

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 14, 2013

Item 2, Report No. 7, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on May 14, 2013.

2 METROLINX `THE BIG MOVE` - REVIEW OF SHORT LISTED INVESTMENT TOOLS

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Acting City Manager and the Acting Commissioner of Finance & City Treasurer, dated May 6, 2013:

Recommendation

The Acting City Manager and the Acting Commissioner of Finance & City Treasurer recommend:

1. That this information be received.

Contribution to Sustainability

Traffic congestion and transit are top of mind issues for the City of Vaughan, which were reaffirmed in the latest Ipsos Reid community survey. This issue extends well beyond the City of Vaughan boundaries and affects the Greater Toronto and Hamilton Area (GTHA). Metrolinx, an agency of the Government of Ontario, was created to improve transportation in the GTHA in an effort to support a strong economy, a healthy environment and a vibrant quality of life. To accomplish this task, Metrolinx has embarked on an initiative termed "The Big Move" which will transform the way the people move around in the GTHA. Funding resources are vital to help this transformation and as such Metrolinx is in the process of determining a responsible and sustainable investment strategy and supporting funding tools.

Economic Impact

There is no economic impact resulting from the recommendations of this report. However, Metrolinx is in the process of determining appropriate future investment tools to support the "The Big Move" initiative. These choices will impact the community and depending on the tools selected there could be significant implications for the City (e.g., encroaching on municipal property tax revenue sources, increased payroll costs, administration requirements, etc.).

Communications Plan

There is no communication plan associated with this report. However, a key next step in the Metrolinx engagement plan is to reach out and consult with municipal partners regarding the shorter list of 11 potential dedicated investment tools. As briefly illustrated below, their timeframe to obtain feedback is considerably compressed:

- March 31st - AECOM/KPMG report released
- April 2nd - Short listing of investment tools released
- April 9th - Metrolinx briefed CAOs around the region
- April 23rd - Metrolinx meeting with Mayors from York and Durham Region
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Further to the above, Metrolinx is also encouraging the general public to comment on the shortlisted funding tools through the following methods:

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- Web Survey: WWW.BIGMOVE.CA
- Email: Mathew.bertin@metrolinx.com
- Mail: Community & Stakeholder Relations Specialist
20 Bay Street, Suite 600, Toronto, Ontario M5J 2W3

Purpose

The Metrolinx “The Big Move” initiative will require significant investment to support the next wave of projects. The purpose of this report is to provide Committee/Council with an awareness of the initiative and a brief review of the shortlisted investment tools being considered.

Background- Analysis and Options

“The Big Move” is a provincial initiative that outlines the vision for transportation in the Greater Toronto and Hamilton Area (GTHA), which is spearheaded by Metrolinx, the Province’s regional transportation agency for the GTHA. Launched in 2008, this initiative spans 25-years, requiring over \$50-billion for coordinated, integrated transportation and transit in the GTHA. More than \$16 billion in investment was committed to visible improvements seen throughout the GTHA, including the Vaughan Subway expansion, York Region VivaNext Bus Rapid Transit Project, etc.

The next wave of Metrolinx projects will require an investment estimated at \$34 billion, approximately \$2 billion annually. These funds will be directed at increasing capacity and improving regional connectivity. Examples of these projects are the Yonge North Subway extension, GO rail expansion, a host of local transit, highway, and active transportation improvements necessary to ensure a strong, prosperous economy and improved quality of life. More information regarding specific projects can be found on the Metrolinx website.

Funding the next wave of “The Big Move” projects will require a funding strategy supported by responsible and sustainable funding sources. Initially Metrolinx identified 25 investment tools and engaged AECOM/KPMG to prepare a report outlining each identified tool profile, revenue estimates and an evaluation of specific criteria to assist in developing an investment strategy. It should be noted; the report, available on the Metrolinx website, serves as an information document and does not provide a prioritization or recommendation of investment tools. Recently, Metrolinx released a revised list of proposed investment tools, which narrowed down the initial list of 25 funding tools to 11. This information was first illustrated in the April 2nd, 2013 presentation titled “Investing in our Future”, with subsequent similar versions issued on April 18th and 23rd, the most current is provided as Attachment #1. The presentation also indicates Metrolinx is planning to release a final report and recommendations at the Metrolinx Board meeting on May 27th, 2013, which is supported by their mandate:

“Metrolinx is mandated that on or before June 1, 2013, to provide the Minister and the heads of the councils of the municipalities in the regional transportation area with a copy of the Corporation’s investment strategy, including proposals for revenue generating tools that may be used by the province or the municipalities to support the implementation of the transportation plan for the regional transportation area”

Metrolinx Investment Tools under Consideration

The following section will briefly describe each of the proposed funding tools being considered. Commentary is largely based on the March 31st, 2013 AECOM/KMPG report – “Big Move Implementation Economics: Revenue Tool Profiles”

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1) Parking Space Levy

Potential Annual GTHA Revenues – \$1 per space per day = \$1.4 billion/year

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Positive Attributes

- Ability to generate a significant amount of revenue
- Potential for a single provincial authority (e.g. Metrolinx) to monitor and collect revenues
- Reasonable way to directly charge users of the transportation network (user/cost burden connection)
- Additional costs of driving may influence transportation behaviour e.g. shift toward public transit
- Non-priced parking spaces might be converted to other uses to avoid cost increases, which may have positive impacts on land-use

General Concerns

- Ability to pass-through costs to drivers depends on the strength of local demand for priced parking
- Increased cost could raise the costs associated with accessing transit hubs
- Very likely that large retailers will push back on this tool to avoid any impact on their business
- Administrative costs required for collection, though some parking collection mechanisms exist

City of Vaughan Implications

- If the charge is based on area rather than per stall, the charge will be similar to property taxation and as such, could likely be lumped in with current municipal property tax collection
- The City of Vaughan has many off street parking sites and could be subject to charges

2) Payroll Tax:

Potential Annual GTHA Revenues – 0.5% = \$700 million/year

A payroll tax is a tax withheld by employers and remitted to the government. The Aecom KMPG report assumes a payroll tax would be implemented as a percentage of gross pay and applied uniformly to employers in the GTHA, similar to other Federal and Provincial payroll deductions (e.g., Employment Insurance, etc.). The payroll tax would apply to all employment income within the GTHA and follow a typical payroll deduction methodology in that one portion is paid by the employer and another is paid by employees.

