

**Victoria Regional Rapid Transit Project:  
Survey of Public Transit Capital Funding Strategies in Canadian Peer  
Communities**

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## Background

In 2011, and as part of the larger regional planning effort, BC Transit completed its comprehensive *Transit Future Plan* to guide development of an integrated network of public transit routes. This plan identifies a proposed Rapid Transit Network that includes the Victoria Regional Rapid Transit Project (VRRTP) that will connect downtown Victoria and Saanich with West Shore communities, a Frequent Transit Network, and an improved Local Transit Network. Implementing the *Transit Future Plan* will require additional funding. Federal and provincial governments may supply a portion of the funding, but a local share will likely also be needed. In 2011 BC Transit and the Capital Regional District (CRD) Boards formed a joint task force to identify and evaluate potential local funding options for public transit service improvements. The task force is using a web survey, focus groups and public meetings to consult with stakeholders and the general public.

This report summarizes the results of a survey of public transit capital funding strategies used in Canadian peer communities.

## Methodology

A total of 15 transit agencies were contacted for this survey, including 14 systems across Canada of a comparable size to the Capital Regional District and TransLink (Metro Vancouver), which was surveyed because it is the only other large system in BC, and because it has implemented a number of the new funding sources under consideration and examined a number of others

The three Quebec systems contacted were unable to participate. The Director of Finance for Quebec City advised that they were very busy and were unable to participate at this time. Longueuil and Laval are part of the Greater Montreal Transit System meaning that all decisions on funding are made by the province and the Agence Metropolitain de Transport which it controls; therefore they could not participate. Ottawa Transit was also unable to participate due to work load. Thus a total of 11 systems were interviewed during February 2012.

The information gathered from primary research through interviews was supplemented by Internet research as required.

## Findings

Table 1 summarizes the information gathered on the funding of new services or bus service expansion; for those systems with no new services implemented or approved for construction, data on the funding of service expansion was gathered and is provided here.

A number of the systems contacted are located in the Greater Toronto and Hamilton Area (GTHA), namely Brampton, Durham and Hamilton. Additionally, the Region of Waterloo is adjacent to Hamilton, lying to the west of it. Transportation planning for the GTHA is the responsibility of Metrolinx. Building on the Province's \$11.5 billion MoveOntario 2020 funding commitment for rapid transit expansion in the GTHA, Metrolinx developed the Regional Transportation Plan (RTP) to improve

mobility throughout the GTHA. The final RTP, entitled *The Big Move*<sup>1</sup>, was approved by the Metrolinx Board of Directors in November 2008.

