \$ 1.613 | \$ 1.213 | \$ 1.199 |
| Note: Scenario 1 includes \$38.2M for environmental assessments and preliminary design work with resourcing anticipating that funding for construction will become available vs. \$35.5M in Scenario 2 includes environmental assessments and preliminary design work only | | | | |

Through the Preliminary Agreement, York Region has committed \$1.12B towards the capital construction of the YNSE project

- Through negotiations with the Province, the Region continues to seek a commitment and has taken the position that its contribution is capped at \$1.12B, consistent with the treatment of other Provincial subway priority projects
- Metrolinx is progressing project planning and design, with construction to commence in 2023 and anticipated to be completed in 2029/2030¹
- Over 2021 and 2022, York Region and YRRTC staff worked closely with local municipal stakeholders in the Cities of Markham, Richmond Hill, and Vaughan, and the City of Toronto and TTC to support and advance the technical work program, TOC work program and governance arrangements for the YNSE

- In addition to the \$1.12B construction contribution, \$55.6M will be required in project management cost for YRRTC and York Region to oversee and advocate for the Region's interests
 - Of the \$55.6M, approximately \$11.6M is anticipated to be recovered from Provincial agencies with the remaining \$44M being the Regional share

The Region's share of the BRT Program will range between \$448.7M (Scenario 1) and \$35.5M (Scenario 2), subject to construction funding availability

- The 10-year Gross Capital Expenditure for the BRT Program, including funding from others, is \$1.579B based on current funding allocation by government partners
- In Scenario 1, best-case scenario, the Region's share of the 10-year Capital Program included in the 2022 DC Bylaw is \$448.7M, which includes:
 - \$38.2M for environmental assessments and preliminary design work with resourcing anticipating that funding for construction will become available
 - \$410.5M for construction, subject to annual fiscal reviews and approval, and assuming funding has been secured from senior levels of government
- YRRTC is actively pursuing the remaining \$1.13B to be funded through senior levels of government
- Should construction funding not become available (Scenario 2); the construction of the BRT corridors will not proceed during this period. However, it is recommended to proceed with the environmental assessments and preliminary design work at a cost of \$35.5M to maintain a state of readiness
- The first 5 years of the 10-year capital program is largely dedicated to environmental assessments and preliminary design work for three BRT projects, to be confirmed following prioritization of the corridors in Q4-2022
- In the same period, work will also be underway on the following active BRT projects, in collaboration with various partners:
 - ***Simcoe-Promenade in Markham Centre*** - in partnership with a local private developer, with \$1.8M being rolled over from 2022 to 2023 for design and construction related costs, sourced from QuickWins earned interest
 - ***Kennedy Road in Markham Centre*** - led by York Region's Public Works Department and within the York Region Public Works' 10-Year Capital Plan Budget
 - ***Highway 7 West – Queen Street in the City of Vaughan and the City of Brampton*** - planning and preliminary engineering work led and funded by Metrolinx
- Should funding be secured for the first 10-years of the BRT program (Scenario 1), another \$2.42B in funding will be pursued to complete additional BRT projects (2033 to 2042) that are identified in the endorsed 2022 Transportation Master Plan and approved 2022 Development Charges Bylaw

OPERATING EXPENDITURES BUDGET

The YRRTC 2023 to 2026 Multi-Year operating expenditures budget includes resourcing and project administration costs to support the YNSE and BRT capital programs

- In 2023, Metrolinx will procure and initiate major construction contracts for the YNSE project
 - Staff resources are needed to support the associated involvement and technical reviews related to subway construction and the TOC program, as shown in **Table 3**
 - The resourcing requirements align with the approach taken for the Toronto-York Spadina Subway Extension (TYSSE) and City of Toronto's staffing of the subways program
- The operating and maintenance costs of maintaining the YNSE and additional BRT corridors will need to be addressed in future York Region Public Works Operating Budgets
 - Lessons learned from the Toronto-York Spadina Subway Extension (TYSSE) and Phase 1, and 2 BRT programs will be used by YRRTC in partnership with Public Works to optimize the operating impact of capital as the YNSE and next generation of BRT are implemented
- YRRTC's Net Operating Expenditures Budget for 2023 is \$4.35M to support the ramp up and delivery of YNSE and BRT capital work programs and the one-time renovation cost of YRRTC's new office space at 50 High Tech Road

