

TO: CITY MANAGER

FROM: DIRECTOR PLANNING AND BUILDING
DIRECTOR ENGINEERING
DIRECTOR FINANCE

Our File:

SUBJECT: **Recommended Agreement on Regional Transportation Governance and Funding for Greater Vancouver**

PURPOSE: To advise Council on a response to the Greater Vancouver Regional District on the Recommended Agreement on Regional Transportation Governance and Funding for Greater Vancouver

RECOMMENDATION:

1. **THAT** Council consider ratification of the Recommended Agreement on Regional Transportation Governance and Funding subject to a commitment by the Greater Vancouver Regional District to satisfy the following City of Burnaby conditions as outlined in Section 3.0 of this report.
 - (i) that the GVRD give the assurance that GVRD-appointed members of the Greater Vancouver Transportation Authority Board will be allocated to each municipality based on the ratio of 1 member for each 150,000 population
 - (ii) that the GVRD receive a commitment from the Province to construct the Lougheed Town Centre to Broadway section of the "T" Light Rail Transit line by 2005 as previously announced by the Province..
 - (iii) prior to ratification, the municipalities in consultation with the GVRD should develop the principles for defining the Major Road Network (MRN). The principles should address:
 - the composition of the MRN;
 - the maintenance and pavement rehabilitation standards for the MRN;
 - the development of a Ten Year Capital and Operating Expenditure and Funding Program;
 - the funding of uploaded and downloaded roads distinguishing between the short-term incremental burden of Provincial downloaded roads versus municipal uploaded roads; and
 - funding for the indirect costs to municipalities of the Major Roads Network.

- (iv) prior to ratification of the Proposed Agreement, the GVRD should provide a Ten Year Capital and Operating Expenditure and Funding Program for the transit system, the Major Road Network, TDM, and AirCare.
 - (v) prior to ratification, as part of the Ten Year Capital and Operating Expenditure and Funding Program, the GVRD should provide clarification on how the shortfall is to be funded without relying on property taxes.
2. **THAT** a copy of this report be forwarded to Councillor G. Puil, Chair, Greater Vancouver Regional District, and to the member municipalities of the Greater Vancouver Regional District.

REPORT

1.0 INTRODUCTION

In 1997 October, the Province and the GVRD Board concluded a Recommended Agreement on Transportation Governance and Funding for Greater Vancouver. Subsequently, on October 27, the Transportation and Strategic Planning Committee of the GVRD received the Agreement and referred it to member municipalities for comment and recommendation to the GVRD Board by 1998 February 11. In the interim, the review process will entail the following activities:

- (i) Public Consultation Meetings - 1998 January 07-28
- (ii) Council of Councils Meeting - 1998 January 31
- (iii) Meetings With Individual Councils - as required

To assist Council in developing a response to the GVRD prior to February, this report provides a review of the issues raised by the Recommended Agreement and possible directions for the consideration of Council.

2.0 Overview of the Recommended Agreement

2.1 Governance Provisions

The recommended Agreement envisions a Greater Vancouver Transportation Authority (GVTA) which will be responsible for planning and implementing a broad range of transportation facilities and services, including public transit, major roads, transportation demand management and air quality measures. The responsibilities of the Authority are comprehensive and include the following:

- (i) developing transportation plans, policies and service standards
- (ii) developing transportation infrastructure including transit services, TDM programs and a major road network
- (iii) reviewing and advising municipalities of the transportation implications of OCPs, major development proposals and provincial highway plans
- (iv) delivering AirCare services

The Authority would plan and provide these services for all municipalities and unorganized areas in the GVRD. In delivering transportation services, the Authority would coordinate the planning and funding of transit, roads and TDM, but would contract for the operation and maintenance of these services. For transit services contractors could include BC Transit, BC Rapid Transit Co., West Coast Express, District of West Vancouver and HandyDart operators, and new contractors for bus operations. The operations and maintenance of major roads would devolve to the municipalities, with the planning and funding done by the GVTA. The Authority will be represented by a 15 member board of which 12 will be appointed by the GVRD and 3 by the Province.

It is noted that some items not previously part of discussions on Regional Transportation Governance and Funding have been introduced in the Recommended Agreement. These include delivery of AirCare services, and upgrading of the Albion Ferry along with the Patullo and Knight Street Bridges and additional elements of a Major Road Network.

