Investment Strategy Update

Staff Presentation to:
Metrolinx Board of Directors

June 13, 2008

Investment Strategy
Preliminary Concepts and Outline

Purpose

- A suite of dedicated revenue sources and financial tools:
  - To fund and implement RTP network expansion over the next 25 years
  - To maintain/renew existing and future regional transportation infrastructure stock over the life-cycle
  - To sustain operating costs over the life cycle
- Pricing and incentives to motivate sustainable behaviour and choices
- Breakdown the long-term Investment Strategy into:
  - The first Metrolinx Annual, Five-Year and 10-Year Capital Plans, effective FY 2009-10

A Strategy to Support the Three Pillars

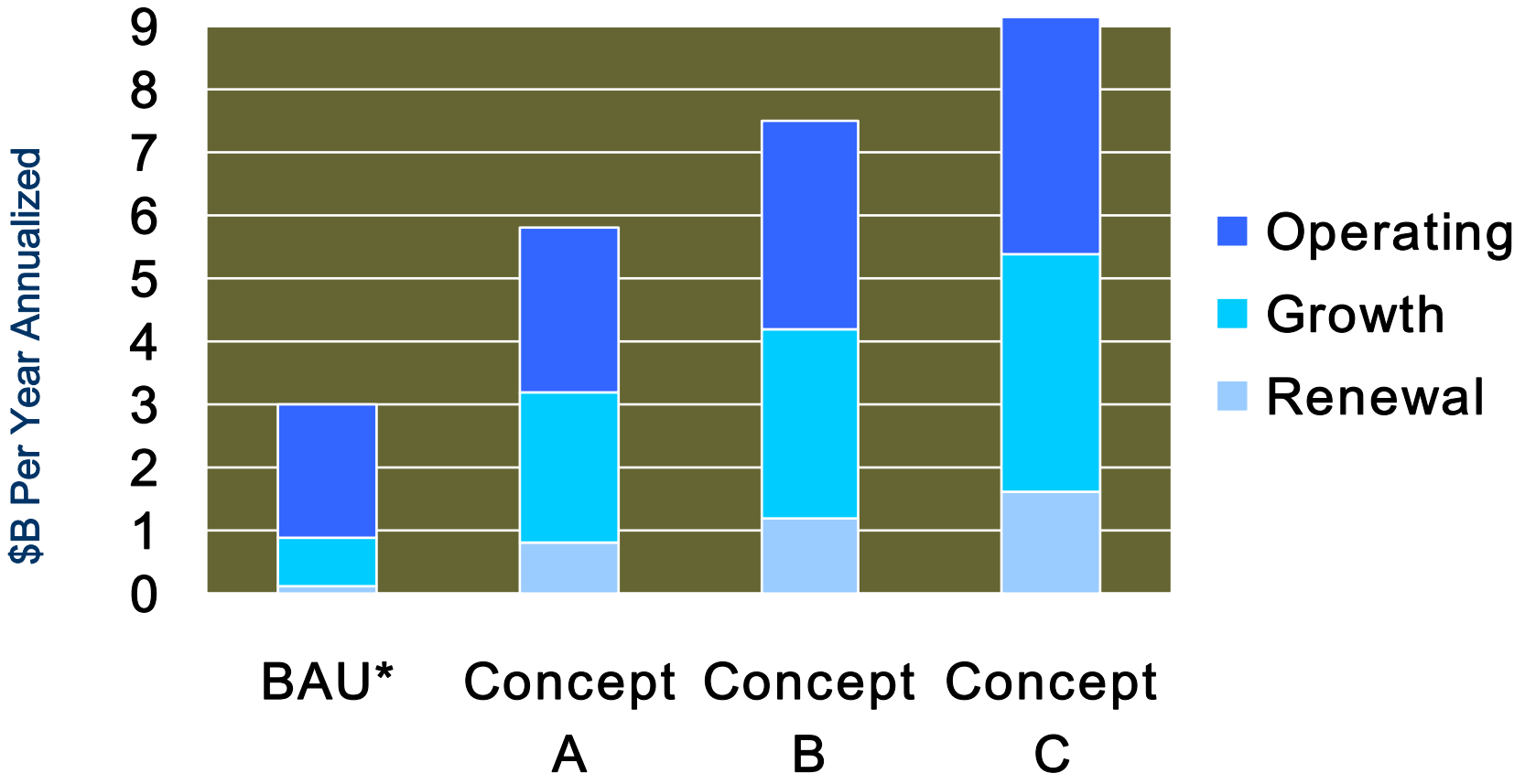
A high quality of life	Attractive, comfortable, reliable and safe transportation choices
A healthy, protected and thriving environment	An ecosystem approach, land conservation and a smaller carbon footprint
A competitive, prosperous and strong economy	Transportation that is efficient, fiscally sustainable, functional, integrated and secure

