ATTACHMENT B

THE REGIONAL MUNICIPALITY OF YORK

Transportation Services Committee
May 1, 2013
Report of the
Commissioner of Transportation and Community Planning

METROLINX INVESTMENT STRATEGY
SHORT LIST OF REVENUE TOOLS

1. RECOMMENDATIONS

It is recommended that:

1. The Regional Chair be authorized to act in regard to the Metrolinx investment strategy during July and August 2013.

2. The Regional Clerk circulate this report to Metrolinx, the Ministry of Transportation and the Clerks of the local municipalities.

2. PURPOSE

This report summarises the short list of potential funding tools that Metrolinx has identified for consideration prior to the release of its final investment strategy on May 27, 2013. The report also considers the proposals of other key stakeholders such as the Toronto Region Board of Trade and the City of Toronto.

3. BACKGROUND

The Big Move is a 25-year Regional Transportation Plan first released in 2008 to prepare the Greater Toronto and Hamilton Area for growth

Metrolinx's The Big Move is a 25-year, $50 billion (2008 dollars) Regional Transportation Plan, of which $16 billion has been committed so far. Called the "First Wave" of projects, the funding includes construction of the main segments of York Region's Highway 7, Yonge Street, and Davis Drive bus rapid transit (vivaNext). The "Next Wave" of projects is the remainder of the top priorities for the first 15 years of the plan which, before inflation, will require an estimated $34B in capital funding. The Next Wave includes the Yonge North subway extension and all-day two-way service on the Barrie, Richmond Hill and Stouffville GO rail lines.

Council Attachment 1 illustrates each of the 25-year planned projects in The Big Move for the Greater Toronto and Hamilton Area (GTHA), while *Council Attachment 2* illustrates the 15-year planned projects. Within the 15-year plan, the first wave of projects with committed funding is highlighted in *Council Attachment 3*. The "Next Wave" of projects is highlighted in *Council Attachment 4*. The first wave and "next wave" of projects were identified in The Big Move as the top 15 transit priorities.

Metrolinx is required to table a comprehensive investment strategy for funding The Big Move by June 1, 2013. The scope of investments is expected to include transportation capital expansion, optimization and renewal across the GTHA. It is not known whether the financing tools and revenue sources included in the investment strategy may be used by the Province or municipalities to address other costs such as operations, rehabilitation/renewal and interest on debt.

Metrolinx and other major stakeholders are conducting and completing public and stakeholder consultations on new revenue tools to fund The Big Move

Metrolinx has completed a series of 12 public roundtable "conversations" across the GTHA on transportation investment tools needed to fund The Big Move. These consultations were held in January and February 2013. Two were held in York Region, specifically in Newmarket and Richmond Hill on January 19 and February 19, 2013, respectively.

The City of Toronto has been conducting its own public consultation, "Feeling Congested" campaign, to seek public feedback on revenue tools that Metrolinx is considering and on transportation project priorities as part of the City's five year Official Plan Review.

The Greater Toronto Civic Action Alliance, successor to the Toronto City Summit Alliance and made up of a coalition of senior executives and other leaders from all sectors, launched a public consultation campaign called "What Would You Do With 32?" to get public reaction to an improved transportation system and quality of life. The campaign is focussed on the expected travel time savings of 32 minutes for the average commuter in the GTHA once The Big Move is implemented. A key objective of Civic Action's campaign is to develop consensus on the principles and conditions that will help guide governments in deciding on how to fund transportation infrastructure. Their campaign is still under way.

The Toronto Region Board of Trade has released a paper recommending four dedicated revenue tools

In March 2013, the Toronto Region Board of Trade released a discussion paper "A Green Light to Moving the Toronto Region: Paying for Public Transportation Expansion" (*Council Attachment 5*). It recommended four dedicated revenue tools that could be combined to achieve the $2 billion annual funding requirement.

The City of Toronto staff have recommended seven revenue tools to their Council

City staff have tabled a report for the April 23, 2013 City of Toronto Executive Committee meeting (*Council Attachment 6*). In the report, City staff is recommending seven revenue tools which are detailed in Table 1 later in this report.

This report summarizes the Metrolinx shortlist of revenue tools, compares them to the recommendations of others and discusses their impact on the Region.

4. ANALYSIS AND OPTIONS

The Investment Strategy Metrolinx will release to their Board on May 27, 2013 is expected to inform Provincial and municipal policy making in the months to come; in the meantime Metrolinx released a short list of potential investment tools for consultation in March 2013

In March 2013, Metrolinx released "Big Move Implementation Economics: Revenue Tool Profiles", a study documenting the different revenue tools used in jurisdictions around the world to fund transportation infrastructure. This AECOM/KPMG study also estimated the revenue potential of each tool when applied to the GTHA context. The long list of revenue tools is listed and described in *Council Attachment 7.*

On April 2, 2013, Metrolinx released a short list of 11 revenue tools for public and stakeholder review. The Metrolinx presentation "Investing in our Future" that released the short list is shown in *Council Attachment 8.*

Metrolinx staff will be tabling a report on their investment strategy to the Metrolinx Board on May 27, 2013. Informed by the March 2013 study, and the consultations now taking place, the report will recommend a set of revenue tools that could be used to fund future transportation infrastructure needs.

The public discussion in the media and stakeholder consultations carried out by Metrolinx, the City of Toronto, Toronto Region Board of Trade on funding The Big Move involved reasonably similar principles

Metrolinx has been guided by the following core principles for evaluating the potential revenue tools:

- Dedicated revenue
- Fairness in costs and benefits
- Equity across the region (GTHA)
- Transparency and accountability

The Toronto Region Board of Trade proposed the following principles:

- Dedicated and time-bound revenue streams
- Absolute clarity for policy and revenue generation objectives
- Openness and transparency
- Rigorous cost-benefit analyses
- Ensuring maximum value for money for taxpayer dollars spent
- Fairness and equity related considerations

The City of Toronto staff report recommends using the following implementation principles in the City's support for new revenue tools:

- Approval and a clear commitment from Metrolinx and the Province to build the transportation projects planned within The Big Move.
- All project selections be based on a cost/benefit analysis that emphasizes improving transportation capacity, relief from congestion, and is linked to appropriate land-use planning.
- New Greater Toronto and Hamilton Area (GTHA) taxes or fees must be dedicated to funding GTHA transportation expansion.
- New taxes or user fees imposed in the Greater Toronto and Hamilton Area (GTHA) should be assessed at the same rates across the GTHA.
- The mix of revenue should balance the impact across various segments of society (e.g., both residents and businesses), with particular attention to affordability for lower-income citizens.

Metrolinx, the Toronto Region Board of Trade and City of Toronto are proposing revenue tools which have varying advantages and implications to different stakeholder groups

Table 1 provides a summary of Metrolinx's short list of eleven possible investment tools, Toronto Region Board of Trade's (TRBOT) four recommended revenue tools and the City of Toronto's seven recommended revenue tools.

Table 1
Proposed Revenue Tools for GTHA Transportation Growth

Revenue Tool	Description	Metrolinx	Toronto Region Board of Trade	City of Toronto
High-Performing Tools				
Employer Payroll Tax	A percentage of gross employee earnings in a pay period is withheld by employers in a defined area and remitted to the government.	✓		
Fuel Tax	An excise tax levied on the sale of transportation fuels in a defined area.	✓	✓	✓
Highway Tolls	A fee charged per distance travelled on a designated road or section of road.	✓		✓
Parking Space Levy	A daily levy applied to all non-residential, off-street parking spaces within a defined area.	✓	✓	✓
Property Tax	A percentage-based levy on the value of real property in a defined area.	✓		
Sales Tax	A percentage tax applied on eligible goods and services sold in a defined area.	✓	✓	✓
Vehicle Kilometres Travelled (VKT) Fee	A fee paid for every kilometre travelled within a defined area. The VKT of all cars and trucks are tracked through odometer readings or GPS tracking.	✓		
Vehicle Registration Tax	A fee paid by vehicle owners upon registering a new vehicle or renewing that registration annually.			✓
High Policy Impact Tools				
Development Charges	An increase to development charges levied in a specified area to fund the cost of transit infrastructure required to service growth	✓		✓
High Occupancy Tolls (HOT)	Single occupant vehicles are charged for using planned and existing high occupancy vehicle (HOV) lanes in a designated zone.	✓	✓	✓
Land Value Capture	Partnerships with developers and land owners to capture the incremental benefit of land value increases stemming from proximal transit investments.	✓		
Transit Fare Increase	A fare surcharge applied to all transit trips in the GTHA for Metrolinx projects.	✓		

One of the revenue tools recommended by City of Toronto staff is the vehicle registration tax of $50 - $100 per vehicle or renewal. This tool is not on Metrolinx's short list and not on Toronto Region Board of Trade's recommended list.

Metrolinx's eleven proposed tools include:

- Seven high-performing tools selected based on:
  i) revenue generation and cost,
  ii) ease of implementation and use, and
  iii) public impacts including transportation benefits and social fairness.
- Four high-policy impact tools selected based on their ability to:
  i) improve travel behaviour, choice and capacity optimisation on the existing highway system,
  ii) integrate land development and transportation investment decisions, and
  iii) ensure transit users contribute directly to transit capital expansion costs.

The City of Toronto is recommending that four revenue tools be used in the near term and that another three be added after the $16 billion first wave of projects are substantially completed. The first set of revenue tools recommended by Toronto staff are:

- Development charges
- Fuel tax
- Parking levy
- Sales tax

The additional medium-term revenue tools recommended by Toronto staff are:

- High occupancy tolls
- Highway tolls
- Vehicle registration tax

Based on Metrolinx's suggested approach to implementation, each revenue tool has the potential to generate different amounts of annual revenue, from $20 million to $1.6 billion. A number of the potential revenue tools such as highway tolling and parking space levy cannot be implemented in isolation by the Province or within individual municipalities but must be applied across the GTHA to meet the core principles behind their selections.

Changes in Provincial legislation will be needed for most revenue tools to be introduced

The introduction of area-specific taxes, user fees or revenue supplements will, in most cases, require Provincial legislative and/or regulatory amendment. New legislation may also be needed. Depending on the preferred approach to revenue sources, the scope of these amendments could be significant, requiring consultation with the federal government and parallel amendments to federal legislation.

All the revenue tools identified in Table 1 would require amendments to a number of Acts and associated Regulations, including (but not limited to):

Provincial

- *City of Hamilton Act*, 1999
- *City of Toronto Act*, 2006
- *Development Charges Act*, 1997
- *Fuel Tax Act*
- *Financial Administration Act*
- *Gasoline Tax Act*
- *Highway Traffic Act*
- *Income Tax Act*
- *Metrolinx Act*, 2006
- *Municipal Act*, 2001
- *Public Transportation and Highway Improvement Act*
- *Taxation Act*, 2007

Federal

- *Excise Tax Act*
- *Financial Administration Act*
- *Income Tax Act*

A report on the implications of the Metrolinx investment strategy is planned for Fall 2013

Staff will report back to Regional Council in Fall 2013 following the release of Metrolinx's investment strategy report and on initial reactions and implications for York Region. In particular, focus will be placed on the impact on the Yonge North subway extension project.

Staff recommend that Council delegate authority to the Regional Chair should the need arise to respond to Metrolinx during the Summer recess months

The timing of the release of the Metrolinx investment strategy on May 27, 2013 does not provide staff sufficient time to assess and report to Regional Council before the Summer recess. Should the need arise for York Region to respond in some way to the Metrolinx investment strategy before September 2013, staff recommend that the Regional Chair be delegated authority to respond on behalf of Regional Council during the months of July and August 2013.

Link to Key Council-approved Plans

This report supports the 2011 to 2015 Strategic Plan in the priority areas of:

- Continue to deliver and sustain critical infrastructure.
- Manage the Region's finances prudently.

This report also supports the following relationships to Vision 2051:

- Developing interconnected systems for mobility through supporting a transportation network that has a hierarchy of facility types to increase travel choices.
- Providing open and responsive governance focusing on operational excellence and fiscal responsibility.

5. FINANCIAL IMPLICATIONS

Table 2 presents revenue estimates and estimated average household impacts for each of the short listed revenue tools

Table 2 provides a preliminary estimate of the revenue potential associated with each revenue tool, based on the March 2013 AECOM/KPMG study findings and ranked in order of estimated annual GTHA-wide revenue potential. All estimates assume a uniform application of each tool across the GTHA. It also presents very preliminary financial estimates of the impact of each revenue tool on a typical York Region household.

Table 2
Preliminary Financial Impact of Recommended Revenue Tools
(all figures in 2014 dollars unless otherwise noted)

Revenue Tool	Charge used in March 2013 Metrolinx study (for Illustrative Purposes)*	GTHA Annual Revenue Estimate	Estimated Average Annual Impact per York Region household**
Vehicle Kilometres Travelled (VKT) Charge	All cars and trucks in the GTHA would be equipped with GPS units. A $0.03 per kilometre charge is assumed for revenue estimates.	$1.6 billion	$930
Sales Tax	A sales tax is uniformly applied to all goods and services sold in the GTHA. A 1.00% tax is assumed for revenue estimates.	$1.4 billion	$750
Highway Tolls	All Provincial and municipal expressways in the GTHA would be tolled using a $0.10 per kilometre fixed toll rate.	$1.4 billion (once fully implemented in 2021)	$650
Parking Space Levy	A charge of $1 per parking space per day across the GTHA. Municipal cooperation needed to collect levies and manage inventories.	$1.4 billion	$470
Payroll Tax	A 0.50% employer payroll tax would be deducted from employee gross earnings in the GTHA and remitted to Metrolinx (via the Province).	$700 million	$570
Property Tax	A 5% increase in existing property tax rates charged on the assessed values of all property in the GTHA.	$420 – $550 million	$165
Fuel Tax	A $0.05 per litre flat rate fuel tax per litre of diesel and gasoline sold in the GTHA.	$330 million	$235

Continued next Page

Table 2 - continued

Revenue Tool	Charge used in March 2013 Metrolinx study (for Illustrative Purposes)*	GTHA Annual Revenue Estimate	Estimated Average Annual Impact per York Region household**
Vehicle Registration Tax	$50 - $100 per registration or renewal.	$150 - $300 million	$90 - $180
Transit Fares	A $0.15 per trip fare surcharge applied to all transit trips in the GTHA for Metrolinx projects.	$50 million	$78 for a household with one daily transit commuter
High Occupancy Tolls	Vehicles not meeting minimum occupancy requirements are charged a fee for using planned and existing high occupancy vehicle (HOV) lanes in the GTHA. Fee may vary based on time of use or congestion. Estimates assume a $0.30 per kilometre fee.	$25 – $45 million	Impact varies based on household usage
Development Charges	A 15% increase to development charges levied in the GTHA to fund the cost of transit infrastructure required to service growth.	$100 million	Impact varies by type of development
Land Value Capture	Partnerships with developers and land owners to capture the incremental benefit of land value increases stemming from proximal transit investments in the GTHA. Assumes that 25% of the value of uplift could be captured.	$20 million	Impact varies based on approach to implementation

Source: "*Big Move Implementation Economics: Revenue Tool Profiles*" (March 2013)
"*Investing in our Future*" (Metrolinx Presentation, April 2, 2013)

Notes: * Rates shown are used for illustrative purposes only and are not intended to recommend a particular rate.
** Household financial impact estimates prepared by York Region Finance and Transportation staff based on Metrolinx's estimated annual revenue potential, using their assumptions for rates and charges and on 2006 Transportation Tomorrow Survey and other appropriate transportation data.

