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Report of the Commissioner of Finance  
**2024 to 2026 Budget – Public Works – Transportation Services**

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## 1. Recommendation

1. Committee of the Whole recommends the budget as submitted for Public Works – Transportation Services as follows:
  - a. The 2024 operating budget and 2025 to 2026 operating outlook as summarized in Appendix A, which includes an annual 3% transit fare increase in July 2024 to address increasing service costs
  - b. The 2024 capital expenditures and Capital Spending Authority, as summarized in Appendix B.
2. The recommended budget be consolidated by the Commissioner of Finance and Regional Treasurer for consideration by Council on December 21, 2023.

## 2. Purpose

This report provides a summary of the 2024 to 2026 Operating and 2024 Capital Budget for Public Works – Transportation Services for consideration by Committee of the Whole. Details of the budget can be found on page 67 of the [2024 to 2026 Budget Book](#)

### Key Points:

- The proposed budget meets the needs of York Region residents, maintains efficiency measures, and enables delivery of safe, reliable and high-quality roads to people and communities across the Region.
- The 10-Year Capital Program plans, builds and maintains the transportation network for the future.

- The 2024 proposed gross operating expenditures are \$568.4 million, which is 18.0% of total Regional operating expenditures
- After non-tax revenues of \$178.3 million, the proposed net operating budget is \$390.1 million, or 27.6% of the Region's net expenditures, representing an increase of 0.70% from the 2023 budget
- The 2024 proposed capital budget is \$368.4 million, or 36.6% of the proposed total Regional capital expenditures, with proposed Capital Spending Authority of \$1.86 billion
- The 2024 proposed budget includes a 3% annual transit fare increase beginning in July 2024, the first increase since the transit fare freeze from 2020 to 2023 during the COVID-19 pandemic

### 3. Background

Public Works – Transportation Services delivers sustainable critical infrastructure and services and moves people and goods safely and efficiently across the Region's growing communities.

#### **2023 Budget approved on February 23, 2023 included an operating outlook for 2024-2026**

The 2023 Budget approved on February 23, 2023 included a 2024 to 2026 outlook with tax levy increases of 2.75%, 2.60% and 2.60%, respectively, and an additional Rapid Transit / Infrastructure Levy of 1% in each year to help fund the Yonge North Subway Extension and other critical infrastructure. This outlook reflected budget amounts for Regional departments and key service areas.

#### **2024 Budget was tabled with Council on November 23, 2023**

The [2024 Budget Directions](#) report established the timeline of tabling the 2024 to 2026 Budget in November 2023, with departmental reviews by Committee of the Whole on November 30 and December 7, and final approval by Council scheduled for December 21, 2023.

The proposed 2024 to 2026 Operating and 2024 Capital Budget was tabled with Council on November 23, 2023. It included a proposed tax levy increase of 2.75%. The tabled budget also includes an additional Rapid Transit / Infrastructure Levy of 1%, which is consistent with funding requirements identified as part of the [2023 Regional Fiscal Strategy](#) report, [2024 Budget Directions](#) report, and the [2023 Fiscal Sustainability Update](#). The budget as tabled was received and referred to the meetings of Committee of the Whole for consideration and recommendation.

#### **2024 Budget is the second year of the 2023-2026 Multi-year Budget covering the term of Council**

The operating budget as presented includes the proposed 2024 budget and an outlook for 2025 to 2026. The outlook will be reviewed annually through the budget process. Each year Council will

consider the proposed budget for the upcoming year and the outlook for the remaining years of Council's term.

For the 2024 to 2026 budget, Council is asked to approve the 2024 proposed operating budget and endorse the 2025 to 2026 outlook.

### **Multi-year commitments for capital projects are proposed as part of the budget process**

Many capital projects span several years of planning, design and construction, requiring spending authority beyond the current budget year.

Capital Spending Authority is requested for 2024 capital expenditures and for projects with contractual and other clear or certain multi-year commitments. As in previous years, Council is asked to approve the proposed 2024 capital expenditures and associated funding sources, as well as the multi-year Capital Spending Authority and associated funding sources.