**Table 1: Peer Systems Interviewed**

System	Service Area Population	Funding Sources Used For New Services or Service Expansion
<b>Brampton, ON</b>	491,580	BRT introduced in 2011; total capital of \$285M funded 1/3 by federal government, 1/3 by provincial government and 1/3 by municipal government. Municipal share funded by DCCs.
<b>Durham, ON</b>	565,492	Phase 1 BRT service planned to open in 2013; \$101M capital cost with province funding 82% (\$83 M). Regional share funded from reserves, including DCCs, and \$5M debenture.
<b>Edmonton, AB</b>	793,000	LRT extension north to NAIT planned to open in 2014; \$755M capital cost funded 66% (\$497M) by province of Alberta, 13% (\$100M) by federal government and 21% (\$158M) by City of Edmonton. Municipal share funded by tax supported debt and reserves.
<b>Halifax, NS</b>	312,400	Studying rapid transit options. Capital costs of bus service expansion funded through federal grants & subsidies, provincial grants & subsidies, DCCs and municipal taxes.
<b>Hamilton, ON</b>	478,000	Have begun planning BRT, haven't addressed funding sources yet; targeting 1/3, 1/3, 1/3 agreement with senior government similar to Brampton; DCCs used to fund service expansion to new areas
<b>Laval, QC</b>	398,667	Unable to participate
<b>London, ON</b>	362,200	Have begun planning BRT, haven't addressed funding sources yet; capital cost of fleet expansion buses funded by DCCs
<b>Longueuil, QC</b>	402,953	Unable to participate
<b>Ottawa, ON</b>	800,300	Unable to participate
<b>Quebec, QC</b>	534,051	Unable to participate
<b>Saskatoon, SK</b>	224,300	No new service introduction currently planned. Capital costs of bus service expansion funded from reserves and federal grants & subsidies for specific programs when available; reserves funded from operating funds.
<b>Vancouver, BC</b>	2,369,000	EvergreenSkyTrain line to Coquitlam and Port Moody planned to open in 2016. \$1.4B capital cost funded 30% (\$417M) by federal government, 29% (\$400M) by province of BC and 41% (\$583M) by the region. Regional share paid for by 2¢/litre increase in the gas tax and increase in property taxes.
<b>Waterloo Region, ON</b>	423,971	First phase LRT slated to open in 2018. \$818M phase 1 capital cost funded \$300 M from province of Ontario, up to \$265M from federal government and Waterloo Region funding the rest. Regional share funded by increase in property taxes and fares.
<b>Windsor, ON</b>	219,345	No new service introduction currently planned. Capital costs of bus service expansion 100% funded by municipality, primarily from property taxes.
<b>Winnipeg, MB</b>	650,000	BRT, phase 1 commencing service Apr 2012: \$138 M capital cost; capital cost largely funded by combination of debt (\$90 M) plus federal, provincial and municipal grants

**Notes** BRT = Bus Rapid Transit; DCC = Development Cost Charge

<sup>1</sup> *The Big Move*, Metrolinx, November 2008, [http://www.metrolinx.com/thebigmove/en/introduction/1\\_2\\_GTHA.aspx](http://www.metrolinx.com/thebigmove/en/introduction/1_2_GTHA.aspx). Retrieved 15-Mar-2012.

Brampton Transit introduced phase 1 of Züm, its Bus Rapid Transit (BRT) system, in 2011. Phase 1 capital costs will require \$159M. Total capital costs for phases 1 and 2 will be \$285 million and will be funded under a 1/3 federal, 1/3 provincial, 1/3 municipal cost sharing agreement with senior government<sup>2</sup>. The municipal portion to date has been funded by Development Cost Charges (DCCs). This project is considered a major success with system ridership increasing 20% from 2010 to 2011; most of the increase is attributable to the BRT. The Brampton BRT project was approved prior to *The Big Move* Plan being adopted.

Durham Region Transit approved development of a BRT service in March 2008 prior to Metrolinx's adoption of *The Big Move*<sup>3</sup>. Phase 1 will begin operating in 2013 and will provide service to the Durham Region/Scarborough border and Scarborough Campus. Phase 1 is estimated to cost \$101M, with the province funding 82% (\$83 M) and the region contributing the rest (\$18M). The region's share will be funded from reserves (including a small amount from DCCs) and a debenture of \$5M.

Edmonton Transit is extending its Light Rail Transit (LRT) system by adding a 2<sup>nd</sup> LRT line north to connect to the Northern Alberta Institute of Technology with opening planned for 2014. Edmonton was the first city in North America with a population under 1 million to build an LRT system, which began operation in 1978. When construction began in 1974 the city had a population of 445,000<sup>4</sup>. The North line is estimated to cost \$755 M, with the province of Alberta contributing 66% (\$497M), the federal government 13% (\$100M) and the City of Edmonton 21% (\$158M)<sup>5</sup>. The City's share will be funded by tax supported debt and reserves<sup>6</sup>.

Halifax Metro Transit is not planning any major new service introductions at this time but is proceeding with bus service expansion to the surrounding suburban areas. The program's capital costs are funded through federal gas tax money, fare box revenues and property tax levies.

Hamilton Street Railway is studying rapid transit options for their system; they are looking at BRT and LRT, perhaps beginning with BRT and progressing to LRT. Staff will present a plan at end of this year; funding has not been addressed yet. The capital costs of bus service expansion are funded through federal grants and subsidies, provincial grants and subsidies, DCCs and municipal taxes. The concept of BRT/LRT service in Hamilton was approved as part of *The Big Move*.