Positive Attributes

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General Concerns

- Increased costs may reduce the attractiveness and competitiveness of businesses in the GTHA
- Revenues will fluctuate with the economy
- No incentive to alter commuter habits or travel behaviour
- Taxing employees on business location will present issues e.g. employee works in Ottawa for an employer based in Toronto

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City of Vaughan Implications

- Increasing payroll taxes will increase Vaughan labour costs (employer portion)
- Implementation costs associated with collection and remittance could impact the City
- Higher costs will reduce employment attractiveness; lower net-of-tax wages

3) Property Tax:

Potential Annual GTHA Revenues – 5% increase in revenues = \$670 million/year

Property taxes are a percentage based tax levied on the assessed value of real property owned. Property taxes are a common revenue tool for municipalities to pay for a variety of programs and services. Using property taxes to generate revenue to fund the Metrolinx new wave of transportation projects would require an incremental increase to all municipal property tax rate categories in the GTHA. Revenues generated would be earmarked for transportation projects and remitted to Metrolinx. An upper bound on the increase in property tax revenues in the region being dedicated to transportation funding has been identified at 10%.

Positive Attributes

- Sustainable source of revenue over the long-term as revenues are linked to the value of land
- Ability to generate a moderate amount of revenue
- Payment and collection mechanisms already exist within the municipalities

General Concerns

- High property taxes could lead to reduced real estate development or relocation outside of the GTHA
- An increase in property taxes may also discourage intensification
- Link between property taxation and Metrolinx projects is not as obvious as other tools
- No incentive to alter commuter habits or travel behaviour
- Public opposition is likely to be high.
- Coordinating across municipalities within the GTHA will likely have associated incremental costs

City of Vaughan Implications

- Property taxes are a principle source of revenue for municipalities and there is concern that using this funding source for Metrolinx transportation projects will be in direct competition with Vaughan affecting the City's ability to fund other municipal services and capital projects.
- Increased property taxes will impact resident and business retention
- Increased resident confusion regarding how property tax proceeds are utilized. Currently members of the community have difficulty understanding the Local, Regional, and SchoolBoard tax relationship.
- There will be some incremental administrative costs and challenges associated with processing the collection of the new tax and remitting to Metrolinx.

4) High Occupancy Tolls (HOT lanes):

Potential Annual GTHA Revenues – \$0.30/km = \$25million/year

This funding source is based on charging single occupant vehicles for the use of otherwise restricted High Occupancy Vehicle (HOV) lanes on highways and express ways. Moving forward, existing or planned HOV lanes would be converted to HOT lanes with a toll charge mechanism developed to charge low occupancy vehicles using these dedicated lanes. High occupancy vehicles (a minimum number of passengers) would continue to use these dedicated lanes for free.

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Positive Attributes

- Maximizes the efficiency of HOV lanes and potential to improve general travel conditions
- Improves the choices available to road users i.e. the charge is optional.
- Long term revenue potential in the range of \$160-\$250m range
- Purpose of the charge is relatively transparent
- Potential for a single provincial authority (e.g. Metrolinx) to monitor and collect the toll revenues

General Concerns

- Capital investment would be required for vehicle monitoring and transaction systems
- Inherent complexity and challenges associated with implementing
- No incentive to alter commuter habits or travel behaviour
- Compared to other options the initial revenue estimate is comparatively low resulting from few HOV lanes. Plans to implement more HOV lane will generate potential for additional future revenue
- HOV lane capacity may be limited to support additional usage or attractiveness
- Can be criticized for providing benefits to higher income earners (known as the "Lexus Lanes" issue).

City of Vaughan Implications

- There is very limited exposure to the City of Vaughan

5) Vehicle Kilometres Travelled (VKT) Fee:

Potential Annual GTHA Revenues – \$0.03/km = \$1.6 billion/year

In a VKT system, drivers pay a fixed fee charge for every kilometre they travel within a designated area, through odometer readings or GPS tracking. VKT charges would be applied to all drivers (trucks and passenger vehicles) in the GTHA on all highways and arterial / local roads within the area.

Positive Attributes

- Ability to generate a significant amount of revenue
- Reasonable way to directly charge users of the road network (user/cost burden connection)
- The added costs of driving would likely influence transportation behaviour
- Potential for a single provincial authority (e.g. Metrolinx) to monitor and collect the toll revenues

General Concerns

- Significant infrastructure investment is required to track vehicle movement/revenue collection
- There is an inherent complexity and numerous significant challenges associated with implementing VKT, resulting in very few large scale examples to draw on.
- Time is required to fully implement across the region making this a medium/long-term option
- Costs make it less attractive for people to pursue jobs across the GTHA or reside in the suburbs

City of Vaughan Implications

- Uncertainty on how this method will be implemented. Assistance could be required to charge/collect revenues, provide authority to toll local roadways, etc.
- The City of Vaughan has many vehicles and could be subject to charges

6) Highway Tolls:

Potential Annual GTHA Revenues – \$0.10/km \$1.4 billion/year

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Drivers pay a toll per kilometre travelled on a designated road or for the use of a particular asset such as a bridge or tunnel to help fund improvements to transportation networks. Toll rates can either be fixed throughout the day or vary based on the time of day to help reduce congestion. Highway tolls are used in many jurisdictions, including the GTHA e.g. the 407 an electronically tolled highway operated privately. This funding source considers charging tolls on all 400-series highways and major expressways in the GTHA, excluding the 407 highway, over 450 km of centreline highway.

Positive Attributes

- Ability to generate a significant amount of revenue
- Burden extends to commuters residing outside the GTHA area
- Potential for a single provincial authority (e.g. Metrolinx) to monitor and collect the toll revenues
- Toll rates could be used to influence transportation behaviour e.g. off peak use or transit motivation
- Reasonable way to directly charge users of the road network (user/cost burden connection)

General Concerns

- Increase the cost of moving goods within the GTHA - Will impact a broader consumer base as the increased cost of freight deliveries
- Significant infrastructure investment is required to track vehicle movement/revenue collection
- Time is required to fully implement across the region making this a medium/long-term option
- Costs make it less attractive for people to pursue jobs across the GTHA or reside in the suburbs

City of Vaughan Implications

- The City of Vaughan is in close proximity to many 400-series highways and major expressways, implementing tolls may unintentionally divert traffic from the tolled highways to local and arterial roads, resulting in increased local congestion and associated municipal costs.

7) Sales Tax:

Potential Annual GTHA Revenues - 1% = \$1.4billion/year

A percentage increase uniformly applied to all goods and services sold in a GTHA. The Province or Federal government will collect the sales tax revenues and distribute the transportation portion to Metrolinx for transportation projects.