## **4. Analysis**

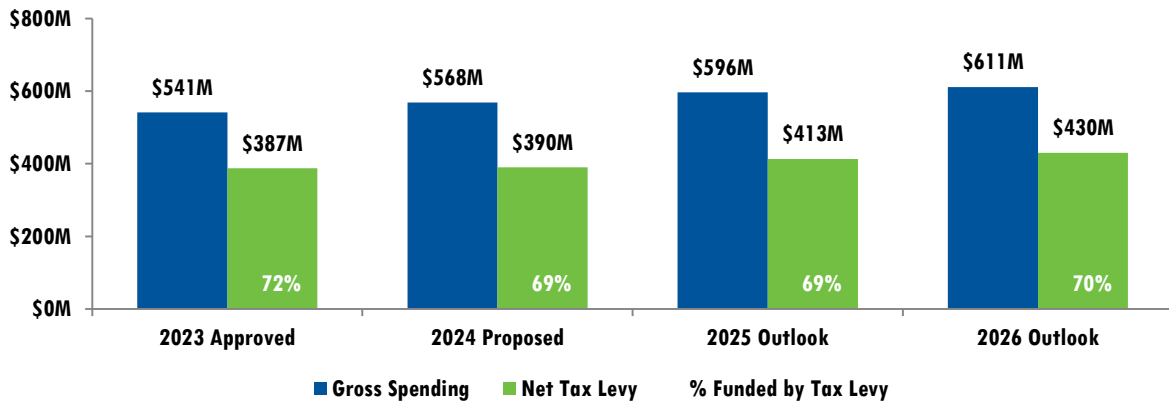
### **OPERATING BUDGET**

#### **Approval of 2024 gross expenditures of \$568.4 million and net expenditures of \$390.1 million is requested**

The budget includes gross operating expenditures (i.e., total budget), and net expenditures, which correspond to the portion of the budget paid by the tax levy. Non-tax revenues fund the difference. For Public Works – Transportation Services, non-tax revenues primarily come from transit fares, advertising, and provincial gas tax transfers, with smaller revenues from fees, charges and third-party recoveries.

The 2024 proposed gross operating expenditures for Public Works – Transportation Services are \$568.4 million, or 18.0% of total Regional expenditures. The proposed 2024 net expenditures of \$390.1 million are 27.6% of the total. The tax levy funds 68.6% of Public Works – Transportation Services' 2024 gross expenditures, as shown in Figure 1 on the next page.

**Figure 1**  
**2024 Gross and Net Operating Expenditures**



**Major drivers for the increase in PW-TRN proposed 2024 operating budget include inflationary increases for contractual commitments and fuel costs**

Public Works – Transportation Services’ proposed 2024 net budget is \$390.1 million, an increase of 0.70% from the 2023 budget.

The department’s proposed 2024 net budget is slightly higher than the 2023 budget primarily due to inflationary increases for fuel costs and operating contracts.

The budget also reflects the establishment of the York Region Processing Centre for Automated Enforcement Infractions, as endorsed by Council on September 14, 2023. The increase in gross expenditures is expected to be offset by the Court Services Reserve in 2024, and potential revenue generated from the program in outlook years.

The percentage increase in the proposed Public Works – Transportation Services budget does not reflect any offset from assessment growth revenue, as assessment growth is applied to reduce the overall Regional tax levy, rather than apportioned to individual departments.

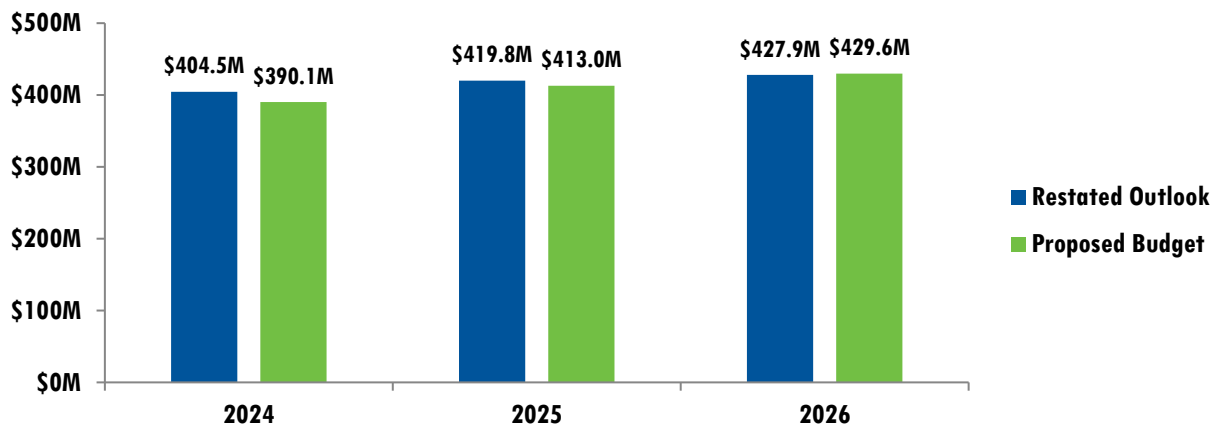
**The increases in budget are partially offset by forecasted higher transit revenues**