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<sup>2</sup> Züm Funding, City of Brampton, <http://www.brampton.ca/en/residents/transit/zum/Pages/Funding.aspx>. Retrieved 15-Mar-2012.

<sup>3</sup> Building on the Province of Ontario's \$11.5 billion MoveOntario 2020 funding commitment for rapid transit In March 2008, the Province of Ontario committed a total of \$82.3 million to Durham Region through the Quick Wins initiative to support the implementation of Phase 1 BRT in the Highway 2 corridor. The Phase 1 BRT improvements are foundational components of the broader Top 15 Priority Project proposed for the corridor in *The Big Move*.

<sup>4</sup> Edmonton Light Rail Transit, [http://en.wikipedia.org/wiki/Edmonton\\_Light\\_Rail\\_Transit](http://en.wikipedia.org/wiki/Edmonton_Light_Rail_Transit). Retrieved 20-Feb-2012.

<sup>5</sup> City of Edmonton, North LRT to NAIT, [www.edmonton.ca/transportation/ets/lrt\\_projects/downtown-to-nait-lrt-study.aspx](http://www.edmonton.ca/transportation/ets/lrt_projects/downtown-to-nait-lrt-study.aspx). Retrieved 20-Feb-2012.

<sup>6</sup> R. Brokop, Report to City Council, City of Edmonton Finance and Treasury Department, February 16, 2011, <http://sirepub.edmonton.ca/sirepub/cache/2/ljo44n55amazsyf2uvtzso55/8604802202012060827730.PDF>. Retrieved 20-Feb-2012.

London Transit has developed a BRT plan which is being incorporated into the City of London's master transportation plan. It is scheduled to be finalized and endorsed by Council in June 2012. Funding sources have not been finalized yet; they are working to secure a 1/3 federal, 1/3 provincial and 1/3 municipal funding structure similar to that obtained by Brampton for its BRT system. The capital costs for bus service expansion to new areas are funded by federal grants when available, provincial grants and subsidies and DCCs.

Saskatoon Transit is not planning any major new service introductions at this time. The capital costs of bus service expansion are funded from reserves and federal grants and subsidies for specific programs when available. The reserves are funded from operating funds.

In October 2011 TransLink reached agreement on the funding formula for construction of the Evergreen Skytrain line connecting Coquitlam and Port Moody with Burnaby, Vancouver and Surrey<sup>7</sup>. The line is scheduled to be opened in 2016. Capital costs estimated at \$1.4B will be funded 30% (\$417M) by the federal government, 29% (\$400M) by the province of BC and 41% (\$583M) by the region. The regional government share will be funded by a 2¢/litre increase in the gas tax, and possibly a temporary property tax increase if the region and province cannot agree on alternative funding sources such as access to the provincial carbon tax, or road pricing options. TransLink is currently investigating various funding sources, as described in Appendix A.

Grand River Transit serving the Region of Waterloo (Waterloo, Kitchener and Cambridge) is planning a first phase rapid transit service slated to open in 2018. It will consist of an LRT extending from Waterloo to Kitchener and BRT service from Kitchener to Cambridge. When ridership supports it, the LRT will be expanded to Cambridge. The phase 1 capital cost is estimated at \$818M, with \$300 M (37%) coming from the province of Ontario, up to \$265M (32%) from the federal government, and the Waterloo Region contributing the remaining \$253 million (31%). The regional share will be funded by a 1.5% annual increase in property taxes and 5-9% annual fare increases, both over the 7-year period 2011-2017. Grand River Transit's LRT/BRT service development is completely independent of *The Big Move*. The Region of Waterloo falls in the service area for Metrolinx as they provide service (via GO trains and buses) into the Region of Waterloo but Grand River Transit does not fall within the Metrolinx planning area.

Windsor Transit is not currently planning any new service. The capital cost of bus service expansion is 100% municipally funded, primarily from property taxes.