Vision Principles

- Fair and equitable transportation costing and pricing
- Access to diversified funding sources and tools
- Full external-cost accounting
- Integrated, multimodal investment solutions
- A shared responsibility by all orders of government
- A meaningful private sector role
- Effective public and stakeholder outreach
- Performance measurement

Total Estimated Needs

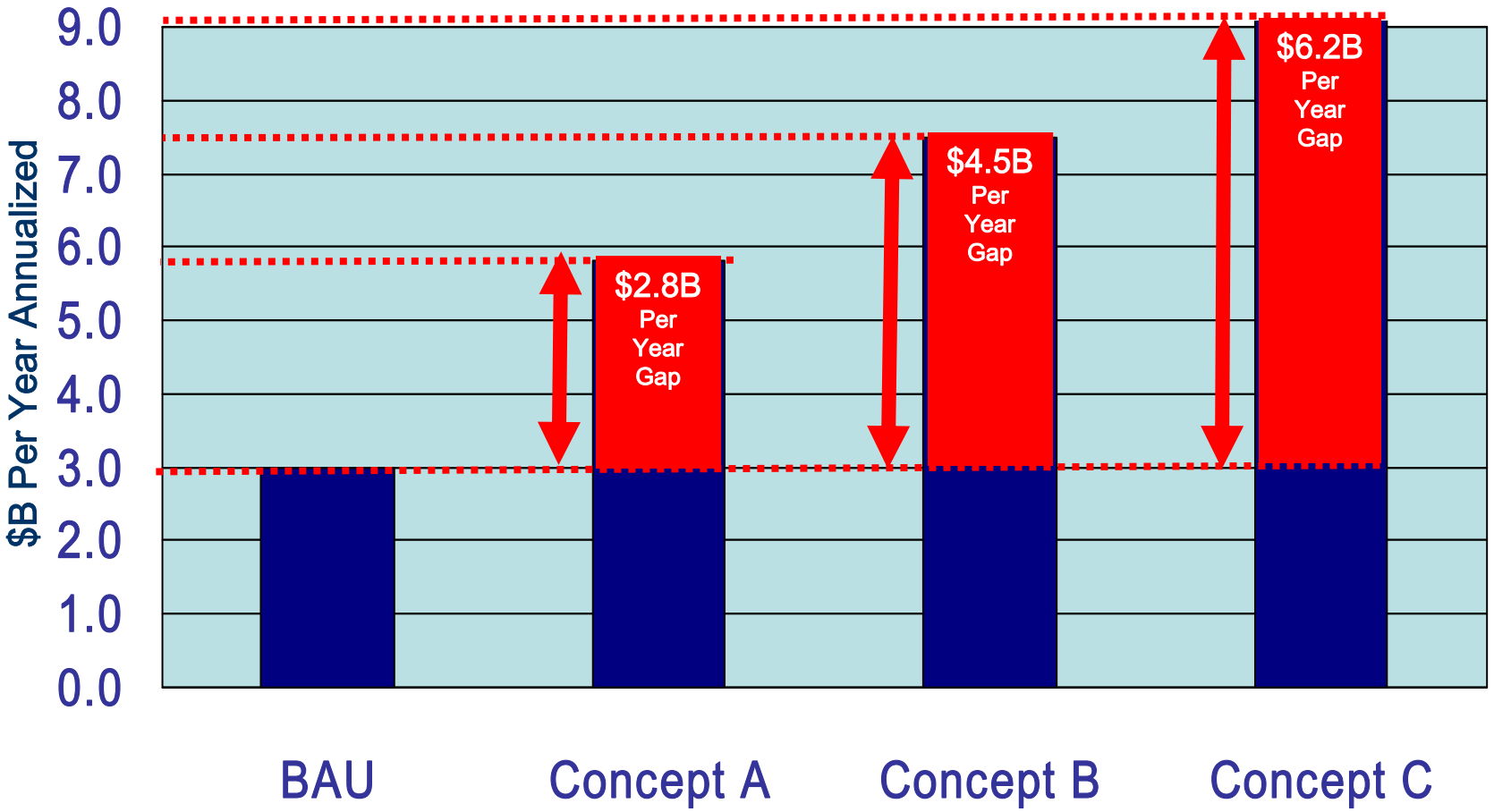
Capital Expansion + Renewal + Operations