2.2 Funding Provisions

The Recommended Agreement defines the funding responsibilities of both the Province and the Greater Vancouver Transportation Authority as follows:

(i) Funding Responsibilities

Province

- 100% of the debt on Sky Train guideways and West Coast Express capital facilities;
- 60% of the capital cost of the Broadway/Lougheed/Coquitlam/New Westminster LRT line;
- the remaining Provincial elements of the Major Road Network and all costs above \$38 million of upgrading the Patullo and Knight Street Bridges to meet seismic standards;
- upgrading of the Albion Ferry vessels;
- BC Transit Pass Program (social service program);
- unspecified portion of future transportation capital expenditures including SkyTrain and West Coast Express capital costs to be negotiated with the GVTA "in good faith".

GVTA

- 40% of the capital cost of the Broadway/Lougheed/Coquitlam/New Westminster LRT line;
- the capital costs of the bus system;
- all transit operating costs;
- unspecified portion of capital, maintenance and operating costs of all municipal elements in the Major Road Network to be negotiated with municipalities after ratification;
- unspecified portion of future transportation capital expenditures including SkyTrain and West Coast Express capital costs to be negotiated with the GVTA "in good faith";
- interim adjustment and transition costs.

(ii) GVTA Funding Sources

Existing Funding Sources

The new Authority would have access to existing funding sources now available to the Vancouver Regional Transit Commission, including transit fares, the motive fuel tax, BC Hydro levy, and non-residential property tax.

Existing Taxes Currently Collected By the Province

To compensate for the reduction in Provincial general revenue funding, the Province has agreed to create tax room by transferring the following revenues it currently collects from local tax payers.

- hospital levy (regional property tax) - The Province is to eliminate the Greater Vancouver hospital levy and replace it with a Transportation Levy.
- motive fuel tax - the Province is to transfer a portion of fuel tax it currently collects in the region to the GVTA.
- West Coast Express fares
- parking sales tax

New Funding Sources

The GVTA will have the following new funding sources:

- vehicle charges
- project tolls on facilities developed or funded by the Authority
- property taxes on a benefiting area basis
- profits from the sale of land or other assets

2.3 Timing

If the Province and the GVRD ratify the Recommended Agreement, the Province would introduce legislation to implement the Agreement in the Spring Session of the Legislature. An interim Board would be in place by 1998 October with the new Authority in operation by 1999 April 1.

3.0 CITY OF BURNABY RESPONSE

3.1 Governance Issues

(i) GVTA Board Membership

The Recommended Agreement provides for 12 members to be appointed by the GVRD and 3 members by the Province. The GVRD allocation of members would be as follows:

Vancouver	3 members
Burnaby, New Westminster/ Northeast Sector, Maple Ridge, Pitt Meadows	3 members
North Shore	1 member
South of Fraser	4 members
At-Large	1 member

Response:

The City of Burnaby requires a commitment from the GVRD to allocate GVRD membership on the GVTA board based on a more equitable population formula than that proposed in the Recommended Agreement. Based on a regional population of approximately 1.8 million, the 12 members appointed by the GVRD amount to one member for approximately every 150,000 people. A population based formula for Board representation would be based on the following:

- 1 member for each community over 150,000 population
- 2 members for each community over 300,000 population
- 3 members for each community over 450,000 population

Applying this formula, Burnaby and Richmond would be entitled to one member each, Surrey would have two members and the City of Vancouver three members.

(ii) **Lougheed/Broadway LRT Timing**

Under the Recommended Agreement the Provincial commitment to complete the Broadway/Lougheed/Coquitlam Town Centre line by 2005 has been changed to a commitment to construct the entire "T" line by 2008. Under this arrangement the completion of the Lougheed/Broadway section of the line could be delayed until 2008.

Response:

The Recommended Agreement should be amended to commit the Province to the completion of the Lougheed/Broadway section of the line to Lougheed Town Centre by the year 2005 as previously announced.

(iii) **Major Road Network**

The Recommended Agreement identifies a specific Major Road Network which contains elements of Provincial declassified (downloaded) roads and Municipal (uploaded) roads. The Recommended Agreement identifies roads in Burnaby to be transferred to City ownership and control, including highways such as Barnet/Hastings and Lougheed Highway which were not included in the original declassification proposal. This network was not reviewed or approved by Council prior to its inclusion in the Recommended Agreement. Furthermore, it was staff's clear understanding from updates relating to the negotiations that a proposed major road network would not be emanating from the negotiation process. Changing the major road network after ratification of the Agreement will be a more difficult process, requiring mutual agreement of the Authority and the municipality, subject to third party arbitration if necessary.