Positive Attributes

- Ability to generate a significant amount of revenue
- Sales tax has a broad base, potential is significant for a relatively small rate increase
- Administrative structure for charging and collecting is already in place
- Recognizes the broader social value of transportation projects across the community
- Funding mechanism is controlled by the same provincial body responsible for projects
- Most widely used source of dedicated funding in the Metrolinx Peer Comparison

General Concerns

- Small negative impacts on the productivity and competitiveness of the GTHA
- No incentive to alter commuter habits or travel behaviour
- Difficult to draw the connection between funding and transportation improvements

City of Vaughan Implications

- City of Vaughan will experience price pressures through sales tax increases, but also broader price increases resulting from new costs imbedded in product/contract pricing

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8) Development Charges:

Potential Annual GTHA Revenues - 15% increase on existing = \$100 million/year

Development charges are a municipal tool used to pay for growth-related public service infrastructure associated with new developments. It is implied that leveraging this tool will be implemented on a project-by-project basis, meaning that development charges incurred on the construction of all new residential developments within the municipality of the identified Metrolinx projects will be increased to cover a portion of the associated capital costs.

Positive Attributes

- There is a linkage between those living in closer proximity to new transportation projects receiving the greatest benefit
- Payment and collection mechanisms already exist within the municipalities

General Concerns

- General impact on costs which could impact economic and real-estate development
- Tool does not encourage development near Metrolinx transportation project areas
- Funding source is supported by growth and does not consider the benefits received by existing residents or transportation users.
- Legislation is very specific and will require additional review and potentially special Provincial consideration
- No incentive to alter commuter habits or travel behaviour

City of Vaughan Implications

- Adding to the existing development charges will generate construction price pressures
- Potential impact on Vaughan specific economic and real-estate development
- There may be some incremental administrative costs associated with tracking the portion of development charges attributable to Metrolinx projects

9) Transit Fare Increases:

Potential Annual GTHA Revenues – \$0.15 per ride = \$50 million/year

A surcharge on all transit fares implemented as either a percentage or a fixed value dedicated to the Metrolinx initiative. This would require coordination amongst all of the transit authorities in the GTHA.

Positive Attributes

- Direct relationship to those who utilize the service

General Concerns

- Negative impact as increases in transit fares typically drive down ridership
- Structure for charging and collecting is in place, but transit authority coordination is required
- Transit fares are set by the region and a dedicated surcharge will compete with funding for ongoing transit operations and maintenance
- There is no certainty funds will be applied within the specific area collected
- No cost sharing from the rest of the community benefiting

City of Vaughan Implications

- Not applicable – Service provided at the regional level

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10) Fuel Tax:

Potential Annual GTHA Revenues – \$0.05/L = \$330 million/year

A flat rate per litre of fuel is imposed on the sale of all gasoline and diesel fuels in the GTHA for the purposes of funding transportation initiatives. The tax is to be collected by fuel retailers and remitted to the provincial government along with other sales taxes.

Positive Attributes

- Reasonable way to directly charge users of the road network
- Administrative structure for charging and collecting is already in place
- Provides an incentive to alter commuter habits or travel behaviour - likely to reduce auto use, GHG emissions, local air pollution

General Concerns

- Increased cost of moving goods within the GTHA will impact a broader consumer base through increased freight delivery charges
- Potential relocation of some economic activity outside the GTHA (Refuelling/Business)

City of Vaughan Implications

- City of Vaughan will experience price pressures through direct fuel price increases, but also broader price increases resulting from high fuel and freight costs imbedded in product/contract pricing.

11) Land Value Capture (LVC):

Potential Annual GTHA Revenues - specific terms = \$20 million/year

Land value capture (LVC) is designed to capture a one-time gain in property values associated with a decision to locate a transit station in the vicinity. Developments around transit stations benefit from greater accessibility and often lead to increased property values. An LVC attempts to capture some of the land value uplift from a new transit investment and can take the form of developer contributions.

Positive Attributes

- There is a linkage between those living in closer proximity who benefit greatest from new transportation projects
- Potential for Metrolinx to administer and collect revenues

General Concerns

- Extremely difficult to calculate the benefit associated with the gain in property values
- Funding transit becomes the burden of growth within designated transit areas – cost is spread over very small area
- No cost sharing with the rest of those benefiting
- No incentive to alter commuter habits or travel behaviour
- Could work against incenting development and growth
- Revenues are not sustainable over the long-term as there is a limit to the amount of developable land
- Implementation will be difficult as each property will have unique characteristics that need to be addressed

City of Vaughan Implications

- Zoning changes may be required to ensure that the property can realize its full value
- Municipal involvement is unclear
- Potential to impact real-estate and economic development in designated Vaughan areas

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Regional Transportation Authority (RTA) Comparisons

As part of the review, Metrolinx compared the use of tools in other regional transportation authority jurisdictions e.g. New York, Chicago, Hong Kong, Montreal, Vancouver, etc. Interestingly, of those surveyed 78% leveraged 3 funding tools or less, while approximately 50% of these jurisdictions leveraged a single tool. The most common tools utilized by the sampled areas are:

- Fuel Tax (46%)
- Tolls/HOT lanes (46%)
- Sales Tax (36%)

It should be noted, the Vehicle Kilometres Travelled (VKT) is only used by one Regional Transportation Authority in a pilot project.

Relationship to Vaughan Vision 2020/Strategic Plan

The next wave of Metrolinx projects will be directed at increasing transit capacity and improving regional connectivity, which is consistent with a number of the City's strategic themes and initiatives. The foundation of this report discusses the various funding mechanisms under consideration to support "The Big Move" Initiative, which relates to the City's financial sustainability strategic theme.

Regional Implications

There are no regional implications as a result of this report.

Conclusion

Traffic congestion and transit are top of mind issues for the City of Vaughan and the Greater Toronto and Hamilton Area (GTHA). Metrolinx, an agency of the Government of Ontario, was created to improve transportation in the GTHA in an effort to support a strong economy, a healthy environment and a vibrant quality of life. To accomplish this task, Metrolinx has embarked on an initiative termed "The Big Move".

