

## MEMORANDUM

To: Members of Committee of the Whole

From: Erin Mahoney, M. Eng.  
Commissioner of Public Works

Laura Mirabella  
Commissioner of Finance and Regional Treasurer

Date: February 7, 2023

Re: Roads Capital Acceleration Reserve Update

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This memo updates Council on the Roads Capital Acceleration Reserve (RCAR), the status of projects funded predominantly through RCAR and an outlook of reserve balances.

### **Roads Capital Acceleration Reserve was created in 2019 to accelerate priority growth-related road projects**

Growth-related road projects are primarily funded through development charges and are programmed to align with development charge collections. The RCAR fund was created in response to Council's request for more investment in growth-related road projects over the near term, in advance of when development charges are collected. The RCAR reserve is dedicated to acceleration of growth-related road projects that are funded primarily through development charges.

RCAR was established through the 2019 Budget with initial funding from an incremental 1% tax levy increase in 2019. The reserve was intended to accelerate about \$260 million in roads projects. In June 2019, Council authorized funding RCAR through the initial 1% tax levy. This additional tax levy funding is equivalent to about \$10.7 million per year. This reserve is also funded from a variety of tax levy sources including funding from the 2018 operating surplus, funds freed up from the Federal Gas Tax Top-Up and transfers from the Debt Reduction

Reserve. The 1% additional tax levy, equivalent to \$10.7 million per year, will continue to fund the reserve in future until Council decides otherwise.

### **The list of projects funded by RCAR is incorporated in the 10-Year Roads Capital Program which is reviewed annually and approved by Council through the budget process**

An initial list of projects to be funded through RCAR was [presented to Council on April 25, 2019](#). Following consultation with local municipalities and a review of project limits, schedules and budgets, a revised list of projects was established. This priority list was incorporated into the 2020 Capital Program and presented to Council during the [December 2019 budget presentation](#).

All projects, including growth-related road projects, are reviewed and prioritized on an annual basis to ensure they meet objectives of the Region's Transportation Master Plan. Through this review, projects may be added, removed or adjustments made to project limits or timing. The 10-Year capital program is then presented to Council for approval through the budget process.

All but two of the 14 identified projects are on schedule. Construction of the Midblock Crossing of Highway 404, North of 16<sup>th</sup> Avenue was planned to start in 2022 and will now be tendered in Q1 2023. Construction of Major Mackenzie Drive improvements between Jane Street and Keele Street has been advanced and is already in construction, two years ahead of schedule. A project for improvements to the Highway 7 west of Kipling Avenue intersection has been removed from the Draft 2023 10-Year Capital Program as Metrolinx is currently reviewing this corridor for Bus Rapid Transit expansion between Brampton and Vaughan.

The list of projects accelerated through RCAR, along with project timing and current status updates are summarized in Attachment 1.

### **Reserve repayment would be from future development charge collections**

The total value of projects partially funded through RCAR is estimated to be \$360.3 million, excluding recoveries for the Midblock Crossing of Highway 404, North of 16<sup>th</sup> Avenue, of which \$203.6 million will be withdrawn from RCAR and the remaining portion will be funded from development charges, tax levy and from local municipal partners for shared projects.

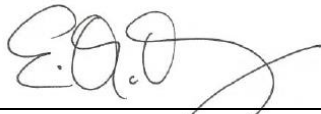
Withdrawals from RCAR are expected to end in 2029 and the RCAR fund will be repaid from future development charge collections during the time periods when the projects were originally carried in the 2019 Budget. The balance of this reserve could be used to address cost escalation over the years or as a revolving fund to accelerate additional road projects in the future. The value of the reserve in 2029 excluding repayments is estimated to be \$12.9 million, which represents estimated interest earnings.

### **The Roads Capital Acceleration Reserve remains financially sound and has allowed priority projects to be advanced**

Table 1 summarizes forecasted inflows, tax levy source inputs to the reserve, and outflows, draws used to deliver RCAR funded projects. Interest earned is also shown in this table.

**Table 1**  
**Roads Capital Acceleration Reserve Balance 2019-2029**

Item	Actuals (\$ Million)			Forecast (\$ Million)								
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Opening Balance	0.0	21.7	35.6	48.3	53.2	59.0	66.0	46.3	28.3	28.3	22.1	
<b>Inflows</b>	<b>21.4</b>	<b>13.7</b>	<b>16.5</b>	<b>10.7</b>	<b>16.0</b>	<b>29.5</b>	<b>10.7</b>	<b>25.9</b>	<b>24.9</b>	<b>23.3</b>	<b>10.7</b>	<b>203.6</b>
Approved 1% 2018 Surplus	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7	
Federal Gas Tax Top-Up		3.0	5.8		5.3	18.8						
Transfer from Debt Reduction Reserves								15.2	14.2	12.6		
Interest Earned	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	<b>1.9</b>	<b>1.8</b>	<b>2.1</b>	<b>1.9</b>	<b>1.3</b>	<b>1.0</b>	<b>1.0</b>	<b>0.8</b>	<b>12.9</b>
<b>Outflows</b>	<b>0.0</b>	<b>-0.2</b>	<b>-4.2</b>	<b>-7.8</b>	<b>-12.1</b>	<b>-24.6</b>	<b>-32.4</b>	<b>-45.2</b>	<b>-26.0</b>	<b>-30.5</b>	<b>-20.7</b>	<b>-203.6</b>
RCAR funding to Projects												
<b>Closing Balance</b>	<b>21.7</b>	<b>35.6</b>	<b>48.3</b>	<b>53.2</b>	<b>59.0</b>	<b>66.0</b>	<b>46.3</b>	<b>28.3</b>	<b>28.3</b>	<b>22.1</b>	<b>12.9</b>	<b>12.9</b>



Erin Mahoney, M. Eng.  
Commissioner of Public Works



Laura Mirabella  
Commissioner of Finance and Regional Treasurer



Bruce Macgregor  
Chief Administrative Officer

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Attachment 1 – Roads Capital Acceleration Reserve Project Timing and Status