Response:

The municipalities in consultation with the GVRD will develop the principles leading to a Major Roads Network as further outlined in Section 3.2. (iii).

**Table 1:
GVTA Estimated Expenditures and Guaranteed Revenue**

(\$ millions)	1999/2000	2009/2010
EXPENDITURES		
Transit		
Operating	369	631
Debt	<u>194</u>	<u>358</u>
Total Transit	563	989
Roads		
Rehabilitation and Maintenance	20	24
Capital	Not Available	Not Available
Total Roads	20	24
Bridges - operating	4	5
- debt/capital	Not Available	Not Available
Albion Ferry	5	5
TDM - Rideshare	1	1
- Other	Not Available	Not Available
AirCare - administration	1	1
- capital	Not Available	Not Available
Administration and Adjustment Costs	Not Available	Not Available
TOTAL EXPENDITURES	594	1025
FUNDING		
Provincial Contribution		
Debt Service:		
100% SkyTrain Guideway/WCE		
60% New LRT (Lougheed line only)		
Total Debt Service	117	153
Future Cost Sharing on New Infrastructure (Roads/Transit)	Not Available	Not Available
Tax Transfers by the Province		
Fuel Tax	82	144
Hospital Levy (Property Tax)	51	61
WCE Fare Revenue	5	9
Parking Sales Tax	<u>10</u>	<u>12</u>
Total Tax Transfers	148	226
Existing Local Sources		
Fare and System Revenue	184	306
Other Local Sources	132	156
Fuel Tax		
Hydro Levy (Property Tax)		
Non-Residential Property Tax		
Total Existing Local Sources	315	462
TOTAL GUARANTEED FUNDING	581	841
SURPLUS (DEFICIT)	-13	-184

Source: Review of Transportation Costs and Revenues to be assumed by the GVTA under the Proposed Agreement (differences due to rounding)

* Deficit to be made up of vehicle charges, road tolls, benefiting area charges, parking fees, and property taxes

3.2 Funding Issues

(i) Funding Uncertainty

The funding provided for in the Recommended Agreement has created uncertainty with regard to funding levels, sources and priorities. This uncertainty is due to the following:

Transit Service Levels

The GVRD and Provincial negotiators chose to use a midpoint service level scenario to determine capital funding levels for transit. The midpoint scenario represents service levels half way between BC Transit's Ten Year Capital Plan (current plan) and Transport 2021 requirements (Regional Strategic Plan). As a result, the funding levels for transit provided are not defined relative to an accepted or existing plan.

Funding Shortfall

Based on the statement of estimated revenues and expenditures provided by the GVRD (**Table 1**), without new funding sources, the Recommended Agreement would lead to a funding shortfall in the first year of operation of \$13 million increasing to \$184 million in 2009/10. The potential deficit could be substantially higher due to sensitivities in the forecast and the omission of vital information including:

- Administration and adjustment costs
- Roads capital costs
- Seismic upgrading of bridges
- AirCare costs
- Transportation Demand Management Costs

Provincial Funding of Major Capital Expenditures

The Recommended Agreement does not specify the funding arrangements for future capital improvements to the Major Road Network (MRN) and the transit system. The Agreement specified only that the Province and the GVTA will negotiate "in good faith" the cost sharing arrangements on major new or replacement transportation infrastructure. By omitting future funding formulas from the Recommended Agreement, there is no clear commitment from the Province to invest in transportation in the Region beyond Provincial

highways and the Broadway/Lougheed LRT.

Response:

Prior to ratification of the Recommended Agreement the GVRD should provide a Ten Year Capital and Operating Expenditure and Funding Plan for the transit system, the Major Road Network, TDM and AirCare.