No one tool is likely to raise sufficient revenues to fund the capital costs of the Next Wave, and the estimated impact to an average GTHA household is about $1,000/year

In order to raise enough revenue to fund capital costs associated with the Next Wave of projects, more than one revenue tool will be needed. For the average household in the GTHA, the financial impact would be about $1,000 per year in 2015 based on the preliminary estimates. However, individual households could be impacted quite differently depending on which tools are selected and which municipality the households are located in.

Regional staff is anticipating that a subset of the twelve revenue tools presented above will be in the Metrolinx investment strategy. A more detailed assessment of financial impacts and implications of Metrolinx's investment strategy will be provided in the Fall 2013 report.

New revenues will also fund non-rapid transit projects that make up 25 percent of the Next Wave of projects

Metrolinx is proposing that 75 per cent of the new revenue would be used to fund the Next Wave of transit projects under The Big Move. The remaining 25 percent of new revenue would be for:

- Municipal transit support such as municipal roads and transit (15 percent)
- Strategic highway initiatives (5 percent)
- Other smaller projects such as active transportation and customer services that support larger transportation priorities (5 percent).

Specific projects related to the above 25 percent were not identified in The Big Move.

How the allocation of these funds would be determined or prioritized is yet to be determined. Based on share of GTHA-wide population, the York Region share of 15 per cent of revenues for local roads and transit is estimated to be $47 million per year (in 2008 dollars).

In the months ahead, the Metrolinx investment strategy and subsequent discussions will provide clarity on current uncertainties surrounding project priorities

There is an expectation that the investment strategy and subsequent municipal dialogue with Metrolinx and the Province will provide clarifications on funding uncertainties and outstanding questions. There are questions related to how life cycle (asset management) costs, such as operating, rehabilitation/renewal and interest on debt, will be paid for. There are also questions related to project prioritisation and how funding will be allocated to projects across the GTHA. Other unknowns relate to issues of timing of completion of projects, and the plan as a whole.

6. LOCAL MUNICIPAL IMPACT

The growth plans of local municipalities are dependent on the completion of rapid transit lines and highway expansion as defined in their respective official plans. Therefore, the ability to fund The Big Move is critical to attracting continued economic development and investment in York Region and its local municipalities.

7. CONCLUSION

Metrolinx is required to table a comprehensive investment strategy for funding The Big Move by June 1, 2013. In advance of this, Metrolinx has released a short list of revenue tools for public and stakeholder review. The tools each have differing advantages and implications for revenue generation and implementation. Changes in Provincial legislation and regulation will be needed for application of some revenue tools by municipalities.

Staff will report back to Council in Fall 2013 regarding Metrolinx's investment strategy and the implications for York Region. Since the timing of the release of the Metrolinx Investment Strategy does not provide staff sufficient time to assess and report to Council before the Summer recess, staff recommend that Council delegate authority to the Regional Chair to respond on behalf of Regional Council during July and August 2013, if necessary.

For more information on this report, please contact Loy Cheah, Director, Transportation Planning at Ext. 5024.

The Senior Management Group has reviewed this report.

Recommended by:	Approved for Submission:
Kathleen Llewellyn-Thomas, P. Eng. Commissioner of Transportation and Community Planning	Bruce Macgregor Chief Administrative Officer

April 22, 2013

Attachments (8)

LC
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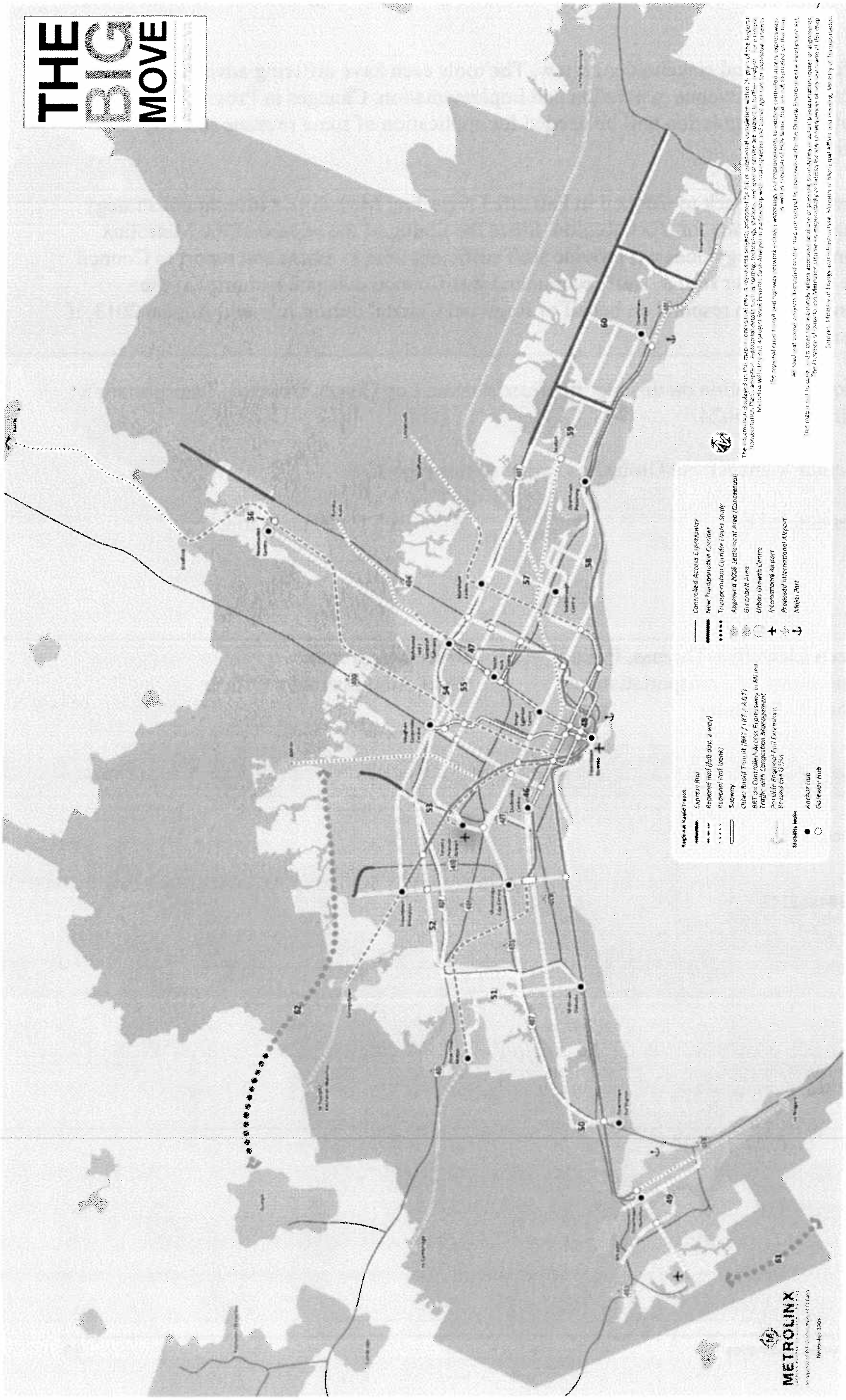
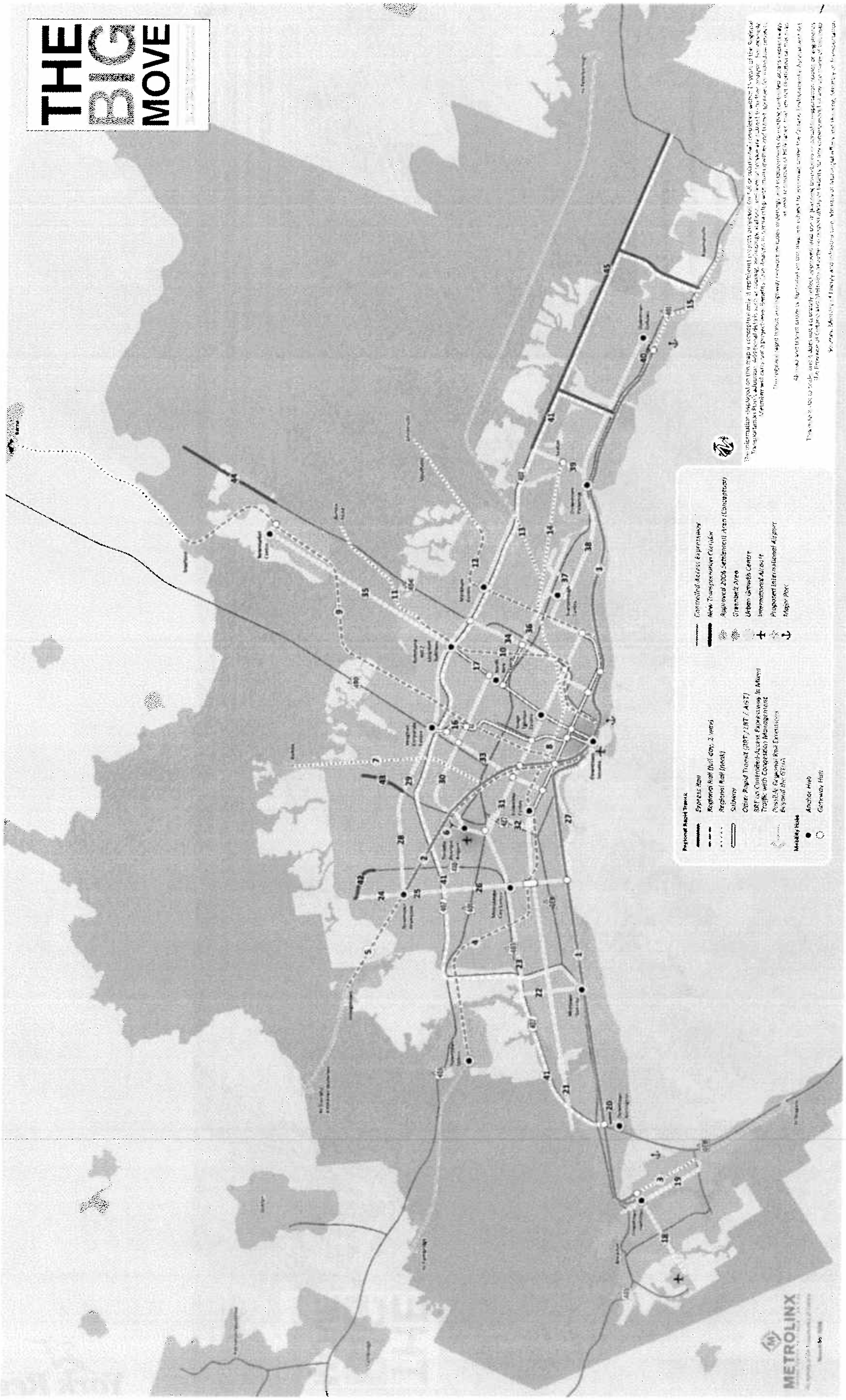
METROLINX 25-YEAR PLAN

COUNCIL ATTACHMENT 1



York Region


THE
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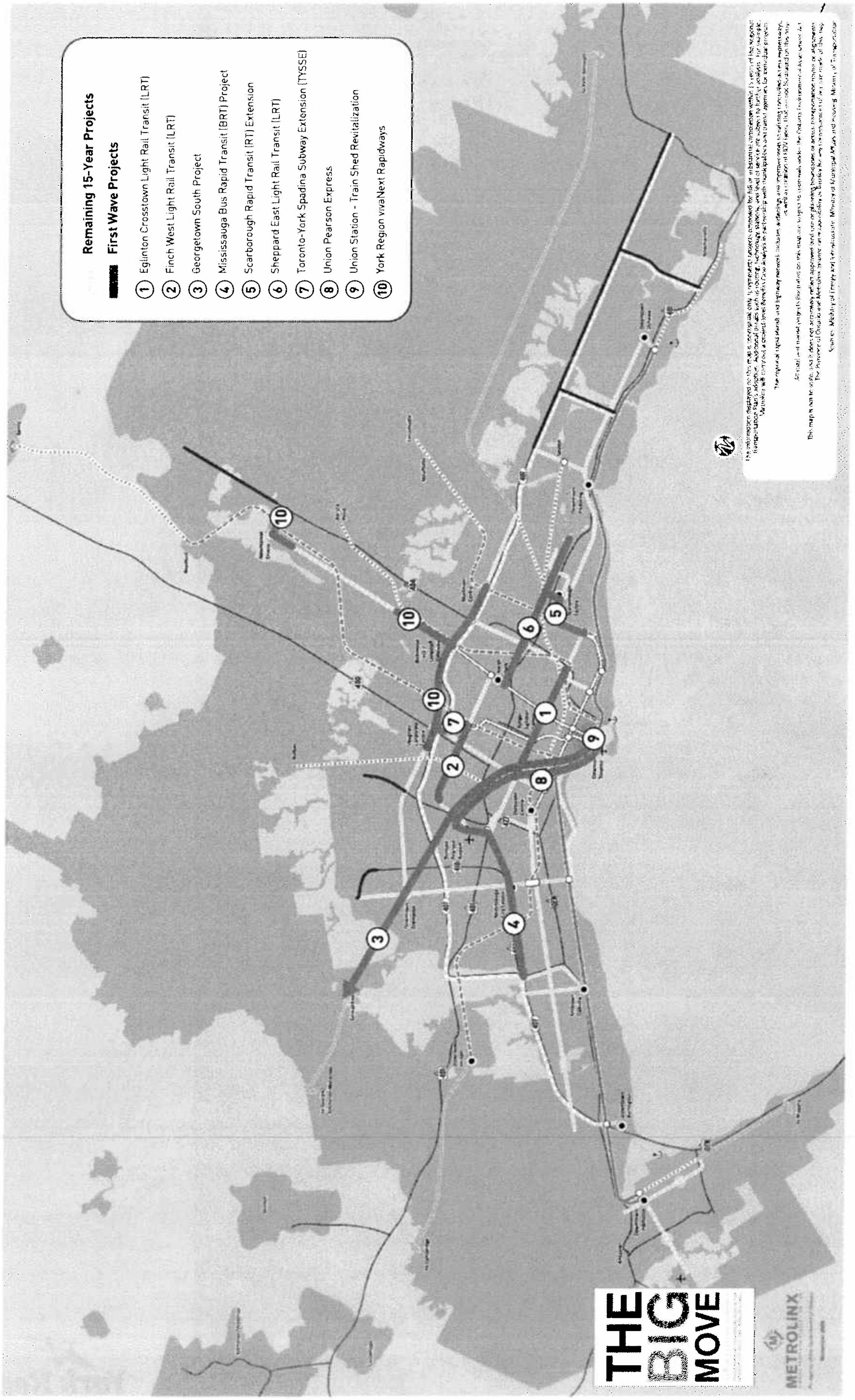
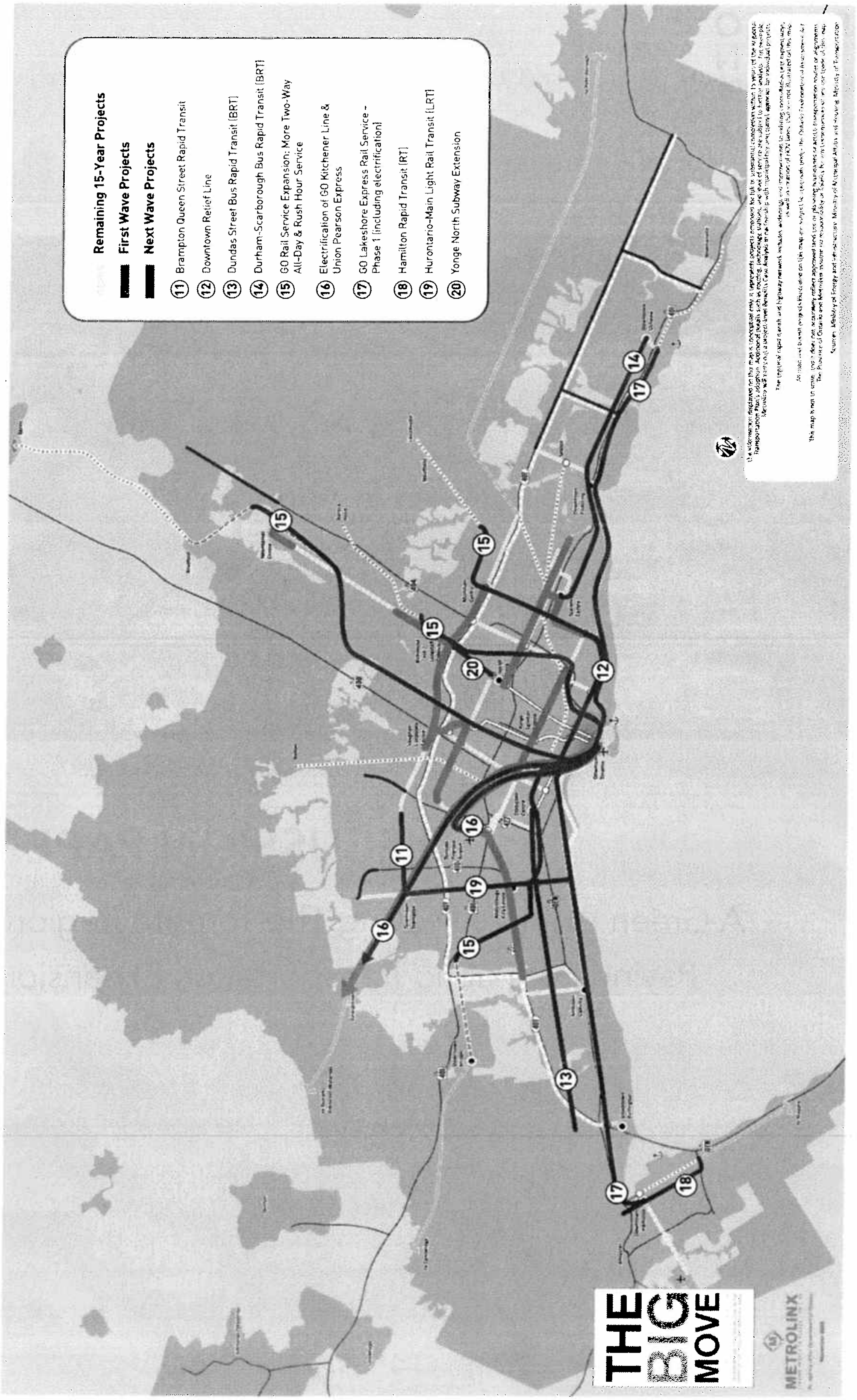
METROLINX FIRST WAVE PROJECTS



