



To: Committee of the Whole
Meeting Date: September 14, 2023
From: Erin Mahoney, M. Eng.
Commissioner of Public Works
Re: **2024 10-Year Transportation Capital Plan Update**

The 2024 Regional Budget and 10-year Capital Plan will be submitted in December 2023 through Committee and Council. As the capital plan is being prepared, a common trend, which is being felt internationally across most engineering and construction disciplines, is the impact of inflation on project and construction cost estimates. Although these impacts are being felt across Public Works and York Region infrastructure projects, this memo focuses on the Transportation Capital Plan given respective funding programs. Broader inflation impacts will be assessed through future budget processes and other funding model reviews.

The historical trend of construction inflation, and heightened impacts after the COVID-19 pandemic and other world events such as the war in Ukraine, has put pressure on the 2024 10-Year Transportation Capital Plan. Without increasing or changing the use of funding reserves there is a need to consider deferral of some projects approved in the 2023 10-Year Transportation Capital Plan into later years. In advance of 2024 budget discussions in December, this memo provides Council with background on development of the 2024 10-Year Transportation Capital Plan including cost pressures, funding sources, and the process used to determine the projects to be included and deferred.

There are significant cost pressures for the 2024 10-Year Transportation Capital Plan

Capital project costs have increased significantly since 2020. Cost estimates incorporated in the capital plan are refined to reflect real-world pricing as a project goes through various stages of implementation such as the planning (Environmental Assessment), design, and construction phases. As a result, project cost estimates change over time and must be managed as part of the annual budget process.

In addition to global events, cost increases are attributed to several factors including regulatory changes, like excess soil regulations and increased requirements for permitting and approvals from agencies and other levels of government. Consultant fees are subject to inflationary impacts and have increased in recent years as a result of increasing labour costs and

competing market demands. Capital cost pressures have been further compounded by a significant 35% increase in land costs in the Region since 2020, as indicated by the Toronto Regional Real Estate Board (TRREB) Market Watch Record.

For York Region transportation projects currently under construction, analysis has shown surges in oil and fuel prices, increases in construction material expenses, supply chain issues and escalating labour costs, which have culminated in construction cost increases that have significantly outpaced the consumer price index. During the development of the 2024 budget, capital inflation for the Region's transportation capital projects was tracking at nearly 20% and cost pressures are expected to remain elevated.

Projects in the 10-Year Transportation Capital Plan are funded from a number of sources including the Roads Capital Acceleration Reserve

Growth-related road projects are primarily funded through development charges and are programmed to align with development charge collections. The Roads Capital Acceleration Reserve (RCAR) 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.

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 (\$200M funded from RCAR and \$60M from other sources). 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. On April 25, 2019 Council received the presentation, Funding the Roads Capital Acceleration Reserve and considered a non-tax levy option to fund the reserve. On June 20, 2019, Council received the Transportation Capital Acceleration Reserve Fund report and approved the non-tax levy funding option. Funds advanced from RCAR would be repaid from development charge collections in the year the accelerated projects were originally scheduled to be funded in the Region's capital plan.


Investment in Roads Capital Acceleration Reserve has funded the advancement of over \$200 million for growth-related projects

RCAR funding is incorporated in the 10-Year Transportation Capital Plan which is reviewed annually and approved by Council through the budget process. The 10-year Transportation Capital Plan represents the highest priority road projects to meet transportation needs over the next decade.

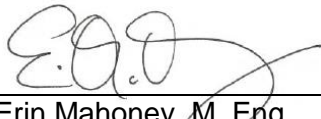
Growth-related roads projects are not prioritized or differentiated based on funding source. That said, an initial list of projects was incorporated into the 2020 10-Year Transportation Capital Plan and presented to Council during the [December 2019 budget presentation](#). An update on these projects was [provided to Council in February 2023](#) showing the benefits of RCAR which has allowed for advancement of more than \$200 million for growth-related roads projects.

Adjustment to the 2024 10-Year Transportation Capital Plan will be based on the prioritization methodology established through the latest version of the Transportation Master Plan and will be included as part of the 2024 budget process. Whenever possible, only the construction phase of a project will be considered for deferral and pre-construction activities will continue to be advanced to ensure projects are ready for delivery should additional funds become available.

For more information on this memo, please contact Brian Titherington, Director, Infrastructure Asset Management – Transportation at 1-877-464-9675 ext. 75901. Accessible formats or communication supports are available upon request.



Mike Rabeau
General Manager, Capital Infrastructure Services



Erin Mahoney, M. Eng.
Commissioner of Public Works



Bruce Macgregor
Chief Administrative Officer

September 5, 2023
15722994