MAYORS' COUNCIL
On Regional Transportation
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TRANSLINK

April 29, 2016

The Honourable Christy Clark
Premier of BC
PO Box 9041 STN PROV GOVT
Victoria, BC V8W 9E1 (**E-mail:** premier@gov.bc.ca)

The Honourable Peter Fassbender
Minister of Community Services
PO Box 9045 STN PROV GOVT
Victoria, BC V8W 9E2 (**E-mail:** CSCD.minister@gov.bc.ca)

Premier Clark and Minister Fassbender,

Earlier today, the Mayors' Council on Regional Transportation met to consider a draft funding strategy to advance the *10-Year Metro Vancouver Transit & Transportation Plan*. The Mayors' Council approved the attached *Proposed Funding Strategy*, and submits it to you for your consideration and response. We want to build a partnership with the provincial government so together we can leverage new federal funding to launch our 10-Year Vision.

We plan to hold an open meeting in mid-May, 2016, at which point we hope to be in a position to consider a final *Funding Strategy* which reflects your input and interests and which as local and provincial leaders, we can stand behind together.

As you know, there is a limited time window to make investment decisions and any legislative changes, and complete internal TransLink project and procurement planning to ensure the region is positioned to invest 100% of the funds available in the federal Phase 1 Public Transit Fund, and keep the Vision on track for full implementation beginning in early 2017. Every year we delay these decisions, congestion grows worse, emissions continue to rise, and the costs to deliver the Vision are driven upwards by inflation about $500 million annually.

Our staff will reach out to your offices to arrange a meeting as soon as possible to discuss this *Proposed Funding Strategy*. We look forward to your response and support so that we can stand together to get Metro Vancouver moving with *Metro Vancouver's 10-Year Transit and Transportation Plan*.

Sincerely,

Mayor Gregor Robertson
Chair

Mayor Linda Hepner
Vice-Chair

Enclosure: Proposed Funding Strategy for Metro Vancouver's 10-Year Transit and Transportation Plan

c Members of the TransLink Board of Directors and Mayors' Council
Minister Todd Stone, Minister of Transportation and Infrastructure

A PROPOSED FUNDING STRATEGY FOR METRO VANCOUVER'S 10-YEAR TRANSIT & TRANSPORTATION PLAN

April 29, 2016

SUMMARY:
The federal government made a commitment to Metro Vancouver transit and transportation in its latest budget with a $370 million "down payment." With other cities vying for longer-term federal transit funding, growing congestion snarling commuters and families and slowing the movement of goods through our Gateway region, and the pressing need to confront the climate change challenge, now is the time to act. The Mayors' Council wants to build a partnership with the provincial government to leverage this new federal funding to launch our *10-Year Vision* for improving Metro Vancouver's transit and transportation system. It is proposed that this partnership be based on a "fair share" allocation of the Vision's total life-cycle costs, both capital and operating, between the Province and the region[1]:

Provincial contribution:

1. Provide at least $3.0 billion for a 33% share of all capital costs of the 10-year Vision.
2. Enable a provincially-controlled regional revenue source (e.g. redistribute $50 million of the Provincial Carbon Tax subsidy provided to regions outside the GVRD, FVRD and CRD back to GVRD, or increase the provincial capital share from 33% to 40%, etc.) that generates $50 million annually.
3. Work with TransLink to enable a Regional Development Cost Charge for transit and transportation.
4. Establish a multi-stakeholder commission to develop an approach to regional mobility pricing that can be implemented within 5-6 years.
5. Return control of TransLink to members of the Mayors' Council by the end of 2016;