Winnipeg Transit will be introducing the first phase of its BRT service in April 2012. Capital costs of \$138M for phase 1 will be largely funded by municipal debentures (\$90M) plus federal (\$28M), provincial (\$17.5M) and municipal (\$2.75M) grants. The debt and financing charges for the debentures

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<sup>7</sup> "Evergreen Line to Finally Break Ground," *Vancouver Sun*, January 25, 2012, [www.vancouversun.com/Evergreen+Line+finally+break+ground+after+contractors+selected/6051263/story.html](http://www.vancouversun.com/Evergreen+Line+finally+break+ground+after+contractors+selected/6051263/story.html). Retrieved 20-Feb-2012

are planned over the next 30 years. A reserve has been created to smooth the debt service charges, so the annual contribution is constant. The second phase is now being planned with a 1/3 federal, 1/3 provincial, 1/3 municipal funding target. A fare increase is planned for June 2012. The revenues from the fare increases will be set aside in a reserve to pay the City's share of debt and finance costs for phase 2. The fare increase is controversial and generated substantial public comment. Recent media coverage has suggested that it may not be implemented<sup>8</sup>. The City of Winnipeg has recently conducted a Transportation Master Plan (TMP)<sup>9</sup> which looks at all transportation requirements in the City of Winnipeg, one component of which is transit. The scope of the TMP is municipal only, not regional. A regional transportation planning body does not yet exist in Manitoba. The first stage of the rapid transit corridor was approved before the TMP was prepared; however, the completion of the first corridor, as well as other corridors, has been included in the approved TMP.

Table 2 compares the funding sources currently used to finance major capital investments or service expansion costs by the 11 systems participating in the survey. All of the peer systems interviewed with the exception of TransLink are relying on the more traditional sources of funding for capital costs of new services or bus service expansion. Only TransLink, which serves a much larger population and runs a larger multi-modal system, is actively considering a broader range of funding options as described in Appendix A. Grand River Transit (Waterloo Region) is starting with BRT service from Kitchener to Cambridge with plans to upgrade that link to LRT when ridership supports it. Similarly, London Transit is considering starting with BRT and then progressing to LRT as ridership grows.

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<sup>8</sup> "How do we pay for rapid transit," Metro Winnipeg, March 12, 2012, <http://www.metronews.ca/winnipeg/local/article/1121837--how-do-we-pay-for-rapid-transit>. Retrieved 15-Mar-2012.

<sup>9</sup> Winnipeg Transportation Master Plan, City of Winnipeg, <http://transportation.speakupwinnipeg.com/files/2011/11/2011-11-01-TMP-ExecutiveSummary.pdf>. Retrieved 15-Mar-2012.

**Table 2: Comparison of Funding Sources for Capital for New Services or Bus Service Expansion**

System	Brampton, ON	Durham, ON	Edmonton, AB	Halifax, NS	Hamilton, ON	London, ON	Saskatoon, SK	Vancouver, BC	Waterloo Region, ON	Windsor, ON	Winnipeg, MB
<b>Ownership</b>	Municipal	Regional transit authority	Municipal	Regional municipality	Municipal	Municipal transit commission	Municipal	Regional transit authority	Regional municipality	Municipal	Municipal
<b>Population Served</b>	491,580	565,492	793,000	312,400	478,000	362,200	224,300	2,369,000	423,971	219,345	650,000
<b>New Service Type</b> <sup>1</sup>	BRT expansion	BRT	LRT - North line	bus service expansion	bus service expansion	bus service expansion	bus service expansion	Sky Train Evergreen line	LRT	bus service expansion	BRT
<b>Capital Cost</b>	\$285 M	\$101 M	\$755 M					\$1.4 B	\$818 M		\$138 M
<b>Date of Introduction</b>	2011	2013	2014					2016	2017		
<b>Source</b>											
Fares				√							
Fare increase									√		√
Property tax				√	√					√	
Property tax increase								√	√		
Fuel taxes								√			
Development cost charge	√	√			√	√					
Debt		√	√								√
Federal government contribution <sup>2</sup>	√		√	√	√	√	√	√	√		√
Provincial government contribution <sup>3</sup>	√	√	√		√	√		√	√		√
Reserves		√	√				√				√