The next wave of Metrolinx projects require an investment estimated at \$34 billion, approximately \$2 billion annually. Metrolinx is currently in the process of determining appropriate future investment tools to support the "The Big Move" initiative. These choices will impact the City's residents to varying degrees depending on the tools selected. Metrolinx is currently reaching out to consult with municipal partners regarding the shorter list of 11 potential dedicated investment tools. A brief review of each tool is provided in the report. The Metrolinx timeframe to obtain feedback is considerably compressed with a target of developing a final report for the Metrolinx board scheduled for May 27th, 2013. A brief summary highlighting funding tool characteristics is provided below:

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Funding Tool	Low Cost	Quick to Implement	Collection Transparency	Travel Influence	Prov. Jurisdiction	RTA Common Use	High \$ Potential	Low Vaughan Affect	Total
1 Fuel Tax	Y	Y	Y	Y	Y	Y			6
2 Sales Tax	Y	Y			Y	Y	Y		5
3 Highway Tolls			Y	Y	Y	Y	Y		5
4 HOT			Y	Y	Y	Y		Y	5
5 Parking Space Levy	Y	Y	Y				Y	Y	5
6 Transit Fare Increases	Y	Y	Y					Y	4
7 VKT Fee			Y	Y	Y		Y		4
8 Payroll Tax	Y	Y			Y				3
9 Property Tax	Y	Y							2
10 Development Charges	Y								1
11 Land Value Capture	Y								1

Attachments:

Attachment # 1 – Metrolinx Presentation “Investing in our Future”

Report prepared by:

John Henry,
Acting Commissioner of Finance & City Treasurer
Ext. 8348

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

METROLINX 'THE BIG MOVE' - REVIEW OF SHORT LISTED INVESTMENT TOOLS**Recommendation**

The Acting City Manager and the Acting Commissioner of Finance & City Treasurer recommend:

1. That this information be received.

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projects would require an incremental increase to all municipal property tax rate categories in the GTHA. Revenues generated would be earmarked for transportation projects and remitted to Metrolinx. An upper bound on the increase in property tax revenues in the region being dedicated to transportation funding has been identified at 10%.

Positive Attributes

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- Payment and collection mechanisms already exist within the municipalities

General Concerns

- High property taxes could lead to reduced real estate development or relocation outside of the GTHA
- An increase in property taxes may also discourage intensification
- Link between property taxation and Metrolinx projects is not as obvious as other tools
- No incentive to alter commuter habits or travel behaviour
- Public opposition is likely to be high.
- Coordinating across municipalities within the GTHA will likely have associated incremental costs

City of Vaughan Implications

- Property taxes are a principle source of revenue for municipalities and there is concern that using this funding source for Metrolinx transportation projects will be in direct competition with Vaughan affecting the City's ability to fund other municipal services and capital projects.
- Increased property taxes will impact resident and business retention
- Increased resident confusion regarding how property tax proceeds are utilized. Currently members of the community have difficulty understanding the Local, Regional, and School Board tax relationship.
- There will be some incremental administrative costs and challenges associated with processing the collection of the new tax and remitting to Metrolinx.

4) High Occupancy Tolls (HOT lanes):

Potential Annual GTHA Revenues – \$0.30/km = \$25million/year

This funding source is based on charging single occupant vehicles for the use of otherwise restricted High Occupancy Vehicle (HOV) lanes on highways and express ways. Moving forward, existing or planned HOV lanes would be converted to HOT lanes with a toll charge mechanism developed to charge low occupancy vehicles using these dedicated lanes. High occupancy vehicles (a minimum number of passengers) would continue to use these dedicated lanes for free.

Positive Attributes

- Maximizes the efficiency of HOV lanes and potential to improve general travel conditions
- Improves the choices available to road users i.e. the charge is optional.
- Long term revenue potential in the range of \$160-\$250m range
- Purpose of the charge is relatively transparent
- Potential for a single provincial authority (e.g. Metrolinx) to monitor and collect the toll revenues

General Concerns

- Capital investment would be required for vehicle monitoring and transaction systems
- Inherent complexity and challenges associated with implementing
- No incentive to alter commuter habits or travel behaviour
- Compared to other options the initial revenue estimate is comparatively low resulting from few HOV lanes. Plans to implement more HOV lane will generate potential for additional future revenue
- HOV lane capacity may be limited to support additional usage or attractiveness
- Can be criticized for providing benefits to higher income earners (known as the "Lexus Lanes" issue).

City of Vaughan Implications

- There is very limited exposure to the City of Vaughan

5) Vehicle Kilometres Travelled (VKT) Fee:

Potential Annual GTHA Revenues – \$0.03/km = \$1.6 billion/year

In a VKT system, drivers pay a fixed fee charge for every kilometre they travel within a designated area, through odometer readings or GPS tracking. VKT charges would be applied to all drivers (trucks and passenger vehicles) in the GTHA on all highways and arterial / local roads within the area.

Positive Attributes

- Ability to generate a significant amount of revenue
- Reasonable way to directly charge users of the road network (user/cost burden connection)
- The added costs of driving would likely influence transportation behaviour
- Potential for a single provincial authority (e.g. Metrolinx) to monitor and collect the toll revenues

General Concerns

- Significant infrastructure investment is required to track vehicle movement/revenue collection
- There is an inherent complexity and numerous significant challenges associated with implementing VKT, resulting in very few large scale examples to draw on.
- Time is required to fully implement across the region making this a medium/long-term option
- Costs make it less attractive for people to pursue jobs across the GTHA or reside in the suburbs

City of Vaughan Implications

- Uncertainty on how this method will be implemented. Assistance could be required to charge/collect revenues, provide authority to toll local roadways, etc.
- The City of Vaughan has many vehicles and could be subject to charges

6) Highway Tolls:

Potential Annual GTHA Revenues – \$0.10/km \$1.4 billion/year

Drivers pay a toll per kilometre travelled on a designated road or for the use of a particular asset such as a bridge or tunnel to help fund improvements to transportation networks. Toll rates can either be fixed throughout the day or vary based on the time of day to help reduce congestion. Highway tolls are used in many jurisdictions, including the GTHA e.g. the 407 an electronically tolled highway operated privately. This funding source considers charging tolls on all 400-series highways and major expressways in the GTHA, excluding the 407 highway, over 450 km of centreline highway.

Positive Attributes

- Ability to generate a significant amount of revenue
- Burden extends to commuters residing outside the GTHA area
- Potential for a single provincial authority (e.g. Metrolinx) to monitor and collect the toll revenues
- Toll rates could be used to influence transportation behaviour e.g. off peak use or transit motivation
- Reasonable way to directly charge users of the road network (user/cost burden connection)

General Concerns

- Increase the cost of moving goods within the GTHA - Will impact a broader consumer base as the increased cost of freight deliveries
- Significant infrastructure investment is required to track vehicle movement/revenue collection
- Time is required to fully implement across the region making this a medium/long-term option
- Costs make it less attractive for people to pursue jobs across the GTHA or reside in the suburbs

City of Vaughan Implications

- The City of Vaughan is in close proximity to many 400-series highways and major expressways, implementing tolls may unintentionally divert traffic from the tolled highways to local and arterial roads, resulting in increased local congestion and associated municipal costs

7) Sales Tax:

Potential Annual GTHA Revenues - 1% = \$1.4billion/year

A percentage increase uniformly applied to all goods and services sold in a GTHA. The Province or Federal government will collect the sales tax revenues and distribute the transportation portion to Metrolinx for transportation projects.