York Region

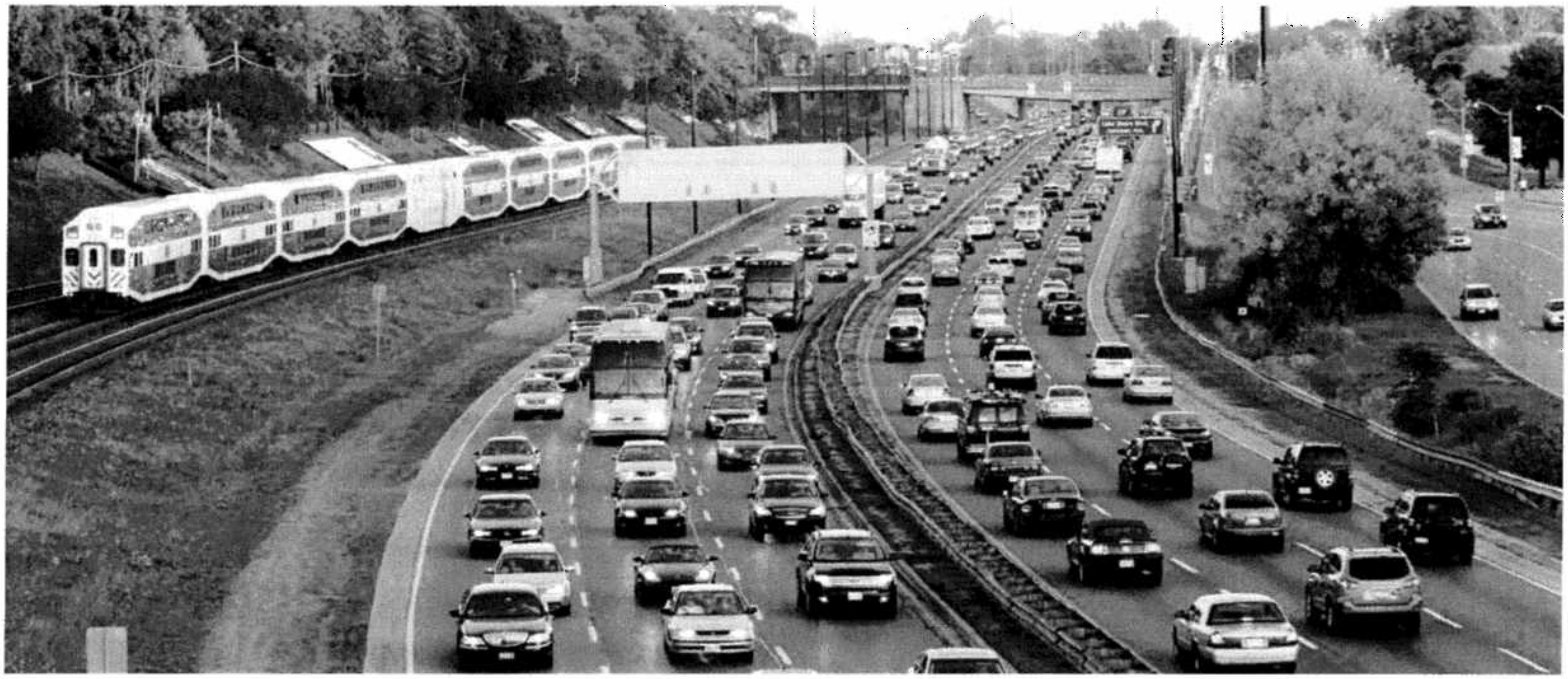
METROLINX NEXT WAVE PROJECTS



York Region

COUNCIL ATTACHMENT 5

TORONTO
REGION
BOARD OF TRADE



DISCUSSION PAPER

A Green Light To Moving The Toronto Region: Paying For Public Transportation Expansion

Founded in 1845, Toronto Region Board of Trade is the chamber of commerce for Canada's largest urban region. We connect 10,000 members and more than 200,000 business professionals and influencers throughout the Toronto Region. The Board advances the success of its members and the entire Toronto Region by facilitating opportunities for knowledge sharing, networking, business development, and city building. The Board plays a vital role in elevating the quality of life and global competitiveness of Canada's largest urban centre.

Involvement with Toronto Region Board of Trade delivers valuable professional and personal advantages for members. Equally important, the Board fuels the economic, social and cultural vitality of the entire Toronto Region by fostering powerful collaborations among business, government, thought leaders and community builders.

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MESSAGE FROM THE PRESIDENT AND CEO

2013: A Gridlocked Region

The Toronto Region[1] faces transportation pressures on a scale unprecedented in our history. It is truly telling that critical elements of regional public transportation infrastructure such as Union Station and Toronto's streetcar network date back to the turn of the last century, while most of the subway system to the 1950's and 1960's; undoubtedly, still good pieces to have, but by themselves, woefully inadequate for a region of six million people.

No surprise then, that irrespective of who's measuring, or how, the results are consistent: the Toronto Region's problems of gridlock are amongst the worst of any major urban centre in the world and getting worse by the day; a fact the Region's weary commuters know all too well as they try to navigate through our congested roads and packed transit systems.

It is quite clear that overstretched transport networks are a major threat to the future prosperity of the Toronto Region. The time has come for us to make some difficult choices. None more vexing than how to implement the regional transportation plan, known as The Big Move. The Big Move was developed and adopted by the Province's regional transportation agency, Metrolinx, in 2008. The plan envisages over 1,200 kilometres of rapid transit – more than triple what exists now – so that over 80 percent of residents in the Region will live within two kilometres of rapid transit. Another key component of The Big Move is about improving the efficiency of the road and highway network for drivers, through improvements in traffic management systems and the identification and removal of intraregional bottlenecks.

Although Metrolinx has secured approximately $16 billion in funding from all levels of government towards realizing the plan, there is still no way identified to pay for the rest of the $34 billion worth of capital projects.

This entails facing up to some stark fiscal realities. Regardless of the level of government – federal, provincial or municipal – there is simply not the money within existing revenue sources to finance these huge investments. The debate can no longer be about the need for new revenue streams, but rather which ones we are willing to accept. In this regard, the Toronto Region Board of Trade ("the Board") welcomes the recent launch of public and stakeholder consultations on this very question by Metrolinx and the City of Toronto.

A Green Light to Moving the Toronto Region: Paying for Public Transit Expansion

With the release of this discussion paper: "*A Green Light to Moving the Toronto Region: Paying for Public Transportation Expansion*", the Board is actively engaging in this public conversation with concrete ideas and proposals on how to solve the funding challenge. We are also reaching out to the broader public in this debate with the launch of a multimedia campaign with the support of the Region's business, labour and community leaders.

This paper marks an important milestone in our recent advocacy efforts. Starting with the release of *The Move Ahead* discussion paper and *Vote Toronto* campaign in 2010, further advanced in 2011 with our *Scorecard on Prosperity* and *Vote Ontario* campaign, the Board put a special spotlight on the problem of traffic gridlock, its economic impact and the fiscal challenge of paying for new infrastructure investment.

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[1] For the purposes of this document Toronto Region refers to Greater Toronto and Hamilton Area.

Most notably we highlighted the $6 billion in lost productivity annually in the Toronto Region and identified 16 *dedicated* revenue tools, which governments could consider to pay for public transportation investments.

Now, we arrive at the stage of actually putting on the table our recommended suite of dedicated revenue tools that deserve serious consideration. By no means should our proposal be construed as the final word on the subject. The Board fully realizes we will elicit strong opinions and reactions. Asking people and businesses to pay more is never easy. In putting our recommendations forward we understand this is a difficult task. But to succeed, all of us will have to contribute. For those who would criticize our recommendations, we make one special request: tell the public what your specific alternative is.

On June 1, 2013 Metrolinx is to hand to the provincial and municipal governments a financing strategy outlining how it proposes to raise the billions of dollars required for regional transit expansion. We urge elected officials at all levels of government to rise to the occasion of this watershed moment and constructively work towards meeting this deadline. By doing so, they can honour the legacy of their predecessors, who many decades ago supported the kind of visionary long-term transportation investments which to this day we benefit from as a region, province and country.

An Important Legacy – Laying the Foundations for Prosperity

Established in 1845, the Toronto Region Board of Trade is Canada's oldest and largest urban chamber of commerce. It connects 10,000 members and more than 200,000 business professionals in firms of all sizes across the Toronto Region.

In January of this year, we celebrated the 125th anniversary of the Board's Annual Dinner. The event provided an opportunity for the Board to take stock of its history and unique place within the institutional fabric of the Toronto Region.

What is particularly striking when reading many of the Board's archived annual reports – some of which are over 100 years old – is to see the remarkable continuity of farsighted advocacy on the key issues of the day.

Whether it was strongly supporting freer trade and more open immigration, or promoting improved access to education to meet the labour market needs of industrialization, the Board never shied away from tackling the big issues impacting the economic and social well-being of the Region.

And right from its foundation in pre-Confederation Canada, the Board made transportation a core priority of its relationships with public and private sector partners. It understood that to compete and trade with the world's leading cities, the Region needed to effectively move people and goods, not only within the Region, but to destinations beyond.

For this reason, the Board was an early and vociferous champion of major infrastructure projects like expansion of the Toronto Harbour, the St. Lawrence Seaway, the Yonge Subway Line and GO Transit's regional train service, all of which enabled the Toronto Region to emerge as a 20th century economic powerhouse.

Recognizing the commitment of our Members and Partners

The Board gives special thanks to our many members and other community and corporate partners that generously gave of their time in participating in the revenue tool consultations undertaken by the Board during 2012 and into February of this year. Their informed and constructive input on our Transportation Campaign Cabinet, Infrastructure Committee, Policy and Advocacy Committee, Technical Roundtables, Advisory Council, Board of Directors and on-line surveys was invaluable.

The Board has consulted with business leaders from a wide range of industries, academics, government officials and transportation experts. We conducted focus groups with residents from across the Toronto Region, and surveyed our members, two thirds of whom agree that new dedicated sources are required to fund expanded regional transit.

As well, we would like to express our gratitude to AECOM, KPMG and Metrolinx for the research they provided to us that assisted in the drafting of our recommendations.

In closing, it is worth highlighting a consistent and emphatic theme emerging from the consultation: the time for thinking and talking about congestion is over. It is time for putting concrete proposals on the table and engaging the public on this basis.

Carol Wilding, FCA
President & CEO

EXECUTIVE SUMMARY

The Problem and Challenge

Traffic congestion and a fraying public transit system represent a major threat to the long-term prosperity and well-being of the Toronto Region. As the Board documents annually in its *Scorecard on Prosperity*, when it comes to getting people to and from work in a reasonable time, the Region is the worst performer in Canada and near the bottom of global rankings based on Statistics Canada figures and comparable international data.

Most emblematic of congestion in the Toronto Region is the 401 highway, declared "officially the busiest stretch of freeway anywhere in North America" by none other than the US Department of Transportation.[2]

It is hardly a mystery as to how we got to this gridlocked state of affairs. The transportation system has simply not kept pace with population growth. The Region's population swelled from about three million in 1971 to approximately six million in 2011.[3] Yet at the same time, construction of rapid transit, which averaged approximately 135 kilometres per decade from the 1960s to the 1980s, was effectively halted over the past two decades.[4]

While competitor city-regions across the globe were busy building transportation infrastructure, the Toronto Region was stuck in neutral, producing lofty transit visions but without any strategies or plans to pay for them.

All this inertia brings with it very real economic costs. Indeed, over many years the Board has put a spotlight on the economic implications of underinvestment in transportation infrastructure and the costs of gridlock. In 2011, through our *Scorecard on Prosperity* and the background paper *Reaching Top Speed*, the Board brought to the fore the now highly-quoted figures on what congestion costs the Toronto Region economy annually; namely, $6 billion, rising to 15 billion in 2031 should no action be taken.[5]

But it is not just the Board saying this. Study after study, report after report, by such organizations as PricewaterhouseCoopers and the Organization for Co-operation and Development (OECD), consistently identify our Region's overstretched transportation networks as the Achilles heel of the Toronto Region economy.

