

Mayors' Council on Regional Transportation

RELEASE DATE: April 22, 2009

Metro Mayors push for \$450 million TransLink transportation investment; refuse further property tax increases

A resolution was passed at today's Mayors' Council on Regional Transportation meeting calling for an increase in federal and provincial funding for the TransLink Network as part of the Mayors' support for the \$450 million TransLink transportation plan.

The Mayors' Council agreed that they will not support any further increases in property taxes to make up an expected \$450 million shortfall in TransLink revenue, and are calling for the Provincial Carbon Tax and Gas Tax transfers to be dedicated on a permanent basis to the TransLink operations budget

"We need to come up with sustainable and predictable revenue sources in order to ensure that we have a fully-funded and stable TransLink," said Mayor Dianne Watts, Chair of the Mayors' Council. "We want the provincial government to dedicate the funds it receives from the Carbon Tax to a sustainable and proven form of green-house gas reduction, namely, public transit."

It is expected that the Carbon Tax will generate \$200 million to \$300 million from the area covered by the TransLink Network and these funds, together with the \$120 million in federal gas tax transfers the Province receives on an annual basis, have been identified by the Mayors' Council as specific sources of funding for TransLink which would be reliable and secure.

"We urgently need significant investment in our regional transportation system, and that requires the provincial and federal governments to step up," said Vancouver Mayor Gregor Robertson. "Municipalities already carry far too much of the financial burden, and we simply don't have the financial resources to fund the transportation expansion our region needs."

The resolution adopted by the Mayors' Council also calls on the federal and provincial governments to look into alternative funding sources like a Container Tax or additional gas taxes.

"Securing funding for public transit and a sustainable transportation network is a major priority in the region," said Richmond Mayor Malcolm Brodie. "It's an investment in the livability of the lower mainland and a commitment to an environmentally and socially sound way of life."

Prior to the formation of TransLink, funding for transit services in the lower mainland was 47% from provincial sources and 53% from local sources. Currently, the revenues generated by TransLink are 35% from provincial sources and 65% from local sources.

In light of these ongoing changes to the funding structure, Port Moody Mayor Joe Trasolini said, "We are confident that this represents a potential solution to the funding shortfalls that face TransLink."

In addition, District of North Vancouver Mayor Richard Walton said, "We're committed to working with the TransLink Board, TransLink Staff and the Federal and Provincial governments to build an adequate, fair and sustainable funding model for TransLink."

Mayors' Council on Regional Transportation

RESOLUTION

Whereas TransLink has identified the need for up to an additional \$450 million per year of new revenues over and above the \$1 billion of current annual revenue to deliver a fully evolved sustainable system; and

Whereas the portion of TransLink revenues generated from property taxes has risen from 18% in 1999 to 28% in 2009 and the share of TransLink revenues generated from local sources has risen from 53% to 65% in this same timeframe; and

Whereas the Mayors' Council on Regional Transportation will not support any further increase in Property tax and holds the view that a reformed governance model is required that restores the decision-making authority to those who are required to approve the funding model; and

Whereas the Provincial government has over the last several years significantly reduced income taxes and sales taxes and is now forcing local governments to "claw" these "lost" public revenues back through the introduction of new or increased local fees and taxes in support of TransLink's funding needs; and

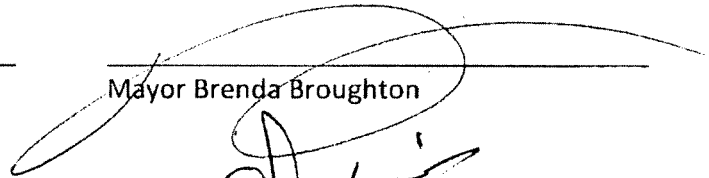
Whereas the Province introduced a Carbon Tax for the purpose of reducing green house gas emissions and enhancing sustainability and this tax will generate for the Province \$200 million to \$300 million per year from the area covered by the TransLink Network;

Therefore Be it Resolved that the Mayors' Council on Regional Transportation supports the \$450 million transportation plan under the proviso that the Provincial Government direct to the TransLink operating budget the Carbon Tax revenues or equivalent funds generated from the area covered by the TransLink Network and that the Federal and Provincial governments adjust current agreements to reflect the federal gas tax transfers (\$120 million) be dedicated on a permanent basis to the TransLink operations budget; and

Be it Further Resolved that the Mayors' Council on Regional Transportation urges the Federal Government to participate in discussions with TransLink and the Provincial government to explore all funding options, including the introduction of a Container Tax and additional gas taxes, with a view to developing an adequate and sustainable funding model for TransLink.