Positive Attributes

- Ability to generate a significant amount of revenue
- Sales tax has a broad base, potential is significant for a relatively small rate increase
- Administrative structure for charging and collecting is already in place
- Recognizes the broader social value of transportation projects across the community
- Funding mechanism is controlled by the same provincial body responsible for projects
- Most widely used source of dedicated funding in the Metrolinx Peer Comparison

General Concerns

- Small negative impacts on the productivity and competitiveness of the GTHA
- No incentive to alter commuter habits or travel behaviour
- Difficult to draw the connection between funding and transportation improvements

City of Vaughan Implications

- City of Vaughan will experience price pressures through sales tax increases, but also broader price increases resulting from new costs imbedded in product/contract pricing

8) Development Charges:

Potential Annual GTHA Revenues - 15% increase on existing = \$100 million/year

Development charges are a municipal tool used to pay for growth-related public service infrastructure associated with new developments. It is implied that leveraging this tool will be implemented on a project-by-project basis, meaning that development charges incurred on the construction of all new residential developments within the municipality of the identified Metrolinx projects will be increased to cover a portion of the associated capital costs.

Positive Attributes

- There is a linkage between those living in closer proximity to new transportation projects receiving the greatest benefit
- Payment and collection mechanisms already exist within the municipalities

General Concerns

- General impact on costs which could impact economic and real-estate development
- Tool does not encourage development near Metrolinx transportation project areas
- Funding source is supported by growth and does not consider the benefits received by existing residents or transportation users.
- Legislation is very specific and will require additional review and potentially special Provincial consideration
- No incentive to alter commuter habits or travel behaviour

City of Vaughan Implications

- Adding to the existing development charges will generate construction price pressures
- Potential impact on Vaughan specific economic and real-estate development
- There may be some incremental administrative costs associated with tracking the portion of development charges attributable to Metrolinx projects

9) Transit Fare Increases: *Potential Annual GTHA Revenues – \$0.15 per ride = \$50 million/year*

A surcharge on all transit fares implemented as either a percentage or a fixed value dedicated to the Metrolinx initiative. This would require coordination amongst all of the transit authorities in the GTHA.

Positive Attributes

- Direct relationship to those who utilize the service

General Concerns

- Negative impact as increases in transit fares typically drive down ridership
- Structure for charging and collecting is in place, but transit authority coordination is required
- Transit fares are set by the region and a dedicated surcharge will compete with funding for ongoing transit operations and maintenance
- There is no certainty funds will be applied within the specific area collected
- No cost sharing from the rest of the community benefiting

City of Vaughan Implications

- Not applicable – Service provided at the regional level

10) Fuel Tax: *Potential Annual GTHA Revenues – \$0.05/L = \$330 million/year*

A flat rate per litre of fuel is imposed on the sale of all gasoline and diesel fuels in the GTHA for the purposes of funding transportation initiatives. The tax is to be collected by fuel retailers and remitted to the provincial government along with other sales taxes.

Positive Attributes

- Reasonable way to directly charge users of the road network
- Administrative structure for charging and collecting is already in place
- Provides an incentive to alter commuter habits or travel behaviour - likely to reduce auto use, GHG emissions, local air pollution

General Concerns

- Increased cost of moving goods within the GTHA will impact a broader consumer base through increased freight delivery charges
- Potential relocation of some economic activity outside the GTHA (Refuelling/Business)

City of Vaughan Implications

- City of Vaughan will experience price pressures through direct fuel price increases, but also broader price increases resulting from high fuel and freight costs imbedded in product/contract pricing.

11) Land Value Capture (LVC): *Potential Annual GTHA Revenues - specific terms = \$20 million/year*

Land value capture (LVC) is designed to capture a one-time gain in property values associated with a decision to locate a transit station in the vicinity. Developments around transit stations benefit from greater accessibility and often lead to increased property values. An LVC attempts to capture some of the land value uplift from a new transit investment and can take the form of developer contributions.

Positive Attributes

- There is a linkage between those living in closer proximity who benefit greatest from new transportation projects
- Potential for Metrolinx to administer and collect revenues

General Concerns

- Extremely difficult to calculate the benefit associated with the gain in property values
- Funding transit becomes the burden of growth within designated transit areas – cost is spread over very small area
- No cost sharing with the rest of those benefiting
- No incentive to alter commuter habits or travel behaviour
- Could work against incenting development and growth
- Revenues are not sustainable over the long-term as there is a limit to the amount of developable land
- Implementation will be difficult as each property will have unique characteristics that need to be addressed

City of Vaughan Implications

- Zoning changes may be required to ensure that the property can realize its full value
- Municipal involvement is unclear
- Potential to impact real-estate and economic development in designated Vaughan areas

Regional Transportation Authority (RTA) Comparisons

As part of the review, Metrolinx compared the use of tools in other regional transportation authority jurisdictions e.g. New York, Chicago, Hong Kong, Montreal, Vancouver, etc. Interestingly, of those surveyed 78% leveraged 3 funding tools or less, while approximately 50% of these jurisdictions leveraged a single tool. The most common tools utilized by the sampled areas are:

- Fuel Tax (46%)
- Tolls/HOT lanes (46%)
- Sales Tax (36%)

It should be noted, the Vehicle Kilometres Travelled (VKT) is only used by one Regional Transportation Authority in a pilot project.

Relationship to Vaughan Vision 2020/Strategic Plan

The next wave of Metrolinx projects will be directed at increasing transit capacity and improving regional connectivity, which is consistent with a number of the City's strategic themes and initiatives. The foundation of this report discusses the various funding mechanisms under consideration to support "The Big Move" Initiative, which relates to the City's financial sustainability strategic theme.

Regional Implications

There are no regional implications as a result of this report.

Conclusion

Traffic congestion and transit are top of mind issues for the City of Vaughan and the Greater Toronto and Hamilton Area (GTHA). Metrolinx, an agency of the Government of Ontario, was created to improve transportation in the GTHA in an effort to support a strong economy, a healthy environment

and a vibrant quality of life. To accomplish this task, Metrolinx has embarked on an initiative termed “The Big Move”.