Table 3: 2023 to 2026 YRRTC Operating Expenditures (Based on Scenario 1)

| Operating Expenditures | Budget | Budget 2023-26 (\$ in millions) | | | |
|---|-----------------|---------------------------------|------------------|-----------------|-----------------|
| | 2022 | 2023 | 2024 | 2025 | 2026 |
| YRRTC Staff Cost- Salaries & Benefits | \$ 4.84 | \$ 6.92 | \$ 7.55 | \$ 8.51 | \$ 8.67 |
| General Administration & Other Costs | \$ 9.97 | \$ 9.78 | \$ 8.45 | \$ 9.47 | \$ 8.86 |
| Financing Costs for Debt Principal & Interest Payments * | \$ 27.92 | \$ 27.69 | \$ 28.83 | \$ 32.01 | \$ 40.45 |
| YR Program Management Fee | \$ 5.56 | \$ 5.38 | \$ 4.88 | \$ 5.11 | \$ 5.15 |
| Gross Operating Expenditures | \$ 48.29 | \$ 49.78 | \$ 49.71 | \$ 55.10 | \$ 63.12 |
| Recovery from Capital - YNSE Program | | \$ (3.94) | \$ (3.67) | \$ (3.81) | \$ (3.95) |
| Recovery from Capital - BRT Program | \$ (5.86) | \$ (3.05) | \$ (3.78) | \$ (5.28) | \$ (4.55) |
| Gross Operating Expenditures Net of Recovery | \$ 42.42 | \$ 42.79 | \$ 42.25 | \$ 46.01 | \$ 54.61 |
| Revenue- Development Charges & Federal Gas Tax * | \$ (33.16) | \$ (33.06) | \$ (33.71) | \$ (37.12) | \$ (45.60) |
| Revenue - YR Program Management Fee * | \$ (5.56) | \$ (5.38) | \$ (4.88) | \$ (5.11) | \$ (5.15) |
| Net Operating Expenditures - Tax Levy | \$ 3.71 | \$ 4.35 | \$ 3.66 | \$ 3.77 | \$ 3.87 |
| Year Over Year change Increase (Decrease) | | \$ 0.64 | \$ (0.69) | \$ 0.11 | \$ 0.10 |
| Year Over Year change - Full Time Equivalent (FTE) | | 10 | 4 | 4 | |
| Full Time Equivalent (FTE) ** | 30 | 40 | 44 | 48 | 48 |

* Note 1: These are preliminary estimates and are subject to change once updated information is received from York Region Treasury

** Note 2: In 2022, YRRTC staff reductions netted out at 32 FTEs Actual vs. Budgeted 30 FTEs; an additional cost for the 2 FTEs are being recovered through secondments and capital program recovery. 2023 Budget includes the cost of 40 FTEs recognizing the existing staffing of 32 FTEs in 2022 plus new 8 FTEs in 2023

- The year-over-year operating budget comparison for 2023 to 2026 includes:

2023 Proposed Budget vs. 2022 Budget

Net Operating expenses increase of \$0.64M mainly due to one-time renovation cost of YRRTC's new office space at 50 High Tech Road

8 FTEs required in 2023 (see Note 2 in Table 3). Of this 6 FTEs to ramp up to support the BRT capital work program, 2 FTEs for YNSE project

2024 Proposed Outlook vs. 2023 Proposed Budget

Net Operating expenses decrease of (\$0.69M) mainly due to reduction of (\$0.7M) one-time renovation cost of YRRTC's new office space at 50 High Tech Road

4 FTEs required in 2024 to support the BRT capital work program

2025 Proposed Outlook vs. 2024 Proposed Outlook

Net Operating expenses increase of \$0.11M due to salary and benefits growth and general employee related expenses