Transit fares offset some of the costs of transit services. In June 2023, Council was [updated](#) on impacts to transit’s revenue-to-cost ratio resulting from the COVID-19 pandemic transit fare freeze in place from 2020-2023. As transit ridership is projected to recover, the 2024 proposed budget includes a 3% (approximately \$0.12) annual transit fare increase beginning in July 2024. The fare increase equates to \$1.0 million, \$3.4 million, and \$5.9 million in 2024, 2025, and 2026 respectively. The increased revenue will help to offset rising service costs and ongoing recovery of the revenue-to-cost ratio.

## Proposed Public Works – Transportation Services 2024 operating budget is lower than outlook

As illustrated in Figure 2 on the next page, the proposed Public Works – Transportation Services 2024 net budget is \$14.4 million lower than the outlook. The 2025 net budget is \$6.8 million lower and the 2026 net budget \$1.7 million higher than outlook.

**Figure 2**  
**2024 Proposed Net Budget Compared to Outlook**



The department’s proposed 2024 net budget is below outlook primarily as a result of faster-than-expected ridership recovery. As previously mentioned, budget assumptions for transit ridership have been updated to reflect the continued growth, with a return to pre-pandemic ridership expected in 2024.

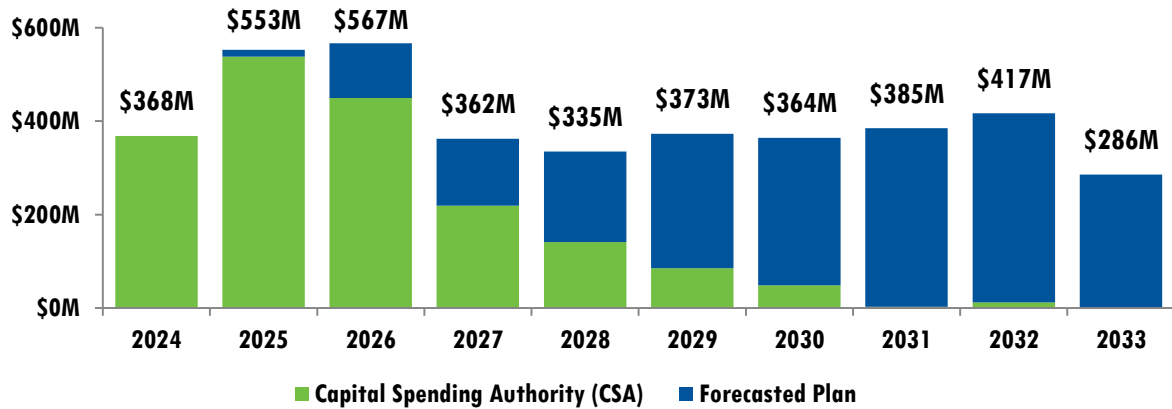
## CAPITAL BUDGET

### Approval of 2024 capital expenditures of \$368.4 million and Capital Spending Authority of \$1.86 billion is requested

Public Works – Transportation Services’ capital budget enables infrastructure projects in support of growth, such as road widenings and intersection improvements, and renewal of buses and related facilities, including preservation of pavement, bridges and culverts. The budget also reflects the acceleration of electric bus adoption with support from the federal Zero-Emission Transit Fund.

As shown on the next page in Figure 3, the 2024 proposed capital expenditures are \$368.4 million or 36.6% of total Regional capital expenditures. Proposed Capital Spending Authority is \$1.86 billion or 30.6% of the Region’s total Capital Spending Authority.

**Figure 3**  
**Ten-Year Capital Plan and Capital Spending Authority (CSA)**



Appendix B summarizes proposed 2024 capital expenditures and Capital Spending Authority by program and shows the associated funding sources. Details on the individual projects are available in the 2024 to 2026 Budget Book starting on page 239.

### **The proposed budget supports the Strategic Plan**

The budget for Public Works – Transportation Services supports the delivery of the *2023 to 2027 Strategic Plan* priorities under Vision’s Areas of Focus of Economic Vitality, Sustainable Environment and Good Government.