The next wave of Metrolinx projects require an investment estimated at \$34 billion, approximately \$2 billion annually. Metrolinx is currently in the process of determining appropriate future investment tools to support the “The Big Move” initiative. These choices will impact the City’s residents to varying degrees depending on the tools selected. Metrolinx is currently reaching out to consult with municipal partners regarding the shorter list of 11 potential dedicated investment tools. A brief review of each tool is provided in the report. The Metrolinx timeframe to obtain feedback is considerably compressed with a target of developing a final report for the Metrolinx board scheduled for May 27th, 2013. A brief summary highlighting funding tool characteristics is provided below:

Funding Tool	Low Cost	Quick to Implement	Collection Transparency	Travel Influence	Prov. Jurisdiction	RTA Common Use	High \$ Potential	Low Vaughan Affect	Total
1 Fuel Tax	Y	Y	Y	Y	Y	Y			6
2 Sales Tax	Y	Y			Y	Y	Y		5
3 Highway Tolls			Y	Y	Y	Y	Y		5
4 HOT			Y	Y	Y	Y		Y	5
5 Parking Space Levy	Y	Y	Y				Y	Y	5
6 Transit Fare Increases	Y	Y	Y				Y		4
7 VKT Fee			Y	Y	Y		Y		4
8 Payroll Tax	Y	Y			Y				3
9 Property Tax	Y	Y							2
10 Development Charges	Y								1
11 Land Value Capture	Y								1

Attachments:

Attachment # 1 – Metrolinx Presentation “Investing in our Future”

Report prepared by:

John Henry,
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Respectfully submitted by:

Barbara Cribbett, CMA
Acting City Manager

John Henry, CMA
Acting Commissioner of Finance & City Treasurer

Investing in our Future

April 23, 2013



theBIGmove



METROLINX

An agency of the Government of Ontario

GTHA's Global Competitiveness

- The GTHA is already one of the world's most attractive regions to live, work and invest in
- Other urban regions consistently outperform the GTHA on quality of transportation
- The GTHA *“suffers from traffic congestion problems, poorly integrated regional transit services and relatively underdeveloped transport infrastructure.”* OECD Territorial Review, 2010



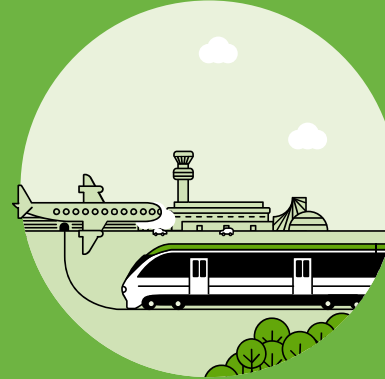
Current Projects Underway (\$16B)



**York Region vivaNext
Bus Rapidways**



**Mississauga Bus
Rapid Transit**



**Union Pearson
Express**



**Union Station
Revitalization**



**Toronto–York Spadina
Subway Extension**



**The Georgetown
South Project**



**Toronto Light Rail Transit
including Eglinton Crosstown**

Proposed Next Wave of Projects

SUBWAY EXPANSION

- Downtown Relief Line
- Yonge North Subway Extension

NEW RAPID TRANSIT

- Brampton Queen Street Rapid Transit
- Dundas Street Bus Rapid Transit
- Durham-Scarborough Bus Rapid Transit
- Hamilton Rapid Transit
- Hurontario-Main LRT

GO/UP ENHANCEMENT

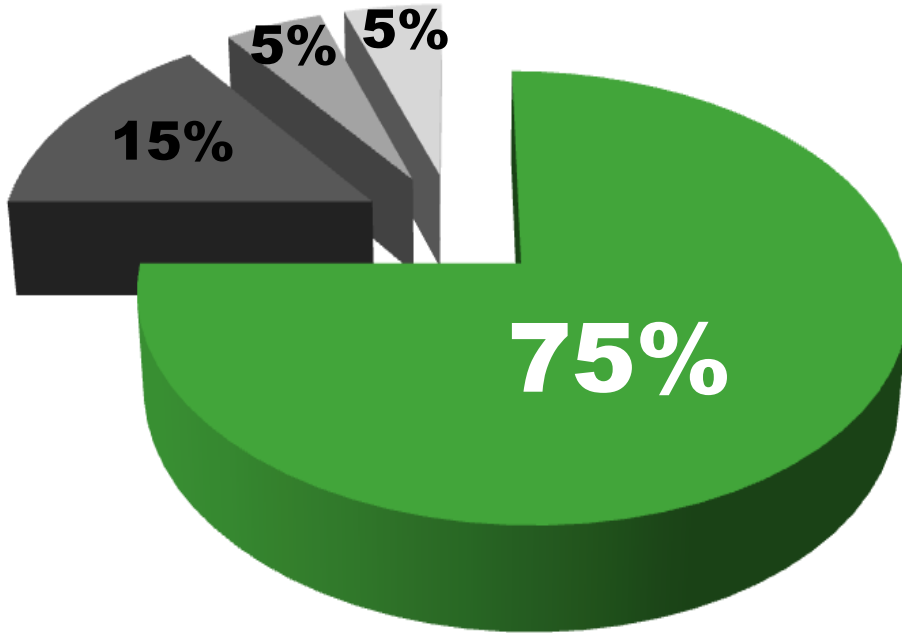
- GO Rail Expansion
- GO Lakeshore Express Rail Service – Phase 1 (including Electrification)
- Electrification of GO Kitchener Line and Union Pearson Express