* “Business-as-Usual” scenario

Estimated Investment Gap

Capital Expansion + Renewal + Operations



Includes MoveOntario 2020 foundation investments

Potential Toolkit

Traditional Government Sources	Capital and Operating Grants
Beneficiary Charges	Development Charges Land Value Uplift and Capture Property Tax Payroll Tax Sales Tax Voluntary Participation Agreements
User Charges	Actual Vehicle-Km Travelled (VKT) Charge Gas Tax Parking Fee Road Pricing and Tolls Transit Fares Vehicle Registration Vehicle Sales Tax Vehicle-Use Impact Fees to capture external cost of: • Carbon Footprint, Congestion, Environmental Degradation and Pollution, Public Health, Safety, Vehicle Disposal, etc.
Financing Strategies	Alternative Financing and Procurement (AFP) Borrowing/Mortgaging Equity Investments Infrastructure Bonds Tax Increment Financing

International Practices

Transportation Authority/Jurisdiction	*Senior Govt. Grants*	*Local Govt. Grants*	*Fuel Tax*	*Debt*	*Sales Tax*	*Road Tolls*	*Hydro Levy*	*Parking License or Tax*	*Vehicle Regis-tration*
Greater Toronto and Hamilton: Metrolinx									
Greater Montréal: Agence métropolitaine de transport (AMT)									
Greater Vancouver: TransLink						**Effect. 2009**		**Discont'd 2007**	
Greater Detroit: Detroit Department of Transport (DDOT)									
Greater San Francisco: Bay Area Rapid Transit (BART)									
Greater Chicago: Regional Transportation Authority (RTA)									
Greater Dallas: Dallas Area Rapid Transit (DART)									
Greater Boston: Massachusetts Bay Transportation Authority (MBTA)									
New York City: Metropolitan Transportation Authority (MTA)									
Greater London, UK: Transport for London									
Greater Perth, Australia: Public Transport Authority (PTA)									

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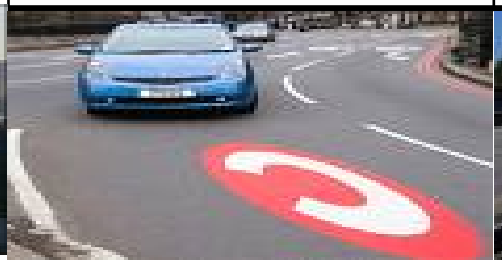
International Practices (cont'd)

	TransLink BC	*Transport for London UK*	*San Francisco BART USA*
Key Revenues and Tools	Transit Fares Fuel Tax Capital Grants Property Tax	Transit Fares Operating Grants Debt Instruments Capital Grants	Debt Instruments Sales Tax Transit Fares Capital Grants
Unique Tools	Parking Tax* Emission Testing Bridge/Road Tolls**	Congestion Charge	Sales Tax