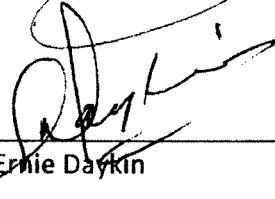
Mayor Malcolm Brodie



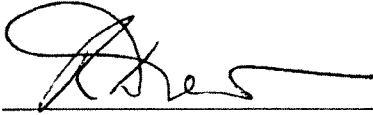
Mayor Brenda Broughton



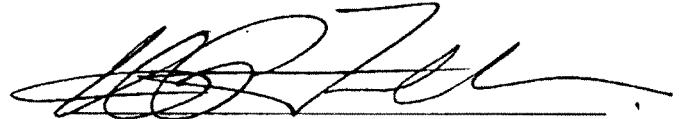
Mayor Derek Corrigan



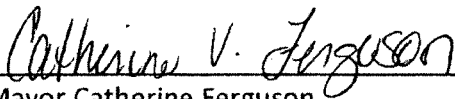
Mayor Ernie Daykin



Mayor Ralph Drew



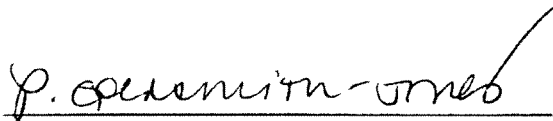
Mayor Peter Fassbender



Mayor Catherine Ferguson



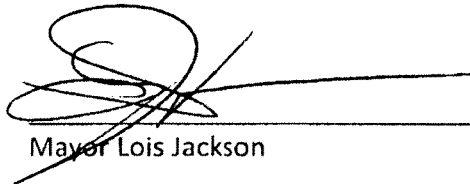
Councillor Peter Frinton



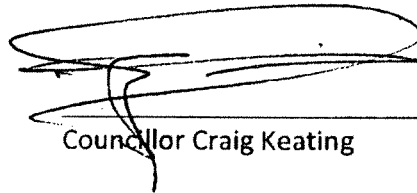
Mayor Pamela Goldsmith-Jones



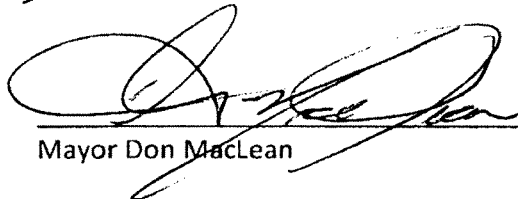
Mayor Rick Green



Mayor Lois Jackson



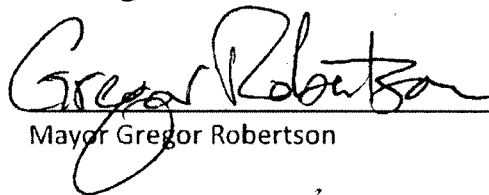
Councillor Craig Keating



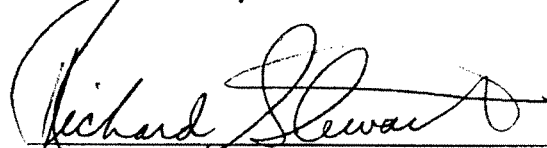
Mayor Don MacLean



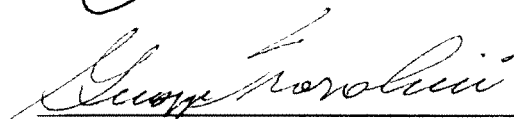
Mayor Greg Moore



Mayor Gregor Robertson



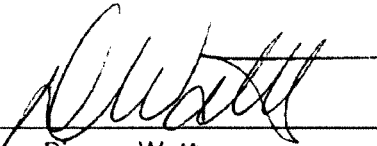
Mayor Richard Stewart



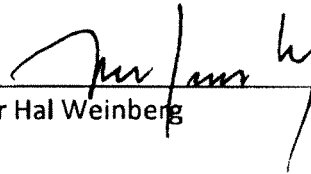
Mayor Joe (Giuseppe) Trasolini



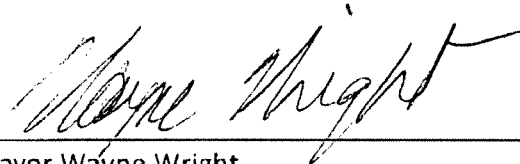
Mayor Richard Walton



Mayor Dianne Watts



Mayor Hal Weinberg



Mayor Wayne Wright

BACKGROUNDER

A sustainable high quality of life in the Region including a strong economy as envisaged by the Region's Growth Strategy will only be possible if there is a fully evolved and properly maintained public road and transit system that has the capacity to meet the mobility demands of the Region's growing population and businesses.