LOCAL

- Local transit
- Roads and highways
- Active transportation and integration

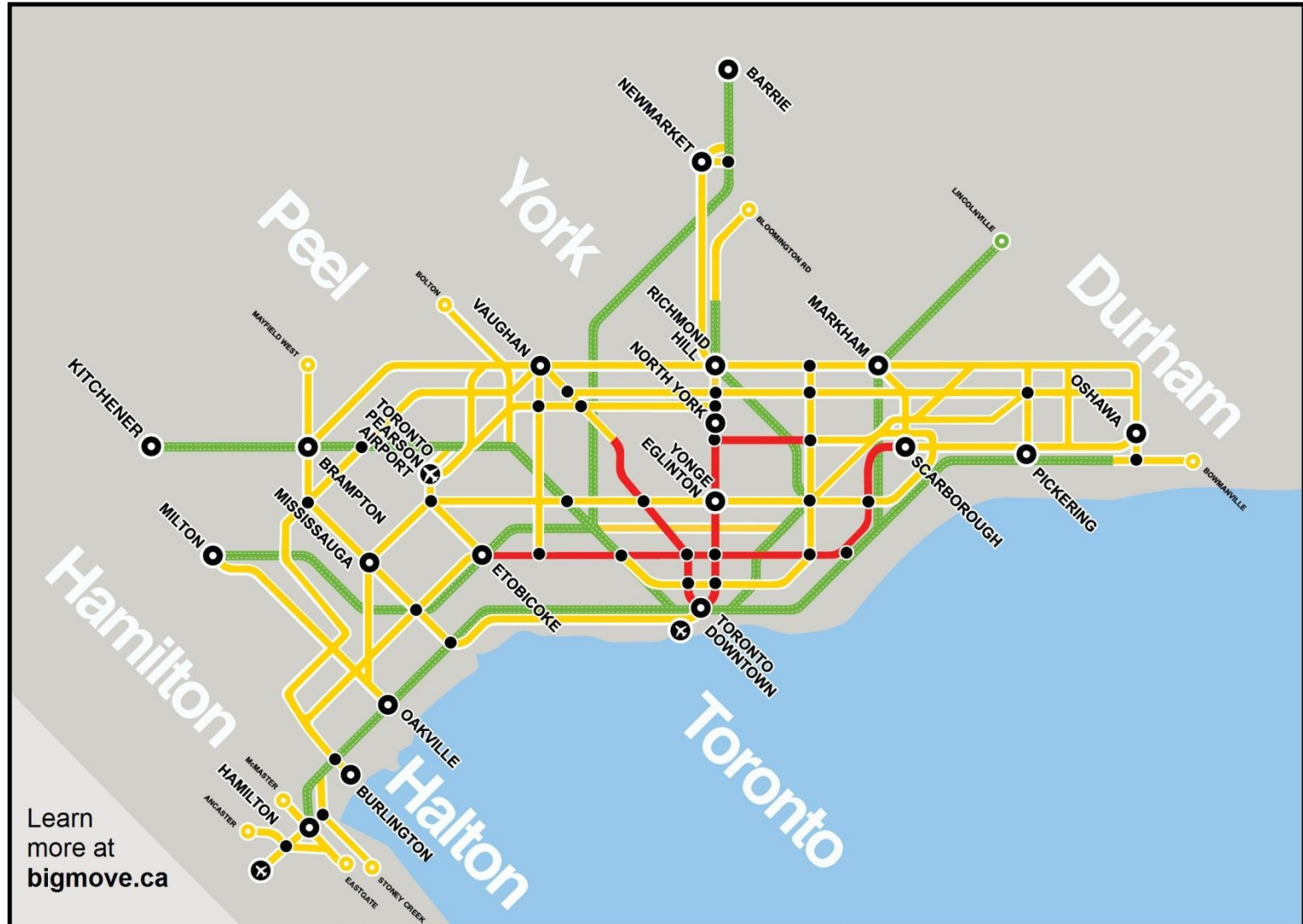


Proposed Next Wave of Projects



- 25% of resources for other means of travel
 - 15% municipal transit support
 - 5% improvements to regional highways
 - 5% other projects including: Walking and Cycling Infrastructure, Customer Service, Fare Integration, Intelligent Transportation Systems, Mobility Hubs, Urban Freight

The Big Move



New Funding Required for Next Wave

\$34B

total capital construction cost

\$2B

per year ongoing

Scope of Investment Strategy

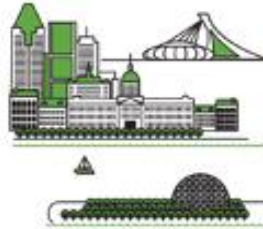
- Integrating Growth, Land Use and Transportation
- Optimizing System and Network Efficiency
- Integrating Infrastructure Decision-Making
- Funding through New Investment Tools



Best Practices from Other Jurisdictions



Vancouver



Montreal



Paris

- A *suite* of dedicated tools
- A combination of tools and direct government funding
- Key role for the private sector
- Ability to issue debt and maintain credit ratings
- Importance of accountability and transparency



Chicago



New York



London

Tools in Other Jurisdictions

	Regional Transportation Authority														
	MetroInx	Chicago RTA	Georgia RTA	Hong Kong MTR	Los Angeles County Metro	Montreal AMT	New York City MTA	Paris RATP	Port Authority of New York & New Jersey	Portland Oregon TriMet	Public Transport Victoria Australia	SF Metropolitan Transportation Commission	Transport for London UK	Vancouver TransLink	Wash DC Metro Area Transit Authority
Cordon Charge													X		
Corporate Income Tax							X								
Fuel Tax			X			X	X			X				X	X
Land Value Capture				X				X							X
Parking Space Levy											X			X	
Payroll Tax							X	X		X					
Property Tax						X				X				X	
Sales Tax		X	X		X		X					X			
TIF										X			X		
Tolls: Highways/HOT/ Bridge/Tunnel		X	X				X		X			X		X	
Utility Levy														X	
Vehicle Kilometers Travelled Pilot										X Oregon State					
Vehicle Registration Tax						X									
Ability to Issue Debt		X		X	X	X STM	X	X	X	X		X	X	X	X

Investment Tool Profiles

- Detailed research, completed for Metrolinx by AECOM/KPMG, provides information on 25 investment tools that have been identified as potential candidates for the Investment Strategy
- AECOM-KPMG report can be found on www.bigmove.ca
- Each investment tool profile includes information on how the tool works, case studies from other jurisdictions, and evaluations based on:
 - Revenue potential
 - Incremental costs to implement
 - Impact on travel behaviour and transportation network performance
 - The ability of the tool to provide for "smart charges" or dynamic pricing
 - Technical implementation considerations
 - Governance considerations
 - Equity and distributional impacts
 - Impact on overall economic efficiency



Proposed Principles to Guide New Funding

- **Dedicated Revenue**

The public can see exactly what they are paying for and have an assurance that funds are not diverted to other priorities

- **Fairness in Costs and Benefits**

Distributes costs to everyone who benefits, recognizing that we all benefit from transportation infrastructure

- **Equity across the Region**

Ensures that no part of the region is left behind by having all areas pay their fair share and benefit from investment

- **Transparency and Accountability**

Ensures transparency in administering funds and reporting on results



List of Tools from global experience

- Auto Insurance Tax
- Car Rental Fee
- Carbon Tax
- Cordon Charge
- Corporate Income Tax
- Development Charges
- Driver's License Tax
- Employer Payroll Tax
- Fuel Tax
- High Occupancy Toll (HOT) Lanes
- Highway Tolls
- Hotel and Accommodation Levy
- Income Tax
- Land Transfer Tax
- Land Value Capture
- New Vehicle Sales Tax
- Parking Sales Tax
- Parking Space Levy
including pay-for-parking for transit stations
- Property Tax
- Sales Tax
- Tax Increment Financing
(Special Assessment Districts)
- Transit Fare Increase
- Utility Levy
- Vehicle Kilometres Travelled (VKT) Fee
- Vehicle Registration Fee