But There Is a Plan

Undoubtedly, the Region faces daunting challenges in reducing congestion and modernizing its transportation infrastructure. Fortunately though, it does have a long-term plan of action known as The Big Move. It is a plan that is in place and being implemented by Metrolinx, the Province's transportation planning agency for the Region.

Over $16 billion from all three levels of government has already been allocated to a first wave of projects under the Plan (See Appendix 1 for list of projects).

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[2] Escaping Gridlock. U of T Magazine. University of Toronto. Summer 2012. Pg. 40.
http://www.magazine.utoronto.ca/cover-story/escaping-gridlock-toronto-trafficcongestion-metrolinx-lrt-john-lorinc/

[3] "Population and dwelling counts for population centres, 2011 and 2006 censuses". Statistics Canada, 2011 Census of Population. 2011-02-08.
http://www12.statcan.gc.ca/census-recensement/2011/dp-pd/hlt-fst/pd-pl/Table-Tableau.cfm?LANG=Eng&T=702&PR=35&S=51&O=A&RPP=25.

[4] A Region Under Pressure: Why Does The Big Move Have To Be Implemented Now?, Metrolinx 2013,
http://www.bigmove.ca/what-is-the-big-move-the-regional-plan

[5] Reaching Top Speed, Toronto Board of Trade, June 2011,
http://www.bot.com/AM/Template.cfm?Section=Reaching_Top_Speed&Template=/CM/HTMLDisplay.cfm&ContentID=7098

Nonetheless, $34 billion is still needed for major investments such as a new extension of the Yonge subway line north to Richmond Hill.

We are now at a critical juncture. On June 1, 2013, Metrolinx is required by legislation to hand to governments a financing strategy outlining how it proposes to raise the $34 billion.

The Ballot Question

Which leads us to what is in essence the main ballot question: what is the suite of new *dedicated* revenue tools that we are prepared to accept as a Region to pay for The Big Move?

By framing the debate in this way, the Board is not denying the significant opportunities that exist to reduce waste and inefficiencies at all levels of government and have these savings directed towards transportation investments. We also acknowledge the role alternative and public/private financing and project management models can play in expediting the rollout of projects and in achieving good value for money.

But let us be clear, given the fiscal challenges facing federal, provincial and municipal governments, there is no magic elixir that can get us to $34 billion without the introduction of new and dedicated revenue streams.

Public Ready for a Mature Conversation

There is no denying the difficulties that increasing taxes or introducing new fees presents for the governments in the current environment. Nevertheless, as the Board has long argued, and more recently reaffirmed in the Drummond Report, it is time for a mature and informed conversation with the public about the importance of transportation investments and the need for new and dedicated revenue sources to pay for them. Certainly, there is evidence to suggest the Region is more than ready for this dialogue.

Polling undertaken by the Board of the public and our members show transportation to be the most important local issue across the Toronto Region. This sentiment is augmented by an increasing willingness to consider new and dedicated revenue tools to pay for needed transportation improvements. Important to emphasize though, is the notion of having *dedicated* revenue streams to pay for the Big Move. It was a message we heard time and again through the Board's many consultations, focus groups and polling. Without this principle in place, public support quickly evaporates.

In the past two years public concern about transportation gridlock has continued to grow. A Toronto Region Board of Trade/Environics poll in September 2011 revealed that 63% of residents described gridlock to be at crisis levels, and this past April 2012 the number had climbed to a startling 88%.

Based on the understanding that expansion of transportation infrastructure requires new dedicated revenue sources, polling on specific examples of revenue tools similarly reveals a dramatic shift toward the acceptance (however reluctant) that higher taxation or user fees need to be embraced.

Echoing these polling trends, when asked in a member survey last fall, two-thirds of our members agree that new *dedicated* funding sources are required for regional transportation.

"A Green Light to Moving the Toronto Region: Paying for Public Transportation Expansion"

Against this backdrop of opinion, the Board strongly believes that it is time for the Province to give the green light to a fiscally sound plan to pay for The Big Move. A point made loud and clear throughout our consultations was that the time for talking and thinking about the problem of gridlock was over; the Board needed to engage in this debate with concrete proposals and recommendations. With this paper, the Board takes the important step of laying out a financing approach that moves us in the direction of improving our Region's mobility.

The Board's recommendations are by no means cast in stone. We welcome constructive input and dialogue from all interested stakeholders in the Region. However, to those objecting to our proposal, we make the simple request: please tell us what your specific alternative is.

Before delving into our specific recommendations there are several points of discussion which although not a focus of this paper, should form part of a broader framework for implementing any transportation financing strategy.

Firstly, it is assumed this framework will include a maximization of revenue and project management opportunities inherent in: land value capture; public private partnerships (P3's); and federal contributions through the renewed Building Canada Fund (or potential national transit strategy).

Secondly, surfacing as part of our consultations was the issue of the role transit fares could play in helping pay for transit improvements. On this question, the Board believes it is more appropriate that this funding stream be directed towards covering operating costs and service enhancements like more frequent GO train services on what is still underutilized rail infrastructure within the Region of Toronto.[6]

In view of the major capital outlays envisaged in The Big Move, the operating side of funding public transit can't be overlooked. From an asset management standpoint, it simply doesn't make sense to invest vast sums of money in new infrastructure without the means to pay for its ongoing upkeep and maintenance.

Layering in the aforementioned considerations and also direction from our membership and stakeholder consultations, the Board is now advancing for public discussion four dedicated revenue tools. These are tools, which in some combination could achieve the necessary $2 billion needed annually in dedicated regional transportation infrastructure revenues (please see Section: Recommended Approach for further details on options considered and the evaluation criteria utilized). The figures provided in Table 1 represent an approximate mid-range of both potential rates and revenues which could be generated by each individual tool. The estimates factor in adjustments in driver behaviour and any upfront implementation and infrastructure costs. The figures use 2014 as a baseline year. Of course, over the life of The Big Move, there will be variations in revenues generated due to changes in driver behaviour and fluctuations in the economy.[7]

[6] http://www.bot.com/Content/NavigationMenu/Policy/Scorecard/Transportation.pdf
[7] AECOM/KPMG report, "Revenue Tool Profiles, 2013"

Table 1: Recommended Revenue Tools

Recommended Tools	Advantages	Jurisdictions Where Tools Utilized
Regional Sales Tax: A sales tax is a percentage applied on all goods and services sold in a region that is used to fund transportation projects **Revenue:** \$1.0b - 1.6b (1.0%)	• Applicable to a broad tax base, which generally produces high revenue yields • Successfully utilized internationally	• Los Angeles • New York City • Seattle
Parking Space Levy: A levy paid by non-residential property owners based on parking space area (e.g. \$1 per space per day) **Revenue:** \$1.2b - 1.6b (\$1.00)	• Benefits transportation network depending on extent charge is passed on to parking users • Predictable revenue stream	• Melbourne • Montreal • Nottingham (UK) • Sydney
Regional Fuel Tax: A fuel tax is an excise tax levied on the sale of transportation fuels in the Region. The tax typically takes the form of either a flat rate per litre of fuel purchased or an ad valorem tax (i.e. a percentage of the base price). The below figures are based on a flat rate per litre **Revenue:** \$640m - 840m (\$.10/L)	• Widely used, easy to implement • Supports demand management	• Greater Montreal • Vancouver • New York City
***High Occupancy Tolls:** Single occupant vehicles can pay a toll for the use of otherwise restricted high occupancy lanes (typically on expressways). High occupancy vehicles use the lanes for free. This tool requires the existence, creation or designation of high occupancy lanes, which can be used free of charge by vehicles with a minimum of passengers (i.e. high-occupancy vehicles with two or more people (HOV2+) or three or more people (HOV3+)) **Revenue:** \$25m-45m (\$0.30 km) *estimate based on conversion of existing HOV lanes in Toronto Region to HOT lanes	• Reduced congestion, especially if combined with dynamic pricing • Directly targets driver behaviour and traffic congestion	• Houston • Orange County, CA • San Diego

All of the research reviewed and presented to the Board shows clearly that there is no funding tool without certain drawbacks, implementation challenges and of course critics. However, with the four revenue tools we are recommending, we believe there is a better opportunity to ensure stability (e.g. less susceptibility to fluctuations in a single economic sector or market) and distribute costs in a fair way across all segments of the population.

As well, it is important to stress that while reduced congestion benefits commuters (drivers and transit users) in the most direct fashion, there are massive region wide benefits to the economy, environment and peoples' health and well-being that justify the adoption of both targeted (e.g. fuel tax, High Occupancy Tolls) and broad-based tools such as a regional sales tax.

Outside the scope of this paper, we do acknowledge the major implementation and governance issues associated with implementing any new dedicated revenue tool. A number of these were highlighted in a recent study commissioned by the Residential and Civil Construction Alliance of Ontario. For example, in order to introduce a regional fuel tax or sales tax, "either a new governing body for the GTHA would be required or existing institutions would have to be given new powers".[8] "Collection and administration of the tax or levy could be piggybacked onto the corresponding existing tax (provincial fuel tax, vehicle registration fee and provincial sales tax)".[9] "The governing body should be responsible for setting the rate and spending the revenues". [10] "A new regional government might be best in principle, but one is unlikely to emerge in the near future".[11] "An alternative is to grant Metrolinx with the enhanced powers with directly elected politicians".[12]

In terms of other revenue tools, like parking space levies and road tolls, there is the question of whether these would be administered by Metrolinx, municipalities or the Ministry of Transportation.

Additionally, there is the question of whether these tools should be implemented province-wide. Under this scenario, the Province would be responsible for revenue collection and provide the Region with a transit funding stream based on an appropriate formula. In deciding upon the geographic scope of any tool, it is important that due consideration be given to the potential economic distortions that could arise from the regional application of, say, a gas or sales tax. This could include the movement of businesses and consumers out of the Region to avoid higher tax rates and the resulting collateral impacts on firms, consumers and workers (e.g. reduced profit margins, higher prices and loss of jobs). In terms of business impacts, one must also take into account the compliance and administrative costs of implementing a Toronto Region Sales Tax (e.g. creation of new and separate accounting and reporting systems for Toronto Region). Moreover, in light of well documented infrastructure needs in other parts of the province, the case could also be made for a dedicated province-wide revenue generating model.

8-12 http://www.rccao.com/news/files/RCCAO_JAN2013_REPORT_LOWRES.pdf

Irrespective of the financing model adopted to pay for regional transportation there are a number of core principles the Board sees as being integral to achieving public buy-in:

- **Dedicated and time-bound revenue streams**, meaning that all monies collected through any new tool must be solely earmarked for improvements in public transport infrastructure and subject to a proscribed sunset review (e.g. after a 20-year timeframe)

- **Absolute clarity on what are the policy and revenue generation objectives** of each of the revenue tools

- **Openness and transparency** about how and where public money is being spent

- **Rigorous cost-benefit analyses** to evaluate all of the potential economic, social and environmental implications of any new revenue tool or transit project

- **Ensuring maximum value-for-money for taxpayer dollars spent** through the adoption of best-in-class project management and financing models

- **Fairness and equity** related considerations must be part of any revenue tool evaluative framework; this includes assessing the impacts of a revenue tool on economically vulnerable groups and particular business sectors and identifying mitigation measures (e.g. tax rebates, exemptions) which could offset any unduly negative impacts.

Lastly, in the ongoing debate about who should pay for The Big Move and which areas will receive new infrastructure, discussion of the region-wide benefit often gets lost. An improved, expanded, and integrated regional transportation network will return economic benefits across the Region in the form of more investments and jobs.

We know it will take the combined efforts of residents and businesses throughout the Toronto Region to raise the $2 billion needed annually to further build The Big Move. We also know that at any one moment in time in the lengthy development phase, some areas of the Region will see more activity than others.

Ultimately however, the objective of The Big Move is for 80 percent of the Region's residents to live within two kilometres of rapid transit. But most importantly, improvement and expansion of the Region's transportation network will support a strong and globally competitive Toronto Region economy.

PURPOSE AND SCOPE

The primary purpose of this paper is to examine and make recommendations on potential *dedicated* revenue tools to fund long-term transportation investments in the Toronto Region[13]. Our point of reference for this discussion is the Metrolinx Regional Transportation Plan (The Big Move), which requires about $34 billion or just under $2 billion per year of new funding over a roughly 20 year period to implement.[14]

Prior to delving into the Board's recommended approach, we will provide context on the need for these investments and the implications of inaction.

Although the Board acknowledges the complex governance, jurisdictional and administrative issues associated with many of the revenue tools up for discussion, they are not the focus of this paper. Nonetheless, we will identify these considerations where they could potentially affect the implementation of a revenue tool and highlight those elements which require further analyses and study.

As well, we will briefly touch on the important roles, Federal funding streams, transit fares and financing mechanisms, such as Public Private Partnerships P3's and Land Value Capture instruments such as Tax Increment Financing, can play in supporting The Big Move. The latter are mechanisms with great potential to provide added value for money to taxpayer dollars invested in infrastructure and help The Big Move projects get off the ground more quickly.

UNDERSTANDING GRIDLOCK: TIME WASTED AND HOW WE GOT HERE

2031: "The Day the Region Stopped"

A recent media story in Toronto pointed to a future dystopia, sometime around 2031, where the Toronto Region from east to west, northwards and southwards and points in between would come to a grinding stop. "Choked" by what the author describes as "...a terminal congestion that everyone saw coming but catastrophically failed to prevent".[15]

Overly dramatic perhaps, but on any given day, large swathes of the Toronto Region bear a striking resemblance to that fateful day in 2031. Certainly, the numbers speak for themselves.

TIME WASTED

- Our 66 minute daily commute is approaching 2 hours
- Toronto drivers are spending about 40 days a year behind the wheel

MONEY LOST

- The Toronto Region is losing $6 billion a year in productivity
- By 2031 that cost will be $15 billion a year

LOTS MORE STRESS

- Population is rapidly expanding in the Toronto CMA
    - 1986 – 3,427,170)
    - 2011 – 5,583,064)
    - 2031 – expected population 8.6 million)
- 350,000 people commute into Toronto daily, nearly as many commute in the opposite direction
- 70% of Toronto Region residents drive to work
- 5% of the GTHA's total daily travel is done on rail (via subway and GO Transit)
- One 12-car GO Train takes just nearly 1,700 cars off the road

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[13] For the purposes of this paper Toronto Region is defined as Greater Toronto and Hamilton Area

[14] Metrolinx News release Nov 29, 2012 http://www.newswire.ca/en/story/1080/85/metrolinx-unveils-next-wave-of-big-move-projects

[15] The day Toronto stops: True gridlock is around the corner, Toronto Star, By Tess Kalinowski Transportation Reporter, Published on Sat Nov 05 2011, http://www.thestar.com/news/gta/2011/11/05/the_day_toronto_stops_true_gridlock_is_around_the_corner.htm

Since 2009, the Board through its *Scorecard on Prosperity* reports has ranked the liveability and economic performance of the Toronto Region. Scorecard 2012 ranked the Toronto Region fifth against 23 other global city regions confirming its status as a powerhouse of people, businesses and communities. But the report also revealed foundational weaknesses affecting our Region's economy and quality of life.