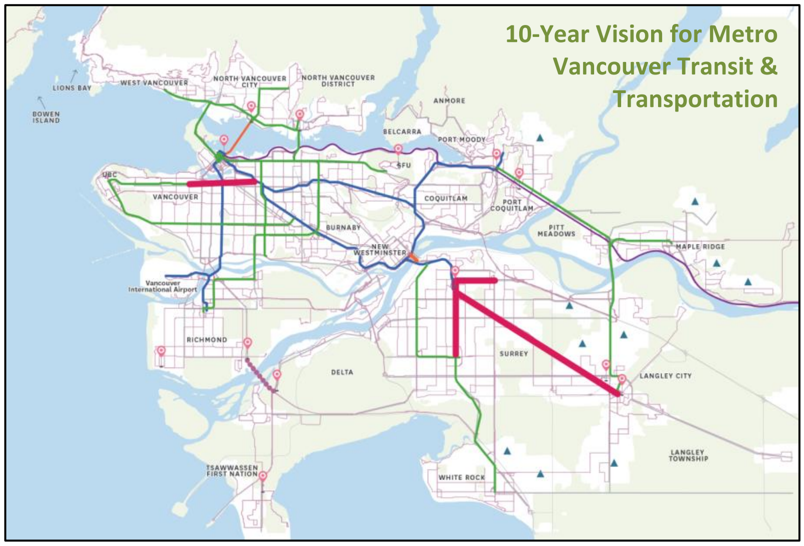
Local/regional contribution:

1. Provide 100% of life-cycle operating costs, estimated at $3.9 billion, and the remaining 17% of the Vision's capital costs, estimated at $1.9 billion over 10 years, by generating new revenues from the:
   a. sale of TransLink surplus property, generating $150 million total towards the Vision.
   b. one-time 2% transit fare increase in 2018, resulting in an average impact of 5¢ - 20¢ per single-use product, and generating $106 million, over 10 years
   c. incremental fare revenues from expanded service generating $454 million over 10 years
   d. new Regional Development Cost Charge for Transit, generating $216 million, over 10 years with a representative impact of $1,000 per residential unit, and with the potential to apply benefitting area rate(s), with more analysis and options to explore.
   e. Adjustment of the existing 3% cap on the TransLink Property Tax so it applies to existing owners, with an added annual impact of $4 per average house, generating $339 million over 10 years
   f. allocation of a portion of the region's federal Gas Tax Fund worth $391 million, over 10 years
   g. introduction of mobility pricing by 2021, generating a net $326 million, over 5-6 years
   h. Vancouver and Surrey will contribute land and other in-kind services to partially off-set costs of the major projects planned in their municipalities.

[1] For planning purposes, a federal contribution is assumed of up to $4.2 billion for a 50% share of eligible capital costs of the 10-year Vision.

A region-wide plan to improve transportation in Metro Vancouver

Metro Vancouver will welcome one million new residents and 600,000 new jobs over the next 30 years, a testament to its enviable quality of life and economic potential. But alongside the positive contributions that these new residents and businesses will make to the region and to the province, will come new challenges – from housing affordability to climate change to public safety to congestion – many of which will fall to the region's local governments to manage.



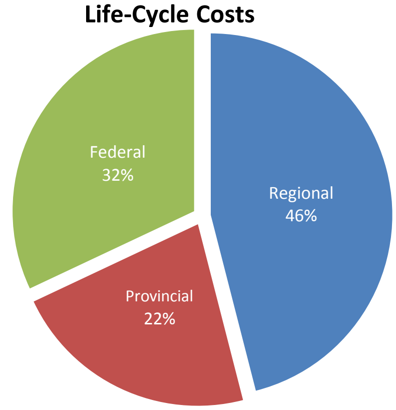
The need for a strategy to keep the region moving was behind the development in 2014 by the TransLink Mayors' Council of a common vision for the future of our transportation system. This plan reflects the consensus of more than 20 local governments in Metro Vancouver, and is supported by the largest coalition of community, environmental and business stakeholders in B.C.'s history.

This transit and mobility plan is unique in Canada. It weaves a region-wide, multimodal web – from active transportation to light rail to bus to roads and bridges – that supports our 30-year Regional Growth Strategy, incorporates life-cycle operating costs, and commits to road pricing and transportation demand management to ensure long-term sustainability. When compared to other major cities in Canada, this plan is the most affordable, on a per-capita basis – the benefit of a long-term, integrated, region-wide planning approach.

Working together to keep Metro Vancouver moving

The 10-year Vision is too big for any one order of government to tackle alone. The Mayors' Council is looking to build a partnership with federal and provincial governments to launch its *10-Year Vision* for improving and expanding Metro Vancouver's transit and transportation system. It is proposed that this partnership be based on a "fair share" allocation of the Vision's total life-cycle costs, both capital and operating, between federal, provincial and regional governments.