4 FTEs required in 2024 to support the BRT capital work program

2026 Proposed Outlook vs. 2025 Proposed Outlook

Net Operating expenses increase of \$0.10M due to salary and benefits growth and general employee related expenses

No additional FTEs required in 2026. Total 48 FTEs in 2026

- **Table 4** identifies staffing full-time equivalents (FTEs) required to support Scenarios 1 and 2
 - In the best-case scenario (Scenario 1), where construction funding is secured, 14 FTEs are required to deliver the \$1.579B BRT capital work program, from 2023 to 2032. Work would include environmental assessments, preliminary planning and engineering, project management, detailed design and construction
 - In the worst-case scenario (Scenario 2), where construction funding is not secured, 8 FTEs will be required. Work will include environmental assessments, preliminary planning and engineering, and project management, from 2023 to 2026, that will keep the Region in a state of readiness once funding is available

Table 4: YRRTC Staff Costs (Scenario 1 vs. Scenario 2)

| | Scenario 1 - Best Case | | | Scenario 2 - Worst Case | | |
|---|------------------------|----------------|----------------|-------------------------|----------------|----------------|
| | 2023 | 2025 | 2026 | 2023 | 2025 | 2026 |
| YRRTC Staff Cost- Salaries & Benefits (\$ in millions) | | | | | | |
| Existing FTE | \$ 5.54 | \$ 5.76 | \$ 5.88 | \$ 5.54 | \$ 5.76 | \$ 5.88 |
| New Hire - BRT | \$ 1.04 | \$ 2.38 | \$ 2.42 | \$ 0.69 | \$ 1.44 | \$ 1.47 |
| New Hire - YNSE | \$ 0.35 | \$ 0.36 | \$ 0.37 | \$ 0.35 | \$ 0.36 | \$ 0.37 |
| Total | \$ 6.92 | \$ 8.51 | \$ 8.67 | \$ 6.58 | \$ 7.56 | \$ 7.71 |
| Full Time Equivalent (FTE) | | | | | | |
| Existing FTE * | 32 | 32 | 32 | 32 | 32 | 32 |
| New Hire - BRT | 6 | 14 | 14 | 4 | 8 | 8 |
| New Hire - YNSE | 2 | 2 | 2 | 2 | 2 | 2 |
| Total FTE | 40 | 48 | 48 | 38 | 42 | 42 |

* Note: In 2022, YRRTC staff reductions netted out at 32 FTEs vs. Budgeted 30 FTEs; an additional cost for the 2 FTEs are being recovered through secondments and capital program recovery. 2023 Budget includes the cost of 40 FTEs recognizing the existing staffing of 32 FTEs in 2022 plus new 8 FTEs in 2023

Financial Considerations

In Scenario 1, YRRTC's 10-year Capital Plan (2023 to 2032) of \$2.75B includes:

- \$1.12B for the Region's construction contribution and \$55.6M for project management costs for YRRTC and York Region to oversee and advocate for the Region's interests, with \$11.6M recoverable from provincial agencies
- \$1.579B planning and construction cost of the next generation of BRT, subject to annual review and the Region's fiscal capacity and funding availability from other levels of government
- Should funding is secured for the first 10-years of the BRT program, another \$2.42B in funding will be pursued to complete additional BRT projects from 2033 to 2042 (the 20-year program)

In Scenario 2, YRRTC's 10-year Capital Plan (2023-2032) for both the YNSE and BRT program is \$1.12B, and includes:

- \$1.12B for the Region's construction contribution and \$55.6M for project management costs for YRRTC and York Region to oversee and advocate for the Region's interests, with \$11.6M recoverable from provincial agencies
- \$35.5M for the environmental assessment and preliminary design for the BRT program to remain in a state of project readiness as funding becomes available for the next generation of BRT

- \$1.8M is being carried forward from 2022 to 2023 for construction costs of Simcoe-Promenade in Markham Centre

Advancing the capital spending for the YNSE program ensures the Region's interests are advocated for