Figuring prominently in our scoring is the effectiveness of regional transportation systems. Regrettably though, year over year, based on Statistics Canada and comparable international data, the Region is the worst performer in Canada and near the bottom of global rankings when it comes to commuting times. In our 2012 Scorecard, the Toronto Region placed 15th out of 22 major global city-regions with respect to the length of commuting times. The 66-minute round trip spent commuting by Torontonians was twice as much as first-place Oslo.[16]

The picture is not much better when tracking traffic congestion via real-time GPS data, as European firm, TomTom does on a quarterly basis each year. In the third quarter of 2012, the Toronto Region finished 51 out of 57 North American urban regions, with the sixth worst congestion, worse than such major centres as New York, Montreal, Chicago, and Dallas.[17]

Most emblematic of road-based congestion in the Toronto Region is unquestionably the 401 highway; something for which it's received the dubious honour of being declared "officially the busiest stretch of freeway anywhere in North America" by the US Department of Transportation.[18]

The Road to Gridlock is Paved with Good Studies and Reports

How we got to this state of affairs is hardly a mystery. On one level, the transportation system has simply not kept pace with population growth. The Region's population swelled from about 3 million in 1971 to approximately 6 million in 2011.[19] Yet, at the same time, construction of rapid transit, which averaged approximately 135 kilometres per decade from the 1960's to the 1980's, was effectively halted over the past two decades.[20] As Metrolinx pointed out, since the mid-90's, "Madrid, Spain – only slightly smaller than the Toronto Region – has built more rapid transit facilities during the past decade (88 km) than all of our subway and light rail lines (77 km) combined."[21]

Notwithstanding the important transit infrastructure projects now under construction in the Region, such as the Union Station revitalization, about the only transit-related output of note in three decades is the never ending generation of transit "visions", feasibility studies, summits and press conferences to tout some new strategy or other.

[16] Toronto as a Global City: Scorecard on Prosperity 2012, Toronto Board of Trade,
http://www.bot.com/AM/Template.cfm?Section=Scorecard&Template=/CM/HTMLDisplay.cfm&ContentID=7925

[17] TomTom Congestion Index Q3 2012http://www.tomtom.com/en_gb/congestionindex/,

[18] Escaping Gridlock. U of T Magazine. University of Toronto, Summer 2012. Pg. 40.
http://www.magazine.utoronto.ca/cover-story/escaping-gridlock-toronto-trafficcongestion- metrolinx-lrt-john-lorinc/

[19] "Population and dwelling counts, for population centres, 2011 and 2006 censuses", Statistics Canada, 2011 Census of Population. 2011-0?-08
http://www12.statcan.gc.ca/census-recensement/2011/dp-pd/hlt-fst/pd-pl/Table-Tableau.cfm?LANG=Eng&T=702&PR=35&S=51&O=A&RPP=25

[20] A Region Under Pressure: Why Does The Big Move Have To Be Implemented Now?, Metrolinx 2013,
http://www.bigmove.ca/what-is-the-big-move/the-regional-plan

[21] http://www.metrolinx.com/thebigmove/en/introduction/1_3_GTHA_challenges.aspx

From the "The Network 2011 plan" in the 1990's to the recent One-City proposal in Toronto, the list of failed proposals is long and depressing[22]; as Frank McKenna said at the Board's 2010 Annual Dinner, "If announcements were streetcars, they would stretch all the way to Montreal."

Other City-Regions Leading the Way

This lack of investment contrasts sharply with what we see elsewhere; indeed, in the United States, where car-based travel is arguably most prevalent, its large metros have invested heavily in rapid transit since the mid 1990's.[23]

As Table 2 highlights, between 2000 and 2009 many US city-regions undertook and completed major capital investments in large-scale transit infrastructure.

In a North American context, Vancouver is the only Canadian city to feature in the top 10 of this ranking, ahead of such major urban regions as New York and Washington. A big part of Vancouver's transit investment was the "Canada Line", an almost 20km light rail line, which came in at a cost of approximately $2 billion, the fourth largest transit capital project investment in North America during the last decade.[24]

An interesting feature of this project was the successful and prominent role Public Private Partnerships (P3's) played in helping finance, build and operate the line. From a revenue generation and governance standpoint there are perhaps some lessons for the Toronto Region.

The regionally based transit planning and revenue generating elements are coordinated by the regional transportation agency, Translink, some of which are outlined below:

- **Elected Governing Body**: Mayors' Council represents the elected oversight body for Translink. It consists of the Mayors of the 21 municipalities under Translink's jurisdiction.*

- **Board of Directors**: Comprised of nine members appointed by the Mayors' Council.*

- **Committees & Advisory Boards**: The Mayors' Council appoints a Regional Transportation Commissioner to assist with advising the Board of Directors on strategic & regional plans. The Commissioner rules on applications for fare & tax increases, approves customer satisfaction surveys and resolutions on customer complaints, and provides formal opinions to the Mayors' Council on capital and operating plans.*

- **Revenue Generating Capacity:** TransLink has relative legislative autonomy to raise revenues and more efficiently make strategic decisions regarding capital and operating spending. The Transport Operations (TransLink Transit Authority) Act [2008] grants the TransLink Transit Authority to implement the range of revenue tools. A relatively predictable revenue stream generated by dedicated revenues (e.g. gas tax, parking sales tax) enables the agency to develop long-term plans, such as the fully-funded three-year and 10-year project delivery programs.*

*Source: Metrolinx

[22] Toronto transit: A history of failed plans, Toronto Star, Wendy Gillis, Staff Reporter, Jul 1? 2012, http://www.thestar.com/news/gta/2012/07/12/toronto_transit_a_history_of_failed_plans.html

[23] A Region Under Pressure: Why Does The Big Move Have To Be Implemented Now?, Metrolinx 2013. http://www.bigmove.ca/what-is-the-big-move/the-regional-plan

[24] http://www.thetransportpolitic.com/2010/03/11/the-decades-top-hits-2/

Table 2: The Top-Ten North American City Regions for Overall Transit Investments 2000-2009 (Projects completed between 2000 and 2009)

City Region	Investment (US dollars)
Los Angeles	$4.15b
Seattle	$3.84b
Vancouver	$2.86b
San Juan (Puerto Rico)	$2.63b
San Francisco	$2.43b
Northern New Jersey	$2.20b
Washington	$1.92b
Phoenix	$1.88b
New York City	$1.36b
Philadelphia	$1.31b

Source: http://www.thetransportpolitic.com/2010/03/11/the-decades-top-hits-2/

Highly notable from Table 2 above is the Los Angeles region, known as much for its freeways as for Hollywood and a sunny clime. In 2008, "facing the prospect of perpetual gridlock and no money to pay for improvements," two-thirds of Los Angeles residents voted for a half-cent sales tax increase to pay for massive expansion of its public transit system.[25] "The anticipated tax revenue allowed the city to borrow federal money, and construction has begun on a dozen rapid transit lines (light rail and bus) that will serve the whole area".[26]

Also impressive is the Seattle region. With its Central Link and Sounder projects (over $3 billion in capital investments) Seattle added almost 160 km of new light rail and commuter rail infrastructure between 2000 and 2009.[27]

In the US, these investments are now reaping benefits, observed as declines in total vehicle distances travelled and ever stronger public support for investments in transit infrastructure.[28]

There is also much for the Toronto Region to learn from transportation enhancements taking place in the emerging high growth economies of Latin America and Asia. An excellent case-study is the city of Curbita in Brazil, which through a cost effective and highly efficient Bus Rapid Transit (BRT) system was able to not only reduce travel time, but also harmful airborne emissions and street congestion.[29]

Planning System Contributing to Gridlock

The consequences of poorly coordinated land-use and transportation planning are yet another piece of the gridlock puzzle. As the Canadian Urban Institute highlighted, the Toronto Region has 200 million square feet of office space (one of the four largest such regions in North America), but less than half of it is currently within reach of rapid transit.[30] "Thirty years ago, almost two-thirds of the GTA's offices were on subway lines".[31]

The story is little different on the residential side. In many of the Region's outer suburbs, "not only do residents commute by car; they must also drive to the grocery store, school and recreational activities".[32]

This is a function of car-dependent planning models which among other things, excessively separate residential uses from employment nodes, forcing more car-based travel and longer commutes.[33]

25, 26 Vital Signs Report 2012 – http://www.tcf.ca/sites/default/files/TVS_2012_Full_Report.pdf

27 http://www.thetransportpolitic.com/2010/03/11/the-decades-top-hits-2/

28 http://www.sierraclub.org/transportation/downloads/2012-11-Best-Worst-Transportation-Projects.pdf

29 Curitiba Bus Rapid Transit System Curitiba, Brazil – http://www.pps.org/great_public_spaces/one?public_place_id=613

30-33 Escaping Gridlock, U of T Magazine, University of Toronto, Summer 2012, Pg. 40.
http://www.magazine.utoronto.ca/cover-story/escaping-gridlock-toronto-trafficcongestion-metrolinx-lrt-john-lorinc/

GRIDLOCK: THE PRICE TAG IS BIG AND GROWING

Time Really is Money

The well known expression "time is money" lies at the heart of the economic toll inflicted by traffic gridlock and congestion. The cumulative impact of products not getting to market in time, missed meetings and workers foregoing employment opportunities because of poor transportation connectivity, is in the billions of dollars.

In tracking the Region's economic performance year over year we find an unmistakable pattern emerging. Regardless of the indicator, whether it's GDP and productivity growth or the unemployment rate, our long-term economic performance puts us near the bottom of North American league tables. Although the Region performs well on human capital indicators, with its diverse and well educated population, the ability of our workforce to contribute to overall economic growth is undermined by poor transportation infrastructure.

For this reason, the Board put a spotlight on the economic implications of underinvestment in transportation infrastructure and the costs of gridlock in 2011, through our Scorecard on Prosperity and the background paper *Reaching Top Speed*.

These documents helped bring to the fore what are now the highly-quoted figures of annual congestion costs to the Toronto Region economy of $6 billion, rising to $15 billion in 2031 should no action be taken.[34]

On the transportation file the Board is not alone in this assessment. Study after study, report after report, consistently identify our Region's fraying transportation networks as the Achilles heel of the Toronto Region economy. This situation was recently confirmed in Cities of Opportunity, a study of global cities by PricewaterhouseCoopers, which ranked Toronto's transportation infrastructure in the bottom half of cities, signaling this as the Region's biggest impediment to global competitiveness.[35]

Along the same lines, the Organization for Co-operation and Development (OECD), in 2010, cited the Region's transportation infrastructure as the leading drag on global competitiveness.[36] OECD called it "a direct hit on productivity," especially in economic sectors that depend on rapid delivery such as retail, logistics and food.[37]

A recent Colliers International study of Toronto Region businesses underscored transportation infrastructure as the second most important factor for business location decisions in the GTA.[38] This is one of the reasons that Toronto Region Board of Trade members have identified traffic congestion as their top policy priority for over five years running. On a more granular level, the negative financial impacts of traffic congestion on key sectors of the Toronto Region economy were identified in a 2008 HDR Corporation study commissioned by Metrolinx.

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[32] Burbs bigger greenhouse gas emitters than inner city, A new report uses Toronto census data to show suburbanites produce more greenhouse gas emissions per capita than downtown dwellers, Cynthia Vukets, Staff Reporter, Toronto Star, Feb 10, 2011, http://www.thestar.com/news/gta/2011/02/10/burbs_bigger_greenhouse_gas_emitters_than_inner_city.html

[33] STRATEGIC REGIONAL RESEARCH : A Region in Transition, Canadian Urban Institute, January 15, 2013

[34] Reaching Top Speed, June 2011,
http://www.bot.com/AM/Template.cfm?Section=Reaching_Top_Speed&Template=/CM/HTMLDisplay.cfm&ContentID=7098

http://www.metrolinx.com/research/documents/MTO_Freight_Villages_January.pdf

Table 3: Industry Level Congestion Costs (2006 Dollars)

Industry Sector	Increased Costs* to Industry ($Millions)
Manufacturing	97.6
Construction	63.1
Wholesale Trade	56.3
Retail Trade	22.1
Transportation	16.7

**Costs include: firm vehicle operating costs (e.g. maintenance, fuel), logistics (e.g. costs per shipments, inventory management, delivery delays), increased labour costs (e.g. trucker time costs), reduced labour productivity (e.g. due to time spent commuting).*

Source: http://www.metrolinx.com/en/regionalplanning/costsofcongestion/costs_congestion.aspx

Congestion costs (see Table 3 above) transmit themselves in different ways within each of these industries. For example, we know congestion affects the costs of logistics and inventory held by retailers by reducing travel speeds and the reliability of delivery times for merchandise and supplies.[39] Research indicates these types of effects add operational costs by inhibiting businesses from adopting inventory saving strategies such as just-in-time systems.[40] Also, retailers must deal with the potential that some individuals may be discouraged from shopping for certain discretionary items due to a desire to avoid the loss of time and aggravation associated with congestion.[41]

In the manufacturing industry, the economic literature indicates that high congestion levels can reduce the market area for a firm's products and output, thereby leading to a reduction in sales.[44] Furthermore, the Region's manufacturers, like their retail counterparts, must deal with such gridlock related impacts as delays, reduced reliability of deliveries of materials and components, as well as shipments of finished products to markets.[45]

It bears underlining that these congestion costs arrive in an economic environment already made more challenging by a high dollar and fierce global competition.

For many people, reports which speak of billions of dollars in lost productivity and GDP can seem a bit abstract and remote. So it is important to look at how gridlock and poor connectivity affects individual businesses.

For example, the Toronto Industry Network (TIN) reports the case of one of its members which had a truck that delivered goods to customers in the west end of Toronto from their Scarborough manufacturing plant three times a day 20 years ago. Now they can only manage one delivery a day due to congested roads; a real life example of reduced productivity.[46]

Similarly, the journal of Canadian Manufacturing in 2012 featured a story on the serious logistical challenges facing Toronto Region firms like Nestlé Canada who need to get their products delivered to big supermarket chains and hundreds of small "mom and pop" retailers throughout the Region.

A company representative quoted in the story described the "major costs of congestion and the associated delays to the firm and its employees, suppliers and partners of lost productivity and capital (fixed assets) and operating costs, such as manpower, fuel, maintenance and parking tickets".[47] In the absence of any improvements to transportation infrastructure or levels of congestion, the industry was looking at the possibility of more off-peak deliveries.[48] However, this was proving challenging for myriad reasons. These include local by-laws, dealing with complaints about noise levels from neighbouring residential areas and resistance from many retailers and drivers.[49]

[39,40,41,44,45] http://www.metrolinx.com/en/regionalplanning/costsofcongestion/costs_congestion.aspx

[46] http://torontoindustrynetwork.com/pages/docs/remarks-mark-lievonen/

[47,48,49] http://www.canadianmanufacturing.com/purchasing-and-procurement/fleet/delivering-ice-cream-in-the-dark-july-august-2012-print-edition-75482

Not Matching People to Jobs

Not to be overlooked in our analysis, is how poor transport connectivity impacts the Region's labour market efficiency at all levels of employment, including the high and low-skilled segments. For many businesses trying to attract skilled young employees in professional services positions, a lack of transit connectivity can be a serious impediment to recruitment. This is especially the case in suburban areas of the Region, including the 905 and inner suburbs within the City of Toronto.[50] As the Canadian Urban Institute documented in a 2011 report, "many employers are now taking into account the costs associated with attracting, training, and retaining talent in their calculations of per-square-foot occupancy cost" and as a result eschewing many suburban work locations with inadequate transit connectivity and amenities.[51]

Poor labour mobility within the Region also affects our most vulnerable workers who often live in so-called "transit deserts" without ready access to automobiles or public transit, a fact documented by the Board in its paper *Lifting all Boats*.[52] As the Martin Prosperity Institute points out, the "employment patterns of low-paying service class occupations often follow inconsistent and non-traditional work schedules"[53], consequently, "having consistent access to reliable and affordable transit is crucial to their long-term employment."[54] For many low-income people who live far from good public transit options, many employment opportunities are simply not realistic because of their distance.