One of principal areas of concern that acted as a catalyst to the formation of TransLink in the late 1990's was the lack of an adequate funding arrangement for transportation and transit in the Metro Vancouver Region. It was recognized at that time that the objectives of the Livable Region Strategic Plan and the related regional transportation plan, Transport 2021, could not be achieved under the then-existing funding model. The Agreement that resulted in the formation of TransLink articulated that secure, adequate funding for TransLink would be established that would include Provincial contributions, existing transit revenue sources and additional funding from new transportation-related charges.

The transportation services that TransLink delivers remain a cornerstone in the foundation of the Metro Vancouver Region. The sustainable high quality of life in the Region as envisaged by the Livable Region Strategic Plan will only be possible if there is a fully evolved and properly maintained public road and transit system that has the capacity to meet the mobility demands of the Region's growing population and businesses. However, contrary to the statements that were made in the original Agreement that resulted in the formation of TransLink, the current TransLink funding model is not adequate to deliver the transportation and transit system that is essential to a livable and sustainable future for the Region. In fact, based on recently completed projections by TransLink staff, it is estimated that TransLink needs an additional \$450 million per year (in 2009\$) over and above its current \$1 billion of annual revenue to deliver transportation and transit services at a level that will ensure a healthy and sustainable future for the Region.

The current TransLink funding model relies primarily on the following revenue sources:

- Transit fares and advertising revenues (38%);
- Property taxes (28%);
- Fuel taxes (27%);
- A Hydro levy (2%);
- Transportation tolls (1%); and
- Parking sales taxes (1%).

Openness to Work with the Board, TransLink Staff and Provincial and Federal governments to Find a Solution

The Mayor's Council recognizes that TransLink must be properly funded or the future of the Region is in peril. In this regard, the Mayor's Council is fully committed to working with the TransLink Board, TransLink staff and the Federal and Provincial governments toward building an adequate, fair and sustainable funding model for TransLink.

The fundamental question that needs to be answered is "From where should the additional revenues be generated?"

Increases in some of the current sources of revenue may be used to assist in addressing the funding shortfall; however, in consideration of the magnitude of the shortfall they cannot be expected to deliver all the necessary revenues. It is clear that the sources of revenue available to TransLink need to be further diversified and that other orders of government need to be involved in the solution.

While more flexible funding sources and policy prerogatives available to senior levels of government are recognized, the Mayors' Council does not agree with the arbitrariness of the funding sources available to regional and municipal governments. The TransLink Board has provided a preliminary analysis of possible funding sources and has identified the most suitable funding sources for consideration in relation to satisfying TransLink's funding needs. These were short-listed from a much larger menu of alternative sources that are in use by other transportation agencies around the globe.

It is recognized that most revenue sources available to the Province are variable in nature, and that traditional sources from the oil & gas sector, sales tax and income tax used to fund rising health care and education costs are going to create deficits when economic cycles are on the downturn as is being experienced currently. For this reason the Mayor's Council holds the view that a hybrid approach involving a variety of new funding sources combined with some increased reliance on existing funding sources is the best approach.

Property Tax Increases for TransLink Are Not Endorsed

Municipalities in the Region rely on property taxes as their primary source of revenue for the delivery of municipal services and all of the Region's municipalities are struggling to achieve sufficient revenues to deliver services and maintain the infrastructure for which they are responsible.

Local governments currently receive only 8 percent of the tax revenues raised by all orders of government in Canada with the Provincial governments receiving 42% of tax revenues and the federal government the remaining 50%. A significant majority of municipal revenues are raised through municipal property taxes. This is due to the fact that property taxes are the only source of direct taxation that municipalities have available to them under legislation. This compares rather starkly with the Federal and Provincial governments that have a broad array of

taxation sources from which they can draw revenues to support the services they deliver, including income taxes, sales taxes, excise taxes, fuel taxes, capital gains taxes, estate taxes, property transfer taxes, carbon taxes, etc. All of the municipalities in the Region are struggling to achieve sufficient revenues from property taxes to deliver the services and maintain the infrastructure for which they are responsible while keeping property taxes at levels acceptable to the public. Any taxation room that is available within the area of property taxation must be left for municipalities in recognition of their heavy reliance on this source of revenue for the delivery of services under their mandate. It is worthy to note that the portion of TransLink's total revenues that is generated from property taxes has risen from 18% in its first budget to 28% in 2009, amounting in 2009 to \$280 million.