* Eliminated by Provincial legislation in 2007

** Planned 2009 introduction

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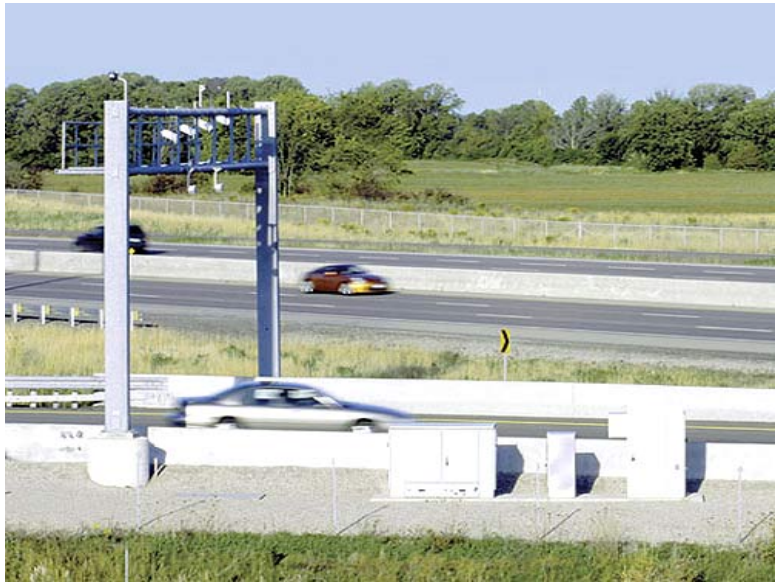
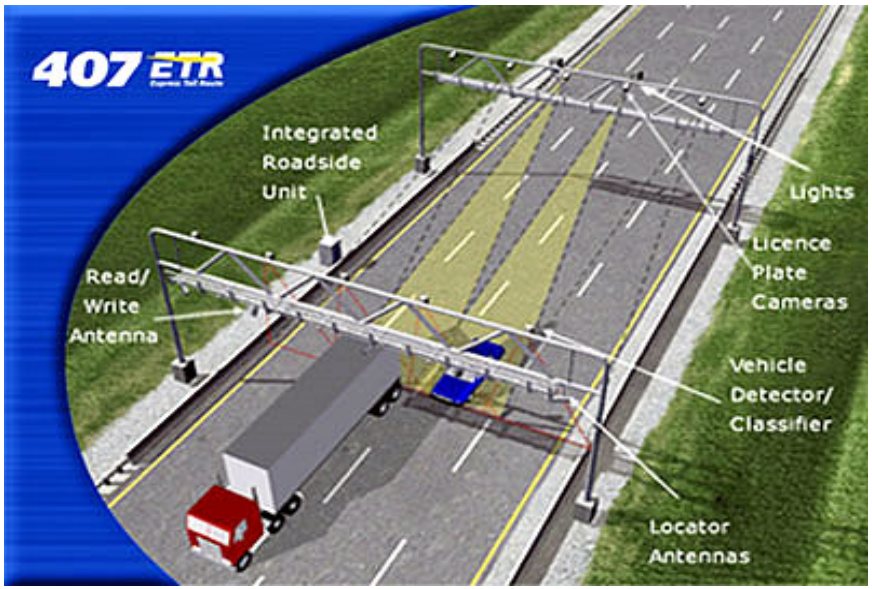
Regional Road Pricing

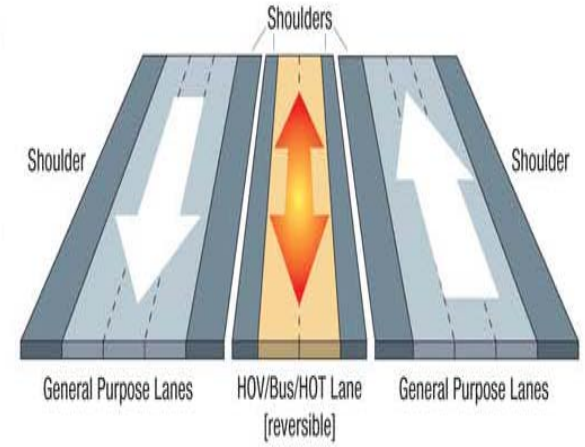


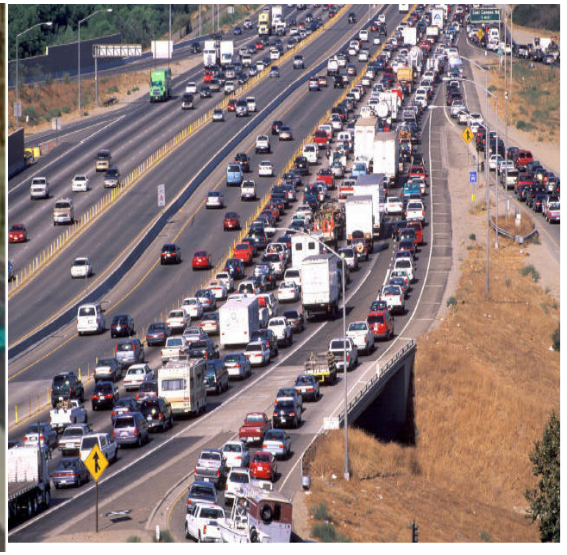


Example: All expressway lanes tolled

- Technology example: Highway 407 ETR, the world's first all electronic, barrier-free toll highway
- Inter-operable technical standards required to create seamless regional tolling network
- Variable pricing according to time and highway segment allows transportation demand management