More information on alignment between the Strategic Plan and the budget is provided in the [2024 to 2026 Budget Book](#).

## **5. Financial Considerations**

The proposed 2024 net operating budget for Public Works – Transportation Services is \$390.1 million, which represents a 0.70% increase before assessment growth revenue, as summarized in Appendix A.

The proposed 2024 capital budget of \$368.4 million and Capital Spending Authority of \$1.86 billion are summarized in Appendix B.

## **6. Local Impact**

The Region’s budget supports a wide range of public services that support and benefit residents and local economies. The Region works with its local municipal partners to develop many Regional

programs and services. Local needs and impacts are an important consideration in delivering effective and efficient services for a growing population.

## 7. Conclusion

This report sets out the proposed operating and capital budgets for Public Works – Transportation Services. To facilitate completion of the budget process, it is recommended that the Committee's recommendations be forwarded to Council for consideration on December 21, 2023.

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For more information on this report, please contact Kelly Strueby, Director, Office of the Budget at 1-877-464-9675 ext. 71611. Accessible formats or communication supports are available upon request.

Recommended by:



**Laura Mirabella**

Commissioner of Finance and Regional Treasurer



**David Szeptycki**

Acting Commissioner of Public Works



Approved for Submission:

**Erin Mahoney**

Chief Administrative Officer

November 7, 2023

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Appendix A – Operating Budget

Appendix B – Capital Budget

## 2024-2026 Operating Budget for Public Works – Transportation Services

(in \$000s)	Page No.	2023 Budget		2024 Proposed		Change Net %	2025 Outlook		2026 Outlook	
		Gross	Net	Gross	Net		Gross	Net	Gross	Net
Transit Services	80	289,493	215,947	305,989	212,736	(1.49%)	323,144	224,883	337,821	235,543
Roads	84	251,494	171,417	262,365	177,327	3.45%	273,322	188,117	272,825	194,062
<b>Total<sup>1</sup></b>		<b>540,987</b>	<b>387,364</b>	<b>568,354</b>	<b>390,063</b>	<b>0.70%</b>	<b>596,466</b>	<b>413,001</b>	<b>610,646</b>	<b>429,605</b>

<sup>1</sup> Numbers may not add due to rounding

<sup>2</sup> The percentage change in the proposed budget does not reflect any offset from assessment growth revenue

<sup>3</sup> Summary of the consolidated Operating Budget for York Region can be found on the table on pages 44 - 45 in the 2024-26 Budget Book



## 2024 Capital Expenditures and Capital Spending Authority (CSA) for Public Works – Transportation Services

<b>Transit Services</b>	<b>Page No.</b>	<b>2024 \$000s</b>	<b>Total CSA \$000s</b>
<b>Program Expenditures:</b>			
Rehabilitation and Replacement	80	48,085	429,570
Growth	80	17,285	232,761
<b>Total Program Expenditures</b>		<b>65,370</b>	<b>662,331</b>
<b>Funding Sources:</b>			
Development Charges	80	5,997	118,177
Asset Replacement Reserve	80	12,139	78,697
Program Specific & Gen. Capital Reserves	80	1,316	36,829
Canada Community-Building Fund Reserve	80	32,333	214,572
Grants & Subsidies	80	9,972	75,898
Other Recoveries	80	3,613	3,983
Planned Debenture Proceeds	80	-	134,175
<b>Total Funding Sources</b>		<b>65,370</b>	<b>662,331</b>

<b>Roads</b>	<b>Page No.</b>	<b>2024 \$000s</b>	<b>Total CSA \$000s</b>
<b>Program Expenditures:</b>			
Rehabilitation and Replacement	84	116,473	243,973
Growth	84	186,595	958,640
<b>Total Program Expenditures</b>		<b>303,068</b>	<b>1,202,613</b>
<b>Funding Sources:</b>			
Development Charges	84	153,523	628,549
Developer Financing	84	1,373	32,237
Asset Replacement Reserve	84	73,228	164,870
Program Specific & Gen. Capital Reserves	84	31,830	242,298
Other Recoveries	84	43,114	134,659
<b>Total Funding Sources</b>		<b>303,068</b>	<b>1,202,613</b>

<sup>1</sup> Summary of the consolidated Capital Budget for York Region can be found on the table on pages 56-57 in the 2024-26 Budget Book