Multiply these scenarios thousands of times throughout the Region and you begin to get a picture of how the aggregate costs to the economy escalate. In short, we are not optimizing the potential of what economists call the "agglomeration economies" of the Toronto Region. That is the critical mass of firms, workers and public institutions that call the Region home.

While some parts of the Region such as the urban core of downtown Toronto thrive in large measure because of good transit links (over 200,000 people use Union Station daily[55]) others are stagnant or decline due to poor transport and land use policies. Increasing the potential of all parts of the Region through enhanced transportation connections is one way of improving our economic performance and the well-being of all our residents.

[50,51] Canadian Urban Institute, New Geography of Business Location, 2011, http://www.canurb.org/index.php?option=com_content&view=article&id=44:the-new-geography-of-office-location-and-the-consequences-of-business-as-usual-in-the-gta&catid=34:cui-publications&Itemid=129

[52] http://www.bot.com/AM/Template.cfm?Section=Promoting_Social_Cohesion&Template=/CM/ContentDisplay.cfm&ContentID=4793

[53,54] http://martinprosperity.org/2012/11/29/insight-working-poor/

[55] http://www.toronto.ca/union_station/quick_facts.htm

ECONOMIC UPSIDES OF PUBLIC TRANSPORTATION INVESTMENTS

Big Economic Gains Possible

We must examine the economic upsides of reducing congestion and creating more and better transit and transportation options.

Effective transportation and road infrastructure would allow workers in the Region to better connect with employment centres and deal with challenges described earlier. This would improve the performance of the labour market through more effective matching of jobs with skilled labour and thereby reduce unemployment and increase total productivity. Indeed, recent research in the U.K. demonstrates that effectively doubling the population's access to places of employment boosts overall productivity by 4 percent.[56] The impact is strongest for the business and professional services sector, at 8 percent.[57]

If this effect were to hold true for the Toronto Region, it makes sense to increase accessibility and employment density particularly as the Region – in both the core and some suburbs – shifts toward more office based employment.[58]

With the Toronto Region competing with regions from across the globe to attract the best in talent and business, ease of movement for people and goods is a strong asset to have from an economic development and marketing standpoint. It is thus one of the key criteria that global city-regions use in promoting themselves.

As well, it is important to stress the major economic payback for the Region of new transportation investment. A 2011 Conference Board of Canada report[59] documented how implementation of Metrolinx's "Big Move" investment strategy would produce direct and indirect benefits, in the order of:

- **$19 billion** in real capital investment between 2009 and 2020
- **$22.7 billion** cumulative increase in real GDP
- **279,133** person-years of employment
- Real GDP increase of **$1.19 for each dollar** of real capital investment in the Big Move

Similar analysis undertaken in the Los Angeles region, pointed to a total of $70 billion in new economic output and 16,000 new construction jobs created per year as a result of investments in its 30 year regional transit plan.[60]

Beyond the broader economic costs and benefits there is also a direct pocket impact. Increased car travel carries with it big expenses in terms of fuel, maintenance and insurance costs. An American study noted that by just reducing the overall level of driving by one mile per day (1.6 km) in the US's 51 largest metros, total savings in driving related expenditures would be close to $29 billion, producing a significant "green dividend" for individuals and local economies.[61] Crunching those numbers slightly differently, the study's author found that on average in those cities where a person drives 20 miles (32 km) per day, 15 percent of household income is spent on transportation versus 18 percent when the daily commute is 30 miles (48 km).[62]

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[59] http://www.conferenceboard.ca/temp/90683fd2-5015-47d4-8936-929cacbf8b59/12-006_connectingjobsandpeople-rpt.pdf

[60] http://www.laedc.org/reports/EconomicImpactofMeasureR_SUMMARY_[illegible]_2012.pdf

[61,62] How Cities Gain by Making Small Improvements in Metropolitan Performance: Joe Cortright, Impresa, Inc. for CEOs for Cities September 2008. www.[illegible]

A Better Environment Too

Undoubtedly, economic factors and their impact at a regional and firm level weigh most heavily on the Board's advocacy efforts in support of transportation infrastructure investments. Nonetheless, we are cognizant of the many negative social, health and environmental effects of traffic gridlock – effects that ultimately have substantial downstream economic costs if they are not considered and mitigated. Over the long-term, we know healthy economies need healthy communities.

Traffic congestion takes an enormous toll on our quality of life. This includes social costs, such as less time to spend with family and friends and increasing levels of daily stress. In 2012, The Pembina Institute surveyed 1,000 drivers in the GTA whose commute was 30 minutes or longer and found that two-thirds of these drivers saw a diminished quality of life.[63] Meanwhile, the health impacts of congestion are significant as well, both in human and financial terms. According to a study by the City of Toronto's Department of Health, mortality-related costs associated with traffic pollution in Toronto were about $2.2 billion.[64] The study's authors noted that a 30% reduction in vehicle emissions in Toronto could save 189 lives and result in $900 million worth of health-related benefits and savings. [65]

Given the absence of viable public transit options in many parts of the Toronto Region, significant numbers of commuters have little choice but to travel to their desired destinations via car. Unfortunately, this reliance on car-based travel and the gridlock it generates, is a major component of the total production of CO2 emissions, a major Greenhouse Gas (GHG) and contributor to climate change. On a per capita basis, the Toronto Region's CO2 emissions are above places like Paris, Vancouver and Helsinki.[66] Within the Toronto Region, almost half of CO2 emissions (48.3%) are from various modes of transportation, with about 23% of that figure coming from personal vehicles.[67]

Obviously, this points to major environmental and economic paybacks if we were to reduce the number of car trips and idling vehicles stuck in traffic across the Toronto Region. Something which full implementation of The Big Move would do by adding over 1,200 kilometres of rapid transit – more than triple what exists now. This would allow over 80 percent of residents in the Region to live within two kilometres of rapid transit.[68]

Indeed, data from GO Transit forcefully demonstrates how increased provision of public transit options would impact emissions from personal vehicles:

- "During rush hour, the average Toronto-area car carries about 1.15 people. One 10-car GO Train carries about the same number of people as 1,400 cars, one 12-car train takes about 1,670 cars off the road, and one GO Bus can replace around 50 cars".[69]
- "In just one hour on a typical weekday morning, some 45,000 passengers arrive at Toronto's Union Station by GO Train – if all those people drove instead of taking transit, the GTA would need to build four more Gardiner Expressways and four new Don Valley Parkways to accommodate that amount of traffic".[70]

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[63] Burda, C. and Haines, G. (2012). Drivers' Choice: Options to manage gridlock and fund rapid transit in the GTA. The Pembina Institute. Pg. 3, 24. http://www.pembina.org/pub/2333

[64, 65] Toronto Department of Health. Burden of Illness from Air Pollution, 2007. http://www.toronto.ca/health/hphe/pdf/air_pollution_burden.pdf

[66] Cities and Greenhouse Gas Emissions: Moving Forward. Daniel Hoornweg, Lorraine Sugar, and Claudia Lorena Trejos Gomez. Environment and Urbanization. April 2011 vol. 23 1 pp. 207-227. first published on January 10, 2011 http://eau.sagepub.com/content/23/1/207.abstract

[67] http://www.thelivingcity.org/lcrc4/driver-trees/driverTree_carbon_001.pdf

[68] http://www.metrolinx.com/en/regionalplanning/bigmove/big_move.aspx

[69, 70] http://www.gotransit.com/public/en/docs/publications/quickfacts/Quick_Facts_GO_Green_EN.pdf

THE PLAN BUT HOW TO PAY FOR IT?

"The Big Move", a Plan that Needs Money

Though the Region faces daunting challenges in reducing congestion and modernizing its transport infrastructure it does have a long-term plan of action known as The Big Move. It is a plan that is in place and being implemented by Metrolinx, the Province's transportation planning agency for the Region.

Over $16 billion from all three levels of government have already been allocated to a first wave of projects (see appendix 1 for complete list of projects). This represents the largest financial commitment to transit expansion in Canadian history and includes such initiatives as expansion of Union Station, the Eglinton Crosstown line and expansion of Bus Rapid Transit systems in York Region and Mississauga.

But $34 billion is still needed for major investments like a Downtown Relief line in the City of Toronto, improving access to the regional core for residents from across the Region, as well as a new extension of the Yonge subway line north to Richmond Hill. With this in mind, on June 1, 2013 Metrolinx is required by legislation to hand to governments a financing strategy outlining how it proposes to raise the $34 billion.

Paying the Bill: Dedicated Revenue Streams the Way Forward

Certainly, the Province and the Region have made progress in addressing the transport deficit through recent investments in GO, expansion of the Region's public transit system and our highways. Even so, these investments are merely a down payment when we consider how far behind the Region is in comparison with other jurisdictions on such metrics as commuter rail capacity and per-capita investment on transportation infrastructure.[71]

Given the current fiscal state of all levels of government, bridging this funding gap will require new and dedicated funding streams. To suggest there are opportunities to find $34 billion from within the existing provincial and municipal funding envelope by reducing waste or finding efficiencies is simply not realistic. As the Drummond Report highlighted, for the provincial government to just meet its projections of annualized 1.4% increases in spending up to 2017 and balance its budget, it must reduce spending by $30.2 billion.[72]

Likewise at a municipal level, similar funding constraints are at play. As the Board detailed in the 2011 paper Reaching Top Speed, all of the Region's major cities and regions lack the fiscal capacity for major new capital expenditures because of several factors:

- Regional single tier municipalities with generally older infrastructure face increased pressure to meet their infrastructure obligations (partly due to a relatively narrow funding base primarily composed of property taxes and user fees), with some capital and maintenance costs "intruding" into their operating budgets;

- At the same time there is a decreasing ability for development charges to mitigate the costs of capital as build-out and intensification plateau over time across the Toronto Region.*

See: Toronto as a Global City: Scorecard on Prosperity 2011. http://www.bot.com/Content/NavigationMenu/Policy/Scorecard/Scorecard2011/default.htm
http://www.fin.gov.on.ca/en/reformcommission/

* Source: http://www.bot.com/Content/NavigationMenu/Policy/VoteOntario2011/Reaching_Top_Speed.pdf

There's room to find savings which can support transit investments

We are not suggesting that there is not room for improvement in government administration, spending practices and the rooting out of waste. Recent examples of poor spending practices and a lack of accountability for delivering projects on-time and on-budget threaten the public's faith in the credibility of government to carry out major new initiatives on the scale of The Big Move. As such, the Board has and will continue to be a champion of prudent, open and transparent fiscal management.

Value for Money Financing and Project Management Models Still Critical

Financing tools such as Public Private Partnerships (P3's) must be an important component of the government achieving value for money and getting Big Move projects up and running in a more expedited fashion.

The P3 model is being leveraged by a number of governments of various political stripes around the world, including most notably, the Provinces of British Columbia and Ontario.

"As the name suggests, Public-Private Partnerships involve a collaborative effort between government and private-sector companies. Under such an agreement, private companies are contracted to build public infrastructure for citizens. Since the private company's pay is based on performance, workers have an incentive to deliver high-quality work in a timely manner. Likewise, the private company is fully responsible for all cost overruns, which transfers risk away from the government and encourages innovation.

As a result, Public-Private Partnerships can help governments ensure that large, complex and risky projects get built on time and on budget. If the work fails to meet quality standards outlined in the contract, the private company faces penalties, and is required to bring the work up to standard."[73]

However, it must be stressed that they are not new revenue streams. In many respects they are akin to a mortgage; you shop around for the best rate and get savings, but in the end, you still have to pay the interest charges and principal.
As well, there is the caveat that not all transportation projects fit a P3 model. In particular, larger projects have a greater potential than smaller ones to generate the efficiency gains necessary to offset the fixed costs incurred by the public and private sectors during the development and procurement phases.[74]

Land value capture instruments such as Tax Increment Financing (TIFs) or localized property taxes are often used to fund transit work on a project by project basis. These instruments can create new funding streams and borrowing mechanisms that might not otherwise be available through more conventional government investment and financing mechanisms.

Tax Increment Financing is a public finance technique used by local government jurisdictions to fund infrastructure initiatives and stimulate economic development in designated geographic areas. TIFs work by leveraging future tax revenue increases to finance current infrastructure projects.

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[73] P3 discussion and wording provided by Vancouver Board of Trade

[74] http://www.p3canada.ca/p3-canada-fund-faq.php

The mechanism effectively dedicates the incremental tax revenue between the assessed value of designated areas ("TIF zones") prior to the development and its assessed value over time. By doing this, future tax gains are leveraged to finance the present costs of eligible improvements in designated areas.

This financing technique was originally used in California as a way to stimulate development in blighted areas and has since been authorized in 49 of the 50 US states.

TIFs are much less prevalent in Canada. In Ontario, the Province only recently introduced them on a pilot basis for the Toronto-York-Spadina Subway Extension and the West Don Lands redevelopment initiative.

TIFs have the potential to be implemented by municipalities along corridors directly impacted by the construction of new public transit. Under the TIF model, municipalities could project a future increase in property values related to the new public transit investment (i.e. above the expected natural increase in property values) and use those future revenues to finance the construction of the project.[75]

Another variant on the land value capture concept are special property taxes (i.e. transit district benefit tax) imposed in areas with high quality public transit. These are intended to recover a portion of the increased land values provided by transit and to help finance the service improvements.[76] Land value capture in the form of transit benefit districts is used in some U.S. cities including Miami, Florida; Los Angeles, California; and Denver, Colorado.[77]

However, because of their location based bias (i.e. major urban centre redevelopment projects) they would not cover the entire costs of large cross region transit projects.

Keeping the Federal Role in Play

While the Board certainly recognizes the primary role provinces and municipalities play in transportation infrastructure investment and operation, we continue to see an important role for the federal government in this space.

There is no denying that recent federal infrastructure investments - the Federal Gas Tax Fund, Economic Action Plan, Building Canada Plan and making the Gas Tax Fund permanent – have supported important transit projects including:

1. York Region Transit Network Improvements
   (Total Project Cost: $164.4 Million
   Federal Contribution: $50 million)*

2. GO Transit Rail Improvement Program (GO TRIP) (Total Project Cost: $1.005 Billion
   Federal Contribution: $385 million)*

3. Toronto Transit Commission Strategic Capital Projects
   (Total Project Cost: $1.05 Billion
   Federal Contribution: $303.5 million)*

4. Toronto-York Spadina Subway Extension
   (Total Project Cost: $2.6 Billion)
   Federal Contribution: $697 million)*

5. Union Station Revitalization
   (Total Project Cost: $640 Million)
   Federal Contribution: $133 million*

AECOM/KPMG Revenue Tool Profiles, 2013
http://www.vtpi.org/tranfund.pdf

*Source: Transport Canada. http://www.tc.gc.ca/eng/programs/surface-transit-projects-221.htm#Union_Station

For this reason the Board strongly supported Budget 2012's commitment to develop a new long-term infrastructure plan and has participated at a national level in consultations regarding the next iteration of this plan.

To further this very important agenda the Board participated in the Federation of Canadian Municipalities' Municipal Infrastructure Forum (MIF). MIF is a unique partnership of government, business and labour organizations which recently came together to agree on a common set of objectives to guide federal infrastructure spending, including the need for secure, stable and predictable funding streams.