Rationale for Narrowing the Tools

- From the 25, we selected seven high-performing “big” tools based on:
 - Revenue generation and cost
 - Ease of implementation and use
 - Public impacts, including transportation benefits and social fairness
- We also selected four smaller “high policy impact” tools based on ability to:
 - Improve travel behaviour, choice and capacity optimization on the existing highway system
 - Integrate land development and transportation investment decisions
 - Ensure transit users contribute directly to transit capital expansion costs
- The outcome:
 - A shorter list of 11 tools – a reasonable range of user, beneficiary and everyone pays tools – to eventually develop a recommended revenue toolkit
 - Symmetry with the potential investment tools being considered by the Toronto Region Board of Trade, City of Toronto and others

Short List of Investment Tools

Seven Potential Big Investment Tools:

- Employer Payroll Tax
- Fuel Tax
- Highway Tolls
- Parking Space Levy
including pay-for-parking at transit stations
- Property Tax
- Sales Tax
- Vehicle Kilometres Travelled (VKT) Fee

Four Potential Smaller Investment “Policy” Tools:

- Development Charges
- High Occupancy Toll (HOT) Lanes
- Land Value Capture (LVC)
- Transit Fare Increase

Categorizing Investment Tools

User Pay Tools: recognizes the value to direct consumers of the infrastructure

- Fuel Tax
- Road Pricing (High Occupancy Tolls, Highway Tolls, Vehicle Kilometres Travelled Charge)
- Transit Fares

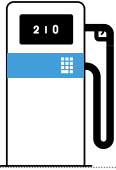



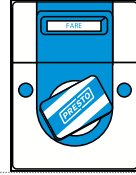
Beneficiaries Pay Tools: recognizes the economic value of infrastructure

- Property Tax
- Land Value Capture
- Development Charges
- Parking Space Levy including pay-for-parking at transit stations
- Payroll Tax

Everyone Pays Tool: recognizes the broad social value of infrastructure


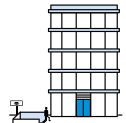
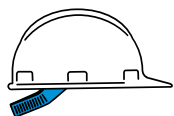
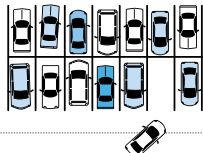

- Sales Tax

User Pay Tools

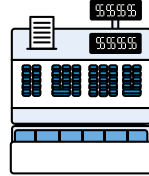
	Fuel Tax	High Occupancy Tolls	Highway Tolls	Vehicle Kilometres Travelled Charge	Transit Fares
					
HOW DOES IT WORK?	An additional excise tax levied on the sale of transportation fuels, calculated by volume purchased.	A charge on vehicles with one person who wish to use high occupancy vehicle (HOV) lanes. Vehicles that meet the high occupancy minimum travel for free.	Motorists pay a toll per kilometre travelled on designated highways.	Motorists pay charge for every kilometre they travel within a designated area or in all areas. A driver's VKT is recorded through odometer readings or GPS tracking.	A fare surcharge dedicated to capital projects is applied to all transit trips in the GTHA.
WHO PAYS?	Motorists	Motorists	Motorists	Motorists	Transit Riders
POTENTIAL ANNUAL REVENUES (GTHA)*	\$0.05/L = \$330 million	Variable rate = \$25 million	\$0.10/km = \$1.4 billion	\$0.03/km = \$1.6 billion	\$0.15 /ride = \$50 million
WHERE IS IT USED?	BC, Alberta and Quebec, US and Europe	HOTs are currently used in nine U.S. states.	Several U.S. states, Ireland, the United Kingdom and the Highway 407 in GTHA.	Austria and Germany on federal motorways.	

** Rates shown are used for illustrative purposes only and are not intended to recommend a particular rate.*

Beneficiaries Pay Tools

	Property Tax	Land Value Capture	Development Charges	Parking Space Levy	Payroll Tax
					
HOW DOES IT WORK?	A percentage-based tax is applied on the value of property owned by individuals and organizations.	Land Value Capture (LVC) aims to collect a share of the increased value in property development that results from transportation investment. Developments around transit stations benefit from greater accessibility and often have higher land values.	One-time levies imposed on new developments and eligible re-developments used to pay for growth-related infrastructure. DCs are determined by formula, and based on the type of dwelling or property.	A daily levy is charged to a property owner based on the amount of non-residential off-street parking spaces owned- including pay-for-parking at transit stations	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.
WHO PAYS?	Property Owners	Property Owners	Developers & New Property Owners	Property Owners	Businesses
POTENTIAL ANNUAL REVENUES (GTHA)*	5% increase on existing = \$670 million	\$20 million	15% increase on existing = \$100 million	\$1 /space /day = \$1.4 billion	0.5% = \$700 million
WHERE IS IT USED?	Used in Metro Vancouver and Montreal. Property taxes paid throughout the GTHA are used to fund local transportation, but are not dedicated.	Europe, South America, Asia. The Yonge North Subway corridor is currently under study to examine LVC potential.	Used across Ontario and in many other jurisdictions.	Vancouver, Melbourne, Sydney and Perth, Australia.	Paris, NYC. New York rates range between 0.11% and 0.34%, depending on an employer's total payroll expense.

Everyone Pays Tool

	Sales Tax
	
HOW DOES IT WORK?	A percentage rate applied on all goods and services.
WHO PAYS?	Consumers
POTENTIAL ANNUAL REVENUES (GTHA)*	1% = \$1.4 billion
WHERE IS IT USED?	Used extensively in the United States to fund transportation infrastructure. In Ontario consumers pay HST at a rate of 13%; revenues generated from this tax go toward the province's general revenues and are not dedicated to transportation.

** Rates shown are used for illustrative purposes only and are not intended to recommend a particular rate.*

Selection Criteria

- Strong, predictable and durable revenues
- Reasonable cost and ease of implementation
- Price signals to encourage efficient travel choices
- Promotes economic competitiveness
- Promotes social fairness and equity

Next Steps

- Seeking public and stakeholder input on the shorter list of potential dedicated investment tools
- Reaching out to and consulting with our municipal partners is a key next step in our engagement plan
- On track to publicly release our final report and recommendations at the Metrolinx Board meeting on May 27
- Inviting the public to learn more about the potential tools and join the Big Conversation at www.bigmove.ca



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