Regional Road Pricing (cont'd)

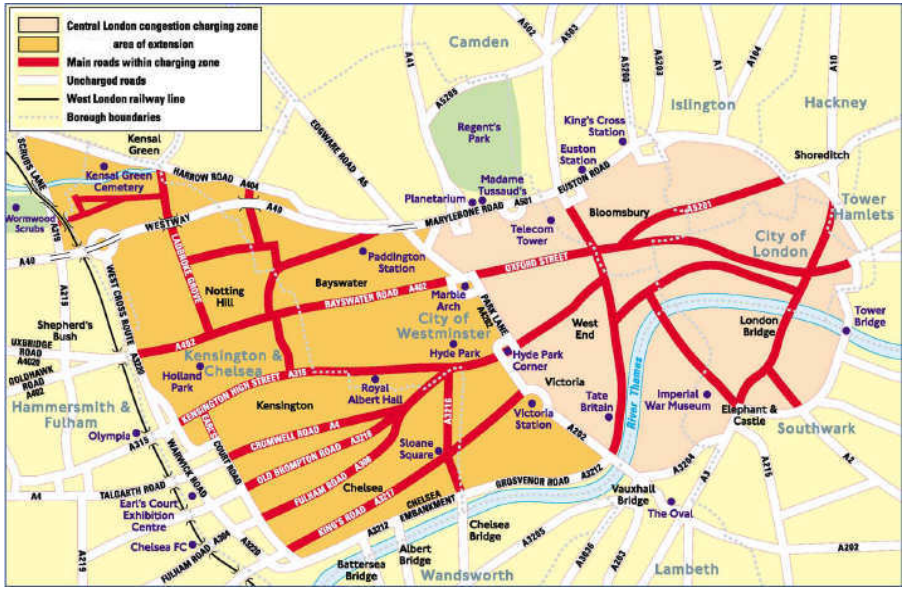




Example: High Occupancy Toll (HOT) Lanes

- Evolution of High Occupancy Vehicle (HOV) lanes in US metro areas
- Real time travel information and charging for HOT Lane use
- User controlled transponder on/off switch for HOV and HOT modes
- Designed to accelerate Single Occupancy Vehicle (SOV) commute times
- Revenue potential to support parallel transit infrastructure
- Key issues: Operating costs and "Lexus lane" image

Regional Road Pricing (cont'd)



Example: Central-Area Congestion Charge

- Key examples: London (shown) Singapore and Stockholm
- Approximately $16 (CAD) charge for driving into Central London
- Traffic entering Central London reduced by 21% and cycling increased by 43%
- Key issues: High administration cost (42%), ready availability of transit alternatives, economic impact on downtown businesses and residents

Regional Road Pricing (cont'd)

Example: Satellite-Based Tolling

- Area-wide real-time tracking of transponder-equipped vehicles
- Ultimate road and parking pricing and demand management system
- Emerging use in Germany and European border crossings
- Under consideration in the Netherlands and UK
- Privacy concerns addressed by separating vehicle owner and trip information

Regional Road Pricing (cont'd)

Sample origin/destination points One-way trip	*At 5 cents per km*	*At 10 cents per km*	*At 15 cents per km*	*At 20 cents per km*
Downtown Toronto to:				
❑ Markham	$1.50	$3.00	$4.50	$6.00
❑ Oakville	$1.80	$3.60	$5.40	$7.20
❑ Pickering	$1.95	$3.90	$5.85	$7.80
❑ Oshawa	$3.00	$6.00	$9.00	$12.00
❑ Hamilton	$3.35	$6.70	$10.05	$13.40
Mississauga City Centre to:				
❑ Oakville	$1.00	$2.00	$3.00	$4.00
❑ Hamilton	$2.50	$5.00	$7.50	$10.00
Downtown Oshawa to:				
❑ Pickering	$1.05	$2.10	$3.15	$4.20
❑ Vaughan	$3.40	$6.80	$10.10	$13.40
❑ Mississauga	$4.05	$8.10	$12.15	$16.20
Price comparator: ❑ Highway 407 ETR variable toll rate for cars and light vehicles	18 to 19.25 cents per km			