As well, the Toronto Region Board of Trade has collaborated with its counterparts in the Hub-City Chambers of Commerce Caucus. The Caucus represents Chambers from Canada's largest city-regions, including Vancouver, Calgary and Montreal and in December 2012, released a joint policy statement on the leading principles that should guide renewal of the federal government's long-term infrastructure plan. Highlights of the statement include:

- **Dedicated funding stream to fund core infrastructure (i.e. public transit, roads, bridges, sewage and water):** Canada's large urban centres face daunting challenges in meeting the core infrastructure needs of their communities. This includes the over $20 billion cost of meeting new federal wastewater standards; inadequate public transit; and adapting municipal roads, bridges and water systems to extreme weather caused by climate change. Creating an earmarked funding stream for this purpose will help municipalities better plan and undertake these economically vital investments.
- **Strengthening municipal role in infrastructure financing:** Although municipalities are responsible for much of the ownership and maintenance of core infrastructure they collect just 8 cents of each tax dollar paid by Canadians, with the other 92 cents collected by federal and provincial-territorial governments. Although recognizing and respecting the provincial jurisdiction over municipalities, raising more revenues locally would greatly assist municipalities in paying for needed infrastructure investments. At the same time, governments at all levels need to ensure this revenue generating capacity does not increase the burden on taxpayers, but rather secures the tax revenues needed to sustain municipal infrastructure.[78]

Transit Fares in the Funding Mix?

Surfacing as part of our consultations was the issue of the role transit fares could play in helping pay for transit improvements. On this question, the Board believes it is more appropriate that this funding stream be directed towards covering operating costs and service enhancements like more frequent GO train service on what is still underutilized rail infrastructure within the Region of Toronto.[79]

In view of the major capital outlays envisaged in The Big Move, the operating side of funding public transit can't be overlooked. From an asset management standpoint, it simply doesn't make sense to invest vast sums of money in new infrastructure without the means to pay for its on-going upkeep and maintenance.

[78] Addressing Urban Canada's Infrastructure Challenges through a Long-Term Infrastructure Plan. A joint statement from Canada's Major City-Region Chambers of Commerce and Boards of Trade, December 2012. http://www.bot.com/AM/Template.cfm?Section=Policy_News&Template=/CM/ContentDisplay.cfm&ContentID=8424

[79] http://www.bot.com/Content/NavigationMenu/Policy/Scorecard/Transportation.pdf

RECOMMENDED REVENUE TOOLS AND APPROACH

We now arrive at the important stage of laying out a financing approach that moves us in the direction of not only ending traffic gridlock but also the political gridlock that has long stymied effective action on this critical policy issue. These recommendations it should be stressed are the result of an extensive public and stakeholder consultation, the main elements of which are described below.

Public Ready for a Mature Conversation

There is no denying the difficulties that increasing taxes or proposing new revenue raising instruments present for governments in the current environment. Nevertheless, as the Board has long argued, and more recently reaffirmed in the Drummond Report, it is time for a mature conversation with the public about the importance of transportation investments and the need for new revenue sources to pay for them. Certainly, there is evidence to suggest the Region is more than ready for this dialogue.

Indeed, polling data undertaken by the Board of the public and our members show transportation to be the most important local issue across the Toronto Region. This sentiment is augmented by an increasing willingness to consider new and *dedicated* revenue tools to pay for needed transportation improvements. Important to emphasize though, is the notion of having *dedicated* revenue streams to pay for The Big Move. It was a message we heard time and again through the Board's many consultations, focus groups and polling. Without this principle in place, public support quickly evaporates.

In the past two years public concern about transportation gridlock has continued to grow. A Toronto Region Board of Trade/Environics poll in September 2011 revealed that 63% of residents described gridlock to be at crisis levels, and this past April 2012, the number had climbed to a startling 88%.

With the understanding that expansion of transportation infrastructure will require new revenue sources, polling on specific examples of revenue tools similarly reveals a dramatic shift toward the acceptance (however reluctant) that higher taxation or user fees need to be embraced.

Another Environics poll commissioned by the Pembina Institute (April 2012) shows support for such potential new revenue tools, such as tolls, sales tax and parking tax, reaching above the 50% level. Just a few years ago support would have been in the 30% range or lower.

Echoing these public polling trends, two-thirds of our Board members agree that new dedicated funding sources are required for regional transportation.

Consultation Process

This discussion paper is also the product of an extensive consultation process that included our broad membership, Board of Directors, Infrastructure Committee/Transportation Cabinet, Advisory Council, and our stakeholder network of business, consumer and community organizations such as CivicAction and Evergreen.

Additionally, we coordinated a technical roundtable comprised of consumer, industry and environmental organizations to discuss the various revenue tools up for discussion.

In designing our consultation process careful consideration was given to ensuring a proper representation of key industry sectors which could be impacted directly or indirectly by the introduction of new revenue generating tools. These sectors include:

- Commercial/Residential Construction and Development Industry
- Infrastructure design and construction
- Manufacturing
- Transportation and Logistics
- Retail
- Financial and Professional Services
- Property Owners and Managers

Evaluation Criteria and Tools Considered

Our first order of business in this process was developing a set of criteria by which to evaluate the revenue tools on offer. An overriding message from our consultation was the need for a consideration of the economic effects and impact on certain industry sectors in the Region.

Secondly, and equally important, there had to be a substantial revenue generation potential in any given tool for it to be considered in play.

Thirdly, there was an acceptance that there must be an element of fairness and equity in terms of how the burden of new revenue tools would fall on all segments of the public and business community.

Finally, added to these main considerations, there was a consensus, that political/public acceptance, impacts on travel behaviour, implementation costs and the experience with certain revenue tools in other jurisdictions, also needed to be considered as part of the evaluation.

Taking this input into account, the following criteria were selected:

- **Revenue generation:** Potential size of revenue stream
- **Equity and fairness:** How does the revenue tool impact, fairly or unfairly, different segments of the community, including commuters and non-commuters alike
- **Public acceptance:** Degree of public and stakeholder acceptability of each funding option based on polling survey and other public opinion data
- **Economic effects:** How does the revenue tool impact regional economy (e.g. does it move economic activity outside the Region)
- **Revenue sustainability and variability:** Is the tool sustainable over long-term and how susceptible is it to cyclical variations in economy or energy, property markets, etc.
- **Impact on travel behaviour:** Does the tool induce increased public transit usage and better network performance
- **Cost of implementation and operation:** To what extent do start-up and operating costs impact revenue generating potential
- **Successful track record elsewhere:** Does the tool have a successful national or international track record applicable to the Toronto Region

With these criteria in hand, our consultation examined **seven specific tools (see list below)**, narrowed from the Board's original list of 16 tools released through our 2010 discussion paper, The Move Ahead, and an expanded examination of a total of **26 potential tools.**

- **Road Tolls/Charges** - $1.3b - 1.5b ($.10 per km)
- **Non-Residential Parking Space Levy** - $1.2b - 1.6b ($1.00)
- **Regional Sales Tax** - $1.0b - 1.6b (1.0%)
- **Increased Income Tax** - $640m-740m (0.5%)
- **Higher Property Taxes** - $670m (5% increase)
- **Higher Fuel Taxes** - $640m - 840m ($.10/L)
- **Employer Payroll Tax** - $630m - 730m (0.5%)

Source: AECOM/KPMG Revenue Tools, 2013, Mid Range Estimates

Using our evaluation criteria as a broad guideline, four tools were eventually eliminated from the final recommended suite of revenue tools. For each of these tools there were particular downsides that made their endorsement difficult, a few of which are outlined below:

- Increased Income Tax: The potential for economically negative impacts for the Region, such as smaller businesses moving out of Region and disruptions in local capital markets, given tax could cover income derived from investments.[80]

- Higher Property Taxes: Property taxes are a critical source of revenue for municipalities to cover wide-ranging infrastructure and operating needs besides public transport. Consequently, municipalities would want to retain their flexibility with how funds from this source are spent. As well, there are considerable local and political sensitivities associated with this tool that would make it problematic to implement.

- Road Tolls/Charges: Strong political opposition both at a municipal and provincial level would make mandatory implementation of such a tool a dim prospect in the foreseeable future. Moreover, there is the concern that the existing public transit infrastructure does not offer viable travel alternatives for drivers in many parts of the Region, particularly suburban 905 areas.

- Employer Payroll Taxes: As with increased income taxes the prime concern with payroll taxes was economic in nature. For many groups and organizations, the tool was seen negatively as a tax on employment; specifically, the concern being that employers may choose to relocate outside the Region or employ less people if tax creates excessive additional costs.

Recommended Revenue Tools and Approach

Layering in the aforementioned considerations and also direction from our membership and stakeholder consultations, the Board is now advancing for public discussion **four dedicated revenue tools.** These are tools, which in some combination could achieve the necessary $2-billion needed annually in dedicated regional transportation infrastructure revenues. The figures provided in Table 1 represent an approximate mid-range of both potential rates and revenues which could be generated by each individual tool. The estimates factor in adjustments in driver behaviour and any upfront implementation and infrastructure costs. The figures use 2014 as a baseline year. Of course, over the life of The Big Move, there will be variations in revenues generated due to changes in driver behaviour and fluctuations in the economy.[81]

[80] AECOM/KPMG Revenue tool profiles.

Table 1: Recommended Revenue Tools

Recommended Tools	Advantages	Jurisdictions Where Tools Utilized
Regional Sales Tax: A sales tax is a percentage applied on all goods and services sold in a region that is used to fund transportation projects **Revenue:** $1.0b - 1.6b (1.0%)	• Applicable to a broad tax base, which generally produces high revenue yields • Successfully utilized internationally	• Los Angeles • New York City • Seattle
Parking Space Levy: A levy paid by non-residential property owners based on parking space area (e.g. $1 per space per day) **Revenue:** $1.2b - 1.6b ($1.00)	• Benefits transportation network depending on extent charge is passed on to parking users • Predictable revenue stream	• Melbourne • Montreal • Nottingham (UK) • Sydney
Regional Fuel Tax: A fuel tax is an excise tax levied on the sale of transportation fuels in the Region. The tax typically takes the form of either a flat rate per litre of fuel purchased or an ad valorem tax (i.e. a percentage of the base price). The below figures are based on a flat rate per litre **Revenue:** $640m - 840m ($.10/L)	• Widely used, easy to implement • Supports demand management	• Greater Montreal • Vancouver • New York City
***High Occupancy Tolls:** Single occupant vehicles can pay a toll for the use of otherwise restricted high occupancy lanes (typically on expressways). High occupancy vehicles use the lanes for free. This tool requires the existence, creation or designation of high occupancy lanes, which can be used free of charge by vehicles with a minimum of passengers (i.e. high-occupancy vehicles with two or more people (HOV2+) or three or more people (HOV3+)) **Revenue:** $25m-45m ($0.30 km) *estimate based on conversion of existing HOV lanes in Toronto Region to HOT lanes	• Reduced congestion, especially if combined with dynamic pricing • Directly targets driver behaviour and traffic congestion	• Houston • Orange County, CA • San Diego

All of the research reviewed and presented to the Board, shows clearly, that there is no funding tool without certain drawbacks, implementation challenges and of course critics. However, with the four revenue tools we are recommending, we believe there is a better opportunity to ensure stability (e.g. less susceptibility to fluctuations in a single economic sector or market) and distribute costs in a fair way across all segments of the population.

As well, it is important to stress that while reduced congestion benefits commuters (drivers and transit users) in the most direct fashion, there are massive Region-wide benefits to the economy, environment and people's health and well-being that justify the adoption of both targeted (e.g. fuel tax, High Occupancy Tolls) and broad-based tools such as a regional sales tax.

Keeping in mind some of our evaluation criteria, the Board believes these four tools also address a variety of revenue generation and broader public policy objectives:

- **Revenue Generation Potential:** Regional Sales Tax, Non-Residential Parking Space Levy, High-Occupancy Toll and Fuel Tax, have the potential to act as the "heavy-lifters" of revenue collection.

- **Public and Political Support:** Based on our consultations this suite had strong overall buy-in, though certain stakeholders had concerns about how specific tools would impact their sectors.

- **Equity/Fairness:** The proposed suite of tools is fair in the sense that it targets a number of constituencies that directly or indirectly benefit from reduced congestion, including business, consumers and drivers.

- **Impact on Driver Behaviour and Network Performance:** Though recognizing the concerns about road tolls, there was a strong desire to include some revenue generation mechanisms that would impact driver behaviour and in particular congestion during peak times of day. Hence the inclusion in our final suite of tools of High Occupancy Tolls which provide drivers with a choice as to whether they wish to pay a premium for the privilege of driving in an otherwise restricted lane.

Although, outside the scope of this paper, we do acknowledge the major implementation and governance issues associated with implementing any new dedicated revenue tool. A number of these were highlighted in a recent study commissioned by the Residential and Civil Construction Alliance of Ontario. For example, in order to introduce a regional fuel tax or sales tax, "either a new governing body for the GTHA would be required or existing institutions would have to be given new powers".[82] "Collection and administration of the tax or levy could be piggybacked onto the corresponding existing tax (provincial fuel tax, vehicle registration fee and provincial sales tax)."[83] "The governing body should be responsible for setting the rate and spending the revenues." "A new regional government might be best in principle, but one is unlikely to emerge in the near future." An alternative is to grant Metrolinx with the enhanced powers of directly elected politicians." In terms of other revenue tools, like parking space levies and road tolls there is the question of whether these would be administered by Metrolinx, municipalities or the Ministry of Transportation.

82, 83 http://www.rccao.com/news/files/RCCAO_JAN2013_REPORT_LOWRES.pdf

Additionally, there is the question of whether these tools should be implemented province-wide. Under this scenario, the Province would be responsible for revenue collection and provide the Region with a transit funding stream based on an appropriate formula. In deciding upon the geographic scope of any tool, it is important that due consideration be given to the potential economic distortions that could arise from the regional application of a gas or sales tax. This could include the movement of businesses and consumers out of the Region to avoid higher tax rates and the resulting collateral impacts on firms, consumers and workers (e.g. reduced profit margins, higher prices and loss of jobs). In terms of business impacts, one must also take into account the compliance and administrative costs of implementing a Toronto Region Sales Tax (e.g. creation of news and separate accounting and reporting systems for Toronto Region). Moreover, in light of well-documented infrastructure needs in other parts of the province, the case could also be made for a dedicated province-wide revenue generating model.

Irrespective of the financing model adopted to pay for regional transportation there are a number of core principles the Board sees as being integral to achieving public buy-in:

- **Dedicated and time-bound revenue streams,** meaning that all monies collected through any new tool must be solely earmarked for improvements in public transportation infrastructure and subject to a proscribed sunset review (e.g. after a 20 year timeframe).

- **Absolute clarity on the policy and revenue generation objectives** of each of the revenue tools

- **Openness and transparency** about how and where public money is being spent

- **Rigorous cost-benefit analyses** to evaluate all of the potential economic, social and environmental implications of any new revenue tool or transit project

- **Ensuring maximum value-for-money for taxpayer dollars spent** through the adoption of best-in-class project management and financing models

- **Fairness and equity related considerations** must be part of any revenue tool evaluative framework; this includes assessing the impacts of a revenue tool on economically vulnerable groups and particular business sectors and identifying mitigation measures (e.g. tax rebates, exemptions) which could offset any unduly negative impacts.