Proposed Allocation of Life-Cycle Costs



This fair share funding approach recognizes that local governments collect just 11 cents out of every tax dollar paid by families and businesses in Metro Vancouver, and are responsible for a long and growing list of responsibilities from public safety and clean water, to climate change and transportation, to affordable housing and immigrant settlement. The *10-Year Vision* is designed to keep this fast-growing Gateway region moving, that will in turn support and deepen trade ties between Canada and Asia. Finally, the Vision will create 4,000 Canadian jobs annually over 15 years, generate $19 billion in new economic activity, and result in almost $2 billion in new sales and income tax revenues flowing to federal and provincial governments.

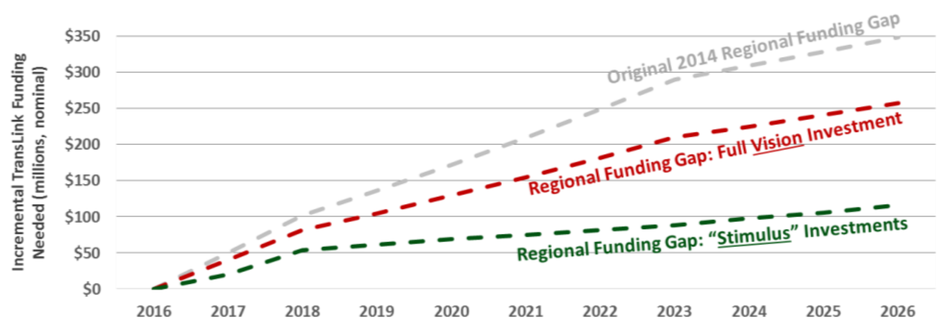
In its 2016-17 Budget, the federal government committed up to 50% funding of capital costs of the Vision, which together with its Gas Tax Fund contributions results in a 32% federal share of the 25-year life-cycle costs. The province has stated it is ready with its 33% share of the Vision's capital costs, which translates to 22% of life-cycle costs. The region will contribute 100% of the incremental operating costs of the Vision, and the remaining 17% of capital costs, for a total regional share of 46% of life-cycle costs of the Vision.

Financial, engineering and planning details on the 34 capital projects in the 10-year Vision have been shared with the province.

Regional Funding Gap

Based on an assumption of a 33% provincial capital contribution, and an almost 50% federal capital contribution, TransLink estimates that the average annual regional funding requirement, or gap, over the first 10 years of the Vision is $150 million – about $100 million less than the gap assumed during the referendum. Funding only "shovel ready" (federal Public Transit Fund (Phase 1)) investments requires average annual regional funding of about half of the total gap, or $75 million annually.

The Mayors' Council's Vision is fully funded over its 25-year (or more) life-cycle once this regional funding gap is filled with new revenue sources, and combined with a 33% provincial capital contribution, and an almost 50% federal capital contribution.



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Regional Funding Need for Vision:	*$0m*	*$40m*	*$81m*	*$105m*	*$129m*	*$155m*	*$182m*	*$210m*	*$225m*	*$241m*	*$257m*
Regional Funding Need for Stimulus:	*$0m*	*$20m*	*$53m*	*$62m*	*$69m*	*$75m*	*$82m*	*$89m*	*$98m*	*$106m*	*$116m*

The Mayors' Council established the following criteria to identify suitable revenue sources to fill the regional funding gap. These new revenue sources must:

1. Be quick and easy to enable, so implementation of the 10-year plan can proceed immediately;
2. Be simple to understand and implement;
3. Provide the financial capacity (revenue potential) to support the Mayors' Plan;
4. Partially capture value gains caused by transportation investments;
5. Tax in proportion to benefit;
6. Protect taxpayers from an excessive impact on affordability or equity;
7. Avoid negative side-effects (e.g. discouraging development);
8. Keep pace with inflation and growing demand for transit over time.