(ii) Property Tax Exposure

The Recommended Agreement provides the Authority with the ability to raise revenue from new sources to cover the expected funding shortfall. Based on a user pay philosophy, the most significant new funding sources are vehicle charges, tolls, the fuel tax, parking tax, and parking sales. However, the effectiveness of these sources are limited by the following considerations:

- Vehicle charges are undefined, but most likely will be applied during AirCare inspections. The potential revenue from AirCare can be significant depending on the charge levied. At 1.2 million inspections per year, a \$50 annual charge can raise \$60 million. However, the feasibility of utilizing AirCare as a revenue source may be diminished due to possible changes in operation. Specifically, AirCare is considering switching to biannual rather than annual testing.
- The Recommended Agreement only allows for “project” tolls on Authority and Authority-funded facilities. Therefore, the benefits of tolling are reduced by limiting tolling to a project by project basis. Further, the GVTA would not have access to toll revenues on Provincial facilities unless the GVTA were to cost share with the Province.
- The added fuel tax to be transferred to the Authority is an appropriate funding source. However, its effectiveness as a road pricing tool is limited by the Authority’s lack of control over the level and rate of the fuel tax.
- As some of the potential new funding sources listed above, in particular vehicle charges, project tolls, and parking taxes, may be difficult to implement since they would require consultation with municipalities and ratification by the GVRD Board, the main revenue source to cover the shortfall would become the property tax.

As previously noted, the GVTA could incur a deficit of \$183 million by 2010. As shown in **Table 2** below, assuming new funding sources are unavailable, total exposure to all forms of property tax by 2010 would be \$306 million. The exposure would be higher with the inclusion of roads capital and other costs which are currently not identified by the GVRD.

**Table 2:
 Potential Property Tax Exposure**

Property Tax Sources	\$ Million
Hospital Levy (new Transportation Levy)	61
Hydro Levy	19
Non-residential Property Tax	41
GVTA Deficit	184
Total	306

Response:

Prior to ratification, as part of the Ten Year Capital and Operating Expenditure and Funding Plan, the GVRD should provide clarification on how the shortfall is to be funded without relying on property taxes.

(iii) Funding of the Major Road Network (MRN)

The Agreement does not specify how the Authority is to assist municipalities in the funding of roads and structures included in the MRN. The MRN would result in direct costs such as maintenance, rehabilitation, and capital improvements, and indirect costs such as Works Yard improvements.

The MRN is composed of facilities that were not endorsed by member municipalities. These facilities include:

- Municipal roads uploaded to the MRN which are in poor condition relative to declassified Provincial highways
- Declassified Provincial highways as identified by the Province in December 1996

- Declassified Provincial highways negotiated between the Province and the GVRD
- Knight Street Bridge and Patullo Bridge
- Albion Ferry

Other than the bridges and the Albion Ferry, all of the above facilities will be owned and managed by the municipalities. Without specified funding arrangements between GVTA and municipalities, the actual capital and operating costs of the MRN are not known.

Response:

Prior to ratification, the municipalities in consultation with the GVRD should develop the principles for defining the Major Road Network. The principles should address:

- the composition of the MRN;
- the maintenance and pavement rehabilitation standards for the MRN;
- the development of a Ten Year Capital and Operating Expenditure and Funding Program;
- the funding of uploaded and downloaded roads distinguishing between the short-term incremental burden of downloaded roads versus municipal uploaded roads; and
- funding for the indirect costs to municipalities of taking over the municipal elements of the MRN.

4.0 CONCLUSION

The Recommended Agreement on Regional Transportation Governance and Funding deals with a complex subject having far reaching implications for the City of Burnaby and its neighbouring municipalities in the Greater Vancouver Region. In view of the breadth of the Recommended Agreement and the tight time frame available for review prior to possible ratification at the end of February, this report attempts to bring to the attention of Council the key issues and to suggest actions required of the GVRD and the Province prior to ratification to address Council's previously expressed concerns. In summary, these are:

- (i) the allocation of GVRD-appointed GVTA Board members
- (ii) the commitment of the Province to construct the Lougheed/Broadway section of the "T" line by 2005.
- (iii) the lack of information on the total costs of regional transportation over the next ten years
- (iv) the inadequacy of the funding sources available to the GVTA leading to a potential reliance on the municipal property tax as the major funding source for regional transportation.
- (v) the composition of the Major Roads Network and the funding approach for the municipal elements of the network.

The potential benefits of a regional transportation authority to the development of the transportation system in Greater Vancouver are recognized, however, there are fundamental issues relating to the funding of regional transportation that need to be resolved prior to the City of Burnaby acceptance of the Agreement.

		
D.G. Stenson, Director PLANNING AND BUILDING	R. Earle, Director FINANCE	Craig Sinclair, Director ENGINEERING

Attachments
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