Provincial Funding Considerations:

Over the last few years, the Provincial government has reduced taxes in a variety of areas including, most significantly in areas of income taxes and sales taxes. The Province is now expecting local governments to "claw back" these "lost" revenues by introducing other forms of fees and taxes to assist in paying for the Regional transportation and public transit system. This exercise of reducing taxes by one order of government when there are clear needs in other areas to which the revenues could be applied is clearly counterproductive and creates mistrust on the part of the public that the business of government is being conducted in a rationale manner.

Prior to the formation of TransLink, funding for transit services in the lower mainland was 47% from provincial sources and 53% from local sources. Currently, the revenues generated by TransLink are 35% from provincial sources and 65% from local sources.

Transfer of a Portion of the Carbon Taxes to TransLink

The Provincial government should closely examine its current stated policy of applying \$1.8 billion of revenue collected from three years' carbon tax against personal and small business tax reductions. The Ministry's current 'revenue neutral' objective for the taxpayer is to be achieved by providing a 'climate action credit' to individuals and businesses. This does nothing toward moving Metro Vancouver residents from their cars toward public transportation, whereas applying the carbon tax revenue collected from the Metro region directly toward the broadening of transportation options will directly benefit the public and achieve the policy goals.

This approach will also allow the Ministry to provide measurable benefit to any region paying the tax. Providing better public transportation to areas currently poorly served will also be a more effective way of reducing GHG's than relying on more esoteric schemes such as 'carbon offset trusts' that have little public understanding or support, and defy measurability. Furthermore, it is recognized that achieving a 'revenue neutral' approach to carbon tax requires the reduction of some other tax as an offset. But the taxpayer will only see the point in a carbon tax if they have readily available low-cost

alternatives to current fuel consumption – applying this tax, as an offset to current transportation needs is sound policy.

Local governments currently make good use of their share of the carbon tax, for green initiatives, and this must be maintained.

Those whose needs require the burning of lots of fossil fuel should pay more and those who consume less should pay less, but those who earn more and consume less should have the option of paying less tax. By offering all low-income earners provincial carbon tax credits, the Ministry would allow all residents in the region to benefit from better transit, thereby truly allowing us to get out of our cars and better understand the benefits of the carbon tax.

Federal Funding Considerations:

Introduction and Transfer of a Container Tax

The Region's Ports generate a significant amount of truck and rail traffic within and through the Region that act to congest and accelerate the deterioration of the Region's roads. In fact, in 2008, the Regions Ports handled 2 million containers. A Container Tax (i.e., a fee that would be payable for every container that is handled at the Region's Ports) could be introduced and transferred to TransLink in an amount that would offset the cost to the Region of the container traffic transported within and through the Region. In principle, the capacity of Region's road system could be increased using the revenues from such a tax, which would act to decrease congestion on the Region's roads that would act to reduce the travel time for container traffic within and through the Region. The savings in time and operational costs could more than offset the cost of the tax to those that would pay it.

Concerns with Local Sources for Funding TransLink

Vehicle Levy

There has been considerable discussion regarding the introduction of a vehicle levy as part of the funding model for TransLink. The advantage to a vehicle levy is that it will act to motivate residents to consider more sustainable transportation alternatives in place of the private automobile; however, it can also be perceived to unfairly tax people who have no public transit option (i.e., South of the Fraser area residents). In the absence of relatively uniform transit services across the Region, automobile owners in areas that are poorly served by transit could hold the view that they are subsidizing residents who live in areas that are well served by transit.

Parking Sales Tax

The parking sales tax poses a high burden on Vancouver and YVR which have the highest volume of paid parking stalls in the Region. The question of the equity of the funding

model needs to be addressed in relation to funding sources such as the parking sales tax.

Transit Fares

The elasticity of transit fares is a concern. Clearly, there is elasticity between the price of a bus ride and the propensity of the Region's residents to use transit. Based on current information about transit fare structures from across North America, it appears that the TransLink fare structure is reasonably positioned and it is unlikely that it would be a reasonable source for generating new revenues except for increases to keep up with inflation.

Federal Gas Tax Revenue Transfer as a Sustainable TransLink Operating Revenue Source:

Currently, the Federal government has committed to transfer gas tax revenues to the Province and the Province has committed to transferring the Region's proportionate share of these revenues to the Region. The Region has committed to allocating this revenue stream to TransLink for spending on capital needs (i.e., the purchase of buses, etc.) but the funds cannot be used by TransLink as part of its General Operating Budget. This arrangement was put in place before the announcement by the Federal government that the gas tax revenue transfer would be permanent. Now that the gas tax transfer payments are permanent, they are a sustainable source of revenue and, as such, could be allocated by the Region to TransLink as operating funding. In 2009, this transfer to TransLink amounted to \$120 million.

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