Towards a Funding Strategy

Based on these criteria, the Mayors' Council identified 6 new regional funding sources to close the regional funding gap, as a proposal for discussion with the Province of BC:

1. Sell TransLink **surplus property** to generate about $150 million
2. **Increase fares** in 2018 by 2% to generate $10 million annually
3. Introduce a new **Regional Development Cost Charge** for transit and transportation to generate $15 million or more annually (an option to include a benefitting area in addition to a region-wide charge is being explored)
4. Adjust the existing **3% cap on TransLink Property Tax revenues** so it applies to existing owners to generate $5 million more in Year 1, $70 million by Year 10 and continuing to increase beyond
5. Enable a provincially-controlled regional revenue source (e.g. redistribute $50 million of the Provincial Carbon Tax subsidy provided to regions outside the GVRD, FVRD and CRD back to GVRD, or increase the provincial capital share from 33% to 40%, etc.) that generates $50 million annually
6. Commit to implement **mobility pricing** by the time the new Fraser River crossing are ready, to generate $50 million annually starting in 2022, net of any tax shifts away from existing sources.

See Annex 1 for more details. This package of regional revenues and funding sources, when combined with a 33% provincial capital contribution, and an almost 50% federal capital contribution, will fully fund the life-cycle of the plan. If partner capital contributions fall short of expectations, or cost estimates rise, modest changes can be made to one or more of these funding sources as needed.

Household impact and regional equity

Transit users will contribute more to closing the regional funding gap than any other revenue category, both from higher fare revenues due to expanded services, as well as a one-time, 2% fare rate increase (on top of planned annual 3% rate increases). Together, transit riders will contribute $560 million in more fare revenues over the first ten years, dedicated towards the 10-Year Vision.

Over the first ten years, 34% or $555 million of the regional gap will be closed by property-based taxes (a regional DCC and the change to TransLink's property tax cap), with this proportion growing over time. The change to TransLink's property tax cap will generate property tax revenue growth that more closely matches growing transit needs due to inflation, population growth and a growing preference for transit.

Finally, a commitment to establish a multi-stakeholder commission to explore mobility pricing over the next 2-3 years will position the region to consider implementing mobility pricing by year 5 or 6 of this plan. This will create an opportunity to use the region's transportation assets more efficiently by managing demand, tax shift away from existing sources, and generate net new revenue to contribute towards the 10-year Vision. Extensive research, consultation and pilot testing is required before the region will be ready to make any implementation decisions, but all three orders of government can work together with industry and other stakeholders to begin this work now as part of the 10-year Vision.

Federal Phase 1 Public Transit Fund commitments

In Budget 2016, the Government of Canada committed $370 million to Metro Vancouver's transit network as part of its 2-year, $3.4 billion Phase 1 Public Transit Fund. This Phase 1 funding is a down payment towards a much larger, strategic investment in the region's 10-year transit and transportation plan. Phase 1 funding will allow TransLink to kick-start “shovel-ready” components of the Plan while planning and negotiations for longer-term projects in the Plan.

Governance

Closing the regional funding gap, along with securing federal and provincial contributions towards the Vision’s capital costs, are key first steps towards implementing the 10-year Vision. Equally important is to close the accountability gap that residents identified during the referendum, and more specifically, to ensure that residents understand and trust that elected officials exercise the appropriate oversight over TransLink.

The Mayors’ Council is not confident that residents support TransLink’s current governance structure. The Mayors’ Council feels that the 10-year Vision, and the recent hiring of a new CEO, presents an ideal opportunity for the Minister responsible for TransLink and the regional mayors to work together to revise the existing governance structure by returning control of TransLink back to members of the Mayors’ Council by the end of 2016.

Next steps

There is a limited window provincially and federally to make investment decisions, enable any legislative changes and complete internal TransLink project and procurement planning. Without high-level agreement on a funding strategy between the Province of BC and the Mayors’ Council by late-May, it is likely that implementation of the 10-Year Vision will be delayed until late-2018 or later. With other cities vying for federal transit funding, growing congestion snarling commuters and families and slowing the movement of goods through our Gateway region, and the pressing need to confront the climate change challenge, now is the time to act.

The Mayors’ Council plans to schedule its next meeting on May 10, 2016 to consider this proposed funding strategy and the province’s reaction and planned next steps to support building the 10-year Vision.

<u>About TransLink and the Mayors’ Council</u>

TransLink is Metro Vancouver's regional transportation authority. We are responsible for regional transit, cycling and commuting options as well as Intelligent Transportation System programs. TransLink is the first North American transportation authority to be responsible for the planning, financing and managing of all public transit in addition to major regional roads and bridges. TransLink is committed to creating a transportation system for a sustainable region.