**Notes:**

<sup>1</sup> BRT = Bus Rapid Transit; LRT = Light Rail Transit

<sup>2</sup> Federal grants and subsidies, including federal gas tax contribution

<sup>3</sup> Provincial grants and subsidies, including provincial gas tax contribution for Ontario systems

## Appendix A Alternative Funding Sources under Consideration by TransLink

TransLink has been working since September, 2010 with the province of British Columbia and the Mayors Council to identify potential new transportation funding sources. A preliminary assessment was completed by TransLink staff and reviewed with the regional Mayors and Councillors in a series of five funding workshops in April and May of 2011. The extensive set of materials gathered for that review is now available online<sup>10</sup>. A set of principles to guide further analysis and discussion was developed and sufficient consensus achieved to reach agreement on funding the Evergreen Line based on expanding the gas tax. The parties are now working on coming to an agreement as to additional sources, with a temporary property tax increase having been approved as an interim measure until other sources are developed.

A Joint Technical Committee consisting of senior executives from the Ministry of Transportation and Infrastructure, TransLink and the cities of Vancouver and Surrey have been evaluating potential funding sources using an evaluation framework reflecting principles developed by the Mayors Council in the funding workshop and provincial input. The Committee has examined 26 potential sources using this evaluation framework. Once their work has been reviewed by the Mayors Council and the preferred sources have been selected, TransLink will seek any regulatory changes required for their implementation. The Joint Technical Committee has prepared a multiple account evaluation (MAE) for each funding source; guidance from the Mayors Council will be sought on the appropriate weightings for each MAE factor.

The Committee's report, *Evaluation of Revenue Sources to Support Transportation Improvement in Metro* was distributed to stakeholders in early February, 2012 on a confidential basis. A copy was obtained by the Vancouver Sun and its principal recommendations published in an article on February 24, 2012<sup>11</sup>. Options were ranked based on their technical suitability and political desirability.

The highly ranked options are:

- Road pricing.
- An increase in the Metro Vancouver fuel tax, which is currently 17 cents a litre.
- A new regional carbon tax or a portion of the provincial carbon tax being designated for TransLink.
- An increase in parking sales tax from its current level of 21 per cent.
- A new vehicle registration fee.
- Transit fare increases over and above the rate of inflation.

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<sup>10</sup> TransLink, [www.translink.ca/~media/Documents/bpotp/10\\_year\\_plan/Supporting%20Docs/Mayors%20Curriculum%20Materials%20%20Research%20on%20Funding%20for%20Transportation.ashx](http://www.translink.ca/~media/Documents/bpotp/10_year_plan/Supporting%20Docs/Mayors%20Curriculum%20Materials%20%20Research%20on%20Funding%20for%20Transportation.ashx). Retrieved 24-Feb-2012.

<sup>11</sup> Road tolls recommended for Metro, Vancouver Sun, [www.vancouversun.com/technology/Road+tolls+recommended+Metro/6203169/story.html](http://www.vancouversun.com/technology/Road+tolls+recommended+Metro/6203169/story.html). Retrieved 24-Feb-2012.

- Higher property taxes with a portion allocated to public transportation.
- Land value capture based on an extra assessment on property that gained value due to its proximity to a major transportation development.
- Tolls for the use of newly constructed transportation facilities.

Medium ranked options are:

- A flat levy per property.
- A regional sales tax.
- A parking levy on all stalls, free or paid.
- An employer payroll tax.
- DCCs.
- Land value capture based on a new charges to municipalities benefitting from increases in property tax revenue resulting from new transportation facilities.

Low ranked options are:

- A new vehicle sales tax.
- A car rental fee.
- A goods movement fee for goods transported in the region.
- A hotel tax.