- The YNSE program management costs will allow the Region to:
 - keep up with the coordination and input on technical reviews or studies being completed by Metrolinx;
 - contribute to the coordination of and assess the impacts of density from the Provincial TOC growth targets that may not be aligned with current Regional and local municipal objectives;
 - advance and advocate for Regional interests with subway and TOC programs; and
 - ensure integration between YNSE, TOC, local and Regional infrastructure such as utilities, roads, transit and water-wastewater throughout construction

Regional Finance provided the following context regarding infrastructure spending and fiscal sustainability:

“As outlined in the Region’s [2022 Fiscal Sustainability Update](#) and the [2022 Regional Official Plan Fiscal Impact Analysis](#), one of the key fiscal sustainability principles is to maintain its AAA credit rating. S&P Global Ratings set out its expectation that the Region should continue to proceed carefully with its capital spending program, making changes where appropriate, and continue to limit its debt level to below the peak in 2017. It also indicated that the rating would be lowered if York Region generated lower-than-expected revenue and if the debt level rose, leading to an interest burden above 5% of revenues. As such, careful management of the timing for projects contained in the 10-year Capital Plan and associated debt levels and servicing costs will be required to help ensure that the Region maintains its AAA credit rating. Including the debt needed for BRT construction could impact the Region’s credit rating.

The initial phase of the Region’s Bus Rapid Transit network was fully funded by the Province. While the Region has actively pursued funding opportunities, senior government cost share for the future BRT program has not been secured yet. It is expected that the Region would be required to make a substantial contribution for future projects, possibly inline with that of the Yonge North Subway Extension.

Commencing environmental assessment and preliminary design activities for future BRT projects signals the Region’s commitment to undertaking these projects to senior levels of government. Including these expenditures in the Capital Plan would allow the Region to be shovel ready for the construction phase when external funding becomes available. Careful timing consideration to include large scale BRT construction projects in the Capital Plan is crucial to the financial sustainability of the Region.”

Advancing the capital spending for the BRT program ensures the Region remains shovel ready

- Subject to Council’s approval, proceeding with York Region’s BRT program in the 10-year capital program will allow the Region to:

- remain in a state of readiness to secure funding for property and construction-related costs from senior levels of government;
- sustain planned growth in York Region's Centres and Corridors; and
- align with the Council approved and adopted 2022 Transportation Master Plan Update, Development Charges Bylaw Update and Official Plan Update

Local Impact

The future rapid transit program supports healthy and prosperous communities by providing higher order transit options for residents

- The rapid transit program supports the Region's Corporate 2019 to 2023 Strategic Plan by increasing rapid transit infrastructure in York Region, provides additional transportation capacity to accommodate Official Plan approved growth, and provides road users with transportation options that support efficient and safe movement within our corridors

Conclusion

- The purpose of this report is for the Board to:
 - receive the proposed Multi-Year Capital and Operating Expenditures budgets and outlook for the Corporation; and
 - seek the Board's endorsement of scenario 1 or 2, to be advanced to the Regional Treasurer, in accordance with the Region's annual budget process and approvals.
- The proposed Multi-Year Budget Capital and Operating Budgets are:
 - Scenario 1, best-case scenario – the 10-year Regional rapid transit Capital Budget of \$2.75B, subject to funding availability;
 - Scenario 2, worst-case scenario - the first five years of the 10-year Regional rapid transit Capital Budget for the YNSE and BRT Programs of \$1.21B; and
 - the 2023 Operating Expenditures Budget of \$4.35M
- Staff will deliver same to the Regional Treasurer, in accordance with the Region's annual budget process, for Regional Council approval in January/February 2023
- Senior level funding will continue to be pursued to advance Scenario 1, that will allow for the full build out of the rapid transit network in York Region

For more information on this report, please contact Gurpreet Uppal, Vice President, Finance and Treasurer at 1-877-464-9675 ext. 71057. Accessible formats or communication supports are available upon request.

Recommended by:

Mary-Frances Turner
President, YRRTC

September 20, 2022
Choose an item.
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