The Mayors’ Council represents the views and interests of citizens across the region. It includes representatives from each of the 21 municipalities within the transportation service region, as well as Electoral Area ‘A’ and the Tsawwassen First Nation. The Mayors' Council approves transportation plans prepared by TransLink, which deal with transportation service levels, major capital projects, regional funding and borrowing limits. It also performs limited regulatory oversight functions related to short-term fares, customer survey and complaint processes, sale of major facilities and assets, and director and executive compensation levels.

ANNEX 1

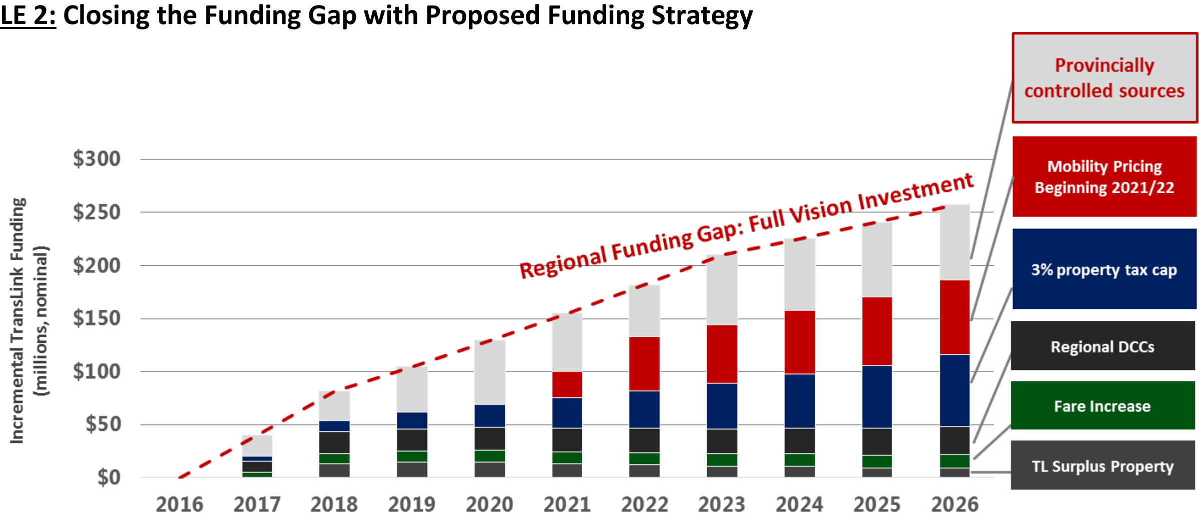
Proposed Revenue Sources to Close the Regional Funding Gap

TABLE 1: Revenue Potential and Household Impact of Proposed Sources

Funding Source	Est. Annual Value	% of Gap*	Estimated Impact
1. **Selling TransLink Surplus Property to Invest in 10-Year Plan's capital costs**	$10m/year over 10 years	7%	***n/a***
2. **Fare Increase** (one-time 2% increase in 2018)	$10m/year	7%	***5¢ - 20¢ per single-use product***
3. **Regional Development Cost Charge**	$15-$20m/year	14%	***$1,000 per residential development***
4. **Adjust Property Tax Growth Cap on Existing Owners to 3%/year**	$5m in 2017; and $70m by 2026	28% by 2026	***$3/year per avg. household***
5. **Mobility Pricing Beginning 2021/22** (net of any tax shift away from other sources)	$50m in 2022 ($75m by 2026)	33% in 2022	***$40/year per avg. household***

** Average annual regional gap assumed to be $150m in Years 1-10; $250m in Year 10*

TABLE 2: Closing the Funding Gap with Proposed Funding Strategy



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Regionally-controlled sources:	*$0m*	*$20m*	*$53m*	*$61m*	*$69m*	*$100m*	*$132m*	*$144m*	*$159m*	*$174m*	*$192m*
Provincially-controlled source(s):	*$0m*	*$20m*	*$28m*	*$43m*	*$60m*	*$55m*	*$50m*	*$66m*	*$66m*	*$66m*	*$65m*