Lastly, in the ongoing debate about who should pay for The Big Move and which areas will receive new infrastructure, discussion of the Region-wide benefit often gets lost. An improved, expanded, and integrated regional transportation network will return economic benefits across the Region in the form of more investments and jobs.

We know it will take the combined efforts of residents and businesses throughout the Toronto Region to raise the $2 billion needed annually to further build The Big Move. We also know that at any one moment in time in the lengthy development phase, some areas of the Region will see more activity than others.

Ultimately however, the objective of The Big Move is for 80 percent of the Region's residents to live within two kilometres of rapid transit. But most importantly, improvement and expansion of the Region's transportation network will support a strong and globally competitive Toronto Region economy.

Appendix 1: Metrolinx First Wave Projects

- Toronto-York Spadina Subway Extension
- Union Pearson Express
- York Region vivaNext Rapidways
- Eglinton Crosstown LRT
- Mississauga BRT Project
- Scarborough Rapid Transit Extension
- Finch West LRT
- Georgetown South Project
- Sheppard East LRT
- Union Station – Train Shed Revitalization

Source: Metrolinx http://www.metrolinx.com/en/regionalplanning/bigmove/big_move.aspx

TORONTO Item

Tracking Status

- This item will be considered by Executive Committee on April 23, 2013. It will be considered by City Council on May 7, 2013, subject to the actions of the Executive Committee.

Executive Committee consideration on April 23, 2013

EX31.3	ACTION			Ward:All

Metrolinx Transportation Growth Funding- Dedicated Revenues

Origin

(April 9, 2013) Report from the City Manager and the Deputy City Manager and Chief Financial Officer

Recommendations

The City Manager and Deputy City Manager and Chief Financial Officer recommend that:

1. Council indicate its support for regional transportation expansion in the Greater Toronto and Hamilton Area (GTHA), which is necessary for the growth, economic and social health, of both the City and the GTHA region;

2. Council indicate its support for dedicated revenues to be implemented by the Province to fund the Metrolinx transportation plan (the "Big Move");

3. Council adopt the following implementation principles as the basis for its support for new Greater Toronto and Hamilton Area (GTHA) taxes and fees related to the Big Move capital transportation plan:

   a. Approval and a clear commitment from Metrolinx and the Province to build the transportation projects planned within the Big Move.

   b. All project selections be based on a cost/benefit analysis that emphasizes improving transportation capacity, relief from congestion, and is linked to appropriate land-use planning.

   c. New Greater Toronto and Hamilton Area (GTHA) taxes or fees must be dedicated to funding GTHA transportation expansion.

   d. New taxes or user fees imposed in the Greater Toronto and Hamilton Area (GTHA) should be assessed at the same rates across the GTHA.

   e. The mix of revenue should balance the impact across various segments of society (e.g., both residents and businesses), with particular attention to affordability for lower-income citizens.

4. Council indicate to Metrolinx that it supports the use of the following Greater Toronto and Hamilton Area (GTHA) revenues:

   a. development charges
   b. fuel tax
   c. parking levy
   d. sales tax

5. Council indicate to Metrolinx that it supports the use of the following Greater Toronto and Hamilton Area (GTHA) revenues upon substantial completion of the first wave of Big Move projects ($16 billion):

   a. high occupancy toll lanes
   b. highway tolls or other road pricing
   c. vehicle registration tax

6. Council indicate to Metrolinx that it does not support the use of the following Greater Toronto and Hamilton Area (GTHA) revenues:

   a. congestion levy
   b. employer payroll tax
   c. land transfer tax
   d. land value capture
   e. personal income tax
   f. property tax
   g. transit fare increase
   h. utility bill levy

7. Council indicate that its support is conditional on 25% of the new revenues being allocated to incremental funding of local municipal transportation expansion priorities at the discretion of municipal councils;

8. Council indicate that it does not support the use of a regional property tax to fund regional transportation expansion, noting that the municipal tax base is required to finance existing operations, capital maintenance requirements, and expected contributions to local transportation expansion not funded by the 25% share of new revenues;

9. Council request the federal government to commit to transportation expansion in Ontario and contribute an equitable and increased share of dedicated program funding for the Metrolinx Big Move plan;

10. Council request that Metrolinx work with Infrastructure Ontario and PPP Canada to explore options to minimize capital costs associated with the construction and delivery of its regional transportation projects;

11. Council endorse the principle that the capital maintenance costs for major regional transportation infrastructure investments that are to be owned by Metrolinx, such as those included in the Big Move, be borne by Metrolinx;

12. Council direct the City Manager to report back to Council regarding:

    a. appropriate changes to the Metrolinx governance model.
    b. principles for the allocation of the 25% share of new revenues for local municipal transportation expansion priorities.

13. This report be forwarded to Metrolinx, the Provincial Ministries of Finance, Transportation, and Municipal Affairs & Housing, and the Federal Ministry of Finance and the Federal Ministry of Transport, Infrastructure and Communities.

Summary

Metrolinx is the provincial agency responsible for coordinating, and integrating all modes of transportation in the Greater Toronto and Hamilton Area (GTHA). On June 1, 2013, Metrolinx is required to submit its transportation investment strategy, including proposals for revenue generation tools to fund its $34 billion "next wave" capital projects, to the Province and municipal councils. Combined with its first phase of investment of $16 billion, a total of $50 billion will be spent to address transportation related congestion expected to result from the additional population growth anticipated in the GTHA over the next two decades.

At the October 9, 2012 meeting of Executive Committee, the City Manager was directed to conduct a public consultation and report back on results along with a recommended City position on various funding tools for Council endorsement and subsequent submission to Metrolinx as input to their investment strategy. The purpose of this report is to respond to Executive Committee direction.

The results of the Ipsos Reid and public consultation surveys indicate that a considerable majority of Toronto residents (85% Ipsos Reid) believe new revenues are required to fund transportation expansion. Ninety-two percent (both surveys) would support the use of dedicated government revenues to fund transportation infrastructure. Respondents demonstrated a preference for revenue sources that would be expected to influence travelling behaviour (i.e. as highway tolls, congestion charges, parking levies, fuel taxes, etc). Also, there was a preference for the use of development charges, making a link to growth-related capital costs. However, options that had little or no connection to transportation (i.e. income tax, land transfer tax, and utility bill levies) were not preferred.

Consistent with the majority public view, this report recommends that Council support regional transportation expansion in the GTHA and the use of select dedicated revenues to be implemented by the Province to fund the Metrolinx Big Move plan subject to following specific implementation principles. Development Charges, fuel tax, a parking levy, and sales tax should be considered by Council as potential revenue tools for implementation by Metrolinx. Further revenue sources specific to vehicle use such as highway tolls or other road pricing are considered for future implementation upon completion of the first phase of Metrolinx projects which should be operational in 2020. These projects include the $8.7 billion transit expansion on Eglinton, Sheppard and Finch Avenues and the conversion of the Scarborough RT.

The use of a proposed regional property tax to fund regional transportation expansion should not be considered, as the municipal tax base is required to finance existing transportation operations, capital maintenance requirements, and local transportation expansion priorities that will not be funded through the Metrolinx plan. Furthermore, the report recommends that

Council request the federal government commit to transportation expansion in Ontario and contribute an equitable and increased share of funding towards the Metrolinx plan.

The report also recommends that the City Manager prepare a follow up report for Council on the outcome of the Metrolinx Investment Strategy, advice on appropriate changes to the Metrolinx governance model, and principles for allocating the 25% share of new revenues for local transportation priorities in Toronto.

The City Manager will lead City's involvement in the overall Metrolinx Big Move plan, both first phase and "Next Wave" and is the intergovernmental lead in discussions with the provincial and federal governments and related agencies, including Metrolinx, Infrastructure Ontario, and PPP Canada. The City Manager's Office will coordinate across City divisions and agencies (e.g. TTC) supporting transportation expansion planning and priority setting for the Metrolinx Big Move plan.

Financial Impact

The Metrolinx Big Move is a major provincial investment in transportation infrastructure in the GTHA, with no direct municipal contribution required. The Metrolinx next wave projects to be funded from new revenues could result in expenditures of $10 billion or more in Toronto alone. The investment will reduce transportation congestion, facilitate growth, and create jobs.

Metrolinx seeks to raise $2 billion per annum to fund the next wave of $34 billion in regional transportation capital expansion through new taxes and fees affecting all citizens and businesses of the GTHA. It is estimated that $2 billion is equivalent to about 5% of total annual provincial taxes raised in the GTHA, or approximately $315 per capita, or up to $860 per household on average across the GTHA.

Metrolinx GTHA Dedicated Revenues

The revenue options discussed in this report were considered for application regionally, and not just within Toronto's boundaries. This is due to a number of reasons, including that the revenue options outlined are either:

a. expressly beyond the legislative authority of the City (e.g income tax, sales tax);

b. not in the interest of the City to impose on its own due to economic boundary impacts on businesses (e.g. parking levy, sales tax); and/or

c. already available to the City, or in use by the City (e.g. development charges).

The list of taxes and user fees recommended for Council consideration is designed to reflect a balance of key criteria and principles, such as beneficiary pays, efficiency, and affordability. The preferred list of revenue options recommended in this report for early implementation includes two broad taxes and two measures applicable to the non-residential sector. The recommended list provides revenue potential over the $2 billion annual requirement, as provided in the table below.

Potential Revenue Sources	Nominal Rate	Estimated Annual Revenue Potential	Average Annual Impact - Toronto Household or

		(GTHA) $ millions	Business
Early Implementation			
Fuel tax	5- 10 cents/ litre	$330- $660	$3- $6 per fill-up, assuming a 60 litre fuel tank
Sales Tax	0.5%-1%	$700 - $1,400	$275 - $550/household
Commercial Parking Levy	$0.50 - $1/space/day	$700 - $1,400	Depends on number of spaces
Development Charges	7.5% - 15% increase	$50 - $100	Varies depending on type of build
Upon Completion of Phase 1 Projects			
Highway Tolls	5 -10 cents/km travelled	$700 - $1,400	Dependent on number of highway km driven
HOT lanes	15 - 30 cents/km travelled	$22.5 - $45	Dependent on use of HOT lanes
Vehicle Registration Tax	$50 - $100/registration or renewal	$150 - $300	$50 - $100/vehicle/year

The recommended options described in the table above have been segmented into two phases of potential implementation—early implementation and later implementation. The revenue options (i.e. highway tolls, HOT lanes and Vehicle Registration Tax) recommended for later implementation are more appropriate when additional transit choices are available to residents. The report recommends that while fuel tax, sales tax, commercial parking levy and development charges can be implemented in the near term, the revenue options which more directly impact vehicle users should be delayed until phase one investments are substantially completed, providing alternative modes of transportation.

Except for development charges, the recommended options do not include taxes or fees currently in use by the City. Also, property taxes are not recommended, despite the obvious benefit of new transporation investment to property owners, as it does not rate well under other public policy and affordability critieria, and will be needed to fund local transportation priorities not included in the Big Move project lists. Similarly, transit fares are already optimized to balance encouraging ridership against operating cost recovery of the existing system, and therefore is not suited to generating additional funds for capital expansion. Land transfer taxes are not related to the benefits of transportation expansion, and is already at relatively high levels in Toronto as a source of revenue for current operating costs.

Local Municipal Transportation Priorities

Metrolinx has proposed that 25% of the $2 billion raised each year would be allocated to local municipal transportation priorities, although a the transfer mechanism has yet to be identified. Of the 25%, Metrolinx has outlined a preliminary allocation to be dedicated to municipal transportation support (15%), improvements to regional highways (5%), and active transportation and transportation demand management (5%). The City's portion and the associated terms and conditions are not yet known, but could potentially result in transfers in the order of $200 - $300 million per year (depending upon allocation methodology), a significant enhancement to the funding currently available to support the City's local transit, roads, pedestrian and cycling growth-related infrastructure.

Council previously directed staff to consider new funding options for local municipal transportation initiatives. The Metrolinx proposal to dedicate 25% of new revenues to local priorities would be a significant step toward satisfying municipal funding requirements. However, municipal discretion to prioritize local transportation requirements is preferred compared to defined transportation eligibility categories. The City would utilize local funding for all transportation modes with a priority on transit.

The Big Move will also impose local-related costs on the City and other municipalities, mostly related to the growth and intensification enabled by these projects, and the resultant requirement to consider accelerating growth-related capital projects to the time of construction. In addition, the question of liability for operating and maintenance costs related to new Big Move projects has not yet been formally addressed by Metrolinx or the Province. There is some risk that a portion of these costs will ultimately be borne by municipalities.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

Background Information

(April 9, 2013) Report with Appendices A to H from the City Manager and the Deputy City Manager and Chief Financial Officer on Metrolinx Transportation Growth Funding- Dedicated Revenues
(http://www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-57594.pdf)
Attachment 1 - Feeling Congested- Phase 1 Consultation Summary Report
(http://www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-57595.pdf)
Attachment 2 - Ipsos Reid - Transportation Investment Survey, Summary Report
(http://www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-57596.pdf)

Communications

(April 18, 2013) E-mail from Bram A. Lecker (EX.Supp.EX31.3.1)
(April 18, 2013) E-mail from John Alexopoulos (EX.Supp.EX31.3.2)
(April 19, 2013) E-mail from Peter Clarke (EX.Supp.EX31.3.3)

Long List of Potential Revenue Tools from Metrolinx's "Big Move Implementation Economics: Revenue Tool Profiles", March 2013

Revenue Tool	How does it work?	Who pays?
Auto Insurance Tax	Fee paid by vehicle owners when making auto insurance payments.	Vehicle owners and drivers
Car Rental Fee	A fixed fee charged per day or a percentage of the total cost of renting the vehicle.	Vehicle renters
Carbon Tax	A tax levied on the emissions of carbon dioxide created from the use of gasoline and other fossil fuels. The charge can be levied at the production or consumption stage as a fixed tax per litre of fuel, where the rate varies depending on the carbon content of each type of fuel.	Businesses and households
Cordon Charge	Drivers are charged a toll for entering and/or exiting certain cordons (or zones).	Motorists
Corporate Income Tax	A tax applied to the income base of all companies that file corporate income tax returns within a designated region. The proceeds are dedicated to funding transportation initiatives.	Businesses
Development Charges	One-time levies imposed on new developments used to pay for growth-related infrastructure. DCs are determined by formula, and based on the type of dwelling or property.	Developers and new property owners
Driver's License Tax	A fee charged to drivers upon issuance or renewal of their driver's license.	Drivers
Employer Payroll Tax	A tax is paid by employers as a percentage of employees gross pay in a given period or as a flat tax based on the number of employees they have.	Businesses
Fare Increases	A fare surcharge dedicated to capital projects is applied to all transit trips in the GTHA.	Transit riders
Fuel Tax	An additional excise tax levied on the sale of transportation fuels, calculated by volume purchased.	Motorists
High Occupancy Tolls	A charge on vehicles with one person who wish to use high occupancy vehicle (HOV) lanes. Vehicles that meet the high occupancy minimum travel for free.	Motorists
Highway Tolls	Motorists pay a toll per kilometre travelled on designated highways or for the use of a particular asset such as a bridge or tunnel.	Motorists
Hotel & Accommodation Levy	A fee charged per night to anyone staying at a hotel or other form of applicable accommodation.	Leisure and business visitors
Income Tax	Similar to standard taxation rates applied for Federal and Provincial income taxes through a percentage rate being applied to earnings (including capital gains) after exemptions and	Individual tax payers