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Carbon-Based Pricing

Vehicle	Annual Fuel Consumption	Annual CO2 Emissions
TOYOTA PRIUS 	820L	2 Tonne
TOYOTA COROLLA* 	1360L	3.3 Tonne
HONDA CIVIC* 	1420L	3.4 Tonne
CHEVROLET MALIBU* 	1640L	3.9 Tonne
DODGE GRAND CARAVAN FFV* 	2140L	5.1 Tonne
FORD EDGE* 	2160L	5.2 Tonne
LEXUS RX 350 4WD* 	2180L	5.2 Tonne
MERCEDES-BENZ E350 4MATIC 	2240L	5.4 Tonne
PORSCHE CAYENNE TURBO 	2940L	7.1 Tonne

* Vehicles manufactured in Ontario

- "Smart" carbon-based pricing would impose proportionately higher charges on less efficient, higher-polluting vehicles
- Coordination required with any broader federal and provincial initiatives to reduce greenhouse gas emissions and climate change impacts

GTHA Big Potential Tools

Estimated $1.0B+ per year in Revenues or Financing

Road Pricing	10+ cents per km charge on provincial and municipal expressway network (Hwy 407 ETR: 18 to 19.75 cents per km)
Parking Pricing	$1 per weekday per non-residential parking space
Gas Tax	20+ cents per litre
Transit Fares	50%+ operating cost recovery from farebox
Transit Operating Grant	50%+ operating subsidy from government
Transit Capital Grant	50%+ capital subsidy from government
Sales Tax	1%+ regional sales tax
Debt Financing	Supported by dedicated revenue stream

Toolkit Evaluation Criteria

- Link to transportation users and beneficiaries
- Link to true external cost of transportation
- Implementation and administration costs, and simplicity
- Policy, legislative and institutional impediments
- Potential to motivate behavioural change
- Revenue/financing generation potential
- Market and social acceptance

Critical Success Factors

Key Lessons Learned from Other Jurisdictions

- Lever collaboration and momentum from supportive citizens and stakeholders
- Align Investment Strategy with “Big P” policy objectives of all orders of government
- Easy-to-understand, transparent revenue-generation and pricing mechanism
- Value for investment: Improved customer experience; ready availability of transportation alternatives
- Focus on – and implement – the initial investment priorities **now**
  - MoveOntario 2020 foundation investments ($17.5 billion)
  - Metrolinx QuickWins ($744 million)
- A matter of political priority and leadership

Some Key Discussion Points

- Have we adequately captured investment needs and gaps?
- Take a quantum-leap or incremental approach to securing revenue and financing tools?
- One or two “Big Bang” tools, or a diverse set of smaller tools?
- Build now and finance later?
- How do we protect vulnerable socio-economic groups such as low to medium income families and small business?
- What revenues and tools should be assigned to Metrolinx?

Investment Strategy Workplan and Next Steps

Consultant/Advisory Team

KPMG LLP	❑ Team Lead ❑ Investment Strategy Analysis ❑ Investment Strategy and RTP Integration ❑ Financial Analysis
RAND Corporation	❑ Economic Analysis ❑ Transportation Policy Analysis ❑ Other Public Policy Analysis
MMM Group Limited	❑ Transportation Engineering ❑ Capital Costs and Planning
iTrans Corporation	❑ Demand Forecasting and Analysis
Pollara Corporation	❑ Stakeholder and Social Marketing Insight

Stakeholder Engagement Milestones

Integrated with RTP Consultation Plan

Investment Strategy Technical Advisory Group (TAG)	***June 17 onwards***
Multidisciplinary Expert Review Panel (MERP)	***July 3 onwards***
Stakeholder Consultation Roundtables	***July 8 onwards***
Advisory Committee (AC) to the Metrolinx Board	***July 10 onwards***
Stakeholder/Public Consultations	***September 8 onwards***
Interactive Web Consultation Tool	***Ongoing***

Critical Path Integrated with RTP Workplan